

# Grupo Financiero Banorte

*Financial Information as of March 31, 2014*

## 1Q14



**"Bank of the  
Year Mexico  
2011"**



**"Best Commercial  
Bank in Mexico  
2013"**



**"Best Bank in  
Mexico 2011"**



**"Sustainable  
Company"**

**LATINFINANCE**

**"Best Bank in Mexico 2012"**

**The Banker  
TOP 1000  
WORLD BANKS 2013**

*web page: [www.banorte.com/ri](http://www.banorte.com/ri)*

**Investor Relations Contacts:**

Ursula Wilhelm  
Mariana Amador  
Olga Domínguez

e-mail: [investor@banorte.com](mailto:investor@banorte.com)

**Institutional  
Investor**

**"Best Latam Management & IR  
Team 2010, 2011, 2012 & 2013"**

## INDEX

### **1. Financial Results as of March 31, 2014:**

- i) Executive Summary
- ii) Management's Discussion & Analysis (MD&A)
- iii) GFNorte's General Information
- iv) Financial Statements
- v) Accounting Changes and Regulations
- vi) Loan Portfolio Sales to Solida
- vii) Notes to the Group's Financial Statements

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 3.63 billion in 1Q14

Operating Results (Million Pesos)	1Q13	4Q13	1Q14	Change		LTM 1Q14	Change LTM
				QoQ	YoY		
Net Interest Income	8,613	9,604	<b>9,532</b>	(1%)	11%	38,099	14%
Non Interest Income	5,194	3,809	<b>4,590</b>	21%	(12%)	15,680	(1%)
Total Income	13,807	13,413	<b>14,122</b>	5%	2%	53,779	9%
Non Interest Expense	7,434	7,084	<b>6,845</b>	(3%)	(8%)	27,230	3%
Provisions	2,073	1,833	<b>2,380</b>	30%	15%	9,248	36%
Operating Income	4,300	4,496	<b>4,897</b>	9%	14%	17,301	7%
Net Income	3,140	3,622	<b>3,628</b>	0%	16%	13,996	21%

### • Net Interest Income

**Net Interest Income totaled Ps 9.53 billion** in 1Q14, 11% higher YoY vs. 1Q13 and (1%) lower QoQ vs. 4Q13. The YoY increase was due to:

- higher loan volumes in segments with a better mix (mainly consumer loans),
- higher revenues from loan origination fees given a higher loan volume, and
- a lower funding cost due to growth in core deposits, a 100 bp reduction in the benchmark rate, payment of Ixe's perpetual subordinated notes with a fixed annual rate of 9.75% in US dollars and prepayment of GFNORTE's US 800 million syndicated loan disbursed in February 2013 and paid on July 26 of the same year.

The aforementioned offset the decline in the Net Interest Income of the Insurance and Annuities companies due to an increase in technical reserves, damages and claims.

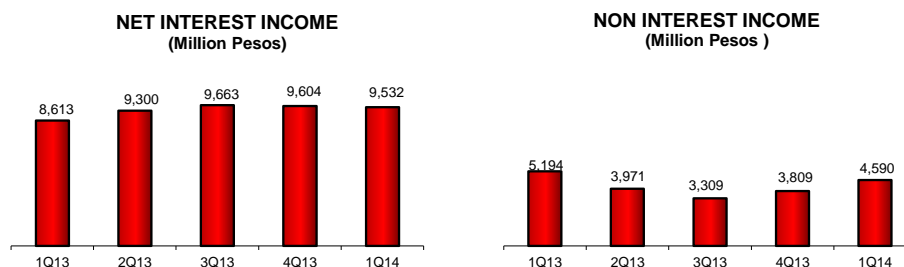
The QoQ decline derived from seasonal effects (fewer days in the quarter) that resulted in lower fees charged for loan origination and a decrease in interest income from loan portfolios coupled with a reduction in the insurance and annuities companies' net interest income.

### During 1Q14:

- Net Interest Income related to lending activity** increased 12% YoY vs. 1Q13 as the result of a better loan mix and a lower cost of funding; the (1%) QoQ decrease vs. 4Q13 was due to seasonal effects that derived in lower loan interest income and loan origination fees. **Net Interest Income, excluding the insurance and annuities companies** increased 13% YoY and 1% QoQ vs. 4Q13.
- During the first quarter of 2014, the average NIM was 4.1%**, 8 bp higher YoY vs. 1Q13 and (13) bp lower QoQ vs. 4Q13. **NIM related to lending activity was 7.9%**, 47 bp higher YoY vs. 1Q13 and (21) bp lower QoQ vs. 4Q13; whereas the **average NIM excluding insurance and annuities companies was 4.3%**, a YoY increase of 16 bp vs. 1Q13 and a QoQ decrease of (5) bp vs. 4Q13.

### • Non-Interest Income

**Non- Interest Income amounted to Ps 4.59 billion**, decreasing (12%) YoY, but growing 21% QoQ. The YoY decline was due to a decrease in Other Operating Income (Expense), lower Real Estate Portfolio Recoveries and Trading revenues, which was not offset by the increase in Service Fees. The QoQ growth was due to higher Trading revenues, Other Operating Income (Expense) and Service Fees, which offset the decline in Real Estate Portfolio Recoveries.



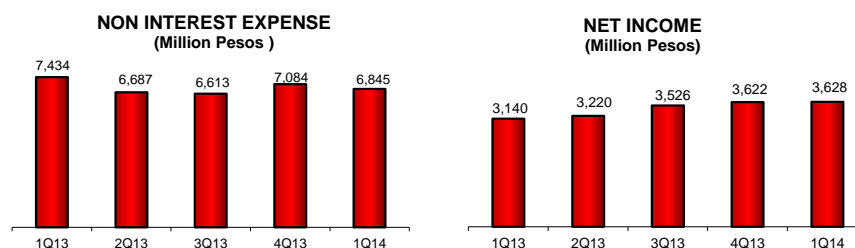
According to the new criteria, effective as of January 2008, inflationary accounting no longer applies for re-expressing financial statements.

- **Non-Interest Expense**

**Non-Interest Expenses in 1Q14 totaled Ps 6.85 billion, (8%) lower YoY** mainly due to a decrease in Personnel Expenses, which offset the growth in other items. On a QoQ basis, **Non-Interest Expenses declined (3%)** due to a decrease in almost all items. **The Efficiency Ratio was 48.5%**, improving vs. previous quarters, (5.4 pp) below YoY and (4.3 pp) lower QoQ vs. 4Q13 due to the positive operating leverage obtained in the period.

- **Provisions**

**During 1Q14 Provisions charged to results totaled Ps 2.38 billion**, a YoY increase of 15% vs. 1Q13 and 30% vs. 4Q13. The YoY increase is explained mainly by higher requirements in Payroll, Mortgage, Commercial (mainly SME) and Government portfolios; in almost all items (except Government), the increase is explained mainly by the negative impact of the economic slowdown. The QoQ increase is mostly due to higher provisions in the SME, Middle market companies, Mortgage, Payroll and Government loan portfolios, derived from seasonal effects and also due to the economic slowdown that persisted during the first months of the year.



- **Net Income**

**In the first quarter of 2014, GFNorte reported Net Income of Ps 3.63 billion**, 16% higher YoY vs 1Q13 due to positive operating leverage obtained derived from the 2% YoY growth in total income and the decrease in operating expenses, which offset the increases in provisions and taxes. Additionally, the YoY growth was due to reduction in minority interest resulting from the purchase of Generali's stake in the insurance and annuities companies, and favorable business dynamics. **Net income increased by Ps 5.5 million, + 0.2% vs. 4Q13** as a result of higher Non-Interest Income, lower operating expenses and favorable business dynamics in the Afore, the insurance company and the credit card unit (Banorte Ixe Tarjetas), offsetting higher provisions and taxes. **In the last 12 months, Net Income amounted to Ps 14.0 billion**, an increase of 21% YoY and 4% QoQ.

Underlying operating trends continue to be favorable, in spite of the negative impact of the fiscal reform.. **Operating Income presented a 14% YoY increase and 9% QoQ**. If the effective tax rate had not increased due to the new tax regulations, GFNorte would have reported Net Income of Ps 3.73 billion **applying a normalized effective tax rate of 30%**, which would have meant an increase of 19% YoY and 3% QoQ.

**During 1Q14, the Financial Group's core earnings** (net interest income + net fees excluding portfolio recoveries - operating expenses - provisions) **totaled Ps 2.25 billion**, a YoY increase of 176% vs. 1Q13 and a QoQ decline of (13%) vs. 4Q13.

**During 1Q14 ROE was 13.3%**, a YoY decrease of (179) bp vs. 1Q13 (due to the dilution effect of the equity offering in July 2013) and a QoQ increase of 43 bp vs. 4Q13. **Return on Tangible Equity (ROTE) was 16.8%** during 1Q14, (249) bp lower YoY vs. 1Q13 and (76) bp below 4Q13.

**ROA was 1.4%**, 7 bp higher YoY vs. 1Q13 and (4) bp lower QoQ vs. 4Q13, whereas **Return on risk-weighted assets was 3.0%**, the same level vs. 4Q13 and increasing 9 bp vs. 1Q13.

**The Banking Sector's (Banco Mercantil del Norte, Banorte - Ixe Tarjetas and Banorte USA) profits for 1Q14 totaled Ps 2.49 billion**, contributing with 69% of GFNorte's net income. **ROE was 14.0%**, a YoY decrease of (1.8 pp) vs. 1Q13 and (3.3 pp) vs. 4Q13, both as consequence of the increase in Banco Mercantil del Norte's equity as part of the equity injection used for the acquisition of Afore Bancomer, the mergers with Ixe Banco and Fincasa Hipotecaria and the spin-off of Solida Administradora de Portafolios. **ROA was 1.4%**, a YoY decrease of (0.1 pp) vs. 1Q13 and (0.3 pp) lower vs. 4Q13.

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

The financial information presented in this Quarterly report has been calculated in pesos. The following tables may seem to have some errors but the differences are because of rounding effects.

Income Statement and Balance Sheet Highlights-GFNorte			Change		
(Million Pesos)			QoQ	YoY	
Income Statement					
Net Interest Income	8,613	9,604	9,532	(1%)	11%
Non Interest Income	5,194	3,809	4,590	21%	(12%)
Total Income	13,807	13,413	14,122	5%	2%
Non Interest Expense	7,434	7,084	6,845	(3%)	(8%)
Provisions	2,073	1,833	2,380	30%	15%
Operating Income	4,300	4,496	4,897	9%	14%
Taxes	1,230	1,075	1,500	40%	22%
Subsidiaries & Minority Interest	70	201	230	15%	231%
Net Income	3,140	3,622	3,628	0%	16%
Balance Sheet					
Asset Under Management	1,828,766	1,829,106	1,869,406	2%	2%
Total Assets	955,442	1,006,788	1,042,534	4%	9%
Performing Loans (a)	404,594	425,038	427,553	1%	6%
Past Due Loans (b)	8,631	13,655	13,151	(4%)	52%
Total Loans (a+b)	413,224	438,693	440,704	0%	7%
Total Loans Net (d)	401,362	424,404	426,794	1%	6%
Acquired Collection Rights (e)	2,979	3,522	3,273	(7%)	10%
Total Loans (d+e)	404,341	427,925	430,067	1%	6%
Total Liabilities	866,890	898,097	929,310	3%	7%
Total Deposits	414,898	443,740	455,340	3%	10%
Equity	88,553	108,691	113,224	4%	28%
Financial Ratios GFNorte			Change		
			QoQ	YoY	
Profitability:					
NIM (1)	4.0%	4.2%	4.1%	(0.1 pp)	0.1 pp
NIM after Provisions (2)	3.1%	3.4%	3.1%	(0.3 pp)	0.0 pp
NIM adjusted w/o Insurance & Annuities	4.2%	4.4%	4.3%	(0.1 pp)	0.2 pp
NIM from loan portfolio (3)	7.4%	8.1%	7.9%	(0.2 pp)	0.5 pp
ROE (4)	15.1%	12.9%	13.3%	0.4 pp	(1.8 pp)
ROA (5)	1.3%	1.5%	1.4%	(0.0 pp)	0.1 pp
Operation:					
Efficiency Ratio (6)	53.8%	52.8%	48.5%	(4.3 pp)	(5.4 pp)
Operating Efficiency Ratio (7)	3.2%	2.8%	2.7%	(0.2 pp)	(0.5 pp)
Liquidity Ratio (8)	135.4%	137.4%	147.5%	10.2 pp	12.2 pp
Asset Quality:					
Past Due Loan Ratio	2.1%	3.1%	3.0%	(0.1 pp)	0.9 pp
Coverage Ratio	137.4%	104.6%	105.8%	1.1 pp	(31.7 pp)
Past Due Loan Ratio w/o Banorte USA	2.1%	3.2%	3.1%	(0.1 pp)	0.9 pp
Coverage Ratio w/o Banorte USA	137.3%	104.4%	105.2%	0.9 pp	(32.1 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) NIM = Annualized Net Interest Margin from loan portfolio / Average Performing Loans
- 4) Annualized earnings as a percentage of the average quarterly equity over the period, minus minority interest of the same period.
- 5) Annualized earnings as a percentage of the average quarterly assets over the period, minus minority interest of the same period.
- 6) Non-Interest Expense / Total Net Income
- 7) Annualized Non-Interest Expense / Average Total Assets.
- 8) Liquid Assets / Liquid Liabilities. Where Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale, while Liquid Liabilities = Demand Deposits + Loans from banks and other organizations with immediate call option + Short term loans from banks.

## I. EXECUTIVE SUMMARY

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

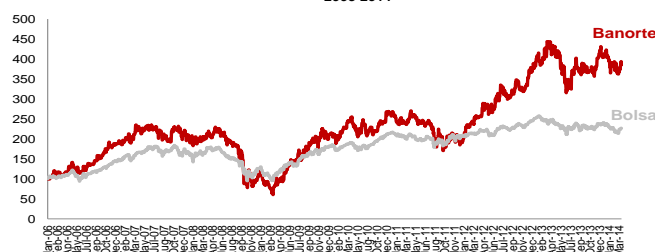
Subsidiaries Net Income (Million Pesos)	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
<b>Banking Sector</b>	<b>2,386</b>	<b>2,953</b>	<b>2,485</b>	<b>(16%)</b>	<b>4%</b>
Banco Mercantil del Norte (1) (2) (6)	2,042	2,618	2,109	(19%)	3%
Ixe Banco (3)	81	-	-	-	(100%)
Banorte Ixe Tarjetas (4)	263	335	376	12%	43%
<b>Broker Dealer</b>	<b>245</b>	<b>154</b>	<b>203</b>	<b>32%</b>	<b>(17%)</b>
Banorte- Ixe-Broker Dealer	224	134	182	36%	(19%)
Operadora de Fondos Banorte-Ixe	21	21	21	3%	1%
<b>Long Term Savings</b>	<b>504</b>	<b>666</b>	<b>815</b>	<b>22%</b>	<b>62%</b>
Retirement Funds - Afore XXI Banorte (2)	335	263	282	7%	(16%)
Insurance (7)	144	338	478	41%	232%
Annuities (7)	25	65	55	(15%)	123%
<b>Other Finance Companies</b>	<b>113</b>	<b>(81)</b>	<b>142</b>	<b>(277%)</b>	<b>26%</b>
Leasing and Factoring	131	174	171	(2%)	30%
Warehousing	13	3	9	245%	(32%)
Ixe Automotriz (5)	11	-	-	-	(100%)
Fincasa Hipotecaria (3)	(24)	-	-	-	(100%)
Sólida Administradora de Portafolios (former Ixe Soluciones) (6)	(18)	(257)	(38)	(85%)	114%
<b>Other Companies</b>					
Ixe Servicios	(0)	1	(0)	(101%)	(86%)
<b>G. F. Banorte (Holding)</b>	<b>(109)</b>	<b>(72)</b>	<b>(18)</b>	<b>(74%)</b>	<b>(83%)</b>
<b>Total Net Income</b>	<b>3,140</b>	<b>3,622</b>	<b>3,628</b>	<b>0%</b>	<b>16%</b>

- 1) Considering a participation of 97.87% as of 1Q14. Since 4Q09 until 1Q13 GFNorte held a participation of 92.72%, reflecting the investment by the IFC in Banco Mercantil del Norte. In 1Q13 held a participation of 97.2% and in 2Q13 of 97.50%
- 2) Since 1Q12, Afore XXI Banorte is recognized under the equity participation method with Banco Mercantil del Norte. However, for informational and comparison purposes, the Net Income of Afore XXI Banorte is presented in the corresponding business segment.
- 3) Ixe Banco and Fincasa Hipotecaria were merged into Banco Mercantil del Norte, becoming effective since May 24, 2013. The presented results correspond to previous periods of that date.
- 4) Since 1Q12 Banorte – Ixe Tarjetas, SOFOM consolidates with Banco Mercantil del Norte.
- 5) Ixe Automotriz was merged into Arrendadora y Factor Banorte, becoming effective since May 7 2013. The results presented correspond to previous periods of that date.
- 6) On April 26, 2013, it was approved that Banco Mercantil del Norte divested its interest in Sólida, through a spin-off, and subsequently absorbed by Ixe Soluciones, in order to consolidate the recovery banking operations. Afterwards, Ixe Soluciones changed its name to Sólida Administradora de Portafolios. The merger and spin-off were effective on May 24, 2013.
- 7) As of October 4, 2013, Seguros Banorte and Pensiones Banorte consolidate 100% in Grupo Financiero, due to the acquisition of the 49% minority stake that Assicurazioni Generali S.p.A. had in these companies.

Share Data	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
Earnings per share (1) (Pesos)	1.35	1.31	1.31	0%	(3%)
Dividend per Share (Pesos) (3)	0.18	0.59	-	NA	NA
Dividend Payout (Recurring Net Income)	20.0%	20.0%	-	NA	NA
Book Value per Share (2) (Pesos)	36.28	38.45	40.14	4%	11%
Total Shares Outstanding (Million Shares)	2,326.4	2,773.7	2,773.7	0%	19%
Stock Price (Pesos)	98.68	91.36	87.83	(4%)	(11%)
P/BV (Times)	2.72	2.38	2.19	(8%)	(20%)
Market Capitalization (Million Dollars)	18,571	19,367	18,661	(4%)	0%
Market Capitalization (Million Pesos)	229,565	253,408	243,617	(4%)	6%

- 1) As of 3Q13, earnings per share calculations consider the new number of shares resulting from the increase in GFNorte's equity following the Public Offering, and are not therefore comparable with previous periods.
- 2) Excluding Minority Interest.
- 3) The Shareholders' Meeting held on December 20, 2013 approved to modify the First Resolution of the Assembly held on October 14, 2013, in order to make advanced payments on December 31, 2013 of the dividend that would be disbursed on January 23, 2014 and April 23, 2014 amounting to Ps 0.1983 per share, respectively. The fourth and last disbursement will not be paid in advance and will be disbursed on July 23, 2014

**SHARE PERFORMANCE**  
2006-2014



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

## SUMMARY OF RESULTS

**México D.F., April 24, 2014.** Today, Grupo Financiero Banorte (GFNORTE) reported results at the closing of March 2014. GFNORTE registered profits of Ps 3.63 billion, 16% higher YoY vs. 1Q13 due to the operating leverage obtained from the 2% YoY growth in total income and the decrease in operating expenses which offset the increase in provisions and taxes; the YoY growth is also due to the decrease in minority interest resulting from the purchase of Generali's participation in the insurance and annuities companies, coupled with their favorable business dynamics. **Net income increased by Ps 5.5 million, + 0.2% vs. 4Q13** mainly as a result of higher non-interest income, lower operating expenses, and favorable business dynamics in the Afore, the insurance company and the credit card unit (Banorte Ixe Tarjetas), offsetting higher provisions and taxes.

Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed with 58% of GFNORTE's profits, or Ps 2.11 billion, a YoY growth of 3%.

During 1Q14, **ROE was 13.3%**, a YoY decrease of (179) bp vs. 1Q13 (due to the dilution effect of the equity offering in July 2013), whereas **ROA was 1.4%**, a YoY increase of 7 bp vs. 1Q13.

- **Deposits and Net Interest Income**

**Core deposits grew 16% YoY in 1Q14**, driven mainly by efforts to promote Banorte-Ixe's deposit products, as well as the significant increase registered in client account balances since the end of 2013, mainly in Government banking. A YoY increase of 24% in Demand Deposits and 4% in Retail Time Deposits was registered, and as a result, core deposits grew by Ps 54.44 billion from \$331.16 billion in 1Q13 to **Ps 385.60 billion in 1Q14**. During the quarter, core deposits remained at the same level as in 4Q13 due to seasonal effects registered at the beginning of each year, although this effect was of lesser magnitude than in previous years.

**Net Interest Income** during the first quarter of 2014 amounted to Ps 9.53 billion, 11% higher YoY due to better loan mix, higher loan origination fees and lower funding costs, which offset the decline in net interest income of the insurance and annuities companies. Net Interest Income decreased (1%) QoQ vs. 4Q13 mainly due to seasonal effects resulting in fewer days in the quarter, as well as to the decrease in NII for the insurance and annuities companies.

- **Loan Portfolio**

**At the close of 1Q14, Total Performing Loans had a YoY growth of 6%**, increasing by Ps 22.96 billion and amounting to Ps 427.56 billion. The Loan portfolio registered lower growth rates YoY mainly due to the economic slowdown, as well as to prepayments received from corporate clients which were not fully offset by the origination of new loans in this segment. Nonetheless, the performing loan portfolio keeps growing at a faster pace than the economy. Total Performing Loans increased 1% QoQ, as a result of growth in Government, Payroll, Mortgage and Car loan portfolios, which offset the prepayments received in the Corporate portfolio during the quarter.

**Commercial** loans totaled Ps 112.39 billion, a YoY growth of 6%, mainly on the back of increased placement of Crediactivo loans, leasing and middle market company loans; on a QoQ basis, commercial loans declined (1%) due to reduced demand as a result of seasonal effects. **Corporate** loans totaled Ps 73.24 billion, decreasing (15%) and (3%) vs. 1Q13 and 4Q13, respectively, both reductions were the result of the payment or classification to past due loans of some loans to home developers, as well as prepayments received from some clients who used the proceeds from capital market transactions to pay their liabilities. **Government** loans at the close of March 2014 were Ps 98.63 billion, representing increases of 10% YoY and 3% QoQ as a result of ongoing efforts to continue meeting the demand for loans in this segment, including some federal government entities.

**Consumer** loans, including mortgages, increased 17% YoY and 2% QoQ. **Mortgage** loans maintained their rising trend to closing with a balance of Ps 82.97 billion, 12% higher YoY and 1% above QoQ. Growth was achieved despite a very competitive environment. **Payroll** loans amounted to Ps 28.37 billion, increasing 42% YoY and 8% QoQ, as a result of growth in the number of Banorte-Ixe payroll account holders, campaigns to promote the product and cross-sell efforts with clients through various channels; in addition, in March 2014, Banorte acquired a payroll loan portfolio from another institution. **Car loans** grew 9% YoY and 1% QoQ totaling Ps 11.53 billion at the close of 1Q14, driven by promotional campaigns through various channels, cross-sell efforts to clients and alliances with car dealerships. **Credit cards** totaled Ps 20.25 billion at the close of 1Q14, representing a YoY growth of 14% and remained practically the same as in 4Q13 due to seasonal effects. YoY growth was due to portfolio management strategies, promotional campaigns of Banorte-Ixe products and greater cross-sell efforts.

The Group's **Past Due Loan Ratio was 3.0% at the close of 1Q14**, 0.9 pp above YoY vs. 1Q13 and (0.13 pp) lower QoQ vs. 4Q13. The YoY increase was due to higher Past Due Loan ratios in all segments, except payroll loans, commercial and

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

government. Excluding past due balances of the three troubled home developers, the **NPL ratio would be 1.7%**, 40 bp lower YoY and 20 bp higher QoQ vs. 4Q13, mainly due to seasonal effects that negatively impact the collection efforts of some loans.

GFNORTE closed 1Q14 with past due loans amounting to Ps 13.15 billion, 52% higher YoY vs. 1Q13, mainly due to the increase in Corporate past due loans - especially from home developers - coupled with growth in past due loans in SMEs, Mortgage, Credit cards, Payroll and Car loans, due to the negative impact of the economic slowdown and seasonal effects. QoQ Past Due Loans declined (4%), mainly due to a decrease in the past due loans of the Corporate, Payroll, and Car loan portfolios. The Group's loan loss coverage ratio was 105.8% at the close of 1Q14, (31.7 pp) lower YoY and 1.1pp higher QoQ vs. 4Q13.

- **Efficiency**

**The Efficiency Ratio improved and was 48.5% during 1Q14**, (5.4 pp) below YoY and (4.3 pp) lower QoQ vs. 4Q13 due to the positive operating leverage obtained in the period.

- **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 15.24% at the close of 1Q14, with a Tier 1 ratio of 13.07% and a Core Tier 1 ratio of 12.0%.

- **Other Subsidiaries**

During 1Q14, **Long Term Savings**, comprised of Afore XXI Banorte, Insurance and Annuities companies, reported Ps 815 million in earnings, 62% higher YoY vs. 1Q13 and 22% higher QoQ vs. 4Q13. YoY growth was due to better business dynamics in the insurance and annuities companies, whereas QoQ growth was attributed to the increased net income of Afore XXI Banorte and the Insurance Company. Additionally, YoY growth was also driven by reduction in minority interest resulting from the purchase of Generali's 49% participation in the Insurance and Annuities companies in October 2013.

**Banorte - Ixe Tarjetas**, subsidiary of Banco Mercantil del Norte, reported profits of Ps 376 million during 1Q14, 43% higher YoY vs. 1Q13 and 12% above QoQ vs. 4Q13. The YoY increase was mainly due to an improvement in revenues due to higher loan volumes, whereas the QoQ growth derived from higher revenues and lower operating expenses.

**The Brokerage Sector** (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) reported profits of Ps 203 million during 1Q14, a YoY decrease of (17%) vs. 1Q13 derived from lower net fees and trading revenues that were not offset by a higher net interest income from repo operations and a lower level of non-interest expenses. On a QoQ basis, profits increased 32% driven by higher net interest income and trading revenues, which offset a decline in net fees, higher non-interest expense and taxes.

**Sofom and Other Finance Companies**, comprised of Arrendadora y Factor Banorte, Almacenadora Banorte and Solida Administradora de Portafolios (which was spun-off from Banco Mercantil del Norte to merge into Ixe Soluciones in May 2013), recorded profits in 1Q14 of Ps 142 million.

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

## RECENT EVENTS

- **GFNorte reached an agreement with Corporación GEO to restructure its liabilities.**

On March 20, 2014 GFNORTE informed that as a follow-up to past information disclosed to the investment community regarding the Group's exposure to the home developers facing financial problems, Corporación GEO announced that day that after several months of negotiations with its main creditors, it had reached a general agreement with a group of 6 banks, including GFNORTE, in order to restructure its liabilities. As a result of this agreement, GEO filed for "bankruptcy with previous restructuring" (concurso mercantil con plan de reestructura previo) in order to achieve a financial restructuring to enable the company to continue operating. As part of the agreements between GEO and its creditor banks, the funding lines available to the company may be reactivated if it complies with the terms and conditions of the restructuring agreement

In this regard, as of March 31, 2014 the Financial Group's loan exposure to the three troubled home developers (Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V.) amounted to Ps 6.88 billion, 21.0% lower the previous quarter mainly due to the settlement of a past due loan. The three companies represent 1.6% of our total loan portfolio compared to the 2.0% these represented in December 2013. Of these loans, Ps 5.73 billion are past due, decreasing by Ps 1.27 billion in 1Q14.

- **Prepayment of Subordinated Obligations.**

As part of the use of proceeds from the Public Offering carried out in July 2013, on April 21, Banorte settled the Preferred and Non-Convertible Subordinated Obligations for an amount of Ps 2.2 billion. These 10 year term obligations were issued on March 30, 2009, maturing on March 18, 2019, and paid TIIE + 2.00%. This prepayment will reduce Banorte's servicing cost as well as improve its equity profile, as these instruments have lost effectiveness to compute as regulatory capital, and were replaced by better quality capital.

- **Credit Ratings.**

Fitch upgraded GFNorte's, Banorte's and other subsidiaries' international and national long-term ratings with Stable outlook.

On March 21, 2014 Fitch Ratings **upgraded** GFNorte's and other subsidiaries' international and national long-term ratings, as a result of its annual review, maintaining a stable outlook.

The upgrade in GFNORTE'S ratings considered its consolidating franchise, the improved business profile after recent acquisitions and the elimination of double leverage after the public offering. As for Banco Mercantil del Norte, the upgrade was driven by the material improvement in the bank's capital structure, strengthening business, growing competitive position, adequate financial performance and revenue diversification. Ratings for GFNorte's subsidiaries Arrendadora y Factor Banorte, Almacenedora Banorte and Casa de Bolsa Banorte Ixe were improved given their core role in GFNorte's strategy and business profile.

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

The detailed ratings granted by Fitch are as follows, all of them with stable outlook:

Entity	Scale	Category	From:	To:
GFNORTE	Global	Viability	bbb	bbb+
		Support	5	
		Support rating floor	NF	
		Long-term foreign and local currency IDRs	BBB	BBB+
		Short-term foreign and local currency IDRs	F2	
Banorte	Global	Viability	bbb	bbb+
		Support	2	
		Support rating floor	BBB-	
		Long-term foreign and local currency IDRs	BBB	BBB+
		Short-term foreign and local currency IDRs	F2	
	National	Long-term	AA+ (mex)	AAA (mex)
		Short-term	F1+ (mex)	
		Long-term - Subordinated unsecured debt (BANORTE 09)	A+ (mex)	AA- (mex)
Arrendadora y Factor Banorte	National	USD 120 million junior subordinated debt	BB-	BB
		Long-term	AA+ (mex)	AAA (mex)
		Short-term	F1+ (mex)	
		Long-term - Senior unsecured debt	AA+ (mex)	AAA (mex)
Almacenadora Banorte	National	Short-term - Senior unsecured debt	F1+ (mex)	
		Long-term	AA+ (mex)	AAA (mex)
Casa de Bolsa Banorte Ixe	National	Short-term	F1+ (mex)	
		Long-term	AA+ (mex)	AAA (mex)

- “Del Sol” and “Woolworth” became part of our third party correspondents.

After obtaining the CNBV authorization, in March “Del Sol” and “Woolworth” started to receive Banorte and Ixe credit card payments under the third party correspondent scheme. Banorte and Ixe clients and accountholders will be able to pay in real time their credit cards 365 days of the year in more than 70 stores located in 18 different states of the country.

- **Recognitions.**

In February, Operadora de Fondos Banorte Ixe received the award of Best Aggressive-Mixed Fund in Mexico 2014 by Morningstar.

- **Organizational Changes.**

**Luis Fernando Orozco Mancera** has been appointed Chief Credit Officer reporting directly to the CEO. He will be responsible for credit planning, evaluation, management and follow-up. Luis Fernando has a solid background in the financial sector with more than 28 years' experience. He has been working in Banorte since 2004, and was Managing Director of Asset recovery. Previously, he worked for Citibank Mexico as Executive Director of Transactional Products, Corporate Banking, and Multinational Banking, among others. In the First National Bank of Chicago he was Director of Corporate Finance. He is an Industrial Engineer by the Universidad Iberoamericana and holds an MBA from Harvard Business School.

Last February, **Juan Jesús Viteri Álvarez** was appointed as Managing Director of Internal Communication, in charge of aligning and integrating the communication efforts among the different areas in the organization. This position reports directly to the Chief Operating Officer, Rafael Arana de la Garza. Juan Viteri has vast experience in the Mexican financial sector with more than 24 years in different financial groups and more than 15 years as Director in various commercial areas of GFNorte. He holds a degree in Business Management from Universidad Tecnológica de México (UNITEC) and post-graduate studies from The Graduate School of Banking, Instituto Panamericano de Alta Dirección de Empresas (IPADE) and Kellogg School of Management.

