



GRUPO FINANCIERO
BANORTE

2012 Annual Report

Grupo Financiero Banorte, S. A. B. de C. V.

IN ACCORDANCE WITH REGULATIONS APPLICABLE TO THE FINANCIAL INFORMATION OF CONTROLLING COMPANIES OF FINANCIAL GROUPS SUBJECT TO SUPERVISION BY THE NATIONAL BANKING AND SECURITIES COMMISSION (CNBV), PUBLISHED IN THE MEXICAN OFFICIAL GAZETTE OF THE FEDERATION (DIARIO OFICIAL DE LA FEDERACION) ON JANUARY 31ST, 2011, AND MODIFIED THROUGH THE RESOLUTION PUBLISHED IN THE OFFICIAL GAZETTE ON JULY 18TH, 2011.

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I. MANAGEMENT ANALYSIS AND COMMENTS

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

- ✓ The financial information contained in this report is based on GFNORTE's Audited Consolidated Financial Statements for the years ended December 31st, 2012 and 2011, published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited dated February 27th, 2013. For the year ended December 31st, 2010, financial figures are based on GFNORTE's Audited Consolidated Financial Statements published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited, dated February 24th, 2012, and therefore include changes to accounting criteria that occurred in 2011.
- ✓ In January 2012, the merger between Afore Banorte and Afore XXI was completed. As a result, Banco Mercantil del Norte determined that it has no control over Afore XXI Banorte, and does not therefore consolidate it in its financial statements, and recognizes the equity participation method given its significant influence. Financial statements as of December 31st, 2011, reflect the effects of the deconsolidation of Afore XXI Banorte, **in order to make them comparable with the 2012 financial statements.** Consequently, some figures in GFNORTE's 2011 Income Statement and Balance Sheet differ in this report to those in the Report that was sent to the authorities in February, 2012.
- ✓ The arithmetic operations were carried out in pesos and in the following tables are presented in million pesos. As a result, some totals appear to have minimal errors, which is not the case as it is just a matter of rounding off figures.

A) OPERATING RESULTS

SELECTED FINANCIAL INFORMATION

	2012	2011	2010
Net Income Grupo Financiero Banorte (GFNORTE) (*)	\$10,888	\$8,517	\$6,705
Total Assets GFNORTE (*)	\$916,567	\$825,147	\$590,230
Total Liabilities GFNORTE (*)	\$828,058	\$748,713	\$540,003
Stockholders' Equity GFNORTE (*)	\$88,509	\$76,434	\$50,227
Stockholders' Equity GFNORTE excluding minority interest (*)	\$81,881	\$70,849	\$46,117
INFORMATION PER SHARE			
Net income per share (pesos)	\$4.68	\$3.79	\$3.32
Dividend approved per share (pesos) ⁽¹⁾	\$0.732	\$0.52	\$0.52
Book value per share (pesos) (excluding minority interest)	\$35.20	\$30.45	\$22.85
Shares outstanding (millions)	2,326.4	2,326.4	2,018.3
INFRASTRUCTURE AND EMPLOYEES			
Bank Branches ⁽²⁾	1,316	1,285	1,134
ATMs (automated teller machines)	6,707	6,367	5,004
Full-time employees	25,942	24,015	19,747
Full-time employees and professional services	25,961	24,027	19,759
PROFITABILITY RATIOS			
NIM before REPOMO	4.1%	4.1%	4.2%
NIM adjusted for credit risk	3.4%	3.3%	2.9%
Return on assets (ROA)	1.3%	1.1%	1.2%
Return on equity (ROE)	14.3%	14.1%	15.5%

	2012	2011	2010
OPERATIONS			
Efficiency ratio ⁽³⁾	54.0%	55.6%	51.4%
Operating efficiency ratio ⁽⁴⁾	2.9%	3.2%	3.0%
Liquidity ratio	128.4%	101.8%	84.0%
ASSET QUALITY INDICATORS			
Past due loan ratio	2.1%	1.9%	2.5%
PDL reserve coverage	138.3%	143.1%	123.7%
CAPITALIZATION RATIO (Banco Mercantil del Norte)	14.7%	12.9%	16.1%
CAPITALIZATION RATIO (Ixe Banco)	15.5%	15.3%	-

(*) Million pesos.

- Dividends approved by the Shareholders' Meetings in 2012, 2011 and 2010 were: A total dividend of Ps 0.52 per share decreed in 2010 payable in three installments (Ps 0.17 in October, 2010, Ps 0.17 in February, 2011 and Ps 0.18 in May, 2011). The total dividend decreed in 2011 of Ps 0.52 was also payable in three installments (Ps 0.17 in October, 2011, Ps 0.17 in February, 2012 and Ps 0.18 in May, 2012). The total dividend decreed in 2012 of Ps 0.732 per share payable in four installments of Ps 0.183 per share (October, 2012, January, April and July, 2013).
- Includes bank modules and excludes agencies abroad.
- Non Interest Expense / (Total Net Income + Loan Loss Provisions). Due to the reclassification of the item "Non Operating Income (Expense), net" under Non Interest Income applied in January 2011, the Ratio published in the 2010 Annual Report (sent to the authorities in February and June 2011) has been modified in this document.
- Non Interest Expense / Average Total Assets.

MANAGEMENT AND ANALYSIS COMMENTS

In 2012, GFNORTE reported profits of Ps 10.89 billion, 28% higher than in 2011 and 62% higher than in 2010.

Net Income for the Consolidated Banking Sector (Banco Mercantil del Norte, Banorte USA, Ixe Banco, Banorte-Ixe Tarjetas, and the 50% interest in Afore XXI) was Ps 10.14 billion pesos in 2012, 40% higher than in 2011; excluding profits generated by the Afore, Net Income amounted to Ps 8.92 billion, representing 82% of GFNorte's profits. Net Income for the Long Term Savings Sector, which includes Afore XXI Banorte, Insurance and Annuities companies, was Ps 2.17 billion, an increase of 87% from 2011, and contributed Ps 1.05 billion to GFNorte's profits based on the group's participation in these businesses. The Brokerage Sector comprised of Casa de Bolsa Banorte Ixe and Ixe Fondos, generated accumulated profits of Ps 681 million, 63% more than in 2011. Other Finance companies, which include Arrendadora y Factor Banorte, Almacenadora, Ixe Automotriz and Fincasa Hipotecaria, reported a Ps (434) million loss.

Grupo Financiero Banorte

Consolidated Income Statement of the Group⁽¹⁾

	2012	2011	2010
Interest income	64,127	52,930	43,845
Premium revenue (Net)	16,321	15,275	-
Interest expense	(30,874)	(24,628)	(21,113)
Net increase in technical reserves	(8,708)	(9,316)	-
Casualty rate, Claims and other Contractual Obligations (Net)	(8,057)	(6,092)	-
NET INTEREST INCOME (NII)	32,809	28,169	22,732
Preventive Provisions for Loan Losses	(6,172)	(5,438)	(6,889)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISK	26,637	22,731	15,843
Fees Charged	11,539	9,733	9,234
Fees Paid	(3,480)	(2,856)	(1,548)
Trading Income	4,152	2,778	1,689
Other Operating Income	2,300	2,814	2,320
Non Interest Income (2) (3)	14,510	12,469	11,695
Administration and promotional expenses (4)	(25,535)	(22,588)	(17,691)
OPERATING INCOME	15,613	12,612	9,847
Equity in Earnings of unconsolidated Subsidiaries and Associated Companies	590	157	320
PRE-TAX INCOME	16,203	12,769	10,167
Income Tax	(3,653)	(2,446)	(2,735)
Deferred Income Tax (net)	(475)	(953)	(70)
Taxes (4)	(4,128)	(3,399)	(2,805)
NET INCOME FROM CONTINUOUS OPERATIONS	12,075	9,370	7,362
Minority interest	(1,187)	(853)	(657)
NET INCOME	\$ 10,888	\$ 8,517	\$ 6,705

Million pesos.

(1) *Financial statements as of December 31st, 2011 reflect the effects of the deconsolidation of Afore XXI Banorte, in order to make them comparable with 2012 financial statements.*

(2) As a result of new accounting criteria which came into effect in April 2009, recoveries of previously written-off loans are registered as non interest income in "Other Operating Income".

(3) In January 2011, accounting criteria D-2 came into effect requiring items that were previously registered under "Other Income and Expenses, net" after Net Operating Results, to be registered under Non Interest Income; as well as the inclusion of "Other Operating Income (Expense) from Insurance and Annuities".

(4) 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 of the Income Statement:

Net Interest Income

	2012	2011	2010
Interest Income	60,773	50,182	43,226
Insurance and Annuities-Interest Income	2,236	1,825	0
Interest Expense	30,584	24,409	20,969
Insurance and Annuities-Interest Expense	4	0	0
Premium Revenue (Net)	16,321	15,275	0
Net increase in technical reserves	8,708	9,316	0
Casualty rate, Claims and other Contractual Obligations (Net)	8,057	6,092	0
Loan origination fees	1,118	922	619
Fees paid	286	219	144
Net Interest Income	\$32,809	\$28,169	\$22,732
Provisions	6,172	5,438	6,889
Net Interest Income Adjusted for Credit Risk	26,637	22,731	15,843
Average Productive Assets	792,501	689,523	545,229
NIM (1)	4.1%	4.1%	4.2%
NIM adjusted for Credit Risk (2)	3.4%	3.3%	2.9%

Million pesos.

1) NIM (Net Interest Margin) = Net Interest Income / Average Productive Assets for that period.

2) Net Interest Income adjusted for Credit Risk / Average Productive Assets.

As of January 2011, the new Accounting Criteria A-2 was implemented for the consolidation of the Insurance and Annuities' companies. As a result, accumulated Net Interest Income includes net income of Ps 1.79 billion from these operations, an increase of 6% from 2011.

