Annual Report 2012

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

Av. Revolución 3000, Col. Primavera.

C. P. 64830.

Monterrey, N. L., México.

This Annual Report was prepared in accordance with regulations applicable to companies issuing securities as well as other participants in the market with information for the fiscal year ending December 31st, 2012.

The 2,326,357,782 "O" series shares of Grupo Financiero Banorte, S.A.B. de C.V. in circulation as of December 31st, 2012 were traded in the Bolsa Mexicana de Valores (Mexican Stock Exchange) under the symbol "GFNORTEO" and are registered in the National Registry of Securities ("RNV").

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

This report is available on the Internet at www.banorte.com/ri. Select “Annual Reports”, in the Financial Information section, and then the document entitled “Circular Unica CNBV 2012 Annual Report”.

Monterrey, N. L. April 30th, 2013.

INDEX

1. GENERAL INFORMATION

a) GLOSSARY OF TERMS AND DEFINITIONS

Unless the context suggests otherwise, for purposes of this Annual Report, the following terms have the meanings ascribed to them below and can be used interchangeably in singular or plural.

TERM	DEFINITION
ADR's:	American Depositary Receipts
AFOREs	Retirement Saving Funds Managers
Afore Bancomer:	Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.
Afore XXI Banorte:	Afore XXI Banorte, S.A. de C.V. (corporate identity after the Afore Banorte and Afore XXI merger)
Bancen:	Banco del Centro, S. A.
Bancrecer:	Bancrecer, S. A.
Bank Sector, Banking Subsidiaries:	Banorte and subsidiaries and Ixe Banco, S.A.
Banorte:	Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte
Banorte-Ixe Tarjetas:	Banorte-Ixe Tarjetas, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte. (Formerly Ixe Tarjetas). Subsidiary of Banorte.
Banorte USA:	Banorte USA Corp., subsidiary of Banco Mercantil del Norte, S. A.
Banxico:	Bank of Mexico (Mexican Central Bank)
BMV	Bolsa Mexicana de Valores, S. A. de C. V. (Mexican Stock Exchange)
Casa de Bolsa Banorte:	Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte (merged entity with Ixe Casa de Bolsa)
Casa de Bolsa Banorte Ixe:	Casa de Bolsa Banorte Ixe, S.A. de C.V., Grupo Financiero Banorte
Capitalization requeriments:	Capital requirements for credit institutions established in the LIC and Circular Única de Bancos
CAPS:	Comité de Auditoría y Prácticas Societarias.(Audit & Corporate Practices' Committe)
CC:	Credit letters
CDP:	Not-for-profit organization which provides the major environmental divulgation system in the world.
CEBUR:	Certificado Bursátil (Stock Certificate)
CEDES:	Certificados de Depósito a Plazo Fijo (Fixed term Certificate of Deposit)
CETES:	Mexican Federal Treasury Certificates
Circular Única de Bancos:	General provisions applicable to credit institutions, published in the Official Gazette on December 2, 2005, as they have been modified.
Circular Única de Emisoras:	General provisions applicable to issuers and other market participants, published in the Official Gazette on March 19, 2003, as they have been modified.
COFECO	Comisión Federal de Competencia (Federal Commission of Competion)
CNSF:	Comisión Nacional de Seguros y Fianzas (National Insurance and Bonding Commission)
CONDUSEF:	Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (National Comission for the Protection and Defense of Financial Services users).
CONSAR:	Comisión Nacional del Sistema de Ahorro para el Retiro (National Comission of

TERM	DEFINITION
	the Retirement Saving Funds System)
CNBV:	Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission)
CPO´s:	Certificados de Participación Ordinarios (Ordinary Participation Certificates)
DMD:	Deputy Managing Director
DOF	Official Gazette
EMISNET:	Electronic Communications System with Securities Issuers
E.U.A:	United States of America
Fincasa Hipotecaria:	Fincasa Hipotecaria, S.A. de C.V. Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte
Forward:	Non-standardized private contract to buy or sell a specific asset at a certain price level whose liquidation will be carried out at a future date.
Generali:	Assicurazioni Generali, company of Italian origin
GFNorte, the Company, the Issuer:	Grupo Financiero Banorte, S. A. B. de C. V.
Holding:	Holding company
ICAP:	Capitalization ratio
ICV:	Past due loan ratio
IFC:	International Finance Corporation
IMPAC:	Ley del Impuesto al Activo (Asset Tax Law).
INB:	Inter National Bank, INB Financial Corp.
Indeval:	S. D. Indeval, Institución para el Depósito de Valores, S. A. de C. V. Institute for Deposit of Securities
IPAB:	Instituto para la Protección al Ahorro Bancario (Institute for the Protection of Bank Savings)
ISR:	Income Tax
Ixe Automotriz:	Ixe Automotriz, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte
Ixe Banco	Ixe Banco, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte
Ixe GF	Ixe Grupo Financiero, S.A.B. de C.V.
Ixe Soluciones:	Ixe Soluciones, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte
Ixe Tarjetas:	Ixe Tarjetas, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte (cambió su denominación social por Banorte-Ixe Tarjetas)
LIC:	Credit Institutions Law
LMV	Ley del Mercado de Valores (Securities' Market Law)
LRAF	Ley para Regular las Agrupaciones Financieras (Law to Regulate Financial Groups)
MD:	Managing Director
M.E.:	Moneda extranjera (Foreign currency)
MF:	Margen Financiero (Net Interest Income)
MIN:	Margen de interés neto (Net Interest Margin)
M. N.:	Moneda nacional (Local currency, Mexican pesos)
Motran:	Motran Services Incorporated (remittance company based en Los Angeles, California)
Nafin, Nacional Financiera:	Nacional Financiera, S.N.C., Institución de Banca de Desarrollo
OTC:	Over the Counter
pp:	Percentage points

TERM	DEFINITION
POS:	Point of Sale Terminal
PRLV:	Pagarés Bancarios con Rendimiento Liquidable al Vencimiento (Bank notes with yield settlement at maturity)
Pronegocio:	Créditos Pronegocio, S.A. de C.V., Sociedad Financiera de Objeto Limitado, Grupo Financiero Banorte
PTU:	Employee Profit Sharing Agreement
PyMES:	Small and Medium Sized Businesses
RNV	Registro Nacional de Valores (National Securities Registry)
ROA:	Return on Average Assets
ROE:	Return on Average Equity
SAT:	Servicio de Administración Tributaria (Tax Administration Service)
SCI:	Sistema de Control Interno (Internal Control System)
SHCP:	Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit)
SIEFORE:	Sociedad de Inversión Especializada de Fondos para el Retiro (Specialized Retirement Savings Fund)
SOFOL:	Sociedad Financiera de Objeto Limitado (Restricted Non Banking Financial Institution)
SOFOM:	Sociedad Financiera de Objeto Múltiple (Multi-purpose Non Banking Financial Institution)
Sólida:	Sólida Administradora de Portafolios, S. A. de C. V. (Recovery Banking Unit)
Swap:	Private contract establishing the bilateral obligation to exchange one stream of cash flow for another for a set period of time on pre-established dates. Swaps can be used to hedge certain risks such as interest rate risk, or to speculate on changes in the expected direction of underlying prices.
Tier 1:	Basic capital
Tier 2:	Complementary capital
TIIE:	Tasa de Interés Interbancaria de Equilibrio (Inter-bank Equilibrium Interest Rate)
UDIS:	Units of investment indexed to inflation
UMS:	Bonos Soberanos Mexicanos.(Sovereign Bonds)
UniTeller:	UniTeller Holdings, Inc. (remittance company based in New Jersey).
USD:	US dollars
VaR:	Valor en Riesgo (Value at Risk)

b) EXECUTIVE SUMMARY

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

- ✓ *The financial information contained in this report is based on GFNORTE's Audited Consolidated Financial Statements for the years ended December 31st, 2012 and 2011, published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited dated February 27th, 2013. For the year ended December 31st, 2010, financial figures are based on GFNORTE's Audited Consolidated Financial Statements published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited, dated February 24th, 2012, and therefore include changes to accounting criteria that occurred in 2011.*
- ✓ *In January 2012, the merger between Afore Banorte and Afore XXI was completed. As a result, Banco Mercantil del Norte determined that it has no control over Afore XXI Banorte, and does not therefore consolidate it in its financial statements, and recognizes the equity participation method given its significant influence. Financial statements as of December 31st, 2011, reflect the effects of the deconsolidation of Afore XXI Banorte,* ***in order to make them comparable with the 2012 financial statements.*** *Consequently, some figures in GFNORTE's 2011 Income Statement and Balance Sheet differ in this report to those in the Report that was sent to the authorities in February, 2012.*
- ✓ *Changes to Accounting Criteria. In January 2011, the CNBV issued a series of regulations to modify the accounting criteria of controlling companies of financial groups and financial institutions. The main changes are:* ***a) For Controlling Companies****. Criteria A-2 "Application of particular norms". The facility of not consolidating permanent investments in Insurance or Bonding companies in which the company is controlling has been eliminated with this criteria. As of February 1st, such institutions must be consolidated with the financial statements of the controlling companies. As a consequence, the consolidation of "Seguros y Pensiones Banorte Generali" (the Insurance and Annuities companies) has initiated.* ***b) For Credit Institutions.*** *Criteria D-2 "Income Statement". The way the Income Statement is presented is modified, mainly eliminating the items of "Non Operating Income (Expenses), net" and the accounts that were previously registered there will now be registered under "Other Operating Income (Expenses)" in the Operating Income heading. For more information about the changes to accounting criteria, refer to the corresponding section in the notes of the Audited Financial Statements (Note 4 - Significant Accounting Policies).*
- ✓ *In April 2011, the merger with IXE GF became effective, therefore for the year of 2011, 9 months of integrated results are included. Following that 2010 figures are not entirely comparable.*
- ✓ *The arithmetic operations were carried out in pesos and in the following tables are presented in million pesos. As a result, some totals appear to have minimal errors, which is not the case as it is just a matter of rounding off figures.*

SELECTED FINANCIAL INFORMATION

Grupo Financiero Banorte

	2012	***2011***	***2010***
Net Income Grupo Financiero Banorte (GFNorte) (*)	$10,888	$8,517	$6,705
Total Assets GFNorte (*)	$916,567	$825,147	$590,230
Total Liabilities GFNorte (*)	$828,058	$748,713	$540,003
Stockholders' equity GFNorte (*)	$88,509	$76,434	$50,227
Stockholders' equity GFNorte excluding minority interest (*)	$81,881	$70,849	$46,117
INFORMATION PER SHARE			
Net income per share (pesos)	$4.68	$3.79	$3.32
Dividend approved per share (pesos) (1)	$0.732	$0.52	$0.52
Book value per share (pesos) (excluding minority interest)	$35.20	$30.45	$22.85
Shares outstanding (millions)	2,326.4	2,312.8	2,018.3

	2012	2011	2010
INFRASTRUCTURE AND EMPLOYEES			
Bank branches (2))	1,316	1,285	1,134
ATMs (automated teller machines)	6,707	6,367	5,004
Full-time employees	26,107	24,100	19,828
Full-time employees and professional services	26,211	24,134	19,863
PROFITABILITY RATIOS			
NIM	4.1%	4.1%	4.2%
NIM adjusted for credit risks	3.4%	3.3%	2.9%
Return on Assets (ROA)	1.3%	1.1%	1.2%
Return on Equity (ROE)	14.3%	14.1%	15.5%
OPERATIONS			
Efficiency Ratio (3)	54.0%	55.6%	51.4%
Operating Efficiency Ratio (4)	2.9%	3.2%	3.0%
Liquidity Ratio	128.4%	101.8%	84.0%
ASSET QUALITY INDICATORS			
Past due loan ratio	2.1%	1.9%	2.5%
PDL Reserve coverage	138.3%	143.1%	123.7%
CAPITALIZATION RATIO (Banco Mercantil del Norte)	**14.7%**	**12.9%**	**16.1%**
CAPITALIZATION RATIO (Ixe Banco)	**15.5%**	**15.3%**	**-**

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

Grupo Financiero Banorte’s Results

In 2012, GFNORTE reported profits of Ps 10.89 billion, 28% higher than in 2011 and 62% higher than in 2010. The contribution of accumulated profits for 2012 by sector is as follows:

Net Income for the Consolidated Banking Sector (Banco Mercantil del Norte, Banorte USA, Ixe Banco, Banorte- Ixe Tarjetas, and the 50% interest in Afore XXI) was Ps 10.14 billion pesos in 2012, 40% higher than in 2011; excluding profits generated by the Afore, Net Income amounted to Ps 8.92 billion, representing 82% of GFNorte’s profits, 36% higher than in 2011.

The Brokerage Sector comprised of Casa de Bolsa Banorte Ixe and Ixe Fondos, generated accumulated profits of Ps 681 million, 63% more than in 2011.

Net Income for the Long Term Savings Sector, which includes Afore XXI Banorte, Insurance and Annuities companies, was Ps 2.17 billion, an increase of 87% from 2011, and contributed Ps 1.05 billion to GFNorte’s profits based on the group's participation in these businesses, which represents a 84% YoY growth vs. 2011

Other Finance companies, which include Arrendadora y Factor Banorte, Almacenadora, Ixe Automotriz and Fincasa Hipotecaria, reported a Ps (434) million loss.

In 2011 GFNorte reported profits of Ps 8.52 billion, 27% higher than in 2010. Net Income for the Banking Sector, without considering Afore and using the equity participation method at 92.72%, totaled Ps 6.54 billion representing a 21% growth vs. 2010 and contributed with 77% of GFNorte's profits.Meanwhile, the Brokerage Sector, generated accumulated profits of Ps 418 million, 4% higher than in 2010; other Finance companies totaled Ps 708 million, 42% higher compared to 2010; the Long Term Savings Sector reported Ps 573 million (according to GFNorte's participation in these businesses), representing a 29% increase vs. 2010.

Net Income by Segment (1)	**2012**	**2011**	**2010**
Banking Sector (2) (3)	$8,920	$6,544	$5,387
Brokerage	$681	$418	$403
Brokerage (1)	$1,053	$573	$444
Afore XXI Banorte (3)	532	209	208
Aseguradora (Insurance)	471	339	230
Pensiones (Annuities)	49	25	6
Other Finance COmpanies	$(434)	$708	$500
Arrendadora y Factor (Leasing and Factoring) (	604	616	443
Almacenadora (Warehouse)	43	40	57
Ixe Automotriz (Car Leasing)	33	30	-
Fincasa Hipotecaria (Mortgage & Home Development)	($1,114)	22	-
Other Companies	($921)	($62)	$-
Ixe Soluciones	(922)	(64)	-
Ixe Servicios	1	2	-
Holding	$1,589	$336	($29)
GFNORTE	***$10,888***	***$8,517***	***$6,705***

Million Pesos

(1) Profits according to GFNorte's participation in these businesses.
(2) Business segment which considers: Banorte (since 4Q09, the 92.72% stake in Banco Mercantil del Norte in this company), Ixe Banco and Banorte-Ixe Tarjetas.
(3) As of 1Q12, Afore XXI Banorte is recognized under the equity participation method in Banorte's results; nevertheless, for informative and comparative purposes of this segment's profits, Afore XXI Banorte profits are presented in its corresponding business segment.

Comparative analysis: Summary of the years ended December 31st, 2012 and 2011.

Net Interest Income

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

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

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

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

Provisions

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

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

Non Interest Income

During 2012, Non Interest Income amounted to Ps 14.51 billion, a 16% YoY increase due to the integration of Ixe operations and better business dynamics, originating:

i) YoY growth of 49% in Trading Income;
ii) an increase in Service Fees (+17% YoY, excluding Afore XXI Banorte's fees); and
iii) higher income from real estate portfolio recoveries, including income from investment projects mainly with homebuilders.

The increase in these headings offset the YoY decrease of (18%) in Other Operating Income (Expense).

Non Interest Expense

Non Interest Expense amounted to Ps 25.54 billion in 2012, 13.0% higher YoY vs. 2011, mainly derived from the integration of Ixe and merger-related expenses, as well as growth in the business areas. The 2012 Efficiency Ratio was 54.0%, (1.6 pp) below 2011's due to positive operating leverage.

Taxes

In 2012 income tax amounted to Ps 4.13 billion, 21% higher YoY. The effective tax rate for 2012 was 30.6%, 110 basis points below 2011's 31.7%.

Net Income

GFNorte reported Net Income of Ps 10.89 billion in 2012, 28% above 2011 on the back of favorable performance across all business lines and lower growth in expenses, which translated into a positive operating leverage, thus reversing the 2011 trend, along with the inclusion of the results of Ixe and Afore XXI Banorte. 2012 ROE was 14.3% an increase of 25 basis points compared to the same year-earlier period.

Loan Portfolio

	2012	2011	2010
Performing Loans	**401,190**	**350,265**	**263,096**
Recovery Bank	243	292	454
Total Performing Loans	**$401,432**	**$350,558**	**$263,550**
Past Due Loans	8,481	6,949	6,664
% PDL Ratio	**2.1%**	**1.9%**	**2.5%**

Million Pesos.

Total Performing Loans grew 15% YoY or Ps 50.93 billion to Ps 401.19 billion at the close of 2012, excluding the proprietary portfolio managed by the Recovery Bank. During 2012 loan portfolio continued to show sustained growth in all its segments a result of bank strategies to drive loan placements, and an economic environment characterized by greater demand for credit in the industry.

Past Due Loans

At the end of 2012, Past Due Loans amounted to Ps 8.48 billion, a YoY increase of 22% on 2011, mainly owing to an increase in past due loans in the Commercial, Payroll and Corporate segments derived from asset impairments at Fincasa Hipotecaria due to the application of Banorte's past due loan policies to this subsidiary, as well as the deterioration of commercial loan exposure to tourist developments in the northwest of the country and the maturing process of new consumer loan vintages. At the end of 2012, the Past Due Loan Ratio ("PDL") was 2.1%, 0.13 pp above the 2011 level.

Deposits

	2012	2011	2010
Non Interest Bearing Demand Deposits	$104,612	$91,860	$69,615
Interest Bearing Demand Deposits (1)	106,842	98,085	80,218
Total Demand Deposits (2)	211,454	189,944	**149,833**
Time Deposits – Retail	124,314	116,223	88,805
Core Deposits	335,768	306,168	**238,638**
Money Market (3))	89,801	63,127	54,142
Total Banking Sector Deposits	**$425,569**	**$369,295**	**$292,780**
GFNorte's Total Deposits (4))	**$424,325**	**$370,293**	**$292,615**

Million Pesos.

(1) Since 2004, excludes IPAB cash management checking accounts for loan portfolios managed from Banpaís and Bancen. With retroactive effect for comparative purposes. The balances of these accounts in 2010, 2011 and 2012 were Ps 0 million in all the cases.
(2) Includes Debit Cards.
(3) Includes Bank Bonds (Customers and Financial intermediaries).
(4) Includes eliminations between subsidiaries (2010 = Ps (165) million; 2011= Ps 998 million; 2012 = Ps (1.24) billion, respectively.

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

Monthly stock performance for the last 6 months:

Date	Maximum	Minimum	Closing	Volume of Shares (Daily Average)	Total Volume
30/09/2012	72.98	67.22	72.76	6,731,643	134,632,870
31/10/2012	79.00	71.17	72.75	5,847,548	134,493,607
30/11/2012	75.41	69.81	74.12	5,732,493	114,649,871
31/12/2012	84.99	74.12	83.45	4,681,806	88,954,319
31/01/2013	93.10	83.50	87.67	3,965,063	87,231,391
28/02/2013	95.50	84.75	94.84	4,833,159	91,830,018
31/03/2013	101.07	89.71	98.68	6,173,077	111,115,384

Source: Bloomberg.

In Section 2. "a) The Company - Development and History of the Issuer" of this Annual Report are the Material Events of 2012, as well as those which happened during the first quarter of 2013.

C) RISK FACTORS

The risks and uncertainties described below are not the only ones the Company faces. GFNorte's operations may also face unknown risks or risks that we currently consider immaterial. If any of the risks described below occur, they could adversely and significantly affect activities, results of operations, projections and the financial situation of the Company. Unless otherwise indicated, or if the context so requires, the terms "GFNorte", "us" and "our" refer to Grupo Financiero Banorte, S.A.B. de C.V. and its subsidiaries.

Risks Relating to Our Business

Our results of operations have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.

In recent years, the global economy underwent and continues to suffer a period of crisis and unprecedented volatility and was adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence. The global economic crisis and the U.S. economic slowdown in particular had a negative impact on the Mexican economy and have adversely affected our business. The future economic environment may continue to be less favorable than that of recent years. There is no assurance when such conditions will improve. In particular, we may face, among others, the following risks related to the economic downturn:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our growth and ability to pursue business opportunities.
- We potentially face reduced demand for our products and services.
- The process our subsidiaries use to estimate losses inherent in their credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our subsidiaries' estimates, which may, in turn, impact the reliability of the process.
- The value of the portfolio of investment securities that Banorte, Ixe Banco and our other subsidiaries hold may be adversely affected.
- A worsening of the foregoing conditions may delay the recovery of the financial industry and impact our financial condition.

Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our financial position and results of operations.

Market risk refers to the probability of variations in our financial margin, or in the market value of our assets and liabilities and securities positions held by our subsidiaries, due to interest rate and equity market volatility. Changes in interest rates and equity values affect the following areas, among others, of our business:

- financial margins;
- the volume of loans originated by Banorte and Ixe Banco;
- the market value of our financial assets; and
- gains from sales of loans and securities by our subsidiaries.

A significant portion of our assets, including Banorte's loans, are long-term assets, and some were originated with fixed nominal interest rates. In contrast, most of Banorte's borrowings are short-term. Increases in short-term interest rates could reduce Banorte's financial margin, which comprises the majority of our revenue. When interest rates rise, we must pay higher interest on our borrowings while interest earned on our assets does not rise as quickly, which causes profits to decrease. Interest rate increases could result in decreases in our financial margin, which would adversely affect our financial condition and results of operations.

In addition, increases in interest rates may reduce the volume of loans Banorte and Ixe Banco originate. Sustained high interest rates have historically discouraged demand from customers and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets.

Increases in interest rates may also reduce the value of our financial assets. Banorte and some of our other subsidiaries hold a substantial portfolio of loans and debt securities that have both fixed and adjustable interest rates. The market value of a security with a fixed interest rate generally decreases when prevailing interest rates rise, which may have an adverse effect on Banorte or our other subsidiaries' earnings and financial position. In addition, we or any of our subsidiaries may incur costs (which, in turn, will impact its results) as it implements strategies to reduce future interest rate exposure. The market value of an obligation with an adjustable interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms.

Increases in interest rates may reduce gains or require us to record losses on sales of the loans or securities. In recent years, interest rates in Mexico have been low by historical standards; however, there can be no assurance that such low rates will continue in the future.

Our loan and investment portfolios are subject to prepayment risk, which could negatively affect our financial margin.

Our and our subsidiaries' loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate scenario, prepayment activity increases, reducing the weighted average lives of our interest-earning assets and its expected results. If prepayment activity were to increase, we would also be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and financial margin. Prepayment risk also might have a significant adverse impact on credit card and INB's collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios.

Banorte and Ixe Banco may be required to make significant contributions to IPAB.

Under Mexican law, banks are required to make monthly contributions to the IPAB Institute, to support their operations that are equal to one twelfth of 0.4% (the annual rate) multiplied by the average of certain liabilities minus the average of certain assets. IPAB was created in January 1999 to manage the bank savings protection system and regulate the financial support granted to banks in Mexico. Mexican authorities impose regular assessments on banking institutions covered by IPAB for funding. During 2012 and 2011, the amount of the contributions to IPAB from Banorte and Ixe Banco from quotas, amounted to Ps. $1.57 billion and Ps. $1.28 billion, respectively. In the event that IPAB's reserves are insufficient to manage the bank savings protection system and provide the necessary financial support granted to troubled banking institutions, IPAB maintains the right to require extraordinary contributions to participants in the system. Any such requirement could adversely affect our business, financial condition or results of operations.

We engage in transactions with our subsidiaries or affiliates that others may not consider to be on an arm's-length basis.

We have celebrated and will continue to celebrate various operations between our subsidiaries, affiliates, our main shareholder and various societies which directly or indirectly, are owned or controlled by our principal shareholder.

Banorte has entered into certain service agreements with its affiliates to allow them to offer their products and services within Banorte's branch network in consideration for certain fees. In addition, we and our subsidiaries and affiliates have entered into a number of agreements providing for the sharing of revenues or expenses in connection with the performance of certain activities, including loan recovery. Mexican law applicable to public companies and financial groups and institutions and our by-laws provide for several procedures designed to ensure that the transactions entered into with or among our financial subsidiaries do not deviate materially from prevailing market conditions for those types of transactions, including the approval by our Board of Directors. We are likely to continue to engage in transactions with our subsidiaries and affiliates, and our subsidiaries and affiliates are likely to continue to engage in transactions among themselves, and no assurance can be given that the terms that we or our subsidiaries consider to be “substantially on market conditions” will be considered as such by third parties. In addition, future conflicts of interest between us and any of our subsidiaries or affiliates, and among our subsidiaries and affiliates, may arise, and such conflicts are not required to be and may not be resolved in our favor.

Although we intend to continue to conduct operations with related parties under market conditions, and in accordance with the terms permitted by the regulations that apply to us, such operations could be affected by conflicts of interest between us and such related parties. Consequently, we cannot ensure that operations that we celebrate in the future with any of our subsidiaries or affiliates or related parties will not have an adverse effect on our financial position.

The possibility of not implementing correctly the risk management system could materially and adversely affect our business operations and prospects.

As a holding of two Credit Institutions, one of the principal types of risks inherent in GFNorte’s business is credit risk. GFNorte and its banking subsidiaries may not be able to improve its credit risk management system so that it can function effectively. For example, an important part of Banorte and Ixe Banco’s credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our subsidiaries’ employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in Banorte and Ixe Banco’s exposure to higher credit risks than indicated by its risk rating system. In addition, GFNorte’s banking subsidiaries have been trying to refine and strengthen its credit policies and guidelines to address potential risks associated with particular industries or types of customers, such as affiliated entities and group customers. However, these subsidiaries may not be able to timely detect the clients' or employees' credit risks before they occur, or due to limited resources or tools available to it, its employees may not be able to effectively implement them, which may increase its credit risk. As a result, failure to effectively implement, consistently follow or continuously update and refine Banorte and Ixe Banco’s credit risk management system may result in a higher risk exposure for these subsidiaries, which could materially and adversely affect our results of operations and financial position.

It is important to mention that on October 27th, 2011, the CNBV published a compilation of all the modifications to the ***General Regulations applicable to Credit Institutions*** in the Diario Oficial de la Federación (Official Gazzette). In these regulations, you may find all the legislation related to this subject, in the second heading "Prudential Regulations" - Chapter V - "Rating of Loan Portfolio"; to which Banorte and Ixe Banco adhere.

If GFNorte is unable to effectively control the level of non-performing or low credit quality loans in its current loan portfolio and in new loans it extends in the future, or if its loan loss reserves are insufficient to cover actual loan losses, our financial position and results of operations may be materially and adversely affected.

Non performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that Banorte and Ixe Banco, will be able to effectively control and reduce the level of the impaired loans in its loan portfolio. In particular, the amount of their reported non performing loans may increase in the future as a result of growth in its loan portfolio or factors beyond its control, such as the impact of the global financial crisis and macroeconomic trends and political events affecting Mexico or events affecting related industries.

As of December 31, 2012, the aggregate outstanding principal amount and accrued interest of loans to Banorte’s 15 largest clients (including loans to a single commercial group or to the Mexican government) represented 21.1%of its total loan portfolio. As of December 31, 2012, the aggregate outstanding principal amount and accrued interest loans to Ixe Banco’s 15 largest clients represented 34.7%, of its total loan portfolio. If the financial stability of any of these clients were to be negatively impacted by political, economic or industry-related developments or any other factor, it could lead to an increase in non-performing or low credit quality loans.

In addition, Banorte's or Ixe Banco's current loan loss reserves may not be adequate to cover an increase in the amount of non performing loans or any future deterioration in the overall credit quality of its loan portfolio. As a result, if Banorte's or Ixe Banco's loan portfolio deteriorates it may be required to increase its current loan loss reserves, which may adversely affect our financial position and results of operations. Moreover, there is no precise method for predicting future credit losses, and we cannot assure you that Banorte's or Ixe Banco's loan loss reserves are or will be sufficient to cover actual losses. If Banorte or Ixe Banco are unable to control or reduce the level of their non performing or poor credit quality loans, our financial position and results of operations could be materially and adversely affected.

In crisis situations, Banorte and Ixe Banco have experienced asset quality problems, including with respect to collateral, and have reported relatively large loan loss provisions.

The asset quality of Banorte's and Ixe Banco's loan portfolio, including with respect to collateral, and the loan portfolios of other Mexican banks have been negatively affected by the unfavorable financial and economic conditions prevailing in Mexico following the global financial crisis that commenced in September 2008. Mexican regulatory authorities and the banking system responded to this situation in several ways, including making revisions to Mexican Banking GAAP, including allowing for the reclassification of certain "available for sale securities" to "held to maturity securities" and broadening the class of securities available for repurchase. Other regulatory responses have included imposing more stringent loan loss reserve requirements and capitalization standards, as well as adopting a number of programs designed to provide relief to Mexican borrowers in connection with the granting and restructuring of outstanding loans. Such reserve requirements could have a direct adverse impact on our financial results, which could affect our ability to pay dividends to our shareholders. Unfavorable financial and economic conditions that took place in Mexico during the crisis and these regulatory initiatives taken to deal with adversity, have caused the Mexican banking sector to experience asset quality problems and to record large loan loss provisions, although the negative impact caused by the crisis has decreased as a result of recent improvement in the economic environment. However, recoveries of these past due loans, as a percentage of the past-due portfolio, will tend to decrease with time as a result of the maturing of the PDL portfolio, as well as the decline in the value of assets that guarantee these loans.

In Mexico, foreclosure procedures may be subject to delays and administrative requirements that may result in lower levels of recovery on collateral compared to its value. In addition, other factors such as defects in the perfection of Banorte and Ixe Banco's security interests, fraudulent transfers by borrowers or a reduction in the value or liquidity of the collateral may impair its ability to recover on its collateral. Accordingly, there can be no assurance that Banorte and Ixe Banco will be able to realize the full value of their collateral. As a result, lower recovery rates, asset quality deterioration, decreased value of collateral and lower levels of recovery on collateral compared to its value could have a material and adverse effect on our business, financial condition and results of operations.

Future Mexican government restrictions on interest rates, banking fees or reserves could negatively affect GFNorte's profitability.

In Mexico, the Financial Services Users Protection and Defense Act (Ley Federal de Protección y Defensa al Usuario de Servicios Financieros) currently does not impose any limit on the interest rate or banking fees, subject to certain exceptions, that a bank may charge. However, the possibility that such limits may be imposed has been and continues to be debated by the Mexican Congress and Mexican regulators. In the future, the Mexican government could impose limitations or additional informational requirements regarding such rates of interest or fees. A portion of our revenues and operating cash flow is generated by Banorte's and Ixe Banco's consumer credit services and any such limitations or additional informational requirements could materially and adversely affect our results of operations and financial position. In addition, if Mexican governmental authorities require Mexican banks and other financial institutions to increase their reserve requirements for loan losses or change the manner in which such loan reserves are calculated or change capitalization requirements, it may adversely affect our results of operations and financial position.

GFNorte's loans to the Mexican federal government and to Mexican state and municipal governments do not require capital or reserves and as a result, if the credit quality of these loans were to deteriorate, this could impact our business, financial position or results of operations.

The Mexican Capitalization Rules and the rules requiring the creation of reserves for loan losses of credit institutions do not require minimum capitalization levels or the creation of reserves in connection with loans made to the Mexican federal government or to Mexican state or municipal governments (together, the Governmental Loans). Accordingly, GFNorte does not maintain and has not created, and does not intend to maintain or create, additional capital or reserves in connection with its Governmental Loans, which as of December 31, 2012 reported a performing balance which amounted to Ps.88.29 billion, or 21.5% of GFNorte's total loan portfolio. As a result, if the credit quality of its Governmental Loans were to deteriorate, either specifically or at a generalized level, this could result in a more significant impact on our financial position and results of operations than would a deterioration of other loans in its portfolio, in respect of which GFNorte maintains capital requirements or creates reserves. As of December 31, 2012, there was one Governmental Loan in the non- performing loan portfolio, which is currently performing once again due to sustained payment activity in the first months of 2013.

Some of Banorte's loans to Mexican states and municipalities may be restructured.

The Mexican government and commercial banks, including Banorte, have from time to time agreed to modify the terms of Governmental Loans. Such modifications have included extensions in maturity of up to 12 years, reductions in interest rates and prepayment options. There can be no assurance that other Governmental Loans or even these same loans will not be similarly restructured in the future in a way that would be materially adverse to Banorte and any of our subsidiaries.

Recently, the SHCP announced its intentions to implement a plan to restructure the debt of state and municipal governments. We can provide no assurance that upon the implementation of such plan, the loans that GFNorte has granted to state and municipal governments will not be restructured or that they will be restructured on terms favorable to GFNorte. Any such restructuring could adversely affect GFNorte's business, financial condition and results of operations.

The rules applicable to reserves for loan losses to Governmental Loans have recently been amended.

On October 5, 2011, the CNBV amended the rules applicable to reserves for loan losses to states and municipalities in an effort to conform its regulations to the most recent recommendations issued by the Basel Committee. These new rules shift away from an accrued losses methodology to an expected losses methodology to identify in advance certain sector risks. Both qualitative and quantitative credit information is now required to mitigate the risk of sudden changes in reserve levels associated with credit transactions with states and municipal entities.

The expected losses approach takes into account several factors including probability of default and magnitude of a given loss instead of allowing reliance on credit agencies ratings. The CNBV rules also require banks to retrospectively fully reserve for short-term credits included in any restructuring process. In the future, the CNBV could further change accounting regulations for determination of allowances for loan losses or the methodology to measure credit risk of governmental institutions.

The future of government sector lending in Mexico is uncertain.

Our business is subject to a continuously evolving regulatory regime of financial services laws, regulations, administrative actions and policies in each jurisdiction in which we operate. Furthermore, as a result of certain recent high profile restructurings of Mexican state and municipal debt, the Mexican Congress, regulatory agencies and media coverage have been focused on government sector lending. As a result, we cannot provide assurances that the growth trends of government sector lending registered over the past decade will not be affected by potential regulatory changes and if such growth trends do not continue, the results of our operations could be affected adversely.

Additionally, although state and municipal public debt is regulated by state law in Mexico, there are certain provisions and limitation set forth in the Mexican Federal Constitution and other federal laws (especially in connection with using participaciones federales as source of payment). In the past, there have been inconsistencies between federal and state law which have been subject to resolution by the Mexican Supreme Court. Some of such resolutions have had an adverse effect on the manner in which governmental loans have been granted. We cannot assure that future judicial interpretations or resolutions will not have an adverse effect on our Governmental Loans.

The Mexican Congress is in the process of reviewing reform packages relating to the limits and terms conditions of government lending. In the event such reforms are adopted, we will carefully analize them, considering final terms and implications to our business. To date, we cannot assure the approval of these reforms, their final scope or the impact they will have on our business. For more information see "The Issuer. Subsection b) Business Description – Applicable Law and Tax Position-Applicable Law and Supervision– New Regulation Applicable to Our Business – Bill on Financial Discipline for States and Municipalities"

The short-term nature of Banorte and Ixe Banco's funding sources may pose a liquidity risk.

Many Mexican banks have suffered severe liquidity problems in the past, particularly in connection with refinancing short-term dollar liabilities in the international capital markets. No assurance can be given that liquidity problems will not affect the Mexican banking system again or that liquidity constraints will not affect Banorte and Ixe Banco in the future. While we expect Banorte and Ixe Banco to be able to pay or refinance their projected liabilities, no assurance can be given that it will be able to repay such liabilities or refinance such liabilities under favorable terms.

We anticipate that GFNorte's customers in Mexico will continue in the near future to demand short-term deposits (particularly demand deposits) and loans, and that GFNorte will maintain its reliance on the use of deposits as a source of funding. The short-term nature of this funding source could cause liquidity problems for GFNorte in the future if deposits are not made in the volumes it expects or are not renewed. In the past, a substantial portion of such customer deposits have been rolled over upon maturity or maintained with Banorte (in the case of demand deposits) and, as a result, such deposits have over time been a stable source of funding. No assurance can be given, however, that customers will continue to roll over or maintain their deposits with Banorte and Ixe Banco. If a substantial number of GFNorte's customers fail to roll over their deposits upon maturity or withdraw their deposits from GFNorte, its liquidity position could be adversely affected, and it may be required to seek funding from more expensive sources, affecting our financial condition and results of operations.

The volatility in Peso exchange rates and interest rates in Mexico may adversely affect our business.

We are exposed to currency risk any time we hold an open position in a currency other than Pesos and to interest rate risk when we have an interest rate repricing gap or carry interest-earning securities having fixed real or nominal interest rates. Peso exchange rates and interest rates in Mexico have been subject to significant fluctuations in recent years. Because of the historical volatility in Peso exchange rates and interest rates in Mexico, the risks associated with such positions may be greater than in certain other countries. Exchange rates and interest rates of diverse countries have experienced considerable volatility, affected by the problems currently faced by European countries and financial institutions. Although we follow various risk management procedures in connection with our trading and treasury activities, there can be no assurance that we will not experience losses with respect to these positions in the future, any of which could have a material adverse effect on our results of operations and financial position.

In recent years, interest rates in Mexico have been low by historical standards; however, there can be no assurance that such low rates will continue in the future. A sustained increase in interest rates will also raise our funding costs and may reduce Banorte and Ixe Bancos's loan demand, especially among consumers. Rising interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability. In addition, rising interest rate levels may adversely affect the Mexican economy and the financial position and repayment ability of GFNorte's corporate and retail borrowers, including holders of its credit cards, which in turn may lead to a deterioration in its asset quality.

Also, volatility in exchange and interest rates could affect the ability of GFNorte's clients to repay their loans, which could result in an increase in GFNorte's non-performing loan portfolio, and therefore materially and adversely affect our business, financial condition and results of operations.

Our subsidiaries are subject to market and operational risks associated with derivative transactions, as well as structuring risks and the risk that documentation will not incorporate accurately the terms and conditions of derivative transactions.

Banorte and Ixe Banco enter into derivative transactions primarily for hedging purposes and, to a lesser extent, on behalf of its customers. Banorte and Ixe Banco are subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder).

Mexican courts have limited experience in dealing with issues related to derivative transactions. Given that for certain of Banorte's and Ixe Banco's derivative transactions the derivative market is not yet as developed in Mexico as in other jurisdictions, there are added structuring risks and the risk that Banorte's or Ixe Banco's documentation will not incorporate accurately the terms and conditions of such derivative transactions. The execution and performance of these types of transactions depends on Banorte's ability to develop adequate control and administration systems, and hire and retain qualified personnel. Moreover, Banorte's or Ixe Banco's ability to adequately monitor, analyze and report these derivative transactions depends, to a great extent, on their information technology systems. These factors may further increase the risks associated with these transactions. As a result, this could materially and adversely affect our results of operations and financial position.

In addition, Casa de Bolsa Banorte Ixe deals on a regular basis in the Mexican derivatives market through interest rate futures contracts, mainly derivatives linked to Mexican financial indexes, for trading purposes, arbitrage opportunities and to reduce market risks inherent in various portfolios. A significant change in any of these financial indexes could result in losses in these investments. Additionally, Afore XXI, through its Siefores, also carries out derivatives transactions (interest rate and foreign exchange futures and forwards, interest rate swaps, equities futures and forwards) on behalf of third parties.

Our growth strategy is in part dependent on our ability to acquire other financial institutions; we may not be successful in implementing that strategy and, if we acquire other financial institutions, we may not be successful in integrating the operations of those financial institutions, which could disrupt our operations and adversely affect our financial position.

Our ability to continue to grow by acquisition is dependent upon, and may be limited by, the availability of suitable acquisition candidates, our ability to negotiate acceptable acquisition terms and our assessment of the characteristics of potential acquisition targets such as:

- financial position and results of operations;
- attractiveness of products and services;
- suitability of distribution channels;
- management ability; and
- the degree to which the acquired operations can be integrated with our operations.

Furthermore, the completion of these acquisitions is subject to a number of risks, including the following:

- access to capital and financing sources;
- restrictions contained in our debt instruments; and
- the uncertainty of the legal environment relating to mergers and acquisitions.

Growth through acquisitions involves risks that could have a material and adverse effect on our results of operations, including (i) difficulties in integrating the operations, (ii) undisclosed liabilities and other hidden asset quality problems, (iii) failure of the acquired entities to achieve expected results, (iv) non qualified personnel of the acquired companies, (v) diversion of management attention from the operation of the existing businesses, (vi) possible inability to achieve expected synergies and/or economies of scale, and (vii) the potential loss of key personnel and customers of acquired companies. We cannot assure you that we will be able to identify suitable acquisition candidates, complete the acquisitions on satisfactory terms or, if any such acquisitions are consummated, satisfactorily integrate the acquired businesses.

We acquired Bancentro in 1996, Banpaís in 1997, Bancrecer in December, 2001, INB and UniTeller in 2006, and Motran in 2007. The integration of the operations of these merged entities faced difficulties and problems that affected our performance by diverting our management's attention and human resources.

On April 15, 2011, we merged with Ixe GF and later that year with Afore XXI. The merger with both companies has resulted and may continue resulting in labor termination payments, contingent assets and sale of liabilities or further penalties. We cannot predict if these events will continue or, in case of continuing, if they will materially and adversely affect our business and operations. Furthermore, any other merger, acquisition, or any other business combination in which we take part, may incur risks, such as mentioned above.

In addition to the markets in which we operate, we also intend to expand our business into other geographic markets, such as certain regions of the United States. Due to factors such as the changing regulatory environment, as well as intense competition, we cannot guarantee that we will be successful in expanding into new markets.

If we are unable to implement and manage our growth strategy, our financial results, operations and business could be materially and adversely affected.

We may need additional capital in the future, and may not be able to obtain such capital on acceptable terms, or at all.

In order for us to grow, remain competitive, enter into new businesses, or meet regulatory capital adequacy requirements, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in connection with any of our activities that result in a reduction of our stockholders' equity. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial position, results of operations and future cash flows;
- any necessary government regulatory or corporate approvals;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- economic, political and other conditions in Mexico and elsewhere.

We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all.

Reductions in our credit ratings or those of any of our subsidiaries would increase our cost of borrowing and negatively impact our ability to raise new funds, attract deposits or renew maturing debt.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and level of concentration in Banorte and Ixe Banco's loan portfolio, the level and volatility of our earnings, our capital adequacy and leverage, the liquidity of our balance sheet, the availability of a significant base of core retail and commercial deposits for Banorte and Ixe Banco, and GFNorte's ability to access a broad array of wholesale funding sources. Our clients, lenders and counterparties in derivatives transactions (and those of our subsidiaries) are sensitive to the risk of a ratings downgrade. Changes in our credit ratings or those of any of our subsidiaries would increase the cost of raising funds in the debt markets. In addition, our ability to renew maturing debt may be more difficult and expensive.

Banorte and Ixe Banco's ability to compete successfully in the marketplace for deposits depends on various factors, including its financial stability as reflected by their credit ratings. A downgrade in their credit ratings may adversely affect perception of GFNorte's or any of its subsidiaries financial stability and its ability to raise deposits, which could materially affect our business, financial conditions and results of operations.

We are exposed to risks faced by other financial institutions.

We routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to problems affecting the whole market and could lead to losses or defaults by other institutions. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties. Concerns relating to the financial health of a number of European governments and the European sovereign debt crisis have recently intensified, contributing to volatility of the capital and credit markets, and the risk of contagion throughout and beyond Eurozone remains, as a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under considerable financial pressure. These liquidity concerns have had, and may continue to have, an adverse effect on interbank financial transactions in general. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilized. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material adverse effect on us.

Significant competition from other financial groups in providing financial services may adversely affect our financial performance and market share.

We face strong competition in all aspects of our business, including our banking business. The competition comes principally from Mexican and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other institutional lenders, brokerage houses and financial advisory institutions. We anticipate that we will encounter greater competition as we continue expanding our operations in Mexico. A number of institutions with which we compete have significantly greater assets and capital, name recognition and other resources. In addition, certain of our competitors, such as the Sociedades Financieras de Objeto Limitado ("Sofoles") and Sociedades Financieras de Objeto Múltiple ("Sofomes"), are not financial institution and, if not part of a financial group, are not subject to the extensive Mexican banking regulations to which Banorte and Ixe Banco are subject to, including maintaining certain levels of capital and reserves for loan losses. As a result, certain of our competitors may have advantages in conducting certain businesses and providing loans and other financial services.

Competition is also likely to increase as a result of the entrance of new participants into the financial services sector. The Mexican financial authorities have recently granted a number of banking licenses for the establishment and operation of several new financial institutions. The CNBV and the SHCP (as applicable) are likely to continue granting banking licenses to new participants.

In addition, legal and regulatory reforms in the Mexican banking industry have also increased competition among banks and among other financial institutions. On February 1, 2008, several amendments to the Mexican Banking Law were enacted, which among other things allowed for the incorporation of limited purpose banks (bancos de nicho), which can only engage in those activities expressly authorized by the CNBV and set forth in their by-laws, and are subject to lesser regulatory requirements (including a lower capital requirement) depending on such authorized activities. Therefore, Banorte and Ixe Banco could experience higher competition in certain sectors of its business should the CNBV grant many limited-purpose banking licenses. We believe that the Mexican government's commitments to adopt accelerated regulatory reforms in, and the liberalization of, the Mexican financial industry have resulted in increased competition among financial institutions in Mexico. As the reform of the financial sector continues, foreign financial institutions, many with greater resources than us, have entered and may continue to enter the Mexican market either by themselves or in partnership with existing Mexican financial institutions and compete with us. There can be no assurance that we will be able to compete successfully with such domestic or foreign financial institutions or that increased competition will not have a material adverse effect on our financial position or operating results.

As a result of GFNorte's entrance into the U.S. banking sector through its acquisition of INB and UniTeller in 2006 and Motran in 2007, GFNorte has faced strong competition from U.S.-based financial groups, commercial banks and other financial institutions. In particular, GFNorte's operations in the U.S. face competition from Wells Fargo & Company, Bank of America Corporation, J.P. Morgan Chase & Company and Banco Bilbao Vizcaya Argentaria, each of which has a significant presence in the regions covered by INB, UniTeller and Motran, GFNorte's remittances companies. There are also regional and local banks that compete significantly with Banorte USA at these locations.

The increased competition in the banking sector or a more aggressive strategy by GFNorte's competitors, could force GFNorte to reduce certain active rates or pay higher interest rates to depositors and other performing loans, in order to avoid losing customers to other banks that offer more attractive rates, which would increase lending costs and could affect the Net Interest Income and consequently results.

