Consolidated Financial Statements and Independent Auditors' Report

Financial Statements 2013

BANORTE IXE

Contents

Annual Report of Activities of the
Committee of Auditing and Partnership Practices

Mexico, D.F., March 20, 2014.

To the Administrative Council of Grupo Financiero Banorte, S.A.B. de C.V.

In agreement to what has been provided for by Article 43 of the Share Market Act, the Committee of Auditing and Partnership Practices (Committee) hereby presents its annual report of activities, for the 2013 period.
The contents of this report will refer to Grupo Financiero Banorte (GFNorte) and to the following relevant entities: Banco Mercantil del Norte, S.A., Inter National Bank, Casa de Bolsa Banorte Ixe, S.A. de C.V., Banorte Ixe Tarjetas, S.A. de C.V. SOFOM ER, Arrendadora y Factor Banorte, S.A. de C.V. SOFOM ER, Sólida Administradora de Portafolios, S.A. de C.V. SOFOM ER, Seguros Banorte Generali, S.A. de C.V. and Pensiones Banorte Generali, S.A. de C.V.

I. In terms of auditing:

a) About the state of the Internal Control System (in Spanish Sistema de Control Interno or SCI) and Internal Auditing of GFNorte and of its relevant entities, and the deficiencies and deviations, the following elements were taken into consideration:
   1. The annual reports of activities in terms of Internal Control of the relevant entities, as they were elaborated by their General Directors or General Managers.
   2. The reports of Internal Auditors or Inspectors, and Regulatory of some relevant entities, with their opinion about the performance of the SCI.
   3. The opinion of Internal Auditing about the situation saved by the SCI regarding the relevant entities.
   4. The reports on deficiencies and relevant observations of GFNorte and its Affiliates, presented by Internal Auditing and the follow up of the corrective measures.
   5. The reports of the External Auditor about their observations on Internal Control and their verdict on the financial statements of GFNorte and its Affiliates.
   6. The reports of the inspection visits performed by the relevant Authorities.
   7. The rulings issued by the Commissaries of the relevant entities.
   8. The reports of other Auditing Committees about relevant events and the minutes of their meetings.
   9. The reports on Internal Auditing management, in compliance with its work program and with the results of its quality assurance program.
   10. The reports of the Human Resources and Internal Auditing Committee about the coherence in the application of the Compensation System.

Taking into consideration the aforementioned elements, and as a result of the vigilance labor carried out by the Committee, it is informed that the SCI of GFNorte and of its relevant entities in general terms works adequately, and no deficiencies or deviations that could significantly affect it were detected.
In regards to the Internal Auditing performance, this area has been kept independent, it reasonably fulfilled its work program applying the best practices and it guarded the efficient implementation of actions to correct the identified observations and areas of opportunities.

b) b) No significant breach to the guidelines and operational policies, or to the accounting record of GFNorte and of its relevant entities was presented. The identified opportunity areas were informed to the responsible persons, and measures were taken to address them. In regards to them, there is a follow up system to assure its due implementation.

c) Regarding the performance evaluation of the legal entity providing the external auditing services, it is informed that during the performance of its activities and in their relationship with the Administration and the Committee, the quality of the Galaz, Yamazaki, Ruiz Urquiza, S. C. firm – member of Deloitte Touche Tohmatsu – has been confirmed, as well as that one of the Auditor on charge.
Likewise, it is considered that the contents of their findings and reports are presented with quality and they are useful as a support to the Committee, and their results and opinions show no discrepancy to those of the Administration's.

d) About the description and the assessment of additional or complementary services provided by the External Auditor, it is informed that their hiring was approved in order to review the transference prices in intercompany operations, and the sustainability report, to determine some local taxes and to perform a comparative analysis with the best practices of the accounting process.
Triggered by the corporate restructuration carried during the period, their hiring was approved to rule the merged companies financial statements, as well as the fiscal effects for such operation, and as a part of the issuance of capital, the limited review of the financial statements until March 31, 2013 and of the placement prospectus.
Also, their hiring was approved for the assessment of the compliance of the regulations during the process of integral management of risks in Insurance and Retirement Plans, and to review the process of activation of credit cards, while the committee makes sure there is no conflict of interest in the provision of these services.
Independent experts were hired to carry out the deterioration tests of commercial credit of GFNorte and some affiliates, to assess the quality of the main credit holders of some relevant entities, to review the technical aspects of the integral management process of risks and to evaluate the money-laundering and terrorism financing prevention processes

e) The reviewing process of the financial statements of GFNorte and Affiliates took place up to December 31, 2013, and the External Auditor ruling confirmed they were prepared – in every material aspect – in agreement to the applicable accounting criteria; therefore their approval was recommended to the Administrative Council. The committee quarterly reviewed as well the intermediate financial statements of the period.

f) About the main modifications to policies and accounting criteria used during the period, it is informed that some modifications took place in order to comply with the changes of the applicable dispositions, which are described in Note number 4 of the financial statements, called "Main Accounting Policies." It includes a detail explanation of such modifications and of its effects.
It is worth mentioning that during 2013 the CNVB modified the grading methodology of the commercial portfolio, achieving an effect that was visible in the Accounting Capital for $3.872 billion.

g) No relevant observations were received during the exercise of shareholders, counselors, directors, employees or any third party, in regards to the accounting, internal controls or internal and external auditing, or any report or complaint about irregular facts. In accordance to the best practices, the anonymous reporting system is valid, and the committee follows it up and pays due attention to it.

h) In regards to the follow up of the agreements reached at the Meeting of Shareholders and of the Administrative Council, such bodies did not request the Committee to follow up any particular agreement.

i) Among other relevant activities carried out by the Committee, we can mention reviewing the granting and management of credits to real estate developers (housing); and the investment projects and the actives received as a payment by them; and the credits of State and Municipality Governments, as well as reviewing the process of commercial portfolio credit.

In regards to the strategic alliance of GFNorte and IBM, the project "Sumando Valor al Cliente" was presented to the Committee. Such project requires changes to the processes, systems and organization structure, while taking care, at all times, to keep an adequate SCI.

According to internal policies, the service proposals of three external auditing firms were evaluated for a possible rotation of the External Auditor. It was decided to propose the Administrative Council to keep on working with the Galaz, Yamazaki, Ruiz Urquiza, S. C. firm – a member of Deloitte Touche Tohmatsu.

The identified effects of the financial and fiscal reforms were reviewed, and the actions that the Administration is taking for its adequate fulfillment.

II. In terms of Partnership Practices:

a) Regarding the observations about the performance of the relevant directors of the Human Resources Committee, it was informed that during the period no cases of directors acting away from the established policies were presented.

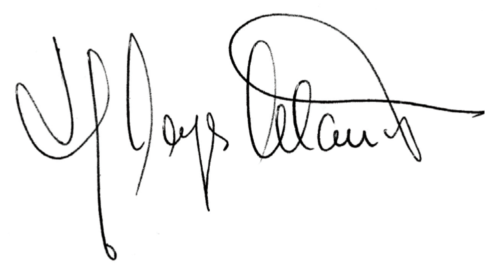
b) The Administrative Council approved the operations with related persons, and by December 31, 2013, the credits granted through Banco Mercantil del Norte to related persons rose up to $6.778 billion. Intercompany operations took place at market prices – That was verified by the External Auditor, who didn't report any relevant findings.

No unusual or non-recurring operations were observed during the period – operations which would have needed to be approved by the Administrative Council.

c) Regarding the Fee Packages of the General Director and of the relevant directors, there is an approved Compensation System, approved by this Administrative Council. Such system divides those compensations in ordinary and extraordinary, and it includes rules to postpone such compensation depending on the established risk indicators and on the fulfillment of the policies. According to the reports of the Human Resources Committee and to Internal Auditing, such fulfillment took place in a consistent manner along the period.

d) Finally, during this period, the Administrative Council did not grant any exemption to counselors or to relevant directors in order to take advantage of business opportunities.

Sincerely,



Héctor Reyes Retana y Dahl
President of the Committee of Auditing and Partnership Practices
Grupo Financiero Banorte

Deloitte.

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 financial statements of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries (the Financial Group), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements.

Management is responsible for the reasonable preparation and fair presentation of these consolidated financial statements in accordance with the accounting criteria set forth by the National Banking and Securities Commission (the Commission) in the "General Provisions Applicable to Banking Institutions" (the Provisions), and for such the internal controls as Management deems necessary to enable a preparation of the consolidated financial statements free from material misstatement, whether due to fraud or error.

Auditors' Responsibility.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the International Audit Standards. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Financial Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion about the effectiveness of the Financial Group's internal control. An audit also includes an assessment of the suitability of the accounting policies that were applied and reasonability of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries as of December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended, in accordance with the accounting practices prescribed by the Commission.

Other Matters

As explained in Note 11, during 2013, the Commission issued modifications to the accounting criteria and to the methodologies for rating commercial loans. The Commission's criteria stipulates that the effect of the change in the methodology for commercial loans was recorded under "Past years' results" in stockholders' equity for Ps. 3,872 million.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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 20, 2014

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012
(In millions of Mexican pesos)

ASSETS	2013	2012
CASH AND CASH EQUIVALENTS	**Ps. 61,978**	**Ps. 68,480**
MARGIN SECURITIES	**59**	**496**
INVESTMENTS IN SECURITIES		
Trading securities	232,926	123,233
Securities available for sale	85,031	115,291
Securities held to maturity	96,730	106,850
	414,687	**345,374**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**202**	**5,695**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	14,799	18,065
For hedging purposes	55	201
	14,854	**18,266**
VALUATION ADJUSTMENTS FOR ASSET HEDGING	**158**	**174**
PERFORMING LOAN PORTFOLIO		
Commercial loans		
Business loans	184,624	186,061
Financial institutions' loans	4,863	8,434
Government loans	95,636	88,293
Consumer loans	57,883	46,036
Mortgage loans	82,032	72,608
TOTAL PERFORMING LOAN PORTFOLIO	**425,038**	**401,432**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	10,473	6,138
Financial institutions' loans	-	4
Government loans	2	60
Consumer loans	2,093	1,467
Mortgage loans	1,087	812
TOTAL PAST-DUE LOAN PORTFOLIO	**13,655**	**8,481**
LOAN PORTFOLIO	**438,693**	**409,913**
(Minus) Allowance for loan losses	(14,289)	(11,734)
LOAN PORTFOLIO, net	**424,404**	**398,179**
ACQUIRED COLLECTION RIGHTS	**3,522**	**3,109**
TOTAL LOAN PORTFOLIO, net	**427,926**	**401,288**
ACCOUNTS RECEIVABLE FROM INSURANCE AND ANNUITIES, net	**1,281**	**885**
PREMIUM RECEIVABLES, net	**3,047**	**3,137**
ACCOUNTS RECEIVABLE FROM REINSURANCE, net	**3,563**	**2,715**
RECEIVABLES GENERATED BY SECURITIZATIONS	**738**	**883**
OTHER ACCOUNTS RECEIVABLE, net	**21,703**	**23,097**
MERCHANDISE INVENTORY	**477**	**351**
FORECLOSED ASSETS, net	**2,781**	**2,939**
PROPERTY, FURNITURE AND EQUIPMENT, net	**12,033**	**11,986**
PERMANENT STOCK INVESTMENTS	**14,205**	**5,170**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	**27,096**	**25,631**
TOTAL ASSETS	**Ps. 1,006,788**	**Ps. 916,567**

MEMORANDUM ACCOUNTS (Note 36)

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 consolidated 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 Consolidated Balance Sheet dates above.

As of December 31, 2013, the stockholders' equity amounts to Ps. 9,696 (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 financial statements.

Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY	2013	2012
DEPOSITS		
Demand deposits	Ps. 254,219	Ps. 211,171
Time deposits		
General public	179,146	187,055
Money market	4,971	21,533
Senior debt issued	5,405	4,566
	443,741	**424,325**
INTERBANK AND OTHER LOANS		
Demand loans	2,974	295
Short-term loans	19,406	27,628
Long-term loans	7,679	7,982
	30,059	35,905
TECHNICAL RESERVES	**62,207**	**51,722**
CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**304,021**	**244,031**
COLLATERAL SOLD OR PLEDGED		
Repurchase or resale agreements (creditor balance)	**8**	**36**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	14,827	17,632
For hedging purposes	3,500	4,606
	18,327	**22,238**
ACCOUNTS PAYABLE TO REINSURERS, net	**759**	**805**
OTHER ACCOUNTS PAYABLES		
Income tax	794	1,786
Employee profit sharing	339	738
Creditors from settlements of transactions	4,282	8,413
Sundry creditors and other payables	12,936	15,029
	18,351	**25,966**
SUBORDINATED DEBENTURES	**18,001**	**19,455**
DEFERRED TAXES, net	**200**	**978**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**2,423**	**2,597**
TOTAL LIABILITIES	**898,097**	**828,058**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	14,652	13,072
Additional paid-in capital	35,219	18,320
	49,871	**31,392**
OTHER CAPITAL		
Capital reserves	5,811	3,399
Retained earnings from prior years	39,303	37,644
Result from valuation of securities available for sale	667	1,598
Result from valuation of instruments for cash flow hedging	(1,420)	(2,493)
Cumulative foreign currency translation adjustment	(1,083)	(547)
Net income	13,508	10,888
	56,786	**50,489**
MINORITY INTEREST	**2,034**	**6,628**
TOTAL STOCKHOLDERS' EQUITY	**108,691**	**88,509**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 1,006,788**	**Ps. 916,567**

Dr. Alejandro Valenzuela del Río
CEO

Lic. Martha Elena Navarrete Villarreal
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director - Controller

Lic. David Ricardo Suárez Cortazar
CFO

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

Consolidated Income
Statements

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In millions of Mexican pesos)

	2013	2012
Interest income	Ps. 69,434	Ps. 64,127
Premium revenue, net	18,027	16,321
Interest expense	(31,456)	(30,874)
Increase in technical reserves	(9,686)	(8,708)
Casualty rate, claims and other contractual obligations, net	(9,138)	(8,057)
NET INTEREST INCOME	**37,181**	**32,809**
Provisions for loan losses	(8,942)	(6,172)
NET INTEREST INCOME AFTER ALLOWANCE FOR LOAN LOSSES	**28,239**	**26,637**
Commission and fee income	12,006	11,539
Commission and fee expense	(3,917)	(3,480)
Brokerage revenues	4,971	4,152
Other operating income (expenses)	3,223	2,300
Non-interest expense	(27,818)	(25,535)
	(11,535)	**(11,024)**
OPERATING INCOME	**16,704**	**15,613**
Equity in earnings of unconsolidated subsidiaries and associated companies	1,130	590
INCOME BEFORE INCOME TAX	**17,834**	**16,203**
Current income tax	(3,671)	(3,653)
Deferred income taxes, net	116	(475)
	(3,555)	**(4,128)**
INCOME BEFORE NONCONTROLLING INTEREST	**14,279**	**12,075**
Minority interest	(771)	(1,187)
NET INCOME	**Ps. 13,508**	**Ps. 10,888**

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 consolidated 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 Consolidated Income Statement dates above.

The accompanying Consolidated Income Statements 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 financial statements.

Dr. Alejandro Valenzuela del Río CEO	Lic. Martha Elena Navarrete Villarreal Managing Director - Audit	Lic. Jorge Eduardo Vega Camargo Deputy Managing Director - Controller	Lic. David Ricardo Suárez Cortazar CFO	C.P.C. Mayra Nelly López López Executive Director - Accounting

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(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 securities available for sale	Result from valuation of instruments for cash flow hedging
Balances, January 1, 2012	**Ps. 13,050**	**Ps. 18,006**	**Ps. 3,224**	**Ps. 30,573**	**Ps. 188**	**(Ps. 2,537)**
TRANSACTIONS APPROVED BY STOCKHOLDERS:						
Issuance (repurchase) of shares	22	314	-	4	(307)	-
Transfer of prior year's result	-	-	-	8,517	-	-
Creation of reserves as per General Stockholders' meeting on April 27, 2012	-	-	175	(175)	-	-
Dividend declared at the General Stockholders' meeting on:						
February 17, 2012	-	-	-	(395)	-	-
April 27, 2012	-	-	-	(419)	-	-
October 11, 2012	-	-	-	(426)	-	-
Total transactions approved by stockholders	**22**	**314**	**175**	**7,106**	**(307)**	**-**
COMPREHENSIVE INCOME:						
Net income	-	-	-	-	-	-
Result from valuation of securities available for sale	-	-	-	-	1,717	-
Effect of subsidiaries, affiliates and mutual funds	-	-	-	(35)	-	-
Result from valuation of instruments for cash flow hedging	-	-	-	-	-	44
Total comprehensive income	**-**	**-**	**-**	**(35)**	**1,717**	**44**
Minority interest	-	-	-	-	-	-
Balances, December 31, 2012	**13,072**	**18,320**	**3,399**	**37,644**	**1,598**	**(2,493)**
TRANSACTIONS APPROVED BY STOCKHOLDERS:						
Issuance of shares	1,566	29,634	-	-	-	-
Transfer of prior year's result	-	-	-	10,888	-	-
Creation of reserves for share repurchase	-	-	2,412	(2,412)	-	-
Share repurchase	14	153	-	(39)	309	-
Dividend declared at the General Stockholders' meeting on October 11, 2012 and paid on:						
January 31, 2013	-	-	-	(426)	-	-
April 23, 2013	-	-	-	(426)	-	-
July 23, 2013	-	-	-	(426)	-	-
Dividend declared at the General Stockholders' meeting on October 14 and December 20, 2013 and paid on:						
October 23, 2013	-	-	-	(544)	-	-
December 31, 2013	-	-	-	(1,089)	-	-
Acquisition of Banorte shares from IFC	-	(3,747)	-	-	-	-
Acquisition of Minority interest of Seguros Banorte Generali & Pensiones Banorte Generali	-	(8,891)	-	-	-	-
Total transactions approved by stockholders	**1,580**	**17,149**	**2,412**	**5,526**	**309**	**-**
COMPREHENSIVE INCOME:						
Net income	-	-	-	-	-	-
Result from valuation of securities available for sale	-	-	-	-	(1,240)	-
Effect of subsidiaries, affiliates and mutual funds	-	(250)	-	5	-	-
Result from valuation of instruments for cash flow hedging	-	-	-	-	-	1,073
Modification in loan rating rules	-	-	-	(3,872)	-	-
Total comprehensive income	**-**	**(250)**	**-**	**(3,867)**	**(1,240)**	**1,073**
Minority interest	-	-	-	-	-	-
Balances, December 31, 2013	**Ps. 14,652**	**Ps. 35,219**	**Ps. 5,811**	**Ps. 39,303**	**Ps. 667**	**(Ps. 1,420)**

These Statements of Changes in Stockholders' 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 consolidated 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 Stockholders' 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 financial statements.

Consolidated Statements
of Changes in Stockholders' Equity

	OTHER CAPITAL				
	Cumulative foreign currency translation adjustment	Net income	Total majority interest	Total minority interest	Total stockholders' equity
Balances, January 1, 2012	**(Ps. 172)**	**Ps. 8,517**	**Ps. 70,849**	**Ps. 5,585**	**Ps. 76,434**
TRANSACTIONS APPROVED BY STOCKHOLDERS:					
Issuance (repurchase) of shares	-	-	33	-	33
Transfer of prior year's result	-	(8,517)	-	-	-
Creation of reserves as per General Stockholders' meeting on April 27, 2012	-	-	-	-	-
Dividend declared at the General Stockholders' meeting on:					
February 17, 2012	-	-	(395)	-	(395)
April 27, 2012	-	-	(419)	-	(419)
October 11, 2012	-	-	(426)	-	(426)
Total transactions approved by stockholders	**-**	**(8,517)**	**(1,207)**	**-**	**(1,207)**
COMPREHENSIVE INCOME:					
Net income	-	10,888	10,888	-	10,888
Result from valuation of securities available for sale	-	-	1,717	-	1,717
Effect of subsidiaries, affiliates and mutual funds	(375)	-	(410)	-	(410)
Result from valuation of instruments for cash flow hedging	-	-	44	-	44
Total comprehensive income	**(375)**	**10,888**	**12,239**	**-**	**12,239**
Minority interest	-	-	-	1,043	1,043
Balances, December 31, 2012	**(547)**	**10,888**	**81,881**	**6,628**	**88,509**
TRANSACTIONS APPROVED BY STOCKHOLDERS:					
Issuance of shares	-	-	31,200	-	31,200
Transfer of prior year's result	-	(10,888)	-	-	-
Creation of reserves for share repurchase	-	-	-	-	-
Share repurchase	-	-	437	-	437
Dividend declared at the General Stockholders' meeting on October 11, 2012 and paid on:					
January 31, 2013	-	-	(426)	-	(426)
April 23, 2013	-	-	(426)	-	(426)
July 23, 2013	-	-	(426)	-	(426)
Dividend declared at the General Stockholders' meeting on October 14 and December 20, 2013 and paid on:					
October 23, 2013	-	-	(544)	-	(544)
December 31, 2009	-	-	(1,089)	-	(1,089)
Acquisition of Banorte shares from IFC	-	-	(3,747)	-	(3,747)
Acquisition of Minority interest of Seguros Banorte Generali & Pensiones Banorte Generali	-	-	(8,891)	(2,340)	(11,231)
Total transactions approved by stockholders	**-**	**(10,888)**	**16,088**	**(2,340)**	**13,748**
COMPREHENSIVE INCOME:					
Net income	-	13,508	13,508	-	13,508
Result from valuation of securities available for sale	-	-	(1,240)	-	(1,240)
Effect of subsidiaries, affiliates and mutual funds	(536)	-	(781)	-	(781)
Result from valuation of instruments for cash flow hedging	-	-	1,073	-	1,073
Modification in commercial loan rating rules	-	-	(3,872)	-	(3,872)
Total comprehensive income	**(536)**	**13,508**	**8,688**	**-**	**8,688**
Minority interest	-	-	-	(2,254)	(2,254)
Balances, December 31, 2013	**(Ps. 1,083)**	**Ps. 13,508**	**Ps. 106,657**	**Ps. 2,034**	**Ps. 108,691**

Dr. Alejandro Valenzuela del Río
CEO

Lic. Martha Elena Navarrete Villarreal
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director - Controller

Lic. David Ricardo Suárez Cortazar
CFO

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

Consolidated Cash
Flow Statements

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In millions of Mexican pesos)

	2013	2012
Net income	**Ps. 13,508**	**Ps. 10,888**
Items not requiring (generating) resources:		
Depreciation and amortization	1,216	1,148
Technical reserves	9,686	8,708
Other provisions	(757)	2,265
Current and deferred income tax	3,555	4,128
Equity in earnings of unconsolidated subsidiaries and associated companies	(359)	597
	26,849	**27,734**
OPERATING ACTIVITIES:		
Changes in margin accounts	437	(244)
Changes in investments in securities	(69,906)	(15,296)
Changes in debtor balances under repurchase and resale agreements	5,492	(1,865)
Changes in asset position of derivatives	3,456	(2,437)
Change in loan portfolio	(26,132)	(51,380)
Changes in acquired collection rights	(412)	450
Changes in accounts receivable from insurance and annuities, net	(396)	69
Changes in debtor premiums, (net)	90	305
Changes in reinsurance agencies (net) (asset)	(847)	(122)
Changes in receivables generated by securitizations	144	(26)
Change in foreclosed assets	156	(692)
Change in other operating assets	(4,526)	(837)
Change in deposits	19,295	55,653
Change in interbank and other loans	(5,829)	474
Change in creditor balances under repurchase and sale agreements	59,991	271
Collateral sold or pledged	(29)	6
Change in liability position of derivative financial instruments	(2,950)	1,861
Change in technical reserves (net)	799	608
Changes in reinsurance agencies (net) (liability)	(46)	(441)
Change in subordinated debentures	(1,457)	2,933
Change in other operating liabilities	(6,046)	4,103
Change in hedging instruments related to operations	(989)	(248)
Income tax	(5,324)	(1,821)
Net cash flows (used in) provided by operating activity	**(8,180)**	**19,058**
INVESTING ACTIVITIES:		
Proceeds on disposal of property, furniture and equipment	2,681	1,335
Payments for acquisition of property, furniture and equipment	(3,939)	(2,798)
Charges on acquisitions of Subsidiaries and associated companies	1,037	-
Payment on acquisitions of Subsidiaries and associated companies	(27,345)	(1,727)
Sale of other permanent investments	(1)	-
Charges for cash Dividends	505	251
Net cash flows used in investment activity	**(27,062)**	**(2,939)**
FINANCING ACTIVITIES:		
Charges for issuance of shares	31,200	-
Dividends paid	(2,911)	(1,240)
Repurchase of shares	437	33
Net cash flow provided by (used in) financing activity	**28,726**	**(1,207)**
Net (decrease) increase in cash and cash equivalents	(6,516)	14,912
Effects from changes in the value of cash and cash equivalents	14	(85)
Cash and cash equivalents at the beginning of the year	68,480	53,653
Cash and cash equivalents at the end of the year	**$61,978**	**$68,480**

These Cash Flow 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 consolidated financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect cash income and outlays derived from 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 Cash Flow Statements 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 financial statements.