In 2012, Net Interest Income rose by 16% YoY, from Ps 28.17 billion to Ps 32.81 billion, driven by an 18% increase in net financial revenues and loan origination fees derived from the merger with Ixe Grupo Financiero, the acquisition of 50% of Ixe Tarjetas, 15% growth in performing loans, -more notably in products that have a bigger impact on Net Interest Income such as Payroll, Credit Cards, SMEs and Mortgages-, a stable cost of funding due to YoY growth of 10% in Core Deposits, and 6% growth in the financial margins of the Insurance and Annuities companies.

Excluding the Insurance and Annuities companies, Net Interest Income registered YoY growth of 17%.

In 2012, the average Net Interest Margin (NIM) was 4.1%, unchanged versus 2011, as Average Productive Assets registered similar increases to Net Interest Income.

Excluding the Insurance and Annuities companies, the Net Interest Margin (NIM) was 4.2% in 2012. The NIM only from lending activity was 7.3% in 2012, a decrease of 32 basis points compared to the same year-ago period due to the inclusion of Ixe's loan portfolio, which has a lower margin.

Provisions

In 2012 Provisions charged to results amounted to Ps 6.17 billion, an increase of 13% vs. 2011; the increase can be attributed to greater commercial, corporate and payroll loan provisions associated mainly with new loan loss reserve requirements in accordance with expected losses, as well as Fincasa asset impairments, deterioration in exposures to some tourist developments in Mexico's northwest, and growth in consumer loans which require higher initial provisions.

The average NIM adjusted for Credit Risk was 3.4% in 2012, an increase of 0.1 pp vs. 2011. Provisions represented 19% of Interest Income in 2012, the same as for the year-ago period. Annual accumulated loan loss provisions for 2012 represented 1.6% of the average loan portfolio, a reduction of (0.1pp) vs. 2011.

Non interest income

	2012	2011	2010
Fees for commercial and mortgage loans	33	50	13
Fund transfers	479	421	389
Account management fees	1,240	1,160	1,018
Fiduciary	384	353	316
Income from Real Estate portfolios	1,307	1,117	906
Electronic Banking Services (1)	3,377	2,444	940
Credit Card Fees (1)	2,030	1,418	2,601
Fees from IPAB (2)	0	0	0
Fees charged by the Afore (3)	0	0	1,269
Other fees charged (4)	2,689	2,770	1,783
Fees Charged on Services	11,539	9,733	9,234
Fund transfers	43	37	29
Other Fees Paid	3,437	2,818	1,519
Expenses from Real Estate Portfolios	0	0	0
Fees Paid on Services	3,480	2,856	1,548
Net Fees	8,059	6,877	7,686
Foreign Exchange	1,391	1,182	705
Securities-Realized Gains	914	1,349	526
Securities-Unrealized Gains	1,847	247	458
Trading Income	4,152	2,778	1,689
Subtotal Other Operating Income (Expense) (5)	1,058	1,501	1,739
Other Products (Expense) net (6)	615	819	581
Other Operating Income (Expense) derived from Insurance and Annuities (7)	626	494	-
Other Operating Income and Expenses	2,300	2,814	2,320
Non Interest Income	\$14,510	\$12,469	\$11,695

Million pesos.

- In 2012, Electronic Banking Services and Credit Card Fees headings corresponding to 2012 and 2011 were reclassified to reflect the merger of Banorte Ixe Tarjetas, SA de CV, SOFOM; as there is no reclassification for 2010, the same figures as the ones reported that year are used in this report.
- Includes Fees received by the Recovery Bank and the Bank.
- In 2012 the deconsolidation of Afore XXI Banorte's figures since 2011 was recognized.
- Includes fees from letters of credit, transactions with pension funds, warehouse services, financial advisory services, and securities trading by the Brokerage House, among others.
- As of April 2009, the CNBV issued changes to the main accounting criteria, which require this item to be recorded under Non Interest Income. The majority of these revenues correspond to recoveries of previously charged-off loans.
- In January 2011, the CNBV issued changes to accounting criteria in which items previously registered under "Other Income and Expenses, net" after Net Operating Results, are now registered under Non Interest Income as of January 1st. (Criteria D-2).
- In January 2011, the CNBV issued changes to accounting criteria for consolidating Insurance and the Annuities companies (Criteria A-2).

The following table identifies the sources of Non Interest Income:

	2012	2011	2010
Services	\$6,752	\$5,760	\$6,780
Recovery	1,307	1,117	906
Trading	4,152	2,778	1,689
Other Operating Income (Expense)	2,300	2,814	2,320
Non Interest Income	\$14,510	\$12,469	\$11,695

Million pesos.

In addition to the previously mentioned A-2 accounting criteria, starting in 1Q11, Insurance and Annuities companies use the D-2 Accounting Criteria to report Other Operating Income (Expense) in the Income Statement. As a result, as of that quarter, “Other Operating Income (Expense) net”, which was previously reported after Operating Income, is now reported as “Non Interest Income”, and “Other Operating Income (Expense) from Insurance and Annuities”, which was previously consolidated using the equity participation method is now included in the results of the Financial Group. Both items are registered under “Other Operating Income (Expenses)”.

Non Interest Income amounted to Ps 14.51 billion in 2012, a 16% YoY increase due to the integration of Ixe and more revenue from Trading, Service Fees and Recoveries.

- **Service Fees**

As a result of the merger of Afore Banorte with Afore XXI in January 2012, the results of Afore XXI Banorte are reported in the results of Banco Mercantil del Norte (which has a 50% stake in the Afore) using the equity participation method. Given the change in the way the Afore’s results are reported, as of that quarter, income from fees charged by this company is no longer reported in the Services heading. Furthermore, and in accordance with Note 2 - “Relevant Events. Subparagraph c)” of the Audited Financial Statements, it was determined that for comparative purposes with previous years, figures as of December 31st, 2011 were modified to reflect the effects of the deconsolidation of Afore XXI Banorte.

Service Fees amounted to Ps 6.75 billion in 2012, an increase of 17% YoY underpinned by better business dynamics: i) 38% in electronic banking fees due to more users and bigger business volumes, reversing the negative impact of 2011 caused by new rules for charging ATM usage and the regulation of other fees; ii) 43% in consumer and credit card loan fees as a result of more client transactions; iii) 7% in Account Management fees due to an increase in the number of accounts; iv) a 14% increase in income from fund transfers; and v) increases in fees generated by the Fiduciary business. As a result of the same business dynamics, Fees Paid rose by 22%, due to larger interbank fees resulting from more credit and debit card transactions among clients, the consolidation of Ixe Banco and Ixe Tarjetas and fees paid to Nacional Financiera in relation to credit guarantees.

- **Recoveries**

Non Interest Income from Recoveries (including previously written-off proprietary loans and the sale of foreclosed assets classified under “Other Operating Income (Expenses)”) decreased (1%) YoY vs. 2011, owing to less revenues from acquired loan portfolio recoveries (15%) and revenues from previously written-off proprietary loan recoveries (12%), which offset a 17% increase in real estate portfolio recoveries, including income from investment projects mainly with homebuilders.

- **Trading**

Trading fees amounted to Ps 4.15 billion in 2012, YoY growth of 49%, due to the integration of IXE's subsidiaries' results and the positive impact of: i) valuation gains of the securities instruments of the annuities company and Banorte; and ii) foreign exchange transaction results.

Other Operating Income (Expense)

	2012	2011	2010
Loan recoveries	1,234	1,207	1,612
Income from foreclosed assets	(83)	99	110
Other operating income	76	296	21
Other operating expense	(169)	(101)	(4)
Subtotal other Operating Income (Expense)	\$1,058	\$1,501	\$1,739
Other Products	2,305	1,625	1,639
Other Recoveries	386	451	240
Other (Expenses)	(2,075)	(1,258)	(1,298)
Other Products (Expense) Net	\$615	\$819	\$581
Other Operating Income (Expense) from Insurance and Annuities	\$626	\$494	\$0
Other Operating Income (Expense)	\$2,300	\$2,814	\$2,320

Million pesos.

As a result of applying A-2 and D-2 Accounting Criteria, information pertaining to Insurance and Annuities Operations is reported under Other Operating Income (Expense) as well as information previously grouped under Other Products and Expenses, Net.

In 2012 Other Operating Income (Expense) amounted to Ps 2.30 billion, a YoY decrease of (18%), due mainly to a 65% increase in Other Expenses related to more write downs and frauds, a decline of (74%) in Other operating income (in 4Q11 there was a gain from the acquisition of loan portfolios that was not replicated this year, and in 2012 there were fewer cancellations of surpluses in preventive estimates) and lower revenues from previously written-off proprietary loan and acquired loan recoveries, decreases that were not offset by a 27% increase in fees from the insurance and annuities companies, and a 42% increase in Other Products, the latter mainly resulting from an increase in the valuation of future benefits from securitizations, and gains from the sale of property, furniture and equipment.

Non Interest Expense

	2012	2011	2010
Personnel	\$10,398	\$9,446	\$7,077
Professional Fees	2,907	2,172	1,414
Administrative and Promotional	4,899	4,657	4,128
Rents, Depreciation & Amortization	2,954	2,805	2,206
Taxes other than income tax expenses	1,826	1,296	893
Contributions to IPAB	1,610	1,341	1,136
Employee Profit Sharing (PTU) (1)	940	871	837
Non Interest Expense	\$25,535	\$22,588	\$17,691

Million pesos.

(1) As a result of applying new accounting criteria as of April 2009 employee profit sharing is registered as a Non Interest Expense.

