BANORTE

ixe

# Grupo Financiero Banorte

*Financial Information as of March 31st, 2012*

# 1Q12

"Bank of the Year Mexico 2011"

"Best Commercial Bank in Mexico 2011"

"Best Bank in Mexico 2011"


*web page: www.banorte.com/ri*

**Investor Relations Contacts:**

David Suárez (México, D.F.)
Mariana Amador (México, D.F.)
Ana Lydia Céspedes (México, D.F.)

e-mail: investor@banorte.com


Institutional Investor

"Best Latam Management & IR Team 2010 & 2011"

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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. 2.46 billion in 1Q12

| Operating Results *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY | LTM 1Q12 | Change LTM |
|---|---|---|---|---|---|---|---|
| Net Interest Income | 6,277 | 7,364 | **7,923** | 8% | 26% | 29,888 | 27% |
| Non Interest Income | 2,611 | 4,614 | **3,871** | (16%) | 48% | 15,028 | 29% |
| Total Income | 8,888 | 11,978 | **11,794** | (2%) | 33% | 44,915 | 28% |
| Non Interest Expense | 4,631 | 6,999 | **6,558** | (6%) | 42% | 25,337 | 40% |
| Provisions | 1,338 | 1,133 | **1,467** | 30% | 10% | 5,567 | (14%) |
| Operating Income | 2,919 | 3,846 | **3,769** | (2%) | 29% | 14,011 | 34% |
| Net Income | 1,815 | 2,513 | **2,463** | (2%) | 36% | 9,165 | 32% |

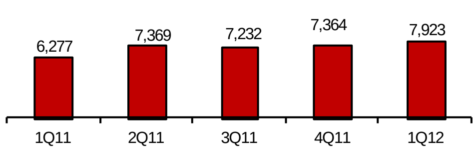
- **Net Interest Income**

During 1Q12, Net Interest Income totaled Ps 7.92 billion, increasing by 26% vs. 1Q11 and 8% vs. 4Q11, driven by higher loan volumes, the merger with Ixe and, on a quarterly basis, by the consolidation of Ixe Tarjetas (Credit Cards). Financial revenues related only to lending activity grew by 27% YoY and 3% QoQ.

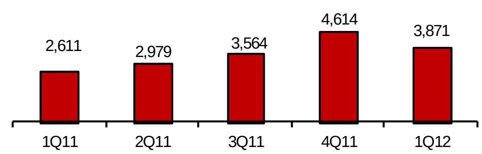
- **Non Interest Income**

Non Interest Income totaled Ps 3.87 billion in 1Q12, a 48% YoY increase, driven by growth in all items as a result of integrating Ixe's operations and better business dynamics. Compared to 4Q11, there was a (16%) reduction in Non Interest Income caused by the impact of accounting Afore XXI Banorte's revenues in Banco Mercantil del Norte under the equity participation method as of this quarter, as well as by a decline in Other Operating Income and Expenses due to fewer Recoveries and Other Products.

**NET INTEREST INCOME (Million Pesos)**




**NON INTEREST INCOME (Million Pesos )**



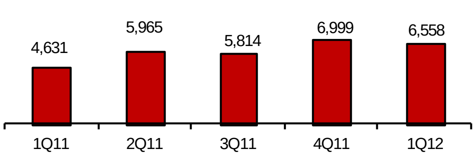

- **Non Interest Expense**

In 1Q12, Non Interest Expense totaled Ps 6.56 billion, a 42% YoY increase as a result of integrating Ixe's expenses, merger related costs, and growth in the business areas. The (6%) QoQ decline vs. 4Q11 was mainly due to lower personnel, administration and promotional expenses, as a result of the synergies obtained during the merger process and seasonal effects that result in greater expenses during the last quarter of each year. The Efficiency Ratio was 55.6% during the quarter, 280 basis points lower than at closing of 2011 due to the achievement of positive operating leverage.

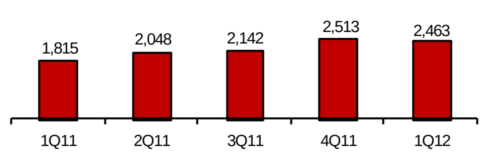
- **Provisions**

In 1Q12 Provisions totaled Ps 1.47 billion, 10% higher compared to 1Q11 and 30% more compared to 4Q11. The annual increase is due to integrating Ixe and greater requirements in the Payroll portfolio as a result of its significant growth during the past 12 months and the change in methodology to estimate reserves according to expected losses. The increase vs. 4Q11 is due to the reversal during 4Q11 of Ps 425 million in provisions that were created during 3Q11 to reserve Coahuila's loan, and also to an increase in provisions for Payroll and Mortgage loans, which were not completely offset by lower provisions in the Corporate, Commercial, Credit card and Car loan portfolios. When normalizing for the impact of the reversal made during 4Q11, Provisions declined by (6%) QoQ.

**NON INTEREST EXPENSE (Million Pesos )**




**NET INCOME (Million Pesos)**



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

- **Net Income**

GFNorte's Net Income was Ps 2.46 billion in 1Q12, 36% higher than in 1Q11 and (2%) lower than in 4Q11. The annual increase is due to the integration of Ixe's results and to higher Total Income. The quarterly decline is due to the quarterly seasonal impact on revenues, the increase in provisions following the release of reserves registered during the previous quarter, the negative impact of consolidating the losses registered by Ixe Tarjetas after its acquisition and write-offs as a result of deterioration in some of Ixe's assets. When excluding these impacts, the recurring Net Income was Ps 2.59 billion in 1Q12, an increase of 43% annually and 2% quarterly. ROE was 13.7% during the first quarter of 2012, while the Return on Tangible Capital (ROTE) was 17.8%, 80 basis points higher compared to 1Q11 and 50 basis points higher vs. 4Q11.

**Net Income excluding extraordinaries**

| | 1Q12 | Change vs. 4Q11 | Change vs. 1Q11 |
|---|---|---|---|
| Reported Net Income | $2,463 | (2%) | 36% |
| + Integration Costs | $27 | - | - |
| + Impact of Ixe Tarjetas | $68 | - | - |
| + Impact of Ixe's Assets | $34 | - | - |
| Recurring Net Income | $2,592 | 2% | 43% |

**ROE on Tangible Equity**

| | 1Q11 | 4Q11 | 1Q12 |
|---|---|---|---|
| Reported ROE | 15.5% | 14.4% | 13.7% |
| Goodwill / Intangibles | $4,145 | $20,589 | $20,032 |
| Average Tangible Capital | $40,710 | $49,183 | $51,562 |
| ROTE | 17.0% | 17.3% | 17.8% |

The Banking Sector's Net Income (Banco Mercantil del Norte and Ixe Banco) totaled Ps. 2.14 billion in 1Q12, contributing with 87% of GFNorte's total profits. ROE in this sector during the 1Q12 was 16.8%, increasing by 260 basis points compared to 4Q11 and 250 basis points vs.1Q11.

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)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY | LTM 1Q12 | Change LTM |
|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | |
| Net Interest Income | 6,277 | 7,364 | **7,923** | 8% | 26% | 29,888 | 27% |
| Non Interest Income | 2,611 | 4,614 | **3,871** | (16%) | 48% | 15,028 | 29% |
| Total Income | 8,888 | 11,978 | **11,794** | (2%) | 33% | 44,915 | 28% |
| Non Interest Expense | 4,631 | 6,999 | **6,558** | (6%) | 42% | 25,337 | 40% |
| Provisions | 1,338 | 1,133 | **1,467** | 30% | 10% | 5,567 | (14%) |
| Operating Income | 2,919 | 3,846 | **3,769** | (2%) | 29% | 14,011 | 34% |
| Taxes | 847 | 1,007 | **1,140** | 13% | 35% | 3,845 | 28% |
| Subsidiaries & Minority Interest | (257) | (326) | **(166)** | (49%) | (36%) | (1,001) | 88% |
| Net Income | 1,815 | 2,513 | **2,463** | (2%) | 36% | 9,165 | 32% |
| **Balance Sheet** | | | | | | | |
| Asset Under Management | 736,423 | 1,295,330 | **1,332,575** | 3% | 81% | | |
| Total Assets | 642,164 | 829,277 | **829,442** | 0% | 29% | | |
| Performing Loans (a) | 270,564 | 350,557 | **360,648** | 3% | 33% | | |
| Past Due Loans (b) | 6,498 | 6,949 | **6,588** | (5%) | 1% | | |
| Total Loans (a+b) | 277,063 | 357,506 | **367,236** | 3% | 33% | | |
| Total Loans Net (d) | 268,033 | 347,562 | **356,821** | 3% | 33% | | |
| Acquired Collection Rights ( e) | 2,641 | 3,559 | **3,110** | (13%) | 18% | | |
| Total Loans (d+e) | 270,674 | 351,121 | **359,931** | 3% | 33% | | |
| Total Liabilities | 588,494 | 752,195 | **750,701** | (0%) | 28% | | |
| Total Deposits | 299,245 | 370,290 | **373,297** | 1% | 25% | | |
| Equity | 53,670 | 77,082 | **78,741** | 2% | 47% | | |

| Financial Ratios GFNorte | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| **Profitability:** | | | | | |
| NIM (1) | 4.4% | 4.0% | **4.2%** | 0.2 pp | (0.2 pp) |
| NIM after Provisions (2) | 3.4% | 3.3% | **3.4%** | 0.1 pp | (0.0 pp) |
| ROE (3) | 15.5% | 14.4% | **13.7%** | (0.7 pp) | (1.8 pp) |
| ROA (4) | 1.2% | 1.2% | **1.2%** | (0.0 pp) | 0.0 pp |
| **Operation:** | | | | | |
| Efficiency Ratio (5) | 52.1% | 58.4% | **55.6%** | (2.8 pp) | 3.5 pp |
| Operating Efficiency Ratio (6) | 3.0% | 3.4% | **3.2%** | (0.3 pp) | 0.2 pp |
| Liquidity Ratio (7) | 95.6% | 101.8% | **103.2%** | 1.4 pp | 7.6 pp |
| **Asset Quality:** | | | | | |
| Past Due Loan Ratio | 2.3% | 1.9% | **1.8%** | (0.1 pp) | (0.6 pp) |
| Coverage Ratio | 139.0% | 143.1% | **158.1%** | 15.0 pp | 19.1 pp |
| Past Due Loan Ratio w/o Banorte USA | 2.3% | 1.9% | **1.8%** | (0.1 pp) | (0.5 pp) |
| Coverage Ratio w/o Banorte USA | 144.2% | 149.6% | **163.4%** | 13.8 pp | 19.2 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).

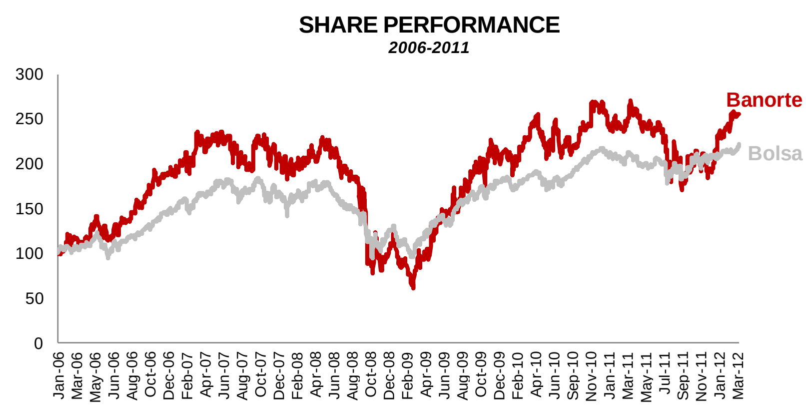
According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

| Subsidiaries Net Income (Million Pesos) | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY | LTM 1Q12 |
|---|---|---|---|---|---|---|
| **Banking Sector** | **1,459** | **1,725** | **2,139** | **24%** | **47%** | **7,225** |
| Banco Mercantil del Norte (1) (2) | 1,459 | 1,707 | 1,910 | 12% | 31% | 6,707 |
| Ixe Banco | - | 17 | 230 | 1217% | - | 518 |
| **Broker Dealer** | **97** | **145** | **111** | **(23%)** | **14%** | **432** |
| Banorte-Broker Dealer | 97 | 67 | - | (100%) | (100%) | 179 |
| Ixe-Broker Dealer | - | 57 | 86 | 51% | - | 184 |
| Ixe Fondos | - | 21 | 25 | 20% | - | 70 |
| **Long Term Savings** | **128** | **180** | **254** | **41%** | **99%** | **584** |
| Retirement Funds - Afore XXI Banorte | 41 | 76 | 115 | 52% | 180% | 168 |
| Insurance | 96 | 91 | 122 | 35% | 27% | 365 |
| Annuities | (9) | 14 | 16 | 16% | (275%) | 51 |
| **Other Finance Companies** | **150** | **164** | **(3)** | **(102%)** | **(102%)** | **555** |
| Leasing and Factoring (3) | 139 | 151 | 126 | (17%) | (9%) | 604 |
| Warehousing | 11 | 8 | 8 | (2%) | (28%) | 37 |
| Ixe Tarjetas (4) | - | - | (68) | - | - | (68) |
| Ixe Automotriz | - | 15 | 8 | (44%) | - | 38 |
| Fincasa Hipotecaria | - | (10) | (77) | 659% | - | (55) |
| **Other Companies** | | | | | | |
| Ixe Soluciones | - | (51) | (72) | 41% | - | (135) |
| Ixe Servicios | - | (2) | (1) | (34%) | - | 1 |
| **G. F. Banorte (Holding)** | **(20)** | **352** | **33** | **(91%)** | **(268%)** | **389** |
| **Total Net Income** | **1,815** | **2,513** | **2,463** | **(2%)** | **36%** | **9,165** |

1) Considering a participation of 97.06% in 3Q06, 97.07% in 3Q09, and 92.72% as of 4Q09. This figure reflects the investment by the IFC in Banco Mercantil del Norte when the transaction was completed in 4Q09.
2) Since 1Q12, Afore XXI Banorte is recognized under the equity method of Banco Mercantil del Norte, however, for informational and comparison purposes, the Net Income of Afore XXI Banorte is presented in the corresponding sector business.
3) The merger of Leasing and Factoring became effective as of January 31, 2008
4) Since 1Q12, Ixe Tarjetas consolidates with GFNorte.

| Share Data | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Earnings per share (Pesos) | 0.90 | 1.08 | **1.06** | (2%) | 18% |
| Dividend per Share (Pesos) | 0.17 | 0.17 | **0.17** | 0% | 0% |
| Dividend Payout (Recurring Net Income) | 18.3% | 18.0% | **18.0%** | 0% | (1%) |
| Book Value per Share (1) (Pesos) | 23.61 | 30.45 | **31.40** | 3% | 33% |
| Total Shares Outstanding (Million Shares) | 2,018.0 | 2,326.4 | **2,326.4** | 0% | 15% |
| Stock Price (Pesos) | 55.98 | 42.32 | **56.98** | 35% | 2% |
| P/BV (Times) | 2.37 | 1.39 | **1.81** | 31% | (23%) |
| Market Capitalization (Million Dollars) | 9,487 | 7,059 | **10,348** | 47% | 9% |
| Market Capitalization (Million Pesos) | 112,970 | 98,451 | **132,556** | 35% | 17% |

1) Excluding Minority Interest.
2) Earnings per share calculations as of 2Q11 take into consideration the new number of shares resulting from the exchange of shares with Ixe, and therefore are not comparable with previous periods.



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## SUMMARY OF RESULTS

**Mexico D.F. April 26th, 2012.** Grupo Financiero Banorte (GFNORTE) reported today its operating results at the closing of March 2012. GFNORTE's Net Income reached Ps 2.46 billion, 36% higher compared to the same quarter of 2011 and 2% lower than in 4Q11 due to the quarterly seasonal impact on revenues, the increase in provisions following the release of reserves registered during the previous quarter, the negative impact of consolidating the losses registered by Ixe Tarjetas after its acquisition and write-offs as a result of deterioration in some of Ixe's assets. Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed with 78% of the profits reaching Ps 1.91 billion, while Ixe and its subsidiaries contributed with Ps 131 million.

Return on Equity (ROE) was 13.7% due to a 47% annual increase in shareholders' equity as a result of the capital increase related to the Ixe merger, while the return on assets (ROA) was 1.2%.

- **Deposits and Net Interest Income**

Total Deposits increased by 30% annually, driven mainly by the merger with Ixe and the efforts to promote Banorte's products. Demand deposits grew by 28% and Retail Time Deposits increased by 32%. As a result, Core Deposits grew by Ps 69.98 billion, from Ps 234.10 billion in 1Q11 to Ps 304.09 billion in 1Q12. During the quarter, Core Deposits decreased by (1%), generated by seasonal effects, although the decline is lower compared to similar periods in previous years.

During 1Q12, Net Interest Income totaled Ps 7.92 billion, a 26% YoY increase vs. 1Q11 and an 8% QoQ growth vs. 4Q11.

- **Loan Portfolio**

At closing of 1Q12, Total Performing Loans grew by 33% YoY, increasing by Ps 90.15 billion to total Ps 360.37 billion. For the eight consecutive quarter, the loan portfolio shows sustained growth in all segments as a result of the Bank's promotional strategies, the merger with Ixe and greater demand in the industry. During the quarter, Total Performing Loans grew by 3% QoQ as a result of good performance in all segments, especially Payroll, Government, Mortgage, Car and Credit card portfolios, the latter also driven by the consolidation of Ixe Tarjetas.

**Commercial** loans totaled Ps 123.09 billion, growing by 39% YoY mainly due to the merger with Ixe, as well as an increase in originations to Middle market companies, leasing and factoring and the reactivation of the Crediactivo product for businesses (the SME loan portfolio grows by 26% annually); on a quarterly basis, the Commercial loans remains at the same level as in 4Q11, with a 3% quarterly growth in SME loans. The Corporate portfolio reached Ps 57.73 billion, 30% higher YoY and 1% higher than in 4Q11 as a result of a reactivation of loans in this sector and the Ixe merger. **Government** loans totaled Ps 75.20 billion, a 47% YoY and 6% QoQ increase due to greater credit demand in this sector, as well as to the refinancing of several clients in this segment.

**Consumer** loans, including Mortgages, increased by 22% YoY. Mortgages maintained positive trends, reaching a quarter-end balance of Ps 65.75 billion, 15% higher than in 1Q11 and 2% QoQ , positioning Banorte as one of the banks with the highest growth in loan placements in this sector. Payroll loans reached Ps 14.26 billion, a 51% YoY and 6% QoQ increase vs. 1Q11 and 4Q11, respectively, as a result of growth in the number of payroll-clients in Banorte-Ixe, promotional campaigns for the product, as well as the efforts to increase cross selling. Car loans increased by 15% annually and 4% quarterly to Ps 9.72 billion at closing of 1Q12, due to greater loan placements as a result of campaigns to promote the product and improved dynamics in car sales in the country. Credit Cards totaled Ps 14.63 billion at closing of 1Q12, including 100% of the Ixe Tarjetas business given the acquisition of the 50% stake of JP Morgan Chase, increasing by 34% YoY and 28% QoQ, growing by $ Ps 3.17 million compared to December 2011.

GFNorte maintains good asset quality at the closing of 1Q12, with a NPL Ratio of 1.8%, 0.6 pp less than in 1Q11 and 0.1 pp lower than in 4Q11, one of the lowest in the financial system. Grupo Financiero Banorte finished the quarter with NPLs of Ps 6.59 billion, a 1% YoY increase as a result of including Ixe's NPL portfolio and a (5%) QoQ decline due to a reduction in almost all items, especially in the Commercial and Mortgage portfolios. GFNorte's Loan Loss Reserve Coverage was 158% at closing of 1Q12, 19.1 pp higher vs. 1Q11 and 15.0 pp vs. 4Q11.

- **Efficiency**

The Efficiency Ratio for 1Q12 was 55.6%, 3.5 pp higher than 1Q11 mainly as a result of integrating Ixe's expenses, and other merger related costs; but declines significantly by 280 basis points compared to the 58.4% in 4Q11 as a result of cost synergies obtained after the merger and to seasonality.

- **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 13.8% at closing of 1Q12, with a Tier 1 ratio of 11.6%, showing a 0.8 pp growth in both cases compared to 4Q11, reversing the downward trend in capital consumption registered in 2011 produced by growth in our assets. This level of capitalization positions Banorte adequately to meet the new Basel III regulations.

- **Other Subsidiaries**

The profit contribution from the Long Term Savings Sector, which includes the Insurance and Annuities companies, and Afore XXI Banorte, was Ps 254 million in 1Q12, 99% higher than in 1Q11. Other Finance companies, which include Arrendadora and Factor Banorte, as well as Warehousing & Ixe Automotriz totaled Ps 142 million, remaining at a similar level compared to the same period last year. The Brokerage Sector, comprised of Ixe Casa de Bolsa and Ixe Fondos, reported profits of Ps 111 million, 14% higher than in 1Q11. Also, other companies, such as Fincasa Hipotecaria, Ixe Tarjetas e Ixe Soluciones, reported a (Ps 217) million loss.

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# RECENT EVENTS

- **Shareholders' Meetings**

The Shareholders' Meetings held last February 17th, approved the following resolutions:

1. To modify the Corporate By-laws and subscribe a new Agreement of Shared Responsibilities in order to reflect the merger of Banorte and Ixe's broker dealers.
2. To distribute the second payment of the dividend authorized last October, which was paid on February 29, for an amount of Ps. $0.17 per share.
3. To modify the Regional Boards' functions as follows
   - ✓ The number of members in each Regional Board will be determined by the Chairman of the Board of Directors.
   - ✓ Members of the Regional Boards will be elected and, if the case, removed by the Chairman of the Board of Directors and will remain in functions for 2 years, with the possibility of being reelected for any number of times.
   - ✓ The Regional Boards will meet 3 times a year or when convened by the Chairman of the Board of Directors.

- **Irrevocable Trust of Administration and Payment**.

During the exchange of shares done in April 2011 in relation to the merger with Ixe, a total of 7,590,133 shares were deposited in a trust to cover any contingencies identified during the due diligence process, if they materialized. The trust established that if: i) a contingency materialized, the trust would proceed to sell, through the BMV, the number of shares that may be necessary to cover the contingency, or ii) if no contingencies occurred, all or any remaining shares would be delivered to the former Ixe's shareholders at the end of the term provided in the Trust (April 15, 2012). During the quarter, shares equivalent to Ps. $310 million were sold, providing GFNorte with the resources to cover contingencies materialized in some of Ixe's assets that required capital increases for Fincasa Hipotecaria. Other expenses paid by the Trust were covered by previous sales of shares. As a result, the 7,590,133 shares delivered to the trust by GFNorte have been sold entirely, and the trust will be extinguished.

- **Funding Certification by the CNBV.**

During the quarter the Mexican Banking and Securities Commission (CNBV) approved the model of stability of funding for Banco Mercantil del Norte, which proved that there is greater stability in the bank's deposits. This allowed the bank to assign its deposits into higher bands, thus reducing the risk weighting in some assets and releasing 40 basis points of TIER 1 capital.

- **Credit Ratings.**

During the quarter, Fitch ratified its viability ratings of Grupo Financiero Banorte and Banco Mercantil del Norte at "BBB" and "BB" for Ixe Banco. It also ratified the long and short term Issuer Default Ratings, for the Group, Banorte and Ixe at "BBB" and "F2". The national scale ratings of both banks and some subsidiaries of the Group were ratified at "AA + (mex)" and "F1 + (mex)". The outlook is "stable" in all cases.

- **Creation of "Banorte-Ixe Tarjetas, S.A. de C.V. SOFOM E.R."**

Since April 2012 the company "Banorte-Ixe Tarjetas" was established, which integrates Banorte and Ixe's Credit Card businesses. The creation of this new company and the consolidation of both businesses will have no impact on the operation, use and service to our customers, but rather will optimize the business platform and achieve greater profitability.

- **The Banker: Brand Value.**

In February, the Banker magazine published its ranking for the 500 most valuable banking brands in the world. Banorte was ranked at number 180 during 2012, with a brand value of US$ 608 million and a rating of A +.

- **Great Place To Work: "Companies with over 5000 employees".**

The Great Place to Work recognized Banorte in its rankings as number 6 in the Best "Companies with over 5000 employees" to work in Mexico, moving up four spaces in relation to the rankings of 2010. Banorte was the second best ranked bank in Mexico.

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- **Changes in Organizational Structure.**

In April, Alejandro Vazquez Salido was appointed Managing Director of Communications and Institutional Relations, reporting to the CEO. Mr. Vazquez has a professional background of 20 years in the public sector, joining the Financial Group in August 2010 as Deputy Managing Director of Federal Government Banking and from November 2011 he served as Deputy Managing Director of Government Relations.

In January, Samuel J. Munafo was appointed Managing Director of Inter National Bank, reporting to GFNorte's CEO. Mr. Munafo has a long professional background of over 39 years in the financial sector, during which he has held important management positions in various prestigious international institutions.

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## GRUPO FINANCIERO BANORTE

- **Net Interest Income**

| **Net Interest Income** *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Interest Income | 10,862 | 13,604 | **14,041** | 3% | 29% |
| Insurance and Annuities-Interest Income | 419 | 525 | **550** | 5% | 31% |
| Interest Expense | 5,033 | 6,574 | **6,675** | 2% | 33% |
| Insurance and Annuities-Interest Expense | 7 | - | **16** | - | 149% |
| Premium Income (Net) | 3,622 | 4,022 | **4,258** | 6% | 18% |
| Net Increase in Technical Reserves | 2,319 | 3,001 | **2,637** | (12%) | 14% |
| Damages, Claims and Other Obligations | 1,391 | 1,405 | **1,833** | 30% | 32% |
| Loan Origination Fees | 159 | 289 | **284** | (2%) | 79% |
| Fees Paid | 35 | 95 | **50** | (47%) | 40% |
| **Net Interest Income** | **6,277** | **7,364** | **7,923** | **8%** | **26%** |
| Provisions | 1,338 | 1,133 | **1,467** | 30% | 10% |
| **Net Interest Income Adjusted for Credit Risk** | **4,940** | **6,231** | **6,456** | **4%** | **31%** |
| Average Interest Earning Assets | 574,554 | 744,367 | **755,776** | 2% | 32% |
| **Net Interest Margin (1)** | 4.4% | 4.0% | **4.2%** | 0.2 pp | (0.2 pp) |
| **NIM after Provisions (2)** | 3.4% | 3.3% | **3.4%** | 0.1 pp | (0.0 pp) |

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

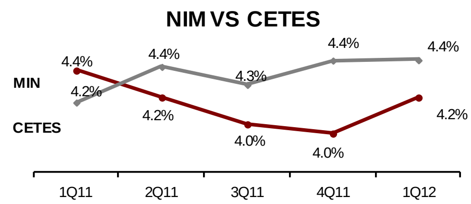
Since 1Q11, the new Accounting Criteria A-2 was implemented for the consolidation of the Insurance and Annuities' companies. As a result, since that quarter the following results for these companies are included in Net Interest Income:

| Million Pesos | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Interest Income | 419 | 525 | 550 | 5% | 31% |
| Premiums' Income (net) | 3,622 | 4,022 | 4,258 | 6% | 18% |
| - Interest Expense | 7 | 0 | 16 | - | 149% |
| - Net increase in technical reserves | 2,319 | 3,001 | 2,637 | (12%) | 14% |
| - Damages, claims and others | 1,391 | 1,405 | 1,833 | 30% | 32% |
| Net Result | 325 | 140 | 322 | 130% | (1%) |

During 1Q12, Net Interest Income increased by 26% YoY from Ps 6.28 to Ps 7.92 billion due to a 27% increase in Interest revenues and origination fees as a result of: i) the merger with Ixe Grupo Financiero, ii) growth of 33% in the Performing loan portfolio, especially in higher yielding segments that have a greater contribution to Net Interest Income, such as Payroll and Credit cards (including 100% of Ixe Tarjetas as of 1Q12), and iii) a stable funding cost due to the 30% annual increase in Core Deposits.

Net Interest Income grew by 8% compared to 4Q11 due to the consolidation of Ixe Tarjetas and to a 3% quarterly growth in the Performing Loan portfolio, especially Credit cards, Mortgages and Payroll. When considering only interest income and net fees related to loan originations, Net Interest Income increased by 3% on a quarterly basis.

Average NIM, was 4.2% during 1Q12, decreasing (0.2 pp) compared to 1Q11 due to the 32% increase in productive assets as a result of the integration with Ixe, which fully offset the growth in net financial revenues. Compared to 4Q11, NIM increased by 0.2 pp as a result of faster growth in net financial revenues compared to productive assets.




- **Provisions**

Provisions created against results in 1Q12 totaled Ps 1.47 billion, a 10% YoY increase due to the integration of Ixe's portfolio and greater requirements in the Payroll portfolio as a result of a change in the methodology for estimating reserves according to expected losses. On a quarterly basis vs. 4Q11, the 30% increase from 4Q11 was due to the reversion of Ps 425 million in provisions created during 3Q11 for the exposure to the Government of Coahuila, which was classified as delinquent. On a quarterly basis, there were increases in provisions for Payroll loans (generated by the change in the methodology for estimating reserves according to expected losses) and Mortgages; these increases were not entirely offset by the reduction in provisions in the Corporate, Commercial, Credit card and Car loan portfolios. When normalizing for the reversal done during 4Q11, provisions show a (6%) QoQ decline.

Average NIM adjusted for Credit Risks was 3.4% in 1Q12, increasing by 0.1 pp vs. 4Q11 and remaining at the same level as in 1Q11. The quarterly improvement in this ratio was a result of growth in net financial revenues that fully offset the increase in provisions.

Loan Loss provisions represented 18.5% of the Net Interest Income in 1Q12, comparing favorably to the 21.3% in 1Q11, although it was 3.1 pp higher than in 4Q11 as a result of the reversal of provisions registered in the Government portfolio during that quarter.

Annual accumulated loan loss provisions for 1Q12 represented 1.6% of the average loan portfolio, a (0.4 pp) YoY reduction vs. 1Q11 and a 0.3 pp QoQ increase vs. 4Q11.

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

- **Non Interest Income**

| Non Interest Income *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Services | 1,469 | 2,053 | **1,550** | (24%) | 6% |
| Recovery | 220 | 353 | **359** | 2% | 63% |
| Trading | 517 | 1,184 | **1,182** | (0%) | 129% |
| Other Operating Income (Expense) | 405 | 1,025 | **780** | (24%) | 92% |
| **Non Interest Income** | **2,611** | **4,614** | **3,871** | **(16%)** | **48%** |

| Non Interest Income *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| **Fees Charged on Services** | **2,267** | **3,196** | **2,765** | **(13%)** | **22%** |
| Fees for Commercial and Mortgage Loans | 3 | **16** | **41** | 151% | 1167% |
| Fund Transfers | 92 | **117** | **111** | (5%) | 21% |
| Account Management Fees | 255 | **311** | **300** | (4%) | 17% |
| Fiduciary | 75 | **116** | **84** | (28%) | 13% |
| Income from Real Estate Portfolios | 220 | **353** | **359** | 2% | 63% |
| Electronic Banking Services | 202 | **234** | **242** | 3% | 20% |
| Credit Card Fees | 701 | **831** | **825** | (1%) | 18% |
| Fees from IPAB (1) | - | **-** | **-** | - | - |
| Fees charged by Afore | 304 | **342** | **-** | (100%) | (100%) |
| Other Fees Charged (2) | 414 | **874** | **803** | (8%) | 94% |
| **Fees Paid on Services** | **578** | **790** | **857** | **8%** | **48%** |
| Fund transfers | 10 | **10** | **11** | 15% | 16% |
| Other Fees Paid | 568 | **780** | **845** | 8% | 49% |
| Expenses from Real Estate Portfolios | - | **-** | **-** | - | - |
| **Net Fees** | **1,689** | **2,406** | **1,909** | **(21%)** | **13%** |
| **Trading Income** | **517** | **1,184** | **1,182** | **(0%)** | **129%** |
| Subtotal Other Operating Income (Expenses) (3) | 235 | **598** | **460** | (23%) | 96% |
| Non Operating Income (Expense), net (4) | 57 | **306** | **195** | (36%) | 241% |
| Other Operating Income (Expense) from Insurance and Annuities (5) | 113 | **120** | **125** | 4% | 10% |
| **Other Operating Income (Expenses)** | **405** | **1,025** | **780** | **(24%)** | **92%** |
| **Non Interest Income** | **2,611** | **4,614** | **3,871** | **(16%)** | **48%** |

1) Includes Fees received by Recovery Banking and by the Bank.
2) Includes fees from letters of credit, 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 item under Non Interest Income. The majority of these revenues correspond to recoveries of previously charged-off loans.
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).

In addition to the Accounting Criteria A-2 previously mentioned which was applied in order to consolidate the Insurance and Annuities' companies, since 1Q11, the Accounting Criteria D-2 was implemented to report "Other Operating Income (Expenses)" in the Income Statement. As a result, starting in 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 equity participation method, is now included in the results of the Financial Group. Both items are registered under "Other Operating Income (Expenses)."