Banorte and Ixe Banco increasing focus on individuals and SMEs could lead to higher levels of non-performing loans and subsequent charge-offs.

As part of Banorte's business strategy, we have sought to increase lending and other services to individuals and to SMEs. Individuals and SMEs are, however, more likely to be adversely affected by downturns in the Mexican economy than large corporations and high-income individuals. Consequently, we may experience higher levels of non-performing loans, which could result in higher provisions for loan losses. There can be no assurance that the levels of non-performing loans and subsequent charge-offs will not be materially higher in the future and affect our financial condition and results of operations.

Mexican governmental regulations may adversely affect our operating results and financial position.

We are subject to extensive regulation regarding our organization, operations, capitalization, loan loss reserves, applicable rates, corporate governance, transactions with related parties and other matters. These laws and regulations impose numerous requirements on us and our subsidiaries, mainly Banorte and Ixe Banco, including the maintenance of minimum risk-based capital levels and loan loss reserves, regulation of our business practices, diversification of our investments, maintenance of liquidity ratios, regulation of loan granting policies and interest rates charged and other terms contained in our credit contracts, and application of required accounting regulations. Many of the applicable laws and regulations have been subject to extensive changes in recent years, some of which have had a material effect on our and our subsidiaries' financial position, capitalization levels and results of operations. For example, several laws were enacted during 2008 and 2009 by the Mexican Congress requiring the elimination of certain fees for credit cards, deposit accounts, and the use of ATMs, as well as granting Banco de México the authority to approve, reject or limit account management and general fees that banks, including Banorte and Ixe Banco, charge to their customers and also granting the ability to impose penalties if in its judgment, banking institutions are limiting competition among themselves. Moreover, Mexican financial regulatory authorities possess significant powers to enforce applicable regulatory requirements in the event of our or our subsidiaries' failure to comply with such regulatory requirements, including imposing fines, requiring that new capital be contributed, prohibiting the payment of dividends to shareholders or the payment of bonuses to employees, imposing sanctions or revoking our licenses and permits to operate our businesses. In the event that we or our subsidiaries encounter significant financial problems or become insolvent or in danger of becoming insolvent, Mexican financial regulatory authorities have the power to take over our or their management and operations.

Given the current environment of frequent changes to laws and regulations affecting the financial services sector, there may be future changes in the regulatory system or in the enforcement of the laws and regulations that could adversely affect us and our subsidiaries.

In particular, on July 26, 2010, the Governors and Supervision Chiefs Group, the supervision board of the Basel Banking Supervision Comitee ("Basel Committee") reached broad agreement on the overall design of a capital and liquidity reform package for internationally active banking organizations around the world, known as Basel III, which includes, among other things, the definition of capital, the treatment of counterparty credit risk, the leverage ratio and the global liquidity standard. On September 12, 2010, the Basel Committee announced a substantial strengthening of existing capital requirements in connection with Basel III. The full text of the Basel III rules and the results of a quantitative impact study to determine the effects of the reforms on banking organizations were published on December 16, 2010. These rules include, among others, the gradual elimination of Tier 1 and Tier 2 instruments with payment provisions based on incentives or implementing leverage ratios applicable to institutions, in addition to the capital requirements in effect based on risk over assets.

In order to strengthen the composition of the net capital of banking institutions, in accordance with the guidelines established by the Capital Accord issued by the Basel Committee (which primary goal is for banking institutions worldwide to increase their ability to deal with financial or economic turmoil through the integration of greater and higher-quality capital), the SHCP published on November 28, 2012 an amendment to the Mexican Banking Regulations that aims to, among others: (i) strengthen the composition of the net capital of banking institutions under Basel III guidelines, and (ii) allow certain securities issued by commercial banks to have the ability to absorb losses incurred by these institutions when submitting a detriment in their capital, either through a conversion into their shares or by the loss of the agreed value at the time of issuance in order to be recognized as part of the net capital of such institutions. For more information see "Section 2. "The Issuer. Subsection b) Business Description- Applicable Law and Tax Position – Applicable Law and Supervision - Applicable Law and Supervision — Adoption of New Rules in Mexico in accordance with Basel III".

The application by Mexican authorities of regulation that changes the methodology, calculation or compliance of capital ratios of banking institutions or the adoption of changes to the minimum requirements for the Tier 1 and Tier 2 capital of banking institutions may have a material adverse effect on our business and results of operations.

In addition, the Mexican Congress is in the process of reviewing reform packages relating to the terms and conditions of government lending. We cannot provide any assurance whether such reforms are going to be authorized and, if authorized, that they will not have an adverse effect on our business, financial condition or results of operations. In addition, the liquidity and founding requirements will be implemented in Mexico during coming years, which could affect our liquidity and financial position. (See Section 2. "The Issuer. Subsection b) Business Description – Applicable Law and Tax Position – Applicable Law and Supervision –- Bill on Financial Discipline for the States and Municipalities").

We are subject to Mexican regulatory inspections, examinations, inquiries or audits, and future sanctions, fines and other penalties resulting from such inspections and audits could have a material adverse effect on us.

We are subject to comprehensive regulation and supervision by Mexican regulatory authorities, such as Banxico, the CNBV and the SHCP. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our capitalization, organization and operations, including changes to capital adequacy and reserve requirements, supervision of compliance with rules relating to secrecy, the imposition of anti-money laundering measures and the authority to regulate the terms of products, including the interest rates we charge and the fees we collect in exchange for services. Moreover, Mexican financial regulatory authorities possess significant powers to enforce applicable regulatory requirements, including the imposition of fines, requiring that new capital be contributed, inhibiting us from paying dividends to shareholders or paying bonuses to employees, or the revocation of licenses to operate our business (including our banking or broker-dealer licenses). In the event we encounter significant financial problems or become insolvent or in danger of becoming insolvent, Mexican banking authorities would have the power to take over our management and operations.

Our success depends, in part, on our retention of certain key personnel, our ability to hire additional key personnel, and the maintenance of good labor relations.

We depend on our executive officers and key employees. In particular, our senior management has significant experience in the banking, financial services and pension fund management businesses, and the loss of any of our executive officers, key employees or senior managers could negatively affect our ability to execute our business strategy.

Our future success also depends on our continuing ability to identify, hire, train and retain other qualified sales, marketing and managerial personnel. Competition for such qualified personnel is intense and we may be unable to attract, integrate or retain qualified personnel at levels of experience or compensation that are necessary to sustain or expand our operations. Our businesses could be materially and adversely affected if we cannot attract these necessary personnel.

Our businesses rely heavily on data collection, processing and storage systems, the failure of which could materially and adversely affect the effectiveness of our risk management and internal control systems as well as our financial position and results of operations.

All of our principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets and products at our various locations or branches, at a time when transaction processes have become increasingly complex, with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect our decision-making process and our risk management and internal control systems, as well as our timely response to changing market conditions. If we cannot maintain an effective data collection and management system, our business operations, financial position and results of operations could be materially and adversely affected.

Furthermore, we are dependent on information systems to operate our website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products and could materially and adversely affect our financial position and results of operations.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could adversely affect our competitiveness, financial position and results of operations.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology infrastructure on a timely and cost-effective basis, through continuous investments. In particular, as GFNorte or any of its subsidiaries continues to open new locations or branches in the Mexico City metropolitan area and in other cities throughout Mexico, we need to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems and back-office operations.

In addition, any failure or interrumption in the upgrading, developing and expanding process of our information technology systems may result in delays to accommodate our growing customer base demands or in risk management. Any failure to effectively improve or upgrade our information technology infrastructure could materially and adversely affect our competitiveness, financial position and results of operations.

Our subsidiaries may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose them to additional liability and harm their business.

We and our subsidiaries are required to comply with applicable anti-money laundering and anti-terrorism laws. These laws and regulations require our subsidiaries, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. Recent rules have been adopted in Mexico restricting the ability of Mexican banks to receive currencies in physical form, in exchange for foreign exchange and other similar transactions. While our subsidiaries have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities, terrorism financing and other illegal or improper activities, by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not effectively function in order to detect money-laundering and other illegal or improper activites. To the extent our subsidiaries may fail to fully comply with applicable laws and regulations or implement efficient policies and procedures in order to prevent money laundering and terrorism financing, the relevant government agencies to which they report have the power and authority to impose fines and other penalties on them. In addition, our business and reputation could suffer if customers use us or our subsidiaries for money laundering or illegal or improper purposes.

We are a holding company and depend upon dividends and other funds from subsidiaries to fund our operations and, to the extent we decide to do so, pay dividends.

We are a holding company and our operations are conducted through our subsidiaries. As a result, our ability to pay dividends, pay debts and fund our operations, primarily depends on the ability of our subsidiaries to generate earnings and to pay dividends to us. Our subsidiaries which include Banorte, Casa de Bolsa Banorte Ixe, Arrendadora y Factor Banorte, Almacenadora Banorte, Ixe Banco, Ixe Automotriz, Ixe Soluciones and Fincasa Hipotecaria among others, see Note 3 - Bases for Presenting Audited Financial Statements (Section 8.c) "Annexes"), are companies other than GFNorte. Payment of dividends, distributions and any other resources transfer by our subsidiaries are limited by legal, restrictions applicable to the distribution of profits, including that our subsidiaries have profits, do not have losses to absorb and those related to employee profit sharing (PTU). Banorte and Ixe Banco may be restricted from paying dividends to us if they do not meet its required regulatory Capital Ratios according to applicable laws. Also, the distribution of our subsidiaries' profits is subject to the revenue actually generated by such subsidiaries and their financial situation and business. In the event of liquidation or reorganization of any of the subsidiaries, we will be effectively subordinated to the claims of our subsidiaries' creditors, including trade creditors.

Under the Mexican Statutory Responsibility Agreement, we are responsible secondarily and without limitation for performance of the obligations incurred by our subsidiaries.

Under the Mexican Statutory Responsibility Agreement (Convenio Único de Responsabilidades) that we entered into with our financial subsidiaries, pursuant to the Mexican Financial Groups Law, we are responsible secondarily and without limitation for performance of the obligations incurred by our subsidiaries as a result of the authorized activities of such subsidiaries, and we are fully responsible for certain losses of our subsidiaries, up to the total amount of our assets. For such purposes, a subsidiary is deemed to have losses if (i) its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law, (ii) its capital and reserves are less than the subsidiary is required to have under applicable law, or (iii) in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations.

Furthermore, if Banorte and Ixe Banco are deemed to have losses, we will not be allowed to pay any dividends or transfer any monetary benefit to our shareholders as of the date on which IPAB determines Banorte and Ixe Banco's losses up to the date on which we pay their losses. Also, we would be required, among other things, to guarantee to IPAB the payment of such losses. Pursuant to the Mexican Financial Groups Law, our shares or the shares of our subsidiaries could be posted as collateral to guarantee the payment of Banorte or Ixe Banco's losses in favor of IPAB. Pursuant to Article 28 Bis of the Mexican Financial Groups Law, our shareholders, by virtue of their holding of our shares, accept that their shares could be posted as a guarantee in favor of IPAB, and that such shares will be transferred to IPAB if we are unable to pay for any amounts due to IPAB as a result of Banorte and Ixe Banco's losses.

We cannot assure that in the future, Banorte or any other of our subsidiaries will not be deemed to have losses, and if so, that we will have sufficient assets to cover such losses.

Possible losses in Financial Derivatives Operations.

Banorte and Ixe Banco have Banxico's authorization to celebrate derivative financial transactions. In the ordinary course of its business, this type of operation is conducted with different types of counterparts for various purposes. As a result of the problems faced by some global financial institutions, deterioration in the financial situation of Banorte and Ixe Banco counterparties could exist, which could lead to the protection in derivative financial transactions. The latter could have an adverse effect on the results of Banorte and Ixe Banco and therefore affect its capacity to make payment in relation to these instruments.

Resolutions issued against GFNorte and/or any of its subsidiaries as a result of legal, administrative or arbitral proceedings may affect its financial situation.

GFNorte and any of its subsidiaries may be subject to legal, administrative or arbitral proceedings as a result of asset or liability operations or services, including those that may arise as a result of labor relations with employees. The beginning of a substantial number of these procedures or processes for relevant amounts could, in the event that they are resolved in a manner adverse to GFNorte and any of its subsidiaries, affect its financial position and operating results.

Foreseen risks in the notes of financial statements.

GFNorte is subject to a number of risks including market, credit, liquidity, operational, technological and legal risk. Notes to GFNorte's consolidated financial statements which are included as an annex to this Annual Report contain a description of these risks. Any updates of these risks could adversely affect the business, financial position or operating results of GFNorte.

Withdrawal of the authorization

In accordance with the LIC, some of the assumptions under which the CNBV may revoke the authorization granted to Banorte and Ixe Banco to operate as full service banks are if they: (i) do not comply with the corrective measures which were, if the case, imposed by the CNBV; (ii) do not meet the capitalization requirements established in accordance with the applicable legal provisions; (iii) in certain cases, fail to pay their debts or do not comply with obligations arising from compensation processes or those with their depositors; and (iv) repeat prohibited and sanctioned transactions in accordance with the LIC (see Section 2. b) v. "The Company – Applicable Legislature and Tax Situation"). In the event that the authorization of Banorte or Ixe Banco to operate as an institution of multiple banking is revoked, our business, financial condition and operating results would be adversely affected.

Risks Relating to Mexico

Economic and political developments in Mexico could affect Mexican economic policy and our business, financial condition and results of operations.

Most of our operations and assets are located in Mexico. As a result, our business, financial condition and results of operations may be affected by the general condition of the Mexican economy, the devaluation of the Peso as compared to the U.S. dollar, price instability, inflation, changes in oil prices, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico over which we have no control.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the banking sector, could have a significant effect on Mexican private sector entities in general, and us and our subsidiaries in particular, and on market conditions, prices and returns on Mexican securities, including our securities.

Federal Government can conduct significant changes in the law, public policies and/or regulations that can affect the political and economic situation of Mexico, negatively affecting our business. Moreover, after the election of the President Peña Nieto in 2012, the Mexican Congress is politically divided as there is no enough majorities from any political party to approve new laws or substantial amends. In the past, the lack of alignment between the Congress and the President has reduced the ability of taking decisions for a timely enforcement of political and economic reform, which turns into an adverse and significant effect over the Mexican economic politics, our business and the price and yield of Mexican securities. In the current administration, there have been a number of agreements between the main political forces in order to go forward with the most important reforms for Mexico, and some of them have been approved, such as the labor reform, education reform and telecom reform. There is no certainty that these agreements will persist, or that other pending reforms will be approved. Also, the political forces may issue reforms that result in a negative effect to the financial sector or to the sectors in which our principal customers operate.

In recent years, there has been an increasing amount of social instability in Mexico in the form of violent crime carried out by organized cartels and others involved in drug trafficking, which has particularly affected the areas of northern Mexico that border the U.S. The continuation or escalation of such crime could have negative consequences for the Mexican economy or destabilize its political system, which could adversely affect our business.

We cannot provide any assurance that future economic or political developments in Mexico, over which we have no control, will not have an unfavorable impact on our financial position or operating results.

Adverse economic conditions in Mexico may adversely affect our financial position and results of operation.

Most of our operations are dependent upon the performance of the Mexican economy, mainly on matters such as the Peso-dollar exchange rate, financial markets volatility and inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on us. We cannot assume that such conditions will not return or that such conditions will not have a material adverse effect on us.

Mexico experienced a period of slow growth from 2001 through 2003, and an important fall of the GDP in 2009, primarily as a result of the slowdown in the U.S. economy and of the loss of exports competiveness due to the Chinese entry to the World Trade Organization (WTO)..

Currently, Mexico has, and is expected to continue to have, low real and nominal interest rates. The interest rates on 28 day Mexican government treasury securities (Certificados de la Tesorería de la Federación), or CETES, averaged 5.4%, 4.4%, 4.2% and 4.2% for the years ended December 31, 2009, 2010, 2011 and 2012 respectively. Therefore there might be much uncertainty in our funding cost if in the future we incur Peso denominated debt..

A recession could affect our operations to the extent that we are unable to reduce our costs and expenses in response to falling demand. Similarly, our subsidiaries' loan portfolio could deteriorate as a result of higher delinquency rates. These factors could result in a decrease in our subsidiaries' loan portfolio and its revenues and net income.

Depreciation or fluctuation of the Peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition.

Severe devaluation or depreciation of the Peso may limit our ability to transfer Pesos or to convert Pesos into U.S. dollars and other currencies and may have an adverse effect on our financial condition, results of operations and cash flows in the future by, for example, increasing or affecting Banorte's ability, or of any subsidiary of GFNorte, to service their foreign currency debt, increase in Peso terms the amount of our foreign currency-denominated liabilities and the rate of default among Banorte or any of our subsidiaries' borrowers.

In 2008 and 2009, as a result of the negative economic conditions in the United States and in other parts of the world, local and international markets experienced high volatility, which contributed to the depreciation of the Peso. The Mexican government implemented a series of measures to limit the volatility of the Peso, which have been effective to stabilize the local financial markets at the moment. However, we cannot assure you that such measures will be effective in the event of new FX volatility periods.

Due to the adverse financial conditions diverse regions of the world are currently undergoing and the existing monetary liquidity levels, the Peso has importantly appreciated, this situation could rapidly change in case that foreign currencies flows revert.

Currently, there are no restrictions to convert Pesos into U.S. dollars or other currencies, but in the past did exist. The exchange rate is determined by supply and demand, as result of afloating regime. While the Mexican government does not currently restrict the right or ability of Mexican or foreign persons or entities to convert Pesos into U.S. dollars or to transfer other currencies outside of Mexico, the Mexican government could enact restrictive exchange control policies in the future. Severe devaluation or depreciation of the Peso may also result in government intervention, as has occurred in other countries, or disruption of international foreign exchange markets.

Devaluation or depreciation of the Peso against the U.S. dollar may also adversely affect our business, financial condition and results of operations.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome ("SARS"), A/H1N1 flu or another epidemic or outbreak. In April 2009, an outbreak of A/H1N1 flu occurred in Mexico and the U.S. and there were cases in Europe, China and elsewhere in Asia. Any prolonged occurrence or recurrence of avian flu, SARS, A/H1N1 flu or other adverse public health developments in Mexico may have a material adverse effect on the economy, as well as to our business operations and asset quality. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities, which could disrupt our operations, and a general slowdown in the Mexican economy. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business, results of operations, prospects and financial condition.

The recent increase in violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and could have a material adverse effect on us.

Mexico has experienced a significant increase over the past few years in violence relating to illegal drug trafficking, particularly in Mexico's northern states near the U.S. border. This increase in violence has had an adverse impact on the economic activity in Mexico generally. Also, social instability in Mexico or adverse social or political developments in or affecting Mexico could adversely affect us, our ability to conduct our business and offer our services and our ability to obtain financing. We cannot assure you that the levels of violent crime in Mexico, over which we have no control, will not increase or decrease and will have no further adverse effects on Mexico's economy or on us.

Furthermore, illegal activities have resulted in more detailed and comprehensive anti-money laundering rules and an increased supervision of such activities by Mexican regulators, which have impacted the way in which we conduct our foreign-currency cash business and have resulted in an enhancement of our systems and the reinforcement of our compliance measures. Our failure to detect and report anti-money laundering activities may result in fines and may have an impact on our business and results of operations.

Developments in other countries may adversely affect us and the prices of our securities.

Economic and market conditions in other countries may, to varying degrees, affect the market value of securities of Mexican companies. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican companies. For example during 2007 and 2008, prices of both Mexican debt and equity securities decreased substantially as a result of the global financial crisis. The Dow Jones Industrial Average index fell by 35% from its average level in July 2007 to its January 2009 average level, while Mexico's stock exchange index (IPC) fell by 39% in the same period, affecting also the value of our equity securities.

In addition, in recent years economic conditions in Mexico have become increasingly correlated to economic conditions in the U.S. as a result of the North American Free Trade Agreement ("NAFTA") and increased economic activity between the two countries, which was highlighted during the recent economic crisis affecting the United States. The Mexican economy continues to be heavily influenced by the U.S. economy and, therefore, the termination of NAFTA or other related events, further deterioration in economic conditions in, or delays in recovery of the U.S. economy may hinder any recovery in Mexico. We cannot assure you that the events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial position or results of operations.

The Mexican tax reforms of 2009 had an adverse effect on our customers, which adversely affected our business.

During November 2009, the Mexican Congress approved a general tax reform, effective as of January 1, 2010. The general tax reform included changes to the tax consolidation regime that will require the deconsolidation of tax returns prepared for prior periods. Specifically, the tax reform requires taxes to be paid on items in past years that were eliminated in consolidation or that reduced consolidated taxable income. It is expected that in the second semester of 2013, the Mexican Congress will discuss a new tax reform that will include the value added tax to food and medicines, which could affect consumption and the financial position of some of our consumers, consequently affecting our business. In addition, we unknow the scope of such reform or any other elements of the reform that could negatively affect the economy or our business.

Non-compliance with requirements for maintaining our shares listed in the BMV or of their registration with the CNBV may have an adverse effect on the price or liquidity of our shares.

We are subject to certain requirements set forth by the CNBV and the BMV, such as disclosure requirements, to maintain our registration with the CNBV and our shares listed on the BMV. If we are not able to comply with such requirements, the listing of our shares in the BMV may be suspended or cancelled, which may have a material adverse effect on the market price of our shares or on the liquidity of our shares.

<u>Risks Relating to the Securities Markets and Ownership of Common Shares</u>

The market price of our common shares may fluctuate significantly

The market price and liquidity of the market for our common shares may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- significant volatility in the market price and trading volume of securities of companies in our sectors or those of our subsidiaries, which are not necessarily related to the operating performance of these companies;
- the performance of the Mexican economy and the sectors in which we participate;
- changes in earnings or variations in operating results;
- significant placing of shares from other banks or financial groups in Mexico;
- operating performance of companies comparable to us or our subsidiaries, as well as the listing of their shares in the BMV;
- new laws or regulations or new interpretations of laws and regulations, including tax guidelines or others applicable to our business or that of our subsidiaries; and
- general economic trends in the Mexican, US or global economies or financial markets, including those resulting from wars, incidents or terrorism or violence or responses to such events; and political conditions or events.

Future sales of common shares may result in a decrease of the market price of our common shares.

In the future, we could issue new shares representing our equity to obtain resources to develop our activities, as well as for other general corporate purposes. Such issuances or documents in which the intention of issuing new shares is publicly announced, could result in a reduction in the price of our common shares or create volatility in the market price of our common shares.

Future capital increases could result in the dilution of an investment in our common shares.

Future capital increases could result in the dilution of our shareholders' shares, if shareholders do not, or are not able to exercise their preemptive rights in subscribing to any such issuance.

We often engage in a variety of transactions with companies owned by our principal shareholder group which may cause conflicts of interest.

We have engaged and will continue to engage in a variety of transactions with our principal shareholder group and a number of entities directly or indirectly owned or controlled by our principal shareholder group. Such transactions could result in conflicts of interest with our other shareholders.

There can be no assurance that we will be able to pay or maintain cash dividends, and our dividend policies are subject to change.

The Ordinary General Shareholders' Meeting held on October 17th, 2011 approved to modify our Dividend Policy, in order to align the dividend payments to the Financial Groups' business performance. As a result, since 2011 the dividend payments are as follows:

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

Payment of dividends is subject to any legal impediment, market conditions and GFNorte's own financial situation and that of its subsidiaries. There are several factors that can affect the availability and frequency of cash dividends' payments to our shareholders. The amount of cash available for dividends, if any, will be affected by many factors, including our future operating results, financial condition and capital requirements, legal restrictions, including capital adequacy requirements, and contractual restrictions in our current and future debt instruments, and those of our subsidiaries, as well as our ability to obtain funds from our subsidiaries, and many other variables. Cash currently available for dividend payments may vary significantly from estimates. We can give no assurance that we will be able to pay or maintain dividends or that dividends will increase over time. Our actual results may differ significantly from the assumptions used by our Board of Directors in recommending dividends to shareholders or in adjusting our dividend policy. Also, there can be no assurance that our Board of Directors will recommend the payment of dividends to our shareholders or that, if recommended, our shareholders will approve such dividends.

Certain provisions of our by-laws and applicable law may delay or limit a change of control of GFNorte.

Pursuant to the Mexican Financial Groups Law, no person or entity, or group thereof, may, directly or indirectly, in one or more transactions, acquire more than 2% of our shares without informing the SHCP, acquire 5% or more of our shares, except with the prior authorization of the SHCP, or acquire 30% or more of our shares, except with the prior authorization of both the SHCP and the CNBV, (undertaking a public tender offer), as long as they meet certain additional requirements, including undertaking the public tender offering. Also, under the Mexican Financial Groups Law, foreign entities with governmental authority and Mexican financial entities, including those that form part of a financial group, cannot purchase our shares unless such entities are institutional investors as defined in article 19 of the Mexican Financial Groups Law. Additionally, our by-laws provide that any person or entity, or group thereof, that plans to acquire more than 5% of our shares, requires the prior authorization of our Board of Directors, and to acquire more than 30% of our shares, a public tender offering must be made for 100% of the shares, and in the case of acquiring 50% or less of our shares, it also requires the prior authorization of our Board of Directors. Such provisions may delay or limit a change of control of GFNorte or a change in our administration, which could also, affect our minority shareholders and the stock price. The existence of such provisions may limit the price that investors would be willing to pay for the shares in the future.

The Securities' Markets Law obliges any individual or group of people who want to acquire control of GFNorte to hold a public tender offering with respect to all our shares in circulation and pay the same amount to all shareholders who sell.

Due to the low level of liquidity and the high level of volatility in the Mexican stock market, the market price and operating volumes of GFNorte's shares may experience excessive fluctuations.

GFNorte shares are traded in the BMV. Even though the BMV is one of Latin America's largest stock exchanges in terms of market capitalization value, it remains relatively small, unconvertible and volatile compared to other foreign securities markets mainly in Europe and the U.S. Although the public participates in trading through the BMV, a significant part of such operations are carried out on behalf of institutional investors. These market characteristics could limit the possibility of our shareholders to sell their shares and could adversely affect the market price of the same. The volume of securities issued by constituted companies or those that operate in emerging markets tends to be less than the volume of securities' operations issued by incorporated companies or those that operate in more developed countries

.D) OTHER SECURITIES

Banorte (GFNorte's main subsidiary) has the following registered and existing financial instruments:

Subordinated Non-preferred, Non-convertible Obligations maturing in 2021:

Subordinated non-preferred non-convertible obligations denominated in dollars, listed in the Luxembourg Stock Exchange for an amount of up to $200 million US dollars, for a period of 15 years (maturing in October 2021), interest is paid bi-annually at a fixed rate of 6.862%, and amortization of the capital will be at the end of 15 years, with a prepayment option as of the tenth year.
Place and payment method: both the principal and interest will be paid in a single exhibition in New York City, N. Y., USA. through the Bank of New York.
In the event of liquidation or bankruptcy, payment of obligations shall be made pro rata after covering all debts of the institution, but prior to distributing the remaining capital to shareholders.
The rating given to the instrument by Moody´s Investors Service, Inc. is Baa2.

Senior Notes with a rate of 4.375% and maturing in 2015:

Non-convertible Senior Notes, denominated in US dollars, listed in the Luxembourg Stock Exchange for an amount of up to USD $300 million, for a term of 5 years (maturing in July 2015), interest payment is bi-annual at a fixed rate of 4.375% and amortization of capital will be at the end of 5 years.
Place and payment method: both the principal and interest will be paid in a single exhibition in New York City, N. Y., USA through the Bank of New York.
In the event of liquidation or bankruptcy, payment of the Senior Notes shall be made pro rata after covering all debts of the institution, but prior to distributing the remaining capital to shareholders.
The rating given to this instrument by Moody´s Investors Service, Inc. is A3; and BBB- by S&P.

Subordinated Obligations Q Banorte 08:

Subordinated non-preferred non-convertible obligations of Banorte for the amount of Ps 3 billion, issued on March 11, 2008 for a term of 10 years and maturing on February 27, 2018.
Interest is payable every 28 days. The interest rate is TIIE plus 0.60%.
Place and payment method: both the principal and interest will be paid in a single exhibition in Mexico City, D.F. through Indeval where the respective securities are deposited.
In the event of liquidation or bankruptcy, payment of obligations shall be made pro rata after covering all debts of the institution, but prior to distributing remaining capital to shareholders.
The Issuer reserves the right to make prepayment of the obligation.
Common representative of bondholders: Banco Invex, S.A., Multiple Banking Institution, Invex Grupo Financiero, Trustee.
This instrument was rated Aaa.mx- by Moody´s Mexico: the most credit worthy and with the least probability of loss with respect to other locally issued securities.
Taxation of the instrument is in adherence to provisions of Article 160 and other applicable laws of the existing income tax for individuals and corporations in Mexico, and in adherence to the provisions of Article 195 and other applicable laws of the ISR for foreign individuals and corporations.

Subordinated Obligations Q Banorte 08-2:

Subordinated preferred non-convertible obligations of Banorte, for the amount of Ps 2.75 billion, issued on June 27, 2008 for a term of 10 years, maturing on June 15, 2018. Interest is payable every 28 days. The interest rate is TIIE plus 0.77%.
Place and payment method: both the principal and interest will be paid in a single exhibition in Mexico City, D.F. through Indeval where the respective securities are deposited.
In the event of liquidation or bankruptcy, payment of these obligations shall be made pro rata after covering all debts of the institution, but prior to distributing any equity to shareholders.
The Issuer reserves the right to prepay the obligation.

Common representative of bondholders: Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero, Trustee.
The rating given to this instrument by Moody´s Mexico is Aaa.mx-: the most credit worthy and with the least probability of loss with respect to other locally issued securities.
Taxation of the instrument is in adherence to provisions of Article 160 and other applicable laws of the existing income tax for individuals and corporations in Mexico, and in adherence to the provisions of Article 195 and other applicable laws of the ISR for foreign individuals and corporations.

Subordinated Obligations Q Banorte 08U:

Subordinated preferred non-convertible obligations of Banorte, for the amount of 494.5 million UDIS, issued on March 11, 2008 for a term of 20 years and maturing on February 15, 2028. The placed amount was 447.1 million UDIS.
Interest is payable every 182 days. The interest rate is real annual and fixed at 4.95%.
Place and payment method: both the principal and interest will be paid in a single exhibition in Mexico City, D.F. through Indeval where the respective securities are deposited.
In the event of liquidation or bankruptcy, payment of the obligations shall be made pro rata after covering all debts of the institution, but prior to distributing equity to shareholders.
The Issuer reserves the right to make prepayment of the obligation. Common representative of bondholders: Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero, Trustee.
This instrument was rated by Moody's Mexico as Aaa.mx the most credit worthy and with the least probability of loss with respect to other locally issued securities.
Taxation of the instrument is in adherence to provisions of Article 160 and other applicable laws of the existing income tax for individuals and corporations in Mexico, and in adherence to the provisions of Article 195 and other applicable laws of the ISR for foreign individuals and corporations.

Subordinated Obligations Q Banorte 09:

Subordinated preferred non-convertible obligations of Banorte, for the amount of Ps 2.2 billion, issued on March 30, 2009 for a period of 10 years maturing on March 18, 2019.
Interest is payable every 28 days. The rate of interest is TIIE plus 2.00%.
Place and payment method: both the principal and interest will be paid in a single exhibition in Mexico City, D.F. through Indeval where the respective securities are deposited.
In the event of liquidation or bankruptcy, payment of the obligations shall be made pro rata after covering all debts of the institution, but prior to distributing equity to shareholders.
The Issuer reserves the right to make prepayment of the obligation. Common representative of bondholders: Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero, Trustee.
This instrument was rated by Moody's Mexico as Aaa.mx-: the most credit worthy and with the least probability of loss with respect to other national emissions.
This instrument was rated by Fitch Mexico as AA (mex)-: very high credit quality and implies a very strong credit quality with respect to other issuers or issued securities in the country.
Taxation of the instrument is in adherence to provisions of Article 160 and other applicable laws of the existing income tax for individuals and corporations in Mexico, and in adherence to the provisions of Article 195 and other applicable laws of the ISR for foreign individuals and corporations.

Subordinated Obligations Q Banorte 12:

Subordinated preferred non-convertible obligations of Banorte, for the amount of Ps 3.2 billion, issued on June 8, 2012 for a period of 10 years maturing on May 27, 2022.
Interest is payable every 28 days. The rate of interest is TIIE plus 1.50%.
Place and payment method: both the principal and interest will be paid in a single exhibition in Mexico City, D.F. through Indeval where the respective securities are deposited.
In the event of liquidation or bankruptcy, payment of the obligations shall be made pro rata after covering all debts of the institution, but prior to distributing equity to shareholders.
The Issuer reserves the right to make prepayment of the obligation.
Common representative of bondholders: Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero, Trustee.

This instrument was rated by HR Ratings as AA+.
Taxation of the instrument is in adherence to provisions of Article 160 and other applicable laws of the existing income tax for individuals and corporations in Mexico, and in adherence to the provisions of Article 195 and other applicable laws of the ISR for foreign individuals and corporations.

Generic entries: In addition to the securities described above, there are generic entries for Promissory notes Settled upon Maturity, Bank Acceptances and Certificates of Deposit. The main generic entries are:

- Bank Certificates of Deposit for cash: Banorte issuance 11001 for 5,000,000 certificates with a face value of Ps 100 each, an issuance value of Ps 500 million issued on August 9, 2011, maturing January 24, 2012, with a variable coupon rate of TIIE 28 less a surcharge of 0.15%.
- Bank Certificates of Deposit for cash: issuance Banorte 11001D for 450,000 certificates with a face value of $100 US dollars each, the issuance value of USD $45 million issued on August 5, 2011, maturing on August 19, 2011, with a fixed annual rate of 0.65%.
- Bank Certificates of Deposit for cash: issuance Banorte 11002D for 50,000 certificates with a face value of USD $ 100 each, the issuance value of $5 million US dollars issued on August 5, 2011, and maturing on September 2, 2011, at a fixed annual rate of 0.80%.

Other subsidiaries of GFNorte have the following registered and existing financial instruments:

Subordinated perpetual non-preferred Obligations of Ixe Banco paying 9.75% annually.

Perpetual subordinated obligations non-preferred, non-cumulative, callable, at 9.75% annually, payable on a quarterly basis and with partial or total call option, as of February 26, 2012. Amount issued: $120 million US dollars.

Subordinated non-preferred non-accumulative Obligations of Ixe Banco for 10 years paying 9.25% annually.

Subordinated non-preferred, non-cumulative obligations maturing in 10 years with 9.25% annual interes, payable semi-annually and with partial or total call option, from October 14, 2020. Amount issued: $120 million US dollars.

Subordinated Obligations maturing in June 2034 of INB.

Denominated in USD with a 3 month LIBOR rate plus 2.75% for the amount of Ps 144 million.

Subordinated Preferred Obligations maturing in April 2034 of INB.

Denominated in USD with a 3 month LIBOR rate plus 2.72% for the amount of Ps144 million.

Dual Program of Stock Certificates of Arrendadora y Factor Banorte:

Dual Program of Stock Certificates of up to Ps 3.0 billion, with a Ps 1.0 billion limit for short-term issuances.
This instrument was rated by Moody's Mexico (Long-term, National Scale Aaa.mx/ Short-term, National Scale MX-1) and by Fitch (Long-term, National Scale AA+(mex)/ Short-term, National Scale F1+(mex)).

Short-term Stock Certificates (AFBNT 00112)
Peso-denominated, issuance value of Ps 350 million issued on October 25th, 2012, maturing on January 17th, 2013, coupon rate TIIE (Flat).

Short-term Stock Certificates (AFBNT 00212).
Peso-denominated, issuance value of Ps 250 million issued on December 20th, 2012, maturing on March 14th, 2013, coupon rate TIIE 28 days minus 0.03%

Other financing obtained after December 31st, 2012:

a) Short-term Stock Certificates (AFBNT 00113)
Date Issued: January 17th, 2013.
Maturity Date: April 11th, 2013.
Amount Issued: $350 million pesos.
Coupon Rate: TIIE 28 days -0.05%

b) Short-term Stock Certificates (AFBNT 00213)
Date Issued: January 17th, 2013.
Maturity Date: May 9th, 2013
Amount Issued: $400 million pesos.
Coupon Rate: TIIE 28 days -0.03%

c) Short-term Stock Certificates (AFBNT 00313)
Date Issued: March 14th, 2013.
Maturity Date: July 4th, 2013.
Amount Issued: $250 million pesos.
Coupon Rate: TIIE 28 days -0.05%

In compliance with Securities' Market Law and the Circular Única de Emisoras, corresponding quarterly and annual information was presented on timely and in due form to the CNBV and BMV, as well as information regarding material events affecting us. Moreover, during the last three years we have completely and timely presented reports that Mexican and foreign laws require.

Furthermore, we have completely and timely presented Banorte’s reports required by foreign law, as well as public reports submitted to regulatory authorities and corresponding stock exchanges. This information includes the same annual and quarterly information that must be presented to the CNBV and BMV in English and that is submitted in the next 15 days that these reports are presented to the CNBV.

GFNorte has fulfilled its obligations in reporting material events through the Emisnet system of the stock exchange (BMV) and STIV-1 of the CNBV, as well as with the financial and legal information that it is obligated to present periodically in accordance with the law.

e) SIGNIFICANT CHANGES TO REGISTERED SECURITIES’ RIGHTS

Subordinated Debentures

On June 8th, 2012 subordinated preferred non-convertible obligations (Tier 2) of Banorte were issued for the amount of Ps 3.2 billion, maturing on May 27, 2022. These obligations will pay a coupon rate equivalente to TIIE + 1.50%.

f) DESTINATION OF FUNDS

The funds resulting from the Banorte 12 Issuance were intended to strengthen the capital of the Company (in its complementary part) and for operations permitted under the LIC and other applicable provisions.

g) PUBLIC DOCUMENTS

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

Av. Prolongacion Reforma 1230, 4th Floor
Col. Cruz Manca Santa Fe, Delegacion Cuajimalpa, Mexico, D. F., 05300
Telephone: (5255) 5268 1680
E-mail: david.suarez@banorte.com or investor@banorte.com

This Annual report is available for the general public in our web page: www.banorte.com/ri selecting "Annual Reports" in the Financial Information Section and finally in the document named "Circular Única CNBV 2012 Annual Report".

2. THE COMPANY

a) DEVELOPMENT AND HISTORY OF THE COMPANY

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

The main offices are located in:

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

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

GFNorte's most important historical events

GFNorte's origins dateback to the founding of Banco Mercantil de Monterrey in 1899 and the Banco Regional del Norte in 1947, both with headquarters in Monterrey, Nuevo Leon, Mexico. These banks merged in January 1986 under the name of Banco Mercantil del Norte, Sociedad Nacional de Crédito. In May 1987 the bank began the private placement of its equity participation certificates, which marked the beginning of its privatization and also of its expansion; as of 1990 leasing services were offered and a year later factoring and warehousing services were also available.

In 1993 "Afin Casa de Bolsa" was incorporated which today is the "Casa de Bolsa Banorte Ixe", completing the current Grupo Financiero Banorte. In 1997 GFNorte acquired Bancen and Banpaís, strengthening its position and achieving its objective of becoming an institution with nationwide presence. All the necessary corporate acts were successfully conducted for the accounting and fiscal merger of Banpaís with Banorte and as of March 1st, 2000 the latter subsists.

On September 30th, 1997 a joint-investment contract with Assicurazioni Generali S.P.A. was signed, entitling the Italian institution to 49% of Afore Banorte (until December 2011), Seguros Banorte and Pensiones Banorte, officially integrating this partner into the Long Term Savings division. Later on, Banorte acquired Bancrecer and on January 8th, 2002 took over its management, initiating the integration process. SHCP authorized the merger, changing the name of the merged entity to "Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte".

On August 28th, 2006 Bancen also merged with Banorte through a resolution of their respective Extraordinary General Shareholders' Meetings held on August 16th and 17th, 2006, thereby concluding the last phase of integration of this bank. As part of a development strategy in the US, on November 16th, 2006 GFNorte acquired 70% of INB shares. INB had 14 branches when it was acquired and its headquarters were located in McAllen, Texas. On January 18th, 2007 the purchase of 100% of Uniteller, a New Jersey based remittance company was formalized; and in the following December 100% of Motran Services, Inc., another remittance company based in L.A., California was acquired -strengthening Banorte's presence in the remittance sector.

On March 30th, 2007, the Bonding Company was divested from Grupo Financiero and as of January 31st, 2008 the factoring and leasing companies were merged. Finally, on April 1st, the remaining 30% of INB Financial Corp. shares were purchased. On August 31st, 2009 Pronegocio and Banorte merged in order to improve efficiency. Pronegocio began operations as a subsidiary of GFNorte in February 2005 with the objective of attending the unbanked population.

On November 12th, 2009 International Financial Corporation (IFC) invested US $150 million dollars in Banco

Mercantil del Norte, which represented 4.48% of Banorte's capital. On November 17th, 2010 Grupo Financiero Banorte and IXE Grupo Financiero reached a binding merger agreement through an exchange of shares. In the first quarter of 2011, authorizations to carry out the merger were obtained from the CNBV, the Shareholders' Meetings, SHCP and COFECO. The merger came into effect on April 15th, 2011 after registering the authorization and merger agreement in the Public Registry of Commerce in Monterrey, Nuevo León.

On August 16th, 2011 GFNorte and the Mexican Social Security Institute ("IMSS") reached the agreement in order to merge their respective pension fund retirement companies (Afores). On January 16th, 2012, the merger of Afore Banorte and Afore XXI, and their respective Siefores (Retirement Savings Funds) became effective after receiving the respective authorizations from their Shareholders' Assemblies, the SHCP and the Mexican National Commission for the Retirement Savings System (CONSAR) (see "Material events related with Corporate Structure, Finance and Business, as well as to Government Regulations"). Before the merger, Afore XXI had more than Ps 95 billion of AUMs; meanwhile, Afore XXI had more tha Ps 108 billion AUMs.

GFNORTE reached an agreement on November 27th with Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero Bancomer ("Grupo BBVA") to acquire Afore Bancomer through Afore XXI Banorte. On January 9th, the acquisition was approved by the corresponding authorities, including the CONSAR and the COFECO, the operations of Afore Bancomer were integrated into Afore XXI Banorte as of January 2013, with the corporate identity and operations of Afore XXI Banorte subsisting, thus becoming the largest retirement savings manager in Mexico. As of December 2012, with definitive CONSAR figures, Afore Bancomer managed funds totaling Ps. $286.1 billion through 4.47 million accounts. When integrated to Afore XXI Banorte's operations, the managed funds amount to Ps. $532.9 billion and accounts total 11.76 million (without considering the accounts with funds deposited at the central bank which are managed by Afore XXI Banorte). For further details of the transaction see "Material events related with Corporate Structure, Finance and Business, as well as to Government Regulations" in this Annual Report.

Material events in 2012 and 1Q13

Recent Events. First Quarter 2013.

Advances in the Corporate Restructuring Process.

On January 22nd, 2013, GFNorte's Extraordinary and Ordinary General Shareholders' Meetings approved changes to Article Second of the Corporate By-laws of the Company in order to (i) exclude Ixe Automotriz, as an integrated entity of GFNorte, as a result of its merger with Arrendadora y Factor Banorte, and ii) modify the legal denomination of Ixe Casa de Bolsa to Casa de Bolsa Banorte Ixe, and as a result, authorization to subscribe the new Agreement of Shared Responsibilities.

Payment of the last three disbursements of the dividend corresponding to 2011

The Shareholders' Assembly held last January also approved to distribute a cash dividend of Ps. $ 0.549 per share, derived from the retained earnings of previous years, which will be covered in three installments of Ps. $0.183 per share, respectively, in January 31st, April 23rd and July 23rd, 2013.

Recently adopted measures to strengthen Banorte's capitalization ratios.

On February 22nd, 2013. as a follow up to the material event published on January 9th by GFNorte regarding: i) the finalization of the US 1.73 billion acquisition of Afore Bancomer, of which US 1.6 billion corresponded to the price paid by Afore XXI Banorte, and US 135 million to the excess capital of Afore Bancomer; ii) the contribution by Banorte, which has a 50% equity stake on Afore XXI Banorte, of Ps. $10.252 billion to finalize the acquisition with its available liquid resources; and iii) GFNorte's assertion that it counted with various capital regeneration mechanisms to neutralize the short-term impact on Banorte's Capitalization ratio due to the investment on this new subsidiary; GFNorte informed the investment public of the following developments:

1. After the payment on January 9th to finalize the acquisition of Afore Bancomer, Banorte's pro-forma

Capitalization ratio according to the Basel III requirements decreased to approximately 13.3% forecasted at closing of January 2013. Even though these levels kept Banorte as an adequately capitalized bank according to the capitalization rules established by the CNBV, it has always been Banorte's practice to maintain sufficient capitalization levels to support the expected growth in business volumes.

2. In order to offset this decline in the capitalization ratios, the Shareholders' Meeting of Banorte resolved on February 14th to authorize a capital increase of Ps. $10.2 billion of this subsidiary of GFNorte. This capital increase will be subscribed by GFNorte with the resources obtained from a loan granted by a syndicate of financial institutions, according to the Banxico's authorization through the official memorandum S33-001-8078 on February 14th, 2013. Meanwhile, the CNBV gave its favorable opinion on February 21st through the official memorandum 312-3/12635/2013 to reform Banorte's bylaws and implement the capital increase.

3. GFNorte disbursed the total amount of the loan for US $800 million, which at the foreign exchange rate at that moment was equivalent to approximately Ps. $10.2 billion, the same sum that Banorte contributed for Afore Bancomer's acquisition. The loan's term is 364 days and the outstanding balance accrues an interest rate of 3 month LIBOR plus 0.80% (equivalent to TIIE -0.02%, considering the benefit of the foreign exchange and interest rate hedging mechanisms contracted in order to cover risks arising from the loan). The resources to service the loan will come from dividend payments of GFNorte's subsidiaries, and in case there is a corporate event that contributes with additional resources, these will be used to pre-pay the loan. The loan is not guaranteed by GFNorte or any other of its subsidiaries and was obtained with a syndicate consisting of Morgan Stanley Senior Funding, Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; J.P. Morgan Securities, LLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

4. In addition to the above, during February Afore XXI Banorte decreed a Ps. 950 million dividend payment and a capital decrease of Ps. 2.0 billion. Both of these events had a favorable impact for Banorte, amounting to Ps $1.475 billion since it owns 50% of the Afore, thus strengthening Banorte's capital ratios by reducing net capital deductions related to the investments in subsidiaries.

5. As a result of the capital regeneration initiatives formerly described, Banorte's preliminary Capitalization ratio at closing of January 2013 was approximately 16.3%, and it is currently 15.7%.

Finally, it is important to reiterate that the main source of capital regeneration of GFNorte and its subsidiaries is the reinvestment of earnings. Considering GFNorte's current dividend policy, the Group reinvests approximately 80% of the generated net income during the year, which in the past has enabled to regenerate sufficient capital to keep growing Banorte's assets, thus satisfying the credit needs of Mexican families and companies.

