U.S.$120,000,000

Ixe Banco, S.A.

9.25% Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020

Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero, a Mexican bank incorporated in accordance with the laws of the United Mexican States ("Mexico"), is offering U.S.$120,000,000 aggregate principal amount of its 9.25% Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (the "Notes"). The Notes will bear interest at 9.25% per annum and will pay interest on a semi-annual basis on April 14 and October 14 of each year beginning on April 14, 2011 up to but excluding October 14, 2020 (the "Maturity Date"). See "Description of the Notes — Interest". The Notes will be issued only in registry book entry form in denominations of U.S.$50,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes will mature and be payable in full on the Maturity Date. Payment of principal on the Notes may be accelerated only in the case of certain events involving our bankruptcy (*concurso mercantil* or *quiebra*), liquidation or dissolution. There will be no right to accelerate the Notes in the case of a default in the performance of any of our covenants, including the payment of interest in respect of the Notes. See "Description of the Notes — Events of Default, Notice and Waiver".

We may redeem the Notes, in whole but not in part, subject to any regulatory requirements applicable for purposes of redeeming the Notes (including obtaining the approval of Banco de México), at any time prior to the Maturity Date, if there are specified changes in (i) Mexican laws affecting the withholding tax applicable to payments of interest (or amounts deemed interest) under the Notes, (ii) Mexican laws that result in us not being able to treat the Notes as part of our Tier 1 capital or (iii) Mexican tax laws that result in interest on the Notes not being deductible by us in whole or in part for Mexican income tax purposes. See "Description of the Notes — Redemption — Withholding Tax Redemption; and — Special Event Redemption". **IF OUR CAPITAL RATIO (AS DEFINED IN THIS OFFERING CIRCULAR) HAS DECLINED BELOW, OR WE REASONABLY DETERMINE THAT IT WILL DECLINE BELOW, THE MINIMUM PERCENTAGE REQUIRED FROM TIME TO TIME BY THE MEXICAN CAPITALIZATION REQUIREMENTS (AS DEFINED IN THIS OFFERING CIRCULAR) OR IF A MEXICAN REGULATORY EVENT (AS DEFINED IN THIS OFFERING CIRCULAR) OCCURS, WE WILL SUSPEND AND CANCEL ACCRUAL AND PAYMENT OF INTEREST THEREON AND DEFER PAYMENT OF PRINCIPAL PAYABLE ON THE NOTES ON THE MATURITY DATE OR UPON A WITHHOLDING TAX REDEMPTION OR A SPECIAL EVENT REDEMPTION, FROM THAT POINT UNTIL THE END OF THE SUSPENSION PERIOD (AS DEFINED IN THIS OFFERING CIRCULAR). BECAUSE PAYMENT OF INTEREST ON THE NOTES IS NON-CUMULATIVE, IN THE EVENT THAT ACCRUAL AND PAYMENT OF INTEREST IS SUSPENDED AND CANCELLED DURING ANY SUSPENSION PERIOD, YOU WILL NOT RECEIVE ANY SUCH NON-ACCRUED AND UNPAID INTEREST AT THE END OF THE SUSPENSION PERIOD. SEE "DESCRIPTION OF THE NOTES — TREATMENT OF INTEREST AND PRINCIPAL DURING A SUSPENSION PERIOD".**

The Notes are denominated in U.S. dollars. They will be our general, **unsecured**, non-preferred, **non-cumulative**, subordinated obligations (*obligaciones subordinadas no preferentes*). In the event of our bankruptcy (*concurso mercantil* or *quiebra*), liquidation or dissolution under Mexican law, the Notes will be subordinated and junior in right of payment and in liquidation to all our present and future senior indebtedness and subordinated preferred indebtedness (*obligaciones subordinadas preferentes*), and will rank *pari passu* with all of our other present or future unsecured subordinated non-preferred indebtedness. The Notes will be unsecured and not insured or guaranteed by the Savings Protection Agency (*Instituto para la Protección al Ahorro Bancario*) or any other Mexican governmental authority.

The Notes have been approved for listing on the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF Market.

Offering Price: 100.00% plus accrued interest, if any, from October 14, 2010.

See "Risk Factors" beginning on page 24 to read about important factors you should consider before buying the Notes.

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "Transfer Restrictions".

The Notes are expected to be issued in New York, New York and are expected to be delivered to investors through the facilities of The Depository Trust Company against payment on October 14, 2010.

Sole Book-Running Manager

Goldman, Sachs & Co.

Selected Dealer

Ixe Securities

Offering Circular dated October 8, 2010

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this offering circular. You must not rely on any unauthorized information or representations. This offering circular is an offer to sell only the Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this offering circular is current only as of its date.

THE MEXICAN CENTRAL BANK ("*BANCO DE MÉXICO*") HAS AUTHORIZED THE ISSUANCE OF THE NOTES, AS REQUIRED UNDER APPLICABLE MEXICAN LAW. AUTHORIZATION OF THE ISSUANCE OF THE NOTES BY *BANCO DE MÉXICO* DOES NOT ADDRESS THE LEGAL, TAX OR OTHER CONSEQUENCES TO THE HOLDERS OF THE NOTES, NOR DOES IT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY, OR THE TRANSLATION OF THE TERMS OF APPLICABLE MEXICAN LAW AND REGULATION, INCLUDING ARTICLES 134 BIS AND 134 BIS 1 OF THE MEXICAN BANKING LAW (*LEY DE INSTITUCIONES DE CREDITO*) AND RELEVANT PROVISIONS OF CIRCULAR 2019/95 ISSUED BY *BANCO DE MÉXICO*. UNDER THE AUTHORIZATION, IN THE EVENT THE TERMS HEREOF CONTRAVENE THE TERMS OF THE INDENTURE, THE TERMS OF THE INDENTURE SHALL PREVAIL. INVESTORS ARE ADVISED TO REVIEW THE INDENTURE. YOU MAY OBTAIN A COPY OF THE INDENTURE AND THE FORM OF THE NOTES BY CONTACTING THE TRUSTEE AT THE ADDRESS INDICATED IN THIS OFFERING CIRCULAR.

The Notes are not deposits made with Ixe Banco and are not insured by the United States Federal Deposit Insurance Corporation or any other United States governmental agency or by the *Instituto para la Protección al Ahorro Bancario* ("IPAB") or any other Mexican governmental agency, and are not guaranteed or secured, in any manner, by any entity that is part of Ixe Grupo (including its holding company).

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of the states of the United States, pursuant to registration or an exemption therefrom.

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

The distribution of this offering circular and the offering and sale of the Notes in certain jurisdictions may be restricted by law. We and the initial purchaser require persons into whose possession this offering circular comes to inform themselves about and to observe any such restrictions. This offering circular does not constitute an offer to sell, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction.

Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

Goldman, Sachs & Co. is offering the Notes inside the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act. In addition, the initial purchaser is offering the Notes outside the United States in reliance on Regulation S under the Act.

In making an investment decision, investors must rely on their own examination of us and the terms of this offering, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, the CNBV or any other securities commission or other regulatory authority, nor have the foregoing authorities approved this offering circular or confirmed the accuracy or determined the adequacy of this offering circular. Any representation to the contrary is unlawful.

This offering circular has been delivered only to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire Notes. Distribution of this offering circular to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each person receiving this offering circular acknowledges that:

- such person has not relied on the initial purchaser or any person affiliated with the initial purchaser in connection with its investigation of the accuracy of the information contained therein or its investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchaser. Prospective purchasers are hereby notified that the seller of any Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

We and the initial purchaser reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

IN CONNECTION WITH THIS OFFERING, GOLDMAN, SACHS & CO. AND ITS AFFILIATES MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD OF TIME AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON GOLDMAN, SACHS & CO. TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

CERTAIN DEFINITIONS

In this offering circular, unless the context otherwise requires, references to "we," "our," "us," "Ixe Banco" and the "Bank" refer to Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero; and references to "Ixe Grupo" refer to "Ixe Grupo Financiero, S.A.B. de C.V., Sociedad Controladora de Agrupación Financiera," our parent holding company.

The following definitions are used in this offering circular:

- "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.
- "General Rules for Banks" means the General Rules Applicable to Mexican banks (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*) issued by the CNBV, as may be amended from time to time or superseded.
- "Mexican Banking Law" means the *Ley de Instituciones de Crédito* of Mexico, as may be amended from time to time or superseded.
- "Mexican Stock Exchange" means the *Bolsa Mexicana de Valores, S.A.B. de C.V.*
- "Mexico" means the United Mexican States.
- "National Banking and Securities Commission" or "CNBV" means the *Comisión Nacional Bancaria y de Valores*.
- "National Securities Registry" or "RNV" means the *Registro Nacional de Valores*.
- "repurchase agreements," or securities sold under agreements to repurchase, are borrowing transactions pursuant to which the Bank receives cash in exchange for securities, which are subsequently repurchased by the Bank at an agreed price plus a premium (which is the equivalent of interest paid) and recorded under the caption "interest expense" in our income statement.
- "resale agreements," or securities purchased under agreements to resell, are lending transactions pursuant to which the Bank receives securities in exchange for the payment of cash, which are subsequently resold by the Bank at an agreed price plus a premium (which is the equivalent of interest received) and recorded under the caption "interest income" in our income statement.
- "SEC" means the United States Securities and Exchange Commission.
- "Securities Act" means United States Securities Act of 1933, as amended.
- "SME" means small- and medium-sized enterprises, which comprises enterprises varying in numbers of employees between approximately 5-100 employees (commerce), 20-100 employees (services) and 30-500 employees (industrial).
- "*Sofol*" means a limited purpose financial entity or *sociedad financiera de objeto limitado*.
- "*Sofom*" means a multiple purpose financial entity or *sociedad financiera de objeto múltiple*.

AVAILABLE INFORMATION

We are not subject to the information requirements of the Exchange Act. To preserve the exemption for resales and transfers under Rule 144A under the Exchange Act, we have agreed that we will promptly provide any holder or any prospective purchaser of the Notes who is designated by that holder and is a "qualified institutional buyer," as defined under Rule 144A, upon the request of such holder or prospective purchaser, with information meeting the requirements of Rule 144A(d)(4), unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. For so long as the Notes are outstanding, such information will be available at our specified offices and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg paying agent. Following completion of this offering, we are not otherwise obligated to furnish holders or others with any supplemental information, discussion or analysis of our business or financial reports other than as described below.

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

You should rely only upon the information provided in this offering circular. We have not authorized anyone to provide you with different information. You should not assume that the information in this offering circular is accurate as of any date other than the date of this offering circular.

The Notes have been approved for listing on the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF market. This offering circular forms, in all material respects, the listing memorandum for admission to the Luxembourg Stock Exchange. We will be required to comply with any undertakings given by us from time to time to the Luxembourg Stock Exchange in connection with the Notes, and to furnish to it all such information that the rules of the Luxembourg Stock Exchange may require in connection with the listing of the Notes.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

Financial Statements

This offering circular includes our audited financial statements as of December 31, 2008 and 2009 and for the years ended December 31, 2007, 2008 and 2009, together with the notes thereto, and unaudited financial statements as of June 30, 2010 and for the six months ended June 30, 2009 and 2010, together with the notes thereto (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for credit institutions, as amended ("Mexican Banking GAAP").

On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

Accounting Principles

Mexican Banking GAAP differs in certain respects from *Normas de Información Financiera* ("Mexican FRS" or "NIF") currently in effect as issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*, A.C. ("CINIF"). Mexican Banking GAAP also differs in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). For a summary of certain differences between Mexican Banking GAAP and U.S. GAAP, as they relate to the Financial Statements, see Annex A of this offering circular. Such differences might be material to the financial information contained in this offering circular. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Ixe Banco, the terms of this offering circular and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information contained herein.

Effective January 1, 2008, we adopted the guidelines of the Mexican Financial Reporting Standard B-10 "Recognition of the Effects of Inflation" which provide that the effects of inflation will no longer be recognized in financial statements in a non-inflationary environment. After that date, the recording of inflation effects will only be required in an environment where cumulative inflation over the three preceding years is equal to or greater than 26%. Because of the relatively low level of Mexican inflation in recent years, the cumulative inflation rate in Mexico over the three-year period preceding December 31, 2009 does not qualify as inflationary.

Consequently, beginning on January 1, 2008, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in pesos in purchasing power as of December 31, 2007. The financial information as of December 31, 2008 and 2009 and as of June 30, 2009 and 2010, and the financial information for the years ended December 31, 2008 and 2009, and for the six months ended June 30, 2009 and 2010, is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information for the years ended December 31, 2008 and 2009, and for the six months ended June 30, 2009 and 2010 maintained the inflation adjustments recognized in prior years in our consolidated stockholders' equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

Effective on October 1, 2008, the Circular B-3 "Repurchase or Resale Agreements" was modified by the CNBV requiring that repurchase or resale agreements are recorded according to the economic substance of the transaction financed with collateral. The financial assets pledged as collateral are still recorded in the balance sheet, as the Bank continues to retain the risk, benefits and control over them. On the trade date, the cash income or outlay should be recorded, or recognized as a receivable or account payable, at its fair value, initially at the agreed price, which represents the right or the obligation to pay the cash to the counterparty.

On August 12, 2009, the CNBV issued a resolution modifying the "General Provisions Applicable to Banking Institutions," which primarily modifies the consumer credit loan rating methodology, as well as probabilities of default, to show the expected loss in these operations based on the current environment. The consumer loan portfolio, which does not include credit card operations, will consider the number of unpaid billing periods established by the Bank as well as the probability of nonpayment and the severity of the loss according to percentages established by the CNBV. If this portfolio has collateral or means of payment in favor of the Bank, the covered balance will be considered to have zero unpaid periods for provisioning purposes.

Currency

This offering circular contains translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such dollar amounts or could, at this time, be converted into dollars at the rate indicated. Unless otherwise indicated, such dollar amounts have been translated from peso amounts at an exchange rate of U.S.$1.00 to Ps.12.8306, the noon buying rate for Mexican pesos on June 30, 2010. The translation of income statement transactions expressed in pesos using such rates may result in presentation of dollar amounts that differ from the dollar amounts that would have been obtained by translating Mexican pesos into dollars at the exchange rate prevailing when such transactions were recorded. On October 1, 2010, the noon buying rate for Mexican pesos was U.S.$1.00 to Ps.12.5433. The "noon buying rate" is the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board.

Terms Relating to Our Loan Portfolio

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

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

Unless otherwise specified herein, the terms "total performing loans" and "total performing loan portfolio," as used in this offering circular, do not include "total non-performing loans," as defined below. The term "net total performing loans" refers to total performing loans less allowance for loan losses on these loans.

The terms "total non-performing loans" and "total non-performing loan portfolio" include past due principal and past due interest. The term "net non-performing loans" refers to total non-performing loans less allowance for loan losses on these loans.

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

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

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

Terms Relating to Our Capital Adequacy

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

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

- "Tier 1 capital" refers to the basic portion (*parte básica*) of the total net capital, as such term is determined based on the Rules for Capitalization.

- "Tier 2 capital" refers to the additional portion (*parte complementaria*) of the total net capital, as such term is determined based on the Rules for Capitalization.

- "Capital Ratio" refers to the ratio of the total net capital (*capital neto*) to risk-weighted assets, market risk and operational risk calculated in accordance with the methodology established or adopted from time to time by the CNBV pursuant to the Rules for Capitalization and the Mexican Capitalization Requirements.

- "Rules for Capitalization" means the Rules for Capitalization Requirements of Commercial Banks and National Credit Institutions (*Reglas para los requerimientos de Capitalización de las Instituciones de Banca Múltiple y las Sociedades Nacionales de Crédito, Instituciones de Banca de Desarrollo*) published in the Official Gazette on November 23, 2007 and as such regulations may be amended from time to time or superseded.

- "Mexican Capitalization Requirements" refers to the capitalization requirements for commercial banks set forth under the Mexican Banking Law, the General Rules for Banks and the Rules for Capitalization, as such regulations may be amended from time to time or superseded.

Rounding

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

Market Share and Ranking Information

Unless otherwise indicated, the market share and ranking information included in this offering circular is derived from statistics of the CNBV, *Asociación de Banqueros de México*, *A.C.* (“ABM”) or *Controladora Prosa, S.A. de C.V.* (“Prosa,” a Mexican clearing agency for automated teller machines (“ATMs”) and credit cards).

FORWARD-LOOKING STATEMENTS

Certain statements in this offering circular are “forward-looking” statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to our financial condition, results of operations, plans, objectives, future performance and business, including, but not limited to, statements with respect to the adequacy of the allowance for loan losses, market risk and the impact of interest rate changes, capital adequacy and liquidity, and the effect of legal proceedings and new accounting standards on our financial condition and results of operations. All statements contained in this offering circular that are not clearly historical in nature are forward-looking, and the words “anticipate,” “believe,” “continues,” “expect,” “estimate,” “intend,” “project” and similar expressions and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may” or similar expressions are generally intended to identify forward-looking statements.

These forward-looking statements involve certain risks, uncertainties, estimates and assumptions by management. Various factors, some of which are beyond our control, could cause actual results to differ materially from those contemplated by such forward-looking statements.

All forward-looking statements included in this offering circular are based upon information available to us as of the date of this offering circular and we assume no obligation to update or revise any of those forward-looking statements.

The risks of an investment in our Notes are more specifically described under the heading “Risk Factors.” If one or more of these risks or uncertainties should occur, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected.

SUMMARY

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

Overview

We are a Mexican bank, incorporated in April 1994 in accordance with the laws of Mexico as a corporation with limited liability (*sociedad anónima*), licensed to operate as a commercial bank (*institución de banca múltiple*). "Ixe," our name, means "he who is responsible and keeps his word" in Náhuatl, an indigenous Mexican language. Our corporate culture is focused on client service, and we aim to provide customized, high-quality products and services across our business lines, which we believe distinguishes us from our competition. Our strategy is focused on middle-upper and upper-income customers.

In October 2000, a group of Mexican investors acquired a 91.7% controlling interest in the capital stock of Ixe Grupo, our parent company, and the current management team took over operations. As of June 30, 2010, approximately 54.8% of the capital stock of Ixe Grupo was owned by certain members of the families of Messrs. Davis, Martín, Losada and Saba, and by Messrs. Enrique Luis Castillo Sánchez Mejorada and Javier Molinar Horcasitas, well known business leaders within Mexico, and approximately 28.7% was owned by Brysam Mexico II LLC. The shares of Ixe Grupo have been listed on the Mexican Stock Exchange since 1994 under the ticker symbol IXEGF.

As of June 30, 2010, we had a growing retail network consisting of 154 branches. By comparison, we had 145 total branches at the end of 2009 and 128 branches at the end of 2008. Additionally, at the end of 2009 and 2008 we had 13 and 12 branches, respectively, which were operating under the El Banco Deuno brand, focused on middle-income customers. These branches suspended operations on June 30, 2010 and the businesses previously conducted by theses branches were transferred to Ixe Banco branches. Our branches are located in the Mexico City metropolitan area, Monterrey, Cuernavaca, Guadalajara, León, Querétaro, Metepec, Toluca, Puebla and Ciudad Juárez. As of June 30, 2010, we had 185 Ixe-branded ATM machines. As of June 30, 2010, we provided financial services and products to 225,189 individuals and 36,666 corporations in Mexico. According to information from the CNBV, as of June 30, 2010, we are one of the top ten Mexican banks in terms of total deposits per client account.

As of June 30, 2010, we had Ps.66.0 billion (U.S.$5.1 billion) in total assets and Ps.4.3 billion (U.S.$338.5 million) in stockholders' equity, which represented 67.3% and 58.6%, respectively, of the total assets and stockholders' equity of Ixe Grupo. Our net operating revenue and net income for the six months ended June 30, 2010 were Ps.1,290.5 million (U.S.$100.6 million) and Ps.(3.9) million (U.S.$(0.3) million), respectively, and for the year ended December 31, 2009 were Ps.2,436.7 million (U.S.$189.9 million) and Ps.3.6 million (U.S.$0.3 million), respectively. We had an annualized return on average equity of (0.11)% as of June 30, 2010 (average based on monthly balances). As of June 30, 2010, we had total ratios of non-performing loans to total loan portfolio of 1.0%, an allowance for loan losses to total loan portfolio of 1.6%, an allowance for loan losses to non-performing loans of 165.1% and a ratio of total loan portfolio to total deposits of 94.3%. At June 30, 2010, our Capital Ratio was 15.7%, which is higher than the established regulatory requirement of 8.0% set forth under the Mexican Capitalization Requirement. Banks falling under the 8.0% regulatory requirement are required to, among other things, defer or cancel interest payments and defer principal payments of their subordinated debt. We expect a continued asset expansion as well as a trend toward higher capital requirements in the future. We intend to use a portion of the proceeds of this offering to increase our capital ratio and to support the growth of our loan business.

We are primarily engaged in commercial banking with middle-upper and upper-income customers. Our services for individual clients principally include deposits and consumer finance, and for corporate clients and SMEs, our services principally include lending, foreign exchange, money market, factoring and derivatives. For the six months ended June 30, 2010, 69.3% of our revenues were derived from financial margin and 30.7% of our revenues were derived from non-interest income, including brokerage revenues. As of June 30, 2010, approximately 58.0% of the total loans provided by us were guaranteed or secured by collateral (primarily real estate and other assets such as cash and securities). We are engaged in proprietary trading, including trading in capital markets, money markets and foreign exchange markets, and we also provide brokerage services in connection with fixed-income securities and derivatives. We distribute asset management products, including investment funds of Ixe Fondos.

In December 2008, we created a joint venture with JPMorgan Chase & Co. ("JPMorgan Chase") through its subsidiary CMC Holding Delaware Inc. ("CMC"), to develop a credit card business in Mexico. Ixe Banco owns 50% of the shares in the Ixe Tarjetas, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada ("Ixe Tarjetas") joint venture, and CMC owns the remaining 50% of the shares. Ixe Banco transferred to Ixe Tarjetas its then-existing credit card portfolio, valued at Ps.1,099.8 million, together with certain related assets and liabilities, in exchange for a payment of Ps.1,715.8 million. On December 1, 2008, each of Ixe Banco and CMC made an initial capital contribution of U.S.$40.0 million to Ixe Tarjetas. In addition, each of Ixe Banco, JPMorgan Chase Bank, N.A., London Branch, England ("JPMorgan London") and El Banco Deuno (prior to El Banco Deuno's merger with Ixe Banco) made a short-term loan to Ixe Tarjetas in the amount of Ps.342.6 million, Ps.500.0 million and Ps.157.4 million, respectively, which have since been repaid in full. On September 30, 2009, we provided Ixe Tarjetas with a short-term loan that has since been repaid in full. We also provided Ixe Tarjetas with a Ps.150 million revolving line of credit. As of June 30, 2010, there was no principal amount outstanding under this credit facility. On June 30, 2010, JPMorgan Chase Bank, N.A. made three short-term loans to Ixe Tarjetas in the amounts of Ps.1,350.0 million, Ps.45 million and Ps.360.0 million.

As of December 1, 2008, our credit card loan portfolio is no longer consolidated in our financial statements and our interest in the joint venture is accounted for using the equity method. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods. As of June 30, 2010, Ixe Tarjetas had 163,852 outstanding cards and a credit portfolio of Ps.1,989.2 million (U.S.$155.0 million). See "Our Business — Credit Card Joint Venture."

On May 26, 2010, Ixe Grupo signed a 10-year distribution and services exclusive agreement with Royal & SunAlliance Seguros (México), S.A. de C.V., a subsidiary of RSA Insurance Group plc (formerly known as Royal & SunAlliance) ("RSA Insurance"), to sell insurance products through the Ixe Banco branch network as well as to insure its credit portfolios. RSA Insurance is one of the world's leading insurance groups. We believe this agreement will enhance the value of our insurance business. This agreement will allow us to expand the scope of financial products offered to our clients, as well as diversify our sources of income.

Our board of directors and management may from time to time engage in discussions regarding possible strategic transactions at the level of Ixe Grupo or Ixe Banco, including merger or acquisition transactions with third parties and other alternatives, for the purpose of strengthening our competitive position in the Mexican financial market. However, there can be no assurance that we will be able to successfully identify, negotiate and complete any such strategic transactions. In addition, if we complete a strategic transaction, the implementation of such transaction will involve risks, including the risks that we will not realize the expected benefits of such transaction, that we may be required to incur non-recurring costs or other charges and that such transaction may result in a change in control at the level of Ixe Banco or Ixe Grupo. In addition, any strategic transaction would have to be approved by our stockholders or board of directors, depending upon its materiality, and may require, among other things, approval from governmental agencies.

Our principal executive offices are located at Paseo de la Reforma 505, Piso 45, Col. Cuauhtémoc, 06500 Mexico D.F. Our telephone number is + 52-55-5268-9000.

Competitive Strengths

Innovative Customer Service

We have a history of customer service innovation in the Mexican retail banking market, which we believe differentiates us from our competitors. We believe our track record of providing convenient banking services through a variety of different channels has supported the expansion of our client base from 148,569 at the end of 2007 to 261,855 at June 30, 2010, and we intend to capitalize on this track record as we open new branches in the Mexico City metropolitan area and in other targeted cities within Mexico.

Quality of customer service is an integral part of our strategy. In October 2008, March 2009 and April 2010 according to a poll conducted by Expansión magazine and cnnexpansion.com (a venture between CNN and Expansión magazine) among their subscribers, we were rated as the best bank in quality of customer service and assistance in Mexico out of eight banking institutions that were evaluated. America Economía magazine also ranked us as the best bank in customer service in Mexico in 2008. Also, the National Commission for the Defense of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, or CONDUSEF) ranked our credit card call center as the best in customer service in Mexico in 2007 and 2008. In June 2010, CONDUSEF published a study with grades assigned to banks and other lending institutions (*Sofoles and Sofomes*) with respect to the transparency and quality of information provided to clients in account statements, credit contracts and advertising of mortgages. We received a rating of 9.9 points out of a maximum rating of 10.

Examples of our innovative approach to retail banking in the Mexican market include the following services:

- *Ixe Café* — In December 2004, we launched Ixe Café, a branch layout that we believe provides our customers with a more comfortable and inviting banking experience than that offered by our competitors, but that provides the same spectrum of products and services. As of June 30, 2010, 113 of our 154 branches featured the Ixe Café format. During the period between January 1, 2010 and June 30, 2010, we opened a total of 9 branches. In contrast to the branch layout more commonly associated with Mexican retail banks, where the customer usually waits in line to be served, our Ixe Café branches offer what we believe to be a friendly and comfortable café-style format, where customers are greeted in a relaxed environment, can access the Internet, enjoy a cup of gourmet coffee, read newspapers and magazines and receive personal attention from our trained employees.

- *Direct Banking* — We offer direct banking solutions to our retail customers through our *Banca Directa* service. With *Banca Directa*, we deliver banking services directly to our customers at their homes or offices, including cash withdrawals, deposits, checkbooks, bank checks, travelers checks, foreign currency services and other banking services. The first four deliveries and/or collection requests in each month are free of charge if the customer has a balance of more than $50,000 pesos in his or her account. We believe that our *Banca Directa* service appeals to customers who prefer to save the time that would otherwise be required to visit a branch, and we believe that a number of our customers are attracted by the ability to do their banking transactions in the safety and privacy of their own homes and offices.

- *Internet Banking* — We have offered our products and services through the Internet since our inception. Our Internet banking portal, Ixe Net, was one of the first financial Internet portals in Mexico, and offers banking products and services to our retail customers 24 hours a day at no extra charge. Our Internet portal is user friendly and features the latest security measures, including secure data transmission protocol, secure identification and firewalls, among others. As of June 30, 2010, we had approximately 88,071 registered users of Ixe Net, which represents 33.6% of our total client base.

- *Telephone Banking* — Unlike most of our competitors, our customers that use our telephone banking services are greeted with the alternative of speaking with a skilled customer services representative or using automated options to access our telephone banking services. Both alternatives, speaking to a live representative or using automated options, are available 24 hours a day, seven days a week and provide access to most of our banking services and products, such as account balance inquiries, transfers, credit card activation, request of home delivery services, and scheduling a visit with a bank representative, among others. We receive, on average, approximately 39,530 calls per week.

Flexible and Adaptable Organizational Structure

Our lean organizational and streamlined management structures allow us to respond quickly to both our corporate and individual clients' needs, as well as to changing market conditions. We believe that the speed at which we can respond to our clients and develop new products and services provides us with a competitive advantage. We also believe that we are one of a few banks in the Mexico City metropolitan area that is able to approve a personal loan request in less than 24 hours using our credit scoring systems. We intend to remain focused on maintaining our flexible and efficient operations to maintain the speed at which we respond to our clients' needs as we continue to expand our business. In addition, we intend to continue to develop new products and services and to upgrade our existing portfolio of products and services. At any point in time, we have approximately 15 different products and services being developed or upgraded by our new products development team.

Cross-Selling of Products and Services

We have continued to expand our financial offerings by selling additional products and services to our customers, including consumer credit products and additional financial products offered by Ixe Grupo, such as auto finance, mortgage lending, brokerage services, insurance products offered by RSA Insurance and distributed through our Ixe Banco branches, and asset management products and services. At our branches, our corporate and individual clients have access to our products and services as well as other products and services of Ixe Grupo. As of June 30, 2010, on average, our customers hold and use approximately 2.9 of our products and services. In addition, all of our employees involved in sales receive training on how to effectively cross-sell these products to our clients.

High Net Worth Client Base

We believe that we have one of the highest net worth client bases in the Mexican banking sector. We require a minimum deposit of Ps.20,000 from each of our clients to open a checking account. According to information provided by the CNBV, our clients' average deposits account balance amounted to Ps.130,027.0 as of June 30, 2010, as compared to Ps.25,118.8 for other commercial banks in Mexico. Our clients' average deposits balance (including traditional deposits, money market accounts and investment funds) was Ps.220,248.2 as of June 30, 2010.

Brand Loyalty

Our brand loyalty is highlighted by our high level of client referrals. We estimate that approximately 29.4% of our customers are referred by existing customers, demonstrating a high level of customer satisfaction. We believe that our reputation for innovative customer service has allowed us to employ a customer-referral strategy to achieve a substantial portion of our growth, thereby helping us efficiently manage our customer acquisition costs.

Strategy

We seek to provide a diverse range of financial services in Mexico to individuals, corporations and SMEs with a high degree of focus on quality of service. We believe our strategy has proven successful in the Mexican financial services market, which is highly concentrated and competitive, and has historically been dominated by large international financial services companies. We believe being an innovative bank and having a lean management structure has allowed us to attract customers for whom high-quality services and quick response times are important. The principal elements of our strategy include the following:

Expand Our Branch Network in Mexico City and Other Key Cities in Mexico

In 2004, we launched a retail branch expansion strategy and we plan to continue expanding our retail branch network to approximately 160 retail branches by December 31, 2010. We expect to open additional branches in the cities where we already have a presence and to continue our branch expansion to other cities in Mexico. As of June 30, 2010, we had a total of 154 retail branches distributed as follows: 85 in the Mexico City metropolitan area, 25 in Guadalajara, 14 in Monterrey, 6 in León, 5 in Cuernavaca, 7 in Puebla, 7 in Querétaro, 2 in Metepec, 2 in Ciudad Juárez, and 1 in Toluca. The total number of customers served through our branch network increased from 148,569 at the end of 2007, with total deposits of Ps.16.7 billion, to 261,855 at the end of June 2010, with total deposits of Ps.27.5 billion.

In October 2008, we launched El Banco Deuno as a second banking offering focused on a different population segment. El Banco Deuno offered differentiated financial services to the middle socioeconomic segment and SMEs. As of December 31, 2009, we had a total of 13 branches in Mexico City and Guadalajara under the El Banco Deuno brand. El Banco Deuno operated under a different commercial trademark, but its results were part of, and were consolidated with, our results. In June 2010, we closed the branches under the El Banco Deuno brand given the changes in market conditions that affected the segment serviced by these branches. The accounts opened under the El Banco Deuno brand were transferred to Ixe Banco.

The population of Mexico is estimated at 107.5 million inhabitants, 5.8% of whom are within the top three socioeconomic levels (A, B and C+)[1] in terms of purchasing power. In addition, we believe that the population in Mexico is relatively young with approximately 38.9% of the population being between 25 and 54 years of age. We believe that there is substantial growth potential for our business in these target markets. We believe our planned retail branch expansion will result in an increase in our deposit base, cross-selling opportunities and expansion of our overall business.

Expand our Credit Portfolio and Loans to SMEs

We plan to continue to expand our credit portfolio with continued growth in commercial, consumer, mortgage and loans to financial institutions. Additionally, we plan to continue the expansion of our lending businesses focused on loans to SMEs and to entrepreneurs. We currently intend to focus primarily on three general sectors of the economy: manufacturing, commerce and services, using existing relationships with our current clients to increase our lending activity. However, our business strategy going forward is still committed to the continued attraction of deposits while maintaining our level of total deposits above our total loan portfolio.

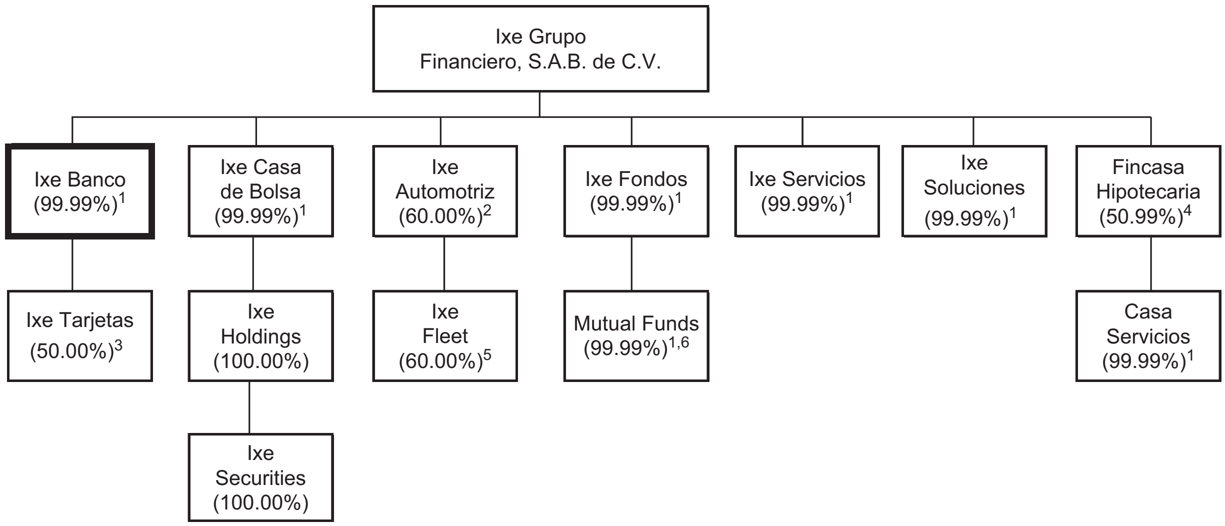
Expand our Credit Card Business Through Ixe Tarjetas

We plan to continue expanding in areas of consumer credit, such as credit cards. In December 2008, we created a joint venture with JPMorgan Chase, through its subsidiary CMC, to develop a credit card business in Mexico. Ixe Banco owns 50% of the shares in the Ixe Tarjetas joint venture, and CMC owns the remaining 50% of the shares. As of June 30, 2010, each of Ixe Banco and CMC had made a capital contribution of Ps.723.9 million to Ixe Tarjetas. As of June 30, 2010, Ixe Tarjetas had 163,852 outstanding cards and a credit portfolio of Ps.1,989.2 million (U.S.$155.0 million). See "Our Business — Credit Card Joint Venture."

[1] Based on a market study by Sigma Consultores (2006-2007). According to Sigma Consultores, A, B and C+ are the three highest socioeconomic levels out of nine.

Ixe Grupo

The following chart sets forth Ixe Grupo's organizational structure as of the date of this offering circular:



(1) Enrique L. Castillo Sánchez Mejorada holds the remaining interest.
(2) SF Autouno, S.A. de C.V. holds the remaining 40.0% interest.
(3) Ixe Tarjetas is a jointly controlled company, and JPMorgan Chase, through its subsidiary CMC Holding Delaware Inc., holds the remaining 50.0%. Ixe Banco accounts for the joint venture applying the equity method.
(4) A subsidiary of Deutsche Bank holds the remaining 49.01% interest.
(5) FCE International LLC. holds the remaining 40.0% and operates under the name Wheels Inc.
(6) This percentage refers to fixed capital and excludes equity investments made by customers in the variable capital of such entities.

Business of Ixe Grupo

Ixe Grupo is one of the few independent financial services groups in Mexico not controlled by a multinational financial institution. Ixe Grupo believes it has an established presence in Mexico's principal cities. Ixe Grupo is primarily engaged in commercial banking, private banking, asset management, corporate banking, and securities and trading activities. Ixe Grupo is also engaged in corporate finance transactions, construction financing and mortgage credit, leasing, consumer credit, auto leasing and financing, factoring, foreign exchange and other related financial services. As described elsewhere in this offering circular, many of these services and products are provided by us.

Ixe Grupo conducts its operations through its subsidiaries, which include us. Ixe Grupo's principal subsidiaries include the following:

- *Ixe Banco*;
- *Ixe Casa de Bolsa:* Ixe Casa de Bolsa is an Ixe Grupo broker-dealer;
- *Ixe Servicios:* Ixe Servicios is an Ixe Grupo service company that hires temporary personnel;
- *Ixe Fondos:* Ixe Fondos provides investment fund management services;
- *Ixe Automotriz:* Ixe Automotriz is a *Sofom* that specializes in automobile financing; in association with Wheels Inc. and through Ixe Fleet, it offers fleet management services;
- *Ixe Soluciones:* Ixe Soluciones is a *Sofom* dedicated to loan management and workouts; and
- *Fincasa:* Fincasa is a *Sofom* focused on construction financing.

THE OFFERING

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

The Notes

Issuer	Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero.
Notes	U.S.$120,000,000 aggregate principal amount of 9.25% Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020. The Notes are not guaranteed, or otherwise eligible for reimbursement, by the IPAB or by any other Mexican governmental agency, and will not be guaranteed or secured, in any manner, by any entity that is part of Ixe Grupo (including our holding company), and, by their terms, are not convertible into our shares or equity capital.
Issue Price	100.00% of the principal amount.
Issue Date	October 14, 2010.
Maturity Date	The Notes will mature and be payable in full on October 14, 2020 (the "Maturity Date"). Holders of Notes will have no rights at any time to call for redemption of, or accelerate, the Notes, except that Holders may accelerate the Notes upon the occurrence of a Bankruptcy Event of Default (as defined in "Description of the Notes") described under "— Events of Default, Notice and Waiver." We may redeem the Notes, at our election, due to a Withholding Tax Redemption and Special Event Redemption prior thereto, in each case, as discussed under "Description of the Notes — Redemption."
Indenture	The Notes will be issued under an indenture, dated as of October 14, 2010, between us and The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent.
Rating	The Notes have been rated "B" by Standard & Poor's and "B+" by Fitch Ratings. A security rating is not a recommendation to buy, sell or hold securities and each may be subject to revision or withdrawal at any time by the assigning rating agency without notice.
Interest	The Notes will bear interest at 9.25% per annum, accruing from and including the issue date up to but excluding the Maturity Date. Interest on the Notes will be payable semi-annually in arrears on each April 14 and October 14 of each year (each such date, an"Interest Payment Date"), commencing on April 14, 2011.

	If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined in "Description of the Notes"), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.
	We have the right to and may suspend and cancel the accrual and payment of interest due on the Notes during a Suspension Period. The accrual and payment of interest on the Notes will resume upon the occurrence of any of the Suspension Period termination events. See "Description of the Notes — Suspension Periods."
Withholding Tax Redemption	Under the terms of the indenture, we have the option to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at par plus any accrued and unpaid interest due on the Notes upon the occurrence of a Withholding Tax Event (which event happens upon the occurrence of certain changes in tax law, that require us to pay Mexican withholding taxes in respect of interest payments (or amounts deemed interest) made under the Notes to non-residents of Mexico for tax purposes in excess of a 4.9% rate and the satisfaction of certain conditions, and is described in "Description of the Notes — Redemption — Withholding Tax Redemption") affecting the Notes (a "Withholding Tax Redemption"). In the event of such a Withholding Tax Redemption, we may be required by *Banco de México* to obtain its authorization on or prior to the date fixed for such redemption under the terms of the indenture (the "Redemption Date") to redeem the Notes. If we were to effect such a Withholding Tax Redemption, we would, to the extent required by Mexican law, have to issue or have issued prior to the Redemption Date securities or other instruments that are eligible to be computed as Tier 1 capital for the same principal amount pursuant to the Rules for Capitalization. The summary of Mexican regulations described in the preceding sentences are for information purposes only and shall not grant any rights to the trustee or the holders of the Notes, including the right to request any such authorization.

Special Event Redemption.	Under the terms of the indenture, we also have the option to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at the Special Event Price (as defined in "Description of the Notes — Redemption — Special Event Redemption"), which includes a make-whole premium, upon the occurrence of a Special Event (which event happens upon the occurrence of certain changes in bank regulatory requirements or tax law and the satisfaction of certain conditions, and is described in "Description of the Notes — Redemption — Special Event Redemption") affecting the Notes (a "Special Event Redemption"). In the event of such a Special Event Redemption, we may be required by *Banco de México* to obtain its authorization on or prior to the Redemption Date to redeem the Notes. If we were to effect such a Special Redemption, we would, to the extent required by Mexican law, have to issue or have issued prior to the Redemption Date securities or other instruments that are eligible to be computed as Tier 1 capital for the same principal amount pursuant to the Rules for Capitalization. The summary of Mexican regulations described in the preceding sentences are for information purposes only and shall not grant any rights to the trustee or the holders of the Notes, including the right to request any such authorization.
Suspension Periods.	(1) A "Suspension Period" will commence and we will, during such Suspension Period, suspend and cancel accrual and payment of interest otherwise due on the Notes and defer the payment of principal payable upon redemption of the Notes upon the occurrence of the following: (i) (x) our Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements or (y) our board of directors reasonably determines that it is immediately imminent that our Capital Ratio will decline below the minimum percentage required from time to time by the Mexican Capitalization Requirements (in either case, a "Capital Ratio Event"); or (ii) the CNBV institutes a corrective measure against us pursuant to Article 134 Bis or Article 134 Bis 1 of the Mexican Banking Law (including the corresponding rules set forth under the General Rules for Banks), which requires deferring or cancelling payments of interest otherwise due on the Notes and, in its case, deferring payments of principal (a "Mexican Regulatory Event").

(2) A Suspension Period shall not give rise to an Event of Default under the indenture or the Notes. A Suspension Period shall terminate and accrual and payment of interest due on the Notes will resume and the payment of principal due on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption shall be due (i) if the Suspension Period was triggered by a Capital Ratio Event, when our Capital Ratio is no longer below, or our board of directors reasonably determines that there is no longer a risk that our Capital Ratio will decline below, the minimum percentage required by the Mexican Capitalization Requirements; (ii) if such Suspension Period was triggered by a Mexican Regulatory Event, when the related Mexican Regulatory Event has terminated; or (iii) if dividends or other distributions are paid by us on or in respect of our capital stock, other than the Dividend Exceptions (as defined below).

(3) During any Suspension Period, we shall not: (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock (which includes common and preferred stock); (ii) make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any of our debt securities that rank *pari passu* with or junior in right of payment and in liquidation to the Notes, or (iii) to the extent any such guarantee is permitted under applicable law, make any guarantee payments with respect to any guarantee granted by us in respect of the debt securities of any of our subsidiaries if such guarantee ranks *pari passu* with or junior in right of payment and in liquidation to the Notes; *provided*, *however*, that (x) the foregoing shall not, to the extent otherwise permitted by the Mexican Capitalization Requirements or applicable law, prohibit payment of the Dividend Exceptions, and (y) the foregoing shall not apply to the extent that we obtain prior regulatory consent for any action that would otherwise be prohibited and resume full payment of interest due (including payment of any previously accrued interest due) on the Notes and, if applicable, pay any principal due on the Notes on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption. Subject to the foregoing, we shall pay interest due on the Notes so long as we are paying dividends or other distributions on or in respect of our capital stock.

(4) "Dividend Exceptions" shall mean (i) dividends or distributions in shares of or options, warrants or rights to subscribe for or purchase shares of, our common stock; (ii) any declaration of a stock dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future; (iii) any reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock; (iv) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; (v) purchases of common stock related to the issuance of common stock or rights under any of our benefit plans for our directors, officers or employees and (vi) other equivalent transactions not involving payments or distributions in cash.

Treatment of Interest and Principal During a Suspension Period . . . .

We have the right to and will suspend and cancel accrual and payment of interest due on the Notes and defer the payment of principal due on the Notes on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption, as the case may be, for the duration of any Suspension Period (see "Description of the Notes — Suspension Periods"). In the event of a suspension and cancellation of accrual and payment of interest on the Notes or deferral of payment of principal on the Notes on the Maturity Date or upon a Withholding Tax Redemption or a Special Event Redemption, we will notify the holders of the Notes in accordance with the procedures described in the indenture. Payments of interest due on the Notes will be non-cumulative, so that in the event that accrual and payment of interest are suspended and cancelled in respect of any Suspension Period, holders of the Notes will have no right to receive any such non-accrued and unpaid interest (which would have accrued had there not been a Suspension Period) at the end of such Suspension Period, whether or not such payments are paid at any future Interest Payment Date. Notwithstanding the foregoing, all interest accrued prior to a Suspension Period, but not paid as a result of such Suspension Period in effect on the relevant Interest Payment Date(s) on which such payments would have been payable, will be payable (without additional interest on such interest previously accrued) on the next succeeding Interest Payment Date on which no Suspension Period is in effect. If a Suspension Period exists on the Maturity Date, payment of principal will be deferred without accruing additional interest until the date that is five days after the date on which no Suspension Period is in effect. Principal payments may be deferred but not cancelled. When a Suspension Period is no longer in effect, we will notify the holders and the trustee of the Notes in accordance with the procedures described in the indenture.

Ranking	The Notes constitute Subordinated Non-Preferred Indebtedness (*obligaciones subordinadas no preferentes*) and will rank (i) junior to our Senior Indebtedness and Subordinated Preferred Indebtedness (*obligaciones subordinadas preferentes*), (ii) *pari passu* without preference among themselves and with all our other Subordinated Non-Preferred Indebtedness and (iii) senior only to all classes of our capital stock, as described in this offering circular. See "Description of the Notes — Subordination."
Use of Proceeds	We intend to use the net proceeds of the issuance of the Notes for general corporate purposes, including providing approximately U.S.$47.3 million of additional long-term capital to support the opening of new branches; providing additional long-term capital to support the expansion of our lending portfolio; improving our ratio of capital to risk-weighted assets; and providing a capital contribution of approximately U.S.$47.3 million to support our credit card joint venture.
Events of Default; No Payment of Principal Due Except in Case of Certain Events Involving Bankruptcy, Liquidation or Dissolution	An "Event of Default" is defined in the indenture as: (i) a default for 30 calendar days in the payment of interest due and payable on the Notes, other than during a Suspension Period; (ii) a default in the payment of the principal due and payable on the Notes on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption, except during a Suspension Period; or (iii) certain events involving the declaration of our bankruptcy (*concurso mercantil* or *quiebra*), or our liquidation or dissolution. The payment of principal of the Notes will be accelerated upon the occurrence of an Event of Default described in clause (iii) above, referred to as a "Bankruptcy Event of Default." There is no right of acceleration or to claim payment of principal of the Notes upon the occurrence of any other Event of Default noted above, including a default in the payment of principal on the Maturity Date or upon a Withholding Tax Redemption or a Special Event Redemption. See "Risk Factors — Risks Relating to the Notes — If we do not satisfy our obligations under the Notes, your remedies will be limited."
Voting Rights	None.

Payment of Additional Amounts	We will make all payments in respect of the Notes without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico (the "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, the "Relevant Tax") unless the withholding or deduction of the Relevant Tax is required by law. In that event, we will pay as further distributions such Additional Amounts (as defined in "Description of the Notes") as may be necessary so that the net amounts received by the holders or beneficial owners of the Notes or their nominees (collectively, "holders") after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no Additional Amounts will be payable to a holder (1) to the extent that the Relevant Tax is imposed or levied only by virtue of such holder having some connection with the Relevant Jurisdiction, other than being a holder of such Notes or, receiving payments on the Notes or enforcing rights under the Notes, (2) to the extent of any inheritance, gift, sales, transfer or personal property taxes imposed with respect to the Notes, (3) where (in the case of a payment of principal or interest) the relevant Note is surrendered for payment more than 30 days after the relevant date except to the extent that the relevant holder would have been entitled to such Additional Amounts if it had surrendered the relevant Note on the last day of such period of 30 days, or (4) to the extent that the Relevant Tax is imposed or levied only by virtue of such holder not having provided evidence of its place of residence or made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption or reduction in the rate of withholding, if the provision of such information is required under applicable law, *provided, however*, that (x) we have or our agent has provided the holder of such Notes or its nominee with at least 60 days' prior written notice of an opportunity to provide such evidence to make such a declaration or claim and (y) the procedures for providing such evidence or making such claim or declaration are commercially reasonable and no more stringent than the satisfactory completion and delivery of U.S. Internal Revenue Service Form W-8 BEN. We will also pay any stamp, documentary or similar taxes arising in a Relevant Jurisdiction in connection with the Notes and will indemnify the holders for any such taxes paid by holders.
Listing and Trading	The Notes have been approved for listing on the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF Market.
ERISA Considerations	Sales of the Notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Certain ERISA Considerations."

Acquisition Restrictions	Under applicable Mexican law, Ixe Grupo and Ixe Banco are prohibited from acquiring, directly or indirectly, the Notes. In addition, certain Mexican financial entities may not acquire the Notes. See "Description of the Notes — Restrictions Applicable to Mexican Financial Institutions."
Transfer Restrictions	The Notes have not been registered under the Securities Act and, unless so registered, may not be offered or sold except (1) to qualified institutional buyers, or QIBs (as defined in Rule 144A under the Securities Act), in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A, or (2) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. See "Transfer Restrictions."
	As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico.
	The Notes have not been and will not be registered in the National Registry of Securities maintained by the CNBV and may not be offered or sold publicly or otherwise be subject to brokerage activities in Mexico, except that the Notes may be offered to institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.
Governing Law	The indenture, the Notes and related documents will be governed under the laws of the State of New York.
Form and Denomination	The Notes will be issued in minimum denominations of U.S.$50,000 and in integral multiples of U.S.$1,000 in excess thereof. The Notes initially sold to QIBs in reliance on Rule 144A will be represented by one or more global notes in fully registered form, deposited with the trustee, as custodian for and registered in the name of a nominee of The Depository Trust Company, or DTC. Notes sold to non-U.S. persons will be evidenced by a Regulation S global security registered in the name of a nominee of DTC. Beneficial interests in such global notes will be shown on, and transfers will be made through, records maintained by DTC.
Securities Identification Numbers	144A ISIN: US466023AB45 144A CUSIP: 466023 AB4 Reg S ISIN: USP59974AB40 Reg S CUSIP: P59974 AB4 Reg S Common Code: 055046735

SUMMARY FINANCIAL INFORMATION

The following tables summarize our financial information as of and for the years ended December 31, 2007, 2008 and 2009, and as of June 30, 2010, and for the six month periods ended June 30, 2009 and 2010, as derived from our financial statements for such periods. Ixe Banco's unaudited financial statements as of June 30, 2010 and for the six-month periods ended June 30, 2009 and 2010 and the audited financial statements as of December 31, 2008 and 2009 and for the three fiscal years ended December 31, 2007, 2008 and 2009, are included in this offering circular. You should read this information in conjunction with the sections "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our financial statements and the related notes included elsewhere in this offering circular.

As required by Mexican Banking GAAP, our financial statements were adjusted through December 31, 2007, to reflect changes in purchasing power of the peso due to inflation. These changes were based on the changes in the value of the UDI (as defined in the offering circular), which is determined based on the *Indice Nacional de Precios al Consumidor* (the "National Consumer Price Index," or "NCPI") an inflation index determined by *Banco de México*. Beginning on January 1, 2008, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in pesos in purchasing power as of December 31, 2007. The financial information as of December 31, 2008 and 2009 and as of June 30, 2009 and 2010, and the financial information for the years ended December 31, 2008 and 2009, and for the six months ended June 30, 2009 and 2010, is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information for the years ended December 31, 2008 and 2009, and for the six months ended June 30, 2009 and 2010 maintained the inflation adjustments recognized in prior years in our consolidated stockholders' equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

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

	For the Year Ended December 31,				For the Six-Month Period Ended June 30,		
	2007	2008[5]	2009[5]	2009	2009[5]	2010[5]	2010
					(unaudited)	(unaudited)	(unaudited)
	(thousands of pesos)			(thousands of U.S.$)[1]	(thousands of pesos)		(thousands of U.S.$)[1]
Income Statement Data:							
Interest income	3,263,193	4,347,311	4,407,827	343,540	2,481,945	1,953,900	152,284
Interest expense	(2,605,223)	(3,309,160)	(3,058,168)	(238,350)	(1,859,809)	(1,182,498)	(92,162)
Monetary loss (net)	(49,014)	—	—	—	—	—	—
Financial margin	**608,956**	**1,038,151**	**1,349,659**	**105,190**	**622,136**	**771,402**	**60,122**
Provision for loan losses[2]	(80,371)	(298,905)	(253,156)	(19,731)	(113,508)	(67,347)	(5,249)
Financial margin after provision for loan losses	**528,585**	**739,246**	**1,096,503**	**85,459**	**508,628**	**704,055**	**54,873**
Commissions and fees received	**318,553**	**473,250**	**527,696**	**41,129**	**235,911**	**312,191**	**24,332**
Letters of credit	2,445	5,128	23,041	1,796	2,939	11,579	902
Account management	68,018	89,196	106,120	8,271	47,322	34,202	2,666
Trustee fees	27,887	34,293	32,163	2,507	15,101	19,168	1,494
Funds transfer	912	991	1,710	133	733	5,152	402
Travelers checks	893	1,235	366	29	366	2	—
Safe deposit boxes	948	1,821	3,293	257	3,077	4,827	376
Other[3]	217,450	340,586	361,003	28,136	166,373	237,261	18,492

	For the Year Ended December 31,				For the Six-Month Period Ended June 30,		
	2007	2008[(5)]	2009[(5)]	2009	2009[(5)]	2010[(5)]	2010
					(unaudited)	(unaudited)	(unaudited)
		(thousands of pesos)		(thousands of U.S.$)[(1)]	(thousands of pesos)		(thousands of U.S.$)[(1)]
Commissions and fees paid	**(79,785)**	**(28,936)**	**(36,463)**	**(2,842)**	**(17,436)**	**(82,228)**	**(6,409)**
Commissions and fees (net)	238,768	444,314	491,233	38,287	218,475	229,963	17,923
Brokerage revenues (net)	**311,666**	**324,782**	**848,985**	**66,170**	**559,915**	**356,406**	**27,777**
Unrealized (losses) gains on securities and derivative financial instruments	(36,951)	(397,807)	420,941	32,808	119,095	199,646	15,560
Realized (losses) gains on securities and derivative financial instruments	158,750	217,397	141,389	11,020	310,402	(56,502)	(4,404)
Foreign exchange gains	183,699	505,192	286,655	22,342	130,418	213,262	16,621
Other	6,168	—	—	—	—	—	—
Other operating income (net)	**—**	**—**	**—**	**—**	**—**	**68**	**5**
Non-interest income	**550,434**	**769,096**	**1,340,218**	**104,457**	**778,390**	**586,437**	**45,705**
Net operating revenue	**1,079,019**	**1,508,342**	**2,436,721**	**189,916**	**1,287,018**	**1,290,492**	**100,578**
Non-interest expense	**(1,386,393)**	**(2,163,996)**	**(2,543,320)**	**(198,223)**	**(1,169,033)**	**(1,362,225)**	**(106,170)**
Net operating income (loss)	**(307,374)**	**(655,654)**	**(106,599)**	**(8,307)**	**117,985**	**(71,733)**	**(5,592)**
Other income	65,276	977,324	188,241	14,671	56,547	142,283	11,089
Other expense	**(11,675)**	**(10,926)**	**(14,218)**	**(1,108)**	**(5,788)**	**(12,732)**	**(992)**
Total income (loss) before income tax, employee statutory profit-sharing and equity in earnings of associated companies	**(253,773)**	**310,744**	**67,424**	**5,256**	**168,744**	**57,818**	**4,505**
Current income tax and employee statutory profit-sharing	(7,081)	(4,897)	(5,416)	(422)	(42,864)	(14,232)	(1,109)
Deferred income tax and employee statutory profit-sharing	4,365	(41,531)	33,892	2,641	—	15,300	1,192
Equity in earnings of associated companies[(4)(5)]	412	11,847	(92,301)	(7,194)	(51,821)	(62,799)	(4,894)
Net (loss) income	**(256,077)**	**276,163**	**3,599**	**281**	**74,059**	**(3,913)**	**(306)**

(1) Income statement and balance sheet data expressed in dollars are provided solely for the convenience of the reader and have been converted at the rate of Ps.12.8306 per U.S.$1.00, based on the noon buying rate as published by the Federal Reserve Board in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board for Mexican pesos as of June 30, 2010.

(2) Provision for loan losses are held in a separate account on our balance sheet (called allowance for loan losses) and all write-offs of uncollectible loans are charged against this account.

(3) Other commissions and fees include commissions and fees charged for co-distribution of third party investment funds, commissions and fees related to our credit card loan portfolio prior to its transfer on December 1, 2008, commissions and fees for foreign exchange, merchant acquiring business and corporate finance advisory.

(4) Associated companies refers to entities in which we have an equity participation but which we do not control and whose results are recognized through the equity method.

(5) On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in

our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

	At December 31,				At June 30,	
	2007	2008[10]	2009[10]	2009	2010	2010
	(thousands of pesos)			(thousands of U.S.$)[1]	(unaudited)[10] (thousands of pesos)	(unaudited) (thousands of U.S.$)[1]
Balance Sheet Data:						
Cash and due from banks[11]	3,900,598	5,763,360	3,715,878	289,610	3,876,326	302,116
Margin accounts	—	1,500	215,039	16,760	340,255	26,519
Securities[2],[3]	34,910,089	22,872,383	24,961,211	1,945,444	23,618,927	1,840,828
Securities and derivatives transactions[4]	4,684,622	8,771,107	7,874,088	613,696	8,330,638	649,279
Valuation coverage adjustments	—	25,327	28,701	2,237	95,317	7,429
Total loan portfolio (net)	12,563,776	16,101,906	23,687,391	1,846,163	25,537,984	1,990,397
Other accounts receivable	1,338,588	1,041,002	1,124,354	87,631	2,407,424	187,631
Property, plant and equipment	320,884	583,019	651,216	50,755	616,394	48,041
Foreclosed assets	16,059	3,100	—	—	530	41
Equity investments	61,102	539,662	424,716	33,102	490,967	38,265
Deferred taxes	4,738	—	—	—	12,399	966
Other assets	280,224	451,026	603,243	47,016	635,844	49,557
Total assets	**58,080,680**	**56,153,392**	**63,285,837**	**4,932,414**	**65,963,005**	**5,141,069**
Deposits	16,683,121	21,222,982	27,467,468	2,140,778	27,513,559	2,144,370
Bank and other entities loans	2,667,006	2,974,985	6,023,139	469,435	6,644,355	517,852
Securities and derivatives transactions[5]	34,054,235	24,687,523	22,817,229	1,778,345	22,357,368	1,742,504
Valuation coverage adjustments	17,254	546,824	(65,821)	(5,130)	(76,747)	(5,982)
Subordinated debentures	1,341,936	1,345,425	1,603,672	124,988	1,602,279	124,880
Other accounts payable	1,384,907	1,690,860	1,826,389	142,346	3,386,452	263,936
Deferred taxes	—	36,793	2,901	226	—	—
Deferred credits (net)	57,891	61,613	94,793	7,388	192,384	14,994
Total liabilities	**56,206,350**	**52,567,005**	**59,769,770**	**4,658,376**	**61,619,650**	**4,802,554**
Total stockholders' equity	**1,874,330**	**3,586,387**	**3,516,067**	**274,038**	**4,343,355**	**338,515**
Other Financial Data (Unaudited):						
Average total assets[7]	**42,799,602**	**53,989,443**	**68,757,456**	**5,358,865**	**72,765,363**	**5,671,236**
Average total liabilities[7]	**41,364,315**	**51,828,324**	**65,173,384**	**5,079,527**	**69,117,366**	**5,386,916**
Average stockholders' equity[7]	**1,435,287**	**2,161,119**	**3,584,072**	**279,338**	**3,647,997**	**284,320**
Profitability and performance ratios:						
Financial margin on average total assets[6],[7]	1.42%	1.92%	1.96%	1.96%	1.06%	1.06%
Return on average total assets[7],[8]	(0.60)%	0.51%	0.01%	0.01%	(0.01)%	(0.01)%
Return on average stockholders' Equity[7],[8]	(17.84)%	12.78%	0.10%	0.10%	(0.11)%	(0.11)%
Efficiency ratio[9]	128.49%	143.47%	104.37%	104.37%	105.56%	105.56%
Liquidity:						
Total loan portfolio as a percentage of total deposits	76.66%	77.33%	88.15%	88.15%	94.35%	94.35%
Capital:						
Average stockholders' equity/average total assets[7]	3.35%	4.00%	5.21%	5.21%	5.01%	5.01%
Total stockholders' equity as a percentage of total assets	3.23%	6.39%	5.56%	5.56%	6.58%	6.58%
Total capital to risk-weighted assets	15.37%	18.56%	15.36%	15.36%	15.72%	15.72%
Asset Quality:						
Allowance for loan losses/total loan portfolio	1.76%	1.88%	2.16%	2.16%	1.62%	1.62%
Allowance for loan losses/non- performing loans	206.34%	150.20%	139.18%	139.18%	165.06%	165.06%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"	47.69%	64.53%	70.63%	70.63%	63.54%	63.54%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of net total loan portfolio (total performing loans plus net non-performing loans)	(0.92)%	(0.64)%	(0.62)%	(0.62)%	(0.65)%	(0.65)%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	(6.20)%	(2.88)%	(4.19)%	(4.19)%	(3.81)%	(3.81)%

	At December 31,				At June 30,	
	2007	2008(10)	2009(10)	2009	2010	2010
	(thousands of pesos)			(thousands of U.S.$)(1)	(unaudited)(10) (thousands of pesos)	(unaudited) (thousands of U.S.$)(1)
Loans graded "C," "D" and "E" as a percentage of total loan portfolio	(0.84)%	(1.22)%	(1.53)%	(1.53)%	(1.03)%	(1.03)%
Average total performing loans(7)	11,219,760	16,716,475	19,072,964	1,486,522	25,291,732	1,971,204
Credit Quality Data:						
Total loan portfolio	12,789,247	16,411,073	24,211,255	1,886,993	25,957,916	2,023,126
Non-performing loans	109,274	205,838	376,406	29,337	254,416	19,829
Allowance for loan losses	(225,471)	(309,167)	(523,864)	(40,829)	(419,932)	(32,729)
Non-performing loans to total loan portfolio	0.85%	1.25%	1.55%	1.55%	0.98%	0.98%

(1) Income statement and balance sheet data expressed in dollars are provided solely for the convenience of the reader and have been converted at the rate of Ps. 12.8306 per U.S.$1.00, based on the noon buying rate as published by the Federal Reserve Board in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board for Mexican pesos as of June 30, 2010.

(2) On December 20, 2005, we made an initial investment of Ps.46.2 million to acquire equity securities of Compañía Mexicana de Aviación, S.A. de C.V. ("Mexicana") in connection with its privatization by the Mexican government. Pursuant to the purchase agreement for this transaction, the price was adjusted, and Ps.3.5 million was reimbursed to us. The equity investment, as adjusted, amounting to Ps.42.7 million was subsequently recognized at fair value. As of December 31, 2009 and 2008, the Bank determined that these equity securities were impaired due to significant financial difficulties experienced by Mexicana. As a result, an impairment of Ps.11.0 million and Ps.20.0 million, respectively, was recorded in the income statement in each year. As of June 30, 2010, the net value of our investment, including its impairment loss, was Ps.11.7 million. Mexicana continued to suffer financial difficulties during July 2010 and, as of July 31, 2010, the Bank recognized an additional impairment for the remaining Ps.11.7 million book value. On August 2, 2010, Mexicana filed for bankruptcy protection in Mexico and in the United States.

(3) Securities include trading, available for sale and held to maturity securities.

(4) Securities and derivatives transactions include debit balances under repurchase and resale agreement transactions and derivatives financial instruments. For the year ended December 31, 2007, securities sold under agreements to repurchase and securities purchased under resale agreements were accounted for as sales or purchases of securities, respectively. For the years ended December 31, 2008 and 2009 and for the six-month periods ended June 30, 2009 and 2010, these transactions were accounted for as secured borrowings and secured lending, respectively, and, therefore, our financial information as of those dates is not directly comparable to prior periods.

(5) Securities and derivatives transactions include credit balances under repurchase and resale agreement transactions and derivatives financial instruments. For the year ended December 31, 2007, securities sold under agreements to repurchase and securities purchased under resale agreements were accounted for as sales or purchases of securities, respectively. For the years ended December 31, 2008 and 2009 and for the six-month periods ended June 30, 2009 and 2010, these transactions were accounted for as secured borrowings and secured lending, respectively, and, therefore, our financial information as of those dates is not directly comparable to prior periods.

(6) Represents interest income, net of interest expenses and monetary gains/losses, as a percentage of average total assets.

(7) These figures are calculated using the average of the balances at the end of each month. Average total assets and average total liabilities include repurchase and resale agreement transactions as if they were accounted for as secured borrowings and secured lendings, respectively, and net derivatives financial instruments.

(8) Ratios calculated as of June 30, 2010 were annualized.

(9) Efficiency ratio is equal to the non-interest expense as a percentage of net operating revenue.

(10) On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

(11) Due to regulatory requirements, total balance of cash and due from banks for 2007, 2008 and 2009 includes margin accounts required in forward contracts.

	For the Year Ended December 31,			For the Six-Month Period Ended June 30,	
	2007	2008	2009	2009	2010
Other Non-Financial Information:					
Individual Clients	132,610	151,121	201,513	175,024	225,189
Corporate Clients	15,959	26,541	33,188	25,864	36,666
Total Clients	148,569	177,662	234,701	200,888	261,855
Total Employees	1,850	2,584	3,167	2,827	3,323
Total Branches(1)	92	128	145	133	154

(1) Additionally, at the end of 2009 and 2008 we had 13 and 12 branches, respectively, which were operating under the El Banco Deuno brand, focused on middle-income customers. These branches suspended operations on June 30, 2010 and the businesses previously conducted by these branches were transferred to Ixe Banco branches.

	For the Year Ended December 31,			For the Six-Month Period Ended June 30,
	2007	2008	2009	2010 (unaudited)
	(thousands of pesos)			
Performing Loans by Product Sector:				
Commercial	7,944,911	11,321,062	14,950,367	16,934,110
Financial entities	2,862,602	2,888,808	3,167,277	2,900,468
Government entities	202,899	920,104	4,497,706	4,604,900
Mortgages	679,341	966,107	1,085,157	1,114,422
Consumer	990,220	109,154	134,342	149,600
Total	12,679,973	16,205,235	23,834,849	25,703,500
Non-performing Loans by Product Sector:				
Commercial	30,976	152,704	308,302	219,646
Financial Entities	27,054	34,283	32,637	—
Government entities	—	—	—	—
Mortgages	11,098	14,159	29,859	23,868
Consumer	40,146	4,692	5,608	10,902
Total	109,274	205,838	376,406	254,416

RISK FACTORS

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

Risks Relating to Our Business

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

The global economy has been undergoing a period of slowdown and unprecedented volatility and has been materially and adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence. The future economic environment may continue to be less favorable than that of recent years. The global economic slowdown and U.S. economic slowdown in particular may have, and in the case of the current slowdown, have had, a negative impact on the Mexican economy and adversely affect our business. Specifically, the decline in interest rates has negatively affected our financial margin. There is no assurance when such conditions will ameliorate. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry. In particular, we may face, among others, the following risks in connection with these events:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.
- The process we use to estimate losses inherent in our credit exposure requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The level of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of the process.
- The value of the portfolio of investment securities that we hold may be adversely affected.
- A worsening of the foregoing conditions may delay the recovery of the financial industry and impact our financial condition.

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

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

- net interest income;
- the volume of loans originated;
- the market value of our securities holdings; and
- gains from sales of loans and securities.

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

Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our financial assets. We hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. The market value of a security with a fixed interest rate generally decreases when the prevailing interest rates rise, which may have an adverse effect on our earnings and financial condition. In addition, we may incur costs (which, in turn, will impact our results) as we implement strategies to reduce future interest rate exposure. The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms or an inability to refinance at lower rates.

Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities.

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

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

Our outstanding loans and our overall business are concentrated in the Mexico City metropolitan area, and any significant or extended economic downturn in the Mexico City metropolitan area may adversely affect our financial condition and results of operations.

As of June 30, 2010, approximately 71.4% of our outstanding loans were concentrated in the Mexico City metropolitan area. In addition, a substantial portion of our customers and branches are located in Mexico City. Our level of loan loss provisions and loan losses may increase if economic conditions in the Mexico City metropolitan area deteriorate or if a large number of borrowers, especially those holding large loans in Mexico City, become unable to pay our loans when due. This inability to pay could materially and adversely affect our results of operations and financial position.

Furthermore, a large portion of our credit exposure is in commercial loans to corporate customers, which accounted for approximately 88.1% of our banking exposure as of June 30, 2010. A significant deterioration of the conditions of the corporate sector in the Mexico City metropolitan area could materially and adversely affect our results of operations and financial positions.

Our strategy to expand our branch network and regional footprint may not be successful.

We intend to have a total of 160 branches by the end of 2010 and to open approximately 30 new branches in 2011. We have, however, not yet identified locations for most of the branches we expect to open. Since our strategy is to attract middle-upper and upper income customers, identifying appropriate locations for our branches is critical to the branches' success and to our success in implementing our growth strategy. There is no guarantee that we will be able to identify and lease suitable locations for some or all of our new branches.

Our budgeted costs for expanding our branch network are substantial and the actual costs we incur may be more significant than our estimates. For example, to establish 30 new branches in 2011, we will be required to hire and train significant numbers of new personnel incurring a substantial cost. Moreover, in 2011, our plan to establish an important number of branches outside of the cities where we have a significant presence is subject to the risk that we will not benefit from the name recognition or customer referrals that we enjoy in those cities. As a result, we may face higher or unexpected customer acquisition costs, which in turn would adversely affect the profitability of these branches and our business as a whole. Other costs associated with opening branches outside of these cities, including information technology, record keeping and other back-office costs, may be higher than we have experienced with branches in cities where we already have a significant presence and might even be higher than we expect. In addition, we have had a significant turn-over of personnel at our branches. There is no assurance that we will be able to attract and retain sufficient numbers of qualified personnel and, if we are not able to maintain our quality standards, our reputation may be adversely affected.

The expansion of our branch network will also require considerable administrative, operational and personnel resources and increase the demands placed on our systems and controls. The focus of such resources on opening new branches will divert these resources from our other activities, which could adversely affect our ability to execute other aspects of our strategies. In addition, as we continue to grow, if we are unable to upgrade our operating and financial control systems on an ongoing basis, we may fail to accurately record and report all of our revenues and expenses, or acquisition and disposition of assets, which could result in us being unable to provide financial information in a timely and reliable manner.

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

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

- our future financial condition, results of operations and cash flows;
- any necessary corporate or government regulatory approvals;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- economic, political and other conditions in Mexico and elsewhere.

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

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

We have a high level of concentration in our total loan portfolio in terms of largest borrowers. Our 20 largest borrowers represent approximately 43.2% of our total loan portfolio as of June 30, 2010. Problems with one or more of our largest borrowers could materially and adversely affect our results of operations and financial position.

Our increasing focus on individuals and SMEs could lead to higher levels of non-performing loans and subsequent charge-offs.

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

We engage in transactions with our parent, Ixe Grupo, and its subsidiaries or affiliates that may not be on an arm's-length basis.

Our principal shareholders, through Ixe Grupo, own 83.5% of our voting shares and control our board of directors. We engage in a variety of transactions with companies owned or controlled by the principal shareholders of Ixe Grupo, which may cause conflicts of interest between those shareholders and us. As of June 30, 2010, approximately 5.3% of our loans have been entered into with related parties as defined under Mexican banking regulations. We have also entered into certain services agreements with our affiliates, including Ixe Tarjetas, to allow these companies to offer their products and services within our branch network. In addition, we have entered into a number of agreements providing for the sharing of revenues or expenses in connection with the performance of certain activities, including loan recovery. No assurance can be given that transactions between us and Ixe Grupo or any of its subsidiaries or affiliates have been or will be conducted on a basis as favorable to us as could be obtained by us from unaffiliated parties. We are likely to continue to engage in transactions with our parent and its subsidiaries and affiliates, and no assurance can be given that we will do so on an arm's-length basis. In addition, future conflicts of interest between us and Ixe Grupo or any of its subsidiaries or affiliates may arise, which conflicts are not required to be and may not be resolved in our favor. See "Related Party Transactions."

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

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

Recent and future acquisitions, significant investments, joint ventures and strategic alliances by Ixe Grupo, our parent holding company, could disrupt our operations and adversely affect our financial condition and results of operations.

In the past, Ixe Grupo has acquired interests in various companies and engaged in strategic alliances. As Ixe Grupo plans to continue growing its businesses, it may consider other strategic acquisitions, investments, joint ventures and alliances from time to time.

Ixe Grupo faces a variety of uncertainties and challenges relating to these acquisitions, investments, joint ventures and alliances, including achieving expected synergies, loss of key employees, difficulties integrating operational and financial systems, lower than expected revenues and profitability that may not justify the size of Ixe Grupo's investments, and exposure to potential liabilities.

These risks, and the fact that integration of the acquired business could require a significant amount of the time and resources of our management and employees, could disrupt our ongoing business and could have a material adverse effect on our financial condition and results of operations.

Guidelines for loan classification and provisions in Mexico may be less stringent than those in other countries.

Mexican banking regulations require us to classify each loan or type of loan (other than loans to the Mexican government, *Banco de México*, IPAB and certain international organizations) according to a risk assessment that is based on specified criteria, to establish corresponding reserves and, in the case of some non-performing assets, to certain charge-off loans. The criteria to establish reserves include both qualitative and quantitative factors. Mexican regulations relating to loan classification and determination of loan loss reserves are generally different or less stringent than those applicable to banks in the United States. If the rules applicable in the United States were applicable in Mexico today, the level of our loan loss reserves may be different than our current reserve levels. We may be required or deem it necessary to increase our loan loss reserves in the future. Increasing loan loss reserves could materially and adversely affect our results of operations and financial position and our ability to service the Notes.

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

Non-performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control and reduce the level of the impaired loans in our total loan portfolio. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our total loan portfolio, including as a result of loan portfolios that we may acquire through auctions or otherwise, or factors beyond our control, such as the impact of macroeconomic trends and political events affecting Mexico or events affecting specific industries. In addition, our current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our total loan portfolio. As a result, if the quality of our total loan portfolio deteriorates we may be required to increase our loan loss reserves, which may adversely affect our financial condition and results of operations. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves will be sufficient to cover actual losses. If we are unable to control or reduce the level of our non-performing or poor credit quality loans, our financial condition and results of operations could be materially and adversely affected.

If we are unable to realize the collateral or guarantees securing our loans to cover the outstanding principal and interest balance of our loans, our financial condition and results of operations may be adversely affected.

As of June 30, 2010, 58.0% of our total loans were secured by collateral or guarantees. Our loan collateral primarily includes real estate and other assets, such as cash or securities, that are located in Mexico, the value of which may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors and political events affecting the Mexican economy. The economic slowdown in Mexico has led to a downturn in the Mexican real estate market, which may in turn result in declines in the value of the collateral, consisting primarily of real estate, securing many of our loans to levels below the outstanding principal balance of such loans. Any decline in the value of the collateral securing our loans may result in a reduction in the recovery from collateral realization and an impact in our results of operations and financial condition.

In addition, we may face difficulties in enforcing our rights as a secured creditor. In particular, timing delays and procedural problems in enforcing against collateral provided, and local protectionism, may make foreclosures on collateral and enforcement of judgments in our favor difficult, and hence may result in losses, which could materially and adversely affect our results of operations and financial position.

As a result, any significant decline in the value of the collateral securing our loans or deterioration of the economic condition of the guarantors of such loans or our inability to enforce our rights as a secured creditor could materially and adversely affect our results of operations and financial position.

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

A significant portion of our outstanding loans consists of loans that are due within six months. As of June 30, 2010, these loans represented 58.9% of our total outstanding loans. The near-term maturity dates of these loans means that our long-term interest income stream is less certain than if a higher proportion of our loans were long-term loans. Loans may not be rolled over upon maturity, particularly if competition increases or lower interest rates become available to our customers as a result of a general decrease in rates or the availability of new or different funding sources. In addition, the near-term maturity dates for repayment of these loans means that any disruption in the economy or in the specific sectors of the economy to which we primarily lend could result in a higher overall default rate on our loans. Either of these two factors of unstable interest income and a higher rate of loan defaults could materially and adversely affect our results of operations and financial position.

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

Many Mexican banks have suffered severe liquidity problems since December 1994, particularly in connection with refinancing short-term dollar liabilities in the international capital markets. Liquidity problems may affect the Mexican banking system in the future, and liquidity constraints may affect us in the future. While we expect that we will be able to pay or refinance its projected liabilities, it may not be able to repay such liabilities or refinance such liabilities on favorable terms.

Most of the short term funding requirements of our banking business are met through deposits, including customer deposits and interbank deposits. As of June 30, 2010, substantially all of our deposits had current maturities of one year or less or were payable on demand. In the past, a substantial portion of our time deposits has been rolled over upon maturity, and these deposits have been a stable source of funding for our banking business. We cannot assure you, however, that this practice will continue and that we will be able to maintain the stability and consistency of our deposit base. If a substantial portion of our depositors do not roll over deposited funds upon maturity, our liquidity could be materially and adversely affected as we may be required to seek more expensive sources of short term or long term funding to finance our operations which, in turn, may have a material adverse effect on our financial conditions or results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Funding.”

We may be required to make significant contributions to IPAB.

Under Mexican law, banks are required to make monthly contributions to IPAB to support its operations that are equal to $\frac{1}{12}$ of 0.004% (the annual rate) multiplied by the average of certain liabilities minus the average of certain assets. IPAB was created in January 1999 to manage the bank savings protection system and regulate the financial support granted to banks in Mexico. Mexican authorities impose regular assessments on banking institutions covered by IPAB for funding. We contributed Ps.104.2 million in 2009 and Ps.58.7 million in the first six months of 2010. In the event that IPAB’s reserves are insufficient to manage the bank savings protection system and provide the necessary financial support granted to troubled banking institutions, IPAB maintains the limited right to require extraordinary contributions to participants in the system.

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

We are required to comply with applicable anti-money laundering laws and other regulations in Mexico. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, including revoking our license to engage in commercial banking activities. In addition, our business and reputation could suffer if we fail to detect and prevent customers who engage in money laundering or illegal or improper purposes. See "Risk Management — Anti-Money Laundering."

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

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

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

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

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

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

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

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

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

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

We are subject to market and operational risks associated with our derivative transactions, as well as structuring risks and the risk that our documentation will not incorporate accurately the terms and conditions of our derivatives transactions.

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

In addition, the market practice and documentation for derivative transactions is less well developed in Mexico than in other countries, and Mexican courts have more limited experience in dealing with issues related to derivative transactions. Given that the derivatives market and related documentation are not yet well developed in Mexico, there are the added structuring risks and the risk that our documentation will not incorporate accurately the terms and conditions of derivatives transactions. In addition, the execution and performance of these types of transactions depend on our ability to develop adequate control and administration systems, and hire and retain qualified personnel. Moreover, our ability to adequately monitor, analyze and report these derivative transactions depends, on a great extent, on our information technology systems. These factors may further increase the risks associated with these transactions and could materially and adversely affect our results of operations and financial position.

Even though we have a partner with experience in other markets, the credit card industry is highly competitive and entails significant risks, including risks particular to Mexico. We may have difficulty competing in this industry.

The credit card industry in Mexico is highly competitive and is dominated by companies that possess greater financial and other resources and substantially more experience in this market than we do. Notwithstanding our strategic partnership with JPMorgan Chase in Ixe Tarjetas, there is no assurance that we will be able to effectively compete for and retain customers in this competitive environment or that our partner will be able to implement its experience in the Mexican market.

The credit card business is subject to a number of risks and uncertainties, including the composition and risk profile of our credit card customers. The success of our credit card business will also depend, in part, on the success of our joint efforts with JPMorgan Chase focused on product development, product rollout efforts and marketing initiatives, including the marketing of credit card products to our existing retail and mortgage loan customers, and our ability to continue to successfully target creditworthy customers.

The credit card industry is also characterized by substantial consumer default and bankruptcy risk. If Mexican economic growth slows or declines even further, or if Ixe Tarjetas fails to effectively analyze the creditworthiness of its customers, we may be faced with unexpected losses that may affect profitability.

The termination of our credit card joint venture with JPMorgan Chase could adversely affect our credit card business.

Either party may terminate the Joint Venture Agreement in the event, among others, of (i) a material breach that remains uncured for 60 days, (ii) an insolvency or a "change of control" relating to the other party, (iii) for convenience at any time after the second anniversary in accordance with the terms thereof, including the payment of $40 million by the terminating party for any termination that occurs prior to the six year anniversary of the closing date, and (iv) deadlock. In the event of termination of the joint venture for any of the reasons described above, except for termination in the event of insolvency, the Joint Venture Agreement provides for an allocation of assets and liabilities procedure and permits the parties to continue in the credit card business (or any other business conducted by Ixe Tarjetas prior to the termination of the Joint Venture Agreement) in Mexico on a stand-alone basis, except that in case of termination for a deadlock situation (i) there will be no termination fee payable, (ii) the assets and liabilities of Ixe Tarjetas would be allocated among the parties in proportion to their ownership interests in Ixe Tarjetas in accordance with the terms of the Joint Venture Agreement, except that the infrastructure required to conduct the credit card business of Ixe Tarjetas would be allocated to CMC, and (iii) Ixe Banco would have the right to require Ixe Tarjetas to continue to process and service Ixe Banco's and its affiliates' "credit card accounts" for a period of 18 months from the date of such termination in exchange for a cost processing fee as provided in the Joint Venture Agreement.

CMC and Ixe Banco also agreed not to compete with Ixe Tarjetas' business in Mexico, subject to certain limited exceptions. In addition, Ixe Banco and CMC agreed to certain customer targeting and employee targeting restrictions that would be effective for a period of five years and two years, respectively, counted from the termination of the Joint Venture Agreement.

The termination of the Joint Venture Agreement, and any conflicts arising from the allocation of assets procedure provided in such agreement, may adversely affect our ability to successfully develop our credit card business on a stand-alone basis and to continue with the credit card business after the termination. See "Business — Credit Card Joint Venture."

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

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

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

A failure to comply with financial covenants in loan agreements could accelerate payments of related borrowings or affect our ability to obtain additional funding.

In the course of borrowing from institutional lenders, we have entered into contractual agreements to maintain certain levels of debt, capital and asset quality, among other financial covenants. Our ability to execute expansion plans, including our ability to obtain additional financing on terms and conditions acceptable to us, could be affected as a result of financial restrictions included in these agreements. Our failure to comply with any of these covenants could result in an event of default, which could accelerate our need to repay the related borrowings. An event of default would also affect our ability to raise new funds or renew maturing borrowings.

Competition with other financial institutions could adversely affect our profitability. Our smaller size and relative higher-cost structure in relation to our competitors limits our ability to benefit from relative economies of scale in our operations, which may adversely affect our ability to compete.

We face substantial competition in all parts of our business, including in originating loans and in attracting deposits. The competition in originating loans comes principally from other Mexican and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other institutional lenders and purchasers of loans. We anticipate that we will encounter greater competition as we expand our operations. A number of institutions with which we compete have significantly greater assets, capital, experience, lower cost of funding, name recognition and other resources. In addition, certain of our competitors, such as *Sofoles* and *Sofomes* are not financial institutions and not subject to the same extensive federal banking regulation, including capitalization and reserve requirements (to the extent these institutions are not subsidiaries of a financial group or affiliated with any such group). As a result, certain of our competitors may have advantages in conducting certain businesses and providing certain services.

The banking sector in Mexico can be classified into two groups: the mature, established "large banks" and the recently created "new banks." The three largest banks, Banamex, BBVA Bancomer and Banorte hold in the aggregate 55.1% of the total deposits in Mexico, followed by a total of 27.6% held in the aggregate by Santander, HSBC and Inbursa. The remaining 17.3% is distributed among 30 banks. In the commercial banking sector, we compete more generally with the "larger banks," but more specifically our peer group consists of all "new banks": Afirme, Del Bajío, Interacciones, Banregio, Mifel, Invex and Bansi. In addition, there are international banks that are competitive in some of the sectors we operate, such as American Express, Credit Suisse, UBS, Bank of America and JPMorgan.

We expect consolidation to continue in the Mexican financial services industry and increased competition as a result of mergers and acquisitions and the entry of new competitors. The Ministry of Finance and Public Credit may from time to time grant banking licenses for the establishment and operation of new banking institutions.

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

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

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

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

In addition, approximately 15.6% of our employees are members of a union, and we could incur higher ongoing labor costs and disruptions in our operations in the event of a strike or other work stoppage.

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

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

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

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

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

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

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

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

We are subject to Mexican regulatory inspections, examinations, inquiries or audits, and future sanctions, fines and other penalties resulting from such inspections and audits could materially and adversely affect our business, financial condition, results of operations and our reputation.

We are subject to comprehensive regulation and supervision by Mexican regulatory authorities, such as *Banco de México*, the CNBV and the Ministry of Finance and Public Credit. See "The Mexican Financial Industry." These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our capitalization, organization and operations, including the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by Mexican banks. Moreover, Mexican financial regulatory authorities possess significant powers to enforce applicable regulatory requirements in the event of our failure to comply with them, including the imposition of fines, requiring that new capital be contributed, inhibiting us from paying dividends to shareholders or paying bonuses to employees, sanctions or the revocation of licenses or permits to operate our business. In the event we encounter significant financial problems or became insolvent or in danger of becoming insolvent, Mexican banking authorities would have the power to take over our management and operations. See "Supervision and Regulation."