Dr. Alejandro Valenzuela del Río CEO	Lic. Martha Elena Navarrete Villarreal Managing Director - Audit	Lic. Jorge Eduardo Vega Camargo Deputy Managing Director - Controller	Lic. David Ricardo Suárez Cortazar CFO	C.P.C. Mayra Nelly López López Executive Director - Accounting

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In millions of Mexican pesos, except exchange rates and Note 33)

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). Its 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 is regulated, depending on its activities, by the Commission, the Mexican National Insurance and Bonding 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 rendering full-banking services, brokerage activities, leasing, factoring, general warehousing services, annuities (pensions) and providing life insurance & casualty insurance, as well as acquiring, disposing of, managing, collecting and, in general, any form of negotiation with credit rights.

The main regulating aspect compels the Financial Group to maintain a minimum capitalization ratio for market and loan risks, to meet certain acceptance limits for deposits, obligations and other types of funding that may be denominated in foreign currency, as well as to establish the minimum limits for paid-in capital and capital reserves. The Financial Group complies satisfactorily with all of the above as of December 31, 2013.

By 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 its capacity as regulator of the Financial Group include reviewing the financial information and requesting modifications to such information.

The Financial Group performs its activities throughout Mexico and the United States of America.

The Financial Group's consolidated financial statements have been approved by the Board of Directors at its January 30, 2014 meeting in accordance with the responsibility assigned to this Organ.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a) Acquisition of Afore Bancomer through Afore XXI Banorte

On January 9, 2013, Afore XXI Banorte finalized the acquisition of Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (Afore Bancomer) for USD 1,735 million, of which USD 1,600 million corresponds to the price paid by Afore XXI Banorte and USD 135 million corresponds to Afore Bancomer's excess capital.

Of the price paid by Afore XXI Banorte, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte) contributed with 50% of the amount and the Mexican Institute of Social Security (IMSS) contributed with the other 50%. The amount given by Banorte to Afore XXI Banorte to pay Grupo BBVA was Ps. 11,117, using Banorte's available liquid funds. The Financial Group implemented several capital regenerating mechanisms to neutralize the short term impact on Banorte's Capitalization ratio due to this acquisition.

b) Capitalization Ratio Strengthening Measures

As mentioned in subsection a) of this Note, as a result of the purchase of Afore Bancomer, Banorte's pro-forma capitalization ratio, pursuant to Basel III requirements, decreased approximately 13.3% (projected at the close of January 2013). The Financial Group has continued to meet the capitalization levels pursuant to the Commission's rules. However, the Financial Group maintains capitalization levels ample enough to cover its growth, and, therefore it implemented some measures to strengthen its capital ratio.

As part of the aforementioned measures, the General Stockholders' Meeting, held on February 14, 2013, agreed to raise Banorte's shareholders' equity by Ps. 10,200. This capital was subscribed by the Financial Group with funds obtained by engaging a loan with other financial intermediaries, as per the authorizations granted by Banco de México in Official Document No. S33-001-8078 dated February 14, 2013 and by the Commission's Document No. 312-3/12664/2013 dated March 12, 2013.

The entire amount of the loan, i.e. USD 800 –approximately Ps. 10,200 at the exchange rate in effect at the time- was used by the Financial Group to purchase Afore Bancomer. The term of the loan was for 364 days at a 3-month LIBOR rate plus 0.80% (equivalent to TIIE -0.02% - considering the benefit of the coverage engaged to cover the exchange rate and interest rate risks that may arise from such operation).

In February 2013, Afore XXI Banorte declared a payment of dividends of Ps. 950 and a Ps. 2,000 reduction in capital; resulting in a positive impact for Banorte of Ps. 1,475 to strengthen its capital ratios.

On July 26, 2013, the Financial Group paid the total amount of this syndicated loan. The funds for such payment were obtained in the Primary Global Equity Offering mentioned later in this Note.

As a result of the above initiatives, Banorte's ICAP was 15.12% as of December 31, 2013.

c) Mergers and Spin-offs

On December 19, 2012, the Financial Group submitted a request to the Commission and the Ministry of Finance and Public Credit (SHCP) for their authorization to implement a disinvestment plan by which Banorte would withdraw its investment in Sólida Administradora de Portafolios, S.A. de C.V. (Sólida) and simultaneously carry out the merger of Banorte as the acquiring company with Ixe Banco, S.A, Institución de Banca Múltiple, Grupo Financiero Banorte (Ixe Banco) and Fincasa Hipotecaria, S.A. de C.V. Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte (Fincasa) as the acquired corporations.

The spin-off and mergers were authorized by the Commission in Document No. 210-27564/2013 dated April 15, 2013 to become effective on May 24, 2013; and by Banco de Mexico in Document No. S33-001-8665 dated May 7, 2013.

As part of this corporate restructuring process, in the General Stockholders' Meeting held on April 26, 2013, Banorte's stockholders approved the disinvestment of its share in Sólida by means of a spin-off, and the subsequent merger of Ixe Soluciones, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte (Ixe Soluciones). After this merger, Ixe Soluciones changed its company name to Sólida Administradora de Portafolios, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte (Sólida). The merger became effective on May 24, 2013.

The approved disinvestment plan was made as per the following terms:

(i) Spin off Banorte, creating a new corporation (the Spun-off Corporation); leaving Banorte as the spinning-off company to continue carrying out the activities reserved to full-service banking institutions (the Spin-off).

(ii) As a result of the Spin-off, Banorte's assets, consisting of all of Sólida's capital stock shares, were invested in the Spun-off Company.

(iii) A merger was conducted of the Spun-off Company, as the acquired corporation, with Sólida, the acquiring company, by which the latter assumed the rights and obligation of the former; and

(iv) Sólida, as the acquired corporation, was merged with Ixe Soluciones (the acquiring corporation), by which the latter assumed the rights and obligations of the former.

On August 14, 2012, the Financial Group submitted to the Commission and the Ministry of Finance and Public Credit (SHCP) its request for their authorization for the merger of Ixe Automotriz, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, E.R. Grupo Financiero Banorte (Ixe Automotriz) as the acquired company, with Arrendadora y Factor Banorte, S.A. de C.V, Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte as the acquiring corporation.

The Ministry of Finance and Public Credit (SHCP) gave its authorization in Document No. UBVA\DGABV\015\2013 dated May 7, 2013, to become effective on May 1, 2013.

d) Payment in Full of the Permanent Subordinated Debenture

In August 2013, Banorte exercised its right to the option of payment in full of the Non-Preferred, Non-Cumulative Callable Perpetual Subordinated Debenture (as of February 2012) for USD 120 million, registered on the Luxemburg Stock Exchange. This debt was issued on February 26, 2007 by Ixe Banco, S.A., and given the Ixe Banco – Banorte merger in May, Banorte assumed each and every one of the obligations derived thereof.

e) Primary global stock offer

With the Board of Directors and Stockholders' Meeting's authorization on July 3, 2013, the Financial Group determined the pricing of its primary global offering. The number of subscribed shares in this offer was 389,018,940 at Ps. 71.50/share, for a total of Ps. 27,815 million, approximately USD 2,183 million, excluding the over-allotment option.

Furthermore, on July 19, 2013, the domestic and international underwriters announced their intention to exercise fully the over-allotment options granted by the Financial Group by acquiring 58,352,841 additional ordinary shares.

All the shares in the offer were paid on July 22, 2013. The funds obtained from the offering of 447,371,781 ordinary shares, equivalent to Ps. 31,987 or approximately USD 2,500 million, were delivered fully to the Financial Group, deducting the expenses involved in the offer itself.

f) Acquisition of Assicurazioni Generali's acquisition of a minority interest in Insurance and Annuities

Based on the binding agreement on October 4, 2013, the Financial Group acquired the Minority interest of the capital stock representative shares of Seguros Banorte Generali, S.A. de C.V. (Seguros Banorte Generali) and Pensiones Banorte Generali, S.A. de C.V. (Pensiones Banorte Generali), held by Assicurazioni General S.P.A. (Grupo Generali), who owned 49% of the shares in each company. The Federal Competition Commission (CFC) issued no objection to this operation as per Document SE-10-096-2013-483 dated August 7, 2013. The Ministry of Finance and Public Credit (SHCP) made known its acquiescence by means of Document number 366-III-574/13, issued on September 24, 2013.

The total amount of the operation was USD 858 million, USD 637 million for the purchase of Seguros Banorte Generali and USD 221 million for the acquisition of Pensiones Banorte Generali.

The book value of the minority interest in both companies was USD 178 million; therefore the surplus price paid was USD 680 million, recorded as a share sales premium within stockholders equity, as it was a transaction between stockholders.

g) Purchase of the stake of International Finance Corporation (IFC) in Banorte and in the Financial Group

In March 2013, the Financial Group signed an agreement with IFC to liquidate the capital investment made in Banorte in November 2009.

The Financial Group made an initial cash payment of Ps. 2, 135, funded through the dividends paid by its subsidiaries. Moreover, on December 6, 2013, the Financial Group paid off to IFC its stake, equivalent to 54,364,887 shares of the Financial Group, with a cash payment amounting to Ps. 4,349 with proceeds from the Global Public Offering held in July 2013; thereby the IFC does not longer have any patrimonial interest in the Financial Group or any of its subsidiaries.

h) Loans in the home development sector

The Financial Group has granted loans to three of the major home developers in the country that are undergoing through financial difficulties. Currently, they are in process of restructuring their debt and have failed making their payments. This situation has deteriorated the risk profile of these three debtors. Currently, the Financial Group, along with other loan institutions, are negotiating refinancing options.

As of December 31, 2013, the Financial Group's loans to these companies totals Ps. 8,712, which represents 2% of the total loan portfolio, of which Ps. 6,995 are past-due. Of the total loans 73% are guaranteed.

As explained in Note 4, the regulating methodologies to rate these types of loans, dictate that the provisions for such loans be determined based on the estimated regulatory loss over the next twelve months.

Additionally, the Financial Group has Ps. 9,175 in investment and land projects and includes Ps. 553 in collection rights.

i) Tax reform

As explained in Note 29, on November 1, 2013, the Union Congress passed several amendments to the tax laws that became effective in January 2014. These amendments include changes in the Income Tax Law, Added Value Law, and the Tax Code. Furthermore, the Business Flat Tax Law and the Cash Deposit Tax Law were repealed.

3 - BASIS OF PRESENTATION

Monetary unit of the consolidated financial statements

The consolidated financial statements and notes as of December 31, 2013 and 2012 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 Grupo Financiero Banorte, S.A.B. de C.V. and its subsidiaries mentioned below. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 2013 and 2012, Grupo Financiero Banorte, S.A.B. de C.V.'s consolidated subsidiaries and its equity ownership is as follows:

	2013	2012
Banco Mercantil del Norte, S.A. and Subsidiaries	97.50%	92.72%
Arrendadora y Factor Banorte, S.A. de C.V. SOFOM, ER	99.99%	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%	99.99%
Seguros Banorte Generali, S.A. de C.V.	99.99%	51.00%
Pensiones Banorte Generali, S.A. de C.V.	99.99%	51.00%
Ixe Banco, S.A.*	-	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V. (formerly Ixe Casa de Bolsa)	99.99%	99.99%
Operadora de Fondos Banorte Ixe (formerly Ixe Fondos)	99.99%	99.99%
Ixe Servicios, S.A. de C.V.	99.99%	99.99%
Ixe Automotriz, S.A. de C.V. SOFOM, ER and Subsidiary*	-	99.99%
Fincasa Hipotecaria, S.A. de C.V. SOFOM, ER and Subsidiary*	-	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM ER (formerly Ixe Soluciones)	96.76%	99.99%

* Subsidiary merged in May 2013 as detailed in Note 2.

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 pesos) 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 and do not affect the Consolidated Income Statements, in accordance with the accounting practices established by the Commission. In 2013 and 2012, comprehensive income includes the net income of the year, the result from valuation of securities available for sale; the effect of subsidiaries, affiliates and mutual funds; the cumulative conversion effect; the result from valuation of cash flow hedging instruments; 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 criteria A-1, "Basic Framework of the Accounting Criteria Applicable to Banking Institutions", prescribed by the Commission, the Institutions' accounting will adhere to Mexican Financial Reporting Standards (NIF), defined by the Mexican Board of Financial Reporting Standards (previously 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.

Changes in accounting policies

As of January 1, 2013, the Financial Group adopted changes regarding the following NIFs:

NIF B-8, Consolidated or combined financial statements
NIFC-7, Associated investments, joint businesses and other permanent investments

At the date these financial statements were issued, these new standards had no effect on the Financial Group's financial information.

INIF 20, Accounting effects from the 2014 Tax Reform.

It specifically has to do with the accounting registration of the items included in the Tax Reforms that became effective in 2014 and are related to profit taxes and PTU.

On July 5, 2012, the Official Gazette of the Federation published the Resolution that modifies the General Provisions Applicable to Banking Institutions (the Provisions) regarding the updating of accounting criteria B-10 "Trusts" (B-10) and C-5 "Consolidation of Entities with a Specific Purpose" (C-5).

The main changes to criteria B-10 are that the valuation of the property held in trust recognized in memorandum accounts will be made pursuant to the accounting criteria for banking institutions except in the case of property held in trust of the trusts that so request it, and, if applicable, obtain and maintain their assets recorded in the National Securities Registry; in which case, said assets shall be valued based on the accounting standards the Commission establishes for such purpose in its general provisions applicable to securities issuers and other stock market participants.

The main changes to Circular C-5 state that for the consolidation of the Specific Purpose Entity (EPE), the consolidating entity shall abide by the stipulations of NIF B-8 "Consolidated or combined financial statements"; therefore the EPE's financial statements to consolidate shall be drawn up based on the same accounting criteria and, in the case of transactions of the same nature, the same accounting policies as the consolidating entity. In the opposite case or when the Commission expressly provides, the EPE shall use the accounting criteria or policies different from those applicable to the consolidating entity. The EPE's financial statements that are used for the consolidation shall be modified to make them consistent with those of the consolidating entity.

Recognition of the effects of inflation in the 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 2013 and 2012 was 12.31% and 12.12%, respectively. Therefore, the Mexican economy is considered as non-inflationary, for both years. However, assets, liabilities and stockholders' equity as of December 31, 2013 and 2012 include the restatement effects recorded up until December 31, 2007.

The Mexican inflation rates for the years ended December 31, 2013 and 2012 were 3.78% and 3.91%, 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 securities owned by the Financial Group, acquired with the intention of selling them for a profit derived from the price differences in short-term purchase and sale operations made by the Financial Group as a market participant.

At the time of the 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.

Securities available for sale

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 trading or held to maturity.

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

In an inflationary situation, 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.

Securities held to maturity

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 securities available for sale, 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. In the case of reclassifications to securities held to maturity or from trading securities to available for sale securities, which can be done in extraordinary circumstances (lack of market liquidity, absence of an active market for such securities, among others), the Commission will evaluate such circumstances and, if it determines they are valid, it will issue its express authorization for their reclassification.

Derived from the December 2012 reclassification and according to the Commission's criteria B-2, "Investments in Securities", Banorte may not classify securities acquired as of that date and up to December 31, 2014 in the category of securities held to maturity.

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.

In the case of debt instruments that have been authorized for reclassification from available for sale securities to held to maturity securities, the valuation result on the transfer date continues to be reported in stockholders' equity, and it is amortized based on such instrument's remaining life.

Regarding authorized reclassifications from trading securities to any other category, the valuation result on the reclassification date is already acknowledged in the year's results.

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 6.

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 if its securities available for sale and 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 incurring 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 had an impact on the estimated future cash flows, which can 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 decline in the issuance 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 the severity percentage 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 Income Statements 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 obliged 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 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:

Transactions to hedge the Financial Group's open risk position: Such transactions involve purchasing or selling derivatives financial instruments to mitigate the risk resulting from one or a group of given transactions.

Transactions for trading purposes: The Financial Group enters into such transactions as a market participant for reasons other than to hedge its exposed position.

Transactions with derivatives 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 Banco de México to enter into these types of transactions. Regarding corporate customers, a preauthorized credit line by 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 delivery date of the goods.

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. Future 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 of receiving and/or delivering the underlying, as well as the right and obligation of receiving and/or delivering the cash equivalent to the underlying, object of the contract.

The derivatives are presented in a specific item of the assets or liability depending on whether their fair value (as a consequence of the rights and/or obligations it establishes) corresponds to the 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 of liquidating 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 Consolidated Income Statement in the account "Trading results" and the corresponding Consolidated 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 Consolidated Balance Sheets is to anticipate interest and exchange rate fluctuations, thereby protecting the Shareholders' Equity.

For hedging derivatives, the Financial Group applies the fair value and cash flow hedging methods and the accumulated compensation method to measure effectiveness. Such 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 derivatives 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 72 "Derivatives financial instruments and hedging operations" (B5) issued by the Commission, which establishes conditions for the use of hedging 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 an asset or liability account called "derivatives financial instruments" with an offsetting account in liquid assets or liabilities. The portion determined as ineffective is measured through retrospective testing, and when it results in over-hedging, it is immediately recognized in current earnings.

    b. The effective hedging component recognized in stockholders' equity associated with the hedged item is adjusted to equal the lowest (in absolute terms) of:

        i. The accumulated gain or loss of the hedging instrument from its inception.
        ii. The accumulated change in fair value (present value) of the hedged 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"), standard valuation models contained in the derivative transaction systems and the Financial Group's risk management are used.

All of the valuation methods that the Financial Group uses result in 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 valuated under the Black and Scholes method, which in addition to the present value calculation, 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.

Cancellation of hedging accounting

A cash flow hedging relation is cancelled when:

1. The hedging instrument expires or is sold, terminated or enforced;
2. The hedging fails to meet the requirements of documentation, evaluation and effectiveness measuring;
3. The projected transaction is not expected to occur;
4. The hedging designation is revoked.

For cases 1 and 2, the profit or loss recorded in net income stays in that account until the projected transactions occurs. For case 3, the profit or loss recorded in net income should be immediately restated in results; and for case 4, if the hedging is on a projected transaction, the loss or profit stated in net income should stay in that account until the projected transactions is realized. Otherwise, it should be immediately restated in results.

A fair value hedging relation is canceled when:

1. The hedging instrument expires or is sold, terminated or enforced;
2. The hedging fails to meet the requirements of documentation, evaluation and effectiveness measuring;
3. The hedging designation is revoked.

Any adjustment to the result from the valuation adjustment of the hedged item attributable to the covered risk, should be amortized in the period's results. The amortization start as soon as the adjustment turns up, and under no circumstance after the hedged item is no longer adjusted due to changes in the fair value attributable to the risk covered. The adjustment should be amortized in full on the due date of the hedged item.

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 takes 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) as well as 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 on debt issued by the Financial Group, thereby ensuring the debt servicing, as well as to make investments that generate greater value for the customers. The main strategy is to ensure that the Financial Group's future income and expenses are covered, maximizing its profitability.