Strategic agreement between IBM and Grupo Financiero Banorte.

GFNorte and IBM announced on March 11th the formalization of a 10-year strategic agreement that will allow the Mexican financial institution to create a new customer-centric banking model, while substantially improving its efficiency to achieve levels close to 40% and return on equity above 20%. The agreement – based on the solid growth of GFNorte – seeks to create an expandable and sustainable platform to achieve world class efficiencies as well as high levels of customer service and segmentation, retention and contact with clients, through the existing channels and others to be developed. Additionally, this agreement establishes an unprecedented transformational relationship in the Latin American banking industry.

The partnership considers the establishment of a very solid Corporate Governance in which both companies participate, and depending on the progress achieved of the partnership itself, as well as the benefits generated, will drive the investment in new projects.

As a result of these efforts, Banorte - Ixe seeks to become the bank with the best customer service and experience not only in Mexico, but also around the world, leading its sector and setting an example of innovation through smarter use of advanced technologies.

Banorte - Ixe's goal is to deeply understand their clients' needs and offer a superior customer service to its more than 20 million users through business analytics solutions. Most importantly, to develop and offer personalized products and services better suited for each customer's unique condition.

Banorte - Ixe will experience an outstanding transformation in its operations and service innovation in the mid-term. Transformational services will primarily focus on client interactions, getting a better knowledge of their needs and the adoption of better risk processes and technology. At the same time, operational services will be focused on improved processes, applications and technology adoption.

Fitch ratified the ratings of Grupo Financiero Banorte and subsidiaries.

On January 22nd, 2013 Fitch Ratings ratified GFNorte's, and its main subsidiary, Banorte's viability ratings (VR) of 'bbb' and long & short-term Issuer Default Ratings (IDRs) of 'BBB' and 'F2', respectively. Ixe Banco's VR improved to 'bb+' from 'bb'. The national scale ratings of both banks, as well as the ratings of certain non-banking subsidiaries of 'AA+(mex)' and 'F1+(mex)' were ratified derived from the support granted by GFNorte . The outlook of all long-term ratings of these entities remains Stable.

Moody's ratified ratings of Banco Mercantil del Norte, its subordinated debt and some ratings of Grupo Financiero's subsidiaries.

On March 13th, 3013, Moody's de México ratified the credit ratings of Banco Mercantil del Norte and maintained a negative outlook. The C- standalone bank financial strength rating and the A3 long-term global local currency deposit rating were ratified. The C- standalone bank financial strength rating maps to a baa2 standalone baseline credit assessment. Moody's also affirmed the Baa3 long-term subordinated debt and Ba1 junior subordinated debt ratings. The outlook on all of these ratings remains negative. At the same time, Moody's affirmed the A3 global local currency issuer ratings of Arrendadora y Factor Banorte, as well as the A3 issuer rating of Casa de Bolsa Banorte Ixe. The outlook on these ratings is negative.

Purchase of the International Finance Corporation's (IFC) investment in Banco Mercantil del Norte.

During March, Grupo Financiero Banorte signed an agreement with the IFC in order to finalize the capital investment made in Banco Mercantil del Norte last November 2009. The 5 year investment contemplated a cash payment to cover the investment plus capital gains, or convert Banco Mercantil del Norte's shares held by the IFC into shares of Grupo Financiero Banorte, in order to then sell them through an orderly process. In this sense, and given that the exchange period ends in November 2014, GFNorte made an initial cash payment of Ps 2.14 billion, which was funded through dividends paid by its subsidiaries. Moreover, stemming from the agreement with the IFC to finalize the totality of the investment before the exchange period ends, its stake will no longer be considered as minority interest in Banorte, increasing Grupo Financiero's stake in Banco Mercantil del Norte to 97.2%.

Clarification to the information published in the media.

On April 5th, 2013 GFNORTE informed the investment public that given the information published in the media regarding a potential equity offering of the Financial Group, that GFNORTE had not presented nor a filing existed with the corresponding authorities to carry out a share offering, nor has a capital increase been subjected for the approval of the Shareholders' Meeting (prerequisites to make a public offering of shares), although the Financial Group constantly evaluates different alternatives to strengthen the institution's capital levels in order to have the necessary resources to take advantage of the growth opportunities.

In this respect, in case GFNORTE decides at some point to raise capital through a share offering, it will use the proceeds to generate more value to shareholders, as has been the case in previous occasions. It is worth remembering that the earnings per share were $3.32 pesos in 2010 prior to the mergers with Ixe Financial Group and Afore XXI, while it stood at $4.68 pesos at the end of 2012, growth of more than 40% in spite of an increase of 15% in the number of shares outstanding. On the other hand, ROE has increased from 12.4% at its lowest point after the merger with Ixe to 15% in the last quarter of 2012, an increase of 260 basis points and stood at 15.1% at closing of 1Q13. Finally, GFNORTE reiterates that the main source of capital generation for GFNORTE and its subsidiaries is the reinvestment of profits. Considering GFNORTE's current dividend policy, the Group reinvests approximately 80% of the profits generated throughout the year, which in the past has enabled to regenerate sufficient capital to continue the organic growth of Banorte's assets. As of March 2012, the capitalization levels according to the Basel III requirements stands at 15.67%, while Tier 1 at 13.02%. It has been a continuous practice of GFNORTE to seek the best alternatives to capitalize the Financial Group and its subsidiaries, focusing at every moment in creating value to its shareholders and it will only use the alternative of raising capital through a share offering when it detects opportunities with higher profitability than the one currently being delivered to our investors.

Current situation of GFNorte's exposures to the main homebuilders.

Banorte has been a very active bank in the home development sector, maintaining business relations of up to 15 years with companies of this sector through loans and joint equity investments, among others. The bank is aware that the sector has been facing a challenging financial situation, leading to a proactive management of the risk related to these; exposures, by increasing provisions and guarantees to cover most of the expected losses. Given the strategic importance of the sector to the economy and to employment creation, Banorte considers that it has viability in the medium and long-term, and will keep being one of the main banks present in the homebuilding sector; nonetheless, Banorte recognizes that the risk profile of its borrowers has deteriorated in the short-term. As of March 2013, Banorte's exposure to the main homebuilders was 2.5% of the total loan portfolio, all of the loans are performing and the lowest internal rating on these loans is B2 (loan that represents 0.8% of total loan portfolio). Considering the leasing & factoring (SOFOM) and financial instruments exposures to these companies, GFNorte's total exposure amounts to 3% of the total portfolio, even though it is important to highlight that 0.4% of the total loan exposure is related to projects different from homebuilding, such as construction of jails.

Banorte-Ixe recognized by Euromoney in several categories.

On April 1st, 2013, the magazine specialized in banking and capital markets, Euromoney, announced the results of its study of the Best Managed Companies in Latin America 2013, in which Banorte ranked 6th among 261 nominated companies. In the first ten places appear multinational companies of the telecom, food, transportation and agro-industry sectors, among others. Considering only companies of the banking and financial sector, Banorte ranked as the third Best Managed Company in Latin America.

Furthermore, in the assessment of the companies that have most improved its performance in the region, Banorte had the highest score among 116 nominated firms, therefore the prestigious magazine ranked the Mexican institution in the first place of this category.

In Latin America, Banorte was the second institution with the highest corporate governance standards, among 132 nominated companies, and the third among 165 with the most accessible management.

In the analysis carried out by the British magazine, Banorte was the second Best Managed Company in Mexico, among 59 companies of the telecom, food, construction and oil & gas sector, and the only of the financial sector ranking in the first six positions.

Euromoney also ranked Banorte 5th in 2012, among the most important banks in Latin America, in the Annual Real Estate Survey conducted with real estate developers, investment advisors, banks and corporate end-users.

Moreover, Euromoney recently recognized Banorte as the Best Local Bank in Mexico 2012 in the Private Banking and Wealth Management annual survey conducted among the participants of this industry.

Fund Pro awarded Banorte among the best investment funds in Mexico during 2012.

In March 2013, Fund Pro granted Ixe Fondos the "Platinum Performance Award 2012", for being the best fund manager in 2012 in the "Flexible Funds" category; moreover, the Institution was awarded in the "Short-term Debt", "North American Shares". "Non-Taxable Mid-term Debt" and "International Flexible Aggressive". This evidences Banorte -Ixe's commitment to its clients by offering the best products and services.

Fondo Personal MiFon winner of "ConnectBanking" in the beyondBanking awards by the Inter-American Development Bank. (IDB)

The beyondBanking awards by the IDB recognize the best sustainability, environmental, social and corporate governance initiatives and projects carried out by Financial Intermediaries in Latin America and the Caribbean. In March, Fondo Personal MiFon won the "ConnectBanking" category for using information and communication technologies for financial inclusion. The main objective of this product is to be offered in market segments that still do not have access to traditional financial services, expanding infrastructure and services to every corner of Mexico. These awards are a great incentive to continue with the firm commitment to bring financial services closer and increase the development opportunities to more Mexicans.

Launch of Co-branded Credit Card with United Airlines

On April 9th, Banorte Ixe Tarjetas launched two credit card products (Platinum and Universe – Infinite) co-branded with United Airlines, one of the largest airlines in the world with more destinations and routes in Mexico. Some of the benefits for credit card holders will be credit cards offering competitive rates for the traveling segment, mileage accumulation derived from welcome bonuses, usage of credit card and transaction bonuses, mileage usage with United, Aeromar and Star Alliance, exclusive treatment, boarding priority and passes for United and Visa VIP lounges, among others. Thus, Banorte Ixe Tarjetas seeks to have the most competitive products and services platform in Mexico.

Organizational Changes

On April 16th, Ignacio Aldonza Goicochea was designated as Managing Director of Technology of Grupo Financiero Banorte. Before entering GFNorte, Ignacio worked during 25 years in BBVA as Corporate Director of Channels and Transformation with international responsibility in Retail Banking, Corporate & Investment Banking, Asset Management and Private Banking in Spain, Mexico and South America. Ignacio is an Industrial Engineer in the Specialty of Organization and Business Administration of Bilbao's School of Engineering, and holds a Masters in Economy and Business Management, PDD and PDG by the IESE.

Modifications in the ICAP as a result of the Basel III Agreement:

On November 28, 2012, the CNBV published the general provisions that establish changes in the procedure to calculate the minimum capitalization ratio (ICAP) applicable to Banking Institutions. Net capital will be progressively recognized in order to comply with the minimum assumptions (budgets) set forth by the Basel III Agreement.

The objective of the regulatory change is to strengthen banking institutions' net capital consistently with the latest international consensus in the area, as per the guidelines established by the Capital Agreement issued by the Basel Banking Supervision Committee. One of this committee's objectives is to get banking institutions around the world to raise their capability to face financial or economic problems by integrating more and better quality capital. The changes in the Bank Circular will become effective as of January 1, 2013. With the information as of December 2012, Banorte's ICAP will be at 15.17%, 40 base basis points higher than that calculated with the Basel II rules. The Ixe Banco ICAP will be 14.56%, 96 base basis points lower than that calculated with the same rules.

Events Related to Corporate Governance

- **Passing away of Roberto González Barrera.**

GFNORTE informed about the passing away of its largest shareholder and Chairman Emeritus, Don Roberto Gonzalez Barrera on August 25th. Mr. Gonzalez, who acquired Banco Mercantil del Norte during the banking privatization of 1992 with a group of investors from Monterrey, was the architect of the leading institution that Grupo Financiero Banorte has become. As a result of his leadership, Banorte transformed from a regional bank into the third most important Financial Group in Mexico. Mr. Roberto's succession remains as the main shareholder of GFNORTE with 14.83% of the Group's shares, while the float is currently 81.44%, distributed among more than 3,500 investors. Mr. Gonzalez' succession plan was designed with careful planning and full anticipation, showing a responsible and institutional vision, setting an example for top Corporate Governance standards for the main Mexican and Latin American Companies. With full anticipation and opportunity, Mr. Gonzalez Barrera implemented the necessary mechanisms to ensure continuity in exercising the patrimonial and corporate rights of his shares after passing away, guaranteeing certainty and strategic continuity in the Financial Group.

During the first four months of 2013 and during 2012, several **General Shareholders' Meetings** were held, where among other proposed items in the agenda were, and in all cases approved:

Current Board of Directors. In the GFNorte's Annual Ordinary General Shareholders' Meeting held on April 27th, 2012 it was approved that the Board of Directors is comprised of 15 members , and if the case, by their respective alternates, ensuring that at least 50% of the Members are independent in accordance to international best practices. The Board Members may be appointed for defined periods of 3 years, with the possibility of reelection, seeking a generational balance. The Proprietary and Alternate members may be consulted in Section 4. c) "Administration - Managers and Shareholders" of this Annual Report.

Designation of Audit and Corporate Practices Committee's members. In the formerly mentioned Annual Ordinary General Shareholders' Meeting, were appointed the members of the Committee that will have the functions of the Audit and Corporate Practices, including its Chairman. The members, duties and characteristics of this Committee may be consulted in Section 4. c) "Administration - Managers and Shareholders" of this Annual Report.

Adjustments to the Regional Board's duties. In the Ordinary General Shareholders' Meeting, held on February 17th, 2012 the following adjustments were approved: i) Regional Boards will be integrated by the number of members designated by the Chairman of de Board of Directors, ii) members will be elected, and if the case, removed by the Chairman of the Board, and will remain in office for 2 years, with the possibility of being reelected for any number of times and iii) the Regional Boards will meet 3 times a year or when convened by the Chairman of the Board of Directors.

Subscription of a new Agreement of Shared Responsibilities. In the Extraordinary General Shareholders' Meeting held on February 17th, 2012 it was authorized to modify Grupo Financiero's by-laws and celebrate a new Agreement of Shared Responsibilities in order to reflect the merger of Casa de Bolsa Banorte with Ixe Casa de Bolsa.

Shares Repurchase Program. In the Annual Ordinary General Shareholders' Meeting held on April 27th, it was approved to allocate the amount of Ps 1.5 billion, equivalent to the Financial Groups' 1.5% capitalization as of closing of 2011, charged against equity, to purchase Company's shares during 2012, subject to the Treasury's Policy for Shares' Acquisition and Sale.

Decreed Dividends.

Meetings' Date (decreed dividend)	Amount of Decreed Dividend (pesos per share)	Date of Payment	Comments
February 17th, 2012	$0.17	The dividend was paid on February 29th, 2012.	Second of three payments to cover the amount of Ps. $ 0.52 per share, approved by the Shareholders' Assembly in October 2011.
April 27th, 2012	$0.18	This dividend was paid on May 11th, 2012.	Corresponds to the third and last payment to cover a total amount of Ps. $ 0.52 per share, which was approved by the Shareholders' Assembly in October 2011.
October 11th, 2012	$0.183	This dividend was paid on October 24th,	The decreed dividend corresponds to the first of four payments that will be made for a total amount of Ps $ 0.732 per share, which was approved by the

Meetings' Date (decreed dividend)	Amount of Decreed Dividend (pesos per share)	Date of Payment	Comments
		2012.2012.	Shareholders' Assembly in October 2012.
January 22th, 2013	$0.549 (in three disbursments of $0.183).	The dividend was an will be covered on January 31st, April 23rd, and Juy 23rd.	Remaining disbursements to cover the amount of Ps $ 0.732 per share, which was approved by the Shareholders' Assembly in October 2012.

Material events related to Corporate Structure, Finance and Business, as well as to Government Regulations.

1) Acquisions, Mergers and Spin-Offs.

- **Acquisition of 99.99% of Banorte Ixe Tarjetas de Crédito S.A. de C.V.**

As part of the credit card business integration strategy, Banorte acquired 50% of the capital stock of Ixe Tarjetas by means of an agreement entered into with CMC Holding Delaware, Inc. Such agreement established that the transition of the stock share in favor of Banorte would be carried out on January 1, 2012. Furthermore, in April 2012 Banorte acquired 49.99% of the stock share of Ixe Tarjetas that was in the possession of Ixe Banco. With these two acquisitions Banorte now holds 99.99% of the stock share in Ixe Tarjetas and controls this subsidiary, and consequently, consolidates its financial statements as of April 2012.

- **Brokerage Houses Merger.**

In December 2011, the Extraordinary General Stockholders' Meeting approved a merger agreement between Ixe Casa de Bolsa as the merging and subsisting company, and Casa de Bolsa Banorte as the merged and extinguished company. The merger became effective on January 1, 2012 once the relevant merger agreements were recorded in the Public Registry of Commerce.

- **Strategic merger of Afore Banorte Generali and Afore XXI**

In December 2011, an Extraordinary General Stockholders' Meeting was held and the SHCP through the CONSAR approved a merger agreement between Banorte Generali, S.A. de C.V., AFORE (Afore Bancomer), as the acquired company, and Afore XXI, S.A. de C.V., (Afore XXI) as the acquiring company. On January 16, 2012 the mergers of Afore Banorte and Afore XXI and their respective Siefores went into effect with the registration of such Agreements in the Public Register of Property and Commerce. Since then, this entity changed its business name to Afore XXI Banorte, S.A. de C.V. (Afore XXI Banorte). In this transaction, Banorte and IMSS have a 50% of Afore XXI Banorte's shares.

As a result of the merger, Banorte determined the loss of its control over Afore XXI Banorte. Since then, it no longer consolidates its financial statements; instead it is recognized under the equity method given its significant influence. The financial statements as of December 31, 2011 reflect the effects of the deconsolidation of Afore XXI Banorte, in order to make them comparable with the 2012 financial statements.

- **GFNorte signs an agreement with Grupo BBVA and acquires Afore Bancomer through Afore XXI Banorte**

GFNorte reached an agreement on November 27th with Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero Bancomer ("Grupo BBVA") to acquire Afore Bancomer through Afore XXI Banorte, a subsidiary of Banorte.

On January 9th 2013, the acquisition of Afore Bancomer totaling US 1.73 billion was finalized, of which US 1.6 billion corresponds to the price paid by Afore XXI Banorte and US 135 million to excess capital of Afore Bancomer. The acquisition was approved by the corresponding authorities, including the CONSAR which granted its approval on November 30th and the COFECO which authorized the concentration on December 18th.

Banorte contributed with 50% of the price paid by Afore XXI Banorte and the IMSS with the remaining 50%. The amount contributed by Banorte through Afore XXI Banorte to pay Grupo BBVA was Ps. $10.25 billion (which does not include the excess capital of Afore Bancomer), and Banorte used its available liquid resources to make this payment. GFNORTE will implement various mechanisms in 2013 to regenerate capital in order to neutralize the short term impact of this acquisition on Banorte's Capitalization ratio. (See “Recent Events, First Quarter 2013 - Recently adopted measures to strengthen Banorte's capitalization ratios” of this Annual Report).

The operations of Afore Bancomer will be integrated into Afore XXI Banorte as of January 2013, with the corporate identity and operations of Afore XXI Banorte subsisting, thus becoming the largest retirement savings manager in Mexico.

As of December 2012, with definitive CONSAR figures, Afore Bancomer manages funds worth Ps. $286.1 billion through 4.47 million accounts. When integrated to Afore XXI Banorte’s operations, the managed funds will amount to Ps. $532.9 billion and accounts will total 11.76 million (without considering the accounts with funds deposited at the central bank which are managed by Afore XXI Banorte).

The combination of the two Afores will generate important synergies for the benefit of accountholders and Afore XXI Banorte, including a lower fee on the assets managed, higher service standards, the possibility to offer better returns on workers’ accounts and higher operating results for the Afore. This acquisition, which becomes the most relevant to date in the retirement savings fund system, is another example of GFNORTE’s continuous growth strategy through acquisitions, which will generate more value to shareholders, clients and will benefit all the workers integrating the retirement savings system.

- **Consolidation of GFNorte's Corporate Structure.**

As part of consolidating GFNorte's corporate structure, the corresponding documentation was delivered to the authorities on December 17th in order to merge Fincasa Hipotecaria with Banco Mercantil del Norte. The merger benefits will be: i) additional synergies due to lower operating costs and ii) a leaner corporate structure. Moreover, during January 2013, Ixe Automotriz will merge with SOFOM Arrendadora y Factoraje, once the corresponding authorizations are granted.

On December 17, 2012 GFNorte submitted a request to the CNBV and the 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 and Fincasa Hipotecaria, S.A. de C.V. (Finacasa) as the acquired corporations.

The disinvestment plan will be carried out during 2013 in 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, will be investing in the Spun-off Company.

(iii) Conduct the merger of the Spun-off Company, as the acquired corporation, with Sólida, the acquiring company, by which the latter assumes the rights and obligations of the former; and

(iv) Merge Sólida, as the acquired company, to Ixe Soluciones as the acquiring company, by which the latter assumes the rights and obligations of Sólida.

After the merger, Ixe Soluciones will perform all the activities currently carried out in Sólida, consequently modifying its business purpose and company name to Sólida Administradora de Portafolios, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, E.R., Grupo Financiero Banorte.

The merger of Ixe Soluciones will go into effect once the corresponding authorization is obtained and recorded in the Public Registry of Commerce along with the relevant agreements.

The Banorte – Ixe Banco and Fincasa merger will become effective once the CNBV gives its authorization and it is recorded in the Public Registry of Commerce along with the merger agreements, which will be and recorded in the Public Registry of Commerce

The financial statements that will be used to carry out the spin-off and mergers described above will be those published nearest to the corresponding Stockholders' Meetings.

Furthermore, the CNBV and SHCP are processing the request to authorize the merger of Ixe Automotriz as the acquired company, with Arrendadora y Factor Banorte as the acquiring corporation.

2) Financial and Business Structure.

- **Irrevocable Trust of Administration and Payment.**

During the exchange of shares done in April 2011 in relation to the merger with Ixe, a total of 7,590,133 shares were deposited in a trust to cover any contingencies identified during the due diligence process. The trust established that if: i) a contingency materialized, the trust would proceed to sell, through the BMV, the number of shares that may be necessary to cover the contingency, or ii) if no contingencies occurred, all or any remaining shares would be delivered to the former Ixe's shareholders at the end of the term provided in the Trust (April 15, 2012). During the first quarter of 2012, shares equivalent to Ps. $310 million were sold, providing GFNorte with the resources to cover contingencies materialized in some of Ixe's assets, thorugh capital increases for Fincasa Hipotecaria and some other related expenses of the trust. As a result, the 7,590,133 shares delivered to the trust by GFNorte have been sold entirely, and the trust will be extinguished.

- **Acquisition of SOFOM Dexia's Loan Portfolio.**

On June 1st 2012, SOFOM Dexia's State of Mexico loan portfolio was acquired for Ps 6.81 billion at a Ps 908 million discount, which implied an outlay of Ps 5.91 billion for Banorte. The discount obtained is accounted for as deferred profit that is recognized each month during the life of the loan.

- **Subordinated Debt Issuance.**

On June 8th. Banorte issued the fifth Preferred and Non-Convertible Subordinated Notes (BANORTE 12) in the local market amounting to Ps 3.2 billion. The issuance has a 10-year maturity, is pre-payable at the fifth and pays a coupon of 28 day TIIE plus 1.50%. The issuance was rated Aaa.mx by Moody´s and AA+ by HR Ratings. Demand for the notes was greater than the amount offered, reflecting the local market's good acceptance of Banorte as a debt issuer. This placement in which Ixe Casa de Bolsa (currently denominated Casa de Bolsa Banorte Ixe) acted as placement agent, completed Banorte's Preferred and Non Preferred and Non-Convertible Subordinated Debt program, which is computed as Regulatory Capital, and amounted to up to Ps 15 billion. The aim of the program was to strengthen the growth capacity required by Banorte's current and future rate of expansion.

- **Inauguration of Roberto González Barrera's Call Center**

Last September 4th 2012, the Call Center named after Roberto González Barrera was opened in Monterrey, Nuevo León, as a permanent and deserved homage to GFNorte's founder. This call center aims to consolidate 14 call centers throughout the country, obtaining important synergies. With a Ps 620 million investment and more than 131 thousand square feet, this Call Center will serve Banorte and Ixe's 11 million clients through 1,700 specialized officers.

3) Accounting Regulations

- **Funding Certification by the CNBV.**

During the first quarter of 2012, the CNBV approved the model of stability of funding for Banco Mercantil del Norte, which proved that there is greater stability in the bank's deposits. This allowed the bank to assign its deposits into higher bands, thus reducing the risk weighting in some assets and releasing 40 basis points of TIER 1 capital.

- **Restating of securities held-to-maturity.**

In December 2012, Banorte restated securities held to maturity denominated in foreign currency to Securities available for sale, made up of bonds issued by the government of the United Mexican States (UMS) and bonds issued by Petróleos Mexicanos (PEMEX) for an amount of USD 418.5 million and EUR 19.0 million. According to the CNBV's Circular 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.

- **Increase in Goodwill derived from the acquisition of Ixe GF.**

Pursuant to Bulletin B-7 "Business Acquisitions", GFNorte continued the valuation and analysis process of the fair value of the assets and liabilities acquired from the Ixe GF companies. As of March 31, 2012, the Management identified a difference of Ps. 1,488 in the fair value of some assets, mainly in the loans, collections rights and foreclosed assets items. GFNorte analyzed the aforementioned assets and found that the events, facts and circumstances that caused the reduction in their fair value took place prior to the date on which Ixe GF was acquired, and the adjustments should have been recognized before the purchase. Consequently, on March 31, 2012, the Financial Group recognized these effects as an increase in goodwill generated by the acquisition of Ixe Grupo Financiero. (See Audited Financial Statements "Note 2. Significant events during the year" in this Annual Report).

- **Stockholders' equity of Ixe Soluciones and Fincasa**

By December 31, 2012, the subsidiaries Ixe Soluciones and Fincasa have lost more than two thirds of their capital stock and, according to the General Corporation and Partnership Law, this might cause the companies' dissolution at the request of an interested third party. These factors indicate that the companies may not continue operating. However, their main creditor is Banorte. Furthermore, there is a liability arrangement between the companies and GFNorte, pursuant to article 28 of the Financial Groups Regulation Law, by which GFNorte will answer unlimitedly for the companies and fulfill their obligations. Therefore the Management does not believe there is any risk of dissolving the companies. Additionally, as mentioned in "*Consolidation of GFNorte's Corporate Structure*", Ixe Soluciones and Fincasa Hipotecaria will be merged with Sólida and Banorte, respectively, in the short term and this situation will be corrected on the merger date.

- **Effects of suspending the hedging accounting of the derivatives financial instruments that cover Ixe Banco's permanent bond.**

In accordance with NIF B-7 "Business acquisitions", GFNorte increased the goodwill from the acquisition of Ixe GF by Ps. 193, derived from the correction of an error in Ixe Banco originated from a date prior to the date of acquisition. The identification of the error is mentioned below.

In February 2007, Ixe Banco issued a perpetual bond for USD 120 million, with a quarterly interest payment of 9.75% and an early repurchase option as of February 26, 2012 and two foreign exchange swaps to cover the fluctuation of the interest rate in USD and the exchange rate USD of both interest and principal.

A verification of the retrospective evidence of the hedging concluded that such evidence was not highly effective, as it was outside the 80%-125% range. This ineffectiveness started since the outset of the swaps deal in May 2009. Therefore, the hedging relationship was revoked and the hedging accounting was suspended, pursuant to the criteria in effect.

At the time the hedging was cancelled, stated as the adjustment to the fair value of the primary position (Ps. 223), of which Ps. 193 was recorded in GFNorte as goodwill and Ps. 30 in the year's net income.

4) Events related to Rating Agencies (listed in chronological order)

- **Rating agencies' actions following the Afore Bancomer acquisition by Afore XXI Banorte.**

In December 2012, after announcing the acquisition of Afore Bancomer by Afore XXI Banorte, the rating agencies published the following ratings actions of Banorte:

- ✓ **HR Ratings** placed the ratings under special review, which was withdrawn last March 2013.
- ✓ **Standard and Poor's** placed the ratings in CreditWatch with negative implications, was withdrawn last March 2013.
- ✓ **Moody's** affirmed the ratings, changing the outlook to Negative from Stable, was ratified last March 2013..

In all the cases, their main concern is the impact that the acquisition may have on the capitalization ratios if the transaction is funded with Banorte's existing capital.

In the case of **Fitch**, the rating agency ratified GFNorte's and Banorte's ratings with a Stable outlook, given the strategic benefits of this acquisition, as well as its gradual positive impact on the Group's revenue diversification and overall risk profile.

- **Moody's affirms the ratings for Banorte and Arrendadora y Factor Banorte; assigns ratings to Ixe Banco and Casa de Bolsa Banorte Ixe.**

Last September 7th, 2012, GFNorte informed that Moody's ratified all the ratings assigned to Banco Mercantil del Norte with a "Stable" outlook, also affirming the "C-" standalone Bank Financial Strength Rating (BFSR). The ratings consider the bank's franchise value, which has enabled Banorte to win market share in loans and deposits, while also achieving profitability, asset quality and adequate capitalization levels. The following ratings were ratified:

i. On the Global Scale, the Long and Short Term local currency deposits and senior debt as "A3/Prime-2" and the Long and Short Term foreign currency deposits as "Baa1/Prime-2"; the local currency subordinated debt as "Baa1"; the foreign currency subordinated debt assigned to subordinated cumulative foreign currency debt as "Baa1"; the local currency rating assigned to junior cumulative subordinated debt as "Baa2" and the foreign currency non-cumulative subordinated debt as "Ba1".

ii. On the National Scale, the Long and Short Term deposits and senior debt as "Aaa.mx/ MX-1", the subordinated debt as "Aaa.mx" and the junior subordinated debt as "Aa1.mx".

For Arrendadora y Factor Banorte the ratings affirmed were: i) Global Scale, "A3 / Prime-2" Long and Short Term local currency issuer ratings; and "(P)A3" and "(P)Prime-2" Long and Short term local currency senior debt ratings; ii) National Scale, Aaa.mx" and "MX-1" Long and Short Term issuer ratings; "Aaa.mx" and "MX-1" on the Long and Short Term senior debt. The outlook is "Stable".

Moody's assigned the following ratings to Ixe Banco: i) "D+" standalone Bank Financial Strength Rating; ii) Global Scale,"Baa1/Prime-2" Long and Short term local currency deposit ratings; "Baa1/Prime-2" Long and Short term foreign currency deposit ratings: iii) National Scale, "Aaa.mx/MX-1" Long and Short term foreign currency deposit ratings. The outlook of all the ratings is "Stable".

In the case of Casa de Bolsa Banorte Ixe, Moody's assigned Global Scale ratings of "Baa1/Prime-2" Long and Short term local currency issuer, and on a National Scale "of Aaa.mx/MX-1" Long and Short term issuer ratings. The ratings' outlook is "Stable".

- **S&P changes Banco Mercantil del Norte's and Ixe Banco´s outlook to "Positive" from "Stable".**

Last August 31st, GFNorte informed that Standard & Poor's changed Banco Mercantil del Norte's outlook to "Positive" from "Stable", ratifying at the same time the Long & Short Term Global Scale ratings at 'BBB-/A-3'„ and introducing the Long & Short Term National Scale ratings of 'mxAA+/ mxA-1+'. The outlook revision is a result of the improvement in Banorte's risk position, particularly in its loan portfolio to states and municipalities, as well as the expectation that the bank will continue improving its risk diversification and maintain adequate capitalization levels. S&P ratified the ratings for Banorte's Senior Unsecured Debt at 'BBB-' and Certificates of Deposit (CDs) at 'BBB-/A-3'.

On the back of the strategic importance that Ixe Banco has within GFNorte and the close correlation with Banco Mercantil del Norte, S&P also changed its outlook to "Positive" from "Stable", ratifying the Long & Short Term Global Scale ratings at 'BBB-/A-3', Long & Short Term National Scale ratings at "mxAA+/mxA-1+‟ and Certificates of Deposit (CDs) ratings at 'BBB-/A-3'. S&P maintained IXE Automotriz' and Fincasa Hipotecaria's ratings unchanged with a "Stable" outlook.

- **HR Ratings assigns initial ratings to Banco Mercantil del Norte.**

On May 12th, HR Ratings assigned a long-term initial credit rating of "HR AAA" and a short-term rating of "HR+1" to Banco Mercantil del Norte. HR Ratings' analysis includes an evaluation of both qualitative and quantitative factors as well as projected financial statements under a scenario of economic stress. The outlook is Stable. Factors that influenced the rating were a loan portfolio that is diversified among different market sectors, solid past due loan recovery and loan loss processes channeled through a specialized area, low concentration among 10 main clients, good profitability at the Bank, an acceptable capitalization ratio, Bank management's conservative approach to risk using derivative instruments mainly to hedge Balance Sheet interest rate risks, solid management team with an average experience of 7.1 years and 326 accumulated years with the Bank, high strategic importance within the Mexican financial system and adequate liquidity gaps considering the Bank's funding profile.

- **Fitch ratified Grupo Financiero Banorte's, Banco Mercantil del Norte's and Ixe Banco's ratings.**

During the quarter, Fitch ratified viability ratings of GFNorte and Banorte at "BBB" and "BB" for Ixe Banco. It also ratified the long and short term Issuer Default Ratings, for GFNorte, Banorte and Ixe at "BBB" and "F2". The national scale ratings of both banks and some subsidiaries of the Group were ratified at "AA + (mex)" and "F1 + (mex)". The outlook is "stable" in all cases.

RECOGNITIONS:

- **The Banker: Brand Value.**

In February 2012, the Banker magazine published its ranking for the 500 most valuable banking brands in the world. Banorte was ranked at number 180 during 2012, with a brand value of US$ 608 million and a rating of A +.

- **Great Place To Work: "Companies with over 5000 employees".**

In the first quarter of 2012, Banorte ranked 6^{th} in the Best "Companies with over 5000 employees" to work in Mexico (number 10 in 2010), as a result of the labor culture developed in the Institution, integrating the best of every merged institutions.

- **Recognition from World Finance.**

In June 2012, "Banorte – Ixe" was given the "Best Commercial Bank in Mexico 2012" award from the prestigious British magazine World Finance, in recognition of the growth achieved by the bank in recent months through mergers as well as the expansion of its branch network, ATMs and POS terminals. During the period that World Finance took into account when making the award, Banorte achieved two of the biggest deals in the Mexican financial sector: the merger with Ixe GF, making it the third largest bank controlled by Mexican shareholders, and the merger with Afore XXI, which gave rise to Afore XXI Banorte, the system's largest Retirement Fund Management Company. The magazine also highlighted the growth of its branch network, "Banorte – Ixe"'s assets under management for the last 12 months and leadership in business segments such as Leasing and Factoring, Short-term Debt Placement, Banca Premium, Funding for Homebuilders and Loan Portfolio Recovery.

- **Grupo Financiero Banorte and the United Nations Global Compact.**

In the third quarter of 2012, the document "Our Commitment to the United Nations Global Compact" was published, which is an international initiative that aims to integrate ten principles, in the areas of Human Rights, Labor, Environment and Anti-Corruption into organizational business strategy and operations.

Along the Annual Report, this declaration serves as the first official Communication on Progress (CoP). Both efforts come along the sustainable philosophy on which GFNORTE develops: ensure at all times, a balanced development between the financial, economic, social and environmental aspects inherent to the operations.

- **Galardón PyME 2012**

On August 9th, 2012, the Ministry of Economy awarded Banorte the "Galardón PyME 2012" (SMEs Award 2012) for the third time, and for two years in a row, for being the financial intermediary which granted more credits to SMEs in the country through government programs. Banorte channeled resources to SMEs throughout the Guarantee Program "Mexico Emprende", reaching a loan portfolio of $24 billion pesos. The federal entity considered Banorte's active participation in sectorial programs such as "Apoyo a la Industria de la Construcción" (Support to the Construction Industry) and "Nuevos Emprendedores" (New Entrepreneurs), as well as the support granted to tourism and employment, in which Banorte offered competitive interest rates, while also being a key player in implementing of emerging programs to economically reactivate companies affected by natural disasters.

Banorte counts with more than 1,700 specialized officers in the SME segment distributed throughout the country, working in the branch network and in exclusive offices dedicated to serve these Mexican enterprise's needs in a timely manner. With an expertise of 15 years attending SMEs, the "Galardón PyME 2012" reinforces Banorte's commitment to consolidate a long term relationship with its customers, consolidating itself as the leading SME bank in Mexico

- **The Banker. "Top 1,000 World Banks Ranking 2012".**

In August 2012, The Banker published the Top 1,000 World Banks Rankings, in which Banorte was ranked: #271 by Tier 1 Capital: #65 by the Earnings to Tier 1 ratio; #218 by assets; #264 by ROA and #799 by Leverage.

- **Institutional Investor Magazine's Rankings.**

On September 27th, 2012, Institutional Investor magazine announced the rankings of the "Best Latin America Executive Team 2012", which were determined through a survey applied to 700 sell-side analysts and buy-side analysts & portfolio managers. For a third year in a row, Banorte's Executive and Investor Relations Team were ranked in the first places among Mexican companies and Latin American banks. Alejandro Valenzuela, Grupo Financiero Banorte's CEO, was ranked as number one in Mexico by sell-side analysts; number two by the buy-side and the third in Latin America. Rafael Arana, GFNorte's CFO, was ranked fifth by sell-side and seventh by buy-side in the regional survey, with less than one year working at the institution. David Suarez, Head of IR at GFNorte, was ranked as the best IR Professional in Latam and Mexico by the sell-side, first by the buy-side in Mexico and second in Latin America. The analysts considered the Investor Relations Team as the number two ranked in Latin America by sell-side; and first place in Mexico by the buy and sell-side. Regionally, the study considers approximately 30 financial institutions such as Itaú, Bradesco, Banco Do Brasil, Santander Brasil, Santander Chile, Banco de Crédito de Perú, among others. In Mexico, the survey includes more than 60 issuers.

- **Banorte was recognized as "LatinFinance Bank of the Year 2012".**

In the fourth quarter of 2012, the international magazine LatinFinance awarded Banorte-Ixe with the recognition of "LatinFinance Bank of the Year 2012", which is granted to the top banks in each country. The selection process considers quantitative aspects such as size, growth, financial strength, profitability, and also intangible elements such as soundness and prudence, which must be considered particularly under challenging moments.

LatinFinance emphasized that Banorte-Ixe lacks the pressure of its competitors, as it does not belong to a foreign owned entity, and has stood out in the last twelve months as a result of its growth in the credit card segment, government and SMEs financing, period in which it has increased its market share from 12% to 13% in deposits and from 13% to 14% in loans, with one of the lowest delinquency ratios in the Mexican financial system.

CHANGES IN ORGANIZATIONAL STRUCTURE:

- In January 2012, Samuel J. Munafo was appointed Managing Director of Inter National Bank, reporting to GFNorte's CEO. Mr. Munafo has a long professional background of over 39 years in the financial sector, during which he has held important management positions in various prestigious international institutions.

- In April 2012, Alejandro Vazquez Salido was appointed Managing Director of Communications and Institutional Relations, reporting to the CEO. Mr. Vazquez has a professional background of 20 years in the public sector, joining the Financial Group in August 2010 as Deputy Managing Director of Federal Government Banking and from November 2011 he served as Deputy Managing Director of Government Relations.

- On May 25th, 2012, Marcos Ramírez was appointed Managing Director of Casa de Bolsa Banorte Ixe and is its legal representative before the Regulator. Likewise, as part of the reorganization of Wholesale Banking, on June 4th the Economic Research Division was created which reports to the Head of Wholesale Banking and Gabriel Casillas was appointed Managing Director. Gabriel was Chief Economist for Mexico at J.P. Morgan Chase & Co. Furthermore, Luis Pietrini was appointed Managing Director of Wealth Management and Private Banking, René Pimentel is the new Managing Director of Asset Management and Business Development and Alejandro Aguilar becomes Managing Director of the mutual funds, Operadora de Fondos Banorte.

- In May 2012, a "Special Unit for Enquiries and Complaints" (UNE) was created in order to improve attention to client claims and complaints as well as to mitigate the risk of fines and sanctions from The National Commission for the Protection and Defense of Financial Services Users in compliance with the Law for the Protection and Defense of Financial Service Users. As a result Ernesto Treviño was appointed Director of this unit.

- As of January 2013, Héctor Avila was designated as Head of the Legal Department, which he had Co-managed since May 2011. Mr. Avila is currently Secretary of GFNORTE's Board of Directors and was previously Director of the Group's fiduciary area. He graduated from Universidad La Salle's Law School and holds a Financial Law degree from ITAM. His previous professional experience includes being Head of Legal at Televisa's Editorial Division, Head of Fiduciary at Invex Grupo Financiero and Invex Casa de Bolsa. He has 12 years of experience in the legal and fiduciary sector in the Mexican Financial System.

- Additionally, as of January 2013, David Margolín has been appointed as Head of Risk Management. David Margolín graduated from the Universidad Nacional Autónoma de México and holds a Degree in Operations Research from Cornell University in New York. He performed different functions at Banco de México from 1980 to date, being the last one as Managing Director of Strategy, Risks and Payment Systems, and formerly as Managing Director of Operations.

b) BUSINESS DESCRIPTION

i. MAIN ACTIVITIES

GFNorte is authorized by the SHCP to operate as a holding company of those companies mentioned later in this report, section 2. ix) "The Company- Corporate Structure", according to the guidelines and terms established by the LRAF and general regulations issued by the CNBV.

Its main activity is to acquire and manage shares representing equity of financial entities and participate supervising their operations according to the LRAF. GFNorte and its Sunsidiaries are regulated according to their activities by the CNBV, the CNSF, Banxico and other applicable laws. Meanwhile, Afore XXI Banorte, subsidiary of Banorte is regulated by the CONSAR.

In general terms, the main actitivity of GFNorte's subsidiaries is the development of financial transactions such as commercial banking services, brokerage, leasing, purchase and sale of invoices and notes receivable, warehousing, annuities and life and damage insurance.

GFNorte is dividend according to business segments and offers its services through:

- **Banking Sector:** universal banking services in Mexico through Banorte, Banorte Ixe Tarjetas and Ixe Banco; and Inter National Bank (INB) in the state of Texas, USA. The services are offered through the following segments:

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

  - **Wholesale Banking:** it is comprised of the Business & Corporate and Government Banking, among others.

  ✓ **Business & Corporate Banking**: this sgment is specialized in lending products for business and corporate clients. Our main products are loans and lines of credit, cash management services, fiduciary services and payroll payment services. Comprehensive financial solutions are also offered to our corporate (Mexican corporations and large foreign multi-national corporations) clients through several specialized types of financing.

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

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

- **Long-term Savings:** retirement savings funds (Afore), life and damages insurance and annuities. The companies that comprise this sector are: Afore XXI Banorte, Seguros Banorte Generali (Insurance) and Pensiones Banorte Generali (Annuities).

- **Other finance companies:** leasing & factoring and warehousing services. The companies that comprise this sector are: Arrendadora y Factor Banorte (Leasing and Factoring), Almacenadora Banorte (Warehouse), Ixe Automotriz (Car) and Fincasa Hipotecaria (Mortgage).

- **Brokerage:** financial products and services. The companies that comprise this sector are: Casa de Bolsa Banorte Ixe (Broker Dealer) and Ixe Fondos (Mutual Funds).

ii. DISTRIBUTION CHANNELS

Banorte-Ixe's strategy seeks to ratify and increase its presence in the national market, strengthening all the banking infrastructure, ATMs, branches and third party correspondents, in order to serve growing and emegerging markets.

Branch network

Banorte-Ixe has formal market and population analysis processes at the national level, evaluating each opportunity to further develope the branch network within the main urban and semi-urban centers of the country, thus giving all Mexicans the opportunity to access Banorte and Ixe’s products and services.

Banorte-Ixe's market share regarding the number of branches is of 11% as of December 2012, according to the CNBV, raking third in the system, considering only Financial Groups.

Banorte’s Branches

Banorte ended 2012 with a network of 1,142 branches throughout 348 locations, increasing 24 branches vs. 2011.

Ixe Banco’s Branches

The growth of the branch network in 2012, consisted in consolidating the presence in the larger cities of the country.

During 2012, Ixe Banco opened 7 new branches in Mexico City, Cuernavaca, León, Querétaro and Puebla, ending the year with 174 branches. Additionally, the Acoxpa and Manacar branches in Mexico City were relocated.

In 2013 there are plans to continue with the Ixe brand expansion in southern Mexico, seeking to serve high income individuals at Merida and Cancun.

“Roberto González Barrera” Contact Center.

In September 2012, this new Contact Center was opened, which will consolidate 14 call centers throughout the country, seeking to obtain important synergies and serve Banorte and Ixe's more than 11 million clients.

In 2011, our contact center answered more than 41.2 million incoming calls and 18.6 million outgoing calls, while achieving high efficiency and service quality ratios. In addition, the integration of Banorte-Ixe allowed learning of both models, maintaining the service standards that distinguish GFNorte

SME Centers.

In 2012 Banorte positioned its SME segment with 8 new SME centers. As at the end of 2012, there are 10 offices specializing in this segment.

ATMs

In 2012, a 5% YoY increase was registered, growing from 6,367 in 2011 to 6,707 as of closing 2012, considering 203 ATMs of the Ixe network. Banorte-Ixe's market share regarding the number of ATMs is of 17% as of December 2012, according to the CNBV, raking second in the system.

An average of 5.6 million clients were served monthly, which represents a 9% YoY increase vs. 2011, having carried out of more than 460 million transactions in the year.

Moreover, with the objective to continue increasing the transactions through this channel, a new section has been implemented in the Banorte's website that helps to locate through a more visual tool the nearest geographically located ATMsaccording to the user's position, showing the services and availability of a given ATM.

Point of Sale Terminals (POSs)

In 2012, Banorte reached over 115 thousand POSs, of which 19 thousand belong to Ixe, a 27% YoY increase.

In this period, transactions reached Ps 126.1 million, a 39% YoY increase, 15 pp above the market. This growth placed our acquiring business in the 3rd place at national level, with a 12% market share. The above mentioned was driven by the dynamism presented in the POSs and e-commerce.

The number of transactions amounted to 131.1, a 27% YoY increase vs.2011.

Online Banking

At the end of 2012, more than 1.34 million clients had access to Banorte por Internet or Ixe Net, a 27% increase vs. 1.06 million users in 2011; more than 600 million transactions were carried out and more than 200 thousand account statements are Paperless, which represents a 19% YoY increase vs. 2011.

Banorte Móvil

This banking service via mobile phone offers a global, efficient, secure and sustainable solution to a wide sector of clients, since its platform is compatible with all the mobile telephone service providers in Mexico.

In 2012, more than 136 thousand clients used the Banorte Movil service, a 83% increase vs. 74 thousand clients in 2011, which carried out more than 10 million transactios, doubling the year-ago transactions.

As part of the banking service improvement, and in line with Banorte's efforts to take care of the environment, developments ocurred during 2012 for the further roll-out of the channel, such as the cellular token which enables users to generate their security codes directly in their cell phone without having to use their physical token. By the end of 2012, customers were able to request the Banorte Movil service by calling the Contact Center without having to visit a branch.

Furthermore, Pago Móvil (mobile payment) was launched, the first platform in Mexico that enables customers to make direct payments at retail and online establishments without using a physical card.