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

Future Mexican government restrictions on interest rates or changes in reserves or capital requirements could negatively affect our profitability.

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

In September 2010, the Basel Committee on Banking Supervision (the “Basel Committee”) proposed comprehensive changes to the capital adequacy framework, known as Basel III. The implementation of Basel III is expected to result in changes to Mexican regulations, which are likely to result in new requirements in respect of regulatory capital, liquidity/funding and leverage ratios that will be applicable to Mexican banks such as us.

If Mexican governmental authorities require Mexican banks to increase their reserve requirements for loan losses or change the manner in which such loan reserves are calculated or change capitalization requirements, it may adversely affect our results of operations and our financial position.

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

We are exposed to currency risk any time we hold an open position in a currency other than pesos and to interest rate risk when we have an interest rate repricing gap or carry interest-earning securities having fixed real or nominal interest rates. Peso exchange rates and interest rates in Mexico have been subject to significant fluctuations in recent years. Because of the historical volatility in peso exchange rates and interest rates in Mexico, the risks associated with such positions may be greater than in certain other countries. Although we follow various risk management procedures in connection with our trading and treasury activities, there can be no assurance that we will not experience losses with respect to these positions in the future, any of which could have a material adverse effect on our results of operations and financial position.

Risks Relating to Mexico

Adverse economic conditions in Mexico may adversely affect our financial condition and results of operations.

We are a Mexican financial institution, and substantially all of our operations are conducted in Mexico and are dependent upon the performance of the Mexican economy. As a result, our business, financial condition and results of operations may be affected by the general condition of the Mexican economy, the devaluation of the peso as compared to the dollar, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on us. We cannot assume that such conditions will not return or that such conditions will not have a material and adverse effect on our business, financial condition or result of operations.

According to the *Instituto Nacional de Estadística, Geografía o Informática* (“INEGI”) and *Banco de México* estimates, in 2004, the Mexican gross domestic product (“GDP”) grew by 4.0% and inflation increased to 5.2%. In 2005, GDP grew by approximately 3.2% and inflation decreased to 3.3%. In 2006, GDP grew by approximately 5.1% and inflation reached 4.1%. In 2007, GDP grew by approximately 3.3% and inflation declined to 3.8%. In 2008, GDP grew by approximately 1.3% and inflation was 6.5%. Mexico began to enter into a recession in the fourth quarter of 2008, during which GDP fell by approximately 1.6%. In 2009, GDP decreased by approximately 6.5% and inflation reached 3.6%. Over the six-month period ended June 30, 2010 GDP grew by approximately 5.9%.

Mexico also has, and is expected to continue to have, high real and nominal interest rates. The annualized interest rates on 28-day *Certificados de la Tesorería de la Federación*, or Cetes, averaged approximately 9.2%, 7.2%, 7.2%, 7.7% and 5.4% for 2005, 2006, 2007, 2008 and 2009, respectively. Relative to the U.S. dollar, the peso appreciated by 4.7% in 2005, depreciated by 1.6% in 2006, depreciated by 1.1% in 2007, depreciated by 26.7% in 2008 and appreciated by 5.6% in 2009, all in nominal terms. Accordingly, to the extent that we incur peso-denominated debt in the future, it could be at high interest rates.

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

Severe devaluation or depreciation of the peso may adversely affect our financial position and results of operations.

Banco de México from time to time intervenes in the foreign exchange market to minimize volatility and support an orderly market. *Banco de México* and the Mexican government have also promoted market-based mechanisms for stabilizing the foreign exchange rate and to provide liquidity to the exchange market, such as using over-the-counter derivatives contracts and publicly traded futures contracts on the Chicago Mercantile Exchange. However, the peso has been subject to significant fluctuations against the dollar in the past and may be subject to such fluctuations in the future.

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

Severe devaluation and depreciation of the peso may also result in governmental intervention, as has occurred before in Mexico and other countries. While the Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into dollars or to transfer other currencies outside of Mexico, the Mexican government could institute restrictive exchange control policies in the future. Accordingly, fluctuations in the value of the peso against the dollar may have an adverse effect on our financial position and results of operations and impair our ability to make payments under the Notes.

Political events in Mexico could adversely affect our operations.

The Mexican government exercises significant influence over many aspects of the Mexican economy. As a result, the actions of the Mexican government concerning the economy and regulating certain industries, including the banking sector, could have a significant effect on Mexican private sector entities, including us, and on market conditions, prices and returns on Mexican securities.

Mexican President Felipe Calderón Hinojosa, of the political party *Partido Acción Nacional* ("PAN"), may implement significant changes in laws, public policies and/or regulations that could affect Mexico's political and economic situation, which could adversely affect our business.

Furthermore, following Mr. Calderón's election in 2006, the Mexican Congress became politically divided, as the PAN does not have majority control. Elections for the Mexican Senate and House of Representatives and for the governorship of certain states of the Republic took place on July 5, 2009, giving the *Partido Revolucionario Institucional* a majority in the legislature. The lack of alignment between the legislature and the President could result in deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy, on our business and the prices of and returns on Mexican securities. It is also possible that political uncertainty may adversely affect Mexico's economic situation.

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

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

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. For example, in October 1997, prices of both Mexican debt and equity securities decreased substantially as a result of the sharp drop in Asian securities markets. Similarly, in the second half of 1998 and in early 1999, prices of Mexican securities were adversely affected by the economic crises in Russia and Brazil.

In addition, in recent years economic conditions in Mexico have become increasingly correlated to economic conditions in the United States as a result of the North American Free Trade Agreement ("NAFTA") and increased economic activity between the two countries, which was highlighted during the recent economic crisis affecting the United States. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, the termination of NAFTA or other related events, further deterioration in economic conditions in, or delays in recovery of, the U.S. economy may hinder any recovery in Mexico. We cannot assure you that the events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial position and results of operations.

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

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

We are subject to different corporate disclosure, governance and accounting standards than U.S. companies.

A principal objective of the securities and consumer protection laws of the United States, Mexico and other countries is to promote full and fair disclosure of all material corporate information. However, there may be less or different publicly available information about us than is regularly published by or about United States issuers of publicly traded securities or United States banks. In addition, corporate governance and shareholder accountability protections applicable to Mexican companies may be less stringent than those applicable to public companies in the United States. We do not intend to register the Notes under the U.S. securities laws or list the Notes on any United States or Mexican exchange or other market. Accordingly, we will not be subject to the corporate disclosure, governance and accounting standards applicable to companies whose securities are registered under United States securities laws, listed on United States exchanges or markets or listed on the Mexican Stock Exchange.

Our financial statements are prepared in accordance with Mexican Banking GAAP, which differ from U.S. GAAP and accounting procedures adopted in other countries in a number of respects. Items on the financial statements of a company prepared in accordance with Mexican Banking GAAP may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. GAAP. See Annex A for a description of certain differences between Mexican Banking GAAP and U.S. GAAP as they relate to us. We have made no attempt to quantify the impact of those differences by a reconciliation of our financial statements or other financial information in this offering circular to U.S. GAAP. We cannot be certain that a reconciliation would not identify material quantitative or qualitative differences between our financial statements or other financial information as prepared on the basis of Mexican Banking GAAP if such information were to be prepared on the basis of U.S. GAAP.

Risks Relating to the Notes

The Notes are not redeemable by holders at their option at any time.

The Notes are not redeemable by holders at their option at any time. As a result, holders of the Notes will not be entitled to receive a return of the principal amount of their investment unless we elect to redeem the Notes or in the event of the Notes being due and payable as a result of the declaration of our bankruptcy (*concurso mercantil* or *quiebra*), liquidation or dissolution, exclusively, subject to the absence of a Suspension Period. Therefore, holders of the Notes should be aware that they may be required to bear the risk of an investment in the Notes until the Maturity Date, including in the event of our failure to pay interest (which would not give rise to the right to accelerate).

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

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

By reason of the subordination of the Notes, in the case of certain events involving bankruptcy (*concurso mercantil* or *quiebra*), liquidation or dissolution, although the Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness and subordinated preferred indebtedness have been paid in full and upon conclusion of the applicable procedures. As of June 30, 2010, we had an aggregate of Ps.35,683.4 million of senior indebtedness outstanding, which includes total deposits, bank and other entities loans and the perpetual non-cumulative subordinated non-preferred callable notes we issued in 2007. We expect to incur additional senior indebtedness and subordinated preferred indebtedness from time to time, and the indenture does not prohibit or limit the incurrence of other indebtedness, including additional senior indebtedness and subordinated preferred indebtedness. See "Description of the Notes — Subordination."

Interest accrual and interest payments to be made by us under the Notes could be suspended and cancelled and any principal payments payable on the Maturity Date or upon redemption of the Notes could be deferred if our capital ratio has declined below, or if we reasonably determine that it will imminently decline below the capital ratio required under the Mexican Capitalization Requirements, or if a Mexican Regulatory Event has occurred and is continuing.

Under the Rules for Capitalization, capital securities issued by us will be taken into account when assessing our risk-weighted capital adequacy. For the Notes to qualify as our capital, the indenture provides that interest payments will be suspended and cancelled on the payment date, if our

Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements (as of the date of this offering circular, the minimum percentage required in order for the CNBV not to require the suspension and cancellation of interest accrual and payment and deferral of principal payments of subordinated debt such as the Notes is 8.0%), or if we reasonably determine that our Capital Ratio will imminently decline below such minimum percentage, or if any Mexican Regulatory Event has occurred and is continuing. See "Description of the Notes — Treatment of Interest and Principal During a Suspension Period."

Interest on the Notes will be non-cumulative, so that in the event that accrual and payment of interest are suspended and cancelled during a Suspension Period, holders of the Notes will have no right to receive any such non-accrued and unpaid interest (which would have accrued had there not been a Suspension Period) at the end of such Suspension Period, whether or not such payments are paid on any other interest payment date. In addition, if a Suspension Period exists on the Maturity Date or on the date of redemption of the Notes, payment of principal will be deferred until the date that is five days after the Suspension Period is no longer in effect. Any cancellation of payments due to our failure to maintain a Capital Ratio equal to or greater than the minimum percentage required under the Mexican Capitalization Requirements would have a material adverse effect on our ability to make scheduled payments under the Notes. See "Supervision and Regulation" for a discussion of the Mexican Capitalization Requirements.

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

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

Even if the payment of principal of the Notes is accelerated and claimed as a result of the declaration of our bankruptcy (*concurso mercantil* or *quiebra*), liquidation or dissolution, our assets will be available to pay those amounts only after:

- all of our senior obligations, and in the case of principal of the Notes, all of our subordinated preferred indebtedness has been paid in full; and
- we are actually declared bankrupt or are dissolved and put into liquidation for purposes of Mexican law.

The Notes are subject to redemption in the event of specified changes affecting the treatment of Notes under the rules for capitalization or changes affecting the taxation of the Notes.

Subject to any regulatory requirements, upon the occurrence and continuation of certain specified changes affecting taxation of the Notes or treatment of the Notes as Tier 1 capital securities under the Rules for Capitalization, as described under "Description of the Notes — Redemption," we will have the option under the indenture to redeem the Notes at any time prior to the Maturity Date, in whole but not in part. See "Description of the Notes — Redemption — Withholding Tax and — Special Event Redemption."

In the event proceedings are brought in Mexico, the currency of payment for judgments will be the Mexican currency.

Under Article 8 of *Ley Monetaria de los Estados Unidos Mexicanos* (the "Mexican Monetary Law"), in the event that proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Notes, we would not be required to discharge such obligations in Mexico in a currency other than the Mexican currency. Pursuant to Article 8 of the Mexican Monetary Law, an obligation which is payable in Mexico in a currency other than the Mexican currency, as a result of an initial action initiated in

Mexico, the enforcement of a judgment or otherwise, may be satisfied in Mexican currency at the rate of exchange in effect on the date when payment is made. Such exchange rate currently is determined by *Banco de México* every business banking day in Mexico and published the following business banking day in the *Diario Official de la Federación* (Official Gazette of Mexico).

Under the *Ley de Concursos Mercantiles* (the "Mexican Bankruptcy Law"), if we became subject to a reorganization proceeding (*concurso mercantil*) or were declared bankrupt (*quiebra*), our foreign currency-denominated liabilities, including the Notes, would be converted into Mexican pesos at the prevailing rate of exchange on the date the declaration of our reorganization or bankruptcy is issued, and the resulting amount, in turn, would be converted into *Unidades de Inversión* ("UDIs") at the conversion rate determined by *Banco de México* for such date.

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

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

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

The Notes have been approved for listing on the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF market, although no assurance can be given that such listing and admission to trading will be maintained. In the event there are changes in the listing requirements, we may conclude that continued listing on the Luxembourg Stock Exchange is unduly burdensome. No assurance can be given as to:

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

In addition, the Notes have not been registered under the Securities Act and will be subject to transfer restrictions. See "Transfer Restrictions." We do not intend to provide registration rights to holders of Notes and do not intend to file any registration statement with the SEC in respect of the Notes.

The Notes have not been and will not be registered with the Mexican National Securities Registry and therefore, the Notes may not be offered or sold publicly, or otherwise be the subject of brokerage activities, in Mexico, except that the Notes may be offered to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law. Future trading prices of the Notes will depend on many factors including, among other things, prevailing interest rates, our operating results, and the market for similar securities. The initial purchaser has informed us that it may make a market in the Notes. However, the initial purchaser is not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to the limits of the Exchange Act. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. See "Plan of Distribution." In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this offering circular arising from this transaction or the market for securities of Mexican issuers generally.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Notes in this offering after discounts, commissions and estimated offering expenses payable by us, will be approximately U.S.$118.3 million.

We intend to use the net proceeds from the offering for:

- providing approximately U.S.$47.3 million of additional long-term capital to support the opening of new branches;
- providing additional long-term capital to support the expansion of our lending portfolio;
- improving our ratio of capital to risk-weighted assets; and
- providing a capital contribution of approximately U.S.$47.3 million to support our credit card joint venture.

EXCHANGE RATES

The table below shows the high, low, average and period end noon buying rates for Mexican pesos as published by the Federal Reserve Board for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board, expressed in pesos per U.S.$1.00. The average is computed using the noon buying rate on the last business day of each month during the period indicated.

Year Ended December 31,	Low	High	Average	End of Period
2005	10.41	11.41	10.89	10.63
2006	10.43	11.46	10.91	10.80
2007	10.67	11.27	10.93	10.92
2008	9.92	13.94	11.14	13.83
2009	12.63	15.41	13.50	13.06

The table below shows, for the periods indicated, the high and low noon buying rates for Mexican pesos as published by the Federal Reserve Board for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board, expressed in pesos per U.S.$1.00.

Year 2010	Low	High
January	12.65	13.03
February	12.76	13.19
March	12.30	12.74
April	12.16	12.41
May	12.27	13.14
June	12.46	12.92
July	12.64	13.08
August	12.54	13.17
September	12.49	13.06

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

On October 1, 2010, the noon buying rate for Mexican pesos as published by the Federal Reserve Board was U.S.$1.00 = Ps.12.5433.

DIVIDENDS

We paid dividends in February 2003, April 2006, July 2006, March 2007 and May 2009 in an aggregate amount of Ps.570.4 million, Ps.30.3 million, Ps.2.9 million, Ps.69.9 million and Ps.85.0 million, respectively. The declaration, payment and amount of dividends are determined, subject to the statutory limitations set forth below, by Ixe Grupo at the relevant general ordinary shareholders' meeting. The declaration, payment and amount of any interim dividend require, in addition to the approval of Ixe Grupo, a resolution of our board of directors and are subject to the same statutory restrictions.

Pursuant to Mexican law, we cannot pay dividends if our Capital Ratio is below the minimum percentage required by the Mexican Capitalization Requirements or if ordered by a corrective measure by the CNBV under Article 134 Bis and Article 134 Bis 1 of the Mexican Banking Law as described in "Supervision and Regulation — Corrective Measures." As of June 30, 2010, we met the required capitalization level for the payment of dividends. Accordingly, we expect to declare and pay dividends in accordance with past practice subject to the terms and conditions of the Notes.

Under Mexican law, at least 10% of our net income (on a non-consolidated basis and after employee profit sharing and other deductions required by Mexican law) must be allocated annually to a legal reserve fund until such fund reaches an amount equal to at least 100% of our paid-in capital (without adjustment for inflation). We may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) that have been approved by shareholders and only after such allocation to the legal reserve fund. The level of earnings available for the payment of dividends is determined under Mexican Banking GAAP. As of June 30, 2010, we were in compliance with the regulations pertaining to our legal reserve. As of June 30, 2010, we had set aside Ps.214.1 million in legal reserves compared to paid-in capital of Ps.3,871.8 million.

CAPITALIZATION

The following table sets forth, as of June 30, 2010, our actual capitalization and adjusted capitalization to reflect the issuance of the Notes offered hereby and the application of the net proceeds of this offering as described herein under "Use of Proceeds."

	As of June 30, 2010(1)			
	Actual		As Adjusted(3)	
	(unaudited)			
	(thousands of pesos)	(thousands of U.S.$)(4)	(thousands of pesos)	(thousands of U.S.$)(4)
Short-Term Debt(2):				
Bank and other entities loans	6,640,960	517,588	6,640,960	517,588
Long-Term Debt(2):				
Bank and other entities loans	3,396	265	3,396	265
9.75% Subordinated Notes(5)	1,525,532	118,898	1,525,532	118,898
Notes offered hereby	—	—	1,539,672	120,000
Total debt	8,169,888	636,750	9,709,560	756,750
Stockholders' Equity:				
Paid-in capital(6)	3,871,848	301,767	3,871,848	301,767
Other stockholders' equity accounts	471,507	36,749	471,507	36,749
Total stockholders' equity	4,343,356	338,515	4,343,356	338,515
Total Capitalization	12,513,243	975,266	14,052,915	1,095,266

(1) Except as disclosed in this offering circular, there has been no material change in our total capitalization since June 30, 2010.

(2) Includes only secured-unsecured and guaranteed-unguaranteed debt.

(3) The "As Adjusted" columns include U.S.$120,000,000 of Notes. As of June 30, 2010, our Capital Ratio was 15.7% and, as adjusted to reflect the issuance of the Notes, was 20.4%.

(4) Amounts expressed in dollars are provided solely for the convenience of the reader and have been converted at the rate of Ps.12.8306 per U.S.$1.00, based on the noon buying rate as published by the Federal Reserve Board in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board for Mexican pesos as of June 30, 2010.

(5) Includes fair value adjustments of Ps.(76,747) thousand as part of a hedge relationship.

(6) As of June 30, 2010, our authorized capital stock was Ps.3.0 billion and represented by 1,036,003 Series "O" Shares with a nominal value of Ps.2,895.75, of which 950,563 Series O Shares were issued and outstanding, each fully subscribed and paid. Of these shares, 950,561 Series O Shares (99.99% of our capital stock) are held by Ixe Grupo. Each Series O Share entitles the holder thereof to one vote at any meeting of our shareholders. In addition and subject to the approval of the CNBV, we may issue Series L Shares. As of June 30, 2010, there are no authorized, issued or outstanding Series L Shares. The Series L shares would entitle the holder thereof to one vote solely on certain limited matters.

SELECTED FINANCIAL INFORMATION

The following selected financial data as of and for the years ended December 31, 2005, 2006, 2007, 2008 and 2009, and as of and for the six-month periods ended June 30, 2009 and 2010, are derived from our financial statements for such periods. Ixe Banco's unaudited financial statements as of June 30, 2010 and for the six-month periods ended June 30, 2009 and 2010 and the audited financial statements as of December 31, 2008 and 2009 and for the three fiscal years ended December 31, 2007, 2008 and 2009, are included in this offering circular. This selected financial information is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements included elsewhere in this offering circular.

Beginning on January 1, 2008, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in Mexican Pesos in purchasing power as of December 31, 2007. The financial information as of and for the years ended December 31, 2008 and 2009 is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information for the years ended December 31, 2008 and 2009 maintained the inflation adjustments recognized in prior years in our stockholders' equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

We prepare our financial statements according to Mexican Banking GAAP. See "Annex A: Summary of Certain Significant Differences between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP." No reconciliation to U.S. GAAP of any of the financial statements included in this offering circular has been prepared for purposes of this offering circular.

	For the Year Ended December 31,						For the Six-Month Period Ended June 30,	
	2005	2006	2007	2008[4]	2009[4]	2009[4]	2009[4]	2010[4]
	(thousands of pesos)					(thousands of U.S.$[1])	(unaudited) (thousands of pesos)	(unaudited)
Income Statement Data:								
Interest income	2,015,894	1,642,114	3,263,193	4,347,311	4,407,827	343,540	2,481,945	1,953,900
Interest expense	(1,445,918)	(1,066,873)	(2,605,223)	(3,309,160)	(3,058,168)	(238,350)	(1,859,809)	(1,182,498)
Monetary loss (net)	(26,716)	(42,332)	(49,014)	—	—	—	—	—
Financial margin	**543,260**	**532,909**	**608,956**	**1,038,151**	**1,349,659**	**105,190**	**622,136**	**771,402**
Provision for loan losses[2]	18,604	(12,820)	(80,371)	(298,905)	(253,156)	(19,731)	(113,508)	(67,347)
Financial margin after provision for loan losses	561,864	520,089	528,585	739,246	1,096,503	85,459	508,628	704,055
Commissions and fees (net)	127,870	125,006	238,768	444,314	491,233	38,287	218,475	229,963
Brokerage revenues (net)	**203,590**	**314,938**	**311,666**	**324,782**	**848,985**	**66,170**	**559,915**	**356,406**
Other operating income (net)	—	—	—	—	—	—	—	68
Non-interest income	331,460	439,944	550,434	769,096	1,340,218	104,457	778,390	586,437
Net operating revenue	893,324	960,033	1,079,019	1,508,342	2,436,721	189,916	1,287,018	1,290,492
Non-interest expense	**(729,647)**	**(894,756)**	**(1,386,393)**	**(2,163,996)**	**(2,543,320)**	**(198,223)**	**(1,169,033)**	**(1,362,225)**
Net operating income (loss)	163,677	65,277	(307,374)	(655,654)	(106,599)	(8,307)	117,985	(71,733)
Other income	77,780	61,857	65,276	977,324	188,241	14,671	56,547	142,283
Other expense	**(25,064)**	**(3,189)**	**(11,675)**	**(10,926)**	**(14,218)**	**(1,108)**	**(5,788)**	**(12,732)**
Total income (loss) before income tax, employee statutory profit-sharing and equity in earnings of associated companies	**216,393**	**123,945**	**(253,773)**	**310,744**	**67,424**	**5,256**	**168,744**	**57,818**
Current income tax and employee statutory profit-sharing	(85,003)	(56,725)	(7,081)	(4,897)	(5,416)	(422)	(42,864)	(14,232)
Deferred income tax and employee statutory profit-sharing	7,189	4,508	4,365	(41,531)	33,892	2,641	—	15,300
Equity in earnings of associated companies[3][4]	7,357	(607)	412	11,847	(92,301)	(7,194)	(51,821)	(62,799)
Discontinued operations Non-recurring special item (net)	(31,502)	8,164	—	—	—	—	—	—
Net (loss) income	114,434	79,285	(256,077)	276,163	3,599	281	74,059	(3,913)

(1) Income statement and balance sheet data expressed in dollars are provided solely for the convenience of the reader and have been converted at the rate of Ps.12.8306 per U.S.$1.00, based on the noon buying rate as published by the Federal Reserve Board in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board for Mexican pesos as of June 30, 2010.

(2) Provision for loan losses are held in a separate account on our balance sheet (called allowance for loan losses) and all write-offs of uncollectible loans are charged against this account.

(3) Associated companies refers to entities in which we have an equity participation but which we do not control and whose results are recognized through the equity method.

(4) On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

	At December 31,						At June 30,
	2005	2006	2007	2008[9]	2009[9]	2009	2010[9]
	(thousands of pesos)					(thousands of U.S.$)[1]	(unaudited) (thousands of pesos)
Balance Sheet Data:							
Cash and due from banks	2,455,475	2,780,228	3,900,598	5,763,360	3,715,878	289,610	3,876,326
Margin accounts	—	—	—	1,500	215,039	16,760	340,255
Securities[2],[3]	1,338,569	2,310,837	34,910,089	22,872,383	24,961,211	1,945,444	23,618,927
Securities and derivatives transactions[4]	52,627	718,112	4,684,622	8,771,107	7,874,088	613,696	8,330,638
Valuation coverage adjustments	—	—	—	25,327	28,701	2,237	95,317
Total loan portfolio (net)	7,280,859	8,739,977	12,563,776	16,101,906	23,687,391	1,846,163	25,537,984
Other accounts receivable	1,671,072	952,061	1,338,588	1,041,002	1,124,354	87,631	2,407,424
Property, plant and equipment	72,773	175,509	320,884	583,019	651,216	50,755	616,394
Foreclosed assets	—	—	16,059	3,100	0	0	530
Equity investments	77,718	2,431	61,102	539,662	424,716	33,102	490,967
Deferred taxes	—	331	4,738	—	—	—	12,399
Other assets	14,276	143,628	280,224	451,026	603,243	47,016	635,844
Total assets	12,963,369	15,823,114	58,080,680	56,153,392	63,285,837	4,932,414	65,963,005
Deposits	7,831,347	10,670,216	16,683,121	21,222,982	27,467,468	2,140,778	27,513,559
Bank and other entities loans	1,872,712	2,074,897	2,667,006	2,974,985	6,023,139	469,435	6,644,355
Securities and derivatives transactions[5]	20,672	683,409	34,054,235	24,687,523	22,817,229	1,778,345	22,357,368
Valuation coverage adjustments	—	—	17,254	546,824	(65,821)	(5,130)	(76,747)
Subordinated debentures	—	—	1,341,936	1,345,425	1,603,672	124,988	1,602,279
Other accounts payable	2,020,621	1,117,687	1,384,907	1,690,860	1,826,389	142,346	3,386,452
Deferred taxes	4,058	—	—	36,793	2,901	226	—
Deferred credits (net)	13,103	31,150	57,891	61,613	94,793	7,388	192,384
Total liabilities	11,762,513	14,577,359	56,206,350	52,567,005	59,769,770	4,658,376	61,619,650
Total stockholders' equity	1,200,856	1,245,755	1,874,330	3,586,387	3,516,067	274,038	4,343,355
Other Financial Data (Unaudited):							
Profitability and performance ratios:							
Financial margin on average total assets[6],[7]	1.30%	2.49%	1.42%	1.92%	1.96%	1.96%	1.06%
Return on average total assets[6],[7]	0.27%	0.37%	(0.60)%	0.51%	0.01%	0.01%	(0.01)%
Return on average stockholders' Equity[6],[7]	10.02%	6.52%	(17.84)%	12.78%	0.10%	0.10%	(0.11)%
Efficiency ratio[8]	81.68%	93.20%	128.49%	143.47%	104.37%	104.37%	105.56%
Liquidity:							
Total loan portfolio as a percentage of total deposits	95.96%	84.05%	76.66%	77.33%	88.15%	88.15%	94.35%
Capital:							
Average stockholders' equity/average total assets[6]	2.73%	5.68%	3.35%	4.00%	5.21%	5.21%	5.01%
Total stockholders' equity as a percentage of total assets	9.26%	7.87%	3.23%	6.39%	5.56%	5.56%	6.58%
Total capital to risk-weighted assets	13.08%	12.21%	15.37%	18.56%	15.36%	15.36%	15.72%

	At December 31,						At June 30,
	2005	2006	2007	2008[9]	2009[9]	2009	2010[9]
	(thousands of pesos)					(thousands of U.S.$)[1]	(unaudited) (thousands of pesos)
Asset Quality:							
Allowance for loan losses/total loan portfolio	3.12%	2.54%	1.76%	1.88%	2.16%	2.16%	1.62%
Allowance for loan losses/non-performing loans	1,313.92%	609.77%	206.34%	150.20%	139.18%	139.18%	165.06%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"	34.69%	40.94%	47.69%	64.53%	70.63%	70.63%	63.54%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of net total loan portfolio (total performing loans plus net non-performing loans	(3.46)%	(2.18)%	(0.92)%	(0.64)%	(0.62)%	(0.62)%	(0.65)%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	(20.99)%	(15.29)%	(6.20)%	(2.88)%	(4.19)%	(4.19)%	(3.81)%
Loans graded "C," "D" and "E" as a percentage of total loan portfolio	(1.08)%	(1.04)%	(0.84)%	(1.22)%	(1.53)%	(1.53)%	(1.03)%
Average total performing loans[6]	6,199,261	7,641,569	11,219,760	16,716,475	19,072,964	1,486,522	25,291,732
Credit Quality Data:							
Total loan portfolio	7,515,104	8,967,868	12,789,247	16,411,073	24,211,255	1,886,993	25,957,916
Non-performing loans	17,828	37,373	109,274	205,838	376,406	29,337	254,416
Allowance for loan losses	(234,245)	(227,891)	(225,471)	(309,167)	(523,864)	(40,829)	(419,932)
Non-performing loans to total loan portfolio	0.24%	0.42%	0.85%	1.25%	1.55%	1.55%	0.98%

(1) Income statement and balance sheet data expressed in dollars are provided solely for the convenience of the reader and have been converted at the rate of Ps. 12.8306 per U.S.$1.00, based on the noon buying rate as published by the Federal Reserve Board in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Board for Mexican pesos as of June 30, 2010.

(2) On December 20, 2005, we made an initial investment of Ps.46.2 million to acquire equity securities of Mexicana in connection with its privatization by the Mexican government. Pursuant to the purchase agreement for this transaction, the price was adjusted, and Ps.3.5 million was reimbursed to us. The equity investment, as adjusted, amounting to Ps.42.7 million was subsequently recognized at fair value. As of December 31, 2009 and 2008, the Bank determined that these equity securities were impaired due to significant financial difficulties experienced by Mexicana. As a result, an impairment of Ps.11.0 million and Ps.20.0 million, respectively, was recorded in the income statement in each year. As of June 30, 2010, the net value of our investment, including its impairment loss, was Ps.11.7 million. Mexicana continued to suffer financial difficulties during July 2010 and, as of July 31, 2010, the Bank recognized an additional impairment for the remaining Ps.11.7 million book value. On August 2, 2010, Mexicana filed for bankruptcy protection in Mexico and in the United States.

(3) Securities include trading, available for sale and held to maturity securities.

(4) Securities and derivatives transactions include debit balances under repurchase and resale agreement transactions and derivatives financial instruments. For the years ended December 31, 2005, 2006 and 2007, securities sold under agreements to repurchase and securities purchased under resale agreements were accounted for as sales or purchases of securities, respectively. For the years ended December 31, 2008 and 2009 and for the six-month periods ended June 30, 2009 and 2010, these transactions were accounted for as secured borrowings and secured lending, respectively, and, therefore, our financial information as of those dates is not directly comparable to prior periods.

(5) Securities and derivatives transactions include credit balances under repurchase and resale agreement transactions and derivatives financial instruments. For the year ended December 31,

2005, 2006 and 2007 securities sold under agreements to repurchase and securities purchased under resale agreements were accounted for as sales or purchases of securities, respectively. For the years ended December 31, 2008 and 2009 and for the six-month periods ended June 30, 2009 and 2010, these transactions were accounted for as secured borrowings and secured lending, respectively, and, therefore, our financial information as of those dates is not directly comparable to prior periods.

(6) These figures are calculated using the average of the balances at the end of each month, except for the year ended 2005 where the average was based on year end balances. Average total assets and average total liabilities include net repurchase and resale agreement transactions and net derivatives financial instruments.

(7) Ratios calculated as of June 30, 2010 were annualized.

(8) Efficiency ratio is equal to the non-interest expense as a percentage of net operating revenue.

(9) On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

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

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

Overview

We are a Mexican bank, incorporated under the laws of Mexico as a corporation with limited liability (*sociedad anónima*), licensed to operate as a commercial bank (*institución de banca múltiple*). We have a growing retail network that as of June 30, 2010 consisted of a total of 154 branches in the Mexico City metropolitan area, Monterrey, Cuernavaca, Guadalajara, León, Querétaro, Metepec, Puebla, Toluca and Ciudad Juárez, which provide financial services and products to individuals and corporations in Mexico. As of June 30, 2010, 71.4% of our outstanding loans were concentrated in the Mexico City metropolitan area. As of June 30, 2010, 69.3% of our revenues were derived from financial margin and 30.7% from non-interest income, which includes brokerage revenues. We are also engaged in proprietary trading including capital, money, foreign exchange and derivatives markets, and we provide brokerage services in connection with fixed-income securities. In addition, we distribute asset management and insurance products, including investment funds of Ixe Fondos and insurance policies issued by RSA Insurance.

Critical Accounting Policies

We have identified certain key accounting policies on which our financial position and results of operations are dependent. These key accounting policies generally involve complex quantitative analyses or are based on subjective judgments or decisions that affect the reported amounts of the financial statements. In the opinion of our management, our most critical accounting policies under Mexican Banking GAAP are those related to the impairment of investment securities, valuation of equity securities, establishment of allowance for loan losses, valuation of property, plant and equipment, valuation of financial instruments, employee retirement obligations and deferred taxes. For a further description of our significant accounting policies, see the notes to our audited financial statements, which are included elsewhere in this offering circular.

Impairment of Investment Securities

We assess at each balance sheet date whether there is objective evidence that an investment in a debt or equity security is impaired. An investment in securities is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ("a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to our attention about the following loss events:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. As of December 31, 2009 and 2008, the Bank determined that the equity securities of Mexicana were impaired due to significant financial difficulties experienced by that company. As a result, an impairment of Ps.11.0 million and Ps.20.0 million, respectively, was recorded in the income statement in each year. As of June 30, 2010, the net value of our investment, including its impairment loss, was Ps.11.7 million. Mexicana continued to suffer financial difficulties during July 2010 and, as of July 31, 2010, the Bank recognized an additional impairment for the remaining Ps.11.7 million book value. On August 2, 2010, Mexicana filed for bankruptcy protection in Mexico and in the United States.

Equity Investments

Some of our investments are accounted for using the equity method. As a result, under Mexican Banking GAAP, the results of operations attributable to these investments are not consolidated with the results of our various segments for financial reporting purposes, but are reported as equity in income (losses) of affiliates in our income statement. See Note 11 to our audited financial statements and Note 7 to our unaudited interim condensed financial statements, both included elsewhere in this offering circular.

In the past, we have made significant capital contributions and loans to our joint venture in Ixe Tarjetas, and we, in the future, may make additional capital contributions and loans to this joint venture. In the past, this venture has generated, and it may continue to generate operating losses and negative cash flows as it continues to build and expand its business.

Equity investments are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset is no longer recoverable from future discounted projected cash flows. Given the dynamic environments in which Ixe Tarjetas operates, as well as changing macroeconomic conditions, we cannot assure that our future evaluations would not result in recognizing future impairment charges for this investment. On August 12, 2009, the CNBV issued changes in the methodology to determine allowances for loan losses related to credit card loans made by Ixe Tarjetas. This change generated an increase in the allowance for loan losses of Ixe Tarjetas of Ps.173,708 which was recorded in retained earnings in accordance with accounting practices established by the CNBV for financial institutions. In the financial statements of the Bank for the year ended December 31, 2009, this change represents a decrease in retained earnings of Ps. 86,854.

Allowance for Loan Losses

The rules for the classification and rating of loan portfolios of Mexican banks and the creation of related reserves (the "Loan Classification and Rating Rules") set forth under the General Rules for Banks, provide a methodology to classify:

a) consumer loans (*i.e.*, credit cards and loans to individuals) and mortgage loans, taking into account delinquency periods, probability of default and the severity of the loss (taking into account collateral received), and

b) commercial loans based on an evaluation of a borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees.

Based on this methodology, a specific percentage established by the CNBV is applied to each category of the loan portfolio. On August 12, 2009, the CNBV issued a resolution modifying the "General Provisions Applicable to Banking Institutions", including the consumer loan rating methodology and probabilities of default, to reflect the effect of the current environment upon the expected loss in banking operations.

Although the Loan Classification and Rating Rules also permit banks, subject to the prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

Our allowance for loan losses is held in a separate account on our balance sheet, and all write-offs of uncollectible loans are charged against this account. Mexican banks are required to obtain authorization from their board of directors in order to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying non-performing loans, determining customers' ability to pay and estimating the recoverable amount of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses.

Property, Plant and Equipment

Under Mexican Banking GAAP, property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset is no longer recoverable from future discounted projected cash flows. Estimates of future cash flows involve considerable management judgment. These estimates are based on historical data, future revenue growth, anticipated market conditions, management plans, and assumptions regarding projected rates of inflation and currency fluctuations, among other factors. If these assumptions are not correct, we would have to recognize a write-off or write-down or accelerate the amortization schedule related to the carrying value of these assets. See Note 10 to our annual financial statements.

Financial Instruments Measured at Fair Value

Under Mexican Banking GAAP, the fair value of financial instruments is determined based upon valuations provided by experts that are authorized and designated by the CNBV as "price vendors". If available, quoted market prices provide the best indication of value. If quoted market prices are not available for fixed maturity securities and derivatives, we discount expected cash flows using market interest rates commensurate with the credit quality and maturity of the investment. Alternatively, we may use matrix or model pricing to determine an appropriate fair value. In determining fair values, we consider various factors, including time value, volatility factors and underlying options, warrants and derivatives. The degree of management's judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices. When observable market prices and parameters do not exist, management's judgment is necessary to estimate fair value, in terms of estimating the future cash flows, based on variable terms of the instruments and the credit risk and in defining the applicable interest rate to discount those cash flows.

As of December 31, 2009, our investments in securities and derivatives that were fair valued using discounted cash flows techniques amounted to Ps.222.4 million.

For a further discussion on the effect of a change in interest rates and foreign exchange rates on our derivatives portfolio see "Quantitative and Qualitative Disclosures about Market Risk" in this offering circular.

Employee Retirement Obligations

Our employee retirement obligations include employee pension plans, seniority premium benefits and severance indemnities at the end of the work relationship. The determination of our obligations and expenses is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. We evaluate our assumptions at least annually. Our assumptions depend on Mexico's economic circumstances.

In accordance with Mexican Banking GAAP, actual results that differ from our assumptions (actuarial gains or losses) are accumulated and amortized over future periods and, therefore, generally affect our recognized expenses and recorded obligations in these future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our employee retirement obligations and our future expense.

Deferred Income Tax

Under Mexican Banking GAAP, we record deferred income tax assets and liabilities using statutory tax rates for the effect of temporary differences between the book value and tax basis of assets and liabilities. Deferred tax assets should be recognized when it is probable that taxable profits will be available against which the deferred tax asset can be utilized. A deferred tax liability is recognized in future periods for all taxable temporary differences.

If statutory tax rates change, we adjust the deferred tax assets and liabilities through the provision for income tax in the period of change, to reflect the statutory tax rate expected when the deferred tax items reverse. We also record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not, to be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. However, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Effects of Changes in Interest Rates

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

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

During 2007, interest rates began an upward trend, mainly due to a more restrictive monetary policy implemented by *Banco de México* in an effort to control inflation. The *Cetes* rate reached 7.5% on November 22, 2007, the highest level reached in that year. The TIIE reached 8.0% on November 29, 2007, the highest level reached in that year. In 2008, the *Cetes* and the TIIE rates averaged 7.7% and 8.3%, respectively, as compared to 7.2% and 7.7%, respectively, in 2007. During 2009, due to the financial crisis and the responses from the Central Bank in its monetary policy, interest rates decreased significantly with the *Cetes* and the TIIE rates ending at 4.5% and 4.9%, respectively, and averaging 5.4% and 5.9%, respectively. In September 2010, the *Cetes* and the TIIE rates have averaged 4.4% and 4.9%, respectively, as the Central Bank has maintained its monetary policy unchanged to prop up the weak economy amidst a scenario of contained inflation.

Period	Average Interest Rates for Cetes with 28-Day Maturities(1)	Average Interest Rates for TIIE with 28-Day Maturities(2)
2007	7.2%	7.7%
2008	7.7%	8.3%
2009	5.4%	5.9%
2010	4.5%	4.9%
January	4.5%	4.9%
February	4.5%	4.9%
March	4.4%	4.9%
April	4.4%	4.9%
May	4.5%	4.9%
June	4.6%	4.9%
July	4.6%	4.9%
August	4.5%	4.9%
September	4.4%	4.9%

Source: *Banco de México*.

(1) Annual averages are obtained from monthly averages based on rates established at weekly auctions. Monthly averages obtained from weekly averages based on rates established at weekly auctions.

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

Transfer of Our Credit Card Loan Portfolio

On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities to Ixe Tarjetas, a 50-50 joint venture that we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of this credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods. See “Presentation of Financial and Other Information-Financial Statements.”

Mexicana Securities

As of June 30, 2010, the Bank held in its portfolio equity securities of Mexicana acquired on December 20, 2005, which were recorded at cost and had a book value of Ps.11.7 million. Due to significant financial difficulties experienced by Mexicana, the Bank’s management decided to fully reserve its investment in this company as of July 31, 2010, recognizing an impairment loss of Ps.11.7 million as of that date. On August 2, 2010, Mexicana filed for bankruptcy protection in Mexico and in the United States.

Results of Operations

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Financial Margin

Financial margin increased by 24.0% to Ps.771.4 million for the six months ended June 30, 2010 compared to Ps.622.1 million for the six months ended June 30, 2009. This increase was mainly the result of a 14.8%, or Ps.135.3 million, increase in our interest on loans, which was driven by a 43.3% increase in our average total loan portfolio and a 12.5%, or Ps.63.8 million, decrease in interest paid on deposits and funding due to the decrease in interest rates during the six months ended June 30, 2010. This was partially offset by a 18.2%, or Ps.48.5 million, decrease in interest on debt securities resulting from the decrease in interest rates during the six months ended June 30, 2010 as mentioned above.

Our average interest rate earned on interest-earning assets for the six months ended June 30, 2010 was 6.4% and the average interest rate paid on interest-bearing liabilities was 4.2%, resulting in a yield spread of 2.2%. Our average interest rate earned on interest-earning assets for the six months ended June 30, 2009 was 7.9% and the average interest rate paid on interest-bearing liabilities was 6.2%, resulting in a yield spread of 1.7%. This increase in the spread was due to a greater decrease in the average interest rate paid on interest-bearing liabilities (including repurchase agreements) than the decrease in the average interest rate earned on interest-earning assets (including resale agreements) for the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

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

	For the Six-Month Period Ended June 30,	
	2009	2010
	(unaudited)	(unaudited)
	(thousands of pesos)	
Interest Income		
Interest on loans	913,439	1,048,746
Interest on debt securities	266,764	218,301
Interest on cash and due from banks	90,664	62,009
Fees on loans(1)	58,249	69,451
Interest on resale agreements(2)	1,152,829	555,271
Other interest income	—	122
Total interest income	2,481,945	1,953,900
Interest Expense		
Interest on deposits and funding	512,032	448,217
Fees paid(3)	194,944	203,298
Interest on repurchase agreements(4)	1,152,833	530,965
Other interest expense	—	18
Total interest expense	1,859,809	1,182,498
Financial margin	622,136	771,402

(1) Fees on loans represent fees generated in connection with the issuance, renewal, draw-down or pre-payment of a loan that is recorded as interest income in accordance with Mexican Banking GAAP.

(2) Interest income on resale agreements represents interest income on securities purchased pursuant to our agreements to resell, in accordance with Mexican Banking GAAP.

(3) Fees paid represent fees incurred in connection with our withdrawal, renewal and drawing down of loans borrowed by us and that are recorded as interest expense in accordance with Mexican Banking GAAP.

(4) Interest expense on repurchase agreements represents interest expense on securities sold under agreements to resell in accordance with Mexican Banking GAAP.

Interest Income

For the six months ended June 30, 2010, there was a decrease of 155 basis points in the average interest rate earned on interest-earning assets compared with the six months ended June 30, 2009. The decrease in the average rate earned reflected the lower level of interest rates for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. The 28-day TIIE rate averaged 4.9% for the six months ended June 30, 2010, which is 200 basis points lower than the 6.9% average rate for the six months ended June 30, 2009.

Our interest income was Ps.1,953.9 million for the six months ended June 30, 2010 compared to Ps.2,481.9 million for the six months ended June 30, 2009, which represents a decrease of Ps.528.0 million, or 21.3%. If we exclude interest on resale agreements, which are partially offset by interest paid on repurchase agreements during the six-month period ended June 30, 2010 and entirely offset by interest paid on repurchase agreements during the six-month period ended June 30, 2009, our interest income increased by Ps.69.5 million, or 5.2%. This increase was mainly the result of an increase in interest on loans due to a 43.3% increase in our average total loan portfolio, which was partially offset by a decrease in interest on debt securities driven by a decrease in interest rates during the six-month period ended June 30, 2010 compared to the six months ended June 30, 2009.

Interest on loans was Ps.1,048.7 million (or 53.7% of interest income) for the six months ended June 30, 2010 compared to Ps.913.4 million (or 36.8% of interest income) for the six months ended June 30, 2009, an increase of Ps.135.3 million, or 14.8%. This increase was primarily the result of a higher volume of commercial loans and loans to government entities, which more than offset a decrease of 206 basis points on the average interest rate earned on loans for the six months ended June 30, 2010.

Interest on debt securities was Ps.218.3 million (or 11.2% of interest income) for the six months ended June 30, 2010 compared to Ps.266.8 million (or 10.7% of interest income) for the six months ended June 30, 2009, which represents a decrease of Ps.48.5 million, or 18.2%. This decrease was primarily due to a decrease in the average interest rate earned on these securities of 178 basis points which more than offset the positive effects of an increase in the average balance of Ps.399.5 million, or 5.9%, in debt securities for the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Interest on cash and due from banks was Ps.62.0 million (or 3.2% of interest income) for the six months ended June 30, 2010 compared to Ps.90.7 million (or 3.6% of interest income) for the six months ended June 30, 2009, a decrease of Ps.28.6 million, or 31.6%. This decrease was primarily due to a decrease of Ps.1,640.7 million, or 37.2%, in the average balance of cash and due from banks held for the six months ended June 30, 2010 compared to the corresponding period in 2009. This was partially offset by an increase in the average interest rate earned on cash and due from banks from 4.1% as of June 30, 2009 to 4.5% as of June 30, 2010, an increase of 36 basis points.

Fees on loans were Ps.69.4 million (or 3.5% of interest income) for the six months ended June 30, 2010 compared to Ps.58.2 million (or 2.3% of interest income) for the six months ended June 30, 2009, which represents an increase of Ps.11.2 million, or 19.2%. This increase was primarily the result of an increase in new loan originations as our total average loan portfolio increased by Ps.7,642.7 million, or 43.3%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Interest on resale agreements was Ps.555.3 million (or 28.4% of interest income) for the six months ended June 30, 2010 compared to Ps.1,152.8 million (or 46.4% of interest income) for the six months ended June 30, 2009, a decrease of Ps.597.6 million, or 51.8%. This decrease was due to a decrease of 249 basis points in the average interest rate earned and a decrease of Ps.8,397.0 million, or 25.9%, in the average balance of resale agreements in the six months ended June 30, 2010 compared to the six months ended June 30, 2009. However, the net interest earned on resale and repurchase agreements increased by Ps.24.3 million for the six months ended June 30, 2010 compared to the six-month period ended June 30, 2009. See "— Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009 — Interest Expense."

Interest Expense

For the six months ended June 30, 2010, our average interest rate paid on interest-bearing liabilities decreased by 206 basis points, from 6.2% for the six months ended June 30, 2009 to 4.2% for the six months ended June 30, 2010. The decrease in the average rate paid on interest-bearing liabilities was related to a general decline in interest rates in Mexico during the six months ended June 30, 2010 compared to the corresponding period in 2009. The rate on 28-day *Cetes* averaged 4.5% for the six months ended June 30, 2010, which is 180 basis points lower than the 6.3% average rate for the six months ended June 30, 2009.

Interest expense was Ps.1,182.5 million for the six months ended June 30, 2010 compared to Ps.1,859.8 million for the six months ended June 30, 2009, a decrease of Ps.677.3 million, or 36.4%. If we exclude interest on repurchase agreements, which are entirely offset by interest earned on resale agreements during the six months ended June 30, 2010 and offset by interest earned on resale agreements during the six-month period ended June 30, 2009, our interest expense decreased by Ps.55.4 million, or 7.8%. This decrease was mainly the result of a decrease in interest on deposits and funding due to lower interest rates paid during the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Interest on deposits and funding was Ps.448.2 million (or 37.9% of interest expense) for the six months ended June 30, 2010 compared to Ps.512.0 million (or 27.5% of interest expense) for the six months ended June 30, 2009, a decrease of Ps.63.8 million, or 12.5%. This decrease in interest expense on deposits and funding was primarily the result of a reduction of 172 basis points in interest rates during the six months ended June 30, 2010.

Fees paid were Ps.203.3 million (or 17.2% of interest expense) for the six months ended June 30, 2010 compared to Ps.194.9 million (or 10.5% of interest expense) for the six months ended June 30, 2009, an increase of Ps.8.4 million, or 4.3%. This increase was primarily the result of a 28.7% increase in the average balance of bank and other entities loans, which were more than offset the reduction of 151 basis points in interest rates paid during the six months ended June 30, 2010.

Interest on repurchase agreements was Ps.531.0 million (or 44.9% of interest expense) for the six months ended June 30, 2010 compared to Ps.1,152.8 million (or 62.0% of interest expense) for the six months ended June 30, 2009, a decrease of Ps.621.9 million, or 53.9%. This decrease was the result of a decrease of Ps.10,969.8 million, or 31.8%, in the average balance of repurchase agreements for the six months ended June 30, 2010 compared to the six months ended June 30, 2009 and a decrease in the average interest rate paid on repurchase agreements of 217 basis points for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. Net interest earned on resale and repurchase agreements increased by Ps.24.3 million for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. See "— Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009 — Interest Income."

Provisions

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

	For the Six-Month Period Ended June 30,	
	2009	2010
	(unaudited) (thousands of pesos)	
Provisions		
Provisions for loan losses	113,508	67,347
Total provisions	113,508	67,347

Provisions for loan losses charged against earnings were Ps.67.3 million for the six months ended June 30, 2010 compared to Ps.113.5 million for the six months ended June 30, 2009, a reduction of Ps.46.2 million, or 40.7%. This reduction was mainly the result of the sale of a significant loan to Ixe Soluciones, which released provisions of Ps.100.0 million, as well as the collection of loans of entities that during 2009 had a low payment capacity as a result of the economic crisis that began during the fourth quarter of 2008. The allowance for loan losses as a percentage of non-performing loans increased to 165.1% as of June 30, 2010 from 124.9% on June 30, 2009. The increase in the ratio of allowance for loan losses to non-performing loans reflects the decrease of Ps.75.0 million, or 22.8%, of non-performing loans as of June 30, 2010 compared to the same period of 2009, due mainly to a decrease in non-performing commercial loans.

Non-Interest Income

The following table sets forth the components of our non-interest income for the periods indicated:

	For the Six-Month Period Ended June 30,	
	2009	2010
	(unaudited) (thousands of pesos)	
Commissions and Fees		
Letters of credit	2,939	11,579
Account management	47,322	34,202
Trustee fees	15,101	19,168
Fund transfers	733	5,152
Travelers checks	366	2
Safe deposit boxes	3,077	4,827
Commission for foreign exchange	77,750	106,925
Fees for integrated banking services	10,352	20,668
Merchant acquiring business	46,298	78,914
Corporate finance advisory	31,019	30,037
Other	954	717
Total commissions and fee income	235,911	312,191
Commission and fee expense	(17,436)	(82,228)
Net commissions and fees	218,475	229,963
Brokerage Revenues		
Unrealized (losses) gains on securities and derivative financial instruments	119,095	199,646
Realized (losses) gains on securities and derivative financial instruments	310,402	(56,502)
Foreign exchange gains	130,418	213,262
Total brokerage revenues (net)	559,915	356,406
Total non-interest income	778,390	586,369

Total non-interest income was Ps.586.4 million for the six months ended June 30, 2010 compared to Ps.778.4 million for the six months ended June 30, 2009, a decrease of Ps.192.0 million, or 24.7%, mainly due to realized losses on securities and derivative financial instruments compared to a realized gain for the same period in 2009, as well as higher commission and fee expenses.

Total commissions and fee income was Ps.312.2 million for the six months ended June 30, 2010 compared to Ps.235.9 million for the six months ended June 30, 2009, an increase of Ps.76.3 million, or 32.3%. This increase was primarily the result of increases in fees from merchant acquiring business, in commissions for foreign exchange and fees for integrated banking services, which were partially offset by a decrease in fees from account management.

Commissions and fees from account management were Ps.34.2 million (or 11.0% of total commissions and fee income) for the six months ended June 30, 2010 compared to Ps.47.3 million (or 20.1% of total commissions and fee income) for the six months ended June 30, 2009, a decrease of Ps.13.1 million, or 27.7%. This decrease was primarily due to a change in the classification of commissions and fees of mutual funds, which are now recorded in other income.

Commissions from foreign exchange were Ps.106.9 million (or 34.2% of total commissions and fee income) for the six months ended June 30, 2010 compared to Ps.77.7 million (or 33.0% of total commissions and fee income) for the six months ended June 30, 2009, an increase of Ps.29.2 million, or 37.5%. This increase was primarily the result of an increase in the volume of clients' transactions in the foreign exchange market, as well as the volatility of exchange rates for the six months ended June 30, 2010.

Commissions from merchant acquiring business were Ps.78.9 million (or 25.3% of total commissions and fee income) for the six months ended June 30, 2010 compared to Ps.46.3 million (or 19.6% of total commissions and fee income) for the six months ended June 30, 2009, an increase of Ps.32.6 million, or 70.4%. This increase was primarily the result of our strategy to consolidate our presence in the merchant acquiring business by entering into agreements with new merchants in order to increase our client base during the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Commissions and fees from corporate finance advisory services were Ps.30.0 million (or 9.6% of total commissions and fee income) for the six months ended June 30, 2010 compared to Ps.31.0 million (or 13.1% of total commissions and fees income) for the six months ended June 30, 2009, a decrease of Ps.1.0 million, or 3.2%. We maintained a similar level of participation as a financial advisor during the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Commissions and fee expenses were Ps.82.2 million for the six months ended June 30, 2010 compared to Ps.17.4 million for the six months ended June 30, 2009, an increase of Ps.64.8 million, or 371.6%. This increase was mainly due to an increase in the costs associated with the issuance of loans and an increase in trading volume both in debt securities and equity investments during the six months ended June 30, 2010, compared to the six months ended June 30, 2009.

Total net brokerage revenues were Ps.356.4 million for the six months ended June 30, 2010 compared to Ps.559.9 million for the six months ended June 30, 2009, a decrease of Ps.203.5 million, or 36.3%. This decrease was principally due to realized losses on securities and derivative financial instruments of Ps.56.5 million, which were largely offset by unrealized gains on securities and derivative financial instruments of Ps.199.6 million and foreign exchange gains of Ps.213.3 million for the six months ended June 30, 2010, compared to realized gains on securities and derivative financial instruments of Ps.310.4 million, unrealized gains on securities and derivative financial instruments of Ps.119.1 million and foreign exchange gains of Ps.130.4 million, for the six months ended June 30, 2009. In addition, total net brokerage revenues for the six months ended June 30, 2009 included non-recurring revenue of Ps.213.0 million resulting from the unwinding of two swap transactions.

We recorded unrealized gains on securities and derivative financial instruments held in our own account that are marked-to-market of Ps.199.6 million for the six months ended June 30, 2010 compared to unrealized gains on such securities of Ps.119.1 million in the six months ended June 30, 2009, an increase of Ps.80.6 million, or 67.7%. The increase was attributable to increases in the fair value of certain securities resulting from a decrease in market interest rates.

We recorded realized losses on securities and derivative financial instruments of Ps.56.5 million for the six months ended June 30, 2010 compared to realized gains on such securities of Ps.310.4 million for the six months ended June 30, 2009. This decrease was mainly due to the non-recurring revenue of Ps.213.0 recorded for the six months ended June 30, 2009 resulting from the unwinding of two swap transactions. In addition, the remaining decrease was due to a decrease in market interest rates.

Foreign exchange gains were Ps.213.3 million for the six months ended June 30, 2010 compared to Ps.130.4 million for the six months ended June 30, 2009. The increase was attributable to the volatility in foreign exchange rates and a higher volume of transactions during the first six months of 2010, compared to the first six months of 2009.

Non-Interest Expense

The following table sets forth the components of our non-interest expense for the periods indicated:

	For the Six-Month Period Ended June 30,	
	2009	**2010**
	(unaudited) (thousands of pesos)	
Non-interest expense		
Salaries and employee benefits	580,584	735,121
Professional fees	65,998	35,350
Rental expenses	92,339	104,721
Promotional expenses	43,956	42,898
Non-deductible expenses	1,189	1,656
Taxes other than income taxes	62,407	76,831
Depreciation and amortization	85,843	110,707
Contribution to IPAB	52,660	58,652
Other administrative expenses[1]	184,057	196,289
Total	1,169,033	1,362,225

(1) Other administrative expenses mainly include repair and maintenance, telephone, insurance, mail and package delivery services, and security expenses.

Non-interest expense was Ps.1,362.2 million for the six months ended June 30, 2010 compared to Ps.1,169.0 million for the six months ended June 30, 2009, an increase of Ps.193.2 million, or 16.5%. This increase was primarily the result of an increase in salaries and employee benefits, depreciation and amortization, taxes other than income taxes and other administrative expenses.

Salaries and employee benefits, the largest component of non-interest expense, were Ps.735.1 million (or 54.0% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.580.6 million (or 49.7% of non-interest expense) for the six months ended June 30, 2009, an increase of Ps.154.5 million, or 26.6%. This increase was primarily due to an increase in the number of employees as a result of the opening of 21 bank branches, with 3,323 employees at June 30, 2010 compared to 2,827 at June 30, 2009, and an annual salary increase equal to 5% and expenses related to personnel performance incentives.

Professional fees were Ps.35.3 million (or 2.6% of non-interest expense) for the six months ended June 30, 2010, compared to Ps.66.0 million (or 5.6% of non-interest expense) for the six months ended June 30, 2009, a decrease of Ps.30.6 million, or 46.4%. This decrease was mainly the result of the creation, during the first six months of 2009, of Ps.25.0 million of provisions to pay legal expenses that were expected to be incurred.

Rental expenses were Ps.104.7 million (or 7.7% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.92.3 million (or 7.9% of non-interest expense) for the six months ended June 30, 2009, an increase of Ps.12.4 million, or 13.4%. This increase was primarily the result of the continued expansion of our retail branch network, to which we added 21 branches between June 30, 2009 and June 30, 2010 and the lease of additional corporate office space at our new facilities at Torre Mayor, which is the location of our headquarters.

Promotional expenses, including marketing and advertising related expenses, were Ps.42.9 million (or 3.1% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.44.0 million (or 3.8% of non-interest expense) for the six months ended June 30, 2009, a decrease of Ps. 1.1 million, or 2.4%.

Taxes other than income taxes were Ps.76.8 million (or 5.6% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.62.4 million (or 5.3% of non-interest expense) for the six months ended June 30, 2009, an increase of Ps.14.4 million, or 23.1%. This increase was primarily the result of the increase in value-added taxes related to our branch network expansion during the six months ended June 30, 2010.

Depreciation and amortization expenses were Ps.110.7 million (or 8.1% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.85.8 million (or 7.3% of non-interest expense) for the six months ended June 30, 2009, an increase of Ps.24.9 million, or 29.0%. This increase was primarily the result of increased depreciation related to the growth of our branch network and increased amortization as a result of investment in information technology.

Our contribution to IPAB was Ps.58.7 million (or 4.3% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.52.7 million (or 4.5% of non-interest expense) for the six months ended June 30, 2009, an increase of Ps.6.0 million, or 11.4%. This increase was primarily the result of our higher average balances of deposits for the six months ended June 30, 2010, compared to the six months ended June 30, 2009.

Other administrative expenses were Ps.196.3 million (or 14.4% of non-interest expense) for the six months ended June 30, 2010 compared to Ps.184.1 million (or 15.7% of non-interest expense) for the six months ended June 30, 2009, an increase of Ps.12.2 million, or 6.6%. This increase was primarily the result of the opening of new branches, introduction of new products and for other expenses related to a higher operating volume.

Other Income and Expenses, Net

Other income includes, among other things, interest income from recoveries in excess of amounts for which we have previously provisioned, gains on sales of fixed and foreclosed assets and other miscellaneous income and gains. Other expenses include miscellaneous losses, write-offs and discounts and losses on the sale of fixed assets. The net amount of other income and expenses was Ps.129.6 million for the six months ended June 30, 2010, which represents a 155.2% increase, compared to Ps.50.8 million for the six months ended June 30, 2009. This increase was primarily the result of a gain on sale of credit portfolio and the commission from the insurance agreement signed in May 2010 with RSA Insurance.

Income Taxes and Employee Profit Sharing

Current income tax and employee profit sharing expense was Ps.14.2 million for the six months ended June 30, 2010 compared to Ps.42.9 million for the six months ended June 30, 2009. This decrease was due to a lower fiscal income for the six months ended June 30, 2010 compared to the same period in 2009. As of June 30, 2010, there was a balance of $(15.3) million in deferred income tax, resulting from the creation of provisions for expenses, which become deductible for income tax at the moment those expenses are paid.

The effective income tax rate was 25.92% as of June 30, 2010 and 25.44% as of June 30, 2009.

Equity in Earnings of Associated Companies

Our equity in earnings of associated companies was a loss of Ps.62.8 million for the six months ended June 30, 2010 compared to a loss of Ps.51.8 million for the six months ended June 30, 2009. This increase in losses was due to a higher negative result of Ixe Tarjetas for the six months ended June 30, 2010 compared to the same period of 2009. We recognize a 50% participation in Ixe Tarjetas.

The loss resulting from our equity interest in Ixe Tarjetas was mainly attributable to the increase of salaries and employee benefits and marketing expenses related to the expansion of the business and strengthening of the sales force as contemplated in its business plan.

Net Income

We recorded a net loss of Ps.3.9 million for the six months ended June 30, 2010 compared to a net income of Ps.74.1 million for the six months ended June 30, 2009, due to the results of our operations as discussed above.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Financial Margin

Financial margin was Ps.1,349.7 million for the year ended December 31, 2009 compared to Ps.1,038.2 million for the year ended December 31, 2008, an increase of Ps.311.5 million, or 30.0%. This increase was mainly the result of an increase in interest on debt securities of Ps.212.3 million, or 73.5%, which was partially offset by interest on resale agreements, and a decrease in interest on deposits and funding of Ps.141.4 million, or 13.7%, for the year ended December 31, 2009 compared to the year ended December 31, 2008.

Our average interest rate earned on interest-earning assets for the year ended December 31, 2009 was 7.1% and the average interest rate paid on interest-bearing liabilities was 5.3% resulting in a yield spread of 1.8%. Our average interest rate earned on interest-earning assets for the year ended December 31, 2008 was 8.9% and the average interest rate paid on interest-bearing liabilities was 7.0%, resulting in a yield spread of 1.9%. The yield spread remained practically unchanged given that the average interest rate earned on the interest-earning assets and the average interest rate paid on interest-bearing liabilities decreased by 1.9% for the year ended December 31, 2009 compared to the year ended December 31, 2008.

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

	For the Year Ended December 31,	
	2008	2009
	(thousands of pesos)	
Interest Income		
Interest on loans	1,835,905	1,793,233
Interest on debt securities	288,898	501,201
Interest on cash and due from banks	159,473	148,552
Fees on loans(1)	145,382	128,120
Interest on resale agreements(2)	1,917,653	1,836,721
Total interest income	4,347,311	4,407,827
Interest Expense		
Interest on deposits and funding	1,029,566	888,177
Fees paid(3)	407,682	356,966
Interest on repurchase agreements(4)	1,871,912	1,813,025
Total interest expense	3,309,160	3,058,168
Financial margin	1,038,151	1,349,659

(1) Fees on loans represent fees generated in connection with the issuance, renewal, draw-down or prepayment of a loan that is recorded as interest income in accordance with Mexican Banking GAAP.

(2) Interest income on resale agreements represents interest income on securities purchased pursuant to our agreements to resell in accordance with Mexican Banking GAAP.

(3) Fees paid represent fees incurred in connection with our withdrawal, renewal and drawing down of loans borrowed by us that are recorded as interest expense in accordance with Mexican Banking GAAP.

(4) Interest expense on repurchase agreements represents interest expense on securities sold under agreements to repurchase, in accordance with Mexican Banking GAAP.

Interest Income

For the year ended December 31, 2009, there was a decrease of 186 basis points in the average interest rate earned on interest-earning assets. The decrease in the average rate earned reflected the lower level of interest rates for the year ended December 31, 2009 compared to the year ended December 31, 2008. The rate on 28-day TIIE averaged 5.9% for the year ended December 31, 2009, which is 240 basis points lower than the 8.3% average rate for the year ended December 31, 2008.

Our interest income was Ps.4,407.8 million for the year ended December 31, 2009 compared to Ps.4,347.3 million for the year ended December 31, 2008, an increase of Ps.60.5 million, or 1.4%. If we exclude interest on resale agreements, which was partially offset by interest paid on repurchase agreements, our interest income increased by Ps.141.4 million, or 5.8%. This increase was primarily the result of an increase of Ps.212.3, or 73.5%, in interest income on debt securities for the year ended December 31, 2009 compared to the year ended December 31, 2008. The increase in interest income on debt securities was partially offset primarily by a Ps.42.7 million, or 2.3%, decrease in interest on loans.

Interest on loans was Ps.1,793.2 million (or 40.7% of interest income) for the year ended December 31, 2009 compared to Ps.1,835.9 million (or 42.2% of interest income) for the year ended December 31, 2008, a decrease of Ps.42.7 million, or 2.3%. This decrease was primarily the result of a decrease of 158 basis points on the average interest rate earned on loans, as well as of the transfer of our credit card loan portfolio to Ixe Tarjetas on December 1, 2008, which represented interest income of Ps.192.7 million for the year ended December 31, 2008, which more than offset the higher volume of commercial loans, mortgages and loans to government entities for the year ended December 31, 2009.

Interest on debt securities was Ps.501.2 million (or 11.4% of interest income) for the year ended December 31, 2009 compared to Ps.288.9 million (or 6.6% of interest income) for the year ended December 31, 2008, an increase of Ps.212.3 million, or 73.5%. This increase was primarily due to an increase of Ps.3,726.3 million, or 106.3%, in the average balance of debt securities, which was partially offset by a decrease in the average interest rate earned on these securities of 131 basis points for the year ended December 31, 2009 compared to the corresponding period in 2008.

Interest on cash and due from banks was Ps.148.6 million (or 3.4% of interest income) for the year ended December 31, 2009 compared to Ps.159.5 million (or 3.7% of interest income) for the year ended December 31, 2008, a decrease of Ps.10.9 million, or 6.8%. This decrease was primarily due to a decrease in the average interest rate earned on cash and due from banks from 6.7% as of December 31, 2008 to 4.5% as of December 31, 2009, a decrease of 215 basis points which more than offset the increase of Ps.903.6 million, or 37.7%, in the average balance of cash and due from banks held for the year ended December 31, 2009 compared to the year ended December 31, 2008.

Fees on loans were Ps.128.1 million (or 2.9% of interest income) for the year ended December 31, 2009 compared to Ps.145.4 million (or 3.3% of interest income) for the year ended December 31, 2008, a decrease of Ps.17.3 million, or 11.9%. This decrease was primarily due to the transfer of our credit card loan portfolio to Ixe Tarjetas on December 1, 2008, which was offset by the increase in our loan portfolio.

Interest on resale agreements was Ps.1,836.7 million (or 41.7% of interest income) for the year ended December 31, 2009 compared to Ps.1,917.6 million (or 44.1% of interest income) for the year ended December 31, 2008, a decrease of Ps.80.9 million, or 4.2%. This decrease was primarily due to a decrease of 191 basis points in the average interest rate earned, which more than offset an increase of Ps.6,492.5 million, or 26.6%, in the average balance of resale agreements for the year ended December 31, 2009 compared to the corresponding period in 2008. However, net interest earned on resale and repurchase agreements decreased by Ps.22.0 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. See "— Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 — Interest Expense."

Interest Expense

For the year ended December 31, 2009, there was a decrease in the average interest rate paid on interest-bearing liabilities. Our average interest rate paid on interest-bearing liabilities decreased by 189 basis points, from 7.0% for the year ended December 31, 2008 to 5.3% for the year ended December 31, 2009. The decrease in the average rate paid on interest-bearing liabilities was related to a general decline in interest rates in Mexico during the year ended December 31, 2009 compared to the corresponding period in 2008, as well as discontinuing the payment of interest on demand deposits as of the second quarter of 2009. The rate on 28-day *Cetes* averaged 5.4% for the year ended December 31, 2009, which is 230 basis points lower than the 7.7% average rate for the year ended December 31, 2008.

Interest expense was Ps.3,058.2 million for the year ended December 31, 2009 compared to Ps.3,309.2 million for the year ended December 31, 2008, a decrease of Ps.251.0 million, or 7.6%. If we exclude interest on repurchase agreements, which is largely offset by interest earned on resale agreements, our interest expense decreased by Ps.192.1 million, or 13.4%. This decrease was the result of a decrease in interest on deposits and funding and in fees paid for the year ended December 31, 2009 compared to the year ended December 31, 2008, which resulted from a decrease in interest rates paid.

Interest on deposits and funding was Ps.888.2 million (or 29.0% of interest expense) for the year ended December 31, 2009 compared to Ps.1,029.6 million (or 31.1% of interest expense) for the year ended December 31, 2008, a decrease of Ps.141.4 million, or 13.7%. This decrease in interest expense on deposits and funding was primarily the result of a reduction of 177 basis points in interest rates during the year ended December 31, 2009 and discontinuing the payment of interest on demand deposits as of the second quarter of 2009.

Fees paid were Ps.357.0 million (or 11.7% of interest expense) for the year ended December 31, 2009 compared to Ps.407.7 million (or 12.3% of interest expense) for the year ended December 31, 2008, a decrease of Ps.50.7 million, or 12.4%. This decrease was primarily the result of a reduction of 181 basis points in interest rates paid during the year ended December 31, 2009.

Interest on repurchase agreements was Ps.1,813.0 million (or 59.3% of interest expense) for the year ended December 31, 2009 compared to Ps.1,871.9 million (or 56.6% of interest expense) for the year ended December 31, 2008, a decrease of Ps.58.9 million, or 3.1%. This decrease was the result of a reduction of 199 basis points in average interest rates paid on repurchase agreements during the year ended December 31, 2009 compared to the same period of 2008, which more than offset the increase of Ps.7,299.0 million, or 30.3%, in the average balance of repurchase agreements for the year ended December 31, 2009 compared to the year ended December 31, 2008. Net interest earned on resale and repurchase agreements decreased by Ps.22.0 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. See "— Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 — Interest Income."

Provisions

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

	For the Year Ended December 31,	
	2008	2009
	(thousands of pesos)	
Provisions Charged Against Earnings		
Provisions for loan losses	298,905	253,156
Total provisions	298,905	253,156

Provisions for loan losses charged against earnings were Ps.253.2 million for the year ended December 31, 2009 compared to Ps.298.9 million for the year ended December 31, 2008, a decrease of Ps.45.7 million or 15.3%. This reduction was mainly the result of the impairment of two commercial loans in 2008.

Non-Interest Income

The following table sets forth the components of our non-interest income for the periods indicated:

	For the Year Ended December 31,	
	2008	2009
	(thousands of pesos)	
Commissions and Fees		
Letters of credit	5,128	23,041
Account management	89,196	106,120
Trustee fees	34,293	32,163
Fund transfers	991	1,709
Travelers checks	1,235	366
Safe deposit boxes	1,821	3,293
Commission for foreign exchange	90,604	161,793
Fees for integrated banking services	15,879	21,682
Merchant acquiring business	63,129	113,829
Corporate finance advisory	138,574	59,621
Other	32,400	4,079
Total commissions and fee income	473,250	527,696
Commission and fee expense	(28,936)	(36,463)
Commissions and fees (net)	444,314	491,233
Brokerage Revenues		
Unrealized gains (losses) on securities and derivative financial instruments	(397,807)	420,941
Realized gains on securities and derivative financial instruments	217,397	141,389
Foreign exchange gains	505,192	286,655
Total brokerage revenues (net)	324,782	848,985
Total non-interest income	769,096	1,340,218

Total non-interest income was Ps.1,340.2 million for the year ended December 31, 2009 compared to Ps.769.1 million for the year ended December 31, 2008, an increase of Ps.571.1 million, or 74.3%, mainly due to unrealized gains on securities and derivative financial instruments.

Total commissions and fee income was Ps.527.7 million for the year ended December 31, 2009 compared to Ps.473.2 million for the year ended December 31, 2008, an increase of Ps.54.4 million, or 11.5%. This increase was primarily the result of an increase in commissions for foreign exchange, commissions from merchant acquiring business, commissions and fees from letters of credit and fees from account management, which were partially offset primarily by a decline in corporate finance advisory fees for the year ended December 31, 2009 compared to the same period in 2008.

Commissions and fees from letters of credit were Ps.23.0 million (or 4.4% of total commissions and fee income) for the year ended December 31, 2009, compared to Ps.5.1 million (or 1.1% of total commissions and fee income) for the year ended December 31, 2008, an increase of Ps.17.9 million, or 349.3%, which was mainly due to the issuance of a letter of credit that generated income of Ps.15.0 million.

Commissions and fees from account management were Ps.106.1 million (or 20.1% of total commissions and fee income) for the year ended December 31, 2009 compared to Ps.89.2 million (or 18.8% of total commissions and fees income) for the year ended December 31, 2008, an increase of Ps.16.9 million, or 19.0%. This increase was primarily the result of an increase in the number of active client accounts.

Commissions for foreign exchange were Ps.161.8 million (or 30.7% of total commissions and fee income) for the year ended December 31, 2009 compared to Ps.90.6 million (or 19.1% of total commissions and fee income) for the year ended December 31, 2008, an increase of Ps.71.2 million, or 78.6%. This increase was primarily the result of an increase in the volume of clients' transactions in the foreign exchange market, as well as an increase in the volatility of exchange rates for the year ended December 31, 2009 compared to the same period in 2008.

Commissions from merchant acquiring business were Ps.113.8 million (or 21.6% of total commissions and fee income) for the year ended December 31, 2009 compared to Ps.63.1 million (or 13.3% of total commissions and fee income) for the year ended December 31, 2008, an increase of Ps.50.7 million, or 80.3%. This increase was primarily the result of our strategy to consolidate our presence in the merchant acquiring business, by entering into agreements with new merchants in order to increase our client base, during the year ended December 31, 2009 compared to the same period in 2008.

Commissions and fees from corporate finance advisory services were Ps.59.6 million (or 11.3% of total commissions and fee income) for the year ended December 31, 2009 compared to Ps.138.6 million (or 29.3% of total commissions and fees income) for the year ended December 31, 2008, a decrease of Ps.79.0 million, or 57.0%. This decrease was primarily the result of our participation as financial advisor in the sale of an important supermarket chain during 2008, which generated extraordinary income.

Commission and fee expense was Ps.36.5 million for the year ended December 31, 2009 compared to Ps.28.9 million for the year ended December 31, 2008, an increase of Ps.7.5 million, or 26.0%. This increase was mainly due to an increase in the costs associated with the issuance of loans and an increase in trading volume both in debt securities and equity investments during year ended December 31, 2009, compared to the year ended December 31, 2008.

Net commissions and fees earned were Ps.491.2 million for the year ended December 31, 2009 compared to the commission expense of Ps. 444.3 million for the year ended December 31, 2008, an increase of Ps.46.9 million.

Total net brokerage revenues were Ps.849.0 million for the year ended December 31, 2009 compared to Ps.324.8 million for the year ended December 31, 2008, an increase of Ps.524.2 million, or 161.4%. Net brokerage revenues for the year ended December 31, 2009 are comprised of unrealized gains on securities and derivative financial instruments of Ps.420.9 million, realized gains on securities and derivative financial instruments of Ps.141.4 million and foreign exchange gains of Ps.286.6 million. Net brokerage revenues for the year ended December 31, 2008 are comprised of unrealized losses on securities and derivative financial instruments of Ps.397.8 million, realized gains on securities and derivative financial instruments of Ps.217.4 million and foreign exchange gains of Ps.505.2 million.

The Ps.524.2 million increase in net brokerage revenues for the year ended December 31, 2009 compared to the year ended December 31, 2008 was due primarily to higher income from trading money market, capital market and derivative products that resulted from a decrease in market interest rates and a recovery of the stock markets beginning in March 2009 and the non-recurring revenue of Ps.213.0 million recorded for the year ended December 31, 2009 resulting from the unwinding of two swap transactions.

Non-Interest Expense

The following table sets forth the components of our non-interest expense for the periods indicated:

	For the Year Ended December 31,	
	2008	2009
	(thousands of pesos)	
Non-interest expense		
Salaries and employee benefits	1,088,297	1,182,166
Professional fees	84,715	104,675
Rental expenses	141,374	199,692
Promotional expenses	158,642	108,413
Non-deductible expenses	3,536	3,725
Taxes other than income taxes	142,333	157,873
Depreciation and amortization	115,758	189,252
Contribution to IPAB	77,589	104,170
Other administrative expenses[1]	351,752	493,354
Total	2,163,996	2,543,320

(1) Other administrative expenses mainly include repair and maintenance, telephone, insurance, mail and package delivery services, and security expenses.

Non-interest expense was Ps.2,543.3 million for the year ended December 31, 2009 compared to Ps.2,164.0 million for the year ended December 31, 2008, an increase of Ps.379.3 million, or 17.5%. This increase was primarily the result of an increase in salaries and employee benefits, rental expenses, depreciation and amortization and other administrative expenses.

Salaries and employee benefits, the largest component of non-interest expense, were Ps.1,182.2 million (or 46.5% of non-interest expense) for the year ended December 31, 2009 compared to Ps.1,088.3 million (or 50.3% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.93.9 million, or 8.6%. This increase was primarily due to an increase in the number of employees as a result of the opening of 18 bank branches, with 3,167 employees at December 31, 2009 compared to 2,584 at December 31, 2008, a monthly salary increase equal to 5% of the first Ps.18,000 of an employee's monthly salary and expenses related to personnel performance incentives, which were partially offset by the transfer of personnel to Ixe Tarjetas that resulted in a decrease in salaries and employee benefits compared to the year ended December 31, 2008.

Professional fees were Ps.104.7 million (or 4.1% of non-interest expense) for the year ended December 31, 2009 compared to Ps.84.7 million (or 3.9% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.20.0 million, or 23.6%, which was due to the incurrence of extraordinary legal fees, as well as fees associated with the maintenance of software licenses and computer equipment.

Rental expenses were Ps.199.7 million (or 7.8% of non-interest expense) for the year ended December 31, 2009 compared to Ps.141.4 million (or 6.5% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.58.3 million, or 41.3%. This increase was primarily the result of the continued expansion of our retail branch network; to which we added 18 branches between December 31, 2008 and December 31, 2009.

Promotional expenses were Ps.108.4 million (or 4.3% of non-interest expense) for the year ended December 31, 2009 compared to Ps.158.6 million (or 7.3% of non-interest expense) for the year ended December 31, 2008, a decrease of Ps.50.2 million, or 31.7%. We have a loyalty program that rewards clients for using some of our products and services. When our credit card business was transferred to Ixe Tarjetas in December 2008, we stopped recognizing as an expense the benefits and compensation gained by our clients for the use of credit cards, which totaled Ps.29.8 million in the year ended December 31, 2008. Since December 2008, this expense has been recognized by Ixe Tarjetas.

Taxes other than income taxes were Ps.157.9 million (or 6.2% of non-interest expense) for the year ended December 31, 2009 compared to Ps.142.3 million (or 6.6% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.15.5 million, or 10.9%. This increase was primarily the result of the increase in value-added taxes related to our branch network expansion during the year ended December 31, 2009.

Depreciation and amortization expenses were Ps.189.3 million (or 7.4% of non-interest expense) for the year ended December 31, 2009 compared to Ps.115.8 million (or 5.3% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.73.5 million, or 63.5%. This increase was primarily the result of increased depreciation related to the growth of our branch network.

Our contribution to IPAB was Ps.104.2 million (or 4.1% of non-interest expense) for the year ended December 31, 2009 compared to Ps.77.6 million (or 3.6% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.26.6 million, or 34.3%. This increase was primarily the result of our higher average balances of deposits for the year ended December 31, 2009, compared to the year ended December 31, 2008.

Other administrative expenses were Ps.493.4 million (or 19.4% of non-interest expense) for the year ended December 31, 2009 compared to Ps.351.8 million (or 16.2% of non-interest expense) for the year ended December 31, 2008, an increase of Ps.141.6 million, or 40.3%. This increase was primarily the result of the opening of new branches, the introduction of new products, the recognition of El Banco Deuno's expenses and of other expenses related to a higher operating volume.

Other Income and Expenses, Net

Other income includes, among other things, interest income from recoveries in excess of amounts for which we have previously provisioned, gains on sale of fixed and foreclosed assets and other miscellaneous income and gains. Other expenses include miscellaneous losses, write-offs and discounts and losses on the sale of fixed assets. The net amount of other income and expenses resulted in a net income of Ps.174.0 million for year ended December 31, 2009, which represents an 82.0% decrease compared to Ps.966.4 million for year ended December 31, 2008. This decrease was primarily the result of the gain from the sale of our credit card loan portfolio, and related assets and liabilities to Ixe Tarjetas, and of securities gains from the IPOs of the Mexican Stock Exchange and Visa, Inc. during the year ended December 31, 2008.

Income Taxes and Employee Profit Sharing

Current income tax and employee profit sharing expense was Ps.5.4 million for the year ended December 31, 2009 compared to Ps.4.9 million for the year ended December 31, 2008, which represents an increase of 10.6%. This increase was mainly due to the use, in 2008, of tax benefits from the amortization of fiscal losses in past years. Deferred income taxes were Ps.(33.9) million for the year ended December 31, 2009, compared to Ps.41.5 million for the year ended December 31, 2008. Deferred income taxes in 2009 resulted mainly from the fact that at the end of 2009, we collected revenues in advance which are accumulated for income tax purposes, although, from a financial perspective, the income is recorded as accrued. Deferred income taxes in 2008 resulted mainly from the marked-to-market valuation of securities and financial assets.

Equity in Earnings of Associated Companies

Our equity in earnings of associated companies was a loss of Ps.92.3 million for the year ended December 31, 2009 compared to a gain of Ps.11.8 million for the year ended December 31, 2008. This change was primarily attributable to the recognition of our 50% participation in Ixe Tarjetas for the year ended December 31, 2009. The results of the credit card operation for the first eleven months of the year ended December 31, 2008 were part of our financial statements.

The loss resulting from our equity interest in Ixe Tarjetas was the result of salaries and employee benefits and marketing expenses related to the expansion of the business and strengthening of the sales force as contemplated in its business plan.

Net Income

For year ended December 31, 2009, we reported a net income of Ps.3.6 million compared to the net income of Ps.276.2 million for the year ended December 31, 2008, or a decrease of Ps.272.6 million, which was due to the results of our operations discussed above.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Financial Margin

Financial margin before monetary loss increased to Ps.1,038.2 million for the year ended December 31, 2008 compared to Ps.658.0 million for the year ended December 31, 2007, an increase of Ps.380.2 million, or 57.8%. This increase was primarily the result of an increase of Ps.656.1 million, or 55.6%, in interest on loans and an increase of Ps.124.1 million, or 75.3%, in interest on debt securities for the year ended December 31, 2008 compared to the year ended December 31, 2007, which was partially offset by an increase of Ps.349.4 million, or 51.4%, in interest on deposits and funding and an increase of Ps.109.7, or 36.8%, in fees paid for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Through December 31, 2007, Mexican Banking GAAP required that we recognized as part of financial margin the effects of inflation on monetary assets and liabilities that generate interest income or expense. Accordingly, we recorded a net monetary loss of Ps.49.0 million for the year ended December 31, 2007. Effective January 1, 2008, we were no longer required to recognize the effects of inflation in our financial statements.

Our average interest rate earned on interest-earning assets for the year ended December 31, 2008 was 8.9% and the average interest rate paid on interest-bearing liabilities was 7.2%, resulting in a yield spread of 1.7%. Our average interest rate earned on interest-earning assets for the year ended December 31, 2007 was 8.2% and the average interest rate paid on interest-bearing liabilities was 6.8%, resulting in a yield spread of 1.4%. Additionally, the average balance of interest-earning assets increased from Ps.38,373.8 million as of December 31, 2007 to Ps.47,049.3 million as of December 31, 2008, a 22.6% annual increase.

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

	For the Year Ended December 31,	
	2007	2008
	(thousands of pesos)	
Interest Income		
Interest on loans	1,179,841	1,835,905
Interest on debt securities	164,763	288,898
Interest on cash and due from banks	141,444	159,473
Fees on loans[(1)]	60,804	145,382
Interest on resale agreements[(2)]	1,655,868	1,917,653
Other interest income	60,473	—
Total Interest Income	3,263,193	4,347,311
Interest Expense		
Interest on deposits and funding	680,202	1,029,566
Fees paid[(3)]	298,013	407,682
Interest on repurchase agreements[(4)]	1,579,323	1,871,912
Other interest expense	47,685	—
Total interest expense	2,605,223	3,309,160
Monetary loss (net)	(49,014)	—
Financial margin	608,956	1,038,151

(1) Fees on loans represent fees generated in connection with the issuance, renewal, draw-down or prepayment of a loan that is recorded as interest income in accordance with Mexican Banking GAAP.

(2) Interest income on resale agreements represents interest income on securities purchased pursuant to our agreements to resell in accordance with Mexican Banking GAAP.

(3) Fees paid represent fees incurred in connection with our withdrawal, renewal and drawing down of loans borrowed by us that are recorded as interest expense in accordance with Mexican Banking GAAP.

(4) Interest expense on repurchase agreements represents interest expense on securities sold under agreements to repurchase, in accordance with Mexican Banking GAAP.

Interest Income

For the year ended December 31, 2008, there was a 70 basis point increase in the average interest rate earned on interest-earning assets, from 8.2% for the year ended December 31, 2007 to 8.9% for the year ended December 31, 2008. The increase in the average rate earned reflected the higher level of interest rates in Mexico for the year ended December 31, 2008 compared to the year ended December 31, 2007. The 28-day TIIE rate averaged 8.3% for the year ended December 31, 2008, 60 basis points higher than the 7.7% average rate for the year ended December 31, 2007.

