

Grupo Financiero Banorte

Financial Information as of June 30, 2014

2Q14



**"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

Investor Relations Contacts:

Ursula Wilhelm
Mariana Amador
Olga Domínguez

e-mail: investor@banorte.com

**Institutional
Investor**

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

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1. Financial Results as of June 30, 2014:

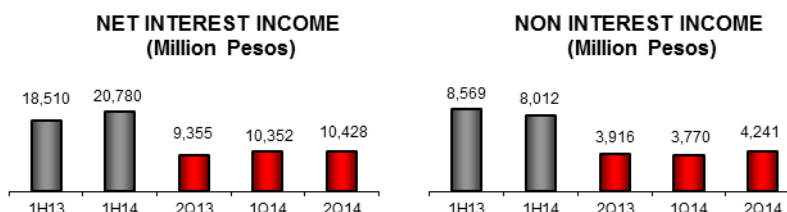
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GFNorte reports Net Income of Ps 7.37 billion in 1H14 and Ps 3.74 billion in 2Q14

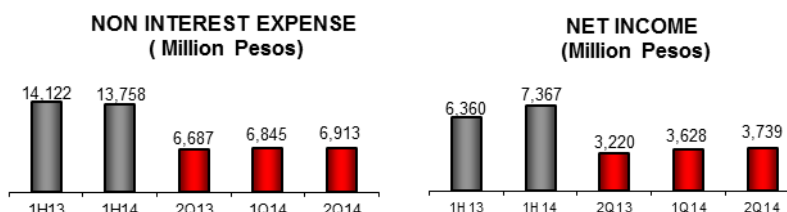
Operating Results (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change	LTM 2Q14	Change
				QoQ	YoY			1H13		LTM
Net Interest Income	9,355	10,352	10,428	1%	11%	18,510	20,780	12%	41,007	17%
Non Interest Income	3,916	3,770	4,241	12%	8%	8,569	8,012	(7%)	14,169	(11%)
Total Income	13,271	14,122	14,669	4%	11%	27,079	28,791	6%	55,177	8%
Non Interest Expense	6,687	6,845	6,913	1%	3%	14,122	13,758	(3%)	27,455	3%
Provisions	3,132	2,380	2,851	20%	(9%)	5,205	5,231	0.5%	8,967	3%
Operating Income	3,452	4,897	4,906	0%	42%	7,752	9,803	26%	18,755	20%
Net Income	3,220	3,628	3,739	3%	16%	6,360	7,367	16%	14,515	19%

GFNorte's accumulated **Net Income** in 1H14 grew 16% YoY, 16% vs. 2Q13 and 3% vs. 1Q14 as a result of the following changes in the P&L statement:

- A 12% YoY increase in Net Interest Income during the first six months of the year, and 11% YoY vs 2Q13 and 1% vs. 1Q14. In all cases these increases are explained by the growth in loans and deposits with a better mix, and in the annual growth rates also by an expansion in net interest income from the **insurance** and **annuities** companies. **The average NIM was 4.5% for 1H14 and 2Q14**, 15 bp higher vs. 1H13 and 14 bp higher vs. 2Q13, remaining the same vs. 1Q14 (see pages 11-13).
- **Non-Interest Income** declined (7%) YoY due to a decrease in Other Operating Income (Expenses) and lower revenues from real estate recoveries. On a quarterly basis, it increased 8% vs. 2Q13 and 12% vs. 1Q14. Annual and quarterly growth rates resulted from growth in trading revenues and service fees, while the quarterly growth was also due to higher real estate recoveries (see pages 14-17).



- **Non-Interest Expenses** declined (3%) YoY helped by lower Personnel Expenses and Other Taxes and Non-Deductibles. They increased 3% vs. 2Q13 and 1% vs. 1Q14 because of higher Administrative and Promotional Expenses, Rents, Depreciations and Amortizations and Professional Fees. **The Efficiency Ratio during 1H14 was 47.8%** (4.4 pp) lower YoY, and **47.1%**, (3.3 pp) lower vs. 2Q13 and (1.4 pp) lower vs. 1Q14 (see pages 17-18).
- **Loan loss provisions** increased 0.5% during 1H14, +20% vs. 1Q14, yet declined (9%) vs. 2Q13. The decline vs. 2Q13 was mainly due to the provisions for home developers made in 2Q13. The quarterly increase vs. 1Q14 is due to higher provisions in the Mortgage, Business and SMEs, Corporate, Payroll and Car loan portfolios (see page 13).



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	2Q13	1Q14	2Q14	Change		1H13	1H14	Change	LTM 2Q14	Change
(Million Pesos)				QoQ	YoY			1H13		LTM
Income Statement										
Net Interest Income	9,355	10,352	10,428	1%	11%	18,510	20,780	12%	41,007	17%
Non Interest Income	3,916	3,770	4,241	12%	8%	8,569	8,012	(7%)	14,169	(11%)
Total Income	13,271	14,122	14,669	4%	11%	27,079	28,791	6%	55,177	8%
Non Interest Expense	6,687	6,845	6,913	1%	3%	14,122	13,758	(3%)	27,455	3%
Provisions	3,132	2,380	2,851	20%	(9%)	5,205	5,231	0%	8,967	3%
Operating Income	3,452	4,897	4,906	0%	42%	7,752	9,803	26%	18,755	20%
Taxes	167	1,500	1,460	(3%)	773%	1,397	2,959	112%	5,118	58%
Subsidiaries & Minority Interest	(64)	230	293	27%	(555%)	5	523	9985%	877	(429%)
Net Income	3,220	3,628	3,739	3%	16%	6,360	7,367	16%	14,515	19%
Balance Sheet										
Asset Under Management	1,826,546	1,869,406	1,993,055	7%	9%	1,826,546	1,993,055	9%		
Total Assets	960,232	1,042,534	1,033,781	(1%)	8%	960,232	1,033,781	8%		
Performing Loans (a)	411,782	427,553	434,743	2%	6%	411,782	434,743	6%		
Past Due Loans (b)	9,075	13,151	14,012	7%	54%	9,075	14,012	54%		
Total Loans (a+b)	420,857	440,704	448,754	2%	7%	420,857	448,754	7%		
Total Loans Net (d)	406,536	426,794	434,113	2%	7%	406,536	434,113	7%		
Acquired Collection Rights (e)	3,507	3,273	3,137	(4%)	(11%)	3,507	3,137	(11%)		
Total Credit Portfolio (d+e)	410,043	430,067	437,249	2%	7%	410,043	437,249	7%		
Total Liabilities	872,274	929,310	916,544	(1%)	5%	872,274	916,544	5%		
Total Deposits	424,095	455,340	450,817	(1%)	6%	424,095	450,817	6%		
Equity	87,957	113,224	117,237	4%	33%	87,957	117,237	33%		

Financial Ratios GFNorte	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Profitability:								
NIM (1)	4.3%	4.5%	4.5%	(0.0 pp)	0.1 pp	4.3%	4.5%	0.2 pp
NIM after Provisions (2)	2.9%	3.4%	3.2%	(0.2 pp)	0.4 pp	3.1%	3.4%	0.2 pp
NIM adjusted w/o Insurance & Annuities	4.3%	4.3%	4.3%	0.0 pp	0.0 pp	4.2%	4.3%	0.1 pp
NIM from loan portfolio (3)	7.8%	7.9%	7.9%	0.0 pp	0.2 pp	7.6%	7.9%	0.3 pp
ROE (4)	15.3%	13.3%	13.2%	(0.1 pp)	(2.1 pp)	15.3%	13.2%	(2.0 pp)
ROA (5)	1.4%	1.4%	1.4%	0.0 pp	0.1 pp	1.4%	1.4%	0.1 pp
Operation:								
Efficiency Ratio (6)	50.4%	48.5%	47.1%	(1.4 pp)	(3.3 pp)	52.2%	47.8%	(4.4 pp)
Operating Efficiency Ratio (7)	2.8%	2.7%	2.7%	(0.0 pp)	(0.1 pp)	3.0%	2.7%	(0.3 pp)
Liquidity Ratio (8)	137.2%	147.5%	134.5%	(13.0 pp)	(2.6 pp)	137.2%	134.5%	(2.6 pp)
Asset Quality:								
Past Due Loan Ratio	2.2%	3.0%	3.1%	0.1 pp	1.0 pp	2.2%	3.1%	1.0 pp
Coverage Ratio	157.8%	105.8%	104.5%	(1.3 pp)	(53.3 pp)	157.8%	104.5%	(53.3 pp)
Past Due Loan Ratio w/o Banorte USA	2.2%	3.1%	3.2%	0.1 pp	1.0 pp	2.2%	3.2%	1.0 pp
Coverage Ratio w/o Banorte USA	158.0%	105.2%	104.1%	(1.2 pp)	(53.9 pp)	158.0%	104.1%	(53.9 pp)

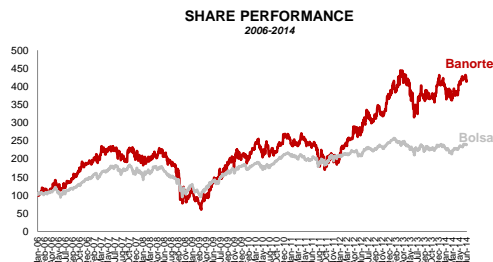
- 1) NIM= Annualized Net Interest Margin / Average Earnings Assets.
- 2) NIM= Annualized Net Interest Margin adjusted by Loan Loss Provisions / Average Earnings Assets.
- 3) NIM = Annualized Net Interest Margin from loan portfolio / Average Performing Loans
- 4) Annualized earnings as a percentage of 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.

Subsidiaries Net Income (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Banking Sector	2,802	2,485	2,683	8%	(4%)	5,188	5,168	(0%)
Banco Mercantil del Norte (1) (2) (6)	2,430	2,109	2,171	3%	(11%)	4,472	4,281	(4%)
Ixe Banco (3)	44	-	-	-	(100%)	126	-	(100%)
Banorte Ixe Tarjetas (4)	328	376	512	36%	56%	590	888	50%
Broker Dealer	140	203	256	26%	83%	385	459	19%
Banorte- Ixe-Broker Dealer	120	182	227	25%	89%	345	409	19%
Operadora de Fondos Banorte-Ixe	20	21	28	34%	46%	41	50	22%
Long Term Savings	351	815	782	(4%)	123%	855	1,598	87%
Retirement Funds - Afore XXI Banorte (2)	196	282	334	18%	71%	531	616	16%
Insurance (7)	141	478	380	(21%)	169%	285	858	201%
Annuities (7)	14	55	69	24%	388%	39	124	219%
Other Finance Companies	116	142	58	(59%)	(50%)	229	201	(12%)
Leasing and Factoring	72	171	159	(7%)	121%	204	330	62%
Warehousing	12	9	6	(31%)	(48%)	26	15	(40%)
Ixe Automotriz (5)	5	-	-	-	(100%)	15	-	(100%)
Fincasa Hipotecaria (3)	(4)	-	-	-	(100%)	(28)	-	(100%)
Sólida Administradora de Portafolios (former Ixe Soluciones) (6)	30	(38)	(107)	186%	(454%)	13	(145)	(1234%)
Other Companies								
Ixe Servicios	0	(0)	0	(6516%)	164%	0	0	272%
G. F. Banorte (Holding)	(189)	(18)	(41)	122%	(78%)	(298)	(59)	(80%)
Total Net Income	3,220	3,628	3,739	3%	16%	6,360	7,367	16%

- 1) Considering a participation of 98.21% as of 2Q14. 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% and in 1Q14 of 97.87%.
- 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	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Earnings per share (1) (Pesos)	1.38	1.31	1.35	3%	(3%)	2.73	2.66	(3%)
Dividend per Share (Pesos) (3)	0.18	0.00	0.00	-	(100%)	0.37	0.00	(100%)
Dividend Payout (Recurring Net Income)	20.0%	0.0%	0.0%	-	(100%)	20.0%	0.0%	(100%)
Book Value per Share (2) (Pesos)	36.03	40.14	41.67	4%	16%	36.03	41.67	16%
Total Shares Outstanding (Million Shares)	2,326.4	2,773.7	2,773.7	0%	19%	2,326.4	2,773.7	19%
Stock Price (Pesos)	76.72	87.83	92.79	6%	21%	76.72	92.79	21%
P/BV (Times)	2.13	2.19	2.23	2%	5%	2.13	2.23	5%
Market Capitalization (Million Dollars)	13,700	18,661	19,842	6%	45%	13,700	19,842	45%
Market Capitalization (Million Pesos)	178,478	243,617	257,374	6%	44%	178,478	257,374	44%

- 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 0.1963 per share, respectively. The fourth and last disbursement will not be paid in advance and will be disbursed on July 23, 2014



SUMMARY OF RESULTS

Mexico D.F. July 24, 2014. Today, Grupo Financiero Banorte (GFNORTE) reported results ending June 2014. GFNORTE registered **six-month profits of Ps 7.37 billion**, 16% higher vs. 1H13 due to positive operating leverage driven by annual growth of 6% in total income and a (3%) decrease in operating expenses, as well as stable cost of risk over the same period in the prior year; results that are offset by higher tax payments; in addition to the decrease in minority interest resulting from the purchase of IFC's participation in Banorte and Generali's stake in the Insurance and Annuities companies, which together with Afore XXI Banorte and the Credit Card SOFOM, presented favorable business dynamics. **Net income was Ps 3.74 billion for 2Q14, 16% higher vs. 2Q13 and 3% higher vs. 1Q14.** Growth was the result of positive operating leverage, lower loan loss provisions and a decrease in minority interest as a result of purchasing Generali's participation in the Insurance and Annuities companies, subsidiaries that, along with Afore XXI Banorte, increased profitability due to favorable business dynamics, offsetting the higher tax payments. Growth with respect to 1Q14 resulted from similar reasons, having achieved a positive operating leverage (total revenues grew 4%, while operating expenses only grew by 1%) and more profits of Afore XXI Banorte, effects that were offset by the quarterly increase in loan loss provisions.

The Banking Sector's (Banco Mercantil del Norte, Banorte- Ixe Tarjetas and Banorte USA) profits for 1H14 totaled Ps 5.17 billion, contributing with 70% of GFNorte's profits. In 2Q14 the Banking Sector contributed 72% of GFNorte's quarterly earnings adding Ps 2.68 billion, representing a (4%) YoY decrease and an 8% increase vs. 1Q14.

ROE (Return on Equity) for 1H14 was 13.2%, a decrease of (201) bp with respect to the same period of the previous year, due to dilution effect of the equity offer in July 2013, and **ROA (Return on Assets) was 1.4%**, 8 bp higher vs. 1H13.

- **Deposits**

In 2Q14 Core Deposits posted a balance of Ps 399.48 billion by growing 16% YoY or Ps 54.51 billion, driven mainly by efforts to promote Banorte-Ixe deposit products, as well as the significant increase registered in account balances of some clients, mainly in Government banking since the end of 2013. An annual increase of 22% in Demand deposits and 5% in Retail Time deposits was achieved. During the quarter, core deposits increased by 4% or Ps 13.88 billion vs. 1Q14 due to the 4% growth in demand deposits while retail time deposits increased 2%.

- **Net Interest Income**

Net Interest Income for 1H14 amounted to Ps 20.78 billion, 12% higher vs. 1H13 due to a better loan mix resulting from growth in the Consumer portfolio; lower cost of funding due to: i) growth in core deposits, ii) a 100 bp decline in the reference rate, and iii) payment of two subordinated obligations (August 2013 and April 2014) and the syndicated loan (July 2013); as well as an increase in net interest income of the Insurance and Annuities companies. On a yearly basis Net Interest Income amounted to \$10.43 billion pesos, increasing 11% YoY, mainly because of the reasons already mentioned. On a quarterly basis, net interest income increased 1% due to a better loan mix; lower cost of funding resulting from growth in deposits and the prepayment of preferential subordinated obligations in April 2014; effects offset by the decrease in net interest income of Insurance and Annuities companies.

- **Loans**

At the end of 2Q14, **Performing Loans grew 6% annually**, increasing Ps 22.96 billion with an ending balance of Ps 434.74 billion. The loan portfolio shows slower growth rates compared to the previous year mainly due to the economic weakness recorded in 2013 and in the first months of 2014, as well as to prepayments received by corporate clients. However, the Performing Loan portfolio still grew faster than the economy. In the quarter, this portfolio increased 2%, as a result of growth in housing, payroll, government, corporate and credit card portfolios.

The Financial Group's Past Due Loan Ratio was 3.1% at 2Q14, 97 bp higher than that of 2Q13 and 14 bp higher than in 1Q14. The annual increase is explained by higher PDL ratios in all segments, except Government loans; while the quarterly growth results from higher past due balances in all portfolios except in Mortgage, Corporate and Government. Excluding the exposure to the housing developers with financial problems, **the PDL ratio was 1.8%**, 20 bp above the level of a year ago and 10 bp higher than the PDL ratio in 1Q14.

GFNorte ended 2Q14 with past due loans amounting Ps 14 billion, 54% higher vs. 2Q13, mainly due to higher corporate delinquencies - mainly the housing developers' exposure - coupled with growth in past due loans of SMEs, Payroll, Mortgages, Credit Cards, and Car loans related to the economic slowdown. The quarterly growth of 7% is mainly due to an increase in past due loans for SMEs, Payroll, Corporate, Credit cards, Mortgages and Car loans. **The Group's loan loss coverage ratio was 104.5%** at the end of 2Q14, decreasing (53.3 pp) YoY and (1.3 pp) QoQ.

- **Efficiency**

The Efficiency Ratio improved and stood at 47.8% in 1H14, (4.4 pp) below the previous year. **In 2Q14, the Efficiency ratio was 47.1%**, decreasing (3.3 pp) YoY and (1.4 pp) QoQ, due to lower Operating Expenses as a result of tighter expense management, coupled with the increase in Total Income.

- **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 14.95% at the end of 2Q14, with a Tier 1 ratio of 13.35% and a Core Tier 1 ratio of 12.31%.

- **Other Subsidiaries**

In 1H14, **Long Term Savings**, comprised of Afore XXI Banorte and the Insurance and Annuities companies, **contributed Ps 1.6 billion** to the Financial Group's earnings, 87% higher vs. 1H13; while the quarterly contribution to earnings was Ps 782 million, 123% higher vs. 2Q13 and (4%) lower vs. 1Q14. Both annual and quarterly growth rates derived from greater dynamics in all businesses, while the quarterly declined vs. 1Q14 was due to the decrease in profits of the Insurance Company. In addition, annual growth came from the reduction in minority interest from the purchase of Generali's 49% stake in the Insurance and Annuities companies. If GFNorte's stake in these entities was considered at 100% for both periods, annual growth would have been 53% for the Insurance and 63% for the Annuities companies.

Banorte - Ixe Tarjetas, a subsidiary of Banco Mercantil del Norte, reported profits of Ps 888 million for 1H14, 50% higher than that reported in 1H13. Quarterly profits were Ps 512 million, 56% higher YoY and 36% QoQ. Annual growth comes from increased revenues from higher volumes and fees; while quarterly growth came from higher interest income and lower provisions and operating expenses.

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) accumulated profits in 1H14 of Ps 459 million, an increase of 19% vs. 1H13 driven by better net interest income and lower non-interest expenses, offsetting the decrease in non-interest income (trading revenues) and higher tax payments; while the quarterly contribution to earnings was Ps 256 million, increasing by 83% YoY and 26% QoQ. Annual growth came from similar dynamics as those already mentioned. The performance vs. 1Q14 is explained by the significant increase in trading revenues and the reduction in non-interest expenses.

Sofom and Other Finance Companies comprised of Arrendadora y Factor Banorte, Almacenadora Banorte and Solida Administradora de Portafolios, recorded profits in 1H14 of Ps 201 million. Quarterly profits were Ps 58 million.

RECENT EVENTS

- Shareholders' Assembly.

Annual:

On April 25 GFNorte's Annual General Shareholders' Meeting was held, with a 91.08% representation of the total subscribed and paid shares of the Company's capital. The resolutions adopted by the Assembly were:

- Approval of the reports referred in section IV, Article 28 of the Securities Market Law, corresponding to the year ended December 31, 2013.
- Distribution of the net income for 2013 amounting to Ps 13.75 billion, of which Ps 313.16 million were applied into the Legal Reserve and Ps 13.44 billion into the Retained Earnings from prior Years.
- Approval of the Board of Directors' composition of 15 Regular Members, and, if necessary, their respective Alternate Members, by appointing the following persons for the 2014 business year and evaluating the independence of the members mentioned below since they do not fall within the restrictions stated in the Securities Market Law, as well as the capacity of the Independent and related proprietary board members, pursuant to the Best Corporate Practices Code.

PROPRIETARY MEMBERS			ALTERNATE MEMBERS	
Guillermo Ortiz Martínez	Chairman	Related	Jesús O. Garza Martínez	Related
Graciela González Moreno		Patrimonial	Alejandro Hank González	Patrimonial
David Villarreal Montemayor		Patrimonial	José Maria Garza Treviño	Independent
Everardo Elizondo Almaguer		Independent	Alberto Halabe Hamui	Independent
Alfredo Elías Ayub		Independent	Isaac Becker Kabacnik	Independent
Herminio Blanco Mendoza		Independent	Manuel Aznar Nicolin	Independent
Adrián Sada Cueva		Independent	Eduardo Livas Cantú	Independent
Patricia Armendáriz Guerra		Independent	Roberto Kelleher Vales	Independent
Armando Garza Sada		Independent	Ramón A. Leal Chapa	Independent
Héctor Reyes Retana y Dahl		Independent	Julio César Méndez Rubio*	Independent
Juan Carlos Braniff Hierro		Independent	Guillermo Mascareñas Milmo	Independent
Miguel Alemán Magnani		Independent	Lorenzo Lazo Margain	Independent
Alejandro Burillo Azcárraga		Independent	Alejandro Orvañanos Alatorre	Independent
Juan Antonio González Moreno		Patrimonial	Juan Antonio González Marcos	Patrimonial
Alejandro Valenzuela del Río		Related	José Marcos Ramírez Miguel	Related

*Last June 10, 2014, it was informed to the CNBV that Julio César Méndez Rubio resigned to the board, who until that date was Alternate Independent Member of the boards of Grupo Financiero Banorte, S.A.B. de C.V. and Banco Mercantil del Norte, S.A.

Hector Ávila Flores was designated as Secretary of the Board of Directors; but, he is not a board member.

- Members of the Committee that will have the functions of the Audit and Corporate Practices, including its Chairman, were designated.
- Members of the Risk Policies Committee, including its Chairman, were designated.
- Approval to allocate the amount of Ps. 3.80 billion, equivalent to 1.5% of the Financial Groups' market capitalization value as of December 2013, charged against equity, to purchase Company's shares during 2014, subject to the Treasury's Policy for Transactions with Shares.

Extraordinary:

On July 4, GFNorte's Extraordinary General Shareholders' Meeting was held, with a 93.13% representation of the total subscribed and paid shares of the Company's capital, some of the resolutions adopted by the Assembly were:

1. Modify Article Second of GFNorte's By-laws, in order to modify the legal denomination of Seguros Banorte Generali and Pensiones Banorte Generali to Seguros Banorte and Pensiones Banorte respectively, and as a result, subscribe a new Agreement of Shared Responsibilities. The aforementioned, derived from the acquisition of the remaining 49% of the equity representative common shares of the Insurance and Annuities companies previously held by Assicurazioni Generali S.p.A.
 2. Reform GFNorte's By-laws in order to adapt them to the new Law Regulating Financial Groups, and as a result, subscribe a new Agreement of Shared Responsibilities; furthermore, carry out the total exchange of shares representing GFNorte's equity, so these comply with the requirements set forth in Article Eleventh of the By-laws.
- **Changes to the Consolidated P&L statement related to the accounting of the results of investments in securities valuation of the Insurance and Annuities companies.**

During 2Q14, **GFNorte** reclassified the result for "valuations" of investments in securities held by the Insurance and Annuities companies **from the Trading Income line to the Net Interest Income line** in the consolidated P&L statement. These companies' investments, classified as held to maturity and denominated in UDIs, change in value by reflecting the variation in the value of the UDI (inflation indexed unit of account) for the period.

Previously, **GFNorte** presented this "securities investment valuations" result in the Trading Income line – under "Fair Valuation of Securities", following the methodology used by Insurance and Annuities companies to present this information in their financial statements. However, given its origin; and, with the intention to standardize the grouping criteria of all operations of the Financial Group's subsidiaries; and, with approval of the External Auditor, this valuation result will now be reported as part of Net Interest Income under the Interest Income line in GFNorte's consolidated P&L Statement. This reclassification was carried out retroactively in order to allow comparisons of prior quarters. For further information, refer to the Net Interest Income section.

- **Inclusion of GFNorte in the OTCQX30 Index.**

On April 9 BNY Mellon and OTC Markets Group Inc. launched the OTCQX ADR 30 Index ("OTCQX30"), composed by the 30 most relevant ADRs in the market, in terms of market capitalization, volume and liquidity. Some of the companies included are: AXA, Adidas, Roche, among others. Grupo Financiero Banorte is one, of only two Mexican companies, included in this index. The inclusion of our Level 1 ADR in this index will provide more visibility and liquidity to our program.

- **Credit Ratings.**

Standard and Poor's affirmed ratings on Banorte and Casa de Bolsa Banorte Ixe, both with stable outlook.

On April 30, 2014, Standard & Poor's affirmed Banorte's 'BBB' long-term and 'A-2' short-term global scale and 'mxAAA/mxA-1+' long- and short-term national scale ratings. The rationale was: greater franchise value, lower concentration in government loans, increase to 95% of federal guarantees in government loans, adequate risk position and adequate risk-adjusted capitalization.

Furthermore, affirmed Casa de Bolsa Banorte Ixe's long and short-term national ratings 'mxAAA' and 'mxA-1+', respectively. The outlook is stable.

Additionally, the 'BBB' issue-level rating on Banorte's US \$500 million senior unsecured notes due 2015, and 'BB+' issue-level ratings on the US \$120 million junior subordinated notes due 2020 were affirmed.

HR ratified long and short term Banorte's ratings and "BANORTE 12" subordinated debt

On May 29, HR Ratings ratified Banco Mercantil del Norte's, S.A. ("Banorte") HR AAA and HR+1 Long and Short term ratings, respectively, as well as BANORTE 12 Subordinated Debt with HR AA+. The outlook is stable.

The main factors considered were: the solid financial position reflected in adequate levels of solvency, profitability, liquidity position, improvement in efficiency ratios and an adequate revenue generation from the loan portfolio, which was considered well distributed in terms of geographic location and customers.