Correspondent Banking

Through third party correspondents we support the penetration of banking services by offering a service that contributes to the well-being of thousand of Mexicans that can not access financial services.

Banorte has positioned itself as a major player in this segment. As of closing of 2012, there were 3,080 contact points through 7-Eleven (1,471) and Telecomm-Telégrafos (1,609), a 6% increase vs. 2,918 in 2011.

In 2012 Telecomm-Telégrafos and 7-Eleven transactions rose by more than 26%, increasing from 3.6 million to 4.6 million.

Fondo Personal MiFon.

The main objective of this product is to be offered in market segments that still do not have access to traditional financial services. Through a phone call, without having to visit a branch, it is possible to open a Level 2 Deposit account linked to a debit card. Transactions can be conducted through a cellular phone using SMS or through Banorte's network of third party correspondents and ATMs; moreover, clients can make purchases in thousands of establishments affiliated with MasterCard. With **Personal MiFon** we expand our infrastructure and services to every corner of Mexico.

Fondo Personal MiFon in rural communities.

As part of the institution's interest in increasing banking service penetration, around 400 MiFon accounts linked to a cellular phone were activated in the community of Santiago Nuyoó. This village of 2,100 inhabitants is the first indigenous community where Banorte, along with Telecomunicaciones de México, implemented transfer transactions between MiFon accounts and balance inquiries through a cellular phone network and the mobile payments system.

iii. PATENTS, LICENSES, BRANDS AND OTHER CONTRACTS

The main registered trademark is *BANORTE*, since it represents the distinctive symbol of GFNorte and its subsidiaries, as well as *GRUPO FINANCIERO BANORTE*, both have a validity of 10 years from the filing date of the application for registration and may be renewed for additional periods of 10 years at the end of their terms. To date they are in use and in full legal effect.

Also, GFNorte and/or its subsidiaries own the trademarks of *SUMA, CRÉDITO HIPOTECARIO BANORTE, AUTOESTRENE BANORTE, BANORTE MOVIL, SOLUCIÓN INTEGRAL PYME*, which are relevant as they cover the main financial products offered by this credit institution, being valid for 10 years from the filing date of the application for registration and may be renewed for additional 10-year periods at the end of each term. To date they are in use and in full legal effect.

Additionally we have the trademarks for: *ENLACE TRADICIONAL; ENLACE DINÁMICA; ENLACE GLOBAL; MUJER BANORTE; AGROPECUARIO BANORTE; COMO UN MEXICANO NO HAY DOS; COMO UN MEXICANO NO HAY DOS, FELICIDADES POR SER MEXICANO; 110 AÑOS BANORTE* brands which also cover important financial products offered to the public by GFNorte and/or its subsidiaries, for a period of 10 years starting from the filing date of the application for registration, and which may be renewed for additional periods of 10 years at the end of their terms. To date they are in use and in full legal effect.

On the other hand, GFNorte and/or its subsidiaries have registered commercial slogans, among others:

BANORTE, EL BANCO FUERTE DE MÉXICO (BANORTE, THE STRONG BANK OF MEXICO)
MÉXICO PIENSA EN GRANDE (MEXICO THINKS BIG)
MÉXICO PIENSA EN GRANDE, BANORTE EL BANCO FUERTE DE MÉXICO (*MEXICO THINKS BIG, BANORTE THE STRONG BANK OF MEXICO)*
SIEMPRE TE DA MÁS (YOU ALWAYS GET MORE)
MUJER BANORTE, DETRÁS DE UNA GRAN MUJER HAY UN GRAN BANCO (*BANORTE WOMEN, BEHIND EVERY GREAT WOMAN THERE'S A GREAT BANK)*
DOS MEXICANOS SE UNEN PARA HACER UN MEXICANO MÁS FUERTE (*TWO MEXICANS UNITE TO MAKE A STRONGER MEXICAN)*
SOMOS MEXICANOS, SOMOS GENTE BANORTE (WE ARE MEXICAN, WE ARE BANORTE PEOPLE)
EL FUTURO ESTÁ EN BANORTE, ACÉRCATE A NOSOTROS (THE FUTURE IS IN BANORTE, GET CLOSER TO US)

These slogans are significant since they are part of an institutional campaign that promotes the solvency, stability and strength of this credit institution, which is one of the most representative subsidiaries of GFNorte and/ or its subsidiaries and are valid for 10 years starting from the date of commencement of the registration process, renewable for additional periods of 10 years at the end of their terms. To date, they are all in use and in full legal effect.

As a result of the merger between GFNorte and Ixe GF, GFNorte gained ownership of the "*IXE*" brand, which is duly registered for a period of 10 years from the filing date of the application for registration, renewable for periods of 10 years at the end of its term. To date it is existing and in full legal effect. *IXE AUTOMOTRIZ*, registered trademark for a period of 10 years from the filing date of the application for registration, renewable for additional periods of 10 years at the end of its term. To date, it is in use and in full legal effect. *IXE NET* duly registered trademark for a period of 10 years from the filing date of the application for registration, is renewable for additional periods of 10 years at the end of its term, and to date is current and in full legal effect. The *IXE* trademark, effective since 2010 which boasts advertisements such as *ES LO MISMO PERO NO ES IGUAL (THE SAME BUT NOT ALIKE)*, is duly registered for a period of 10 years as from the filing date of the application for registration, renewable for additional periods of 10 years at the end of its term, to date it is in current and in full legal effect. *ASÍ DEBERÍA SER SIEMPRE, ASÍ ES IXE* (*THAT'S THE WAY IT SHOULD ALWAYS BE, THAT IS IXE)*, are commercial advertisement slogans duly registered for a period of 10 years as from the filing date of the application for registration, renewable for additional periods of 10 years at the end of its term, to date they are being used and in full legal effect.

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

Relevant Contracts:

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

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

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

- The agreement with NCR de México, S. de R. L. de C. V., for preventive maintenance and corrective services for ATMs; replacement of consumable and/or vandalized parts was celebrated on March 1st, 2007 and was negotiated to last for an indefinite period of time, in addition there is a contract dated June 1st, 2009 for an indefinite period of time.

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

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

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

- The contract with Satélites Mexicanos S. A. de C.V., for satellite signal services was celebrated on July 12th, 2006, expiring on July 30th, 2012, through addendum the agreement is extended until June 30th, 2015.

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

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

- The contract with Microsoft Licensing GP for the licensing of software was signed on December 28th, 2011 and expires on December 27th, 2014.

- The agreement with Algorithmics (UK) Limited for the licensing, support and maintenance of software was signed on June 30th, 2000 and expired on June 29th, 2010, but has been extended to expire on June 29th, 2020.

- The agreement with EMC Computer Systems de México, S.A. de C.V. for the support and maintenance Networker Legato licenses was signed on July 13th, 2011 for a period of 3 years.

- Two agreements with IGSA, S.A. de C.V. were signed in 2010 for the supply of equipment batteries for UPS, which are indefinite.

- GSAT Comunicaciones, S.A. de C.V. (formerly Libros Foráneos, S.A. de C.V.), signed a contract in October 2009, for satellite link services for an indefinite period of time to supply satellite connectivity to Banorte's private NETWORK.

- The agreement with ORACLE DE MEXICO, S.A. DE C.V., for the Oracle Premier technical Support to SUN-Oracle infrastructure, signed on November 5th, 2012, ending on February 28th, 2014.

- HEWLETT-PACKARD MEXICO, S. DE R.L. signed an agreement for licensing HP products for comprehensive and performance tests, signed on June 1st, 2012 expiring on 30th June, 2015.

- The agreement with PAYSYS INTERNACIONAL, INC for licensing of credit cards operation, signed on August 29th, 2012 ending on December 31st, 2013.

- SAP MEXICO, S.A. DE C.V. signed on December 14th, 2012 for an indefinite period of time an agreement for SAP Netweaver licenses

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

iv. MAIN CLIENTS

As of December 31st, 2012 Banorte had an ample and diversified client portfolio; with the largest client representing only 2.5% of the total loan portfolio.

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

v. APPLICABLE LEGISLATION AND TAX SITUATION

The Mexican Financial System

Mexico has one of the most developed financial systems in Latin America. Mexico's financial system is currently comprised of commercial banks, national development banks, brokerage firms, development trust funds and other non-bank institutions, such as insurance and reinsurance companies, bonding companies, credit unions, savings and loans companies, foreign exchange houses, factoring companies, bonded warehouses, financial leasing companies, mutual fund companies, pension fund management companies, limited purpose financial institutions (known as Sofoles), multiple purpose financial institutions (known as Sofomes) and limited purpose banks (known as bancos de nicho). In 1990, the Mexican government adopted the Mexican Financial Groups Law aimed at achieving the benefits of universal banking, which permits a number of financial services companies to operate as a single financial services holding company. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate and supervise financial institutions are Banco de México, the SHCP, the CNBV, the CONSAR, the National Insurance and Bonding Commission (Comisión Nacional de Seguros y Fianzas, or the CNSF), the IPAB and the CONDUSEF.

Financial Groups

The enactment of the Mexican Financial Groups Law in 1990 permitted the development of the universal banking model in Mexico. By July 1992, most major Mexican financial institutions had become part of financial groups controlled by a financial services holding company, such as GFNorte, and made up of a number of financial operating entities. The operations of financial services holding companies are generally restricted to holding shares representing the capital stock of financial services operating subsidiaries. Such subsidiaries, whether direct or indirect, may include commercial banks, broker-dealers, insurance companies, bonding companies, mutual fund operators, mutual funds, auxiliary credit organizations (such as factoring, financial leasing and bond-warehousing companies), Sofoles, Sofomes, foreign exchange service providers and retirement fund administrators. Financial groups may be comprised by a holding company and any two financial institutions (which may be of the same type of financial institution), provided that a financial group may not be comprised solely by the holding company and two Sofomes.

The Mexican Financial Groups Law permits entities controlled by the same financial services holding company: (i) to act jointly before the public, offer services that are supplemental to the services provided by the other and hold themselves out as part of the same group;(ii) use similar corporate names; and (iii) conduct their activities in the offices and branches of other entities part of the same group.

In addition, the Mexican Financial Groups Law requires that each financial services holding company enter into an agreement with each of its financial services subsidiaries pursuant to which the holding company agrees to be responsible secondarily and without limitation for the satisfaction of the obligations incurred by its subsidiaries as a result of the activities that each such subsidiary is authorized to conduct under the applicable laws and regulations, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the holding company's assets.

Authorities of the Mexican Financial System

The principal authorities that regulate and supervise financial institutions in Mexico are Banco de México, the SHCP, the CNBV, the CONSAR, the CNSF, the IPAB and the CONDUSEF. These authorities are subject to a number of organic laws and other administrative regulations that govern their regulatory, supervisory and other powers. Also, these entities continually enact administrative regulations within the scope of their respective authority for the regulation of the corresponding financial entities, as further mentioned below. GFNorte, as a financial services holding company, is subject to the supervision and regulation of the CNBV. In addition, our financial subsidiaries are subject to the supervision and regulation of the corresponding financial authority, and are in constant interaction with such authorities during their normal course of business.

Banco de México

Banco de México is the Mexican Central Bank. It is an autonomous entity that is not subordinated to any other body in the Mexican federal government. Its primary purpose is to issue the Mexican currency, as well as to maintain the acquisition power of such currency, establish reference interest rates and ensure that the banking and payments systems perform under safe and sound principles.

Monetary policy decisions are taken by the members of the Governing Board of Banco de México. The Governing Board is composed of a Governor and four Deputy Governors, all of which are appointed by the President and ratified by the Senate or the Permanent Commission of Congress, as applicable.

Among the decisions that only the Governing Board may take are the authorization of the issuance of currency and the minting of coins, the decision to extend credit to the Mexican government, the determination of policies and criteria that Banco de México uses in its operations and in the regulations that it issues, and the approval of its rules of procedure, budget, working conditions and similar internal matters.

SHCP

The SHCP is the regulator in charge of proposing, conducting and controlling the economic policy of the Mexican federal government in matters of economics, tax, finance, public budget, public debt and income. Together with the CNBV and Banco de México, it is the primary regulator of commercial banks and national development banks. The SHCP participates in the process of incorporation, revocation, operation, merger, control and stock purchase of financial institutions.

CNBV

The CNBV is a governmental body subordinated to the SHCP, having independent technical and executive powers. The CNBV is in charge of the supervision and regulation of entities comprising the Mexican Financial System, with the purpose of ensuring their stability and sound performance, as well as the maintenance of a safe and sound financial system. The scope of the CNBV's authority includes inspection, supervision, prevention and correction powers. The primary financial entities regulated by the CNBV are: financial groups, credit institutions, , national development banks, regulated multiple purpose financial institutions, brokerage firms, as well as publicly traded companies and other entities that have issued debt securities to the public. The CNBV is also in charge of granting and revoking banking and securities brokerage licenses in Mexico.

CONSAR

The CONSAR is a governmental body subordinated to the SHCP, having independent technical and executive powers. The CONSAR was created in 1997 as part of a comprehensive reform of the retirement savings and pensions system, and is in charge of protecting the retirement savings of employees through the regulation and supervision of Afores and Siefores. The CONSAR evaluates risks borne by the participants in the retirement savings system and makes sure these participants are solvent and maintain adequate liquidity levels.

CNSF

The CNSF is a governmental body subordinated to the SHCP, having independent technical and executive powers. The CNSF is in charge of the supervision and regulation of insurance and bonding companies, promoting the safe and sound development of the insurance and guaranty bond financial sectors.

IPAB

After the 1994 financial crisis, the Mexican government created the IPAB, an independent, decentralized governmental institution with its own legal standing and assets. The IPAB's primary purpose is the protection and insurance of bank deposits, having also powers to provide solvency to banking institutions, contributing to the safe and sound development of the banking sector and the national payments system. The IPAB is also entitled to acquire assets from distressed banking institutions.

CONDUSEF

The CONDUSEF is a decentralized governmental body in charge of financial orientation services, provision of guidance and information services to customers of financial services, as well as implementation of corrective measures in attendance of claims by customers, with the primary purpose of protecting customer's interests. The CONDUSEF may also act as arbitrator in disputes between financial institutions and their customers and establish regulations and impose sanctions to financial institutions in order to protect their clients. The CONDUSEF is also in charge of supervising contracts of adhesion entered into by and between financial institutions and their customers.

Brief History of the Banking Sector

Banking activities in Mexico have been and continue to be affected by prevailing conditions in the Mexican economy, and the demand for and supply of banking services have been vulnerable to economic downturns and changes in government policies. Prior to the early 1990s, lending by Mexican banks to the private sector had fallen to very low levels. It is estimated, however, that by the end of 1994 average total indebtedness of the private sector to Mexican commercial banks had grown to represent approximately 40.7% of Mexican GDP, with mortgage loans and credit card indebtedness generally growing faster than commercial loans. The devaluation of the Mexican Peso in December 1994 initiated a crisis, and the resulting high interest rates and contraction of the Mexican economy in 1995 severely impacted most borrowers' ability to both repay loans when due and meet debt service requirements. These effects, among others, caused an increase in the non-performing loan portfolio of Mexican financial institutions, particularly during 1995, which adversely affected the capitalization level of financial institutions. Also, increased domestic interest rates and the deteriorating value of the Peso made it more difficult for financial institutions to renew dollar-denominated certificates of deposit and credit lines.

From 1995 through the end of 1997, the CNBV had assumed or intervened in the operations of 13 banks and had adopted several measures designed to protect, stabilize and strengthen the Mexican banking sector. These measures included:

- creating a temporary capitalization program to assist banks;
- establishing a foreign exchange credit facility with Banco de México to help banks with dollar liquidity problems;
- increasing the level of required loan loss reserves;
- establishing a temporary program for the reduction of interest rates on certain loans;
- establishing various programs to absorb a portion of debt service cost for mortgage loan debtors (including debt restructuring and conversion support programs); and
- broadening the ability of foreign and Mexican investors to participate in Mexican financial institutions.

In addition, to address deteriorating asset quality, the Mexican government established debt restructuring and conversion support programs to help restructure or convert loans of borrowers facing cash-flow problems. Finally, the Mexican government created a program to promote increased capitalization of Mexican banks by, among other things, providing for the transfer of loans and other assets to the Banking Fund for the Protection of Savings (Fondo Bancario de Protección al Ahorro or the FOBAPROA). Effective January 20, 1999, the FOBAPROA was replaced by the IPAB, which was created to manage the banking savings protection system and regulate financial support granted to banks.

Reforms to Mexican Banking Law

On February 1, 2008, the Mexican Congress enacted a number of reforms to the Mexican Banking Law, which grant more power to the CNBV and establish new provisions on transparency and reliability on the disclosure of bank's information. The main objectives of the reforms include:

Enhancing the CNBV supervisory practices. The reforms grant ample authority to the CNBV for the supervision of the financial entities under the Mexican Banking Law. The CNBV may perform visits to banks, with the aim to review, verify, test and evaluate the operations, processes, systems of internal control and risk management among others elements that may affect the financial position of banks.

Additionally, the reforms permit the CNBV to partially suspend or restrict the execution of the authorized transactions referred to in Article 46 of the Mexican Banking Law, when such transactions are prohibited or not performed with the required infrastructure or internal controls. The order of suspension can be issued regardless of any other applicable sanctions under the Mexican Banking Law.

Increasing requirements for the granting of credits to customers. For the granting of credits, banks are required to analyze and evaluate the viability of payment by borrowers or counterparties, relying on an analysis based on quantitative and qualitative information that allows establishing their credit worthiness and ability of timely payment of the credit. Banks must issue guidelines and lending process manuals and credit procedures shall be performed in accordance with such policies.

Establishing new provisions on transparency and reliability. Banks are required to publicly disclose their corporate, financial, administrative, operational, economic and legal information, as determined by the CNBV. Banks must post on their website and in a national newspaper their balance sheets and other relevant information periodically.

Establishing fiscalization powers for the supervision of external auditors. The CNBV has powers of inspection and surveillance with respect to entities that provide external audit services to banks, including those partners or employees who are part of the audit team, in order to verify the compliance with the Mexican Banking Law. The CNBV is allowed to: (i) request any information and documentation related to the services rendered; (ii) practice inspection visits; (iii) require the attendance of partners, legal representatives and other employees; and (iv) issue audit procedures to be complied by the auditors, in connection with the tax opinions and practices performed by them.

Limited purpose banks. The reform introduced limited purpose banks (bancos de nicho), which can only engage in a limited amount of banking activities which are specifically set forth in their by-laws. The minimum required capital of limited-purpose banks can vary depending on the activities carried out by such entities, from a range of 90,000,000 UDIs to 36,000,000 UDIs.

Improvement of Creditors' Rights and Remedies

Mexico has enacted legislation to improve creditors' rights and remedies. These laws include collateral pledge mechanisms and a new bankruptcy law.

Collateral Mechanisms

On June 13, 2003, a congressional decree was published amending the Mexican Commerce Code (Código de Comercio), the General Law of Negotiable Instruments and Credit Transactions (Ley General de Títulos y Operaciones de Crédito), the former Securities Market Law, the Mexican Banking Law, the Insurance Companies Law (Ley General de Instituciones y Sociedades Mutualistas de Seguros), the Bond Companies Law (Ley Federal de Instituciones de Fianzas) and the General Law of Ancillary Credit Organizations and Activities (Ley General de Organizaciones y Actividades Auxiliares del Crédito). The purpose of the amendment was to provide an improved legal framework for secured lending and, as a consequence, encourage banks to increase their lending activities. Among its provisions, the decree eliminated a prior non-recourse provision applicable to non-possessory pledges (which allowed the creation of a pledge over all the assets used in the main business activity of the debtor, but limited recourse to the applicable collateral) and collateral trusts, to allow creditors further recourse against debtors in the event that proceeds derived from the sale or foreclosure of collateral are insufficient to repay secured obligations.

Bankruptcy Law

The Mexican Bankruptcy Law was enacted on May 12, 2000 and has, thereafter, been frequently used as a means to conclude complex insolvency situations affecting Mexican companies, by providing expedited and clear procedures, while at the same time granting creditors and other participants the certainty of an in-court solution. The Bankruptcy Law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor, and bankruptcy.

Only the IPAB or the CNBV may demand the declaration of insolvency of banking institutions, including Banorte. In the case of banking institutions, such as Banorte, with the declaration of bankruptcy (concurso mercantil) the judicial procedure is initiated in the bankruptcy phase and not, as in common procedures, in the conciliatory phase. The bankruptcy of a Mexican bank is viewed as an extreme measure (because it results in a liquidation and dissolution of the institution), which has not been resorted to in practice, and is preceded by a number of measures that seek to avoid it, such as precautionary measures taken by the CNBV, facilities made available by the IPAB and an intervention led by the CNBV. Upon filing a suit of declaration of insolvency, banking institutions must cease operations and suspend payment of all obligations.

The Bankruptcy Law establishes precise rules that determine when a debtor is in general default in its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors, and the existence of any of the following two conditions: (i) 35.0% or more of a debtor's outstanding liabilities are 30 days past-due; or (ii) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80.0% of its obligations which are due and payable.

The Bankruptcy Law provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. Such experts include the intervenor (interventor), conciliator (conciliador) and receiver (síndico). The IPAB acts as the liquidator and the receiver and the CONDUSEF may appoint up to three intervenors.

On the date the insolvency judgment is entered, all Peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into Pesos at the rate of exchange for that date and then converted into UDIs. Only creditors with a perfected security interest (i.e., mortgage, pledge or security trust) continue to accrue interest on their loans. The Bankruptcy Law mandates the netting of derivative transactions upon the declaration of insolvency.

The Bankruptcy Law provides for a general rule as to the period when transactions may be scrutinized by the judge to determine if they were entered into for fraudulent purposes, which is 270 calendar days prior to the judgment declaring insolvency. This period is referred to as the retroactivity period. Nevertheless, upon the reasoned request of the conciliator, the intervenors, who may be appointed by the creditors to oversee the process, or any creditor, the judge may set a longer period.

A restructuring agreement must be entered into by the debtor, as well as recognized creditors representing more than 50.0% of the sum of the total recognized amount corresponding to common creditors and the total recognized amount corresponding to secured or privileged creditors subscribing the agreement. The proposed agreement, once approved by the creditors, must be presented to the IPAB for its approval. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

In December 2007, the Bankruptcy Law was amended to incorporate provisions relating to pre-agreed insolvency proceedings, frequently used in jurisdictions different from Mexico, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file, as a means to obtain the judicial recognition of a restructuring reached on an out-of-court basis. This also provides protection against dissident minority creditors.

Deregulation of Lending Entities and Activities

In July 2006, the Mexican Congress enacted reforms to the General Law of Auxiliary Credit Organizations and Credit Activities (Ley General de Organizaciones y Actividades Auxiliares del Crédito), the Mexican Banking Law and the Foreign Investment Law (Ley de Inversión Extranjera), with the objective of creating a new type of financial entity called multiple purpose financial entities (sociedad financiera de objeto multiple, or Sofom) (the "Sofom Amendments"). The Sofom Amendments were published in the Official Gazette on July 18, 2006.

The main purpose of the Sofomes Amendments is to deregulate lending activities, including financial leasing and factoring activities. Sofomes are Mexican corporations (sociedades anónimas) that expressly include as their main corporate purpose in their by-laws, engaging in lending and/or financial leasing and/or factoring services. Pursuant to the Sofomes Amendments, the SHCP has ceased to authorize the creation of new Sofoles, and all existing Sofol authorizations will automatically terminate on July 19, 2013. On or prior to that date, existing Sofoles must cease operating as a Sofol. Failure to comply with this requirement will result in dissolution or liquidation of the Sofol. Existing Sofoles also have the option of converting to Sofomes or otherwise extending their corporate purposes to include activities carried out by Sofomes.

Among others, Sofomes that are affiliates of Mexican credit institutions (i.e., private or public banks) or the holding companies of financial groups that hold a credit institution will be regulated and supervised by the CNBV, and will be required to comply with a number of provisions and requirements applicable to credit institutions such as capital adequacy requirements, risk allocation requirements, related party transactions rules, write-offs and assignment provisions, as well as reporting obligations. Regulated Sofomes are required to include in their denomination the words "Entidad Regulada" (regulated entity) or the abbreviation thereof, "E.R." All other entities whose main purpose is engaging in lending, financial leasing and factoring activities are non-regulated Sofomes and must so indicate in their corporate denomination by including the words "Entidad No Regulada" (non-regulated entity) or the abbreviation thereof, "E.N.R." Non-regulated Sofomes are not subject to the supervision of the CNBV.

Sofomes (regulated or non-regulated) will be subject to the supervision of the CONDUSEF as is the case with any other financial entity.

The Sofomes Amendments also eliminated the restrictions on foreign equity investment applicable to Sofoles, financial leasing and factoring companies, which until the Sofomes Amendments became effective, was limited to 49.0%. Accordingly, the Sofom Amendments may result in an increase in competition in the financial services industry, from foreign financial institutions.

The Mexican Securities Market Law

On December 30, 2005, a new Mexican Securities Market Law was enacted and published in the Official Gazette. The new Mexican Securities Market Law became effective on June 28, 2006, however, in some cases an additional period of 180 days (until late December 2006) was available for issuers to incorporate the new corporate governance and other requirements derived from the new law into their bylaws. The Mexican Securities Market Law sets standards for authorizing companies to operate as brokerage firms, which authorization is granted by the CNBV with the approval of its Governing Board. In addition to setting standards for brokerage firms, the Mexican Securities Market Law authorizes the CNBV, among other things, to regulate the public offering and trading of securities, corporate governance, disclosure and reporting standards and to impose sanctions for the illegal use of insider information and other violations of the Mexican Securities Market Law.

The new Mexican Securities Market Law changed the Mexican securities regulation in various material respects. The reforms were intended to update the Mexican regulatory framework applicable to the securities market and publicly traded companies in accordance with international standards

Insurance System

The Mexican insurance system is governed by a number of statutes, the most important of which include the General Insurance Companies Law (Ley General de Instituciones y Sociedades Mutualistas de Seguros), the Insurance Contract Law (Ley Sobre el Contrato de Seguro) and other regulatory provisions enacted by the SHCP and the CNSF.

Insurance companies require the authorization of the SHCP for their incorporation. The authorization may include the specific insurance sector in which the insurance company will conduct business, including life, health care, damages, civil and professional liability, among others. The SHCP may also grant authorization to perform reinsurance and co-insurance activities. Insurance companies are subject to stringent capital adequacy and investment rules, compliance of which is supervised by the CNSF. These rules determine the type of assets into which insurance companies may invest, as well as the minimum amount of capital required to be maintained by such entities. Also, insurance companies are required to maintain technical reserves that function as a cushion against risks and help these entities to maintain adequate levels of liquidity.

The regulation and surveillance powers of the CNSF grant this entity the authority to verify compliance with the various financial and technical actuarial regulations, as well as with other corporate governance principles.

Retirement Savings System

The Retirement Savings Systems Law (Ley de los Sistemas de Ahorro para el Retiro) established the Afore pension system. Among other economic benefits and other services to be provided to participants in the retirement savings system, the Retirement Savings Systems Law provides that each worker may establish an independent retirement account, which is to be managed by an approved Afore. Under this system, employees, employers and the government are required to make contributions to the independent retirement accounts maintained by each worker. In addition to the mandatory contributions, employees are allowed to make voluntary contributions to their independent retirement accounts. Pursuant to the Retirement Savings Systems Law, the main functions of an Afore include, among others, (i) managing pension funds, (ii) creating and managing individual pension accounts for each worker, (iii) creating, managing and operating Siefores, (iv) distributing and purchasing Siefores' stock, (v) contracting pension insurance, and (vi) distributing, in certain cases, the individual funds directly to the pensioned worker.

Afores and Siefores are subject to the supervision of the CONSAR, which is in charge of the coordination and regulation of the pension system. Under the Retirement Savings Systems Law, no Afore may serve more than 20.0% of the total market.

Federal Law for Protection of Personal Data Held by Private Persons

The Federal Law for Protection of Personal Data Held by Private Persons (Ley Federal de Protección de Datos Personales en Posesión de Particulares) that protects personal data collected, became effective in 2010. Under such law, we are required to ensure the confidentiality of information received from clients. No assurances may be given as to how such law will be interpreted. However, if strictly interpreted and enforced, we may be subject to fines and penalties in the event of violations to the provisions of such law.

Amendments to Financial Regulations Impacting Banks

The Mexican financial system has continued to advance in recent years, consistent with demands from regulators and market participants, developments in other jurisdictions and to address systemic issues resulting from the global financial crisis. In particular, in June 2007, a new Law for the Transparency and Ordering of Financial Services (Ley para la Transparencia y Ordenamiento de los Servicios Financieros) was approved, which granted the Mexican Central Bank authority to regulate interest rates and fees and the terms of disclosure of fees charged by banks to their customers.

Even though the recent global financial crisis did not affect Mexican banks directly, many Mexican corporations were affected, primarily by having engaged in foreign-currency linked derivative transactions, which increased exposures substantially as a result of the devaluation of the peso, triggering a new regulation issued by the CNBV that seeks to improve disclosure standards as they relate to derivative transactions.

Adoption of New Rules in Mexico in accordance with Basel III

On November 28, 2012, the CNBV published amends to banking regulations, anticipating the adoption of Basel III guidelines. Most aspects of the new set of rules became effective on January 1, 2013, while others will be phased in until the year 2022.

Applicable Law and Supervision

The following is a summary of certain matters relating to the Mexican banking system, including provisions of Mexican law and regulations applicable to financial institutions in Mexico. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to financial institutions in Mexico.

GFNorte has SHCP authorization to incorporate and operate as a Financial Group under the terms provided in the Mexican Financial Groups, being under inspection and supervision of CNBV. Its transactions consist in the acquisition, disposal and managing of voting shares issued by Group entities, as well as by those companies providing complementary services to one or more of the financial entities of the Group or to the Company, and to other companies authorized by the SHCP through general regulations.

Our operation as a financial group is primarily regulated by the Mexican Financial Groups Law and the Mexican Financial Groups Regulations, issued by the SHCP. The operations of our subsidiaries operating in the financial sector are primarily regulated by the Mexican Banking Law, the Mexican Securities Market Law, the Insurance Contract Law, the Insurance Companies Law, the Retirement Savings System Law and the rules issued thereunder by the SHCP, the CNBV, the CNSF and the CONSAR, as well as rules issued by Banco de México and IPAB. The authorities that supervise our financial subsidiaries' operations are the SHCP, Banco de México, the CNBV, the CNSF, the CONSAR and the CONDUSEF.

Company's Bylaws, the Statutory Responsibility Agreement, as well as any other amend to such documents, will be submited for the SHCP approval, which shall grant or deny it hearing Banco de México and CNBV opinion. Any conflict arising from interpretation of the compliance or breach of the Company's Bylaws shall be submited before the competent Mexico City's Courts, Federal District.

During 2012 fiscal year, the institution din not had any special tax benefits, subsidies or exemptions granted by tax authorities.

Incorporation of a Financial Group and Subsidiaries

Pursuant to the Mexican Financial Groups Law, the incorporation of a financial group requires an authorization by the SHCP. The SHCP may grant or deny such authorization at its own discretion, taking into consideration the opinion of Banco de México and, as the case may be, the opinion of the CNBV or the CNSF, depending on the type of financial entities that would comprise the intended financial group. Approval of the SHCP is also required prior to the opening, closing or relocating of offices, including branches, of any kind outside of Mexico or transfer of assets or liabilities between branches. Likewise, a notice to the SHCP is required for the opening of branches in Mexico.

The corporate purpose of a financial group's holding company shall be to acquire and manage the shares issued by the subsidiaries of the financial group. In no case shall the financial services holding company perform or execute any of the financial activities authorized to the entities that comprise the financial group.

Financial services holding companies shall at all times own at least 51.0% of the voting shares representing the paid-in capital of each of the entities that comprise the financial group. Additionally, financial services holding companies may appoint the majority of the members of the Board of Directors of each of its controlled subsidiaries.

The financial services holding company's by-laws, the Statutory Responsibility Agreement, and any other amendment to such documents, shall be submitted to the approval of the SHCP, which may grant or deny such authorization, taking into consideration the opinion of Banco de México and, as the case may be, the opinion of the CNBV or the CNSF.

Financial groups are integrated by a number of financial operating entities controlled by a financial services holding company, such as GFNorte. Such financial operating entities may include banks, brokerage firms, insurance companies, bonding companies, mutual fund operators, mutual funds, Sofoles, Sofomes, foreign exchange service providers and Afores. Financial groups may be comprised by a financial services holding company and any two financial institutions (which may be of the same type of financial institution), provided that a financial group may not be comprised solely by the holding company and two Sofomes and two insurance companies shall be counted as one entity for purposes of the number of entities to form a financial group.

Entities of the same financial group are allowed to (i) act jointly before the public, offer complementary services and publicly act as part of the same financial group; (ii) use similar corporate names; and (iii) conduct their activities in the offices and branches of members of the same financial group.

Limitations on Investments in Other Entities

Under the Mexican Financial Groups Law, subsidiaries of a financial services holding company shall not own more than 1.0% of the capital stock of another Mexican financial institution, any shares of the capital stock of their own holding company, of other subsidiaries of their financial services holding company or of entities that are shareholders of the holding company or of other subsidiaries of their financial services holding company. In addition, members of a financial group may not extend credits in connection with the acquisition of their capital stock, the capital stock of their financial services holding company or the capital stock of other subsidiaries of their financial services holding company. Without the prior approval of the SHCP (which shall take into consideration the opinions of Banco de México and the primary Mexican regulatory commission supervising the relevant financial entity), members of a financial group may not accept as collateral shares of capital stock of Mexican financial institutions. Mexican banks, such as Banorte's subsidiaries, may not acquire or receive as collateral certain securities issued by other Mexican banks. The approval of the SHCP is required prior to acquisition of shares of capital stock of non-Mexican financial entities.

The Mexican Banking Law imposes certain restrictions on investments by Mexican banks, such as our subsidiaries Banorte and Ixe, in equity securities of companies engaged in non-financial activities. Mexican banks may own equity capital in such companies in accordance with the following guidelines: (i) up to 5.0% of the capital of such companies at any time, without any approval; (ii) more than 5.0% and up to 15.0% of the capital of such companies, for a period not to exceed three years, upon prior authorization of a majority of the members of the bank's Board of Directors; and (iii) higher percentages and for longer periods, or in companies engaged in new long-term projects or carrying out development related activities, whether directly or indirectly, with prior authorization of the CNBV. The total of all such investments (divided considering investments in listed and in non-listed companies) made by a bank may not exceed 30.0% of such bank's Mexican Tier 1 capital.

A Mexican bank, such as our subsidiaries Banorte and Ixe, requires the prior approval of the CNBV to invest in the capital stock of companies that render auxiliary services to such bank and of companies that hold real estate where the offices of the applicable bank may be located.

Under the Mexican Banking Law, the approval of the CNBV is required prior to the merger of a commercial bank with any other entity, in addition to approvals from the COFECO and Banco de México.

Financial Groups' Statutory Responsibility

The Mexican Financial Groups Law requires that each financial services holding company, such as GFNorte, enter into an agreement with each of its financial services subsidiaries (the "Statutory Responsibility Agreement"). Pursuant to such agreement, the financial services holding company is responsible secondarily and without limitation for performance of the obligations incurred by its subsidiaries as a result of the authorized activities of such subsidiaries, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the financial services holding company's assets. For such purposes, a subsidiary is deemed to have losses if (i) its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law, (ii) its capital and reserves are less than the subsidiary is required to have under applicable law, or (iii) in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations.

The financial services holding company has to inform the CNBV of the existence or potential existence of any such obligation or loss. The financial services holding company would only be liable for the obligations of its financial services subsidiaries 15 business days after the CNBV (or any other principal regulator) delivers notice of its approval of the enforceability of such obligations. The financial services holding company responds to the losses of its subsidiaries by making capital contributions to such subsidiaries (no later than 30 days counted from the date the applicable losses shall arise).

In the event of a financial services holding company's statutory responsibility with respect to a bank, IPAB must determine the amount of the preliminary losses of such bank. The financial services holding company is required to create a capital reserve for the amount of such losses. The financial services holding company is also required to guarantee the payment of the bank's losses that are paid by IPAB pursuant to its law. Such guarantee may be created over the financial services holding company's assets or over such company's shares or those of its subsidiaries. Pursuant to Article 28 Bis of the Mexican Financial Groups Law, any shareholder of the financial services holding company, due to its holding of the shares, accepts that its shares could be posted as guarantee in favor of IPAB, and that such shares will be transferred to IPAB if the financial services holding company is unable to pay any amounts due to IPAB as a result of the bank's losses.

A financial services holding company is not allowed to pay any dividends or transfer any monetary benefit to its shareholders as of the date on which IPAB determines the bank's losses up to the date on which the financial services holding company has paid for the bank's losses.

No subsidiary is responsible for the losses of the financial services holding company or of the financial services holding company's subsidiaries. GFNorte has entered into such an agreement with its financial services subsidiaries and such agreement is in effect.

Liabilities

A financial services holding company may only engage on direct or contingent liabilities, or post its assets as guarantee, in the following cases: (i) with respect to its obligations under the Statutory Responsibility Agreement;

(ii) transactions with IPAB or with the protection and security fund provided for in the Mexican Securities Market Law; and (iii) with the authorization of Banco de México for the case of subordinated debentures of mandatory conversion to securities representing its capital and the obtainment of short-term loans.

Supervision and Intervention

A financial services holding company is subject to the supervision of the commission that supervises the most important entity of the financial group, as determined by the SHCP. GFNorte is subject to the supervision of the CNBV, which supervises Banorte. A financial services holding company's accounting will be subject to the rules authorized by the CNBV.

If, as part of its supervision activities, the corresponding commission determines that a financial services holding company has engaged in irregular activities against the applicable financial regulations, the chairman of such commission may impose the corrective measures it deems necessary. If such measures are not complied with in the period set for such purposes, the relevant commission may declare the administrative intervention (intervención administrativa) of the financial services holding company.

If, in the opinion of the relevant commission, the irregularities of a financial services holding company affect its stability and solvency, and endanger the interests of the public or its creditors, a managerial intervention (intervención gerencial) can be declared by the chairman of the relevant commission, prior resolution of the governing board. The chairman will appoint a peremptory manager (interventor-gerente). The peremptory manager will assume the authority of the Board of Directors. The peremptory manager will have the authority to represent and manage us with the broadest powers under Mexican law and will not be subject to the Board of Directors or the shareholders' meeting. The appointment of the peremptory manager must be registered in the Public Registry of Commerce of the corresponding domicile.

Ownership Restrictions; Foreign Financial Affiliates

Ownership of a financial services holding company's capital stock is no longer limited to specified persons and entities under the Mexican Financial Groups Law. Series O shares can be subscribed by both Mexican and non-Mexican investors.

Notwithstanding the above, under the Mexican Financial Groups Law, foreign entities with governmental authority cannot purchase a financial services holding company's capital stock. Mexican financial entities, including those that form part of the respective financial group, cannot purchase a financial services holding company's capital stock, unless such entities are institutional investors as defined in the Mexican Financial Groups Law.

In addition, pursuant to the Mexican Financial Groups Law and our by-laws, no person or entity or group of persons or entities may acquire (i) more than 2.0% of our shares, unless any such person or entity notifies the Ministry of Finance after the acquisition, (ii) in case of exceed 5.0% our shares, unless any such person or entity obtains the prior approval by the Ministry of Finance, taking into consideration the CNBV's opinion, and (iii) 30.0% or more of our shares, unless any such person or entity (a) obtains the prior approval of the Ministry of Finance, and (b) with the approval of the CNBV, undertakes a public tender offer to purchase 100.0% of our aggregate outstanding shares.

A holder that acquires shares in violation of the foregoing restrictions, or in violation of the percentage ownership restrictions, will have none of the rights of a shareholder with respect to such shares and will be required to forfeit such shares in accordance with procedures set forth in the Mexican Financial Groups Law and the Mexican Banking Law, in addition to any penalties that may be applicable.

Banking Regulation

The SHCP, either directly or through the CNBV, possesses broad regulatory powers over the banking system. Banks are required to report regularly to the financial regulatory authorities, principally the CNBV and Banco de México. Reports to bank regulators are often supplemented by periodic meetings between senior management of the banks and senior officials of the CNBV. Banks must submit their unaudited monthly and quarterly and audited annual financial statements to the CNBV for review, and must publish on their website and in a national newspaper their unaudited quarterly balance sheets and audited annual balance sheets. The CNBV may order a bank to modify and republish such balance sheets.

Additionally, banks must publish on their website, among other things:

- the bank's basic consolidated and non-audited annual financial statements, together with a report containing the management's discussion and analysis of the financial statements and the bank's financial position, including any important changes thereto and a description of the bank's internal control systems;
- a description of the bank's Board of Directors, identifying independent and non-independent directors and including their resumes;
- a description and the total sum of compensation and benefits paid to the members of the Board of Directors and senior officers during the past year;
- unaudited quarterly financial statements for the periods ending March, June and September of each year, together with any comments thereon;
- any information requested by the CNBV to approve the accounting criteria and special registries;
- a detailed explanation regarding the main differences in the accounting used to prepare the financial statements;
- the credit rating of their portfolio;
- the capitalization level of the bank, its classification (as determined by the CNBV) and any modifications thereto;
- financial ratios;
- a brief summary of the resolutions adopted by any shareholders' meeting, debenture holders' meeting, or by holders of other securities or instruments; and
- the bank's by-laws.

The CNBV has authority to impose fines for failing to comply with the provisions of the Mexican Banking Law, or regulations promulgated thereunder. In addition, Banco de México has authority to impose certain fines and administrative sanctions for failure to comply with the provisions of the Law of Banco de México (Ley del Banco de México) and regulations that it promulgates and the Law for the Transparency and Ordering of Financial Services (Ley para la Transparencia y Ordenamiento de los Servicios Financieros), particularly as violations relate to interest rates, fees and the terms of disclosure of fees charged by banks to clients. Violations of specified provisions of the Mexican Banking Law are subject to administrative sanctions and criminal penalties.

Licensing of Banks

Authorization of the Mexican government is required to conduct banking activities. The CNBV, with the approval of its Governing Board and subject to the prior favorable opinion of Banco de México, has the power to authorize the establishment of new banks, subject to minimum capital standards, among other things. Approval of the CNBV is also required prior to opening, closing or relocating offices, including branches, of any kind outside of Mexico or transfer of assets or liabilities between branches.

Intervention

The CNBV, with the approval of its Governing Board, may declare the managerial intervention (intervención gerencial) of a banking institution pursuant to Articles 138 through 149 of the Mexican Banking Law (the "CNBV Intervention"). In addition, the Governing Board of IPAB will also appoint a peremptory manager (administrador cautelar) if the IPAB grants extraordinary financial support to the bank in accordance with the Mexican Banking Law.

A CNBV Intervention pursuant to Articles 138 through 139 of the Mexican Banking Law will only occur when (i) during a calendar month, the Capital Ratio of a bank is reduced from a level equal to or above the minimum Capital Ratio required under the Mexican Capitalization Rules, to 50.0% or less than such minimum Capital Ratio; (ii) a bank does not comply with any minimum corrective measure ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law, does not comply with more than one additional special corrective measures ordered by the CNBV pursuant to such Article 134 Bis 1 or consistently does not comply with any such additional corrective measures ordered by the CNBV and, in the case of this clause (ii), it does not submit itself to the conditional management regime described under Section 2. "Issuer. Subsection b) Business Description–

Applicable Laws and Tax Position – Applicable Law and Supervision—Improved Framework to Resolve/Support Commercial Banking Institutions—Financial Support—Conditional Management Regime"; (iii) the CNBV, in its sole discretion, determines the existence of irregularities that may affect the stability or solvency of the bank and as a result, the interests of the public and of the bank's creditors; or (iv) if the bank (a) does not repay loans or its debt securities issued, or (b) does not timely pay money bank deposits retirements or checks.

The peremptory manager appointed by the IPAB will assume the authority of the Board of Directors and of the shareholders in such cases in which the execution of their rights does not correspond to the IPAB. The peremptory manager will have the authority to represent and manage the bank with the broadest powers under Mexican law, will prepare and submit to the IPAB, the bank's budget (for approval), will be authorized to contract liabilities, make investments, undertake acquisitions or dispositions and incur expenses, to hire and fire personnel and may suspend operations. The appointment of the peremptory manager must be registered in the Public Registry of Commerce of the corresponding domicile.

Improved Framework to Resolve/Support Commercial Banking Institutions

In July 2006, certain amendments to the Mexican Banking Law, the Banking Deposit Insurance Law (Ley de Protección al Ahorro Bancario, the "IPAB Law") and the Mexican Financial Groups Law were enacted by the Mexican Congress, to provide an improved legal framework to resolve and grant financial support to commercial banking institutions undergoing financial difficulties.

Revocation of a Banking License; Payment of Guaranteed Obligations

Revocation of a Banking License. In the case that the CNBV revokes a license to be organized and operate as a banking institution, IPAB's Governing Board will determine the manner under which the corresponding banking institution shall be dissolved and liquidated in accordance with Articles 122 Bis 16 through 122 Bis 29 of the Mexican Banking Law. In such a case, IPAB's Governing Board may determine to carry out the liquidation through any or a combination of the following transactions: (i) transfer the liabilities and assets of the banking institution in liquidation to another banking institution directly or indirectly through a trust incorporated for such purposes; (ii) the constitution, organization and managing of a new banking institution owned and operated directly by IPAB with the exclusive purpose of transferring the liabilities and assets of the banking institution in liquidation; or (iii) any other alternative that may be determined within the limits and conditions provided by the Mexican Banking Law that IPAB considers as the best and least expensive option to protect the interest of bank depositors.

Causes to Revoke a Banking License. The above mentioned amendments significantly expand the events upon which the CNBV may revoke a banking license. The following are among the most relevant events:

(i) that the shareholders' meeting decide to request the revocation;
(ii) if the banking institution is dissolved or initiates liquidation or bankruptcy procedures (concurso mercantil or quiebra);
(iii) if the banking institution (a) does not comply with any minimum corrective measures ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law; (b) does not comply with any special corrective measure ordered by the CNBV pursuant to such Article 134 Bis 1; or (c) consistently does not comply with an additional special corrective measure ordered by the CNBV;
(iv) if the banking institution does not comply with the minimum Capital Ratio required under the Mexican Banking Law and the Mexican Capitalization Rules;
(v) if the banking institution defaults with respect to any of the following payment obligations: (a) in the case of obligations in an amount greater than 20,000,000 UDIs or its equivalent: (1) loans granted by other banking institutions, foreign financial institutions or Banco de México, or (2) payments of principal or interest on securities issued, that have been deposited with a clearing system, and (b) in the case of obligations in an amount greater than 2,000,000 UDIs or its equivalent, if during two business days or more, (1) it does not pay its obligations with one or more participants in clearing systems or central counterparts, or (2) it does not pay, in two or more of its branches, banking deposits claimed by 100 or more of its clients; or
(vi) if the institution is a repeat offender of prohibited or sanctioned transactions in accordance with the Mexican Banking Law or that continues not complying with preventive or corrective actions imposed by the CNBV.