Our interest income was Ps.4,347.3 million for the year ended December 31, 2008 compared to Ps.3,263.2 million for the year ended December 31, 2007, an increase of Ps.1,084.1 million, or 33.2%. If we exclude interest on resale agreements which are partially offset by interest paid on repurchase agreements, our interest income increased by Ps.822.3 million, or 51.2%. This increase was primarily the result of an increase in the interest and fees earned on loans and interest on debt securities for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Interest on loans was Ps.1,835.9 million (or 42.2% of interest income) for the year ended December 31, 2008 compared to Ps.1,179.8 million (or 36.2% of interest income) for the year ended December 31, 2007, an increase of Ps.656.1 million, or 55.6%. This increase was primarily the result of an increase of Ps.5,496.7 million, or 49.0%, in the average balance of the total loan portfolio due mainly to increases in the average balance of commercial loans, loans to financial institutions and loans to government entities, as well as an increase in the average interest rates of 47 basis points.

Interest on debt securities was Ps.288.9 million (or 6.6% of interest income) for the year ended December 31, 2008, compared to Ps.164.8 million (or 5.0% of interest income) for the year ended December 31, 2007, an increase of Ps.124.1 million, or 75.3%. This increase was due both to an increase of Ps.1,312.1 million, or 59.8%, in the average balance of government and investment securities held for the year ended December 31, 2008, compared to the corresponding period in 2007, and an increase in the average interest rate earned on such securities driven by an increase of 60 basis points in the TIIE rate over the same period.

Interest on cash and due from banks was Ps.159.5 million (or 3.7% of interest income) for the year ended December 31, 2008, compared to Ps.141.4 million (or 4.3% of interest income) for the year ended December 31, 2007, an increase of Ps.18.0 million, or 12.7%. This increase was due both to an increase of Ps.246.1 million, or 11.4%, in the average balance of cash and due from banks held for the year ended December 31, 2008 compared to the corresponding period in 2007, and an increase in the average interest rate from 6.6% in 2007 to 6.7% in 2008.

Fees on loans were Ps.145.4 million (or 3.3% of interest income) for the year ended December 31, 2008 compared to Ps.60.8 million (or 1.9% of interest income) for the year ended December 31, 2007, an increase of Ps.84.6 million, or 139.1%. The increase in fees on loans was primarily the result of an increase in our average loan portfolio of Ps.5,399.5 million, or 48.0%, for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Interest on resale agreements was Ps.1,917.7 million (or 44.1% of interest income) for the year ended December 31, 2008 compared to Ps.1,655.9 million (or 50.7% of interest income) for the year ended December 31, 2007, an increase of Ps.261.8 million, or 15.8%. This increase was primarily due to an increase of Ps.1,620.6 million in average balance of resale agreements and an increase in the average interest rate by 59 basis points for the year ended December 31, 2008 compared to the year ended December 31, 2007. However, net interest earned on resale and repurchase agreements decreased by Ps.30.8 million for the year ended December 31, 2008 compared to the year ended December 31, 2007. See "— Year Ended December 31, 2008 Compared to Year Ended December 31, 2007 — Interest Expense."

Interest Expense

Our average interest rate paid on interest-bearing liabilities increased by 40 basis points, from 6.8% for the year ended December 31, 2007 to 7.2% for the year ended December 31, 2008. The increase in the average rate paid on interest-bearing liabilities was related to a general increase in interest rates in Mexico for the year ended December 31, 2008 compared to the corresponding period in 2007. The rate on 28-day *Cetes* averaged 7.7% for the year ended December 31, 2008, 50 basis points higher than the 7.2% average rate for the year ended December 31, 2007.

Interest expense was Ps.3,309.2 million for the year ended December 31, 2008 compared to Ps.2,605.2 million for the year ended December 31, 2007, an increase of Ps.704.0 million, or 27.0%. If we exclude interest on repurchase agreements, which are largely offset by interest earned on resale agreements, our interest expense increased by Ps.411.3 million, or 40.1%. This increase was primarily the result of increases in interest expense on deposits and funding and fees paid for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Interest on deposits and funding was Ps.1,029.6 million (or 31.1% of interest expense) for the year ended December 31, 2008 compared to Ps.680.2 million (or 26.1% of interest expense) for the year ended December 31, 2007, an increase of Ps.349.4 million, or 51.4%. The increase in interest expenses on deposits and funding was primarily the result of the increase of our average time deposits of Ps.2,692.2 million, or 31.3%, and an increase of our average demand deposits of

Ps.2,290.5 million, or 57.1%, for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Fees paid were Ps.407.7 million (or 12.3% of interest expense) for the year ended December 31, 2008 compared to Ps.298.0 million (or 11.4% of interest expense) for the year ended December 31, 2007, an increase of Ps.109.7 million, or 36.8%. This increase was the result of an increase in the average bank and other entities loans of Ps.1,214.0 million, or 36.7%, for by the year ended December 31, 2008 compared to the year ended December 31, 2007.

Interest on repurchase agreements was Ps.1,871.9 million (or 56.6% of interest expense) for the year ended December 31, 2008 compared to Ps.1,579.3 million (or 60.6% of interest expense) for the year ended December 31, 2007, an increase of Ps.292.6 million, or 18.5%. This increase was the result of an increase in the average balance of repurchase agreements of Ps.2,278.6 million, or 10.4%, for the year ended December 31, 2008 compared to the year ended December 31, 2007, and an increase of 53 basis points in the average interest rate paid on purchase agreements during the same period. Net interest earned on resale and repurchase agreements decreased by Ps.30.8 million for the year ended December 31, 2008 compared to the year ended December 31, 2007. See "— Year Ended December 31, 2008 Compared to Year Ended December 31, 2007 — Interest Income."

Provisions

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

	For the Year Ended December 31,	
	2007	2008
	(thousands of pesos)	
Provisions Charged Against Earnings		
Provisions for loan losses	80,371	298,905
Total provisions	80,371	298,905

Provisions for loan losses charged against earnings were of Ps.298.9 million for the year ended December 31, 2008 compared to provisions for loan losses of Ps.80.4 million for the year ended December 31, 2007, an increase of Ps.218.5 million. This increase was mainly the result of an increase of Ps.4,547.6 million (or 40.7%) on the average total loan portfolio from December 31, 2008 compared with December 31, 2007 and the impairment of two commercial loans. The allowance for loan losses as a percentage of non-performing loans decreased to 150.2% as of December 31, 2008 from 206.3% as of December 31, 2007. The decrease in the ratio of allowance for loan losses to non-performing loans reflects the increase in non-performing loans of Ps.96.6 million, or 88.4%, for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Non-Interest Income

The following table sets forth the components of our non-interest income for the periods indicated:

	For the Year Ended December 31,	
	2007	2008
	(thousands of pesos)	
Commissions and Fees		
Letters of credit	2,445	5,128
Account management	68,018	89,196
Trustee fees	27,887	34,293
Funds transfer	912	991
Travelers checks	893	1,235
Safe deposit boxes	948	1,821
Commission for foreign exchange	75,417	90,604
Fees for integrated banking services	10,276	15,879
Merchant acquiring business	15,530	63,129
Corporate finance advisory	81,027	138,574
Other	35,200	32,400
Total commissions and fee income	318,553	473,250
Commission and fee expense	(79,785)	(28,936)
Net commissions and fees	238,768	444,314
Brokerage Revenues		
Unrealized (losses) gains on securities and derivative financial instruments	(36,951)	(397,807)
Realized (losses) gains on securities and derivative financial instruments	158,750	217,397
Foreign exchange gains	183,699	505,192
Other	6,169	—
Total brokerage revenues (net)	311,667	324,782
Total non-interest income	550,435	769,096

Total non-interest income was Ps.769.1 million for the year ended December 31, 2008 compared to Ps.550.4 million for the year ended December 31, 2007, an increase of Ps.218.7 million, or 39.7%, due mainly to an increase in foreign exchange gains, realized gains on securities and derivative financial instruments, corporate finance advisory fees and commissions from merchant acquiring business, which were partially offset by an increase on unrealized losses on securities and derivative financial instruments, for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Total commissions and fee income was Ps.473.3 million for the year ended December 31, 2008 compared to Ps.318.6 million for the year ended December 31, 2007, an increase of Ps.154.7 million, or 48.6%. This increase was primarily the result of an increase of corporate finance advisory fees, commissions from merchant acquiring business, and commissions and fees from account management for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Commissions and fees from account management were Ps.89.2 million (or 18.8% of total commissions and fee income) for the year ended December 31, 2008 compared to Ps.68.0 million (or 21.4% of total commissions and fee income) for the year ended December 31, 2007, an increase of Ps.21.2 million, or 31.1%. This increase was primarily the result of an increase in the number of client accounts for the year ended December 31, 2008 compared to 2007.

Commissions from merchant acquiring business were Ps.63.1 million (or 13.3% of total commissions and fee income) for the year ended December 31, 2008 compared to Ps.15.5 million (or 4.9% of total commissions and fee income) for the year ended December 31, 2007, an increase of Ps.47.6 million, or 306.5%. This increase was primarily the result of our strategy to increase our market share in the merchant acquiring business during the year ended December 31, 2008, compared to the same period in 2007.

Commissions and fees from corporate finance were Ps.138.6 million (or 29.3% of total commissions and fee income) for the year ended December 31, 2008 compared to Ps.81.0 million (or 25.4% of total commissions and fee income) for the year ended December 31, 2007, an increase of Ps.57.5 million, or 71.0%. This increase was primarily the result of our participation as financial advisor in the sale of an important supermarket chain during 2008, which generated extraordinary income.

Commissions and fee expenses were Ps.28.9 million for the year ended December 31, 2008, compared to Ps.79.8 million for the year ended December 31, 2007, a decrease of Ps.50.9 million, or 63.7%. This decrease was mainly due to a decrease in commissions and fees paid to third parties related to a non-recurring advisory service and outsourcing of sales activities for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Total net brokerage revenues were Ps.324.8 million for the year ended December 31, 2008, compared to revenues of Ps.311.7 million for the year ended December 31, 2007, an increase of Ps.13.1 million. This increase was due to an increase in foreign exchange gains for an amount of Ps.321.5 million resulting from the volatility of exchange rates during 2008, and an increase of Ps.58.6 million in realized gains on securities and derivative financial instruments that were partially offset by an increase of Ps.360.9 million in unrealized losses on securities and derivative financial instruments.

We recorded unrealized losses on securities and derivative financial instruments of Ps.397.8 million for the year ended December 31, 2008 compared to unrealized losses on securities and derivatives instruments of Ps.37.0 million for the year ended December 31, 2007, which was primarily attributable to decreases in the fair value of derivative financial instruments and equity securities for the year ended December 31, 2008 compared to the year ended December 31, 2007.

We recorded realized gains on securities and derivative financial instruments of Ps.217.4 million for the year ended December 31, 2008, compared to realized gains on securities and derivatives instruments of Ps.158.8 million for the year ended December 31, 2007, which was primarily attributable to realized gains on derivative financial instruments related to certain forward contracts for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Foreign exchange gains were Ps.505.2 million for the year ended December 31, 2008, compared to Ps.183.7 million for the year ended December 31, 2007, due primarily to an increase in the volume of foreign exchange trading driven by increased volatility of the peso during the year ended December 31, 2008 compared to the year ended December 31, 2007, and an increased focus on expanding this line of business at our bank branch level.

Non-Interest expense

The following table sets forth the components of our non-interest expense for the periods indicated:

	For the Year Ended December 31,	
	2007	2008
	(thousands of pesos)	
Non-interest expense		
Salaries and employee benefits	615,587	1,088,297
Professional fees	52,333	84,715
Rental expenses	79,666	141,374
Promotional expenses	145,913	158,642
Non-deductible expenses	2,127	3,536
Taxes other than income taxes	110,327	142,333
Depreciation and amortization	55,747	115,758
Contribution to IPAB	48,510	77,589
Other administrative expenses(1)	276,183	351,752
Total	1,386,393	2,163,996

(1) Other administrative expenses mainly include repair and maintenance, telephone, insurance, mail and package delivery services, and security expenses.

Non-interest expense was Ps.2,164.0 million for the year ended December 31, 2008 compared to Ps.1,386.4 million for the year ended December 31, 2007, an increase of Ps.777.6 million, or 56.1%. This increase was primarily the result of increases in salaries and employee benefits, depreciation and amortization, rental expenses and other administrative expenses.

Salaries and employee benefits, the largest component of non-interest expense, were Ps.1,088.3 million (or 50.3% of non-interest expense) for the year ended December 31, 2008 compared to Ps.615.6 million (or 44.4% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.472.7 million, or 76.8%. This increase was primarily the result of an increase in the number of employees, which reached 2,584 by the end of December 31, 2008 compared to 1,850 by the end December 31, 2007 and was part of our strategic plan to expand our branch network from 92 branches at the end of 2007 to 140 branches at the end of 2008, and an increase in salaries and expenses related to personnel performance incentives during 2008.

Professional fees were Ps.84.7 million (or 3.9% of non-interest expense) for the year ended December 31, 2008 compared to Ps.52.3 million (or 3.8% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.32.4 million, or 62.0%, which was principally due to expenses for the development of our IT infrastructure, including upgrading systems and software.

Rental expenses were Ps.141.4 million (or 6.5% of non-interest expense) for the year ended December 31, 2008 compared to Ps.79.7 million (or 5.7% of non-interest expense) for the year ended December 31, 2007, an increase of 61.7 million, or 77.4%. This increase was primarily the result of the continued expansion of our bank branch network.

Promotional expenses were Ps.158.6 million (or 7.3% of non-interest expense) for the year ended December 31, 2008 compared to Ps.145.9 million (or 10.5% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.12.7 million, or 8.7%. This increase was primarily the result of increased marketing activities for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Taxes other than income taxes were Ps.142.3 million (or 6.6% of non-interest expense) for the year ended December 31, 2008 compared to Ps.110.3 million (or 8.0% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.32.0 million, or 29.0%. This increase was primarily the result of an increase in value-added taxes related to our branch network expansion in 2008.

Depreciation and amortization expenses were Ps.115.8 million (or 5.3% of non-interest expense) for the year ended December 31, 2008 compared to Ps.55.7 million (or 4.0% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.60.1 million, or 107.6%. This increase was primarily the result of an increase of Ps.262.1 million, or 81.7%, in our property, plant, and equipment for the year ended December 31, 2008 compared to the year ended December 31, 2007 due to the continued expansion of our bank branch network.

Our contribution to IPAB was Ps.77.6 million (or 3.5% of non-interest expense) for the year ended December 31, 2008 compared to Ps.48.5 million (or 3.5% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.29.1 million, or 60.0%. This increase was primarily the result of higher average balances of deposits for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Other administrative expenses were Ps.351.8 million (or 16.3% of non-interest expense) for the year ended December 31, 2008 compared to Ps.276.2 million (or 19.9% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.75.6 million, or 27.4%. This increase was primarily the result of the opening of new branches (including the implementation of communication lines between the bank branches and our central office), introduction of new products, and other miscellaneous expenses related to a higher operating volume.

Other Income and Expenses, Net

Other income includes, among other items, interest income from recoveries in excess of amounts for which we have previously provisioned, gains on sales of fixed and foreclosed assets and other miscellaneous income and gains. Other expenses include miscellaneous losses, write-offs and discounts, losses on the sale of fixed assets, and losses on monetary positions. The net amount of other income and expenses resulted in a net income of Ps.966.4 million for the year ended December 31, 2008, compared to Ps.53.6 million for the year ended December 31, 2007. This increase was primarily the result of a Ps.577.7 million gain from the sale of our credit card loan portfolio and related assets and liabilities to Ixe Tarjetas, a Ps.163.8 million gain from the IPO of the Mexican Stock Exchange, a Ps.56.2 million gain from the IPO of Visa, Inc., a Ps.46.8 million gain from the sale of Indeval shares and the charge of administrative services to El Banco Deuno of Ps.66.9 million.

	For the Year Ended December 31,	
	2007	2008
	(thousands of pesos)	
Other Income		
Gain on sale of credit card portfolio, related assets and liabilities	—	577,725
Securities gain from the IPO of the Mexican Stock Exchange	—	163,765
Administrative services to El Banco Deuno	—	66,930
Securities gain from the IPO of Visa, Inc.	—	56,204
Gain on sale of Indeval shares	—	46,811
Credit card commissions	32,836	33,902
Debit card commissions	7,624	10,364
Others	24,816	21,623
Other Income	65,276	977,324
Other Expenses	(11,675)	(10,926)
Other Income (Net)	53,601	966,398

During 2008 and before the opening of El Banco Deuno, some administrative and preoperative expenses were paid by Ixe Banco. Once El Banco Deuno commenced operations, those expenses were paid to Ixe Banco and were recorded as other income of Ps.66.9 million.

Income Taxes and Employee Profit Sharing

Current income tax and employee profit sharing expense was Ps.4.9 million for the year ended December 31, 2008 compared to Ps.7.1 million for the year ended December 31, 2007, which represents a 30.8% decrease. This decrease was mainly due to the use of tax benefits from the amortization of fiscal losses in past years. Deferred income taxes were Ps.41.5 million for the year ended December 31, 2008, which represents an increase over the Ps.4.4 million for the year ended December 31, 2007, resulting mainly from the marked-to-market valuation of securities and financial assets.

Equity in Earnings of Associated Companies

Our equity in earnings of associated companies was Ps.11.8 million for the year ended December 31, 2008, compared to Ps.0.4 million for the year ended December 31, 2007. On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method.

Net Income

Net income was Ps.276.2 million for the year ended December 31, 2008 compared to the net loss of Ps.256.1 million for the year ended December 31, 2007, which was due to the results of our operations as discussed above.

Liquidity and Funding

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

We have three principal sources of peso funding: (i) customer deposits, whose main components are term obligations over demand deposits; (ii) *pagarés bancarios*, which are short-term promissory notes and (iii) repurchase agreements (*reportos*). The importance of the concentration of term obligations as compared to demand deposits is that it reflects the increasing public trust in Mexican monetary policy leading investors to begin to prefer instruments with better yields over deposit with greater liquidity. Our policy is to price our assets based upon our highest cost source of funds both to ensure that loan pricing reflects our current liquidity conditions and to maximize net interest income.

Customer deposits are our most important funding source, and it is also the least expensive. *Pagarés bancarios* are generally issued to meet short-term funding needs and we seek to replace them with deposits as soon as practical. *Pagarés bancarios* are generally issued with maturities ranging from 1 to 91 days; however, longer maturity *pagarés* are usually sold subject to repurchase agreements, which reduce effective maturities to as little as one to seven days to meet short-term funding needs, to satisfy market demand for short-term investments and to avoid unnecessary costs arising from frequent reissuances of promissory notes.

In the future, we expect to continue using all three funding sources in accordance with their availability, their cost, and our asset and liability management needs. We are aware of the liquidity risk represented by the short-term nature of our funding sources; however, through time our customer deposits have shown a high level of “stickiness” or stability. Moreover, we believe we can respond to a liquidity problem by increasing the interest rates we pay on deposits, by altering our mix of funding sources and by liquidating our short-term assets. We review our pricing policy once a week, and are able to reflect higher costs of funding in the pricing of our loans quickly, reducing the effect of any increases in interest paid on deposits as a result of decreased liquidity on our results of operations.

We maintain a diversified funding base for our dollar denominated business. Our dollar-denominated funding sources include deposits from Mexican corporations, wholesale certificates of deposit payable in the United States, interbank deposits and bank trade lines. In most cases, interest rates on these sources of funds are based on LIBOR. We may not be able to access all of these sources of funds at all times.

Our management expects that cash flow from operations and other sources of liquidity will be sufficient to meet our liquidity requirements over the next 12 months, including our expected 2011 capital expenditures.

As of June 30, 2010, total interest-bearing liabilities denominated in dollars amounted to Ps.1.45 billion, or U.S. $112.9 million, representing 2.8% of our total funding. The sources of such funds as of June 30, 2010 were as follows: 69.4% for checking accounts, 12.6% for retail time deposits and 17.9% for bank and other entities loans.

The following tables set forth the balances of our peso-denominated and dollar-denominated sources of funding as of December 31, 2009 and as of June 30, 2010:

	At December 31, 2009			
	Peso-Denominated	Dollar-Denominated	Total	% of Total Funding
	(thousands of pesos, except for percentages)			
Deposits:				
Checking accounts	7,821,281	1,085,211	8,906,492	17%
Savings accounts	126	—	126	0%
Retail time deposits	18,489,164	71,687	18,560,851	35%
Repurchase agreements *(reportos)*	20,154,248	—	20,154,248	37%
Bank and other entities loans	5,325,498	697,641	6,023,139	11%
Total	51,790,317	1,854,539	53,644,856	100%

	At June 30, 2010			
	Peso-Denominated	Dollar-Denominated	Total	% of Total Funding
	(unaudited) (thousands of pesos, except for percentages)			
Deposits:				
Checking accounts	7,511,575	1,005,810	8,517,385	16%
Savings accounts	119	—	119	0%
Retail time deposits	18,813,494	182,561	18,996,055	37%
Repurchase agreements *(reportos)*	17,850,105	—	17,850,105	34%
Bank and other entities loans	6,385,233	259,122	6,644,355	13%
Total	50,560,526	1,447,493	52,008,019	100%

Figures do not include other interest-bearing liabilities (U.S.$120 million perpetual note).

Total deposits and bank and other entities loans increased 2.0% as of June 30, 2010 compared to December 31, 2009. This increase was mainly the result of an increase in the number of clients derived from the expansion of our branches.

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

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

Capital

Stockholders’ Equity

Our stockholders’ equity is comprised of capital stock, additional paid-in capital, legal reserves, unappropriated retained earnings and net unrealized losses on equity securities. As of June 30, 2010, stockholders’ equity was Ps.4,343.4 million, up from Ps.3,516.1 million as of December 31, 2009. Our ratio of stockholders’ equity to total assets was 6.6% as of June 30, 2010 and 5.6% as of December 31, 2009.

Risk-Weighted Capital

Pursuant to the Mexican Capitalization Requirements, we are required to maintain specified levels of net capital on an unconsolidated basis as a percentage of risk-weighted assets and credit risk. The Rules for Capitalization and the Mexican Capitalization Rules set forth the methodology to determine the net capital required relative to market risk, operational risk and risk-weighted assets. See “Supervision and Regulation — Capitalization.” Those regulations provide that (i) our investment in subsidiaries that are related to us in accordance with Article 73 of the Mexican Banking Law, (ii) our investment in subsidiaries that do not operate in the financial sector, and (iii) revaluation surpluses related to the investments referred to in (i) and (ii) above, must be subtracted from the calculation of Tier 1 capital. The minimum Capital Ratio required by the Mexican Capitalization Requirements in order not to be required to defer or cancel interest payments or defer principal payments of our subordinated debt that qualifies to be computed as part of our total net capital, such as the Notes, is 8.0%. As of June 30, 2010, our capital ratio is 15.72%.

The tables below present our risk-weighted assets and Capital Ratios as of June 30, 2010 and as of December 31, 2009 and 2008, determined, as required by regulations, on an unconsolidated basis. FX basis:

	As of December 31,		As of June 30,	
	2008	2009	2010	2010
			(unaudited)	
	(in thousands of pesos, except percentages)			(in thousands of U.S.$)
Capital:				
Tier 1	2,992,114	3,227,176	3,823,672	298,012
Tier 2	1,352,690	1,288,417	1,198,374	93,400
Total capital	4,344,804	4,515,593	5,022,046	391,412
Risk-Weighted Assets:				
Credit Risk	18,218,872	23,236,567	25,576,715	1,993,415
Market risk	4,564,469	4,270,947	3,638,878	283,609
Operational Risk	623,958	1,898,562	2,733,724	213,063
Total risk-weighted assets	23,407,299	29,406,076	31,949,317	2,490,087
Capital Ratios (credit, market & operational risk):				
Tier 1 capital to risk-weighted assets	12.78%	10.98%	11.97%	11.97%
Tier 2 capital to risk-weighted assets	5.78%	4.38%	3.75%	3.75%
Total capital to risk-weighted assets	18.56%	15.36%	15.72%	15.72%

1USD=12.8306MXN

Our total loan portfolio is dependent in part on our capital. We expect a continued asset expansion as well as a trend toward higher capital requirements in the future. We intend to use a portion of the proceeds of this offering to increase our capital ratio and to support the growth of our loan business.

THE MEXICAN FINANCIAL INDUSTRY

General

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

The principal financial authorities that regulate financial institutions are the Ministry of Finance and Public Credit, *Banco de México*, the CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*, or CONSAR), the National Insurance and Bonding Commission (*Comisión Nacional de Seguros y Fianzas*, or the CNSF), the IPAB, and the National Commission for the Defense of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, or CONDUSEF).

Financial Groups

The enactment of the Financial Groups Law in 1990 permitted the development of the universal banking model in Mexico. By July 1992, most major Mexican financial institutions had become part of financial groups controlled by a financial services holding company, such as ourselves, and made up of a number of financial operating entities. The operations of financial services holding companies are generally restricted to holding shares representing the capital stock of financial operating subsidiaries. Such subsidiaries, whether direct or indirect, may include Mexican banks, broker-dealers, insurance companies, bonding companies, mutual fund operators, mutual funds, auxiliary credit organizations (such as factoring, financial leasing and bond-warehousing companies), *Sofoles*, *Sofomes*, foreign exchange service providers and retirement fund administrators. As a general rule, a financial services holding company must maintain a majority participation and effective control of at least two major financial intermediaries (banks, broker-dealers or insurance companies), or three financial intermediaries in general.

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

- to act jointly before the public, offer services that are supplemental to the services provided by the other and hold themselves out as part of the same group;
- use similar corporate names; and
- conduct their activities in the offices and branches of other entities as part of the same group. In addition, the Financial Groups Law requires that each financial services holding company enter into an agreement with each of its financial services subsidiaries pursuant to which the holding company agrees to be responsible secondarily and without limitation for the satisfaction of the obligations incurred by its subsidiaries as a result of the activities that each such subsidiary is authorized to conduct under the applicable laws and regulations, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the holding company's assets. For such purposes, a subsidiary is deemed to have losses if:
  - — its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law;

— capital and reserves are less than the subsidiary is required to have under applicable law; or

— in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations. No subsidiary of any such holding company is responsible for the losses of the holding company or any other subsidiary thereof. We have entered into such an agreement, as described under "Supervision and Regulation — Financial Groups Statutory Responsibility."

The Banking Sector

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

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

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

Strengthening the Financial System Laws

On June 4, 2001, the Mexican Congress enacted a number of amendments to the Banking Law, the Financial Groups Law, the Securities Market Law, the National Banking and Securities Commission Law *(Ley de la Comisión Nacional Bancaria y de Valores)*, the Mutual Funds Law *(Ley de Sociedades de Inversion)* and the General Law on Ancillary Activities and Organizations of Credit *(Ley de Organizaciones y Actividades Auxiliares del Crédito)*.

Most of these amendments eliminate legal hurdles and inconsistencies and grant more power to the CNBV. The main objectives of the amendments include the following:

- Establishing clearly that the primary responsibility for financial sector supervision lies with the Ministry of Finance and Public Credit and three autonomous agencies functionally attached to it (the CNBV, the CNSF and CONSAR). *Banco de México*, in addition to managing its normal central bank operations, also regulates the foreign exchange and derivatives markets. Two other decentralized public agencies involved with banking operations are the IPAB, which is in charge of concluding the recovery processes of assets and institutions after the 1994-95 banking crisis and managing a formal deposit insurance system, and the CONDUSEF, which was set up by grouping all the consumer protection functions in existing supervisory agencies (the CNBV, the CNSF and CONSAR).

- Enhancing the CNBV's supervisory practices. In particular, the amendments lifted bank secrecy provisions to allow cross-border supervision, increase financial supervisory responsibility over external auditors and allow the CNBV to establish regulations for financial conglomerates. The amendments also introduced a system of prompt corrective actions that will provide the authorities with adequate tools to deal transparently and efficiently with troubled banks.

- Increasing the number of banking operations and expanding the banking sector. The amendments included factoring and financial derivatives as banking operations and lifted the prohibition on back-to-back operations. The amendments also eased direct bill payments in an effort to expand banking services in the economy. In addition, the *Fondo de Operación y Financiamiento Bancario a la Vivienda* ("FOVI") was subsumed into a development bank, the Federal Mortgage Corporation *(Sociedad Hipotecaria Federal)* or SHF, which was created to promote the development of primary and secondary markets of housing loans. The National Savings Patronage *(Patronato del Ahorro Nacional)* was also transformed into a development bank, the National Savings and Financial Services Bank *(Banco del Ahorro Nacional y de Servicios Financieros)*, which was created to promote savings, financing, and investment among savings and loan institutions for low-income savers.

- Restricting related-party lending. The amendments simplified laws concerning loans to related parties, established clear limitations for the calculation of loans, and defined who is eligible for such loans, as well as the maximum aggregate amount of such to a related party. Also, a board member's voting rights on related transactions will be suspended.

On December 30, 2002, the Mexican Congress enacted the Law on Transparency and Development of Competition for Secured Credit *(Ley de Transparencia y de Fomento a la Competencia en el Crédito Garantizado)*, as amended from time to time, or the Secured Credit Law. The Secured Credit Law provides a legal framework for financial activities and certain other services performed by private credit institutions (as opposed to governmental entities) in connection with secured loans relating to real property in general, and housing in particular (*i.e.*, purchase, construction, restoration or refinancing). In particular, the Secured Credit Law establishes specific rules requiring the following:

- the disclosure of certain information by credit institutions to their clients prior to the execution of the relevant loan agreement, including the disclosure of certain terms relating to interest rates and aggregate costs and expenses payable;

- compliance by credit institutions and borrowers with certain requirements in the application process;

- that offers made by credit institutions granting secured loans shall have binding legal effect;

- the inclusion of mandatory provisions in loan agreements; and

- the assumption of certain obligations by public officers (or notaries) before whom secured loans are granted.

In addition, the Secured Credit Law seeks to foster competition among credit institutions by permitting security interests underlying a secured loan to survive any refinancing thereof, even if such loans were granted by different credit institutions. This provision of the Secured Credit Law is designed to reduce expenditures made by borrowers in connection with refinancings.

Improvement of Creditors' Rights and Remedies

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

Collateral Mechanisms

Laws regarding the perfection and enforcement of security interests have been changed significantly in the recent past. These changes introduced a new device for pledging without transferring possession *(prendas sin transmission de posesión)*, as well as a common security arrangement known in Mexico as the security trust *(fideicomiso de garantía)*. Provisions related to the enforcement and foreclosure of these security interests, were added to the existing law. The purpose of these changes is to provide an improved legal framework for secured lending and to encourage banks to increase their lending activities. The pledging of personal property being used in a debtor's main business activity by making only a generic description of such property and perfecting a security interest in such personal property, is a structure now frequently used. Provisions regulating security trusts are similar to those governing pledges of personal property, except they provide that title to the collateral must be held by the trustee; security trusts permit the enforcement without any judicial action, alternative that has served to enhance lending activities and that has expedited restructurings and foreclosures.

Bankruptcy Law

Mexico's current bankruptcy law was enacted on May 12, 2000 and has been frequently used as a means to address complex insolvency situations affecting Mexican companies, by providing expedited and clear procedures, while at the same time granting creditors and other participants the certainty of an in-court solution. The law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor, and bankruptcy.

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

The bankruptcy law establishes precise rules that determine when a debtor is in general default in its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors, and the existence of the following two conditions: (i) 35.0% or more of a debtor's outstanding liabilities are 30 days past-due; and (ii) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80.0% of its obligations which are due and payable.

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

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

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

A restructuring agreement must be subscribed to by the debtor, as well as recognized creditors representing more than 50.0% of the sum of the total recognized amount corresponding to common creditors and the total recognized amount corresponding to secured or privileged creditors subscribing to the agreement. The proposed agreement, once approved by the creditors, must be presented to the IPAB for its approval. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

In December 2007, the bankruptcy law was amended to incorporate provisions relating to pre-agreed procedures, frequently used in jurisdictions outside Mexico, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file, as a means to obtain the judicial recognition of a restructuring reached on an out-of-court basis. This new law also provides protection against dissident minority creditors.

Deregulation of Lending Entities and Activities

In July 2006, the Mexican Congress enacted reforms to the *Ley General de Organizaciones y Actividades Auxiliares del Crédito* (General Law of Auxiliary Credit Organizations and Credit Activities), the Mexican Banking Law and the *Ley de Inversión Extranjera* (Foreign Investment Law), with the objective of creating a new type of financial entity called multiple purpose financial entities (*sociedad financiera de objeto multiple* or "*Sofom*") (the "*Sofom* Amendments"). The *Sofom* Amendments were published in the Official Gazette of Mexico on July 18, 2006.

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

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

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

The *Sofom* Amendments also eliminated the restrictions on foreign equity investment applicable to *Sofoles*, financial leasing and factoring companies, which until the *Sofom* Amendments became effective, was limited to 49.0%. Accordingly, the *Sofom* Amendments may result in an increase in competition in the banking industry from foreign financial institutions.

Recent Amendments to Financial Regulation Impacting Banks

The Mexican financial system has continued to advance in recent years, consistent with demands from regulators and market participants, developments in other jurisdictions and to address systemic issues resulting from the global and economic crisis. In particular, in June 2007, a new Law for the Transparency and Ordering of Financial Services *(Ley para la Transparencia y Ordenamiento de los Servicios Financieros)* was approved, which granted *Banco de México* authority to regulate interest rates and fees and the terms of disclosure of fees charged by banks to their customers.

Also, at the beginning of 2008, Mexican law was modified to, among other things, grant authority to the CNBV (with the assistance of other regulators, but having primary responsibility) to authorize the creation of new banks, as well as related transactions and mergers and spin-offs, primarily as a means to expedite processes and reduce costs, permit the creation of banks solely to engage in certain activities (which is intended to incentivize competition, reduce required capital and improve the attention to certain industries and regions) as compared to so-called "universal" banks, and permit the issuance of letters of credit, that are consistent with letters of credit issued in other jurisdictions.

Even though the recent global financial crisis did not affect Mexican banks directly, many Mexican corporations were affected, primarily by having engaged in foreign-currency linked derivative transactions, that increased exposures substantially as a result of the devaluation of the peso triggering a new regulation issued by the CNBV, that seeks to improve disclosure standards as they relate to derivative transactions.

BUSINESS

We are a Mexican bank, incorporated in April 1994 in accordance with the laws of Mexico as a corporation with limited liability (*sociedad anónima*), licensed to operate as a commercial bank (*institución de banca múltiple*). "Ixe," our name, means "he who is responsible and keeps his word" in Náhuatl, an indigenous Mexican language. Our corporate culture is focused on client service, and we aim to provide customized, high-quality products and services across our business lines, which we believe distinguishes us from our competition. Our strategy is focused on middle-upper and upper-income customers.

In October 2000, a group of Mexican investors acquired a 91.7% controlling interest in the capital stock of Ixe Grupo, our parent company, and the current management team took over operations. As of June 30, 2010, approximately 54.8% of the capital stock of Ixe Grupo was owned by certain members of the families of Messrs. Davis, Martín, Losada and Saba, and by Messrs. Enrique Luis Castillo Sánchez Mejorada and Javier Molinar Horcasitas, well known business leaders within Mexico, and approximately 28.7% was owned by Brysam Mexico II LLC. The shares of Ixe Grupo have been listed on the Mexican Stock Exchange since 1994 under the ticker symbol IXEGF.

As of June 30, 2010, we had a growing retail network consisting of 154 branches. By comparison, we had 145 total branches at the end of 2009 and 128 branches at the end of 2008. Additionally, at the end of 2009 and 2008 we had 13 and 12 branches, respectively, which were operating under the El Banco Deuno brand, focused on middle-income customers. These branches suspended operations on June 30, 2010 and the businesses previously conducted by these branches were transferred to Ixe Banco branches. Our branches are located in the Mexico City metropolitan area, Monterrey, Cuernavaca, Guadalajara, León, Querétaro, Metepec, Toluca, Puebla and Ciudad Juárez. As of June 30, 2010, we had 185 Ixe-branded ATM machines. As of June 30, 2010, we provided financial services and products to 225,189 individuals and 36,666 corporations in Mexico. According to information from the CNBV, as of June 30, 2010, we are one of the top ten Mexican banks in terms of total deposits per client account.

As of June 30, 2010, we had Ps.66.0 billion (U.S.$5.1 billion) in total assets and Ps.4.3 billion (U.S.$338.5 million) in stockholders' equity, which represented 67.3% and 58.6%, respectively, of the total assets and stockholders' equity of Ixe Grupo. Our net operating revenue and net income for the six months ended June 30, 2010 were Ps.1,290.5 million (U.S.$100.6 million) and Ps.(3.9) million (U.S.$(0.3) million), respectively, and for the year ended December 31, 2009 were Ps.2,436.7 million (U.S.$189.9 million) and Ps.3.6 million (U.S.$0.3 million), respectively. We had an annualized return on average equity of (0.11)% as of June 30, 2010 (average based on monthly balances). As of June 30, 2010, we had total ratios of non-performing loans to total loan portfolio of 1.0%, an allowance for loan losses to total loan portfolio of 1.6%, an allowance for loan losses to non-performing loans of 165.1% and a ratio of total loan portfolio to total deposits of 94.3%. At June 30, 2010, our Capital Ratio was 15.7%, which is higher than the established regulatory requirement of 8.0% set forth under the Mexican Capitalization Requirement. Banks falling under the 8.0% regulatory requirement are required to, among other things, defer or cancel interest payments and defer principal payments of their subordinated debt.

We are primarily engaged in commercial banking with middle-upper and upper-income customers. Our services for individual clients principally include deposits and consumer finance, and for corporate clients and SMEs, our services principally include lending, foreign exchange, money market, factoring and derivatives. For the six months ended June 30, 2010, 69.3% of our revenues were derived from financial margin and 30.7% of our revenues were derived from non-interest income, including brokerage revenues. As of June 30, 2010, approximately 58.0% of the total loans provided by us were guaranteed or secured by collateral (primarily real estate and other assets such as cash and securities). We are engaged in proprietary trading, including trading in capital markets, money markets and foreign exchange markets, and we also provide brokerage services in connection with fixed-income securities and derivatives. We distribute asset management and insurance products, including investment funds of Ixe Fondos and insurance policies issued by RSA Insurance.

Our board of directors and management may from time to time engage in discussions regarding possible strategic transactions at the level of Ixe Grupo or Ixe Banco, including merger or acquisition transactions with third parties and other alternatives, for the purpose of strengthening our competitive position in the Mexican financial market. However, there can be no assurance that we will be able to successfully identify, negotiate and complete any such strategic transactions. In addition, if we complete a strategic transaction, the implementation of such transaction will involve risks, including the risks that we will not realize the expected benefits of such transaction, that we may be required to incur non-recurring costs or other charges and that such transaction may result in a change in control at the level of Ixe Banco or Ixe Grupo. In addition, any strategic transaction would have to be approved by our stockholders or board of directors, depending upon its materiality, and may require, among other things, approval from governmental agencies.

Our principal executive offices are located at Paseo de la Reforma 505, Piso 45, Col. Cuauhtémoc, 06500 Mexico D.F. Our telephone number is + 52-55-5268-9000.

Competitive Strengths

Innovative Customer Service

We have a history of customer service innovation in the Mexican retail banking market, which we believe differentiates us from our competitors. We believe our track record of providing convenient banking services through a variety of different channels has supported the expansion of our client base from 148,569 at the end of 2007 to 261,855 at June 30, 2010, and we intend to capitalize on this track record as we open new branches in the Mexico City metropolitan area and in other targeted cities within Mexico.

Quality of customer service is an integral part of our strategy. In October 2008, March 2009 and April 2010 according to a poll conducted by Expansión magazine and cnnexpansion.com (a venture between CNN and Expansión magazine) among their subscribers, we were rated as the best bank in quality of customer service and assistance in Mexico out of eight banking institutions that were evaluated. America Economía magazine ranked us as the best bank in customer service in Mexico in 2008. Also, CONDUSEF ranked our call center for our credit card business as the best in customer service in Mexico in 2007 and 2008. In June 2010, CONDUSEF published a study with grades assigned to banks and other lending institutions (*Sofoles and Sofomes*) with respect to the transparency and quality of information provided to clients in account statements, credit contracts and advertising of mortgages. We received a rating of 9.9 points out of a maximum rating of 10.

Examples of our innovative approach to retail banking in the Mexican market include the following services:

- *Ixe Café* — In December 2004, we launched Ixe Café, a branch layout that we believe provides our customers with a more comfortable and inviting banking experience than that offered by our competitors, but that provides the same spectrum of products and services. As of June 30, 2010, 113 of our 154 branches featured the Ixe Café format. During the period between January 1, 2010 and June 30, 2010, we opened a total of 9 branches. In contrast to the branch layout more commonly associated with Mexican retail banks, where the customer usually waits in line to be served, our Ixe Café branches offer what we believe to be a friendly and comfortable café-style format, where customers are greeted in a relaxed environment, can access the Internet, enjoy a cup of gourmet coffee, read newspapers and magazines and receive personal attention from our trained employees.
- *Direct Banking* — We offer direct banking solutions to our retail customers through our *Banca Directa* service. With *Banca Directa*, we deliver banking services directly to our customers at their homes or offices, including cash withdrawals, deposits, checkbooks, bank checks, travelers checks, foreign currency services and other banking services. The first four deliveries

and/or collection requests in each month are free of charge if the customer has a balance of more than $50,000 pesos in his or her account. We believe that our *Banca Directa* service appeals to customers who prefer to save the time that would otherwise be required to visit a branch, and we believe that a number of our customers are attracted by the ability to do their banking transactions in the safety and privacy of their own homes and offices.

- *Internet Banking* — We have offered our products and services through the Internet since our inception. Our Internet banking portal, Ixe Net, was one of the first financial Internet portals in Mexico, and offers banking products and services to our retail customers 24 hours a day at no extra charge. Our Internet portal is user friendly and features the latest security measures, including secure data transmission protocol, secure identification and firewalls, among others. As of June 30, 2010, we had approximately 88,071 registered users of Ixe Net, which represents 33.6% of our total client base.

- *Telephone Banking* — Unlike most of our competitors, our customers that use our telephone banking services are greeted with the alternative of speaking with a skilled customer services representative or using automated options to access our telephone banking services. Both alternatives, speaking to a live representative or using automated options, are available 24 hours a day, seven days a week and provide access to most of our banking services and products, such as account balance inquiries, transfers, credit card activation, request of home delivery services, and scheduling a visit with a bank representative, among others. We receive, on average, approximately 39,530 calls per week.

Flexible and Adaptable Organizational Structure

Our lean organizational and streamlined management structures allow us to respond quickly to both our corporate and individual clients' needs, as well as to changing market conditions. We believe that the speed at which we can respond to our clients and develop new products and services provides us with a competitive advantage. We also believe that we are one of a few banks in the Mexico City metropolitan area that is able to approve a personal loan request in less than 24 hours using our credit scoring systems. We intend to remain focused on maintaining our flexible and efficient operations to maintain the speed at which we respond to our clients' needs as we continue to expand our business. In addition, we intend to continue to develop new products and services and to upgrade our existing portfolio of products and services. At any point in time, we have approximately 15 different products and services being developed or upgraded by our new products development team.

Cross-Selling of Products and Services

We have continued to expand our financial offerings by selling additional products and services to our customers, including consumer credit products and additional financial products offered by Ixe Grupo, such as auto finance, mortgage lending, brokerage services, insurance products (offered by RSA Insurance and distributed through our Ixe Banco branches), and asset management products and services. At our branches, our corporate and individual clients have access to our products and services as well as other products and services of Ixe Grupo. As of June 30, 2010, on average, our customers hold and use approximately 2.9 of our products and services. In addition, all of our employees involved in sales receive training on how to effectively cross-sell these products to our clients.

High Net Worth Client Base

We believe that we have one of the highest net worth client bases in the Mexican banking sector. We require a minimum deposit of Ps.20,000 from each of our clients to open a checking account. According to information provided by the CNBV, our clients' average deposits account balance amounted to Ps.130,027.0 as of June 30, 2010, as compared to Ps.25,118.8 for other commercial banks in Mexico. Our clients' average deposits balance (including traditional deposits, money market accounts and investment funds) was approximately Ps.220,248.2 as of June 30, 2010.

Brand Loyalty

Our brand loyalty is highlighted by our high level of client referrals. We estimate that approximately 29.4% of our customers are referred by existing customers, demonstrating a high level of customer satisfaction. We believe that our reputation for innovative customer service has allowed us to employ a customer-referral strategy to achieve a substantial portion of our growth, thereby helping us efficiently manage our customer acquisition costs.

Strategy

We seek to provide a diverse range of financial services in Mexico to individuals, corporations and SMEs with a high degree of focus on quality of service. We believe our strategy has proven successful in the Mexican financial services market, which is highly concentrated and competitive, and has historically been dominated by large international financial services companies. We believe being an innovative bank and having a lean management structure has allowed us to attract customers for whom high-quality services and quick response times are important. The principal elements of our strategy include the following:

Expand Our Branch Network in Mexico City and Other Key Cities in Mexico

In 2004, we launched a retail branch expansion strategy and we plan to continue expanding our retail branch network to approximately 160 retail branches by December 31, 2010. We expect to open additional branches in the cities where we already have a presence and to continue our branch expansion to other cities in Mexico. As of June 30, 2010, we had a total of 154 retail branches distributed as follows: 85 in the Mexico City metropolitan area, 25 in Guadalajara, 14 in Monterrey, 6 in León, 5 in Cuernavaca, 7 in Puebla, 7 in Querétaro, 2 in Metepec, 2 in Ciudad Juárez, and 1 in Toluca. The total number of customers served through our branch network increased from 148,569 at the end of 2007, with total deposits of Ps.16.7 billion, to 261,855 at the end of June 2010, with total deposits of Ps.27.5 billion.

In October 2008, we launched El Banco Deuno as a second banking offering focused on a different population segment. El Banco Deuno offered differentiated financial services to the middle socioeconomic segment and SMEs. As of December 31, 2009, we had a total of 13 branches in Mexico City and Guadalajara under the El Banco Deuno brand. El Banco Deuno operated under a different commercial trademark, but its results were part of, and were consolidated with, our results. In June 2010, we closed the branches under the El Banco Deuno brand given the changes in market conditions that affected the segment serviced by these branches. The accounts opened under the El Banco Deuno brand were transferred to Ixe Banco.

The population of Mexico is estimated at 107.5 million inhabitants, 5.8% of whom are within the top three socioeconomic levels (A, B and C+)[2] in terms of purchasing power. In addition, we believe that the population in Mexico is relatively young with approximately 38.9% of the population being between 25 and 54 years of age. We believe that there is substantial growth potential for our business in these target markets. We believe our planned retail branch expansion will result in an increase in our deposit base, cross-selling opportunities and expansion of our overall business.

Expand our Credit Portfolio and Loans to SMEs

We plan to continue to expand our credit portfolio with continued growth in commercial, consumer, mortgage and loans to financial institutions. Additionally, we plan to continue the expansion of our lending businesses focused on loans to SMEs and to entrepreneurs. We currently intend to focus primarily on three general sectors of the economy: manufacturing, commerce and services, using existing relationships with our current clients to increase our lending activity. However, our business strategy going forward is still committed to the continued attraction of deposits while maintaining our level of total deposits above our total loan portfolio.

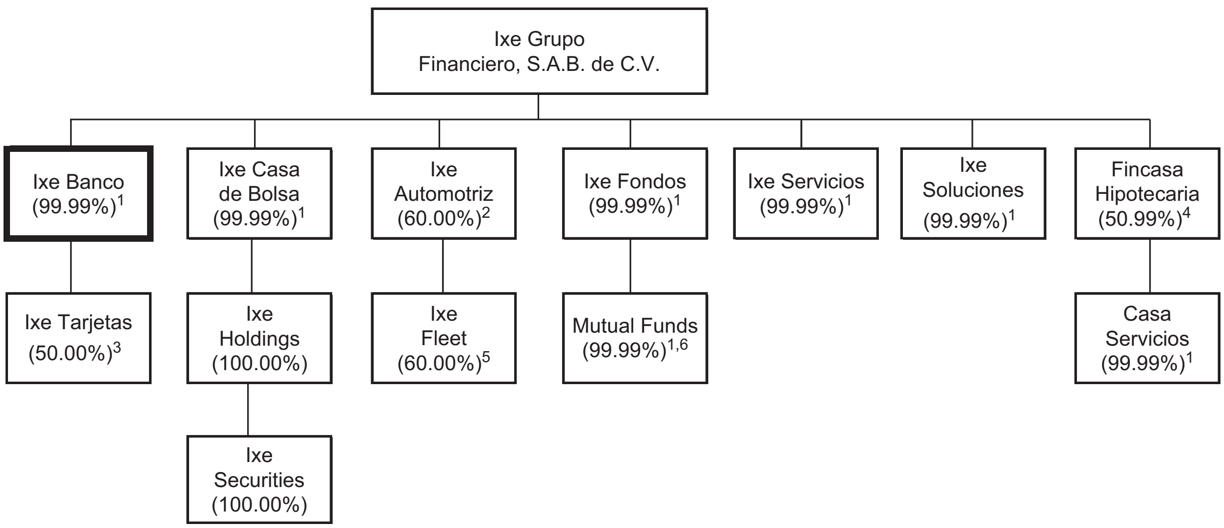
[2] Based on a market study by Sigma Consultores (2006-2007). According to Sigma Consultores, A, B and C+ are the three highest socioeconomic levels out of nine.

Expand our Credit Card Business Through Ixe Tarjetas

We plan to continue expanding in areas of consumer credit, such as credit cards. In December 2008, we created a joint venture with JPMorgan Chase, through its subsidiary CMC, to develop a credit card business in Mexico. Ixe Banco owns 50% of the shares in the Ixe Tarjetas joint venture, and CMC owns the remaining 50% of the shares. As of June 30, 2010, each of Ixe Banco and CMC had made a capital contribution of Ps.723.9 million to Ixe Tarjetas. As of June 30, 2010, Ixe Tarjetas had 163,852 outstanding cards and a credit portfolio of Ps.1,989.2 million (U.S.$155.0 million).

Ixe Grupo

The following chart sets forth Ixe Grupo's organizational structure as of the date of this offering circular:



(1) Enrique L. Castillo Sánchez Mejorada holds the remaining interest.
(2) SF Autouno, S.A. de C.V. holds the remaining 40.0% interest.
(3) Ixe Tarjetas is a jointly controlled company, and JPMorgan Chase, through its subsidiary CMC Holding Delaware Inc., holds the remaining 50.0%. Ixe Banco accounts for the joint venture applying the equity method.
(4) A subsidiary of Deutsche Bank holds the remaining 49.01% interest.
(5) FCE International LLC. holds the remaining 40.0%, and operates under the name Wheels Inc.
(6) This percentage refers to fixed capital and excludes equity investments made by customers in the variable capital of such entities.

Business of Ixe Grupo

Ixe Grupo is one of the few independent financial services groups in Mexico not controlled by a multinational financial institution. Ixe Grupo believes it has an established presence in Mexico's main cities. Ixe Grupo is primarily engaged in commercial banking, private banking, asset management, corporate banking and securities and trading activities. Ixe Grupo is also engaged in corporate finance transactions, construction financing and mortgage credit, leasing, consumer credit, auto leasing and financing, factoring, foreign exchange and other related financial services. As described elsewhere in this offering circular, many of these services and products are provided by us.

Ixe Grupo conducts its operations through its subsidiaries, which include us. Ixe Grupo's principal subsidiaries include the following:

- *Ixe Banco*;
- *Ixe Casa de Bolsa:* Ixe Casa de Bolsa is an Ixe Grupo broker-dealer;

- *Ixe Servicios:* Ixe Servicios is an Ixe Grupo service company that hires temporary personnel;
- *Ixe Fondos:* Ixe Fondos provides investment fund management services;
- *Ixe Automotriz:* Ixe Automotriz is a *Sofom* that specializes in automobile financing. In association with Wheel Inc. and through Ixe Fleet, it offers fleet management services;
- *Ixe Soluciones:* Ixe Soluciones is a *Sofom* dedicated to loan management and workouts; and
- *Fincasa:* Fincasa is a *Sofom* focused on construction financing.

Our Business

We are primarily engaged in commercial banking with middle-upper and upper-income customers. Our services for individual clients principally include deposits and consumer finance, and for corporate clients and SMEs, our services principally include lending, foreign exchange, money market, factoring and derivatives. For the six months ended June 30, 2010, 69.3% of our revenues were derived from financial margin and 30.7% of our revenues were derived from non-interest income, including brokerage revenues. We are engaged in proprietary trading, including trading in capital markets, money markets and foreign exchange markets, and we also provide brokerage services in connection with fixed-income securities and derivatives. We distribute asset management and insurance products, including investment funds of Ixe Fondos and insurance policies of RSA Insurance.

We were authorized to operate as a commercial bank (*institución de banca múltiple*) in April 1994. We have a total of 154 branches located in the Mexico City metropolitan area, Monterrey, Cuernavaca, Guadalajara, León, Querétaro, Metepec, Toluca, Puebla and Ciudad Juárez, as compared to 145 branches at the end of 2009 and 128 branches at the end of 2008. Additionally, at the end of 2009 and 2008 we had 13 and 12 branches, respectively, with the El Banco Deuno brand, focused on middle-income customers. These branches suspended operations on June 30, 2010 and the businesses previously conducted by these branches were transferred to Ixe Banco branches. As of June 30, 2010, we had 185 Ixe-branded ATM machines.

In October 2008, we launched El Banco Deuno as a second banking offering focused on a different population segment. El Banco Deuno offered differentiated financial services to the middle socioeconomic segment and SMEs. As of December 31, 2009, we had a total of 13 branches in Mexico City and Guadalajara under the El Banco Deuno brand. El Banco Deuno operated under a different commercial trademark, but its results were part of, and were consolidated with, our results. In June 2010, we closed the branches under the El Banco Deuno brand given the changes in market conditions that affected the segment serviced by these branches. The accounts opened under the El Banco Deuno brand were transferred to Ixe Banco.

For individual clients, we are focused on the middle-upper and upper income segment in Mexico's main cities. As of June 30, 2010, we had 225,189 individual clients and 36,666 corporate clients, compared to 132,610 individual clients and 15,959 corporate clients as of December 31, 2007. According to information provided by the CNBV, our clients' average deposits account balance amounted to Ps.130,027.0 as of June 30, 2010, as compared to Ps.25,118.8 average deposits' account balance with other commercial banks in Mexico. Our average client balance (including traditional deposits, money market accounts and investment funds) was approximately Ps.220,248.2 (or approximately U.S.$17,165.9) as of June 30, 2010. Our deposits were Ps.27.5 billion as of June 30, 2010, an increase of 64.9% from Ps.16.7 billion as of December 31, 2007.

During 2010, we have continued our strategy of growing our corporate loan portfolio. We offer working capital revolving lines of credit, acquisition financing, equipment financing, inventory financing, factoring, construction loans and supply-chain finance. We expect our employees to contact our corporate clients regularly in order to stay attuned to their business activities and to identify new business opportunities. The aggregate total balance of performing loans amounted to Ps.25.7 billion as of June 30, 2010. The total balance of non-performing loans as of June 30, 2010 were Ps.255.0 million, representing 1.0% of our total loan portfolio.

On May 26, 2010, Ixe Grupo signed a 10-year distribution and services exclusive agreement with RSA Insurance to sell insurance products through its branch network as well as to insure its credit portfolios. Either party may terminate this agreement in the event, among others, of (i) a material breach that remains uncured for 30 days, (ii) an insolvency event, (iii) a material dispute not resolved in accordance with the provisions set forth therein, or (iv) a change of control in either RSA Insurance, Ixe Grupo, Ixe Banco or Ixe Automotriz. RSA Insurance is one of the world's leading insurance groups. We believe this agreement will enhance the value of our insurance business. This agreement will allow us to expand the scope of financial products offered to our clients, as well as diversify our sources of income.

The services and products we offer include: checking accounts, consumer finance, foreign exchange services, money markets, investment funds, portfolio management, risk management, structured products, tax planning and trust services. In terms of foreign exchange services, we offer wire transfers, payments services, cash and traveler's checks and precious metals services. In terms of money market, we offer complete money market services, from government bills and commercial paper to forwards with nominal rates and exchange rates. In terms of risk management, we offer advice and products for the management and hedging of financial risk using a broad range of derivatives transactions and structured products.

Since 2004, we have participated in the Mexican derivatives market, as market maker of listed stock and index options. We also offer total return swaps and options in connection with synthetic financings and risk management solutions to our corporate clients. We expect to continue to expand our derivatives products and services as we continue to develop our IT infrastructure and documentation.

Market Presence

In December 2004, we launched a branch network expansion strategy targeted initially to the Mexico City metropolitan area. From January 2005 to June 2010, we opened 129 new branches. As part of our efforts to provide high quality financial services in Mexico, we launched in December 2004 the first "Ixe Café" branch, a banking concept that allows our clients to access a full range of banking services in a comfortable café environment with food service and Internet access in one comfortable location.

As of June 30, 2010, we had a growing retail network consisting of 154 branches. By comparison, we had 145 total branches at the end of 2009 and 128 branches at the end of 2008. Additionally, at the end of 2009 and 2008 we had 13 and 12 branches, respectively, which were operating under the El Banco Deuno brand, focused on middle-income customers. These branches suspended operations on June 30, 2010. Our branches are located in the Mexico City metropolitan area, Monterrey, Cuernavaca, Guadalajara, León, Querétaro, Metepec, Toluca, Puebla and Ciudad Juárez. As of June 30, 2010, we had 185 Ixe-branded ATM machines. As of June 30, 2010, we provided financial services and products to 225,189 individuals and 36,666 corporations in Mexico.

Customer Service and Marketing

We seek to differentiate ourselves from our banking competitors with high quality services and innovative products addressing the overall financial needs of our clients. The strategy of increasing Ixe Banco's client base is based on client referrals and on becoming our customers' financial advisors. We estimate that approximately 29.4% of our clients have been referred to us by existing clients. We also participate in advertising campaigns, promotional events (sponsorship of golf tournaments and sailing championships) and telemarketing efforts which target our specific potential customer base. As part of our marketing strategy, we have added our logo to the top of Torre Mayor, the tallest building in Latin America and site of our headquarters in Mexico City.

Products and Services

Checking accounts are the main vehicle through which our clients have access to our products and services. Checking accounts for individual clients range from basic checking account Ixe Cheques, with linked debit cards to higher-end checking accounts, such as Ixe Cuenta Premium, which provides the ability to invest account balances directly in mutual funds. Corporate clients can select between premium business checking accounts Ixe Maestra Empresarial in dollars or pesos and payroll service accounts as Ixe Maestra Nomina.

In recent years, we introduced several innovative products such as:

- *Ixe Comercio*, which allows our clients' businesses to be equipped with an integrated point of sales terminal and online banking services. It also offers other benefits such as training and advice, competitive rates and compatibility with any card issued by Visa or MasterCard;
- *Ixe Auction,* which offers our clients competitive interest rates on our term investments through an auction system;
- *CreditNet* through Ixe Banco, which provides important services and benefits for the SME segment such as commercial loans;
- New investment funds which we are authorized to distribute as a result of a distribution agreement between Ixe Fondos and BNP Paribas Investment Partners: *IXEBNP1* (equities in developed markets), *IXEBNP2* (equities in emerging markets), *IXEBNP3* (equities in Brazil, Russia, India and China) and *IXEBNP4* (emerging market debt).
- *Ixe Net Móvil* allows customers to check account balances and movements, and transfer funds from their cell phone;

Other products and services include:

- Life and property and casualty insurance products to individuals and SMEs through a commercial agreement with RSA Insurance, a U.K.-based insurance group; and
- National transfers via SPEI ("*Sistema de Pagos Electrónicos Interbancarios*"); safe deposit box services; trustee fees; administrative agency and custody agency services and delivery services.

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

- *Ixe Net*, our Internet portal, was one of the first financial portals in Mexico and offers full electronic and online banking services to individuals and corporate clients through Ixe Net 24 hours a day at no extra charge, including review of balances and portfolio performance; execution of trades; purchase of investment products and funds; transfer of funds; access to research reports; activation of accounts; participation in online auctions; and online payments of credit cards, tax obligations, electricity, telephone services, cable and other personal services. Our Internet portal is user friendly and features the latest security measures, including secure data transmission protocol, secure identification and firewalls, among others. As of June 30, 2010, we had approximately 88,071 registered users of Ixe Net, which represents 33.6% of our total client base;
- *Ixe Directo*, which allows customers to carry out their banking transactions over the telephone, 24 hours a day, seven days a week through our 24-hour automated system or with the assistance of our representatives, with a specialized identification system to protect the security of our clients Unlike most of our competitors, our customers that use our telephone banking services are greeted with the alternative of speaking with a skilled customer services representative or using automated options to access our telephone banking services. Both alternatives provide access to most of our banking services and products, such as account

balance inquiries, transfers, credit card activation, request of home delivery services, and scheduling a visit with a bank representative, among others. We receive, on average, approximately 39,530 calls per week; and

- *Banca Directa*, through which we deliver banking services directly to our customers at their homes or offices, including cash withdrawals, deposits, checkbooks, bank checks, travelers checks, foreign currency services and other banking services. The first four deliveries and/or collection requests in each month are free of charge if the customer has a balance of more than $50,000 pesos in his or her account. We believe that our *Banca Directa* service appeals to customers who prefer to save the time that would otherwise be required to visit a branch, and we believe that a number of our customers are attracted by the ability to do their banking transactions in the safety and privacy of their own homes and offices.

Credit Card Joint Venture

Formation. Ixe Tarjetas was formed in 2008 as a joint venture between Ixe Banco and JPMorgan Chase to build a credit card issuance, servicing and acquisition business in Mexico. Ixe Banco and CMC, a subsidiary of JPMorgan Chase, entered into a joint venture agreement, dated as of September 4, 2008, the "Joint Venture Agreement") pursuant to which, each party holds 50% of the capital stock of Ixe Tarjetas. We believe that JPMorgan Chase is an industry leader in the credit card business, and as such, we entered into the joint venture to benefit from, among other things, JPMorgan Chase's experience, market knowledge and advanced technology.

Pursuant to the Joint Venture Agreement, each of Ixe Banco and CMC has the right to appoint an equal number of directors, and certain key items such as the annual budget and business plan, material agreements and investments, the removal or replacement of Ixe Tarjetas' chief executive officer, the payment of dividends and amendments to the by-laws, increases and decreases of capital stock, among others matters identified as restricted matters in the Joint Venture Agreement, must be approved by a majority of the directors appointed by Ixe Banco and a majority of directors appointed by CMC, or by Ixe Banco or CMC if the matter is submitted or needs to be submitted to the shareholders' meeting of Ixe Tarjetas. The Joint Venture Agreement provides that the parties may agree to make additional capital contributions in the form of equity or loans on a pro rata basis. In addition, each of Ixe Banco and CMC has tag-along rights in the event the other shareholder sells its interest in Ixe Tarjetas, as well as rights of first offer over the other's shares. CMC and Ixe Banco also agreed not to compete with Ixe Tarjetas' business in Mexico, subject to certain limited exceptions. In connection with the Joint Venture Agreement, the parties entered into ancillary agreements relating to matters including the management and operation of the joint venture and the provision of services and personnel by the parties to the joint venture.

Either party may terminate the Joint Venture Agreement in the event, among others, of (i) a material breach that remains uncured for 60 days, (ii) an insolvency or a "change of control" relating to the other party, (iii) for convenience at any time after the second anniversary in accordance with the terms thereof, including the payment of $40 million by the terminating party for any termination that occurs prior to the six year anniversary of the closing date, and (iv) deadlock. In the event of termination of the joint venture for any of the reasons described above, except for termination in the event of insolvency, the Joint Venture Agreement provides for an allocation of assets and liabilities procedure and permits the parties to continue in the credit card business (or any other business conducted by Ixe Tarjetas prior to the termination of the Joint Venture Agreement) in Mexico on a stand-alone basis, except that in case of termination for a deadlock situation (i) there will be no termination fee payable, (ii) the assets and liabilities of Ixe Tarjetas would be allocated among the parties in proportion to their ownership interests in Ixe Tarjetas in accordance with the terms of the Joint Venture Agreement, except that the infrastructure required to conduct the credit card business of Ixe Tarjetas would be allocated to CMC, and (iii) Ixe Banco would have the right to require Ixe Tarjetas to continue to process and service Ixe Banco's and its affiliates' "credit card accounts" for a period of

18 months from the date of such termination in exchange for a cost processing fee as provided in the Joint Venture Agreement.

In addition, Ixe Banco and CMC agreed to certain customer targeting and employee targeting restrictions that would be effective for a period of five years and two years, respectively, counted from the termination of the Joint Venture Agreement.

On December 1, 2008, each of Ixe Banco and CMC made an initial capital contribution of U.S.$40.0 million to Ixe Tarjetas. In addition, each of Ixe Banco, JPMorgan London and El Banco Deuno (prior to El Banco Deuno's merger with Ixe Banco) made a short-term loan to Ixe Tarjetas in the amount of Ps.342.6 million, Ps.500.0 million and Ps.157.4 million, respectively, which have since been repaid in full. On June 30, 2010, JPMorgan Chase Bank, N.A. made three short-term loans to Ixe Tarjetas in the amounts of Ps.1,350.0 million, Ps.45 million and Ps.360.0 million. On September 30, 2009, we provided Ixe Tarjetas with a short-term loan that has since been repaid in full. We also provided Ixe Tarjetas with a Ps.150 million revolving line of credit. As of June 30, 2010, there was no principal amount outstanding under this credit facility. After December 1, 2008, our credit card loan portfolio was no longer consolidated in our financial statements and our interest in the joint venture is accounted for using the equity method. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods. For more information on our investment in Ixe Tarjetas, see Note 11(A) to our audited financial statements included elsewhere in this offering circular and Note 7(A) of our unaudited financial statements included elsewhere in this offering circular.

The Credit Card Business. The following are the credit card products offered by Ixe Tarjetas:

- Ixe Classic and Ixe Gold, for middle and middle-upper income customers;
- Ixe Platinum and Ixe Infinite, for upper income customers;
- Affinity credit cards offered through strategic alliances with universities and companies.

As of June 30, 2010, Ixe Tarjetas had 3,759 Infinite credit cards outstanding with an average total balance of Ps.299,018; 123,750 Gold credit cards with an average total balance of Ps.1,347,155; 23,557 MasterCard Classic credit cards with an average total balance of Ps.75,806; 3,697 Visa Classic credit cards with an average total balance of Ps.15,053; and 9,089 Platinum credit cards with an average total balance of Ps.252,086.

The following is selected financial and statistical information relating to Ixe Tarjetas.

	For the Six-Month Period Ended June 30, 2010
	(unaudited) (thousands of pesos)
Income Statement Data	
Interest income	214,662
Financial margin	170,672
Provision for loan losses	(145,780)
Net loss of the period	(121,734)

	As at June 30, 2010
	(unaudited) (thousands of pesos)
Balance Sheet Data	
Credit Card Loans	1,989,225
Performing	1,904,702
Non-performing	84,523
Allowance for loan losses	(337,247)

The following table sets forth the classification loan portfolio of Ixe Tarjetas on performing and non-performing loans based on past due days as of December 31, 2009 and June 30, 2010.

	As at December 31, 2009	As at June 30, 2010
	(thousands of pesos)	
Performing Loans		
0 to 30 days	1,618,185	1,770,711
31 to 60 days	83,912	96,811
61 to 89 days	38,292	37,180
Total Performing loans	1,740,389	1,904,702

The following table analyzes the non-performing loan portfolio of Ixe Tarjetas as of December 31, 2009 and June 30, 2010.

	As at December 31, 2009	As at June 30, 2010
	(thousands of pesos)	
Non-Performing Loans[(1)]		
90 to 120 days past due	30,384	30,759
121 to 150 days past due	30,325	29,915
151 to 180 days past due	23,440	23,839
Over 180 days past due	7	10
Total Non-Performing loans	84,156	84,523
Total Loan Portfolio	1,824,545	1,989,225

(1) Loans are considered non-performing over 90 days past-due.

The following table sets forth the loan portfolio classification of Ixe Tarjetas in accordance with Mexican Banking GAAP, as of June 30, 2010 and December 31, 2009.

	As at December 31, 2009		As at June 30, 2010	
	Amount	% of Base Loan Portfolio	Amount	% of Base Loan Portfolio
	(thousands of pesos)			
Loans by Regulatory Classification				
A (1.0% to 2.5% reserve)	33,092	1.82%	38,469	1.94%
B (2.6% to 19.99% reserve)	1,453,033	79.87%	1,638,077	82.26%
C (20.0% to 59.99% reserve)	186,284	10.24%	169,667	8.56%
D (60.0% to 89.99% reserve)	136,924	7.23%	130,546	6.59%
E (90.0% to 100.0% reserve)	15,212	0.84%	12,466	0.65%
Total graded loans	1,824,545	100.00%	1,989,225	100.00%

Information Technology

Our information technology, or IT, area is responsible for our systems operation and availability as well as data security and integrity. Our main data center is located near Querétaro City and our disaster recovery site is located in the southern area of Mexico City.

As part of our business continuity plan we have implemented a comprehensive disaster recovery plan to reduce downtime. We have high availability in the main data center for the critical applications, online replication to the Disaster Recovery Planning (DRP) site and back-up processes for all our information. All of our operational systems are integrated through an integration middleware developed using open systems architecture. All customer and products information is stored on a customer information file that allows us to provide all the necessary information to our customer service personnel through a single user interface.

We have made significant investments in technology, and we plan to continue doing so to enable us to retain and enhance our competitive position in various markets and to improve the security and quality of our services. To convert critical operating processes and to expand services, we invested U.S.$10.6 million in 2007 and U.S.$29.8 million in 2008 in information technology primarily in improving security, expanding infrastructure (purchasing new and state of the art servers and creating a new main data center), increasing service levels for core applications, starting a new technology platform and updating customer service systems. In 2009, we invested approximately U.S.$18.8 million, primarily in software development, licensing and implementation of third-party software (Derivatives System, General Ledger and Enterprise Resource Planning System, Customer Relationship Management System and ATMs) and other developments for back office automation, telecommunications and storage.

As of June 30, 2010, we had approximately 140 information technology personnel. We have reorganized our IT department as a service oriented organization that provides integral business solutions, IT services (IT operations and telecommunications) and information security.

Our information technology team meets twice a year with upper management to review any deviation to our information technology strategic plan, to establish new objectives needed to align the business strategy to the IT strategic plan and ensure information security and continuity of business operation.

The information security division of our information technology internal controls committee defines security policies that closely follow CERT and BS7799 / ISO27000 standards and enforces data integrity, confidentiality, availability and access. The services management division of our information technology internal controls committee supervises compliance with information technology policies and procedures. The internal audit and control division of our information technology internal controls committee constantly monitors how the entire information technology area complies with business objectives, and issues recommendations and advice in case of any divergence.

Legal and Regulatory Proceedings

We are involved in certain legal proceedings incidental to the normal conduct of our business. We believe there are no material legal proceedings pending or threatened against us in which we are or would be a defendant. No assurance is given that any such proceedings will not arise in the future.

Competition

We face strong domestic competition in all aspects of our business from other Mexican financial groups, commercial banks, insurance companies and securities brokerage houses, as well as from non-Mexican banks and international financial institutions. The banking sector in Mexico can be classified into two groups: the mature, established "large banks" and the recently created "new banks." The three largest banks, Banamex, BBVA Bancomer and Banorte hold in the aggregate 55.1% of the total deposits in Mexico, followed by a total of 27.6% held in the aggregate by Santander, HSBC and Inbursa. The remaining 17.3% is distributed among 30 banks. See "Risk Factors — Competition with other financial institutions could adversely affect our profitability. Our smaller size and relative higher-cost structure in relation to our competitors limits our ability to benefit from relative economies of scale in our operations, which may adversely affect our ability to compete."

In the commercial banking sector, we compete more generally with the "larger banks," but more specifically our peer group consists of all "new banks": Afirme, Del Bajío, Interacciones, Banregio, Mifel, Invex and Bansi. In addition, there are international banks that are competitive in some of the sectors we operate, such as American Express, Credit Suisse, UBS, Bank of America and JPMorgan.

Under Mexican law, 100% foreign ownership of the equity of Mexican financial holding companies and commercial banks is allowed and any individual or foreign entity (other than foreign entities with governmental authority) is permitted to acquire control, through one or more transactions, of Mexican financial groups and commercial banks; *provided, however*, that any transfer of shares representing more than 2.0% of the outstanding capital stock is required to be reported to the Ministry of Finance and Public Credit and the authorization of the Ministry of Finance and Public Credit and favorable opinion of the CNBV need to be obtained if the acquired interest exceeds 5% of the total capital stock of such institution.

Commercial banks in Mexico also compete in the retail market with non-banking institutions known as *Sofoles* and *Sofomes*, which focus primarily on offering consumer and mortgage loans to middle- and low-income individuals. Until recently, the commercial credit market for middle and low-income individual customers has been serviced almost exclusively by non-banking institutions. Currently, more than 50 non-banking institutions are licensed to operate in Mexico. Mexican non-banking institutions may engage in certain specific lending activities and are supervised by the same regulatory authorities as commercial banks, but are prohibited from engaging in many banking operations, including foreign trade financing, offering checking accounts and engaging in foreign currency operations. Traditional banks have begun to extend their credit services to the markets previously dominated by *Sofoles and Sofomes*.

At the beginning of 2008, the Mexican Banking Law was modified to, among other things, grant authority to the CNBV (with the assistance of other regulators, but having primary responsibility) to authorize the creation of banks solely to engage in certain activities (which is intended to incentivize competition, reduce required capital and improve the attention to certain industries and regions) as compared to so-called "universal" banks, such as Ixe Banco. As a result of the reduced capital requirements and potential reduced operational costs that are likely to apply to this type of bank, there could be increased competition as a result of the creation of more banks to target specific market niches. As of December 31, 2009, the CNBV has not granted any authorization for the creation of this type of bank.

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

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

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

Property

We occupy 154 premises in Mexico for our network of branch offices. The properties are leased under terms varying from two to five years. In August 2005, we entered into a lease contract for six floors (approximately 7,533 square meters) at Torre Mayor, the tallest building in Latin America, which serves as our corporate headquarters. Our lease has a term of 11 years as of the execution date of the agreement. In 2007, we entered into a lease contract for four floors (approximately 3,930 square meters) and a commercial area (approximately 283 square meters) with a term of eight years at the annex building of Torre Mayor. In 2009, we entered into a lease for three floors (approximately 3,272 square meters) in a facility located at Mariano Escobedo 595, Rincón del Bosque, Mexico City, with a term of five years.

Additionally, we leased three more facilities (approximately 4,261 square meters) outside Mexico City, which will be used as regional offices.

Employees

As of June 30, 2010, we had 3,323 employees, an increase of approximately 1,473 employees since December 31, 2007. Approximately 15.6% of our employees are members of *Sindicato Nacional de Trabajadores de Instituciones Financieras, Bancarias, Organizaciones y Actividades Auxiliares de Crédito, Empleados de Oficina, Similares y Conexos de la República Mexicana* (SINATIFBANC) labor union. We have entered into a collective bargaining agreement, which expires in October 2011, and that we expect to renegotiate.

We have extensive training and mentoring programs for our personnel. We believe that our employee attrition rate is low relative to our industry. Our employees receive the following benefits:

- meal ticket compensation plan, equal up to 15.0% of monthly salary. (For tax purposes, the monthly salary cannot exceed one monthly minimum wage for the corresponding geographic region);
- savings fund, equal up to 13.0% of monthly salary. (For tax purposes, the monthly salary cannot exceed ten monthly minimum wages for the corresponding geographic region);
- holiday bonus, equal to 50.0% of twelve days' salary;
- annual gratuity, equal to one month's salary or 30 days' salary;

- life insurance, equal to 36 times monthly salary (double for accidental death); and
- medical insurance, equal to 800 times the minimum monthly salary in Mexico City, with a deductible of 2.0 monthly minimum wages and a coinsurance of 10%.

The union is a member of the *Confederación de Trabajadores de México*, or CTM, the largest confederation of labor unions in Mexico.

We consider our current relations with our work force to be good. We have never experienced a general strike of our employees. We negotiate wages with unionized employees on an annual basis and other benefits every two years.

We have an optional defined contribution retirement plan, which replaced the defined benefit retirement plan in July 2006. The employees taking part in the new plan joined voluntarily, while certain employees preferred to remain in the original plan, known as the "Defined Benefit Pension Plan."

Employees who decide to register for the defined contribution pension plan are entitled to a benefit for past services, 50% of which is assigned immediately, and the remaining 50% is amortized over ten years. Likewise, we make a basic contribution to the plan consisting of 2% of salaries determined for the plan, independently of the contribution made by the employee, and an additional contribution based on the employee contribution, which will depend on pensionable service time. These contributions are paid into the individual account of each employee.

RISK MANAGEMENT

General

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

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

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

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

Risk Management Policies

Generally, our risk management policies are set by Ixe Group and apply to all of its subsidiaries, including us.

Our compliance department verifies that all of our transactions are performed in compliance with the internal policies and procedures of Ixe Grupo, and in compliance with regulatory requirements. The compliance department reports all compliance-related issues to our senior management, including our audit and corporate practices committee and board of directors. In addition, the risk management and rates committee oversee specific risk control measures within each risk category on a Ixe Grupo-wide basis.

Market Risk

Our exposure to market risk arises from trading and investment in financial instruments, where interest rates, foreign exchange rates (principally the peso/U.S. dollar exchange rate) and government floating rates are the main sources of market risks, as well as from traditional banking services such as deposit taking and lending where the balance sheet is exposed to interest rate and foreign exchange risks.

Trading Position

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

Our risk management unit uses historical simulation to calculate VaR, with 100 day price history. Our current portfolio is exposed to various factors directly affecting the valuation of portfolios (*e.g.*, local interest rates, foreign interest rates and exchange rates, among others). Historical simulation is the central measure against which limits are compared. Additionally, in order to control and assess interest rate risk and exchange risk, the unit calculates PV01 analysis and other sensitivity measures as Delta, Gamma, Theta, Rho and Vega for the options portfolio.

The information presented below corresponds exclusively to our positions as of June 30, 2010. VaR is calculated to represent the maximum loss at a 95% confidence level due to changes in market values of trading and structural positions. During the first six months of 2010, daily VaR did not exceed Ps.20 million. The following table sets forth the average, maximum and minimum values of the daily VaR for the six months ending June 30, 2010:

	Average	Minimum	Maximum
	(thousands of pesos)		
Equity portfolio	6,349.6	1,412.5	9,690.4
FX portfolio	30.8	1.4	873.6
Options portfolio	219.8	91.8	380.7
Fixed income portfolio	1,750.6	626.8	4,049.6
Total VaR	8,503.1	6,210.3	19,528.6

(1) ** Daily VaR at 95%

The VaR for each of the portfolios shown is determined using the 100 day historical simulation. Because hedging may occur between different portfolios, the mathematical sum of the VaR per risk factor does not necessarily match the Total VaR.

Stress testing and scenario analysis methods are used to complement the VaR methodology. Stress testing involves the creation of historic scenarios based on infrequent or catastrophic events in order to evaluate contingencies, and is of particular importance during periods of high volatility or illiquid markets. The scenario analysis method is used to create hypothetical or expected market shifts according to market standard deviations. Sensitivity analysis shows the effect on positions caused by predetermined changes in market variables (*e.g.*, a 1 standard deviation increase or decrease in interest rates).

Credit Risk

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, which causes an asset (including off-balance sheet transactions) to lose value. Overseas credits also include an element of country risk, which is closely related to credit risk. This is the risk that changes in currency values or political or economic situations result in a loss.

The purpose of credit risk management is to mitigate and optimize the risk, keeping credit risk exposure within a permissible level relative to capital, to maintain the soundness of assets and to ensure returns commensurate with risk. Our current credit policy sets forth uniform and basic operating concepts, code of conduct and standards for credit operations. By giving our employees extensive credit training, we aim to achieve a high standard of credit risk management, and create a better credit management culture within Ixe Banco.

We have developed lending policies based on portfolio strategies, underwriting, management, supervision, types of credits, specific acceptance criteria and risk rating. There must be an adequate diversification by sector, type of borrowers, concentration, maturities and currencies.

Commercial loans are the most common type of credits (*e.g.*, secured loans, lines of credit, term loans and factoring) with a maximum maturity of three years in most of the cases. Guarantees are considered as an additional source of payment in the credit process, and we do not lend based only on collateral, regardless of its value. The decision to extend credit is made solely on the ability of the borrower to repay the loan and the collateral package.

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

Therefore, our pricing is based on market rates, our funding costs and the rating of each credit.

Our credit committee is in charge of the credit approval process. The credit committee is comprised of members of the risk and credit areas and by independent members with risk and credit experience. The approval process for related party transactions is similar to any other loan, except loans to a related party above 1.0% of Tier 1 capital or 2 million UDIs must be approved by our board of directors with the favorable opinion of our credit committee.

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is the most important principle in our credit process. We analyze, evaluate and monitor each credit and, if applicable, its guarantees. Special attention is paid to non-performing loans and more strict measures are used for these loans. Credits are analyzed with a model similar to the PRISM model (perspective, repayment, intention, safeguards and management), considering quantitative and qualitative aspects of the borrower. The main aspects analyzed in respect of extending or restructuring each credit are:

- references;
- use of proceeds;
- maturity of the loan;
- other terms and conditions of the loan;
- our exposure;
- financial performance; and
- management of the borrower.

When a borrower fails to pay a loan on time, the credit is, after 90 days, classified as non-performing and transferred to the workout group, which analyzes and designs, together with the collection and legal departments, a collection plan. Any amendment to the original terms or conditions of the loan has to be approved by our credit committee. We do not make additional loans to a borrower in default.

Quantifying credit risk reflects the concentration of risk toward a specific customer or industry and fluctuations in the values of real estate, securities and other types of collateral. This data is analyzed to quantify the risk of an entire portfolio or an individual loan. In order to calculate credit risk, historical data for the borrower and facility is entered into a database, the parameters are set — such as the probability of a ratings change, loss given default, and correlation of credit ratings among borrowers — and then the probability distribution of losses for the entire portfolio (amount of loss for what probability) is computed to determine the maximum potential loss in the future. The quantified credit risk results are then used to formulate business plans and provide a standard against which individual credit applications are assessed. In addition, we run stress tests on a monthly basis, and control the credit portfolio by concentrations limits, credit rate limits and sector limits in order to maximize profitability while minimizing the risk of the portfolio.

Credit assessments involve a variety of financial analyses, including cash flow analysis, to predict a borrower's ability to repay a loan and the borrower's growth prospects. These quantitative measures are then combined with qualitative analyses of industry trends, research and development capabilities, the competitiveness of the borrower and its products or services and the borrower's management capabilities.

Liquidity Risk

Our liquidity risk management is based on setting forth limits and guidelines for our liquidity management, maintaining a system of funding sources and establishing contingency funds, as well as performing stress test analyses.

Liquidity risk is the possibility of not having the funds required for settlement of transactions due either to a mismatch between the use and procurement of funds or to an unexpected outflow of funds, or having to borrow at higher interest rates. Liquidity risk also refers to our ability to meet our cash obligations as they become due.

We maintain liquid positions that allows us to respond to the liquidity demands of our clients, whether in U.S. dollars or in pesos. In the investment of these positions, we strive to keep low profiles of credit risk, and we invest these resources in debt instruments issued by international and national financial entities. These investments are subject to credit limits, established by the risk management and rates committee and the credit committee.

As of June 30, 2010, our cash balance denominated in pesos amounted to Ps.2,821 million, equivalent to 13% of the peso-denominated deposits taken from our clients. During the first six months of 2010, we maintained liquid assets denominated in foreign currency and issued by Mexican and foreign institutions. Investments in foreign financial entities amounted to Ps330.7 million as of June 30, 2010. The aggregate amount allocated to investment funds amounted to Ps.13,686 million. As of June 30, 2010, our total investment in capital market instruments amounted to Ps.1,134 million.

Operational Risk

Operational risk is defined as the possibility of loss caused by internal or external failures due to insufficiencies in processes, people or systems. In order to address this risk type as well as internal control, we have developed an operating risk management model, methodology and framework based on ERM-COSO II (Enterprise Risk Management) principles, which allows us to identify, analyze, quantify and prioritize possible loss events, as well as establish the proper actions to mitigate, transfer or assume operating risks, and monitor, control and register them in a standardized manner.

This new methodology recognizes the importance of risk governance throughout the financial group as well as management commitment, awareness and consciousness in a top-down approach, which allow process owners and staff to understand risk and control guidelines and act accordingly. In addition, supervision activities related to operational risk, which correspond to the Risk Management and Rates Committee, are delegated to the Operational Risk Subcommittee. This subcommittee meets on a bimonthly basis and has a direct reporting line to the Risk Management and Rates Committee and finally, to the Board of Directors.

An automated system, OPRISK MONITOR, is in place and is being updated to the newest version released by our vendor SAS. This system allows the financial group to manage, track and control all operating risks and allows for event losses to be analyzed, classified, centrally recorded and monitored appropriately.

Regarding capital requirements for operational risk management, the CNBV issued the capitalization rules in November 2007 based on Basel's II basic model approach, which were mandatory for all financial institutions starting in March 2008. During a period of three years after March 2008, 100% of the capital requirements for operational risk should be completed. The capital requirements for operational risk management are expected to be Ps.306.0 million at the end of the three-year period. We have been complying and reporting to *Banco de México* on a timely manner as instructed.

Technological Risk

Technological risk is the possibility of a loss of information arising from the failure, malfunction or unauthorized use of our computer systems, including hardware, software, networks or any other electronic data systems. We have instituted a number of basic policies to manage systems risk, including a security policy, usage regulations, data back-up procedures, contingency procedures and disaster recovery procedures. We evaluate on a regular basis the information security risk identification of our IT infrastructure, databases, systems and processes. We have developed an incident response plan in order to mitigate the impact of the business security breaches using specific metrics to track and monitor any possible outside hacking attempts. We are committed to continuously redesigning and implementing contingency plans that guarantee the continuity of operation and services for our clients.

Since systems-related problems at financial institutions have increasingly greater potential impact on the public, and systems risk has increased with the growth of an information technology and the concomitant rising use of networks and personal computers, we have taken steps to ensure smooth and secure operation of our information systems. To maintain the privacy of customer information and prevent information leaks, we have encrypted sensitive information, blocking unauthorized external access and implemented known countermeasures to secure our data. We have also established contingency plans and conducted training as required to ensure that we are prepared in the event of an emergency. We will continue to revise our countermeasures as new technologies and usage patterns emerge to maintain the utmost security of our data.