Moody's upgraded various ratings for Banorte with stable outlook and affirmed ratings on Arrendadora y Factor Banorte

In May, Moody's upgraded Banorte's long and short-term global local currency deposits ratings, as well as the Standalone Baseline Credit Assessment (BCA). Additionally, Moody's upgraded the global and national scale ratings of the subordinated and junior subordinated debt. The outlook is stable.

In raising Banorte's ratings, Moody's considered: a stronger franchise value, earnings diversification, expansion, as well as significant improvements in capitalization and corporate governance. Furthermore, the stable outlook reflects Banorte's opportunities for organic growth and potential improvements in profitability to achieve higher efficiency.

The following ratings were upgraded:

Entity	Scale	Concept	From:	To:
Banorte	Global	Standalone baseline credit assesment	baa2	baa1
		Long-term local currency deposits	A3	A2
		Short-term local currency deposits	Prime-2	Prime-1
		Long-term local currency subordinated debt	Baa3	Baa2
		Long-term local currency subordinated debt program	P(Baa3)	P(Baa2)
		Long-term local currency junior subordinated debt	Ba1 (hyb)	Baa3 (hyb)
		Long-term local currency junior subordinated debt program	(P)Ba1	(P)Baa3
	National	Long-term subordinated debt	Aa2.mx	Aa1.mx
		Long-term subordinated debt program	Aa2.mx	Aa1.mx
		Long-term junior subordinated debt	Aa3.mx (hyb)	Aa2.mx (hyb)
		Long-term junior subordinated debt program	Aa3.mx	Aa2.mx

On May 26 Arrendadora y Factor Banorte's global (A3/P-2) and national (Aaa.mx/MX-1) scale ratings were affirmed.

• Organizational Changes

Carlos Eduardo Martinez Gonzalez has been appointed Managing Director of Channels and Segments, reporting directly to the Group's CEO. This responsibility includes managing the retail network. Carlos has ample experience in the financial sector. He has worked at GFNorte for over 14 years; previous to this appointment, he was Managing Director of Government Banking. Prior to joining Banorte, he held various responsibilities at Grupo Financiero Serfin. He is a Certified Public Accountant from Instituto Tecnológico y de Estudios Superiores de Monterrey, with postgraduate degrees in finance from Institute Serfin, in upper management from IPADE and in banking from Louisiana State University.

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)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change
				QoQ	YoY			1H13
Interest Income	16,221	16,293	16,455	1%	1%	32,364	32,748	1%
Interest Expense	7,876	7,221	7,260	1%	(8%)	15,940	14,481	(9%)
Loan Origination Fees	495	338	325	(4%)	(34%)	823	663	(19%)
Fees Paid	125	85	95	11%	(24%)	207	180	(13%)
GFNORTE's Net Interest Income excluding Insurance and Annuities Co.	8,715	9,326	9,425	1%	8%	17,039	18,751	10%
Insurance and Annuities-Interest Income	655	1,553	532	(66%)	(19%)	1,809	2,084	15%
Premium Income (Net)	4,857	4,971	3,914	(21%)	(19%)	9,828	8,885	(10%)
Insurance and Annuities-Interest Expense	(20)	3	(3)	(200%)	(86%)	7	-	(100%)
Net Increase in Technical Reserves	2,516	3,109	1,021	(67%)	(59%)	5,548	4,130	(26%)
Damages, Claims and Other Obligations	2,376	2,385	2,425	2%	2%	4,611	4,810	4%
Insurance and Annuities Net Interest Income	640	1,026	1,003	(2%)	57%	1,471	2,029	38%
GFNORTE's Net Interest Income	9,355	10,352	10,428	1%	11%	18,510	20,780	12%
GFNORTE's Provisions	3,132	2,380	2,851	20%	(9%)	5,205	5,231	0%
Net Interest Income Adjusted for Credit Risk	6,223	7,972	7,577	(5%)	22%	13,305	15,549	17%
Average Productive Assets	864,573	926,180	934,047	1%	8%	856,131	928,285	8%
Net Interest Margin (1)	4.3%	4.5%	4.5%	(0.0 pp)	0.14 pp	4.3%	4.5%	0.15 pp
NIM after Provisions (2)	2.9%	3.4%	3.2%	(0.20 pp)	0.37 pp	3.1%	3.4%	0.24 pp

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 2Q14, **GFNorte** reclassified the result for "valuations" of investments in securities held by the Insurance and Annuities companies **from the Trading Income line to the Net Interest Income** line in the consolidated P&L statement. These companies' investments, classified as held to maturity and denominated in UDIs, change in value by reflecting the variation in the value of the UDI (inflation indexed unit of account) for the period.

Previously, **GFNorte** presented this "securities investment valuations" result in the Trading Income line – under "Fair Valuation of Securities", following the methodology of the Insurance and Annuities companies to present this information in their financial statements. However, given its origin; and, with the intention to standardize the grouping criteria of all operations of the Financial Group's companies; and, with approval of the External Auditor, this valuation result will now be reported as part of Net Interest Income under the Interest Income line in GFNorte's consolidated P&L Statement. This reclassification was carried out retroactively in order to allow comparisons of prior quarters.

In the following table, the effect in the NIM and NII is shown due to the reclassification:

Net Interest Income (Million Pesos)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Before Reclassification						
GFNorte's Net Interest Income excluding Insurance and Annuities	8,324	8,715	9,166	9,223	9,326	9,273
Insurance and Annuities Net Interest Income	289	585	498	381	206	1,155
GFNorte's Net Interest Income w/o reclassification	8,613	9,300	9,663	9,604	9,532	10,581
GFNorte's NIM w/o reclassification	4.04%	4.30%	4.41%	4.25%	4.12%	4.53%
Reclassification						
Valuation of securities investments in the Insurance and Annuities' companies	542	55	132	828	820	(153)
GFNorte's Net Interest Income with reclassification	9,155	9,355	9,796	10,432	10,352	10,428
GFNorte's NIM with reclassification	4.29%	4.33%	4.47%	4.61%	4.47%	4.47%

During 1H14, GFNorte's Net Interest Income grew 12% YoY from Ps 18.51 to Ps 20.78 billion as a combined result of the following:

- A 10% increase in net financial revenues and loan origination fees, which grew 6% YoY mainly in high yielding products.
- Lower funding costs due to growth in core deposits, mainly in Demand Deposits (+22%), resulting in among other factors, a (9%) decrease in Interest Expenses. These were also reduced by the 100 bp decline in the reference rate for the past 12 months (25 bp in September, 25 bp in October and 50 bp in June 2014), as well as by the August 2013 payment of Ixe's Perpetual Subordinated Obligations issued at 9.75% in dollars, cancellation of the debt service cost of the USD \$800 million syndicated loan paid off on July 26, 2013, and the April 21, 2014 prepayment Banorte made for Preferred Non-Convertible Subordinated Obligations in the amount of Ps 2.2 billion that paid a rate of TIIE + 2.0%.
- A 38% increase in the Insurance and Annuities' companies' net interest income.

During 2Q14, GFNorte's Net Interest Income grew 11% vs. 2Q13 from Ps 9.36 to Ps 10.43 billion due to the combined effect of the following:

- An 8% increase in net financial revenues and loan origination fees driven primarily by greater loan placement in segments with higher yielding products.
- A lower cost of funding due to growth in core deposits, resulting in an (8%) decrease in Interest Expenses, along with other factors such as the liquidation of Ixe's Perpetual Subordinated Obligations, payment of GFNorte's syndicated loan and prepayment of Banorte's Preferred Subordinated Obligations already mentioned. The latter was also reduced due to a decrease in the reference rate in the last 12 months.
- A 57% increase in the NII of the Insurance and Annuities companies.

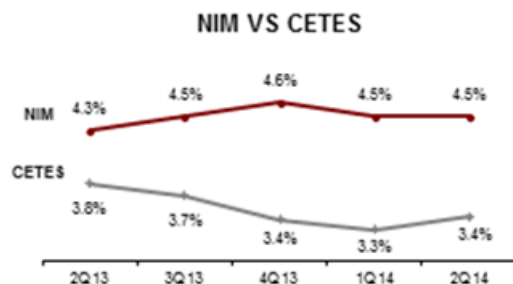
During 2Q14, GFNorte's Net Interest Income increased 1% vs. 1Q14 as a combined effect of the following:

- A 1% increase in interest income, mainly due to a better loan mix in the portfolio which grew 2% QoQ, driven by the consumer portfolio. Net financial revenues and origination fees from lending activity increased 2% during the quarter.
- A lower cost of funding associated with growth in Demand Deposits (+4%) and Banorte's pre-payment of Preferred Subordinated Obligations.
- A (2%) decline in the Insurance and Annuities companies' Net Interest Income.

GFNorte's average Net Interest Margin (NIM) stood at 4.5% for 1H14 and 2Q14, higher by 15 bp vs. 1H13 and 14 bp vs. 2Q13, both annual increases were due to faster growth of Banorte's productive assets in higher yielding segments, and on an accumulated basis also due to a higher inflationary valuation impact on the investments of the Insurance and Annuities companies. NIM for 2Q14 remained the same as in 1Q14.

During 1H14, NIM related to lending activity increased by 32 bp to end at 7.9%. During 2Q14 it was also 7.9%, showing an increase of 17 bp vs. 2Q13 and 3 bp vs. 1Q14.

The average NIM excluding Insurance and Annuities Companies was 4.3% during 1H14 and 2Q14, resulting in an annual increase of 9 bp, a quarterly increase of 3 bp vs. 2Q13 and 2 bp vs. 1Q14.



• Provisions

During 1H14 Provisions charged to results totaled Ps 5.23 billion, +0.5% vs. 1H13 and Ps 2.85 billion in 2Q14, which represents a decrease of (9%) vs. 2Q13 and an increase of 20% vs. 1Q14.

Despite higher requirements for the payroll and mortgage portfolios in 2Q14, the decline from 2Q13 was mainly due to the provisions totaling Ps 724 million created during 2Q13 to cover the exposures in the housing development sector for the URBI, GEO and HOMEX. The QoQ increase from 1Q14 is mainly due to increased provisions in mortgage, middle market companies and SMEs, corporate, car and payroll loan portfolios, which were offset by fewer provisions in the government portfolio.

The average NIM adjusted for Credit Risks was 3.4% in 1H14, an increase of 24 bp vs. 1H13; and was 3.2% in 2Q14, increasing 37 bp vs. 2Q13; while declining 20 bp vs. 1Q14. The annual increase over the previous year is mainly due to growth in Net Interest Income due to a portfolio mix with a higher yield coupled with the reduction in provisions.

Loan loss provisions represented 25% of Net Interest Income in 1H14 and 27% of Net Interest Income in 2Q14, comparing favorably to the 28% in 1H13 and the 33% in 2Q13, however, it increased 4 pp vs. 1Q14.

Annualized loan loss provisions in 1H14 accounted for 2.4% of the average loan portfolio, an annual decline of (0.13 pp) vs. 1H13 mainly due to lower provision requirements. During 2Q14 Annualized loan loss provisions accounted for 2.6% of the average loan portfolio, a decrease of (0.42 pp) vs. 2Q13 and an increase of 0.41 pp vs 1Q14.

- Non-Interest Income

Non Interest Income (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Services	1,855	1,941	1,977	2%	7%	3,563	3,918	10%
Recovery	303	40	57	41%	(81%)	540	97	(82%)
Trading	769	1,116	1,563	40%	103%	2,359	2,679	14%
Other Operating Income (Expense)	990	673	643	(4%)	(35%)	2,106	1,316	(37%)
Non Interest Income	3,916	3,770	4,241	12%	8%	8,569	8,012	(7%)

Non Interest Income (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Fees Charged on Services	3,029	2,967	3,037	2%	0%	5,925	6,004	1%
Fees for Commercial and Mortgage Loans	2	3	2	(31%)	45%	4	5	47%
Fund Transfers	128	146	158	8%	23%	247	304	23%
Account Management Fees	334	351	374	6%	12%	647	724	12%
Fiduciary	100	82	101	23%	1%	177	183	3%
Income from Real Estate Portfolios	303	40	57	41%	(81%)	540	97	(82%)
Electronic Banking Services	961	1,034	1,085	5%	13%	1,847	2,119	15%
For Consumer and Credit Card Loans	574	676	667	(1%)	16%	1,084	1,343	24%
Fees from IPAB (1)	-	-	-	-	-	-	-	-
Other Fees Charged (2)	627	635	594	(6%)	(5%)	1,379	1,229	(11%)
Fees Paid on Services	871	986	1,003	2%	15%	1,822	1,989	9%
Fund transfers	13	13	13	(2%)	2%	28	27	(6%)
Other Fees Paid	858	972	990	2%	15%	1,793	1,962	9%
Expenses from Real Estate Portfolios	-	-	-	-	-	-	-	-
Net Fees	2,158	1,981	2,034	3%	(6%)	4,104	4,016	(2%)
Trading Income	769	1,116	1,563	40%	103%	2,359	2,679	14%
Subtotal Other Operating Income (Expenses) (3)	406	192	257	34%	(37%)	642	449	(30%)
Non Operating Income (Expense), net (4)	387	298	237	(20%)	(39%)	1,095	535	(51%)
Other Operating Income (Expense) from Insurance and Annuities (5)	197	183	150	(18%)	(24%)	369	333	(10%)
Other Operating Income (Expenses)	990	673	643	(4%)	(35%)	2,106	1,316	(37%)
Non Interest Income	3,916	3,770	4,241	12%	8%	8,569	8,012	(7%)

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).

During 2Q14, **GFNorte** reclassified the result for "valuations" of investments in securities held by the Insurance and Annuities companies **from the Trading Income line to the Net Interest Income line** as has been described before.

The following table shows the reclassification effect on the **Non-Interest Income – Trading Income** line as a result of this change:

Non-Interest Income Trading (Million Pesos)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Before Reclassification						
FX	451	(91)	208	317	343	280
Trading	688	1,049	659	330	481	677
Valuation	993	(135)	(256)	758	1,112	453
GFNORTE's Trading w/o reclassification	2,132	824	610	1,405	1,936	1,410
Reclassification						
Valorization of securities investments in the Insurance and Annuities companies	542	55	132	828	820	(153)
FX	451	(91)	208	317	343	280
Trading	688	1,049	659	330	481	677
Valuation	452	(189)	(389)	(70)	292	606
GFNORTE's Trading with reclassification	1,590	769	478	577	1,116	1,563

In 1H14, Non-Interest Income totaled Ps 8.01 billion, a (7%) YoY decrease due to a decline in Other Operating Income (Expenses) and lower revenues from real estate portfolio recoveries, which was not offset by the increases of 10% in Service Fees and 14% in Trading revenues.

Non-Interest Income totaled Ps 4.24 billion on a quarterly basis, an increase of 8% vs. 2Q13 and 12% vs. 1Q14. The annual growth originated by higher Trading revenues and Service Fees which offset decreases in Other Operating Income (Expenses) and real estate portfolio recoveries. The QoQ growth showed a similar dynamic.

- **Service Fees**

During 1H14 Service Fees amounted to Ps 3.92 billion, an increase of 10% YoY as a result of better business dynamics, the annual growth is the combined effect of:

- A 15% increase in fees generated by electronic banking,
- A 24% increase in consumer loan fees,
- A 12% increase in Account Management Fees due to more accounts,
- A 23% increase in fund transfer revenues due to higher volumes,
- An (11%) decrease in Other Fees Charged, and
- A 9% increase in Fees Paid driven by higher interbank fees and commissions paid to insurance brokers.

During 2Q14, Service Fees totaled Ps 1.98 billion, a 7% YoY increase due to better business dynamics. The annual growth rate follows a similar trend to the one already described above.

Service Fees increased 2% vs. 1Q14 following the business dynamic already described.

- **Trading**

Trading revenues in 1H14 totaled Ps 2.68 billion, an annual growth of 14% due to valuation gains for Banorte securities and the positive results in FX transactions, the above offsetting the results from securities and derivatives trading of Banorte and the Annuities company.

Trading revenues in 2Q14 totaled Ps 1.56 billion, representing an annual increase of 103% vs. 2Q13 and 40% vs. 1Q14, due to favorable market conditions during the quarter, caused mainly by the rate cut in the market reference rate.

- Other Operating Income and Expenses

Other Operating Income (Expenses) (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13
				QoQ	YoY	
Subtotal Other Operating Income (Expenses)	406	192	257	34%	(37%)	642
Loan Recovery	488	241	225	(6%)	(54%)	764
Income from foreclosed assets	(46)	(100)	(68)	(32%)	49%	(96)
Other Operating Income	3	129	116	(10%)	3822%	70
Other Operating Income (Expense)	(39)	(77)	(16)	(79%)	(58%)	(97)
Non Operating Income (Expense), net	387	298	237	(20%)	(39%)	1,095
Other Products	716	761	712	(6%)	(0%)	1,164
Other Recoveries	201	318	193	(39%)	(4%)	1,013
Other (Expenses)	(530)	(781)	(669)	(14%)	26%	(1,082)
Other Operating Income (Expense) from Insurance and Annuities	197	183	150	(18%)	(24%)	369
Other Operating Income (Expenses)	990	673	643	(4%)	(35%)	2,106

Other Operating Income (Expenses) in 1H14 totaled Ps 1.32 billion (37%) lower YoY due to:

- A (50%) decrease in Other Recoveries as a result of the extraordinary recovery of an infrastructure project registered in 1Q13,
- The (56%) decrease in the combined revenues from previously written-off portfolios and sale of foreclosed assets,
- A 34% increase in Other Expenses as a result of more frauds, higher estimates for irrecoverable losses, which offset lower damages and other losses,
- (10%) decrease in *Other Income from the Insurance and Annuities companies*.

The aforementioned was not offset by the increase in:

- Other Products* driven higher profits in the valuation of future benefits from securitizations, the cancellation of other debt or accounts and other provisions, and greater leasing revenues, and
- Other Operating Income* due to more cancellations of excess preventive estimates.

On a quarterly basis, Other Operating Income (Expenses) totaled Ps 643 million, a decrease of (35%) vs. 2Q13 and (4%) vs. 1Q14 following a similar trend to the one described above.

The decrease with respect to 1Q14 was mainly due to:

- A (39%) decrease in acquired portfolio recoveries,
- A (6%) decrease in Other Products due to less profits from sales of property, furniture and equipment, and fewer cancellation of other debtor accounts,
- An (18%) decline in revenues from the Insurance and Annuities Companies,
- The (10%) decrease in Other Operating Income mainly due to fewer cancellations of excess preventive estimates.

The aforementioned effects did not offset the (14%) decline in *Other Expenses* generated by fewer claims and fraud and the (79%) decrease in Other Operating (Expenses), as well as greater revenues from acquired portfolio recoveries and sales of foreclosed assets which combined, increased 12% QoQ.

Recoveries

Non-Interest Income from Recoveries including previously written-off proprietary loan portfolio and foreclosed assets classified under "Other Operating Income (Expenses)" **totaled Ps 906 million in 1H14**, a decrease of (59%) YoY vs. 1H13 as a result mainly of revenues generated during 1Q13 from the extraordinary recovery of an infrastructure project, in addition to the (82%) decrease in real estate portfolio recoveries that included the recognition of income related to investment projects, mainly with housing developers.

Recoveries during the quarter amounted to Ps 407 million, decreasing (57%) YoY vs. 2Q13 mainly due to the (81%) decline in real estate revenues as a result of the reduced recognition of income related to investment projects with housing developers, as well as the decrease in the combined income of previously written-off portfolios and sales of foreclosed assets and other recoveries. Recoveries were (18%) lower vs. 1Q14.

The amount invested in projects at the end of 2Q14 was Ps 6.81 billion.

Non-Interest Expense

Non Interest Expense (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Personnel	3,080	3,074	3,029	(1%)	(2%)	7,089	6,103	(14%)
Professional Fees	678	645	693	7%	2%	1,295	1,338	3%
Administrative and Promotional	1,168	1,249	1,397	12%	20%	2,223	2,646	19%
Rents, Depreciation & Amortization	818	848	913	8%	12%	1,604	1,762	10%
Taxes other than income tax & non deductible expenses	431	467	314	(33%)	(27%)	874	780	(11%)
Contributions to IPAB	433	459	466	1%	8%	873	926	6%
Employee Profit Sharing (PTU) (1)	79	103	101	(2%)	27%	163	203	24%
Non Interest Expense	6,687	6,845	6,913	1%	3%	14,122	13,758	(3%)

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 1H14 totaled Ps 13.76 billion, (3%) less YoY due to decreases of (14%) in Personnel Expenses and (11%) in Other Taxes and Non Deductible Expenses that offset the increase in spending in the following areas:

- i) + Ps 423 million in Administrative and Promotional Expenses (+19%). This growth was driven by more prorated expenses of the bank with subsidiaries, as well as growth in expenses related to the ongoing business,
- ii) + Ps 157 million in Rents, Depreciations and Amortizations (+10%),
- iii) + Ps 53 million in IPAB contributions (+ 6%) mainly due to growth in liabilities subject to IPAB fees,
- iv) + Ps 43 million in Professional Fees (+ 3%) due to higher payment for professional services, and
- v) + Ps 40 million in Employee Profit Sharing (+ 24%).

Non-Interest Expenses in 2Q14 totaled Ps 6.91 billion, an increase of 3% vs. 2Q13 due to the combined effect of:

- i) An increase of Ps 229 million in Administrative and Promotional Expenses (+20%), due to growth in business related expenses,
- ii) A Ps 95 million increase in Rents, Depreciations and Amortizations (+12%),
- iii) An increase of Ps 33 billion in IPAB contributions (+8%),
- iv) An increase of Ps 22 million in Employee Profit Sharing (+27%) and Ps 14 million in Professional Fees (+2%),
- v) A Ps (118) million decrease in Other Taxes and Non Deductible Expenses (-27%), and
- vi) A Ps (51) million reduction in Personnel expenses (-2%).

Non-Interest Expenses increased by Ps 67 million (+1%) vs. 1Q14 due to the following increases:

- i) + Ps 148 million in Administration and Promotional Expenses (+12%), mainly due to the increase in business related expenses,
- ii) + Ps 65 million in Rents, Depreciations and Amortizations (+8%),
- iii) + Ps 47 million in Professional Fees (+7%), and
- iv) + Ps 7 million in IPAB contributions (+4%).

The aforementioned **was partially offset by the QoQ decrease** in the following areas: Ps (153) million in Other Taxes and Non Deductible Expenses (-33%), Ps (44) million in Personnel Expenses and Ps (2) million in Employee Profit Sharing.

The Efficiency Ratio for 1H14 was 47.8%, (4.4 pp) less YoY due to a positive operating leverage achieved in the period. **During 2Q14, the Efficiency Ratio was 47.1%**, lower by (3.3 pp) vs. 2Q13 and by (1.4 pp) vs. 1Q14 due to the lower growth rate presented in Operating Expenses as a result of tighter management of recurring expenses.

- **Taxes**

Income taxes in 1H14 totaled Ps 2.96 billion, +112% YoY and Ps 1.46 billion in 2Q14, +773% YoY vs. 2Q13 and (3%) QoQ. The annual increases were due to the combined effect of: i) the new tax regulations effective as of January 1st, 2014, including the non-deductibility of the global preventive reserves and certain employee benefits, ii) a larger profit base for the calculation of taxes, and iii) the use of tax credits in 2Q13.

The effective tax rate and the Employee Profit Sharing for 2Q14 was 31.2%, lower than the 32.0% of 1Q14 and more than the 7.0% of 2Q13. **The effective tax rate and the Employee Profit Sharing for 1H14 was 31.6%**, 11.9 pp higher vs. the 19.7% of the same period in 2013.

- **Subsidiaries and Minority Interest**

During 1H14, Subsidiaries and Minority Interest reported Ps 523 million in profits, favorable result vs. the Ps 5 million reported in 1H13. This was due to the purchase in October 2013 of Generali's 49% participation in the Insurance and Annuities companies, as well as the reduction in Banorte's minority interest as a result of the payment made to the IFC for its investment and higher profits of the Afore XXI Banorte.

On a quarterly basis Subsidiaries and Minority Interest reported Ps 293 million, a more favorable result vs. the Ps (64) million in 2Q13 and the Ps 230 million in 1Q14. The annual increase was due to greater profits of the Afore and the decrease in Banorte's minority interest as a result of the payment made to the IFC. Quarterly growth was due to greater profits of the Afore.

- **Net Income**

In 1H14, GFNorte reported a Net Income of Ps 7.37 billion, 16% higher vs. 1H13 due to the positive operating leverage derived from the 6% annual growth in total income and a (3%) decrease in Operating Expenses, as well as stable credit costs over the same period of the previous year; effects that offset the increase in tax payments. Additionally, the annual accumulated growth is due to the decrease in minority interest as a result of the purchase of IFC's participation in Banorte and the purchase of Generali's participation in the Insurance and Annuities companies, which together with Afore XXI Banorte and the SOFOM Credit card, presented favorable business dynamics.

Net income was Ps 3.74 billion in 2Q14, 16% higher vs. 2Q13 and 3% higher vs. 1Q14. The quarterly annual growth was the result of the positive operating leverage achieved, a reduction in loan loss provisions and a decrease in minority interest as a result of the purchase of Generali's participation in the Insurance and Annuities companies, which together with Afore XXI Banorte increased profitability due to favorable business dynamics; the foregoing offset the increase in tax payments. The growth vs. 1Q14 is due to similar circumstances, the positive operating leverage achieved (Total income grew 4%, whereas the Operating Expenses 1%) and the increase in the Net Income of Afore XXI Banorte, effects offsetting the QoQ growth in loan loss provisions.

In the last 12 months, Net Income amounted to Ps 14.51 billion, 19.5% higher vs. the same period in 2013 and 7.5% higher compared to profits accumulated in 2013 of Ps 13.51 billion. The increase over the last 12 months was the result of the operating leverage achieved by the institution, but was affected by the substantial increase in tax payments.