Upon publication of the resolution of the CNBV revoking a banking license in the Official Gazette and in two newspapers of wide distribution in Mexico and registration with the corresponding Public Registry of Commerce, the relevant banking institution will be dissolved and liquidation will be initiated. Upon liquidation or the declaration of bankruptcy (concurso mercantil) of a banking institution, the IPAB shall proceed to make payment of all "guaranteed obligations" of the relevant banking institution in accordance with the Mexican Banking Law and the IPAB Law.

Obligations of a banking institution in liquidation that are not considered "guaranteed obligations" pursuant to the IPAB Law, and that are not effectively transferred out of the insolvent banking institution, will be treated as follows:

(i) term obligations will become due (including interest accrued);
(ii) unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in Pesos or UDIs will cease to accrue interest;
(iii) unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in foreign currencies, regardless of their place of payment, will cease to accrue interest and will be converted into Pesos at the prevailing exchange rate determined by Banco de México;
(iv) secured liabilities, regardless of their place of payment will continue to be denominated in the agreed currency, and will continue to accrue ordinary interest, up to an amount of principal and interest equal to the value of the assets securing such obligations;
(v) obligations subject to a condition precedent, shall be deemed unconditional; and
(vi) obligations subject to a condition subsequent, shall be deemed as if the condition had occurred, and the relevant parties will have no obligation to return the benefits received during the period in which the obligation subsisted.

Liabilities owed by the banking institution in liquidation will be paid in the following order of preference: (i) liquid and enforceable labor liabilities, (ii) secured loans, (iii) tax liabilities, (iv) liabilities to IPAB, as a result of the partial payment of obligations of the banking institution supported by IPAB in accordance with the Mexican Banking Law, (v) bank deposits, loans and credits as provided by Article 46, Sections I and II of the Mexican Banking Law, to the extent not transferred to another banking institution, as well as any other liabilities in favor of IPAB different from those referred to in clause (iv) above, (vi) any other liabilities other than those referred to in the following clauses, (vii) preferred subordinated debentures, (viii) non-preferred subordinated debentures, and (ix) the remaining amounts, if any, shall be distributed to stockholders.

Financial Support

Determination by the Financial Stability Committee. The Financial Stability Committee, or the FSC includes representatives of the SHCP, Banco de México, the CNBV and IPAB. In the case that the FSC determines that if a bank were to default on its payment obligations and such default may (i) generate severe negative effects in one or more commercial banks or other financial entities, endangering their financial stability or solvency, and such circumstance may affect the stability or solvency of the financial system, or (ii) put the operation of the payments' system at risk, then the FSC may determine, on a case-by-case basis, that a general percentage of all of the outstanding obligations of the troubled bank that are not considered "guaranteed obligations" under the IPAB Law and guaranteed obligations in amounts equal to or higher than the amount set forth under Article 11 of the IPAB Law (400,000 UDIs per person per entity), be paid as a means to avoid the occurrence of any of such circumstances. Notwithstanding the foregoing, under no circumstance may the transactions referred to in Sections II, IV and V of Article 10 of the IPAB Law (which include transactions such as liabilities or deposits in favor of shareholders, members of the Board of Directors and certain senior officers, and certain illegal transactions) or the liabilities derived from the issuance of subordinated debentures, be covered or paid by IPAB or any other Mexican governmental agency.

Types of Financial Support. In the case that the FSC makes the determination referred to in the prior paragraph, then IPAB's Governing Board will determine the manner according to which the troubled commercial bank will receive financial support, which may be through either of the following options:

(a) If the FSC determines that the full amount of all of the outstanding liabilities of the relevant troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the financial support may be implemented through (i) capital contributions granted by IPAB in accordance with Articles 122 Bis 2 through 122 Bis 6 of the Mexican Banking Law, or (ii) credit support granted by IPAB in accordance with Articles 122 Bis 7 through 122 Bis 15 of the Mexican Banking Law, and in either case the CNBV shall refrain from revoking the banking license granted to such commercial bank.

(b) If the FSC determines that less than the full amount of all the outstanding liabilities of the troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the support will consist of transferring the assets and liabilities of such commercial bank to a third party, as set forth in Articles 122 Bis 27 or 122 Bis 29 of the Mexican Banking Law.

Conditional Management Regime. As an alternative to revoking the banking license, a new conditional management regime was created, that may apply to commercial banks with a Capital Ratio below the minimum required pursuant to the Mexican Capitalization Rules. To adopt this regime, the relevant bank must voluntarily request from the CNBV, with prior approval of its shareholders, the application of the conditional management regime. In order to qualify for such regime, the relevant commercial bank should (i) deliver to the CNBV a plan for the reconstitution of its capital, and (ii) transfer at least 75.0% of its shares to an irrevocable trust.

Banking institutions with a Capital Ratio equal to or below 50.0% of the minimum Capital Ratio required by the Mexican Capitalization Rules may not adopt the conditional management regime.

Capitalization

The minimum subscribed and paid-in capital for banks is set in accordance with the transactions in which it may engage. Pursuant to the General Rules Applicable to Mexican Banks, banks may perform any of the activities and render the services as provided under Article 46 of the Mexican Banking Law, as well as those permitted under other laws. Applicable corporate by-laws of all banks shall provide for the performance of at least one credit activity and one funding activity.

The minimum equity capital required for banks that engage in all banking activities under the Mexican Banking Law (such as Banorte) is 90,000,000 UDIs; however, the minimum equity capital may vary from 54,000,000 UDIs to 36,000,000 UDIs for limited-purpose banks, depending on the activities each bank is allowed to carry out.

Banks are required to maintain a net capital (capital neto) relative to market risk, risk-weighted assets incurred in its operation, and operations risk, which may not be less than the capital required in respect of each type of risk. The Mexican Capitalization Rules set forth the methodology to determine the net capital relative to market risk, risk-weighted assets and operations risk. Under the relevant regulations, the CNBV may impose additional capital requirements and Banco de México may, with the CNBV's recommendation, grant temporary exceptions to such requirements.

The Mexican Capitalization Rules provide capitalization standards for Mexican banks similar to international capitalization standards, particularly with respect to the recommendations of the Basel Committee on Banking Supervision.

In particular, on July 26, 2010, the Basel Committee reached broad agreement on the overall design of a capital and liquidity reform package for internationally active banking organizations around the world, known as Basel III, which includes, among other things, the definition of capital, the treatment of counterparty credit risk, the leverage ratio and the global liquidity standard. On September 12, 2010, the Basel Committee announced a substantial strengthening of existing capital requirements in connection with Basel III. The full text of the Basel III rules and the results of a quantitative impact study to determine the effects of the reforms on banking organizations were published on December 16, 2010.

On November 28, 2012, the CNBV published new banking regulations, anticipating the adoption of Basel III guidelines. Most aspects of the new set of rules became effective on January 1, 2013, while others will be phased in until the year 2022. (See section 2. "Issuer. Subsection b) Business Description – Applicable Laws and Tax Position – Applicable Law and Supervision – Adoption of New Rules in Mexico in accordance with Basel III").

Under the Mexican Capitalization Rules, Mexican banks are required to maintain a minimum capital ratio of 8.0%, including a capital conservation supplement of 2.5% of Tier 1 capital with respect to risk weighted assets subject to total risks. Aggregate net capital consists of Tier 1 capital and Tier 2 capital.

Tier 1 capital consists primarily of common stock and disclosed reserves (or retained earnings), but may also include non-redeemable non-cumulative preferred stock. Tier 2 capital consists of preferred stock and capitalization instruments that comply with the requirements of Tier 2 capital and supplementary capital consists of admissible reserves and capitalization instruments that do not fall under the Tier 1 or Tier 2 capital category.

The General Rules Applicable to Mexican Banks classify Mexican banks in several categories based on the following classifications:

		CAPR $\geq$ 10.0%	10.0% > CAPR $\geq$ 8.0%	8.0% > CAPR $\geq$ 7.0%	7.0% > CAPR $\geq$ 4.5%	4.5% > CAPR
CT1 $\geq$ 0.875	CT $\geq$ 1.0625	I	II			
	1.0625 > CCB $\geq$ 0.875		II	III		
0.875 > CT1 $\geq$ 0.5625	CT $\geq$ 1.0625		II			
	1.0625 > CCB $\geq$ 0.75		II	III	IV	
	CT < 0.75		II	IV	IV	
CT1 < 0.5625						V

Where,

TRWA = Total Risk Weighted Assets

CAPR = Capital Ratio

$$\textbf{CT1} = \frac{\left[\frac{\text{Tier 1 Capital}}{\text{TRWA}}\right]}{\text{CAPR}_M}$$

$$\textbf{CT} = \frac{\left[\frac{\text{Tier 1 Capital + Tier 2 Capital}}{\text{TRWA}}\right]}{\text{CAPR}_M}$$

$CAPR_M$ = Minimum Capital Ratio, 8.0%.

Corrective Measures

The Mexican Banking Law and the General Rules Applicable to Mexican Banks establish the minimum corrective and special additional measures that banks must fulfill according to the category in which they were classified. These corrective measures are designed to prevent and, when necessary, correct the operations of the banks that could negatively affect their solvency or financial stability. The CNBV is required to notify the relevant bank in writing of the corrective measures that it must observe, as well as verify its compliance of corrective measures imposed. Such corrective measures include:

- requiring the bank to (x) inform the Board of Directors about the bank's classification, as well as the causes that motivated such classification, and submit a detailed report containing a comprehensive evaluation of the bank's financial situation, its level of compliance with the regulatory framework and the main indicators that reflect the degree of stability and solvency of the bank, (y) include in such report any observations mandated, in accordance with their respective scope of authority, by each of the CNBV and Banco de México and (z) report in writing the financial situation to the chief executive officer and chairman of the Board of Directors of the bank or the Board of Directors of the bank's holding company, in the event the bank is part of a financial group;

- requiring the bank's Board of Directors to (y) within no more than 15 business days, submit to the CNBV, for its approval, a plan for capital restoration that will result in an increase in its capital ratio, which may contemplate a program for improvement in operational efficiency, streamlining costs and increasing profitability, the carrying out of contributions to the capital and limits to the operations that the banks may carry out in compliance with their by-laws, or to the risks derived from such operations. The capital restoration plan shall be approved by such bank's Board of Directors before being presented to the CNBV. The bank shall determine in the capital restoration plan that, in accordance with this subsection, it must submit, periodic targets, as well as the date in which the capital of such bank will get the capitalization level required in accordance with the applicable provisions. The CNBV, through its governing board, must resolve all that corresponds to the capital restoration plan that has been presented to them, in a maximum of 60 calendar days from the date the plan was submitted; and (z) comply with the plan within the period specified by the CNBV, which in no case may exceed 270 calendar days starting the day after the bank was notified of the respective approval. To determine the period for the completion of the restoration plan, the CNBV shall take into consideration the bank's category, its financial situation, as well as the general conditions prevailing in the financial market. The CNBV, by agreement of its governing board, may extend the deadline once by a period that will not exceed 90 calendar days. The CNBV will monitor and verify compliance with the capital restoration plan, without prejudice of the provenance of other corrective measures depending on the category in which the corresponding bank is classified;

- requiring the bank to suspend any payment of dividends to its shareholders, as well as any mechanism or act that involves the transfer of any economic benefits. If the bank belongs to the holding company, the measure provided in this subsection will apply to the holding company to which the bank belongs, as well as the financial entities or companies that are part of such holding company. This restriction on the payment of dividends for entities that are part of the same financial group will not apply in the event the dividend is being applied to the capitalization of the bank;

- requiring the bank to suspend any capital stock buyback programs of the bank and, in the event the bank belongs to a financial group, also the programs of the holding company of such group;

- requiring the bank to postpone or cancel the interest payments and, when applicable, defer the payment of the principal or exchange the debt into shares of the bank in the amount necessary to cover the capital deficiency, in advance and proportionately, according to the nature of such obligations. This corrective measure will be applicable to those obligations that are identified as subordinated debt in their indenture or issuance document;

- requiring the bank to suspend payment of any extraordinary benefits and bonuses that are not a component of the ordinary salary of the chief executive officer or any officer within the next two levels, as well as not granting any new benefits in the future for the chief executive officer and the officers until the bank complies with the minimum levels of capitalization required by the CNBV in accordance with the provisions referred to in Article 50 of the Mexican Banking Law; and

- requiring the bank to refrain from increasing outstanding amounts of any credit granted to any individual who is a related party. When a bank complies with the capitalization requirements set forth in Article 50 of the Mexican Banking Law and the provisions that derive therefrom, it will be classified in the category with banks that meet such a minimum and the CNBV has the authority, at its discretion, to order the implementation of corrective measures, which may include:

• requiring the bank to (x) inform its Board of Directors of the bank's classification, as well as the causes that motivated it, and submit a detailed report containing a comprehensive evaluation of the bank's financial situation, its level of compliance with the regulatory framework and the main indicators that reflect the degree of stability and solvency of the bank, (y) include in such report any observations mandated by the CNBV and Banco de México, within their respective powers, and (z) report the financial situation to the chief executive officer and chairman of the Board of Directors of the bank or to the Board of Directors of its holding company, in the event the bank is part of a financial group; and

• requiring the bank to refrain from participating in transactions that would cause its capital ratio to drop below the required minimum pursuant to the applicable provisions.

Regardless of the capitalization level of the banks, the CNBV may order the implementation of additional and special corrective measures. The additional and special corrective measures that, if applicable, the banks must comply with are the following: (a) define the concrete actions that it will carry out in order not to deteriorate its capital ratio; (b) hire the services of external auditors or any other specialized third person for special audits on specific issues; (c) refrain from agreeing to increases in the salaries and benefits of the officers and employees in general, except for agreed salary revisions and in compliance with labor rights; (d) substitute officers, members of the board or external auditors with appointed persons occupying the respective positions; or (e) undergo other actions or be subject to other limitations as determined by the CNBV, based on the result of its functions of monitoring and inspection, as well as with sound banking and financial practices.

Banking institutions that have been classified under Category I pursuant to the table above, shall not be subject to any corrective measures.

Reserve and Compulsory Deposit Requirements

The compulsory reserve requirement is one of the monetary policy instruments used as a mechanism to control the liquidity of the Mexican economy to reduce inflation. The objective of Banco de México's monetary policy is to maintain the stability of the purchasing power of the Mexican Peso and in this context, to maintain a low inflation level. Given the historic inflation levels in Mexico, the efforts of Banco de México have been directed towards a restrictive monetary policy. Under this policy, Banco de México has elected to maintain a short-term financial creditor stance with respect to the Mexican financial money markets, where every day, the market starts operations with a liquidity deficit which is then compensated by Banco de México through daily operations in the money market to provide adequate liquidity and stability to these markets. Banco de México's own experience has shown that its implementation of monetary policy is more effective if it starts from a deficit liquidity position at the beginning of each market day.

Under the Law of Banco de México, Banco de México has the authority to order the percentage of the liabilities of financial institutions that must be deposited in interest or non-interest-bearing deposits with Banco de México. These deposits may not exceed 20.0% of the aggregate liabilities of the relevant financial institution. Banco de México also has the authority to order that 100.0% of the liabilities of Mexican banks resulting from specific funding purposes, or pursuant to special legal regimes, be invested in specific assets created in respect of any such purpose or regime.

To manage its maturity exposures to the Mexican financial markets, Banco de México has been extending the maturities of its liabilities for longer terms to avoid the need for continuing refinancing of its liabilities. Those liabilities have been restructured into voluntary and compulsory deposits (Depósitos de Regulación Monetaria), and into investment securities such as longer-term government bonds (Bondes) and compulsory monetary regulatory bonds (Brems). At the same time, Banco de México has elected to hold short-term assets, thus allowing it the ability readily to refinance its positions of assets and reduce its maturity exposure to the financial markets.

Banco de México imposes reserve and compulsory deposit requirements on Mexican commercial banks. Bulletin 36/2008 published on August 1, 2008, stated that the total compulsory reserve deposit required of Mexican commercial banks was Ps.280.0 billion, which had to be deposited in eight installments by eight deposits of Ps.35.0 billion each on August 21 and 28; September 4, 11, 18 and 25; and October 2 and 9, 2008. The amount of the deposit that each bank had to make was determined based on each bank's pro rata share of total Mexican financial institution time deposits allocated as of May 31, 2008.

The compulsory deposit reserves required under the terms of the Bulletin 36/2008 have an indefinite term. During the time these reserves are maintained on deposit with Banco de México, each banking institution receives interest on such deposits every 28 days. Banco de México will provide advance notice of the date and the procedure to withdraw the balance of these compulsory deposits at such time, if any, that the compulsory deposit reserves are suspended or terminated.

Classification of Loans and Allowance for Loan Losses

The Loan Classification and Rating Rules set forth under the General Rules Applicable to Mexican Banks, provide a methodology to classify (i) consumer loans (i.e., each of credit card exposure and loans to individuals, divided as separate groups), considering as principal elements (a) for credit card exposure, the possibility of non-payment and potential losses (taking into account collateral received), and (b) for loans to individuals, the possibility of non-payment, potential losses (taking into account collateral received), and credit exposure (net of reserves created); (ii) mortgage loans (i.e., residential, including loans for construction, remodeling or improvements), considering as principal elements delinquency periods, possibility of non-payment and potential losses (taking into account collateral and guarantees received); and (iii) commercial loans, based principally on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Although the Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio, our subsidiaries follow the methodology set forth in the Loan Classification and Rating Rules.

The Loan Classification and Rating Rules require that consumer loans to individuals be stratified, considering the number of unpaid billing periods applicable to the relevant loans, and that a statutory percentage be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased as the maturity of the applicable loan approaches and past due payments are made. Credit card loans must be reserved, on a loan-by-loan basis, considering amounts due, amounts paid to the relevant date, credit limits, and minimum payments required. Consumer loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (from 0.0% to 100.0%); credit card consumer loans may be classified as A, B-1, B-2, C, D or E also depending upon the percentage of reserves required.

Under the Loan Classification and Rating Rules, mortgage loans must also be stratified, considering the number of unpaid monthly installments applicable to the relevant loans, and a statutory percentage must be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased in respect of restructured mortgage loans. Mortgage loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (ranging from 0.0% to 100.0%).

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk and applicable reserves and set forth procedures for the grading of commercial loans: A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E.

The grading of commercial loan portfolios is determined by an analysis of the financial risk, industry risk, country risk and the credit experience, which include the following risk factors: financial structure and payment capacity, sources of financing, administration and decision making, integrity of the financial information, market position and the specific collateral or guarantees that cover the credits.

The Loan Classification and Rating Rules require that Mexican banks grade their commercial loan portfolio (except loans made to or guaranteed by the Mexican federal government) as of the end of each quarter and the classification must be reported to the CNBV. The classification of mortgage and consumer loans is required to be made monthly and reported to the CNBV.

The allowance for loan losses are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to obtain authorization from their Board of Directors to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

Liquidity Requirements for Foreign Currency-Denominated Liabilities

Pursuant to regulations of Banco de México, the total amount of maturity-adjusted (by applying a factor, depending upon the actual maturity of the relevant liability) net liabilities denominated or indexed to foreign currencies that Mexican banks, their subsidiaries or their foreign agencies or branches may maintain (calculated daily), are limited to 1.83 times the amount of their Tier 1 capital. To calculate such limit, maturity-adjusted foreign currency-denominated or indexed assets (including liquid assets, assets with a maturity of less than one year, short term derivatives and spot foreign exchange transactions) are subtracted from maturity-adjusted foreign currency-denominated or indexed liabilities, and the aforementioned factor is applied to the resulting amount.

The maturity-adjusted net liabilities of Mexican banks denominated or indexed to foreign currencies (including dollars) are subject to a liquidity coefficient (i.e., to maintaining sufficient foreign currency-denominated or indexed liquid assets). These permitted liquid assets include, among others:

- U.S. dollar-denominated cash or cash denominated in any other currency freely convertible;
- deposits with Banco de México;
- treasury bills, treasury bonds and treasury notes issued by the United States government or debt certificates issued by agencies of the United States government, which have the unconditional guarantee of the United States government;
- demand deposits or one to seven-day deposits in foreign financial institutions rated at least P-2 by Moody's Investors Service, Inc., or "Moody's," or A-2 by Standard & Poor's Rating Services, or "S&P";
- investments in mutual or similar funds or companies approved by Banco de México, that satisfy certain requirements; and
- unused lines of credit granted by foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P, subject to certain requirements.

Such liquid assets may not be posted as collateral, lent or be subject to repurchase transactions or any other similar transactions that may limit their transferability.

Our subsidiaries are in compliance with the applicable reserve requirement and liquidity coefficients in all material aspects.

Lending Limits

In accordance with the General Rules Applicable to Mexican Banks, limits relating to the diversification of a bank's lending transactions are determined in accordance with the bank's compliance with Mexican Capitalization Rules. For a bank with:

- a capital ratio greater than 8.0% and up to 9.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank, is limited to 12.0% of the bank's Tier 1 capital;
- a capital ratio greater than 9.0% and up to 10.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 15.0% of the bank's Tier 1 capital;
- a capital ratio greater than 10.0% and up to 12.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 25.0% of the bank's Tier 1 capital;
- a capital ratio greater than 12.0% and up to 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 30.0% of the bank's Tier 1 capital; and
- a capital ratio greater than 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 40.0% of the bank's Tier 1 capital.

The limits mentioned in the prior paragraphs are required to be measured on a quarterly basis. The CNBV has discretion to reduce the aforementioned limits, if internal control or the risk management of the bank is inadequate.

Financings guaranteed by unconditional and irrevocable security interests or guarantees, that may be enforced immediately and without judicial action, granted by foreign financial institutions with investment grade ratings and established in a country member of the European Union or the Organization for Economic Cooperation and Development (which guarantees must be accompanied with a legal opinion as to their enforceability), securities issued by the Mexican government, and cash (transferred to the bank lender under a deposit that may be freely disposed of by the lender) are exempted from the aforementioned limits, but such financings may not exceed 100.0% of a bank's Tier 1 capital.

Likewise, financings granted to Sofomes for which the bank owns at least 99.0% of its capital stock, are exempted from the aforementioned guidelines, but such financings may not exceed 100.0% of a bank's Tier 1 capital. Notwithstanding, if the Sofomes maintain or grant financing (regardless of the origin of the resources) to a person or a group of persons representing common risk, such financing shall comply with the aforementioned limits.

The aggregate amount of financings granted to the three largest borrowers of a bank may not exceed 100.0% of the bank's Tier 1 capital. The aforementioned limits also do not apply to financings made to other Mexican banks and to government-controlled companies and decentralized agencies, but may not exceed 100.0% of such bank's Tier 1 capital.

Banks are not obligated to comply with the aforementioned limits with respect to financings made to the Mexican government, local governments (subject to such financings being guaranteed by the right to receive certain Federal taxes), Banco de México, IPAB and development banks guaranteed by the Mexican government.

Banks are required to disclose, in the notes to their financial statements, (i) the number and amount of financings that exceed 10.0% of Tier 1 capital, and (ii) the aggregate amount of financings made to their three largest borrowers.

Funding Limits

In accordance with the General Rules Applicable to Mexican Banks, Mexican banks are required to diversify their funding risks. In particular, a Mexican bank is required to notify the CNBV, on the business day following the occurrence of the event, in the event it receives funds from a person or a group of persons acting in concert that represent in one or more funding transactions more than 100.0% of such bank's Tier 1 capital. None of our liabilities to a person or group of persons exceeds the 100.0% threshold.

Mexican banks are not subject to the foregoing maximum funding limits when they enter into funding transactions with (i) the Federal government, (ii) any institution that has the Federal government as a payment guarantor and that is registered under the Record of Financial Obligations (Registro de Obligaciones Financieras) held by the SHCP, (iii) Mexican states, the Federal District, and municipalities when their respective share of participaciones federales (a portion of federal revenue allocated to state and municipal governments) are offered as collateral and an irrevocable order of payment to the SHCP or the respective state authority, as applicable, is issued in favor of the creditor, (iv) Banco de México, (v) the IPAB, and (vi) any Mexican development bank that has the Federal government as the ultimate guarantor of their operations. In addition, any payment guaranteed by the Federal government shall comply with the Tax Coordination Law (Ley de Coordinación Fiscal) and its corresponding regulations.

Related Party Loans

Pursuant to the Mexican Banking Law, the total amount of the transactions with related parties may not exceed 50.0% of the bank's Tier 1 capital. For the case of loans and revocable credits, only the disposed amount will be counted.

Foreign Currency Transactions

Banco de México regulations govern transactions by banks, denominated in foreign currencies. Mexican banks may, without any specific additional approval, engage in spot, foreign exchange transactions (i.e., transactions having a maturity not exceeding four business days). Other foreign currency transactions are deemed derivative transactions and require approvals as discussed below. At the end of each trading day, banks are generally obligated to maintain a balanced foreign currency position (both in the aggregate and by currency). However, short and long positions are permitted in the aggregate, so long as such positions do not exceed 15.0% of a bank's Tier 1 capital. In addition, Mexican banks must maintain liquid assets, prescribed by regulations issued by Banco de México, in connection with maturities of obligations denominated in foreign currencies.

Derivative Transactions

Certain Banco de México rules apply to derivative transactions entered into by Mexican banks. Mexican banks are permitted to enter into swaps, credit derivatives, forwards and options with respect to the following underlying assets:

- specific shares, groups of shares or securities referenced to shares, that are listed in a securities exchange,
- stock exchange indexes,
- Mexican currency, foreign currencies and UDIs,
- inflation indexes,
- nominal or real interest rates, rates with respect to any debt instrument that are related to such rates
- loans or other advances, gold or silver,
- wheat, corn, soybean, sugar, rice, sorghum, cotton, oats, coffee, orange juice, cocoa, barley, milk, canola, soybean oil and soybean paste,
- swine meat, cattle and pork.
- natural gas, heating oil, diesel, gasoline and crude oil,
- aluminum, copper, nickel, platinum, lead and zinc, ;and
- futures, options and swaps with respect to the underlying assets mentioned above.

Mexican banks require an express general approval, issued in writing by Banco de México, to enter into, as so-called intermediaries, derivative transactions, with respect to each class or type of derivative. Mexican banks that have not received the relevant general approval, would require a specific approval from Banco de México to enter into such derivative transactions (or even if in possession of such general approval, to enter into derivative transactions with underlying assets different from the assets specified above). Mexican banks may, however, enter into derivatives without the authorization of Banco de México, if the exclusive purpose of such derivatives is to hedge the relevant bank's existing risks. Authorizations may be revoked if, among other things, the applicable Mexican bank fails to comply with Mexican Capitalization Rules, does not timely comply with reporting requirements, or enters into transactions that contravene applicable law or sound market practices.

Banks that execute derivative transactions with related parties or with respect to underlying assets of which the issuer or debtor are related parties, shall comply with the corresponding provisions established in the Mexican Banking Law and the Mexican Securities Market Law.

Institutions may guarantee the compliance of the derivative transactions through cash deposits, receivables and/or securities of its portfolio. In the case of derivative transactions that take place in OTC markets, the above guarantees may be granted only when the counterparties are credit institutions, brokerage firms, foreign financial institutions, mutual funds, mutual funds manager of pension funds, Sofoles, and any other counterparty authorized by Banco de México. Mexican banks are required to periodically inform their Board of Directors with respect to the derivatives transactions entered into, and whether or not the Mexican bank is in compliance with limits imposed by the Board of Directors and any applicable committee. Mexican banks must also inform Banco de México periodically of derivative transactions entered into and whether any such transaction was entered into with a related party. The counterparties in respect of derivatives transactions entered into by Mexican banks must be other Mexican banks, Mexican financial entities authorized to enter into such derivatives by Banco de México or foreign financial institutions. Derivatives must be entered into pursuant to master agreements that must include international terms and guidelines, such as ISDA master agreements and master agreements approved for the domestic market. As an exception to applicable rules, Mexican banks may pledge cash, receivables and securities to secure obligations resulting from their derivative transactions.

Our subsidiaries operating in the financial sector have received approval from Banco de México to engage in swaps, forwards and options related to interest rates and foreign currencies.

Repurchase Operations and Securities Lending

Under a bulletin issued by Banco de México, Mexican banks may enter into repurchase operations with other Mexican banks, Mexican broker-dealers and foreign financial institutions. Repurchase operations may be entered into in respect of bank securities, Mexican government securities, debt securities registered with the CNBV and certain foreign securities. Repurchase operations must be entered into under a master agreement approved by the Asociación de Bancos de México, A.C. and the Asociación Mexicana de Intermediarios Bursátiles for these operations, which shall include the guidelines of the master agreements for these operations approved by the International Securities Market Association, the Public Securities Association or the Bond Market Association. Collateral may be provided in connection with repurchase operations. Banco de México has also authorized Mexican banks to participate in securities lending activities on terms similar to those applicable to repurchase operations.

Restrictions on Liens and Guarantees

Under the Mexican Banking Law, banks are specifically prohibited from (i) pledging their securities or other assets as collateral (except (a) if Banco de México or the CNBV so authorizes, including as described above with respect to derivative transactions or (b) for obligations in favor of Banco de México, IPAB, Mexican development banks or governmental trusts) and (ii) guaranteeing the obligations of third parties, except, generally, in connection with letters of credit and bankers' acceptances.

Bank Secrecy Provisions; Credit Bureaus

Pursuant to the Mexican Banking Law, a Mexican bank may not provide any information relating to the identity of its customers or specific deposits, services or any other banking transactions (including loans) to any third parties (including any purchaser, underwriter or broker, or holder of any of the bank's securities), other than (i) the depositor, debtor, accountholder or beneficiary and their legal representatives or attorneys-in-fact, (ii) judicial authorities in trial proceedings in which the accountholder is a party or defendant, (iii) the Mexican federal tax authorities for tax purposes, (iv) the SHCP for purposes of the implementation of measures and procedures to prevent terrorism and money laundering, (v) the Federal Auditor (Auditoría Superior de la Federación), when complying with its supervision and inspection duties of the Federal Public Account, and on accounts or agreements involving federal public resources, (vi) the supervisory unit of the Federal Electoral Agency, (vii) the federal general attorney (Procurador General de la República) for purposes of criminal proceedings, among others, (viii) the Treasurer of the Federation, as applicable, to request account statements and any other information regarding the personal accounts of public officers, assistants and, as the case may be, particulars related to the corresponding investigation, and (ix) the head and undersecretaries of the Ministry of Public Function (Secretaría de la Función Pública) when investigating or auditing the estates and assets of federal public officers. In most cases, the information needs to be requested through the CNBV.

The CNBV is authorized to furnish foreign financial authorities with certain protected information under the Mexican bank secrecy laws, provided that an agreement must be in effect between the CNBV and such authority for the reciprocal exchange of information. The CNBV must abstain from furnishing information to foreign financial authorities if, in its sole discretion, such information may be used for purposes other than financial supervision, or by reason of public order, national security or any other cause set forth in the relevant agreement.

Banks and other financial entities are allowed to provide credit related information to duly authorized Mexican credit bureaus.

Anti-Money Laundering Regulations

Mexico has in effect rules relating to money laundering; the most recent set of rules have been in effect since April 21, 2009 (the "Anti-Money Laundering Rules").

Under the Anti-Money Laundering Rules, our subsidiaries operating in the financial sector are required to satisfy various requirements, including:

- the establishment and implementation of procedures and policies, including client identification and know-your-customer policies, to prevent and detect actions, omissions or transactions that might favor, assist or cooperate in any manner with terrorism or money laundering activities (as defined in the Mexican Federal Criminal Code (Código Penal Federal));
- implementing procedures for detecting relevant, unusual and suspicious transactions (as defined in the Anti-Money Laundering Rules);
- reporting of relevant, unusual and suspicious transactions to the SHCP, through the CNBV; and
- the establishment of a communication and control committee (which, in turn, must appoint a compliance officer) in charge of, among other matters, supervising compliance with anti-money laundering provisions.

Our subsidiaries operating in the financial sector are also required to organize and maintain a file before opening an account or entering into any kind of transaction, for the identification of each client (each, an "Identification File").

An individual's Identification File shall include, among other information, a copy of the following documentation or data (which must be maintained updated): (i) full name, (ii) genre, (iii) date of birth, (iv) nationality and country and state of birth, (v) tax identification number and the certificate evidencing the tax identification number issued by the SHCP or the population registry identification number and evidence thereof issued by the Ministry of Interior, as the case may be, (vi) occupation, profession, main activity or line of business, (vii) complete domicile (including telephone number), (viii) e-mail address, if any, and (ix) advanced electronic signature series number, when applicable.

An entity's Identification File shall include, among other information, a copy of the following documentation or data (which must be maintained updated): (i) corporate name, (ii) domicile, (iii) nationality, (iv) name of the sole administrator, the members of the Board of Directors, the general manager or any relevant attorney-in-fact, (v) main activity or line of business, (vi) tax identification number and the certificate evidencing the tax identification number issued by the SHCP, (vii) advanced electronic signature series number, when applicable, and (viii) copy of the public deed containing its constitutive documents.

Identification Files shall be maintained for the complete duration of the corresponding agreement entered into with such client, and for a minimum term of ten years from the date such agreement is terminated.

The Mexican Banking Law requires banks to have a manual for anti-money laundering procedures that is approved by the Board of Directors and certified by the CNBV.

Under the Anti-Money Laundering Rules, our subsidiaries operating in the financial sector must provide to the SHCP, through the CNBV, (i) quarterly reports (within ten business days from the end of each quarter) with respect to transactions equal to, or exceeding, U.S.$10,000, (ii) monthly reports (within 15 business days from the end of the month) with respect to international funds transfers, received or sent by a client, with respect to transactions equal to, or exceeding, U.S.$10,000, (iii) reports of unusual transactions, within 60 calendar days counted from the date an unusual transaction is detected by our financial subsidiaries' systems, and (iv) periodic reports of suspicious transactions, within 60 calendar days counted from the date the suspicious transaction is detected.

In June 2010, new regulations were issued by the SHCP, as amended in September and December 2010, August 2011 and March 2013, which restrict cash transactions denominated in U.S. Dollars that may be entered into by Mexican banks. Pursuant to such regulations, Mexican banks are not able to receive physical cash amounts, in U.S. Dollars, from individuals in excess of U.S. $4,000 per month for deposits. Mexican banks are also not able to receive physical cash amounts, in U.S. Dollars, from their corporate clients, except in very limited circumstances.

Also, Mexican banks are not permitted to receive physical cash amounts, in U.S. Dollars, from individuals, in excess of U.S. $300 per day for individual foreign exchange transactions. In each case, the monthly amount per individual for such transactions cannot exceed U.S. $1,500.

In addition, the regulations set forth certain reporting obligations for Mexican banks regarding their U.S. dollar cash transactions, to the SHCP (through the CNBV).

On October 17, 2012, the Prevention and Identification of Transactions with Illicit Resources Law (Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita) was published in the Official Gazette, and will become effective on July 18, 2013.

The new law aims to protect the financial system and the national economy, through measures and procedures to prevent and identify acts or transactions involving illegal resources. According to this law, banks and exchange houses shall implement procedures to prevent and identify actions, omissions or transactions suspected for money laundering and shall report periodically to the SHCP.

We cannot predict the full scope and application of such new law nor its corresponding regulations. Furthermore, we cannot predict how any of these regulations may impact our business, financial condition or results of operations.

Rules on Interest Rates

Banco de México regulations limit the number of reference rates that may be used by Mexican banks as a basis for determining interest rates on loans. For Peso-denominated loans, banks may choose any of a fixed rate, TIIE, CETES, CCP (costo de captación promedio a plazo), the rate determined by Banco de México as applied to loans funded by or discounted with NAFIN, the rate agreed to with development banks in loans funded or discounted with them, the weighted bank funding rate (tasa ponderada de fondeo bancario) and the weighted governmental funding rate (tasa ponderada de fondeo gubernamental). For UDI-denominated loans, the reference rate is the UDIBONOS. For foreign currency-denominated loans, banks may choose any of a fixed rate or floating market reference rates that are not unilaterally determined by a financial institution, including LIBOR or the rate agreed upon with international or national development banks or funds, for loans funded by or discounted with such banks or funds. For dollar denominated loans, banks may choose either a fixed rate or any of the rates referred to in the prior sentence or CCP-Dollars, as calculated and published in the Official Gazette by Banco de México.

The rules also provide that only one reference rate can be used for each transaction and that no alternative reference rate is permitted, unless the selected reference rate is discontinued, in which event a substitute reference rate may be established. A rate or the mechanism to determine a rate, may not be modified unilaterally by a bank. Rates must be calculated annually, based upon 360-day periods.

On November 11, 2010, Banco de México published new rules that regulate the issuance and use of credit cards. Such rules standardize the regulations and forms that enable card holders to authorize charges for recurrent payments relating to goods and services and standardize the procedures for objecting to improper charges and cancelling such services quickly and securely. The rules also establish the way in which credit card issuers shall determine the amount of the minimum payment in each period by means of a formula that favors payment of a part of the principal at the time of each minimum payment, with the aim of achieving payment of debts within a reasonable time period. Such rules also include certain protection provisions for card users in case of theft or loss of their credit cards, the creation of incentives to credit card issuers to adopt additional measures to reduce risks derived from use of credit cards in internet transactions and the wrongful use of information contained in credit cards. These rules did not have a material impact on our operations or financial condition.

Fees

Under Banco de México regulations, Mexican banks, Sofoles and Sofomes may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (i) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (costo anual total), (ii) charge alternative fees, except if the fee charged is the lower fee, and (iii) charge fees for the cancellation of credit cards issued. In addition, among other things, Mexican banks may not (i) charge simultaneous fees, in respect of demand deposits, for account management and relating to not maintaining minimum amounts, (ii) charge fees for returned checks received for deposit in a deposit account or as payment for loans granted, (iii) charge fees for cancellation of deposit accounts, debit or teller cards, or the use of electronic banking services, or (iv) charge different fees depending upon the amount subject of a money transfer. Under the regulations, fees arising from the use of ATMs must be disclosed to users.

Mexican banks, Sofoles and Sofomes permitting customers the use of, or operating, ATMs must choose between two options for charging fees to clients withdrawing cash or requesting balances: (i) specifying a fee for the relevant transactions, in which case, Mexican banks, Sofoles and Sofomes issuing credit or debit cards ("Issuers") may not charge cardholders any additional fee (Issuers are entitled to charge operators the respective fee), or (ii) permit Issuers to charge a fee to clients, in which case, banks, Sofoles and Sofomes may not charge additional fees to clients.

Banco de México, on its own initiative or as per request from the CONDUSEF, banks, Sofoles or Sofomes, may assess whether reasonable competitive conditions exist in connection with fees charged by banks, Sofoles or Sofomes in performing financial operations. Banco de México must obtain the opinion of the Federal Competition Commission (Comisión Federal de Competencia) in carrying out this assessment. Banco de México may take measures to address these issues.

IPAB

The IPAB Law, which became effective January 20, 1999, provides for the creation, organization and functions of IPAB, the Mexican bank savings protection agency. IPAB is a decentralized public entity that regulates the financial support granted to banks for the protection of bank guaranteed operations.

Only in exceptional cases may IPAB grant financial support to banking institutions.

IPAB will manage and sell the loans, rights, shares and any other assets that it acquires to perform its activity according to the IPAB Law, to maximize their recovery value. IPAB must ensure that the sale of such assets is made through open and public procedures. The Mexican President is required to present annually a report to Congress prepared by IPAB with a detailed account of the transactions conducted by IPAB in the prior year.

IPAB has a Governing Board of seven members: (i) the Minister of Finance and Public Credit, (ii) the Governor of Banco de México, (iii) the President of the CNBV, and (iv) four other members appointed by the President of Mexico, with the approval of two-thirds of the Senate.

The deposit insurance to be provided by IPAB to a bank's depositors will be paid upon determination of the dissolution and liquidation, or bankruptcy of a bank. IPAB will act as liquidator or receiver in the dissolution and liquidation, or bankruptcy of banks, either directly or through designation of a representative. IPAB will guarantee obligations of banks to certain depositors and creditors only up to the amount of 400,000 UDIs, per person per bank.

Banks have the obligation to pay IPAB ordinary and extraordinary contributions as determined from time to time by the Governing Board of IPAB. Under the IPAB Law, banks are required to make monthly ordinary contributions to IPAB, equal to 1/12 of 0.004% multiplied by the average of the daily outstanding liabilities of the respective bank in a specific month, less (i) holdings of term bonds issued by other commercial banks; (ii) financing granted to other commercial banks; (iii) financing granted by IPAB; (iv) subordinated debentures that are mandatorily convertible in shares representing the capital stock of the banking institution; and (v) restricted assets and liabilities resulting from the repurchase transactions (reportos) and lending of securities with the same counterparty, pursuant to the provisions issued by IPAB.

IPAB's Governing Board also has the authority to impose extraordinary contributions in the case that, given the conditions of the Mexican financial system, IPAB does not have available sufficient funds to comply with its obligations. The determination of the extraordinary contributions is subject to the following limitations: (i) may not exceed, on an annual basis, the amount equivalent to 0.003% multiplied by the total amount of the liabilities outstanding of the banking institutions that are subject to IPAB contributions; and (ii) the aggregate amount of the ordinary and extraordinary contributions may not exceed, in any event, on an annual basis, an amount equivalent to 0.008% multiplied by the total amount of the liabilities outstanding of the applicable banking institution.

The Mexican Congress allocates funds to IPAB on a yearly basis to manage and service IPAB's liabilities. In emergency situations, IPAB is authorized to incur additional financing every three years in an amount not to exceed 6.0% of the total liabilities of Mexican banks as determined by the CNBV.

Law for the Protection and Defense of Financial Service Users

A Law for the Protection and Defense of Financial Service Users (Ley de Protección y Defensa al Usuario de Servicios Financieros) is in effect in Mexico. The purpose of this law is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services and that has very wide authority to protect users of financial services (including imposing fines). CONDUSEF acts as arbitrator in disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions. Banorte and its subsidiaries operating in the financial sector must submit to CONDUSEF's jurisdiction in all conciliation proceedings (initial steps of a dispute) and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it. The law requires banks to maintain an internal unit designated to resolve any and all controversies submitted by clients. Our financial subsidiaries maintain such a unit.

CONDUSEF maintains a Registry of Financial Service Providers (Registro de Prestadores de Servicios Financieros), in which all financial services providers must be registered, that assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial institutions. Furthermore, CONDUSEF may scrutinize banking services provided by approving and supervising the use of standard accession agreements.

Banorte and its subsidiaries operating in the financial sector may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. Our financial subsidiaries may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. Our financial subsidiaries may be subject to coercive measures or sanctions imposed by CONDUSEF. Our financial subsidiaries are not the subject of any material proceedings before CONDUSEF.

Law for the Transparency and Ordering of Financial Services.

The Transparency and Ordering of Financial Services Law regulates (i) the fees charged to clients of financial institutions for the use and/or acceptance of means of payment, as with debit cards, credit cards, checks and orders for the transfer of funds, (ii) the fees that financial institutions charge to each other for the use of any payment system, (iii) interest rates that may be charged to clients, and (iv) other aspects related to financial services, all in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants Banco de México the authority to regulate interest rates and fees and establish general guidelines and requirements relating to payment devices and credit card account statements (See section 2. "Issuer. Subsection b) Business Description–Applicable Laws and Tax Position– Applicable Law and Supervision – Banking Regulations – Interest Rates and Fees Rules"). Banco de México has the authority to specify the basis upon which each bank must calculate its aggregate annual cost (costo anual total), which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly disclosed by each bank. The law also regulates the terms that banks must include in standard accession agreements and the terms of any publicity and of information provided in account statements. Our subsidiaries operating in the financial sector must inform Banco de México of any changes in fees at least 30 calendar days before they become effective.

Law on Transparency and Development of Competition for Secured Credit

On December 30, 2002, the Mexican Congress enacted the Law on Transparency and Development of Competition for Secured Credit (Ley de Transparencia y de Fomento a la Competencia en el Crédito Garantizado, or the "Secured Credit Law"), amended on June 15, 2007 and on May 25, 2010. The Secured Credit Law provides a legal framework for financial activities and certain other services performed by private credit institutions (as opposed to governmental entities) in connection with secured loans relating to real property in general and housing in particular (i.e., purchase, construction, restoration or refinancing). In particular, the

Secured Credit Law established specific rules requiring the following: (i) the disclosure of certain information by credit institutions to their clients prior to the execution of the relevant loan agreement, including the disclosure of certain terms relating to interest rates, aggregate costs and expenses payable; (ii) the compliance by credit institutions and borrowers with certain requirements in the application process; (iii) the binding effect of offers made by credit institutions granting secured loans; (iv) the inclusion of mandatory provisions in loan agreements; and (v) the assumption of certain obligations by public officers (or notaries) before whom secured loans are granted.

In addition, the Secured Credit Law seeks to foster competition among credit institutions by permitting security interests underlying a secured loan to survive any refinancing thereof, even if such loans were granted by different credit institutions. This provision of the Secured Credit Law is designed to reduce expenditures made by borrowers.

Insurance Companies

Insurance companies (instituciones de seguros) are regulated and subject to supervision by the CNSF, and are subject to the General Insurance Companies Law (Ley General de Instituciones y Sociedades Mutualistas de Seguros), the Insurance Contract Law (Ley sobre el Contrato de Seguro) and other regulatory provisions enacted by the SHCP and the CNSF. The CNSF enacts regulatory provisions establishing the rules and requirements pertaining to insurance companies. Mexican insurance companies are typically involved in insuring customary risks, such as life, accidents, medical, civil liability, professional liability, maritime and transportation and credit. Insurance companies are subject to capital adequacy requirements, and to certain report filing obligations to ensure compliance with legal, regulatory, capital and accounting provisions. Also, insurance companies are subject to certain regulations in connection with their investment activities. Our subsidiary, Seguros Banorte Generali, operates its business as an insurance company, and therefore, is subject to regulation and supervision by the CNSF.

Brokerage Firms

Brokerage firms (casas de bolsa) are regulated by, and subject to the supervision of, the CNBV, and are subject to the Mexican Securities Market Law and the General Rules Applicable to Brokerage Firms (Disposiciones de Carácter General Aplicables a las Casas de Bolsa) issued by the CNBV. Their principal business includes the brokerage, underwriting and intermediation of securities, the sale and trading of securities (either on their own behalf or on behalf of third parties), and the provision of investment and portfolio management advice to their clients. The CNBV has the power to authorize the incorporation and operation of brokerage firms, and power to revoke any such authorizations. Our subsidiary, Casa de Bolsa Banorte Ixe, operates its business as a brokerage firm, and therefore, is subject to regulation and supervision by the CNBV.

Management of Broker-Dealers

Broker-dealers are managed by a Board of Directors and by a general director.

The Board of Directors may have up to 15 members, 25.0% of which is required to be independent.

The broker-dealer must also maintain an audit committee. Casa de Bolsa Banorte Ixe's audit committee is comprised of 4 members, 1 of which is independent.