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 agreement to deliver its financial information in a timely manner and to abide by the applicable laws, regulations and provisions, as well as to provide written notice to the affected parties in case that an event arises 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 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 in order 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 a 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 outlined in Circular B-5 paragraph 22, unless the implicit derivative is denominated in a currency commonly used for the purchase and sale of non-financial items in the economic environment where the transaction takes place. The main embedded derivatives recognized by the Financial Group prior to January 2011 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 as 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 the initial granting, restructuring and renewal 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 or subsequent 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, restructuring and renewal 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 as they 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 discounts 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 rating criteria

The loan portfolio is classified according to the rules issued by the SHCP and the methodology established by the Commission. Internal methodology authorized by such Commission may also be used.

In the case of consumer mortgage and commercial loans (excluding loans to financial intermediaries), the Financial Group applies the Provisions for rating the loan portfolio as issued by the Commission and published in the Official Gazette of the Federation on June 24, 2013. The Financial Group uses the internal methodology authorized by the Commission for rating commercial loans to financial intermediaries.

On June 24, 2013, the Commission issued changes to commercial loan rating Provisions (excluding loans to financial intermediaries). Such changes state that in order to rate a loan, the likelihood of default, gravity of the loss and exposure to noncompliance should be taken into account, as indicated later in this section.

Such provisions also establish general methodologies for rating and calculating the allowance for each type of loan, whereas 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 to financial intermediaries with balances equal to or greater than 4 million UDIS or its equivalent in Mexican pesos, and was applied to all the commercial loans (except those granted to State and Municipal Governments and loans intended for investment projects having their own source of payment) up to June 29, 2013. Thereafter, the Financial Group adopted the aforementioned changes in Provisions. Loan classification and reserve allowance are determined based on the rules set by the Commission. This methodology is explained below.

The commercial loan portfolio rating procedure requires that credit institutions apply the established methodology (general or internal) based on quarterly information for the periods ending in March, June, September and December of each year, whereas also recording the allowances determined at the close of each month in their financial statements. Furthermore, during the months following each quarterly close, financial institutions must apply the respective rating to any loan used at the close of the immediately preceding quarter, based on the outstanding balance in effect 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 against the period's results on the date of the following quarterly rating. Additionally, recoveries on the previously written-off loan portfolios are recorded in the period's results.

As a result of acquiring 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 July 25, 2013, the Commission issued Document 111-1/16294/2013, which renewed for a 6-month period, effective as of July 1, 2013, the authorization for such internal commercial loan rating methodology applicable to loans to financial intermediaries.

Commercial loans granted to financial intermediaries 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 debtors in loans to financial intermediaries; whereas for the rest of the commercial loans 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 below 4 million UDIS or its equivalent in Mexican pesos to financial intermediaries, the Financial Group applied the general provisions applicable to credit institutions for rating the loan portfolio as issued by the Commission.

General description of rules established by the Commission

The rules for rating the consumer, mortgage and commercial loans (excluding loans to financial intermediaries and loans intended for investment projects having their own source of payment) indicate that their allowance for loan loss should be determined based on the estimated expected loss of the loans over the next twelve month period.

Such methodologies stipulate that the estimate of such loss evaluates the probability of default, the severity of the loss and the exposure to non-compliance. The result of multiplying these three factors is the estimated expected loss that is the same as the amount of the reserves needed in order to face the loan risk.

Depending on the type of loan, the probability of default, severity of the loss and exposure to non-compliance are determined by considering the following:

Probability of Default

- • Non-revolving consumer loan – it takes into account the current delay, the payments made on the past due balances, how many times the original value is paid, the type of loan, the remaining terms, among others.

- Revolving consumer loan – it considers the current situation and historical behavior regarding the number of outstanding payments, how old the accounts are, the payments on the balance, as well as what percentage of the authorized line of credit has been used.

- Mortgage loan – it considers the current delay, maximum number of delays over the last four periods, willingness to pay and the value of the property with respect to the loan balance.

- Commercial loans.- They consider the type of debtor, payment experience, INFONAVIT payment history, rating agencies' evaluation, financial risk, social-economical risk, financial soundness, country and industry risk, market positioning, transparency, standards and corporate governance.

Severity of the loss

- Non-revolving consumer loan – depends on the number of outstanding payments.

- Non-revolving consumer loan – depends on the number of outstanding payments.

- Mortgage loan – it considers the amount of the property sub-account, unemployment insurance and the state where the loan was granted.

- Commercial loans – they consider actual financial and non-financial guarantees as well as personal guarantees.

Exposure to non-compliance

- Non-revolving consumer loan – loan balance at the rating date.

- Revolving consumer loan – considers the current use of the credit line to estimate how much its use would increase in the event of non-compliance.

- Mortgage loans – loan balance at the rating date.

- Commercial – for revocable loans, the loan balance at the rating date is considered. For irrevocable loans, the current use of the credit line to estimate how much its use would increase in the event that non-compliance is considered.

The Commission's rules for rating commercial loan debtors in loans to financial intermediaries, with commitments under 4 million UDIS or the equivalent in Mexican pesos, indicated that the rating should be based on the number of months elapsed as of the first default and, if applicable, the actual and personal guarantees received.

The Commission's rules for rating commercial loan debtors for loans intended for investment projects having their own source of payment, indicate that the rating be done by analyzing the risk of projects in the construction stage and operation evaluating the work's over-cost and the project's cash flows.

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 Consolidated Income Statements 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 Consolidated Income Statements.

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 collected by the sum of the expected cash flows is between 0.8 and 1.25 when such effectiveness is evaluated.

Loan asset impairment - The Financial Group carries out an expected cash flow assessment periodically while collection rights are still effective, and if based on the events and information gathered, it determines that said cash flows will drop, it develops an estimate of non-recoverability or doubtful accounts vs. the period's results in the amount in which said expected cash flows are lower than the book value of the account receivable.

Premium receivables, net

This balance represents the premiums pending collection on the balance date. Pursuant to the provisions of the General Law of Institutions and Mutual Insurance Companies (the Law) and the Mexican National Insurance Commission CNSF, premiums over 45 days old should be cancelled against the year's earnings including, if applicable, the technical reserves, acquisition cost and relative reinsurance granted, and should not be considered in the coverage of technical reserves.

On December 31, 2013, based on the internal policy approved by the CEO, the administration authorized excluding the cancellation process for certain policies with a premium over 45 days old and that has not been collected totally or partially. These accounts are indeed collectible and negotiations with the insured are currently underway. On December 31, 2013, the premiums over 45 days old that have not been cancelled amounted to Ps. 457. The non-accrued net premium, fees and reinsurance should be subtracted from such amount to determine its net effect on earnings. This amount was not computed for the coverage of technical reserves.

Reinsurance

According to the rules of the CNSF, a portion of the insurance contracted by the Financial Group is ceded in reinsurance to other insurance or reinsurance companies. Therefore they are part of both the premiums and the casualty rate cost.

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 may publicly issue 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 record, which grants it the right over the trust's residual cash flows after settling the certificates to their holders. This record is registered at its fair value under "Receivables generated by securitizations".

The Financial Group provides administration services for the transferred financial assets and records the revenue thereof in the period's earnings when accrued. These revenues are recorded under "Other Operating Income (expenses)."

The valuation of the benefits to be received from securitization operations is recorded in the Consolidated Income Statement under "Other Revenues", 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, recorded when entered into and are settled within 48 hours.

Merchandise inventory

This is comprised mainly of corn, wheat and steel, and is restated to the lower of replacement cost or market. Cost of sales, included in "Other Operating Income (expenses)" in the Consolidated Income Statements is restated using the replacement cost at the time of the sale.

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 the foreclosed property, the difference is recorded in the period's results under "Other Operating Income (expenses)."

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net of estimates, is lower than 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 movable property, the provisions referenced in the preceding paragraph must be treated as follows:

Movable property reserves	
Time elapsed as of award date or receipt as payment in kind (months)	Reserve percentage
Up to 6	-%
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 estate property, provisions must be created as follows:

Real estate property reserves	
Time elapsed as of award date or receipt as payment in kind (months)	Reserve percentage
Up to 12	-%
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, 2013, 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, movable or real estate 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 up to December 31, 2007 are 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 significant influence but not control 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 carry-forwards 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 Sheet under the "Deferred taxes, net" line.

As explained in Note 29, on December 11, 2013, the decree was published reforming, adding and repealing various provisions of the Income Tax Law that went into effect on January 1, 2014. Other provisions were established through which the income tax rate for 2014 will be 30% and the Business Flat Tax Law was repealed.

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 Minority 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, 2013 and 2012.

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 funds' financing. Furthermore, this includes discounted loan portfolios from funds provided by banks specializing in financing economic, productive or development activities.

Technical reserves

The CNSF stipulates that all technical reserves shall be certified on an annual basis by independent actuaries who confirm that the amount of the reserves recorded by the Financial Group on December 31, 2013 are reasonably acceptable based on their obligations, within the parameters established by the actuary, and abiding by the relevant criteria established by the competent authorities.

Technical reserves are constituted pursuant to the terms set forth by the Law, as well as to the provisions issued by the CNSF. To value the technical reserves, the Financial Group used the valuation methods found in the provisions set forth in Chapter 7 "Technical Reserves" in the Insurance Circular published in the DOF on December 13, 2010.

1) Current risk reserve:

The determination of reserves for life insurance transactions is performed according to actuarial formulas considering the characteristics of the policies in effect, which were reviewed and approved by the CNSF.

To value these technical reserves, the following demographic suppositions were used:

- For individual life insurance - Mexican experience study 91-98 CNSF 2000-1.
- For group life insurance - Mexican experience study 91-98 CNSF 2000-G.

The current risk reserve is valued as per the following:

I) Life insurance policy in effect for one year or less:

The value of future obligations for the payment of claims and benefits derived from the policies in effect is determined using the valuation method registered at the CNSF and, if applicable, the value of expected future revenues from net premiums is subtracted. This value is compared with the non-accrued risk premium of the policies in effect in order to obtain the sufficiency factor that will be applied to calculate the current risk reserve in each type of insurance policy operated by the Financial Group.

This reserve is obtained by multiplying the non-accrued risk premium of the policies in effect by the corresponding sufficiency factor. Under no circumstances can the sufficiency factor be less than one. Additionally, the current risk reserve is added to the non-accrued portion of administrative expenses.

The allowance for administrative expenses is calculated as the non-accrued part that corresponds to the portion of the annual premium of the policies in effect at the time of the valuation. The administrative expenses percentages established in the technical notes of each plan are used, both in the case of individual life insurance and for each policy in effect.

II) Life insurance policies in effect for over one year:

The current risk reserve is evaluated according to the actuarial method to determine the minimum reserve amount, only if this method renders an amount greater than the sufficiency method recorded in the technical note authorized by the CNSF.

For insurance policies over one year old, and in the specific case in which the premium payment period is less than the number of years the policy will be in effect, the amount of the balanced administration expense expected to be incurred each year that the policies are in effect is determined by subtracting the current administrative expense value from the expected premiums. The provision is determined by accruing administrative expense amounts that were deducted from the premiums, reduced from administration expenses.

The current risk reserves of the policies in effect for accident, health and damage insurance are determined as follows:

Such reserves are recorded and valued by applying the actuarial methods based on the generally accepted standards that the Financial Group had already registered before the CNSF pursuant to the latter's general provisions issued for such purposes.

This reserve represents the amount of the non-accrued premium minus the relative acquisition costs, and will serve to fulfill any possible obligations the Financial Group might face given the stand-alone risk of the policies in effect, considering the sufficiency factor and the administrative expenses.

To determine the sufficiency factor, a comparison will be made between the expected value of future claims and benefits payments, according to the valuation method registered before the CNSF, and the non-accrued risk premium of the policies in effect.

The Financial Group has recorded before the CNSF, in a technical note that specifies the actuarial methods which will constitute and value the current risk reserve on a monthly basis for damage, accident and health policies.

For earthquake and/or volcanic eruption risk coverage, the current risk reserve is calculated with 100% of the withheld risk premium in effect.

2) Contractual obligations:

a) Claims and expirations - Claims for life, accidents, health and damage are recorded as soon as they are reported. Life insurance claims are based on the insured sums. Accident, illness and damage claims are adjusted based on the estimate of the amount of the obligations, and, at the same time, the pay back is recorded in the ceded reinsurance. Expirations are payments for expired endowments set forth in the insurance contract.

b) Unreported claims – This reserve is intended for recognizing the amount of actual claims not yet reported to the Financial Group. The estimate is based on prior years' casualty rate, adjusting the actuarial calculations on a quarterly basis, pursuant to the methodology approved by the CNSF.

c) Dividends on policies - This reserve is determined based on actuarial studies, considering the casualty rate. The dividends are established in the insurance contract.

d) Insurance funds under management - These are the dividends on policies earned by the insured and withheld by the Financial Group to manage, as established in the insurance contract.

e) Security premiums - They are the amounts of segmented collections on the policies.

f) Reserve for claims pending valuation – This reserve corresponds to the expected value of future payments of damage, accident, and health claims that were reported during the year in question or prior years that may be paid in the future. The exact amount of such claims is unknown because there is either no valuation on them or the possibility of future additional payments derived from a previously valued claim.

3) Catastrophic reserve:

The reserve for catastrophic risks is intended to cover the Financial Group's obligations assumed under insurance policies for earthquakes or other catastrophic risks. This reserve is increased as per the bases and percentages established by the CNSF. CNSF authorization is required to release this reserve.

Provisions

Provisions are recognized when the Financial Group has a current obligation resulting from a past event and is 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 benefit 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 Financial Group'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, which is included in "Other assets".

The employees who were hired prior to January 1, 2001 and who 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 provision guidelines.

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 can 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 from 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. Pursuant to NIF D-8 and given that the Financial Group grants its own stock options, the Financial Group records the expense as if the plan were payable in cash. This expense is then restated at a fair value in each reporting period as per the provisions known on such 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.

Memorandum accounts

Memorandum accounts are used to record assets or commitments that are not part of the Financial Group's general balance sheet, as no rights are acquired on the assets and such commitments are not acknowledged as liabilities until they materialize, respectively. The accumulated amounts in the memorandum accounts have only been subject to audit tests when their information is derived from an accounting record. The memorandum accounts not audited are indicated in each case:

Contingent assets and liabilities (unaudited):

It records the amount of economic penalties imposed by the administrative or judicial authorities until such payments are made, as a motion for revocation has been filed. It also records the exposure to risk line item for its participation in the Expanded Use Electronic Payments System.

Loan commitments (unaudited):

The balance represents the amount of the letters of credit granted by the Financial Group that are considered as irrevocable commercial loans not disposed by the borrowers. It includes the lines of credit granted to clients that were not disposed.

Assets in trust or mandate (unaudited):

For the assets in trust, the value of the goods is recorded and any information related to their individual administration is recorded independently. For assets under mandate, the declared value of the assets, subject to the mandates executed by the Financial Group is recorded.

Assets in custody or under management (unaudited):

This account records the movement of others' assets and securities that are received in custody or are to be managed by the Financial Group.

Loan commitments (unaudited):

The balance represents the amount of the letters of credit granted by the Financial Group that are considered as irrevocable commercial loans not disposed by the borrowers. It includes the lines of credit grated to clients that not disposed.

Collateral received:

The balance represents all the collateral received in securities repurchase agreement operations when the Financial Group is the buyer.

Collateral received and sold or given as a pledge:

The balance represents all the collateral received in securities repurchase agreements when the Financial Group is acting as the buyer and which in turn are sold by the Financial Group acting as the seller.

Main subsidiaries' income recognition

Casa de Bolsa Banorte Ixe

Permanent stock investments in affiliates –are originally recorded at their acquisition cost and are valued using the equity method based on the last available financial statements.

Recognition of income from services, financial advisory and securities intermediation –fees and commissions generated by customer securities' operations are recorded as they are performed.

Income from financial advisory is recorded when accrued as per the contract.

Securities intermediation results are recorded when performed.

Income and expenses - are recorded as generated or accrued as per the relative contracts.

Share dividends - 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 financial leasing operations, net – financial 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 Consolidated Balance Sheets, 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 revenues when 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 month completed and upon maturity, recorded in factoring, and both are applied to results when accrued.

Recognition of income – interest from leasing and financial factoring is recognized as income when 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 when collected.

Profits to be realized from financial leasing are recognized as income when 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.

Seguros Banorte-Generali

Income from premiums – Recognized as follows: :

a. The premium revenue for group and collective life insurance is recorded in income as the segmented payment receipt is issued, deducting the premiums ceded in reinsurance.

b. Premium revenue for accidents, health 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. The rights on premiums are recognized in income at the time of issuance except for the policies that the Insurer agrees with the insured, where the right policy is fractionated in each of the receipts, in this scheme, the right policy is recognized in income as it accrues. Revenue from surcharges on policyholders is recognized in income at the time of accrual and the unearned portion is recorded as deferred credits.

Sólida Administradora de Portafolios

a. The revenues from loan asset recovery are recorded: a) as collected, simultaneously recording the associated collection costs; b) the amount product of multiplying the outstanding balance times the estimated yield rate, thereby affecting the account receivable by the difference between the revenue and the collected amount; and c) the amount product of multiplying the estimated yield rate times the amount actually collected – the difference between the result and the collected amount affects the account receivable.

b. Loan interest is recognized as accrued.

5 - CASH AND CASH EQUIVALENTS

As of December 31, 2013 and 2012, this line item was composed as follows:

	2013	2012
Cash	Ps. 15,848	Ps. 15,190
Banks	45,955	44,911
Other deposits and available funds	175	8,379
	Ps. 61,978	**Ps. 68,480**

"Banks" is represented by cash in Mexican pesos and US dollars converted at the exchange rate issued by Banco de México of Ps. 13.0843 and Ps. 12.9658 as of December 31, 2013 and 2012, respectively, and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2013	2012	2013	2012	2013	2012
Call money	Ps. 5,998	Ps. 6,101	Ps. 3,794	Ps. 8,946	Ps. 9,792	Ps. 15,047
Deposits with foreign credit institutions	-	-	7,236	432	7,236	432
Domestic banks	227	517	-	-	227	517
Banco de México	28,581	28,598	119	317	28,700	28,915
	Ps. 34,806	**Ps. 35,216**	**Ps.11,149**	**Ps. 9,695**	**Ps. 45,955**	**Ps. 44,911**

As of December 31, 2013 and 2012, the Financial Group had made monetary regulation deposits of Ps. 28,581 and Ps. 28,598, respectively.

As of December 31, 2013 and 2012, the total sum of restricted cash and cash equivalents is Ps 39,510 and Ps 52,028, 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 0.432% and 0.446% in USD and 0.25% and 0.20% in pesos, as of December 31, 2013 and 2012, respectively.

On December 31, 2013, "Other deposits and available funds" include Ps. 28 in gold and silver coins, Ps. 120 immediately collectible checks pending liquidation in a 3-day period, and Ps. 27 in remittances. In 2012, it includes Ps. 6,670 for funds due to be received in 24 and 48 hours, Ps. 49 in gold and silver coins, Ps. 59 immediately collectible checks pending liquidation in a 3-day period, and Ps. 6 in remittances.

The exchange rates used for the conversion of gold and silver coins (Centenarios and Troy ounces, respectively) was Ps. 387.622 and Ps. 274.77, per unit, respectively, in 2013; and Ps. 528.572 and Ps. 410.37, per unit, respectively, in 2012.

6 - INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2013 and 2012, trading securities are as follows:

	2013				2012
	Acquisition cost	**Accrued interest**	**Valuation increase (decrease)**	**Book value**	**Book value**
CETES	Ps. 2,722	Ps. 3	Ps. -	Ps. 2,725	Ps. 4,177
Bonds	8,705	19	(10)	8,714	64,137
Development Bonds	72,259	120	35	72,414	4,483
Savings Protection Bonds (BPAS)	111,547	783	(80)	112,250	21,023
UDIBONOS	4,991	9	(6)	4,994	1,163
Negotiable certificates	-	-	-	-	487
Bank securities	5,537	8	12	5,557	8,697
EUROBONDS	217	2	5	224	333
Securitization certificates	23,289	33	13	23,335	18,102
Treasury notes	64	-	-	64	4
Other securities	1,871	4	(2)	1,873	109
Shares	-	-	-	-	409
Investment funds	828	-	(52)	776	109
	Ps. 232,030	**Ps. 981**	**(Ps. 85)**	**Ps. 232,926**	**Ps. 123,233**

During 2013 and 2012, the Financial Group recognized under "Brokerage Revenues" a profit of Ps. 1,401 and Ps. 1,360, respectively, for the fair value valuation of these instruments.