Non Interest Expense amounted to Ps 25.54 billion in 2012, 13.0% higher YoY vs. 2011, mainly derived from the integration of Ixe and merger-related expenses, as well as growth in the business areas. Growth occurred across all headings, in particular the following ones: i) Ps 953 million in Personnel Expenses (+10%) arising from the integration of personnel from Ixe subsidiaries, growth in business areas and employee compensation; ii) Ps 735 million in Professional Fees (+34%) due to more advisory services and business-related transactions, as well as legal fees associated with loan portfolio recovery; iii) Ps 530 million in Other Taxes and Non Deductible Expenses (+41%), mainly VAT due to higher current expenses, as well as VAT generated by investment flows, and a decrease in the VAT accreditation factor; iv) Ps 269 million in IPAB Contributions (+20%) due to growth in deposits; v) Ps 241 million in Administrative and Promotional Expenses (+5%) due to higher operating costs related to more credit and debit card transactions and more reserves for the points program, as well as expenses related to transport of cash by armored vehicles stemming from more ATMs and a bigger transaction volume, the payment of insurance linked to mortgage, car and payroll loan placements, and an increase in current expenses stemming from a larger branch and ATM network; vi) Ps 150 million in Rents, Depreciations and Amortizations (+5%) due to investments in new furniture and fixtures in buildings (like the Call Center), computer and software equipment and the recognition of the depreciation of finished constructions and the amortization of projects capitalized in the Banorte-Ixe integration, higher office rents due to the effect of inflation, and growth in the bank network; and vii) a Ps 69 million increase in statutory employee profit sharing (+8%).

The 2012 Efficiency Ratio was 54.0%, (1.6 pp) below 2011's due to positive operating leverage.

Performing loan portfolio

	2012	2011	2010
Commercial ⁽¹⁾	\$130,929	\$123,404	\$87,825
Consumer	118,401	98,521	83,545
Corporate ⁽¹⁾	63,566	57,175	44,176
Government	88,294	71,165	47,550
Subtotal	401,190	350,265	263,096
Recovery Bank	243	292	454
Total performing loans	\$401,432	\$350,558	\$263,550
Past due loans	8,481	6,949	6,664
% NPL Ratio	2.1%	1.9%	2.5%

Million pesos.

1. In this Annual Report, some figures corresponding to 2011 in the commercial and corporate loan portfolios differ from those presented in the 2011 Annual Report due to certain reclassifications.

Performing Consumer Loan Portfolio

	2012	2011	2010
Mortgage	\$72,365	\$64,275	\$55,718
Car Loans	10,329	9,353	8,208
Credit Cards	17,524	11,465	11,159
Payroll	18,183	13,428	8,460
Total performing consumer loans	\$118,401	\$98,521	\$83,545

Million pesos.

Total Performing Loans grew 15% YoY or Ps 50.93 billion to Ps 401.19 billion at the close of 2012, excluding the proprietary portfolio managed by the Recovery Bank. All items in this portfolio increased for an eleventh straight quarter as a result of bank strategies to drive loan placements, and an economic environment characterized by greater demand for credit in the industry.

Portfolio growth by headings was as follows:

Individual Loans

Consumer and Mortgage. This segment registered an increase of Ps 19.88 billion, or 20% YoY vs. 2011, and totaled Ps 118.40 at the end of 2012 driven by favorable dynamics in all headings.

Mortgage: This segment registered an increase of Ps 8.09 billion, or 13% YoY totaling Ps 72.37 billion, driven by more middle-income and residential mortgage loan placements derived from the launch of new mortgage products as well as the reactivation of mortgage products for liquidity, improvement of mortgage loan conditions, construction, remodeling and payment of liabilities.

Credit Cards: In 1Q12 Banco Mercantil del Norte acquired JP Morgan Chase's 50% interest in the SOFOM Ixe Tarjetas, and so as of the first quarter of 2012, 100% of the portfolio is consolidated in GFNorte. Banco Mercantil del Norte subsequently acquired the other 50% from IXE Banco and changed the corporate identity of the company to Banorte Ixe Tarjetas, S.A. de C.V. SOFOM. At the end of 2012 the Credit Card portfolio totaled Ps 17.52 billion, an increase of Ps 6.06 billion, or 53% YoY. YoY growth can be attributed to the aforementioned consolidation of portfolios, but can be mostly explained by loan portfolio management strategies, marketing campaigns of Banorte-Ixe products and more cross selling to clients.

Payroll: At the close of 2012, this portfolio had posted a YoY increase of Ps 4.75 billion, or 35% YoY, totaling Ps 18.18 billion driven by marketing campaigns for the Payroll product (Crédito de Nómina), a 12% YoY

increase in the number of Banorte-Ixe payroll deposit accountholders to 3.91 million, and the strategy to boost cross sales through various channels.

Cars: Car loans grew by Ps 976 million, or 10% YoY, to Ps 10.33 billion at the end of 2012 on the back of favorable car sale dynamics in Mexico, and alliances with dealers to finance car purchases.

II. Loans to Institutions

Commercial: Commercial loans grew by Ps 7.53 billion, or 6% YoY, to Ps 130.93 billion. YoY growth stemmed from more placements of middle market company loans, leasing and factoring, and the reactivation of the Crediactivo product for businesses. GFNorte's SME loans amounted to Ps 29.71 billion, registering growth of Ps 6.12 billion, or 26% YoY.

Corporate: At the close of 2012, corporate loans amounted to Ps 63.57 billion, increasing Ps 6.39 billion, or 11% YoY, due to better business dynamics in this sector and efforts by the corporate banking area to boost lending.

Government: At the close of 2012 this loan portfolio's balance amounted to Ps 88.29 billion, representing growth of Ps 17.13 billion, or 24% YoY, as a result of efforts to continue meeting loan demand in this segment, especially from state governments, municipalities and decentralized entities, as well as the purchase of the State of Mexico's loan portfolio from Dexia for Ps 6.81 billion, the refinancing of several clients' debt as part of a financial reengineering of their public finances, and more recently by efforts to win a larger share in federal government financing. The loan portfolio also has an adequate risk profile, as 95% of the total loan portfolio has a fiduciary guarantee (federal budget transfers and local revenues, such as the payroll tax); furthermore, only 2% of the loans in the portfolio have short-term maturities.

Past Due Loans

At the end of 2012, past due loans amounted to Ps 8.48 billion, a YoY increase of 22% on 2011, mainly owing to an increase in past due loans in the Commercial, Payroll and Corporate segments derived from asset impairments at Fincasa Hipotecaria due to the application of Banorte's past due loan policies to this subsidiary as well as the deterioration of commercial loan exposure to tourist developments in the northwest of the country and the maturing process of new consumer loan vintages.

The trend in past due balances by segment was:

<u>Million pesos</u>	2012	Change Vs. 2011
Credit Cards	932	29
Payroll	400	166
Car loans	135	(14)
Mortgage	812	(156)
Commercial	4,723	1,330
Corporate	1,419	127
Government	60	49
Total	8,481	1,533

At the end of 2012, the Past Due Loan Ratio ("PDL") was 2.1%, 0.13 pp above the 2011 level, mainly due to more commercial, corporate and payroll past due loans. Past due Loan Ratios by segment, which as of 2Q11 include Ixe's PDL ratios, show the following trends for the last-12-months:

	2011	2012
Credit Cards	7.3%	5.0%
Payroll	1.7%	2.2%
Car loans	1.6%	1.3%
Mortgage	1.5%	1.1%
Commercial	2.7%	3.5%
Corporate	2.2%	2.2%
Government	0.0%	0.1%
Total	1.9%	2.1%

Deposits

	2012	2011	2010
Non Interest Bearing Demand Deposits	\$104,612	\$91,860	\$69,615
Interest Bearing Demand Deposits ⁽¹⁾	106,842	98,085	80,218
Total Demand Deposits ⁽²⁾	211,454	189,944	149,833
Time Deposits – Retail	124,314	116,223	88,805
Core Deposits	335,768	306,168	238,638
Money Market ⁽³⁾	89,801	63,127	54,142
Total Banking Sector Deposits	\$425,569	\$369,295	\$292,780
GFNorte's Total Deposits ⁽⁴⁾	\$424,325	\$370,293	\$292,615
Third party deposits	111,042	123,918	145,602
Total assets under management	\$536,611	\$493,213	\$438,382

Million pesos.

(1) As of 2004, IPAB checking accounts for the deposit of cash collections related to the managed portfolios of Banpaís and Bancen are excluded retroactively for comparison purposes. The balances of these accounts for 2010, 2011 and 2012 were \$0 million pesos in all cases.

(2) Includes debit cards.

(3) Includes bank bonds. (Customers and Financial Intermediaries).

(4) Includes eliminations between subsidiaries (2010 = Ps (165) million; 2011= Ps 998 million; 2012 = Ps (1.24) billion, respectively).

At the end of 2012, Total Deposits amounted to Ps 424.33 billion, an increase of Ps 54.03 billion, or 15% higher than in 2011 driven mainly by marketing campaigns for Banorte-Ixe's deposit products. Demand deposits rose 11% YoY, Time Deposits 7%, and Money Market deposits 42%.

1. Banking Sector

The Banking Sector's (Banco Mercantil del Norte, Banorte USA, Ixe Banco, Banorte-Ixe Tarjetas and the 50% interest in the Afore XXI Banorte) profit amounted to Ps 10.14 billion in 2012, 40% above the 2011 level, due to the inclusion of the results of Ixe Banco, Ixe Tarjetas and Afore XXI Banorte.

Consolidated Income Statement – Banking Sector

	2012	2011	2010
= Net Interest Income (NII)	\$30,025	\$25,105	\$21,700
- Preventive Provisions for Loan Losses	5,833	5,311	6,772
= Net Interest Income Adjusted for Credit Risk	24,192	19,794	14,928
+ Non Interest Income	12,034	10,843	9,431
= Total Operating Income	36,226	30,637	24,359
- Non Interest Expense	23,203	20,694	16,080
= Operating Income	13,023	9,943	8,279
+ Equity in Earnings of unconsolidated Subsidiaries and Associated Companies	542	158	222
= Pre-tax Income	13,565	10,101	8,502
- Income Tax and Profit Sharing	2,975	1,902	2,431
- Tax on Assets	0	-	-
- Deferred Income Tax and Profit Sharing	485	938	36
= Net Income from Continuous Operations	10,105	7,260	6,035
+ Extraordinary items, net	0	-	-
- Minority interest	34	(0)	(0)
= Net Income	\$10,139	\$7,260	\$6,035

Millions of pesos.