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

Last March, **Ursula Wilhelm** was appointed as Head of Investor Relations and Financial Intelligence, reporting directly to the CFO, David Suárez Cortazar. Ursula has vast experience in the financial sector and has been an executive in GFNorte in the last 8 years holding different positions, such as: Deputy Managing Director of Planning and Business Management for Wholesale Banking, and Deputy Managing Director of Strategic Planning. Formerly, she was Executive Director of Standard and Poor's Rating Services with responsibilities in the financial industry. She holds a degree in Business Management and an MBA from the University of Texas at Austin. Additionally, **Mariana Amador** was appointed Director of Investor Relations. Mariana has been an executive in Investor Relations in GFNorte for the past 4 years.

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

## GRUPO FINANCIERO BANORTE

The financial information presented in this Quarterly report has been calculated in pesos, figures resulting from arithmetic operations are rounded.

### • Net Interest Income

Net Interest Income (Million Pesos)	1Q13	4Q13	1Q14	Var. Vs.	
				QoQ	YoY
Interest Income	16,143	16,239	<b>16,296</b>	0%	1%
Interest Expense	8,064	7,360	<b>7,223</b>	(2%)	(10%)
Loan Origination Fees	328	429	<b>338</b>	(21%)	3%
Fees Paid	83	84	<b>85</b>	1%	3%
<b>GFNORTE's Net Interest Income excluding Insurance and Annuities Co.</b>	<b>8,324</b>	<b>9,223</b>	<b>9,326</b>	<b>1%</b>	<b>12%</b>
Insurance and Annuities-Interest Income	612	716	<b>733</b>	2%	20%
Premium Income (Net)	4,971	4,145	<b>4,971</b>	20%	(0%)
Insurance and Annuities-Interest Expense	27	3	<b>3</b>	(7%)	(89%)
Net Increase in Technical Reserves	3,033	2,397	<b>3,109</b>	30%	3%
Damages, Claims and Other Obligations (Net)	2,235	2,081	<b>2,385</b>	15%	7%
<b>Insurance and Annuities Net Interest Income</b>	<b>289</b>	<b>381</b>	<b>206</b>	<b>(46%)</b>	<b>(29%)</b>
<b>GFNorte's Net Interest Income</b>	<b>8,613</b>	<b>9,604</b>	<b>9,532</b>	<b>(1%)</b>	<b>11%</b>
GFNorte's Provisions	2,073	1,833	<b>2,380</b>	30%	15%
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>6,540</b>	<b>7,771</b>	<b>7,152</b>	<b>(8%)</b>	<b>9%</b>
Average Interest Earning Assets	853,303	904,220	<b>926,180</b>	2%	9%
<b>Net Interest Margin (1)</b>	<b>4.0%</b>	<b>4.2%</b>	<b>4.1%</b>	<b>(0.1 pp)</b>	<b>0.1 pp</b>
<b>NIM after Provisions (2)</b>	<b>3.1%</b>	<b>3.4%</b>	<b>3.1%</b>	<b>(0.3 pp)</b>	<b>0.0 pp</b>

1) NIM = Annualized Net Interest Margin / Average Interest Earnings Assets.

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

During 1Q14, GFNORTE's **Net Interest Income** grew 11% YoY going from Ps 8.61 billion to **Ps 9.53 billion** due to the combined effect of the following:

- A 12% increase in net financial revenues and loan origination fees resulting from the 6% YoY growth of the loan portfolio mainly in higher yielding products such as Mortgages, Payroll loans, Credit Cards and SMEs.
- A lower cost of funding due to the +16% YoY growth in core deposits, mainly in demand deposits, resulting in a (10%) decrease in Interest Expenses.
- A decrease of 100 bp in the benchmark rate during the last 12 months.
- The payment on August 26, 2013 of Ixe's perpetual subordinated notes with a fixed annual rate of 9.75% in US dollars.
- Cancellation of the debt servicing cost of GFNORTE's US 800 million dollar syndicated loan disbursed in February 2013 and paid on July 26 of the same year.
- A (29%) decrease in the NII of the Insurance and Annuities Companies due to an increase in Technical Reserves, Damages and Claims.

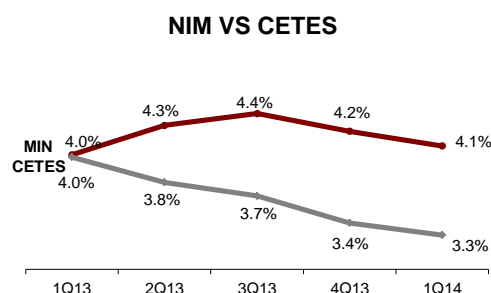
GFNORTE's Net Interest Income decreased (1%) vs. 4Q13, due to seasonal effects. This decrease is a result of the combined effect of the following:

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

- a) A (46%) decrease in NII of the Insurance and Annuities Companies mainly due to the increase in Damages and Claims, as well as Technical Reserves.
- b) Fewer fees charged for loan origination.
- c) Less Interest Expenses due to a reduction in funding costs.
- d) A marginal increase in Interest Income stemming from the increase in Cash and Due from Banks and Investment in Securities, which offset the decrease in interest charged in the loan portfolio.

### During 1Q14:

- i) **Net Interest Income related to lending activity in 1Q14** grew 12% YoY vs. 1Q13 and decreased (1%) QoQ vs. 4Q13 due to seasonal effects, resulting in lower fees charged for loan origination and less interest income from loan portfolios.
- ii) Net Interest Income **excluding the Insurance and Annuities Companies** increased 12% YoY and 1% QoQ going from Ps 8.32 billion to Ps 9.33 billion.
- iii) **The average NIM for 1Q14 was 4.1%**, 8 bp higher YoY vs. 1Q13 and (13) bp lower QoQ vs. 4Q13. The YoY increase was due to growth in higher yielding loans (the consumer portfolio represented 14% of the total portfolio at the end of 1Q14 vs. 12% in 1Q13).
- iv) **The average NIM excluding Insurance and Annuities Companies** was 4.3%, a YoY increase of 16 bp vs. 1Q13 and a QoQ decrease of (5) bp vs. 4Q13.
- v) **NIM related to lending activity** was 7.9% in 1Q14, 47 bp higher YoY vs. 1Q13 and (21) bp lower QoQ vs. 4Q13.
- vi) **NIM for the Banking Sector** was 4.7% in 1Q14, 16 bp higher YoY and (18) bp lower QoQ.



### • Provisions

**During 1Q14 Provisions charged to results totaled Ps 2.38 billion**, a YoY increase of 15% vs. 1Q13 and 30% vs. 4Q13. The YoY increase is explained by higher requirements in Payroll, Mortgage, Commercial (mainly SME) and Government portfolios; in almost all the cases (except Government), the increase resulted from the the negative impact of the economic slowdown. The QoQ increase is mostly due to higher provisions in the SME, Middle market companies, Mortgage, Payroll and Government loan portfolios, derived from seasonal effects and also due to the economic slowdown that persisted during the quarter.

**The average NIM adjusted for Credit Risks was 3.1% in 1Q14**, 2 bp higher YoY, stemming from the growth in Net Interest Income due to a better portfolio mix in higher yielding segments, which offset the YoY increase in provisions. NIM adjusted for Credit Risks declined (35) bp QoQ vs. 4Q13 derived from the combined effect of higher provisions during the quarter and the slight decrease in Net Interest Income.

**Loan loss provisions represented 25% of Net Interest Income** in 1Q14, a YoY increase of 0.9 pp vs. 1Q13 and 5.9 pp vs. 4Q13.

**Annualized loan loss provisions in 1Q14 accounted for 2.2% of the average loan portfolio**, a YoY increase of 18 bp vs. 1Q13 and 48 bp vs. 4Q13.

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

• **Non-Interest Income**

<b>Non Interest Income</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Services	1,708	1,895	<b>1,941</b>	2%	14%
Recovery	238	145	<b>40</b>	(72%)	(83%)
Trading	2,132	1,405	<b>1,936</b>	38%	(9%)
Other Operating Income (Expense)	1,116	364	<b>673</b>	85%	(40%)
<b>Non Interest Income</b>	<b>5,194</b>	<b>3,809</b>	<b>4,590</b>	<b>21%</b>	<b>(12%)</b>

<b>Non Interest Income</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
<b>Fees Charged on Services</b>	<b>2,897</b>	<b>3,167</b>	<b>2,967</b>	<b>(6%)</b>	<b>2%</b>
Fees for Commercial and Mortgage Loans	2	3	<b>3</b>	10%	49%
Fund Transfers	119	155	<b>146</b>	(6%)	23%
Account Management Fees	313	375	<b>351</b>	(7%)	12%
Fiduciary	78	95	<b>82</b>	(14%)	6%
Income from Real Estate Portfolios	238	145	<b>40</b>	(72%)	(83%)
Electronic Banking Services	885	1,076	<b>1,034</b>	(4%)	17%
For Consumer and Credit Card Loans	510	685	<b>676</b>	(1%)	33%
Fees from IPAB (1)	-	-	-	-	-
Other Fees Charged (2)	752	632	<b>635</b>	1%	(16%)
<b>Fees Paid on Services</b>	<b>951</b>	<b>1,127</b>	<b>986</b>	<b>(13%)</b>	<b>4%</b>
Fund transfers	15	11	<b>13</b>	19%	(13%)
Other Fees Paid	935	1,116	<b>972</b>	(13%)	4%
Expenses from Real Estate Portfolios	-	-	-	-	-
<b>Net Fees</b>	<b>1,946</b>	<b>2,040</b>	<b>1,981</b>	<b>(3%)</b>	<b>2%</b>
<b>Trading Income</b>	<b>2,132</b>	<b>1,405</b>	<b>1,936</b>	<b>38%</b>	<b>(9%)</b>
Subtotal Other Operating Income (Expenses) (3)	237	317	<b>192</b>	(39%)	(19%)
Non Operating Income (Expense), net (4)	708	(100)	<b>298</b>	(399%)	(58%)
Other Operating Income (Expense) from Insurance and Annuities (5)	172	146	<b>183</b>	25%	7%
<b>Other Operating Income (Expenses)</b>	<b>1,116</b>	<b>364</b>	<b>673</b>	<b>85%</b>	<b>(40%)</b>
<b>Non Interest Income</b>	<b>5,194</b>	<b>3,809</b>	<b>4,590</b>	<b>21%</b>	<b>(12%)</b>

1) Includes Fees received by asset recovery services from IPAB.

2) Includes fees from letters of credit, transactions with pension funds, warehousing services, 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).

**Non-Interest Income amounted to Ps 4.59 billion in 1Q14**, a (12%) YoY decrease vs. 1Q13 and a 21% QoQ increase. The YoY decline was due to a decrease in Other Operating Income (Expenses), lower Real Estate Portfolio Recoveries and Trading revenues. These were not offset by the growth in Service Fees. The QoQ growth stemmed from higher

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

Trading Revenues, Other Operating Income (Expenses) and Service Fees, offsetting the decline in Real Estate Portfolio Recoveries.

- **Service Fees**

As a result of Afore Banorte's merger with Afore XXI in January 2012, the results of Afore XXI Banorte are included in those of Banco Mercantil del Norte (which has a 50% interest in the Afore, and as of 2013 also includes the results of the Afore Bancomer aquisition) using the equity participation method. The change in the way the Afore's results are reported, means that as of this quarter, income from fees generated by this company is no longer reported under Service Fees.

**During 1Q14, Service Fees amounted to Ps 1.94 billion**, a 14% YoY increase due to better business dynamics. The YoY growth is due to the combined effect of:

- i) A 33% increase in consumer loan fees and credit card fees due to more client transactions and cardholders,
- ii) A 17% increase in electronic banking fees due to more business transactions and payroll services, as well as the usage of our ATMs by customers of other banks,
- iii) A 12% increase in Account Management Fees due to more accounts and higher membership fees in some segments,
- iv) A 23% growth in fund transfer revenues due to higher volumes,
- v) A (16%) decrease in Other Fees Charged derived mainly from lower revenues related to restructured loans, and
- vi) A 4% increase in Fees Paid driven by higher interbank fees, commissions paid to insurance brokers and foreign payment orders.

**Service Fees increased 2% vs. 4Q13** due to the QoQ (13%) reduction in Fees Paid to insurance brokers, interchange fees and debt structuring fees, which offset the seasonal decline in other items of fees charged for various services.

- **Trading**

**Trading revenues in 1Q14 totaled Ps 1.94 billion**, representing a (9%) YoY decrease vs. 1Q13 and a 38% QoQ increase vs. 4Q13. The YoY decrease was due to lower securities and derivatives trading revenues of Banorte and the Annuities Company, as well as slightly lower results in FX revenues, offsetting the increase in valuation gains at the Insurance and Annuities Companies, as well as Banorte. Favorable market conditions during 1Q14 resulted in a QoQ growth in all trading items, especially in valuation gains of Banorte, revenues from securities and derivatives trading of Banorte and the Insurance Company, as well as in FX trading.

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) (Million Pesos)	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
<b>Subtotal Other Operating Income (Expenses)</b>	<b>237</b>	<b>317</b>	<b>192</b>	<b>(39%)</b>	<b>(19%)</b>
Loan Recovery	276	346	<b>241</b>	(30%)	(13%)
Income from foreclosed assets	(50)	2	<b>(100)</b>	N.R.	102%
Other Operating Income	67	39	<b>129</b>	230%	91%
Other Operating Income (Expense)	(58)	(70)	<b>(77)</b>	11%	35%
<b>Non Operating Income (Expense), net</b>	<b>708</b>	<b>(100)</b>	<b>298</b>	<b>(399%)</b>	<b>(58%)</b>
Other Products	448	740	<b>761</b>	3%	70%
Other Recoveries	812	111	<b>318</b>	186%	(61%)
Other (Expenses)	(552)	(950)	<b>(781)</b>	(18%)	41%
<b>Other Operating Income (Expense) from Insurance and Annuities</b>	<b>172</b>	<b>146</b>	<b>183</b>	<b>25%</b>	<b>7%</b>
<b>Other Operating Income (Expenses)</b>	<b>1,116</b>	<b>364</b>	<b>673</b>	<b>85%</b>	<b>(40%)</b>

**Other Operating Income (Expenses) in 1Q14 totaled Ps 673 million**, resulting in a (40%) YoY decrease due to:

- A (61%) decrease in Other Recoveries as a consequence of the extraordinary recovery of an infrastructure project that was registered in 1Q13,
- A 41% increase in Other Expenses as a result of more frauds, higher estimates for irrecoverable losses and shortages in branches, which offset lower damages and other losses,
- A (38%) decrease in the combined revenues from previously written-off portfolios and sale of foreclosed assets, and
- A 35% increase in Other Operating Expenses, mostly related to operating expenses of the Warehousing Company.

The aforementioned could not be offset by the increase in *Other Products* (due to a higher profit in the valuation of future benefits from securitizations, the cancellation of other debtor accounts and greater leasing revenues), in *Other Operating Income* (due to more cancellation of excess preventive estimates) and *Other Income from the Insurance and Annuities Companies*.

On a QoQ basis, this heading presents an 85% growth vs. 4Q13 due to:

- A Ps 207 million increase (+186%) in Other Recoveries,
- A (18%) decrease in Other Expenses due to lower losses and estimates for irrecoverable losses,
- A Ps 90 million increase (+230%) in Other Operating Income resulting from more cancellations of excess preventive estimates,
- A 25% increase in Other Income from the Insurance and Annuities Companies, and
- A 3% increase in Other Products resulting from higher profits in the valuation of future benefits from securitizations, the cancellation of other debtor accounts and an increase in leasing revenues.

The aforementioned offset the (60%) decrease in the combined revenues from previously written-off portfolios and sale of foreclosed assets.

### • Recoveries

**During 1Q14, Non-Interest Income from Recoveries** (including previously written-off proprietary loan portfolio and foreclosed assets classified under "Other Operating Income (Expenses)") **amounted to Ps 498 million**, a (61%) YoY and (17%) QoQ decrease. The YoY decline was largely due to extraordinary recovery of an infrastructure project booked in 1Q13 and the (83%) decrease in real estate portfolio recoveries, including the recognition of income related to investment projects, mainly with home developers currently facing solvency and liquidity problems; whereas the QoQ decline was a result of the (60%) decrease in the combined income of previously written-off portfolios and sale of foreclosed assets, and the (72%) decrease in real estate portfolio recoveries.

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

The amount invested in projects at the end of 1Q14 was Ps 7.15 billion.

• **Non-Interest Expense**

Non Interest Expense (Million Pesos)	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
Personnel	4,009	3,073	<b>3,074</b>	0%	(23%)
Professional Fees	616	867	<b>645</b>	(26%)	5%
Administrative and Promotional	1,055	1,328	<b>1,249</b>	(6%)	18%
Rents, Depreciation & Amortization	787	794	<b>848</b>	7%	8%
Taxes other than income tax & non deductible expenses	443	457	<b>467</b>	2%	5%
Contributions to IPAB	440	484	<b>459</b>	(5%)	4%
Employee Profit Sharing (PTU) (1)	84	82	<b>103</b>	25%	22%
<b>Non Interest Expense</b>	<b>7,434</b>	<b>7,084</b>	<b>6,845</b>	<b>(3%)</b>	<b>(8%)</b>

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

**Non-Interest Expenses in 1Q14 totaled Ps 6.85 billion, an (8%) YoY decrease** stemming mainly from the (23%) decrease in Personnel Expenses, which offset the growth in the following headings:

- i) +Ps 194 million in Administrative and Promotional Expenses (+18%). This growth was driven by more prorated expenses of the bank with subsidiaries, as well as growth in expenses related to business activities such as: insurance linked to the sale of consumer products, merchant services (due to the increased volume in ATMs and POSs usage) and maintenance expenses given the growth in infrastructure, ATMs and equipment,
- ii) +Ps 62 million in rents, depreciations and amortizations (+ 8%) derived from higher expenses on equipment and software, the increase in amortizations due to a higher volume of capitalized projects and higher office rents due to inflationary effects,
- iii) +Ps 29 million in Professional Fees (+ 5%). This increase was due to higher payments for professional services (especially related to portfolio recovery) and for services linked to a greater number of IT requirement to comply with new regulatory requirements,
- iv) +Ps 24 million in Other Taxes and Non Deductible Expenses (5%) due to an increase on taxes linked to Government rights' payments and the 2% payroll tax,
- v) +Ps 20 million in IPAB contributions (+ 4%) driven by the growth in liabilities subject to IPAB fee, mainly deposits, and
- vi) +Ps 18 million in Employee Profit Sharing (+ 22%).

**Non-Interest Expenses decreased (3%) QoQ vs. 4Q13** due to:

- i) (Ps 221) million in Professional Fees paid (-26%). This decrease was due to fewer payments for professional services (related to portfolio recovery, financial statements auditing and Credit Bureau inquiries) and advisory services,
- ii) (Ps 79) million in Administrative and Promotional Expenses (- 6%) due to lower payments related to advertising and promotional campaigns, as well as special events held in 4Q13,
- iii) (Ps 24) million in IPAB contributions (- 5%).

The aforementioned offset the QoQ increase in the following headings: +Ps 54 million in rents, depreciations and amortizations (+7%) due to the amortization of capitalized projects, higher expenses in equipment and software due to the project with IBM and the annual payment of software licenses; +Ps 20 million in Employee Profit Sharing (+25%) and +Ps 10 million in Other Taxes and Non Deductible Expenses (+2%) for payments of property taxes, tax payments related to Governmental rights and higher taxes on financial derivatives transactions.

**The Efficiency Ratio improved and was 48.5% during the first quarter of 2014**, (5.4 pp) below YoY and (4.3 pp) lower QoQ due to the positive operating leverage obtained in the period.

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

- **Taxes**

**Income taxes in 1Q14 totaled Ps 1.5 billion**, 22% higher YoY and 40% above QoQ vs. 4Q13, in both cases due to new tax regulations which came into effect as of January 1, 2014, including: the non-deductibility of loan loss reserves and certain items of employee benefits; the increase also was due a larger profit base. **The effective tax rate and the Employee Profit Sharing in 1Q14 was 32.0%**, which compares unfavorably to the 25.3% in 4Q13 and the 30.0% in 1Q13.

- **Subsidiaries and Minority Interest**

During 1Q14, Subsidiaries and Minority Interest reported Ps 230 million in profits, a favorable result vs. Ps 70 million registered in 1Q13 and Ps 201 million in 4Q13. The YoY growth was due to the reduction in the minority interest of Banorte as a result of the payment made to the IFC for its investment, whereas the QoQ growth stemmed from higher profits of Afore XXI Banorte.

- **Net Income**

**In 1Q14, GFNorte reported a Net Income of Ps 3.63 billion**, a 16% YoY increase vs. 1Q13 due to the positive operating leverage derived from the 2% YoY growth in total income and the decrease in operating expenses, which offset the increase in provisions and taxes; additionally, the YoY growth was also due to the reduction in minority interest resulting from the purchase of Generali's participation in the Insurance and Annuities companies, coupled with favorable business dynamics in these companies. **Net income increased by Ps 5.5 million, + 0.2%, vs. 4Q13** mainly as a result of higher Non-Interest Income, lower operating expenses and favorable business dynamics in the Afore, the insurance company and the credit card unit (Banorte Ixe Tarjetas), offsetting higher provisions and taxes. **In the last 12 months, Net Income amounted to Ps 14.00 billion**, an increase of 21% YoY and 4% QoQ.

In spite of the negative impact of the fiscal reform, underlying operating trends continue to be favorable. **Operating Income presented a 14% YoY increase and 9% QoQ**. If the effective tax rate had not increased due to the new tax regulations, GFNorte would have reported a Net Income of Ps 3.73 billion **applying a normalized effective tax rate and Employee Profit Sharing of 30%**, which would have represented an increase of 19% YoY and 3% QoQ.

**During 1Q14, the Financial Group's core earnings** (net interest income + net fees excluding portfolio recoveries - operating expenses - provisions) **totaled Ps 2.25 billion**, a YoY increase of 176% and a QoQ decline of (13%) vs. 4Q13.

**During 1Q14 ROE was 13.3%**, a YoY decrease of (179) bp vs. 1Q13 (due to the dilution effect of the equity offering in July 2013) and a QoQ increase of 43 bp vs. 4Q13. **Return on Tangible Equity (ROTE) was 16.8%** during 1Q14, (249) bp lower YoY vs. 1Q13 and (76) bp below 4Q13.

#### Return on Tangible Equity (ROTE)

	1Q13	4Q13	1Q14
Reported ROE	15.1%	12.9%	13.3%
Goodwill / Intangibles	\$20,380	\$22,366	\$21,893
Average Tangible Equity	\$59,886	\$76,851	\$83,209
ROTE	19.3%	17.6%	16.8%

**ROA was 1.4%**, 7 bp higher vs. 1Q13 and (4) bp lower vs. 4Q13, whereas the **Return on Risk-Weighted Assets was 3.0%**, the same level vs. 4Q13 and 9 bp higher vs. 1Q13.

#### Return on Risk Weighted Assets (RRWA)

	1Q13	4Q13	1Q14
Reported ROA	1.3%	1.5%	1.4%
Average Risk Weighted Assets	\$392,775	\$444,465	\$461,027
RRWA	2.9%	3.0%	3.0%

**The Banking Sector's (Banco Mercantil del Norte, Banorte - Ixe cards and Banorte USA) profits for 1Q14 totaled Ps 2.49 billion**, contributing with 69% of GFNorte's net income. **ROE was 14.0%**, a YoY decrease of (1.8 pp) vs. 1Q13 and (3.3 pp) vs. 4Q13, both as consequence of the increases in equity. **ROA for the Banking Sector was 1.4%**, a YoY decrease of (0.1 pp) and (0.3 pp) vs. 4Q13.

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)	1Q13	2Q13	3Q13	4Q13	1Q14	Change	
						QoQ	YoY
Tier 1 Capital	53,723	55,092	56,322	58,585	62,555	7%	16%
Tier 2 Capital	10,898	11,699	11,088	11,034	10,383	(6%)	(5%)
Net Capital	64,621	66,791	67,410	69,619	72,938	5%	13%
Credit Risk Assets	299,551	322,445	334,020	338,045	338,507	0%	13%
Net Capital / Credit Risk Assets	21.60%	20.70%	20.20%	20.60%	21.50%	1.0 pp	(0.0 pp)
Total Risk Assets (1)	412,488	451,301	453,743	460,328	478,734	4%	16%
Tier 1	13.02%	12.21%	12.41%	12.73%	13.07%	0.3 pp	0.0 pp
Tier 2	2.64%	2.59%	2.44%	2.40%	2.17%	(0.2 pp)	(0.5 pp)
<b>Capitalization Ratio</b>	<b>15.67%</b>	<b>14.80%</b>	<b>14.86%</b>	<b>15.12%</b>	<b>15.24%</b>	<b>0.1 pp</b>	<b>(0.4 pp)</b>

1. Includes Market and Operational Risks. Without inter-company eliminations.

(\*) The capitalization ratio of the reported last period is estimated

Banorte has fully adopted the capitalization requirements established to date by Mexican authorities and international standards, so-called Basel III, which came into effect as of January 2013.

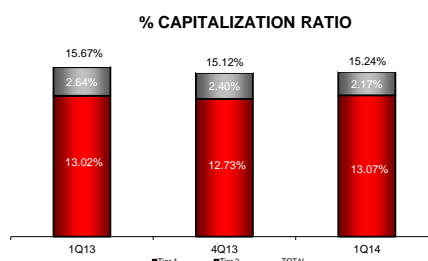
**At the close of 1Q14 Banorte's estimated Capitalization Ratio (CR) was 15.24%** considering credit, market and operational risk and 21.55% if only credit risks are considered. **The Core Tier 1 ratio was 12.00%, Total Tier 1 ratio was 13.07% and Tier 2 was 2.17%.**

The Capitalization Ratio increased by 0.11\*\* pp vs. 4Q13, with the following dynamics:

- |    |   |           |
|----|---|-----------|
| 1. | Growth of profits during 1Q14:                          | +0.61 pp  |
| 2. | Capitalization Initiatives executed in March 2014:      | +0.54 pp  |
| 3. | Valuation of Financial Instruments and Securitizations: | +0.10 pp  |
| 4. | Reserves considered as Tier 2 1):                       | - 0.10 pp |
| 5. | Basel III, change in Subordinated Debt computation:     | - 0.18 pp |
| 6. | Effects of Investment in Subsidiaries and Intangibles:  | - 0.25 pp |
| 7. | Growth in risk assets:                                  | - 0.61 pp |

The Capitalization Ratio decreased 0.43 pp vs 1Q13, showing the following dynamics:

- |     |  |           |
|-----|--|-----------|
| 1.  | Profits Generated during the period:                           | +2.95 pp  |
| 2.  | Effect of the Ixe Banco merger:                                | +1.12 pp  |
| 3.  | Capitalization Initiatives executed in March 2014:             | +0.61 pp  |
| 4.  | Capitalization in December 2013:                               | +0.48 pp  |
| 5.  | Basel III, change in Subordinated Debt computation:            | - 0.09 pp |
| 6.  | Valuation of Financial Instruments:                            | - 0.09 pp |
| 7.  | Change in Investment in Subsidiaries and Intangibles:          | - 0.17 pp |
| 8.  | Reserves considered as Tier 2 1):                              | - 0.33 pp |
| 9.  | Payment of Subordinated Debt issued by Ixe Banco (August '13): | - 0.38 pp |
| 10. | Change of Reserves' Methodology (Expected Losses – June '13):  | - 0.85 pp |
| 11. | Dividends paid:  | - 1.23 pp |
| 12. | Growth in risk assets:   | - 2.45 pp |



1) Loan loss reserves for Financial Intermediaries and Property Investment Projects

\*\* pp: Percentage Points

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

• **Deposits**

**Grupo Financiero Banorte**

<b>Deposits</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Non Interest Bearing Demand Deposits	95,648	123,056	<b>115,013</b>	(7%)	20%
Interest Bearing Demand Deposits (1)	109,146	132,241	<b>138,819</b>	5%	27%
<b>Total Demand Deposits (2)</b>	<b>204,794</b>	<b>255,297</b>	<b>253,832</b>	(1%)	24%
Time Deposits – Retail	126,361	129,121	<b>131,763</b>	2%	4%
<b>Core Deposits</b>	<b>331,155</b>	<b>384,419</b>	<b>385,596</b>	0%	16%
Money Market (3)	83,712	59,729	<b>69,947</b>	17%	(16%)
<b>Total Bank Deposits</b>	<b>414,867</b>	<b>444,147</b>	<b>455,543</b>	3%	10%
<b>GFNorte's Total Deposits (4)</b>	<b>414,898</b>	<b>443,740</b>	<b>455,340</b>	3%	10%
<b>Third Party Deposits</b>	<b>125,004</b>	<b>150,636</b>	<b>142,385</b>	(5%)	14%
<b>Total Assets Under Management</b>	<b>539,871</b>	<b>594,783</b>	<b>597,928</b>	1%	11%

1. Excludes IPAB cash management checking accounts for loan portfolios managed from Banpaís and Bancen. The balances of these accounts to 1Q13, 4Q13 and 1Q14 were Ps 0 million, in all cases.
2. Includes Debit Cards.
3. Includes Bank Bonds (Customers and Financial intermediaries).
4. Includes eliminations between subsidiaries: 1Q13= \$131 million; 4Q13 = (\$407) million; 1Q14 = (\$203) million.

• **Deposits**

**At the close of 1Q14, GFNorte's Total Deposits amounted to Ps 455.34 billion**, a YoY increase of Ps 40.44 billion or 10% YoY vs. 1Q13 and Ps 11.60 billion or 3% QoQ vs. 4Q13, both driven mainly by efforts to promote Banorte-Ixe's deposit products, as well as the significant increase registered in account balances of some clients since the end of 2013, mainly in Government banking. In addition, the YoY seasonal decline in deposit balances at the beginning of the year was of lesser magnitude than in previous years.

In the Banking Sector, Total Deposits amounted to Ps 455.54 billion, representing a 10% YoY increase or Ps 40.68 billion, which is comprised of a 24% increase in Demand Deposits, 4% in Retail Time Deposits and a decrease of (16%) in Money Market Deposits. During the quarter, Total Deposits increased 3%, comprised of a (1%) decrease in Demand Deposits (due to seasonal effects), a 2% increase in Retail Time Deposits and a 17% increase in Money Market Deposits.

• **Demand and Time Deposits**

**At the close of 1Q14, Demand Deposits totaled Ps 253.83 billion**, an increase of Ps 49.04 billion, +24% YoY, driven by a 20% yearly increase in Non-Interest Bearing Deposits as a result of growth in average balances in personal (+11%) and corporate accounts (+23%). Interest Bearing Deposits grew 27% YoY driven by increases in average balances of personal (+15%), and corporate accounts (+58%). Deposits for SMEs, Government, Corporate and Middle market companies recorded a combined YoY growth of 38%.

On a QoQ basis, Demand Deposits declined by (Ps 1.47) billion or (1%) vs. 4Q13, due to the (7%) decrease in Non-Interest Bearing Demand Deposits as a result of seasonal effects, this decrease was not offset by the 5% increase in Interest Bearing Demand Deposits.

**Retail Time Deposits totaled Ps 131.76 billion**, an increase of Ps 5.40 billion or 4% YoY as a result of campaign efforts to place promissory notes with different maturities through the branches; Retail Time Deposits increased QoQ by Ps 2.64 billion or 2% vs. 4Q13.

New corporate accounts increased 19% YoY, as a result of ongoing campaigns.