As of December 31, 2013 and 2012, there are Ps. 228,270 and Ps. 111,894, respectively, in restricted trading securities associated mainly with repurchase operations.

b. Securities available for sale

As of December 31, 2013 and 2012, securities available for sale were as follows:

	2013				2012
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government Bonds	Ps. 10,018	Ps. 27	(Ps. 453)	Ps. 9,592	Ps. 14,057
CETES	412	-	-	412	-
Bonds	606	1	(61)	546	7,132
Development Bonds	3,472	9	(1)	3,480	26,305
Savings Protection Bonds (BPAS)	43,146	337	51	43,534	35,784
Bank securities	232	-	(24)	208	1,831
Shares	234	-	190	424	-
Corporate bonds	102	2	3	107	1,313
EUROBONDS	11,696	253	418	12,367	10,216
Investment funds	6,936	-	340	7,276	8,518
Securitization certificates	7,099	22	(104)	7,017	9,363
Other securities	58	-	10	68	772
	Ps. 84,011	**Ps. 651**	**Ps. 369**	**Ps. 85,031**	**Ps. 115,291**

As of December 31, 2013 and 2012 there are Ps 64,590 and Ps 78,024, respectively, in restricted securities available for sale, mainly associated with securities repurchasing transactions.

c. Securities held to maturity

As of December 31, 2013 and 2012, securities held to maturity are as follows:

Medium and long-term debt instruments:

	2013			2012
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 860	Ps. -	Ps. 860	Ps. 828
Bonds	2,416	7	2,423	969
Development Bonds	398	1	399	1,305
CETES	99	1	100	1
Savings Protection Bonds (BPAS)	20,837	116	20,953	40,479
UDIBONOS	42,309	53	42,362	32,777
Bank securities	3,984	940	4,924	4,930
EUROBONDS	771	15	786	784
Securitization certificates	22,636	481	23,117	24,709
Other securities	804	2	806	68
	Ps. 95,114	**Ps. 1,616**	**Ps. 96,730**	**Ps. 106,850**

As of December 31, 2013 and 2012, there are Ps. 30,988 and Ps. 35,351, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2013, the maturities of the securities (expressed at their acquisition cost), are as follows:

	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. 860	Ps. 860
Bonds	200	1,869	58	289	2,416
Development Bonds	-	398	-	-	398
CETES	99	-	-	-	99
Saving Protection Bonds (BPAS)	17,555	3,281	-	-	20,836
UDIBONOS	102	-	-	42,207	42,309
Bank securities	1,694	618	1,157	516	3,985
EUROBONDS	-	65	677	29	771
Securitization certificates	2,035	5,705	1,155	13,741	22,636
Other securities	299	468	-	37	804
	Ps. 21,984	**Ps. 12,404**	**Ps. 3,047**	**Ps. 57,679**	**Ps. 95,114**

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 derivative transactions as of December 31, 2013 and 2012 were as follows:

		2013		
		Fair value in millions		
Type of collateral:	Instrument category	Pesos	Denominated in US dollars	Euros
Cash	-	Ps. -	306	-
UMS	Available for sale	-	30	6
PEMEX bonds	Available for sale	-	145	128
		Ps. -	**481**	**134**

		2012		
		Fair value in millions		
Type of collateral:	Instrument category	Pesos	Denominated in US dollars	Euros
Cash	-	Ps. 136	337	-
PEMEX bonds	Held to maturity	-	25	-
PEMEX bonds	Available for sale	-	53	45
		Ps. 136	**415**	**45**

As of December 31, 2013 and 2012, the Financial Group had no securities received as collateral.

As of December 2013 and 2012, interest income amounted to Ps. 16,436 and Ps. 14,125, respectively:

Concept	2013	2012
Trading securities	Ps. 10,364	Ps. 7,663
Securities available for sale	3,919	2,919
Securities held to maturity	2,153	Ps. 3,543
	Ps. 16,436	**Ps. 14,125**

e. Impaired Securities

The objective evidence that a security is impaired includes observable information on, among others, the following events:

a) considerable financial difficulties of the instrument's issuer;
b) the issuer may be declared bankrupt or in some other financial reorganization;
c) breach of contractual clauses, such as failure to pay interest or the principal;
d) unavailability of an active market for the instrument in question due to financial difficulties, or
e) a measurable reduction in future estimated cash flows of a group of instruments from the initial recording of such assets, although the reduction cannot be identified with individual instruments of the group, including:

i. adverse changes in the payment status of the issuers in the group, or
ii. local or national economic conditions that are correlated with the groups defaults.

The amount recorded for the impairment of securities available for sale and held to maturity as of December 31, 2013 and 2012 was:

Concept	2013	2012
Securities available for sale	Ps. 16	Ps. -
Securities held to maturity	25	121
	Ps. 41	**Ps. 121**

During 2013 and 2012, accrued interest income from impaired instruments was Ps. 2 and Ps. 2, respectively.

7 – CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS

As of December 31, 2013 and 2012, the creditor balance in repurchase transactions consist of:

Acting as seller of securities

Instrument	2013	2012
CETES	Ps. 1,543	Ps. 2,288
Development Bonds	73,697	47,830
Bonds IPAB	24,538	5,786
Quarterly IPAB bonds	88,168	79,258
Semi-annual IPAB bonds	56,584	54,401
10-year bonds	-	224
20-year bonds	8,745	9,929
UDIBONOS	4,821	774
10-year UDIBONDS	-	100
Negotiable CEBUR	-	5,948
Government securities	**258,096**	**206,538**
Promissory Notes	307	572
CEDES	2,670	5,214
Bank bonds	-	-
CEBUR Bank	22,043	21,084
Bank securities	**25,020**	**26,870**
Private paper	-	6,563
Short-term CEBUR	20,820	4,060
Mortgage certificates	85	-
Private securities	**20,905**	**10,623**
	Ps. 304,021	**Ps. 244,031**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations as of December 31, 2013 and 2012 totaled Ps. 16,583 and Ps. 15,499, respectively, which are presented in the "Interest Expenses" heading.

During 2013, repurchase transactions carried out by the Financial Group in its capacity as vendor ranged in term from 1 to 364 days.

Acting as securities purchaser

Instrument	2013 Repurchase agreement from debtors	2013 Received, sold collateral in repurchase	2013 Debit difference	2013 Credit difference	2012 Repurchase agreement from debtors	2012 Received, sold collateral in repurchase	2012 Debit difference	2012 Credit difference
CETES	Ps. 2,000	Ps. 2,000	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Development Bonds	10,642	10,642	-	-	4,756	4,756	-	-
Bonds IPAB	8,167	8,167	-	-	9,446	9,446	-	-
Quarterly IPAB bonds	34,628	34,428	200	-	18,925	18,925	-	-
Semi-annual IPAB bonds	11,582	11,582	-	-	16,548	10,859	5,689	-
UDIBONOS	-	-	-	-	581	581	-	-
10-year bonds	-	-	-		194	194	-	-
20-year bonds	500	500	-	-	-	-	-	-
Government securities	**67,519**	**67,319**	**200**	**-**	**50,450**	**44,761**	**5,689**	**-**
CEDES	100	100	-	-	701	701	-	-
Bank bonds	-	-	-	-	70	70	-	-
Securitized bank certificates	10	10	-	-	5,270	5,275	-	5
Bank securities	**110**	**110**	**-**	**-**	**6,041**	**6,046**	**-**	**5**
Private paper	-	-	-	-	1,025	1,040	-	15
Short-term CEBUR	5,145	5,151	2	8	3,272	3,283	5	16
Private securities	**5,145**	**5,151**	**2**	**8**	**4,297**	**4,323**	**5**	**31**
	Ps. 72,774	**Ps. 72,580**	**Ps. 202**	**Ps. 8**	**Ps. 60,788**	**Ps. 55,130**	**Ps. 5,695**	**Ps. 36**

With the Financial Group acting as the purchaser, accrued premiums charged to the results of operations as of December 31, 2013 totaled 2012 for Ps. 5,417 and Ps. 6,206, respectively, which are presented in the "Interest Income" heading.

During 2013, repurchase transactions carried out by the Financial Group in its capacity as purchaser ranged in term from 1 to 364 days

By December 31, 2013, the amount of securities corresponding to guarantees granted and received in repurchase transactions that involved the transfer of property totaled Ps. 305,749 and Ps. 143,033, respectively, and by December 31, 2012, the totals were Ps. 263,453 in guarantees granted and Ps. 113,194 in guarantees received.

8 - DERIVATIVE 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, 2013, 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, 2013 and 2012, the Financial Group's derivatives positions held for trading purposes are as follows:

Asset position	**2013**	**2012**
Futures		
TIIE-rate futures	Ps. -	Ps. 3
Forwards		
Foreign currency forwards	144	152
Options		
Foreign currency options	1	-
Interest rate options	542	599
Swaps		
Interest rate swaps	12,784	15,682
Exchange rate swaps	1,328	1,629
Total trading	**14,799**	**18,065**
Options		
Interest rate options	1	6
Swaps		
Interest rate swaps	53	-
Exchange rate swaps	1	195
Total hedging	**55**	**201**
Total position	**Ps. 14,854**	**Ps. 18,266**

Liability position	2013	2012
Futures		
TIIE-rate futures	Ps. -	Ps. 5
Forwards		
Foreign currency forwards	96	137
Options		
Foreign currency options	5	-
Interest rate options	365	396
Swaps		
Interest rate swaps	12,794	15,599
Exchange rate swaps	1,567	1,495
Total trading	**14,827**	**17,632**
Swaps		
Interest rate swaps	1,665	2,642
Exchange rate swaps	1,835	1,964
Total hedging	**3,500**	**4,606**
Total position	**Ps. 18,327**	**22,238**

The following are notional bonds in different currencies, depending on the type of product, by December 31, 2013:

Trading Instruments

Instrument	MXN	USD	EUR
TIIE-rate futures	Ps. 39,753	$-	$-
Foreign currency forwards	25,288	1,928	2
Foreign currency options	499	-	-
Interest rate options	132,664	256	-
Foreign currency swaps (receiving leg)	18,398	994	20
Foreign currency swaps (paying leg)	12,339	1,468	20
Interest rate swaps (receiving leg)	840,093	10,402	-
Interest rate swaps (paying leg)	840,093	10,402	-

Hedging Instruments

Instrument	MXN	USD	EUR
Interest rate options	Ps. 9,750	$-	$-
Foreign currency swaps (receiving leg)	8,062	70	-
Foreign currency swaps (paying leg)	868	541	114
Interest rate swaps (receiving leg)	29,422	-	-
Interest rate swaps (paying leg)	29,422	-	-

The hedging instruments operated and their main underlying instruments are as follows:

Forwards	Options	Swaps	CCS
Fx-USD	Fx-USD	TIIE 28	TIIE 28
Fx-EUR	TIIE 28	TIIE 91	TIIE 91
Fx-CAD	TIIE 91	CETES 91	LIBOR
	LIBOR	LIBOR	Euribor
			UDI

The risk management policies and internal control procedures for managing risks inherent to derivatives are described in Note 35.

Transactions carried out for hedging purposes have maturities from 2014 to 2032 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, 2013 is USD 415,000 thousand and EUR 45,000 thousand, and as of December 31, 2012 it was USD 415,000 thousand and EUR 45,000 thousand. Futures transactions are made through recognized markets, and as of December 31, 2013 they represent 5% of the nominal amount of all the derivatives' operations contracts; the remaining 95% correspond to option and swap transactions in OTC markets.

As of December 31, 2013 and 2012, 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 securities available for sale. The restriction maturity date for this collateral is from 2013 to 2031. Their fair value is shown in Note 6 d).

As of December 31, 2013 and 2012, the Financial Group had no instruments received as collateral in derivative transactions.

During 2013 and 2012, the net earnings from the valuation and realization of derivative financial instruments were Ps. (792) and Ps. 496, 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 financial statements and that are expected to be reclassified to earnings within the next 12 months totals Ps. 40.

As of December 31, 2013 and 2012, 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 flows hedges as follows:

- Forecast funding using TIIE rate, Caps and Swaps.
- Recorded liabilities in Mexican pesos using TIIE rate Swaps.
- Recorded assets in foreign currency using Cross Currency Swaps.
- Recorded liabilities in foreign currency using Cross Currency Swaps.

As of December 31, 2013, there are 44 hedge 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 over hedging on any of the derivatives, so as of December 31, 2013, there are no ineffective portions that are recorded at the market value that the Financial Group has to record in earnings.

The following are the Financial Group's hedged cash flows as of December 31, 2013, 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
Forecast Funding	Ps. 1,429	Ps. 4,304	Ps. 10,422	Ps. 1,894
Liabilities denominated in UDIs	23	8	-	-
Assets denominated in USD	8	28	126	51
Liabilities denominated in USD	556	240	5,718	2,877
Assets denominated in Euros	108	5	453	2,829
	Ps. 2,124	**Ps. 4,585**	**Ps. 16,719**	**Ps. 7,651**

The fair value of the instruments designated as cash flow hedging, recognized in overall earnings in stockholders equity on December 31, 2013 and 2012 totaled Ps. (1,420) and Ps. (2,493), respectively. Furthermore, Ps. 75 and Ps. 77, respectively, were reclassified from stockholders' equity to results.

The gains recognized in derivatives financial instruments' results designated for trading were Ps. 67 and Ps. 351, on December 31, 2013 and 2012, respectively.

On November 30, 2012, IXE Banco voluntarily revoked the fair value hedging on loans (mortgage, PyME and factoring). Therefore the adjustment to the book value for loan valuation attributable to interest rate risk is linearly amortized in the period's results up to the termination date of the hedged item (January 2027). The fair value of the hedged loan on the hedging revocation date was Ps. 176. At the close of December 2013, the amortization of the loan's valuation was Ps. 16.

Trading derivatives and hedging derivatives: the loan risk is minimized through 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 cash flows hedging valuation balance:

Balance	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
Balance, December 31, 2011	(Ps. 2,935)	(Ps. 821)	Ps. 15
Balance, December 31, 2012	(Ps. 2,785)	Ps. 150	Ps. 75
Balance, December 31, 2013	(Ps. 1,541)	Ps. 660	Ps. 77

9 - LOAN PORTFOLIO

As of December 31, 2013 and 2012, the loan portfolio by loan type is as follows:

	Performing loan portfolio		Past-due loan portfolio		Total	
	2013	2012	2013	2012	2013	2012
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 150,945	Ps. 156,279	Ps. 10,415	Ps. 5,620	Ps. 161,360	Ps. 161,899
Rediscounted portfolio	6,971	5,603	-	-	6,971	5,603
Denominated in USD						
Commercial	25,766	23,501	58	518	25,824	24,019
Rediscounted portfolio	942	678	-	-	942	678
Total commercial loans	**184,624**	**186,061**	**10,473**	**6,138**	**195,097**	**192,199**
Loans to financial institutions	4,863	8,434	-	4	4,863	8,438
Consumer loans						
Credit card	20,323	17,524	1,278	934	21,601	18,458
Other consumer loans	37,560	28,512	815	533	38,375	29,045
Mortgage loans						
Denominated in domestic currency	80,305	70,794	988	769	81,294	71,563
Denominated in USD	1,388	1,642	43	33	1,431	1,675
Denominated in UDIS	339	172	55	10	394	182
Government loans	95,636	88,293	2	60	95,638	88,353
	240,414	**215,371**	**3,182**	**2,343**	**243,596**	**217,714**
Total loan portfolio	**Ps. 425,038**	**Ps. 401,432**	**Ps. 13,655**	**Ps. 8,481**	**Ps. 438,693**	**Ps. 409,913**

Restructured loans

The restructured loans on December 31, 2013 and 2012 that modified their terms and rates are shown below:

	2013		2012	
	Performing	Past-due	Performing	Past-due
Commercial loans				
Business loans	Ps. 2,618	Ps. 873	Ps. 4,065	Ps. 864
Financial institutions' loans	31	-	1	-
Government loans	8,852	-	-	-
Consumer loans	6	3	32	16
Mortgage loans	38	29	37	48
	Ps. 11,545	**Ps. 905**	**Ps. 4,135**	**Ps. 928**

As of December 31, 2013, past-due loans showed the following periods of delinquency:

	From 1 to 180 days	From 181 to 365 days	From 366 to 2 years	More than 2 years	Total
Commercial loans					
Business loans	Ps. 3,191	Ps. 6,253	Ps. 592	Ps. 439	Ps. 10,475
Consumer loans	2,007	79	4	3	2,093
Mortgage loans	575	500	12	-	1,087
	Ps. 5,773	**Ps. 6,832**	**Ps. 608**	**Ps. 442**	**Ps. 13,655**

As of December 31, 2012, past-due loans showed the following periods of delinquency:

	From 1 to 180 days	From 181 to 365 days	From 366 to 2 years	More than 2 years	Total
Commercial loans					
Business loans	Ps. 2,694	Ps. 931	Ps. 382	Ps. 2,195	Ps. 6,202
Consumer loans	1,225	235	5	2	1,467
Mortgage loans	374	374	7	57	812
	Ps. 4,293	**Ps. 1,540**	**Ps. 394**	**Ps. 2,254**	**Ps. 8,481**

Past-due loan movements for the years ended on December 31, 2013 and 2012 are shown below:

	2013	2012
Balance at the beginning of the year	Ps. 8,481	Ps. 6,949
Liquidations	(4,514)	(1,638)
Write-offs*	(7,333)	(3,212)
Renewals	(945)	(401)
Discounts	(435)	(116)
Foreclosures	(169)	(639)
Loan portfolio sales	(933)	(872)
Transfers to performing loans	(3,086)	(2,573)
Transfers from performing loans	22,559	11,060
Merger of Ixe companies	17	-
Fluctuation from foreign exchange rate	13	(77)
Year-end balance	**Ps. 13,655**	**Ps. 8,481**

* Corresponds to 100% of reserved loans.

As of December 31, 2013, the balance of deferred loan origination fees was Ps. 2,130, and the amount recorded in results was Ps. 1,544. Furthermore, the deferred balance of costs and expenses associated with initial loan originations was Ps. 832, and the amount recorded in results was Ps. 389. As of December 31, 2012, the balance of deferred loan origination fees was Ps. 2,061, and the amount recorded in results was Ps. 1,064. Furthermore, the deferred balance of costs and expenses associated with initial loan originations was Ps. 885, and the amount recorded in results was Ps. 532. 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 collected fees and costs are presented net in the line item of Deferred Loans and Advance Collections within the Consolidated Balance Sheets as well as in Interest Income and Interest Expenses, respectively, in the Consolidated Income Statements.

The average terms of the portfolio's main balances are: a) commercial, 1.7 years; b) financial institutions, 2.9 years; c) mortgage, 18.7 years; d) government loans, 2.5 years; and e) consumer, 5.6 years.

During the periods ended on December 31, 2013 and 2012, the balance of written off loans that had been fully reserved as past-due loans was Ps. 6,034 and Ps. 3,212, respectively.

On December 31, 2013 and 2012, revenues from recoveries of previously written-off loan portfolios were Ps 1,194 and Ps 1,100, respectively.

Customer insurance policies that the Financial Group includes as part of the loan portfolio correspond to car insurance; the rest of the insurance policies are not recorded in the Consolidated Balance Sheets and are collected when the loan amortization is charged to the customer. The amount of financed car insurance policies by December 31, 2013 and 2012 is Ps. 30 and Ps. 21, respectively.

The loans granted per economic sectors as of December 31, 2013 and 2012, are shown below:

	2013		2012	
	Amount	**Concentration percentage**	**Amount**	**Concentration percentage**
Private (companies and individuals)	Ps. 195,096	44.47%	Ps. 192,199	46.89%
Financial institutions	4,862	1.11%	8,438	2.06%
Credit card and consumer	59,977	13.67%	47,503	11.59%
Mortgage	83,119	18.95%	73,420	17.91%
Government loans	95,639	21.8%	88,353	21.55%
	Ps. 438,693	**100%**	**Ps. 409,913**	**100%**

Special accounting treatment for hurricanes "Ingrid" and "Manuel" flooding aid program granted by Banco Mercantil del Norte, S.A.

Given the negative impact of the floods caused by hurricanes "Ingrid" and "Manuel", the Financial Group has decided to assist in the economic recovery of the affected regions declared disaster areas in the Official Gazette of the Federation by the Ministry of Government, by implementing various support programs to the debtors, as per the following:

Support for mortgage, car, payroll and small and medium business (crediactivo –PyMEs) loans, consisting of:

- Mortgage loan. Facilities to cover up to 3 mortgage loan payments with a personal loan granted for an amount equal to 3 installments, with terms of 36 and 48 months at the client's discretion, at the same rate as the Mortgage Loan and without an opening fee.
- Car loans. Deferral of up to three monthly installments, which are relocated to the end of the loan term thereby extending the original term 7 additional months.
- Payroll loans. Deferral of up to three monthly installments, which are relocated to the end of the loan term thereby extending the original term.
- Crediactivo. Clients may defer the payment of 3 monthly installments by formalizing an agreement. These deferred payments are relocated to the end of the loan term without affecting the original term. That is, the customer will have to pay twice the normal monthly installment during the last three months of the loan term.

By virtue of the above, the Commission issued a special accounting standard in document number P065/2013 applicable to the Financial Group from September 13, 2013 to January 14, 2014, authorizing the Financial Group not to consider as restructured loans those in effect on September 13, 2013, whose principal and interest payments were deferred, as per Circular B-6 paragraph 26, "Loan Portfolio", and to keep them as performing loans for the term stated in the plan. Therefore, those loans are considered 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, 2013 Consolidated Balance Sheet:

PERFORMING LOAN PORTFOLIO	
Commercial loans	
Business loans	Ps. 184,624
Financial institutions' loans	4,863
Government loans	95,636
Consumer loans	57,883
Mortgage loans	82,032
TOTAL PERFORMING LOAN PORTFOLIO	**425,038**
PAST-DUE LOAN PORTFOLIO	
Commercial loans	
Business loans	10,473
Financial institutions' loans	-
Government loans	2
Consumer loans	2,094
Mortgage loans	1,087
TOTAL PAST-DUE LOAN PORTFOLIO	**13,656**
LOAN PORTFOLIO	**438,694**
(Minus) Allowance for loan losses	(14,290)
LOAN PORTFOLIO, net	**424,404**
ACQUIRED COLLECTION RIGHTS	3,522
TOTAL LOAN PORTFOLIO, net	**Ps. 427,926**

Moreover, the period´s net income would have been Ps 13,508 as a result of the additional Ps 0.178 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, 2013 totals Ps. 0.45.

Special accounting treatment for hurricanes "Ingrid" and "Manuel" flooding aid program granted by Banorte Ixe Tarjetas, S.A. de C.V.

Given the negative impact of the floods caused by hurricanes "Ingrid" and "Manuel", the Financial Group has decided to assist in the economic recovery of the affected regions declared disaster areas in the Official Gazette of the Federation by the Ministry of Government, by implementing various support programs to the debtors, as per the following:

- Credit card. The required minimum payment will not be due and payable for up to three months, only the normal interest will be charged, and no penalties will be applied during such period.

By virtue of the above, the Commission issued a special accounting standard in document number P066/2013 applicable to the Financial Group from September 13, 2013 to January 14, 2014, authorizing that the loans that were restructured or renewed with the 120 calendar days following the date of the disaster not be considered as past-due as per paragraph 83 of the accounting principles. Such period is not to exceed 3 months.