Does not include Afore. Its results are included in the Subsidiaries' equity using the equity participation method.

The following is a breakdown of the most important items of the income statement:

Net Interest Income

	2012	2011	2010
Interest Income	\$52,518	\$46,703	\$41,406
Interest Expense	23,286	22,271	20,180
Loan Origination Fees	1,077	886	619
Fees Paid	284	213	144
Net Interest Income	\$30,025	\$25,105	\$21,700
Provisions	5,833	5,311	6,772
Net Interest Income Adjusted for Credit Risk	\$24,192	\$19,794	\$14,928
Average Productive Assets	\$665,877	\$613,405	\$525,977
% Net Interest Margin (NIM) ⁽¹⁾	4.5%	4.1%	4.1%
% NIM after Provisions ⁽²⁾	3.6%	3.2%	2.8%

Million pesos.

(1) NIM (Net Interest Margin) = Net Interest Income / Average Productive Assets for that period.

(2) Net Interest Income adjusted for Credit Risk / Average Productive Earnings Assets.

In 2012, Net Interest Income grew 20% YoY, from Ps 25.11 billion to Ps 30.03 billion as a result of a larger expansion in interest income compared to interest expense driven by a better loan portfolio mix and the inclusion of Ixe Tarjetas in the bank's results, as well as a stable cost of funding. Based solely on financial revenues and net fees generated by lending activity, Net Interest Income rose by 21% for the year.

The average Net Interest Margin (NIM) was 4.5% at the close of 2012, an increase of 0.4pp vs. 2011 due to a bigger increase in Net Interest Income compared to Average Productive Assets, derived from a better loan and funding mix.

Provisions

In 2012 Provisions charged to results amounted to Ps 5.83 billion, 10% more compared to the same year-earlier period. The average NIM adjusted for credit risk was 3.6% in 2012, 0.4 pp higher than for the previous year.

Non Interest Income

	2012	2011	2010
+ Fees for Commercial and Mortgage Loans	\$12	\$12	\$13
+ Fund Transfers	479	421	389
+ Account Management Fees	1,240	1,160	1,018
+ Fiduciary	369	329	288
+ Income from Real Estate Portfolios	1,307	1,117	906
+ Electronic Banking Services (1)	3,377	2,444	940
+ Credit Card Fees (1)	2,030	1,418	2,601
+ Fobaproa Fees (2)	0	-	-
+ Other Fees Charged	1,881	1,711	1,052
Fees charged on services	10,695	8,612	7,207
+ Fund Transfers	43	37	29
+ Other Fees Paid	2,594	1,860	1,452
+ Expenses from Real Estate Portfolios	0	-	-
Fees paid on services	2,637	1,897	1,481
= Net fees	8,058	6,714	5,726
+ Foreign Exchange	1,391	1,197	703
+ Securities-Realized gains	551	1,088	285
+ Securities-Unrealized gains	472	(722)	459
= Trading income	2,414	1,564	1,447
Subtotal Other Operating Income (Expense) (3)	1,072	1,517	1,737
Non Operating Income (Expense), net (4)	491	1,048	521
Other Operating Income (Expense)	1,562	2,565	2,258
= Non interest income	\$12,034	\$10,843	\$9,431

Million pesos.

1. In 2012, Electronic Banking Service and Credit Card Fee headings corresponding to 2012 and 2011 were reclassified to reflect the merger of Banorte Ixe Tarjetas, SA de CV, SOFOM; as there is no reclassification for 2010, the same figures as the ones reported that year are used in this report.
2. Includes fees received by the Recovery Bank and the Bank.
3. As of April 2009, the CNBV issued changes to the main accounting criteria that require this item to be recorded under Non Interest Income. The majority of these revenues correspond to recoveries of previously charged-off loans.
4. In January 2011, the CNBV issued changes to accounting criteria according to which items previously registered under "Other Income and Expenses, net" after Net Operating Results, are now registered under Non Interest Income as of January 1st. (Criteria D-2).

The following table shows a breakdown of Non Interest Income:

	2012	2011	2010
Services	\$6,751	\$5,597	\$4,820
Recovery	1,307	1,117	906
Trading	2,414	1,564	1,447
Other Operating Income (Expense)	1,562	2,565	2,258
Non interest income	\$12,034	\$10,843	\$9,431

Million pesos.

In 1Q11, new Accounting Criteria were implemented, among them the so-called D-2 for reporting Other Operating Income (Expense) in the Income Statement. Consequently, as of that quarter the heading “Other Products (Expense), net” which had previously come after “Net Operating Profit (Loss)” was included in “Non Interest Income”.

In 2012, Non Interest Income amounted to Ps 12.03 billion, an increase of 11% YoY, due to the absorption of Ixe Banco and Ixe Tarjetas’ operations, as well as more income from real estate portfolio Recoveries and trading.

Service Fees: in 2012 they amounted to Ps 6.75 billion, 21% higher than in 2011 due to the inclusion of fees generated by Ixe Banco and Ixe Tarjetas, as well as the following increases: i) 38% in electronic banking fees, due to more users and bigger business volumes, reversing the negative impact of 2011 caused by new rules for charging ATM usage and the regulation of other fees, ii) 43% in consumer and credit card loan fees, due to more client transactions, iii) 7% in Account Management fees, due to an increase in the number of accounts, iv) 14% in income from fund transfers, and v) increases in fees generated by the Fiduciary business. As a result of the same business dynamics, Fees Paid rose by 39%, due to larger interbank fees resulting from more credit and debit card transactions among clients, as well as fees paid to Nacional Financiera in relation to credit guarantees and the consolidation of Ixe Banco and Ixe Tarjetas.

Recoveries: Non Interest Income from recoveries (including previously written-off proprietary portfolios and sales of foreclosed assets, which are classified under “Other Operating Income / Expense”) decreased by (2%) vs. 2011 owing to less revenues from acquired loan portfolio recoveries (17%), and revenues from previously written-off proprietary loan recoveries (14%), which offset a 17% increase in real estate portfolio recoveries, including income from investment projects, mainly with homebuilders.

Trading: Trading revenues totaled Ps 2.41 billion in 2012, a YoY increase of 54%, due to the inclusion of IXE subsidiaries’ results.

Non Interest Expense

	2012	2011	2010
Personnel	\$9,948	\$8,803	\$6,556
Professional Fees	2,309	1,693	1,382
Administrative and promotional expenses	4,155	4,184	3,551
Rents, depreciations and amortizations	2,723	2,803	1,852
Other Taxes and Non-deductible Expenses	1,550	1,008	775
Contributions to IPAB	1,610	1,341	1,136
Employee Profit Sharing (PTU) ⁽¹⁾	908	861	827
Non Interest Expense	\$23,203	\$20,694	\$16,080

Million pesos.

(1) As a result of the application of new accounting criteria as of April 2009, employee profit sharing is registered as a Non Interest Expense.

Non Interest Expense amounted to Ps 23.20 billion in 2012, an increase of 12% vs. 2011, stemming mainly from the merger with Ixe Banco and the effect of integrating IXE Tarjetas with Banco Mercantil, which caused an increase in practically all items, especially in Personnel expenses, Professional Fees, Other taxes and Non-deductible Expenses and Contributions to IPAB.

The 2012 Efficiency Ratio was 55.2%, (2.4 pp) below 2011, due to positive operating leverage from expense containment as well as higher net interest income and non interest income.

Performing Loan Portfolio

	2012	2011	2010
Commercial	\$112,902	\$107,044	\$74,663
Consumer	117,989	97,890	83,543
Corporate	71,117	61,760	45,225
Government	86,378	68,328	47,549
Subtotal	388,386	335,022	250,980
Recovery bank	243	292	454
Total performing loans (1)	\$388,629	\$335,314	\$251,434
Past due loans	7,281	\$6,583	6,523
% NPL Ratio	1.8%	1.9%	2.5%

Million pesos.

(1) Balances not considering GFNorte Eliminations.

Performing Consumer Loan Portfolio

	2012	2011	2010
Mortgage	\$72,015	\$63,849	\$55,718
Car Loans	10,325	9,204	\$8,207
Credit Cards	17,524	11,465	\$1,159
Payroll	18,126	13,372	\$8,459
Consumer loans	\$117,989	\$97,890	\$83,543

Million pesos.

Total performing loans grew 16% YoY, from Ps 335.02 billion to Ps 388.39 billion excluding the proprietary loans managed by Recovery Bank. The loan portfolio recorded sustained growth in all segments as a result of the bank's strategies to promote loan activity and a favorable economic situation characterized by a greater demand in the industry.

At the end of 2012, Banking Sector past due loans increased 11% YoY, while the Past due Loan Ratio was 1.8% (includes INB past due loans), a (0.1pp) decrease from 2011.

Deposits

	2012	2011	2010
Non interesting-bearing demand deposits	\$104,612	\$91,860	\$69,615
Interest-bearing demand deposits ⁽¹⁾	106,842	98,085	80,218
Total demand deposits⁽²⁾	211,454	189,944	149,833
Time deposits - retail	124,314	116,223	88,805
Core deposits	335,768	306,168	238,638
Money Market ⁽³⁾	89,801	63,127	54,142
Total banking sector deposits	\$425,569	\$369,295	\$292,780
Third party deposits	111,042	123,918	145,602
Total assets under management	\$536,611	\$493,213	\$438,382

Million pesos.