Capitalization

Broker-dealers are required to maintain a minimum capital depending upon their activities. In addition, broker-dealers must maintain minimum capital levels depending upon market risks, credit risk and operational risk.

If minimum capitalization levels are not maintained, the CNBV may take measures against the applicable broker-dealer, which include (i) suspending the payment of dividends and other distributions to shareholders, (ii) suspending the payment of bonuses and extraordinary compensation to the general director and higher level officers, and (iii) ordering the suspension of activities that may impact the broker-dealer's capital.

Suspension and Limitations of Activities

The CNBV may suspend or limit the activities of a broker-dealer if (i) internal infrastructure or internal controls are not sufficient for its activities, (ii) it conducts activities different from authorized activities, (iii) it conducts activities affected by conflicts of interest, (iv) undertakes securities transactions on the BMV, and (v) transactions are omitted or incorrectly entered into the broker-dealer’s accounting.

In addition, the CNBV may intervene and commence the management of a broker-dealer, if any events affect the broker-dealer that may have an impact on the soundness, solvency or liquidity, or affect the interests of the broker-dealer’s clients.

Revocation of Authorization

The CNBV may revoke the authorization to operate as a broker-dealer if, among other things, (i) the authorization was obtained based upon false documentation or statements, (ii) its capital falls below the regulatory minimum, (iii) provides false or incomplete periodic reports, (iv) fails to duly make accounts entries, (v) fails to comply with applicable law, (vi) a process for its dissolution or liquidation is initiated, or (vii) it is declared bankrupt.

Systems for Handling Orders

Broker-dealers are required to maintain an automatic system to receive, register, assign and execute orders for transactions with securities received by clients. Such system must distinguish (i) type of client, and (ii) different orders received. Broker-dealers are required to inform clients their schedules to receive orders and time-periods during which transactions shall remain in effect.

Secrecy

Under the Mexican Securities Market Law, broker-dealers may not provide any information in respect of transactions undertaken or services offered, except to the owner or holder of the account, to beneficiaries or their legal representatives, except if required by judicial authorities as a result of an order or to tax authorities, solely for tax purposes.

Traders and Operators

Broker-dealers may only engage in transactions with the public through authorized officers, and only if such officers have passed certain required exams and have been granted sufficient authority, through powers of attorney, by the broker-dealer.

Third-Party Services

Broker-dealers may contract with third parties any of the services required for their operations, as long as such broker-dealers obtain the approval of the CNBV and (i) maintain procedures to continuously monitor the performance of the service provider, (ii) cause the service provider to always grant CNBV access in connection with its supervisory rate, (iii) ensure that third-party service providers maintain confidentiality, and (iv) report to the CNBV the criteria used for selecting the service provider, the services in effect contracted, and risks arising from services provided.

Financial Reporting

Broker-dealers are required to disclose to the public (i) internal financial statements for the quarters ending in March, June and September, within one month from the end of this applicable quarter, and (ii) audited financial statements for each full fiscal year, within sixty days following the end of the applicable fiscal year.

Afores

Afores and Siefores are regulated and subject to supervision by the CONSAR, and are subject to the Retirement Savings System Law (Ley de los Sistemas de Ahorro para el Retiro) and the regulations issued by CONSAR.

Afores are pension funds organized under the Retirement Savings Systems Law, in charge of receiving and investing retirement funds, through a retirement savings system implemented by the Mexican government in 1997. Under Mexican retirement savings system, workers are entitled to choose an Afore, which will manage and invest their retirement fund as set forth under the Retirement Savings System Law. Workers are subject to mandatory and voluntary contributions to their Afore, which in principle guarantees that, upon retirement, the worker will receive a more significant amount as a retirement pension. Afores typically invest their funds through Siefores, specialized investment entities controlled by Afores. Our subsidiary, Afore XXI Banorte, operates its business as an Afore, and therefore, is subject to regulation and supervision by the CONSAR.

New Regulation Applicable to our Business

Bill on Financial Discipline for the States and Municipalities

In February 12, 2013, senators from the PRI (Partido Revolucionario Institucional) presented before the Senate a reform package and a bill on financial discipline for states and municipalities aimed at establishing a nationwide policy relating to fiscal responsibility on the incurrence of debt by government entities. This new regulation will organize sub-national debt by regulating financial obligations through limits to indebtedness both to states and municipalities. This law will improve the regulation of public finances, by creating a new public debt scheme called “deuda estatal garantizada” or “state guaranteed debt,” which will prohibit states and municipalities from borrowing to finance current spending, among others.

In addition, this new regulation respects the autonomy of the states but elevates sub-national funding to a federal level by adding provisions to the Mexican Constitution empowering the Mexican Congress to legislate matters of fiscal responsibility and fiscal coordination and by introducing a new system of public borrowing for states and municipalities. This new regulation will set the rules for public finances while permitting the Mexican Congress to establish general applicable principles and rules, without making the regulation of public debt and transparency become a federal question.

The purpose of this law is to support government entities by improving their financing terms and conditions to foster growth and development without damaging public finances and continue endorsing state sovereignty and independence, through a transparent system, accountability, and efficient public spending.

If this new law is approved, it will establish a system of financial discipline that will set funding limits and conditions, rules for fiscal responsibility and rules regarding the use of participaciones federales as a source of payment and state guaranteed debt.

Adoption of New Rules in Mexico in accordance with Basel III

Basel III Guidelines

Basel III is a comprehensive set of reform measures developed by the Basel Committee to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to: improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source; improve risk management and governance; and strengthen banks’ transparency and disclosures.

Adoption of Basel III Standards by Mexico

On November 28, 2012, the CNBV published an amendment to the Mexican Banking Regulations anticipating the adoption of Basel III guidelines. Most aspects of the new set of rules became effective on January 1, 2013, while others will be phased in until the year 2022. The new regulation aims to, among others: (i) strengthen the composition of the net capital of banking institutions under Basel III guidelines, and (ii) allow certain securities issued by commercial banks to have the ability to absorb losses incurred by these institutions when submitting a detriment in their capital, either through a conversion into their shares or by the loss of the agreed value at the time of issuance in order to be recognized as part of the net capital of such institutions.

Definition of “Capital”

Under these new rules, net capital continues to be integrated by a basic tier (Tier 1 and Tier 2 basic capital) and a complementary tier.

The new proposal establishes a new capital ratio of 10.5% to be classified as a category I institution. Banorte had a capital ratio of 14.75% as of December 31, 2012.

vi. HUMAN RESOURCES

GFNorte had 26,211 full-time and professional fee-based employees at the end of the year 2012. During 2012 the payroll migration process of former Ixe GF's subsidiaries and Casa de Bolsa Banorte to Banorte's payroll was finalized, therefore, years prior to 2012 have been aggregated in order to make figures comparable.

Sector	2012	2011	2010
Banking, Brokerage and Other Finance Companies Sector	20,963	20,207	16,150
Long- term Savings Sector	5,144	3,893	3,678
Total full-time employees	**26,107**	**24,100**	**19,828**
Total full-time employees & salaries	**26,211**	**24,134**	**19,863**

74% of GFNorte’s Banking Sector employees are non-unionized and the rest are union members.

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

vii. ENVIRONMENTAL PERFORMANCE

Banorte has an established environmental policy containing the following 4 principles:

1. Achieve sustainable development.
2. Address the social responsibility in the pursuit of return on investment.
3. Convey awareness of sustainable development through the operation of the bank.
4. Integrate environmental protection in the operation of the bank.

As part of the approach to integrate environmental data at the Group level and with the objective to improve the resources management and reporting, options are evaluated in order to adopt an Environmental Management System (EMS) which will enable us to identify, capture, measure and monitor key environmental, social and economic indicators at the GFNorte level.

As of 2012, GFNorte does not count with certificate or recognition of any competent authorit or duly accredited entity. It is worth highlighting that for a second straight year GFNorte was included in the BMV’s Sustainable IPC Index. Moreover, according to the “From Disclosure to Action”. CDP Investors Latin America Report 2012”, the CDP recognized GFNorte among the top ten CDP reporters in Latin America in *Disclosure and Performance* regarding the submitted info to *CDP Investors.*

During 2012 actions were continued and some new actions were launched, the most important are:

- Banorte adopted the Equator principles, being the second Mexican bank to sign them.
- GFNorte signed the Natural Capital Declaration. In 2013, Banorte will chair the working group about the integrations of Natural Capital considerations in to financial services and products and will be member of the “Understanding of the impacts and dependencies of Natural Capital” working group.

- Banorte was incorporated as active member of the CESPEDES (Commission for the Study of the Private Sector for Sustainable Development), and of the Comisión de Sustentabilidad del Consejo Coordinador Empresarial, A. C.

- Regarding products and services:
  - Banorte participates jointly with the Global Institute of Sustainability at the Monterrey Institute for Technology and Higher Education (ITESM), the Multilateral Investment Fund (MIF) of the Inter-American Development Bank, FEMSA, and Walmart in the "Pilot project for Micro-SME competitiveness through the Implementation of Sustainable Practices". The overall aim of this pilot project for Micro-SMES is to boost their competitiveness within the supply chains of the largest companies (known as anchor or tractor companies) through the implementation of sustainable practices. Within the frame of this project, Banorte seeks to create financial instruments that help Micro-SMES gain access to clean and efficient technology
  - In 2012 we began migrating the physical token to a mobile device token. In the space of just 8 months, 10% of Electronic Banking customers began using this service and 1 out of every 4 customers that use our products and services prefer to do so with a cellular token. Eliminating the physical token has a saving impact for the institution, but also contributes to the environmental conservation because there is no need to generate it or dispose it.

- Regarding energy and climate change:
  - We continued with the Integral Energy Control System (SICE) at Banorte.
  - Installation of on/off controls in the air conditioning equipments and lighting at Banorte's buildings.
  - An air conditioning equipment substitution project replacing equipment that has reached the end of its useful life for more energy efficient equipment.
  - Pilot program for the implementation of photovoltaic cells at two Banorte branches.
  - Energy efficiency project at the "González Barrera" Contact Center, which includes a cutting-edge air conditioning system, heat insulation, and lighting controls and the use of natural light.
  - Afore XXI Banorte is developing and pre-installating energy and resources efficient equipment.
  - The Investor CDP 2012 information request was answered, providing information regarding carbon emissions. GFNorte participated in events with CDP to promote awareness and actions regarding climate change.

- Regarding the Paperless Program:
  - In 2012 work was done on a simplified receipt which consists of a retail establishment giving a customer that made a purchase using a credit or credit card at a Banorte terminal a receipt that is 50% of the normal size but that contains the same information. This action translates into a 25% reduction in paper and ink consumption for POS Terminal receipts
  - Regarding online banking, more and more customers are opting not to receive printed account statements and only to receive account statements electronically. Currently more than 200,000 account statements are no longer printed.
  - At Uniteller USA, the "Paperless" project has also been promoted, motivating the mail culture vs. printing, which has helped to reduce 20% of paper consumption

- Banorte Securities International: During 2012 paper, aluminum cans and plastic bottles were recycled. As part of the relocation to the new building, through emails and training, employees were informed on waste separation for recycling.
- INB recycles paper, aluminium cans and cardboards at the McAllen, Texas USA corporate building.
- Seguros and Pensiones Generali (insurance and annuities) recycled 4.8 tons of cardboard and 7.25 tons of white paper in 2012.

It is worth mentioning that GFNorte signed the Natural Capital Declaration, document that represents the commitment of signing banks, investments funds and insurance companies in order to achieve an understanding of the dependency that their operations have on the environment in their respective countries, taking into account the conservation of Natural Capital (as defined by the Declaration) in their operations, products, services and accounting, besides aiming to present specialized reports regarding this topic.

Moreover, in 2012 Banorte worked to achieve the successful implementation of the Equator Principles through a system that enables us to identify, assess, manage and monitor “Project Finance” transactions whose cost of capital are USD 10 million or greater. A similar process has been carried out since 2012, for projects amounting to more than USD 1 millon through the Social and Environmental Management System (SEMS), which besides of assigning a risk rating to the project, enables to identify new business opportunities.

Regarding climate change, the institution has established policies and procedures to deal with contingencies with physical assets. In the past three years, the implementation of policies and procedures for contingencies, the early activation of warnings, the committees' actions and the implementation of preventive action (before, during and after), have enabled:

- That the employees at branches and buildings and first-degree relatives, have not suffered personal tragedies nationwide.
- Major damages to infrastructure of buildings have been mitigated and/or avoided (branches, buildings and ATMS).
- Losses and cash losses have been avoided (ATMS, Sucursales, Edificios).

Every year risks and opportunities related to the potential impact that climate chage may represent to the physical assets of the institution and to the business continuity are assessed.

Since it is a service company, its operations don’t represent a significant environmental risk.

viii. MARKET INFORMATION

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

Company	Concept	2011	2010	2009
Banking Sector (1)	Retail Total Deposits	14.3%	13.2%	11.1%
	Performing Loans	14.4%	13.8%	11.8%
Brokerage (2)	Operations in equities	4.7%	4.8%	3.4%
Afore (retirement fund) (3)	Affiliations	16.8%	16.6%	9.5%
Insurance (4)	Issued Premiums	4.3%	3.8%	3.0%
Annuities (4)	Pensions	46.6%	52.8%	43.3%
Leasing and Factoring (5)	Total Loans	29.7%	34.4%	41.0%
Warehouse (6)	Certifications / retail deposits	5.4%	6.3%	5.5%
Ixe Automotriz (5)	Total Loans	0.1%	0.9%	2.0%
Fincasa Hipotecaria (5)	Total Loans	5.3%	8.9%	8.4%
Ixe Soluciones (5)	Total Loans	0.5%	0.6%	1.3%

1) Source: CNBV Banking System.
2) Asociación Mexicana de Intermediarios Bursátiles, A.C., dated December 31st, 2012.
3) Comisión Nacional del Sistema de Ahorro para el Retiro "CONSAR" dated December 31st, 2012.
4) Asociación Mexicana de Instituciones de Seguros, A.C., dated December 31st, 2012.
5) Source: CNBV Sociedades Financieras de Objeto Múltiple Reguladas, dated December 31st, 2012.
6) Source: CNBV Almacenes Generales de Depósito, dated December 31st, 2012.

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

Our main competitors are: Grupo Financiero Banamex, Grupo Financiero BBVA Bancomer, Grupo Financiero Santander, Grupo Financiero Scotiabank, Grupo Financiero HSBC and Grupo Financiero Inbursa, as well as Banregio and Banco del Bajio in some regions of the country. In 2006 and 2007, operations of new banking institutions were authorized; although these new banks are not direct competitors of Banorte, they could become a competitor in the future, depending on the business strategies that they follow. During the last months, "bancos de nicho" have been authorized, which may also represent a competitive threat.

ix. CORPORATE STRUCTURE

Financial Entity	Totay Equity
Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte. • Credit Institution authorized to conduct financial operations. • Conducts banking and lending operations.	92.72%
Banorte -Ixe Tarjetas, S. A. de C. V. SOFOM, ER • Issues credit cards based on credit contracts or any other credit agreement or similar, inasmuch as these are documented, and independently of the legislation under which they are governed. *Subsidiary consolidating in Banco Mercantil as of April 2012	99.99%*

Financial Entity	**Totay Equity**
Arrendadora y Factor Banorte, Sociedad Anónima de Capital Variable, Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte. • Acquires goods and/or real estate for financial leasing. • Obtains loans and financing from credit and insurance institutions to cover liquidity needs. • Celebrates leasing and factoring contracts.	99.99%
Almacenadora Banorte, S. A. de C. V., Organización Auxiliar del Crédito, Grupo Financiero Banorte. • Storages services, keeps and conserves goods and merchandise. • Issues deposit certificates and pledged bonds. • Transforms deposited goods in order to increase their value.	99.99%
Seguros Banorte Generali, S. A. de C. V., Grupo Financiero Banorte. • Institution that insures and re-insures individuals and corporations.	51.00%
Pensiones Banorte Generali, S. A. de C. V., Grupo Financiero Banorte • Acts as an insurance institution whose objective is to exclusively manage annuities derived from Social security laws.	51.00%
Ixe Banco, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte. • Credit Institution authorized to conduct financial operations. • Conducts banking and lending operations.	99.99%
Casa de Bolsa Banorte Ixe, S. A. de C. V., Grupo Financiero Banorte (formerly Ixe Casa de Bolsa, S. A. de C. V., Grupo Financiero Banorte). • Acts as an intermediary authorized to operate in the stock market, conducting transactions for the sale and purchase of securities, advice in securities' placement, and operations with securities and mutual funds.	99.99%
Ixe Automotriz, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte. • Celebrates financial leasing contracts. • Acquires goods to be used in financial leasing. • To obtain loans and financing from credit institutions, to insurance and guarantee its transactions.	99.99%
Ixe Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Banorte. • Asset Management, distribution, valuation, promotion and acquisition of shares issued by mutual funds, deposit and custody of shares subject to investment and shares of mutual funds, accounting, and management in the issuance of securities.	99.99%
• Ixe Servicios, S. A. de C. V.	99.99%
Ixe Soluciones, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte. • Obtains resources from: (i) placing securities previously rated by a Rating Agency, registered in the National Securities Registry, for later offering in the stock market, and (ii) acquiring liabilities with all types of national and international financial entities, in the terms of the applicable legal dispositions, as well as grant loans to the automotive sector.	99.99%

Financial Entity	Totay Equity
Fincasa Hipotecaria, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte. • Obtains resources from the placement of securities previously rated by a Rating Agency, registered in the National Securities Registry, for later offering in the stock market. • Celebrates financial leasing and factoring transactions.	99.99%

For more information on the main business relationships with subsidiaries, see Section 4, item b) "Administration-Operations with Related Parties and Conflict of Interest" of this Annual Report.

x. DESCRIPTION OF MAIN ASSETS

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

Location	Construction m^2	Net book value (thousands of Ps)
Lateral Autopista México-Toluca Col. Cruz Manca México D. F..	43,761	$665,829
Alfonso Reyes 3639, Monterrey, N.L	43,726	459,969
Av. Revolución no. 3000, Monterrey, N. L.	40,222	344,678
Paseo de la Reforma no. 281 esquina Río Sena 110 México, D. F.	1,192	128,310
Calle Padre Mier Oriente no. 227, Monterrey, N. L.	5,810	69,007

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

In December 2005 Ixe changed its corporate offices to Torre Mayor, building in which 6.5 floors and an annex are leased. Following the merger in April 2011 with GFNorte, in addition to Ixe's corporate offices in Torre Mayor, it has office spaces for its subsidiaries in 7 buildings: Mexico City and Metropolitan Area, 4; Morelos, 1; Puebla, 1; and Queretaro, 1; and a total of 176 properties to IXE Bank branches. All these properties are leased to third parties for contracts ranging from 5 to 10 years in average duration. The location of the 176 rented properties is: Mexico City Metropolitan Area (72), Morelos (6), Guanajuato (11), Jalisco (28), Chihuahua (1), Nuevo León (15), Querétaro (9), Puebla (10), Estado de México (22), Quintana Roo (1*) and Yucatán (1*).

xi. ADMINISTRATIVE, ARBITRATION AND JUDICIAL PROCESSES

There are no relevant matters to report.

For information on Commitments and Contingencies, see Note 37 Commitments and 38 Contingencies in the Audited Financial Statements (Section 8. C) "Annexes- Audited Financial Statements" of this Annual Report.

xii. REPRESENTATIVE SHARES OF COMPANY'S EQUITY

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

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

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

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

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

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

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

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

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

See Note 30 in Equity in the Audited Financial Statements (Section 8. c) "Annexes- Audited Financial Statements" of this report.

xiii. DIVIDENDS

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

Meetings' Date (decreed dividend)	Amount of Decreed Dividend (pesos per share)	Date of Payment	Comments
February 15th, 2010	$0.17	As of February 26th, 2010.	Second of three payments to cover the amount of Ps. $ 0.52 per share, approved by Shareholders' Assembly in October 2009.
April 23th, 2010	$0.17	As of May 7th, 2010.	Corresponds to the third and last payment to cover a total amount of Ps. $ 0.52 per share, which was approved by the Shareholders' Assembly in October 2009.
October 4th, 2010	$0.17	As of October 15th, 2010.	First of three payments that will be made for a total amount of Ps $ 0.52 per share, which was approved by the Group's Board of Directors on July 22th, 2010, corresponding to the 2009's earnings.
February 18th, 2011	$0.17	As of February 28th, 2011	Second of three payments to cover the amount of Ps. $ 0.52 per share, approved by the Group's Board of Directors in October 2010.
April 29th, 2011	$0.18	This dividend was paid since May 10th, 2011.	Corresponds to the third and last payment to cover a total amount of Ps. $ 0.52 per share, which was approved by the Shareholders' Assembly in October 2010.
October 17th, 2011	$0.17	Dividend that was paid as of October 24th, 2011.	The decreed dividend corresponds to the first of three payments that will be made for a total amount of Ps $ 0.52 per share, which was approved by the Group's Board of Directors on July 25th, 2011.
February 17th, 2012	$0.17	This dividend was paid since February 29th, 2012.	Corresponds to the second of three payments to cover the amount of Ps. $ 0.52 per share, approved by the Shareholders' Assembly in October 2011.

Meetings' Date (decreed dividend)	Amount of Decreed Dividend (pesos per share)	Date of Payment	Comments
April 27th, 2012	$0.18	Will be covered on May 11th, 2012.	Corresponds to the third and last payment to cover a total amount of Ps. $ 0.52 per share, which was approved by the Shareholders' Assembly in October 2011.
October 11th, 2012	$0.183	This dividend was paid on October 24th, 2012.2012.	The decreed dividend corresponds to the first of four payments that will be made for a total amount of Ps $ 0.732 per share, which was approved by the Shareholders' Assembly in October 2012.
January 22th, 2013	$0.549 (in three disbursments of $0.183).	The dividend was an will be covered on January 31st, April 23rd, and Juy 23rd.	Remaining disbursements to cover the amount of Ps $ 0.732 per share, which was approved by the Shareholders' Assembly in October 2012.

Also, the Ordinary General Shareholders' Meeting held on October 17th, 2011, approved to modify the dividend policy so that the payments are as follows:

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

3. FINANCIAL INFORMATION

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

- ✓ *The financial information contained in this report is based on GFNORTE's Audited Consolidated Financial Statements for the years ended December 31st, 2012 and 2011, published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited dated February 27th, 2013. For the year ended December 31st, 2010, financial figures are based on GFNORTE's Audited Consolidated Financial Statements published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited, dated February 24th, 2012, and therefore include changes to accounting criteria that occurred in 2011.*
- ✓ *In January 2012, the merger between Afore Banorte and Afore XXI was completed. As a result, Banco Mercantil del Norte determined that it has no control over Afore XXI Banorte, and does not therefore consolidate it in its financial statements, and recognizes the equity participation method given its significant influence. Financial statements as of December 31st, 2011, reflect the effects of the deconsolidation of Afore XXI Banorte,* ***in order to make them comparable with the 2012 financial statements.*** *Consequently, some figures in GFNORTE's 2011 Income Statement and Balance Sheet differ in this report to those in the Report that was sent to the authorities in February, 2012.*
- ✓ *Changes to Accounting Criteria. In January 2011, the CNBV issued a series of regulations to modify the accounting criteria of controlling companies of financial groups and financial institutions. The main changes are:* ***a) For Controlling Companies****. Criteria A-2 "Application of particular norms". The facility of not consolidating permanent investments in Insurance or Bonding companies in which the company is controlling has been eliminated with this criteria. As of February 1st, such institutions must be consolidated with the financial statements of the controlling companies. As a consequence, the consolidation of "Seguros y Pensiones Banorte Generali" (the Insurance and Annuities companies) has initiated.* ***b) For Credit Institutions.*** *Criteria D-2 "Income Statement". The way the Income Statement is presented is modified, mainly eliminating the items of "Non Operating Income (Expenses), net" and the accounts that were previously registered there will now be registered under "Other Operating Income (Expenses)" in the Operating Income heading. For more information about the changes to accounting criteria, refer to the corresponding section in the notes of the Audited Financial Statements (Note 4 - Significant Accounting Policies).*
- ✓ *In April 2011, the merger with IXE GF became effective, therefore for the year of 2011, 9 months of integrated results are included. Following that 2010 figures are not entirely comparable.*
- ✓ *The arithmetic operations were carried out in pesos and in the following tables are presented in million pesos. As a result, some totals appear to have minimal errors, which is not the case as it is just a matter of rounding off figures.*

a) SELECTED FINANCIAL INFORMATION

Grupo Financiero Banorte

	2012	***2011***	***2010***
Net Income Grupo Financiero Banorte (GFNorte) (*)	$10,888	$8,517	$6,705
Total Assets GFNorte (*)	$916,567	$825,147	$590,230
Total Liabilities GFNorte (*)	$828,058	$748,713	$540,003
Stockholders' equity GFNorte (*)	$88,509	$76,434	$50,227
Stockholders' equity GFNorte excluding minority interest (*)	$81,881	$70,849	$46,117
INFORMATION PER SHARE			
Net income per share (pesos)	$4.68	$3.79	$3.32
Dividend approved per share (pesos) (1)	$0.732	$0.52	$0.52
Book value per share (pesos) (excluding minority interest)	$35.20	$30.45	$22.85
Shares outstanding (millions)	2,326.4	2,312.8	2,018.3

	2012	2011	2010
INFRASTRUCTURE AND EMPLOYEES			
Bank branches (2))	1,316	1,285	1,134
ATMs (automated teller machines)	6,707	6,367	5,004
Full-time employees	26,107	24,100	19,828
Full-time employees and professional services	26,211	24,134	19,863
PROFITABILITY RATIOS			
NIM	4.1%	4.1%	4.2%
NIM adjusted for credit risks	3.4%	3.3%	2.9%
Return on Assets (ROA)	1.3%	1.1%	1.2%
Return on Equity (ROE)	14.3%	14.1%	15.5%
OPERATIONS			
Efficiency Ratio (3)	54.0%	55.6%	51.4%
Operating Efficiency Ratio (4)	2.9%	3.2%	3.0%
Liquidity Ratio	128.4%	101.8%	84.0%
ASSET QUALITY INDICATORS			
Past due loan ratio	2.1%	1.9%	2.5%
PDL Reserve coverage	138.3%	143.1%	123.7%
CAPITALIZATION RATIO (Banco Mercantil del Norte)	**14.7%**	**12.9%**	**16.1%**
CAPITALIZATION RATIO (Ixe Banco)	**15.5%**	**15.3%**	**-**

(*) Million Pesos.

(1) Dividends approved by the Shareholders' Assemblies in 2012, 2011 and 2012 were: a total dividend of Ps.0.52 per share in 2010, to be paid in three installments (Ps 0.17 in October 2010, Ps 0.17 in February 2011 and Ps 0.18 in May 2011). The total dividend of Ps 0.52 per share decreed in 2011 was paid in three installments (Ps 0.17 in October 2011, Ps 0.17 in February 2012 and Ps 0.18 in May 2012). The total dividend decreed in 2012 of Ps 0.732 per share payable in four installments of Ps 0.183 per share (October, 2012, January, April and July, 2013).

(2) Includes bank modules and excludes agencies abroad.

(3) Non Interest Expense / (Total Net Income + Loan Loss Provisions). Due to the reclassification of the item "Non Operating Income (Expense), net" under Non Interest Income applied in January 2011, the Ratio published in the 2010 Annual Report (sent to the authorities in February and June 2011) has been modified in this document

(4) Non Interest Expense/ Average Total Assets.

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

a. Total Deposits

By Business line

	2012	2011	2010
Commercial	259,008	224,691	204,358
Business	21,923	18,391	16,701
Corporate	7,491	7,781	3,799
Government	49,151	46,565	37,293
Financial Intermediaries	48,407	39,174	30,464
Deposits	**$385,981**	**$336,602**	**$292,615**
Ixe [(1)]	38,344	33,690	0
Total Deposits	**$424,325**	**$370,293**	**$292,615**

Million Pesos.

(1) There is no infromation available by business line.

By Geographical Regions

	2012	2011	2010
Mexico City- South	39,975	34,734	33,473
Mexico City- North	35,290	31,698	27,167
Northern	68,661	58,476	49,145
Central	42,420	36,718	32,955
Northwest	25,897	23,035	19,727
West	32,001	29,754	26,818
South	13,953	11,531	11,009
Peninsular	18,537	17,067	12,853
Border	17,125	15,559	15,033
Isthmus	13,691	12,373	9,485
East	29,183	25,543	23,930
Central Treasury	23,413	13,054	4,357
Foreign	25,835	27,060	26,665
Ixe [(1)]	38,344	33,690	0
Total Deposits	**$424,325**	**$370,293**	**$292,615**

Million Pesos.

(1) There is no information available by geographical regions.

b. Total Loans

By Business line

Total Loan Portfolio	2012	2011	2010
Mortgages	73,420	65,534	57,140
Car Loans	10,464	9,502	8,289
Credit cards (1)	18,456	12,368	12,199
Payroll	18,583	13,662	8,616
Consumer	120,923	101,066	86,244
Commercial (2)	70,219	66,589	35,251
Business	65,433	60,208	56,815
Corporate	64,985	58,467	44,354
Government(3)	88,354	71,176	47,550
Total Loan Portfolio	**$409,913**	**$357,507**	**$270,214**

Million Pesos.

(1) Does not consider eliminations for the 50% acquisition of Ixe Tarjetas (January 2012).

(2) Commercial includes Ps 22,162 million in 2012 and 24,570 million in 2011.

(3) Government banking includes federal, state and municipal sectors.

By Geographical Regions

	2012	2011	2010
Mexico City- South	57,245	48,145	42,699
Mexico City- North	46,204	30,705	25,888
Northern	82,936	73,627	59,160
Central	28,046	24,351	21,118
Northwest	36,605	32,409	25,470
West	32,333	28,018	20,710
South	10,682	7,374	6,029
Peninsular	18,949	16,881	14,126
Border	16,127	14,520	13,100
Isthmus	19,682	18,263	12,527
East	19,954	16,655	16,997
Abroad	9,228	11,037	12,389
Subtotal	377,989	321,985	270,214
Ixe (1)	31,606	35,021	0
Eliminations from acquiring Ixe	319	500	
Total Loan Portfolio	**$409,913**	**$357,507**	**$270,214**

Million Pesos.

(1) There is no information available by geographical regions.

c) REPORT OF RELEVANT LOANS

Financing obtained from public investors after December 31st:

Grupo Financiero Banorte

a) Loan
Amount Issued: USD $800 million dollars.
Coupon Rate: LIBOR 3m plus 0.80%.
Date Issued: February 21st, 2013.
Maturity Date: 364 days.
The Loan is not secured by GFNORTE or any of its subsidiaries and was obtained by a bank syndicate comprising Morgan Stanley Senior Funding, Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; J.P. Morgan Securities, LLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Arrendadora y Factor Banorte

Short-term Stock Certificates (AFBNT 00113):
Date Issued: January 17th, 2013.
Maturity Date: April 11th, 2013.
Amount Issued: $350 million pesos.
Coupon Rate: TIIE 28d -0.05%

Short-term Stock Certificates (AFBNT 00213):
Date Issued: January 17th, 2013.
Maturity Date: May 9th, 2013.
Amount Issued: $400 million pesos.
Coupon Rate: TIIE 28d -0.03%

Short-term Stock Certificates (AFBNT 00313):
Date Issued: March 14th, 2013.
Maturity Date: July 4th, 2013.
Amount Issued: $250 million pesos.
Coupon Rate: TIIE 28d -0.05%

Financing obtained from public investors up to December 31st, 2012:

Banorte

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

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

c) Subordinated Non-preferred, Non-convertible Obligations in Mexican pesos(Tier 1):
Date Issued: March 11, 2008

Maturity date: February 27, 2018
Amount Issued: Ps 3 billion
Coupon Rate: TIIE + 0.60%

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

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

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

g) Subordinated Preferred Non-convertible Obligations in Mexican pesos (Tier 2):
Date Issued: June 8th, 2012.
Maturity Date: May 27th, 2022.
Amounted Issued: $3.2 billion pesos.
Coupon Rate: TIIE 28d +1.50%.

INB

a) Non Convertible Preferred Subordinated Obligations:
Maturity date: June 23rd, 2034.
Amount Issued: US$10.3 million.
Coupon Rate: Libor 3 m + 2.75%.

b) Non Convertible Preferred Subordinated Obligations:
Maturity date: April 15th, 2034.
Amount Issued: US$10.3 million.
Coupon Rate: Libor 3m + 2.72%.

IXE

a) Non Convertible Perpetual Obligations, in US dollars (Tier 1)
Date Issued: February 26th, 2007.
Maturity date: Perpetual (Callable since February 26th, 2012)
Amount Issued: USD $120 million dollars
Coupon Rate: 9.75%

b) Non Convertible Subordinated Obligations, in US dollars (Tier 1)
Date Issued: October 14th, 2010.
Maturity date: October 14th, 2020.
Amount Issued: USD $120 million.
Coupon Rate: 9.25%

Arrendadora y Factor Banorte

Short-term Stock Certificates in Mexican Pesos (AFBNT 00112)
Date Issued: October 25th, 2012.
Maturity Date: January 17th, 2013.
Amount Issued: $350 million pesos.
Coupon Rate: TIIE (Flat).

Short-term Stock Certificates in Mexican Pesos (AFBNT 00212).
Date Issued: December 20th, 2012.
Maturity Date: March 14th, 2013.
Amount Issued: $250 million pesos.
Coupon Rate: TIIE 28d - 0.03%.

All of the subsidiaries of Grupo Financiero Banorte are current in the interest and/or capital payments of all their financial obligations.

Loan or tax liabilities

The tax credits listed below are currently in litigation:

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

Million Pesos.

Liabilities financed in foreign currency: Banorte + IXE

	December 2012	
CONCEPT IN FOREIGN CURRENCY	**Capital (Average)**	**Cost**
Core deposits	2,435,165	0.80%
Non-traditional deposits	440,000	8.25%
Total interbank loans	98,970	2.90%
Total Resources in Foreign Currency	**USD $2,974,135**	**1.97%**

Thousands of US dollars.

INB liabilities financed in foreign currency

	December 2012	
CONCEPT IN FOREIGN CURRENCY.	**Capital (Average)**	**Cost**
Core deposits	1,696,805	0.76%
Total interbank loans	421	0.28%
Total Resources in Foreign Currency	**USD $1,697,226**	**0.76%**

Thousands of US dollars.

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

The following analysis should be read together with the Audited Financial Statements and with the notes that accompany them. Regarding the items in the Financial Statements that were re-expressed using ratios different than the Mexican Consumer Price Index, refer to the corresponding Note of the audited financial statements for the years ending December 31st, 2012 and 2011, and the independent auditors' opinion of February 27th, 2013. (Note 4: "Principal Accounting Policies- Recognizing the effects of inflation on financial information".)

Relevant transactions not registered in the Balance Sheet or Income Statement, do not apply since there are no registered relevant transactions.

i. OPERATING RESULTS

Grupo Financiero Banorte

Consolidated Income Statement of the Group [1]

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

Million pesos.

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

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

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

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

Net Income by Segment [1]	2012	2011	2010
Banking Sector [2] [3]	$8,920	$6,544	$5,387
Brokerage	$681	$418	$403
Brokerage [1]	$1,053	$573	$444
Afore XXI Banorte [3]	532	209	208
Aseguradora (Insurance)	471	339	230
Pensiones (Annuities)	49	25	6
Other Finance COmpanies	$(434)	$708	$500
Arrendadora y Factor (Leasing and Factoring) (	604	616	443
Almacenadora (Warehouse)	43	40	57
Ixe Automotriz (Car)	33	30	-
Fincasa Hipotecaria (Mortgage)	($1,114)	22	-
Other Companies	($921)	($62)	$-
Ixe Soluciones	(922)	(64)	-
Ixe Servicios	1	2	-
Holding	$1,589	$336	($29)
GFNORTE	***$10,888***	***$8,517***	***$6,705***

Million Pesos

(1) Profits according to GFNorte's participation in these businesses .
(2) Business segment which considers: Banorte (since 4Q09, the 92.72% stake in Banco Mercantil del Norte in this company), Ixe Banco and Banorte-Ixe Tarjetas ny.
(3) As of 1Q12, Afore XXI Banorte isrecognized under the equity participation method in Banorte's results; nevertheless, for informative and comparative purposes of this segment's profits, Afore XXI Banorte profits are presented in its corresponding business segment.

Comparative analysis: Summary of the years ended December 31st, 2012 and 2011 and December 31st, 2011 and 2010.

In 2012, GFNORTE reported profits of Ps 10.89 billion, 28% higher than in 2011. The following business sectors contributed to 2012 profit:

Net Income for the Consolidated Banking Sector (Banco Mercantil del Norte, Banorte USA, Ixe Banco, Banorte-Ixe Tarjetas and the 50% interest in Afore XXI) amounted to Ps 10.14 billion, 40% above 2011; excluding profits generated by the Afore, banking sector net income amounted to Ps 8.92 billion, representing 82% of GFNORTE'S net profits and growth of 36% vs. 2011.

The Brokerage Sector comprised of Casa de Bolsa Banorte Ixe and Ixe Fondos, generated accumulated profits of Ps 681 million, YoY growth of 63%.

Net Income for the Long Term Savings Sector, which includes Afore XXI Banorte, Insurance and Annuities companies, was Ps 2.17 billion, an increase of 87% from 2011, and contributed Ps 1.05 billion to GFNorte's profits based on the group's participation in these businesses, an increase of 84% vs. 2011.

Other Finance companies, which include Arrendadora y Factor Banorte, Almacenadora Banorte, Ixe Automotriz and Fincasa Hipotecaria, reported a Ps (434) million loss.

In 2011, GFNorte reported profits of Ps 8.52 billion, 27% higher than in 2010. In 2011, Banking Sector profits excluding the Afore and considering 92.72% participation, totaled Ps 6.54 billion representing 21% growth YoY vs. 2010 and contributed with 77% of GFNorte's profits. The Brokerage Sector posted a Ps 418 million profit, 4% more YoY than in 2010; Other Finance Companies registered a profit of Ps 708 million, 42% above 2010, while the Long Term Savings sector posted a Ps 573 million profit (based on GFNORTE's stake in each company) translating into growth of 29% vs. 2010.

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

Net Interest Income

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

Million Pesos.
1) NIM (Net Interest Margin) = Net Interest Income / Average Productive Assets for that period.
2) Net Interest Income adjusted for Credit Risk / Average Productive Assets

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

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

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

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

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

In 2011, Net Interest Income increased by 24% YoY from Ps 22.73 to Ps 28.17 billion as a result of greater loan volumes, a stable funding cost, as well as the extraordinary impacts of integrating the results of the Insurance and Annuities' companies and of Ixe Grupo Financiero. Average NIM, including the results of the Insurance and Annuities' companies, was 4.1% in 2011, declining (0.1 pp) compared to 2010, as a result of the 26% increase in productive assets (due to the merger with Ixe) which offset the increase in Net Interest Income.

Provisions

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

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

Provisions charged to results in 2011 were Ps 5.44 billion, a (21%) YoY decline as a result of lower requirements in the Corporate portfolio (at the end of 2010, Ps 1.25 million in provisions were created for the Gamma de Servicios loan, a subsidiary of Mexicana), as well as fewer provisions for the Credit Card, Mortgage and Commercial portfolios.

Average NIM adjusted for Credit Risks was 3.3% in 2011, an increase of 0.4 pp YoY compared to 2010. The improvement in this ratio was a result of growth in Net Interest Income and an important reduction in Loan Loss Provisions derived from an improvement in the quality of the portfolio. Loan loss provisions accounted for 19% of Net Interest Income in 2011, comparing favorably with 30% in 2010 and represented 1.7% of the average loan portfolio, a decrease of (1.0pp) YoY vs. 2010.

Non Interest Income

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

Million pesos.

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

The following table identifies the sources of Non Interest Income:

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

Million Pesos.

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

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

- **Service Fees**

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

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

- **Recoveries**

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

- **Trading**

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

Other Operating Income (Expense)

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

Million Pesos.

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

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

As mentioned previously (page 94, paragraph 2) the 2011 audited figures were modified in the 2012 Audited Report due to the deconsolidation of Afore XXI Banorte. Consequently, in this section of the report 2011 explications are presented separately. One of the main headings in which 2011 Annual Report numbers were modified (reported to the authority in April, 2012) was Non Interest Income. 2010 figures did not undergo the same accounting effect, and so the Service Fees heading and total Non Interest Income is only partially comparable in the following analysis.

Due to the deconsolidation of Afore XXI Banorte the amount that was eliminated was Ps 1.30 billion.

At the end of 2011, Non Interest Income totaled Ps 12.47 billion, increasing by 7% YoY due to growth in all items, especially trading revenues which grew by 64% YoY, as well as a 21% yearly increase in Other Operating Income and Expenses mainly due to growth in Recoveries of acquired portfolios, as well as to the accounting reclassifications carried out during 1Q11 which incorporated revenues from the Insurance and Annuities' companies and Non Operating Income (Expense), net.

- **Service Fees**

The pending regulatory changes to eliminate or limit service fees in certain items according to Circular 22/2010 issued by the Bank of Mexico (Central Bank) during the second half of 2010, came into effect during 1Q11. Some provisions of this Circular came into effect during August 2010, and others in January 2011. The fact that deconsolidation criteria with respect to Afore XXI Banorte's figures and the reclassification of the Electronic Banking Services and Credit Card Fees heading between 2001 and 2010 has not been approved should be considered.

Service Fees reached Ps 5.76 billion in 2011, (15%) lower YoY vs. 2010, due mainly to the deconsolidation of Afore XXI Banorte in the figures for that period (the net amount eliminated was Ps 1.30 billion, Ps 1.32 billion in service fees charged and Ps 24 million in service fees paid). Independently of this effect, other Service Fee headings posted the following increases: i) 55% in Other Service Fees Charged due to the increased business volumes for Banorte-Ixe in areas such as Wholesale Banking, ii) a combined increase of 9% in Electronic Banking revenues and consumer and credit card loans; and iii) 14% in account management fees driven by clientele growth. Growth in these headings was partially offset by an 86% rise in Fees Paid owing to higher interbank fees paid mainly to Visa and Mastercard as a consequence of greater credit and debit card transactions by our clients.

On a comparable basis, income from Afore fees rose 4% YoY vs. 2010, due to a 10% increase in assets in custody, excluding those that were included following the merger with Afore XXI at the end of December, 2011.

- **Recoveries**

Non Interest Income from Recoveries (including previously written-off proprietary loans and the sale of foreclosed assets classified under "Other Operating Income (Expenses)") were virtually flat vs. 2010, as in 2010 there was a one-time recovery amounting to Ps 629 million. Real estate portfolio recoveries, including income from investment projects mainly with homebuilders, increased by 23% and revenues from recoveries of acquired portfolios rose by 88%. This was almost entirely offset by a (24%) decrease in revenues from previously written-off proprietary loan recoveries, as in the final quarter of 2010 the company registered one-time revenue of Ps 629 million from the recovery of Comercial Mexicana's loan.

- **Trading**

During 2011, Trading revenues totaled Ps 2.78 billion, a 64% YoY increase due to the consolidation of the Insurance and Annuities' companies, to the adequate management of the trading positions, as well as to the inclusion of IXE's results as of 2Q11.

- **Other Operating Income (Expenses)**

In 2011, Other Operating Income (Expenses) amounted to Ps 2.81 billion, a YoY increase of 21%, mainly due to more Recoveries of acquired portfolios along with an increase in Other Operating Expenses as a result of a positive impact from securitized loan portfolio trusts on valuation, more dividends from the insurance company, and fewer losses and contingencies, among others. There was also a positive impact of Ps 494 million from the reclassification of revenues from the Insurance and Annuities businesses.

Non Interest Expense

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

Million Pesos.

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

Non Interest Expense amounted to Ps 25.54 billion in 2012, 13% higher YoY vs. 2011, mainly derived from the integration of Ixe and merger-related expenses, as well as growth in the business areas. Growth occurred across all headings, in particular the following ones: i) Ps 953 million in Personnel Expenses (+10%) arising from the integration of personnel from Ixe subsidiaries, growth in business areas and employee compensation; ii) Ps 735 million in Professional Fees (+34%) due to more advisory services and business-related transactions, as well as legal fees associated with loan portfolio recovery; iii) Ps 530 million in Other Taxes and Non Deductible Expenses (+41%), mainly VAT due to higher current expenses, as well as VAT generated by investment flows, and a decrease in the VAT accreditation factor; iv) Ps 269 million in IPAB Contributions (+20%) due to growth in deposits; v) Ps 241 million in Administrative and Promotional Expenses (+5%) due to higher operating costs related to more credit and debit card transactions and more reserves for the points program, as well as expenses related to transport of cash by armored vehicles stemming from more ATMs and a bigger transaction volume, the payment of insurance linked to mortgage, car and payroll loan placements, and an increase in current expenses stemming from a larger branch and ATM network; vi) Ps 150 million in Rents, Depreciations and Amortizations (+5%) due to investments in new furniture and fixtures in buildings (like the Call Center), computer and software equipment and the recognition of the depreciation of finished constructions and the amortization of projects capitalized in the Banorte-Ixe integration, higher office rents due to the effect of inflation, and growth in the bank network; and vii) a Ps 69 million increase in statutory employee profit sharing (+8%).

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

As mentioned previously (page 94, paragraph 2) the 2011 audited figures were modified in the 2012 Audited Report due to the deconsolidation of Afore XXI Banorte. Consequently, in this section of the report 2011 explanations are presented separately. One of the main headings in which 2011 Annual Report numbers were modified (reported to the authority in April, 2012) was Non Interest Income. 2010 figures did not undergo the same accounting effect, and so the Service Fees heading and total Non Interest Income is only partially comparable in the following analysis.

As a result of the deconsolidation of Afore XXI Banorte the amount eliminated in 2011 was Ps 822 million.

In 2011, Non Interest Expense was Ps 22.59 billion, 28% higher YoY vs. 2010, mainly due to the merger with Ixe. The increase was in all expense items, the main changes being the following ones: i) Ps 2.37 billion in Personnel Expenses (+33%) as a result of the merger with Ixe and growth in business areas, as well as the payment of incentives linked to results and adjustments to provisions of long term retention and indemnification plans; ii) Ps 758 million in Professional Fees Paid (+54%) as a result of more advisory services linked to the business and loan recoveries, the merger process with Ixe, and IT development; iii) Ps 529 million in Administration and Promotional Expenses (+13%) related to more credit card operations, advertising campaigns linked to the merger with Ixe, transfer of cash and insurance payments linked to the sale of mortgages and payroll loans and iv) Ps 599 million in Rents, Depreciations and Amortizations (+27%) due to the recognition of anticipated depreciation of 42 closed branches, the new furniture of some buildings and computer equipment, as well as more rents for offices as a result of growth in the branch network.

The Efficiency Ratio was 55.6% in 2011, 4.2 pp higher than in 2010 as a result of the integration with Ixe; for 2010 this ratio was 51.4% (considering reclassifications in Non Interest Income in 2011).