As of December 31, 2013, the Financial Group had not yet granted the aforementioned aids. Therefore the authorized special accounting standard has not been applied.

Policies and Procedures for Granting Loans

The granting, control and recovery of loans are 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 past-due loans are timely transferred and recorded in the accounting, and those loans with recovery problems are properly and promptly identified.

Pursuant to the Commission Circular B6, "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 recovered fully (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. Based on their reserve percentage, the commercial loans rating D and E risk degrees are as follows:

	2013	2012
Distressed portfolio	**Ps. 12,359**	**Ps. 3,121**
Performing	2,305	-
Past-due	10,054	-
Total rated portfolio	**Ps. 471,379**	**Ps. 439,561**
Distressed portfolio/total rated portfolio	2.62%	0.71%

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.

10 - LOANS
RESTRUCTURED IN UDIS

As of December 31, 2013 and 2012, the Financial Group has no mortgage loans restructured in UDIS.

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.

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, 2013 is Ps. 58, which includes Ps. 56 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.

The obligations of the Federal Government on December 31, 2013 subject to the Agreement are described below:

	Payment date	Amount
Fourth amortization	June 1, 2014	Ps. 28
Fifth amortization	June 1, 2015	28
		Ps. 56

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 2012 is the arithmetic average of the annual rate of return based on the 91-day CETES discount issued in December 2011, 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.

An analysis of the allowance for loan losses for the loans included in the Agreement is detailed below:

	2013
Initial balance	Ps. 19
Financial Group support	67
Discounts and write-offs	14
Reserves reclassification	(9)
Contribution to settle fiduciary liability	1
Final balance	**Ps. 92**

During 2013 and 2012, Ps. 11 and Ps. 9, respectively, were recognized in earning for support to punto final and GFNorte (plan for outlays in asset recovery) for loans off the program.

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. 97 were used to repurchase Special CETES; the remaining balance not repurchased by the Federal Government as of December 31, 2013 was Ps. 860 with maturities between 2017 and 2027.

The Financial Group recognized in 2010 Ps. 330 as an allowance for loan losses and Ps. 56 in deferred taxes as a result of terminating the Trusts.

11 - 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:

		2013					
		Required allowances for losses					
Risk category	**Loan portfolio**	**Business**	**Government**	**Financial institutions' loans**	**Consumer portfolio**	**Mortgage portfolio**	**Total**
Exempted portfolio	Ps. 58	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Risk A1	294,901	651	262	95	299	81	1,388
Risk A2	76,002	289	270	142	254	43	998
Risk B1	23,551	162	70	-	631	10	873
Risk B2	19,316	161	-	-	539	16	716
Risk B3	26,706	376	341	-	297	8	1,022
Risk C1	6,890	232	3	-	226	41	502
Risk C2	5,600	203	17	-	489	76	785
Risk D	16,021	4,424	-	-	1,479	292	6,195
Risk E	2,401	487	-	-	949	104	1,540
Unclassified	(66)	-	-	-	-	-	-
	Ps. 471,380	**Ps. 6,985**	**Ps. 963**	**Ps. 237**	**Ps. 5,163**	**Ps. 671**	**Ps. 14,018**
Less: recorded allowance	**-**						**Ps. 14,289**
Reserve supplement*	**Ps. 471,380**						**Ps. 271**

* The recorded reserves supplement conforms to the Provisions to cover 100% of the past-due interest and for the effects of inquiries in the credit bureau.

	2012				
		Required allowances for losses			
Risk category	**Loan portfolio**	**Commercial portfolio**	**Consumer portfolio**	**Mortgage portfolio**	**Total**
Exempted portfolio	Ps. 87	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	73,350	-	26	168	194
Risk A1	178,598	846	-	-	846
Risk A2	97,155	913	-	-	913
Risk B	29,023	-	1,005	217	1,222
Risk B1	39,106	794	382	-	1,176
Risk B2	10,915	81	682	-	763
Risk B3	2,445	273	-	-	273
Risk C	3,105	-	914	186	1,100
Risk C1	391	105	-	-	105
Risk C2	714	320	-	-	320
Risk D	2,064	408	1,005	6	1,419
Risk E	2,689	2,491	184	18	2,693
Unclassified	(81)	-	-	-	-
	Ps. 439,561	Ps. 6,231	Ps. 4,198	Ps. 595	Ps. 11,024
Less: recorded allowance					**Ps. 11,734**
Reserve supplement*					**Ps. 710**

The reserves supplement conforms to the provisions to cover 100% of the past-due interest and for the effects of inquiries in the credit bureau, a total of Ps. 133 was recorded, and in 2013 they include the recognition of Ps. 577 in the loan portfolio quality impairment derived from unforeseen factors in the rating methodologies.

The total portfolio balance used as the basis for the classification above includes amounts related to credit commitments, which is recorded in memorandum accounts.

As of December 31, 2013 and 2012, the estimated allowance for loan losses is determined based on portfolio balances at those dates.

As of December 31, 2013 and 2012, the allowance for loan losses represents 105% and 138%, 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, 2013 and 2012.

Modification in commercial loan rating standards

On June 24, 2013, the Commission published a resolution that modified the Provisions regarding the commercial loan rating methodology. The resolution modifies the current model of reserves based on public ratings in order to establish a methodology by which the portfolio in question is rated and covered based on the expected losses for the next 12 months considering the probability of default, severity of the loss and exposure to non-compliance by each client.

The ruling became effective on June 25, 2013 and may be applied as of said date but no later than December 31, 2013 for loans granted to individuals with a business activity, business entities and decentralized government agencies, without considering loans to financial intermediaries to which the new methodology cannot be applied until January 2014.

Abiding by said ruling, the Financial Group decided to apply such methodology with figures up to June 30, 2013. Consequently, the Financial Group recognized Ps. 3,953 (Ps. 3,872 net of minority interest) in "Prior Years' Earnings" in Stockholders' Equity, which correspond to the initial cumulative effect of applying the new rating methodologies to commercial loans, not including loans to financial intermediaries, which were adopted until January 2014, as per the Commission's rules.

The amount of allowances for loan losses for the Financial Group's commercial loans amounted to Ps. 8.382, and the reserve for said loans considering the methodology in effect prior to this ruling totaled Ps. 4,986, both with figures as of June 30, 2013.

Pursuant to the regulation in effect, as of December 31, 2013 the Financial Group rated the commercial (except loans to financial intermediaries and loans intended for investment projects having their own source of payment), mortgage, revolving and non-revolving consumer loans using the methodologies based on expected losses.

Exposure to Default, Probability of Non-Compliance and Severity of the Loss are shown below for each type of loan.

Type of Loan	Exposure to Default	Weighted Probability of Non-compliance	Weighted Severity of Loss
Commercial*	Ps. 241,918	10.8%	28.0%
Mortgage	81,715	3.0%	26.8%
Non-revolving consumer	38,179	9.3%	65.1%
Revolving Consumer loan	29,350	11.5%	84.0%

* Loans to financial intermediaries and loan intended for investment projects having their own source of payment are not included.

Additionally, the Financial Group used personal guarantees to cover the loan risk in the commercial loan rating. Such guarantees amount to Ps. 42,422.

Movements in allowance for loan losses

An analysis of the movements in allowance for loan losses is detailed below:

	2013	2012
Balance at the beginning of the year	Ps. 11,734	Ps. 9,944
Increase charged to results	8,717	8,594
Discounts and write-offs	(8,988)	(5,287)
Rebates granted to housing debtors	(11)	(12)
Consolidation of IXE Tarjetas	-	446
Loan portfolio sales	(1,118)	(2,040)
Effect of the new loan rating methodology	3,952	16
Other	3	73
Year-end balance	**Ps. 14,289**	**Ps. 11,734**

As of December 31, 2013, the net amount of preventive loan loss reserves charged to the Consolidated Income Statement totals Ps. 8,942, and Ps. (228) to other income or expenses, and Ps. 3 for foreign exchange fluctuations. These amounts charged to results are made up of Ps. 8,717 credited directly to the estimate. As of December 31, 2011, the net amount of preventive loan loss reserves charged to the consolidated Income Statement totals Ps. 6,172 and are presented net of items recorded in Other income or expenses from the operation (Ps. 52) and due to the variation of the USD ($1) exchange rate and eliminations from intercompany operations Ps. 2,475; said amount affected the results for Ps. 8594 credited directly to the estimate.

12 - ACQUIRED COLLECTION RIGHTS

As of December 31, 2013 and 2012, the acquired collection rights are comprised as follows:

Valuation Method	2013	2012
Cash Basis Method	Ps. 1,012	Ps. 1,181
Cost Recovery Method	2,415	1,822
Interest Method	95	106
	Ps. 3,522	**Ps. 3,109**

As of December 31, 2013 and 2012, derived from applying the valuation methods (described in Note 4), the Financial Group recognized income from credit asset portfolios of Ps. 584, coupled with the respective amortization of Ps. 278, the effects were recognized under the "Other income" heading in the Consolidated Income Statement. For the year ended December 31, 2012, the Financial Group recognized income of Ps. 698, coupled with the respective amortization of Ps. 482.

As of December 31, 2013 and 2012, derived from applying the valuation methods (described in Note 4), Sólida recognized income from credit asset portfolios of Ps. 786, coupled with the respective amortization of Ps. 557, the effects were recognized under the "Other income" heading in the Consolidated Income Statement. For the year ended December 31, 2012, the Financial Group recognized income of Ps. 793, together with the respective amortization of Ps. 286.

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 accounts receivable. If based on information of current events, 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 accounts receivable.

As of December 31, 2013, the Financial Group recognized impairment for Ps. 51,282 in the Acolman real estate development.

Assets different from cash that the Financial Group has received as part of portfolio collection or recovery, have been mainly in real estate property.

The main feature considered for segmenting acquired portfolios has been the type of loan.

13 - PREMIUM RECEIVABLES, NET

This item is made up as follows:

	2013	2012
Liability	Ps. 113	Ps. 84
Maritime and transportation	76	36
Fire	109	117
Automobile	1,070	1,016
Various	480	862
Accidents and health	357	430
Life	287	167
Pensions	68	75
	2,560	**2,787**
Federal public administration agencies' indebtedness	487	350
	Ps. 3,047	**Ps. 3,137**

14 - ACCOUNTS RECEIVABLE FROM REINSURANCE

This item is made up as follows:

	2013	2012
Insurance and annuities	Ps. 1,057	Ps. 666
Reinsurers' participation for pending claims	1,739	1,249
Reinsurers' participation for current risk	760	791
Other participations	7	9
	Ps. 3,563	**Ps. 2,715**

15 – OTHER ACCOUNTS RECEIVABLE, NET

This item is made up as follows:

	2013	2012
Loans to officers and employees	Ps. 2,210	Ps. 1,999
Debtors from liquidation settlements	2,138	4,433
Debtors from cash collateral	4,010	4,508
Real estate property portfolios	1,303	1,789
Fiduciary rights*	11,162	6,813
Sundry debtors in Mexican pesos	422	2,842
Sundry debtors in foreign currency	716	824
Other	135	198
	22,096	**23,406**
Allowance for doubtful accounts	(393)	(309)
	Ps. 21,703	**Ps. 23,097**

* In most cases, the Financial Group has the preferred capital of the trusts, which were constituted to build real estate developments. Moreover the Financial Group recognizes an income from the trust's return on equity based on fulfilling the construction project's progress and/or sale, and suspends recording such income when the progress is not as expected in the plan included in the trust's contract.

Loans to officers and employees mature in 2 to 30 years and accrue interest at a 6% to 10% rate.

16 – FORECLOSED ASSETS, NET

As of December 31, 2013 and 2012, the foreclosed assets balance is as follows:

	2013	2012
Moveable property	Ps. 654	Ps. 705
Real estate property	3,177	2,971
Goods pledged for sale	69	33
	3,900	**3,709**
Allowance for losses on foreclosed moveable assets	(328)	(106)
Allowance for losses on foreclosed real estate assets	(761)	(651)
Allowance for losses on assets pledged for sale	(30)	(13)
	(1,119)	**(770)**
	Ps. 2,781	**Ps. 2,939**

As of December 31, 2013, the aging of the reserves for foreclosed assets is made up as follows:

Concept / Months	12 to 18	18 to 24	More than 24	Total
Moveable property	Ps. 9	Ps. 135	Ps. 184	Ps. 328

Concept / Months	12 to 24	24 to 30	30 to 36	36 to 42	42 to 48	More than 48	Total
Real estate property	Ps. 101	Ps. 72	Ps. 35	Ps. 30	Ps. 37	Ps. 486	Ps. 761
Goods pledged for sale	-	2	-	1	-	27	30
	Ps. 101	**Ps. 74**	**Ps. 35**	**Ps. 31**	**Ps. 37**	**Ps. 513**	**Ps. 791**

17 - PROPERTY, FURNITURE AND EQUIPMENT, NET

This item is made up as follows:

	2013	2012
Furniture and equipment	Ps. 9,633	Ps. 9,651
Property intended for offices	6,747	6,238
Installation costs	4,347	4,041
	20,727	**19,930**
Less - Accumulated depreciation and amortization	(8,694)	(7,944)
	Ps. 12,033	**Ps. 11,986**

The depreciation recorded in the results of 2013 and 2012 was Ps. 931 and Ps. 1,061, 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 (except ATMs)	4.7 years
Computer equipment (ATMs)	7 years
Furniture and equipment	10 years
Real estate	From 4 to 99 years

18 - PERMANENT STOCK INVESTMENTS

Investment in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	Share %	2013	2012
Afore XXI-Banorte, S.A. de C.V.	50%	Ps. 13,514	Ps. 4,434
Transporte Aéreo Técnico Ejecutivo, S.A. de C.V.	45.33%	-	246
Concesionaria Internacional Anzaldúas, S.A. de C.V.	40%	57	79
Internacional de Inversiones, S.A.P.I. de C.V.	5.62%	105	90
Servicios Banorte Generali, S. A. de C.V.	33%	-	14
Capital I CI-3, S.A.P.I. de C.V.	50%	28	12
Comercial Banorte Generali, S.A. de C.V.	33%	-	6
Maxcom Telecomunicaciones S.A.B. de C.V.	8.31%	250	-
Controladora PROSA, S.A. de C.V.	19.73%	50	47
Sociedades de Inversión IXE Fondos (Mutual Funds)	Various	86	126
Banorte Mutual funds	Various	13	14
Other	Various	102	102
		Ps. 14,205	**Ps. 5,170**

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.

19 - 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 how income and expenses are recognized for accounting and tax purposes, as well as the differences between the accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of (Ps. 200) and (Ps. 978) as of December 31, 2013 and 2012, respectively, as detailed below:

	2013			2012		
		Deferred Effect			Efecto diferido	
	Temporary Differences	ISR	Employee Profit Sharing PTU	Temporary Differences	ISR	Employee Profit Sharing PTU
Temporary Differences -_Assets						
Allowance for loan losses	Ps. 3,519	Ps. 1,075	Ps. -	Ps. 2,303	Ps. 700	Ps. -
Tax loss carry forwards	3,726	1,119	-	2,952	885	-
Surplus preventive allowances for credit risks over the net tax limit	220	66	-	1,002	300	103
Excess of tax over book value of foreclosed and fixed assets	2,011	594	-	1,971	569	56
PTU	319	96	-	692	208	83
Fees collected in advance	2,780	834	-	953	288	31
Accounting provisions	1,660	500	-	646	197	61
Financial instruments valuation	655	197	-	-	-	-
Other assets	1,299	376	-	350	112	1
Total assets	**Ps. 16,189**	**Ps. 4,857**	**Ps. -**	**Ps. 10,869**	**Ps. 3,259**	**Ps. 335**

	2013			2012		
		Deferred Effect			Deferred Effect	
	Temporary Differences	ISR	Employee Profit Sharing PTU	Temporary Differences	ISR	Employee Profit Sharing PTU
Temporary Differences_- Liabilities						
Unrealized loss in securities available-for-sale	Ps. -	Ps. -	Ps. -	Ps. 252	Ps. 88	Ps. -
Excess of tax over book value of foreclosed and fixed assets and expected payments	9	3	-			
Portfolios acquired	2,442	718	-	1,120	330	91
Capitalizable projects' expenses	1,985	596	-	1,514	445	107
Provisions	464	130	-			
Contributions to pension funds	3,742	1,123	-	3,239	908	270
Intangible assets	1,762	499	-	1,826	517	-
Deferred from the IXE purchase method	1,317	395	-	366	110	-
Other	5,305	1,593	-	5,574	1,674	34
Total deferred liabilities	**17,026**	**5,057**	**-**	**Ps. 13,891**	**Ps. 4,072**	**Ps. 502**
Net accumulated asset	**(Ps. 837)**	**(Ps. 200)**	**Ps. -**	**(Ps. 3,022)**	**(Ps. 811)**	**(Ps. 167)**
Deferred tax, net			**(Ps. 200)**			**(Ps. 978)**

As discussed in Note 29, as of January 1, 2010 and up to December 31, 2013, the applicable income tax rate is 30%. 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 the Financial Group and subsidiares will continue to pay ISR. Thus no change was made to the deferred tax calculations.

On December 11, 2013, a decree was published reforming, adding and repealing various provisions of the Income Tax Law that went into effect on January 1, 2014. Other provisions were established through which the income tax rate for 2014 will be 30%, and the Business Flat Tax Law was repealed.

Banorte USA's deferred tax assets and liabilities are determined using the liability method. According to this method, the net asset or liability 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 128 was added to deferred taxes determined at a rate of 35% as per the tax law of the USA.

20 - OTHER ASSETS

This item is made up as follows:

	2013	2012
Net asset forecast from labor obligations and savings fund	Ps. 3,860	Ps. 3,664
Other amortizable expenses	8,856	7,100
Accumulated amortization of other expenses	(1,001)	(489)
Goodwill	15,381	15,356
	Ps. 27,096	**Ps. 25,631**

As of December 31, 2013 and 2012, Goodwill is as follows:

	2013	2012
Ixe Grupo Financiero, S.A.B. de C.V.	Ps. 11,537	Ps. 11,537
INB Financial Corp.	2,842	2,816
Banorte-Ixe Tarjetas, S.A. de C.V., SOFOM, ER	727	727
Uniteller Financial Services	254	252
Generali México Compañía de Seguros, S.A.	21	23
Royal Sun Alliance Pensiones (México), S.A. de C.V.	-	1
	Ps. 15,381	**Ps. 15,356**

As mentioned in Note 4, goodwill is not amortized and is subject to annual impairment tests. No impairment to goodwill value was detected as of December 31, 2013 and 2012.

21 - 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 2013 and 2012 the Financial Group generated a liquidity requirement of USD 104,607 thousand and USD 78,326 thousand, respectively, and held investments in liquid assets of USD 493,062 thousand and USD 379,005 thousand, representing a surplus of USD 387,375 thousand and USD 300,764 thousand, respectively.

Core Deposits

The liabilities derived from core deposits are made up as follows:

	2013	2012
Demand deposits		
Non-interest Bearing Checking accounts:		
Cash deposits	Ps. 111,486	Ps. 99,059
Checking accounts in US dollars for individual residents on the Mexican border	990	909
Demand deposits accounts	8,945	7,558
Interest Bearing Checking accounts:		
Other bank checking deposit	58,018	43,885
Savings accounts	3	411
Checking accounts in US dollars for individual residents on the Mexican border	1,487	1,512
Demand deposits accounts	73,290	57,837
	254,219	**211,171**
Time deposits		
General public:		
Fixed-term deposits	40,126	36,189
Retail time deposits	50,689	71,367
Promissory note with interest payable at maturity PRLV primary market for individuals	85,524	76,779
PRLV primary market for business entities	2,556	2,321
Foreign residents deposits	21	23
Provision for interest	230	376
	179,146	**187,055**
Money market:		
Fixed-term deposits		-
Over the counter promissory notes	4,675	19,624
Provision for interest	296	1,909
	4,971	**21,533**
	184,117	**208,588**
Senior debt issued	**5,405**	**4,566**
	Ps. 443,741	**Ps. 424,325**

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:

	2013				2012			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIS	0.53%	0.51%	0.58%	0.53%	0.56%	0.56%	0.52%	0.52%
Foreign Currency	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Banorte USA (INB)								
Demand deposits accounts	0.05%	0.04%	0.01%	0.01%	0.05%	0.04%	0.05%	0.05%
Money market	0.06%	0.04%	0.04%	0.04%	0.10%	0.09%	0.08%	0.07%

Time deposits:

	2013				2012			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
General public								
Mexican pesos and UDIS	3.52%	3.29%	3.28%	2.97%	3.61%	3.62%	3.53%	3.58%
Foreign Currency	0.59%	0.63%	0.61%	0.57%	0.61%	0.61%	0.55%	0.61%
Money market	4.51%	4.28%	4.16%	3.83%	4.97%	4.82%	4.72%	4.79%
Banorte USA (INB)	0.34%	0.35%	0.35%	0.35%	0.41%	0.39%	0.38%	0.36%

As of December 31, 2013 and 2012, the terms set for these deposits are as follows:

	2013			
	From 1 to 179 years	From 6 to 12 months	More than 1 year	Total
General public				
Fixed-term deposits	Ps. 14,011	Ps. 988	Ps. 740	Ps. 15,739
Retail time deposits	151,666	1,485	69	153,220
Promissory note with interest payable at maturity PRLV primary market for individuals	8,396	478	975	9,849
PRLV primary market for business entities	-	-	-	-
Foreign residents deposits	21	-	-	21
Provision for interest	275	37	5	317
	174,369	**2,988**	**1,789**	**179,146**
Money market:				
Fixed-term deposits				
Promissory notes	-	-	4,675	4,675
Provision for interest	-	-	296	296
	-	**-**	**4,971**	**4,971**
Senior debt issued	**-**	**-**	**5,405**	**5,405**
	Ps. 174,369	**Ps. 2,988**	**Ps. 12,165**	**Ps. 189,522**

	2012			
	From 1 to 179 years	From 6 to 12 months	More than 1 year	Total
General public				
Fixed-term deposits	Ps. 25,310	Ps. 4,768	Ps. 6,111	Ps. 36,189
Retail time deposits	71,034	333	-	71,367
Promissory note with interest payable at maturity PRLV primary market for individuals	76,066	639	74	76,779
PRLV primary market for business entities	2,046	36	239	2,321
Foreign residents deposits	16	2	5	23
Provision for interest	312	32	32	376
	174,784	**5,810**	**6,461**	**187,055**
Money market:				
Fixed-term deposits				
Promissory notes	-	-	19,624	19,624
Provision for interest	-	-	1,909	1,909
	-	**-**	**21,533**	**21,533**
Senior debt issued			**4,566**	**4,566**
	Ps. 174,784	**Ps. 5,810**	**Ps. 32,560**	**Ps. 213,154**

22 - INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2013 and 2012 are as follows:

	Mexican pesos		Denominated in USD		Total	
	2013	2012	2013	2012	2013	2012
Immediately due						
Domestic banks (Call money)	Ps. 2,974	Ps. 295	Ps. -	Ps. -	Ps. 2,974	Ps. 295
	2,974	**295**	**-**	**-**	**2,974**	**295**
Short-term:						
Banco de México	-	7,000	-	-	-	7,000
Commercial banks	9,628	2,424	66	67	9,694	2,491
Development banks	2,539	12,333	427	2,189	2,966	14,522
Public trusts	6,069	3,336	672	208	6,741	3,544
Provision for interest	1	65	4	6	5	71
	18,237	**25,158**	**1,169**	**2,470**	**19,406**	**27,628**
Long-term						
Commercial banking	4,469	1,131	-	-	4,469	1,131
Development banking	-	2,224	97	522	97	2,746
Public trusts	2,953	3,893	160	212	3,113	4,105
Provision for interest	-	-	-	-	-	-
	7,422	**7,248**	**257**	**734**	**7,679**	**7,982**
	Ps. 28,633	**Ps. 32,701**	**Ps. 1,426**	**Ps. 3,204**	**Ps.30,059**	**Ps.35,905**

These liabilities incur interest depending on the type of instrument and average balance of the loans.
The average interest rates are shown below:

	2013				2012			
Foreign exchange	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Call money								
Mexican pesos and UDIS	4.35%	3.75%	3.80%	3.44%	4.52%	4.45%	4.47%	4.45%
Other bank loans								
Mexican pesos and UDIS	4.71%	4.46%	4.64%	4.31%	4.89%	4.71%	4.59%	4.60%
Foreign Currency	2.34%	1.49%	2.08%	1.54%	1.80%	2.10%	2.05%	2.45%

Banorte USA liabilities accrue interest at an average rate of 0.71% and 0.67% as of December 2013 and 2012, respectively. Moreover, the Arrendadora y Factor Banorte, S.A. de C.V. loans accrue an average interest rate of 4.92% and 5.68% in Mexican pesos and 1.93% and 1.96% in U.S. dollars as of December 31, 2013 and 2012, respectively.

