Grupo Financiero Banorte

Financial Information as of March 31st, 2011

1Q11

web page: www.banorte.com/ri

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According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNorte Reports Net Income of Ps 1.8 billion in 1Q11.

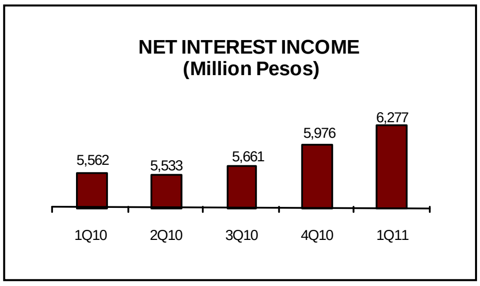
Operating Results (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Net Interest Income	5,562	5,976	**6,277**	5%	13%
Non Interest Income	2,698	3,321	**2,632**	(21%)	(2%)
Total Income	8,260	9,297	**8,909**	(4%)	8%
Non Interest Expense	4,189	4,815	**4,653**	(3%)	11%
Provisions	1,772	1,876	**1,338**	(29%)	(25%)
Operating Income	2,299	2,606	**2,919**	12%	27%
Net Income	1,580	1,758	**1,815**	3%	15%

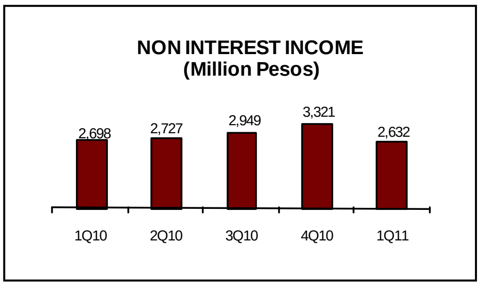
- **Net interest Income**

Net Interest Income for 1Q11 reached Ps 6.28 billion, a 13% YoY and a 5% QoQ increase driven by growth in loan volumes, especially in segments with more contribution to NII such as payroll loans, as well as a stable funding cost and the favorable impact of consolidating the Insurance and Annuities companies in the financial Group as a result of implementing the new accounting criteria A-2. The average Net Interest Margin was 4.4% in 1Q11, an increase of 0.2 percentage points (pp) compared with the average in 1Q10 and 0.1 pp vs. 4Q10.

- **Non Interest Income**

Non Interest Income for 1Q11 totaled Ps 2.63 billion, a slight (2%) decline vs. 1Q10 and a (21%) QoQ decrease vs. 4Q10. The YoY decline is mainly due to a reduction in Service Fees as a result of the regulatory changes implemented in the second half of 2010 that require eliminating or limiting service fees, as well as less Intermediation Revenues due to a more complex market environment. The quarterly decline is due to reduced service fees which were negatively affected by seasonality and the regulatory changes approved in the second half of 2010 that became effective as of January 2011, as well as the the extraordinary recovery booked in 4Q10 related to the written off Comercial Mexicana loan.



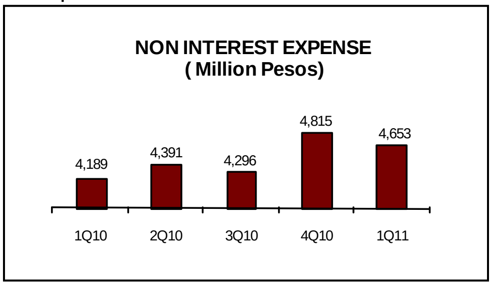


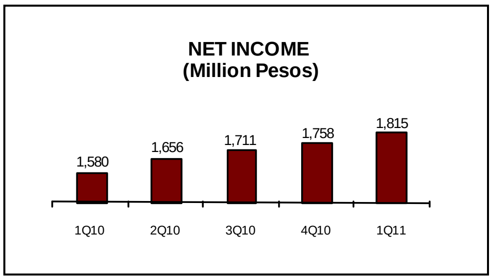
- **Non Interest Expense**

Non Interest Expenses for 1Q11 were Ps 4.65 billion, growing 11% YoY vs. 1T10 and decreasing (3%) QoQ vs. 4Q10. The annual growth was mainly due to higher personnel expenses; administration and promotional expenses; rents, depreciation and amortization, other taxes and employee profit sharing (PTU). The quarterly decline is due to seasonality . The Efficiency Ratio increased to 52.2% compared to the 51.8% registered in the 4Q10 and to the 50.7% registered in 1Q10.

- **Loan Loss Provisions**

In 1Q11 *Provisions* totaled Ps 1.34 billion, (25%) less compared to 1Q10 and (29%) less than in 4Q10. The annual decrease was due to reduced requirements for the credit card and commercial portfolios, while the quarterly decrease is due to fewer requirements in the corporate portfolio due to the extraordinary provisiones created in 4Q10 to cover 100% of the Mexicana loan. The annualized loan loss provisions for 1Q11 represent 2.0% of the average loan portfolio.





- **Net Income**

GFNorte reported *Net Income* of Ps 1.81 billion in 1Q11, increasing by 15% YoY and 3% QoQ. The quarterly growth is due to an important recovery of net interest income, lower expenses and lower provisions, while the annual increase is due to higher net interest income and lower provisions.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Income Statement and Balance Sheet Highlights-GFNorte (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Income Statement-GFNorte					
Net Interest Income	5,562	5,976	**6,277**	5%	13%
Non Interest Income	2,698	3,321	**2,632**	(21%)	(2%)
Total Income	8,260	9,297	**8,909**	(4%)	8%
Non Interest Expense	4,189	4,815	**4,653**	(3%)	11%
Provisions	1,772	1,876	**1,338**	(29%)	(25%)
Operating Income	2,299	2,606	**2,919**	12%	27%
Net Income Before taxes	2,394	2,643	**2,905**	10%	21%
Taxes	659	720	**847**	18%	29%
Subsidiaries & Minority Interest	(61)	(128)	**(257)**	101%	324%
Net Income	1,580	1,758	**1,815**	3%	15%
Balance Sheet					
Asset Under Management	666,598	712,414	**736,423**	3%	10%
Total Assets	569,012	590,558	**642,164**	9%	13%
Performing Loans (a)	237,210	263,549	**270,564**	3%	14%
Past Due Loans (b)	6,128	6,664	**6,498**	(2%)	6%
Total Loans (a+b)	243,337	270,214	**277,063**	3%	14%
Total Loans Net (d)	235,840	261,969	**268,033**	2%	14%
Acquired Collection Rights (e)	2,426	2,025	**2,641**	30%	9%
Total Loans (d+e)	238,266	263,994	**270,674**	3%	14%
Total Liabilities	523,356	540,331	**588,494**	9%	12%
Demand Deposits	125,917	149,816	**144,253**	(4%)	15%
Time Deposits	145,358	142,798	**154,992**	9%	7%
Equity	45,655	50,227	**53,670**	7%	18%

Financial Ratios GFNorte	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Profitability:					
NIM (1)	4.2%	4.3%	**4.4%**	0.0 pp	0.2 pp
NIM after Provisions (2)	2.9%	3.0%	**3.4%**	0.5 pp	0.6 pp
ROE (3)	15.2%	15.6%	**15.5%**	(0.1 pp)	0.3 pp
ROA (4)	1.1%	1.2%	**1.2%**	(0.0 pp)	0.1 pp
Operation:					
Efficiency Ratio (5)	50.7%	51.8%	**52.2%**	0.4 pp	1.5 pp
Operating Efficiency Ratio (6)	2.9%	3.3%	**3.0%**	(0.2 pp)	0.1 pp
Liquidity Ratio (7)	83.1%	84.0%	**95.6%**	11.5 pp	12.4 pp
Asset Quality:					
Past Due Loan Ratio	2.5%	2.5%	**2.3%**	(0.1 pp)	(0.2 pp)
Coverage Ratio	122.4%	123.7%	**139.0%**	15.2 pp	16.6 pp
Past Due Loan Ratio w/o Banorte USA	2.1%	2.3%	**2.3%**	0.0 pp	0.2 pp
Coverage Ratio w/o Banorte USA	145.4%	134.3%	**144.2%**	9.9 pp	(1.2 pp)

1) NIM= Annualized Net Interest Margin / Average Earnings Assets.
2) NIM= Annualized Net Interest Margin adjusted by Loan Loss Provisions / Average Earnings Assets.
3) Annualized earnings as a percentage of the average quarterly equity over the period.
4) Annualized earnings as a percentage of the average quarterly assets over the period.
5) Non Interest Expense / (Total Operating Income – Margin + Loan Loss Provisions)
6) Annualized Non Interest Expense / Average Total Assets.
7) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale) / (Liquid Liabilities = Demand Deposits + Loans from banks and other organizations with immediate call option + Short term loans from banks).

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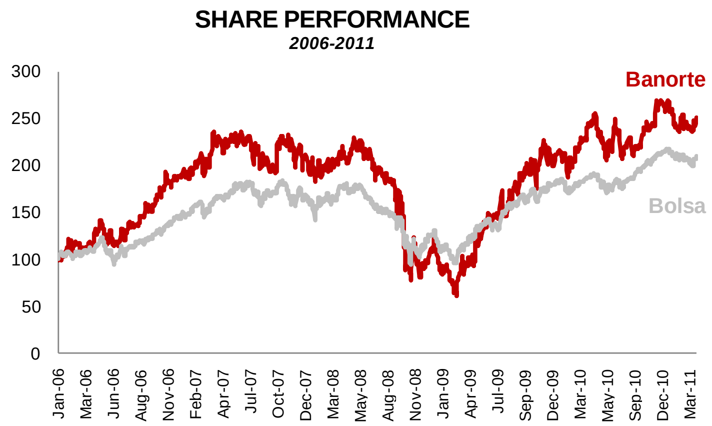
Subsidiaries Net Income *(Million Pesos)*	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Banking Sector	**1,283**	**1,329**	**1,459**	**10%**	**14%**
Banco Mercantil del Norte (1)	1,283	1,329	1,459	10%	14%
Broker Dealer	**78**	**184**	**97**	**(47%)**	**25%**
Long Term Savings	**123**	**103**	**128**	**24%**	**4%**
Retirement Funds (Afore)	48	53	**41**	(22%)	(15%)
Insurance	70	46	**96**	110%	38%
Annuities	5	5	**(9)**	(285%)	(294%)
OtherFinanceCompanies	**106**	**128**	**150**	**17%**	**41%**
Leasing and Factoring (2)	102	111	**139**	25%	35%
Warehousing	3	17	**11**	(36%)	214%
G. F. Banorte (Holding	**(9)**	**14**	**(20)**	**(236%)**	**108%**
Total Net Income	**1,580**	**1,758**	**1,815**	**3%**	**15%**

1) Considering a participation of 97.06% in 3Q06, 97.07% in 3Q09, and 92.72% as of 4Q09, it has remained at 92.72%. This figure reflects the investment by the IFC in Banco Mercantil del Norte when the transaction was completed in 4Q09.N.A. = Not Applicable.
2) The merger of Leasing and Factoring became effective as of January 31, 2008

Share Data	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Earnings per share (Pesos)	0.78	0.87	**0.90**	3%	15%
Dividend per Share (Pesos)	0.17	0.17	**0.17**	0%	0%
Dividend Payout (Recurring Net Income)	15.0%	18.3%	**18.3%**	0%	22%
Book Value per Share (1) (Pesos)	20.80	22.85	**23.61**	3%	14%
Total Shares Outstanding (Million Shares)	2,018.3	2,018.3	**2,018.0**	(0%)	(0%)
Stock Price (Pesos)	54.57	58.86	**55.98**	(5%)	3%
P/BV (Times)	2.62	2.58	**2.37**	(8%)	(10%)
Market Capitalization (Million Dollars)	8,932	9,620	**9,487**	(1%)	6%
Market Capitalization (Million Pesos)	110,141	118,800	**112,970**	(5%)	3%

1) Excluding Minority Interest.



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RECENT EVENTS

- **Merger between Grupo Financiero Banorte and Ixe Grupo Financiero (Ixe).**

During the quarter, a series of material events happened related to the merger process between GFNorte and Ixe.

On April 15th, 2011 the merger became effective when the authorization and the merger agreements with Ixe were registered in the Public Registry of Commerce in Monterrey, Nuevo León.

In order to carry out the capital stock increase and share exchange, that same day GFNORTE:

i. Increased the variable portion of its capital stock by Ps 1,078,035,819.00 (one billion seventy-eight million thirty-five thousand eight hundred nineteen 00/100 Mexican Pesos), by issuing 308,010,234 (three hundred eight million ten thousand two hundred thirty-four) Series "O" common shares with a nominal value of Ps 3.50 (three Pesos 50/100 Mexican Pesos) each, considering an exchange ratio of 0.3889943074 GFNorte shares per Ixe share;

ii. Replaced all of its outstanding shares in circulation with new securities representing the total shares issued by GFNorte, including those issued as a result of the capital stock increase resulting from the merger, through S.D. Indeval, Institución para el Depósito de Valores S.A. de C.V.; and

iii. Carried out the exchange of Ixe's shares for GFNorte's shares, according to the conditions approved by the Shareholders' Assemblies, which established that once the merger came into effect, Ixe shareholders would receive through S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., 300,420,101 (three hundred million four hundred twenty thousand one hundred one) shares to be distributed in proportion to shareholdings of each Ixe shareholder, and GFNorte would deliver the remaining 7,590,133 (seven million five hundred ninety thousand one hundred thirty-three) shares to an irrevocable Trust to be held between GFNorte, acting as Trustor and as Primary Trustee and The Bank of New York Mellon,S.A. Institución de Banca Múltiple, as Fiduciary; and all of IXE's shareholders would be appointed as Secondary Trustees, as established in the Trust. The shares will be deposited in the Trust for a period of 12 months as of April 15th, 2011, and could be used to cover certain contingencies that could arise during the merger process. At the end of this term, the shares held in trust will be delivered to each Ixe shareholder proportionally to their shareholdings in Ixe Grupo Financiero at the time of the share exchange.

iv. Requested the cancellation of securities issued by Ixe, as a result of the merger.

GFNORTE's capital stock, as of that date, is composed as follows:

	No. of previous shares	No. of shares issued	No. of actual shares
Fixed	252,157,233		252,157,233
Variable	1,766,190,315	308,010,234	2,074,200,549
Total Capital Stock	2,018,347,548		2,326,357,782

During the quarter, the following authorizations were obtained to carry out the merger:

- National Banking and Securities Commission (CNBV) - On April 15th, the CNBV authorized to update the registration of shares issued by GFNORTE as a consequence of the capital increase resulting from the merger.

- Shareholders' Assemblies – On March 30th, 2011, GFNorte's Shareholders' Assembly voted by a majority in favor to merge with Ixe Grupo Financiero, thereby receiving the authorization by this corporate body. Since the Shareholders' Meeting of Ixe Grupo Financiero also approved the merger on that date, both institutions join as a single group on that date under the name of "Grupo Financiero Banorte, S. A. B. de C. V.".

- Ministry of Finance and Public Credit (SHCP) - On March 8th, 2011, according to Article 10 of the Law to Regulate Financial Groups and with the prior positive opinion from the National Banking and Securities Commission (CNBV) and the Bank of Mexico (Banxico), SHCP authorized, through the communiqué UBVA / 012 / 2011, the merger of Grupo Financiero Banorte as the merging entity and Ixe as the merged entity, in accordance to the terms and conditions of the proposals presented to SHCP regarding the Shareholders' Assemblies and the merger agreement.

- Antitrust Commission (COFECO) - On February 3rd, 2011 COFECO authorized the concentration, through a merger of the twoFinancial Groups, since the concentration ratios resulting from the transaction between GFNORTE and Ixe in the markets where they have joint operations (banking and credit services, brokerage, investment and leasing companies) are within the thresholds established by the COFECO to be considered with low risks of antitrust practices and, therefore, it is not anticipated that the transaction may have adverse effects on competitors and on free competition.

- **The rating agency Standard & Poor's ratified Banorte's rating.**

On March 22nd, 2011 the rating agency Standard and Poor's ("S&P") affirmed its rating for Banco Mercantil del Norte S.A with a "Stable" outlook, and affirmed the BBB- / A-3 global scale counterparty credit and certificate of deposit ratings. It also affirmed the BBB– rating of Banorte's Senior Unsecured Debt. This report was the result of an analysis made by the rating agency on the current performance of the Bank and its business perspectives after the merger of Grupo Financiero Banorte with Ixe Grupo Financiero. In relation to the merger with Ixe, S&P estimates that Banorte's above-average business profile and its increasing market position with a penetration strategy, will provide the merged bank with more geographical and customer diversification. In 2011, Banorte will continue its moderate and cautious growth strategy to adequately adapt to the merger and to maintain its asset quality, continuing Banorte's conservative underwriting practices and a favorable macroeconomic outlook for Mexico in 2011.

- **The rating agency Fitch confirmed its rating for GFNorte and upgrades ratings of Ixe Grupo Financiero and its subsidiaries.**

In April, the rating agency Fitch confirmed Grupo Financiero Banorte's with a "Stable" outlook ratifying the rating of "BBB". This confirmation reflects Fitch's opinion that there will be a moderate effect on GFNorte's financial profile, since the merger with Ixe Grupo Financiero (Ixe GF) was completed under a shares exchange mechanism, and because it did not involve any cash disbursement, there will be no negative impact to GFNorte's liquidity and capitalization profiles. Fitch also upgraded Ixe GF's national scale rating from "A-(mex) to AA+" and those of its subsidiaries to align them with the GFNorte's ratings. Fitch withdrew Ixe GF's ratings since the merger became effective on April 15th.

- **Banorte formalizes strategic alliance with Cardtronics to add 2,000 ATMs its existing network.**

On March 30th, Banorte and Cardtronics reached an agreement in order to integrate 2,000 ATMs into GFNorte's existing network. With this strategic alliance, and the merger of Ixe in GFNorte, it will have one of the largest ATM networks in Mexico, offering clients from Banorte and Ixe access to more than 7,000 ATMs free of service fees, by yearend.

The implementation will be carried out in two phases: first, 1,000 ATMs will be installed between April and May 2011, and the remaining 1,000 ATMs will be enabled during the second half of this year. Therefore, this Alliance with Cardtronics will allow Banorte to continue its ongoing technological expansion.

The alliance with Cardtronics will start operations once the National Banking and Securities Commission (CNBV) authorizes the agreement.

- **Roberto Gonzalez Barrera was appointed as Chairman Emeritus of Grupo Financiero Banorte's Board of Directors and Guillermo Ortiz Martinez as Chairman of the Board of Directors.**

On February 18th the Shareholders' Assembly approved by a majority of 86% to appoint Roberto Gonzalez Barrera as Chairman Emeritus of the Group and Guillermo Ortiz Martinez as Chairman and Related Proprietary Member of the Board of Directors. These changes are part of the institutionalization of the Group and its corporate organs. Roberto Gonzalez Barrera, as well as being a majority shareholder of the Financial Group and main contributor during its most important era of development, also has a wide experience in the Mexican business sector, being the majority shareholder and Chairman of the Board of Directors of Grupo Maseca. Guillermo Ortiz Martinez has an extensive professional trajectory in the Mexican and international financial and banking system, having served as Governor of the Bank of Mexico, Minister of Mexico's Finance and Public Credit, Minister of Communications and Transportation, Undersecretary of Finance and Credit Public and Director at the International Monetary Fund (IMF).

- **Appointment in the New Business Development Unit.**

On 15th March, Jorge Alejandro Chavez Presa joined GFNorte as Deputy Managing Director for New Business Development. He holds a degree in Economics from the Instituto Tecnologico Autonomo de Mexico and has a Master in Arts and Ph. D. in Economics from The Ohio State University. In his career, he has held several positions in the Public Sector, as: i) Member of the Governing Board of the Instituto para la Protección al Ahorro

Bancario (IPAB) (2007-2010) ii) Representative in Congress (2000-2003), where he chaired the Finance and Budget Committee, iii) Undersecretary for Energy Policy in the Ministry of Energy (1998-2000), iv) in the Ministry of Finance held various position, as the Head of the Budgetary Policy and Control Unit (1995-1998), General Director for Budget (1992-1995), Director of Public Debt (1991-1992) and Director of Financial Planning (1989-1991).

- **Payment of a cash dividend corresponding to the 2009 fiscal year.**

The Ordinary General Shareholders' Meeting held on February 18th approved to distribute a cash dividend of Ps $ 0.17 pesos per share paid on February 28th 2011. In the Annual General Shareholders' Meeting to be held on April 29th, a proposal will be presented to distribute a cash dividend of Ps $ 0.18 pesos per share to be paid in May 2011. These two payments correspond to the second and third payments in order to cover the total of Ps $ 0.52 per share, which was the total amount of the dividend corresponding to profits for 2009 decreed by the Shareholders' Assembly in October 2010.

- **Sale of Gruma's Stock in GFNorte.**

On February 14th, GFNorte announced the sale of 161,405,905 (one hundred sixty-one million four hundred five thousand nine hundred five) shares, excluding the over-allotment option, at a price of Ps $ 52.00 (fifty-two 00/100 Mexican Pesos) per common share through an international offering and a public offering in Mexico by the selling shareholder Gruma, S. A. B. de C. V. (GRUMA). GFNORTE also informed that the Mexican and International underwriters decided to exercise the over-allotment option fully on February 11th, 2011, as a result of this, all of the shares included in the Global Offering were settled on February 15th, 2011. Consequently, the total proceeds from the Offering of 177,546,496 (one hundred seventy-seven million five hundred forty-six thousand four hundred ninety-six) shares were delivered to the selling shareholder GRUMA. Following the offering and the exercise of the over-allotment option by the initial purchasers and the Mexican underwriters, GRUMA no longer owns any of GFNorte's share capital. The offering in Mexico was carried out through the Mexican Stock Exchange (BMV), while the international offering was carried out in the United States under Rule 144A of the U.S. Securities Act of 1933 and outside the United States under Regulation S of the same Securities Act and in accordance to applicable legislation in jurisdictions where the international offering was carried out. The common shares offered in the international Offering were not registered under the Securities Act of 1933, and were not offered or sold in the United States without registration or an applicable exemption from registration requirements.

- **Fund Pro awards the best investment funds in Mexico in 2010.**

On March 16th, Fund Pro Platinum Performance Award 2010 recognized NTEGUB as one of the best Debt Mutual Funds in the category of Non Taxable Short Term Debt. Once again Banorte demonstrates its commitment to clients by offering competitive products and services.

- **Changes to Accounting Criteria**

In January 2011 the CNBV issued a series of regulations to modify the accounting criteria of the controlling companies of financial groups and financial institutions. The main changes were:

<u>Controlling Companies</u>

✓ **Criteria A-2 "Application of particular norms".**

The facility of not consolidating permanent investments in Insurance or Annuities companies has been eliminated with this criteria. As of February 1st, such institutions must be consolidated with the financial statements of the controlling companies. As a consequence, the consolidation of "Seguros y Pensiones Banorte Generali" (the Insurance and Annuities companies) has initiated.

<u>Credit Institutions:</u>

✓ **Criteria B-2 "Investments in Securities"**

Regulations were added for the reclassification of securities held to maturity and Negotiable instruments as Securities available for sale, which allow the reclassification under extraordinary circumstances (the lack of market liquidity, no active market for the reclassification, among others), which will be evaluated, and if the case, validated through authorization by the CNBV.

✓ **Criteria B-5 "Derivatives and hedging transactions"**

Implicit Derivatives are no longer valued in currencies commonly used in trading contracts for unfinanced items in the economic environment in which the transaction is carried out.

The use of margin accounts is specifically explained in transactions with derivatives in markets or recognized stock exchanges.

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The accounting of collateral in operations with derivatives carried out in markets or unrecognized stock exchanges (OTC), is carried out outside of margin accounts and is registered in an account receivable and an account payable respectively.

✓ **Criteria B-6 "Loan Portfolio"**

Charged Fees for restructured loans must be deferred, amortizing them in the Income Statement as Interest Income during the new term of the loan, among other changes.

✓ **Criteria D-2 "Income Statement"**

The way the Income Statement is modified, mainly eliminating the items of "Non Operating Income (Expenses), net" and the accounts that were previously registered there will now be registered under "Other Operating Income (Expenses)" in the Income Statement.

For more information about the changes to accounting criteria, refer to the corresponding section in the annexes of this document.

- **Changes of the rating methodology for Consumer and Mortgage portfolios.**

On October 25th, 2010, the Commission published a resolution that modifies the methodology for rating non-revolving consumer and mortgage loans, so that preventive provisions for loan risk will be calculated based on the expected loss instead of the incurred loss. This change went into effect on March 1st, 2011.

In response to this change, on March 31st, 2011, the Financial Group recognized in Shareholders' Equity (results of previous fiscal years), the initial accumulated financial effect of applying the rating methodologies to non-revolving consumer and mortgage loans. The impact was Ps 582 million to the "Retained Earnings" account under the item "Preventive Loan Loss Reserves" in the Balance sheet. Deferred taxes corresponding to this change were charged to the asset account of "Deferred Taxes" for Ps 233 million, against a credit to the "Retained Earnings " account in the stockholders' equity.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GRUPO FINANCIERO BANORTE

- **Net Interest Income**

Net Interest Income (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Interest Income	10,510	10,979	**10,880**	(1%)	4%
Insurance and Annuities-Interest Income	-	-	**419**	-	-
Interest Expense	5,083	5,139	**5,051**	(2%)	(1%)
Insurance and Annuities-Interest Expense	-	-	**7**	-	-
Premium Income (Net)	-	-	**3,622**	-	-
Net Increase in Technical Reserves	-	-	**2,319**	-	-
Damages, Claims and Other Obligations	-	-	**1,391**	-	-
Loan Origination Fees	163	179	**159**	(12%)	(3%)
Fees Paid	28	43	**35**	(18%)	28%
Net Interest Income	**5,562**	**5,976**	**6,277**	**5%**	**13%**
Provisions	1,772	1,876	**1,338**	(29%)	(25%)
Net Interest Income Adjusted for Credit Risk	**3,790**	**4,100**	**4,940**	**20%**	**30%**
Average Interest Earning Assets	531,052	552,232	**574,554**	4%	8%
Net Interest Margin (1)	4.2%	4.3%	**4.4%**	0.0 pp	0.2 pp
NIM after Provisions (2)	2.9%	3.0%	**3.4%**	0.5 pp	0.6 pp

1) NIM = Annualized Net Interest Margin / Average Earnings Assets.
2) NIM= Annualized Net Interest Margin adjusted by Loan Loss Provisions / Average Earnings Assets.

During this quarter, the new Accounting Criteria A-2 was implemented in order to consolidate the Insurance and Annuities' companies. As a result, Net Interest Income reflects during this quarter an impact of (Ps 325) million from these operations that is calculated as follows:

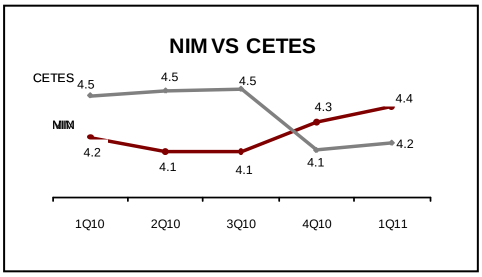
Interest Income	$419
Premiums' Income (net):	$3,622
- Interest Expense	($7)
- Net increase in Technical Reserves:	($2,319)
- Damages, claims and others:	($1,391)
Net Result:	$325

During 1Q11, Net Interest Income increased by 13% YoY to Ps 6.23 billion, of which 5% (Ps. 325 million) are derived from incorporating the results from the Insurance and Annuities companies according to the accounting criteria A-2; the remaining amount is derived from the 4% increase in Interest Income, resulting from a 14% increase in loan volumes, especially in products with a greater impact in NII, such as payroll loans. Net interest income was also favored by the 10% annual growth in core deposits and the widening spread between Cetes and TIIE compared to the historical average, which resulted in stable funding costs.

NII increased by 5% QoQ compared to 4Q10, and when excluding the effect of consolidating the Insurance and Annuities companies, as mentioned above, NII remains unchanged from the previous quarter despite the negative impact from seasonality during the quarter, supported by 3% growth in the loan portfolio, especially in Payroll loans. There was also a (2%) decline in Interest expense due to reduced funding costs derived from the widening spread between Cetes and TIIE compared to the historical average.

The average NIM was 4.4% during 1Q11, an increase of 0.2 percentage points (pp) compared to the average NIM registered in 1Q10 and 0.1 pp compared to 4Q10, mainly due to an improvement in the structure of Average Productive Assets as a result of a greater weight from higher-margin credit assets vs. a decrease in investments in securities with lower margins.

Average NIM adjusted for Credit Risks was 3.4% in 1Q11, an increase of 0.6 pp compared to 1Q10, and 0.5 pp more than in 4Q10. The annual and quarterly increase was generated by: i) growth in Net Interest Income in both periods, and; ii) a decrease in loan loss provisions of (25%) and of (29%) respectively, due to an improvement in the quality of the portfolio. As a result of this asset quality improvement, loan loss provisions represented 21% of the Net Interest Income in 1Q11, positively compared to the 31% registered in 4Q10 and the 32% of 1Q10.



- **Provisions**

Provisions charged to results for 1Q11 totaled Ps 1.34 billon, a (25%) YoY reduction as a consequence of lower requirements in the Consumer portfolio, especially in Credit cards, as well as in the Commercial portfolio. On a quarterly basis, provisions dropped (29%) compared to 4Q10 due to lower requirements in the Corporate portfolio, since the provisions needed to fully cover the Mexicana de Aviacion loan were created in 4Q10. Provisions for the Credit Card and Credinomina (payroll loan) portfolios also declined, while the Commercial and Corporate, Government, Car Loan and Mortgage portfolios registered a slight increase in provisions compared to 4Q10.

Annual loan provisions for 1Q11 represented 2.0% of the average loan portfolio, declining (0.8) percentage points from 4Q10, and (1.0) percentage points from 1Q10.

- **Non Interest Income**

Non Interest Income *(Million Pesos)*	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Fees Charged on Services	**2,192**	**2,467**	**2,267**	**(8%)**	**3%**
Fees for Commercial and Mortgage Loans	-	4	**3**	(14%)	-
Fund Transfers	92	98	**92**	(7%)	(0%)
Account Management Fees	242	265	**255**	(4%)	6%
Fiduciary	70	90	**75**	(17%)	6%
Income from Real Estate Portfolios	195	227	**220**	(3%)	13%
Electronic Banking Services	271	212	**202**	(4%)	(25%)
Credit Card Fees	616	709	**701**	(1%)	14%
Fees from IPAB (1)	0	-	**-**	-	(100%)
Fees charged by Afore	292	355	**304**	(14%)	4%
Other Fees Charged (2)	413	507	**414**	(18%)	0%
Fees Paid on Services	**382**	**416**	**578**	**39%**	**51%**
Fund transfers	8	8	**10**	25%	29%
Other Fees Paid	375	408	**568**	39%	52%
Expenses from Real Estate Portfolios	-	-	**-**	-	-
Net Fees	**1,810**	**2,051**	**1,689**	**(18%)**	**(7%)**
Trading Income	**585**	**193**	**517**	**167%**	**(12%)**
Subtotal Other Operating Income (Expenses) (3)	286	930	**256**	(72%)	(10%)
Non Operating Income (Expense), net (4)	18	147	**57**	(61%)	219%
Other Operating Income (Expense) from Insurance and Annuities (5)	-	-	**113**	-	-
Other Operating Income (Expenses)	**304**	**1,076**	**427**	**(60%)**	**41%**
Non Interest Income	**2,698**	**3,321**	**2,632**	**(21%)**	**(2%)**

1) Includes Fees received by Recovery Banking and by the Bank.
2) It includes fees from letters of credit, from transactions with pension funds, bancassurance, prepayments, financial advisory services and securities trading by the Brokerage House, among others.
3) As of April 2009, the CNBV issued changes to the main accounting criteria that require recording this ítem under Non Interest Income. Much of which correspond to from recoveries previously charged off.
4) In January 2011, the CNBV issued changes to the main accounting criteria requiring items that were previously registered under "Other Income and Expenses, net" after Net Operating Results, to be registered under Non Interest Income as of the stipulated date (Criteria D-2).
5) In January 2011, the CNBV issued changes to accounting criteria to consolidate Insurance and the Annuities' companies (Criteria A-2).