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

- **Money Market Deposits**

**Money Market Deposits at the close of 1Q14 totaled Ps 69.95 billion**, representing a (16%) YoY decrease, explained by lower funding needs through money market due to growth of core deposits. QoQ grows by 17% in order to meet the needs of asset growth and offset the lack of growth in core deposits.

- **Third Party Deposits**

**In 1Q14, Third Party Deposits totaled Ps 142.39 billion**, a 14% YoY increase. The (5%) QoQ decrease was result of a decline of third parties in external custody and third party securities in private banking.

- **Managed Resources**

**At the close of March 2014, Managed Resources totaled Ps 597.93 billion**, growing by Ps 58.06 billion or 11% YoY mainly due to higher core deposits; QoQ increased by Ps 3.15 million or 1% vs. 4Q13, as a result of higher Money Market balances, which offset the decline in Third Party Deposits.

- **Loans**

<b>Performing Loan Portfolio</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Commercial (1)	106,342	113,795	<b>112,385</b>	(1%)	6%
Consumer	122,445	139,715	<b>143,118</b>	2%	17%
Corporate (1)	85,996	75,690	<b>73,235</b>	(3%)	(15%)
Government	89,584	95,637	<b>98,626</b>	3%	10%
<b>Sub Total</b>	<b>404,367</b>	<b>424,837</b>	<b>427,364</b>	1%	6%
Recovery Bank	227	201	<b>189</b>	(6%)	(17%)
<b>Total</b>	<b>404,594</b>	<b>425,038</b>	<b>427,553</b>	1%	6%

1) In 2Q13 the Commercial Portfolios of Ixe Banco, Arrendadora y Factor Banorte and Fincasa Hipotecaria were reclassified as Corporate portfolios according to Banco Mercantil del Norte's classification criteria for the two loan portfolios; reclassification was made retroactively.

<b>Performing Consumer Loan Portfolio</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Mortgages	74,129	81,833	<b>82,966</b>	1%	12%
Car Loans	10,572	11,412	<b>11,529</b>	1%	9%
Credit Cards	17,723	20,323	<b>20,254</b>	(0%)	14%
Payroll	20,021	26,147	<b>28,369</b>	8%	42%
<b>Consumer Loans</b>	<b>122,445</b>	<b>139,715</b>	<b>143,118</b>	2%	17%

<b>Performing Consumer Loan Portfolio</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Mortgages	74,129	81,833	<b>82,966</b>	1%	12%
Car Loans	10,572	11,412	<b>11,529</b>	1%	9%
Credit Cards	17,723	20,323	<b>20,254</b>	(0%)	14%
Payroll	20,021	26,147	<b>28,369</b>	8%	42%
<b>Consumer Loans</b>	<b>122,445</b>	<b>139,715</b>	<b>143,118</b>	2%	17%

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

- **Total Performing Loans**

**Total Performing Loans increased 6% YoY, growing by Ps 23.0 billion to Ps 427.36 billion at the close of 1Q14**, excluding the proprietary loans managed by the Recovery Bank. The Loan portfolio registered lower growth rates YoY mainly due to the economic slowdown of 2013 and the first months of 2014, as well as to prepayments received from corporate clients, which were not offset by the origination of new loans in this segment. Nonetheless, the Performing Loan portfolio grew at a faster pace than the economy.

**Total Performing Loans increased 1% QoQ vs. 4Q13, growing by Ps 2.53 billion**, as a result of growth in the Government, Payroll, Mortgage and Car loan portfolios, which offset the prepayments received during the quarter in Corporate/Middle market company portfolios.

Portfolio growth by segments was as follows:

- **Individual Loans**

- ✓ **Consumer + Mortgage:** Increased by Ps 20.67 billion or 17% vs. 1Q13 and grew Ps 3.40 billion or 2% QoQ vs. 4Q13 registering a **balance of Ps 143.12 billion at the close of 1Q14** as a result of favorable YoY dynamics in all headings and QoQ in Payroll, Mortgages and Car loans. Derived from the strategy to increase the Consumer portfolio (mainly Payroll loans and Credit Cards), consumer loans ex- Mortgages have increased their proportion within the total loan portfolio from 11.9% to 14.1% in the past 12 months.
- ✓ **Mortgages:** Grew by Ps 8.84 billion or 12%YoY amounting to Ps 82.97 billion, driven by the growth origination of middle-income mortgage loans, the mortgage program with PEMEX, as well as the reactivation of programs for home improvement, construction, remodeling, and payment of liabilities. QoQ, the portfolio grew Ps 1.13 billion or 1% QoQ vs. 4Q13. With respect to new loan production during the first quarter of 2014, 3,411 Mortgage loans worth Ps 4.02 billion were placed, representing a YoY increase of 9%. Banorte had a 16.3% share of the mortgage loan market ranking third; and an 18.0% market share in new mortgage loan production, ranking fourth in the system as of February 2014.
- ✓ **Credit Cards:** **At the close of 1Q14 the portfolio amounted to Ps 20.25 billion**, a YoY increase of Ps 2.53 billion or 14% YoY, and remained practically the same vs. 4Q13 due to seasonal effects, among others. The YoY growth is due to portfolio management strategies, marketing campaigns promoting Banorte-Ixe products and greater cross-sell efforts. New cards for the quarter amounted to 116,533, a YoY increase of 5%. As of March, Banorte-Ixe had 1.78 million cards, an increase of 1%. Transactions grew 6% YoY totaling Ps 12.3 billion in 1Q14, driven by campaigns to promote card usage, as well as a larger number of cardholders and point of sale terminals (POS). The profitability of the credit card portfolio continues to improve due to loan portfolio growth and adequate portfolio risk management. Banorte-Ixe had a 7.1% market share, ranking fourth as of February 2014.
- ✓ **Payroll:** At the close of 1Q14, the portfolio registered a YoY increase of Ps 8.35 billion or 42% YoY and Ps 2.22 billion or 8% QoQ **amounting to Ps 28.37 billion**, as a result of growth in the number of Banorte-Ixe payroll account holders, which totaled 4.52 million, up by 14% YoY, as well as campaigns to promote the product and strategies to cross-sell to clients through various channels; additionally, Banorte acquired a Payroll loan portfolio from another institution in March 2014. New loan production during 1Q14 totaled Ps 9.37 billion or a 40% YoY increase. Also, 266,643 new loans were placed during 1Q14, 22% higher YoY. Payroll loans continue to show robust growth with good asset quality compared to the system's average. Banorte-Ixe held a 19.7% market share, ranking third in the system as of February of 2014.
- ✓ **Cars:** This portfolio grew by Ps 957 million, +9% YoY and by Ps 117 million or 1% QoQ in 1Q14, **totaling Ps 11.53 billion**, driven by promotional campaigns through various channels, cross-sell and alliances with car dealerships. In 1Q14 9,492 new car loans were placed worth Ps 2.08 billion, representing a 1% YoY increase. Profitability of this product remains favorable as a result of higher loan volumes, good asset quality and cross-sell of car insurance, one of the most important products of Seguros Banorte. As of February 2014, Banorte-Ixe ranked fourth in the market, with a 15.5% market share, excluding loans granted by the financing arms of car manufacturers.

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

### II. Loans to Institutions

- ✓ **Commercial:** Commercial loans grew by Ps 6.04 million or 6% YoY and declined by (Ps 1.41) billion or (1%) QoQ vs. 4Q13, reaching a balance of **Ps 112.39 billion** at the end 1Q14. YoY growth resulted from growth in the Crediactivo product, leasing and business loans; whereas the QoQ decrease vs. 4Q13 was due to reduced demand as a result of seasonal effects. **The balance of GFNorte's SME portfolio totaled Ps 32.95 billion**, representing a growth of Ps 2.89 billion or 10% YoY and a QoQ decrease of (Ps 789) million or (2%) vs. 4Q13. Market share in Commercial loans (including corporate loans) was 12.5% as of February 2014, ranking fourth in the system.

#### ✓ SMEs Portfolio Evolution (million pesos)

	1Q13	4Q13	1Q14
<b>Performing Portfolio</b>	\$30,068	\$33,743	\$32,954
<b>% of Performing Commercial Portfolio</b>	28.3%	29.7%	29.3%
<b>% de Total Performing Portfolio</b>	7.4%	7.9%	7.7%
<b>NPL Ratio</b>	4.2%	5.4%	6.8%

- ✓ **Corporate:** At the close of 1Q14, Corporate loans totaled **Ps 73.24 billion**, decreasing by (Ps 12.76) billion or (15%) YoY and (Ps 2.46) billion or (3%) QoQ vs. 4Q13. These decreases are due mainly to the payment or classification to past due of some loans related to home developers, as well as prepayments received from some clients who used the proceeds from capital markets' transactions to pay down bank liabilities. Banorte's corporate credit portfolio is diversified by sectors and regions and shows a low concentration. Banorte's 20 main corporate borrowers account for 9.7% of the total portfolio, decreasing (1.0 pp) vs. 4Q13 and (2.5 pp) vs. 1Q13. The bank's largest corporate loan represents 1.8% of the total portfolio and has an A1 rating, whereas number 20 represents 0.3%.

Through its subsidiaries Banco Mercantil del Norte, Arrendadora y Factor Banorte and Solida Administradora de Portfolios, GFNorte has granted loans, and participated through specialized trust operations, in home development financing. Since 2013, some of the largest companies in this sector have experienced financial difficulties, and three of the largest companies are undergoing a debt restructuring process and have defaulted on their payments. This situation has led to deterioration in the risk profile of these three borrowers. We are currently involved in restructuring negotiations with these companies along with other banks.

On March 20, **Corporación Geo, S.A.B. de C.V.** announced that it had reached a general agreement with its major creditors in order to restructure its liabilities. As a result of this agreement GEO filed for "bankruptcy with previous restructuring" to obtain financial restructuring that will enable the company to continue operating.

**As of March 31, 2014, we had a loan exposure of Ps 6.88 billion to Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V., 21.0% below the previous quarter** mainly due to the payment of a past due loan originally granted to a trust fund. These companies represent 1.6% of our total loan portfolio compared to the 2.0% these represented in December 2013. Of these loans, **Ps 5.73 billion are past due**, decreasing by Ps 1.27 billion in 1Q14. 69% of the total loan portfolio is guaranteed, decreasing vs. 73% of the previous quarter. **Sólida has Ps 9.24 billion in land and investment projects including Ps 553 million in collection rights** compared to Ps 9.18 billion and Ps 553 million in 4Q13.

- ✓ **Government:** At closing of 1Q14, Government loans totaled **Ps 98.63 billion**, representing a growth of Ps 9.04 billion or 10% YoY and Ps 2.99 billion or 3% QoQ as a result of ongoing efforts to continue meeting demand for loans in this segment, including some federal government entities. Banorte's Government portfolio is diversified by sectors and regions, and shows adequate diversification. Banorte's 20 largest Government loans account for 20.0% of the Bank's total portfolio, 0.5 percentage points higher vs. 4Q13 and (0.8 pp) lower vs. 1Q13. The largest Government loan represents 3.2% of the total portfolio (federal government entity), and has an A1 rating, whereas number 20 represents 0.4%. The loan portfolio's risk is adequate as more than 15% of the loans are granted to Federal Government entities, more than 95% of the loan portfolio to States and Municipalities has a fiduciary guarantee (federal budget transfers and local revenues such as payroll tax), and less than 2% of the portfolio loans have short-term maturities. The risk-adjusted profitability of Government Banking is high. As of February 2014 Banorte was the leader in this sector, with 24.0% market share.

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

### • Past Due Loans

**At the close of 1Q14, Past Due loans totaled Ps 13.15 billion**, 52% higher YoY vs. 1Q13, mainly due to an increase in past due loans in the corporate portfolio - especially from home developers-, coupled with growth in past due loans in SMEs, Mortgages, Credit Cards, Payroll and Car loans, derived from the negative impact of the economic slowdown and seasonal effects. QoQ declined (4%), mainly due to a decrease in the past due loans in the Corporate, Payroll, and Car loan portfolios.

Trend in past due balances by segment:

Million pesos	1Q14	Var. Vs. 4Q13	Var. Vs. 1Q13
Credit Cards	1,343	64	267
Payroll	568	(59)	115
Car loans	147	(40)	34
Mortgage	1,101	15	283
Commercial	4,223	834	(514)
Corporate	5,766	(1,317)	4,376
Government	1	(1)	(41)
Total	13,151	(504)	4,520

**In 1Q14, the Past Due Loan Ratio was 3.0%**, 0.9 pp above YoY and (0.13 pp) lower QoQ. The YoY increase was due to higher Past Due Loan ratios in all segments, except payroll loans, commercial and government.

**Excluding the past due loans of the three troubled home developers, the NPL ratio would be 1.7%**, 40 bp below YoY and 20 bp higher QoQ, mainly due to seasonal effects that negatively impact the collection efforts of some loans.

Past due Loan Ratios by segment showed the following trends during the last 12-months:

	1Q13	2Q13	3Q13	4Q13	1Q14
Credit Cards	5.7%	6.0%	6.0%	5.9%	6.2%
Payroll	2.2%	2.4%	2.3%	2.3%	2.0%
Car loans	1.1%	1.4%	1.6%	1.6%	1.3%
Mortgage	1.1%	1.2%	1.3%	1.3%	1.3%
Commercial	4.3%	3.5%	3.9%	2.9%	3.6%
Corporate	1.6%	2.6%	7.5%	8.6%	7.3%
Government	0.0%	0.1%	0.0%	0.0%	0.0%
Total	2.1%	2.2%	3.2%	3.1%	3.0%

**The expected loss of Banco Mercantil del Norte, the Financial group's main subsidiary, represents 2.0% and the unexpected loss 3.3%**, both with respect to the total portfolio at the close of 1Q14. The average of expected loss represents 2.1% during the period of January to March 2014. These ratios were 2.1% and 3.3%, respectively during 4Q13 and 1.5% and 3.2% 12 months ago, retroactively considering the merger of Banorte with Ixe Banco and Fincasa.

**Banco Mercantil del Norte's Net Credit Losses (NCL) accumulated losses for the last 12 months amounted to 1.2%.**

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

Quarterly changes in accounts that affect Non Performing Loans' balances for the Financial Group were:

<b>Past Due Loan Variations</b> (Million Pesos)	
<b>Balance as of December '14</b>	<b>13,655</b>
Transfer from Performing Loans to Past Due Loans	7,061
Portfolio Purchase	0
Renewals	(74)
Cash Collections	(2,317)
Discounts	(103)
Charge Offs	(1,597)
Foreclosures	(32)
Transfer from Past Due Loans to Performing Loans	(3,449)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	1
Fair Value - Ixe	4
<b>Balance as of March '14</b>	<b>13,151</b>

79% of the total loan portfolio is rated as Risk A, 15% as Risk B and 6% as Risk C, D and E combined.

<b>Risk Rating of Performing Loans as of 1Q14-GFNorte</b> (Million Pesos)							
CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	312,167	660		182	306	91	1,520
A2	59,245	278	244	3	285	41	851
B1	23,985	136	87	3	699	11	936
B2	18,837	140	1	16	522	17	696
B3	27,453	389	360	13	267	8	1,037
C1	7,548	202	29	4	260	38	533
C2	5,049	149	7	0	497	70	723
D	15,295	4,272	13	3	1,503	247	6,038
E	2,049	303	-	-	901	97	1,302
<b>Total</b>	<b>471,628</b>	-	-	-	-	-	-
Not Classified	(54)	-	-	-	-	-	-
Exempt	58	-	-	-	-	-	-
<b>Total</b>	<b>471,632</b>	<b>6,528</b>	<b>1,021</b>	<b>223</b>	<b>5,241</b>	<b>620</b>	<b>13,632</b>
<b>Reserves</b>	-	-	-	-	-	-	<b>13,909</b>
<b>Preventive Reserves</b>	-	-	-	-	-	-	<b>277</b>

Notes:

- 1.- The ratings of loans and reserves created correspond to the last day of the month referred to in the Balance Sheet at March 31, 2014.
- 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.
- 3.- The additional loan loss reserves follow the rules applicable to banks and credit institutions.

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

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

(Million Pesos)	Total
Distressed Portfolio	11,429
Total Loans	471,632
<b>Distressed Portfolio / Total Loans</b>	<b>2.4%</b>

- Loan Loss Reserves and Preventive Loan Loss Reserves**

<b>Loan Loss Reserves</b>	<b>1Q14</b>
(Million Pesos)	
<b>Previous Period Ending Balance</b>	<b>14,289</b>
Provisions charged to results	2,258
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	-1,584
Consumer Loans	-737
Mortgage Loans	-316
Foreclosed assets	0
	-2,637
Cost of debtor support programs	-2
Valorization and Others	0
Adjustments	0
<b>Loan Loss Reserves at Period End</b>	<b>13,909</b>

**Loan Loss Reserves at the close of 1Q14 amounted to Ps13.91 billion**, (3%) lower QoQ vs. 4Q13. Moreover, 60% of charge offs and discounts correspond to Commercial, 28% to Consumer and 12% to Mortgages portfolios.

**At the close of 1Q14, the loan loss coverage ratio was 105.8%** (105.2% excluding INB), decreasing (31.7 pp) YoY and increasing 1.1 pp QoQ.

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

## BANKING SECTOR

Banking Sector: Banco Mercantil del Norte, Banorte USA, Banorte- Ixe Tarjetas (since 2Q12), Fincasa (since May 2013) and Afore XXI Banorte (50% ownership).

100% Ownership:

Income Statement and Balance Sheet Highlights-Banking Sector			1Q13	4Q13	1Q14	Change	
(Million Pesos)						QoQ	YoY
Income Statement							
Net Interest Income		8,096	9,053	9,033	(0%)	12%	
Non Interest Income		4,300	3,262	3,457	6%	(20%)	
Total Income		12,396	12,315	12,490	1%	1%	
Non Interest Expense		6,899	6,579	6,374	(3%)	(8%)	
Provisions		2,026	1,800	2,369	32%	17%	
Operating Income		3,471	3,936	3,747	(5%)	8%	
Taxes		982	919	1,209	32%	23%	
Subsidiaries & Minority Interest		348	282	293	4%	(16%)	
Net Income		2,838	3,299	2,831	(14%)	(0%)	
Balance Sheet							
Total Assets		801,363	787,916	860,967	9%	7%	
Performing Loans (a)		391,664	419,830	421,290	0%	8%	
Past Due Loans (b)		7,242	13,317	12,801	(4%)	77%	
Total Loans (a+b)		398,906	433,147	434,092	0%	9%	
Total Loans Net (d)		388,250	419,382	420,586	0%	8%	
Acquired Collection Rights (e)		2,752	1,918	1,702	(11%)	(38%)	
Total Loans (d+e)		391,002	421,300	422,288	0%	8%	
Total Liabilities		723,205	709,990	776,768	9%	7%	
Total Deposits		414,867	444,147	455,543	3%	10%	
Demand Deposits		204,794	255,297	253,832	(1%)	24%	
Time Deposits		210,073	188,850	201,711	7%	(4%)	
Equity		78,158	77,926	84,200	8%	8%	

Financial Ratios Banking Sector	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
Profitability:					
NIM (1)	4.6%	4.9%	4.7%	(0.2 pp)	0.2 pp
NIMafter Provisions (2)	3.4%	3.9%	3.5%	(0.4 pp)	0.1 pp
ROE (4)	15.7%	17.3%	14.0%	(3.3 pp)	(1.8 pp)
ROA (5)	1.5%	1.7%	1.4%	(0.3 pp)	(0.11 pp)
Operation:					
Efficiency Ratio (6)	55.7%	53.4%	51.0%	(2.4 pp)	(4.6 pp)
Operating Efficiency Ratio (7)	3.6%	3.31%	3.1%	(0.2 pp)	(0.5 pp)
Liquidity Ratio (8)	122.6%	98.8%	123.6%	24.7 pp	0.9 pp
Asset Quality:					
Past Due Loan Ratio	1.8%	3.1%	2.9%	(0.1 pp)	1.1 pp
Coverage Ratio	147.1%	103.4%	105.5%	2.1 pp	(41.6 pp)
Past Due Loan Ratio w/o Banorte USA	1.8%	3.1%	3.0%	(0.1 pp)	1.2 pp
Coverage Ratio w/o Banorte USA	147.0%	103.1%	105.0%	1.9 pp	(42.1 pp)
Growth (8)					
Performing Loans (9)	13.9%	8.0%	7.6%	(0.5 pp)	(6.3 pp)
Core Deposits	9.7%	14.5%	16.4%	1.9 pp	6.7 pp
Total Deposits	11.4%	4.4%	9.8%	5.4 pp	(1.5 pp)
Capitalization:					
Net Capital/ Credit Risk Assets	21.6%	20.6%	21.5%	1.0 pp	(0.0 pp)
Total Capitalization Ratio	15.7%	15.1%	15.2%	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.

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

6) Annualized Non-Interest Expenses of the quarter / Total Assets Average

7) Liquid Assets / Liquid 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.**

<b>Net Interest Income-Banking Sector</b>			<b>Change</b>		
	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>QoQ</b>	<b>YoY</b>
<i>(Million Pesos)</i>					
Interest Income	13,793	13,848	<b>14,016</b>	1%	2%
Interest Expense	5,933	5,140	<b>5,236</b>	2%	(12%)
Loan Origination Fees	319	429	<b>338</b>	(21%)	6%
Fees Paid	83	84	<b>85</b>	1%	3%
<b>Net Interest Income</b>	<b>8,096</b>	<b>9,053</b>	<b>9,033</b>	<b>(0%)</b>	<b>12%</b>
Provisions	2,026	1,800	<b>2,369</b>	32%	17%
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>6,070</b>	<b>7,253</b>	<b>6,664</b>	<b>(8%)</b>	<b>10%</b>
Average Interest Earning Assets	763,124	-	-	-	(100%)
<b>Net Interest Margin (1)</b>	<b>4.6%</b>	<b>4.9%</b>	<b>4.7%</b>	<b>(0.2 pp)</b>	<b>0.2 pp</b>
<b>NIM after Provisions (2)</b>	<b>3.4%</b>	<b>3.9%</b>	<b>3.5%</b>	<b>(0.4 pp)</b>	<b>0.1 pp</b>

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 1Q14, Net Interest Income grew 12% YoY going from Ps 8.10 million to Ps 9.03 million, a 15% YoY increase considering only financial revenues and net fees related to loan origination as a result of an 8% growth in performing loans with a better mix, especially in products accretive to Net Interest Income such as payroll, credit cards, SMEs and mortgage loans, as well as a decrease in funding costs.

Derived from seasonal effects, the quarterly Net Interest Income remained the same; furthermore, considering only financial revenues and net fees related to loan origination, Net Interest Income decreased (1%).

The average NIM was 4.7% in 1Q14, 16 bp higher YoY vs. 1Q13 and (18) bp lower QoQ vs. 4Q13; the NIM YoY growth is explained by more growth in Net Interest Income vs. Average Interest Earning Assets due to a better mix and lower cost of funding. The QoQ decline was the result of the combined effect of the decrease in Net Interest Income due to seasonal effects and the growth in Average Interest Earning Assets.

• **Loan Loss Provisions**

In 1Q14 Loan Loss Provisions charged to results totaled Ps 2.37 billion, a YoY increase of 17% vs. 1Q13 and 32% vs. 4Q13. The YoY increase is explained mainly due to higher requirements in Payroll, Mortgage, Commercial (mainly SME) and Government portfolios; in almost all cases (except Government), the increase is explained mainly by the negative impact of the economic slowdown. The QoQ increase is mostly due to higher provisions in the SME, Middle market companies, Mortgage, Payroll and Government loan portfolios, derived from seasonal effects and also due to the economic slowdown during the first months of the year.

The average NIM adjusted for Credit Risks was 3.5% in 1Q14, a YoY increase of 6 bp vs. 1Q13 and a QoQ decrease of 44 bp vs. 4Q13. The YoY increase was due to growth in Net Interest Income as a result of a higher yielding portfolio mix which offset the increase in the YoY provisions, whereas the QoQ decline was the result of the combined effect of increased provisions recorded during the quarter and the slight decrease in Net Interest Income.

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

- Non-Interest Income**

<b>Non Interest Income</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Services	1,806	2,042	<b>1,997</b>	(2%)	11%
Recovery	238	25	<b>6</b>	(77%)	(98%)
Trading	1,310	595	<b>1,048</b>	76%	(20%)
Other Operating Income (Expense)	947	600	<b>406</b>	(32%)	(57%)
<b>Non Interest Income</b>	<b>4,300</b>	<b>3,262</b>	<b>3,457</b>	<b>6%</b>	<b>(20%)</b>

Non-Interest Income in 1Q14, totaled Ps 3.46 billion, a (20%) YoY decrease and a 6% QoQ increase vs. 4Q13. The YoY decline was due to a decrease in Other Operating Income (Expense), lower real estate portfolio recoveries and trading revenues, the aforementioned was not offset by the increase in service fees. QoQ growth was the result of higher trading revenues, which offset the decrease in the other items, especially in Other Operating Income (Expense).

- Non-Interest Expenses**

<b>Non Interest Expense</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
Personnel	3,900	2,933	<b>2,950</b>	1%	(24%)
Professional Fees	529	744	<b>548</b>	(26%)	3%
Administrative and Promotional	825	1,234	<b>1,108</b>	(10%)	34%
Rents, Depreciation & Amortization	731	729	<b>789</b>	8%	8%
Taxes other than income tax & non deductible expenses	392	374	<b>420</b>	12%	7%
Contributions to IPAB	440	484	<b>459</b>	(5%)	4%
Employee Profit Sharing (PTU) (1)	83	82	<b>99</b>	21%	20%
<b>Non Interest Expense</b>	<b>6,899</b>	<b>6,579</b>	<b>6,374</b>	<b>(3%)</b>	<b>(8%)</b>

1. The CNBV issued changes to accounting principles that require the registration of this line in Non-Interest Expenses as from April 2009.

Non-Interest Expenses in 1Q14 totaled Ps 6.37 billion, a decrease of (8%) YoY and (3%) QoQ mainly due to the (24%) decrease in Personnel Expenses, which offset growth in the other items, mainly the increase in Administrative and Promotional expenses (+ 34%).

The Efficiency Ratio for 1Q14 was 51.0%, (4.6 pp) lower YoY and (2.4 pp) QoQ, both decreases were due to the positive operating leverage obtained in the period.

- Net Income**

The Banking Sector (comprised of Banco Mercantil del Norte, Banorte - Ixe Tarjetas, Banorte USA, Fincasa Hipotecaria since its merger in May 2013 and 50% of Afore XXI Banorte) reported net income in 1Q14 of Ps 2.83 billion, the same level vs. 1Q13 and (14%) lower QoQ vs. 4Q13.

Flat growth vs. 1Q13 was mainly due to tax increases; **operating profits grew 8% YoY** due to the operating leverage obtained from the 1% YoY growth in total income and the 8% decrease in Operating Expenses, which offset the increase in Provisions.

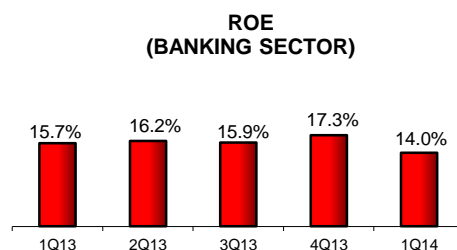
The QoQ decrease was mainly due to seasonal effects affecting Net Interest Income, higher loan loss provisions and taxes, which offset the positive effect of the decrease in Non-Interest Expense and an increase in Non-Interest Income.

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

SOFOM Banorte-Ixe Tarjetas posted a Ps 376 million profit during the year, a 43% YoY growth, representing 10% of the Financial Group's profits.

**ROE for 1Q14 of this sector was 14.0%**, (180) bp lower YoY vs. 1Q13 mainly due to the increases in Banco Mercantil del Norte's equity as part of the strategy to strengthen its capitalization ratio after the acquisition of Afore Bancomer, the mergers with Ixe Bank and Fincasa Hipotecaria and the spin-off of Solida Administradora de Portfolios.

**ROA was 1.4%**, declining by (11) bp YoY.



- **NPL Ratio**

The Banking Sector's Past Due Loan Ratio was 2.9% in 1Q14 (includes INB past due loans), 1.1 pp higher vs. 1Q13 mainly due to past due loans related to home developers and (0.1 pp) lower QoQ vs. 4Q13.

As reported in Mexico, consolidated financial statements for the period ended 31 March 2014

**BANORTE USA**

**I. Banorte USA**

<b>Income Statement– Banorte USA</b>			<b>Change</b>		
<b>Figures in MEX GAAP (Million Pesos)</b>	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>QoQ</b>	<b>YoY</b>
<b>Income Statement</b>					
Net Interest Income	141	150	<b>159</b>	6%	13%
Non Interest Income	127	125	<b>120</b>	(4%)	(5%)
Total Income	267	275	<b>279</b>	1%	4%
Non Interest Expense	193	198	<b>191</b>	(4%)	(1%)
Loan Loss Reserves	15	11	<b>11</b>	(1%)	(26%)
Operating Income	59	66	<b>77</b>	16%	29%
Taxes	19	23	<b>24</b>	9%	32%
Net Income	41	44	<b>52</b>	20%	27%

Under generally accepted Mexican Accounting Principles (MEX GAAP), net Income of Banorte USA (a subsidiary of Banco Mercantil del Norte that owns 100% of Inter National Bank, as well as 100% of remittance companies Uniteller and Motran) was Ps 52 million at the close of 1Q14, increasing 27% YoY, derived mainly from an increase in Net Interest Income, and lower operating expenses and provisions. Net income increased QoQ 20% vs. 4Q13 due to the positive operating leverage obtained in the period. Banorte USA contributed 1.4% of Group's profits in 1Q14

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

<b>Income Statement &amp; Balance Sheet</b>			<b>Change</b>		
<b>Highlights - InterNational Bank</b>	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>QoQ</b>	<b>YoY</b>
<b>Figures in US GAAP (Millon Dollars)</b>					
<b>Income Statement</b>					
Net Interest Income	11	12	<b>12</b>	4%	9%
Non Interest Income	7	4	<b>5</b>	32%	(25%)
Total Income	18	16	<b>17</b>	11%	(3%)
Non Interest Expense	13	12	<b>11</b>	(11%)	(17%)
Loan Loss Reserves	0	0	<b>0</b>	13%	(165%)
Operating Income	5	3	<b>6</b>	91%	23%
Net Income	3	2	<b>4</b>	88%	22%
<b>Balance Sheet</b>					
Investments in Securities	914	658	<b>571</b>	(13%)	(38%)
Performing Loans	696	777	<b>846</b>	9%	22%
Past Due Loans	6	7	<b>6</b>	(15%)	11%
Demand Deposits	960	835	<b>885</b>	6%	(8%)
Time Deposits	739	607	<b>578</b>	(5%)	(22%)
Total Deposits	1,699	1,442	<b>1,463</b>	1%	(14%)
Equity	423	406	<b>420</b>	3%	(1%)

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

<b>Financial Ratios INB</b>	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
<i>Figures in US GAAP (Million Dollars)</i>				<b>QoQ</b>	<b>YoY</b>
<b>Profitability:</b>					
NIM	2.6%	3.3%	<b>3.3%</b>	0.1	0.7
ROE	3%	2%	<b>4%</b>	1.9	0.8
ROA	1%	1%	<b>1%</b>	0.4	0.3
<b>Operational:</b>					
Efficiency Ratio	72.3%	76.4%	<b>61.8%</b>	(14.7)	(10.5)
<b>Asset Quality:</b>					
Past Due Loan Ratio	0.8%	0.9%	<b>0.7%</b>	(0.2)	(0.1)
Coverage Ratio	258.3%	214.2%	<b>254.5%</b>	40.3	(3.8)
<b>Capitalization:</b>					
Leverage Ratio	10.4%	12.9%	<b>12.8%</b>	(0.1)	2.3
Capitalization Ratio	25.1%	23.9%	<b>23.0%</b>	(0.9)	(2.1)

Under Generally Accepted Accounting Principles of the United States (US GAAP), Inter National Bank (INB) posted profits of **US \$4 million in 1Q14**, 22% higher YoY, mainly due to greater net interest income as a result of significant growth in the loan portfolio, as well as lower operating expenses and loan loss provisions. **Net income grew 88% vs. 4Q13** as a result of the positive operating leverage given the growth in net interest income and Non-Interest Income, as well as the decrease in operating expenses.