Taxes

In 2012 income tax amounted to Ps 4.13 billion, 21% higher YoY due to the combination of a higher base for the calculation of taxes and a lower deferred tax base as in 2011 excess loan loss reserves from previous years were deducted. The effective tax rate for 2012 was 30.6%, 110 basis points below 2011's 31.7%.

Audited 2011 figures were modified in the 2012 Audited Report due to the deconsolidation of Afore XXI Banorte (see page 94, paragraph 2). Another of the headings in which 2011 Annual Report figures were modified (reported to the authority in April 2012) was Taxes. 2010 figures did not undergo the same accounting effect and so this heading is only partially comparable in the following analysis.

As a result of the deconsolidation of Afore XXI Banorte, the amount of tax eliminated (current and deferred) in 2011 was Ps 153 million.

In 2011, tax amounted to Ps 3.40 billion, 21% above 2010 due to a higher profit base for the calculation of tax. The 2011 accumulated effective tax rate was 31.7%, below (2.4 pp) the 34.1% recorded in 2010.

Net Income

GFNorte reported Net Income of Ps 10.89 billion in 2012, 28% above 2011 on the back of favorable performance across all business lines and lower growth in expenses, which translated into a positive operating leverage, thus reversing the 2011 trend, along with the inclusion of the results of Ixe and Afore XXI Banorte. The Group registered 2011 Net Income of Ps 8.52 billion, 27% above 2010.

2012 ROE was 14.3% an increase of 25 basis points compared to the same year-earlier period; 2011 ROE was (1.4) pp below 2010, mainly due to the increase in equity derived from the merger with Ixe.

Performing Loan Portfolio

	2012	2011	2010
Commercial [1]	$130,929	$123,404	$88,966
Consumer	118,401	98,521	83,545
Corporate [1]	63,566	57,175	43,037
Government	88,294	71,165	47,550
Subtotal	**401,190**	**350,265**	**263,096**
Recovery Bank	243	292	454
Total Performing Loans	**$401,432**	**$350,558**	**$263,550**
Past due loans	8,481	6,949	6,664
% NPL Ratio	**2.1%**	**1.9%**	**2.5%**

Million Pesos.

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

Performing Consumer Loan Portfolio

	2012	2011	2010
Mortgage	$72,365	$64,275	$55,718
Car Loans	10,329	9,353	8,208
Credit Cards [1]	17,524	11,465	11,159
Payroll	18,183	13,428	8,460
Consumer Loans	**$118,401**	**$98,521**	**$83,545**

Million Pesos.

1. Does not consider eliminations as a result of the acquisition of 50% of Ixe Tarjetas (January 2012)

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

Total Performing Loans increased by 33% YoY, growing by Ps 87.17 billion to Ps 350.27 billion at the end of 2011, excluding the proprietary portfolio managed by the Recovery Bank. All items in this portfolio increased as a result of the merger with Ixe and a greater industry-wide demand for credit.

In 2012, portfolio growth by headings was:

Individual Loans

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

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

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

Payroll: At the close of 2012, this portfolio had posted a YoY increase of Ps 4.75 billion, or 35% YoY, totaling Ps 18.18 billion driven by marketing campaigns for the Payroll product (Crédito de Nómina), a 12% YoY increase in the number of Banorte-Ixe payroll deposit accountholders to 3.91 million, and the strategy to boost cross sales through various channels.

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

II. Loans to Institutions

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

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

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

Past Due Loans

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

The trend in past due balances by segment was:

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

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

	2010	2011	2012
Credit Cards	8.5%	7.3%	5.0%
Payroll	1.8%	1.7%	2.2%
Car loans	1.0%	1.6%	1.3%
Mortgage	1.7%	1.5%	1.1%
Commercial	3.4%	2.7%	3.5%
Corporate	3.0%	2.2%	2.2%
Government	0.0%	0.0%	0.1%
Total	2.5%	1.9%	2.1%

At the end of 2011, Past Due Loans totaled Ps 6.95 billion, growing by 4% YoY mainly due to the incorporation of Ixe's past due loans. During the same period, the PDL Ratio was 1.9%, (0.52 pp) lower compared to the level registered in 2010. This decrease is due to an improvement in the quality of the Credit Card, Mortgage and Commercial portfolios.

Deposits

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

Million Pesos.

1. As of 2004, IPAB checking accounts for the deposit of cash collections related to the managed portfolios of Banpaís and Bancen are excluded retroactively for comparison purposes. The balances of these accounts for 2010, 2011 and 2012 were $0 million pesos in all cases.
2. Includes debit cards.
3. Includes bank bonds. (Customers and Financial Intermediaries).
4. Includes eliminations between subsidiaries (2010 = Ps (165) million; 2011= Ps 998 million; 2012 = Ps (1.24) billion, respectively.

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

At the end of 2011, Total Deposits were Ps 370.3 billion, 27% higher YoY vs. 2010, driven by growth in all items mainly due to the merger with Ixe. Demand deposits increased by 27% annually, Retail Time Deposits grew by 31% and Money Market by 17% YoY.

Banking Sector

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

During 2011, accumulated Net Income for the Consolidated Banking Sector was Ps 7.26 billion in 2011, 20% higher than in 2010 as a result of higher Total Revenues and fewer Provisions.

The Banking Sector registered a ROE of 16.9%, 270 basis points above 2011. This sector's ROA was 1.4%, an increase of 33 basis points vs. the same year-earlier period.

Banking Sector's Financial Ratios

	2012	2011	2010
Profitability			
NIM [1]	4.5%	4.1%	4.1%
ROA [2]	1.4%	1.1%	1.0%
ROE [3]	16.9%	14.2%	14.2%
Operation			
Efficiency Ratio [4]	55.2%	57.6%	51.7%
Operating Efficiency Ratio [5]	3.2%	3.2%	2.9%
Liquidity Ratio [6]	92.5%	101.0%	82.2%
Asset Quality			
% PDL Ratio	1.8%	1.9%	2.5%
Coverage Ratio	145.0%	143.5%	122.0%
Growth [7]			
Performing Loan Portfolio [8]	15.9%	33.5%	10.0%
Time Deposits	9.7%	28.3%	7.3%
Total Deposits	15.2%	26.1%	6.4%
Capitalization			
Net Capital / Credit Risk Assets [9]	19.5%	18.6%	23.7%
Net Capital / Credit and Market Risk Assets [9]	14.7%	12.9%	16.1%

(1) NIM= Annualized Net Interest Margin / Average Earnings Assets.
(2) Annualized earnings as a percentage of the average quarterly assets over the period.
(3) Annualized earnings as a percentage of the average quarterly equity over the period.
(4) Non Interest Expense / (Total Income + Loan Loss Provisions)
(5) Annualized Non Interest Expense / Average Total Assets.
(6) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale) / (Liquid Liabilities = Demand Deposits + Loans from banks and other organizations with immediate call option + Short term loans from banks).
(7) Growth over the same period last year.
(8) Excludes Proprietary Loans managed by the Recovery Bank.
(9) The Banking Sector's Ratio is included for informational purposes only.

Consolidated Income Statement – Banking Sector

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

Millions of pesos.

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

The following is a breakdown of the most important items in the P&L:

Net Interest Income

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

Million Pesos.

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

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

In 2012, Net Interest Income rose by 20% YoY, from Ps 25.11 billion to Ps 30.03 billion, as a result of a larger expansion in interest income compared to interest expense driven by a better loan portfolio mix and the inclusion of Ixe Tarjetas in the bank's results, as well as a stable cost of funding. Based solely on financial revenues and net fees generated by lending activity, Net Interest Income rose by 21% for the year. The average Net Interest Margin (NIM) was 4.5% at the close of 2012, an increase of 0.4pp vs. 2011 due to a bigger increase in Net Interest Income compared to Average Productive Assets, derived from a better loan and funding mix.

In 2011 Net Interest Income amounted to Ps 25.11 billion, an increase of 16% vs. 2010 due to more lending activity, a stable cost of funding as well as impacts from the merger with Ixe Grupo Financiero. The average Net Interest Margin (NIM) was 4.1%, flat vs. 2010.

Provisions

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

In 2011 Provisions charged to results amounted to Ps 5.31 billion, (22%) below 2010; the average NIM adjusted for Credit Risks was 3.2%, 0.4 pp above the previous year.

Non Interest Income

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

Million pesos.

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

The following table shows a breakdown of Non Interest Income:

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

Million Pesos.

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

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

Service Fees: in 2012 they amounted to Ps 6.75 billion, 21% higher than in 2011 due to the inclusion of fees generated by Ixe Banco and Ixe Tarjetas, as well as the following increases: i) 38% in electronic banking fees, due to more users and bigger business volumes, reversing the negative impact of 2011 caused by new rules for charging ATM usage and the regulation of other fees, ii) 43% in consumer and credit card loan fees, due to more client transactions, iii) 10% in other charged fees, iv) 7% in Account Management fees, due to an increase in the number of accounts, v) 14% in income from fund transfers, and vi) increases in fees generated by the Fiduciary business. As a result of the same business dynamics, Fees Paid rose by 39%, due to larger interbank fees resulting from more credit and debit card transactions among clients, as well as fees paid to Nacional Financiera in relation to credit guarantees and the consolidation of Ixe Banco and Ixe Tarjetas.

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

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

Non Interest Income for 2011 totaled Ps 10.84 billion, a 15% YoY increase vs. 2010, driven by growth in all items:

- Service Fees: during 2011, service fees totaled Ps 5.60 billion, a YoY increase of 16% due to the impact from the inclusion of fees generated by Ixe as well as the following increases: i) 63% in other fees charged, ii) combined growth of 9% in electronic banking fees and consumer and Credit Card loans, and ii) 14% in Account Management fees due to growth in the number of accounts. Growth in these headings was partially offset by a 28% rise in Fees Paid, owing to higher interbank fees derived from greater credit and debit card usage among our clients.

- Recoveries: Non Interest Income from Recoveries (including previously written-off proprietary portfolios and the sale of foreclosed assets classified as Other Operating Income and Expenses) grew 2% in 2011. Real estate portfolio recoveries which include revenues related to investment projects, mainly homebuilders, increased by 23% and revenues from recoveries of acquired portfolios by 97%. This solid growth was offset by a (25%) decrease in revenues from previously written-off loan recoveries, as in the last quarter of 2010 there was one-time income of Ps 629 million from the recovery of approximately Ps 629 million of the Comercial Mexicana loan,

- Trading: revenues totaled Ps 1.56 billion, a YoY increase of 8% vs. 2010, due to the prudential management of securities and foreign currency buy and sell positions and the inclusion of the Ixe's results as of June, 2011.

Non Interest Expense

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

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

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

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

In 2011 Non Interest Expense amounted to Ps 20.69 billion, 29% higher YoY than in 2010, due to the merger with Ixe, which led to increases in all headings, especially in Personnel Expenses, Rents, Depreciations and Amortizations, Administrative and Promotional Expenses and Fees Paid. The 2011 Efficiency Ratio was 57.6%, 5.9 pp above 2010's 51.7%.

Performing Loan Portfolio

	2012	2011	2010
Commercial (1)	$112,902	$107,044	$74,663
Consumer	117,989	97,890	83,543
Corporate (1)	71,117	61,760	45,225
Government	86,378	68,328	47,549
Subtotal	**388,386**	**335,022**	**250,980**
Recovery bank	243	292	454
Total performing loans (2)	**$388,629**	**$335,314**	**$251,434**
Past due loans	7,281	6,583	6,523
% NPL Ratio	**1.8%**	**1.9%**	**2.5%**

Million Pesos.
(1) In this Annual Report, some commercial and corporate loan figures corresponding to 2011 differ from the ones presented in the 2011 Annual Report owing to certain reclassifications of these portfolios.
(2) Balance excluding eliminations of GFNorte.

Performing Consumer Loan Portfolio

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

Million Pesos.

At the end of 2012, total performing loans grew 16% YoY, from Ps 335.02 billion to Ps 388.39 billion excluding the proprietary loans managed by Recovery Bank. The loan portfolio recorded sustained growth in all segments as a result of the bank's strategies to promote loan activity and a favorable economic situation characterized by a greater demand in the industry.

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

In 2011, Total Performing Loans grew to Ps 335.02 billion, YoY growth of 33% excluding the loan portfolio managed by the Recovery Bank. The loan portfolio shows sustained growth in all segments underpinned by the bank's strategies to promote loan activity, the merger with Ixe and greater demand in the industry. Past due loans grew by 1% YoY to Ps 6.58 billion with a PDL ratio of 1.9% (including INB's NPLs), which is (0.6 pp) below 2010.

Deposits

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

Million Pesos.

(1) As of 2004, IPAB checking accounts for the deposit of cash collections related to the managed portfolios of Banpaís and Bancen are excluded, retroactively for comparison purposes. The balances of these accounts to 2010, 2011 and 2012 were $0 million pesos in all cases.
(2) Includes debit cards.
(3) Includes bank bonds. (Customers and Financial Intermediaries).

At the close of 2012, **Total Deposits** amounted to Ps 425.57 billion, Ps 56.27 billion or 15% more than in 2011, driven mainly by marketing campaigns for Banorte-Ixe deposit products. **Core Deposits** were 10% higher YoY, increasing from Ps 306.17 billion in 2011 to Ps 335.77 billion in 2012. There was an 11% increase in demand deposits and a 7% increase in retail time deposits.

Core Deposits grew by 28% YoY in 2011, driven mainly by the merger with Ixe. Demand deposits increased by 27% and Retail Time Deposits increased by 31%. Thus core Deposits grew from Ps 238.64 in 2010 to Ps 306.17 at the end of 2011.

Brokerage

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

Million Pesos.

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Ixe Fondos) reported Net Income of Ps 681 million in 2012, a 63% increase from 2011. This growth can mainly be attributed to mutual funds managing more client resources, which translated into more service fees, as well as more revenues from wealth management & private banking, investment banking and structured financing activity. In 2011, this sector posted a Ps 418 million profit, 4% above 2010.

Assets Under Custody

At the end of 2012, Assets under Management totaled Ps 667.9 billion, an increase of 15% YoY underpinned by growth in funds managed by mutual funds and money market funds. Compared to 2011, the balanced amounted to Ps 578.8 billion, a three-fold increase vs. the end of 2010 due to the inclusion of the portfolio managed by Ixe Fondos and Ixe Casa de Bolsa (today merged with Casa de Bolsa Banorte, which gave rise to Casa de Bolsa Banorte Ixe)

Long-Term Savings

	2012	2011	2010
Total Long-Term Savings			
Net Income	$2,169	$1,157	$903
Stockholders' Equity	10,641	5,140	5,244
Total Assets	66,690	51,814	40,993
Afore			
Net Income	$1,149	$443	$440
Stockholders' Equity	6,216	1,297	1,780
Total Assets	6,889	1,614	2,096
AUMs (1)	246,714	203,216	86,271
Aseguradora			
Net Income	$924	$665	$451
Stockholders' Equity	3,252	2,701	2,436
Total Assets	16,803	15,921	13,419
Pensiones			
Net Income	$96	$49	$12
Stockholders' Equity	1,173	1,142	1,028
Total Assets	42,998	34,279	25,478

Million Pesos.

1. **AUMs: previous figure reported in 4Q12 (December 2012)=$244,956**

Afore (Afore XXI Banorte)

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

In 2012, the Afore XXI Banorte posted a net profit of Ps 1.15 billion, 159% more YoY, on the back of an increase in managed assets derived from the merger with Afore XXI. As a result of the merger with Afore XXI and efforts to capture new accounts, according to official numbers published by CONSAR, managed funds totaled Ps 246.71 billion, a YoY increase of 21% vs. 2011.

In 2011, the Afore registered a net profit of Ps 443 million, 1% more than in 2010 and had Ps 203.22 billion in managed funds (which Afore XXI contributed Ps 108.5 billion to through the merger).

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

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

At the end of December 2012, based on definitive CONSAR numbers, Afore Bancomer had Ps 286.1 billion in assets under management and 4.47 million workers accounts.

Insurance (Seguros Banorte Generali)

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

In 2011 profits the Insurance sector posted a profit of Ps 665 million (51% corresponds to GFNorte), a 48% YoY increase vs. 2010, due to 20% annual growth in revenues resulting from more issued and earned premiums, as well as a 14% YoY recovery in financial revenues, generating positive operating leverage.

Annuities(Pensiones Banorte Generali)

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

2011 profit amounted to Ps 49 million (51% of which corresponded to GFNorte), due to higher revenues on the back of a 30% increase in financial products and a 36% increase in technical reserves.

Other Finance Companies

	2012	2011	2010
Total Other Finance Companies			
Net Income	($434)	$708	$500
Stockholders' Equity	3,323	3,726	2,136
Total Portfolio	23,478	22,115	15,884
Past Due Loans	1,081	480	141
Total Assets	24,533	23,056	16,456
Leasing and Factoring (1)			
Net Income	$604	$616	$443
Stockholders' Equity	2,983	2,446	1,930
Total Portfolio	19,607	16,882	15,884
Past Due Loans	154	79	141
Total Assets	20,058	16,814	15,679
Warehousing			
Net Income	$43	$40	$57
Stockholders' Equity	265	246	206
Inventories	351	43	49
Total Assets	578	277	777
Ixe Automotriz			
Net Income	$33	$30	-
Stockholders' Equity	311	337	-
Total Portfolio	703	1,318	-
Past Due Loans	20	66	-
Total Assets	863	1,390	-
Fincasa Hipotecaria			
Net Income	($1,114)	$22	-
Stockholders' Equity	(236)	697	-
Total Portfolio	3,168	3,915	-
Past Due Loans	907	335	-
Total Assets	3,034	4,575	-

Million Pesos.

(1) In the Extraordinary General Shareholders' Meeting held in January 2013, it was approved to merge Ixe Automotriz with Arrendadora y Factor Banorte. As of the date this report was presented, the formalization of this agreement is in process

Leasing and Factoring

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

At the end of 2012 the Past due Loan Ratio stood at 0.8%, an increase of 0.3 pp on 2011, while the Capitalization Ratio was 14.25% based on total risk weighted assets of Ps 21.89 billion.

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

At the end of 2011, profit was Ps 616 million, 39% above 2010 derived from higher financial revenues as a result of a 6% increase in the loan portfolio and lower reserves, due to an improvement in the quality of assets as there was a drop in past due loans (44%).

Warehouse

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

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

In 2011, Warehousing reported a net profit of Ps 40 million, (29%) lower YoY vs. 2010, mainly owing to a decrease in revenues related to inventory sales.

Ixe Automotriz

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

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

Fincasa Hipotecaria

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

Other Companies

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

Million Pesos

ii. FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

Bank of Mexico's regulations require that we maintain certain levels of reserves in connection with liabilities denominated in pesos. On the other hand, reserves for deposits denominated in foreign currency continue to be mandatory. On December 31st, 2012 and December 31st, 2011, GFNorte fulfilled all the reserve and liquidity coefficient requirements requested by the authority. GFNorte's management considers that the cash flow generated by operations and other sources of liquidity will be sufficient to fulfill liquidity requirements in the next 12 months.

Liquidity Risk and Balance

In order to provide a global measurement of liquidity risk, as well as follow up in a consistent manner, GFNorte (through its banking subsidiaries Banorte and Ixe Banco) relies on financial ratios, among which the liquidity ratio (liquid assets / liquid liabilities) stands out. Considered within liquid assets are the Cash and Due from Banks, Negotiable Instruments and securities held for sale, while the liquid liabilities are Demand Deposits, callable interbank loans and with other institutions and short term loans from banks. GFNorte's liquidity ratio as of the fourth quarter of 2012 was 128.4%, which compares favorably to the 101.8% and 84.0% registered in 2011 and 2010, respectively. On the other hand Banorte's liquidity ratio as of closing of 2012 was 79.1% and 92.6% in 2011; meanwhile Ixe Banco's liquidiy ratio in 2012 was 218.2% and 183.3% in 2011.

On the other hand, the "investment rules for foreign currency transactions and conditions to satisfy within the terms of operations in such currency" designed by the Bank of Mexico for credit institutions, establishes the mechanism to determine the liquidity ratio of liabilities denominated in foreign currency. In accordance with these rules, in 2012 and 2011 GFNorte generated a monthly average liquidity requirement of USD 78 and USD 328 million, respectively, and maintained an average investment in liquid assets of USD 379 and USD 646 million, having an average surplus of USD 301 and USD 319 million, respectively.

Internal and external sources of liquidity

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

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

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

Detailed information related to liquidity sources is found under the different items of the bank's General Balance Sheet in this Annual Report.

Below is the GFNorte's level of consolidated debt for the last 3 years:

As of December 31st:

	2012	2011	2010
Short-term Debt	$27,923	$29,118	$17,951
Long-term Debt:			
Interbank Loans	7,982	6,330	8,496
Other long-term debt (subordinaed debt and others)	24,022	23,496	21,581
Total Debt	$59,926	$58,944	$48,028

Million pesos

Funding

Our main and most economic source of funding comes from client deposits. On December 31st, 2012, GFNorte's client deposits totaled Ps 398.22 billion (or 83% of the total funding, considering subordinated debt) a 13% YoY increase vs. 2011; Banorte's cliente deposits amounted to Ps 360.11 billion and Ixe's totaled ps 39.89 billion.

Repos are important securities in the Mexican Money Market, providing bank clients with short term investments, mainly instruments issued by the federal government and to a lesser extent, securities issued by banks and companies. GFNorte has used repos to achieve cost efficiencies and be more competitive. On December 31st, 2012, the balance of repos registered by the bank was Ps 244.03 billion, unchanged vs. 2011's level. Furthermore, Banorte registered a balance of Ps 108.15 billion in 2012, a (43%) decrease vs. 2011's balance of Ps 189.17 billion; meanwhile Ixe Banco registered s 36.37 and Ps. 34.35 billion, respectively.

Another source of long term funding is long term debt. This is used to fund long term loans and investments and to reduce liquidity risk. On December 31st, 2012, GFNorte's total long term debt maturing in more than one year was Ps 19.46 billion, 18% more than the Ps 16.54 billion registered at closing of 2011, this increase stemmed from the issuance of Banorte's subordinated debt of Ps 3.2 billion in June. The GFNorte's long-term debt as of 2012 is comprised of Banorte's balance of Ps 16.29 billion and Ixe Banco's balance of Ps 3.16 billion.

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

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

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

Treasury Policies

The Treasury's General Management is the central unit responsible for balancing GFNorte's resource needs, monitoring and managing the levels of regulatory reserves, converting interest rate risk from fixed rate loans by hedging and implementing arbitrage strategies.

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

Regulatory Framework

1. All operations carried out by the Treasury will be executed in strict accordance to regulations set by the regulatory authorities of the Banking Institutions such as BANXICO, the CNBV, the SHCP, as well as to those established in the LIC and LMV.

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

Treasury Management

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

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

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

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

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

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

Sources of Financing/International Treasury

1. Sources of financing in foreign currency, should be classified in a report indicating the sources of available resources, their use and concentration:

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

    2. Market:
        a. Commercial paper.
        b. Cross Currency Swaps
        c. Syndicated Loans.
        d. Securitizations
        e. Deposit Certificates.

    3. National banks and Development Funds:
        a. National banks.
        b. Funds.

    4. Correspondent Banks:
        a. Foreign banks.

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

2. Through diverse long term financing programs, proposals will be studied, analyzed and implemented, in order to consolidate an adequate debt profile.

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

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

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

Loan or tax liabilities

See this information in section "c) Report of Relevant Loans" of this Annual Report.

GFNorte's Equity

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

Million Pesos.

1. The Minority Interest figure of 2011 was modified according to audited figures published in February 2013.

The Group's equity increased by 16% from Ps 76.43 billion at closing of 2011 to Ps 88.51 billion at the end of 2012 mainly due to the following factors:

1) Increase in the balance of earnings from prior years.
2) Higher profits in the last 12 months.
3) Surplus from valuation of securities available for sale.
4) Greater capital reserves.

These elements offset the negative impact of the accumulated effect of conversion.

Banco Mercantil del Norte's Capitalization Ratio **[December 2012 figures are definitive and were published on the Quarterly Report as of March 31st, 2013]**

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

Million Pesos.
(1) Without intercompany eliminations.

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

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

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

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

Million pesos.
(1) Excluding intercompany eliminations.

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

1)	Impact of the increase in Stockholders' Equity	+ 0.9pp
2)	Impact of permanent investments in shares during the period	+ 0.9 pp
3)	Growth in risk assets during the period	- 0.9 pp
4)	FX impact on Subordinated Notes	- 0.5 pp
5)	Securitizations that impact net capital	- 0.1 pp
6)	Impact of intangibles and assets that are deferred for over a year	- 0.07 pp
7)	Decrease in overall reserves	- 0.06 pp

CASH FLOW STATEMENT

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

GFNorte's Cash Flow Statement

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

Million Pesos.

iii. INTERNAL CONTROL

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

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

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

A. The Board of Directors with the support of the the Advisory Board, of the Committee of Risk Policies (CPR), the Management Committee, the Committee of Audit and Corporate Practices (CAPS), the Human Resources' Committee and of the Designations Committee.

B. Management and support areas that are Unit Risk Management (UAIR), Legal and Comptroller, who are responsible for ensuring that adequate levels are maintained in risk control in the Group's operations and compliance the regulation.

C. Internal Audit, External Audit and Commissary (The Commissary applies only to GFNorte subsidiaries) as additional support structures to supervise how the Internal Control System functions and provide reasonable assurance regarding the reliability of the data generated.

D. The Executive Group, mainly those responsible for SCI assurance according to the functions and responsibilities assigned to them, in addition to promoting the enforcement of the regulations established for the Institution and the strategies set forth by the CEO GFNorte.

E. Documents that establish the general control criteria that should be followed in the operation and reporting of transactions; in optimizing human, material and technological resources; in the use, security, timeliness and reliability of the information; and in the adequate compliance with the external and internal regulations. Code of Conduct that regulates the behavior that each board member, officer or employee of the Group should assume while performing their duties.

F. Policy and procedure manuals that regulate documentation, recording and settlement operations that the Institution carries out and establish the control points that should be observed, assuring the separation of functions, clear assignment of responsibilities, safekeeping of information and prevention of unlawful acts.

During 2012, activities continued to be developed related to strengthening of the control environment, risk evaluation and management, establishment and monitoring of controls, and quality assurance of information, including:

I. GFNORTE's subsidiaries (Banco Mercantil del Norte, Ixe Banco, Casa de Bolsa Banorte Ixe, Arrendadora y Factor Banorte, INB, Ixe Automotriz, Ixe Tarjetas, Seguros, Sólida Administradora de Portafolios, Ixe Soluciones and Fincasa Hipotecaria) submitted their annual report on the operation and status of their Internal Control System and the performance of their functions in this area to CAPS. These reports, together with the audited financial statements published by the External Auditors, and the reports and findings of the Internal Audit Area and Controller formed the basis for the report submitted by CAPS to the Board of Directors on the status of the Controlling Company's SCI.

II. The Board of Directors analyzed and, at the request of CAPS, ratified its authorization of the basic SCI documents: Code of Conduct, Objectives and Limitations of Internal Control and General Policies for Human Resources and Materials, in accordance with external regulation specifications.

III. The financial institutions that previously integrated Ixe Grupo Financiero have already incorporated the guidelines of Banorte’s SCI, in terms of corporate governance and organizational structures, and are in the process of incorporating the systems used by Banorte’s control areas.

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

V. The manual of policies and procedures has been updated as per the changes in external regulations, new products, and changes in the Institution's processes or the improvements to internal controls. Additionally, there has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.

VI. The Supervisory Authorities’ requirements have been addressed and the information required by the external regulations has been submitted.

VII. Monitoring of the various business and support processes that make up the operation in GFNorte through Process Controllers and Management, to report periodically on compliance and identifying opportunity areas for a timely remediation.

e) CRITICAL ACCOUNTING ESTIMATES, PROVISIONS OR RESERVES

GFNorte’s key accounting policies are in accordance with the accounting criteria required by the CNBV through the issuance of accounting provisions and other applicable laws, which require management to make certain estimates and use certain assumptions to determine the valuation of some of the items included in the consolidated financial statements and to make the disclosure required. Even though they can differ from their final effect, Management believes that the estimates and assumptions used were appropriate under the circumstances.

According to the CNBV’s Accounting Criteria A-1 "Basic framework of the set of accounting standards applicable to credit institutions", accounts of institutions shall be subject to financial reporting standards (NIF), defined by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C. (formerly, Mexican Board for Research and Development of Financial Reporting Standards), except when in the opinion of the CNBV, it is necessary to implement a regulatory framework or a specific accounting criteria taking into account the specialized operations Credit Institutions need to perform.

For more information regarding our policies and critical accounting estimates, see Note 4 of the Audited Consolidated Financial Statements to December 31st, 2012. (Section 8 c) "Annexes-Financial Statements" of this Annual Report.

GFNorte has identified the main critical accounting estimates described in this section as follows:

1. Investment in Securities

I nvestments in debt or capital securities are classified based on the intention for use at the time of acquisition and fair value is determined according to the type of financial instrument concerned, in accordance with the following:

(i) Trading Securities

Trading securities are securities owned by GFNorte, acquired with the intention of selling them for a profit derived from the price differences in short-term purchase and sale operations made by GFNorte 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. The trading securities valuation result is recorded in the results of the period.

(ii) Securities available for sale

Securities available for sale are debt or equity securities; acquired with no intention of obtaining earnings from short term trading operations and, in the case of debt securities, neither with the intention or capacity of holding them to maturity. Therefore, they represent a residual category, that is to say, they are acquired with an intention different than that of trading or holding them to maturity.

They are valued in the same way as trading securities, recognizing the result from valuation in other headings of net income within stockholders' equity.

In an inflationary environment, income from a monetary position corresponding to results from valuations of securities available for sale is recognized in other items of net income within the equity account.

(iii) 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 by GFNorte with the intent and capability of holding 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.

(iv) 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 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 securities available for sale, which can be done in extraordinary circumstances (lack of market liquidity, absence of an active market for such securities, among other), the CNBV will evaluate such circumstances and, if it determines they are valid, it will issue its express authorization for their reclassification.

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 securities available for sale to securities held to maturity, 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 of the GFNorte's audited consolidated financial statements as of December 31st, 2012.

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.

GFNorte periodically verifies whether its securities available for sale and those held to maturity show any impairment loss, by means of an evaluation on the quarterly balance sheet date or whenever there are indications of an impairment loss.

Securities are deemed as impaired and therefore 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.

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.

2. Repo Operations

On the repurchase agreement transaction contract date, GFNorte acting as the seller, recognizes the entry of either cash, a liquidated debt account, as well as an account payable at its fair value, at the price initially agreed upon, which represents an obligation to repay the cash paid out. Accounts payable are later valued at their amortized cost, through the recognition of interest per repo agreements in accordance to the method of interest in effect, in the results of the fiscal year.

As to the collateral obtained, GFNorte classifies the financial asset in its balance sheet as restricted, valuing it according to the criteria described in Note 4 of the audited financial statements of GFNorte to December 31st, 2012 until the repurchase agreement's maturity.

3. Operations with Derivatives

Given that Derivates products operated by GFNorte are considered as conventional (*Plain Vanilla*), the bank uses the standard valuation models contained in derivatives operations and GFNorte risk management systems.

All valuation models used by GFNorte have the fair value of operations as a result and are calibrated regularly; they are also audited by third parties.

The valuation of positions is carried out on a daily basis and inputs used by the operation and risk management systems are generated by a price provider which generates these curves based on the daily conditions of markets.

(A) Forward and Futures Contracts

Futures contracts are recorded initially by GFNorte in the balance sheet 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/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.

Derivatives are shown in a specific item of assets or liabilities, depending if their reasonable (as a consequence of established rights and/or obligations) value corresponds to a debit or credit balance, respectively. Debt or credit balances in the balance sheet are compensated if GFNorte has the contractual right to compensate the recognized amounts, the intention of liquidating the net quantity, or to realize the assets and cancel the liability, simultaneously.

The balance of these transactions carried out for trading purposes represents the difference between the fair value of the contract and the established "forward" price.

(B) *Options Contracts*

GFNorte records the option premium as an asset or liability at the transaction date. Fluctuations of the option's premium market valuation are recorded in the income statement under "Trading Results" thereby affecting the corresponding account balance.

(C) *Swaps*

Are recorded at fair value which corresponds to the asset and liability portion for the rights and obligations agreed upon, valuing the future flows to receive or give at the current value according to the forecast of future applicable rates, discounting the market rate on the valuation date with curves provided by the price provider and the result of this rating is registered in the results of the fiscal year.

4. Preventive estimate for credit risk

Application of rating dispositions to the Portfolio

The loan portfolio is rated in accordance with the rules issued by the SHCP and the methodology established by the CNBV, and can be made applying internal methodologies authorized by the same CNBV.

Since June 2001, GFNorte has the consent of the CNBV to apply to commercial loans from Banco Mercantil del Norte, S.A. and Arrendadora y Factor Banorte, S.A. de C.V. SOFOM ER, a methodology called Calificación Interna de Riesgo (CIR Banorte), internal rating for risk, which establishes the rating of the debtor. The CIR Banorte applies to commercial loan portfolios equal to or greater than 4 million UDIS or its equivalent in national currency. The Rating of loans and the estimate of reserves are determined based on the regulations established by the CNBV. Also on December 3, 2012, the CNBV issued document 111-1/53384/2012, which renewed for a 7-month period, effective December 1, 2012, the authorization for such internal loan rating methodology.

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, while 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.

Commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos are rated based on the following criteria:

- Debtor's credit quality.
- The loans, in relation to the value of the guarantees or the value of the assets in trusts or in "structured" programs, as applicable.

The commercial loan segment includes loans granted to business groups and corporations, state and municipal governments and their decentralized agencies, as well as financing to companies of the financial services sector.

GFNorte applied the internal risk classification methodology, CIR Banorte, authorized by the CNBV, to the authorized affiliates, and the CNBV´s rules to the remaining affiliates in order to rate debtors, except in loans granted to state and municipal governments and their decentralized agencies, loans intended for investment projects with their own source of payment and financing granted to trustees that act under trusts and "structured" loan programs in which the affected assets allow for an individual risk evaluation associated with the type of loan, in such cases, GFNorte applied the procedure established by the CNBV.

For commercial loan portfolios less than 4 million UDIS or its equivalent in national currency, including the loan portfolio for state and municipal governments and their decentralized agencies, GFNorte used the general provisions applicable to credit institutions with respect to loan portfolio rating issued by the CNBV.

For the Consumer and Mortgage portfolios, GFNorte applies the general provisions applicable to credit institutions with respect to loan portfolio rating issued by the CNBV on October 5th, 2011. For the rating of Commercial loan portfolios, GFNorte uses the internal methodology in cases where such methodology is authorized by the CNBV and if not, the regulatory methodology for commercial portfolios.

5. Acquired Loan Portfolios

This balance is represented by the acquisition cost of the various loan asset packages acquired by GFNorte, applying to each package any of the three valuation methods described below:

- **(i)** Cost recovery method. Recoveries performed on collection fees are applied against the account receivable until its balance is exhausted. Surplus recoveries are recognized in results.
- **(ii)** Interest method. The amount resulting from multiplying outstanding collection fees by the estimated rate of return which is recognized in results. The difference with respect to payments actually made decrease accounts receivable.

- **(iii)** Cash basis method. The amount resulting from multiplying the rate of return estimated for the amount actually charged is recognized in results, whenever it is not greater than that recognized under the interest method. The difference between that recognized in results and payment made decreases the balance of the accounts receivable; once all of the initial investment has been amortized, any recovery will be recognized in results.

In loan asset packages valued based on the interest method, GFNorte evaluates twice a year if the expected cash flow estimates from collection rights is highly effective. For those collection rights in which the expected cash flow estimate is not highly effective, GFNorte uses the cost recovery method. The expected cash flow estimates are considered highly effective if the quotient resulting from dividing the amount actually collected between the sum of the expected cash flows, remains in a range between 0.8 and 1.25 at the time of the evaluation of said effectiveness.

6. Reserve for Uncollectable Accounts

GFNorte conducted a study which serves as a basis to quantify different future events that could affect the balance of accounts receivable of more than 90 days that determines the percentage of uncollectables and creates its estimate. The rest of the accounts receivable balances are reserved to the 90 calendar days following their initial registration. This estimate is based on historical collection experience, current trends, loan policy and a percentage of the other accounts receivable according to their seniority. To determine these percentages, historical write-offs of these accounts receivable are checked as well as current trends in the loan quality of its customer base, as well as changes in loan policies.

7. 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-

When problems are identified regarding the realization of the value of the foreclosed property, GFNorte records additional reserves based on management's best estimates. On December 31, 2012, 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.

8. Property, furniture and equipment, Goodwill and Other Intangible Assets.

(A) *Property, furniture and equipment*

Property, furniture and equipment are recorded at acquisition cost. The balances of acquisitions made until December 31, 2007 are updated 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.

(B) *Goodwill and Other Intangible Assets*

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."

Intangible assets are recognized in the consolidated balance sheets provided they are identifiable and generate future economic benefits that are controlled by GFNorte. 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.

GFNorte maintains criteria for identifying and, where appropriate, recording intangible losses for deterioration or decline in value for those financial and other long-term assets, including googwill. No indicators of impairment of goodwill have been identified as of December 31, 2012 and 2011.

9. 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. GFNorte 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.

10. 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 GFNorte on December 31, 2012 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 General Law of Institutions and Mutual Insurance Companies, as well as to the provisions issued by the CNSF. To value the technical reserves, GFNorte used the valuation methods found in the provisions set forth in Circular S-10.1.2, S-10.1.7, S-10.1.7.1 and S-10.6.6 issued by the CNSF on September 11, 2003 and published in the DOF on September 30, 2003; S-10.6.3 issued by the CNSF on July 11, 2007 and published in the DOF on August 13, 2007; S-10.6.4 issued by the CNSF on March 31, 2004, and S-10.1.8 issued on May 13, 2004, published in the DOF on April 27, 2004 and June 1, 2004, respectively.

11. Provisions

Provisions are recognized when a current obligation that results from a past event and are likely to result in the use of economic resources and can be reasonably estimated.

12. Labor Obligations.

The determination of GFNorte's obligations and labor costs depend on the selection of certain estimates used by actuaries in calculating such amounts. These estimates are described in greater detail in Note 25 of the annual financial statements, consolidated to December 31, 2012. This Note includes expected yields on assets of retirement plans, the discount rate and the rate of growth in the costs of labor remuneration. The estimates depend on economic conditions in Mexico.

4. ADMINISTRATION

a) EXTERNAL AUDITORS

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

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

In the fiscal year of 2012, GFNorte hired a firm of external auditors at a total cost of Ps 325,000 with 100% of this cost corresponding to the auditing services for the financial statements.

Moreover, each of the Group's subsidiaries also make payments to the external auditor on account of the auditing services of their financial statements and provide certain other services which are approved by the based on the recommendations presented by the respective Audit Committee.

b) OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

Transactions between the issuer and related parties are explained in detail in Note 27. Transactions and balances with subsidiary companies and associates of Section 8 c. "Annexes – Audited Financial Statements" of this annual report.

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions can not surpass the established limit of 50% of the basic part of the net capital.

In GFNorte as of December 31st, 2012 and 2011, the amount of loans granted to third parties is as follows:

Institution granting the loan	2012	% of the limit	2011	% of the limit	2010	% of the limit
Banorte	$11,536	50.3%	$12,732	59.8%	$8,772	47.1%
Ixe Banco	1,787	68.6%	1,732	81.8%	nd	nd
	$13,326		**$14,464**		**$8,772**	

Million pesos

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

As of December 31, 2012 and 2011, the payable balance of Afore XXI-Banorte is Ps. 1 million and Ps. 2 million, respectively.

Banorte

As of **March 31st, 2013**, the total loans granted to individuals and corpoaarate related parties, and does not exceed the 50% of of the basic part of net capital. The loans granted to related partes amount Ps 10.77 billion, representing 46.1% of the limit.

As of December 31st, 2012, the total portfolio of related party loans under Article 73 of the Law of Credit Institutions, was Ps 11.54 billion (including Ps 485 million in "CC" Credit Letters, which are registered in memorandum accounts), representing 3.2% of the Banorte's total loan portfolio (excluding the balance of CC and Support to Federal Government Housing Debtors). Of the total related loans, Ps 4.59 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.17 were granted to clients linked to shareholders and

Ps 5.77 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of Banorte’s loan portfolio for individuals and corporations at closing of December 2012 was 50.3% of the limit set by Banco de Mexico which was the equivalent of 50% of the basic part of net capital.

Related parties loans have been granted with market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of Banorte’s loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to rate borrowers in the commercial loan portfolio. 100% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

As of December 31, 2011, the total portfolio of related party loans under Article 73 of the Law of Credit Institutions, was Ps 12.73 billion (including Ps 566 million in “CC” Credit Letters, which are registered in memorandum accounts), representing 4.2% of the Banorte's total loan portfolio (excluding the balance of CC and Support to Federal Government Housing Debtors). Of the total related loans, Ps 4.72 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.09 billion were granted to clients linked to shareholders and Ps 6.92 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of Banorte’s loan portfolio for individuals and corporations at closing of December 2011 was 59.8% of the limit set by Banco de Mexico which was the equivalent of 50% of the basic part of net capital.

Related parties loans have been granted with market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of Banorte’s loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to rate borrowers in the commercial loan portfolio. 100% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

Ixe Banco

As of December 31st, 2012, the total portfolio of related party loans under Article 73 of the Law of Credit Institutions, was Ps 1.79 billion, representing 6.1% of the Ixe Banco's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 627 million were loans granted to clients linked to members of the Board of Directors; Ps 1.02 billion were granted to clients linked to shareholders and Ps 139 million were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of Ixe Banco’s loan portfolio for individuals and corporations at closing of December 2012 was 68.6% of the limit set by Banco de Mexico which was the equivalent of 50% of the basic part of net capital.

Related parties loans have been granted with market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of Ixe Banco’s loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to rate borrowers in the commercial loan portfolio. 100% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

As of December 31, 2011, the total portfolio of related party loans under Article 73 of the Law of Credit Institutions, was Ps 1.73 billion, representing 5.5% of the Ixe Banco's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 866 million were loans granted to clients linked to members of the Board of Directors; Ps 259 million were granted to clients linked to shareholders and Ps 607 million were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of Ixe Banco’s loan portfolio for individuals and corporations at closing of December 2011 was 81.8% of the limit set by Banco de Mexico which was the equivalent of 50% of the basic part of net capital.

Related parties loans have been granted with market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of Ixe Banco's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to rate borrowers in the commercial loan portfolio. 100% of the related party loans were rated in Category "A", and the majority of these loans were classified as commercial loans.

Business Relations

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

As of December 31st 2012, 2011 and 2010 GFNorte's participation in the equity of its consolidated subsidiaries is as follows:

	2012	2011	2010
Banco Mercantil del Norte, S. A. and Subsidiaries	92.72%	92.72%	92.72%
Arrendadora y Factor Banorte, S. A. de C. V. SOFOM, ER	99.99%	99.99%	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%	99.99%	99.99%
Seguros Banorte Generali, S. A. de C. V.	51.00%	51.00%	51.00%
Pensiones Banorte Generali, S. A. de C. V.	51.00%	51.00%	51.00%
Ixe Banco, S. A. *	99.99%	99.99%	-
Casa de Bolsa Banorte Ixe, S. A. de C. V. (formerly Ixe Casa de Bolsa) *	99.99%	99.99%	-
Ixe Fondos, S. A. de C. V. *	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%	99.99%	-
Ixe Soluciones, S. A. de C. V. SOFOM, ER *	99.99%	99.99%	-
Fincasa Hipotecaria, S. A. de C. V. SOFOM, ER and Subsidiary *	99.99%	99.99%	-
Casa de Bolsa Banorte, S. A. de C. V. and Subsidiaries ***	-	99.99%	99.99%
Banorte-Ixe Tarjetas, S. A. de C. V. SOFOM, ER**	-	50.00%	-

*Consolidated subsidiary as of April 2011.
**Consolidated subsidiary in Banco Mercantil as of April 2012.
***Merged subsidiary with Casa de Bolsa Banorte Ixe S. A. de C. V. as of January 2012.

On January 31st, 2011 the CNBV issued general regulations modifying the "General Dispositions applicable to financial reporting standards for controlling companies of financial groups" (the dispositions). This resolution, since it became effective, modifies the permanent investments related to insurance and bonding institutions establishing the consolidation of these institutions by the control exercised over them. As a result, since February 2011, GFNorte's consolidated financial statements include Seguros Banorte Generali (Insurance) and Pensiones Banorte Generali (Annuities).

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

Institution	Income			Accounts Receivable		
	2012	2011	2010	2012	2011	2010
Seguros Banorte Generali, S. A. de C. V.	$-	$-	$650	$-	$-	$29
Total	**$-**	**$-**	**$650**	**$-**	**$-**	**$29**

Million Pesos.

Institución	Income			Accounts Receivable		
	2012	2011	2010	2012	2011	2010
Seguros Banorte Generali, S. A. de C. V.	$-	$-	$251	$-	$-	$19
Total	**$-**	**$-**	**$251**	**$-**	**$-**	**$19**

Million Pesos.

Sale of portfolios among related parties (nominal values)

In February 2003 Banorte sold Ps. 1.93 billion of its own portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378 million. Of this transaction, Ps. 1.89 billion were related to past-due loans amounts and Ps. 64 million to the performing loan portfolio. The transaction was recorded based on figures as of August 2002, for which reason the final amount affecting the February 2003 balance sheet was Ps. 1.86 billion, considering the collections made since August 2002. In conjunction with the loan portfolio sold, Ps. 1.58 of the associated allowance for loan losses was transferred as well.

In official letter 601-II-323110 dated November 5, 2003, the CNBV established the accounting criteria to be applied to this transaction and issued a series of rulings whereby Banorte must provide detailed information on the activities of this transaction throughout its duration, in the understanding that this transaction was a one-time event and not a recurring portfolio transfer procedure.

Pursuant to the foregoing, below is a summary of the activity of the loan portfolio sold to Sólida since August 2002 and for the years of 2011 and 2012:

	Mexican pesos			Foreign Currency			Total		
Type of portfolio	**Aug 02**	**Dec 11**	**Dec 12**	**Aug 02**	**Dec 11**	**Dec 12**	**Aug 02**	**Dec 11**	**Dec 12**
Performing Loan Portfolio									
Commercial	Ps. 5	Ps. -	Ps. -	Ps. 5	Ps. -	Ps. -	Ps. 10	Ps. -	Ps. -
Mortgage	54	15	13	-	-	-	54	15	13
Total	**59**	**15**	**13**	**5**	**-**	**-**	**64**	**15**	**13**
Past-due portfolio									
Commercial	405	322	300	293	117	109	698	439	409
Consumer	81	72	72	-	-	-	81	72	72
Mortgage	1,112	303	282	-	-	-	1,112	303	282
Total	**1,598**	**697**	**654**	**293**	**117**	**109**	**1,891**	**814**	**763**
Total portfolio	**Ps. 1,657**	**Ps. 712**	**Ps. 667**	**Ps. 298**	**Ps. 117**	**Ps. 109**	**Ps. 1,955**	**829**	**776**
Allowance for loan losses(1)									
Commercial	326	321	300	246	117	109	572	438	409
Consumer	77	72	72	-	-	-	77	72	72
Mortgage	669	309	288	-	-	-	669	309	288
Total allowance for loan loss	**Ps. 1,072**	**Ps. 702**	**Ps. 660**	**Ps. 246**	**Ps. 117**	**Ps. 109**	**Ps. 1,318**	**Ps. 819**	**Ps. 769**

(1) Allowances required based on the classification methodology applied in Banorte that maintained a 99.99% equity interest in Sólida during 2012 and 2011.