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Non Interest Income (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Services	1,614	1,824	**1,469**	(19%)	(9%)
Recovery	195	227	**220**	(3%)	13%
Trading	585	193	**517**	167%	(12%)
Other Operating Income (Expense)	304	1,076	**427**	(60%)	41%
Non Interest Income	**2,698**	**3,321**	**2,632**	**(21%)**	**(2%)**

During this quarter, the new Accounting Criteria A-2 in order to consolidate the Insurance and Annuities companies and D-2 to report "Other Operating Income (Expenses)" in the Income Statement, were implemented. As a result, as of 1Q11, "Non Operating Income, (Expenses) net" which was previously reported after " Operating Income" is now reported as "Non Interest Income", and "Other Operating Income (Expenses) from Insurance and Annuities" which was previously consolidated under the participation method are now included in the results of the Financial Group. Both incorporations are registered under "Other Operating Income (Expenses)."

In 1Q11, Non Interest Income declined by (2%) YoY, due to lower Service Fees as a result of regulatory changes which came into effect in the second half of 2010; as well as lower trading as a result of a more complex market environment. These decreases were partially offset by a 13% increase in Recoveries and a 41% rise in Other Operating Income (Expenses), mainly due to the inclusion of the Insurance and Annuities' Income and of "Non Operating Income, (expenses) net". When excluding the impact of the accounting reclassifications, Non Interest Income would have declined (8%) vs. 1Q10.

Non Interest Income declined by (21%) QoQ due to lower service fees in the face of the seasonal impact and regulatory changes that came into effect as of January 2011, as well as the recovery of approximately Ps 629 million in 4Q10 corresponding to the previously written-off Comercial Mexicana loan. These declines were compensated by the improvement in the trading results.

When excluding the effect of the accounting criteria changes, as well as the non recurring income registered in 4Q10 from the recovery of the Comercial Mexicana loan, Non Interest Income would have only declined (3%) vs. 4Q10.

- **Service Fees**

During 1Q11, the pending regulatory changes regarding fees came into effect according to Memoradum 22/2010 issued by the Bank of Mexico in the second half of 2010 to prohibit or limit fees for certain items. Some provisions from this memorandum came into effect in August 2010, while others came into effect on January 3rd, 2011, mainly the reduction of overdraft fees.

In 1Q11, Service Fees totaled Ps 1.47 billion, a (9%) YoY decline due to the (25%) decrease in Electronic Banking service fees resulting from the impact of the regulatory changes approved in mid-2010 regarding service fees charged to clients from other banks that use Banorte's ATM network. Service Fees were also affected by a 52% increase in Fees Paid due to higher interchange fee payments to other banks, Visa and Mastercard due to the increased use of credit and debit cards by Banorte clients, as well as for paying greater fees for using other banks' ATMs by the Banorte clients as a result of regulatory changes made in mid 2010.

This annual decrease was partially offset by a 14% increase in Credit Card Fees due to the 8% growth in the number of cardholders and greater transaction activity, and to a lesser degree to a 6% increase in account management fees as a result of increased clientele, and a 4% increase in Afore fees resulting from 13% growth in AUMs.

In the quarter, Service Fees declined by (19%) QoQ, due to seasonal effects and to the impact of regulatory changes. Fees for fund transfers, account management, fiduciary and electronic banking declined mainly due to reduced business activity in the quarter as a result of seasonality between 4Q10 and 1Q11, while the Afore fees declined 14% due to one bimonthly fee collection in 1Q11 vs. two bimonthly collections in 4Q10, and the reduction of 10 basis points in the average fee charged to clients as agreed with the regulator. Other Fees Charged declined (18%) resulting from lower fees for non disbursed loans and overdraft protection. Finally, Fees Paid increased by 39% driven by payments made to other banks, MasterCard and Visa due to a greater volume of transactions by Banorte clients.

- **Recoveries**

Non Interest Income from Recoveries (including previously written-off proprietary loans and foreclosed assets classified as "Other Operating Income and Expenses") increased by 17% YoY in 1Q11 due to a 10% increase in revenues related to investment projects; as well as a 14% YoY increase in revenues from previously written-off loans. Recoveries declined by (45%) QoQ mainly due to the Ps 629 million recovery related to the Comercial Mexicana loan. At closing of 1Q11, the invested amount in projects totaled Ps 5.55 billion, a 26% YoY increase compared to 1Q10 and 11% vs. 4Q10; the portfolio of investments continues to show adequate geographical diversification by projects and by industries.

- **Other Operating Income and Expenses**

As a result of applying the Accounting Criteria A-2 and D-2, the information for Insurance and Annuities transactions is shown under the item *Other Operating Income and Expenses*, as well as the information that was previously shown under the item *Non Operating Income, Net.*

In 1Q11, Other Operating Income and Expenses were Ps 427 million, 41% higher YoY due to greater recoveries of proprietary and acquired portfolios, as well as the inclusion of Ps 113 million in revenues from Insurance and Annuities operations, and an increase in Other Income due to greater cancellation of provisions & contingencies and the positive impact in the valuation of securitizations.

Other Operating Income and Expenses declined by (60%) QoQ, due to the extraordinary recovery in 4Q10 of the Comercial Mexicana loan as well as an increase in Other Operating Expenses.

Other Operating Income (Expenses) (3) *(Million Pesos)*	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Subtotal Other Operating Income (Expenses)	**286**	**930**	**256**	**(72%)**	**(10%)**
Loan Recovery	241	905	**257**	(72%)	7%
Income from purchased assets	36	22	**27**	23%	(25%)
Other Operating Income	10	3	**120**	3338%	1124%
Other Operating Income (Expense)	(1)	(1)	**(148)**	14330%	19714%
Repomo not related to Net Interest Income	-	-	**-**	-	-
Revaluation Result not related to Net Interest Income	-	-	**-**	-	-
Non Operating Income (Expense), net	**18**	**147**	**57**	**(61%)**	**219%**
Other Revenues	125	901	**182**	(80%)	45%
Other Recoveries	71	10	**131**	1164%	85%
Other (Expenses)	(178)	(764)	**(255)**	(67%)	44%
Other Operating Income (Expense) from Insurance and Annuities	**-**	**-**	**113**	**-**	**-**
Other Operating Income (Expenses)	**304**	**1,076**	**427**	**(60%)**	**41%**

- **Intermediation**

Intermediation revenues totaled Ps 517 million, a (12%) YoY decline due to a more unstable market environment. Also, in 1Q10 an extraordinary income of Ps 43 million was registered from Implicit Derivatives and Ps 30 million from the sale of MasterCard shares. On a quarterly basis, Intermediation revenues increased by 167% due to favorable results in FX operations, trading of securities and derivatives, and the positive impact of financial instruments' valuation.

- **Non Interest Expense**

Non Interest Expense *(Million Pesos)*	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Personnel	1,722	1,929	**1,666**	(14%)	(3%)
Professional Fees	310	460	**528**	15%	70%
Administrative and Promotional	899	1,145	**998**	(13%)	11%
Rents, Depreciation & Amortization	552	515	**608**	18%	10%
Taxes other than income tax	220	263	**314**	19%	43%
Contributions to IPAB	276	293	**302**	3%	10%
Employee Profit Sharing (PTU) (1)	211	210	**235**	12%	12%
Non Interest Expense	**4,189**	**4,815**	**4,653**	**(3%)**	**11%**

1) As of April 2009, the Banking and Securities Commission (CNBV) issued accounting changes that require recording this item as Non Interest Expense.

Non Interest Expenses for 1Q11 increased by 11% YoY, due to: i) higher Professional Fees Paid resulting from greater services linked to the business, ii) more administration and promotional expenses related to greater credit card use and an increase in life insurance sales linked to loan origination; iii) an increase in Other Taxes due to a greater volume of payments in 1Q11; iv) more rents, depreciation and amortization due to the depreciation of equipment, the acquisition of previously leased computer equipment and new acquisitions, as well as higher rents for offices resulting from the branch expansion and the opening of administrative offices in the South Isthmus territory; and v) an increase in PTU resulting from the bank'shigher profits.

Compared to 4Q10, Non Interest Expenses declined by (3%) QoQ mainly due to reduced personnel expenses vs. 4Q10 related to adjustments to the actuarial estimate for indemnities (NIF-D3) effect not registered during this quarter, as well as lower provisions for bonuses and incentives, and a lower level of wages and other benefits. Administration and promotional expenses were also reduced due to less advertising and promotional campaigns to sell products, including the massive credit card campaign carried out in 4Q10 to take advantage of the Christmas season, a reduction in supplies and products to generate account and billing statements for clients, as well as lower expenses for the ATM network projects and infrastructure maintenance. It is important to emphasize that during 1Q11, expenses related to the merger with Ixe were Ps 128 million, mainly related to Professional Fees Paid for advisories.

The efficiency ratio was 52.2% for 1Q11, 1.5 pp higher than in 1Q10 due to a faster pace of growth in expenses compared to growth in total revenues. On a quarterly basis, the efficiency ratio increased by 0.4pp.

- **Taxes**

Taxes for 1Q11 were Ps 847 million, 29% higher YoY due to a larger profit base for calculating taxes as a result of the financial group's improved operations and 18% higher QoQ due to higher pre-tax profits in 1Q11. The effective tax and profit sharing rate for 1Q11 was 34.3%, slightly lower to the 34.6% registered in 1Q10 and higher by 1.3 pp to 4Q10.

- **Subsidiaries and Minority Interest**

During 1Q11, subsidiaries and minority interest registered a loss of (Ps 257) million, against the (Ps 61) million registered for 1Q10 due to reduced profits of Subsidiaries resulting from applying the Accounting Criteria A-2 to fully consolidate Insurance and Annuities companies and not through the equity participation method as it was previously done; resulting in a negative impact of Ps 73 million in Subsidiaries' profits, as well as the loss of Ps 18 million registered in Siefores funds in 1Q11 vs. a gain of Ps 23 million in 1Q10. Also, the minority interest contribution of Banco Mercantil del Norte was Ps 167 million higher, as a result of increased profits and also a larger minority contribution to Generali due to greater earnings in the Afore.

On a quarterly basis, the loss of (Ps 257) million is also unfavorable compared to the loss of (Ps 128) million registered in 4Q10 due to reduced Subsidiaries' profits as a result of applying Accounting Criteria A-2, which had a negative impact of Ps 234 million, as well as the loss of (Ps18) million registered in Siefores funds in 1Q11 vs. a gain of Ps 85 million in 4Q10.

- **Net Income**

In 1Q11, the Group registered net income of Ps 1.81 billion, a 15% YoY and a 3% QoQ increase. For a seventh consecutive quarter, GFNorte has increased its profits sequentially. In 1Q11, Banco Mercantil del Norte contributed with a net income of Ps 1.46 billion, 80% of the total profits. The return on equity (ROE) for GFNorte was 15.5%, 0.3 percentage points higher from last year. The return on assets (ROA) was 1.2% for 1Q11, 0.1 pp higher when compared to the same period of the previous year.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Capitalization**

Capitalization *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	Change QoQ	Change YoY
Tier 1 Capital	36,023	36,148	37,233	39,369	41,032	4%	14%
Tier 2 Capital	13,855	14,035	13,954	13,252	12,818	(3%)	(7%)
Net Capital	49,878	50,184	51,187	52,620	53,850	2%	8%
Credit Risk Assets	200,487	207,841	216,406	222,146	224,121	1%	12%
Net Capital / Credit Risk Assets	24.9%	24.1%	23.7%	23.7%	24.0%	0.3 pp	(0.9 pp)
Total Risk Assets (1)	296,284	300,503	308,862	326,481	335,188	3%	13%
Tier 1	12.16%	12.03%	12.05%	12.06%	12.24%	0.2 pp	0.1 pp
Tier 2	4.68%	4.67%	4.52%	4.06%	3.82%	(0.2 pp)	(0.9 pp)
Capitalization Ratio	16.83%	16.70%	16.57%	16.12%	16.07%	(0.1 pp)	(0.8 pp)

(1) Includes Market and Operational Risks. Without inter-company eliminations.
(*) The capitalization ratio of the last period reported is estimated.

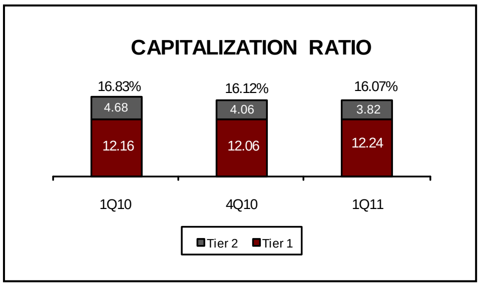
At closing of 1Q11 the Capitalization Ratio (IC) was 16.1% considering credit, market and operational risks, and 24.0% considering only credit risks. The Tier 1 ratio was 12.2% and 3.8% for Tier 2.

The Capitalization Ratio remains practically the same as in 4Q10, due to the following effects:

1) Reinvesting profits generated in 1Q11: + 0.5 pp.
2) Valuation of hedging instruments: + 0.2 pp.
3) Increase in Risk Assets: - 0.4 pp.
4) FX effect on Subordinated Obligations in Dollars: -0.1 pp.
5) Payment of Dividends: -0.1 pp.
6) Change in methodology for the creation of Consumer Credit reserves: -0.1 pp

The capitalization ratio for 1Q11 is (0.8 pp) lower than in 1Q10 due to:
1) Effects of profits generated from 1Q10 to 1Q11: +1.9 pp.
2) Increase in Risk Assets: -2.1 pp.
3) Payment of Dividends: -0.3 pp.
4) Valuation of Securitization instruments: -0.1 pp.
5) FX effect on Subordinated Obligations: -0.1 pp.
6) Change in methodology for the creation of Consumer Credit reserves: -0.1 pp.

In 2008, the authorities determined that 100% of the required capital for operational risk must be constituted during a 3 year period in proportional monthly allotments. At closing of 1Q11, the period of March 2008 to March 2011 was covered (36/36 months), having an impact of 2.27 percentage points on the capitalization ratio.



According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Total Deposits**

Deposits (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Non Interest Bearing Demand Deposits	57,453	69,615	**66,819**	(4%)	16%
Interest Bearing Demand Deposits (1)	68,497	80,218	**77,723**	(3%)	13%
Total Demand Deposits (2)	125,950	149,833	**144,542**	(4%)	15%
Time Deposits – Retail	86,188	88,805	**89,562**	1%	4%
Core Deposits	212,139	238,638	**234,104**	(2%)	10%
Money Market (3)	59,314	54,142	**65,556**	21%	11%
Total Bank Deposits	**271,452**	**292,780**	**299,660**	2%	10%
GFNorte's Total Deposits (4)	**271,254**	**292,615**	**299,245**	2%	10%
Third Party Deposits	**156,938**	**145,602**	**154,132**	6%	(2%)
Total Assets Under Management	**428,390**	**438,382**	**453,793**	4%	6%

1) Excludes IPAB cash management checking accounts for loan portfolios managed from Banpaís and Bancen. The balances of these accounts in 1Q10, 4Q10 and 1Q11 were Ps $21 million, Ps $0 million and Ps $0 million, respectively.
2) Includes Debit Cards.
3) Includes Bank Bonds (Customers and Financial intermediaries).
4) Includes the eliminations between the subsidiaries (1Q10=196 millions, 4Q10=165 milllons and 1Q11=415 millions).

At closing of 1Q11, *Total Deposits* were Ps 299.2 billion, a 10% YoY increase driven by growth in all items. Demand Deposits grew by 15% YoY, Money Market increased by 11% and Retail Time Deposits by 4%.

Total Deposits increased by 2% QoQ due to the 21% increase in Money Market funding and 1% in Retail Time Deposits, which offset the (4%) decline in Demand Deposits due to the seasonal effects presented in the first quarter of every year.

- **Demand and Time Deposits**

At closing of 1Q11, Demand Deposits increased by 15% YoY, driven by a 16% annual growth in Non-Interest bearing Demand Deposits as a result of higher balances registered in most of the individual and corporate accounts. Interest bearing Demand Deposits increased annually by 13% also driven by an increase in individual and corporate accounts. Deposits made by SMEs, Government and Corporations increased by over 13% in each case.

On a quarterly basis, Demand Deposits declined by (4%) vs. 4Q10 due to annual seasonal effects. In the case of Non-Interest bearing Demand Deposits, the (4%) decrease is explained by a reduction in the balances of some individual and corporate accounts, also due to seasonality of every year. The (3%) decline in Interest bearing Demand Deposits is due to reduced balances in some individual and corporate accounts.

Retail Time Deposits grew by 4% YoY as a result of promotional campaigns to sell promissory notes through the branches, as well as the attractive yields offered. Time Deposits increased by 1% QoQ, due to the launching of the new High Yield Notes offered to clients during 1Q11, among other factors.

As a result of the efforts to increase deposits, there was a 22% annual increase in net openings of individual accounts at closing of 1Q11. Additionally, Banorte is ranked as the bank with the most important growth in terms of core and time deposit individual accounts in the first months of 2011.

- **Money Market Deposits**

The 11% YoY and 21% QoQ growth in funding through the promissory notes offered at the money market is a result of using this mechanism to compensate the seasonal reduction in demand deposits, and it provided the funding required for growth in loan assets.

- **Third Party Deposits**

Third Party Deposits declined by (2%) YoY and increased 6% QoQ.

- **Assets Under Management**

At closing of 1Q11, AUMs totaled Ps 453.8 billion, a 6% YoY increase, due to growth in all core deposits' items and money market. The 4% QoQ increase is mainly due to growth in Money Market and Third Party Deposits.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Total Performing Loans**

Performing Loan Portfolio (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Commercial	80,314	87,825	**87,400**	(0%)	9%
Consumer	76,206	83,545	**85,840**	3%	13%
Corporate	39,046	44,176	**45,709**	3%	17%
Government	41,000	47,550	**51,271**	8%	25%
Sub Total	236,567	263,096	**270,220**	3%	14%
Recovery Bank	643	454	**344**	(24%)	(46%)
Total	237,210	263,550	**270,564**	2.7%	14.1%

Performing Consumer Loan Portfolio (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Mortgages	50,444	55,718	**57,006**	2%	13%
Car Loans	7,611	8,208	**8,486**	3%	12%
Credit Cards	11,239	11,159	**10,925**	(2%)	(3%)
Payroll	6,912	8,460	**9,423**	11%	36%
Consumer Loans	76,206	83,545	**85,840**	3%	13%

(Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Past Due Loans	6,128	6,664	**6,498**	(2%)	6%
Loan Loss Reserves	7,498	8,245	**9,030**	10%	20%
Acquired Rights	2,426	2,025	**2,641**	30%	9%

Total Performing Loans grew by 14% YoY, increasing by Ps 33.6 billion to Ps 270.2 billion at closing of 1Q11, excluding the proprietary portfolio managed by the Recovery Bank. This increase was mainly due to an increase in all items of the portfolio (except credit cards). Total Performing Loans increased by 3% QoQ growing by Ps 7.12 billion due to an increase in almost all items. For the fourth consecutive quarter, the loan portfolio shows sequential growth, a trend not seen since prior to the crisis that began at the end of 2008. This is evidence of greater loan demand in Mexico and also a reflection of the policies implemented by Banorte to reactivate loan volumes. In the coming months, we anticipate that the favorable trends in loan growth will continue in the banking industry.

Growth of the portfolio by item:

I. Individual Loans

- **Consumer + Mortgage:** Increased by Ps 9.63 billion or 13% YoY as a result of growth in the Mortgage, Payroll and Car loans , and grew by Ps 2.29 billion or 3% QoQ due to favorable dynamics in almost all items, especially in the Mortgage and Payroll loan portfolios, even though the Credit card portfolio continues to decline.

- ***Mortgages*****:** Grew by Ps 6.56 billion or 13% YoY, driven by the increase in mortgage sales for middle market home acquisition, the program established with Pemex, as well as the reactivation of mortgage products for liquidity, improvement of loan conditions, construction, remodeling and payment of liabilities. A total of 3,250 mortgages were sold in 1Q11, amounting to Ps 2.96 billion, representing an increase of 5% in terms of new loans and 11% in terms of amount sold. The portfolio grew by Ps 1.29 billion or 2% QoQ, driven by greater dynamics in loans for mortgage improvement, construction, remodeling and payment of liabilities.

- ***Credit Cards*****:** Registered a (3%) YoY contraction of Ps 314 million and a (2%) QoQ or Ps 234 million quarterly reduction at closing of 1Q11 as a result of write-offs applied to this portfolio and higher payments from customers. The rate of decline of the portfolio's balance has diminished in the last quarters due to: a) proper management of the product's life cycle, b) growth in the sale of new cards since 78,304 new cards were issued during the quarter, an annual increase of 38%, in spite of tighter origination criteria and more conservative risk administration and c) total net billing of Ps 6.02 billion in the quarter, growing annually by 16% due to the campaigns to promote credit card use, especially at the end of 2010, and promotions for interest-free purchases with fixed monthly installments. Nevertheless, in the first quarter, the billing dynamics and placement of new cards declined in comparison to 4Q10 due to seasonal effects. It is important to emphasize that in spite of the reduced balance of the portfolio, the profitability of the credit card product has increased considerably in the last 12 months, ranking it again as one of the bank's most profitable products. The bank is also implementing strategies to reactivate portfolio growth, such as cross-selling, development of alternate channels, the launching of new products, initiatives to promote card use and possible strategic alliances. At closing of 1Q11, Banorte has 1.15 million accounts, representing an annual increase of 8%.

- ***Payroll Loans:*** At closing of 1Q11, the portfolio had an annual growth of Ps 2.51 billion or 36% YoY and a Ps 963 million quarterly increase or 11% QoQ. This was a result of promotional campaigns for the Credinómina payroll loan product, as well as a 15% annual growth in the number of payroll deposit accounts to 3.16 million and the strategy to place more loans to government employees. New loans in 1Q11 totaled Ps 3.50 billion, or 44% higher than in 1Q10. Also, 125,866 new loans were sold in the first quarter of this year, 25% more than in 1Q10 and 23% higher than 4Q10. Credinomina continues to be the bank's most profitable product, demonstrating vigorous growth in the last year and an improvement in portfolio quality.

- ***Car Loans:*** The portfolio increased annually by Ps 875 million or 12% YoY and Ps 278 million or 3% QoQ in 1Q11 as a result of the promotional campaigns for the product and a recovery in car sales in the country. Sales were also favored by an alliance with Isuzu Motors to finance its units. The production of new loans during the quarter increased by 14% compared to the balance originated in the same period last year. A total of, 9,285 new loans were placed during the quarter, 14% higher than in 1Q10 and 6% higher than in 4Q10.

II. Loans to Institutions

- **Commercial:** Grew by Ps 7.09 billion or 9% YoY mainly due to increased placement of business loans, leasing and factoring and the reactivation of the Crediactivo SME product. The SME portfolio shows an annual growth of Ps 1.84 billion or 12% YoY, reaching Ps 16.67 billion at closing of 1Q11. During the quarter, the Commercial portfolio declined by Ps 425 million, a slight variation compared to 4Q10, mainly as a result of the seasonal reduction in loan placement that happens at the beginning of each year and the reduction in the INB Commercial portfolio.

- **Corporate**: Increased by Ps 6.66 billion or 17% YoY in 1Q11 due mainly to the reactivation of loans in this sector and Banorte's participation along with other banks in a structured loan for the international expansion of an important client. The portfolio grew by Ps 1.53 billion or 3% QoQ as a result of an increased demand from clients and efforts to increase placement with new and existing clients. It is important to emphasize that Banorte's loan portfolio is diversified by sectors and regions, and shows a low concentration. The bank's 20 most important corporate exposures represent only 14.2% of the bank's total loan portfolio, 0.2 percentage points higher than in 4Q10. The largest corporate loan represents 1.8% of the total portfolio while number 20 represents 0.4% of the total portfolio.

- **Government:** Grew by Ps 10.27 billion or 25% YoY as a result of the placement during the quarter of several loans to state governments, and to a lower extent to municipal governments and decentralized entities, as well as the promotional efforts by the area, its specialization and the creation of products and services that offer comprehensive solutions to the financial needs of all three levels of government. The portfolio grew by Ps 3.72 billion quarterly or 8% QoQ mainly due to the placement of loans to state governments. Banorte's Government portfolio is diversified by sectors and regions, and shows a low concentration. The bank's 20 most important governments exposures represent 18.6% of the bank's total portfolio, 0.6 percentage points more than in 4Q10. The largest government loan represents 2.3% of the total portfolio, while number 20 represents 0.3%.

- **Past Due Loans**

At closing of 1Q11, the PDL portfolio was Ps 6.49 billion, a 6% YoY growth mainly due to the classification of the Mexicana de Aviacion loan as delinquent. The PDL portfolio shows a (2%) QoQ decline.

In 1Q11, the NPL Ratio was 2.3%, 0.2 percentage points lower than 1Q10 and 4Q10. When excluding the PDL portfolio of INB, the NPL Ratio remains at 2.3%. It is important to emphasize the important decrease of INB's Past Due Loan Ratio, which dropped from 11.4% to 4.5% between 1Q10 and 1Q11.

Most of the portfolio items showed improvements in asset quality. The evolution of the NPL ratios by segment during the last 12 months was:

- Commercial:

- ✓ 1Q11: 4.1%.
- ✓ 4Q10: 3.9%
- ✓ 1Q10: 5.0%

The quarterly increase is mainly due to the classification of a Ps 210 million loan in the northwest of the country as delinquent.

- ➢ Corporate:
  - ✓ 1Q11: 2.4%.
  - ✓ 4Q10: 2.5%
  - ✓ 1Q10: 0.1%

  The annual growth is due to classifying the Gamma Servicios de Negocio (Mexicana) loan as delinquent in 4Q10.

- ➢ Government:
  - ✓ 1Q11: 0%.
  - ✓ 4Q10: 0%
  - ✓ 1Q10: 0%
  - ✓

- ➢ Mortgages:
  - ✓ 1Q11: 1.2%.
  - ✓ 4Q10: 1.7%
  - ✓ 1Q10: 1.7%

  When excluding the INB's PDL portfolio, the NPL Ratio for Mortgages in Mexico is 1.1%.

- ➢ Credit cards:
  - ✓ 1Q11: 9.1%.
  - ✓ 4Q10: 8.5%
  - ✓ 1Q10: 10.5%

  The NPL Ratio for 1Q11 is higher than in 4Q10 due to a slight increase in the balance of delinquent loans, but mainly due to contraction in the Performing Loan portfolio. The NPL Ratio is lower compared to 1Q10 in spite of the reduction in performing loans in the last twelve months.

- ➢ Car loans:
  - ✓ 1Q11: 0.8%.
  - ✓ 4Q10: 1.0%
  - ✓ 1Q10: 1.4%

- ➢ Payroll loans:
  - ✓ 1Q11: 1.5%.
  - ✓ 4Q10: 1.8%
  - ✓ 1Q10: 2.1%

PAST DUE LOAN VARIATIONS *(Million Pesos)*		
Balance as of December 2010		**6,664**
	Transfer from Performing Loans to Past Due Loans	2,886
	Renewals	(81)
	Cash Collections	(442)
	Discounts	(26)
	Charge Offs	(853)
	Foreclosures	(61)
	Transfer from Past Due Loans to Performing Loans	(1,085)
	Loan Portfolio Sale	(470)
	Foreign Exchange Adjustments	(32)
Balance as of March 2011		**6,498**

In 1Q11, 63% of the new NPL formation corresponds to Consumer, 30% to Commercial, 7% to Mortgage and 0% to Corporate. A total of 42% of the required loan loss reserves correspond to Consumer, 24% to Commercial, 12% to Mortgage, 6% to Government, 2% to Corporate, and the remaining 14% to other segments, benefits and write-downs, among other concepts. On the other hand, 68% of the portfolio's write-offs correspond to the Consumer, 16% to Mortgage, 11% to Commercial and the remaining 5% to Recovery.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

RISK RATING OF PERFORMING LOANS – *GFNorte* (Million Pesos)					
		LOAN LOSS RESERVES			
CATEGORY	LOANS	COMMERCIAL	CONSUMER	MORTGAGES	TOTAL
A	54,378	0	16	147	163
A1	113,448	566	0	0	566
A2	69,133	656	0	0	656
B	21,029	0	832	217	1,049
B1	8,942	153	383	0	536
B2	7,648	68	457	0	525
B3	2,438	252	0	0	252
C	2,867	0	737	248	985
C1	842	178	0	0	178
C2	1,198	548	0	0	548
D	1,526	231	795	52	1,078
E	2,368	2,134	241	0	2,375
Total	285,817				
Not Classified	(186)				
Exempt	217				
Total	285,849	4,786	3,461	664	8,911
Reserves					9,030
Excess (Deficit)					120

Notes:
1.- The ratings of loans and reserves created correspond to the last day referred in the Balance Sheet at March 31st, 2011.
2.- The loan portfolio is rated according to the rules issued by the Ministry of Finance and Public Credit (SHCP), the methodology established by the CNBV and internal methodologies approved by the CNBV. For Mortgage and Consumer loans, Banorte uses the regulation described in the Official Gazette published on December 2, 2005, and for Commercial loans it uses internal methodologies approved by the CNBV.
3.- The excess in preventive reserves, follow the rules issued by the CNBV, to regulate support programs, that were constituted mainly in UDIS Trusts.
4.- The Ratings of Leasing and Factoring loans are dated as of February 2011 and Reserves, as of March, 2011.

Of the total Loan Portfolio, 83% is rated as Risk A, 14% as Risk B, 2% as Risk C and the rest as Risk D and E.

LOAN LOSS RESERVES *(Million Pesos)*	1Q11
Previous Period Ending Balance	**8,244**
Provisions charged to results	**1,845**
Created with profitability margin	**-**
Other items	**1**
Charge offs and discounts:	
Commercial Loans	**(126)**
Consumer Loans	**(624)**
Mortgage Loans	**(169)**
Foreclosed assets	**(57)**
	(976)
Cost of debtor support programs	**(64)**
Valorization and Others	**(20)**
Loan Loss Reserves at Period End	**9,030**

- **Loan Loss Reserves**

At closing of 1Q11, loan loss reserves were Ps 9.03 billion, 10% higher than in 4Q10 due to an increase in provisions charged to results and equity totaling Ps 1.84 billion, offsetting write-offs of Ps 976 million carried out during the quarter. This increased the reserve coverage ratio to 139% at the end of 1Q11 (144% when excluding INB).