INB has an investment portfolio of US \$571 million, mainly consisting of mortgage-backed securities, which decreased by US \$343 million or (38%) YoY and by US \$87 million or (13%) QoQ. The underlying mortgages are rated AAA and have an implicit guarantee from the US Government. In 1Q14, the portfolio presented an unrealized valuation loss of US (\$12) million and the weighted average life is 4.9 years.

Total Deposits amounted to US \$1.46 billion, decreasing by US \$236 million or (14%) YoY and growing by US \$21 million or 1% QoQ. Performing Loans totaled US \$846 million, showing an increase of US \$150 million or 22% YoY and US \$69 million or 9% QoQ. Past Due Loans totaled US \$6 million, increasing US \$1 million or 11% YoY and decreasing US 1 million or (15%) QoQ.

Capitalization and Leverage Ratios remain robust. The Capitalization ratio at the close of 1Q14 was 23.0%, and the Leverage ratio was 12.8%. The Past Due Loan ratio declined (0.1) pp YoY and (0.2) pp QoQ to 0.7%; whereas the Coverage ratio was 254.5% decreasing by (3.8) pp YoY and increasing by 40.3 pp QoQ.

With respect to Profitability ratios, ROE during 1Q14 was 4.1%, an increase of 0.8 pp YoY and 1.9pp QoQ. ROA was 0.9% increasing 0.3 pp YoY and 0.4% QoQ. The Efficiency ratio was 61.8%, declining (10.5) pp YoY and (14.7) pp QoQ. NIM in 1Q14 was 3.3%, increasing by 0.7 pp YoY and 0.1 pp QoQ.

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

**III. UniTeller Financial Services (US GAAP)**

<b>Income Statement and Transactions Highlights <i>UniTeller Financial Services</i></b>				<b>Change</b>	
	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>QoQ</b>	<b>YoY</b>
<i>Figures in US GAAP (Thousand Dollars)</i>					
<b>Profitability:</b>					
Revenues	4,306	5,956	<b>6,062</b>	2%	41%
Cost of Sales	2,870	3,790	<b>3,919</b>	3%	37%
Margin	1,436	2,166	<b>2,144</b>	(1%)	49%
Expenses	1,552	1,699	<b>1,634</b>	(4%)	5%
Income before Taxes	(116)	467	<b>509</b>	9%	540%
Net Income	(67)	235	<b>342</b>	45%	610%
<b>Transactions</b>					
# of created transactions (thousand)	867	1,525	<b>1,704</b>	12%	97%

UniTeller Financial Services and Subsidiaries (UFS) recorded profits of US \$342 thousand dollars in 1Q14, which compares favorably to the US \$67 thousand loss in 1Q13, driven mainly by more transactions.

At the close of 1Q14, transactions increased by 97% YoY, derived mainly from the expansion of the processing business, including service to other institutions.

**IV. Sólida USA**

To reduce Classified Assets and achieve levels acceptable to the OCC (INB's regulator in the US), INB sold assets to Banorte and Sólida. These assets are managed by "Sólida USA", Banorte's recovery subsidiary in the US.

Assets Managed by Solida USA in 1Q14 were as follows:

Sólida México (Foreclosed Assets):	US \$ 25 million
Banorte (Foreclosed Loans and Assets):	US \$ 78 million
INB (Classified Assets and Mortgage Portfolio):	US \$ 29 million
<b>Total:</b>	<b>US \$132 million</b>

As a result of adequate management of these assets, INB's ratio of Classified Assets to Equity was 12.4% at the close of 1Q14 an acceptable level for US regulators.

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			
	1Q13	1Q14	Change
(Million Pesos)			1Q13
Net Interest Income	4	7	87%
Loan Loss Provisions	(1)	(2)	22%
Non Interest Income	706	419	(41%)
Non Interest Expense	(222)	(230)	4%
Pre-tax Income & Subsidiaries	486	195	(60%)
Income Tax and Profit Sharing	(139)	(44)	(68%)
<b>Net Income</b>	<b>348</b>	<b>151</b>	<b>(57%)</b>

Assets Under Management	1Q14	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
(Million Pesos)			
<b>Banking Sector Portfolio- Banorte:</b>	<b>51,444</b>	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
<b>Loans purchased and managed:</b>	<b>34,306</b>	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
<b>Investment Projects (1):</b>	<b>7,148</b>	Solida Asset Management and Banorte	Non Interest Income
<b>Total</b>	<b>92,898</b>		

(1) Since May 2011, the business related with Investment Projects is managed by the Wholesale Banking Division.

### • Net Income

**Recovery Banking posted profits of Ps 151 million in 1Q14**, (57%) lower YoY vs 1Q13, mainly due to the decrease in Non-Interest Income as a result of the extraordinary recovery registered in 1Q13. Recovery Bank contributed 4.2% of the Group's profits in 1Q14.

### • Assets Under Management

**In 1Q14 of the Ps 51.4 billion in Banorte total assets** managed by the Recovery Bank, 25% were mortgages, 17% were crediactivo, 13% were payroll, 12% were middle market companies, 9% were credit cards, 9% were foreclosed assets, 7% were car loans, 3% were corporate, 3% were commercial, 1% were personal loans and 1% were affiliates. This portfolio generated gross revenues in 1Q14 of Ps 222 million, 3% higher YoY.

**At the close of 1Q14, of the Ps 34.3 billion in portfolios acquired and managed** by the Recovery Bank, 32% corresponded to mortgage loans, 28% to middle market and commercial loans, 21% to the portfolio managed on behalf of the Mexican mortgage agency SHF, 12% to real estate portfolios and 7% foreclosed assets and payments in kind. These portfolios generated gross revenues of Ps171 million in 1Q14, (68%) lower YoY.

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)	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
<b>Brokerage</b>					
Net Income	245	154	<b>203</b>	32%	(17%)
Shareholder's Equity	3,005	2,569	<b>2,775</b>	8%	(8%)
Assets Under Custody	702,808	647,996	<b>668,015</b>	3%	(5%)
Total Assets	63,249	116,576	<b>85,964</b>	(26%)	36%
ROE	33.9%	25.0%	<b>30.4%</b>	5.4 pp	(3.4 pp)
<b>Net Capital</b>					
Net Capital (1)	2,495	2,053	<b>2,234</b>	9%	(10%)

1) Net capital structure: Tier 1 =Ps 2.23 billion, Tier 2 = Ps 0 million.

### • Net Income

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe) reported profits of Ps 203 million in 1Q14, (17%) lower YoY vs. 1Q13 due to lower net fees and trading revenues that were not offset by a higher net interest income (repo operations) and reduced Non-Interest Expenses. The Brokerage Sector's net income for 1Q14 represented 6% of the Group's profits.

In 1Q14, net income increased 32% QoQ vs. 4Q13 driven by a higher net interest income and trading revenues (profits from trading of securities and valuation results), which offset a decline in net fees, higher Non-Interest Expenses and taxes.

### • Mutual Funds

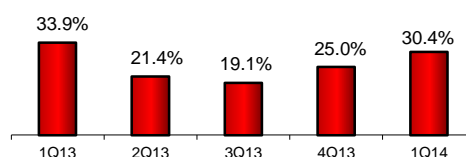
Operadora de Fondos Banorte-Ixe reported profits of Ps 21 million in 1Q14, a YoY increase of 1% vs. 1Q13, due to greater fees stemming from growth in assets under management.

At the close of 1Q14, assets managed by Banorte-Ixe's mutual funds amounted to Ps 121.5 billion, a 10% YoY increase. Assets held in fixed income funds totaled Ps 107.5 billion, a 9% YoY increase, whereas equity funds held assets of Ps 14.0 billion, a YoY increase of 18%. At the close of 1Q14, Banorte-Ixe had a 7.2% share of the mutual fund market, comprised of 8.2% in fixed income funds and 3.7% in equity funds.

### • Assets Under Custody

At the close of 1Q14, AUC totaled Ps 668.0 billion, a (5%) YoY decrease due to a decline in assets held in custody for clients.

**ROE  
(BROKERAGE SECTOR)**



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

**LONG TERM SAVINGS**

<b>LONG TERM SAVINGS</b> (Million Pesos)	<b>1Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>Change</b>	
				<b>QoQ</b>	<b>YoY</b>
<b>Afore (1)</b>					
Net Income (a)	703	539	<b>577</b>	7%	(18%)
Shareholder's Equity	22,776	24,374	<b>24,951</b>	2%	10%
Total Assets	23,942	25,402	<b>26,032</b>	2%	9%
AUM (SIEFORE)*	555,970	541,545	-	(100%)	(100%)
ROE	19.4%	8.9%	<b>9.4%</b>	0.4 pp	(10.1 pp)
<b>Insurance- Seguros Banorte (2)</b>					
Total Operating Income	606	652	<b>885</b>	36%	46%
Non Interest Expense	187	199	<b>196</b>	(2%)	5%
Operating Income	420	453	<b>690</b>	52%	64%
Taxes	135	113	<b>211</b>	88%	56%
Subsidiaries & Minority Interest	(2)	(3)	<b>(1)</b>	(78%)	(70%)
Net Income	282	338	<b>478</b>	41%	69%
Shareholder's Equity	3,036	3,854	<b>4,333</b>	12%	43%
Total Assets	17,835	18,470	<b>19,766</b>	7%	11%
Technical Reserves	11,101	11,264	<b>11,630</b>	3%	5%
Premiums sold	4,533	3,303	<b>4,928</b>	49%	9%
Coverage ratio of technical reserves	1.2	1.3	<b>1.2</b>	(0.0 pp)	0.0 pp
Capital coverage ratio of minimum guarantee	1.6	1.7	<b>1.5</b>	(0.1 pp)	(0.1 pp)
Coverage ratio of minimum capital requirement	N.A.	N.A.	<b>N.A.</b>	-	-
Coverage ratio of minimum capital	39.9	39.9	<b>49.5</b>	9.6 pp	9.6 pp
ROE	36.2%	36.9%	<b>47.0%</b>	10.1 pp	10.8 pp
<b>Annuities (2)</b>					
Total Operating Income	125	157	<b>148</b>	(5%)	18%
Non Interest Expense	57	66	<b>70</b>	6%	22%
Operating Income	68	91	<b>79</b>	(14%)	15%
Taxes	22	28	<b>24</b>	(15%)	11%
Subsidiaries & Minority Interest	2	3	<b>1</b>	(77%)	(71%)
Net Income	49	65	<b>55</b>	(15%)	14%
Shareholder's Equity	1,221	1,250	<b>1,305</b>	4%	7%
Total Assets	45,460	52,524	<b>55,218</b>	5%	21%
Technical Reserves	43,995	50,943	<b>53,552</b>	5%	22%
Premiums sold	2,146	1,736	<b>2,012</b>	16%	(6%)
Coverage ratio of technical reserves	1.0	1.0	<b>1.0</b>	(0.0 pp)	(0.0 pp)
Capital coverage ratio of minimum guarantee	N.A.	N.A.	<b>N.A.</b>	-	-
Coverage ratio of minimum capital requirement	N.A.	N.A.	<b>N.A.</b>	-	-
Coverage ratio of minimum capital	8.2	8.2	<b>9.2</b>	0.1 pp	0.1 pp
ROE	16.3%	20.6%	<b>17.3%</b>	(3.3 pp)	1.1 pp

- 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
- 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 XXI Banorte**

At the end of 2011, the merger of Afore XXI and Afore Banorte took place. Banco Mercantil del Norte has now a 50% participation, it was 51% previously and was consolidated using the straight line method. Since the bank no longer is majority owner of Afore XXI Banorte, results are now consolidated in the equity method. On January 9, 2013, Afore XXI Banorte completed the acquisition of Afore Bancomer, and its operations were included as of that date, making it the largest retirement fund management company in Mexico.

AFORE posted net profits of Ps 577 million in 1Q14, (18%) lower YoY as a result of lower total income, derived from a reduction in charged fees and a decrease in Non-Interest Income, which was not offset by reduced operating expenses. QoQ earnings grew 7%, driven by the decrease mainly in administrative expenses.

ROE for Afore XXI Banorte at the close of the first quarter of 2014 was 9.4% and 29.2% excluding goodwill. Afore XXI Banorte contributed with 8% of the Group's profits, according to its participation in this company.

Assets under management totaled Ps 554.5 billion in 1Q14, according to CONSAR, a 2% QoQ increase vs. 4Q13 and (0.3%) lower vs. 1Q13.

As of March 2014, Afore XXI Banorte had a 26.1% share of managed funds, leading the market; with 11.43 million managed accounts (this figure does not include 6.27 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), representing 25.7% of total accounts in the system, again ranking as the leader in the market.

- **Insurance**

On October 4, 2013, the acquisition of Assicurazioni Generali S.p.A.'s 49% minority stake in Seguros Banorte Generali and Pensiones Banorte Generali was finalized, and so as of this date GFNorte owns 100% of these companies' equity.

During 1Q14, the Insurance company reported profits of Ps 478 million, 69% higher YoY due to an increase in Net Interest Income (primarily premiums' revenues), lower fees paid and higher trading revenues, as well as the elimination of the 49% minority stake held by Generali; these effects offset increases in taxes and Non-Interest Expenses. On a QoQ basis, profits increased 41% derived from growth in Net Interest Income, lower fees paid and Non-Interest Expenses, which offset the increase in taxes. Seguros Banorte's net income represented 13.2% of the Group's profits.

Issued premiums increased 9% YoY and 49% QoQ totaling Ps 4.93 billion. The balance of technical reserves was Ps 11.63 billion, increasing 5% YoY and 3% QoQ.

ROE for the Insurance company was 47.0% at the close of 1Q14, 10.8 pp higher YoY and 10.1 pp QoQ.

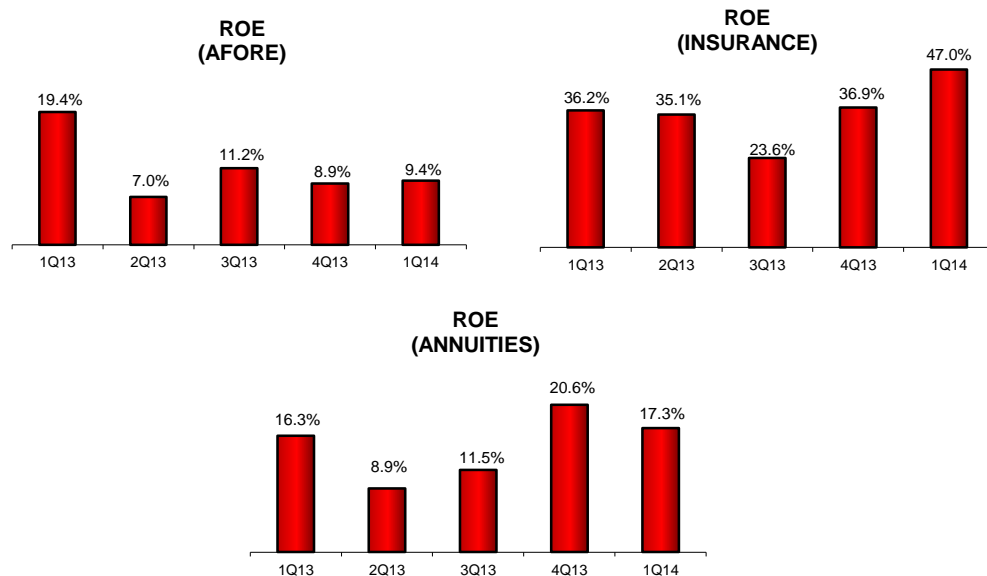
- **Annuities**

During 1Q14, Pensiones Banorte reported profits of Ps 55 million, increasing by Ps 7 million or 14% YoY due to growth in interest income as a result of greater origination, an increase in trading revenues and the elimination of the 49% minority stake held by Generali, which offset an increase in operating expenses.

Net income decreased by (Ps10) million or (15%) QoQ due to higher payments on annuities derived from the annual inflation increase applied in February and the loan portfolio growth, lower trading revenues and higher Non-Interest Expenses. Pensiones Banorte's net income represented 1.5% of the Group's profits in 1Q14.

ROE in 1Q14 for the Annuities company was 17.3%, 1.1 pp higher YoY and (3.3 pp) lower vs. 4Q13.

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



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 (Million Pesos)	1Q13	4Q13	1Q14	Change QoQ	YoY
<b>Leasing and Factoring</b>					
Net Income	131	174	171	(2%)	30%
Shareholder's Equity	3,115	3,209	3,380	5%	9%
Loan Portfolio (1)	19,859	19,732	20,233	3%	2%
Past Due Loans	197	210	217	3%	10%
Loan Loss Reserves	294	312	315	1%	7%
Total Assets	20,245	20,173	20,719	3%	2%
ROE	17.2%	22.3%	20.8%	(1.6 pp)	3.5 pp
<b>Warehousing</b>					
Net Income	13	3	9	245%	(32%)
Shareholder's Equity	279	271	281	3%	0%
Inventories	390	477	442	(7%)	13%
Total Assets	632	711	691	(3%)	9%
ROE	19.6%	3.9%	13.2%	9.3 pp	(6.4 pp)

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

### Leasing and Factoring

In 1Q14, Arrendadora y Factor Banorte reported profits of Ps 171 million, a 30% YoY increase derived from higher income as a result of growth in the leasing portfolio and lower provisions; QoQ, decreased (2%) vs. 4Q13, derived from a higher creation of reserves as a result of the loan portfolio rating. ROE of the Leasing and Factoring company was 20.8% at the end of March 2014, 3.5 pp higher YoY and (1.6 pp) lower QoQ. The Leasing and Factoring Company contributed 4.7% earnings of the Financial Group's profits.

At the close of 1Q14, the Past Due Loan Ratio was 1.2%, the same as in 4Q13 and 0.2 pp higher YoY vs. 1Q13; the Coverage ratio was 145%, (3 pp) lower vs. 4Q13 and (4 pp) vs. 1Q13. The Capitalization ratio closed at 15.1% as of March considering total risk weighted assets of Ps 22.28 billion.

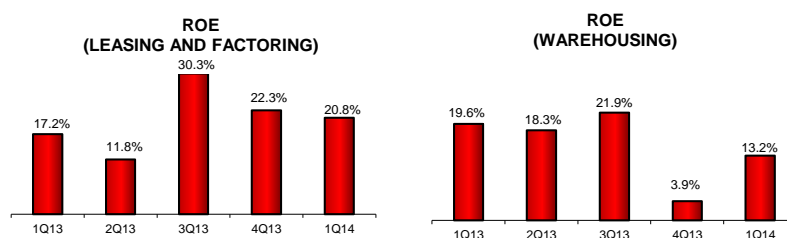
Arrendadora y Factor Banorte remains market leader in terms of portfolio size and assets among the 45 companies in this sector, according to the Mexican Association of Leasing, Credit and Financing Companies A.C. (Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. - AMSOFAC).

### Warehouse

In 1Q14, Almacenadora posted a net income of Ps 9 billion, (Ps 4) million less YoY and Ps 6 higher vs. 4Q13. The YoY decrease was due to a lower Net Interest Income, whereas the QoQ increase was the result of higher operating revenues and lower expenses.

ROE was 13.2%, + 9.3 pp higher vs. 4Q13. Almacenadora Banorte's net income represented 0.3% of the Financial Group's profits.

At the close of 1Q14, the Capitalization ratio was 9.1% considering total certificates at risk in circulation of Ps 2.40 billion. Almacenadora Banorte ranks 4 among the 18 warehouses of this sector in terms of generated profits.



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

## OTHER COMPANIES

Other Companies (Million Pesos)	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
<b>Ixe Soluciones</b>					
Net Income	(18)	(266)	<b>(39)</b>	(85%)	121%
Shareholder's Equity	(534)	2,310	<b>2,279</b>	(1%)	(526%)
Loan Portfolio (1)	290	494	<b>469</b>	(5%)	62%
Past Due Loans	204	196	<b>196</b>	0%	(4%)
Loan Loss Reserves	234	213	<b>88</b>	(59%)	(62%)
Total Assets	375	14,010	<b>13,584</b>	(3%)	3521%
<b>Ixe Servicios</b>					
Net Income	(0)	1	<b>(0)</b>	(101%)	(86%)
Shareholder's Equity	22	24	<b>24</b>	(0%)	6%
Total Assets	32	32	<b>137</b>	327%	335%
ROE	(1.0%)	10.7%	<b>(0.1%)</b>	(10.8 pp)	0.8 pp

1Q13 figures correspond to Ixe Soluciones before its merger; therefore are not comparable.

### • Solida Administradora de Portafolios

On April 26, 2013 it was approved that Banco Mercantil del Norte divested its interest in Sólida through a spin-off, and subsequently absorbed by Ixe Soluciones in order to consolidate the recovery banking operations. Afterwards, Ixe Soluciones changed its corporate identity to Sólida Administradora de Portafolios. The merger and spin-off became effective on May 24, 2013.

During 1Q14, Solida Administradora de Portafolios reported a Ps (39) million loss. The decrease in the loss vs. 4Q13 was due to higher losses, reserves and provisions for legal contingencies that were registered in the previous quarter.

The Past Due Loan ratio was 41.8% in 1Q14, 2.1 pp higher vs. 4Q13. Furthermore, the Coverage ratio was 45%, decreasing vs. 115% in 1Q13 and 109% in 4Q13. The capitalization ratio at the end of the 1Q14 was 11.6%, lower than 12.4% in 4Q13.

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

## RATINGS

International Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	December, 2013
		BBB	Counterparty credit - Long term foreign currency	
		BBB	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB+	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	STABLE	Outlook	March, 2014
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
	Banco Mercantil del Norte	STABLE	Outlook	
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short term foreign currency	
		C	Individual - Foreign Currency	
		2	Support Rating - Banco Mercantil del Norte	
		BBB-	Support Rating Floor - Banco Mercantil del Norte	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Moody's	Banco Mercantil del Norte	STABLE	Outlook BFSR	February, 2014
		C –	Bank Financial Strenght	
		STABLE	Outlook	
		A3	Long term local currency deposits	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits	
		P-2	Short term foreign currency deposits	
		A3	Long term foreign currency senior debt	
		Baa3	Long term local currency subordinated debt	
		Ba1	Long term local currency junior subordinated debt	
		Baa3	Long term foreign currency subordinated debt	
		Ba1	Foreign currency junior subordinated debt	
	Arrendadora y Factor Banorte	STABLE	Outlook	
		A3	Long term local currency issuer	
		(P)A3	Long term local currency senior debt	
		(P)P-2	Short term local currency senior debt	
		P-2	Short term local currency issuer	

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

Domestic Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE mxA-1+ mxAAA	Outlook National Scale Counterparty credit - Short term National Scale Counterparty - Long term	December, 2013
	Casa de Bolsa Banorte Ixe	STABLE mxA-1+ mxAAA	Outlook National Scale Counterparty credit - Short term National Scale Counterparty credit - Long term	
Fitch	Banco Mercantil del Norte	STABLE AAA (mex) F1+ (mex)	Outlook National Scale Counterparty - Long term National Scale Counterparty - Short term	March, 2014
		F1+ (mex) AA+ (mex)	Depo. Certi. y P.R.L.V. - short Term Depo. Certi. y P.R.L.V. long term	
		STABLE F1+ (mex) AAA (mex)	Outlook National Scale - Short term National Scale - Long term	
	Arrendadora y Factor Banorte	F1+ (mex) AAA (mex) F1+ (mex) AAA (mex)	National Scale Counterparty - Short term National Scale Counterparty- Long term National Scale - Unsecured Debt - Short term National Scale - Unsecured Debt - Long term	
		F1+ (mex) AA A (mex)	National Scale Counterparty - Short term National Scale Counterparty - Long term	
	Almacenadora Banorte	F1+ (mex) AA A (mex)	National Scale Counterparty - Short term National Scale Counterparty - Long term	
	Seguros Banorte Generali	STABLE AAA (mex)	Outlook Financial Strenght	April, 2014
Moody's	Banco Mercantil del Norte	STABLE Aaa.mx MX-1 Aaa.mx MX-1 Aa2.mx Aa3.mx	Outlook National Scale - Long term deposits National Scale - Short term deposits National Scale - Long term senior debt National Scale - Short term senior debt Subordinated debt - Long term Junior Subordinated debt - Long term	February, 2014
		STABLE Aaa.mx MX-1 Aaa.mx MX-1	Outlook National Scale - Long term issuer National Scale - Short term issuer National Scale - Long term senior debt National Scale - Short term senior debt	
HR Ratings	Banco Mercantil del Norte	STABLE HR AAA HR+1 HR AA+	Outlook Long term debt Short term debt Subordinated Debt Preferential	May, 2013

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

## INFRASTRUCTURE

INFRASTRUCTURE	1Q13	4Q13	1Q14
Employees (1)	27,078	27,474	27,316
Branches (2)	1,320	1,288	1,292
INB	20	20	20
ATM's	6,696	7,035	7,083
POS's	120,464	141,432	146,320

1. Includes Banking Sector and Afore hired and outsourcing personnel
2. 5 banking modules are considered as branches. Does not include Remote Tellers. Does not include 1 branch in the Cayman Islands.

- At the close of 1Q14, there were 1,292 **branches**, 4 more vs. 4Q13. The number of branches decreased by 28 over the past 12 months, a YoY decrease of (2%), due to the efficiency program implemented. Total branches include 171 Ixe Banco branches dedicated mainly to the "Preferred" banking segment.
- Over the past 12 months 387 **Automatic Teller Machines** were enabled, a 6% YoY growth, expanding the network to 7,083 ATM's at the close of 1Q14, including 199 ATMs of the Ixe network.
- 25,856 **Point of Sale Terminals** (POS) were enabled during the year, a YoY growth of 21%, bringing the number of installed POS to 146,320 at the end of March, of which 28,688 correspond to the Ixe network.
- At the close of 1Q14, there were 4,932 contact points through third party **correspondent agreements** with 7-Eleven (1,720), Telecomm-Telegrafos (1,621), Tiendas Extra (883), Soriana (633) and Grupo Control with the "Del Sol" and "Woolworth" (75) brands.
- **SME Centers**. At the end of March 2014 there were 16 operating offices specializing in this segment, 4 more than the same period of last year.

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

**GFNORTE'S ANALYST COVERAGE**

In compliance with the BOLSA MEXICANA DE VALORES, S.A.B. DE C.V requirement, the information of Brokers that have analyst coverage to:

TICKER: GFNORTEO

BROKER	ANALYST	RECOMMENDATION	DATE
Barclays	Cristina Marzea	Buy	23-jan-14
BBVA	Ernesto Gabilondo	Buy	04-feb-14
Brasil Plural	Eduardo Nishio	Buy	31-jan-14
BTG Pactual	Eduardo Rosman	Buy	26-mar-14
Burkernroad	Lourdes Palma	Buy	31-jul-13
BX+	Andrés Audiffred	Buy	08-apr-14
GBM	Lilian Ochoa	Buy	04-feb-14
Intercam	Sofía Robles	Buy	31-jan-14
Invex	Ana Sepulveda	Buy	31-jan-14
Itaú BBA	Regina Longo	Buy	11-mar-14
Morgan Stanley	Jorge Kuri	Buy	10-apr-14
Santander	Boris Molina	Buy	17-jul-13
Scotiabank	Claudia Benavente	Buy	16-apr-14
UBS	Philip Finch	Buy	31-jan-14
Vector	Rafael Escobar	Buy	31-jan-14
Actinver	Martín Lara	Hold	31-jan-14
BOFA - Merrill Lynch	José Barria	Hold	31-jan-14
Citi	Daniel Abut	Hold	02-apr-14
Deutsche Bank	Mario Pierry	Hold	21-apr-14
Goldman Sachs	Carlos Macedo	Hold	30-jan-14
HSBC	Carlos Gomez	Hold	28-oct-13
Interacciones	Enrique Mendoza	Hold	31-jan-14
JP Morgan	Saul Martinez	Hold	22-apr-14
Nau	Iñigo Vega	Hold	01-apr-14
Nomura	Daragh Quinn	Hold	22-jan-14
Credit Suisse	Marcello Telles	Sell	22-apr-14

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	1 Q14
Banco Mercantil Del Norte, S.A. (1)	97.87%
Banorte USA (2)	100.00%
Retirement Funds – Afore (2)	50.00%
Leasing and Factoring	99.99%
Warehouse	99.99%
Annuities (3)	99.99%
Insurance (3)	99.99%
Casa De Bolsa Banorte Ixe	99.99%
Operadora de Fondos Banorte Ixe	99.99%
Ixe Servicios	99.99%
Sólida Administradora de Portafolios	96.76%

1. Considers as of 1Q14 a 97.87% stake of GFNorte. Since 4Q09 until 1Q13, the stake was 92.72%, reflecting the IFC investment in capital of Banco Mercantil del Norte. In 1Q13 the stake increased to 97.2% and in 2Q13 to 97.50%.
2. Subsidiary of Banco Mercantil del Norte. Banorte USA owns 100% of Uniteller and 100% of INB Financial Corp.
3. Considers as of 4Q13 a 99.99% stake of GFNorte, derived from the acquisition of the remaining Generali's participation in these companies, formerly the stake was of 51.00%

Holding Company Capital Structure	
Number of Shares (Million)	SERIE O
	As of March 31, 2014
Number of Shares Outstanding	2,773.73
Shares held in the bank's Treasury	0

- Amount of outstanding shares since the Public Offering carried out in July, 2013.

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

Grupo Financiero Banorte Board of Directors	
PROPRIETARY MEMBERS	
Guillermo Ortiz Martínez	Chairman of the Board. Related
Graciela González Moreno	Patrimonial
José G. Garza Montemayor	Patrimonial
Manuel Saba Ades	Independent
Alfredo Elías Ayub	Independent
Herminio Blanco Mendoza	Independent
Eduardo Livas Cantú	Independent
Patricia Armendáriz Guerra	Independent
Armando Garza Sada	Independent
Héctor Reyes Retana y Dahl	Independent
Juan Carlos Braniff Hierro	Independent
Miguel Alemán Magnani	Independent
Alejandro Burillo Azcárraga	Independent
Juan González Moreno	Patrimonial
Alejandro Valenzuela del Río	Related
ALTERNATE MEMBERS	
Jesús O. Garza Martínez	Related
Alejandro Hank González	Patrimonial
David Villarreal Montemayor	Patrimonial
Alberto Saba Ades	Independent
Isaac Becker Kabacnik	Independent
Manuel Aznar Nicolin	Independent
Adrián Sada Cueva	Independent
Everardo Elizondo Almaguer	Independent
Ramón A. Leal Chapa	Independent
Julio César Méndez Rubio	Independent
Guillermo Mascareñas Milmo	Independent
Lorenzo Lazo Margain	Independent
Alejandro Orvañanos Alatorre	Independent
Enrique Castillo Sánchez Mejorada	Related
José Marcos Ramírez Miguel	Related

At the Shareholders' Meeting to be held on April 25, 2014 it has been proposed to appoint Adrián Sada Cueva and Everardo Elizondo Almaguer as Independent Proprietary Members of the Board, and David Villarreal Montemayor as Patrimonial Proprietary Member. Furthermore, José María Garza Treviño, Alberto Halabe Hamui, Eduardo Livas Cantú, Roberto Kelleher Vales and Juan Antonio González Marcos have been proposed as Alternate Members of the Board.