In 1Q12, Non Interest Income was Ps 3.87 billion, increasing by 48% YoY vs. 1Q11 mainly due to more trading revenues, Other Operating Income and Expenses and Recoveries; the (16%) QoQ decline vs. 4Q11 is mainly as a result of a (24%) reduction in service fees due to seasonal effects and the accounting impact of consolidating the Afore results, including its fees, through the equity participation method.

- **Service Fees**

As previously mentioned, as a result of the Afore Banorte - Afore XXI merger in January 2012, the results for Afore XXI Banorte are presented under the equity participation method in the results of Banco Mercantil del Norte (which owns 50% of the Afore's equity). Due to this change in the presentation of the Afore's results, starting this quarter, revenues from fees charged by this company are no longer included under the item of Service Fees.

In 1Q12, Service Fees totaled Ps 1.55 billion, 6% higher YoY due to the negative impact in 1Q11 caused by regulatory changes that came into effect in that quarter, as well as to the positive impact from integrating the Service Fees generated by Ixe since 2Q11 and also to the following increases due to improved business dynamics: i) 94% in Other Service Fees Charged as a result of more business volume for Banorte-Ixe, mainly in the area of Wholesale Banking, (ii) 18% in Credit card fees due to the expansion in the Credit card portfolio and a 21% increase in clients' transactions, (iii) 17% in account management fees driven by clientele growth, iv) 20% increase in electronic banking fees as a result of greater business volumes, reversing the negative impact registered in 2011 caused by regulatory changes on service fees for ATM usage and on other fees, and (v) growth in fees for commercial and mortgage loan originations, transfers and Trust management fees due to improved business dynamics. Growth in these items was partially offset by the 48% increase in interchange Fees Paid as a consequence of greater credit and debit cards transactions by our clients.

Service Fees declined by (24%) QoQ vs. 4Q11 mainly due to the negative impact of the accounting reclassification of the Afore's results, as well as an (8%) decrease in Other Service Fees Charged and other items that were affected by the quarter's seasonality, as well as an increase in Other Service Fees Paid resulting from more client transactions.

- **Recoveries**

Non Interest Income from Recoveries (including previously written-off proprietary loans and foreclosed assets classified under "Other Operating Income and Expenses") grew by 29% YoY due to growth of 63% in the recovery of real estate portfolios, which include revenues related to investment projects mainly with home developers, while revenues from recoveries of acquired portfolios grew by 33% and revenues from previously written-off portfolios grew by 12%.

Recoveries declined by (8%) QoQ vs. 4Q11 due to a combined (30%) overall reduction in revenues from recoveries of previously written-off portfolios and from foreclosed assets as a result of seasonal factors.

At closing of 1Q12, the amount invested in projects totaled Ps 7.07 billion, a (1%) decline compared to 4Q11 and a 27% increase from 1Q11.

- **Trading**

During 1Q12, Trading revenues totaled Ps 1.18 billion, registering a 129% YoY increase due to the integration of Ixe's results, the positive impact of the valuation of securities in the Annuities Company and to favorable results in foreign exchange operations. Trading revenues remained at the same level as in 4Q11.

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

- **Other Operating Income and Expenses**

| Other Operating Income (Expenses) (3) *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| **Subtotal Other Operating Income (Expenses)** | **235** | **598** | **460** | **(23%)** | **96%** |
| Loan Recovery | 257 | 372 | **289** | (22%) | 12% |
| Income from purchased assets | 27 | 33 | **(4)** | (112%) | (115%) |
| Other Operating Income | 120 | 214 | **194** | (10%) | 61% |
| Other Operating Income (Expense) | (169) | (20) | **(18)** | (12%) | (89%) |
| **Non Operating Income (Expense), net** | **57** | **306** | **195** | **(36%)** | **241%** |
| Other Products | 182 | 859 | **315** | (63%) | 73% |
| Other Recoveries | 131 | 132 | **174** | 32% | 33% |
| Other (Expenses) | (255) | (685) | **(293)** | (57%) | 15% |
| **Other Operating Income (Expense) from Insurance and Annuities** | **113** | **120** | **125** | **4%** | **10%** |
| | | | | | |
| **Other Operating Income (Expenses)** | **405** | **1,025** | **780** | **(24%)** | **92%** |

As a result of applying the Accounting Criteria A-2 and D-2, the information for the operations of Insurance and Annuities 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".

During 1Q12, Other Operating Income and Expenses totaled Ps 780 million, 92% higher YoY as a result of more recoveries of acquired portfolios, as well as an increase in Other Operating Income derived from more surplus cancellations and a reduction in losses, among others.

On a quarterly basis, this item registers a (24%) QoQ decline compared to 4Q11 due to a (30%) reduction in recoveries of proprietary portfolio and foreclosed assets, coupled with the fact that in 4Q11 revenues were obtained from the sale of the 1% stake in the Afore Banorte to the IMSS and from profits of the sale of mutual funds. This was partially offset by a 32% increase in recoveries of acquired portfolios and 4% in revenues from the Insurance and Annuities' operations.

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

- **Non Interest Expense**

| **Non Interest Expense** *(Million Pesos)* | **1Q11** | **4Q11** | **1Q12** | **Change** | |
|---|---|---|---|---|---|
| | | | | **QoQ** | **YoY** |
| Personnel | 1,666 | 3,352 | **2,814** | (16%) | 69% |
| Professional Fees | 528 | 600 | **631** | 5% | 19% |
| Administrative and Promotional | 977 | 1,364 | **1,171** | (14%) | 20% |
| Rents, Depreciation & Amortization | 608 | 731 | **730** | (0%) | 20% |
| Taxes other than income tax & non deductible expenses | 314 | 392 | **527** | 34% | 68% |
| Contributions to IPAB | 302 | 364 | **379** | 4% | 25% |
| Employee Profit Sharing (PTU) (1) | 235 | 196 | **307** | 57% | 30% |
| **Non Interest Expense** | **4,631** | **6,999** | **6,558** | **(6%)** | **42%** |

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

During 1Q12 Non Interest Expense was Ps 6.56 billion, a 42% YoY increase vs. 1Q11 mainly due to the merger with Ixe. The increase was in all expense items, with the main changes as follows: i) Ps 1.15 billion in Personnel Expenses (+69%) as a result of the merger with Ixe and growth in business areas, as well as the payment of incentives to personnel; (ii) Ps 213 million in taxes and non-deductible expenses (+68%), due to the increase in investments and current expenses and a change in the tax accreditation factor (iii) Ps 194 million in Administration and Promotional expenses (+20%) related to higher credit card related costs, expenses related to the alliance with Cardtronics and the new "Surcharge" rules for ATMs, advertising campaigns, greater movement of cash due to more ATMs and a greater volume of operations, and insurance payments linked to mortgage and payroll loans; (iv) Ps 122 million in Rents, Depreciations and Amortizations (+20%) due to investment programs for new furniture in some buildings, computer equipment as well as more rents for offices as a result of growth in the branch network, and v) Ps 103 million in Professional Fees Paid (+19%) as a result of more advisory services linked to the business, the merger process with Ixe, and the development of technology.

Compared to 4Q11, Non Interest Expense declined by (6%) mainly due to the reduction of Ps 538 million in Personnel Expenses and of Ps 193 million in Administration and Promotional expenses, as a result of synergies from the merger with Ixe, higher provisions for bonuses and staff retention packages created during 4Q11, as well as to more operational expenses at the end of 2011.

The Efficiency Ratio was 55.6% during the first quarter of 2012, 3.5 pp higher than the level registered during the same period last year, mainly as a result of the integration of Ixe Grupo Financiero's expenses and the costs associated with the merger process, although it drops 280 basis points compared to the 58.4% registered in 4Q11 mainly due to the cost synergies obtained after the merger.

- **Taxes**

Taxes in 1Q12 were Ps 1.14 billion, growing by 35% YoY and 13% QoQ vs. 4Q11 due to a higher tax base. The effective tax and profit sharing (PTU) rate for 1Q12 was 35.5%, higher than the 29.7% of 4Q11 and the 34.3% registered in 1Q11.

- **Subsidiaries and Minority Interest**

In 1Q12, subsidiaries and minority interest registered a loss of (Ps 166) million, lower than the (Ps 257) million loss registered in 1Q11 due to improved profits in some Subsidiaries mainly as a result of classifying the results of Afore XXI Banorte through the equity participation method. This is also an improvement from the (Ps 326) million loss registered in 4Q11 due to the positive impact on Banco Mercantil del Norte's profits of consolidating Afore XXI Banorte's profits through the equity participation method, which off-set the minority interest paid to the IFC and to Generali in the Insurance and Annuities' companies.

- **Net Income**

GFNorte's Net Income was Ps 2.46 billion in 1Q12, 36% more than in 1Q11 due to higher Total Income and to the integration of Ixe's results. Net Income was (2%) lower than in 4Q11 due to the quarterly seasonal impact on revenues, the increase in provisions following the release of reserves registered during the previous quarter, the negative impact of consolidating the losses registered by Ixe Tarjetas after its acquisition and write-offs as a result of deterioration in some of Ixe's assets. When excluding these impacts, the recurring Net Income was Ps 2.59 billion in 1Q12, an increase of 43% annually and 2% quarterly.

**Net Income excluding extraordinaries**

| | 1Q12 | Change vs. 4Q11 | Change vs. 1Q11 |
|---|---|---|---|
| Reported Net Income | $2,463 | (2%) | 36% |
| + Integration Costs | $27 | - | - |
| + Impact of Ixe Tarjetas | $68 | - | - |
| + Impact of Ixe's Assets | $34 | - | - |
| Recurring Net Income | $2,592 | 2% | 43% |

GFNorte's Return on Equity (ROE) was 13.7% during the first quarter of 2012, as a result of the 47% annual increase in shareholders' equity as a result of the capital increase related to the Ixe merger, while the return on assets (ROA) was 1.2%. Return on Tangible Capital (ROTE) was 17.8%, 80 basis points higher compared to 1Q11 and 50 basis points higher vs. 4Q11.

**ROE on Tangible Equity**

| | 1Q11 | 4Q11 | 1Q12 |
|---|---|---|---|
| Reported ROE | 15.5% | 14.4% | 13.7% |
| Goodwill / Intangibles | $4,145 | $20,589 | $20,032 |
| Average Tangible Capital | $40,710 | $49,183 | $51,562 |
| ROTE | 17.0% | 17.3% | 17.8% |

The Banking Sector's Net Income (Banco Mercantil del Norte and Ixe Banco) totaled Ps. 2.14 billion in 1Q12, contributing with 87% of GFNorte's total profits. ROE in this sector during 1Q12 was 16.8%, increasing by 260 basis points compared to 4Q11 and 250 basis points vs.1Q11.

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

- **Capitalization**

**Banco Mercantil del Norte**

| Capitalization (Million Pesos) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | Change | |
|---|---|---|---|---|---|---|---|
| | | | | | | QoQ | YoY |
| Tier 1 Capital | 41,032 | 41,855 | 42,597 | 42,003 | 43,965 | 5% | 7% |
| Tier 2 Capital | 12,818 | 12,648 | 13,969 | 8,366 | 8,122 | (3%) | (37%) |
| Net Capital | 53,850 | 54,502 | 56,566 | 50,369 | 52,087 | 3% | (3%) |
| Credit Risk Assets | 224,121 | 240,598 | 255,255 | 270,972 | 275,232 | 2% | 23% |
| Net Capital / Credit Risk Assets | 24.0% | 22.7% | 22.2% | 18.6% | 18.9% | 0.3 pp | (5.1 pp) |
| Total Risk Assets (1) | 335,188 | 351,590 | 363,323 | 390,312 | 378,828 | (3%) | 13% |
| Tier 1 | 12.24% | 11.90% | 11.72% | 10.76% | 11.61% | 0.8 pp | (0.6 pp) |
| Tier 2 | 3.82% | 3.60% | 3.84% | 2.14% | 2.14% | 0.0 pp | (1.7 pp) |
| **Capitalization Ratio** | 16.07% | 15.50% | 15.57% | 12.90% | 13.75% | 0.8 pp | (2.3 pp) |

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

At closing of 1Q12 the Capitalization Ratio was 13.8% considering credit, market and operational risks and 18.9% when only considering credit risks. The Tier 1 ratio was 11.6% and Tier 2 was 2.1%.

The Capitalization Ratio increased by 0.8 percentage points (pp) vs. 4Q11, due to the following effects:

1. Reinvestment of profits generated during 1Q12: + 0.6 pp
2. Reduction in Risk Assets as a result of Funding Certification by the CNBV: (*) + 0.4 pp
3. Banorte - IXE Tarjetas' Investment: - 0.2 pp

On an annual basis, the Capitalization Ratio in 1Q12 is (2.3 pp) less than in 1Q11 due to:

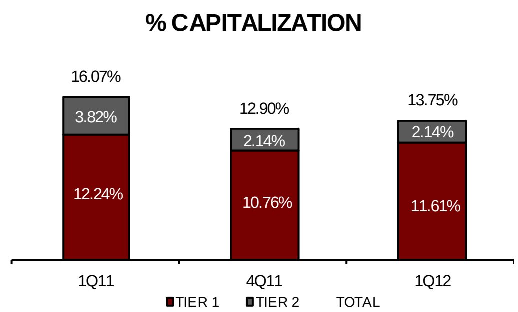
1. Effects of profits generated between 1Q11 and 1Q12: + 2.0 pp
2. Reduction in Risk Assets as a result of Funding Certification by the CNBV: (*) + 0.4 pp
3. Dividends Received from Afore Banorte Generali: + 0.1 pp
4. Increase in Risk Assets during the period: - 2.2 pp
5. Prepayment of Subordinated Debt: - 1.3 pp
6. Afore XXI's Investment: - 0.8 pp
7. Banorte - IXE Tarjetas' Investment: - 0.2 pp
8. Valuation of hedging instruments and securizations: - 0.2 pp
9. Payment of Dividends: - 0.1 pp

(*) During the quarter the CNBV approved the model of stability of funding for Banco Mercantil del Norte, which proved that there is greater stability in the bank's deposits. This allowed the bank to assign its deposits into higher bands, thus reducing the risk weighting in some assets and releasing 40 basis points of TIER 1 capital.

It is worth noting that Banorte has fully adopted the capitalization requirements established to date by Mexican authorities and by international standards.

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

## Banco Mercantil del Norte



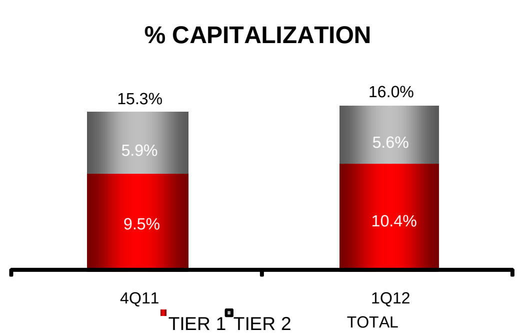

## Ixe Banco

| **Capitalization** *(Million Pesos)* | **4Q11** | **1Q12** |
|---|---|---|
| Tier 1 Capital | 4,710 | 4,798 |
| Tier 2 Capital | 2,906 | 2,603 |
| **Net Capital** | **$7,617** | **$7,401** |
| Credit Risk Assets | 35,219 | 31,963 |
| Market and Operational Risk Assets | 14,467 | 14,291 |
| **Total Risk Assets** (1) | **$49,686** | **$46,254** |
| Net Capital / Credit Risk Assets | 21.63% | 23.15% |
| Tier 1 | 9.48% | 10.37% |
| Tier 2 | 5.85% | 5.63% |
| **Capitalization Ratio** | **15.33%** | **16.00%** |

At closing of 1Q12, the Capitalization Ratio for Ixe was 16.0% taking into consideration market, credit and operational risks, and 23.2% considering only credit risks. The Tier 1 ratio was 10.4% while Tier 2 was 5.6%.

The Capitalization Ratio increased by 0.7 percentage points (pp) vs. 4Q11, due to the following effects:

1. Reinvestment of profits generated during 1Q12: + 0.4
2. Reduction in Risk Assets: + 1.1
3. FX impact on Subordinated Obligations: - 0.6
4. Banorte - IXE Tarjetas Investment: - 0.1
5. Decrease in loan loss reserves computable as Tier 2 Capital : - 0.1



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

- **Deposits**

## Grupo Financiero Banorte

| Deposits (Million Pesos) | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Non Interest Bearing Demand Deposits | 66,819 | 91,860 | **89,746** | (2%) | 34% |
| Interest Bearing Demand Deposits (1) | 77,723 | 98,085 | **95,766** | (2%) | 23% |
| **Total Demand Deposits (2)** | 144,542 | 189,944 | **185,511** | (2%) | 28% |
| Time Deposits – Retail | 89,562 | 118,491 | **118,577** | 0% | 32% |
| **Core Deposits** | 234,104 | 308,435 | **304,088** | (1%) | 30% |
| Money Market (3) | 65,556 | 60,859 | **68,484** | 13% | 4% |
| **Total Bank Deposits** | **299,660** | **369,295** | **372,572** | 1% | 24% |
| **GFNorte's Total Deposits (4)** | **299,245** | **370,290** | **373,297** | 1% | 25% |
| **Third Party Deposits** | **154,132** | **123,918** | **119,578** | (4%) | (22%) |
| **Total Assets Under Management** | **453,793** | **493,213** | **492,150** | (0%) | 8% |

1. Excludes IPAB cash management checking accounts for loan portfolios managed from Banpaís and Bancen. The balances of these accounts to 1Q11, 4Q11 and 1Q12 were Ps 0 million, Ps 0 million and Ps 0 million, respectively.
2. Includes Debit Cards.
3. Includes Bank Bonds (Customers and Financial intermediaries).
4. Includes eliminations between subsidiaries (1Q11 = Ps 415 million; 4Q11= Ps 995 million; 1Q12= ($725) million )

- **Deposits**

At closing of 1Q12 Total Deposits were Ps 373.30 billion, a 25% YoY increase vs. 1Q11 mainly driven by the incorporation of Ixe and the efforts to promote Banorte's products. On an annual basis, Demand deposits grew by 28%, Retail Time Deposits increased by 32% and Money Market increased by 4%.

Total Deposits increased by 1% QoQ vs. 4Q11, due to a 13% growth in Money Market deposits which was largely offset by the (2%) decline in Demand Deposits generated by seasonal effects, although the decrease is lower than other similar periods in previous years.

- **Demand and Time Deposits**

At closing of 1Q12, Demand Deposits grew by 28% YoY, driven by a 34% annual growth in Non-Interest Bearing Demand Deposits due to the merger with Ixe and growth in the average balances in personal accounts (+13%) and corporate accounts (+19%). Annually, Interest Bearing Demand Deposits grew by 23% also driven by growth in the average balances of personal accounts (+ 22%), as well as in corporate accounts (+23%). The combined deposits for SMEs, Government and Corporate increased by 22% annually.

On a quarterly basis, Demand Deposits decreased by (2%) vs. 4Q11 due to the reduction in both components as a result of the seasonal effect registered each year, generating lower average balances in personal and corporate products.

Retail Time Deposits grew by 32% YoY as a result of the merger with Ixe and promotional campaigns to sell promissory notes with various maturities through the branches, as well as to the attractive yields offered by these products. Retail Time Deposits increased by Ps 86 million compared to 4Q11.

As a result of the efforts to increase deposits, there was an annual 16% growth in new personal accounts and 32% for corporate accounts at the end of 1Q12.

- **Money Market Deposits**

Money market deposit balances at closing of 1Q12 were Ps 68.48 billion, representing a 4% YoY and 13% QoQ growth. The annual growth is mostly explained by the merger with Ixe and the quarterly growth is mainly due to the funding needs of the Financial Group to support strong asset growth in face of the seasonal reduction of Demand deposits.

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

- **Third Party Deposits**

At closing of 1Q12, third party deposits were Ps 119.58 billion, a (22%) YoY and (4%) QoQ reduction from 4Q11.

- **Managed Resources**

At closing of 1Q12, managed resources totaled Ps 492.15 billion, growing by 8% YoY due to higher total Deposits, and on a quarterly basis, they remains at the same level as in 4Q11.

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

- **Loans**

| **Performing Loan Portfolio** *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Commercial | 88,797 | 123,404 | **123,087** | (0%) | 39% |
| Consumer | 85,840 | 98,521 | **104,355** | 6% | 22% |
| Corporate | 44,311 | 57,175 | **57,727** | 1% | 30% |
| Government | 51,272 | 71,165 | **75,199** | 6% | 47% |
| **Sub Total** | 270,220 | 350,265 | **360,368** | 3% | 33% |
| Recovery Bank | 344 | 292 | **280** | (4%) | (19%) |
| **Total** | 270,565 | 350,557 | **360,648** | 3% | 33% |

| **Performing Consumer Loan Portfolio** *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Mortgages | 57,006 | 64,275 | **65,747** | 2% | 15% |
| Car Loans | 8,487 | 9,353 | **9,721** | 4% | 15% |
| Credit Cards | 10,925 | 11,465 | **14,631** | 28% | 34% |
| Payroll | 9,422 | 13,428 | **14,255** | 6% | 51% |
| **Consumer Loans** | 85,840 | 98,521 | **104,355** | 6% | 22% |

| *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Past Due Loans | 6,498 | 6,949 | **6,588** | (5%) | 1% |
| Loan Loss Reserves | 9,030 | 9,944 | **10,415** | 5% | 15% |
| Acquired Rights | 2,641 | 3,559 | **3,110** | (13%) | 18% |

- **Total Performing Loans**

Total Performing Loans grew by 33% YoY, increasing by Ps 90.15 billion to Ps 360.37 billion at closing of 1Q12, excluding the proprietary portfolio managed by Recovery Bank. For the eighth consecutive quarter the loan portfolio shows sustained growth in all segments as a result of the Bank's promotional strategies, the merger with Ixe and a favorable economic environment characterized by greater demand for loans in the industry.

Total Performing Loans increased by 3% QoQ vs. 4Q11, growing by Ps 10.1 billion as a result of good performance in all segments, especially in the Payroll, Government, Mortgage, Car and Credit card portfolios, the latter also driven by the consolidation of Ixe Tarjetas.

Growth of the portfolio by items was:

- **Individual Loans**

  ✓ **Consumer + Mortgage:** increased by Ps 18.52 billion or 22% compared to 1Q11 and Ps 5.83 billion or 6% QoQ vs. 4Q11 to Ps 104.36 billion as a result of favorable dynamics in all items.

  ✓ **Mortgage:** grew by Ps 8.74 billion or 15% YoY to Ps 65.75 billion, driven by the increase in mortgage sales for residential home acquisition as a result of the new mortgage products launched, as well as the reactivation of mortgage products for liquidity, improvement of loan conditions, construction, remodeling and payment of liabilities. In the quarter, the portfolio grew by Ps 1.47 billion or 2% QoQ vs. 4Q11. During 1Q12, 3,695 new mortgages were sold with a value of Ps 3.58 billion. Banorte's market share to February 2012 was 15.6%, ranking second in the system.

- ✓ **Credit cards:** at closing of 1Q12 the balance of this portfolio reached Ps 14.63 billion, which includes 100% of the Ixe Tarjetas' business given the acquisition of the 50% stake that was owned by JP Morgan Chase, increasing by 34% YoY and 28% QoQ. The recovery in this segment is a result of the adequate management of the products' life cycle, an increase in the number of credit cards, growth in billing and promotional campaigns of Banorte- Ixe's product offering. In 1Q12, 127,569, new cards were placed, an annual growth of 63%, while billing was Ps 9.89 billion during the quarter, growing by 64% annually as a result of campaigns to promote card usage and to charge purchases with interest free monthly payments. The profitability of the credit card product has increased considerably in the last months, making it once again one of the most profitable products in the bank. At the end of the quarter, Banorte- Ixe had 1.79 million cards, an increase of 56% YoY, with a market share of 6.4% to February 2012, ranking fifth in the system.

- ✓ **Payroll:** at closing of 1Q12, the portfolio had an annual growth of Ps 4.83 billion or 51% YoY and Ps 827 million or 6% QoQ to Ps 14.26 billion, as a result of campaigns to promote the payroll product, a 28% annual increase in the number of the bank's payroll deposit clients to 3.6 million and the strategy to cross -sell more loans to clients. New loans during 1Q12 reached Ps 5.1 billion or 46% compared to 1Q11. Also, 175,354 new loans were placed during 1Q12, 39% more than in 1Q11 and 26% more than in 4Q11. Payroll loans continue to be the bank's most profitable product, showing vigorous growth during the last year and good portfolio quality. Market share in this segment as of February 2012 was 13.8%, ranking fourth in the system.

- ✓ **Car loans:** the portfolio grew by Ps 1.23 billion annually or 15% YoY and Ps 368 million or 4% QoQ in 1Q12 to Ps 9.72 billion due to more favorable dynamics in car sales in the country. Originations were also favored by alliances established with car distributors to finance their units. Production of new loans during 1Q12 increased by 24% compared to the balance originated in the same period of the previous year; 11,100 new loans were placed during this period vs. 9,285 in 1Q11. The profitability of this product has increased due to higher volumes, good asset quality and cross-selling auto insurance, which is one of Banorte's most important insurance products. As of February 2012, market share in this segment was 15.5%, ranking third in the system.

- **II. Loans to Institutions**

- ✓ **Commercial:** grew by Ps 34.29 billion or 39% YoY mainly due to the merger with Ixe and declined by (Ps 317) million vs. 4Q11 to Ps 123.09 billion due to seasonal impacts. In addition to the impact from merging with Ixe, the annual growth is due to an increase in originations to Middle market companies, leasing and factoring, and the reactivation of the asset backed (Crediactivo) product for SMEs. The portfolio for SMEs rose to Ps 20.97 billion, growing by Ps 4.29 billion or 26% YoY and by Ps 610 million or 3% QoQ vs. 4Q11.

**SMEs Portfolio Evolution**

| | 1Q11 | 4Q11 | 1Q12 |
|---|---|---|---|
| **Balance (millions)** | $16,677 | $20,358 | $20,968 |
| **% of Commercial Loans*** | 18.8% | 16.5% | 17.0% |
| **% of Total Performing Loans** | 6.2% | 5.8% | 5.8% |
| **Past Due Loan Ratio** | 4.6% | 3.4% | 3.2% |

* The decrease in the weight of the SMEs in the commercial portfolio between 1Q11 and 1Q12 is due to the integration of Ixe's portfolio, which was mostly commercial loans.

- ✓ **Corporate:** at closing of 1Q12, the portfolio reached Ps 57.73 billion pesos, increasing by Ps 13.42 billion or 30% YoY mainly due to the merger with Ixe and Ps 552 million or 1% QoQ vs. 4Q11. This growth, was driven by the reactivation of loans in this sector and the efforts of the corporate area to increase placements with new and existing clients, in addition to the merger with Ixe. Banorte's corporate loan portfolio is diversified by sectors and regions and shows a low concentration. The bank's 20 most important corporate exposures represent 12.8% of the total portfolio, declining by 80 basis points vs. 4Q11. The largest corporate loan represents 1.8% of the total portfolio, while number 20 represents 0.3% of the total portfolio. The market share in this segment as of February 2012 was 20.5% (this market share includes the commercial and corporate portfolios), ranking third in the system.

✓ **Government:** at closing of 1Q12 the balance of this portfolio was Ps 75.20 billion, growing by Ps 23.93 billion or 47% YoY and Ps 4.03 billion or 6% QoQ, as a result of the merger with Ixe, the efforts to continue satisfying the demand in this sector, especially with State & Municipal governments and Decentralized Organisms, as well as the refinancing of several clients' liabilities as part of a financial reengineering of their public finances. Banorte's government loan portfolio is diversified by sectors and regions, and shows a low concentration. The bank's 20 most important government exposures represent 19.3% of the total portfolio, 0.1 percentage points more than in 4Q11. The largest loan represents 2.1% of the total portfolio, while number 20 represents 0.4%. Also, most of the loans granted by Banorte have federal transfers as a source of repayment and the borrowers have high credit ratings, making this the sector with the lowest risk profile. Market share in this segment as of February 2012 was 20.6%, showing an increase of 500 basis points in the last 12 months, ranking as the second most important portfolio in the industry.

- **Past Due Loans**

At closing of 1Q12, Past Due Loans totaled Ps 6.59 billion, growing by 1% YoY mainly due to the incorporation of Ixe's past due loans. The PDL portfolio shows a (5%) QoQ reduction due to a decline in almost all items, especially in the Commercial and Mortgage portfolios.

In 1Q12, the PDL Ratio was 1.8%, (0.6 pp) lower compared to the level registered in 1Q11, and (0.1 pp) less compared to 4Q11. The annual decrease is due to an improvement in the quality of Credit Card, Commercial and Corporate portfolios, while the quarterly decline is due to an improvement in most of the items. When excluding the operations in the United States, the PDL Ratio was also 1.8% in 1Q12. The quality of the US bank's portfolio (INB) has improved considerably, resulting in a reduction of the PDL Ratio from 11.4% to 2.3% between 1Q10 and 1Q12.

The PDL ratios by segment during the last 12 months, including Ixe as of 2Q11, were:

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| Credit Cards | 9.1% | 9.4% | 8.2% | 7.3% | 6.3% |
| Payroll | 1.5% | 1.8% | 1.8% | 1.7% | 1.6% |
| Car loans | 0.8% | 1.8% | 1.8% | 1.6% | 1.4% |
| Mortgage | 1.2% | 1.8% | 2.0% | 1.5% | 1.3% |
| Commercial | 3.5% | 3.1% | 2.9% | 2.7% | 2.5% |
| Corporate | 2.8% | 2.5% | 2.4% | 2.2% | 2.2% |
| Government | 0.0% | 0.0% | 0.8% | 0.0% | 0.0% |
| **Total** | **2.4%** | **2.4%** | **2.4%** | **1.9%** | **1.8%** |

The evolution of past due balances by segment during the quarter were:

(Million pesos)

| | Balance | Vs. 4Q11 | Vs. 1Q11 |
|---|---|---|---|
| Credit Cards | 984 | 81 | (112) |
| Payroll | 227 | (6) | 82 |
| Car loans | 137 | (12) | 66 |
| Mortgage | 858 | (110) | 164 |
| Commercial | 3,102 | (290) | (92) |
| Corporate | 1,279 | (13) | (19) |
| Government | 1 | (10) | 1 |
| Total | 6,588 | (360) | 88 |

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

The quarterly changes in Non Performing Loans for Banorte and Ixe Banco were:

| Past Due Loan Variations (Million Pesos) | |
|---|---|
| **Balance as of December, 2011** | **6,662** |
| Transfer from Performing Loans to Past Due Loans | 2,260 |
| Portfolio Purchase | 0 |
| Renewals | (115) |
| Cash Collections | (400) |
| Discounts | (28) |
| Charge Offs | (983) |
| Foreclosures | (181) |
| Transfer from Past Due Loans to Performing Loans | (974) |
| Loan Portfolio Sale | - |
| Foreign Exchange Adjustments | (51) |
| **Balance as of March, 2012** | **6,191** |

In 1Q12, the highest new NPL formation derived from consumer loans, which was partially compensated by a significant reversal in the commercial portfolio.

Regarding Loan Loss Reserves, 50% of the requirements correspond to Consumer, 14% to Commercial / Middle market companies, 11% to Mortgage, (12%) to Government, 5% to Corporate, 27% to benefits and write-downs (among other items) and the remainder of the balance corresponds to Ixe reserves.

With respect to write-offs, 55% correspond to the Consumer portfolio, 17% to Mortgages, 23% to Commercial loans and the remaining 5% to Recoveries.

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 as of 1Q12-GFNorte (Million Pesos) | | | | | |
|---|---|---|---|---|---|
| | | LOAN LOSS RESERVES | | | |
| CATEGORY | LOANS | COMMERCIAL | CONSUMER | MORTGAGES | TOTAL |
| A | 64,501 | 2 | 19 | 161 | **182** |
| A1 | 168,630 | 779 | - | - | **779** |
| A2 | 77,651 | 709 | - | - | **709** |
| B | 26,180 | 0 | 1,009 | 240 | **1,249** |
| B1 | 24,463 | 522 | 269 | - | **791** |
| B2 | 11,062 | 317 | 464 | - | **781** |
| B3 | 2,185 | 235 | - | - | **235** |
| C | 2,948 | 94 | 706 | 224 | **1,024** |
| C1 | 871 | 249 | - | - | **249** |
| C2 | 1,095 | 507 | - | - | **507** |
| D | 2,025 | 573 | 739 | 64 | **1,376** |
| E | 2,552 | 2,174 | 249 | 112 | **2,535** |
| **Total** | 384,161 | | | | |
| Not Classified | (126) | | | | |
| Exempt | 115 | | | | |
| **Total** | 384,150 | 6,161 | 3,455 | 802 | **10,418** |
| **Reserves** | | | | | **10,415** |
| **Preventive Reserves** | | | | | **(3)** |

**Notes:**

1.- The ratings of loans and reserves created correspond to the last day referred in the Balance Sheet at March 31st, 2012.
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 additional preventive reserves follow the rules issued by the CNBV, to regulate support programs and include the effect of the approval of internal accounting policy for mortgages write-offs of Fincasa subsidiary.
4.- The Leasing and Factor risk rating is made with balances as of November 2011, the reserve is established in December 2011.