23 - TECHNICAL RESERVES

This item is made up as follows:

	2013	2012
Current risk:		
Life	Ps. 51,510	Ps. 42,356
Accidents and health	1,009	988
Damages	2,716	2,517
	55,235	45,861
Contractual obligations:		
Claims and expirations	2,415	2,037
Unreported claims	1,780	1,358
Dividends on policies	417	381
Insurance funds under management	2	11
Security premiums	264	230
	4,878	4,017
Contingency:		
Catastrophic risk	616	510
Contingencies	984	801
Special	494	533
	2,094	1,844
	Ps. 62,207	**Ps. 51,722**

24 - SUNDRY CREDITORS AND OTHER PAYABLES

This item is made up as follows:

	2013	2012
Cashier and certified checks and other negotiable instruments	Ps. 1,715	Ps. 2,379
Provision for employee retirement obligations and saving fund	239	655
Provisions for other obligations	3,868	4,880
Deposits under guardianship	415	375
Visa Travel Money Card	410	313
Withholding taxes	761	230
End of month deposits and collects yet to apply	1,880	1,699
Other	3,648	4,496
	Ps. 12,936	**Ps. 15,029**

25 - EMPLOYEE RETIREMENT OBLIGATIONS

In 2012, Ixe Banco, Casa de Bolsa Banorte Ixe, Ixe Fondos, Fincasa Hipotecaria, Ixe Automotriz, Banorte Ixe Tarjetas and Ixe Fleet transferred their personnel to the Financial Group. They receive the same benefits the Financial Group gives its own personnel. Therefore as of the transfer date, the Financial Group is responsible for covering the obligations regarding pension plans, seniority premium, severance pay and medical service for the transferred personnel.

The effect of this transfer was Ps. 74 and it is part of the liabilities recorded by the Financial Group as per the actuarial calculation determined as of December 31, 2012.

The Financial Group recognizes the liabilities for pension plans and seniority premiums using the Projected Unit Credit Method, which considers the benefits accrued at the date of the Consolidated Balance Sheets and the benefits generated during the year.

The amount of current and projected benefits as of December 31, 2013 and 2012, related to the Defined Benefit Pension Plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

	2013			
	Pension plan	**Seniority premiums**	**Medical services**	**Total**
Projected benefit obligation (PBO)	(Ps. 1,020)	(Ps. 221)	(Ps. 2,918)	(Ps. 4,159)
Fund market value	1,517	390	3,999	5,906
Funded status	**497**	**169**	**1,081**	**1,747**
Unrecognized prior service cost	4	1	221	226
Unrecognized actuarial losses	528	12	1,234	1,774
Net projected asset	**Ps. 1,029**	**Ps. 182**	**Ps. 2,536**	**Ps. 3,747**

	2012			
	Pension plan	**Seniority premiums**	**Medical services**	**Total**
Projected benefit obligation (PBO)	(Ps. 951)	(Ps. 231)	(Ps. 2,779)	(Ps. 3,961)
Fund market value	1,433	323	3,489	5,245
Funded status	**482**	**92**	**710**	**1,284**
Unrecognized prior service cost	-	1	232	233
Unrecognized actuarial losses	462	14	1,215	1,691
Net projected asset	**Ps. 944**	**Ps. 107**	**Ps. 2,157**	**Ps. 3,208**

The Financial Group has a net prepayment (net prepaid asset) of Ps 3 generated by transferring personnel from Sólida Administradora de Portafolios, SA de CV (Sólida) to Banorte. Moreover, as of December 31, 2013, a separate fund amounting to Ps. 5,906, (Ps. 5,245 in 2012) 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, 2013 and 2012, the net periodic pension cost is as follows:

	2013	2012
Service cost	Ps. 234	Ps. 114
Interest cost	282	252
Expected return on plan assets	(381)	(383)
Amortizations of unrecognized items:		
Transition obligation	-	85
Profits (actuarial losses)	63	-
Variations in assumptions	-	68
Plan modifications	11	-
Cost for immediate recognition of P/(G)	(10)	-
Effect of personnel transfer	-	18
Net periodic pension cost	**Ps. 199**	**Ps. 154**

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2013 and 2012, are shown below:

Concept	2013 Nominal	2012 Nominal
Discount rate	8.75%	7.25%
Rate of wage increase	4.50%	4.50%
Long-term inflation rate	3.50%	3.50%
Expected long-term rate of return on plan assets	8.75%	7.25%

The liability for severance indemnities due to causes other than organization restructuring, which was also determined by independent actuaries, is comprised as follows:

Concept	2013	2012
Defined and projected benefit obligations	(Ps. 244)	(Ps. 264)
Transition obligation	-	-
Net projected liability	**(Ps. 244)**	**(Ps. 264)**

For the years ended December 31, 2013 and 2012, the net periodic pension cost is as follows:

Concept	2013	2012
Service cost	Ps. 35	Ps. 23
Interest cost	17	15
Transition obligation	-	20
Variations in assumptions	-	29
Effect of personnel transfer	-	56
Cost / (income) for immediate recognition of P/(G)	123	-
Net periodic pension cost	**Ps. 175**	**Ps. 143**

The balance of the employee retirement obligations presented in this Note refers to the Financial Group's Defined Benefit Pension Plan (previous 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's participants. This pension plan is invested in a fund as of December 31, 2013 and 2012, equivalent to Ps. 1,758 and Ps. 1,499, respectively, which is recorded under "Other assets" and is equivalent to the recorded plan liability.

26 - SUBORDINATED DEBENTURES

As of December 31, 2013 and 2012, the subordinated debentures in circulation are as follows:

	2013	2012
Preferred subordinated nonconvertible debentures, QBANORTE 12 maturing in May 2022, paying interest at the 28-day TIIE rate plus 1.5%, payable in 130 periods of 28 days each.	Ps. 3,200	Ps. 3,200
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
Non preferred subordinated nonconvertible debentures BANOA28 131021, maturing in October 2021, denominated in US dollars, at an interest rate of 6.862%, payable semiannually with a final principal payment at maturity.	2,617	2,593
Preferred subordinated nonconvertible debentures, Q BANORTE 08-U maturing in February 2028, paying interest at a 4.95% annual rate.	2,262	2,179
Non preferred subordinated nonconvertible debentures IXEGB40 141020, maturing in October 2020, denominated in US dollars, at an interest rate of 9.25%, payable semiannually with a final principal payment at maturity.	1,570	1,556
Perpetual non preferred subordinated nonconvertible debentures IXEGA66 260299, denominated in US dollars, at an interest rate of 9.75%, payable quarterly.	-	1,556
Subordinated debentures, maturing in June 2034, denominated in US dollars, at a 3-month LIBOR interest rate plus 2.75%.	135	134
Preferred subordinated debentures maturing in April 2034, denominated in US dollars, at a 3-month LIBOR interest rate plus 2.72%.	135	134
Accrued interest	132	153
	Ps. 18,001	**Ps. 19,455**

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. 11 and Ps. 4 in 2013 and 2012, respectively.

27 – TRANSACTIONS AND BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Pursuant to Article 73 Bis of the LIC, the loans granted by Banking Institutions to related parties may not exceed 50% of the basic part of its net capital.

For the years ended December 31, 2013 and 2012, the amount of the loans granted to related parties were as follows:

Institution granting the loan	2013	% of the limit	2012	% of the limit
Banorte	Ps. 6,778	24.1%	Ps. 11,536	50.3%

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

As of December 31, 2012, the receivable balance of Afore XXI-Banorte is Ps. 1.

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. 1,861 was related to past-due amounts and Ps. 64 to the performing loan portfolio. The transaction was recorded based on figures as of August 2002, therefore the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. Coupled with the sold loan portfolio, 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 the Financial Group 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 2013 and 2012:

	Mexican pesos			Foreign Currency			Total		
Type of portfolio	**Aug 02**	**Dec 12**	**Dec 13**	**Aug 02**	**Dec 12**	**Dec 13**	**Aug 02**	**Dec 12**	**Dec 13**
Performing loan portfolio									
Commercial	Ps. 5	Ps.-	Ps. -	Ps. 5	Ps. -	Ps. -	Ps. 10	Ps. -	Ps. -
Mortgage	54	13	8	-	-	-	54	13	8
Total	**59**	**13**	**8**	**5**	**-**	**-**	**64**	**13**	**8**
Past-due loan portfolio									
Commercial	405	300	302	293	109	112	698	409	414
Consumer	81	72	72	-	-	-	81	72	72
Mortgage	1,112	282	258	-	-	-	1,112	282	258
Total	**1,598**	**654**	**632**	**293**	**109**	**112**	**1,891**	**763**	**744**
Total portfolio	**Ps. 1,657**	**Ps. 667**	**Ps. 640**	**Ps. 298**	**109**	**112**	**Ps.1,955**	**776**	**Ps.752**
Allowance for loan losses (1)									
Commercial	326	300	302	246	109	112	572	409	414
Consumer	77	72	72	-	-	-	77	72	72
Mortgage	669	288	258	-	-	-	669	288	258
Total allowance for loan loss	**Ps. 1,072**	**Ps. 660**	**Ps. 632**	**Ps. 246**	**Ps. 109**	**Ps. 112**	**Ps. 1,318**	**Ps. 769**	**Ps. 744**

(1) Allowances required based on the classification methodology applied in the Financial Group that maintained a 99.99% equity interest in Sólida during 2013 and 2012.

As of December 31, 2013 and 2012, the composition of the Financial Group's loan portfolio excluding its subsidiaries is as follows:

	Mexican pesos		Foreign Currency		Total	
Type of portfolio	**Dic 13**	**Dic 12**	**Dic 13**	**Dic 12**	**Dic 13**	**Dic 12**
Commercial loans	Ps. 267,511	Ps. 226,763	Ps. 19,291	Ps. 18,920	Ps. 286,802	Ps. 245,683
Consumer loans	38,380	23,296	-	-	38,380	23,296
Mortgage loans	80,628	66,978	1	-	80,629	66,978
Performing loan portfolio	**386,519**	**317,037**	**19,292**	**18,920**	**405,811**	**335,957**
Commercial loans	10,327	3,931	168	417	10,495	4,348
Consumer loans	962	555	-	-	962	555
Mortgage loans	1,352	1,033	-	-	1,352	1,033
Past-due loan portfolio	**12,641**	**5,519**	**168**	**417**	**12,809**	**5,936**
Total portfolio	**399,160**	**322,556**	**19,460**	**19,337**	**418,620**	**341,893**
Allowance for loan losses	11,432	7,192	345	461	11,777	7,653
Net portfolio	**Ps. 387,728**	**Ps. 315,364**	**Ps.19,115**	**Ps.18,876**	**Ps. 406,843**	**Ps. 334,240**
Allowance for loan losses					**91.94%**	**128.93%**
% of past-due portfolio					**3.06%**	**1.74%**

28 - INFORMATION BY SEGMENT

The main operations and balances per concept and/or business segment in the Consolidated Balance Sheets and the Consolidated Income Statements are comprised as follows:

a. Interest and fees income is made up as follows:

	2013					
	Interest		Fees		Total	
	M.N.	M.E.	M.N.	M.E.	M.N.	M.E.
Cash and cash equivalents	Ps. 1,325	Ps. 4	Ps. -	Ps. -	Ps. 1,325	Ps. 4
Margin securities	13	-	-	-	13	-
Investment in securities	16,239	197	-	-	16,239	197
Securities repurchasing and loans	5,417	-	-	-	5,417	-
Hedging transactions	2,302	-	-	-	2,302	-
Commercial loans	20,984	383	1,050	20	22,034	403
Mortgage loans	8,261	119	299	-	8,560	119
Consumer loans	12,097	5	193	2	12,290	7
Other	524	-	-	-	524	-
	Ps. 67,162	**Ps. 708**	**Ps. 1,542**	**Ps. 22**	**Ps. 68,704**	**Ps. 730**

	2012					
	Interest		Fees		Total	
	MXP	F.E.	MXP	F.E.	MXP	F.E.
Cash and cash equivalents	Ps. 1,504	Ps. 3	Ps. -	Ps. -	Ps. 1,504	Ps. 3
Margin securities	14	-	-	-	14	-
Investment in securities	13,854	272	-	-	13,854	272
Securities repurchasing and loans	6,206	-	-	-	6,206	-
Hedging transactions	2,798	-	-	-	2,798	-
Commercial loans	21,725	421	671	18	22,396	439
Mortgage loans	7,253	148	238	-	7,491	148
Consumer loans	8,656	7	184	1	8,840	8
Other	154	-	-	-	154	-
	Ps. 62,164	**Ps. 851**	**Ps. 1,093**	**Ps. 19**	**Ps. 63,257**	**Ps. 870**

b. The balances by service sector of the Financial Group, without considering the eliminations relative to the consolidation of the financial statements, are as follows:

	2013	2012
Banking sector:		
Net income	Ps. 12,122	Ps. 9,025
Stockholders' equity	77,926	65,879
Total portfolio	433,147	399,078
Past-due loan portfolio	13,317	8,188
Allowance for loan losses	(13,765)	(11,224)
Total net assets	787,916	729,275
Brokerage sector:		
Net income	649	681
Stockholders' equity	2,569	2,785
Portfolio balance	647,996	667,873
Total net assets	116,576	103,344
Long Term Saving Sector		
Net income	3,576	2,169
Stockholders' equity	29,478	10,641
Total net assets	96,396	66,690
Other finance companies sector:		
Net income	391	255
Stockholders' equity	6,116	5,683
Total portfolio	20,296	20,598
Past-due loan portfolio	424	379
Allowance for loan losses	(531)	(510)
Total net assets	Ps. 35,598	Ps. 31,198

c. The trading results for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Valuation results		
Trading securities	Ps. 1,468	Ps. 1,360
Decrease in securities	(41)	(156)
Derivatives financial instruments	(65)	643
Total valuation results	**1,362**	**1,847**
Trading results		
Trading securities	1,155	800
Securities available for sale	871	260
Securities held to maturity	1	15
Derivatives financial instruments	697	(161)
Total securities' trading results	**2,724**	**914**
Spot foreign currency	1,105	1,362
Foreign currency valuation	(220)	29
Minted metals trading	5	7
Minted metals valuation	(6)	(7)
Total foreign currency trading results	**885**	**1,391**
Total trading results	**3,609**	**2,305**
Total trading results	**Ps. 4,971**	**Ps. 4,152**

d. The performing loan portfolio, grouped by economic sector and geographical location, is as follows:

Economic sector	2013	%	2012	%
Agriculture	Ps. 6,666	1.6%	Ps. 6,567	1.6%
Commerce	41,397	9.7%	43,765	10.9%
Construction	31,813	7.5%	36,944	9.2%
Manufacturing	23,985	5.6%	23,300	5.8%
Mining	254	0.1%	590	0.1%
Services	13,167	3.1%	4,504	1.1%
Financial and real estate services	36,680	8.6%	42,791	10.7%
Transportation	11,231	2.6%	12,581	3.1%
Government	95,580	22.5%	88,207	22.0%
INB Commercial	8,754	2.1%	7,308	1.8%
Mortgage	82,033	19.3%	72,608	18.1%
Credit card	20,362	4.8%	17,524	4.4%
Other consumer loans	37,517	8.8%	28,570	7.1%
Leasing	7,163	1.7%	6,578	1.6%
Factoring	8,187	1.9%	9,099	2.3%
Government aids	58	-%	87	-%
Fair value adjustment	191	-%	409	0.1%
	Ps. 425,038	**100.0%**	**Ps. 401,432**	**100.0%**

e. The past-due loan portfolio, grouped by economic sector and geographical location, is as follows:

Economic sector	2013	%	2012	%
Agriculture	Ps. 250	1.8%	Ps. 479	5.6%
Commerce	1,121	8.2%	1,164	13.7%
Construction	7,885	57.8%	2,376	28.0%
Manufacturing	507	3.7%	395	4.7%
Mining	2	-%	1	-%
Services	332	2.4%	194	2.3%
Financial and real estate services	78	0.6%	59	0.7%
Transportation	100	0.7%	1,320	15.6%
Government	2	-%	60	0.7%
INB Commercial	1	-%	66	0.8%
Mortgage	1,087	8.0%	812	9.6%
Credit card	1,278	9.4%	932	11.0%
Other consumer loans	815	6.0%	555	6.5%
Leasing	61	0.4%	34	0.4%
Factoring	148	1.1%	60	0.7%
Government aids	-	-%	-	-%
Fair value adjustment	(12)	(0.1%)	(26)	(0.3%)
	Ps. 13,655	**100.0%**	**Ps. 8,481**	**100.0%**

f. Deposit accounts grouped by product and geographical location are as follows:

	2013								
	Geographical location								
Product	**Monterrey**	**Mexico City**	**West**	**Northwest**	**Southeast**	**East**	**Treasury and other**	**Foreign**	**Total**
Non-interest bearing checking accounts	Ps. 19,416	Ps. 41,453	Ps. 9,475	Ps. 13,015	Ps. 13,842	Ps. 7,787	Ps. 279	Ps. -	Ps. 105,267
Interest-bearing checking accounts	11,083	59,314	6,433	9,425	15,376	3,418	403	-	105,452
Savings accounts	-	1	-	-	-	2	-	-	3
Current account Ps. and pre-established	4,428	8,988	2,456	4,387	4,348	2,871	226	-	27,704
Non-interest bearing demand deposits, USD	1,036	2,752	283	2,180	568	401	(9)	5,420	12,631
Interest bearing demand deposits, USD	1,862	2,572	372	2,280	369	1,170	(1)	5,019	13,643
Savings accounts in USD	-	-	-	-	-	-	-	383	383
Retail time deposits	13,438	44,664	9,059	10,343	13,891	8,713	690	-	100,798
Time deposits, USD	3,198	3,322	1,399	1,391	645	1,154	18	7,938	19,065
Customers Money market	17,659	15,536	5,089	4,575	2,608	4,864	271	-	50,602
Financial intermediaries	-	-	-	-	-	-	4,268	3,925	8,193
Total deposits	**Ps. 72,120**	**Ps. 178,602**	**Ps. 34,566**	**Ps. 47,596**	**Ps. 51,647**	**Ps. 30,380**	**Ps. 6,145**	**Ps. 22,685**	**Ps. 443,741**

	2012								
	Geographical location								
Product	**Monterrey**	**Mexico City**	**West**	**Northwest**	**Southeast**	**East**	**Treasury and other**		**Total**
Non-interest bearing checking accounts	Ps. 16,063	Ps. 26,621	Ps. 8,216	Ps. 11,372	Ps. 11,440	Ps. 6,817	Ps. 305	Ps. -	Ps. 80,834
Interest-bearing checking accounts	9,093	28,283	4,639	7,786	12,382	2,854	225	-	65,262
Savings accounts	-	1	-	-	-	1	-	-	2
Current account Ps. and pre-established	3,814	7,334	2,142	3,882	3,827	2,745	140	-	23,884
Non-interest bearing demand deposits, USD	1,105	1,443	437	1,605	296	347	-	5,718	10,951
Interest bearing demand deposits, USD	1,919	1,809	437	2,184	332	1,018	-	5,671	13,370
Savings accounts in USD	-	-	-	-	-	-	-	408	408
Retail time deposits	11,755	29,514	8,233	9,188	12,186	7,883	2,150	-	80,909
Time deposits, USD	2,678	4,165	1,303	1,591	733	1,154	17	10,149	21,790
Customers Money market	21,768	17,098	6,593	5,414	4,982	6,364	153	-	62,372
Financial intermediaries	-	-	-	-	-	-	20,894	3,890	24,784
IXE Banco:									
Demand deposit									16,336
Time deposits									23,423
Total deposits	**Ps. 68,195**	**Ps. 116,268**	**Ps. 32,000**	**Ps. 43,022**	**Ps. 46,178**	**Ps. 29,183**	**Ps. 23,884**	**Ps. 25,836**	**Ps. 424,325**

29 - TAX ENVIRONMENT

In 2013 and 2012, the Financial Group was subject to ISR and IETU.