- **Provisions for Loan Loss Reserves**

Total provisions created in 1Q11 were Ps 1.34 billion, a (25%) YoY decline due to lower requirements in the Consumer segment, especially Credit cards, as well as in the Commercial portfolio.

On a quarterly basis, there was a (29%) QoQ decrease vs. 4Q10 mainly due to lower requirements in the Corporate portfolio, since the necessary provisions were created to fully reserve the Mexicana de Aviacion loan in 4Q10. There were also reductions in provisions for the Credit card and Payroll loan portfolios. The Commercial, Government, Car loan and Mortgage portfolios registered slight increases in provisions compared to 4Q10.

In accordance with regulations issued by the National Banking and Securities Commission (CNBV), the bank created reserves for the mortgage portfolio and non-revolving consumer loans. The following reserves were created in March 2011 (the total amount according to the Group's majority stake):

Payroll: Ps 490 million
Car loans: Ps 110 million
Mortgage: Ps 28 million
Total: Ps 628 million

The Mexican banking system continues to operate under stricter regulations. As well as the creation of additional reserves for leasing and factoring, credit cards, mortgages and non-revolving consumer loans, new regulations of a similar nature will be implemented in the near future for the commercial and government sectors.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

BANKING SECTOR

Income Statement and Balance Sheet Highlights-Banking Sector (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Income Statement-GFNorte					
Net Interest Income	5,348	5,682	**5,674**	(0%)	6%
Non Interest Income	2,172	2,646	**2,038**	(23%)	(6%)
Total Income	7,520	8,327	**7,712**	(7%)	3%
Non Interest Expense	3,795	4,415	**4,132**	(6%)	9%
Provisions	1,746	1,834	**1,337**	(27%)	(23%)
Operating Income	1,979	2,078	**2,243**	8%	13%
Net Income Before taxes	2,028	2,131	**2,291**	8%	13%
Taxes	592	641	**672**	5%	14%
Subsidiaries & Minority Interest	49	52	**47**	(9%)	(3%)
Net Income	1,435	1,490	**1,618**	9%	13%
Balance Sheet					
Performing Loans (a)	227,239	251,434	**257,246**	2%	13%
Total Deposits	271,473	292,780	**299,660**	2%	10%

- ## Net Interest Income

Net Interest Income grew to Ps 5.67 billion, a 6% YoY increase due to a 13% growth in Performing Loans and a 10% growth in Deposits with a stable funding cost.

On a quarterly basis, Net Interest Income remains the same as in 4Q10 due to seasonal effects.

- ## Non Interest Income

Non Interest Income for 1Q11 declined (6%) YoY due to less Intermediation revenues as a consequence of more a complex market environment.

On a quarterly basis, Non Interest Income declined by (23%) QoQ mainly due to the extraordinary recovery in 4Q10 of the Comercial Mexicana loan that had been previously written-off. Service fees also presented a (4%) QoQ contraction due to seasonality and to regulatory changes that came into effect as of January 2011.

Non Interest Income (Million Pesos)	1Q10	4Q10	1Q11	Change QoQ	Change YoY
Services	1,167	1,251	**1,205**	(4%)	3%
Recovery	195	227	**220**	(3%)	13%
Trading	506	149	**200**	34%	(61%)
Other Operating Income (Expense)	304	1,020	**414**	(59%)	36%
Non Interest Income	**2,172**	**2,646**	**2,038**	**(23%)**	**(6%)**

- ## Non Interest Expenses

Non Interest Expenses for 1Q11 grew by 9% YoY mainly due to: i) more Professional Fees Paid for various advisories related to the business, ii) administration and advertising expenses linked to a greater credit card use and an increase in life insurance sales linked to loan origination and, iii) the growth in Other Taxes caused by a larger volume of real payments in 1Q11.

On a quarterly basis, Non Interest Expenses declined by (6%) QoQ mainly due to a reduction in Personnel, Administration and promotional Expenses.

- ## Loan Loss Reserves

Loan Loss Reserves reported in 1Q11 were Ps1.34 billion, a (23%) YoY reduction due to lower requirements in the Consumer portfolio, especially the important reduction in reserves for Credit cards as well as the Commercial portfolio. On a quarterly basis, loan loss reserves declined by (27%) QoQ due to lower requirements in the Corporate portfolio, since the Mexicana loan was fully reserved in 4Q10, as well as lower requirements in the Credit card and Payroll loan portfolios.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Net Income**

The accumulated net income of the Banking Sector (100%, including the AFORE by the participation method) was Ps 1.62 billion in 1Q11, 13% higher than in 1Q10, mainly due to an increase in net interest income, non interest income and a reduction in loan loss reserves.

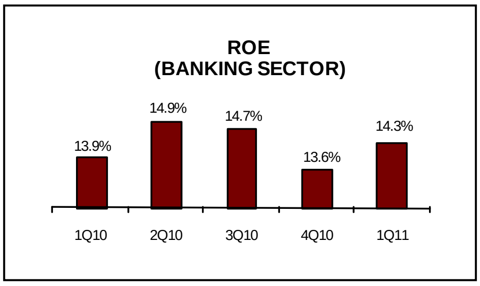
The accumulated net income of the quarter increased 9% QoQ mainly due to the reduction in loan loss reserves and operating expenses.

- **Past Due Loan Ratio**

The NPL Ratio of the Banking Sector was 2.4%, (including the NPLs of INB) which compares favorably against the 2.5% in 4Q10 and the 2.6% registered in 1Q10.

Financial Ratios Banking Sector	1Q10	4Q10	1Q11	Change	
				QoQ	YoY
Profitability:					
NIM (1)	4.2%	4.3%	**4.3%**	(0.0 pp)	0.1 pp
NIM after Provisions (2)	2.8%	2.9%	**3.3%**	0.4 pp	0.5 pp
ROE (3)	13.9%	13.6%	**14.3%**	0.7 pp	0.4 pp
ROA (4)	1.0%	1.0%	**1.1%**	0.1 pp	0.1 pp
Operation:					
Efficiency Ratio (5)	50.5%	53.0%	**53.6%**	0.6 pp	3.1 pp
Operating Efficiency Ratio (6)	2.8%	3.1%	**2.9%**	(0.2 pp)	0.1 pp
Liquidity Ratio (7)	82.4%	82.2%	**90.8%**	8.6 pp	8.4 pp
Asset Quality:					
Past Due Loan Ratio	2.6%	2.5%	**2.4%**	(0.1 pp)	(0.2 pp)
Coverage Ratio	121.2%	122.0%	**137.1%**	15.1 pp	15.8 pp
Past Due Loan Ratio w/o Banorte USA	2.2%	2.3%	**2.4%**	0.0 pp	0.2 pp
Coverage Ratio w/o Banorte USA	144.6%	132.6%	**142.3%**	9.8 pp	(2.2 pp)
Growth (8)					
Performing Loans (9)	(0.3%)	10.0%	**13.4%**	3.4 pp	13.7 pp
Core Deposits	4.7%	7.3%	**10.4%**	3.1 pp	5.6 pp
Total Deposits	6.3%	6.4%	**10.4%**	3.9 pp	4.1 pp
Capitalization:					
Net Capital/ Credit Risk Assets	24.9%	23.7%	**24.0%**	0.3 pp	(0.9 pp)
Total Capitalization Ratio	16.8%	16.1%	**16.1%**	(0.1 pp)	(0.8 pp)

1) NIM = Annualized Net Interest Margin / Average Earnings Assets.
2) NIM = Annualized Net Interest Margin adjusted by Credit Risks / Average Earnings Assets
3) Annualized earnings as a percentage of the average quarterly equity over the period.
4) Annualized earnings as a percentage of the average quarterly assets over the period.
5) Non Interest Expense / (Total Operating Income + Loan Loss Provisions)
6) Annualized Administrative and Promotion Expenses / Average Total Assets.
7) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale, Liquid Liabilities = Demand Deposits + Loans from banks and other institutions with option to redeem any moment + short term loans from banks.
8) Growth versus the previous period.
9) Does not include Fobaproa / IPAB and loans managed by Recovery Banking.



According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

BANORTE USA

I. Banorte USA

INCOME STATEMENT – Banorte USA	1Q10	4Q10	1Q11	Change	
Figures in MEX GAAP (Million Pesos)				4Q10	1Q11
Net Interest Income	207	164	**161**	(1%)	(22%)
Non Interest Income	76	48	**27**	(45%)	(65%)
Total Income	283	212	**188**	(11%)	(34%)
Non Interest Expense	173	202	**171**	(15%)	(1%)
Provisions	128	48	**(0)**	(100%)	(100%)
Operating Income	(18)	(38)	**17**	(144%)	(194%)
Taxes	(8)	(15)	**5**	(133%)	(161%)
Net Income	(10)	(24)	**12**	(151%)	(221%)

Under the generally accepted accounting principles in Mexico (MEX GAAP), the Net Income of Banorte USA (subsidiary that own 100% of Inter National Bank, as well as 100% of the remittance companies Uniteller and Motran) was $12 million pesos during 1Q11, increasing 221% compared to 1Q10, derived mainly from lower provisions in Inter National Bank and expense reduction. Net Income grew 151% QoQ vs. 4Q10 due mainly to a decrease in expenses and provisions.

II. Inter National Bank (US GAAP)

INCOME STATEMENT & BALANCE SHEET *HIGHLIGHTS – Inter National Bank* *Figures in US GAAP (Millon Dollars)*	1Q10	4Q10	1Q11	QoQ	YoY
Income Statement					
Net Interest Income	15	13	**14**	4%	(6%)
Non Interest Income	4	1	**(8)**	(1360%)	(310%)
Total Income	19	14	**6**	(56%)	(66%)
Non Interest Expense	11	17	**12**	(27%)	8%
Loan Loss Reserves	10	(1)	**(1)**	(48%)	(112%)
Operating Income	(3)	(2)	**(5)**	(126%)	(43%)
Net Income	(2)	(1)	**(3)**	(134%)	(45%)
Balance Sheet					
Investments in Securities	589	636	**711**	12%	21%
Performing Loans	1,009	903	**849**	(6%)	(16%)
Past Due Loans	130	87	**40**	(54%)	(69%)
Demand Deposits	716	748	**794**	6%	11%
Time Deposits	1,015	1,113	**1,109**	(0%)	9%
Total Deposits	1,731	1,861	**1,903**	2%	10%
Equity	402	397	**390**	(2%)	(3%)

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Financial Ratios *INB* *Figures in US GAAP*	1Q10	4Q10	1Q11	QoQ	YoY
Profitability:					
NIM	3.4%	3.1%	**3.1%**	**0.0 pp**	**(0.3) pp**
ROE	(2.1%)	(1.3%)	**(3.1%)**	**(1.8) pp**	**(1.0) pp**
ROA	(0.4%)	(0.2%)	**(0.5%)**	**(0.3) pp**	**(0.1) pp**
Operational:					
Efficiency Ratio	61.9%	121.4%	**198.6%**	**77.2 pp**	**136.7 pp**
Asset Quality:					
Past Due Loan Ratio	11.4%	8.8%	**4.5%**	**(4.3) pp**	**(6.9) pp**
Coverage Ratio	21.4%	30.7%	**60.0%**	**29.3 pp**	**38.6 pp**
Capitalization:					
Leverage Ratio	9.0%	9.0%	**8.4%**	**(0.6) pp**	**(0.6) pp**
Capitalization Ratio	17.4%	18.6%	**19.8%**	**1.2 pp**	**2.5 pp**

Under the generally accepted accounting principles in United States, (US GAAP), Inter National Bank (INB) reported a loss of ($3.1) million US dollars in 1Q11, a (45%) decline compared to the net income reported in 1Q10, mainly due to a loss booked from the sale of INB's portfolio to Banorte.

In March 2011, as part of the process to clean up INB's balance sheet, Inter National Bank sold loans with book value of $73.2 million US dollars to Banco Mercantil del Norte, a transaction that generated a loss of ($7.2) million US dollars after taxes. As a result of the sale, the ratio of Classified Assets to Basic Capital was reduced from 90% in 4Q10 to 60% in 1Q11 for INB. The transferred assets will be managed by Solida USA.

With respect to INB's assets, INB has a portfolio of investments of $711 million US dollars, concentrated mainly on mortgage-backed securities which increased by $122 million US dollars or 21% YoY and $75 million US dollars or 12% QoQ. The underlying quality of the mortgages that back these securities is rated AAA, since they have an implicit guarantee by the US government. At 1Q11, the portfolio presents a slight unrealized gain for the valuation of these securities and the average weighted maturity of the portfolio is 6 years.

Deposits rose to $1.9 billion US dollars, increasing by $172 million US dollars or 10% YoY and $42 million US dollars or 2% QoQ. On the other hand, Performing loans were $849 million US dollars, declining by $160 million US dollars or (16%) YoY and $54 million US dollars or (6%) QoQ, while NPL's were $40 million US dollars, declining by $90 million US dollars or (69%) YoY and $47 million US dollars or (54%) QoQ due to strategy adopted by the bank to reduce classified assets.

The capitalization and leverage ratios remained strong. The Capitalization Ratio at closing of 1Q11 is 19.8% and the Leverage Ratio is 8.4%. The NPL Ratio declined (6.9) pp YoY to 4.5% and the Reserve Coverage increased 38.6 pp YoY to 60.0%, both driven by the portfolio sale to Banorte.

ROE and ROA were affected by the impact of the loss from the portfolio sale, both indicators would have been positive when excluding this effect. ROE declined by (1.0) pp YoY to (3.1%) and ROA declined (0.1) pp YoY to (0.5%). The NIM declined (0.3) pp YoY to 3.1%, affected by the low interest rate environment that prevails in the United States, as well as by the contraction in the loan portfolio.

III. Sólida USA

To reduce the level of Classified Assets and achieve an indicator within the accepted levels by the OCC, INB's regulator in the United States, the bank sold a loan portfolio that will be managed by "Solida USA", Banorte's recovery subsidiary in the United States.

The first sale of foreclosed assets was held in November 2010 with a book value of $62 million US dollars, representing 67% of the total foreclosed assets of INB.

In March 2011 the second portfolio sale with book value of $73.2 million US dollars was made to Banco Mercantil del Norte representing 40% of INB's total classified assets.

As a result of the portfolio sale, the ratio of assets classified to basic capital was reduced by an important amount, reaching levels of 60% at closing of 1Q11.

Solida USA's assets under managment are composed in the following manner:

Solida Mexico Foreclosed Assets:	$55 million US dollars (purchase value)
Banorte Portfolio:	$61 million US dollars (purchase value)
INB Classified Assets:	$120 million US dollars
Total:	$237 million US dollars.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

RECOVERY BANKING

INCOME STATEMENT HIGHLIGHTS – Recovery Banking *(Million Pesos)*	1Q10	1Q11	YoY
Net Interest Income	(57)	**(65)**	14%
Loan Loss Provisions	11	**(4)**	(136%)
Non Interest Income	450	**497**	11%
Non Interest Expense (2)	213	**216**	2%
Non Operating Income (Expense), net	88	**48**	(45%)
Pre-tax Income & Subsidiaries	257	**268**	4%
Income Tax & Profit Sharing	77	**80**	4%
Net Income	180	**187**	4%

ASSETS UNDER MANAGEMENT *(Million Pesos)*	1Q11	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio:	**38,894**	Banorte's Portfolio and Repossessed assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	**35,786**	Sólida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	**5,549**	Sólida Asset Management	Non Interest Income
Total	**80,229**		

- Banorte's total assets of Ps 38.9 billion managed by the Recovery Bank at closing of 1Q11 were composed as follows: 31% corresponds to Credit cards, 25% to Mortgages, 14% to Corporate and Commercial, 12% to Payroll loans, 8% to Personal loans, 7% to Car loans, 1% to Pronegocio and 2% to foreclosed assets. Revenues generated by this portfolio in 1Q11 were Ps 251 million, a 7% YoY growth, while profits totaled Ps 107 million, a 19% YoY higher.

- At closing of 1Q11, of the total Ps 35.8 billion in portfolios acquired by the Recovery Bank, 32% corresponds to Mortgages, 30% to Corporate and Commercial, 11% to real estate portfolios, 20% managed on behalf of the SHF and 7% to foreclosed assets and payments in kind. Revenues generated by these portfolios in 1Q11 were Ps 93 million. During 1Q11, Solida won the bidding process to manage 27,916 mortgage loans of "Su Casita" for Ps. 7.2 billion, and also acquired a real estate portfolio from Scotiabank for Ps 622 million and INB's portfolio for $73 million US dollars.

- Solida investment projects at closing of 1Q11 totaled Ps 5.5 billion, 26% higher vs. 1Q10. This amount was invested in 54 projects on a national level. Revenues generated by these projects in 1Q11 were Ps 192 million, a 10% YoY increase, while net income rose to Ps 80 million, an 8% YoY increase.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

BROKERAGE

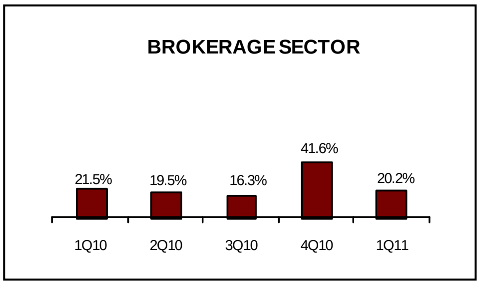
Brokerage *(Million Pesos)*	1Q10	4Q10	1Q11	QoQ	YoY
Brokerage					
Net Income	78	184	**97**	(47%)	25%
Shareholder's Equity	1,495	1,883	**1,967**	4%	32%
Assets Under Custody	150,985	174,068	**181,840**	4%	20%
Total Assets	7,840	10,169	**14,497**	43%	85%
ROE	21.5%	41.6%	**20.2%**	(21.4 pp)	(1.3 pp)
Net Capital					
Net Capital	1,246	1,589	**1,664**	5%	34%

- **Broker-Dealer**

Net Income
During 1Q11, the Broker Dealer reported net income of Ps 97 million, representing an increase of 25% YoY, mainly due to more revenues from investment banking, as well as greater revenues from service fees in fixed income and equity mutual funds as a result of greater deposits. In 1Q11, net income declined (47%) QoQ as a result of the cancellation of reserves in 4Q10 and a reduction in securities intermediation during 1Q11.

Mutual Funds
At closing of 1Q11, assets under management for mutual funds were Ps 37 billion, a growth of 20% YoY, as a result of efforts to improve the funds' returns and promotional efforts with the clientele. Assets managed in fixed income mutual funds rose to Ps 31 billion, which represents growth of 21% YoY, while managed assets in equity mutual funds were Ps 6.4 billion, a 17% YoY growth. At the end of March, Banorte's market share in mutual funds was 3%, 3.1% in fixed income funds and 2.8% in equity funds.

Assets Under Custody
At closing of 1Q11, assets under custody totaled Ps 181.8 billion, an increase of 20% YoY and 4% QoQ, mainly due to an increase in mutual funds' deposits, Banorte Securities, as well as money and capital markets.



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LONG TERM SAVINGS

LONG TERM SAVINGS *(Million Pesos)*	1Q10	4Q10	1Q11	QoQ	YoY
Afore					
Net Income	102	111	**87**	(22%)	(15%)
Equity	1,442	1,780	**1,867**	5%	29%
Total Assets	1,609	2,096	**2,051**	(2%)	27%
AUM (SIEFORE)*	75,623	86,271	**85,615**	(1%)	13%
ROE	29.4%	25.8%	**19.1%**	(6.7 pp)	(10.3 pp)
Insurance (1)					
Net Income	137	90	**188**	110%	38%
Equity	2,510	2,436	**2,625**	8%	5%
Total Assets	12,260	13,419	**13,903**	4%	13%
Technical Reserves	7,687	8,319	**8,757**	5%	14%
Premiums sold	1,919	1,672	**2,513**	50%	31%
Coverage ratio of technical reserves	1.3	1.3	**1.2**	(0.1 p)	(0.1 p)
Capital coverage ratio of minimum guarantee	2.0	1.7	**1.7**	- p	(0.3 p)
Coverage ratio of minimum capital requirement	N.A.	N.A.	**N.A.**	-	-
Coverage ratio of minimum capital	31.5	31.5	**31.0**	(0.5 p)	(0.5 p)
ROE	22.5%	15.1%	**29.8%**	14.7 pp	7.3 pp
Annuities (1)					
Net Income	10	10	**(18)**	(285%)	(294%)
Equity	1,026	1,028	**1,010**	(2%)	(2%)
Total Assets	19,777	25,478	**27,336**	7%	38%
Technical Reserves	18,534	24,134	**26,090**	8%	41%
Premiums sold	1,300	2,085	**1,783**	(15%)	37%
Coverage ratio of technical reserves	1.0	1.0	**1.0**	- p	- p
Capital coverage ratio of minimum guarantee	2.1	1.6	**1.4**	(0.2 p)	(0.6 p)
Coverage ratio of minimum capital requirement	N.A.	N.A.	**N.A.**	-	-
Coverage ratio of minimum capital	8.5	8.5	**8.1**	(0.4 p)	(0.4 p)
ROE	3.7%	3.9%	**(7.3%)**	(11.2 pp)	(11.0pp)

1) As of January 2011, new accounting criteria came into effect requiring the consolidation of the information for Seguros Banorte Generali, S.A. de C.V and Pensiones Banorte Generali, S.A. de C.V.

- **Afore**

In 1Q11, the Afore reported net income of Ps 87 million (51% corresponds to Banorte), a (15%) YoY reduction due to a decline in financial products. Net Income was (22%) lower QoQ mainly due to the negative impact in financial revenues of valuation losses in the SIEFORES' funds, as well as the impact on revenues due to a reduced rhythm of affiliations. At closing of 1Q11, the Afore managed Ps 85.6 billion in funds, an increase of 13% YoY as a result of better fund yields, although they declined (1%) QoQ mainly as a result of lower fund yields resulting from a complex market environment, as well as more transfer activity.

Banorte has a 6.2% participation in managed funds, ranking 8th in the market.

At closing of 1Q11, the Afore had a total of 3.89 million affiliates, with a 9.3% share of total affiliates in the system and certified accounts.

- **Insurance**

Reported profits were Ps 188 million in 1Q11 (51% corresponds to GFNorte), a 38% YoY growth due to more issued and accrued premiums which had a favorable impact on the operating income, which grew faster than expenses. On a quarterly basis, net income increased 110% QoQ, due to more issued and accrued premiums which had a positive impact on operating income, together with containment of damage and operating expenses.

Issued premiums increased by 31% YoY and 50% QoQ, reaching Ps 2.51 billion, while accrued premiums rose to Ps 1.55 billion at closing of 1Q11, growing 17% YoY and 12% QoQ.

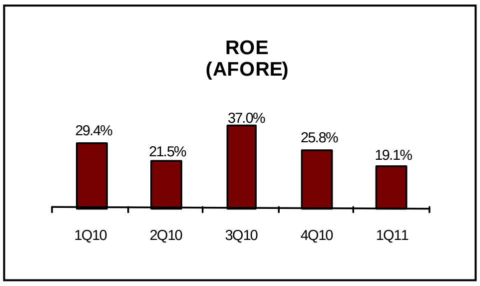
Technical reserves totaled Ps 8.76 billion, increasing 14% YoY and 5% QoQ.

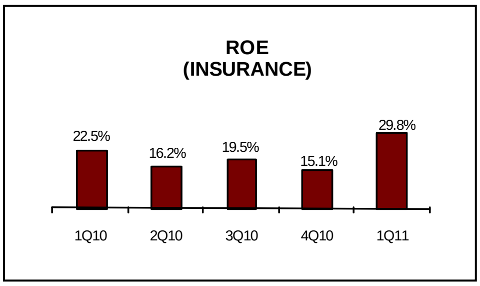
According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

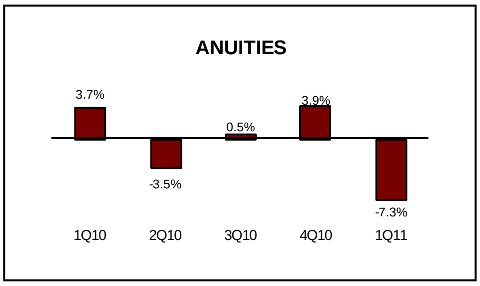
- **Annuities**

Annuities reported net income of (Ps18) million in 1Q11 (51% corresponds to GFNorte), declining (294%) YoY mainly due to the negative impact of $96 million pesos in write-offs and losses as a result of a clean up in the investment portfolio, together with an increase in expenses related to life annuities in front of a 198% growth in the number of cases, as well as the increase in technical reserves.

Net Income declined (285%) QoQ, as a result of lower financial products, more life annuities' expenses, as well as commercial and administration expenses and the impact of the portfolio clean up. When eliminating the impact of write-offs in the investment portfolio, net income would have been Ps12 million; Ps 2 million more than in 1Q10 and 4Q10.







According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

OTHER FINANCE COMPANIES

OTHER FINANCE COMPANIES (1) *(Million Pesos)*	1Q10	4Q10	1Q11	QoQ	YoY
Leasing and Factoring					
Net Income	102	111	**139**	25%	35%
Equity	1,589	1,930	**2,068**	7%	30%
Loan Portfolio (1)	13,183	15,884	**16,648**	5%	26%
Past Due Loans	111	141	**119**	(15%)	8%
Loan Loss Reserves	203	289	**286**	(1%)	41%
Total Assets	13,079	15,679	**16,451**	5%	26%
ROE	26.6%	23.6%	**27.7%**	4.1 pp	1.1 pp
Warehousing					
Net Income	3	17	**11**	(36%)	214%
Equity	152	206	**217**	5%	43%
Inventories	111	49	**40**	(20%)	(64%)
Total Assets	199	777	**505**	(35%)	154%
ROE	9.4%	35.7%	**20.7%**	(15 pp)	11.3 pp

(1) Includes the portfolio of assets under pure leasing registered in property, plant and equipment.

- **Leasing and Factoring**

Leasing and Factoring generated profits of Ps139 million for 1Q11, 35% higher YoY resulting from 26% growth in the loan portfolio and an improvement in funding costs. Profits for 1Q11 increased 25% QoQ as a result of lower reserve requirements for portfolio and portfolio growth.

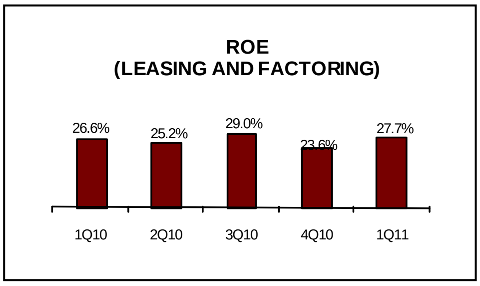
At closing of 1Q11, the NPL ratio was 0.7%, declining by 0.2 percentage points (pp) QoQ and 0.1 pp YoY, while the Capitalization Ratio was 12.70%, taking into consideration risk weighted assets of Ps 16,65 million.

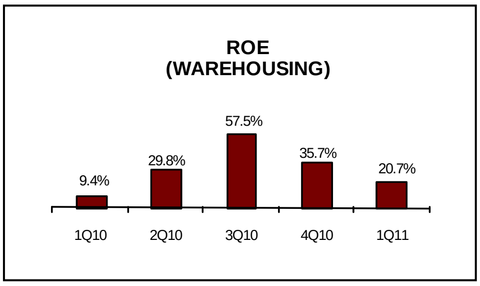
Arrendadora and Factor Banorte was ranked in 1st place, in terms of portfolio size among 16 companies of this sector in accordance to the information available to date.

- **Warehousing**

Net income for Warehousing was Ps 11 million in 1Q11, 214% higher YoY due to increased revenues related to the commercialization of inventories, increased enabling operations and logistics services. Profits declined (36%) QoQ, due to reduced business activity that traditionally occurs at the beginning of the year.

At closing of 1Q11 the Capitalization Ratio was 9.4% considering Ps 2.31 billion in total certificates at risk in circulation. The Warehouse ranks 2nd among the 20 Warehousing Companies in terms of generated profits.





According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

RATINGS

International Ratings				
Rating Agency	**Rated Institution**	**Rating**	**Category**	**Date**
Standard & Poor's	Banorte	Stable BBB- BBB- A-3 A-3 BBB-	**Outlook** **Counterparty credit - Long term foreign currency** **Counterparty credit - Long term local currency Short term Counterparty credit – Short term foreign currency** **Counterparty credit - Short tem local currency** **Senior Unsecured Notes**	March, 2011
Fitch	Banorte Grupo Financiero Banorte	Stable BBB BBB F2 F2 C 2 5 BBB- NF (Not Floor)	**Outlook** **Long Term Foreign currency** **Long Term Local currency** **Short Term Local Currency** **Short Term Foreign Currency** **Individual - Foreign Currency** **Support Rating-Banorte** **Support Rating-GFNorte** **Support Rating Floor-Banorte** **Support Rating Floor -GFNorte**	April, 2011
Moody's	Banorte	Stable C- Stable Baa1 P-2 A3 P-2	**Outlook BFSR** **Modest Financial Strength** **Outlook GLC** **Foreign long - term bank deposits** **Foreign short- term bank deposits** **Local long - term bank deposits** **Local short - term bank deposits**	August, 2010
Moody's	Banorte	Baa1 Baa2 Baa1 Ba1	**Long term local currency subordinated debt (Tier 2)** **Long term local currency subordinated debt (Tier 1)** **Long term foreign currency subordinated debt (Tier 2)** **Long term foreign currency subordinated debt**	August, 2010
Moody's	Banorte	A3	**Senior Notes**	August, 2010
Moody's	Casa de Bolsa Banorte	Stable A3 P-2	**Outlook** **Issue Rating Long Term** **Issue Rating ShortTerm**	August, 2010

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Domestic Ratings				
Rating Agency	**Rated Institution**	**Rating**	**Category**	**Date**
Fitch	Banorte	F1 + (mex) AA +(mex) F1 + (mex) AA +(mex) AA (mex)	**Short term counterparty risk** **Long term counterparty risk** **Short term CD's and Term Deposits** **Long term CD's and Term Deposits** **Long Term National Scale Subordinated Debt**	April, 2011
	Arrendadora y Factor Banorte	AA + (mex) F1 + (mex) AA + (mex) F1 + (mex)	**Medium and Long Term** **Short Term** **Long term for local issues of senior unsecured debt** **Short term for local issues of senior unsecured debt**	April, 2011
Moody's Domestic Scale	Banorte Arrendadora y Factor Banorte	Aaa.mx MX-1 Aaa.mx MX-1	**Long Term Deposits** **ShortTerm Deposits** **Issue Rating in Domestic Scale Long Term** **Issue Rating in Domestic Scale ShortTerm**	August, 2010 August, 2010
	Banorte	Aa1.mx	**Long term Mexican National Scale junior subordinated debt**	October, 2009
Other Ratings				
Fitch	Seguros Banorte Generali	AA (mex)	**Insurance Financial Strength**	April, 2011
Fitch	Casa de Bolsa Banorte	Stable F1 + (mex) AA +(mex)	**Outlook** **Short term counterparty risk** **Long term counterparty risk**	April, 2011
Moody's	Casa de Bolsa Banorte	Stable Aaa.mx MX-1	**Outlook** **Issue Rating Long Term** **Issue Rating ShortTerm**	August, 2010

INFRASTRUCTURE

INFRASTRUCTURE	1Q10	4Q10	1Q11
Employees	19,167	19,747	**20,093**
Banking (1)	15,386	15,895	**15,996**
Other	3,781	3,852	**4,097**
Branches (2)	1,098	1,134	**1,142**
INB	20	20	20
Pronegocio	0	0	0
ATM's	4,539	5,004	**5,014**

(1) Includes INB since 4Q06 and Uniteller since 1Q07.
(2) Includes 5 banking modules. Excludes remote teller windows and 1 branch located in Cayman Island.

