2010 Annual Report

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V.
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C. P. 64830
Monterrey, N. L., Mexico.

This Annual Report was prepared in accordance with regulations applicable to companies issuing securities as well as other participants in the market with information for the fiscal year ending December 31st, 2010.

The 2,018,347,548 "O" series shares of Grupo Financiero Banorte, S.A.B. de C.V. in circulation as of December 31st, 2010 were traded in the BMV under the symbol "GFNORTEO."

The second to last paragraph of Article 86 of the Stock Market Law states that: Issuing companies with registered securities, must display in the prospectus, supplement or informative pamphlet, a legend that explicitly states that such registration does not imply a certification of the attractiveness of those securities, solvency of the issuer or the accuracy or truthfulness of the information contained in the prospectus, nor does it authenticate acts that, if the case, have been conducted in breach of these laws.

This report is available on the Internet at www.banorte.com/ri. Select “Annual Reports”, in the Financial Information section, and then the document entitled “2010 Annual Report”.

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1. GENERAL INFORMATION

a) GLOSSARY OF TERMS AND DEFINITIONS

ABM:	Asociación de Bancos de México, A. C. (Mexican Bankers Association)
ADE:	Acuerdo de Apoyo Inmediato a Deudores (Agreement for Immediate Debtor Support)
ADR's:	American Depositary Receipts
Bancen:	Banco del Centro, S. A.
Bancrecer:	Bancrecer, S. A.
Banorte:	Banco Mercantil del Norte, S. A. (Banco Mercantil del Norte, S. A.)
Banorte USA:	Banorte USA Corp., subsidiary of Banco Mercantil del Norte, S. A.
Banxico:	Bank of Mexico (Mexican Central Bank)
BMV:	Bolsa Mexicana de Valores, S. A. de C. V. (Mexican Stock Exchange)
BPA´S:	Bonos de Protección al Ahorro (Savings Bonds)
Call Center:	Call center for clients (Banortel)
CC:	Credit letters
CEBUR:	Certificado Bursátil (Stock Certificate)
CEDES:	Certificados de Depósito a Plazo Fijo (Fixed terms Certificates of Deposit)
COFECO:	Comisión Federal de Competencia Económica (Federal Commission of Economic Competition)
Cetes:	Mexican Federal Treasury Certificates
CNBV:	Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission)
CPO´s:	Certificados de Participación Ordinarios (Ordinary Participation Certificates)
D:	Director
DE:	Director Ejecutivo (Executive Director)
DG:	Director General (Managing Director)
DGAR:	Department of Risk Management
Emisnet:	Electronic Communications System with Securities Issuers
EUA:	United States of America
FINAPE:	Agricultural and Fishing Sector Financing Agreement
FOBAPROA:	Fondo Bancario de Protección al Ahorro (Deposit Insurance Fund)
FOPYME:	Financial and Promotional Support Agreement for Micro, Small and Medium Businesses
Forward:	Non-standardized private contract to buy or sell a specific asset at a certain price level whose liquidation will be carried out at a future date.
Generali:	Assicurazioni Generali, company of Italian origin
GFNorte:	Grupo Financiero Banorte, S. A. B. de C. V.
Holding:	Holding company
ICV:	Past due loan ratio
IFC:	International Finance Corporation
IMPAC:	Ley del Impuesto al Activo(Tax Law).
INB:	Inter National Bank, INB Financial Corp.
Indeval:	Institute of Securities Deposit
IPAB:	Instituto para la Protección al Ahorro Bancario (Institute for the Protection of Banking Savings)
ISR:	Income Tax
LIC:	Credit Institutions Law
M.E.:	Moneda extranjera (Foreign currency)
MF:	Margin Financiero (Net Interest Income)
MIN:	Margen de interés neto (Net Interest Margin)
M. N.:	Moneda nacional (Local currency, Mexican pesos)
Motran:	Motran Services Incorporated (remittance company based en Los Angeles, California)
Nafin:	Nacional Financiera

OTC:	Over the Counter
pp:	Percentage points
POS:	Point of Sale Terminal
PRLV:	Pagarés Bancarios con Rendimiento Liquidable al Vencimiento (Bank notes with liquid yields at maturity)
Pronegocio:	Créditos Pronegocio, S.A. de C.V., Sociedad Financiera de Objeto Limitado, Grupo Financiero Banorte
PTU:	Employee Profit Sharing Agreement
PyMES:	Small and Medium Sized Businesses
REPOMO:	Resultado de posición monetaria (Result of monetary position)
ROA:	Return on Average Assets
ROE:	Return on Average Equity
SAT:	Servicio de Administración Tributaria (Tax Administration Service)
SD:	Deputy Director
Bank Sector:	Banorte and subsidiaries and the Afore by the participation method
SHCP:	Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit)
SIEFORE:	Sociedad de Inversión Especializada de Fondos para el Retiro (Specialized Retirement Savings Fund)
SOFOL:	Sociedad Financiera de Objeto Limitado (Restricted Non Banking Financial Institution)
SOFOM:	Sociedad Financiera de Objeto Múltiple (Multi-purpose Non Banking Financial Institution)
Sólida:	Sólida Administradora de Portafolios, S. A. de C. V. (Recovery Banking Unit)
Swap:	Private contract establishing the bilateral obligation to exchange one stream of cash flow for another for a set period of time on pre-established dates. Swaps can be used to hedge certain risks such as interest rate risk, or to speculate on changes in the expected direction of underlying prices.
Tier 1:	Basic capital
Tier 2:	Complementary capital
TIIE:	Tasa de Interés Interbancaria de Equilibrio (Inter-bank Equilibrium Interest Rate)
UDIS:	Units of investment indexed to inflation
UniTeller:	UniTeller Holdings, Inc. (remittance company based in New Jersey).
USD:	US dollars
VaR:	Valor en Riesgo (Risk Value)

b) EXECUTIVE SUMMARY

When analyzing the information contained in this report, it is important to consider the following:

- ✓ Figures for 2008 are not fully comparable with those of 2009 and 2010 because on April 27th and May 28th, 2009 the CNBV announced changes to accounting regulations and criteria for credit institutions and controlling financial groups, respectively. The effects of the reclassifications as a result of the retroactive application of these changes in accounting criteria are shown in Note 4 of the Audited Financial Statements.
- ✓ Certain amounts and percentages in this report have been rounded off, and thus the figures presented in different charts can vary slightly. As a result, some figures which appear as totals are not an exact arithmetic sum of the figures that precede them.
- ✓ In accordance with established accounting norms, the re-expression of financial statements as of January 2008 is unnecessary.

Results

Grupo Financiero Banorte's Net Income in 2010 was Ps 6.71 billion, a 15% YoY growth. This annual increase was mainly due to greater Non Interest Income, a positive operating leverage and fewer Loan Loss Reserves. Also, ROE was 15.5%, greater than the 14.9% registered in 2009, while ROA increased to 1.2%.

Net Interest Income decreased by (2%) YoY in 2010, reaching Ps 22.73 billion; affected mainly by lower average market interest rates compared to the previous year.

During this period, Banking Sector profits totaled Ps 5.39 billion, a 13% YoY increase. The Broker Dealer registered Ps 403 million in profits, a 98% YoY increase compared to 2009; Other Finance Companies reported net income of Ps 500 million, 18% more than in 2009 and the Long Term Savings Sector reported profits of Ps 444 million, a 17% YoY increase.

Net Income per Sector	2010	2009
Banking Sector [1]	**$5,387**	**$4,786**
Broker Dealer	**403**	**203**
Long Term Savings Sector	**444**	**380**
Afore	208	141
Insurance	230	224
Annuities	6	16
Other Finance Companies	**500**	**425**
Leasing and Factoring [2]	443	403
Warehousing	57	22
Micro Lending [3]	**0**	**15**
Holding	**(29)**	**45**
GFNorte	**$6,705**	**$5,854**

Majority participation in million pesos.
(1) From 2008 to 2Q09 participation was 97.06%, as of 3Q09 it increased to 97.07%, and since 4Q09 it has been 92.72%.
(2) Leasing and Factoring were merged as of February 2008.
(3) Merged with Banco Mercantil del Norte as of August 31st, 2009.

Deposits

At year end, total deposits were Ps 292.62 billion, 6% higher YoY, driven mainly by 9% annual growth in demand deposits and 5% growth in retail term deposits.

Loans

Performing loans increased by 10% YoY from Ps 238.28 billion in 2009 to Ps 263.1 billion in 2010; excluding the portfolio managed by the Recovery Bank of Ps 454 million. .

Asset Quality

At closing of 2010, past due loans grew by 8%, driven mainly by the classification of the Mexicana de Aviacion loan as delinquent during the fourth quarter of 2010. The past due loan ratio was 2.5%, while the reserve coverage for past due loans was 123.7%.

Efficiency

The efficiency ratio was 52.6% in 2010, slightly lower than the 52.3% in 2009. Non Interest Expenses increased by 4%, totaling Ps 17.69 billion, due to greater expenses related to personnel, rents, depreciation and amortizations, and employee profit sharing (PTU).

Monthly stock performance for the last 6 months:

Date	Maximum	Minimum	Close	Volume of Shares (Daily Average)	Total Volume
31/12/2010	60.8	53.51	58.86	3,824,100	87,954,300
31/01/2011	60.19	52.82	53.98	4,195,862	88,113,100
28/02/2011	57.1	52.1	54.96	8,059,516	153,130,800
31/03/2011	56.09	51.9	55.98	3,876,336	85,279,400
30/04/2011	60.64	55.00	57.97	7,321,247	139,103,700
31/05/2011	59.00	56.95	53.94	6,885,777	151,487,100

*P/VL = Price/Book Value
**P/U = Price/Earnings
Source: Casa de Bolsa Banorte (Broker Dealer Banorte). The indicators were calculated with figures known at the time of this report.

In Section 2. "THE COMPANY" in part a) DEVELOPMENT AND HISTORY OF THE ISSUER of this annual report are the Material Events of 2010, as well as those which happened during the first quarter of 2011.

c) RISK FACTORS

Risks related to Mexico

Macro-economic Situation

To a large extent, GFNorte's main activities are conducted in Mexico and depend on the performance of the Mexican economy. Historically, Mexico has had recurring economic crises characterized by high inflation rates, volatility and devaluation in the exchange rate, high interest rates, reduced consumer demand as well as credit availability, an increase in the unemployment rate and a loss of investors' confidence, among other things. GFNorte cannot guarantee that such events will not happen again in the future and that situations resulting from such events will not affect the financial situation, businesses or operating results of the Group.

Economic Growth

Any reduction in Mexico's economic growth rate, periods of negative growth and/or increased inflation and/or interest rates could create a reduction in the demand for the Group's products and services, a reduction of prices for such products and services, or a demand for products and services with lower margins. Because many of its costs and expenses are fixed, GFNorte would find it difficult to adjust these costs and expenses to face any events which could negatively affect profit margins.

Significant depreciation and/or devaluation of the peso in face of other currencies

Despite the fact that the peso has been relatively stable in the last few years vis a vis the US dollar and other currencies, (except for the last months of 2008 and first months of 2009), if a significant devaluation of the peso were to happen with respect to the dollar or other currencies, the Mexican economy would be negatively affected and would therefore have to restrict transfers or conversions of pesos into dollars and other foreign currencies.

Inflation

Inflation in Mexico, measured by the increase in the national index of consumer prices, published by Banxico, was 4.40% in 2010. If inflation increases more than wages, the result would adversely affect the purchasing power of individuals and companies with loans, and therefore their payment capacity.

Interest Rates

In the last few years, Mexico has maintained interest rates below two digits. Adverse situations in the national economy could result in substantial increases in market interest rates, which in turn would affect the payment capacity of borrowers, with adverse repercussions in the Bank's business, financial situation and operating results.

Employment Level

In the event that changes in the economic, political or social environment result in a loss of employment in the country, the payment capacity of individuals and companies with loans would be adversely affected by the loss of their source of income, which in turn would cause a reduction in the Group's receivables and therefore an increase in delinquencies.

Changes in governmental dispositions

Any change in the law or in governmental policies and strategies related to the services and financial products offered by banking institutions could affect the operational and legal framework of Banorte, thereby impacting its business, financial situation or operating results.

Political Situation

As a result of the federal elections held in July 2006, no party holds a majority in Congress, impeding them from controlling any of the Chambers (Deputies and Senate).

GFNorte cannot ensure that political events in Mexico, over which it has no control, will not have an unfavorable effect in its financial situation or results.

Risks related to Multiple Banking Institutions

Competition in financial services

Banorte faces strong competition from other Mexican financial institutions that target the same corporate and individual segments, as well as global financial institutions. Banorte is constantly facing strong competition from new banks recently authorized by Hacienda to begin operations that, in some way, seek to penetrate the same corporate and individual segments as Banorte, as well as non-regulated entities, commonly known as SOFOMES, whose main activity is originating loans.

Changes in governmental regulations

Credit institutions are subject to regulations regarding their organization, operation, capitalization, transactions with related parties, reserves for credit losses, diversification of investments, liquidity ratio levels, loan origination policies, interest rate levels and accounting criteria, among other aspects. This regulation has been modified in recent years, causing changes in Banorte's financial statements. Should the applicable regulations be modified again in the future, their effects could have an unfavorable impact in the business, financial situation or the operating results of Banorte.

Foreclosures

Foreclosures are conducted through legal procedures which, on occasion, can become lengthy or hindered. Delays or impediments in foreclosures can adversely affect the value of the property pledged as collateral and the business, financial situation or operating results of Banorte as well.

Credit risk reserves

Banking regulations for loans establish that multiple banking institutions must rate their portfolios based on the estimated level of risk according to qualitative and quantitative factors to establish the corresponding credit reserves. Banorte meets the current requirements for portfolio rating and considers that the preventive estimate for credit risks is enough to cover expected or unexpected losses in its loan portfolio. The policy it follows is to create reserves at the maximum levels allowed by the law, its purpose being to have a solid contingency structure in the face of any eventuality in its portfolio. Should an increase in reserves be considered necessary, or if regulations for rating loan portfolios are modified and require increased reserves, this could adversely affect the operating results and the capitalization level of the bank.

It is important to mention that on August 22, 2008, the Ministry of Finance and Public Credit published in the Diario Oficial de la Federación a resolution that modifies the dispositions applicable to credit institutions. Section II of Article 91 establishes a progressive chart so that credit institutions rate the portfolio, constitute and register preventive reserves for revolving consumer credit portfolios in their accounting. In accordance with the Second Transitory Article of this resolution, credit institutions must adhere to the chart of Section II of Article 91 by the last day of October 2008 at the very latest. In this regard, Banorte has met this requirement and already reflects the changes in regulations in its 2008 financial statements.

Liquidity

Deposits made by clients constitute an important financing source for Banorte. The short term nature of this source of funding can represent a liquidity risk for Banorte if the deposits do not reach the expected volumes or if deposits are withdrawn in an unexpected manner.

Foreign currency operations

In accordance with Banxico regulations, Banorte's liabilities expressed in foreign currency are subject to a liquidity coefficient which must not exceed a determined level with respect to its regulatory capital. Although Banorte meets the applicable dispositions and follows procedures for the administration of risk positions in connection with its bank and treasury activities and movements, it cannot ensure that it won't be subject to losses with regards to futures positions in the event of volatile exchange rates or interest rates, which could have an adverse effect on business, the financial situation or operating results of Banorte.

Possible Increase in the Past Due Loan Portfolio

The recent global financial crisis has created high volatility in the international and local markets. This situation has generated devaluation in exchange rates, high interest rates, a strong reduction in consumer demand, increased unemployment ratios, reduction in credit availability and lowered confidence from investors on a global scale, among others. All these elements could cause Banorte's past due loans to grow, since there is more probability of payment delinquencies. Although Banorte has diverse policies and controls regarding loan placements and collection of payments, these policies and controls cannot prevent an increase in the past due loan portfolio in adverse situations that at the moment reign in the national and international economies.

Risk related to Banorte

Foreseen risks in financial statement notes

Banorte is subject to a series of risks including market risk, credit, liquidity, operating, technological and legal risks. The consolidated financial statement notes for Banorte, included as annexes to this report, contain a description of these risks. Any reassessment of these risks could adversely affect the business, financial situation or operating results of Banorte.

Withdrawal of authorization to operate

In accordance with the LIC (Credit Institutions Law), some of the reasons for which the CNBV could revoke Banorte's authorization to operate as a banking institution are if the bank: (i) does not carry out the corrective measures required by the CNBV; (ii) does not implement the established capitalization requirements according to applicable legal dispositions; (iii) in certain cases, does not fulfill its debt obligations or its obligations derived from compensation processes or those with its depositors; and (iv) repeatedly conducts operations that are prohibited or sanctioned according to the LIC (see “Applicable Legislation and Tax Situation”).

Market risk

Banorte is exposed to market risks from different risk factors associated to positions it maintains in a wide range of financial products, including maturing instruments, derivatives and privately placed debt certificates. Measuring the market risk quantifies the potential change in value of the investment positions assumed as a consequence of changes in the risk factors associated with these positions. These changes can affect the operating results and the financial position of Banorte.

An integral risk administration ensures an appropriate control through a group of management, measurement and information policies, as well as established limits for market risk factors. Global risk measurement is assessed through a combination of methodologies applied to trading portfolios and the structural balance sheet.

Banorte fulfills the dispositions and requirements of authorities in a timely fashion, continuously implementing improvements according to healthy and better market practices with respect to risk administration.

For more information, see Notes 32 Risk Administration and 33. Unit for Integral Risk Administration (UAIR), of Section 8 ANNEXES of this report.

Acquisition of other financial institutions

The capacity for growth through new acquisitions depends on and can be limited to, the availability of suitable candidates for acquisition, the capacity to negotiate acceptable terms for the acquisition, and the evaluation of the characteristics of the potential acquisition, such as:

- Financial situation and operating results;
- Attractive products and services;
- Adequate distribution channels; and
- Management’s expertise.

Equally, the completion of these acquisitions is subject to a series of risks that include:

- Access to capital and financing resources;
- Restrictions in debt instruments; and
- The uncertainty of legal conditions related to mergers and acquisitions.

Growth through acquisitions involves risks that could have a substantial and adverse effect in results, including:

- Difficulties in the integration of operations;
- Undisclosed liabilities and other hidden problems related to asset quality;
- The acquired entities do not achieve expected results;
- Unqualified personnel in the acquired business;
- The distraction of management from operations of the existing business;
- Possible inability to achieve synergies and/or expected economies of scale; and
- The possible loss of key personnel and clients in the acquired entity.

d) OTHER SECURITIES

GFNorte has fulfilled its obligations in reporting material events through the Emisnet system of the stock exchange (BMV), as well as with the financial and legal information that it is obligated to present periodically in accordance with the law.

e) SIGNIFICANT CHANGES TO REGISTERED SECURITIES’ RIGHTS

GFNorte does not have any debt securities issued for terms longer than 1 year.

f) DESTINATION OF FUNDS

Not applicable.

g) PUBLIC DOCUMENTS

The Investor Relations Department, in charge of David Ricardo Suarez Cortazar, is the area responsible for attending analysts and investors. It is located at:

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E-mail: investor@banorte.com.

This report is available to the general public at: www.banorte.com/ri Select "Annual Reports" in the Financial Information section and the document entitled “Circular Unica CNBV 2010“.

2. THE COMPANY

a) DEVELOPMENT AND HISTORY OF THE ISSUER

GFNorte operates under the commercial name of "Banorte" and was constituted on July 21st, 1992 in Mexico City for an indefinite period of time.

The main offices are located in:

MEXICO CITY, D. F.
Ave. Prolongacion Reforma 1230, Col. Cruz Manca Santa Fe, Delegación Cuajimalpa
C. P. 05300, Mexico, D. F. (0155) 1103-4000

MONTERREY, N. L.
Ave. Revolucion 3000, Col. Primavera
C. P. 64830 Monterrey, N. L., Mexico (0181) 8319-6500

GFNorte's most important historical events

GFNorte's origins dateback to the founding of Banco Mercantil de Monterrey in 1899 and the Banco Regional del Norte in 1947, both with headquarters in Monterrey, Nuevo Leon, Mexico. These banks merged in January 1986 under the name of Banco Mercantil del Norte, Sociedad Nacional de Crédito. In May 1987 the bank began the private placement of its equity participation certificates, which marked the beginning of its privatization and also of its expansion; as of 1990 leasing services were offered and a year later factoring and warehousing services were also available. In 1993 "Afin Casa de Bolsa" was incorporated which today is the "Casa de Bolsa Banorte", completing the current Grupo Financiero Banorte. In 1997 GFNorte acquired Bancen and Banpaís, strengthening its position and achieving its objective of becoming an institution with nationwide presence. All the necessary corporate acts were successfully conducted for the accounting and fiscal merger of Banpaís with Banorte and as of March 1st, 2000 the latter subsists. On September 30th, 1997 a joint-investment contract with Assicurazioni Generali S.P.A. was signed, entitling the Italian institution to 49% of Afore Banorte, Seguros Banorte and Pensiones Banorte, officially integrating this partner into the Long Term Savings division. Later on, Banorte acquired Bancrecer and on January 8th, 2002 took over its management, initiating the integration process. SHCP authorized the merger, changing the name of the merged entity to "Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte". On August 28th, 2006 Bancen also merged with Banorte through a resolution of their respective Extraordinary General Shareholders' Meetings held on August 16th and 17th, 2006, thereby concluding the last phase of integration of this bank. As part of a development strategy in the US, on November 16th, 2006 GFNorte acquired 70% of INB shares. INB had 14 branches when it was acquired and its headquarters were located in McAllen, Texas. On January 18th, 2007 the purchase of 100% of Uniteller, a New Jersey based remittance company was formalized; and in the following December 100% of Motran Services, Inc., another remittance company based in L.A., California was acquired - strengthening Banorte's presence in the remittance sector. On March 30th, 2007, the Bonding Company was divested from Grupo Financiero and as of January 31st, 2008 the factoring and leasing companies were merged. Finally, on April 1st, the remaining 30% of INB Financial Corp. shares were purchased. On August 31st, 2009 Pronegocio and Banorte merged in order to improve efficiency. Pronegocio began operations as a subsidiary of GFNorte in February 2005 with the objective of attending the unbanked population. On November 12th, 2009 International Financial Corporation (IFC) invested US $150 million dollars in Banco Mercantil del Norte, which represented 4.48% of Banorte's capital. On November 17th, 2010 Grupo Financiero Banorte and IXE Grupo Financiero reached a binding merger agreement through an exchange of shares. In the first quarter of 2011, authorizations to carry out the merger were obtained from the CNBV, the Shareholders' Meetings, SHCP and COFECO. The merger came into effect on April 15th, 2011 after registering the authorization and merger agreement in the Public Registry of Commerce in Monterrey, Nuevo León.

Material events in 2010 and 1Q11

The rating agency Moody's modifies the rating of the Tier 1 subordinated debt issued during 2006 in the international financial markets. In February 2010 Moody's informed its decision to reduce in two notches, from Baa2 to Ba1, the rating of the bank's subordinated debt issued in the international markets in 2006 which are eligible for Tier 1 capital. The downgrade is a result of changes in Moody's methodology for rating hybrid instruments and subordinated debt which was published in November 2009. The rating agency also mentioned that the outlook for these instruments was stable, and that other bank ratings were not affected by the change in methodology.

Issuance of senior debt securities

In July 2010, Banco Mercantil del Norte, through its Grand Cayman branch, successfully concluded the issuance of Non-Guaranteed Senior Debt Notes in the international markets for a total amount of US 300 million dollars.

Banorte and 7-Eleven Mexico initiate third party correspondent transactions

On July 15th, 2010 Banorte received authorization from the CNBV to sign a correspondent agreement with 7-Eleven Mexico, to jointly offer financial services. Operations formally began on November 9th, 2010 in seven states across the country, enabling clients and Banorte account holders to make deposits into their accounts, pay various services and their Banorte credit cards in more than 1,170 7-Eleven stores.

ADRs begin trading in the OTCQX International Premier platform

On July 15th, 2010 GFNorte received authorization for its American Depositary Receipts program (ADR's) Level 1 to be listed and to begin operating in OTCQX International Premier, the market's highest tier for Over the Counter transactions.

Payment of a cash dividend

GFNorte's General Ordinary Shareholders' Meeting held on October 4th, 2010 decreed the payment of a cash dividend for the amount of Ps 0.52 per share corresponding to the profits of 2009, which was paid in three installments. The first installment of Ps 0.17 per share was authorized to be paid on October 15th, 2010. The remainder was covered in two installments of Ps 0.17 and Ps 0.18, paid in February 2011 and May 2011 respectively, with previous authorization from the corresponding Shareholders' Meetings.

Construction of a modern Call Center

On November 4th, 2010, the Governor of Nuevo León, Rodrigo Medina de la Cruz, and Roberto González Barrera, GFNorte's Chairman, accompanied by the CEO, Alejandro Valenzuela, set the first stone of what will be the "Banorte Call Center", an environmentally friendly, modern building through which the institution will generate around 2,000 jobs, primarily for students, with an initial investment of over Ps 600 million.

Merger between Grupo Financiero Banorte and Ixe Grupo Financiero

On November 17th, 2010 Grupo Financiero Banorte and IXE Grupo Financiero (Ixe) reached a binding merger agreement through an exchange of shares. On February 3rd, 2011, the Antitrust Commission (Comisión Federal de Competencia) authorized the concentration, through a merger of the two Financial Groups, since the concentration ratios resulting from the transaction between GFNORTE and Ixe in the markets where they have joint operations resulted within the thresholds established by the Commission. On March 8th, 2011, the Ministry of Finance (SHCP) authorized the merger with prior positive opinion from the National Banking and Securities Commission (CNBV) and Bank of Mexico (Banxico). On March 30th, 2011 the Shareholders' Meeting of both Financial Groups voted by a majority in favor of the merger.

Through this process, all the necessary legal authorizations were obtained to carry out the merger of both Financial Groups, which became effective on April 15th, 2011, the date on which the authorization from the SHCP and the merger agreements were registered in the corresponding Public Registry of Commerce.

GFNorte increased the variable portion of its capital stock by issuing 308,010,234 shares with an exchange ratio of 0.3889943074. GFNorte also replaced all of its outstanding shares in circulation with new securities representing the total shares issued by GFNorte and carried out the exchange of Ixe's shares for GFNorte's shares.

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

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

The merged Financial Group resulted in an integrated institution with total assets of approximately Ps 704 billion; a loan portfolio of Ps 302 billion and deposits of Ps 320 billion, according to the data published by the National Banking and Securities Commission. Also, its distribution network increased to 1,290 branches; over 6,200 ATMs and more than 10,000 contact points for the public in general (including branches, third party correspondents and ATMs), as well as more than 63,000 point of sale terminals.

Securitization of Controladora Comercial Mexicana, S. A. B. de C. V. (CCM)'s delinquent loan

In December 2010, Banorte securitized the collection rights that it maintained for the loan granted to CCM that had been written off. Through this transaction, Banorte transferred all the risks and benefits associated with this loan to a Trust created especially for this purpose. The Trust issued certificates for Ps 596 among private investors. These certificates guaranteed their holders a net payment derived from the payments received from each one of the CCM loan tranches, once reasonable expenses are discounted in accordance with the trust contract. The securitization was registered as a sale, and because the loan had been written-off in 2009, the proceeds were recognized in net income as a profit of Ps 596, generated by the difference between the registered assets received at reasonable value and the accounting value of the transferred assets.

Mexicana de Aviacion Exposure

During 2010, one of our most important corporate clients, related to the aviation industry, filed for bankruptcy protection and ceased operations. As a result, and following Banorte's commitment to proactively manage problematic exposures, the bank created reserves to fully provision the total outstanding balance of the loan of Ps 1.25 billion.

Sale of Gruma's equity participation in Grupo Financiero Banorte

On January 21st, 2011, Gruma announced its intention to sell part or all of its investment in the common shares of GFNorte through a global offering, which represented 8.8% of GFNorte's share capital. On February 9th, 2011, Banorte priced the placement of its common shares in an international offering and a public offering in Mexico at a price of Ps 52.00 per common share, constituting an offer size of Ps.8,393,107,060.00 excluding the over-allotment option. The Mexican and the International underwriters decided to exercise the over- allotment option fully (16,140,591 shares) on February 11th, 2011, and as a result, all of the shares included in the Global Offering were settled on February 15th, 2011. Consequently, the total proceeds from the Offering of 177,546,496 shares were delivered to the selling shareholder Gruma. Following the offering and the exercise of the over-allotment option by the initial purchasers and the Mexican underwriters, Gruma no longer owns any of GFNorte's capital.

GFNorte's Board of Directors

In GFNorte's General Ordinary Shareholders' Meeting held on February 18th, 2011, Guillermo Ortiz Martínez was appointed Chairman and Related Member of the Board of Directors of Grupo Financiero Banorte, and Roberto Gonzalez Barrera as Chairman Emeritus of the Group. Also, during the Shareholders' Meeting held on April 23rd, 2010 Everardo Elizondo, former Under-Governor of the Bank of Mexico and Patricia Armendariz, former Vice-president of the National Banking and Securities Commission, were appointed as Independent Members of GFNorte's Board of Directors. With these appointments, Banorte increased the number of Independent Members to 8, more than 50% of the total members on the Board of Directors; this strengthens Banorte's Corporate Governance, aligning it to the best corporate practices worldwide.

Banorte and Cardtronics announce strategic Business Alliance

On March 30th, 2011, Grupo Financiero Banorte announced that it had reached an agreement with Cardtronics in order to integrate 2,000 ATMs into GFNorte's existing network. With this strategic alliance and the merger with

IXE, GFNorte, will have one of the largest ATM networks in Mexico; offering clients access to more than 7,000 ATMs free of service fees, by yearend. This alliance with Cardtronics will allow Banorte to continue its ongoing technological expansion.

RECOGNITIONS:

Banorte recognized as “Best Financial Group in Mexico 2010” by World Finance:
In April 2010, Grupo Financiero Banorte was awarded “Best Financial Group in Mexico 2010” by "World Finance" magazine for a second consecutive occasion. This recognition is granted to leading companies in the financial sector. The main selection criteria was: excellence in customer service, value added and transparency to investors, innovation and flexibility, ability to remain ahead of the competition, evidence of greater market penetration, market transformations, leadership and geographic scope.

Banorte ranks among the top ten companies in "A Great Place to Work" survey
In its debut in the "Great Place to Work" ranking, Banorte was considered amongst the top ten companies to work that employ 5,000 or more people. As part of the certification process, the "Great Place to Work Institute" in Mexico carried out a survey among the employees of the 400 participating companies, as well as an analysisof human resources’ practices.

CONDUSEF rates Banorte as the Bank with the most transparent payroll account
The financial ombudsman, CONDUSEF, ranked Banorte as the bank with the most transparent payroll account, assigning the product with a grade of 10, the highest granted by that Commission. The bank stood out for the transparency in contracts, websites, letterheads and account statements issued by the institution.

Nacional Financiera (Nafin) recognizes Banorte as a Leader in the SME sector
For a second consecutive year, on December 12th, 2010, Banorte was recognized as the institution receiving the highest number of awards from Nafin for the support offered to small & medium sized Mexican companies (SMEs) during 2010. Banorte received awards from Nafin for: "Financing to the SME Sector" and "Leadership in the Productive Chain Program to promote SME Growth."

Banorte Movil, the Bank in your Mobile phone, demonstrates its leadership
“Banorte Movil” received the “Best Solution in the Mobile Category" award granted by the Mexican Internet Association and the Latin American Institute of Electronic Commerce, as well as the “E-Commerce Award Mexico 2010." These recognitions demonstrate Banorte’s leadership in technology and innovation in mobile banking.

b) BUSINESS DESCRIPTION

i. MAIN ACTIVITIES

GFNorte was authorized by the Ministry of Finance and Public Credit (SHCP) to operate as a holding company of those companies mentioned later in this report (item ix. Corporate Structure), according to the guidelines and terms established by the Law to Regulate Financial Groups and general regulations issued by the CNBV.

Its main activity is to acquire and manage shares representing equity of financial entities and societies that provide them with complementary or auxiliary services as well as other types of societies determined by the SHCP.

GFNorte offers:

- Banking Sector: universal banking services in Mexico and - through INB - in the state of Texas, USA.
- Long-term Savings: retirement savings funds (Afore), insurance and annuities.
- Other finance companies: leasing & factoring and warehousing services.

- Broker Dealer: capital market services and products.

The main activity of the Banking Sector is to offer universal banking products and services through the following business lines:

- **Retail Bank:** specializing in individuals and small businesses providing them with non specialized products and banking services through our distribution channels. Among the products and services offered are: checking and savings accounts, credit cards, mortgages, car loans, payroll and personal loans.

- **Corporate Bank**: this segment specializes in credit products for small and medium sized companies. Main products are loans and lines of credit, cash management, fiduciary and payroll payment services. Comprehensive financial solutions are also offered to our corporate (Mexican corporations and large foreign multi-national corporations) clients through several specialized types of financing.

- **Government Banking:** federal, local and state governments in Mexico and other entities such as social security institutions, etc. are served through this unit. Products and services offered include checking accounts, loans, cash management, payroll services and insurance products among others.

- **Recovery Bank:** the Solida subsidiary, is responsible for the management, collection and recovery of delinquent loans originated by the bank. It also conducts the management, collection of loans and real estate portfolios acquired through public and private auctions.

ii. DISTRIBUTION CHANNELS

Branch network

The branch expansion strategy during 2010 consisted of entering markets in development phase, while consolidating our presence and coverage in markets in which we maintain leadership.

During 2010, there were 62 branch movements: 46 openings, 12 relocations and 4 expansions, to finish the year with a network of 1,134 branches distributed among 342 places.

The 6 S's quality model, based on the principle of standardizing installations, image, operating efficiency, service and sustainability, advanced significantly in 2010, increasing the number of certified branches in the network to 87%, with a total of 91% of branches currently operating under this quality model.

This model is based on focusing on the client's needs, and the 6' Ss that are being implemented in the branches are: Selection, Order, Cleanliness, Service, Standardize and Discipline.

ATMs

In 2010, important advances were made in the technological renovation of our ATM network to offer the best service available and to continue positioning ourselves as one of the leaders in this sector.

As a result, our network grew by 12% YoY to 5,000 ATMs nationwide. ATMs offer convenience to our clients in their transactions: 47% of total transactions were conducted through this channel.

"Banortel" Call Center

In 2010, our contact center answered more than 29.7 million calls, achieving high efficiency and service quality ratios: only 5% of the calls were put on hold and waiting time was 34 seconds, levels within the acceptable standards for call centers.

The construction began of a building that will consolidate 14 calls centers into one more efficient and sustainable installation, with the latest in technology and security systems. The investment will be over Ps 600 million, and this project will generate 2,000 jobs in the state of Nuevo León.

Merchant Acquiring Business / (Point of Sale Terminals – POSs)

In 2010, Banorte reached 58,000 affiliations, while the number of transactions increased to 82 million, for a total billing of Ps 63 billion. The service offered to the affiliated members, as well as to the final clients, was highly efficient through the use of terminals and the Internet.

Banorte through the Internet

In 2010, more than 759,000 clients used an efficient, reliable and environmentally friendly service through Banorte's online banking, conducting more than 292 million transactions through the use of a menu with 80 different operations. To achieve this, new services were introduced through a technological platform characterized for its efficiency and reliability.

Innovation in delivery channels

Third Party Correspondent Banking

Third Party Correspondents with Telecomm-Telégrafos

Banorte offers correspondent banking services through 1,576 locations in places lacking or with limited access to banking services. In 2010, 5.5 million operations were carried out such as: deposits to accounts, cash withdrawals, purchasing insurance, payment of services and credit cards, as well as the management of 7,689 savings accounts.

7-Eleven

This year, third party correspondent bank operations began with 7-Eleven, one of the largest convenience store chains with the highest growth rate in the sector in Mexico. This correspondent agreement, the first of its kind approved by the National Banking and Securities Commission (CNBV), has facilitated the expansion of bank services into seven states across the country, with more than 1,170 stores where clients can easily make deposits, pay their Banorte credit card, as well as pay other services.

With this agreement, we have made banking services easily available and more importantly, we provide a service that contributes to the well-being of thousands of Mexicans with scarce resources, thus fulfilling one of our goals as a Socially Responsible Company.

Banorte Móvil

Banorte Movil, our banking platform through mobile phones, was consolidated in 2010. It offers a global, efficient, secure and sustainable solution to a wide sector of clients, since its platform is compatible with all the mobile telephone service providers in Mexico. Launched in 2009, Banorte Movil received important recognitions such as the "Best Solution in the Mobile Category", the "E-Commerce Award Mexico 2010" and the "E-Commerce Award Latin America 2010."

This year an average of over 9,870 monthly downloads were made to middle and low range equipment of all brands, and 25,000 direct accesses to iPhones and other devices and mobile telephones through the Internet.

In 2010, more than 2.2 million inquiries and 180,000 monetary operations were carried out, a 200% growth rate. Having this excellent service brings us closer to our clients by supporting their modern and more active lifestyle.

iii. PATENTS, LICENSES, BRANDS AND OTHER CONTRACTS

The main registered trademark is BANORTE, since it represents the distinctive symbol of GFNorte and its subsidiaries, having been in use for 10 years since 2000 and currently under the renewal process for an additional 10 years, effective until 2020. GRUPO FINANCIERO BANORTE is another registered trademark since 1994, which is valid until 2014.

Banorte also owns the trademarks of SUMA, CRÉDITO HIPOTECARIO BANORTE and AUTOESTRENE BANORTE, which are significant within their sectors since they support the main financial products offered to the public. The trademarks are valid for 10 years starting from 2002, 2001 and 2005, respectively.

Additionally we have the trademarks for ENLACE TRADICIONAL; ENLACE DINÁMICA; ENLACE INTELIGENTE; COMO UN MEXICANO NO HAY DOS; COMO UN MEXICANO NO HAY DOS, FELICIDADES POR SER MEXICANO; which also cover important financial products that Banorte offers to the public; for a period of 10 years starting from 2002 and 2009. The most recent trademarks are MUJER BANORTE and AGROPECUARIO BANORTE, for a period of 10 years as of 2005 and 2006, respectively.

On the other hand, Banorte has registered commercial slogans, among others:
BANORTE, EL BANCO FUERTE DE MÉXICO (BANORTE, THE STRONG BANK OF MEXICO)
MÉXICO PIENSA EN GRANDE (MEXICO THINKS BIG)
MÉXICO PIENSA EN GRANDE, BANORTE EL BANCO FUERTE DE MÉXICO (MEXICO THINKS BIG, BANORTE THE STRONG BANK OF MEXICO).

These slogans are significant since they are part of an institutional campaign that promotes the solvency, stability and strength of this credit institution, which is one of the most representative subsidiaries of GFNorte and are valid for 10 years starting from 1999 and were renewed for an additional 10 years being in effect until 2019. The most recent commercial slogans are SIEMPRE TE DA MÁS (YOU ALWAYS GET MORE) and MUJER BANORTE, DETRÁS DE UNA GRAN MUJER HAY UN GRAN BANCO, (BANORTE WOMAN, BEHIND EVERY GREAT WOMAN IS A GREAT BANK) with the duration of 10 years as of 2003 and 2005, respectively. Also, the following commercial slogans are registered as of 2011: EL FUTURO ESTA EN BANORTE (THE FUTURE IS IN BANORTE) ACÉRCATE A NOSOTROS (GET CLOSER TO US), DOS MEXICANOS SE UNEN PARA HACER UN MEXICANO MÁS FUERTE (TWO MEXICANS UNITE TO MAKE A STRONGER MEXICAN) and JUNTOS HACEMOS UN MEXICANO MÁS FUERTE (TOGETHER WE MAKE A STRONGER MEXICAN).

Each one of these property rights is protected by the respective authorities.

Relevant contracts:

Banco Mercantil del Norte, S. A. (Banorte), has celebrated diverse contracts outside of its core business, among the most relevant are:

- The agreement with American Express Company (Mexico), S.A. de C.V. to share Points of Sale Terminals, celebrated on December 2nd, 2006 for an indefinite period of time. This agreement is still in effect and was renewed in 2011 for client's reference.

- Agreements with IBM Mexico, Comercialización y Servicios, S.A. de C.V., (i) for the acquisition of products (equipment or software licenses) and services, and (ii) leasing of technological equipment. The first contract was signed on December 5th, 2005 and the leasing contract was signed on May 7th, 2004; with the understanding that both contracts are for indefinite periods of time.

- The agreement celebrated on June 1st, 2007 with Sertres del Norte, S.A. de C.V., for preventive maintenance and corrective services to the infrastructure equipment of the institution, as well as other contracts for the installation of mechanisms and/or infrastructure of uninterrupted energy in order to protect Banorte from the possible risk of interrupted transactions. These agreements were celebrated in accordance with the needs of the institution, with the intention that they will expire as soon as the service or commended task is concluded.

- The agreement with NCR de México, S. de R. L. de C. V., for preventive maintenance and corrective services for ATMs; replacement of consumable and/or vandalized parts was celebrated on March 1st, 2007 for an indefinite period of time.

- The agreement with Diebold de México S. A. de C.V., for preventive maintenance and corrective services for ATMs, replacement of consumable and/or vandalized parts was celebrated on March 1st, 2008 for an indefinite period of time.

- The contract with Winston Data, S.A. de C.V., for printing services and inserting account statements into envelopes, was celebrated on July 15th, 2008 for an indefinite period of time.

- The agreement with Azertia Tecnologías de la Información México, S. A. de C. V., for printing services and inserting account statements into envelopes, was celebrated on October 3rd, 2008 for an indefinite period of time.

- The contract with Satélites Mexicanos S. A. de C.V., for satellite signal services was celebrated on July 12th, 2006, expiring on June 31st, 2012.

- The agreement with Libros Foráneos S.A. de C.V., providing satellite linking services for ATMs was celebrated on October 1st, 2009 for an indefinite length of time.

- The contract with ASAE Consultores S.A. de C.V. for the maintenance of computer equipment and networks, was celebrated on July 1st, 2009 for an indefinite period of time.

- The agreement with NET & SERVICES TRANTOR, S.A. de C.V. for preventative and corrective maintenance of equipment, cabling of nodes, structured cabling for voice data installed in the Central Site, celebrated on August 1st, 2007 for an indefinite period of time.

- The contract with Microsoft Licencing GP for software licensing celebrated on July 1st, 2009 expiring on June 30th, 2012.

- The agreement with Algorithmics (UK) Limited for licensing, support and maintenance of software for the period from June 30th, 2000 to June 29th, 2010, was extended through an addendum to June 29th, 2020.

No risk is involved in the renewal of the aforementioned contracts.

iv. MAIN CLIENTS

As of March 31st, 2010 Banorte had an ample and diversified client portfolio; with the largest client representing only 2.2% of the total loan portfolio.

Also, GFNorte's transactions are adequately distributed among the different productive sectors of the economy, with no important concentration in any specific sector and for the same reason, no cyclical relevance.

v. APPLICABLE LEGISLATION AND TAX SITUATION

GFNorte has the Ministry of Finance and Public Credit's authorization to be constituted and to function as a financial group in accordance with the guidelines and terms established by the Law to Regulate Financial Groups, falling under the inspection and surveillance of CNBV. Its transactions consist of acquiring and managing shares with voting rights issued by members of the Group, as well as of societies that lend complementary or auxiliary services to one or more financial entities of the Group or to itself, and to other societies authorized by the SHCP through general dispositions. Its operations are regulated by the CNBV, the Law to Regulate the Financial Groups, the Stock Market Law, the mercantile legislation, mercantile uses and practices, the Civil Code for the Distrito Federal (Mexico City) and the Federal Tax Code, for the effects of notifications and legal actions referred to in Article 27 of the Law to Regulate Financial Groups; each member of the financial group will be governed by the respective laws that are applicable to them.

As part of the CNBV's faculties in its capacity as regulator of financial groups, it must conduct revisions of financial information and require necessary modifications and if applicable, determine sanctions for non-compliance with the established norms.

GFNorte has signed an agreement of responsibilities in accordance with the Law to Regulate Financial Groups, through which it must respond fully, with the obligations of the Group's financial entities that are their responsibility in accordance with the applicable regulations, even those that were assumed by those financial entities prior to their integration into the Group. GFNorte will also respond in an unlimited manner for the losses of all and each one of these entities. In the event that the capital of the Society is not sufficient to cover the responsibilities of the Group's financial entities, such responsibilities will be covered first by Banco Mercantil del Norte, S.A., and later proportionately with respect to the other entities of the group until the Society's capital is depleted. To that effect, the relationship between the percentages that each one represents in the total equity of these financial entities will be taken into consideration.

The Society will only be able to assume direct or contingent liabilities and use its properties as guarantee according to the agreement of responsibilities referred to in Article 28 of the Law to Regulate the Financial Groups, as well as in operations with the IPAB and with the Bank of Mexico's authorization, to issue subordinated obligations with mandatory conversion to equity securities and to obtain short term loans, until shares are sold as a result of the incorporation or merger established in Article 10 of the referred law.

The Society will be prohibited: (i) to grant loans, except for those which are part of employee benefits; (ii) to process or carry out any arrangement related to the operations of the financial entities that it controls, and (iii) to provide information on its operations or those of other entities of the Group, except to the authorities in accordance with the legal framework, this limitation being extended to its Board of Directors, commissaries, officials, employees and in general to anyone who can commit the Society with their signature.

The By-laws of the Society, the Agreement of Responsibilities, as well as any modification to these documents must be submitted for the approval of SHCP who will grant or deny it after hearing the opinion of Banxico and CNBV. Any conflict arising from the interpretation, execution or non-fulfillment of the by-laws will submitted to the legal tribunals of Mexico City, Distrito Federal.

During the 2010 audited fiscal year, the Institution did not enjoy any special tax benefits, subsidies or exemptions granted by the tax authorities.

vi. HUMAN RESOURCES

GFNorte had 19,759 full-time and professional fee-based employees at the end of the year 2010, with 80% being from the Banking Sector.

Sector	2010	2009	2008
Bank [1]	15,895	15,343	15,223
Long term savings	3,597	3,718	3,837
Other finance companies and Micro-lending	66	52	742
Broker Dealer	189	198	195
Total full-time employees	**19,747**	**19,311**	**19,997**
Total full-time employees & salaries	**19,759**	**19,327**	**20,008**

(1) Includes employees of Banorte, Banorte Servicios, INB and Remesadora.

65% of GFNorte's Banking Sector employees are non-unionized and the rest are union members.

Historically the relationship between Banorte's union and the Institution has been cordial and respectful, without any conflict. There have been no strikes, threats of work disruption or collective conflicts.

vii. ENVIRONMENTAL PERFORMANCE

Banorte has an established environmental policy. Since it is a service company, its operations don't represent a significant environmental risk.

Our Socially Responsible actions are sustained by 4 pillars, and one of those pillars is "Protecting the Environment", which refers to the responsibility of working in an environmentally conscious manner, conserving the resources used by the company and undertaking actions that generate an environmental social conscience.

At Banorte, we believe that in order to live in a harmonious environment, more efforts should be made to carry out actions favoring the environment; which is why in 2010 diverse actions were undertaken, with certain initiatives standing out, such as:

- Integral Energy Control System (SICE) that works in two aspects. The first one with the implementation of an automatic lighting control system, light signals and air conditioning equipment. The second consists of the replacement of air conditioning equipment, enhancing their efficiency with new technologies that reduce electricity consumption.
- Videoconference system. In 2010, 18,204 videoconferences were held, with a significant increase compared to 2009 (11,712), resulting in an important reduction in the number of staff travel and non-emitted CO_2 emissions.
- "Paperless" which is our paper reduction policy. This is a process which seeks to reduce the use of paper in financial operations, delivery of reports and communications channels. For this purpose, we have various internal communication channels, supported mainly by electronic media such as e-magazines and electronic bulletins, among others.
- The ecological toilet project was implemented in the Santa Fe offices in order to reduce water consumption.
- Environmental Education Program for the preservation of natural resources. The "Green Office Program" was implemented, consisting in the delivery of electronic postcards, the placement of announcements in restrooms, and programming computer equipment to print in both sides of paper, among others.
- Corporate Volunteer Service in reforestation sessions and PET collection.

Banorte seeks to establish an environmental management system in accordance with Environmental Policies. For 2010, no certificate or environmental recognition issued by a competent authority or properly credited entity was obtained. Nonetheless, in 2010, Banorte covered all the aspects of Social Responsibility required by CEMEFI, thus receiving the 2011 Distinguished Award as a Socially Responsible Company (ESR).

viii. MARKET INFORMATION

The following demonstrates the evolution of GFNorte's market share in various segments:

Segment	Measure	2010	2009	2008
Banking Sector	Public deposits [1]	12.1%	12.8%	12.4%
Broker Dealer	Equities' [2]	3.4%	4.1%	6.4%
Afore (retirement fund)	Affiliations	9.4%	9.8%	9.7%
Insurance	Issued premiums	3.2%	3.2%	4.2%
Annuities	Annuities	43.3%	40.2%	52.0%
Warehousing & Factoring [3]	Certifications	5.3%	4.1%	6.4%
Leasing	Total Portfolio	18.4%	21.1%	17.3%

(1) Source: ABM. Sample: Banamex, BBVA Bancomer, Santander Serfin, Banorte, HSBC, Scotiabank, Banregio, Bajio, Afirme, Ixe, Banco Ahorro Famsa, Bancoppel and Banco Amigo.
(2) Asociación Mexicana de Intermediarios Bursátiles, A.C; dated September 30th, 2010.
(3) Leasing and Factoring merged in February 2008.

GFNorte's attributes are its financial strength, service and experience, market knowledge and wide range of products and services.

Our main competitors are: Grupo Financiero Banamex, Grupo Financiero BBVA Bancomer, Grupo Financiero Santander, Grupo Financiero Scotiabank and Grupo Financiero HSBC as well as Banregio and Banco del Bajio in some regions of the country. In 2006 and 2007 operations of new banking institutions were authorized; although these new banks are not direct competitors of Banorte, they could become a competitor in the future, depending on the business strategies that they follow.

ix. CORPORATE STRUCTURE

Financial Entity	Total Equity
Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte. • Credit Institution authorized to conduct financial operations. • Conducts banking and lending operations.	92.72%
Arrendadora y Factor Banorte, Sociedad Anónima de Capital Variable, Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte • Acquires goods and/or real estate for financial leasing. • Obtains loans and financing from credit and insurance institutions to cover liquidity needs. • Celebrates leasing and factoring contracts.	99.99%
Almacenadora Banorte, S. A. de C. V., Organización Auxiliar del Crédito, Grupo Financiero Banorte. • Storage services, keeps and conserves goods and merchandise. • Issues deposit certificates and pledged bonds. • Transforms deposited goods in order to increase their value	99.99%
Seguros Banorte Generali, S. A. de C. V., Grupo Financiero Banorte. • Institution that insures and re-insures individuals and corporations.	51.00%
Pensiones Banorte Generali, S. A. de C. V., Grupo Financiero Banorte • Acts as an insurance institution whose objective is to exclusively manage annuities derived from Social security laws.	51.00%
Casa de Bolsa Banorte, S. A. de C. V., Grupo Financiero Banorte • Acts as intermediary authorized to operate in the stock market, conducting transactions for the sale and purchase of securities, advising in placement of securities and operations with securities and mutual funds.	99.99%
Ixe Banco, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte. • Credit Institution authorized to conduct financial operations. • Conducts banking and lending operations.	99.99%

Ixe Casa de Bolsa, S. A. de C. V., Grupo Financiero Banorte. • Act as an intermediary authorized to operate in the stock market, conducting transactions for the sale and purchase of securities, advice in securities' placement, and operations with securities and mutual funds.	99.99%
Ixe Automotriz, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada,, Grupo Financiero Banorte. • Celebrate financial leasing contracts. • Acquire goods to be used in financial leasing. • To obtain loans and financing from credit institutions, to insurance and guarantee its transactions.	99.99%
Ixe Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Banorte. • Asset Management, distribution, valuation, promotion and acquisition of shares issued by mutual funds, deposit and custody of shares subject to investment and shares of mutual funds, accounting, and management in the issuance of securities.	99.99%
Ixe Soluciones, S. A. de C. V., SOFOM, Regulated Entity, Grupo Financiero Banorte. • Obtain resources from: (i) placing securities previously rated by a Rating Agency, registered in the National Securities Registry, for later offering in the stock market, and (ii) acquiring liabilities with all types of national and international financial entities, in the terms of the applicable legal dispositions, as well as grant loans to the automotive sector.	99.99%
Fincasa Hipotecaria, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada,, Grupo Financiero Banorte. • Obtain resources from the placement of securities previously rated by a Rating Agency, registered in the National Securities Registry, for later offering in the stock market. • Celebrate financial leasing and factoring transactions.	99.99%

For more information on the main business relationships with subsidiaries, see Number 4, item b) Operations with Related Parties and Conflict of Interest of this report.

x. DESCRIPTION OF MAIN ASSETS

The following are the most important real estate properties of GFNorte and its subsidiaries:

Location	Construction m^2	Net book value (thousands of Ps)
Mexico-Toluca highway, Col. Cruz Manca Mexico D. F.	43,761	$679,417
Av. Revolucion No. 3000, Monterrey, N. L.	40,222	352,377
Paseo de la Reforma no. 281 corner of Rio Sena 110 Mexico, D.F.	1,192	107,305
Calle Padre Mier Oriente No. 227, Monterrey, N. L.	5,810	64,108
Ave. Chapultepec corner of La Paz # 278, Guadalajara, Jalisco.	6,695	51,135

These properties are insured against damages and are not pledged as guarantee in credit operations.

xi. ADMINISTRATIVE, ARBITRATION AND JUDICIAL PROCESSES

There are no relevant matters to report.

For information on Commitments and Contingencies, see Note 35 Commitments and 36 Contingencies in Section 8 ANNEXES of this report.

xii. REPRESENTATIVE SHARES OF COMPANY'S EQUITY

The total subscribed and paid equity is Ps 8,142'252,237.00, represented by 252,157,233 ordinary nominative shares, Series "O", Class I, and 2,074'200,549 ordinary, nominative shares Series "O", Class II, all with a face value of Ps 3.50.