ISR

Income tax (ISR) is calculated considering certain inflation effects as taxable or deductible, pursuant to the Revenue Law of the Federation published on December 17, 2012. The ISR rate was 30% for 2013 and 2012.

Conciliation of the accounting and fiscal results

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 exceeding 2.5% of the average loan portfolio and the valuation of financial instruments.

Employee Profit Sharing PTU

The Financial Group determines employee statutory profit sharing based on the criteria established in the guidelines set forth by the Mexican Constitution.

Business Flat Tax IETU

Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated for each period. The rate is 17.5% for 2013 and 2012. The Asset Tax Law was abrogated 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, 2013, 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.

Reconciliation of the ISR legal rate and the effective rate expressed as a percentage of the profit before ISR and PTU is:

	2013	2012
Legal rate	30%	30%
Provisions	-%	-%
Allowance for loan losses	(5%)	(6%)
Tax inflation	(1%)	-%
Non-tax accounting write-offs	5%	3%
Contribution to pension fund	(1%)	-%
Book profit on real and foreclosed property sales	(1%)	-%
Loan recoveries	(2%)	-%
Investment projects recoveries	(1%)	-%
Other entries	(3%)	(1%)
Effective rate	**21%**	**26%**

Tax reform

The Tax Reform contemplates several changes in its provisions that, although they have no direct impact on the Financial Group, they do affect it indirectly through its subsidiaries. Because of labor costs such as payrolls and benefits to officers and employees, as well as the change in writing off global allowances for loan losses, bad debts for now, the most affected subsidiary is Banorte. Some of the main changes in the Tax Reform are: Business Flat Tax (IETU) was repealed, uniform Value Added Tax nationwide at 16%, and the new Income Tax Law that has important implication for Banorte. Some of these are:

30% Income Tax Rate

The temporary rates stated in the repealed law, which set a tax rate of 29% for 2014 and 28% as of 2015, no longer is in effect. The definitive rate for income tax is now 30%.

10% Income Tax on Dividends

A new 10% tax is to be applied on the distribution of dividends to individuals and foreigners. This tax will be paid by means of withholding and will be deemed as definite payment. The tax will be applied to the profits generated as of 2014.

Overall Allowance for loan losses

According to the repealed income tax law, the Financial Group could deduct from taxes the loan reserves in an amount equivalent to 2.5% of the loan portfolio. Now according to the tax reform, this deduction of loan reserves will be replaced by the deduction of write-offs (art. 27 ISR Law), and even though the new law set a "tax ceiling" to prevent the deduction of write-offs that used to be part of the previously deducted 2.5% of the reserves, the non-deducted part of the loans originated in 2013 or earlier are not subject to said ceiling. However, the addendum for 2014 states that write-offs on loans originated prior to January 1, 2014 cannot be deducted. This eliminates any possibility of minimizing the impact of the non-deductibility of the loan reserves. The addendum also eliminated the possibility of deducting losses from bad debts associated with the portfolio originated prior to 2014, which limits its sale to the Financial Group's affiliates. Given the above, the Banking guild, through the Association of Bank of Mexico is holding meetings with the authorities to clarify the application of these provisions.

Deductibility of ISR-exempt employee benefits

The new ISR Law provisions limit the deductibility of some of the benefits paid to employees, including the pension plan, savings fund, IMSS contributions, among other concepts. Now only 53% of these benefits may be deducted, and if the benefit is lower than last year's, only 47% may be deducted. In the Financial Group's case, these provisions affect mainly the deductions associated with the savings fund, food coupons and pension plans, among others. So although it is not considered a substantial amount, it does involve a larger taxable base.

SAT Teller (Tax Administration Service)

The tax reform states that the taxpaying individuals and business entities who opened an account in their name in the banking system or in savings & loan companies, will be obligated to request their registration in the Federal Taxpayers Register (RFC). Furthermore, members of the financial system are obliged to report to the authorities about their accountholders and verify that they are registered in the RFC. This way the tax authorities will be able to request information directly to said entities without having to go through the Commission.

30 - STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meeting held on January 22, 2013, it was agreed to distribute cash dividends and pay them in January, April and July 2013, for Ps. 426, Ps. 426 and Ps. 426, respectively.

At the Stockholders' Ordinary General Meeting held on October 14, 2013, it was agreed to distribute cash dividends and pay them in October 2013,January, April and July 2014, for Ps. 544, Ps. 544, Ps. 544 and Ps. 544, respectively.

The December 20, 2013 General Stockholders Meeting agreed to modify the First Resolution adopted in the October 14, 2013 meeting, so as to pay the dividends scheduled for payment in January and April 2014, on December 31, 2013. The fourth and last payment will be made on July 23, 2014 as agreed in the October 2013 meeting.

Pursuant to the authorizations granted by the Board of Directors and the Stockholders' Meeting, the Financial Group made a Global Public Offer of shares last July. All the shares in the offer were paid on July 22, 2013. The funds obtained from the offering 447,371,781 ordinary shares, equivalent to Ps. 31,987, were delivered in their entirety to the Financial Group, deducting the expenses involved in the offer itself.

The Financial Group's shareholders' common stock as of December 31, 2013 and 2012 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50	
	2013	2012
	Paid-in Capital	Paid-in Capital
"O" Series	2,773,729,563	2,326,357,782

	Historical Amounts	
	2013	2012
	Paid-in Capital	Paid-in Capital
"O" Series	Ps. 9,696	Ps. 8,116
Restatement in Mexican pesos through December 2007	4,956	4,956
	Ps. 14,652	Ps. 13,072

Restrictions on profits

The distribution of stockholders' equity, except restated paid-in capital and retained tax earnings, will be subject to income tax on dividends payable by the Financial Group at the effective rate. Any tax paid on such distribution may be credited against that year's income tax paid on dividends and the two immediate fiscal years following such payment, charged against that year's tax and the provisional payments made.

The Financial Group's net profit is subject to the requirement of transferring at least 5% of each year's net income 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, 2013, the legal reserve is Ps. 2,620 and represents 18% of paid-in capital.

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.

Capitalization Ratio (Banorte)

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 for December 31, 2013 sent to Banco de México to review is shown below.

The capitalization ratio of Banorte as of December 31, 2013 was 15.12% of total risk (market, credit and operational), and 20.60% 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, 2013	
Tier 1 common equity prior to regulatory adjustments.	Ps. 77,859
Goodwill (net of applicable deferred profit taxes)	1,582
Other intangibles different from mortgage service right (net of applicable deferred profit taxes)	3,404
Result from valuation of instruments for cash flow hedging	(1,460)
Benefits on the remainder in securitization transactions	934
Investments in its own shares	316
Substantial investments in ordinary shares of banks, financial institutions and insurers outside the scope of the regulatory consolidation, net of the short-term demandable positions, where the Institution owns over 10% of the capital stock issued (amount over the 10% threshold)	21,383
National regulatory adjustments	(1,138)
Total regulatory adjustments to Tier 1 common equity	**25,021**
Tier 1 common equity (CET1)	**52,839**
Additional Tier 1 equity (AT1)	**5,746**
Tier 1 Equity (T1 = CET1 + AT1)	**58,585**
Capital instruments issued directly, subject to gradual elimination of Tier 2 equity Reserves	10,412 622
Tier 2 equity (T1 = CET1 + AT1)	**11,034**
Total capital (TC = T1 + T2)	**Ps. 69,619**

Assets subject to risk are detailed below:

Assets subject to market risk

Concept	Positions weighted by risk	Capital requirement
Nominal interest rate securities' transactions in Mexican pesos	Ps. 46,564	Ps. 3,725
Floating rate securities' transactions in Mexican pesos	14,967	1,197
Real interest rate or UDI denominated securities' transactions in Mexican pesos	1,680	134
Transactions in domestic currency with a yield rate referenced to the increase in the General Minimum Wage.	4,309	345
Transactions in domestic currency with a yield rate referenced to the increase in the General Minimum Wage.	24	2
Nominal interest rate foreign exchange denominated securities' transaction in Mexican pesos	1,334	107
Positions in shares or whose yield is indexed to the price of a share or group of shares	2,012	161
Total	**Ps. 70,890**	**Ps. 5,671**

Assets subject to credit risk

Concept	Activos ponderados por riesgo	Requerimiento de capital
Group II (weighted at 20%)	Ps. 15	Ps. 1
Group III (weighted at 10%)	424	34
Group III (weighted at 20%)	7,651	612
Group III (weighted at 23%)	271	22
Group III (weighted at 50%)	13,531	1,083
Group IV (weighted at 20%)	6,508	521
Group V (weighted at 10%)	10,802	864
Group V (weighted at 50%)	11,420	914
Group V (weighted at 115%)	131	10
Group V (weighted at 150%)	4,727	378
Group VI (weighted at 50%)	20,639	1,651
Group VI (weighted at 75%)	3,888	311
Group VI (weighted at 100%)	70,208	5,610
Group VII_A (weighted at 20%)	3,787	303
Group VII_A (weighted at 50%)	1,155	92
Group VII_A (weighted at 100%)	98,006	7,840
Group VII_A (weighted at 115%)	1,731	139
Group VII_A (weighted at 150%)	549	44
Group VIII (weighted at 125%)	7,736	618
Group IX (weighted at 100%)	45,784	3,663
Securitizations with a Risk Degree of 1 (weighted at 20%)	657	53
Securitizations with a Risk Degree of 2 (weighted at 50%)	3,809	305
Securitizations with a Risk Degree of 3 (weighted at 100%)	2,887	231
Securitizations with a Risk Degree of 4, 5, 6 or Non-rated (weighted at 1250%)	1,902	152
Sum	**Ps. 318,218**	**Ps. 25,451**
For permanent shares, furniture and real property, and advance payments and deferred charges	19,827	1,586
Total	**Ps. 338,045**	**Ps. 27,037**

Assets subject to operational risk:

	Risk Weighted Assets	Capital requirement
Total	**Ps. 51,393**	**Ps. 4,111**

Management

In order to manage capital, a weekly follow-up analysis is conducted on the requirements derived from the risk position, as well as supporting through strategy or transactions' simulations the various areas of business in order to determine their consumption.

Currently we have various sources of liquidity in domestic and foreign currency, including checking accounts and time deposits from our customers, in addition to access to debt and equity markets.

31 - FOREIGN CURRENCY POSITION

As of December 31, 2013 and 2012, 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. 13.0843 and Ps. 12.9658 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2013	**2012**
Assets	6,501,152	7,114,673
Liabilities	6,104,201	6,600,029
Net asset position in US dollars	**396,951**	**514,644**
Net asset position in Mexican pesos	**Ps. 5,194**	**Ps. 6,673**

32 - POSITION IN UDIS

As of December 31, 2013 and 2012, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current conversion factor of Ps. 5.058731 and Ps. 4.874624, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2013	**2012**
Assets	1,285,865	520,514
Liabilities	454,783	459,606
Net asset position in UDIS	**831,082**	**60,908**
Net asset position in Mexican pesos	**Ps. 4,204**	**Ps. 297**

33 - 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, 2013 and 2012 are shown below:

	2013			2012
	Net Income	Weighted share average	Earnings per share	Earnings per share
Net income per share	Ps. 13,508	2,526,142,988	Ps. 5.3472	Ps. 4.6802

34 - 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 Policies 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 comprised of Proprietary Members of the Board of Directors, the CEO of the Financial Group, the Managing Directors of the Financial Group's entities, the Managing Director of Comprehensive Risk Management and the Managing Director of Audits, who have 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.
- The technical evaluation of Comprehensive Risk Management aspects.

4. Assign 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.

35 – COMPREHENSIVE RISK MANAGEMENT UNIT (UAIR) (unaudited)

The function of the UAIR is to identify, measure, oversee, limit, control, report and disclose the different kinds of risk exposures, which are 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 with methodologies for:

- Credit Risk Management
- Operating Risk Management
- Market Risk Management
- Liquidity and Capital Management
- Credit Management

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 to 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 areas:

Credit Risk: Volatility of revenues due to the creation of provisions for impairment of loans and potential credit losses derived from non-payment by a borrower or counterparty.

Market Risk: Volatility of revenues due to changes in the market, which affect the valuation of the positions from transactions 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 or contracting debt under normal conditions for the Financial Group, due to the anticipated or forced sale of assets at unusual discounts to meet its obligations.

Operational Risk: Loss resulting from inadequate or failed processes, personnel, internal systems or external events. This definition includes Technological Risk and Legal Risk. Technological Risk 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, whereas 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 customers, issuers or counterparties fail to meet 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: 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 Target Markets, Risk Acceptance Criteria and Banorte Internal Risk Rating (CIR Banorte).

Target Markets and Risk Acceptance Criteria are tools which, coupled with the Internal Risk Rating CIR, are part of the credit strategy of the Financial Group and support to estimate the credit risk level.

Target Markets are activities selected by region and economic activity - supported by economic studies and portfolio behavior analyses - in which the Financial Group is interested in placing 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 loan 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, operational 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.

CIR Banorte is a rating methodology for the borrower which assesses quantitative and qualitative criteria to determine the credit quality. It is applied to commercial loans equal to or greater than an amount equivalent in Mexican pesos to four million investment units (UDIs) on the rating 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 regarding 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 identifying 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 obligations 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 according to the migration of 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 classification 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, it has been determined, that 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 2013, the total operating portfolio of Banco Mercantil del Norte, S.A. (Banco Mercantil del Norte) is Ps. 417,867. The expected loss represents 2.1% and the unexpected loss represents 3.3% of the total operating portfolio. The average expected loss was 2.1% for the period between October and December 2013.

The credit exposure of the investments made by Casa de Bolsa Banorte-Ixe was Ps. 113,243 and the expected loss represents 0.00% of such exposure. The average expected loss was 0.01% for the period between October and December 2013.

The total leasing and factoring portfolio of Arrendadora y Factor, including pure leasing, was Ps. 19,732 million. The expected loss represents 1.0% and the unexpected loss represents 3.4% of the total operating portfolio. The average expected loss was 1.0% for the period between October and December 2013.

The total portfolio of Sólida Administradora de Portafolios amounts to Ps. 494 million. The expected loss represents 19.6% and the unexpected loss represents 5.4% of the total operating portfolio. The average expected loss was 16.4% for the period between October and December 2013.

The total operating portfolio of Banorte-IXE Tarjetas was Ps. 20,545. The expected loss represents 11.2% and the unexpected loss represents 10.9% of the total operating portfolio. The average expected loss was 11.6% for the period between October and December 2013.

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 counterparties. 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 counterparty, rating and operation type.

The analysis policies include the type of information and variables considered to analyze operations with financial instruments when they are presented for their authorization by the corresponding committee, including information about the issuer or counterparty, financial instrument, destination of the transaction within the Financial Group 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 policy to manage lines in order to operate financial instruments 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.

Concentration of credit risk with financial instruments is managed continuously on an individual level, monitoring maximum operational parameters per counterparty 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 counterparty 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 default by the issuer, issue or counterparty; expressed as a percentage between 0% and 100%, the higher the rating or the lower the rate differential of the instrument vs. the equivalent government bond rate, the lower the probability of delinquency, and vice versa.

2) The severity of the loss with respect to the total operations in the event of default, 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 severity of the loss in case of default, the Financial Group has signed ISDA contracts and netting agreements with its counterparties, which contemplate implementing credit lines and using collateral to mitigate losses as a result of defaults.

As of December 31, 2013, the investment in securities exposure to credit risk for Banorte is Ps 220,548, of which 99.3% 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 12% of the basic capital as of September 2013. Additionally, the exposure of investments to 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 2013 has a rating of at least AA-(mex) and is comprised of (term in weighted average, amount in pesos and rate): exchange listed debt certificates and Pemex bonds with a 5-year 9-month maturity for Ps. 14,652 at 3.7%; debt securities of Banco Inbursa with a 2 years maturity for Ps. 5,951 at 3.9%; debt certificates and certificates of deposit and promissory notes of Banco Santander Mexicano with a 7-month maturity for Ps. 3,955 at 2.6%; exchange listed debt certificates and certificates of deposit of Bancomer with a 3-month maturity for Ps. 3,793 at 2.4%; and exchange listed State and Municipal government loan securitization certificates with a 23-year 5-month maturity for Ps. 3,420 at 2.9%

For derivatives, the exposure is (Ps. 3,428), of which 97.5% is rated at least A-(mex) on the local scale, which places them at investment grade; the three main counterparties other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 2% of the basic capital as of September 2013.

For Casa de Bolsa Banorte-Ixe, the credit risk exposure of the investments in securities was Ps. 113,242, of which 99.9% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade; 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 2013. 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 2013 has a rating of at least A+(mex) and is comprised of (term in weighted average, amount in million pesos and interest rate): exchange listed debt certificates of Pemex with a 2-year 1-month maturity for Ps. 1,679 at 3.8%; exchange listed debt certificates of Banco Inbursa with a maturity of 1 year and 11 months for Ps. 1,521 at 4.0%; exchange listed debt certificates of Scotiabank with a 1-year 9-month maturity for Ps. 937 at 4.0%; exchange listed debt certificates of Banco del Bajío with a 3-month maturity for Ps. 401 at 3.3%; Deutsche Bank bonds with a 9-year 5-month for Ps. 362 at 11.5%; and exchange listed debt certificates of CFE with a 6-year 6-month maturity for Ps. 132 at 3.9%. There are no operations for derivatives financial instruments.

Arrendadora and Factor Banorte has no investments in securities nor derivatives financial instruments.

The exposure in investments in securities for Sólida Administradora de Portafolios is Ps. 474, all of which are in bank instruments. There are no derivatives financial instruments.

Banorte-IXE Tarjetas has neither investments in securities nor derivatives.

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 Banks 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 represent 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 regarding Banco Mercantil del Norte is provided below (millions of pesos):

Basic capital as of September 30, 2013	56,322
I. Financing whose individual amount represents more than 10% of basic capital:	
Credit transactions	
Number	2
Overall amount	16,685
% in relation to basic capital	30%
Money market transactions	
Number	-
Overall amount	-
% in relation to basic capital	-%
Overnight transactions	
Number	1
Overall amount	6,000
% in relation to basic capital	11%
II. Maximum amount of financing with the three largest debtors and common risk groups	**32,355**

In compliance with the risk diversification rules for asset and liability transactions, the following information regarding Arrendadora y Factor Banorte is provided below (millions of pesos):

Stockholders' equity as of September 30, 2013	3,031
I. Financing whose individual amount represents more than 10% of stockholders' equity:	
Credit transactions	
Number	10
Overall amount	5,332
% in relation to stockholders equity	176%
II. Maximum amount of financing with the three largest debtors and common risk groups	**4,075**

In compliance with the risk diversification rules for asset and liability transactions, the following information regarding Sólida Administradora de Portafolios is provided below (millions of pesos):

Stockholders' equity as of September 30, 2013	2,576
I. Financing whose individual amount represents more than 10% of stockholders' equity (group level):	
Credit transactions	
Number	5
Overall amount	1,669
% in relation to stockholders equity	65%
Money market transactions	
Number	1
Overall amount	474
% in relation to stockholders equity	18%
Overnight transactions	
Number	-
Overall amount	-
% in relation to stockholders equity	-%
II. Maximum amount of financing with the three largest debtors and common risk groups	**1,362**

In compliance with the risk diversification rules for asset and liability transactions, the following information regarding Banorte-IXE Tarjetas is provided below (millions of pesos):

Stockholders' equity as of September 30, 2013	3,791
I. Financing whose individual amount represents more than 10% of stockholders' equity (group level):	
Credit transactions	
Number	-
Overall amount	-
% in relation to stockholders equity	-%
Money market transactions	
Number	-
Overall amount	-
% in relation to stockholders equity	-%
Overnight transactions	
Number	-
Overall amount	-
% in relation to stockholders equity	-%
II. Maximum amount of financing with the three largest debtors and common risk groups	**6**

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 those portfolios.

The methodology is applied to all the portfolios of financial instruments on and off balance sheet, 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 financial instruments portfolio was Ps. 4,616 for the last quarter 2013.

	4Q12	1Q13	2Q13	3Q13	4Q13
VaR Banorte*	3,288	3,464	3,732	4,473	4,616
Banorte net capital***	58,192	64,622	66,570	67,411	69,619
VaR / net capital Banorte	5.65%	5.36%	5.61%	6.64%	6.63%

* Banorte's 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 2013:

Risk factor	VaR
Domestic interest rate	Ps. 3,944
Foreign interest rate	742
Exchange rate	498
Capital	158
Total VaR	Ps. 4,616

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables comprising each of such factors, keeping constant the variables that affect the other risk factors shown. Also, the consolidated VaR for the Financial Group considers the correlations of all the risk factors influencing the valuation of the portfolios, reason why the arithmetical sum of the VaR risk factors does not match the individual amounts.