During 2Q14, the Financial Group's recurring net income ¹ (Net Interest Income + net fees excluding portfolio recoveries - Operating Expenses - Provisions) **totaled Ps 2.64 billion**, an annual growth of 90% due to the increase in Net Interest Income and Service Fees, a slower pace of growth in Operating Expenses and the reduction of Provisions. The (14%) decrease vs. 1Q14 is mainly due to the increase in Provisions. **On accumulative basis, recurring revenues were Ps 5.71 billion, 108% higher vs. 1H13.**

¹ *Recurring Income, considering retroactively the reclassification in NIM of the valuation of investments in securities of the Insurance and Annuities companies.*

During 2Q14, ROE was 13.2%, 213 bp lower than that reported in 2Q13, due to dilution by the stock offering of July 2013, and 13 bp lower vs. 1Q14. ROE for 1H14 was 13.2%, declining 201 bp over the same period of the previous year due to the dilution by the stock offering of last year. Return on Tangible Capital (ROTE) was 16.0% for 2Q14, a decrease of 362 bp, and 83 bp vs. 2Q13 and 1Q14, respectively.

Return on Tangible Equity (ROTE)

	2Q13	1Q14	2Q14
Reported ROE	15.3%	13.3%	13.2%
Goodwill & Intangibles	\$21,198	\$21,893	\$22,740
Average Tangible Equity	\$61,940	\$83,209	\$90,767
ROTE	19.6%	16.8%	16.0%

ROA during 1H14 was 1.4%, an increase of 8 bp over the same period of the previous year and ROA for 2Q14 was 1.4%, 9 bp higher vs. 2Q13 and + 2 bp vs 1Q14. The increase in ROA is the result of growth in net income derived from a better asset mix. Return on risk-weighted assets was 3.1%, increasing 12 bp vs. 2Q13 and 5 bp 1Q14.

Return on Risk Weighted Assets (RRWA)

	2Q13	1Q14	2Q14
Reported ROA	1.4%	1.4%	1.4%
Average Risk Weighted Assets	\$411,017	\$461,642	\$471,675
RRWA	3.0%	3.0%	3.1%

• Capitalization

Banco Mercantil del Norte

Capitalization (Million Pesos)	2Q13	3Q13	4Q13	1Q14	2Q14	Change	
						QoQ	YoY
Tier 1 Capital	55,092	56,322	58,585	62,555	65,624	5%	19%
Tier 2 Capital	11,699	11,088	11,034	10,383	7,869	(24%)	(33%)
Net Capital	66,791	67,410	69,619	72,938	73,493	1%	10%
Credit Risk Assets	322,445	334,020	338,045	338,688	344,656	2%	7%
Net Capital / Credit Risk Assets	20.7%	20.2%	20.6%	21.5%	21.3%	(0.2 pp)	0.6 pp
Total Risk Assets (1)	451,301	453,743	460,328	481,196	491,431	2%	9%
Tier 1	12.2%	12.4%	12.7%	13.0%	13.4%	0.4 pp	1.1 pp
Tier 2	2.6%	2.4%	2.4%	2.2%	1.6%	(0.6 pp)	(1.0 pp)
Capitalization Ratio	14.80%	14.86%	15.12%	15.16%	14.95%	(0.2 pp)	0.2 pp

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 end of 2Q14 Banorte's estimated Capitalization Ratio (CR) was 14.95% considering credit, market and operational risk and 21.32% if only credit risks are considered. **The Core Tier 1 ratio was 12.31%, Total Tier 1 ratio was 13.35% and Tier 2 was 1.60%.**

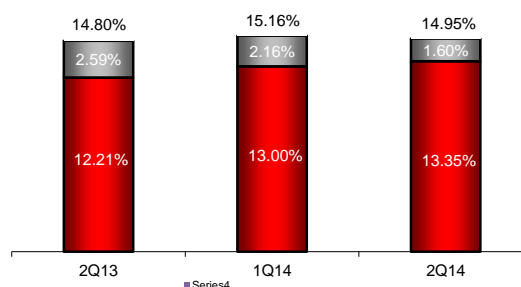
The Capitalization Ratio decreased (0.2pp)** vs. 1Q14, with the following dynamics:

- | | |
|---|-----------|
| 1. Growth of profits during 2Q14: | +0.65 pp |
| 2. Valuation of Financial Instruments and Securitizations: | +0.07 pp |
| 3. Effects of Investment in Subsidiaries and Intangibles: | - 0.08 pp |
| 4. Decrease of the effectivity of subordinated debt: | - 0.12 pp |
| 5. Growth in risk assets: | - 0.32 pp |
| 6. Payment of the Subordinated Debt issued by Banorte (Apr'14): | - 0.41 pp |

The Capitalization Ratio Increased 0.2 pp vs 2Q13, showing the following dynamics:

- | | |
|---|-----------|
| 1. Profits Generated during the period: | +2.68 pp |
| 2. Capitalization in March 2014: | +0.55 pp |
| 3. Capitalization in December 2013: | +0.43 pp |
| 4. Valuation of Financial Instruments: and Securitizations: | +0.12 pp |
| 5. Reserves considered as Tier 2 1): | - 0.01pp |
| 6. Decrease of the effectivity of subordinated debt: | - 0.23 pp |
| 7. Payment of Subordinated Debt issued by Ixe Banco (August '13): | - 0.31 pp |
| 8. Payment of the Subordinated Debt issued by Banorte (Apr'14): | - 0.44 pp |
| 9. Dividends paid: | - 0.60 pp |
| 10. Effects of Investment in Subsidiaries and Intangibles: | - 0.71 pp |
| 11. Growth in risk assets: | - 1.33 pp |

% CAPITALIZATION



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

** pp: Percentage Points

- Deposits

Grupo Financiero Banorte

Deposits (Million Pesos)	2Q13	1Q14	2Q14	Change	
				QoQ	YoY
Non Interest Bearing Demand Deposits	103,326	115,013	118,957	3%	15%
Interest Bearing Demand Deposits (1)	114,184	138,819	146,094	5%	28%
Total Demand Deposits (2)	217,510	253,832	265,051	4%	22%
Time Deposits – Retail	127,455	131,763	134,428	2%	5%
Core Deposits	344,965	385,596	399,479	4%	16%
Money Market (3)	79,201	69,947	52,100	(26%)	(34%)
Total Bank Deposits	424,166	455,543	451,580	(1%)	6%
GFNorte's Total Deposits (4)	424,095	455,340	450,817	(1%)	6%
Third Party Deposits	158,227	142,385	171,293	20%	8%
Total Assets Under Management	582,393	597,928	622,873	4%	7%

1. Excludes IPAB cash management checking accounts for loan portfolios managed from Banpaís and Bancen. The balances of these accounts to 1Q13, 1Q14 and 2Q14 were Ps 0 million, in all cases.
2. Includes Debit Cards.
3. Includes Bank Bonds (Customers and Financial intermediaries).
4. Includes eliminations between subsidiaries: 2Q13= (\$71) million; 1Q14 = (\$203) million; 2Q14 = (\$763) million.

- Total Deposits

At the end of 2Q14, GFNorte's Total Deposits amounted to Ps 450.82 billion, an increase of Ps 26.72 billion or 6% higher YoY vs. 2Q13 driven primarily by efforts to promote Banorte – Ixe's deposit products, as well as the significant increase registered in account balances of some clients, mainly in Government banking at the end of 2013. The quarterly decrease of (Ps 4.52) billion or (1%), is a result of the (26%) reduction in the Money Market however, Demand Deposits increased by 4%.

In the Banking Sector, Total Deposits amounted to Ps 451.58 billion, representing an increase of 6% YoY or Ps 27.41 billion, comprised of a 22% increase in Demand Deposits, 5% increase in Retail Time Deposits and a (34%) decrease in Money Market. During the quarter, Total Deposits declined by (1%).

- Demand and Time Deposits

At the end of 2Q14, the Demand Deposits amounted to Ps 265.05 billion, an increase of Ps 47.54 billion, + 22% YoY, driven by a 15% increase in the Non Interest Bearing Demand Deposits, as a result of increases in the average balances of personal and corporate accounts which combined grew by 10%. The YoY growth of Interest Bearing Demand Deposits was 28% driven by growth in the average balances of personal and corporate accounts.

On a quarterly basis, Demand Deposits increased by Ps 11.2 billion or 4% vs. 1Q14 driven by a 3% increase in Non-Interest Bearing Deposits and 5% in Interest Bearing Demand Deposits.

Retail Time Deposits amounted to Ps 134.43 billion, increasing by Ps 6.97 billion or 5% YoY as a result of campaigns to promote promissory notes with different maturities through branches; the QoQ balance increased by Ps 2.66 billion or 2%.

- Money Market Deposits

Money Market Deposits at the end of 2Q14 totaled Ps 52.1 billion, representing declines of (34%) YoY and (26%) QoQ due to reduced funding needs through money market due to growth in core deposits.

- **Third Party Deposits**

In 2Q14, Third Party Deposits totaled Ps 171.29 billion, an increase of 8% YoY and 20% QoQ due to increases of third-parties in external custody and third-party securities in private banking.

- **Managed Resources**

At the end of June 2014, Managed Resources totaled Ps 622.87 billion, growing by Ps 40.48 billion or 7% YoY and on a quarterly basis grew by Ps 24.94 billion or 4% vs.1Q14. Annual growth is explained by the increase in core deposits and Third Party Deposits, while QoQ growth was due to more Third Party Deposits.

- **Loans**

Performing Loan Portfolio (Million Pesos)	2Q13	1Q14	2Q14	Change	
				QoQ	YoY
Commercial (1)	108,500	112,385	112,584	0%	4%
Consumer	128,978	143,118	147,401	3%	14%
Corporate (1)	83,505	73,235	74,231	1%	(11%)
Government	90,586	98,626	100,345	2%	11%
Sub Total	411,568	427,364	434,562	2%	6%
Recovery Bank	214	189	181	(4%)	(15%)
Total	411,782	427,553	434,743	2%	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.

Performing Consumer Loan Portfolio (Million Pesos)	2Q13	1Q14	2Q14	Change	
				QoQ	YoY
Mortgages	77,135	82,966	84,861	2%	10%
Car Loans	10,870	11,529	11,442	(1%)	5%
Credit Cards	18,674	20,254	20,941	3%	12%
Payroll	22,298	28,369	30,158	6%	35%
Consumer Loans	128,978	143,118	147,401	3%	14%

(Million Pesos)	2Q13	1Q14	2Q14	Change	
				QoQ	YoY
Past Due Loans	9,075	13,151	14,012	7%	54%
Loan Loss Reserves	14,321	13,909	14,642	5%	2%
Acquired Rights	3,507	3,273	3,137	(4%)	(11%)

- **Total Performing Loans**

Total Performing Loans increased 6% YoY, growing by Ps 22.99 billion to Ps 434.56 billion in 2Q14, excluding the proprietary loans managed by the Recovery Bank. The Loan portfolio registered lower YoY growth rates vs. the previous year mainly due to the economic weakness recorded in 2013 and the first months of 2014, as well as to prepayments received from corporate clients, which were not offset by loan origination in this segment. The Performing Loan portfolio grew at a faster pace than the economy.

Total Performing Loans increased 2% QoQ vs. 1Q14, growing by Ps 7.20 billion, mainly as a result of growth in the mortgage, payroll, government, corporate and credit card portfolios.

Portfolio growth by segments was as follows:

- **Individual Loans**

- ✓ **Consumer + Mortgage:** Increased by Ps 18.42 billion or 14% vs. 2Q13, and Ps 4.28 billion or 3% QoQ vs. 1Q14 **posting a balance of Ps 147.40 billion** at the end of 2Q14 as a result of an annual favorable business dynamics in all portfolios, and quarterly in mortgage, payroll and credit card. Given the strategy to increase payroll loans and credit cards portfolios, the overall consumer loan book, has increased its proportion in the loan portfolio from 12.6% to 14.4% in the past 12 months.
- ✓ **Mortgages:** Grew by Ps 7.73 billion or 10% YoY with a closing **balance of Ps 84.86 billion**, driven by favorable dynamics in products for construction, remodeling and payment of liabilities. In the quarter the portfolio grew Ps 1.90 billion or 2% QoQ vs. 1Q14, favored by origination in the middle income segment, the mortgage program with PEMEX and programs for construction, remodeling, and payment of liabilities. With respect to new loan production during the first half of 2014, 7,002 Mortgage loans worth Ps 8.43 billion were placed. Banorte had a 16.1% share of the mortgage loan market ranking third; and an 18.6% market share in new mortgage loan production, ranking fourth in the system as of May 2014.
- ✓ **Credit Cards:** As of 2Q14, totaled **Ps 20.94 billion**, an increase of Ps 2.27 billion or 12% YoY and 3% or Ps 687 million QoQ. Both growth rates relate to portfolio management strategies, product marketing campaigns and greater cross-selling efforts. The profitability of the credit card portfolio continues to improve due to loan portfolio growth and adequate portfolio risk management. Banorte-Ixe held a 7.5% market share in May 2014, ranking fourth in the system.
- ✓ **Payroll:** As of 2Q14, this portfolio increased Ps 7.86 billion or 35% YoY and Ps 1.79 billion or 6% QoQ, **closing with a balance of Ps 30.16 billion** driven by growth in the number of payroll account holders, which totaled 4.69 million, 14% higher YoY, as well as campaigns to promote the product and multichannel cross-sell strategies. In addition, Banorte acquired a Payroll loan book from another institution in March 2014. Payroll loans continue to show robust growth and good asset quality, particularly if compared to the system's average. Banorte-Ixe's market share as of May 2014 was 20.6%, ranking third in the system.
- ✓ **Car Loans:** grew by Ps 572 million or 5% YoY, decreasing (Ps 88) million or (1%) QoQ **totaling Ps 11.44 billion in 2Q14**. The annual growth was due to greater loan origination driven by promotional campaigns through various channels, cross-sales with customers and alliances with car dealerships. Profitability remains favorable as a result of higher loan volumes, good asset quality and strong insurance sales, one of Seguros Banorte's most important products. As of May 2014, Banorte held a 15.7% market share, excluding loans granted by the financing arms of car manufacturers, ranking fourth in the system.

- **II. Loans to Institutions**

- ✓ **Commercial:** Increased by Ps 4.08 billion or 4% YoY and Ps 199 million QoQ to total **Ps 112.58 billion**. Annual growth comes from strong origination of Crediactivo product, business loans and leasing. On a quarterly basis growth is driven by more business loans and factoring. The balance of GFNorte's SME portfolio totaled Ps 31.58 billion, almost the same as in the same period of last year and showed a decrease of (Ps 1.38) billion or (4%) vs. 1Q14. Market share in Commercial loans (including corporate loans) was 12.1% as of May 2014, ranking fourth in the system.

SMEs Portfolio Evolution (million pesos)

	2Q13	1Q14	2Q14
Performing Portfolio	\$31,719	\$32,954	\$31,576
% of Performing Commercial Portfolio	29.2%	29.3%	28.0%
% of Total Performing Portfolio	7.7%	7.7%	7.3%
NPL Ratio	4.0%	6.8%	8.5%

- ✓ **Corporate: totaled Ps 74.23 billion**, a decrease of (Ps 9.27) billion or (11%) YoY and an increase of Ps 996 million or 1% QoQ vs. 1Q14. The annual decrease comes from payment or recognition to past due of loans related to home developers, as well as prepayments received from some clients who used the proceeds from capital market transactions to pay off bank liabilities. Banorte's corporate loan portfolio is diversified by sectors and regions and shows a low concentration. Banorte's 20 main corporate borrowers account for 9.9% of the Bank's total portfolio, increasing 0.2 pp vs. 1Q14 and decreasing (1.4 pp) vs. 2Q13. The bank's largest corporate loan represents 1.7% of the total portfolio and has an A1 rating, while number 20 represents 0.3%.

Through its subsidiaries Banco Mercantil del Norte, Arrendadora y Factor Banorte and Sólida Administradora de Portafolios, GFNorte has granted loans, and participated through specialized trust operations in housing development financing. Since 2013 some of the largest companies in this sector have experienced financial difficulties. 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.

As of June 30, 2014, GFNORTE had a loan exposure of Ps 6.95 billion in 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., 0.2% lower than in the previous quarter. This balance includes Ps 79 million registered as Past Due in Sólida Administradora de Portafolios since December 2013. These companies represent 1.5% of our total loan portfolio compared to the 1.6% of March 2014. Of these loans, **Ps 5.90 billion are past due**, increasing by Ps 93 million during 2Q14. 69% of the total portfolio is guaranteed, remaining the same with respect to 1Q14. **Sólida has Ps 9.32 billion in land and investment projects including Ps 553 million in collection rights** compared to Ps 9.24 billion and Ps 553 million recorded in 1Q14.

- ✓ **Government: As of 2Q14, the balance totaled Ps 100.35 billion**, growing by Ps 9.76 billion or 11% YoY and Ps 1.72 billion or 2% QoQ as a result of ongoing efforts to continue to meet 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, remaining the same as in 1Q14 and 1.3 pp higher vs. 2Q13. The largest Government loan represents 3.0% of the total portfolio and has an A1 rating, while Government loan number 20 represents 0.4%. The portfolio's risk profile is adequate with 14.6% of the loans granted to Federal Government entities and over 95% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and less than 2% of the loans have short-term maturities. The risk-adjusted profitability of Government Banking is high. As of May 2014 Banorte remains the leader in this sector, with a 23.5% market share.

● Past Due Loans

At the end of 2Q14, Past Due Loans totaled Ps 14.01 billion, 54% higher vs. 2Q13 mainly as a result of the increase in Corporate Past Due loans - especially from housing developers, coupled with growth in Past Due loans in the SME, Payroll, Mortgage, Credit Card and Car loan portfolios, derived from the negative impact of sluggish economic activity. The quarterly growth of 7% vs. 1Q14 is due to an increase in the Past Due loans in the SME, Payroll, Corporate, Credit Card, Car and Mortgage portfolios.

By segment, the quarterly trend in past due balances was:

Million pesos	2Q14	Var. Vs. 1Q14	Var. Vs. 2Q13
Credit Cards	1,420	77	224
Payroll	773	205	232
Car loans	223	76	69
Mortgage	1,153	51	231
Commercial	4,593	370	601
Corporate	5,849	83	3,632
Government	1	-	(52)
Total	14,012	861	4,937

In 2Q14, the Past Due Loan Ratio was 3.1%, 97 bp higher vs. 2Q13 and 14 bp higher vs 1Q14. The annual increase was due to a higher Past Due Loan Ratio in all segments with the exception of Government loans. The QoQ increase is result of the growth in all areas with the exception of Mortgage, Corporate and Government.

When excluding past due loans of the three troubled home developers, the Past Due Loan Ratio was 1.8%, 20 bp higher than that registered a year ago and 10 bp higher than the Past Due Loan Ratio in 1Q14.

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

	2Q13	3Q13	4Q13	1Q14	2Q14
Credit Cards	6.0%	6.0%	5.9%	6.2%	6.3%
Payroll	2.4%	2.3%	2.3%	2.0%	2.5%
Car loans	1.4%	1.6%	1.6%	1.3%	1.9%
Mortgage	1.2%	1.3%	1.3%	1.3%	1.3%
Commercial	3.5%	3.9%	2.9%	3.6%	3.9%
Corporate	2.6%	7.5%	8.6%	7.3%	7.3%
Government	0.1%	0.0%	0.0%	0.0%	0.0%
Total	2.2%	3.2%	3.1%	3.0%	3.1%

The expected loss of Banco Mercantil del Norte, the Financial group's main subsidiary, represents 2.1% and the unexpected loss 3.4%, both with respect to the total portfolio at the end of 2Q14. The expected loss average represented 2.1% for the period of April to June 2014. These ratios were 2.0% and 3.3%, respectively for 1Q14, and 1.7% and 3.4% 12 months ago.

Banco Mercantil del Norte's Net Credit Losses (NCL) was 0.7%, a reduction of 50 bp vs. 1Q14 as a result of reduced write-offs realized during the last 12 months.

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

Past Due Loan Variations (Million Pesos)	
Balance as of March 2014	13,151
Transfer from Performing Loans to Past Due Loans	4,267
Portfolio Purchase	195
Renewals	(117)
Cash Collections	(642)
Discounts	(63)
Charge Offs	(1,745)
Foreclosures	(98)
Transfer from Past Due Loans to Performing Loans	(937)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(3)
Fair Value IXE	4
Balance as of June 2014	14,012

80% of the total loan portfolio is rated as Risk A, 14% as Risk B and 6% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 2Q14-GFNorte (Million Pesos)							
CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	323,591	684	345	185	313	94	1,621
A2	58,634	274	178	6	298	43	799
B1	21,981	138	55	1	740	9	943
B2	27,326	132	164	11	603	20	930
B3	18,321	351	101	1	304	7	764
C1	6,389	211	20	3	194	31	459
C2	4,860	149	10	0	430	84	673
D	16,016	4,387	-	0	1,515	368	6,270
E	3,003	692	-	-	1,087	132	1,911
Total	480,119	-	-	-	-	-	-
Not Classified	(41)	-	-	-	-	-	-
Exempt	28	-	-	-	-	-	-
Total	480,107	7,018	875	208	5,484	787	14,373
Reserves	-	-	-	-	-	-	14,642
Preventive Reserves	-	-	-	-	-	-	270

Notes:

- 1.- The ratings of loans and reserves created correspond to the last day of the month referred to in the Balance Sheet at June 30, 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.

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	12,208
Total Loans	480,107
Distressed Portfolio / Total Loans	2.5%

- **Loan Loss Reserves and Preventive Loan Loss Reserves**

Loan Loss Reserves	
<i>(Million Pesos)</i>	
2Q14	
Previous Period Ending Balance	13,909
Provisions charged to results	2,733
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	-937
Consumer Loans	-710
Mortgage Loans	-348
Foreclosed assets	0
	-1,995
Cost of debtor support programs	-2
Valorization and Others	-3
Adjustments	0
Loan Loss Reserves at Period End	14,642

Loan Loss Reserves at the end of 2Q14 totaled Ps 14.64 billion, 5% higher than that recorded at the end of 1Q14. Moreover, 47% of write-offs, charge-offs and discounts corresponds to the Commercial portfolio, 36% to Consumer and 17% to Mortgages.

At the end of 2Q14, the loan loss coverage ratio was 104.5% (104.1% excluding INB), decreasing (53.3 pp) YoY and (1.3 pp) QoQ.

BANKING SECTOR

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

Income Statement and Balance Sheet Highlights-Banking Sector (Million Pesos)								
	2Q13	1Q14	2Q14	Change		1H13	1H14	Change
				QoQ	YoY			1H13
Income Statement								
Net Interest Income	8,833	9,033	9,277	3%	5%	16,929	18,310	8%
Non Interest Income	2,808	3,457	3,857	12%	37%	7,108	7,313	3%
Total Income	11,641	12,490	13,134	5%	13%	24,037	25,623	7%
Non Interest Expense	6,150	6,374	6,401	0%	4%	13,049	12,775	(2%)
Provisions	3,005	2,369	2,826	19%	(6%)	5,031	5,195	3%
Operating Income	2,486	3,747	3,907	4%	57%	5,957	7,654	28%
Taxes	(90)	1,209	1,180	(2%)	(1405%)	891	2,389	168%
Subsidiaries & Minority Interest	472	293	349	19%	(26%)	820	642	(22%)
Net Income	3,048	2,831	3,075	9%	1%	5,886	5,906	0%
Balance Sheet								
Total Assets	781,193	860,967	862,996	0%	10%	781,193	862,996	10%
Performing Loans (a)	405,317	421,290	427,260	1%	5%	405,317	427,260	5%
Past Due Loans (b)	8,701	12,801	13,659	7%	57%	8,701	13,659	57%
Total Loans (a+b)	414,019	434,092	440,919	2%	6%	414,019	440,919	6%
Total Loans Net (d)	400,360	420,586	426,703	1%	7%	400,360	426,703	7%
Acquired Collection Rights (e)	2,039	1,702	1,610	(5%)	(21%)	2,039	1,610	(21%)
Total Loans (d+e)	402,400	422,288	428,313	1%	6%	402,400	428,313	6%
Total Liabilities	708,425	776,768	775,441	(0%)	9%	708,425	775,441	9%
Total Deposits	424,166	455,543	451,580	(1%)	6%	424,166	451,580	6%
Equity	72,768	84,200	87,555	4%	20%	72,768	87,555	20%

Financial Ratios Banking Sector								
	2Q13	1Q14	2Q14	Change		1H13	1H14	Change
				QoQ	YoY			1H13
Profitability:								
NIM (1)	4.8%	4.7%	4.7%	(0.1 pp)	(0.2 pp)	4.7%	4.7%	(0.0 pp)
NIM after Provisions (2)	3.2%	3.5%	3.2%	(0.3 pp)	0.1 pp	3.3%	3.4%	0.0 pp
ROE (4)	16.2%	14.0%	14.3%	0.4 pp	(1.8 pp)	16.3%	14.2%	(2.08 pp)
ROA (5)	1.5%	1.4%	1.4%	0.1 pp	(0.11 pp)	1.5%	1.4%	(0.12 pp)
Operation:								
Efficiency Ratio (6)	52.8%	51.0%	48.7%	(2.3 pp)	(4.1 pp)	54.3%	49.9%	(4.4 pp)
Operating Efficiency Ratio (7)	3.1%	3.09%	3.0%	(0.1 pp)	(0.1 pp)	3.4%	3.1%	(0.3 pp)
Liquidity Ratio (8)	115.5%	123.6%	118.9%	(4.6 pp)	3.4 pp	115.5%	118.9%	3.4 pp
Asset Quality:								
Past Due Loan Ratio	2.1%	2.9%	3.1%	0.1 pp	1.0 pp	2.1%	3.1%	1.0 pp
Coverage Ratio	157.0%	105.5%	104.1%	(1.4 pp)	(52.9 pp)	157.0%	104.1%	(52.9 pp)
Past Due Loan Ratio w/o Banorte USA	2.1%	3.0%	3.2%	0.1 pp	1.0 pp	2.1%	3.2%	1.0 pp
Coverage Ratio w/o Banorte USA	157.1%	105.0%	103.6%	(1.3 pp)	(53.5 pp)	157.1%	103.6%	(53.5 pp)
Growth (8)								
Performing Loans (9)	11.8%	7.6%	5.4%	(2.2 pp)	(6.3 pp)	11.8%	5.4%	(6.3 pp)
Core Deposits	10.7%	16.4%	15.8%	(0.6 pp)	5.1 pp	10.7%	15.8%	5.1 pp
Total Deposits	7.5%	9.8%	6.5%	(3.3 pp)	(1.1 pp)	7.5%	6.5%	(1.1 pp)
Capitalization:								
Net Capital/ Credit Risk Assets	20.7%	21.5%	21.3%	(0.2 pp)	0.6 pp	20.7%	21.3%	0.6 pp
Total Capitalization Ratio	14.8%	15.2%	15.0%	(0.2 pp)	0.2 pp	14.8%	15.0%	0.2 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 / Liquids Liabilities (Liquid Assets = Availability + Titles for negotiation + Titles available for sale; Liquid Liabilities = Demand deposits + Loans from banks and of other organisms of immediately payable + short term loans from banks and of other organisms.