Shares representing subscribed capital are classified as Class I shares which represent the fixed portion of equity and Class II shares which represent the variable portion of the equity.

The variable portion of equity cannot exceed 10 times the fixed portion, and is not subject to withdrawal according to legal and statutory regulations.

Total equity will be composed of common equity and could also include an additional portion.

The total common equity is made up of Series "O" shares.

Additional equity will be represented by Series "L" shares that can be issued up to an amount equivalent to forty percent of the ordinary capital, with the previous authorization of the CNBV.

Shares of the Series "O" and "L" will be available to the general public.

In the General Ordinary Shareholders' Meeting held on October 6th, 2005, an increase in the variable portion of the total equity was approved in the amount of by Ps 5,298,162,313.50, through the capitalization, of the "Retained Earnings" account, issuing 1,513,760,661 ordinary nominative shares, Series "O", Class II, and giving shareholders 3 new shares for each share in circulation.

In the General Extraordinary Shareholders' Meeting held on March 30th, 2011, the merger of Ixe Grupo Financiero, S.A.B. de C.V., into Grupo Financiero Banorte, S.A.B. de C.V. was approved, increasing Grupo Financiero Banorte's variable portion of the total equity to Ps 1,078,035,819.00, by issuing 308,010,234 ordinary nominative Series "O" shares, with a face value of Ps 3.50 each.

See Note 28 in Equity of Section 8 ANNEXES of this report.

xiii. DIVIDENDS

The company has decreed the following cash dividends for the last fiscal years as follows:

a) September 30th, 2002, Ps 1.00 per share.
b) October 16th, 2003, Ps 0.70 per share.
c) October 4th, 2004, Ps 1.00 per share.
d) October 6th, 2005, Ps 1.25 per share.
e) October 12th, 2006, Ps 0.3748 per share.
f) October 3rd, 2007, Ps 0.45 per share.
g) October 6th, 2008, Ps 0.47 per share.
h) October 5th, 2009, Ps 0.18 per share, being the first of three payments to cover the amount of Ps 0.52 per share (the amount approved by the Group's Board of Directors), and two additional dividends decreed by the Shareholders' Meeting as follows:
   - February 15th, 2010, Ps 0.17 per share.
   - April 23rd, 2010, Ps 0.17 per share.

i) October 4th, 2010, Ps 0.17 per share, being the first of three payments to cover the amount of Ps 0.52 per share (the amount approved by the Group's Board of Directors), and with two additional dividends decreed by the Shareholders' Meeting as follows:
   - February 18th, 2011, Ps 0.17 per share
   - April 29th, 2011 de 2011, Ps 0.18 per share

The Annual Ordinary General Shareholders Meeting, held on April 30th, 2003, approved a dividend payment policy in which the Board of Directors annually proposes to the General Ordinary Shareholders' Meeting the payment of a dividend of least 15% of the net recurring income of the company, provided that there is no legal impediment and that market conditions and the company's own financial situation allows it.

3. FINANCIAL INFORMATION

When analyzing the information contained herein it is important to take the following into consideration:

- ✓ The figures for 2008 are not totally comparable with those of 2009 and 2010 due to changes in the accounting criteria published by CNBV on April 27th and May 28th, 2009 applicable to credit institutions and controlling companies of financial groups. Effects from the reclassifications resulting from the retroactive application of these accounting changes are presented in Annex 4 of the Audited Financial Statements.
- ✓ The arithmetic operations were carried out in pesos and in the following tables they are presented in millions of pesos. As a result, it seems that some totals have minimal errors, which is not the case as it is matter of rounding off figures.
- ✓ In accordance with the established accounting norms, the re-expression of financial statements as of January 2008 does not longer apply.

a) SELECTED FINANCIAL INFORMATION

	2010	2009	2008
Net Income Grupo Financiero Banorte (GFNorte) (*)	$6,705	$5,854	$7,014
Total Assets GFNorte (*)	$590,558	$567,138	$577,025
Total Liabilities GFNorte (*)	$540,331	$522,164	$537,279
Stockholders' equity GFNorte (*)	$50,227	$44,974	$39,746
Stockholders' equity GFNorte excluding minority interest (*)	$46,117	$41,366	$37,802
INFORMATION PER SHARE			
Earnings per share (pesos)	$3.32	$2.90	$3.48
Dividend approved per share (pesos) (1)	$0.52	$0.52	$0.47
Book value per share (pesos) (excluding minority interest)	$22.85	$20.49	$18.77
Shares outstanding (millions)	2,018.3	2,017.8	2,014.0
INFRASTRUCTURE AND EMPLOYEES			
Bank branches (2)	1,134	1,088	1,117
ATMs (automated teller machines)	5,004	4,478	4,136
Full-time employees	19,747	19,311	19,997
Full-time employees and professional services	19,759	19,327	20,008
PROFITABILITY RATIOS			
NIM before REPOMO	4.2%	4.3%	6.8%
NIM adjusted for credit risks	2.9%	2.8%	4.7%
Return on Assets (ROA)	1.2%	1.0%	1.9%
Return on Equity (ROE)	15.5%	14.9%	19.7%
OPERATIONS			
Efficiency Ratio (3)	52.3%	52.6%	51.2%
Operating Efficiency ratio (4)	3.0%	3.0%	4.3%
Liquidity Ratio	84.0%	63.2%	47.1%
ASSET QUALITY INDICATORS			
Past due loan ratio	2.5%	2.5%	2.0%
PDL Reserve coverage	123.7%	122.4%	135.2%
CAPITALIZATION RATIO (BANKING SECTOR) (5)	**16.1%**	**16.8%**	**15.0%**

(*) Million Pesos
(1) The Shareholders' Assembly approved a dividend of Ps 0.52 per share to be paid in three installments. The first payment of Ps 0.17 per share was made in October 2010. The second and third payments of Ps 0.17 and Ps 0.18 per share respectively, will be paid in February and May 2011.
(2) Includes bank modules and excludes agencies abroad.
(3) Non Interest expenses / (Total Revenues - REPOMO Margin + Provisions). Figures for 2009 and 2010 are not totally comparable to previous periods because the PTU was reclassified as an operating expense as of April 2009.
(4) Non Interest expenses / Total / Average Total Assets.
(5) The capitalization ratio at closing of 2008 is higher compared to the one published in the 2008 report, due to an adjustment in computing subordinated obligations as Tier 2 Capital.

b) FINANCIAL INFORMATION PER BUSINESS LINE, GEOGRAPHICAL REGION AND EXPORT SALES

a. Deposits

By Business line

	2010	2009	2008
Commercial	$264,755	$253,436	$279,812
Business	27,433	23,886	21,922
Corporate	20,895	19,950	12,532
Government	118,527	131,216	77,602
Financial Intermediaries	6,771	3,418	13,944
Deposits	**$438,382**	**$431,906**	**$405,812**

Balances in million pesos. Includes bank bonds. Government banking includes federal, state and municipal sectors.

By Geographical Regions

	2010	2009	2008
Mexico City- South	$115,575	$125,789	$73,832
Mexico City- North	39,062	33,835	61,312
Northern	74,798	69,853	64,302
Central	41,647	41,915	43,280
Northwest	22,555	23,525	26,814
West	32,745	31,048	28,094
South	12,356	12,970	10,605
Peninsular	14,789	13,820	13,393
Border	17,116	16,061	15,525
Isthmus	10,677	11,745	11,883
East	26,771	25,030	23,354
Central Treasury	7,331	3,917	14,352
Abroad	22,960	22,398	19,065
Deposits	**$438,382**	**$431,906**	**$405,812**

Balances in millionpesos. Includes bank bonds.

b. Total Loan Portfolio

By Business line

	2010	2009	2008
Mortgages	$57,139	$50,929	$47,028
Car Loans	8,289	7,567	7,756
Credit cards	12,199	13,411	17,207
Payroll	8,615	6,669	6,902
Consumer	86,241	78,576	78,892
Commercial	23,854	26,658	29,655
Business	56,815	51,588	56,147
Corporate	52,458	46,233	51,278
Government	50,797	41,997	29,206
Asset Recovery	49	56	68
Total Loan Portfolio	**$270,214**	**$245,108**	**$245,247**

Balances in millionpesos.
Government banking includes federal, state and municipal sectors.

By Geographical Regions

	2010	2009	2008
Mexico City- South	$42,699	$36,388	$39,643
Mexico City- North	25,888	23,045	24,491
Northern	59,160	52,013	51,425
Central	21,118	21,167	22,222
Northwest	25,470	22,935	24,091
West	20,710	19,071	19,297
South	6,029	5,010	5,788
Peninsular	14,126	11,625	11,159
Border	13,100	12,502	12,139
Isthmus	12,527	11,426	9,810
East	16,997	14,778	9,331
Central Treasury	0	0	0
Abroad	12,389	15,147	15,850
Total Loan Portfolio	**$270,214**	**$245,108**	**$245,247**

Balances in million pesos.

c) REPORT OF RELEVANT LOANS

Financing obtained from public investors to December 31st, 2010 are:

Obligations

a) Subordinated Non cumulative & Non-preferred Obligations, in US dollars Notes Due 2021 ("Tier 1 Notes"):
Date Issued: October 13, 2006
Maturity date: October 13, 2021
Amount Issued: US $200 million dollars
Coupon rate: 6.862%.

b) Subordinated Cumulative & Preferred Obligations, in US dollars, Notes Due 2016 ("Tier 2 Notes"):
Date Issued: October 13, 2006
Maturity date: October 13, 2016
Amount Issued: US $400 million dollars
Coupon Rate: 6.135%

c) Subordinated Preferred Non-convertible Obligations, in UDIS (Tier 2):
Date Issued: March 11, 2008
Maturity date: February 15, 2028
Amount Issued: UDIS 447 million
Coupon Rate: 4.95%

d) Subordinated Non-preferred, Non-convertible Obligations (Tier 1):
Date Issued: March 11, 2008
Maturity date: February 27, 2018
Amount Issued: Ps 3 billion
Coupon Rate: TIIE + 0.60%

e) Subordinated Preferred Non-convertible Obligations in Mexican pesos (Tier 2):
Date Issued: June 27, 2008.
Maturity date: June 15, 2018
Amount Issued: Ps 2.75 billion
Coupon Rate: TIIE + 0.77%.

f) Subordinated Preferred Non-convertible Obligations in Mexican pesos (Tier 2):
Date Issued: March 30, 2009.
Maturity date: March 18, 2019.
Amount Issued: Ps 2.2 billion
Coupon Rate: TIIE +2.00%.

g) Senior Notes Due 2015:
Date Issued: July 19, 2010.
Maturity date: July 19, 2015.
Amount Issued: $300 million US dollars
Coupon Rate: 4.375%.

Banorte is current in the interest and/or capital payments of all its financial obligations.

Banorte liabilities financed in foreign currency

	December 2010	
CONCEPT IN FOREIGN CURRENCY	**Capital (Average)**	**Cost**
Core deposits	2,097,639	0.93%
Non-traditional deposits	600,000	6.37%
Total interbank loans	123,350	1.53%
Total Resources in Foreign Currency	**USD $2,821,139**	**2.11%**

Thousands of US dollars.

INB liabilities financed in foreign currency

	December 2010	
CONCEPT IN FOREIGN CURRENCY	**Capital (Average)**	**Cost**
Core deposits	1,818,286	1.69%
Total interbank loans	987	0.59%
Total Resources in Foreign Currency	**USD $1,819,273**	**1.69%**

Thousands of US dollars.

d) MANAGEMENT ANALYSIS AND COMMENTS ON OPERATING RESULTS AND THE COMPANY'S FINANCIAL SITUATION

The following analysis should be read together with the Audited Financial Statements and with the notes that accompany them. Regarding the items in the Financial Statements that were re-expressed using ratios different than the Mexican Consumer Price Index, refer to the corresponding Note of the audited financial statements for the years ending December 31st, 2010 and 2009, and the independent auditors' opinion of February 21st, 2011. Refer to the item (Note 4: "Recognizing the effects of inflation on financial information" in the *Principal Accounting Policies* of Section 8 ANNEXES of this report).

Relevant transactions not registered in the Balance Sheet or Profit and Loss Statement, do not exist.

i. OPERATING RESULTS

In 2010 GFNorte reported profits of Ps 6.705 billion, 15% more than in 2009 and (4%) less than in 2008. In this period, Banking Sector profits, excluding the Afore and considering 92.72% participation, totaled Ps 5.387 billion, 13% greater than in the previous year, contributing with 80% of the Group's profits. The Brokerage Sector reported Ps 403 million in profits, 98 % more than in 2009, Other Finance Companies obtained Ps 500 million, 18% more than in 2009 and the Long Term Savings Sector reported a profit of Ps 444 million, 17% more than in 2009.

Consolidated Income Statement of the Group

	2010	2009	2008
NII before REPOMO	$22,732	$23,183	$22,585
+ REPOMO-Margin	-	-	-
= NII before credit risks	**22,732**	**23,183**	**22,585**
- Preventive provisions for credit risks	6,889	8,286	6,896
- Loan Loss Sharing Provisions Fobaproa	-	-	-
= NII adjusted for credit risks	**15,843**	**14,897**	**15,689**
+ Non Interest income (1)	11,114	9,177	8,284
= Total Income	**26,957**	**24,074**	**23,973**
- Non Interest Expense (2)	17,691	17,024	15,807
= Total Operating Income	**9,266**	**7,050**	**8,166**
- Non Operating Income, net	581	872	2,346
= Income before Taxes and Profit Sharing	**9,847**	**7,922**	**10,511**
- Income Tax and Profit Sharing (2)	2,735	2,581	3,645
- Tax on Assets	-	-	-
- Deferred Income Tax and Profit Sharing	70	(536)	(245)
= Net Income before subsidiaries	**7,042**	**5,877**	**7,111**
+ Subsidiaries' Net Income	320	313	276
= Net Income from continuous operations	**7,362**	**6,190**	**7,387**
+ Extraordinary items, net	-	-	-
- Minority interest	657	336	373
= Total Net Income	**$6,705**	**$5,854**	**$7,014**

Million pesos.

(1) As a result of the new accounting criteria effective as of April 2009, recoveries of previously written-off loans are registered as non interest income in "Other Revenues (Expenses) ".

(2) As a result of applying new accounting criteria in April 2009, employee profit sharing is registered as a non interest expense.

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

Net Interest Income

	2010	2009	2008 (1)
Interest Income	$40,861	$44,873	$49,864
Interest Expense	18,603	22,235	27,789
Loan Fees Charged	619	578	510
Loan Fees Paid	144	33	-
Net Interest Income before REPOMO	**$22,732**	**$23,183**	**$22,585**
Average Productive Assets	$545,229	$537,603	$332,942
% Net Interest Income (NIM) (2)	**4.2%**	**4.3%**	**6.8%**

Million Pesos

(1) In accordance with the accounting criteria B-3 "Repos" issued on October 14, 2008 as well as the authorization given by the Banking and Securities Commission (CNBV), credit institutions were allowed to classify debt instruments, regardless of their category, as Investments in Securities considering that: i) the guidelines relative to the reclassification of the instruments will be equally applicable to proprietary repos transactions and securities' lending, given that investment in securities is equally done through these operations; ii) the value of the securities to be received in repos and securities' lending transactions may be adjusted to the market value (closing price) of such instruments corresponding to October 1, 2008 in the same manner as was stipulated for the book value adjustment of proprietary investments in securities; iii) once the book value of the instruments to be received in repos and securities' lending operations has been

adjusted, such instruments can be reclassified to any category of investments in securities according with the institutions' intentionality for those instruments, and they will be later valued according to the valuation standards for each category established in the accounting criteria; iv) the reclassification of investments in securities, as well as the adjustment to the valuation of the repos to be received and securities' lending transactions, will be done on only one occasion on the date that each institution determines during the last quarter of 2008.;

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

During 2010 *Net Interest Income* was Ps 22.73 billion, a (2%) YoY decline due to a (9%) reduction in interest revenues as a result of lower market interest rates, which was partially off-set by increased loan volumes and improved portfolio mix in the second half of 2010, as well as a (16%) decline in interest expense due to stable funding costs and 7% YoY increase in core deposits. The average annual NIM declined slightly from 4.3% in 2009 to 4.2% in 2010 affected by a (1.0) percentage point reduction in average market interest rates, as well as an increase of 1% in average productive assets.

In 2009 *Net Interest Income before REPOMO* was Ps 23.18 billion, a 3% YoY increase, derived from lower funding costs resulting from a 9% YoY increase in core deposits. Lower funding costs, coupled with a strong decline in the market interest rates, reduced interest expenses by 20% YoY, which off-set the (10%) decline in interest revenues resulting from lower market interest rates and reduced loan placement. The average annual NIM fell from 6.8% to 4.3% between 2008 and 2009 affected by the drop of 2.2 percentage points in the average market interest rates, as well as by important growth in productive assets at the end of 2008 as a result of the accounting regulations issued by the CNBV for the reclassification of repos.

Non Interest Income

	2010	2009	2008
+ Fund transfers	$239	$248	$222
+ Account Management Fees	945	946	998
+ Fiduciary	288	254	295
+ Revenues from Real Estate Portfolios	906	818	734
+ Electronic Banking Services	906	1,030	1,009
+ Credit Card Fees	2,601	2,310	2,533
+ Fees from IPAB (1)	0	1	1
+ Fees charged by Afore	1,269	1,070	989
+ Other Fees Charged (2)	2,081	1,613	1,671
Fees charged for Services	**9,234**	**8,291**	**8,452**
+ Fund Transfers	26	21	19
+ Other Fees Paid	1,522	1,317	1,189
+ Acquired Portfolio Expenses	-	-	-
Fees paid for Services	**1,548**	**1,338**	**1,208**
= Net Fees	**7,686**	**6,953**	**7,244**
+ Foreign Exchange	703	875	779
+ Trading	527	522	276
+ Securities – Unrealized Gains	458	(153)	(15)
= Trading Revenues	**1,689**	**1,244**	**1,040**
Other Operating income and expenses(3)	**1,739**	**980**	**-**
= Non Interest Income	**$11,114**	**$9,177**	**$8,284**

Million pesos.

(1) Includes fees received by the Recovery Bank and by the Bank.

(2) Includes fees from letters of credit, transactions with pension funds, warehouse services, financial advisory services and purchase/sale of securities by the Brokerage House, among others.

(3) Due to changes in accounting criteria, as of April 2009, recoveries of previously written-off proprietary portfolios are registered as non interest income under the item "Other Operating Income and Expenses".

The following table identifies the sources of Non Interest Income:

	2010	2009	2008
Services	$6,780	$6,134	$6,509
Recovery	906	819	735
Trading	1,689	1,244	1,040
Other Operating Income (Expenses)	1,739	980	-
Non Interest Income	**$11,114**	**$9,177**	**$8,284**

Million pesos.

Non Interest Income for 2010 totaled Ps 11.114 billion, a 21% YoY increase, driven by growth in all items:

- Service Fees: during 2010, service fees totaled Ps 6.78 billion, a YoY increase of 11% due to the favorable impact in volumes of a higher client base and the commercial network expansion program, as well as the positive performance of credit card fees resulting from i) greater volume in interchange fees, ii) higher revenues from campaigns to incentivize purchases with deferred fixed payments and iii) the growth in annual fees as a consequence of the 6% increase in the number of credit card holders. Service fees were also driven by increased Afore fees as a result of a 19% growth in AUMs, fiduciary due to greater business volumes and wealth managed and various fees related to consumer insurance products, letters of credit, Telecomm-Telegrafos services and prepayments, among others.

- Recoveries: Non Interest income from recoveries of previously written-off proprietary portfolios and the sale of foreclosed assets (revenues that are classified as Other Operating Income and Expenses) and also of real estate portfolios, increased by 47% in 2010 due to higher recoveries of previously written-off loans, including the recovery of approximately Ps 629 million of the Comercial Mexicana loan, as well as a 12% increase in the returns of real estate investment projects in light of a more favorable economic environment and an increase in the invested amount to Ps 5.01 billion at closing of 2010 (+17% compared to 2009). The investment portfolio continues to show an adequate diversification by geography, projects and industries.

- Trading: accumulated revenues totaled Ps 1.69 billion, a 36% YoY increase due to adequate strategies followed in order to take advantage of value opportunities in the trading positions as a result of a flattening yield curve, as well as profits from the sale of the remaining MasterCard shares.

Non Interest Income for 2009 was Ps 9.17 billion, an 11% YoY increase, driven by the positive impact of the reclassification of revenues from recoveries of proprietary loans to the item "Other Operating Income and Expenses" in accordance with the new accounting criteria applicable as of April 2009 and to increased trading revenues.

Non Interest Expense

	2010	2009	2008
Personnel Expenses	$7,166	$6,763	$6,156
Professional Fees	1,408	1,465	1,192
Administrative and promotional expenses	4,400	4,452	4,941
Rents, Depreciations and Amortizations	1,949	1,727	1,687
Other taxes	847	865	894
Contributions to IPAB	1,084	1,073	938
Employee Profit Sharing PTU (1)	837	679	-
Non Interest Expense	**$17,691**	**$17,024**	**$15,807**

Million Pesos

(1) Changes in accounting criteria as of April 2009 resulted in recording employee profit sharing as Non Interest Expense.

During 2010, Non Interest Expenses totaled Ps 17.69 billion, a 4% YoY increase, mainly driven by more Personnel Expenses resulting from the expansion in the branch network and the strengthening of some business and staff areas. Operating Expenses also increased annually due to more rents, depreciations and amortizations resulting from the acquisition of new and previously leased ATMs and other equipment as part of the renovation strategy and the depreciation of equipment related to commercial projects, as well as an increase in employee profit sharing resulting from increased profitability. These increases were partially offset by reductions in administration and promotional expenses, professional fees paid and other taxes.

The efficiency ratio was 52.3% in 2010, (0.3) percentage points lower than in 2009, as a result of positive operating leverage throughout the year.

In 2009 Non Interest Expenses totaled Ps 17.02 billion, 8% higher than in 2008 driven mainly by the reclassification of caused and deferred Employee Profit Sharing (PTU) as a result of the new accounting criteria effective as of April 2009, as well as by a 10% growth in Personnel Expenses. This increase was off-set by a (10%) reduction in administrative and promotional expenses mainly as a result of deferring expenses linked to loan product placements and lower costs related to credit card sales. The Efficiency Ratio was 52.6% in 2009, 1.4 percentage points higher than in 2008.

Loan Loss Provisions

Provisions charged to results for 2010 reached Ps 6.89 million, a (17%) YoY decline resulting from lower requirements for the commercial portfolio (excluding corporate loans), mortgages and all the segments of consumer loans. There was a decrease in spite of the reserves created during the fourth quarter in the corporate portfolio for Ps 563 million to fully provision the Mexicana loan.

The accumulated annual loan provisions for 2010 represented 2.7% of the average loan portfolio, a decrease of (0.8) percentage points compared to 2009.

In 2009, provisions charged to results were Ps 8.28 billion, a 20% YoY increase mainly due to more requirements in credit cards and commercial loans, and to a lesser degree, in mortgage and payroll loans.

Non Operating Income (Expense), net

	2010	**2009**	**2008**
+ Other Revenues	$1,503	$939	$1,367
+ Foreign Exchange	-	-	-
+ Recoveries	240	525	1,806
+ REPOMO – Other Revenues	-	-	-
+ Warehousing	136	975	617
= Other Products	**1,879**	**2,438**	**3,789**
- Other Expenses	(1,166)	(608)	(833)
- Foreign Exchange	-	-	-
- REPOMO – Other Expenses	-	-	-
- Warehousing	(132)	(958)	(611)
= Other Expenses	**(1,298)**	**(1,566)**	**(1,444)**
= Non Operating Income (Expense)	**$581**	**$872**	**$2,346**

Million Pesos

Non Operating Income in 2010 was Ps 581 million, a (33%) YoY drop, due to higher expenses resulting from an increase in estimates for items more than 90 days overdue, contingencies, bankruptcies and losses in loan portfolio sale transactions, as well as reduced recovery income from the sale of acquired loan portfolios, furniture and properties, and in revenues from the commercialization of warehousing inventories, which offset the increase in "Other Revenues”.

Non Operating Income for 2009 was Ps 872 million, a (63%) YoY decline, due to non-recurring income from the sale of VISA and INDEVAL shares which were registered in 2008, as well the reclassification of recoveries from proprietary loans as "Other Operating Income (Expense)" in Non Interest Income resulting from changes in the accounting criteria that became effective as of April 2009.

Performing Loan Portfolio

	2010	2009	2008
Commercial	$87,825	$84,118	$92,521
Consumer	83,545	74,932	74,868
Corporate	44,176	40,245	45,127
Government	47,550	38,993	26,989
Subtotal	**263,096**	**238,288**	**239,505**
Recovery Bank	454	666	794
Total Performing Loans	**$263,550**	**$238,954**	**$240,299**
Past due loans	6,664	6,154	4,948
% Past Due Loan Ratio	**2.5%**	**2.5%**	**2.0%**

Million Pesos

Performing Consumer Loan Portfolio

	2010	2009	2008
Mortgages	$55,718	$49,221	$45,499
Car Loans	8,208	7,424	7,594
Credit cards	11,159	11,801	15,067
Payroll	8,460	6,487	6,707
Total Performing Consumer Loan Portfolio	**$83,545**	**$74,932**	**$74,868**

Million Pesos.

The Performing Loan portfolio increased by Ps 24.80 billion YoY, from Ps 238.28 billion to Ps 263.1 billion (excluding loan portfolios managed by the Recovery Bank). This increase was mainly due to growth in the Government, Consumer (except Credit cards), Mortgage and Corporate portfolios.

This is evidence of greater loan demand in Mexico, and also a reflection of the policies implemented by Banorte to reactivate loan volumes.

At closing of 2010, past due loans grew by 8% YoY reaching Ps 6.66 billion, mainly driven by the classification of the Mexicana de Aviacion loan as delinquent during the fourth quarter of 2010. At the end of 2010, the PDL ratio was 2.5%, the same level as in 2009. The PDL Ratio for credit cards was 8.5% in 2010 which compares favorably against the 12.0% in 2009. On the other hand, at closing of 2010, the PDL Ratio for car loans was 1.0% (vs. 2.0% in 2009), Payroll was 1.8% (vs. 2.8% in 2009), Mortgages 1.7% (vs. 2.1% in 2009), Commercial 3.9% (vs. 4.0% in 2009), and Corporate 2.5% (vs. 0.1% in 2009), growing in the fourth quarter due to the classification of the loan to Gamma Servicios de Negocio (Mexicana) as delinquent, while Government remained at 0% throughout the entire year.

During 2009, the performing loan portfolio declined slightly YoY from Ps 239.5 billion to Ps 238,3 billion (excluding the loan portfolio managed by the Recovery Bank). This decrease was mainly due to a reduction in the Commercial, Corporate and Credit card portfolios, but was offset by growth in the Government portfolio.

Deposits

	2010	2009	2008
Non Interest Bearing Demand Deposits	$69,615	$61,611	$57,876

Interest Bearing Demand Deposits (1)	80,218	75,977	70,481
Total Demand Deposits[(2)]	**149,833**	**137,588**	**128,357**
Time Deposits – Retail	88,805	84,808	75,085
Core Deposits	**238,638**	**222,396**	**203,442**
Money Market [(3)]	54,142	52,646	57,454
Total Bank Deposits	**$292,780**	**$275,042**	**$260,896**
GFNorte's Total Deposits [(4)]	**$292,615**	**$274,888**	**$260,755**
Third Party Deposits	145,602	156,864	144,916
Total Assets Under Management	**$438,382**	**$431,906**	**$405,812**

Million Pesos.

(1) As of 2004, IPAB checking accounts for deposit of cash collections related to managed portfolios of Banpaís and Bancen are excluded, retroactively for comparison. The balances of these accounts for 2008, 2009 and 2010 were Ps Ps 14 million, Ps 20 million and Ps 0 million, respectively.
(2) Includes debit cards.
(3) Includes bank bonds. (Customers and financial intermediaries).
(4) Includes eliminations between subsidiaries. Balances of these eliminations for 2008, 2009 and 2010 were Ps 142 million, Ps 154 million and Ps 165 million respectively.

At closing of 2010, Total Deposits were Ps 292.6 billion, a 6% YoY increase driven mainly by a 9% YoY growth in Demand Deposits, and a 5% growth in retail time deposits.

At closing of 2009, Total Deposits were Ps 274.8 billion, a 5% YoY increase driven mainly by a 7% YoY growth in Demand Deposits, and a 13% growth in retail time deposits.

1. Banking Sector

In 2010 the Banking Sector (100%, including the Afore through the equity participation method) reported a Net Income of Ps 6.03 billion, an 18% YoY growth, due to a 24% increase in Non Interest Income and a (17%) decline in loan loss provisions.

Net Income for the Banking Sector declined from Ps 6.54 billion in 2008 to Ps 6.03 billion in 2010, an (8%) reduction.

Consolidated Income Statement

INCOME STATEMENT	**2010**	**2009**	**2008**
NII before REPOMO	$21,700	$22,357	$21,662
+ REPOMO-margin	-	-	-
= NII before credit risks	**21,700**	**22,357**	**21,662**
- Preventive Provisions for Loan Losses	6,772	8,181	6,722
- Loan Loss Sharing Provisions Fobaproa	-	-	-
= NII adjusted for Credit Risk	**14,928**	**14,176**	**14,940**
+ Non Interest Income	8,910	7,184	6,512
= Total Operating Income	**23,838**	**21,360**	**21,452**
- Non Interest Expense	16,080	15,437	14,191
= Net Operating Income	**7,758**	**5,923**	**7,261**
- Non Operating Income	521	861	2,487
= Income before Taxes and Profit Sharing	**8,279**	**6,784**	**9,748**
- Income Tax and Profit Sharing	2,431	2,352	3,428
- Tax on Assets	-	-	-
- Deferred Income Tax and Profit Sharing	36	(539)	(198)

= Net Income before Subsidiaries	**5,812**	**4,971**	**6,518**
+ Subsidiaries' Net Income	222	161	113
= Net Income for Continuous Operations	**6,035**	**5,132**	**6,631**
+ Extraordinary items, net	-	-	-
- Minority Interest	-	-	88
= Net Income	**$6,035**	**$5,132**	**$6,543**

BALANCE SHEET			
Loan portfolio	**257,957**	**234,878**	**236,237**
Deposits	**292,780**	**275,062**	**260,911**

Million Pesos.
Does not include Afore results, which are included in Subsidiaries' Revenues through the participation method.

During 2010, Net Interest Income before Repomo was Ps 21.70 billion, a (3%) YoY decline mainly due to lower average market interest rate compared to 2009, this reduction was partially off-set by a 10% YoY growth in performing loans and a 9% increase in demand deposits.

Financial Indicators – Banking Sector

	Accumulated		
	2010	**2009**	**2008**
Profitability			
NIM (1)	4.1%	4.3%	6.7%
ROA (2)	1.0%	0.9%	1.8%
ROE (3)	14.2%	13.7%	19.6%
Operations			
Efficiency Ratio (4)	52.5%	52.3%	50.4%
Operating Efficiency Ratio (5)	2.9%	2.8%	4.0%
Liquidity Ratio (6)	82.2%	63.6%	48.9%
Asset Quality			
% PDL - without Fobaproa / IPAB	2.5%	2.6%	2.0%
PDL coverage ratio	122.0%	121.6%	136.1%
Growth (7)			
Performing loans (8)	10.0%	(1.1%)	25.0%
Demand Deposits	7.3%	9.3%	16.0%
Deposits	6.4%	5.4%	28.0%
Capitalization			
Net Capital / Credit Risk Assets (9)	23.7%	24.4%	22.1%
Net Capital / Credit and Market Risk Assets (9)	16.1%	16.8%	15.0%

(1) NIM= Annualized Net Interest Margin / Average Earnings Assets.
(2) Annualized earnings as a percentage of the average quarterly assets over the period.Net income for the annualized period as a percentage of the quarter's average total equity (without minority interest) for the same period.
(3) Annualized earnings as a percentage of the average quarterly equity over the period.
(4) Non Interest Expense / (Total Operating Income – Margin + Loan Loss Provisions)
(5) Annualized Non Interest Expense / Average Total Assets.
(6) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale) / (Liquid Liabilities = Demand Deposits + Loans from banks and other organizations with immediate call option + Short term loans from banks).
(7) Growth comparisons for the same period of the previous year.
(8) Does not include proprietary portfolio managed by Recovery Banking.
(9) Banking sector ratio is included solely for information purposes.

2. Brokerage

	2010	**2009**	**2008**
Broker Dealer			
Net income	$403	$203	$183
Stockholders' Equity	1,883	1,396	1,143
Assets	10,169	5,273	1,662
Assets Under Management	174,068	135,621	119,286

Million Pesos.

In 2010, the Brokerage sector reported net income of Ps 403 million, a 98% YoY increase mainly due to more revenues from management fees in mutual funds and also from risk money market trading positions.

3. Long Term Savings

	2010	2009	2008
Afore			
Net Income	$440	$288	$189
Total Equity	1,780	1,340	1,052
Assets	2,096	1,557	1,218
AUM	86,271	72,287	56,242
Insurance			
Net Income	$451	$438	$476
Total Equity	2,436	2,370	2,130
Assets	13,398	12,257	11,306
Annuities			
Net Income	$12	$31	$33
Total Equity	1,028	1,016	985
Assets	25,478	18,212	14,833

Millions Pesos.

The Afore reported accumulated Net Income of Ps 440 million (51% corresponds to Banorte), a 53% YoY increase driven by growth in operating income and financial revenues, and improved efficiency resulting from reduced operating expenses and the containment of sales related costs. At year end, the Afore had a total of 3.92 million affiliates, representing 9.4% of the total affiliates in the system and in certified accounts.

Insurance profits were Ps 451 million for 2010 (51% corresponds to GFNorte), a 3% YoY increase due to a containment in damage related costs and greater financial revenues.

Net Income for Annuities was Ps 12 million in 2010 (51% corresponds to GFNorte), declining (62%) YoY as a result of increased expenses related to annuities derived from 15% growth in the number of cases, as well as write-offs of some securities in the investment portfolio, increased technical reserves and reduced financial revenues generated by capital and reserves, all of which lowered revenues by Ps 69 million.

4. Other Finance Companies

	2010	2009	2008
Leasing and Factoring [(1)]			
Net Income	$443	$403	$313
Equity	1,930	1,486	1,184
Total Portfolio	15,884	13,461	13,913
Past Due Loans	141	103	74
Total Assets	15,679	13,434	14,001
Warehousing			
Net Income	$57	$35	$23
Equity	206	149	124
Inventories	49	119	165
Total Assets	777	203	321

Million Pesos.

(1) The merger of the Leasing and Factoring companies came into effect as of February 2008

On February 2008, the leasing and factoring companies were merged under a regulated Multi-purpose financial company (SOFOM). Among other things, this merger enabled the merged entity to optimize the use of capital, improve leverage capacity and create the possibility of achieving higher credit ratings. Results of both companies, as of 1Q08 are presented on a consolidated basis under the heading of "Arrendadora y Factor Banorte, S.A. de C.V."

Leasing and Factoring generated profits of Ps 443 million in 2010, 10% higher YoY due to 9% growth in the leasing and 22% increase in the factoring portfolios. At closing of 2010, the Past-Due Loan Ratio was 0.9%, while the Capitalization Ratio was 12.7%.

On November 28th, 2008, the Ministry of Finance (SHCP) modified the authorization given to Almacenadora Banorte to constitute and operate as a General Deposit Warehouse, given the increase in the fixed portion of its stockholders' equity, which totaled Ps 31,780,651 which was approved by the Extraordinary Shareholders' Meeting held on October 1st, 2008.

Accumulated net income of the warehousing company was Ps 57 million, a 63%YoY increase, as a result of more revenues related to commercialization of inventories, an increase in enabling operations and the start of logistic services. At closing of 2010, the Capitalization Ratio was of 8.5% considering Ps 2.429 billion in total assets-at-risk certificates. At closing of 2010, Banorte's Warehouse ranked 3rd amongst the 20 Warehousing Companies in terms of profit level.

5. Micro Lending

	2010	2009	2008
Pronegocio			
Net Income	$-	$15	($120)
Equity	-	-	48
Total Portfolio	-	-	269
Past Due Loans	-	-	38
Total Assets	-	-	433

Million Pesos.

The Board of Directors' Meeting held on January 29th, 2009, approved the merger of Banco Mercantil del Norte as the merging company, with Créditos Pronegocio, S.A. de C.V., as the merged entity. Since this resolution was approved, there has been a gradual transfer of expenses to the bank and the relocation of performing clientele of the SOFOM to other Banorte products. The final merger agreement was signed on August 31st, 2009 after receiving the necessary authorizations from the regulating authorities.

The merger process required a specific work plan to reduce the financial impact on Banorte's long term capitalization process of this company, as well as the absorption of recurring losses for several fiscal years.

As of January 2010, the Asset Recovery unit will be in charge of monitoring the recovery of the remaining portfolio through third parties.

ii. FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The function of liquidity administration is to ensure sufficient resources to fulfill financial obligations. These obligations arise from the withdrawal of deposits, payment of short term notes maturing, loans granted and other forms of financing and working capital needs. A significant element of liquidity administration is to fulfill Bank of Mexico's regulation requirements for reserves and liquidity coefficients.

Bank of Mexico's regulations require that we maintain certain levels of reserves in connection with liabilities denominated in pesos. On the other hand, reserves for deposits denominated in foreign currency continue to be mandatory. On December 31st, 2010 and December 31st, 2009, GFNorte fulfilled all the reserve and liquidity coefficient requirements requested by the authority. Also, bank management considers that the cash flow generated by operations and other sources of liquidity will be sufficient to fulfill liquidity requirements in the next 12 months, including capital investment needs for 2011.

Liquidity Risk and Balance

In order to provide a global measurement of liquidity risk, as well as follow up in a consistent manner, GFNorte relies on financial ratios, among which the liquidity ratio (liquid assets / liquid liabilities) stands out. Considered within liquid assets are the Cash and Due from Banks, Negotiable Instruments and securities held for sale, while the liquid liabilities are demand deposits, loans from banks and other organizations with immediate call option and short term loans from banks. GFNorte's liquidity ratio at the end of 4Q10 was 84.0% which compares favorably to the 63.2% registered in 2009 and the 47.1% in 2008.

On the other hand, the "investment rules for foreign currency transactions and conditions to satisfy within the terms of operations in such currency" designed by the Bank of Mexico for credit institutions, establishes the mechanism to determine the liquidity ratio of liabilities denominated in foreign currency. In accordance with these rules, in 2010 and 2009 GFNorte generated a monthly average liquidity requirement of $498,373,000 and $755,917,000 US dollars, respectively, and maintained an average investment in liquid assets of $1,069,131,000 and $1,230,740,000 US dollars, having an average surplus of $570,758,000 and $474,823,000 US dollars, respectively.

Internal and external sources of liquidity

Internal sources of liquidity in local and foreign currency come from the diverse deposit products that the institution offers to clients. That is to say, it receives funds through checkbook accounts and term deposits. Likewise it can obtain resources from the sale of the institution's assets.

Regarding external sources of liquidity, it has diverse mechanisms to access the debt and capital markets. That is to say, the bank 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 bank 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 capital shares.

Currently, the bank 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 found under the different items of the bank's general balance sheet in this report.

Funding

Our main and most economic funding source comes from client deposits. At December 31st, 2010, client deposits totaled Ps 292.61 billion (or 91.7% of the total funding) a 6% YoY increase which was due to growth in demand deposits, as well as retail term deposits.

Repos are important securities in the Mexican Money Market, providing bank clients with short term investments, mainly instruments issued by the federal government and to a lesser extent, securities issued by banks and companies. The bank has used repos to achieve cost efficiencies and be more competitive. At December 31st, 2010, the balance of repos registered by the bank was Ps 178.75 billion, (3.6%) less than the Ps 185.48 billion registered at closing of 2009.

Another source of long term funding is long term debt. This is used to fund long term loans and investments and to reduce liquidity risk. At December 31st, 2010, total long term debt maturing in more than one year was Ps 17.80 billion, (2.0%) less than the Ps 18. 6 billion registered at closing of 2009.

Our current funding strategy seeks to reduce funding costs by taking advantage of our extensive branch network to attract clients' deposits. Although we are constantly monitoring the needs of long term loans and opportunities for long term loans under favorable conditions, we anticipate that our clientele will continue holding short term deposits (especially demand deposits), and therefore we will maintain our focus on the use of clientele deposits to fund loan activity.

Federal government UDI denominated deposits continue to fund the assets we maintain in the UDI off balance sheet trust funds. In return for these deposits, we have acquired Special CETES from the federal government that pay an interest rate indexed to the rate of CETES, with maturities and face values similar to the loans in the UDI trusts. These Special CETES pay cash interest in the measure that the trusts' loans expire. Government UDI denominated deposits have a real fixed interest rate that varies depending on the type of loan in the UDI trusts.

Bank assets denominated in foreign currency, mainly denominated in US dollars, are funded through different sources, mainly deposits of clientele and medium and large exporting companies, inter-bank deposits and fixed-rate instruments. In the case of financing operations for external trade, facilities of the Mexican development banks and other foreign banks focused on financing exports, are used. The interest rate for this type of funding is usually indexed to the LIBOR.

Treasury Policies

Banorte's Treasury is the central unit responsible for balancing GFNorte's resource needs, monitoring and managing the levels of regulatory reserves, converting interest rate risk from fixed rate loans by hedging and implementing arbitrage strategies, all in strict adherence to regulations established by the authorities.

Cash and securities' investments are kept in Mexican pesos and US dollars.

Regulatory Framework

1. All operations carried out by the Treasury will be executed in strict accordance to regulations set by the regulatory authorities of the Banking Institutions such as Central Bank (BANXICO), National Banking and Securities Commission (CNBV), Ministry of Finance and Public Credit (SHCP), as well as to those established in the Ley de Instituciones de Credito (Law of Credit Institutions).

2. The Treasury is subject to the policies regarding thresholds and management of liquidity risks set by the Risk Policies' Committee in the manual of Risk Administration.

Treasury Management

In order to maintain a prudent strategy in the administration of assets and liabilities through stable funding sources, as well as constitute and maintain liquid assets at optimum levels, the Treasurer will monitor the following limits to maintain an appropriate level of liquidity:

1. Diversification of funding sources, accessing several markets in order to diversify funding sources.

2. Structure liabilities in such a way so as to avoid the accumulation of maturities that significantly influence the administration and control of the resources that the Treasury operates.

3. Ensure liquidity in adverse times by tapping long term liabilities.

4. Liquid Assets. Maintain a balanced liquid assets-total assets ratio.

5. Additional Liquidity. Maintain a highly liquid inventory of assets to ensure the immediate availability of resources.

6. Transfer Prices. The Treasury will have the exclusive faculty to determine and propose to the Risk Policies' Committee the transfer costs of assets and liabilities.

Sources of Financing/International Treasury

Sources of financing for the International Treasury should be classified in a monthly report indicating the sources of available resources, their use and concentration:

1. Public:
   - Checking accounts (via the network of branches and corporations).

2. Market:
   - Commercial paper.
   - Cross Currency Swaps
   - Syndicated Loans.
   - Securitizations
   - Deposit Certificates.

3. National banks and Development Funds:
   - National banks.
   - Funds.

4. Correspondent Banks:
   - Foreign banks.

5. Available lines of credit: (not available)
   - Commercial paper.
   - Correspondent Banks.

a. Through diverse Long Term Financing Programs, proposals will be studied, analyzed and implemented, in order to consolidate an adequate debt profile.

b. Send the liquidity stress tests results to the authorities and the Head of Risk Control simultaneously, so it can be monitored.

c. The International Treasury will review the liquidity ratio limits set by the Risk Policies' Committee and the authorities on a daily basis.

d. The International Treasury, in coordination with the Head of Risk Control, will monitor the results of its daily calculations of liquidity coefficients.

Loan or tax liabilities

The tax credits listed below are currently in litigation:

	To December 31st, 2010
BANORTE	**$201**
Value Added Tax (IVA) not credited for the 2006 fiscal year	179

IMSS fees, various occupations	5
INFONAVIT fees, various occupations	17
AFORE BANORTE	**$21**
Fiscal year 2003 (330-SAT-17738)	7
Fiscal year 2004 (330-SAT-VIII-6-11775)	14
BROKERAGE	**$60**
Fiscal year 2003 (document 900 06 05-2008-11006)	25
Fiscal year 2003 (document 900 06 05-2008-11006)	35

Million Pesos

Equity and Capitalization

GFNorte Equity (*)

	2010	2009	2008
Paid-in Capital	11,971	11,956	11,941
Premium of Subscribed & Issued Shares	1,673	1,525	1,468
Subscribed Capital	**$13,644**	**$13,481**	**$13,409**
Capital Reserves	3,181	3,154	2,720
Retained earnings	25,492	20,681	16,935
Surplus (Deficit) from Valuation of Securities Available for Sale	309	206	(550)
Results from Valuation of cash flow hedging instruments	(2,214)	(1,369)	-
Results from Conversions of Foreign Operations	(1,000)	(641)	1,095
Surplus (Deficit) in Capital Restatement	-	-	-
Permanent Share Investments	-	-	(2,821)
Accumulated effect of deferred taxes	-	-	-
Net Income	6,705	5,854	7,014
Earned Capital	**$32,473**	**$27,885**	**$24,393**
Minority Interest	4,110	3,608	1,944
Total Equity	**$50,227**	**$44,974**	**$39,746**

Million Pesos.
(*) Does not include Afore.

The Group's equity increased by 11.7% from Ps 44.97 billion at closing of 2009 to Ps 50.23 billion at closing of 2010, mainly due to the following factors:

1) Greater capital reserves.
2) An increase in retained earnings.
3) Positive impact in the valuation of securities available for sale.
4) Higher profits generated in the last 12 months.

This off-set a negative impact from the valuation of hedging instruments, resulting from foreign exchange operations.

Banking Sector Capitalization Ratio

	Dec-10	Dec-09	Dec-08[1]
Tier 1 Capital	39,369	35,380	28,300

	Dec-10	Dec-09	Dec-08[1]
Tier 2 Capital	13,252	14,277	17,076
Net Capital	**$52,621**	**$49,657**	**$45,376**
Credit Risk Assets	222,146	203,305	204,884
Market and Operational Risk Assets	104,335	92,741	97,395
Total Risk Assets [2]	**$326,481**	**$296,046**	**$302,279**
Net Capital / Credit Risk Assets	**23.7%**	**24.4%**	**22.1%**

Capitalization Ratio

	Dic-10	Dic-09	Dic-08[1]
Tier 1	12.1%	12.0%	9.4%
Tier 2	4.1%	4.8%	5.6%
Total Capitalization Ratio	**16.1%**	**16.8%**	**15.0%**

Million Pesos.

(1) The capitalization ratio reported at closing of 2008 was revised to a higher leveldue to an adjustment in the calculation of subordinated obligations as Tier 2.

(2) Does not include inter-company eliminations.

At closing of 2010, the Capitalization Ratio was 16.1% considering credit, market and operational risks, and 23.7% considering only credit risks. Tier 1 ratio was 12.1% while Tier 2 was 4.1%. On an annual basis, the main variations in the Capitalization Ratio for 2010 with respect to 2009 were:

1) Effects of profits generated in 2010. IC Impact: +1.8 pp.
2) Increase in Risk Assets. IC Impact: -1.7 pp.
3) Effects of valuation on hedging instruments. IC Impact: -0.3 pp.
4) Payment of dividends. IC Impact: -0.2 pp.
5) Valuation of Securitization instruments. IC Impact: -0.2 pp.
6) FX effect on subordinated obligations. IC Impact: -0.1 pp.

<u>Cash Flow Statement</u>

The cash flow statement reveals the institutions' availability of cash at certain point in time to meet its obligations with creditors. The structure of the cash flow statement details the cash generated by operations and the uses of resources for net financing and the investment program. As of December 2010, Cash and Due from Banks amounted to Ps 62.5 billion, 5% higher compared to the Ps 59.2 billion registered in December 2009.

Cash Flow Statement for GFNorte

	2010	2009
Net Income	**$6,705**	**$5,854**
Operations that do not generate or require resources:		
Provisions for credit risks	6,889	8,286
Provisions for loan losses	164	182
Depreciations and amortizations	1,181	954
Provisions	430	(1,786)
Deferred taxes	2,805	2,045
Undistributed earnings of subsidiaries	337	(313)
	18,511	**15,222**
OPERATING ACTIVITIES:		
Change in Margin accounts	(159)	(11)
Change in Treasury operations (investments in securities)	7,626	12,312
Change in repo debtor balances	(579)	144
Change in Derivatives (assets)	(2,639)	501
Change in Loan Portfolio	(32,062)	(8,167)
Change in acquired collection rights	523	502
Change in benefits to be received from securitizations	(518)	364
Change in foreclosed assets	94	(94)
Change in other performing assets	(1,461)	(969)
Change in Deposits	18,975	15,344
Change in loans from banks and other institutions	5,483	(15,644)
Change in repo creditor balances	(6,892)	(7,088)
Change in collateral pledged sold	9	-
Change in derivatives (liability)	2,684	(717)
Change in subordinated obligations (liability)	(350)	(2,481)
Change in other operating liabilities	(3,274)	(2,365)
Change in hedging instruments (related to operations)	136	133
Net cash generated from operations	**6,107**	**6,986**
INVESTMENT ACTIVITIES:		
Receivables from acquisition of property, and fixed assets	304	259
Payments for acquisition of property, and fixed assets	(2,215)	(1,447)
Receivables from the acquisition of subsidiaries	69	-
Payments for acquisition of subsidiaries	(171)	(183)
Receivables from other permanent investments	1	1
Payments for acquisition of other permanent investments	-	(1)
Receivables for cash dividends	227	135
Net cash used in investment activities	**(1,785)**	**(1,236)**
FINANCING ACTIVITIES:		
Payment of cash dividends	(1,029)	(364)
Repurchase of shares	69	(451)
Net cash flow used in financing activities	**(960)**	**(815)**
Increase (decrease) in cash and equivalents	3,362	4,935
Adjustments to cash flow for variation in exchange rates	(133)	(63)
Cash and equivalents at the beginning of the period	59,268	54,396
Cash and equivalents at the end of the period	**$62,497**	**$59,268**

Million Pesos.

Cash flow Statement for GFNorte

	2008
OPERATING ACTIVITIES:	
Net Income	**7,014**
Items charged to results that do not generate or require use of resources:	
Results of valuation at reasonable value	(268)
Loan loss provisions	6,896
Depreciation and amortization	1,099
Deferred taxes	(245)
Provisions for diverse obligations	24
Minority interest	373
Undistributed earnings of subsidiaries	(276)
	14,617
Increase or decrease of items related to operations:	
Increase in deposits	57,462
Increase in loan portfolio	(52,095)
Increase in Treasury operations	(220,239)
Decrease (increase) in operations with securities and derivatives	194,552
Increase in loans from Banks and other institutions	13,960
Increase in deferred taxes	(12)
Net cash generated from operations	**8,245**
FINANCING ACTIVITIES:	
Increase in subordinated obligations in circulation	10,403
Repurchase of shares	103
Increase in other payable accounts	1,269
Approved dividends	(949)
Net cash generated in financing activities	**10,826**
INVESTMENT ACTIVITIES:	
Acquisitions in properties, furniture and equipment, net	(1,308)
Increase in permanent investments in shares	(644)
Increase in charges and deferred loans	(1,958)
Increase in foreclosures	(478)
Increase in other receivables	(1,897)
Net cash used in investment activities	**(6,285)**
Increase (decrease) in cash and equivalents	12,786
Cash and equivalents at the beginning of the period	41,610
Cash and equivalents at the end of the period	**$54,396**

Million Pesos.

GFNorte General Balance Sheet (consolidated with subsidiaries)

ASSETS	2010	2009	2008
Cash and equivalents	$62,497	$59,268	$54,396
Margin Accounts	177	18	6
Investments in Securities			
Negotiable Instruments	66,181	24,459	6,076
Securities Available for Sale	12,288	11,701	11,480
Securities Held to Maturity	139,913	190,332	221,617
	218,382	226,492	239,173
Repo Transactions	583	4	149
Derivatives			
For Trading	7,463	4,824	5,325
For Hedging	596	1,056	2,843
	8,059	5,880	8,168
Performing Loan Portfolio			
Commercial Loans			
Corporate or Commercial	126,483	117,237	126,798
Financial Entities	5,521	7,131	10,860
Government Entities	47,550	38,993	26,989
Consumer Loans	27,828	25,712	29,369
Mortgages	56,168	49,881	46,282
Total Performing Loans	263,550	238,954	240,298
PDL Portfolio			
Commercial Loans			
Corporate or Commercial	4,417	3,163	1,703
Consumer Loans	1,276	1,942	2,499
Mortgages	971	1,049	746
Total PDLs	6,664	6,154	4,948
Total Loan Portfolio	270,214	245,108	245,246
(-)Preventive provisions for Loan Losses	(8,245)	(7,535)	(6,690)
Net Loan Portfolio	261,969	237,573	238,556
Acquired Collection Rights	2,025	2,548	3,049
Total Credit Portfolio, net	263,994	240,121	241,605
Benefits to receive in securitization operations	950	432	796
Other Accounts Receivable, net	10,864	11,324	9,514
Inventories	49	119	165
Foreclosed Assets, net	809	928	863
Real Estate, Furniture and Equipment, net	9,316	8,622	8,429
Permanent investments	3,130	3,036	2,559
Net deferred taxes and employee profit sharing	1,340	1,411	471
Other assets			
Other assets, deferred charges and intangibles	10,408	9,483	10,731
TOTAL ASSETS	**$590,558**	**$567,138**	**$577,025**

Million Pesos.