Of the total Loan Portfolio, 81% is rated as Risk A, 17% as Risk B, and 2% as Risk C, D, E combined.

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

| Loan Loss Reserves (Million Pesos) | 1Q12 |
|---|---|
| **Previous Period Ending Balance** | **10,390** |
| Provisions charged to results | 1,287 |
| Created with profitability margin | - |
| Reserve Portfolio Sold | - |
| Other items | - |
| Charge offs and discounts: | |
| Commercial Loans | (293) |
| Consumer Loans | (683) |
| Mortgage Loans | (230) |
| Foreclosed assets | - |
| | (1,205) |
| Cost of debtor support programs | (3) |
| Valorization and Others | (46) |
| Adjustments | (7) |
| **Loan Loss Reserves at Period** | **10,415** |

- **Loan Loss Reserves**

At closing of 1Q12, loan loss reserves were Ps 10.42 billion, 5% more compared to the balance registered at the end of 4Q11 (including Ps 446 million in provisions as part of the acquisition of the portfolio of Ixe Tarjetas); the Ps 1.47 billion in created provisions was greater than the Ps 1.21 billion registered in write-offs for the quarter. The reserve coverage ratio was 158.1% at closing of 1Q12 (163.4% when excluding INB).

- **Provisions for Loan Loss Reserves**

In 1Q12 Provisions totaled Ps 1.47 billion, 10% higher compared to 1Q11 due to integrating Ixe and greater requirements in the Payroll portfolio as a result of the change in methodology to estimate reserves according to expected losses. On a quarterly comparison vs. 4Q11, the 30% QoQ increase was due to the reversal during 4Q11 of Ps 425 million in provisions that were created during 3Q11 to reserve Coahuila's loan. On a quarterly basis, there was an increase in provisions for Payroll (as a result of the change in methodology to estimate reserves according to expected losses) and Mortgage loans; which were not completely offset by lower provisions in the Corporate, Commercial, Credit Card and Car loan portfolios. When normalizing the impact of the reversal made during 4Q11, Provisions declined by (6%) QoQ.

In accordance with regulations issued by the National Banking and Securities Commission (CNBV), the bank created reserves against expected losses for mortgage and non-revolving consumer loans, in addition to higher reserves for leasing, factoring and credit cards.

In the case of the loan portfolio to States and Municipalities, a new rating methodology came into effect in October 2011. This resolution modifies the existing model of reserves based on public ratings in order to establish a methodology under which the portfolio is rated and reserved according to expected losses for the following 12 months considering the default probability, severity of exposure to loss and exposure to default probability for each client. It came into effect on October 6, 2011 and its application was optional either on the third or fourth quarter of 2011. GFNorte chose to apply this methodology based on September 30$^{th}$, 2011 figures for Banorte's portfolio, while for the rest of the subsidiaries based on December 31$^{st}$ 2011.

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)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY | LTM 1Q12 |
|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | |
| Net Interest Income | 5,674 | 6,835 | **7,182** | 5% | 27% | 26,613 |
| Non Interest Income | 2,017 | 3,402 | **3,201** | (6%) | 59% | 12,027 |
| Total Income | 7,691 | 10,237 | **10,383** | 1% | 35% | 38,640 |
| Non Interest Expense | 4,111 | 6,595 | **5,917** | (10%) | 44% | 22,501 |
| Provisions | 1,337 | 1,020 | **1,186** | 16% | (11%) | 5,159 |
| Operating Income | 2,243 | 2,623 | **3,280** | 25% | 46% | 10,980 |
| Taxes | 672 | 717 | **991** | 38% | 47% | 3,159 |
| Subsidiaries & Minority Interest | 47 | 35 | **54** | 56% | 14% | 165 |
| Net Income | 1,618 | 1,940 | **2,343** | 21% | 45% | 7,985 |
| **Balance Sheet** | | | | | | |
| Total Assets | 571,678 | 726,082 | **699,731** | (4%) | 22% | |
| Performing Loans (a) | 257,246 | 335,314 | **344,055** | 3% | 34% | |
| Past Due Loans (b) | 6,379 | 6,583 | **6,124** | (7%) | (4%) | |
| Total Loans (a+b) | 263,625 | 341,897 | **350,180** | 2% | 33% | |
| Total Loans Net (d) | 254,881 | 332,452 | **340,876** | 3% | 34% | |
| Acquired Collection Rights ( e) | 2,641 | 2,258 | **2,023** | (10%) | (23%) | |
| Total Loans (d+e) | 257,522 | 334,709 | **342,899** | 2% | 33% | |
| Total Liabilities | 526,128 | 671,173 | **642,466** | (4%) | 22% | |
| Total Deposits | 299,660 | 369,295 | **372,572** | 1% | 24% | |
| Demand Deposits | 144,542 | 189,944 | **185,511** | (2%) | 28% | |
| Time Deposits | 155,118 | 179,350 | **187,061** | 4% | 21% | |
| Equity | 45,550 | 54,909 | **57,265** | 4% | 26% | |

| Financial Ratios Banking Sector | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| **Profitability:** | | | | | |
| NIM (1) | 4.3% | 4.2% | **4.3%** | 0.1 pp | 0.1 pp |
| NIM after Provisions (2) | 3.3% | 3.6% | **3.6%** | 0.1 pp | 0.4 pp |
| ROE (3) | 14.3% | 14.2% | **16.8%** | 2.6 pp | 2.5 pp |
| ROA (4) | 1.1% | 1.1% | **1.3%** | 0.2 pp | 0.2 pp |
| **Operation:** | | | | | |
| Efficiency Ratio (5) | 53.4% | 64.4% | **57.0%** | (7.4 pp) | 3.5 pp |
| Operating Efficiency Ratio (6) | 2.9% | 3.8% | **3.3%** | (0.4 pp) | 0.4 pp |
| Liquidity Ratio (7) | 90.8% | 101.0% | **91.4%** | (9.6 pp) | 0.5 pp |
| **Asset Quality:** | | | | | |
| Past Due Loan Ratio | 2.4% | 1.9% | **1.7%** | (0.2 pp) | (0.7 pp) |
| Coverage Ratio | 137.1% | 143.5% | **151.9%** | 8.4 pp | 14.9 pp |
| Past Due Loan Ratio w/o Banorte USA | 2.4% | 1.9% | **1.7%** | (0.2 pp) | (0.7 pp) |
| Coverage Ratio w/o Banorte USA | 142.3% | 150.4% | **157.4%** | 7.0 pp | 15.0 pp |
| **Growth (8)** | | | | | |
| Performing Loans (9) | 13.4% | 33.5% | **33.8%** | 0.3 pp | 20.4 pp |
| Core Deposits | 10.4% | 29.2% | **29.9%** | 0.6 pp | 19.5 pp |
| Total Deposits | 10.4% | 26.1% | **24.3%** | (1.8 pp) | 13.9 pp |
| **Capitalization:** | | | | | |
| Net Capital/ Credit Risk Assets | 24.0% | 18.6% | **18.9%** | 0.3 pp | (5.1 pp) |
| Total Capitalization Ratio | 16.1% | 12.9% | **13.7%** | 0.8 pp | (2.3 pp) |

1) NIM = Annualized Net Interest Margin for the quarter / Performing Assets Average.
2) NIM = Annualized Net Interest Margin for the quarter adjusted for Credit Risks / Performing Assets Average.
3) Net Income of the period annualized as a percentage of the quarterly average of Equity (without minority interest) for the same period.
4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (without minority interest) for the same period.
5) Non Interest Expenses / (Total Net Income+ Provisions)
6) Annualized Non Interest Expenses of the quarter / Total Assets Average
7) Liquid Assets / Liquids Liabilities (Liquid Assets = Availability + Titles for negotiation + Titles available for sale; Liquid Liabilities = Demand deposits + Loans from banks and of other organisms of immediately payable + short term loans from banks and of other organisms.
8) Growth compared to the same period of the previous year.
9) Does not include Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

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

- **Net Interest Income.**

| Net Interest Income-Banking Sector *(Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Interest Income | 10,357 | 12,611 | **13,006** | 3% | 26% |
| Interest Expense | 4,807 | 5,961 | **6,048** | 1% | 26% |
| Loan Origination Fees | 159 | 277 | **273** | (1%) | 73% |
| Fees Paid | 35 | 93 | **49** | (47%) | 39% |
| **Net Interest Income** | **5,674** | **6,835** | **7,182** | **5%** | **27%** |
| Provisions | 1,337 | 1,020 | **1,186** | 16% | (11%) |
| **Net Interest Income Adjusted for Credit Risk** | **4,337** | **5,815** | **5,997** | **3%** | **38%** |
| Average Interest Earning Assets | 532,004 | 653,826 | **664,204** | 2% | 25% |
| **Net Interest Margin (1)** | 4.3% | 4.2% | **4.3%** | 0.1 pp | 0.1 pp |
| **NIM after Provisions (2)** | 3.3% | 3.6% | **3.6%** | 0.1 pp | 0.4 pp |

1) NIM = Annualized Net Interest Margin for the quarter / Performing Assets Average.
2) NIM = Annualized Net Interest Margin for the quarter adjusted for Credit Risks / Performing Assets Average.

During 1Q12, Net Interest Income increased by 27% YoY from Ps 5.67 to Ps 7.18 million pesos derived from an increase in net financial revenues and origination fees as a result of the integration of Ixe Banco, as well as growth in the loan portfolio and a stable cost of funding.

In 1Q12, Net Interest Income increased by 5% compared to 4Q11 due to the consolidation of Ixe Tarjetas and to a 3% growth in performing loans. Average NIM was 4.3% during 1Q12, increasing 0.1pp YoY and QoQ, in both cases, due to more growth in NII than in average productive assets.

- **Loan Loss Provisions**

Provisions charged to results created during 1Q12 amounted to Ps 1.19 million, (11%) lower YoY derived from lower provisions in the Commercial, Government and in all the Consumer portfolios (except for Payroll), which offset the increase in provisions derived from the integration of Ixe's portfolio. On the quarterly comparison vs. 4Q11 provisions increased by 16% due to the reversal during 4Q11 in provisions that were created during 3Q11 in the Government portfolio.

The average NIM adjusted for Credit Risks was 3.6% in 1Q12, an increase of 0.1 pp vs. 4Q11 and 0.4 pp vs 1Q11. This annual improvement is generated by growth in Net Interest Income and an important reduction in Provisions.

- **Non Interest Income**

| Non Interest Income *(Million Pesos)* | 1Q11 | 1Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Services | 1,205 | 1,569 | **1,654** | 5% | 37% |
| Recovery | 220 | 353 | **359** | 2% | 63% |
| Trading | 200 | 435 | **621** | 43% | 211% |
| Other Operating Income (Expense) | 392 | 1,045 | **567** | (46%) | 45% |
| **Non Interest Income** | **2,017** | **3,402** | **3,201** | **(6%)** | **59%** |

During 1Q11, new Accounting Criteria was implemented, among them D-2 to report "Other Operating Income (Expenses)" in the Income Statement. As a result, starting in 1Q11, "Non Operating Income, (Expenses) net" which was previously reported after "Operating Income" is now reported as "Non Interest Income".

Non Interest Income was Ps 3.20 billion during 1Q12, an increase of 59% YoY driven by growth in all items. The (6%) QoQ decline vs. 4Q11 is mainly due to a decline in Other Operating Income and Expenses as a result of lower recoveries from the proprietary portfolio, which was partially offset by the increase in trading revenues.

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

- **Non Interest Expenses**

| Non Interest Expense (Million Pesos) | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| Personnel | 1,556 | 3,052 | **2,606** | (15%) | 67% |
| Professional Fees | 439 | 464 | **493** | 6% | 12% |
| Administrative and Promotional | 838 | 1,227 | **1,030** | (16%) | 23% |
| Rents, Depreciation & Amortization | 501 | 1,014 | **668** | (34%) | 33% |
| Taxes other than income tax & non deductible expenses | 242 | 286 | **440** | 54% | 82% |
| Contributions to IPAB | 302 | 364 | **379** | 4% | 25% |
| Employee Profit Sharing (PTU) (1) | 233 | 187 | **302** | 61% | 30% |
| **Non Interest Expense** | **4,111** | **6,595** | **5,917** | **(10%)** | **44%** |

During 1Q12 Non Interest Expense was Ps 5.92 billion, 44% higher YoY vs. 1Q11, growing in all items mainly due to the merger with Ixe.

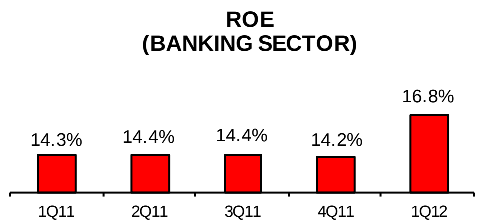
Compared to 4Q11, Non Interest Expense declined by (10%) mainly due to the reduction in Personnel and Administration and Promotional expenses as a result of the synergies obtained during the merger process with Ixe and to the provisions created for bonuses and staff retention packages which were carried out during 4Q11, as well as to more operational expenses at the end of 2011.

The Efficiency Ratio was 57.0% during the first quarter of 2012, 3.5 pp higher than the level registered during the same period last year, mainly as a result of the integration of Ixe's expenses and the costs associated with the merger process, although it drops considerably by 7.4 pp compared to the 64.4% registered in 4Q11.

- **Net Income**

The Banking Sector's Net Income (Banco Mercantil del Norte, Ixe Banco and Ixe Tarjetas) totaled Ps. 2.34 billion in 1Q12, 45% higher than in 1Q11 as a result of higher revenues and fewer Provisions. Profits grew by 21% vs. 4Q11 due to higher revenues (despite the seasonality of the first quarter) and to a reduction in Non Interest Expense.

Return on Equity (ROE) for the Banking Sector during 1Q12 was 16.8%, 2.5 pp higher than in 1Q11 and 2.6 pp more than in 4Q11. ROA was 1.3%, 0.2 pp higher than in the same period last year.




- **NPL Ratio**

The Banking Sector's NPL Ratio in 1Q12 was 1.7% (including INB's PDL portfolio), decreasing by (0.2 pp) vs. 4Q11 and (0.7 pp) vs. 1Q11.

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* | | | | Change | |
|---|---|---|---|---|---|
| *Figures in MEX GAAP (Million Pesos)* | 1Q11 | 4Q11 | 1Q12 | QoQ | YoY |
| Income Statement | | | | | |
| Net Interest Income | 161 | 164 | **168** | 2% | 4% |
| Non Interest Income* | 27 | 101 | **89** | (12%) | 235% |
| Total Income | 188 | 265 | **257** | (3%) | 37% |
| Non Interest Expense | 171 | 193 | **183** | (5%) | 7% |
| Loan Loss Reserves | 0 | 56 | **23** | (59%) | - |
| Operating Income | 17 | 16 | **51** | 220% | 201% |
| Taxes | 5 | 3 | **17** | 400% | 250% |
| Net Income | 12 | 12 | **34** | 171% | 181% |

* In 2Q11, Ps 28 million were reclassified to the item of Provisions for portfolio sale losses, registered in Non Interest Income in 1Q11.

Under the generally accepted accounting principles in Mexico (MEX GAAP), the Net Income of Banorte USA (subsidiary that owns 100% of Inter National Bank, as well as 100% of the remittance companies Uniteller and Motran) was Ps 34 million in 1Q12, increasing by 181% YoY and 171% QoQ driven by the annual and quarterly increase in Net Interest Income, growth in Non Interest Income compared to the previous year and fewer Provisions compared to the previous quarter.

**II. Inter National Bank (US GAAP)**

| INCOME STATEMENT & BALANCE SHEET HIGHLIGHTS - InterNational Bank | | | | Change | |
|---|---|---|---|---|---|
| *Figures in US GAAP (Millon Dollars)* | 1Q11 | 4Q11 | 1Q12 | QoQ | YoY |
| Income Statement | | | | | |
| Net Interest Income | 14 | 12 | **14** | 11% | (3%) |
| Non Interest Income* | (8) | 5 | **5** | (14%) | 160% |
| Total Income | 6 | 18 | **18** | 4% | 192% |
| Non Interest Expense | 12 | 13 | **12** | (5%) | (2%) |
| Loan Loss Reserves * | (1) | 3 | **-** | (94%) | 115% |
| Operating Income | (5) | 2 | **6** | 249% | 220% |
| Net Income | (3) | 1 | **4** | 210% | 225% |
| Balance Sheet | | | | | |
| Investments in Securities | 711 | 770 | **853** | 11% | 20% |
| Performing Loans | 849 | 753 | **733** | (3%) | (14%) |
| Past Due Loans | 40 | 30 | **17** | (41%) | (57%) |
| Demand Deposits | 794 | 712 | **848** | 19% | 7% |
| Time Deposits | 1,109 | 934 | **889** | (5%) | (20%) |
| Total Deposits | 1,903 | 1,646 | **1,738** | 6% | (9%) |
| Equity | 390 | 411 | **416** | 1% | 7% |

* In 2Q11, $12 million US dollars in portfolio sale losses were reclassified to the item of Provisions, which was registered in Non Interest Income in 1Q11.

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

| Financial Ratios INB | | | | Change | |
|---|---|---|---|---|---|
| *Figures in US GAAP (Millon Dollars)* | 1Q11 | 4Q11 | 1Q12 | QoQ | YoY |
| **Profitability:** | | | | | |
| NIM | 3.1% | 2.9% | 3.2% | 0.3 | 0.1 |
| ROE | (3%) | 1% | 4% | 2.5 | 6.9 |
| ROA | (1%) | 0% | 1% | 0.5 | 1.3 |
| **Operational:** | | | | | |
| Efficiency Ratio | 198.6% | 73.0% | 66.8% | (6.2) | (131.8) |
| **Asset Quality:** | | | | | |
| Past Due Loan Ratio | 4.5% | 3.8% | 2.3% | (1.5) | (2.2) |
| Coverage Ratio | 60.0% | 71.2% | 110.5% | 39.3 | 50.5 |
| **Capitalization:** | | | | | |
| Leverage Ratio | 8.4% | 10.0% | 9.9% | (0.2) | 1.5 |
| Capitalization Ratio | 19.8% | 21.9% | 24.6% | 2.7 | 4.8 |

Under the generally accepted accounting principles in the United States, (US GAAP) Inter National Bank (INB) registered profits of US $ 4 million in 1Q12, a 225% YoY and 210% QoQ increase. The annual variation is due to more Non Interest Income and less Non Interest Expense, while the quarterly variation is mainly due to more Net Interest Income, and fewer Expenses and Provisions, as a result of better quality in the portfolio.

With respect to INB's assets, the investment portfolio of US $853 million is concentrated mainly on mortgage-backed securities which increased by 20% YoY and 11% QoQ. The underlying quality of the mortgages that back these securities is rated AAA, since they have an implicit guarantee from the US government. At closing of 1Q12, the portfolio has an unrealized gain for the valuation of these securities of US $19 million and the average weighted maturity of the portfolio is 3.6 years.

Total Deposits were US $1.74 million decreasing by US $165 million or (9%) YoY, in spite of a quarterly increase of US $91 million or 6% QoQ. Performing loans were US $733 million, decreasing by US $115 million or (14%) YoY and US $19 million or (3%) QoQ, while the PDL portfolio was US $17 million, reducing by US $23 million or (57%) YoY and US $12 million or (41%) QoQ, as a result of the Bank's strategy to reduce Classified Assets.

The capitalization and leverage ratios remain strong. The Capitalization Ratio at closing of 1Q12 is 24.6% and the Leverage Ratio is 9.9%. The PDL Ratio declined by (1.5) pp QoQ and (2.2) pp YoY to 2.3%, and the Reserve Coverage increased by 39.3 pp QoQ and 50.5 pp YoY to 110.5%.

Profitability ratios improved during the quarter. ROE increased by 2.5 pp QoQ and 6.9 pp YoY to 3.7%, and ROA increased by 0.5 pp QoQ and 1.3 pp YoY to 0.7%. The Efficiency Ratio improved by 6.2 pp QoQ and 131.8 pp YoY to 66.8%. NIM increased by 0.3 pp QoQ and 0.1 pp YoY to 3.2%

### III. Sólida USA

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

As a result of the portfolio sale, the ratio of classified assets to basic capital was significantly reduced. At closing of 1Q12, this ratio was 38.9%, (21.3 pp) lower compared to the 60.2% register in 1Q11.

Solida USA's assets under management as of 1Q12, are composed in the following manner:

| | |
|---|---|
| Solida Mexico's Foreclosed Assets: | $50 million US dollars |
| Banorte Assets: | $78 million US dollars |
| INB Classified Assets: | $82 million US dollars |
| **Total:** | **$210 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) | 3M11 | 3M12 | Change 3M11 |
|---|---|---|---|
| Net Interest Income | (0) | 2 | (572%) |
| Loan Loss Provisions | 4 | (6) | (251%) |
| Non Interest Income | 354 | 433 | 22% |
| Non Interest Expense | 206 | 237 | 15% |
| Pre-tax Income & Subsidiaries | 152 | 192 | 26% |
| Income Tax and Profit Sharing | 45 | 60 | 32% |
| **Net Income** | **107** | **133** | **24%** |

| Assets Under Management (Million Pesos) | 1Q12 | ACCOUNTING IN THE BALANCE SHEET | ACCOUNTING IN THE INCOME STATEMENT |
|---|---|---|---|
| **Banking Sector Portfolio- Banorte:** | **40,642** | Banorte's Portfolio and Repossessed Assets | Net Interest Income and Other Revenues and Expenses |
| **Loans purchased and managed:** | **34,031** | Solida Asset Management and Banorte | Non Interest Income and Other Revenues and Expenses (Sólida / Banorte) |
| **Investment Projects (1):** | **7,056** | Solida Asset Management and Banorte | Non Interest Income |
| **Banking Sector Portfolio- Ixe:** | **5,731** | Ixe's Portfolio and Repossessed Assets | Net Interest Income and Other Revenues and Expenses |
| **Total** | **87,460** | | |

At closing of 1Q12, Banorte's total assets managed by the Recovery Bank amounted to Ps 40.6 billion, of which 29% correspond to credit card, 23% to Mortgage, 13% to Crediactivo (asset backed SME loans), 8% to Payroll loans, 8% to Middle market companies, 6% to Car loans, 4% to Corporate, 3% to Commercial, 3% to foreclosed assets, 1% to personal loans and 1% to Pronegocio and 1% to Affiliates. Revenues generated by this portfolio in 1Q12 totaled Ps 278 million, a 20% YoY increase.

At closing of 1Q12, the Recovery Bank managed Ps 34.0 billion in acquired portfolios, of which 32% correspond to Commercial and Corporate portfolios, 31% to Mortgage, 19% to the portfolio managed on behalf of the Mexican mortgage agency (SHF), 11% to real estate portfolios, and 7% to foreclosed assets and payments in kind. Revenues generated by these portfolios were Ps 206 million in 1Q12, a (6%) YoY decline.

At closing of 1Q12, the Recovery Bank managed Ps 5.7 billion in assets originated by Ixe, of which 39% corresponds to Middle market companies, 35% to Mortgage, 13% to Consumer loans and 13% to foreclosed assets.

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

# BROKERAGE

| Brokerage Sector (Million Pesos) | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| **Brokerage** | | | | | |
| Net Income | 97 | 145 | **111** | (23%) | 14% |
| Shareholder's Equity | 1,967 | 2,591 | **2,146** | (17%) | 9% |
| Assets Under Custody | 181,840 | 578,762 | **604,095** | 4% | 232% |
| Total Assets | 14,497 | 23,528 | **46,467** | 97% | 221% |
| ROE | 20.2% | 21.3% | **18.8%** | (2.4 pp) | (1.4 pp) |
| **Net Capital** | | | | | |
| Net Capital | 1,664 | 2,068 | **1,674** | (19%) | 1% |

- **Net Income**

The Brokerage Sector (Ixe Casa de Bolsa and Ixe Fondos) reported Net Income of Ps 111 million in 1Q12, 14% higher than in 1Q11. This growth was driven by an increase in resources managed by the mutual funds translating into more service fees; growth was also a result of more revenues from investment banking activity during this period.

On a quarterly basis, Net Income declined by (23%) as a result of less fees from investment banking and structured finance, as several important operations were registered in 4Q11 that were not repeated in this quarter.

- **Mutual Funds**

At closing of 1Q12, Banorte-Ixe mutual funds' AUMs were Ps 83.3 billion, growing by 15% annually compared to the combined balance of both banks' mutual fund operators in 1Q11. Assets managed in fixed income mutual funds were Ps 75.2 billion, showing a 22% annual growth, while assets managed in equity mutual funds were Ps 8.1 billion, a (23%) annual reduction. Banorte-Ixe's market share in mutual funds was 6.2% at the end of March, with a 6.8% share in fixed income mutual funds and 3.3 % in equity funds.

- **Assets Under Custody**

At closing of 1Q12, Assets under Custody totaled Ps 604.1 billion, a 232% YoY increase mainly due to the integration of Ixe Casa de Bolsa and Ixe Fondos portfolios as a result of the merger with Ixe Grupo Financiero. The 4% QoQ increase is mainly due to growth in funds managed by the mutual funds and money market resources.

**ROE (BROKERAGE)**

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

## LONG TERM SAVINGS

| LONG TERM SAVINGS (Million Pesos) | 1Q11 | 4Q11 | 1Q12 | Change QoQ | Change YoY |
|---|---|---|---|---|---|
| **Afore (1)** | | | | | |
| Net Income (a) | 87 | 162 | **249** | 54% | 186% |
| Shareholder's Equity | 1,867 | 1,297 | **2,325** | 79% | 25% |
| Total Assets | 2,051 | 1,614 | **2,773** | 72% | 35% |
| AUM (SIEFORE)* | 85,615 | 203,216 | **215,532** | 6% | 152% |
| ROE | 19.1% | 27.5% | **31.5%** | 4.0 pp | 12.4 pp |
| **Insurance (2)** | | | | | |
| Net Income | 188 | 177 | **240** | 35% | 27% |
| Shareholder's Equity | 2,625 | 2,701 | **2,541** | (6%) | (3%) |
| Total Assets | 13,903 | 15,921 | **16,518** | 4% | 19% |
| Technical Reserves | 8,757 | 9,533 | **10,616** | 11% | 21% |
| Premiums sold | 2,513 | 2,997 | **3,503** | 17% | 39% |
| Coverage ratio of technical reserves | 1.2 | 1.2 | **1.2** | (0.1 pp) | (0.1 pp) |
| Capital coverage ratio of minimum guarantee | 1.7 | 1.8 | **1.4** | (0.5 pp) | (0.3 pp) |
| Coverage ratio of minimum capital requirement | N.A. | N.A. | **N.A.** | - | - |
| Coverage ratio of minimum capital | 31.0 | 31.0 | **34.5** | 3.4 pp | 3.4 pp |
| ROE | 28.3% | 27.2% | **36.6%** | 9.4 pp | 8.3 pp |
| **Annuities (2)** | | | | | |
| Net Income | (18) | 28 | **32** | 16% | 275% |
| Shareholder's Equity | 1,010 | 1,142 | **1,177** | 3% | 17% |
| Total Assets | 27,336 | 34,279 | **36,556** | 7% | 34% |
| Technical Reserves | 26,090 | 32,873 | **35,059** | 7% | 34% |
| Premiums sold | 1,783 | 1,925 | **1,890** | (2%) | 6% |
| Coverage ratio of technical reserves | 1.0 | 1.0 | **1.0** | 0.0 pp | (0.0 pp) |
| Capital coverage ratio of minimum guarantee | 1.4 | 7.4 | **N/A** | - | - |
| Coverage ratio of minimum capital requirement | N.A. | N.A. | **N.A.** | - | - |
| Coverage ratio of minimum capital | 8.1 | 8.1 | **8.5** | 0.4 pp | 0.4 pp |
| ROE | (7.3%) | 9.9% | **11.1%** | 1.2 pp | 18.4 pp |

1. Since January 2012 the merger of Afore XXI and Afore Banorte was completed, therefore Afore XXI Banorte was created, which presents its results in Banco Mercantil del Norte through the equity participation method.
   a) For information and comparison purposes to the profits of this sector, Afore XXI Banorte's Net Income is presented in this table
2. As of January 2011, new accounting criteria came into effect in which the information for the Insurance and Annuities companies are consolidated in GFNorte.

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

- **Afore**

At the end of 2011, the merger between Afore XXI and Afore Banorte was concluded, in which Banco Mercantil del Norte holds a 50% stake. Previously it held a 51% stake in Afore Banorte Generali and results were registered line by line in Banco Mercantil del Norte; however, since it no longer has a majority in Afore XXI Banorte, results are now consolidated by equity participation method in the Bank.

In 1Q12, the Afore reported net Income of Ps 249 million, a 186% YoY and 54% QoQ growth, due to the increase in managed funds as a result of the merger with Afore XXI. As a result of this merger, managed funds total Ps 215.53 billion, an increase of 152% YoY and 6% QoQ.

Afore XXI Banorte's market share in managed funds was 12.9% as of March 2012, ranking 4th in the market. Total accounts managed were more than 7.2 million (this figure does not include the 4.3 million accounts managed by Afore XXI with resources deposited in the Bank of Mexico), or 17.0% of all the accounts in the system, ranking 2nd in the market.

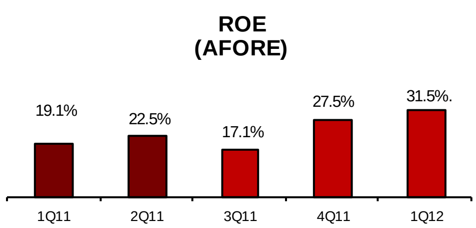
- **Insurance**

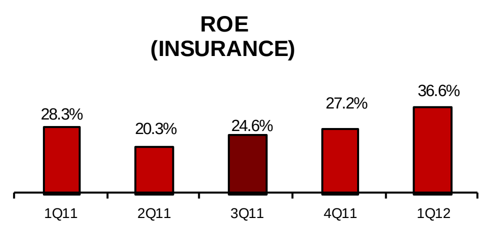
Profits were Ps 240 million in 1Q12 (51% corresponds to GFNorte), a 27% YoY increase, due to growth in revenues resulting from higher premiums and more financial revenues, which offset an increase in claims. The quarterly growth of 35% vs. 4Q11 is due to an increase in issued premiums during the quarter and a lower requirement of technical reserves, offsetting the increase in claims.

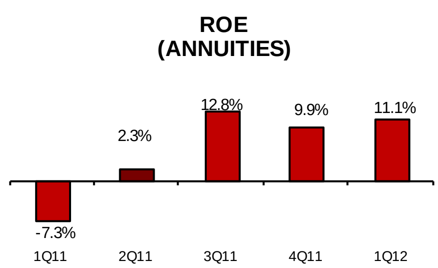
Issued premiums increased by 39% YoY and 17 QoQ, reaching Ps 3.50 billion, while Technical reserves totaled Ps 10.62 billion, increasing by 21% YoY and 11% QoQ vs. 4Q11.

- **Annuities**

Annuities reported net income of Ps 32 million in 1Q12 (51% corresponds to GFNorte), Ps 50 million more than in 1Q11 and Ps 4 million more than in 4Q11. The annual increase is due to greater revenues from issued premiums and to more financial products, and the quarterly growth is due to more financial revenues.