8) Growth compared to the same period of the previous year.

9) Does not include Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

Net Interest Income

Net Interest Income-Banking Sector	2Q13	1Q14	2Q14	Change		1H13	1H14	Change
(Million Pesos)				QoQ	YoY			1H13
Interest Income	13,961	14,016	14,277	2%	2%	27,754	28,293	2%
Interest Expense	5,508	5,236	5,230	(0%)	(5%)	11,441	10,466	(9%)
Loan Origination Fees	504	338	325	(4%)	(36%)	823	663	(19%)
Fees Paid	125	85	95	11%	(24%)	207	180	(13%)
Net Interest Income	8,833	9,033	9,277	3%	5%	16,929	18,310	8%
Provisions	3,005	2,369	2,826	19%	(6%)	5,031	5,195	3%
Net Interest Income Adjusted for Credit Risk	5,828	6,664	6,451	(3%)	11%	11,898	13,115	10%
Average Productive Assets	732,498	763,124	797,236	4%	9%	713,081	776,704	9%
Net Interest Margin (1)	4.8%	4.7%	4.7%	(0.08 pp)	(0.17 pp)	4.7%	4.7%	(0.03 pp)
NIM after Provisions (2)	3.2%	3.5%	3.2%	(0.3 pp)	0.1 pp	3.3%	3.4%	0.04 pp

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

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

During 1H14 Net Interest Income grew 8% YoY from Ps 16.93 to Ps 18.31 billion, and increased 10% YoY considering only interest income and net fees related to loan originations as a result of a 5% growth in Performing Loans due to better mix, especially in high yielding products, and to a lower cost of funding, which is the result of: i) a growth in Core Deposits, mainly in Demand Deposits; ii) a reduction of 100 bp in the reference rate iii) liquidation in August 2013 of Ixe's Perpetual Subordinated Obligations issued at 9.75% in dollars and the prepayment of the Preferred Subordinated Obligations for Ps 2.2 billion in April 2014, paying a rate of TIIE + 2.0%.

During 2Q14 Net Interest Income totaled Ps 9.28 billion, a 5% YoY and 3% QoQ increase. The annual growth is explained by growth in the portfolio with a better mix and reduced cost of funding. The quarterly growth derived from the 2% growth in the loan portfolio with a better mix and reduced cost of funding due to the growth of 4% in Core Deposits and the prepayment of the Preferred Subordinated Obligations for Ps 2.2 billion. Considering only interest income and net fees related to loan origination, the quarterly Net Interest Income increased 6% vs. 2Q13 and 1% vs. 1Q14.

The average NIM was 4.7% in 1H14 remaining unchanged vs. 1H13. In 2Q14, NIM was 4.7%, decreasing by 17 bp vs. 2Q13 and 8 bp vs. 1Q14.

- Loan Loss Provisions

In 1H14, Loan Loss Provisions charged to results totaled Ps 5.19 billion, 3% higher vs. 1H13 due to higher requirements in the payroll, mortgage and car loans, which was offset by a reduction in requirements for the corporate portfolio which required, significant provisions in 1H13 to cover exposures in the housing development sector.

In 2Q14, Loan Loss Provisions charged to results totaled Ps 2.83 billion, registering a (6%) decrease vs. 2Q13 and a 19% increase vs. 1Q14. The decline from a year ago was a result of provisions created in 2Q13 to cover exposures for URBI, GEO and HOMEX, in the housing development sector, and despite higher requirements in the payroll and mortgage loan portfolios in 2Q14, their impact was less than in 2Q13 due to the provisions to cover exposures to housing developers. The QoQ increase vs. 1Q14 was mainly due to increased provisions in the consumer, middle market companies and SMEs and corporate portfolios, partially offset by reduced provisions in the government portfolio.

The average NIM adjusted for Credit Risks was 3.4% in 1H14, an increase of 4 bp vs. 1H13, and 3.2% in 2Q14, comparing favorably to the YoY increase of 5 bp, but declined by 26 bp vs. 1Q14.

- Non-Interest Income

Non Interest Income (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Services	1,860	1,997	2,027	1%	9%	3,666	4,023	10%
Recovery	(190)	6	5	(16%)	(102%)	47	10	(78%)
Trading	613	1,048	1,355	29%	121%	1,923	2,403	25%
Other Operating Income (Expense)	525	406	470	16%	(10%)	1,472	876	(40%)
Non Interest Income	2,808	3,457	3,857	12%	37%	7,108	7,313	3%

Non-Interest Income in 1H14, totaled Ps 7.31 billion, a YoY increase of 3% driven by growth in Trading revenues and Service Fees, which offset a decrease in Other Operating Income (Expenses) and real estate portfolio recoveries; **Non-Interest Income in 2Q14 totaled Ps 3.86 billion**, growing 37% vs. 2Q13 and 12% vs. 1Q14. Annual growth was due to higher Trading revenues, recoveries of real estate portfolios and Service Fees; while the QoQ increase was due to growth in all areas except recoveries of real estate portfolios.

- Non-Interest Expenses

Non Interest Expense (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Personnel	2,924	2,950	2,884	(2%)	(1%)	6,823	5,834	(14%)
Professional Fees	563	548	605	10%	8%	1,092	1,153	6%
Administrative and Promotional	1,025	1,108	1,222	10%	19%	1,850	2,330	26%
Rents, Depreciation & Amortization	765	789	853	8%	11%	1,496	1,642	10%
Taxes other than income tax & non deductible expenses	360	420	270	(36%)	(25%)	753	690	(8%)
Contributions to IPAB	433	459	466	1%	8%	873	926	6%
Employee Profit Sharing (PTU) (1)	79	99	101	1%	27%	162	200	23%
Non Interest Expense	6,150	6,374	6,401	0%	4%	13,049	12,775	(2%)

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 1H14 totaled Ps 12.78 billion, (2%) less YoY mainly due to the reduction in Personnel Expenses and Other Taxes and Non-Deductible Expenses, which offset growth in other areas. **Non-Interest Expenses in 2Q14 were Ps 6.40 billion**, a 4% increase YoY and unchanged QoQ. The variation from 1H13 was mainly due to the increase in Administrative and Promotional expenses; while the quarterly variance vs. 1Q14 was the result of a reduction in Other Taxes and Non-Deductible Expenses and Personnel Expenses, which offset growth in other items.

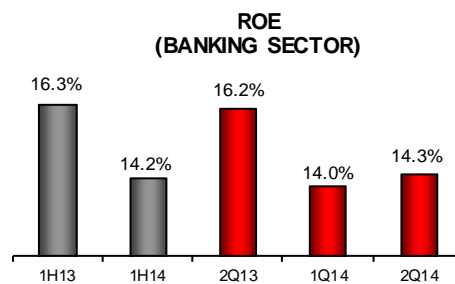
The Efficiency Ratio for 1H14 was 49.9%, (4.4 pp) lower vs. 1H13; while **for 2Q14 it was 48.7%**, lower by (4.1 pp) vs. 2Q13 and (2.3 pp) vs. 1Q14. In all cases the improvement in this indicator was due to the positive operating leverage achieved.

- Net Income

Net Income for 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 with its 50% participation) **reported in 1H14 was Ps 5.91 billion**, increasing by Ps 20 million vs. 1H13, due to positive operating leverage, which offset higher tax payments. **Net Income for 2Q14 was Ps 3.07 billion**, 1% higher vs. 2Q13 and by 9% higher vs. 1Q14. The YoY increase is explained the positive operating leverage and lower provisions, which offset higher tax payments due to two effects: i) the use of tax credits in 2Q13 and ii) a higher tax rate as a result of the new fiscal dispositions. The quarterly growth is mainly due to the positive operating leverage achieved that offset increased provisions.

SOFOM Banorte-Ixe cards had an outstanding performance, accumulating net profits of Ps 888 million during the year, 50% higher vs. 1H13, contributing to 12% of the Group's profits.

ROE for this sector in 1H14 was 14.2%, (208 bp) lower vs. 1H13 explained by equity increases carried out in the past year, while **ROE for 2Q14 was 14.3%**, (1.8 pp) lower vs. 2Q13 due to these equity increases, and 0.4 pp higher vs. 1Q14. **ROA for 1H14 of this sector was 1.4%**, decreasing 12 bp YoY, and was 1.4% for 2Q14, (11) bp lower vs. 2Q13 and 5 bp higher vs. 1Q14.



• **NPL Ratio**

The Banking Sector's Past Due Loan Ratio for 2Q14 was 3.1% (includes INB past due loans), 1.0 pp higher vs. 2Q13 mainly due to past due loans related to housing developers and 0.1 pp higher vs. 1Q14.

BANORTE USA

I. Banorte USA

Income Statement								
Banorte USA								
<i>Figures in MEX GAAP</i>								
<i>(Million Pesos)</i>								
	2Q13	1Q14	2Q14	Var. vs 1Q14	Var. vs 2Q13	1H13	1H14	Var. Vs. 1H13
Income Statement								
Net Interest Income	142	159	162	2%	14%	283	320	13%
Non Interest Income	97	120	119	(1%)	23%	224	239	7%
Total Income	239	279	281	1%	17%	507	559	10%
Non Interest Expense	179	191	211	10%	18%	372	401	8%
Loan Loss Reserves	2	11	2	(80%)	(7%)	17	13	(23%)
Operating Income	58	77	68	(12%)	17%	118	145	23%
Taxes	20	24	22	(10%)	12%	38	46	22%
Net Income	39	52	46	(12%)	19%	80	98	23%

Under Generally Accepted Mexican Accounting Principles (MEX GAAP), net income of Banorte USA (owner of 100% of Inter National Bank, as well as 100% of the remittance companies Uniteller and Motran) was Ps 98 million during 1H14, increasing 23% YoY, as a result of growth in Net Interest and Non-Interest Income and lower loan loss provisions. Banorte USA contributed 1.3% of the Group's profits in 1H14. In the quarter, profits amounted to Ps 46 million, 19% higher vs. 2Q13 due to (12%) reduction in loan loss provisions and an increase in operating expenses.

II. Inter National Bank (US GAAP)

Income Statement & Balance Sheet Highlights - InterNational Bank								
<i>Cifras en US GAAP</i>								
<i>(Millones de Dólares)</i>								
	2Q13	1Q14	2Q14	Var. vs 1Q14	Var. vs 2Q13	1H13	1H14	Var. Vs. 1H13
Income Statement								
Net Interest Income	12	12	13	3%	10%	23	25	9%
Non Interest Income	5	5	4	(20%)	(23%)	12	9	(24%)
Total Income	17	17	17	(3%)	0%	35	34	(2%)
Non Interest Expense	12	11	12	14%	1%	25	23	(8%)
Loan Loss Reserves	0	0	0	54%	60%	(1)	1	(196%)
Operating Income	5	6	4	(30%)	(15%)	10	11	4%
Net Income	3	4	3	(30%)	(14%)	7	7	4%
Balance Sheet								
Investment in Securities	760	571	553	(3%)	(27%)	760	553	(27%)
Performing Loans	714	846	840	(1%)	18%	714	840	18%
Past Due Loans	9	6	8	33%	(8%)	9	8	(8%)
Demand Deposits	886	885	852	(4%)	(4%)	886	852	(4%)
Time Deposits	710	578	601	4%	(15%)	710	601	(15%)
Total Deposits	1,596	1,463	1,452	(1%)	(9%)	1,596	1,451	(9%)
Equity	413	420	424	1%	3%	413	424	3%

Financial Ratios INB Figures in USGAAP (Million Dollars)	2Q13	1Q14	2Q14	Var. vs 1Q14	Var. vs 2Q13	1H13	1H14	Var. Vs.1H13
Profitability								
NIM	2.8%	3.3%	3.4%	0.0	0.6	2.7%	3.4%	0.6
ROE	3.3%	4.1%	2.8%	(1.3)	(0.5)	3.3%	3.5%	0.2
ROA	0.7%	0.9%	0.6%	(0.3)	0.0	0.7%	0.8%	0.1
Operational								
Efficiency Ratio	71.6%	61.8%	72.9%	11.1	1.3	71.9%	67.2%	(4.7)
Asset Quality								
Past Due Loan Ratio	1.2%	0.7%	1.0%	0.2	(0.3)	1.2%	1.0%	(0.3)
Coverage Ratio	159.0%	254.5%	189.3%	(65.2)	30.3	159.0%	189.3%	30.3
Capitalization:								
Leverage Ratio	11.0%	12.8%	13.0%	0.2	2.0	11.0%	13.0%	2.0
Capitalization Ratio	25.8%	23.0%	23.7%	0.6	(2.2)	25.8%	23.7%	(2.2)

Under US Generally Accepted Accounting Principles (US GAAP), Inter National Bank (INB) posted profits of **US \$7 million during 1H14, 4% higher YoY**, mainly due to more Net Interest Income as a result of important growth in the loan portfolio, as well as reduced operating expenses. The quarterly **Net Income decreased (14%) YoY and (30%) vs. 1Q14**, in both cases due to lower Non-Interest Income and higher operating expenses and loan loss provisions.

INB has an investment portfolio of US \$553 million consisting mainly of mortgage-backed securities, which decreased by US \$207 million or (27%) YoY and US \$18 million or (3%) QoQ. The underlying mortgages are rated AAA and have an implicit guarantee from the US Government. In 2Q14 the portfolio had an unrealized valuation loss of US (\$10) million and its weighted average life was 4.7 years.

Total Deposits amounted to US \$1.45 billion, decreasing by US \$143 million or (9%) YoY and US \$11 million or (1%) QoQ. **Performing Loans totaled US \$840 million**, increasing by US \$126 million or 18% YoY and decreasing by US \$6 million or (1%) QoQ. **Past Due Loans totaled US \$8 million**, lower by US \$1 million or (8%) YoY, and a quarterly increase of US \$2 million or 33%.

Capitalization and Leverage Ratios remain robust. **The Capitalization ratio** considering only credit risk at the end of **1H14 was 23.7%** and the Leverage ratio was 13.0%. **The Past Due Loan ratio** declined (0.3) pp YoY and increased 0.2 pp QoQ to reach **1.0%**; whereas the **Coverage ratio** increased by 30.3 pp YoY and decreased (65.2) pp QoQ to end at **189.3%**.

Regarding Profitability ratios, **ROE during 1H14 was 3.5%**, 0.2 pp higher YoY; ROE for 2Q14 was 2.8%, decreasing (0.5 pp) YoY and (1.3 pp) QoQ. **ROA during 1H14 was 0.8%**, 0.1 pp higher YoY, ROA for 2Q14 was 0.6%. **The Efficiency ratio was 67.2% in 1H14**, (4.7) pp lower YoY; on a quarterly basis it was 72.9%, increasing by 11.1 pp QoQ and 1.3 pp YoY. NIM for 1H14 was 3.4%, increasing 0.6 pp YoY; while NIM for 2Q14 was 3.4%, comparing favorably with respect to the 2.8% of 2Q13 and the 3.3% of 1Q14.

III. UniTeller Financial Services (US GAAP)

Income Statement and Transactions								
Highlights <i>UniTeller Financial Services</i>	2Q13	1Q14	2Q14	Var. vs 1Q14	Var. vs 2Q13	1H13	1H14	Var. Vs. 1H13
<i>Figures in US GASAP (Thousand Dollars)</i>								
Income Statement								
Revenues	5,135	6,602	7,105	17%	38%	9,441	13,167	39%
Cost of Sales	3,274	3,919	4,657	19%	42%	6,143	8,575	40%
Margin	1,861	2,144	2,448	14%	32%	3,298	4,592	39%
Expenses	1,488	1,634	1,697	4%	14%	3,040	3,331	10%
Income before Taxes	373	509	751	47%	101%	257	1,260	390%
Net Income	234	342	513	50%	119%	167	855	411%
Transactions								
# of created transactions (thousand)	1,234	1,704	2,079	22%	68%	2,101	3,783	80%

UniTeller Financial Services and Subsidiaries (UFS) recorded profits of US \$855 thousand dollars in 1H14, comparing favorably to the US \$167 thousand dollars profit for the same period of the previous year, driven mainly by more transactions.

At the end of 1H14 transactions increased by 80% YoY, derived mainly from the expansion of the processing business, including more services to other institutions.

IV. Solida USA

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

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

Solida Mexico (Foreclosed Assets):	US \$ 24 million
Banorte (Foreclosed Loans and Assets):	US \$ 76 million
INB (Classified Assets and Mortgage Portfolio):	US \$ 24 million
Total:	US \$124 million

As a result of adequate management of these assets, INB's ratio of Classified Assets to Equity was 10.2% at the end of 2Q14 an acceptable level for US regulators.

RECOVERY BANKING

Income Statement Highlights - Recovery Banking		1S13	1S14	Change
(Million Pesos)				1S13
Net Interest Income		12	14	17%
Loan Loss Provisions		(1)	(3)	118%
Non Interest Income		1,146	819	(29%)
Non Interest Expense		(468)	(465)	(1%)
Pre-tax Income & Subsidiaries		689	365	(47%)
Income Tax and Profit Sharing		(198)	(85)	(57%)
Net Income		491	280	(43%)

Assets Under Management	2Q14	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
(Million Pesos)			
Banking Sector Portfolio- Banorte:	54,711	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	33,811	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects (1):	6,807	Solida Asset Management and Banorte	Non Interest Income
Total	95,329		

(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 280 million in 1H14, (43%) lower than the same period in 2013, due to a decrease in Non-Interest Income as a result of a significant recovery registered in 1Q13. Recovery Bank contributed 3.8% of the Group's profits.

- Assets Under Management**

Of Banorte's total assets of Ps 54.7 billion managed by the Recovery Bank at the end of the 2Q14, 26% corresponds to mortgage loans, 17% to Crediactivo, 13% to payroll loans, 11% to middle market companies, 10% to foreclosed assets, 8% to credit cards, 7% to car loans, 3% to corporate, 3% to commercial, 1% to personal loans and 1% to affiliates. Gross revenue generated by the portfolio during 1H14 amounted to Ps 452 million, (7%) lower YoY.

At the end of 2Q14, of the Ps 33.8 billion in portfolios acquired and managed by the Recovery Bank, 33% corresponded to mortgage loans, 27% to middle market companies and commercial loans, 20% to the portfolio managed on behalf of the Mexican mortgages agency SHF, 12% to real estate portfolios, and 8% to foreclosed assets and payments in kind. These portfolios generated gross revenues in 1H14 of Ps 395 million, (48%) lower YoY.

BROKERAGE

Brokerage Sector (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Brokerage								
Net Income	140	203	256	26%	83%	385	459	19%
Shareholder's Equity	2,221	2,775	3,014	9%	36%	2,221	3,014	36%
Assets Under Custody	690,858	668,015	733,725	10%	6%	690,858	733,725	6%
Total Assets	79,480	85,964	57,332	(33%)	(28%)	79,480	57,332	(28%)
ROE	21.4%	30.4%	35.3%	4.9 pp	13.9 pp	28.9%	32.9%	4.1 pp
Net Capital								
Net Capital (1)	1,703	2,234	2,558	15%	50%	1,703	2,558	50%

1) Net capital structure: Tier 1 = Ps 2.56 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 459 million in the first half of 2014, 19% higher vs. 1H13. This growth was driven by higher net interest income and lower Non-Interest Expenses, which offset the decline in Non-Interest Income (mainly in trading) and higher taxes. The Brokerage Sector net income for 1H14 represented 6.2% of the Group's profits.

Net Income in 2Q14 totaled Ps 256 million, an increase of 83% vs. 2Q13 and 26% vs. 1Q14. The annual growth is explained by higher Net Interest Income, growth in trading revenues and lower Non-Interest Expenses, effects that offset reduced revenues from net commissions and higher taxes. The quarterly performance vs. 1Q14 is explained by the significant increase in trading revenues and the reduction in Non-Interest Expenses, which managed to offset the decrease in the Net Interest Income.

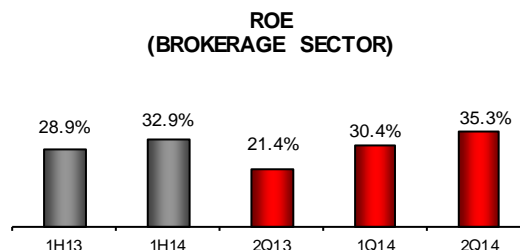
- Mutual Funds**

Operadora de Fondos Banorte-Ixe reported profits of Ps 50 million for 1H14, a 22% increase compared to the same period of the previous year due to greater fees resulting from growth in assets under management. At the end of 2Q14 profits totaled Ps 28 million dollars, 46% higher than in 2Q13 and 34% higher QoQ.

At the end of 2Q14, assets managed by Banorte-Ixe's mutual funds amounted to Ps 140.9 billion, an annual growth rate of 24%. Assets held in fixed income funds stood at Ps 125.5 billion, an increase of 24% YoY, while equity funds held assets of Ps 15.4 billion, an increase of 22% YoY. At the end of June, Banorte-Ixe had a 7.9% share of the mutual fund market, comprised of 9.1% in fixed income funds and by 3.8% in equity funds.

- Assets Under Custody**

At the end of 2Q14, AUC totaled PS 733.7 billion, an increase of 6% YoY and 10% QoQ due to the increase in assets held in custody for clients.



LONG TERM SAVINGS

LONG TERM SAVINGS (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14
				QoQ	YoY		
Afore (1)							
Net Income (a)	403	577	681	18%	69%	1,106	1,258
Shareholder's Equity	23,179	24,951	23,432	(6%)	1%	23,179	23,432
Total Assets	24,417	26,032	24,659	(5%)	1%	24,417	24,659
AUM (SIEFORE)*	521,255	554,497	583,549	5%	12%	521,255	583,549
ROE	7.0%	9.4%	11.3%	1.9 pp	4.3 pp	12.7%	10.4%
Insurance- Seguros Banorte (2)							
Total Operating Income	608	885	760	(14%)	25%	1,214	1,645
Non Interest Expense	233	196	210	8%	(10%)	420	406
Operating Income	374	690	549	(20%)	47%	794	1,239
Taxes	97	211	169	(20%)	74%	233	380
Subsidiaries & Minority Interest	(1)	(1)	(1)	27%	40%	(2)	(1)
Net Income	277	478	380	(21%)	37%	559	858
Shareholder's Equity	3,313	4,333	4,713	9%	42%	3,313	4,713
Total Assets	18,434	19,766	23,434	19%	27%	18,434	23,434
Technical Reserves	11,371	11,630	12,937	11%	14%	11,371	12,937
Premiums sold	3,120	4,928	4,820	(2%)	54%	7,653	9,748
Coverage ratio of technical reserves	1.2	1.2	1.3	0.1 pp	0.1 pp	1.2	1.3
Capital coverage ratio of minimum guarantee	1.7	1.5	2.0	0.5 pp	0.3 pp	1.7	2.0
Coverage ratio of minimum capital	39.9	49.5	49.5	0.0 pp	9.6 pp	39.9	49.5
ROE	35.1%	47.0%	33.8%	(13.2 pp)	(1.3 pp)	35.2%	40.1%
Annuities (2)							
Total Operating Income	112	148	164	10%	46%	237	312
Non Interest Expense	73	70	64	(8%)	(13%)	130	134
Operating Income	39	79	100	27%	156%	107	178
Taxes	12	24	32	33%	166%	34	56
Subsidiaries & Minority Interest	1	1	1	27%	24%	3	1
Net Income	28	55	69	24%	149%	76	124
Shareholder's Equity	1,249	1,305	1,373	5%	10%	1,249	1,373
Total Assets	48,181	55,218	56,706	3%	18%	48,181	56,706
Technical Reserves	46,646	53,552	54,904	3%	18%	46,646	54,904
Premiums sold	2,797	2,012	1,789	(11%)	(36%)	4,944	3,801
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	(0.0 pp)	1.0	1.0
Capital coverage ratio of minimum guarantee	N.A.	N.A.	N.A.	-	-	N.A.	N.A.
Coverage ratio of minimum capital	8.2	9.2	9.2	0.0 pp	0.1 pp	8.2	9.2
ROE	8.9%	17.3%	20.5%	3.2 pp	11.6 pp	12.6%	18.9%

1. Since January 2012 the merger of Afore XXI and Afore Banorte was completed, therefore Afore XXI Banorte was created, which presents its results in Banco Mercantil del Norte through the equity participation method. As of January 2012, the acquisition of Afore Bancomer was completed, presenting the results since then.
2. As of January 2011, new accounting criteria came into effect in which the information for the Insurance and Annuities companies are consolidated in GFNorte.

- **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.

During 1H14, Afore XXI Banorte posted net profits of Ps 1.26 billion, +14% over the same period of the previous year; in 1H13 there was a negative impact on financial products as a result of losses registered in the investment portfolio. Quarterly earnings totaled Ps 681 million, an increase of 69% YoY and 18% QoQ due to an impact in financial products as a result of the positive conditions in the financial markets and lower commercial expenses.

ROE for Afore XXI Banorte at the end of 1H14 was 10.4% (2.3 pp) lower vs. the same period of the previous year, and 33.6% excluding goodwill. ROE for 2Q14 was 11.3%, +4.3 pp YoY and +1.9 pp QoQ. The Afore XXI Banorte contributed 8.4% of the Group's profits according to its participation in this company.

Assets under management as of June 2014 reached Ps 583.6 billion, according to CONSAR, increases of 5% compared to March 2014 and 12% vs. June 2013.

As of June 2014, Afore XXI Banorte had a 25.8% share of managed funds, leading the market; with 11.40 million managed accounts (this figure does not include 5.8 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), representing a 25.0% share of the total number of accounts in the system, again ranking as the market's leader.

- **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 1H14 the Insurance company "**Seguros Banorte**" reported profits of **Ps 858 million**, 53% higher YoY due to increases in Net Interest Income and trading revenues, lower fees paid and operating expenses, as well as registering the 49% minority stake held by Generali; these effects offset the increase in taxes. Seguros Banorte's net income represented 11.6% of the Group's profits for 1H14.

In 2Q14, earnings totaled Ps 380 million, a YoY increase of 37% and a QoQ decrease of (21%). Annual growth was due to higher Net Interest Income and lower operating costs, offsetting the tax increases; the quarterly decrease was due to less Net Interest Income and increased operating expenses.

Issued premiums increased 27% YoY reaching Ps 9.75 billion in 1H14. The technical reserves balance was Ps 12.94 billion, increasing 14% YoY and 11% QoQ vs. 1Q14.