Derivatives

The main risks associated with derivative transactions are market risk (change in market prices), credit risk (non-fulfillment of obligations), and liquidity risk (lack of marketability at prices in line with recent sales). We use VaR and the "Greeks" (which refers to the letters that measure the different dimensions of risk in an option position: Delta, Gamma, Theta, Rho and Vega) to manage our exposure to a variety of market risks (*e.g.*, interest rate risk and foreign exchange risk) and mark to market its exposure to credit risk periodically. To mitigate liquidity risk, we have established restrictions based on the portfolio's total sensitivities and on its total currency position. Given that the derivatives market and related documentation are not yet well developed in Mexico, there is also the added documentation risk of structuring and incorporating the terms and conditions of derivatives transactions. In addition, the execution and performance of these types of transactions depend on our ability to develop adequate control and administration systems, and hire and retain qualified personnel.

Legal Risk

Legal risk is the potential loss arising from non-compliance with legal or administrative rules and regulations applicable to us, as well as any possible loss arising from judicial rulings against us. We have developed, defined and implemented policies and procedures to manage legal risk, including management and labor risk. Additionally, we have developed mechanisms to determine, track, and quantify the possible losses arising from legal processes and if necessary to create provisions for these contingencies according to the policies established by our legal and accounting groups.

Trading and Hedging Policies

In our trading operations, we primarily manage two kinds of risks: those related to money market positions and equity positions. We have implemented strict policies in both cases with VaR and stop losses monitored on a daily basis. When limits are exceeded, the position is closed immediately and when a position may not be closed by any reason, alternative hedging positions are immediately sought.

In order to minimize balance sheet risk, we have implemented Fair Value Hedge programs to cover our long-term fixed rate and foreign exchange risk exposures derived primarily from our U.S.-dollar denominated perpetual note and our mortgage loan portfolio. These programs are authorized by our risk management and rates committee. In addition, we also maintain policies to cover our SME's variable rate credit portfolio with caps on interest rate.

Money Market Positions

Our risk limits are based on a joint proposal prepared by the business area and the risk management area. The risk management and rates committee has to approve any such proposal, unless certain limits are exceeded, in which case the proposal, if approved, is submitted for the approval of our board of directors.

We monitor on a daily basis the limits and any excess thereof, and to the extent that any limits are exceeded, reporting any limits exceeded to our management, to the supervisors of the areas taking the risks, to the general managers of the support areas and to the general managers of audit and control. The status of each limit and any excess thereof is reported to the risk management and rates committee on a monthly basis and to our board of directors on a quarterly basis.

The "SIAR" *(Sistema Integral de Administración de Riesgos)* system measures the financial risks to which we are exposed (market risk, liquidity risk and credit risk). To measure market risk, estimations of VaR taking a historical simulation as a base (100 historic days), stress tests, backtests, key rate duration and Macaulay duration tests, are carried out, among others. To measure liquidity risk, the due date of obligations, including interest, is analyzed and instruments in the portfolio are monitored. We estimate the probabilities of breach for all corporate bonds and banking notes, and calculate the forecast and "un-forecast" losses to measure and mitigate the credit risk. For repurchase transactions we take as our exposure the difference between the value of the bond (guarantee) and the money invested, in order to estimate whether we have an exposure to credit risk. We estimate the probabilities of breach from the spreads in the interest rates curves with different credit ratings.

Equity Positions

We have implemented three different procedures relating to the sale and purchase of securities for our own account. The directional procedure is research-based on the instrument and contemplates a longer term investment. On the other hand, arbitrage positions involve opportunistic short-term investment transactions. A specific procedure contemplates special situations and the strategic procedure describes an investment policy based on a portfolio designed by our analysts and stock-exchange strategic department. In order to mitigate volatility of our portfolio, a stop loss has to be met.

Anti-Money Laundering

We have established a comprehensive set of policies and procedures to comply with all regulatory requirements related to anti-money laundering. So-called "know-your-customer" checklists are utilized when opening accounts with us. Additionally, we have anti-money laundering and anti-terrorism financing policies.

Prior to opening an account with us, branch personnel are required to obtain full identification from potential depositors, including tax status, and to keep all such information in the account file. No account should be opened if any of such requirements is not satisfied. Any cash deposit with a value equal to or in excess of U.S.$10,000 is automatically reported to the authorities. Our employees are also required to identify and report any transaction that by their characteristics, origin, region or other attributes seem suspicious. Suspicious transactions include the exclusive use of cash or cash equivalents, especially old or damaged bills, documents that fail to identify completely the transactions and requests for bank or traveler's checks in unusual large sums. Our employees are trained to recognize suspicious transactions and then, if appropriate, to report them to the Communications and Operations Control Committee in accordance with our policies. See "Supervision and Regulation — Money Laundering Regulations."

In addition, we are also required to utilize "World Compliance," which is software to monitor the operations of clients related with certain government officials. We have access to a database, through which we receive updated lists of individuals involved in terrorist and money laundering activities. We also have access to the "*Quién es quién,*" or "Who's Who," list, which includes all politically exposed persons and relevant government officials.

We classify our clients in order to monitor those who have higher risk. We publish newsletters with information regarding trends in the detection of money laundering techniques and the type of activities that may constitute money laundering. Ixe Grupo's anti-money laundering department is centralized and, hence, its services are available to all of its subsidiaries that require it, including us, allowing for faster deployment of procedures across subsidiaries and leveraging off the past experience of all of Ixe Grupo's subsidiaries to establish controls to prevent money laundering. We have established an e-learning anti-money laundering training program, which allows our employees to take this course on their own time. As a result, 99.0% of our employees passed the anti-money laundering test in 2009. We have adapted our systems and processes to comply with the new legislation related to cash foreign currency transactions.

SELECTED STATISTICAL INFORMATION

Assets and liabilities in this selected statistical information have been classified by currency of denomination (pesos or dollars), rather than by country of origin, because substantially all of our transactions are effected in Mexico or on behalf of Mexican residents and in pesos or dollars. The following information should be read in conjunction with our financial statements included elsewhere in this offering circular and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Except as otherwise indicated, balance sheet and income statement items in the following tables are presented in thousands of pesos.

Effective January 1, 2008, the Bank discontinued recognizing the effects of inflation in its financial statements. Accordingly, our financial information through December 31, 2007 is stated in Mexican pesos in purchasing power as of December 31, 2007. See "Presentation of Financial and Other Information."

Because Mexican tax law does not currently provide income tax exemptions for any investment securities, our portfolio does not contain any income tax exempt securities and no tax equivalency adjustments are considered necessary.

Average Balance Sheet and Interest Rate Data

Peso-Denominated Average Balances and Interest Income. Average balances for assets and liabilities denominated in pesos have been calculated in the following manner. Our nominal average monthly balances expressed in pesos were determined for each month of the year. For interest-earning assets and interest-bearing liabilities, daily average balances are used. For non-interest earning assets and non-interest bearing liabilities, the average of the year is calculated as an average of the twelve monthly-end balances. Interest income (expense) for the year is the total of the income (expense) for the twelve months so determined.

Dollar Denominated Average Balances and Interest Income. Average balances and interest income (expense) for dollar denominated assets and liabilities have been translated into pesos in the following manner. In the case of interest-earning assets and interest-bearing liabilities, for each month, a daily average dollar balance and the interest income (expense) for such month was determined. Such balances determined for each month were then translated into pesos at the applicable average monthly interbank exchange rate as authorized by the CNBV for accounting purposes for such month. For non-interest earning assets and non-interest bearing liabilities, an average of the month-end dollar balances for such month and the interest income (expense) for such month was determined. Such monthly balances were then translated into pesos at the applicable average monthly interbank exchange rate as authorized by the CNBV for accounting purposes for such month. Interest income (expense) for the year is the total of the interest income (expense) for the twelve months as so determined.

Total Interest Earned and Total Interest Paid. Total interest earned and total interest paid as presented in the following tables differ from interest income and interest expense as recorded on our income statements for the periods presented as a result of adjustments due to:

- the valuation of positions in foreign currency;
- inflation; and
- fees for collections of loans.

Average Interest Rate

The average annual rates earned on interest-earning assets and the average annual rate paid on interest-bearing liabilities are nominal rates.

The following tables analyze, by currency of denomination, the average balance of assets, liabilities and stockholders' equity, interest income and expense and the average annual yield on interest-earning assets and interest-bearing liabilities for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010.

	Year Ended December 31, 2007			Year Ended December 31, 2008			Year Ended December 31, 2009			June 30, 2010		
	Average Balance	Interest Earned[(1)]	Average Yield Rate	Average Balance	Interest Earned[(1)]	Average Yield Rate	Average Balance	Interest Earned[(1)]	Average Yield Rate	Average Balance	Interest Earned[(1)]	Average Yield Rate[(2)]
	(thousands of pesos, except for percentages)											
Assets												
Interest-earning deposits in *Banco de México* and other banks[(3)]												
Pesos	1,470,574	107,646	7.32%	1,781,898	146,472	8.22%	2,336,704	146,044	6.25%	2,706,462	61,978	4.58%
Dollars	681,411	33,798	4.96%	616,161	13,001	2.11%	965,000	2,509	0.26%	68,888	31	0.09%
Total	2,151,985	141,444	6.57%	2,398,059	159,473	6.65%	3,301,704	148,553	4.50%	2,775,350	62,009	4.47%
Mexican government securities												
Pesos	636,431	47,796	7.51%	1,138,070	93,777	8.24%	647,763	44,890	6.93%	782,146	23,699	6.06%
Total	636,431	47,796	7.51%	1,138,070	93,777	8.24%	647,763	44,890	6.93%	782,146	23,699	6.06%
Investment securities[(4),(5)]												
Pesos	1,557,483	116,967	7.51%	2,367,973	195,121	8.24%	6,584,574	456,311	6.93%	6,422,542	194,603	6.06%
Total	1,557,483	116,967	7.51%	2,367,973	195,121	8.24%	6,584,574	456,311	6.93%	6,422,542	194,603	6.06%
Performing loans[(6)]												
Pesos	10,007,201	1,072,772	10.72%	15,601,781	1,752,080	11.23%	17,945,723	1,724,584	9.61%	24,248,738	1,018,447	8.40%
Dollars	1,212,559	107,069	8.83%	1,114,694	83,825	7.52%	1,127,241	68,649	6.09%	1,042,994	30,299	5.81%
Total	11,219,760	1,179,841	10.52%	16,716,475	1,835,905	10.98%	19,072,964	1,793,233	9.40%	25,291,732	1,048,746	8.29%
Non-performing loans												
Pesos	—	—	—	—	—	—	—	—	—	—	—	—
Dollars	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—	—	—	—
Securities purchased under resale agreements												
Pesos	22,808,099	1,655,868	7.26%	24,428,701	1,917,653	7.85%	30,921,229	1,836,721	5.94%	23,985,788	555,271	4.63%
Total	22,808,099	1,655,868	7.26%	24,428,701	1,917,653	7.85%	30,921,229	1,836,721	5.94%	23,985,788	555,271	4.63%
Total interest-earning assets (Pesos+Dollars)	38,373,758	3,141,916	8.19%	47,049,278	4,201,929	8.93%	60,528,234	4,279,708	7.07%	59,257,558	1,884,328	6.36%
Allowance for loan losses												
Pesos	(180,257)	—	—	(221,892)	—	—	(369,470)	—	—	(475,280)	—	—
Dollars	(44,418)	—	—	(40,446)	—	—	(46,129)	—	—	(36,840)	—	—
Total	(224,675)	—	—	(262,338)	—	—	(415,599)	—	—	(512,120)	—	—
Cash												
Pesos	95,435	—	—	174,977	—	—	313,406	—	—	355,701	—	—
Dollars	44,838	—	—	100,169	—	—	178,489	—	—	193,126	—	—
Total	140,273	—	—	275,146	—	—	491,895	—	—	548,827	—	—
Premises and equipment												
Pesos	214,118	—	—	420,205	—	—	612,937	—	—	622,052	—	—
Dollars	—	—	—	—	—	—	—	—	—	260		
Total	214,118	—	—	420,205	—	—	612,937	—	—	622,312	—	—
Equity investments												
Pesos	14,958	—	—	71,481	—	—	474,217	—	—	464,065	—	—
Total	14,958	—	—	71,481	—	—	474,217	—	—	464,065	—	—
Other non-interest-earning assets												
Pesos	4,247,491	—	—	5,072,288	—	—	4,345,351	—	—	8,876,806	—	—
Dollars	33,679	—	—	1,363,383	—	—	2,720,421	—	—	3,507,915	—	—
Total	4,281,170	—	—	6,435,671	—	—	7,065,772	—	—	12,384,721	—	—
Total non-interest-earning assets (Pesos+Dollars)	4,425,844			6,940,165			8,229,222			13,507,805		
Total assets	42,799,602	3,141,916	7.34%	53,989,443	4,201,929	7.78%	68,757,456	4,279,708	6.22%	72,765,363	1,884,328	3.47%
Total Pesos	40,871,533	3,001,049	7.34%	50,835,482	4,105,103	8.08%	63,812,434	4,208,550	6.60%	67,989,020	1,853,998	3.70%
Total Dollars	1,928,069	140,867	7.31%	3,153,961	96,826	3.07%	4,945,022	71,158	1.44%	4,776,343	30,330	0.73%

(1) For the year ended December 31, 2007, interest earned does not include effects of inflation for an amount of Ps.60,476, recorded under the caption "Other interest income." Effective January 1, 2008 the Bank discontinued recognizing the effects of inflation in its financial statements.
(2) Average yield rates for the six months ended June 30, 2010 were annualized for comparison purposes.
(3) For all periods presented, interest-earning deposits in *Banco de México* and other banks includes the margin accounts required in forward contracts.
(4) Does not include equity investments in subsidiaries and affiliates.
(5) Includes Available for Sale Securities, in which yields are calculated based on historical cost balances.
(6) Interest earned does not includes fees on loans of Ps.60,804 in 2007, Ps.145,382 in 2008, Ps.128,120 in 2009 and Ps.69,451 for the six-month period ended June 30, 2010, which have been included in interest income for purposes of presentation in the income statement for said periods. Non-accruing loans have been included in other non-interest earning assets.

	Year Ended December 31, 2007			Year Ended December 31, 2008			Year Ended December 31, 2009			June 30, 2010		
	Average Balance	Interest Paid(1)	Average Yield Rate	Average Balance	Interest Paid(1)	Average Yield Rate	Average Balance	Interest Paid(1)	Average Yield Rate	Average Balance	Interest Paid(1)	Average Yield Rate(2)
	(thousands of pesos, except for percentages)											
Liabilities and Stockholders' Equity												
Interest-bearing demand deposits												
Pesos	3,631,294	154,330	4.25%	5,854,668	290,977	4.97%	5,693,173	141,760	2.49%	6,540,000	43,164	1.32%
Dollars	379,301	10,317	2.72%	446,456	7,054	1.58%	1,278,333	767	0.06%	1,720,000	172	0.02%
Total	4,010,595	164,647	4.11%	6,301,124	298,031	4.73%	6,971,506	142,527	2.04%	8,260,000	43,336	1.05%
Time deposits												
Pesos	7,342,258	461,828	6.29%	10,007,618	701,534	7.01%	14,500,778	745,340	5.14%	18,698,384	404,820	4.33%
Dollars	1,255,304	53,727	4.28%	1,282,137	30,002	2.34%	258,333	310	0.12%	81,334	61	0.15%
Total	8,597,562	515,555	6.00%	11,289,755	731,536	6.48%	14,759,111	745,650	5.05%	18,779,718	404,881	4.31%
Bank loans and other borrowings												
Pesos	1,803,329	138,676	7.69%	2,642,713	217,231	8.22%	3,563,017	229,102	6.43%	5,377,896	161,068	5.99%
Dollars	1,501,753	159,336	10.61%	1,876,365	190,451	10.15%	1,389,826	127,864	9.20%	945,800	42,230	8.93%
Total	3,305,082	298,012	9.02%	4,519,078	407,682	9.02%	4,952,843	356,966	7.21%	6,323,696	203,298	6.43%
Securities sold under agreements to repurchase												
Pesos	21,844,025	1,579,323	7.23%	24,122,577	1,871,912	7.76%	31,421,577	1,813,025	5.77%	23,546,164	530,966	4.51%
Total	21,844,025	1,579,323	7.23%	24,122,577	1,871,912	7.76%	31,421,577	1,813,025	5.77%	23,546,164	530,966	4.51%
Total interest-bearing liabilities												
Pesos	34,620,906	2,334,157	6.74%	42,627,576	3,081,654	7.23%	55,178,545	2,929,227	5.31%	54,162,444	1,140,018	4.21%
Dollars	3,136,358	223,380	7.12%	3,604,958	227,507	6.31%	2,926,492	128,941	4.41%	2,747,134	42,463	3.09%
Total	37,757,264	2,557,537	6.77%	46,232,534	3,309,161	7.16%	58,105,037	3,058,168	5.26%	56,909,578	1,182,481	4.16%
Non-interest-bearing demand deposits												
Pesos	597,075	—	—	856,637	—	—	1,356,791	—	—	2,807,839	—	—
Dollars	—	—	—	54	—	—	—	—	—	299,614	—	—
Total	597,075	—	—	856,691	—	—	1,356,791	—	—	3,107,453	—	—
Other non-interest liabilities												
Pesos	3,273,478	—	—	4,104,234	—	—	4,110,569	—	—	7,118,021	—	—
Dollars	(263,502)	—	—	634,865	—	—	1,600,987	—	—	1,982,314	—	—
Total	3,009,976	—	—	4,739,099	—	—	5,711,556	—	—	9,100,335	—	—
Stockholders' equity, less mandatorily convertible debt												
Pesos	1,282,087	—	—	1,964,557	—	—	3,563,549	—	—	1,966,720	—	—
Dollars	153,200	—	—	196,562	—	—	20,523	—	—	1,681,277	—	—
Total	1,435,287	—	—	2,161,119	—	—	3,584,072	—	—	3,647,997	—	—
Total non-interest-bearing liabilities												
Pesos	5,152,640	—	—	6,925,428	—	—	9,030,909	—	—	11,892,580	—	—
Dollars	(110,302)	—	—	831,481	—	—	1,621,510	—	—	3,963,205	—	—
Total	5,042,338	—	—	7,756,909	—	—	10,652,419	— --	— --	15,855,785	—	—
Total liabilities and stockholders' equity	42,799,602	2,557,537	5.98%	53,989,443	3,309,161	6.13%	68,757,456	3,058,168	4.45%	72,765,363	1,182,481	2.18%
Total Pesos	39,773,546	2,334,157	5.87%	49,553,004	3,081,654	6.22%	64,209,454	2,929,227	4.56%	66,055,024	1,140,018	2.33%
Total Dollars	3,026,056	223,380	7.38%	4,436,439	227,507	5.13%	4,548,002	128,941	2.84%	6,710,339	42,463	0.80%

(1) For the year ended December 31, 2007, interest paid does not include effects of inflation for an amount of Ps.47,685, recorded under the caption "Other interest expense." Effective January 1, 2008 the Bank discontinued recognizing the effects of inflation in its financial statements.

(2) Average yield rates for the six months ended June 30, 2010 were annualized for comparison purposes.

Asset and Liability Management

Our policy on asset and liability management is to maximize our net interest income and return on assets and equity, while providing adequate liquidity, capital and effective risk management. The Asset and Liabilities Committee determines funding strategies and rates, sets interest rate levels and terms for both assets and liabilities (in pesos and dollars), and makes decisions regarding maturities and pricing of assets and liabilities. Our Asset and Liabilities Committee meets once a month and for that reason it relies on the Rates Subcommittee, and on the Risk Management and Rates Committee, both of which meet weekly to oversee interest rates for assets and liabilities, as well as funding rates and interest margins, and to review and monitor our risk exposures.

Credit Policies

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

We do not enter into speculative transactions. We only offer commercial-bank credits (*e.g.*, secured loans, revolving lines of credit, term loans and factoring) with a maximum maturity in most of the cases of three years.

We do not lend based on guarantees only. Guarantees are considered as an additional factor in the credit approval process and the decision is made based primarily on the repayment capacity of the borrower.

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

Our credit committee is in charge of the credit approval process. The credit committee is composed of members of the risk and credit areas (except promotion areas), and by members of other areas with experience in these areas.

Interest-Earning Assets — Yield and Yield Spread

The following table analyzes, by currency of denomination, our levels of total average earning assets and net interest income and illustrates the comparative gross and net yields and yield spread obtained for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010. In addition, because loan fees are a component of pricing, a table including loan fees (other than fees on credit card cash disbursements and merchant fees on credit card purchases) in net interest income has been included. For purposes of this presentation, 100% of loan fees are recognized at the time the related loan is made.

	For the Years Ended December 31,			For the Six-Month Period Ended June 30,
	2007	2008	2009	2010(1)
	(thousands of pesos, except for percentages)			
Total average interest-earning assets(1),(2)				
Pesos	36,479,788	45,318,423	58,435,993	58,145,676
Dollars	1,893,970	1,730,855	2,092,241	1,111,882
Total	38,373,758	47,049,278	60,528,234	59,257,558
Including loan fees:				
Net interest income				
Pesos	666,892	1,023,449	1,279,323	713,980
Dollars	(82,513)	(130,681)	(57,783)	(12,133)
Total	584,379	892,768	1,221,540	701,847
Nominal gross yield(3)				
Pesos	8.23%	9.06%	7.20%	6.38%
Dollars	7.44%	5.59%	3.40%	5.46%
Weighted average rate	8.19%	8.93%	7.07%	6.36%
Net yield(4)				
Pesos	1.83%	2.26%	2.19%	1.23%
Dollars	(4.36)%	(7.55)%	(2.76)%	(1.09)%
Weighted average rate	1.52%	1.90%	2.02%	1.18%
Nominal yield spread(5)				
Pesos	1.49%	1.83%	1.89%	2.17%
Dollars	0.32%	(0.72)%	(1.01)%	2.37%
Weighted average rate	1.42%	1.77%	1.81%	2.20%
Not including loan fees:				
Net interest income				
Pesos	606,088	878,067	1,151,203	645,006
Dollars	(82,513)	(130,681)	(57,783)	(12,610)
Total	523,575	747,386	1,093,420	632,396
Nominal gross yield(3)				
Pesos	1.66%	1.94%	1.97%	1.11%
Dollars	(4.36)%	(7.55)%	(2.76)%	(1.13)%
Weighted average rate	1.36%	1.59%	1.81%	1.07%
Net yield(4)				
Pesos	1.66%	1.94%	1.97%	1.11%
Dollars	(4.36)%	(7.55)%	(2.76)%	(1.13)%
Weighted average rate	1.36%	1.59%	1.81%	1.07%
Nominal yield spread(5)				
Pesos	(5.08)%	(5.29)%	(3.34)%	(3.10)%
Dollars	(11.48)%	(13.86)%	(7.17)%	(4.22)%
Weighted average rate	(5.41)%	(5.57)%	(3.45)%	(3.09)%

(1) Nominal gross yield, net yield and nominal yield spread for the six months ended June 30, 2010 were annualized for comparison purposes.

(2) The average interest-earning assets to average interest-bearing liabilities ratio for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010 are 103.5%, 104.2%, 105.5% and 107.2%, respectively.

(3) Gross yield is interest income without loan commissions divided by average interest-earning assets.

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

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

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

The following table allocates, by currency of denomination, changes in interest income and interest expense between changes in volume and changes in rates for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010. The net change in interest income or interest expense observed in 2008, 2009 and for the six- month period ended June 30, 2010 has been divided in changes due to an increase or decrease in the volume of a specific interest earning asset or interests bearing liability and changes due to an increase or decrease in the interest rate.

Interest Earning Assets

	Fiscal Year 2007/ Fiscal Year 2008			Fiscal Year 2008/ Fiscal Year 2009			As of June 30, 2009/2010		
	Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(thousands of pesos, except for interest rates)								
Assets									
Deposits in banks:									
Pesos	22,789	16,037	38,826	45,605	(46,033)	(428)	2,016	(28,614)	(26,598)
Foreign Currency (Dollars)	(3,236)	(17,561)	(20,797)	7,361	(17,853)	(10,492)	(4,011)	1,954	(2,057)
Sub-total	19,553	(1,524)	18,029	52,966	(63,886)	(10,920)	(1,995)	(26,660)	(28,655)
Government securities:									
Pesos	37,673	8,308	45,981	(40,401)	(8,486)	(48,887)	5,456	(9,689)	(4,233)
Sub-total	37,673	8,308	45,981	(40,401)	(8,486)	(48,887)	5,456	(9,689)	(4,233)
Investment securities:									
Pesos	60,868	17,286	78,154	347,448	(86,258)	261,190	25,863	(70,092)	(44,229)
Sub-total	60,868	17,286	78,154	347,448	(86,258)	261,190	25,863	(70,092)	(44,229)
Performing Loans									
Pesos	599,739	79,569	679,308	263,225	(290,721)	(27,496)	789,299	(654,111)	135,188
Foreign Currency (Dollars)	(8,641)	(14,603)	(23,244)	944	(16,120)	(15,176)	10,461	(10,341)	120
Sub-total	591,098	64,966	656,064	264,169	(306,841)	(42,672)	799,760	(664,452)	135,308
Non-performing Loans									
Pesos	—	—	—	—	—	—	—	—	—
Foreign Currency (Dollars)	—	—	—	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—	—	—	—
Securities purchased under agreements to resell:									
Pesos	117,656	144,129	261,785	509,663	(590,595)	(80,932)	(597,870)	312	(597,558)
Sub-total	117,656	144,129	261,785	509,663	(590,595)	(80,932)	(597,870)	312	(597,558)
Total Interest-earning assets:									
Pesos	838,725	265,329	1,104,054	1,125,540	(1,022,093)	103,447	224,764	(762,194)	(537,430)
Foreign Currency (Dollars)	(11,877)	(32,164)	(44,041)	8,305	(33,973)	(25,668)	6,450	(8,387)	(1,937)
Total	826,848	233,165	1,060,013	1,133,845	(1,056,066)	77,779	231,214	(770,581)	(539,367)

Interest Bearing Liabilities

	Fiscal Year 2007/ Fiscal Year 2008			Fiscal Year 2008/ Fiscal Year 2009			As of June 30, 2009/2010		
	Increase (Decrease) Due to changes in			Increase (Decrease) Due to changes in			Increase (Decrease) Due to changes in		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
					(thousands of pesos)				
Deposits in banks:									
Pesos	94,493	42,154	136,647	(8,026)	(141,191)	(149,217)	33,674	(81,910)	(48,236)
Foreign Currency (Dollars)	1,827	(5,090)	(3,263)	13,144	(19,431)	(6,287)	1,502	(1,955)	(453)
Sub-total	96,320	37,064	133,384	5,118	(160,622)	(155,504)	35,176	(83,865)	(48,689)
Other time deposits:									
Pesos	167,651	72,055	239,706	314,971	(271,165)	43,806	314,226	(329,138)	(14,912)
Foreign Currency (Dollars)	1,148	(24,873)	(23,725)	(23,957)	(5,735)	(29,692)	(444)	230	(214)
Sub-total	168,799	47,182	215,981	291,014	(276,900)	14,114	313,782	(328,908)	(15,126)
Short-time borrowing (Bank loans & other borrowings):									
Pesos	64,549	14,006	78,555	75,649	(63,778)	11,871	159,914	(111,149)	48,765
Foreign Currency (Dollars)	39,746	(8,631)	31,115	(49,384)	(13,203)	(62,587)	(77,039)	36,628	(40,411)
Sub-total	104,295	5,375	109,670	26,265	(76,981)	(50,716)	82,875	(74,521)	8,354
Securities sold under agreement to repurchase:									
Pesos	164,739	127,850	292,589	566,402	(625,289)	(58,887)	(732,780)	110,914	(621,866)
Sub-total	164,739	127,850	292,589	566,402	(625,289)	(58,887)	(732,780)	110,914	(621,866)
Total Interest-bearing liabilities:									
Pesos	491,432	256,065	747,497	948,996	(1,101,423)	(152,427)	(224,966)	(411,283)	(636,249)
Foreign Currency (Dollars)	42,721	(38,594)	4,127	(60,197)	(38,369)	(98,566)	(75,981)	34,903	(41,078)
Total	534,153	217,471	751,624	888,799	(1,139,792)	(250,993)	(300,947)	(376,380)	(677,327)

Return on Equity and Assets

	For the Year Ended December 31, 2007	2008	2009	For the Six-Month Period Ended June 30, 2010(1)
	(thousands of pesos, except for percentages)			
Net (loss) income	(256,077)	276,163	3,599	(3,913)
Average total assets	42,799,602	53,989,443	68,757,456	72,765,363
Average stockholders' equity	1,435,287	2,098,047	3,584,072	3,647,998
Net income as a percentage of:				
Average total assets	(0.60)%	0.51%	0.01%	(0.01)%
Average stockholders' equity	(17.84)%	13.16%	0.10%	(0.11)%
Average stockholders' equity as a percentage of average total assets	3.35%	3.89%	5.21%	5.01%
Dividend payout ratio	(27.42)%	0.00%	1,300.00%	N.A.

(1) Ratios calculated as of June 30, 2010 were annualized.

Interest Rate Sensitivity of Assets and Liabilities

Interest Rates

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

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

Interest Rate Sensitivity

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

We generally reprice interest rates on peso-denominated assets at least every 30 days. We base our rates on peso-denominated loans on:

- the 28-day *Cetes* rate; and
- the average cost of funds of the banking system, "TIIE," as calculated and published by *Banco de México*;

Our ALCO establishes spreads over such reference rates for various lending programs and reviews loan prices and interest rates on deposits once a week for loans extended, renewed or repriced, and deposits received or repriced, during the following week.

Our interest-bearing deposits, generally, are repriced more frequently than our interest-earning assets. Generally, for peso-denominated lending, the TIIE rate is used as the sole reference for commercial loans of up to 30 days.

Our policy in non-peso lending activities is to price our loans against a LIBOR base, with repricing intervals of one, three or six months depending on our funding opportunities. Spreads over LIBOR are managed in accordance with our marginal cost of funding in currencies other than pesos.

Our interest rate and liquidity risk management strategy takes into account not only the rates of return and the underlying degree of risk, but also liquidity requirements, including minimum regulatory cash reserve, mandatory liquidity ratios, withdrawal and maturity of deposits, capital cost, product behavior and additional demand for funds. We closely monitor our maturity mismatches and positions and maintain them within established limits. We have implemented strict policies with VaR and stop losses monitored on a daily basis and liquidity ratio triggers, as well as, a contingency funding plan, in order to preemptively address any funding or liquidity issues. We also have in place several hedge programs to maximize return and minimize the impact on our income statement due to fluctuations in interest rates. When limits are exceeded, the position is closed immediately and when a position may not be closed by any reason, alternative hedging positions are immediately sought.

The following table reflects our interest-earning assets and interest-bearing liabilities at June 30, 2010.

	At June 30, 2010					
Interest Rate Sensitivity Gap	**0-30 Days**	**31-90 Days**	**91-180 Days**	**181-365 Days**	**Non-Rate Sensitive or Over One Year**	**Total**
	(thousands of pesos, except percentages)					
Variable-rate commercial loans	6,342,796	9,493,493	111,250	—	—	15,947,539
Consumer loans, mortgage loans and lease receivables	235,925	1,339	4,153	17,389	1,143,004	1,401,810
Fixed-rate commercial loans	2,585,430	2,562,155	2,174,128	343,037	943,817	8,608,567
Total loan portfolio	9,164,151	12,056,987	2,289,531	360,426	2,086,821	25,957,916
Securities and investments[1]	1,408,875	2,497,258	335,636	2,746,553	15,812,474	22,800,796
Securities purchased under agreements to resell	3,918,798	—	—	—	—	3,918,798
Total interest-earning assets	14,491,824	14,554,245	2,625,167	3,106,979	17,899,295	52,677,510
Equity securities	—	—	—	—	919,333	919,333
Cash, property and other non-interest earning assets	—	—	—	12,399	12,773,695	12,786,094
Less: allowance for loan losses	—	—	—	—	(419,932)	(419,932)
Total assets	**14,491,824**	**14,554,245**	**2,625,167**	**3,119,378**	**31,172,391**	**65,963,005**
Liabilities and Stockholders' Equity:						
Notes sold through intermediaries	—	—	—	—	—	—
Notes sold through branches	—	—	—	—	—	—
Demand deposits	1,776,738	236,378	772,947	1,573,029	4,158,412	8,517,504
Time deposit	15,499,483	2,058,229	667,546	767,280	3,517	18,996,055
Total deposits	17,276,221	2,294,607	1,440,493	2,340,309	4,161,929	27,513,559
Short-term debt	1,721,730	1,054,121	2,459,615	1,405,494	—	6,640,960
Long-term debt	—	—	—	—	3,396	3,396
Subordinated debentures	—	—	—	—	1,602,279	1,602,279
Repurchase	17,850,105	—	—	—	—	17,850,105
Other liabilities	—	—	—	—	8,009,351	8,009,351
Total liabilities	**36,848,056**	**3,348,728**	**3,900,108**	**3,745,803**	**13,776,955**	**61,619,650**
Stockholders' equity	—	—	—	—	4,343,355	4,343,355
Total liabilities and stockholders' equity	36,848,056	3,348,728	3,900,108	3,745,803	18,120,310	65,963,005
Interest rate sensitivity gap	(22,356,232)	11,205,517	(1,274,941)	(626,425)	17,395,436	4,343,354
Cumulative interest rate sensitivity gap	(22,356,232	(11,150,715)	(12,425,655)	(13,052,081)	4,343,355	4,343,354
Cumulative gap as percentage of total interest-earning assets	(42.44)%	(21.17)%	(23.59)%	(24.78)%	8.25%	8.25%

(1) Includes deposits in dollars and Mexican banks and regulatory deposits in *Banco de México*.

As of June 30, 2010, interest-earning assets totaled Ps.52,677.5 million. Of these assets, 27.5% repriced every 30 days or less. Such assets included 49.3% of loans, 43.3% of securities and deposits in other banks and 7.4% of securities purchased under agreements to resell. Of our total loans, 61.4% are variable-rate commercial loans, 33.2% are fixed-rate commercial loans and 5.4% are consumer loans, mortgage loans and lease receivables.

As of June 30, 2010, our liabilities totaled Ps.61,619.7 million. Of these liabilities, 44.7% consisted of deposits, totaling Ps.27,513.6 million, of which 62.8% repriced every 30 days or less. The remaining 55.3% of our liabilities amounted to Ps.34,106.1 million consisted of Ps.6,641.0 million of short-term debt, and Ps.27,465.1 million of other liabilities. Of the total other liabilities, 65.0%, or Ps.17,850.1 million, reprice every 30 days or less.

Interest Earning Deposits with Other Banks

The following table shows short term funds deposited with other banks broken down by principal geographic area for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010. Deposits in countries other than Mexico are denominated in dollars. Deposits in Mexico are denominated in Mexican pesos.

	For the Year Ended December 31,			For the Six-Month Period Ended June 30,
	2007	2008	2009	2010
				(unaudited)
	(thousands of pesos)			
Foreign:				
United States	74,009	42,630	36,817	55,218
Others	6,256	40,996	76,456	40,965
Total	80,265	83,626	113,273	96,183
Mexico:				
Commercial banks	270	959	6,694	5,118
Banco de México	1,041,502	2,238,183	2,238,344	2,238,183
Total	1,041,772	2,239,142	2,245,038	2,243,301
Total(1)	**1,122,037**	**2,322,768**	**2,358,311**	**2,339,484**

(1) This figure does not include non-interest-earning deposits.

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

Banco de México's regulations require that a bank maintain balanced positions in foreign currencies no higher than a specified level with respect to its Tier 1 capital. See "Supervision and Regulation — Liquidity Requirements for Foreign Currency-Denominated Liabilities." As of June 30, 2010, the limit established for us by *Banco de México* for maturity adjusted net foreign currency-denominated liabilities was U.S.$35.1 million (Ps.450.2 million).

Investment Securities

Our total investment securities amounted to Ps.34.9 billion, Ps.22.9 billion and Ps.25.0 billion as of December 31, 2007, December 31, 2008 and December 31, 2009, respectively, which amounts represented 60.1%, 40.7% and 39.4%, respectively, of our total assets at such dates. Our total investment securities amounted to Ps.23.6 billion as of June 30, 2009 (35.8% of our total assets).

	At December 31,		At June 30,	
	2007	2008	2009	2010 (unaudited)
	(thousands of pesos)			
Denominated in pesos:				
Mexican government securities:				
Bonds	28,542,631	14,149,230	14,818,805	11,265,682
Other	3,971,516	119,804	203,584	—
Total	32,514,147	14,269,034	15,022,389	11,265,682
Marketable securities:				
Marketable equity securities	707,476	468,546	1,129,922	1,116,670
Bank commercial paper	1,104,564	4,205,965	2,742,278	10,975,089
Bonds and other securities	573,028	3,890,096	5,781,370	—
Subtotal	2,385,068	8,564,607	9,653,570	12,091,759
Total peso-denominated	34,899,215	22,833,641	24,675,959	23,357,441
Dollar-denominated:				
Bonds and other securities	10,874	38,742	285,252	261,486
Total dollar-denominated	10,874	38,742	285,252	261,486
Total	**34,910,089**	**22,872,383**	**24,961,211**	**23,618,927**

We held securities, excluding equity securities, in the amount of Ps.22.5 million as of June 30, 2010, representing 34.1% of our total assets. Of these securities, 10.4% mature within 89 days, 1.7% mature between 90 and 189 days, 13.0% mature between 6 and 12 months and 64.5% mature between one and five years, and 10.4% mature after five years.

The following table analyzes as of June 30, 2010 the maturities and weighted average yields of our investment securities that have a specific date of maturity.

	Maturing From 1 to 89 Days		Maturing From 90 to 189 Days		Maturing From 6 to 12 Months		Maturing From 1 to 5 Years		Maturing After 5 Years		Total	
	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield
	(thousands of pesos, except for yields)											
Trading												
Peso denominated												
Mexican government securities:												
Bonds	—	—	154,030	4.75%	20,059	4.73%	4,304,764	4.80%	60,047	7.20%	4,538,900	4.83%
Total	—	—	154,030	4.75%	20,059	4.73%	4,304,764	4.80%	60,047	7.20%	4,538,900	4.83%
Total government securities:												
Marketable equity securities	—	—	—	—	—	—	919,333	—	—	—	919,333	—
Other Paper	2,163,719	6.79%	—	—	502,045	5.13%	1,843,738	5.71%	232,338	7.68%	4,741,840	6.24%
Total Peso Denominated	2,163,719	6.79%	154,030	4.75%	522,104	5.11%	7,067,835	4.41%	292,385	7.58%	10,200,073	5.05%
Dollar denominated												
Other	—	—	66,545	3.19%	62,400	0.74%	57,591	2.97%	57,966	6.41%	244,502	3.28%
Total Dollar Denominated	—	—	66,545	3.19%	62,400	0.74%	57,591	2.97%	57,966	6.41%	244,502	3.28%
Total	2,163,719	6.79%	220,575	4.28%	584,504	4.64%	7,125,426	4.40%	350,352	7.39%	10,444,575	5.01%
Available-for-sale securities												
Peso denominated												
Total government securities:												
Marketable equity securities	—	—	—	—	—	—	197,337	—	—	—	197,337	—
Total Peso Denominated	—	—	—	—	—	—	197,337	—	—	—	197,337	—
Dollar denominated												
Other	—	—	—	—	—	—	16,984	—	—	—	16,984	—
Total Dollar Denominated	—	—	—	—	—	—	16,984	—	—	—	16,984	—
Total	—	—	—	—	—	—	214,321	—	—	—	214,321	—
Held-to-maturity securities												
Peso denominated												
Mexican government securities:												
Bonds	173,741	4.64%	2,423	4.75%	238,890	4.76%	6,311,728	4.79%	—	—	6,726,782	4.79%
Other	—	—	—	—	—	—	—	—	—	—	—	—
Total	173,741	4.64%	2,423	4.75%	238,890	4.76%	6,311,728	4.79%	—	—	6,726,782	4.79%
Total government securities:												
Marketable equity securities	—	—	—	—	—	—	—	—	—	—	—	—
Bank Paper	2,094	5.58%	149,655	5.04%	2,111,040	5.14%	1,971,754	6.68%	1,998,706	5.61%	6,233,249	5.78%
Total Peso Denominated	175,835	4.65%	152,078	5.04%	2,349,930	5.10%	8,283,482	5.24%	1,998,706	5.61%	12,960,031	5.26%
Total	175,835	4.65%	152,078	5.04%	2,349,930	5.10%	8,283,482	5.24%	1,998,706	5.61%	12,960,031	5.26%

(1) Average yield rates were annualized for comparison purposes.

Loan Portfolio

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

The balance of our net total loan portfolio at June 30, 2010 amounted to Ps.25,538.0 million, an increase of Ps.1,850.6 million, or 7.8%, from the balance at December 31, 2009. This increase was the result of an increase of Ps.1,868.7 million, or 7.8%, in total performing loans, driven mainly by an increase in performing commercial loans of Ps.1,983.7 million, or 13.3%, and an increase in performing loans to government entities of Ps.107.2 million, or 2.4%, and a decrease of Ps.103.9 million, or 19.8%, in the allowance for loan losses, which were partially offset by a decrease in non- performing loans of Ps.122.0 million, or 32.4%, from December 31, 2009 to June 30, 2010, driven primarily by the write-off in June 2010 of a Ps.100.0 million distressed loan.

At December 31, 2009, our net total loan portfolio amounted to Ps.23,687.4 million, an increase of Ps.7,585.5 million, or 47.1%, compared to the balance at December 31, 2008. This increase was the result of an increase of Ps.7,629.6 million, or 47.1%, in our performing loan portfolio driven mainly by an increase of Ps.3,629.3 million, or 32.1%, in performing commercial loans and an increase of Ps.3,577.6 million, or 388.8%, in performing loans to government entities. Our non-performing loan portfolio increased by Ps.170.6 million, or 82.9%, and the allowance for loan losses increased by Ps.214.7 million, or 69.4%, from December 31, 2008 to December 31, 2009.

At December 31, 2008, our net total loan portfolio amounted to Ps.16,101.9 million, an increase of Ps.3,538.1 million, or 28.2%, compared to the balance at December 31, 2007. This increase was the result of an increase of Ps.3,525.3 million, or 27.8%, in our performing loan portfolio driven mainly by an increase of Ps.3,376.2 million, or 42.5%, in performing commercial loans, which was partially offset by a decrease of Ps.881.1 million, or 89.0%, in consumer loans resulting from the transfer of our credit card loan portfolio to Ixe Tarjetas in December 2008. Our non-performing loan portfolio increased by Ps.96.6 million, or 88.4%, and the allowance for loan losses increased by Ps.83.7 million, or 37.1%, from December 31, 2007 to December 31, 2008.

Our net total loan portfolio amounted to Ps.12,563.8 million at December 31, 2007, an increase of Ps.3,823.8 million, or 43.8%, compared to the balance at December 31, 2006. This increase was primarily due to an increase of Ps.3,749.5 million, or 42.0%, in our performing loan portfolio, driven mainly by an increase in commercial loans of Ps.2,473.5 million, or 45.2% and an increase in our non-performing loan portfolio of Ps.71.9 million, or 192.4%.

At December 31, 2006, our net total loan portfolio amounted to Ps.8,740.0 million, an increase of Ps.1,459.1 million, or 20.0%, compared to the balance at December 31, 2005. This increase was the result of an increase of Ps.1,433.2 million, or 19.1%, in performing loans driven mainly by an increase in commercial loans of Ps.598.5 million, or 12.3%, an increase in loans to financial entities of Ps.492.5 million, or 27.9%, an increase in consumer loans of Ps.227.8 million, or 71.4%, and an increase in mortgage loans of Ps.146.8 million, or 59.3%, that were partially offset by a decrease in loans to government entities of Ps.32.4 million, or 11.1%.

The following table analyzes our loans at the dates indicated by type of loan at December 2005, 2006, 2007, 2008 and 2009, and at June 30, 2010.

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
Performing loans Commercial loans	4,872,850	5,471,374	7,944,911	11,321,062	14,950,367	16,934,110
Financial entities	1,766,124	2,258,616	2,862,602	2,888,808	3,167,277	2,900,468
Government entities	291,504	259,093	202,899	920,104	4,497,706	4,604,900
Mortgages	247,580	394,381	679,341	966,107	1,085,157	1,114,422
Consumer	319,218	547,031	990,220	109,154	134,342	149,600
Total performing loans	7,497,276	8,930,495	12,679,973	16,205,235	23,834,849	25,703,500
Total non-performing loans	17,828	37,373	109,274	205,838	376,406	254,416
Allowance for loan losses	(234,245)	(227,891)	(225,471)	(309,167)	(523,864)	(419,932)
Net total loans (including non-performing loans and less allowance for loan losses)	7,280,859	8,739,977	12,563,776	16,101,906	23,687,391	25,537,984

Performing Loans

The following table sets forth the percentage changes in our performing loan portfolio at December 31, 2005, 2006, 2007, 2008 and 2009, and at June 30, 2010:

	At December 31,									At June 30,	
	2005	2006	% Change	2007	% Change	2008	% Change	2009	% Change	2010	% Change
										(unaudited)	
	(thousands of pesos, except for percentages)										
Commercial	4,872,850	5,471,374	12.28%	7,944,911	45.21%	11,321,062	42.49%	14,950,367	32.06%	16,934,110	13.27%
Financial entities	1,766,124	2,258,616	27.89%	2,862,602	26.74%	2,888,808	0.92%	3,167,277	9.64%	2,900,468	(8.42)%
Consumer	319,218	547,031	71.37%	990,220	81.02%	109,154	(88.98)%	134,342	23.08%	149,600	11.36%
Mortgages	247,580	394,381	59.29%	679,341	72.26%	966,107	42.21%	1,085,157	12.32%	1,114,422	2.70%
Government entities	291,504	259,093	(11.12)%	202,899	(21.69)%	920,104	353.48%	4,497,706	388.83%	4,604,900	2.38%
Total	7,497,276	8,930,495	19.12%	12,679,973	41.99%	16,205,235	27.80%	23,834,849	47.08%	25,703,500	7.84%

Commercial Loans

Total performing commercial loans at June 30, 2010 amounted to Ps.16,934.1 million, an increase of Ps.1,983.7 million, or 13.3%, compared to the amount at December 31, 2009. Commercial loans outstanding as a percentage of the total performing loan portfolio was 65.9% at June 30, 2010.

Performing commercial loans totaled Ps.14,950.4 million at December 31, 2009, reflecting an increase of Ps.3,629.3 million, or 32.1%, compared to the balance at December 31, 2008, which totaled Ps.11,321.1 million. Commercial loans outstanding as a percentage of the total performing loan portfolio decreased from 69.9% at December 31, 2008 to 62.7% at December 31, 2009.

Performing commercial loans totaled Ps.11,321.1 million at December 31, 2008, reflecting an increase of Ps.3,376.2 million, or 42.5%, compared to the balance at December 31, 2007, which totaled Ps.7,944.9 million. Commercial loans outstanding as a percentage of the total performing loan portfolio increased from 62.7% at December 31, 2007 to 69.9% at December 31, 2008.

Performing commercial loans at December 31, 2007 increased by Ps.2,473.5 million, or 45.2%, compared to the balance at December 31, 2006 when performing commercial loans totaled Ps.5,471.4 million. From December 31, 2005 to December 31, 2006, performing commercial loans increased by Ps.598.5 million, or 12.3%, compared to December 31, 2005. Performing commercial loans outstanding as a percentage of the total performing loan portfolio was 61.3% at December 31, 2006 and 65.0% at December 31, 2005.

Financial Entity Loans

Total performing loans to financial entities at June 30, 2010 amounted to Ps.2,900.5 million, a decrease of Ps.266.8 million, or 8.4%, from the amount recorded at December 31, 2009. Total performing loans to financial entities outstanding as a percentage of the total performing loan portfolio was 11.3% at June 30, 2010.

Performing loans to financial entities totaled Ps.3,167.3 million at December 31, 2009, reflecting an increase of Ps.278.5 million, or 9.6%, compared to the balance at December 31, 2008, at which time our portfolio of loans to financial entities reached Ps.2,888.8 million. Performing loans to financial entities outstanding as a percentage of the total performing loan portfolio was 13.3% at December 31, 2009 and 17.8% at December 31, 2008.

Performing loans to financial entities totaled Ps.2,888.8 million at December 31, 2008, reflecting an increase of Ps.26.2 million, or 0.9%, compared to the balance at December 31, 2007, at which time our portfolio of loans to financial entities reached Ps.2,862.6 million. Performing loans to financial entities outstanding as a percentage of the total performing loan portfolio was 17.8% at December 31, 2008 and 22.6% at December 31, 2007.

Performing loans to financial entities at December 31, 2007 increased by Ps.604.0 million, or 26.7%, compared to the balance at December 31, 2006, when performing loans to financial entities was Ps.2,258.6 million. From December 31, 2005 to December 31, 2006, performing loans to financial entities increased by Ps.492.5 million, at which time they totaled Ps.1,766.1 million. Performing loans to financial entities outstanding as a percentage of the total performing loan portfolio was 25.3% at December 31, 2006, compared to the balance at December 31, 2005 of 23.6%.

Government Entity Loans

At June 30, 2010, the total performing loans to government entities amounted to Ps.4,604.9 million, an increase of Ps.107.2 million, or 2.4%, from the amount recorded at December 31, 2009. Total performing loans to government entities outstanding as a percentage of the total performing loan portfolio was 17.9% at June 30, 2010.

At December 31, 2009, the total performing loans to government entities totaled Ps.4,497.7 million, an increase of Ps.3,577.6 million, or 388.8%, compared to the balance at December 31, 2008 when it totaled Ps.920.1 million. Performing loans to financial entities outstanding as a percentage of the total performing loan portfolio was 18.9% at December 31, 2009.

At December 31, 2008, the total performing loans to government entities totaled Ps.920.1 million, an increase of Ps.717.2 million, or 353.5%, compared to the balance at December 31, 2007 when it totaled Ps.202.9 million. Performing loans to financial entities outstanding as a percentage of the total performing loan portfolio was 5.7% at December 31, 2008.

At December 31, 2007, the total performing loans to government entities decreased by Ps.56.2 million compared to the balance at December 31, 2006. The total performing loan portfolio to government entities reached 1.6% of our total performing portfolio at December 31, 2007.

At December 31, 2006, the total performing loans to government entities totaled Ps.259.1 million, a decline of Ps.32.4 million as compared to the balance at December 31, 2005, when it totaled Ps.291.5 million. The total performing loans to government entities outstanding as a percentage of the total performing loan portfolio was 2.9% at December 31, 2006 and 3.9% at December 31, 2005.

Consumer and Mortgage Loans

At June 30, 2010, performing consumer loans, including residential mortgage and other consumer loans, amounted to Ps.1,264.0 million, an increase of Ps.44.5 million, or 3.7%, compared to the balance at December 31, 2009. This expansion was driven mainly by an increase of 11.4% in consumer performing loans. Total performing consumer and mortgage loans represented 4.9% of our total performing loan portfolio at June 30, 2010.

At December 31, 2009, our performing consumer loan portfolio, including mortgages amounted to Ps.1,219.5 million, an increase of Ps.144.2 million, or 13.4%, as compared to the balance at December 31, 2008. This expansion was driven mainly by an increase of 12.3% in mortgage loans. The total performing consumer and mortgage loans portfolio represented 5.1% of our total loan portfolio at December 31, 2009.

At December 31, 2008, our performing consumer loan portfolio, including mortgages amounted to Ps.1,075.3 million, a decrease of Ps.594.3 million, or 35.6%, as compared to the balance at December 31, 2007. This decrease was mainly driven by a decline of Ps.881.1 million, or 89.0% in our consumer loan portfolio as a result of the transferring, on December 1, 2008, of our credit card loan portfolio to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in any of our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods. This decrease was partially offset by and increase of Ps.286.8 million, or 42.2% in our mortgage loan portfolio. The total performing consumer and mortgage loans portfolio represented 6.6% of our total loan portfolio at December 31, 2008.

At December 31, 2007, our performing consumer loan portfolio, including mortgages and credit cards, amounted to Ps.1,669.6 million, an increase of Ps.728.1 million, or 77.3%, compared to the balance at December 31, 2006. This increase was mainly driven by a 81.0% expansion of our credit card portfolio, and a 72.3% expansion of our mortgage loan portfolio at December 31, 2007, compared to the balance at December 31, 2006. The total consumer and mortgage loans portfolio represented 13.2% of our total loan portfolio at December 31, 2007.

At December 31, 2006, our performing consumer loan portfolio, including mortgages and credit cards, amounted to Ps.941.4 million, an increase of Ps.374.6 million, or 66.1%, as compared to the balance at December 31, 2005. This increase was mainly driven by a 59.3% increase in performing mortgage loans, and a 71.4% growth in performing consumer loans at December 31, 2006, compared to the balance at December 31, 2005. The total performing consumer and mortgage loans portfolio represented 10.5% of our total loan portfolio at December 31, 2006.

At December 31, 2005, our performing consumer loan portfolio, including mortgages and credit cards, amounted to Ps.566.8 million. The consumer loan portfolio represented 7.6% of our total loan portfolio at December 31, 2005.

Non-Performing Loans

Once a loan is considered non-performing, accrual of interest thereon is suspended, including loans which contractually capitalize interest. For uncollected interest earned on this type of loan, a loan loss allowance is set up for an amount equivalent to the total uncollected amount at the time of its transfer to the non-performing portfolio. This reserve is cancelled when there is evidence of sustained payment and the interest is recorded in memorandum accounts. If past-due interest is collected, it is recorded as income for the period.

The outstanding balance of the loans is recorded as non-performing when there is knowledge that the borrower has filed for bankruptcy, as per the provisions of the bankruptcy Law, or the loan installments have not been paid on the terms originally agreed upon. The unpaid loan balance is recorded in the non-performing portfolio as follows:

- In the case of loans involving a single payment upon the maturity of principal and interest, 30 calendar days after maturity.

- In the case of loans involving a single principal payment upon maturity, but with periodic interest payments, 30 or 90 calendar days after maturity of principal or interest, respectively.
- In the case of loans involving the payment of principal and interest based on partial periodic payments, 90 calendar days after the first payment is due.
- In the case of revolving loans, whenever payment is outstanding for two billing periods or 60 or more days have elapsed following maturity.
- Overdrafts customer checking accounts, as well as redeemable documents on demand, are considered part of the non-performing portfolio when the event has occurred.

Restructured non-performing loans are not considered in the current portfolio until evidence of sustained payment is obtained. In addition, restructured loans having a maturity of greater than one year and whose principal and interest are payable in a lump sum at maturity are designated as non-performing loans.

Renewed loans in which the borrower has not paid on time the total accrued interest and 25% of the original loan amount are considered non-performing until evidence of sustained payment is obtained.

At June 30, 2010, our non-performing loan portfolio amounted to Ps.254.4 million, a decrease of Ps.122.0 million, or 32.4%, compared to the Ps.376.4 million recorded at December 31, 2009. This decrease was mainly the result of the sale of a non-performing loan to IXE Soluciones with a principal amount of Ps.100.0 million. We received Ps.40.0 million as consideration in this sale, which was recognized in the income statement.

At December 31, 2009, our non-performing loan portfolio amounted to Ps.376.4 million, an increase of Ps.170.6 million, or 82.9%, compared to the Ps.205.8 million at December 31, 2008. This increase was mainly the result of one non-performing loan that increased our non-performing loan portfolio.

At December 31, 2008, our non-performing loan portfolio amounted to Ps.205.8 million, an increase of Ps.96.6 million, or 88.4%, compared to the Ps.109.3 million at December 31, 2007. This increase was mainly the result of one non-performing loan that increased our non-performing loan portfolio.

At December 31, 2007, our non-performing loan portfolio amounted to Ps.109.3 million, an increase of Ps.71.9 million, or 192.4%, compared to the Ps.37.4 million at December 31, 2006. This increase was due mainly to a 293.5% increase in our non-performing consumer loan portfolio as well as a balance of Ps.27.1 million in non-performing loans to financial entities at December 31, 2007 compared to the balance at December 31, 2006.

At December 31, 2006, our non-performing loan portfolio amounted to Ps.37.4 million, an increase of Ps.19.5 million, or 109.6%, compared to Ps.17.8 million at December 31, 2005. This increase was due primarily to a 560.1% increase in non-performing commercial loans at December 31, 2006, compared to the balance at December 31, 2005.

	At December 31,									At June 30,	
	2005	2006	% Change	2007	% Change	2008	% Change	2009	% Change	2010	% Change
										(unaudited)	
	(thousands of pesos, except for percentages)										
Commercial	3,384	22,338	560.11%	30,976	38.67%	152,704	392.98%	308,302	101.90%	219,646	(28.76)%
Financial entities	—	—	—	27,054	100.00%	34,283	26.72%	32,637	(4.80)%	—	(100.00)%
Consumer	10,636	10,203	(4.07)%	40,146	293.47%	4,692	(88.31)%	5,608	19.52%	10,902	94.40%
Mortgages	3,808	4,832	26.89%	11,098	129.68%	14,159	27.58%	29,859	110.88%	23,868	(20.06)%
Total	17,828	37,373	109.63%	109,274	192.39%	205,838	88.37%	376,406	82.87%	254,416	(32.41)%

Loans by Type of Borrower

The following table analyzes the breakdown of our total loan portfolio (net allowance for loan losses) among loans to the public sector, businesses, individuals and other private sector loans for the years ended December 31, 2005, 2006, 2007, 2008 and 2009 and for the six months ended June 30, 2010.

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
Public sector[1]	291,504	259,093	202,899	920,104	4,808,000	4,428,740
Private sector:						
Business	4,376,444	5,069,555	9,302,980	11,012,138	15,734,765	16,665,543
Individuals[2]	1,074,783	1,678,196	2,294,229	2,401,798	2,066,490	2,504,489
Other private sector[3]	1,772,373	1,961,024	989,139	2,077,033	1,602,000	2,359,144
Total private loans	7,223,600	8,708,775	12,586,348	15,490,969	19,403,255	21,529,176
Total loans	7,515,104	8,967,868	12,789,247	16,411,073	24,211,255	25,957,916
Allowance for loan losses	234,245	227,891	225,471	309,167	523,864	419,932
Total loans less allowance for loan losses	7,280,859	8,739,977	12,563,776	16,101,906	23,687,391	25,537,984

(1) Loans to Mexican government entities.
(2) Includes loans to individuals for business activities, and mortgage, credit card and other consumer loans, including leases.
(3) Other private sector includes, among others, financial entities.

As of June 30, 2010, our public sector loan portfolio accounted for 17.3% of our net total loan portfolio and, as of December 31, 2009 and 2008, it represented 20.3%, and 5.7%, respectively, while at December 31, 2007, 2006 and 2005 public sector loans represented 1.6%, 3.0% and 4.0%, respectively. Our public loans decreased by Ps.379.3 million, or 7.9%, from December 31, 2009 to June 30, 2010. During the same period, our loans to the private sector increased by Ps.2,125.9 million, or 11.0%.

Loans by Economic Activity

During the last years, we have focused our lending activities towards those sectors of the Mexican economy which we believe, within the context of our overall risk management policies, have the greatest potential for growth. The most important sector in terms of our exposure is the services sector, followed by the public and construction sectors.

At June 30, 2010, our loan portfolio related to the services sector totaled Ps.4,774.4 million, an increase of Ps.352.5 million, or 8.0%, compared to our services loan portfolio at December 31, 2009. At December 31, 2009, the total balance of our services portfolio increased by Ps.916.7 million, or 26.2%, reaching Ps.4,421.9 million at that time. At December 31, 2008, our loan portfolio to the services sector increased by Ps.1,186.9 million, or 51.2%, compared to the balance at December 31, 2007. At December 31, 2006, our total services portfolio amounted to Ps.2,077.5 million, a decrease of Ps.395.9 million compared to the balance at December 31, 2005. Services loans represented 18.1%, 21.4%, 18.3% and 18.4% of our total loan portfolio at December 31, 2007, 2008 and 2009 and at June 30, 2010, respectively.

The second largest component of our loan portfolio is public sector loans. At June 30, 2010, our loan portfolio related to the public sector totaled Ps.4,563.2 million, a decrease of Ps.220.4 million, or 4.6%, compared to our public sector related loan portfolio at December 31, 2009, when the total balance of loan portfolio increased by Ps.3,863.5 million, or 419.9%, amounting to Ps.4,783.6 million. At December 31, 2008, our loan portfolio to public sector loans increased by Ps.717.2 million, or

353.5% compared to the balance at December 31, 2007. At December 31, 2006, our total portfolio related to public sector amounted to Ps.259.1 million, a decrease of Ps.32.4 million, compared to the balance at December 31, 2005. Loans to the public sector represented 1.6%, 5.6%, 19.8% and 17.6%, of our total loan portfolio at December 31, 2007, 2008, 2009 and June 30, 2010, respectively.

The third largest component of our loan portfolio is the construction sector. At June 30, 2010, our loan portfolio related to this sector totaled Ps.4,542.7 million, an increase of Ps.541.6 million, or 13.5%, compared to this loan portfolio at December 31, 2009. At December 31, 2009, the balance of this loan portfolio increased by Ps.1,601.0 million, or 66.7%, amounting to Ps.4,001.1 million compared to the balance at December 31, 2008. At December 31, 2008, our loan portfolio for this sector increased by Ps.127.4 million, or 5.6%, compared to the balance at December 31, 2007. At December 31, 2006, the loan portfolio for this sector amounted to Ps.854.1 million, an increase of Ps.322.6 million compared to a balance at December 31, 2005. Loans in this sector represented 17.8%, 14.6%, 16.5% and 17.5%, of our total loan portfolio for the years ended December 31, 2007, 2008 and 2009 and at June 30, 2010, respectively.

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

	At December 31,										At June 30, 2010	
	2005		2006		2007		2008		2009			
	Principal Amount of Loans[(1)]	% of Loan Portfolio	Principal Amount of Loans[(1)]	% of Loan Portfolio	Principal Amount of Loans[(1)]	% of Loan Portfolio	Principal Amount of Loans[(1)]	% of Loan Portfolio	Principal Amount of Loans[(1)]	% of Loan Portfolio	Principal Amount of Loans[(1),(4)]	% of Loan Portfolio
												(unaudited)
	(In thousands of pesos, except for percentages)											
Public sector	291,504	3.88%	259,093	2.89%	202,899	1.59%	920,104	5.61%	4,783,579	19.76%	4,563,203	17.58%
Mortgages	251,388	3.35%	399,213	4.45%	690,439	5.40%	980,266	5.97%	1,115,016	4.61%	1,138,290	4.39%
Manufacturing	1,096,040	14.58%	1,355,278	15.12%	2,604,498	20.35%	3,073,212	18.73%	2,745,797	11.34%	3,103,932	11.96%
Commerce	1,191,428	15.85%	1,532,908	17.09%	1,586,510	12.41%	2,905,939	17.71%	2,520,260	10.41%	3,227,866	12.43%
Construction	531,530	7.07%	854,098	9.52%	2,272,668	17.77%	2,400,093	14.62%	4,001,108	16.53%	4,542,710	17.50%
Credit card	308,196	4.11%	503,195	5.61%	962,598	7.53%	—	0.00%	—	0.00%	—	0.00%
Services[(2)]	2,473,454	32.91%	2,077,534	23.17%	2,318,244	18.13%	3,505,161	21.36%	4,421,901	18.26%	4,774,438	18.39%
Social and community services	224,649	2.99%	15,054	0.17%	52,011	0.40%	36,695	0.22%	1,419,817	5.86%	1,515,721	5.84%
Other[(3)]	1,146,915	15.26%	1,971,495	21.98%	2,099,380	16.42%	2,589,603	15.78%	3,203,777	13.23%	3,091,756	11.91%
Total loan portfolio	7,515,104	100.00%	8,967,868	100.00%	12,789,247	100.00%	16,411,073	100.00%	24,211,255	100.00%	25,957,916	100.00%

(1) Gross amounts before allowance for loan losses.

(2) Services include professional services from law firms, insurance brokers, information technology service firms, accounting auditing firms and financial leasing companies, among others.

(3) Other includes other economic activities such as pharmaceutical and chemical, foods and tourism, communication and transportation.

(4) On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

Maturity Composition of the Loan Portfolio

The following tables set forth the maturity composition of our loan portfolio and the percentage of our loans based on time remaining to maturity as of December 31, 2005 to 2009, and as of June 30, 2010. Loans with maturity of more than 60 months include predominantly high end mortgage loans.

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
0 to 6 months	4,368,703	5,933,096	8,007,770	9,314,322	14,504,002	15,280,193
6 to 30 months	1,252,808	573,147	3,234,788	4,760,689	4,952,743	6,094,959
30 to 60 months	1,366,077	1,510,482	417,929	1,163,945	3,218,695	3,093,886
More than 60 months	527,516	951,143	1,128,760	1,172,117	1,535,815	1,488,878
Total	7,515,104	8,967,868	12,789,247	16,411,073	24,211,255	25,957,916

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
0 to 6 months	58.13%	66.16%	62.61%	56.76%	59.91%	58.87%
6 to 30 months	16.67%	6.39%	25.29%	29.01%	20.46%	23.48%
30 to 60 months	18.18%	16.84%	3.27%	7.09%	13.29%	11.92%
More than 60 months	7.02%	10.61%	8.83%	7.14%	6.34%	5.74%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

As of June 30, 2010, loans due within six months represented 58.9% of the total performing loans, loans with a maturity between 6 and 30 months accounted for 23.5% of the total performing loans, loans with a maturity between 30 and 60 months accounted for 11.9% of the total performing loans and loans with maturities over 60 months accounted for 5.7% of the total performing loans.

As of December 31, 2007, 2008 and 2009, loans with maturities within six months accounted for 62.6%, 56.8% and 59.9%, respectively, of the total performing loans. Of the total performing loan portfolio, loans with maturity between 6 and 30 months represented 25.3%, 29.0% and 20.5% as of December 31, 2007, 2008 and 2009, respectively. Loans with maturities between 30 and 60 months accounted for 3.3%, 7.1% and 13.3% as of December 31, 2007, 2008 and 2009, respectively. Loans with maturities over 60 months accounted for 8.8%, 7.1% and 6.3% as of December 31, 2007, 2008 and 2009, respectively.

Interest Sensitivity of Performing Loans

The following table presents the interest sensitivity of performing loans as of December 31, 2005 through 2009, and as of June 30, 2010. The majority of our loans denominated in pesos have rates that are reset not less than every 28 days; all rates at these times were determined by reference to the TIIE.

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
Fixed nominal rate	1,030,326	1,856,161	4,680,741	6,259,521	9,671,530	9,583,370
Variable rate	6,466,950	7,074,334	7,999,232	9,945,714	14,163,319	16,120,130
Total performing loan portfolio	7,497,276	8,930,495	12,679,973	16,205,235	23,834,849	25,703,500

As of June 30, 2010, 62.7% of our total performing loan portfolio earned interest at variable rates, as compared to 63.1%, 61.4% and 59.4% as of December 31, 2007, 2008 and 2009, respectively

Risk Elements in the Loan Portfolio

The following table analyzes our non-performing loan portfolio by type of loan as of December 31, 2005 through 2009, and as of June 30, 2010. For a discussion of our non-performing loan portfolio, see "Selected Statistical Information — Loan Portfolio — Non-Performing Loans."

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
Non-performing loans (principal amount):						
Commercial[(1)]:						
0-30 days past due	720	21,572	27,057	113,610	25,607	15,830
30-60 days past due	119	—	778	7,659	12,707	17,941
60-90 days past due	175	—		6,265	4,292	12,157
Over 90 days past due	2,294	364	29,634	57,036	292,768	168,521
Total commercial	3,308	21,936	57,469	184,570	335,374	214,449
Credit Card[(2)]:						
0-30 days past due	—	220	656	—	—	—
30-60 days past due	—	120	1,009	—	—	—
60-90 days past due	47	1,797	13,201	—	—	—
Over 90 days past due	9,834	6,834	20,581	—	—	—
Total Credit Card	9,881	8,971	35,447	—	—	—
Other consumer credit:						
0-30 days past due	—	173	164	265	2,216	9,730
30-60 days past due	—	77	146	675	568	730
60-90 days past due	—	—	129	618	289	41
Over 90 days past due	434	681	2,077	3,008	2,236	265
Total other consumer credit	434	931	2,516	4,566	5,309	10,766

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
						(unaudited)
	(thousands of pesos)					
Total consumer:						
0-30 days past due	—	393	820	265	2,216	9,730
0-60 days past due	—	197	1,155	675	568	730
0-90 days past due	47	1,797	13,330	618	289	41
Over 90 days past due	10,268	7,515	22,658	3,008	2,236	265
Total consumer	10,315	9,902	37,963	4,566	5,309	10,766
Mortgage:						
0-30 days past due	—	1,498	3,316	7,689	8,827	8,638
30-60 days past due	—	—	1,520	—	1,596	2,058
60-90 days past due	—	—	—	550	7,566	—
Over 90 days past due	3,761	3,261	6,088	5,707	11,301	12,787
Total Mortgage	3,761	4,759	10,924	13,946	29,290	23,483
Total non-performing loans (principal amount)	17,384	36,597	106,356	203,082	369,973	248,698
Non-performing loans interest	444	776	2,918	2,756	6,433	5,718
Non-performing portfolio (gross amount)	**17,828**	**37,373**	**109,274**	**205,838**	**376,406**	**254,416**

(1) Commercial portfolio is comprised of secured loans only.

(2) On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan Chase. We account for our interest in the joint venture by applying the equity method and, as a result, the financial results of our credit card loan portfolio are no longer consolidated in our financial statements after that date. Therefore, our financial information for any date or period after December 1, 2008 is not directly comparable to prior periods.

From December 31, 2009 to June 30, 2010, our total non-performing portfolio decreased by Ps.122.0 million, or 32.4%, reaching Ps.254.4 million at June 30, 2010. From December 31, 2008 to December 31, 2009, our total non-performing portfolio increased by Ps.170.6 million, or 82.9%, reaching Ps.376.4 million, at December 31, 2009. From December 31, 2007 to December 31, 2008, our total non-performing portfolio increased by Ps.96.6 million, or 88.4%, reaching Ps.205.8 million, at December 31, 2008. From December 31, 2006 to December 31, 2007, the total non-performing portfolio increased by Ps.71.9 million, or 192.4%, reaching Ps.109.3 million, at December 31, 2007.

Loan Portfolio Classification

The Loan Classification and Rating Rules set forth under the General Rules for Banks, provide a methodology to classify (i) consumer loans (*i.e.*, each of credit card exposure and loans to individuals, divided as separate groups) considering as principal elements (a) for credit card exposure, the possibility of non-payment and potential losses (taking into account collateral received), and (b) for loans to individuals, the possibility of non-payment (taking into account collateral received), and credit exposure, (ii) mortgage loans (*i.e.*, residential, including loans for construction, remodeling or improvements), considering as principal element the delinquency periods, and (iii) commercial loans, based principally on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Although the Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

The Loan Classification and Rating Rules require that consumer loans to individuals be stratified, considering the number of unpaid billing periods applicable to the relevant loans, and that a statutory percentage be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased as the maturity of the applicable loan approaches and past due payments are made. Credit card loans must be reserved, on a loan-by-loan basis, considering amounts due, amounts paid to the relevant date, credit limits, and minimum payments required. Consumer loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (from 0% to 100%); credit card consumer loans may be classified as A, B-1, B-2, C, D or E also depending upon the percentage of reserves required.

Under the Loan Classification and Rating Rules, mortgage loans must also be stratified, considering the number of unpaid monthly installments applicable to the relevant loans, and a statutory percentage must be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased in respect of restructured mortgage loans. Mortgage loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (ranging from 0% to 100%).

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk, applicable reserves and set forth procedures for the grading of commercial loans: A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E.

The grading of commercial loan portfolios is determined by an analysis of the financial risk, industry risk, country risk and the credit experience, which include the following risk factors: financial structure and payment capacity, sources of financing, administration and decision making, integrity of the financial information, market position and the specific collateral or guarantees that cover the credits.

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

The loan loss reserves are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to inform the CNBV after such write-offs have been recorded.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

As of June 30, 2010 loans to our 20 largest clients represent approximately 43.2% of the total portfolio. Of all of such loans 76% were classified under the "A," "A-1" and "A-2" categories and the rest is under the "B" classification.

The following table analyzes the classification of our loan portfolio from December 31, 2005 to December 31, 2009 and as of June 30, 2010. See "Supervision and Regulation — Classification of Loans and Allowance for Loan Losses" for a further discussion of the Mexican regulations relating to loan portfolio classification.

	2005 Amount	% of Base Loan Portfolio	2006 Amount	% of Base Loan Portfolio	2007 Amount	% of Base Loan Portfolio	2008 Amount	% of Base Loan Portfolio	2009 Amount	% of Base Loan Portfolio	At June 30, 2010 Amount (unaudited)	% of Base Loan Portfolio
	(in thousands of pesos, except for percentages)											
A	5,783,526	75.82%	885,748	9.68%	1,581,616	12.18%	1,415,925	8.45%	1,169,285	4.59%	1,160,702	4.20%
A-1	—	0.00%	5,730,452	62.63%	6,368,513	49.05%	10,772,021	64.25%	16,232,994	63.79%	17,169,844	62.13%
A-2	—	0.00%	1,319,213	14.42%	2,783,251	21.43%	2,449,743	14.61%	5,887,327	23.13%	6,999,735	25.33%
B	1,763,173	23.11%	51,874	0.57%	79,910	0.60%	69,269	0.41%	57,660	0.23%	118,487	0.43%
B-1	—	0.00%	505,276	5.52%	1,613,990	12.43%	1,386,165	8.27%	1,180,792	4.64%	1,217,429	4.40%
B-2	—	0.00%	484,288	5.29%	318,041	2.45%	373,529	2.23%	441,932	1.74%	624,385	2.26%
B-3	—	0.00%	79,675	0.87%	131,810	1.02%	98,289	0.59%	108,192	0.43%	79,020	0.28%
C	62,009	0.81%	5,354	0.06%	21,466	0.17%	867	0.00%	10,932	0.04%	2,771	0.01%
C-1	—	0.00%	47,139	0.52%	1,973	0.02%	—	0.00%	58,702	0.23%	57,658	0.21%
C-2	—	0.00%	1,685	0.02%	—	0.00%	100,906	0.60%	—	0.00%	—	0.00%
D	10,490	0.14%	9,356	0.10%	43,935	0.34%	6,108	0.04%	25,998	0.10%	26,961	0.10%
E	8,750	0.12%	29,767	.0.32%	40,159	0.31%	91,610	0.55%	274,380	1.08%	179,450	0.65%
Total graded loans[1]	7,627,948	100.00%	9,149,827	100.00%	12,984,664	100.00%	16,764,432	100.00%	25,448,194	100.00%	27,636,442	100.00%

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

Analysis of Allowance for Loan Losses

We provide for loan losses in accordance with the Loan Classification and Rating Rules as required by the CNBV and as of the date of this offering circular we are in compliance with the allowance for losses required to be recorded by such rules. The grading of loans determines the amount of the allowance for loan losses required to be recorded, which is determined based on the percent of the outstanding balance of such loans: between 0.0% and 0.99% for Grade "A" loans, between 1% and 19.99% for Grade "B" loans, between 20% and 59.99% for Grade "C" loans, between 60% and 89.99% for Grade "D" loans and between 90% and 100% for Grade "E" loans. For loan loss allowance purposes, loans to third parties guaranteed by the Mexican federal government or *Banco de México* are not subject to the grading system and are effectively deemed to be Grade "A" loans. Our allowance for loan losses is held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this account. Mexican banks are required to inform the CNBV after such write-offs have been recorded.

Our write-off policy was established according to Mexican regulations. A credit is written-off when it is declared uncollectible. In addition, when a credit is declared uncollectible, it must be reserved at 100.0%. Our credit committee is responsible for approving all write-offs.

The following table analyzes our allowance for loan losses and movements in loan write offs and recoveries for the years ended December 31, 2005 through 2009 and for the six months ended June 30, 2010, in pesos, as well as net charges to income and period end allowance for loan losses in pesos. See "Supervision and Regulation — Classification of Loans and Allowance for Loan Losses" for a further discussion of the Mexican regulations relating to loan loss reserves and write-offs.

	At December 31,					At June 30,
	2005	2006	2007	2008	2009	2010
	(thousands of pesos)					(unaudited)
Allowance at beginning of period	261,217	234,245	227,891	225,471	309,167	523,864
Provisions taken during period:						
Charged against earnings — Bank	(18,604)	12,820	80,371	298,905	253,156	67,347
Total	(18,604)	12,820	80,371	298,905	253,156	67,347
Allowance at period end before charge-offs taken during period	242,613	247,065	308,262	524,376	562,323	591,211
Charge-offs during the period	—	10,067	60,003	126,940	38,459	171,278
Release of reserves	—	—	13,258	88,269	—	—
Inflation restatement effects	8,368	9,107	9,530	—	—	—
Allowances at period end after charge-offs taken during period	234,245	227,891	225,471	309,167	523,864	419,933
Charge-offs during the period/Average balance loan portfolio	0.00%	0.13%	0.53%	0.76%	0.20%	0.68%

Our total allowance for loan losses decreased Ps.103.9 million, reaching Ps.419.9 million as of June 30, 2010. Our allowance for loan losses totaled Ps.523.9 million at December 31, 2009, an increase of Ps.214.7 million, or 69.4%, compared to the balance at December 31, 2008. For the year ended December 31, 2008, allowance for loan losses increased by Ps.83.7 million, or 37.1%, compared to Ps.225.5 million at December 31, 2007. At December 31, 2006, we had a decline in the allowance for loan losses of Ps.6.4 million from the Ps.234.2 million recorded at December 31, 2005.

Charge-offs during the six months ended June 30, 2010 mainly reflect the sale of a non-performing loan in the amount of Ps. 100.0 million. This loan had been reserved at 100%.

Allocation of Allowance for Loan Losses by Category

	December 31,										June 30,	
	2005		2006		2007		2008		2009		2010	
	Allowance	%	Allowance	%	Allowance	%	Allowance	%	Allowance	%	Allowance	%
											(unaudited)	
	(thousands of pesos, except percentages)											
Commercial, financial and agricultural	168,040	71.74%	122,407	53.71%	113,355	50.27%	231,450	74.86%	417,542	79.70%	353,685	84.22%
Residential mortgages	4,798	2.05%	4,142	1.82%	7,715	3.42%	10,145	3.28%	17,696	3.38%	16,503	3.93%
Loans granted to financial intermediaries	13,053	5.57%	18,811	8.25%	47,948	21.27%	50,878	16.46%	55,006	10.50%	19,182	4.57%
Credit card	12,842	5.49%	15,223	6.68%	45,905	20.36%	58	0.02%	—	0.00%	—	0.00%
Other consumer loans	3,847	1.64%	1,326	0.58%	3,174	1.41%	5,219	1.69%	6,380	1.22%	4,672	1.11%
Loans granted to government entities	12,116	5.17%	6,275	2.76%	7,374	3.27%	11,417	3.69%	24,720	4.72%	25,891	6.17%
Non-performing loans	523	0.22%	389	0.17%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Leases	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Other estimates	18,789	8.02%	59,090	25.93%					2,520	0.48%	—	0.00%
Past-due interest	237	0.10%	228	0.10%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Total	**234,245**	**100.00%**	**227,891**	**100.00%**	**225,471**	**100.00%**	**309,167**	**100.00%**	**523,864**	**100.00%**	**419,933**	**100.00%**

Funding

The following tables set forth our average daily balance of liabilities in pesos and in dollars for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, together with the related average nominal rates paid thereon:

	At December 31, 2007			At December 31, 2008			At December 31, 2009			At June 30, 2010		
	Average Balance	% of Total Funding	Average Nominal Rate	Average Balance	% of Total Funding	Average Nominal Rate	Average Balance	% of Total Funding	Average Nominal Rate	Average Balance	% of Total Funding	Average Nominal Rate
	(thousands of pesos, except for percentages)			(thousands of pesos, except for percentages)			(thousands of pesos, except for percentages)			(unaudited) (thousands of pesos, except for percentages)		
Peso-denominated funding:												
Retail deposits:												
Checking accounts	3,631,294	9.62%	4.25%	5,854,668	12.66%	4.97%	5,693,173	9.80%	2.49%	6,540,000	11.49%	1.32%
Retail time deposits	7,342,258	19.45%	6.29%	10,007,618	21.65%	7.01%	14,500,778	24.96%	5.14%	18,698,384	32.86%	4.33%
Repurchase agreements	21,844,025	57.85%	7.23%	24,122,577	52.18%	7.76%	31,421,577	54.08%	5.77%	23,546,164	41.37%	4.51%
Bank loans and other entities loans	1,803,329	4.78%	7.69%	2,642,713	5.72%	8.22%	3,563,017	6.13%	6.43%	5,377,896	9.45%	5.99%
Total peso-denominated funding	34,620,906	91.70%	6.74%	42,627,576	92.20%	7.23%	55,178,545	94.97%	5.31%	54,162,444	95.17%	4.21%
Dollar-denominated funding:												
Retail deposits:												
Checking accounts	379,301	1.00%	2.72%	446,456	0.97%	1.58%	1,278,333	2.20%	0.06%	1,720,000	3.02%	0.02%
Retail time deposits	1,255,304	3.32%	4.28%	1,282,137	2.77%	2.34%	258,333	0.44%	0.12%	81,334	0.14%	0.15%
Bank loans and other entities loans	1,501,753	3.98%	10.61%	1,876,365	4.06%	10.15%	1,389,826	2.39%	9.20%	945,800	1.66%	8.93%
Total dollar-denominated funding	3,136,358	8.30%	7.12%	3,604,958	7.80%	6.31%	2,926,492	5.03%	4.41%	2,747,134	4.83%	3.09%
Total funding	**37,757,264**	**100.00%**	**6.77%**	**46,232,534**	**100.00%**	**7.16%**	**58,105,037**	**100.00%**	**5.26%**	**56,909,578**	**100.00%**	**4.16%**

For the six months ended June 30, 2010, our total funding consisted of 95.2% peso-denominated funding and 4.8% dollar-denominated funding. Average dollar-denominated funding totaled Ps.2,747.1 million for the six months ended June 30, 2010, including an average of Ps.1,720.0 million in checking accounts, and an average of Ps.81.3 million in time deposits and Ps.945.8 million in bank and other entities loans.

For the year ended December 31, 2009, our total funding consisted of 95.0% peso-denominated funding and 5.0% dollar-denominated funding. Average dollar-denominated funding totaled Ps.2,926.5 million by year ended December 31, 2009, including an average of Ps.1,278.3 million in checking accounts, Ps.258.3 million in average time deposits and Ps.1,389.8 million in average bank and other entities loans.

For the year ended December 31, 2008, our total funding consisted of 92.2% of peso-denominated funding and 7.8% dollar-denominated funding. Average dollar-denominated funding totaled Ps.3,605.0 million for the year ended December 31, 2008, including an average of Ps.446.5 million in checking accounts, Ps.1,282.1 million in average time deposits and Ps.1,876.4 million in average bank and other entities loans.

Demand, Time Deposits and Loans

The following table sets forth demand and time deposits and loans from banks and other entities as of December 31, 2005, 2006, 2007, 2008 and 2009 and as of June 30, 2010:

	At December 31,									At June 30,	
	2005	2006	% Change	2007	% Change	2008	% Change	2009	% Change	2010	% Change
	(thousands of pesos, except for percentages)									(unaudited)	
Demand deposits	2,907,750	4,337,238	49.16%	5,921,049	36.52%	7,826,178	32.18%	8,906,617	13.81%	8,517,504	5.45%
Time deposit	4,923,597	6,332,978	28.63%	10,762,072	69.94%	13,396,804	24.48%	18,560,851	38.55%	18,996,055	20.72%
Bank and other entities loans	1,872,712	2,074,897	10.80%	2,667,006	28.54%	2,974,985	11.55%	6,023,139	102.46%	6,664,355	64.00%
Total deposits and bank loans[1]	9,704,059	12,745,113	31.34%	19,350,127	51.82%	24,197,967	25.05%	33,490,607	38.40%	34,157,914	22.58%

(1) Includes accrued interest payable.

Deposits

The following table sets forth the percentage of our total deposits that were demand deposits and time deposits with the indicated times remaining to maturity as of December 31, 2007, 2008 and 2009 and as of June 30, 2009 and 2010.

	December 31, 2007					
	Pesos	%	Dollars	%	Total	%
	(thousands of pesos, except for percentages)					
Demand deposits	5,404,987	91.28%	516,062	8.72%	5,921,049	100.00%
Time deposits	8,262,954	76.78%	2,499,118	23.22%	10,762,072	100.00%
Total deposits[1]	13,667,941	81.93%	3,015,180	18.07%	16,683,121	100.00%

	December 31, 2008					
	Pesos	%	Dollars	%	Total	%
	(thousands of pesos, except for percentages)					
Demand deposits	7,181,726	91.77%	644,452	8.23%	7,826,178	100.00%
Time deposits	12,883,916	96.17%	512,888	3.83%	13,396,804	100.00%
Total deposits[1]	20,065,642	94.55%	1,157,340	5.45%	21,222,982	100.00%

	December 31, 2009					
	Pesos	%	Dollars	%	Total	%
	(thousands of pesos, except for percentages)					
Demand deposits	7,821,407	87.82%	1,085,211	12.18%	8,906,618	100.00%
Time deposits	18,489,164	99.61%	71,686	0.39%	18,560,850	100.00%
Total deposits(1)	26,310,571	95.79%	1,156,897	4.21%	27,467,468	100.00%

(1) Includes accrued interest payable.

For the first six months of 2010, total demand deposits reached Ps.8,517.5 million, a 4.4% decrease compared to year ended December 31, 2009, and total time deposits increased 2.3% reaching Ps.18,996.1 million. Demand deposits in dollars accounted for 11.8%, time deposits in dollars accounted for 1.0%, demand deposits in pesos accounted for 88.2% and time deposits in pesos accounted for 99.0% of total deposits for the first six months of 2010.

	June 30, 2009					
	Pesos	%	Dollars	%	Total	%
	(thousands of pesos, except for percentages)					
Demand deposits	7,186,480	88.97%	890,767	11.03%	8,077,247	100.00%
Time deposits	15,574,643	98.97%	161,412	1.03%	15,736,055	100.00%
Total deposits(1)	22,761,123	95.58%	1,052,179	4.42%	23,813,302	100.00%

	June 30, 2010					
	Pesos	%	Dollars	%	Total	%
						(unaudited)
	(thousands of pesos, except for percentages)					
Demand deposits	7,511,694	88.19%	1,005,810	11.81%	8,517,504	100.00%
Time deposits	18,813,494	99.04%	182,561	0.96%	18,996,055	100.00%
Total deposits(1)	26,325,188	95.68%	1,188,371	4.32%	27,513,559	100.00%

(1) Includes accrued interest payable.