LIABILITIES	2010	2009	2008
Core Deposits			
Demand Deposits	$149,817	$137,581	$128,350
Time Deposits	142,798	137,327	132,419
Retail	132,673	134,141	
Money Market	6,347	3,186	
Senior Unsecured Debt	3,778	-	
	292,615	**274,908**	**260,769**
Interbank loans & Other loans			
Immediate Redemption	4,837	21	1,245
Short Term	13,114	13,385	24,803
Long Term	8,496	7,562	10,635
	26,447	**20,968**	**36,683**
Securities assigned for settlement	**-**	**159**	**-**
Repo Creditor Transactions	**178,747**	**185,480**	**192,727**
Collateral sold or pledged as guarantee			
Repos	**11**	**2**	**2**
Derivatives			
For Trading	7,238	4,553	5,269
For Hedging	3,499	3,822	5,477
	10,737	**8,375**	**10,746**
Other Accounts Payable			
Income tax	711	617	374
Employee profit sharing	797	676	898
Creditors for operations	867	2,224	2,405
Other creditors and accounts payable	9,871	8,968	10,716
	12,246	**12,485**	**14,393**
Subordinated obligations in circulation	**17,803**	**18,168**	**20,613**
Deferred loans and prepayments	**1,725**	**1,619**	**1,346**
TOTAL LIABILITIES	**$540,331**	**$522,164**	**$537,279**

TOTAL EQUITY			
CONTRIBUTED CAPITAL			
Paid-in Capital	11,971	11,956	**11,941**
Premium of subscribed & issued shares	1,673	1,525	**1,468**
	13,644	**13,481**	$13,409
EARNED CAPITAL			
Capital Reserves	3,181	3,154	**2,720**
Retained Earnings	25,492	20,681	**16,935**
Results from Valuation of Securities Available for Sale	309	206	**(550)**
Results from Valuation of cash flow hedging instruments	(2,214)	(1,369)	**-**
Results from Conversions of Foreign Operations	(1,000)	(641)	1,095
Net Income	6,705	5,854	7,014
Earned Capital	**32,473**	**27,885**	**24,393**
Minority Interest	**4,110**	**3,608**	**1,944**
TOTAL EQUITY	**50,227**	**44,974**	**39,746**
TOTAL EQUITY AND LIABILITIES	**$590,558**	**$567,138**	**$577,025**

Million Pesos.

Following the instructions for the elaboration of the Annual Report, (Annex N) Section 3 - Financial Information, section d) " Management analysis and comments on operating results and the company's financial situation" which states that any trend, commitment or material event that can or will significantly affect the liquidity of the issuer, its results or financial situation, must be identified and included in this Annual Report. Consequently, the following information is significant:

Management analysis and comments on operating results and the company's financial situation

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

With respect to the information that GFNorte has reported on the diverse material events concerning the merger between GFNorte and Ixe, announcing that on March 30th, 2011 that the Extraordinary General Shareholders' Meetings of both companies were held, GFNorte published the "Corporate Restructuring Information Brochure" as one of the obligations that it had to fulfill to obtain authorization for this merger from its Extraordinary General Shareholders' Meeting, and which was presented in accordance with Article 35 of the General Regulations Applicable to Stock Issuers and other participants in the Stock Market.

The following are the **Proforma** financial statements for the Merged Financial Group as of December 31st, 2010. The information is based on the consolidated financial statements of the controlling groups of GFNorte and Ixe before the merger and of the merged Financial Group, according to the financial information and grouped accounts presented by the Auditors Galaz, Yamazaki, Ruiz Urguiza, S. C., Member of Deloitte Touche Tohmatsu Limited in the elaboration of these Proforma Financial Statements which are an integral part of the Information Brochure. For a better analysis of these the **Proforma** Financial Statements, consult the website: www.banorte.com, the document entitled "Informatition Brochure - Annex C" in the following link:

http://www.banorte.com/pv_obj_cache/pv_obj_id_C713F56B84AB21C58C11013451DB66C9092B0D00/filename/AGEAMarzo302011_Anexo_C.pdf

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V.

Proforma consolidated Statement for UDIS and Subsidiary Trusts to December 31st, 2010.

	GF Banorte	Purchase entries		IXE GF	Total	Eliminations		Merged
		Debit	Credits			Debit	Credit	
Interest income	$41,479	$-	$-	$6,461	$47,940	$-	$-	$47,940
Interest expense	(18,747)	-	-	(4,379)	(23,126)	-	-	(23,126)
NET INTEREST INCOME	**22,732**	**-**	**-**	**2,082**	**24,814**	**-**	**-**	**24,814**
Provisions for Loan Loss	**(6,889)**	**-**	**-**	**(472)**	**(7,361)**	**-**	**-**	**(7,361)**
NII ADJUSTED FOR CREDIT RISKS	**15,843**	**-**	**-**	**1,610**	**17,453**	**-**	**-**	**17,453**
Commission and fee income	9,234	-	-	1,629	10,863	-	-	10,863
Commission and fee expense	(1,548)	-	-	(414)	(1,962)	-	-	(1,962)
Brokerage revenues	1,689	-	-	1,040	2,729	-	-	2,729
Other operating income	1,739	-	-	(102)	1,637	-	-	1,637
TOTAL OPERATING INCOME	**26,957**	**-**	**-**	**3,763**	**30,720**	**-**	**-**	**30,720**
Administrative and promotional expenses	(17,691)	-	-	(4,116)	(21,807)	-	-	(21,807)
Operating Income	**9,266**	**-**	**-**	**(353)**	**8,913**	**-**	**-**	**8,913**
Other income	1,879	-	-	380	2,259	-	-	2,259
Other expenses	(1,298)	-	-	(127)	(1,425)	-	-	(1,425)
	581	**-**	**-**	**253**	**834**	**-**	**-**	**834**
NET INCOME BEFORE TAXES	**9,847**	**-**	**-**	**(100)**	**9,747**	**-**	**-**	**9,747**
Current income tax	(2,735)	-	-	(41)	(2,776)	-	-	(2,776)
Deferred income tax (net)	(70)	-	-	32	(38)	-	-	(38)
	(2,805)	**-**	**-**	**(9)**	**(2,814)**	**-**	**-**	**(2,814)**
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	**7,042**	**-**	**-**	**(109)**	**6,933**	**-**	**-**	**6,933**
Equity in earnings of unconsolidated subsidiaries and associated companies	320	-	-	(101)	219	(143)	-	362
NET IINCOME BEFORE MINORITY INTEREST	**7,362**	**-**	**-**	**(210)**	**7,152**	**(143)**	**-**	**7,295**
Minority interest	(657)	-	-	67	(590)	-	-	(590)
NET INCOME	**$6,705**	**$-**	**$-**	**($143)**	**$6,562**	**($143)**	**$-**	**$6,705**

Million Pesos.

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V.
Proforma consolidated Statement for UDIS and Subsidiary Trusts to December 31st, 2010.

	GF Banorte	Purchase entries		IXE GF	Total	Eliminations		Merged
ASSETS		**Debit**	**Credit**			**Debit**	**Credit**	
CASH AND CASH EQUIVALENTS	**$62,497**	**$-**	**$-**	**$4,022**	**$66,519**	**$-**	**$14**	**$66,505**
MARGIN ACCOUNTS	**177**	**-**	**-**	**299**	**476**	**-**	**-**	**476**
INVESTMENTS IN SECURITIES								
Trading Securities	66,181	-	-	30,784	96,965	-	200	96,765
Securities available for sale	12,288	-	-	233	12,521	-	-	12,521
Securities held to maturity	139,913	-	-	30,681	170,594	-	-	170,594
	218,382	**-**	**-**	**61,698**	**280,080**	**-**	**200**	**279,880**
REPOS (DEBTOR BALANCES)	**583**	**-**	**-**	**4,847**	**5,430**	**-**	**-**	**5,430**
DERIVATIVES								
For Trading	7,463	-	-	4,164	11,627	-	-	11,627
For Hedging	596	-	-	306	902	-	-	902
	8,059	**-**	**-**	**4,470**	**12,529**	**-**	**-**	**12,529**
ADJUSTMENT IN VALUATION OF HEDGING FINANCIAL INSTRUMENTS	**-**	**-**	**-**	**89**	**89**	**-**	**-**	**89**
PERFORMING LOAN PORTFOLIO								
Commercial Loans								
Business or commercial activity	126,483	-	-	22,481	148,964	-	-	148,964
Financial Institutions	5,521	-	-	2,947	8,468	-	-	8,468
Governmental entities	47,550	-	-	4,219	51,769	-	-	51,769
Consumer Loans	27,828	-	-	539	28,367	-	-	28,367
Mortgages	56,168	-	-	1,574	57,742	-	-	57,742
TOTAL PERFORMING LOANS	**263,550**	**-**	**-**	**31,760**	**295,310**	**-**	**-**	**295,310**
PAST DUE LOAN PORTFOLIO								
Commercial Loans								
Business or commercial activity	4,417	-	-	560	4,977	-	-	4,977
Financial Institutions	-	-	-	6	6	-	-	6
Consumer Loans	1,276	-	-	81	1,357	-	-	1,357
Mortgages	971	-	-	247	1,218	-	-	1,218
TOTAL PAST DUE LOAN PORTFOLIO	**6,664**	**-**	**-**	**894**	**7,558**	**-**	**-**	**7,558**
LOAN PORTFOLIO	**270,214**	**-**	**-**	**32,654**	**302,868**	**-**	**-**	**302,868**
(-) PREVENTIVE LOAN LOSS RESERVES	(8,245)	-	-	(924)	(9,169)	-	-	(9,169)
LOAN PORTFOLIO, net	**261,969**	**-**	**-**	**31,730**	**293,699**	**-**	**-**	**293,699**
ACQUIRED COLLECTION RIGHTS	**2,025**	**-**	**-**	**926**	**2,951**	**-**	**-**	**2,951**
TOTAL LOAN PORTFOLIO, net	**263,994**	**-**	**-**	**32,656**	**296,650**	**-**	**-**	**296,650**
RECEIVABLES FROM SECURITIZATIONS	**950**	**-**	**-**	**259**	**1,209**	**-**	**-**	**1,209**
OTHER ACCOUNTS RECEIVABLE, net	**10,864**	**-**	**-**	**1,349**	**12,213**	**-**	**-**	**12,213**
MERCHANDISE INVENTORY	**49**	**-**	**-**	**-**	**49**	**-**	**-**	**49**
FORECLOSED ASSETS, net	**809**	**-**	**-**	**440**	**1,249**	**-**	**-**	**1,249**
FURNITURE AND EQUIPMENT, net	**9,316**	**-**	**-**	**1,515**	**10,831**	**-**	**-**	**10,831**
PERMANENT STOCK INVESTMENTS	**3,130**	**7,208**	**-**	**500**	**10,838**	**-**	**7,208**	**3,630**
DEFERRED TAXES AND EMPLOYEE PROFIT SHARING, net	**1,340**	**-**	**-**	**148**	**1,488**	**-**	**-**	**1,488**
OTHER ASSETS								
Goodwill	2,950	10,921	-	-	13,871	-	-	13,871
Intangibles	1,553	-	-	1,297	2,850	-	-	2,850
Other short and long term assets	5,905	-	-	17	5,922	-	-	5,922
	10,408	**10,921**	**-**	**1,314**	**22,643**	**-**	**-**	**22,643**
TOTAL ASSETS	**$590,558**	**$18,129**	**$-**	**$113,606**	**$722,293**	**$-**	**$7,422**	**$714,871**

Million Pesos.

	GF Banorte	Parchase Entries		IXE GF	Total	Eliminations		Merged
LIABILITIES		**Debit**	**Credit**			**Debit**	**Credit**	
CORE DEPOSITS								
Demand deposits	$149,817	$-	$-	$12,775	$162,592	$-	$-	$162,592
Time deposits								
Retail	132,673	-	-	18,397	151,070	-	-	151,070
Money Market	6,347	-	-	-	6,347	-	-	6,347
Non Secured Senior Debt	3,778	-	-	3,307	7,085	200	-	6,885
	292,615	**-**	**-**	**34,479**	**327,094**	**200**	**-**	**326,894**
INTERBANK LOANS								
Call Money	4,837	-	-	330	5,167	14	-	5,153
Short term	13,114	-	-	6,511	19,625	-	-	19,625
Long term	8,496	-	-	1,048	9,544	-	-	9,544
	26,447	**-**	**-**	**7,889**	**34,336**	**14**	**-**	**34,322**
SECURITIES ASSIGNED TO SETTLE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CREDITOR REPO BALANCES	**178,747**	**-**	**-**	**53,100**	**231,847**	**-**	**-**	**231,847**
SECURITIES TO BE RECEIVED IN REPO TRANS	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**1**
COLLATERAL SOLD OR PLEDGED AS GUARANTEES REPOS (Creditor Balance)	**11**	**-**	**-**	**-**	**11**	**-**	**-**	**11**
DERIVATIVES								
For Trading	7,238	-	-	4,720	11,958	-	-	11,958
For Hedging	3,499	-	-	86	3,585	-	-	3,585
	10,737	**-**	**-**	**4,806**	**15,543**	**-**	**-**	**15,543**
ADJUSTMENT FOR VALUATION OF HEDGING FINANCIAL LIABILITIES	**-**	**-**	**-**	**(218)**	**(218)**	**-**	**-**	**(218)**
OTHER ACCOUNTS PAYABLE								
Income tax	711	-	-	104	815	-	-	815
Employee Profit Sharing	797	-	-	27	824	-	-	824
Creditors for settlement of transactions	867	-	-	1,388	2,255	-	-	2,255
Other accounts payable	9,871	-	-	1,431	11,302	-	-	11,302
	12,246	**-**	**-**	**2,950**	**15,196**	**-**	**-**	**15,196**
SUBORDINATED DEBT OUTSTANDING	**17,803**	**-**	**-**	**3,116**	**20,919**	**-**	**-**	**20,919**
DEFERRED CREDITS AND ANTICIPATED COLLECTIONS	**1,725**	**-**	**-**	**271**	**1,996**	**-**	**-**	**1,996**
TOTAL LIABILITIES	**$540,331**	**$-**	**$-**	**$106,394**	**$646,725**	**$214**	**$-**	**$646,511**
STOCKHOLDERS' EQUITY								
PAID-IN CAPITAL								
Common stock	$11,971	$-	$1,078	$1,582	$14,631	$1,582	$-	$13,049
Premium of Subscribed and Issued share	1,673	-	17,051	5,569	24,293	5,569	-	18,724
	13,644	**-**	**18,129**	**7,151**	**38,924**	**7,151**	**-**	**31,773**
EARNED CAPITAL								
Capital Reserves	3,181	-	-	301	3,482	301	-	3,181
Retained earnings	25,492	-	-	(166)	25,326	(166)	-	25,492
Results from valuation of securities available for sale	309	-	-	68	377	68	-	309
Results from valuation of hedging securities	(2,214)	-	-	(3)	(2,217)	(3)	-	(2,214)
Results from conversion of Foreign Operations	(1,000)	-	-	-	(1,000)	-	-	(1,000)
Net Income	6,705	-	-	(143)	6,562	(143)	-	6,705
	32,473	**-**	**-**	**57**	**32,530**	**57**	**-**	**32,473**
MINORITY INTEREST	**4,110**	**-**	**-**	**4**	**4,114**	**-**	**-**	**4,114**
TOTAL EQUITY	**50,227**	**-**	**18,129**	**7,212**	**75,568**	**7,208**	**-**	**68,360**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$590,558**	**$-**	**$18,129**	**$113,606**	**$722,293**	**$7,422**	**$-**	**$714,871**

Million Pesos.

iii. INTERNAL CONTROL

The companies that comprise GFNorte have an internal control system "Sistema de Control Interno" (SCI), that was structured in accordance with the limits established by its Board of Directors and which meets the requirements set by the regulatory authorities.

The internal control system's mission is to cooperate in the function of adopting appropriate internal controls in operations and in information generation and registration. It is comprised of several elements:

a) The Board of Directors with the support of the Risk Policies' Committee (CPR) and the Audit and Corporate Practices' Committee (CAPS) and the Remuneration Committee. The Remuneration Committee was constituted during 1Q11 with the objective of implementing, maintaining and revising the Remuneration System permanently in the Institution and that its own remunerations are consistent with effective risk administration. The Bank has a CPR for the Bank, Casa de Bolsa (Brokerage House), Funds Operator, Leasing and Factoring, and Banorte Securities International; there is also a CPR for the Insurance, Afore and Annuities companies. In that sense, there is an Audit Committee for Banco Mercantil del Norte, Arrendadora y Factor Banorte (Leasing and Factoring), a Committee for the Brokerage House and Funds Operator, one for the Long Term Savings' (CASAP) companies and one for INB.

b) General Management and the areas that support it in regards to control are: the integral risk management unit (Unidad de Administración Integral de Riesgos (UAIR), Legal and Controllership departments which are responsible for maintaining appropriate levels of control and risk in the Group's operations, as well as compliance with regulations.

c) Internal Audit, External Audit and Commissary (the commissary only applies to GFNorte's subsidiaries) as entities providing additional support to monitor the internal control system's operations and to provide reasonable assurance on the reliability of the information generated. Internal Audit reports to CAPS and maintains total independence from management areas.

d) The Directors are responsible of ensuring that the SCI operates according to the functions and responsibility assigned to them, and as promoters in their respective areas of influence of the execution of the established regulations for the institution and of strategies defined by the General Management.

e) Documents that establish the general control criteria which must be followed in the operation and registration of transactions, in the use of human resources, materials and technologies; in the use, security, opportunity and dependability of information; and in the due execution of the external and internal norms, as well as the Code of Conduct that establishes the conduct of all consultants, officials or employees of the Group in the realization of their duties. The basic Internal Control documents were ratified by the Board of Directors in October 2010.

f) Policy and procedure manuals that establish the norms for documentation, registration and liquidation of the operations carried out by the Institution and outline the control points that must be observed, ensuring the segregation of functions, the clear assignment of responsibilities, the receipt of information and the prevention of illicit acts.

During 1Q11, activities related to the strengthening of controls, risk evaluation and management, the establishment and monitoring of controls, and the assurance of quality information continued to be developed. Some of the more important activities include:

a) The different Corporate Governance Committees have received the necessary financial, economic and accounting and/or legal information corresponding to each case, to make the appropriate decisions.

b) Manuals of policies and procedures have been kept updated regarding changes in external regulation, new products and changes to institutional procedures or improvements in internal controls. Additionally, follow - up of improvements resulting from observations made by different SCI members was also maintained.

c) Requirements made by the Supervising Authorities were fulfilled, as well as the delivery of information required by external regulations.

d) The different business and support processes of operation in GFNorte were monitored by Process Control and Management, periodically informing on the execution and if the case, identification of opportunity areas for timely action.

e) The accounting and financial information is reflected appropriately and consistently in the Financial Statements in accordance with established accounting policies provided by Internal Audit to the Audit Committee and were verified in the external auditor's verdict of the Financial Statements for the 2010 fiscal year.

e) CRITICAL ACCOUNTING ESTIMATES

Do not apply, as critical accounting estimates do not exist.

4. ADMINISTRATION

a) EXTERNAL AUDITORS

External auditors are appointed with the Board of Directors' approval which is based on the recommendations presented by the Audit and Corporate Practices Committee.

As of the 2005 fiscal year, the firm of Galaz, Yamazaki, Ruiz Urquiza, S. C. have audited the financial statements, therefore there has been no change in external auditors for the last six fiscal years, also during this period, the firm of auditors has not issued a negative opinion or opinion with exception, nor have they abstained from issuing an opinion about the Financial Statements of GFNorte.

In the fiscal year of 2010, GFNorte hired a firm of external auditors at a total cost of Ps 233,000 with 100% of this cost corresponding to the auditing services for the financial statements.

b) OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

Transactions between the issuer and related parties are explained in detail in Note 25. Transactions and balances with subsidiary companies and associates of Point 8 ANNEXES of this report.

In GFNorte's Banking Sector, the total portfolio of performing loans under Article 73 of the Law of Credit Institutions does not surpass the established limit of 50% of the basic part of the net capital.

	GFNorte		
	Dec-10	**Dec-09**	**Dec-08**
Portfolio Art. 73	$8,772	$7,362	$8,216
Portfolio Art. 73 / 50% of Basic Capital	47.1%	46.2%	53.8

As of **March 31st, 2011**, the total portfolio of performing loans under Article 73 of the Law of Credit Institutions, was Ps 8.84 billion (including Ps 910 million in loan obligations, which are registered in memorandum accounts), representing 3.4% of the total loan obligations (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related loans, Ps 2.52 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.86 billion to clients linked to shareholders; and Ps 4.46 were linked to companies related to GFNorte.

The related loans were granted with market conditions and rated in accordance with the same policies, procedures and qualification systems that apply 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 the CNBV and the internal methodology authorized by CNBV, to qualify the Debtor in the commercial loan portfolio. 94% of related loans are rated as Category "A" and the majority of these loans are classified as commercial loans.

In accordance with Article 73 of the Law of Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at closing of March 2011 was 44.9% of the limit set by Banco de Mexico (Central bank), which is the equivalent of 50% of the basic part of net capital.

As of December 31, 2010, the total portfolio of related party loans under Article 73 of the Law of Credit Institutions, was Ps 8.77 billion (including Ps 948 million in loan obligations, which are registered in memorandum accounts), representing 3.5% of the total loan obligation (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related loans, Ps 2.43 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.83 were granted to clients linked to shareholders and Ps 4.52 billion were linked to companies related to GFNorte.

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. 97% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

In accordance with Article 73 of the Law of Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at closing of December 2010 was 47.1% of the limit set by Banco de Mexico which was the equivalent of 50% of the basic part of net capital.

Business Relations

GFNorte maintains the practice of identifying balances and operations that it carries out with its subsidiaries. All balances and transactions with consolidated subsidiaries that are shown below have been eliminated in the consolidation process. These transactions are also set using studies of transfer pricing.

In accordance with the Article 73 of the Law of Credit Institutions, loans granted by Banorte to related parties (belonging or not to the financial sector), cannot exceed 50%, and 75% of the basic part of their net capital. On December 31st 2010, 2009 and 2008, loans granted to related parties were Ps 8.77, Ps 7.36, and Ps 8.22 respectively, showing percentages that represent 47%, 46% and 54% respectively, of the limits established in the Law of Credit Institutions.

As of December 31st 2010, 2009 and 2008 the Holding Company's participation in the equity of its consolidated subsidiaries is as follows:

	2010	2009	2008
Banco Mercantil del Norte, S. A. y Subsidiarias	92.72%	92.72%	97.06%
Casa de Bolsa Banorte, S. A. de C. V.	99.99%	99.99%	99.99%
Arrendadora y Factor Banorte, S. A. de C. V.	99.99%	99.99%	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%	99.99%	99.99%

Balances and transactions with subsidiary companies not consolidated and other associated companies are integrated as follows:

	Income			Accounts Receivable		
Institution	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Seguros Banorte Generali, S. A. de C. V.	$650	$598	$613	$29	$9	$19
Total	**$650**	**$598**	**$613**	**$29**	**$9**	**$19**

Million Pesos.

	Expenses			Accounts Payable		
Institution	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Seguros Banorte Generali, S. A. de C. V.	$251	$101	$300	$19	$5	$24
Total	**$251**	**$101**	**$300**	**$19**	**$5**	**$24**

Million Pesos.

Sale of portfolios among related parties (nominal values)

In February of 2003 Banorte sold Ps 1.93 billion from its proprietary portfolio (with interest) to the Sólida subsidiary for Ps 378 million. Of this transaction, Ps 1.89 billion correspond to past due loans and Ps 64 million to performing loans. The operation was based on August 2002 figures, which is why the final amount, which affected the general balance of February 2003, was Ps 1.86 billion, taking into consideration collections made in

August 2002. Together with the portfolio sold, a total of Ps 1.58 billion in credit reserves related to the same were transferred.

In Document 601-II-323110 of November 5th, 2003, the Commission expressed the accounting criteria that must be monitored in the accounting and financial treatment of this operation and it issued a series of resolutions through which Banorte must explain in detail the performance of this operation as long as it subsists, and also consider that this operation was a unique exception and not a permanent procedure of portfolio transfer.

Based on the afore-mentioned, the following table shows the performance of the loan portfolio sold to Sólida as of August 2002 and for 2009 and 2010:

	Pesos			Foreign currency in Ps			Total		
Type of Portfolio	**Ago 02**	**Dec 09**	**Dec 10**	**Ago 02**	**Dec 09**	**Dec 10**	**Ago 02**	**Dec 09**	**Dec 10**
Performing Loans									
Commercial	$5	$-	$-	$5	$-	$	$10	$-	$-
Mortgages	54	27	20	-	-	-	54	27	20
Total	**59**	**27**	**20**	**5**	**-**	**-**	**64**	**27**	**20**
Past Due Loans									
Commercial	405	361	331	293	110	104	698	471	435
Consumer	81	72	72	-	-	-	81	72	72
Mortgages	1,112	350	323	-	-	-	1,112	350	323
Total	**1,598**	**783**	**726**	**293**	**110**	**104**	**1,891**	**893**	**830**
Total Portfolio	**$1,657**	**$810**	**$746**	**$298**	**$110**	**$104**	**$1,955**	**$920**	**$850**
Credit Reserves (1)									
Commercial	326	349	318	246	110	104	572	459	422
Consumer	77	72	72	-	-	-	77	72	72
Mortgages	669	336	313	-	-	-	669	336	313
Reserve Totals	**$1,072**	**$757**	**$703**	**$246**	**$110**	**$104**	**$1,318**	**$867**	**$807**

Million Pesos.

(1) Constituted reserves in accordance with the rating methodology used in Banorte maintained a participation percentage of 99.99% of Sólida's equity in 2009 and 2008.

As of December 31st, 2010 and 2009, the integration of Banorte's loan portfolio without subsidiaries, including the loan portfolio sold to Solid, was as follows:

	Pesos		Foreign currency in Ps		Total	
Type of Portfolio	**Dec 10**	**Dec 09**	**Dec 10**	**Dec 09**	**Dec 10**	**Dec 09**
Commercial Loans	$148,786	$133,823	$13,330	$11,316	$162,116	$145,139

Type of Portfolio	Pesos		Foreign currency in Ps		Total	
	Dec 10	Dec 09	Dec 10	Dec 09	Dec 10	Dec 09
Consumer Loans	27,637	25,525	-	-	27,637	25,525
Mortgages	54,013	47,378	-	-	54,013	47,378
Performing Loans	**230,436**	**206,726**	**13,330**	**11,316**	**243,766**	**218,042**
Commercial Loans	3,954	2,583	252	150	4,206	2,733
Consumer Loans	1,348	2,014	-	-	1,348	2,014
Mortgages	1,025	1,151	-	-	1,025	1,151
Past Due Loans	**6,327**	**5,748**	**252**	**150**	**6,579**	**5,898**
Total Portfolio	**236,763**	**212,474**	**13,582**	**11,466**	**250,345**	**223,940**
Credit Reserves	8,131	7,425	297	384	8,428	7,809
Net Portfolio	**$228,632**	**$205,049**	**$13,285**	**$11,082**	**$241,917**	**$216,131**
PDL Reserves					**128.10%**	**132.40%**
% of PDL					**2.63%**	**2.63%**

Million Pesos.

c) MANAGERS AND SHAREHOLDERS

Board of Directors

The Board of Directors is comprised of 15 Proprietary Shareholders and their respective alternates.

The Board of Directors named for the 2011 fiscal year by the Annual General Ordinary Shareholders' Meeting of April 29th, 2011 is made up of the following members:

Name	Position	With the company since	Professional Background	Relationship
Don Roberto González Barrera	Chairman Emeritus Proprietary Patrimonial Member	October 1993	• Chairman of the Board of Directors of Grupo Maseca. • Chairman of the Board of Directors of Banco Mercantil del Norte, S. A.	Father of Bertha González Moreno, Juan González Moreno and Roberto González Moreno
Don Guillermo Ortiz Martinez	Chairman Proprietary Related Member	February 2011	• Governor of the Bank of Mexico • Minister of Finance and Public Credit	
Don Rodolfo Barrera Villarreal	Proprietary Patrimonial Member	October 1993	• Vice-president of the Board of Directors of Banco Mercantil del Norte, S. A. • President of the Board of Directors of Grupo Quimmco, S. A. de C. V.	Father of Jesús L. Barrera Lozano

Name	Position	With the company since	Professional Background	Relationship
Doña Bertha Gonzalez Moreno	Proprietary Patrimonial Member	April 1999	• CEO of Patronato de Cerralvo A. B. P.	Daughter of Roberto González Barrera and sister of Juan González Moreno and Roberto González Moreno
Don José G. Garza Montemayor	Proprietary Patrimonial Member	October 1993	• CEO of Productos Laminados de Monterrey, S. A. de C. V.	
Don David Villarreal Montemayor	Proprietary Patrimonial Member	October 1993	• Owner of Artefactos Laminados, S. A.	
Don Francisco Alcalá de León	Proprietary Independent Member	April 2001	• President of Frajal Consultores, S. C.	
Don Eduardo Livas Cantu	Proprietary Related Member	April 1999	• Independent advisor	Brother of Don Alfredo Livas Cantú
Don Eugenio Clariond Reyes-Retana	Proprietary Independent Member	April 201	• Executive President of Grupo IMSA, S.A. de C. V.	Brother of Don Benjamín Clariond Reyes Retana
Don Herminio Blanco Mendoza	Proprietary Independent Member	April 2005	• President and CEO of Soluciones Estratégicas. • Member of the Board of Directors of Banco Latinoamericano de Exportaciones, Bladex. • Member of the Board of Directors of Cydsa, S. A. • Advisor to Mr. Lakshimi Mittal (President of the Board of Directors and CEO of Mittal Steel).	
Don Manuel Aznar Nicolín	Proprietary Independent Member	March 2007	• Partner at the offices of Kuri Breña, Sanchez Ugarte, Corcuera y Aznar, S. C.	
Don Jacobo Zaidenweber Cvilich	Proprietary Independent Member	October 1993	• President of the bilateral Committee Mexico-USA of C.E.M.A.I. • Member of the Board of Directors of C.O.E.C.E	
Don Alejandro Valenzuela del Río	Proprietary Related Member	October 2007	• CEO of Grupo Financiero Banorte S. A. B. de C. V. • Managing Director of Institutional Relations of Grupo Financiero Banorte, S. A. de C. V. • Managing Director of Treasury and Investor Relations of Grupo Financiero Banorte, S. A. B. de C. V.	
Don Isaac Hamui Mussali	Proprietary Independent Member	April 2002	• CEO of Inmobiliaria IHM, S. A de C. V.	

Name	Position	With the company since	Professional Background	Relationship
Don Everardo Elizondo Almaguer	Proprietary Independent Member	April 2010	• Professor of Microeconomy at Instituto Tecnologico y de Estudios Superiores de Monterrey (ÍTEMS) • Deputy Governor of the Bank of Mexico	
Doña Patricia Armendáriz Guerra	Proprietary Independent Member	April 2009	• CEO of Credipyme, S. A. de C. V. • President of Consultoría Internacional	
Don Roberto Gonzalez Moreno	Patrimonial Alternate Member		Corporación Noble, S. A. de C. V.	Son of Don Roberto González Barrera and brother of Doña Bertha González Moreno and Don Juan González Moreno
Don Jesus L. Barrera Lozano	Patrimonial Alternate Member	April 2002	• CEO of Grupo Quimmco, S. A. de C. V.	Son of Don Rodolfo Barrera Villarreal
Don Juan Gonzalez Moreno	Patrimonial Alternate Member	April 2004	• Director of Special Projects of Mission Food (Grupo Maseca).	Son of Don Roberto González Barrera and brother of Doña Bertha González Moreno and Don Roberto González Moreno
Don Javier Martinez Abrego	Patrimonial Alternate Member	October 1993	• President of the Board of Directors of Motocicletas y Equipos, S. A. de C. V.	
Don Carlos Chavarria Garza	Patrimonial Alternate Member	April 2003	• CEO of Corporativo de Grupo Transregio, S.A.	
Don Luis Manuel Merino Villasante	Independent Alternate Member	April 2009	• CEO of Cocreaciones, Consultores y Editores, S. A de C. V	
Don Alfredo Livas Cantu	Related Alternate Member	April 2006	• President of Praxis Financiera, S. C.	Brother of Don Eduardo Livas Cantú
Don Benjamín Clariond Reyes Retana	Independent Alternate Member	April 2005	• Director of the IMSATEL Division of Grupo IMSA, S. A. de C. V.	Brother of Don Eugenio Clariond Reyes Retana
Don Simon Nizri Cohen	Independent Alternate Member	October 1993	• Founding member of the Board of Directors of Textiles Unidos, TISAMEX, Industrias Eureka, Bordados Fénix, Alto Acabado, S. A. de C. V. • Founding member of the Board of Directors of Hilados Mary, Organización Kadima, Terpel, Diseños Logar, S.A. de C.V.	

Name	Position	With the company since	Professional Background	Relationship
Don Cesar Verdes Quevedo	Independent Alternate Member	April 2004	• Financial Advisor to Casa de Bolsa Banorte, S. A. de C. V. (Brokerage House) • CEO of Operadora Cever, S. A. • CEO of Grupo Automotriz Cever, S. A.	
Don Isaac Becker Kabacnik	Alternate Independent Member	April 2002	• President of Becker e Hijos, S. A. de C. V. y de Becktel, S. A. de C. V.	
Don Sergio García Robles Gil	Alternate Related Member	April 2006	• Chief Financial Officer of Grupo Financiero Banorte S.A.B. de C.V.	

In accordance with Article Thirty-three of the Corporate By-laws, the functions and faculties of the Board of Directors are:

I. To establish general strategies to guide the Group and the individuals who control it.

II. To monitor the management and direction of the Groups and the individuals who control it, taking into consideration their relevance in the financial, administrative and legal situation of the Group, as well as the performance of the relevant directors.

III. To approve, with the prior opinion of the Audit and Corporate Practices Committee:

a) Policies and limitations for the use of the Group's capital and for the individuals who control it on behalf of related parties.

b) Each individual transaction with related parties that the Group or individuals with control carry out. The following transactions do not require the approval of the Board of Directors as long as they adhere to the policies and limits established by the Board: 1. Transactions in amounts with insignificant relevance for the Group and the individuals who control it, 2. Transactions carried out by the Society and the companies that it controls or over which it has significant influence, or among them, only when: i) they are ordinary or normal business transactions; ii) they are carried out at market prices or supported by ratings qualified by external specialists. 3. Transactions with employees, only if carried out under the same conditions as with any client or as a result of general labor benefits.

c) Unusual or non-recurring transactions executed in the course of a fiscal year by the Group or individuals in control, either simultaneously or successively and considered to be, by their characteristics, a single operation or, the amount represents, based on figures corresponding to the closing of the previous quarter in any of the following cases: 1. The acquisition or alienation of goods with a value equal or superior to 5% of the consolidated assets of the Group. 2. The acquisition of guarantees or assumption of liabilities for an amount equal or superior to 5% of the Group's consolidated assets. Investments in debt or bank investments are exempted when they are carried out in accordance with the policies established by Board of Directors. Transaction waivers for amounts less than that mentioned in this paragraph can be delegated to the Audit and Corporate Practices Committee.

d) The appointment, election and if the case, dismissal of the Group's CEO and his remuneration, as well as the policies for the appointment and remuneration of the other relevant officers.

e) Policies for granting mutuals, loans or any type of credit or guarantees to related parties.

f) Exemptions, enabling a Board member, relevant officer or individual with control to take advantage of business opportunities for themselves or on behalf of a third party that correspond to the Group or individuals with control or those with significant influence. Exemptions for transactions for amounts less than the one mentioned in paragraph c) of this section, can be delegated to one of the Group's committees in charge of audits or corporate practices which is included in the Stock Market Law.

g) Limitations with regards to internal control and internal audit of the Group and controlling individuals.

h) Accounting policies of the Group, adjusted to known accounting principles or those issued by the Comisión Nacional Bancaria (National Banking and Securities Commission) of general character.

i) Financial statements of the Group.

j) The hiring of individuals to conduct external audits and if the case, additional or complementary services.

When the Board of Directors' resolutions are not in agreement with the opinions of the corresponding Committee, such Committee must instruct the CEO to disclose this situation to investors through the stock exchange in which shares of the Group are traded, and adapting itself to the terms and conditions of the internal regulations established by that stock exchange.

IV. To present to the General Shareholders' Meeting held at the end of each fiscal year, the following: a) the annual report on the activities of the Audit and Corporate Practices Committee; b) The report prepared by the CEO in accordance with the law, accompanied by an external auditor's finding; c) The Board of Directors' opinion on the content of the CEO's report referred to in the previous parenthesis; d) The report referred to in Article 172, paragraph b) of the General Law of Mercantile Societies establishing the main policies and accounting and information principles to follow in the preparation of financial information; e) The report on those activities and operations in which there could have been intervention in accordance to that foreseen in the applicable legislation.

V. Follow up on the main risks that the Group and its controlling individuals are exposed to, based on the information presented by the Committees, the CEO and external auditors, as well as accounting systems, internal control and internal audit, registration, filing or information, all of which can be carried out by the Audit and Corporate Practices' Committee.

VI. Approve communication and information policies with shareholders and the market, as well as with the Board of Directors and Relevant Officers, to comply with legal regulations.

VII. Determine the necessary actions to correct any identified irregularities and implement the corresponding corrective measures.

VIII. Establish the terms and conditions to which the Chief Executive Officer must adhere in exercising his power in acts of dominion.

IX. Order the Chief Executive Officer to publicly disclose any relevant events to his knowledge.

X. Represent the Group with corporations and individuals, as well as administrative and legal authorities or authorities of any other nature, whether municipal, state or federal, as well as local or federal labor authorities, the different Secretaries of State, Federal Tax Tribunal, Mexican Institute of Public Health, regional offices and other dependents of the same Institute and referees or arbitrators, with the authority to deal with cases and collections, conferred with the most ample general abilities referred to in the first paragraph of Article 2554 of the Civil Code for the Federal District, and with the special abilities that require special mention in accordance with the sections I, II, III, IV, V, VI VII and VIII of Article 2587 of the aforementioned legal document, by which, in an unlimited manner, they will be able to:

a) To settle and commit to in arbitration.
b) To come between and desist in all types of trials and resources.
c) To initiate Habeas Corpus trials or desist from them.

d) To present and ratify arraignments and penal quarrels and to meet their requirements; and to desist them.
e) To be co-council for the Federal or local District Attorney.
f) Grant pardons in penal procedures.
g) Explain or absolve positions in all types of trials, including labor trials, with the understanding however, that only those individuals designated by the Board of Directors have the ability to absolve them in accordance with the terms of Section X of this Article, which completely excludes them from the Rights enjoyed by other officials or directors of the Group.
h) Obtain awards of goods, surrender goods, present bids at auctions, challenge, and receive payments.

XI. Appear before any labor authority whether administrative or jurisdictional, local or federal; acting within the procedural policies or corresponding legal procedures, from the reconciliation stage to final execution; and to celebrate all types of agreements within the terms of Articles 11, 787 and 876 of the Federal Labor Law.

XII. Management of businesses and corporate assets with the most ample general authority within the terms of Article 2554, paragraph Two of the aforementioned Civil Code for the Distrito Federal;

XIII. Issue, subscribe to, grant, accept, endorse or guarantee by endorsement loan securities within the terms of Article 9 of the General Law of Securities and Loan Operations;

XIV. Open and close bank accounts in name of the Group, as well as make deposits and draw against them, and appoint people with signing authority.

XV. Exercise acts of disposition and domain regarding the Group's goods, or its real or personal rights, under the terms of paragraph three of Article 2554 of the aforementioned Civil Code and with the special abilities pointed out in sections I, II and V of Article 2587 of the legal classification referred to.

XVI. Grant general or special powers, always reserving the use of said authority, as well as revoking the powers granted.

XVII. Establish rules for structure, organize, integrate, functions and abilities of the Board of Directors' Executive Commission, Regional Councils, Internal Committees and the necessary work commissions; to appoint members; and set their remuneration.

XVIII. Formulate an internal work code.

XIX. Grant the necessary powers to officials indicated in the previous section or to any other persons, and revoke said granted powers; while observing all the applicable laws, delegate its powers and in the CEO, or some powers to one or several of the Board Members, or to Alternates that it designates, so that they exercise those powers in the business or businesses and under the terms and conditions that the Board of Directors establishes.

XX. Delegate the Group's legal representation to the person or persons considered suitable, granting signing power and conferring them with ample general powers for disputes and collections, as referred to in the first paragraph of Article 2554 of the Civil Code and with the special Powers that require expressed mention according to Sections III, IV, VI, VII and VIII of Article 2587 of the legal body so that they can:

a) Present themselves as the Group's legal representatives in any administrative, labor, judicial procedure or process, or any other and make all types of instances, and specifically; articulate or absolve positions on behalf of the Group, converge in the conciliatory period, before the reconciliation meetings and arbitration; intervene in the respective diligences; and to celebrate all types of agreements with employees.
b) Carry out all the other legal acts referred to in Section I of this Article.
c) Substitute powers and faculties without reducing their own, and to grant and revoke mandates.

XXI. Resolve acquisition related situations, liens or transmissions of shares owned by the Group and issued by other societies.

XXII. In general, to have all the necessary faculties to carry out the management entrusted and consequently carry out all the acts and operations, legal and material, directly or indirectly, related to the social objective defined in the Article Three and the complementary activities established in the Fourth Article of these By-Laws, without limitation. The references of this Article to the precepts of the Civil Code for the Distrito Federal are understood to correlate with the Civil Codes of the entities in which the mandate is exercised.

The Board of Directors will be responsible to monitor the execution of the agreements of the Shareholders' Meetings, which could be carried out through the Audit Committee that conducts the audits which this Law refers to.

2011 Shareholders

Don Roberto González Barrera exercises control over the Group.

According to the shareholder listings prepared for the Annual Ordinary General Shareholders' Meeting held on April 29th, 2011, Board Members and the main officials in the Group with over 1% participation in the Group's shares are distributed as follows:

BOARD MEMBERS	No. of SHARES
Don Roberto González Barrera*.	343,410,218
Don David Villarreal Montemayor, representing Doña Alicia Montemayor de Villarreal	46'036,700
Don José Gpe. Garza Montemayor together with Doña Irma Graciela Montemayor de Garza	45'728,000
Don Javier Martinez Ábrego	31,265,000

*Includes the participation of his children Doña Bertha Gonzalez Moreno and Don Juan Antonio Gonzalez Moreno with 44,703,777 and 6,744,361 shares, respectively.

According to the shareholder listings prepared for the Annual Ordinary General Shareholders' Meeting held on April 29th, 2011, the names of the 10 main shareholders of GFNorte are:

Roberto Gonzalez Barrera and family
JP Morgan (on behalf of third parties)
State Street Bank and Trust Co. (on behalf of third parties)
The Bank of New York Mellon (on behalf of third parties)
Citigroup (on behalf of third parties)
Brysam Mexico II, LLC / JP Morgan
Brown Brothers Harriman and Co. NY (on behalf of third parties)
The Northern Trust Company (on behalf of third parties)
Aberdeen Global / BP2S Luxembourg
Alicia Rebeca Montemayor Garcia

Support committees for GFNorte's Board of Directors

The established support Committees for the Board of Directors of GFNorte are the Management Committee, the Audit and Corporate Practices' Committee, other Audit Committees, Remuneration Committee and the Risk Policies' Committee, which are made up of Board members and officers of the Group are involved in some of them. It is the Board's responsibility to authorize the by-laws of the committees and to evaluate their performance on an annual basis.

MANAGEMENT COMMITTEE

Objective: to make decisions on strategic matters for the Institution and to follow up on the general state of the Institution and it's most relevant matters.

Frequency of sessions: the Chairman of the Board of Directors calls the sessions.

Comprised of:

MEMBERS		
Don Roberto Gonzalez Barrera	Chairman Emeritus	President
Alejandro Valenzuela del Río	CEO of GFNorte	Coordinator
	Managing Director Corporate	
Jesus O. Garza Martinez	Managing Director of Retail Bank	
	Managing Director Government Banking	
Sergio Garcia Robles Gil	Chief Financial Officer	

Quorum: four members must be present always including the Chairman and the Chief Executive Officer of GFNorte.

Decisions are adopted with unanimous votes of those present.

AUDIT AND CORPORATE PRACTICES' COMMITTEE

Audit and Corporate Practices' Committee

Objective:

To support GFNorte's Board of Directors in monitoring the management, performance and execution of the Group's businesses and of their controlling individuals, considering the relevance that these have in the financial, administrative, and legal situation of the Group; as well as in the execution of the agreements approved in the Shareholder Meetings.

Integration and Meetings:

The Audit and Corporate Practices' Committee is comprised exclusively of independent members, with a minimum of three and not more than five members of the Board of Directors, appointed by the Board of Directors, at the proposal of the President.

The President of the Audit and Corporate Practices' Committee is appointed to/or removed from his position exclusively by the General Shareholders' Meeting and cannot be the President of the Board of Directors. The Secretary of the Committee is appointed by the same committee.

Sessions of the Audit and Corporate Practices' Committee are valid with a majority participation of its members, provided that the President is present or whoever has been designated, from among the Committee members, to take his place in his absence. The proposals put forth will be approved with the majority of votes of those members present, with the President's vote being the deciding vote in the event of a tie.

MEMBERS		
Francisco Alcalá de León	Proprietary Independent Board Member	President
Herminio Blanco Mendoza	Proprietary Independent Board Member	Member
Manuel Aznar Nicolín	Proprietary Independent Board Member	Member
Patricia Armendáriz Guerra	Independent Alternate Board Member	Member
Isaias Velázquez Gonzalez	Secretary with no vote	

The Audit and Corporate Practices' Committee can hold sessions as many times as necessary, having the capacity to summon meetings, the President of the Board of Directors, 25% of the Board Members, the Chief Executive Officer, or the President of this Committee.

The Committee records its sessions, and the records of each session are signed by those individuals acting as President of the session and Secretary of the Committee.

Functions:

I. Regarding Corporate Practices:

a. Provide the Board of Directors with an opinion on matters of concern in accordance with the applicable legislation.
b. Solicit the opinion of independent experts for cases it considers necessary, in order to perform appropriately or when acting in accordance to applicable legislation.
c. Convene Shareholders' Meetings and request the inclusion of topics considered important in the agenda of those Meetings.
d. Support the Board of Directors in the elaboration of reports to be presented at the Shareholders' Meetings.
e. Monitor and ensure that the Group's performance lies within the limits established by law and the Group's Corporate By-Laws.
f. Define and update the structure of share incentive plans for the institution's executives.

II. Regarding Audit:

a. Provide the Board of Directors with an opinion on matters of concern in accordance to the applicable legislation.
b. Evaluate the performance of corporations providing external audit services, such as analyzing the findings, opinions and reports prepared by the external auditor. To do so, the Committee may require the presence of the afore-mentioned auditor whenever considered convenient, without prejudice of meeting at least once a year.
c. Discuss the Group's financial statements with the individuals responsible of their elaboration and revision, and based on that, recommend or oppose their approval to the Board of Directors.
d. Inform the Board of Directors of the state of the internal control and internal audit systems of the Group or corporations that control them, including any detected irregularities, if the case.
e. Prepare an opinion on the CEO's report and submit it to the Board of Directors for its consideration and later presentation to the Shareholders' Meeting, based on the external auditor's findings, among other factors. This opinion should at least point out:
    1. If the accounting and information policies and criteria followed by the Group were appropriate and sufficient, taking into consideration the particular circumstances of the situation.
    2. If these policies and criteria were applied in the information presented by the CEO.
    3. If, as a consequence of numbers 1 and 2, the information presented by the CEO reasonably reflects the financial situation and results of the Group.

f. Support the Board of Directors in the preparation of the reports to be presented to the Shareholders' Meeting.
g. Check that operations referred to in Number 3 of Article 33 of the Corporate By-Laws, as well as those indicated by the applicable legislation, are carried out according to the law and By-Laws.
h. Solicit the opinion of independent experts in such cases where it is judged to be convenient, for the appropriate performance or when in accordance with the applicable legislation.
i. Require relevant officers and other employees of the Group or corporations that it controls, to report relative to the elaboration of financial and of any other type of information that it considers necessary for the execution of their duties.
j. Investigate the possible non-fulfillment of duties by those with knowledge of operations, operational limitations and policies, internal control, internal audit and accounting registration system, either of the Group or of controlled corporations through an examination of documentation, registrations and other proof or evidence, to the extent necessary to fulfill this supervision.
k. Receive observations expressed by shareholders, Board Members, relevant officers, employees and, by any third party in general, regarding matters referred to in the previous paragraph, as well as to carry out actions that are reasonable in their opinion in connection with such observations.
l. Request periodic meetings with the relevant officers, as well as the delivery of any type of information related to the internal control and internal audit of the Group or its corporations.

m. Inform the Board of Directors of any important irregularities detected related to the execution of their duties and if the case, of the corrective measures taken or proposed.
n. Convene a Shareholders' Meeting and request that pertinent topics be included in the agenda.
o. Monitor that the CEO executes the adopted resolutions of the Shareholder Meetings and of the Group's Board of Directors according to the instructions dictated by Shareholders' Meeting or the Board of Directors.
p. Supervise the establishment of mechanisms and internal controls that allow verification that the acts and operations of the Group and its corporations, adhere to the applicable norms, as well as to implement methodologies that facilitate the revision of the above-mentioned execution.
q. Supervise that all activities adhere to the corporate by-laws and established laws.

Responsibilities:

The President of the Audit and Corporate Practices' Committee must prepare an annual report on the activities that correspond to this Committee and must present it to GFNorte's Board of Directors. This report must consider the following points:

<u>I. Regarding Corporate Practices:</u>

a. Observations regarding the performance of relevant officers.
b. Operations with related parties, during the fiscal year reports detailing the specifics of significant operations.
c. Integral compensation or remuneration packages for individuals referred to in Article 28, Section III, paragraph d) of the Stock Market Law (LMV).
d. Waivers granted by the Board of Directors in terms stipulated in Article 28, Section III, paragraph f) of the LMV.
e. Responsibilities related to the share incentive plan for executives of the bank:
    1. Name the officers eligible for the incentive plan (beneficiaries).
    2. Establish the participation granted to beneficiaries, terms and form of payment of the incentive plan.
    3. Authorize the number of shares assigned to the incentive plan that will be purchased by the Trust.
    4. Interpret, manage, modify and if the case, propose to the Board of Directors of Banorte the termination of the incentive plan.
    5. Take any necessary actions for the efficient and timely execution of the incentive plan.
    6. Inform the Board of Directors on relevant matters concerning the institution's incentive plan.

<u>II. Regarding Audit:</u>

a. The state of the internal control and internal audit system of the Group and its corporations and the description of any deficiencies and deviations, if the case, as well as aspects that require improvement, taking into account the opinions, reports, official statements and findings of the external audit, as well as the reports issued by the independent experts that extended their services during the period covered by the report
b. The mention and follow-up of preventive and corrective measures implemented based on the results of investigations related to not adhering to the guidelines, operation and accounting registration policies by either the Group or its corporations.
c. Evaluation of the corporation's performance in providing the external audit service as well as the external auditor in charge of it.
d. The description and assessment of any additional or complementary services provided by the corporation conducting the external audit, as well as those provided by independent experts.
e. The main results of revisions to the financial statements of the Group and of its corporations.
f. The description and effects of the modifications to accounting policies approved during the period covered in the report.
g. The measures taken because of observations considered significant, by shareholders, Board Members, relevant officers, employees or any third party, regarding accounting, internal controls and topics related to internal or external audits, or, arising from accusations of management irregularities.

h. Follow-up on the resolutions adopted by the Shareholder' Meetings and the Board of Directors.

To prepare the reports referred to by this legal precept, as well as that of the opinions pointed out in Article 42 of the LMV, the Audit and Corporate Practices' Committee should listen to the relevant officers; in the event that there is a difference of opinion, such differences will be reported in those mentioned reports and opinions.

Technical Committee of Assignments

Scope: objectives, functions, members and frequency of sessions of the Technical Committee in general for Banco Mercantil del Norte.

Objective: to support the Audit and Corporate Practices' Committee in the administration and determination of operating rules for the Trust established for the incentive plan.

Functions:

a. Support the Audit and Corporate Practices' Committee in the performance of their functions with regards to the share plans for executives of Banco Mercantil del Norte:
b. To provide written instructions to Fiduciary on how to apply payments from dividends generated by the shares.
c. To notify Fiduciary in writing of any change in beneficiaries for the causes of permanent incapacity, death or substitution.
d. To provide written instructions to Fiduciary to invest the liquid trust funds in financial instruments with the best profitability, safety and immediate realization.
e. To request that beneficiaries of the share plan determine where to deposit the amounts to be paid to them and to instruct the Fiduciary to deposit the corresponding payments where established.
f. To give Fiduciary instructions for the delivery of shares to the beneficiaries of the plan.
g. To provide Fiduciary with the information and documentation required for the fulfillment of its obligations and to resolve, by mutual agreement, any problems or doubts that may arise in the fulfillment of the objectives of the trust.
h. To inform appropriately and in writing to the Fiduciary part of the decisions taken.

Frequency of sessions: upon request from the President of the Technical Committee of Assignments, the majority of the committee members or Fiduciary, when there are matters pending to define and/or authorize.

Comprised of:

MEMBERS		
To be determined		President
Alejandro Garay Espinosa	Managing Director of Corporate Services	Vice-president
	Managing Director of Legal Affairs	Secretary
Luis Gerardo Valdés Manzano	Deputy Managing Director of Human Resources	Spokesperson

Quorum: two members.

- The President will be able to appoint a replacement when a member ceases to be a part of this Committee.
- Resolutions of the Technical Committee of Assignments will be approved with a simple majority vote of those present and in the event of a tie, the President will have the deciding vote.
- Sessions and agreements will be duly recorded and signed by each of the members present as well as the President and Secretary or whoever is substituting them.

RISK POLICIES’ COMMITTEE

Objective: to manage the risks that the Institution is exposed to and oversee that its operations are adjusted to meet objectives, policies and procedures for the Integral Management of Risks, as well as to the global limitations of risk exposure approved by the Board.