ROE for the insurance company was 40.1% at the end of 1H14, 5.0 pp higher YoY, while ROE for 2Q14 was 33.8%, decreasing by (1.3 pp) YoY and (13.2 pp) QoQ.

Regarding the disclosure requested by the General Provisions applicable to Financial Groups' controlling societies, for this reporting period:

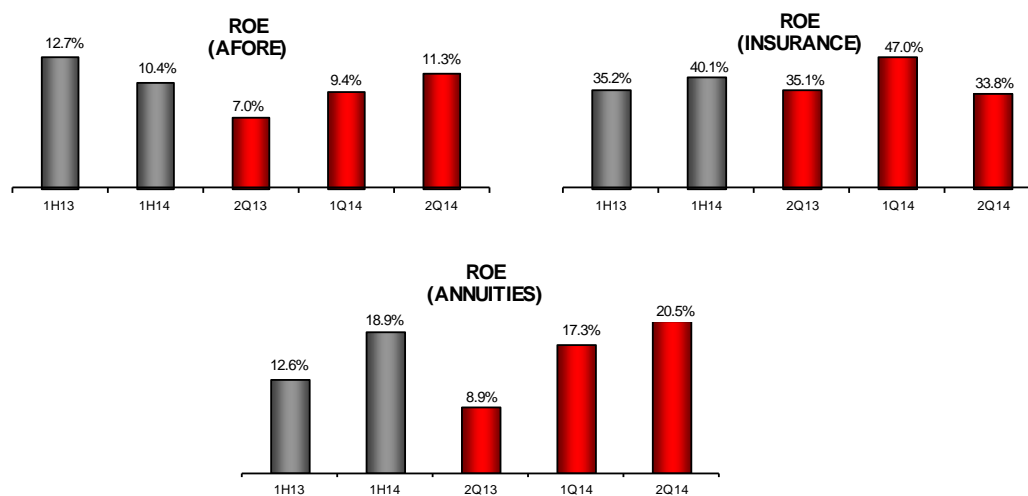
- A. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations. *No cancellations were registered during 2Q14 that involved any technical risks.*
- B. Transfer of risks through reinsurance and rebonding contracts. *In the area of Damages, two important Government contracts were ceded to reinsurers i.e., 100% of the risk was transferred to prominent foreign reinsurance companies.*
- C. Contingencies arising from nonfulfillment by reinsurers and rebonders. *There were no relevant contingencies arising from nonfulfillment by reinsurers there in 2Q14.*

- **Annuities**

During 1H14 Pensiones Banorte reported profits of Ps 124 million, growing by Ps 48 million or 63% vs. 1H13, driven by growth in Net Interest Income and registering the 49% minority stake held by Generali, offsetting lower brokerage

revenues, and higher operating expenses and taxes. Net income for Pensiones Banorte for 1H14 represented 1.7% of the Group's profits. **2Q14 earnings totaled Ps 69 million**, an increase of 149% YoY and 24% vs. 1Q14.

ROE in 1H14 for the Annuities company was 18.9%, 6.4 pp higher vs. 1H13. ROE for 2Q14 was 20.5%, increasing 11.6 pp vs. YoY and 3.2 pp QoQ.



OTHER FINANCE COMPANIES

Other Finance Companies (Million Pesos)	2Q13	1Q14	2Q14	Change QoQ	Change YoY	1H13	1H14	Change 1H13
Leasing and Factoring								
Net Income	72	171	159	(7%)	121%	204	330	62%
Shareholder's Equity	2,813	3,380	3,540	5%	26%	2,813	3,540	26%
Loan Portfolio (1)	20,488	20,233	21,681	7%	6%	20,488	21,681	6%
Past Due Loans	246	217	217	(0%)	(12%)	246	217	(12%)
Loan Loss Reserves	399	315	339	8%	(15%)	399	339	(15%)
Total Assets	20,877	20,719	22,041	6%	6%	20,877	22,041	6%
ROE	11.8%	20.8%	18.4%	(2.3 pp)	6.6 pp	14.8%	19.6%	4.8 pp
Warehousing								
Net Income	12	9	6	(31%)	(48%)	26	15	(40%)
Shareholder's Equity	254	281	287	2%	13%	254	287	13%
Inventories	614	442	657	49%	7%	614	657	7%
Total Assets	856	691	897	30%	5%	856	897	5%
ROE	18.3%	13.2%	8.9%	(4.3 pp)	(9.4 pp)	19.2%	11.0%	(8.2 pp)

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

- Leasing and Factoring**

In 1H14, Arrendadora y Factor Banorte reported **profits of Ps 330 million**, a 62% YoY increase due to higher Net Interest Income driven by growth in the portfolio and fewer provisions. The Leasing and Factoring Company contributed 4.5% of the Financial Group's profits in 1H14.

In 2Q14 earnings totaled Ps 159 million, a 121% YoY increase; compared to 1Q14 there was a (7%) decrease due to the higher loan loss reserves.

ROE of the Leasing and Factoring company was 19.6% at the end of 1H14, 4.8 pp higher YoY; ROE for 2Q14 was 18.4%, increasing 6.6 pp vs. 2Q13.

At the end of 2Q14, the Past Due Loan Ratio was 1.1%, decreasing (0.1 pp) vs. 1Q14 and (0.2 pp) vs. 1H13, the Coverage ratio was 156%, (6 pp) lower vs. 2Q13 and 11 pp higher vs. 1Q14; the Capitalization ratio estimated to June was 14.8% considering total risk-weighted assets of Ps 23.92 billion.

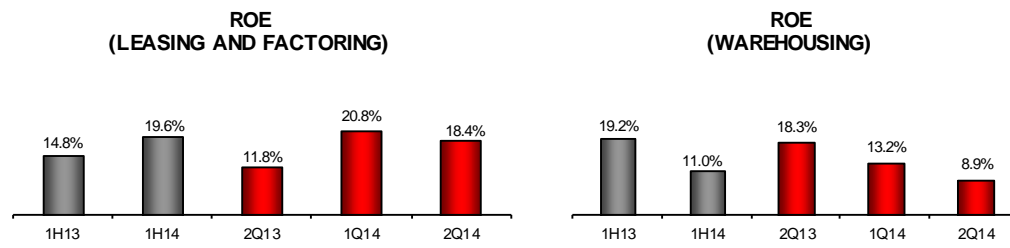
Arrendadora y Factor Banorte remains the market leader in terms of portfolio size and assets among the 46 companies in this sector, according to the Mexican Association of Leasing, Credit and Financing Companies A.C. (Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. - AMSOFAC).

- Warehouse**

During 1H14 the **Warehouse posted a net income of Ps 15 million**, (Ps 10) million less than the previous year due to a decrease in the billing of services of issuance of certificates of deposits. The Almacenadora Banorte contributed 0.2% of the Financial Group's profits. **In 2Q14 earnings totaled Ps 6 million**, a decrease of (Ps 6) million YoY and (Ps 3) million QoQ; the decrease vs. 1Q14 was due to the afore mentioned billing.

ROE was 11.0%, (8.2 pp) lower vs. 1H13; ROE for 2Q14 was 8.9%, decreasing by (9.4 pp) vs. 2Q13 and (4.3 pp) vs. 1Q14.

At the end of 2Q14 the Capitalization ratio was 9.6% considering total certificates at risk in circulation for Ps 2.08 billion. Almacenadora Banorte ranks second among the 18 warehouses of this sector in terms of generated profits.



OTHER COMPANIES

Other Companies (Million Pesos)	2Q13	1Q14	2Q14	Change		1H13	1H14	Change 1H13
				QoQ	YoY			
Sólida Administradora de Portafolios (former Ixe Soluciones)								
Net Income	284	(39)	(110)	183%	(139%)	266	(149)	(156%)
Shareholder's Equity	2,598	2,279	2,464	8%	(5%)	2,598	2,464	(5%)
Loan Portfolio	291	469	233	(50%)	(20%)	291	233	(20%)
Past Due Loans	204	196	196	0%	(4%)	204	196	(4%)
Loan Loss Reserves	263	88	87	(2%)	(67%)	263	87	(67%)
Total Assets	12,604	13,584	13,263	(2%)	5%	12,604	13,263	5%
Ixe Servicios								
Net Income	0.2	(0.0)	0.5	(6516%)	164%	0.1	0.5	272%
Shareholder's Equity	23	24	24	2%	8%	23	24	8%
Total Assets	32	137	133	(3%)	310%	32	133	310%
ROE	3.2%	(0.1%)	7.8%	8.0 pp	4.7 pp	1.1%	3.9%	2.8 pp

- Sólida Administradora de Portafolios**

On April 26, 2013 it was approved that Banco Mercantil del Norte divested its interest in Solida 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 the 1H14, Solida Administradora de Portafolios reported a loss of (Ps 149) million, increasing by (Ps 415) million YoY, mainly due to a decrease in revenues from Net Commissions and Fees and Other Operating Income. In 2Q14 Solida Administradora de Portafolios reported a loss of (Ps 110) million, which compares unfavorably to 2Q13 and 1Q14. The QoQ decline is a result of a reduction in Other Operating Income as a result of the extraordinary income registered in 1Q14 that does not offset the increase in commissions and fees charged for portfolio recovery.

The Past Due Loan Ratio was 84.2% at the end of 2Q14, increasing 14 pp vs. 2Q13 and 42.4 pp vs. 1Q14 as a result of the payment of a loan that reduced Past Due Loans. The Coverage ratio was 44%, decreasing from the 129% of 2Q13 and the 45% of 1Q14. The Capitalization ratio at the end of 2Q14 was 12.9%, higher than the 11.6% of 1Q14.

RATINGS

International Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	April, 2014
		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 (IDRS)	
		F2	Short term foreign currency (IDRS)	
		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	May, 2014
		C -	Bank Financial Strenght	
		baa1	BCA	
		STABLE	Outlook	
		A2	Long term local currency deposits	
		A3	Long term foreign currency deposits	
		P-1	Short term local currency deposits	
		P-2	Short term foreign currency deposits	
		A2	Long term foreign currency senior debt	
		Baa2	Long term local currency subordinated debt	
		Baa2 (hyb)	Long Term Subordinated Debt- Foreign Currency	
		Baa3 (hyb)	Long term local currency junior subordinated debt	
		Baa3 (hyb)	Long Term Junior Subordinated Debt-Foreign Currency	
	Arrendadora y Factor Banorte	STABLE	Outlook	May, 2014
		A3	Long term local currency issuer	
		P-2	Short term local currency issuer	Feb, 2014
		(P)A3	Long term local currency senior debt	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	April, 2014
		mxA-1+	National Scale Counterparty credit - Short term	
	Casa de Bolsa Banorte Ixe	mxAAA	National Scale Counterparty - Long term	
Fitch	Banco Mercantil del Norte	STABLE	Outlook	March, 2014
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale Counterparty - Short term	
	Casa de Bolsa Banorte Ixe	F1 + (mex)	Depo. Certi. y P.R.L.V. short Term	
		AA+ (mex)	Depo. Certi. y P.R.L.V. long term	
	Arrendadora y Factor Banorte	STABLE	Outlook	
		F1+ (mex)	National Scale - Short term	
		AAA (mex)	National Scale - Long term	
	Almacenadora Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty- Long term	
Moody's	Banco Mercantil del Norte	STABLE	Outlook	May, 2014
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
		Aa1.mx	Subordinated debt - Long term	
	Arrendadora y Factor Banorte	Aa2.mx	Junior Subordinated debt - Long term	
		STABLE	Outlook	May, 2014
		Aaa.mx	National Scale - Long term issuer	
		MX-1	National Scale - Short term issuer	
HR Ratings	Banco Mercantil del Norte	Aaa.mx	National Scale - Long term senior debt	
		MX-1	National Scale - Short term senior debt	

INFRASTRUCTURE

INFRASTRUCTURE	2Q13	1Q14	2Q14
Employees (1)	26,849	27,316	27,411
Branches (2)	1,282	1,292	1,267
INB	20	20	20
ATM's	6,657	7,083	7,045
POS's	125,696	146,320	151,112

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 end of 2Q14, there were 1,267 **branches**, 25 less vs. 1Q14. The number of branches decreased by 15 over the past 12 months, a YoY decrease of (1%), due to the efficiency program implemented. Total branches include 159 Ixe Banco branches dedicated mainly to the "Preferred" banking segment.
- Over the past 12 months 388 **Automatic Teller Machines** were enabled, a 6% YoY growth, expanding the network to 7,045 ATM's at the end of 2Q14, including 188 ATMs of the Ixe network.
- 25,416 **Point of Sale Terminals** (POS) were enabled during the year, a YoY growth of 20%, bringing the number of installed POS to 151,112 at the end of June, of which 29,355 correspond to the Ixe network.
- At the end of 2Q14, there were 4,999 contact points through third party **correspondent agreements** with 7-Eleven (1,780), Telecomm-Telegrafos (1,631), Tiendas Extra (879), Soriana (634) and Grupo Control with the "Del Sol" and "Woolworth" (75) brands.
- SME Centers.** At the end of June 2014 there were 16 operating offices specializing in this segment, 3 more than the same period of last year.

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	14-jul-14
Brasil Plural	Eduardo Nishio	Buy	02-jul-14
BTG Pactual	Eduardo Rosman	Buy	14-jul-14
Burkernroad	Lourdes Palma	Buy	31-jul-13
BX+	Andrés Audiffred	Buy	07-jul-14
Finamex	Rodrigo Ledesma	Buy	10-jul-14
GBM	Lilian Ochoa	Buy	25-apr-14
Intercam	Sofía Robles	Buy	24-apr-14
Invex	Ana Sepulveda	Buy	25-apr-14
Itaú BBA	Regina Longo	Buy	24-apr-14
Morgan Stanley	Jorge Kuri	Buy	02-may-14
Santander	Boris Molina	Buy	17-jul-13
Scotiabank	Claudia Benavente	Buy	24-apr-14
UBS	Philip Finch	Buy	11-jul-14
Vector	Rafael Escobar	Buy	24-apr-14
Actinver	Martín Lara	Hold	24-apr-14
BOFA - Merrill Lynch	José Barria	Hold	24-apr-14
Citi	Daniel Abut	Hold	25-apr-14
Deutsche Bank	Mario Pierry	Hold	22-jul-14
Goldman Sachs	Carlos Macedo	Hold	24-apr-14
HSBC	Carlos Gomez	Hold	10-jul-14
Interacciones	Enrique Mendoza	Hold	10-jul-14
JP Morgan	Saul Martinez	Hold	14-jul-14
Monex	Valeria Romo	Hold	04-nov-13
Nau	Iñigo Vega	Hold	01-apr-14
Nomura	Daragh Quinn	Hold	15-jul-14
Credit Suisse	Marcello Telles	Sell	18-jul-14

GRUPO FINANCIERO – GENERAL INFORMATION

GFNorte Ownership of Subsidiaries	2Q14
Banco Mercantil Del Norte, S.A. (1)	98.21%
Banorte USA (2)	100.00%
Afore (2)	50.00%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Pensiones Banorte, S.A. de C.V. (3)	99.99%
Seguros Banorte, S.A. de C.V. (3)	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.99%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	97.48%

1. Considers as of 2Q14 a 98.21% stake of GFNorte and in 1Q14 of 97.87%. 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 June 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.

Grupo Financiero Banorte Board of Directors	
PROPRIETARY MEMBERS	
Guillermo Ortiz Martínez	Chairman of the Board Related
Graciela González Moreno	Patrimonial
David Villareal Montemayor	Patrimonial
Everardo Elizondo Almaguer	Independent
Alfredo Elías Ayub	Independent
Herminio Blanco Mendoza	Independent
Adrian Sada Cueva	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
José Maria Garza Treviño	Independent
Alberto Halabe Hamui	Independent
Isaac Becker Kabacnik	Independent
Manuel Aznar Nicolin	Independent
Eduardo Livas Cantú	Independent
Roberto Kelleher Vales	Independent
Ramón A. Leal Chapa	Independent
Julio César Méndez Rubio*	Independent
Guillermo Mascareñas Milmo	Independent
Lorenzo Lazo Margain	Independent
Alejandro Orvañanos Alatorre	Independent
Juan Antonio González Marcos	Patrimonial
José Marcos Ramírez Miguel	Related

*As of June 10 2014, the resignation of Julio Cesar Mendez Rubio was presented to the CNBV, who as of that date held a position as alternate member of Grupo Financiero Banorte S.A.B. de C.V. and Banco Mercantil del Norte S.A.

Group Officers 2Q14	
NAME	CURRENT POSITION
Alejandro Valenzuela del Río	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
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
To be designated	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
Carlos Martínez González	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)
STAFF	
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
Hector 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 Margolin Schabes	Chief Risk Officer
Martha Elena Navarrete Villarreal	Managing Director - Internal Audit
Sergio García Robles Gil	Managing Director – Corporate Affairs

HOLDING

Income Statement-Holding (Million Pesos)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	2013	1H14
Income Subsidiaries	3,248	3,409	3,310	3,694	3,646	3,780	13,661	7,426
Interest Income	16	34	434	(2)	44	22	481	67
Interest Expense	35	155	35	2	-	-	228	-
Fees & Tariffs	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Trading Income	(29)	-	-	-	-	-	(29)	-
Other Operating Income (Expense)	-	-	-	-	1	0	-	1
Non Interest Expense	49	25	27	30	27	28	132	55
Pre-Tax Income	3,151	3,263	3,681	3,659	3,664	3,774	13,753	7,439
Income Tax	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(1)	1	(1)	(1)	0	(0)	(1)	0
Taxes	(1)	1	(1)	(1)	0	(0)	(1)	0
Net Income from Continuous Operations	3,152	3,262	3,682	3,660	3,664	3,774	13,754	7,438
Extraordinary Items, net	-	-	-	-	-	-	-	-
Net Income	3,152	3,262	3,682	3,660	3,664	3,774	13,754	7,438

Holding - Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
ASSETS							
Cash and Due from Banks		311	522	10,816	272	305	279
Margin Accounts		-	-	-	-	-	-
Investment in Securities		-	-	-	-	-	-
Non-assigned Securities for Settlement		-	-	-	-	-	-
Debtor Balance in Repo Trans,net		-	-	11,500	4,900	2,400	2,100
Securities Lending		-	-	-	-	-	-
Transactions with Derivatives		-	388	-	-	-	-
Operations w/Derivatives & Securities		-	388	11,500	4,900	2,400	2,100
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	58
Inventories		-	-	-	-	-	-
Foreclosed Assets, Net		-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net		-	-	-	-	-	-
Investment in Subsidiaries		84,240	80,310	82,911	88,587	95,903	100,536
Long-term assets held for sale		-	-	-	-	-	-
Deferred Taxes, Net		3	2	3	4	4	4
Goodwill and Intangibles		10,999	10,980	10,955	10,930	10,909	10,886
Other Assets Short and Long Term		-	-	-	-	-	-
Other Assets		-	-	-	-	-	-
		95,255	91,305	93,903	99,567	106,870	111,483
TOTAL ASSETS		95,566	92,216	116,219	104,739	109,575	113,863

Holding - Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
LIABILITIES							
Deposits		-	-	-	-	-	-
Due to Banks & Correspondents		9,901	10,435	-	-	-	-
Total Collateral sold		-	-	-	-	-	-
Total Operations w/ Derivatives & Securities		125	-	-	-	-	-
Margin Accounts Payable		-	-	-	-	-	-
Other Creditors & Accounts Payable		3,189	0	0	1	0	0
Subordinated Non Convertible Debt		-	-	-	-	-	-
Deferred Taxes, Net		-	-	-	-	-	-
Deferred Credits		-	-	-	-	-	-
TOTAL LIABILITIES		13,215	10,435	0	1	0	0
EQUITY		-	-	-	-	-	-
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	35,797
Subordinated Convertible Debentures		-	-	-	-	-	-
Subscribed Capital		31,945	32,019	63,219	49,921	50,163	50,460
Capital Reserves		3,399	3,399	5,811	5,811	5,811	7,014
Retained Earnings		45,852	41,554	38,713	37,080	50,846	49,628
Surplus (Deficit) of Secs Available for Sale		1,881	745	828	674	734	833
Results from Valuation of Hedging Secs		(2,966)	(1,554)	(1,677)	(1,420)	(734)	(594)
Results from Conversions		(912)	(796)	(771)	(1,083)	(909)	(916)
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	7,438
Earned Capital		50,406	49,761	52,999	54,817	59,411	63,403
Minority Interest		-	-	-	-	-	-
Total Equity		82,351	81,780	116,219	104,737	109,575	113,863
TOTAL LIABILITIES & EQUITY		95,566	92,216	116,219	104,739	109,575	113,863

Holding - Memorandum Accounts (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
TOTAL ON BEHALF OF THIRD PARTIES		-	-	-	-	-	-
Properties in Custody or Administration		3,716	3,716	3,716	3,716	3,716	3,716
Proprietary Transactions		3,716	3,716	3,716	3,716	3,716	3,716
TOTAL PROPRIETARY		3,716	3,716	3,716	3,716	3,716	3,716

GRUPO FINANCIERO BANORTE

Income Statement -GFNorte (Million Pesos)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	2013	1H14
Interest Income	17,297	16,876	17,472	17,783	17,845	16,987	69,428	34,832
Interest Expense	8,091	7,856	7,768	7,363	7,223	7,257	31,079	14,481
Charged Fees	328	495	311	429	338	325	1,564	663
Fees Paid	83	125	86	84	85	95	377	180
Net Interest Income from interest & fees (NII)	9,451	9,390	9,930	10,765	10,875	9,960	39,535	20,835
Premium Income (Net)	4,971	4,857	4,053	4,145	4,971	3,914	18,026	8,885
Net Increase in Technical Reserves	3,033	2,516	1,740	2,397	3,109	1,021	9,686	4,130
Damages, Claims and Other Obligations	2,235	2,376	2,447	2,081	2,385	2,425	9,138	4,810
Net Interest Income (NII)	9,155	9,355	9,796	10,432	10,352	10,428	38,738	20,780
Preventive Provisions for Loan Losses	2,073	3,132	1,903	1,833	2,380	2,851	8,942	5,231
Net Interest Income Adjusted for Credit Risk	7,082	6,223	7,892	8,599	7,972	7,577	29,796	15,549
Fees for Commercial and Mortgage Loans	2	2	5	3	3	2	11	5
Fund Transfers	119	128	131	155	146	158	533	304
Account Management Fees	313	334	348	375	351	374	1,371	724
Fiduciary	78	100	90	95	82	101	362	183
Other Fees	752	627	611	632	635	594	2,622	1,229
Income from Real Estate Portfolios	238	303	126	145	40	57	811	97
Electronic Banking Services	885	961	1,011	1,076	1,034	1,085	3,934	2,119
For Consumer and Credit Card Loans	510	574	592	685	676	667	2,361	1,343
Fees Charged on Services	2,897	3,029	2,914	3,167	2,967	3,037	12,006	6,004
Fund transfers	15	13	10	11	13	13	50	27
Other Fees	935	858	958	1,116	972	990	3,867	1,962
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-
Fees Paid on Services	951	871	968	1,127	986	1,003	3,917	1,989
Foreign Exchange	451	(91)	208	317	343	280	885	623
Securities-Realized Gains	688	1,049	659	330	481	677	2,726	1,158
Securities-Unrealized Gains	452	(189)	(389)	(70)	292	606	(197)	898
Trading Income	1,590	769	478	577	1,116	1,563	3,414	2,679
Loan Recoveries	276	488	274	346	241	225	1,384	466
Income from foreclosed assets	(50)	(46)	(51)	2	(100)	(68)	(145)	(169)
Other Operating Income	67	3	26	39	129	116	135	245
Other Operating Expense	(58)	(39)	(57)	(70)	(77)	(16)	(223)	(94)
Other Products	448	716	1,084	740	761	712	2,988	1,473
Other Recoveries	812	201	188	111	318	193	1,312	511
Other Operating Expense	(552)	(530)	(880)	(950)	(781)	(669)	(2,912)	(1,449)
Other Operating Income (Expense) from Insurance and Annuities	172	197	170	146	183	150	685	333
Total Other Operating Income (Expense)	1,116	990	754	364	673	643	3,223	1,316
Total Non Interest Income	4,653	3,916	3,177	2,981	3,770	4,241	14,727	8,012
Total Operating Income	11,734	10,139	11,070	11,580	11,742	11,818	44,523	23,561
Personnel	4,009	3,080	2,916	3,073	3,074	3,029	13,077	6,103
Employee Profit Sharing (PTU)	84	79	79	82	103	101	324	203
Professional Fees	616	678	605	867	645	693	2,767	1,338
Administrative and Promotional Expenses	1,055	1,168	1,323	1,328	1,249	1,397	4,874	2,646
Rents, Depreciation & Amortization	787	818	820	794	848	913	3,219	1,762
Taxes other than income tax & non deductible expenses	443	431	395	457	467	314	1,726	780
Contributions to IPAB/Fobaproa	440	433	474	484	459	466	1,831	926
Total Non Interest Expense	7,434	6,687	6,613	7,084	6,845	6,913	27,819	13,758
Operating Income	4,300	3,452	4,457	4,496	4,897	4,906	16,704	9,803
Subsidiaries' Net Income	351	162	342	275	293	349	1,130	643
Pre-Tax Income	4,651	3,614	4,798	4,771	5,190	5,255	17,834	10,445
Income Tax	1,303	385	1,209	774	2,108	1,908	3,671	4,016
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(73)	(218)	(125)	301	(608)	(448)	(115)	(1,056)
Taxes	1,230	167	1,084	1,075	1,500	1,460	3,555	2,959
Net Income from Continuous Operations	3,421	3,447	3,715	3,696	3,691	3,795	14,279	7,486
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	(281)	(227)	(189)	(74)	(63)	(56)	(771)	(119)
Net Income	3,140	3,220	3,526	3,622	3,628	3,739	13,508	7,367