Short-term borrowings

The following table sets forth our short-term borrowings during the year ended December 31, 2009 and the six-month period ended June 30, 2010:

	December 31, 2009	June 30, 2010
Bank and other entity loans[1]		
Average balance outstanding during the period	4,952,843	6,323,696
Maximum balance outstanding at any month-end during the period	6,023,139	6,464,355
Balance at end of period	6,023,139	6,464,355
Weighted average interest rate during the period	7.21%	6.43%
Weighted average interest rate on balance at end of period	6.05%	5.85%
Securities purchased under agreements to resell[1]		
Average balance outstanding during the period	31,421,577	23,546,164
Maximum balance outstanding at any month-end during the period	29,435,077	20,733,578
Balance at end of period	20,154,248	17,850,105
Weighted average interest rate during the period	5.77%	4.51%
Weighted average interest rate on balance at end of period	4.67%	4.46%

(1) Until December 31, 2008 the CNBV published several bulletins modifying the classification of the "Securities purchased under agreements to resell," consequently the compilation of the information without undue burden or expense would not be possible.

MANAGEMENT

Board of Directors

Election of Directors

Our by-laws provide that our board of directors consist of a minimum of five and a maximum of 15 members, each with an alternate director as elected at our annual ordinary shareholders' meeting. Our board of directors is comprised of 15 members and 15 alternate directors. The members of our board of directors are elected for one-year terms at our annual ordinary general shareholders' meeting. Pursuant to Mexican law, members of our board of directors continue to be members of the board despite the expiration of their term until new members of the board have been appointed and assumed office. Board members may be ratified for additional one-year periods. The current members of our board of directors were elected or ratified on April 30, 2010 for a term of one year.

Our board of directors is appointed by Ixe Grupo. Under our by-laws and in accordance with the Mexican Banking Law, at least 25% of the members of our board of directors have to be independent. Under the Mexican Banking Law, the CNBV may contest the determination as to the independence of our directors made by our shareholders.

An alternate director must be appointed for each member of our board of directors. Alternate directors attend board of directors' meetings only when called to substitute for his or her respective member of the board of directors. Alternate directors have in the past attended board of directors' meetings in temporary absences of members or by invitation.

The current members and alternate members of our board of directors are:

Name	Alternate Director
Carlos Aguilar Villalobos*	Jaime Enrique Espinosa de los Monteros Cadena
Ángel Alverde Losada	José Alverde Losada
Ricardo Guillermo Amtmann Aguilar	Ernesto Amtmann Aguilar
Juan Carlos Braniff Hierro*	José Carlos Balcázar Banegas
Ernesto Canales Santos*	Carlos Del Río Santiso
Enrique Luis Castillo Sánchez Mejorada	José Ignacio de Abiega Pons
Henry Davis Carstens	Alec Davis Carstens
Henry Davis Signoret	Paul Davis Carstens
Juan Manuel Márquez Anaya*	Alberto Jacques Blanca
Alberto Martín Soberón	Armando Martín Soberón
Gerardo Martín Soberón	Othón Zermeño Wigand
Javier Molinar Horcasitas	Salomón Presburger Slovik
Manuel Saba Ades	Alberto Saba Ades
Stephanie Mudick	Faith Massingale
Kevin Watters	Rebeca Vargas

* Independent director

The secretary of our board of directors is Fernando de Ovando Pacheco and the assistant secretary (*Prosecretario*) of our board of directors is Armando Rivero Laing.

Each member of our board of directors receives Ps.18,500 as compensation for attendance at each meeting of the board of directors, except for those members who are executive officers of the Bank. For the six months ended June 30, 2010, the aggregate compensation paid to members of our board of directors was Ps.0.5 million.

Set forth below is a brief description of the business experience of each of the members of our board of directors:

Enrique Luis Castillo Sánchez Mejorada is chairman of our board of directors and was chief executive officer of Ixe Grupo from 2000 to 2008. Mr. Castillo has more than 29 years of experience in the financial sector. He began his career in 1978 at the Banco Nacional de México, S.A., holding various positions and ultimately joining the bank's management, until his departure in 1983. In 1983 and 1984, he worked as managing director in Nacional Financiera. From 1984 to 1991, he worked in Casa de Bolsa Inverlat, S.A. where he held several positions until he was appointed managing director. In 1991, he was the chief executive officer of Seguros América, S.A., one of the largest insurance companies in Mexico, and was a managing director of Grupo Financiero InverMexico, S.A. de C.V. from 1991 to 1996. He was managing director and the Country Head in Mexico of Credit Suisse First Boston from 1997 to 2000. He was President of the Mexican Banking Association (*Asociación de Bancos de México*) from 2007 to 2009. He is a member of the board of directors of each of Grupo Industrial Herdez and Grupo Embotelladoras Unidas. He holds a *Licenciatura en Administración de Empresas* from *Universidad Anáhuac*.

Carlos Aguilar Villalobos is an independent member of our board of directors. He held several positions at BBVA Bancomer, S.A. and was managing director of the Comptroller Department from 1994 to 2001. Since March 2001, he has been a managing director of Aguilar Villalobos y Asociados Consultoría y Auditoría, S.A. He has served on the board of directors of each of Nacional Financiera and Banco Nacional de Comercio Exterior, as an independent member of the board of Hipotecaria México and an independent member of the board and chairman of the Audit and Corporate Practices Committee of Ixe Grupo and Ixe Banco. He holds a *Licenciatura en Contaduría Pública* from *Instituto Tecnológico Autónomo de México*.

Ángel Alverde Losada is a member of our board of directors. He is a managing director of Office Depot de México, S.A. de C.V., and was the founder and general manager of Alverde Tiendas, S.A. de C.V. He holds a *Licenciatura en Administración de Empresas* from *Universidad Iberoamericana* and a Masters degree in Marketing and Finance from the J.L. Kellogg Graduate School of Management (Northwestern University).

Ricardo Guillermo Amtmann Aguilar is a member of our board of directors. He was account executive of Acciones y Valores de México, S.A. de C.V., from 1978 to 1982. He was a member of the board of directors of, among others, Banamex, S.A. (Advisory Council), Almacenadora del Valle de México, S.A. de C.V. and Grupo Mexicana de Aviación, S.A. de C.V. He is the chairman and chief executive officer of Laboratorios Sanfer, S.A. de C.V. He holds a *Licenciatura en Administración de Empresas* and a Masters degree in Finance from *Universidad Anáhuac*.

Ernesto Canales Santos is an independent member of our board of directors. He was legal director of Valores Industriales from 1971 to 1974 and of Grupo Industrial Alfa from 1974 to 1986. He is the founding partner of Canales y Socios Abogados, S.C., where he has been practicing since 1986 as outside legal counsel of various companies. He was a member of the boards of directors of, among others, Xignux, S.A. de C.V., Grupo IMSA, S.A. de C.V., Banco Nacional de México (Advisory Council, North Region), Compañía Minera Autlan, S.A. de C.V. and Internacional de Inversiones, S.A. de C.V. He holds a *Licenciatura en Derecho* from *Escuela Libre de Derecho* and an LL.M. from Columbia University.

Henry Davis Carstens is a member of our board of directors. He was a director of special accounts of Banco Mexicano, S.A. from 1992 to 1994, and was the general manager of Interamericana de Talleres, S.A. de C.V. from 1994 to 1997. He is the general manager of Probelco, S.A. de C.V., member of the board of directors of Metalmecánica Ajas, S.A. de C.V. and counsel of the *Cámara Nacional de la Industria de Perfumería y Cosmética*. He holds a *Licenciatura en Economía* from *Instituto Tecnológico Autónomo de México* and holds an MBA from the J.L. Kellogg Graduate School of Management (Northwestern University).

Henry Davis Signoret is a member of our board of directors. He is the chairman of Promotora Dac, S.A. and the chairman of the board of directors of each of Probelco, S.A. de C.V. and of Desarrollo Banderas, S.A. He is the chairman and founder of the Mexican Association of Self-Service and Department Stores (*Asociación Nacional de Tiendas de Autoservicio y Departamentales*, ANTAD), the chairman and founder of the Mexican Association for E-commerce Standards *(Asociación Mexicana de Estándares para el Comercio Electrónico, A.C., AMECE)*, and member of the board of directors of each of Grupo Bimbo, S.A., Nadro, S.A., Club de Industriales, A.C. and *Patronato del Fomento de Investigación y Cultura Superior*, A.C. (FICSAC). He was the general manager and vice chairman of the board of directors of Grupo CIFRA. He holds a *Licenciatura en Administración de Empresas* from *Universidad Nacional Autónoma de México* and was a member of the Management Development Program of Harvard University.

Juan Carlos Braniff Hierro is an independent member of our board of directors. Since 2004, he has been chairman and managing partner of Capital I Ltd. Partners. He held several positions at Grupo Financiero BBVA Bancomer from 1991 to 2003, such as director of Equity Investments and Mortgages from 1991 to 1993, deputy general manager of Banking Services and Operations from 1994 to 1999, general manager in charge of Seguros Monterrey Aetna and Fianzas Monterrey Aetna and deputy general manager in charge of Afore Bancomer, Seguros Bancomer, Pensiones Bancomer, Portfolio Recovery and Sale of Nonperforming Assets from 1999 to 2000 and general manager for non-banking subsidiaries, from 2001 to 2003. He served as vice chairman of the board of directors of the Financial Group and chairman of the board of directors of several subsidiaries. He is a member of the board of directors of each of El Paso Corporation, Grupo Industrial Maseca, S.A.B. de C.V. and Gruma, S.A.B. de C.V. He holds a degree in Industrial Design from *Universidad Autónoma Metropolitana* and a degree in finance from *Instituto Tecnológico Autónomo de México.*

Juan Manuel Márquez Anaya is an independent member of our board of directors. He became a partner at Despacho Roberto Casas Alatriste, where he worked from 1968 to 1979. He was the chief financial officer of Grupo Tampico from 1979 to 1981 and was the general manager of Tiendas Aurrerá y Bodega Aurrerá at Grupo CIFRA, where he worked from 1981 to 1994. He was a member of the board of directors and independent counsel of Cintra (AeroMexico y Mexicana de Aviación). He is a member of the board of directors of Grupo MERCO (autoservicio), Grupo del Sol-Woolworth and Grupo Bimbo (Alternate Director). He holds a *Licenciatura en Contaduría Pública* from *Universidad Nacional Autónoma de México* and was a postgraduate student at Harvard University.

Alberto Martín Soberón is a member of our board of directors. He was executive director of Operations and director of Capital Markets of InverMexico, Casa de Bolsa, S.A. de C.V. from 1987 to 1988, delegate of the board of directors of Organización Soriana, S.A. de C.V. in 1990 and general manager of the same organization from 1991 to 1994, executive chairman of Corporación Kiosko, S.A. de C.V. from 1994 to 1996 and executive chairman of Corporación Inmex, S.A. de C.V. from 1997 to 2000. He is vice-chairman of the board of directors of Organización Soriana, S.A. de C.V. and member of the board of directors and of the credit risk committee of Grupo Financiero Santander Mexicano, S.A. de C.V. (currently known as Grupo Financiero Santander, S.A. de C.V.). He holds a *Licenciatura en Contaduría Pública* from *Instituto Tecnológico y de Estudios Superiores de Monterrey*.

Gerardo Martín Soberón is a member of our board of directors. He was the executive chairman of Denomex, S.A. de C.V. from 1990 to 1993 and the executive chairman of The Original Mexican Jean Company, S.A. de R.L. de C.V. from 1994 to 1999. He is a member of the board of directors of Organización Soriana, S.A. de C.V., and of Fomento Económico Laguna de Coahuila, A.C. and is the chairman of the board of directors of The Original Mexican Jean Company, S.A. de R.L. de C.V. He holds a *Licenciatura en Contaduría Pública* from *Universidad*

Autónoma de Coahuila and holds an MBA from The Wharton School of Business (University of Pennsylvania).

Javier Molinar Horcasitas is a member of our board of directors. He was director of Corporate Sales and a member of the board of directors of Casa de Bolsa Inverlat, S.A. de C.V. from 1984 to 1991. He held various positions in Grupo Financiero Santander Mexicano, S.A. de C.V. (currently known as Grupo Financiero Santander, S.A. de C.V.) from 1991 to 1998 before being appointed executive vice chairman. He was managing director of Ventura Capital Privado, S.A. de C.V. from 1998 to 2000. He has been responsible for the business, administration and finance of Ixe Grupo since 2000. At the end of 2008, he resigned as chief executive officer of Ixe Banco to serve as chief executive officer of Ixe Grupo, S.A. de C.V. He was a member of the board of directors of each of Entretiene, S.A. de C.V., Aranea, S.A. de C.V., Ventura Capital Privado, S.A. de C.V. and Make a Team, S.L. He is a member of the board of directors of Grupo Gigante, S.A. de C.V. He holds a *Licenciatura en Administración de Empresas* from *Universidad La Salle.*

Manuel Saba Ades is a member of our board of directors. He was chairman and general manager of Xtra Inmuebles, S.A. de C.V. from 1993 to 2000. He is chairman of the board of directors and general manager of Grupo Casa Saba, S.A.B. de C.V., a conglomerate of interests focused primarily on the food sector, real estate and textiles. He is an alternate director of the board of directors of Casa de Bolsa Finamex and member of the board of directors of each of Estudios Mexicanos Telemundo and Palmas 26.

Kevin Watters is a member of the board of directors. He is the Retail Lending Executive for Home Lending at JPMorgan Chase. Kevin transitioned to Home Lending from Business Banking, where he served as Chief Executive Officer. He is a member of the firm's Executive Committee. Prior to the merger with JPMorgan Chase, he served in the following roles at Bank One: head of the corporate internet group, president of the consumer internet group, chief strategy officer of the consumer internet group and chief marketing officer of Wingspan, Bank One's Internet-only bank. Prior to joining Bank One, he worked in finance and operations at McNeil Consumer Products, a division of Johnson & Johnson, served as brand manager at Procter & Gamble Business and worked as director at Pinnacle Inc. and as senior manager of Vlasic Foods. Mr. Watters has a BS from Lehigh University and an MBA from the University of Virginia.

Stephanie Mudick is a member of our board of directors. She is Executive Vice President and manages the recently created Office of Consumer Practices at JPMorgan Chase. She is a member of JPMorgan Chase's Executive Committee. Prior to joining JPMorgan Chase in 2006, Mudick spent 15 years at Citigroup, most recently as chief administrative officer of the global consumer group, overseeing functional areas including legal, human resources, marketing, governmental affairs, public relations and business practices. Mudick is Chair of the Board of Advisors of City Year New York — an affiliate of the Americorps network that is part of the national service movement, and is on the Advisory Board of the American Museum of National History. She is also a member of the Board of Directors of Families and Work Institute, a nonprofit organization that addresses the changing nature of work and family life; a member of the board of directors of the Teachers Network, a non-profit organization that supports public school teachers nationwide; a member of the YWCA's Academy of Women Achievers; and a member of the Board of Corporate Advisors of The Global Fund for Women.

Fernando de Ovando Pacheco is the secretary of our board of directors. He is the founding partner of the De Ovando and Martinez del Campo law firm in 1984, which was integrated in January 2009 with Jones Day Mexico, S.C. He is currently the Partner in Charge of Jones Day Mexico, S.C. He has participated as an independent board member and secretary of various publicly and privately held entities such as Grupo Financiero Inverlat, S.A. de C.V., Goldman, Sachs Mexico, Casa de Bolsa, S.A. de C.V., Fuji Bank Mexico, S.A., Bank Boston, S.A., Hoteles

Presidente, S.A. de C.V. ArcerlorMittal México, S.A. de C.V., ArcerlorMital las Truchas, S.A. de C.V. and Banco Compartamos, S.A., among others. He holds a *Licenciatura en Derecho* from *Universidad Anáhuac* and an LL.M. from the University of Toronto.

Armando Rivero Laing is the assistant secretary (prosecretario) of our board of directors and our director of legal affairs. He was the director of legal affairs and secretary of the board of directors of Casa de Bolsa Arka, S.A. de C.V. from 1987 to 1994. He holds a *Licenciatura en Derecho* from *Universidad Nacional Autonóma de México*.

Audit and Corporate Practices Committee

The purpose, composition, authority and responsibilities of our Audit and Corporate Practices Committee, which reports to our board of directors, has been established in a charter approved by our board of directors in accordance with Mexican law.

The Audit and Corporate Practices Committee's primary purpose is to assist our board of directors in defining, verifying and assessing the effectiveness of our internal control system, in overseeing the management and conduct of our business, and in the fulfillment of shareholders' resolutions.

The Audit and Corporate Practices Committee is responsible for oversight of external and internal audit activities and keeping the board of directors informed about their performance. Moreover, the Audit and Corporate Practices Committee oversees the preparation of financial reports in accordance with regulations and accounting principles applicable to financial institutions.

The current members of our Audit and Corporate Practices Committee are:

- Carlos Aguilar Villalobos (Chairman and independent member);
- Jaime Enrique Espinosa de los Monteros Cadena;
- Carlos del Río Santiso; and
- Armando Jorge Rivero Laing (Secretary).

In addition, the following representatives also serve on the Audit and Corporate Practices Committee but have no voting rights:

- the chief executive officer of Ixe Grupo;
- the statutory auditor;
- the internal auditor;
- the statutory examiner;
- the external auditor; and
- a person not affiliated with us.

Credit Committee

Our Credit Committee has powers to assist the board of directors in fulfilling its oversight responsibilities relating to:

- present any emerging risks associated with our loan portfolio;
- the investment of our portfolio; and
- resolving issues with respect to any of our credit operations.

In addition to the functions and duties mentioned above, and others expressly delegated by our board of directors, our Credit Committee also performs the following functions and duties with full authority to act on behalf of our board of directors in these matters:

- review and approve any and all amendments or modifications to the requirements, conditions or other provisions relating to the board of director's general authorization of our lending activities;
- review memoranda or other reports provided by our senior management concerning our loan portfolio and investment activities;
- periodically review and assess underwriting policies and guidelines;
- periodically review and assess surveillance and loss remediation policies and guidelines, including those relating to insured credits on the "Watch List";
- periodically review, assess and recommend to the board of directors for approval of investment policies, criteria, guidelines and strategy; and
- evaluate our performance on an annual basis and report the results of the evaluation to our board of directors.

The current members of our Credit Committee are:

- Alberto Martín Soberón;
- Federico Chávez Peón;
- Javier Molinar Horcasitas (Chairman);
- Salomón Presburger Slovik;
- Antonio Junco Goicoechea;
- Henry Davis Carstens;
- Javier de la Calle Pardo;
- Carlos Castro Gaytán;
- José Trinidad Hernández Mendoza (Secretary); and
- Armando Rivero Laing (Assistant Secretary — *Prosecretario*).

In addition, the following representatives also attend the Credit Committee but have no voting rights:

- the person in charge of Comprehensive Risk Management of Ixe Grupo and its subsidiaries;
- the director of corporate banking; and
- the executive vice president of corporate banking.

Risk Management and Rates Committee

The Risk Management and Rates Committee reports to our senior management and our board of directors of existing risk levels and monitors compliance with risk limits established by our board of directors. The Risk Management and Rates Committee proposes to our board of directors for their approval, the objectives, policies and procedures for the general management of risks, the risk exposure limits (on a consolidated basis, for each business unit, and for each type of risk). The Risk Management and Rates Committee also proposes to our board of directors strategies for assigning resources related to the execution of operations.

The Risk Management and Rates Committee approves:

- the methodology to identify, measure, monitor, limit, control, inform and disclose the different types of risks to which we are exposed;
- the models, parameters and scenarios that shall be used to measure and control risks; and
- the execution of new transactions and services that involve risks.

The Risk Management and Rates Committee appoints a person responsible for the management of the risk unit and reports to our board of directors, at least on a quarterly basis, our risk exposure and the negative consequences that may occur. Likewise, the Risk Management and Rates Committee reports any deviation from the risk limits imposed by the risk policies and the corrective measures that have been implemented. The Risk Management and Rates Committee may also create the subcommittees necessary to exercise its functions.

The current members of our Risk Management and Rates Committee are:

- Angel Alverde Losada;
- Enrique Luis Castillo Sánchez Mejorada (Chairman);
- Henry Davis Carstens;
- José Trinidad Hernández Mendoza (Secretary); and
- Armando Rivero Laing (Assistant Secretary — *Prosecretario*).

In addition, the following representatives also serve on the Risk Management and Rates Committee:

- the chief executive officer of Ixe Banco;
- the chief executive officer of Ixe Casa de Bolsa;
- the person in charge of Comprehensive Risk Management of Ixe Grupo and its subsidiaries; and
- the internal auditor of Ixe Grupo and its subsidiaries who only attends if invited, and has no voting rights.

Assets and Liabilities Committee

The purpose of our Assets and Liabilities Committee is to optimize the structure of our balance sheet, manage market and liquidity risks of our balance sheet, monitor the performance of our financial margins and increase the risk-adjusted returns of our assets. In particular, the Asset and Liabilities Committee:

- proposes to our Risk Management and Rates Committee for its approval the maximum exposure of balance sheet risks (market and liquidity) that it considers to be acceptable, as well as the models that will be used to estimate them;
- establishes the policies regarding the management of our balance sheet risks;
- defines and approves the hedging and business strategies that allow the optimization of our balance sheet structure;
- approves the execution mechanisms of the hedging and business strategies within the parameters and limitations established by our Risk Management and Rates Committee;
- proposes to our Risk Management and Rates Committee the models that will be used to estimate the profitability of each one of our business units as well as their contribution to our financial margins.

The current members of our Assets and Liabilities Committee are:

Member	Alternate Member
Javier de la Calle Pardo	José Ignacio de Abiega Pons
Ricardo Velazquez Rodríguez	Rafael Lizama Ortega
Antonio Junco Goicoechea	Enrique Pérez Alonso González
Víctor Roldán Ferrer	Patricia Ferro Bertolo
Christopher Robinson	Jorge Tejeda Ugalde and René Pimentel Ibarrola
Carlos Castro Gaytán	
Luis Ángel Barrientos Huesca	

Communications and Operations Control Committee

Our Communications and Operations Control Committee establishes and modifies internal orders regarding the prevention, detection and disclosure of money-laundering operations and ensures compliance with these guidelines. In particular, the committee:

- establishes and amends our internal policies to prevent and detect acts or transactions that may be of illicit origin and may fall within the threshold of Article 400bis of the Mexican Criminal Code, or *Código Penal Federal*;
- monitors our compliance with our applicable policies;
- evaluates the effectiveness of our policies based on the results observed and defines the necessary remedial measures;
- determines which contractual clauses and conditions are susceptible to generate a high risk for us;
- reveals to all of our employees the list of nationals and foreigners involved in terrorism or other illegal activity as well as the list of politically exposed persons;
- decides on certain transactions that may fall within the category of unusual transactions, *(operaciones inusuales y preocupantes)*, determines if we should notify the public authorities within three days following the date when the applicable transaction was considered unusual and approves the execution of such unusual transactions; and
- approves policies to train personnel and provide information to detect these transactions and ensure the enforcement of the prevention policies.

The current members of our Communications and Operations Control Committee are:

Member	Alternate Member
Francisco José Rodríguez Giacinti	Eva Patricia Castro Córdova
Enrique Trejo de Uriarte	Cesar Elizalde Rojas
Horacio Padilla Nava	Gerardo Gómez Pérez Tagle
Miguel Ángel Martínez Sienra	Armando Maldonado Rodríguez
Ramón Eduardo Vázquez Villegas	Erick Moisés Merchant Blancas
Juan Carlos Reyes Oropeza	Tonatiuh Gerardo Figueroa García
Gerardo Méndez Padilla Valencia	Jesús Zavala Martínez
Erik González Laureano	Israel Robles Pinzón
Martín Ollé Casals (Secretary)	Armando Rivero Laing (Assistant Secretary — *Prosecretario*)

Statutory Auditors

Our by-laws provide for a statutory auditor to be designated at a special meeting of shareholders and, if determined at such meeting, an alternate statutory auditor. Under Mexican law, the duties of statutory auditors include, among other things, the examination of the operations, books, records and any other documents of a company and the presentation of a report of such examination at the annual ordinary general meeting of shareholders.

The following persons are our statutory auditors:

Principal Statutory Auditor	Alternate Statutory Auditor
Fernando Javier Morales Gutiérrez	José Antonio Quesada Palacios

Principal Officers of the Bank

The following persons are our principal officers:

Name	Position	Age
Javier de la Calle Pardo	Chief Executive Officer, Ixe Banco	49
Christopher Robinson	Executive Vice President, Administration, Finance, Operations and Technology	56
Victor Roldán Ferrer	Executive Vice President, Corporate Banking	43
Antonio Junco Goicoechea	Executive Vice President, Retail Banking	46
René Pimentel Ibarrola	Director of Corporate Development	37

Each of our principal officers has extensive experience in the banking industry. Set forth below is biographical information for each of our principal officers:

Javier de la Calle Pardo has been our chief executive officer since November 2008. He joined Ixe Grupo in September 2007 as the chief executive officer of *Banco Mexicano de Consumo* (new credit institution created in April 2008). Prior to joining Ixe Banco, he held various positions at Banco Nacional de México from 1992 to 2007. He was executive vice president of Credit Card and Electronic Banking from 1995 to 1998, executive vice president of Corporate Credit and Business Franchises from 1998 to 2001, corporate director of Corporate and Institutional Banking from 2001 to 2005, corporate director of Commercialization from 2005 to 2006 and corporate director of Private Banking from 2006 to 2007. He holds a *Licenciatura en Ingeniería Química* from *Universidad Iberoamericana* and a *Maestria en Dirección de Empresas* from *Instituto Panamericano de Alta Dirección de Empresas* (IPADE).

Christopher Robinson has been our executive vice president for administration, finance, operations and IT since he joined the group in December 2008. He was senior audit manager at PricewaterhouseCoopers from 1976 to 1986. He held various positions in Citigroup from 1986 to 2008. He worked in corporate planning and financial analysis from 1986 to 1993, he was chief financial officer of Citibank Global Asset Management from 1993 to 1997, executive vice president of administration and finance of Citigroup Asset Management from 1997 to 2001, chief financial officer of Banamex from 2001 to 2004 and chief financial officer of CitiCards from 2004 to 2008. He is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales (1976) and holds an MBA certificate from the International Management Institute of Geneva, Switzerland (1985).

Victor Roldán Ferrer has been our executive vice president of corporate banking since September 2009. He joined the group in 2000 as director of corporate banking. He was chief executive officer of Fincasa Hipotecaria from 2005 to 2009. Prior to joining Ixe, he held various positions in areas of marketing at Casa de Bolsa Inverlat and InverMexico, from 1990 to 1992. From 1992 to 1999, he held various positions in the areas of business and risks at Banco Santander and became director of corporate banking. He was director at Ventura Capital Privado, S.A. de C.V. from 1999 to 2000. He holds a *Licenciatura en Informática* from the *Universidad Anahuac.*

Antonio Junco Goiceochea has been our executive vice president of commercial banking since November 2008. He joined Ixe Grupo in 2001 and held various positions related to retail banking. He accumulated over 20 years of experience in the financial sector as he was a consultant at Booz Allen & Hamilton but also has experience working with financial institutions. He is specialized in means of payment and commercial banking and worked in areas of business and support with Banco Santander and Ixe Banco. He is active with several financial sector associations and particularly the *Asociación de Bancos de México* where he is currently co-chairman of the Commission on Means of Payments and executive coordinator of the Exchange Committee. He holds a degree in Economy from *Instituto Tecnológico Autónomo de México* (ITAM) and an MBA from J.L. the Kellogg Graduate School of Management (Northwestern University).

René Pimentel Ibarrola has been our director of corporate development since 2006. Previously, he worked as the chief financial officer and equity research analyst of Deutsche-Ixe in New York from 2003 to 2006. He worked for Deutsche Bank for 8 years as an equity research analyst. He was ranked #3 Media Analyst for Latin America by Institutional Investor (II) magazine for 2004 and ranked #1 Telecoms Team for Latin America by II survey for top European fund managers in 2002. He holds a *Licenciatura en Economía* from *Instituto Tecnológico Autónomo de México.*

RELATED PARTY TRANSACTIONS

Certain of our directors, officers and affiliates have been involved in certain transactions with us as permitted by the Mexican Banking Law. The Mexican Banking Law regulates transactions by a bank with affiliates and other "related party transactions" and limits the aggregate amount of these transactions to 50.0% of our Tier 1 capital. Related party transactions may only be undertaken on market terms. As of June 30, 2010, the aggregate amount of loans to related parties represented 92.0% of the regulatory limit established by the Mexican Banking Law compared to 59.7% and 71.9% as of December 2009 and December 2008, respectively. "Related party transactions" include transactions involving:

- entities or individuals holding, directly or indirectly, 2% or more of our shares or the shares of our financial services holding company;
- members of our board or the board of our financial services holding company;
- spouses and certain other relatives of any of the aforementioned individuals;
- our attorneys-in-fact or appointed agents;
- entities, as well as their officers and directors, in which we hold, directly or indirectly, 10% of more of their shares;
- entities in which our officers are directors or managers or hold a position within the first three levels in such entities; and
- entities in which any of the foregoing or any of our officers, employees, auditors, or their respective spouses and relatives, hold, directly or indirectly, 10% or more of their shares.

Loans made to related parties require the approval of 75% of the members of our board that are present and the prior approval of our credit committee, and must be notified to the CNBV.

As of December 31, 2007, 2008 and 2009, loans granted to related parties pursuant to Article 73 of the Mexican Banking Law amounted to Ps. 826.3 million, Ps. 738.5 million and Ps. 1,014.6 million, respectively (6.5, 4.5% and 5.3%, respectively, of our total loan portfolio as of such dates).

As of June 30, 2010, loans granted to related parties amounted to Ps. 1,457.1 million. Such amount was comprised of lines of credit and secured and unsecured loans granted to a total number of 31 related parties. The aggregate amount of the five largest related party transactions represented 79.2% of the aggregate amount of loans granted to related parties. Pursuant to the methodology to classify the loan portfolio set forth under the Loan Classification and Rating Rules, 31.1% of the loans granted to related parties have a credit quality of A1; 28.2% have a credit quality of A2; 0.7% have a credit quality of B1;27.2% have a credit quality of B2; 9.1% have a credit quality of B3 and 3.7% correspond to mortgages and consumer loans and have a credit quality of A. All credits and loans granted to related parties have been granted on terms no more favorable than on an arms' length basis.

As of June 30, 2010, there were two outstanding loans to our affiliates, Fincasa Hipotecaria and Ixe Automotriz for Ps. 9.9 million and 9.3 million, respectively.

As of June 30, 2010, there were also nine loans to certain of our employees in an aggregate principal amount of Ps. 34.0 million.

From time to time, we enter into agreements, including service agreements, with our affiliates, such as Ixe Tarjetas. We have entered into service agreements pursuant to which we render services, such as administrative, accounting, finance, treasury and legal services to our affiliates. We believe that these transactions with our affiliates have been made on terms that are no less favorable to us than those that could be obtained from unrelated third parties.

SUPERVISION AND REGULATION

Introduction

Our operations are primarily regulated by the Mexican Banking Law, and the rules issued thereunder by the Ministry of Finance and Public Credit and the CNBV, as well as rules issued by *Banco de México* and the IPAB. The authorities that supervise our operations are the Ministry of Finance and Public Credit, *Banco de México* and the CNBV.

The Ministry of Finance and Public Credit, either directly or through the CNBV, the role of which has been expanded and improved, possesses broad regulatory powers over the banking system. Banks are required to report regularly to the financial regulatory authorities, principally the CNBV and *Banco de México*. Reports to bank regulators are often supplemented by periodic meetings between senior management of the banks and senior officials of the CNBV. Banks must submit their unaudited monthly and quarterly and audited annual financial statements to the CNBV for review, and must publish on their website and in a national newspaper their unaudited quarterly balance sheets and audited annual balance sheets. The CNBV may order a bank to modify and republish such balance sheets.

Additionally, banks must publish on their website, among other things:

- the bank's basic consolidated and audited annual financial statements, together with a report containing the management's discussion and analysis of the financial statements and the bank's financial position, including any important changes thereto and a description of the bank's internal control systems;
- a description of the bank's board of directors, identifying independent and non-independent directors and including their resume;
- a description and the total sum of compensation and benefits paid to the members of the board of directors and senior officers during the past year;
- any information requested by the CNBV to approve the accounting criteria and special registries;
- a detailed explanation regarding the main differences in the accounting used to prepare the financial statements;
- the credit rating of their portfolio;
- the capitalization level of the bank, its classification (as granted by the CNBV) and any modifications thereto;
- financial ratios;
- a brief summary of the resolutions adopted by any shareholders' meeting, debenture holders' meeting, or by holders of other securities or instruments; and
- the bank's by-laws in effect at any time and from time to time.

The CNBV has authority to impose fines for failing to comply with the provisions of the Mexican Banking Law, or regulations promulgated thereunder. In addition, *Banco de México* has authority to impose certain fines and administrative sanctions for failure to comply with the provisions of the *Ley del Banco de México* (the "Law of Banco de México") and regulations that it promulgates and the Law for the Transparency and Ordering of Financial Services *(Ley para la Transparencia y Ordenamiento de los Servicios Financieros)*, particularly as violations relate to interest rates and fees and the terms of disclosure of fees charged by banks to clientele. Violations of specified provisions of the Mexican Banking Law are subject to administrative sanctions and criminal penalties.

Licensing of Banks

Authorization of the Mexican government is required to conduct banking activities. The CNBV, subject to the prior favorable opinion of *Banco de México*, has the power to authorize the establishment of new banks, subject to minimum capital standards, among other things. Approval of the CNBV is also required prior to the opening, closing or relocating offices, including branches, of any kind outside of Mexico or transfer of assets or liabilities between branches.

Intervention

The CNBV may declare *intervención* ("managerial intervention") of a banking institution pursuant to Articles 138 through 149 of the Mexican Banking Law and in such case the Governing Board of IPAB will appoint an *administrador cautelar* ("peremptory manager") (the "CNBV Intervention").

A CNBV Intervention pursuant to Articles 138 through 149 of the Mexican Banking Law, will only occur when (i) during a calendar month, the capitalization ratio of bank is reduced from a level equal to or above the minimum Capital Ratio required under the Mexican Capitalization Requirements, to 50% or less than such minimum Capital Ratio; or (ii) a bank does not comply with any minimum corrective measure ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law, does not comply with more than one additional special corrective measures ordered by the CNBV pursuant to such Article 134 Bis 1 or consistently does not comply with any such additional corrective measures ordered by the CNBV and, in the case of this clause (ii), it does not submit itself to the conditional management regime described under "— Improved Framework to Resolve/Support Commercial Banking Institutions — Financial Support — Conditional Management Regime." In addition, a CNBV Intervention may occur when the CNBV in its sole discretion, determines the existence of irregularities that affect the stability or solvency of the bank or the public interest or the bank's creditors.

The peremptory manager appointed by IPAB will assume the authority of the Board of Directors. The peremptory manager will have the authority to represent and manage us with the broadest powers under Mexican law and will not be subject to our Board of Directors or our shareholders. The appointment of the peremptory manager must be registered in the Public Registry of Commerce of the corresponding domicile.

IPAB

The IPAB Law, which became effective January 20,1999, provides for the creation, organization and functions of the IPAB, the new bank savings protection agency. IPAB is a decentralized public entity that regulates the financial support granted to banks for the protection of bank deposits.

Only in exceptional cases may IPAB grant financial support to banking institutions. For a detailed description of the financial support that may be granted by IPAB, see "— Improved Legal Framework to Resolve/Support Commercial Banking Institutions."

IPAB will manage and sell the loans, rights, shares and any other assets that it acquires to perform its activity according to the IPAB Law, to maximize their recovery value. IPAB must ensure that the sale of such assets is made through open and public procedures. The Mexican President is required to present annually a report to Congress prepared by IPAB with a detailed account of the transactions conducted by IPAB in the prior year.

IPAB has a governing board of seven members: (i) the Minister of Finance and Public Credit, (ii) the Governor of *Banco de México*, (iii) the President of the CNBV, and (iv) four other members appointed by the President of Mexico, with the approval of two-thirds of the Senate.

The deposit insurance to be provided by IPAB to a bank's depositors will be paid upon determination of the dissolution and liquidation, or bankruptcy of a bank. IPAB will act as liquidator or receiver in the dissolution and liquidation, or bankruptcy of banks, either directly or through designation of a representative. IPAB will guarantee obligations of banks to certain depositors and creditors only up to the amount of 400,000 UDIs (or approximately U.S.$132,955 as of December 31, 2009), per person per bank.

Banks have the obligation to pay IPAB ordinary and extraordinary contributions as determined from time to time by the Governing Board of IPAB. Under IPAB's Law, banks are required to make monthly ordinary contributions to IPAB, equal to $\frac{1}{12}$ of 0.004% multiplied by the average of the daily outstanding liabilities of the respective bank in a specific month, less (i) holdings of term bonds issued by other commercial banks; (ii) financing granted to other commercial banks; (iii) financing granted by IPAB; and (iv) subordinated debentures that are mandatorily convertible in shares representing the capital stock of the banking institution.

IPAB's Governing Board also has the authority to impose extraordinary contributions in the case that, given the conditions of the Mexican financial system, IPAB does not have available sufficient funds to comply with its obligations. The determination of the extraordinary contributions is subject to the following limitations: (i) may not exceed, on an annual basis, the amount equivalent to 0.003% multiplied by the total amount of the liabilities outstanding of the banking institutions that are subject to IPAB contributions; and (ii) the aggregate amount of the ordinary and extraordinary contributions may not exceed, in any event, on an annual basis, an amount equivalent to 0.008% multiplied by the total amount of the liabilities outstanding of the applicable banking institution.

The Mexican Congress allocates funds to IPAB on a yearly basis to manage and service the IPAB's liabilities. In emergency situations, IPAB is authorized to incur additional financing every three years in an amount not to exceed 6% of the total liabilities of Mexican banks.

Improved Framework to Resolve/Support Commercial Banking Institutions

In July 2006, certain amendments to the Mexican Banking Law, the Banking Deposit Insurance Law (*Ley de Protección al Ahorro Bancario*, the "IPAB Law") and the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) were enacted by Mexican Congress, to provide an improved legal framework to resolve and grant financial support to commercial banking institutions undergoing financial difficulties.

Resolution and Payment of Guaranteed Obligations

Revocation of Banking License. In case that the CNBV revokes a license to organize and operate as a banking institution, IPAB's Governing Board will determine the manner under which the corresponding banking institution shall be dissolved and liquidated in accordance with Articles 122 Bis 16 through 122 Bis 29 of the Mexican Banking Law. In such a case, IPAB's Governing Board may determine to undertake the liquidation through any or a combination of the following transactions: (i) transfer the liabilities and assets of the banking institution in liquidation to another banking institution; (ii) constitute, organize and manage a new banking institution owned and operated directly by IPAB, with the exclusive purpose of transferring the liabilities and assets of the banking institution in liquidation; or (iii) any other alternative that may be determined within the limits and conditions provided by the Mexican Banking Law that IPAB considers as the best and less expensive option to protect the interest of bank depositors.

Causes to Revoke a Banking License. The above mentioned amendments significantly expand the events upon which the CNBV may revoke a banking license. The following are among the most relevant events:

(i) if the banking institution is dissolved or initiates liquidation or bankruptcy procedures *(concurso mercantil* or *quiebra)*;

(ii) if the banking institution (a) does not comply with any minimum corrective measures ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law; (b) does not comply with any special corrective measure ordered by the CNBV pursuant to such Article 134

Bis 1; or (c) consistently does not comply with an additional special corrective measure ordered by the CNBV;

(iii) if the banking institution does not comply with the minimum Capital Ratio required under the Mexican Banking Law and the Mexican Capital Requirements;

(iv) if the banking institution defaults with respect to any of the following payment obligations (a) in the case of obligations in an amount greater than 20,000,000 UDIs or its equivalent: (1) loans granted by other banking institutions, foreign financial institutions or *Banco de México*, or (2) payments of principal or interest on securities issued, that have been deposited with a clearing system, and (b) in the case of obligations in an amount greater than 2,000,000 UDIs or its equivalent, if during two business days or more, (1) it does not pay its obligations with one or more participants in clearing systems or central counterparts, or (2) it does not pay in two or more of its branches, banking deposits claimed by 100 or more of its clients.

Upon publication of the resolution of the CNBV revoking a banking license in the Official Gazette of Mexico and two newspapers of wide distribution in Mexico and registration of such resolution with the corresponding Public Registry of Commerce, the relevant banking institution will be dissolved and liquidation will be initiated. Upon liquidation or the declaration of bankruptcy (*concurso mercantil* or *quiebra*) of a banking institution, IPAB shall proceed to make payment of all "guaranteed obligations" of the relevant banking institution.

Obligations of a banking institution in liquidation that are not considered "guaranteed obligations" pursuant to the IPAB Law, and that are not effectively transferred out of the insolvent banking institution, will be treated as follows:

(i) term obligations will become due (including interest accrued);

(ii) unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in pesos or UDIs will cease to accrue interest;

(iii) unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in foreign currencies, regardless of their place of payment, will cease to accrue interest and will be converted into pesos at the prevailing exchange rate determined by *Banco de México*;

(iv) secured liabilities, regardless of their place of payment will continue to be denominated in the agreed currency, and will continue to accrue ordinary interest, up to an amount of principal and interest equal to the value of the assets securing such obligations;

(v) obligations subject to a condition precedent, shall be deemed unconditional; and

(vi) obligations subject to a condition subsequent, shall be deemed as if the condition had occurred, and the relevant parties will have no obligation to return the benefits received during the period in which the obligation subsisted.

Liabilities owed by the banking institution in liquidation will be paid in the following order of preference: (i) liquid and enforceable labor liabilities, (ii) secured liabilities, (iii) tax liabilities, (iv) liabilities to IPAB, as a result of the partial payment of obligations of the banking institution supported by IPAB in accordance with the Mexican Banking Law; (v) bank deposits, as well as any other liabilities in favor of IPAB different from those referred to clause (iv) above, (vi) any other liabilities other than those referred to in the following clauses, (vii) preferred subordinated debentures, (viii) non-preferred subordinated debentures (such as the Notes), and (ix) the remaining amounts, if any, shall be distributed to stockholders.

Financial Support

Determination by the Financial Stability Committee. In case that the newly created Financial Stability Committee (the "FSC") determines that if a bank were to default on its payment obligations and such default may (i) generate severe negative effects in one or more commercial banks or other financial entities, endangering their financial stability or solvency, and such circumstance may affect the stability or solvency of the financial system, or (ii) put the operation of the payments' system at risk, then the FSC may determine, on a single-case basis, that a general percentage of all of the outstanding obligations of the troubled bank that are not considered "guaranteed obligations" under the IPAB Law and guaranteed obligations in amounts equal to or higher than the amount set forth under Article 11 of the IPAB Law (400,000 UDIs per person per entity), be paid as a means to avoid the occurrence of any of such circumstances. Notwithstanding the foregoing, under no circumstance may the transactions referred to in Sections II, IV and V of Article 10 of the IPAB Law (which include transactions such as liabilities or deposits in favor of shareholders, members of the board of directors and certain top level officers, and certain illegal transactions) or the liabilities derived from the issuance of subordinated debentures, such as the Notes, be covered or paid by IPAB or any other Mexican governmental agency.

Types of Financial Support. In case that the FSC makes the determination referred to in the prior paragraph, then IPAB's Governing Board will determine the manner according to which the troubled bank will receive financial support, which may be through either of the following options:

(a) If the FSC determines that the full amount of all of the outstanding liabilities of the relevant troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the financial support may be implemented through (i) capital contributions granted by IPAB in accordance with Articles 122 Bis 2 through 122 Bis 6 of the Mexican Banking Law, or (ii) credit support granted by IPAB in accordance with Articles 122 Bis 7 through 122 Bis 15 of the Mexican Banking Law, and in either case the CNBV shall refrain from revoking the banking license granted to such commercial bank.

(b) If the FSC determines that less than the full amount of all the outstanding liabilities of the troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the support will consist of transferring the assets and liabilities of such commercial bank to a third party, as set forth in Articles 122 Bis 27 or 122 Bis 29 of the Mexican Banking Law.

The members of the FSC are representatives of the Ministry of Finance and Public Credit, *Banco de México*, the CNBV and IPAB.

Conditional Management Regime. As an alternative to revoking the banking license, a new conditional management regime was created, that may apply to commercial banks with a Capital Ratio below the minimum required pursuant to the Mexican Capitalization Requirements. To adopt this regime, the relevant bank must voluntarily request to the CNBV, with prior approval of its shareholders, the application of the conditional management regime. In order to qualify for such regime, the relevant commercial bank should (i) deliver to the CNBV a plan for the reconstitution of its capital, and (ii) transfer at least 75% of its shares to an irrevocable trust.

Banking institutions with a Capital Ratio equal to or below 50% of the minimum Capital Ratio required by the Mexican Capitalization Requirements may not adopt the conditional management regime.

Capitalization

The minimum equity capital requirement applicable to commercial banks (including newly chartered banks) is 90,000,000 UDIs (approximately Ps.376.6 million as of December 31, 2009).

Banks are required to maintain a net capital (*capital neto*) relative to market risk, risk-weighted assets incurred in its operation, and operations risk, which may not be less than the capital required in respect of each type of risk. The Mexican Capitalization Requirements set forth the methodology to determine the net capital relative to market risk, risk-weighted assets and operations risk. Under the relevant regulations, the CNBV may impose additional capital requirements and *Banco de México* may, with the CNBV's recommendation, grant temporary exceptions to such requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital."

The Mexican Capitalization Requirements provide capitalization standards for Mexican banks similar to international capitalization standards, particularly with respect to the recommendations of the Basel Committee (although Mexico does not fully implement such requirements), and has not fully implemented the last amendment).

Under the Mexican Capitalization Requirements, Mexican banks are required to maintain a minimum Capital Ratio of 10.0% to avoid the imposition of any of the corrective measures described below that would require, among other things, the suspension and cancellation of interest accrual and payment and deferral of principal payments of its subordinated debt that qualifies as part of its aggregate net capital (such as the Notes). Aggregate net capital consists of Tier 1 capital and Tier 2 capital. At all times, Tier 1 capital must represent at least 50.0% of our aggregate net capital. The Mexican Capitalization Requirements subtract from Tier 1 capital, among others, certain subordinated debt instruments, capital investments in certain financial entities and in non-financial, non-publicly traded companies, certain investments in the equity of venture-capital funds and investments in related companies, reserves pending to be created, loans and other transactions that contravene applicable law, and intangibles (including goodwill).

The Mexican Capitalization Requirements and the Rules for Capitalization authorize banks to issue capitalization instruments, such as the Notes. The proceeds from these instruments may constitute Tier 1 or Tier 2 capital depending on their terms. However, such proceeds may only qualify as Tier 1 capital up to an amount not greater than 15.0% of aggregate net Tier 1 capital (without taking into account other convertible and non-convertible subordinated debentures, such as the Notes).

Failure to meet the capital requirements may result in the imposition of corrective measures described under "Description of the Notes — Treatment of Interest and Principal During a Suspension Period — Suspension Periods." We are in compliance with all applicable Mexican Capitalization Requirements.

Every Mexican bank must create certain legal reserves (*fondo de reserve de capital*), included as part of Tier 1 capital. Banks must allocate 10.0% of their net income to such reserve each year until the legal reserve equals 100.0% of their paid-in capital (without adjustment for inflation). The balance of net income, to the extent not distributed to shareholders, is added to the retained earnings account. Under Mexican law, dividends may not be paid out of the legal reserve. As of June 30, 2010, we had set aside Ps.214.1 million in legal reserves compared to paid-in capital of Ps.3,871.8 million.

Both the Basel Committee and the Financial Stability Board (established in April 2009 by the Group of Twenty ("G-20") Finance Ministers and Central Bank Governors to take action to strengthen regulation and supervision of the financial system with greater international consistency, cooperation and transparency) have committed to raise capital standards and liquidity buffers within the banking system ("Basel III"). On September 12, 2010, the Group of Governors and Heads of Supervision agreed to the calibration and phase-in of the Basel III minimum capital requirements (raising the minimum Tier 1 common equity ratio to 4.5% and minimum Tier 1 equity ratio to 6.0%, with full implementation by January 2015) and introducing a capital conservation buffer of common equity of an additional 2.5% with implementation by January 2019. The Mexican federal banking authorities support this agreement. The Basel Committee is expected to finalize the new capital and liquidity standards later this year and to present them for approval of the G-20 Finance Minister and Central Bank Governors in November 2010.

Corrective Measures

Pursuant to the Mexican Capitalization Requirements, the CNBV classifies Mexican banks in several categories based on their Capital Ratio and orders corrective measures to prevent and correct problems that may affect the stability or solvency of banks if a bank fails to meet the minimum required Capital Ratio. See "Description of the Notes — Treatment of Interest and Principal During a Suspension Period — Suspension Periods" for a discussion of such corrective measures.

Reserve and Compulsory Deposit Requirements

The compulsory reserve requirement is one of the monetary policy instruments used as a mechanism to control the liquidity of the Mexican economy to reduce inflation. The objective of *Banco de México*'s monetary policy is to maintain the stability of the purchasing power of the Mexican peso and in this context, to maintain a low inflation level. Given the historic inflation levels in Mexico, the efforts of *Banco de México* have been directed towards a restrictive monetary policy.

Under the *Banco de México* Law (*Ley del Banco de México*), *Banco de México* has the authority to order the percentage of the liabilities of financial institutions that must be deposited in interest or non-interest-bearing deposits with *Banco de México*. These deposits may not exceed 20% of the aggregate liabilities of the relevant financial institution. *Banco de México* also has the authority to order that 100% of the liabilities of Mexican banks resulting from specific funding purposes or pursuant to special legal regimes, be invested in specific assets created in respect of any such purpose or regime.

To manage its maturity exposures to the Mexican financial markets, *Banco de México* has been extending the maturities of its liabilities for longer terms to avoid the need for continuing refinancing of its liabilities. Those liabilities have been restructured into voluntary and compulsory deposits (*Depósitos de Regulación Monetaria*), and into investment securities such as longer-term government bonds (*Bondes*) and compulsory monetary regulatory bonds (Brems). At the same time, *Banco de México* has elected to hold short-term assets, thus allowing it the ability readily to refinance its positions of assets and reduce its maturity exposure to the financial markets.

Classification of Loans and Allowance for Loan Losses

The Loan Classification and Rating Rules set forth under the General Rules for Banks, provide a methodology to classify (i) consumer loans (*i.e.*, each of credit card exposure and loans to individuals, divided as separate groups) considering as principal elements (a) for credit card exposure, the possibility of non-payment and potential losses (taking into account collateral received), and (b) for loans to individuals, the possibility of non-payment, potential losses (taking into account collateral received), and credit exposure (net of reserves created), (ii) mortgage loans (*i.e.*, residential, including loans for construction, remodeling or improvements), considering as principal elements delinquency periods, possibility of non-payment and potential losses (taking into account collateral and guarantees received), and (iii) commercial loans, based principally on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Although the Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

The Loan Classification and Rating Rules require that consumer loans to individuals be stratified, considering the number of unpaid billing periods applicable to the relevant loans, and that a statutory percentage be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased as the maturity of the applicable loan approaches and past due payments are made. Credit card loans must be reserved, on a loan-by-loan basis, considering amounts due, amounts paid to the relevant date, credit limits, and minimum payments required. Consumer loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (from 0% to 100%); credit card consumer loans may be classified as A, B-1, B-2, C, D or E also depending upon the percentage of reserves required.

Under the Loan Classification and Rating Rules, mortgage loans must also be stratified, considering the number of unpaid monthly installments applicable to the relevant loans, and a statutory percentage must be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased in respect of restructured mortgage loans. Mortgage loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (ranging from 0% to 100%).

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk, applicable reserves and set forth procedures for the grading of commercial loans: A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E.

The grading of commercial loan portfolios is determined by an analysis of the financial risk, industry risk, country risk and the credit experience, which include the following risk factors: financial structure and payment capacity, sources of financing, administration and decision making, integrity of the financial information, market position and the specific collateral or guarantees that cover the credits.

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

The loan loss reserves are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to obtain authorization from their boards of directors in order to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

Liquidity Requirements for Foreign Currency-Denominated Liabilities

Pursuant to regulations of *Banco de México*, the total amount of maturity-adjusted (by applying a factor, depending upon the actual maturity of the relevant liability) net liabilities denominated or indexed to foreign currencies that Mexican banks, their subsidiaries or their foreign agencies or branches may maintain (calculated daily), are limited to 1.83 times the amount of their Tier 1 capital. To calculate such limit, maturity-adjusted foreign currency-denominated or indexed assets (including liquid assets, assets with a maturity of less than one year, short term derivatives and spot foreign exchange transactions) are subtracted from maturity-adjusted foreign currency-denominated or indexed liabilities, and the aforementioned factor is applied to the resulting amount.

The maturity-adjusted net liabilities of Mexican banks denominated or indexed to foreign currencies (including dollars) are subject to a liquidity coefficient (*i.e.* to maintaining sufficient foreign currency-denominated or indexed liquid assets). These permitted liquid assets include, among others:

- U.S. dollar-denominated cash or cash denominated in any other currency freely convertible;
- deposits with *Banco de México*;
- treasury bills, treasury bonds and treasury notes issued by the United States government;
- demand deposits or one to seven-day deposits in foreign financial institutions rated at least P-2 by Moody's Investor Services Inc., or Moody's, or A-2 by Standard & Poor's Rating Services, or S&P;

- investments in mutual or similar funds or companies approved by *Banco de México*, that satisfy certain requirements; and
- unused lines of credit granted by foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P, subject to certain requirements.

Such liquid assets may not be posted as collateral, lent or subject to repurchase transactions or any other similar transactions that may limit their transferability.

We are in compliance with the applicable reserve requirement and liquidity coefficients in all material aspects.

Lending Limits

In accordance with the General Rules for Banks, limits relating to the diversification of a bank's lending transactions are determined in accordance with the bank's compliance with Mexican Capitalization Requirements. For a bank with:

- a capitalization ratio greater than 8.0% and up to 9.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank, is limited to 12.0% of the bank's Tier 1 capital;
- a capitalization ratio greater than 9.0% and up to 10.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 15.0% of the bank's Tier 1 capital;
- a capitalization ratio greater than 10.0% and up to 12.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 25.0% of the bank's Tier 1 capital;
- a capitalization ratio greater than 12.0% and up to 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 30.0% of the bank's Tier 1 capital; and
- a capitalization ratio greater than 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 40.0% of the bank's Tier 1 capital.

The limits mentioned in the prior paragraphs are required to be measured on a quarterly basis. The CNBV has discretion to reduce the aforementioned limits, if internal control or the risk management of the bank is inadequate.

Financings guaranteed by unconditional and irrevocable security interests or guarantees, that may be enforced immediately and without judicial action, granted by foreign financial institutions with investment grade ratings and established in a country member of the European Union or the Organization for Economic Cooperation and Development (which guarantees must be accompanied with a legal opinion as to their enforceability), securities issued by the Mexican government, and cash (transferred to the bank lender under a deposit that may be freely disposed of by the lender) are exempted from the aforementioned limits, but such financings may not exceed 100.0% of a bank's Tier 1 capital.

The aggregate amount of financings granted to the three largest borrowers of a bank, may not exceed 100.0% of the bank's Tier 1 capital. The aforementioned limits also do not apply to financings made to other Mexican banks and to government-controlled companies and decentralized agencies, but may not exceed 100.0% of such bank's Tier 1 capital.

Banks are not obligated to comply with the aforementioned limits with respect to financings made to the Mexican government, local governments (subject to such financings being guaranteed by the right to receive certain Federal taxes), *Banco de México*, the IPAB and development banks guaranteed by the Mexican government.

Banks are required to disclose, in the notes to their financial statements, (i) the number and amount of financings that exceed 10.0% of Tier 1 capital, and (ii) the aggregate amount of financings made to their three largest borrowers.

Funding Limits

In accordance with the General Rules for Banks, Mexican banks are required to diversify their funding risks. In particular, a Mexican bank is required to notify the CNBV, the business day following the occurrence of the event, in the event it receives funds from a person or a group of persons acting in concert that represent in one or more funding transactions, more than 100% of a bank's Tier 1 capital. None of our liabilities to a person or group of persons exceeds the 100% threshold.

Foreign Currency Transactions

Banco de México regulations govern transactions by banks, denominated in foreign currencies. Mexican banks may, without any specific additional approval, engage in spot, foreign exchange transactions (*i.e.*, transactions having a maturity not exceeding four business days). Other foreign currency transactions are deemed derivative transactions and require approvals as discussed below. At the end of each trading day, banks are generally obligated to maintain a balanced foreign currency position (both in the aggregate and by currency). However, short and long positions are permitted in the aggregate, so long as such positions do not exceed 15% of a bank's Tier 1 capital. In addition, Mexican banks must maintain liquid assets, prescribed by regulations issued by *Banco de México*, in connection with maturities of obligations denominated in foreign currencies (as discussed under "Liquidity Requirements Foreign Currency-Denominated Liabilities" above).

Derivative Transactions

Certain *Banco de México* rules apply to derivative transactions entered into by Mexican banks. Mexican banks are permitted to enter into swaps, credit derivatives, forwards and options with respect to the following underlying assets:

- specific shares, groups of shares or securities referenced to shares, that are listed in a securities exchange,
- stock exchange indexes,
- Mexican currency, foreign currencies and UDIs,
- inflation indexes,
- gold or silver,
- nominal or real interest rates with respect to any debt instrument, and
- loans or other advances.

Mexican banks require an express general approval, issued in writing by *Banco de México* to enter into, as so-called intermediaries, into derivative transactions, with respect to each class or type of derivative. Mexican banks that have not received the relevant general approval, would require a specific approval from *Banco de México* to enter into such derivative transactions (or even if in possession of such general approval, to enter into derivative transactions with underlying assets different from the assets specified above). Mexican banks may, however, enter into derivatives without the authorization of *Banco de México*, if the exclusive purpose of such derivatives is to hedge the relevant bank's existing risks. Authorizations may be revoked if, among other things, the applicable Mexican bank fails to comply with Mexican Capitalization Requirements, does not timely comply with reporting requirements, or enters into transactions that contravene applicable law or sound market practices.

Mexican banks are required to periodically inform their board of directors with respect to the derivatives entered into, and whether or not the Mexican bank is in compliance with limits imposed by the board of directors and any applicable committee. Mexican banks must also inform *Banco de México* periodically of derivative transactions entered into and whether any such transaction was entered into with a related party. The counterparties in respect of derivatives transactions entered into by Mexican banks, must be other Mexican banks, Mexican financial entities authorized to enter into such derivatives by *Banco de México* or foreign financial institutions. Derivatives must be entered into pursuant to master agreements that must include international terms and guidelines, such as ISDA master agreements. As an exception to applicable rules, Mexican banks may pledge cash, receivables and securities to secure obligations resulting from their derivative transactions.

We have received approval from *Banco de México* to engage in swaps, forwards and options related to interest rates, equities, indexes, and foreign currencies.

Limitations on Investments in Other Entities

Under the Financial Groups Law, subsidiaries of a financial services holding company may not acquire more than 1.0% of the capital stock of another Mexican financial institution, and under no circumstances may they own capital stock of their own financial services holding company, of other subsidiaries of their financial services holding company or of entities that are shareholders of their own financial services holding company or of other subsidiaries of their financial services holding company. In addition, entities member of a financial group may not extend credit in connection with the acquisition of their capital stock, the capital stock of their financial services holding company or the capital stock of other subsidiaries of their financial services holding company. Without the prior approval of the Ministry of Finance and Public Credit (which shall take into consideration the opinions of *Banco de México* and the primary Mexican regulatory commission supervising the financial entity), entities member of a financial group may not accept as collateral shares of capital stock of Mexican financial institutions. Mexican banks may not acquire or receive as collateral, certain securities issued by other Mexican banks. The approval of the Ministry of Finance and Public Credit is required prior to acquisition of shares of capital stock of non-Mexican financial entities.

The Mexican Banking Law imposes certain restrictions on investments by Mexican banks in equity securities of companies engaged in non-financial activities. Mexican banks may own equity capital in such companies in accordance with the following guidelines: (i) up to 5.0% of the capital of such companies at any time, without any approval; (ii) more than 5.0% and up to 15.0% of the capital of such companies, for a period not to exceed three years, upon prior authorization of a majority of the members of the bank's board of directors; and (iii) higher percentages and for longer periods, or in companies engaged in new long-term projects or carrying out development related activities, whether directly or indirectly, with prior authorization of the CNBV. The total of all such investments (divided considering investments in listed and in non-listed companies) made by a bank may not exceed 30.0% of such bank's Mexican Tier 1 capital.

A Mexican bank requires the prior approval of the CNBV to invest in the capital stock of companies that render auxiliary services to such bank and of companies that hold real estate where the offices of the applicable bank may be located.

Under the Mexican Banking Law, the approval of the CNBV is required prior to the merger of a commercial bank with any other entity.

Restrictions on Liens and Guarantees

Under the Mexican Banking Law, banks are specifically prohibited from (i) pledging their securities as collateral (except if *Banco de México* or the CNBV so authorizes, including as described above with respect to derivative transactions) and (ii) guaranteeing the obligations of third parties, except, generally, in connection with letters of credit and bankers' acceptances.

Bank Secrecy Provisions; Credit Bureaus

Pursuant to the Mexican Banking Law, a Mexican bank may not provide any information relating to the identity of its customers or specific deposits, services or any other banking transactions (including loans) to any third parties (including any purchaser, underwriter or broker, or holder of any of the bank's securities), other than (i) the depositor, debtor, accountholder or beneficiary and their legal representatives or attorneys-in-fact, (ii) judicial authorities in trial proceedings in which the accountholder is a party or defendant, (iii) the Mexican federal tax authorities for tax purposes, (iv) the Ministry of Finance and Public Credit for purposes of the implementation of measures and procedures to prevent terrorism and money laundering, (v) the Federal Auditor (*Auditoría Superior de la Federación*), to exercise its supervisory authority, (vi) the supervisory unit of the Federal Electoral Agency, and (vii) the federal attorney general's office (*Procuradur General de la República*) for purposes of criminal proceedings, among others. In most cases, the information needs to be requested through the CNBV.

The CNBV is authorized to furnish foreign financial authorities with certain protected information under the Mexican bank secrecy laws, provided that an agreement must be in effect between the CNBV and such authority for the reciprocal exchange of information. The CNBV must abstain from furnishing information to foreign financial authorities if, in its sole discretion, such information may be used for purposes other than financial supervision, or by reason of public order, national security or any other cause set forth in the relevant agreement.

Banks and other financial entities are allowed to provide credit related information to duly authorized Mexican credit bureaus.

Money Laundering Regulations

Mexico has in effect rules relating to money laundering; the most recent set of rules have been in effect since April 21, 2009 (the "Money Laundering Rules").

Under the Money Laundering Rules, we are required to satisfy various requirements, including:

- the establishment and implementation of procedures and policies, including client identification and know-your-customer policies, to prevent and detect actions, omissions or transactions that might favor, assist or cooperate in any manner with terrorism or money laundering activities (as defined in the Mexican Federal Criminal Code *(Código Penal Federal))*;
- implementing procedures for detecting relevant, unusual and suspicious transactions (as defined in the Ministry of Finance and Public Credit regulations);
- reporting of relevant, unusual and suspicious transactions to the CNBV and the Ministry of Finance and Public Credit; and
- the establishment of a communication and control committee (which, in turn, must appoint a compliance officer) in charge of, among other matters, supervising compliance with anti-money laundering provisions.

We are also required to organize and maintain a file before opening an account or entering into any kind of transaction, for the identification of each client (each, an "Identification File").

An individual's Identification File shall include, among other information, a copy of the following documentation or data: (i) full name, (ii) date of birth, (iii) country of birth, (iv) nationality, (v) occupation, profession, main activity or line of business, (vi) complete domicile, (vii) telephone number, (viii) e-mail, if any, (ix) tax identification number and population registry identification, when applicable, and (x) advanced electronic signature series number, when applicable.

An entity's Identification File shall include, among other information, a copy of the following documentation or data: (i) corporate name, (ii) corporate purpose and line of business, (iii) nationality, (iv) tax identification number, (v) advanced electronic signature series number, when applicable, (vi) complete domicile, (vii) telephone number, (viii) e-mail, if any, (ix) incorporation date, and (x) complete name of the sole administrator, the members of the board of directors, the general manager or any relevant attorneys-in-fact.

Identification Files shall be maintained for the complete duration of the corresponding agreement entered into with such client, and for a minimum term of ten years from the date such agreement is terminated.

Under the Money Laundering Rules, we must provide to the Ministry of Finance and Public Credit, through the CNBV, (i) quarterly reports (within ten business days from the end of each quarter) with respect to transactions equal to, or exceeding, U.S.$10,000, (ii) monthly reports (within 15 business days from the end of the month) with respect to international funds transfers, received or sent by a client, with respect to transactions equal to, or exceeding, U.S.$10,000, (iii) reports of unusual transactions, within 60 calendar days counted from the date an unusual transaction is detected by our systems, and (iv) periodic reports of suspicious transactions, within 60 calendar days counted from the date the suspicious transaction is detected.

In June 2010 and September 2010, the Ministry of Finance and Public Credit issued new regulations that restrict cash transactions denominated in U.S. dollars that may be entered into by Mexican banks. Pursuant to such regulations, Mexican banks are not permitted to receive in a single month, whether through cash deposits or as payment of credits or other banking services, physical cash amounts in U.S. dollars in excess of U.S.$4,000 in the case of individuals, or U.S.$7,000 in the case of companies operating in the northern border region. These new measures seek to reinforce anti-money laundering policy and dissuade other illegal or improper activities. These new regulations do not limit in any way the amount of U.S. Dollars that may be sold to the public by banking institutions and do not restrict transactions with U.S. Dollars performed by any other means other than cash.

These new resolutions also allow Mexican banks to enter into agreements with commission agents, pursuant to which such agents may, on behalf of banks, perform certain transactions denominated in U.S. dollars. These provisions enable hotels and duty free shops located in airports, among others, to receive U.S. Dollars, subject to certain limitations depending on the nature of the agent and the purpose of the transaction.

In addition, the newly enacted regulations set forth certain reporting obligations for Mexican banks regarding their U.S. dollar cash transactions, to the Ministry of Finance and Public Credit (through the CNBV).

In connection with Mexico's efforts against drug-trafficking organizations, the Mexican government recently announced several measures to be taken, to further curtail money laundering. These measures are yet to be implemented but are expected to include (i) restricting transactions involving automobiles, real estate, jewelry and other highly-priced assets with cash, (ii) requiring certain persons to disclose transactions, such as gambling outlets, grantors of any types of loans, real estate and automobile agencies, jewelers, lawyers and accountants, carriers of cash and securities and art galleries, and (iii) modifying applicable laws to avoid the use of nominees and increase access to information by Mexican authorities.

Rules on Interest Rates

Banco de México regulations limit the number of reference rates that may be used by Mexican banks as a basis for determining interest rates on loans. For peso-denominated loans, banks may choose any of a fixed rate, TIIE, *Cetes*, CCP *(costo de captación promedio a plazo)*, the rate determined by *Banco de México* as applied to loans funded by or discounted with NAFIN, the rate agreed to with development banks in loans funded or discounted with them, the weighted bank funding rate *(tasa ponderada de fondeo bancario)* and the weighted governmental funding rate (*tasa ponderada de fondeo gubernamental*). For UDI-denominated loans, the reference rate is the UDIBONOS. For foreign currency-denominated loans, banks may choose any of a fixed rate or floating market reference rates that are not unilaterally determined by a financial institution, including LIBOR or the rate agreed upon with international or national development banks or funds, for loans funded by or discounted with such banks or funds. For dollar denominated loans, banks may choose either a fixed rate, any of the rates referred to in the prior sentence or CCP-Dollars, as calculated and published in the Official Gazette by *Banco de México*.

The rules also provide that only one reference rate can be used for each transaction and that no alternative reference rate is permitted, unless the selected reference rate is discontinued, in which event a substitute reference rate may be established. A rate or the mechanism to determine a rate, may not be modified unilaterally by a bank. Rates must be calculated annually, based upon 360-day periods.

On July 11, 2008, *Banco de México* published new rules that regulate the issuance, use and include certain card users protection provisions.

Fees

Under *Banco de México* regulations, Mexican banks, *Sofoles* and *Sofomes* may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (i) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo annual total*), (ii) charge alternative fees, except if the fee charged is the lower fee, and (iii) charge fees for the cancellation of credit cards issued. In addition, among other things, Mexican banks may not (i) charge simultaneous fees, in respect of demand deposits, for account management and relating to not maintaining minimum amounts, (ii) charge fees for returned checks received for deposit in a deposit account or as payment for loans granted, (iii) charge fees for cancellation of deposit accounts, debit or teller cards, or the use of electronic banking services, or (iv) charge different fees depending upon the amount subject of a money transfer. Under the regulations, fees arising from the use of ATMs must be disclosed to users.

Mexican banks, *Sofoles* and *Sofomes* permitting customers the use of, or operating, ATMs must choose between two options for charging fees to clients withdrawing cash or requesting balances: (i) specifying a fee for the relevant transactions, in which case, Mexican banks, *Sofoles* and *Sofomes* issuing credit or debit cards ("Issuers") may not charge cardholders any additional fee (Issuers are entitled to charge operators the respective fee), or (ii) permit Issuers to charge a fee to clients, in which case, banks, *Sofoles* and *Sofomes* may not charge additional fees to clients.

Banco de México, on its own initiative or as per request from the CONDUSEF *(Comisión Nacional para la Defensa de los Usuarios de las Instituciones Financieras)*, banks, *Sofoles* or *Sofomes*, may assess whether reasonable competition conditions exist in connection with fees charged by banks, *Sofoles* or *Sofomes* in performing financial operations. *Banco de México* must obtain the opinion of the Federal Competition Commission *(Comisión Federal de Competencia)* in carrying out this assessment. *Banco de México* may take measures to address these issues.

On October 12, 2009, *Banco de México* published Circular 24/2009, which modifies the rules on ATM-user fees and became effective as of April 30, 2010. This new regulation may result in changes to our current ability to charge fees for ATM use to our clients or the amount of such charges.

Law for the Protection and Defense of Financial Service Users

A Law for the Protection and Defense of Financial Service Users *(Ley de Protección y Defensa al Usuario de Servicios Financieros)* is in effect in Mexico. The purpose of this law is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services and that has very wide authority to protect users of financial services (including imposing fines). CONDUSEF acts as arbitrator in disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions. As a banking institution, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings (initial steps of a dispute) and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it. The law requires banks, as us, to maintain an internal unit designated to resolve any and all controversies submitted by clients. We maintain such a unit.

CONDUSEF maintains a Registry of Financial Service Providers *(Registro de Prestadores de Servicios Financieros)*, in which all financial services providers must be registered, that assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial institutions. Furthermore, CONDUSEF may scrutinize banking services provided by using standard accession agreements.

We may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. We may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. We may be subject to coercive measures or sanctions imposed by CONDUSEF. We are not the subject of any material proceedings before CONDUSEF.

Law for the Transparency and Ordering of Financial Services

The new Transparency and Ordering of Financial Services Law *(Ley para la Transparencia y Ordenamiento de los Servicios Financieros)* was published in the Official Gazette of Mexico in June, 2007. The purpose of this law is to regulate (i) the fees charged to clients of financial institutions for the use and/or acceptance of means of payment, as with debit cards, credit cards, checks and orders for the transfer of funds, (ii) the fees that financial institutions charge to each other for the use of any payment system, (iii) interest rates that may be charged to clients, and (iv) other aspects related to financial services, all in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants *Banco de México* the authority to regulate interest rates and fees and establish general guidelines and requirements relating to payment devices and credit card account statements (see "Rules on Interest Rates" and "Fees" above). *Banco de México* has the authority to specify the basis upon which each bank must calculate its aggregate annual cost *(costo annual total)*, which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly disclosed by each bank. The law also regulates the terms that banks must include in standard accession agreements and the terms of any publicity and of information provided in account statements.

We must inform *Banco de México* of any changes in fees at least 30 (thirty) calendar days before they become effective.

Financial Groups Statutory Responsibility

The Financial Groups Law requires that each financial services holding company, such as Ixe Grupo, enter into an agreement with each of its financial services subsidiaries, which includes us. Pursuant to such agreements, the financial services holding company is responsible secondarily and without limitation for performance of the obligations incurred by its subsidiaries as a result of the authorized activities of such subsidiaries, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the financial services holding company's assets. For such purposes, a subsidiary is deemed to have losses if (i) its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law, (ii) its capital and reserves are less than the subsidiary is required to have under applicable law, or

(iii) in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations.

The financial services holding company has to inform the CNBV of the existence or potential existence of any such obligation or loss. The financial services holding company would only have to respond with respect to the obligations of its financial services subsidiaries fifteen business days after the CNBV (or any other principal regulator) delivers notice of its approval of the enforceability of such obligations. The financial services holding company responds to the losses of its subsidiaries by making capital contributions to such subsidiaries (no later than 30 days counted from the date the applicable losses shall arise).

No subsidiary is responsible for the losses of the financial services holding company or of the financial services holding company's subsidiaries. Ixe Grupo has entered into such an agreement with Ixe Banco and its other financial services subsidiaries and such agreement is in effect.

Law for the Protection of Personal Data

On July 5, 2010, the new Federal Law for Protection of Personal Data held by Private Persons (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), or the LFPDP, was published and it has become effective. The purposes of the LFPDP are to protect personal data collected, held or to be used by individuals and private entities and to enforce controlled and informed processing of personal data in order to ensure data subjects' privacy and the right to consent in respect of the use of protected information.

The LFPDP requires companies to inform data subjects about the information being collected, used, disclosed or stored and the purpose for such collection, use, disclosure or storage via a privacy notice and provides special requirements for processing sensitive personal data (which is defined as data relating to race, physical condition, religious, moral or political affiliation, and sexual preferences). The LFPDP gives data subjects the right to: (i) access their data, (ii) have inaccuracies in their data corrected or completed, (iii) deny transfers of their data, and (iv) oppose use of their data or have it deleted from a company's system (other than in certain circumstances expressly set forth in the LFPDP, as exercise of a right or holding of information required under applicable law). The LFPDP requires that, if disclosure of data is permitted, the transferee agrees to the same restrictions as those set forth in the documentation permitting the original receipt and subsequent disclosure of information. The LFPDP also provides that data may be disclosed without the consent of the data subject in circumstances such as (i) applicable law requiring or permitting disclosure, (ii) disclosure being required in connection with a medical treatment, or (iii) disclosure being required for public policy reasons or in connection with a legal action. The LFPDP requires immediate notice to a data subject, of any security breach that significantly affects his/her property or moral rights.

The newly-named Federal Institute of Access to Information and Data Protection, or the Institute, will be authorized to monitor and enforce compliance with the LFPDP by private entities processing personal data. Such entities will be held liable for interfering with a data subjects' exercise of their rights under the LFPDP and for failing to safeguard their personal data. Data subjects who believe that a company is not processing their personal data in accordance with the LFPDP may request an investigation by the Institute. Following an investigation, the Institute may: (i) dismiss the data subject's claim, or (ii) affirm, reject, or modify a company's answer to a data subject's claim. Penalties and/or fines for violating the LFPDP's provisions can be as severe as the equivalent of U.S.$1.4 million, a prison sentence up to five years, or double the applicable fine or sentence in the event of sensitive personal data.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to an indenture to be dated as of October 14, 2010, between The Bank of New York Mellon, as trustee (the "Trustee"), registrar, paying agent and transfer agent, and us. This summary describes the general terms and provisions of the Notes. The description of certain provisions of the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture and the Notes, including the definitions therein of certain terms. We urge you to read the indenture, this description and this offering circular because they define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the indenture, the Notes and this offering circular, the terms of the indenture will prevail. You may obtain a copy of the indenture and the form of the Notes by contacting the Trustee at the address indicated in this offering circular.

General

The Notes will initially be issued in the aggregate amount of U.S.$120,000,000 in registered form, in minimum denominations of U.S.$50,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will represent our general, unsecured, non-preferred, non-cumulative, subordinated obligations. The Notes constitute Subordinated Non-Preferred Indebtedness and will rank (1) junior to our Senior Indebtedness and our Subordinated Preferred Indebtedness, (2) *pari passu* without preference among themselves and with all our other Subordinated Non-Preferred Indebtedness and (3) senior only to all classes of our capital stock, as described in this offering circular. See "— Subordination." We may incur additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness from time to time, and the indenture does not prohibit or limit the incurrence of other indebtedness, including additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness.

The Notes are not guaranteed, or otherwise eligible for reimbursement, by the IPAB or by any other Mexican governmental agency, and will not be guaranteed or secured, in any manner, by any entity that is part of Ixe Grupo (including our holding company), and, by their terms, are not convertible into our shares or equity capital.

The Notes will mature and be payable in full on October 14, 2020 (the "Maturity Date"). Holders of Notes will have no rights at any time to call for redemption of, or accelerate, the Notes, except that payment of the Notes shall be automatically accelerated upon the occurrence of a Bankruptcy Event of Default described under "— Events of Default, Notice and Waiver." We may redeem the Notes in whole, but not in part, under the circumstances described below under "— Redemption — Withholding Tax Redemption" and "— Redemption — Special Event Redemption."

Payments of principal of and interest on the Notes will be made as described below under "— Book-Entry System."

We will maintain a transfer agent in the Borough of Manhattan, The City of New York, where the Notes may be presented for exchange or transfer. The transfer agent initially will be located at 101 Barclay Street, Floor 4 East, New York, New York 10286. Holders of the Notes will not have to pay a service charge to register the transfer or exchange of any Notes, but we may require that you pay any applicable tax or other governmental charge.

The indenture and the Notes do not contain any provision that would protect the holders of the Notes against a sudden and dramatic decline in our credit quality resulting from a takeover, recapitalization or other restructuring or other event involving us that may adversely affect our credit quality.

Interest

The Notes will bear interest at 9.25% per annum, accruing from and including the issue date up to but excluding the Maturity Date. Interest on the Notes will be payable semi-annually in arrears on each April 14 and October 14 of each year (each such date, an "Interest Payment Date"), commencing on April 14, 2011. If any Interest Payment Date would otherwise fall on a date that is not a Business Day, the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.

Any amount of principal in respect of the Notes not paid on the Maturity Date or on the date called for redemption, or any interest not paid on an Interest Payment Date, shall bear interest, to the extent permitted by applicable law and other than during a Suspension Period (as defined in "— Treatment of Interest and Principal During a Suspension Period — Suspension Periods"), during which Suspension Period interest shall not accrue, at the applicable Interest Rate plus 1.00%, from and including the date when such amount was due to but excluding the date of payment.

The term "Business Day" is defined in the indenture as any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York or Mexico City are authorized or required by law or executive or administrative order to remain closed.

Further Issuances

The Notes will be issued in an initial aggregate principal amount of U.S.$120,000,000. Without notice to or consent of the holders of the Notes offered by this offering circular, additional Notes may be issued under the indenture having the same ranking, interest rate and other terms as the Notes, other than the original issue date and interest accrual date, provided that such additional Notes shall have no more than a *de minimis* amount of original issue discount or the issuance of such additional Notes would constitute a "qualified reopening" as defined for U.S. federal income tax purposes. Any additional Notes, together with the Notes offered by this offering circular, will constitute a single series of Notes, under the indenture.

Payment of Additional Amounts

We will make all payments in respect of the Notes without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico (the "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, the "Relevant Tax") unless the withholding or deduction of the Relevant Tax is required by law. In that event, we will pay as further distributions of interest and principal such additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by the holders or beneficial owners of the Notes or their nominees (collectively, "holders") after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no Additional Amounts will be payable to a holder (1) to the extent that the Relevant Tax is imposed or levied only by virtue of such holder having some connection with the Relevant Jurisdiction, other than being a holder of such Notes or, receiving payments on the Notes or enforcing rights under the Notes, (2) to the extent of any inheritance, gift, sales, transfer or personal property taxes imposed with respect to the Notes, (3) where (in the case of a payment of principal or interest) the relevant Note is surrendered for payment more than 30 days after the relevant date except to the extent that the relevant holder would have been entitled to such Additional Amounts if it had surrendered the relevant Note on the last day of such period of 30 days, or (4) to the extent that the Relevant Tax is imposed or levied only by virtue of such holder not having provided evidence of its place of residence or not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption or reduction in the rate of withholding, if the provision of such information is required under applicable law, *provided*, *however*, that (x) we have or our agent has provided the holder of such Notes or its nominee with at least 60 days' prior written notice of an opportunity to provide such evidence to make such a declaration or claim, and (y) the procedures for providing such evidence or making such claim or declaration are commercially reasonable and no more stringent than the satisfactory completion and delivery of U.S. Internal Revenue Service Form W-8 BEN. We will also (1) make such withholding or deduction and (2) remit the full amount withheld or deducted to the relevant taxing authority, in the Relevant Jurisdiction in accordance with applicable law.

We will furnish to the Trustee, within 30 Business Days after the date of payment of any such taxes or the receipt of any credit or refund in respect of such taxes, an officer's certificate and other documentation acceptable to the Trustee, including certified copies of returns, evidencing such payment by us. Upon written request of the holders to the Trustee, copies of such officer's certificate or other documentation, as the case may be, will be made available to the holders.

To give effect to the foregoing, we will, upon the written request of any holder, indemnify and hold harmless and reimburse the holder for the amount of any Relevant Taxes (other than any Relevant Taxes for which the holder would not have been entitled to receive Additional Amounts pursuant to any of the conditions described in the first paragraph of this section titled "Payment of Additional Amounts") so imposed on, and paid by, such holder as a result of any payment of principal of or interest on the Notes, so that the net amount received by such holder after such reimbursement would not be less than the net amount the holder would have received if such Relevant Tax had not been imposed or levied and so paid. Holders will be obligated to provide reasonable documentation and to cooperate with us in connection with the foregoing.

We will also pay any stamp, documentary, or similar taxes arising in a Relevant Jurisdiction in connection with the Notes and will indemnify the holders for any such taxes paid by holders.

All references to principal payable on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption, or interest payable on the Notes shall be deemed to include any Additional Amounts payable by us under the Notes or indenture. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the indenture.

We undertake to comply with European Council Directive 2003/48/EC (the "Savings Directive") or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 that may be brought into force and to ensure that we maintain a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such Notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto (other than providing us with reasonable assistance to seek to obtain such refund). We will inform the Trustee of the refund or credit within 30 Business Days of our determination that we are entitled to receive such refund or credit.

Treatment of Interest and Principal During a Suspension Period

Suspension and Cancellation of Interest and Deferral of Principal Payments

We have the right to and will suspend and cancel accrual and payment of interest due on the Notes and defer the payment of principal due on the Notes on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption, as the case may be, for the duration of any Suspension Period (see "— Suspension Periods"). In the event of a suspension and cancellation of accrual and payment of interest on the Notes or deferral of payment of principal payable on the Notes on the Maturity Date or upon any redemption thereof, we will notify the holders of the Notes and the Trustee in accordance with the procedures described in the indenture. Payments of interest due on the Notes will be non-cumulative, so that in the event that accrual and payment of interest are suspended and cancelled in respect of a Suspension Period, holders of the Notes will have no right to receive any such non-accrued and unpaid interest (which would have accrued had there not been a Suspension Period) at the end of such Suspension Period, whether or not such payments are made at any future Interest Payment Date. Notwithstanding the foregoing, all interest accrued prior to a Suspension Period, but not paid as a result of such Suspension Period in effect on the relevant Interest Payment Date(s) on which such payments would have been payable, will be payable (without additional interest on such interest previously accrued) on the next succeeding Interest Payment Date on which no Suspension Period is in effect. If a Suspension Period exists on the Maturity Date, payment of principal will be deferred without accruing additional interest until the date that is five days after the date on which no Suspension Period is in effect. Principal payments may be deferred but not cancelled. When a Suspension Period is no longer in effect, we will notify the holders of the Notes and the Trustee in accordance with the procedures described in the indenture.

Suspension Periods

For purposes hereof, a "Suspension Period" will commence and we will, during such Suspension Period, suspend and cancel accrual and payment of interest otherwise due thereon and defer the payment of principal thereof payable upon redemption of the Notes, upon the occurrence of any of the following:

(1) (x) our Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements, or (y) our board of directors reasonably determines that it is immediately imminent that our Capital Ratio will decline below the minimum percentage required from time to time by the Mexican Capitalization Requirements (in either case, a "Capital Ratio Event"); or

(2) the CNBV institutes a corrective measure against us pursuant to Article 134 Bis or Article 134 Bis 1 of the Mexican Banking Law (including the corresponding rules set forth under the General Rules for Banks), which requires deferring or cancelling payments of interest otherwise due on the Notes and, in its case, deferring payments of principal (a "Mexican Regulatory Event").

Article 134 Bis of the Mexican Banking Law provides that in the exercise of its supervisory duties the CNBV, through general regulations approved by its Board of Governors, will classify banking institutions based on their compliance with the provisions governing capitalization requirements issued by the CNBV (currently issued by the Ministry of Finance and Public Credit and adopted by the CNBV), which may take into account Capital Ratios that reflect the degree of stability and solvency of a bank. The CNBV has the authority to order corrective measures to banking institutions, based on their classification, for purposes of correcting problems arising from their operations, that could affect their solvency or financial viability.