Functions:

1. To propose for approval by the Board of Directors:
    a. Objectives, limitations and policies for the integral management of risks, as well as modifications to the same.
    b. Global limitations for the different types of risk considering consolidated risk, broken down by business unit or risk factor, taking into account what is established in Articles 79 to 85 of the applicable regulations of general character for credit institutions, published in the Diario Oficial (second section) on December 2nd, 2005.
    c. Mechanisms for the implementation of corrective measures.
    d. Special cases or circumstances in which specific or global limitations could be exceeded.

2. To approve:
    a. Specific limitations for discretionary risks, as well as tolerance levels for non-discretionary risks.
    b. Methodology and procedures to identify, measure, monitor, limit, control, inform and disclose the different types of risk, as well as their modifications.
    c. Models, parameters and scenarios to carry out the rating, measurement and control of risks that the unit for Integral Risk Management proposes.
    d. Methodologies for the identification, rating, measurement and control of risks for new operations, products and services that the Group seeks to offer on the market.
    e. Corrective measures proposed by the unit of Integral Risk Management.
    f. The technical evaluation of the aspects of the Integral Risk Management’s unit referred to in Article 77 of the applicable regulations of general character for credit institutions, published by the Diario Official (second section) on December 2nd, 2005, for presentation to the Board of Directors and the CNBV, as well as the report resulting from the technical evaluation.
    g. The manuals for the Integral Risk Management unit, in accordance with the objectives, limitations and policies established by the Board of Directors referred to in the last paragraph of Article 78 of the applicable regulations of general character for credit institutions, published by the Diario Official (second section) on December 2nd, 2005.
    h. The appointment or removal of the executive responsible for the Integral Risk Management unit, which must be ratified by the Board of Directors.

3. Inform the Board of Directors about:
    a. The risk exposure assumed by the Group and the possible negative impact, non-observance of established exposure limits and risk tolerance levels, on a quarterly basis.
    b. The corrective measures implemented in accordance with the Integral Risk Management unit’s proposal.

4. Review at least once a year:
    a. The specific limits for discretionary risks, as well as the tolerance levels for non-discretionary risks.
    b. Methodologies and procedures to identify, measure, monitor, limit, control, inform and disclose the different types of risk, as well as their modifications.
    c. Models, parameters and scenarios that will be used to carry out the rating, measurement and control of risks that the Integral Risk Management unit proposes.

The Risk Policies’ Committee should at all times, ensure that all personnel involved in risk taking have knowledge of the global and specific limits for discretionary risks, as well as the tolerance levels for non-discretionary risks.

Frequency of the sessions: should hold monthly sessions. All sessions and resolutions should be properly recorded and signed by all those in attendance.

Comprised of:

MEMBERS	
Eduardo Livas Cantú (President)	Proprietary Board Member
Francisco Alcalá de León	Proprietary Board Member
Manuel Aznar Nicolín Everardo Elizondo Almaguer	Proprietary Board Member Proprietary Board Member
Alejandro Valenzuela del Río	CEO of GFNorte
Fernando Solís Soberón (BAP)	Managing Director Long Term Savings
Gerardo Zamora Nañez (A & F) Alfredo Eduardo Thorne Vetter (Broker Dealer)	Executive Director Leasing, Factoring & Warehousing Managing Director Investment Banking
Javier Márquez Diez Canedo (Secretary)	Managing Director Risk Management
	Managing Director Legal Affairs
Jesus O. Garza Martínez (Invited) (without vote) José Armando Rodal Espinosa (Invited) (without vote)	Managing Director of Retail Bank Managing Director Corporate
Sergio Garcia Robles Gil (Invited) (without vote)	CFO
Luis Fernando Orozco Mancera (Invited) (without vote)	Managing Director Asset Recovery
Carlos Eduardo Martinez Gonzalez (Invited) (without vote)	Managing Director Government
Benjamin Vidargas Rojas (Invited) (without vote)	Managing Director Audit

Quorum: two Proprietary Board Members, the CEO of GFNorte and the Committee's Secretary.

Decisions will be adopted by the unanimous vote of those present.

OTHER AUDIT COMMITTEES

Audit Committee for Banco Mercantil del Norte

Objective: to support the Board of Directors of Banco Mercantil del Norte in the definition and upgrade of the Internal Control System's objectives and the guidelines for their implementation; as well as in their verification and evaluation. The Audit Committee will follow-up on activities of Internal and External Audit, as well as of the Institution's Internal Controllership, keeping the Board of Directors informed of the performance of the afore-mentioned activities.

The Committee will also supervise that financial information and accounting are prepared in accordance with the guidelines and dispositions that the Institutions are subject to, as well as applicable accounting principles.

Integration and sessions: The Audit Committee is comprised of at least three and not more than five members of the Board of Directors, of which at least one should be Independent, and named by the Board of Directors. Members will be selected for their capacity and professional prestige and at least one of the members must be someone who, for their knowledge and development, has ample experience in finance and/or audit and internal control.

The Audit Committee must be presided over by an independent board member. In the event of the President's absence in any session, members should appoint the person who should preside over that session from among the independent members.

Sessions of the Audit Committee are valid with the participation of a majority of their members, only if the President or his Alternates intervene. Resolutions will be approved with a majority vote of the members present, with the President holding the deciding vote in the event of a tie. The person responsible for the function of Internal Audit and the CEO of the Institution may submit to the Committee for its consideration matters to be included in the agenda.

MEMBERS		
Francisco Alcalá de León	Independent Proprietary Board Member	President
Herminio Blanco Mendoza	Independent Proprietary Board Member	Member

MEMBERS		
Manuel Aznar Nicolín	Independent Proprietary Board Member	Member
Doña Patricia Armendáriz Guerra	Independent Alternate Board Member	Member
Isaías Velázquez González	Secretary with no vote	

The Audit Committee should hold at least a quarterly session, duly recording approved resolutions and the minutes of each session which must be signed by each of the participating members, in the understanding that these sessions may be held electronically, through videoconference or telephone.

In no case members of the Audit Committee can be officers or employees of the same Institution.

Participating as permanent guests, with the right to a voice but without a vote, are the CEO of the Financial Group, the Managing Director of Corporate Affairs and those responsible for the functions of Legal Affairs, Risks, Administration, Internal Controllership and Internal Audit. The President of the Committee can also summon any other person if he considers it appropriate due to the nature of the topic to be discussed, or to carry out his deliberations.

The Committee should have a secretary who is responsible for the minutes of the respective sessions, and who can be a member of the Committee or not.

If necessary, members of the Audit Committee should receive appropriate training and periodic information in areas related to:

- Finance.
- Processes for releasing financial information.
- New accounting and financial information preparation standards.
- Environment and evolution of the financial sector.
- Key controls in systems, processes and information.
- Concepts of risk.

Authority:

The Audit Committee has the authority to:

I. Propose to the Board of Directors for approval:

1. The Internal Control System (SCI) that the Institution needs to function properly, as well as upgrades. Purposes of the SCI are:
    a. Ensure that operation mechanisms are in accordance with strategies and objectives of the Institution that allow the prediction, identification, management, follow-up and evaluation of the risks that can arise, in order to minimize the possible losses that can be incurred.
    b. To define the functions and responsibilities of the corporate bodies.
    c. To have financial, economic, accounting, legal and managerial information that is complete, correct, precise, integral, reliable and opportune.
    d. To permanently cooperate in adherence to applicable norms.
2. The appointment of the Institution's Internal Auditor.
3. The appointment of the External Auditor, and additional services resulting from the audited financial statements that, in their case, they will provide.
4. The Institution's Code of Conduct, prepared by the General Management.
5. Changes, if the case, to accounting policies relating to the registration, rating of items of the financial statements, and the presentation and revelation of information of the Institution, so that it is complete, correct, precise, reliable and timely, prepared by the General Management in accordance with the applicable norms, or by its own Committee considering the opinion of the General Management.
6. The Statute and norms that will govern the functions of the Audit Committee, to be sent later on to the Commission (CNBV).
7. All matters that in accordance with dispositions, should be authorized by the Board of Directors, will be presented directly by the Committee.

To directly approve:

1. The manuals considered relevant for the operation of the Institution, prepared by the CEO.
2. The Statute of Internal Audit's function.
3. With the prior opinion of the CEO, the annual work program of Internal Audit.
4. The applicable methodology and policies to review the quality of internal control of main operations, called Models of Risk Evaluation (MER).
5. The direct recruiting of independent specialists, within their areas of responsibility, subject to the corporate policies of the Institution.

The Audit Committee can also meet with the Board of Directors, high officials of the Financial Group, the Internal Auditor, External Auditor, Authorities and Investors, as well as request information directly or indirectly from those responsible for any area of the organization and summon them to their sessions.

To convene extraordinary sessions, when considered necessary.

To know and evaluate jointly with the General Management, the corrective and preventative measures related to the flaws or deviations in the Internal Control System (SCI).

Responsibilities:

Financial Statements:

1. Propose for approval by the Board of Directors, the accounting policies related to the registration, rating of items in the financial statements and presentation and revelation of information of the Institution, so that it is complete, correct, precise, reliable, timely and serves in decision making. In any event, the Committee will also be able to propose changes that it considers necessary to these policies, considering the opinion of the General Management.
2. Assist the Board of Directors in the revision of the annual financial information and intermediate in the release process, relying on the Internal and External Auditors' work.
3. To review with Management and the Internal and External Auditors, the opinion of the annual financial statements, before their presentation to regulatory authorities.
4. To supervise that the financial and accounting information is formulated in accordance with the applicable guidelines and dispositions, as well as with applicable accounting principles.
5. To review significant accounting and reporting issues, including complex or unusual transactions, as well as professional opinions and recent regulations, and to understand their impact in the financial statements.

Internal Control:

1. Propose for approval by the Board of Directors:
   a. The objectives and guidelines for their implementation, prepared by the General Management, of the Internal Control System (SCI) that the Institution needs to function properly, as well as updates.
   b. The Institution's Code of Conduct, prepared by the General Management.
2. Approve operation manuals that are required for the Institution to function properly, prepared by the General Management, and to review and monitor with the support of Internal Audit that these adhere to the Internal Control System approved by the Board of Directors.
3. To review, in coordination with the General Management, at least once a year or when significant changes exist, the operating manuals and Code of Conduct of the Institution.
4. To permanently have a current up-to-date registration of the SCI objectives and guidelines for their implementation, as well as operating manuals, prepared by those responsible for the function of Internal Controllership.
5. To review with the support of Internal and External Audits, the application of the Internal Control System, evaluating efficiency and effectiveness.
6. To inform the Board of Directors, at least once a year, on the situation of the Internal Control System of the Institution. The report should at least contain the following:

a. Flaws, deviations or aspects of the SCI that require improvement, taking this into account for the reports and the internal and external auditor's opinions respectively, as well as those of Internal Controllership.
b. Mention and follow-up of the implementation of preventive and corrective measures resulting from observations made by CNBV and the results of the internal and external audits, as well as the SCI evaluation carried out by the Committee.
c. Evaluation of the performance of Internal Controllership and Internal Audit functions.
d. Evaluation of the external auditor's performance, as well as of the quality of the audit and the reports it elaborates, in fulfillment of the applicable general dispositions, including observations made by the CNBV.
e. Significant aspects of the SCI that could affect the performance of the Institution's activities.
f. Results of the audit review, reports, opinions and the external auditor's official statements.

Internal Audit:

1. To propose, for ratification by the Board of Directors, the appointment of the individual responsible for Internal Audit.
2. Monitor at all times, the independence of Internal Audit regarding the other units of the Financial Group; and to inform the Board of Directors in the event of any lack of independence.
3. Approve:
    a. The Statute of Internal Audit's functions.
    b. Internal Audit's annual work program, with the General Director's previous opinion.
    c. The recruitment of services for the external evaluation of the quality of Internal Audit functions.
4. To review, at least once a year or when required by the CNBV, that the Internal Audit program performs in accordance with the appropriate standards in quality in accounting and internal control matters, and that the activities of Internal Audit are carried out with effectively.
5. To ensure receipt from the Internal Auditor, of a quarterly written report on management's result; notwithstanding that the Internal Auditor shall immediately report the detection of any flaw or deviation deemed significant or relevant.
6. To ensure that Internal Audit follows-up on the relevant detected flaws or deviations to oversee that they are appropriately corrected and that the report which contains this information is at all times available to the Board of Directors and competent financial authorities.
7. To know and evaluate the results of the internal and external evaluations of quality of Internal Audit functions, and in their case to follow-up on the implementation of recommendations made.
8. To review and evaluate, at least once a year, the organizational structure, capabilities and the adequacy of resources assigned to the area of Internal Audit for the performance of its functions, and approve the actions required to ensure greater effectiveness in the fulfillment of its goals and objectives.
9. To coordinate the Internal Auditor's activities with those of the External Auditor.
10. To meet regularly with the Internal Auditor on any matter that the Committee deems necessary.

External Audit:

1. Propose for approval by the Board of Directors the appointment of the External Auditor, the scope of his functions and terms of employment, according to established policies and applicable external norms, as well as provide any additional services to audit the financial statements if required.
2. Confirm and review the independence of external auditors by obtaining statements from them, and for any service they provide.
3. Evaluate the performance of the External Auditor and the quality of his opinion and reports prepared in compliance with the applicable general provisions, including comments made by the CNBV, and inform the Board of Directors of the results.
4. Coordinate the activities of the External Auditor with the Internal Auditor.
5. Meet regularly with the External Auditor to discuss any matters that the Committee deems necessary.

Internal Controllership:

1. To follow-up on the activities of the internal auditor of the institution, keeping the Board of Directors informed on the performance of these activities.
2. Know and assess the report of management prepared by the internal auditor, at least every six months.

Compliance:

1. Monitor that policies, procedures and operations in the manuals of operation are consistent with the laws and other regulations and administrative provisions, as well as internal control guidelines approved by the Board of Directors.
2. To obtain the opinion of the internal auditor on proper compliance with laws and other applicable regulations and administrative provisions.
3. Review the results of inspections conducted by supervisory agencies.

Information and others:

1. Report annually to the Board of Directors on significant irregularities identified during the exercise of their functions, and propose appropriate, corrective actions to be implemented.
2. Review the different reports of Internal and External Audit to be presented to the Board of Directors. All matters which under the prudential dispositions of internal control should be authorized by the Board of Directors, must be presented directly by the Audit Committee.
3. Receive and review the written annual report of the Director General to the Audit Committee, about the performance of the activities related to internal control, as well as the functioning of the SCI as a whole.
4. Comment on transactions with related parties referred to by Article 14 Bis 3 of the Securities Exchange Act in Section IV paragraph d), and if necessary propose the hiring of independent specialists, to express their opinion with respect to these transactions.
5. Propose for approval by the Board of Directors, the Audit Committee Charter, revised as necessary and to confirm annually that all the responsibilities outlined in this Charter are carried out.
6. The Audit Committee, in the performance of its duties, shall establish the necessary procedures for its overall performance. In any case, members of the Committee shall take as a basis for their activities, the information prepared by the internal and external auditors as well as General Management.
7. Annually, the Audit Committee will self-assess their performance and that of each of its members, reporting the results to the Board of Directors.

Audit Committee for Casa de Bolsa Banorte

Objective: the Audit Committee's primary objective is to support the Board of Directors in defining, updating, verifying and evaluating objectives, policies and guidelines of the internal control system; as well as the monitoring of processing and audit activities, both internal as well as external, at all times with a channel of communication between the Board of Directors and both internal and external Auditors.

It will also support the Board in monitoring the financial reporting processes and the verification of compliance with laws and other regulatory provisions, as well as strict adherence to Grupo Financiero Banorte's Code of Conduct.

Comprised of: The Audit Committee shall consist of at least three members of the Board of Directors, at least one must be independent, who will preside. Each and every one of the members shall be appointed and removed from office by the Board of Directors of the Brokerage House (Casa de Bolsa).

Members of the Committee shall be selected for their ability and professional prestige, which by their knowledge and development have extensive experience in the area of finance, audit and internal control. Those who are invited with the right to voice but without vote, are the Managing Director of the Brokerage House (Casa de Bolsa), those responsible for the functions of internal audit, legal, management, risks, internal auditor as well as the External Auditor, Commissioner, Policy Controller and, in general, any person summoned by the Committee whose presence is considered appropriate given the nature of the issues discussed.

The Committee must have a Secretary, who will be responsible for recording the sessions and following- up on the resolutions made at such meetings; and who may be a member of the same Committee or a third party.

MEMBERS		
Manuel Aznar Nicolín	Independent Shareholder Board Member	President

MEMBERS		
Alejandro Valenzuela Del Río	Shareholder Board Member	Member
	Shareholder Board Member	Member
Edgar Partida Arteaga	Secretary without vote	

Meetings: the Audit Committee shall hold meetings at least quarterly and may convene special meetings whenever deemed necessary, which may be held via electronic media, video conferencing or telephone.

The information on the material in question must be prepared and submitted in advance for all sessions of the Committee.

All meetings and resolutions of the Committee, without exception, must be duly recorded in detailed minutes signed each one of the participating members, as well as those invited to the session in question.

Sessions of the Committee shall be valid with the participation of the majority of its members, provided the President intervenes. Resolutions will be passed by a majority vote of the members present.

Authority:

The Audit Committee has the authority to conduct or authorize investigations into any issue or matter that is within the scope of its responsibilities and to investigate possible breaches of those with knowledge of operations, operational policies and guidelines, the internal control system, audit and accounting records.

The Committee can:

1. Require from relevant officers and other employees, reports concerning the preparation of financial information and any other information deemed necessary.
2. Receive comments from shareholders, directors, executive officers, employees or any third party in respect of any breach in operations, guidelines and operating policies, internal control, audit and accounting records.
3. Conduct a review of documentation, records and other evidence, to the degree and extent necessary to monitor possible violations described in the preceding point.
4. Request opinions from independent experts, when appropriate or when regulations require it.
5. Solicit regular meetings with senior officers, as well as the delivery of any information relating to internal control and internal audit of the Brokerage House.
6. Convene shareholders' meetings and request the inclusion of any resolutions it deems appropriate into the agenda of these meetings.

Responsibilities:

The Audit Committee has the responsibilities set forth below.

External Audit:

1. Propose for approval by the Board of Directors, the appointment of an external auditor, the scope of activities and conditions of their employment in compliance with regulations and internal policies established for that purpose, as well as additional services to the audit of financial statements, if any are required.
2. Monitor and confirm the independence of the External Auditor, obtain the corresponding statements as well as additional services.
3. Evaluate the external auditor’s performance and assess the quality of the audit, opinions or reports prepared and signed, verifying that they are in adherence to regulations.
4. Coordinate the activities of the external Auditor with those of the Internal Auditor.

5. Meet regularly as deemed necessary and separately with the external auditors to discuss any matter it considers important and that should be dealt with privately.

Internal Control:

1. Prepare for approval by the Board of Directors, upon recommendation of the Director General, objectives, guidelines and policies on internal control for the proper functioning of the Brokerage House and their update.
2. With the support of Internal Audit, approve the manual for internal control and review annually or when there are significant changes in the operation of the Brokerage House.
3. With the support of Internal Audit and Control, monitor that the policies, procedures and operations in the afore-mentioned manuals are consistent with regulations, as well as with the objectives, guidelines and policies approved by the Board of Directors.
4. Verify the effectiveness of the Brokerage House's internal control system, considering the security and control on information technology issues.
5. Evaluate on an annual basis, the condition of the internal control system and inform the Board of Directors of the results.
6. Develop, with the prior opinion of the CEO, for approval by the Board, Conduct and Ethics Codes.
7. Propose for approval by the Board of Directors, guidelines and policies regarding the reception and assignment system.
8. Develop policies that establish guidelines and procedures for the management, conservation and where necessary, destruction of books, records, documents and other information related to accounts that have been or will be microfilmed and recorded, in strict adherence to regulations.

Financial Statements:

1. Develop accounting policies relating to the registration, valuation of financial statement items, presentation and disclosure of information to the effect that it is accurate, complete, reliable, and timely that contributes to decision-making. The Committee may propose the changes deemed necessary to these policies, taking into consideration the opinion of the Managing Director of the Brokerage House.
2. Review significant accounting and reporting issues, including complex or unusual transactions, high risk areas as well as pronouncements arising from accounting regulations, understanding its impact on the financial statements.
3. Support the Board of Directors in reviewing the annual and interim financial information and disclosure process, relying on the work of the Internal and External Auditor.
4. Review the audit results with the Director General and the External Auditor, including any difficulties encountered.
5. Review the financial statements and opinion of the Brokerage House with the External Auditor, Internal Auditor, the CEO, the Internal Comptroller and whomever deemed necessary and verify that they are complete and consistent with the information known by Committee members; that the financial and accounting information is formulated in accordance with applicable guidelines and provisions and reflect the appropriate accounting principles and based on the foregoing, issue a recommendation to the Board of Directors, for approval.

Internal Audit:

1. Propose for approval by the Board, the appointment of the person to be responsible of the Internal Audit function.
2. Monitor the independence of the internal audit department.
3. Review and approve:
   a. The status of the Internal Audit function.
   b. Upon the CEO's recommendation, the annual Internal Audit work program.
   c. The personnel and organizational structure of Internal Audit's activities.
   d. The hiring of external quality assessment services of Internal Audit's functions.
4. Verify on an annual basis, or when required by the CNBV, that the internal audit program performs in accordance with appropriate quality standards in accounting and internal controls and the activities of this area are carried out effectively.

5. Meet regularly as deemed appropriate and separately, with the person in charge of internal audit operations for any matter requiring their judgment and consideration, that should be dealt with privately.
6. Establish the frequency of internal audit written reports on the results of management, without prejudice to the Internal Auditor report, immediately upon the detection of any flaw or deviation that is deemed significant or relevant.
7. Ensure that Internal Audit follows-up on detected significant flaws or deviations, to ensure they are promptly corrected and the report containing this information is available to the Board of Directors and competent financial authorities at all times.
8. Know and review the results of internal and external evaluations of quality made on Internal Audit functions and, where appropriate, follow-up on the implementation of recommendations.

Internal Control:

1. Follow-up on activities for the Internal Comptroller of the Brokerage House, keeping the Board of Directors informed on the performance of these activities.
2. Know and assess the quarterly report prepared and submitted by the Internal Comptroller.

Information and Others:

Report to the Board of Directors any important irregularities detected and if the case, the corrective actions taken or proposed.

1. Monitor fulfillment of the resolutions approved by the Shareholders and Board of Directors, by the Managing Director of the Brokerage House.
2. Oversee the establishment of mechanisms and controls to verify that the acts and operations of the Brokerage House adhere to Regulation.
3. Comment on the content of the internal control report issued by the Managing Director of the Brokerage House.
4. Monitor that the policies, procedures and operations contained in the operations manuals are consistent with the laws and other applicable regulations and administrative provisions, as well as with the guidelines of internal control approved by the Board of Directors.
5. Obtain the opinion of Internal Control on proper compliance with laws and other applicable regulations and administrative provisions.
6. Review the results of the inspections carried out by supervisory agencies.
7. Evaluate the performance of functions in the areas of Internal Audit, External Audit, as well as Internal Control.
8. Evaluate and verify annually that the Charter is sufficient and adheres to the needs and requirements of the Brokerage House, the Board of Directors, as well as regulations and internal policies; and propose, if necessary, changes requested by the Board of Directors, or by the same Committee.
9. Evaluate and verify annually that the responsibilities described in the Charter are fulfilled.
10. Periodically evaluate the performance of the Committee and each of its members.

REMUNERATION COMMITTEE

Responsibility: to safeguard the interests of shareholders regarding remuneration and the regulatory framework.

Scope: The CEO and Managing Directors **, Global Markets Management to the level of Executive Directors (Treasury, Money Market, Capitals Market, Derivatives, Mutual Funds, Patrimonial and Private Banking) **.

**(Positions intended as a first phase, taking into account that decisions or interventions in processes that imply risks for the institution can be made).

Comprised of:

Members		
Herminio Blanco Mendoza	Proprietary Independent Board Member	President
Everardo Elizondo Almaguer	Proprietary Independent Board Member	Member
Alejandro Garay Espinosa	Managing Director of Corporate Services	Member
Javier Márquez Diez-Canedo	Managing Director of Risk Management	Member
Sergio García Robles Gil	CFO	Member
Benjamín Vidargas Rojas	Managing Director of Audit	Member with voice / without vote
Luis Gerardo Valdés Manzano	Deputy Managing Director of Human Resources	Member
Jorge Eduardo Vega Camargo	Deputy Managing Director of Controllership	Member
Gerardo Zamora Nañez *****	Deputy Managing Director of Leasing, Factoring and Warehouse	with voice and vote

***** Participates with voice and vote in the Remuneration Committee of Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte, for topics related to Arrendadora y Factor Banorte, S. A. de C. V., SOFOM, E.R., Grupo Financiero Banorte.

Support Committees to GFNorte's General Management

There are several committees which support GFNorte's General Management's work, which propose and resolve within their abilities, diverse aspects related with the progress of the business. The Managing Directors of areas that report directly to the CEO sit on these Committees, as well as other officials responsible for specific areas. These Committees are detailed as follows:

OPERATIONS COMMITTEE

Mission: to be the highest ranking committee in the institution to make strategic decisions related to the critical variables of GFNorte's business.

Scope: the scope of the Operations Committee extends to all of GFNorte's companies.
Functions:

1. To establish strategies for new financial products and services.
2. Based on the Viability Analysis' recommendation: to analyze and evaluate the business concept of strategic projects and if warranted, request their evaluation by the Evaluation Group.
3. Make any other strategic decision related with critical variables of the business.

Faculties:

1. Approve the viability of initiatives for new products and services.

Frequency of sessions: sessions should be held every two weeks.

Comprised of:

Alejandro Valenzuela del Río	CEO of GFNorte	President
Sergio Garcia Robles Gil	CFO of GFNorte	Coordinator
Fausto José Hernandez Pintado	Deputy Managing Director of Strategic Projects and Financing	Secretary
Alfredo Eduardo Thorne Vetter	Managing Director Investment Banking	Member with voice and vote
Jesus Oswaldo Garza Martinez	Managing Director of Retail Bank	
Carlos Eduardo Martinez Gonzalez	Managing Director Government	
Alejandro Garay Espinosa	Managing Director Corporate Services	
Carla Juan Chelala	Managing Director Marketing	

Quorum: five members must be present and the President of the Committee must always be present.

- The Committee coordinator will be responsible to convene sessions, coordinate topics to be addressed and record the minutes of the topics and resolutions of each session.
- All members of this Committee have a voice and a vote in the topics addressed.
- Sponsors of projects or any other officers, who present a topic, especially at the request of the Committee, can also be invited to participate with a voice but no vote.
- Resolutions will be made by a majority of votes of those present, while the President of this Committee will hold the deciding vote in the event of tie as well as the right to veto.

TECHNOLOGY AND INVESTMENT COMMITTEE

Technology and Investment Committee

Mission: To be GFNorte's highest organ in charge of approving and prioritizing the portfolios of investment projects, as well as budgetary assignments.

Reach: the Technology Committee's scope includes all the companies that form GFNorte.

Functions:

1. Follow up on the projects of the annual investment program authorized by the Board of Directors.
2. Manage the investment program authorized by the Board of Directors.
3. Analyze, and if necessary authorize the initiatives and projects that have been approved by the Operations Committee, and that have been previously evaluated by the Evaluation Group.
4. Modify, suspend or cancel previously approved projects that present critical deviations, considering the recommendations by the Evaluation Group.
5. Follow up on the results and general benefits of the investment projects' portfolio.
6. Follow up on the implementation of the authorized investment budget.

Faculties:

1. Approve, modify and cancel projects.
2. Assign the budget.
3. Prioritize the portfolio.

Frequency of the sessions: must hold sessions on a bimonthly basis, every third Thursday of the month.

Comprised of:

MEMBERS	
Alejandro Valenzuela del Río (President)	CEO of GFNorte
Sergio García Robles Gil (Coordinator)	CFO of GFNorte
Fausto José Hernández Pintado (Secretary)	Deputy Managing Director Planning & Strategic Projects
Alfredo Eduardo Thorne Vetter	Managing Director Investment Banking
Jesús Oswaldo Garza Martínez	Managing Director of Retail Bank
Alejandro Garay Espinosa	Managing Director Corporate Services
Prudencio Frigolet Gómez	Deputy Managing Director Technology
Javier Beltrán Cantú	Deputy Managing Director Material Resources

Quorum: five Board members and the President of the Committee must always be present.

- The Secretary of the Committee will responsible for the roll call, coordination of topics to be discussed and the elaboration of the minutes with the resolutions of each session.
- All the members of this committee have a voice and vote in the topics under discussion.

- Invited sponsors of projects or any other officer who presents a topic, especially at the request of the Committee, have a voice but no vote.
- Members can name a substitute to represent them in case of not being able to attend; nonetheless the substitute has a voice but no vote, and does not count as part of the quorum.
- Resolutions will be adopted by a majority of votes of those present; the President of this Committee will have the quality vote in case of a tie and the right to veto.

Recovery and Continuity Committee

Mission: to be the authorized Committe of Grupo Financiero Banorte that, in the event of an interruption in services, evaluates the impact of the damage(s), identifies the affected business areas, estimates the recovery time and in the event of a declared disaster, coordinates the renewal of operations, informs the Committee of Investment and Technology and the CEO.

Scope: the area of the Recovery and Continuity Committee is comprised of the Banking, Brokerage and Leasing and Factoring sectors.

Functions:

1. To ensure that the BCP Business Continuity Plans, (Processes, Procedures, Communication, etc.) including the DRP Recovery Plan for Disasters are documented, current and proven to respond to a contingency in an organized manner.
2. To ensure that the different components (Hardware, Software, Communications, etc.) of the Alternate Computer Center are installed and available for a contingency.
3. To ensure the availability and proper functioning of the facilities located in the Alternate Computer Center.
4. Monitor the execution of Recovery Plans and Business Continuity (BCP) in the event of a disaster (DRP).
5. Request the necessary resources from the Technology and Investment Committee to coordinate and execute test runs of the Recovery and Continuity Plans at least once a year.
6. Coordinate the actions of the Immediate Response Team (Crisis Center) to evaluate the impact, identify the affected business areas, estimate recovery time and prioritize the actions to be executed in the event of a lingering interruption of services.
7. In the event of a declared disaster, to coordinate the recovery and/or continuity at an Institutional level until ensuring the total recovery of all the necessary components for operation (software, hardware, communications, human resources and materials, clients, suppliers, etc).

Frequency of sessions: the Committee of Recovery and Continuity will hold sessions on the first Friday of February, May, August and November and should the need arise, when summoned by the President or Secretary of the Committee.

Comprised of:

MEMBERS		
Alejandro Garay Espinosa	Managing Director of Corporate Services	President
Apolonio Pérez Ramírez	Director of Control of Regulatory Dispositions	Secretary
Prudencio Frigolet Gómez	Deputy Managing Director of Technology	
Jorge Eduardo Vega Camargo	Deputy Managing Director of Controllership	
Bernardo Castro Villagrana	Executive Director of Infrastructure	
Eduardo Martínez Ham	Director of Infrastructure	
Javier Beltrán Cantú	Deputy Managing Director of Material Resources	
Concepción Guadalupe Borjón Shears	Deputy Managing Director of Branch Management & Clients	
Luis Gerardo Valdés Manzano	Deputy Managing Director of Human Resources	
Carlos Ávila López	Executive Director of Operations	
Jesús Valdés Fernández	Director of Operational Risk Management	
Francisco Salvador García Dayo	Director of Information Technologies Audit	
Edmundo Braulio Quintero	Director of Protection and Security	
Gerardo Mejía Zacarías	Director of Controllership (Broker Dealer)	
Jesús Oswaldo Garza Martínez	Managing Director of Retail Bank	
Domingo López Alba	Under Director of Broker Dealer Projects	

Quorum: Five members and the President of the Committee or his Alternate must always be present.

- The Secretary of the Committee will be responsible for convening the session, coordinating the topics of the agenda and the elaboration of the minutes with the points treated and agreements reached.
- All the members of this committee have a voice and a vote in the topics of the agenda.
- Territorial directors or any other officer who is directly affected by a prolonged interruption in service will also be able to participate as invited guests with a voice and a vote.
- If unable to attend, members can name an Alternate to attend in their place, having a voice and a vote and will count as part of the quorum.
- Decisions will be adopted by a majority of votes of those present; the President of this Committee will have the deciding vote in the event of a tie and the right to veto.
- A copy of the minutes of each session will be distributed to the Managing Director of Asset Recovery and to the Directors of Leasing and Factoring for their information.

SECURITY COMMITTEE

Objective: propose improvements and seek solutions to physical security problems that affect the institutional assets or pose risks of embezzlement by employees or third parties, through changes to processes and procedures, as well as sanction whoever is responsible for unhealthy practices in their financial function and services at the Financial Group.

Scope: The Security Committee is an organism with direct dependence on the General Management of GFNorte. Territorial Security sub-committees depend on this Security Committee.

The objectives, functions, integration and frequency of the Security Committee's sessions and of the Territorial Security Sub-committees are generally applied to all the companies that make up Grupo Financiero Banorte.

Functions:

1. To analyze the origin of the damage or risk of irregular events of third parties or employees.
2. To implement preventive measures to avoid risk, through changes in the operations or management and send messages to alert employees and officers of the network.
3. To take corrective measures and actions in the face of irregular or illicit behavior by employees, officers (labor sanctions) and by third parties (legal action).
4. Evaluate and follow through on resolutions made in of Security's Territorial Sub Committees.

Frequency of the sessions: meetings will be held every third Thursday of each month. The time between sessions may be extended if there are no topics that need to be discussed, this will be left to the criteria of the President or the Secretary Coordinator of the Committee.

Comprised of:

PROPRIETARY MEMBERS		ALTERNATE MEMBERS	
	Managing Director Legal Affairs	José Luis Lozano Aguilar	Executive Director Legal Banking
Alejandro Garay Espinosa	Managing Director Corporate Services	Jorge Eduardo Vega Camargo	Deputy Managing Director de Controllership
	Managing Director Audit	Isaias Velázquez Gonzalez	Executive Director of Audit & Corporate Practices' Committee
Jesús O. Garza Martínez	Managing Director of Retail Bank	Concepción G. Borjón Shears	Deputy Managing Director Branch Management & Clients
Prudencio Frigolet Gómez	Deputy Managing Director Technology	Carlos Ávila Lopez	Executive Director Operations
Roel Mariano Pérez Martínez (Secretary Coordinator)	Sub-Director Special Affairs Complaint Department	José Carlos Rodriguez Reyna	Director of Audit

Quorum: The four members who must always be present are the representatives of Legal, Audit and Controllership.

- The Security Committee's Secretary Coordinator is responsible to convene sessions, coordinate agenda topics and record the minutes of the meetings and resolutions of each session.
- Only the proprietary members are entitled to a voice and vote on topics in the agenda.
- Members who are unable to attend can name an alternate to attend in their place in which case, the alternate will have a voice and vote and will count as part of the quorum.
- In the absence of the President and his/her alternate, the representative of Audit will act as President.
- Resolutions will be adopted by a majority of votes of those present; the Security Committee President will have the vote of quality in the event of a tie and the right to veto.
- The corresponding minutes will be sent confidentially to the Security Committee members, for signed approval, prior to the next session.

CENTRAL CREDIT COMMITTEE

This Committee has the functions of resolving the credit applications presented by the clientele through the banking areas, based on the experience and knowledge of GFNorte's officers regarding the situation of the different sectors, regional economies and specific clients, with a focus on business profitability and measurement of institutional risk.

The Central Credit Committee is supported by various committees with different geographical coverage and amounts that can be granted using special faculties. Standardization also exists so that under a scheme of individual or joint faculties, GFNorte officers can authorize transactions to special clients occasionally.

The Central Credit Committee convenes every fifteen days. The Credit Committees supporting it convenes with the same frequency, or if needed, on a weekly basis or more frequently as required.

Comprised of:

MEMBERS	
Alejandro Valenzuela del Río *	Coordinator
Javier Márquez Diez Canedo	Coordinator Alternate (without vote)
Luis Fernando Orozco Mancera ***	Coordinator Alternate
José Armando Rodal Espinosa	
Sergio García Robles Gil	
Jesús O. Garza Martínez	
Carlos Eduardo Martínez González	
Alfredo Thorne Vetter Carlos Rafael Arnold Ochoa Territorial Director**	
Rafael Hinojosa Cárdenas ***	Secretary
Heleodoro Ruíz Santos	Alternate (without vote)
Audit Representative	(without vote)

* Has the ability to veto.

** The Territorial Director's participation will be rotated according to the following geographical logistics: North, South, Northwest, Peninsula, Mexico City North, Mexico City South, West, Central, Border and Isthmus.

*** When dealing with loan applications with authorized investment projects, has a voice without vote.

Quorum: Four voting members of which at least two cannot be members of the National Loan Committee who participated in the recommendation of the case to the Central Loan Committee and at least one officer should be able to authorize Lines of Credit and one to authorize staff loans.

In absence of the Coordinator, Alternate Coordinator or Secretary, any other member can assume these positions defining the member and position at the beginning of the session.

CENTRAL CREDIT RECOVERY COMMITTEE

Objectives: The integration of these Committees seeks to take advantage of members' experience and knowledge of the national and regional economic situations, as well as the different situations being attended to by the Area of Asset Recovery, so that the resolution of proposals presented to them are carried out in an objective and appropriate manner.

Functions:

Resolve clients' recovery proposals that are under management of the Asset Recovery Business, as well as borrowers from traditional banking that propose cash settlements, restructurings and payments in kind or conversions of debt to equity, that could imply or not debt cancellations or removals.

Additionally, the Recovery Committees are in charge of resolving foreclosed asset proposals, based on the following:

1. Analyze the selling values of the foreclosed assets, based on financial reasoning in first instance, considering the criteria of present value and funding costs.
2. Propose to the Risk Policies Committee, adjustments to the sale policies of foreclosed assets.

3. Analyze, and if the case, authorize all proposals for the sale of foreclosed real estate assets.
4. Analyze the quarterly operations' report of the Director of Management and Sale of Assets.
5. Monitor advances and compliance in the sale of foreclosed assets, as well as the adequate coordination among the areas involved.
6. Decide the hiring of brokers and/or specialized bureaus for the sale of real estate; in case of urgency, this decision can be taken by 3 of its members, having to inform it (and record in the minutes) of the Committee's next session.
7. Attend any matter related to the sale of foreclosed assets not contemplated in this policy.

Comprised of:

MEMBERS	
Luis Fernando Orozco Mancera	Coordinator
Sergio García Robles Gil	Coordinator
Javier Márquez Diez Canedo	Coordinator
Armando Rodal Espinoza	Coordinator
Rafael Hinojosa Cárdenas	Coordinator
Carlos Arnold Ochoa Juan Gilberto Guasco Godinez	Coordinator Coordinator
Rafael Flores Birrichaga	
Mario A. Barraza Barrón	
Mario Rodríguez Santacruz	
Carlota Hinojosa Salinas	Secretary without vote
José Luis Garza González Juan Pedro Meade Kuribreña Benjamin Vidargas Rojas	Without vote Without vote

Quorum: For Recovery issues, four members, two of whom must be Coordinators and at least two members who do not pertain to the areas of Portfolio Recovery or Property Sales. For Property Sales' issues, the required quorum is three members, one of whom must be a Coordinator and at least two members who do not pertain to the areas of Portfolio Recovery or Property Sales. In the event of a divided decision, for either issue, but never with more than two votes against, the signature of GFNorte's CEO is required.

Javier Beltrán Cantú can participate as a proprietary member with a vote in proposals for the sale of goods.

ASSETS AND LIABILITIES COMMITTEE

Functions:

1. Maintain and increase the productivity of the Bank through management of the financial margin.
2. Review, validate and if necessary homologate the tariff and price policies of various products and services offered by the bank.
3. Analyze, evaluate and determine the parameters and/or conditions to launch new programs, products and services and/or modifications to existing ones, required by the Operations Committee and/or the Evaluation Group.
4. Analyze the evolution of financial margins of the bank and other subsidiaries.
5. Monitor the evolution of the bank's balance sheet.
6. Monitor the impact of interest rate variations on the balance sheet.
7. Establish productivity parameters for the business areas.
8. Monitor the adequate utilization of the Group's capital.
9. Review that the intermediation activities (pesos and dollars) of the bank are according to the global strategies.

Frequency of sessions: Meetings are held at least once a month; the Secretary is responsible to coordinate the agenda and convene sessions.

Comprised of:

MEMBERS		
Alejandro Valenzuela del Río	CEO of GFNorte	with veto power
Carlos Alberto Arciniega Navarro	Deputy Managing Director Treasury	Coordinator & Secretary
Alfredo Eduardo Thorne Vetter	Managing Director Investment Banking	
Jesús O. Garza Martínez	Managing Director of Retail Bank	
José Armando Rodal Espinosa	Managing Director Corporate	
Sergio García Robles Gil	CFO of GFNorte	
Alejandro Garay Espinosa	Managing Director Corporate Services	
Javier Márquez Diez Canedo	Managing Director Risk Administration	
Adán Peña Guerrero	Executive Director Market Risk Management	
Audit Representative		(without vote)

Quorum: four voting members of which at least two should be from the business areas.

- In the absence of the Coordinator, any one of the members with voice and vote may be named as the Coordinator by agreement of those present.
- In the absence of any other member, an alternate may be named to take the member's place, although the alternate will have a voice, he/she will have no vote and will not count as part of the quorum.
- Decisions will be adopted by a majority vote of those present.

MONEY MARKET AND TREASURY COMMITTEE

Functions:

1. Analysis of the national and international environment.
2. Definition of the portfolio's investment strategy within the authorized parameters by the Board of Directors, or by the corresponding Risk Policies' Committee.
3. Revision and evaluation of the portfolios.
4. Approval of investment strategies and trading of financial instruments.
5. Intervention in abnormal risk circumstances.
6. Revision of financial instruments' liquidity parameters.

Frequency of sessions: must be held on a weekly basis and the agenda and roll call is coordinated by the Secretary of the Committee.

Comprised of:

MEMBERS		
Alfredo Eduardo Thorne Vetter	Managing Director Investment Banking	Coordinator (voice & vote)
Carlos Alberto Arciniega Navarro	Deputy Managing Director Treasury	Voice & Vote
Alejandro Eric Faesi Puente	Deputy Managing Director Markets	Voice & Vote
Javier Márquez Diez-Canedo	Managing Director Risk Management	Voice & Vote
Adán Jorge Peña Guerrero	Executive Director Market Risk	Voice & Vote
Ignacio Saldaña Paz	Director BAP Investments	Voice & Vote
Fausto José Hernández Pintado	Deputy Managing Director of Planning & Strategic Projects	Voice & Vote
Fernando Solís Soberón*	Managing Director BAP	Voice & Vote
Andrea Crisanaz*	Managing Director BAP Insurance and Annuities	Voice & Vote
Andrea Battini*	Technical Director of BAP Persons	Voice & Vote
Audit Representative Legal Affairs Representative		Voice Voice
Jacaranda Nava Villarreal	Director Structuring & Derivatives	Voice (Secretary)

* Only for decisions related to Annuities and Insurance. Only one of the two officials' votes may be considered for approval.

Quorum: four voting members.

- Approval: by a majority of votes.
- Scope: investments in proprietary portfolios of the bank and Brokerage House.
- Back Office Representative: presents the position and result for the Product.
- Risk Management Representative: presents limits, use of lines, capital requirements and Market sensibility.
- Operator: presents strategy for the week.
- In the absence of the Coordinator, any one of the members with voice and vote may be named as the Coordinator by agreement of those present.
- In the absence of any other member, an Alternate may be named to take the member's place, although the Alternate will have a voice, he/she will have no vote and will not count as part of the quorum.
- In the event of no quorum, the session should only be of an informative nature.
- Decisions are adopted by a majority vote of those present.

COMMUNICATIONS AND CONTROL COMMITTEE

Functions:

1. Submit for the approval of the Audit Committee of the entity involved, the policies for client identification and knowledge, as well as those that it must develop for identification of users, including the criteria, measures and procedures that must be developed for proper compliance, as well as any modification in compliance with that established in the general regulations referred to in Articles 115 of the Credit Institutions Law.
2. Act as the instance to learn the results obtained by the internal audit area of the entity with respect to judging the efficiency of the policies, criteria, measures and procedures mentioned in the previous fraction, in order to adopt the necessary actions to correct the failures, deficiencies and omissions;
3. Learn about account openings and contracts whose characteristics could generate high risk to Banco Mercantil del Norte, S. A., according to the reports presented to the Compliance Officer and, if the case, formulate recommendations for proceeding;
4. Establish and promote the criteria for Client classification, according to their degree of risk;
5. To ensure that the Institution's systems contain, the officially acknowledged lists issued by Mexican authorities, international organisms, intergovernmental groups or authorities of other countries, of people linked to terrorism or its financing, or with other illegal activities; as well as the lists of countries or jurisdictions that apply fiscally preferable régimes or don't have measures to prevent, detect and combat operations with resources of illicit origin or financing of terrorism, or when the application of this measures is faulty, and the lists of Politically Exposed people, these last two provided by the Secretary of Treasury and Public Credit.
6. To rule on operations that should be reported to the Secretary of Treasury and Public Credit, through the National Bank and Securities' Commission, considered as unusual or worrisome, in the terms established in the general dispositions referred to in Article 115 of the Credit Institutions Law;
7. Approve the training programs for the personnel of Banco Mercantil del Norte, S. A. personnel, related to the prevention, detection and reporting of conducts directed to favor, help or cooperate with any terrorist financing activities, or that could be under the supposition of being transactions from illegal origin;
8. Inform the Institution's competent area about the conducts carried out by directors, officers, employees or representatives that infringe the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, or in the cases that such directors, officers, employees or representatives contravene the established policies, criteria, measures and procedures for the correct compliance with the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, with the objective of imposing the corresponding disciplinary measures, and
9. Resolve other matters submitted to its consideration, related to the application of these dispositions.

Frequency of the sessions: sessions will be held not more than one calendar month nor less than 10 days apart.

Comprised of:

MEMBERS		ALTERNATES
Jorge Eduardo Vega Camargo President	Deputy Managing Director of Controllership	Fernando Castrejón Hernández
Concepción G. Borjón Shears	Managing Director Branch Management & Clients	David Francisco Galicia
Jesús Valdés Fernández	Director Operational Risk Management	Javier Márquez Diez-Canedo
	Managing Director Legal Affairs	Octavio Ruiz Chapa
Carlos Ávila López	Executive Director Operations	Manuel Anglés Hernández
Alberto Raul Guerra Rodríguez (1)	Executive Director Development in the USA	Normando Rojas Morgan (1)
Enrique Alvarado Cruz (2)	Sub Director Operations	Luis Gerardo Moreno Santos (2)
Rodrigo Ruiz Treviño (3)	Executive Director of Administrative Comptrolling	Roxana Gutierrez (3)
Benjamín Vidargas Rojas Permanently Invited	Managing Director Audit (without vote)	José Luis Garza González
José Salvador Lozano Arizpe Secretary	Director of Regulatory Compliance	Mario A. Moreno Rostro

Quorum: four voting members

- If not able to attend, members can name an Alternate to attend in their place.

FIDUCARY BUSINESS COMMITTEE

Functions:

1. Accept high risk fiduciary business representing assets up to an amount of 48 million UDIS or its equivalent in local currency.
2. Determine the matters that according to their risk do not require attention by this Committee.
3. Make decisions in matters with a contingency that does not exceed Ps 20 million.
4. If a case exceeds these limits, the signature of Grupo Financiero Banorte's CEO is required.
5. Condone up to 100% of delinquent fiduciary business fees and/or penalty interest and/or conventional penalties.
6. Authorize the formalization of new businesses that, according to the authorization policies of this Committee, are classified according to the following: medium risk, high risk, restricted risk; in case of discrepancy or doubt about the classification of risk, the highest risk must be used as the reference.

Frequency of sessions: The Fiduciary Business Committee will hold session on every first and third Wednesday of every month.

Comprised of:

MEMBERS		ALTERNATES
	Managing Director of Legal Affairs	José Luis Lozano Aguilar
Javier Márquez Diez-Canedo	Managing Director of Risk Management	Jesús Valdés Fernández
Jesús O. Garza Martínez	Managing Director of Retail Banking	Andrés Emmanuel Aymes Ansoleaga
Carlos Eduardo Martínez González	Managing Director of Government	David Alberto Salazar Vite
José Armando Rodal Espinosa	Managing Director of Corporate	Osvaldo Brondo Menchaca
José Luis Garza González	Executive Director of Audit	Silvia Lázaro Lázaro (without vote)
Héctor Martín Ávila Flores	Deputy Managing Director of Legal Affairs and Fiduciary	Francisco Juárez Rangel
Javier Rodriguez Flores (Secretary)	Director of Fiduciary	

Quorum: for Medium Risk, four proprietary members or their Alternates, with the signatures of the Managing Director of Business and the Executive Director of Fiduciary or Managing Director of Legal Affairs.

For High Risk: four proprietary members with the required authorization from the Managing Director of Legal Affairs and the Managing Director of Risk Management.

For Restricted Risk: the authorization of every member of the Committee is required including the authorization of at least four members and with the required authorization of the Managing Director of Legal Affairs and Risk Management.

- The decisions will be made by unanimous vote of those present.
- Alternates can only act in the absence of the corresponding proprietary member in which case they will have a vote, except the alternate for Audit who will remain without a vote.

INVESTMENT PROJECTS COMMITTEE

Scope: the objectives, functions, members and frequency of the investment projects committee's sessions are generally applicable to GFNorte and subsidiaries.

Objectives: analyze the viability of every proposal related to: 1) the acquisition of credit portfolios, 2) acquisition of real estate portfolios, and 3) investment in housing, commercial real estate, infrastructure and tourism projects, which must be authorized in adherence to GFNorte's strategies.

Functions:

1. Analyze and approve different business transactions presented to this Committee, such as:
    a. Acquisition of loan portfolios.
    b. Acquisition of real estate portfolios.
    c. Investment in housing, real estate, infrastructure and tourism projects. (see norms at the end of this section)
    d. Extensions and changes to authorizations.
2. Monitor and review advances in the business transactions being executed, through a presentation by those responsible for each business.
3. To ensure that every business transaction presented to the Committee adheres to the minimum profitability and risk criteria established in GFNorte and/or the Board of Sólida Administradora de Portafolios.
4. Recommend that additional funds be requested to the corresponding instances in order to advance in the initiatives or projects under development that require the disbursement of additional resources.

5. Respect all the norms issued by the Risk Policies Committee (CPR) that impact its areas of influence.
6. The Committee will be able to request a review of analysis presented to it by an expert in the subject, as well as by personnel of the specialist areas.

Frequency of the sessions: upon request by the Coordinator and/or Secretary of the Committee. Advancement on the projects should be presented at least once every three months.

Comprised of:

MEMBERS	
Alejandro Valenzuela del Río (President / Coordinator)*	CEO of GFNorte
Luis Fernando Orozco Mancera (Coordinator)	Managing Director of Asset Recovery
Sergio García Robles Gil (Coordinator)	CFO of GFNorte
José Armando Rodal Espinosa ** (Coordinator)	Managing Director of Business
Javier Márquez Diez-Canedo	Managing Director of Risk Management
Alfredo Eduardo Thorne Vetter Alejandro Garay Espinosa Héctor Martín Ávila Flores	Managing Director of Investment Bank Managing Director of Corporate Services Managing Director of Legal Affairs & Fiduciary
Rafael Flores Birrichaga Fausto José Hernandez Pintado	Executive Director of Legal Asset Recovery Deputy Managing Director of Planning & Provisional Strategies
Pedro Gonzalez Yañez Rafael Hinojosa Cárdenas (Secretary/Coordinator) Benjamín Vidargas Rojas (Invited) Audit Representative (Invited) Juan Pedro Meade Kuribreña (permanently invited with voice, without vote)	Director of Corporate Management & RA Planning Managing Director of Loan Management Managing Director of Audit Executive Director of Prevention and Institutional Control

* Has Veto
****** For clients applications' who have authorized lines of credit, with voice without vote.

Quorum: Seven members of which two must be Coordinators. "Minor" modifications can be authorized with the signature of two members, one of which must be a Coordinator.

- Committee decisions are made by a simple majority vote. However, with two or more votes against, the President decides whether to continue with the authorization or to veto it.
- The opinion of the specialized areas of insurance and mortgage are needed in cases which apply.

INTEGRITY COMMITTEE

Integrity Committee

Scope: the objectives, functions, members and frequency of the Integrity Committee's sessions are generally applicable to GFNorte and subsidiaries.

Objective: align the security and control efforts of the information under a preventive approach, defining new strategies, policies, processes and procedures and seeking to solve security problems that affect the Institution's assets or represent risks of embezzlement by third parties or employees, ensuring the integrity, reliability and timeliness of the information.

Functions:

1. Define an integral strategy for the security of information
2. Identify threats and vulnerabilities, and assess their impact
3. Evaluate the risk of system and critical information loss
4. Establish objectives, define policies and procedures
5. Foster a culture of information security
6. Monitor, measure and report the risks that affect the security of information

7. Create special committees in order to follow up and attend special risk situations or problems related to information security matters.

These functions are directed towards technological mitigation or prevention measures, as well as to decide about the programs and projects destined to safely store the integrity of information security.

Frequency of the sessions: the meetings are carried out quarterly, with the possibility of extraordinary meetings at the request of any proprietary member.

Comprised of:

MEMBERS		
Javier Márquez Diez-Canedo	Managing Director of Risk Management	Coordinator
Prudencio Frigolet Gómez	Deputy Managing Director of Technology	
Jesús O. Garza Martínez	Managing Director of Retail Banking	
Heleodoro Ruiz Santos	Deputy Managing Director of Risk Management	
José Luis Lozano Aguilar	Executive Director of Legal Affairs	
Jorge Vega Camargo	Deputy Managing Director of Controllership	
Luis Gerardo Valdés Manzano	Deputy Managing Director of Human Resources	
Héctor Abrego Pérez	Deputy Managing Director of Alternate Channels	
Francisco García Dayo	Director of Information Technology Audit	(without vote)
Alberto Vega Balderas	Sub Director of Risk Management BAP	Permanently Invited
Rafael Antillón Cantú	Director of Information Security	Permanently Invited
Jesús Valdés Fernández	Director of Operational Risk Management	Secretary

Quorum: four members

- Members who cannot attend a session will not send alternates unless they must present a specific topic. In this case, the alternate will only remain in the session during his presentation.
- With the exception of those permanently invited, any other invited person must be convened as required and will remain in the sessions during the time of his presentation.
- Sessions and agreements must be recorded, and these records must be detailed and signed by each of the participants.