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) | 1Q11 | 4Q11 | 1Q12 | Change | |
|---|---|---|---|---|---|
| *(Million Pesos)* | | | | QoQ | YoY |
| **Leasing and Factoring** | | | | | |
| Net Income | 139 | 151 | **126** | (17%) | (9%) |
| Shareholder's Equity | 2,068 | 2,446 | **2,506** | 2% | 21% |
| Loan Portfolio (1) | 16,648 | 16,882 | **18,273** | 8% | 10% |
| Past Due Loans | 119 | 79 | **67** | (15%) | (44%) |
| Loan Loss Reserves | 286 | 268 | **287** | 7% | 0% |
| Total Assets | 16,451 | 16,814 | **18,235** | 8% | 11% |
| ROE | 27.7% | 25.0% | **20.4%** | (4.6 pp) | (7.3 pp) |
| **Warehousing** | | | | | |
| Net Income | 11 | 8 | **8** | (2%) | (28%) |
| Shareholder's Equity | 217 | 246 | **246** | (0%) | 13% |
| Inventories | 40 | 43 | **18** | (57%) | (53%) |
| Total Assets | 505 | 277 | **264** | (5%) | (48%) |
| ROE | 20.7% | 13.2% | **12.8%** | (0.4 pp) | (7.9 pp) |
| **Ixe Automotriz** | | | | | |
| Net Income | - | 15 | **8** | (44%) | - |
| Shareholder's Equity | - | 337 | **285** | (15%) | - |
| Loan Portfolio (1) | - | 1,318 | **1,183** | (10%) | - |
| Past Due Loans | - | 66 | **80** | 21% | - |
| Loan Loss Reserves | - | 52 | **53** | 4% | - |
| Total Assets | - | 1,390 | **1,248** | (10%) | - |
| ROE | 0.0% | 17.7% | **10.5%** | (7.3 pp) | 10.5 pp |
| **Fincasa Hipotecaria** | | | | | |
| Net Income | - | (10) | **(77)** | 659% | - |
| Shareholder's Equity | - | 697 | **621** | (11%) | - |
| Loan Portfolio (1) | - | 3,915 | **3,716** | (5%) | - |
| Past Due Loans | - | 335 | **360** | 7% | - |
| Loan Loss Reserves | - | 225 | **319** | 42% | - |
| Total Assets | - | 4,575 | **4,289** | (6%) | - |
| ROE | 0.0% | -5.8% | **-46.5%** | (40.8 pp) | (46.5 pp) |

1. Includes pure leasing portfolio registered in property, furniture and equipment (net).

- **Leasing and Factoring**

Arrendadora and Factor Banorte generated profits of Ps 126 million in 1Q12, a (9%) YoY and (17%) QoQ decrease vs. 4Q11, due to higher provisions, coupled with an 8% increase in the leasing portfolio compared to the previous quarter which also increased provisions' requirements. However, the company continued to grow its assets and improve its cost of funding.

At closing of 1Q12 the PDL ratio was 0.37%, lower than in 4Q11 and 1Q11, while the Capitalization Ratio was 13.2%, considering total risk weighted assets of Ps 19.73 billion.

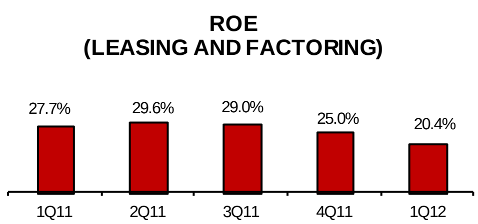
According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

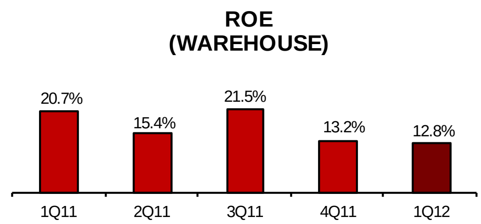
Arrendadora and Factor Banorte is ranked in 1st place in terms of loans and assets among the 40 companies in this sector in accordance to the Mexican Association of Leasing Companies, Credit and Factoring, AC (Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C.(AMSOFAC).

- **Warehouse**

Net income for Warehousing was Ps 8 million in 1Q12, a (2%) QoQ decline vs. 4Q11 and (28%) vs. 1Q11, mainly due to a decline in revenues related to the commercialization of inventories.

At closing of 1Q12 the Capitalization Ratio was 7.4% considering Ps 3.06 billion in total certificates at risk in circulation. The Warehouse ranks 4th amongst the 19 Warehousing Companies in terms of generated profits.




- **Ixe Automotriz**

Net Income for Ixe Automotriz was Ps 8 million in 1Q12, a (44%) QoQ reduction vs. 4Q11 affected by the strategy followed to fully amortize the loan portfolio of this company.

- **Fincasa Hipotecaria**

Fincasa Hipotecaria reported a (Ps 77) million loss in 1Q12, as a result of write-offs to some of its assets.

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

## OTHER COMPANIES

| Other Companies *(Million Pesos)* | 4Q11 | 1Q12 | Change QoQ |
|---|---|---|---|
| **Ixe Soluciones** | | | |
| Net Income | (51) | **(72)** | 41% |
| Shareholder's Equity | 346 | **279** | (19%) |
| Loan Portfolio (1) | 286 | **286** | 0% |
| Past Due Loans | 174 | **173** | (1%) |
| Loan Loss Reserves | 62 | **75** | 21% |
| Total Assets | 1,397 | **1,337** | (4%) |
| ROE | -53.0% | **-92.0%** | (38.9 pp) |
| **Ixe Servicios** | | | |
| Net Income | (2) | **(1)** | (34%) |
| Shareholder's Equity | 22 | **21** | (6%) |
| Total Assets | 31 | **27** | (14%) |
| ROE | -32.3% | **-22.7%** | 9.6 pp |

- **Ixe Soluciones**

Ixe Soluciones had a (Ps 72) million loss during 1Q12, as a result of write-offs made to the investments in securities of some Mortgage SOFOLES (Institutions specialized in granting mortgage loans).

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<br>BBB-<br>BBB-<br>A-3<br>A-3<br>BBB- | **Outlook<br>Counterparty credit - Long term foreign currency<br>Counterparty credit - Long term local currency Short term Counterparty credit – Short term foreign currency<br>Counterparty credit - Short term local currency<br>Senior Unsecured Notes** | December, 2011 |
| Fitch | Banorte<br><br>Grupo Financiero Banorte | Stable<br>BBB<br>BBB<br>F2<br>F2<br>C<br>2<br>5<br>BBB-<br>NF (Not Floor) | **Outlook<br>Long Term Foreign currency<br>Long Term Local currency<br>Short Term Local Currency<br>Short Term Foreign Currency<br>Individual - Foreign Currency<br>Support Rating-Banorte<br>Support Rating-GFNorte<br>Support Rating Floor-Banorte<br>Support Rating Floor -GFNorte** | March, 2012 |
| Moody's | Banorte | Stable<br>C-<br>Stable<br>Baa1<br>P-2<br>A3<br>P-2 | **Outlook BFSR<br>Modest Financial Strength<br>Outlook GLC<br>Foreign long - term bank deposits<br>Foreign short- term bank deposits<br>Local long - term bank deposits<br>Local short - term bank deposits** | November, 2011 |
| Moody's | Banorte | Baa1<br>Baa2<br>Baa1<br>Ba1 | **Long term local currency subordinated debt (Tier 2)<br>Long term local currency subordinated debt (Tier 1)<br>Long term foreign currency subordinated debt (Tier 2)<br>Long term foreign currency subordinated debt** | November, 2011 |
| Moody's | Banorte | A3 | **Senior Notes** | November, 2011 |
| Moody's | Casa de Bolsa Banorte | Stable<br>A3<br>P-2 | **Outlook<br>Issue Rating Long Term<br>Issue Rating Short Term** | November, 2011 |

| Domestic Ratings | | | | |
|---|---|---|---|---|
| **Rating Agency** | **Rated Institution** | **Rating** | **Category** | **Date** |
| Fitch | Banorte | F1 + (mex)<br>AA +(mex)<br>F1 + (mex)<br>AA +(mex)<br>AA (mex) | **Short term counterparty risk<br>Long term counterparty risk<br>Short term CD's and Term Deposits<br>Long term CD's and Term Deposits<br>Long Term National Scale Subordinated Debt** | April, 2011 |
| | Arrendadora y Factor Banorte | AA + (mex)<br>F1 + (mex)<br>AA + (mex)<br>F1 + (mex) | **Medium and Long Term<br>Short Term<br>Long term for local issues of senior unsecured debt<br>Short term for local issues of senior unsecured debt** | April, 2011 |
| Moody's Domestic Scale | Banorte | Aaa.mx<br>MX-1 | **Long Term Deposits<br>Short Term Deposits** | August, 2010 |
| | Arrendadora y Factor Banorte | Aaa.mx<br>MX-1 | **Issue Rating in Domestic Scale Long Term<br>Issue Rating in Domestic Scale Short Term** | August, 2010 |
| | Banorte | Aa1.mx | **Long term Mexican National Scale junior subordinated debt** | October, 2009 |

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

| Other Ratings Gfnorte | | | | |
|---|---|---|---|---|
| **Rating Agency** | **Rated Institution** | **Rating** | **Category** | **Date** |
| Fitch | Seguros Banorte Generali | AA+ (mex) | Insurance Financial Strength | January, 2012 |
| | Casa de Bolsa Banorte - Ixe | Stable | Outlook | March, 2012 |
| | | F1 + (mex) | Short term counterparty risk | |
| | | AA + (mex) | Long term counterparty risk | |
| Standard & Poor's | Ixe Banco | Stable | Outlook | December, 2011 |
| | | BBB- | Global Scale-Long Term | |
| | | A-3 | Global Scale-Short Term | |
| | | mxA-1 | Counterparty credit - short term | |
| | | BB | Global Scale- Subordinated Junior Notes | |
| | | mxAA | Counterparty credit - long term | |
| | Ixe Casa de Bolsa | Stable | Outlook | |
| | | mxA-1 | Counterparty credit - short term | |
| | | mxAA | Counterparty credit - long term | |
| | Fincasa Hipotecaria | Stable | Outlook | |
| | | mxA-2 | Counterparty credit - short term | |
| | | mxA- | Counterparty credit - long term | |
| | | mxA | Counterparty credit - long term | |
| | Ixe Automotriz | Stable | Outlook | |
| | | mxA-2 | Counterparty credit - short term | |
| | | mxA | Counterparty credit - long term | |
| Fitch | Ixe Banco | BBB' | Long-term foreign an local currency | March, 2012 |
| | | F2' | Short-term foreign and local currency | |
| | | BB+' | Junior subordinated perpetual notes | |
| | | BB+' | Junior subordinated notes | |
| | | AA+ | National Scale - long term rating | |
| | | F1+ | National Scale - short term rating | |
| | | C/D | Individual | |
| | Fincasa Hipotecaria | AA+(mex)' | National Scale - long term rating | |
| | | F1+(mex)' | National Scale - short term rating | |
| | | F1+(mex)' | National Scale - short term rating | |
| | Ixe Automotriz | AA+(mex)' | National Scale - long term rating | |
| | | F1+(mex)' | National Scale - short term rating | |
| | | F1+(mex)' | National Scale - short term Senior Notes | |

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

## INFRASTRUCTURE

| INFRASTRUCTURE | 1Q11 | 4Q11 | 1Q12 |
|---|---|---|---|
| **Employees** | 20,093 | 23,898 | **24,086** |
| Banking (1) | 15,996 | 18,742 | **19,553** |
| Other | 4,097 | 5,156 | **4,533** |
| **Branches (2)** | 1,142 | 1,285 | **1,292** |
| INB | 20 | 21 | 21 |
| Pronegocio | 0 | 0 | 0 |
| **ATM's** | 6,014 | 6,367 | **6,531** |
| **POSs** | 62,856 | 90,649 | **96,960** |

1. Includes INB since 4Q06, Uniteller since 1Q07 and Ixe since 2Q11.
2. 5 banking modules are considered as branches. Does not include Remote Tellers. Does not include 1 branch in the Cayman Islands.

- At closing of 1Q12 there were 1,292 branches, 7 more compared to 4Q11. The number of branches increased by 150 during the last 12 months, a 13% annual growth, of which 168 were Ixe Bancos' branches, while 42 Banorte branches were merged as part of an efficiency plan.
- In the last 12 months, 517 ATMs were enabled, a 9% annual growth, increasing the network to 6,531 ATM's at the end of 1Q12. This growth includes Ixe's 206 ATMs.
- Also, 34,104 Point of Sale Terminals (POS) were activated during the year, totaling 96,960 POSs by the end of March, representing a 54% annual growth, of which 15,889 correspond to Ixe.
- At the closing of 1Q12, there were 2,918 contact points through third party correspondent agreements with 7-Eleven and Telecomm-Telegrafos, through which more than 11 thousand daily transactions take place.

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

## GRUPO FINANCIERO – GENERAL INFORMATION

| GFNorte Ownership of Subsidiaries | 1Q12 |
|---|---|
| Banco Mercantil Del Norte, S.A. (1) | **92.72%** |
| Banorte USA (2) | **100.00%** |
| Afore (2) | **50.00%** |
| Arrendadora Banorte, S.A. De C.V. | **99.99%** |
| Almacenadora Banorte, S.A. De C.V. | **99.99%** |
| Pensiones Banorte Generali, S.A. De C.V. | **51.00%** |
| Seguros Generali Mexico, S.A. De C.V. | **51.00%** |
| Ixe Banco, S.A. | **99.99%** |
| Ixe Casa De Bolsa, S.A. De C.V. | **99.99%** |
| Ixe Fondos, S.A. De C.V. | **99.99%** |
| Ixe Servicios, S.A. De C.V. | **99.99%** |
| Ixe Automotriz, S.A. De C.V. | **99.99%** |
| Ixe Soluciones, S.A. De C.V. | **99.99%** |
| Fincasa Hipotecaria, S.A. De C.V. | **99.99%** |

1. As a result of the merger with Pronegocio on August 31st, 2009. Reflects the IFC investment in capital of Banco Mercantil del Norte because the operation was finalized in 4Q09.

2. Subsidiary of Banco Mercantil del Norte. Banorte USA owns 100% of Uniteller and 100% of INB Financial Corp.

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

| Group Officers 1Q12 | |
|---|---|
| **NAME** | **CURRENT POSITION** |
| Alejandro Valenzuela del Río | Chief Executive Officer, Grupo Financiero Banorte |
| **BUSINESS UNITS** | |
| Enrique Castillo Sánchez Mejorada | Equity Investments |
| Marcos Ramírez Miguel | Managing Director – Wholesale Banking |
| Patricio Rafael Rodríguez Chapa | Managing Director – Wealth and Asset Management |
| Luis Ernesto Pietrini Sheridan | Managing Director – Private Banking |
| Víctor Antonio Roldán Ferrer | Managing Director – Transactional Corporate Banking |
| José Armando Rodal Espinosa | Managing Director – Business & Corporate Banking |
| Carlos Eduardo Martínez González | Managing Director – Government Banking |
| Alejandro Eric Faesi Puente | Managing Director – Markets & Institutional Sales |
| Ricardo Velásquez | Managing Director – Int. Banking and Financial Institutions |
| Carlos Alberto Arciniega Navarro | Managing Director – Treasury |
| René Gerardo Pimentel Ibarrola | Managing Director – Business Development & Research |
| Javier Molinar Horcasitas | Managing Director – Banorte-Ixe's Integration |
| Jesús Garza Martínez | Managing Director – Retail and Commercial Banking |
| Manuel Romo Villafuerte | Managing Director –Ixe Bank & Credit Cards |
| Fernando Solís Soberón | Managing Director – Long Term Savings |
| Samuel J. Munafo | Managing Director – Banorte USA |
| Luis Fernando Orozco | Managing Director – Asset Recovery |
| **STAFF** | |
| Alejandro Garay Espinosa | Managing Director – Corporate Services |
| Benjamín Vidargas Rojas | Managing Director - Audit |
| Carla Juan Chelala | Managing Director - Marketing |
| Héctor Martín Ávila Flores | Co- Managing Director - Legal |
| Armando Rivero Laing | Co- Managing Director - Legal |
| Javier Márquez Diez-Canedo | Managing Director - Risk |
| Guillermo Güemez Sarre | Managing Director –Technology |
| Rafael Arana de la Garza | Chief Financial Officer |
| Sergio García Robles Gil | Chief Corporate Officer |
| Alejandro Vázquez Salido | Managing Director - Communications and Institutional Relations |

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

# HOLDING

| **Income Statement-Holding** *(Million Pesos)* | **1Q11** | **2Q11** | **3Q11** | **4Q11** | **1Q12** | **2011** | **3M12** |
|---|---|---|---|---|---|---|---|
| Income Subsidiaries | 1,834 | 2,054 | 2,132 | 2,161 | 2,430 | 8,181 | 2,430 |
| Interest Income | 2 | 1 | 2 | 4 | 7 | 9 | 7 |
| Interest Expense | - | - | - | - | - | - | - |
| Fees & Tariffs | - | - | - | - | - | - | - |
| Trading Income | - | - | - | - | - | - | - |
| Other Operating Income (Expense) | - | - | - | - | - | - | - |
| Non Interest Expense | 4 | 9 | 4 | 49 | 25 | 66 | 25 |
| **Pre-Tax Income** | **1,831** | **2,046** | **2,130** | **2,116** | **2,412** | **8,124** | **2,412** |
| Income Tax | - | - | - | - | - | - | - |
| Tax on Assets | - | - | - | - | - | - | - |
| Deferred Income Tax | 0 | (3) | 1 | (2) | (1) | (4) | (1) |
| **Taxes** | **0** | **(3)** | **1** | **(2)** | **(1)** | **(4)** | **(1)** |
| **Net Income from Continuos Operations** | **1,831** | **2,049** | **2,130** | **2,118** | **2,414** | **8,128** | **2,414** |
| Extraordinary Items, net | - | - | - | - | - | - | - |
| **Net Income** | **1,831** | **2,049** | **2,130** | **2,118** | **2,414** | **8,128** | **2,414** |

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

| **Holding - Balance Sheet** *(Million Pesos)* | **1Q11** | **2Q11** | **3Q11** | **4Q11** | **1Q12** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Cash and Due from Banks** | **126** | **42** | **252** | **422** | **1,034** |
| **Margin Accounts** | **-** | **-** | **-** | **-** | **-** |
| **Investment in Securities** | **-** | **45** | **44** | **61** | **65** |
| **Non-assigned Securities for Settlement** | **-** | **-** | **-** | **-** | **-** |
| **Debtor Balance in Repo Trans,net** | **-** | **-** | **-** | **-** | **-** |
| **Securities Lending** | **-** | **-** | **-** | **-** | **-** |
| **Transactions with Derivatives** | **-** | **-** | **-** | **-** | **-** |
| **Operations w/Derivatives & Securities** | **-** | **-** | **-** | **-** | **-** |
| **Valuation adjustments for Asset Coverage** | **-** | **-** | **-** | **-** | **-** |
| **Performing Loans** | **-** | **-** | **-** | **-** | **-** |
| **Past Due Loans** | **-** | **-** | **-** | **-** | **-** |
| **Gross Loan Portfolio** | **-** | **-** | **-** | **-** | **-** |
| Preventive Loan Loss Reserves | - | - | - | - | - |
| **Net Loan Portfolio** | **-** | **-** | **-** | **-** | **-** |
| Acquired Collection Rights | - | - | - | - | - |
| **Total Credit Portfolio** | **-** | **-** | **-** | **-** | **-** |
| Benef.receivab.securization transactions | - | - | - | - | - |
| Sundry Debtors & Other Accs Rec, Net | 6 | 6 | 6 | 6 | 7 |
| Inventories | - | - | - | - | - |
| Foreclosed Assets, Net | - | - | - | - | - |
| Real Estate, Furniture & Equipment, Net | - | - | - | - | - |
| Investment in Subsidiaries | 48,331 | 56,145 | 57,952 | 59,085 | 60,630 |
| Long-term assets held for sale | - | - | - | - | - |
| Deferred Taxes, Net | 1 | 4 | 4 | 6 | 7 |
| Goodwill and Intangibles | 31 | 11,100 | 11,098 | 11,416 | 11,394 |
| Other Assets Short and Long Term | - | - | - | - | - |
| Other Assets | - | - | - | - | - |
| | 48,370 | 67,256 | 69,059 | 70,512 | 72,038 |
| **TOTAL ASSETS** | **48,496** | **67,343** | **69,355** | **70,996** | **73,137** |

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

| **Holding - Balance Sheet** *(Million Pesos)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Deposits** | - | - | - | - | - |
| **Due to Banks & Correspondents** | - | - | - | - | - |
| **Total Collateral sold** | - | - | - | - | - |
| **Transactions with Derivatives** | - | - | - | - | - |
| **Total Operations w/ Derivatives & Securities** | - | - | - | - | - |
| Margin Accounts Payable | - | - | - | - | - |
| Other Creditors & Accounts Payable | 0 | 0 | - | - | 1 |
| **Other Payable Accounts** | **0** | **0** | **-** | **-** | **1** |
| Subordinated Non Convertible Debt | - | - | - | - | - |
| Deferred Taxes, Net | - | - | - | - | - |
| Deferred Credits | - | - | - | - | - |
| **TOTAL LIABILITIES** | **0** | **0** | **-** | **-** | **1** |
| **EQUITY** | | | | | |
| Paid-in Capital | 12,019 | 13,098 | 13,098 | 13,098 | 13,098 |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Share Subscription Premiums | 2,248 | 18,911 | 18,915 | 18,511 | 18,511 |
| Subordinated Convertible Debentures | - | - | - | - | - |
| **Subscribed Capital** | **14,267** | **32,008** | **32,013** | **31,608** | **31,608** |
| Capital Reserves | 3,165 | 3,224 | 3,224 | 3,224 | 3,224 |
| Retained Earnings | 31,499 | 30,939 | 30,941 | 30,548 | 38,258 |
| Surplus (Deficit) of Secs Available for Sale | 562 | 511 | 117 | 196 | 570 |
| Results from Valuation of Hedging Secs | (1,615) | (2,057) | (2,725) | (2,537) | (2,334) |
| Results from Conversions | (1,213) | (1,163) | (225) | (172) | (603) |
| 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 | 1,831 | 3,880 | 6,010 | 8,128 | 2,414 |
| **Earned Capital** | **34,229** | **35,334** | **37,342** | **39,387** | **41,527** |
| Minority Interest | - | - | - | - | - |
| **Total Equity** | **48,496** | **67,343** | **69,355** | **70,996** | **73,136** |
| **TOTAL LIABILITIES & EQUITY** | **48,496** | **67,343** | **69,355** | **70,996** | **73,137** |

| **Holding - Memorandum Accounts** *(Million Pesos)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| Securities held under Custody | 3,716 | 3,716 | 3,716 | 3,716 | 3,716 |
| Other Registration Accounts | | | | | |
| | 3,716 | 3,716 | 3,716 | 3,716 | 3,716 |

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

## GRUPO FINANCIERO BANORTE

| Income Statement -GFNorte (Million Pesos) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2011 | 3M12 |
|---|---|---|---|---|---|---|---|
| Interest Income | 11,281 | 13,011 | 13,659 | 14,129 | 14,591 | 52,081 | 14,591 |
| Interest Expense | 5,040 | 6,238 | 6,557 | 6,574 | 6,691 | 24,409 | 6,691 |
| Charged Fees | 159 | 214 | 261 | 289 | 284 | 922 | 284 |
| Fees Paid | 35 | 41 | 48 | 95 | 50 | 219 | 50 |
| **Net Interest Income from interest & fees (NII)** | **6,365** | **6,946** | **7,315** | **7,749** | **8,134** | **28,375** | **8,134** |
| Premium Income (Net) | 3,622 | 3,925 | 3,706 | 4,022 | 4,258 | 15,275 | 4,258 |
| Net Increase in Technical Reserves | 2,319 | 1,917 | 2,080 | 3,001 | 2,637 | 9,316 | 2,637 |
| Damages, Claims and Other Obligations | 1,391 | 1,585 | 1,711 | 1,405 | 1,833 | 6,092 | 1,833 |
| **Net Interest Income (NII)** | **6,277** | **7,369** | **7,232** | **7,364** | **7,923** | **28,242** | **7,923** |
| Preventive Provisions for Loan Losses | 1,338 | 1,318 | 1,650 | 1,133 | 1,467 | 5,438 | 1,467 |
| **Net Interest Income Adjusted for Credit Risk** | **4,940** | **6,051** | **5,582** | **6,231** | **6,456** | **22,804** | **6,456** |
| Fees for Commercial and Mortgage Loans | 3 | 13 | 17 | 16 | 41 | 50 | 41 |
| Fund Transfers | 92 | 104 | 108 | 117 | 111 | 421 | 111 |
| Account Management Fees | 255 | 279 | 314 | 311 | 300 | 1,160 | 300 |
| Fiduciary | 75 | 82 | 80 | 116 | 84 | 353 | 84 |
| Other Fees | 719 | 1,126 | 1,032 | 1,216 | 803 | 4,092 | 803 |
| Income from Real Estate Portfolios | 220 | 284 | 260 | 353 | 359 | 1,117 | 359 |
| Electronic Banking Services | 202 | 211 | 224 | 234 | 242 | 872 | 242 |
| For Consumer and Credit Card Loans | 701 | 709 | 748 | 831 | 825 | 2,990 | 825 |
| **Fees Charged on Services** | **2,267** | **2,808** | **2,784** | **3,196** | **2,765** | **11,055** | **2,765** |
| Fund transfers | 10 | 9 | 9 | 10 | 11 | 37 | 11 |
| Other Fees | 568 | 775 | 719 | 780 | 845 | 2,842 | 845 |
| Amortization of Loan Portfolio | - | - | - | - | - | - | - |
| **Fees Paid on Services** | **578** | **784** | **728** | **790** | **857** | **2,879** | **857** |
| Foreign Exchange | 173 | 287 | 358 | 365 | 229 | 1,182 | 229 |
| Securities-Realized Gains | 132 | 93 | 128 | 995 | 120 | 1,349 | 120 |
| Securities-Unrealized Gains | 212 | (161) | 373 | (177) | 833 | 247 | 833 |
| **Trading Income** | **517** | **219** | **859** | **1,184** | **1,182** | **2,778** | **1,182** |
| Loan Recoveries | 257 | 335 | 243 | 372 | 289 | 1,207 | 289 |
| Income from purchased assets | 27 | 29 | 10 | 33 | (4) | 99 | (4) |
| Other Operating Income | 120 | (118) | 80 | 214 | 194 | 296 | 194 |
| Other Operating Expense | (169) | 116 | (27) | (20) | (18) | (101) | (18) |
| Other Products | 182 | 286 | 299 | 859 | 315 | 1,625 | 315 |
| Other Recoveries | 131 | 82 | 107 | 132 | 174 | 451 | 174 |
| Other Operating Expense | (255) | (119) | (198) | (685) | (293) | (1,258) | (293) |
| Other Operating Income (Expense) from Insurance and Annuities | 113 | 125 | 136 | 120 | 125 | 494 | 125 |
| **Total Non Interest Income** | **2,611** | **2,979** | **3,564** | **4,614** | **3,871** | **13,767** | **3,871** |
| **Total Operating Income** | **7,550** | **9,030** | **9,145** | **10,845** | **10,327** | **36,571** | **10,327** |
| Personnel | 1,666 | 2,575 | 2,289 | 3,352 | 2,814 | 9,882 | 2,814 |
| Employee Profit Sharing (PTU) | 235 | 237 | 217 | 196 | 307 | 885 | 307 |
| Professional Fees | 528 | 517 | 555 | 600 | 631 | 2,200 | 631 |
| Administrative and Promotional Expenses | 977 | 1,247 | 1,276 | 1,364 | 1,171 | 4,864 | 1,171 |
| Rents, Depreciation & Amortization | 608 | 733 | 796 | 731 | 730 | 2,867 | 730 |
| Taxes other than income tax & non deductible expenses | 314 | 325 | 339 | 392 | 527 | 1,370 | 527 |
| Contributions to IPAB/Fobaproa | 302 | 332 | 342 | 364 | 379 | 1,341 | 379 |
| **Total Non Interest Expense** | **4,631** | **5,965** | **5,814** | **6,999** | **6,558** | **23,409** | **6,558** |
| **Operating Income** | **2,919** | **3,065** | **3,332** | **3,846** | **3,769** | **13,162** | **3,769** |
| Subsidiaries' Net Income | (14) | 40 | (39) | (28) | 126 | (41) | 126 |
| **Pre-Tax Income** | **2,905** | **3,104** | **3,293** | **3,818** | **3,895** | **13,121** | **3,895** |
| Income Tax | 827 | 848 | 945 | (0) | 927 | 2,619 | 927 |
| Tax on Assets | - | - | - | - | - | - | - |
| Deferred Income Tax | 21 | (38) | (57) | 1,007 | 213 | 933 | 213 |
| **Taxes** | **847** | **810** | **888** | **1,007** | **1,140** | **3,552** | **1,140** |
| **Net Income from Continuos Operations** | **2,058** | **2,294** | **2,405** | **2,811** | **2,755** | **9,569** | **2,755** |
| Extraordinary Items, net | - | - | - | - | - | - | - |
| Minority Interest | (244) | (247) | (263) | (298) | (292) | (1,052) | (292) |
| **Net Income** | **1,815** | **2,048** | **2,142** | **2,513** | **2,463** | **8,517** | **2,463** |

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)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Cash and Due from Banks** | **62,312** | **65,360** | **58,260** | **53,968** | **61,429** |
| **Margin Accounts** | **178** | **468** | **575** | **252** | **278** |
| Negotiable Instruments | 79,300 | 107,521 | 111,612 | 115,026 | 107,223 |
| Securities Available for Sale | 14,006 | 22,144 | 31,347 | 53,666 | 60,116 |
| Securities Held to Maturity | 159,898 | 186,042 | 182,488 | 162,148 | 144,000 |
| **Investment in Securities** | **253,204** | **315,707** | **325,447** | **330,841** | **311,339** |
| **Non-assigned Securities for Settlement** | **-** | **-** | **-** | **-** | **-** |
| **Debtor Balance in Repo Trans, net** | **3,576** | **1,646** | **2,157** | **3,830** | **7,126** |
| **Securities Lending** | **0** | **-** | **0** | **-** | **-** |
| For trading purposes | 5,756 | 11,841 | 19,388 | 15,854 | 15,023 |
| For hedging purposes | 624 | 535 | 1,573 | 623 | 342 |
| Operations w/Derivatives & Securities | - | - | - | - | - |
| **Transactions with Derivatives** | **6,380** | **12,375** | **20,961** | **16,477** | **15,365** |
| **Operations w/Derivatives & Securities** | **9,956** | **14,022** | **23,118** | **20,307** | **22,491** |
| **Valuation adjustments for Asset Coverage** | **-** | **91** | **119** | **123** | **132** |
| Commercial Loans | 127,337 | 156,153 | 159,383 | 169,023 | 173,258 |
| Financial Intermediaries´ Loans | 5,775 | 9,081 | 9,123 | 11,560 | 7,559 |
| Consumer Loans | 28,835 | 30,639 | 32,373 | 34,246 | 38,608 |
| Mortgage Loans | 57,348 | 60,637 | 62,262 | 64,567 | 66,027 |
| Government Entities´ Loans | 51,271 | 55,421 | 63,095 | 71,162 | 75,196 |
| Loans granted as Federal Agent | - | - | - | - | - |
| **Performing Loans** | **270,564** | **311,931** | **326,237** | **350,557** | **360,648** |
| Commercial PDL´s | 4,492 | 4,969 | 4,774 | 4,684 | 4,362 |
| Financial Intermediaries PDL´s | - | 6 | 6 | 1 | 19 |
| Consumer PDL´s | 1,312 | 1,486 | 1,381 | 1,286 | 1,348 |
| Mortgage PDL´s | 694 | 1,086 | 1,291 | 967 | 858 |
| Government Entities PDL´s | - | - | 500 | 11 | 0 |
| **Past Due Loans** | **6,498** | **7,547** | **7,953** | **6,949** | **6,588** |
| **Gross Loan Portfolio** | **277,063** | **319,478** | **334,189** | **357,506** | **367,236** |
| Preventive Loan Loss Reserves | 9,030 | 10,196 | 10,549 | 9,944 | 10,415 |
| **Net Loan Portfolio** | **268,033** | **309,282** | **323,640** | **347,562** | **356,821** |
| Acquired Collection Rights | 2,641 | 4,105 | 3,887 | 3,559 | 3,110 |
| **Total Credit Portfolio** | **270,674** | **313,388** | **327,528** | **351,121** | **359,931** |
| Account Receivables from Insurance and Annuities | 887 | 829 | 929 | 953 | 934 |
| Premium Debtors (Net) | 2,186 | 3,104 | 2,787 | 3,442 | 3,664 |
| Account Receivables from Reinsurance | 2,503 | 2,486 | 2,096 | 2,594 | 3,092 |
| Benef.receivab.securization transactions | 959 | 946 | 894 | 856 | 713 |
| Sundry Debtors & Other Accs Rec, Net | 15,810 | 23,693 | 23,632 | 20,524 | 25,309 |
| Inventories | 40 | 201 | 545 | 43 | 18 |
| Foreclosed Assets, Net | 821 | 1,281 | 1,723 | 2,284 | 2,115 |
| Real Estate, Furniture & Equipment, Net | 9,389 | 11,013 | 11,166 | 11,785 | 11,878 |
| Investment in Subsidiaries | 1,384 | 1,868 | 2,012 | 2,280 | 2,009 |
| Long-term assets held for sale | - | - | - | - | - |
| Deferred Taxes, Net | 1,555 | 1,757 | 1,724 | - | - |
| Goodwill and Intangibles | 4,145 | 16,077 | 16,483 | 20,589 | 20,448 |
| Other Assets Short and Long Term | 6,162 | 6,427 | 6,743 | 7,315 | 3,661 |
| Other Assets | - | - | - | - | - |
| | 45,840 | 69,683 | 70,733 | 72,665 | 73,842 |
| **TOTAL ASSETS** | **642,164** | **778,717** | **805,780** | **829,277** | **829,442** |