Article 134 Bis 1 of the Mexican Banking Law provides that if a bank does not comply with the minimum Capital Ratio required pursuant to the Mexican Capitalization Requirements, the bank must implement the corrective measures ordered by the CNBV, including:

(1) informing the board of directors of the bank's classification (and the circumstances that resulted in such classification), based on the Capital Ratio thereof, and submitting a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulation, including the principal regulatory ratios, that reflect the bank's degree of stability and solvency (together with any determinations or indications made by any of the CNBV or *Banco de México*); the bank shall provide written notice to the general director and the chairman of the board of directors of the bank's regulated holding company with respect to such events and the status thereof;

(2) within a period not to exceed fifteen (15) Business Days, filing with the CNBV, for its approval, a capital recovery plan to increase the bank's Capital Ratio (which may include improving operating efficiencies, rationalizing expenses, increasing profitability, receiving new capital contributions and limiting the bank's operations); the bank's capital recovery plan shall be approved by such bank's board of directors before it is submitted to the CNBV for approval; subject to certain exceptions, the plan is required to be satisfied within 270 days counted from the date of its approval by the CNBV;

(3) suspending any payment of dividends to its shareholders, as well as any mechanism or action for the making of any distributions or the granting of any economic benefits to shareholders;

(4) suspending any share repurchase programs;

(5) deferring or canceling payments of interest and deferring the payment of principal on outstanding subordinated debt or, if applicable, exchanging outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency; in the event that the bank issues subordinated debt, the bank is obligated to include in the documentation evidencing the relevant debt, in the applicable indenture and in the applicable offering documents, that such deferral of payment of principal or deferral and cancellation of payments of interest shall apply upon the occurrence of certain events, as provided in the general rules of Article 134 Bis of the Mexican Banking Law set forth under the General Rules for Banks, and that the implementation of such measures shall not be considered a default under the relevant debt documentation;

(6) suspending payment of any extraordinary benefits and bonuses that are not a component of the ordinary salary of the general director or any officer within the next two levels, and suspending the granting of new benefits and bonuses to the general director and the officers mentioned above until the bank complies with the minimum Capital Ratio set forth under the Mexican Capitalization Requirements;

(7) abstaining from increasing outstanding amounts under any loans granted to any party who is a related party to the bank; and

(8) any other corrective measures that, in each case, are provided by the general rules of Article 134 Bis of the Mexican Banking Law set forth under the General Rules for Banks.

Article 134 Bis 1 of the Mexican Banking Law further provides that:

- If a bank complies with the minimum Capital Ratio required pursuant to the Mexican Capitalization Requirements, but its Capital Ratio is not equal to or greater than the minimum Capital Ratio for a bank not to be subject to any corrective measures set forth above), the bank must implement certain corrective measures ordered by the CNBV, including, primarily, among others, (1) informing the board of directors of the bank's classification, based on the Capital Ratio thereof and submitting a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulation, including the principal regulatory ratios, that reflect the bank's degree of stability and solvency (together with any determinations or indications made by any of the CNBV or *Banco de México*); (2) abstaining from entering into any transaction that may decrease the bank's Capital Ratio below the Mexican Capitalization Requirements; and (3) any other corrective measures ordered by the CNBV.
- Regardless of the capitalization level, the CNBV may order the implementation of additional special corrective measures, including, among others: (1) requiring compliance with additional corrective measures that the bank will be required to carry out to avoid a decrease of its Capital Ratio; (2) special audits to be performed by special auditors in connection with specific matters; (3) abstaining from increasing the salaries and benefits of all officers and employees

of the bank, except for any change in salary previously agreed and subject to the officers' and employees' labor rights; (4) removing officers, directors, statutory auditors or external auditors, appointing the persons that will hold the relevant positions; or (5) any other measures ordered by CNBV, based on its inspection and supervision authorities.

- Corrective measures will not be applicable to Mexican banks with a Capital Ratio equal to or greater than the minimum Capital Ratio required by the Mexican Capitalization Requirements plus 25% thereof.

The Capital Ratio currently required by the Mexican Capitalization Requirements for a bank not to be required to suspend and cancel the accrual and payment of interest and defer payment of principal on outstanding subordinated debt, as applicable, is 8.0%. If the Capital Ratio were above 8.0% but less than 10.0%, then the CNBV may impose limited corrective measures described above. Under the Mexican Capitalization Requirements currently in effect, a bank with a Capital Ratio of 10% or greater will not be subject to any corrective measures.

The general rules of Article 134 Bis of the Mexican Banking Law, as set forth in the General Rules for Banks, classify Mexican banks in several categories based on their Capital Ratio. The relevant corrective measures are determined based on the following classifications:

Class	Capital Ratio
Class I	Equal to or greater than 10%
Class II	Equal to or greater than 8% and less than 10%
Class III	Equal to or greater than 7% and less than 8%
Class IV	Equal to or greater than 4% and less than 7%
Class V	Less than 4%

The general rules of Article 134 Bis of the Mexican Banking Law further provide that corrective measures applicable to banks classified in Class III, IV and V include, among others, requiring a bank to suspend and cancel accrual and payment of interest and, if ordered by the CNBV, defer payment of any principal on outstanding subordinated debt and, if applicable, exchange outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency; in the event that the bank issues subordinated debt, a bank must include in the relevant debt documentation, that such suspension of payment of interest and deferral of payment of principal shall apply to subordinated debt in the event that a bank is classified in Class III, IV or V and that the implementation of such measures shall not be considered a default under the relevant debt documentation.

We are currently classified as Class I and our Capital Ratio was 15.7% as of June 30, 2010.

Accrual and payment of interest due on the Notes will resume and the payment of principal due on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption (in each case as described below) shall be due and the Suspension Period shall terminate:

(1) if the Suspension Period was triggered by a Capital Ratio Event, when our Capital Ratio is no longer below, or our board of directors reasonably determines that there is no longer a risk that our Capital Ratio will decline below, the minimum percentage required by the Mexican Capitalization Requirements;

(2) if such Suspension Period was triggered by a Mexican Regulatory Event, when the related Mexican Regulatory Event has terminated; or

(3) if dividends or other distributions are paid by us on or in respect of our capital stock, other than the Dividend Exceptions (as defined below).

Notwithstanding anything in this offering circular to the contrary, a Suspension Period shall not give rise to any Event of Default under the indenture or the Notes.

We must give the Trustee written notice of any Suspension Period at least five Business Days prior to the earlier of (1) the date the interest due on the Notes or the principal due on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption would have been payable except for such Suspension Period, and (2) the date the Trustee is required to give notice to any securities exchange or to holders of the Notes of the record date or the date such interest or principal, as applicable, is payable but in any event not less than five Business Days prior to such record date. We must also give the Trustee written notice of the termination of any Suspension Period not more than three Business Days after the Suspension Period is no longer in effect.

During any Suspension Period, we shall not:

(1) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock (which includes common and preferred stock);

(2) make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any of our debt securities that rank *pari passu* with or junior in right of payment and in liquidation to the Notes; or

(3) to the extent any such guarantee is permitted under applicable law, make any guarantee payments with respect to any guarantee granted by us in respect of the debt securities of any of our subsidiaries if such guarantee ranks *pari passu* with or junior in right of payment and in liquidation to the Notes;

provided, *however*, that (x) the foregoing shall not, to the extent permitted by the Mexican Capitalization Requirements or applicable law, prohibit payment of the Dividend Exceptions, and (y) the foregoing shall not apply to the extent that we obtain prior regulatory consent for any action that would otherwise be prohibited and resume full payment of interest due (including payment of any previously accrued interest due) on the Notes and, if applicable, pay any principal due on the Notes on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption. Subject to the foregoing, we shall pay interest due on the Notes and principal thereof so long as we are paying dividends or other distributions on or in respect of our capital stock.

For purposes hereof, "Dividend Exceptions" shall mean (1) dividends or distributions in shares of or options, warrants or rights to subscribe for or purchase shares of, our common stock, (2) any declaration of a stock dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, (3) any reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock, (4) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (5) purchases of common stock related to the issuance of common stock or rights under any of our benefit plans for our directors, officers or employees and (6) other equivalent transactions not involving payments or distributions in cash.

Subordination

The indenture provides that the Notes (1) constitute Subordinated Non-Preferred Indebtedness (*obligaciones subordinadas no preferentes*), (2) will be subordinate and junior in right of payment and in liquidation to all Senior Indebtedness and Subordinated Preferred Indebtedness (*obligaciones subordinadas preferentes*), and (3) will be senior only to all classes of our capital stock. No payment of principal (including redemption payments), premium, if any, and interest on the Notes may be made at any time when (a) any Senior Indebtedness or Subordinated Preferred Indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (b) the maturity of any Senior Indebtedness or Subordinated Preferred Indebtedness has been accelerated because of a default.

In the event of an acceleration of the Notes due to our insolvency or liquidation and upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *concurso mercantil, quiebra* or similar proceedings in connection with our insolvency or bankruptcy, (1) all principal, premium, if any, and interest due or to become due on all Senior Indebtedness must be paid in full before the holders of Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness (including the Notes) are entitled to receive or retain any payment in respect thereof, (2) all principal, premium, if any, and interest due or to become due on all Subordinated Preferred Indebtedness must be paid in full before the holders of Subordinated Non-Preferred Indebtedness (including the Notes) are entitled to receive or retain any payment in respect thereof and (3) the holders of Subordinated Non-Preferred Indebtedness (including the Notes) will be entitled to receive *pari passu* among themselves any payment in respect thereof. The Notes and all other Subordinated Non-Preferred Indebtedness will be senior to all classes of our capital stock.

Definitions

For the purposes of the Notes:

(1) The term "Senior Indebtedness" is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, unless the terms thereof specifically provide that it is not superior in right of payment and in liquidation to the Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness (including the Notes) and any deferrals, renewals or extensions of such Senior Indebtedness;

(2) The term "Subordinated Preferred Indebtedness" is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, the terms of which specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness, but is senior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness (*obligaciones subordinadas no preferentes*), including the Notes and all classes of our capital stock and any deferrals, renewals or extensions of such Subordinated Preferred Indebtedness;

(3) The term "Subordinated Non-Preferred Indebtedness" (which includes the Notes) is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, the terms of which specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness and Subordinated Preferred Indebtedness, but is senior in right of payment and in liquidation to all classes of our capital stock and any deferrals, renewals or extensions of such Subordinated Non-Preferred Indebtedness; and

(4) The term "Indebtedness for Money Borrowed" is defined in the indenture to mean any obligation of, or any obligation guaranteed by, us (to the extent permitted under applicable law) for the repayment of borrowed money, whether or not evidenced by notes, debentures or other written instruments, but shall not include (a) any trade accounts payable in the ordinary course of business, (b) any such indebtedness that by its terms ranks junior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness, (c) indebtedness to any of our employees, (d) our indebtedness which, when incurred, was without recourse to us, and (e) any other indebtedness that would otherwise qualify as "Indebtedness for Money Borrowed" to the extent that such indebtedness, by its terms, ranks *pari passu* with or junior in right of payment and in liquidation to any of the indebtedness described in clause (a) or (b) above.

No Limitation on Additional Indebtedness

The indenture places no limitation on the amount of additional Senior Indebtedness, Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness that we may incur. We may incur from time to time additional indebtedness constituting Senior Indebtedness, Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness.

Redemption

Withholding Tax Redemption

Under the terms of the indenture, we have the option to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at par plus any accrued and unpaid interest on the Notes upon the occurrence of a Withholding Tax Event (as defined below), a "Withholding Tax Redemption". In the event of such a Withholding Tax Redemption, we may be required by *Banco de México* to obtain its authorization on or prior to the date fixed for such redemption under the terms of the indenture (the "Redemption Date") to redeem the Notes.

If we were to effect such a Withholding Tax Redemption, we would, to the extent required by Mexican law, have to issue or have issued prior to the Redemption Date, securities or other instruments that are eligible to be computed as Tier 1 capital for the same principal amount pursuant to the Rules for Capitalization.

The summary of Mexican regulations described in the preceding paragraph relating to the Notes are for information purposes only and shall not grant any rights to the Trustee or the holders of the Notes, including the right to request any such authorization.

For the purposes of the foregoing, the term Withholding Tax Event in respect of the Notes is defined in the indenture to mean (1) the receipt by us of an opinion of a nationally recognized law firm or nationally recognized tax advisor experienced in such matters to the effect that, as a result of (a) any rules or any amendment to or change (including any announced prospective change) in the laws (or any rules or regulations thereunder) or any treaties in effect of any Relevant Jurisdiction affecting taxation, (b) any judicial decision, administrative pronouncement of general applicability or regulatory procedure, of any Relevant Jurisdiction, each an "Administrative Action," or (c) any amendment to or change in the official position or the official interpretation of such Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having jurisdiction, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such pronouncement or decision is announced on or after the date of issuance of the Notes, collectively, a "Change in Tax Law", there is more than an insubstantial risk that we are or will be within ninety (90) days of the receipt of the opinion required to withhold or deduct for or on account of Relevant Taxes in respect of interest payments (or amounts deemed interest) made under the Notes to non-residents of Mexico for tax purposes in excess of a 4.9% rate, and (2) the delivery to the Trustee of a certificate signed by our Chief Financial Officer or the General Counsel stating that the requirement to make such withholding or deduction cannot be avoided by us by taking reasonable measures available to us (such measures not involving any material cost to us the incurring by us of any other tax or penalty or the creation or establishment of our branch in a territory other than a territory of Mexico).

Special Event Redemption

Under the terms of the indenture, we also have the option to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at the Special Event Price (as defined below) upon the occurrence of a Special Event (as defined below) affecting the Notes, a "Special Event Redemption". In the event of such a Special Event Redemption, we may be required by Banco *de México* to obtain its authorization on or prior to the Redemption Date to redeem the Notes.

If we were to effect such a Special Event Redemption, we would, to the extent required by Mexican law, have to issue or have issued prior to the Redemption Date securities or other instruments that are eligible to be computed as Tier 1 capital for the same principal amount pursuant to the Rules for Capitalization.

The summary of Mexican regulations described in the preceding paragraph relating to the Notes are for information purposes only and shall not grant any rights to the Trustee or the holders of the Notes, including the right to request any such authorization.

For the purposes of the foregoing:

(1) The term “Special Event” is defined in the indenture to mean a Capital Event or a Tax Event (both as defined below);

(2) The term “Capital Event” is defined in the indenture to mean the reasonable determination by us that, as a result of (a) the occurrence of any amendment to or change in, the laws or any regulations, of any nature and however denominated, thereunder of Mexico, or (b) any official administrative pronouncement or judicial decision interpreting or applying these laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Notes, there is more than an insubstantial risk that we will not be entitled to treat the Notes as Tier 1 capital, or the then equivalent of Tier 1 capital, for purposes of the Rules for Capitalization and the Mexican Capitalization Requirements, as then in effect and applicable to us;

(3) The term “Tax Event” in respect of the Notes is defined in the indenture to mean the receipt by us of an opinion of a nationally recognized law firm or nationally recognized tax advisor experienced in such matters to the effect that, as a result of a Change in Tax Law, there is more than an insubstantial risk that interest payable by us on the Notes is not or will not be deductible by us in whole or in part for Mexican income tax purposes;

(4) The term “Special Event Price” in respect of the Notes is defined in the indenture to mean an amount equal to (a) 100% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest to the Redemption Date plus (b) the Make-Whole Amount (as defined below);

(5) The term “Make-Whole Amount” is defined in the indenture to mean an amount equal to the excess, if any, of (a) the present value of the remaining scheduled payments of principal of and interest on the Notes to the Maturity Date, computed by discounting such payments on a semi-annual basis, assuming a 360-day year of twelve 30-day months and using a discount rate equal to the Treasury Yield plus 0.50%, over (b) the outstanding principal amount of the Notes plus accrued interest thereon to but excluding the Redemption Date. The date of determination of the Make-Whole Amount shall be the third Business Day prior to the applicable payment date;

(6) The term “Treasury Yield” is defined in the indenture to mean, as of any date of determination, an interest rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Maturity Date and trading in the public securities markets either as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public securities market, (a) one maturing as close as possible to, but earlier than the Maturity Date, and (b) the other maturing as close as possible to, but later than the Maturity Date, as published in the most recent H.15 (519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Maturity Date is published in the most recent H.15 (519), such weekly average yield to maturity as published in such H.15 (519); and

(7) The term “H.15 (519)” is defined in the indenture to mean the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the

Federal Reserve System and "Most Recent H.15 (519)" means the H.15 (519) published prior to the close of business on the third Business Day prior to the applicable payment date.

Redemption Procedures

If we give a notice of a Withholding Tax Redemption or a Special Event Redemption in respect of the Notes as described in this offering circular, then, by 11:00 a.m., New York City time, one Business Day prior to the Redemption Date, to the extent (i) no Suspension Period is in effect (of which a trust officer of the Trustee has actual knowledge) and (ii) funds are legally available, with respect to the Notes being redeemed and held by DTC or its nominee, the Trustee or the paying agent will pay the applicable redemption price to DTC. See "— Book-Entry System." With respect to the Notes being redeemed and held in certificated form, the Trustee, to the extent funds are legally available, will pay the applicable redemption price to the holders thereof upon surrender of their certificates evidencing the Notes. Interest payable on or prior to the Redemption Date shall be payable to the holders of such Notes on the relevant record dates. If there is no Suspension Period in effect (of which a trust officer of the Trustee has actual knowledge) and notice of redemption shall have been given and funds deposited with the Trustee to pay the applicable redemption price for the Notes being redeemed, then upon the date of such deposit, all rights of the holders of the Notes will cease, except the right of the holders of such Notes to receive the applicable redemption price, but without interest on such redemption price, and such Notes will cease to be outstanding. In the event that any Redemption Date of the Notes is not a Business Day, then the applicable redemption price payable on such date will be paid on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay), in each case with the same force and effect as if made on such date. In the event that payment of the applicable redemption price is improperly withheld or refused and not paid by us (1) interest due on the Notes being redeemed will continue to accrue at the then applicable rate, from the Redemption Date originally established by us to the date such redemption price is actually paid, and (2) the actual payment date will be the Redemption Date for purposes of calculating the applicable redemption price.

Notice of any redemption shall be delivered by us to each holder of Notes at least 30 days but not more than 60 days prior to the Redemption Date. If we elect to have the Trustee give such notice, then we shall deliver written notice of such redemption to the Trustee at least 45 days prior to the Redemption Date (unless the Trustee agrees to a shorter period in writing). The Trustee shall in turn deliver such notice to each holder of Notes in accordance with the procedures described in the indenture. Unless we default in payment of the applicable amounts due on, or in the repayment of, the Notes, from and after the Redemption Date, interest will cease to accrue on the Notes called for redemption.

Notwithstanding anything to the contrary herein, delivery of a notice of redemption to the Trustee or receipt by the holders of Notes of a notice of redemption, if a Suspension Period exists on the Redemption Date, amounts payable as a result of our election to redeem the Notes will be deferred without interest until the date that is five days after the date on which no Suspension Period is in effect.

Events of Default, Notice and Waiver

An "Event of Default" is defined in the indenture as:

- a default for 30 calendar days in the payment of interest due and payable on the Notes, other than during a Suspension Period;

- a default in the payment of the principal due and payable on the Notes on the Maturity Date or upon any Withholding Tax Redemption or Special Event Redemption, except during a Suspension Period; or

- certain events involving the declaration of our bankruptcy (*concurso mercantil* or *quiebra*), or our liquidation or dissolution (a "Bankruptcy Event of Default").

The payment of the principal of the Notes will be accelerated only upon the occurrence of a Bankruptcy Event of Default. There is no right of acceleration or to claim payment of principal of the Notes upon the occurrence of the other Events of Default noted above, including a default in the payment of principal or interest. If payment of the principal of the Notes is accelerated, we shall promptly notify the holders of our Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness of the acceleration. If an Event of Default occurs under the indenture and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided above) under the indenture to collect the payment of due and unpaid principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the indenture.

If a Bankruptcy Event of Default occurs and is continuing, the Notes will become immediately due and payable, without any declaration or other act on the part of the Trustee or any holder of the Notes, at their principal amount together with accrued and unpaid interest up to but excluding the date of payment without further action by any person. For the avoidance of doubt, no Mexican Regulatory Event will constitute our bankruptcy (including *concurso mercantil* or *quiebra*), liquidation or dissolution, nor during a Suspension Period will a deferral in the payment of principal of the Notes on the Maturity Date or upon any redemption thereof or suspension and cancellation of accrual and payment of interest on the Notes, entitle the holders of the Notes to accelerate and demand the payment of principal of the Notes. In the event of a concurso mercantil, holders of the Notes may not be able to collect the full amount payable under the Notes and other bankruptcy rules may affect the timing or amount paid to holders of the Notes. See "Risk Factors — If we do not satisfy our obligations under the Notes, your remedies will be limited."

Holders may not enforce the indenture or the Notes except as provided in the indenture. The holder of any Note, however, will have the right to receive payment of the principal of and interest on that Note on or after the due dates expressed in the indenture or that Note or the Redemption Date, as the case may be, and, subject to the suspension, cancellation and deferral provisions set forth in the Notes and the indenture and certain other limitations and conditions, to institute a lawsuit for the enforcement of any such payment on or after such respective dates. The Trustee may refuse to enforce the indenture or the Notes unless it receives indemnity or security satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the outstanding Notes may direct the Trustee under the indenture in its exercise of any trust or power in respect thereof.

Under the indenture, we must furnish the Trustee annually with a statement regarding any default in the performance of our obligations thereunder.

Modification of Indenture; Waiver of Covenants

We and the Trustee may, without notice to or consent of any holders of Notes, amend, waive or supplement the indenture or the Notes in certain circumstances, including, among other things, to cure any ambiguity, omission, defect or inconsistency, to conform the text of the indenture or the Notes to any provision in this "Description of the Notes" and to make any change that does not adversely affect the rights of any relevant holder in any material respect. In addition, we and the Trustee may amend, waive or supplement the indenture or the Notes with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes. However, without the authorization of *Banco de México*, if required under Mexican applicable laws and regulations, and the consent of the holders of each Note affected and the approval of 75% of the members of our board of directors, we may not, among other things:

- change the Maturity Date or any Interest Payment Date on any Notes;

- reduce the principal amount, the interest rate or the redemption price for any Note;

- change the obligations to pay Additional Amounts;
- change the currency of payment of principal of or interest on any Note;
- impair the right to sue for the enforcement of any payment on or with respect to any Note;
- reduce the percentage in principal amount of outstanding Notes that is required for the consent of the holders in order to modify or amend the indenture or to waive compliance with some provisions of the indenture or to waive some defaults; or
- modify the subordination provisions relating to the Notes in any manner adverse to the holders of the Notes.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default or Event of Default under the indenture, except a default under a provision that cannot be modified without the consent of each holder of a Note that would be affected.

Consolidation, Merger, Sale or Transfer of Assets

We may not, without the consent of holders of at least 66⅔% in aggregate principal amount of the outstanding (as defined in the indenture) Notes, consolidate with or merge into, or convey or transfer, in one transaction or a series of transactions, all or substantially all of our properties, deposits, assets and liabilities to any person, unless:

(1) the resulting entity, if other than us, is a bank organized and existing under the law of Mexico and assumes all of our obligations to:

(a) pay, subject to any Suspension Period, the interest and principal due on the Notes; and

(b) perform and observe all of our other obligations under the indenture; and

(2) no Event of Default, as defined in the indenture, shall have occurred and be continuing.

Restrictions Applicable to Mexican Financial Institutions

Unless otherwise permitted by applicable law, the indenture will provide that the Notes (1) may not constitute collateral granted in favor of Mexican credit institutions (*instituciones de crédito*) including us and (2) may not be acquired by us for our own account or by any of the following entities:

(1) Mexican financial entities (entidades financieras) of any kind that acquire the Notes for their own account, except for (i) investment companies that invest in debt instruments (*sociedades de inversión en instrumentos de deuda y comunes*), (ii) securities brokers (*casas de bolsa*) that acquire the Notes for subsequent placement with investors, and (iii) insurance companies (*instituciones y sociedades mutualistas de seguros*) and bonding companies (*instituciones de fianzas*) to the extent they acquire the Notes to invest their technical reserves and in respect of fluctuations in the value of securities; *provided*, *however*, that the exceptions referred to in clauses (i) and (ii) of this paragraph shall not apply to (x) investment companies in which we or any other entity that forms part of our financial group holds, directly or indirectly, the majority of its fixed capital and (y) financial entities that form part of our financial group;

(2) Mexican or non-Mexican entities with respect to which we (i) own voting stock representing at least 51% of their outstanding paid-in capital, (ii) have control of the shareholders' meetings of such entity or (iii) have the authority to appoint the majority of the members of such entity's board of directors;

(3) Mexican pension or retirement funds if managed by us or another entity that forms part of our financial group; and

(4) we or another entity that is part of our financial group acting in its capacity as trustee, representative, agent or attorney-in-fact if, by acting in such capacity, it has discretionary investment authority;

provided, *however*, that any Mexican financial entity or Mexican pension or retirement fund that is not otherwise prevented from investing in the Notes may acquire, together with any other such entity that is an affiliate or that forms part of the same financial group on a collective basis, up to 10% of the principal amount of the outstanding Notes.

Book-Entry System

The Notes will be represented by one or more global notes. The global notes will be deposited with, or on behalf of, The Depository Trust Company ("DTC"). DTC will act as depository. The Notes will be registered in the name of DTC or its nominee.

The Notes are being offered and sold in this initial offering in the United States solely to qualified institutional buyers under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S.

Following this offering, the Notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States in reliance on Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Rule 144A Global Notes

The Notes offered and sold to qualified institutional buyers under Rule 144A will be issued in the form of one or more registered notes in global form, without interest coupons (referred to collectively as the Rule 144A Global Notes). The Rule 144A Global Notes will be deposited on the date of the closing of the sale of Notes with, or on behalf of, and registered in the name of, a nominee of, DTC. Interests in the Rule 144A Global Notes will be available for purchase only by qualified institutional buyers.

Regulation S Global Notes

The Notes offered and sold in offshore transactions to persons which are non-U.S. persons in reliance on Regulation S will initially be represented by one or more registered notes in global form, without interest coupons (referred to collectively as the Regulation S Global Notes) and will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, and registered in the name of, a nominee of, DTC.

Prior to the 40th day after the date of issuance of the Notes, any resale or transfer of beneficial interests in the Regulation S Global Notes to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Investors may hold their interest in a Regulation S Global Note through organizations that are participants in the DTC system.

Exchanges Among the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of that interest through a Rule 144A Global Note will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided in the indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the Trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if available, Rule 144A under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Book-Entry Procedures for the Global Notes

Ownership of beneficial interests in a global note will be limited to DTC and to persons that may hold interests through institutions that have accounts with DTC, referred to as the participants. Beneficial interests in a global note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC and its participants for that global note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the Notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

DTC holds the securities of its participants and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts.

Principal and interest payments on the Notes represented by a global note will be made to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the Notes represented by the global note for all purposes under the indenture. Accordingly, we, the Trustee, any paying agent, registrar and transfer agent will have no responsibility or liability for:

- any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a Note represented by a global note;
- any other aspect of the relationship between DTC and its participants or the relationship between those participants and the owners of beneficial interests in a global note held through those participants; or
- the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

DTC has advised us that upon receipt of any payment of principal of or interest on a global note, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of that global note as shown on DTC's records. The initial purchaser of the Notes will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a global note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in "street names," and will be the sole responsibility of those participants.

The Notes represented by a global note can be exchanged for definitive notes in registered form only if:

- DTC notifies us that it is unwilling or unable to continue as depository for that global note or at any time DTC ceases to be a clearing agency registered under the U.S. Securities Exchange

Act of 1934, as amended (the "Exchange Act"), and a successor depository is not appointed by us within 90 calendar days;

- we, in our sole discretion, determine that the global note will be exchangeable for definitive notes in registered form and notify the Trustee of our decision; or
- an Event of Default has occurred and is continuing and the holders of more than 50% of the principal amount of the Notes represented by the global note advise the Trustee in writing that it is in the best interest if the holders to do so.

In the circumstances described in the preceding sentence, a global note will be exchanged for definitive notes that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive notes will be registered in the names of the owners of the beneficial interests in the global note as directed by DTC and may bear the legend as set forth under "Transfer Restrictions."

Except as provided above, owners of beneficial interests in a global note will not be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders of the Notes for any purpose under the indenture and no Notes represented by a global note will be exchangeable. Accordingly, each person owning a beneficial interest in a global note must rely on the procedures of DTC (and if that person is not a participant, on the procedures of the participant through which that person owns it interest) to exercise any rights of a holder under the indenture or that global note. The laws of some jurisdictions require that some purchasers of securities take physical delivery of the securities in definitive form. Those laws may impair the ability to transfer beneficial interests in a global note.

Registrar, Transfer Agent and Paying Agents

The Trustee will act as registrar for the Notes. The Trustee will also act as transfer agent and paying agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of Notes after such Notes have been called for redemption.

The Trustee

The Bank of New York Mellon will act as Trustee under the indenture. Notices to the Trustee should be directed to the Trustee at its Corporate Trust Office, located at 101 Barclay Street, Floor 4 East, New York, New York, 10286, Attn: International Corporate Trust Department. The Trustee may resign or be removed under circumstances described in the indenture and we may appoint a successor Trustee to act in connection with the Notes. Any action described in this offering circular to be taken by the Trustee may then be taken by the successor Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with us or our affiliates with the same rights it would have if it were not Trustee. Any paying agent, transfer agent, registrar or co-registrar may do the same with like rights.

The indenture contains some limitations on the right of the Trustee should it become a creditor of ours, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The Trustee will be permitted to engage in transactions with us. The occurrence of a default under the indenture could create a conflicting interest for the Trustee. In this case, if the default has not been cured or waived within 90 days after the Trustee has or acquires a conflicting interest, the Trustee generally is required to eliminate the conflicting interest or resign as Trustee for the Notes. In the event of the Trustee's resignation, we will promptly appoint a successor Trustee for the Notes.

The Trustee may be removed by the holders of a majority of the outstanding Notes if an Event of Default under the indenture has occurred and is continuing. No resignation or removal of the Trustee and no appointment of a successor Trustee shall be effective until the acceptance of appointment by the successor Trustee in accordance with the provisions of the indenture.

Repayment of Monies; Prescription

The Trustee shall return to us upon written request any U.S. legal tender or U.S. government obligations held by it for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After return to us, holders entitled to the U.S. legal tender or U.S. government obligations must look to us for payment as general creditors unless an applicable abandoned property law designates another person and the Trustee shall have no further liability to the holders with respect to such U.S. legal tender or U.S. government obligations for that period commencing after the return thereof.

Governing Law; Consent to Jurisdiction

The indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

We will consent to the jurisdiction of the Federal and state courts located in the Borough of Manhattan in The City of New York, and will agree that all disputes under the indenture may be submitted to the jurisdiction of such courts. We will irrevocably waive to the fullest extent permitted by law any objection that we may have to the laying of venue of any suit, action or proceeding against us or our properties, assets and revenues with respect to the indenture or any such suit, action or proceeding in any such court and any right to which we may be entitled on account of place of residence or domicile.

To the extent that we or any of our revenues, assets or properties shall be entitled to any immunity from any legal action, suit or proceedings from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, we will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

We will agree that service of all writs, claims, process and summons in any suit, action or proceeding against us or our properties, assets or revenues with respect to the indenture or any suit, action or proceeding to enforce or execute any judgment brought against us in the State of New York may be made upon Ixe Securities, LLC, and we will irrevocably appoint Ixe Securities, LLC as our agent to accept such service of any and all such writs, claims, process and summonses.

Currency Rate Indemnity

We have agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, to the greatest extent permitted under applicable law, we will indemnify the relevant holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from our other obligations under the indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the indenture or the Notes.

Reports to Holders

So long as any Notes are outstanding, we will furnish to the Trustee and publish in the website of Ixe Grupo at www.ixe.com.mx:

(a) Within 120 days following December 31, 2010 and the end of each of our fiscal years thereafter, (i) our audited income statements, balance sheets and cash flow statements and the related notes thereto in Spanish for the two most recent fiscal years, in accordance with Mexican Banking GAAP ("GAAP"), which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission, together with an audit report thereon by our independent auditors, and (ii) an English version of our annual financial statements described in clause (i) above and the related notes thereto, and (iii) the portion of the annual report of Ixe Grupo that contains financial information about Ixe Banco; and

(b) Within 60 days following the first three fiscal quarters in each of our fiscal years, commencing with the fiscal quarter ending September 30, 2010, our unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto, if any, for us and our consolidated subsidiaries on a consolidated basis, in each case in Spanish and for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission, all certified by an officer (the chairman of the board, the chief executive officer, any vice president, the treasurer, assistant treasurer, the controller, the secretary or the assistant secretary) of the Bank as presenting fairly in all material respects the financial position, results of operations and changes in financial position of the Bank in accordance with Mexican Banking GAAP, subject to normal year-end adjustments and the absence of footnotes.

The Trustee will furnish copies of our financial statements described above to the holders of the Notes upon request. None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, we shall furnish to the holders of Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

In addition, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, copies of such reports and information furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

Notices

Notices to holders of the Notes (including, among other things, with respect to the redemption of the Notes and the suspension and cancellation of interest) will be mailed to them at their registered addresses.

In addition, from and after the date the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, and so long as it is required by the rules of such exchange, all notices to holders of the Notes shall be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be Luxemburger Wort); or

(2) on the website of the Luxembourg Stock Exchange at http://www.bourse.lu.

Notices shall be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

PLAN OF DISTRIBUTION

Ixe Banco and the Initial Purchaser named below have entered into a purchase agreement with respect to the Notes, dated October 8, 2010 (the "Purchase Agreement"). Subject to certain conditions, the Initial Purchaser has agreed to purchase the principal amount of Notes indicated in the following table.

Initial Purchaser	Principal Amount of Notes
Goldman, Sachs & Co.	$120,000,000
Total	$120,000,000

The Initial Purchaser is committed to take and pay for all of the Notes being offered, if any are taken. The Initial Purchaser proposes to offer the Notes initially at the offering price on the cover page of this offering circular and may also offer the Notes to selling group members at the offering price less a selling concession for private banking sales.

After the Notes are released for sale, the Initial Purchaser may change the offering price and other selling terms. The offering of the Notes by the Initial Purchaser is subject to receipt and acceptance and subject to the Initial Purchaser' right to reject any order in whole or in part.

The Notes have not been and will not be registered under the Securities Act. The Initial Purchaser has agreed that it will only offer or sell the Notes (a) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and (b) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the Securities Act. In connection with sales outside the United States, the Initial Purchaser has agreed that it will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchaser' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the date the Notes are originally issued. The Initial Purchaser will send to each dealer to whom it sell such Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

We have agreed in the purchase agreement, subject to certain exceptions, that for a period of 90 days after the date of this offering circular, neither it nor any of its or other affiliates over which it exercises management or voting control, nor any person acting on its behalf will, without the prior written consent of Goldman, Sachs & Co., offer, sell, contract to sell or otherwise dispose of any securities that are substantially similar to the Notes. For purposes of this paragraph, "securities that are substantially similar to the Notes" will be limited to our subordinated notes that qualify as Tier 1 capital.

The Notes are a new issue of securities for which there currently is no market. The Notes have been approved for listing on the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF Market. The Initial Purchaser has advised us that it intends to make a market in the Notes as permitted by applicable law. The Initial Purchaser is not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at its sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

In connection with the offering, the Initial Purchaser may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchaser of a greater number of Notes than it is required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

These activities by the Initial Purchaser, as well as other purchases by the Initial Purchaser for its own account, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchaser at any time. These transactions may be effected in the over-the-counter market or otherwise.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of the Notes described in this offering circular located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Initial Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act 2000 (“FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to Ixe Banco; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and the Initial Purchaser has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV, and may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered in Mexico to institutional and qualified investors, pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*).

The Notes may not and will not be publicly offered, distributed or redistributed in or from Switzerland and neither this document nor any other solicitation for investments in the Notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations. The Notes are not a collective investment within the meaning of the Federal Collective Investment Schemes Act of June 23, 2006 *(Bundesgesetz über die kollektiven Kapitalanlagen*, *KAG)*. This document may not be copied, reproduced, distributed or passed on to others without the initial purchaser's prior written consent. This document is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 27 of the Listing Rules of the Swiss Exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the Notes on any Swiss stock exchange or other Swiss regulated market and this document may not comply with the information required under the relevant listing rules. The Notes offered hereby have not been and will not be registered with the Swiss Federal Financial Market Supervisory Authority (FINMA) and have not been and will not be authorized under the Federal Collective Investment Schemes Act of June 23, 2006 *(Bundesgesetz über die kollektiven Kapitalanlagen*, *KAG)*. The investor protection afforded by the Federal Collective Investment Schemes Act *(Bundesgesetz über die kollektiven Kapitalanlagen*, *KAG)* does not extend to acquirers of the Notes.

The Initial Purchaser and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Goldman, Sachs & Co. and its affiliates have from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which it received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers and such investment and securities activities may involve securities and/or instruments of Ixe Banco. The Initial Purchaser and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Ixe Securities, LLC, an affiliate of the Bank, acted as a selected dealer in the offering of the Notes. The Notes are being distributed in approximately equal allocations between Goldman, Sachs & Co. and Ixe Securities, LLC. Sales by Ixe Securities, LLC are being made to its private wealth management customers.

We have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act.

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

TAXATION

Mexican Federal Income Tax Considerations

The following summary contains a description of the principal Mexican Federal income tax consequences of the purchase, ownership and disposition of Notes by a Non-Mexican Holder (as defined below). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes. In addition, it does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under the laws other than the Federal tax laws of Mexico (excluding the laws of any state or municipality within Mexico), or (iii) that are applicable to a resident of Mexico for tax purposes that may purchase, own or dispose of the Notes.

A "Non-Mexican Holder" is a holder who is not a resident of Mexico for tax purposes, as defined by the *Código Fiscal de la Federación* (the "Mexican Federal Fiscal Code"), or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico to which income in respect of the Notes is attributable. Under Mexico's tax laws, a natural person is a resident of Mexico for tax purposes if the individual has established his or her home in Mexico. In the event the individual also has a home in another jurisdiction different from Mexico, the individual will be deemed a resident of Mexico for tax purposes when his or her "center of vital interests" is in Mexico. A "center of vital interests" is deemed to exist in Mexico if, among other considerations: (i) more than 50% of an individual's total income, in any calendar year, qualifies as Mexican source income, or (ii) when an individual's principal center of professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which his/her income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years. Mexican nationals are deemed Mexican residents for tax purposes, unless such nationals can demonstrate otherwise. A legal entity is a resident of Mexico if the main administration of its business or its place of its effective management is established in Mexico.

This summary is based upon the *Ley del Impuesto Sobre la Renta* (the "Mexican Income Tax Law") and the Mexican Federal Fiscal Code in effect as of the date of this offering circular, all of which are subject to change. Prospective purchasers of the Notes should consult their own tax advisers as to the Mexican or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the effect of any foreign, state or municipal or local tax laws.

Mexico has entered into, and is negotiating, several double taxation treaties with various countries, that may affect the Mexican withholding tax liabilities applicable to Non-Mexican Holders. Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

Under the Mexican Income Tax Law, payments of interest we make in respect of the Notes (including payments of principal in excess of the issue price of the Notes, if any, which, under Mexican law, are deemed to be interest) to a Non-Mexican Holder, will be subject to a Mexican withholding tax assessed at a rate of 4.9%, if (i) the Notes are placed through banks or brokerage houses (casas de bolsa) in a country with which Mexico has entered into a tax treaty for the avoidance of double taxation, which is in effect, (ii) we deliver notice of the offering of the Notes to the CNBV in accordance with Article 7 of the Mexican Securities Market Law, and (iii) the information requirements specified by the Ministry of Finance and Public Credit under its general rules are satisfied. In addition, under the Mexican Income Tax Law, interest payments that a banking institution, as us, makes to a Non-Mexican Holder are subject to a Mexican withholding tax assessed at a rate of 4.9%, regardless of whether the aforementioned requirements are met. Although the requirements described in (i) through (iii) above are expected to be satisfied, the applicable withholding tax rate is expected to be 4.9% regardless of their satisfaction because of the benefit of the application of the 4.9% withholding tax rate on interest payments to non-residents of Mexico for tax purposes, which benefits Mexican banking institutions.

A higher income tax withholding rate (up to a maximum of 30%) will be applicable when the effective beneficiaries of payments treated as interest, whether directly or indirectly, individually or collectively with related persons, who receive more than 5% of the aggregate amount of such payments of interest on the Notes, are (i) our shareholders who own, directly or indirectly, individually or collectively with related persons, more than 10% of our voting stock, or (ii) entities more than 20% of whose stock is owned, directly or indirectly, individually or collectively with related persons, by us or by persons related to us. For such purposes, under the Mexican Income Tax Law, persons are considered related if one possesses an interest in the business of the other, common interests exist between them, or a third person holds an interest in the business or property of both persons.

Payments of interest we make in respect of the Notes to a non-Mexican pension or retirement fund will be generally exempt from Mexican withholding taxes, provided that (i) the fund is the effective beneficiary of such interest income, (ii) the fund is duly established pursuant to the laws of its country of residence, (iii) the relevant interest income is exempt from taxation in such country, and (iv) the fund is duly registered with the *Servicio de Administración Tributaría* (the "Tax Administration System") in accordance with certain general rules issued for these purposes.

We have agreed, subject to specified exceptions and limitations, to pay additional amounts to Non-Mexican Holders of the Notes in respect of the Mexican withholding taxes attributable to interest payments mentioned above. If we pay additional amounts in respect of such Mexican withholding taxes attributable to interest payments, any refunds of such withholding taxes will be for our account. See "Description of the Notes — Payment of Additional Amounts."

Holders or beneficial owners of the Notes may be requested to provide information or documentation necessary to enable us to determine the appropriate Mexican withholding tax rate applicable to interest and deemed interest payments made to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a complete or timely basis, our obligations to pay additional amounts may be limited as set forth under "Description of the Notes — Payment of Additional Amounts."

Under the Mexican Income Tax Law, payments of principal we make to a Non-Mexican Holder of the Notes will not be subject to any Mexican withholding or similar taxes.

Under the Mexican Income Tax Law and regulations thereunder, capital gains resulting from the sale or other disposition of the Notes by a Non-Mexican Holder to another Non-Mexican Holder are not taxable in Mexico. Gains resulting from the sale or other disposition of the Notes by a Non-Mexican Holder to a Mexican resident for tax purposes or to a Non-Mexican Holder deemed to have a permanent establishment in Mexico for tax purposes or by a Mexican resident or foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican withholding taxes pursuant to the rules described above in respect of interest payments.

A Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, or disposition of the Notes, nor will it be liable for any Mexican stamp, issue, registration or similar taxes.

Certain United States Income Tax Consequences

To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in these listing particulars is not intended or written to be used, and cannot be used, by prospective investors for the purpose of avoiding penalties that may be imposed on them under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing (within the meaning of Circular 230) of the transactions or matters

addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The following is a summary of the material U.S. federal income tax consequences to a U.S. Holder (as defined below) of Notes. This summary is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations and rulings and decisions currently in effect, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to particular investors in light of their personal investment circumstances, such as banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, traders in securities or commodities that elect mark-to-market treatment, persons that will hold notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organizations or persons whose "functional currency" is not the U.S. dollar, nor does it discuss U.S. federal income tax considerations applicable to certain types of investors subject to special treatment under the U.S. federal income tax. In addition, this discussion does not consider the effect of any alternative minimum taxes or any foreign, state, local, gift, estate or other tax laws that may be applicable to a particular investor. This discussion assumes that investors will purchase the Notes at their original issuance and hold the Notes as capital assets within the meaning of Section 1221 of the Code.

Tax Consequences to U.S. Holders

For purposes of the following discussion, a "U.S. Holder" means a beneficial owner of a Note that, or who is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (a) if a U.S. court can exercise primary supervision over the administration of the trust and (b) one or more U.S. persons have authority to control all of the substantial decisions of the trust.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult their tax advisors.

Interest and Additional Amounts

While the U.S. federal income tax treatment of the Notes is not free from doubt, the Notes should be classified as indebtedness owed by us. We will so treat the Notes for U.S. federal income tax purposes, and the remainder of this discussion reflects such treatment. Thus, interest on the Notes should be taxable to a U.S. Holder as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Additional Amounts paid in respect of Mexican withholding taxes imposed on interest payments on the Notes (as described in "Description of the Notes — Additional Amounts") should be treated in the same manner as interest for these purposes, although it is also possible that the Additional Amounts will be treated as ordinary income (other than interest) for U.S. federal income tax purposes.

Treasury regulations provide special rules for the treatment of debt instruments that provide for contingent payments. Under these regulations, a contingency is disregarded if the contingency is remote or incidental. We intend to take the position that the contingencies on the Notes — notably our right to suspend accrual and payment of interest and defer the payment of principal on the Notes for the duration of any Suspension Period — are remote for this purpose, and thus that the contingent payment debt instrument rules do not apply. If this conclusion is incorrect, the timing of the interest and character of gain on the Notes for federal income tax purposes could be affected.

A U.S. Holder may, subject to certain limitations, be eligible to claim the Mexican taxes withheld as a credit or deduction for purposes of computing its U.S. federal income tax liability. Interest and Additional Amounts paid on the Notes will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute "passive category income" for foreign tax credit purposes. The rules relating to the calculation and timing of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involves the application of complex rules that depend upon a U.S. Holder's particular circumstances. In addition, foreign tax credits generally will not be allowed for Mexican taxes withheld from interest on certain short-term or hedged positions in the Notes. U.S. Holders should consult their own tax advisors with regard to the availability of a credit or deduction in respect of Mexican taxes and, in particular, the application of the foreign tax credit rules to their particular situations.

Disposition of Notes

Upon the sale, redemption, retirement or other disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the disposition (less an amount equal to any accrued interest that the U.S. Holder did not previously include in income, which should be taxable as interest as described under " — Interest and Additional Amounts" above) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the price paid by the U.S. Holder for the Note.

Gain or loss realized on the sale, redemption, retirement or other disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the holding period for such Note is more than one year. Net long-term capital gain recognized by an individual U.S. Holder is currently subject to tax at a lower rate than net short-term capital gain or ordinary income. Net long-term capital gain of individuals for the 2010 taxable year is subject to a maximum rate of 15%. Under newly enacted legislation, certain U.S. Holders who are individuals, estates or trusts may be required to pay up to an additional 3.8% tax on, among other items, capital gains for taxable years beginning after December 31, 2012. Capital gain or loss recognized by a U.S. Holder generally will be U.S. source gain or loss. Therefore, if any such gain is subject to Mexican income tax, a U.S. Holder may not be able to credit the Mexican income tax against its U.S. federal income tax liability. U.S. Holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes. The deductibility of capital losses is subject to limitations.

The above analysis assumes that the Notes will be classified as indebtedness owed by us. If not so treated, the Notes should be treated as equity in us, and thus as corporate stock, the treatment of which should generally be similar to that described above. U.S. Holders should consult their own tax advisors as to the specific consequences of equity treatment.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to payments of principal and interest on a Note and to the proceeds of a sale of a Note made to U.S. Holders. In addition, "backup withholding" may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or to otherwise comply with the applicable backup withholding rules. Certain persons (including, among others, corporations) are not subject to the backup withholding and information reporting requirements.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment made to a holder generally may be claimed as a credit against such holder's U.S. federal income tax liability provided the appropriate information is timely furnished to the Internal Revenue Service.

THE U.S. AND MEXICAN FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN THE U.S. FEDERAL, MEXICAN OR OTHER TAX LAWS.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan, account or arrangement subject to Title I of ERISA or Section 4975 of the Code (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence, diversification and delegation of control requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Under ERISA and the Code, any person who exercises any discretionary authority or control over the management or administration of such a Plan or any authority or control over the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit a Plan from engaging in certain specified transactions involving "plan assets" with any person or entity who is a "party in interest" under ERISA or a "disqualified person" under Section 4975 of the Code (a "Party in Interest") with respect to such Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those Parties in Interest, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws ("Similar Laws").

The acquisition, holding and/or disposition of Notes by a Plan with respect to which we or certain of our affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless the Notes are acquired, held or disposed of pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions include, without limitation:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the "service provider exemption").

Representation

Any purchaser or holder of a Note or any interest therein, including any transferee of such Note or interest, will be deemed to have represented and warranted by its purchase and holding of the Note or interest that it either (1) is not a Plan or a Non-ERISA Arrangement and is not purchasing the Note or interest therein on behalf of or with the assets of any Plan or Non-ERISA Arrangement or (2) the purchase and holding and any subsequent disposition of the Note or interest therein is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption. If a purchaser or holder of a Note or any interest therein that is a Plan or a Non-ERISA Arrangement elects to rely on (i) an exemption other than PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or (ii) the service provider exemption, we may require a satisfactory opinion of counsel or other evidence with respect to the availability of such exemption for such purchase or holding or any subsequent disposition of the Notes or interest.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes have not been registered under the Securities Act. They may not be offered or sold within the United States except:

- in compliance with the registration requirements of the Securities Act and all applicable securities laws of the States of the United States; or
- pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities law of the states of the United States.

Accordingly, the Notes are being offered and sold only:

- inside the United States to qualified institutional buyers as defined in Rule 144A in compliance with exemptions from the registration requirements of the Securities Act; and
- outside the United States in offshore transactions in accordance with Rule 903 of Regulation S.

Each purchaser of the Notes in the United States will be deemed to have represented and agreed as follows:

- the purchaser is either (1) a qualified institutional buyer and is aware that the sale of the Notes to it is being made in reliance on exemptions from the registration requirements of the Securities Act and such acquisition will be for its own account or for the account of a qualified institutional buyer or (2) a person who, at the time the buy order for the Notes was originated, was outside the United States and was not a U.S. person (and was not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S under the Securities Act;

In making its decision to purchase the Notes, the purchaser understands and acknowledges that:

- it has made its own investment decision regarding the Notes based on its own knowledge;
- it has had access to such information as it deems necessary or appropriate in connection with its purchase of the Notes;
- it has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Notes;
- the Notes have not been, nor will they be, registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1)(A) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (2) in accordance with all applicable securities laws of the states of the United States; and
- the Notes will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

  THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT

PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

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

We make no representation as to the availability of the exemption provided by Rule 144 for resales of the Notes.

We acknowledge that so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, holders of such restricted securities, and prospective purchasers (as designated by such holders) of such restricted securities, will have the right to obtain upon request any information required to be provided by Rule 144A(d)(4) under the Securities Act during any period in which we are not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, or we are not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon for us by Ritch Mueller S.C., as to matters of Mexican law, and by Jones Day, as to matters of New York law. Certain legal matters in connection with this offering will be passed upon for the initial purchaser by Cleary Gottlieb Steen & Hamilton LLP and by Mijares, Angoitia, Cortés y Fuentes, S.C.

INDEPENDENT AUDITORS

Our financial statements as of December 31, 2008 and 2009 and for each of the years ended December 31, 2007, 2008 and 2009, included in this offering circular have been audited by Pricewaterhouse Coopers, S.C., independent auditors, as stated in their report appearing herein.

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream. In addition, application has been made to have the Notes accepted for trading in book-entry form by DTC. For the Rule 144A Note, the ISIN number is US466023AB45 and the CUSIP number is 466023 AB4. For the Regulation S Note, the ISIN number is USP59974AB40, the CUSIP number is P59974 AB4 and the Common Code is 055046735.

Listing

The Notes have been approved for listing on the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF market of that exchange. Copies of our bylaws, the indenture, as may be amended or supplemented from time to time, our published annual audited financial statements and any published quarterly unaudited financial statements will be available at our principal executive offices, as well as at the offices of the Trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent and transfer agent, as such addresses are set forth in this offering circular. We believe the auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as the Notes are listed on the Official list of the Luxembourg Stock Exchange.

The Notes have not been and will not be registered with the National Securities Registry *(Registro Nacional de Valores)* maintained by the CNBV, and therefore the Notes may not be publicly offered or sold, or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered to institutional and qualified investors pursuant to the private placement exception set forth in article 8 of the Mexican Securities Market Law. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only and the delivery of such notice to and the receipt by the CNBV thereof, does not imply any certification as to the investment quality of the Notes or our solvency, liquidity or credit quality.

This offering circular constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on Prospectus for Securities.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes, including the authorization of the issuance of the Notes by *Banco de México* on October 4, 2010. Under the authorization, in the event the terms hereof contravene the terms of the indenture, the terms of the indenture shall prevail. Investors are advised to review the indenture. You may obtain a copy of the indenture and form of notes by contacting the Trustee at the address indicated in this offering circular.

Responsibility and No Material Adverse Change

Ixe Banco accepts responsibility for the information contained in this offering circular and, to the best of its knowledge and belief (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to have a material effect on such information. Except as disclosed in this offering circular, there has not been any significant change in our financial or trading position since the date of our last published interim financial statements included in this offering circular and there has not been any material adverse change in our business prospects since the date of our last published audited financial statements included in this offering circular.

No Litigation

Except as disclosed herein, we are not involved in any governmental litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as they are aware is any such governmental litigation or arbitration proceedings pending or threatened.

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IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Mexico City, March 1, 2010

To the Stockholders of
Ixe Banco, S.A.,
Institución de Banca Múltiple,
Ixe Grupo Financiero

We have audited the accompanying balance sheets of Ixe Banco, S. A., Institución de Banca Múltiple, Ixe Grupo Financiero (the "Bank") as of December 31, 2009 and 2008, and the related statements of income, of changes in stockholders' equity for the years ended at December, 2009, 2008 and 2007 and statement of cash flows for the year ended at December 31, 2009 and changes in financial position for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with the accounting practices prescribed by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or Commission or CNBV). Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 2 to the financial statements, the Bank is required to prepare and present financial statements in accordance with the accounting practices prescribed by the CNBV, applicable to financial institutions. These accounting practices differ from Mexican Financial Reporting Standards (MFRS), in the cases specified in the aforementioned note.

As mentioned in Note 1 to the financial statements, on December 31, 2008, the Bank's Shareholders approved the merger of Banco Deuno, S.A., Institución de Banca Múltiple and the Bank. The aforementioned was approved by the CNBV (authorization number 312-1/12297/2008).

As mentioned in Note 2, to the financial statements, effective January 1, 2008, the Bank discontinued the recognition of the effects of inflation in its financial information, in accordance with MFRS B-10 "Inflations effects". As a retroactive application to prior years' financials is not permitted by such standard, the accompanying financial statement as of December 31, 2007 is restated in Mexican pesos in purchasing powers as of December 31, 2007.

As mentioned in Note 11 to the financial statements, on August 12, 2009, the CNBV issued changes in the methodology to determine allowance for loan losses related to credit card loans granted by IXE Tarjetas, S.A. de C.V., Multiple Purpose Financial Company (SOFOM) (Ixe-TDC, which is an unconsolidated subsidiary of the bank). This change generated an increase in the allowance for loan losses of Ixe-TDC of Ps. 173,708, which was recorded in retained earnings in accordance with accounting practices established for financial institutions issued by the CNBV. In the financial statements of the Bank for the year ended December, 31 2009, this change represents a decrease in retained earnings of Ps. 86,854.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2009 and 2008, and the results of their operations, the changes in their stockholders' equity for the years ended December 31, 2009, 2008 and 2007 and cash flows for the year ended at December 31, 2009 and changes in their financial position for the years ended December 31, 2008 and 2007, in conformity with the accounting practices prescribed by the CNBV.

PricewaterhouseCoopers, S.C.

/s/ José Antonio Quesada Palacios
José Antonio Quesada Palacios
Audit Partner

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

BALANCE SHEETS
Amounts stated in thousands of Mexican pesos

	December 31, 2009	December 31, 2008
Assets		
Cash and due from banks (Note 5)	Ps. 3,715,878	Ps. 5,763, 360
Financial margin	215,039	1,500
Securities (Note 6):		
Trading	11,502,989	9,151,402
Available-for-sale	302,755	255,932
Held to maturity	13,155,467	13,465,049
	24,961,211	22,872,383
Securities and derivative transactions:		
Repurchase and resale agreements (Note 7)	5,297,982	3,605,395
Derivative financial instruments (Note 13)	2,576,106	5,165,712
Adjustment related to changes in the fair value of hedged item — loan portfolio	28,701	25,327
Performing loans (Note 8):		
Commercial	14,950,367	11,321,062
Financial entities	3,167,277	2,888,808
Consumer	134,342	109,154
Mortgages	1,085,157	966,107
Government entities	4,497,706	920,104
	23,834,849	16,205,235
Non-performing loans:		
Commercial	308,302	152,704
Financial entities	32,637	34,283
Consumer	5,608	4,692
Mortgages	29,859	14,159
	376,406	205,838
Total loan portfolio	24,211,255	16,411,073
Allowance for loan losses	(523,864)	(309,167)
Total loan portfolio — Net	23,687,391	16,101,906
Other accounts receivable — Net (Note 9)	1,124,354	1,041,002
Foreclosed assets — Net	—	3,100
Property, plant and equipment — Net (Note 10)	651,216	583,019
Equity investments in associates (Note 11)	424,716	539,662
Other assets	603,243	451,026
Total assets	Ps. 63,285,837	Ps. 56,153,392

The accompanying twenty-seven notes are an integral part of these financial statements.

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

BALANCE SHEETS — (Continued)
Amounts stated in thousands of Mexican pesos

	December 31, 2009	December 31, 2008
Liabilities and Stockholders' Equity		
Deposits (Note 14):		
Demand deposits	Ps. 8,906,618	Ps. 7,826,178
Time deposits	18,560,850	13,396,804
	27,467,468	21,222,982
Bank and other entities loans (Note 15):		
Short-term loans	6,013,045	2,943,479
Long-term loans	10,094	31,506
Repurchase and resale agreements (Note 7)	20,154,248	19,976,102
Derivative financial instruments (Note 13)	2,662,981	4,711,421
Subordinated debentures (Note 16)	1,603,672	1,345,425
Adjustment related to changes in the fair value of hedged item — subordinated debenture (Note 16)	(65,821)	546,824
Other accounts payable:		
Income tax and employee statutory profit-sharing (Note 20)	27,656	5,416
Other creditors and other accounts payable	1,798,733	1,685,444
Deferred taxes (Note 20)	2,901	36,793
Deferred credits — Net	94,793	61,613
Contingent liability (Note 23)	—	—
Total liabilities	59,769,770	52,567,005
Stockholders' equity (Note 18)		
Paid-in capital:		
Capital stock	2,269,456	2,269,456
Additional paid-in capital	802,393	802,393
	3,071,849	3,071,849
Earned capital:		
Capital reserves	213,709	186,093
Prior years' retained earnings	217,744	142,160
Net unrealized gain (loss) from valuation of available-for-sale securities	9,166	(88,769)
Result from equity investments		(1,109)
Net income	3,599	276,163
	444,218	514,538
Total stockholders' equity	3,516,067	3,586,387
Total liabilities and stockholders' equity	Ps. 63,285,837	Ps. 56,153,392

The accompanying twenty-seven notes are an integral part of these financial statements.

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

INCOME STATEMENTS
Amounts stated in thousands of Mexican pesos

	December 31, 2009	December 31, 2008	December 31, 2007
Interest income	Ps. 4,407,827	Ps. 4,347,311	Ps.3,263,193
Interest expense	3,058,168	3,309,160	2,605,223
Monetary loss position — Net	—	—	(49,014)
Financial margin	1,349,659	1,038,151	608,956
Provision for loan losses (Note 8)	253,156	298,905	80,371
Financial margin after provision for loan losses	1,096,503	739,246	528,585
Commissions and fees — Net	491,233	444,314	238,768
Brokerage revenue-Net	848,985	324,782	311,666
Net operating revenue	2,436,721	1,508,342	1,079,019
Non-interest expenses	2,543,320	2,163,996	1,386,393
Net operating (loss) income	(106,599)	(655,654)	(307,374)
Other income-Net	174,023	966,398	53,601
Income (loss) before income tax and employee statutory profit sharing and equity in income of subsidiaries and associated companies	67,424	310,744	(253,773)
Income tax and employee statutory profit sharing (Note 20):			
Current	(5,416)	(4,897)	7,081
Deferred	33,892	(41,531)	(4,365)
	28,476	(46,428)	2,716
Income (loss) before shares in net income of associated companies	95,900	264,316	(256,489)
Equity in (losses)/income of associated companies (Note 11)	(92,301)	11,847	412
Income (loss) from continuing operations	3,599	276,163	(256,077)
Discontinued operations — Net	—	—	—
Net income (loss)	Ps. 3,599	Ps. 276,163	Ps. (256,077)

The accompanying twenty-seven notes are an integral part of these financial statements.

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts stated in thousands of Mexican pesos)

	Paid-in Capital		Earned Surplus					
Item	Capital Stock	Share Premium	Capital Reserves	Retained Earnings	Net Unrealized Losses from Valuation of Available for Sale Securities	Result from Equity Investments	Net Income	Total Stockholders Equity
Balances as of December 31, 2007	Ps. 875,755	Ps.672,392	Ps.186,093	Ps. 398,237	Ps. —	Ps.(2,070)	Ps. (256,077)	Ps.1,874,330
CHANGES RELATED TO STOCKHOLDERS' DECISIONS:								
Appropriation of 2007 net loss	—	—	—	(256,077)	—	—	256,077	—
Merge effects	1,023,701	—	—	—	—	—	—	1,023,701
Share issuance approved by the Ordinary General Stockholders' carried out on September 29, 2008	239,999	—	—	—	—	—	—	239,999
Share issuance approved by the Ordinary General Stockholders' carried out on October 15, 2008	130,001	130,001	—	—	—	—	—	260,002
Total	1,393,701	130,001	—	(256,077)	—	—	256,077	1,523,702
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:								
Gain from equity investments	—	—	—	—	—	961	—	961
Net unrealized gain (loss) from valuation of available for sale securities	—	—	—	—	(88,769)	—	—	(88,769)
Net income	—	—	—	—	—	—	276,163	276,163
Total	—	—	—	—	(88,769)	—961	276,163	188,355
Balances as of December 31, 2008	2,269,456	802,393	186,093	142,160	(88,769)	(1,109)	276,163	3,586,387
CHANGES RELATED TO STOCKHOLDERS' DECISIONS:								
Appropriation of 2008 net income to capital reserves approved by Ordinary General Stockholders' Meeting carried out on April 30, 2009	—	—	27,616	248,547	—	—	(276,163)	—
Dividends payments approved by the Ordinary General Stockholders' Meeting carried out on May 27, 2009	—	—	—	(85,000)	—	—	—	(85,000)
	—	—	27,616	163,547	—	—	(276,163)	(85,000)
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:								
Net unrealized gain (loss) from valuation of available for sale securities	—	—	—	—	97,935	—	—	97,935
Result from non-monetary assets	—	—	—	(1,109)	—	1,109	—	—
Net income	—	—	—	—	—	—	3,599	3,599
Total	—	—	—	(1,109)	97,935	1,109	3,599	101,534
Change in credit card loan rating methodology in equity investments	—	—	—	(86,854)	—	—	—	(86,854)
Balances as of December 31, 2009	Ps. 2,269,456	Ps.802,393	Ps.213,709	Ps. 217,744	Ps. 9,166	Ps. —	Ps. 3,599	Ps.3,516,067

The accompanying twenty-seven notes are an integral part of these financial statements.

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
Amounts stated in thousands of Mexican pesos

	2009
Net income	Ps. 3,599
Items not requiring (generating) resources:	
Provision for loan losses	253,156
Depreciation and amortization	189,252
Expenses in advance amortization	132,199
Provisions	(149,900)
Fair value adjustments for trading securities	(399,278)
Fair value adjustments for derivatives instruments	(707,629)
Income taxes due and deferred taxes	(28,476)
Decrease in foreclosed assets	2,200
Equity in loss of associated companies	92,300
	(612,577)
Operating activities:	
Increase in margin accounts	(213,539)
Increase in investments in securities	(1,540,566)
Increase in resale agreement	(1,691,656)
Decrease in derivative financial instruments	1,248,795
Increase in the loan portfolio — Net	(7,783,114)
Decrease in other assets	17,082
Increase in deposits	6,207,078
Increase in bank and other entities	3,000,722
Increase in repurchase agreement	162,523
Decrease in subordinated debentures	(304,205)
Increase in other liabilities	159,431
Net cash flows from operating activities	(1,350,026)
Investing activities:	
Purchase of property, machinery and equipment	(204,806)
Purchase of software and branches expansion	(342,475)
Capital contributions to associated companies	(65,175)
Net cash flows from investing activities	(612,456)
Financing activities:	
Dividends paid	(85,000)
Net cash flows from financing activities	(85,000)
Decrease in cash	(2,047,482)
Cash and cash equivalents at the beginning of the year	5,763,360
Cash and cash equivalents at the end of the period	Ps. 3,715,878

The accompanying twenty-seven notes are an integral part of these financial statements.

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

STATEMENTS OF CHANGES IN FINANCIAL POSITION
Amounts stated in thousands of Mexican pesos

	December 31, 2008	December 31, 2007
Operating activities		
Net income (loss)	Ps. 276,163	Ps. (256,077)
Items not generating (requiring) resources:		
Provision for loan losses	298,905	80,371
Depreciation and amortization	115,758	55,747
Fair value adjustments	397,807	36,951
Pensions and seniority premiums	12,085	33,483
Equity in income/losses of associated companies	(11,847)	(412)
Provision for income tax and employees statutory profit-sharing	4,897	7,081
Deferred taxes	41,531	(4,365)
	1,135,299	(47,221)
Changes in operating assets and liabilities		
Increase in deposits	4,539,861	6,012,905
Increase (decrease) in treasury operations	11,617,022	(3,173,349)
Decrease (increase) in repurchase and resale agreements	(13,001,472)	406,532
Increase in loan portfolio	(3,862,362)	(3,920,229)
Decrease in derivative financial instruments	(517,617)	(465,069)
Increase in interbank and other entities loans	307,979	592,110
Net resources provided (used) in operating activities	218,710	(594,321)
Financing activities		
Increase in subordinated debentures	533,059	1,359,190
Decrease in other payable accounts	288,971	226,655
Increase in capital	1,523,702	881,776
Net resources provided in financing activities	2,345,732	2,467,621
Investing activities		
Fixed assets-net, and equity investments	(821,691)	(256,505)
Decrease in deferred charges or credits	(176,075)	(109,898)
Other accounts receivable	297,586	(386,527)
Net resources used in investment activities	(700,180)	(752,930)
Increase in cash and due from banks for the year	1,864,262	1,120,370
Cash and cash equivalent at the beginning of the year	3,900,598	2,780,228
Cash and cash equivalent at the end of the year	Ps. 5,764,860	Ps. 3,900,598

The accompanying twenty-seven notes are an integral part of these financial statements.

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

NOTES TO THE FINANCIAL STATEMENTS
Amounts stated in thousands of Mexican pesos, except for numbers of shares, nominal value, price per share and exchange rates

Note 1 — Activities:

Ixe Banco, S. A., Institución de Banca Múltiple, Ixe Grupo Financiero (the "Bank") was authorized by the Ministry of Finance and Public Credit ("SHCP") to operate as a banking institution.

The Bank is mainly engaged in receiving deposits and other funding from clients and granting loans, entering into repurchase and resale transactions, carrying out derivative transactions (future and forward contracts, options, caps, swaps and foreign currency hedges), foreign currency exchange; as well as undertaking any other commercial banking transactions as permitted by the Mexican Law of Credit Institutions ("LIC") and regulated by SHCP, Banco de México ("Banxico") and supervised by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "Commission" or "CNBV").

The Bank is a subsidiary of Ixe Grupo Financiero, S. A. B de C. V., Sociedad Controladora de Agrupación Financiera.

As mentioned in Note 18, on December 31, 2008 at the Extraordinary General Stockholders' Meeting, the Bank stockholders' approved the merger of Banco Deuno, S.A., Institución de Banca Múltiple (Banco Deuno) and the Bank, with the latter as the surviving company. This merger was previously authorized by the CNBV.

The condensed balance sheet and income statement of Banco Deuno as of December 31, 2008 (the date of the merger) were as follows:

a. Balance Sheet

	December 31, 2008
Assets	
Cash and due from banks	Ps. 4,967
Loan portfolio — Net	410,013
Other accounts receivable	447,638
Property, plant and equipment	85,563
Other assets	179,355
Total assets	Ps. 1,127,536
Liabilities and Stockholders' Equity	
Deposits	Ps. 67,410
Other accounts payable	36,425
Total liabilities	Ps. 103,835
Stockholders' equity	
Capital stock	Ps. 1,050,000
Earned capital:	
Net loss	(26,299)
Total stockholders' equity	1,023,701
Total liabilities and stockholders' equity	Ps. 1,127,536

b. Income Statement

	December 31, 2008
Interest income	Ps. 67,672
Interest expense	13,165
Financial margin	54,507
Provision for loan losses	2,069
Financial margin after provision for loan losses	52,438
Other operating expenses-net	628
Net operating income	51,810
Non-interest expenses	78,110
Net loss	Ps.(26,300)

Since the merger took place between two entities under common control, the transaction was accounted for at Banco Deuno's carrying amount.

Note 2 — Basis for Preparation of the Financial Information:

The accompanying financial statements, were prepared according to the accounting practices established for financial institutions issued by the CNBV ("Mexican Banking GAAP"), which differs from Mexican Financial Reporting Standards ("MFRS"), mainly with respect to the presentation of certain items of the financial statements including those mentioned in paragraphs b., c., d., e., f., g., h., i., j. and ab. of Note 3. For this purpose, the Bank has prepared the income statements under requirements of the CNBV, which differ from MFRS. The Bank does not present balances based on the items function or nature as required by MFRS and it discloses the result of associated companies after income taxes as required by CNBV.

Certain balances from prior periods have been reclassified and presented in accordance with the current period presentation required by the CNBV.

MFRS B-10 "Effects of inflation" and MFRS D-3 "Employee benefits" were effective prospectively as of January 1, 2008, and were incorporated by Mexican Banking GAAP. Both standards have been adopted by the Bank in preparing its financial statements. MFRS B-2 "Cash flow statement" was adopted by the Bank as of December 31, 2009. As of December 31, 2008 the Bank continued to present a statement of changes in financial position, which is required by Mexican Banking GAAP and set forth in Criteria D-4 "Statement of changes in financial position" issued by CNBV.

MFRS B-10 "Effects of inflation"

Effective January 1, 2008, the Bank discontinued recognizing the effects of inflation in its financial statements in accordance with MFRS. MFRS requires that a company recognize the effects of inflation in financial statements when general inflation applicable to a specific entity is at, or above 26%, in a cumulative three-year period. Consequently, figures at December 31, 2008 and 2009 in the accompanying financial statements are presented at historical Mexican pesos, modified by the effects of inflation on financial information recognized through December 31, 2007.

Following are the inflation rates:

	December 31, 2009	December 31, 2008
For the year	3.72%	6.53%
Accumulated over the past three years	14.55%	15.01%

MFRS D-3 "Employee benefits"

Effective January 1, 2008, MFRS D-3, "Employee benefits", provides guidance for the recognition of the liability for severance payments for reasons other than restructuring and requires that a liability is recorded using the projected unit credit method based on calculations by independent actuaries. Additionally, this standard requires the following:

i. Reduction of the amortization period of past services.

ii. Elimination of the additional liability, intangible assets and, if applicable, the component in stockholders' equity (see Note 3).

The accompanying financial statements and their notes were authorized for issuance on March 1, 2010 by the General Director and by the Finance Director of the Bank.

Note 3 — Summary of Significant Accounting Policies:

The Bank's most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

As mentioned in Note 2, the accompanying financial statements have been prepared in accordance to the Mexican Banking GAAP, which differs from MFRS, mainly with respect to the presentation of certain items of the financial statements, including those mentioned in paragraphs b., c., d., e., f., g., h., i., j. and ac. below.

In accordance with Mexican Banking GAAP, when no specific accounting practice has been issued by the CNBV, the following must be applied on a supplementary basis in the order shown: a) MFRS; b) International Accounting Standards approved and issued by the International Accounting Standards Board; c) Accounting Principles Generally Accepted in the United States issued by the Financial Accounting Standards Board; or, if applicable, d) any set of formal and recognized accounting standards. Application of this criteria is subject to the provisions of MFRS A-8 "Use of supplementary reporting standards".

In accordance with MFRS A-8 "Use of supplementary reporting standards", use of a supplementary standard must be disclosed in the notes to the financial statements, along with information such as a brief description of the transaction or event that gave rise to the use of the supplementary standard, identification of the supplementary standard, the entity issuing such standard, the effective date and the date on which said supplementation began, among others.

MFRS requires the use of certain critical accounting estimates when preparing the financial statements, as well as the exercise of management's judgment in determining the Bank's accounting policies.

Note 3a — Changes in Mexican Banking GAAP:

On August 12, 2009, the Commission issued a resolution modifying the "General Provisions applicable to Banking Institutions", which modifies the consumer loan rating methodology to show the expected loss in these operations based on the current environment.

This new methodology requires separating the consumer loan portfolio into two groups: those that relate to credit card operations and those that do not. The consumer loan portfolio that does not include credit card operations will consider the number of unpaid billing periods established by the Bank as well as the probability of nonpayment and the severity of the loss according to percentages established by the CNBV. If this portfolio has collateral or means of payment in favor of the Bank, the covered balance will be considered to have zero unpaid periods for provisioning purposes.

Regarding Ixe-TDC's credit card related consumer loans, such portfolio is provisioned and rated on a loan-by-loan basis taking into consideration the probability of nonpayment, the severity of the loss and the exposure to nonpayment.

The resulting effect of applying the revised consumer loan rating method for credit card operations of Ixe-TDC is shown in Note 11.

On October 13, 2008, the Commission issued a resolution that modifies Mexican Banking GAAP by replacing the accounting Circulars B-3 "Repurchase or resale agreements", B-4 "Securities loans", and C-1 "Recording and cancellation of financial assets", as well as Circulars D-1 "Balance sheet", D-2 "Income statements", and D-4 "Statement of changes in the financial position". This resolution became effective on a prospective basis as of October 14, 2008, for which the Bank certified that it had the necessary systems to implement the aforementioned accounting practices. As stated above and allowed by the Commission, the Bank applied these criteria as of October 1, 2008. The application of Circular B-3 was made "prospectively" pursuant to MFRS B-1 "Accounting changes and corrections of errors", and therefore transactions previously recorded were not reevaluated.

The main changes from the aforementioned resolution are explained below:

Repurchase or resale transactions pursuant to Circular B-3, "Repurchase or Resale Agreements", are recorded according to the economic substance of the transaction financed with collateral. The financial assets pledged as collateral are still recorded in the balance sheet as the Bank still retains the risks, benefits and control over them.

On the trade date, the cash income or outlay should be recorded, or recognized as a receivable or payable account, at its fair value, initially at the agreed price, which represents the right or the obligation to restore the cash to the counterparty.

Additionally, on October 16, 2008, by means of official document 100-035/2008, the Commission authorized banks to transfer investments in securities they held in the category of "Trading securities" to the category of "Available for sale securities" or "Held to maturity securities", at the last book value recorded in the balance sheet at the time of the reclassification without reversing the valuation recorded in income or stockholders' equity at the transfer date, which will be amortized in the year's earnings based on the security's remaining life. These provisions were applied equally to securities to receive in repurchase agreement operations. The Commission allowed this accounting practice to be applied only once on the value date of October 1, 2008 and during the last quarter of 2008. Given the above, during October 2008 the Bank reclassified from "Trading securities" the amount of Ps.7,149,402 to "Available for sale securities" and the amount of Ps.12,832,906 to "Held to maturity securities". The aforementioned reclassifications were made due to the volatility and uncertainty of the financial markets during the last quarter of 2008.

If the Bank had not made this reclassification, as of October 31, 2008 it would have recorded a loss in the year's earnings of Ps.7,324 due to the decrease in the fair value of these securities previously classified as "Trading securities".

a. Cash and Due from banks

Cash and due from banks are recorded at nominal value, except for gold and silver, which are recorded at fair value at the end of the period. Foreign currency cash and due from banks, as well as foreign currency purchase and sale commitments, are valued at the exchange rate published by Banxico at the date of the financial statements. See Note 5.

Restricted cash and due from banks corresponds to the Deposit under Monetary Regulations with the Central Bank, which earns interest at the interbank funding rate. This includes short-term bank loans (granted call money) in which settlement occurs within a maximum of three working days, as well as acquired foreign currency in which settlement will occur within a maximum of two working days after its acquisition date. Both cases are recognized as restricted cash and due from banks.

b. Securities

Investments in securities include investments in government securities, bank securities, and fixed and floating rate investments. Investments in securities are classified as either trading securities, available for sale or securities held to maturity, depending on management's intent at the time of purchase. These securities are initially recorded at fair value, which may include either a discount or premium and are subsequently valued as described in the following paragraphs. Interest and dividends are recognized in the income statement on an accrual basis. See Note 6.

Accrued interest on debt instruments is determined using the effective interest method and is recorded in the corresponding category of investments in securities and in the year's results.

Dividends on equity instruments are recorded in the corresponding category of investments in securities and in the year's results when the right to receive such dividends is established.

The Bank's investment portfolio is comprised of securities and financial instruments that are valued at prices provided by experts authorized by the CNBV, which are denominated as "price vendors", and who specialize in calculating and providing prices for valuation of securities portfolios.

i. Trading securities represent debt or equity securities owned by the Bank, recorded at fair value, from which it intends to obtain profits by participating in the market. The fair value is the amount at which a financial instrument can be traded between interested and willing parties, in an arms-length transaction. Based on requirements from the CNBV, fair value should be determined using valuations provided by price vendors. Valuation adjustments are recognized in the income statement in the period incurred.

ii. Available-for-sale securities are debt or equity securities acquired for a purpose other than obtaining profits from trading them in the market or holding them to maturity. Securities are recorded at fair value, based on valuations provided by price vendors. Valuation adjustments are recognized in stockholders' equity, net of taxes.

iii. Held-to-maturity securities are those instruments in which management invests with the positive intent and the ability of holding them, until maturity and are recorded at amortized cost and adjusted for amortization of any premiums or discounts.

The Bank is unable to capitalize or distribute profits arising from valuation of its investments in securities until they are sold.

An investment is impaired and impaired losses are incurred only if there is objective evidence of impairment as the result of one or more events that occurred after initial recognition of the asset. In assessing the objective evidence of impairment, an entity considers factors such as financial difficulties of issuers or breach of contracts (i.e., default or delinquency in interest or principal). Impairment loss will be measured by the difference between the fair value and the book value of the investment. A previously recorded impairment loss of securities classified as held to maturity or available for sale is reversed against the year's results if, in a later period, the amount of the loss decreases and such decrease is objectively associated with an event occurring after the impairment was recorded.

During the years ended December 31, 2009 and 2008, the Bank determined that equity securities, recorded at cost, were impaired mainly due to the significant financial difficulty of the issuer, Mexicana de Aviación, S.A. de C.V.. Therefore, an impairment of Ps.11,000 and Ps.20,000, was recorded in the income statement for the years ended December 31, 2009 and 2008, respectively. These impairments are equal to the difference between the estimated fair value and book value of the related security. At December 31, 2009, the remaining book value of these equity securities amounted to Ps.11,712.

During the year ended December 31, 2009, the Bank had no transfers between categories of securities. During the year ended December 31, 2008, the Bank transferred Ps.7,149,402 from its trading portfolio to "Available for sale securities" and, the amount of Ps.12,832,906, from its trading portfolio to "Held to maturity securities". MFRS allows the transfer between categories only when the original intention of the classification of the financial assets is affected by changes in the entity's financial condition.

c. Repurchase and Resale Agreements

Through September 2008, securities sold under agreements to repurchase and securities purchased under resale agreements were accounted for as sales or purchases of securities, respectively.

For securities sold under agreements to repurchase, the Bank recorded: (i) an account receivable for the fair value at the reporting date of the securities to be received, and (ii) an account payable for the present value of the amount in cash to be paid.

For securities purchased under resale agreements, the Bank recorded: (i) an account receivable for the present value of the amount in cash to be paid, and (ii) an account payable for fair value at the reporting date of the securities to be sold.

Since October 2008, securities sold under agreements to repurchase and securities purchased under resale agreements are accounted for as sales of securities with related off-balance sheet forward repurchase commitments, or purchases of securities with related off-balance sheet forward resale commitments, if the risks and rewards are substantially transferred. If the conditions to qualify as a sale are not met, the transactions are treated as secured financing or lending. See Note 7.

d. Borrowing and Lending of Securities

As borrowers of securities, the Bank recognize the outflow of cash and cash equivalents or a creditor transaction settlement account, against an account receivable, which represents the rights to recover the cash delivered. This account receivable is valued at its amortized cost, recognizing interest to income for the period as it accrued, using the effective interest method.

Any premium to be paid is charged to the income of the period using the effective interest method during the life of the operation against an account payable.

When acting as lender of the securities, the Bank recognizes the loaned security transferred as restricted, and the financial assets received as collateral, including, if any, the cash held in trust is recognized in memorandum accounts and valued at fair value. Any premium earned is recognized to the income of the period using the effective interest method during the life of the operation against an account receivable.

e. Derivative Financial Instruments

Derivative instruments are recognized on the balance sheet at their fair value. Changes in fair value of each year are recorded in current earnings unless the derivative qualifies for hedge accounting.

Fair value is determined based on quoted market prices when available, if quoted market prices are not available, fair value is based upon internally developed valuation techniques such as discounted cash flows, pricing models (Black and Scholes) and similar models used and accepted by market practice.

Derivatives qualify as an accounting hedge if certain conditions are met. These conditions refer to documentation requirements and hedge effectiveness testing.

For derivatives qualifying and designated as cash flow hedges, the effective portion of the fair value change is recorded in accumulated other comprehensive income or loss, and subsequently reversed into earnings as the hedged item impacts earnings.

For derivatives qualifying and designated as fair value hedges, changes in the fair value of these derivatives are recorded in current earnings as well as changes in the fair value of the hedged items.

In addition, embedded derivatives are separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract. In order to designate hedging operations with structured instruments, the Bank is required to have a prior authorization from the CNBV.

f. Loan Portfolio

Loans and commercial documents, both current and renewed, represent the amount actually delivered to borrowers, plus the interest earned as per the loan agreement. Interest collected in advance is recognized as advanced collections and is amortized to income over the life of the loan by the straight-line method.

Loans are made after analyzing the financial position of the borrower, the economic feasibility of the investment projects and other general factors established in the LIC, as well as the Bank's internal policies and procedures. See Note 8.

Acquisitions of loan portfolio are recorded at the contractual amount of the acquired loans. Differences between the contractual amounts and the price paid, is recorded as a deferred charge or credit. Allowance for loan losses is determined in accordance with CNBV requirements.

If the acquisition value of the portfolio is below its contract value, the difference is applied to income for the period under other income, up to the amount of the allowance for loan losses set up, if any, as mentioned in the paragraph above. The excess, if any, is recognized as a deferred credit, and is amortized as the respective collections are made, in proportion to the contract value of the loan.

The outstanding balance of the loans is recorded as non-performing portfolio when there is knowledge that the borrower has filed for bankruptcy, as per the provisions of the bankruptcy Law, or the loan installments have not been paid on the terms originally agreed upon. The unpaid loan balance is recorded in the non-performing portfolio as follows:

- In the case of loans involving a single payment of principal and interest upon maturity, 30 calendar days after maturity.
- In the case of loans involving a single principal payment upon maturity, but with periodic interest payments, 30 or 90 calendar days after maturity of principal or interest, respectively.
- In the case of loans involving the payment of principal and interest based on partial periodic payments, 90 calendar days after the first payment is due.
- In the case of revolving loans, whenever payment is outstanding for two billing periods or 60 or more days have elapsed following maturity.
- Overdrafts customer checking accounts, as well as redeemable documents on demand, are considered part of the non-performing portfolio when such situations occurred.

Restructured non-performing loans are not considered in the current portfolio until evidence of sustained payment is obtained. In addition, restructured loans with maturity over one year, whose principal and interest are payable in a lump sum at maturity are considered as non-performing portfolio.

Renewed loans in which the borrower has not paid on time the total accrued interest and 25% of the original loan amount are considered non-performing until evidence of sustained payment is obtained.

Once a loan is considered non-performing, accrual of interest thereon is suspended, including loans which contractually capitalize interest. For uncollected interest earned corresponding to this type of loans, a loan loss allowance is set up for an amount equivalent to the total uncollected amount at the time of its transfer to the non-performing portfolio. This reserve is cancelled when there is evidence of sustained payment and the interest is recorded in memorandum accounts. If past-due interest is collected, it is recorded as income for the period.

Loans are transferred from the past-due to the current portfolio when all past-due balances are settled (principal and interest, amongst others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment of the loan.

Commissions charged when a loan is granted must be recorded as a deferred credit, which is amortized to income by the straight-line method over the life of the loan.

MFRS requires recognition of accrued interest, and the creation of an allowance for doubtful accounts based on the probability of default.

g. Allowance for Loan Losses

The Bank's commercial loan portfolio is rated in accordance with a general methodology that applies the risk levels established for each type of loan to individual monthly debtor balances, including the portfolio owed or guaranteed by the Mexican Federal Government and other types of loans which balance is at least the equivalent of 4,000,000 investment units ("UDI") at the rating date. The value of the UDI is determined based on the national consumer price index. Loans with smaller amounts are grouped based on the months elapsed from the date of the first event of noncompliance, applying a fixed percentage of reserves to each group of loans

The mortgage loan portfolio, loans for the acquisition of durable consumer goods and loans arising from the use of credit cards are rated applying default probabilities and the severity of the loss, taking into account the loan guarantees, based on the number of defaults observed as from the date of the first default event up to the date of the rating.

The Bank periodically evaluates whether non-performing loans should remain in the balance sheet, or should be charged off. When applicable, the charge-off is recorded by canceling the unpaid balance of the loan against the allowance for loan losses. In the event the balance of the loan to be charged off exceeds that corresponding to the related allowance prior to the charge off, the allowance is increased by the amount of the difference.

In addition, the Bank elected that any non-performing loans reserved at 100%, even when write-off conditions are not met, are charged off from the balance sheet.

Recoveries related to loans previously charged off or loans eliminated from the balance sheet are applied to income for the period when collected.

Debt reductions, forgiveness, rebates or discounts, whether partial or total, are charged to the allowance for loan losses. If the related amount exceeds the balance of the allowance for loan losses, the allowance is increased to cover the shortfall.

The last rating of the loan portfolio was conducted at December 31, 2009 and management considers that the allowance for loan losses resulting from this rating is sufficient to cover the credit risk of its loan portfolio. See Note 8.

h. Other Accounts Receivable

Accounts receivable other than loan portfolios represent, among other items, loans made to officers and employees, taxes receivable, transaction liquidation accounts and items directly related to the loan portfolio, such as litigation expenses.

For loans granted to officers and employees and other accounts receivable related to debts maturing in more than 90 calendar days, a reserve is set up reflecting the related level of irrecoverability. No such reserve is set up for favorable tax balances or transaction liquidation accounts.

The allowances for doubtful accounts referred to in the previous paragraph are determined through a study that serves as the basis for the determination of future events that could affect the amount of accounts receivable, showing the related estimated recovery value.

With respect to other receivables maturing in more than 90 calendar days an allowance is set up for irrecoverability or doubtful collection in the total amount of the debt. MFRS requires, when applicable, setting up an allowance for doubtful accounts after conducting an analysis and evaluation of the real likelihood of collection.