- At closing of 1Q11 there were 1,142 branches, 8 more than in 4Q10, a quarterly growth of 1%. A total of 44 branches were opened in the last 12 months, an annual growth of 4%.
- In the last 12 months, 475 ATMs were enabled, an annual growth of 10%, increasing the network to 5,014 ATM's at the end of 1Q11. Also, 4,520 Point of Sale Terminals were activated during the quarter for a total of 62,856 installed by the end of March, an annual growth of 26%.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNORTE'S GENERAL INFORMATION

GFNorte Ownership of Subsidiaries	1Q11
Banco Mercantil del Norte (1)	**92.72%**
Brokerage House	**99.99%**
Retirement Funds – Afore (2)	**51.00%**
Insurance	**51.00%**
Annuities	**51.00%**
Leasing and Factoring	**99.99%**
Warehouse	**99.99%**
Banorte USA (2)	**100.00%**

1) As a result of merging Pronegocio on August 31,2009. Reflects the IFC's investment in Banco Mercantil del Norte because the operation was concluded on 4Q09.
2) Subsidiary of Banco Mercantil del Norte. Banorte USA owns 100% of Uniteller and 100% of INB.

Holding Company Capital Structure	
Number of Shares	**SERIES O As of march 31, 2011**
Number of Shares Outstanding	2,018,347,548
Shares held in the bank's Treasury	(300,000)

Group Officers	
NAME	**CURRENT POSITION**
Alejandro Valenzuela del Río	Chief Executive Officer
BUSINESS UNITS	
Alfredo Thorne Vetter	Managing Director - Global Markets
Carlos Eduardo Martínez	Managing Director – Government Banking
Carlos Garza	Managing Director – Banorte USA
Fernando Solís Soberón	Managing Director – Long Term Savings
Jesús Garza Martínez	Managing Director – Retail and Commercial Banking
José Armando Rodal Espinosa	Managing Director – Corporate Banking
Luis Fernando Orozco	Managing Director – Asset Recovery
Marcos Ramírez Miguel	Chief Officer Corporate
STAFF	
Alejandro Garay Espinosa	Managing Director – Corporate Services
Benjamin Vidargas Rojas	Managing Director - Audit
Carla Juan Chelala	Managing Director - Marketing
Héctor Martín Ávila Flores	Acting Managing Director - Legal
Javier Márquez Diez-Canedo	Managing Director - Risk
Prudencio Frigolet Gómez	Managing Director –Technology
Sergio García Robles Gil	Chief Financial Officer

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Strengthening of Banorte's Organizational Structure.

On December 16th, the creation of 18 Deputy Managing Directors was announced by GFNORTE, which were determined for the purpose of creating a more efficient organizational structure for supporting future growth, as well as facing new challenges for the Institution, seeking to generate short-term organizational synergies and strengthening areas of responsibility.

GFNORTE Deputy Managing Directors		
Sector	**Name**	**Title**
Bank	Carlos Javier Zambrano Elizondo Héctor Abrego Pérez Andrés Emmanuel Aymes Ansoleaga	Deputy Managing Director of Retail Banking Deputy Managing Director of Alternate Channels Deputy Managing Director of Entities Banking
Asset Recovery	Mario Alberto Barraza Barrón	Deputy Managing Director of Consumer Recoveries
Corporate Services	Javier Beltrán Cantú	Deputy Managing Director of Material Resources
Risk Management	Heleodoro Ruíz Santos	Deputy Managing Director of Risk Management
Legal	Héctor Martín Ávila Flores	Deputy Managing Director of Fiduciary
Marketing	José Federico García Cruz	Deputy Managing Director of Marketing
Government	Gerardo Zamora Nañez Alejandro Vázquez Salido Jorge de la Vega Grajales David Alberto Salazar Vite	Deputy Managing Director of Leasing, Factoring and Warehouse Deputy Managing Director of Federal Government Deputy Managing Director of Institutions and Public Associations Deputy Managing Director of State and Municipal Governments
Planning and Finance	Nora Elia Cantú Suárez Fausto José Hernández Pintado	Deputy Managing Director of Accounting and Fiscal Deputy Managing Director of Planning and Strategic Projects
Global Markets	Arturo Monroy Ballesteros Carlos Alberto Arciniega Navarro Ursula Margarete Wilhelm Nieto David Ricardo Suárez Cortazar	Deputy Managing Director of Investment Banking and Structured Financing Deputy Managing Director of Treasury Deputy Managing Director of Planning and Private Banking Deputy Managing Director of Investor Relations

Between February and April 2011, the organizational structure continues to be strengthened by the appointment of the following executives as General Deputy Directors of different areas:

General Deputy Directors of GFNORTE		
Area	**Name**	**Position**
Bank	Concepción Guadalupe Borjón Shears	General Deputy Director of Branch and Client Management
Global Markets	Alejandro Eric Faesi Puente	General Deputy Director of Global Markets
Corporate Services	Gerardo Valdés Manzano Jorge Eduardo Vega Camargo Karina González	General Deputy Director of Human Resources General Deputy Director of Comptroller General Deputy Director of Call Center
Risk Management	Rafael Angel Hinojosa Cárdenas	General Deputy Director of Loan Administration
Asset Recovery	Roberto Galarza Sacramento	General Deputy Director of Real Estate
Business	Jesús Fernando Martínez Celis Saldaña Armando Melgar Samperio Carlos Rafael Arnold Ochoa Osvaldo Brondo Menchaca	General Deputy Director of Management General Deputy Director of Business General Deputy Director of Specialty Banks General Deputy Director of Corporate Business
Legal	Federico Santos Cernuda Armando Rivero Laing	General Deputy Director of Legal for Wholesale Banking General Deputy Director of Legal Litigation

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

SUMMARY OF RESULTS

Mexico D.F. April 28th, 2011. Grupo Financiero Banorte (GFNORTE) announced today its operating results to closing of March 2011. For a seventh consecutive quarter, GFNORTE has increased profits, reaching Ps 1.82 billion, a 15% YoY and 3% QoQ growth. The bank contributed 80% of these profits, reaching Ps1.459 billion.

The return on equity (ROE) for 1Q11 was 15.5% and the return on assets (ROA) 1.2%, higher compared to the 15.2% and 1.1% reported a year ago, respectively.

Deposits and Net Interest Income

Core deposits grew by 10% YoY, mainly driven by growth in demand deposits and retail time deposits, increasing from Ps 212 billion in 1Q10 to Ps 234 billion in 1Q11.

In 1Q11 the new Accounting Criteria A-2 for the consolidation of Insurance and Annuities companies came into effect. As a result, Net Interest Income for 1Q11 shows a net impact of Ps 325 million. During the first quarter of this year, Net Interest Income increased to Ps 6.28 billion, a 13% YoY and a 5% QoQ increase, driven by growth in loan volumes.

Loan Portfolio

At closing of 1Q11, Performing Loans increased by 14% YoY and 3% QoQ, reaching a balance of Ps 270.2 billion. For the fourth consecutive quarter the loan portfolio shows continuous growth; most of the segments (except for Credit cards) show positive quarterly growth as a result of the bank's strategies to reactivate loan originations and take advantage of a more favorable economic environment. In following months, the favorable trends of credit growth in the banking industry are expected to continue.

Government loans increased by 25% YoY and 8% QoQ, reaching Ps 51.3 billion being the main driver of loan growth during the last months. This is due to the promotional efforts carried out by the business area, , its specialization and the creation of products and services that offer comprehensive solutions to the financial needs of their clients. **Consumer loans** increased by 13% YoY and 3% QoQ. **Mortgages** maintained its favorable trends, finishing the quarter with a balance of Ps 57.0 billion, a 13% YoY and 2% QoQ increase, which consolidates Banorte as the number two bank with the most important growth in new volumes for this segment. Payroll loans reached a balance of Ps 9.4 billion, a growth of 36% YoY and 11% QoQ, as a result of campaigns to promote the payroll loan product and the strategy to promote new loan sales. Car loans increased by 12% YoY and 3% QoQ, as a result of promotional campaigns for the product and a recovery in car sales in the country. Credit cards declined 3% YoY and 2% QoQ, reaching a balance of Ps 10.9 billion, as a result of write-offs applied to this portfolio and more payments from clients. The **Corporate portfolio** was Ps 45.7 billion, a 17% YoY and 3% QoQ growth due to the reactivation of loans in this sector. **Commercial loans** totaled Ps 87.4 billion, a 9% YoY increase driven by growth in the placement of business loans, leasing and factoring and the reactivation of the Crediactivo product. It has a slight decline compared to 4Q10, mainly as a result of the reduction in loan placement that happens at the beginning of each year caused by seasonal effects and the contraction presented at the INB's commercial loan portfolio.

The Group continues to show improvement in asset quality, by showing a reduction of the NPL Ratio from 2.5% to 2.3% annually, one of the lowest in the financial system. Grupo Financiero Banorte ended 1Q11 with a NPLNPL balance of Ps 6.5 billion, 6% higher than in 1Q10 and a (2%) decline compared to 4Q10.

The Group's reserve coverage was 139% at closing of 1Q11, higher compared to the 122% of 1Q10.

Efficiency

The Efficiency Ratio for 1Q11 was 52.2%, increaing by 0.4 pp; higher than the level registered last year due to a greater pace of growth in expenses compared to growth in Total Income.

Capitalization

The Capitalization Ratio was 16.1% at closing of 1Q11, with a Tier 1 ratio of 12.2%. This solid level of capital will allow Banorte to take advantage of quality growth opportunities.

Other Subsidiaries

The contribution to profits from the **Long Term Savings sector**, which includes the AFORE, Insurance and Annuities companies, was of Ps128 million for 1Q11, a 4% YoY increase. In 2011, **Other Finance Companies** comprised of Factoring & Leasing as well as Warehousing, registered profits of Ps 150 million, a 41% increase YoY. The **Broker Dealer** (Brokerage House) **Sector** reported profits in 1Q11 of Ps 97 million, a 25% YoY growth.

Relevant Events of the Quarter

In 1Q11, Banorte continued its efforts to strengthen its fundamentals and emerge a more solid institution that will take advantage of growth opportunities under a more favorable economic environment despite growing competition. These efforts are reflected in the following events:

1. Merger between Grupo Financiero Banorte and Ixe Grupo Financiero (Ixe).

During the quarter, a series of material events related to the merger process between GFNorte and Ixe were registered.

On April 15th, 2011 the merger became effective when the authorization and the merger agreements with Ixe were registered in the Public Registry of Commerce in Monterrey, Nuevo León.

In order to carry out the capital stock increase and share exchange, that same day GFNORTE:

i. Increased the variable portion of its capital stock by Ps 1,078,035,819.00 (one billion seventy-eight million thirty-five thousand eight hundred nineteen 00/100 Mexican Pesos), by issuing 308,010,234 (three hundred eight million ten thousand two hundred thirty-four) Series "O" common shares with a nominal value of Ps 3.50 (three Pesos 50/100 Mexican Pesos) each, considering an exchange ratio of 0.3889943074 GFNorte shares per Ixe share;

ii. Replaced all of its outstanding shares in circulation with new securities representing the total shares issued by GFNorte, including those issued as a result of the capital stock increase resulting from the merger, through S.D. Indeval, Institución para el Depósito de Valores S.A. de C.V.; and

iii. Carried out the exchange of Ixe's shares for GFNorte's shares, according to the conditions approved by the Shareholders' Assemblies, which established that once the merger came into effect, Ixe shareholders would receive through S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., 300,420,101 (three hundred million four hundred twenty thousand one hundred one) shares to be distributed in proportion to shareholdings of each Ixe shareholder, and GFNorte would deliver the remaining 7,590,133 (seven million five hundred ninety thousand one hundred thirty-three) shares to an irrevocable Trust to be held between GFNorte, acting as Trustor and as Primary Trustee and The Bank of New York Mellon,S.A. Institución de Banca Múltiple, as Fiduciary; and all of IXE's shareholders would be appointed as Secondary Trustees, as established in the Trust. The shares will be deposited in the Trust for a period of 12 months as of April 15th, 2011, and could be used to cover certain contingencies that could arise during the merger process. At the end of this term, the shares held in trust will be delivered to each Ixe shareholder proportionally to their shareholdings in Ixe Grupo Financiero at the time of the share exchange.

iv. Requested the cancellation of securities issued by Ixe, as a result of the merger.

GFNORTE's capital stock, as of that date, is composed as follows:

	No. of previous shares	No. of shares issued	No. of actual shares
Fixed	252,157,233		252,157,233
Variable	1,766,190,315	308,010,234	2,074,200,549
Total Capital Stock	2,018,347,548		2,326,357,782

During the quarter, the following authorizations were obtained to carry out the merger:

- National Banking and Securities Commission (CNBV) - On April 15th, the CNBV authorized to update the registration of shares issued by GFNORTE as a consequence of the capital increase resulting from the merger
- Shareholders' Assemblies – On March 30th, 2011, GFNorte's Shareholders' Assembly voted by a majority in favor to merge with Ixe Grupo Financiero, thereby receiving the authorization by this corporate body. Since the Shareholders' Meeting of Ixe Grupo Financiero also approved the merger on that date, both institutions join as a single group on that date under the name of "Grupo Financiero Banorte, S. A. B. de C. V.".

- Ministry of Finance and Public Credit (SHCP) - On March 8th, 2011, according to Article 10 of the Law to Regulate Financial Groups and with the prior positive opinion from the National Banking and Securities Commission (CNBV) and the Bank of Mexico (Banxico), SHCP authorized, through the communiqué UBVA / 012 / 2011, the merger of Grupo Financiero Banorte as the merging entity and Ixe as the merged entity, in accordance to the terms and conditions of the proposals presented to SHCP regarding the Shareholders' Assemblies and the merger agreement. Antitrust Commission (COFECO) - On February 3rd, 2011 COFECO authorized the concentration, through a merger of the twoFinancial Groups, since the concentration ratios resulting from the transaction between GFNORTE and Ixe in the markets where they have joint operations (banking and credit services, brokerage, investment and leasing companies) are within the thresholds established by the COFECO to be considered with low risks of antitrust practices and, therefore, it is not anticipated that the transaction may have adverse effects on competitors and on free competition.

2.The rating agency Standard & Poor's ratified Banorte's rating

On March 22nd, 2011 the rating agency Standard and Poor's ("S&P") affirmed its rating for Banco Mercantil del Norte S.A with a "Stable" outlook, and affirmed the BBB - / A-3 global scale counterparty credit and certificate of deposit ratings. It also affirmed the BBB – rating of Banorte's Senior Unsecured Debt. This report was the result of an analysis made by the rating agency on the current performance of the Bank and its business perspectives after the merger of Grupo Financiero Banorte with Ixe Grupo Financiero. In relation to the merger with Ixe, S&P estimates that Banorte's above-average business profile and its increasing market position with a penetration strategy, will provide the merged bank with more geographical and customer diversification. In 2011, Banorte will continue its moderate and cautious growth strategy to adequately adapt to the merger and to maintain its asset quality, continuing Banorte's conservative underwriting practices and a favorable macroeconomic outlook for Mexico in 2011.

3.The rating agency Fitch confirmed its rating for GFNorte and upgrades ratings of Ixe Grupo Financiero and its subsidiaries

In April, the rating agency Fitch confirmed Grupo Financiero Banorte's with a "Stable" outlook ratifying the rating of "BBB". This confirmation reflects Fitch's opinion that there will be a moderate effect on GFNorte's financial profile, since the merger with Ixe Grupo Financiero (Ixe GF) was completed under a shares exchange mechanism, and because it did not involve any cash disbursement, there will be no negative impact to GFNorte's liquidity and capitalization profiles. Fitch also upgraded Ixe GF's national scale rating from "A-(mex) to AA+" and those of its subsidiaries to align them with the GFNorte's ratings. Fitch withdrew Ixe GF's ratings since the merger became effective on April 15th.

4.Banorte formalizes strategic alliance with Cardtronics to add 2,000 ATMs its existing network

On March 30th, Banorte and Cardtronics reached an agreement in order to integrate 2,000 ATMs into GFNorte's existing network. With this strategic alliance, and the merger of Ixe in GFNorte, it will have one of the largest ATM networks in Mexico, offering clients from Banorte and Ixe access to more than 7,000 ATMs free of service fees, by yearend.

The implementation will be carried out in two phases: first, 1,000 ATMs will be installed between April and May 2011, and the remaining 1,000 ATMs will be enabled during the second half of this year. Therefore, this Alliance with Cardtronics will allow Banorte to continue its ongoing technological expansion.

The alliance with Cardtronics will start operations once the National Banking and Securities Commission (CNBV) authorizes the agreement.

5.Roberto Gonzalez Barrera was appointed as Chairman Emeritus of Grupo Financiero Banorte's Board of Directors and Guillermo Ortiz Martinez as Chairman of the Board of Directors.

On February 18th the Shareholders' Assembly approved by a majority of 86% to appoint Roberto Gonzalez Barrera as Chairman Emeritus of the Group and Guillermo Ortiz Martinez as Chairman and Related Proprietary Member of the Board of Directors. These changes are part of the institutionalization of the Group and its corporate organs. Roberto Gonzalez Barrera, as well as being a majority shareholder of the Financial Group and main contributor during its most important era of development, also has a wide experience in the Mexican business sector, being the majority shareholder and Chairman of the Board of Directors of Grupo Maseca. Guillermo Ortiz Martinez has an extensive professional trajectory in the Mexican and international financial and banking system, having served as Governor of the Bank of Mexico, Minister of Mexico's Finance and Public Credit, Minister of Communications and Transportation, Undersecretary of Finance and Credit Public and Director at the International Monetary Fund (IMF).

6.Payment of a cash dividend corresponding to the 2009 fiscal year.

The Ordinary General Shareholders' Meeting held on February 18th approved to distribute a cash dividend of Ps $ 0.17 pesos per share paid on February 28th2011. In the Annual General Shareholders' Meeting to be held on April 29th, a proposal will be presented to distribute a cash dividend of Ps $ 0.18 pesos per share to be paid in May 2011. These two payments correspond to the second and third payments in order to cover the total of Ps $

0.52 per share, which was the total amount of the dividend corresponding to profits for 2009 decreed by the Shareholders' Assembly in October 2010.

7.Sale of Gruma's Stock in GFNorte.
On February 14th, GFNorte announced the sale of 161,405,905 (one hundred sixty-one million four hundred five thousand nine hundred five) shares, excluding the over-allotment option, at a price of Ps $ 52.00 (fifty-two 00/100 Mexican Pesos) per common share through an international offering and a public offering in Mexico by the selling shareholder Gruma, S. A. B. de C. V. (GRUMA). GFNORTE also informed that the Mexican and International underwriters decided to exercise the over-allotment option fully on February 11th, 2011, as a result of this, all of the shares included in the Global Offering were settled on February 15th, 2011. Consequently,, the total proceeds from the Offering of 177,546,496 (one hundred seventy-seven million five hundred forty-six thousand four hundred ninety-six) shares were delivered to the selling shareholder GRUMA. Following the offering and the exercise of the over-allotment option by the initial purchasers and the Mexican underwriters, GRUMA no longer owns any of GFNorte's share capital. The offering in Mexico was carried out through the Mexican Stock Exchange (BMV), while the international offering was carried out in the United States under Rule 144A of the U.S. Securities Act of 1933 and outside the United States under Regulation S of the same Securities Act and in accordance to applicable legislation in jurisdictions where the international offering was carried out. The common shares offered in the international Offering were not registered under the Securities Act of 1933, and were not offered or sold in the United States without registration or an applicable exemption from registration requirements.

8.Fund Pro awards the best investment funds in Mexico in 2010.
On March 16th, Fund Pro Platinum Performance Award 2010 recognized NTEGUB as one of the best Debt Mutual Funds in the category of Non Taxable Short Term Debt. Once again Banorte demonstrates its commitment to clients by offering competitive products and services.

The Mexican banking system operates in a complex environment of low interest rates and stricter regulations that impacts in an important way the results of banks. Notwithstanding, the Mexican economy shows signs of recovery in a country that offers significant opportunities to the financial sector even with a low level of banking compared to other countries. In this context, Banorte has evolved with agility and strength as a Mexican bank resolved to continue along the same path, maintaining a solid capital base, ensuring the quality of assets, service to families and Mexican companies and growing in importance as a financial intermediary in the market.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

HOLDING

Holding – INCOME STATEMENT *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	Accum. 2010	1Q11	2Q11	3Q11	4Q11	Accum. 1Q11
Income Subsidiaries & Other	1,589	1,664	1,736	1,744	6,734	1,834				1,834
Interest Income	2	2	2	2	7	2				2
Interest Expense	-	-	-	-	-	-				-
Fees & Tariffs	-	-	-	-	-	-				-
Trading Income	-	-	-	-	-	-				-
Other Operating Income and Expenses	-	-	-	-	-	-				-
Monetary Position REPOMO	-	-	-	-	-	-				-
Admin & Promotion Expense	3	4	3	3	14	4				4
Pre-tax Income	1,588	1,662	1,735	1,742	6,727	1,831				1,831
Income Tax & Profit Sharing	-	-	-	-	-	-				-
Tax on Assets	-	-	-	-	-	-				-
Deferred Income Tax & PS	-	-	-	-	-	-				-
	-	-	-	-	-	-				-
Income Before Discontinued Operations	1,588	1,663	1,734	1,743	6,727	1,831				1,831
Discontinued Items	-	-	-	-	-	-				-
Total Net Income	1,588	1,663	1,734	**1,743**	**6,727**	1,831				1,831

Holding – BALANCE SHEET *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
ASSETS								
Cash & Due from Banks	145	147	346	149	126			
Margin Accounts	-	-	-	-	-			
Investment in Securities	-	-	-	-	-			
Sundry Debtors & Other Accts Receivable, net	8	7	6	6	6			
Real Estate, Furniture & Equipment, net	-	-	-	-	-			
Investments in Subsidiaries	42,806	43,521	44,328	46,866	48,331			
Deferred Taxes	1	2	1	2	1			
Goodwill	33	31	29	28	31			
Other Assets, Deferred Charges & Intangibles	-	-	-	-	-			
TOTAL ASSETS	**42,993**	**43,708**	**44,710**	**47,051**	**48,496**			
LIABILITIES								
Due to Banks & Correspondents	-	-	-	-	-			
Income Tax & Profit Sharing	-	-	-	-	-			
Other Accounts Payable	1	8	1	-	-			
Deferred Taxes	-	-	-	-	-			
TOTAL LIABILITIES	**1**	**8**	**1**	**-**	**-**			
STOCKHOLDER´S EQUITY								
Paid-in Capital	12,020	12,019	12,019	12,020	12,019			
Premium of Share Subscription & Issuance	2,246	2,246	2,246	2,247	2,248			
Subordinated Convertible Debt	-	-	-	-	-			
Subscribed Capital	**14,266**	**14,266**	**14,266**	**14,266**	**14,267**			
Capital Reserves	3,178	3,172	3,174	3,181	3,165			
Retained Earnings	26,153	25,817	25,811	25,457	31,499			
Surplus (Deficit) from Valuation of Securities	521	532	406	633	562			
Mark To Market of Securities	(1,766)	(2,628)	(3,097)	(2,215)	(1,615)			
Results from Conversions of Foreign Ops	(946)	(710)	(835)	(1,000)	(1,213)			
Surplus (Deficit) in Capital Restatement	-	-	-	-	-			
Results of Non Monetary Fixed Assets	-	-	-	-	-			
Results of Non Monetary Investment Assets	-	-	-	-	-			
Adjustments in the Employees' Liabilities	-	-	-	-	-			
Net Income	1,588	3,250	4,984	6,727	1,831			
Earned Capital	**28,727**	**29,434**	**30,443**	**32,784**	**34,229**			
Total Stockholder´s Equity	**42,993**	**43,699**	**44,709**	**47,051**	**48,496**			
TOTAL LIABILITIES & EQUITY	**42,993**	**43,708**	**44,710**	**47,051**	**48,496**			

Holding – MEMORANDUM ACCOUNTS *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Securities held under Custody	3,716	3,716	3,716	3,716	3,716			
Other Registration Accounts	1	1	1	-	-			
	3,717	**3,717**	**3,717**	**3,716**	**3,716**			

BANORTE

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Income Statement -GFNorte (Million Pesos)	1Q10	1Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	2010	3M11
Interest Income	10,510	10,793	10,944	10,979	11,299	-	-	-	43,226	11,299
Interest Expense	5,083	5,366	5,381	5,139	5,058	-	-	-	20,969	5,058
Charged Fees	163	140	137	179	159	-	-	-	619	159
Fees Paid	28	34	39	43	35	-	-	-	144	35
Net Interest Income (NII)	**5,562**	**5,533**	**5,661**	**5,976**	**6,365**	**-**	**-**	**-**	**22,732**	**6,365**
Premium Income (Net)	-	-	-	-	3,622	-	-	-	-	3,622
Net Increase in Technical Reserves	-	-	-	-	2,319	-	-	-	-	2,319
Damages, Claims and Other Obligations	-	-	-	-	1,391	-	-	-	-	1,391
Net Interest Income (NII)	**5,562**	**5,533**	**5,661**	**5,976**	**6,277**	**-**	**-**	**-**	**22,732**	**6,277**
Monetary Positions Net Interest Income	-	-	-	-	-	-	-	-	-	-
Net Interest Income (NII)	**5,562**	**5,533**	**5,661**	**5,976**	**6,277**	**-**	**-**	**-**	**22,732**	**6,277**
Preventive Provisions for Loan Losses	1,772	1,337	1,905	1,876	1,338	-	-	-	6,889	1,338
Net Interest Income Adjusted for Credit Risk	**3,790**	**4,196**	**3,756**	**4,100**	**4,940**	**-**	**-**	**-**	**15,843**	**4,940**
Fees for Commercial and Mortgage Loans	-	6	4	4	3	-	-	-	13	3
Fund Transfers	92	102	96	98	92	-	-	-	389	92
Account Management Fees	242	254	256	265	255	-	-	-	1,018	255
Fiduciary	70	80	75	90	75	-	-	-	316	75
Charged Fees to FOBAPROA	0	0	0	-	-	-	-	-	0	-
Other Fees	705	680	805	862	719	-	-	-	3,051	719
Income from Real Estate Portfolios	195	224	260	227	220	-	-	-	906	220
Electronic Banking Services	271	247	210	212	202	-	-	-	940	202
For Consumer and Credit Card Loans	616	617	659	709	701	-	-	-	2,601	701
Fees Charged on Services	**2,192**	**2,210**	**2,366**	**2,467**	**2,267**	**-**	**-**	**-**	**9,234**	**2,267**
Fund transfers	8	7	7	8	10	-	-	-	29	10
Other Fees	375	354	382	408	568	-	-	-	1,519	568
Fees Paid on Services	**382**	**361**	**389**	**416**	**578**	**-**	**-**	**-**	**1,548**	**578**
Foreign Exchange	189	193	175	146	173	-	-	-	703	173
Securities-Realized Gains	265	188	45	30	132	-	-	-	527	132
Securities-Unrealized Gains	131	199	111	18	212	-	-	-	458	212
Trading Income	**585**	**580**	**331**	**193**	**517**	**-**	**-**	**-**	**1,689**	**517**
Loan Recoveries	241	233	233	905	257	-	-	-	1,612	257
Income from purchased assets	36	34	18	22	27	-	-	-	110	27
Other Operating Income	10	11	(3)	3	120	-	-	-	21	120
Other Operating Expense	(1)	(1)	(1)	(1)	(148)	-	-	-	(4)	(148)
Repomo not related to Net Interest Income	-	-	-	-	-	-	-	-	-	-
Revaluation Result not related to Net Interest Income	-	-	-	-	-	-	-	-	-	-
Other Operating Income	125	208	406	901	182	-	-	-	1,639	182
Other Recoveries	71	54	106	10	131	-	-	-	240	131
Other Operating Expense	(178)	(240)	(116)	(764)	(255)	-	-	-	(1,298)	(255)
Other Operating Income (Expense) from Insurance and Annuities	-	-	-	-	113	-	-	-	-	113
Total Non Interest Income	**2,698**	**2,727**	**2,949**	**3,321**	**2,632**	**-**	**-**	**-**	**11,696**	**2,632**
Total Operating Income	**6,489**	**6,924**	**6,705**	**7,421**	**7,572**	**-**	**-**	**-**	**27,539**	**7,572**
Personnel	1,722	1,739	1,688	1,929	1,666	-	-	-	7,077	1,666
Employee Profit Sharing (PTU)	211	217	198	210	235	-	-	-	837	235
Professional Fees	310	346	298	460	528	-	-	-	1,414	528
Administrative and Promotional Expenses	1,106	1,271	1,249	1,365	1,204	-	-	-	4,991	1,204
Rents, Depreciation & Amortization	552	557	582	515	608	-	-	-	2,206	608
Taxes other than income tax & non dedxxx expenses	220	200	210	263	314	-	-	-	893	314
Contributions to IPAB/Fobaproa	276	283	284	293	302	-	-	-	1,136	302
Prorated Cost Recoveries among subsidiaries	(0)	0	(0)	0	0	-	-	-	0	0
Reimbursements	(207)	(221)	(214)	(221)	(206)	-	-	-	(863)	(206)
Total Non Interest Expense	**4,189**	**4,391**	**4,296**	**4,815**	**4,653**	**-**	**-**	**-**	**17,691**	**4,653**
Operating Income	**2,299**	**2,532**	**2,410**	**2,606**	**2,919**	**-**	**-**	**-**	**9,847**	**2,919**
Subsidiaries' Net Income	95	74	115	37	(14)	-	-	-	320	(14)
Pre-Tax Income	**2,394**	**2,606**	**2,525**	**2,643**	**2,905**	**-**	**-**	**-**	**10,167**	**2,905**
Income Tax	578	888	590	679	827	-	-	-	2,735	827
Profit Sharing	-	-	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Income Tax	80	(89)	39	41	21	-	-	-	70	21
Taxes	**659**	**798**	**628**	**720**	**847**	**-**	**-**	**-**	**2,805**	**847**
Net Income from Continuos Operations	**1,735**	**1,808**	**1,896**	**1,923**	**2,058**	**-**	**-**	**-**	**7,362**	**2,058**
Extraordinary Items, net	-	-	-	-	-	-	-	-	-	-
Minority Interest	(155)	(151)	(185)	(165)	(244)	-	-	-	(657)	(244)
Net Income	**1,580**	**1,656**	**1,711**	**1,758**	**1,815**	**-**	**-**	**-**	**6,705**	**1,815**