(1) As of 2004, IPAB checking accounts for the deposit of cash collections related to the managed portfolios of Banpaís and Bancen are excluded, retroactively for comparison purposes. The balances of these accounts to 2010, 2011 and 2012 were \$0 million pesos in all cases.

(2) Includes debit cards.

(3) Includes bank bonds. (Customers and Financial Intermediaries).

At close of 2012, **Total Deposits** amounted to Ps 425.57 billion, 15% more or Ps 56.27 billion than in 2011, driven mainly by marketing campaigns for Banorte-Ixe deposit products.

Core Deposits were 10% higher YoY, increasing from Ps 306.17 billion in 2011 to Ps 335.77 billion in 2012.

2. Brokerage

	2012	2011	2010
Net Income	\$681	\$418	\$403
Stockholders' Equity	2,785	2,591	1,883
Total Assets	103,344	23,528	10,169
Assets Under Management	667,873	578,762	174,068

Million pesos.

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Ixe Fondos) reported Net Income of Ps 681 million in 2012, a 63% increase from 2011. This growth can mainly be attributed to mutual funds managing more client resources, which translated into more service fees, as well as more revenues from wealth management & private banking, investment banking and structured financing activity.

3. Long-Term Savings

	2012	2011	2010
Afore			
Net Income	\$1,149	\$443	\$440
Stockholders' Equity	6,216	1,297	1,780
Total Assets	6,889	1,614	2,096
AUM	244,956	203,216	86,271
Insurance			
Net Income	\$924	\$665	\$451
Stockholders' Equity	3,252	2,701	2,436
Total Assets	16,803	15,921	13,419
Annuities			
Net Income	\$96	\$49	\$12
Stockholders' Equity	1,173	1,142	1,028
Total Assets	42,998	34,279	25,478

Million pesos.

- **Afore**

At the end of 2011, the merger of Afore XXI and Afore Banorte took place in which Banco Mercantil del Norte has a 50% stake. It previously had a 51% interest in Afore Banorte Generali and results were consolidated in Banco Mercantil del Norte using the straight line method; however, as it is no longer a majority shareholder of Afore XXI Banorte, results are now consolidated in the bank using the equity participation method.

In 2012, the AFORE posted a net profit of Ps 1.15 billion, 159% more YoY, on the back of an increase in managed assets derived from the merger with Afore XXI. As a result of the merger with Afore XXI and efforts to capture new accounts, managed funds totaled Ps 244.96 billion, a YoY increase of 21% vs. 2011.

At the end of December 2012, Afore XXI Banorte had a 12.9% share of managed funds, ranking 4th in the market with more than 7.28 million managed accounts (this figure does not include the 5.25 million accounts managed by Afore XXI with resources deposited in Banco de México), representing 16.8% of the system's total accounts and ranking 2nd in the market.

As part of Afore XXI Banorte's expansion in this sector, on November 27th, 2012, GFNorte informed the investment public that it had reached an agreement with Grupo BBVA to acquire Afore Bancomer through Afore XXI Banorte and that the deal was subject to authorizations from CONSAR and COFECO, which were subsequently granted on November 30th and December 18th, respectively. On January 9th, 2013, the deal was finalized. Banco Mercantil del Norte contributed with 50% of the price paid by Afore XXI Banorte (Ps 10.25 billion, which does not include the excess capital of Afore Bancomer), and the Mexican Social Security Institute the other 50%. Afore Bancomer's operations will be merged with Afore XXI Banorte's as of January 2013, and Afore XXI Banorte's corporate identity and operations will prevail, making it Mexico's largest retirement fund management company, owned jointly by the Mexican Social Security Institute (IMSS) with a 50% interest and Banco Mercantil del Norte, also with a 50% interest.

- **Insurance**

2012 profits amounted to Ps 924 million (51% corresponded to GFNorte), a YoY increase of 39% driven by annual growth in revenues from premiums, financial revenue and trading income, which offset an increase in damages and claims.

- **Annuities**

2012 profit amounted to Ps 96 million (51% of which corresponded to GFNorte), an increase of Ps 46 million on 2011, as one-time portfolio write-offs in 2011 were not repeated during 2012, translated into higher securities' valuations.

4. Other Finance Companies

	2012	2011	2010
Leasing and Factoring ⁽¹⁾			
Net Income	\$604	\$616	\$443
Stockholders' Equity	2,983	2,446	1,930
Total Portfolio	19,607	16,882	15,884
Past Due Loans	154	79	141
Total Assets	20,058	16,814	15,679
Warehousing			
Net Income	\$43	\$40	\$57
Stockholders' Equity	265	246	206
Inventories	351	43	49
Total Assets	578	277	777
Ixe Automotriz ⁽¹⁾			
Net Income	\$33	\$30	-
Stockholders' Equity	311	337	-
Total Portfolio	703	1,318	-
Past Due Loans	20	66	-
Total Assets	863	1,390	-
Fincasa Hipotecaria			
Net Income	(\$1,114)	\$22	-
Stockholders' Equity	(236)	697	-
Total Portfolio	3,168	3,915	-
Past Due Loans	907	335	-
Total Assets	3,034	4,575	-

Million pesos.

(1) In the Extraordinary Shareholders' Meeting held in January 2013, shareholders agreed to merge Ixe Automotriz with Arrendadora y Factor Banorte. This agreement is being formalized at the time of writing.

- **Leasing and Financing**

Arrendadora y Factor Banorte posted a 2012 profit of Ps 604 million, a decrease of (2%) YoY, due to more loan loss provisions derived from higher preventive reserve requirements as a result of an increase in the past due loan portfolio of the factoring company and a change in some clients' credit ratings. Lower profits at this subsidiary can also be attributed to a reduction in financial revenues from the loan portfolio due to a less favorable dollar/peso mix.

At the end of 2012 the Past due Loan Ratio stood at 0.8%, an increase of 0.3pp on 2011, while the Capitalization Ratio was 15.6% (1.6pp higher than in 2011) based on total risk weighted assets of \$19.57 billion (a YoY increase of 16%).

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

- **Warehouse**

Warehousing reported a 2012 net income of Ps 43 million, YoY growth of 8%, mainly driven by more revenues related to inventory sales and warehouse preparation.

At the end of 2012 the Capitalization Ratio was 7.7% considering \$2.86 billion in total certificates at risk outstanding. Banorte's warehousing business ranks 3rd among the sector's 19 warehousing companies in terms of profits generated.

- **Ixe Automotriz**

Ixe Automotriz registered a 2012 net profit of Ps 33 million, a YoY increase of 11%, on the back of savings generated from synergies with Banorte.

On January 22nd GFNORTE's Extraordinary Shareholders' Meeting agreed to merge Ixe Automotriz and Arrendadora y Factor Banorte.

- **Fincasa Hipotecaria**

Fincasa Hipotecaria registered a 2012 loss of (Ps 1.11 billion) owing to lower loan volumes, an increase in reserves for individual loans in order to align its policies with Banorte's, the recognition of an Sociedad Hipotecaria Federal accounts receivable estimate, and asset write-offs. Due to impairment of these assets, and because the deterioration process began prior to the merger between GFNorte and Ixe Grupo Financero, their fair values have been adjusted. In addition to this, on December 2012, the process began to merge Fincasa Hipotecaria with Banco Mercantil del Norte during 2013.

5. Other Companies

	2012	2011	2010
Ixe Soluciones			
Net Income	(\$922)	(\$64)	\$-
Stockholders' Equity	(517)	346	-
Total Portfolio	288	286	-
Past Due Loans	204	174	-
Total Assets	387	1,397	-
Ixe Servicios			
Net Income	\$1	\$2	\$-
Stockholders' Equity	22	22	-
Total Assets	37	31	-

B) FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

NET INCOME AND PROFITABILITY INDEXES

GFNORTE Equity

	2012	2011	2010
Paid-in Capital	13,072	13,050	11,971
Premium of Subscribed & Issued Shares	18,320	18,006	1,673
Subscribed Capital	\$31,392	\$31,056	\$13,644
Capital Reserves	3,399	3,224	3,181
Retained Earnings	37,644	30,573	25,492
Surplus (Deficit) from Valuation of Securities Available for Sale	1,598	188	309
Results from Valuation of Hedging Instruments	(2,493)	(2,537)	(2,214)
Results from Conversions of Foreign Operations	(547)	(172)	(1,000)
Net Income	10,888	8,517	6,705
Earned Capital	\$50,489	\$39,793	\$32,473
Minority Interest	6,628	5,585	4,110
Total Shareholders' Equity	\$88,509	\$76,434	\$50,227

Million pesos.

The Banking Sector's (Banco Mercantil del Norte, Banorte USA, Ixe Banco, Banorte-Ixe Tarjetas and the 50% stake in Afore XXI Banorte) Net Income amounted to Ps 10.14 billion in 2012, 40% higher than in 2011 derived from the integration of the results of Ixe Banco, Ixe Tarjetas and Afore XXI Banorte.

Banking Sector Equity (*)

	2012	2011	2010
Paid-in Capital	14,727	14,727	11,488
Premium of Subscribed & Issued Shares	3,294	3,294	2,491
Subscribed Capital	\$18,021	\$18,021	\$13,979
Capital Reserves	6,703	5,990	5,172
Retained Earnings	32,676	26,437	22,066
Surplus (Deficit) from Valuation of Securities Available for Sale	1,774	58	432
Results from Valuation of Hedging Instruments	(2,626)	(2,675)	(2,316)
Results from Conversions of Foreign Operations	(582)	(192)	(1,061)
Net Income	10,139	7,260	6,035
Earned Capital	\$48,084	\$36,878	\$30,328
Minority Interest	10	10	10
Total Shareholders' Equity	\$66,115	\$54,909	\$44,316

Million pesos.

(*) Does not include the Afore.