Management considers that the allowance for doubtful accounts is sufficient to absorb potential losses. See Note 9.

Income from trust management is recorded based on income earned, but recording of income is suspended when the related debt is 90 or more calendar day's past-due.

Income earned from trust management whose accrual has been suspended and which has not been collected is recorded in memorandum accounts. When this income is subsequently collected, it is applied directly to income for the period.

i. Deposits

Liabilities derived from deposits and other funding issued at nominal value are recorded based on the contractual value of the operations, recognizing interest incurred, determined for the days elapsed to the close of each month. The interest is charged to income for the period as it is incurred.

In securities placed at a price other than their nominal value, in addition to the foregoing, a deferred charge or credit, as applicable, is recognized for the difference between the nominal value of the securities and the cash amount received for them. This deferred charge or credit is amortized by the straight-line method against income for the period, over the life of the related securities.

Securities placed at a discount and not bearing interest are initially recorded based on the cash amount received for them. The difference between the nominal value of the securities and the aforementioned cash amount is applied to income for the period by the effective interest method.

Issue expenses are initially recognized as deferred charges and amortized against income for the period over the term of the related securities.

j. Foreclosed Assets or Assets Received as Payment in Kind

Foreclosed assets or assets received as payment in kind are recorded on the date on which the court ruling approving auction of the assets is enforced. Goods received as payment in kind are recorded on the date on which the deed is signed, or transfer of ownership of the goods in question is formalized.

The recording value of foreclosed assets or goods received as payment in kind equals the lower of their cost or net realization value at the date of the award. On the date on which the foreclosed assets are recorded, the value of the asset that gave rise to the award, as well as any reserve set up for these purposes, is cancelled in the balance sheet.

Foreclosed assets are valued as per Mexican Banking GAAP according to the type of goods in question, applying the effect of such valuation against income for the period.

The amount of the reserve that recognizes the potential impairment over time of foreclosed assets is determined according to the value of the award based on the procedures established in the applicable provisions and their impact is applied to income for the period.

At the time of the sale, the difference between the selling price and book value of the foreclosed assets, net of reserves, is applied to income for the period.

k. Property, Plant and Equipment

At December 31, 2009, property, plant and equipment including acquisitions resulting from financial leases, are stated as follows: i) items acquired on or after January 1, 2008, at historical cost, and ii) items acquired up to December 31, 2007, at restated values determined by UDI factors up to December 31, 2007.

Depreciation and amortization are calculated using the straight-line method at the annual rates mentioned in Note 10.

l. Equity Investments

Investments in companies in which the Bank exercises significant influence or joint control are accounted for by the equity method. The Bank recognizes equity in losses of affiliated companies up to the amount of its initial investment and subsequent capital contributions, or beyond that when guaranteed commitments have been made by the Bank in respect of obligations incurred by investees, but not in excess of such guarantees. See Note 11.

m. Bank and Other Entities Loans

Bank and other entities loans refer to deposits, credit lines and other loans obtained from banks. They are recorded at the contractual value of the liability. Interest is recognized in earnings as earned.

n. Provisions

The liability provisions recognized in the balance sheet represent existing obligations whose settlement will probably require the use of economic resources. These provisions have been recorded based on management's best estimate of the amount needed to settle the existing obligation.

o. Deferred Tax

Deferred tax is recorded by the comprehensive asset-and-liability method, which consists of recognizing a deferred tax on all temporary differences between the book and tax values of assets and liabilities to be materialized in the future. See Note 20.

p. Employee Benefits

Benefits granted to the Bank's employees, including defined contribution plans, are described below:

i. Direct benefits (salaries, vacation, over-time payments and holidays, among others) are recorded as an operating expense as incurred, and the respective liabilities are stated at nominal value, as they are short-term. Absences payable under legal or contractual provisions are noncumulative.

ii. Benefits from termination of employment for reasons other than restructuring (legal compensation for dismissal, seniority premium, special compensations, etc.) and retirement benefits (pension, seniority premium and indemnification) are recorded on the basis of actuarial studies carried out by independent experts using the projected unit credit method. See Note 17.

The cost for the period of the employee benefit plans is recorded as an operating expense in the year in which it arises, and includes amortization of labor cost of past services and prior years' actuarial gains or losses. See Note 17.

Unamortized items at December 31, 2007, known as transition liability, which include the labor cost of past services and unamortized actuarial gains or losses, are being amortized since January 1, 2008 over a five-year period rather than the estimated labor life of the employees, as was the case up to 2007.

q. Financial Instruments with Characteristics of Liabilities

The classification of financial instruments, with characteristics of liability, is based on the substance of the contractual arrangement. Generally, those instruments are recorded at the time of issuance as a liability. The coupons on these instruments are recognized in the income statement as interest expense using the effective interest method as part of the financial margin.

r. Stockholders' Equity

The capital stock, capital reserve, the additional paid-in capital and retained earnings shown at December 31, 2007, are expressed at restated historical cost, determined by applying UDI factors to historical costs. Movements in these accounts in 2008 are stated at historical cost. The transfer of 2007 net income to retained earnings was made in pesos of December 31, 2007 purchasing power.

Additional paid-in capital represents the excess of payment for the shares subscribed and their nominal value.

s. Excess on Equity Restatement

At December 31, 2007, the excess from the restatement of stockholders' equity comprised the accumulated monetary position and the gain or loss of non-monetary assets (mainly fixed assets).

At December 31, 2008, the Bank had not transferred to retained earnings Ps.1,327 in accordance with MFRS B-10.

The monetary loss shown in the statement of income for 2007 represents the inflationary loss, measured in terms of the UDI, on net monthly monetary assets and liabilities for the year, stated in pesos of purchasing power as of that date.

t. Comprehensive Income

Comprehensive income represents changes in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock and is comprised of the net income of the year, plus, the valuation effects of investments available for sale and other items required by specific accounting standards to be reflected directly in stockholders' equity but which do not constitute capital contributions, reductions or distributions. The amounts of the comprehensive income (loss) for 2008 and 2007 are stated at their modified historical peso amounts and in pesos of purchasing power as of December 31, 2007, respectively.

u. Revenue Recognition

Yields generated by cash and amounts due from banks and investments in securities are included in income as they accrue, in the latter case by the imputed interest method or the straight-line method, as applicable.

Securities and financial instruments part of the investment portfolio are valued using updated valuation prices provided by specialists in calculating prices to value security portfolios (price vendors), authorized by the CNBV.

In security repurchase and resale operations, a premium is recognized on the agreed-upon price, which is applied to income over the term of such transaction.

All derivative financial instruments classified as for trading or as hedges, are recorded at the fair value and are subsequently accounted based on their intended use, either as a hedge for an open risk position or for trading. Loan-portfolio interest is recognized as it is earned, except interest on non-performing portfolio, which is recognized when actually collected. Commissions charged when opening loans are recorded as a deferred credit, which is amortized to income by the straight-line method over the term of the loan.

Income from trust activities is recorded as it is earned. Income from custody or administration services is applied to income for the period as it is earned.

v. Earnings per Share

Earnings per basic ordinary share are calculated by dividing the net income (loss) for the year by the weighted average number of ordinary shares outstanding during the year.

Earnings per basic ordinary share for 2009 and 2008 are stated in modified historical pesos.

w. Related Parties

A number of banking transactions are entered with related parties in the normal course of business. These include loans or discount loans, deposits or other cash and cash equivalents granted on a revocable or irrevocable basis and documented through credit instruments; or from agreements, restructurings, renewals or modifications, including net positions payable to the bank from derivative operations and investments in securities other than shares.

Related parties, among others, are individuals or entities that hold, either directly or indirectly, control of 2% or more of the securities representative of the Bank's capital, or the capital of the financial entities and companies that comprise the financial group and the members of the board of directors of the controlling company or of the financial entities and companies comprising the financial group.

The total amount of transactions with related parties does not exceed 50% of the basic part of the Bank's net capital, as stated in Article 50 of the Act.

x. Foreign Exchange Gain (Loss)

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the balance sheet date. Resulting exchange rate differences are recognized in income for the year, within integral cost of financing.

y. Fees Paid to the Institute for the Protection of Bank Savings

The Bank Savings Protection Law requires commercial banks to make contributions in fees to the Bank Savings Protection Fund (IPAB), to establish a system to protect bank deposits of individuals who carry out guaranteed transactions under the terms and according to the restrictions provided for in said law, and to regulate the financial support granted to commercial banks to protect the interests of bank depositors.

Bank contributions must guarantee timely payment of fees to IPAB. Contributions to the IPAB totaled Ps.104,170 in 2009 (Ps.77,561 in 2008 and Ps.48,510 in 2007), which were charged directly to income for the year.

z. Trust Activities

The Bank records the capital of the trusts under its administration in memorandum accounts, in view of the responsibility arising from the realization of or compliance with the purpose of the trusts. In some cases, the responsibility is limited to the recording of trust assets, whereas in other cases it includes the recording of the assets and liabilities generated during the operation of the trust.

The trust capital recognized in memorandum accounts is valued in accordance with the Mexican Banking GAAP, except when the technical committee of a trust establishes specific valuation rules. The balance of the group of control accounts of each of the bank's trusts matches what is recorded in memorandum accounts for each of the trusts.

Losses from the responsibilities incurred as trustee are applied to income in the period in which they become known, irrespective of the moment in which any legal action is taken in this regard.

At December 31, 2009 and 2008, Bank recorded income from managing trusts amounted to Ps.32, 162 and Ps.34,293, respectively.

aa. Custody and Administration Operations

Administration operations include those conducted by the institutions on behalf of third parties, such as the purchase and sale of securities and derivative financial instruments, repurchase and resale operations and securities lending.

Chattel and real property can be the object of custody or administration operations, or both. Securities held on behalf of third parties can be sold, administered or transferred according to the conditions set forth in the agreement. Due to the nature of this type of operation, there is no transfer of ownership of goods under custody or administration; however, the custodian is liable for the goods and thus assumes the risk in the event of loss or damage.

In light of the fact that these goods are not owned by the Bank, they do not form part of the balance sheet. However, the estimated amount for which the bank would be liable to its customers in the event of loss or damage is recorded in memorandum accounts.

Valuation of the estimated amount of assets under custody or administration, as well as of investment banking operations conducted on behalf of third parties, is determined on the basis of the operation conducted in accordance with Mexican Banking GAAP.

In the event the bank is liable to the depositing party for damages or loss of the assets under custody or administration, the corresponding liability is applied to income for the period. This is done whenever the loss becomes known, irrespective of any legal action taken by the depositing party towards repair of the loss or damage.

Income from custody or administration services is applied to income for the period as it is earned.

In the event the assets under custody are also held under administration, they are controlled separately.

ab. Statement of Cash Flows

On January 1, 2008, MFRS B-2, "Statement of cash flows" became effective, establishing the general rules for presentation, structure and preparation of the statement of cash flows. In accordance with Mexican Banking GAAP, the Bank is presenting prospectively the statement of cash flows beginning in 2009, for the years ended December 31, 2008 and 2007 the statement of changes in financial position is still presented.

ac. Information per Segments

Mexican Banking GAAP establishes that in order to identify the different operating segments that comprise multiple banking institutions, the institutions must segregate their activities according to the following segments: i) loan operations, ii) treasury and investment banking operations, and iii) operations conducted on behalf of third parties. In addition, when considered significant, additional operating segments and sub-segments can be identified. MFRS does not require this predetermined disaggregation.

Mexican Banking GAAP does not require disclosure by geographic area where the subsidiaries conduct business or from which the segment identified derives income or maintains productive assets, as it is required under MFRS.

Note 4 — Foreign Currency Position:

The amounts shown in this note are stated in thousands of U.S. dollars, the currency most widely used by the Bank.

a. The Bank complies with the following standards and limits for operations in foreign currency, as provided by Banxico regulations:

- The (short or long) position in U.S. dollars must not exceed 15% of the Bank's net capital.
- Liabilities in foreign currency must not exceed 183% of the Bank's basic capital.
- The foreign currency operations investment regulations make it necessary to hold a minimum amount of liquid assets, in accordance with a calculation mechanism established by Banxico, based on the maturity of operations in foreign currency.

b. As of December 31, 2009 and 2008, the Bank had foreign currency monetary assets and liabilities in thousands of U.S. dollars as follows:

	December 31,	
	2009	2008
Assets	US$869,972	US$1,780,583
Liabilities	819,266	1,746,549
(Short) long position — Net	US$ 50,706	US$ (34,034)

As of December 31, 2009 and 2008, the exchange rate from Mexican pesos to one U.S. dollar established by Banxico and used by the Bank to value assets and liabilities in foreign currency, was

Ps.13.06 and Ps.13.83, respectively. As of the date of the independent auditors' report, the exchange rate is Ps.14.93 and Ps.13.83 in 2009 and 2008, respectively.

Additionally, the Bank held foreign exchange hedging instruments as described in Note 13.

Note 5 — Cash and Due From Banks:

This item is comprised as follows:

	Mexican Pesos		Foreign currency		December 31,	
	2009	2008	2009	2008	2009	2008
Cash	Ps. 506,380	Ps. 302,955	—	—	Ps. 506,380	Ps. 302,955
Bills and coins on foreign currencies	—	—	Ps. 180,320	Ps. 116,720	180,320	116,720
Deposits in other banks	165,977	671,401	274,735	2,376,511	440,712	3,047,912
Banxico	2,238,183	2238,183	—	7	2,238,183	2,238,190
Restricted cash and due from banks	—	—	331,865	13,531	331,865	13,531
Gold and silver	—	—	1,693	2,850	1,693	2,850
Notes receivable	710	2,349	—	419	710	2,768
Remittances	—	—	2,283	14,450	2,283	14,450
Accrued interest	9,476	17,795	4,256	6,189	13,732	23,984
	Ps. 2,920,726	Ps. 3,232,683	Ps. 795,152	Ps. 2,530,677	Ps. 3,715,878	Ps. 5,763,360

At December 31, 2009 and 2008, restricted cash and due from banks balances were Ps.2,570,048 and Ps.2,251,721, respectively, of which Ps.331,865 in 2009 (Ps.13,531 in 2008) represents the purchase and sale of securities pending of settlement, mainly in US dollars, Euros, Swiss francs and Pounds sterling) and monetary regulation deposits required by Banxico of Ps.2,238,344 (Ps.2,238,190 in 2008).

During 2009, Bank loans (call money) were entered into with different institutions at an average rate of 5.59% (8.09% in 2008) through master agreements.

Foreign currencies to be delivered or received in connection with purchases or sales payable in 24, 48 and 72 hours, restated to pesos in 2009 and 2008. The average term at year-end 2009 and 2008 was two days, were as follows:

	Currencies to be delivered		Currencies to be received	
	2009	2008	2009	2008
U.S. dollars	Ps. 937,306	Ps. 823,558	Ps. 1,283,481	Ps. 841,177
Other currencies	30,827	11,301	16,517	7,213
	Ps. 968,133	Ps. 834,859	Ps. 1,299,998	Ps. 843,390

Note 6 — Securities:

Investments in securities are subject to different types of market risk like interest rates, exchange rate risk and risk inherent to credit and market liquidity.

Risk management policies, as well as the analysis of the risks which the Bank is exposed to, are described in Note 25.

The balances of this item are comprised as follows:

	December 31, 2009 Acquisition cost	Accrued interest	Increase (decrease) from valuation	Market value	2008 Market value
Trading					
Debt instruments					
Government bonds:					
Promissory notes with interest payable at maturity	Ps. 104,398	Ps. 487	Ps. (435)	Ps. 104,450	Ps. 119,804
Bonds	346,317	5,248	(1,853)	349,712	810,998
	450,715	5,735	(2,288)	454,162	930,802
Other securities:					
Stock certificates and commercial paper	1,956,530	8,247	2,360	1,967,137	819,841
Equity	698,062	—	171,820	869,882	251,356
	2,654,592	8,247	174,180	2,837,019	1,071,197
Restricted by repurchase and resale transactions					
Government securities	7,849,486	11,085	21,777	7,882,348	6,185,902
Private equity	310,568	28,134	(9,242)	329,460	963,501
	8,160,054	39,219	12,535	8,211,808	7,149,403
Total trading securities	Ps. 11,265,361	Ps. 53,201	Ps. 184,427	Ps. 11,502,989	Ps. 9,151,402

Government securities restricted by repurchase and resale transactions include bonds issued by the Mexican National Government with maturity less than 90 days.

	December 31, 2009 Acquisition cost	Accrued interest	Increase (decrease) from valuation	Book value	2008 Book value
Available for sale securities					
Equity shares					
GMD	11,830	—	(8,335)	3,495	7,001
Ixe funds	35,864	—	10,283	46,147	58,540
Visa	21,490	—	21,226	42,716	38,742
Mexican Stock Exchange (BMV)	224,405	—	(14,008)	210,397	137,907
Others	—	—	—		13,742
Available for sale securities	Ps. 293,589	Ps.—	Ps. 9,166	Ps. 302,755	Ps.255,932

	December 31, 2009 Acquisition cost	2009 Accrued interest	2009 Increase (decrease) from valuation	2009 Book value	2008 Book value
Securities held to maturity*					
Debt certificates	Ps. 1,034,280	Ps. 2,393		Ps. 1,036,673	Ps. 632,153
Restricted securities — from repurchase and resale agreements					
Government securities	6,760,090	2,490		6,762,580	7,152,329
Bank bonds	2,640,471	991		2,641,462	3,123,540
Other debt securities	2,713,075	1,677		2,714,752	2,557,027
Securities held to maturity	Ps. 13,147,916	Ps. 7,551		Ps. 13,155,467	Ps. 13,465,049
Total investment in securities	Ps. 24,706,866	Ps.60,752	Ps.193,593	Ps. 24,961,211	Ps. 22,872,383

* Balances are recorded at amortized cost.

As of December 31, 2009, gains of Ps.9,166 (losses of Ps.92,788 in 2008) of available for sale debt securities are recorded in shareholders' equity as unrealized gain (loss) on available for sale securities. The Bank considers that these gains (losses) are related to, among other things, the current state of world financial markets and do not significantly affect payment capabilities of the issuer. Accordingly, the Bank has not recognized any impairment charges for these equity securities.

As of December 31, 2009 and 2008, the amount charged to income for interest collected on trading securities and held to maturity securities was Ps.2,002,785 and Ps.1,944,192, respectively. Additionally, in 2009 and 2008, the losses charged to income amounted to Ps.368,354 and Ps.331,915, respectively, and are recognized in the "Brokerage revenue-net" caption in the income statement.

During the year ended December 31, 2009, the Bank determined that equity securities, which were recorded at cost, were impaired mainly due to the significant financial difficulty of the issuer, Mexicana de Aviación, S.A. de C,V.. Therefore, an impairment of Ps.11,000 was recorded in the income statement, which is equal to the difference between the estimated fair value and book value of the related security. At December 31, 2009, the remaining book value of these equity securities amounted to Ps.11,712.

As mentioned in Note 3, the CNBV issued a regulation that allows banks to transfer investments from trading securities to either of the other two categories at the last book value recognized at the time of their reclassification (October 1, 2008 value date), provided that management intent is kept. As a result, during 2008, certain financial instruments originally classified as trading securities were transferred to held-to-maturity category, thus allowing the Bank to not record a capital loss of Ps.7,324.

Note 7 — Repurchase and Resale Agreements:

As of December 31, 2009 and 2008, the net positions by type of securities arising from repurchase and resale transactions are comprised of:

	Debit balances resale agreements		Credit balances repurchase agreements	
Type of securities	**2009**	**2008**	**2009**	**2008**
Government securities	Ps. 3,308,961	Ps. 2,600,188	Ps. 14,488,344	Ps. 13,336,460
Bank securities	280,574	1,005,207	2,641,282	3,126,187
Other debt securities	1,708,497	—	3,024,622	3,513,455
Total	Ps. 5,297,982	Ps. 3,605,395	Ps. 20,154,248	Ps. 19,976,102

Acting as lender, the amount corresponding to premiums receivable by the Bank applied to income totaled Ps.1,813,025 in 2009 and Ps.1,872,414 in 2008, and are recorded under the caption “financial margin” in the income statement.

Acting as the borrower, the amount corresponding to premiums payable by the Bank applied to income totaled Ps.339,639 in 2009 and Ps.273,959 in 2008, and are also recorded under the caption “financial margin” in the income statement.

The average term of repurchase and resale transactions carried out by the Bank is 28 days in 2009 and 2008.

At December 31, 2009 and 2008, the guarantees received and delivered in repurchase and resale transactions that represent collateralized loans total Ps.12,083 and Ps.14,232, respectively, and that represent government debt securities total Ps.77,528 and Ps.141,718, respectively.

As mentioned in Note 3a, the CNBV issued a regulation that modifies the accounting treatment for securities under repurchase and resale transactions and securities under borrowing and lending transactions, requiring the accounting in accordance with the economic substance of the transaction to be considered as a sale or should remain in the balance sheet as established in accounting Circular C-1 “Recording and Cancellation of Financial Assets”.

The above regulation is applicable on a prospective basis in the terms of the provisions of MFRS B-1 “Accounting changes and corrections of errors” issued by CINIF. The Bank certified it had the necessary systems to implement the aforementioned accounting practice, therefore the Bank adhered to the regulation as from October 1, 2008.

At December 31, 2008, the effect of applying the aforementioned regulation allowed the Bank to avoid recording a loss of Ps.140,571 in the income statement.

Note 8 — Loan Portfolio:

As of December 31, 2009 and 2008, the performing loans and non-performing loans are comprised as follows:

	2009			2008
Performing loans:	**Principal**	**Accrued interest**	**Total**	**Total**
In Mexican Pesos —				
Commercial	Ps.13,632,041	Ps.33,231	Ps.13,665,272	Ps.10,067,769
Financial entities	2,639,494	5,025	2,644,519	2,775,505
Consumer	133,549	793	134,342	109,154
Mortgages	1,021,407	5,616	1,027,023	894,182
Government entities	4,494,773	2,933	4,497,706	920,104
	21,921,264	47,598	21,968,862	14,766,714
In Foreign Currency —				
Commercial	1,278,598	6,497	1,285,095	1,253,293
Financial entities	520,901	1,857	522,758	113,303
Consumer	—	—	—	—
Mortgages	58,096	038	58,134	71,925
	1,857,595	8,392	1,865,987	1,438,521
Total performing loans	Ps.23,778,859	Ps.55,990	Ps.23,834,849	Ps.16,205,235
Non-performing loans:				
In Mexican Pesos —				
Commercial	Ps. 303,677	Ps. 4,878	Ps. 308,555	Ps. 152,283
Consumer	4,727	299	5,026	2,647
Mortgages	29,290	569	29,859	14,159
	337,694	5,746	343,440	169,089
In Foreign Currency —				
Commercial	32,383	—	32,383	421
Government entities	583	—	583	34,283
Consumer	—	—	—	2,045
	32,966	—	32,966	36,749
Total non-performing loans	370,660	5,746	376,406	205,838
Total loan portfolio	Ps.24,149,519	Ps.61,736	Ps.24,211,255	Ps.16,411,073

The loan portfolio grouped into economic sectors as of December 31, 2009 and 2008 are comprised as follows:

Concept	2009	2008
Business	Ps.15,735,956	Ps.11,012,349
Individuals	2,094,000	2,427,914
Public Sector	4,808,000	920,104
Other (private sector)	1,602,000	2,077,033
Total	Ps.24,239,956	Ps.16,436,400

Interest income and commissions earned are recorded in the income statement and are comprised as follows:

	2009			2008
Performing loans:	**Interest**	**Commission**	**Total**	**Total**
Commercial	Ps.1,394,091	Ps.126,062	Ps.1,520,153	Ps.1,284,524
Financial entities	266,796	—	266,796	321,182
Consumer	16,925	69	16,994	244,455
Mortgages	94,443	1,988	96,431	97,625
Government entities	5,859	—	5,859	7,652
	Ps.1,778,114	Ps.128,119	Ps.1,906,233	Ps.1,955,438

The rating of the portfolio and the allowance for loan losses as of December 31, 2009 and 2008 are as shown below:

	December 31, 2009				December 31, 2008			
Risk	**%**	**Amount**	**% of provision**	**Amount**	**%**	**Amount**	**% of provision**	**Amount**
A	4.59	Ps. 1,169,285		Ps. 4,288	12.23	Ps. 1,415,925		Ps. 5,717
A-1	63.79	16,232,994	0 to .50	79,816	49.00	10,772,021	0 to .50	53,807
A-2	23.13	5,887,327	51 to .99	57,341	21.43	2,449,743	51 to.99	23,543
B	.23	57,660		2,700	.62	69,269		2,811
B-1	4.64	1,180,792	1 to 4.99	28,189	12.43	1,386,165	1 to 4.99	24,515
B-2	1.74	441,932	5 to 9.99	25,528	2.45	373,529	5 to 9.99	24,493
B-3	.43	108,192	10 to 19.99	18,538	1.02	98,289	10 to 19.99	17,153
C	.04	10,932		3,992	.17	867		304
C-1	.23	58,702	20 to 39.99	11,740	.02	—	20 to 39.99	—
C-2	.00	—	40 to 59.99	—		100,906	40 to 59.99	60,896
D	.10	25,998	60 89.99	17,353	.34	6,108	60 to 89.99	4,330
E	1.08	274,380	90 to 100	274,379	.31	91,610	90 to 100	91,598
Total	100	Ps.25,448,194	Provision	Ps.523,864	100	Ps.16,764,432	Provision	Ps.309,167

The performance of the estimated coverage for credit risks is shown below:

	December 31	
	2009	**2008**
Estimate required for loan losses	Ps.523,864	Ps.309,167
Estimate for loan losses recorded	523,864	309,167
Excess reserves for credit risk on	—	—
Coverage of overdue loans	100%	100%

The composition of the overall portfolio rated by type of loan is as follows:

	December 31, 2009				December 31, 2008
Risk level	Commercial	Consumer	Mortgages	Total	Total
A		Ps.130,247	Ps.1,039,038	Ps. 1,169,285	Ps. 1,415,925
A-1	Ps.16,232,994			16,232,994	10,772,021
A-2	5,887,327			5,887,327	2,449,743
B		2,873	54,787	57,660	69,269
B-1	1,180,792			1,180,792	1,386,165
B-2	441,932			441,932	373,529
B-3	108,192			108,192	98,289
C		1,237	9,695	10,932	867
C-1	58,702			58,702	
C-2	—				100,906
D	11,978	2,525	11,496	25,999	6,108
E	271,311	3,068		274,379	91,610
Rated portfolio	Ps.24,193,228	Ps.139,950	Ps.1,115,016	25,448,194	16,764,432
Effect of changes in exchange rates				Ps. 28,701	Ps. 25,115
Lines of credit (irrevocable) — Off-balance				(977,350)	(201,153)
Interest collected in advance				(259,589)	(151,994)
Total loan portfolio				Ps.24,239,956	Ps.16,436,400

As of December 31, 2009 and 2008, the aging of the overall non-performing loans portfolio is as follows:

	2009 Days in Non-performing Status			
Loan:	1 to 180	181 to 365	More than 366	Total
Commercial	Ps.43,450	Ps.67,762	Ps.229,727	Ps.340,939
Consumer	2,766	957	1,885	5,608
Mortgages	18,363	7,104	4,392	29,859
Non-performing loans	Ps.64,579	Ps.75,823	Ps.236,004	Ps.376,406

	2008 Days in Non-performing Status			
Loan:	1 to 180	181 to 365	More than 366	Total
Commercial	Ps. 99,660	Ps.87,327	—	Ps.186,987
Consumer	2,264	1,039	Ps.1,389	4,692
Mortgages	8,354	5,805	—	14,159
Non-performing loans	Ps.110,278	Ps.94,171	Ps.1,389	Ps.205,838

Changes in the allowance for loan losses during the year were as follows:

	2009	2008
Balances as of the beginning of the year:	Ps.309,167	Ps.225,471
Plus:		
Additions	253,156	298,905
Less:		
Charge offs	36,078	126,940
Release of reserve	2,381	88,269
Inflation restatement effects	—	—
Balances as of the end of the year:	Ps.523,864	Ps.309,167

At December 31, 2009 and 2008, the Bank recorded additional allowance for loan losses for an amount equal to Ps.6,982 and Ps.1,902, respectively, to fully reserve past-due interests.

At December 31, 2009, loan restructurings were completed by the Bank in its current commercial portfolio for an amount of Ps.5,992 (Ps.84,772 in 2008). In 2009 and 2008, no additional guarantees were obtained arising from the restructuring of these loans.

During 2009 and 2008, no assets were foreclosed.

At December 31, 2009 and 2008, rescheduling of principal and interest payments was granted for Ps.6,279 and Ps.14,205 respectively. In 2009 and 2008, no time extension concessions were granted.

Under Mexican Banking GAAP, a loan is considered as "potential problem loan" when management considers recovery could be lower than its book value (principal plus accrued interest), regardless if such loan is classified as performing or non-performing. At December 31, 2009, the amount of potential problem loans recorded within the performing commercial loan portfolio was Ps.1,544 and the amount of potential problem loans recorded within the non-performing commercial loans was Ps.206,775 (Ps.58,707 and Ps.177,257 in 2008, respectively).

As of December 31, 2009, non-performing loans were written-off in the amount of Ps.37,262 (Ps.5,081 in 2008).

The impact on the income statement of suspending the accrual of interest on the non-performing loan portfolio amounted to Ps.5,080 in 2009 Ps.1,269 in 2008 and Ps.633 in 2007.

As of December 31, 2009, the Bank granted loans in the amount of Ps.5,644,084 (Ps.2,810,951 in 2008) by using funding received from Nacional Financiera S. N. C. (NAFIN) and Banco Nacional de Comercio Exterior S. N. C. (Bancomext). The Bank is responsible for repaying such funding, regardless if it is able to collect from its clients.

The Bank has participated in various credit support programs established by the Federal Government and the Asociación de Banqueros de México, A. C., such as the program "Support for debtors of Tabasco" which provided aid to the victims affected by the floods that occurred in Tabasco, Mexico during 2008. The amount of the loan portfolio subject to these programs was Ps.33,998 in 2008. At December 31, 2009 the Bank had no credit portfolio subject to this type of program.

For the years ended December 31, 2009 and 2008, no interest arising from capitalization due to the restructuring of loans was recorded.

Below are the policies and procedures established by the management to determine risk concentration:

The strategy to be followed is based on a conservative risk diversification consistent with the size and profitability goals and with the competitive position, and is implemented by means of accurate procedures for continuous quantification of risk.

This measurement covers both the nature of the economic activity of the sector to the individual cash-generating capacity of borrowers, including the overall structure of the risk portfolio.

The client portfolio must be properly structured in order to adequately balance individual payment risk and the overall risk of the Bank, considering the following:

Concentration risk

a) Per borrower:

Concentration risk applicable to a party or group of parties comprising common risks and is set on the basis of the Bank's basic capital, with a view to maintaining, at all times, a sound relationship between concentration risk and the capitalization level of the Bank.

b) Per economic sector:

No economic sector may exceed the limits established by the Board of Directors for the Bank's total portfolio.

c) Related-party loans:

These loans may not exceed 50%, in the aggregate, of the Bank's basic portion of their net capital, and must be approved by the Board of Directors.

c) Risk diversification:

The Bank adhered to the maximum financing limit established for a single party or group of parties representing a common risk. Additionally, no operations were carried out with clients considered as a party or group of related parties which, in one or more liability transactions, exceeded 100% of the Bank's basic capital.

As of December 31, 2009, the Bank had 17 loans that exceeded 10% of its basic capital reported as of December, amounting to Ps.10,114,324 in the aggregate. These loans represented between 10.49% and 60.55% of the basic capital (As of December 31, 2008, the Bank had 11 loans that exceeded 10% of its basic capital reported as of September 2008, amounting to Ps.4,549,838. These loans represented between 10.03% and 18.65% of the basic capital). Additionally, the three largest debtors or group of parties considered as a single debtor amounted to Ps.3,603,856 (Ps.1,566,557 in 2008).

Note 9 — Other Accounts Receivable:

At December 31, 2009 and 2008, this caption was comprised of the following:

	2009	2008
Sundry debtors	Ps. 90,763	Ps. 133,639
Receivable on sale of securities — spot transactions	961,940	837,902
Accounts receivable from employees	42,852	23,995
Other debtors	28,799	45,466
	Ps.1,124,354	Ps.1,041,002

Note 10 — Property, Plant and Equipment:

	December 31, 2009	December 31, 2008	Depreciation rates (%)
Computer equipment	Ps. 335,125	Ps. 292,640	30
Office furniture and equipment	177,212	143,337	10
Transportation equipment	2,814	3,941	25
Other assets	31,294	32,420	10
	546,445	472,338	
Less — Accumulated depreciation	(304,321)	(235,232)	
	242,124	237,106	
Installation expenses — Net	409,092	345,913	
	Ps. 651,216	Ps. 583,019	

Depreciation and amortization charged to income for the years ended December 31, 2009 and 2008, amounted to Ps.136,610 and Ps.106,763, respectively.

Note 11 — Equity Investments:

The balance of this item at year-end was comprised as follows:

Subsidiary	Ownership as of December 31, 2009	Equity investment as of December 31, 2009	Equity investment as of December 31, 2008	Equity in (losses)/ income of the year 2009	Equity in (losses)/ income of the year 2008
Ixe Tarjetas de Crédito, S. A. de C. V.(A)	50.00	Ps.421,535	Ps.536,118	Ps.(90,036)	Ps. 6,817
Bolsa Mexicana de Valores, S. A.B de C. V.(B)		—	—	—	3,567
SD Indeval, S. A. de C. V.(B)		—	—	—	1,528
Cecoban, S. A. de C. V.	3.51	2,370	2,733	(151)	(68)
Others		811	811	791	3
		Ps.424,716	Ps.539,662	Ps.(89,396)	Ps.11,847

(A) Investment in Ixe Tarjetas

On September 4, 2008, the Bank and CMC Holding Delaware Inc. ("CMC Holding"), a subsidiary of JP Morgan Chase & Co., signed an agreement to form a strategic alliance for the purpose of developing and operating a business engaged in the issuance, processing and acquisition of personal credit cards for small and medium companies in Mexico, by creating a separate jointly controlled legal entity as well as for conducting operations directly related to this business.

On November 13, 2008, through Official Document No. 312-1/12168/2008 Exp CNBV 312,211,23(95), the CNBV granted an authorization to the Bank to conduct the following activities:

1. Invest up to US$40 million in the capital stock of a multiple purpose financial entity (a regulated entity) by the name of IXE Tarjetas, S.A. de C.V., Multiple Purpose Financial Company (SOFOM) ("Ixe-TDC").

2. Transfer its credit card loan portfolio, together with certain assets and liabilities to Ixe-TDC, with financing by this institution of up to 30% of its basic capital.

On November 27, 2008, Ixe-TDC was formally incorporated as a legal entity.

On December 1, 2008

- Ixe-TDC received an initial capital contribution of US$80 million (US$40 million from the Bank and US$40 million from CMC Holding).

- Ixe-TDC received short-term loans granted by three entities:

The Bank	Ps. 342,600
Banco Deuno(*)	Ps. 157,400
JP Morgan London	Ps. 500,000

(*) Banco Deuno was merged with the Bank on December 31, 2008.

The sale of the credit card portfolio (together, among other things, with the transfer of certain assets, labor obligations and other liabilities) was accounted for as a sale of individual assets due to the fact that the CNBV authorized the transaction as a transfer of our credit card portfolio, following the guidelines of Article 93 of the Mexican Banking Law. The difference between the carrying value of the credit card loans together with other assets and liabilities, and the consideration received was recorded as a gain of Ps.577,725 for the year ended December 31, 2008.

Due to the nature of this investment, it has been determined that Ixe-TDC is an entity jointly controlled by the Bank and CMC Holding. The Bank is accounting for this investment using the equity method of accounting.

The following information includes a condensed balance sheet of Ixe-TDC as of December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Assets:		
Cash and due from banks	Ps. 29,104	Ps. 345,959
Derivatives financial instruments	23,014	—
Loan portfolio — net of allowance of loan losses of Ps.328,469 in 2009 and Ps.95,350(1)	1,496,075	1,229,856
Property, furniture and equipment	20,659	7,472
Other receivables	4,506	4,434
Deferred income taxes(2)	96,435	—
Other assets	642,075	589,488
Total assets	Ps.2,311,868	Ps.2,177,209
Liabilities and Stockholders' Equity:		
Short-term loans(3)	Ps.1,324,611	Ps.1,000,340
Other payables	115,600	110,370
Deferred credits and collection	28,588	—
Total liabilities	1,468,799	1,110,710
Stockholders' Equity		
Capital stock(4)	1,188,950	1,058,600
Earned capital:		
Accumulated deficit	(165,810)	
Net (loss) income	(180,071)	7,899
Total stockholders' equity	843,069	1,066,499
Total liabilities and stockholders' equity	Ps.2,311,868	Ps.2,177,209

(1) Ixe-TDC Loan Portfolio — Net

Ixe-TDC's loan portfolio is fully comprised of credit card loans and it represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest less prepaid interest received. The loan portfolio balance is presented net of the allowance for loan losses.

The unpaid loan balance is recorded in the past-due portfolio, whenever payment is outstanding for 2 billing periods or 60 or more days have elapsed following maturity.

Ratings for the portfolio are calculated by applying certain percentages based on the level of risk exposure, the probability of default by the debtor and the severity of the loss (including the value of related guarantees), determined on the basis of the number of overdue payments.

Loans are charged off when there is sufficient evidence that a loan will not be recovered and also when loans are fully reserved.

The following table sets forth Ixe-TDC's performing and non-performing loan portfolio as of December 31, 2009 and 2008:

	Amount	
Performing loans	**December 31, 2009**	**December 31, 2008**
0 to 30 days	Ps.1,618,185	Ps.1,171,771
31 to 60 days	83,912	66,831
61 to 89 days	38,292	29,618
Total performing loans	Ps.1,740,389	Ps.1,268,220
Non-Performing loans*		
90 to 120 days past due	Ps. 30,384	Ps. 22,454
121 to 150 days past due	30,325	18,825
151 to 180 days past due	23,440	15,554
Over 180 days past due	7	153
Total Non-Performing loans	84,157	56,986
Total Loan Portfolio	Ps.1,824,545	Ps.1,325,206

* Loans are considered non-performing once they are over 90 days past-due.

The following table sets forth the loan portfolio classification of Ixe TDC in accordance with the Mexican Banking GAAP, as of December 31, 2009 and 2008:

	December 31,			
	2009		2008	
Loans by Regulatory Classification	**Amount**	**% of base loan Portfolio**	**Amount**	**% of base loan Portfolio**
A (1.0% to 2.5% reserve)	Ps. 33,092	1.82%	Ps.1,171,771	88.45%
B (2.6% to 19.99% reserve)	1,453,033	79.87%	66,831	5.06%
C (20.0% to 59.99% reserve)	186,284	10.24%	52,072	3.92%
D (60.0% to 89.99% reserve)	136,924	7.23%	34,379	2.57%
E (90.0% to 100.0% reserve)	15,212	0.84%	153	—%
Total graded loans	Ps.1,824,545	100.00%	Ps.1,325,206	100%

Set forth below, is included a roll forward of the allowance for loan losses:

	December 30, 2009	December 30, 2008
Allowance at the beginning of period	Ps. 95,350	Ps.83,089
Provisions taken during period:		
Charged against earnings	299,350	12,261
Total	394,700	95,350
Allowance at the end of the period before charge-offs taken during the period:		
Charge-offs taken during the period	(239,939)	—
Recognition of regulatory changes(1)	173,708	—
Allowances at the end of the period after charge-offs taken during the period	Ps. 328,469	Ps.95,350

(1) As of December 31, 2009, Ixe TDC adopted a new methodology for loan loss provisions for consumer loans, as issued by the CNBV. The main changes related to provisions for credit card loans are described as follows:

- Ratings are now determined on a credit-by-credit basis. Prior to these modifications, ratings were determined collectively (loans grouped in accordance with periods in non-performing status).
- Probability of default is now determined using regression formulas, where, for credits in a non-performing status of 4 or more periods, the probability of default is 100%. According to the previous methodology, probability of default was a stated percentage given by the CNBV according to the periods in a non-performing status, and for credits with 4 to 6 periods as non-performing, the probability of default ranged between 62% to 95%.
- Exposure at default, now also considers the unused credit amount. Previously, off-balance sheet amounts were not considered as part of the exposure at default).
- Exposure at default now considers the corresponding balance at the cut-off date corresponding to each credit card. Prior to these modifications, exposure at default considered the outstanding balance at the end of the period.

The cumulative effect arising from the adoption of the aforementioned methodology generated an increase in the allowance for loan losses of Ixe-TDC of Ps.173,708 and was recorded in retained earnings in accordance with accounting practices established for financial institutions issued by the CNBV.

(2) Ixe TDC's deferred income taxes

As of December 31, 2009, Ixe TDC recognized a deferred tax related to: allowance for loan losses of Ps.121,594, provisions of Ps.19,240 and payments in advance of (Ps.12,577). Such deferred tax asset is presented net of a valuation allowance amounting to (Ps.31,822). Ixe TDC records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not, to be realized in accordance with the CNBV accounting practices.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. A valuation allowance was provided for deferred tax assets to the extent that it is more likely than not that not that some portion of the temporary differences will be realized.

(3) Ixe-TDC's short-term loans

Ixe-TDC's short-term loans as of December 31, 2009 and 2008 were comprised of:

	Interest rate	Maturity date	December 31 2009	December 31, 2008
J.P. Morgan	6.90%	30- Jun-10	Ps.1,175,245	Ps. —
J.P. Morgan	TIIE+2%	29- Jan-10	149,366	—
J.P. Morgan	12,25%	31-Mar-09	—	500,170
Ixe Banco	12,25%	31-Mar-09	—	500,170
Total			Ps.1,324,611	Ps.1,000,340

(4) Ixe-TDC's commitments and contingencies

As of December 2009 and 2008 Ixe TDC maintained commitments to extend credits with off balance sheet risk of Ps. 3,373,590 and Ps 3,557,517 respectively.

(5) Ixe-TDC's capital stock

Capital stock is accounted for at historical amounts, and is comprised of 1,188,950,000 nominative shares with a par value of Ps.1 each, fully subscribed and paid in.

	December 31,			
% of ownership	2009	2008	2009	2008
	No. of Shares		Amount	
The Bank	594,475,000	529,300,000	Ps. 594,475	Ps. 529,300
CMC Holding	594,475,000	529,300,000	594,475	529,300
Total	1,188,950,000	1,058,600,000	Ps.1,188,950	Ps.1,058,600

Ixe-TDC is a jointly controlled entity since voting rights are equally distributed among both investors.

In accordance with the Mexican Credit Institutions Law, the net capital that Multiple Purpose Financial Entities (Sociedad Financiera de Objeto Múltiple or SOFOM) have to maintain, may not be less than the sum of each kind of risk that the entity is exposed to (market risk, credit risk and other operating risks).

The following information includes a condensed income statement of Ixe-TDC for the year ended December 31, 2009 and for the one month period ended December 31, 2008:

	December 31, 2009	December 31, 2008
Interest income(6)	Ps. 409,445	Ps. 23,026
Interest expense(7)	123,066	12,215
Financial margin	286,379	10,811
Provision for loan losses(1)	299,350	12,261
Financial margin after provision for loan losses	(12,971)	(1,450)
Commissions and fees — Net	91,663	9,888
Brokerage loss — Net	12,613	—
Net operating revenue	104,336	8,438
Non-interest expenses(8)	386,850	15,394
Net operating loss	(295,485)	(6,956)
Other income — Net(9)	18,979	20,592
Income before income tax and equity in earnings of subsidiaries and associated companies	(276,506)	(13,636)
Income taxes — current	96,435	5,737
Net loss of the period	Ps. (180,071)	Ps. (7,899)

(6) Ixe-TDC's interest income

Interest is recognized and accrued into income as it is earned. The accrual of interest income is suspended when loans are transferred to the past-due portfolio. Non-performing loan commissions are recognized as income when collected.

Accrued interest during the period in which the loan was included in the non-performing portfolio is recognized as income when collected.

(7) Ixe-TDC's interest expense

This item is mainly comprised of interest expense arising from short-term borrowings which are expensed as incurred.

(8) Ixe-TDC's non-interest expense

Non-interest expense for the year ended December 31, 2009 and for the one month period ended December 31, 2008 is comprised of the following:

	December 31, 2009	December 31, 2008
Salaries and employee benefits	Ps.100,585	Ps. 7,988
Professional fees	109,427	438
Promotional expenses	46,425	4,699
Commissions	62,678	—
Rental expenses	12,050	—
Depreciation and amortization	8,244	—
Other expenses	47,441	2,270
	Ps.386,850	Ps.15,394

(9) Ixe-TDC's other income

Other income for the year ended December 31, 2009 and for the one month period ended December 31, 2008 was comprised of the following:

	December 31, 2009	December 31, 2008
Foreign exchange (loss) gain	Ps. (1,105)	Ps.13,976
Commissions paid	22,241	6,339
Others	2,157	722
	Ps.18,979	Ps.21,037

(B) Sale of Mexican Stock Exchange Shares

During 2008, the Mexican Stock Exchange (Bolsa Mexicana de Valores, S. A. B de C. V. or "BMV") completed an initial public offering and upon the closing, issued shares in exchange for shares held by financial institution members, including the Bank. As a result of the aforementioned, the Bank delivered shares (shares of BMV and S. D. INDEVAL, S. A. de C. V., a related party of BMV) amounting to Ps.60,101 (book value) and received: a) cash in the amount of Ps.57,946 and b) 12,538,100 shares valued at Ps.206,879 (Ps.16,50 per share), which were recorded as Trading securities, resulting in a gain of Ps.210,576 (recorded under the caption "Other income" in the income statement).

Note 12 — Other Assets:

	December 31, 2009	December 31, 2008
Deferred charges	Ps.106,817	Ps.105,889
Payments in advance	83,052	171,364
Intangible assets	413,373	173,772
Other assets	Ps.603,242	Ps.451,025

As of December 2009, intangible assets included mainly costs related to the implementation of the SAP system and organizational costs derived from the merger with Banco Deuno, which took place on December 31, 2008.

Amortization charged to income for the years ended December 31, 2009 and 2008, amounted to Ps.52,642 and Ps.8,995, respectively.

Note 13 — Derivative Financial Instruments:

As of December 31, 2009 and 2008, the positions in derivative financial instruments were as follows:

	December 31,	
Trading	2009	2008
	Fair value	
Swaps	Ps.(525,360)	Ps.(143,703)
Options	(2,369)	(67,398)
Futures	(4,618)	(68,947)
Forwards	9,354	71,815
Total trading	Ps.(522,993)	Ps. (70,339)
Hedges		
Swaps	Ps.436,118	Ps.524,630
Total hedges	Ps.436,118	Ps.524,630
Total derivative instruments, net	Ps. 86,875	Ps.454,291

I) Swaps

At December 31, 2009 and 2008, the breakdown of the Bank's swap contracts was as follows:

		December 31, 2009				
Underlying asset	Currency	Receivable contract value	Payable contract value	Amount receivable	Amount payable	Net position (book value)
Trading:						
Currencies:	Dollar	Ps. 5,333,359	Ps. (5,333,359)	Ps. 1,451,341	Ps. (1,921,032)	Ps.(469,691)
	Euro	66,543	(66,543)	7,219	(5,802)	1,417
				1,458,560	(1,926,834)	(468,274)
Interest rate	Peso	Ps.102,875,719	Ps.(102,875,719)	27,517,010	(27,581,986)	(64,976)
	Dollar	3,203,008	(3,203,008)	752,516	(744,626)	7,890
				28,269,526	(28,326,612)	(57,086)
				Ps.29,728,086	Ps.(30,253,446)	Ps.(525,360)

Hedges: Underlying asset	Currency	December 31, 2009 Receivable contract value	Payable contract value	Amount receivable	Amount payable	Net position (Book value)
Currencies	Dollar	Ps.1,585,200	Ps.(1,585,200)	Ps.2,055,218	Ps.(1,585,877)	Ps.469,341
Interest rate	Peso	Ps.1,183,383	Ps.(1,183,383)	460,252	(493,475)	(33,223)
				Ps.2,515,470	Ps.(2,079,352)	Ps.436,118

Underlying asset	Currency	December 31, 2008 Receivable contract value	Payable contract value	Amount receivable	Amount payable	Net position (Book value)
a) Trading:						
Currencies	Dollar	Ps. 5,007,990	Ps. (5,007,990)	Ps. 4,383,415	Ps. (4,499,994)	Ps.(116,579)
	Euro	87,639	(87,639)	106,419	(106,337)	82
				4,489,834	(4,606,331)	(116,497)
Interest rate	Peso	Ps.63,042,029	Ps.(63,042,029)	20,634,121	(20,670,341)	(36,220)
	Dollar	10,818,434	(10,818,434)	1,034,727	(1,025,713)	9,014
				21,668,848	(21,696,054)	(27,206)
Total swaps — Trading				Ps.26,158,682	Ps.(26,302,385)	Ps.(143,703)
b) Qualifying hedges:						
Currencies	Dollar	Ps. 1,385,164	Ps. (1,385,164)	Ps. 2,146,046	Ps. (1,597,432)	Ps. 548,614
Interest rate	Peso	Ps. 918,695	Ps. (918,695)	428,180	(452,164)	(23,984)
Total swaps - Fair value hedges				Ps. 2,574,226	Ps. (2,049,596)	Ps. 524,630

II) Options

At December 31, 2009 and 2008 the Bank had signed options contracts as follows:

Transaction		Underlying asset	December 31, 2009 Premium paid/ received	Fair value	Net position	December 31, 2008 Premium paid/ received	Fair value	Net position
Purchases	Options	Interest rate	Ps. 295,708	Ps.(1,029,722)		Ps. 366,623	Ps. 84,033	
		Dollar				55,405	366,647	
		IPC Index	—	—		—	—	
			Ps. 295,708	Ps.(1,029,722)		Ps. 422,028	Ps. 450,680	
Sales	Options	Interest rate	Ps. (272,037)	Ps. 1,003,682		Ps.(343,948)	Ps.(444,712)	
		Dollar				(42,878)	(108,568)	
		IPC Index	—	—		—	—	
			Ps. (272,037)	Ps. 1,003,682		Ps.(386,826)	Ps.(553,280)	
Total			Ps. 23,671	Ps. (26,040)	Ps.(2,369)	Ps. 35,202	Ps.(102,600)	Ps.(67,398)

III) Futures and Forwards

At December 31, 2009 and 2008, the Bank had open forward and futures contracts as follows:

		December 31, 2009				
		Sales		Purchases		
Transaction	Underlying asset	Contract price	Market value	Contract price	Market value	Net fair value
Forward contracts	Dollar	Ps. 4,104,625	Ps.(4,059,158)	Ps.(2,677,901)	Ps. 2,699,451	Ps. 67,017
	Euro	126,007	(118,098)	(138,839)	139,310	8,380
	Stocks	562,691	(628,734)	—	—	(66,043)
		Ps. 4,793,323	Ps.(4,805,990)	Ps.(2,816,740)	Ps. 2,838,761	Ps. 9,354
Futures	TIIE	—	—	Ps. (31,100)	Ps. 31,130	Ps. 030
	Dollar	Ps. 515,723	Ps. (530,611)	(385,296)	395,503	(4,681)
	Euro	1,940	(1,907)	—	—	033
		Ps. 517,663	Ps. (532,518)	Ps. (416,396)	Ps. 426,633	Ps. (4,618)

		December 31, 2008				
		Sales		Purchases		
Transaction	Underlying asset	Contract price	Market value	Contract price	Market value	Net fair value
Forward contracts	Dollar	Ps. 12,148,840	Ps.(13,924,922)	Ps.(10,435,234)	Ps. 12,320,590	Ps. 109,274
	Euro	1,340,977	(1,397,459)	(169,983)	186,284	(40,181)
	Stocks	195,658	(192,936)	—	—	2,722
		Ps. 13,685,475	Ps.(15,515,317)	Ps.(10,605,217)	Ps. 12,506,874	Ps. 71,815
Futures	TIIE			Ps. (29,400)	Ps. 29,401	Ps. 1
	Dollar	Ps. 309,741	Ps. (419,178)	(408,728)	536,818	18,653
	Euro	—	—	(1,163,118)	1,213,411	50,293
		Ps. 309,741	Ps. (419,178)	Ps. (1,601,246)	Ps. 1,779,630	Ps. 68,947

The following paragraphs describe the risk management policies, as well as an analysis of the risks to which the Bank in exposed, prepared by the Risk Management Director's office for disclosure purposes:

1. Risk Management Policies

The Bank's risk management policies are established in its Comprehensive Risk Management Manual, which was drawn up in accordance with the Commission's Circular "Prudential comprehensive risk management provisions applicable to credit institutions".

The manual contains the risk management requirements established by the Commission as specified in such Circular. It includes policies covering:

a. Objectives related to the Bank's risk exposure.

b. The identification, measurement, monitoring, limitation, control, reporting and disclosure of quantifiable risks the Bank is exposed to, considering, where applicable, non-quantifiable risks.

c. The risk-management responsibilities of the Board of Directors.

d. The responsibilities of the Risk Committee.

e. The risk-management responsibilities of the Chief Executive Officer.

f. The responsibilities of the Specialized Comprehensive Risk Management Unit.

g. Risk management and valuation systems.

h. The internal auditors' role concerning risk management.

i. Management by type of risk.

Additionally, it includes a description and explanation of the models and methodologies for the valuation of the different types of risks, as well as information requirements on processing systems for risk analysis.

The Bank is exposed to three types of financial risk: market, credit and liquidity. There are also operational risks, which include legal and technological risks. Models and systems validated by independent experts are used to identify, measure, monitor, limit, control, report and disclose the different types of quantifiable risks to which the Bank is exposed.

Risk management at the Bank is conducted by the Risk Management and Interest Rates Committee, which reports to senior management and the Board of Directors. It also monitors compliance with the risk limits established by the Board of Directors. There is also an Operational Risk Subcommittee, which reports to the Risk Management and Interest Rates Committee, and monitors, limits, controls and discloses any operating and legal risks that might exist in the Bank's processes and operations.

Interest rates, share prices, stock index levels and exchange rates are the major financial variables the Bank's asset and liability positions are exposed to. Therefore, the volatility of these variables is monitored daily, as well as their potential impact on the Bank's proprietary positions.

2. Objectives of Entering into Derivative Operations

The behavior of prices and financial variables has been more volatile over the last few years. This volatility has resulted in greater sensitivity of the financial results of banks, uncertainty among the clientele concerning the cost of financing, and greater demand for specialized services that can offer attractive returns.

In that regard, the Bank trades in recognized and over-the-counter financial markets products approved by the Board of Directors of the Bank, intended to:

- Compete with other financial entities, with quality products and services.
- Extend the range of services that the Bank can offer to its clientele, ensuring the maximum quality in advisory services, execution, follow-up and control in every operation.
- Provide support to the sales force with instruments designed to offer attractive returns in line with market conditions and client requirements.
- Measure and evaluate the portfolio risks the Bank is exposed to and, by hedging those risks by means of trading derivative instruments, contribute to covering these risks.
- Contribute to the efficient development of the market.

2.1 Operating Objectives

- Develop new, agile and flexible protection and investment mechanisms that allow the Bank to design and offer financial products that satisfy client needs.
- Take advantage of arbitrage opportunities between the different financial markets, within authorized global-risk limits.
- Help maximize the Bank's capital profitability given the risk policies proposed by senior management and approved by the Board of Directors.
- Streamline administration of the business, money and capital-desk portfolios by means of trading derivative products, both for hedging risks and for taking advantage of arbitrage opportunities within the market.
- Reduce, and if possible, eliminate, the negative effects of the evolution of underlying assets on the Bank's own positions and third-party positions.
- Evaluate the advantages and disadvantages of using different derivatives as hedging mechanisms and propose, when considered viable, payment of a premium to hedge the position, rather than selecting another derivative at no cost, but with greater risk exposure.

3. Internal Control Procedures for Managing the Risks Inherent in Derivative Contracts

Quantifiable risks inherent in derivative agreements are reported daily to senior management and to the business areas. Additionally, a bi-weekly report is provided to the Risk Management and Interest Rates Committee on the status of those risks, and a quarterly report is submitted to the Board of Directors.

3.1 Market Risk

For market-risk management of derivative financial instruments, Value at Risk (VaR) and stress limits have been established vis-a-vis unit movements in the relevant risk variables, such as: interest rates, level of exchange rates and prices of indexes/stocks.

As a preventive measure, early warning systems are used to promptly report on the utilization level of limits authorized by the Board of Directors.

In order to provide risk takers with a tool for approximating the utilization of their VaR limits on a timely basis and in line with the respective regulatory standards, traders have direct access to the comprehensive risk system, which calculates the VaR of positions and reports on the utilization level of authorized limits.

3.2 Credit Risk

Credit lines granted per counterparty and per instrument are monitored on line within the operating system, using equivalent credit risk factors by means of which said lines are utilized, depending on the current market value and the potential level of exposure for each transaction. The system contains alarms and operating padlocks to control operating exposure.

More than 85% of our exposure to credit risk in operations with derivative financial instruments is carried out with credit institutions and stock brokerage firms that have solid credit risk ratings. Exposure with corporate counterparties has policies in place for use of guarantees and margin calls, reducing the potential risk thereof. The remaining 15% of our exposure to credit risk relates to exposure to clients for which the Bank had performed a comprehensive credit risk analysis, in all cases margin calls are required for reducing potential credit risk. In addition, it is the Bank's policy only to enter into transactions with clients that expect to hedge positions and not to speculate. In both cases (transactions with other financial institutions and with clients), exposure and credit risk are monitored daily, as well as follow-up on margin calls.

3.3 Liquidity Risk

The VaR is calculated for different time horizons, in order to estimate the potential loss resulting from a liquidity crisis in the financial markets. In addition, follow-up is conducted on the sensitivity per "bid-offer" spread, to detect potential liquidity risks in low liquidity scenarios.

3.4 Operational Risk

The Legal Affairs Director reviews the master agreements supporting operations with derivative instruments. Middle office ensures that operations are carried out according to established policies. There is a contingency plan and a contingent data center for the systems involved in derivative instrument operations.

4. General Description of the Valuation Techniques Used by the Bank

To estimate the market risk at the close of the day, the VaR based on historical simulation at 100 days history is used. The VaR is calculated with statistical trust levels of 95 and 99.5%, with one-day time horizons, the last as a stress measurement.

The sensitivity of the value of positions to movements in relevant risk factors is estimated. In case of interest rate factors, the sensitivity is estimated and reported for each term of the curve in question and per risk factor. For option derivatives, sensitivity measurements monitor the Bank's book exposure to changes in variables, such as spot price, interest rate, volatility and term.

Selective tests are carried out under extreme scenarios, using different historic scenarios in the risk factors, analyzing the impact of these scenarios on the current positions.

In order to estimate the credit risk and monitor the utilization of credit lines for derivative instruments, a VaR model is used to determine the potential risk of each operation and counterparty.

In order to estimate the liquidity risk, the market VaR for one day is adjusted to the period under analysis by applying standard risk management methodologies.

In order to estimate the fair value of over-the-counter derivative financial instruments, standard valuation models are used which are internationally recognized and validated by independent experts, as stipulated by Banxico. Likewise, valuation benchmarks provided by our price vendor are used. There are currently a number of economic hedging programs in place that have been authorized by the Risk Management and Interest Rates Committee. In this regard, such programs are in compliance with the specific provisions related to recognition and valuation as established in Statement B-10 "Derivatives and hedge operations". The prospective effectiveness of hedges considers that the overall change in the fair value of the derivative will be effective upon hedging the potential changes in fair value of the hedged item arising from changes in risk factors. Such test is conducted through Value at Risk simulations. The method to measure the retrospective effectiveness is cumulative, which consists of measuring the daily efficiency of the portfolio that contains the primary positions against the changes in the fair value of the portfolio and hedge, and estimating a monthly weighted average arising from the change in the monthly accumulated fair value of the primary assets.

5. A Brief Description of the Obligations to Which the Bank May be Subject in Derivative Contracts

When participating in derivative contracts, the Bank is required to comply with the provisions of the master agreement signed with the counterparty which is previously reviewed by the Legal Affairs Director in order to mitigate legal risks. In particular, the Bank must deal with potential economic obligations, which are a natural result of its own operation, and are estimated daily by means of the VaR for each trade and for the global portfolio.

6. Value of risk exposure

Following is the average VaR in thousands of pesos at 95 and 99.5% confidence level for the derivative instruments portfolio, aggregating all the derivative instrument positions handled by the Bank's various business areas at December 31, 2009.

	1 day VaR@95%	1 day VaR@99.5%
Derivatives	Ps.356,559	Ps.798,295

7. Internal and External Resources to be Used as Support of Liquidity Requirements Related to Derivative Financial Instruments.

The main internal funding source is the base of banking clients which provide liquidity to the balance sheet and derivative instruments operations, as well as the interbank credit lines maintained with other financial institutions as a preventive measure in the case of greater liquidity needs. Additionally, the Central Bank has implemented several measures to provide liquidity to financial institutions, strengthening its liquidity management, as result of past events suffered in the local and worldwide financial markets.

8. The Main Risks Identified in the Banks Operations with Derivative Financial Instruments

Operations with derivative instruments are mainly exposed to three types of financial risks: market, credit and liquidity risk. In addition, there are operating risks, which include legal and technological risks. The use of models and systems validated by independent experts allows for identifying, measuring, monitoring, restricting, controlling, reporting and disclosing the different types of quantifiable risks.

Given the nature of our trading operations, the risks identified can give rise to potential losses affecting future reports; however, the level of exposure to these risks is monitored and managed daily according to the comprehensive risk management policies in place. The main risk variables to which we are exposed are domestic and international interest rates. These variables suffered considerable changes during the fourth quarter of 2008 and the first half of 2009, as a result of the increased volatility and perception of risk in stock markets. However, levels have stabilized and gradually decreased to those observed prior to the 2008 market crisis.

Our hedge programs have been highly effective, and as a result we do not expect to assume new obligations to maintain these hedge relationships that could affect our liquidity.

During the quarter, there have been no defaults in current derivative agreements. Additionally, all margin calls have been covered within the allotted time and in the proper form.

Following are the maturities of our positions with derivative instruments at the December 31, 2009 month-end close:

	Maturities of derivative operations							
	1-7	8-31	31-91	92-183	184-365	366-730	731	Overall total
Total per Bank	Ps.19,855	Ps.8,108	Ps.24,797	(Ps.82,249)	(Ps.18,375)	(Ps.8,468)	(Ps.46,928)	(Ps.66,509)

Sensitivity Analysis

In order to identify the valuation effect that the movements in the different financial variables (interest rate, exchange rate, volatility and maturity) have over the fair value of positions in derivative instruments, the Bank performed the following sensitivity analysis at December 31, 2009:

Risk exposure of positions in derivative instruments (linear and non linear) -

Sensitivity at a movement of +1b.p. in the rate curves (figures in pesos)				Sensitivity at a movement of +1b.p. in the volatility curves (figures in pesos)		
TERM	PESO	USD DOLLAR	EUR	TERM	PESOS RATES	EXCHANGE RATE USD DOLLAR/PESO
1	(1,011)	85	0	1	0	0
14	7,640	210	0	14	(0)	0
28	19,298	(1,776)	0	28	(0)	0
91	(17,499)	4,061	0	91	(5)	0
183	(21,252)	(375)	0	182	10	0
270	40,004	3,115	0	270	46	0
364	(49,517)	1,921	0	364	(80)	0
728	(4,803)	129	0	728	(4)	0
1,092	2,489	(199)	0	1,092	99	0
1,440	(6,956)	(235)	0	1,440	23	0
1,820	983	(596)	0	1,820	234	0
2,548	(3,595)	(1,083)	0	2,548	130	0
3,640	(18,459)	650	0	3,640	19	0
3,640*	167	0	0	3,640*	0	0
TOTAL	(52,511)	5,907	0	TOTAL	472	0

Foreign exchange position in US Dollar	
US/MXN	(25.8880)
EUR/USD	.0

GAMMA (Sensitivity of the Delta)	
F.E. OPTIONS	
+ 1 Peso in USD	0
RATE OPTIONS	
+ 100 b.p. in MXN	953

Note 14 — Deposits:

At December 31, 2009 and 2008, deposits per type of currency were comprised of the following:

	December 31,					
	Mexican pesos		Foreign currency		Total	
	2009	2008	2009	2008	2009	2008
Demand deposits:						
Non-interest bearing	Ps. 1,556,729	Ps. 1,177,007	Ps. —	Ps. —	Ps. 1,556,729	Ps. 1,177,007
Interest bearing	6,264,678	6,004,719	1,085,211	644,452	7,349,889	6,649,171
	7,821,407	7,181,726	1,085,211	644,452	8,906,618	7,826,178
Time deposits:	18,489,164	12,883,916	71,686	512,888	18,560,850	13,396,804
Total	Ps. 26,310,571	Ps. 20,065,642	Ps. 1,156,897	Ps. 1,157,340	Ps. 27,467,468	Ps. 21,222,982

These liabilities yield interest at the following average interest rates, depending on the type of instrument and average balance maintained:

	(%) Interest rates			
	Mexican pesos		Foreign currency	
	2009	2008	2009	2008
Demand deposits:	2.05	5.12	.08	1.96
Time deposits:	5.14	4.3	.12	1.26

Note 15 — Bank and Other Entities Loans:

At December 31, 2009 and 2008, the breakdown of this caption was as follows:

	December 31,					
	Mexican pesos		Foreign currency		Total	
	2009	2008	2009	2008	2009	2008
A) On demand and short-term:						
Commercial banks	Ps. —	Ps. —	Ps.470,373	Ps. —	Ps. 470,373	Ps. —
Loans from development banks	5,284,564	2,667,525	176,188	175,092		5,460,752
Development funds	36,183	52,444	45,737	48,418	81,920	100,862
Total on demand and short-term	Ps.5,320,747	Ps.2,719,969	Ps.692,298	Ps.223,510	Ps.6,013,045	Ps.2,943,479
B) Long-term:						
Comercial Banks	Ps. —	Ps. —	Ps. 5,343	Ps. —	Ps. 5,343	Ps. —
Loans from development Banks	—	—	—	8,201	—	8,201
Development funds	4,751	23,305	—	—	4,751	23,305
Total long-term	4,751	23,305	5,343	8,201	10,094	31,506
Total	Ps.5,325,498	Ps.2,743,274	Ps.697,641	Ps.231,711	Ps.6,023,139	Ps.2,974,985

Bank and other entities loans borrowed by the Bank are agreed at terms ranging between one day to 14 years and at interest rates fluctuating between 1.50 and 8.01% annually. Such loans are entered into with more than 16 foreign financial institutions and five domestic financial institutions, with no significant concentration in any of these institutions.

Note 16 — Subordinated Debentures:

At December 31, 2009 and 2008, the amount of subordinated debentures was Ps.1,537,851 and Ps.1,892,249, respectively, and was comprised as follows:

Item	2009	2008
Subordinated debentures*	Ps.1,588,044	Ps.1,328,880
Unpaid interest	15,628	16,545
Total	Ps.1,603,672	Ps.1,345,425
Adjustment related to changes in fair value of hedged item	(65,821)	546,824

* U.S. dollar denominated perpetual subordinated debentures of US$136.9 million (nominal amount) bearing a fixed interest rate of 9.75% annually and payable quarterly.

Expenses related to these issuances are amortized by the straight-line method through the date of the option to call the issue either totally or partially.

Note 17 — Labor Liabilities:

The Bank has established plans to cover severance payment in the event of dismissal, which are based on actuarial analysis prepared by independent experts.

The Bank has established a defined contribution pension plan. Employees participating in such plans are entitled to a benefit for past services (50% of which is assigned immediately to the individual account of the employee and the remaining 50% is amortized over ten years starting August 2006). In addition, the Bank will make a basic contribution to the plan consisting of 2% of salaries and an additional contribution based on the employee contribution, which will depend on employee service time. Contributions are assigned to individual accounts for each employee.

The aforementioned plan, replaced the Bank's defined benefit retirement plan. However, certain eligible employees elected to remain in the original plan, known as the "Defined benefit pension plan". Therefore, as of the date of these financial statements both plans are in place. In addition, the Bank pays termination benefits in accordance with provisions of the Mexican Labor Law.

Liabilities and costs related to defined benefit plans and termination benefits are recognized on the basis of actuarial calculations made by independent experts. In relation to the defined contribution plan no actuarial calculation is needed since the Bank's obligation is determined by the amounts contributed during the period.

The following summarizes the principal financial data for these plans:

a. The value of the vested benefit obligations at December 31, 2009 and 2008 was Ps.42,444, and Ps.11,224, respectively.

b. Reconciliation between the Defined Benefit Obligations ("DBO"), the Plan Assets ("PA") and the Net Projected Asset/Liability ("NPA/L").

Reconciliation between the present value of the DBO and the fair value of PA and the NPA/L recognized in the balance sheet:

	December 31,					
	Indemnities		Pensions		Benefits	
	2009	2008	2009	2008	2009	2008
Labor assets (liabilities):						
DBO	Ps. (33,234)	Ps. (26,602)	Ps. (14,253)	Ps. (11,224)	Ps. (6,894)	Ps. (4,618)
PA			49,498	38,084		
Funded (unfunded status)	(33,234)	(26,602)	35,245	26,860	(6,894)	(4,618)
Less:						
Actuarial (gains) losses	—	—	(8,152)	(13,449)	1,390	1,399
Improvements to the plan	—	—	(8,758)	—	—	—
Transition liability	1,277	2,768	(2)	(2)	(219)	(291)
NPA/L	Ps. (31,957)	Ps. (23,834)	Ps. (18,333)	Ps. 13,409	Ps. (5,723)	Ps. (3,510)

c. Net period cost

An analysis of the net period cost by plan type is presented as follows:

	December 31,					
	Indemnities		Pensions		Benefits	
	2009	2008	2009	2008	2009	2008
Labor cost of current service	Ps. 9,805	Ps. 8,208	Ps. 2,913	Ps. 2,041	Ps.1,773	Ps.1,378
Financial cost	2,017	1,343	917	748	435	312
Expected yield of plan assets	—	—	(3,891)	(4,477)	—	—
Transition asset amortization	1,491	—	—	—	(73)	—
Improvements to the plan	—	—	(701)	—	—	—
Net actuarial earning or loss	—	6,899	—	—	—	(97)
Curtailments and settlements	3,315	5,569	(816)	(3,055)	77	—
Total	Ps.16,628	Ps.22,019	Ps. (1,578)	Ps. (4,743)	Ps.2,212	Ps.1,593

The cost of the above services, modifications to the plans, changes in assumptions and experience, and the transition asset/liability, are amortized over the average remaining working lives of the employees who are expected to receive the benefits of the plans, except for the ones related to the termination plan, which are amortized over the maximum of the average remaining working lives of the employees or five years.

Stock Purchase Plan

Ixe Grupo adopted a Stock Purchase Plan (the “Plan”) that provides for the grant of its own shares to certain key executives. Pursuant to the Plan, as of December 31, 2009 Ixe Grupo has assigned approximately Ps.4,9 million shares to key executives involved in the operation or management of Ixe Banco and Ixe Grupo and any of its other subsidiaries. These shares were granted at a purchase price between Ps.6 and Ps.8.57 per share, with vesting periods between 2010 and 2014. The shares sold pursuant to the Plan can only be transferred to the plan participants when the conditions set forth in the Plan and the related agreements are satisfied.

Ixe Banco has no obligation to settle this share-based payment transaction.

Note 18 — Stockholders' Equity:

At the May 18, 2007 Ordinary General Stockholders' Meeting, the stockholders approved a capital stock increase of Ps.54,999, nominal amount through the issuance of 39,925 Series "O" shares with a par value of Ps.1,378 per share which was entirely subscribed for and paid.

At the September 6, 2007, Ordinary General Stockholders' Meeting, the stockholders approved a capital stock increase of Ps.220,514, through the issuance of 160,075 Series "O" shares at a par value of Ps.1,378, which was entirely subscribed and paid for, and an additional paid-in capital on the sale of shares of Ps.4,120 per share, representing an increase in the additional paid-in capital on the sale of shares of Ps.659,485.

At the March 30, 2007 Ordinary General Stockholders' Meeting, the stockholders declared dividends to be paid in the amount of Ps.67,930, at a rate of Ps.330 per outstanding share.

At the September 29, 2008 Extraordinary Stockholders' Meeting, the stockholders agreed to increase the capital stock by Ps.239,999, through the issuance of 174,219 Series "O" shares, with a par value of Ps.1,378 per share.

In addition, on October 15, 2008, the stockholders agreed to increase the Bank's capital stock in the amount of Ps.130,001 equal to 94,370 Series "O" shares, with a par value of Ps.1,379 per share, plus a paid-in capital of Ps.130,001 (Ps.1,378 per share issued).

At December 31, 2008, the stockholders approved the merger of Banco Deuno and the Bank. As a result of such merger, the Bank's capital stock increased by Ps.1,023,701. For that purpose, 674,296 Series "O" shares were issued at a par value of Ps.2,896 pesos per share.

At the May 27, 2009 Ordinary General Stockholders' Meeting, the stockholders approved the payment of a dividend of Ps.85,000 at a rate of Ps.126,057 pesos per outstanding share. The audited financial statements at December 31, 2008 were considered for the determination and payment of the dividend.

After the aforementioned increases, the capital stock of the Bank at December 31, 2009 was comprised as follows:

Shares	Description	Amount
674,296*	Series "O", representing the fixed portion of the Bank before merger with Banco Deuno	Ps. 928,889
	Capital stock — Effect of merger with Banco Deuno	1,023,701
	Accumulated inflation in Mexican pesos of December 2007	316,866
674,296	Total capital stock at December 31, 2009	Ps.2,269,456

* Nominative shares with a par value of Ps. 2,895 each.

According to LIC, the Series "O" and "L" are free subscription shares; they transfer to the stockholders the same rights and must be fully paid in cash at the time of subscription.

The Bank is required to create a legal reserve by setting aside 10% of the annual net income, until the reserve has reached the equivalent of paid-in capital stock.

Dividends paid are not subject to income tax if paid from the net tax profit account and will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested net tax profit account. Any dividends paid in excess of this account are subject to a tax equivalent to 42.86%

if they are paid in 2010. The tax is payable by the Bank and may be credited against its income tax in the same year or the following two years. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the excess of stockholders' equity over capital contributions is accorded the same tax treatment as dividends, in accordance with the procedures established in the Income Tax Law.

Comprehensive (loss) profit and net (loss) profit per share

The comprehensive (loss) income for the years ended on December 31, 2009 and 2008 was as follows:

Item	2009	2008
Net profit, according to the statement of income	Ps. 3,599	Ps.276,163
Gain or loss from valuation of securities available for sale	97,935	(88,769)
Effect of valuation of equity investments	(86,854)	961
Comprehensive income	Ps. 14,680	Ps.188,355

Income per share at December 31, 2009 and 2008 is as follows:

Net income attributable to:

Earned capital	2009	2008
Net income	Ps. 3,599	Ps.276,163
Weighted average number of shares	674,296	674,296
Basic profit per share (pesos)	Ps. 0,053	Ps. 4,095

Minimum Capital Requirement

The Bank maintains a net capital in proportion to the market and credit risks incurred in its operations. This net capital must exceed the sum of the capital requirements for both types of risk, in the terms of the Rules for Capital Requirements set forth for Multiple Banking Institutions, issued by the Ministry of Finance.

The minimum subscribed and paid capital of the Bank is the equivalent in Mexican Pesos to the value of ninety million UDIs, which shall be subscribed and paid. When social capital exceeds this quantity, at least 50% of such increase in social capital must be paid

To meet the minimum capital, the Bank may include net capital under Article 50 of the Act. The net capital at any time may be less than the minimum capital.

Capitalization

a. Net Capital

The Bank maintains a net worth in relation to market, credit and operational risks incurred in its operation, which is not lower than the capital requirements for these types of risks, in terms of the rules for capitalization requirements of commercial banks, issued by the SHCP.

At year-end, the Bank determined a capitalization index of 15.36% (18.56% in 2008), by dividing its net capital by assets exposed to credit and market risks. Banxico reviews this estimate, which at the date of the audited financial statements had not yet been reviewed and authorized.

Below are the relevant details of the index calculations:

	December 31,	
	2009	2008
Assets subject to credit risk	Ps.23,236,567	Ps.18,218,872
Assets subject to market risk	4,270,946	4,564,477
Assets subject to operational risk	1,898,562	623,958
Total assets at risk	Ps.29,406,075	23,407,306
Net capital	Ps. 4,515,593	4,344,805
Index for assets subject to credit risk	19.43%	23.85%
Index for assets subject to total risk	15.36%	18.56%

The net capital requirement of the Bank for its exposure to credit risk must have a minimum capitalization rate of 8%, which is based on the risk weighted assets that are weighted for credit risk according to a formula determined by the CNBV.

Net capital was determined by subtracting from stockholders' equity the amounts corresponding to equity investments and intangible assets, and by adding preventive general reserves of up to 1.25% of the assets subject to credit risk, as shown below:

	December 31,	
	2009	2008
Paid-in capital	Ps.3,071,849	Ps.3,071,849
Earned capital	444,218	514,538
Stockholders' equity	3,516,067	3,586,387
Deduction of investments in shares of financial entities	(421,552)	(569,845)
Deduction of intangibles and deferred expenses and costs	(215,429)	(416,386)
Other intangibles	378,420	391,959
Basic capital	3,229,176	2,992,115
Complementary capital (preventive reserves that are considered as complementary capital and subordinated debentures)	1,286,417	1,352,690
Net capital	Ps.4,515,593	Ps.4,344,805

In 2004, the general rules issued by the Commission came into effect classifying commercial banks according to their capitalization rates (Class I to V, being the best category I and the category V the worst) and, where appropriate, implement corrective measures necessary to ensure an adequate amount of capital to respond to any solvency problem that this type of institution could face.

Commercial banks are notified by the Commission regarding their category, as well as the minimum corrective measures or additional special measures that correspond to them.

The minimum corrective measures may include reports to bank management, a prohibition on entering into transactions that could reduce the level of capitalization of the Bank, the presentation of a capital restoration plan, the suspension of dividend payments to shareholders, as well as compensation and bonuses to employees and officials, or the requirement to obtain permission from the Commission to open new branches or undertake assets purchases.

Additional corrective measures may be implemented by the Commission in addition to the minimum corrective measures, which, depending on a bank's category, may include the submission of more detailed reports to a bank's management and the Commission, the hiring of special auditors on specific issues, the Commission's approval of external auditors, the replacement of employees, officers, directors, and auditors, or the modification of policies regarding interest rates and revocation of the authorization under which the commercial bank operates.

The capital required for the assets subject to market risk as of December 31, 2009 and 2008 was as follows:

b. Market Risk

	December 31, Weighted Assets	
	2009	2008
For transactions in:		
Mexican pesos with nominal rate	Ps.1,064,738	Ps.1,494,300
Mexican pesos with highs rates	2,034,230	2,175,602
Foreign currency with nominal rate	181,403	193,822
Currencies with yield indexed to the exchange rate	81,689	17,163
Shares	908,887	683,590
	Ps.4,270,947	Ps.4,564,477

	December 31, Capital required	
	2009	2008
For transactions in:		
Mexican pesos with nominal rate	Ps. 85,179	Ps.119,544
Mexican pesos with highs rates	162,738	174,048
Foreign currency with nominal rate	14,512	15,506
Currencies with yield indexed to the exchange rate	6,532	1,373
Shares	72,711	54,687
	Ps.341,672	Ps.365,158

Assessment of net capital sufficiency and changes in structure and their impact on the capital position is a process based on the current capitalization rules issued by the Ministry of Finance, which considers the following three essential aspects:

1. Fluctuations in the price of securities positions, even those originated from differences in the terms between assets and liabilities. Both elements are affected by the volatility of financial markets.

2. Evolution of assets and its impact on capital demand, according to current applicable regulations.

3. The impact on net capital of principal variables: estimated net income and market valuation.

This data is reviewed to determine the principal variations in financial indicators and the Bank's capital position. By monitoring these variations, decisions related to the Bank's risk positions are taken, so that the Bank's capitalization index is in line with the policies and rules established by the authorities.

Note 19 — Balances and Transactions with Related Parties:

In the normal course of business, the Bank conducted transactions with related parties.

Related parties include individuals or entities that hold either direct or indirect control of two percent or more of the securities of: i) the Bank's or its subsidiaries's capital, ii) the capital of the financial entities and companies that comprise the financial group and the members of the Board of Directors of the Bank, or Ixe Grupo Financiero, S.A.B. de C.V. ("Ixe Grupo" or the "holding company"), or iii) the financial entities and companies comprising Ixe Grupo.

In addition, related parties include entities, as well as the advisors and officers thereof, in which the Bank or Ixe Grupo has direct or indirect control over 10% or more of the capital.

The aggregate amount of transactions with related parties does not exceed 50% of the basic portion of the bank's net capital, as set out in article 50 of the LIC.

As of December 2009 and 2008, loans granted to related parties, as defined by LIC articles 73 and 73 Bis, amounted to Ps.1,014.6 and Ps.738.5.

The main balances at December 31, 2009 and 2008 are shown below:

	2009	2008
Receivables:		
Ixe Automotriz, S. A. de C. V. (affiliate)	Ps. 45,222	Ps. 12,860
Fincasa Hipotecaria, S. A. de C. V.	294,007	82,543
Ixe Soluciones, S. A. de C. V.	230,394	120,030
Ixe Fondos, S. A. de C. V. (affiliate)	13,546	19,049
Ixe Casa de Bolsa, S. A. de C. V.	—	—
Ixe Afore, S. A. de C. V.	—	1,983
Ixe-TDC	132,921	518,493
	Ps.716,090	Ps.754,958
Payables:		
Ixe Grupo Financiero, S. A. B. de C. V. (controlling company)	Ps. 66,268	Ps. —
Ixe Casa de Bolsa, S. A. de C. V.	73,207	—
Ixe Servicios, S. A. de C. V.	1,947	72
Ixe Fondos, S. A. de C. V.	—	—
Ixe Automotriz, S. A. de C. V.	—	—
Ixe Soluciones, S. A. de C. V.	—	1,778
Fincasa Hipotecaria, S. A. de C. V.	—	—
Ixe Fleet, S. A. de C. V.	34	—
	Ps.141,456	Ps. 1,850

	For the Year Ended December 31,		
	2009	2008	2007
Revenues:			
Premium collected on repurchase transactions	Ps.110,617	Ps.165,642	Ps.256,030
Services	246,606	154,063	77,769
Interest	72,665	56,032	32,652
Leasing	1,181	1,605	1,518
Commissions	182	349	478
	Ps.431,251	Ps.377,691	Ps.368,447

	For the Year Ended December 31,		
	2009	2008	2007
Expenses:			
Premium collected on repurchase transactions	Ps.635,889	Ps.1,041,959	Ps.778,488
Interest	5,349	19,207	16,337
Commissions	2,044	5,106	—
Services	22,316	72	—
	294	—	—
	Ps.665,902	Ps.1,066,344	Ps.794,825

Note 20 — Income Tax, Asset Tax and Flat Tax:

a. Income tax

In 2009 and 2008, the Bank had taxable income of Ps.19,343 and Ps.84,701, respectively. As of December 31, 2008 the taxable income was amortized against prior years' losses generating a tax benefit of Ps.64,904. The taxable income is higher than that determined for purposes of the Flat Tax. Based on its financial and tax projection, the Bank determined that it will pay in the future ISR, and for that reason the company has recognized a deferred ISR. The tax result differs from the accounting result due to the temporary differences arising mainly from recognition of the effect of inflation, as well as from recording of gains or losses unrealized in investments in securities.

On December 7, 2009,a decree was published that amends, supplements and repeals certain provisions of the Income Tax Law 2010, which establishes, among other things, that the income tax rate applicable as of December 31, 2009 and 2008 was 28%, from 2010 to 2012 will be 30%, for 2013 it will be 29%, and from 2014 it will be 28%. At December 31, 2009, the change in rates outlined above led to an increase in the deferred income tax balance of Ps.691, with a corresponding effect on income for the year, which was determined based on the expectation of the reversal of the temporary items at the applicable rates.

The provision for income tax in 2009 and 2008 is as follows:

	2009	2008
Current income tax	Ps. 5,416	Ps. 4,897
Deferred income (benefit) tax	(33,892)	41,531
Total provision	Ps. (28,476)	Ps.46,428

The reconciliation between the statutory and effective tax rates is shown below:

	2009	2008
Income (loss) before provision	Ps. 67,424	Ps. 310,744
Legal income tax rate	28%	28%
Income tax at the statutory rate on income before provisions	Ps. 18,879	Ps. 87,008
Plus (less) the tax effect of the following outstanding items:		
Non-deductible expenses	Ps. 74,287	Ps. 38,622
Non-accumulated income	(98,582)	(102,629)
Tax losses carry forward	—	(18,104)
	(5,416)	4,897
Deferred tax	33,892	41,531
Deferred and income tax provision	28,476	46,428
Effective income tax rate	42.23%	14.9%

The deferred taxes as of December 31, 2009 and 2008 were principally derived from the following temporary differences:

	December 31,	
	2009	2008
Allowance for losses on foreclosed assets	Ps. 29,930	Ps. 8,958
Valuation	(323,191)	—
Fixed asset — Net	153,769	(4,766)
Others provisions	476,011	165,670
Other assets	(346,190)	(67,700)
Tax loss carry forward	—	29,255
	(9,671)	(131,417)
Legal income tax rate	28%	28%
Deferred income tax (liability)	Ps. (2,708)	Ps. (36,793)

b. Flat tax

On October 1, 2007, the Flat Tax Law was issued and became effective as of January 1, 2008. This law applies to individuals and corporations residing in Mexico, as well as those residing abroad with a permanent establishment in Mexico.

The flat tax of the period is calculated by applying a 17.5% rate (16.5% and 17% for 2008 and 2009, respectively) to a net income based on cash flows. Such net income represents the difference between the total income collected from taxable activities and the authorized tax deductions. Flat tax is payable only when it exceeds the income tax payable. The so-called flat tax credits are subtracted from the foregoing result, as established in current legislation.