BANORTE

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNorte - Balance Sheet *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
ASSETS								
Cash and Due from Banks	**58,325**	**59,003**	**67,143**	**62,497**	**62,312**	**-**	**-**	**-**
Margin Accounts	**46**	**90**	**171**	**177**	**178**	**-**	**-**	**-**
Negotiable Instruments	44,335	81,412	57,653	66,181	79,300	-	-	-
Securities Available for Sale	12,836	12,376	11,950	12,288	14,006	-	-	-
Securities Held to Maturity	173,072	156,368	149,165	139,913	159,898	-	-	-
Investment in Securities	**230,243**	**250,155**	**218,768**	**218,382**	**253,204**	**-**	**-**	**-**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debtor Balance in Repo Trans,net	**3**	**2**	**5**	**583**	**3,576**	**-**	**-**	**-**
Securities Lending	**-**	**-**	**0**	**-**	**0**	**-**	**-**	**-**
For trading purposes	4,963	7,695	10,502	7,463	5,756	-	-	-
For hedging purposes	762	775	694	596	624	-	-	-
Operations w/Derivatives & Securities"	-	-	-	-	-	-	-	-
Transactions with Derivatives	**5,725**	**8,470**	**11,196**	**8,060**	**6,380**	**-**	**-**	**-**
Operations w/Derivatives & Securities	**5,728**	**8,471**	**11,201**	**8,643**	**9,956**	**-**	**-**	**-**
Commercial Loans	113,274	116,765	123,238	126,483	127,337	-	-	-
Financial Intermediaries´Loans	6,091	4,850	5,075	5,521	5,775	-	-	-
Consumer Loans	25,759	26,267	27,189	27,828	28,835	-	-	-
Mortgage Loans	51,082	52,843	54,336	56,168	57,348	-	-	-
Government Entities´Loans	41,003	41,222	44,443	47,550	51,271	-	-	-
Performing Loans	**237,210**	**241,948**	**254,280**	**263,549**	**270,564**	**-**	**-**	**-**
Commercial PDL´s	3,703	3,185	3,133	4,417	4,492	-	-	-
Financial Intermediaries PDL´s	-	-	-	-	-	-	-	-
Consumer PDL´s	1,565	1,551	1,418	1,276	1,312	-	-	-
Mortgage PDL´s	860	894	1,058	971	694	-	-	-
Government Entities PDL´s	-	-	-	-	-	-	-	-
Past Due Loans	**6,128**	**5,630**	**5,609**	**6,664**	**6,498**	**-**	**-**	**-**
Gross Loan Portfolio	**243,337**	**247,578**	**259,889**	**270,214**	**277,063**	**-**	**-**	**-**
Preventive Loan Loss Reserves	7,498	7,012	7,637	8,245	9,030	-	-	-
Net Loan Portfolio	**235,840**	**240,566**	**252,252**	**261,969**	**268,033**	**-**	**-**	**-**
Acquired Collection Rights	2,426	2,311	2,183	2,025	2,641	-	-	-
Acquired Collection Rights, Net	2,426	2,311	2,183	2,025	2,641	-	-	-
Total Credit Portfolio	**238,266**	**242,877**	**254,435**	**263,994**	**270,674**	**-**	**-**	**-**
Account Receivables from Insurance and Annuities	-	-	-	-	887	-	-	-
Premium Debtors (Net)	-	-	-	-	2,186	-	-	-
Account Receivables from Reinsurance	-	-	-	-	2,503	-	-	-
Benef.receivab.securization transactions	406	411	405	950	959	-	-	-
Sundry Debtors & Other Accs Rec, Net	12,288	15,527	12,859	10,864	15,810	-	-	-
Inventories	111	35	39	49	40	-	-	-
Foreclosed Assets, Net	911	1,413	1,584	809	821	-	-	-
Real Estate, Furniture & Equipment, Net	8,678	8,873	8,894	9,316	9,389	-	-	-
Investment in Subsidiaries	3,222	3,283	3,163	3,130	1,384	-	-	-
Deferred Taxes, Net	1,287	1,377	1,345	1,339	1,555	-	-	-
Goodwill and Intangibles	4,418	4,476	4,414	4,503	4,145	-	-	-
Other Assets Short and Long Term	5,081	5,150	5,362	5,905	6,162	-	-	-
Other Assets	-	-	-	-	-	-	-	-
	36,403	40,545	38,065	36,865	45,840	-	-	-
TOTAL ASSETS	**569,012**	**601,140**	**589,783**	**590,558**	**642,164**	**-**	**-**	**-**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNorte - Balance Sheet (Million Pesos)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
LIABILITIES								
Demand Deposits	125,917	133,849	133,824	149,816	144,253	-	-	-
Time Deposits	-	-	-	-	-	-	-	-
Retail	140,573	137,364	141,075	132,673	145,896	-	-	-
Money Market	4,785	7,289	8,800	6,347	5,492	-	-	-
Senior Unsecured Debt	-	-	3,813	3,778	3,604	-	-	-
Deposits	**271,275**	**278,502**	**287,512**	**292,615**	**299,245**	**-**	**-**	-
Immediate Redemption Loans	1	2,516	2,949	4,837	3,519	-	-	-
Short Term Loans	13,037	10,795	12,347	13,114	15,084	-	-	-
Long Term Loans	7,524	7,408	7,347	8,496	6,517	-	-	-
Due to Banks & Correspondents	**20,562**	**20,719**	**22,644**	**26,447**	**25,120**	**-**	**-**	**-**
Technical Reserves	-	-	-	-	34,847	-	-	-
Non-assigned Securities for Settlement	268	3,781	1,262	-	402	-	-	-
Creditor Balance in Repo Trans, Net	191,073	202,328	177,601	178,747	182,245	-	-	-
Secs to be received in Repo Trans, Net	-	-	0	-	0	-	-	-
Repos (Credit Balance)	0	0	27	11	34	-	-	-
Securities' Loans	-	-	0	-	0	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	**0**	**0**	**27**	**11**	**34**	**-**	**-**	-
For trading purposes	4,773	7,552	10,235	7,238	5,564	-	-	-
For hedging purposes	3,423	4,738	4,779	3,499	2,630	-	-	-
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	**8,196**	**12,291**	**15,014**	**10,737**	**8,194**	**-**	**-**	-
Total Operations w/ Derivatives & Securities	**199,537**	**218,400**	**193,904**	**189,495**	**190,875**	**-**	**-**	**-**
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	-	-	-	-	502	-	-	-
Income Tax Payable	443	828	694	711	684	-	-	-
Profit Sharing Payable	249	436	621	797	262	-	-	-
Provision for future capital increase (not formalized by its governing entity)	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	2,523	6,146	7,235	867	5,827	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	9,329	9,930	9,686	9,871	12,049	-	-	-
Other Payable Accounts	**12,544**	**17,340**	**18,237**	**12,246**	**18,821**	**-**	**-**	**-**
Subordinated Non Convertible Debt	17,838	18,039	18,005	17,803	17,636	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	1,600	1,662	1,699	1,725	1,447	-	-	-
TOTAL LIABILITIES	**523,356**	**554,662**	**542,001**	**540,331**	**588,494**	**-**	**-**	**-**
EQUITY								
Paid-in Capital	11,961	11,959	11,965	11,971	11,968	-	-	-
Provision for future capital increase (not formalized by its governing entity)	-	-	-	-	-	-	-	-
Share Subscription Premiums	1,545	1,534	1,596	1,673	1,680	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	**13,506**	**13,493**	**13,561**	**13,644**	**13,647**	**-**	**-**	**-**
Capital Reserves	3,178	3,172	3,174	3,181	3,165	-	-	-
Retained Earnings	26,188	25,852	25,846	25,492	31,524	-	-	-
Surplus (Deficit) of Secs Available for Sale	233	304	298	309	325	-	-	-
Results from Valuation of Hedging Secs	(1,766)	(2,628)	(3,097)	(2,215)	(1,615)	-	-	-
Results from Conversions	(946)	(710)	(835)	(1,000)	(1,213)	-	-	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Results of Non Monetary Fixed Assets	-	-	-	-	-	-	-	-
Resultos of Non Monetary - Investment Assets	-	-	-	-	-	-	-	-
Adjustments in the Employee´s Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	1,580	3,236	4,947	6,705	1,815	-	-	-
Earned Capital	**28,466**	**29,226**	**30,333**	**32,473**	**34,001**	**-**	**-**	**-**
Minority Interest	3,683	3,759	3,889	4,110	6,022	-	-	-
Total Equity	**45,655**	**46,479**	**47,783**	**50,227**	**53,670**	**-**	**-**	**-**
TOTAL LIABILITIES & EQUITY	**569,012**	**601,140**	**589,783**	**590,558**	**642,164**	**-**	**-**	**-**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

***GFNORTE* – MEMORANDUM ACCOUNTS** *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
On behalf of Third Parties								
Customer's Banks	12	39	30	9	10			
Dividends Receivable from Customers	-	-	-	-	-			
Interest Receivable from Customers	-	-	-	-	-			
Settlement of Customer Transactions	18	(377)	(9)	1	(10)			
Customer Premiums	-	-	-	-	-			
Settlement with Clients' Foreign Currency	-	-	-	-	-			
Margin Accounts in Futures' Operations	-	-	-	-	-			
Other Current Accounts	-	-	-	-	-			
Customers' Current Account	**30**	**(338)**	**21**	**10**	**(1)**			
Client Securities Received in Custody	150,022	147,609	159,547	172,922	180,623			
Securities and Documents Received in Guarantee	-	-	-	-	-			
Client Securities Abroad	-	-	-	-	-			
Clients' Securities	**150,022**	**147,609**	**159,547**	**172,922**	**180,623**			
Clients' Repurchase Operations	30,034	41,531	35,774	28,647	41,790			
Clients' Repo Transactions w/ Securities	-	-	46	-	-			
Purchase of Futures & Forward Contracts, notional	-	-	-	-	-			
Sale of Futures and Forward Contracts, notional	-	-	-	-	-			
Clients' Option Purchase Operations	-	-	-	-	-			
Clients' Option Sales Operations	-	-	-	-	-			
Purchase and sale of Derivatives' Packages	-	-	-	-	-			
Trusts And under Administration	4,099	4,087	4,761	4,348	5,176			
Transactions On Behalf of Clients	**34,133**	**45,618**	**40,582**	**32,996**	**46,966**			
Investment bank Trans on Behalf of Third	**72,539**	**76,771**	**71,427**	**78,069**	**69,252**			
TOTAL ON BEHALF OF THIRD PARTIES	**256,724**	**269,661**	**271,577**	**283,997**	**296,841**			
Loan Obligations	2,421	3,899	4,521	3,155	3,605			
Trusts	113,540	108,022	116,516	122,628	127,790			
Mandates	2,097	2,185	2,188	2,096	2,151			
Properties in Trusts and Warrant	115,637	110,207	118,705	124,723	129,941			
Properties in Custody or Administration	210,338	212,782	233,666	230,140	264,064			
Collateral Received	34,792	69,187	76,017	62,224	93,783			
Collateral Received or sold	36,082	45,596	51,787	36,195	63,319			
Drafts in Transit	-	-	-	-	-			
Certificates of Deposits in Circulation	1,632	1,491	1,184	2,429	2,310			
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-			
Securities to the Corporation for Custody	-	-	-	-	-			
Government Secs of the Corp under Custody	-	-	-	-	-			
Securities of the Corp given as Guarantee	-	-	-	-	-			
Securities of the Corp Abroad	-	-	-	-	-			
Settlement with FX of the Corp Abroad	-	-	-	-	-			
Debts with the Contingency Fund	-	-	-	-	-			
Contingent Assets & Liabilities	272	264	258	256	255			
Uncollected Accrued Interest from Past Due Loans	161	152	146	136	139			
Investments of Retirement Savings Funds	-	-	-	-	-			
Integration of the Credit Portfolio	-	-	-	-	-			
Amounts Contracted in Derivatives	-	-	-	-	-			
Other Registration Accounts	-	-	-	-	-			
Proprietary Transactions	**401,335**	**443,579**	**486,284**	**459,258**	**557,416**			
Repo Securities to be Received	-	-	-	-	-			
(Minus) Repurchase Creditors	-	-	-	-	-			
Repurchase Transactions	**-**	**-**	**-**	-	**-**			
Repurchase Debtors	-	-	-	-	-			
(Minus) Repo Securities to be Delivered	-	-	-	-	-			
Repurchase Transactions	**-**	**-**	**-**	-	**-**			
TOTAL PROPRIETARY	**401,335**	**443,579**	**486,284**	**459,258**	**557,416**			

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNORTE **- CONSOLIDATED STATEMENT OF CASH FLOW JANUARY 1, 2011 –MARCH 31, 2011** *(Million Pesos)*	
Cash Flow from Operating Activities	
Net Income	**1,815**
Items charged to results that do not generate or require use of resources	
Depreciation	318
Technical Reserves	2,319
Provisions	(1,199)
Income taxes and deferred	847
Consolidation of the the Long Term Saving Sector	3,404
Minority Interest	257
	5,946
	7,761
Change in items related to operations:	
Change in Margin Accounts	(1)
Change in Invesment in Securities	(35,161)
Change in repo debtors	(2,993)
Change in derivatives (assets)	1,708
Changein Loan Portfolio (net)	(6,484)
Change in purchased receivables (net)	(616)
Change in accounts receivable insurance and bonding institutions (net)	(887)
Change in debtor premiums	(2,186)
Change in Reinsurance	(2,503)
Change in benefits to receive from securitizations	(9)
Change in foreclosed assets (net)	(23)
Change in other operating assets (net)	(1,966)
Change in core deposits	7,462
Change in interbank loans and other entities	(1,325)
Change in repo creditors	3,899
Change in collateral pledged sold	24
Change in derivatives (liability)	(1,673)
Change in Technical Reserves (net)	32,528
Change in Reinsurance (net) (liability)	502
Change in subordinated debt with characteristics of liabilities	(157)
Change in other operating liabilities	7,850
Change in hedging instruments (the related hedged transaction activities)	(897)
Pago de Impuestos a la utilidad	(1,074)
Net cash generated or used from operations	**3,779**
Investment Activities:	
Charges for disposal of property, furniture and equipment	12
Payments for acquisition of property, furniture and equipment	(425)
Subsidiaries and associated acquisitions charges	-
Subsidiaries and associated acquisitions payment	(3)
Charges for cash dividends	6
Net cash generated or used from investment activities	**(410)**
Financing Activities :	
Payments of cash dividends	(343)
Payments associated with the repurchase of proprietary shares	87
	(256)
Net Cash Increase (decrease)	**3,113**
Cash flow adjustments given exchange rate or inflation variations	**(138)**
Cash and cash equivalents at beginning of period	**59,337**
Cash and cash equivalents at end of period	**62,312**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNORTE – CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
JANUARY 1, 2011 – MARCH 31, 2011.
(Million Pesos)

	CONTRIBUTED CAPITAL	
	Fixed Paid-in Capital	**Premium from sale of securities**
Balance as of December 31, 2010	**11,971**	**1,673**
Changes stemming from stockholders' decisions		
Stock repurchases	(3)	6
Capitalization of profits	-	-
Dividends declared by the General Assembly of Shareholders on:		
- February 18, 2011	-	-
Total	**(3)**	**6**
Changes stemming from profits		
Total profits:		
Net Income	-	-
Result from valuation of securities available for sale	-	-
Effect of subsidiaries	-	1
Result from valuation of instruments of cash flow hedges	-	-
Total	**-**	**1**
Balance as of March 31, 2011	**11,968**	**1,680**

	EARNED CAPITAL							
	Capital Reser-ves	**Retained earnings**	**Valuation Effects of Securities Available for**	**Results from val of instrum Cash flow hedges**	**Results from Conversions**	**Net Income**	**Minority Interest**	**Total Stockholders´ Equity**
Balance as of December 31, 2010	**3,181**	**25,492**	**309**	**(2,214)**	**(1,000)**	**6,705**	**4,110**	**50,227**
Changes stemming from stockholder's decisions								
Stock repurchases	(16)	13	87	-	-	-	-	87
Application of profits	-	6,705	-	-	-	(6,705)	-	-
Dividends declared by the General Assembly of Shareholders on :								
- February 18, 2011	-	(343)	-	-	-	-	-	(343)
Total	**(16)**	**6,375**	**87**	**-**	**-**	**(6,705)**	**-**	**(256)**
Changes stemming from profits								
Total profits:								
Net Income	-	-	-	-	-	1,815	-	**1,815**
Result from valuation of securities available for sale	-	-	(71)	-	-	-	-	**(71)**
Effect of subsidiaries	-	6	-	-	(213)	-	-	**(206)**
Result from valuation of instruments of cash flow hedges	-	-	-	599	-	-	-	**599**
Change in the regulations of the classification of consumer loans		(349)	-	-	-	-	-	**(349)**
Total	**-**	**(343)**	**(71)**	**599**	**(213)**	**1,815**	**-**	**1,788**
Recognition of minority interest	-	-	-	-	-	-	1,912	**1,912**
Balance as of March 31, 2011	**3,165**	**31,524**	**325**	**(1,615)**	**(1,213)**	**1,815**	**6,022**	**53,671**

BANKING SECTOR

Income Statement-Banking Sector (Million Pesos)	1Q10	1Q10	3Q10	4Q10	1Q10	2Q11	3Q11	4Q11	2010	3M11
Interest Income	10,154	10,341	10,458	10,453	10,369	-	-	-	41,406	10,369
Interest Expense	4,941	5,166	5,166	4,907	4,818	-	-	-	20,180	4,818
Charged Fees	163	140	137	179	159	-	-	-	619	159
Fees Paid	28	34	39	43	35	-	-	-	144	35
Net Interest Income (NII)	**5,348**	**5,281**	**5,390**	**5,682**	**5,674**	**-**	**-**	**-**	**21,700**	**5,674**
Monetary Positions Net Interest Income	-	-	-	-	-	-	-	-	-	-
Net Interest Income (NII)	**5,348**	**5,281**	**5,390**	**5,682**	**5,674**	**-**	**-**	**-**	**21,700**	**5,674**
Preventive Provisions for Loan Losses	1,746	1,300	1,892	1,834	1,337	-	-	-	6,772	1,337
Net Interest Income Adjusted for Credit Risk	**3,602**	**3,980**	**3,498**	**3,848**	**4,337**	**-**	**-**	**-**	**14,928**	**4,337**
Fees for Commercial and Mortgage Loans	-	6	4	4	3	-	-	-	13	3
Fund Transfers	92	102	96	98	92	-	-	-	389	92
Account Management Fees	242	254	256	265	255	-	-	-	1,018	255
Fiduciary	65	73	68	81	70	-	-	-	288	70
Charged Fees to FOBAPROA	0	0	0	-	-	-	-	-	0	-
Other Fees	244	239	291	278	261	-	-	-	1,052	261
Income from Real Estate Portfolios	195	224	260	227	220	-	-	-	906	220
Electronic Banking Services	271	247	210	212	202	-	-	-	940	202
For Consumer and Credit Card Loans	616	617	659	709	701	-	-	-	2,601	701
Fees Charged on Services	**1,726**	**1,762**	**1,844**	**1,874**	**1,804**	**-**	**-**	**-**	**7,207**	**1,804**
Fund transfers	8	7	7	8	10	-	-	-	29	10
Other Fees	356	342	365	389	369	-	-	-	1,452	369
Fees Paid on Services	**364**	**348**	**372**	**397**	**379**	**-**	**-**	**-**	**1,481**	**379**
Foreign Exchange	189	193	175	146	173	-	-	-	703	173
Securities-Realized Gains	184	126	(10)	(14)	133	-	-	-	285	133
Securities-Unrealized Gains	133	193	115	17	(106)	-	-	-	459	(106)
Trading Income	**506**	**512**	**280**	**149**	**200**	**-**	**-**	**-**	**1,447**	**200**
Loan Recoveries	241	233	233	905	257	-	-	-	1,612	257
Income from purchased assets	36	34	18	22	27	-	-	-	110	27
Other Operating Income	9	10	(5)	2	119	-	-	-	15	119
Other Operating Expense	-	-	-	-	(146)	-	-	-	-	(146)
Repomo not related to Net Interest Income	-	-	-	-	-	-	-	-	-	-
Revaluation Result not related to Net Interest Income	-	-	-	-	-	-	-	-	-	-
Other Operating Income	102	124	401	826	184	-	-	-	1,453	184
Other Recoveries	70	46	102	8	130	-	-	-	227	130
Other Operating Expense	(154)	(157)	(105)	(743)	(157)	-	-	-	(1,159)	(157)
Other Operating Income (Expense) from Insurance and Annuities	-	-	-	-	-	-	-	-	-	-
Total Non Interest Income	**2,172**	**2,217**	**2,397**	**2,646**	**2,038**	**-**	**-**	**-**	**9,431**	**2,038**
Total Operating Income	**5,774**	**6,197**	**5,895**	**6,493**	**6,375**	**-**	**-**	**-**	**24,359**	**6,375**
Personnel	1,590	1,604	1,543	1,819	1,556	-	-	-	6,556	1,556
Employee Profit Sharing (PTU)	208	215	196	208	233	-	-	-	827	233
Professional Fees	292	330	296	465	439	-	-	-	1,382	439
Administrative and Promotional Expenses	1,032	1,184	1,202	1,269	1,144	-	-	-	4,687	1,144
Rents, Depreciation & Amortization	468	471	495	419	501	-	-	-	1,852	501
Taxes other than income tax & non dedxxx	192	174	182	227	242	-	-	-	775	242
Contributions to IPAB/Fobaproa	276	283	284	293	302	-	-	-	1,136	302
Prorated Cost Recoveries among subsidiaries	(54)	(56)	(98)	(64)	(79)	-	-	-	(273)	(79)
Reimbursements	(207)	(221)	(214)	(221)	(206)	-	-	-	(863)	(206)
Total Non Interest Expense	**3,795**	**3,983**	**3,887**	**4,415**	**4,132**	**-**	**-**	**-**	**16,080**	**4,132**
Operating Income	**1,979**	**2,214**	**2,008**	**2,078**	**2,243**	**-**	**-**	**-**	**8,279**	**2,243**
Subsidiaries' Net Income	49	44	77	52	47	-	-	-	222	47
Pre-Tax Income	**2,028**	**2,258**	**2,085**	**2,131**	**2,291**	**-**	**-**	**-**	**8,502**	**2,291**
Income Tax	507	812	483	629	642	-	-	-	2,431	642
Profit Sharing	-	-	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Income Tax	85	(92)	31	12	31	-	-	-	36	31
Taxes	**592**	**720**	**514**	**641**	**672**	**-**	**-**	**-**	**2,467**	**672**
Net Income from Continuos Operations	**1,435**	**1,538**	**1,571**	**1,490**	**1,618**	**-**	**-**	**-**	**6,035**	**1,618**
Extraordinary Items, net	-	-	-	-	-	-	-	-	-	-
Minority Interest	(0)	0	0	(0)	0	-	-	-	0	0
Net Income	**1,435**	**1,538**	**1,571**	**1,490**	**1,618**	**-**	**-**	**-**	**6,035**	**1,618**

(*) Afore is included in the Subsidiaries' net income.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Banking Sector - Balance Sheet (Million Pesos)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
ASSETS								
Cash and Due from Banks	**57,827**	**58,372**	**66,368**	**61,640**	**61,484**	**-**	**-**	**-**
Margin Accounts	**46**	**90**	**171**	**177**	**178**	**-**	**-**	**-**
Negotiable Instruments	37,673	68,872	47,916	57,321	63,510	-	-	-
Securities Available for Sale	13,674	13,169	12,505	12,907	14,488	-	-	-
Securities Held to Maturity	172,599	155,889	148,680	139,427	126,928	-	-	-
Investment in Securities	**223,947**	**237,930**	**209,102**	**209,655**	**204,925**	**-**	**-**	**-**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debtor Balance in Repo Trans,net	**2**	**0**	**4**	**11**	**3,173**	**-**	**-**	**-**
Securities Lending	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
For trading purposes	4,963	7,695	10,502	7,463	5,756	-	-	-
For hedging purposes	762	775	694	596	624	-	-	-
Operations w/Derivatives & Securities"	-	-	-	-	-	-	-	-
Transactions with Derivatives	**5,725**	**8,470**	**11,196**	**8,060**	**6,380**	**-**	**-**	**-**
Operations w/Derivatives & Securities	**5,727**	**8,470**	**11,200**	**8,070**	**9,553**	**-**	**-**	**-**
Commercial Loans	101,489	104,667	108,746	112,181	112,205	-	-	-
Financial Intermediaries´Loans	7,918	6,677	7,270	7,709	7,590	-	-	-
Consumer Loans	25,754	26,258	27,178	27,826	28,832	-	-	-
Mortgage Loans	51,082	52,843	54,336	56,168	57,348	-	-	-
Government Entities´Loans	40,995	41,216	44,435	47,549	51,270	-	-	-
Performing Loans	**227,239**	**231,660**	**241,964**	**251,434**	**257,246**	**-**	**-**	**-**
Commercial PDL´s	3,592	3,049	3,008	4,276	4,372	-	-	-
Financial Intermediaries PDL´s	-	-	-	-	-	-	-	-
Consumer PDL´s	1,565	1,551	1,418	1,276	1,312	-	-	-
Mortgage PDL´s	860	894	1,058	971	694	-	-	-
Government Entities PDL´s	-	-	-	-	-	-	-	-
Past Due Loans	**6,017**	**5,494**	**5,484**	**6,523**	**6,379**	**-**	**-**	**-**
Gross Loan Portfolio	**233,255**	**237,154**	**247,449**	**257,957**	**263,625**	**-**	**-**	**-**
Preventive Loan Loss Reserves	7,295	6,775	7,389	7,955	8,743	-	-	-
Net Loan Portfolio	**225,961**	**230,379**	**240,060**	**250,001**	**254,881**	**-**	**-**	**-**
Acquired Collection Rights	2,426	2,311	2,183	2,025	2,641	-	-	-
Acquired Collection Rights, Net	2,426	2,311	2,183	2,025	2,641	-	-	-
Total Credit Portfolio	**228,387**	**232,690**	**242,243**	**252,026**	**257,522**	**-**	**-**	**-**
Benef.receivab.securization transactions	406	411	405	950	959	-	-	-
Sundry Debtors & Other Accs Rec, Net	12,071	15,321	12,623	10,543	15,683	-	-	-
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	911	1,413	1,584	809	812	-	-	-
Real Estate, Furniture & Equipment, Net	7,296	7,458	7,474	7,768	7,703	-	-	-
Investment in Subsidiaries	1,369	1,401	1,443	1,407	1,457	-	-	-
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	1,374	1,469	1,449	1,493	1,722	-	-	-
Goodwill and Intangibles	4,230	4,289	4,224	4,314	3,956	-	-	-
Other Assets Short and Long Term	4,700	4,765	5,002	5,534	5,723	-	-	-
Other Assets	-	-	-	-	-	-	-	-
	32,356	36,526	34,203	32,818	38,016	-	-	-
TOTAL ASSETS	**548,290**	**574,077**	**563,287**	**564,386**	**571,678**	**-**	**-**	**-**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Banking Sector - Balance Sheet (Million Pesos)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
LIABILITIES								
Demand Deposits	125,971	133,863	133,882	149,833	144,542	-	-	-
Time Deposits	-	-	-	-	-	-	-	-
Retail	140,573	137,364	141,075	132,673	145,896	-	-	-
Money Market	4,929	7,501	9,177	6,496	5,618	-	-	-
Senior Unsecured Debt	-	-	3,813	3,778	3,604	-	-	-
Deposits	**271,473**	**278,727**	**287,947**	**292,780**	**299,660**	**-**	**-**	**-**
Immediate Redemption Loans	1	2,516	2,949	4,837	3,519	-	-	-
Short Term Loans	6,495	4,033	3,679	5,764	5,489	-	-	-
Long Term Loans	4,814	4,720	4,686	4,132	3,749	-	-	-
Due to Banks & Correspondents	**11,310**	**11,269**	**11,314**	**14,733**	**12,758**	**-**	**-**	**-**
Non-assigned Securities for Settlement	268	3,781	1,262	-	402	-	-	-
Creditor Balance in Repo Trans, Net	185,135	190,766	168,670	170,848	170,063	-	-	-
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-	-
Repos (Credit Balance)	0	0	27	11	34	-	-	-
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	**0**	**0**	**27**	**11**	**34**	**-**	**-**	**-**
For trading purposes	4,773	7,552	10,235	7,238	5,564	-	-	-
For hedging purposes	3,423	4,738	4,779	3,499	2,630	-	-	-
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	**8,196**	**12,291**	**15,014**	**10,737**	**8,194**	**-**	**-**	**-**
Total Operations w/ Derivatives & Securities	**193,599**	**206,838**	**184,972**	**181,595**	**178,693**	**-**	**-**	**-**
Income Tax Payable	379	721	522	504	512	-	-	-
Profit Sharing Payable	247	434	618	792	259	-	-	-
Creditors for settlement of transactions	2,523	5,932	7,235	867	5,826	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	8,642	9,274	8,988	9,317	9,396	-	-	-
Other Payable Accounts	**11,791**	**16,362**	**17,364**	**11,480**	**15,992**	**-**	**-**	**-**
Subordinated Non Convertible Debt	17,838	18,039	18,005	17,803	17,636	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	1,536	1,593	1,631	1,678	1,387	-	-	-
TOTAL LIABILITIES	**507,547**	**532,828**	**521,233**	**520,070**	**526,128**	**-**	**-**	**-**
EQUITY								
Paid-in Capital	11,488	11,488	11,488	11,488	11,488	-	-	-
Share Subscription Premiums	2,490	2,491	2,491	2,491	2,492	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	**13,978**	**13,978**	**13,979**	**13,979**	**13,980**	**-**	**-**	**-**
Capital Reserves	4,659	5,172	5,172	5,172	5,172	-	-	-
Retained Earnings	23,109	22,235	22,227	22,066	27,361	-	-	-
Surplus (Deficit) of Secs Available for Sale	386	393	273	432	365	-	-	-
Results from Valuation of Hedging Secs	(1,832)	(2,762)	(3,267)	(2,316)	(1,669)	-	-	-
Results from Conversions	(1,003)	(751)	(885)	(1,061)	(1,288)	-	-	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Results of Non Monetary Fixed Assets	-	-	-	-	-	-	-	-
Resultos of Non Monetary - Investment Assets	-	-	-	-	-	-	-	-
Adjustments in the Employee´s Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	1,435	2,973	4,545	6,035	1,618	-	-	-
Earned Capital	**26,755**	**27,261**	**28,066**	**30,328**	**31,560**	**-**	**-**	**-**
Minority Interest	10	10	10	10	10	-	-	-
Total Equity	**40,743**	**41,249**	**42,054**	**44,316**	**45,550**	**-**	**-**	**-**
TOTAL LIABILITIES & EQUITY	**548,290**	**574,077**	**563,287**	**564,386**	**571,678**	**-**	**-**	**-**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