IV. FINANCIAL STATEMENTS

GFNorte - Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
ASSETS							
Cash and Due from Banks		59,429	54,906	68,888	61,978	70,120	72,074
Margin Accounts		337	105	59	59	74	100
Negotiable Instruments		191,562	168,398	180,406	232,926	247,302	240,754
Securities Available for Sale		78,888	114,380	116,685	85,031	83,281	78,144
Securities Held to Maturity		106,972	95,700	94,021	96,730	92,839	88,571
Investment in Securities		377,423	378,477	391,112	414,687	423,422	407,470
Non-assigned Securities for Settlement		-	-	-	-	-	-
Debtor Balance in Repo Trans, net		5,008	62	29	202	378	51
Securities Lending		-	-	-	-	-	-
For trading purposes		20,782	16,139	17,675	14,799	14,050	17,786
For hedging purposes		125	420	37	55	76	371
Operations w/Derivatives & Securities		-	-	-	-	-	-
Transactions with Derivatives		20,906	16,559	17,712	14,854	14,126	18,157
Operations w/Derivatives & Securities		25,915	16,620	17,741	15,056	14,504	18,208
Valuation adjustments for Asset Coverage		170	166	162	158	154	150
Commercial Loans		183,509	186,320	183,344	184,624	182,202	182,992
Financial Intermediaries' Loans		8,830	5,575	5,268	4,863	3,419	3,825
Consumer Loans		48,317	51,843	55,382	57,883	60,153	62,542
Mortgage Loans		74,355	77,348	79,421	82,033	83,153	85,040
Government Entities' Loans		89,583	90,695	90,524	95,636	98,625	100,344
Loans granted as Federal Agent		-	-	-	-	-	-
Performing Loans		404,594	411,782	413,939	425,038	427,553	434,743
Commercial PDL's		6,125	6,206	10,813	10,473	9,989	10,442
Financial Intermediaries PDL's		4	4	27	0	0	1
Consumer PDL's		1,643	1,890	1,997	2,093	2,058	2,416
Mortgage PDL's		818	921	1,013	1,087	1,101	1,153
Government Entities PDL's		41	53	15	2	1	1
Past Due Loans		8,631	9,075	13,865	13,655	13,151	14,012
Gross Loan Portfolio		413,224	420,857	427,804	438,693	440,704	448,754
Preventive Loan Loss Reserves		11,863	14,321	14,651	14,289	13,909	14,642
Net Loan Portfolio		401,362	406,536	413,153	424,404	426,794	434,113
Acquired Collection Rights		2,979	3,507	3,330	3,522	3,273	3,137
Total Credit Portfolio		404,341	410,043	416,483	427,925	430,067	437,249
Account Receivables from Insurance and Annuities		958	1,033	1,151	1,281	1,385	1,713
Premium Debtors (Net)		4,640	4,774	3,601	3,047	4,695	5,668
Account Receivables from Reinsurance		3,058	3,411	4,037	3,563	3,367	4,856
Benef.receiveivab.securization transactions		795	795	836	738	729	789
Sundry Debtors & Other Accs Rec, Net		25,265	36,000	32,180	21,703	37,448	28,175
Inventories		390	614	568	477	442	657
Foreclosed Assets, Net		2,704	2,573	2,532	2,781	2,611	2,670
Real Estate, Furniture & Equipment, Net		11,568	11,707	11,638	12,033	12,277	12,253
Investment in Subsidiaries		13,448	13,568	13,913	14,205	14,510	13,731
Long-term assets held for sale		-	-	-	-	-	-
Deferred Taxes, Net		-	49	168	-	436	885
Goodwill and Intangibles		20,380	21,198	21,734	22,366	21,893	22,740
Other Assets Short and Long Term		4,623	4,194	4,367	4,729	4,399	4,391
Other Assets		-	-	-	-	-	-
		87,828	99,914	96,726	86,924	104,192	98,529
TOTAL ASSETS		955,442	960,232	991,171	1,006,788	1,042,534	1,033,781

IV. FINANCIAL STATEMENTS



GFNorte - Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
LIABILITIES							
Demand Deposits		204,537	216,882	225,712	254,219	252,652	263,672
Time Deposits-Retail		182,128	189,071	184,405	179,146	186,461	179,225
Time Deposits-Money Market		23,490	12,752	14,485	4,971	10,745	2,805
Special Funds		-	-	-	-	-	-
Senior Unsecured Debt		4,743	5,389	5,764	5,405	5,482	5,115
Deposits		414,898	424,095	430,366	443,740	455,340	450,817
Immediate Redemption Loans		1,460	0	2,562	2,974	0	7,809
Short Term Loans		37,684	29,330	18,597	19,406	18,942	19,137
Long Term Loans		7,134	8,005	7,451	7,679	7,382	7,585
Due to Banks & Correspondents		46,278	37,336	28,611	30,060	26,324	34,531
Technical Reserves		55,096	58,017	60,556	62,207	65,182	67,970
Non-assigned Securities for Settlement		-	-	-	-	-	-
Creditor Balance in Repo Trans, Net		277,118	279,734	278,427	304,021	317,580	292,593
Secs to be received in Repo Trans, Net		-	-	-	-	-	-
Repos (Credit Balance)		65	64	39	8	32	0
Securities' Loans		-	-	-	-	-	-
Transactions with Derivatives		-	-	-	-	-	-
Other sold collateral		-	-	-	-	-	-
Total Collateral sold		65	64	39	8	32	0
For trading purposes		19,927	15,427	17,451	14,827	14,140	17,704
For hedging purposes		4,371	3,625	3,769	3,500	3,583	3,071
Operations w/ Derivatives & Securities		-	-	-	-	-	-
Transactions with Derivatives		24,298	19,051	21,220	18,327	17,723	20,775
Total Operations w/ Derivatives & Securities		301,481	298,849	299,686	322,356	335,335	313,368
Valuation adjustments for financial liability coverage		-	-	-	-	-	-
Obligations in securitization transactions		-	0	0	0	0	0
Payable Accountsfor Reinsurance		1,315	1,223	785	759	1,054	2,449
Income Tax Payable		1,695	521	852	794	1,917	2,816
Profit Sharing Payable		361	419	495	339	130	206
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	10,678
Margin Accounts Payable		-	-	-	-	-	-
Other Creditors & Accounts Payable		16,366	14,069	14,333	12,936	13,502	15,510
Other Payable Accounts		25,215	30,771	28,102	18,351	25,480	29,210
Subordinated Non Convertible Debt		19,258	19,510	18,046	18,001	18,083	15,788
Deferred Taxes, Net		770	-	-	200	-	-
Deferred Credits		2,579	2,473	2,509	2,423	2,511	2,412
TOTAL LIABILITIES		866,890	872,274	868,661	898,097	929,310	916,544
EQUITY							
Paid-in Capital		13,087	13,086	14,651	14,652	14,647	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	35,664
Subordinated Convertible Debentures		-	-	-	-	-	-
Subscribed Capital		31,843	31,879	63,169	49,870	49,995	50,311
Capital Reserves		3,399	3,399	5,811	5,811	5,811	7,014
Retained Earnings		48,075	43,777	40,936	39,303	52,823	51,605
Surplus (Deficit) of Secs Available for Sale		1,824	754	849	667	732	808
Results from Valuation of Hedging Secs		(2,966)	(1,554)	(1,677)	(1,420)	(734)	(594)
Results from Conversions		(912)	(796)	(771)	(1,083)	(909)	(916)
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	7,367
Earned Capital		52,559	51,941	55,034	56,787	61,350	65,284
Minority Interest		4,151	4,138	4,307	2,034	1,878	1,642
Total Equity		88,553	87,957	122,511	108,691	113,224	117,237
TOTAL LIABILITIES & EQUITY		955,442	960,232	991,171	1,006,788	1,042,534	1,033,781

IV. FINANCIAL STATEMENTS

GFNorte - Memorandum Accounts (Million Pesos)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
On behalf of Third Parties						
Customer's Banks	101	205	356	24	264	117
Dividends Receivable from Customers	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-
Settlement of Customer Transactions	(53)	(237)	(6)	(30)	(193)	(123)
Customer Premiums	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-
Customers' Current Account	48	(32)	350	(7)	71	(7)
Client Securities Received in Custody	592,696	576,715	567,449	536,300	546,591	592,850
Securities and Documents Received in Guarantee	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-
Clients' Securities	592,696	576,715	567,449	536,300	546,591	592,850
Clients' Repurchase Operations	57,804	73,572	85,849	112,839	77,927	52,824
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	48,913	71,996	84,504	111,486	76,581	51,573
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	72,413
Transactions On Behalf of Clients	107,119	145,929	170,693	224,579	218,788	176,810
Investment bank Trans on Behalf of Third (Net)	67,162	71,223	93,475	83,171	85,548	99,955
TOTAL ON BEHALF OF THIRD PARTIES	767,026	793,835	831,967	844,043	850,998	869,609
Endorsement Guarantees Granted	-	-	-	-	-	-
Loan Obligations	39,566	35,435	34,588	28,110	28,616	31,840
Trusts	346,701	318,844	264,235	194,018	167,885	187,006
Mandates	2,140	1,713	10,806	11,043	10,090	8,957
Properties in Trusts and Warrant	348,841	320,557	275,042	205,061	177,975	195,963
Properties in Custody or Administration	430,381	443,462	477,773	451,582	484,554	489,633
Collateral Received	136,279	92,754	87,133	143,033	147,461	154,390
Collateral Received or sold or delivered	140,700	123,678	129,104	203,074	171,305	153,445
Drafts in Transit	-	-	-	-	-	-
Deposits of assets	2,630	2,531	2,045	2,816	2,404	2,083
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	-	-	0
Uncollected Accrued Interest from Past Due Loans	362	368	391	392	421	454
Investments of Retirement Savings Funds	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-
Other Registration Accounts	-	-	-	-	-	-
Proprietary Transactions	1,099,015	1,019,040	1,006,331	1,034,067	1,012,734	1,027,808
Repo Securities to be Received	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-
TOTAL PROPRIETARY	1,099,015	1,019,040	1,006,331	1,034,067	1,012,734	1,027,808

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW	
JANUARY 1, 2014 – JUNE 30, 2014	
(Million Pesos)	
Net Income	7,367
Items charged to results that do not generate or require use of resources	
Depreciation	628
Technical Reserves	4,130
Provisions	2,379
Income taxes and deferred	2,960
Minority Interest	(524)
	9,573
	16,940
Change in items related to operations:	
Change in Margin Accounts	(41)
Change in Investment in Securities	7,382
Change in repo debtors	151
Change in derivatives (assets)	(2,979)
Change in Loan Portfolio (net)	(9,809)
Change in purchased receivables (net)	385
Change in accounts receivable insurance and bonding institutions (net)	(432)
Change in debtor premiums	(2,621)
Change in Reinsurance	(1,293)
Change in benefits to receive from securitizations	(50)
Change in foreclosed assets (net)	110
Change in other operating assets (net)	(5,719)
Change in core deposits	7,243
Change in interbank loans and other entities	4,472
Change in repo creditors	(11,428)
Change in collateral pledged sold	(8)
Change in derivatives (liability)	2,876
Change in Technical Reserves (net)	1,633
Change in Reinsurance (net) (liability)	1,689
Change in subordinated debt with characteristics of liabilities	(2,211)
Change in other operating liabilities	6,453
Change in hedging instruments (the related hedged transaction activities)	(745)
Income Tax Collection (refunds)	0
Income Tax Payments	(2,023)
Net cash generated or used from operations	9,975
Investment Activities:	
Charges for disposal of property, furniture and equipment	1,171
Payments for acquisition of property, furniture and equipment	(2,023)
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	1,109
Net cash generated or used from investment activities	257
Financing Activities:	
Payments for issued shares	0
Payments of cash dividends	0
Payments associated with the repurchase of proprietary shares	(114)
Net cash flows from financing activities	(114)
Net Cash Increase (decrease)	10,118
Cash flow adjustments given exchange rate or inflation variations	(22)
Cash and cash equivalents at beginning of period	61,978
Cash and cash equivalents at end of period	72,074

GFNORTE – CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY										
JANUARY 1, 2014 – JUNE 30, 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
Changes stemming from stockholders' decisions										
Stock repurchases	(5)	(93)		1	(17)					(114)
Capitalization of profits				13,508				(13,508)		0
Creation of reserves on behalf of the Annual Ordinary General Shareholders' Meeting held on April 25, 2014.			314	(314)						0
Creation of reserves for stock repurchase			889	(889)						0
Changes stemming from profits										
Net Income								7,367		7,367
Result from valuation of securities available for sale					158					158
Effect of subsidiaries, associates and mutual funds		538		(4)			167			701
Result from valuation of instruments of cash flow hedges						826				826
Total	0	538	0	(4)	158	826	167	7,367	0	9,052
Recognition of minority interest									(392)	(392)
Balance as of June 30, 2014	14,647	35,664	7,014	51,605	808	(594)	(916)	7,367	1,642	117,237

BANKING SECTOR

Income Statement -Banking Sector	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	2013	1H14
(Million Pesos)								
Interest Income	13,793	13,961	14,018	13,848	14,016	14,277	55,619	28,293
Interest Expense	5,933	5,508	5,540	5,140	5,236	5,230	22,120	10,466
Charged Fees	319	504	311	429	338	325	1,564	663
Fees Paid	83	125	86	84	85	95	377	180
Net Interest Income (Nil)	8,096	8,833	8,704	9,053	9,033	9,277	34,685	18,310
Preventive Provisions for Loan Losses	2,026	3,005	1,957	1,800	2,369	2,826	8,788	5,195
Net Interest Income Adjusted for Credit Risk	6,070	5,828	6,746	7,253	6,664	6,451	25,897	13,115
Fees for Commercial and Mortgage Loans	2	2	5	3	3	2	11	5
Fund Transfers	119	128	131	155	146	158	533	304
Account Management Fees	313	334	348	375	351	374	1,371	724
Fiduciary	74	96	87	93	81	100	351	182
Other Fees	584	461	437	433	430	398	1,915	828
Income from Real Estate Portfolios	238	(190)	16	25	6	5	88	10
Electronic Banking Services	885	961	1,011	1,076	1,034	1,085	3,934	2,119
For Consumer and Credit Card Loans	510	574	592	685	676	667	2,361	1,343
Fees Charged on Services	2,725	2,367	2,627	2,846	2,726	2,789	10,565	5,515
Fund transfers	15	13	10	11	13	13	50	27
Other Fees	666	684	728	768	710	744	2,847	1,455
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-
Fees Paid on Services	681	697	738	780	724	758	2,897	1,481
Foreign Exchange	451	(89)	210	322	342	283	893	626
Securities-Realized Gains	464	821	661	343	436	536	2,289	972
Securities-Unrealized Gains	395	(118)	(367)	(70)	270	536	(161)	806
Trading Income	1,310	613	503	595	1,048	1,355	3,021	2,403
Loan Recoveries	265	499	274	346	241	225	1,384	466
Income from foreclosed assets	(47)	(73)	(55)	(17)	(107)	(81)	(192)	(188)
Other Operating Income	59	3	26	39	89	116	127	204
Other Products	139	445	284	410	199	363	1,278	562
Other Recoveries	811	(39)	158	98	270	76	1,029	346
Other Operating Expense	(230)	(274)	(87)	(231)	(221)	(225)	(821)	(446)
Total Other Operating Income (Expense)	947	525	551	600	406	470	2,624	876
Total Non Interest Income	4,300	2,808	2,943	3,262	3,457	3,857	13,313	7,313
Total Operating Income	10,370	8,636	9,689	10,515	10,121	10,308	39,210	20,428
Personnel	3,900	2,924	2,813	2,833	2,950	2,884	12,569	5,834
Employee Profit Sharing (PTU)	83	79	78	82	99	101	323	200
Professional Fees	529	563	530	744	548	605	2,365	1,153
Administrative and Promotional Expenses	825	1,025	1,145	1,234	1,108	1,222	4,230	2,330
Rents, Depreciation & Amortization	731	765	768	729	789	853	2,992	1,642
Taxes other than income tax & non deductible expenses	392	360	329	374	420	270	1,456	690
Contributions to IPAB/Fobaproa	440	433	474	484	459	466	1,831	926
Total Non Interest Expense	6,899	6,150	6,137	6,579	6,374	6,401	25,766	12,775
Operating Income	3,471	2,486	3,552	3,936	3,747	3,907	13,444	7,654
Subsidiaries' Net Income	348	472	337	282	293	349	1,439	642
Pre-Tax Income	3,819	2,957	3,889	4,218	4,040	4,255	14,883	8,295
Income Tax	1,070	147	1,056	549	1,782	1,625	2,822	3,407
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(89)	(237)	(105)	370	(573)	(445)	(61)	(1,018)
Taxes	982	(90)	951	919	1,209	1,180	2,761	2,389
Net Income from Continuous Operations	2,838	3,048	2,938	3,299	2,831	3,075	12,122	5,906
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	2,838	3,048	2,938	3,299	2,831	3,075	12,122	5,906

Banking Sector - Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
ASSETS							
Cash and Due from Banks		59,583	54,921	68,824	61,967	70,174	71,828
Margin Accounts		337	105	59	59	74	100
Negotiable Instruments		139,529	131,459	134,333	136,344	184,013	194,110
Securities Available for Sale		77,562	75,331	74,693	66,715	70,293	67,782
Securities Held to Maturity		47,080	40,340	36,135	35,926	30,711	24,676
Investment in Securities		264,170	247,130	245,161	238,986	285,017	286,567
Non-assigned Securities for Settlement		-	-	-	-	-	-
Debtor Balance in Repo Trans,net		5,072	62	29	2	0	51
Securities Lending		-	-	-	-	-	-
For trading purposes		20,782	16,139	17,675	14,799	14,050	17,786
For hedging purposes		125	31	37	55	76	371
Operations w/Derivatives & Securities		-	-	-	-	-	-
Transactions with Derivatives		20,906	16,170	17,712	14,854	14,126	18,157
Operations w/Derivatives & Securities		25,978	16,232	17,741	14,856	14,127	18,208
Valuation adjustments for Asset Coverage		170	166	162	158	154	150
Commercial Loans		165,639	170,052	167,683	169,150	165,956	165,932
Financial Intermediaries' Loans		16,176	17,329	16,888	17,354	15,174	15,575
Consumer Loans		48,259	51,788	55,330	57,833	60,106	62,499
Mortgage Loans		74,007	77,323	79,396	82,008	83,130	85,017
Government Entities' Loans		87,583	88,824	88,244	93,484	96,925	98,238
Loans granted as Federal Agent		-	-	-	-	-	-
Performing Loans		391,664	405,317	407,542	419,830	421,290	427,260
Commercial PDL's		4,776	5,833	10,396	10,082	9,587	10,036
Financial Intermediaries PDL's		-	0	24	0	0	1
Consumer PDL's		1,649	1,896	2,003	2,098	2,063	2,420
Mortgage PDL's		817	973	1,064	1,137	1,151	1,202
Government Entities PDL's		-	-	-	-	-	-
Past Due Loans		7,242	8,701	13,487	13,317	12,801	13,659
Gross Loan Portfolio		398,906	414,019	421,028	433,147	434,092	440,919
Preventive Loan Loss Reserves		10,656	13,659	14,049	13,765	13,506	14,215
Net Loan Portfolio		388,250	400,360	406,979	419,382	420,586	426,703
Acquired Collection Rights		2,752	2,039	1,948	1,918	1,702	1,610
Total Credit Portfolio		391,002	402,400	408,927	421,300	422,288	428,313
Benef.receiveivab.securization transactions		782	795	836	738	729	789
Sundry Debtors & Other Accs Rec, Net		23,143	23,032	21,450	11,185	29,371	17,464
Inventories		-	-	-	-	-	-
Foreclosed Assets, Net		2,340	2,423	2,395	2,266	2,102	2,162
Real Estate, Furniture & Equipment, Net		8,829	8,947	9,014	9,498	9,516	9,559
Investment in Subsidiaries		13,374	13,156	13,483	13,765	14,062	13,278
Long-term assets held for sale		-	-	-	-	-	-
Deferred Taxes, Net		-	566	722	274	868	1,336
Goodwill and Intangibles		7,607	7,802	8,337	9,038	8,472	9,234
Other Assets Short and Long Term		4,047	3,518	3,569	3,826	4,013	4,007
Other Assets		-	-	-	-	-	-
		60,123	60,239	59,806	50,589	69,133	57,828
TOTAL ASSETS		801,363	781,193	800,679	787,916	860,967	862,996

IV. FINANCIAL STATEMENTS

Banking Sector - Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
LIABILITIES							
Demand Deposits		204,794	217,510	236,198	255,297	253,832	265,051
Time Deposits-Retail		182,523	189,206	186,033	179,877	187,015	179,756
Time Deposits-Money Market		23,809	13,465	14,485	4,971	10,745	2,805
Special Funds		-	-	-	-	-	-
Senior Unsecured Debt		3,741	3,985	3,987	4,003	3,951	3,968
Deposits		414,867	424,166	440,703	444,147	455,543	451,580
Immediate Redemption Loans		1,460	0	2,562	2,974	0	7,809
Short Term Loans		19,326	9,099	9,138	9,882	8,729	7,732
Long Term Loans		3,258	3,451	3,183	3,210	3,049	3,125
Due to Banks & Correspondents		24,044	12,550	14,884	16,067	11,778	18,666
Non-assigned Securities for Settlement		-	-	-	-	-	-
Creditor Balance in Repo Trans, Net		219,502	206,038	203,980	196,041	242,133	241,965
Secs to be received in Repo Trans, Net		-	-	-	-	-	-
Repos (Credit Balance)		49	36	33	8	32	0
Securities' Loans		-	-	-	-	-	-
Transactions with Derivatives		-	-	-	-	-	-
Other sold collateral		-	-	-	-	-	-
Total Collateral sold		49	36	33	8	32	0
For trading purposes		19,927	15,427	17,451	14,827	14,140	17,704
For hedging purposes		4,246	3,625	3,769	3,500	3,583	3,071
Operations w/ Derivatives & Securities		-	-	-	-	-	-
Transactions with Derivatives		24,173	19,051	21,220	18,327	17,723	20,775
Total Operations w/ Derivatives & Securities		243,723	225,125	225,233	214,376	259,888	262,740
Valuation adjustments for financial liability coverage		-	-	-	-	-	-
Obligations in securitization transactions		-	0	0	0	0	0
Income Tax Payable		1,416	108	397	224	1,518	2,315
Profit Sharing Payable		335	409	486	330	120	205
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	10,073
Margin Accounts Payable		-	-	-	-	-	-
Other Creditors & Accounts Payable		11,194	11,108	11,494	10,361	10,259	11,799
Other Payable Accounts		18,307	24,550	24,314	14,920	29,102	24,392
Subordinated Non Convertible Debt		19,258	19,510	18,046	18,001	18,083	15,788
Deferred Taxes, Net		372	-	-	-	-	-
Deferred Credits		2,634	2,523	2,562	2,479	2,373	2,274
TOTAL LIABILITIES		723,205	708,425	725,742	709,990	776,768	775,441
EQUITY							
Paid-in Capital		15,067	15,577	15,577	15,577	17,527	20,022
Provision for future capital increase not formalized by its governing entity		-	-	-	1,950	2,499	52
Share Subscription Premiums		13,154	10,389	10,389	10,389	10,389	10,389
Subordinated Convertible Debentures		-	-	-	-	-	-
Subscribed Capital		28,221	25,966	25,966	27,916	30,415	30,463
Capital Reserves		6,703	7,761	7,761	7,761	7,761	8,968
Retained Earnings		42,824	35,004	34,285	32,284	44,411	43,183
Surplus (Deficit) of Secs Available for Sale		1,656	677	722	517	576	691
Results from Valuation of Hedging Secs		(3,136)	(1,688)	(1,805)	(1,541)	(840)	(697)
Results from Conversions		(958)	(848)	(824)	(1,143)	(964)	(969)
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		2,838	5,886	8,824	12,122	2,831	5,906
Earned Capital		49,927	46,792	48,962	50,000	53,775	57,082
Minority Interest		10	10	10	10	10	10
Total Equity		78,158	72,768	74,937	77,926	84,200	87,555
TOTAL LIABILITIES & EQUITY		801,363	781,193	800,679	787,916	860,967	862,996

Banking Sector - Memorandum Accounts (Million Pesos)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Investment banking transactions for third parties, net	67,162	71,223	93,475	83,171	85,548	99,955
TOTAL ON BEHALF OF THIRD PARTIES	67,162	71,223	93,475	83,171	85,548	99,955
Proprietary Transactions						
Endorsement Guarantees Granted	-	-	-	-	-	-
Loan Obligations	39,566	35,435	34,588	28,110	28,616	31,840
Trusts	346,354	318,844	264,235	194,018	167,885	187,006
Mandates	2,140	1,713	10,806	11,043	10,090	8,957
Properties in Trusts and Warrant	348,494	320,557	275,042	205,061	177,975	195,963
Properties in Custody or Administration	316,204	325,241	357,893	335,729	358,926	344,237
Collateral Received	74,654	74,953	68,298	123,774	86,962	75,353
Collateral Received or sold	30,208	33,881	25,764	72,530	35,054	23,364
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	-	-	0
Uncollected Accrued Interest from Past Due Loans	191	325	348	349	378	411
Investments of Retirement Savings Funds	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-
Other Registration Accounts	-	-	-	-	-	-
Proprietary Transactions	809,573	790,647	762,189	765,553	687,910	671,167
Repo Securities to be Received	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-
TOTAL PROPRIETARY	809,573	790,647	762,189	765,553	687,910	671,167