Credit and Debit Card Fraud Prevention Committee

Scope: the objectives, functions, members and frequency of sessions of the Credit and Debit Card Fraud Prevention Committee apply to Banco Mercantil del Norte.

Objectives: to align the efforts of security and control of information related to the use of Credit and Debit cards under the focus of prevention, defining new strategies, policies, processes or procedures, seeking solutions to security problems that affect the Institutional patrimony or signify embezzlement risks by third parties or employees, propitiating that the information is complete, reliable and timely.

Functions:

The Credit and Debit Card Fraud Prevention Committee should realize the following functions related to credit and debit card products for the development of its objectives:

1. Define an Integral Strategy for Information of Security.
2. Identify threats and vulnerabilities, weighing the impact.
3. Evaluate the risk of loss of systems and critical information.
4. Establish objectives, define policies and procedures.
5. Foster a culture of information security.

6. Monitor, measure and report risks that affect the security of information.
7. Create special work groups in order to pursue and pay attention to particular risk or problematic situations related to computer security.

These functions are directed at taking mitigating measures or technological prevention, as well as deciding on programs and projects dedicated to safeguarding the integrity of information security.

Frequency of sessions: the frequency of sessions of this Committee will vary, depending on the special circumstances of the fraud in credit and debit cards or by petition of any proprietary member.

Sessions will be held as often as the Integrity Committee considers necessary.

Comprised of:

MEMBERS		
Javier Márquez Diez-Canedo	Managing Director of Risk Management	Coordinator
Prudencio Frigolet Gómez	Deputy Managing Director of Technology	
Jesús O. Garza Martínez	Managing Director of Retail Banking	
Heleodoro Ruiz Santos	Deputy Managing Director of Risk Management	
José Luis Lozano Aguilar	Executive Director of Legal Affairs	
Jorge Vega Camargo	Deputy Managing Director of Controllership	
Luis Gerardo Valdés Manzano	Deputy Managing Director of Human Resources	
Héctor Abrego Pérez	Deputy Managing Director of Alternate Channels	
Carlos Javier Zambrano Elizondo	Deputy Managing Director of Individuals	
Andrés Emmanuel Aymes Ansoleaga	Deputy Managing Director of Corporations	
Francisco García Dayo	Director of Systems Audit	(without vote)
Carlos Ávila López	Executive Director of Operations	Permanently Invited
Rafael Valencia González	Director of Fraud Prevention	Permanently Invited
Jesús Valdés Fernández	Director of Operational Risk Management	Secretary

Quorum: four members

- Members who cannot attend a session will not be able to send Alternates, unless required to present a topic. In such case the Alternate can only remain in the session during of his/her presentation.
- Except for the permanent guests, any other guest will be summoned as required and will only remain in the session for the time of their presentation.
- Sessions and agreements will be properly recorded and signed by each one of the participants.

<u>Check Fraud Prevention Committee</u>

Scope: the objectives, functions, members and frequency of sessions of the Check Fraud Prevention apply to Banco Mercantil del Norte.

Objectives: to align the efforts of security and control of information related to the use of Credit and Debit cards under the focus of prevention, defining new strategies, policies, processes or procedures, seeking solutions to security problems that affect the Institutional patrimony or signify embezzlement risks by third parties or employees, propitiating that the information is complete, reliable and opportune.

Functions: The Check Fraud Prevention Committee should realize the following functions related to checking account products for the development of its objectives:

1. Define an Integral Strategy for Information of Security.
2. Identify threats and vulnerabilities, weighing the impact.
3. Evaluate the risk of loss of systems and critical information.
4. Establish objectives, define policies and procedures.

5. Foster a culture of information security.
6. Monitor, measure and report risks that affect the security of information.
7. Create special work groups in order to pursue and pay attention to particular risk or problematic situations related to computer security.

These functions are directed at taking mitigating measures or technological prevention, as well as deciding on programs and projects dedicated to safeguarding the integrity of information security.

Frequency of sessions: the frequency of sessions of this Committee will vary, depending on the special circumstances of the check fraud or by petition of any proprietary member.

Sessions will be held session as often as the Integrity Committee considers necessary.

Comprised of:

MEMBERS		
Javier Márquez Diez Canedo	Managing Director of Risk Management	Coordinator
Prudencio Frigolet Gómez	Deputy Managing Director of Technology	
Jesús O. Garza Martínez	Managing Director of Retail Banking	
Heleodoro Ruiz Santos	Deputy Managing Director of Risk Management	
José Luis Lozano Aguilar	Executive Director of Legal Affairs	
Jorge Vega Camargo	Deputy Managing Director of Controllership	
Luis Gerardo Valdés Manzano	Deputy Managing Director of Human Resources	
Héctor Abrego Pérez	Deputy Managing Director of Alternate Channels	
Carlos Javier Zambrano Elizondo	Deputy Managing Director of Individuals	
Andrés Emmanuel Aymes Ansoleaga	Deputy Managing Director of Corporations	
Francisco García Dayo	Director of Systems Audit	(without vote)
Carlos Ávila López	Executive Director of Operations	
Concepción Guadalupe Borjón Shears	Deputy Managing Director of Branch Management & Clients	
Roel Mariano Pérez	Sub Director of Audit	
Jesús Valdés Fernández	Director of Operational Risk Management	Secretary

Quorum: four members

- Members who cannot attend a session will not be able to send Alternates, unless required to present a topic. In such case the Alternate can only remain in the session during his/her presentation.
- Except for the permanent guests, any other guest will be summoned as required and will only remain in the session during their presentation.
- Sessions and agreements will be properly recorded and signed by each one of the participants.

COMMITTEE OF INVESTMENTS IN FINANCIAL INSTRUMENTS

Functions:

1. Analysis of the national and international economic environment.
2. Definition of the investment portfolio strategy within the parameters authorized by the Board of Directors or the corresponding Risk Policies' Committee.
3. Revision and evaluation of the portfolios.
4. Approval of the investment strategies and the purchase and sale of financial instruments.
5. Intervention in abnormal risk situations.
6. Review of financial instruments' liquidity parameters of the portfolio.

Frequency of the sessions: meetings should be held on a weekly basis, and the agenda and roll call will be coordinated by the Committee's Secretary.

Comprised of:

MEMBERS		
Alfredo Eduardo Thorne Vetter	Managing Director of Investment Banking	Voice and vote (Coordinator)
Carlos Alberto Arciniega Navarro	Deputy Managing Director of Treasury	Voice and vote
Alejandro Eric Faesi Puente	Deputy Managing Director of Markets	Voice and vote
Javier Márquez Diez-Canedo	Managing Director of Risk Management	Voice and vote
Adán Jorge Peña Guerrero	Executive Director of Market Risk	Voice and vote
Fausto José Hernández Pintado	Deputy Managing Director of Planning and Strategic Projects	Voice and vote
Fernando Solís Soberón	Managing Director of BAP	Voice and vote
Ignacio Saldaña Paz	Director of BAP Investments	Voice and vote
Audit Representative		Voice
Legal Affairs Representative		Voice
Jacaranda Nava Villareal	Director of Structuring & Derivatives	Voice (Secretary)

Quorum: four voting members.

Approval: by a majority of votes.

Scope: Investments in Third Party, Mutual Fund, Patrimonial Management, Banorte Integral Patrimony, Asegura tu Futuro and Social Forecast portfolios.

- Back Office Representative: presents the position and results for the Product.
- Risk Management Representative: presents sensitivity of the Product.
- Operator: presents weekly strategy.
- In the Coordinator's absence, one of the members with voice and vote must be designated as such by agreement of those present.
- In the absence of any other member, an alternate can be named as a replacement; this alternate will have a voice but no vote, and will not count as part of the quorum.
- In case of not fulfilling the quorum, the session will only be for information purposes.
- Decisions must be adopted by a majority vote of those attending.

Main Officers to December 2010

Name	Years with the company	Current Position	Age	Level of Education	Main executive at other companies
Alejandro Valenzuela del Río	7.5	CEO of GFNorte	49	PhD in Economics	EADS
Jesús Oswaldo Garza Martínez	11.7	Managing Director of Retail Bank	54	Masters in Financial Administration	BBV, Casa de Bolsa Probursa and Valores Finamex
Carlos Eduardo Martínez González	12	Managing Director of Government Banking	47	Public Accountant	Grupo Financiero Serfin
José Armando Rodal Espinosa	18	Managing Director of Corporate & Commercial Banking	41	Chemical Engineer Administrator	ITESM
Luis Fernando Orozco Mancera	7.3	Managing Director of Asset Recovery	56	Masters in Business Administration	Citibank Mexico
Fernando Solís Soberón	3.8	Managing Director of Long Term Savings	49	Masters and PhD in Economy	Grupo Nacional Provincial, Grupo Bal, CONSAR, Comisión Nacional de Seguros y Fianzas
Carlos I. Garza*	5.1	Managing Director of Banorte USA	53	Public Accountant and Auditor	Texas State Bank, Mc Allen State Bank, City of Mc Allen, Mc Allen – Hidalgo Bridge Board and Anzalduas Bridge Board
Sergio García Robles Gil	16.5	CFO of GFNorte	50	MBA	Fina Consultores
Alfredo E. Thorne Vetter	1.5	Managing Director of Global Markets	55	Masters in Philosophy	JPMorgan Chase Bank, World Bank
José Marcos Ramírez Miguel	.6	Managing Director of Corporate	47	BA in Actuary	Santander
Alejandro Garay Espinosa	2.2	Managing Director of Corporate Services	48	Attorney at Law	Bank of Mexico
Prudencio Frigolet Gómez	23.3	Managing Director of Technology	51	MBA	Banca Quadrum, Hidelbrando, BBV Probursa, Casa de Bolsa Probursa and Culliet Mexicana
Héctor Martín Ávila Flores	1.7	Deputy Managing Director of Legal Affairs & Fiduciary**	44	Attorney at Law	
Carla Juan Chelala	3.5	Managing Director of Marketing	41	Masters in Marketing and Advertising	Grupo Financiero HSBC
Benjamín Vidargas Rojas	2.3	Managing Director of Audit	52	Attorney at Law	CNBV
Javier Márquez Diez Canedo	1.3	Managing Director of Risk Management	70	Doctorate in Math Sciences	Fobaproa, Ixe/Fimsa Casa de Bolsa, ITAM, Operadora de Bolsa
Sergio Deschamps Ebergenyi	13.4	Territorial Director of North	57	Degree in Business Administration	Banca Serfin
Carlos de la Fuente Hernández	4.8	Territorial Director of Mexico City South	51	MBA	HSBC
Rodolfo Cacho Morales	15.1	Director Territorial Mexico City North	46	Degree in Administration	Editores FOC
Juan Carlos Cuéllar Sánchez	26	Territorial Director of West	48	MBA	

Name	Years with the company	Current Position	Age	Level of Education	Main executive at other companies
Alfonso Páez Martínez	13.2	Territorial Director of Central	45	MBA	Casa de Bolsa Abaco and Casa de Bolsa Probursa
Roberto Francisco Ayala Ramos	12.3	Territorial Director of Border	52	Masters in Administration and Finance	Bancrecer, Banco del Atlántico, Banco Mexicano Somex
Héctor Guijarro Avila	17.6	Territorial Director of Isthmus	49	Degree in Public Accounting and Finance	Partido Revolucionario Institucional (political party)
Arturo Valdés Villaseñor	14.5	Territorial Director of Northwest	50	Masters in Administration	Central Bank of Monterrey
Jorge Luis Molina Robles	17	Territorial Director of Peninsula	54	Civil Engineer	Government of the State of Chiapas
Alberto Salvador López	9	Territorial Director of South	47	Degree in Actuary	Seguros Bancomer, S. A., Banca Promex, Banco del Atlántico

* Carlos I. Garza has been employed by INB since 1995. ** Position officially occupied in April 2011.

At closing of December 2010:

- Global Markets includes Treasury,Patrimonial and Private Banking, under the responsibility of Alfredo E. Thorne Vetter.
- Carlos Eduardo Martinez Gonzalez assumes the position of General Director of Government.

Compensations and benefits

The total amount of compensation and benefits' for 2010 provided to the Board of Directors and GFNorte's main officials was approximately Ps 146 million.

Compensations and benefits are as follows:

- **Fixed Compensation:** Salary.

- **Annual Bonus Plan for 2010:**

  The Bonus Plan for each business area evaluates estimated profit for that particular business, as well as evaluation of individual performance, which takes into account the achievement of each participant's goals and objectives. The bonus is also adjusted according to operational risk evaluations carried out by Internal Audit Department.

  The eligible personnel of staff areas are evaluated according to the fulfillment of the estimated profit for the Group, as well as the individual performance based on the achievement of each candidate's goals and objectives.

  In case the budget estimates are 100% fulfilled, the annual bonus for business areas executives' (Underdirectors and Managerial levels), is equivalent to 5.2 months' salary; and for eligible staff personnel (Under director and Managerial levels) it is the equivalent to 4.4 months' salary. For executive personnel of business areas (Director Level) full compliance with annual bonus objective is equivalent to 5.8 months' salary, while for eligible staff personnel (Director Level) it is the equivalent of 4.7 months' salary.

- **Long Term Incentive Plans:**

  Share Options:

  The long term outline for incentives, which is designated by the Compensation Committee, consists of assigning Directors a stock options package through a trust with a vesting period of 3 years. Participants will be entitled to exercise one third of the package each year; purchasing the shares at the price with which they were originally acquired by the Trust, and their right to acquire those shares expires after 6 years.

  The gains for the executive will be calculated by the difference between the strike price originally determined by the trust and the share's exercise price at the moment of exercising those rights.

  The share plans currently in effect are those dated September 2007.

  Restricted Shares:

  This long term incentive plan consists of assigning by the respective Committee to the designated Manager, a stock package through a trust. The executive is entitled to 100% of the shares in a term of 2 or 3 years, depending on the time frame specified at the moment the package is assigned. Participants will be entitled to exercise a part of the package every year (the same amount each time), by receiving a bonus in order to buy the shares at the assigned price. The corresponding contracts are celebrated on the dates established and their validity is also 2 or 3 years, in accordance with assignment instructions.

  Currently, the share plans in effect are those dated March 2009 and July 2009.

- **Vacations:** From 10 to 30 working days depending on years of service.

- **Legally Mandated Christmas Bonus:** Equivalent to 42 days of salary.

- **Savings Fund:** The Corporation matches the amount of the employee's contribution, up to a maximum of 13% of their monthly salary with the legal limits in accordance to those established in the Income Tax Law.

- **Medical Service:** Banorte provides medical services through renowned specialized institutions, obtaining efficiency in cost and service**.**

- **Life Insurance**: In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months of salary (as of November 1st, 2005). In the event of accidental death, the compensation doubles, prior verification by the insurance company.

- **Pension and Retirement:** The institution has two types of plans: one of defined benefits (Traditional and Special), and the other of defined contribution (Asegura Tu futuro)**.**

  Asegura Tu Futuro (Ensure Your Future): Established as of January 1st, 2001. It is a defined contribution plan, whereby a percentage of individual contributions by the employee and GFNorte is deposited in a fund for withdrawal by each employee upon termination of their labor relationship. This plan has an "initial individual contribution"(only for employees hired prior to January 1st, 2001) that are pension benefits for past services accumulated to date. The maximum monthly contribution is 10% of the gross nominal wage (5% employee and 5% company).

  The total amount accumulated by GFNorte for pension, retirement or similar plans for principal officers is Ps 32 million.

d) CORPORATE BY-LAWS AND OTHER AGREEMENTS

In 2006 the by-laws were modified in order to adapt them with the dispositions of the new Stock Market Law to incorporate the articles related to the integration, organization and functioning of the social organs. The Board of Directors' functions were redefined as the organ in charge of strategy and supervision, and the CEO responsible for conduction and management of the company. Also, the commissary figure was eliminated and its functions were redistributed within the Board of Directors, the Audit and Corporate Practices' Committee and the Independent External Auditor. The objective of the Audit and Corporate Practices' Committee is to monitor all the accounting processes of the company, having the following general functions: evaluate the performance of the external independent auditor, elaborate an opinion regarding the financial statements prior to presenting them to the Board, inform the Board about the internal control systems and monitor that the generally accepted accounting principles and procedures are followed, among others. The objective of the Corporate Practices' Committee is to reduce the potential risk that transactions are carried out in disadvantageous conditions for the company's patrimony or give privileges to a determined group of shareholders. Its general functions include: approve the policies for the use of the company's assets, authorize transactions with related parties, among others.

Also, the by-laws and the Unique Responsibilities Agreement were reformed with respect to the responsibility of the holding company for the losses of the entities that form the group, so that in case that the equity of the holding was not enough to cover the losses of the Group's members, the losses corresponding to the credit institution will be first covered, and later on a pro-rata basis with respect to the other entities until the holding's equity is depleted.

Banco del Centro, S, A. was spun-off from Grupo Financiero Banorte due to its merger with Banco Mercantil del Norte, S. A., as well as Fianzas Banorte, S.A. de C.V., as a result of selling all the shares that represented its equity, thus modifying the second article of the by-laws to eliminate the reference of these companies as entities that are part of the Financial Group.

Additionally, Arrendadora Banorte, S.A. de C.V. merged Arrendadora y Factor Banorte, S. A. de C. V. and changed its denomination to remain as Arrendadora y Factor Banorte, S. A. de C. V., Multipurpose Financial Company, Regulated Entity, Grupo Financiero Banorte.

Créditos Pronegocio S. A. de C.V. was also spun-off from Grupo Financiero Banorte, due to its merger with Banco Mercantil del Norte, S. A., consequently modifying the second article of the corporate bylaws, to eliminate the reference of this society as an entity of the Financial Group.

Recently Ixe Grupo Financiero, S. A. B. de C. V., was merged into Grupo Financiero Banorte, S. A. B. de C. V., modifying articles: second, under the terms of Article 15 of the Law to Regulate Financial Groups, to change the Group's participation in the financial entities that conform it, including the financial subsidiaries of Ixe Grupo Financiero; tenth and twenty-first in reference to Article 50 of the Stock Market Law concerning the right of shareholders who either individually or jointly hold 10% of the Group's equity, to require the Board of Directors's Chairman or the Committees' that carry out the functions related to Audit and Corporate Practices, at any moment, to convene a General Shareholders' Meeting, without the effect being applicable to the percentage pointed out in Article 184 of the General Law of Mercantile Companies; Articles 25, 31, 32 and 36 in order to reflect changes in the Corporate By-Laws as a result of the appointment of a Chairman Emeritus and a Chairman of the Board of Directors; Article 25 establishing the faculties so that the Chairman Emeritus presides the Shareholders' Meetings and in his absence, the Chairman of the Board of Directors will have full authority; Article 31 in order to grant the General Assembly the faculty to designate a Chairman Emeritus and also a Chairman of the Board of Directors, both of which are part of the Board of Directors. Also, the Assembly or the Board will designate a Secretary or his/her respective alternate (Pro-Secretary) who will not be part of these corporate organisms. The Chairman Emeritus will not have an alternate. Also, in the event of death, inability, remotion or resignation of the Chairman of the Board of Directors, he/she will be substituted by the rest of the proprietary members in the order that they determine, or if there is no rule in this respect, in the order of their appointments until the Shareholders Assembly names a new Chairman of the Board. The changes also grant the faculty to the Chairman Emeritus to preside the Shareholders Assemblies and the Board Sessions of the company as stipulated in articles Twenty-Five and Thirty-Two of the Corporate By-Laws.

Also, the Chairman of the Board of Directors will have the following faculties, obligations, attributions and powers unless otherwise indicated by the Assembly: i) Preside the Shareholders Assemblies and Board Sessions in the absence of the Chairman Emeritus; ii) Propose to the Board the independent board members that will integrate the Corporate Practices and Audit Committees, as well as the temporary board members whose designation corresponds to the board in accordance with article Thirty-Six of the By-Laws and iii) Execute or supervise the execution of the resolutions taken by the Shareholders Assembly and the Board of Directors, doing whatever is necessary or prudent to protect the interests of the company, without violating the faculties that the Assembly, Board of Directors and the legal framework gives to the Chief Executive Officer; Article Thirty-Two will be modified in order to make express reference to articles 27 of the Stock Market Law and 24 of the Law to

Regulate Financial Institutions regarding the requirement to hold at least one board meeting every quarter. Also, the obligation of the Chairman of the Board of Directors to call the necessary board meetings in accordance with article 411 of the Stock Market Law. The changes also reflect the faculty of the Chairman Emeritus to preside the Board Sessions, and in his absence, by the Chairman of the Board of Directors. In the case that both are absent, the Board of Directors' sessions will be presided by the board member designated by those present at the meeting. Also, the Chairman Emeritus and the President of the Board of Directors will have a tie-breaking vote in case of a tie in the voting of the Board's resolutions.

Article Thirty-Six will change in order to make a express reference to Article 25 of the Stock Market Law regarding the faculty of the Chairman of the Board of Directors to propose to the Board or the Shareholders Assembly, the independent members that will integrate the Audit and Corporate Practices Committee.

Also the following were incorporated to the Unique Agreement of Responsibilities: Fincasa Hipotecaria, S. A. de C. V., SOFOM, Entidad Regulada, Grupo Financiero Banorte; Ixe Soluciones, S. A. de C. V., SOFOM, Entidad Regulada, Grupo Financiero Banorte; Ixe Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Banorte; Ixe Automotriz, S. A. de C. V., SOFOM, Entidad Regulada, Grupo Financiero Banorte; Ixe Casa de Bolsa, S. A. de C. V.; Grupo Financiero Banorte; and Ixe Banco, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte.

It is important to point out that both the Law to Regulate Financial Groups and the Stock Market Law establish the following requisites for the acquisition or transmission of the Company's shares:

- The individuals who acquire or transfer series "O" shares representing more than 2% of the company's equity must inform the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) within 3 business days of such acquisition or transfer.

- Any individual or company can acquire through one or various simultaneous transactions, the control of series "O" shares of the company, in the understanding that such transactions must be previously approved by the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público), hearing the opinion of the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), when they exceed more than 5% (five percent) of such equity.

- The authorization of the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) is required for any group of people to acquire, directly or indirectly, through one or various simultaneous or successive transactions of any nature, the control of the company, which is understood as acquiring more than 30% (thirty percent) or more of the shares representing paid in capital, having control of the Shareholders' Assembly, be in a position to name the majority of the Board of Directors' members or to control the company through any other means.

- The person or group of persons who acquire, directly or indirectly, within or outside of the Stock Exchange, through one or various simultaneous or successive transactions of any nature, series "O" shares that result in holdings equal to or greater than 10% (ten percent) and lower than 30% (thirty percent) of such shares, must inform the public of this situation the next business day at the latest, through the corresponding stock exchange, following the terms and conditions established by the Exchange. If it is a group of persons, the individual holdings of each member of the group must be disclosed. Also, the individual or group of persons must inform their intention or not of acquiring a significant influence in the company.

  Individuals related to the company who directly or indirectly increase or reduce their holdings of the company by 5% (five percent), through one or various simultaneous or successive transactions, must inform the public of this situation on the next business day at the latest, through the corresponding stock exchange, following the terms and conditions established by the Exchange. Also, they must express their intention or not of acquiring a significant influence or increasing it in the terms outlined in the previous paragraph.

- Any individual or group of persons who directly or indirectly own 10% (ten percent) or more of the shares representing the company's equity, as well as members of the Board of Directors and relevant officers of the company, must inform the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) and the public in the cases established by generally applicable dispositions issued by the

Commission, of the acquisition or disposal of these securities within the stated timeframe established by the Commission.

The current by-laws also include mechanisms to protect the interests of minority shareholders, which basically consist of:

- Board of Directors' approval to any shareholder or group of shareholders related to each other or to third parties to acquire 5% (five percent) or more of GFNORTE's shares. This also applies when the holdings are close to reaching or already exceed through public offering or not, the following percentages: 10%, 15%, 20%, 25% and up to 30% minus one share of the total shares outstanding representing the company's equity.

  If the aforementioned is not followed, whoever acquires these shares, will not be able to exercise the corporate rights inherent to those shares and will not be taken into consideration to determine quorum at Shareholders' Meetings.

- The Board of Directors will be the only organism with faculties to approve or deny a potential acquirer from acquiring either through public offering or not, conducting a "Due Diligence" of the company, and in the case of approval, the potential acquirer must sign the contracts and confidentiality agreements that establish the obligations deemed convenient by the Board.

- Anyone with the intention of acquiring holdings that represent 30% or more of the company's equity, will be obligated to make a public bid for 100% of the shares, and only in the case that after the bid for 100% of the shares they retain a percentage equal to or less than 50% of the shares, they must seek approval from the Board to exercise the corporate rights of such shares.

- Additionally, whoever becomes holder of the shares representing (or exceeding), the following percentages must notify the company within 30 business days after purchasing, reaching or exceeding the limit in their holdings of 4%, 8%, 16% and 24% respectively. In this case, corporate rights are not lost for not notifying nonetheless it will be taken into consideration for Board's prior approval or denial to acquire the percentages previously mentioned.

For the purpose of protecting minority shareholders, the following rights are established:

- Shareholders who represent at least 5% of the equity can directly exercise civil responsibility action against managers in the terms established by applicable legislation.

- Shareholders with voting rights, including limited or restricted rights, which individually or jointly make up 10% (ten percent) of the company's equity, will have the right to designate or revoke in the General Shareholders' Assembly a member to the Board of Directors. Such designation can only be revoked by the remaining shareholders when the nomination of all other proposed shareholders is also revoked, in which case the substituted persons cannot be nominated for that position for 12 months following the date of being revoked.

- Shareholders with voting rights, including limited or restricted rights, which individually or jointly make up 10% (ten percent) of the company's equity will have the right to request the President of the Board or Presidents of the Committees which conduct corporate practices and audit functions, to convene a General Shareholders' Assembly at any time, without having to follow the percentage stipulated in article 184 of the Law of Mercantile Societies.

- Shareholders with voting rights, including limited or restricted rights, with at least 10% (ten percent) of shares represented in an Assembly can request the postponement of voting on any matter which they consider not being properly informed about, under the terms and conditions indicated in the applicable legislation.

- Shareholders with voting rights, including limited or restricted rights, that represent at least 20% (twenty percent) of equity, will be able to judicially oppose the resolutions of the General Assemblies in which they have voting rights, under the terms and conditions indicated in the applicable legislation.

The corporate by-laws stipulate the company’s faculties to purchase its shares under the terms of the Mexican Stock Market Law.

Shares representing the company’s equity will be made up ordinary portion and additional shares.

Both “O” and “L” series will be freely subscribed; the latter will be issued for an amount of up to forty percent of ordinary equity with prior authorization by the CNBV, and will have limited voting and other corporate rights.

Foreign entities that exercise authority functions cannot participate in any form in the company’s equity. Domestic financial entities also cannot participate, including those that are part of the group, unless when acting as institutional investors under the terms established in the Law to Regulate Financial Groups.

To install and vote the resolutions of Extraordinary Meetings to resolve matters related to Series “L” shares, regulations related to General Ordinary Shareholders’ Meetings established by the Law of Mercantile Societies apply.

To install and vote on resolutions of the General Shareholders’ Meetings, ordinary or extraordinary, the dispositions established in the Law of Mercantile Societies for these types of meetings will apply.

Since GFNorte is a financial group, the integration, organization and functioning of the social organs, including those related to administration and monitoring, will be governed by the dispositions of the Stock Market Law, as established in fraction IV of article 22 of this legislature.

5. STOCK MARKET

a) SHARE STRUCTURE

GFNorte does not have convertible obligations or Ordinary Participation Certificates (CPO's) of shares. The information on representative shares of equity can be found in section 2. The Company, item b. Description of the Business, section xii of this document: Representative Shares of Equity.

In June 2009, Grupo Financiero Banorte (BMV: GFNORTEO) established a Level I Sponsored Program of ADRs in the United States, as a consequence of changes on October 10th, 2008 to regulation 12g3-2b of the Securities and Exchange Commission (SEC) that facilitates the establishment of sponsored and non-sponsored ADR programs for shares in companies which don't trade in US financial markets. Because Banorte shares are one of the most liquid and one of the most traded in the Mexican Stock Exchange, they have attracted the interest of institutional funds around the world. This ADR program supplements the efforts of Banorte to achieve presence in the main international financial markets for its shares. The program has been established as Level 1, which allows it to operate in "Over the Counter" markets without having to be listed in the NYSE, NASDAQ or any other Stock exchange. The shares operate under the GBOOY symbol. Each ADR represents 5 shares of Banorte and 2,616,858 ADRs were in circulation at closing of 2010. The depository bank is Bank of New York Mellon. On July 15th, 2010, the Level 1 ADR program was authorized to quote and operate in the OTCQX International Premier platform, the highest level in the "Over The Counter" (OTC) market.
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On Tuesday, June 9th, 2009, ordinary shares of Grupo Financiero Banorte S. A. B. de C. V. began trading in the Madrid Stock Exchange through the Latin American Stock Market "Latibex", under the symbol XNOR. The Banorte shares were included in the FTSE Latibex All Shares index from their inclusion to the market, and as of June 10th, they were incorporated into the FTSE Latibex TOP index which includes the 16 Latin American most important companies of this market. One share of XNOR represents 5 shares of GFNORTE.

b) PERFORMANCE OF SHARES IN THE STOCK MARKET

The series "O" shares of GFNorte are traded in the Mexican Stock Exchange (BMV) under the ticker "GFNORTEO".

These prices include the stock dividend payment made in November 24, 2005 of 3 new shares for each previous share.

The following charts show, for the indicated periods, the maximum and minimum market prices in Mexican pesos for shares in the BMV (GFNORTEO).

Performance of the stock at closing of the last 5 fiscal years:

Date	Maximum	Minimum	Close	P/BV	P/E	Volume of Shares (Daily Average)	Total Volume Operated
12/29/2006	44.22	21.92	42.25	3.27	14.31	5,105,862	1,274,722,200
12/31/2007	55.00	40.99	45.08	2.75	13.36	4,715,471	1,183,192,000
12/31/2008	51.81	15.00	24.88	1.33	9.87	5,202,547	1,310,533,500
12/31/2009	51.00	13.04	47.84	2.33	16.16	5,447,834	1,367,406,400
12/31/2010	60.80	41.25	58.86	2.58	16.91	4,951,769	1,247,845,700

Quarterly performance of the stock for the last 2 fiscal years:

Date	Maximum	Minimum	Close	P/BV	P/E	Volume of Shares (Daily Average)	Total Volume Operated
03/31/2009	27.80	13.04	18.83	0.98	5.88	7,388,172	450,678,500
06/30/2009	35.10	18.50	32.05	1.66	12.33	5,889,881	365,172,600
09/30/2009	48.00	31.70	45.19	2.28	15.91	4,681,180	304,261,500
12/31/2009	51.00	38.15	47.84	2.33	16.16	3,925,298	247,293,800
03/31/2010	55.9	41.25	54.57	2.62	17.49	4,939,607	301,316,000
06/30/2010	57.39	44.50	50.14	2.37	15.28	5,345,613	337,221,200
09/30/2010	51.63	45.70	47.71	2.19	14.03	5,016,713	321,069,600
12/31/2010	60.80	47.50	58.86	2.58	16.91	4,503,733	288,238,900
03/31/2011	60.19	51.90	55.98	2.37	15.55	5,266,505	326,523,300

Monthly performance of shares during the last 6 months:

Date	Maximum	Minimum	Close	Volume of Shares (Daily Average)	Total Volume Operated
12/31/2010	60.8	53.51	58.86	3,824,100	87,954,300
01/31/2011	60.19	52.82	53.98	4,195,862	88,113,100
02/28/2011	57.1	52.1	54.96	8,059,516	153,130,800
03/31/2011	56.09	51.9	55.98	3,876,336	85,279,400
04/30/2011	60.64	55.00	57.97	7,321,247	139,103,700
05/31/2011	59.00	56.95	53.94	6,885,777	151,487,100

*P/BV = Price to Book Value Multiple.
**P/E = Price to Earnings Multiple.

Source: Casa de Bolsa Banorte. The indicators were calculated using figures from the date of this report.

c) MARKET MAKER

Does not apply to GFNorte, because it is not a market maker for either the Equity Market or Derivatives Instruments.

6. UNDERLYING ASSETS

At the moment GFNorte's subsidiaries do not carry out operations that involve underlying assets.

7. RESPONSIBLE OFFICERS

The undersigned hereby solemnly declare that within the scope of our respective functions, we have truthfully prepared the information contained in this annual report related to Grupo Financiero Banorte, which to the best of our knowledge and understanding reasonably reflects the situation. We also declare that we do not have knowledge of any relevant information that has been omitted or falsified in this annual report or that it contains information that could mislead investors.

____

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

____

Sergio Garcia Robles Gil
Chief Financial Officer

____

Lic. Hector Ávila Flores
Managing Director of Legal Affairs and Fiduciary

The undersigned hereby solemnly swears that the financial statements of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries at December 31st, 2010 and 2009 and for the years that ended on those dates, they were audited with the accepted audit norms of Mexico.

I also declare that, within the scope of the work carried out, I have no knowledge of any relevant financial information that has been either omitted or falsified in this annual report or that it contains information that could mislead investors.

Also these statements were prepared in compliance the disposition established in Section IV of Article 88 of the Stock Market Law, signed by the authorized representative of Galaz, Yamazaki, signs Ruiz Urquiza, S. C.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of the firm of Deloitte Touche Tohmatsu Limited

C. P. C. Fernando Nogueda Conde
External Auditor

C. P. C. Jorge Alberto Villarreal
Authorized Representative

8. ANNEXES

a) AUDIT AND CORPORATE PRACTICES’ COMMITTEE REPORT

Monterrey, N.L., March 31st, 2011.

To the Board of Directors of Grupo Financiero Banorte, S. A. B., de C. V.,

In accordance with Article 43 of the Stock Market Law, (LMV) the Audit and Corporate Practices’ Committee presents its annual report of activities carried out during the 2010 fiscal year.

The contents of this document refer to Grupo Financiero Banorte (GFNorte) and, in some sections, to its relevant entities; companies designated by this Board of Directors based on the relevant criteria that these have in the financial, administrative and legal situation of GFNorte. These entities are: Banco Mercantil del Norte, S.A.; Casa de Bolsa Banorte, S.A. de C.V.; Arrendadora y Factor Banorte, S.A. de C.V.; Créditos Pronegocio S.A. de C.V.; Seguros Banorte Generali, S.A. de C.V.; Banorte Generali, S.A. de C.V. AFORE; Sólida Administradora de Portafolios, S.A. de C.V. and Inter National Bank.

I. With regard to audit:

a) With regard to the status of the Internal Control System (SCI) of GFNorte and its relevant entities Internal; and the description of its deficiencies and deviations, this Committee took into consideration the following elements:

1. Revision of annual reports on activities regarding Internal Control of the aforementioned relevant entities, are prepared by their respective CEO’s.

2. The final audit reports of Internal Accounting Controls of Banco Mercantil del Norte, S.A., Casa de Bolsa Banorte, S.A. de C.V. and Banorte Generali, S. A. de C.V. AFORE and the Internal Control reports of revisions made by the External Auditor, follow-up to corrective measures undertaken derived from areas of opportunity detected and identified in these reports; as well as the verdict of the financial statements of GFNorte and its subsidiaries, were reviewed by this Committee.

3. Observations regarding control deficiencies or deviations of GFNorte and its subsidiaries are presented on a regular basis by Internal Audit during this Committee's sessions, including the relevant entities and follow-ups of the corrective measures undertaken.

4. Reports on inspection visits by qualified supervisors and follow-up on the implementation of the pertinent corrective measures.

5. Comptroller reports of Grupo Financiero Banorte, Arrendadora y Factor Banorte, Seguros Banorte Generali and Banorte Generali, AFORE.

6. Opinions about the conditions under which the Internal Control System of the relevant entities issued by Internal Audit.

Regarding Inter National Bank (INB), we report that the ongoing monitoring compliance with the commitments made in the Formal Agreement with the Office of the Comptroller of the Currency (OCC), the agency that regulates and supervises INB, through which commitments were assumed to strengthen its processes of loan portfolio administration, handling of critical assets, and revision of loans, as well as the establishment of a program to ensure adequacy of reserves for loans and leases, and the formulation of a strategic plan. During 2010 the Authority conducted its annual review, which found compliance with the commitments made and decided to keep the Formal Agreement pending a follow up on the results obtained by reviewing the actions that require more time to mature.

Taking the previous elements into consideration, and as a result of the surveillance work carried out by this Committee in sessions throughout the year with the participation of the equally responsible SCI entities, such as External Audit, Internal Audit and Comptrollership, we are able to state that the SCI of GFNorte and its subsidiaries, and the Internal Audit function, work appropriately and provide a reasonable degree of assurance regarding the achievement of objectives related to the effectiveness and efficiency of operations, dependability of financial information released, execution of applicable norms, and that no deficiencies or deviations were detected that could significantly affect them.

b) It can be reported that no significant possible non-fulfillment of operation policies and accounting registrations were detected; and that identified areas of opportunity have been reported to the responsible persons/entities who have taken corrective measures, which have been incorporated into a follow-up system.

c) Regarding the performance evaluation of the corporation providing external audit services, it can be reported that the firm of Galaz, Yamazaki, Ruiz Urquiza, S. C. (member of Deloitte Touche Tohmatsu) has provided the highest caliber of service in the execution of its duties and in its relationship with management and the Committee, as well as the Auditor responsible by applying focus points and work methodologies in accordance with the best international practices that adequately fulfill the applicable regulations.

It is also our consideration that their conclusions and reports are valuable and useful in supporting the activities of this Committee, and it should be noted that their results and opinions do not present discrepancies with management.

d) With respect to the additional services for the audit of financial statements, performed by the External Auditor, we can inform that these services were hired during the fiscal year to prepare a diagnosis of the execution of applicable norms and better practices related to corporate governance; The work required for the debt issuance of Banco Mercantil del Norte abroad under Rule 144A under the Securities Act and the registration of shares of Banorte in the U.S. market, as well as a review of Ixe Grupo Financiero's (Ixe) financial statements, and review of financial information on a pro forma bases over the effects of the merger of GFNorte and Ixe, that was included in the Corporate Restructuring Information Brochure for GFNorte's Shareholders, pursuant to the provisions applicable to Securities' Issuers.

The Board of Directors approved this Committee's proposal to hire these services, after verifying that no conflict of interest existed; and which were applied during 2010. Other independent experts were hired to evaluate the quality of important loan portfolio clients and to evaluate the scope of Internal Audit revisions on aspects of Information Technology.

e) A revision of the financial statements of GFNorte and its subsidiaries for the fiscal year ending December 31st, 2010 was carried out; as well as the External Auditor's final report before its release; with the participation of management, the External Auditor, Internal Audit and the Comptrollership, having found that they were prepared in accordance with regulations and the applicable accounting practices. Therefore, we recommend that the Board of Directors approve these financial statements. Additionally, this Committee conducts a periodic revision of quarterly financial statements.

f) Main changes to policies and accounting criteria adopted by GFNorte and its subsidiaries during the 2010 fiscal year were diverse modifications that resulted as a consequence of changes in applicable regulations and the criteria to financial punishment write-offs for credit portfolio called "Crediactivos", which are detailed in Note 4 "Main Accounting Policies" of GFNorte's financial statements, which also contain detailed explanations of these changes.

g) There were no relevant observations for the fiscal year from shareholders, members of the Board of Directors, managers, employees or any third parties, regarding accounting, internal controls or topics related with either the internal or external audits, or from accusations of irregularities. In accordance with the best international practices, one of the institutional channels of communication is the system of anonymous accusations denominated "Ethics Point". Reports received through this channel are directed to the members of this Committee and diverse managers of the organization for their attention. This Committee follows up on the resolution of such accusations.

h) No resolutions of Shareholders' Meetings or Board of Directors' sessions requested a follow-up to the agreements adopted by them from this Committee.

i) Among other activities carried out by the Committee are the revision of results and recommendations of independent experts hired to evaluate the quality of important loan portfolio clients and the coverage of Internal Audit on the critical aspects of information technology. The methodology was revised used by the branches for self-evaluation of its operative risk and of execution and the methodology of Internal Loan Audit to revise the selective credit. Attention has also been paid to recommendations resulting from a diagnosis of the corporate government.

II. With regard to Corporate Practices:

a) With respect to observations regarding the performance of relevant officers, we can report that management has defined the relevant officers of GFNorte and its subsidiaries which include those officials of diverse subsidiaries that by specific regulation applicable to them, require that the respective authority must be informed of their recruitment.

With regard to the performance of relevant managers during the 2010 fiscal year, there were no cases which fell outside of established policies and procedures.

b) For operations with related parties, this Committee verified that as of December 31st, 2010, the amount of loans granted to related individuals or entities was Ps 8,772 million, less than the limit set by the corresponding regulation, and that operations requiring approval by the Board of Directors in accordance with the applicable regulation were approved. Inter-company operations were carried out at market prices, which were verified by the External Auditor in the revisions conducted.

We can also report that during the 2010 fiscal year there were no unusual or recurring operations that required approval from the Board of Directors. For its relevance, the merger proposal of Ixe Grupo Financiero was approved by this Committee.

c) Management has defined the appointment policies and integral compensation packages for relevant officers which include: (i) a fixed compensation; (ii) a bonus plan based mainly on achieving the estimated profit of that business; and (iii) a long term incentive plan consisting of stock options available to some Directors in accordance with programs approved by this Committee. During the following year these policies will be reviewed in coordination with the Compensation Committee considering the new provisions on the subject.

d) Finally, we can report that during the 2010 fiscal year, the Board of Directors did not grant preferential treatment to members of the Board or relevant directors or managers to take advantage of business opportunities.

Sincerely,

Francisco J. Alcalá de León
President – GFNorte Audit and Corporate Practices Committee
Grupo Financiero Banorte

b) COMMISSARY REPORT

Does not apply, due to the removal of this figure in terms of the Stock Market Law.

c) AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries (the "Financial Group") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Financial Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with the accounting practices prescribed by the Mexican National Banking and Securities Commission (the "Commission"). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Note 1 to the accompanying consolidated financial statements describes the Financial Group's operations. Note 4 describes the accounting criteria established by the Commission in the "General Provisions Applicable to Banking Institutions", which the Financial Group adheres to for the preparation of its financial information. Note 5 describes the main differences between the accounting practices prescribed by the Commission and Mexican Financial Reporting Standards commonly applied in the preparation of financial statements for other types of unregulated entities in Mexico. As explained in Note 12 in August 2009 the Commission issued modifications to the consumer loan rating methodology allowing financial institutions to record the initial cumulative effect derived from applying the corresponding loan rating methodology to credit card transactions either directly to retained earnings within stockholders' equity or in results of operations over a 24-month period. The Financial Group decided to record the cumulative effect of the change in methodology directly to retained earnings within stockholders' equity, which totaled Ps. 683 million, net of deferred taxes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Financiero Banorte, S.A.B. de C.V., and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations, changes in their stockholders' equity and cash flows for the years then ended, in conformity with the accounting practices prescribed by the Commission.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

CPC Fernando Nogueda Conde
Recorded in the General Administration
of Federal Tax Audit Number 13204

February 21, 2011

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

ASSETS	**2010**	**2009**
CASH AND CASH EQUIVALENTS	**Ps. 62,497**	**Ps. 59,268**
MARGIN SECURITIES	**177**	**18**
INVESTMENTS IN SECURITIES		
Trading securities	66,181	24,459
Available for sale securities	12,288	11,701
Held to maturity securities	139,913	190,332
	218,382	**226,492**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**583**	**4**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	7,463	4,824
For hedging purposes	596	1,056
	8,059	**5,880**
PERFORMING LOAN PORTFOLIO		
Commercial loans		
Business loans	126,483	117,237
Financial institutions' loans	5,521	7,131
Government loans	47,550	38,993
Consumer loans	27,828	25,712
Mortgage loans	56,168	49,881
TOTAL PERFORMING LOAN PORTFOLIO	**263,550**	**238,954**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	4,417	3,163
Consumer loans	1,276	1,942
Mortgage loans	971	1,049
TOTAL PAST-DUE LOAN PORTFOLIO	**6,664**	**6,154**
LOAN PORTFOLIO	**270,214**	**245,108**
(Minus) Allowance for loan losses	(8,245)	(7,535)
LOAN PORTFOLIO, net	**261,969**	**237,573**
ACQUIRED COLLECTION RIGHTS	**2,025**	**2,548**
TOTAL LOAN PORTFOLIO, net	**263,994**	**240,121**
RECEIVABLES GENERATED BY SECURITIZATIONS	**950**	**432**
OTHER ACCOUNTS RECEIVABLE, net	**10,864**	**11,324**
MERCHANDISE INVENTORY	**49**	**119**
FORECLOSED ASSETS, net	**809**	**928**
PROPERTY, FURNITURE AND EQUIPMENT, net	**9,316**	**8,622**
PERMANENT STOCK INVESTMENTS	**3,130**	**3,036**
DEFERRED TAXES, net	**1,340**	**1,411**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	**10,408**	**9,483**
TOTAL ASSETS	**Ps. 590,558**	**Ps. 567,138**

MEMORANDUM ACCOUNTS (Note 34)
These balance sheets, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the balance sheet dates above. The stockholders' equity amounts to Ps. 7,016 (nominal value).
The accompanying Consolidated Balance Sheets have been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached notes are an integral part of these consolidated balance sheets.

LIABILITIES	2010	2009
DEPOSITS		
Demand deposits	$Ps. 149,817	$Ps. 137,581
Time deposits	$	$
General public	$132,673	$134,141
Money market	$6,347	$3,186
Senior debt issued	$3,778	$-
	$292,615	**$274,908**
INTERBANK AND OTHER LOANS		
Demand loans	$4,837	$21
Short-term loans	$13,114	$13,385
Long-term loans	$8,496	$7,562
	$26,447	**$20,968**
ASSIGNED SECURITIES PENDING SETTLEMENT	**$-**	**$159**
	$	$
CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**$178,747**	**$185,480**
COLLATERAL SOLD OR PLEDGED		
Repurchase or resale agreements (creditor balance)	**11**	**2**
DERIVATIVES FINANCIAL INSTRUMENTS	$	$
For trading purposes	$7,238	$4,553
For hedging purposes	$3,499	$3,822
	$10,737	**$8,375**
	$	$
OTHER ACCOUNTS PAYABLES	$	$
Income tax	$711	$617
Employee profit sharing	$797	$676
Creditors from settlements of transactions	$867	$2,224
Sundry debtors and other payables	$9,871	$8,968
	$12,246	**$12,485**
SUBORDINATED DEBENTURES	**$17,803**	**$18,168**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**$1,725**	**$1,619**
TOTAL LIABILITIES	**$540,331**	**$522,164**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	$11,971	$11,956
Additional paid-in capital	$1,673	$1,525
	$13,644	**$13,481**
OTHER CAPITAL		
Capital reserves	$3,181	$3,154
Retained earnings from prior years	$25,492	$20,681
Result from valuation of securities available for sale	$309	$206
Result from valuation of instruments for cash flow hedging	$(2,214)	$(1,369)
Cumulative foreign currency translation adjustment	$(1,000)	$(641)
Net income	$6,705	$5,854
	$32,473	**$27,885**
NONCONTROLLING INTEREST	**$4,110**	**$3,608**
TOTAL STOCKHOLDERS' EQUITY	**$50,227**	**$44,974**

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$**Ps. 590,558**	$**Ps. 567,138**

Dr. Alejandro Valenzuela del Río
Chief Executive Officer

Ing. Sergio García Robles Gil
Managing Director - CFO

Lic. Benjamín Vidargas Rojas
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director - Controller

C.P.C. Nora Elia Cantú Suárez
Deputy Managing Director – Accounting and Tax

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	**2009**
Interest income	Ps. 41,479	Ps. 45,451
Interest expense	(18,747)	(22,268)
NET INTEREST INCOME	**22,732**	**23,183**
Provision for loan losses	(6,889)	(8,286)
NET INTEREST INCOME AFTER ALLOWANCE FOR LOAN LOSSES	**15,843**	**14,897**
Commission and fee income	9,234	8,291
Commission and fee expense	(1,548)	(1,338)
Brokerage revenues	1,689	1,244
Other revenues	1,739	980
	11,114	**9,177**
NET OPERATING REVENUES	**26,957**	**24,074**
Administrative and promotional expenses	(17,691)	(17,024)
OPERATING INCOME	**9,266**	**7,050**
Other income	1,879	2,438
Other expenses	(1,298)	(1,566)
	581	**872**
INCOME BEFORE INCOME TAX	**9,847**	**7,922**
Current income tax	(2,735)	(2,581)
Deferred income taxes, net	(70)	536
	(2,805)	**(2,045)**
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	**7,042**	**5,877**
Equity in earnings of unconsolidated subsidiaries and associated companies	320	313
INCOME BEFORE NONCONTROLLING INTEREST	**7,362**	**6,190**
Noncontrolling interest	(657)	(336)
NET INCOME	**Ps. 6,705**	**Ps. 5,854**

These income statements, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the income statement dates above.

The accompanying Consolidated Statements of Income have been approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of these consolidated statements of income.

Dr. Alejandro Valenzuela del Río
Chief Executive Officer

Ing. Sergio García Robles Gil
Managing Director - CFO

Lic. Benjamín Vidargas Rojas
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director –Controller

C.P.C. Nora Elia Cantú Suárez
Deputy Managing Director – Accounting and Tax

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	PAID-IN CAPITAL		OTHER CAPITAL			
	Common stock	Additional paid-in capital	Capital reserves	Retained earnings from prior years	Result from valuation of available for sale securities	Result from valuation of cash flow hedging instruments
Balances, January 1, 2009	**Ps. 11,941**	**Ps. 1,468**	**Ps. 2,720**	**Ps. 16,935**	**(Ps. 550)**	**Ps. -**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	15	(328)	83	-	(221)	-
Transfer of prior year's result	-	-	-	7,014	-	-
Creation of reserves as per General Stockholders' meeting on April 30, 2009	-	-	351	(351)	-	-
Dividend declared at the General Stockholders' meeting on October 5, 2009	-	-	-	(364)	-	-
Total transactions approved by stockholders	**15**	**(328)**	**434**	**6,299**	**(221)**	**-**
COMPREHENSIVE INCOME						
Net income	-	-	-	-	-	-
Result from valuation of available for sale securities	-	-	-	-	592	-
Effect of subsidiaries, affiliates and mutual funds	-	(5)	-	(47)	-	-
Result from valuation of cash flow hedging instruments	-	-	-	-	-	209
Application of the effect of holding non-monetary assets	-	(4)	-	(1,640)	385	(1,578)
Change in credit card loan rating methodology (net of deferred taxes)	-	-	-	(683)	-	-
Total comprehensive income	**-**	**(9)**	**-**	**(2,370)**	**977**	**(1,369)**
Noncontrolling interest	-	394	-	(183)	-	-
Balances, December 31, 2009	**11,956**	**1,525**	**3,154**	**20,681**	**206**	**(1,369)**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	15	146	27	(17)	(102)	-
Transfer of prior year's result	-	-	-	5,854	-	-
Dividend declared at the General Stockholders' meeting on:						
February 15, 2010	-	-	-	(343)	-	-
April 23, 2010	-	-	-	(343)	-	-
October 4, 2010	-	-	-	(343)	-	-
Total transactions approved by stockholders	**15**	**146**	**27**	**4,808**	**(102)**	**-**
COMPREHENSIVE INCOME						
Net income	-	-	-	-	-	-
Result from valuation of available for sale securities	-	-	-	-	205	-
Effect of subsidiaries, affiliates and mutual funds	-	2	-	3	-	-
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(845)
Total comprehensive income	**-**	**2**	**-**	**3**	**205**	**(845)**
Noncontrolling interest	-	-	-	-	-	-
Balances, December 31, 2010	**Ps. 11,971**	**Ps. 1,673**	**Ps. 3,181**	**Ps. 25,492**	**Ps. 309**	**(Ps. 2,214)**

These statements of changes in stockholder's equity, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above. These consolidated statements of changes in stockholder's equity were approved by the Board of Directors in accordance with the responsibility assigned to them.
The attached notes are an integral part of these consolidated statements of changes in stockholders' equity.