### III. GFNORTE'S GENERAL INFORMATION



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

Group Officers 1Q14	
NAME	CURRENT POSITION
Alejandro Valenzuela del Río	Chief Executive Officer, Grupo Financiero Banorte
<b>BUSINESS UNITS</b>	
Marcos Ramírez Miguel	Managing Director – Wholesale Banking & Casa de Bolsa Banorte Ixe
Gabriel Casillas Olvera	Managing Director – Economic Analysis
Luis Ernesto Pietrini Sheridan	Managing Director – Private Banking and Wealth Management
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
Gerardo Zamora Nañez	Managing Director – Warehouse, Leasing and Factoring
Ricardo Velázquez Rodríguez	Managing Director – Int. Banking & Financial Institutions & Banorte USA
Carlos Alberto Arciniega Navarro	Managing Director – Treasury
René Gerardo Pimentel Ibarrola	Managing Director – Asset Management and Business Development
Jesús Garza Martínez	Managing Director – Segment and Channel
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
Luis Fernando Orozco Mancera	Chief Credit Officer (CCO)
<b>STAFF</b>	
Rafael Arana de la Garza	Chief Operating Officer (COO)
Alejandro Garay Espinosa	Managing Director – Corporate Services
David Ricardo Suárez Cortazar	Chief Financial Officer (CFO)
Fausto Hernández Pintado	Chief Strategic Planning and Value Creation Officer
Felipe Duarte Olvera	Managing Director – Client Experience
José Antonio Murillo Garza	Managing Director – Analytics
Concepción Gpe. Borjon Shears	Sumando Leader
Héctor Martín Ávila Flores	Managing Director - Legal
Ignacio Aldonza Goicochea	Managing Director – Technology and Operations
Carla Juan Chelala	Managing Director - Marketing
Ayax Carranza Segura	Managing Director - Communications and Institutional Relations
Juan Jesús Viteri Álvarez	Managing Director – Internal Communication
David Aaron Margolín Schabes	Chief Risk Officer
Martha Elena Navarrete Villarreal	Managing Director - Internal Audit
Sergio García Robles Gil	Managing Director – Corporate Affairs

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

## HOLDING

<b>Income Statement-Holding</b> <i>(Million Pesos)</i>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2013</b>	<b>3M14</b>
Income Subsidiaries	3,248	3,409	3,310	3,694	3,646	13,661	3,646
Interest Income	16	34	434	(2)	44	481	44
Interest Expense	35	155	35	2	-	228	-
Fees & Tariffs	-	(0)	(0)	(0)	(0)	(0)	(0)
Trading Income	(29)	-	-	-	-	(29)	-
Other Operating Income (Expense)	-	-	-	-	1	-	1
Non Interest Expense	49	25	27	30	27	132	27
<b>Pre-Tax Income</b>	<b>3,151</b>	<b>3,263</b>	<b>3,681</b>	<b>3,659</b>	<b>3,664</b>	<b>13,753</b>	<b>3,664</b>
Income Tax	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	(1)	1	(1)	(1)	0	(1)	0
<b>Taxes</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>
<b>Net Income from Continuous Operations</b>	<b>3,152</b>	<b>3,262</b>	<b>3,682</b>	<b>3,660</b>	<b>3,664</b>	<b>13,754</b>	<b>3,664</b>
Extraordinary Items, net	-	-	-	-	-	-	-
<b>Net Income</b>	<b>3,152</b>	<b>3,262</b>	<b>3,682</b>	<b>3,660</b>	<b>3,664</b>	<b>13,754</b>	<b>3,664</b>

## IV. FINANCIAL STATEMENTS



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

<b>Holding - Balance Sheet</b>		<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<i>(Million Pesos)</i>						
<b>ASSETS</b>						
Cash and Due from Banks		311	522	10,816	272	305
Margin Accounts		-	-	-	-	-
Investment in Securities		-	-	-	-	-
Non-assigned Securities for Settlement		-	-	-	-	-
Debtor Balance in Repo Trans,net		-	-	11,500	4,900	2,400
Securities Lending		-	-	-	-	-
Transactions with Derivatives		-	388	-	-	-
Operations w/Derivatives & Securities		-	388	11,500	4,900	2,400
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.receiveab.securization transactions		-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net		12	13	34	46	54
Inventories		-	-	-	-	-
Foreclosed Assets, Net		-	-	-	-	-
Real Estate, Furniture & Equipment, Net		-	-	-	-	-
Investment in Subsidiaries		84,240	80,310	82,911	88,587	95,903
Long-term assets held for sale		-	-	-	-	-
Deferred Taxes, Net		3	2	3	4	4
Goodwill and Intangibles		10,999	10,980	10,955	10,930	10,909
Other Assets Short and Long Term		-	-	-	-	-
Other Assets		-	-	-	-	-
		95,255	91,305	93,903	99,567	106,870
<b>TOTAL ASSETS</b>		<b>95,566</b>	<b>92,216</b>	<b>116,219</b>	<b>104,739</b>	<b>109,575</b>

## IV. FINANCIAL STATEMENTS



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

<b>Holding - Balance Sheet</b>		<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<i>(Million Pesos)</i>						
<b>LIABILITIES</b>						
<b>Deposits</b>	-	-	-	-	-	-
<b>Due to Banks &amp; Correspondents</b>	<b>9,901</b>	<b>10,435</b>	-	-	-	-
<b>Total Collateral sold</b>	-	-	-	-	-	-
<b>Total Operations w/ Derivatives &amp; Securities</b>	<b>125</b>	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-
Other Creditors & Accounts Payable	3,189	0	0	1	0	0
Subordinated Non Convertible Debt	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>13,215</b>	<b>10,435</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>EQUITY</b>		-	-	-	-	-
Paid-in Capital	13,098	13,098	14,664	14,664	14,664	14,664
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Share Subscription Premiums	18,847	18,922	48,556	35,257	35,500	35,500
Subordinated Convertible Debentures	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>31,945</b>	<b>32,019</b>	<b>63,219</b>	<b>49,921</b>	<b>50,163</b>	<b>50,163</b>
Capital Reserves	3,399	3,399	5,811	5,811	5,811	5,811
Retained Earnings	45,852	41,554	38,713	37,080	50,846	50,846
Surplus (Deficit) of Secs Available for Sale	1,881	745	828	674	734	734
Results from Valuation of Hedging Secs	(2,966)	(1,554)	(1,677)	(1,420)	(734)	(734)
Results from Conversions	(912)	(796)	(771)	(1,083)	(909)	(909)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	3,152	6,413	10,095	13,754	3,664	3,664
<b>Earned Capital</b>	<b>50,406</b>	<b>49,761</b>	<b>52,999</b>	<b>54,817</b>	<b>59,411</b>	<b>59,411</b>
Minority Interest	-	-	-	-	-	-
<b>Total Equity</b>	<b>82,351</b>	<b>81,780</b>	<b>116,219</b>	<b>104,737</b>	<b>109,575</b>	<b>109,575</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>95,566</b>	<b>92,216</b>	<b>116,219</b>	<b>104,739</b>	<b>109,575</b>	<b>109,575</b>
<b>Holding - Memorandum Accounts</b>		<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<i>(Million Pesos)</i>						
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	-	-	-	-	-	-
Properties in Custody or Administration	3,716	3,716	3,716	3,716	3,716	3,716
<b>Proprietary Transactions</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>
<b>TOTAL PROPRIETARY</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>

## IV. FINANCIAL STATEMENTS



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)	1Q13	2Q13	3Q13	4Q13	1Q14	2013	3M14
Interest Income	16,755	16,821	17,340	16,955	17,028	67,871	17,028
Interest Expense	8,091	7,856	7,768	7,363	7,226	31,079	7,226
Charged Fees	328	495	311	429	338	1,564	338
Fees Paid	83	125	86	84	85	377	85
<b>Net Interest Income from interest &amp; fees (Nil)</b>	<b>8,909</b>	<b>9,335</b>	<b>9,797</b>	<b>9,936</b>	<b>10,055</b>	<b>37,978</b>	<b>10,055</b>
Premium Income (Net)	4,971	4,857	4,053	4,145	4,971	18,026	4,971
Net Increase in Technical Reserves	3,033	2,516	1,740	2,397	3,109	9,686	3,109
Damages, Claims and Other Obligations	2,235	2,376	2,447	2,081	2,385	9,138	2,385
<b>Net Interest Income (Nil)</b>	<b>8,613</b>	<b>9,300</b>	<b>9,663</b>	<b>9,604</b>	<b>9,532</b>	<b>37,181</b>	<b>9,532</b>
Preventive Provisions for Loan Losses	2,073	3,132	1,903	1,833	2,380	8,942	2,380
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>6,540</b>	<b>6,168</b>	<b>7,760</b>	<b>7,771</b>	<b>7,152</b>	<b>28,239</b>	<b>7,152</b>
Fees for Commercial and Mortgage Loans	2	2	5	3	3	11	3
Fund Transfers	119	128	131	155	146	533	146
Account Management Fees	313	334	348	375	351	1,371	351
Fiduciary	78	100	90	95	82	362	82
Other Fees	752	627	611	632	635	2,622	635
Income from Real Estate Portfolios	238	303	126	145	40	811	40
Electronic Banking Services	885	961	1,011	1,076	1,034	3,934	1,034
For Consumer and Credit Card Loans	510	574	592	685	676	2,361	676
<b>Fees Charged on Services</b>	<b>2,897</b>	<b>3,029</b>	<b>2,914</b>	<b>3,167</b>	<b>2,967</b>	<b>12,006</b>	<b>2,967</b>
Fund transfers	15	13	10	11	13	50	13
Other Fees	935	858	958	1,116	972	3,867	972
Amortization of Loan Portfolio	-	-	-	-	-	-	-
<b>Fees Paid on Services</b>	<b>951</b>	<b>871</b>	<b>968</b>	<b>1,127</b>	<b>986</b>	<b>3,917</b>	<b>986</b>
Foreign Exchange	451	(91)	208	317	343	885	343
Securities-Realized Gains	688	1,049	659	330	481	2,726	481
Securities-Unrealized Gains	993	(135)	(256)	758	1,112	1,360	1,112
<b>Trading Income</b>	<b>2,132</b>	<b>824</b>	<b>610</b>	<b>1,405</b>	<b>1,936</b>	<b>4,971</b>	<b>1,936</b>
Loan Recoveries	276	488	274	346	241	1,384	241
Income from foreclosed assets	(50)	(46)	(51)	2	(100)	(145)	(100)
Other Operating Income	67	3	26	39	129	135	129
Other Operating Expense	(58)	(39)	(57)	(70)	(77)	(223)	(77)
Other Products	448	716	1,084	740	761	2,988	761
Other Recoveries	812	201	188	111	318	1,312	318
Other Operating Expense	(552)	(530)	(880)	(950)	(781)	(2,912)	(781)
Other Operating Income (Expense) from Insurance and Annuities	172	197	170	146	183	685	183
<b>Total Other Operating Income (Expense)</b>	<b>1,116</b>	<b>990</b>	<b>754</b>	<b>364</b>	<b>673</b>	<b>3,223</b>	<b>673</b>
<b>Total Non Interest Income</b>	<b>5,194</b>	<b>3,971</b>	<b>3,309</b>	<b>3,809</b>	<b>4,590</b>	<b>16,284</b>	<b>4,590</b>
<b>Total Operating Income</b>	<b>11,734</b>	<b>10,139</b>	<b>11,070</b>	<b>11,580</b>	<b>11,742</b>	<b>44,523</b>	<b>11,742</b>
Personnel	4,009	3,080	2,916	3,073	3,074	13,077	3,074
Employee Profit Sharing (PTU)	84	79	79	82	103	324	103
Professional Fees	616	678	605	867	645	2,767	645
Administrative and Promotional Expenses	1,055	1,168	1,323	1,328	1,249	4,874	1,249
Rents, Depreciation & Amortization	787	818	820	794	848	3,219	848
Taxes other than income tax & non deductible expenses	443	431	395	457	467	1,726	467
Contributions to IPAB/Fobaproa	440	433	474	484	459	1,831	459
<b>Total Non Interest Expense</b>	<b>7,434</b>	<b>6,687</b>	<b>6,613</b>	<b>7,084</b>	<b>6,845</b>	<b>27,819</b>	<b>6,845</b>
<b>Operating Income</b>	<b>4,300</b>	<b>3,452</b>	<b>4,457</b>	<b>4,496</b>	<b>4,897</b>	<b>16,704</b>	<b>4,897</b>
Subsidiaries' Net Income	351	162	342	275	293	1,130	293
<b>Pre-Tax Income</b>	<b>4,651</b>	<b>3,614</b>	<b>4,798</b>	<b>4,771</b>	<b>5,190</b>	<b>17,834</b>	<b>5,190</b>
Income Tax	1,303	385	1,209	774	2,108	3,671	2,108
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	(73)	(218)	(125)	301	(608)	(115)	(608)
<b>Taxes</b>	<b>1,230</b>	<b>167</b>	<b>1,084</b>	<b>1,075</b>	<b>1,500</b>	<b>3,555</b>	<b>1,500</b>
<b>Net Income from Continuous Operations</b>	<b>3,421</b>	<b>3,447</b>	<b>3,715</b>	<b>3,696</b>	<b>3,691</b>	<b>14,279</b>	<b>3,691</b>
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	(281)	(227)	(189)	(74)	(63)	(771)	(63)
<b>Net Income</b>	<b>3,140</b>	<b>3,220</b>	<b>3,526</b>	<b>3,622</b>	<b>3,628</b>	<b>13,508</b>	<b>3,628</b>

## IV. FINANCIAL STATEMENTS



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)		1Q13	2Q13	3Q13	4Q13	1Q14
<b>ASSETS</b>						
Cash and Due from Banks		59,429	54,906	68,888	61,978	70,120
Margin Accounts		337	105	59	59	74
Negotiable Instruments		191,562	168,398	180,406	232,926	247,302
Securities Available for Sale		78,888	114,380	116,685	85,031	83,281
Securities Held to Maturity		106,972	95,700	94,021	96,730	92,839
Investment in Securities		377,423	378,477	391,112	414,687	423,422
Non-assigned Securities for Settlement		-	-	-	-	-
Debtor Balance in Repo Trans, net		5,008	62	29	202	378
Securities Lending		-	-	-	-	-
For trading purposes		20,782	16,139	17,675	14,799	14,050
For hedging purposes		125	420	37	55	76
Operations w/Derivatives & Securities		-	-	-	-	-
Transactions with Derivatives		20,906	16,559	17,712	14,854	14,126
Operations w/Derivatives & Securities		25,915	16,620	17,741	15,056	14,504
Valuation adjustments for Asset Coverage		170	166	162	158	154
Commercial Loans		183,509	186,320	183,344	184,624	182,202
Financial Intermediaries' Loans		8,830	5,575	5,268	4,863	3,419
Consumer Loans		48,317	51,843	55,382	57,883	60,153
Mortgage Loans		74,355	77,348	79,421	82,033	83,153
Government Entities' Loans		89,583	90,695	90,524	95,636	98,625
Loans granted as Federal Agent		-	-	-	-	-
Performing Loans		404,594	411,782	413,939	425,038	427,553
Commercial PDL's		6,125	6,206	10,813	10,473	9,989
Financial Intermediaries PDL's		4	4	27	0	0
Consumer PDL's		1,643	1,890	1,997	2,093	2,058
Mortgage PDL's		818	921	1,013	1,087	1,101
Government Entities PDL's		41	53	15	2	1
Past Due Loans		8,631	9,075	13,865	13,655	13,151
Gross Loan Portfolio		413,224	420,857	427,804	438,693	440,704
Preventive Loan Loss Reserves		11,863	14,321	14,651	14,289	13,909
Net Loan Portfolio		401,362	406,536	413,153	424,404	426,794
Acquired Collection Rights		2,979	3,507	3,330	3,522	3,273
Total Credit Portfolio		404,341	410,043	416,483	427,925	430,067
Account Receivables from Insurance and Annuities		958	1,033	1,151	1,281	1,385
Premium Debtors (Net)		4,640	4,774	3,601	3,047	4,695
Account Receivables from Reinsurance		3,058	3,411	4,037	3,563	3,367
Benef. receivab. securization transactions		795	795	836	738	729
Sundry Debtors & Other Accs Rec, Net		25,265	36,000	32,180	21,703	37,448
Inventories		390	614	568	477	442
Foreclosed Assets, Net		2,704	2,573	2,532	2,781	2,611
Real Estate, Furniture & Equipment, Net		11,568	11,707	11,638	12,033	12,277
Investment in Subsidiaries		13,448	13,568	13,913	14,205	14,510
Long-term assets held for sale		-	-	-	-	-
Deferred Taxes, Net		-	49	168	-	436
Goodwill and Intangibles		20,380	21,198	21,734	22,366	21,893
Other Assets Short and Long Term		4,623	4,194	4,367	4,729	4,399
Other Assets		-	-	-	-	-
		87,828	99,914	96,726	86,924	104,192
<b>TOTAL ASSETS</b>		<b>955,442</b>	<b>960,232</b>	<b>991,171</b>	<b>1,006,788</b>	<b>1,042,534</b>

## IV. FINANCIAL STATEMENTS

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

<b>GFNorte - Balance Sheet</b> (Million Pesos)	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<b>LIABILITIES</b>					
Demand Deposits	204,537	216,882	225,712	254,219	252,652
Time Deposits-Retail	182,128	189,071	184,405	179,146	186,461
Time Deposits-Money Market	23,490	12,752	14,485	4,971	10,745
Special Funds	-	-	-	-	-
Senior Unsecured Debt	4,743	5,389	5,764	5,405	5,482
<b>Deposits</b>	<b>414,898</b>	<b>424,095</b>	<b>430,366</b>	<b>443,740</b>	<b>455,340</b>
Immediate Redemption Loans	1,460	0	2,562	2,974	0
Short Term Loans	37,684	29,330	18,597	19,406	18,942
Long Term Loans	7,134	8,005	7,451	7,679	7,382
<b>Due to Banks &amp; Correspondents</b>	<b>46,278</b>	<b>37,336</b>	<b>28,611</b>	<b>30,060</b>	<b>26,324</b>
Technical Reserves	55,096	58,017	60,556	62,207	65,182
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	277,118	279,734	278,427	304,021	317,580
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	65	64	39	8	32
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
<b>Total Collateral sold</b>	<b>65</b>	<b>64</b>	<b>39</b>	<b>8</b>	<b>32</b>
For trading purposes	19,927	15,427	17,451	14,827	14,140
For hedging purposes	4,371	3,625	3,769	3,500	3,583
Operations w/ Derivatives & Securities	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>24,298</b>	<b>19,051</b>	<b>21,220</b>	<b>18,327</b>	<b>17,723</b>
<b>Total Operations w/ Derivatives &amp; Securities</b>	<b>301,481</b>	<b>298,849</b>	<b>299,686</b>	<b>322,356</b>	<b>335,335</b>
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	0	0	0	0
Payable Accounts for Reinsurance	1,315	1,223	785	759	1,054
Income Tax Payable	1,695	521	852	794	1,917
Profit Sharing Payable	361	419	495	339	130
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	6,792	15,762	12,422	4,282	9,931
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	16,366	14,069	14,333	12,936	13,502
<b>Other Payable Accounts</b>	<b>25,215</b>	<b>30,771</b>	<b>28,102</b>	<b>18,351</b>	<b>25,480</b>
Subordinated Non Convertible Debt	19,258	19,510	18,046	18,001	18,083
Deferred Taxes, Net	770	-	-	200	-
Deferred Credits	2,579	2,473	2,509	2,423	2,511
<b>TOTAL LIABILITIES</b>	<b>866,890</b>	<b>872,274</b>	<b>868,661</b>	<b>898,097</b>	<b>929,310</b>
<b>EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Paid-in Capital	13,087	13,086	14,651	14,652	14,647
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	18,756	18,793	48,518	35,219	35,349
Subordinated Convertible Debentures	-	-	-	-	-
<b>Subscribed Capital</b>	<b>31,843</b>	<b>31,879</b>	<b>63,169</b>	<b>49,870</b>	<b>49,995</b>
Capital Reserves	3,399	3,399	5,811	5,811	5,811
Retained Earnings	48,075	43,777	40,936	39,303	52,823
Surplus (Deficit) of Secs Available for Sale	1,824	754	849	667	732
Results from Valuation of Hedging Secs	(2,966)	(1,554)	(1,677)	(1,420)	(734)
Results from Conversions	(912)	(796)	(771)	(1,083)	(909)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	3,140	6,360	9,886	13,508	3,628
<b>Earned Capital</b>	<b>52,559</b>	<b>51,941</b>	<b>55,034</b>	<b>56,787</b>	<b>61,350</b>
Minority Interest	4,151	4,138	4,307	2,034	1,878
<b>Total Equity</b>	<b>88,553</b>	<b>87,957</b>	<b>122,511</b>	<b>108,691</b>	<b>113,224</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>955,442</b>	<b>960,232</b>	<b>991,171</b>	<b>1,006,788</b>	<b>1,042,534</b>

## IV. FINANCIAL STATEMENTS

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)	1Q13	2Q13	3Q13	4Q13	1Q14
<b>On behalf of Third Parties</b>					
Customer's Banks	101	205	356	24	264
Dividends Receivable from Customers	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-
Settlement of Customer Transactions	(53)	(237)	(6)	(30)	(193)
Customer Premiums	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-
Other Current Accounts	-	-	-	-	-
<b>Customers' Current Account</b>	<b>48</b>	<b>(32)</b>	<b>350</b>	<b>(7)</b>	<b>71</b>
Client Securities Received in Custody	592,696	576,715	567,449	536,300	546,591
Securities and Documents Received in Guarantee	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-
<b>Clients' Securities</b>	<b>592,696</b>	<b>576,715</b>	<b>567,449</b>	<b>536,300</b>	<b>546,591</b>
Clients' Repurchase Operations	57,804	73,572	85,849	112,839	77,927
Clients' Repo Transactions w/ Securities	-	-	-	-	-
Collateral received in guarantee for customer accounts	48,913	71,996	84,504	111,486	76,581
Purchase of Futures & Forward Contracts, national	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-
Trusts under Administration	403	361	340	254	64,280
<b>Transactions On Behalf of Clients</b>	<b>107,119</b>	<b>145,929</b>	<b>170,693</b>	<b>224,579</b>	<b>218,788</b>
<b>Investment bank Trans on Behalf of Third (Net)</b>	<b>67,162</b>	<b>71,223</b>	<b>93,475</b>	<b>83,171</b>	<b>85,548</b>
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>767,026</b>	<b>793,835</b>	<b>831,967</b>	<b>844,043</b>	<b>850,998</b>
<b>Endorsement Guarantees Granted</b>	-	-	-	-	-
Loan Obligations	39,566	35,435	34,588	28,110	28,616
Trusts	346,701	318,844	264,235	194,018	167,885
Mandates	2,140	1,713	10,806	11,043	10,090
<b>Properties in Trusts and Warrant</b>	<b>348,841</b>	<b>320,557</b>	<b>275,042</b>	<b>205,061</b>	<b>177,975</b>
Properties in Custody or Administration	430,381	443,462	477,773	451,582	484,554
Collateral Received	136,279	92,754	87,133	143,033	147,461
Collateral Received or sold or delivered	140,700	123,678	129,104	203,074	171,305
Drafts in Transit	-	-	-	-	-
Deposits of assets	2,630	2,531	2,045	2,816	2,404
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	-	-
Uncollected Accrued Interest from Past Due Loans	362	368	391	392	421
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Other Registration Accounts	-	-	-	-	-
<b>Proprietary Transactions</b>	<b>1,099,015</b>	<b>1,019,040</b>	<b>1,006,331</b>	<b>1,034,067</b>	<b>1,012,734</b>
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-
<b>TOTAL PROPRIETARY</b>	<b>1,099,015</b>	<b>1,019,040</b>	<b>1,006,331</b>	<b>1,034,067</b>	<b>1,012,734</b>

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, 2014 – MARCH 31, 2014	
(Million Pesos)	
<b>Net Income</b>	<b>3,628</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	310
Technical Reserves	3,109
Provisions	638
Income taxes and deferred	1,499
Minority Interest	(230)
	<b>5,326</b>
	<b>8,954</b>
<b>Change in items related to operations:</b>	
Change in Margin Accounts	(15)
Change in Investment in Securities	(8,545)
Change in repo debtors	(176)
Change in derivatives (assets)	753
Change in Loan Portfolio (net)	(2,425)
Change in purchased receivables (net)	249
Change in accounts receivable insurance and bonding institutions (net)	(104)
Change in debtor premiums	(1,648)
Change in Reinsurance	196
Change in benefits to receive from securitizations	9
Change in foreclosed assets (net)	170
Change in other operating assets (net)	(14,154)
Change in core deposits	11,647
Change in interbank loans and other entities	(3,735)
Change in repo creditors	13,559
Change in collateral pledged sold	23
Change in derivatives (liability)	(687)
Change in Technical Reserves (net)	(134)
Change in Reinsurance (net) (liability)	295
Change in subordinated debt with characteristics of liabilities	82
Change in other operating liabilities	5,459
Change in hedging instruments (the related hedged transaction activities)	62
Income Tax Collection (refunds)	0
Income Tax Payments	(1,013)
<b>Net cash generated or used from operations</b>	<b>8,822</b>
<b>Investment Activities:</b>	
Charges for disposal of property, furniture and equipment	95
Payments for acquisition of property, furniture and equipment	(650)
Subsidiaries and associated acquisitions charges	0
Subsidiaries and associated acquisitions payment	0
Charges for other investmentes	0
Payments for other investmentes	0
Charges for cash dividends	0
<b>Net cash generated or used from investment activities</b>	<b>(555)</b>
<b>Financing Activities:</b>	
Payments for issued shares	0
Payments of cash dividends	0
Payments associated with the repurchase of proprietary shares	(110)
<b>Net cash flows from financing activities</b>	<b>(110)</b>
<b>Net Cash Increase (decrease)</b>	<b>8,157</b>
<b>Cash flow adjustments given exchange rate or inflation variations</b>	<b>(15)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>61,978</b>
<b>Cash and cash equivalents at end of period</b>	<b>70,120</b>

## IV. FINANCIAL STATEMENTS



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, 2014 – MARCH 31, 2014										
(Million Pesos)										
	CONTRIBUTED CAPITAL		EARNED CAPITAL							
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2013	14,652	35,219	5,811	39,303	667	(1,420)	(1,083)	13,508	2,034	108,691
<b>Changes stemming from stockholders' decisions</b>										
Stock repurchases	(5)	(111)			5					(111)
Capitalization of profits				13,508				(13,508)		0
<b>Changes stemming from profits</b>										
Net Income								3,628		3,628
Result from valuation of securities available for sale					60					60
Effect of subsidiaries, associates and mutual funds		241		11			174			426
Result from valuation of instruments of cash flow hedges						686				686
<b>Total</b>	<b>0</b>	<b>241</b>	<b>0</b>	<b>11</b>	<b>60</b>	<b>686</b>	<b>174</b>	<b>3,628</b>	<b>0</b>	<b>4,800</b>
Recognition of minority interest									(156)	(156)
Balance as of March 31, 2014	14,647	35,349	5,811	52,822	732	(734)	(909)	3,628	1,878	113,224

## IV. FINANCIAL STATEMENTS



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	1Q13	2Q13	3Q13	4Q13	1Q14	2013	3M14
(Million Pesos)							
Interest Income	13,793	13,961	14,018	13,848	14,016	55,619	14,016
Interest Expense	5,933	5,508	5,540	5,140	5,236	22,120	5,236
Charged Fees	319	504	311	429	338	1,564	338
Fees Paid	83	125	86	84	85	377	85
<b>Net Interest Income (NII)</b>	<b>8,096</b>	<b>8,833</b>	<b>8,704</b>	<b>9,053</b>	<b>9,033</b>	<b>34,685</b>	<b>9,033</b>
Preventive Provisions for Loan Losses	2,026	3,005	1,957	1,800	2,369	8,788	2,369
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>6,070</b>	<b>5,828</b>	<b>6,746</b>	<b>7,253</b>	<b>6,664</b>	<b>25,897</b>	<b>6,664</b>
Fees for Commercial and Mortgage Loans	2	2	5	3	3	11	3
Fund Transfers	119	128	131	155	146	533	146
Account Management Fees	313	334	348	375	351	1,371	351
Fiduciary	74	96	87	93	81	351	81
Other Fees	584	461	437	433	430	1,915	430
Income from Real Estate Portfolios	238	(190)	16	25	6	88	6
Electronic Banking Services	885	961	1,011	1,076	1,034	3,934	1,034
For Consumer and Credit Card Loans	510	574	592	685	676	2,361	676
<b>Fees Charged on Services</b>	<b>2,725</b>	<b>2,367</b>	<b>2,627</b>	<b>2,846</b>	<b>2,726</b>	<b>10,565</b>	<b>2,726</b>
Fund transfers	15	13	10	11	13	50	13
Other Fees	666	684	728	768	710	2,847	710
Amortization of Loan Portfolio	-	-	-	-	-	-	-
<b>Fees Paid on Services</b>	<b>681</b>	<b>697</b>	<b>738</b>	<b>780</b>	<b>724</b>	<b>2,897</b>	<b>724</b>
Foreign Exchange	451	(89)	210	322	342	893	342
Securities-Realized Gains	464	821	661	343	436	2,289	436
Securities-Unrealized Gains	395	(118)	(367)	(70)	270	(161)	270
<b>Trading Income</b>	<b>1,310</b>	<b>613</b>	<b>503</b>	<b>595</b>	<b>1,048</b>	<b>3,021</b>	<b>1,048</b>
Loan Recoveries	265	499	274	346	241	1,384	241
Income from foreclosed assets	(47)	(73)	(55)	(17)	(107)	(192)	(107)
Other Operating Income	59	3	26	39	89	127	89
Other Operating Expense	(51)	(35)	(48)	(45)	(65)	(180)	(65)
Other Products	139	445	284	410	199	1,278	199
Other Recoveries	811	(39)	158	98	270	1,029	270
Other Operating Expense	(230)	(274)	(87)	(231)	(221)	(821)	(221)
<b>Total Other Operating Income (Expense)</b>	<b>947</b>	<b>525</b>	<b>551</b>	<b>600</b>	<b>406</b>	<b>2,624</b>	<b>406</b>
<b>Total Non Interest Income</b>	<b>4,300</b>	<b>2,808</b>	<b>2,943</b>	<b>3,262</b>	<b>3,457</b>	<b>13,313</b>	<b>3,457</b>
<b>Total Operating Income</b>	<b>10,370</b>	<b>8,636</b>	<b>9,689</b>	<b>10,515</b>	<b>10,121</b>	<b>39,210</b>	<b>10,121</b>
Personnel	3,900	2,924	2,813	2,933	2,950	12,569	2,950
Employee Profit Sharing (PTU)	83	79	78	82	99	323	99
Professional Fees	529	563	530	744	548	2,365	548
Administrative and Promotional Expenses	825	1,025	1,145	1,234	1,108	4,230	1,108
Rents, Depreciation & Amortization	731	765	768	729	789	2,992	789
Taxes other than income tax & non deductible expenses	392	360	329	374	420	1,456	420
Contributions to IPAB/Fobaproa	440	433	474	484	459	1,831	459
<b>Total Non Interest Expense</b>	<b>6,899</b>	<b>6,150</b>	<b>6,137</b>	<b>6,579</b>	<b>6,374</b>	<b>25,766</b>	<b>6,374</b>
<b>Operating Income</b>	<b>3,471</b>	<b>2,486</b>	<b>3,552</b>	<b>3,936</b>	<b>3,747</b>	<b>13,444</b>	<b>3,747</b>
Subsidiaries' Net Income	348	472	337	282	293	1,439	293
<b>Pre-Tax Income</b>	<b>3,819</b>	<b>2,957</b>	<b>3,889</b>	<b>4,218</b>	<b>4,040</b>	<b>14,883</b>	<b>4,040</b>
Income Tax	1,070	147	1,056	549	1,782	2,822	1,782
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	(89)	(237)	(105)	370	(573)	(61)	(573)
<b>Taxes</b>	<b>982</b>	<b>(90)</b>	<b>951</b>	<b>919</b>	<b>1,209</b>	<b>2,761</b>	<b>1,209</b>
<b>Net Income from Continuous Operations</b>	<b>2,838</b>	<b>3,048</b>	<b>2,938</b>	<b>3,299</b>	<b>2,831</b>	<b>12,122</b>	<b>2,831</b>
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Net Income</b>	<b>2,838</b>	<b>3,048</b>	<b>2,938</b>	<b>3,299</b>	<b>2,831</b>	<b>12,122</b>	<b>2,831</b>