***BANKING SECTOR* – MEMORANDUM ACCOUNTS** *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Investment banking transactions for third parties, net	72,539	76,771	71,427	78,069	69,252			
Endorsement Guarantees Granted	-	-	-	-	-			
Contingent Assets & Liabilities	272	264	258	256	255			
Irrevocable Lines of Credit	2,421	3,899	4,521	3,155	3,605			
Trust	113,540	108,022	116,516	122,628	127,790			
Mandate	2,097	2,185	2,188	2,096	2,151			
Assets held in Trusts or Mandate	115,637	110,207	118,705	124,723	129,941			
Assets held in custody or in administration	206,262	209,066	229,949	226,424	259,670			
Uncharged accrued interest from past due loans	161	152	146	136	139			
Collaterals Received	34,792	39,211	49,150	40,914	63,811			
Amounts committed to fobaproa operations	-	-	-	-	-			
Collateral received or sold or delivered as guaranteed by the entirty	12,043	15,687	24,902	15,452	33,748			
Integration of loan portfolio	-	-	-	-	-			
Amounts received in derivative instruments	-	-	-	-	-			
Fobaproa trusts	-	-	-	-	-			
Repurchase securities to be received	-	-	-	-	-			
(Less) creditors from repos	-	-	-	-	-			
Debtors from repos	-	-	-	-	-			
(Less) Repurchase securities to be delivered	-	-	-	-	-			
Other control accounts	-	-	-	-	-			
	444,487	455,257	499,058	489,129	560,420			

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

BANORTE USA

***BANORTE USA* – INCOME STATEMENT** *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Interest Income	322	270	271	257	**1,121**	252				
Interest Expense	119	113	109	99	**440**	99				
Loan Fees Charged	3	5	4	5	**17**	8				
Fees Paid	-	-	-	-	**-**	-				
Net Interest Income (NII)	**207**	**162**	**167**	**164**	**699**	**161**				
Preventive Provisions for Loan Losses	128	(22)	37	48	**191**	-				
Loan Loss Sharing Provisions	-	-	-	-	**-**	-				
NII Adjusted for Credit Risk	**78**	**184**	**129**	**116**	**508**	**161**				
Fees for comercial and mortgage loans	-	6	4	4	**13**	3				
Fund transfers	35	38	39	37	**150**	36				
Account Management Fees	17	19	19	17	**73**	16				
Fiduciary	-	-	-	-	**-**	-				
Income from Loan Portfolios Acquired	-	-	-	-	**-**	-				
Electronic Banking Services	8	9	9	9	**35**	9				
Credit Card Fees	-	-	-	-	**-**	-				
Fees Charged to IPAB	-	-	-	-	**-**	-				
Other Fees	3	6	4	8	**21**	4				
Fees Charged on Services	**64**	**77**	**75**	**75**	**291**	**69**				
Fund transfers	1	1	1	1	**3**	1				
Other fees	26	29	28	26	**109**	25				
Expenses from Loan Portfolios Acquired	-	-	-	-	**-**	-				
Fees Paid on Services	**27**	**29**	**28**	**27**	**111**	**26**				
Foreign exchange	10	12	11	10	**42**	10				
Securities-Realized gains	23	17	8	9	**57**	-				
Securities- Unrealized gains	-	-	-	-	**-**	-				
Market Related Income	**33**	**28**	**19**	**19**	**99**	**10**				
Other Operating Income (Expenses)	**7**	**20**	**(7)**	**(19)**	**1**	**(26)**				
Total Non Interest Income	**76**	**96**	**59**	**48**	**280**	**27**				
Total Operating Income and Expenses	**155**	**281**	**188**	**164**	**787**	**188**				
Personnel	70	69	73	69	**280**	66				
Profit Sharing	-	-	-	-	**-**	-				
Professional Fees Paid	17	19	16	20	**72**	26				
Administrative and Promotional Expenses	47	56	52	61	**217**	41				
Rents, depreciation and amortization	21	22	21	20	**85**	19				
Taxes, other than income tax	4	4	4	19	**29**	5				
Contributions to IPAB	13	13	13	13	**53**	15				
Non Interest Expense	**173**	**182**	**180**	**202**	**737**	**171**				
Operating Income	**(18)**	**99**	**8**	**(38)**	**51**	**17**				
Participación en Subsidiarias y asociadas	**-**	**-**	**-**	**-**	**-**	**-**				
Pre tax Income	**(18)**	**99**	**8**	**(38)**	**51**	**17**				
Income Tax	8	(33)	(1)	15	**(12)**	(5)				
Profit sharing	-	-	-	-	**-**	-				
Tax on Assets	-	-	-	-	**-**	-				
Deferred Income Tax and Profit sharing	-	-	-	-	**-**	-				
	8	**(33)**	**(1)**	**15**	**(12)**	**(5)**				
Net Income from continuous operations	**(10)**	**66**	**7**	**(24)**	**39**	**12**				
Extraordinary ítems (net)	-	-	-	-	**-**	-				
Minority Interest	-	-	-	-	**-**	-				
TOTAL NET INCOME	**(10)**	**66**	**7**	**(24)**	**39**	**12**				

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

BANORTE USA – BALANCE SHEET *(Million Pesos)*	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
ASSETS								
Cash and due from Banks	**685**	**1,926**	**1,392**	**3,615**	**4,196**			
Negotiable Instruments	-	-	-	-	-			
Securities available for sale	7,276	6,893	7,558	7,872	8,480			
Securities held to maturity	11	12	12	11	11			
Investment in Securities	**7,287**	**6,905**	**7,570**	**7,884**	**8,491**			
Non-assigned securities pending Settlement	-	-	-	-	-			
Debtor Balance in Repo Trans, net	-	-	-	-	-			
Repo Transactions with Collateral	-	-	-	-	-			
Secs to be received in Repo Trans, net	-	-	-	-	-			
Transactions with derivatives	-	-	-	-	-			
Operations w/ Derivatives & Securities	**-**	**-**	**-**	**-**	**-**			
Commercial Loans	10,393	10,312	9,417	9,251	8,095			
Financial Intermediaries' Loans	-	-	-	-	-			
Consumer Loans	186	182	189	189	175			
Mortgage Loans	2,317	2,365	2,215	2,175	2,060			
Goverment Entities' Loans	-	-	-	-	-			
IPAB Loans	-	-	-	-	-			
Fiduciary Collection Rights	-	-	-	-	-			
Performing Loans	**12,897**	**12,859**	**11,822**	**11,615**	**10,331**			
Commercial NPL's	1,055	705	587	504	302			
Financial Intermediaries' NPL's	-	-	-	-	-			
Consumer NPL's	-	-	1	1	-			
Mortgage NPL's	207	204	254	270	66			
Goverment Entities NPL's	-	-	-	-	-			
Past Due Loans	**1,263**	**910**	**842**	**774**	**368**			
Gross Loan Portfolio	**14,160**	**13,769**	**12,664**	**12,389**	**10,699**			
Preventive loan loss reserves	422	325	315	334	187			
Net Loan Portfolio	**13,738**	**13,443**	**12,349**	**12,054**	**10,512**			
Credit Assets Portfolio	-	-	-	-	-			
Sundry debtors and other accs rec,net	641	626	621	614	600			
Foreclosed assets, net	484	989	1,152	337	305			
Real Estate, Furniture & Equipment, net	639	646	617	597	566			
Investments in subsidiaries	8	8	8	8	8			
Deferred taxes, net	-	-	8	38	50			
Risk Coverage for Mortgage	-	-	-	-	-			
GoodWill and Intangibles	3,257	3,307	3,225	3,157	3,033			
Other Assets	213	224	250	200	202			
Other Assets	**3,470**	**3,531**	**3,475**	**3,357**	**3,235**			
TOTAL ASSETS	**26,951**	**28,074**	**27,193**	**28,504**	**27,962**			

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

BANORTE USA – BALANCE SHEET (Million Pesos)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
LIABILITIES								
Demand Deposits	8,819	8,807	8,110	9,213	9,441			
Time Deposits	12,515	13,256	13,303	13,747	13,223			
Bank Bonds	-	-	-	-	-			
Deposits	**21,334**	**22,063**	**21,413**	**22,960**	**22,664**			
Immediate Redemption Loans	-	-	-	-	-			
Short term	66	130	68	63	60			
Long term	-	1	-	-	-			
Due to banks and correspondents	**66**	**131**	**68**	**63**	**60**			
Non-assigned securities pending settlement	-	-	-	-	-			
Cerditor Balance in Repo Trans, net	-	39	13	6	5			
Repo transactions with collateral	-	-	-	-	-			
Securities to be received in Repo Trans, net	-	-	-	-	-			
Transactions with derivatives, net	-	-	-	-	-			
Operations w/ Derivatives & Securities	-	**39**	**13**	**6**	5			
Income Tax & Profit Sharing Payable	-	4	5	-	-			
Other creditors & accounts payable	165	123	125	114	101			
Other payable accounts	**165**	**126**	**130**	**114**	**101**			
Subordinated non Convertible Debenture	254	265	260	255	246			
Deferred Taxes	8	11	-	-	-			
Deferred credits	27	25	21	19	13			
TOTAL LIABILITIES	**21,855**	**22,660**	**21,905**	**23,416**	**23,089**			
STOCKHOLDER´S EQUITY								
Paid-in Capital	4,668	4,668	4,668	4,668	4,668			
Share subscription premiums	-	-	-	-	-			
Subordinated Convertible Debentures	-	-	-	-	-			
Subscribed Capital	**4,668**	**4,668**	**4,668**	**4,668**	**4,668**			
Capital Reserves	-	-	-	-	-			
Retained Earnings	304	304	304	304	344			
Results from Valuation of Secs Available for Sale	101	133	107	44	2			
Results from Conversions of Foreign Ops	34	253	145	33	(153)			
Surplus (Deficit) in capital restatement	-	-	-	-	-			
Results of Non Monetary Fixed Assets	-	-	-	-	-			
Results on Non Monetary Investment Assets	-	-	-	-	-			
Adjustments in employees' pensions	-	-	-	-	-			
Accumulated effect of Deferred Liabilities	-	-	-	-	-			
Net Income	(10)	56	63	39	12			
Earned Capital	**429**	**746**	**619**	**420**	**205**			
Minority Holdings	-	-	-	-	-			
Total Stockholder´s Equity	**5,097**	**5,414**	**5,287**	**5,088**	**4,873**			
TOTAL LIABILITIES & STOCKHOLDER´S CAPITAL	**26,951**	**28,074**	**27,193**	**28,504**	**27,962**			

BANORTE USA – MEMORANDUM ACCOUNTS (Million Pesos)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Endorsement guarantees granted	-	-	-	-	-			
Other contingent obligations	-	-	-	-	-			
Credit commitments	22	22	15	12	13			
Irrevocable lines of credit	-	-	-	-	-			
Assets held in trusts or mandate	-	-	-	-	-			
Assets held in custody or in administration	-	-	-	-	-			
Investment banking transactions for third parties, net	-	-	-	-	-			
Amounts committed to fobaproa operations	-	-	-	-	-			
Investment of retirement saving funds	-	-	-	-	-			
Integration of loan portfolio	-	-	-	-	-			
Amounts received in derivative instruments	-	-	-	-	-			
Fobaproa trusts	-	-	-	-	-			
Repurchase securities to be received	-	-	-	-	-			
(Less) creditors from repos	-	-	-	-	-			
Debitors from repos	-	-	-	-	-			
(Less) Repurchase securities to be delivered	-	-	-	-	-			
Other control accounts	-	-	-	-	-			
Endorsement guarantees granted	**22**	**22**	**15**	**12**	**13**			

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Information by Segments**

***GFNORTE* – INCOME STATEMENT 1Q11** *(Million Pesos)*	Holding	Banorte	Insurance	Broker	Leasing & Factoring	Annuities	Warehouse	Total	Eliminations	Final Balance
Interest Income	2	10,383	92	432	431	327	1	11,668	(368)	11,299
Loan Fees	-	159	-	-	-	-	-	159	-	159
Income from premiums	-	-	1,903	-	-	1,783	-	3,686	(64)	3,622
Interest Expense	-	4,853	7	403	190	-	5	5,458	(365)	5,093
Technical Reserves Increment	-	-	375	-	-	1,943	-	2,319	-	2,319
Damages, Claims and Other Obligations	-	-	1,003	-	-	388	-	1,391	-	1,391
Net Interest Income (NII)	**2**	**5,688**	**610**	**29**	**241**	**(222)**	**(5)**	**6,368**	**(91)**	**6,277**
Loan Loss & Loss Sharing Provisions	-	1,337	-	-	1	-	-	1,338	-	1,338
NII after Provisions	**2**	**4,351**	**610**	**29**	**240**	**(222)**	**(5)**	**5,030**	**(91)**	**4,940**
Fees on services,	-	2,108	-	241	3	-	25	2,376	(110)	2,267
Fees paid,	-	386	285	22	4	23	-	721	(143)	578
Market-related Income	-	200	32	17	-	268	-	517	-	517
Other Operating Income (Expenses)	-	414	73	8	15	(35)	-	475	(48)	427
Total Non Interest Income	**-**	**2,355**	**(180)**	**243**	**13**	**210**	**25**	**2,647**	**(15)**	**2,632**
Total Operating Income	**2**	**6,686**	**357**	**273**	**254**	**(12)**	**21**	**7,677**	**(105)**	**7,572**
Non-Interest Expense	**4**	**4,301**	**147**	**128**	**115**	**14**	**7**	**4,717**	**(65)**	**4,653**
Operating Income	**(3)**	**2,385**	**209**	**144**	**139**	**(26)**	**14**	**2,959**	**(40)**	**2,919**
Subsidiaries' Income	**1,834**	**(15)**	**1**	**-**	**-**	**1**	**-**	**1,821**	**(1,834)**	**(14)**
Pre-tax Income	**1,831**	**2,370**	**210**	**144**	**139**	**(25)**	**14**	**4,780**	**(1,875)**	**2,905**
Tax and Profit sharing	**-**	**709**	**95**	**47**	**-**	**(7)**	**3**	**847**	**-**	**847**
Net Income from continuous operations	**1,831**	**1,661**	**116**	**97**	**139**	**(18)**	**11**	**3,933**	**(1,875)**	**2,058**
Minority Interest	-	(43)	-	-	-	-	-	(43)	(201)	(244)
TOTAL NET INCOME	**1,831**	**1,618**	**116**	**97**	**139**	**(18)**	**11**	**3,890**	**(2,076)**	**1,815**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

***GFNORTE* – BALANCE SHEET AS OF 1Q11**

(Million Pesos)

ASSETS	Holding	Banorte	Insurance	Broker	Leasing & Factoring	Annuities	Warehouse	Total	Eliminations	Final balance
Cash and due from Banks	**126**	**62,405**	**127**	**3**	**31**	**7**	**6**	**62,706**	**(395)**	**62,312**
Margin Accounts	-	178	-	-	-	-	-	178	**-**	**178**
Negotiable Instruments	-	63,510	2,222	13,204	-	361	2	79,300	**-**	**79,300**
Securities held for sale	-	14,488	13	355	-	-	53	14,908	**(902)**	**14,066**
Securities held to maturity	-	126,928	6,010	491	-	26,469	-	159,898	**-**	**159,898**
Financial Instruments:	**-**	**204,925**	**8,245**	**14,050**	**-**	**26,830**	**56**	**254,106**	**(902)**	**253,204**
Non-assigned securities to pay	-	3,173	-	1	-	99	303	3,576	**-**	**3,576**
For trading purposes	-	5,756	-	-	-	-	-	5,756	**-**	**5,756**
For hedging purposes	-	624	-	-	-	-	-	624	**-**	**624**
Repos & Derivatives :	**-**	**9,553**	**-**	**1**	**-**	**99**	**303**	**9,956**	**-**	**9,956**
Commercial	-	112,205	-	-	15,134	-	-	127,340	**(3)**	**127,337**
Financial Intermediaries	-	7,590	-	-	8	-	-	7,598	**(1,824)**	**5,775**
Consumer	-	28,832	-	-	2	-	-	28,835	**-**	**28,835**
Mortgage	-	57,348	-	-	-	-	-	57,348	**-**	**57,348**
Government Entities	-	51,270	-	-	1	-	-	51,271	**-**	**51,271**
Fobaproa	-	-	-	-	-	-	-	-	**-**	**-**
Performing Loans	**-**	**257,246**	**-**	**-**	**15,134**	**-**	**-**	**272,391**	**(1,827)**	**270,564**
Commercial	-	4,372	-	-	119	-	-	4,492	**-**	**4,492**
Financial Intermediaries	-	-	-	-	-	-	-	-	**-**	**-**
Consumer	-	1,312	-	-	-	-	-	1,312	**-**	**1,312**
Mortgage	-	694	-	-	-	-	-	694	**-**	**694**
Goverment Entities	-	-	-	-	-	-	-	-	**-**	**-**
Past Due Loans	**-**	**6,379**	**-**	**-**	**119**	**-**	**-**	**6,498**	**-**	**6,498**
Total Credit	**-**	**263,625**	**-**	**-**	**15,253**	**-**	**-**	**278,889**	**(1,827)**	**277,062**
Preventive loan loss reserves	-	8,743	-	-	286	-	-	9,030	**-**	**9,030**
Net Loan Portfolio	**-**	**254,881**	**-**	**-**	**14,978**	**-**	**-**	**269,860**	**(1,827)**	**268,033**
Acquired collection rights	-	2,641	-	-	-	-	-	2,641	**-**	**2,641**
Total Loans	**-**	**257,522**	**-**	**-**	**14,978**	**-**	**-**	**272,500**	**(1,827)**	**270,674**
Account Receivables from Insurance and Annuities	-	-	606	-	-	281	-	887	-	**2,641**
Premiums Debtors (net)	-	-	2,087	-	-	99	-	2,186	-	**887**
Account Receivables Reinsurance	-	-	2,503	-	-	-	-	2,503	-	**2,186**
Benef.receivab.securitization	-	959	-	-	-	-	-	959	**-**	**959**
Sundry debtors and other assets,net	6	15,720	-	119	53	-	8	15,906	**(96)**	**15,810**
Merchandise Inventory	-	-	-	-	-	-	40	40	**-**	**40**
Foreclosed assets, net	-	812	8	-	-	-	-	821	**-**	**821**
Real Estate, Furniture & Equipment,	-	7,773	182	6	1,383	2	43	9,389	**-**	**9,389**
Investments in subsidiaries	48,331	1,331	17	20	-	16	-	49,715	**(48,331)**	**1,384**
Deferred taxes	1	1,703	59	-	-	-	-	1,764	**(209)**	**1,555**
Goodwill	27	2,818	-	-	-	-	-	2,845	**-**	**2,845**
Intangible	4	1,138	-	157	-	-	-	1,300	**-**	**1,300**
Other Assets Short and Long-Term	-	5,915	70	140	5	1	49	6,180	**(18)**	**6,162**
TOTAL ASSETS	**48,37**	**37,211**	**335**	**443**	**1,441**	**19**	**140**	**87,959**	**(48,654)**	**39,305**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

GFNORTE – BALANCE SHEET AS OF 1Q11
(Million Pesos)

LIABILITIES	Holding	Banorte	Insurance	Broker	Leasing & Factoring	Annuities	Warehouse	Total	Eliminations	Final balance
Demand Deposits	-	144,537	-	-	-	-	-	144,537	(285)	144,253
Time Deposits	-	155,118	-	-	-	-	-	155,118	(126)	154,992
Deposits	**-**	**299,655**	-	-	-	-	-	**299,655**	**(411)**	**299,245**
Demand	-	3,519	-	-	-	-	-	3,519	-	**3,519**
Short term	-	5,489	-	-	11,166	-	252	16,908	(1,824)	**15,084**
Long term	-	3,749	-	-	2,767	-	-	6,517	-	**6,517**
Due to banks & corresp.	**-**	**12,758**	**-**	**-**	**13,933**	**-**	**252**	**26,944**	**(1,824)**	**25,120**
Technical Reserves	**-**	**-**	**8,757**	**-**	**-**	**26,090**	**-**	**34,847**	**-**	**34,847**
Assigned securities to pay	**-**	**402**	**-**	**-**	**-**	**-**	**-**	**402**	**-**	**402**
Futures receivable, net	-	170,063	-	12,182	-	-	-	182,245	-	**182,245**
Collateral sold	-	34	-	-	-	-	-	34	-	**34**
For trading purposes	-	5,564	-	-	-	-	-	5,564	-	**5,564**
For hedging purposes	-	2,630	-	-	-	-	-	2,630	-	**2,630**
Repos & Derivatives:	**-**	**178,291**	**-**	**12,182**	**-**	**-**	**-**	**190,473**	**-**	**190,473**
Accounts Payable	**-**	**-**	**502**	**-**	**-**	**-**	**-**	**502**	**-**	**502**
Income Tax	-	553	89	27	-	-	-	684	-	**684**
Profit Sharing	-	259	-	3	-	-	-	262	-	**262**
Creditors for settlement of transactions	-	5,826	-	1	-	-	-	5,827	-	**5,827**
Other Creditors & Accounts Payable	-	9,521	1,930	198	371	155	14	12,186	(138)	**12,049**
Other payable accounts	-	16,159	2,032	229	371	155	-	**18,958**	**(138)**	**18,821**
Subordinated non Convertible Debenture	-	17,636	-	-	-	-	-	17,636	-	**17,636**
Deferred Taxes	-	-	-	119	-	80	10	209	(209)	**-**
Deferred credits	-	1,387	-	-	78	-	-	1,466	(18)	**1,447**
TOTAL LIABILITIES	**-**	**526,289**	**11,279**	**12,530**	**14,382**	**236**	**287**	**591,093**	**(2,599)**	**588,494**
STOCKHOLDER´S EQUITY										
Paid-in Capital										
Share subscription premiums	12,019	11,488	709	540	306	325	87	25,474	(16,567)	11,968
Subordinated Convertible Debentures	2,248	2,492	-	-	-	-	-	4,740	(13,506)	1,680
Subscribed Capital	**14,267**	**13,980**	**709**	**540**	**306**	**325**	**87**	**30,214**	**(3,061)**	**13,647**
Capital Reserves	3,165	5,172	265	91	279	115	26	9,114	(5,949)	3,165
Retained Earnings	31,499	27,361	1,423	1,033	1,344	589	92	63,339	(31,816)	31,524
Surplus (Deficit) from securities	562	365	40	197	-	(1)	1	1,164	(838)	325
Results from coverage securities valuation	(1,615)	(1,669)	-	-	-	-	-	(3,283)	1,669	(1,615)
Results of foreign operations exchange	(1,213)	(1,288)	-	9	-	-	-	(2,491)	1,278	(1,213)
Excess (Insuf.) in capital restatement	-	-	-	-	-	-	-	-	-	-
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-	-	-
Non Mon assets results Investment subsidiaries	-	-	-	-	-	-	-	-	-	-
Adjustment in the employees pension funds	-	-	-	-	-	-	-	-	-	-
Net Income	1,831	1,618	188	97	139	(18)	11	3,866	(2,052)	1,815
Earned Capital	**34,229**	**31,560**	**1,916**	**1,427**	**1,762**	**685**	**130**	**71,709**	**(37,708)**	**34,001**
Minority Holdings	-	925	-	-	-	-	-	-	5,097	6,022
Total Stockholders' Equity	**48,496**	**46,465**	**2,625**	**1,967**	**2,068**	**1,010**	**217**	**925**	**(49,178)**	**53,670**
TOT. LIAB. & STOCKHOL. EQUITY	**48,496**	**572,754**	**13,903**	**14,497**	**16,451**	**1,245**	**505**	**102,848**	**(51,777)**	**642,164**

2. Financial Results as of March 31st, 2011: Ixe Grupo Financiero

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Ixe Grupo Financiero – Comparative Data March 2011 vs. March 2010
(Data in Million Pesos)

Financial Statements

Management Analysis and Comments

In March 2011, Ixe Grupo Financiero (Ixe) reported a loss of Ps 318 million, as a result of the restructuring expenses recorded in the quarter in connection with the merger with GFNorte, totaling Ps. 334 million pesos. In this period, the Banking Sector contributed with 39% of the Group's results, or a Ps. 126 million loss, representing a 119% increase compared to the losses recorded during the same period of last year. The Brokerage Sector reported a Ps 155 million loss, a 358% decline compared to the profit of Ps. 60 million pesos in the same period of 2010, Other Finance Companies obtained a Ps 41 million loss, 449% lower than in March 2010 and the Services Sector reported a profit of Ps 8 million, 1,650% higher than in the same period of the previous year.

Ixe Grupo Financiero

Ixe's Consolidated Income Statement

	As of March 2011	As of March 2010
NII before REPOMO	$595	$482
+ REPOMO-Margin	-	-
= NII before credit risks	**595**	**482**
- Preventive provisions for Loan Losses	107	43
- Loan Loss Sharing Provisions Fobaproa	-	-
= NII adjusted for credit risks	488	439
+ Non Interest Income	516	559
= Total Income	1,004	998
- Non Interest Expense	1,289	954
= Total Operating Income	-285	44
- Non Operating Income, net	0	0
= Income before Taxes and Profit Sharing	-285	44
- Income Tax and Profit Sharing	2.5	18
- Tax on Assets	-	-
+ Deferred Income Tax and Profit Sharing	11	18
= Net Income before subsidiaries	-276	45
+ Subsidiaries' Net Income	-42	-33
= Net Income from continuous operations	-319	11
+ Extraordinary items, net	-	-
- Minority interest	0	9
= Total Net Income	-318	3

The following is a breakdown of the most important items of the Income Statement:

Net Interest Income

	As of March 2011	As of March 2010
Interest Income	1,702	1,565
Interest Expense	1,154	1,121
Loan Fees Charged	49	41
Loan Fees Paid	2	3
Net Interest Income	**$595**	**$482**
Average Productive Assets	$105,569	$93,279
% Net Interest Income (NIM) (1)	**2.25%**	**2.07%**

(1)NIM (net interest margin) = Annualized net interest income / average productive assets of the period.

During the first quarter of 2011, Net Interest Income was Ps 595 million, showing a 23% YoY growth due to a 9% increase in interest revenues as a result of a 10% increase in the loan portfolio, which offset a 3% increase in interest expense during the quarter. It is worth highlighting that funding costs in interbank loans declined by 13%.

Additionally, average NIM during this period increased from 2.07% to 2.25% between March 2010 and March 2011, reflecting higher returns on productive assets, which increased by 13% in the period.

Non Interest Income

	As of March 2011	As of March 2010
+ Fund transfers	$4	$2
+ Account Management Fees	11	4
+ Fiduciary	9	9
+ Electronic banking services	21	8
+ Credit Card Fees	11	7
+ Other Fees Charged (1)	373	292
Fees charged for Services	**429**	**322**
+ Fund Transfers	-	-
+ Other Fees Paid	88	78
Fees paid for Services	**88**	**78**
= Net Fees	**342**	**244**
+ Foreign Exchange	112	90
+ Trading	-198	82
+ Securities – Unrealized Gains	208	70
= Trading Revenues	**122**	**242**
Other operating revenues and expenses	**52**	**73**
= Non Interest Income	**$516**	**$559**

(1) Includes fees for distribution of mutual funds, corporate finance, among others

The following table identifies the sources of Non Interest Income:

	As of March 2011	As of March 2010
Services	$342	$244
Recovery		
Trading	122	242
Other Operating Income (Expenses)	52	73
Non Interest Income	**$516**	**$559**

In the first quarter of 2011, Non Interest Income totaled Ps 516 million, a 8% YoY decrease, driven by:

•Service Fees: Increased by 40% (Ps. 98 million) compared to the first quarter of 2010 due to increased distribution in mutual funds and higher fees associated with deposits (account management and integrated services fees), and also the increase in fees charged by corporate finance operations.

•Trading: Presented a 49% decrease compared to March 2010 mainly due to the general decline in money and capital markets as a result of the events recorded in Japan and the Middle East.

Non Interest Expense

	As of March 2011	As of March 2010
Personnel Expense	$862	$520
Professional Fees	46	45
Administrative and Promotional Expense	221	185
Rents, Depreciations and Amortizations	126	135
Other taxes		42
Contributions to IPAB	34	27
Employee Profit Sharing PTU		
Non Interest Expenses	**$1,289**	**$954**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

During the first quarter of 2011, Non Interest Expense totaled Ps. 1.29 billion, 35% higher (Ps. 335 million) compared to the same period in 2010. This increase is mainly due to the restructuring expenses related to the merger with GFNorte.

As a result of this increase in expenses, the efficiency ratio was 116.0% in March 2011, 24.4 pp higher than in March 2010.

Performing Loan Portfolio

	As of March 2011	As of March 2010
Commercial Loans	$23,643	$20,148
Financial Intermediaries' Loans	2,758	1,669
Government Entities' Loans	3,350	4,702
Consumer Loans	578	676
Mortgage Loans	1,586	1,643
Subtotal	**31,915**	**28,839**
Recovery Bank		
Total Performing Loans	**$31,915**	**$28,839**
Fobaproa / IPAB Portfolio	-	-
Past due loans	926	1,037
% Past Due Loan Ratio	**2.82%**	**3.47%**

The Performing Loan portfolio increased by Ps 3.08 billion YoY, from Ps 28.84 billion to a total balance of Ps 31.92 billion. The items that showed increases in the portfolio were: commercial by 17% and Financial Intermediaries' loans by 65%; while consumer, mortgage and government loans decreased by 15%, 4% and 29% respectively.

At closing of the first quarter of 2011, past due loans registered an 11% annual decrease, totaling Ps. 926 million, mainly driven by reduced NPL of commercial and financial intermediaries. At the end of the first quarter of 2011, the NPL ratio was 2.82%, which compares favorably with the 3.47% registered during the first quarter of 2010.

Deposits

	As of March 2011	As of March 2010
Non Interest Bearing Demand Deposits	$9,239	$6,958
Interest Bearing Demand Deposits (1)	4,292	2,560
Total Demand Deposits (2)	**13,531**	**9,518**
Time Deposits – Retail	17,312	15,007
Core Deposits	**30,843**	**24,526**
Money Market (1)	2,100	4,739
Total Bank Deposits	**$32,943**	**$29,265**
Ixe GF's Total Deposits (2)	**$32,572**	**$29,120**
Third Party Deposits	48	-1
Total Assets Under Management	**$32,620**	**$29,119**

(1) Includes certificates of deposit and warrants.
(2) Includes eliminations between subsidiaries. Balances of said eliminations for 1T2010 and 1T2011 were Ps 145 million, and Ps 371 million, respectively.

At closing of the first quarter of 2011, Total Deposits were Ps 32.57 billion, a 12% YoY increase driven mainly by a 42% YoY growth in Demand Deposits, and a 15% YoY growth in retail time deposits.

FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

Ixe GF's Stockholders' Equity (*)

	As of March 2011	As of March 2010
Paid-in Capital	1,582	1,466
Premium of Subscribed & Issued Shares	5,569	3,942
Subscribed Capital	**$7,151**	**$5,408**
Capital Reserves	321	301
Retained Earnings	-347	-173
Surplus (Deficit) from Valuation of Securities Available for Sale	54	45
Results from Valuation of Hedging Instruments	-9	0
Results from Conversions of Foreign Operations	5	0
Surplus (Deficit) from valuation of equity	0	0
Results of Non Monetary Assets:	0	7
Fixed Assets	0	0
Investment	0	0
Accumulated effect of deferred taxes	0	0
Net result	-318	2
Earned Capital	**-$294**	**$182**
Minority Interest	3	451
Total Shareholders' Equity	**$6,860**	**$6,041**

Banking Sector Capitalization Ratio

	Mar-11 (1)	Mar-10
Tier 1 Capital	3,962	2,887
Tier 2 Capital	2,506	1,245
Net Capital	**$6,468**	**$4,132**
Credit Risk Assets	31,568	24,492
Market & Operational Risk Assets	10,682	6,253
Total Risk Assets	**$42,250**	**$30,745**
Net Capital / Total Risk Assets	20.49%	16.87%
Tier 1 Capital	9.38%	9.39%
Tier 2 Capital	5.93%	4.05%
Capitalization Ratio	**15.31%**	**13.44%**

(1) Previous Data

At closing of March 2011, the Capitalization Ratio was 15.31% taking into consideration credit and market risks, and 20.49% considering only credit risks. The Tier 1 ratio was 9.38% while Tier 2 was 5.93%. On an annual basis, the capitalization ratio as of March 2011 was higher than in March 2010 due to:

7) Capital Increase for Ps. 800 million in June 2010 and for Ps. 170 million in March 2011. Impact on Index: +3.15pp
8) The effect of profits generated in 2010 (mar-dec): +0.12pp
9) The effect of generated loss 2011. Impact: -0.41pp
10) The effect of variation of investments in subsidiaries and intangibles during the period: Impact: +0.18 pp
11) The effect of the new bond issuance maturing in 10 years for $ 120 million dollars in October 2010. Impact: +4.81pp
12) FX effect for Subordinated Obligations. Impact:-0.33pp
13) Reserves effect during the period: Impact: 0.08pp
14) Growth of risk assets in the period. Impact: -5.73pp

3. Annexes

i) Accounting Changes and Regulations: Banorte

ii) Loan Portfolio Sales to Solida: Banorte

iii) Notes to the Group's Financial Statements: Banorte

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

ACCOUNTING CHANGES AND REGULATIONS

- **General regulations applied to controlling companies of financial groups subject to supervision by the CNBV.**

On January 31st, 2011 the CNBV issued general regulations applicable to controlling companies of financial groups, in order to compile into one single legal instrument the dispositions applicable to these entities, as well as the modification of diverse regulatory reports to take into consideration homogeneous accounting approaches applicable to other financial entities such as banking, insurance and bonding sectors. As a consequence of the work carried out jointly by the CNBV and the National Insurance and Bonding Commission in accordance with the Financial Reporting Standards issued by the CINIF and the International Financial Reporting Standards of the International Accounting Standards Board.

Once these dispositions come into effect, the "General Dispositions applicable to financial reporting standards for controlling companies of financial groups subject to supervision by the CNBV" will be cancelled as published in the Diario Oficial de la Federación on April 28th, 2005 and its diverse modifications, as well as the "General accounting dispositions applicable to controlling companies of financial groups subject to supervision by the CNBV", published in the Diario Oficial de la Federación on August 14th, 2006 and its diverse modifications.

- **Main changes in accounting criteria for controlling companies.**

Criteria A-2 "Applications of special norms ", was modified by eliminating the ability to avoid consolidating permanent investments in controlled insurance or bonding institutions, and as of February 1st, such institutions must be consolidated in the financial statement of the controlling companies. Likewise with Criteria D-1, D-2, D-3 and D-4 relating to basic financial statements, there were changes in their presentation in accordance with the changes of the mentioned criteria.

- **Main changes in accounting criteria for credit institutions.**

On January 27th, 2011 the National Banking and Securities Commission issued changes to applicable accounting criteria for credit institutions to make them consistent with financial reporting standards established in Mexico and abroad, as well as facilitating the comparison of information provided to authorities, the public and markets in general. These changes were adopted and applied in the financial statements as of January 2011. The following are the most relevant changes.

With regards to Criteria B-2 "Investments in Securities", rules were added for the reclassification to the category of securities held to maturity, or securities available for sale, which can be effected under extraordinary circumstances (for example: lack of market liquidity, no active market, among others), which will be evaluated and if the case, validated through the express authorization of the CNBV.

In relation to Criteria B-5 "Derivatives and hedging operations":

- Dollar denominated derivatives are no longer valued when the currency commonly used in trading contracts for buying or selling non financial items in the economic environment in which the transaction is carried out (for example, a stable and liquid currency commonly used in local transactions, or, in foreign trade).
- In those cases where it is necessary to recognize and value embedded derivatives, the obligation to present them in the balance sheet together with the contract host was eliminated, which is why the embedded derivative must be registered under the item of Derivatives.
- The use of margin accounts is specified in operations with derivatives in recognized markets or stock exchanges.
- Accounting of collateral in OTC operations is carried out outside of margin accounts, registering both an account receivable and an account payable respectively.

In relation to Criteria B-6 “Loan Portfolio”

- Fees charged for restructured loans will be deferred and recognized in results in accordance with the new term of the loan.
- Commissions, origination fees and annual fees must be presented on a net basis.
- Renewal and restructuring of loans with characteristics different to that stipulated in paragraph 52 will be considered valid only when the borrower liquidates in a timely fashion all interest charged and covers 25% of the original loan.

Criteria D-1" "Balance Sheet" and D-2 "Income Statement" presents changes in their presentation in accordance with changes in the mentioned criteria, additionally the items of "Non Operating Income" are eliminated and are now registered under "Other Operating Income (Expenses) " as part of the Operating results in the Income Statement.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Changes to rating methodology for consumer and housing mortgage portfolios.**

On October 25th,2010 the Commission published a resolution modifying general dispositions for Credit Institutions in which the methodology for rating non-revolving consumer portfolios and mortgage portfolios is changed in such a way that the estimated preventive reserves for credit risks is calculated based on the expected loss instead of the incurred loss. This change went into effect on March 1st, 2011.

In response to the aforementioned change, on March 31st, 2011, the Financial Group recognized in the equity of previous fiscal years, the initial accumulated financial effect of the application of the rating methodologies for non revolving consumer loan portfolios and mortgage portfolios, referred to in Paragraph A of the First Section and Second Sections, in Chapter V of the Second Title of applicable General Dispositions for Credit institutions, in accordance with Provisional Article Three.

The accounting booking to recognize the effect generated a charge of Ps 582 to the "Retained Earnings" account of previous fiscal years in equity, against a loan for the same amount to the "Estimated preventive reserves for credit risks" account under the item of loan portfolio in the balance sheet. Deferred taxes resulting from the changes were also registered with a charge of Ps 233 to the "Deferred Taxes" account in the balance sheet against a loan charged to the "Retained Earnings" account in equity.

If recognition of the aforementioned effect in the results of the fiscal year had been made, the items that would have been affected and amounts that would have been registered and presented in the balance sheet as well as in the Income Statement on March 31st, 2011, would be:

Balance Sheet	**Originally presented**	**Effect**	**New presentation**
Equity			
Results of previous fiscal years	$31,524	$349	$31,873
Majority Net Income	1,815	(349)	1,466
Total Equity	**$53,671**	**$-**	**$53,671**
Financial Statement			
Estimated reserves for credit risks	1,338	582	1,920
NII adjusted for credit risk	**4,939**	**(582)**	**4,357**
Deferred income taxes (net)	(20)	(233)	(253)
Net Income	**$1,815**	**(349)**	**$1,466**

- **Changes to accounting criteria for Mutual Funds and the individuals providing services**

On August 31st, 2009 changes to accounting criteria for mutual funds were announced, to make them consistent with financial reporting standards set in Mexico as well as abroad. These changes are similar to changes made for Credit Institutions and Brokerage Houses in 2Q09.

- **Change in rating criteria for Credit cards**

On August 12th, 2009 the National Banking and Securities Commission issued changes in accounting criteria applicable to credit institutions which modify the rating methodology for revolving consumer portfolios, so that the parameters used to estimate preventive reserves reflect an estimated12 month loss for credit cards, based on the current environment.

- **Changes to accounting criteria for other finance companies**

On July 30th, 2009 the National Banking and Securities Commission issued changes among others, to accounting criteria applicable other regulated finance companies, SOFOLs and SOFOMs.

- **B-10 Bulletin “Inflation Effects”.**

Comparisms of 2008 results vs. reported figures for previous periods are not fully comparable, as a result of the NIF B10 “Inflation Effects” norm taking effect in January of this year. This norm indicates that the economic environment is non-inflationary when the accumulated inflation rate over the last three years is less than 26%. Under this context, it is not necessary to re-express financial statements as of January, 2008.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Changes in Securitizations Transactions.**

Among the main changes resulting from the new measures and norms issued or modified by the Commission and CINIF that became effective as of January 1st, 2009 are:

The C-2 criteria, "Securitizations", establishes that in this type of transaction, the assigner can decide to transfer the risks and benefits and/or control of financial assets or not to the assignee.

It establishes that the benefits from the assignee's surplus will be recognized as "benefits to be received in securitization transactions" and remain valued since its initial registration, at a reasonable value, with any valuation adjustments recognized in the results of the exercise. This valuation must be consistent with “Entity with a Specific Purpose”, Entidad de Propósito Especifico (EPE) accounting policies established as the securitization medium.

If an assigner provides administrative services for transferred assets, an asset or liability must be registered initially from management of assets and liabilities, at its reasonable value according to the C-1 measure as follows:

a) An asset is registered if payment exceeds the cost and expenses incurred in providing the service; to the contrary a liability is registered.

b) Later, such asset or liability will be valued at a reasonable value, registering the effects of its valuation in the results of the exercise.

Benefits of the remaining balances of securitization operations and the asset from management of financial assets transferred will be exhibited under the heading "Benefits to be received in securitization operations".

The valuation of benefits to be received, as well as the asset or liability from management will be exhibited under the heading of "Other products" or "Other expenses", as appropriate.

The effects of said measure, applied to securitizations effective December 31st, 2008, are as follows:

In realized securitization operations, the financial assets were eliminated from the balance sheet based on the effective accounting measures to date, C-1 "Transfer of financial assets" and C-2 "Securitization". Given that the new accounting measures that substitute the previous ones are applied prospectively, no retroactive recording will apply for operations performed prior to applying this measure, which is why the re-valuation of financial asset transfers previously registered is not required.

Notwithstanding, in accordance with these new accounting measures, securitized loans for mortgage, state and municipal government portfolios that Banorte carried out during 2006 and 2007, respectively, did not fulfill the requirements of the new accounting measures for elimination from the balance sheet, given that in both operations most of the inherent risks and/or benefits are retained.

The C-5 measure "Consolidation of Entities with a Specific Purpose" defines the particular norms related to the consolidation of EPEs. It establishes that an entity must consolidate an EPE when the economic substance of the relationship between both entities indicates that it controls said EPE.

- **D-8 Bulletin: Stock based compensation**

Banorte grants GFNORTE shares to its executives through different structured payments plans based on those shares. These plans are managed by trusts that Banorte constitutes and gives the necessary resources so that at the beginning of each plan, they can purchase directly in the financial markets the shares needed to fulfill these stock based plans.

The Financial Norm D-8, Stock based Payments, which is effective for fiscal exercises that began as of January 2009, requires those entities that grant stock based payment plans to recognize an expense for the services received by the executives that are beneficiaries of the plans.

When a subsidiary grants stock plans of its holding company, the NIF D-8 establishes that the accounting recognition of the expenditure must be made as if the plan was settled in cash at reasonable value, each period that the financial information is presented along with the assumptions known at that date.

On the other hand, the Holding must recognize such expenditure as if the plan was to be settled with shares. Under this scheme, the plan is valued in the beginning at the Holding level and must be later revalued.

In the consolidated financial statements with the Group’s subsidiaries, the items recognized in its banking subsidiary derived from the recognition and valuation of the share plans granted have been eliminated through consolidation movements of Ps 20 million. In this sense, an expense incurred by the Financial Group of up to Ps 42 million has been recognized, which results at 4Q10 in a net negative effect in the financial statements of the holding company of Ps (22) million. At 1Q11 results in a net negative effect in the financial statements of the holding company of Ps (17) million.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

LOAN PORTFOLIO SALES TO SOLIDA ADMINISTRADORA DE PORTAFOLIOS

On February, 2003 Banorte sold Ps $1.9 billion (Ps $1.861 billion in past due loans and Ps $64 million in Performing loans) of its own portfolio (including interests) to its subsidiary, Sólida Administradora de Portafolios, S.A. de C.V. for Ps $378 million. The transaction was done based on August 2002 figures, and therefore the final figure that affected the February balance was Ps $1.86 billion, once the collections made since August 2002 are considered. The past due portfolio, as well as Ps $1.577 billion in associated loan reserves, were cancelled.

As instructed by the CNBV in the document 601-II-323110, we show the integration of the loan portfolio sold in 1Q03 by Banorte to its subsidiary Sólida Administradora de Portafolios, S.A. de C.V. The Purpose of this sale was to concentrate the portfolio in this specialized recovery unit as it had been managing the collections of this loans previously. This was a one-time operation.

	Local Currency (2)			Foreign Currency (USD) (3)			Total		
(Millions of Nominal Pesos)	**Aug'02**	**Dec'10**	**Mar'11**	**Aug'02**	**Dec'10**	**Mar'11**	**Aug'02**	**Dec'10**	**Mar'11**
Performing Loans									
Commercial	5	-	-	5	-	-	10	-	-
Mortgage	54	20	19	-	-	-	54	20	19
Total	**59**	**20**	**19**	**5**	**-**	**-**	**64**	**20**	**19**
Non Performing Loans									
Commercial	405	331	323	293	104	100	698	435	423
Consumer	81	72	72	-	-	-	81	72	72
Mortgage	1,112	323	317	-	-	-	1,112	323	317
Total	**1,598**	**726**	**712**	**293**	**104**	**100**	**1,891**	**830**	**812**
TOTAL LOANS	**1,657**	**746**	**731**	**298**	**104**	**100**	**1,955**	**850**	**831**
Loan Loss Reserves (1)									
Commercial	326	318	310	246	104	100	572	422	410
Consumer	77	72	72	-	-	-	77	72	72
Mortgage	669	313	309	-	-	-	669	313	309
Total	**1,072**	**703**	**691**	**246**	**104**	**100**	**1,318**	**807**	**791**

1) Reserve requirements using the same classification method used for the bank.
2) Includes UDIS.
3) The dollar portfolio and reserves are re-expressed in pesos.
Note 1.- There was a Reserve deficit of Ps 14 mllion as of March 2011.
Note 2.- Banorte has a 99.99% stake in Sólida.

In 1Q11 the Loan portfolio showed changes due to: collections of Ps $4 million, restructurings of Ps $8 million, repossessed assets of Ps $0.2 millon and Ps $34 million in charge offs and discounts. In the Loan loss provisions, there were charge offs and discounts of Ps $5 million. There were transfers from performing loans to past due loans of Ps $0.6 million and transfers from past due loans to performing loans of Ps $1 million.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

As instructed by the CNBV in the document 601-II-323110 for purposes of determining financial indicators and a general disclosure referred to regulations, we show the integration of the Banorte's portfolio including the portfolio which was sold to Sólida Administradora de Portafolios, S.A. de C.V..

	Local Currency (1)		Foreign Currency (USD)(2)		Total	
(Millions of Nominal Pesos)	**Dec10**	**Mar11**	**Dec10**	**Mar11**	**Dec10**	**Mar11**
Performing Loans						
Commercial	148,786	154,860	13,330	11,990	162,116	166,850
Consumer	27,637	28,657	-	-	27,637	28,657
Mortgage	54,013	55,306	-	-	54,013	55,306
Fobaproa / IPAB	-	-	-	-	-	-
Performing Loans	**230,436**	**238,823**	**13,330**	**11,990**	**243,766**	**250,813**
Non Performing Loans						
Commercial	3,954	4,213	252	281	4,206	4,494
Consumer	1,348	1,384	-	-	1,348	1,384
Mortgage	1,025	945	-	-	1,025	945
Non Performing Loans	**6,327**	**6,542**	**252**	**281**	**6,579**	**6,823**
TOTAL LOANS	**236,763**	**245,365**	**13,582**	**12,271**	**250,345**	**257,636**
Loan Loss Reserves	**8,131**	**8,971**	**297**	**376**	**8,428**	**9,347**
Net Loan Portfolio	**228,632**	**236,394**	**13,285**	**11,895**	**241,917**	**248,289**
Loan Loss Reserves					**128.10%**	**136.99%**
% Past Due Loans					**2.63%**	**2.65%**

1) Includes UDIS.
2) The dollar portfolio and reserves are re-expressed in pesos.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

NOTES TO FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q11
(Million Pesos)

NEGOTIABLE INSTRUMENTS	BOOK VALUE	INTEREST	UNREALIZED GAIN (LOSS)	MARKET VALUE
Government Securities	55,069	253	4	55,327
Unrestricted	-	-	-	-
Cetes	-	-	-	-
Bonds	-	-	-	-
Bondes	-	-	-	-
Bpas	-	-	-	-
Restricted	55,069	253	4	55,326
Cetes	5,403	-	-	5,402
Bonds	1,688	21	(1)	1,708
Bondes	6,082	6	(1)	6,087
Bpas	41,896	226	7	42,129
Brems	-	-	-	-
UMS	-	-	-	-
Udibonds	-	-	-	-
Stock Certificates	-	-	-	-
Banking Securities	20,200	24	11	20,235
Unrestricted	5,530	-	6	5,536
Notes	5,530	-	6	5,536
Cedes	-	-	-	-
Bonds	-	-	-	-
Stock Certificates	-	-	-	-
Other Banking Securities	-	-	-	-
Restricted	14,670	24	5	14,699
Notes	790	-	4	794
Cedes	4,396	8	(1)	4,404
Stock Certificates	1,378	2	-	1,379
Other Banking Securities	8,107	14	2	8,123
Private	3,665	14	-	3,679
Unrestricted	29	-	-	29
Commercial Paper Pesos	-	-	-	-
Commercial Paper U.S. Dollars	-	-	-	-
PEMEX	-	-	-	-
EUROBONDS	-	-	-	-
Stock Certificates	26	-	-	26
Subordinated paper	-	-	-	-
Other securities	3	-	-	3
Restricted	3,637	14	-	3,651
Stock Certificates	1,144	5	-	1,149
PEMEX	2,493	9	-	2,502
Foreign Government	-	-	-	-
Unrestricted	-	-	-	-
Treasury Bonds	-	-	-	-
Treasury Bill	-	-	-	-
Treasury Notes	-	-	-	-
Other securities	-	-	-	-
Shares listed in the SIC	-	-	-	-
Guarantee (collateral) for futures	-	-	-	-
Mutual Funds	59	-	-	59
Total	**78,993**	**291**	**15**	**79,300**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

SECURITIES HELD FOR SALE 1Q11 *(Million Pesos)*

SECURITIES HELD FOR SALE	BOOK VALUE	INTEREST	UNREALIZED GAIN (LOSS)	MARKET VALUE
Unrestricted	10,949	49	108	11,106
Goverment Securities	8,449	29	2	8,480
Mexican Government Securities (UMS)	-	-	-	-
Treasury Bonds	-	-	-	-
Private company bonds	-	-	-	-
Private company bonds	-	-	-	-
GFNorte's Stock	-	-	-	-
BMV's Stock	247	-	121	367
Bonds	-	-	-	-
Eurobonds	336	17	10	363
Bank Paper	870	17	10	363
Structured notes	929	1	(24)	905
PEMEX	119	-	-	119
Other	-	-	-	-
Restricted	2,698	40	162	2,900
Mexican Government Securities (UMS)	-	-	-	-
Bonds	1,373	23	84	1,480
Eurobonds	235	2	27	265
PEMEX	1,090	15	50	1,155
Total	**13,647**	**89**	**270**	**14,006**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q11
(Million Pesos)

Securities Held to Maturity	BOOK VALUE	INTEREST	UNREALIZED GAIN (LOSS)	MARKET VALUE
Cetes	766	3	-	768
Affected papers as collateral	-	-	-	-
Fiduciary duties	-	-	-	-
Goverment Securities	103,852	478	-	104,330
Restricted	103,499	475	-	103,974
Cetes	-	-	-	-
Bonds	572	13	-	585
Bondes	33,043	35	-	33,078
Bpas	67,943	403	-	68,346
Brems	-	-	-	-
UMS	1,941	24	-	1,965
Udibonds	-	-	-	-
Stock Certificates	-	-	-	-
Unrestricted	353	3	-	356
Bonds	-	-	-	-
Bondes	-	-	-	-
Bpas	70	-	-	70
UMS	256	3	-	259
Stock Certificates	27	-	-	27
Banking Securities	6,290	82	-	6,372
Restricted	2,396	17	-	2,414
Notes	-	-	-	-
Cedes	-	-	-	-
Bonds	-	-	-	-
Stock Certificates	2,396	17	-	2,414
Other Banking Securities	-	-	-	-
Unrestricted	3,894	65	-	3,958
Bonds	-	-	-	-
Stock Certificates	2,623	23	-	2,646
Other Banking Securities	1,270	42	-	1,312
Private	48,340	77	-	48,417
Restricted	42,809	44	-	42,852
Commercial Paper Pesos	-	-	-	-
Commercial Paper U.S. Dollars	-	-	-	-
PEMEX	2,861	18	-	2,879
EUROBONDS	-	-	-	-
Stock Certificates	39,948	26	-	39,973
Sructured Notes	-	-	-	-
Unrestricted	5,532	33	-	5,565
Stock Certificates	5,281	23	-	5,303
Bonds	-	-	-	-
PEMEX	251	10	-	262
Sructured Notes	-	-	-	-
Other Unrestricted	11	-	-	11
Other Debt Securities	-	-	-	-
U.S. Government Securities	11	-	-	11
Subordinated paper	-	-	-	-
Total	**159,259**	**640**	**-**	**159,989**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

SECURITIES ASSIGNED FOR SETTLEMENT 1Q11 *(Million Pesos)*				
SECURITIES ASSIGNED FOR SETTLEMENT	**BOOK VALUE**	**INTEREST**	**UNREALIZED GAIN (LOSS)**	**MARKET VALUE**
Government securities	(582)	1	1	(581)
Cetes	(122)	-	-	(122)
Bonds	(510)	1	1	(509)
Bondes	-	-	-	-
Bpas	-	-	-	-
Brems	-	-	-	-
UMS	50	1	-	50
UdiBonds	-	-	-	-
2U CBIC	-	-	-	-
Stock Certificates	-	-	-	-
Bank Paper	-	-	-	-
Private	-	-	-	-
Foreign Goverment	178	-	-	179
Treasury Bonds	-	-	-	-
Treasury Bill	-	-	-	-
Treasury Notes	178	-	-	179
Total	**(404)**	**2**	**1**	**(402)**

REPURCHASE AGREEMENT OPERATIONS 1Q11
(Million Pesos)

SALES	**MARKET VALUE**			**FINANCIAL STATEMENT INDIVIDUAL COMPENSATION**	
	RECEIVABLES ON REPURCHASE AGREEMENT	**SECURITIES TO BE DELIVERED**	**GLOBAL POSITION**	**ASSET BALANCE**	**LIABILITY BALANCE**
Goverment Securities	-	153,867	(153,867)	-	153,867
Banking Securities	-	17,116	(17,116)	-	17,16
Private Securities	-	11,261	(11,261)	-	11,261
Total	-	182,245	(182,245)	-	182,245

PURCHASES	**MARKET VALUE**			**FINANCIAL STATEMENT INDIVIDUAL COMPENSATION**	
	RECEIVABLES ON REPURCHASE AGREEMENT	**SECURITIES TO BE DELIVERED**	**GLOBAL POSITION**	**ASSET BALANCE**	**LIABILITY BALANCE**
Goverment Securities	23,985	23,994	(9)	7	16
Banking Securities	4,415	4,316	99	99	-
Private Securities	8,756	5,305	3,451	3,470	19
Total	37,157	33,615	3,542	3,576	34

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

DERIVATIVES FINANCIAL INSTRUMENTS OPERATIONS 1Q11 (Million Pesos)					
INSTRUMENT	TO RECEIVE	TO DELIVER	NET	DEBTOR BALANCE	CREDITOR BALANCE
FUTURES					
Over Inflation (INPC)	10	(10)	-	-	-
					-
FORWARD FX CONTRACTS	AGREED PRICE	MARKET VALUE	VALUATION		
Negotiable					
Purchases	101	(36)	64		
Sells	(161)	166	5		
Total	(60)	130	70	72	3
					70
Hedging					
Purchases	-	-	-		
Sells	-	-	-		
Total	-	-	-	-	-
SWAPS	TO RECEIVE	TO DELIVER	NET		
Negotiable					
Capital	10,173	(10,118)	55		
Interest rate	972	(981)	(9)		
Valuation	82,058	(82,054)	5		
Subtotal	93,203	(93,153)	50	5,276	5,227
					50
Hedging					
Capital	10,960	(11,293)	(333)		
Interest rate	238	(259)	(21)		
Valuation	8,308	(10,109)	(1,801)		
Subtotal	19,505	(21,660)	(2,155)	475	2,630
					(2,155)
OPTIONS					
Negociable-Assets					
Swaptions	6	(3)	3		
Rate Options	440	(37)	403		
Fx	-	-	-		
Index Options (ipc)	-	-	-		
Total	446	(41)	406	406	-
Hedging -Assets					
Swaptions	-	-	-		
Rate Options	160	(10)	150		
Index Options (ipc)	-	-	-		
Total	160	(10)	150	150	-
Negociable-Liability					
Swaptions	(23)	9	(14)		
FX	(7)	4	(3)		
Rate Options	(396)	78	(317)		
Index Options (ipc)	-	-	-		
Total	(426)	92	(334)	-	334
Debtor Balance				6,380	
Creditor Balance					8,194

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q11 (Mililon Pesos)				
PRODUCT	**TYPE**	**UNDERLYING**	**CURRENCY**	**NOTIONAL**
FX Forwards	Purchases	Exchange Rate (Dollar)	MXN	104
FX Forwards	Sales	Exchange Rate (Dollar)	MXN	166
FX Options	Purchases	Exchange Rate (Dollar)	MXN	181
FX Options	Sales	Exchange Rate (Dollar)	MXN	997
Interest Rate Options	Purchases	TIIE	MXN	36,264
Interest Rate Options	Sells	TIIE	MXN	24,651
Interest Rate Options	Purchases	LIBOR	MXN	6,895
Interest Rate Options	Sells	LIBOR	MXN	7,026
Interest Rate Options	Swaption Purchases	TIIE	MXN	300
Interest Rate Options	Swaption Sells	TIIE	MXN	8,000
Interest Rate Options	Swaption Purchases	LIBOR	MXN	-
Interest Rate Options	Swaption Sells	LIBOR	MXN	3,573
Interest Rate Swaps	USLI/IRS	LIBOR	MXN	48,323
Interest Rate Swaps	TIIE/IRS	TIIE	MXN	383,664
FX Swaps	CS EURMXN	FIX/FIX	MXN	972
FX Swaps	CS USDCETE	CETE	MXN	1,191
FX Swaps	CS USDMXN	FIX/FIX	MXN	18,970

INVESTMENT IN NON GOVERNMENTAL FINANCIAL INSTRUMENTS THAT RESPRESENT MORE THAN 5% OF NET CAPITAL 1Q11 (Million Pesos)			
INDUSTRY	**INVESTMENT INSTRUMENT**	**AMOUNT**	**% NET CAPITAL**
INBURSA	Banking Bond	3,517	6.56%

Includes the Treasury position.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

LOAN PORTFOLIO (Million Pesos)	Local Currency		UDIS		Foreign Currency		Total	
	1Q10	1Q11	1Q10	1Q11	1Q10	1Q11	1Q10	1Q11
Performing Loans								
Commercial	91,604	104,630	299	294	21,371	22,413	113,274	127,337
Financial Intermediaries	5,707	5,466	-	-	385	309	6,091	5,775
Consumer	25,513	28,642	59	17	186	175	25,759	28,835
Mortgages	48,050	55,040	715	247	2,317	2,060	51,082	57,348
Goverment Entities	40,852	51,222	-	-	151	49	41,003	51,271
Fobaproa	-	-	-	-	-	-	-	-
Total	**211,727**	**245,000**	**1,073**	**558**	**24,410**	**25,006**	**237,210**	**270,564**
Past Due Loans								
Commercial	2,602	4,003	6	6	1,095	482	3,703	4,492
Financial Intermediaries	-	-	-	-	-	-	-	-
Consumer	1,565	1,312	-	-	-	-	1,565	1,312
Mortgages	603	601	50	27	207	66	860	694
Goverment Entities	-	-	-	-	-	-	-	-
Total	**4,769**	**5,916**	**56**	**34**	**1,302**	**549**	**6,128**	**6,498**
Total Propietary Loans	**216,496**	**250,916**	**1,129**	**592**	**25,713**	**25,555**	**243,337**	**277,063**

COST OF BALANCES OF FINAPE, FOPIME, MORTGAGE UDIS AND MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q11 ()Million Pesos)	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	64	110
Mortgage FOVI	-	-
	64	**110**

Quarter ending balance of Ps 110 million pesos in debtors support programs with a cost for the period of Ps 64 million.