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) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Demand Deposits | 144,253 | 160,981 | 169,650 | 189,613 | 185,186 |
| Time Deposits-Retail | 145,896 | 160,937 | 162,781 | 162,635 | 175,495 |
| Time Deposits-Money Market | 5,492 | 6,562 | 8,147 | 11,089 | 6,237 |
| Special Funds | - | - | - | - | - |
| Senior Unsecured Debt | 3,604 | 6,889 | 7,483 | 6,953 | 6,380 |
| **Deposits** | **299,245** | **335,369** | **348,061** | **370,290** | **373,297** |
| Immediate Redemption Loans | 3,519 | 1,427 | 361 | 3,968 | 4,315 |
| Short Term Loans | 15,084 | 19,553 | 21,874 | 25,150 | 32,230 |
| Long Term Loans | 6,517 | 8,427 | 6,950 | 6,330 | 7,176 |
| **Due to Banks & Correspondents** | **25,120** | **29,407** | **29,185** | **35,448** | **43,721** |
| Technical Reserves | 34,847 | 36,959 | 39,210 | 42,406 | 45,675 |
| Non-assigned Securities for Settlement | 402 | 1,693 | 1,708 | 4 | 1,281 |
| Creditor Balance in Repo Trans, Net | 182,245 | 233,422 | 239,462 | 243,756 | 223,794 |
| Secs to be received in Repo Trans, Net | 0 | 11 | 57 | - | 1 |
| Repos (Credit Balance) | 34 | 21 | 79 | 31 | 19 |
| Securities' Loans | 0 | - | - | - | - |
| Transactions with Derivatives | - | - | - | - | - |
| Other sold collateral | - | - | - | - | - |
| **Total Collateral sold** | **34** | **21** | **79** | **31** | **19** |
| For trading purposes | 5,564 | 12,234 | 19,429 | 16,009 | 14,825 |
| For hedging purposes | 2,630 | 3,067 | 5,284 | 5,305 | 4,174 |
| Operations w/ Derivatives & Securities | - | - | - | - | - |
| **Transactions with Derivatives** | **8,194** | **15,301** | **24,713** | **21,314** | **18,999** |
| **Total Operations w/ Derivatives & Securities** | **190,875** | **250,447** | **266,019** | **265,105** | **244,094** |
| Valuation adjustments for financial liability coverage | - | (352) | (67) | (91) | (280) |
| Obligations in securitization transactions | - | - | - | - | - |
| Payable Accountsfor Reinsurance | 502 | 1,178 | 995 | 1,246 | 1,027 |
| Income Tax Payable | 684 | 869 | 1,020 | 710 | 1,207 |
| Profit Sharing Payable | 262 | 463 | 677 | 481 | 307 |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Creditors for settlement of transactions | 5,827 | 14,252 | 5,661 | 2,705 | 7,794 |
| Margin Accounts Payable | - | - | - | - | - |
| Other Creditors & Accounts Payable | 12,049 | 15,140 | 15,866 | 15,446 | 15,631 |
| **Other Payable Accounts** | **18,821** | **30,725** | **23,223** | **19,342** | **24,939** |
| Subordinated Non Convertible Debt | 17,636 | 20,438 | 22,173 | 16,543 | 16,218 |
| Deferred Taxes, Net | - | - | - | 39 | 51 |
| Deferred Credits | 1,447 | 1,687 | 1,766 | 1,867 | 1,959 |
| **TOTAL LIABILITIES** | **588,494** | **705,859** | **730,565** | **752,195** | **750,701** |
| **EQUITY** | | | | | |
| Paid-in Capital | 11,968 | 13,053 | 13,055 | 13,050 | 13,057 |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Share Subscription Premiums | 1,680 | 18,423 | 18,438 | 18,006 | 18,149 |
| Subordinated Convertible Debentures | - | - | - | - | - |
| **Subscribed Capital** | **13,647** | **31,475** | **31,494** | **31,056** | **31,206** |
| Capital Reserves | 3,165 | 3,224 | 3,224 | 3,224 | 3,224 |
| Retained Earnings | 31,524 | 30,968 | 30,966 | 30,573 | 38,680 |
| Surplus (Deficit) of Secs Available for Sale | 325 | 339 | 144 | 188 | 417 |
| Results from Valuation of Hedging Secs | (1,615) | (2,057) | (2,725) | (2,537) | (2,334) |
| Results from Conversions | (1,213) | (1,163) | (225) | (172) | (603) |
| Surplus (Deficit) in Capital Restatement | - | - | - | - | - |
| Results of Non Monetary Fixed Assets | - | - | - | - | - |
| Results of Non Monetary - Investment Assets | - | - | - | - | - |
| Adjustments in the Employee´s Pensions | - | - | - | - | - |
| Accumulated Effect of Deferred Taxes | - | - | - | - | - |
| Net Income | 1,815 | 3,862 | 6,004 | 8,517 | 2,463 |
| **Earned Capital** | **34,001** | **35,172** | **37,387** | **39,793** | **41,846** |
| Minority Interest | 6,022 | 6,211 | 6,334 | 6,233 | 5,689 |
| **Total Equity** | **53,670** | **72,859** | **75,215** | **77,082** | **78,741** |
| **TOTAL LIABILITIES & EQUITY** | **642,164** | **778,717** | **805,780** | **829,277** | **829,442** |

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)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **On behalf of Third Parties** | | | | | |
| Customer's Banks | 10 | 66 | 323 | 70 | 63 |
| Dividends Receivable from Customers | - | - | - | - | - |
| Interest Receivable from Customers | - | - | - | - | - |
| Settlement of Customer Transactions | (10) | 288 | 401 | 76 | (21) |
| Customer Premiums | - | - | - | - | - |
| Settlement with Clients' Foreign Currency | - | - | - | - | - |
| Margin Accounts in Futures' Operations | - | - | - | - | - |
| Other Current Accounts | - | - | - | - | - |
| **Customers' Current Account** | **(1)** | **354** | **725** | **146** | **42** |
| Client Securities Received in Custody | 180,623 | 449,234 | 449,921 | 497,608 | 520,812 |
| Securities and Documents Received in Guarantee | - | - | - | - | - |
| Client Securities Abroad | - | - | - | - | - |
| **Clients' Securities** | **180,623** | **449,234** | **449,921** | **497,608** | **520,812** |
| Clients' Repurchase Operations | 41,790 | 60,997 | 68,675 | 58,841 | 42,616 |
| Clients' Repo Transactions w/ Securities | 0 | - | 2 | - | - |
| Purchase of Futures & Forward Contracts, national | - | - | - | - | - |
| Sale of Futures and Forward Contracts, national | - | - | - | - | - |
| Clients' Option Parchase Operations | - | - | - | - | - |
| Clients' Option Sales Operations | - | - | - | - | - |
| Clients' Option Sales Operations | - | - | - | - | - |
| Trusts under Administration | 5,176 | 5,402 | 5,024 | 4,181 | 3,548 |
| **Transactions On Behalf of Clients** | **46,966** | **66,398** | **73,701** | **63,022** | **46,165** |
| **Investment bank Trans on Behalf of Third** | **69,252** | **72,038** | **80,941** | **75,989** | **63,075** |
| **TOTAL ON BEHALF OF THIRD PARTIES** | **296,841** | **588,024** | **605,287** | **636,764** | **630,094** |
| Loan Obligations | 3,605 | 11,243 | 9,793 | 9,001 | 36,223 |
| Trusts | 127,790 | 200,021 | 238,148 | 246,418 | 255,981 |
| Mandates | 2,151 | 2,220 | 2,221 | 2,143 | 2,788 |
| **Properties in Trusts and Warrant** | 129,941 | 202,241 | 240,369 | 248,561 | 258,769 |
| Properties in Custody or Administration | 264,064 | 325,040 | 342,174 | 377,098 | 399,178 |
| Collateral Received | 93,783 | 131,151 | 147,459 | 124,475 | 164,387 |
| Collateral Received or sold | 63,319 | 79,115 | 90,258 | 66,971 | 126,450 |
| Drafts in Transit | - | - | - | - | - |
| Certificates of Deposits in Circulation | 2,310 | 1,643 | 1,231 | 3,107 | 3,062 |
| 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 | 255 | 255 | 255 | 255 | 1,233 |
| Uncollected Accrued Interest from Past Due Loans | 139 | 261 | 239 | 327 | 242 |
| Investments of Retirement Savings Funds | - | - | - | - | - |
| Integration of the Credit Portfolio | - | - | - | - | - |
| Amounts Contracted in Derivatives | - | - | - | - | - |
| Other Registration Accounts | - | - | - | - | - |
| **Proprietary Transactions** | **557,416** | **750,950** | **831,777** | **829,794** | **989,543** |
| Repo Securities to be Received | - | - | - | - | - |
| (Minus) Repurchase Creditors | - | - | - | - | - |
| **Repurchase Transactions** | **-** | **-** | **-** | **-** | **-** |
| Repurchase Debtors | - | - | - | - | - |
| (Minus) Repo Securities to be Delivered | - | - | - | - | - |
| **Repurchase Transactions** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL PROPRIETARY** | **557,416** | **750,950** | **831,777** | **829,794** | **989,543** |

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, 2012 – MARCH 31, 2012**
*(Million Pesos)*

| | |
|---|---|
| **Net Income** | **2,463** |
| **Items charged to results that do not generate or require** | |
| Depreciation | 279 |
| Technical Reserves | 2,637 |
| Provisions | 264 |
| Income taxes and deferred | 1,140 |
| Minority Interest | 166 |
| | **4,486** |
| | **6,949** |
| **Change in items related to operations:** | |
| Change in Margin Accounts | (25) |
| Change in Invesment in Securities | 18,628 |
| Change in repo debtors | (3,296) |
| Change in derivatives (assets) | 822 |
| Changein Loan Portfolio (net) | (10,142) |
| Change in purchased receivables (net) | 303 |
| Change in accounts receivable insurance and bonding | 19 |
| Change in debtor premiums | (222) |
| Change in Reinsurance | (498) |
| Change in benefits to receive from securitizations | 143 |
| Change in foreclosed assets (net) | (76) |
| Change in other operating assets (net) | (382) |
| Change in core deposits | 4,890 |
| Change in interbank loans and other entities | 8,281 |
| Change in repo creditors | (18,685) |
| Change in collateral pledged sold | (12) |
| Change in derivatives (liability) | (1,372) |
| Change in Technical Reserves (net) | 632 |
| Change in Reinsurance (net) (liability) | (219) |
| Change in subordinated debt w ith characteristics of liabilities | (302) |
| Change in other operating liabilities | 4,883 |
| Change in hedging instruments (the related hedged transaction | (850) |
| Income Tax Collection (refunds) | 0 |
| Income Tax Payments | (523) |
| **Net cash generated or used from operations** | **8,946** |
| | |
| **Investment Activities:** | |
| Charges for disposal of property, furniture and equipment | 145 |
| Payments for acquisition of property, furniture and equipment | (569) |
| Subsidiaries and associated acquisitions charges | 0 |
| Subsidiaries and associated acquisitions payment | (152) |
| Charges for other investmentes | 0 |
| Charges for cash dividends | 0 |
| **Net cash generated or used from investment activities** | **(576)** |
| | |
| **Financing Activities:** | |
| Payments of cash dividends | (395) |
| Payments associated w ith the repurchase of proprietary | 18 |
| **Net cash flows from financing activities** | **(377)** |
| **Change in investments by loss in control of the AFORE** | **(409)** |
| **Net Cash Increase (decrease)** | **7,584** |
| **Cash flow adjustments given exchange rate or inflation** | **(123)** |
| **Cash and cash equivalents at beginning of period** | **53,968** |
| **Cash and cash equivalents at end of period** | **61,429** |

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, 2012 – MARCH 31, 2012**

***(Million Pesos)***

| | CONTRIBUTED CAPITAL | | EARNED CAPITAL | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fixed Paid-in Capital | Premium from sale of securitie | Capital Reserves | Retained Earnings | Valuation Effects of Securities Available | Results from val of instrum Cash flow | Results from Conversion s | Net Income | Minority Interest | Total Stockholder s' Equity |
| **Balance as of December 31, 2011** | **13,050** | **18,006** | **3,224** | **30,573** | **188** | **(2,537)** | **(172)** | **8,517** | **6,233** | **77,082** |
| **Changes stemming from stockholders' decisions** | | | | | | | | | | |
| Stock repurchases | 7 | 143 | 0 | 8 | (140) | | | | | 18 |
| Capitalization of profits | | | | 8,517 | | | | (8,517) | | |
| Dividends declared by the General Assembly of Shareholders on: | | | | | | | | | | |
| - February 17, 2012 | | | | (395) | | | | | | (395) |
| **Total** | **7** | **143** | **0** | **8,130** | **(140)** | | | **(8,517)** | | **(377)** |
| **Changes stemming from profits** | | | | | | | | | | |
| Net Income | | | | | | | | 2,463 | | 2,463 |
| Result from valuation of securities available for sale | | | | | 369 | | | | | 369 |
| Effect of subsidiaries | | 0 | | (23) | | | (431) | | | (454) |
| Result from valuation of instruments of cash flow hedges | | | | | | 203 | | | | 203 |
| Change in the regulations of the classification of consumer | | | | 0 | | | | | | 0 |
| **Total** | | **0** | | **(23)** | **369** | **203** | **(431)** | **2,463** | | **2,581** |
| **Recognition of minority interest** | | | | | | | | | **(545)** | **(545)** |
| **Balance as of March 31, 2012** | **13,057** | **18,149** | **3,224** | **38,680** | **417** | **(2,334)** | **(603)** | **2,463** | **5,688** | **78,741** |

BANORTE

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

## BANKING SECTOR

| Income Statement-Banking Sector (Million Pesos) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2011 | 3M12 |
|---|---|---|---|---|---|---|---|
| Interest Income | 10,357 | 11,587 | 12,148 | 12,611 | 13,006 | 46,703 | 13,006 |
| Interest Expense | 4,807 | 5,583 | 5,921 | 5,961 | 6,048 | 22,271 | 6,048 |
| Charged Fees | 159 | 204 | 247 | 277 | 273 | 886 | 273 |
| Fees Paid | 35 | 39 | 46 | 93 | 49 | 213 | 49 |
| **Net Interest Income from interest & fees (NII)** | **5,674** | **6,169** | **6,428** | **6,835** | **7,182** | **25,105** | **7,182** |
| Preventive Provisions for Loan Losses | 1,337 | 1,291 | 1,664 | 1,020 | 1,186 | 5,311 | 1,186 |
| **Net Interest Income Adjusted for Credit Risk** | **4,337** | **4,878** | **4,764** | **5,815** | **5,997** | **19,794** | **5,997** |
| Fees for Commercial and Mortgage Loans | 3 | 4 | 2 | 3 | 4 | 12 | 4 |
| Fund Transfers | 92 | 104 | 108 | 117 | 111 | 421 | 111 |
| Account Management Fees | 255 | 279 | 314 | 311 | 300 | 1,160 | 300 |
| Fiduciary | 70 | 76 | 74 | 109 | 84 | 329 | 84 |
| Other Fees | 261 | 508 | 415 | 528 | 609 | 1,711 | 609 |
| Income from Real Estate Portfolios | 220 | 284 | 260 | 353 | 359 | 1,117 | 359 |
| Electronic Banking Services | 202 | 211 | 224 | 234 | 242 | 872 | 242 |
| For Consumer and Credit Card Loans | 701 | 709 | 748 | 831 | 825 | 2,990 | 825 |
| **Fees Charged on Services** | **1,804** | **2,176** | **2,146** | **2,486** | **2,534** | **8,612** | **2,534** |
| Fund transfers | 10 | 9 | 9 | 10 | 11 | 37 | 11 |
| Other Fees | 369 | 444 | 492 | 555 | 510 | 1,860 | 510 |
| Amortization of Loan Portfolio | - | - | - | - | - | - | - |
| **Fees Paid on Services** | **379** | **453** | **501** | **565** | **521** | **1,897** | **521** |
| Foreign Exchange | 173 | 285 | 371 | 368 | 228 | 1,197 | 228 |
| Securities-Realized Gains | 133 | 42 | 60 | 852 | 19 | 1,088 | 19 |
| Securities-Unrealized Gains | (106) | 25 | 145 | (786) | 374 | (722) | 374 |
| **Trading Income** | **200** | **352** | **577** | **435** | **621** | **1,564** | **621** |
| Loan Recoveries | 257 | 330 | 243 | 371 | 279 | 1,202 | 279 |
| Income from purchased assets | 27 | 36 | 30 | 44 | (10) | 138 | (10) |
| Other Operating Income | 119 | (119) | 79 | 186 | 191 | 265 | 191 |
| Other Operating Expense | (167) | 120 | (22) | (17) | (16) | (87) | (16) |
| Other Products | 184 | 240 | 128 | 454 | 115 | 1,006 | 115 |
| Other Recoveries | 130 | 80 | 107 | 130 | 173 | 446 | 173 |
| Other Operating Expense | (157) | (108) | (15) | (123) | (165) | (404) | (165) |
| **Total Non Interest Income** | **2,017** | **2,653** | **2,770** | **3,402** | **3,201** | **10,843** | **3,201** |
| **Total Operating Income** | **6,354** | **7,531** | **7,534** | **9,217** | **9,198** | **30,637** | **9,198** |
| Personnel | 1,556 | 2,229 | 1,965 | 3,052 | 2,606 | 8,803 | 2,606 |
| Employee Profit Sharing (PTU) | 233 | 234 | 208 | 187 | 302 | 861 | 302 |
| Professional Fees | 439 | 376 | 414 | 464 | 493 | 1,693 | 493 |
| Administrative and Promotional Expenses | 838 | 1,061 | 1,059 | 1,227 | 1,030 | 4,184 | 1,030 |
| Rents, Depreciation & Amortization | 501 | 610 | 678 | 1,014 | 668 | 2,803 | 668 |
| Taxes other than income tax & non deductible expenses | 242 | 239 | 241 | 286 | 440 | 1,008 | 440 |
| Contributions to IPAB/Fobaproa | 302 | 332 | 342 | 364 | 379 | 1,341 | 379 |
| **Total Non Interest Expense** | **4,111** | **5,081** | **4,908** | **6,595** | **5,917** | **20,694** | **5,917** |
| **Operating Income** | **2,243** | **2,450** | **2,626** | **2,623** | **3,280** | **9,943** | **3,280** |
| Subsidiaries' Net Income | 47 | 70 | 7 | 35 | 54 | 158 | 54 |
| **Pre-Tax Income** | **2,291** | **2,520** | **2,633** | **2,657** | **3,335** | **10,101** | **3,335** |
| Income Tax | 642 | 653 | 787 | (180) | 833 | 1,902 | 833 |
| Tax on Assets | - | - | - | - | - | - | - |
| Deferred Income Tax | 31 | 38 | (27) | 897 | 158 | 938 | 158 |
| **Taxes** | **672** | **691** | **760** | **717** | **991** | **2,841** | **991** |
| **Net Income from Continuos Operations** | **1,618** | **1,829** | **1,872** | **1,940** | **2,343** | **7,260** | **2,343** |
| Extraordinary Items, net | - | - | - | - | - | - | - |
| Minority Interest | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| **Net Income** | **1,618** | **1,829** | **1,872** | **1,940** | **2,343** | **7,260** | **2,343** |

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)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Cash and Due from Banks** | **61,484** | **64,341** | **57,178** | **53,710** | **61,461** |
| **Margin Accounts** | **178** | **468** | **572** | **252** | **278** |
| Negotiable Instruments | 63,510 | 86,079 | 79,196 | 104,770 | 72,361 |
| Securities Available for Sale | 14,488 | 22,670 | 31,683 | 53,987 | 60,395 |
| Securities Held to Maturity | 126,928 | 135,231 | 128,722 | 109,039 | 90,717 |
| **Investment in Securities** | **204,925** | **243,980** | **239,602** | **267,797** | **223,473** |
| **Non-assigned Securities for Settlement** | **-** | **-** | **-** | **-** | **-** |
| **Debtor Balance in Repo Trans,net** | **3,173** | **1,531** | **2,038** | **3,829** | **6,926** |
| **Securities Lending** | **-** | **-** | **-** | **-** | **-** |
| For trading purposes | 5,756 | 11,841 | 19,388 | 15,854 | 15,023 |
| For hedging purposes | 624 | 535 | 1,573 | 623 | 342 |
| Operations w/Derivatives & Securities | - | - | - | - | - |
| **Transactions with Derivatives** | **6,380** | **12,375** | **20,961** | **16,477** | **15,365** |
| **Operations w/Derivatives & Securities** | **9,553** | **13,906** | **22,999** | **20,306** | **22,291** |
| **Valuation adjustments for Asset Coverage** | **-** | **91** | **119** | **123** | **132** |
| Commercial Loans | 112,205 | 137,215 | 143,395 | 152,664 | 155,708 |
| Financial Intermediaries´ Loans | 7,590 | 12,686 | 13,311 | 16,144 | 14,986 |
| Consumer Loans | 28,832 | 30,427 | 32,173 | 34,041 | 35,267 |
| Mortgage Loans | 57,348 | 60,196 | 61,844 | 64,140 | 65,622 |
| Government Entities´ Loans | 51,270 | 55,412 | 60,023 | 68,325 | 72,473 |
| Loans granted as Federal Agent | - | - | - | - | - |
| **Performing Loans** | **257,246** | **295,937** | **310,746** | **335,314** | **344,055** |
| Commercial PDL´s | 4,372 | 4,541 | 4,478 | 4,369 | 4,048 |
| Financial Intermediaries PDL´s | - | 6 | 6 | 1 | 1 |
| Consumer PDL´s | 1,312 | 1,422 | 1,327 | 1,236 | 1,225 |
| Mortgage PDL´s | 694 | 860 | 1,057 | 965 | 849 |
| Government Entities PDL´s | - | - | 500 | 13 | - |
| **Past Due Loans** | **6,379** | **6,829** | **7,368** | **6,583** | **6,124** |
| **Gross Loan Portfolio** | **263,625** | **302,766** | **318,115** | **341,897** | **350,180** |
| Preventive Loan Loss Reserves | 8,743 | 9,419 | 9,922 | 9,446 | 9,304 |
| **Net Loan Portfolio** | **254,881** | **293,347** | **308,193** | **332,452** | **340,876** |
| Acquired Collection Rights | 2,641 | 2,477 | 2,330 | 2,258 | 2,023 |
| **Total Credit Portfolio** | **257,522** | **295,824** | **310,523** | **334,709** | **342,899** |
| Benef.receivab.securization transactions | 959 | 933 | 881 | 844 | 700 |
| Sundry Debtors & Other Accs Rec, Net | 15,683 | 23,179 | 23,061 | 20,195 | 23,905 |
| Inventories | - | - | - | - | - |
| Foreclosed Assets, Net | 812 | 873 | 1,271 | 1,757 | 1,814 |
| Real Estate, Furniture & Equipment, Net | 7,703 | 8,280 | 8,372 | 8,600 | 8,791 |
| Investment in Subsidiaries | 1,457 | 1,910 | 2,025 | 1,898 | 2,823 |
| Long-term assets held for sale | - | - | - | - | - |
| Deferred Taxes, Net | 1,722 | 1,685 | 1,614 | 328 | 210 |
| Goodwill and Intangibles | 3,956 | 4,446 | 4,842 | 8,814 | 7,433 |
| Other Assets Short and Long Term | 5,723 | 5,984 | 6,231 | 6,748 | 3,520 |
| Other Assets | - | - | - | - | - |
| | 38,016 | 47,290 | 48,297 | 49,185 | 49,197 |
| **TOTAL ASSETS** | **571,678** | **665,900** | **679,290** | **726,082** | **699,731** |

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)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Demand Deposits | 144,542 | 161,201 | 170,651 | 189,944 | 185,511 |
| Time Deposits-Retail | 145,896 | 161,977 | 162,950 | 163,484 | 175,832 |
| Time Deposits-Money Market | 5,618 | 6,604 | 8,398 | 11,600 | 7,352 |
| Special Funds | - | - | - | - | - |
| Senior Unsecured Debt | 3,604 | 3,586 | 4,176 | 4,267 | 3,877 |
| **Deposits** | **299,660** | **333,368** | **346,175** | **369,295** | **372,572** |
| Immediate Redemption Loans | 3,519 | 1,427 | 361 | 3,968 | 4,315 |
| Short Term Loans | 5,489 | 11,156 | 11,315 | 16,521 | 22,717 |
| Long Term Loans | 3,749 | 3,790 | 3,981 | 2,866 | 3,539 |
| **Due to Banks & Correspondents** | **12,758** | **16,373** | **15,657** | **23,355** | **30,571** |
| Technical Reserves | - | - | - | - | - |
| Non-assigned Securities for Settlement | 402 | 1,693 | 1,708 | 4 | 1,281 |
| Creditor Balance in Repo Trans, Net | 170,063 | 199,980 | 195,385 | 223,513 | 181,230 |
| Secs to be received in Repo Trans, Net | - | - | - | - | - |
| Repos (Credit Balance) | 34 | 21 | 79 | 31 | 19 |
| Securities' Loans | - | - | - | - | - |
| Transactions with Derivatives | - | - | - | - | - |
| Other sold collateral | - | - | - | - | - |
| **Total Collateral sold** | **34** | **21** | **79** | **31** | **19** |
| For trading purposes | 5,564 | 12,234 | 19,425 | 16,009 | 14,825 |
| For hedging purposes | 2,630 | 3,067 | 5,284 | 5,305 | 4,174 |
| Operations w/ Derivatives & Securities | - | - | - | - | - |
| **Transactions with Derivatives** | **8,194** | **15,301** | **24,709** | **21,314** | **18,999** |
| **Total Operations w/ Derivatives & Securities** | **178,693** | **216,996** | **221,881** | **244,862** | **201,529** |
| Valuation adjustments for financial liability coverage | - | (352) | (67) | (91) | (280) |
| Obligations in securitization transactions | - | - | - | - | - |
| Income Tax Payable | 512 | 516 | 540 | 84 | 902 |
| Profit Sharing Payable | 259 | 452 | 666 | 464 | 291 |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Creditors for settlement of transactions | 5,826 | 14,186 | 5,628 | 2,699 | 6,798 |
| Margin Accounts Payable | - | - | - | - | - |
| Other Creditors & Accounts Payable | 9,396 | 11,507 | 12,387 | 12,271 | 12,147 |
| **Other Payable Accounts** | **15,992** | **26,663** | **19,221** | **15,519** | **20,137** |
| Subordinated Non Convertible Debt | 17,636 | 20,438 | 22,173 | 16,543 | 16,218 |
| Deferred Taxes, Net | - | - | - | - | - |
| Deferred Credits | 1,387 | 1,510 | 1,593 | 1,691 | 1,718 |
| **TOTAL LIABILITIES** | **526,128** | **614,995** | **626,633** | **671,173** | **642,466** |
| **EQUITY** | | | | | |
| Paid-in Capital | 11,488 | 14,727 | 14,727 | 14,727 | 14,727 |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Share Subscription Premiums | 2,492 | 3,294 | 3,294 | 3,294 | 3,294 |
| Subordinated Convertible Debentures | - | - | - | - | - |
| **Subscribed Capital** | **13,980** | **18,021** | **18,022** | **18,021** | **18,021** |
| Capital Reserves | 5,172 | 5,990 | 5,990 | 5,990 | 5,990 |
| Retained Earnings | 27,361 | 26,435 | 26,436 | 26,437 | 33,599 |
| Surplus (Deficit) of Secs Available for Sale | 365 | 388 | 4 | 58 | 425 |
| Results from Valuation of Hedging Secs | (1,669) | (2,154) | (2,878) | (2,675) | (2,454) |
| Results from Conversions | (1,288) | (1,232) | (246) | (192) | (670) |
| Surplus (Deficit) in Capital Restatement | - | - | - | - | - |
| Adjustments in the Employee´s Pensions | - | - | - | - | - |
| Accumulated Effect of Deferred Taxes | - | - | - | - | - |
| Net Income | 1,618 | 3,448 | 5,320 | 7,260 | 2,343 |
| **Earned Capital** | **31,560** | **32,874** | **34,626** | **36,878** | **39,234** |
| Minority Interest | 10 | 10 | 10 | 10 | 10 |
| **Total Equity** | **45,550** | **50,905** | **52,657** | **54,909** | **57,265** |
| **TOTAL LIABILITIES & EQUITY** | **571,678** | **665,900** | **679,290** | **726,082** | **699,731** |

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)* | **1Q11** | **2Q11** | **3Q11** | **4Q11** | **1Q12** |
|---|---|---|---|---|---|
| Investment banking transactions for third parties, net | 69,252 | 72,038 | 80,941 | 75,989 | 63,075 |
| Proprietary Transactions | 491,170 | 634,781 | 716,846 | 657,806 | 744,633 |
| Endorsement Guarantees Granted | - | - | - | - | - |
| Contingent Assets & liabilites | 255 | 255 | 255 | 255 | 255 |
| Loan Obligations | 3,605 | 11,243 | 9,793 | 9,001 | 29,865 |
| Trusts | 127,790 | 199,649 | 237,780 | 246,053 | 255,618 |
| Mandates | 2,151 | 2,220 | 2,221 | 2,143 | 2,788 |
| Properties in Trusts and Warrant | 129,941 | 201,868 | 240,001 | 248,197 | 258,405 |
| Properties in Custody or Administration | 259,670 | 282,070 | 296,977 | 292,080 | 314,697 |
| Uncollected Accrued Interest from Past Due Loans | 139 | 162 | 159 | 182 | 151 |
| Collateral Received | 63,811 | 98,066 | 115,709 | 85,788 | 104,582 |
| Collateral Received or sold | 33,748 | 41,116 | 53,950 | 22,303 | 36,677 |
| Integration of the Credit Portfolio | - | - | - | - | - |
| Amounts Contracted in Derivatives | - | - | - | - | - |
| Repo Securities to be Received | - | - | - | - | - |
| (Minus) Repurchase Creditors | - | - | - | - | - |
| Repurchase Debtors | - | - | - | - | - |
| (Minus) Repo Securities to be Delivered | - | - | - | - | - |
| | **560,422** | **706,819** | **797,786** | **733,795** | **807,708** |

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

## BANORTE USA

| Income Statement--Banorte USA<br>*MEX GAAP (Million Pesos)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2011 | 3M12 |
|---|---|---|---|---|---|---|---|
| Interest Income | 252 | 248 | 234 | 229 | 221 | 964 | 221 |
| Interest Expense | 99 | 90 | 76 | 70 | 58 | 334 | 58 |
| Charged Fees | 8 | 4 | 4 | 5 | 4 | 21 | 4 |
| Fees Paid | - | - | - | - | - | - | - |
| **Net Interest Income from interest & fees (NII)** | **161** | **163** | **162** | **164** | **168** | **650** | **168** |
| Preventive Provisions for Loan Losses | (0) | 43 | 14 | 56 | 23 | 113 | 23 |
| **Net Interest Income Adjusted for Credit Risk** | **161** | **120** | **148** | **108** | **145** | **537** | **145** |
| Fees for Commercial and Mortgage Loans | 3 | 3 | 2 | 2 | 4 | 11 | 4 |
| Fund Transfers | 36 | 43 | 44 | 50 | 46 | 173 | 46 |
| Account Management Fees | 16 | 16 | 24 | 25 | 20 | 80 | 20 |
| Fiduciary | - | - | - | - | - | - | - |
| Other Fees | 4 | 2 | 3 | 4 | 4 | 13 | 4 |
| Income from Real Estate Portfolios | - | - | - | - | - | - | - |
| Electronic Banking Services | 9 | 9 | 9 | 6 | 5 | 33 | 5 |
| For Consumer and Credit Card Loans | - | - | - | - | - | - | - |
| **Fees Charged on Services** | **69** | **73** | **83** | **86** | **79** | **311** | **79** |
| Fund transfers | 1 | 1 | 1 | 1 | 1 | 5 | 1 |
| Other Fees | 25 | 28 | 27 | 29 | 26 | 108 | 26 |
| Amortization of Loan Portfolio | - | - | - | - | - | - | - |
| **Fees Paid on Services** | **26** | **29** | **28** | **30** | **28** | **114** | **28** |
| Foreign Exchange | 10 | 12 | 14 | 13 | 14 | 50 | 14 |
| Securities-Realized Gains | - | 3 | 61 | 22 | 7 | 86 | 7 |
| Securities-Unrealized Gains | - | - | - | - | - | - | - |
| **Trading Income** | **10** | **15** | **75** | **35** | **21** | **136** | **21** |
| Loan Recoveries | 2 | 3 | 2 | 7 | 4 | 14 | 4 |
| Income from purchased assets | (11) | (9) | (8) | (10) | 1 | (38) | 1 |
| Other Operating Income | 118 | (118) | - | - | - | 0 | - |
| Other Operating Expense | (146) | 146 | - | - | - | (0) | - |
| Other Products | 11 | 14 | 15 | 14 | 13 | 54 | 13 |
| Other Recoveries | - | - | - | - | - | - | - |
| Other Operating Expense | (0) | (1) | (1) | (1) | (1) | (3) | (1) |
| **Total Non Interest Income** | **27** | **95** | **138** | **101** | **89** | **361** | **89** |
| **Total Operating Income** | **188** | **215** | **286** | **209** | **234** | **898** | **234** |
| Personnel | 66 | 67 | 66 | 75 | 77 | 274 | 77 |
| Employee Profit Sharing (PTU) | - | - | - | - | - | - | - |
| Professional Fees | 26 | 22 | 23 | 25 | 22 | 95 | 22 |
| Administrative and Promotional Expenses | 41 | 44 | 47 | 57 | 52 | 189 | 52 |
| Rents, Depreciation & Amortization | 19 | 19 | 21 | 23 | 20 | 82 | 20 |
| Taxes other than income tax & non deductible expenses | 5 | 4 | 5 | 3 | 4 | 17 | 4 |
| Contributions to IPAB/Fobaproa | 15 | 9 | 10 | 10 | 9 | 43 | 9 |
| **Total Non Interest Expense** | **171** | **164** | **172** | **193** | **183** | **700** | **183** |
| **Operating Income** | **17** | **51** | **115** | **16** | **51** | **198** | **51** |
| Subsidiaries' Net Income | - | - | - | - | - | - | - |
| **Pre-Tax Income** | **17** | **51** | **115** | **16** | **51** | **198** | **51** |
| Income Tax | 5 | 16 | 39 | 3 | 17 | 64 | 17 |
| Tax on Assets | - | - | - | - | - | - | - |
| Deferred Income Tax | - | - | - | - | - | - | - |
| **Taxes** | **(5)** | **(16)** | **(39)** | **(3)** | **(17)** | **(64)** | **(17)** |
| **Net Income from Continuos Operations** | **12** | **34** | **76** | **12** | **34** | **134** | **34** |
| Extraordinary Items, net | - | - | - | - | - | - | - |
| Minority Interest | - | - | - | - | - | - | - |
| **Net Income** | **12** | **34** | **76** | **12** | **34** | **134** | **34** |