Note 21 — Other Income — Net:

	December 31,		
	2009	2008	2007
Other income			
Gain on sale of credit card portfolio(1)	Ps. —	Ps. 577,725	Ps. —
Gain on exchange on BMV shares(2)	—	163,765	—
Administrative services charged to Banco Deuno	—	66,930	—
Gain on exchange of Visa shares	6,393	56,204	—
Gain on sale of Indeval shares(2)	—	46,811	—
Credit card commissions	16,765	33,902	32,836
Debit card commissions	81,145	10,364	7,624
Recoveries	19,182	—	—
Advisory	14,000	—	
Cancelation of rewards programs provision	10,185	—	—
Insurance	26,262	9,854	3,780
Others	14,310	11,770	21,036
Total	Ps. 188,241	Ps. 977,325	Ps. 65,276
Other expenses	(14,218)	(10,927)	(11,675)
Other income — Net	Ps. 174,023	Ps. 966,398	Ps. 53,601

(1) See Note 11.A related to the sale of the credit card loan portfolio and the creation of Ixe-TDC.

(2) See Note 11.B.

Note 22 — Brokerage Revenue:

As of December 31, 2009, 2008 and 2007, this item was comprised of the following:

	December 31,		
	2009	2008	2007
Unrealized gains (losses) on securities and derivative financial instruments	Ps. 420,941	(Ps. 397,807)	(Ps. 36,951)
Realized gains (losses) on securities and derivatives financial instruments	141,389	217,397	158,750
Foreign exchange gain	286,655	505,192	183,699
Other	—	—	6,168
Brokerage revenue	Ps. 848,985	Ps. 324,782	Ps. 311,666

Note 23 — Information By Segments:

Selected income statement and balance sheet items for the Bank's business segment were as follows:

	2009			
Item	Banking sector	Brokerage sector	Other	Operating income
Interest income	Ps. 1,921,196	Ps. 2,342,424	Ps. 144,207	Ps. 4,407,827
Interest expenses	(1,125,430)	(1,813,025)	(119,713)	(3,058,168)
Provision for loan losses	(253,156)	—	—	(253,156)
Commissions and fees collected	170,206	—	357,490	527,696
Commissions and fees paid	(12,433)	(18,352)	(5,678)	(36,463)
Brokerage revenue-Net	—	848,985	—	848,985
Net operating revenue	Ps. 700,383	Ps. 1,360,032	Ps. 376,306	Ps. 2,436,721
Total assets	Ps. 23,716,092	Ps. 32,835,299	Ps. 6,734,446	Ps. 63,285,837

	2008			
Item	Banking sector	Brokerage sector	Other	Operating income
Interest income	Ps. 1,974,559	Ps. 2,218,151	Ps. 154,601	Ps. 4,347,311
Interest expenses	(1,256,479)	(1,872,414)	(180,267)	(3,309,160)
Provision for loan losses	(298,905)	—	—	(298,905)
Commissions and fees collected	131,416	—	341,834	473,250
Commissions and fees paid	(10,382)	(13,658)	(4,896)	(28,936)
Brokerage revenue-Net	—	324,782	—	324,782
Net operating revenue	Ps. 540,209	Ps. 656,861	Ps. 311,272	Ps. 1,508,342
Total assets	Ps. 16,127,233	Ps. 31,643,490	Ps. 8,382,669	Ps. 56,153,392

Note 24 — Contingencies and Commitments:

As of the date of these financial statements, there were ordinary civil, commercial and labor lawsuits against the Bank. In the opinion of the Bank, there are no grounds for the claims filed and, in the event of adverse rulings; they are not expected to have a significant impact on the Bank's overall financial position and results.

In May 2009, the Bank entered into a lease agreement for additional office facilities located in the "Torre Mayor" building with a term of seven years. At December 31, 2009, the remaining commitment amounts to approximately US$7.85 million (approximately Ps.102.6 million pesos).

On August 11, 2005, the Bank entered into a lease agreement for the office facilities located in the "Torre Mayor" building, for duration of 11 years as from the date on which the agreement was signed. At December 31, 2009 and 2008, the remaining commitment amounts to approximately US$15.6 million and US$21.8 million, respectively (approximately Ps.204,455 and Ps.164,917, respectively, valued at the exchange rate in effect at December 31, 2009).

In addition, the Bank maintains financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credits, guarantees and letters of credits. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. As of December 31, 2008 financial instruments with off-balance sheet risk were as follows:

	December 31,	
	2009	2008
Guarantees granted	21,788,871	18,989,719
Unused lines of credits	14,292,715	10,438,383
Letters of credits	977,350	201,142
Total	37,058,936	29,629,244

Note 25 — Liability Agreement:

Ixe Grupo has entered into a liability agreement with its subsidiaries, as required by Article 28 of the Law to Regulate Financial Groups, which sets forth that Ixe Grupo, will guarantee, without limit, all obligations of its subsidiaries, including the Bank, as well as any of the losses they may incur in their operations. In the event that the stockholders' equity of Ixe Grupo is not sufficient to pay such obligations, Ixe Grupo is first obligated to pay, to the extent possible, the obligations of the Bank, and then on a pro-rata basis any obligations of the Bank's subsidiaries.

Note 26 — Risk Management:

The following note contains a description provided by the Bank's Risk Management Director's Office based on established policies, which is included for analysis purposes.

The objective of the risk management culture is "to make investment-related decisions with a full awareness of the risk/return levels inherent in each investment, thus allowing for optimal profitability, while at all times maintaining a conservative profile concerning risk taking".

The Risk management policy is formalized in the Comprehensive Risk Management Manual. This manual was prepared in accordance with the Circular applicable to Credit Institutions and the Comprehensive Risk Management guidelines set forth by the Commission, establishing the mechanisms that allow for conducting activities with a level of risk according to the net capital and the Bank's operating capacity. The manual includes policies regarding:

- Risk exposure and the limits thereof.
- Methodology for risk measurement and control.
- Description of the risk factors to which the institution is exposed.
- Quantification of the impact of the operation on the Bank capital.
- Control thereof through the most appropriate mitigation and prevention strategies.

The Bank has a Risk Committee in place, which is responsible for managing the risk to which the Bank is exposed to and verifying that operations are carried out as per the related objectives, policies and procedures for Comprehensive Risk Management, as well as the Global Risk Exposure Limits previously approved by the Board of Directors. The Bank also has a Comprehensive Risk

Management unit to identify measure, oversee and report on all quantifiable risks faced by the institution during the course of its operations.

The Bank's risk management criteria are based on a prudent and proactive approach with respect to any risk position.

The risk philosophy adopted by the Bank is based on a commitment to apply a conservative approach, seeking to minimize the systemic risk while pursuing an adequate balance between assumed risk levels with maximizing the operations capacity and the sufficiency of capital.

I. Qualitative information

In relation to managing credit risk, the Bank has strengthened its methodology for its valuation of guarantees in connection with loan transactions that are guaranteed with listed financial instruments, which allows the Bank to hedge the risk associated with changes in market prices, as well as being in alignment with the new capital requirements of Basel II.

In addition, significant progress was made in automating the process for estimating capitalization requirements, achieving a reduction in the time involved and consequently making it possible to calculate the requirements in a more timely and precise manner. In addition, the effect of the operational risk is now considered in this calculation. During 2008, the Asset and Liability Committee was set up to determine the strategies for managing the risks of the Bank's structural balance. This committee will allow the balance to be managed more efficiently with respect to the risk appetite to be assumed.

Risk management is conducted by the Risk Management and Interest Rates Committee. This Committee is the forum that informs senior management and the Board of Directors of existing risk levels. That committee monitors compliance with risk limits previously established by the Board of Directors. The Operating Risk Subcommittee reports to the Risk Management and Interest Rates Committee and monitors, limits, controls and discloses any operating and legal risks that may exist in our processes and operations

The Bank's asset and liability positions are mainly exposed to interest rates, share prices, stock price index levels and exchange rates. As a result, the volatility of these variables is monitored daily, as well as their potential impact on the Bank's proprietary positions.

In addition, sensitivity studies to changes in macroeconomic variables, both domestic and international, are conducted based on the forecasts provided by the Securities Market Research and the Economic Research divisions. These include the countries considered to be the most relevant to the condition of the global economic environment at any given moment.

The Bank has the capability and tools required to promptly detect high volatility levels in the financial variables it is exposed to, enabling it to rapidly react to safeguard the financial, operating and legal integrity of stockholders' equity and of customer resources.

Description of methodologies

Market risk: the potential loss arising from changes in the risk factors affecting the valuation of positions for asset or liability operations, or those giving rise to a contingent liability, such as interest rates, exchange rates, and price indexes.

Credit risk: the potential loss arising from a counterparty to the Bank's operations failing to make a payment.

Liquidity risk: the potential loss arising from being unable to renew liabilities or contract others in normal conditions; from advanced or forced sales of assets at unusual discounts in order to meet obligations; or from an inability to promptly sell or acquire a particular position or hedge such position by establishing an equivalent contrary position.

Operating risk: the possibility of suffering losses originated from deficiencies or failures in operating procedures, information technology, human resources or any other adverse external event to which the Bank is exposed. This includes the following types of risks:

a. Operating processes risk: the potential loss from noncompliance with policies and procedures necessary to manage the Bank's accounts.

b. Legal risk: potential loss due to noncompliance with the applicable legal provisions, issuance of adverse administrative and/or judicial resolutions, as well as the application of sanctions, in connection with the operations conducted by the Bank.

c. Technological risk: the potential loss arising from damages, interruptions, alterations or failures in the physical and information systems, computer applications, networks and any other distribution channel necessary for the execution of operating processes conducted by the Bank.

Market risk

The Bank's market risk positions include money market instruments, mainly floating-rate instruments, linear derivative instruments, options with underlying assets such as interest rates, currencies and shares.

The value at risk represents the maximum expected loss, with a confidence interval over a particular period of time (investment horizon) and under normal market conditions. The bank uses the comprehensive risk system SIAR to estimate the VaR of all positions and portfolios at risk.

For its risk estimate, the Bank uses the Historical Simulation method with a 100-day time horizon. As required by internal policies, this estimate is made with a 95% confidence interval at a 1-day time horizon. These estimates are made for the Bank's different portfolios (capital markets, money markets, derivatives market, foreign exchange market and treasury).

Estimation of the VaR requires the following elements:

- Valuation formulas.
- Database of relevant risk factors.

Monthly tests are conducted with extreme scenarios, which incorporate historical scenarios during which the fundamental assumptions of the risk variables that the Bank is exposed to are stressed. Additionally, there are risk measurements, such as: sensitivities to movements in interest rates of one basis point (PV01) in the exchange rate and in share prices and analysis of VaR in stress calculated at a 99.5% confidence level to support the risk estimation.

Daily "back-tests" are conducted to compare losses and gains with the observed VaR, and recalibrate the models if necessary.

Additionally, risk margin estimates are generated for the position classified as held-to-maturity.

Credit risk

The loan philosophy is essentially based on maintaining a conservative risk position, according to which the granting of loans must be based on prudent criteria, thus achieving the proper balance between the credit risk and the expected yield, through the selection and rigorous care of assets at risk. The balance is achieved with a proper price policy, consistent with acceptable risk levels.

The loan portfolio must be properly diversified by economic and risk sectors avoiding high concentrations in order to maintain and ensure the high quality of the portfolio, and not to achieve volume and profits in the short term.

All employees involved in the credit process are required to adhere to the laws, regulations, circulars, internal policies, and sound bank practices that govern credit activities.

To estimate the probabilities of noncompliance and expected losses on private bonds, the neutral-to-risk probability model is used, assuming there is no probability of arbitrage in the respective market. Based on that assumption, the model equates the price of a private bond against government bond prices balancing probabilities of noncompliance.

The model concludes that the equilibrium probability of the private bond issuer's noncompliance is that which makes the price of both bonds equal, on the understanding that the interest rate paid by the private bond will be higher than that of the government bond.

Daily estimates are made of potential exposure of operations with derivative instruments, including the counterparty credit risk. In addition, equivalent credit factors are estimated for authorized credit lines for consumer loans.

To estimate unexpected losses, the Credit Risk + methodology is used at a 95% confidence level with a 1-year time horizon (Credit VaR). Also, monthly tests are conducted under extreme scenarios, considering a downgrade in the rating of issuers of private and bank debt, and a downgrade in the credit ratings of the portfolio borrowers.

In addition, for credit risk management, there are policies in place related to the sectors, ratings, concentration and currency of the loan portfolio and the derivatives portfolio, corporate and bank debt, held by the Bank in its portfolios.

Liquidity risk

Liquidity risk is managed by the Bank, based on asset-and-liability management criteria, the purposes of which are to:

- Quantify the balance sheet risk from variations in the interest rate.
- Anticipate funding difficulties as a result of extreme events.
- Evaluate the diversification of sources of funding.
- Evaluate the sensitivity of losses and profits to changes in the yield curve and in the balance sheet structure.
- Monitor "maturity gaps" of assets and liabilities.
- Monitor the level maintained in liquid assets.

• Monitor policies on acceptance of low-liquidity positions in the markets.

• Monitor positions designated under hedge programs.

To achieve above-mentioned objectives, it is necessary to:

• Identify and analyze risks by currency.

• Analyze the sensitivity of the net interest income, through calculation of the "repricing gap".

• Estimate the sensitivity of the capital's market value to parallel movements in risk factors.

• Evaluate the sensitivity of losses and profits, and foresee liquidity difficulties on different assumptions, such as movements of the yield curve, changes in the balance sheet structure, the exercise of options over assets and liabilities and changes in investment and payment patterns in the presence of adverse external events.

• Conduct back tests to verify the estimates made of models.

• Timely follow up on different liquidity ratios.

• Estimate liquidity surpluses and deficits, using different ratios under extreme scenarios.

Monitoring and managing liquidity and market risks for structural balance sheet positions are coordinated through the Assets and Liabilities Committee, which defines the balance sheet positioning and business strategy, as well as follow-up of the level of compliance with the guidelines and execution of these strategies.

The portfolios to which the different risk methodologies (credit, market and liquidity) are applied are:

• Treasury

• Money Desk

• Derivatives Desk

• Capital Desk

• Foreign Exchange Desk

• Commercial, consumer, housing and corporate loan portfolio

• Term bank deposits instruments and on demand

Capital requirements

In early 2008, three new rules for the estimation of capitalization requirements became effective, known as Basel II. The Bank adopted the Credit Risk integral method for estimating capital requirements. Under these rules, it is possible to reduce the amount of capital for credit risk through the incorporation and recognition of collaterals, creating an integral system with the ability to manage, control and monitor collaterals.

Operating risk

The Bank has adopted and implemented a process for management of operating risk in the business, with a view to identifying, evaluating, mitigating, managing and monitoring the operating risk within the Bank. Operating risk management is handled through a decentralized structure.

There is an Operating Risk Management Manual in place containing the policies, procedures, responsibilities and roles of government entities with respect to the management of operating, legal and technological risks. In addition, there are process, policy and procedure manuals for the operating processes of the overall areas of the Bank.

The objectives, policies and procedures for management of operating risk are ratified at least once a year by the Board of Directors.

A structure of committees has been established and implemented for the management of operating risk, including:

- The Risk Management and Interest Rates Committee — Responsible for, among other matters, monitoring the risks to which the Bank is exposed, as well as of overseeing that operations are conducted according to the objectives, policies and procedures of comprehensive risk management.

- Operating Risk Subcommittee — Mainly in charge of monitoring, restricting and disclosing the different types of operating risks and proposing adjustments to the related objectives, guidelines, policies and procedures, as well as existing operating controls.

The Operating Risk Subcommittee reports to the Risk Management and Interest Rates Committee, which in turn, reports to the Board of Directors.

If operating, legal, technological and/or any other risks materialize (whether known or unknown or currently immaterial), the Bank's businesses, operating results, financial position and prospects could be affected.

The quantitative report of the impact of the operational risks on the business will be done when the company is authorized to calculate its capital requirements through internal models, as per article 88, Sect. II, point e) of the General Provisions Applicable to Credit Institutions published on March 10, 2008 in the Official Gazette.

II. Quantitative information

a. Market Risk:

VaR average value at risk	4th Quarter 2009		4th Quarter 2008	
Thousands	Average	Closing	Average	Closing
1 Day VaR 95%				
Money market	Ps. 1,447	Ps. 991	Ps. 9,404	Ps. 15,342
Capital market	2,117	2,445	2,767	3,643
Foreign exchange market	37	5	37	53
Derivatives Market	356	356	9,521	6,488
Treasury	7,622	7,249	52,717	61,629
Total	Ps. 11,579	Ps. 11,046	Ps. 67,698	Ps. 77,944
Effective diversification	(Ps. 3,504)	(Ps. 2,988)	(Ps. 6,750)	Ps. 77,944
Global Capital	Ps. 4,515,592	Ps. 4,515,592	Ps. 4,344,805	Ps. 4,344,805

Note: The value at risk does not consider instruments held to maturity.

The VaR represents the maximum expected loss with a particular statistical level of confidence, during a determined period.

b. Credit risk:

	Exposure*	Market value	Expected loss	Unexpected loss
Bank	7,670,600	10,590,880	Ps.145,220	Ps.660,450

This table does not include government positions because the assumption is that there is no credit risk. Exposures are considered without taking into account guarantees:

	Market value		
	October 2009	November 2009	December 2009
Bank	Ps. 11,394,315	Ps. 11,629,823	Ps. 8,904,453
Brokerage House	5,588,376	5,581,642	8,418,887
Total	Ps. 16,982,691	Ps. 17,211,465	Ps.17,323,340
Private securities	Ps. 5,890,632	Ps. 5,972,776	Ps. 5,897,113
Bank securities	8,391,371	8,443,865	8,873,131
Government securities	2,479,971	2,435,498	2,318,029
Repurchase and resale agreements	220,717	359,326	235,066
Total	Ps. 16,982,691	Ps. 17,211,465	Ps.17,323,340

Rating	P (i) (%)	Amount	PE STRESS
AAA	0.41	Ps. 3,114,108	Ps. 12,662
AA	5.29	189,647	10,039
A	4.69	969,110	45,463
B	4.58	320,267	16,492
C	100.00	76,715	76,715
D	100.00	977	977

Rating	P (i) (%)	Amount	PE STRESS
Bank AAA	0.21	Ps. 4,929,075	Ps. 10,293
First 8	0.22	2,451,733	5,330
Other Bank	0.41	1,727,289	7,076

	Market value		
	October 2008	November 2008	December 2008
Bank	Ps. 9,686,311	Ps. 9,512,128	Ps. 8,848,790
Brokerage House	6,115,808	5,914,214	6,036,219
Total	Ps. 15,802,119	Ps. 15,426,342	Ps.14,885,010
Private securities	Ps. 1,658,012	Ps. 1,887,576	Ps. 2,057,410
Bank securities	11,817,126	11,164,922	9,726,473
Government securities	2,313,717	2,314,415	2,338,729
Repurchase and resale agreements	13,264	59,428	762,397
Total	Ps. 15,802,119	Ps. 15,426,342	Ps.14,885,010

Rating	P (i) (%)	Amount	PE STRESS
AAA	12.92	Ps. 1,548,763	Ps. 200,035
AA	16.24	60,218	9,781
A	12.96	401,743	52,054
B	20.93	61,608	12,893
C	24.06	2,428	584
D	22.89	33,224	7,604

Rating	P (i) (%)	Amount	PE STRESS
Bank AAA	0.65	Ps. 4,958,318	Ps. 32,004
First 8	0.68	2,850,857	19,356
Other Bank	0.48	2,679,694	12,767,276

The tables above show the Bank exposure to debt instruments, as well as the concentration in type of issuer and repurchase and resale agreements:

Financial Instruments

The following is a summary of the Bank's exposure to debt instruments, as well as the market valuation of the Bank's position in derivatives:

Most relevant counterparties

	MtM Mid 4T09	Guarantees	Net Exposure	Credit Risk	Capital Consumption
Total Banking	(42,45)	—	(42,45)	1,665,21	26,64
Total Private	(4,86)	0,00	(4,86)	73,81	4,97
Total Derivatives	(66,51)	10,78	(55,73)	1,741,03	31,62

* M tM Mid= Net exposure to credit risk (+) * Credit Risk =Long position (+) by capitalization.

	Debt Position 4T09
Governmental	Ps. 14,886,895
Banking commercial paper	Ps. 2,732,148
Quasi-Governmental	Ps. 2,503,111
Private	Ps. 3,575,653

Loan portfolio

Growth of the Bank's loan portfolio is shown through its most relevant classification, as well as its late-payment index, which has remained slightly above 1.5% in relative terms with respect to the size of the portfolio. Following is a summary of the most relevant characteristics of the portfolio, as well as its expected loss and unexpected loss for the period:

			Quality of Global Loan Portfolio		
			I. Reserves Index (Reserves/ Total Loan portfolio)	I. Delinquency Ratio (Past-due loans/ Total loan portfolio)	I. Coverage Ratio (Reserves/ Past-due loan portfolio)
	EXP	19.41			
2Q09	PL	0.40	2.05%	1.64%	124.62%
	PNE	0.71			
		31.09%	0.01%	0.17%	14.56%
	EXP	20.43			
3Q09	PL	0.45	2.19%	1.71%	128.11%
	PNE	0.76			
		24.58%	(0.13)%	(0.23)%	11.06%
	EXP	25.45			
4Q09	PL	0.52	2.06%	1.48%	139.18l%
	PNE	0.83			
BENCHM ARK VS. BANKING SYSTEM			NA	3.81%	143.70%

* Figures in billions of pesos consolidated of Ixe Banco and Banco Deuno.
EXP=Exposure PE=Expected Loss, PNE=Unexpected Loss.

** Source: Banking Commission at Nov. 2009 close. Late-payment index includes TDC.

Note: At the December close, a value was reported of Ps.32.36 billion in different types of collateral guarantees and guarantees and a past-due portfolio of Ps.379.40 billion.

Portfolio	Total Loan Portfolio (Late payment index) October, 2009	November, 2009	**December 2009
Global	21.10 (1.7)%	22.51 (1.7)%	25.45 (1.5)%
Commercial	19.88 (1.7)%	21.22 (1.6)%	24.19 (1.4)%
Corporate	12.29 (1.8)%	12.51 (1.8)%	14.89 (1.5)%
Factoring	7.59 (1.3)%	8.71 (1.4)%	9.31 (1.2)%
Consumer	1.22 (3.1)%	1.29 (2.9)%	1.25 (2.8)%
Credit card	—	—	—
Mortgage loans	1.09 (2.9)%	1.11 (2.8)%	1.12 (2.7)%
Consumer loans	0.13 (4.1)%	0.18 (2.9)%	0.14 (4.0)%

Portfolio	Total Loan Portfolio (Late payment index) December, 2007	September, 2008	**December 2008
Global	12.98 (0.9)%	17.55 (0.7)%	16.35 (1.3)%
Commercial	11.26 (0.5)%	15.39 (0.4)%	15.27 (1.2)%
Corporate	17.85 (0.7)%	15.36 (1.1)%	10.74 (1.1)%
Factoring	3.41 (0.01)%	4.67 (0.01)%	4.53 (0.01)%
Consumer	1.73 (3.4)%	2.16 (3.2)%	1.08 (3.2)%
Credit card	0.96 (4.4)%	1.22 (4.4)%	—
Mortgage loans	0.70 (1.8)%	0.70 (1.8)%	0.98 (1.4)%
Consumer loans	0.07 (4.0)%	0.07 (4.0)%	0.10 (4.5%)

* Figures in billions of Mexican pesos.

* Consumer loans include personal and car loan portfolios.

* Index delinquencies = Non-performing loans/Total value portfolio

** In December the discounted portfolio is shown under Factoring.

b. Liquidity risk

Liquidity risk	Utilization December 2009
Cumulative two week gap (MXP + UDIs)	Ps. 1,907,550
Liquid assets*	12,295,760
Global capital	4,515,593
Basic capital	3,229,176
Liquidity vs. net capital	272.30%
Liquidity vs. basic capital	380.770%
Liquidity ratio	46.73%

Liquidity risk	Utilization December 2009
Cumulative two week gap (MXP + UDIs)	Ps. 1,907,550
Liquid assets*	12,295,760
Global capital	3,229,176
Liquidity vs. Net Capital	380.770%

Liquidity risk	Utilization December 2008
Cumulative two week gap (MXP + UDIs)	Ps. 3,267,833
Liquid assets*	7,541,562
Global capital	4,344,805
Basic capital	2,992,114
Liquidity vs. net capital	173.58%
Liquidity vs. basic capital	252.05%
Liquidity ratio	37.77%

Liquidity risk	Utilization December 2008
Cumulative two week gap (MXP + UDIs)	Ps. 3,267,833
Liquid assets*	7,541,562
Global capital	2,992,114
Liquidity vs. Net Capital	173.58%

Liquidity ratio = Liquid assets vs. deposits

Cash, Deposits on Banxico, Government and Bank Paper

* Call Money, cash, government paper, bank paper, net repurchase and resale agreement position, portfolio maturing less than 30 days, bank balances.

d. Average exposure values

Average position	Total 4th quarter 2009	Total 4th quarter 2008
Money market	Ps.26,512,400	Ps. 16,215,690
Capital market	120,450	99,724
IPC Index futures	(34,930)	(2,399)

Note:

IPC Index futures and capital market positions are shown at market value.

Money market positions are shown at nominal value.

e. Capitalization index

Capitalization index			4th Quarter 2009	
Basic capital			Ps. 3,229,176	
Complementary capital			1,286,417	
Total capital			Ps. 4,515,593	
Assets at risk	21,722,000	28,354,000	23,237,000	29,406,000

	Credit risk	Credit and market* risk	Credit risk	Credit and market* risk
	(%)	(%)	(%)	(%)
Basic capital as% of assets at risk	15.63%	11.98%	13.89%	10.98%
Complementary capital as% of assets at risk	5.89%	4.52%	5.54%	4.38%
Total capitalization index	21.552%	16.50%	19.43%	15.36%

Capitalization index	3rd Quarter 2008		4th Quarter 2008	
Basic capital	Ps. 2,053,325		Ps. 2,992,114	
Complementary capital	1,139,245		1,352,690	
Total capital	Ps.3,192,570		Ps. 4,344,804	
Assets at risk	18,584,799	22,650,095	18,218,872	23,407,299
	Credit risk	Credit and market* risk	Credit risk	Credit and market* risk
	(%)	(%)	(%)	(%)
Basic capital as% of assets at risk	11.05	9.07	16.42	12.78
Complementary capital as% of assets at risk	6.13	5.03	7.43	5.78
Total capitalization index	17.18	14.10	23.85	18.56

* Includes utilization due to operating risk.

Capitalization

	December, 2009
Stockholders' equity	Ps. 3,487,737
Deduction of investments in shares of financial entities	(421,552)
Deduction of intangibles and deferred expenses or costs	(215,429)
Investment in other entities	(42,515)
Subordinated debentures and capitalization instruments	420,936
Basic capital	3,229,176
Complementary capital	1,286,417
Debentures and capitalization instruments	1,144,972
General reserves	141,445
Net capital	Ps. 4,515,593

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Capitalization

Disclosure of IXE Banco information Figures at December 31, 2008, in thousands of pesos	December 2008
Stockholders' equity	3,588,071
Deduction of investments in shares of financial entities	(569,846)
Deduction of intangibles and deferred expenses or costs	(416,386)
Subordinated debentures and capitalization instruments	390,276
Basic capital	2,992,114
Complementary capital	1,352,691
General reserves	6,065
Debentures and capitalization instruments	1,252,691
Net capital	4,344,805

	2009	
	Amount of equivalent positions	Capital requirements
Operations in pesos at nominal rates	Ps. 1,064,738	Ps. 119,544
Operations in pesos at nominal rates	2,034,231	85,179
Operations in foreign currency at nominal rates	181,403	14,512
Operation in foreign currency	81,689	6,532
Capital requirements due to market risk	908,887	72,711
Capital requirements due to market risk	Ps. 4,270,948	Ps. 151,885
Capital requirements due to operating risk	Ps. 1,898,562	Ps. 49,917

	2008	
	Amount of equivalent positions	Capital requirements
Operations in pesos at nominal rates	Ps. 1,494,300	Ps. 119,544
Operations in pesos at nominal rates	2,175,602	174,048
Operations in foreign currency at nominal rates	193,822	15,506
Operation in foreign currency	17,163	1,373
Operations with shares	683,590	54,687
Capital requirements due to market risk	Ps. 4,564,477	Ps. 365,158
Basic method	Ps. 623,958	Ps. 49,917

Capital requirements from operating risks

	December, 2009	
	Risk weighted assets	Capital required
Group I/weighted at 0%	—	—
Group I/ weighted at 20%	Ps. 58,608	Ps. 4,689
Group III/ weighted at al 10%	1,274	102
Group III/ weighted at 20%	989,444	79,156
Group III/ weighted at 23%	180,778	14,462
Group III/ weighted at 50%	433,087	34,647
Group III/ weighted at 58%	75,128	6,010
Group IV/ weighted at 20%	930,244	74,420
Group V/ weighted at 20%	26,164	2,093
Group VI/ weighted at 75%	853,768	68,301
Group VI/ weighted at 50%	377,313	30,185
Group VI/ weighted at 75%	151,166	12,093
Group VI/ weighted at 100%	217,272	17,382
Group VI/ weighted at 100%	181,026	14,482
Group VII/ weighted at 20%	14,443	1,155
Group VII/ weighted at 20%	13.406,48	1,072,52
Group VII/ weighted at 50%	781,448	62,516
Group VIII/ weighted at 125%	5,799	464
Group VIII/ weighted at 125%	74,473	5,958
Group IX/ weighted at 100%	4,025,899	322,072
Others	452,754	36,220
	Ps. 23,326,567	Ps. 1,858,958

Capital management

Ixe Banco regularly evaluates capital sufficiency by monitoring positions throughout the month to estimate capital utilization and verify established internal limits, considering internal early alert signals. Also, capital is managed using the best business strategy according to the products offered and that are proven to be profitable.

The increase in net capital from December 2007 to December 2008 was 1.31 billion increased by 43.39%, mainly as a result of the capital contributions in the amount of Ps.240 billion and Ps.260 billion in September and October, respectively, as well as the effect of the merger with Banco De Uno which occurred in December 2008.

The purpose of the above is to secure a strong and financially sound company that recognizes and manages the risks to which it is exposed.

Note 27 — New Accounting Standards:

Modifications to the accounting practices

On September 19, 2008, the 12th Modification Resolution of the Only Circular was published in the Official Gazette, which contained an update of accounting practices applicable to banking institutions so that, such accounting practices would be consistent with international accounting practices. In such resolution, three accounting practices have been developed with respect to the financial assets recognition and closing, securitization transactions and specific purpose entities consolidation.

Such rules were effective as of January 1, 2009, and their application is prospective.

Accounting practice C-1 "Recognition and cancelation of financial assets", states that in order for an entity to cancel a financial asset, it must transfer all the contract rights to receive the cash flows from the financial asset or retain the contract rights to receive the cash flows from the financial asset and, at the same time, assume the contract obligation of paying such cash flows to a third party who meets certain requirements. Moreover, the substantial transfer of risks and benefits is considered a prerequisite for cancelling an asset as a sale. This modification impacts the accounting recording of repurchase agreements and securities loans, as well as securitization transactions.

According to Circular C-2, "Securitization transactions", as of January 1, 2009, securitizations must meet the requirements set forth in Circular C-1, "Recognition and derecognition of financial assets", in order to be considered as a sale. Otherwise, the securitized assets must remain on the balance sheet, and the resulting liability must be recorded. In addition, an entity shall consolidate a special purpose entity (EPE) created on or after January 1, 2009, when the economic substance of the relationship indicates that the EPE is controlled by the entity.

Accounting practice C-5 "Consolidation of specific purpose entities". Accounting rules are fixed regarding the definition and conceptualization of possible consolidation or recognition under participation method with Specific Purposes Method. The Bank is subject to MFRS B-8, "Consolidate and Combination" of financial statements to carry out the consolidation process.

Accounting Practice D-4 "Statement of cash flows" became effective in 2009, and requires that the Bank present the statement of cash flows for the year ended December 31, 2009 as one of the basic financial statements, which shows the cash inflows and outflows representing the generation or application of the Bank's resources during the year, classified as operating, investment and financing. Consequently and in accordance with the accounting practice, the Group used the indirect method, by which net income for the period is increased or decreased due to the effects of transactions involving items that do not imply a cash flow (except those affecting the balances of operating items); changes occurring in the balances of operating items, and the cash flows related to investment or financing activities. The guidelines of this criteria are to be applied on a prospective basis. At December 31, 2008, the statement of changes in financial position is presented as a basic financial statement, which classifies the changes in financial position per operating, financing and investment activities.

Accounting Practice B-4 "Securities lending". The main accounting changes are: a) require the evaluation of the economic and legal substance of these transactions and b) use of the effective interest method to recognize premiums paid as received.

Additionally, on April 27, 2009, the CNBV issued a resolution that modifies the "General Provisions Applicable to Banking Institutions" thereby updating all accounting criteria. Such rules were effective as of April 28, 2009.

The main changes in the accounting policies that apply to the Bank are explained below:

- Accounting practice B-2, "Investments in securities", introduces the concept of amortized cost for the valuation of held-to-maturity securities; it considers the loss of value due to the deterioration of securities available for sale and held to maturity. Such loss must be recorded in the results of operations. It allows reclassifying held-to-maturity securities as available for sale, provided there is no intention or capability of holding them to maturity. The Commission's expressed authorization is required to reclassify to securities held to maturity or from trading to securities available for sale.

- Accounting practice B-5, "Derivatives and hedging transactions", establishes the recognition of purchase and sale transaction agreements as embedded derivatives. Assets and liabilities valued at their fair value through results may be considered hedging items. Tests of effectiveness are required for hedging in all cases, with the ineffective portion of the hedge recorded in the results of operations. The presentation of these items in the balance sheet is modified. Furthermore, the transaction costs associated with the acquisition of derivative financial instruments must be recorded directly in the results of the period in which they were incurred.

- Accounting practice B-6, "Loan portfolio", indicates that the annual credit card fees charged by banking institutions and the fees for unused credit lines, as well as their associated costs and expenses, must all be amortized during a 12-month period. Costs and expenses associated with the initial granting of the credit are recorded as a deferred expense to be amortized as interest expense over the same period in which the fee income is recorded. This applies only to those costs and expenses that are considered incremental. These changes will be applied prospectively given the practical impossibility of their determination for prior years.

New Accounting Pronouncements — MFRS effective as of January 1, 2009:

Beginning on January 1, 2009, the following MFRS accounting pronouncements, issued by the Board for Research and Development of Financial Reporting Standards ("CINIF"), have been adopted by the Bank for the preparation of these financial statements. The new accounting practices, as well as the effects of adoption, are disclosed in Note 3.

MFRS C-1 "Cash and cash equivalents". It establishes standards on the accounting treatment and disclosure of cash, restricted cash and available for sale investments, and introduces new terminology to make it consistent with other MFRS previously issued. This standard superseded Bulletin C-1, "Cash".

NIF C-7, "Investments in Associated Companies and Other Permanent Investments", modifies how the effects derived from increases in equity percentages in an associated company are determined. It also establishes that the effects due to an increase or decrease in equity percentages in associated companies should be recognized under equity in income (loss) of associated companies, rather than in the non-ordinary line item within the statement of income.

Interpretation to MFRS-18 "Recognition of the tax reform 2010 in the income tax", deals with the recognition of certain topics included in the decree by reforming, supplementing, or repealing diverse tax rules, including: a) changes in income tax and b) flat tax credits for tax losses.

Javier De la Calle Pardo General Director	Jorge Fernando Tejeda Ugalde Finance Director
Arturo Ángeles Delgado General Accountant	José Luis Orozco Ruiz Internal Audit Director

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

UNAUDITED INTERIM FINANCIAL STATEMENTS

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

BALANCE SHEETS
AS OF JUNE 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009
(Amounts in thousands of Mexican pesos)

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
Assets		
Cash and due from banks	Ps. 3,876,326	Ps. 3,715,878
Financial Margin	340,255	215,039
Securities (Note 2):		
Trading	10,444,576	11,502,989
Available-for-sale	214,321	302,755
Held to maturity	12,960,030	13,155,467
	23,618,927	24,961,211
Repurchase and resale agreements (Note 5)	3,918,798	5,297,982
Derivative financial instruments (Note 6)	4,411,840	2,576,106
Adjustment related to changes in the fair value of hedged item- loan portfolio	95,317	28,701
Performing loans (Note 3):		
Commercial	16,934,110	14,950,367
Financial entities	2,900,468	3,167,277
Consumer	149,600	134,342
Mortgages	1,114,422	1,085,157
Government entities	4,604,900	4,497,706
	25,703,500	23,834,849
Non-performing loans:		
Commercial	219,646	308,302
Financial entities	—	32,637
Consumer	10,902	5,608
Mortgages	23,868	29,859
	254,416	376,406
Total loan portfolio:	25,957,916	24,211,255
Allowance for loan losses (Note 4)	(419,932)	(523,864)
Loan Portfolio (Net):	25,537,984	23,687,391
Other accounts receivable — Net	2,407,424	1,124,354
Foreclosed assets — Net	530	—
Property, plant and equipment — Net	616,394	651,216
Equity investments in associates (Note 7)	490,967	424,716
Deferred taxes	12,399	—
Other assets (Note 8)	635,844	603,243
Total assets	Ps.65,963,005	Ps.63,285,837

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

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

BALANCE SHEETS — (Continued)
AS OF JUNE 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009
(Amounts in thousands of Mexican pesos)

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
Liabilities and Stockholders' Equity Deposits:		
Demand deposits	Ps. 8,517,504	Ps. 8,906,618
Time deposits	18,996,055	18,560,850
	27,513,559	27,467,468
Bank and other entities loans (Note 9) Demand loans	180,000	—
Short-term loans	6,460,959	6,013,045
Long-term loans	3,396	10,094
	6,644,355	6,023,139
Repurchase and resale agreements (Note 5)	17,850,105	20,154,248
Derivative financial instruments (Note 6)	4,507,263	2,662,981
Subordinated debentures	1,602,279	1,603,672
Adjustment related to changes in the fair Value of hedged item-subordinated debentures	(76,747)	(65,821)
Other accounts payable:		
Other creditors and other accounts Payable (Note 10)	3,386,452	1,826,389
Deferred taxes	—	2,901
Deferred credits — Net	192,384	94,793
Total liabilities	61,619,650	59,769,770
Stockholders' equity (Note 15):		
Paid-in capital:		
Capital stock	3,069,456	2,269,456
Additional paid-in capital	802,393	802,393
	3,871,849	3,071,849
Earned capital:		
Capital reserves	214,069	213,709
Prior year's retained earnings	220,609	217,744
Net unrealized gain (loss) from valuation of available-for-sale-securities	40,741	9,166
Net (loss) / income	(3,913)	3,599
	471,506	444,218
Total stockholders' equity	4,343,355	3,516,067
Total liabilities and stockholders' equity	Ps.65,963,005	Ps.63,285,837

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

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE
IXE GRUPO FINANCIERO

INTERIM INCOME STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)
(Amounts stated in thousands of Mexican pesos)

	June 30, 2010	June 30, 2009
Interest income	Ps. 1,953,900	Ps. 2,481,945
Interest expense	(1,182,498)	(1,859,809)
Financial margin	771,402	622,136
Provision for loan losses (Note 4)	(67,347)	(113,508)
Financial margin after provision for loan losses	704,055	508,628
Commissions and fees — Net	229,963	218,475
Brokerage revenue — Net (Note 12)	356,406	559,915
Other income-operating	68	—
Net operating revenue	1,290,492	1,287,018
Non-interest expenses	1,362,225	1,169,033
Net operating (loss) income	(71,733)	117,985
Other income — Net (Note 13)	129,551	50,759
Income before income tax, employee statutory profit-sharing and equity in earnings of subsidiaries and associated companies	57,818	168,744
Income tax and employees statutory profit-sharing:		
Current	(14,232)	(42,864)
Deferred	15,300	—
Income before share in net loss of associated companies	58,886	125,880
Equity in losses of associated companies	(62,799)	(51,821)
Net (loss) / income	Ps. (3,913)	Ps. 74,059

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

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE, IXE GRUPO FINANCIERO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009 (unaudited)
(Amounts stated in thousands of Mexican pesos)

	Paid-in capital			Earned surplus				
Items	Capital stock	Share premium	Capital reserves	Retained earnings	Net unrealized gain / (losses) from valuation of available for sale securities	Result from equity investments	Net Income	Total stockholders, equity
Balances as of December 31, 2008	Ps.2,269,456	Ps.802,393	Ps.186,093	Ps.142,160	Ps.(88,769)	Ps.(1,109)	Ps. 276,163	Ps.3,586,387
CHANGES RELATED TO STOCKHOLDERS' DECISIONS:								
Appropriation of 2008 net income to capital reserves approved by Ordinary General Stockholders' Meeting carried out on April 30, 2009	—	—	27,616	248,547	—	—	(276,163)	—
Dividends payments approved by the Ordinary General Stockholders' Meeting carried out on May 27, 2009	—	—	—	(85,000)	—	—	—	(85,000)
Total	—	—	27,616	163,547	—	—	(276,163)	(85,000)
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:								
Gain from equity investments	—	—	—	—	—	(2,905)	—	(2,905)
Net unrealized gain (loss) from valuation of available for sale securities	—	—	—	—	34,283	—	—	34,283
Net income	—	—	—	—	—	—	74,059	74,059
Total	—	—	—	—	34,283	(2,905)	74,059	105,437
Balances as of June 30, 2009	2,269,456	802,393	213,709	305,707	(54,486)	(4,014)	74,059	3,606,824
Balances as of December 31, 2009	2,269,456	802,393	213,709	217,744	9,166	—	3,599	3,516,067
CHANGES RELATED TO STOCKHOLDERS' DECISIONS:								
Appropriation of 2009 net income to capital reserves approved by Ordinary General Stockholders' Meeting carried out on April 30, 2010	—	—	360	3,239	—	—	(3,599)	—
Increase in capital stock approved by the General Ordinary Stockholders' Meeting on June 7, 2010	800,000	—	—		—	—	—	800,000
	800,000	—	360	3,239	—	—	(3,599)	800,000
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:								
Net unrealized gain (loss) from valuation of available for sale securities					31,575	—	—	31,575
Result from non-monetary assets	—	—	—	(374)	—	—	—	(374)
Net loss	—	—	—	—	—	—	(3,913)	(3,913)
Total	—	—	—	(374)	31,575		(3,913)	27,288
Balances as of June 30, 2010	Ps.3,069,456	Ps.802,393	Ps.214,069	Ps.220,609	Ps. 40,741	Ps. —	Ps. (3,913)	Ps.4,343,355

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

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)
(Amounts stated in thousands of Mexican pesos)

	June 30, 2010	June 30, 2009
Net (loss) / income	Ps. (3,913)	Ps. 74,059
Items not requiring (generating) resources:		
Provision for loan losses	67,347	113,508
Depreciation and amortization	110,707	85,843
Expenses in advance amortization	4,125	29,564
Provisions	53,041	(90,091)
Fair value adjustments	357,366	299,725
Income taxes due and deferred	(1,068)	42,864
(Increase) decrease in foreclosed assets	(530)	670
Equity in loss of associated companies	62,799	51,821
	649,874	607,963
Operating activities:		
Increase in margin accounts	(125,216)	(131,597)
Decrease (increase) in investment securities	724,268	(7,766,430)
Decrease (increase) in resale agreement	1,382,042	(1,126,720)
Increase in derivatives financial instruments	(106,538)	(243,217)
Increase in loan portfolio — Net	(1,883,914)	(2,907,932)
Increase in other assets	(75,042)	(85,181)
Increase in deposits	19,719	2,557,365
Increase in bank and other entities loans	609,423	1,051,361
(Decrease) increase in repurchase agreement	(2,292,281)	6,220,919
Increase in subordinated debentures	75,148	2,050
Increase in other liabilities	625,002	139,768
Net cash flow from operating activities	(397,515)	(1,681,651)
Investing activities:		
Purchases of property, plant and equipment	(49,381)	(111,108)
Purchase of software and branches expansion	(63,231)	(51,529)
Capital contributions to associated companies	(129,425)	—
Net cash flow from investing activities	(242,037)	(162,637)
Financing activities:		
Dividends paid	—	(85,000)
Increase in capital stock	800,000	—
Net cash flow from financing activities	800,000	(85,000)
Increase (decrease) in cash and due from banks	160,448	(1,929,288)
Cash and cash equivalents at the beginning of the year	3,715,878	5,764,860
Cash and cash equivalents at the end of the period	Ps. 3,876,326	Ps. 3,835,572

The accompanying notes are an integral part of these interim financial statements

IXE BANCO, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
IXE GRUPO FINANCIERO

NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Amounts stated in thousands of Mexican pesos)

Note 1 — Basis of Presentation:

The interim financial statements as of June 30, 2010 and for the periods ended June 30, 2010 and 2009 are unaudited. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by the accounting practices established by the Mexican National Banking Commission (Comisión Nacional Bancaria y de Valores or "Commission" or "CNBV"). In the opinion of the management of Ixe Banco, S. A., Institución de Banca Múltiple, Ixe Grupo Financiero (the "Bank"), all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included herein. The results of interim periods are not necessarily indicative of results for the entire year. These unaudited financial statements should be read in conjunction with the Bank's audited financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 ("audited annual financial statements").

Certain balances from prior periods have been reclassified and presented in accordance with the current period presentation required by the CNBV.

Note 2 — Securities:

The balances of this item are composed of the following:

	June 30, 2010			December 31, 2009		
	Acquisition cost plus accrued interest	Increase (decrease) from valuation	Market value	Acquisition cost plus accrued interest	Increase (decrease) from valuation	Market value
Trading						
Debt instruments:						
Government securities -						
Promissory notes with interest payable at maturity	Ps. 5,745	Ps. (119)	Ps. 5,626	Ps. 104,885	Ps. (435)	Ps. 104,450
Bonds	501,154	(1,180)	499,974	351,565	(1,853)	349,712
	506,899	(1,299)	505,600	456,450	(2,288)	454,162
Other securities:						
Stock certificates and commercial paper	3,119,682	8,441	3,128,123	1,964,777	2,360	1,967,137
Equity securities	654,236	265,097	919,333	698,062	171,820	869,882
	3,773,918	273,538	4,047,456	2,662,839	174,180	2,837,019
Restricted by repurchase and resale transactions Government securities	4,212,725	12,737	4,225,462	7,860,571	21,777	7,882,348
Private equity	1,658,406	7,652	1,666,058	338,702	(9,242)	329,460
	5,871,131	20,389	5,891,520	8,199,273	12,535	8,211,808
Total trading securities	Ps.10,151,948	Ps.292,628	Ps.10,444,576	Ps.11,318,562	Ps.184,427	Ps.11,502,989
Available for sale securities						
Equity securities	Ps. 173,580	Ps. 40,741	Ps. 214,321	Ps. 293,589	Ps. 9,166	Ps. 302,755
Total available for sale securities	Ps. 173,580	Ps. 40,741	Ps. 214,321	Ps. 293,589	Ps. 9,166	Ps. 302,755

	Acquisition cost	Accrued interest	Book value	Acquisition cost	Accrued interest	Book value
Held to maturity securities						
Unrestricted debt certificates	Ps. 949,882	Ps.1,406	Ps. 951,288	Ps. 1,034,280	Ps.2,393	Ps. 1,036,673
Government securities	6,725,971	811	6,726,782	6,760,090	2,490	6,762,580
Bank bonds	2,642,678	1,753	2,644,431	2,640,471	991	2,641,462
Other debt securities	2,636,652	877	2,637,529	2,713,075	1,677	2,714,752
Total held to maturity	Ps.12,955,183	Ps.4,847	Ps.12,960,030	Ps.13,147,916	Ps.7,551	Ps13,155,467
Total investment in securities			Ps.23,618,927			Ps.24,961,211

Note 3 — Loans:

As of June 30, 2010 and December 31, 2009, the performing loans and non-performing loans from the Bank were composed as follows:

	June 30, 2010			December 31, 2009
	Principal	Accrued interest	Total	Total
Performing loans:				
Commercial	Ps.16,886,282	Ps.47,828	Ps.16,934,110	Ps.14,950,367
Financial entities	2,896,752	3,716	2,900,468	3,167,277
Consumer	148,481	1,119	149,600	134,342
Mortgages	1,108,560	5,862	1,114,422	1,085,157
Government entities	4,601,636	3,264	4,604,900	4,497,706
Total performing loans	Ps.25,641,711	Ps.61,789	Ps.25,703,500	Ps.23,834,849
Non-performing loans:				
Commercial	Ps. 214,448	5,198	219,646(*)	Ps. 308,302
Consumer	10,765	137	10,902	5,608
Financial entities	—	—	—	32,637
Mortgages	23,483	385	23,868	29,859
Total non-performing loans	248,696	5,720	254,416	376,406
Total loan portfolio	Ps.25,890,407	Ps.67,509	Ps.25,957,916	Ps.24,211,255

The Bank has a high concentration of loans to large borrowers and related parties. Its 20 largest borrowers and groups of borrowers represent approximately 43.2% of the Bank's total loan portfolio as of June 30, 2010. Approximately 5.3% of the Bank's total loan portfolio as of that date represents transactions with related parties. These parties include companies in the construction, commercial, hotels and restaurants, pharmaceutical, food and financial services industries.

(*) On June 15, 2010, the Bank sold a non-performing loan to Ixe Soluciones (affiliated company) with a principal amount of Ps.100,000 which was totally reserved. This non-performing loan was sold in the amount of Ps.40,000, in accordance with the requirements for the transfer of financial assets. The risks and benefits inherent to ownership of the financial assets were substantially transferred and the financial asset was removed from the balance sheet.

Note 4 — Allowance For Loan Losses:

Changes in the allowance for loan losses during the six-month period ended June 30, 2010 and during the fiscal year ended December 31, 2009 were as follows:

	June 30, 2010	December, 31 2009
Balances at beginning of the period/year	Ps.523,864	Ps.309,167
Plus:		
Additions	67,347	253,156
Less:		
Charge-offs	171,279	36,078
Release of reserves	—	2,381
Balances at the end of the period/year	Ps.419,932	Ps.523,864

Note 5 — Repurchase And Resale Agreements:

As of June 30, 2010 and December 31, 2009, the net balances under repurchase and resale agreements were as follows:

	Debit balances resale agreements		Credit balances repurchase agreements	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Government securities	Ps.2,195,354	Ps.3,308,961	Ps.10,939,399	Ps.14,488,344
Bank securities	1,723,444	280,574	3,242,090	2,641,282
Other securities	—	1,708,447	3,668,616	3,024,622
Total	Ps.3,918,798	Ps.5,297,982	Ps.17,850,105	Ps.20,154,248

Note 6 — Derivative Financial Instruments:

As of June 30, 2010 and December 31, 2009, the positions in derivative financial instruments were as follows:

	Fair value	
	June 30, 2010	December 31, 2009
Trading		
Swaps	Ps.(469,808)	Ps.(525,360)
Options	(6,299)	(2,369)
Futures	(2,006)	(4,618)
Forwards	29,710	9,354
Total trading	Ps.(448,403)	Ps.(522,993)
Hedges		
Swaps	Ps. 352,981	Ps. 436,118
Total hedges	Ps. 352,981	Ps. 436,118
Total derivative instruments	Ps. 95,422	Ps. 86,875

Note 7 — Equity Investments:

The balance of this item as of June 30, 2010 and December 31, 2009 was composed of the following:

		Equity investment		Equity in (losses)/income of the period/year	
Subsidiary	Ownership as of June 30, 2010	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Ixe Tarjetas de Crédito, S. A. de C. V.(A)	50.00	Ps.488,145	Ps.421,535	Ps.(62,814)	Ps.(92,941)
Cecoban, S. A. de C. V.	5.26	2,011	2,370	—	(151)
Others		811	811	15	791
		Ps.490,967	Ps.424,716	Ps. (62,799)	Ps. (92,301)

(A) Investment in Ixe Tarjetas de Crédito, S. A. de C. V. ("Ixe TDC")

Due to the nature of this investment, it has been determined that Ixe TDC is an entity jointly controlled by the Bank and CMC Holding Delaware, Inc. The Bank is accounting for this investment using the equity method of accounting.

The following information is a condensed balance sheet of Ixe TDC as of June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Assets:		
Cash and due from banks	Ps. 507,488	Ps. 29,104
Derivatives	—	23,014
Loan portfolio — net of allowance of loan losses of Ps.337,246 in 2010 and Ps.328,469 in 2009(1)	1,651,979	1,496,075
Property, furniture and equipment	18,799	20,659
Other receivables	6,622	4,506
Deferred income taxes(2)	96,434	96,435
Other assets	647,164	642,075
Total assets	Ps. 2,928,486	Ps. 2,311,868
Liabilities and Stockholders' Equity:		
Short-term loans(3)	Ps. 1,755,211	Ps. 1,324,611
Other payables	152,646	115,600
Deferred credits and collection	40,444	28,588
Total liabilities	1,948,301	1,468,799
Stockholders' Equity		
Capital stock(4)	1,447,800	1,188,950
Earned capital:		
Retained earnings	(345,881)	(165,810)
Net loss	(121,734)	(180,071)
Total stockholders' equity	980,185	843,069
Total liabilities and stockholders' equity	Ps. 2,928,486	Ps. 2,311,868

(1) Ixe TDC's loan portfolio — Net

Ratings for the portfolio are calculated by applying certain percentages based on the level of risk exposure, the probability of default by the debtor and the severity of the loss (including the value of related guarantees), determined on the basis of the number of overdue payments.

Loans are charged off when there is sufficient evidence that a loan will not be recovered and also when loans are fully reserved.

Below are certain breakdowns of the loan portfolio as of June 30, 2010 and December 31, 2009:

	Amount	
Performing loans	**June 30, 2010**	**December 31, 2009**
0 to 30 days	Ps.1,770,711	Ps.1,618,185
31 to 60 days	96,811	83,912
61 to 89 days	37,180	38,292
Total performing loans	Ps.1,904,702	Ps.1,740,389
Non-Performing loans *		
90 to 120 days past due	Ps. 30,759	Ps. 30,384
121 to 150 days past due	29,915	30,325
151 to 180 days past due	23,839	23,440
Over 180 days past due	10	7
Total Non-Performing loans	84,523	84,156
Total Loan Portfolio	Ps.1,989,225	Ps.1,824,545

* Loans are considered non-performing once they are over 90 days past due.

The following table sets forth the loan portfolio classification of Ixe TDC in accordance with the Mexican Banking GAAP, as of June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
Loans by Regulatory Classification	**Amount**	**% of Base Loan Portfolio**	**Amount**	**% of Base Loan Portfolio**
A (1.0% to 2.5% reserve)	Ps. 38,469	1.94%	Ps. 33,092	1.82%
B (2.6% to 19.99% reserve)	1,638,077	82.26%	1,453,033	79.87%
C (20.0% to 59.99% reserve)	169,667	8.56%	186,284	10.24%
D (60.0% to 89.99% reserve)	130,546	6.59%	136,924	7.23%
E (90.0% to 100.0% reserve)	12,466	.65%	15,212	0.84%
Total graded loans	Ps.1,989,225	100.00%	Ps.1,824,545	100%

Changes in the allowances for loan losses at June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010	December 31, 2009
Allowance at the beginning of period	Ps. 328,469	95,350
Provisions taken during period:		
Charged against earnings	145,780	299,350
Total	145,780	299,350
Allowance at the end of the period before charge-offs taken during the period	474,249	394,700
Recognition of regulatory changes(*)	—	173,708
Charge-offs taken during the period	(137,003)	(239,939)
Allowances at the end of the period after charge-offs taken during the period	Ps. 337,246	Ps. 328,469

(*) As of September 30, 2009, Ixe TDC adopted a new methodology for loan loss provisions for consumer loans, as issued by the CNBV. The main changes related to provisions for credit card loans are described as follows:

- Ratings are now determined on a credit-by-credit basis. Prior to these modifications, ratings were determined collectively (loans grouped in accordance with periods in non-performing status).
- Probability of default is now determined using regression formulas, where, for credits in a non-performing status of 4 or more periods, the probability of default is 100%. According to the prior methodology, probability of default was a stated percentage given by the CNBV according to the periods in a non-performing status, and for credits with 4 to 6 periods as non-performing, the probability of default ranged between 62% to 95%.
- Exposure at default, now also considers the unused credit amount; previously, off-balance sheet amounts were not considered as part of the exposure at default.
- Exposure at default now considers the corresponding balance at the cut-off date corresponding to each credit card. Prior to these modifications, exposure at default considered the outstanding balance at the end of the period.

The cumulative effect arising from the adoption of the aforementioned methodology was an increase in the allowance for loan losses of Ps.173,708, which was recorded in retained earnings in September 30, 2009, as permitted by the CNBV.

(2) Ixe TDC's deferred income taxes

As of June 30, 2010, Ixe TDC has recognized a deferred tax asset related to: allowance for loan losses of Ps.185,420, provisions of (Ps.27,823) and payments in advances of (Ps.12,577). Such deferred tax asset is presented net of a valuation allowance amounting Ps.48,586. Ixe TDC records a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not, to be realized in accordance with the CNBV accounting practices.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. A valuation allowance was provided for deferred tax assets to the extent that it is more likely than not that not that some portion of the temporary differences will be realized.

(3) Ixe TDC's short-term loans

Short-term loans were comprised of:

	Interest rate	Maturity date	June 30, 2010	December 31, 2009
J.P. Morgan	4.04%	30-Jul-10	Ps. 1,350,151	—
J.P. Morgan	5.36%	30-Jun-11	360,054	—
J.P. Morgan	4.50%	30-Sep-10	45,006	—
J.P. Morgan	6.90%	30- Jun-10	—	Ps. 1,175,245
J.P. Morgan	TIIE+2%	29- Jan-10	—	149,366
Total			Ps. 1,755,211	Ps. 1,324,611

(4) Ixe TDC's capital stock

At the January 29, 2010 Stockholders' Meeting, the stockholders approved an increase in the capital stock in an amount equal to Ps.130,550, through the issuance of (i) 65,275,000 Series "A", Class II shares without nominal value, corresponding to the variable portion of the capital stock, which were subscribed and paid for by the Bank and (ii) 65,275,000 Series "B", Class II shares without nominal value, corresponding to the variable portion of the capital stock, which were subscribed and paid for by CMC Holding Delaware Inc.

At the June 29, 2010 Stockholders' Meeting, the stockholders approved an increase in the capital stock in an amount equal to Ps.128,300, through the issuance of (i) 64,150,000 Series "A", Class II shares without nominal value, corresponding to the variable portion of the capital stock, which were subscribed and paid for by the Bank and (ii) 64,150,000 Series "B", Class II shares without nominal value, corresponding to the variable portion of the capital stock, which were subscribed and paid for by CMC Holding Delaware Inc.

Ixe TDC's commitments and contingencies

As of June 30, 2010 and December 31, 2009, Ixe TDC maintains commitments to extend credit with off-balance sheet risk of Ps.3,072,919 and Ps.3,372,590, respectively.

The following is a condensed income statement of Ixe TDC for the six-month period ended June 30, 2010 and 2009:

	For the six-month period ended June 30,	
	2010	2009
Interest income	Ps. 214,662	Ps186,784
Interest expense	43,990	57,333
Financial margin	170,672	129,451
Provision for loan losses(1)	145,780	131,926
Financial margin after provision for loan losses	24,892	(2,475)
Commissions and fees — Net	67,123	49,818
Brokerage income — Net	3,428	—
Net operating revenue	95,443	47,343
Non-interest expenses(5)	216,071	172,988
Net operating loss	(120,628)	(125,645)
Other (loss) income — Net	(1,106)	13,614
Loss before income tax	(121,734)	(112,031)
Income taxes — current	—	(19,690)
Income taxes — deferred(2)	—	28,339
Net loss of the period	Ps.(121,734)	Ps. (103,382)

(5) Ixe TDC's non-interest expense

The main items comprising non-interest expense for the six-month period ended June 30, 2010 and 2009, were as follows:

	June 30, 2010	June 30, 2009
Salaries and employee benefits	Ps. 59,525	Ps. 49,221
Professional fees	66,961	38,846
Promotional expenses(i)	49,862	25,325
Rental expenses	7,311	6,669
Depreciation and amortization	8,645	5,214
Others expenses	23,767	47,713
Total	Ps.216,071	Ps.172,988

(i) The amount of promotional expenses is related to the expansion of the business and strengthening of the sales force.

Note 8 — Other Assets:

	June 30, 2010	December 31, 2009
Deferred charges	Ps.117,424	Ps.106,817
Payments in advance	73,720	83,052
Intangible assets	444,700	413,373
Total	Ps.635,844	Ps.603,243

Note 9 — Bank And Other Entity Loans:

At June 30, 2010 and December 31, 2009, the breakdown of this caption was as follows:

	Mexican pesos		Foreign Currency		Total	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
A) On demand and short-term:						
Commercial banks	Ps. —	Ps. —	Ps. —	Ps.470,373	Ps. —	Ps. 470,373
Loans from development banks	6,315,991	5,284,564	210,741	176,188	6,526,732	5,460,752
Development funds	69,242	36,183	44,985	45,737	114,227	81,920
Total on demand and short-term	Ps.6,385,233	Ps.5,320,747	Ps.255,726	Ps.692,298	Ps.6,640,959	Ps.6,013,045
B) Long-term:						
Comercial Banks	Ps. —	Ps. —	Ps. —	Ps. 5,343	Ps. —	Ps. 5,343
Loans from development Banks	—	—	3,372	—	3,372	—
Development funds	—	4,751	24	—	24	4,751
Total long-term	—	4,751	3,396	5,343	3,396	10,094
Total	Ps.6,385,233	Ps.5,325,498	Ps.259,122	Ps.697,641	Ps.6,644,355	Ps.6,023,139

Note 10 — Accrued Liabilities and Other:

The balance of this item is composed of the following:

	June 30, 2010	December 31, 2009
Payable on purchase of securities	Ps. 2,515,009	Ps. 1,254,389
Liabilities for other bank services	131,494	124,558
Labor obligations	129,854	136,323
Taxes	45,076	55,361
Other accrued liabilities	350,534	181,600
Pension obligations	70,648	19,347
Value added tax	23,797	4,387
Aforo	55,899	14,319
Rewards programs	3,800	3,800
Income tax and other taxes	60,341	32,305
Total	Ps. 3,386,452	Ps. 1,826,389

Note 11 — Foreign Currency Position:

As of June 30, 2010 and December 31, 2009, the Bank had foreign currency monetary assets and liabilities in thousands of U.S. dollars as follows:

	June 30, 2010	December 31, 2009
Assets	US$1,054,648	US$869,972
Liabilities	1,001,466	819,266
Long position — Net	US$ 53,182	US$ 50,706

As of June 30, 2010 and December 31, 2009, the exchange rate established by Banco de Mexico ("Banxico") and used by the Bank to value its assets and liabilities in foreign currency (converted to U.S. dollars) was Ps.12.8394 and Ps.13.0437 per one U.S. dollar, respectively.

Note 12 — Brokerage Revenue:

For the six-month period ended June 30, 2010 and 2009, this item consisted of the following:

	June 30, 2010	June 30, 2009
Unrealized gains on trading securities and derivatives financial instruments	Ps. 199,646	Ps. 119,095
Realized gains on securities and derivatives financial instruments	(56,502)	310,402
Foreign exchange gain	213,262	130,418
Brokerage revenue	Ps. 356,406	Ps. 559,915

Note 13 — Other Income — Net:

For the six-month period ended June 30, 2010 and 2009, this item consisted of the following:

	June 30, 2010	June 30, 2009
Other income		
Gain on exchange on Visa shares	Ps. 13,376	Ps. —
Gain on sale of portfolio	40,000	—
Administrative services and commissions charged to Ixe TDC	29,596	46,383
Income for financial advising	—	3,336
Commission of insurance company(*)	52,267	5,503
Other income	7,044	1,325
Total	Ps.142,283	Ps.56,547
Other expenses Losses for customer claims	Ps. 12,732	Ps. 5,788
Other income — Net	Ps.129,551	Ps.50,759

(*) On May 26, 2010, the Bank and Royal & Sun Alliance Seguros (México), S.A. de C.V., signed a distribution and services exclusive agreement to organize and operate Bancassurance Business, under which the Bank is in charge of the offering, promotion, marketing and distribution of products to the Bank's clients. This agreement generated an income of Ps.37,492.

Note 14 — Income Tax:

For the six-month period ended June 30, 2010 and 2009, the Bank had a taxable income of Ps.10,022 and Ps.156,241, respectively. The Bank's taxable income for 2010 was reduced mainly due to accounting valuation results.

Note 15 — Stockholders' Equity:

At the May 27, 2009 General Ordinary Stockholders' Meeting the stockholders declared a dividend payment in cash in the amount of Ps.84,891.

At the June 7, 2010 General Ordinary Stockholders' Meeting, the stockholders approved an increase in capital stock for an amount of Ps.800,000 through the issuance of 276,267 ordinary nominative Series "O" shares, with a par value of Ps.2,895.74586 per share (nominal value), which was fully subscribed and paid for by Ixe Grupo Financiero ("Ixe Grupo").

The comprehensive income for the periods ended on June 30, 2010 and 2009 was as follows:

Item	2010	2009
Net profit, according to the statement of income	Ps. (3,913)	Ps. 74,059
Gain or loss from valuation of securities available for sale	31,575	34,283
Comprehensive income	Ps.27,662	Ps.108,342

Note 16 — Contingencies and Commitments:

As of June 30, 2010, legal proceedings against the Bank consist of civil, commercial, and labor lawsuits. In the opinion of the Bank, the likelihood of an unfavorable outcome in these proceeding is considered unlikely. In the event of an unfavorable outcome, the results of these proceeding are not expected to have a material impact on the overall financial position or results of the Bank.

In May 2009, the Bank entered into a lease agreement for additional office facilities located in the "Torre Mayor" building with a term of seven years. At June 30, 2010, the remaining commitment amounts were approximately US$7.3 million (approximately Ps.93.9 million).

On August 11, 2005, the Bank entered into a lease agreement for office facilities located in the "Torre Mayor" building, with a term of 11 years as of such date. At June 30, 2010, the remaining commitment amounts were approximately US$14.3 million (approximately Ps.184.1 million).

In addition, the Bank maintains financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credits, guarantees and letters of credits. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. As of June 30, 2010 financial instruments with off-balance sheet risk were as follow:

	June 30, 2010
Guarantees granted	Ps. 22,545,654
Unused lines of credits	6,069,289
Letters of credits	713,779
Total	Ps. 29,328,722

Note 17 — Liability Agreement:

Ixe Grupo has entered into a liability agreement with its subsidiaries, as required by Article 28 of the Law to Regulate Financial Groups, which sets forth that Ixe Grupo, will guarantee, without limit, all obligations of its subsidiaries, including the Bank, as well as any of the losses they may incur in their operations. In the event that the stockholders' equity of Ixe Grupo is not sufficient to pay such obligations, Ixe Grupo is first obligated to pay, to the extent possible, the obligations of the Bank, and then on a pro-rata basis any obligations of the Bank's subsidiaries.

Note 18 — Stock Purchase Plan:

In connection with its Stock Purchase Plan ("Plan"), on April 20, 2009 Ixe Grupo granted an additional 2.4 million shares to key executives involved in the operation or management of Ixe Banco, Ixe Grupo and its subsidiaries. These shares were granted at a purchase price of Ps.8.57 per share, to be paid for in the period between 2010 and 2014.

The shares sold pursuant to this Plan can only be transferred to plan participants when the conditions set forth in the Plan and the related agreements are satisfied.

Ixe Banco has no obligation to settle this share-based payment transaction.

Note 19 — Subsequent Events:

As of June 30, 2010, the Bank held in its portfolio, equity securities of Compañía Mexicana de Aviación, S.A. de C.V. ("Mexicana"), which were recorded at cost and had a book value of Ps.11,712. Due to significant financial difficulties experienced by Mexicana, the Bank's management decided to fully reserve its investment in this company as of July 31, 2010, recognizing an impairment loss of Ps.11,712 as of that date. On August 2, 2010, Mexicana filed for bankruptcy protection in Mexico and in the United States.

In September 2010, the Basel Committee on Banking Supervision (the "Basel Committee") proposed comprehensive changes to the capital adequacy framework, known as Basel III. The implementation of Basel III is expected to result in changes to Mexican regulations that in turn are likely to impose new requirements in respect of regulatory capital, liquidity /funding and leverage ratios.

ANNEX A:

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP APPLICABLE TO FINANCIAL INSTITUTIONS AND U.S. GAAP

Mexican financial institutions prepare their financial statements in accordance with the accounting practices established for financial institutions ("Mexican Banking GAAP") as prescribed by the Mexican National Banking and Securities Commission ("CNBV"). Mexican Banking GAAP encompasses circulars issued by the CNBV and Mexican Financial Reporting Standards ("Mexican GAAP" or "MFRS") prescribed by the Mexican Institute of Public Accountants to the extent that the aforementioned circulars do not address or supersede the accounting to be followed.

Mexican Banking GAAP differs in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). Such differences might be material to the financial information contained in this offering circular. A summary of the significant differences is presented below. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Ixe Banco, the terms of this offering circular and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information contained herein.

This summary should not be taken as exhaustive of all the differences between Mexican Banking GAAP and U.S. GAAP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the Financial Statements, including the notes thereto.

Set forth below is a description of the significant differences between Mexican Banking GAAP and U.S. GAAP.

Allowance For Loan Losses

The rules for the classification and rating of loan portfolios of Mexican banks and the creation of related reserves (the "Loan Classification and Rating Rules") set forth under the General Rules for Banks provide a methodology to classify:

(a) consumer loans (*i.e.*, credit cards and loans to individuals) and mortgage loans, taking into account delinquency periods, probability of default and the severity of the loss (taking into account collateral received), and

(b) commercial loans based on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees.

Based on this methodology, a specific percentage established by the CNBV is applied to each category of the loan portfolio.

Although the Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

Our allowance for loan losses is held in a separate account on our balance sheet, and all write-offs of uncollectible loans are charged against this account. Mexican banks are required to obtain authorization from their board of directors in order to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

Under U.S. GAAP, an estimated loss should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

For larger non-homogeneous loans, specific provisions are calculated when it is determined that it is probable that the bank will not recover the full contractual principal and interest on a loan (impaired loan), in accordance with the original contractual terms.

Under U.S. GAAP, estimated losses on impaired loans that are individually assessed are required to be measured at the present value of expected future cash flows discounted at the loan's effective rate, the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, historical loss ratios are determined by analyzing historical loss trends. These ratios are determined by loan type to obtain loss estimates for homogeneous groups of clients. Such historical loss ratios are updated to incorporate the most recent data reflective of current economic conditions, in conjunction with industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. These updated ratios serve as the basis for estimating the allowance for loan losses for such smaller-balance impaired loans and non-impaired loans.

Under Mexican Banking GAAP, loans may be charged-off when collection efforts have been exhausted or when they have been fully provisioned. On the other hand, for U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible.

Non-accrual Loans

Under Mexican Banking GAAP, the recognition of interest income is suspended when certain loans become past due based on the number of past due periods as established by the CNBV.

Under U.S. GAAP, the accrual of interest is generally discontinued when, in the opinion of management, it is expected that the borrower will not be able to fully pay its principal and interest. Any accrued but uncollected interest is reversed against interest income at that time.

Loan Origination Fees and Costs

Under Mexican Banking GAAP, loan origination fees are recognized on a cash basis and loan origination costs are expensed as incurred.

Under U.S. GAAP, loan origination fees, net of direct origination costs, are deferred and recognized over the life of the loan as an adjustment of yield (interest income). Loan origination fees and related direct loan origination costs for a given loan are offset and the net amount is deferred and amortized. Direct loan origination costs of a completed loan include, (a) incremental direct costs of loan origination incurred in transactions with independent third parties for that loan and (b) certain costs directly related to specified activities performed by the lender for that loan. Those activities include evaluating the prospective borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating loan terms; preparing and processing loan documents; and closing the transaction.

Under U.S. GAAP credit card fees and costs are recognized on a straight-line basis over the period the cardholder is entitled to use the card.

Investment Valuation

Mexican Banking GAAP:

Under Mexican Banking GAAP, investments are divided into the following categories:

- Trading securities are defined as those in which management invests to obtain gains from short-term price fluctuations. The unrealized gains or losses resulting from the mark-to-market of these investments are recognized in the statement of income for the period.

- Available-for-sale securities are those in which management invests to obtain medium-term earnings before its maturity. The unrealized gains or losses resulting from the mark-to-market of these investments, net of deferred taxes and inflation, is recognized in stockholders' equity as part of the "comprehensive income."

- Held-to-maturity investments are those instruments in which management invests with the positive intent and the ability of holding them, until maturity and are recorded at amortized cost.

- Mexican Banking GAAP prohibits the classification as "held-to maturity" for those securities that, during the current year or 2 before, were sold or reclassified to another category if originally they were posted as a part of this classification.

Reclassifications of investments from "held-to-maturity" to "available-for-sale" categories are allowed only if an entity does not have the positive intent or the ability of holding them, until maturity. Reclassification to "held-to-maturity" or from the "available-for-sale" categories are permitted only by specific authorization, on a case by case basis, by the CNBV. In October 2008, the CNBV granted a regulatory facility, which allowed banks to transfer investments from trading securities to either of the other two categories at the latest book value recognized at the time of their reclassification (October 1, 2008 value date), provided that the intentionality commitment is kept. As a result, during 2008, certain financial instruments originally classified as trading securities were transferred to the held-to-maturity category.

Under Mexican Banking GAAP, interest income is recognized based on the "effective interest method."

For Mexican Banking GAAP purposes, any foreign currency effects on available for sale debt securities are reported in earnings. However, under U.S. GAAP, the entire change in the fair value of foreign-currency-denominated available for sale debt securities should be reported in stockholders' equity. This fair value serves as the basis under which other-than-temporary impairment is considered.

According to Mexican Banking GAAP, an investment is impaired and impaired losses are incurred only if there is objective evidence of impairment as the result of one or more events that occurred after initial recognition of the asset. In assessing the objective evidence of impairment, an entity considers factors such as financial difficulties of issuers or breach of contracts (*i.e.*, default or delinquency in interest or principal). Impairment loss will be measured by the difference between the fair value and the book value of the investment. If the conditions that led to an impairment loss of debt securities to be classified as held to maturity or available for sale improve sufficiently, then those losses can be reversed.

U.S. GAAP:

- Debt securities must be classified, according to management's intent and ability to hold the security, within one of the following categories: held-to-maturity, trading, or available-for-sale.

- Marketable equity securities must be classified as either trading securities or available-for-sale securities.

- Trading securities are those actively bought and sold. Such securities are recorded at fair value, with resulting unrealized gains and losses recognized in the statement of income.
- Securities which management has the intent and ability to hold to maturity are classified as held-to-maturity, a classification allowed only for debt securities, except for preferred stock with required redemption dates. Held-to-maturity securities are carried at amortized cost.
- All other debt securities and marketable equity securities that are not classified as trading securities or held-to-maturity securities are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value with the resulting unrealized gains and losses recorded net of applicable deferred taxes as other comprehensive income, a separate component of stockholders' equity until realized at which time the gain or loss is recorded as income.
- Non-marketable equity securities are valued at cost, less a provision for other-than- temporary diminution in value.

U.S. GAAP has specific criteria limiting reclassifications of securities within the held-to-maturity classification. If any sales are made from the held-to-maturity portfolio other than in certain specific circumstances, then all held-to-maturity securities are deemed to be tainted and are consequently classified as available-for-sale.

For individual securities classified as either held-to-maturity or available-for-sale, U.S. GAAP requires that companies determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline is other than temporary, then the cost basis of the individual security should be written down to fair value as a new cost basis and for equity securities the amount of the write-down should be included in earnings as a realized loss and debt securities should be included in earnings with certain conditions. The new cost basis should not be changed for subsequent recoveries in fair value. A recovery in fair value should not be recorded in earnings until the security is sold.

If an other-than-temporary impairment has occurred, the amount of the other-than-temporary impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss.

If an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment shall be separated into both of the following:

The amount of the total other-than-temporary impairment related to the credit loss shall be recognized in earnings. The amount of the total other-than-temporary impairment related to other factors shall be recognized in other comprehensive income, net of applicable taxes.

The previous amortized cost basis less the other-than-temporary impairment recognized in earnings shall become the new amortized cost basis of the investment. That new amortized cost basis shall not be adjusted for subsequent recoveries in fair value. However, the amortized cost basis shall be adjusted for accretion and amortization.

For debt securities for which other-than-temporary impairments were recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected shall be accreted in accordance with existing applicable guidance as interest income. An entity shall continue to estimate the present value of cash flows expected to be collected over the life of the debt security. For debt securities, if upon subsequent evaluation, there is a significant increase in the cash flows expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, such changes shall be accounted for as a prospective adjustment to the accretable yield.

Subsequent increases and decreases (if not an other-than-temporary impairment) in the fair value of available-for-sale securities shall be included in other comprehensive income.

Fair Value

Under Mexican Banking GAAP, fair value is determined by independent third party price vendors.

Under U.S. GAAP, effective January 1, 2008, companies should adopt ASC 820 (formerly SFAS 157) for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis and effective January 1, 2009, for all non-financial instruments accounted for at fair value on a non-recurring basis. Among other things, ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis.

ASC 820 does not require any new fair value measurements, rather, it applies under other accounting pronouncements that require or permit fair value measurements. The provisions of ASC 820 are to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, with any transition adjustment recognized as a cumulative-effect adjustment to the opening balance of retained earnings.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 — Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs. (*i.e.*, quoted prices for similar assets or liabilities); and
- Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (*i.e.*, supported by little or no market activity).

Repurchase and Resale Agreements

Under Mexican Banking GAAP, through September, 2008, securities sold under agreements to repurchase and securities purchased under resale agreements were accounted for as sales or purchases of securities, respectively.

- For securities sold under agreements to repurchase, the Bank recorded (i) an account receivable for the fair value at the reporting date of the securities to be received, and (ii) an account payable for the present value of the amount in cash to be paid.
- For securities purchased under resale agreements, the Bank recorded (i) an account receivable for the present value of the amount in cash to be paid, and (ii) an account payable for fair value at the reporting date of the securities to be sold.

Since October 2008, under Mexican Banking GAAP, securities sold under agreements to repurchase and securities purchased under resale agreements are accounted for as sales of securities with related off-balance sheet forward repurchase commitments, or purchases of securities with related off-balance sheet forward resale commitments, if the risks and rewards are substantially transferred. If the conditions to qualify as a sale are not met, the transactions are treated as secured financing or lending.

Under U.S. GAAP, repurchase and reverse repurchase agreements are transfer transactions subject to specific provisions and conditions that must be met in order for a transaction to qualify as a sale rather than a secured borrowing. In most cases, banks in the U.S. enter into repurchase and reverse repurchase transactions that qualify as secured borrowings.

Transfer of Credit Card Portfolio

Under Mexican Banking GAAP, the transfer of the credit card portfolio (together, among other things, with the transfer of certain labor obligations) was accounted for as a sale of individual assets, rather than a sale of a business.

In November 2008, the CNBV authorized the transaction as a transfer of our credit card portfolio following the guidelines of Article 93 of the Mexican Banking Law, therefore, we accounted for this transaction in accordance with the accounting criteria set forth in B-6 "Credit Portfolio" established for financial institutions. The difference between the carrying value of the credit card loans and the consideration received was recorded as a gain in our income statement for the year ended December 31, 2008.

Under U.S. GAAP, a transfer of net assets between entities under common control should be accounted for at the transferor's carrying amount in a manner similar to that of a pooling of interests. Accordingly, the excess of the cash proceeds received over the carrying value of the credit card loans should be treated as an adjustment to equity (*i.e.*, deemed dividend).

Employee Retirement Obligations

Under Mexican Banking GAAP, through December 31, 2007, companies were required to account for an additional liability and the corresponding intangible assets and separate equity component when an unfunded accumulated benefit obligation existed. Starting January 1, 2008 accounting for labor obligations was amended. The most important changes were the reduction to a maximum five-year period to amortize prior year items, the effects of the salary growth in the calculation of the Obligation for Defined Benefits (formerly known as Obligations for Projected Benefits), the elimination of the accounting treatment for the additional liability and its corresponding intangible asset and the separate equity component. Companies are required to present the full funded status only within the footnotes.

Under U.S. GAAP, an employer is required to accrue a liability and recognize an expense during the period in which the employee earns paid absences. In addition, under U.S. GAAP, entities are required to (i) fully recognize, as an asset or liability, the overfunded or underfunded status of defined pension and other postretirement benefit plans; (ii) recognize changes in the funded status through other comprehensive income in the year in which the changes occur; (iii) measure the funded status of defined pension and other postretirement benefit plans as of the date of the company's fiscal year-end; and (iv) provide enhanced disclosures. In addition, a company must now measure the fair value of its plan assets and benefit obligations as of the date of its year-end balance sheet.

Accounting for the Effects of Inflation

Through December 31, 2007, MFRS required that the comprehensive effects of price level changes due to inflation be recorded in the basic financial statements for all non-monetary and monetary items. Mexican Banking GAAP required the recognition of the effects of inflation on non-monetary assets and expenses including inventories, cost of sales, property, plant and equipment, accumulated depreciation and depreciation, and other non-monetary assets, as well as stockholders' equity.

Non-monetary assets and stockholders' equity were generally restated for inflation by applying a price index (INPC or UDIS). Mexican Banking GAAP also required the determination of an inflationary gain or loss arising from a company's net monetary asset or liability position and the adjustment or restatement of income statement amounts for the year in constant pesos of purchasing power as of the date of the most recent balance sheet presented, as well as the presentation of financial statement amounts from prior years in constant pesos of purchasing power as of the date of the most recent balance sheet presented.

Accounting for the effects of inflation under Mexican Banking GAAP was considered a more meaningful presentation than historical cost based financial reporting for Mexican banks.

As of January 1, 2008, Mexican Banking GAAP establishes new standards for recognizing the effects of inflation in an entity's financial statements. Mexican Banking GAAP provides criteria for identifying both inflationary and non-inflationary environments and provides guidelines to cease or start recognizing the effects of inflation in financial statements when the general price index in a cumulative three-year period exceeds 26% in the countries of the functional currency where the company and subsidiaries operate. Restatement of financial statements for earlier periods presented is not permitted by Mexican Banking GAAP.

Under U.S. GAAP, companies are generally required to prepare financial statements using historical costs that are not subsequently adjusted for inflation. However, the application of MFRS B-10 represents a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical, cost-based financial reporting for both Mexican and U.S. accounting purposes.

Deferred Income Tax

Under Mexican Banking GAAP, deferred tax assets and liabilities are recognized for all significant temporary differences between the carrying amounts of existing assets and liabilities as of the balance sheet date and their respective tax bases. Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for current and deferred income taxes, except that Mexican Banking GAAP establishes that any deferred tax assets recorded must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized.

Under U.S. GAAP, deferred income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as the recognition of operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized if, based on the weight of available evidence, it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. U.S. GAAP requires separate presentation of current and non-current income tax assets or liabilities, depending on the classification of the asset or liability to which the deferred tax item relates.

U.S. GAAP also prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. U.S. GAAP provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Capitalized Costs

Under Mexican Banking GAAP, prior to MFRS C-8, "Intangible Assets," all expenses incurred in a project in the pre-operating or development stages are capitalized. Upon adoption of MFRS C-8, research costs and pre-operating costs should be expensed as a period cost, unless they can be classified as development costs, which should be capitalized. Under U.S. GAAP, such research and pre-operating expenses are expensed as incurred.

In addition, under Mexican Banking GAAP, we capitalize certain significant costs related to implementation projects. For U.S. GAAP purposes, computer software costs incurred in the preliminary project stage should be expensed as incurred. Once the capitalization criteria under U.S. GAAP has been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll and payroll related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project), and interest costs incurred when developing computer software for internal use should be capitalized. Generally, training costs and data conversion costs should be expensed as incurred.

Guarantees

U.S. GAAP requires that an entity recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing such guarantee. For Mexican Banking GAAP purposes, guarantees are recorded at cost at inception unless payments in connection with the guarantee are probable, where the amounts expected to be paid are recorded.

Consolidation

Through December 31, 2007, Mexican Banking GAAP required consolidation of all subsidiaries over which a company exercises control, despite not holding a majority of the voting common stock of the subsidiary.

Control over another company is considered to exist when more than 50% of a company's outstanding shares, with voting rights, are held directly or indirectly through a subsidiary, unless the holder can demonstrate that control to govern the company has been yielded.

Starting January 1, 2009, Mexican Banking GAAP incorporates the concept of special purpose entities and how to identify and consolidate those, potential voting rights and possible impact over control and establishes the basis for reporting and accounting in the case of losing control in a subsidiary.

Under U.S. GAAP, when a company has a controlling financial interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated, irrespective of whether the activities of the subsidiary are non-homogeneous with those of the parent.

In addition to the traditional concept of consolidation, in 2003, a new standard under U.S. GAAP was issued, which contained certain clarifications to address accounting for variable interest entities. The primary purpose of this new standard was to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities ("VIEs"). Generally, VIEs are to be consolidated by the primary beneficiary, which represents the enterprise that will absorb the majority of the VIE's expected losses if they occur, receive a majority of the VIE's residual returns if they occur, or both. In June 2009, the Financial Accounting Standards Board ("FASB") issued ASC 810, Consolidations (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)). ASC 810 now requires a qualitative analysis to determine the primary beneficiary of a VIE. The analysis identifies the primary beneficiary as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The standard also requires additional disclosures about an enterprise's involvement in a VIE.

Investments in Joint Ventures

On December 1, 2008, we transferred our credit card loan portfolio, together with certain related assets and liabilities, to Ixe Tarjetas, a 50-50 joint venture we formed with a subsidiary of JPMorgan

Chase. In accordance with Mexican Banking GAAP, we account for this investment by applying the equity method.

U.S. GAAP does not have specific guidance to account for joint ventures. Rather, for U.S. GAAP purposes, companies should have to determine whether:

(a) they exercise significant influence in the entity, in which case the equity method of accounting should be applied,

(b) if they have a controlling financial interest (either through a majority voting interest or through the existence of other control factors) in an entity, in which case the entity's financial statements should be consolidated, or

(c) if control is achieved through means other than voting rights; such entities are known as variable-interest entities (see differences in consolidation between Mexican Banking GAAP and U.S. GAAP).

Statement of Cash Flow

Effective March 31, 2009, Mexican Banking GAAP requires a statement of cash flows as a part of a full set of financial statements in place of a statement of changes in financial position. The statement of cash flows classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities. Cash flows from operating activities should be presented on a net basis. Under Mexican Banking GAAP, restatement of financial statements for years provided before March 31, 2009 is not required.

Under U.S. GAAP, ASC Topic 230 "Statement of Cash Flows" (formerly SFAS 95), a statement of cash flows is required, which presents only cash movements and excludes non-cash items.

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