BANORTE USA

Income Statement-Banorte USA	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	2013	1H14
<i>MEX GAAP (Million Pesos)</i>								
Interest Income	178	176	177	176	183	185	707	368
Interest Expense	42	39	34	32	31	30	147	61
Charged Fees	4	6	6	6	7	7	22	14
Fees Paid	-	-	-	-	-	-	-	-
Net Interest Income from interest & fees (NII)	141	142	149	150	159	162	582	320
Preventive Provisions for Loan Losses	15	2	8	11	11	2	36	13
Net Interest Income Adjusted for Credit Risk	126	140	141	139	148	160	546	307
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Fees for Commercial and Mortgage Loans	2	2	5	3	3	2	11	5
Fund Transfers	47	56	59	67	71	80	229	152
Account Management Fees	16	15	17	16	15	15	64	30
Fiduciary	-	-	-	-	-	-	-	-
Other Fees	4	4	3	5	6	6	15	12
Income from Real Estate Portfolios	-	-	-	-	-	-	-	-
Electronic Banking Services	5	5	6	5	6	9	21	14
For Consumer and Credit Card Loans	-	-	-	-	-	-	-	-
Fees Charged on Services	74	82	88	96	101	112	341	213
Fund transfers	1	1	1	1	0	0	4	1
Other Fees	26	27	26	29	28	31	108	58
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-
Fees Paid on Services	27	29	26	30	28	31	112	59
Foreign Exchange	13	17	15	16	13	15	60	28
Securities-Realized Gains	34	11	5	1	17	0	51	17
Securities-Unrealized Gains	-	-	-	-	-	-	-	-
Trading Income	47	28	20	16	31	15	111	46
Loan Recoveries	11	4	5	12	3	1	32	4
Income from purchased assets	3	(9)	(5)	13	(4)	6	2	2
Other Operating Income	-	-	-	-	0	-	-	0
Other Operating Expense	-	0	0	1	1	1	2	2
Other Products	19	21	21	18	17	17	79	34
Other Recoveries	-	-	-	-	-	-	-	-
Other Operating Expense	(1)	(1)	(1)	(0)	(1)	(1)	(3)	(2)
Total Non Interest Income	127	97	102	125	120	119	451	239
Total Operating Income	252	237	244	264	268	279	998	546
Personnel	87	77	82	79	82	90	325	171
Employee Profit Sharing (PTU)	-	-	-	-	-	-	-	-
Professional Fees	24	23	24	31	25	29	101	54
Administrative and Promotional Expenses	49	47	52	59	56	65	207	121
Rents, Depreciation & Amortization	20	19	19	22	20	18	80	38
Taxes other than income tax & non deductible expenses	5	4	4	3	4	5	16	10
Contributions to IPAB/Fobaproa	9	9	4	4	4	3	26	7
Total Non Interest Expense	193	179	185	198	191	211	755	401
Operating Income	59	58	59	66	77	68	242	145
Subsidiaries' Net Income	-	-	-	-	-	-	-	-
Pre-Tax Income	59	58	59	66	77	68	242	145
Income Tax	19	20	19	23	24	22	79	46
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	-	-	-	-	-	-	-	-
Taxes	19	20	19	23	24	22	79	46
Net Income from Continuous Operations	41	39	40	44	52	46	163	98
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Net Income	41	39	40	44	52	46	163	98

Banorte USA-Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
ASSETS							
Cash and Due from Banks		2,202	2,678	2,094	1,139	2,014	2,248
Margin Accounts		-	-	-	-	-	-
Negotiable Instruments		-	-	-	-	-	-
Securities Available for Sale		11,326	9,929	8,747	8,628	7,474	7,190
Securities Held to Maturity		-	-	-	-	-	-
Investment in Securities		11,326	9,929	8,747	8,628	7,474	7,190
Non-assigned Securities for Settlement		-	-	-	-	-	-
Debtor Balance in Repo Trans,net		-	-	-	-	-	-
Securities Lending		-	-	-	-	-	-
For trading purposes		-	-	-	-	-	-
For hedging purposes		-	-	-	-	-	-
Operations w/Derivatives & Securities"		-	-	-	-	-	-
Transactions with Derivatives		-	-	-	-	-	-
Operations w/Derivatives & Securities		-	-	-	-	-	-
Commercial Loans		7,031	7,764	7,697	8,754	9,686	9,608
Financial Intermediaries 'Loans		-	-	-	-	-	-
Consumer Loans		163	172	154	155	142	138
Mortgage Loans		1,508	1,506	1,482	1,387	1,353	1,321
Government Entities 'Loans		-	-	-	-	-	-
Loans granted as Federal Agent		-	-	-	-	-	-
Performing Loans		8,702	9,442	9,333	10,297	11,180	11,067
Commercial PDL 's		7	23	4	1	2	1
Financial Intermediaries PDL 's		-	-	-	-	-	-
Consumer PDL 's		-	0	0	-	-	-
Mortgage PDL 's		34	33	49	43	17	23
Government Entities PDL 's		-	-	-	-	-	-
Past Due Loans		41	56	53	45	18	24
Gross Loan Portfolio		8,744	9,498	9,386	10,342	11,198	11,091
Preventive Loan Loss Reserves		69	73	77	85	90	87
Net Loan Portfolio		8,675	9,425	9,308	10,257	11,108	11,004
Acquired Collection Rights		-	-	-	-	-	-
Acquired Collection Rights, Net		-	-	-	-	-	-
Total Credit Portfolio		8,675	9,425	9,308	10,257	11,108	11,004
Benef.receiveab.securization transactions		-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net		661	702	716	717	721	722
Inventories		-	-	-	-	-	-
Foreclosed Assets, Net		317	290	246	187	162	118
Real Estate, Furniture & Equipment, Net		560	582	586	581	575	565
Investment in Subsidiaries		143	142	144	144	143	141
Long-term assets held for sale		-	-	-	-	-	-
Deferred Taxes, Net		70	155	207	128	104	105
Goodwill and Intangibles		3,028	3,141	3,173	3,149	3,132	3,114
Other Assets Short and Long Term		201	168	202	96	125	121
Other Assets		-	-	-	-	-	-
		4,979	5,181	5,275	5,001	4,962	4,886
TOTAL ASSETS		27,181	27,213	25,425	25,025	25,558	25,328

IV. FINANCIAL STATEMENTS



Banorte USA-Balance Sheet (Million Pesos)		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
LIABILITIES							
Demand Deposits		11,761	11,461	10,697	10,887	11,483	10,979
Time Deposits-Retail		9,135	9,251	8,171	7,873	7,549	7,797
Time Deposits-Money Market		-	-	-	-	-	-
Special Funds		-	-	-	-	-	-
Senior Unsecured Debt		-	-	-	-	-	-
Deposits		20,896	20,712	18,867	18,760	19,032	18,776
Immediate Redemption Loans		-	-	-	-	-	-
Short Term Loans		95	112	114	112	114	105
Long Term Loans		-	-	-	-	-	6
Due to Banks & Correspondents		95	112	114	112	114	112
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		-	-	-	-	-	-
Total Collateral sold		-	-	-	-	-	-
For trading purposes		-	-	-	-	-	-
For hedging purposes		-	-	-	-	-	-
Operations w/ Derivatives & Securities		-	-	-	-	-	-
Transactions with Derivatives		-	-	-	-	-	-
Total Operations w/ Derivatives & Securities		1	2	2	-	-	-
Valuation adjustments for financial liability coverage		-	-	-	-	-	-
Obligations in securitization transactions		-	-	-	-	-	-
Payable Accountsfor Reinsurance		-	-	-	-	-	-
Income Tax Payable		43	30	21	28	24	12
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	430
Other Payable Accounts		430	462	452	432	457	441
Subordinated Non Convertible Debt		255	269	272	270	269	267
Deferred Taxes, Net		-	-	-	-	-	-
Deferred Credits		15	19	18	26	30	33
TOTAL LIABILITIES		21,692	21,575	19,724	19,600	19,901	19,630
EQUITY							
Paid-in Capital		4,668	4,690	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		-	-	-	-	-	-
Subscribed Capital		4,668	4,690	4,690	4,690	4,690	4,690
Capital Reserves		-	-	-	-	-	-
Retained Earnings		601	586	586	586	749	749
Surplus (Deficit) of Secs Available for Sale		144	(20)	(44)	(313)	(142)	(114)
Results from Valuation of Hedging Secs		-	-	-	-	-	-
Results from Conversions		34	301	350	299	307	274
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	98
Earned Capital		821	948	1,011	736	967	1,008
Minority Interest		-	-	-	-	-	-
Total Equity		5,489	5,637	5,701	5,425	5,657	5,698
TOTAL LIABILITIES & EQUITY		27,181	27,213	25,425	25,025	25,558	25,328

Banorte USA - Memorandum Accounts						
	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
<i>(Million Pesos)</i>						
Investment banking transactions for third parties, net	-	-	-	-	-	-
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-	-
Proprietary Transactions						
Endorsement Guarantees Granted	-	-	-	-	-	-
Loan Obligations	11	5	6	6	12	13
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	-	-	-	-	-	-
Proprietary Transactions	11	5	6	6	12	13
Repo Securities to be Received	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-
TOTAL PROPRIETARY	11	5	6	6	12	13

INFORMATION BY SEGMENTS

GFNorte - Income Statement as of June '14							
(Million Pesos)							
	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Interest Income	67	28,956	1,076	32	269	1,815	4,938
Premium Income (Net)	-	-	-	-	5,389	3,801	-
Interest Expense	-	10,646	653	0	-	-	4,661
Net Increase in Technical Reserves	-	-	-	-	263	3,867	-
Damages, Claims and Other Obligations	-	-	-	-	3,374	1,436	-
Net Interest Income (NII)	67	18,310	422	32	2,021	313	277
Preventive Provisions for Loan Losses	-	5,195	35	-	-	-	-
Net Interest Income Adjusted for Credit Risk	67	13,115	387	32	2,021	313	277
Loan Origination Fees	-	5,515	28	-	-	-	529
Fees Paid	0	1,481	42	0	712	-	19
Trading Income	-	2,403	-	1	3	(3)	273
Other Operating Income (Expenses)	1	876	33	5	333	2	(11)
Non Interest Income	1	7,313	18	6	(376)	(1)	773
Total Operating Income	67	20,428	405	37	1,645	312	1,049
Administrative and Promotional Expenses	55	12,775	74	15	406	134	483
Operating Income	13	7,654	331	22	1,239	178	566
Subsidiaries' Net Income	7,426	642	-	-	(0)	1	1
Pre-Tax Income	7,439	8,295	331	22	1,239	180	567
Income Tax	-	3,407	-	7	378	0	206
Deferred Income Tax	0	(1,018)	(0)	(0)	2	56	(48)
Net Income from Continuous Operations	7,438	5,906	331	15	859	124	409
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	-	(0)	(1)	(0)	(1)	-	-
Net Income	7,438	5,906	330	15	858	124	409

GFNorte - Income Statement as of June '14							
(Million Pesos)							
	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges	Credits	Final Balance
Interest Income	1	0	10	37,164	1,677	9	35,496
Premium Income (Net)	-	-	-	9,190	305	-	8,885
Interest Expense	-	0	252	16,214	-	1,553	14,661
Net Increase in Technical Reserves	-	-	-	4,130	-	-	4,130
Damages, Claims and Other Obligations	-	-	-	4,810	-	-	4,810
Net Interest Income (NII)	1	0	(242)	21,199	-	-	20,780
Preventive Provisions for Loan Losses	-	-	0	5,231	-	-	5,231
Net Interest Income Adjusted for Credit Risk	1	0	(242)	15,969	-	-	15,549
Loan Origination Fees	515	6	130	6,723	719	-	6,004
Fees Paid	435	0	0	2,690	-	701	1,989
Trading Income	1	-	(2)	2,676	-	3	2,679
Other Operating Income (Expenses)	(0)	2	88	1,329	15	3	1,316
Non Interest Income	81	8	216	8,038	734	(695)	8,012
Total Operating Income	82	8	(27)	24,007	734	(695)	23,561
Administrative and Promotional Expenses	15	7	120	14,083	416	742	13,758
Operating Income	67	1	(147)	9,924	-	-	9,803
Subsidiaries' Net Income	2	-	(2)	8,070	7,427	-	643
Pre-Tax Income	68	1	(148)	17,994	-	-	10,445
Income Tax	17	0	-	4,016	-	-	4,016
Deferred Income Tax	1	0	0	(1,007)	1	51	(1,056)
Net Income from Continuous Operations	50	0	(149)	14,985	-	-	7,486
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	-	-	-	(3)	117	-	(119)
Net Income	50	0	(149)	14,982	10,676	3,002	7,367

GFNorte - Balance Sheet as of June 30 '14

(Million Pesos)

ASSETS	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	279	71,828	27	16	64	7	1,138
Margin Accounts	-	100	-	-	-	-	-
Investment in Securities	-	286,567	-	67	11,236	55,824	54,268
Negotiable Instruments	-	194,110	-	31	4,591	299	41,723
Securities Available for Sale	-	67,782	-	36	-	30	10,723
Securities Held to Maturity	-	24,676	-	-	6,645	55,495	1,821
Debtor Balance in Repo Trans, net	2,100	51	-	-	(0)	(0)	-
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives For trading purposes	-	17,786	-	-	-	-	-
Transactions with Derivatives For hedging purposes	-	371	-	-	-	-	-
Gross Loan Portfolio	-	428,313	19,237	-	-	-	-
Net Loan Portfolio	-	426,703	19,237	-	-	-	-
Performing Loans	-	427,260	19,359	-	-	-	-
Commercial Loans	-	165,932	16,940	-	-	-	-
Financial Intermediaries' Loans	-	15,575	304	-	-	-	-
Government Entities' Loans	-	98,238	2,113	-	-	-	-
Consumer Loans	-	62,499	3	-	-	-	-
Mortgage Loans	-	85,017	-	-	-	-	-
Past Due Loans	-	13,659	217	-	-	-	-
Commercial PDL's	-	10,036	217	-	-	-	-
Financial Intermediaries PDL's	-	1	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	-
Consumer PDL's	-	2,420	0	-	-	-	-
Mortgage PDL's	-	1,202	-	-	-	-	-
Preventive Loan Loss Reserves	-	14,215	339	-	-	-	-
Acquired Collection Rights	-	1,610	-	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	-	-	943	770	-
Premium Debtors (Net)	-	-	-	-	5,595	73	-
Account Receivables from Reinsurance	-	-	-	-	4,856	-	-
Benef. receivab. securization transactions	-	789	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	58	17,464	400	73	-	-	1,159
Inventories	-	-	-	657	-	-	-
Foreclosed Assets, Net	-	2,162	1	-	-	-	-
Real Estate, Furniture & Equipment, Net	-	9,559	2,104	70	234	2	55
Investment in Subsidiaries	100,536	13,278	-	-	1	28	11
Deferred Taxes, Net	4	1,336	24	1	86	-	22
Total other Assets	10,886	13,241	248	12	418	2	342
Goodwill	9,703	4,074	-	-	-	-	-
Intangible	1,183	5,160	248	2	345	0	35
Other Assets	-	4,007	-	9	73	2	307
TOTAL ASSETS	113,863	862,996	22,041	897	23,434	56,706	56,995

GFNorte - Balance Sheet as of June 30 '14 (Million Pesos)							
ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de	Total	Charges	Credits	Final Balance
Cash and Due from Banks	172	17	252	73,800	186	1,912	72,074
Margin Accounts	-	-	-	100	-	-	100
Investment in Securities	-	-	-	407,962	171	664	407,470
Negotiable Instruments	-	-	-	240,754	-	-	240,754
Securities Available for Sale	-	-	-	78,571	-	427	78,144
Securities Held to Maturity	-	-	-	88,637	171	237	88,571
Debtor Balance in Repo Trans, net	-	-	-	2,151	-	2,100	51
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives For trading purposes	-	-	-	17,786	-	-	17,786
Transactions with Derivatives For hedging purposes	-	-	-	371	-	-	371
Gross Loan Portfolio	-	-	1,673	449,223	1,280	13,254	437,249
Net Loan Portfolio	-	-	146	446,086	902	12,875	434,113
Performing Loans	-	-	37	446,656	858	12,772	434,743
Commercial Loans	-	-	37	182,908	759	676	182,992
Financial Intermediaries' Loans	-	-	-	15,879	-	12,054	3,825
Government Entities' Loans	-	-	-	100,351	4	11	100,344
Consumer Loans	-	-	-	62,502	68	28	62,542
Mortgage Loans	-	-	-	85,017	27	4	85,040
Past Due Loans	-	-	196	14,072	44	103	14,012
Commercial PDL's	-	-	196	10,449	32	39	10,442
Financial Intermediaries PDL's	-	-	-	1	-	-	1
Government Entities PDL's	-	-	-	-	1	-	1
Consumer PDL's	-	-	-	2,420	4	9	2,416
Mortgage PDL's	-	-	-	1,202	7	56	1,153
Preventive Loan Loss Reserves	-	-	87	14,642	-	-	14,642
Acquired Collection Rights	-	-	1,527	3,137	379	379	3,137
Account Receivables from Insurance and Annuities	-	-	-	1,713	-	-	1,713
Premium Debtors (Net)	-	-	-	5,668	-	-	5,668
Account Receivables from Reinsurance	-	-	-	4,856	-	-	4,856
Benef. receivab. securization transactions	-	-	-	789	-	-	789
Sundry Debtors & Other Accs Rec, Net	120	6	9,734	29,013	72	910	28,175
Inventories	-	-	-	657	-	-	657
Foreclosed Assets, Net	-	-	507	2,670	201	201	2,670
Real Estate, Furniture & Equipment, Net	0	104	6	12,136	212	96	12,253
Investment in Subsidiaries	89	-	451	114,393	767	101,429	13,731
Deferred Taxes, Net	-	1	38	1,511	293	919	885
Total other Assets	3	4	603	25,759	2,696	1,324	27,132
Goodwill	-	-	-	13,777	2,693	1,117	15,353
Intangible	1	4	603	7,582	-	195	7,387
Other Assets	2	-	-	4,401	3	13	4,391
TOTAL ASSETS	385	133	13,263	1,150,711	5,879	122,809	1,033,781

GFNorte - Balance Sheet as of June 30 '14 (Million Pesos)							
LIABILITIES	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Deposits	-	451,580	1,147	-	-	-	-
Demand Deposits	-	265,051	-	-	-	-	-
Time Deposits	-	182,561	-	-	-	-	-
Time Deposits-Retail	-	179,756	-	-	-	-	-
Time Deposits-Money Market	-	2,805	-	-	-	-	-
Senior Unsecured Debt	-	3,968	1,147	-	-	-	-
Due to Banks & Correspondents	-	18,666	16,584	598	-	-	-
Immediate Redemption Loans	-	7,809	-	-	-	-	-
Short Term Loans	-	7,732	12,124	598	-	-	-
Long Term Loans	-	3,125	4,460	-	-	-	-
Technical Reserves	-	-	-	-	12,937	54,904	-
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	241,965	-	-	-	-	52,728
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-
Collateral sold or pledged as collateral	-	0	-	-	-	-	-
Transactions with Derivatives for trading purposes	-	17,704	-	-	-	-	-
Transactions with Derivatives for hedging purposes	-	3,071	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	-	2,449	-	-
Other Payable Accounts	0	24,392	612	11	3,164	147	1,514
Income Tax Payable	-	2,315	-	1	383	-	93
Profit Sharing Payable	-	205	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	10,073	-	-	-	-	1,151
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	0	11,799	612	10	2,781	147	270
Subordinated Non Convertible Debt	-	15,788	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	281	-
Deferred Credits	-	2,274	158	-	172	-	-
TOTAL LIABILITIES	0	775,441	18,501	609	18,721	55,332	54,242
EQUITY							
Subscribed Capital	50,460	30,463	526	87	709	325	1,429
Paid-in Capital	14,664	20,022	526	87	709	325	1,354
Share Subscription Premiums	35,797	10,389	-	-	-	-	75
Contributions for future capital increases agreed by the governing body	-	52	-	-	-	-	-
Earned Capital	63,403	57,082	3,009	200	3,977	1,048	1,324
Capital Reserves	7,014	8,968	429	39	540	149	82
Retained Earnings	49,628	43,183	2,250	142	2,533	778	565
Surplus (Deficit) of Secs Available for Sale	833	691	-	4	46	(3)	242
Results from Valuation of Hedging Secs	(594)	(697)	-	-	-	-	-
Results from Conversions	(916)	(969)	-	-	-	-	26
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	7,438	5,906	330	15	858	124	409
Capital Mayoritario	113,863	87,545	3,535	287	4,686	1,373	2,753
Minority Interest	-	10	5	0	28	-	-
Total Equity	113,863	87,555	3,540	287	4,713	1,373	2,753
TOTAL LIABILITIES & EQUITY	113,863	862,996	22,041	897	23,434	56,706	56,995

GFNorte - Balance Sheet as of June 30 '14							
(Million Pesos)							
LIABILITIES	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de	Total	Charges	Credits	Final Balance
Deposits	-	-	-	452,727	1,910	-	450,817
Demand Deposits	-	-	-	265,051	1,379	-	263,672
Time Deposits	-	-	-	182,561	531	-	182,030
Time Deposits-Retail	-	-	-	179,756	531	-	179,225
Time Deposits-Money Market	-	-	-	2,805	-	-	2,805
Senior Unsecured Debt	-	-	-	5,115	-	-	5,115
Due to Banks & Correspondents	-	-	10,736	46,585	12,062	8	34,531
Immediate Redemption Loans	-	-	-	7,809	-	-	7,809
Short Term Loans	-	-	10,736	31,191	12,054	-	19,137
Long Term Loans	-	-	-	7,585	8	8	7,585
Technical Reserves	-	-	-	67,841	-	129	67,970
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	294,693	2,100	-	292,593
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-
Collateral sold or pledged as collateral	-	-	-	0	-	-	0
Transactions with Derivatives for trading purposes	-	-	-	17,704	-	-	17,704
Transactions with Derivatives for hedging purposes	-	-	-	3,071	-	-	3,071
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	2,449	-	-	2,449
Other Payable Accounts	123	108	60	30,131	983	62	29,210
Income Tax Payable	6	0	19	2,816	-	-	2,816
Profit Sharing Payable	-	1	-	206	-	-	206
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	11,224	546	-	10,678
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	117	108	41	15,886	437	62	15,510
Subordinated Non Convertible Debt	-	-	-	15,788	-	-	15,788
Deferred Taxes, Net	0	-	-	281	919	638	-
Deferred Credits	-	-	2	2,606	195	-	2,412
TOTAL LIABILITIES	123	108	10,798	933,876	18,169	838	916,544
EQUITY							
Subscribed Capital	112	24	1,418	85,554	35,565	322	50,311
Paid-in Capital	112	24	1,418	39,242	24,595	-	14,647
Share Subscription Premiums	-	-	-	46,260	10,918	322	35,664
Contributions for future capital increases agreed by the governing body	-	-	-	52	52	-	-
Earned Capital	149	(0)	1,047	131,238	69,130	3,176	65,284
Capital Reserves	15	2	117	17,354	10,340	-	7,014
Retained Earnings	85	(3)	1,079	100,240	51,757	3,122	51,605
Surplus (Deficit) of Secs Available for Sale	-	-	-	1,812	1,004	-	808
Results from Valuation of Hedging Secs	-	-	-	(1,291)	(697)	-	(594)
Results from Conversions	-	-	-	(1,859)	(943)	-	(916)
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	50	0	(149)	14,982	7,670	54	7,367
Capital Mayoritario	261	24	2,464	216,793	104,695	3,498	115,595
Minority Interest	0	-	-	43	27	1,626	1,642
Total Equity	261	24	2,464	216,835	104,723	5,124	117,237
TOTAL LIABILITIES & EQUITY	385	133	13,263	1,150,711	122,892	5,962	1,033,781

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.**

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

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.

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.

- **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.

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 June 30, 2014, the total amount of the Federal Government's payment obligations with respect to commercial loans amounted to \$28 million, which includes \$27 million corresponding to the conditioned discount portion derived from loans denominated in local currency and in UDIS, and \$1 million related to the discount applied to loans referred to in number 3.1.2 of Circular 1430.

As of June 30, 2014, the Federal Government's obligations under the Agreement were:

	Payment date	Amount
Fifth amortization	June 1, 2015	28
		\$28

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:

	2014
Start balance	\$19
Holding company support	67
Haircuts, discounts and cancellations	14
Reserve reclassification	(9)
Contributions to settle trust liabilities	1
End balance	\$92

During 2014 \$4 million were recognized in 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 June 30, 2014 is \$873 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.

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	aug-02	mar-14	jun-14	aug-02	mar-14	jun-14	aug-02	mar-14	jun-14
Performing Loans									
Commercial	5	0	0	5	0	0	10	0	0
Mortgage	54	23	22	0	0	0	54	23	22
Total	59	23	22	5	0	0	64	23	22
Non Performing Loans									
Commercial	405	301	299	293	110	109	698	411	407
Consumer	81	72	72	0	0	0	81	72	72
Mortgage	1,112	233	233	0	0	0	1,112	233	233
Total	1,598	606	603	293	110	109	1,891	716	712
TOTAL LOANS	1,657	629	626	298	110	109	1,955	739	734
Loan Loss Reserves (1)									
Commercial	326	302	299	246	112	109	572	414	407
Consumer	77	72	72	0	0	0	77	72	72
Mortgage	669	258	244	0	0	0	669	258	244
Total	1,072	632	614	246	112	109	1,318	744	723

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

(*) There was a Reserve deficit of Ps 6 million as of June 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 2Q14 the Loan portfolio showed changes due to: collections of Ps \$2.5 million, foreclosed assets of Ps \$71 thousand, restructurings of Ps \$0.9 million and charge offs and discounts of Ps. \$80.2 million. In the Loan loss provisions, there were charge offs and discounts of Ps \$12.7 million. There were transfers from performing loans to past due loans of Ps \$0.1 million and transfers from past due loans to performing loans of Ps \$51 thousand.