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)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Cash and Due from Banks** | **4,196** | **3,641** | **3,145** | **1,264** | **2,613** |
| **Margin Accounts** | **-** | **-** | **-** | **-** | **-** |
| Negotiable Instruments | - | - | - | - | - |
| Securities Available for Sale | 8,480 | 8,801 | 10,266 | 10,756 | 10,949 |
| Securities Held to Maturity | 11 | 11 | 12 | 13 | 11 |
| **Investment in Securities** | **8,491** | **8,812** | **10,279** | **10,769** | **10,960** |
| **Non-assigned Securities for Settlement** | **-** | **-** | **-** | **-** | **-** |
| **Debtor Balance in Repo Trans,net** | **-** | **-** | **-** | **-** | **-** |
| **Securities Lending** | **-** | **-** | **-** | **-** | **-** |
| **Transactions with Derivatives** | **-** | **-** | **-** | **-** | **-** |
| **Operations w/Derivatives & Securities** | **-** | **-** | **-** | **-** | **-** |
| **Valuation adjustments for Asset Coverage** | **-** | **-** | **-** | **-** | **-** |
| Commercial Loans | 8,095 | 7,633 | 8,240 | 8,198 | 7,265 |
| Financial Intermediaries´Loans | - | - | - | - | - |
| Consumer Loans | 175 | 161 | 185 | 217 | 205 |
| Mortgage Loans | 2,060 | 2,010 | 2,204 | 2,210 | 1,965 |
| Government Entities´Loans | - | - | - | - | - |
| Loans granted as Federal Agent | - | - | - | - | - |
| **Performing Loans** | **10,331** | **9,805** | **10,628** | **10,624** | **9,435** |
| Commercial PDL´s | 302 | 283 | 258 | 269 | 175 |
| Financial Intermediaries PDL´s | - | - | - | - | - |
| Consumer PDL´s | 0 | 0 | 4 | 0 | - |
| Mortgage PDL´s | 66 | 102 | 202 | 144 | 128 |
| Government Entities PDL´s | - | - | - | - | - |
| **Past Due Loans** | **368** | **386** | **464** | **413** | **303** |
| **Gross Loan Portfolio** | **10,699** | **10,190** | **11,092** | **11,037** | **9,738** |
| Preventive Loan Loss Reserves | 187 | 182 | 162 | 164 | 143 |
| **Net Loan Portfolio** | **10,512** | **10,009** | **10,930** | **10,873** | **9,595** |
| Acquired Collection Rights | - | - | - | - | - |
| Acquired Collection Rights, Net | - | - | - | - | - |
| **Total Credit Portfolio** | **10,512** | **10,009** | **10,930** | **10,873** | **9,595** |
| Benef.receivab.securization transactions | - | - | - | - | - |
| Sundry Debtors & Other Accs Rec, Net | 600 | 592 | 702 | 1,613 | 661 |
| Inventories | - | - | - | - | - |
| Foreclosed Assets, Net | 305 | 321 | 562 | 544 | 455 |
| Real Estate, Furniture & Equipment, Net | 566 | 552 | 642 | 647 | 594 |
| Investment in Subsidiaries | 8 | 8 | 9 | 9 | 148 |
| Long-term assets held for sale | - | - | - | - | - |
| Deferred Taxes, Net | 50 | 63 | - | - | 48 |
| Goodwill and Intangibles | 3,033 | 3,147 | 3,530 | 3,588 | 3,172 |
| Other Assets Short and Long Term | 202 | 183 | 310 | 332 | 196 |
| Other Assets | - | - | - | - | - |
| | 4,764 | 4,867 | 5,755 | 6,734 | 5,275 |
| **TOTAL ASSETS** | **27,962** | **27,328** | **30,109** | **29,639** | **28,443** |

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)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Demand Deposits | 9,441 | 9,336 | 10,209 | 9,841 | 10,788 |
| Time Deposits-Retail | 13,223 | 12,464 | 13,247 | 13,034 | 11,401 |
| Time Deposits-Money Market | - | - | - | - | - |
| Special Funds | - | - | - | - | - |
| Senior Unsecured Debt | - | - | - | - | - |
| **Deposits** | **22,664** | **21,800** | **23,456** | **22,875** | **22,189** |
| Immediate Redemption Loans | - | - | - | - | - |
| Short Term Loans | 60 | 75 | 91 | 92 | 89 |
| Long Term Loans | - | - | - | - | - |
| **Due to Banks & Correspondents** | **60** | **75** | **91** | **92** | **89** |
| Non-assigned Securities for Settlement | - | - | - | - | - |
| Creditor Balance in Repo Trans, Net | 5 | 6 | 12 | 6 | 4 |
| Secs to be received in Repo Trans, Net | - | - | - | - | - |
| Repos (Credit Balance) | - | - | - | - | - |
| Securities' Loans | - | - | - | - | - |
| Transactions with Derivatives | - | - | - | - | - |
| Other sold collateral | - | - | - | - | - |
| **Total Collateral sold** | **-** | **-** | **-** | **-** | **-** |
| **Transactions with Derivatives** | **-** | **-** | **-** | **-** | **-** |
| **Total Operations w/ Derivatives & Securities** | **5** | **6** | **12** | **6** | **4** |
| Valuation adjustments for financial liability coverage | - | - | - | - | - |
| Obligations in securitization transactions | - | - | - | - | - |
| Income Tax Payable | - | - | - | - | - |
| Profit Sharing Payable | - | - | - | - | - |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Creditors for settlement of transactions | - | - | - | - | - |
| Margin Accounts Payable | - | - | - | - | - |
| Other Creditors & Accounts Payable | 101 | 228 | 186 | 233 | 239 |
| **Other Payable Accounts** | **101** | **228** | **186** | **233** | **239** |
| Subordinated Non Convertible Debt | 246 | 242 | 285 | 288 | 264 |
| Deferred Taxes, Net | - | - | 41 | 42 | - |
| Deferred Credits | 13 | 16 | 16 | 13 | 12 |
| **TOTAL LIABILITIES** | **23,089** | **22,365** | **24,086** | **23,549** | **22,797** |
| **EQUITY** | | | | | |
| Paid-in Capital | 4,668 | 4,668 | 4,668 | 4,668 | 4,668 |
| Provision for future capital increase not formalized by its governing entity | - | - | - | - | - |
| Share Subscription Premiums | - | - | - | - | - |
| Subordinated Convertible Debentures | - | - | - | - | - |
| **Subscribed Capital** | **4,668** | **4,668** | **4,668** | **4,668** | **4,668** |
| Capital Reserves | - | - | - | - | - |
| Retained Earnings | 344 | 344 | 344 | 344 | 478 |
| Surplus (Deficit) of Secs Available for Sale | 2 | 128 | 218 | 213 | 224 |
| Results from Valuation of Hedging Secs | - | - | - | - | - |
| Results from Conversions | (153) | (223) | 671 | 731 | 242 |
| Surplus (Deficit) in Capital Restatement | - | - | - | - | - |
| Adjustments in the Employee´s Pensions | - | - | - | - | - |
| Accumulated Effect of Deferred Taxes | - | - | - | - | - |
| Net Income | 12 | 46 | 122 | 134 | 34 |
| **Earned Capital** | **205** | **295** | **1,355** | **1,422** | **978** |
| Minority Interest | - | - | - | - | - |
| **Total Equity** | **4,873** | **4,963** | **6,023** | **6,090** | **5,646** |
| **TOTAL LIABILITIES & EQUITY** | **27,962** | **27,328** | **30,109** | **29,639** | **28,443** |

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

| Banorte USA - Memorandum Accounts *(Million Pesos)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| Investment banking transactions for third parties, | - | - | - | - | - |
| Proprietary Transactions | 13 | 12 | 10 | 8 | 12 |
| Endorsement Guarantees Granted | - | - | - | - | - |
| Contingent Assets & liabilites | - | - | - | - | - |
| Loan Obligations | 13 | 12 | 10 | 8 | 12 |
| Trusts | - | - | - | - | - |
| Mandates | - | - | - | - | - |
| Properties in Trusts and Warrant | - | - | - | - | - |
| Properties in Custody or Administration | - | - | - | - | - |
| Uncollected Accrued Interest from Past Due Loans | - | - | - | - | - |
| Collateral Received | - | - | - | - | - |
| Collateral Received or sold | - | - | - | - | - |
| Integration of the Credit Portfolio | - | - | - | - | - |
| Amounts Contracted in Derivatives | - | - | - | - | - |
| Repo Securities to be Received | - | - | - | - | - |
| (Minus) Repurchase Creditors | - | - | - | - | - |
| Repurchase Debtors | - | - | - | - | - |
| (Minus) Repo Securities to be Delivered | - | - | - | - | - |
| | **13** | **12** | **10** | **8** | **12** |

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 as of March 31st 2012**

*(Million Pesos)*

| | Holding | Banorte | Arrendadora y Factor | Almacenadora | Seguros | Pensiones | Ixe Tarjetas | IXE Banco | IXE Casa de Bolsa |
|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 7 | 11,935 | 456 | 2 | 122 | 428 | 169 | 1,436 | 961 |
| Premium Income (Net) | - | - | - | - | 2,444 | 1,890 | - | - | - |
| Interest Expense | - | 5,396 | 280 | 0 | 16 | - | 39 | 792 | 925 |
| Net Increase in Technical Reserves | - | - | - | - | 468 | 2,169 | - | - | - |
| Damages, Claims and Other Obligations | - | - | - | - | 1,329 | 504 | - | - | - |
| **Net Interest Income (NII)** | **7** | **6,538** | **177** | **1** | **752** | **(355)** | **130** | **644** | **36** |
| Preventive Provisions for Loan Losses | - | 1,105 | 36 | - | - | - | 121 | 81 | - |
| **Net Interest Income Adjusted for Credit Risk** | 7 | 5,433 | 140 | 1 | 752 | (355) | 9 | 563 | 36 |
| Loan Origination Fees | - | 2,297 | 2 | 20 | - | - | 94 | 237 | 233 |
| Fees Paid | - | 468 | 5 | 0 | 391 | 32 | 41 | 53 | 15 |
| Trading Income | - | 391 | - | 0 | 30 | 452 | 1 | 230 | 105 |
| Other Operating Income (Expenses) | - | 577 | 33 | (3) | 123 | 3 | 3 | (10) | 12 |
| **Non Interest Income** | **-** | **2,796** | **30** | **17** | **(238)** | **424** | **56** | **405** | **335** |
| **Total Operating Income** | **7** | **8,230** | **170** | **19** | **515** | **69** | **65** | **968** | **371** |
| Administrative and Promotional Expenses | **25** | **5,274** | **44** | **8** | **181** | **21** | **144** | **644** | **252** |
| **Operating Income** | **(18)** | **2,956** | **126** | **11** | **334** | **48** | **(78)** | **324** | **120** |
| Subsidiaries' Net Income | 2,430 | 88 | - | - | 2 | 0 | - | (34) | 0 |
| **Pre-Tax Income** | 2,412 | 3,044 | 126 | 11 | 336 | 48 | (78) | 290 | 120 |
| Income Tax | - | 748 | - | 3 | 54 | 0 | - | 85 | 28 |
| Deferred Income Tax | (1) | 148 | - | 0 | 42 | 13 | (10) | 9 | 6 |
| **Net Income from Continuos Operations** | 2,414 | 2,148 | 126 | 8 | 240 | 34 | (68) | 196 | 86 |
| Minority Interest | - | (0) | - | (0) | (0) | (2) | - | - | - |
| **Net Income** | **2,414** | **2,148** | **126** | **8** | **240** | **32** | **(68)** | **196** | **86** |

**GFNorte -Income Statement as of March 31st 2012**

*(Million Pesos)*

| | IXE Fondos | IXE Servicios | IXE Automotriz | IXE Soluciones | Fincasa Hipotecaria | Total | Charges | Credits | Final Balance |
|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 0 | 0 | 119 | 6 | 107 | 15,747 | 872 | 0 | 14,875 |
| Premium Income (Net) | - | - | - | - | - | 4,333 | 75 | - | 4,258 |
| Interest Expense | - | 0 | 84 | 16 | 54 | 7,602 | 6 | 868 | 6,741 |
| Net Increase in Technical Reserves | - | - | - | - | - | 2,637 | - | - | 2,637 |
| Damages, Claims and Other Obligations | - | - | - | - | - | 1,833 | - | - | 1,833 |
| **Net Interest Income (NII)** | **0** | **(0)** | **34** | **(10)** | **53** | **8,008** | **-** | **-** | **7,923** |
| Preventive Provisions for Loan Losses | - | - | 10 | 13 | 97 | 1,462 | 5 | - | 1,467 |
| **Net Interest Income Adjusted for Credit Risk** | 0 | (0) | 25 | (23) | (43) | 6,546 | (5) | - | 6,456 |
| Loan Origination Fees | 215 | - | 10 | - | 9 | 3,117 | 351 | - | 2,765 |
| Fees Paid | 180 | - | 3 | - | - | 1,189 | - | 332 | 857 |
| Trading Income | 1 | - | - | (26) | - | 1,183 | 108 | 107 | 1,182 |
| Other Operating Income (Expenses) | 0 | 0 | (6) | (18) | (11) | 704 | 4 | 80 | 780 |
| **Non Interest Income** | **35** | **0** | **1** | **(45)** | **(2)** | **3,815** | **464** | **(145)** | **3,871** |
| **Total Operating Income** | **35** | **(0)** | **26** | **(68)** | **(46)** | **10,361** | **459** | **(145)** | **10,327** |
| Administrative and Promotional Expenses | **3** | **1** | **15** | **3** | **30** | **6,641** | **140** | **223** | **6,558** |
| **Operating Income** | **32** | **(1)** | **11** | **(70)** | **(75)** | **3,719** | **-** | **-** | **3,769** |
| Subsidiaries' Net Income | 2 | - | - | (1) | - | 2,487 | 2,361 | - | 126 |
| **Pre-Tax Income** | 34 | (1) | 11 | (72) | (75) | 6,207 | - | - | 3,895 |
| Income Tax | 8 | - | 1 | - | - | 927 | - | - | 927 |
| Deferred Income Tax | 1 | - | 2 | - | 1 | 213 | - | - | 213 |
| **Net Income from Continuos Operations** | 25 | (1) | 8 | (72) | (77) | 5,067 | - | - | 2,755 |
| Minority Interest | - | - | 0 | - | - | (2) | 290 | - | (292) |
| **Net Income** | **25** | **(1)** | **8** | **(72)** | **(77)** | **5,065** | **4,201** | **1,611** | **2,463** |

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 March 31st 2012**

*(Million Pesos)*

| ASSETS | Holding | Banorte | Arrendadora y Factor | Almacenadora | Seguros | Pensiones | Ixe Tarjetas | IXE Banco | IXE Casa de Bolsa |
|---|---|---|---|---|---|---|---|---|---|
| **Cash and Due from Banks** | **1,034** | **56,520** | **15** | **90** | **56** | **4** | **3** | **5,574** | **379** |
| **Margin Accounts** | - | 118 | - | - | - | - | - | 160 | - |
| Negotiable Instruments | - | 47,895 | - | 5 | 3,628 | 295 | - | 24,723 | 31,188 |
| Securities Available for Sale | 65 | 60,157 | - | 54 | - | 29 | - | 238 | 366 |
| Securities Held to Maturity | - | 81,257 | - | - | 5,172 | 35,679 | 26 | 9,460 | 12,493 |
| **Investment in Securities** | **65** | **189,309** | **-** | **58** | **8,799** | **36,002** | **26** | **34,421** | **44,047** |
| **Debtor Balance in Repo Trans, net** | - | 26 | - | - | 0 | (0) | 200 | 6,900 | - |
| Transactions with Derivatives | | | | | | | | | |
| For trading purposes | - | 9,844 | - | - | - | - | - | 5,603 | - |
| For hedging purposes | - | 92 | - | - | - | - | - | 252 | - |
| **Valuation adjustments for Asset Coverage** | - | - | - | - | - | - | - | 132 | - |
| Commercial Loans | - | 135,760 | 13,599 | - | - | - | - | 19,948 | - |
| Financial Intermediaries´ Loans | - | 12,354 | 144 | - | - | - | - | 2,632 | - |
| Government Entities´ Loans | - | 71,293 | 2,734 | - | - | - | - | 1,180 | - |
| Consumer Loans | - | 32,196 | 2 | - | - | - | 3,169 | 3,071 | - |
| Mortgage Loans | - | 64,662 | - | - | - | - | - | 960 | - |
| **Performing Loans** | **-** | **316,266** | **16,478** | **-** | **-** | **-** | **3,169** | **27,790** | **-** |
| Commercial PDL´s | - | 3,789 | 67 | - | - | - | - | 259 | - |
| Financial Intermediaries PDL´s | - | 1 | - | - | - | - | - | - | - |
| Government Entities PDL´s | - | - | 0 | - | - | - | - | - | - |
| Consumer PDL´s | - | 1,191 | 0 | - | - | - | 83 | 33 | - |
| Mortgage PDL´s | - | 798 | - | - | - | - | - | 52 | - |
| **Past Due Loans** | **-** | **5,779** | **67** | **-** | **-** | **-** | **83** | **345** | **-** |
| **Gross Loan Portfolio** | **-** | **322,045** | **16,545** | **-** | **-** | **-** | **3,252** | **28,134** | **-** |
| Preventive Loan Loss Reserves | - | 8,610 | 287 | - | - | - | 493 | 694 | - |
| **Net Loan Portfolio** | **-** | **315,458** | **16,258** | **-** | **-** | **-** | **2,759** | **27,440** | **-** |
| Acquired Collection Rights | - | 2,023 | - | - | - | - | - | - | - |
| **Total Credit Portfolio** | **-** | **313,435** | **16,258** | **-** | **-** | **-** | **2,759** | **27,440** | **-** |
| Account Receivables from Insurance and Annuities | - | - | - | - | 507 | 427 | - | - | - |
| Premium Debtors (Net) | - | - | - | - | 3,567 | 97 | - | - | - |
| Account Receivables from Reinsurance | - | - | - | - | 3,092 | - | - | - | - |
| Benef.receivab.securization transactions | - | 700 | - | - | - | - | - | - | - |
| Sundry Debtors & Other Accs Rec, Net | 7 | 21,213 | 225 | 23 | - | - | 56 | 2,719 | 1,209 |
| Inventories | - | - | - | 18 | - | - | - | - | - |
| Foreclosed Assets, Net | - | 1,814 | - | - | 8 | - | - | - | - |
| Real Estate, Furniture & Equipment, Net | - | 8,330 | 1,728 | 47 | 186 | 2 | 12 | 461 | 48 |
| Investment in Subsidiaries | 60,630 | 2,341 | - | - | 85 | 17 | - | 482 | 13 |
| Deferred Taxes, Net | 7 | - | - | - | 85 | 0 | 180 | 256 | - |
| Goodwill | 10,012 | 5,960 | - | - | 2 | 2 | 556 | - | - |
| Intangible | 1,382 | 1,347 | 10 | 20 | - | - | 49 | 126 | 534 |
| Other Assets | - | 3,484 | - | 7 | 130 | 5 | - | 36 | 5 |
| Total Other Assets | 11,394 | 10,792 | 10 | 27 | 132 | 7 | 605 | 162 | 539 |
| **TOTAL ASSETS** | **73,137** | **616,556** | **18,235** | **264** | **16,518** | **36,556** | **3,841** | **84,562** | **46,235** |

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 March 31st 2012**

*(Million Pesos)*

| ASSETS | IXE Fondos | IXE Servicios | IXE Automotriz | IXE Soluciones | Fincasa Hipotecaria | Total | Charges | Credits | Final Balance |
|---|---|---|---|---|---|---|---|---|---|
| **Cash and Due from Banks** | 0 | 10 | 7 | 0 | 72 | 63,764 | 49 | 2,385 | 61,429 |
| **Margin Accounts** | - | - | - | - | - | 278 | - | - | 278 |
| Negotiable Instruments | 26 | - | - | 57 | - | 107,816 | 2 | 594 | 107,223 |
| Securities Available for Sale | - | - | - | 35 | - | 60,944 | - | 828 | 60,116 |
| Securities Held to Maturity | - | - | 4 | 140 | - | 144,230 | 34 | 264 | 144,000 |
| **Investment in Securities** | 26 | - | 4 | 232 | - | 312,989 | 36 | 1,686 | 311,339 |
| **Debtor Balance in Repo Trans, net** | - | - | 0 | - | - | 7,126 | - | - | 7,126 |
| Transactions with Derivatives | | | | | | | | | |
| For trading purposes | - | - | - | - | - | 15,447 | - | 424 | 15,023 |
| For hedging purposes | - | - | - | - | - | 344 | - | 2 | 342 |
| **Valuation adjustments for Asset Coverage** | - | - | - | - | - | 132 | - | - | 132 |
| Commercial Loans | - | - | 143 | 113 | 2,978 | 172,541 | 717 | - | 173,258 |
| Financial Intermediaries´ Loans | - | - | - | - | - | 15,130 | - | 7,570 | 7,559 |
| Government Entities´ Loans | - | - | - | - | - | 75,207 | - | 11 | 75,196 |
| Consumer Loans | - | - | 115 | - | - | 38,553 | 56 | - | 38,608 |
| Mortgage Loans | - | - | - | - | 378 | 66,000 | 27 | - | 66,027 |
| **Performing Loans** | - | - | 257 | 113 | 3,356 | 367,430 | 800 | 7,581 | 360,648 |
| Commercial PDL´s | - | - | 13 | 173 | 101 | 4,401 | - | 39 | 4,362 |
| Financial Intermediaries PDL´s | - | - | 18 | - | - | 19 | - | - | 19 |
| Government Entities PDL´s | - | - | - | - | - | 0 | - | - | 0 |
| Consumer PDL´s | - | - | 49 | - | - | 1,357 | - | 9 | 1,348 |
| Mortgage PDL´s | - | - | - | - | 259 | 1,109 | - | 251 | 858 |
| **Past Due Loans** | - | - | 80 | 173 | 360 | 6,886 | - | 298 | 6,588 |
| **Gross Loan Portfolio** | - | - | 337 | 286 | 3,716 | 374,316 | 800 | 7,880 | 367,236 |
| Preventive Loan Loss Reserves | - | - | 53 | 75 | 319 | 10,531 | 116 | - | 10,415 |
| **Net Loan Portfolio** | - | - | 284 | 960 | 3,599 | 366,758 | 1,431 | 8,258 | 359,931 |
| Acquired Collection Rights | - | - | - | 749 | 201 | 2,973 | 515 | 379 | 3,110 |
| **Total Credit Portfolio** | - | - | 284 | 211 | 3,397 | 363,784 | 916 | 7,880 | 356,821 |
| Account Receivables from Insurance and Annuities | - | - | - | - | - | 934 | - | - | 934 |
| Premium Debtors (Net) | - | - | - | - | - | 3,664 | - | - | 3,664 |
| Account Receivables from Reinsurance | - | - | - | - | - | 3,092 | - | - | 3,092 |
| Benef.receivab.securization transactions | - | - | - | - | 13 | 713 | - | - | 713 |
| Sundry Debtors & Other Accs Rec, Net | 112 | 6 | 23 | 6 | 62 | 25,661 | - | 352 | 25,309 |
| Inventories | - | - | - | - | - | 18 | - | - | 18 |
| Foreclosed Assets, Net | - | - | 0 | 83 | 411 | 2,316 | - | 201 | 2,115 |
| Real Estate, Furniture & Equipment, Net | 0 | 1 | 846 | 6 | 8 | 11,675 | 212 | 10 | 11,878 |
| Investment in Subsidiaries | 119 | - | - | 10 | - | 63,697 | 767 | 62,455 | 2,009 |
| Deferred Taxes, Net | 1 | - | 27 | 36 | 89 | 681 | - | 681 | - |
| Goodwill | - | - | - | - | - | 16,532 | 1,069 | 731 | 16,870 |
| Intangible | 8 | 10 | 57 | 3 | 33 | 3,578 | - | - | 3,578 |
| Other Assets | 1 | - | - | - | 3 | 3,672 | 3 | 14 | 3,661 |
| Total Other Assets | 9 | 10 | 57 | 3 | 36 | 23,782 | 1,072 | 745 | 24,109 |
| **TOTAL ASSETS** | **267** | **27** | **1,248** | **1,337** | **4,289** | **903,073** | **3,568** | **77,199** | **829,442** |

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 March 31st 2012**

*(Million Pesos)*

| LIABILITIES | Holding | Banorte | Arrendadora y Factor | Almacenadora | Seguros | Pensiones | Ixe Tarjetas | IXE Banco | IXE Casa de Bolsa |
|---|---|---|---|---|---|---|---|---|---|
| Demand Deposits | - | 174,185 | - | - | - | - | - | 11,358 | - |
| Time Deposits | - | 163,326 | - | - | - | - | - | 20,115 | - |
| Time Deposits-Retail | - | 155,974 | - | - | - | - | - | 20,115 | - |
| Time Deposits-Money Market | - | 7,352 | - | - | - | - | - | - | - |
| Senior Unsecured Debt | - | 3,877 | - | - | - | - | - | - | - |
| **Deposits** | **-** | **341,387** | **-** | **-** | **-** | **-** | **-** | **31,473** | **-** |
| **Due to Banks & Correspondents** | - | 25,501 | 15,168 | - | - | - | 2,652 | 5,672 | - |
| Immediate Redemption Loans | - | 4,315 | - | - | - | - | - | 601 | - |
| Short Term Loans | - | 17,649 | 11,807 | - | - | - | 2,652 | 5,068 | - |
| Long Term Loans | - | 3,536 | 3,361 | - | - | - | - | 2 | - |
| **Due to Banks & Correspondents** | **-** | **25,501** | **15,168** | **-** | **-** | **-** | **2,652** | **5,672** | **-** |
| Technical Reserves | - | - | - | - | 10,616 | 35,059 | - | - | - |
| Non-assigned Securities for Settlement | - | 1,281 | - | - | - | - | - | - | - |
| Creditor Balance in Repo Trans, Net | - | 153,937 | - | - | - | - | - | 27,293 | 42,564 |
| Secs to be received in Repo Trans, Net | - | - | - | - | - | - | - | - | 1 |
| Collateral sold or pledged as collateral | - | 19 | - | - | - | - | - | - | - |
| **Transactions with Derivatives** | - | - | - | - | - | - | - | - | - |
| For trading purposes | - | 9,539 | - | - | - | - | - | 5,710 | - |
| For hedging purposes | - | 4,065 | - | - | - | - | - | 111 | - |
| Operations w/ Derivatives & Securities | **-** | **167,560** | **-** | **-** | **-** | **-** | **-** | **33,114** | **42,565** |
| Payable Accounts for Reinsurance | - | - | - | - | 1,027 | - | - | - | - |
| Payable Accounts | 1 | 13,673 | 461 | 13 | 2,334 | 200 | 173 | 6,492 | 1,613 |
| Income Tax Payable | - | 803 | - | 0 | 102 | - | - | 99 | 188 |
| Profit Sharing Payable | - | 251 | - | - | - | - | - | 40 | 10 |
| Creditors for settlement of transactions | - | 4,620 | - | - | - | - | - | 2,178 | 996 |
| Other Creditors & Accounts Payable | 1 | 8,000 | 461 | 12 | 2,232 | 200 | 173 | 4,174 | 419 |
| **Other Payable Accounts** | 1 | 13,673 | 461 | 13 | 2,334 | 200 | 173 | 6,492 | 1,613 |
| Subordinated Non Convertible Debt | - | 13,009 | - | - | - | - | - | 3,209 | - |
| Deferred Taxes, Net | - | 45 | - | 5 | - | 120 | - | - | 65 |
| Deferred Credits | - | 1,619 | 100 | - | - | - | 57 | 99 | - |
| **TOTAL LIABILITIES** | **1** | **564,075** | **15,729** | **18** | **13,977** | **35,380** | **2,881** | **79,779** | **44,242** |
| **EQUITY** | | | | | | | | | |
| **Subscribed Capital** | **31,608** | **13,980** | **306** | **87** | **709** | **325** | **1,766** | **4,042** | **1,198** |
| Paid-in Capital | 13,098 | 11,488 | 306 | 87 | 709 | 325 | 1,766 | 3,239 | 1,123 |
| Share Subscription Premiums | 18,511 | 2,492 | - | - | - | - | - | 802 | 75 |
| Capital Reserves | 3,224 | 5,776 | 341 | 30 | 310 | 116 | 0 | 214 | 171 |
| Retained Earnings | 38,258 | 33,346 | 1,733 | 119 | 1,242 | 637 | (738) | 254 | 294 |
| Surplus (Deficit) of Secs Available for Sale | 570 | 347 | - | 1 | 40 | (1) | - | 78 | 220 |
| Results from Valuation of Hedging Secs | (2,334) | (2,454) | - | - | - | - | - | 0 | - |
| Results from Conversions | (603) | (670) | - | - | - | - | - | - | 24 |
| Surplus (Deficit) in Capital Restatement | - | - | - | - | - | - | - | - | - |
| Results of Non Monetary Fixed Assets | - | - | - | - | - | - | - | - | - |
| Results of Non Monetary - Investment Assets | - | - | - | - | - | - | - | - | - |
| Accumulated Effect of Deferred Taxes | - | - | - | - | - | - | - | - | - |
| Net Income | 2,414 | 2,148 | 126 | 8 | 240 | 32 | (68) | 196 | 86 |
| **Earned Capital** | **41,527** | **38,492** | **2,200** | **159** | **1,831** | **784** | **(806)** | **742** | **795** |
| Minority Interest | - | 10 | - | 0 | 0 | 67 | - | - | - |
| **Total Equity** | **73,136** | **52,481** | **2,506** | **246** | **2,541** | **1,177** | **960** | **4,784** | **1,993** |
| **TOTAL LIABILITIES & EQUITY** | **73,137** | **616,556** | **18,235** | **264** | **16,518** | **36,556** | **3,841** | **84,562** | **46,235** |

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 March 31st 2012**

*(Million Pesos)*

| LIABILITIES | IXE Fondos | IXE Servicios | IXE Automotriz | IXE Soluciones | Fincasa Hipotecaria | Total | Charges | Credits | Final Balance |
|---|---|---|---|---|---|---|---|---|---|
| Demand Deposits | - | - | - | - | - | 185,543 | 357 | - | 185,186 |
| Time Deposits | - | - | - | - | - | 183,441 | 1,709 | - | 181,731 |
| Time Deposits-Retail | - | - | - | - | - | 176,088 | 594 | - | 175,495 |
| Time Deposits-Money Market | - | - | - | - | - | 7,352 | 1,115 | - | 6,237 |
| Senior Unsecured Debt | - | - | - | - | 2,503 | 6,380 | - | - | 6,380 |
| **Deposits** | **-** | **-** | **-** | **-** | **2,503** | **375,363** | **2,066** | **-** | **373,297** |
| **Due to Banks & Correspondents** | - | - | 824 | 1,050 | 1,008 | 51,874 | 8,162 | 8 | 43,721 |
| Immediate Redemption Loans | - | - | - | - | - | 4,916 | 601 | - | 4,315 |
| Short Term Loans | - | - | 749 | - | 810 | 38,735 | 6,505 | - | 32,230 |
| Long Term Loans | - | - | 75 | 1,050 | 199 | 8,223 | 1,055 | 8 | 7,176 |
| **Due to Banks & Correspondents** | **-** | **-** | **824** | **1,050** | **1,008** | **51,874** | **8,162** | **8** | **43,721** |
| Technical Reserves | - | - | - | - | - | 45,675 | - | - | 45,675 |
| Non-assigned Securities for Settlement | - | - | - | - | - | 1,281 | - | - | 1,281 |
| Creditor Balance in Repo Trans, Net | - | - | - | - | - | 223,794 | - | - | 223,794 |
| Secs to be received in Repo Trans, Net | - | - | - | - | - | 1 | - | - | 1 |
| Collateral sold or pledged as collateral | - | - | - | - | - | 19 | - | - | 19 |
| **Transactions with Derivatives** | - | - | - | - | - | - | - | - | - |
| For trading purposes | - | - | - | - | - | 15,249 | 424 | - | 14,825 |
| For hedging purposes | - | - | - | - | - | 4,176 | 2 | - | 4,174 |
| Operations w/ Derivatives & Securities | **-** | **-** | **-** | **-** | **-** | **243,239** | **426** | **-** | **242,813** |
| Payable Accounts for Reinsurance | - | - | - | - | - | 1,027 | - | - | 1,027 |
| Payable Accounts | 114 | 6 | 81 | 9 | 119 | 25,287 | 908 | 559 | 24,939 |
| Income Tax Payable | 8 | 1 | 6 | - | - | 1,207 | - | - | 1,207 |
| Profit Sharing Payable | 6 | 0 | - | - | 0 | 307 | - | - | 307 |
| Creditors for settlement of transactions | - | - | - | - | - | 7,794 | - | - | 7,794 |
| Other Creditors & Accounts Payable | 101 | 5 | 75 | 9 | 119 | 15,979 | 908 | 559 | 15,631 |
| **Other Payable Accounts** | **114** | **6** | **81** | **9** | **119** | **25,287** | **908** | **559** | **24,939** |
| Subordinated Non Convertible Debt | - | - | - | - | - | 16,218 | - | - | 16,218 |
| Deferred Taxes, Net | 0 | - | - | - | - | 236 | 681 | 496 | 51 |
| Deferred Credits | - | - | 58 | - | 38 | 1,971 | 12 | - | 1,959 |
| **TOTAL LIABILITIES** | **114** | **6** | **963** | **1,058** | **3,669** | **761,892** | **12,255** | **1,064** | **750,701** |
| **EQUITY** | | | | | | | | | |
| **Subscribed Capital** | **112** | **24** | **220** | **540** | **665** | **55,583** | **24,537** | **160** | **31,206** |
| Paid-in Capital | 112 | 24 | 220 | 540 | 665 | 33,704 | 20,650 | 3 | 13,057 |
| Share Subscription Premiums | - | - | - | - | - | 21,880 | 3,887 | 157 | 18,149 |
| Capital Reserves | - | 2 | 22 | 0 | 43 | 10,248 | 7,025 | - | 3,224 |
| Retained Earnings | 15 | (4) | 33 | (172) | (11) | 75,006 | 37,112 | 785 | 38,680 |
| Surplus (Deficit) of Secs Available for Sale | - | - | - | (17) | - | 1,237 | 830 | 10 | 417 |
| Results from Valuation of Hedging Secs | - | - | - | (0) | - | (4,788) | (2,454) | - | (2,334) |
| Results from Conversions | - | - | - | - | - | (1,249) | (646) | - | (603) |
| Surplus (Deficit) in Capital Restatement | - | - | - | - | - | - | - | - | - |
| Results of Non Monetary Fixed Assets | - | - | - | - | - | - | - | - | - |
| Results of Non Monetary - Investment Assets | - | - | - | - | - | - | - | - | - |
| Accumulated Effect of Deferred Taxes | - | - | - | - | - | - | - | - | - |
| Net Income | 25 | (1) | 8 | (72) | (77) | 5,065 | 2,676 | 74 | 2,463 |
| **Earned Capital** | **41** | **(4)** | **63** | **(261)** | **(45)** | **85,519** | **44,541** | **869** | **41,846** |
| Minority Interest | - | - | 2 | - | - | 79 | - | 5,610 | 5,689 |
| **Total Equity** | **153** | **21** | **285** | **279** | **621** | **141,181** | **69,078** | **6,638** | **78,741** |
| **TOTAL LIABILITIES & EQUITY** | **267** | **27** | **1,248** | **1,337** | **4,289** | **903,073** | **81,333** | **7,702** | **829,442** |

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.