	OTHER CAPITAL					
	Cumulative foreign currency translation adjustment	Effect of holding non-monetary assets	Net income	Total majority interest	Total non-controlling interest	Total stockholders' equity
Balances, January 1, 2009	**Ps. 1,095**	**(Ps. 2,821)**	**Ps. 7,014**	**Ps. 37,802**	**Ps. 1,944**	**Ps. 39,746**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	-	-	-	(451)	-	(451)
Transfer of prior year's result	-	-	(7,014)	-	-	-
Creation of reserves as per General Stockholders' meeting on April 30, 2009	-	-	-	-	-	-
Dividend declared at the General Stockholders' meeting on October 5, 2009	-	-	-	(364)	-	(364)
Total transactions approved by stockholders	**-**	**-**	**(7,014)**	**(815)**	**-**	**(815)**
COMPREHENSIVE INCOME						
Net income	-	-	5,854	5,854	-	5,854
Result from valuation of available for sale securities	-	-	-	592	-	592
Effect of subsidiaries, affiliates and mutual funds	(54)	-	-	(106)	-	(106)
Effect of the acquisition of the remaining 30% of the subsidiary INB	(1,698)	-	-	(1,698)	-	(1,698)
Result from valuation of cash flow hedging instruments	-	-	-	209	-	209
Application of the effect of holding non-monetary assets	16	2,821	-	-	-	-
Change in credit card loan rating methodology (net of deferred taxes)	-	-	-	(683)	-	(683)
Total comprehensive income	**(1,736)**	**2,821**	**5,854**	**4,168**	**-**	**4,168**
Noncontrolling interest	-	-	-	211	1,664	1,875
Balances, December 31, 2009	**(641)**	**-**	**5,854**	**41,366**	**3,608**	**44,974**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	-	-	-	69	-	69
Transfer of prior year's result	-	-	(5,854)	-	-	-
Dividend declared at the General Stockholders' meeting on:						
February 15, 2010	-	-	-	(343)	-	(343)
April 23, 2010	-	-	-	(343)	-	(343)
October 4, 2010	-	-	-	(343)	-	(343)
Total transactions approved by stockholders	**-**	**-**	**(5,854)**	**(960)**	**-**	**(960)**
COMPREHENSIVE INCOME						
Net income	-	-	6,705	6,705	-	6,705
Result from valuation of available for sale securities	-	-	-	205	-	205
Effect of subsidiaries, affiliates and mutual funds	(359)	-	-	(354)	-	(354)
Result from valuation of cash flow hedging instruments	-	-	-	(845)	-	(845)
Total comprehensive income	**(359)**	**-**	**6,705**	**5,711**	**-**	**5,711**
Noncontrolling interest	-	-	-	-	502	502
Balances, December 31, 2010	**(Ps. 1,000)**	**Ps. -**	**Ps. 6,705**	**Ps. 46,117**	**Ps. 4,110**	**Ps. 50,227**

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Deputy Managing Director – Controller

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Deputy Managing Director – Accounting and Tax

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	2009
Net income	**$Ps. 6,705**	**$Ps. 5,854**
Items not requiring (generating) resources:		
Provision for loan losses	6,889	8,286
Provision for uncollectible or doubtful accounts receivable	164	182
Depreciation and amortization	1,181	954
Other Provisions	430	(1,786)
Current and deferred income tax	2,805	2,045
Equity in earnings of unconsolidated subsidiaries and associated companies	337	(313)
	18,511	**15,222**
OPERATING ACTIVITIES:		
Changes in margin securities	(159)	(11)
Changes in investments in securities	7,626	12,312
Changes in debtor balances under repurchase and resale agreements	(579)	144
Changes in asset position of derivative financial instruments	(2,639)	501
Change in loan portfolio	(32,062)	(8,167)
Changes in acquired collection rights	523	502
Changes in receivables generated by securitizations	(518)	364
Change in foreclosed assets	94	(94)
Change in other operating assets	(1,461)	(969)
Change in deposits	18,975	15,344
Change in interbank and other loans	5,483	(15,644)
Change in creditor balances under repurchase and sale agreements	(6,892)	(7,088)
Collateral sold or pledged	9	-
Change in liability position of derivative financial instruments	2,684	(717)
Change in subordinated debentures	(350)	(2,481)
Change in other operating liabilities	(3,274)	(2,365)
Change in hedging instruments related to operations	136	133
Net operating activity cash flows	**6,107**	**6,986**
INVESTMENT ACTIVITIES:		
Proceeds on disposal of property, furniture and fixtures	304	259
Acquisition of property, furniture and fixtures	(2,215)	(1,447)
Sale of subsidiaries and associated companies	69	
Acquisition of subsidiaries and associated companies	(171)	(183)
Sale of other permanent investments	1	1
Acquisition of other permanent investments	-	(1)
Dividends received	227	135
Net investment activities cash flows	**(1,785)**	**(1,236)**
FINANCING ACTIVITIES:		
Dividends paid	(1,029)	(364)
Repurchase of shares	69	(451)
Net financing activity cash flows	**(960)**	**(815)**
Net increase in cash and cash equivalents	3,362	4,935
Adjustments to cash flows from variation in the foreign exchange rate	(133)	(63)
Cash and cash equivalents at the beginning of the year	59,268	54,396
Cash and cash equivalents at the end of the year	**Ps. 62,497**	**Ps. 59,268**

These statements of cash flows, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above. The accompanying Consolidated Statements of cash flows have been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached notes are an integral part of these consolidated statements of cash flows.

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1 – ACTIVITY AND REGULATORY ENVIRONMENT

Grupo Financiero Banorte, S.A.B. de C.V. and subsidiaries (the Financial Group) are authorized by Mexico's Ministry of Finance and Public Credit (SHCP) to operate as a holding company under the form and terms established by the Laws Regulating Financial Groups, subject to the supervision and monitoring of the Mexican National Banking and Securities Commission (the Commission). Their main activities consist of acquiring and managing entities engaged in the financial services industry and supervising their activities, as defined in the above-mentioned law. The Financial Group and its subsidiaries are regulated, depending on their activities, by the Commission, the Mexican National Insurance and Bond Commission, the Mexican National Retirement Savings Systems Commission (the Commissions), the Mexican Central Bank (Banco de México) and other applicable laws and regulations.

The main activity of the Financial Group's subsidiaries is to carry out financial transactions that include the rendering of full-banking services, securities brokerage activities, management of retirement funds, leasing, the purchase and sale of uncollected invoices and notes, rendering of general warehousing services, annuities (pensions) and providing life insurance and casualty insurance.

Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.

The powers of the Commission in their capacity as regulator of the Financial Group include reviewing the financial information and requesting modifications to such information.

The Financial Group performs their activities throughout Mexico and the United States of America (U.S.).

The Financial Group's consolidated financial statements have been approved by the Board of Directors at their January 25, 2011 meeting in accordance with the responsibility assigned to them.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Issuance of promissory senior notes

On July 19, 2010, Banco Mercantil del Norte, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte) successfully concluded the issuance in the international market of unsecured senior debt promissory notes for a total amount of 300 million USD with a maturity of 5 years and an 4.437% rate (United States Treasury (UST) + 262.5 bps). Standard and Poor's rated these securities BBB- and Moody's A3.

b. Listing of American Depositary Receipts (ADRs) operations in the OTCQX International Premier platform

On July 15, 2010, the Level 1 ADR's program (ticker: GBOOY) was authorized to operate in OTCQX International Premier; the highest level in the "Over The Counter" (OTC) market.

c. Exposure to Compañía Mexicana de Aviación, S.A. de C.V. (CMA)

In August 2010, CMA filed for bankruptcy and suspended its operations. The outstanding balance of the loan granted by Banorte to Gamma Servicios de Negocios, S.A. de C.V. (Gamma Servicios), a CMA subsidiary, totaled Ps.1,576 at the time of such filing. As the loan granted to Gamma Servicios was secured with present and future collection rights derived from the sale of plane tickets using credit card sales in Mexico and the U.S., it was partially amortized by the resources obtained through some of these guarantees. As of December 31, 2010 and 2009, the outstanding loan balance is Ps. 1,252 and Ps. 1,576, respectively. To date, the reserves that Banorte has constituted to cover potential losses from this loan equal 100% of the outstanding balance. Since the loan's origination, the collection rights derived from ticket sales have been voluntarily and irrevocably transferred by CMA to the Administration and Payment Trust managed by HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, and by accounts in custody of banks in the U.S. According to the external Counsel, for the time being, it is impossible to predict the final outcome of the bankruptcy proceeding or the potential losses stemming from this loan.

d. Merger with IXE Grupo Financiero, S.A.B. de C.V. (IXE Grupo Financiero)

On November 17, 2010, the Financial Group and IXE Grupo Financiero signed a merger agreement through an exchange of shares valued at Ps. 16,232 at the moment. The Financial Group will issue approximately 308 million new shares and will exchange them at an exchange ratio of 0.3889943074 shares of the Financial Group for each IXE Grupo Financiero share. Such merger, still subject to government authorization, is expected to be formalized during the first quarter of 2011. The operations of both companies will be merged into a single financial group called Grupo Financiero Banorte, S.A.B. de C.V.

e. Securitization of Controladora Commercial Mexicana, S.A.B. de C.V.'s loan (CCM)

In December 2010, Banorte securitized CCM's loan, transferring the risks and benefits related to the loan to a Trust created especially for this transaction (the Trust). The Trust issued Series A stock certificates for Ps. 190, Series B for Ps. 175, Series C for Ps. 168 and Series D for Ps. 63, placed among private investors, which secured the holders the net payment of the funds received from each tranche of CCM's loan which they are linked to, once the expenses related to the Trust are discounted. The securitization was recorded as a sale and reported in 2010 a profit for Ps. 596. This profit is equivalent to the difference between the received assets recorded at fair value and the book value of the transferred assets.

3 – BASIS OF PRESENTATION

Monetary unit of the financial statements

The consolidated financial statements and notes as of December 31, 2010 and 2009 and for the years then ended include balances and transactions in Mexican pesos of purchasing power of such dates.

Consolidation of financial statements

The accompanying consolidated financial statements include those of the Financial Group and its subsidiaries mentioned below. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 2010 and 2009, the Financial Group's consolidated subsidiaries and its equity ownership is as follows:

Banco Mercantil del Norte, S.A. and subsidiaries	92.72%
Casa de Bolsa Banorte, S. A. de C. V. and subsidiaries	99.99%
Arrendadora y Factor Banorte, S. A. de C. V.	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%

Conversion of Financial Statements of Banorte USA, Corporation and Subsidiaries (indirect foreign subsidiary)

In order to consolidate the financial statements of Banorte USA, they are first adjusted in the recording and functional currency (U.S. dollar) to conform to the accounting criteria established by the Commission. The financial statements are then converted to the reporting currency (Mexican peso) according to the following methodology:

Foreign operations whose recording and functional currency are one and the same convert their financial statements using the following exchange rates: a) year-end rate for assets and liabilities, b) historical rate for stockholders' equity, and c) weighted average rate of the period for income, costs and expenses. The conversion effects are presented in the Financial Group's stockholders' equity.

Comprehensive Income

This is the change in stockholders' equity during the year, for items other than distributions and activity in contributed common stock, and is comprised of the net income of the year plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income, in accordance with the accounting practices established by the Commission. In 2010 and 2009, comprehensive income includes the net income of the year, the result from valuation of available for sale securities, the effect of subsidiaries, affiliates and mutual funds; the result from valuation of cash flow hedging instruments; the application of the cumulative result of non-monetary asset holdings, and the change in credit card loan rating methodology.

4 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Financial Group are in conformity with practices prescribed by the Commission through issued accounting standards and other applicable laws, which require Management to make certain estimates and use certain assumptions to determine the valuation of certain items included in the consolidated financial statements and make the required disclosures therein. Even though they may differ in their final effect, management considers the estimates and assumptions to have been adequate under the current circumstances.

Pursuant to accounting Circular A-1, "Basic Framework of the Accounting Criteria Applicable to Banking Institutions", prescribed by the Commission, the Financial Group's accounting will adhere to Mexican Financial Reporting Standards (NIF), defined by the Mexican Board for Research and Development of Financial Reporting Standards (CINIF), except when the Commission deems it necessary to apply a specific accounting standard or Circular, considering the fact that financial institutions perform specialized operations.

Recognition of the effects of inflation in financial information

Inflation recognition is done pursuant to NIF B-10 "Inflation Effects" which considers two types of economic environments: a) inflationary, when the accumulated inflation of the three previous years is 26% or over, in which case the inflation effects must be acknowledged; b) non-inflationary, when in the same period inflation is less than 26%; in this case the effects of inflation should not be recorded in the financial statements.

The cumulative Mexican inflation over the three years prior to 2010 and 2009 was 14.55% and 15.03%, respectively. Therefore, the Mexican economy is considered as non-inflationary according to the NIF B-10 definition. As of January 1, 2008, the Financial Group is no longer adjusting for the effects of inflation. However, assets, liabilities and stockholders' equity as of December 31, 2010 and 2009 include the restatement effects recorded up through December 31, 2007.

The Mexican inflation rates for the years ended December 31, 2010 and 2009 were 4.29% and 3.72%, respectively.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value, except for precious metal coins, which are stated at fair value at the end of the period. Funds available in foreign currency are valued at the FIX exchange rate published by Banco de México at the consolidated balance sheet date.

Trading securities

Trading securities are those owned by the Financial Group, acquired with the intention of selling them for a profit derived from price differences in short-term purchase and sale operations made by the Financial Group as a market participant.

At acquisition they are initially recorded at fair value, which may include either a discount or premium.

These securities (including both capital and accrued interest) are stated at fair value, which is determined by the price vendor contracted by the Financial Group.

The trading securities valuation result is recorded in the results of the period.

Available for sale securities

Securities available for sale are debt or equity securities that are neither classified as trading nor held to maturity, therefore they represent a residual category, which means that, they are purchased with an intention different from the trading or held to maturity securities.

They are valued in the same way as trading securities, but with unrealized gains and losses recognized in other comprehensive income within stockholders' equity.

In an inflationary environment, the result of the monetary position corresponding to the valuation result of securities available for sale is recorded in other comprehensive income in stockholders' equity.

Held-to-maturity securities

Securities held to maturity consist of debt instruments whose payments are fixed or can be determined with a set maturity, which are acquired with the intent and capability to hold them to maturity.

They are initially recorded at fair value and valued at amortized cost, which means that the amortization of the premium or discount (included in the fair value at which they were initially recorded), is part of the earned interest.

General valuation standards

Upon the sale of trading securities, the valuation result previously recorded in the year's results is reclassified as part of the gain or loss on the sale. Similarly, upon the sale of available for sale securities, the cumulative valuation result recorded in other comprehensive income in stockholders' equity is reclassified as part of the gain or loss on the sale.

Accrued interest on debt instruments is determined using the effective interest method and is recorded in the corresponding category of investments in securities and in the year's results.

Dividends on equity instruments are recorded in the corresponding category of investments in securities and in the year's results when the right to receive such dividends is established.

The foreign exchange gain or loss on investments in securities denominated in foreign currency is recorded in the year's results.

Reclassification of securities from held to maturity to available for sale is allowed, provided there is no intention or ability of holding them to maturity. The Commission's expressed authorization is required to reclassify securities to held to maturity, or from trading to securities available for sale.

If securities held to maturity are reclassified as available for sale, the corresponding valuation result on the reclassification date is recorded in other comprehensive income within stockholders' equity.

An impairment loss on a security is recorded against the year's results if there is objective evidence of such impairment as a result of one or more events, occurring after the initial recording of the security, that have had an impact on the estimated future cash flows that can be reliably determined. The effect of recording the impairment of securities is shown in Note 7.

A previously recorded impairment loss is reversed against the year's results if, in a later period, the amount of the loss decreases and such decrease is objectively associated with an event occurring after the impairment was recorded.

The Financial Group periodically verifies whether it's available for sale securities and those held to maturity show any impairment loss, by means of an evaluation on the quarterly balance sheet date or whenever there are indications of an impairment loss.

Securities are deemed as impaired and therefore incur an impairment loss if and only if there is objective evidence of the impairment loss as a result of a set of events that occurred after their initial value was recorded. Such events should have an impact on the estimated future cash flows, which must be determined in a reliable manner.

These events may include: issuer's significant financial difficulties; likelihood of the issuer's filing for bankruptcy or financial reorganization; noncompliance with contractual clauses such as failure to pay interest or the principal; loss of an active market for the securities due to financial difficulties; lower credit rating and sustained reduction in the issue price, in combination with additional information.

In addition to the aforementioned events, objective evidence of impairment loss for a net asset instrument includes information about significant changes with adverse effects that occurred in the technological, market, economic or legal situation in which the issuer operates, and which indicates a possible loss of the cost of investing in the net asset instrument.

The events considered by the model are divided into:

a) Information that the Financial Group has about the securities (breach of contract covenants, financial, economic or legal problems).
b) Information that the Financial Group has about the issuer (issuer's probability of bankruptcy, financial reorganization and financial difficulties).
c) Information that the market has about the securities (rating assigned by Commission-approved agencies).
d) Information that the market has about the issuer (rating assigned by Commission-approved agencies).

The evaluation model that the Financial Group applies to determine impairment loss incorporates the aforementioned events according to their importance and rates them as per a severity average used to estimate the return on investment. Similarly, it incorporates the existence of guarantees, which contributes to lower impairment losses.

The investments on which impairment losses have been recognized are analyzed on a quarterly basis to identify the possible recovery of their value and, if applicable, reverse the recorded loss in the consolidated statements of income for the year such recovery is achieved.

Customer repurchase agreements (repos)

This is a transaction through which the purchaser acquires ownership of credit securities for a sum of money and is obligated to transfer the property of another amount of securities of the same kind to the seller of the securities within the agreed term and in exchange for the same price, plus a premium. The purchaser keeps the premium unless agreed otherwise.

Repurchase transactions are recorded according to their economic substance, which is financing with collateral, through which the Financial Group, acting as the purchaser, provides cash as financing in exchange for financial assets that serve as guarantee in case of non-compliance.

On the repurchase agreement transaction contract date, the Financial Group, acting as the seller, records the cash inflow, or else a settlement debtor account as well as a payable account at its fair value, initially at the agreed price, which represents the obligation to reimburse the cash to the purchaser. The account payable is subsequently valued over the term of the repurchase agreement at amortized cost by recognizing the interest from the repurchase agreement in the year's results using the effective interest method.

As to the collateral granted, the Financial Group reclassifies the financial asset in the consolidated balance sheets as restricted and values it according to the criteria mentioned earlier in this note until the maturity of the repurchase agreement.

The Financial Group, acting as the purchaser, on the repurchase transaction contract date records cash and cash equivalents or a creditor settlement account, with an account receivable at its fair value, initially at the agreed price, which represents the right to recover the cash that was delivered. The receivable is subsequently valued over the life of the repurchase agreement at amortized cost by recognizing the repurchase agreement interest in the year's results using the effective interest method.

As to the collateral received, the Financial Group records it in off balance sheet memorandum accounts until the repurchase agreement's maturity, following the guidelines of Circular B-9, "Asset Custody and Management", issued by the Commission.

Derivatives financial instruments

The Financial Group is authorized to perform two types of transactions involving derivatives financial instruments:

<u>Transactions to hedge the Financial Group's open risk position:</u> Such transactions involve purchasing or selling derivatives financial instruments to mitigate the risk resulting from one or a group of given transactions.

<u>Transactions for trading purposes:</u> The Financial Group enters into such transactions as a market participant for reasons other than to hedge its exposed position.

Transactions with derivative financial instruments are presented in assets or liabilities, as applicable, under the heading "Derivatives financial instruments", separating derivatives for trading purposes from those for hedging purposes.

When entering into transactions involving derivatives financial instruments, the Financial Group's internal policies and norms require an assessment and if necessary determination of different risk exposures for each counterparty in the financial system that have been authorized by the Banco de México to enter into these types of transactions. Regarding corporate customers, a preauthorized credit line by the National Credit Committee must be granted or liquid guarantees must be given through a securitized collateral contract before entering into these types of transactions. Medium and small sized companies and individuals must provide liquid guarantees established in securitized collateral contracts with this type of transactions.

The recognition or cancellation of assets and/or liabilities resulting from transactions involving derivatives financial instruments occurs when these transactions are entered into, regardless of the respective settlement or the delivery date.

Forward and futures contracts

Forward and futures contracts with trading purposes establish an obligation to buy or sell a financial asset or an underlying at a future date in the quantity, quality and prices pre-established in the contract. Futures contracts are recorded initially by the Financial Group in the consolidated balance sheets as an asset and a liability at fair value, which represents the price agreed in the contract in order to acknowledge the right and obligation to receive and/or deliver the underlying, as well as the right and obligation to receive and/or deliver the cash equivalent to the underlying, object of the contract.

The derivatives are presented in a specific item in assets or liabilities depending on whether their fair value (as a consequence of the rights and/or obligations it establishes) corresponds to a debtor balance or creditor balance. Such debtor or creditor balances in the consolidated balance sheets are offset when the Financial Group has the contractual right to offset the stated amount, the intention to settle the net amount or to realize the asset and cancel the liability simultaneously.

In the case of transactions for trading purposes, their balance represents the difference between the fair value of the contract and the established "forward" price.

Option contracts

Through paying a premium, options contracts grant the right but not the obligation to buy or sell a financial asset or underlying instrument at a given price within an established term.

Options are divided into: options to buy (calls) and options to sell (puts). Both can be used as trading or hedging instruments.

Options can be executed on a specific date or within a certain period of time. The price is agreed in the option and may be exercised at the discretion of the buyer. The instrument used to establish the price is the reference or underlying value.

The premium is the price the holder pays to the issuer for the option rights.

The holder of a call option has the right, but not the obligation, to purchase from the issuer a certain financial asset or underlying instrument at a fixed price (transaction price) within a certain term.

The holder of a put option has the right, but not the obligation, to sell a certain financial asset or underlying instrument at a fixed price (transaction price) within a certain term.

The Financial Group records the option premium as an asset or liability at the transaction date. The fluctuations resulting from market valuation of the option's premium are recorded by affecting the income statement in the account "Trading results" and the corresponding balance sheet account.

Swaps

These are two-party contracts through which a bilateral obligation is established to exchange a series of cash flows for a certain period of time on pre-set dates at a nominal or reference value.

They are recorded at fair value which corresponds to the net amount between the asset and liability portion for the rights and obligations agreed upon; they are subsequently valued at fair value using the present value of the future flows to receive or grant according to the projections for future implicit applicable rates, discounting the market rate on the valuation date with yield curves given by the price provider. The result of such valuation is recorded in the year's results.

Management's risk policies regarding hedging contracts to protect the Financial Group's balance sheet is to anticipate interest and exchange rate fluctuations, thereby protecting the Shareholders' Equity.

For hedging derivatives, the Financial Group applies in all cases the cash flow hedging method and the accumulated compensation method to measure effectiveness. Both methods are approved by current accounting standards. In case ineffective hedges are detected, they are recorded in the year's results.

The Financial Group documents hedging transactions from the moment that the derivative instruments are designated as hedging transactions. A file for each transaction is created in order to have documented proof as per Circular B-5 paragraph 71, which establishes conditions for the use of hedge accounting.

Accordingly, the Financial Group documents its hedging transactions based on the following guidelines:

- A cash flow hedging transaction is recorded as follows:

    a. The effective portion of the hedging instrument's gain or loss is recorded as a component of other comprehensive income in stockholders' equity using as an asset or liability account called "derivatives financial instruments" with an offsetting account in the liquid assets or liabilities. The portion determined as ineffective is measured through retrospective test, and when they result in over-hedging, they are immediately recognized in current earnings.

    b. The effective hedge component recognized in stockholders' equity associated with the hedged item is adjusted to equal the lower (in absolute terms) of these items:
        I. The accumulated gain or loss of the hedging instrument from its inception.
        II. The accumulated change in the fair value (present value) of the hedged item's expected future cash flows from the beginning of the transaction.

Valuation method

Since the derivatives used by the Financial Group are considered as conventional ("plain vanilla"), the standard valuation models contained in the derivatives transaction systems and the Financial Group's risk management is used.

All of the valuation methods that the Financial Group uses result in the fair value of the transactions and are periodically adjusted. Furthermore, they are audited by internal and external auditors, as well as by the financial authorities.

Valuation of the positions is done on a daily basis, and a price provider generates the input used by the transaction and risk management systems. The price provider generates these valuations based on daily market conditions.

The valuation methods are based on the market's accepted and commonly used principles. At present, derivatives are valued by the cash flow present value method, except in the case of options. This method consists of estimating future derivative flows, using the difference between the derivative's fixed level and the forward market curves on the valuation date, and then discounting such flows and updating them to the present value. Options are valued under the Black and Scholes method, which in addition to the present value, involves the volatility and probability of occurrence for calculating the premium. Once the option's market value is obtained, it is compared to the original premium accrued on the valuation date.

Operation strategies

Trading
The Financial Group participates in the derivatives market with trading purposes, and the risk exposures generated are computed within its overall VaR limit.

The trading strategy is submitted on a weekly basis to the Financial Group's Treasury Committee, which analyzes the current risks and makes any necessary decisions.

The trading strategy is carried out according to market levels and expectations, maximizing the circumstances to obtain a benefit by trading, margin and volatility. Each trading strategy is submitted to the Treasury Committee on a weekly basis for its consideration. The Committee analyzes the risks and then decides accordingly.

Hedging
The hedging strategy is determined annually and when market conditions require it. Hedging strategies are submitted to the Risk Policies' Committee.

Hedging transactions comply with the applicable norm set forth in Circular B-5 of the CNBV. This implies, among other things, that the hedge's effectiveness must be evaluated both prior to its arrangement (prospective) and thereafter (retrospective). These tests are performed on a monthly basis.

The hedging strategy is determined annually and each time the market conditions require. Hedges are used to reduce foreign exchange risks, through both exchange rate forwards and currency swaps, as well as interest rates by means of interest rate swaps. This is done with the purpose of setting the rates paid in debt issued by the Financial Group, thereby insuring its payment, and to make investments that generate greater value for the customers. The main strategy is to insure the Financial Groups' future income and expenses, maximizing the benefits.

Hedging derivatives can be restated whole or partially due to hedging inefficiencies, maturity or sale of primary position.

Contingencies

To enter the derivatives market, the Financial Group is bound by an agreement to deliver its financial information in a timely manner and to abide by the applicable laws, regulations and provisions, as well as to give written notice to the affected parties in an event that could be considered as early termination, which could lead to a credit contingency. These include the following: bankruptcy filing, payment suspension, restructuring, intervention, liquidation, dissolution or other similar judicial or extra-judicial proceedings that affect the Financial Group; if the statements stipulated in the contract are incorrect; the Financial Group's failure to fulfill its obligations and/or payments; breach of contract; the Financial Group's consolidates or merges with another entity thereby transferring a substantial portion of its assets; failure to provide the guarantees that were agreed in the event of noncompliance with obligations or if such guarantees are expired or diminished in value; the Financial Group's falls into insolvency, lower credit quality or illegality due to changes in the tax or legal legislation; the existence of a ruling, proceeding or embargo against the Financial Group that could substantially affect its ability to fulfill its obligations in a timely manner; or general noncompliance with obligations. Each ground for early termination is subject to the counter-party's consideration to determine its importance and significance regarding the Financial Group's ability to comply.

At present no such contingency situations have arisen.

Embedded derivatives

Embedded derivatives are those contract components that do not intend to explicitly originate a derivative financial instrument but rather that the implicit risks generated or hedged by those components differ in their economic and risk features from those of the contract, and therefore display behavior and features similar to those of a common derivative.

Identified embedded derivatives are separated from the host contract for valuation purposes and are treated as a derivative when they meet the features set forth in Circular B-5 paragraph 22. The main embedded derivatives recognized by the Financial Group are from service and leasing contracts established in US dollars.

Loan portfolio

The loan portfolio represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest minus interest collected in advance. The allowance for loan losses from credit risks is presented as a reduction of the loan portfolio.

The unpaid loan balance is classified in the past-due portfolio as follows:

- Loans with bullet payment of principal and interest at maturity: 30 calendar days after being overdue.

- Loans involving a single principal payment at maturity, but with periodic interest payments: total principal and interest payments 30 and 90 calendar days after being overdue, respectively.

- Loans for which the payment of principal and interest is agreed based on partial periodic payments: 90 calendar days after the first payment is due.

- In the case of revolving loans, whenever payment is outstanding for two billing periods or when they are 60 or more days overdue.

- Overdrawn customer checking accounts are considered as part of the past-due portfolio when such situations arise.

Interest is recognized and accrued as income when earned. The accrual of interest income is suspended when loans are transferred to the past-due portfolio.

The fees charged for the initial granting of loans will be recorded as a deferred credit, which will be amortized as interest income, using the straight-line method over the loan's contractual term, except those originating from revolving loans, which are amortized over a 12-month period.

Annual credit card fees whether the first annual charge of a renewal, are recorded as a deferred credit and amortized over a 12-month period against the year's results in the commission and fee income line item.

The costs and expenses associated with the initial granting of a loan are stated as a deferred charge, which is amortized against the year's earnings as interest expense for the duration of the loan, except those originating from revolving loans and credit cards which are amortized over a 12-month period.

Restructured past-due loans are not considered in the performing portfolio until evidence of sustained payment is obtained; this occurs when credit institutions receive three timely consecutive payments, or a payment is received for periods exceeding 60 days.

Renewed loans in which the borrower has not paid on time or when the accrued interest balance equals at least 25% of the original loan amount are considered past-due until evidence of sustained payment is obtained.

Accrued interest during the period in which the loan was included in the past-due portfolio is recognized as income when collected.

The recognition of interest income is renewed when the portfolio is no longer considered past-due, which occurs when the outstanding balances, including the principal, interest and any other item, are paid in full.

Restructured loans are those whose terms have been modified due to the borrowers' financial difficulties, and it was decided to grant them a concession. Such modifications may include: reductions in the interest rate, debt forgiveness or term extensions.

The Financial Group regularly evaluates whether a past-due loan should remain in the balance sheet or be written off. Such write-offs are done by canceling the outstanding loan balance against the allowance for loan losses. The Financial Group may opt to eliminate from its assets those past-due loans that are 100% provisioned according to the following parameters:

Commercial loans – Must be classified in past-due loans, with an E risk rating, 100% reserved and unsecured by any fund.

Consumer loans – 180 days or more overdue.

Mortgage loans – 270 days or more overdue.

Allowance for loan losses

Application of new portfolio classification provisions
The loan portfolio is rated according to the rules issued by the Commission and the internal methodology authorized by such Commission.

In the case of consumer and mortgage loans, the Financial Group applies the general provisions applicable to credit institutions in rating the loan portfolio as issued by the Commission on October 25, 2010 and December 2, 2005, respectively. The Financial Group uses the internal methodology authorized by the Commission for rating commercial loans.

Such provisions also establish general methodologies for the rating and calculation of allowances for each type of loan, while also allowing credit institutions to classify and calculate allowances based on internal methodologies, when previously approved by the Commission.

Since June 2001, the Financial Group has the Commission's approval to apply its own methodology to commercial loans, called Internal Risk Classification (CIR Banorte). CIR Banorte applies to commercial loans with outstanding balances equal to or greater than 4 million UDIS or its equivalent in Mexican pesos. This methodology is explained below.

The commercial loan portfolio rating procedure requires credit institutions to apply the established methodology (general or internal) based on quarterly information for the periods ending in March, June, September and December of each year, while also recording the allowances determined at the close of each period in their financial statements. Furthermore, during the months following each quarterly close, financial institutions must apply to any loan the respective rating used at the close of the immediately preceding quarter, based on the outstanding balance on the last day of the aforementioned months. The allowances for loan risks that have exceeded the amount required to rate the loan will be cancelled on the date of the following quarterly rating against the period's results. Additionally, recoveries on previously written-off loan portfolio are recorded in the period's results.

Derived from the acquisition of INB Financial Corp. (INB) in 2006, the Financial Group applied the loan rating methodologies established by the Commission to INB's loans, homologating the risk degrees and adjusting the allowance for loan losses derived from applying such methodologies.

On November 30, 2010, the Commission issued Document 121-4/5486/2010, which renews for a two-year period, as of December 1, 2010, the authorization for such internal loan rating methodology.

Commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos are rated based on the following criteria:

- Debtor's credit quality
- The loans in relation to the value of the guarantees or the value of the assets in trusts or in "structured" programs, as applicable.

The commercial loan segment includes loans granted to business groups and corporations, state and municipal governments and their decentralized agencies, as well as financing to companies of the financial services sector.

The Financial Group applied the internal risk classification methodology, CIR Banorte, authorized by the Commission to rate the debtor, except in financing granted to state and municipal governments and their decentralized agencies, loans intended for investment projects with their own source of payment and financing granted to trustees that act under trusts and "structured" loan programs in which the affected assets allow for an individual risk evaluation associated with the type of loan, for which the Financial Group applied the procedure established by the Commission.

When evaluating a debtor's credit quality with the CIR Banorte method, the following risks and payment experiences are classified specifically and independently:

Risk criteria	Risk factors
1. Financial risk	1. Financial structure and payment capacity
	2. Financing sources
	3. Management and decision-making
	4. Quality and timeliness of financial information
2. Industry risk	5. Positioning and market in which debtor participates
	- Target markets
	- Risk acceptance criteria
3. Borrower's experience	6. Borrower's experience
4. Country risk	7. Country risk

Each of the risk factors is analyzed using descriptive evaluation tables, the result of which indicates the borrower's rating. This, in turn, is standardized with the risk degrees established by the Commission.

CIR Banorte	Risk level description	Commission classification equivalent
1	Substantially risk free	A1
2	Below minimal risk	A2
3	Minimum risk	A2
4	Low risk	B1
5	Moderate risk	B2
6	Average risk	B3
7	Risk requiring management attention	C1
8	Potential partial loss	C2
9	High loss percentage	D
10	Total loss	E

For commercial loans under 4 million UDIS or its equivalent in Mexican pesos, loans under 900 thousand UDIS to state and municipal governments and their decentralized agencies, mortgage loans and consumer loans, the Financial Group applied the general provisions applicable to credit institutions for classifying the loan portfolio as issued by the Commission.

Acquired loan portfolios

This balance is represented by the acquisition cost of the various loan asset packages acquired by the Financial Group, which are subsequently valued by applying one of the three following methods:

Cost Recovery Method - Payments received are applied against the acquisition cost of the loan portfolio until the balance equals zero. Recoveries in excess of the acquisition cost are recognized in current earnings.

Interest method - The result of multiplying the acquired portfolio's outstanding balance by the estimated yield is recorded in current earnings. Differences between the Financial Group's collection estimates and actual collections are reflected prospectively in the estimated yield.

Cash basis method - The amount resulting from multiplying the estimated yield times the amount actually collected is recorded in the income statement, provided it is not greater than the amount obtained by the interest method. The difference between the recorded amount and the amount collected reduces the outstanding portfolio balance, once the entire initial investment has been amortized. Any subsequent recovery will be recorded in the income statement.

For the portfolios valued using the interest method, the Financial Group evaluates them twice a year to verify if the cash flow estimate of its collection rights is consistent with actual recoveries and therefore considered to be effective. The Financial Group uses the cost recovery method on those collection rights in which the expected cash flow estimate is not highly effective. The expected cash flow estimate is considered as "highly effective" if the result of dividing the sum of the flows actually collected by the sum of the expected cash flows is between 0.8 and 1.25 when such effectiveness is evaluated.

Securitizations involving transfer of ownership

Through securitization transactions involving the transfer of ownership in mortgage and government loans, the Financial Group transfers those financial assets to a trust so that it publicly issues securities through an intermediary. The securities represent the right to the yield on the securitized portfolio and, as compensation the Financial Group receives cash and a receipt, which grants it the right over the trust's cash flow remnants after paying the holders for their certificates. This receipt is recorded at its fair value under "Receivables generated by securitizations"

The Financial Group provides management services for the transferred financial assets and records the revenue in the period's earning when accrued. These revenues are stated under "Other income."

The valuation of the benefits to be received from securitization operations is recorded in the income statement under other income or other expenses, as applicable.

Other accounts receivable and payable

The Financial Group performs a study to quantify the different future events that could affect the amount in accounts receivable over 90 days and thus determine the percentage of non-recoverability in order to calculate its allowance for doubtful accounts. The remaining balance of accounts receivable is reserved at 90 calendar days from the initial recognition.

The balances of asset and liability settlement accounts represent transactions involving the sale and purchase of currency and securities, which are recorded when entered into and are settled within 48 hours.

Merchandise Inventory

This is comprised mainly of finished goods and prior to 2008 was restated to the lower of replacement cost or market. Cost of sales, included in "Other expenses", is restated using the replacement cost at the time of the sale prior to 2008.

Impairment of the value of long-lived assets and their disposal

The Financial Group has established guidelines to identify and, if applicable, record losses derived from the impairment or decrease in value of long-lived tangible or intangible assets, including goodwill.

Foreclosed assets, net

Foreclosed property or property received as payments in kind are recorded at the lower of their cost or fair value minus the strictly necessary costs and expenses disbursed in the foreclosure. Cost is determined as the forced-sale value established by the judge upon foreclosure or, in the case of payments in kind, the price agreed between the parties involved.

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net of estimates, is higher than that of the foreclosed property, the difference is recorded in the period's results under "Other Revenues."

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net of estimates, is lower than that of the foreclosed property, its value is adjusted to the asset's net value.

The carrying value is only modified when there is evidence that the fair value is lower than the recorded carrying value. Reductions in the carrying value of the loan are recorded in the current earnings as they occur.

The provisions applicable to the new valuation methodology for the allowance for loan losses mentioned above define the valuation methodology for reserves related to either foreclosed property or those assets received as payment in kind, establishing that additional quarterly provisions must be created to recognize the potential decrease in value over time of property awarded under legal proceedings, out-of-court or received as payment in kind and the investments in securities received as foreclosed goods or payment in kind, based on the following guidelines:

I. In the case of collection rights and real property, the provisions referenced in the preceding paragraph must be treated as follows:

Personal property reserves	
Time elapsed as of award date or receipt as payment in kind (months)	**Reserve percentage**
Up to 6	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the value of collection rights or foreclosed property, received as payment in kind or awarded in a court proceeding.

II. Investments in securities must be valued in accordance with the provisions of the Commission's accounting Circular B-2, using annual audited financial statements and monthly financial information of the issuer.

Following the valuation of foreclosed assets or those received as payment in kind, the reserves resulting from applying the percentages established in the table of Section I above to the estimated value, must be created.

III. In the case of real property, provisions must be created as follows:

Real property reserves	
Time elapsed as of award date or receipt as payment in kind (months)	**Reserve percentage**
Up to 12	0%
More than 12 and up to 24	10%
More than 24 and up to 30	15%
More than 30 and up to 36	25%
More than 36 and up to 42	30%
More than 42 and up to 48	35%
More than 48 and up to 54	40%
More than 54 and up to 60	50%
More than 60	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the awarded value of the property based on the accounting criteria. Furthermore, when problems are identified regarding the realization of the value of the foreclosed property, the Financial Group records additional reserves based on management's best estimates. On December 31, 2010, there are no reserves in addition to those created by the percentage applied based on the accounting criteria that could indicate realization problems with the values of the foreclosed properties.

If appraisals subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of the collection rights, securities, personal or real property, the reserve percentages contained in the preceding table can be applied to the adjusted value.

Property, furniture and equipment

Property, furniture and equipment are recorded at acquisition cost. The balances of acquisitions made until December 31, 2007, were restated using factors derived from the value of the UDI of that date.

Depreciation is calculated using the straight-line method based on the useful lives of the assets as estimated by independent appraisers.

Permanent stock investments

The Financial Group recognizes its investments in associated companies where it has control or significant influence using the equity method, based on the book values shown in the most recent financial statements of such entities.

Income Taxes (ISR), Business Flat Tax (IETU) and Employee Statutory Profit-Sharing (PTU)

The provisions for ISR, IETU and PTU are recorded in the results of the year in which they are incurred. Deferred taxes are recognized if, based on financial projections, the Financial Group expects to incur ISR or IETU, and records the deferred tax it will pay. The Financial Group will record deferred ISR or IETU, corresponding to the tax it will pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. The deferred tax assets are recorded only when there is a high probability of recovery.

The net effect of the aforementioned items is presented in the consolidated balance sheets under the "Deferred taxes, net" line.

Intangible assets

Intangible assets are recognized in the consolidated balance sheets provided they are identifiable and generate future economic benefits that are controlled by the Financial Group. The amortizable amount of the intangible asset is assigned on a systematic basis during its estimated useful life. Intangible assets with indefinite lives are not amortized, and their value is subject to annual impairment tests.

Goodwill

The Financial Group records goodwill when the total fair value of the acquisition cost and the noncontrolling interest is greater than the fair value of the net assets of the acquired business, pursuant to NIF B-7 “Business acquisitions.” As goodwill is considered an intangible asset with an indefinite life, it is subject to impairment tests at least annually according to NIF C-15 “Impairment in the value of long-lasting assets and their disposal.” No indicators of impairment of goodwill have been identified as of December 31, 2010 and 2009.

Deposits

Liabilities derived from deposits, including promissory notes settled at maturity, are recorded at their funding or placement cost plus accrued interest, determined according to the number of days elapsed at each monthly close, which are charged against results when accrued as an interest expense.

Interbank and other loans

These loans are recorded based on the contractual value, recognizing the interest in the year’s earnings as accrued. The Financial Group records in this item the direct loans obtained from domestic and foreign banks, loans obtained through bids with Banco de Mexico and development fund financing. Furthermore, this includes discounted loan portfolios from funds provided by banks specializing in financing economic, productive or development activities.

Provisions

Provisions are recognized when the Financial Group has a current obligation that results from a past event and are likely to result in the use of economic resources and can be reasonably estimated.

Employee retirement obligations

According to Mexican Federal Labor Law, the Financial Group has obligations derived from severance payments and seniority premiums payable to employees that cease to render their services under certain circumstances.

Defined benefits plan

The Financial Group records a liability for seniority premiums, pensions and post-retirement medical services as incurred based on calculations by independent actuaries using the projected unit credit method, using nominal interest rates. Accordingly, this recognizes the liability whose present value will cover the obligation from benefits projected to the estimated retirement date of the Company's overall employees, as well as the obligation related to retired personnel.

The balance at the beginning of each period of actuarial gains and losses derived from pension plans exceeding 10% of the greater amount between the defined benefits obligation and plan assets are amortized in future periods against current results, in the case of pension plan, medical service and seniority premiums to retirement.

In the case of seniority premiums related to termination and remuneration at the end of the employment relation, earnings or losses are recognized immediately in the period that are generated, as specified by the NIF D-3 "Employee benefits".

The Financial Group applies the provision of NIF D-3 related to the recognition of the liability for severance payments for reasons other than restructuring, which is recorded using the projected unit credit method based on calculations by independent actuaries.

Defined contribution plan

As of January 2001, the Financial Group provided a defined contribution pension plan. The participating employees are those hired as of this date as well as those hired prior to such date that enrolled voluntarily. The pension plan is invested in a fund.

The employees who were hired prior to January 1, 2001 and decided to enroll voluntarily in the defined contribution pension plan received a contribution from the Financial Group for prior services equivalent to the actuarial benefit accrued in their previous defined benefit plan that was cancelled. The initial contribution was made from the plan assets that had been established for the original defined benefit plan and participants were immediately assigned 50% of such amount with the remaining 50% to be assigned over 10 years.

The initial payment to the defined contribution plan for past services was financed with funds established originally for the defined benefit plan as a result of the early termination of its obligations and recognized in accordance with the requirements of NIF D-3.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan's participants.

Foreign currency conversion

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate at the close of each period. The exchange rate used to establish Mexican peso equivalence is the FIX exchange rate published by Banco de México. Foreign exchange fluctuations are recorded in the results of operations.

Interest from outstanding subordinated debentures

Accrued interest from outstanding subordinated debentures is recognized as it is accrued and translated according to the exchange rate in effect at each monthly close.

Transfer of financial assets

The Financial Group may act as the assignor o assignee, as applicable, in this type of transactions. Moreover the Financial Group evaluates whether or not to retain the risks and benefits associated with the asset property to determine whether or not there was a transfer of property in a transaction. In transactions involving the transfer of ownership in financial assets, the assignor yields control and substantially transfers all the risks and benefits over such assets. Therefore, the assignor derecognizes such assets and records the consideration received in the transaction. Conversely, the assignee recognizes such financial assets and the transfer consideration in its accounting records.

Share-based payments

The Financial Group grants stock options to key officers through different payment schemes based on stocks. The Financial Group has established trusts to manage the plans and contributes the necessary funds so that shares can be purchased directly from the market at the initiation of each plan.

The Financial Group records its stock option plans according to the guidelines of NIF D-8, "Share-based payments." The compensation expense is recorded at fair value as of the date the stock options are granted. The NIF D-8 guidelines stipulate that the fair value determined at the beginning is not revalued at a later date.

The fair value of each share is estimated as of the date granted using the Black-Scholes option pricing model or the forwards valuation model, depending on the plans' features.

Main subsidiaries' income recognition

Banorte Casa de Bolsa

Permanent stock investments – represented mainly by stockholders' equity shares of the distributing Investment Companies. Permanent stock investments are originally recorded at their acquisition cost and restated up to December 31, 2007, based on the factor derived from the UDI or the equity method, as applicable, based on the last available financial statements, and if necessary, losses in value are recorded based on the information provided by the affiliated companies' management. Regarding the mutual funds managed by the Operating Company, the valuation increase is from comparing the original value to the book value one day prior to the close of the period. The valuation effect at book value is recorded in the statement of income under "Share in subsidiaries and affiliates' income".

Recognition of income from services, financial advisory and securities purchase-sales – the fees and rates generated by customer securities' operations are recorded as performed.

Income from financial advisory is recorded when accrued as per the contract.

Securities purchase-sales results are recorded when performed.

Income and expenses are recorded as generated or accrued as per the relative contracts.

Share dividends are recorded at zero value in investments: therefore they only affect the results when the shares are sold.

Arrendadora y Factor Banorte

Credit from finance leasing operations, net – finance leasing operations are recorded as direct financing, wherein the account receivable is the total amount of the settled rents, and potential profit is the difference between such amount and the cost of the leased properties. Net financed capital is recorded on the general balance sheet, deducting the total of rents from the potential profit.

Loans from operating leasing operations – represent company assets given to a third party for the latter's temporary use and enjoyment for a given term equal to or over six months. The operating leasing contract rents are recorded as income as accrued.

Loans from factoring operations, net – funded or non-funded factoring is recorded as follows:

- Ceded portfolio – the amount is recorded in loan portfolios, minus the difference between loans and the financed amount.

- Profit from acquired documents (interest) - calculated in advance, per completed month and upon maturity, recorded in factoring, and both are applied to results as accrued.

Recognition of income – interest from leasing and financial factoring is recognized as income as accrued; however the accumulation of interest is suspended whenever the uncollected interest and/or total loan is transferred to past-due loans. Accrued, normal and past-due interest during the period the loan is considered past-due is recognized as income as collected.

Profit to realize from financial leasing is recognized as income as accrued. The final value of the good in financial leasing is recognized as income when purchased.

The fees for credit opening in leasing and factoring operations are recognized as income as accrued.

Afore Banorte-Generali

Recognition of income - the administration fees are recognized as income as accrued.

The Pension Fund can only collect fees from workers charged to their individual accounts and the contributions received. Such fee is determined by the balance of received contributions. It may be a percentage of such concepts, a fixed fee or a combination of both, and can only be made when the worker's contributions are effectively invested in the Siefores that the Pension Fund manages and the necessary daily provisions have been recorded in the Siefores accounting.

The profit or loss generated from selling investments in Siefores shares is recorded in the income statement as realized.

Seguros Banorte-Generali

Income from premiums – Recognized as follows:

a. The income for group and collective life insurance premiums is recorded in income as the partial payment receipt is issued, deducting the premiums ceded in reinsurance.

b. Income from premiums for accidents, illness and damage is recorded in terms of the policies contracted in the year, even though their term is for over one year, deducting the premiums ceded in reinsurance.

c. Income from rights and surcharges on policies with segmented payments is recorded in income as collected and the uncollected portion is recorded in deferred loans.

5 - MAIN DIFFERENCES WITH MEXICAN FINANCIAL REPORTING STANDARDS (MFRS)

The consolidated financial statements have been prepared in conformity with the accounting practices prescribed by the Commission, which, in the following instances, differ from MFRS commonly applied in the preparation of financial statements for other types of unregulated entities:

- The consolidated financial statements do not include the insurance and annuities sector subsidiaries. MFRS require that all controlled subsidiaries be consolidated, regardless of the sector to which they belong.

- The costs associated with credit originations until April 2009 were recorded in the income statement as incurred. According to the MFRS, the costs should be identified with the income they generate in the same period regardless of the date they are incurred.

- Sundry debtors not collected within the contract term, under 60 days in the case of unidentified debtors, and 90 calendar days in the case of identified debtors, other than collection rights, items associated with the loan portfolio and loans to employees are fully reserved with the effects recognized in current earnings, regardless of whether the Financial Group may recover them as established by MFRS.

- The accounts for contributions or managed margin (delivered and received) related with financial derivatives listed in liquid markets (stock exchanges) or traded over the counter are presented under the heading of ”Margin Securities” instead of presenting them under the heading of “Derivative financial instruments”, as established by MFRS.

- When loans are classified as past-due, interest is not recorded, and the related accrued interest is reflected in memorandum accounts. When such interest is collected, it is recognized directly in the period’s results. MFRS require recording the accrued interest and recognizing the corresponding reserve.

- Only trading securities may be transferred to another category with the Commission’s express authorization. MFRS allow transfers if the financial instrument is in a non-liquid market and certain requirements are met.

- The new accounting standards associated with the consolidation of special purpose entities and securitization transactions in effect as of January 1, 2009, as well as the recognition and cancellation of financial assets in effect as of October 14, 2008, are applied prospectively, and the effects of previous operations are not modified as required by MFRS.

- In 2009, the cumulative effect of applying the consumer loan rating methodology for credit card operations was charged to retained earnings from prior years with the Commission’s expressed authorization. MFRS require that they be charged in the period’s result.

6 – CASH AND CASH EQUIVALENTS

As of December 31, 2010 and 2009, this line item was composed as follows:

	2010	2009
Cash	Ps. 12,308	Ps. 9,415
Banks	46,113	45,949
Other deposits and available funds	4,076	3,904
	Ps. 62,497	**Ps. 59,268**

On December 31, 2010, “Other deposits and available funds” include Ps. 857 for funds due to be received in 24 and 48 hours, and Ps. 36 in gold and silver coins. In 2009, it included Ps. 1,598 for funds due to be received in 24 and 48 hours, and Ps. 35 in gold and silver coins.

The exchange rate used for the conversion of gold and silver coins (Centenarios and Troy ounces, respectively) was Ps. 17,872.67 and Ps. 399.63, per unit, respectively, in 2010 and Ps. 14,627.95 and Ps. 239.89, per unit, respectively, in 2009.

"Banks" is represented by cash in Mexican pesos and US dollars converted at the exchange rate issued by Banco de México of Ps. 12.3496 and Ps. 13.0659 as of December 31, 2010 and 2009, respectively and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2010	2009	2010	2009	2010	2009
Call money	Ps. 3,000	Ps. 2,447	Ps. 3,458	Ps. 653	Ps. 6,458	Ps. 3,100
Deposits with foreign credit institutions	-	-	12,368	15,928	12,368	15,928
Domestic banks	834	370	-	-	834	370
Banco de México	26,345	26,510	108	41	26,453	26,551
	Ps. 30,179	**Ps. 29,327**	**Ps. 15,934**	**Ps. 16,622**	**Ps. 46,113**	**Ps. 45,949**

As of December 31, 2010 and 2009, the Financial Group had made monetary regulation deposits of Ps. 26,345 and Ps. 26,342, respectively.

As of December 31, 2010 and 2009, the total sum of restricted cash and cash equivalents is Ps. 36,819 and Ps. 33,289, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending settlement in 24 and 48 hours.

The interbank loans are documented and accrued at an average rate of return of 0.182% and 0.167% in USD and 4.5% and 4.5% in pesos, as of December 31, 2010 and 2009, respectively.

7 - INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2010 and 2009, trading securities are as follows:

	2010				2009
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
CETES	Ps. 2,544	Ps. -	(Ps. 1)	Ps. 2,543	Ps. 926
Bonds	532	25	1	558	520
Development Bonds	3,241	4	3	3,248	3,136
Savings protection bonds (BPAS)	39,000	194	33	39,227	9,494
Bank securities	17,218	12	5	17,235	9,994
UMS	54	1	(2)	53	-
Securitization certificates	3,114	14	43	3,171	260
Treasury notes	23	-	-	23	65
Other securities	61	1	-	62	-
Investment funds	61	-	-	61	64
	Ps. 65,848	**Ps. 251**	**Ps. 82**	**Ps. 66,181**	**Ps. 24,459**

During 2010 and 2009, the Financial Group recognized a profit (loss) of Ps. 46 and (Ps. 17), respectively, under “Brokerage revenues” for the fair value valuation of these instruments.

As of December 31, 2010 and 2009, there are Ps. 58,154 and Ps. 19,310, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2010, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
CETES	Ps. 2,544	Ps. -	Ps. -	Ps. -	Ps. 2,544
Bonds	532	-	-	-	532
Development Bonds	1,070	2,171	-	-	3,241
Savings protection bonds (BPAS)	2,463	35,595	942	-	39,000
Bank securities	13,440	3,778	-	-	17,218
UMS	-	-	54	-	54
Securitization certificates	44	2,870	-	200	3,114
Treasury notes	-	-	23	-	23
Other securities	2	-	27	32	61
Investment funds	-	-	-	61	61
	Ps. 20,095	**Ps. 44,414**	**Ps. 1,046**	**Ps. 293**	**Ps. 65,848**

b. Available for sale securities

As of December 31, 2010 and 2009, available for sale securities were as follows:

	2010				2009
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government bonds	Ps. 7,769	Ps. 28	Ps. 76	Ps. 7,873	Ps. 6,603
UMS	248	10	-	258	361
Bonds	1,424	10	85	1,519	2,718
MASTER CARD	-	-	-	-	35
BMV Shares	234	-	134	368	219
EUROBONDS	608	15	34	657	941
PEMEX bonds	833	12	25	870	824
Securitization certificates	755	1	(13)	743	-
	Ps. 11,871	**Ps. 76**	**Ps. 341**	**Ps. 12,288**	**Ps. 11,701**

As of December 31, 2010 and 2009 there are Ps. 2,674 and Ps. 2,489, respectively, in restricted trading securities.