Operations with derivative products

The Financial Group's individual VaR on a one-day time horizon for each type of trading and hedging derivatives for the fourth quarter of 2013 was:

Trading derivatives	4T13	4T12
Futures		
MEXDER rate futures	Ps. 3	Ps. 8
Exchange rate derivatives		
Forwards	122	49
Options	2	-
Interest rate options		
TIIE	6	11
Interest rate swaps (IRS) and exchange rate		
TIIE swaps	55	51
LIBOR swaps	39	36
Cross currency exchange rate swaps	164	175
Total trading derivatives	**391**	**Ps. 330**

Hedging derivatives	4Q13	4Q12
Swaps		
Cross exchange rate swaps for portfolio hedging in USD	Ps. -	Ps. -
Cross currency exchange rate swaps for hedging bonds in USD	171	211
TIIE swaps for hedging obligations in Mexican pesos	4	8
TIIE swaps for hedging promissory note in Mexican pesos	-	190
Interest rate options for hedging fixed rate portfolios	161	-
Total hedging derivatives	**Ps. 336**	**Ps. 409**

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. 55 million. This means that under normal condition, 99 days out of every 100, the maximum potential loss is Ps. 55 million in one day.

The trading and hedging derivatives' totals are the arithmetic sum of each VaR without considering any correlation among them.

Investment in securities

The Financial Group's individual VaR on a one-day time horizon for each type of trading securities for the fourth quarter of 2013 was:

Trading Securities	4Q13	4Q12
Floating rate government bonds	Ps. 62	Ps. 17
Fixed rate government bonds	28	45
Zero coupon bank bonds	1	-
Exchange listed debt certificates	79	26
CEDES	-	2
Actual rate bonds	19	1
US treasury bonds	23	3
PEMEX Eurobonds	164	137
UMS	8	58
Bank Eurobonds	19	24
Private company Eurobonds	6	-
Private company Eurobonds dollars	23	10
Total	**Ps. 432**	**Ps. 323**

Securities at maturity	4Q13	4Q12
Floating rate government bonds	Ps. 7	Ps. 15
Exchange listed debt certificates	33	24
CEDES	-	4
Bank bonds	2	-
PEMEX bonds	7	-
Private company Eurobonds	6	6
Private company Eurobonds dollars	3	-
Total	**Ps. 58**	**Ps. 49**

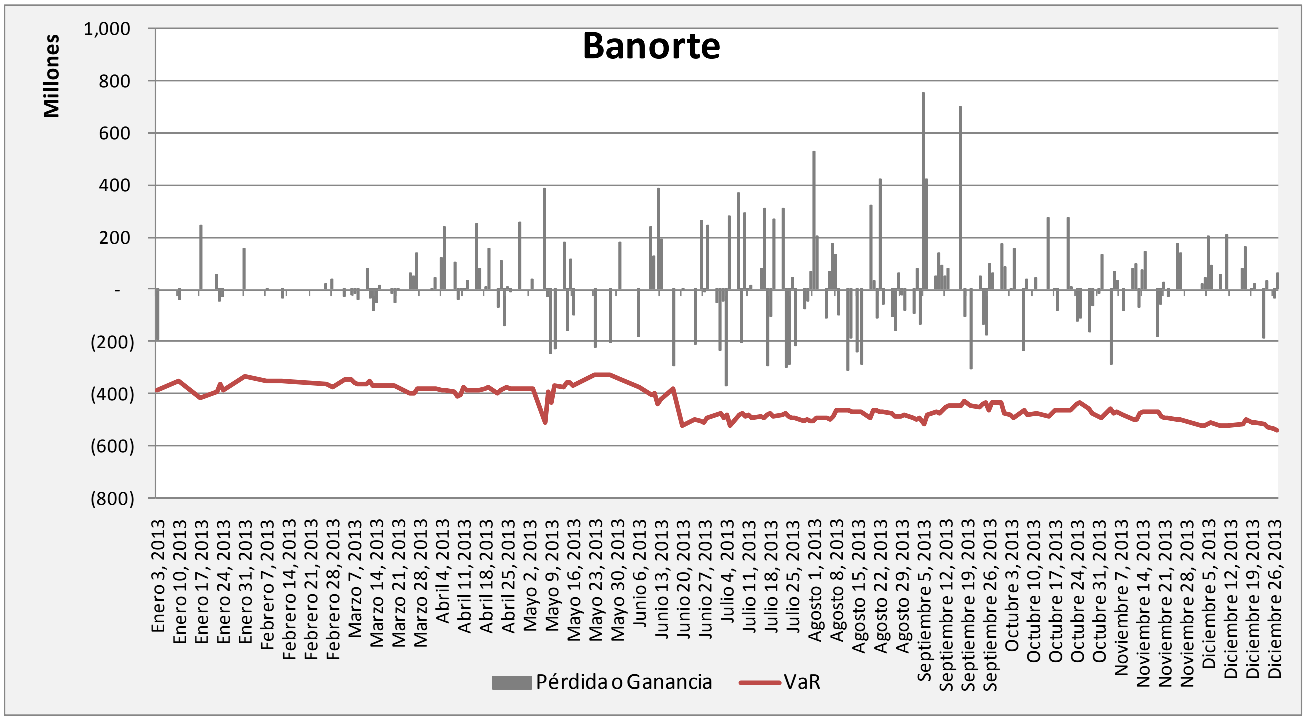
To calculate the VaR for each type of securities listed, the non-parametric historic simulation method is applied to a 99%% level of confidence and a one-day horizon. For instance, the Value at Risk for trading UMS is Ps 8. This means that under normal condition, 99 days out of every 100, the maximum potential loss is Ps. 8 million in one day.

The trading and hedging derivatives' totals are the arithmetic sum of each VaR 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 as of December 2013 are as follows:



During 2013 there were no surplus events of the forecast VaR vs. the Actual VaR for the Banorte portfolio.

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' products

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 futures	(Ps. 34)	Ps. -	Ps. -
Exchange rate derivatives			
Options	-	-	(5)
Forwards	13	(13)	312
Interest rate options			
TIIE	(32)	-	-
LIBOR	-	1	-
Interest rate swaps (IRS) and exchange rate			
TIIE Swaps	(214)	-	-
LIBOR Swaps	-	57	(1)
Cross exchange rate Swaps	(189)	126	(769)
Total trading derivatives	**(Ps. 456)**	**Ps. 171**	**(Ps. 463)**

Hedging derivatives	+100 bp domestic rates	+100 bp foreign rates	+5% exchange rate
Rate swaps and exchange rate			
Cross currency exchange rate swaps for hedging bonds in USD	(Ps. 266)	Ps. 281	(Ps. 394)
TIIE swaps for hedging obligations in Mexican pesos	5	(6)	11
TIIE swaps for hedging promissory note in Mexican pesos	4	-	-
TIIE caps for fixed rate loan hedging	704	-	-
Total hedging derivatives	**Ps. -**	**Ps. -**	**Ps. -**

In the event of any of the above scenarios, the trading securities losses will directly impact the Financial Group's Consolidated Income Statements 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 securities' trading

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 the spreads of government bonds.
    - 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
Floating rate government bonds	(Ps. 222)	Ps. -	Ps. -	(Ps. 208)	Ps. -
Fixed rate government bonds	(179)	-	-	-	-
Zero coupon bank bonds	(19)	-	-	-	-
Exchange listed debt certificates	(75)	-	-	-	-
Actual rate bonds	(112)	-	-	-	-
CEDES	(1)	-	-	-	-
US treasury bonds	-	(81)	51	-	-
PEMEX bonds	-	(517)	366	-	(194)
UMS	-	(3)	24	-	-
Bank bonds in USD	-	(33)	66	-	-
Private company in MXP	(11)	-	-	-	-
Private company Eurobonds	-	(64)	54	-	-
Total	**(Ps. 619)**	**(Ps. 698)**	**Ps. 561**	**(Ps. 208)**	**(Ps. 194)**

Securities held to maturity	+100 bp domestic rates	+100 bp foreign rates	+5% exchange rate	+5 bp rate spreads	+50 bp sovereign risk
Floating rate government bonds	(Ps. 71)	Ps. -	Ps. -	Ps. (7)	Ps. -
Exchange listed debt certificates	(14)	-	-	-	-
Bank bonds in USD	-	(2)	6	-	-
PEMEX bonds	-	(19)	17	-	(10)
Bank bonds in MXP	(12)	-	-	-	-
Private company Eurobonds	-	(7)	8	-	-
Total	**(Ps. 97)**	**(Ps. 28)**	**Ps. 31**	**(Ps. 7)**	**(Ps. 10)**

In the event of any of above scenarios, the trading securities losses will directly impact the Financial Group's Consolidated Income Statements and capital hedging derivatives.

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.

The Brokerage House applies the nonparametric historical simulation method to calculate the Value at Risk (VaR), considering for such purpose a 99% 2-tailed confidence level, using (more / less) 500 immediate historical scenarios, multiplying the result by a security factor that ensures that unforeseen volatiles are considered in the main risk factors that affect those portfolios and is established depending on the behavior of the main risk factors.

The methodology is applied to all the portfolios of financial instruments on and off the Brokerage House's balance sheet, including money market and treasury transactions, capital, foreign-exchange and derivatives, whose value is exposed to variations due to changes in the risk factors affecting their market valuation (domestic and foreign interest rates, exchange rates and indexes, among others).

The portfolio's average VaR for the close of the October-December 2013 quarter is Ps. 278.03:

	4Q12	1Q13	2Q13	3Q13	4Q13
VaR Casa de Bolsa*	207.27	247.47	315.96	275.41	278.03
Overall capital**	2,226	2,495	1,703	1,845	2,053
VaR / Overall capital Banorte	9.31%	9.92%	18.55%	14.93%	13.54%

* Quarterly Average

** Overall capital at the close of the relevant quarter

Also, the average of the VaR per risk factor for the Brokerage House's portfolio of securities behaved as follows during the fourth quarter of 2013:

Risk factor	VaR
Domestic interest rate	278.06
Capital	0.1
Total VaR	278.03

The VaR for each of the Brokerage House's risk factors presented is determined by simulating 500 historical scenarios of the variables comprising each of such factors, keeping constant the variables that affect the other risk factors shown. Also, the consolidated VaR considers the correlations of all the risk factors influencing the valuation of the portfolios, which is why the arithmetical sum of the VaR per Risk Factor does not match.

Operations with derived products

At the close of December 2013, there were no transactions with derivative products.

Investment in securities

The Brokerage House's individual VaR on a one-day time horizon for each type of securities for the fourth quarter of 2013 was:

Trading Securities	4Q13	4Q12
Floating rate government bonds	$48	$38
Fixed rate government bonds	4	-
Exchange listed debt certificates	7	5
Capital	-	5
Total	**$59**	**$48**

Securities at maturity	4Q13	4Q12
Floating rate government bonds	$-	$1
Exchange listed debt certificates	9	1
Total	**$9**	**$2**

To calculate the VaR for each type 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 Variable Rate Government Bonds is Ps. 47.6. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps 47.6 in one day.

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 are as follows:

Brokerage House	Obs.	Events
IPC Futures	250	NA
Money Desk	250	-
Casa Bolsa Banorte	250	-

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 Brokerage House might suffer extraordinary losses from the valuation of the financial instruments in which it holds positions.

Sensitivity for derivatives' products

To date there are not transactions with derivatives products.

Sensitivity for securities' trading

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 the spreads of government bonds
    - 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	-10% IPC
Floating rate government bonds	(Ps. 142)	Ps. -	Ps. -	(Ps. 152)	Ps. -	Ps. -
Fixed rate government bonds	(32)	-	-	-	-	-
Exchange listed debt certificates	(1)	-	-	-	-	-
Total	**(175)**	**Ps. -**	**Ps. -**	**(152)**	**Ps. -**	**Ps. -**

Securities at maturity	+100 BP domestic rates	+100 bp foreign rates	+5% exchange rate	+5 bp rate spreads	+50 bp sovereign risk	-10% IPC
Floating rate government bonds	(Ps. 2)	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Exchange listed debt certificates	(16)	-	-	-	-	-
Total	**(Ps. 18)**	**Ps. -**	**Ps. -**	**Ps. -**	**Ps. -**	**Ps. -**

In the event of any of the above scenarios, the losses of the Variable Rate and Capital Government Bonds will directly impact the Brokerage House's income statements.

In conclusion, trading securities and securities held to maturity are exposed to domestic interest rate increases, foreign rate increases, interest rate spreads and impairment of the sovereign risk.

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 Brokerage House might suffer extraordinary losses from the valuation of the financial instruments in which it holds positions.

The average VaR for Ixe Tarjetas loans for the fourth quarter of 2013 is Ps. 0.01, which represents +0.0% of the net capital as of December 2013. This risk calculation is provided solely as information. The institution invested its resources in securities repurchasing, promissory notes and same-day checks, which are instruments that do not show any changes in their valuation.

The Historical Simulation methodology with a 500-day history is used to calculate the risk. It's policy to perform estimates with a 98% confidence level with a 10-day horizon. This value is multiplied by a safety factor that varies between 3 and 4, depending on the annual Backtesting results.

	Total 4 Quarter 2013	
Ixe Tarjetas	**Average**	**Closing**
VaR Balance	**0.006**	**0.013**
Net capital		Ps. 2,992.29
VaR / Net Capital	**-%**	**-%**

The average VaR for Sólida's loans for the fourth quarter of 2013 is Ps. 0.01, which represents +0.0% of the net capital as of December 2013. This risk calculation is provided solely as information. The institution invested its resources in securities repurchasing, and same-day checks, which are instruments that do not show any changes in their valuation as there are no associated risk factors subject to market condition variations.

The Historical Simulation methodology with a 500-day history is used to calculate the risk. It is policy to perform estimates with a 98% confidence level at a 10-day horizon. This value is multiplied by a safety factor that varies between 3 and 4, depending on the annual Backtesting results.

	Total 4 Quarter 2013	
Sólida	**Average**	**Closing**
VaR Balance	**0.014**	**0.012**
Net capital		Ps. 2,415.05
VaR / Net Capital	**-%**	**-%**

Liquidity and balance sheet risk

In order to provide a measurement of liquidity risk in the Financial Group and provide follow-up consistently, Banorte 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 securities available for sale. 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 2013 is 99.1%, while the average during the quarter is 104.8%, as shown below.

	End of quarter				
	4Q12	**1Q13**	**2Q13**	**3Q13**	**4Q13**
Liquid assets	150,115	234,779	249,189	267,068	255,285
Liquid liabilities	194,289	191,765	215,252	237,260	257,596
Liquidity ratio	77.3%	122.4%	115.8%	112.6%	99.1%

	Average				
	4Q12	**1Q13**	**2Q13**	**3Q13**	**4Q13**
Liquid assets	164,011	205,270	228,551	254,324	249,265
Liquid liabilities	187,977	189,745	197,362	221,354	237,931
Liquidity ratio	87.3%	108.2%	115.8%	114.9%	104.8%

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 to level 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			Thousands of pesos
Gap	**Asset position**	**Liability position**	**Net**
1 month	Ps. 3,829,711	(Ps. 4,017,162)	(Ps. 187,451)
3 months	2,299,918	(2,440,938)	(141,020)
6 months	7,352,718	(7,381,393)	(28,675)
1 year	6,666,076	(6,996,400)	(330,324)
2 years	8,528,818	(9,010,834)	(482,016)
3 years	5,362,859	(5,495,161)	(132,302)
4 years	12,158,345	(12,398,335)	(239,990)
5 years	6,722,917	(7,328,681)	(605,764)
7 years	11,267,215	(10,747,839)	519,376
10 years	7,454,509	(7,128,744)	325,765
15 years	3,331,955	(3,374,123)	(42,168)
20 years	99,347	(88,367)	10,980
> 20 years	72,886	(77,193)	(4,307)
Total	**Ps. 75,147,274**	**(Ps. 76,485,170)**	**(Ps. 1,337,896)**

The liquidity ratio at the end of 4Q13 for Casa de Bolsa Banorte Ixe is 86.23%.

Casa de Bolsa Banorte Ixe	4Q12	4Q13
Gap accumulated over 1 month (MXP + UDIS)	Ps. 1,362	Ps. 1,095
Liquid assets	1,458	1,770
Overall capital	2,250	2,051
Liquidity vs. net capital	**64.80%**	**86.23%**

The liquidity ratio at the end of 4Q13 for Arrendadora and Factor Banorte is 0.65%.

Casa de Bolsa Banorte Ixe	USE - December 2013
Gap accumulated over 1 month (MXP)	(Ps. 2,350)
Gap accumulated over 3 month (MXP)	1,446
Liquid assets	21
Net capital	3,205
Basic capital	3,205
Liquidity vs. net capital	**0.65%**
Liquidity vs. net capital	**0.65%**

The liquidity ratio vs. net capital for Sólida Administradora de Portafolios (previously Ixe Soluciones) as of December 31, 2013 is 35.09%.

Sólida Administradora de Portafolios (previously Ixe Soluciones)	USE - December 2013
Gap accumulated over 1 month (MXP)	(Ps. 2,064)
Gap accumulated over 3 months (MXP)	(5,276)
Liquid assets	847
Net capital	2,415
Basic capital	2,310
Liquidity vs. net capital	**35.09%**
Liquidity vs. net capital	**36.68%**

The liquidity ratio vs. net capital for Banorte Ixe Tarjetas as of December 31, 2013 is 10.63%.

Banorte Ixe Tarjetas	USE - December 2013
Gap accumulated over 1 month (MXP + UDIS)	Ps. 4,417
Gap accumulated over 3 month (MXP + UDIS)	4,777
Liquid assets	318
Net capital	2,992
Basic capital	2,992
Liquidity vs. net capital	**10.63%**
Liquidity vs. net capital	**10.63%**

Operational risk

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 errors in operations processing and storing or in data transfer, and adverse administrative and judicial rulings, frauds or theft (this definition includes Technology and Legal risk).

Operations Risk Management has three objectives: 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 Controller 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.

The Controller, 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 ensure proper internal control.

II. Quantitative and qualitative measuring tools

Operating Losses Database

To record operational loss events, a system is in place that enables the central information supplier areas to directly record such events online, which are classified by type of event in accordance with the following categories:

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 possible to create the necessary book reserves to face such estimated contingencies.

Risk management model

The Financial Group and its subsidiaries have 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 the 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.

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.

IV. Information and reporting

The information generated by databases and the Management Model is processed regularly in order to report the main Operational 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 Operational 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 operational risk, for which reason its management is performed throughout the entire organization

To address operational risk associated with data integrity, the "Integrity Committee" was created. Its objectives include aligning data security and control efforts under a preventive 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 operational 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 operational 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.

36 - MEMORANDUM ACCOUNTS

	2013	2012
Operations on behalf of third parties		
Banks customers (current accounts)	Ps. 24	Ps. 20
Settlement of customer transactions	(30)	14
Customer securities received in custody	536,300	569,079
Customer repurchase agreements	112,839	99,517
Collateral pledged on account of clients	111,486	89,673
Managed trusts	254	435
Investment banking transactions on account of third parties (net)	83,170	58,698
	Ps. 844,043	**Ps. 817,436**
Proprietary transactions		
Contingent assets and liabilities (unaudited)	Ps. -	Ps. 255
Assets in trust or under mandate (not audited)	205,061	342,466
Managed assets in custody (unaudited)	451,582	405,835
Credit commitments (unaudited)	28,110	38,209
Collateral received	143,033	113,138
Collateral received and sold or given as a pledge	203,074	158,103
Deposits of assets	2,816	2,860
Interest accrued but not charged of past due loans	392	320
	Ps. 1,034,068	**Ps. 1,061,186**

37 - COMMITMENTS

As of December 31, 2013 and 2012, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 28,110 (Ps. 38,464 in 2012), which are recorded in memorandum accounts.
- Certain operating equipment is leased. Total property lease payments for the years ended December 31, 2013 and 2012, were Ps. 115 and Ps. 179, respectively.

38 - CONTINGENCIES

As of December 31, 2013, 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. As of December 31, 2013, the Financial Group has recorded a reserve for contentious matters of Ps. 347 (Ps. 204 in 2012).

39 - PREVENTIVE MECHANISM FOR SAVINGS' PROTECTION

The objective of the Institute for the Protection of Bank Savings (IPAB) is to protect the deposits of small customers and thereby contribute to maintain 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 2013 and 2012, the amount of contributions to the IPAB payable by Banorte and Ixe Banco for fees amounted to Ps. 1,805 and Ps. 1,574, respectively.

40 - NEW ACCOUNTING GUIDELINES

In December 2013, the CINIF decreed a series of Regulations that became effective as of January 1, 2014. The regulations and their main changes are listed below:

The Financial Group is in the process of determining the effects these criteria and regulations may have on its financial information.

NIF C-11 - Stockholders' Equity. The principal changes of these regulations are:

- Circular C-11, paragraph 25, states that in order for advances for future increases in capital be recorded in stockholders' equity, there should be "...a ruling the stockholders' or owners' meeting stating that they will be applied for increases in stockholders' equity in the future..." Additionally, NIF C-11 requires that a price be set per share to be issued for such advances and that it be stipulated that they cannot be reimbursed before being capitalized in order to qualify as stockholders' equity.

- • NIF C-11 indicates in general terms when a financial instrument has the necessary features to be considered as capital, other it would be taken as a liability. However the rule specifies that NIF C-12, Financial instruments with liability and capital features, explains how to differentiate between an equity financial instrument and a liability instrument, or between the equity and liability components within a single compound financial instrument. NIF C-11 only includes the rules for financial instruments that are originally recognized as equity.

NIF C-12, Financial instruments with liability and capital features. The principal changes of these regulations are:

- The main feature for a financial instrument to qualify as an equity instrument is that the holder be exposed to the risks and benefits of the entity instead of having the right to collect a fixed amount from said entity.

- The principal change in classifying a redeemable equity instrument, such as a preferred share, is that, by exception, when all the conditions set forth in section 41 of this regulation are met, such as the exercising of the redemption, can be done only until the liquidation of the company so long as there is no other inescapable obligation of payment in favor of the holder, the redeemable instrument is classified as capital.

- The concept of subordination is incorporated, which is a crucial element in this rule, because if the financial instrument has a prior payment or reimbursement before other instruments, it would qualify as a liability given the existing liquidation obligation.

- An instrument may be classified as capital with an option to issue a fixed number of shares at a set fixed price in a currency other than the issuer's working currency, provided that all the shareholders of the same type of capital instrument have the same option in proportion to their shareholding.