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Distressed Portfolio**

Based on criterion B6 Credit Portfolio of the CNBV, a Distressed Portfolio is defined as those commercial loans that are unlikely to be recovered fully, including both the principal and the interest pursuant to the terms and conditions originally agreed. Such determination is made based on actual information and data and on the loan revision process. Performing loans and past-due loans are susceptible to being identified as Distressed Portfolios. The D and E risk degrees of the commercial loan rating are as follows:

(Million Pesos)	**Total**
Distressed Portfolio	2,365
Total Loans	270,674
Distressed Portfolio / Total Loans	**0.9%**

DEFERRED TAXES 1Q11

(Million Pesos)

ASSETS	**INCOME TAX**	**PROFIT SHARING**	**NET**
Tax losses pending amortization	373	-	373
Provisions for possible loss in loans	102	-	102
Earnings per Society	1	-	1
Excess of preventive reserves accounts over the fiscal limit	1,736	615	2,351
Non deductible provisions and cumulative income	388	118	505
State Tax on Assets Deferred	8	-	8
Excess of accounting value over fiscal value on Reposessed Assets	370	58	428
Diminishable profit sharing	280	93	373
Fees received in advance	19	2	20
Reserve for employee retirement benefits	1	-	1
Current Account Agents	7	-	7
Reserve for additional compensation to agents	19	-	19
Diverse Creditors	52	-	52
Decrease for securities' valuation	28	-	28
Charge-off's Estimates	19	-	19
Tax los son share sale	29	-	29
Additional Obligations for Employee benefits	-	-	-
Other	11	-	11
Total Assets	**3,442**	**887**	**4,329**
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	-	-	-
Pension Funds Contribution	(560)	(200)	(760)
Loan Portfolio Acquisitions	(621)	(111)	(733)
Projects to be capitalized	(292)	(95)	(386)
Income tax to pay on UDIS Trust funds	-	-	-
Dividends Federal Home Loan Bank	(1)	-	(1)
Intangibles' amortizations	(20)	-	(20)
Unrealized loss from Securities held for sale	(1)	-	(1)
Effects from valuation of instruments	(147)	(30)	(177)
Effects of other accounts	(131)	-	(131)
Reversal of Sale Costs	(2)	-	(2)
Increase for securities' valuation	(541)	-	(541)
Receivable interest from securities	(4)	-	(4)
Investment of reserves for obligations	(1)	-	(1)
Current Account Agents	(10)	-	(10)
Inventories	(8)	-	(8)
Unrealized gains from investments in Siefore	-	-	-
Other	-	-	-
Total liabilities	**(2,338)**	**(436)**	**(2,774)**
Assets (Liabilities) Accumulated Net	**1,104**	**451**	**1,555**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

LONG TERM DEBT AS OF 1Q11
(Million Pesos)

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	AMOUNT (Pesos)	ORIGINAL AMOUNT (Million Ps, Dlls or UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds 2006	USD	Oct 13 '06	4,763	400	10 years	6.135%	Oct 13 '16	E/ 180 days
Non Convertible Subordinated Bonds 2006	USD	Oct 13 '06	2,382	200	15 years	6.862%	Oct 13 '21	E/ 180 days
Non Convertible Subordinated Bonds Q Banorte 08	MXN	Mar 11 '08	3,000	3,000	10 years	TIIE + 0.60%	Feb 27 '18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	Mar 11 '08	2,052	447	20 years	4.95%	Feb 15 '28	E/ 182 days
Non Convertible Subordinated Bonds Q Banorte 08-2	MXN	Jun 27 '08	2,750	2,750	10 years	TIIE + 0.77%	Jun 15 '18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 09	MXN	Mar 30 '09	2,200	2,200	10 years	TIIE + 2.00%	Mar 18 '19	E/ 28 days
Senior Notes Due 2010	USD	Jul 19 '10	3,573	300	5 years	4.375%	Jul 19 '15	E/ 180 days

BANK AND OTHER ENTITIES LOANS' AS OF 1Q11
(Million Pesos)

	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	656	2.53%	1,784	656
LOANS FROM FOREIGN BANKS GENERATED IN THE COUNTRY	-	-	-	897	0.8911%	236	897
LOANS FROM DEVELOPMENT BANKS	7,253	5.47%	429	2,281	2.56%	627	9,534
LOANS FROM PUBLIC FUNDS	5,708	5.40%	535	218	2.29%	741	5,926
CALL MONEY & LOANS FROM BANKS	9,490	5.37%	146	-	-	-	9,490
LOANS FROM FIDUCIARY FUNDS	366	8.18%	3,766	-	-	-	366
PROVISIONS FOR INTEREST	75			-	-	-	75
	22,892			**4,052**			**26,944**
Eliminations							(1,823)
Total							**25,120**

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

TRADING INCOME 1Q11 (Million Pesos)	
VALUATION EFFECTS	
Negotiable Instruments	255
Securities Held to Maturity	-
Repurchase Agreements	-
Derivative instruments	(44)
Futures	-
From repo transactions	-
Range	-
Inflation Adjustment	-
Total	**212**
Dividends Received	**-**
RESULTS FORM BUYING AND SELLING	
Negotiable Instruments	45
Securities Held for Sell	(4)
Hedging Derivatives	-
Securities Held to Maturity	-
Derivative Operations	91
Inflation Adjustment	-
Total of Buying and Selling Instruments	**132**
FX Spot	186
FX Forwards	-
FX Futures	(1)
FX Futures TIIE	-
FX Hedging	-
Changes in FX Valuation	(14)
Intermediation of metals	1
Changes in valuation of metals	-
Total Foreign Exchange	**173**
Inflation Adjustment	**-**
Total of Buying and Selling	**305**
TOTAL TRADING INCOME	**517**

- **Risk Management**

  - **Credit Risk**

It is a risk that clients, issuers or counterparts do not fulfill their payment obligations therefore, proper management is essential to maintain the loan quality of the portfolio.

The objectives of credit risk management at GFNorte are:

- Improve the quality, diversification and composition of the loan portfolio in order to optimize the risk-performance (yield) ratio
- Provide Executive Management with reliable, timely information to assist decision making regarding loans.
- Provide the Business Areas with clear and sufficient tools to support loan placement and follow-up.
- Create economic value for shareholders by efficient loan risk management.
- Comply with the information requirements that the authorities set forth regarding loan risk management.
- Perform risk management in accordance with the best practices, implementing models, methodologies, procedures and systems based on the main advances worldwide.

  - **Individual Credit Risk**

The Bank of the Group separate the loan portfolio into two large groups: consumer loans and company loans.

The individual loan risk for consumer loans is identified, measured and controlled by a parametric system (scoring) that includes origination and behavior models for each of the consumer products: mortgage, car, payroll loans and credit cards.

Individual risk for companies is identified within the portfolio, measured and controlled by means of Objective Markets, the Criteria for Risk Acceptance, Early Alerts and Banorte's Internal Risk Rating (CIR Banorte).

The Objective Markets, Criteria for Risk Acceptance and the Early Alerts are tools that, together with the Internal Risk Rating are part of GFNorte's Loan Strategy and support the estimated level of credit risk.

The Target Markets are activities selected by region and economic activity – backed by economic research and loan behavior analysis – where Banorte is interested in placing loans.

The Risk Acceptance Criteria are parameters that describe the risk identified by the industry, which makes it possible to estimate the risk involved for the bank when granting a loan to customer on the bases of their economic activity. The types of risk contemplated in the Risk Acceptance Criteria are financial risk, operation risk, market risk, company life cycle, legal, regulatory, loan experience and management quality.

Early Alerts are a set of criteria based on borrower information and indicators and their conditions that were established as a mechanism for the timely prevention and identification of a probable deterioration in the loan portfolio, thereby enabling the institution to take prompt preventive actions to mitigate the credit risk.

Banorte's CIR aligns with the "general PROVISIONS applicable to the loan qualification method of loan institution" issued by the CNBV on December 2, 2005. Banorte's CIR was certified by the CNBV and by an international external auditor in 2001.

Banorte's CIR is applied to commercial loans equal to or greater than an amount in Mexican pesos equivalent to four million investment units on the qualification date.

  - **Portfolio Credit Risk**

GFNorte has designed a portfolio credit risk method that, besides contemplating the major and latest international practices in identification, measurement, control and follow-up, has been adapted to work within the context of the Mexican Financial System.

This credit risk methodology makes it possible to know the current value of the portfolio loans of GFNorte, that is, *the loan exposure*, allowing surveillance of the risk concentration levels per risk qualification, geographical regions, economic activities, currency and type of product in order to know the portfolio's profile and take action to direct it toward a diversification which will maximize profitability with the lowest risk.

Calculating loan exposure implies generating a cash flow of each one of the loans, of both capital and interest to discount it later. This exposure is sensible to changes in the market, thereby facilitating calculations under different economic scenarios.

The method, in addition to contemplating loan exposure, takes into consideration the probability of non-compliance, the recovery level associated to each client and the classification of the debtor based on the Merton model. The *probability of non-compliance* is the probability that the debtor will not meet his/her debt obligation with the bank according to the originally agreed terms and conditions. The probability of non-compliance is based on the transition matrixes that the Banks calculate from the migration of the debtors through different risk qualification levels. The *recovery ratio* is the percentage of total exposure that is estimated to be recovered if the debtor fails to comply.

The *classification of the debtor*, based on the Merton model, associates the debtor's future behavior to loan and market factors on which his "credit health" depends, as determined by statistical techniques.

The results are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the credit portfolio's loss distribution average, which is used to measure the following year's expected loss due to non-compliance or variations in debtors' credit quality. This unexpected loss is an indicator of the loss that could be expected in extreme scenarios and is measured as the difference between the maximum loss given the distribution of losses, at a specific reliability level that in the case of the Banking Sector is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to the Banks' global strategy. The individual risk identification tools and the portfolio credit risk methodology are periodically checked and updated to allow the application of new techniques that may support or strengthen them.

By March 31, 2011, the Banco Mercantil del Norte total portfolio was Ps 256,805 million. The expected loss represents 2.2% and the unexpected loss is 3.8% with respect to the total portfolio. The average expected loss is 2.2% during the period between January and March 2011.

In the Brokerage House, the credit exposure of investments is Ps 13,068 milion and the expected loss represents 0.1252% of the exposure. The average expected loss is 0.1277% between January and March 2011.

The total operating portfolio of Arrendadora and Factor is Ps 16.648 billion. Prospective losses represent 0.7% and unforeseen losses 2.8% of the total operating portfolio. The prospective loss average represents 0.8% in the period of January and March 2011.

- **Credit Risks of Financial Instruments**

To identify, measure, supervise and control loan risks of financial instruments there are defined policies for Origination, Analysis, Authorization and Administration.

Origination policies define the types of financial instruments, as well as the method of evaluating the credit risk of the different types of originators / issuers and counterparts. Credit risk is assigned by means of a rating obtained with an internal methodology, through evaluations of external rating agencies or a combination of both. Maximum parameters of operation are also defined depending on the type of originator / issuer or counterpart, rating and type of operation.

Analysis policies include the type of information and the variables considered to analyze operations with financial instruments when they are presented for authorization to the corresponding committee, including information on the originator or counterpart, financial instrument, destination of the operation inside the group and market information.

The Loan Committee authorizes operation lines with financial instruments in accordance with Authorization policies. The request for authorization is submitted to the business sector and other sectors involved in the operation, with all the relevant information for analysis by the Committee who, if considered appropriate, issues its authorization.

Administration policies for transactions with financial instruments consider procedures of Admission, Instrumentation, Compliance with Regulations, Review, Consumption Monitoring, Administration of Lines and Responsibility by the areas and organisms involved in the operation with financial instruments.

On an individual level, the concentration of loan risk with financial instruments is managed on a continuous basis, establishing and monitoring maximum parameters of operation for each tally or originator depending on the qualification and type of operation. There are defined risk diversification policies for portfolios, for economic groups and internal groups. Additionally, the concentration of tally type or originator, size of financial institutions and the region in which it operates are monitored so that an appropriate diversification is obtained and undesired concentrations are avoided.

Credit risk is measured by by means of the rating associated with the issuer, emission or tally, which has assigned a level of risk based on two fundamentals:

1) The probability of nonfulfillment of the originator, emission or tally, which is expressed as a percentage between 0% and 100% where the better the rating, the lower the probability of nonfulfillment and vice versa.

2) The severity of the loss that could be experienced with regard to the total of the operation in the event of nonfulfillment, is expressed as a percentage between 0% and 100% where the better the guarantees or credit structures, the smaller the severity of the loss and vice versa. To mitigating loan risk and to reduce the severity of losses in the event of non-fulfillment, the counterparts have signed ISDA contracts and agreements to net out, in which lines of credit and the use of collateral to mitigate loss in the event of non-fulfillment are implemented.

As of March 31, 2011, exposure to credit risk for Securities Investments of Banco Mercantil del Norte was Ps 194,992 billion, of which 99.2% is rated higher or similar to A-(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 19% of the Basic Capital of December 31, 2010. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Net Capital of December 2010 has a higher or similar rating to AA+ (mex) and is made up of (average considered term, amount in millions of pesos and rate): Inbursa Certificates for 9 months for Ps 8,635 at 5.9%, Pemex bonds for 5 years and 8 months for Ps 6,007 at 4.5%; Bancomer market certificates for 1 year and 4 months for Ps 4,680 at 5.1%; and State and Municipal Government loan securitization certificates for 26 years and 2 months for Ps 4,085 at 4.9%.

The exposure of Derivatives is Ps -1.916 billion, of which 99.7% has a rating higher or equal to A-(mex) on local level, placing them in investment grade and the 3 main counterparties other than then Federal or State Governments and National Financial Institutions represent 2% of the Basic Capital of December 2010.

Credit risk exposure of the Broker-Dealer for Securities Investments is Ps 13.068 billion, with 100% rated higher or equal to A-(mex) on a local scale, placing them in investment grade, the three major originator other than the Federal or State Governments or Financial National Institutions represents 15% of Equity of December 2010. Additionally, the exposure of investments with the same counterparty other than the Federal Government represents 5% or more of the Equity of December 2010 has a rating higher or equal to AA-(mex) and is stock certificates of Pemex term 3 years and 11 months for Ps2,502 at 5.0%; Certificates of Banco del Bajío to 6 months for Ps 1.493 million at 4.8%; certificates of Bancomer at 5 days for $1.204 at 4.9%; a promissory note with Banco Inbursa with term of 1 year and 11 months for Ps .884 billion at a considered average interest rate of 5.0%; Stock certificates of Banco Santander term of 2 years and 1 months for Ps 495 million at 5.0%; international investment for Deutsche Bank to two years and 2 months for Ps 279 million at 8.1% and Stock certificates of Banco Invex term of 7 months for Ps 99 million at 5.3%.There isn't Derivatives operations.

- **General rules for risk diversification in asset and liability operations applicable to loan institutions**

On December 2005, the CNBV issued "General Rules Applied to Credit Institutions in relation to Risk Diversification".

These guidelines state that the Banks must carry out an analysis of their borrowers and/or loans to determine the the amount of "Common Risk"; also, the Banks must have the necessary information and documentation to prove that the persono or group of persons represent common risk in accordance with the assumptions established in those rules.

In compliance with the risk diversification rules in asset and liability operations, Banco Mercantil del Norte submits the following information:

Basic Capital by December 31, 2010	**39,369**

I. Loans with individual amounts that represent more than 10% of the basic capital:

Loan Transactions

– Number of operations	1
– Total amount of the loans	$4,444
– % relative to basic capital	11%

Money Market Transactions

– Number operations	1
– Total amount of the transactions	$4,085
– % relative to basic capital	10%

Overnight Transactions

– Number of operations	1
– Total amount of financing	$5,466
– % relative to basic capital	14%

II. Maximum amount of financing with the 3 largest borrowers and Common Risk groups	$18,092

In compliance with the rules of diversification of risks in active and passive operations, the following information corresponds to Leasing and Factoring (Arrendadora y Factor Banorte) in millions of pesos:

Basic Capital as of December 31st, 2010	$1,930

I. Financing with individual amounts that represent more than 10% of the basic capital:

Loan Transactions

– Number of operations	13
– Total amount of the financings	$6,529
– % relative to basic capital	338%

III. Maximum amount of financing with the 3 largest borrowers and Common Risk groups	$2,843

- **Market Risk**

- ***Value at Risk***

The exposure to market risk is determined through the calculation of the Value at Risk ("VaR"). The meaning of the VaR under this method is the potential loss which could be generated in the valuation of the portfolios at a given date. This methodology is used both for the calculation of market risk and for the establishment and control of internal limits.

In order to calculate the Value at Risk (VaR), the Institution applies the nonparametric historical simulation method, considering for such purpose a 99% confidence level, using the 500 immediate historical scenarios, multiplying the result by a security factor that fluctuates between 3 and 4 depending on the annual Back Testing results calculated up to the previous quarter, also considering 10 days to break up the risk portfolio in question. These measures make it possible to insure considering unforeseen volatilities in the main risk factors that affect such portfolios.

Such methodology is applied to all financial instrument portfolios within and beyond the balance, including money market and treasury transactions, capital, foreign-exchange and derivatives held for trading and hedging purposes, which are exposed to variations in their value due to changes in the risk factors affecting their market valuation (domestic and foreign interest rates, exchange rates and indexes, among others).

The average VaR for the January-March 2011 quarter for the portfolio is Ps 1,533 million.

Million Pesos	1Q10	2Q10	3Q10	4Q10	1Q11
Total Var *	3,469	2,716	2,272	1,618	1,533
Net Capital **	51,124	51,503	52,572	54,208	55,514
VaR/Net Capital	6.79%	5.27%	4.32%	2.98%	2.76%

* Quarter Average of Bank and Brokerage House
** Net capital of the Banking Sector is the arithmetic sum of the net capitals of Bank and Brokerage House.

Moreover, the average Value at Risk per risk factor of the portfolio of instruments described for the Bank and Brokerage House, during the first quarter of 2011 is shown below:

Risk Factor	VaR
Domestic interest rate	1,516
Foreign interest rate	380
Exchange rate	73
Capitals	10
Total VaR of Bank and Brokerage House	1,533

The VaR for each of the risk factors shown is determined by simulating 500 historical scenarios of the variables that make up each of such factors, maintaining constant the variables that affect the other risk factors mentioned above. Similarly, the consolidated Value at Risk for the Bank and Brokerage House considers the correlations of all the risk factors that affect portfolio valuation. That is why the arithmetic sum of the Value at Risk per Risk Factor does not match.

- ***Backtesting Analysis***

In order to validate the daily VaR calculation measurement effectiveness, as a measure of market risk, the Backtesting analysis is updated weekly. This analysis makes it possible to compare the results estimated by VaR with the actual results.

- ***Sensitivity Analysis and Extreme Conditions Test***

To enrich the analysis and to obtain the desired impact that movements on risk factors may have on positions, sensitivity analizes and tests under extreme conditions are periodically implemented. These analizes prevent the Institution from negative situations that could arise in which extraordinary losses result from the valuation of financial instruments in position.

➢ **Liquidity Risk and Balance**

In response to the Banking Sector's need to measure Liquidity Risk and to have consistent follow-up, the Banks us financial ratios, such as the Liquidity Ratios (Liquid Assets / Liquid Liabilities). Liquid Assets include availabilities, securities to negotiate and securities available for sale. Liquid Liabilities include demand deposits, demand interbanking loans and short-term interbanking loans.

For liquidity risk quantification and follow-up, the Banking Sector uses for the dollar portfolios, the criteria that the Bank of Mexico established for developing the Liquidity Coefficient, which makes it possible to evaluate the differentials between asset and liability flows in different periods of time. This promotes a healthier distribution of terms for these assets.

Moreover, to prevent the risk of concentrating terms and re-appreciation date for each of the Banks in the Banking Sector, a Gap Analysis is made to face the resources with sources of funding, detecting any concentration in advance. These analyses are made separately per currency (domestic, foreign, and udis).

The structural risk of the Balance is evaluated using the analysis of balance simulation, among others, which allows the evaluation of future static or dynamic behavior in the Balance Sheet. It analyzes sensitivity to movements in domestic, foreign and real rates obtaining the impact that they have on the Economic Value and on the Net Interest Income. Likewise, tests are conducted under extreme conditions wherein the result of extreme changes is evaluated on rates, funding and exchange rates.

Projections are periodically compared with real data as a measure of evaluation of the effectiveness of the simulation model. These tests make it possible to evaluate the suppositions and methodology used, and if necessary, adjust them.

With the objective of strengthening follow-up of risk, early detection alarms have been determined, which allow the anticipation of problems and if necessary, put contingency plans into action.

➢ **Operational Risk**

GFNorte has a formal Operational Risk department pertaining to the "Executive Management of Credit and Operational Risk Administration", which reports to General Management of Risk Administration.

Our institution defines Operational Risk as the potential loss due to failures or deficiencies in the internal controls, errors in operation processing and storing or in data transmitting, as well as to adverse administrative and judicial rulings, fraud or theft (this definition includes Technological and Legal risk).

The objectives of the Operational Risk Management are: a) To allow and support the organization to reach its institutional objectives through the prevention and management of operational risks; b) To insure that the existing operational risks and the required controls are duly identified, assessed and in line with the risk strategy established by the organization; and c) To insure that the operational risks are duly quantified in order to make the proper capital allocation per operational risk.

Pillars of Operational Risk Management

I. Policies, Objectives and Guidelines

As part of the institutional regulations, there are documented policies, objectives, guidelines, methodologies and responsible areas in Operating Risk management.

The Operating Risk Directorship maintains close communication and coordination with the Regulatory Comptrollership in order to facilitate effective Internal Control in which the proper procedures and controls are established that will mitigate Operating Risk in the processes, and provide follow up through the Internal Audit Department.

The Regulatory Comptrollership, as part of the Internal Control System, carries out the following activities to mitigate risk: a) Internal control validations; b) Institutional regulations management and control; c) Monitoring of operating processes' internal control by means of control indicators reports, that are reported by the process comptrollers in the various areas; d) Money Laundering Prevention process management; e) Control and follow up of the regulatory provisions; and f) Analysis and assessment of the operating processes and projects with the participation of the responsible directors of each process in order to insure adequate internal control.

II. Quantitative and Qualitative Measuring Tools

<u>Operating Losses Database</u>

To record operating loss events, a system has been developed internally known as the "Operating Loss and Events Capture System" (SCERO). This system enables the central information supplier areas to directly record such events online, which are classified by Type of Event in accordance with the following categories:

Types of Events	Description
Internal Fraud	Losses derived from a type of action intended to defraud, unlawfully take goods or sidestep regulations, laws or company policies (excluding diversity/discrimination events) in which at least one company party is involved.
External Fraud	Losses derived from a type of action intended to defraud, unlawfully take goods or sidestep the laws, caused by a third party.
Labor Relations and Safety in the Workplace	Losses caused by acts that are incompatible with the legislation or labor agreements regarding hygiene or safety, the payment of personal damage claims, or cases associated with diversity/discrimination.
Customers, Products & Business Practices	Losses caused by involuntary noncompliance or negligence of a professional obligation to specific customers (including fiduciary and adjustment requirements), or due to the nature or design of a product.
Natural Disasters and Other Events	Losses caused by damage or harm to material assets as a consequence of natural disasters or other events.
Incidences in the Business and Systems Failures	Losses caused by incidences in the business and systems failures
Process Execution, Delivery and Management	Losses caused by errors in operations processing or management, as well as the relations with commercial counterparties and providers.

This historical Database provides the statistics of the operating events in which the institution has incurred so as to be able to determine their trends, frequencies, impact and distribution. Moreover, the Database will make it possible in the future to have enough information to calculate the capital requirements per Advances Models.

- ***Legal and Fiscal Contingencies Database***

For the recording and follow-up of legal, administrative and tax issues that may arise from adverse unappealable ruling, an internal system called "Legal Risk Issues Monitoring System" (SMARL) was developed. This system enables the central data supplying areas to record such events directly and on-line, which are then classified by company, sector and legal issue, among others.

As part of GFNorte's legal risk management, legal and fiscal contingencies are estimated by the attorneys that process the issues based on an internal methodology. This makes it possible to create the necessary book reserve to face such estimated contingencies.

- ***Risk Management Model***

GFNorte has defined objectives, which are achieved through different plans, programs and projects. Compliance with such objectives may be adversely affected due to operating risks, for which reason a methodology must be in place to manage them within the organization. Consequently, operating risk management is now an institutional policy defined and supported by senior management.

To perform Operating Risk Management, each of the operating risks involved in the processes must be identified in order to analyze them. In this regard, the risks identified by the Regulatory Comptrollership are recorded in a risk matrix and processed in order to eliminate or mitigate them (seeking to reduce their severity or frequency) by defining tolerance levels, as the case may be. At present, work is being done on developing a new Institution Operating Risk Management Model and the technological tools needed to implement it.

III. Required Capital Calculation

In accordance with the Capitalization for Operational Risk Regulations in effect, the institution has adopted the Basic Model, which is calculated and reported periodically to the authorities; assets subject to operational risk are identified in the note in accordance with the Regulations for capitalization requirements.

IV. Information and Reporting

The information generated by the Database and the Management Model is processes periodically to report to the Risk Policies Committee and the Board of Directors regarding the main operating events that were detected, the trends, identified risks (risk matrix) and their mitigating strategies. Reporting is also done on the status of the main Operating Risk mitigation initiatives implemented by the various areas of the organization.

- **Technology risk**

Technological Risk is defined in our institution as all potential losses from damage, interruption, alteration or failures derived from the use of or dependence on hardware, software, systems, applications, networks and any other information distribution channel in the rendering of banking services to the customers. This risk forms an inherent part of Operating Risk, which is why its management is handled collectively throughout the entire organization.

To address the Operating Risk associated with information integrity, and "Integrity Committee" has been created. Its objectives are to align security and information control efforts under a prevention focus, to define new strategies, policies, processes or procedures and to provide solutions to information security issues that affect or may affect the Institutional patrimony.

The functions established by the CNBV or Technology Risk Management are performed by the Institution under institution regulatory and Integrity Committee guidelines.

To address the Operating Risk caused by high impact external events, GFNorte has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) based on a same-time data replication system at an alternate computer site. All the above cover the back up and recovery of the Institution's critical applications in the event or any relevant operating contingency.

- **Legal risk**

Legal Risk is defined as the potential loss from failure to comply with the applicable legal and administrative provisions, the issuance of indisputable unfavorable court rulings and the application of penalties regarding the operations that the institution performs.

The Legal Risk must be measured as an inherent part of Operating Risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operating losses of the SMARL system are later recorded in the SCERO in accordance with a predetermined classification.

Based on the statistics of the current legal issues and real loss events, the Institution can identify specific legal or operating risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

- **Internal Control**

The companies that make up GFNorte have an Internal Control System (SCI) that has been structured according to the guidelines set forth by its Board of Directors and that addresses the requirements indicated by the regulating authorities.

The SCI's mission is to help in the operation of an adequate internal control in the operation and in data generating and recording. It is made up of various elements:

A. Board The Board of Directors with the support of the Committee of Risk Policies (CPR) and the Committee of Audit and Corporate Practices (CAPS). There is a CPR for the Bank, Broker Trader, the Fund Operator, Leasing and Factoring, and Banorte Securities International; and a CPR for each company of insurance, Afore and Annuities. There is also an Audit Committee for Banco Mercantil del Norte, Arrendadora and Factor Banorte (Leasing and Factoring), a Committee for the Broker Dealer and the Fund Operator, one for the companies in the Long Term Savings Sector (CASAP) and one for INB. The Board of Directors, with the support from the Committee of Risk Policies (CPR) Committee of Audit and Corporate Practices (CAPS) and the Remuneration Committee. This last one, was formed during the first quarter of 2011 with the aim to implement, maintain and continuously reviewing the remuneration system in the institution and their own compensation and to be consistent with effective risk management. There is a CPR for the Bank, Brokerage, Fund Managers, Leasing & Factoring, and Banorte Securities International, also a CPR for the Insurance, Afore and Annuities Companies. Also,, it has an Audit Committee of Banco Mercantil del Norte, Arrendadora y Factor Banorte (Leasing and Factoring), a Committee for Brokerage and Fund Managers, one for Savings and Welfare Sector (Casap) and one for INB . B. CEO and the areas that support, such as the Risk Management Unit (UAIR), Legal and Controlling Departments who are responsible for enforcing the proper control and risk levels in the Group's operations, as well as regulatory compliance.
B. Internal Audit, External Audit and Commissary (The Commissary applies only to GFNorte subsidiaries) as additional support structures to check how the Internal Control System functions and provide reasonable assurance regarding the reliability of the generated data. The Internal Audit Department reports to the Audit and Corporate Practices Committee (CAPS) and maintains complete independence from the administrative areas.
C. The Executive Group as those mainly responsible for SCI assurance according to the functions and responsibilities assigned to them. In addition to promoting the enforcement of the regulations established for the Institution and the strategies set forth by the CEO GFNorte.
D. Documents that establish the general control criteria that should be followed in the operation and reporting of transactions; in optimizing human, material and technological resources; in the use, security, timeliness and reliability of the information; and in the due compliance with the external and internal regulations. Code of Conduct that regulates the behavior that each advisor, officer or employee of the Group should assume while performing their activities.
E. Policy and procedure manuals that regulate documentation, recording and liquidation operations that the Institution carries out and establish the control points that should be observed, assuring the separation of functions, clear assigning of responsibilities, safekeeping of information and prevention of unlawful acts.

In 1Q11, activities related to strengthening control, risk evaluation and administration, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

A. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted.
B. Monitoring of the various business and support processes that make up the operation in GFNorte through Process Controllers and Management, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
C. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
D. The policy and procedure manuals have been updated as per the changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls. Additionally, there has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.

- **Treasury Policy**

GFNorte's Banking Sector Treasury is the central unit in charge of balancing its resource needs, monitoring and managing the regulatory levels, eliminating the rate risk of fixed-rate placement operations by using coverage and implementing arbitrage strategies.
The cash currencies and investment in securities are in Mexican pesos and U.S. dollars.

- **Internal and External Liquidity Sources**

The internal liquidity sources, in local as well as foreign currency, come from the various deposit products that the institution offers its customers, that is checking accounts and term deposits. Another source is the sales of the institution's assets.

External liquidity sources include various mechanisms to access the debt and capital markets. For instance, issuing credit titles, loans from other institution including the Central Bank and international agencies, as well as issuing subordinate debts. This concept also considers the liquidity that the bank obtains by reporting the securities the institution has that are feasible for this type of operation.

Another alternative for getting resources is by issuing capital shares.

- **Dividend Policy**

During the April 30, 2003 session, the Board of Directors approved a dividend payment policy in which it will propose to the General Ordinary Stockholders' Meeting a dividend payment consisting of at least 15% of the Partnership's net recurring profit, providing that there is no legal impediment and that market conditions and the Partnership's financial situation allow it.

- **Related Parties Loans**

At GFNorte, the amount of the loans performed with related individuals and companies, does not exceed the established limit of 50% of the Tier 1 capital. As of March 31, 2010 and December 31, 2010, the loans granted to related parties totaled Ps $8,835 million and Ps $8,771million, respectively.

- **People in Charge**

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation.

Dr. Alejandro Valenzuela del Río
Chief Executive Officer of Grupo Financiero Banorte, S. A. B. de C. V.

Ing. Sergio García Robles Gil
Chief Financial Officer

Lic. Benjamín Vidargas Rojas
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

C.P. Nora Elia Cantú Suárez
Deputy Managing Director of Accounting and Fiscal

According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Basis for submitting Financial Statements**

Grupo Financiero Banorte (GFNorte). issues consolidated financial statements with its Subsidiaries in accordance with the General Provisions Applicable to Financial Information of the Regulating Agencies of Financial Groups Subject to Supervision by the National Banking and Securities Commission (CNBV) published in the Official Gazette of the Federation on January 31th, 2011. As a result of the norm NIF B10 “Inflation Effects” taking effect and according to INIF 9 “Presentation of comparable financial statements as a consequence of NIF B-10 taking effect”, which mentions that the economic enviornment is non inflationary when accumulated inflation for the last three years is lees than 26%. Under this context, it is not necessary to re-express financial statements as of January 2008.

In order to comply with the new general provisions applicable to the financial information of holding companies, since 1Q01, the Quarterly Report provides consolidated information for the financial group including insurance and annuities.

Banking Sector (Banorte). Issues consolidated financial statements with trust funds in udis and its subsidiaries in conformity with the General Provisions for Financial Information of Credit Institutions in effect as published on December 2, 2006 and modified on March 3, 2006, March 28, 2006, September 15, 2006, December 6,2006, December 8, 2006 and January 12, 2007, April 26, 2007, September 19, 2008, October 14, 2008, April 27, 2009, June 11, 2009, November 9, 2009 and January 27, 2011. As a result of the norm NIF B10 “Inflation Effects” taking effect and according to INIF 9 “Presentation of comparable financial statements as a consequence of NIF B-10 taking effect”, which mentions that the economic enviornment is non inflationary when accumulated inflation for the last three years is lees than 26%. Under this context, it is not necessary to re-express financial statements as of January 2008.

Grupo Financiero Banorte (GFNorte) and Banking Sector (Banorte). The financial information contained in this document has been developed according to the regulations issued by the CNByV for the regulating agency and the financial entities that make up the Financial Group and to Norms of Financial Information (Normas de Información Financiera NIF), emitted by the Mexican Council for the Investigation and Development of Norms of Financial Information, A.C. (CINIF). The regulations of the CNBV and the NIF mentioned above differ given the specialized operations of the Credit Institutions. Moreover, there is a difference in the generally accepted accounting principles of the United States (US GAAP) and the regulations and principles established by the American authorities for this type of financial entities. In order to present the information contained herein in an international format, the classification format and the presentation of certain financial information differ from the format used for the financial information published in Mexico.

The information contained in this document is based on the non-audited financial information of each of the entities to which it refers.