- **Changes to the rating methodology for the commercial portfolio granted to federal entities and their municipalities.**

On October 5th, 2011, the CNBV published a resolution modifying the general applicable dispositions to Credit Institutions amending the qualification rating methodology for the commercial loan portfolio granted to federal entities and their municipalities. This resolution modifies the current model for reserves based on public qualifications, in order to establish a methodology which qualifies and reserves the portfolio based on potential expected losses for the next following 12 months taking into consideration the probability of non-fulfillment, severity of the loss and exposure to each client's nonfulfillment which is in Annex 18 of the mentioned Resolution. The resolution came into effect on October 6th, 2011.

- **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.

- **Changes to criteria B-6 "Loan Portfolio" clarifying the specific treatment applicable to the operations of credit restructuring and renewal.**

The criterion establishes the applicable treatment wings restructuring and renewal of credit and clarifies the conditions for considering a loan as a current or expired. This amendment came into force on 1 March 2012. The main changes to the criteria listed below:

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

The criteria establishes the applicable treatment for restructuring and renewal of credit and clarifies the conditions for considering a loan as a performing or non-performing. This amendment came into effect on March 1st 2012. The main changes to the criteria are listed below:

• Fees for restructuring or renewal of credit shall be deferred during the term of the loan.

• In order consider "sustainable Payment" loan repayments should cover at least 20% of the principal or the total amount of any interest payments under the scheme of restructuring or renewal were due.

• Establishes that if through a restructuring or renewal various granted loans are consolidated into the same ground in one credit must be given for the worst treatment of claims involved.

• To demonstrate the sustained payment, the Parent Company shall make available to the Commission evidence to support the borrower has the capacity to pay.

• Includes treatment for loans with amortization of principal and interest shall be periodically restructured or renewed without having passed 80% of the original term, also mentions the treatment during the final 20% of the original term.

• Clarifies the conditions under which the original credit is subject to change without restructuring it is considered

- **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”.**

Comparisons 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.

- **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. At 2Q11 results in a net negative effect in the financial statements of the holding company of Ps (21) million. At 3Q11 results in a net negative effect in the financial statements of the holding company of Ps (26) million. At 4Q11 results in a net negative effect in the financial statements of the holding company of Ps (24) million. At 1Q12 results in a net positive effect in the financial statements of the holding company of Ps 15 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 | | | Foreign Currency (USD) | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Nominal Pesos)* | Aug-02 | Dec-11 | Mar-12 | Aug-02 | Dec-11 | Mar-12 | Aug-02 | Dec-11 | Mar-12 |
| **Performing Loans** | | | | | | | | | |
| Commercial | 5 | 0 | 0 | 5 | 0 | 0 | 10 | 0 | 0 |
| Consumer | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mortgage | 54 | 15 | 0 | 0 | 0 | 0 | 54 | 15 | 0 |
| **Total** | **59** | **15** | **0** | **5** | **0** | **0** | **64** | **15** | **0** |
| **Non Performing Loans** | | | | | | | | | |
| Commercial | 405 | 322 | 0 | 293 | 117 | 0 | 698 | 439 | 0 |
| Consumer | 81 | 72 | 0 | 0 | 0 | 0 | 81 | 72 | 0 |
| Mortgage | 1,112 | 303 | 0 | 0 | 0 | 0 | 1,112 | 303 | 0 |
| **Total** | **1,598** | **697** | **0** | **293** | **117** | **0** | **1,891** | **814** | **0** |
| **TOTAL LOANS** | **1,657** | **712** | **0** | **298** | **117** | **0** | **1,955** | **829** | **0** |
| **Loan Loss Reserves (1)** | | | | | | | | | |
| Commercial | 326 | 321 | 308 | 246 | 117 | 108 | 572 | 438 | 416 |
| Consumer | 77 | 72 | 72 | 0 | 0 | 0 | 77 | 72 | 72 |
| Mortgage | 669 | 309 | 310 | 0 | 0 | 0 | 669 | 309 | 310 |
| **Total** | **1,072** | **702** | **690** | **246** | **117** | **108** | **1,318** | **819** | **798** |

1) Reserve requirements using the same classification method used for the bank.
* There was a Reserve deficit of Ps 48 million as of March 2012.
* The dollar portfolio and reserves are re-expressed in pesos.
* Local Currency includes UDIS valued at the new exchange rate.
* Banorte has a 99.99% stake in Sólida.

In 1Q12 the Loan portfolio showed changes due to: collections of Ps $10.9 million, repossessed assets of Ps $1.0 million, restructurings of Ps $2.6 million and there were charge offs and discounts of Ps. $95.7 million. In the Loan loss provisions, there were charge offs and discounts of Ps $11.1 million. There were transfers from performing loans to past due loans of Ps $1.4 million and transfers from past due loans to performing loans of Ps $0.5 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)* | Dec-11 | Mar-12 | Dec-11 | Mar-12 | Dec-11 | Mar-12 |
| **Performing Loans** | | | | | | |
| Commercial | 192,102 | 201,077 | 16,426 | 16,962 | 208,528 | 218,039 |
| Créditos a entidades financieras | 0 | 0 | 0 | 0 | 0 | 0 |
| Consumer | 29,775 | 31,991 | 0 | 0 | 29,775 | 31,991 |
| Mortgage | 60,948 | 62,710 | 0 | 0 | 60,948 | 62,710 |
| Government | 0 | 0 | 0 | 0 | 0 | 0 |
| Fobaproa / IPAB | 0 | 0 | 0 | 0 | 0 | 0 |
| **Performing Loans** | **282,825** | **295,778** | **16,426** | **16,962** | **299,251** | **312,740** |
| **Non Performing Loans** | | | | | | |
| Commercial | 3,922 | 3,740 | 335 | 291 | 4,257 | 4,031 |
| Consumer | 1,294 | 1,263 | 0 | 0 | 1,294 | 1,263 |
| Mortgage | 1,060 | 970 | 0 | 0 | 1,060 | 970 |
| Entidades Financieras | 0 | 0 | 0 | 0 | 0 | 0 |
| **FALSE** | **6,276** | **5,973** | **335** | **291** | **6,611** | **6,264** |
| **TOTAL LOANS** | **289,101** | **301,751** | **16,761** | **17,253** | **305,862** | **319,004** |
| **Loan Loss Reserves** | **8,939** | **8,806** | **487** | **459** | **9,426** | **9,265** |
| **Net Loan Portfolio** | **280,162** | **292,945** | **16,274** | **16,794** | **296,436** | **309,739** |
| **Loan Loss Reserves** | | | | | **142.58%** | **147.91%** |
| **% Past Due Loans** | | | | | **2.16%** | **1.96%** |

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.

**FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q12**

*(Million Pesos)*

| NEGOTIABLE INSTRUMENTS | BOOK VALUE | INTEREST | MARKET VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|---|
| **Government Securities** | **80,442** | **298** | **80,944** | **205** |
| Unrestricted | **3,207** | **26** | **3,239** | **6** |
| Cetes | 1,215 | 14 | 1,229 | 0 |
| Bonds | (379) | 3 | (375) | 1 |
| Bondes | 1,718 | 3 | 1,722 | 0 |
| Bpas | 354 | 1 | 355 | 0 |
| Brems | - | - | - | - |
| UMS | 6 | 0 | 7 | 1 |
| Udibonds | 289 | 3 | 295 | 3 |
| Stock Certificates | 4 | 2 | 6 | 1 |
| **Restricted** | **77,235** | **272** | **77,705** | **198** |
| Cetes | 3,703 | - | 3,703 | 0 |
| Bonds | 7,085 | 38 | 7,192 | 68 |
| Bondes | 8,394 | 12 | 8,415 | 9 |
| Bpas | 57,016 | 221 | 57,338 | 101 |
| Brems | - | - | - | - |
| UMS | - | - | - | - |
| Udibonds | - | - | - | - |
| Stock Certificates | 1,038 | - | 1,059 | 20 |
| **Banking Securities** | **19,977** | **17** | **20,105** | **112** |
| **Unrestricted** | **1,850** | **2** | **1,854** | **1** |
| Notes | 266 | 0 | 266 | - |
| Cedes | 293 | 0 | 293 | 0 |
| Bonds | - | - | - | - |
| Stock Certificates | 1,265 | 2 | 1,266 | (0) |
| Other Banking Securities | 27 | 0 | 29 | 2 |
| Restricted | **18,127** | **15** | **18,252** | **110** |
| Notes | - | - | - | - |
| Cedes | 7,381 | 9 | 7,390 | (0) |
| Other Banking Securities | 2,476 | 0 | 2,506 | 29 |
| Stock Certificates | 8,270 | 6 | 8,356 | 81 |
| **Private** | **6,074** | **35** | **6,073** | **(35)** |
| **Unrestricted** | **4,248** | **34** | **4,217** | **(65)** |
| Commercial Paper Pesos | 0 | - | 0 | 0 |
| Commercial Paper U.S. Dollars | - | - | - | - |
| PEMEX | - | - | - | - |
| EUROBONDS | 292 | 4 | 304 | 8 |
| Stock Certificates | 3,325 | 17 | 3,291 | (50) |
| Subordinated paper | - | - | - | - |
| Securities | 584 | - | 560 | (24) |
| Other securities | 48 | 13 | 61 | 0 |
| **Restricted** | **1,826** | **1** | **1,857** | **30** |
| Stock Certificates | 1,394 | 1 | 1,418 | 23 |
| PEMEX | - | - | - | - |
| Other | 431 | - | 439 | 8 |
| Foreign Government | **-** | **-** | **-** | **-** |
| Unrestricted | - | - | - | - |
| Treasury Bonds | - | - | - | - |
| Treasury Bill | - | - | - | - |
| Treasury Notes | - | - | - | - |
| Other securities | - | - | - | - |
| **Unrestricted** | **-** | **-** | **-** | **-** |
| Treasury Bonds | - | - | - | - |
| Treasury Bill | - | - | - | - |
| Treasury Notes | - | - | - | - |
| Other securities | - | - | - | - |
| Shares listed in the SIC | 95 | - | 100 | 5 |
| Guarantee (collateral) for futures | - | - | - | - |
| Mutual Funds | - | - | - | - |
| **Total** | **106,588** | **349** | **107,223** | **287** |

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

| SECURITIES HELD FOR SALE 1Q12 (Million Pesos) | | | | |
|---|---|---|---|---|
| SECURITIES HELD FOR SALE | BOOK VALUE | INTEREST | MARKET VALUE | UNREALIZED GAIN (LOSS) |
| **Unrestricted** | **37,682** | **282** | **38,155** | **191** |
| **Goverment Securities** | **10,690** | **32** | **10,978** | **256** |
| **Mexican Government Securities (UMS)** | 10,671 | 31 | 10,949 | 247 |
| Bonds | - | - | - | - |
| Bondes | - | - | - | - |
| Bpas | - | - | - | - |
| Udibonds | 20 | 0 | 29 | 9 |
| Mexican Government Securities (UMS) | - | - | - | - |
| Treasury Bonds | - | - | - | - |
| Treasury Notes | - | - | - | - |
| Restricted | 26,992 | 250 | 27,177 | (65) |
| **Goverment Securities** | **-** | **-** | **-** | **-** |
| Bonds | 6,574 | 122 | 6,672 | (24) |
| Bondes | 11,866 | 16 | 11,868 | (15) |
| Bpas | 8,551 | 111 | 8,637 | (26) |
| **Mexican Government Securities (UMS)** | **-** | **-** | **-** | **-** |
| **Treasury Bonds** | - | - | - | - |
| Treasury Notes | - | - | - | - |
| Banking Securities | 12,844 | 18 | 12,856 | (7) |
| Unrestricted | 1,570 | 2 | 1,566 | (5) |
| Stock Certificates | **870** | **1** | **871** | **(0)** |
| **CEDES** | **500** | **0** | **500** | **(0)** |
| Structured Notes | 200 | - | 195 | (5) |
| Restricted | 11,274 | 17 | 11,289 | (2) |
| Private | 6,647 | 8 | 6,654 | (1) |
| Unrestricted | 8,590 | 86 | 9,105 | 429 |
| GFNorte's Stock | 1,338 | 20 | 1,483 | 125 |
| BMV's Stock | - | - | - | - |
| Private company bonds | - | - | - | - |
| EUROBONOS | - | - | - | - |
| Stock Certificates | 361 | 19 | 379 | (1) |
| PEMEX | 759 | 1 | 837 | 77 |
| Securities | 128 | 0 | 128 | (0) |
| Other Securities | 22 | 0 | 19 | (3) |
| **Restricted** | **68** | **-** | **120** | **52** |
| GFNorte's Stock | 7,251 | 66 | 7,622 | 304 |
| BMV's Stock | 65 | - | 65 | - |
| Private company bonds | - | - | - | - |
| EUROBONOS | 1,134 | 16 | 1,199 | 48 |
| Stock Certificates 91 | - | - | - | - |
| PEMEX | 3,445 | 12 | 3,455 | (2) |
| Mutual Funds | 2,271 | 38 | 2,431 | 122 |
| Other Securities | 287 | - | 420 | 132 |
| **Total** | **59,116** | **387** | **60,116** | **613** |

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 1Q12 (Million Pesos) Securities Held to Maturity | BOOK VALUE | INTEREST | MARKET VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|---|
| **Cetes** | **799** | **3** | **801** | **-** |
| Government | 101,982 | 652 | 102,635 | - |
| Unrestricted | 27,118 | 314 | 27,432 | - |
| Cetes | - | - | - | - |
| Bonds | 1,695 | 35 | 1,730 | - |
| Bondes | - | - | - | - |
| Bpas | 20 | 0 | 20 | - |
| UMS | 275 | 3 | 278 | - |
| Udibonds | 25,091 | 275 | 25,366 | - |
| **Stock Certificates** | **37** | **0** | **37** | **-** |
| Restricted | 74,865 | 338 | 75,203 | - |
| Cetes | - | - | - | - |
| Bonds | 1 | 0 | 1 | - |
| Bondes | 13,750 | 20 | 13,770 | - |
| Bpas | 59,023 | 292 | 59,316 | - |
| Brems | 2,091 | 25 | 2,117 | - |
| UMS | 0 | - | 0 | - |
| Udibonds | 0 | - | 0 | - |
| **Banking Securities** | **18,570** | **1,022** | **19,592** | **-** |
| **Unrestricted** | **15,556** | **1,019** | **16,575** | **-** |
| Notes | 545 | 56 | 600 | - |
| CEDES | 1,556 | 616 | 2,173 | - |
| Bonds | 263 | 1 | 264 | - |
| Stock Certificates | 11,833 | 290 | 12,122 | - |
| Other Banking Securities | 1,360 | 56 | 1,416 | - |
| **Restricted** | **3,014** | **3** | **3,017** | **-** |
| **Notes** | - | - | - | - |
| Cedes | - | - | - | - |
| Bonds | 337 | - | 337 | - |
| Stock Certificates | 2,676 | 3 | 2,680 | - |
| Other Banking Securities | - | - | - | - |
| **Private** | **21,054** | **110** | **21,164** | **-** |
| Unrestricted | 7,755 | 63 | 7,818 | - |
| Bonds | - | - | - | - |
| Securities | - | - | - | - |
| PEMEX | 255 | 11 | 266 | - |
| EUROBONOS | 958 | 17 | 974 | - |
| Stock Certificates | 6,542 | 36 | 6,578 | - |
| Other Securities | - | - | - | - |
| Sructured Notes | - | - | - | - |
| **Restricted** | **13,300** | **47** | **13,346** | **-** |
| Bonds | - | - | - | - |
| PEMEX | 3,076 | 19 | 3,095 | - |
| EUROBONDS | - | - | - | - |
| **Stock Certificates** | **9,813** | **27** | **9,840** | **-** |
| **Sructured Notes** | 411 | 0 | 411 | - |
| Other Debt Securities | - | - | - | - |
| Government Securities | 11 | 0 | 11 | - |
| Subordinated paper | (203) | - | (203) | - |
| **Total** | **142,213** | **1,787** | **144,000** | **-** |

SECURITIES ASSIGNED FOR SETTLEMENT 1Q12

(Million Pesos)

| SECURITIES ASSIGNED FOR SETTLEMENT | BOOK VALUE | INTEREST | MARKET VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|---|
| **Government securities** | **(1,357)** | **0** | **(1,357)** | **0** |
| Cetes | **(954)** | **-** | **(954)** | **0** |
| Bonds | (404) | - | (404) | 0 |
| Bondes | - | - | - | - |
| Bpas | - | - | - | - |
| Brems | - | - | - | - |
| UMS | 1 | 0 | 1 | 0 |
| UdiBonds | - | - | - | - |
| 2U CBIC | - | - | - | - |
| Stock Certificates | - | - | - | - |
| **Bank Paper** | **-** | **-** | **-** | **-** |
| Notes | - | - | - | - |
| CEDES | - | - | - | - |
| Bonds | - | - | - | - |
| Stock Certificates | - | - | - | - |
| Private | - | - | - | - |
| Commercial Paper Pesos | - | - | - | - |
| Commercial Paper U.S. Dollars | - | - | - | - |
| PEMEX | - | - | - | - |
| **EUROBONDS** | **-** | **-** | **-** | **-** |
| **Stock Certificates** | **-** | **-** | **-** | **-** |
| Subordinated paper | - | - | - | - |
| Foreign Goverment | 76 | 0 | 76 | (0) |
| Treasury Bonds | - | - | - | - |
| Treasury Bill | - | - | - | - |
| Treasury Notes | 76 | 0 | 76 | (0) |
| **Total** | **(1,281)** | **0** | **(1,281)** | **(0)** |

REPURCHASE AGREEMENT OPERATIONS 1Q12

(Million Pesos)

| | MARKET VALUE | | | FINANCIAL STATEMENT INDIVIDUAL COMPENSATION | |
|---|---|---|---|---|---|
| SALES | RECEIVABLES ON REPURCHASE | SECURITIES TO BE DELIVERED | GLOBAL POSITION | ASSET BALANCE | LIABILITY BALANCE |
| Goverment Securities | - | 186,901 | (186,901) | - | 186,901 |
| Banking Securities | - | 24,798 | (24,798) | - | 24,798 |
| Private Securities | - | 12,095 | (12,095) | - | 12,095 |
| **Total** | **-** | **223,794** | **(223,794)** | **-** | **223,794** |

| | MARKET VALUE | | | FINANCIAL STATEMENT INDIVIDUAL COMPENSATION | |
|---|---|---|---|---|---|
| PURCHASES | RECEIVABLES ON REPURCHASE | SECURITIES TO BE DELIVERED | GLOBAL POSITION | ASSET BALANCE | LIABILITY BALANCE |
| Goverment Securities | 30,439 | 23,328 | 7,111 | 7,114 | 3 |
| Banking Securities | 3,048 | 3,053 | (5) | 0 | 5 |
| Private Securities | 8,231 | 8,230 | 1 | 12 | 11 |
| **Total** | **41,718** | **34,611** | **7,107** | **7,126** | **19** |
| | | | | | **223,813** |

BANORTE

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

| DERIVATIVES FINANCIAL INSTRUMENTS OPERATIONS 1Q12 *(Million Pesos)* | | | | | |
|---|---|---|---|---|---|
| **INSTRUMENT** | **TO RECEIVE** | **TO DELIVER** | **NET** | **DEBTOR** | **CREDITOR** |
| **FUTURES** | | | | | |
| Futures' Rates | 57,636 | (57,641) | (5) | | |
| Over Inflation (INPC) | - | - | - | | |
| Total | 57,636 | (57,641) | (5) | 1 | 6 |
| | | | | | (5) |
| **FORWARD FX CONTRACTS** | **AGREED PRICE** | **MARKET VALUE** | **VALUATION** | | |
| **Negotiable** | | | | | |
| Purchases | 18,548 | (18,979) | (430) | | |
| Sells | (12,673) | 13,301 | 628 | | |
| Total | 5,875 | (5,678) | 197 | 717 | 519 |
| | - | | | | 197 |
| **Hedging** | | | | | |
| Purchases | - | - | - | | |
| Sells | - | - | - | | |
| Total | - | - | - | - | - |
| **SWAPS** | | | | | |
| **Negotiable** | | | | | |
| Capital | 76,508 | (76,693) | (185) | | |
| Interest rate | 1,107 | (1,105) | 3 | | |
| Valuation | 89,822 | (89,716) | 106 | | |
| Subtotal | 167,437 | (167,514) | (76) | 14,071 | 14,148 |
| | | | | | (76) |
| **Hedging** | | | | | - |
| Capital | 10,151 | (11,094) | (942) | | |
| Interest rate | 144 | (285) | (141) | | |
| Valuation | 8,695 | (11,479) | (2,784) | | |
| Subtotal | 18,990 | (22,858) | (3,868) | 309 | 4,176 |
| | | | | | (3,868) |
| **OPTIONS** | | | | | |
| **Negociable-Assets** | | | | | |
| Sw aptions | 1 | (1) | 0 | | |
| Rate Options | 840 | (182) | 657 | | |
| Fx | - | - | - | | |
| Index Options (ipc) | - | - | - | | |
| Total | 841 | (183) | 657 | 657 | - |
| | | | | | - |
| **Hedging -Assets** | | | | | |
| Sw aptions | - | - | - | | |
| Rate Options | 133 | (98) | 36 | | |
| Index Options (ipc) | - | - | - | | |
| Total | 133 | (98) | 36 | 36 | - |
| | | | | | - |
| **Negociable-Liability** | | | | | |
| Sw aptions | (4) | 3 | (1) | | |
| FX | (4) | 4 | - | | |
| Rate Options | (810) | 235 | (575) | | |
| Index Options (ipc) | - | - | - | | |
| Total | (818) | 242 | (576) | - | 576 |
| Debtor Balance | | | | 15,365 | |
| Creditor Balance | | | | | 18,999 |

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 1Q12- Banorte (Million Pesos) | | | | |
|---|---|---|---|---|
| PRODUCT | TYPE | UNDERLYING | CURRENCY | NOTIONAL |
| FX Forwards | Purchases | Exchange Rate (Dollar) | MXN | 8,122 |
| FX Forwards | Sales | Exchange Rate (Dollar) | MXN | 2,443 |
| FX Options | Purchases | Exchange Rate (Dollar) | MXN | - |
| FX Options | Sales | Exchange Rate (Dollar) | MXN | 254 |
| Interest Rate Options | Purchases | TIIE | MXN | 41,574 |
| Interest Rate Options | Sells | TIIE | MXN | 42,811 |
| Interest Rate Options | Purchases | LIBOR | MXN | 5,710 |
| Interest Rate Options | Sells | LIBOR | MXN | 5,927 |
| Interest Rate Options | Swaption Purchases | TIIE | MXN | 700 |
| Interest Rate Options | Swaption Sells | TIIE | MXN | 600 |
| Interest Rate Options | Swaption Purchases | LIBOR | MXN | - |
| Interest Rate Options | Swaption Sells | LIBOR | MXN | - |
| Interest Rate Swaps | USLI/IRS | LIBOR | MXN | 79,513 |
| Interest Rate Swaps | TIIE/IRS | TIIE | MXN | 408,094 |
| FX Swaps | CS EURMXN | FIX/FIX | MXN | 1,067 |
| FX Swaps | CS UDIMXN | UDI | MXN | 170 |
| FX Swaps | CS USDCETE | CETE | MXN | 1,281 |
| FX Swaps | CS USDMXN | FIX/FIX | MXN | 31,621 |

| NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q12- Ixe (Million Pesos) | | | | |
|---|---|---|---|---|
| PRODUCT | TYPE | UNDERLYING | CURRENCY | NOTIONAL |
| FX Forwards | Purchases/ Sales | Exchange Rate (Dollar) | MXN | 8,771 |
| FX Forwards | Purchases/ Sales | Exchange Rate (EUR) | MXN | 238 |
| FX Forwards | Purchases/ Sales | Exchange Rate (CAD) | | 158 |
| FX Options | Purchases | Exchange Rate (Dollar) | MXN | 447 |
| FX Options | Sales | Exchange Rate (Dollar) | MXN | 447 |
| Interest Rate Options | Purchases/ Sales | TIIE | MXN | 25,030 |
| Interest Rate Options | Purchases/ Sales | LIBOR | MXN | 782 |
| Interest Rate Swaps | USD LIBOR | LIBOR 3M,6M | MXN | 5,509 |
| Interest Rate Swaps | MXN TIIE | TIIE | MXN | 183,161 |
| FX Swaps | CS USDMXN | FIX/VARIABLE | MXN | 16,646 |
| FX Swaps | CS EURMXN | FIX/VARIABLE | MXN | - |
| Fx Swaps | Purchases/ Sales | Exchange Rate (Dollar) | MXN | 12,274 |
| Fx Swaps | Purchases/ Sales | Exchange Rate (EUR) | MXN | 194 |
| Fx Swaps | Purchases/ Sales | Exchange Rate (CAD) | MXN | 40 |

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

**INVESTMENT IN NON GOVERNMENTAL FINANCIAL INSTRUMENTS THAT RESPRESENT MORE THAN 5% OF NET CAPITAL 1Q12**

*(Million Pesos)*

| INDUSTRY | INVESTMENT INSTRUMENT | AMOUNT | % NET CAPITAL |
|---|---|---|---|
| | NOTHING TO REPORT | | |

**LOAN PORTFOLIO**

*(Million Pesos)*

| | Local Currency | | UDIS | | Foreign Currency | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 1Q11 | 1Q12 | 1Q11 | 1Q12 | 1Q11 | 1Q12 | 1Q11 | 1Q12 |
| **Performing Loans** | | | | | | | | |
| Commercial | 104,630 | 145,395 | 294 | - | 22,413 | 27,863 | 127,337 | 173,258 |
| Financial Intermediaries | 5,466 | 5,675 | - | - | 309 | 1,884 | 5,775 | 7,559 |
| Consumer | 28,642 | 38,403 | 17 | - | 175 | 205 | 28,835 | 38,608 |
| Mortgages | 55,040 | 63,850 | 247 | 211 | 2,060 | 1,966 | 57,348 | 66,027 |
| Goverment Entities | 51222.4662 | 75,190 | - | - | 49 | 5 | 51,271 | 75,196 |
| IPAB Loans | 0 | - | - | - | - | - | - | - |
| **Total** | **245,000** | **328,514** | **558** | **211** | **25,006** | **31,924** | **270,564** | **360,648** |
| **Past Due Loans** | | | | | | | | |
| Commercial | 4,003 | 3,997 | 6 | 7 | 482 | 358 | 4,492 | 4,362 |
| Financial Intermediaries | - | 19 | - | - | - | - | - | 19 |
| Consumer | 1,312 | 1,348 | - | - | 0 | 0 | 1,312 | 1,348 |
| Mortgages | 601 | 720 | 27 | 9 | 66 | 128 | 694 | 858 |
| **Goverment Entities** | 0 | 0 | 0 | - | 0 | - | 0 | 0 |
| **Total** | **5,916** | **486** | **34** | **16** | **549** | **486** | **6,498** | **6,588** |
| **Total Propietary Loans** | **250,916** | **334,599** | **592** | **227** | **25,555** | **32,410** | **277,063** | **367,236** |

**COST OF BALANCES OF FINAPE, FOPIME, MORTGAGE UDIS AND MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q12**

*(Million Pesos)*

| | TOTAL | |
|---|---|---|
| | PERIOD COST | BALANCE OF LOAN PORTFOLIO |
| FINAPE | - | - |
| FOPYME | - | - |
| Mortgage UDIS | 3.1 | 0.0 |
| Mortgage FOVI | - | - |
| | **3.1** | **0** |

At closing of this quarter the balance in debtors support programs totaled Ps 113 million with a cost for the period of Ps 72 million

- **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 | 4,578 |
| Total Loans | 384,161 |
| Distressed Portfolio / Total Loans | 1.2% |