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	
	mar-14	jun-14	mar-14	jun-14	mar-14	jun-14
Performing Loans						
Commercial	262,376	265,255	20,857	19,799	283,233	285,054
Consumer	40,742	42,454	0	0	40,742	42,454
Mortgage	81,799	83,717	0	0	81,800	83,717
Performing Loans	384,917	391,426	20,857	19,799	405,775	411,225
Non Performing Loans						
Commercial	9,690	10,271	307	172	9,997	10,443
Consumer	867	1,136	0	0	867	1,136
Mortgage	1,367	1,412	0	0	1,367	1,412
Non Performing Loans	11,924	12,819	307	172	12,231	12,991
TOTAL LOANS	396,841	404,245	21,164	19,971	418,006	424,216
Loan Loss Reserves	11,081	11,583	382	556	11,462	12,139
Net Loan Portfolio	385,761	392,662	20,783	19,416	406,543	412,078
Loan Loss Reserves					94%	93%
% Past Due Loans					2.93%	3.06%

1. Includes UDIS.
2. The dollar portfolio and reserves are stated in pesos.

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q14				
(Million Pesos)				
Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	205,833	912	405	207,150
Unrestricted	3,427	16	24	3,467
CETES (Special)	-	-	-	-
CETES	640	7	1	648
BONDES	2,116	1	2	2,119
BPA	(369)	1	8	(361)
BREMS	-	-	-	-
Bonds	599	1	12	612
CBIC	-	-	-	-
Udibonds	226	0	(1)	225
UMS	216	4	2	223
Treasury Bonds	-	-	-	-
Treasury Notes	-	(0)	-	(0)
Other Government Securities	-	-	-	-
Restricted	202,407	896	381	203,684
CETES (Special)	-	-	-	-
CETES	2,332	-	1	2,334
BONDES	58,193	76	51	58,319
BPA	124,267	787	146	125,201
BREMS	-	-	-	-
Bonds	12,939	27	141	13,107
CBIC	-	-	-	-
Udibonds	4,675	7	41	4,723
UMS	0	-	-	0
Treasury Bonds	-	-	-	-
Treasury Notes	0	-	-	0
Banking Securities	23,295	34	51	23,380
Unrestricted	642	1	0	643
Notes	29	0	(0)	29
CEDES	10	0	0	10
Stock Certificates	458	1	0	459
Structured Notes	-	-	-	-
Other Banking Securities	145	-	-	145
Restricted	22,653	33	50	22,737
Notes	2,967	-	12	2,979
CEDES	1,573	2	(0)	1,575
Stock Certificates	14,490	26	28	14,544
Structured Notes	-	-	-	-
Other Banking Securities	3,623	5	11	3,639
Private Securities	10,216	15	(7)	10,224
Unrestricted	1,445	2	(37)	1,410
Stock Certificates	454	1	(7)	447
PEMEX Bonds	2	0	0	3
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	137	1	8	146
GFNORTE stocks	-	-	-	-
BMV stocks	(213)	-	(1)	(214)
Mutual Funds stocks	1,008	-	(36)	972
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	58	-	(1)	57
Restricted	8,771	13	30	8,814
Stock Certificates	6,209	10	25	6,244
PEMEX Bonds	2,325	3	4	2,332
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	13	-	-	13
GFNORTE stocks	-	-	-	-
BMV stocks	214	-	1	215
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	10	0	0	10
Total	239,345	961	448	240,754

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q14				
(Million Pesos)				
Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	54,604	450	105	55,159
Unrestricted	8,884	25	(178)	8,731
CETES (Special)	-	-	-	-
CETES	-	-	-	-
BONDES	99	0	0	99
BPA	129	1	(0)	130
BREMS	-	-	-	-
Bonds	254	0	(9)	245
CBIC	-	-	-	-
Udibonds	20	0	10	30
UMS	33	0	2	35
Treasury Bonds	-	-	-	-
Treasury Notes	1,049	5	(53)	1,001
Other Government Securities	7,300	18	(128)	7,190
Restricted	45,720	425	283	46,428
CETES (Special)	-	-	-	-
CETES	574	-	1	575
BONDES	95	0	0	96
BPA	39,390	350	152	39,892
BREMS	-	-	-	-
Bonds	643	1	(7)	638
CBIC	-	-	-	-
Udibonds	-	-	-	-
UMS	5,017	73	137	5,227
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
Banking Securities	1,762	4	(12)	1,754
Unrestricted	243	0	(16)	226
Notes	-	-	-	-
CEDES	-	-	-	-
Stock Certificates	-	-	-	-
Structured Notes	243	0	(16)	226
Other Banking Securities	-	-	-	-
Restricted	1,519	4	5	1,528
Notes	-	-	-	-
CEDES	0	(0)	-	0
Stock Certificates	1,519	4	5	1,528
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Private Securities	20,180	166	885	21,231
Unrestricted	9,159	24	339	9,522
Stock Certificates	695	7	(116)	586
PEMEX Bonds	343	6	(5)	344
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	758	11	4	773
GFNORTE stocks	-	-	-	-
BMV stocks	234	-	156	390
Mutual Funds stocks	7,130	-	300	7,430
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	-	-	-	-
Restricted	11,021	142	546	11,709
Stock Certificates	2,048	2	2	2,052
PEMEX Bonds	7,866	131	407	8,405
Commercial Paper	-	-	-	-
Corporate Bonds	100	4	8	112
Euro Bonds	971	5	128	1,104
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	36	-	-	36
Total	76,546	620	978	78,144

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q14				
(Million Pesos)				
Securities Held to Maturity	BOOK VALUE	INTEREST	xxxx	Market Value
Government Securities	60,894	114	-	61,008
Unrestricted	49,833	59	-	49,892
CETES (Special)	873	0	-	873
CETES	-	-	-	-
BONDES	399	0	-	399
BPA	-	-	-	-
BREMS	-	-	-	-
Bonds	1,674	3	-	1,678
CBIC	508	3	-	511
Udibonds	46,378	53	-	46,431
UMS	-	(0)	-	(0)
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
Other Government Securities	-	-	-	-
Restricted	11,061	55	-	11,116
CETES (Special)	-	-	-	-
CETES	-	-	-	-
BONDES	0	-	-	0
BPA	11,061	55	-	11,115
BREMS	-	-	-	-
Bonds	0	0	-	0
CBIC	0	0	-	0
Udibonds	0	(0)	-	0
UMS	-	-	-	-
Treasury Bonds	-	-	-	-
Treasury Notes	-	-	-	-
Banking Securities	4,946	1,028	-	5,974
Unrestricted	4,946	1,028	-	5,974
Notes	1,213	-	-	1,213
CEDES	1,429	892	-	2,322
Stock Certificates	1,148	14	-	1,162
Structured Notes	873	121	-	994
Other Banking Securities	283	0	-	283
Restricted	(0)	-	-	(0)
Notes	-	-	-	-
CEDES	-	-	-	-
Stock Certificates	(0)	-	-	(0)
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Private Securities	21,143	513	-	21,656
Unrestricted	14,588	496	-	15,084
Stock Certificates	13,826	481	-	14,307
PEMEX Bonds	327	8	-	334
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	435	8	-	443
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	-	-	-	-
Restricted	6,555	17	-	6,571
Stock Certificates	6,111	15	-	6,126
PEMEX Bonds	-	-	-	-
Commercial Paper	-	-	-	-
Corporate Bonds	-	-	-	-
Euro Bonds	-	-	-	-
GFNORTE stocks	-	-	-	-
BMV stocks	-	-	-	-
Mutual Funds stocks	-	-	-	-
CPOs	-	-	-	-
Structured Notes	-	-	-	-
Other Private Securities	444	2	-	446
Fair Value Adjustment lxe Banco	(66)	-	-	(66)
Total	86,917	1,654	-	88,571

REPURCHASE AGREEMENT OPERATIONS 2Q14					
(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	92,940	92,937	3	0	251,195
Banking securities	2,489	2,489	0	0	22,954
Private Securities	6,556	6,508	48	-	18,444
Total	101,985	101,934	51	0	292,593

DERIVATES FINANCIAL INSTRUMENTS OPERATIONS 2Q14 (Million Pesos)	
Creditor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	
Fx Forward	164
Options	
Rate options	537
Fx options	-
Swaps	
Rate swap	16,465
Fx swap	620
Negotiable Total	17,786
Options	
Rate Options	0
Fx options	-
Swaps	
Rate swap	-
Fx swap	371
Hedging total	371
Position total	18,157
Debtor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	
Fx Forward	136
Options	
Rate options	329
Fx options	4
Swaps	
Rate swap	16,326
Fx swap	909
Negotiable Total	17,704
Swaps	
Rate swap	2,067
Fx swap	1,005
Hedging total	3,071
Position total	20,775

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2Q14- Banorte			
<i>(Million Pesos)</i>			
PRODUCT	TYPE	UNDERLYING	NOTIONAL
FX Forwards	Purchases	Exchange Rate (USD/MXN)	18,726
FX Forwards	Sales	Exchange Rate (USD/MXN)	6,416
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	-
FX Forwards	Sales	Exchange Rate (CAD/MXN)	-
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	0
FX Forwards	Sales	Exchange Rate (EUR/MXN)	0
FX Options	Purchases	Exchange Rate (Dollar)	-
FX Options	Sales	Exchange Rate (Dollar)	342
Interest Rate Options	Purchases	TIIE	49,736
Interest Rate Options	Sales	TIIE	86,479
Interest Rate Options	Purchases	LIBOR	1,693
Interest Rate Options	Sales	LIBOR	1,752
Interest Rate Swaps	USD LIBOR	LIBOR	153,338
Interest Rate Swaps	MXN TIIE	TIIE	1,071,670
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	27,162
Interest Rate and FX Swaps	CS USDCETE	CETE	-
Interest Rate and FX Swaps	CS EURMXN	FIX/VARIABLE	7,160

LOAN PORTFOLIO								
(Million Pesos)								
	Local Currency		UDIS		Foreign Currency		Total	
	2Q13	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13	2Q14
Performing Loans								
Commercial Loans	157,267	150,726	-	-	29,053	32,266	186,320	182,992
Financial Intermediaries' Loans	3,959	2,664	-	-	1,616	1,161	5,575	3,825
Consumer Loans	51,671	62,404	-	-	172	138	51,843	62,542
Mortgage Loans	75,466	83,403	376	315	1,507	1,322	77,348	85,040
Government Entities' Loans	90,591	99,324	-	-	104	1,020	90,695	100,344
Derechos de cobro Fiduciario	-	-	-	-	-	-	-	-
Total	378,953	398,521	376	315	32,453	35,907	411,782	434,743
Past Due Loans								
Commercial Loans	5,903	10,372	7	6	296	64	6,206	10,442
Financial Intermediaries' Loans	4	1	-	-	0	-	4	1
Consumer Loans	1,890	2,416	-	-	-	-	1,890	2,416
Mortgage Loans	822	1,092	66	38	33	23	921	1,153
Government Entities' Loans	53	1	-	-	-	-	53	1
Total	8,672	13,881	73	44	329	87	9,075	14,012
Total Proprietary Loans	387,626	412,402	449	359	32,782	35,994	420,857	448,754

COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND MORTGAGE FOVI		
LOAN PORTFOLIOS AS OF 2Q14- GFNorte		
(Million Pesos)		
	TOTAL	
	PERIOD COST	PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	4.0	0.0
Mortgage FOVI	-	-
	4.0	0.0

At the end of this quarter the balance in debtors support programs totaled Ps 4 million without a cost for the period.

DEFERRED TAXES 2Q14			
(Million Pesos)			
ASSETS	INCOME TAX	PROFIT SHARING	NET
Excess of preventive reserves accounts over the fiscal limit	1,203	-	1,203
Non deductible provisions and cumulative income	613	-	613
Excess of accounting value over fiscal value on Repossessed Assets	1,037	-	1,037
Diminishable profit sharing	117	-	117
Fees received in advance	838	-	838
Effects from valuation of instruments	73	-	73
Tax losses pending amortization	1,389	-	1,389
Provisions for possible loss in loans	983	-	983
Loss on sale of foreclosed assets and credits	81	-	81
Decline in value of real estate	12	-	12
Interest on Loans	1	-	1
Reserve for employee retirement benefits	3	-	3
Current Account Agents	14	-	14
Reserve for additional compensation to agents	9	-	9
Diverse Creditors	143	-	143
Charge-off's Estimates	32	-	32
Tax loss on share sale	30	-	30
Additional Obligations for Employee benefits	1	-	1
Provisions for seniority premiums	17	-	17
Other	15	-	15
Total Assets	6,610	-	6,610
LIABILITIES			
Pension Funds Contribution	(1,123)	-	(1,123)
Loan Portfolio Acquisitions	(419)	-	(419)
Projects to be capitalized	(1,239)	-	(1,239)
Effects from valuation of instruments	(1,869)	-	(1,869)
Intangibles' amortizations	(21)	-	(21)
Increase for securities' valuation	(83)	-	(83)
Receivable interest from securities	(20)	-	(20)
Investment of reserves for obligations	(1)	-	(1)
Current Account Agents	(19)	-	(19)
Savings' Inventory	(11)	-	(11)
Savings' Inventory	(808)	-	(808)
Other	(14)	-	(14)
Excess of the accounting value over the tax value of foreclosed assets and fix assets	(58)	-	(58)
Other	(54)	-	(54)
Total Liabilities	(5,725)	-	(40)
Assets (Liabilities) Accumulated Net	885	-	885

LONG TERM DEBT AS OF JUNE '14- BANCO MERCANTIL (Million Pesos)									
TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Obligaciones Dlls emisión 2006	USD	13-oct-06	200	2,188	2,594	15 años	6.862%	13-oct-21	C/180 días
Bono Senior Notes dlls emisión 2010	USD	19-jul-10	300	3,875	3,891	5 años	4.375%	19-jul-15	C/180 días
Obligaciones Q BANORTE 08	MXN	11-mar-08	3,000	3,000	3,000	10 años	TIIE + 0.60%	27-feb-18	C/28 días
Obligaciones Q BANORTE 08-2	MXN	27-jun-08	2,750	2,750	2,750	10 años	TIIE + 0.77%	15-jun-18	C/28 días
Obligaciones Q BANORTE 08U	UDIs	11-mar-08	447	1,749	2,294	20 años	4.950%	15-feb-28	C/182 días
Obligaciones Q BANORTE 12	MXN	08-jun-12	3,200	3,200	3,200	10 años	TIIE + 1.50%	27-may-22	C/28 días
Obligaciones Dlls emisión 2010	USD	14-oct-10	120	1,484	1,557	10 años	9.25%	14-oct-20	C/180 días

BANK AND OTHER ENTITIES LOANS' AS OF 2Q14 (Million Pesos)			
	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
LOANS FROM LOCAL BANKS		-	-
LOANS FROM FOREIGN BANKS GENERATED IN THE COUNTRY		-	-
LOANS FROM FOREIGN BANKS GENERATED FROM FOREIGN COUNTRY		112	112
LOANS FROM DEVELOPMENT BANKS	11,411	3,971	15,382
LOANS FROM PUBLIC FUNDS	7,672	789	8,460
CALL MONEY & LOANS FROM BANKS	22,311	-	22,311
LOANS FROM FIDUCIARY FUNDS	260		260
PROVISIONS FOR INTEREST		60	60
	41,654	4,931	46,585
ELIMINATIONS			(12,054)
Total			34,531

CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST RATES 2Q14	
CORE DEPOSITS (BANORTE)	
DEMAND DEPOSITS	
Local Currency and UDIs	0.60%
Foreign Currency	0.02%
TIME DEPOSITS	
Local Currency and UDIs	2.77%
Foreign Currency	0.60%
DUE TO BANKS & CORRESPONDENTS (BANORTE)	
IMMEDIATE REDEMPTION LOANS	
Local Currency and UDIs	3.26%
Foreign Currency	-
OTHERS	
Local Currency and UDIs	4.68%
Foreign Currency	1.26%

MAIN CREDIT LINES RECEIVED 2Q14 (BANORTE) (Million pesos)					
	2Q13	1Q14	2Q14	Change vs. 2Q13	Change vs. 1Q14
Banxico (Monetary Regulation Deposits)	28,504	28,504	28,504	0%	0%
Banxico (Repos with the System of Payments)	35,739	38,732	39,195	10%	1%
Call Money	67,000	63,350	65,650	(2%)	4%
TOTAL	131,243	130,586	133,349	2%	2%

TRADING INCOME 2Q14	
<i>Million Pesos</i>	
Trading income	Consolidated
Securities - Unrealized gains	935
Negotiable instruments	531
Derivative instruments - Negotiation	413
Derivative instruments - Hedging	-8
Impairment loss or revaluation increase	-37
Result from foreign exchange valuation	-29
Result from valuation of precious metals	2
Result from purchase/sale of securities and derivatives	1163
Negotiable instruments	637
Securities held for sale	491
Securities held to maturity	17
Derivative instruments - Negotiation	0
Derivative instruments - Hedging	17
Result from purchase/sale of foreign exchange	647
Result from purchase/sale of precious metals	3
Transaction costs	0
Intermediation of received collateral	-4
Increase derived from trading income adjustments	0
Total	2,679

- **Risk Management**

AUTHORIZED BODIES

For proper Risk management, the Board of Directors established since 1997 the Risk Policy Committee (CPR) 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 INTEGRAL RISK ADMINISTRATION (UAIR)

The UAIR helps 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 DGAR 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 DGAR routes efforts and has methodologies for:

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

The main objectives of the DGAR 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 Group has divided risk assessment and risk management in the following areas:

Credit Risk: revenue volatility due to loan loss provisions for impaired loans, and, expected losses on borrower or counterparty defaults.

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.
- Define and keep updated the regulatory framework for the credit 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.

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 June 30, 2014, Banco Mercantil del Norte's total portfolio was Ps 423.48 billion. The expected loss represents 2.1% and the unexpected loss is 3.4% with respect to the total portfolio. The average expected loss is 2.1% during the period between April - June 2014.

Regarding Casa de Bolsa Banorte-Ixe's, the credit exposure of investments is Ps 53.57 billion and the expected loss represents 0.01% of the exposure. The average expected loss is 0.01% between April - June 2014.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 21.68 billion. The expected loss represents 0.9% and the unexpected loss is 3.5% of the total portfolio. The prospective loss average represents 1.0% in the period of April - June 2014.

The total portfolio of Solida Administradora de Portafolios was Ps 233 million. The expected loss of the portfolio represents 37.9% and the unexpected loss 0.1% both with respect to the total portfolio. The estimated loss average for the period of April - June 2014 was 30.3%.

The total portfolio of Banorte Ixe Tarjetas is Ps. 21.28 billion. The expected loss represents 11.9% and the unexpected loss 10.8% both with regard to the total portfolio. The estimated loss average represents 11.9% for the period of April - June 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 counterparts. Credit risk is assigned by means of a rating obtained with an internal methodology, through evaluations of external rating agencies or a combination of both. Maximum parameters of operation are also defined depending on the type of originator / issuer or counterpart, rating and type of operation.

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

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

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

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

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

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

As of June 30, 2014, exposure to credit risk for Securities Investments of Banco Mercantil del Norte was Ps 268.73 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 11% of the Basic Capital as of March 2014. 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 March 2014 has a higher or similar rating to AAA(mex) and is comprised of (average considered term, amount in billions of pesos and rate): bond certificates from Pemex to 7 years and 3 months for Ps. 13.10 to 3.3%; and Inbursa market certificates for 2 years and 3 months for Ps 6.98 at 3.4%.

The exposure of Derivatives is Ps (3.16) billion, of which 97.2% has a rating higher or equal to A-(mex) on local level, placing them in investment grade and the 3 main counterparties other than then Federal or State Governments and National Financial Institutions represent 2% of the Basic Capital of March 2014.

The exposure to credit risk for Securities Investments of Casa de Bolsa Banorte-Ixe was Ps 53.56 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 17% of the Basic Capital as of March 2014. 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 March 2014 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 8 month for Ps 2.33 billion at 3.3%; bond certificates of Banco Inbursa to 1 year and 6 months for Ps. 1.80 billion at 3.4%; Scotiabank market certificates for 1 year and 3 months for Ps 934 million at 3.4%; Banco del Bajío deposit certificates to 7 months for Ps 492 million at 3.6%; Deutsche Bank bonds to 8 years and 11 months for Ps 400 million at 9.9%. 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 218 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

In December 2005, the CNBV issued "General Rules Applied to Credit Institutions", which contains, among others, regulation 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):

Tier 1 to March 31, 2014	62,555
I. Financings whose individual amounts represent more than 10% of basic equity	
<u>Loan Operations</u>	
Number of financings	2
Total amount of financings	16,647
% in relation to Tier 1	27%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Tier 1	0%
<u>Overnight Operations</u>	
Number of financings	1
Total amount of financings	9,074
% in relation to Tier 1	15%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	31,461

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:

Equity at March 31, 2014	3,376
I. Financings whose individual amounts represent more than 10% of equity	
<u>Loan Operations</u>	
Number of financings	8
Total amount of financings	5,349
% in relation to equity	158%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to equity	0%
<u>Overnight Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	4,810

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

Equity at March 31, 2014	2,279
I. Financings whose individual amounts represent more than 10% of equity (on a group level):	
<u>Loan Operations</u>	
Number of financings	1
Total amount of financings	239
% in relation to equity	11%
<u>Money Market Operations</u>	
Number of financings	1
Total amount of financings	218
% in relation to equity	10%
<u>Overnight Operations</u>	
Number of financings	1
Total amount of financings	17
% in relation to equity	1%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	632

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

Equity at March 31, 2014	4,520
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I. Financings whose individual amounts represent more than 10% of basic equity (on a group level):

Loan Operations

Number of financings	0
Total amount of financings	0
% in relation to equity	0%

Money Market Operations

Number of financings	0
Total amount of financings	0
% in relation to equity	0%

Overnight Operations

Number of financings	0
Total amount of financings	0
% in relation to equity	0%

II. Maximum amount of financing with the 3 largest debtors and common risk groups:	5
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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 second quarter of 2014 for the portfolio is Ps 5.39 billion.

Million Pesos	2Q13	3Q13	4Q13	1Q14	2Q14
Total VaR*	3,732	4,473	4,616	5,149	5,389
Net Capital **	66,570	67,411	69,619	72,938	73,493
VaR / Net Capital	5.61%	6.64%	6.63%	7.06%	7.33%

* Quarter Average of Banorte

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

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

Million pesos

Risk Factor	VaR
Domestic interest rate	4,634
Foreign interest rate	1,371
IPC	125
Exchange rate	642
Total VaR - Bank	5,389

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 2Q14 is Ps 159 million, which represents 6.20% of the Institution's Net Capital as of June 2014.

CASA DE BOLSA BANORTE - IXE		Total
VaR by Portfolio & Risk Factor		2Q14
Million Pesos		
	Average	Closing
VaR		
Shares	0.02	0.01
Money Market	144.55	137.20
Treasury	77.38	74.98
TOTAL	158.56	137.89
Diversifications Effect	(63.39)	(74.30)
Net Capital as of June 2014		2,558
VAR / Net Capital	6.20%	5.39%

Banorte Ixe Tarjetas

The VaR average of the Banorte-Ixe Tarjetas for 2Q14 is Ps 345 million which represents +0.0% of the Institution's Net Capital to June 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.

BANORTE-IXE TARJETAS		Total
VaR Balance.		2Q14
Million Pesos		
	Average	Closing
VaR Balance	0.00	0.00
Net Capital *	3,759.48	3,929.04
VAR / Net Capital	0.00%	0.00%

*Previous net Capital as of closing June 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 interbank loans and short-term interbank loans. The liquidity ratio for Banorte at closing of 2Q14 is 120.3%, while the average for the quarter is 125.6%.

Million Pesos (at closing of the quarter)	2Q13	3Q13	4Q13	1Q14	2Q14
Liquid Assets	249,189	267,068	255,285	315,043	324,274
Liquid Liabilities	215,252	237,260	257,596	251,164	269,633

Liquidity Ratio	115.8%	112.6%	99.1%	125.4%	120.3%
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Million Pesos (average)	2Q13	3Q13	4Q13	1Q14	2Q14
Liquid Assets	228,551	254,324	249,265	302,080	317,154
Liquid Liabilities	197,362	221,354	237,931	245,161	252,417

Liquidity Ratio	115.8%	114.9%	104.8%	123.2%	125.6%
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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.

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 udís).

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 June 30, 2014 is 89.59%.

CASA DE BOLSA BANORTE IXE, S.A. DE C.V.	USE
Liquidity Risk	
Million Pesos	jun-14
Accumulated gap in 1 month (MXP + UDIS)	1,420
Liquid Assets	2,292
Net Capital	2,558
Liquidity vs. Capital	89.59%

The liquidity ratio vs. Net Capital of Arrendadora y Factor Banorte as of June 30, 2014 is 0.75%.

ARRENDADORA Y FACTOR BANORTE	USE
Liquidity Risk	
Million Pesos	jun-14
Accumulated gap in 1 month (MXP)	(1,770.08)
Accumulated gap in 3 months (MXP)	461.07
Liquid Assets*	26.51
Net Capital	3,535.03
Tier 1 Capital	3,535.03
Liquidity vs. Net Capital	0.75%
Liquidity vs. Tier 1 Capital	0.75%

*Balance in Cash and Due from Banks

The liquidity ratio vs. Net Capital of Solida Administradora de Portafolio to June 30, 2014 is 10.21%

Sólida Administradora de Portafolios	USE
Liquidity Risk	
Million Pesos	jun-14
Accumulated gap in 1 month (MXP)	(1,552)
Accumulated gap in 3 months (MXP)	(5,994)
Liquid Assets*	252
Net Capital	2,464
Tier 1 Capital	2,464
Liquidity vs. Net Capital	10.21%
Liquidity vs. Tier 1 Capital	10.21%

*Balance in Banks

The liquidity ratio vs. Net Capital for Banorte- Ixe Tarjetas to June 30, 2014 is 0.50%

Banorte Ixe Tarjetas	USE
Liquidity Risk	
Million Pesos	jun-14
Accumulated gap in 1 month (MXP)	2,900
Accumulated gap in 3 months (MXP)	3,071
Liquid Assets*	20
Net Capital	3,929
Tier 1 Capital	3,929
Liquidity vs. Net Capital	0.50%
Liquidity vs. Tier 1 Capital	0.50%

*Balance in Banks

➤ Operational Risk

GFNorte has a formal Operational Risk department pertaining to the "Managing Director" Operational 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.

Pillars of Operational Risk Management

I. Policies, Objectives and Guidelines

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

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

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

II. Quantitative and Qualitative Measuring Tools

Operating Losses Database

To record operating loss events, has a system that enables the central information supplier areas to directly record such events online, which are classified by Type of Event in accordance with the following categories:

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

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

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

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

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

- ***Risk Management Model***

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

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

III. Required Capital Calculation

In accordance with the Capitalization for Operational Risk Regulations in effect, the institution has adopted the Basic Model, which is calculated and reported periodically to the authorities.

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 or any relevant operating contingency.

➤ **Legal risk**

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

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

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

● **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 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 second 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.
- 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%.

- **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 35% of the basic part of the net capital as of January 10, 2014.

In GFNorte as of June 30 and March 31, 2014, the amount of loans granted to third parties is as follows (million pesos):

Institution granting the loan	Jun-2014	% of the limit	Mar-2014	% of the limit
Banorte	Ps 4.07	18.6%	Ps 6.19	30.2%
	Ps 4.07		Ps 6.19	

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

Banorte.

As of **June 30, 2014**, the total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 4.07 billion (including Ps 428 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.0% of Banorte's total loan portfolio (excluding the balance of CC and Support to Federal Government Housing Debtors). Of the total related loans, Ps 2.82 billion were loans granted to clients linked to members of the Board of Directors; Ps 884 million were granted to clients linked to shareholders and Ps 367 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 June 2014 was 18.6% 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. 98% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

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.

- **Loan or tax liabilities**

The tax credits listed below are currently in litigation:

	As of December 31, 2013
BANORTE	\$29
IMSS fees, various occupations	6
INFONAVIT fees, various occupations	23
BROKERAGE	\$35
Fiscal year 2007 (document 900 06 05-2010-03968)	35
SEGUROS BANORTE GENERALI, S. A. DE C. V.	\$15
Fiscal year 2003 (document 900-06-01-2009-9518)	15
IXE BANCO	\$13
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 not 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 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, March 26, 2014, May 12 and 19, 2014 and July 3, 2014. 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.