## IV. FINANCIAL STATEMENTS



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

<b>Banking Sector - Balance Sheet</b>					
<i>(Million Pesos)</i>					
	1Q13	2Q13	3Q13	4Q13	1Q14
<b>ASSETS</b>					
<b>Cash and Due from Banks</b>	<b>59,583</b>	<b>54,921</b>	<b>68,824</b>	<b>61,967</b>	<b>70,174</b>
<b>Margin Accounts</b>	<b>337</b>	<b>105</b>	<b>59</b>	<b>59</b>	<b>74</b>
Negotiable Instruments	139,529	131,459	134,333	136,344	184,013
Securities Available for Sale	77,562	75,331	74,693	66,715	70,293
Securities Held to Maturity	47,080	40,340	36,135	35,926	30,711
<b>Investment in Securities</b>	<b>264,170</b>	<b>247,130</b>	<b>245,161</b>	<b>238,986</b>	<b>285,017</b>
<b>Non-assigned Securities for Settlement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debtor Balance in Repo Trans,net</b>	<b>5,072</b>	<b>62</b>	<b>29</b>	<b>2</b>	<b>0</b>
<b>Securities Lending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
For trading purposes	20,782	16,139	17,675	14,799	14,050
For hedging purposes	125	31	37	55	76
Operations w/Derivatives & Securities	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>20,906</b>	<b>16,170</b>	<b>17,712</b>	<b>14,854</b>	<b>14,126</b>
<b>Operations w/Derivatives &amp; Securities</b>	<b>25,978</b>	<b>16,232</b>	<b>17,741</b>	<b>14,856</b>	<b>14,127</b>
<b>Valuation adjustments for Asset Coverage</b>	<b>170</b>	<b>166</b>	<b>162</b>	<b>158</b>	<b>154</b>
Commercial Loans	165,639	170,052	167,683	169,150	165,956
Financial Intermediaries' Loans	16,176	17,329	16,888	17,354	15,174
Consumer Loans	48,259	51,788	55,330	57,833	60,106
Mortgage Loans	74,007	77,323	79,396	82,008	83,130
Government Entities' Loans	87,583	88,824	88,244	93,484	96,925
Loans granted as Federal Agent	-	-	-	-	-
<b>Performing Loans</b>	<b>391,664</b>	<b>405,317</b>	<b>407,542</b>	<b>419,830</b>	<b>421,290</b>
Commercial PDL's	4,776	5,833	10,396	10,082	9,587
Financial Intermediaries PDL's	-	0	24	0	0
Consumer PDL's	1,649	1,896	2,003	2,098	2,063
Mortgage PDL's	817	973	1,064	1,137	1,151
Government Entities PDL's	-	-	-	-	-
<b>Past Due Loans</b>	<b>7,242</b>	<b>8,701</b>	<b>13,487</b>	<b>13,317</b>	<b>12,801</b>
<b>Gross Loan Portfolio</b>	<b>398,906</b>	<b>414,019</b>	<b>421,028</b>	<b>433,147</b>	<b>434,092</b>
Preventive Loan Loss Reserves	10,656	13,659	14,049	13,765	13,506
<b>Net Loan Portfolio</b>	<b>388,250</b>	<b>400,360</b>	<b>406,979</b>	<b>419,382</b>	<b>420,586</b>
Acquired Collection Rights	2,752	2,039	1,948	1,918	1,702
<b>Total Credit Portfolio</b>	<b>391,002</b>	<b>402,400</b>	<b>408,927</b>	<b>421,300</b>	<b>422,288</b>
Benef.receivab.securization transactions	782	795	836	738	729
Sundry Debtors & Other Accs Rec, Net	23,143	23,032	21,450	11,185	29,371
Inventories	-	-	-	-	-
Foreclosed Assets, Net	2,340	2,423	2,395	2,266	2,102
Real Estate, Furniture & Equipment, Net	8,829	8,947	9,014	9,498	9,516
Investment in Subsidiaries	13,374	13,156	13,483	13,765	14,062
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	-	566	722	274	868
Goodwill and Intangibles	7,607	7,802	8,337	9,038	8,472
Other Assets Short and Long Term	4,047	3,518	3,569	3,826	4,013
Other Assets	-	-	-	-	-
	60,123	60,239	59,806	50,589	69,133
<b>TOTAL ASSETS</b>	<b>801,363</b>	<b>781,193</b>	<b>800,679</b>	<b>787,916</b>	<b>860,967</b>

## IV. FINANCIAL STATEMENTS



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)	1Q13	2Q13	3Q13	4Q13	1Q14
<b>LIABILITIES</b>					
Demand Deposits	204,794	217,510	236,198	255,297	253,832
Time Deposits-Retail	182,523	189,206	186,033	179,877	187,015
Time Deposits-Money Market	23,809	13,465	14,485	4,971	10,745
Special Funds	-	-	-	-	-
Senior Unsecured Debt	3,741	3,985	3,987	4,003	3,951
<b>Deposits</b>	<b>414,867</b>	<b>424,166</b>	<b>440,703</b>	<b>444,147</b>	<b>455,543</b>
Immediate Redemption Loans	1,460	0	2,562	2,974	0
Short Term Loans	19,326	9,099	9,138	9,882	8,729
Long Term Loans	3,258	3,451	3,183	3,210	3,049
<b>Due to Banks &amp; Correspondents</b>	<b>24,044</b>	<b>12,550</b>	<b>14,884</b>	<b>16,067</b>	<b>11,778</b>
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	219,502	206,038	203,980	196,041	242,133
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	49	36	33	8	32
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
<b>Total Collateral sold</b>	<b>49</b>	<b>36</b>	<b>33</b>	<b>8</b>	<b>32</b>
For trading purposes	19,927	15,427	17,451	14,827	14,140
For hedging purposes	4,246	3,625	3,769	3,500	3,583
Operations w/ Derivatives & Securities	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>24,173</b>	<b>19,051</b>	<b>21,220</b>	<b>18,327</b>	<b>17,723</b>
<b>Total Operations w/ Derivatives &amp; Securities</b>	<b>243,723</b>	<b>225,125</b>	<b>225,233</b>	<b>214,376</b>	<b>259,888</b>
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	0	0	0	0
Income Tax Payable	1,416	108	397	224	1,518
Profit Sharing Payable	335	409	486	330	120
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	5,362	12,925	11,937	4,006	17,205
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	11,194	11,108	11,494	10,361	10,259
<b>Other Payable Accounts</b>	<b>18,307</b>	<b>24,550</b>	<b>24,314</b>	<b>14,920</b>	<b>29,102</b>
Subordinated Non Convertible Debt	19,258	19,510	18,046	18,001	18,083
Deferred Taxes, Net	372	-	-	-	-
Deferred Credits	2,634	2,523	2,562	2,479	2,373
<b>TOTAL LIABILITIES</b>	<b>723,205</b>	<b>708,425</b>	<b>725,742</b>	<b>709,990</b>	<b>776,768</b>
<b>EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Paid-in Capital	15,067	15,577	15,577	15,577	17,527
Provision for future capital increase not formalized by its governing entity	-	-	-	1,950	2,499
Share Subscription Premiums	13,154	10,389	10,389	10,389	10,389
Subordinated Convertible Debentures	-	-	-	-	-
<b>Subscribed Capital</b>	<b>28,221</b>	<b>25,966</b>	<b>25,966</b>	<b>27,916</b>	<b>30,415</b>
Capital Reserves	6,703	7,761	7,761	7,761	7,761
Retained Earnings	42,824	35,004	34,285	32,284	44,411
Surplus (Deficit) of Secs Available for Sale	1,656	677	722	517	576
Results from Valuation of Hedging Secs	(3,136)	(1,688)	(1,805)	(1,541)	(840)
Results from Conversions	(958)	(848)	(824)	(1,143)	(964)
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	2,838	5,886	8,824	12,122	2,831
<b>Earned Capital</b>	<b>49,927</b>	<b>46,792</b>	<b>48,962</b>	<b>50,000</b>	<b>53,775</b>
Minority Interest	10	10	10	10	10
<b>Total Equity</b>	<b>78,158</b>	<b>72,768</b>	<b>74,937</b>	<b>77,926</b>	<b>84,200</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>801,363</b>	<b>781,193</b>	<b>800,679</b>	<b>787,916</b>	<b>860,967</b>

## IV. FINANCIAL STATEMENTS



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

<b>Banking Sector - Memorandum Accounts</b>					
<i>(Million Pesos)</i>					
	1Q13	2Q13	3Q13	4Q13	1Q14
Investment banking transactions for third parties, net	67,162	71,223	93,475	83,171	85,548
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>67,162</b>	<b>71,223</b>	<b>93,475</b>	<b>83,171</b>	<b>85,548</b>
<b>Proprietary Transactions</b>					
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	39,566	35,435	34,588	28,110	28,616
Trusts	346,354	318,844	264,235	194,018	167,885
Mandates	2,140	1,713	10,806	11,043	10,090
Properties in Trusts and Warrant	348,494	320,557	275,042	205,061	177,975
Properties in Custody or Administration	316,204	325,241	357,893	335,729	358,926
Collateral Received	74,654	74,953	68,298	123,774	86,962
Collateral Received or sold	30,208	33,881	25,764	72,530	35,054
Drafts in Transit	-	-	-	-	-
Deposits of assets	-	-	-	-	-
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	-	-
Uncollected Accrued Interest from Past Due Loans	191	325	348	349	378
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Other Registration Accounts	-	-	-	-	-
<b>Proprietary Transactions</b>	<b>809,573</b>	<b>790,647</b>	<b>762,189</b>	<b>765,553</b>	<b>687,910</b>
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
<b>Net Repo Transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
<b>Net Repo Transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROPRIETARY</b>	<b>809,573</b>	<b>790,647</b>	<b>762,189</b>	<b>765,553</b>	<b>687,910</b>

## IV. FINANCIAL STATEMENTS



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	1Q13	2Q13	3Q13	4Q13	1Q14	2013	3M14
<i>MEX GAAP (Million Pesos)</i>							
Interest Income	178	176	177	176	183	707	183
Interest Expense	42	39	34	32	31	147	31
Charged Fees	4	6	6	6	7	22	7
Fees Paid	-	-	-	-	-	-	-
<b>Net Interest Income (Nil)</b>	<b>141</b>	<b>142</b>	<b>149</b>	<b>150</b>	<b>159</b>	<b>582</b>	<b>159</b>
Preventive Provisions for Loan Losses	15	2	8	11	11	36	11
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>126</b>	<b>140</b>	<b>141</b>	<b>139</b>	<b>148</b>	<b>546</b>	<b>148</b>
Fees for Commercial and Mortgage Loans	2	2	5	3	3	11	3
Fund Transfers	47	56	59	67	71	229	71
Account Management Fees	16	15	17	16	15	64	15
Fiduciary	-	-	-	-	-	-	-
Other Fees	4	4	3	5	6	15	6
Income from Real Estate Portfolios	-	-	-	-	-	-	-
Electronic Banking Services	5	5	6	5	6	21	6
For Consumer and Credit Card Loans	-	-	-	-	-	-	-
<b>Fees Charged on Services</b>	<b>74</b>	<b>82</b>	<b>88</b>	<b>96</b>	<b>101</b>	<b>341</b>	<b>101</b>
Fund transfers	1	1	1	1	0	4	0
Other Fees	26	27	26	29	28	108	28
Amortization of Loan Portfolio	-	-	-	-	-	-	-
<b>Fees Paid on Services</b>	<b>27</b>	<b>29</b>	<b>26</b>	<b>30</b>	<b>28</b>	<b>112</b>	<b>28</b>
Foreign Exchange	13	17	15	16	13	60	13
Securities-Realized Gains	34	11	5	1	17	51	17
Securities-Unrealized Gains	-	-	-	-	-	-	-
<b>Trading Income</b>	<b>47</b>	<b>28</b>	<b>20</b>	<b>16</b>	<b>31</b>	<b>111</b>	<b>31</b>
Loan Recoveries	11	4	5	12	3	32	3
Income from purchased assets	3	(9)	(5)	13	(4)	2	(4)
Other Operating Income	-	-	-	-	0	-	0
Other Operating Expense	-	0	0	1	1	2	1
Other Products	19	21	21	18	17	79	17
Other Recoveries	-	-	-	-	-	-	-
Other Operating Expense	(1)	(1)	(1)	(0)	(1)	(3)	(1)
<b>Total Non Interest Income</b>	<b>127</b>	<b>97</b>	<b>102</b>	<b>125</b>	<b>120</b>	<b>451</b>	<b>120</b>
<b>Total Operating Income</b>	<b>252</b>	<b>237</b>	<b>244</b>	<b>264</b>	<b>268</b>	<b>998</b>	<b>268</b>
Personnel	87	77	82	79	82	325	82
Employee Profit Sharing (PTU)	-	-	-	-	-	-	-
Professional Fees	24	23	24	31	25	101	25
Administrative and Promotional Expenses	49	47	52	59	56	207	56
Rents, Depreciation & Amortization	20	19	19	22	20	80	20
Taxes other than income tax & non deductible expenses	5	4	4	3	4	16	4
Contributions to IPAB/Fobaproa	9	9	4	4	4	26	4
<b>Total Non Interest Expense</b>	<b>193</b>	<b>179</b>	<b>185</b>	<b>198</b>	<b>191</b>	<b>755</b>	<b>191</b>
<b>Operating Income</b>	<b>59</b>	<b>58</b>	<b>59</b>	<b>66</b>	<b>77</b>	<b>242</b>	<b>77</b>
Subsidiaries' Net Income	-	-	-	-	-	-	-
<b>Pre-Tax Income</b>	<b>59</b>	<b>58</b>	<b>59</b>	<b>66</b>	<b>77</b>	<b>242</b>	<b>77</b>
Income Tax	19	20	19	23	24	79	24
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	-	-	-	-	-	-	-
<b>Taxes</b>	<b>(19)</b>	<b>(20)</b>	<b>(19)</b>	<b>(23)</b>	<b>(24)</b>	<b>(79)</b>	<b>(24)</b>
<b>Net Income from Continuous Operations</b>	<b>41</b>	<b>39</b>	<b>40</b>	<b>44</b>	<b>52</b>	<b>163</b>	<b>52</b>
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-
<b>Net Income</b>	<b>41</b>	<b>39</b>	<b>40</b>	<b>44</b>	<b>52</b>	<b>163</b>	<b>52</b>

## IV. FINANCIAL STATEMENTS



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

<b>Banorte USA-Balance Sheet</b>		<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<i>(Million Pesos)</i>						
<b>ASSETS</b>						
<b>Cash and Due from Banks</b>		<b>2,202</b>	<b>2,678</b>	<b>2,094</b>	<b>1,139</b>	<b>2,014</b>
<b>Margin Accounts</b>		-	-	-	-	-
Negotiable Instruments		-	-	-	-	-
Securities Available for Sale		11,326	9,929	8,747	8,628	7,474
Securities Held to Maturity		-	-	-	-	-
<b>Investment in Securities</b>		<b>11,326</b>	<b>9,929</b>	<b>8,747</b>	<b>8,628</b>	<b>7,474</b>
<b>Non-assigned Securities for Settlement</b>		-	-	-	-	-
<b>Debtor Balance in Repo Trans,net</b>		-	-	-	-	-
<b>Securities Lending</b>		-	-	-	-	-
For trading purposes		-	-	-	-	-
For hedging purposes		-	-	-	-	-
Operations w/Derivatives & Securities"		-	-	-	-	-
<b>Transactions with Derivatives</b>		-	-	-	-	-
<b>Operations w/Derivatives &amp; Securities</b>		-	-	-	-	-
Commercial Loans		7,031	7,764	7,697	8,754	9,686
Financial Intermediaries 'Loans		-	-	-	-	-
Consumer Loans		163	172	154	155	142
Mortgage Loans		1,508	1,506	1,482	1,387	1,353
Government Entities 'Loans		-	-	-	-	-
Loans granted as Federal Agent		-	-	-	-	-
<b>Performing Loans</b>		<b>8,702</b>	<b>9,442</b>	<b>9,333</b>	<b>10,297</b>	<b>11,180</b>
Commercial PDL's		7	23	4	1	2
Financial Intermediaries PDL's		-	-	-	-	-
Consumer PDL's		-	0	0	-	-
Mortgage PDL's		34	33	49	43	17
Government Entities PDL's		-	-	-	-	-
<b>Past Due Loans</b>		<b>41</b>	<b>56</b>	<b>53</b>	<b>45</b>	<b>18</b>
<b>Gross Loan Portfolio</b>		<b>8,744</b>	<b>9,498</b>	<b>9,386</b>	<b>10,342</b>	<b>11,198</b>
Preventive Loan Loss Reserves		69	73	77	85	90
<b>Net Loan Portfolio</b>		<b>8,675</b>	<b>9,425</b>	<b>9,308</b>	<b>10,257</b>	<b>11,108</b>
Acquired Collection Rights		-	-	-	-	-
Acquired Collection Rights, Net		-	-	-	-	-
<b>Total Credit Portfolio</b>		<b>8,675</b>	<b>9,425</b>	<b>9,308</b>	<b>10,257</b>	<b>11,108</b>
Benef.receiveab.securization transactions		-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net		661	702	716	717	721
Inventories		-	-	-	-	-
Foreclosed Assets, Net		317	290	246	187	162
Real Estate, Furniture & Equipment, Net		560	582	586	581	575
Investment in Subsidiaries		143	142	144	144	143
Long-term assets held for sale		-	-	-	-	-
Deferred Taxes, Net		70	155	207	128	104
Goodwill and Intangibles		3,028	3,141	3,173	3,149	3,132
Other Assets Short and Long Term		201	168	202	96	125
Other Assets		-	-	-	-	-
		4,979	5,181	5,275	5,001	4,962
<b>TOTAL ASSETS</b>		<b>27,181</b>	<b>27,213</b>	<b>25,425</b>	<b>25,025</b>	<b>25,558</b>

## IV. FINANCIAL STATEMENTS

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)		1Q13	2Q13	3Q13	4Q13	1Q14
<b>LIABILITIES</b>						
Demand Deposits		11,761	11,461	10,697	10,887	11,483
Time Deposits-Retail		9,135	9,251	8,171	7,873	7,549
Time Deposits-Money Market		-	-	-	-	-
Special Funds		-	-	-	-	-
Senior Unsecured Debt		-	-	-	-	-
<b>Deposits</b>		<b>20,896</b>	<b>20,712</b>	<b>18,867</b>	<b>18,760</b>	<b>19,032</b>
Immediate Redemption Loans		-	-	-	-	-
Short Term Loans		95	112	114	112	114
Long Term Loans		-	-	-	-	-
<b>Due to Banks &amp; Correspondents</b>		<b>95</b>	<b>112</b>	<b>114</b>	<b>112</b>	<b>114</b>
Technical Reserves		-	-	-	-	-
Non-assigned Securities for Settlement		-	-	-	-	-
Creditor Balance in Repo Trans, Net		1	2	2	-	-
Secs to be received in Repo Trans, Net		-	-	-	-	-
Repos (Credit Balance)		-	-	-	-	-
Securities' Loans		-	-	-	-	-
Transactions with Derivatives		-	-	-	-	-
Other sold collateral		-	-	-	-	-
<b>Total Collateral sold</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
For trading purposes		-	-	-	-	-
For hedging purposes		-	-	-	-	-
Operations w/ Derivatives & Securities		-	-	-	-	-
<b>Transactions with Derivatives</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operations w/ Derivatives &amp; Securities</b>		<b>1</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>
Valuation adjustments for financial liability coverage		-	-	-	-	-
Obligations in securitization transactions		-	-	-	-	-
Payable Accounts for Reinsurance		-	-	-	-	-
Income Tax Payable		43	30	21	28	24
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		387	432	431	404	433
<b>Other Payable Accounts</b>		<b>430</b>	<b>462</b>	<b>452</b>	<b>432</b>	<b>457</b>
Subordinated Non Convertible Debt		255	269	272	270	269
Deferred Taxes, Net		-	-	-	-	-
Deferred Credits		15	19	18	26	30
<b>TOTAL LIABILITIES</b>		<b>21,692</b>	<b>21,575</b>	<b>19,724</b>	<b>19,600</b>	<b>19,901</b>
<b>EQUITY</b>						
Paid-in Capital		4,668	4,690	4,690	4,690	4,690
Provision for future capital increase not formalized by its governing entity		-	-	-	-	-
Share Subscription Premiums		-	-	-	-	-
Subordinated Convertible Debentures		-	-	-	-	-
<b>Subscribed Capital</b>		<b>4,668</b>	<b>4,690</b>	<b>4,690</b>	<b>4,690</b>	<b>4,690</b>
Capital Reserves		-	-	-	-	-
Retained Earnings		601	586	586	586	749
Surplus (Deficit) of Secs Available for Sale		144	(20)	(44)	(313)	(142)
Results from Valuation of Hedging Secs		-	-	-	-	-
Results from Conversions		34	301	350	299	307
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		41	80	119	163	52
<b>Earned Capital</b>		<b>821</b>	<b>948</b>	<b>1,011</b>	<b>736</b>	<b>967</b>
Minority Interest		-	-	-	-	-
<b>Total Equity</b>		<b>5,489</b>	<b>5,637</b>	<b>5,701</b>	<b>5,425</b>	<b>5,657</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>27,181</b>	<b>27,213</b>	<b>25,425</b>	<b>25,025</b>	<b>25,558</b>

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

<b>Banorte USA - Memorandum Accounts</b>					
	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<i>(Million Pesos)</i>					
Investment banking transactions for third parties, net	-	-	-	-	-
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	-	-	-	-	-
<b>Proprietary Transactions</b>					
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	11	5	6	6	12
Trusts	-	-	-	-	-
Mandates	-	-	-	-	-
Properties in Trusts and Warrant	-	-	-	-	-
Properties in Custody or Administration	-	-	-	-	-
Collateral Received	-	-	-	-	-
Collateral Received or sold	-	-	-	-	-
Drafts in Transit	-	-	-	-	-
Deposits of assets	-	-	-	-	-
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	-	-	-	-	-
Uncollected Accrued Interest from Past Due Loans	-	-	-	-	-
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Other Registration Accounts	-	-	-	-	-
<b>Proprietary Transactions</b>	<b>11</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>12</b>
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-
<b>TOTAL PROPRIETARY</b>	<b>11</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>12</b>

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 '14							
(Million Pesos)							
	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Interest Income	44	14,354	528	18	123	610	2,423
Premium Income (Net)	-	-	-	-	3,140	2,012	-
Interest Expense	-	5,321	322	0	3	-	2,221
Net Increase in Technical Reserves	-	-	-	-	536	2,573	-
Damages, Claims and Other Obligations	-	-	-	-	1,685	701	-
<b>Net Interest Income (NII)</b>	<b>44</b>	<b>9,033</b>	<b>207</b>	<b>18</b>	<b>1,039</b>	<b>(652)</b>	<b>202</b>
Preventive Provisions for Loan Losses	-	2,369	10	-	-	-	-
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>44</b>	<b>6,664</b>	<b>197</b>	<b>18</b>	<b>1,039</b>	<b>(652)</b>	<b>202</b>
Loan Origination Fees	-	2,726	13	-	-	-	264
Fees Paid	0	724	23	0	358	-	8
Trading Income	-	1,048	-	0	22	799	65
Other Operating Income (Expenses)	1	406	23	3	183	2	(18)
<b>Non Interest Income</b>	<b>1</b>	<b>3,457</b>	<b>13</b>	<b>3</b>	<b>(154)</b>	<b>801</b>	<b>304</b>
<b>Total Operating Income</b>	<b>45</b>	<b>10,121</b>	<b>210</b>	<b>20</b>	<b>885</b>	<b>148</b>	<b>506</b>
Administrative and Promotional Expenses	27	6,374	38	7	196	70	254
<b>Operating Income</b>	<b>18</b>	<b>3,747</b>	<b>171</b>	<b>13</b>	<b>690</b>	<b>79</b>	<b>252</b>
Subsidiaries' Net Income	3,646	293	-	-	-	1	0
<b>Pre-Tax Income</b>	<b>3,664</b>	<b>4,040</b>	<b>171</b>	<b>13</b>	<b>690</b>	<b>79</b>	<b>252</b>
Income Tax	-	1,782	-	4	209	0	105
Deferred Income Tax	0	(573)	0	(0)	2	24	(35)
<b>Net Income from Continuous Operations</b>	<b>3,664</b>	<b>2,831</b>	<b>171</b>	<b>9</b>	<b>478</b>	<b>55</b>	<b>182</b>
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	-	(0)	(1)	(0)	(1)	-	-
<b>Net Income</b>	<b>3,664</b>	<b>2,831</b>	<b>171</b>	<b>9</b>	<b>478</b>	<b>55</b>	<b>182</b>

GFNorte - Income Statement as of March '14							
(Million Pesos)							
	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges	Credits	Final Balance
Interest Income	-	0	6	18,106	744	5	17,367
Premium Income (Net)	-	-	-	5,151	181	-	4,971
Interest Expense	-	0	127	7,994	-	682	7,311
Net Increase in Technical Reserves	-	-	-	3,109	-	-	3,109
Damages, Claims and Other Obligations	-	-	-	2,385	-	-	2,385
<b>Net Interest Income (NII)</b>	<b>-</b>	<b>0</b>	<b>(121)</b>	<b>9,770</b>	<b>-</b>	<b>-</b>	<b>9,532</b>
Preventive Provisions for Loan Losses	-	-	1	2,380	-	-	2,380
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>-</b>	<b>0</b>	<b>(122)</b>	<b>7,390</b>	<b>-</b>	<b>-</b>	<b>7,152</b>
Loan Origination Fees	248	6	54	3,311	344	-	2,967
Fees Paid	209	0	0	1,322	-	337	986
Trading Income	1	-	1	1,936	-	1	1,936
Other Operating Income (Expenses)	(1)	0	81	679	7	1	673
<b>Non Interest Income</b>	<b>38</b>	<b>6</b>	<b>136</b>	<b>4,604</b>	<b>352</b>	<b>(335)</b>	<b>4,590</b>
<b>Total Operating Income</b>	<b>38</b>	<b>6</b>	<b>14</b>	<b>11,994</b>	<b>352</b>	<b>(335)</b>	<b>11,742</b>
Administrative and Promotional Expenses	8	6	56	7,035	229	418	6,845
<b>Operating Income</b>	<b>30</b>	<b>0</b>	<b>(42)</b>	<b>4,959</b>	<b>-</b>	<b>-</b>	<b>4,897</b>
Subsidiaries' Net Income	(1)	-	1	3,940	3,647	-	293
<b>Pre-Tax Income</b>	<b>30</b>	<b>0</b>	<b>(42)</b>	<b>8,898</b>	<b>-</b>	<b>-</b>	<b>5,190</b>
Income Tax	7	1	-	2,108	-	-	2,108
Deferred Income Tax	1	(0)	(3)	(583)	0	25	(608)
<b>Net Income from Continuous Operations</b>	<b>21</b>	<b>(0)</b>	<b>(39)</b>	<b>7,374</b>	<b>-</b>	<b>-</b>	<b>3,691</b>
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	-	-	-	(1)	62	-	(63)
<b>Net Income</b>	<b>21</b>	<b>(0)</b>	<b>(39)</b>	<b>7,373</b>	<b>5,214</b>	<b>1,440</b>	<b>3,628</b>

## IV. FINANCIAL STATEMENTS



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 31 '14

(Million Pesos)

ASSETS	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	305	70,174	64	19	56	4	934
Margin Accounts	-	74	-	-	-	-	-
Investment in Securities	-	285,017	-	66	10,227	54,202	74,254
Negotiable Instruments	-	184,013	-	30	3,859	253	59,000
Securities Available for Sale	-	70,293	-	36	-	30	13,344
Securities Held to Maturity	-	30,711	-	-	6,368	53,919	1,909
Debtor Balance in Repo Trans, net	2,400	0	-	-	199	179	-
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives For trading purposes	-	14,050	-	-	-	-	-
Transactions with Derivatives For hedging purposes	-	76	-	-	-	-	-
Gross Loan Portfolio	-	422,288	17,764	-	-	-	-
Net Loan Portfolio	-	420,586	17,764	-	-	-	-
Performing Loans	-	421,290	17,862	-	-	-	-
Commercial Loans	-	165,956	15,836	-	-	-	-
Financial Intermediaries' Loans	-	15,174	315	-	-	-	-
Government Entities' Loans	-	96,925	1,708	-	-	-	-
Consumer Loans	-	60,106	4	-	-	-	-
Mortgage Loans	-	83,130	-	-	-	-	-
Past Due Loans	-	12,801	217	-	-	-	-
Commercial PDL's	-	9,587	217	-	-	-	-
Financial Intermediaries PDL's	-	0	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	-
Consumer PDL's	-	2,063	0	-	-	-	-
Mortgage PDL's	-	1,151	-	-	-	-	-
Preventive Loan Loss Reserves	-	13,506	315	-	-	-	-
Acquired Collection Rights	-	1,702	-	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	-	-	665	720	-
Premium Debtors (Net)	-	-	-	-	4,613	82	-
Account Receivables from Reinsurance	-	-	-	-	3,367	-	-
Benef.receivab.securization transactions	-	729	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	54	29,371	450	80	-	-	10,032
Inventories	-	-	-	442	-	-	-
Foreclosed Assets, Net	-	2,102	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	-	9,516	2,153	71	239	2	57
Investment in Subsidiaries	95,903	14,062	-	-	1	27	11
Deferred Taxes, Net	4	868	24	0	90	-	26
Total other Assets	10,909	12,485	263	12	308	2	342
Goodwill	9,703	4,094	-	-	-	-	-
Intangible	1,206	4,378	263	3	240	0	37
Other Assets	-	4,013	-	9	69	2	304
<b>TOTAL ASSETS</b>	<b>109,575</b>	<b>860,967</b>	<b>20,719</b>	<b>691</b>	<b>19,766</b>	<b>55,218</b>	<b>85,656</b>