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

**DEFERRED TAXES 1Q12**

*(Million Pesos)*

| ASSETS | INCOME TAX | PROFIT SHARING | NET |
|---|---|---|---|
| Excess of preventive reserves accounts over the fiscal limit | 787 | 275 | **1,062** |
| Ixe's AAA Portfolio | 174 | - | **174** |
| Non deductible provisions and cumulative income | 478 | 68 | **546** |
| Excess of accounting value over fiscal value on Reposessed Assets | 425 | 75 | **500** |
| Diminishable profit sharing | 202 | 67 | **269** |
| Fees received in advance | 106 | 25 | **131** |
| Tax losses pending amortization | 736 | - | **736** |
| Provisions for possible loss in loans | 88 | - | **88** |
| Earnings per Society | 1 | - | **1** |
| State Tax on Assets Deferred | 8 | - | **8** |
| Loss on sale of foreclosed assets and credits | 65 | - | **65** |
| Decline in value of real estate | 27 | - | **27** |
| Interest on Loans | 9 | - | **9** |
| Reserve for employee retirement benefits | 2 | - | **2** |
| Current Account Agents | 8 | - | **8** |
| Reserve for additional compensation to agents | 40 | - | **40** |
| Diverse Creditors | 83 | - | **83** |
| Decrease for securities' valuation | 28 | - | **28** |
| Charge-off's Estimates | 27 | - | **27** |
| Tax loss on share sale | 32 | - | **32** |
| Additional Obligations for Employee benefits | 0 | - | **0** |
| Other | 19 | - | **19** |
| **Total Assets** | 3,347 | 511 | **3,857** |
| **LIABILITIES** | | | |
| Pension Funds Contribution | (756) | (270) | **(1,026)** |
| Loan Portfolio Acquisitions | (570) | (99) | **(669)** |
| Projects to be capitalized | (375) | (107) | **(482)** |
| Effects from valuation of instruments | (117) | (36) | **(153)** |
| Dividends Federal Home Loan Bank | (6) | - | **(6)** |
| Intangibles' amortizations | (29) | - | **(29)** |
| Unrealized Loss on Securities held for Sale | (86) | - | **(86)** |
| Reversal of Sale Costs | - | - | **-** |
| Increase for securities' valuation | (876) | - | **(876)** |
| Receivable interest from securities | (7) | - | **(7)** |
| Investment of reserves for obligations | (1) | - | **(1)** |
| Current Account Agents | (13) | - | **(13)** |
| Savings' Inventory | (11) | - | **(11)** |
| Goodwill | (496) | - | **(496)** |
| Other | (52) | - | **(52)** |
| **Total Liabilities** | (3,396) | (513) | **(3,909)** |
| Assets (Liabilities) Accumulated Net | **(49)** | (2) | **(51)** |

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 1Q12 - BANCO MERCANTIL**
*(Million Pesos)*

| TYPE OF DEBT | CURRENCY | DATE OF ISSUE | AMOUNT (Pesos) | ORIGINAL AMOUNT (Million Ps, Dlls or | TERM | INTEREST RATE | MATURITY | INTEREST PAYMENT |
|---|---|---|---|---|---|---|---|---|
| Non Convertible Subordinated Bonds 2006 | USD | Oct 13 '06 | 2,562 | 200 | 15 years | 6.86% | 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 | 2,128 | 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 | 3,843 | 300 | 5 years | 4.375% | Jul 19 '15 | E/ 180 days |

**LONG TERM DEBT AS OF 1Q12 - IXE**
*(Million Pesos)*

| TYPE OF DEBT | CURRENCY | DATE OF ISSUE | AMOUNT | ORIGINAL AMOUNT | TERM | INTEREST | MATURITY | INTEREST PAYMENT |
|---|---|---|---|---|---|---|---|---|
| **Non Convertible Perpetual Bonds 2007** | USD | 26-Feb-07 | 1,537 | 120 | Perpetual | 9.75% | No date defined | Quaterly |
| **Non Convertible Subordinated Bonds 2010** | USD | 14-Oct-10 | 1,537 | 120 | 10 years | 9.25% | 14-Oct-20 | Semiannual |

**BANK AND OTHER ENTITIES LOANS' AS OF 1Q12**
*(Million Pesos)*

| | LOCAL CURRENCY | FOREIGN | TOTAL |
|---|---|---|---|
| LOANS FROM LOCAL BANKS | | 4,915 | 4,915 |
| LOANS FROM FOREIGN BANKS GENERATED IN THE COUNTRY | | - | - |
| LOANS FROM FOREIGN BANKS GENERATED FROM FOREIGN COUNTRY | | 732 | 732 |
| LOANS FROM DEVELOPMENT BANKS | 13,834 | 2,100 | 15,934 |
| LOANS FROM PUBLIC FUNDS | 6,241 | 343 | 6,584 |
| CALL MONEY & LOANS FROM BANKS | 23,350 | - | 23,350 |
| LOANS FROM FIDUCIARY FUNDS | 273 | | 273 |
| PROVISIONS FOR INTEREST | - | 85 | 85 |
| | **43,698** | **26,582** | **51,874** |
| ELIMINATIONS | | | (8,154) |
| **Total** | | | **43,721** |

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

| TRADING INCOME 1Q12 (Million Pesos) | |
|---|---|
| **VALUATION EFFECTS** | |
| Negotiable Instruments | 601 |
| Repurchase Agreements | - |
| Derivative instruments | 336 |
| Futures | (61) |
| From repo transactions | - |
| Range | - |
| Inflation Adjustment | - |
| **Total** | **875** |
| **Dividends Received** | **(42)** |
| | |
| Negotiable Instruments | 119 |
| Securities Held for Sell | (10) |
| Securities Held to Maturity | 6 |
| Derivative Operations | 6 |
| Inflation Adjustment | - |
| **Total of Buying and Selling Instruments** | **120** |
| FX Spot | 242 |
| FX Forwards | - |
| FX Futures | - |
| FX Futures TIIE | - |
| FX Hedging | - |
| Changes in FX Valuation | (4) |
| Intermediation of metals | 1 |
| Changes in valuation of metals | (10) |
| **Total Foreign Exchange** | **229** |
| **Inflation Adjustment** | **-** |
| **Total of Buying and Selling** | **349** |
| **TOTAL TRADING INCOME** | **1,182** |

- **Risk Management**

**AUTHORIZED ORGANS**

For a proper Risk management, the Board of Directors constituted since 1997 the Risk Policy Committee (CPR) designed to manage the risk that the Holding company is exposed to as well as to monitor the performance of operations and that it sticks to the objectives, policies and procedures for risk management.

In addition, the CPR monitors the overall limits of risk exposure approved by the Board of Directors, in addition to approving specific risk limits for exposure to different types of risk.

The CPR is integrated with proprietary members of the Board, the CEO, the Directors of the entities, Risk Management and Audit, this last one participates with voice but no vote.

For the adequate performance of its objective, the CPR plays, among others, the following functions:

1. Propose for approval by the Board:
• The objectives, guidelines and policies for overall risk management.
• The global limits for risk exposure.
• The mechanisms for the implementation of corrective actions.
• The cases or special circumstances which may exceed the overall limits as much as the specifics.

2. Approve and review at least once a year:

• Specific limits for discretionary risks and the risk tolerance levels for non-discretionary.
• The methodology and procedures to identify, measure, monitor, limit, control, report and disclose various types of risk to which the holding company is exposed to.
• The models, parameters and settings used to carry out the valuation, measurement and control of risks proposed by the unit for comprehensive risk management.

3. Approve:
• The methodologies for the identification, valuation, measurement and control of risks of new business, products and services that the holding intends to offer to the market.
• The corrective actions proposed by the drive for comprehensive risk management.
• Manuals for comprehensive risk management.
• The technical evaluation aspects of risk management.

4. Appoint and remove the unit responsible for overall risk management, it is ratified by the Board.

5. Report to the Board at least quarterly, the risk exposure and its possible negative effects and follow-up to the limits and tolerance levels.

6. Report to the Board on corrective actions taken.

- **RISK MANAGEMENT**

**UNIT FOR COMPREHENSIVE RISK ADMINISTRATION (UAIR)**

The UAIR serves to identify, measure, monitor, limit, control, report and disclose various types of risk to which the Holding Company is exposed and is in charge of the Risk Management department. (DGAR).

The GDAR reports to CPR, in compliance with the provisions of the Circular of the Commission called "prudential provisions in the Field of Risk Management applicable to Credit Institutions", as to the independence of business areas.

The GDAR routes the efforts of the Risk Management in seven directions:

• Credit Risk Management and Operations;
• Market Risk Management;
• Credit Administration;
• Risk Management Policy;
• Consumer Asset Quality, and
• Risk Management Tools.
• Research and Development

Currently, the Holding has methodologies for risk management in its various phases, such as credit, market, liquidity and operational risks.

The main objectives of the GDAR can be summarized as follows:

• Provide different business areas clear rules that contribute to its correct understanding to minimize risk and ensure to be within the parameters established and approved by the Board of Directors and the Risk Policy Committee.
• Establish mechanisms to monitor the risk taking within the Holding trying to mostly be a timely and supported by advanced systems and processes.
• Standardize measurement and risk control.
• Protect the Holding´s capital against unexpected losses from market movements, bankruptcies, credit and operational risks.
• Develop pricing models for different types of risks.
• Establish procedures for portfolio optimization and management of credit portfolio.

The Financial has sliced the risk assessment and management in the following areas:

Credit Risk: revenue volatility due to creation of reserves for impairment of loans and credit potential losses on non-payment of a borrower or counterparty.

Market Risk: revenue volatility due to market changes, which affect the valuation of positions for active operations, liabilities or causes of contingent liabilities, such as: interest rates, exchange rates, price indices, etc. .

Liquidity Risk: potential loss by the impossibility of renewing liabilities or hiring others to the Holding in normal conditions, by early or forced sale of assets at unusual discounts to meet their obligations.

Operational Risk: loss resulting from inadequate or failed processes, personnel, internal systems or external events. This definition includes technological risk and legal risk. Technological Risk groups all those potential losses from damage, interruption, disruption or failures resulting from use of or reliance on hardware, software, systems, applications, networks and any other distribution channel information, while the legal risk involves the potential loss by sanctions for noncompliance with laws and administrative or judicial decisions unfavorable issue appealed in relation to the Holding operations performed.

- **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

GNorte separates 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 IXE portfolios have established systems for expert analysis which are carried out by personnel specializing in each product type based on the revision of the financial situation of the borrower, credit history, economic viability, and other characteristics that are determined by the Law and internal policies. The individual risk of SMEs is identified, measured and controlled through a scoring system.

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 AND serves on the individual rating to the portfolios of IXE, they serve 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 international standards 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 Credit Risk+ model is used for IXE portfolios, based on an actuarial focus of the portfolio in which the non-fulfillment probability, the recovery level and the unpaid balance of each client is considered.

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$^{st}$, 2012, the Banco Mercantil del Norte total portfolio was Ps 318,204 million. The expected loss represents -1.8% and the unexpected loss is 3.6% with respect to the total portfolio. The average expected loss is 1.9% during the period between January - March 2012.

Banorte- Ixe's Brokerage House, the credit exposure of investments is Ps 43,572 million and the expected loss represents 0.05% of the exposure. The average expected loss is 0.09% between January - March 2012.

The total operating portfolio of Arrendadora and Factor is Ps 18,273 billion. Prospective losses represent 0.6% and unforeseen losses 2.9% of the total operating portfolio. The prospective loss average represents 0.6% in the period of January - March 2012.

The total performing portfolio of IXE Banco was Ps 28,134 billion to March 31$^{st}$, 2012. The estimated loss of the portfolio represents 2.5% and the unexpected loss 0.4%. The estimated loss average for the period of January - March 2012was 2.5%.

The total performing portfolio of IXE Automotriz including pure lease is Ps 1,179 million. The estimated loss represents 3.8% and the unexpected loss 0.3% both with regard to the total performing portfolio. The estimated loss average represents 3.9% for the period of January - March 2012.

The total performing portfolio of Fincasa Hipotecaria (Mortgages) is 3.716 billion. The estimated loss represents 9.4% and the unexpected loss 5.9% both with regard to the total performing portfolio. The estimated loss average represents 21.5% for the period of January - March 2012.

The total performing portfolio of IXE Soluciones is Ps 286 million. The estimated loss represents 26.3% and the unexpected loss 32.8% both with regard to the total performing portfolio. The estimated loss average represents 24.3% for the period of January - March 2012.

The total performing portfolio of IXE Tarjetas is Ps 3.252 billion. The estimated loss represents 11.3% and the unexpected loss 6.7% both with regard to the total performing portfolio. The estimated loss average represents 10.4% for the period of January - March 2012.

- **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 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 counterpart, which is expressed as a percentage between 0% and 100% where the better the rating or lower rate differential vs. the instrument of a government bond equivalent 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 31st, 2012, exposure to credit risk for Securities Investments of Banco Mercantil del Norte was Ps 175.493 billion, of which 99.1% 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 16% of the Basic Capital of December, 2011. 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 2011 has a higher or similar rating to A (mex) and is comprised of (average considered term, amount in millions of pesos and rate): bond certificates from Pemex to 5 years and 2 months for $ 9,921 to 4.5% senior notes; Santander, Certificates for 11 months for Ps 9,860 at 4.8%; and Inbursa market certificates for 8 months for Ps 7,051 at 4.7%; Bancomer deposits and market certificates for 9 months for $4,530 at 4.8%; and State and Municipal Government loan securitization certificates for 25 years and 2 months for Ps 3,455 at 6.0%.;

The exposure of Derivatives is Ps 3.814 billion, of which 99.0% 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 2011.

Credit risk exposure of Banorte- Ixe's Broker-Dealer for Securities Investments is Ps 3.572 billion. The 89.7% of, the exposure of investments are guaranteed by the Federal Government rand quasi governmental, the 10.1% Bank´s investments and the 0.2% are private companies. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte does not have investments in securities or derivatives.

Exposure to risk for securities of IXE Banco was Ps 32.411 billion to March, 2012. Of the total, 51.9% is in securities with government and quasi-government tallies; 32.4% with bank tallies and 15.7% with private tallies.

The risk exposure of derivatives at closing of 1Q12 was Ps 36 million. The total was distributed with 83.6% in bank tallies and 15.6% in private tallies.

IXE Automotriz does not have investments in securities or derivatives.

Fincasa Hipotecaria does not have investments in securities or derivatives.

For IXE Soluciones, the risk exposure for securities' investments was Ps 210 million, in privately issued bonds. The Institution does not hold positions in derivative instruments.

The exposure of Ixe Tarjetas to investments is for Ps. 226 million in banking instruments and there are no derivatives.

- **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 amount of "Common Risk"; also, the Banks must have the necessary information and documentation to prove that the person 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:

| **Tier 1 to December 31st , 2011** | **42,003** |
|---|---|
| **I. Financings whose individual amounts represent more than 10% of the basic equity:** | |
| Loan Operations | |
| Number of financings | 3 |
| Total amount of financings | 14,034 |
| % in relation to Basic Capital | 33% |
| Money Market Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Basic Capital | 0% |
| Overnight Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Basic Capital | 0% |
| **II. Maximum amount of financing with the 3 largest debtors and common risk groups:** | **25,855** |

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:

| | |
|---|---|
| **Tier 1 to December 31st, 2011** | **2,446** |
| **I. Financing with individual amounts that represent more than 10% of Tier 1:** | |
| Loan Transactions | |
| Number of operations | 14 |
| Total amount of the financings | 6,979 |
| % relative to basic capital | 285% |
| **II. I. Maximum amount of financing with the 3 largest borrowers and Common Risk groups** | **3,471** |

In accordance with risk diversification regulations for asset and liability operations, is the following information corresponding to IXE Banco (millions of pesos):

| | |
|---|---|
| **Basic Capital to December 31st, 2011** | **4,710** |
| **I. Financings whose individual amounts represent more than 10% of the basic equity (on a group level):** | |
| Loan Operations | |
| Number of financings | 11 |
| Total amount of financings | 7,189 |
| % in relation to Basic Capital | 153% |
| Money Market Operations | |
| Number of financings | 14 |
| Total amount of financings | 13,389 |
| % in relation to Basic Capital | 284% |
| Overnight Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Basic Capital | 0% |
| **II. Maximum amount of financing with the 3 largest debtors and common risk groups:** | **4,438** |

In accordance with risk diversification regulations for asset and liability operations, is the following information corresponding to IXE Automotriz (millions of pesos):

| | |
|---|---|
| **Equity at December 31st, 2011** | **325** |
| **I. Financings whose individual amounts represent more than 10% of the basic equity (on a group level):** | |
| Loan Operations | |
| Number of financings | 3 |
| Total amount of financings | 160 |
| % in relation to Equity | 49% |

| **Equity at December 31st, 2011** | **325** |
|---|---|
| Money Market Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| Overnight Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| **II. Maximum amount of financing with the 3 largest debtors and common risk groups:** | **160** |

In accordance with risk diversification regulations for asset and liability operations, is the following information corresponding to Fincasa Hipotecaria (millions of pesos):

| **Equity at December 31st, 2011** | **697** |
|---|---|
| **I. Financings whose individual amounts represent more than 10% of the equity (on a group level):** | |
| Loan Operations | |
| Number of financings | 19 |
| Total amount of financings | 2,352 |
| % in relation to Equity | 337% |
| Money Market Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| Overnight Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| **II. Maximum amount of financing with the 3 largest debtors and common risk groups:** | **593** |

In accordance with risk diversification regulations for asset and liability operations, is the following information corresponding to IXE Soluciones (millions of pesos):

| **Equity at December 31st, 2011** | **346** |
|---|---|
| **I. Financings whose individual amounts represent more than 10% of the equity (on a group level):** | |
| Loan Operations | |
| Number of financings | 10 |
| Total amount of financings | 840 |
| % in relation to Equity | 243% |
| Money Market Operations | |
| Number of financings | 3 |
| Total amount of financings | 210 |

| | |
|---|---|
| **Equity at December 31st, 2011** | **346** |
| % in relation to Equity | 61% |
| Overnight Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| **II. Maximum amount of financing with the 3 largest debtors and common risk groups:** | **348** |

In compliance with the risk diversification rules on lending and borrowing, the following information is shown for IXE Tarjetas (Millions of pesos):

| | |
|---|---|
| **Equity at December 31st, 2011** | **903** |
| **I. Financings whose individual amounts represent more than 10% of the equity (on a group level):** | |
| Loan Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| Money Market Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| Overnight Operations | |
| Number of financings | 0 |
| Total amount of financings | 0 |
| % in relation to Equity | 0% |
| **II. Maximum amount of financing with the 3 largest debtors and common risk groups:** | **3** |

- **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 first quarter of 2012 for the portfolio is Ps 2,399 million.

| Million Pesos | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| Total VaR* | 1,497 | 1,640 | 1,736 | 2,392 | 2,399 |
| Net Capital ** | 53,850 | 54,505 | 56,709 | 50,369 | 52,087 |
| VaR/ Net Capital | 2.78% | 3.01% | 3.06% | 4.75% | 4.61% |

* Quarter Average of the Bank- Banorte

** Net capital of the Banking Sector is the arithmetic sum of the net capitals of the Bank- Banorte.

Moreover, the average Value at Risk per risk factor of the portfolio of instruments described for the Banorte Bank, during the first quarter of 2012 is shown below:

| Risk Factor | VaR |
|---|---|
| Domestic interest rate | 2,006 |
| Foreign interest rate | 326 |
| Exchange rate | 658 |
| Capitals | 2,399 |
| **Total VaR of Bank and Brokerage House** | 2,006 |

Million Pesos

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 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 analyzes and tests under extreme conditions are periodically implemented. These analyzes prevent the Institution from negative situations that could arise in which extraordinary losses result from the valuation of financial instruments in position.

➢ ***Ixe's Market Risk***

The Institution's market risk positions include money market instruments mainly floating rate instruments, lineal derivative instruments, underlying options such as interest rates, currencies and stock titles. To estimate market risk of Money, Stock, Foreign Exchange and Derivative portfolios, diverse methodologies are used to evaluate and control risk, which are authorized by the Board of Directors.

The Value at Risk, VaR, represents the maximum estimated loss with a certain statistical level of trust, for a determined period of time (investment horizon) and under normal market conditions. The Institution uses the integral risk system to the estimate VaR for all its positions and portfolios at risk.

To estimate VaR, the Historical Simulation methodology is used with 100 horizon days, as a policy estimations are carried out with a 95% level of trust and a horizon time of 1 day. These estimates are calculated for the Institution's diverse portfolios which include: Capital Market, Money Market, Derivatives, Foreign Exchange and Treasury.

To estimate the VaR, it is necessary to have the following:

Valuation formula.
Data base of relevant risk factors

Monthly tests are carried out with extreme scenarios which incorporate historical scenarios during which fundamental suppositions are broken in the risk variables that the Institution is exposed to, additionally there are risk mesurations such as sensitivity to movements in: interest rates by 1 base point (PV01), exchange rates and stock prices.

Daily "back-tests" are carried out to compare losses and earnings with the value at risk observed, and to carry out calibrations with the models should the need arise.
The Institution can have shares registered as available for sale, which are treated with the accounting regulations in effect; as long as the value at risk is calculated at a trust level of 95% and 99.5% for market risk.

The VaR average for Ixe Banco's portfolios for 1Q12 is Ps 10.95 million, which represents 0.15% of the Ixe Banco's Net Capital to March 2012.

| IXE BANCO, S.A. DE C.V.<br>VaR by Portfolio & risk factor<br>Million Pesos | Total<br>1Q12 | |
|---|---|---|
| | **Average** | **Closing** |
| **VaR 95% 1 day** | | |
| Money Market | 10.75 | 11.96 |
| Capital Market | 4.69 | 5.11 |
| Exchange Market | 0.15 | 0.03 |
| Derivatives Market | 0.31 | 0.34 |
| Treasury | 19.06 | 19.78 |
| **TOTAL** | 10.95 | 9.42 |
| **Diversifications Effect** | (23.99) | (27.80) |
| Capital Net | | 7,401 |
| **VAR / Net Capital** | **0.15%** | **0.13%** |

***Note***

*VaR does not include securities held for settlement.*

The VaR average of Ixe Broker Dealer's portfolios for 1Q12 is Ps 3.72 million, which represents 0.22% of the Institution's Net Capital to March 2012.

| IXE CASA DE BOLSA, S.A. DE C.V.<br>VaR by Portfolio & Risk Factor<br>Million Pesos | Total<br>1Q12 | |
|---|---|---|
| | **Average** | **Close** |
| **VaR 95% 1 day** | | |
| Money Market | 2.71 | 3.56 |
| Capital Market | 1.03 | 1.21 |
| Exchange Market | 0.00 | 0.00 |
| Derivatives Market | 0.00 | 0.00 |
| Treasury | 0.14 | 0.11 |

| | | |
|---|---|---|
| **TOTAL** | 3.72 | 5.67 |
| **Diversifications Effect** | (0.15) | 0.79 |
| Net Capital | 0 | 1,674 |
| **VAR / Net Capital** | **0.22%** | **0.34%** |

***Note***

*VaR does not include securities held for settlement.*

The VaR average of the Fincasa portfolios for 1Q12 is Ps 3.62 million, which represents 0.57% of the Institution's Net Capital to March 2012.

For their calculation, the Historical Simulation methodology was used with 100 horizon days, and as a policy, calculations were carried out with trust levels of 95% with a horizon time of 1 month.

| **FINCASA HIPOTECARIA. VaR Balance. Million Pesos** | **Total 1Q12** | |
|---|---|---|
| | **Average** | **Closing** |
| **VaR Balance** | 3.62 | 3.04 |
| Net Capital * (February) | | 634.41 |
| **VAR / Net Capital** | **0.57%** | **0.48%** |

***Note***

*Net Capital as of March 2012is preliminary.*

The VaR average of the Ixe Automotriz portfolios for 1Q12 is Ps 0.73 million which represents 0.28% of the Institution's Net Capital to March 2012.

For their calculation, the Historical Simulation methodology was used with 100 horizon days, and as a policy, calculations were carried out with trust levels of 95% with a horizon time of 1 month.

| **IXE AUTOMOTRIZ. VaR Balance. Million Pesos** | **Total 1Q12** | |
|---|---|---|
| | **Average** | **Closing** |
| **VaR Balance** | 0.73 | 0.57 |
| Net Capital * | | 265.37 |
| **VAR / Net Capital** | **0.28%** | **0.32%** |

***Note***

*Net Capital as of March 2012is preliminary.*

The VaR average of the Ixe Soluciones portfolios for 1Q12 is Ps 1.38 million which represents 0.56% of the Institution's Net Capital to March 2012.

For their calculation, the Historical Simulation methodology was used with 100 horizon days, and as a policy, calculations were carried out with trust levels of 95% with a horizon time of 1 month.

| IXE SOLUCIONES. VaR Balance. Million Pesos | Total 1Q12 | |
|---|---|---|
| | Average | Closing |
| **VaR Balance** | 1.38 | 1.15 |
| Net Capital * | | 248.11 |
| **VAR / Net Capital** | **0.56%** | **0.46%** |

***Note***

*Net Capital as of March 2012is preliminary.*

➢ **Liquidity Risk and Balance**

In response to the Banking Sector's need to measure global 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. The liquidity ratio for Banorte at closing of 1Q12 is 82.0%, while the average for the quarter is 100.2%.

| Million Pesos (at closing of the quarter) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| Liquid Assets | 126,759 | 127,601 | 118,934 | 164,484 | 151,000 |
| Liquid Liabilities | 142,401 | 144,363 | 151,706 | 180,088 | 184,152 |
| Liquidity Ratio | 89.0% | 88.4% | 78.4% | 91.3% | 82.0% |

| Million Pesos (average) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| Activos Líquidos | 135,363 | 138,778 | 139,508 | 157,210 | 171,629 |
| Pasivos Líquidos | 138,192 | 139,777 | 148,421 | 165,791 | 171,353 |
| Índice de Liquidez | 98.0% | 99.3% | 94.0% | 94.8% | 100.2% |

**Average estimate calculated using weekly of Liquidity Ratio**

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.

- **Ixe Liquidity Risk**

Considering cash, the deposit with the Bank of Mexico, Government and banking securities of the Balance Sheet, and deposits such as core deposits all as liquid assets, the liquidity quotient (liquid assets vs. deposits) for Banco Ixe to March 2012 is 32.15%. The liquidity ratio vs. Net Capital is 143.74%.

| IXE BANCO, S.A. DE C.V. Liquidity Risk Million Pesos | Use Mar-12 |
|---|---|
| Accumulated gap in 1 month (MXP + UDIS) | 4,758.44 |
| Liquid Assets | 10,638.08 |
| Net Capital | 7,401 |
| Tier 1 Capital | 4,798 |
| **Liquidity vs. Net Capital** | **143.74%** |
| **Liquidity vs. Tier 1 Capital** | **221.72%** |
| **Liquidity Ratio** | **32.15%** |

*Liquidity Ratio= Liquid Assets vs. Deposits*

**Cash, BM's Deposits, Bank and Governmental certificates*

The liquidity ratio vs. Net Capital for the Casa de Bolsa to March 31st, 2012 is 31.38%.

| IXE CASA DE BOLSA, S.A. DE C.V. Liquidity Risk Million Pesos | USE Mar-12 |
|---|---|
| Accumulated gap in 1 month (MXP + UDIS) | 15.41 |
| Liquid Assets | 525.14 |
| Net Capital | 1,674 |
| **Liquidity vs. Capital** | **31.38%** |

The liquidity ratio vs. Net Capital for Fincasa to March 31st, 2012 is 11.10%.

| FINCASA HIPOTECARIA. Liquidity Risk Million Pesos | USE Mar-12 |
|---|---|
| Accumulated gap in 1 month (MXP + UDIS) | (1338.33) |
| Accumulated gap in 3 months (MXP + UDIS) | (2,008.15) |
| Liquid Assets* | 70.39 |
| Net Capital | 634.41 |
| Tier 1 Capital | 615.56 |
| **Liquidity vs. Net Capital** | **11.10%** |
| **Liquidity vs. Tier 1 Capital** | **11.44%** |

**Only Banks*

*Net Capital as of March 2012 is preliminary*

The liquidity ratio vs. Net Capital for Ixe Automotriz to March 31st, 2012 is 13.77%.

| IXE AUTOMOTRIZ. Liquidity Risk Million Pesos | USE Mar-12 |
|---|---|
| Accumulated gap in 1 month (MXP + UDIS) | (509.60) |
| Accumulated gap in 3 months (MXP + UDIS) | 693.13) |
| Liquid Assets* | 10.00 |
| Net Capital | 265.37 |
| Tier 1 Capital | 264.59 |
| **Liquidity vs. Net Capital** | **3.77%** |
| **Liquidity vs. Tier 1 Capital** | **3.78%** |

**Only Banks*

*Net Capital as of March 2012 is preliminary*

The liquidity ratio vs. Net Capital for Ixe Soluciones to March 31st, 2012 is 0.20%.

| IXE SOLUCIONES. Liquidity Risk Million Pesos | USE Mar-12 |
|---|---|
| Accumulated gap in 1 month (MXP + UDIS) | (8.29) |
| Accumulated gap in 3 months (MXP + UDIS) | (1,035.18) |
| Liquid Assets* | 0.49 |
| Net Capital | 248.11 |
| Tier 1 Capital | 248.11 |
| **Liquidity vs. Net Capital** | **0.20%** |
| **Liquidity vs. Tier 1 Capital** | **0.20%** |

**Only Banks*

*Net Capital as of March 2012 is preliminary*

The liquidity ratio vs. Net Capital for Ixe Tarjetas to March 31st, 2012 is 59.45%.

| IXE TARJETAS. Liquidity Risk Million Pesos | USE Mar-12 |
|---|---|
| Accumulated gap in 1 month (MXP + UDIS) | (1,307.14) |
| Accumulated gap in 3 months (MXP + UDIS) | (541.79) |
| Liquid Assets* | 229.83 |
| | |
| Net Capital | 389.46 |
| Tier 1 Capital | 384.75 |
| **Liquidity vs. Net Capital** | **59.47%** |
| **Liquidity vs. Tier 1 Capital** | **59.73%** |

**Only Banks*

*Net Capital as of March 2012 is preliminary*

- **Operational Risk**

GFNorte has a formal Operational Risk department pertaining to the "Deputy Managing Director' 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**

Operating Losses Database

To record operating loss events, has a system that 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 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. ; The assets subject to operational risk are disclosed in the footnote to the Rules 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 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 backup 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 a database of operational events

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.

- **Ixe Operational Risk**

IXE has a Manual for Operational Risk Management and an Internal Control System that integrates policies, procedures, responsibilities and roles of government entities for operational risk management including Operational, Technological and Legal Risk, as well as the section of internal control. In addition, there are manuals for processes, policies and procedures of the operating processes for entire areas of the institution.

Operational Risk Management has a model to identify, evaluate, mitigate, administer and monitor the operational, legal and technological risk in the environment of the entire company, with the support of the process owners and operational risk delegates.

To register those events with operational losses, a database is made that allows the central areas supplying information to report the events directly, classifying each by type of event and line of business, in order to have statistics of those operational events incurred by the institution to be able to determine the tendencies, frequency, impact and distribution that they present.

The functions established by the CNBV in Technology Risk Management, are performed by the Institution under the guidelines established by institutional regulations.

Also, IXE has a Business Continuity Plan and a Disaster Recovery Plan with what you have covered the backup and recovery of critical applications of the institution, in the event of any significant operational event.

To register and follow-up on judicial, administrative and fiscal matters that could result from unfavorable unappealable resolutions, there is a database that allows the central areas supplying information to report directly on these matters, which are classified under defaulted taxonomy.

In accordance with Capitalization Rules for Operational Risk in effect, IXE has adopted the Basic Model that is calculated and reported periodically to authorities.

- **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 Advisory Board, Management Committee, of the Committee of Risk Policies (CPR), the Committee of Audit and Corporate Practices (CAPS), the Human Resources' Committee and of the Designation Committee.
B. Management and support the areas that are Unit Risk Management (UAIR), Legal and Comptroller, who are responsible for ensuring that adequate levels are maintained and risk control in the Group's operations and compliance the regulation.
C. 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.
D. 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.
E. 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.
F. 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.

During the fourth quarter of 2011, 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. The process began of incorporating the financial institutions that previously integrated IXE Grupo Financiero to align them to the internal control system of Grupo Financiero Banorte, both in terms of corporate governance, as in the structures and systems of the areas of Control.
C. 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.
D. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
E. 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 and euros.

- **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: 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.

On October 17, 2011, the Ordinary General Shareholders' Meeting approved to modify the Dividend Policy, for the purpose of aligning dividend payments to the Financial Groups' business performance, so as of this year, dividend payments will be as follows:

i. 16% of recurring net income in the event that profit growth is between 0% and 10% during the year.
ii. 18% of recurring net income in the event that profit growth is between 11% and 20% during the year.
iii. 20% of recurring net income in the event that profit growth is greater than 21%.

- **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 December 31, 2011 and September 30, 2011, the loans granted to related parties totaled Ps $ 12,732 million and Ps $11,811 million, 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. Rafael Arana de la Garza
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

- **Basis for submitting and presenting 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 environment is non inflationary when accumulated inflation for the last three years is less 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 environment is non inflationary when accumulated inflation for the last three years is less 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 CNBV 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.