Banco Mercantil del Norte's Capitalization Ratio [See Note 30 to the 2012 Audited Financial Statements]

	Dec-12	Dec-11	Dec-10
Tier 1 Capital	46,696	42,003	39,369
Tier 2 Capital	11,496	8,367	13,252
Net Capital	\$58,192	\$50,370	\$52,621
Credit Risk Assets	297,007	270,972	222,146
Market & Operational Risk Assets	97,522	119,340	104,335
Total Risk Assets ⁽¹⁾	\$394,529	\$390,312	\$326,481
Net Capital / Credit Risk Assets	19.6%	18.6%	23.7%
Capitalization Ratio			
Tier 1	11.8%	10.8%	12.1%
Tier 2	2.9%	2.1%	4.1%
Total Capitalization Ratio	14.7%	12.9%	16.1%

Million pesos.

(1) Excluding intercompany eliminations.

At end of 2012, Banorte's Capitalization Ratio (CR) was 14.7% taking into consideration credit, market and operational risks, and 19.6% considering only credit risks. The Tier 1 ratio was 11.8% while Tier 2 was 2.9%. On an annual basis, the 2012 Capitalization Ratio is 1.8 pp above 2011's as a result of:

- 1) Profits generated from 4Q11 to 4Q12: + 2.3 pp
- 2) Subordinated Notes' Issuance (TIER 2, Jun-12): + 0.8 pp
- 3) Reduction in Market Risks: + 0.4 pp
- 4) Dividends received from Afore XXI Banorte (May-12): +0.1 pp
- 5) Investment increase in securitization instruments: - 0.1 pp
- 6) Growth in risk assets during this period: - 0.2 pp
- 7) Afore Bancomer Investment (Nov-12): - 0.4 pp
- 8) Increase in Intangibles: - 0.5 pp
- 9) Banorte - IXE Tarjetas Investment (Jan-12, Apr-12): - 0.6 pp

Ixe Banco's Capitalization Ratio [See Note 26 to the 2012 Audited Financial Statements]

	Dec-12	Dec-11
Tier 1 Capital	5,686	4,711
Tier 2 Capital	2,483	2,907
Net Capital	\$8,169	\$7,618
Credit Risk Assets	33,246	35,219
Market & Operational Risk Assets	19,378	14,465
Total Risk Assets ⁽¹⁾	\$52,624	\$49,684
Net Capital / Credit Risk Assets	24.6%	21.6%
Tier 1	10.8%	9.5%
Tier 2	4.7%	5.9%
Total Capitalization Ratio	15.5%	15.3%

Million pesos.

(1) Excluding intercompany eliminations.

At close of December 2012, the Capitalization Ratio was 15.5% taking into consideration market, credit and operational risks, and 24.6% considering only credit risks. The Tier 1 ratio was 10.8% while Tier 2 was 4.7%. On an annual basis, the Capitalization Ratio was 0.2 pp higher in December 2012 as a result of:

1) Impact of the increase in Stockholders' Equity	+ 0.96pp
2) Impact of permanent investments in shares during the period	+ 0.89pp
3) Growth in risk assets during the period	- 0.92pp
4) FX impact on Subordinated Notes	- 0.47pp
5) Securitizations that impact net capital	-0.14pp
6) Impact of intangibles and assets that are deferred for over a year	- 0.07pp
7) Decrease in overall reserves	- 0.06pp

CASH FLOW STATEMENT

The cash flow statement reveals cash available to the institution at a certain point in time in order to meet its obligations with creditors. The structure of the cash flow statement provides details of the cash generated by the operation, and uses of resources for net financing and the investment program. As of December 2012, available cash amounted to Ps 68.48 billion, 28% above the Ps 53.65 billion registered in December 2011.

GFNorte Cash Flow Statement

	2012	2011
Net income	Ps. 10,888	Ps. 8,517
Items not requiring (generating) resources:		
Technical reserves	8,708	9,316
Depreciation and amortization	1,148	1,549
Other provisions	2,265	(271)
Current and deferred income tax	4,128	3,399
Equity in earnings of unconsolidated subsidiaries and associated companies	597	696
	27,734	23,206
OPERATING ACTIVITIES:		
Changes in margin accounts	(244)	233
Changes in investments in securities	(15,296)	(51,179)
Changes in debtor balances under repurchase and resale agreements	(1,865)	1,191
Changes in asset position of derivatives	(2,437)	(4,866)
Change in loan portfolio	(51,380)	(52,461)
Changes in acquired collection rights	450	(598)
Changes in accounts receivable from insurance and annuities, net	69	(953)
Changes in debtor premiums, net	305	(3,442)
Changes in reinsurance (net) (asset)	(122)	(2,594)
Changes in receivables generated by securitizations	(26)	108
Change in foreclosed assets	(692)	(1,008)
Change in other operating assets	(837)	(6,595)
Change in deposits	55,653	42,465
Change in interbank and other loans	474	(884)
Change in creditor balances under repurchase and sale agreements	271	14,554
Collateral sold or pledged	6	20
Change in liability position of derivative financial instruments	1,861	4,966
Change in technical reserves (net)	608	33,090
Changes in reinsurance (net) (liability)	(441)	1,246
Change in subordinated debentures	2,933	(4,389)
Change in other operating liabilities	4,103	1,988
Change in hedging instruments related to operations	(248)	1,865
Income tax	(1,821)	(1,935)
Net cash generated or used from operations	19,058	(5,972)
INVESTING ACTIVITIES:		
Proceeds on disposal of property, furniture and equipment	1,335	1,832
Payments for acquisition of property, furniture and equipment	(2,798)	(4,244)
Payment on acquisitions of Subsidiaries and associated companies	(1,727)	(3,002)
Sale of other permanent investments		183
Charges for cash Dividends	251	469
Cash flow received from Ixe companies	-	4,368
Net cash flows from investment activity	(2,939)	(394)
FINANCING ACTIVITIES:		
Dividends paid	(1,240)	(1,157)
Repurchase of shares	33	461
Net financing activity cash flows	(1,207)	(696)
Change in permanent investments due to consolidation	-	2,060
Net (decrease) increase in cash and cash equivalents	14,912	(5,002)
Effects from changes in the value of cash and cash equivalents	(85)	162
Cash and cash equivalents at the beginning of the year	53,653	58,493
Cash and cash equivalents at the end of the year	Ps. 68,480	Ps. 53,653

Million pesos.

DIVIDENDS

On October 17, 2011, the Ordinary General Shareholders' Meeting approved changes to the dividend policy, and as a result dividend payments will be as follows:

1. 16% of recurring net income in the event that profit growth is between 0% and 10% during the year.
2. 18% of recurring net income in the event that profit growth is between 11% and 20% during the year.
3. 20% of recurring net income in the event that profit growth is greater than 21%.

POLICIES GOVERNING TREASURY ACTIVITIES OF THE BANK (MAIN SUBSIDIARY OF THE FINANCIAL GROUP)

Regulatory Framework

1. All operations carried out by the Treasury will be executed in strict accordance with regulations established by Banking Institution regulatory authorities, such as the Central Bank (BANXICO), the National Banking and Securities Commission (CNBV), the Ministry of Finance and Public Credit (SHCP), as well as those set forth in the Law of Credit Institutions.
2. The Treasury is subject to the policies regarding thresholds and management of liquidity risks established by the Risk Policy Committee in the Risk Administration manual.

Treasury Management

In order to maintain a prudent strategy for the management of assets and liabilities through stable funding sources, constitute and maintain liquid assets at optimum levels, the Treasury will monitor the following limits to maintain an appropriate level of liquidity:

1. Diversification of funding sources, by accessing several markets in order to diversify funding sources.
2. Structure liabilities in such a way as to avoid the accumulation of maturities that significantly influence the administration and control of the Treasury's resources.
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 exclusive power to determine and propose the transfer costs of assets and liabilities to the Risk Policy Committee.

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 Certificate.
 3. National Banks and Development Funds:
 - National Banks.
 - Funds.
 4. Correspondent Banks:
 - Foreign Banks
 5. Available credit lines: (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. The results of the liquidity coefficients tests will be sent to the authorities and the Head of Risk Control simultaneously for monitoring.
 - c. The International Treasury will review the liquidity ratio limits set by the Risk Policy 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.

PAID AND DEFERRED TAX

Concept	As of December 31st, 2012
Income Tax (ISR)	3,653
Profit Sharing (PTU)	721
IMPAC	0
Updated caused taxes	0
Deferred ISR & PTU	734
Updated deferred taxes	0
Total	\$5,108

Million pesos.

Temporary Asset Differences	ISR	PTU	Net
Tax loss carry forwards	885	0	885
Allowance for loan losses	700	0	700
Uniteller & Banorte USA tax losses	4	0	4
State Tax on deferred assets	8	0	8
Accounting provisions	197	61	257
Excess of tax over book value of foreclosed and fixed assets	569	56	625
Profit Sharing (PTU)	208	83	291
Surplus preventive allowances for credit risks over the net tax limit	300	103	403
Fees collected in advance	288	31	319
Other items	100	1	101
Total Assets	\$3,259	\$335	\$3,594

Temporary Liability Differences	ISR	PTU	Net
Unrealized loss in securities available-for-sale	(88)	0	(88)
Capitalizable projects' expenses	(445)	(107)	(552)
Contribution to pension fund	(908)	(270)	(1,178)
Portfolios acquired	(330)	(91)	(421)
Intangible Assets	(517)	0	(517)
Deferred from the IXE purchase method	(110)	0	(110)
Other liabilities	(1,674)	(34)	(1,707)
Total liabilities	(\$4,072)	(\$502)	(\$4,574)

Assets (Liabilities) Accumulated Net	(\$811)	(\$167)	(\$978)
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Million pesos.