## IV. FINANCIAL STATEMENTS



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 31 '14							
(Million Pesos)							
ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de	Total	Charges	Credits	Final Balance
Cash and Due from Banks	1	19	280	71,857	-	1,737	70,120
Margin Accounts	-	-	-	74	-	-	74
Investment in Securities	147	-	-	423,913	169	660	423,422
Negotiable Instruments	147	-	-	247,302	-	-	247,302
Securities Available for Sale	-	-	-	83,704	-	422	83,281
Securities Held to Maturity	-	-	-	92,907	169	237	92,839
Debtor Balance in Repo Trans, net	-	-	-	2,778	-	2,400	378
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives For trading purposes	-	-	-	14,050	-	-	14,050
Transactions with Derivatives For hedging purposes	-	-	-	76	-	-	76
Gross Loan Portfolio	-	-	1,951	442,004	1,276	13,212	430,067
Net Loan Portfolio	-	-	380	438,730	897	12,833	426,794
Performing Loans	-	-	273	439,425	858	12,730	427,553
Commercial Loans	-	-	273	182,065	759	621	182,202
Financial Intermediaries' Loans	-	-	-	15,488	-	12,069	3,419
Government Entities' Loans	-	-	-	98,633	3	11	98,625
Consumer Loans	-	-	-	60,110	68	25	60,153
Mortgage Loans	-	-	-	83,130	27	3	83,153
Past Due Loans	-	-	196	13,215	39	103	13,151
Commercial PDL's	-	-	196	10,000	29	39	9,989
Financial Intermediaries PDL's	-	-	-	0	-	-	0
Government Entities PDL's	-	-	-	-	1	-	1
Consumer PDL's	-	-	-	2,063	4	9	2,058
Mortgage PDL's	-	-	-	1,151	6	56	1,101
Preventive Loan Loss Reserves	-	-	88	13,909	-	-	13,909
Acquired Collection Rights	-	-	1,571	3,273	379	379	3,273
Account Receivables from Insurance and Annuities	-	-	-	1,385	-	-	1,385
Premium Debtors (Net)	-	-	-	4,695	-	-	4,695
Account Receivables from Reinsurance	-	-	-	3,367	-	-	3,367
Benef.receivab.securization transactions	-	-	-	729	-	-	729
Sundry Debtors & Other Accs Rec, Net	114	7	9,752	49,860	64	12,475	37,448
Inventories	-	-	-	442	-	-	442
Foreclosed Assets, Net	-	-	509	2,611	201	201	2,611
Real Estate, Furniture & Equipment, Net	0	104	6	12,151	212	86	12,277
Investment in Subsidiaries	86	-	449	110,539	767	96,796	14,510
Deferred Taxes, Net	-	2	41	1,055	267	886	436
Total other Assets	3	4	597	24,925	2,696	1,329	26,291
Goodwill	-	-	-	13,797	2,693	1,117	15,373
Intangible	1	4	597	6,729	-	210	6,519
Other Assets	2	-	-	4,399	3	3	4,399
<b>TOTAL ASSETS</b>	<b>351</b>	<b>137</b>	<b>13,584</b>	<b>1,166,664</b>	<b>5,652</b>	<b>129,782</b>	<b>1,042,534</b>

## IV. FINANCIAL STATEMENTS



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 31 '14							
(Million Pesos)							
LIABILITIES	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
<b>Deposits</b>	-	455,543	1,531	-	-	-	-
<b>Demand Deposits</b>	-	253,832	-	-	-	-	-
<b>Time Deposits</b>	-	197,760	-	-	-	-	-
Time Deposits-Retail	-	187,015	-	-	-	-	-
Time Deposits-Money Market	-	10,745	-	-	-	-	-
<b>Senior Unsecured Debt</b>	-	3,951	1,531	-	-	-	-
<b>Due to Banks &amp; Correspondents</b>	-	11,778	15,050	398	-	-	-
Immediate Redemption Loans	-	0	-	-	-	-	-
Short Term Loans	-	8,729	10,718	398	-	-	-
Long Term Loans	-	3,049	4,333	-	-	-	-
<b>Technical Reserves</b>	-	-	-	-	11,630	53,552	-
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	242,133	-	-	-	-	77,847
<b>Secs to be received in Repo Trans, Net</b>	-	-	-	-	-	-	-
<b>Collateral sold or pledged as collateral</b>	-	32	-	-	-	-	-
<b>Transactions with Derivatives for trading purposes</b>	-	14,140	-	-	-	-	-
<b>Transactions with Derivatives for hedging purposes</b>	-	3,583	-	-	-	-	-
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	-	-	1,054	-	-
<b>Other Payable Accounts</b>	0	29,102	583	12	2,578	112	5,268
Income Tax Payable	-	1,518	-	1	230	-	54
Profit Sharing Payable	-	120	-	-	-	-	9
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	17,205	-	-	-	-	4,859
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	0	10,259	583	10	2,349	112	347
<b>Subordinated Non Convertible Debt</b>	-	18,083	-	-	-	-	-
<b>Deferred Taxes, Net</b>	-	(0)	-	-	-	249	-
<b>Deferred Credits</b>	-	2,373	173	-	171	-	-
<b>TOTAL LIABILITIES</b>	0	776,768	17,338	410	15,433	53,913	83,114
EQUITY							
<b>Subscribed Capital</b>	50,163	30,415	526	87	709	325	1,429
Paid-in Capital	14,664	17,527	526	87	709	325	1,354
Share Subscription Premiums	35,500	10,389	-	-	-	-	75
Contributions for future capital increases agreed by the governing body	-	2,499	-	-	-	-	-
<b>Earned Capital</b>	59,411	53,775	2,850	194	3,597	980	1,113
Capital Reserves	5,811	7,761	367	35	469	131	54
Retained Earnings	50,846	44,411	2,312	146	2,605	796	593
Surplus (Deficit) of Secs Available for Sale	734	576	-	3	46	(3)	257
Results from Valuation of Hedging Secs	(734)	(840)	-	-	-	-	-
Results from Conversions	(909)	(964)	-	-	-	-	27
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Results of Non Monetary Assets	-	-	-	-	-	-	-
Results of Non Monetary Fixed Assets	-	-	-	-	-	-	-
Results of Non Monetary - Investment Assets	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-
Net Income	3,664	2,831	171	9	478	55	182
Capital Mayoritario	109,575	84,190	3,376	281	4,306	1,305	2,542
Minority Interest	-	10	5	0	27	-	-
<b>Total Equity</b>	109,575	84,200	3,380	281	4,333	1,305	2,542
<b>TOTAL LIABILITIES &amp; EQUITY</b>	109,575	860,967	20,719	691	19,766	55,218	85,656

## IV. FINANCIAL STATEMENTS



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 31 '14							
(Million Pesos)							
LIABILITIES	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de	Total	Charges	Credits	Final Balance
<b>Deposits</b>	-	-	-	457,074	1,734	-	455,340
<b>Demand Deposits</b>	-	-	-	253,832	1,180	-	252,652
<b>Time Deposits</b>	-	-	-	197,760	554	-	197,206
Time Deposits-Retail	-	-	-	187,015	554	-	186,461
Time Deposits-Money Market	-	-	-	10,745	-	-	10,745
<b>Senior Unsecured Debt</b>	-	-	-	5,482	-	-	5,482
<b>Due to Banks &amp; Correspondents</b>	-	-	11,167	38,393	12,077	8	26,324
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	11,167	31,011	12,069	-	18,942
Long Term Loans	-	-	-	7,382	8	8	7,382
<b>Technical Reserves</b>	-	-	-	65,182	-	-	65,182
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	-	-	319,980	2,400	-	317,580
<b>Secs to be received in Repo Trans, Net</b>	-	-	-	-	-	-	-
<b>Collateral sold or pledged as collateral</b>	-	-	-	32	-	-	32
<b>Transactions with Derivatives for trading purposes</b>	-	-	-	14,140	-	-	14,140
<b>Transactions with Derivatives for hedging purposes</b>	-	-	-	3,583	-	-	3,583
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	-	1,054	-	-	1,054
<b>Other Payable Accounts</b>	118	113	136	38,023	12,548	5	25,480
Income Tax Payable	5	1	109	1,917	-	-	1,917
Profit Sharing Payable	-	1	-	130	-	-	130
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	22,063	12,132	-	9,931
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	113	112	28	13,913	416	5	13,502
<b>Subordinated Non Convertible Debt</b>	-	-	-	18,083	-	-	18,083
<b>Deferred Taxes, Net</b>	0	-	-	249	886	638	-
<b>Deferred Credits</b>	-	-	3	2,720	210	-	2,511
<b>TOTAL LIABILITIES</b>	118	113	11,306	958,514	29,855	651	929,310
<b>EQUITY</b>							
<b>Subscribed Capital</b>	112	24	1,127	84,918	35,244	321	49,995
Paid-in Capital	112	24	1,127	36,456	21,810	-	14,647
Share Subscription Premiums	-	-	-	45,963	10,936	321	35,349
Contributions for future capital increases agreed by the governing body	-	-	-	2,499	2,499	-	-
<b>Earned Capital</b>	120	(1)	1,151	123,191	64,988	3,148	61,350
Capital Reserves	10	2	117	14,757	8,946	-	5,811
Retained Earnings	89	(3)	1,073	102,868	53,167	3,122	52,823
Surplus (Deficit) of Secs Available for Sale	-	-	-	1,612	880	-	732
Results from Valuation of Hedging Secs	-	-	-	(1,574)	(840)	-	(734)
Results from Conversions	-	-	-	(1,846)	(937)	-	(909)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Results of Non Monetary Assets	-	-	-	-	-	-	-
Results of Non Monetary Fixed Assets	-	-	-	-	-	-	-
Results of Non Monetary - Investment Assets	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-
Net Income	21	(0)	(39)	7,373	3,771	26	3,628
Capital Mayoritario	233	24	2,279	208,109	100,232	3,469	111,346
Minority Interest	0	-	-	41	27	1,864	1,878
<b>Total Equity</b>	233	24	2,279	208,150	100,259	5,332	113,224
<b>TOTAL LIABILITIES &amp; EQUITY</b>	351	137	13,584	1,166,664	130,113	5,983	1,042,534

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

## ACCOUNTING CHANGES AND REGULATIONS

Otherwise mentioned, figures in this section are in million pesos.

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

On January 31, 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 28, 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 14, 2006 and its diverse modifications.

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

According to the formerly mentioned regulation published on January 31, 2014, 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 1, 2011 such institutions must be consolidated in the financial statements 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.

Afterwards, on July 18, 2011 the National Banking and Securities Commission replaced some accounting criteria aiming to be consistent with these criteria and regulatory reports related to financial statements.

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

On January 27<sup>th</sup>, 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.

On October 5, 2011, the National Banking and Securities Commission modified the accounting criteria relative to the loan portfolio which define the particular regulation regarding recognition, valuation, presentation and disclosure in the financial statements of the loan portfolio for these institutions, as well as the accounting guidelines relative to the credit risk provisions.

Additionally, on July 5, 2012, the National Banking and Securities Commission modified the accounting criteria relative to trust funds and consolidation of entities with specific purposes, which define the particular regulation regarding recognition, valuation, presentation and disclosure in the financial statements of the trust funds and the specific purpose entities in these institutions.-

- **Amendment to the rating methodology of the commercial portfolio.**

On June 24, 2013, the Commission published a resolution amending the provisions regarding the methodology for rating commercial loans. This resolution modifies the current model of reserves, in order to establish a methodology under which the portfolio is rated and reserved based on expected losses for the next 12 months considering the probability of default, loss severity and exposure to default of each client.

The resolution came into force on June 25, 2013 and is applicable optionally as of this date, and must be met no later than December 31, 2013 for loans granted to individuals with business activity, corporations and decentralized bodies, excluding loans to financial institutions, for which the new methodology cannot be applied until January 2014.

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

Pursuant to that resolution, the Institution decided to apply the formerly mentioned methodology with figures as of June 30, 2013, consequently the Institution recognized Ps 3.95 billion, in the heading of retained earnings of prior years, within stockholders' equity, corresponding to the initial cumulative financial effect derived from the application of the new rating methodologies for commercial loans, excluding loans granted to financial institutions which will be adopted until January 2014 according to the regulation.

The amount of the allowance for loan losses for commercial loans of the Institution applying the new methodology was Ps. 8.38 billion, and the amount of the reserve for such commercial portfolio considering the methodology used prior to the implementation of this resolution was Ps. 4.99 billion, both with figures as of June 30, 2013.

The amount recognized in equity includes Ps. 557 million of reserves corresponding to the portfolio sold by Arrendadora y Factor Banorte.

- **Special accounting treatment to the support program granted by Banco Mercantil del Norte, S.A. derived from the floods caused by “Ingrid” and “Manuel” hurricanes.**

Given the negative economic impact of the floods caused by “Ingrid” and “Manuel” hurricanes, the Institution has determined to support the economic recovery in the affected regions that comprise municipalities declared as disaster zones by the Secretary of State in the Diario Oficial de la Federación, through the implementation of various support programs for borrowers according the following:

Mortgage, car, payroll loans and creadiactivo (SMEs) support, which consist in:

- Mortgage loan: Facilities to cover up to 3 payments of the mortgage loan with a personal loan which may be granted up to the amount of 3 monthly payments and with terms of 36 and 48 months, according to the client's choice, at the same rate that the mortgage loan and excluding opening fees.
- Car loans: Deferral of up to 3 monthly payments, which will be added at the end of the loan, therefore the term is extended 7 additional months from the original term.
- Payroll loans: Deferral of up to 3 monthly payments, which will be added at the end of the loan, therefore the term is extended 7 additional months from the original term.
- Creadiactivo: Clients may defer the payment 3 months through an agreement formalization, deferred monthly payments will be added at the end of the loan and will not affect the original term of the loan, therefore in the last 3 monthly payments the client will double the regular amount.

Through the communication No. P065/2013, the National Banking and Securities Commission, issued an special accounting criteria applicable to the Institution from September 13, 2013 to January 14, 2014, through which the Commission authorized that performing loans as of September 13, 2013, with deferred principal and interest payments according to the Plan, will not be considered restructured loans accordingly to paragraph 26 of the B-6 “Credit Portfolio” criteria and will be considered as performing loans during the agreed period of the Plan. Therefore, these credits are considered as performing loans for the Preventive Loan Loss Reserve calculation.

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

If this special accounting criterion had not been implemented, the loan balances as of March 31, 2014 would be:

Million Pesos

<b>PERFORMING LOANS</b>	
Commercial Loans	
Middle market and Commercial	\$182,202
Financial Intermediaries	3,419
Government Entities	98,625
Consumer Loans	60,152
Mortgage Loans	83,154
<b>TOTAL PERFORMING LOANS</b>	<b>427,552</b>
<b>TOTAL PAST DUE LOANS</b>	
Commercial Loans	
Business and Commercial	9,989
Government Entities	1
Consumer Loans	2,059
Mortgage Loans	1,102
<b>TOTAL PAST DUE LOANS</b>	<b>13,151</b>
<b>GROSS LOAN PORTFOLIO</b>	<b>440,703</b>
(-) PREVENTIVE LOAN LOSS RESERVES	-13,91
<b>NET LOAN PORTFOLIO</b>	<b>426,793</b>
ACQUIRED COLLECTION RIGHTS	3,273
<b>TOTAL CREDIT PORTFOLIO</b>	<b>\$ 430,066</b>

Furthermore, net income would have been Ps 3.6 billion, as a result of an additional registration of Ps 0.513 million in preventive loan loss reserves that would be originated if the support programs would not have been implemented.

The amount of deferred payments of the plans as of March 31, 2014 is comprised as follows:

<i>Million Pesos</i>	Deferred Amount
Consumer Loans	\$ .096

- **Special accounting treatment to the support program granted by Banorte Ixe Tarjetas, S.A. de C.V., SOFOM derived from the floods caused by “Ingrid” and “Manuel” hurricanes**

Given the negative economic impact of the floods caused by “Ingrid” and “Manuel” hurricanes, the Institution has determined to support the economic recovery in the affected regions that comprise municipalities declared as disaster zones by the Secretary of State in the Diario Oficial de la Federación, through the implementation of various support programs for borrowers according the following:

- Credit Cards: The minimum required payment will not be required up to 3 months, only regular interests will be charged and there will not be penalties during this period.

Through the communication No. P066/2013, the National Banking and Securities Commission, issued an special accounting criteria applicable to the Institution from September 13, 2013 to January 14, 2014, through which the Commission authorized that for the loans being restructured or renewed during the next natural 120 days following the disaster, will not be consider as past due in terms of paragraph 83 of accounting criteria, this term cannot exceed 3 months after the loan was registered as past due.

As of March 31, 2014 the Institution has not granted yet the formerly mentioned supports, and therefore has not applied the authorized special accounting criteria.

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

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

On March 16, 2012, the National Banking and Securities Commission issued changes in accounting criteria applicable to mutual funds, to make them consistent with financial reporting standards set in Mexico as well as abroad, and to facilitate compatibility of the information given to authorities, public, and markets in general. These changes are similar to changes made for Credit Institutions.

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

On July 30, 2009 the National Banking and Securities Commission issued changes among others, to accounting criteria applicable other regulated finance companies, SOFOLs and SOFOMs, make them consistent with financial reporting standards set in Mexico as well as abroad, and to facilitate compatibility of the information given to authorities, public, and markets in general. These changes are similar to changes made for Credit Institutions.

- **NIF 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.

- **NIF 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 Bulletin D-8, “Stock based compensation”, 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 25 million. In this sense, in 1Q13 a positive net effect results in the financial statements of the holding company of Ps 11 million. In 2Q13, 3Q13 and 4Q13 a positive net effect results in the financial statements of the holding company of Ps 6 million. As of 1Q14, there is no effect in the Holding’s financial statements, as the shares plans matured in 2013.

- **Early termination of the mortgage debtor support programs .**

On June 30, 2010, the Ministry of Finance and Public Credit (SHCP) on behalf of the Federal Government agreed (the Agreement) to the early termination of mortgage debtor support programs (end point and UDIS trusts) with banks. Consequently, as of January 1, 2011, the Holding Company absorbed the corresponding part of the discount offered in advance to mortgage debtors that participated in the program. As of July 26, 2010 the National Banking and Securities Commission published the regulation on the accounting registration related to the Agreement.

Some of the effects recorded in 2010 from the application of the Agreement which became effective as of the date it was entered into are presented below.

As of March 31, 2014, the total amount of the Federal Government’s payment obligations with respect to commercial loans amounted to \$58 million, which includes \$56 million corresponding to the conditioned discount portion derived

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

from loans denominated in local currency and in UDIS, and \$2 million related to the discount applied to loans referred to in number 3.1.2 of Circular 1430.

As of March 31, 2014, the Federal Government's obligations under the Agreement were:

	<b>Payment date</b>	<b>Amount</b>
Fourth amortization	June 1, 2014	28
Fifth amortization	June 1, 2015	28
		<b>\$56</b>

Each amortization will include a monthly financial cost as of the day immediately following the cut-off date and until the end of the month immediately preceding the payment date of each, using, for the month of January 2011, the rate corresponding to the arithmetic average of annual rates of return calculated on the basis of the discount rate of the 91-day Cete issued in December 2010, and for subsequent months 91-day CETES future rates corresponding to the immediately preceding month published by the company Proveedor Integral de Precios, S.A., the working day immediately following the cut-off date, or else that of the closest previous month contained in said publication, taken to the 28-day curve, and dividing the resulting rate by 360, multiplying the result by the number of days that have effectively elapsed during the due period, and applying monthly capitalization.

Below is an analysis of the movement in the loan loss estimate for credit risks related to the mortgages covered in the Agreement:

	<b>2013</b>
Start balance	\$19
Holding company support	67
Haircuts, discounts and cancellations	14
Reserve reclassification	(9)
Contributions to settle trust liabilities	1
<b>End balance</b>	<b>\$92</b>

During 2014 \$2 million were recognized as results in relation to the end point support program.

The maximum amount of loans not eligible for the Early Termination program with the potential to receive the discount program's benefits to be absorbed by the Holding company is \$14 million.

The amount corresponding to the repurchase of SPECIAL CETES was \$97 million; the outstanding balance of SPECIAL CETES that has not been repurchased by the Federal Government as of March 31, 2014 is \$866 million with maturities between 2017 and 2027.

As a result of the termination of the Trusts, in 2010 the Holding company recognized \$330 million in loan loss reserves and \$56 million in deferred taxes in its balance sheet.

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 these loans previously. This was a one-time operation and not a permanent transfer procedure of the Solida's portfolio.

	Local Currency			Foreign Currency (USD)			Total		
(Million of Nominal Pesos)	aug-02	dec-13	mar-14	aug-02	dec-13	mar-14	aug-02	dec-13	mar-14
<b>Performing Loans</b>									
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	8	23	0	0	0	54	8	23
<b>Total</b>	<b>59</b>	<b>8</b>	<b>23</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>8</b>	<b>23</b>
<b>Non Performing Loans</b>									
Commercial	405	302	301	293	112	110	698	414	411
Consumer	81	72	72	0	0	0	81	72	72
Mortgage	1,112	258	233	0	0	0	1,112	258	233
<b>Total</b>	<b>1,598</b>	<b>632</b>	<b>606</b>	<b>293</b>	<b>112</b>	<b>110</b>	<b>1,891</b>	<b>744</b>	<b>716</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>640</b>	<b>629</b>	<b>298</b>	<b>112</b>	<b>110</b>	<b>1,955</b>	<b>752</b>	<b>739</b>
<b>Loan Loss Reserves (1)</b>									
Commercial	326	302	302	246	112	112	572	414	414
Consumer	77	72	72	0	0	0	77	72	72
Mortgage	669	258	258	0	0	0	669	258	258
<b>Total</b>	<b>1,072</b>	<b>632</b>	<b>632</b>	<b>246</b>	<b>112</b>	<b>112</b>	<b>1,318</b>	<b>744</b>	<b>744</b>

(1) Reserve requirements using the same classification method used for the bank.

(\*) There was a Reserve deficit of Ps 10 million as of March 2014.

(\*) The dollar portfolio and reserves are re-expressed in pesos.

(\*) Local Currency includes UDIS valued at the new exchange rate.

(\*) Banorte had a 99.99% stake in Sólida until May 2013. After this date, Sólida was merged into Ixe Soluciones and changed its corporate identity to Sólida Administradora de Portafolios, S.A. de C.V. SOFOM, ER, Grupo Financiero Banorte.

In 1Q14 the Loan portfolio showed changes due to: collections of Ps \$1.9 million, foreclosed assets of Ps \$0.5 million, restructurings of Ps \$1.7 million and there were charge offs and discounts of Ps. \$6.9 million. In the Loan loss provisions, there were charge offs and discounts of Ps \$1.5 million. There were transfers from performing loans to past due loans of Ps \$0.2 million and transfers from past due loans to performing loans of Ps \$0.1 million.

## VI. LOAN PORTFOLIO SALES TO SOLIDA



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.

(Million of Nominal Pesos)	Local Currency (1)		Foreign Currency (USD) (2)		Total	
	dec-13	mar-14	dec-13	mar-14	dec-13	mar-14
<b>Performing Loans</b>						
Commercial	267,511	262,376	19,291	20,857	286,802	283,233
Consumer	38,380	40,742	0	0	38,380	40,742
Mortgage	80,628	81,799	1	0	80,629	81,800
Government	0	0	0	0	0	0
Fobaproa / IPAB	0	0	0	0	0	0
<b>Performing Loans</b>	<b>386,519</b>	<b>384,917</b>	<b>19,292</b>	<b>20,857</b>	<b>405,811</b>	<b>405,775</b>
<b>Non Performing Loans</b>						
Commercial	10,327	9,690	168	307	10,495	9,997
Consumer	962	867	0	0	962	867
Mortgage	1,352	1,367	0	0	1,352	1,367
Government	0	0	0	0	0	0
<b>Non Performing Loans</b>	<b>12,641</b>	<b>11,924</b>	<b>168</b>	<b>307</b>	<b>12,809</b>	<b>12,231</b>
<b>TOTAL LOANS</b>	<b>399,160</b>	<b>396,841</b>	<b>19,460</b>	<b>21,164</b>	<b>418,620</b>	<b>418,006</b>
<b>Loan Loss Reserves</b>	<b>11,432</b>	<b>11,081</b>	<b>345</b>	<b>382</b>	<b>11,777</b>	<b>11,462</b>
<b>Net Loan Portfolio</b>	<b>387,728</b>	<b>385,761</b>	<b>19,115</b>	<b>20,783</b>	<b>406,843</b>	<b>406,543</b>
<b>Loan Loss Reserves</b>					<b>92%</b>	<b>94%</b>
<b>% Past Due Loans</b>					<b>3.06%</b>	<b>2.93%</b>

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

## VII. NOTES TO FINANCIAL STATEMENTS



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 1Q14 (Million Pesos)				
Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>209,461</b>	<b>1,085</b>	<b>209</b>	<b>210,755</b>
<b>Unrestricted</b>	<b>(881)</b>	<b>23</b>	<b>(18)</b>	<b>(876)</b>
CETES (Special)	-	-	-	-
CETES	955	4	0	959
BONDES	1,491	2	2	1,495
BPA	(3,534)	1	(22)	(3,556)
BREMS	-	-	-	-
Bonds	(78)	11	2	(65)
CBIC	-	-	-	-
Udibonds	168	3	(0)	171
UMS	117	1	2	120
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
Other Government Securities	-	-	-	-
<b>Restricted</b>	<b>210,342</b>	<b>1,062</b>	<b>227</b>	<b>211,631</b>
CETES (Special)	-	-	-	-
CETES	698	-	(0)	698
BONDES	67,830	103	41	67,975
BPA	123,867	652	155	124,674
BREMS	-	-	-	-
Bonds	17,782	305	31	18,119
CBIC	-	-	-	-
Udibonds	165	1	(0)	166
UMS	0	-	-	0
Treasury Bonds	-	-	-	-
Treasury Notes	0	-	-	0
<b>Banking Securities</b>	<b>26,057</b>	<b>27</b>	<b>25</b>	<b>26,109</b>
<b>Unrestricted</b>	<b>3,390</b>	<b>1</b>	<b>(0)</b>	<b>3,391</b>
Notes	3,001	0	(0)	3,001
CEDES	-	-	-	-
Stock Certificates	238	0	0	238
Structured Notes	-	-	-	-
Other Banking Securities	151	0	(0)	151
<b>Restricted</b>	<b>22,666</b>	<b>27</b>	<b>26</b>	<b>22,718</b>
Notes	2,939	-	4	2,943
CEDES	1,586	3	(0)	1,589
Stock Certificates	14,504	20	13	14,537
Structured Notes	-	-	-	-
Other Banking Securities	3,637	4	9	3,650
<b>Private Securities</b>	<b>10,469</b>	<b>19</b>	<b>(51)</b>	<b>10,438</b>
<b>Unrestricted</b>	<b>1,607</b>	<b>4</b>	<b>(64)</b>	<b>1,547</b>
Stock Certificates	256	1	(7)	249
PEMEX Bonds	2	0	0	3
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	217	3	5	225
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	1,284	-	(59)	1,225
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	(152)	-	(3)	(155)
<b>Restricted</b>	<b>8,862</b>	<b>16</b>	<b>14</b>	<b>8,891</b>
Stock Certificates	6,179	11	13	6,203
PEMEX Bonds	2,448	4	(1)	2,451
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	-	-	-	-
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	235	0	1	236
<b>Total</b>	<b>245,987</b>	<b>1,131</b>	<b>184</b>	<b>247,302</b>

## VII. NOTES TO FINANCIAL STATEMENTS



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 1Q14				
(Million Pesos)				
Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>55,329</b>	<b>558</b>	<b>(34)</b>	<b>55,852</b>
<b>Unrestricted</b>	<b>9,208</b>	<b>30</b>	<b>(242)</b>	<b>8,996</b>
CETES (Special)	-	-	-	-
CETES	-	-	-	-
BONDES	99	0	0	99
BPA	129	1	(0)	130
BREMS	-	-	-	-
Bonds	255	4	(17)	241
CBIC	-	-	-	-
Udibonds	20	0	10	30
UMS	33	1	1	35
Treasury Bonds	-	-	-	-
Treasury Notes	1,056	5	(74)	986
Other Government Securities	7,616	19	(161)	7,474
<b>Restricted</b>	<b>46,121</b>	<b>528</b>	<b>207</b>	<b>46,856</b>
CETES (Special)	-	-	-	-
CETES	589	-	0	589
BONDES	2,692	1	(0)	2,693
BPA	39,190	481	230	39,901
BREMS	-	-	-	-
Bonds	696	12	(26)	682
CBIC	-	-	-	-
Udibonds	-	-	-	-
UMS	2,954	34	3	2,991
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
<b>Banking Securities</b>	<b>2,308</b>	<b>4</b>	<b>(18)</b>	<b>2,293</b>
<b>Unrestricted</b>	<b>237</b>	<b>0</b>	<b>(23)</b>	<b>214</b>
Notes	-	-	-	-
CEDES	-	-	-	-
Stock Certificates	-	-	-	-
Structured Notes	237	0	(23)	214
Other Banking Securities	-	-	-	-
<b>Restricted</b>	<b>2,070</b>	<b>4</b>	<b>4</b>	<b>2,078</b>
Notes	-	-	-	-
CEDES	0	(0)	-	0
Stock Certificates	2,070	4	4	2,078
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
<b>Private Securities</b>	<b>24,095</b>	<b>117</b>	<b>924</b>	<b>25,137</b>
<b>Unrestricted</b>	<b>9,128</b>	<b>16</b>	<b>271</b>	<b>9,414</b>
Stock Certificates	771	3	(121)	653
PEMEX Bonds	346	3	(17)	331
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	763	10	(21)	752
GFNORTE stocks	-	-	-	-
BMV stocks	234	-	131	365
Mutual Funds stocks	7,014	-	298	7,312
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	-	-	-	-
<b>Restricted</b>	<b>14,967</b>	<b>102</b>	<b>654</b>	<b>15,723</b>
Stock Certificates	2,857	2	2	2,860
PEMEX Bonds	10,995	82	522	11,599
Commercial Paper	-	-	-	-
Corporate Bonds	102	3	5	110
Euro Bonds	977	15	125	1,118
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	36	-	-	36
<b>Total</b>	<b>81,731</b>	<b>679</b>	<b>872</b>	<b>83,281</b>

## VII. NOTES TO FINANCIAL STATEMENTS



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 1Q14				
(Million Pesos)				
Securities Held to Maturity	BOOK VALUE	INTEREST	xxxx	Market Value
<b>Government Securities</b>	<b>64,986</b>	<b>655</b>	-	<b>65,641</b>
<b>Unrestricted</b>	<b>48,275</b>	<b>516</b>	-	<b>48,790</b>
CETES (Special)	866	0	-	866
CETES	-	-	-	-
BONDES	398	1	-	399
BPA	-	-	-	-
BREMS	-	-	-	-
Bonds	1,881	35	-	1,916
CBIC	537	8	-	545
Udibonds	44,592	472	-	45,064
UMS	-	(0)	-	(0)
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
Other Government Securities	-	-	-	-
<b>Restricted</b>	<b>16,711</b>	<b>139</b>	-	<b>16,850</b>
CETES (Special)	-	-	-	-
CETES	-	-	-	-
BONDES	0	-	-	0
BPA	16,711	139	-	16,850
BREMS	-	-	-	-
Bonds	0	0	-	0
CBIC	0	0	-	0
Udibonds	0	0	-	0
UMS	-	-	-	-
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
<b>Banking Securities</b>	<b>4,269</b>	<b>1,006</b>	-	<b>5,276</b>
<b>Unrestricted</b>	<b>4,167</b>	<b>1,006</b>	-	<b>5,173</b>
Notes	529	(0)	-	529
CEDES	1,430	885	-	2,315
Stock Certificates	1,150	6	-	1,157
Structured Notes	869	114	-	984
Other Banking Securities	188	0	-	188
<b>Restricted</b>	<b>102</b>	<b>0</b>	-	<b>103</b>
Notes	-	-	-	-
CEDES	-	-	-	-
Stock Certificates	(0)	-	-	(0)
Structured Notes	-	-	-	-
Other Banking Securities	102	0	-	103
<b>Private Securities</b>	<b>21,513</b>	<b>478</b>	-	<b>21,991</b>
<b>Unrestricted</b>	<b>12,685</b>	<b>459</b>	-	<b>13,145</b>
Stock Certificates	11,917	447	-	12,364
PEMEX Bonds	330	3	-	333
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	439	9	-	448
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	-	-	-	-
<b>Restricted</b>	<b>8,827</b>	<b>19</b>	-	<b>8,846</b>
Stock Certificates	8,383	18	-	8,401
PEMEX Bonds	-	-	-	-
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	-	-	-	-
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	444	1	-	445
Fair Value Adjustment Ixe Banco	(69)	-	-	(69)
<b>Total</b>	<b>90,699</b>	<b>2,140</b>	-	<b>92,839</b>