As of December 31, 2010, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
US Gov. Bonds	Ps. -	Ps. -	Ps. 7,769	Ps. -	Ps. 7,769
UMS	248	-	-	-	248
Bonds	-	183	1,241	-	1,424
BMV Shares	-	-	-	234	234
EUROBONDS	-	364	244	-	608
PEMEX bonds	63	124	603	43	833
Securitization certificates	-	53	702	-	755
	Ps. 311	**Ps. 724**	**Ps. 10,559**	**Ps. 277**	**Ps. 11,871**

c. Held to maturity securities

As of December 31, 2010 and 2009, held to maturity securities are as follows:

<u>Medium and long-term debt instruments:</u>

	2010			2009
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 756	Ps. 3	Ps. 759	Ps. 725
Government bonds	578	28	606	631
Development Bonds	33,035	57	33,092	33,127
Saving protection bonds (BPAS)	71,826	377	72,203	103,759
UMS	2,277	61	2,338	2,470
Bank securities	13,930	91	14,021	26,005
PEMEX bonds	3,207	62	3,269	4,991
Private securitization certificates	13,536	47	13,583	18,582
Other securities	41	1	42	42
	Ps. 139,186	**Ps. 727**	**Ps. 139,913**	**Ps. 190,332**

As of December 31, 2010 and 2009, there are Ps. 125,938 and Ps. 175,369, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2010, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
Government bonds- support program for Special Federal Treasury Certificates	Ps. -	Ps. -	Ps. -	Ps. 756	Ps. 756
Government bonds	578	-	-	-	578
Development Bonds	22,746	10,289	-	-	33,035
Saving protection bonds (BPAS)	32,683	39,143	-	-	71,826
UMS	-	516	1,761	-	2,277
Bank securities	11,554	1,559	-	817	13,930
PEMEX bonds	-	450	2,757	-	3,207
Private securitization certificates	1,205	5,245	1,933	5,153	13,536
Other securities	3	-	11	27	41
	Ps. 68,769	**Ps. 57,202**	**Ps. 6,462**	**Ps. 6,753**	**Ps. 139,186**

Some of the investments in securities are given as collateral in derivative transactions without any restriction. Therefore, the receiver has the right to trade them and offer them as collateral.

d. Collateral

The fair value of the collateral given in derivatives' transactions as of December 31, 2010 and 2009, is as follows:

		2010		
		Fair value in millions		
Type of collateral:	**Instrument category**	**Pesos**	**USD**	**Euros**
Cash	-	Ps. 155	243	-
CETES	Trading	232	-	-
UMS	Held to maturity	-	189	-
PEMEX bonds	Held to maturity	-	238	20
UMS	Available for sale	-	10	-
PEMEX bonds	Available for sale	-	58	-
Bank bonds	Available for sale	-	137	-
		Ps. 387	**875**	**20**

		2009		
		Fair value in millions		
Type of collateral:	**Instrument category**	**Pesos**	**USD**	**Euros**
Cash	-	Ps. 102	164	-
CETES	Trading	120	-	-
UMS	Held to maturity	-	167	-
PEMEX bonds	Held to maturity	-	353	20
UMS	Available for sale	-	13	-
PEMEX bonds	Available for sale	-	56	-
Bank bonds	Available for sale	-	116	-
		Ps. 222	**869**	**20**

As of December 31, 2010 and 2009, the Financial Group had no instruments received as collateral.

As of December 31, 2010 and 2009, interest income from securities was Ps. 11,045 and Ps. 14,458, respectively.

During 2010 and 2009, accrued interest income not collected from impaired instruments was Ps. 2 and Ps. 13, respectively.

The amount recorded for impaired available for sale and held to maturity securities as of December 31, 2010 and 2009 was:

Concept	**2010**	**2009**
Available for sale securities	Ps. 24	Ps. 81
Held to maturity securities	59	59
	Ps. 83	**Ps. 140**

8 - CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS

As of December 31, 2010 and 2009, the creditor balance in repurchase transactions consist of:

<u>Acting as seller of securities</u>

Instrument	2010	2009
CETES	Ps. 2,234	Ps. 697
Development bonds	36,298	36,159
Bonds IPAB	1,855	654
Quarterly IPAB bonds	83,137	86,513
Semi-annual IPAB bonds	26,350	25,587
10-year bonds	1,157	625
20-year bonds	5	491
UDIBONOS	1	1
10-year UDIBONDS	3	3
Government securities	**151,040**	**150,730**
Promissory notes	1,884	5,055
CEDES	3,749	9,035
CEBUR Bank	10,975	7,628
Bank securities	**16,608**	**21,718**
Private paper	7,005	9,114
CEBUR government short term	3,924	2,481
Mortgage certificates	170	212
CEBUR government	-	1,200
Securitization certificates	-	25
Private securities	**11,099**	**13,032**
	Ps. 178,747	**Ps. 185,480**

With the Financial Group acting as the vendor, accrued premiums charged to the results of operations during 2010 and 2009, totaled Ps. 10,913 and Ps. 13,434, respectively.

During 2010, repurchase transactions carried out by the Financial Group in its capacity as vendor ranged in term from 1 to 91 days.

Acting as securities purchaser

Instrument	2010				2009			
	Repurchase agreement from debtors	Received, sold collateral in repurchase	Debit difference	Credit difference	Repurchase agreement from debtors	Received, sold collateral in repurchase	Debit difference	Credit difference
CETES	Ps. -	Ps. -	Ps. -	Ps.	Ps. 400	Ps. 400	Ps. -	Ps. -
Development bonds	50	50	-	-	7,113	7,114	1	2
Quarterly IPAB bonds	158	158	-	-	1	-	1	-
Semi-annual IPAB bonds	1,302	1,301	1	-	390	390	-	-
7-year bonds	-	-	-	-	-	-	-	-
10-year bonds	2,639	2,639	-	-	221	219	2	-
20-year bonds	2,239	2,239	-	-	73	73	-	-
10-year UDIBONDS	-	-	-	-	1,120	1,120	-	-
Government securities	**6,388**	**6,387**	**1**	**-**	**9,318**	**9,316**	**4**	**2**
Promissory notes	964	964	-	-	1,785	1,785	-	-
CEDES	3,453	3,446	7	-	-	-	-	-
Bank acceptances	3,050	3,050	-	-	-	-	-	-
Bank securities	**7,467**	**7,460**	**7**	**-**	**1,785**	**1,785**	**-**	**-**
Private paper	657	86	571	-	-	-	-	-
CEBUR government	1,510	1,517	4	11	-	-	-	-
Private securities	**2,167**	**1,603**	**575**	**11**	**-**	**-**	**-**	**-**
	Ps. 16,022	**Ps. 15,450**	**Ps. 583**	**Ps. 11**	**Ps. 11,103**	**Ps. 11,101**	**Ps. 4**	**Ps. 2**

With the Financial Group acting as the purchaser, accrued premiums charged to the results of operations during 2010 and 2009 totaled Ps. 2,121 and Ps. 2,173, respectively.

During 2010, repurchase transactions carried out by the Financial Group in its capacity as purchaser ranged in term from 1 to 354 days.

By December 31, 2010, the amount of securities corresponding to guarantees granted and received in repurchase transactions that involved the transfer of property totaled Ps. 3 and Ps. 46, respectively, and by December 31, 2009, the totals were Ps. 120 in guarantees granted and Ps. 4 in guarantees received.

9 - DERIVATIVES FINANCIAL INSTRUMENTS

The transactions carried out by the Financial Group involving derivatives correspond mainly to futures, swaps and options contracts. These transactions are done to hedge various risks and for trading purposes.

As of December 31, 2010, the Financial Group has evaluated the effectiveness of derivatives' transactions for hedging purposes and has concluded that they are highly effective.

As of December 31, 2010 and 2009, the Financial Group's derivatives positions held for trading purposes are as follows:

	2010		2009	
Asset position	**Nominal amount**	**Asset position**	**Nominal amount**	**Asset position**
Futures				
CETES-rate futures	Ps. 500	Ps. -	Ps. -	Ps. -
TIIE-rate futures	160,469	-	600	-
Forwards				
Foreign currency forwards	135	72	3,454	313
Options				
Foreign currency options	-	-	283	2
Interest rate options	16,493	257	8,485	126
Swaps				
Interest rate swaps	289,938	6,106	194,317	2,612
Exchange rate swaps	5,328	1,028	7,377	1,771
Total trading	**472,863**	**7,463**	**214,516**	**4,824**
Options				
Interest rate options	15,550	80	24,200	188
Swaps				
Interest rate swaps	28,940	4	27,648	8
Exchange rate swaps	7,496	512	9,996	860
Total hedging	**51,986**	**596**	**61,844**	**1,056**
Total position	**Ps. 524,849**	**Ps. 8,059**	**Ps. 276,360**	**Ps. 5,880**

	2010		2009	
Liability position	**Nominal amount**	**Liability position**	**Nominal amount**	**Liability position**
Futures				
CETES-rate futures	Ps. 500	Ps. -	Ps. -	Ps. -
TIIE-rate futures	160,469	-	600	-
Forwards				
Foreign currency forwards	115	2	2,825	88
Options				
Foreign currency options	60	1	287	2
Interest rate options	30,559	272	9,168	71
Swaps				
Interest rate swaps	289,954	6,106	194,340	2,713
Exchange rate swaps	5,273	857	7,322	1,679
Total trading	**486,930**	**7,238**	**214,542**	**4,553**
Swaps				
Interest rate swaps	28,940	2,043	27,650	980
Exchange rate swaps	3,921	1,456	4,146	2,842
Total hedging	**32,861**	**3,499**	**31,796**	**3,822**
Total position	**Ps. 519,791**	**Ps. 10,737**	**Ps. 246,338**	**Ps. 8,375**

The hedging instruments operated and their main underlying instruments are as follows:

Forwards	**Options**	**Swaps**	**CCS**
Fx-USD	Fx-USD	TIIE 28	TIIE 28
	TIIE 28	TIIE 91	TIIE 91
	TIIE 91	CETES 91	Libor
	Libor	Libor	

The risk management policies and internal control procedures for managing risks inherent to derivatives are described in Note 33.

Transactions carried out for hedging purposes have maturities from 2011 to 2030 and are intended to mitigate the financial risk derived from long-term loans offered by the Financial Group at fixed nominal rates, as well as the exchange rate risk generated by market instruments in the Financial Group's portfolio.

The book value of collateral used to ensure compliance with obligations derived from currency swap contracts as of December 31, 2010 is USD 632,002 thousand and EUR 20,326 thousand, and as of December 31, 2009 it was USD 704,841 thousand and EUR 20,255 thousand. Futures transactions are made through recognized markets, and as of December 31, 2010 they represent 0.10% of the nominal amount of all the derivatives' operations contracts; the remaining 99.90% correspond to option and swap transactions in OTC markets.

As of December 31, 2010 and 2009, the collateral was comprised mainly of cash, CETES, ITS BPAS, PEMEX bonds, UMS bonds and bank bonds restricted under the categories of trading, held to maturity and available for sale securities. The restriction maturity date for this collateral is from 2011 to 2030. Their fair value is shown in Note 7 d).

As of December 31, 2010 and 2009, the Financial Group had no instruments received as collateral in derivatives' transactions.

During 2010 and 2009, the net income on financial assets and liabilities associated with derivatives was Ps. 252 and Ps. 200, respectively.

The net amount of estimated gains or losses to date originated by transactions or events that are recorded in cumulative other comprehensive income in the consolidated financial statements and that are expected to be reclassified to earnings within the next 12 months totals Ps. 48.

As of December 31, 2010 and 2009, the main positions hedged by the Financial Group and the derivatives designated to cover such positions are:

Cash flow hedging

The Financial Group has cash flow hedges as follows:

- Forecast funding using TIIE rate Caps and Swaps.
- Recorded liabilities in Mexican pesos using TIIE rate Swaps.
- Recorded liabilities in foreign currency using Cross Currency Swaps.
- Recorded assets in foreign currency using Cross Currency Swaps.

As of December 31, 2010, there are 27 files related to hedging transactions. Their effectiveness ranges between 85% and 100%, well within the range established by the accounting standards in effect (80% to 125%). Furthermore, there is no overhedging on any of the derivatives, so as of December 31, 2010, there are no ineffective portions that the Financial Group has to record in earnings.

The following are the Financial Group's hedged cash flows as of December 31, 2010 expected to occur and affect earnings:

Concept	**Up to 3 months**	**More than 3 months and up to 1 year**	**More than 1 and up to 5 years**	**More than 5 years**
Forecasted funding	Ps. 254	Ps. 800	Ps. 3,883	Ps. 1,316
Liabilities in Mexican pesos	111	337	983	19
Liabilities denominated in USD	-	3,932	-	-
Assets denominated in USD	360	378	2,510	7,645
Assets denominated in Euros	-	21	373	-
	Ps. 725	**Ps. 5,468**	**Ps. 7,749**	**Ps. 8,980**

As of December 31, 2010 and 2009, Ps. 2,114 and Ps. 1,404, respectively, were recognized in other comprehensive income in stockholders' equity. Furthermore, Ps. 43 and Ps. 127, respectively, were reclassified from stockholders' equity to results.

Trading and hedging derivatives: the loan risk is minimized through means of contractual compensation agreements, in which asset and liability derivatives with the same counterparty are settled for their net balance. Similarly, there may be other types of collateral such as credit lines, depending on the counterparty's solvency and the nature of the transaction.

The following table shows the value of cash flow hedging comprehensive income:

	Valuation of cash flow hedging instruments	**Net change in period**	**Reclassified to income**
Balance, January 1, 2007	(Ps. 58)	Ps.-	Ps. -
Balance, December 31, 2007	(Ps. 308)	(Ps. 250)	Ps. -
Balance, December 31, 2008	(Ps. 1,567)	(Ps. 1,259)	Ps. 18
Balance, December 31, 2009	(Ps. 1,394)	Ps. 173	Ps. 47
Balance, December 31, 2010	(Ps. 2,114)	(Ps. 720)	Ps. 42

10 - LOAN PORTFOLIO

As of December 31, 2010 and 2009, the loan portfolio by loan type is as follows:

	Performing loan portfolio		**Past-due loan portfolio**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 99,851	Ps. 90,189	Ps. 3,765	Ps. 2,325	Ps. 103,616	Ps. 92,514
Rediscounted portfolio	5,377	4,831	-	-	5,377	4,831
Denominated in USD						
Commercial	20,581	21,471	652	838	21,233	22,309
Rediscounted portfolio	674	746	-	-	674	746
Total commercial loans	**126,483**	**117,237**	**4,417**	**3,163**	**130,900**	**120,400**
Loans to financial institutions	5,521	7,131	-	-	5,521	7,131
Consumer loans						
Credit card	11,159	11,801	1,040	1,610	12,199	13,411
Other consumer loans	16,669	13,911	236	332	16,905	14,243
Mortgage loans	56,168	49,881	971	1,049	57,139	50,930
Government loans	47,550	38,993	-	-	47,550	38,993
	137,067	**121,717**	**2,247**	**2,991**	**139,314**	**124,708**
Total loan portfolio	**Ps. 263,550**	**Ps. 238,954**	**Ps. 6,664**	**Ps. 6,154**	**Ps. 270,214**	**Ps. 245,108**

As of December 31, 2010, the deferred balance of fees is Ps. 1,623, and the amount recorded in results was Ps. 654. Furthermore, the deferred balance of costs and expenses associated with the initial loan origination is Ps. 328, and the amount recorded in results was Ps. 386. The average term over which the deferred fee balance and the costs and expenses will be recorded is equivalent to the average term of the portfolio balance.

The average terms of the portfolio's main balances are: a) commercial, 3 years; b) financial institutions, 3.2 years; c) mortgage, 17.7 years; d) government loans, 8.1 years; and e) consumer, 2.5 years.

During the years ended December 31, 2010 and 2009, the balance of written off loans that had been fully reserved as past-due loans was Ps. 5,551 and Ps. 8,278, respectively.

For the years ended December 31, 2010 and 2009, revenues from recoveries of previously written-off loan portfolios were Ps. 1,561 and Ps. 848, respectively.

Customer insurance policies that the Financial Group includes as part of the loan portfolio are car insurance; the rest of the policies are not recorded in the general balance sheet and are collected when the loan amortization is charged to the client. The amount of financed car insurance policies by December 31, 2010 and 2009 is Ps. 23 and Ps. 14, respectively.

The loan portfolio grouped into economic sectors as of December 31, 2010 and 2009, is shown below:

	2010		2009	
	Amount	**Reserve percentage**	**Amount**	**Reserve percentage**
Private (companies and individuals)	Ps. 130,900	48.44%	Ps. 120,400	49.12%
Financial institutions	5,521	2.04%	7,131	2.91%
Credit card and consumer	29,104	10.77%	27,654	11.28%
Mortgage	57,139	21.15%	50,930	20.78%
Government	47,550	17.60%	38,993	15.91%
	Ps. 270,214	**100.%**	**Ps. 245,108**	**100%**

Loan support programs

Special accounting treatment for the Hurricane Alex flood aid program

Given the negative impact of the floods caused by Hurricane Alex, the Financial Group decided to assist in the region's economic recovery; this includes the states of Nuevo León, Coahuila, Tamaulipas, San Luis Potosí and Oaxaca. The support program included the following:

Car, credit card and consumer loan support consisting of:

- Car loans. Deferral of up to three monthly installments or freezing of balances with no interest charged for three months.
- Credit cards. Minimum monthly payment was waived for up to three months, and in some case balances were frozen without interest charges or penalties for such period.
- Personal and payroll loans. Capital and interest payment deferral for up to 3 months.

In that regard, the Commission issued a special accounting standard in document number 100/042/2010 applicable to the Financial Group from July 1 to September 30, 2010, which authorized the Financial Group not to consider as restructured loans the ones which payment of the principal and interest was deferred for three months according to the Plan, as per paragraph 24 of criterion B-6 "Loan portfolio" and to keep them in the current loans during such period. These loans were considered as performing loans to determine the allowance for loan losses.

If such special standards had not been authorized, the Financial Group would have presented the following loan amounts in the December 31, 2010 consolidated balance sheet:

PERFORMING LOAN PORTFOLIO	
Commercial loans	
Business loans	Ps. 126,482
Loans to financial institutions	5,521
Government loans	47,550
Consumer loans	27,825
Mortgage loans	56,168
TOTAL PERFORMING LOAN PORTFOLIO	**263,546**
PAST-DUE LOAN PORTFOLIO	
Commercial loans	
Business loans	4,417
Consumer loans	1,280
Mortgage loans	971
TOTAL PAST-DUE LOAN PORTFOLIO	**6,668**
LOAN PORTFOLIO	
(Minus) Allowance for loan losses	(8,256)
LOAN PORTFOLIO, net	**261,958**
ACQUIRED COLLECTION RIGHTS	**2,025**
TOTAL LOAN PORTFOLIO, net	**Ps. 263,983**

Moreover, the period's net income would have been Ps. 6,693 as a result of the additional Ps. 12 in allowance for loan losses that would have been created if such support had not been provided to the borrowers.

The amount of deferred payments from consumer loans derived from the plans as of December 31, 2010 totals Ps. 6.

Policies and Procedures for Granting Loans

The granting, control and recovery of loans is regulated by the Financial Group's Credit Manual, which has been authorized by the Board of Directors. Accordingly, administrative portfolio control is performed in the following areas:

I. Business Areas (includes corporate, commercial, business, governmental and consumer banking), primarily through the branch network
II. Operations Areas
III. General Comprehensive Risk Management
IV. Recovery Management

Similarly, the Financial Group has manuals establishing the policies and procedures to be utilized for credit risk management purposes.

The structure of the credit management process is based on the following stages:

a) Product design
b) Promotion
c) Evaluation
d) Formalization
e) Operation
f) Administration
g) Recovery

Procedures have also been implemented to ensure that amounts related to the past-due portfolio are timely transferred and recorded in the books and records, and those loans with recovery problems are properly and promptly identified.

Pursuant to the Commission's Circular B-6, "Loan Portfolio", the distressed portfolio is defined as the commercial loans which, based on the current information and facts as well as on the loan revision process, are very unlikely to be fully recovered (both principal and interest) pursuant to the original terms and conditions. The performing and past-due portfolios are susceptible to be identified as a distressed portfolio. The commercial loan rating D and E risk degrees are as follows:

	2010	2009
Performing portfolio	Ps. 2,283	Ps. 1,373
Total rated portfolio	279,798	253,660
Distressed portfolio/total rated portfolio	0.82%	0.54%

The Financial Group's Treasury Department is the central unit responsible for balancing resource requirements and eliminating the interest rate risk derived from fixed rate transactions through the use of hedging and arbitrage strategies.

11 - LOANS RESTRUCTURED IN UDIS

The loans restructured in UDIS correspond to mortgage loans. The balance as of December 31, 2010 and 2009 is detailed below:

	2010	2009
Current portfolio	$Ps. 45	$Ps. 542
Current accrued interest	-	2
Past-due portfolio	1	14
Past-due accrued interest	-	1
	$Ps. 46	**$Ps. 559**

Early termination of mortgage loan borrower support programs

On June 30, 2010 the Federal Government through the SHCP and Banking Institutions signed an agreement for the early termination of the mortgage loan debtors support programs (punto final and UDIS trusts) (the Agreement) consequently as of January 1, 2011 the Financial Group absorbed its part of the early discount granted to mortgage loan debtors participating in the program. As of December 31, 2010, the Financial Group recorded a Ps. 57 reserve to face such obligation.

Below are some of the effects of applying the Agreement that went into effect as of the signing date.

The total amount of Federal Government payment obligations for commercial loans as of December 31, 2010 (Cut-off Date) is Ps. 140, which includes Ps. 138 associated with the conditioned discount portion from loans in Mexican pesos and UDIS; and Ps. 2 associated with the discount applied to those mentioned in number 3.1.2 of Circular 1430. Such amount may vary if there are no indications of sustained payment by March 31, 2011 as per the Agreement.

The Federal Government obligations subject to the Agreement are described below:

	Payment date	Amount
First amortization	December 1, 2011	Ps. 28
Second amortization	June 1, 2012	28
Third amortization	June 1, 2013	28
Fourth amortization	June 1, 2014	28
Fifth amortization	June 1, 2015	28
		Ps. 140

A monthly financial cost is incorporated to each amortization as of the day following the Cut-off Date and up to the close of the month prior to each payment date. The rate for January 2011 is the arithmetic average of the annual rate of return based on the 91-day CETES discount issued in December 2010, and for the subsequent months the 91-day future CETES rate of the previous month as published by Proveedor Integral de Precios, S.A. on the business day after the Cut-off Date, or that of the nearest month contained in said publication, taken on a 28-day return term, then dividing the resulting rate by 360 and multiplying the result by the number of days effectively elapsed during the period it is accrued, capitalized on a monthly basis.

A rollforward of the allowance for loan losses for the loans included in the Agreement is detailed below:

	2010
Initial balance	Ps. 19
Financial Group support	67
Debt forgiveness, discounts and write-offs	14
Reserves reclassification	(9)
Contribution to settle fiduciary liability	1
Final balance	**Ps. 92**

The maximum amount the Financial Group would absorb for loans not susceptible to the Early Termination program and that would be entitled to the discount benefits program is Ps. 14.

Ps. 13 were used to repurchase Special Federal Treasury Certificates (CETES); the remaining balance of Special CETES not repurchased by the Federal Government is Ps. 760 with maturities between 2017 and 2027.

The Financial Group recognized Ps. 330 as an allowance for loan losses and Ps. 56 in deferred taxes as a result of terminating the Trusts.

12 - ALLOWANCE FOR LOAN LOSSES

The Financial Group's portfolio classification, which serves as the basis for recording the allowance for loan losses, is detailed below:

	2010				
		Required allowances for losses			
Risk category	**Loan portfolio**	**Commercial portfolio**	**Consumer portfolio**	**Mortgage portfolio**	**Total**
Exempted portfolio	Ps. 107	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	66,862	-	75	181	256
Risk A1	115,479	576	-	-	576
Risk A2	65,389	621	-	-	621
Risk B	6,711	-	115	168	283
Risk B1	6,824	101	391	-	492
Risk B2	7,628	51	468	-	519
Risk B3	2,684	274	-	-	274
Risk C	1,944	-	628	92	720
Risk C1	968	219	-	-	219
Risk C2	1,190	552	-	-	552
Risk D	1,992	227	873	317	1,417
Risk E	2,240	1,919	326	-	2,245
Unclassified	(220)				
	Ps. 279,798	**Ps. 4,540**	**Ps. 2,876**	**Ps. 758**	**Ps. 8,174**
Less: recorded allowance					**8,245**
Additional allowance					$**Ps. 71**

Risk category	2009				
		Required allowances for losses			
	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempted portfolio	Ps. 56	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	58,169	-	63	159	222
Risk A1	106,990	495	-	-	495
Risk A2	57,118	520	-	-	520
Risk B	6,269	-	102	184	286
Risk B1	5,700	74	266	-	340
Risk B2	8,249	84	509	-	593
Risk B3	2,579	269	-	-	269
Risk C	2,494	-	795	132	927
Risk C1	1,404	301	-	-	301
Risk C2	803	380	-	-	380
Risk D	2,592	245	1,356	264	1,865
Risk E	1,272	1,008	272	-	1,280
Unclassified	(35)	-	-	-	-
	Ps. 253,660	**Ps. 3,376**	**Ps. 3,363**	**Ps. 739**	**Ps. 7,478**
Less: recorded allowance					**7,535**
Additional allowance					$**Ps. 57**

The sum of the rated loan portfolio includes Ps. 6,124 and Ps. 5,114 in loans granted to subsidiaries whose balance was eliminated in the consolidation process as of December 31, 2010 and 2009, respectively.

The total portfolio balance used as the basis for the classification above includes amounts related to credit commitments, which is recorded in memorandum accounts.

The additional allowances comply with the general provisions applicable to credit institution and the notices issued by the Commission to regulate debtor support programs, denominated in UDIS trusts.

As of December 31, 2010 and 2009, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2010 and 2009, the allowance for loan losses includes a reserve for 100% of the delinquent interest owed.

As of December 31, 2010 and 2009, the allowance for loan losses represents 124% and 122%, respectively, of the past-due portfolio.

The estimated allowance includes the classification of loans granted in foreign currency, which are evaluated at the exchange rate in effect as of December 31, 2010 and 2009.

Credit card rating

Changes in the rating methodology for consumer loan portfolio related to credit card transactions

On August 12, 2009 the Commission issued a resolution amending the general regulations applicable to banking institutions, this change modified the methodology for the classification of revolving consumer loans so that the parameters used for estimating loan loss reserves reflect, the expected 12 months losses of credit cards based on the current environment.

As a result of this modification, the Financial Group opted to recognize against the results of previous years the initial cumulative financial effect resulting from the first application of the provisions mentioned under section I of the second transitory article. This condition occurred in September 2009.

The accounting record originated in the Financial Group for this recognition led to a charge of Ps. 1,102 in the account "Retained earnings" within stockholders' equity, against claims by the same amount to the account

"Allowance for loan loss reserves" within the loan portfolio item in the balance sheet. Furthermore, a deferred tax was registered to reflect the change through a charge of Ps. 419in the asset account "Deferred Taxes" in the balance sheet, against a credit in the account "Retained earnings" within stockholders' equity.

If the recognition of the abovementioned effect would have been made against earnings, the items affected and the amounts recorded and presented at both the balance sheet and the income statement of the Financial Group, would have been:

Consolidated Balance Sheet		**Effect**	**How would be presented**
Stockholders' equity			
Retained earnings from prior years	Ps. 20,681	Ps. 683	Ps. 21,364
Net income	5,854	(683)	5,171
Total stockholders' equity	**Ps. 44,974**	**Ps. -**	**Ps. 44,974**
Consolidated Statement of Income			
Provision for loan losses	8,286	1,102	9,388
Net interest income after allowance for loan losses	**14,897**	**(1,102)**	**13,795**
Deferred income taxes, net	(535)	(419)	(954)
Net income	**Ps. 5,854**	**(Ps. 683)**	**Ps. 5,171**

Movements in allowance for loan losses

An analysis of the movements in allowance for loan losses is detailed below:

	2010	**2009**
Balance at the beginning of the year	Ps. 7,535	Ps. 6,690
Increase charged to results	6,841	8,208
Debt forgiveness and write-offs	(6,066)	(8,464)
Valuation in foreign currencies and UDIS	(18)	(19)
Rebates granted to housing debtors	(70)	(46)
Created with profit margin (UDIS Trusts)	34	59
Loan purchase	2	-
Recognized against retained earnings from prior years	-	1,136
Other	(13)	(29)
Year-end balance	**Ps. 8,245**	**Ps. 7,535**

As of December 31, 2010, the net amount of preventive loan loss reserves charged to the consolidated statement of income totals Ps. 6,889 and Ps. 14 charged to “Other revenues”. These amounts charged to results are made up of Ps. 6,841 credited directly to the estimate and Ps. 34 from the UDIS trust. As of December 31, 2009, the net amount of preventive loan loss reserves charged to the consolidated statement of income totals Ps. 8,282 and is comprised of Ps. 8,286 directly credited to the estimate and Ps. 4 charged to “Other revenues”.

13 - ACQUIRED COLLECTION RIGHTS

As of December 31, 2010 and 2009, the acquired collection rights are comprised as follows:

	2010	2009	Valuation Method
Bancomer IV	Ps. 360	Ps. 456	Cash Basis Method
Banamex Mortgage	262	302	Cash Basis Method
Serfin Mortgage	126	160	Cash Basis Method
Bital I	121	171	Cash Basis Method
Bancomer III	111	125	Cash Basis Method
Goldman Sach's	98	145	Cash Basis Method
Banorte Mortgage	158	196	Interest Method
Solida Mortgage	382	473	Cost Recovery Method
Serfin Commercial II	95	105	Cost Recovery Method
Serfin Commercial I	81	92	Cost Recovery Method
Confia I	72	80	Cost Recovery Method
GMAC Banorte	60	66	Cost Recovery Method
Bital II	58	72	Cost Recovery Method
Banorte Sólida Commercial	34	35	Cost Recovery Method
Cartera Segmento II	7	-	Cost Recovery Method
Santander	-	70	Interest Method (Commercial); Cash Basis Method (Mortgage)
	Ps. 2,025	**Ps. 2,548**	

As of December 31, 2010, the Financial Group recognized income from credit asset portfolios of Ps. 595, together with the respective amortization of Ps. 482, the effects of which were recognized under the "Other income" heading in the consolidated statement of income. For the year ended December 31, 2009, the Financial Group recognized income of Ps. 718, together with the respective amortization of Ps. 448.

The Financial Group performs an analysis based on events or information to estimate the amount of expected cash flows to determine the estimated rate of return used in applying the valuation method for the amortization of the receivable. If based on current events information, the analysis demonstrates that the expected future cash flows will decrease to the degree that they will not cover the book value, it will constitute an estimate for non-recoverability or difficult collection against the year's results for the amount that such expected cash flows are lower than the book value of the receivable.

The result of the expected cash flows of the portfolios Serfín Commercial I, GMAC Banorte, Bital II Solida Mortgage, Serfin Commercial II and Cartera Segmento II were not highly effective since the quotient resulting from dividing the flows collected by the sum of expected cash flows was below 0.8. As a result, the Financial Group decided to move these portfolios to the cost recovery method.

Assets other than cash that the Financial Group has received as part of portfolio collection or recovery have been mainly in real property.

The main feature considered for segmenting acquired portfolios has been the type of loan.

14 - OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2010 and 2009, the other accounts receivable balance is as follows:

	2010	2009
Loans to officers and employees	Ps. 1,211	Ps. 1,134
Debtors from liquidation settlement	909	2,706
Real property portfolios	1,864	1,183
Fiduciary rights	4,778	4,104
Sundry debtors in Mexican pesos	1,838	1,182
Sundry debtors in foreign currency	321	928
Other	419	380
	11,340	**11,617**
Allowance for doubtful accounts	(476)	(293)
	Ps. 10,864	**Ps. 11,324**

The real property portfolios include Ps. 301 that corresponds to the collection rights of the INVEX trust that is valued applying the interest method.

Loans to officers and employees mature in 2 to 30 years and accrue interest at a 6% to 10% rate.

15 - FORECLOSED ASSETS, NET

As of December 31, 2010 and 2009, the foreclosed assets balance is as follows:

	2010	2009
Personal property	Ps. 64	Ps. 67
Real property	1,107	1,230
Goods pledged for sale	18	14
	1,189	**1,311**
Allowance for losses on foreclosed assets	(380)	(383)
	Ps. 809	**Ps. 928**

16 - PROPERTY, FURNITURE AND EQUIPMENT, NET

As of December 31, 2010 and 2009, the property, furniture and fixtures balance is as follows:

	2010	2009
Furniture and equipment	Ps. 5,777	Ps. 5,207
Property intended for offices	5,530	5,272
Installation costs	2,888	2,750
	14,195	**13,229**
Less - Accumulated depreciation and amortization	(4,879)	(4,607)
	Ps. 9,316	**Ps. 8,622**

The depreciation recorded in the results of 2010 and 2009 was Ps. 1,121 and Ps. 997, respectively.

The average estimated useful lives of the Financial Group's assets subject to depreciation are listed below:

	Useful Life
Transportation equipment	4 years
Computer equipment	4.7 years
Furniture and fixtures	10 years
Real estate	From 4 to 99 years

17 - PERMANENT STOCK INVESTMENTS

Investment in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	Share %	2010	2009
Seguros Banorte Generali, S. A. de C. V.	51%	Ps. 1,243	Ps. 1,209
Fondo Solida Banorte Generali, S. A. de C. V., SIEFORE	99%	843	719
Pensiones Banorte Generali, S. A. de C. V.	51%	524	518
Banorte Investment funds	Various	129	121
Controladora Prosa, S. A. de C. V.	19.73%	46	49
Servicio Pan Americano de Protección, S. A. de C. V.	8.50%	-	115
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	45.33%	42	72
Fideicomiso Marhnos (Sólida)	100%	156	156
Internacional de Inversiones (Sólida)	5.62%	95	-
Others	Various	52	77
		Ps. 3,130	**Ps. 3,036**

The Financial Group exercises significant influence over its affiliates valued under the equity method through its representation in the board of directors or equivalent management body, as well as through significant intercompany transactions.

18 - DEFERRED TAXES, NET

The tax reported by the Financial Group is calculated based on the current taxable result of the year and enacted tax regulations. However, due to temporary differences between accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of Ps. 1,340 and Ps. 1,411 as of December 31, 2010 and 2009, respectively, as detailed below:

	2010			2009		
	Temporary	Deferred Effect		Temporary	Deferred Effect	
	Differences	ISR	PTU	Differences	ISR	PTU
Temporary Differences _ Assets	$	$	$	$	$	$
Allowance for loan losses	Ps. 339	Ps. 119	Ps. -	Ps. 315	Ps. 110	Ps. -
Tax loss carryforwards of Uniteller and Banorte USA	11	4	-	-	-	-
Tax loss carryforwards	5	2	-	(72)	(25)	-
State tax on deferred assets	10	3	-	6	2	-
Surplus preventive allowances for credit risks over the net tax limit	5,526	1,548	552	4,757	1,332	476
Excess of tax over book value of foreclosed and fixed assets	1,361	374	60	1,132	308	52
PTU	798	239	80	775	232	77
Fees collected in advance	20	6	2	-	-	-
Non-deductible provisions	1,390	417	131	-	-	-
Other assets	46	13	-	1,422	427	135
Total assets	**Ps. 9,506**	**Ps. 2,725**	**Ps. 825**	**Ps. 8,335**	**Ps. 2,386**	**Ps. 740**

	2010			2009		
	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU
Temporary Differences _ Liabilities						
Excess of book over tax value of fixed assets and expected expenses	Ps. 33	Ps. 10	Ps. -	Ps. 16	Ps. 4	Ps. -
Unrealized loss in available-for-sale securities	75	26	-	-	-	-
Unrealized capital gain from special allowance	170	51	-	125	38	-
ISR payable on UDI trusts	22	6	-	145	40	-
Portfolios acquired	2,126	617	110	2,302	655	111
Capitalizable projects expenses	706	211	71	528	159	53
Reversal of sales costs	8	3	-	16	4	-
Contribution to pension fund	2,000	560	200	1,500	420	150
Federal Home Loan Bank dividends	4	1	-	-	-	-
Intangible assets	64	22	-	-	-	-
Other	953	276	46	260	81	-
Total liabilities	**Ps. 6,161**	**Ps. 1,783**	**Ps. 427**	**Ps. 4,892**	**Ps. 1,401**	**Ps. 314**
Net accumulated asset	**Ps. 3,345**	**Ps. 942**	**Ps. 398**	**Ps. 3,443**	**Ps. 985**	**Ps. 426**
Deferred tax, net			**Ps. 1,340**			**Ps. 1,411**

As discussed in Note 27, as of January 1, 2010 and up to December 31, 2012, the applicable income tax rate is 30% and it will be 29% in 2013. Pursuant to the provisions of NIF D-4, “Incomes Taxes”, and INIF 8, “Effects of the Business Flat Tax”, based on financial forecasts, the Financial Group adjusted their balances based on the rates likely to be in effect at the time of their recovery. Additionally, they made forecasts for the IETU and compared it to ISR, and concluded that they will continue to pay ISR. Thus no change was made to the deferred tax calculations.

Banorte USA’s deferred tax assets and liabilities are determined using the liability method. According to this method, the net asset of deferred taxes is determined based on the tax effects of temporary differences between the book and tax base of assets and liabilities. Due to the consolidation of Banorte USA, a net amount of Ps. 38 was added to deferred taxes determined at a rate of 35% as per the tax law of the USA.

19 - OTHER ASSETS

As of December 31, 2010 and 2009, other assets are as follows:

	2010	2009
Plan assets held for employee pension plans and savings fund	Ps. 5,303	Ps. 4,255
Other amortizable expenses	2,343	2,200
Accumulated amortization of other expenses	(188)	(93)
Goodwill	2,950	3,121
	Ps. 10,408	**Ps. 9,483**

As of December 31, 2010, the balance of the investments related to provisions for staff pensions and savings fund, is comprised of Ps. 3,827, which corresponds to the defined benefit pension plan, seniority premiums and medical expenses for retirees, Ps. 1,283 for the voluntary defined contribution plan "secure your future" and Ps. 193 for the savings fund. As of December 31, 2009, this balance is comprised of Ps. 3,115 for the defined benefit pension plan, seniority premiums and medical expenses for retirees and Ps. 1,140 for the voluntary defined contribution plan "secure your future" (see Note 23).

As of December 31, 2010, goodwill was Ps. 2,950 and was comprised of the following: Ps. 28 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,682 for the purchase of INB and Ps. 240 for the purchase of Uniteller. As of December 31, 2009, the goodwill was Ps. 3,121 and was comprised as follows: Ps. 29 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,838 for the purchase of INB; and Ps. 254 for the purchase of Uniteller. As mentioned in Note 4, goodwill is not amortized and is subject to annual impairment tests. No impairment to goodwill value was noted as of December 31, 2010 and 2009.

20 - DEPOSITS

Liquidity Coefficient

The “Investment regime for transactions in foreign currency and conditions to be fulfilled during the term of transactions in such currency”, designed for credit institutions by Banco de México, establishes the mechanism for determining the liquidity coefficient of liabilities denominated in foreign currency.

In accordance with such regime, during 2010 and 2009 the Financial Group generated a liquidity requirement of USD 498,373 thousand and USD 755,917 thousand, respectively, and held investments in liquid assets of USD 1,069,131 thousand and USD 1,230,740 thousand, representing a surplus of USD 570,758 thousand and USD 474,823 thousand, respectively.

Deposits

The liabilities derived from traditional deposits are made up as follows:

	2010	2009
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps. 65,583	Ps. 59,334
Checking accounts in US dollars for individual residents of the Mexican border	637	662
Demand deposits accounts	5,125	4,142
Checking accounts earning interest:		
Other bank checking deposit	34,178	35,395
Savings accounts	262	268
Checking accounts in US dollars for individual residents of the Mexican border	1,615	2,055
Demand deposits accounts	42,417	35,705
IPAB checking accounts	-	20
	Ps. 149,817	**Ps. 137,581**

	2010	2009
Time deposits		
General public:		
Fixed term deposits	Ps. 25,299	Ps. 25,711
Over the counter investments	43,677	49,156
Promissory note with interest payable at maturity (PRLV) primary market for individuals	61,835	57,819
PRLV primary market for business entities	1,644	1,195
Foreign residents deposits	28	83
Provision for interest	190	177
	132,673	**134,141**
Money market:		
Fixed-term deposits	2,648	459
Over the counter promissory notes	2,208	1,430
Provision for interest	1,491	1,297
	6,347	**3,186**
	139,020	**137,327**
Senior debt issued	**3,778**	**-**
	Ps. 292,615	**Ps. 274,908**

The funding rates which the Financial Group uses as reference are: a) for Mexican pesos, Interbank Interest Rate (TIIE), Average Cost of Funds (CCP) and; b) for foreign currency, the London Interbank Offered Rate (LIBOR).

These liabilities incur interest depending on the type of instrument and average balance held in the investments. The average interest rates and their currency of reference are shown below:

Immediately due and payable deposits:

	2010				2009			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIs	0.56%	0.62%	0.61%	0.57%	0.99%	0.73%	0.60%	0.59%
Foreign currency	0.03%	0.03%	0.03%	0.03%	0.05%	0.04%	0.03%	0.03%
Banorte USA (INB)								
Demand deposits accounts	0.18%	0.14%	0.07%	0.12%	0.19%	0.09%	0.12%	0.13%
Money market	0.94%	0.92%	0.78%	0.81%	1.47%	1.30%	1.06%	1.04%

Time deposits:

	2010				2009			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
General public								
Mexican pesos and UDIs	3.52%	3.55%	3.62%	3.37%	5.68%	4.45%	3.55%	3.50%
Foreign currency	0.84%	0.91%	0.80%	0.69%	0.91%	0.79%	0.90%	0.79%
Money market	7.66%	6.53%	7.06%	7.32%	8.59%	7.54%	5.72%	6.61%
Banorte USA (INB)	2.76%	2.76%	2.61%	2.39%	3.84%	3.56%	3.19%	2.95%

As of December 31, 2010 and 2009, the terms at which these deposits are traded are as follows:

	2010			
	From 1 to 179 days	**From 6 to 12 months**	**More than 1 year**	**Total**
General public				
Fixed-term deposits	Ps. 14,879	Ps. 6,062	Ps. 4,358	Ps. 25,299
Over the counter investments	43,614	63	-	43,677
PRLV primary market for individuals	61,345	433	57	61,835
PRLV primary market for business entities	1,610	32	2	1,644
Foreign resident deposits	20	2	6	28
Provision for interest	174	15	1	190
	121,642	**6,607**	**4,424**	**132,673**
Money market:				
Fixed-term deposits	-	-	2,648	2,648
Over the counter promissory notes	-	-	2,208	2,208
Provision for interest	-	4	1,487	1,491
	-	**4**	**6,343**	**6,347**
Senior debt issued	**-**	**-**	**3,778**	**3,778**
	Ps. 121,642	**Ps. 6,611**	**Ps. 14,545**	**Ps. 142,798**

	2009			
	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed-term deposits	Ps. 15,740	Ps. 6,972	Ps. 2,999	Ps. 25,711
Over the counter investments	49,105	51	-	49,156
PRLV primary market for individuals	57,337	418	64	57,819
PRLV primary market for business entities	1,170	25	-	1,195
Foreign residents deposits	20	20	43	83
Provision for interest	162	13	2	177
	123,534	**7,499**	**3,108**	**134,141**
Money market:				
Fixed-term deposits	-	-	459	459
Over the counter promissory notes	-	-	1,430	1,430
Provision for interest	-	11	1,286	1,297
	-	**11**	**3,175**	**3,186**
	Ps. 123,534	**Ps. 7,510**	**Ps. 6,283**	**Ps. 137,327**

21 - INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2010 and 2009 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2010	2009	2010	2009	2010	2009
Immediately due						
Domestic banks (Call money)	Ps. 4,837	Ps. 21	Ps. -	Ps. -	Ps. 4,837	Ps. 21
	4,837	**21**	**-**	**-**	**4,837**	**21**
Short-term:						
Banco de México	250	-	-	1,964	250	1,964
Commercial banking	326	204	321	220	647	424
Development banking	6,747	6,233	1,211	1,593	7,958	7,826
Public trusts	3,977	2,801	192	314	4,169	3,115
Provision for interest	87	54	3	2	90	56
	11,387	**9,292**	**1,727**	**4,093**	**13,114**	**13,385**
Long-term						
Commercial banking	1,524	895	1,284	1,439	2,808	2,334
Development banking	2,421	1,553	267	319	2,688	1,872
Public trusts	2,825	3,236	173	116	2,998	3,352
Provision for interest	-	-	2	4	2	4
	6,770	**5,684**	**1,726**	**1,878**	**8,496**	**7,562**
	Ps. 22,994	**Ps. 14,997**	**Ps. 3,453**	**Ps. 5,971**	**Ps. 26,447**	**Ps. 20,968**

These liabilities incur interest depending on the type of instrument and average balance of the loans.

The average interest rates are shown below:

	2010				2009			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Call money								
Mexican pesos and UDIs	4.44%	4.63%	4.43%	4.48%	7.52%	5.53%	4.53%	4.46%
Other bank loans								
Mexican pesos and UDIs	6.01%	5.55%	5.56%	5.59%	7.61%	6.51%	5.66%	5.48%
Foreign currency	1.30%	1.67%	1.79%	1.84%	3.00%	2.04%	1.30%	0.92%

Banorte USA liabilities accrue interest at an average rate of 4.09% and 1.91% as of December 2010 and 2009, respectively. Moreover, the Arrendadora y Factor Banorte, S.A. de C.V. loans accrue an average interest rate of 6.59% and 6.46% in Mexican pesos and 2.39% and 2.86% in U.S. dollars as of December 31, 2010 and 2009, respectively.

22 - SUNDRY CREDITORS AND OTHER PAYABLES

As of December 31, 2010 and 2009, the balance of sundry creditors and other payables is as follows:

	2010	2009
Cashier and certified checks and other negotiable instruments	Ps. 1,001	Ps. 796
Provision for employee retirement obligations	3,333	2,773
Provisions for other obligations	2,691	2,291
Other	2,846	3,108
	Ps. 9,871	**Ps. 8,968**

23 - EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes the liabilities for pension plans and seniority premium using the projected unit credit method, which considers the benefits accrued at the balance sheet date and the benefits generated during the year.

The amount of current and projected benefits as of December 31, 2010 and 2009, related to the defined benefit pension plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

	2010			
	Pension plan	**Seniority premiums**	**Medical services**	**Total**
Projected benefit obligation (PBO)	(Ps. 778)	(Ps. 174)	(Ps. 1,782)	(Ps. 2,734)
Fund market value	1,281	306	2,240	3,827
Funded status	**503**	**132**	**458**	**1,093**
Transition asset (obligation)	15	(7)	164	172
Unrecognized prior service cost	2	(2)	-	-
Unrecognized actuarial losses	277	7	564	848
Net projected asset	**Ps. 797**	**Ps. 130**	**Ps. 1,186**	**Ps. 2,113**

	2009			
	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	(Ps. 725)	(Ps. 149)	(Ps. 1,633)	(Ps. 2,507)
Fund market value	1,125	269	1,749	3,143
Funded status	**400**	**120**	**116**	**636**
Transition asset (obligation)	22	(10)	246	258
Unrecognized prior service cost	2	(3)	-	(1)
Unrecognized actuarial losses	217	4	488	709
Net projected asset	**Ps. 641**	**Ps. 111**	**Ps. 850**	**Ps. 1,602**

The Financial Group has a net prepayment (net prepaid asset) of Ps. 3 generated by transferring personnel from Sólida Administradora de Portafolios, S.A. de C.V. (Sólida) to Banorte. Moreover, as of December 31, 2010, a separate fund amounting to Ps. 3,827, (Ps. 3,143 in 2009) has been set aside to meet the above-mentioned obligations, in accordance with NIF D-3 and is recorded under "Other assets".

For the years ended December 31, 2010 and 2009, the net periodic pension cost is as follows:

	2010	2009
Service cost	Ps. 103	Ps. 95
Interest cost	227	197
Expected return on plan assets	(316)	(274)
Amortizations of unrecognized items:		
Transition obligation	86	86
Variations in assumptions	30	27
Net periodic pension cost	**Ps. 130**	**Ps. 131**

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2010 and 2009, are shown below:

Concept	2010 Nominal	2009 Nominal
Discount rate	8.75%	9.25%
Rate of wage increase	4.50%	4.50%
Rate of increase in costs and expenses of other postretirement benefits	n/a	5.57%
Long-term inflation rate	3.50%	3.50%
Expected long-term rate of return on plan assets of the Banorte Brokerage House	10.25%	10.25%
Expected long-term rate of return on plan assets	8.75%	10.00%

The liability for severance indemnities due to causes other than restructuring, which was also determined by independent actuaries, is comprised as follows:

Concept	2010	2009
Defined and projected benefit obligations	(Ps. 171)	(Ps. 158)
Transition obligation	41	62
Net projected liability	**(Ps. 130)**	**(Ps. 96)**

For the years ended December 31, 2010 and 2009, the net periodic pension cost is as follows:

Concept	2010	2009
Service cost	Ps. 26	Ps. 27
Interest cost	12	12
Transition obligation	21	21
Variations in assumptions	14	8

Net periodic pension cost	Ps. 73	Ps. 68

The balance of the employee retirement obligations presented in this Note refers to the Financial Group's defined benefit pension plan for those employees who remain enrolled.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan. Moreover, this pension plan maintains a fund as of December 31, 2010 and 2009, equivalent to Ps. 1,283 and Ps. 1,140, respectively, which is recorded under "Other assets" and is equivalent to the recorded plan liability.

24 - SUBORDINATED DEBENTURES

As of December 31, 2010 and 2009, the subordinated debentures in circulation are as follows:

	2010	2009
Preferred subordinated, nonconvertible debentures, maturing in April 2016, denominated in US dollars, at an interest rate of 6.135%, payable semiannually with a final principal payment at maturity (10-year term)	Ps. 4,940	Ps. 5,226
Non preferred subordinated nonconvertible debentures (Q BANORTE 08 debentures), maturing in February 2018, paying interest at the 28-day TIIE rate plus 0.60%.	3,000	3,000
Preferred subordinated nonconvertible debentures (Q BANORTE 08-2), maturing in June 2018, paying interest at the 28-day TIIE rate plus 0.77%.	2,750	2,750
Preferred subordinated nonconvertible debentures, BANORTE 09 maturing in March 2019, paying interest at the 28-day TIIE rate plus 2%, payable in 130 periods of 28 days each.	2,200	2,200
Nonpreferred subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semiannually with a final principal payment at maturity (15-year term).	2,470	2,613
Preferred subordinated nonconvertible debentures, Q BANORTE 08-U maturing in February 2028, paying interest at a 4.95% annual rate.	2,024	1,941
Subordinated debentures, maturing in June 2034, denominated in US dollars, at a 3-months LIBOR interest rate plus 2.75%.	127	135
Preferred subordinated debentures maturing in April 2034, denominated in US dollars, at a 3-months LIBOR interest rate plus 2.72%.	127	135
Accrued interest	165	168
	Ps. 17,803	**Ps. 18,168**

The costs related to these debentures are amortized using the straight-line method over the term of the debt. The amortization charged to results was Ps. 6 and Ps. 8 in 2010 and 2009, respectively.

25 - TRANSACTIONS AND BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2010 and 2009, are as follows:

	Revenues		Accounts receivable	
Institution	**2010**	**2009**	**2010**	**2009**
Seguros Banorte Generali, S. A. de C. V.	Ps. 650	Ps. 598	Ps. 29	Ps. 9

	Expenses		Accounts payable	
Institution	**2010**	**2009**	**2010**	**2009**
Seguros Banorte Generali, S. A. de C. V.	Ps. 251	Ps. 101	Ps. 19	Ps. 5

All balances and transactions with the subsidiaries indicated in Note 3 have been eliminated in consolidation.

Pursuant to article 73 of the LIC (Credit Institutions Law), the loans granted by Banorte to any related party cannot exceed 50% of the basic portion of their net capital. For the years ended December 31, 2010 and 2009, the amount of the loans granted to related parties is Ps. 8,772 and Ps. 7,362, respectively, representing 47.1% and 46.2%, respectively, of the limit established by the LIC.

Loan portfolio sales

Sale of loan portfolio packages between related parties (nominal values)

In February 2003 Banorte sold Ps. 1,925 of its proprietary portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378. Of this transaction, Ps. 1,891 was related to past-due amounts and Ps. 64 to the performing portfolio. The transaction was recorded based on figures as of August 2002, and therefore the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. In conjunction with the loan portfolio sold, Ps. 1,577 of the associated allowance for loan losses was transferred as well.

In official letter 601-II-323110 dated November 5, 2003, the Commission established the accounting criteria to be applied to this transaction and issued a series of rulings whereby Banorte must provide detailed information on the activities of this transaction throughout its duration, in the understanding that this transaction was a one-time event and not a recurring portfolio transfer procedure.

Pursuant to the foregoing, below is a summary of the activity of the loan portfolio sold to Sólida since August 2002 and for the years of 2009 and 2010:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	**Aug 02**	**Dec 09**	**Dec 10**	**Aug 02**	**Dec 09**	**Dec 10**	**Aug 02**	**Dec 09**	**Dec 10**
Performing loan portfolio									
Commercial	Ps. 5	Ps. -	Ps. -	Ps. 5	Ps. -	Ps.	Ps. 10	Ps. -	Ps. -
Mortgage	54	27	20	-	-	-	54	27	20
Total	**59**	**27**	**20**	**5**	**-**	**-**	**64**	**27**	**20**
Past-due portfolio									
Commercial	405	361	331	293	110	104	698	471	435
Consumer	81	72	72	-	-	-	81	72	72
Mortgage	1,112	350	323	-	-	-	1,112	350	323
Total	**1,598**	**783**	**726**	**293**	**110**	**104**	**1,891**	**893**	**830**
Total portfolio	**Ps. 1,657**	**Ps. 810**	**Ps. 746**	**Ps. 298**	**Ps. 110**	**Ps. 104**	**Ps. 1,955**	**Ps. 920**	**Ps. 850**
Allowance for loan losses(1)									
Commercial	326	349	318	246	110	104	572	459	422
Consumer	77	72	72	-	-	-	77	72	72
Mortgage	669	336	313	-	-	-	669	336	313
Total allowance for loan losses	**Ps. 1,072**	**Ps. 757**	**Ps. 703**	**Ps. 246**	**Ps. 110**	**Ps. 104**	**Ps. 1,318**	**Ps. 867**	**Ps. 807**

(1) Allowances required based on the classification methodology applied in Banorte that maintained a 99.99% equity interest in Sólida during 2010 and 2009.