Banorte recognizes the effect of deferred taxes determined under the assets and liabilities method, in accordance with NIF D-4 "Accounting Approaches for Income Tax, Taxes on Assets and Employee Profit Sharing", and the INIF-8 "Effects of Corporate Tax at a Basic Rate (IETU)", through a comparison of their accounting and fiscal values. Temporary differences arise from this comparison to which the corresponding tax rate was applied.

On the other hand, employee profit sharing (PTU) is calculated taking into consideration temporary differences that arise during the year to which the corresponding fiscal rate is applied, creating a liability or benefit in the future; likewise, projections were made to calculate IETU and compare it with ISR, and it was determined that

Banorte and its subsidiaries will continue paying Income Tax (ISR), so no adjustments were made to the calculation of deferred taxes.

The net effect of all the aforementioned operations are shown in the Balance Sheet under assets entitled "Deferred Taxes".

The deferred taxes for each subsidiary as of December 31st, 2012 are as follows:

Deferred Taxes	As of December 31st, 2012
Banco Mercantil del Norte S.A.	(824)
Grupo Financiero Banorte S.A.B. de C.V.	(488)
Almacenadora Banorte S.A. de C.V.	(2)
Seguros Banorte Generali S.A. de C.V.	104
Pensiones Banorte Generali S.A. de C.V.	(147)
IXE Banco S.A.	227
Casa de Bolsa Banorte Ixe, S. A. de C. V. (antes Ixe Casa de Bolsa)	(12)
IXE Fondos S.A. de C.V.	1
IXE Automotriz S.A. de C.V.	28
IXE Soluciones S.A. de C.V.	36
Fincasa Hipotecaria S.A. de C.V.	99
Total	(\$978)

Million pesos.

TAX CREDITS OR DEBTS

The tax credits listed below are currently in litigation:

	As of December 31st, 2012
BANORTE	\$1,415
Value Added Tax (IVA) not credited for the 2006 fiscal year	221
Value Added Tax Accumulated from Fees for the 2007 fiscal year	1,167
IMSS fees, various items	6
INFONAVIT fees, various items	21
RETIREMENT SAVINGS (AFORE BANORTE)	\$25
Fiscal year 2003 (330-SAT-17738)	8
Fiscal year 2004 (330-SAT-VIII-6-11775)	17
BROKERAGE	\$37
Fiscal year 2003 (document 900 06 05-2008-11006)	2
Fiscal year 2007 (document 900 06 05-2010-03968)	35
MUTUAL FUNDS (OPERADORA DE FONDOS BANORTE, S. A. DE C. V.)	\$7
Fiscal year 2004 (document 900 06-02-2008-15698)	7
ANNUITIES (PENSIONES BANORTE GENERALI, S.A, DE C.V.)	\$10
Fiscal year 2006 (document 900-06-02-02-00-2009-5083)	10
INSURANCE (SEGUROS BANORTE GENERALI, S. A. DE C. V.)	\$363
Fiscal year 2002 (document 900 06 01-2008-6557)	297
Fiscal year 2003 (document 900-06-01-2009-9518)	15
Fiscal year 2004 (document 900-06-01-2010-9212)	51
IXE BANCO S.A.	\$12
ISR-PTU 2005 adjusted for inflation	12
FINCASA HIPOTECARIA SA DE CV	\$32
ISR 2004	32

Million pesos

C) INTERNAL CONTROL

At Grupo Financiero Banorte, we recognize that internal control is the responsibility of each member of the Institution, and is therefore implicit in daily performance which facilitates its permanent spread and promotion at all levels of the Institution.

The Internal Control System (ICS) of Grupo Financiero Banorte, S. A. B. de C.V., has been structured in accordance with guidelines set by its Board of Directors and establishes the general internal control framework for the companies that comprise GFNorte, as well as how the internal workings should be operated, in order to provide reasonable security with regard to effectiveness and efficiency of operations, the dependability of financial information and the fulfillment of regulations and the legal framework.

The ICS's mission is to support the operation of appropriate internal controls in transactions, and the generation and recording of information. It is comprised of several elements:

- A. The Board of Directors with the support of the Advisory Board, the Management Committee, the Risk Policy Committee, the Audit and Corporate Practices Committee, the Human Resources Committee (Remunerations) and the Designations Committee.
- B. The CEO and his support groups, comprised of the Unit of Integral Risk Administration (UAIR), Legal and Compliance, are responsible for ensuring that the Group's operations maintain the appropriate levels of control and risk.
- C. Internal Audit, External Audit and the Commissary (the Commissary only applies to subsidiaries of GFNorte) provide additional support to oversee ICS operations and provide reasonable assurance on the dependability of the information generated.
- D. Top Management is responsible for ensuring that the ICS operates in accordance with the functions and responsibilities that were assigned to it, as well as promoting compliance with regulations established for the Institution and the strategies defined by the CEO.
- E. Documents that establish the general control criteria that should be followed in the operation and registration of transactions, in the use of human resources, materials and technologies; in the use, security, opportunity and reliability of information; and in the due execution of external and internal norms. The Code of Conduct establishes the behavior that all consultants, officials or employees of the Group should assume in carrying out their activities.
- F. Manuals of policies and procedures that standardize documentation, registration and settlement operations carried out by the Institution and establish control points that should be observed, assuring the segregation of functions, the clear assignment of responsibilities, the back-up of information and the prevention of illicit acts.

During 2012 activities focusing on strengthening the control environment, evaluating and managing risks, establishing and monitoring controls, and ensuring the quality of the information continued to be developed, placing special emphasis on;

- A. GFNORTE's subsidiaries (Banco Mercantil del Norte, Ixe Banco, Casa de Bolsa Banorte - Ixe, Arrendadora y Factoraje, INB, Ixe Automotriz, Ixe Tarjetas, Seguros, Sólida Administradora de Portafolios, Ixe Soluciones and Fincasa Hipotecaria) submitted their annual report on the operation and status of their Internal Control System and the performance of their functions in this area to CAPS. These reports, together with the audited financial statements published by the External Auditors, and the reports and findings of the Internal Audit Area and Controller formed the basis for the report submitted by CAPS to the Board of Directors on the status of the Controlling Company's ICS.
- B. The Board of Directors analyzed and, at the request of CAPS, ratified its authorization of the basic ICS documents: Code of Conduct, Objectives and Limitations of Internal Control and General Policies for Human Resources and Materials, in accordance with external regulation specifications.

- C. The entities that were part of Ixe Grupo Financiero made significant progress with the incorporation of Banorte Internal Control System guidelines, both those that refer to Corporate Governance bodies and those that apply to Control area structures and systems.
- D. The different Corporate Governance Committees received the necessary financial, economic, accounting and/or legal information corresponding to each case, in order to make the appropriate decisions.
- E. Policies and Procedures Manuals were kept updated with changes in external regulations, new products and changes to institutional procedures or improvements in internal controls. Additionally, the follow-up of improvements in relation to observations made by different ICS members was also maintained.
- F. Requirements made by Supervising Authorities were met and the delivery of information required by external regulations was fulfilled.
- G. The different business and support processes of GFNorte's operations are monitored through Process and Management Controllers, who periodically report on the execution and when appropriate identification of areas of opportunity for their timely remediation.

II. TRANSACTIONS AND BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

At Banco Mercantil del Norte, main GFNorte's subsidiary, loans to related individuals and companies do not exceed the 50% limit of tier 1 capital.

	Banorte		
	Dec-12	Dec-11	Dec-10
Portfolio Art. 73	\$11,536	\$12,732	\$8,772
Portfolio Art. 73 / 50% of Tier 1 Capital	50.4%	59.8%	47.1%

On **December 31st, 2012**, the total portfolio of performing loans under Article 73 of the Law on Credit Institutions, was Ps 11.54 billion (including Ps 485 million in letters of credit –LC– registered in memorandum accounts), representing 3.2% of the total loan portfolio (excluding LC and Debtor Support Program balances). Of the total related loans, Ps 4.59 billion were loans granted to clients linked to members of the Board of Directors, Ps 1.17 billion were to clients linked to shareholders, and Ps 5.77 billion were linked to companies related to GFNorte.

The related loans were granted and rated in accordance with the same policies, procedures and rating systems that apply to the rest of GFNorte's loan portfolio, based on the general provisions applicable to credit institutions with regard to the rating of loan portfolios issued by the CNBV and the internal methodology authorized by the CNBV for rating the commercial loan portfolio. 100% of related loans are rated as Category "A" and a large majority of these loans are classified as commercial loans.

In accordance with Article 73 of the Law on Credit Institutions, the balance of GFNorte's related loan portfolio for individuals and corporations at the close of December 2012 was 50.4% of the limit set by Banco de Mexico (Central bank) of 50% of tier 1 net capital

On **December 31, 2011**, the total portfolio of performing loans under Article 73 of the Law on Credit Institutions, was Ps 12.73 billion (including Ps 566 million in letters of credit –LC–, which are registered in memorandum accounts), representing 4.2% of the total loan portfolio (excluding LC and Debtor Support Program balances). Of the total related loans, Ps 4.72 billion were loans granted to clients linked to members of the Board of Directors, Ps 1.09 billion were for clients linked to shareholders, and Ps 6.92 billion were linked to companies related to GFNorte.

The related loans were granted and rated in accordance with the same policies, procedures and rating systems that apply to the rest of GFNorte's loan portfolio, based on the general provisions applicable to credit institutions with regard to rating of loan portfolios issued by the CNBV and the internal methodology authorized by CNBV for rating the commercial loan portfolio. 100% of related loans were rated as Category "A" and the majority of these loans were classified as commercial loans.

In accordance with Article 73 of the Law on Credit Institutions, the balance of GFNorte's related loan portfolio for individuals and corporations at the end of December 2011 was 59.8% of the limit set by Banco de Mexico (Central bank) of 50% of tier 1 net capital.