## VII. NOTES TO FINANCIAL STATEMENTS



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

REPURCHASE AGREEMENT OPERATIONS 1Q 14						
(Million Pesos)						
Repo Debtors					Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance		MV Repo Creditors
Government securities	73,644	73,297	378	31		272,312
Banking securities	4,845	4,845	0	0		24,093
Private Securities	16,818	16,818	0	0		21,175
<b>Total</b>	<b>95,306</b>	<b>94,960</b>	<b>378</b>	<b>32</b>		<b>317,580</b>

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

<b>DERIVATES FINANCIAL INSTRUMENTS OPERATIONS 1Q14</b> <i>(Million Pesos)</i>	
<b>Creditor Balance</b>	
<b>Instrument</b>	<b>Fair Value</b>
<b>Futures</b>	
TIE 28 Futures	-
<b>Forward</b>	
Fx Forward	170
<b>Options</b>	
Rate options	560
Fx options	0
<b>Swaps</b>	
Rate swap	12,247
Fx swap	1,072
<b>Negotiable Total</b>	<b>14,050</b>
<b>Options</b>	
Rate Options	0
Fx options	-
<b>Swaps</b>	
Rate swap	10
Fx swap	66
<b>Hedging total</b>	<b>76</b>
<b>Position total</b>	<b>14,126</b>
<b>Debtor Balance</b>	
<b>Instrument</b>	<b>Fair Value</b>
<b>Futures</b>	
TIE 28 Futures	-
<b>Forward</b>	
Fx Forward	158
<b>Options</b>	
Rate options	366
Fx options	2
<b>Swaps</b>	
Rate swap	12,316
Fx swap	1,298
<b>Negotiable Total</b>	<b>14,140</b>
<b>Swaps</b>	
Rate swap	1,640
Fx swap	1,944
<b>Hedging total</b>	<b>3,583</b>
<b>Position total</b>	<b>17,723</b>

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 1Q14- Banorte			
<i>(Million Pesos)</i>			
PRODUCT	TYPE	UNDERLYING	NOTIONAL
FX Forwards	Purchases	Exchange Rate (USD/MXN)	11,980
FX Forwards	Sales	Exchange Rate (USD/MXN)	6,722
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	-
FX Forwards	Sales	Exchange Rate (CAD/MXN)	-
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	4
FX Forwards	Sales	Exchange Rate (EUR/MXN)	4
FX Options	Purchases	Exchange Rate (Dollar)	47
FX Options	Sales	Exchange Rate (Dollar)	731
Interest Rate Options	Purchases	TIE	77,027
Interest Rate Options	Sales	TIE	92,699
Interest Rate Options	Purchases	LIBOR	1,704
Interest Rate Options	Sales	LIBOR	1,763
Interest Rate Swaps	USD LIBOR S 3M	LIBOR	145,656
Interest Rate Swaps	MXN TIE	TIE	911,402
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	35,239
Interest Rate and FX Swaps	CS USDCETE	CETE	-
Interest Rate and FX Swaps	CS EURMXN	FIX/VARIABLE	4,105

## VII. NOTES TO FINANCIAL STATEMENTS



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

LOAN PORTFOLIO								
(Million Pesos)								
	Local Currency		UDIS		Foreign Currency		Total	
	1Q13	1Q14	1Q13	1Q14	1Q13	1Q14	1Q13	1Q14
<b>Performing Loans</b>								
Commercial Loans	156,215	149,172	-	-	25,618	33,030	183,509	182,202
Financial Intermediaries' Loans	7,739	1,951	-	-	1,090	1,468	8,830	3,419
Consumer Loans	48,141	60,011	-	-	163	142	48,317	60,153
Mortgage Loans	72,359	81,464	164	336	1,509	1,353	74,355	83,153
Government Entities' Loans	89,582	97,472	-	-	11	1,153	89,583	98,625
Derechos de cobro Fiduciario	-	-	-	-	-	-	-	-
<b>Total</b>	<b>374,037</b>	<b>390,071</b>	<b>164</b>	<b>336</b>	<b>28,391</b>	<b>37,146</b>	<b>404,594</b>	<b>427,553</b>
<b>Past Due Loans</b>								
Commercial Loans	4,654	9,785	7	6	469	199	6,125	9,989
Financial Intermediaries' Loans	4	0	-	-	-	-	4	0
Consumer Loans	1,643	2,058	-	-	0	-	1,643	2,058
Mortgage Loans	769	1,043	11	42	34	17	818	1,101
Government Entities' Loans	41	1	-	-	-	-	41	1
<b>Total</b>	<b>7,110</b>	<b>12,887</b>	<b>18</b>	<b>48</b>	<b>503</b>	<b>216</b>	<b>8,631</b>	<b>13,151</b>
<b>Total Proprietary Loans</b>	<b>381,146</b>	<b>402,958</b>	<b>181</b>	<b>384</b>	<b>28,894</b>	<b>37,362</b>	<b>413,224</b>	<b>440,704</b>

COST OF BALANCES OF FINAPE, FOPIME, MORTGAGE UDIS AND MORTGAGE FOVI		
LOAN PORTFOLIOS AS OF 1Q14- GFNorte		
(Million Pesos)		
	PERIOD COST	TOTAL PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	1.8	0.0
Mortgage FOVI	-	-
	<b>1.8</b>	<b>0.0</b>

At closing of this quarter the balance in debtors support programs totaled Ps 1.8 million without a cost for the period.

## VII. NOTES TO FINANCIAL STATEMENTS

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

DEFERRED TAXES 1Q14			
(Million Pesos)			
ASSETS	INCOME TAX	PROFIT SHARING	NET
Excess of preventive reserves accounts over the fiscal limit	555	-	555
Ixe's AAA Portfolio	-	-	-
Non deductible provisions and cumulative income	369	-	369
Excess of accounting value over fiscal value on Repossessed Assets	909	-	909
Diminishable profit sharing	116	-	116
Fees received in advance	831	-	831
Efecto por valuación de instrumentos financieros	243	-	243
Tax losses pending amortization	1,510	-	1,510
Provisions for possible loss in loans	919	-	919
Earnings per Society	-	-	-
State Tax on Assets Deferred	-	-	-
Loss on sale of foreclosed assets and credits	-	-	-
Decline in value of real estate	-	-	-
Interest on Loans	-	-	-
Reserve for employee retirement benefits	3	-	3
Current Account Agents	18	-	18
Reserve for additional compensation to agents	1	-	1
Diverse Creditors	127	-	127
Decrease for securities' valuation	16	-	16
Charge-off's Estimates	32	-	32
Tax loss on share sale	31	-	31
Additional Obligations for Employee benefits	10	-	10
Other	9	-	9
<b>Total Assets</b>	<b>5,699</b>	<b>-</b>	<b>5,699</b>
LIABILITIES			
Pension Funds Contribution	(1,123)	-	(1,123)
Loan Portfolio Acquisitions	(427)	-	(427)
Projects to be capitalized	(967)	-	(967)
Effects from valuation of instruments	(1,627)	-	(1,627)
Dividends Federal Home Loan Bank	-	-	-
Intangibles' amortizations	-	-	-
Unrealized Loss on Securities held for Sale	-	-	-
Reversal of Sale Costs	-	-	-
Increase for securities' valuation	(147)	-	(147)
Receivable interest from securities	(19)	-	(19)
Investment of reserves for obligations	(1)	-	(1)
Current Account Agents	(23)	-	(23)
Savings' Inventory	(12)	-	(12)
Savings' Inventory	(837)	-	(837)
Excess of the accounting value over the tax value of foreclosed assets and fix assets	(61)	-	-
Other	(19)	-	(19)
<b>Total Liabilities</b>	<b>(5,263)</b>	<b>-</b>	<b>(5,263)</b>
<b>Assets (Liabilities) Accumulated Net</b>	<b>436</b>	<b>-</b>	<b>436</b>

## VII. NOTES TO FINANCIAL STATEMENTS



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 MARCH '14- BANCO MERCANTIL									
(Million Pesos)									
TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds 2006	USD	13-oct-06	200	2,188	2,611	15 years	6.862%	13-Apr-21	E/180 days
Senior Notes Due 2010	USD	19-jul-10	300	3,875	3,916	5 years	4.375%	19-jul-15	E/180 days
Non Convertible Subordinated Bonds Q Banorte 08	MXN	11-mar-08	3,000	3,000	3,000	10 years	TIE + 0.60%	27-feb-18	E/28 days
Non Convertible Subordinated Bonds Q Banorte 08-2	MXN	27-jun-08	2,750	2,750	2,750	10 years	TIE + 0.77%	15-jun-18	E/28 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,300	20 years	4.950%	15-feb-28	E/180 days
Non Convertible Subordinated Bonds Q Banorte 09	MXN	30-mar-09	2,200	2,200	2,200	10 years	TIE + 2.00%	18-mar-19	E/28 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020	USD	14-oct-10	120	1,484	1,567	10 años	9.25%	14-oct-20	E/180 days

BANK AND OTHER ENTITIES LOANS' AS OF 1Q14			
(Million Pesos)			
	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
LOANS FROM LOCAL BANKS		0	0
LOANS FROM FOREIGN BANKS GENERATED IN THE COUNTRY		-	-
LOANS FROM FOREIGN BANKS GENERATED FROM FOREIGN COUNTRY		114	114
LOANS FROM DEVELOPMENT BANKS	10,684	3,955	14,638
LOANS FROM PUBLIC FUNDS	7,667	876	8,543
CALL MONEY & LOANS FROM BANKS	14,756	-	14,756
LOANS FROM FIDUCIARY FUNDS	276		276
PROVISIONS FOR INTEREST		67	67
	33,383	5,011	38,394
ELIMINATIONS			(12,070)
<b>Total</b>			<b>26,324</b>

CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST RATES 1Q14	
CORE DEPOSITS (BANORTE)	
<b>DEMAND DEPOSITS</b>	
Local Currency and UDIs	0.56%
Foreign Currency	0.03%
<b>TIME DEPOSITS</b>	
Local Currency and UDIs	2.80%
Foreign Currency	0.58%
DUE TO BANKS & CORRESPONDENTS (BANORTE)	
<b>IMMEDIATE REDEMPTION LOANS</b>	
Local Currency and UDIs	3.39%
Foreign Currency	-
<b>OTHERS</b>	
Local Currency and UDIs	4.77%
Foreign Currency	1.40%

MAIN CREDIT LINES RECEIVED 1Q14 (BANORTE)					
Million pesos					
	1Q13	4Q13	1Q14	Change vs. 1Q13	Change vs. 4Q13
Banxico (Monetary Regulation Deposits)	26,267	28,504	28,504	9%	0%
Banxico (Repos with the System of Payments)	28,667	37,254	38,732	35%	4%
Call Money	67,000	63,350	63,350	(5%)	0%
<b>TOTAL</b>	<b>121,934</b>	<b>129,108</b>	<b>130,586</b>	<b>7%</b>	<b>1%</b>

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

<b>TRADING INCOME 1Q14</b> <i>Million Pesos</i>	
Trading income	Consolidated
<b>Securities - Unrealized gains</b>	<b>1,136</b>
Negotiable instruments	<b>1,089</b>
Derivative instruments - Negotiation	51
Derivative instruments - Hedging	-4
<b>Impairment loss or revaluation increase</b>	<b>-24</b>
<b>Result from foreign exchange valuation</b>	<b>-23</b>
<b>Result from valuation of precious metals</b>	<b>1</b>
<b>Result from purchase/sale of securities and derivatives</b>	<b>480</b>
Negotiable instruments	<b>283</b>
Securities held for sale	29
Securities held to maturity	6
Derivative instruments - Negotiation	0
Derivative instruments - Hedging	161
<b>Result from purchase/sale of foreign exchange</b>	<b>362</b>
<b>Result from purchase/sale of precious metals</b>	<b>2</b>
<b>Transaction costs</b>	<b>0</b>
<b>Intermediation of received collateral</b>	<b>1</b>
<b>Increase derived from trading income adjustments</b>	<b>0</b>
<b>Total</b>	<b>1,936</b>

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

- **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.

**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 efforts and has methodologies for:

- Credit Risk Management;
- Operational Risk Management;
- Market Risk Management;
- Liquidity and Capital Risk Management;
- Credit Administration;

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

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.

### **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 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.

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

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 institution 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 is a rating methodology for the borrower which assesses quantitative and qualitative criteria in order to determine the credit quality and it 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 institution according to the originally agreed terms and conditions. The probability of non-compliance is based on the transition matrixes that GFNorte calculates from the migration of the debtors through different risk qualification levels. The *recovery ratio* is the percentage of total exposure that is estimated to be recovered if the debtor fails to comply. The *classification of the debtor*, based on the Merton model, associates the debtor's future behavior to loan and market factors on which his "credit health" depends, as determined by statistical techniques.

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

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

As of March 31<sup>st</sup>, 2014, Banco Mercantil del Norte's total portfolio was Ps 417.27 billion. The expected loss represents 2.0% and the unexpected loss is 3.3% with respect to the total portfolio. The average expected loss is 2.1% during the period between January-March 2014.

Regarding Casa de Bolsa Banorte-Ixe's, the credit exposure of investments is Ps 73.55 billion and the expected loss represents 0.01% of the exposure. The average expected loss is 0.01% between January-March 2014.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 20.23 billion. Prospective losses represent 1.0% and unforeseen losses 3.2% of the total portfolio. The prospective loss average represents 1.0% in the period of January-March 2014.

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

The total portfolio of Sólida Administradora de Portafolios was Ps 469 million. The estimated loss of the portfolio represents 19.0% and the unexpected loss 0.3% both with respect to the total portfolio. The estimated loss average for the period of January-March 2014 was 19.0%.

The total portfolio of Banorte Ixe Tarjetas is Ps. 20.52 billion. The estimated loss represents 11.8% and the unexpected loss 10.9% both with regard to the total portfolio. The estimated loss average represents 11.4% for the period of January-March 2014.

### **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 counterpart. 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 counterparties have signed ISDA contracts and agreements to net out, in which lines of credit and the use of collateral to mitigate loss in the event of non-fulfillment are implemented.

As of March 31<sup>st</sup>, 2014, exposure to credit risk for Securities Investments of Banco Mercantil del Norte was Ps 267.06 billion, of which 99.6% 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 12% of the Basic Capital as of December 2013. 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 as of December 2013 has a higher or similar rating to AAA(mex) and is comprised of (average considered term, amount in billion of pesos and rate): bond certificates from Pemex to 6 years and 2 months for Ps. 16.96 to 3.6%; Inbursa market certificates for 2 years and 1 month for Ps 6.57 at 4.0%; bond certificates and deposit certificates of Banco Santander Mexicano for 6 months for Ps 3.79 billion at 2.1%.

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

The exposure of Derivatives is Ps (4.11) billion, of which 97.6% has a rating higher or equal to A-(mex) on local level, placing them in investment grade and the 3 main counterparties other than the Federal or State Governments and National Financial Institutions represent 2% of the Basic Capital of December 2013.

As of December 31<sup>th</sup>, 2013, exposure to credit risk for Securities Investments of Casa de Bolsa Banorte-Ixe was Ps 73.55 billion, of which 99.9% 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 22% of the Basic Capital as of December 2013. 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 as of December 2013 has a higher or similar rating to A+(mex) and is comprised of (average considered term, amount in billion/million of pesos and rate): bond certificates of Pemex to 2 years and 10 month for Ps 2.45 billion at 3.9%; bond certificates of Banco Inbursa to 1 year and 9 months for Ps. 1.82 billion at 4.0%; Scotiabank market certificates for 1 year and 6 months for Ps 934 million at 4.0%; Banco del Bajío deposit certificates to 10 months for Ps 500 million at 4.1%; Deutsche Bank bonds to 9 years and 2 months for Ps 376 million at 10.9%; bond certificated of CFE to 6 years and 3 months for Ps 124 million at 3.9%. In the case of derivatives, there are no operations.

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

Exposure to risk of securities of Sólida Administradora de Portafolios was Ps 257 million. The 100.0% is distributed in banking instruments. The Institution does not hold positions in derivative instruments.

Banorte-Ixe Tarjetas does not hold investments in securities nor derivatives.

### **Risk Diversification**

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

These guidelines state that the institutions must carry out an analysis of their borrowers and/or loans to determine the amount of "Common Risk"; also, the institutions 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 (million pesos):

<b>Tier 1 to December 31<sup>th</sup>, 2013</b>	<b>58,585</b>
<b>I. Financings whose individual amounts represent more than 10% of the basic equity</b>	
<u>Loan Operations</u>	
Number of financings	2
Total amount of financings	16,667
% in relation to Basic Capital	28%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Basic Capital	0%
<u>Overnight Operations</u>	
Number of financings	1
Total amount of financings	8,228
% in relation to Basic Capital	14%
<b>II. Maximum amount of financing with the 3 largest debtors and common risk groups:</b>	<b>31,514</b>

## VII. NOTES TO FINANCIAL STATEMENTS



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

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 million pesos:

<b>Equity at December 31<sup>th</sup>, 2013</b>	<b>3,205</b>
---	--------------

**1. Financing with individual amounts that represent more than 10% of Tier 1:**

Loan Transactions

Number of operations	10
Total amount of the financings	5,637
% relative to basic capital	176%

<b>II. Maximum amount of financing with the 3 largest borrowers and Common Risk groups</b>	<b>4,400</b>
--	--------------

In accordance with risk diversification regulations for asset and liability operations, is the following information corresponding to Sólida Administradora de Portafolios (million pesos):

<b>Equity at December 31<sup>th</sup>, 2013</b>	<b>2,310</b>
---	--------------

**I. Financings whose individual amounts represent more than 10% of the basic equity (on a group level):**

Loan Operations

Number of financings	4
Total amount of financings	1,603
% in relation to Basic Capital	69%

Money Market Operations

Number of financings	1
Total amount of financings	257
% in relation to Basic Capital	11%

Overnight Operations

Number of financings	1
Total amount of financings	15
% in relation to Basic Capital	1%

<b>II. Maximum amount of financing with the 3 largest debtors and common risk groups:</b>	<b>1,328</b>
---	--------------

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

In accordance with risk diversification regulations for asset and liability operations, is the following information corresponding to Banorte-IXE Tarjetas (Million Pesos):

<b>Equity at December 31<sup>th</sup>, 2013</b>	<b>4,135</b>
---	--------------

**I. Financings whose individual amounts represent more than 10% of the basic equity (on a group level):**

Loan Operations

Number of financings	0
Total amount of financings	0
% in relation to Basic Capital	0%

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%

<b>II. Maximum amount of financing with the 3 largest debtors and common risk groups:</b>	<b>4</b>
---	----------

**Market 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 2014 for the portfolio is Ps 5.15 billion.

Million Pesos	1Q13	2Q13	3Q13	4Q13	1Q14
Total VaR*	3,464	3,732	4,473	4,616	5,149
Net Capital **	64,622	66,570	67,411	69,619	72,938
VaR / Net Capital	5.36%	5.61%	6.64%	6.63%	7.06%

\* Quarter Average of Banorte

\*\* Net capital of the Banking Sector is the arithmetic sum of the net capitals of Banorte

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

Moreover, the average Value at Risk per risk factor of the portfolio of instruments described for the Banorte Bank, during the first quarter of 2014 is shown below:

### Million pesos

Risk Factor	VaR
Domestic interest rate	4,380
Foreign interest rate	1,034
IPC	125
Exchange rate	833
Total VaR - Bank	5,149

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.

### Casa de Bolsa Banorte Ixe

The VaR average of Casa de Bolsa Banorte Ixe 's portfolios for 1Q14 is Ps 235.36 million, which represents 10.54% of the Institution's Net Capital as of March 2014.

CASA DE BOLSA BANORTE IXE, S.A. DE C.V.		Total
VaR by Portfolio & Risk Factor		1Q14
Million Pesos		
	Average	Closing
<b>VaR</b>		
Shares	0.45	0.00
Money Market	202.45	146.96
Treasury	79.28	78.37
<b>TOTAL</b>	235.36	193.22
<b>Diversifications Effect</b>	(46.81)	(32.11)
Net Capital as of March 2014		2,234
<b>VAR / Net Capital</b>	<b>10.54%</b>	<b>21.93%</b>

\*Previous to Banxico's approval

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

### **Banorte Ixe Tarjetas**

The VaR average of the Banorte-Ixe Tarjetas for 1Q14 is Ps 3.29 billion which represents +0.0% of the Institution's Net Capital to March 2014. This risk calculation is presented as informative, since the institution invested its resources in repo operations, promissory notes and checkbooks for a day, which are instruments that have no movements in its valuation.

For their calculation, the Historical Simulation methodology was used with 501 horizon days, and as a policy, calculations were carried out with trust levels of 98% with a horizon time of 10 days, this value is multiplied by a security factor which fluctuates between 3 and 4, accordingly to annual Back Testing results.

<b>BANORTE-IXE TARJETAS</b>		<b>Total</b>
<b>VaR Balance.</b>		<b>1Q14</b>
<b>Million Pesos</b>		
	<b>Average</b>	<b>Closing</b>
<b>VaR Balance</b>	0.00	0.00
<b>Net Capital *</b>		3,483.45
<b>VAR / Net Capital</b>	0.00%	0.00%

\*Previous net Capital as of closing March 2014

### ➤ **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 use 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 1Q14 is 125.4%, while the average for the quarter is 123.2%.

<b>Million Pesos (at closing of the quarter)</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>
<b>Liquid Assets</b>	234,779	249,189	267,068	255,285	315,043
<b>Liquid Liabilities</b>	191,765	215,252	237,260	257,596	251,164
<b>Liquidity Ratio</b>	122.4%	115.8%	112.6%	99.1%	125.4%

<b>Million Pesos (average)</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3T13</b>	<b>4Q13</b>	<b>1Q14</b>
<b>Liquid Assets</b>	205,270	228,551	254,324	249,265	302,080
<b>Liquid Liabilities</b>	189,745	197,362	221,354	237,931	245,161
<b>Liquidity Ratio</b>	108.2%	115.8%	114.9%	104.8%	123.2%

**Average estimate calculated using weekly 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.

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

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.

The liquidity ratio vs. Net Capital of Casa de Bolsa Banorte Ixe as of March 31<sup>st</sup>, 2014 is 82.56%.

CASA DE BOLSA BANORTE IXE, S.A. DE C.V.	USE
Liquidity Risk	
Million Pesos	mar-14
Accumulated gap in 1 month (MXP + UDIS)	4,258
Liquid Assets	1,884
Net Capital	2,234
Liquidity vs. Capital	82.56%

The liquidity ratio vs. Net Capital of Arrendadora y Factor Banorte as of March 31<sup>st</sup>, 2014 is 1.84%.

ARRENDADORA Y FACTOR BANORTE	USE
Liquidity Risk	
Million Pesos	mar-14
Accumulated gap in 1 month (MXP)	(3,173.71)
Accumulated gap in 3 months (MXP)	(1,882.35)
Liquid Assets*	61.99
Net Capital	3,375.69
Tier 1 Capital	3,375.69
Liquidity vs. Net Capital	1.84%
Liquidity vs. Tier 1 Capital	1.84%

\*Balance in Cash and Due from Banks

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

The liquidity ratio vs. Net Capital of Sólida Administradora de Portafolios to March 31<sup>st</sup>, 2014 is 12.27%

<b>Sólida Administradora de Portafolios</b>	<b>USE</b>
<b>Liquidity Risk</b>	
<b>Million Pesos</b>	<b>mar-14</b>
Accumulated gap in 1 month (MXP)	(1,953)
Accumulated gap in 3 months (MXP)	(6,036)
Liquid Assets*	280
Net Capital	2,279
Tier 1 Capital	2,279
Liquidity vs. Net Capital	12.27%
Liquidity vs. Tier 1 Capital	12.27%

\*Balance in Banks

The liquidity ratio vs. Net Capital for Banorte- Ixe Tarjetas to March 31<sup>st</sup>, 2014 is 0.56%

<b>Banorte Ixe Tarjetas</b>	<b>USE</b>
<b>Liquidity Risk</b>	
<b>Million Pesos</b>	<b>mar-14</b>
Accumulated gap in 1 month (MXP)	2,357
Accumulated gap in 3 months (MXP)	2,779
Liquid Assets*	19
Net Capital	3,483
Tier 1 Capital	3,483
Liquidity vs. Net Capital	0.56%
Liquidity vs. Tier 1 Capital	0.56%

\*Balance in Banks

### ➤ 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.

Operational Risk is defined 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.

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

## **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:

<b>Types of Events</b>	<b>Description</b>
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.

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

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.

### **IV. Information and Reporting**

The information generated by the Database and the Management Model is processed 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 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 of any relevant operating contingency.

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

➤ **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.

● **Internal Control**

The companies that make up GF Banorte have an Internal Control System (SCI) that has been structured according to the guidelines set forth by their Board of Directors, which establishes a general internal control framework, as well as the environment in which it must operate in order to provide reasonable security regarding the effectiveness and efficiency objectives of the operations, reliability on financial statements and compliance of regulation and legal framework.

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

- A. The Board of Directors with the support of the Advisory Board, Management Committee, Risk Policies Committee (CPR), Audit and Corporate Practices Committee (CAPS), Human Resources Committee and Designation Committee.
- B. The CEO and the departments which support him: Unit Risk Management (UAIR), Legal Department and the Comptroller, responsible for ensuring that adequate control levels, operational risks and compliance with regulation are maintained.
- C. Internal Audit, External Audit and the 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 full independence from the administrative and business areas.
- D. The Executive Group as main responsible persons 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 GFNorte's CEO.
- 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 Board member, officer or employee of the Group should assume while performing their activities.
- F. Policy and procedure manuals that regulate documentation, recording and liquidation of 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 first quarter of 2014, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies 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.

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

- C. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted.
- D. Monitoring of the various business and support processes that make up the operation in GFNorte through Process and Management Controllers, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
- E. During the quarter, and according to the work plan developed at the beginning of the year, various activities in terms of accounting internal control were carried out.
- F. Requests regarding internal control subjects from diverse internal departments were handled, both supporting the development of new institutional projects and those deriving from the Financial Reform.

## FINANCIAL SITUATION AND LIQUIDITY

### • Treasury Policy

GFNorte's Treasury Department is the central unit in charge of balancing GFNorte's 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 main cash currencies and investment in securities are in Mexican pesos and U.S. dollars.

### • Internal and External Liquidity Sources

The internal liquidity sources, in local as well as foreign currency, come from the various deposit products that the institution offers its customers: checking accounts and term deposits.

Regarding external sources of liquidity, it has diverse mechanisms to access the debt and capital markets. The Institution obtains resources through the issuance of debt securities, loans from other institutions - including the Central Bank and international organisms -, as well as from the issuance of subordinated debt. Also considered is the liquidity that the Institution obtains through its proprietary repos' securities that qualify for this type of transactions. It also has the alternative of obtaining resources through the issuance of shares representing equity.

Currently, the Institution has diverse sources of liquidity. Deposits, including interest bearing and non-interest bearing demand and time deposits, are the bank's main source of liquidity. Negotiable and short term instruments, such as government securities and deposits in the Central Bank and other banks, are liquid assets that generate interest. Liquid assets also include deposits in foreign banks, which are denominated mainly in US dollars.

Detailed information related to liquidity sources is reported in different headings of the GFNorte's Balance Sheet in this report

### • 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%.

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

### • Related Parties Loans

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions cannot surpass the established limit of 50% of the basic part of the net capital until December 2013 and of 35% of the basic part of the net capital as of January 10, 2014.

In GFNorte as of March 31, 2014 and December 31, 2013, the amount of loans granted to third parties is as follows (million pesos):

Institution granting the loan	Mar-2014	% of the limit	Dec-2013	% of the limit
Banorte	\$6,189	30.2%	\$6,778	24.1%
	<b>\$6,189</b>		<b>\$6,778</b>	

The loans granted are under the 100% limit set forth by the LIC.

As of 2013, the loans granted by Ixe Banco are no longer reported, given its merger into Banco Mercantil del Norte in May 2013.

### Banorte.

As of **March 31, 2014**, the total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 6.19 billion (including Ps 431 million in — Credit Letters “CC”, which are registered in memorandum accounts), representing 1.5% of Banorte's total loan portfolio (excluding the balance of CC and Support to Federal Government Housing Debtors). Of the total related loans, Ps 4.61 billion were loans granted to clients linked to members of the Board of Directors; Ps 882 million were granted to clients linked to shareholders and Ps 700 million were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of Banorte's loan portfolio for individuals and corporations at closing of March 2014 was 30.2% of the limit set by Banco de Mexico which is equivalent to 35% of the basic part of net capital.

Related parties loans have been granted with market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to rate borrowers in the commercial loan portfolio. 99% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

As of **December 31, 2013**, the total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 6.78 billion (including Ps 399 million in — Credit Letters “CC”, which are registered in memorandum accounts), representing 1.6% of Banorte's total loan portfolio (excluding the balance of CC and Support to Federal Government Housing Debtors). Of the total related loans, Ps 5.01 billion were loans granted to clients linked to members of the Board of Directors; Ps 937 million were granted to clients linked to shareholders and Ps 831 million were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of Banorte's loan portfolio for individuals and corporations at closing of December 2013 was 24.1% of the limit set by Banco de Mexico which is equivalent to 50% of the basic part of net capital.

Related parties loans have been granted with market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to rate borrowers in the commercial loan portfolio. 99% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

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

- **Loan or tax liabilities**

The tax credits listed below are currently in litigation:

	As of December 31, 2013
<b>BANORTE</b>	<b>\$29</b>
IMSS fees, various occupations	6
INFONAVIT fees, various occupations	23
<b>BROKERAGE</b>	<b>\$35</b>
Fiscal year 2007 (document 900 06 05-2010-03968)	35
<b>SEGUROS BANORTE GENERALI, S. A. DE C. V.</b>	<b>\$15</b>
Fiscal year 2003 (document 900-06-01-2009-9518)	15
<b>IXE BANCO</b>	<b>\$13</b>
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	13
Million pesos	

- **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. Furthermore, we express that we are no aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors

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

Lic. David Ricardo Suárez Cortazar  
Chief Financial Officer

Lic. Martha Elena Navarrete Villarreal  
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo  
Deputy Managing Director of Comptrollership

C.P. Mayra Nelly López López  
Executive Director of Accounting

- **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 31, 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.

Banking Sector (Banorte) issues consolidated financial statements with its subsidiaries in conformity with the General Provisions for Financial Information of Credit Institutions in effect as published on December 2, 2005 and modified on March 3, 2006, March 28, 2006, September 15, 2006, December 6, 2006, December 8, 2006 and

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

January 12, 2007, March 23, 2007, April 26, 2007, November 5, 2007, March 10, 2008, August 22, 2008, September 19, 2008, October 14, 2008, December 4, 2008, April 27, 2009, May 28, 2009, June 11, August 12, October 16, 2009, 2009, November 9, 2009, December 24, 2009 and January 27, 2011, February 10, 2010, April 9 and 15, 2010, May 17, 2010, June 28, 2010, July 29, 2010, August 19, 2010, September 9 and 28, 2010, October 25, 2010, November 26, December 20, 2010, January 24 and 27, 2011, March 4, 2011, April 21, 2011, July 5, 2011, August 3 and 12, 2011, September 30, 2011, October 5 and 27, 2011, December 28, 2011, June 19, 2012, July 5, 2012, October 23, 2012, November 28, 2012, December 13, 2012, January 31, 2013, April 16, 2013, May 3, 2013, June 3 and 24, 2013, July 12, 2013, October 2, 2013, December 24, 2013, January 7 and 31, 2014 and March 26, 2013. 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.

GFNorte and 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.