As of December 31, 2010 and 2009, the composition of the Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign Currency		Total	
Type of portfolio	**Dec 10**	**Dec 09**	**Dec 10**	**Dec 09**	**Dec 10**	**Dec 09**
Commercial loans	Ps. 148,786	Ps. 133,823	Ps. 13,330	Ps. 11,316	Ps. 162,116	Ps. 145,139
Consumer loans	27,637	25,525	-	-	27,637	25,525
Mortgage loans	54,013	47,378	-	-	54,013	47,378
Performing loan portfolio	**230,436**	**206,726**	**13,330**	**11,316**	**243,766**	**218,042**
Commercial loans	3,954	2,583	252	150	4,206	2,733
Consumer loans	1,348	2,014	-	-	1,348	2,014
Mortgage loans	1,025	1,151	-	-	1,025	1,151
Past-due portfolio	**6,327**	**5,748**	**252**	**150**	**6,579**	**5,898**
Total portfolio	**236,763**	**212,474**	**13,582**	**11,466**	**250,345**	**223,940**
Allowance for loan losses	8,131	7,425	297	384	8,428	7,809
Net portfolio	**Ps. 228,632**	**Ps. 205,049**	**Ps. 13,285**	**Ps. 11,082**	**Ps. 241,917**	**Ps. 216,131**
Allowance for loan losses					**128.10%**	**132.40%**
% of past-due portfolio					**2.63%**	**2.63%**

26 - INFORMATION BY SEGMENT

The main operations and balances per concept and/or business segment in the general balance sheet and the statement of income are comprised as follows:

a. The balances by service sector of the Financial Group, without considering the eliminations relative to the consolidation of the financial statements, are as follows:

	2010	**2009**
Banking sector:		
Net income	Ps. 6,035	Ps. 5,132
Stockholders' equity	44,316	40,348
Total portfolio	257,957	234,878
Past-due portfolio	6,523	6,051
Allowance for loan losses	(7,955)	(7,358)
Total net assets	564,386	548,560
Brokerage sector:		
Net income	403	203
Stockholders' equity	1,883	1,396
Portfolio balance	174,068	135,621
Total net assets	10,169	5,273
Savings sector:		
Net income	903	772
Stockholders' equity	5,244	4,727
Total net assets	40,993	32,026
Other finance companies sector:		
Net Income	500	425
Stockholders' equity	2,136	1,631
Total portfolio	15,884	13,461
Past-due portfolio	141	103
Allowance for loan losses	(289)	(177)
Total net assets	Ps. 16,456	Ps. 13,645

b. The trading results for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Valuation results		
Trading securities	Ps. 46	(Ps. 17)
Repurchase or resale agreement	30	(156)
Derivative financial instruments	382	20
Total valuation results	**458**	**(153)**
Purchase-sale results		
Trading securities	455	318
Available for sale securities	214	23
Derivative financial instruments	(143)	180
Total securities purchase sale	**526**	**521**
Spot foreign currency	690	731
Foreign currency forwards	(1)	154
Foreign currency futures	(2)	(1)
Foreign currency valuation	3	(20)
Minted metals purchase sales	3	4
Minted metals valuation	12	8
Total foreign currency purchase sale	**705**	**876**
Total purchase sale results	**1,231**	**1,397**
Total trading results	**Ps. 1,689**	**Ps. 1,244**

c. The performing loan portfolio, grouped by economic sector and geographical location, is as follows:

	2010				
	Geographical location				
Economic sector	**North**	**Central**	**West**	**South**	**Total**
Agriculture	Ps. 2,473	Ps. 1,094	Ps. 741	Ps. 911	Ps. 5,219
Mining	354	176	19	19	568
Manufacturing	7,830	5,014	1,459	635	14,938
Construction	5,346	7,433	557	2,023	15,359
Public utilities	35	293	2	1	331
Commerce	12,157	10,412	3,493	6,103	32,165
Transportation	1,174	5,062	123	253	6,612
Financial services	8,302	9,233	198	1,300	19,033
Communal, social services	6,680	5,234	1,520	417	13,851
Business groups	9	364	6	5	384
Public administration and services	24,164	16,189	2,188	4,901	47,442
International organization services	2	-	-	-	2
INB	-	-	-	-	9,232
Credit card	-	-	-	-	11,159
Consumer	-	-	-	-	16,668
Mortgage	-	-	-	-	56,168
Other	-	-	-	-	105
Arrendadora y Factor Banorte	-	-	-	-	14,314
Performing loan portfolio	**Ps. 68,526**	**Ps. 60,504**	**Ps. 10,306**	**Ps. 16,568**	**Ps. 263,550**

Economic sector	2009				
	Geographical location				
	North	Central	West	South	Total
Agriculture	Ps. 2,314	Ps. 1,167	Ps. 581	Ps. 732	Ps. 4,794
Mining	347	18	14	13	392
Manufacturing	7,872	4,725	1,661	688	14,946
Construction	6,042	6,236	546	1,828	14,652
Public utilities	43	252	2	1	298
Commerce	10,543	7,241	3,307	6,031	27,122
Transportation	1,308	6,173	105	269	7,855
Financial services	8,975	11,280	130	1,473	21,858
Communal, social services	2,524	4,242	1,514	369	8,649
Business groups	12	457	2	6	477
Public administration and services	21,403	12,938	2,070	2,516	38,927
INB	-	-	-	-	14,100
Credit card	-	-	-	-	11,801
Consumer	-	-	-	-	13,726
Mortgage	-	-	-	-	47,351
Other	-	-	-	-	54
Arrendadora y Factor Banorte	-	-	-	-	11,952
Performing loan portfolio	**Ps. 61,383**	**Ps. 54,729**	**Ps. 9,932**	**Ps. 13,926**	**Ps. 238,954**

d. The past-due loan portfolio, grouped by economic sector and geographical location, is summarized as follows:

Economic sector	2010				
	Geographical location				
	North	Central	West	South	Total
Agriculture	Ps. 261	Ps. 125	Ps. 46	Ps. 24	Ps. 456
Mining	5	-	1	1	7
Manufacturing	107	250	63	38	458
Construction	297	104	12	21	434
Commerce	329	231	148	159	867
Transportation	17	1,318	8	11	1,354
Financial services	10	13	-	1	24
Communal, social services	45	50	44	30	169
Business groups	-	-	-	1	1
INB	-	-	-	-	505
Credit card	-	-	-	-	1,040
Consumer	-	-	-	-	236
Mortgage	-	-	-	-	971
Arrendadora y Factor Banorte	-	-	-	-	142
Past-due loan portfolio	**Ps. 1,071**	**Ps. 2,091**	**Ps. 322**	**Ps. 286**	**Ps. 6,664**

Economic sector	2009 Geographical location North	Central	West	South	Total
Agriculture	Ps. 77	Ps. 129	Ps. 33	Ps. 20	Ps. 259
Mining	2	3	1	7	13
Manufacturing	121	175	73	46	415
Construction	89	105	12	27	233
Commerce	363	298	147	195	1,003
Transportation	41	27	13	19	100
Financial services	8	15	1	6	30
Communal, social services	74	49	47	37	207
Business groups	1	-	-	-	1
INB	-	-	-	-	1,047
Credit card	-	-	-	-	1,610
Consumer	-	-	-	-	332
Mortgage	-	-	-	-	801
Arrendadora y Factor Banorte	-	-	-	-	103
Past-due loan portfolio	**Ps. 776**	**Ps. 801**	**Ps. 327**	**Ps. 357**	**Ps. 6,154**

e. Deposit accounts grouped by product and geographical location are as follows:

Product	2010 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 14,964	Ps. 22,000	Ps. 6,992	Ps. 8,876	Ps. 7,873	Ps. 89	Ps. -	Ps. 60,794
Interest-bearing checking accounts	7,532	26,293	4,093	6,041	7,580	166	-	51,705
Savings accounts	1	1	-	-	-	-	-	2
Current account in pesos and preestablished	4,042	5,983	1,612	3,024	2,840	138	-	17,639
Non-interest bearing demand deposits, USD	1,611	818	212	1,177	266	-0	4,435	8,519
Interest bearing demand deposits, USD	2,258	1,398	465	2,038	218	-0	4,520	10,897
Savings accounts in USD	-	-	-	-	-	-	258	258
Over the counter promissory notes	12,623	26,581	6,843	7,551	9,881	1,754	-	65,233
Time deposits, USD	3,307	3,737	1,525	2,307	688	16	13,747	25,327
Money desk customers	17,416	15,940	5,076	3,745	4,001	150	-	46,328
Financial intermediaries	-	-	-	-	-	2,208	3,705	5,913
Total deposits	**Ps. 63,754**	**Ps. 102,751**	**Ps. 26,818**	**Ps. 34,759**	**Ps. 33,347**	**Ps. 4,521**	**Ps. 26,665**	**Ps. 292,615**

Product	2009 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 13,209	Ps. 19,770	Ps. 5,845	Ps. 7,773	Ps. 7,963	Ps. 70	Ps. -	Ps. 54,630
Interest-bearing checking accounts	6,417	23,033	4,041	6,192	8,039	162	-	47,884
Savings accounts	1	1	-	-	-	-	-	2
Current account in pesos and preestablished	3,449	5,232	1,492	2,733	2,556	122	-	15,584
Non-interest bearing demand deposits, USD	834	848	199	1,085	221	-	3,694	6,881
Interest bearing demand deposits, USD	2,454	1,570	577	2,463	238	-	5,012	12,314
Savings accounts in USD	-	-	-	-	-	-	265	265
Over the counter promissory notes	11,362	25,040	6,358	7,245	9,009	1,474	-	60,488
Time deposits, USD	3,328	4,095	1,775	2,255	897	17	13,427	25,794
Money desk customers	19,366	14,858	6,953	4,588	2,877	127	-	48,769
Financial intermediaries	-	-	-	-	-	2,277	-	2,277
FOBAPROA checking accounts bearing interest	20	-	-	-	-	-	-	20
Total deposits	**Ps. 60,440**	**Ps. 94,447**	**Ps. 27,240**	**Ps. 34,334**	**Ps. 31,800**	**Ps. 4,249**	**Ps. 22,398**	**Ps. 274,908**

27 - TAX ENVIRONMENT

In 2010 and 2009 the Financial Group was subject to ISR and IETU.

Income tax

Income tax (ISR) is calculated considering as taxable or deductible certain inflation effects; as of until December 31, 2010 and 2009, the ISR rate was 30% and 28%, respectively. On December 7, 2009, the decree was published reforming, adding and repealing various provisions of the Income Tax Law that went into effect on January 1, 2010. Temporary provisions were established through which the income tax rate from 2011 to 2012 will be 30%; 29% for 2013 and 28% for 2014.

Book to tax reconciliation

The principal items affecting the determination of the current tax expense of the Financial Group were the annual adjustment for inflation, the nondeductible amount of the allowance for loan losses that was over 2.5% of the average loan portfolio and the valuation of financial instruments.

PTU

The Financial Group determine employee statutory profit sharing based on the criteria established in the guidelines set forth by the Mexican Constitution.

Business Flat Tax

Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated for each period. The rate is 17.5% and 17.0% for 2010 and 2009, respectively. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, asset taxes paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law. As of December 31, 2010, the Financial Group has no recoverable asset taxes.

Based on financial projections, pursuant to the provisions in INIF-8, the Financial Group found that it will essentially pay ISR, therefore acknowledging only the deferred ISR.

28 - STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meeting held on April 23, 2010, the resolution was adopted to transfer the profits of 2009 equal to Ps. 5,854 to the account "earnings from prior years".

At the Stockholders' Ordinary General Meetings held on February 15, 2010, April 23, 2010 and October 4, 2010, the resolution was adopted to declare cash dividends of Ps. 343 on each of said dates.

The Financial Group's shareholders' common stock as of December 31, 2010 and 2009 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50	
	2010	2009
"O" Series	2,018,347,548	2,017,847,548

	Historical Amounts	
	2010	2009
"O" Series	Ps. 7,016	Ps. 7,000
Restatement in Mexican pesos through December 2007	4,955	4,956
	Ps. 11,971	Ps. 11,956

Restrictions on profits

Stockholders' equity distribution, except restated paid-in capital and tax retained earnings, will be subject to a tax payable by the Financial Group at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment against the year's tax and its partial payments.

The Financial Group's net profit is subject to the requirement that at least 5% of net income of each year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may not be distributed to the stockholders during the life of the Financial Group, except in the form of a stock dividend. As of December 31, 2010 and 2009, the legal reserve is Ps. 3,181 and Ps. 2,444, respectively, and represents 27% and 20% of paid-in capital, respectively.

Capitalization ratio (pertaining to Banorte, the Financial Group's main subsidiary)

The capitalization rules for financial institutions establish requirements for specific levels of net capital, as a percentage of assets subject to both market and credit risk.

The information as of December 31, 2010 sent to Banco de México to review is shown below.

- The capitalization ratio of Banorte as of December 31, 2010 was 16.12% of total risk (market, credit and operational), and 23.68% of credit risk, which in both cases exceed the current regulatory requirements.

- The amount of net capital, divided by basic and complementary capital, is detailed below (these figures may differ from those in the basic financial statements):

Net capital as of December 31, 2010	
Stockholders' equity	**Ps. 44,306**
Subordinated debentures and capitalization instruments	**5,135**
Deduction of investment in securitized instruments	(446)
Deduction of investments in shares of financial entities	(6,124)
Deduction of investments in shares of non-financial entities	(3,238)
Deduction of intangibles and deferred expenses or costs	(264)
Basic capital	**39,369**
Debentures and capitalization instruments	12,413
Allowance for loan losses	1,285
Deduction of investment in securitized instruments	(446)
Complementary capital	**13,252**
Net capital	**Ps. 52,621**

Characteristics of the subordinated debentures:

Concept	Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Complementary capital debentures 2006	Ps. 5,006	13/10/2016	0%	100%
Basic capital debentures 2006	Ps. 2,507	13/10/2021	100%	0%
Basic capital debentures 2008	Ps. 3,008	27/02/2018	87%	13%
Complementary capital debentures 2008	Ps. 2,056	15/02/2028	0%	100%
Complementary capital debentures 2008-2	Ps. 2,760	15/06/2018	0%	100%
Complementary capital debentures 2009	Ps. 2,211	18/03/2019	0%	100%

Assets subject to risk are detailed below:

Assets subject to market risk

Concept	Positions weighted by risk	Capital requirement
Transactions in Mexican pesos with nominal interest rate	Ps. 47,037	Ps. 3,763
Transactions with debt instruments in Mexican pesos with variable interest rates	10,374	830
Transactions in Mexican pesos with real interest rates or denominated in UDIS	1,802	144
Transactions in UDIS or with yields referenced to the National Consumer Price Index (INPC)	2	-
Transactions in Mexican pesos with nominal interest rates	4,700	376
Exchange transactions	1,604	129
Total	**Ps. 65,519**	**Ps. 5,242**

Assets subject to credit risk

Concept	Assets weighted by risk	Capital requirement
Group III (weighted at 10%)	Ps. 13	Ps. 1
Group III (weighted at 11.5%)	1	0
Group III (weighted at 20%)	11,451	916
Group III (weighted at 23%)	483	39
Group III (weighted at 50%)	2,226	178
Group III (weighted at 57.5%)	608	48
Group III (weighted at 100%)	150	12
Group IV (weighted at 20%)	2,851	228
Group V (weighted at 20%)	7,282	583
Group V (weighted at 50%)	3,723	298
Group V (weighted at 150%)	4,899	392
Group VI (weighted at 50%)	6,445	515
Group VI (weighted at 75%)	5,608	449
Group VI (weighted at 100%)	59,100	4,728
Group VII (weighted at 20%)	845	68
Group VII (weighted at 50%)	99	8
Group VII (weighted at 100%)	72,788	5,823
Group VII (weighted at 115%)	7,556	604
Group VII (weighted at 150%)	635	51
Group VIII (weighted at 125%)	1,948	156
Group IX (weighted at 100%)	19,387	1,551
Sum	**208,098**	**16,648**
For permanent shares, furniture and real property, and advance payments and deferred charges	14,086	1,127
Total	**Ps. 222,184**	**Ps. 17,775**

Assets subject to credit risk:

Concept	Assets weighted by risk	Capital requirement
Total	**Ps. 38,816**	**Ps. 3,105**

29 - FOREIGN CURRENCY POSITION

As of December 31, 2010 and 2009, the Financial Group holds certain assets and liabilities in foreign currency, mainly US dollars, converted to the exchange rate issued by Banco de México at Ps. 12.3496 and Ps. 13.0659 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2010	**2009**
Assets	5,543,911	5,497,623
Liabilities	5,234,040	5,166,587
Net asset position in US dollars	**309,871**	**331,036**
Net asset position in Mexican pesos	**Ps. 3,827**	**Ps. 4,325**

30 - POSITION IN UDIS

As of December 31, 2010 and 2009, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 4.526308 and Ps. 4.340166, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2010	**2009**
Assets	365,531	207,824
Liabilities	454,251	544,676
Net liability position in UDIS	**(88,720)**	**(336,852)**
Net liability position in Mexican pesos	**(Ps. 402)**	**(Ps. 1,462)**

31 - EARNINGS PER SHARE

Earnings per share is the result of dividing the net income by the weighted average of the Financial Group's shares in circulation during the year.

Earnings per share for the years ended December 31, 2010 and 2009 are shown below:

	2010			2009
	Net Income	**Weighted share average**	**Earnings per share**	**Earnings per share**
Net income per share	Ps. 6,705,043,285	2,018,257,560	Ps. 3.3222	Ps. 2.9021

32 - RISK MANAGEMENT (unaudited)

Authorized bodies

To ensure adequate risk management of the Financial Group, as of 1997, the Financial Group's Board of Directors created the Risk Policy Committee (CPR), whose purpose is to manage the risks to which the Financial Group is exposed, and ensure that the performance of operations adheres to the established risk management objectives, guidelines, policies and procedures.

Furthermore, the CPR provides oversight on the global risk exposure limits approved by the Board of Directors, and also approves the specific risk limits for exposure to different types of risk.

The CPR is composed of regular members of the Board of Directors, the CEO of the Financial Group, the Managing of Comprehensive Risk Management, the Managing Director of Long Term Savings, and the Managing Director of the Brokerage House, as well as the Managing Director of Internal Audits, who has the right to speak but not to vote.

To adequately carry out its duties, the CPR performs the following functions, among others:

1. Propose for the approval of the Board of Directors:

   - The objectives, guidelines and policies for comprehensive risk management
   - The global limits for risk exposure
   - The mechanisms for implementing corrective measures
   - The special cases or circumstances in which the global and specific limits may be exceeded

2. Approve and review at least once a year:

   - The specific limits for discretionary risks, as well as tolerance levels for nondiscretionary risks

- The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different kinds of risks to which the Financial Group is exposed
- The models, parameters and scenarios used to perform the valuation, measurement and control of risks proposed by the Comprehensive Risk Management Unit

3. Approve:
   - The methodologies for identification, valuation, measurement and control of risks of the new operations, products and services which the Financial Group intends to introduce into the market
   - The corrective measures proposed by the Comprehensive Risk Management Unit
   - The manuals for comprehensive risk management
4. Appoint and remove the person responsible for the Comprehensive Risk Management Unit, who is ratified by the Board of Directors.
5. Inform the Board, at least every quarter, of the exposure to risk and its possible negative effects, as well as follow up on limits and tolerance levels.
6. Inform the Board of the corrective measures implemented.

33 - COMPREHENSIVE RISK MANAGEMENT UNIT (UAIR) (unaudited, regarding Banorte, the Financial Group's main subsidiary)

The function of the UAIR is to identify, measure, oversee, limit, control, report and disclose the different kinds of risk to which the Financial Group is exposed, and which is the responsibility of the Office of Risk Management (DGAR).

The DGAR reports to the CPR in compliance with the requirements set forth in the Commission's circular, the "General Risk Management Rules Applicable to Credit Financial Groups", in relation to the independence of the different business areas.

The DGAR focuses Comprehensive Risk Management efforts through six different departments:

- Operating and Credit Risk Management;
- Market Risk Management;
- Credit Management;
- Risk Policy Management;
- Consumer Loan Quality; and
- Risk Management Tools.

The Financial Group currently has methodologies for managing risk in its different phases, such as credit, market, liquidity and operating risk.

The primary objectives of the DGAR are summarized as follows:

- Provide the different business areas with clear rules that facilitate their understanding so as to minimize risks and ensure that they are within the parameters established and approved by the Board of Directors and the Risk Policy Committee.
- Establish mechanisms that provide for follow-up on risk-taking within the Financial Group, ensuring that they are preventive as much as possible, and supported by advanced systems and processes.
- Standardize risk measurement and control.
- Protect the Financial Group's capital against unexpected losses from market movements, credit losses and operating risks.
- Develop valuation methods for the different types of risks.
- Establish procedures for portfolio optimization and loan portfolio management.

The Financial Group has segmented risk assessment and management into the following headings:

Credit Risk: Volatility of revenues due to the creation of provisions for impairment of credits and potential credit losses due to nonpayment by a borrower or counterpart.

Market Risk: Volatility of revenues due to changes in the market, which affect the valuation of the positions from operations involving assets, liabilities or generating contingent liabilities, such as: interest rates, exchange rates, price indexes, etc.

Liquidity Risk: Potential loss derived from the impossibility of renewing debts or contracting others under normal conditions for the Financial Group, due to the anticipated or forced sale of assets at unusual discounts to meet its obligations.

Operating Risk: Loss resulting from lack of adaptation or failure in processes, personnel, internal systems or external events. This definition includes Technological Risk and Legal Risk. Technological Risk groups includes 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, while Legal Risk involves the potential loss from penalties for noncompliance with legal and administrative regulations or the issuance of adverse final court rulings in relation to the operations performed by the Financial Group.

Credit risk

Risk that the customers, issuers or counterparts will not comply with their payment obligations; therefore, adequate risk management is essential to maintain a high quality loan portfolio.

The Financial Group credit risk management objectives are as follows:

- Improve the quality, diversification and composition of the loan portfolio to optimize the risk-return ratio.
- Provide senior management with reliable and timely information to support decision-making in credit matters.
- Provide the business departments with clear and sufficient tools to support credit placement and follow up.
- Support the creation of economic value for shareholders by means of efficient credit risk management.
- Define and constantly update the regulatory framework for credit risk management.
- Comply with the credit risk management reporting requirements established by the relevant authorities.
- Perform risk management in accordance with best practices; implementing models, methodologies, procedures and systems based on the latest international advances.

Individual credit risk

The Financial Group segments the loan portfolio into two large groups: the consumer and corporate portfolios.

Individual credit risk for the consumer portfolio is identified, measured and controlled by means of a parametric system (scoring) which includes models for each of the consumer products: mortgage, automotive, payroll credit, personal and credit card.

Individual risk for the corporate portfolio is identified, measured and controlled by means of the Target Markets, the Risk Acceptance Criteria and the Banorte Internal Risk Rating (CIR Banorte).

The Target Markets and Risk Acceptance Criteria are tools which, together with the Internal Risk Rating CIR, form part of the credit strategy of the Financial Group and support the estimate of the credit risk level.

The Target Markets are activities selected by region and economic activity - supported by economic studies and portfolio behavior analyses - in which the Financial Group has interest to place loans.

The Risk Acceptance Criteria are parameters which describe the risks identified by industries, facilitating an estimate of the risk involved for the Financial Group in granting a credit to a customer depending on the economic activity which it performs. The types of risks evaluated in the Risk Acceptance Criteria are the financial risk, operating risk, market risk, company lifecycle risk, legal and regulatory risk, credit history and quality of management.

Early Warnings are a set of criteria based on information and indicators of the borrowers and their environment that have been set forth for timely prevention and identification of likely impairment in the loan portfolio, in order to take credit risk mitigating preventive actions in a timely manner.

The CIR Banorte is in line with the "General Regulations Applicable to the Classification Methodology for the Loan Portfolio of Credit Institutions" issued by the Commission on December 2, 2005. The CIR Banorte has been certified by the Commission and by an international external auditor since 2001.

The CIR Banorte is applied to a commercial portfolio equal to or exceeding an amount equivalent in Mexican pesos to four million UDIS at the classification date.

Portfolio credit risk

The Financial Group has designed a portfolio credit risk methodology which, while also including the best and most current international practices with regard to identification, measurement, control and follow up, has been adapted to function within the context of the Mexican financial system.

The credit risk methodology identifies the exposure of all the loan portfolios of the Financial Group, overseeing risk concentration levels based on risk classifications, geographical regions, economic activities, currencies and type of product, for the purpose of ascertaining the portfolio profile and taking actions to diversify it and maximize profit with the lowest possible risk.

The calculation of loan exposure involves the generation of the cash flow from each of the loans, both in terms of principal and interest, for their subsequent discount. This exposure is sensitive to market changes, and facilitates the performance of calculations under different economic scenarios.

Apart from considering loan exposure, the methodology takes into account the probability of default, the recovery level associated with each customer and the sorting of the borrowers based on the Merton model. The probability of default is the probability that a borrower will not comply with its debt obligation to the Financial Group on the terms and conditions originally agreed. The probability of default is based on the transition matrixes which the Financial Group calculates as of the migration of the borrowers to different risk classification levels. The recovery level is the percentage of the total exposure that is expected to be recovered if the borrower defaults on its obligations. The sorting of the borrowers based on the Merton model is intended to tie the future behavior of the borrower to credit and market factors on which, using statistical techniques, the borrower's "credit health" depends.

The primary results obtained are the expected loss and unexpected loss over a one-year time horizon. The expected loss is the median of the distribution of losses of the loan portfolio, which enables a measurement of the average loss expected in the following year due to noncompliance or variations in the credit status of the borrowers. The unexpected loss is an indicator of the loss expected under extreme circumstances, and is measured as the difference between the maximum loss based on the distribution of losses, at a specific confidence level, which in the case of the Financial Group is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and portfolio diversification, in accordance with the global strategy of the Financial Group. The individual risk identification tools and the portfolio credit risk methodology are reviewed and updated periodically to incorporate new techniques that can support or strengthen them.

As of December 31, 2010, the total portfolio of the Financial Group is Ps. 249,495. The expected loss represents 2.2% and the unexpected loss represents 3.7% of the total operating portfolio. The average expected loss was 2.2% for the period between October and December 2010. As of December 31, 2009, the Financial Group's total operating portfolio is Ps. 223,019. The expected loss represents 2.4% and the unexpected loss represents 3.9% of the total operating portfolio. The average expected loss was 2.5% for the period between October and December 2009.

Credit risk of financial instruments

There are specific policies for the origination, analysis, authorization and management of financial instruments to identify, measure, keep track and control credit risk.

The origination policies define the type of financial instruments to operate and how to evaluate the credit quality of different types of issuers and counterparts. Credit quality is assigned by means of a rating obtained by an internal methodology, external rating evaluations or a combination of both. Additionally, there are maximum operating parameters depending on the type of issuer or counterpart, rating and operation type.

Analysis policies include the type of information and variables considered to analyze operations with financial instruments when they're presented for their authorization by the corresponding committee, including information about the issuer or counterpart, financial instrument, operation destination and market information.

The Credit Committee is the body that authorizes operation lines with financial instruments according to the authorization policies. The authorization request is submitted by the business area and the areas involved in the operation with all the relevant information to be analyzed and, if applicable, authorized by the Committee.

The financial instrument operating lines management policy contemplates the procedures for registration, instrumentation, regulation compliance, revision, consumer monitoring, line management and responsibility of the areas and bodies involved in operating financial instruments.

Concentrating loan risk with financial instruments is managed continuously on an individual level, monitoring maximum operation parameters per counter-party or issuer depending on the rating and type of operation. For portfolios there are economic and internal group risk diversification policies in place. Additionally, concentration is monitored by type of counter-party or issuer, size of the financial institutions and where they operate in order to get the right diversification and avoid unwanted concentrations.

Credit risk is measured by means of the rating associated with the issuer, issue or counterpart, which has an assigned degree of risk measured based on two elements:

1) The probability of delinquency by the issuer, issue or counterpart; expressed as a percentage between 0% and 100%. The higher the rating, the lower the probability of delinquency and vice versa.

2) The gravity of the loss with respect to the operation's total in the event of noncompliance, expressed as a percentage between 0% and 100%. The better the guarantees or credit structure, the lower the severity of the loss and vice versa.

In order to mitigate credit risk and reduce the gravity of the loss in case of noncompliance, the Financial Group and counter-parts entered into ISDA contracts settling agreements, which contemplate implementing credit lines and using collateral to mitigate losses due to noncompliance.

As of December 31, 2010, the investment in securities exposure to credit risk is Ps. 200,026, of which 99.2% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 20% of the basic capital as of September 2010. Additionally, the investment exposure with the same issuer other than the Federal Government that represents a concentration greater than or equal to 5% of the net capital as of September 2010 has a rating of at least AA+(mex) and is made up of (term and weighted average interest rate): 6-month Bancomer stock certificates for Ps. 11,580 at 5.0%; 4-month Inbursa stock certificates and bonds for Ps. 9,772 at 4.8%; 5-year 8-month certificates of deposit of Pemex for Ps. 7,347 at 4.7%; and 26-year 5-month State and Municipal Governments securitized loan certificates for Ps. 4,085 at 4.9%.

For derivatives, the exposure is (Ps. 3,045), of which 99.9% is rated at least A-(mex) on the local scale, which places them at an investment grade and the three main counterparts other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 3% of the basic capital as of September 2010.

As of December 31, 2009, the investment in securities exposure to credit risk is Ps. 213,274, of which 99.4% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 23% of the basic capital as of September 2009. Additionally, the investment exposure with the same issuer other than the Federal Government that represents a concentration greater than or equal to 5% of the net capital as of September 2009 has a rating of at least AA+(mex) as is made up of (term and weighted average interest rate): 3-month Bancomer stock certificates for Ps. 14,001 at 4.8%; 5-month Pemex stock certificates and bonds for Ps. 8,445 at 6.2%; 3-month certificates of deposit of the Federal Mortgage Association for Ps. 5,012 at 4.8%; 27-year State and Municipal Governments securitized loan certificates for Ps. 4,321 at 5.3%; 4-month Banobras stock certificates and bonds for Ps. 4,043 at 4.8%; and 11-day Banco Inbursa promissory notes for Ps. 3,004 at 4.6%.

For derivatives, the exposure is (Ps. 2,669), of which 99.9% is rated at least A-(mex) on the local scale, which places them at an investment grade and the three main counterparts other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 5% of the basic capital as of September 2009.

Risk Diversification

In December 2005, the CNBV issued the "General Rules for Risk Diversification in Performing Asset and Liability Transactions Applicable to Credit Institutions".

These regulations require that the Financial Group perform an analysis of the borrowers and/or loans they hold to determine the amount of their “Common Risk”. Also, the Financial Group must have the necessary documentation to support that a person or group of persons represents a common risk in accordance with the assumptions established under such rules.

In compliance with the risk diversification rules for asset and liability transactions, the following information is provided below:

Basic capital as of September 30, 2010	**Ps. 37,233**
I. Financing whose individual amount represents more than 10% of basic capital:	
Credit transactions	
Number of financings	1
Amount of financings taken as a whole	4,437
% in relation to basic capital	12%
Money market transactions	
Number of financings	2
Amount of financings taken as a whole	8,753
% in relation to basic capital	24%
Overnight transactions	
Number of financings	1
Amount of financings taken as a whole	5,455
% in relation to basic capital	15%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 18,527**

Market risk

Value at risk

The exposure to market risk is determined through the calculation of the Value at Risk (“VaR”). The meaning of the VaR under this method is the potential day 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.

The Financial Group applies the nonparametric historical simulation method to calculate the VaR, 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 on the previous quarter, considering 10 days to dispose of the risk portfolio in question. These measures ensure that unforeseen volatiles are considered in the main risk factors that affect such portfolios.

Such methodology is applied to all financial instrument portfolios within and beyond the scope of the Financial Group, 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 portfolio of financial instruments was Ps. 1,600 for the last quarter 2010.

	4Q09	1Q10	2Q10	3Q10	4Q10
VaR Banorte*	Ps. 2,584	Ps. 3,442	Ps. 2,677	Ps. 2,246	Ps. 1,600
Banorte net capital***	49,679	49,878	50,184	51,187	52,620
VaR / net capital Banorte	5.20%	6.90%	5.33%	4.39%	3.04%

* Quarterly Average
*** Sum of net capital at the close of the quarter

Also, the average of the VaR per risk factor for the Financial Group's portfolio of securities behaved as follows during the fourth quarter of 2010:

Risk factor	VaR
Domestic interest rate	Ps. 1,582
Foreign interest rate	300
Exchange rate	141
Total VaR	Ps. 1,600

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables comprising each of such factors, maintaining constant the variables that affect the other risk factors shown. By the same token, the consolidated VaR for the Financial Group considers the correlations of all the risk factors influencing the valuation of the portfolios, for which reason the arithmetical sum of the VaR Factor does not match.

Operations with derivative products

The one-day individual VaR that the Financial Group has for each type of trading and hedging derivatives for the fourth quarter of 2010 is:

Trading derivatives	4Q09	4Q10
Futures		
MEXDER rate futures	Ps. -	Ps. 13
Exchange rate derivatives		
Forwards	15	-
Options	-	1
Interest rate options		
TIIE	4	3
Libor	-	1
Swap options		
Libor	-	2
TIIE	2	5
Rate swaps (IRS) and exchange rate		
TIIE swaps	12	11
LIBOR swaps	2	2

Cross currency exchange rate swaps	207	12
Total trading derivatives	**Ps. 242**	**Ps. 50**

Hedging derivatives	**4Q09**	**4Q10**
Swaps		
Cross currency exchange rate swaps for portfolio hedging in USD	Ps. 8	Ps. 2
Cross currency exchange rate swaps for hedging obligations in USD	145	86
Cross currency exchange rate swaps for hedging bonds in USD	304	220
TIIE swaps for hedging obligations in Mexican pesos	63	30
TIIE swaps for hedging promissory note in Mexican pesos	265	181
Rate operations for hedging portfolio at a fixed rate	59	14
Total hedging derivatives	**Ps. 844**	**Ps. 533**

To calculate the VaR for each of the derivatives listed, the non-parametric historic simulation method is applied to a 99% level of confidence and a one-day horizon. For instance, the Value at Risk for TIIE Swaps is Ps. 11. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps. 11 in one day.

The trading and hedging derivatives totals are the arithmetic sum of the VaR of each without considering any correlation among them.

Investments in securities

The one-day individual VaR that the Financial Group has for each type of securities for the fourth quarter of 2010 was:

Trading Securities	**4Q09**	**4Q10**
Variable rate government bonds	Ps. 7	Ps. 11
Fixed rate government bonds	2	2
Bank bonds	3	-
Securitization certificates	37	20
CEDES	-	2
Capital	13	-
US treasury bonds	3	1
PEMEX eurobonds	28	29
UMS	12	6
Bank eurobonds	107	37
Private company eurobonds	11	8
Total	**Ps. 223**	**Ps. 116**

Securities at maturity	4Q09	4Q10
Variable rate government bonds	Ps. 92	Ps. 52
Fixed rate government bonds	4	1
Securitization certificates	42	41
CEDES	4	-
Bank bonds	-	1
PEMEX eurobonds	157	90
UMS	89	64
Zero coupon bank bonds	11	8
Private company eurobonds	4	-
Total	**Ps. 403**	**Ps. 257**

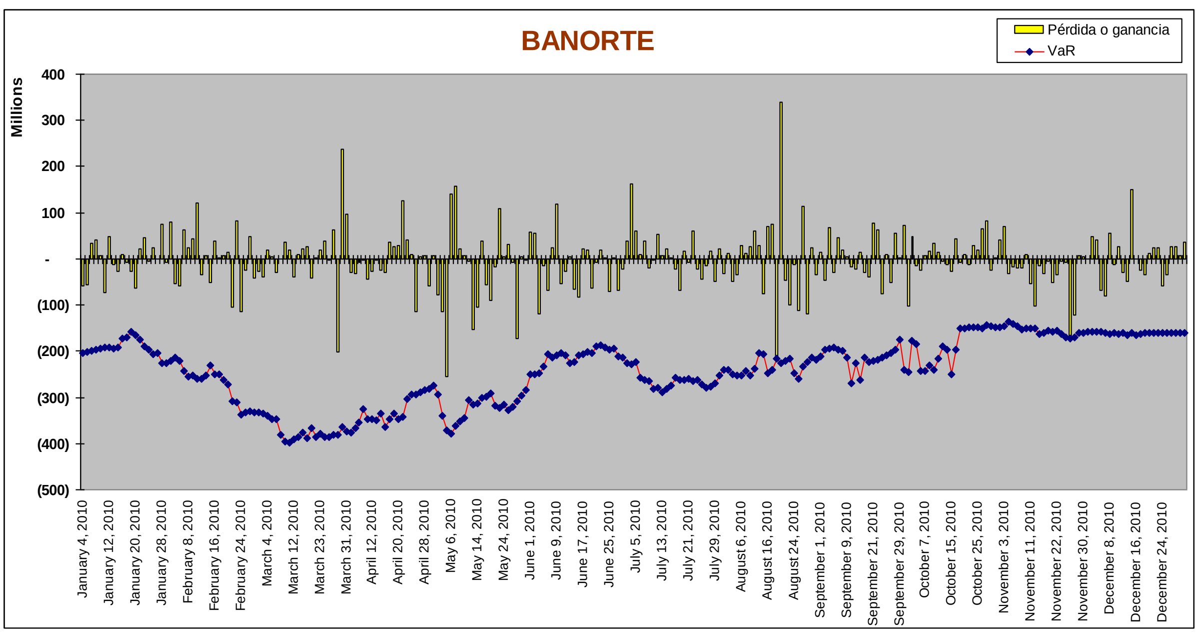
To calculate the VaR for each of the types of securities listed, the non-parametric historic simulation method is applied to a 99% level of confidence and a one-day horizon. For instance, the Value at Risk for trading UMS is Ps. 64. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps. 64 in one day.

The trading and hedging derivatives totals are the arithmetic sum of the VaR of each without considering any correlation among them.

Backtesting analysis

To validate the effectiveness of the measurements of the calculation of the daily VaR as a measurement of market risk, the Backtesting analysis is updated each week. This analysis makes it possible to compare the estimated results through the VaR with the actual results generated.

The Backtesting results for the Financial Group during 2010 are as follows:



During 2010 there was only one excess event on November 25th.

Sensitivity analysis and tests under extreme conditions

To improve analysis and obtain the impact of any movements in risk factors, sensitivity analyses and tests under extreme conditions are performed periodically. These analyses foresee potential situations in which the Financial Group might suffer extraordinary losses from the valuation of the financial instruments in which it holds positions.

Sensitivity for derivatives transactions

Sensitivity analysis on derivative transactions is carried out as follows:

- Estimate gain or loss of the securities valuation in the event of:

- A parallel change of +100 basis points of domestic interest rates
- A parallel change of +100 basis points of foreign interest rates
- A 5% devaluation in the MXP/USD and MXP/EUR exchange rate.

The results may be gains or losses depending on the nature of the derivative.

Trading derivatives	+100 bp domestic rates	+100 bp foreign rates	+5% Exchange rate
Futures			
MEXDER rate futures	(Ps. 118)	Ps. -	Ps. -
Exchange rate derivatives			
Options	-	-	(2)
Forwards	-	-	(1)
Interest rate options			
TIIE	(10)	-	-
Libor	-	12	-
Swap options			
Libor		(38)	(1)
TIIE	(33)	-	-
Interest rate swaps (IRS) and exchange rate			
TIIE Swaps	(2)	-	-
LIBOR Swaps	-	28	(1)
Cross currency exchange rate Swaps	(47)	-	-
Total trading derivatives	**(Ps. 210)**	**Ps. 2**	**(Ps. 5)**

Hedging derivatives	+100 bp domestic rates	+100 BP foreign rates	+5% Exchange rate
Rate swaps and exchange rate			
Cross exchange rate Swaps for hedging obligations in USD	Ps. 25	(Ps. 30)	Ps. 196
Cross exchange rate Swaps for hedging bonds in USD	(239)	400	(466)
TIIE Swaps for hedging obligations in Mexican pesos	168	-	-
TIIE Swaps for hedging promissory note in Mexican pesos	617	-	-
TIIE caps for fixed rate loan hedging	28	-	-
Total hedging derivatives	**Ps. 599**	**Ps. 370**	**(Ps. 270)**

In the event of any of above scenarios, the losses or gains of the trading securities will directly impact the Financial Group’s statements of income and capital hedging derivatives.

Based on the above analysis, it can be concluded that the trading derivatives portfolio is exposed mainly to increases in domestic interest rates and exchange rate devaluations. However, the hedging derivatives portfolio is exposed to foreign interest rate increases without considering the gain of the hedged liability.

Sensitivity for operations with securities

Sensitivity analysis on derivative transactions is carried out as follows:

- Estimate gain or loss of the securities valuation in the event of:

- A parallel change of +100 basis points of domestic interest rates
- A parallel change of +100 basis points of foreign interest rates
- A 5% devaluation in the MXP/USD and MXP/EUR exchange rate.
- A change of +5 basis points in government bonds surcharges
- A change of +50 basis points in sovereign risk
- A change of +10% in the IPC (Consumer Price Index)

The results may be gains or losses depending on the nature of the instrument.

Trading Securities	+100 bp domestic rates	+100 bp foreign rates	+5% exchange rate	+5 bp rate spreads	+50 bp sovereign risk
Variable rate government bonds	(Ps. 52)	Ps. -	Ps. -	(Ps. 39)	Ps. -
Fixed rate government bonds	(14)	-	-	-	-
Securitization certificates	(4)	-	-	-	-
CEDES	(2)	-	-	-	-
US treasury bonds	-	(2)	1	-	-
PEMEX eurobonds	-	(51)	64	-	(22)
UMS	-	(4)	16	-	(2)
Bank eurobonds	-	(71)	90	-	-
Private company eurobonds	-	-	9	-	-
Total	**(Ps. 72)**	**(Ps. 128)**	**Ps. 180**	**(Ps. 39)**	**(Ps. 24)**

Securities held to maturity	+100 bp domestic rates	+100 bp foreign rates	+5% exchange rate	+5 bp rate spreads	+50 bp sovereign risk
Variable rate government bonds	(Ps. 275)	Ps. -	Ps. -	(Ps. 173)	Ps. -
Fixed rate government bonds	(6)	-	-	-	-
Securitization certificates	(25)	-	-	-	-
Bank bonds	(4)	-	-	-	-
PEMEX eurobonds	-	(183)	280	-	(93)
UMS	-	(116)	154	-	(59)
Zero coupon bank bonds	(2)	(49)	-	-	-
Private company eurobonds	-	-	-	-	-
Total	**(Ps. 312)**	**(Ps. 348)**	**Ps. 434**	**(Ps. 173)**	**(Ps. 152)**

In the event of any of above scenarios, the losses or gains of the operations with trading securities and securities held to maturity will directly impact the Financial Group's results.

In conclusion, trading securities and securities held to maturity are exposed to domestic interest rate increases, foreign rate increases, interest rate spreads and deterioration of the sovereign risk.

Liquidity and balance sheet risk

In order to provide a measurement of liquidity risk in the Financial Group and provide follow-up consistently, the Financial Group relies on the use of financial ratios, which include the Liquidity Ratio (Current Assets/Liquid Liabilities). Liquid assets include cash and cash equivalents, trading securities and available for sale securities. By the same token, liquid liabilities include immediate demand deposits, immediate demand interbank loans and short-term loans. The liquidity ratio at the end of the fourth quarter of 2010 is 82.7%, while the average during the quarter is 93.1%, as shown below:

			End of quarter		
	4Q09	**1Q10**	**2Q10**	**3Q10**	**4Q10**
Liquid assets	Ps. 91,931	Ps. 109,668	Ps. 141,019	Ps. 127,518	Ps. 132,713
Liquid liabilities	143,834	132,465	140,406	140,506	160,432
Liquidity ratio	63.9%	82.8%	100.4%	90.8%	82.7%

			Average		
	4Q09	**1Q10**	**2Q10**	**3Q10**	**4Q10**
Liquid assets	Ps. 92,729	Ps. 96,900	Ps. 123,044	Ps. 129,638	Ps. 125,871
Liquid liabilities	130,575	124,820	122,584	126,698	135,251
Liquidity ratio	71.0%	77.6%	100.4%	102.3%	93.1%

Average calculation considering the Liquidity Ratio's weekly estimates.

To quantify and follow up on the liquidity risk for its dollar portfolio, the Financial Group uses the criteria established by Banco de México for the determination of the Liquidity Ratio. It facilitates an evaluation of the differences between the flows of assets and liabilities in different time periods. The above promotes a healthier distribution of terms for these assets.

Also, to prevent concentration risks in relation to payment terms and dates for the Financial Group, gap analysis is performed to match the resources with the funding sources, which detects any concentration in a timely fashion. These analyses are performed separately by currency (Mexican pesos, foreign currency and UDIS).

Furthermore, balance sheet simulation analyses are prepared for the Financial Group, which provides either a systematic or dynamic evaluation of the future behavior of the balance sheet. The base scenario is used to prepare sensitivity analyses for movements in domestic, foreign and real interest rates. Also, tests are performed under extreme conditions to evaluate the result of extreme changes in interest, funding and exchange rates.

As an evaluation measure of the effectiveness of the simulation model, the projections are periodically compared with actual data. Using these tests, the assumptions and methodology used can be evaluated and, if necessary, adjusted.

The operation with derivatives allows a leveling of the differentials between assets and liabilities in different maturity gaps, minimizing the Liquidity Risk. Considering only the contractual obligations of the different types of hedging and trading swaps that the Financial Group operates, a maturity analysis is found below:

Net position			
Gap	Asset position	Liability position	Net
1 month	Ps. -	(Ps. 2)	(Ps. 2)
3 months	-	-	-
6 months	1	-	1
1 year	1	(546)	(545)
2 years	2	(5)	(3)
3 years	-	(12)	(12)
4 years	1	(35)	(34)
5 years	1	(43)	(42)
7 years	460	(75)	385
10 years	86	(922)	(836)
15 years	12	-	12
20 years	429	(401)	28
> 20 years	657	(8)	649
Total	**Ps. 1,650**	**(Ps. 2,049)**	**(Ps. 399)**

Operational risk

In January 2003, the Financial Group established a formal operational risk department denominated "Operational Risk Management Department" as part of its Risk Management Strategy.

The Financial Group defines operational risk as the potential loss due to failures or deficiencies in internal controls because of operation processing and storing or in data transfer, and adverse administrative and judicial rulings, frauds or theft (this definition includes technology and legal risk).

Operational Risk Management's objectives are: a) to enable and support the organization to reach its institutional objectives through operational risk prevention and management; b) to ensure that the existing operational risks and the required controls are duly identified, evaluated and aligned with the organization's risk strategy; and c) to ensure that operational risks are duly quantified in order to assign the proper capital for operational risk.

Operational risk management's cornerstones

I. Policies, objectives and guidelines

The Financial Group has documented the operational risk policies, objectives, guidelines, methodologies and responsible areas.

The Operational Risk Department works closely with the Controllership Department to promote effective Internal Control that defines the proper procedures and controls the mitigation of Operational Risk. The Internal Audit Department follows up on compliance.

Regulations Control, as part of the Internal Control System, performs the following risk-mitigating activities: a) internal control validation; b) institutional regulations management and control; c) monitoring of operating process internal control by means of control indicator reports submitted by the process controllers in the various areas; d) money-laundering prevention process management; e) regulatory provisions controls and follow-up; and f) analysis and assessment of operating processes and projects with the participation of the directors in each process in order to insure proper internal control.

II. Quantitative and qualitative measuring tools

Operating Losses Database

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

Types of events	Description
Internal fraud	Losses derived from actions intended to defraud, illegally seize ownership or evade the regulations, law or policies of the Institution (excluding diversity/discrimination events) involving at least one internal party.
External fraud	Losses derived from actions taken by third parties intended to defraud, illegally seize ownership or evade the law.
Labor relations and job safety	Losses derived from actions inconsistent with laws or employment, health or safety agreements, or which result in the payment of claims for damages to personnel or diversity/discrimination claims.
Customers, products and business practices	Losses derived from negligence or unintentional breaches which prevent compliance with professional obligations with customers (including trust and adaptation requirements or due to the nature or design of a product.
Natural disasters and other events	Losses due to damage or harm to physical assets due to natural disasters or other events.
Business incidences and system failures	Losses derived from incidences in the business and system failures.
Process execution, delivery and management	Losses derived from errors in transaction processing or in process management, as well as relations with counterparties and suppliers.

This historical database provides the statistics of the operating events experienced by the Financial Group in order to be able to determine the respective trends, frequency, impact and distribution. Furthermore, the database will serve to calculate capital requirements for advanced models in the future.

Legal and tax 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 the Financial Group's Legal Risk management initiative, legal and tax 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

The Financial Group and its subsidiaries had 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, operational risk management is now an institutional policy defined and supported by senior management.

To perform operational 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 Regulations Control are recorded in a risk matrix and processed to eliminate or mitigate them (trying to reduce their severity or frequency) and to define the tolerance levels, as applicable. A new Operating Risk Management Model and the technology tool for its implementation are currently been developed.

III. Calculating capital requirement

Pursuant to the Operational Risk Capitalization Rules, the Financial Group has adopted a Basic Model, which is calculated and reported periodically to the authorities. Assets subject to operational risk are found in the corresponding note of the Rules.

IV. Information and reporting

The information generated by the databases and the Management Model is processed regularly in order to report the main operating events detected, trends, identified risks (risk matrix) and the mitigating strategies to the Risk Policy Committee and the Board of Directors. The status of the principal initiatives for operating risk mitigation implemented by the different areas of the organization is also reported.

Technology risk

It is defined as the potential loss due to damage, interruption, alteration or failures in the use of or dependence on hardware, software, IT systems, applications, networks and any other data distribution channel for rendering services to customers. Technology risk forms an inherent part of operating risk, for which reason its management is performed throughout the entire organization.

To address operating risk associated with data integrity, the "Integrity Committee" was created. Its objectives include aligning data security and control efforts to a prevention approach, defining new strategies, policies, processes or procedures and solving data security issues that affect or may affect the Financial Group's assets.

The Financial Group performs the functions for technology risk management set forth by the Commission under the guidelines established by the institutional regulations and the Integrity Committee.

To address the operating risk caused by high impact external events, the Financial Group has a Business Continuity Plan (BCP) and Business Recovery Plan (BRP) based on a same-time data replication system at an alternate computer site. This guarantees the back-up and recovery of critical applications in the event of an operating contingency.

Legal risk

Legal risk is defined as the potential loss due to noncompliance with applicable legal and administrative provisions, adverse administrative and judicial rulings, and imposed penalties.

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 in the SMARL system are recorded in the SCERO in accordance with a predetermined classification.

Based on the statistics of the current legal issues and real loss events, the Financial Group 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.

34 - MEMORANDUM ACCOUNTS

	2010	2009
Banks customers (current accounts)	Ps. 9	Ps. 4
Settlement of customer transactions	1	(80)
Customer valuables received in custody	172,922	134,480
Customer repurchase agreements	28,647	35,680
Managed trusts	4,348	4,641
	Ps. 205,927	**Ps. 174,725**
Other contingent assets and liabilities	Ps. 256	Ps. 273
Credit commitments	3,155	2,272
Deposits of assets	2,429	1,632
Assets in trusts or under mandate	124,723	112,942
Managed assets in custody	230,140	158,547
Investment banking transactions on account of third parties (net)	78,069	74,646
Collateral received by the institution	62,224	33,464
Collateral received and sold or given as a pledge by the entity	36,195	43,165
Past-due loan portfolio accrued but not charged interest	136	198
	Ps. 537,327	**Ps. 427,139**

35 - COMMITMENTS

As of December 31, 2010 and 2009, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 3,411 (Ps. 2,545 in 2009), which are recorded in memorandum accounts.

- Certain real property and operating equipment are leased. Total property lease payments for the periods ended December 31, 2010 and 2009, were Ps. 207 and Ps. 197, respectively.

36 - CONTINGENCIES

As of December 31, 2010, there are lawsuits filed against the Financial Group in civil and business court cases; however, the Financial Group’s attorneys consider that the claims filed are unsubstantiated and, in the event of an adverse ruling, they would not significantly impact the Financial Group's consolidated financial position. A reserve of Ps. 118 is recorded for such contentious matters.

37 - SAVINGS PREVENTIVE AND PROTECTION MECHANISM

The objective of the Institute for the Protection of Bank Savings (IPAB) is to protect the deposits of small customers and thereby contribute to maintaining the financial system’s stability and the proper functioning of the payments systems.

According to the Law of Bank Savings Protection (LPAB), the IPAB manages a bank savings protection system that guarantees the payment of bank deposits or loans or credits to Full Service Banking Institution up to an amount equivalent to 400 thousand UDIS per individual or business entity, regardless of the number or type of such obligations in the customer’s favor and charged to a single bank.

On July 30, 2007, general rules were issued for addressing joint accounts or those in which there is more than one account holder, referred to in art.14 of the LPAB, as well as the rules banks must observe for classifying information relative to transactions associated with guaranteed obligations.

The IPAB plays a major role in the implementation of the LPAB resolutions methods and the Law of Credit Institutions (LIC) as timely and adequate mechanisms for salvaging and liquidating Full Service Banking Institutions in financial trouble that may affect their solvency. The purpose is to provide maximum protection to the public while minimizing the negative impact that salvaging an institution may have on others in the banking system.

During 2010 and 2009, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 1,084 and Ps. 1,073, respectively.

38 – NEW ACCOUNTING PRINCIPLES

Modification of the consumer and mortgage loan rating methodology.

On October 25, 2010 the Commission issued a resolution to the General Provisions for Banking Institutions modifying the applicable non-revolving consumer and housing mortgage loan rating so that the allowance for loan losses will be calculated on the basis of expected rather than incurred loss. This modification will become effective on March 1, 2011. The Financial Group considers that the initial impact from entry into force of this amendment is approximately Ps. 600 increase in the reserve requirement. This will be recognized in stockholders' equity no later than March 31, 2011, in the prior year's results.