III. BOARD OF DIRECTORS

The Board of Directors of Grupo Financiero Banorte, S. A. B. de C. V (GFNorte) is made up of 14 Proprietary Members, and when appropriate their respective Alternates, 8 (57.14%) of which are independent. Alternate Members can only replace their respective proprietary members in the event of a temporary vacancy, with the understanding that Alternates of Independent Board Members have the same capacity.

Frequency of sessions: The Board meets every quarter and under extraordinary circumstances at the request of the Board's Chairman, 25% of Proprietary Members, or the Presidents of the Audit and Corporate Practices Committees.

Quorum: 51% of the Board Members which should always include at least one independent member.

- All proprietary members of the Board have voice and vote in the meetings.
- In the absence of a proprietary member, the alternate is entitled to vote and his/her presence is considered part of the required quorum.
- When a proprietary member is present, the alternate is not entitled to vote and his/her presence is not considered part of the required quorum.
- Decisions are made by the majority of votes of those present.

The Board of Directors appointed for the 2012 fiscal year by the Annual General Ordinary Shareholders' Meeting April 27th, 2012, comprises the following members:

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Guillermo Ortiz Martínez	Chairman of the Board of Directors	February 2011	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Banco Mercantil del Norte, S. A. • Guillermo Ortiz y Asociados, S. C. Consultancy. • Governor of Banco de Mexico and Secretary of Finance and Public Credit.
Bertha González Moreno	Proprietary Patrimonial Member	April 1999	<ul style="list-style-type: none"> • Director Emeritus of Patronato Cerralvo, A. B. P.
David Villarreal Montemayor	Proprietary Patrimonial Member	October 1993	<ul style="list-style-type: none"> • CEO of Artefactos Laminados, S. A.
Manuel Saba Ades	Proprietary Patrimonial Member	July 2011	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Grupo Casa Saba, S.A.B. de C.V.
Alfredo Elías Ayub	Proprietary Independent Member	April 2012	<ul style="list-style-type: none"> • CEO of Federal Electricity Commission. • CEO of Airports and Auxiliary Services.
Herminio Blanco Mendoza	Proprietary Independent Member	April 2005	<ul style="list-style-type: none"> • Chairman 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 (Chairman of the Board of Directors and CEO of Mittal Steel). • Secretary of Commerce and Industrial Development.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Everardo Elizondo Almaguer	Proprietary Independent Member	April 2010	<ul style="list-style-type: none"> • Professor of Microeconomics of the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). • Deputy Governor of Banco de Mexico.
Patricia Armendáriz	Proprietary Independent Member	April 2009	<ul style="list-style-type: none"> • CEO of Credipyme, S.A. de C.V. • President of Consultoría Internacional
Armando Garza Sada	Proprietary Independent Member	July 2011	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Grupo Alfa, S.A.B. de C.V. • Director of Desarrollo de Alfa, S.A.B. de C.V.
Héctor Reyes Retana	Proprietary Independent Member	July 2011	<ul style="list-style-type: none"> • Independent Advisor to Consupago, S.A. de C.V.: • Independent Advisor to Banco del Ahorro Nacional y Servicios Financieros, S.N.C. • Advisor to Creación de Proméxico • Managing Director of Banco Nacional de Comercio Exterior, S.N.C. (National Foreign Trade Bank)
Juan Carlos Braniff Hierro	Proprietary Independent Member	July 2011	<ul style="list-style-type: none"> • Chairman and CEO of Capital Inmobiliario.
Eduardo Livas Cantú	Proprietary Independent Member	April 1999	<ul style="list-style-type: none"> • Independent Advisor.
Enrique Castillo Sánchez Mejorada	Proprietary Related Member	July 2011	<ul style="list-style-type: none"> • Managing Director of Wholesale Bank of Banco Mercantil del Norte • Managing Director of Wholesale Bank of Ixe Grupo Financiero, S.A. • Chairman of the Board of Directors of Ixe Grupo Financiero.
Alejandro Valenzuela del Río	Proprietary Related Member	October 2007	<ul style="list-style-type: none"> • CEO of Grupo Financiero Banorte S. A. B. de C. V. • Managing Director of Corporate Relations of Grupo Financiero Banorte, S. A. B. de C. V. • Managing Director of Treasury and Investor Relations of Grupo Financiero, S. A. B. de C. V.
Jesús O. Garza Martínez	Related Alternate Member	April 2012	<ul style="list-style-type: none"> • Managing Director of Banking of Banco Mercantil del Norte, S.A. • Managing Director of Commercial Banking of Banco Mercantil del Norte, S.A. • Managing Director of Consumer Banking of Banco Mercantil del Norte, S.A.
Juan Antonio González Moreno	Patrimonial Alternate Member	April 2004	<ul style="list-style-type: none"> • CEO of Gruma (Asia) • Director of Special Projects of Mission Food (Grupo Maseca).
José G. Garza Montemayor	Patrimonial Alternate Member	October 1993	<ul style="list-style-type: none"> • CEO of Productos Laminados de Monterrey, S. A. de C.V.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Alberto Saba Ades	Patrimonial Alternate Member	July 2011	<ul style="list-style-type: none"> • Vice-president of the Board of Directors of Grupo Saba, S.A.B. de C.V. • CEO of Grupo Xtra, S.A. de C.V.
Isaac Becker Kabacnik	Independent Alternate Member	April 2002	<ul style="list-style-type: none"> • Chairman of Becker e Hijos, S.A. de C.V. and of Bechtel, S.A. de C.V.
Manuel Aznar Nicolin	Independent Alternate Member	March 2007	<ul style="list-style-type: none"> • Partner at the offices of Kuri Breña, Sánchez Ugarte y Aznar, S.C.
Javier Martínez Ábrego	Independent Alternate Member	October 1993	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Motocicletas y Equipos, S.A. de C.V.
Carlos Chavarría Garza	Independent Alternate Member	April 2003	<ul style="list-style-type: none"> • CEO of Corporativo de Grupo Transregio, S.A.
Ramón A. Leal Chapa	Independent Alternate Member	July 2011	<ul style="list-style-type: none"> • CFO of Alfa Corporativo • Planning Director of Vitro
Julio César Méndez Rubio	Independent Alternate Member	July 2011	<ul style="list-style-type: none"> • CEO of Soluciones Especializadas Confianza, S.A. DE C.V., Sofom E.N.R. • Deputy Managing Director of Loans of Banco Nacional de Comercio Exterior
Guillermo Mascareñas Millmo	Independent Alternate Member	July 2011	<ul style="list-style-type: none"> • Associate Director of Alpha Patrimonial, S.A. de C.V.
Alfredo Livas Cantú	Independent Alternate Member	October 1993	<ul style="list-style-type: none"> • President of Praxis Financiera, S.C.
Javier Molinar Horcasitas	Related Alternate Member	July 2011	<ul style="list-style-type: none"> • Managing Director- Integration Offices of Banco Mercantil del Norte, S.A. • Managing Director, Ixe Grupo Financiero, S.A. • CEO, Ixe Banco, S.A.
José Marcos Ramírez Miguel	Related Alternate Member	July 2011	<ul style="list-style-type: none"> • Managing Director Wholesale Bank Banco Mercantil del Norte, S.A. • Managing Director Wholesale Bank Grupo Financiero Santander

IV. REMUNERATION AND BENEFITS

The total amount of compensations and benefits paid to GFNorte's main officers in 2012 was approximately Ps 278.2 million.

Compensations and Benefits are as follows:

- **Fixed Compensation:** Salary.
- **Annual Bonus Plan for 2012:**

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

Eligible personnel of staff areas are evaluated based on the attainment of estimated profit for the Group, as well as individual performance in accordance with the achievement of each candidate's goals and objectives.

For executive personnel (Director, Sub director and Manager levels) of business and staff areas, full compliance with the annual bonus objective is equivalent to 6 months of salary.

- **Banorte's Long Term Incentive Plans:**

Stock Options:

The long-term incentives scheme consists of assigning to Directors designated by the Compensation Committee, 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 by purchasing the shares at the price at 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 the difference between the strike price, the price originally determined by the trust, and the share's exercise price at the time the rights are exercised.

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

- **Vacations:** From 10 to 30 working days depending on the number of 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 in accordance with the legal limits established in the Income Tax Law.
- **Medical Service: Traditional Scheme:** Banorte provides medical services through recognized medical institutions, obtaining efficiency in cost and service. **Full Medical Insurance Scheme:** Major medical expenses insurance policy.
- **Life Insurance:** In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months' salary. In the event of accidental death, the compensation is double, prior verification by the insurance company.
- **Food Vouchers:** Non-executive employees are given food vouchers equivalent to 10% of their monthly salary; the amount is subject to a legal limit of one month's minimum wage according to the Economic Area in question.

- **Pension and Retirement:** The institution has two types of plans: one with defined benefits (Traditional and Special), and a second with a defined contribution (Ensure Your Future).

Ensure Your Future: was established on January 1st, 2001. This is a defined contribution plan, whereby a percentage of individual contributions by the employee and GFNorte is deposited in a fund for withdrawal by that 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 in pension, retirement or similar plans for the company's main officers amounts to Ps 50.6 million.

Note: The inclusion of IXE staff in Banorte's payroll was completed in October, 2012.

V. RESPONSIBLE OFFICERS

The undersigned hereby 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.

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

Ing. Rafael Arana de la Garza
Chief Financial Officer

Lic. Benjamín Vidargas Rojas
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

C. P. C. Nora Elia Cantu Suarez
Deputy Managing Director Accounting and Fiscal

VI. INDEPENDT AUDITORS' AND CONSOLIDATED FINANCIAL STATEMENTS

The Audited Financial Statements are available online (www.banorte.com) in Investor Relations/ Financial Information/ Annual Reports/ 2012 Audited Information.

This report is available in this same link, in the "Annual Reports" section under the title: "CNBV 2012 Annual Report".