As of December 31, 2012 and 2011, the composition of Banorte's loan portfolio without subsidiaries, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign Currency		Total	
Type of portfolio	**Dec 12**	**Dec 11**	**Dec 12**	**Dec 11**	**Dec 12**	**Dec 11**
Commercial loans	Ps 240,749	Ps 192,102	Ps 16,722	Ps 16,426	Ps 257,471	Ps 208,528
Consumer loans	25,180	29,775	-	-	25,180	29,775
Mortgage loans	69,735	60,948	-	-	69,735	60,948
Performing Loan Portfolio	**335,664**	**282,825**	**16,722**	**16,426**	**352,386**	**299,251**
Commercial loans	4,530	3,922	559	335	5,089	4,257
Consumer loans	584	1,294	-	-	584	1,294
Mortgage loans	1,030	1,060	-	-	1,030	1,060
Past-due portfolio	**6,144**	**6,276**	**559**	**335**	**6,703**	**6,611**
Total portfolio	341,808	**289,101**	17,281	**16,761**	359,089	**305,862**
Allowance for loan losses	7,783	8,939	471	487	8,254	9,426
Net portfolio	**Ps 334,025**	**Ps 280,162**	**Ps 16,810**	**Ps 16,274**	**Ps 350,835**	**Ps 296,436**
Allowance for loan losses					**123.14%**	**142.58%**
% of past-due portfolio					**1.87%**	**2.16%**

Million Pesos.
Chart according to figures of Quarterly Report as of December 2012.

c) MANAGERS AND SHAREHOLDERS

Board of Directors

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

Frequency of sessions: The Board meets every quarter and under extraordinary circumstances by request of the Board's Chairman, by 25% of the proprietary members, or by the President of the Audit and Corporate Practices' Committee.

Quorum: 51% of the Board Members with the inclusion of at least one independent.

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

The Board of Directors named for the 2012 fiscal year by the Annual General Ordinary Shareholders' Meeting of April 27th is composed of the following members:

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Guillermo Ortiz Martínez	Chairman of the Board of Directors	February 2011	• Chairman of the Board of Directors of Banco Mercantil del Norte, S. A. • Guillermo Ortiz y Asociados, S. C. Consultancy. • Governor of Banco de Mexico and Secretary of Finance and Public Credit.
Bertha González Moreno	Proprietary Patrimonial Member	April 1999	• Director Emeritus of Patronato Cerralvo, A. B. P.
David Villarreal Montemayor	Proprietary Patrimonial Member	October 1993	• CEO of Artefactos Laminados, S. A.
Manuel Saba Ades	Proprietary Patrimonial Member	July 2011	• Chairman of the Board of Directors of Grupo Casa Saba, S.A.B. de C.V.
Alfredo Elías Ayub	Proprietary Independent Member	April 2012	• CEO of Federal Electricity Commission. • CEO of Airports and Auxiliary Services.
Herminio Blanco Mendoza	Proprietary Independent Member	April 2005	• Chairman and CEO of Soluciones Estratégicas. • Member of the Board of Directors of Banco Latinoamericano de Exportaciones, Bladex.

			• Member of the Board of Directors of Cydsa, S.A. • Advisor to Mr. Lakshimi Mittal (Chairman of the Board of Directors and CEO of Mittal Steel). • Secretary of Commerce and Industrial Development.
Everardo Elizondo Almaguer	Proprietary Independent Member	April 2010	• Professor of Microeconomics of the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). • Deputy Governor of Banco de Mexico.
Patricia Armendáriz	Proprietary Independent Member	April 2009	• CEO of Credipyme, S.A. de C.V. • President of Consultoría Internacional
Armando Garza Sada	Proprietary Independent Member	July 2011	• Chairman of the Board of Directors of Grupo Alfa, S.A.B. de C.V. • Director of Desarrollo de Alfa, S.A.B. de C.V.
Héctor Reyes Retana	Proprietary Independent Member	July 2011	• Independent Advisor to Consupago, S.A. de C.V: • Independent Advisor to Banco del Ahorro Nacional y Servicios Financieros, S.N.C. • Advisor to Creación de Proméxico • Managing Director of Banco Nacional de Comercio Exterior, S.N.C. (National Foreign Trade Bank)
Juan Carlos Braniff Hierro	Proprietary Independent Member	July 2011	• Chairman and CEO of Capital Inmobiliario.
Eduardo Livas Cantú	Proprietary Independent Member	April 1999	• Independent Advisor.
Enrique Castillo Sánchez Mejorada	Proprietary Related Member	July 2011	• Managing Director of Wholesale Bank of Banco Mercantil del Norte • Managing Director of Wholesale Bank of Ixe Grupo Financiero, S.A. • Chairman of the Board of Directors of Ixe Grupo Financiero.
Alejandro Valenzuela del Río	Proprietary Related Member	October 2007	• CEO of Grupo Financiero Banorte S. A. B. de C. V. • Managing Director of Corporate Relations of Grupo Financiero Banorte, S. A. B. de C. V. • Managing Director of Treasury and Investor Relations of Grupo Financiero, S. A. B. de C. V.
Jesús O. Garza Martínez	Related Alternate Member	April 2012	• Managing Director of Banking of Banco Mercantil del Norte, S.A. • Managing Director of Commercial Banking of Banco Mercantil del Norte, S.A. • Managing Director of Consumer Banking of Banco Mercantil del Norte,

			S.A.
Juan Antonio González Moreno	Patrimonial Alternate Member	April 2004	• CEO of Gruma (Asia) • Director of Special Projects of Mission Food (Grupo Maseca).
José G. Garza Montemayor	Patrimonial Alternate Member	October 1993	• CEO of Productos Laminados de Monterrey, S. A. de C.V.
Alberto Saba Ades	Patrimonial Alternate Member	July 2011	• Vice-president of the Board of Directors of Grupo Saba, S.A.B. de C.V. • CEO of Grupo Xtra, S.A. de C.V.
Isaac Becker Kabacnik	Independent Alternate Member	April 2002	• Chairman of Becker e Hijos, S.A. de C.V. and of Becktel, S.A. de C.V.
Manuel Aznar Nicolin	Independent Alternate Member	March 2007	• Partner at the offices of Kuri Breña, Sánchez Ugarte y Aznar, S.C.
Javier Martínez Ábrego	Independent Alternate Member	October 1993	• Chairman of the Board of Directors of Motocicletas y Equipos, S.A. de C.V.
Carlos Chavarría Garza	Independent Alternate Member	April 2003	• CEO of Corporativo de Grupo Transregio, S.A.
Ramón A. Leal Chapa	Independent Alternate Member	July 2011	• CFO of Alfa Corporativo • Planning Director of Vitro
Julio César Méndez Rubio	Independent Alternate Member	July 2011	• CEO of Soluciones Especializadas Confianza, S.A. DE C.V., Sofom E.N.R. • Deputy Managing Director of Loans of Banco Nacional de Comercio Exterior
Guillermo Mascareñas MIlmo	Independent Alternate Member	July 2011	• Associate Director of Alpha Patrimonial, S.A. de C.V.
Alfredo Livas Cantú	Independent Alternate Member	October 1993	• President of Praxis Financiera, S.C.
Javier Molinar Horcasitas	Related Alternate Member	July 2011	• Managing Director- Integration Offices of Banco Mercantil del Norte, S.A. • Managing Director, Ixe Grupo Financiero, S.A. • CEO, Ixe Banco, S.A.
José Marcos Ramírez Miguel	Related Alternate Member	July 2011	• Managing Director Wholesale Bank Banco Mercantil del Norte, S.A. and Casa de Bolsa Banorte Ixe • Managing Director Wholesale Bank Grupo Financiero Santander

It is informed through this Annual Report that during the Annual General Shareholders' Meeting held on April 26th, 2012, among the resolutions was the approval of the Board of Directors for the fiscal year 2013, which will be comprised by the following members after the meetings' minutes are protocolized:

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Guillermo Ortiz Martínez	Chairman of the Board of Directors. Proprietary Related Member .	March 2011	*Chairmanof the Board of Directors of Banco Mercantil del Norte, S. A.* *Chairman of the Board of Directors of the International Monetary Fund's (IMF) External Review Panel to Assess the Fund's Risk Management Framework-* *Founder of the Guillermo Ortiz y Asociados, S. C. advisory form.* *Fundó el despacho Guillermo Ortiz y Asociados, S. C. Consultoría.* *He was Governor of the Bank of Mexico, Mexico's Minister of Finance and Public Credit (SHCP), Minister of Communications and Transportation and Chairman of the Board of Directors of the Bank for International Settlements (BIS).*
Graciela González Moreno	Proprietary Patrimonial Member	April 2013	*She is accountant, graduated from the Universidad Labastida in Monterrey, N.L. Since September 1988 until 2010, she participated as founding partner and member of the Asociación Gilberto, A.C. Board of Directors, being Vice-president of it from 2007 to 2010. She is daughter of Roberto Gonzalez Barrera, sister of Bertha Gonzalez Moreno, Juan Gonzalez Moreno and Roberto Gonzalez Moreno.*
José G. Garza Montemayor	Proprietary Patrimonial Member	October 1993	*He is CEO of Productos Laminados de Monterrey S.A. de C.V. He is shareholder of Productos Laminados de Monterrey, Centro Médico San José, San Juan Compañía de Bienes Raíces, Inmobiliaria Garmont and Grupo San Marino.*
Manuel Saba Ades	Proprietary Independent Member	July 2011	*He is Chairman of Grupo Casa Saba's Board of Directors* *He is member of the Board of Grupo Xtra Textil S.A. de C.V.* *He was member of the Board of Directors of: Casa de Bolsa Finamex, Estudios Mexicanos Telemundo, Banco Serfin, Banca Promex and Valores Finamex, as well as the Chairman of the Executive Committee of Grupo Kosa (Celanese), and former member of the Board of Ixe Grupo Financiero, S.A.B. de C.V.*
Alfredo Elías Ayub	Proprietary Independent Member	April 2012	*He served as CEO of the Comision Federal de Electricidad (Mexican Federal Electricity Commission, CFE), as CEO of Aeropuertos y Servicios Auxiliares (Airports and Auxiliary Services , ASA) and held various positions within the Ministry of Energy.* *He was a member of the Alumni Council of the School of Business at Harvard University, Chairman of the Development Board at the Anahuac University and of the Mexico Foundation in Harvard.*
Herminio Blanco Mendoza	Proprietary Independent Member	April 2005	*He is Chairman and CEO of "Strategic Solutions".* *Member of the Board of Banco Latinoamericano de Exportaciones, Bladex.*

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			Member of the Board of Cydsa, S. A. *He was Mr. Lakshimi Mittal's advisor (Chairman and CEO of Mittal Steel), Secretary of Commerce and Industrial Development and Chief Negotiator of the North American Free Trade Agreement (NAFTA).*
Eduardo Livas Cantú	Proprietary Independent Member	April 1999	*He is an Independent Financial Adviser, Member of the Board of Directors of Gruma, Gimsa and Banco del Centro S.A., was a member of the Board of the Executive Committee of Gruma. He was Chief Corporate Officer of Gimsa and Gruma.*
Patricia Armendáriz Guerra	Proprietary Independent Member	April 2009	*She is Chief Executive Officer of Credipyme, S.A. de C.V.* *President of Valores Financieros, S.A. (International Financial Consultancy).*
Armando Garza Sada	Proprietary Independent Member	July 2011	*He is Chairman of the Board of Directors of Grupo Alfa, S.A.B. de C.V.* *He is Diretor of Development of Alfa S.A.B. de C.V.* *He is member of the Board of: Banco de Mexico (Regional Board), Deutsche Bank (Latin-American Advisory Board), Femsa, Frisa, Liverpool, Proeza, member of the Advisory Board of Stanford University's Business School, and member of the Board of Stanford University.* *He was CEO of Selther, Polioles, Sigma and Versax, among others.*
Héctor Reyes Retana	Proprietary Independent Member	July 2011	*He is independent member of the Board of Consupago, S.A. de C.V.* *Member of the Board of Banco del Ahorro Nacional y Servicios Financieros, S.N.C. (Bansefi).* *He founded the state organism "ProMexico, Inversion y Comercio"; also.* *He was the CEO of Banco Nacional de Comercio Exterior, S.N.C (Bancomext) and Director of International Operations of Banco de Mexico (Banxico).* *In the private sector, he was CEO of Grupo Financiero Mifel and Banca Mifel, and was Vicepresident of the Mexican Banking Association (ABM), among others.*
Juan Carlos Braniff Hierro	Proprietary Independent Member	July 2011	*He is Chairman of the Boardand CEO of Capital I, Fondos de Inversion Inmobiliaria.* *He was Vicepresident of the Board of Directors of Grupo Financiero BBVA Bancomer, and Chairman of the Insurance, Annuities, Afore, Bancomer, also was Member of the Credit, Risk and Audit Committee. Also, was member of the Board of Directors of Femsa, Aeromexico, Maizoro, Hoteles Presidente Intercontinental, and former Member of the Compensation Committee of Ixe Grupo FInanciero, among others.*

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Miguel Alemán Magnani	Proprietary Independent Member	April 2013	*He is Executive Chairman of Interjet, Chairman of Grupo Aleman, Honorary Chairman of Grupo Casa SABA, Chairman of the Metropolitan Board of Grupo Financiero Banorte and was Vice-Chairman of the Board of Directors of Grupo Televisa, S.A.*
Alejandro Burillo Azcárraga	Proprietary Independent Member	April 2013	*He is Chairman of the Board of Directors of Grupo Pegaso, strategic partner in Ixe Banco, Laredo National Bank, Telefonica Movistar, Atlante Football Club, among others. He has also been independent member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A., BBVA Bancomer, S.A. and BBVA Bancomer Servicios, S.A.*
Juan Antonio González Moreno	Proprietary Patrimonial Member	April 2004	*He is Chairman of the Board and CEO of Gruma.* *He has been Managing Director of Gruma Asia and Oceania, Senior Vice-president of Special Projects of Gruma Corporation, Chairman of the Board and CEO of CarAmigo, Vice-president of central and East Regions of MissionFoods, President and Vice-president of sales of Azteca Milling and Managing Director of GIMSA.*
Alejandro Valenzuela del Río	Proprietary Related Member	October 2007	*He is Chief Executive Officer of Grupo Financiero Banorte S.A.B. de C.V. since April 2008; in the same Group he has held the positions of Managing Director of Institutional Relations, Managing Director of Treasury and Investor Relations.* *He was Managing Director of the European Aeronautic Defense and Space Company (EADS).* *Member of the Board of Directors of The Laredo National Bank.* *Director of International Relations and Foreign Affairs of Banco de Mexico, Chief of Staff to the Minister and Spokesman of the Ministry of Finance and Public Credit and Managing Director of International Financial Affairs at the same Ministry.*
Jesús O. Garza Martínez	Related Alternate Member	April 2012	*Managing Director of Retail Banking of Banco Mercantil del Norte, S.A.*
Alejandro Hank González	Patrimonial Alternate Member	April 2013	
David Villarreal Montemayor	Patrimonial Alternate Member	October 1993	*He Is Chief Executive Officer and major shareholder of Artefactos Laminados, S. A. de C.V.* *He is part of the Board of Inmobiliaria Montevi, S.A. de C.V. and Inmobiliaria Monyor S.A. de C.V.* *He is a regional Advisor of Banco Nacional de Mexico, S.A. (Banamex) and a Financial Advisor and Business Developer for SISMEX, Sistemas Mexicanos S.A. de C.V.*
Alberto Saba Ades	Independent Alternate Member	July 2011	*Vice-president of the Board of Directors of Grupo Saba, S.A.B. de C.V.* *CEO of Grupo Xtra, S.A. de C.V.*

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Isaac Becker Kabacnik	Independent Alternate Member	April 2002	*Chairman of Becker e Hijos, S.A. de C.V. and of Becktel, S.A. de C.V.*
Manuel Aznar Nicolin	Independent Alternate Member	March 2007	*Partner at the offices of Kuri Breña, Sánchez Ugarte y Aznar, S.C.*
Adrián Sada Cueva	Independent Alternate Member	April 2013	*CEO of Vitro since March 2013. He also was Managing Director of Containers in the same Group.*
Everardo Elizondo Almaguer	Independent Alternate Member	April 2010	*He was Director of Economic Studies of Grupo Industrial Alfa (Alfa Group).* *He founded the Consulting Agency Index, Economia Aplicada S.A.* *He was Deputy Governor of the Bank of Mexico.* *He founded and is Director of the Graduate School of the Faculty of Economics, University of Nuevo Leon. He is Professor at the Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM) in the Faculty of Economics and Public Administration.*
Ramón A. Leal Chapa	Independent Alternate Member	July 2011	*CFO of Alfa Corporativo* *Planning Director of Vitro.*
Julio César Méndez Rubio	Independent Alternate Member	July 2011	*CEO of Soluciones Especializadas Confianza, S.A. DE C.V., Sofom E.N.R.* *Deputy Managing Director of Loans of Banco Nacional de Comercio Exterior.*
Guillermo Mascareñas Milmo	Independent Alternate Member	July 2011	*Associate Director of Alpha Patrimonial, S.A. de C.V.*
Lorenzo Lazo Margain	Independent Alternate Member	April 2013	*CEO of Alemán Velasco y Asociados S.C. and member of the Consultive Board of "México Cumbre de Negocios". Chairman of the Board of L.L. & M.M. Consultores S.C.*
Alejandro Orvañanos Alatorre	Independent Alternate Member	April 2013	*CEO of Grupo Pegaso. He was CEO of Caribevision Television Network, Director of Operations of Grupo Pegaso and Deputy CEO of Movistar.*
Enrique Castillo Sánchez Mejorada	Related Alternate Member	July 2011	*Es Chairman of Capital Investments of GFNorte.* *He is member of the Board of Directors of Grupo Industrial Herdez and Grupo Embotelladoras Unidas (Geupec).* *He was Director of Banco Nacional de Mexico, Casa de Bolsa Banamex, S.A. and Nacional Financiera. Also, he worked in Inverlat Casa de Bolsa, S.A, was CEO of Seguros América, S.A. and Director of Grupo Financiero Invermexico, S.A. de C. V. as well as Director of Credit Suisse First Boston.*
José Marcos Ramírez Miguel	Related Alternate Member	July 2011	*Managing Director Wholesale Bank and Casa de Bolsa Banorte Ixe* *Managing Director Wholesale Bank Grupo Financiero*

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			Santander

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

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

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

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

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

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

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

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

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

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

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

h) Accounting policies of the Group, adjusted to known accounting principles or those issued by the CNBV of general character.

i) Financial statements of the Group.

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

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

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

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

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

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

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

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

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

a) To settle and commit to in arbitration.
b) To come between and desist in all types of trials and resources.
c) To initiate Habeas Corpus trials or desist from them.
d) To present and ratify arraignments and penal quarrels and to meet their requirements; and to desist them.
e) To be co-council for the Federal or local District Attorney.
f) Grant pardons in penal procedures.
g) Explain or absolve positions in all types of trials, including labor trials, with the understanding however, that only those individuals designated by the Board of Directors have the ability to absolve them in accordance with the terms of Section X of this Article, which completely excludes them from the Rights enjoyed by other officials or directors of the Group.

h) Obtain awards of goods, surrender goods, present bids at auctions, challenge, and receive payments.

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

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

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

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

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

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

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

XVIII. Formulate an internal work code.

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

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

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

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

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

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

Shareholders 2013

According to the shareholder listings prepared for the Extraordinary and Ordinary General Shareholders' Meetings held on January 22nd, 2013, Board Members and the main officials in the Group with over 1% participation in the Group's shares are distributed as follows:

BOARD MEMEBERS	No. OF SHARES
Bertha González Moreno	43,252,559
David Villarreal Montemayor, representing the shareholdings of Alicia Montemayor de Villarreal.	46,527,200
Javier Martínez Abrego	29,305,000

According to the shareholder listings prepared for the Extraordinary and Ordinary General Shareholders' Meetings held on January 22nd, 2013, the names of the 10 main shareholders of GFNorte are:

State Street Bank and Trust Co. (Through various funds)
JP Morgan Chase Bank (Through various funds)
Banco Invex SA Trust 1204
The Bank of New York Mellon (Through various funds)
BNP Paribas Securities Services (Through various funds)
Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander (On behalf of third parties)
CBNY Global Custody-Secore BR910 (Through various funds)
Brown Brothers Harriman and Co NY (Through various funds)
The Northern Trust Company (Through various funds)
Citigroup (Through various funds)

Support committees for GFNorte's Board of Directors

The established support Committees for the Board of Directors of GFNorte are the:

1 Management Committee
2 Risk Policies' Committee (CPR)
3 Audit and Corporate Practices' Committee (CAPS)
4 Advisory Board
5 Human Resources Committee
6 Designation Committee

Which are made up of Board members and officers of the Group are involved in some of them. It is the Board's responsibility to authorize the by-laws of the committees and to evaluate their performance on an annual basis.

Moreover, there are Regional Boards that serve as consultative and advisory bodies for the Chairman of the Board of Directors. Members of the GFNorte's Board of Directors can not be part of the Regional Boards or any other entity directly or indirectly controlled by it.

MANAGEMENT COMMITTEE

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

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

Comprised of:

MEMBERS		
Guillermo Ortiz Martínez	Chairman of the Board of Directors	President
Alejandro Valenzuela del Río	CEO GFNorte	Coordinator
Sergio García Robles Gil	MD Corporate Affairs	Member
Jesús O. Garza Martínez	MD Banking	Member
Rafael Arana de la Garza	CFO	Member

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

Decisions are adopted with unanimous votes of those present.

RISK POLICIES' COMMITTEE (CPR)

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

Functions:

1. To propose for approval by the Board of Directors:
    a. Objectives, limitations and policies for the Integral Management of Risks, as well as modifications to the same.
    b. Global limitations for the different types of risk considering consolidated risk, broken down by

business unit or risk factor, taking into account what is established in Articles 79 to 85 of the applicable regulations of General Character for Credit Institutions, published in the Diario Oficial (second section) on December 2nd, 2005.

c. Mechanisms for the implementation of corrective measures.
d. Special cases or circumstances in which specific or global limitations could be exceeded.

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

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

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

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

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

Comprised of:

MEMBERS	
Eduardo Livas Cantú (President)	Proprietary Independent Member of the Board
Alfredo Elías Ayub	Proprietary Independent Member of the Board
Manuel Aznar Nicolín	Alternate Independent Member of the Board
Everardo Elizondo Almaguer	Proprietary Independent Member of the Board
Juan Carlos Braniff Hierro	Proprietary Independent Member of the Board
Alejandro Valenzuela del Río	CEO GFNorte
Manuel Antonio Romo Villafuerte	MD Ixe Banco, Banorte- Ixe Tarjetas
Fernando Solís Soberón	MD Long Term Savings

MEMBERS	
Gerardo Zamora Nañez	MD Leasing & Factoring, and Warehouse
José Marcos Ramírez Miguel	MD Wholesale Banking and Casa de Bolsa Banorte Ixe
Javier Márquez Diez Canedo (Secretary))	MD Risk Management
Héctor Ávila Flores (Invited) (without vote)	MD Legal
Jesús O. Garza Martínez (Invited) (without vote)	MD Banking
José Armando Rodal Espinosa (Invited) (without vote)	MD Business and Corporate
Rafael Arana de la Garza (Invited) (without vote)	CFO
Luis Fernando Orozco Mancera (Invited) (without vote)	MD Asset Management
Carlos Eduardo Martínez González (Invited) (without vote)	MD Government
Benjamín Vidargas Rojas (Invited) (without vote)	MD Internal Audit

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

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

AUDIT AND CORPORATE PRACTICES' COMMITTEE (CAPS)

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

Integration and Meetings:

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

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

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

MEMBERS		
Héctor Reyes Retana	Proprietary Independent Member of the Board	President
Herminio Blanco Mendoza	Proprietary Independent Member of the Board	Member
Manuel Aznar Nicolín	Alternate Independent Member of the Board	Member
Patricia Armendáriz Guerra	Proprietary Independent Member of the Board	Member
Julio César Mendez Rubio	Alternate Independent Member of the Board	Member
Isaías Velázquez González	Secretary with no vote	

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

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

Functions:
I. Regarding Corporate Practices:

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

II. Regarding Audit:

a. Provide the Board of Directors with an opinion on matters of concern in accordance to the applicable legislation.
b. Evaluate the performance of corporations providing external audit services, such as analyzing the findings, opinions and reports prepared by the external auditor. To do so, the Committee may require the presence of the afore-mentioned auditor whenever considered convenient, without prejudice of meeting at least once a year.
c. Discuss the Group's financial statements with the individuals responsible of their elaboration and revision, and based on that, recommend or oppose their approval to the Board of Directors.
d. Inform the Board of Directors of the state of the internal control and internal audit systems of the Group or corporations that control them, including any detected irregularities, if the case.
e. Prepare an opinion on the CEO's report and submit it to the Board of Directors for its consideration and later presentation to the Shareholders' Meeting, based on the external auditor's findings, among other factors. This opinion should at least point out:
    1. If the accounting and information policies and criteria followed by the Group were appropriate and sufficient, taking into consideration the particular circumstances of the situation.
    2. If these policies and criteria were applied in the information presented by the CEO.
    3. If, as a consequence of numbers 1 and 2, the information presented by the CEO reasonably reflects the financial situation and results of the Group.
f. Support the Board of Directors in the preparation of the reports to be presented to the Shareholders' Meeting.
g. Check that operations referred to in Number 3 of Article 33 of the Corporate By-Laws, as well as those indicated by the applicable legislation, are carried out according to the law and By-Laws and the policies derived from thereof.
h. Solicit the opinion of independent experts in such cases where it is judged to be convenient, for the appropriate performance or when in accordance with the applicable legislation.
i. Require relevant officers and other employees of the Group or corporations that it controls, to report relative to the elaboration of financial and of any other type of information that it considers necessary for the execution of their duties.
j. Investigate the possible non-fulfillment of duties by those with knowledge of operations, operational limitations and policies, internal control, internal audit and accounting registration system, either of the Group or of controlled corporations through an examination of documentation, registrations and other proof or evidence, to the extent necessary to fulfill this supervision.
k. Receive observations expressed by shareholders, Board Members, relevant officers, employees and, by any third party in general, regarding matters referred to in the previous paragraph, as well as to carry out actions that are reasonable in their opinion in connection with such observations.
l. Request periodic meetings with the relevant officers, as well as the delivery of any type of information

related to the internal control and internal audit of the Group or its corporations.

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

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

I. Regarding Corporate Practices:

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

II. Regarding Audit:

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

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

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

OTHER AUDIT COMMITTEES

Audit Committee for Banco Mercantil del Norte (Banorte)

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

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

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

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

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

MEMBERS		
Héctor Reyes Retana	Proprietary Independent Member of the Board	President
Herminio Blanco Mendoza	Proprietary Independent Member of the Board	Member
Manuel Aznar Nicolín	Alternate Independent Member of the Board	Member
Patricia Armendáriz Guerra	Proprietary Independent Member of the Board	Member
Julio César Méndez Rubio	Alternate Independent Member of the Board	Member
Isaías Velázquez González	Secretary with no vote	

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

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

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

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

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

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

Authority:

The Audit Committee has the authority to:

I. Propose to the Board of Directors for approval:

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

To directly approve:

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

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

To convene extraordinary sessions, when considered necessary.

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

Responsibilities:

Financial Statements:

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

Internal Control:

1. Propose for approval by the Board of Directors:
    a. The objectives and guidelines for their implementation, prepared by the General Management, of the Internal Control System (SCI) that the Institution needs to function properly, as well as updates.
    b. The Institution's Code of Conduct, prepared by the General Management.
2. Approve operation manuals that are required for the Institution to function properly, prepared by the General Management, and to review and monitor with the support of Internal Audit that these adhere to the Internal Control System approved by the Board of Directors.
3. To review, in coordination with the General Management, at least once a year or when significant changes exist, the operating manuals and Code of Conduct of the Institution.
4. To permanently have a current up-to-date registration of the SCI objectives and guidelines for their implementation, as well as operating manuals, prepared by those responsible for the function of Internal Controllership.
5. To review with the support of Internal and External Audits, the application of the Internal Control System, evaluating efficiency and effectiveness.
6. To inform the Board of Directors, at least once a year, on the situation of the Internal Control System of the Institution. The report should at least contain the following:
    a. Flaws, deviations or aspects of the SCI that require improvement, taking this into account for the reports and the internal and external auditor's opinions respectively, as well as those of Internal Controllership.
    b. Mention and follow-up of the implementation of preventive and corrective measures resulting from observations made by CNBV and the results of the internal and external audits, as well as the SCI evaluation carried out by the Committee.
    c. Evaluation of the performance of Internal Controllership and Internal Audit functions.
    d. Evaluation of the external auditor's performance, as well as of the quality of the audit and the reports it elaborates, in fulfillment of the applicable general dispositions, including observations made by the CNBV.
    e. Significant aspects of the SCI that could affect the performance of the Institution's activities.
    f. Results of the audit review, reports, opinions and the external auditor's official statements.

Internal Audit:

1. To propose, for ratification by the Board of Directors, the appointment of the individual responsible for Internal Audit.

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

External Audit:

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

Internal Controllership:

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

Compliance:

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

Information and others:

1. Report annually to the Board of Directors on significant irregularities identified during the exercise of their functions, and propose appropriate, corrective actions to be implemented.
2. Review the different reports of Internal and External Audit to be presented to the Board of Directors. All matters which under the prudential dispositions of internal control should be authorized by the Board of

Directors, must be presented directly by the Audit Committee.

3. Receive and review the written annual report of the CEO to the Audit Committee, about the performance of the activities related to internal control, as well as the functioning of the SCI as a whole.
4. Comment on transactions with related parties referred to by Article 14 Bis 3 of the Securities Exchange Act in Section IV paragraph d), and if necessary propose the hiring of independent specialists, to express their opinion with respect to these transactions.
5. Propose for approval by the Board of Directors, the Audit Committee Statute, revised as necessary and to confirm annually that all the responsibilities outlined in this Statuter are carried out.
6. The Audit Committee, in the performance of its duties, shall establish the necessary procedures for its overall performance. In any case, members of the Committee shall take as a basis for their activities, the information prepared by the internal and external auditors as well as General Management.
7. Annually, the Audit Committee will self-assess their performance and that of each of its members, reporting the results to the Board of Directors.

Audit Committee for Ixe Banco

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

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

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

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

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

MEMBERS		
Héctor Reyes Retana	Proprietary Independent Member of the Board	President
Herminio Blanco Mendoza	Proprietary Independent Member of the Board	Member
Manuel Aznar Nicolín	Alternate Independent Member of the Board	Member
Patricia Armendáriz Guerra	Proprietary Independent Member of the Board	Member
Julio César Méndez Rubio	Alternate Independent Member of the Board	Member
Isaías Velázquez González	Secretary with no vote	

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

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

Participating as permanent guests, with the right to a voice but without a vote, are the CEO of the Financial

Group, the Managing Director of Corporate Affairs and those responsible for the functions of Legal Affairs, Risks, Administration, Internal Controllership and Internal Audit. The President of the Committee can also summon any other person if he considers it appropriate due to the nature of the topic to be discussed, or to carry out his deliberations.

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

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

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

Authority:

The Audit Committee has the authority to:

I. Propose to the Board of Directors for approval:

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

To directly approve:

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

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

To convene extraordinary sessions, when considered necessary.

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

Responsibilities:
Financial Statements:

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

Internal Control:

1. Propose for approval by the Board of Directors:
    a. The objectives and guidelines for their implementation, prepared by the General Management, of the Internal Control System (SCI) that the Institution needs to function properly, as well as updates.
    b. The Institution's Code of Conduct, prepared by the General Management.
2. Approve operation manuals that are required for the Institution to function properly, prepared by the General Management, and to review and monitor with the support of Internal Audit that these adhere to the Internal Control System approved by the Board of Directors.
3. To review, in coordination with the General Management, at least once a year or when significant changes exist, the operating manuals and Code of Conduct of the Institution.
4. To permanently have a current up-to-date registration of the SCI objectives and guidelines for their implementation, as well as operating manuals, prepared by those responsible for the function of Internal Controllership.
5. To review with the support of Internal and External Audits, the application of the Internal Control System, evaluating efficiency and effectiveness.
6. To inform the Board of Directors, at least once a year, on the situation of the Internal Control System of the Institution. The report should at least contain the following:
    a. Flaws, deviations or aspects of the SCI that require improvement, taking this into account for the reports and the internal and external auditor's opinions respectively, as well as those of Internal Controllership.
    b. Mention and follow-up of the implementation of preventive and corrective measures resulting from observations made by CNBV and the results of the internal and external audits, as well as the SCI evaluation carried out by the Committee.
    c. Evaluation of the performance of Internal Controllership and Internal Audit functions.
    d. Evaluation of the external auditor's performance, as well as of the quality of the audit and the reports it elaborates, in fulfillment of the applicable general dispositions, including observations made by the CNBV.
    e. Significant aspects of the SCI that could affect the performance of the Institution's activities.
    f. Results of the audit review, reports, opinions and the external auditor's official statements.

Internal Audit:

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

External Audit:

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

Internal Controllership:

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

Compliance:

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

Information and others:

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

Audit Committee for Casa de Bolsa Banorte Ixe

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

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

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

Members of the Committee shall be selected for their ability and professional prestige, which by their knowledge and development have extensive experience in the area of finance, audit and internal control.

Those who are invited with the right to voice but without vote, are the Managing Director of the Brokerage House (Casa de Bolsa), those responsible for the functions of internal audit, legal, management, risks, internal auditor as well as the External Auditor, Commissioner, Policy Controller and, in general, any person summoned by the Committee whose presence is considered appropriate given the nature of the issues discussed.

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

MEMBERS		
Manuel Aznar Nicolín	Alternate Independent Board Member	President
Alejandro Valenzuela Del Río	Proprietary Related Board Member	Member
Javier Márquez Diez-Canedo	Proprietary Related Board Member	Member
Juan Pedro Meade Kuribreña	Secretary with no vote	

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

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

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

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

Authority:

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

The Committee can:

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

Responsibilities:
The Audit Committee has the responsibilities set forth below.

External Audit:

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

Internal Control:

1. Prepare for approval by the Board of Directors, upon recommendation of the Director General, objectives, guidelines and policies on internal control for the proper functioning of the Brokerage House and their update.
2. With the support of Internal Audit, approve the manual for internal control and review annually or when there are significant changes in the operation of the Brokerage House.
3. With the support of Internal Audit and Control, monitor that the policies, procedures and operations in the afore-mentioned manuals are consistent with regulations, as well as with the objectives, guidelines and policies approved by the Board of Directors.
4. Verify the effectiveness of the Brokerage House’s Internal Control System, considering the security and control on information technology issues.
5. Evaluate on an annual basis, the condition of the Internal Control System and inform the Board of

Directors of the results.
6. Develop, with the prior opinion of the CEO, for approval by the Board, Conduct and Ethics Codes.
7. Propose for approval by the Board of Directors, guidelines and policies regarding the reception and assignment system.
8. Develop policies that establish guidelines and procedures for the management, conservation and where necessary, destruction of books, records, documents and other information related to accounts that have been or will be microfilmed and recorded, in strict adherence to regulations.

Financial Statements:

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

Internal Audit:

1. Propose for approval by the Board, the appointment of the person to be responsible of the Internal Audit function.
2. Monitor the independence of the internal audit department.
3. Review and approve:
   a. The status of the Internal Audit function.
   b. Upon the CEO's recommendation, the annual Internal Audit work program.
   c. The personnel and organizational structure of Internal Audit's activities.
   d. The hiring of external quality assessment services of Internal Audit's functions.
4. Verify on an annual basis, or when required by the CNBV, that the internal audit program performs in accordance with appropriate quality standards in accounting and internal controls and the activities of this area are carried out effectively.
5. Meet regularly as deemed appropriate and separately, with the person in charge of internal audit operations for any matter requiring their judgment and consideration, that should be dealt with privately.
6. Establish the frequency of internal audit written reports on the results of management, without prejudice to the Internal Auditor report, immediately upon the detection of any flaw or deviation that is deemed significant or relevant.
7. Ensure that Internal Audit follows-up on detected significant flaws or deviations, to ensure they are promptly corrected and the report containing this information is available to the Board of Directors and competent financial authorities at all times.
8. Know and review the results of internal and external evaluations of quality made on Internal Audit functions and, where appropriate, follow-up on the implementation of recommendations.

Internal Control:

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

Information and Others:

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

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

ADVISORY BOARD

Objective. To serve as a consultative and advisory body to the Chairman of the Board.

Faculties:

The Advisory Board will only function as a consultative and advisory body to the Board of Directors through the Chairman of the Board. Its functions will be:

- To give opinions and advice to the Board on issues related to the development of the Company,
- New business opportunities or issues that the Board of Directors' Chairman submits to their consideration.

These opinions will be delivered to the Board of Directors' Chairman, who may refer them to the Board of Directors.

Meetings: The Advisory Board meets when convened by its Chairman.

Integration:

The Advisory Board should be constituted up to 10 members, who must have the technical quality, honesty and satisfactory credit history, as well as extensive knowledge and experience in the financial, legal or administrative fields, and who may, may not be or have been members of the Board of Directors. The members of the Advisory Board should be elected by the Shareholders' Assembly or by the Board of Directors, as a proposal of its Chairman and Chairman Emeritus.

Members will remain in office for a period of 3 years, with the possibility of being reelected in various occasions (although the Shareholders' Assembly or the Board of Directors may remove any of these members) and will receive the compensation that the Shareholders' Assembly or the Board of Directors establishes.

MEMBERS	
Guillermo Ortiz Martínez	Chairman
Francisco Alcalá de León	
Enrique Castillo Sánchez Mejorada	
Javier Molinar Horcasitas	
Rodolfo F. Barrera Villareal	
Manuel Aznar Nicolín	
José G. Garza Montemayor	
Eugenio Clariond Reyes-Retana	
Jacobo Zaidenweber Cvilich	
Isaac Hamui Mussali	

HUMAN RESOURCES COMMITEE

Responsibility: To look after the shareholders' interests in regard to remuneration and its regulatory framework.

Scope: CEO and Managing Directors **, the Wholesale Banking Division up to the level of Executive Director (Treasury, Money Market, Capital Markets, FX, Institutional Sales, Derivatives, Mutual Funds, Corporate Banking, Wealth & Private Banking) ****.**

**(Job Positions to be proposed in a first stage, taking into account that they can make decisions or intervene in proceedings that involve any risks for the institution).

Integration:

MEMBERS		
Herminio Blanco Mendoza	Proprietary Independent Member	President
Everardo Elizondo Almaguer	Proprietary Independent Member	Member
Alejandro Garay Espinosa	MD of Corporate Services	Member
Javier Márquez Diez-Canedo	MD of Risk Management	Member
Rafael Arana de la Garza	CFO	Member
Benjamín Vidargas Rojas	MD of Audit	Member With voice/ No vote
Luis Gerardo Valdés Manzano	DMD of Human Resources	Member
Jorge Eduardo Vega Camargo	DMD of Comptrolership	Member
Gerardo Zamora Nañez *****	DMD of Leasing, Factoring and Warehouse	With voice and vote
Martha Elena Navarrete Villarreal	ED of Internal Audit	Secretary With voice/ No vote

*Participates and votes in the Human Resources' Committee on issues related to Arrendadora y Factor Banorte, S.A. de C.V., SOFOM, E.R., Grupo Financiero Banorte.

DESIGNATIONS COMMITEE

Objetives:

i. Propose for approval by the Shareholders' Assembly the appointment of the members of the Company's Board of Directors, as well as the Board members of any of the Financial Groups' subsidiaries.

ii. Elaborate an opinion regarding the persons who will hold the position of CEO at the Company's and any of the Financial Group's subsidiaries, without prejudice to the faculties assigned to the Audit and Corporate Practices' Committee in terms of Article Thirty-three section d) of these bylaws.

iii. Propose for approval by the Shareholders' Assembly or by the Board of Directors, the compensation for the members of the Company's Board of Directors and its Committees, as well as the Boards of the Financial Groups' Subsidiaries.

iv. Propose for approval by the Shareholders' Assembly or by the Board of Directors, the removal of members of the Company's Board of Directors, as well as from the Board of any of the Financial Groups' Subsidiaries".

Integration:

The Designation Committee will be appointed by the Shareholders' Assembly or by the Board of Directors, it will be constituted by 3 members, who are members of the Board of Directors and shall remain in office for 1 year with possibility of being reelected.

Meetings: The Designation Committee will hold sessions at least once a year or when convened by its Chairman.

REGIONAL BOARDS

Objective. To serve as consultative and advisory bodies to the Chairman of Board of Directors.

Faculties: To give opinions and advice on trends and opportunities in their region, as well as those issues that the Board of Directors submit to their consideration. In addition, it will function as an organism to reach the business community in each region.

Meetings: Each Regional Board will three times a year or when convened by the Chairman of the Board of Directors. A plenary session of National Board Members will be carried out annually.

Integration: Each Regional Board will be constituted by distinguished personalities and business people, which at the moment of being involved with GFNorte's regional strategies will generate economic development and therefore strengthen the Financial Group's presence in the region.

The members of the Regional Boards should fulfill the following requirements:

a) Technical quality, honesty and satisfactory credit history.
b) Extensive knowledge and experience in the financial, legal or administrative fields.
c) Develop their activities in the respective regions.

Regional Boards will be integrated by the members elected by the Chairman of the Board of Directors. Likewise, among the members a Chairman will be designated, and will chair de Regional Board sessions and will appoint a Secretary, who will not be part of the Board. In absence of the Chairman, he will designate its alternate.

Members of the Regional Boards will be elected and, if the case, removed by the Chairman of the Board of Directors and will remain in office for 2 years, with the possibility of being reelected.

The members will remain in office for 1 year, with the possibility of being reelected for any number of times and will receive the compensation that the Shareholders' Assembly or the Board of Directors' establishes.

Members of the GFNorte's Board of Directors or of any other company that the Group controls, can not be part of the Regional Boards.

Support Committees to GFNorte's General Management

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

1 Operations
2 Technology and Investment
3 Security
4 Central Credit
5 Central Credit Recovery
6 Assets and Liabilities
7 Proprietary Investment Portfolio
8 Communications and Control
9 Fiducary Business
10 Investment Projects
11 Integrity
12 Investments In Managed Portfolios
13 Credit Cards' Operative Decisions Group

OPERATIONS COMMITTEE

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

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

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

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

Frequency of sessions: when convened by the CEO of GFNorte.

Integration:

MEMBERS		
Alejandro Valenzuela del Río	CEO GFNorte	President
Rafael Arana de la Garza	CFO	Coordinator
Fausto José Hernández Pintado	DMD Planning and Strategic Projects	Secretary
Jesús Oswaldo Garza Martínez	MD Banking	
Carlos Eduardo Martínez González	MD Government	
Alejandro Garay Espinosa	MD Corporate Services	
Carla Juan Chelala	MD Marketing	

TECHNOLOGY AND INVESTMENT COMMITTEE

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

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

Functions:

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

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

Frequency of the sessions: when convened by the CEO of GFNorte.

Integration:

MEMBERS		
Alejandro Valenzuela del Río	CEO GFNorte	President
Rafael Arana de la Garza	CFO	Coordinator
Fausto José Hernández Pintado	DMD Planning and Strategic Projects	Secretary
Jesús Oswaldo Garza Martínez	MD Banking	
Alejandro Garay Espinosa	MD Corporate Services	
Guillermo Güémez Sarre	MD Technology	
Javier Beltrán Cantú	DMD Material Resources	

Recovery and Continuity Committee

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

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

Functions:
1. To ensure that the BCP Business Continuity Plans, (Processes, Procedures, Communication, etc.) including the DRP Recovery Plan for Disasters are documented, current and proven to respond to a contingency in an organized manner.
2. To ensure that the different components (Hardware, Software, Communications, etc.) of the Alternate Computer Center are installed and available for a contingency.
3. To ensure the availability and proper functioning of the facilities located in the Alternate Computer Center.
4. Monitor the execution of Recovery Plans and Business Continuity (BCP) in the event of a disaster (DRP).
5. Request the necessary resources from the Technology and Investment Committee to coordinate and

execute test runs of the Recovery and Continuity Plans at least once a year.
6. Coordinate the actions of the Immediate Response Team (Crisis Center) to evaluate the impact, identify the affected business areas, estimate recovery time and prioritize the actions to be executed in the event of a lingering interruption of services.
7. In the event of a declared disaster, to coordinate the recovery and/or continuity at an Institutional level until ensuring the total recovery of all the necessary components for operation (software, hardware, communications, human resources and materials, clients, suppliers, etc).

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

Integration:

MEMBERS		
Alejandro Garay Espinosa	MD Corporate Services	President
Miguel Ángel de la Rosa Ríos	D Business Continuity	Secretary
Apolonio Pérez Ramírez	D Regulatory Provisions Control	
Guillermo Güemez Sarre	MD Technology	
Jorge Eduardo Vega Camargo	DMD Comptrolership	
Bernardo Castro Villagrana	ED Infrastructure	
Eduardo Martínez Ham	D Infrastructure	
Javier Beltrán Cantú	DMD Material Resources	
Concepción Guadalupe Borjón Shears	DMD Branches and Clients Management	
Luis Gerardo Valdés Manzano	DMD Human Resources	
Ramón Eduardo Vázquez Villegas	ED Operations	
Jesús Valdés Fernández	D Operational Risk Management	
Francisco Salvador García Dayo	D Information Technology Audit	
Edmundo Braulio Quintero	D Protection and Security	
Gerardo Mejía Zacarías	D Comptrolership (Brokerage House)	
Jesús Oswaldo Garza Martínez	MD Banking	
Jose Antonio Arceo Graniel	D Systems (B-Generali)	
Samuel Molina Hernández	DD Systems (B-Generali)	

SECURITY COMMITTEE

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

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

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

Functions:

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

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

Integration:

MEMBERS			
PROPIETARIES		**ALTERNATES**	
Héctor Ávila Flores	MD Legal	Armando Jorge Rivero Laing	MD Legal
Alejandro Garay Espinosa	MD Corporate Services	Jorge Eduardo Vega Camargo	DMD Comptrolership
Benjamin Vidargas Rojas	MD Audit	Martha Elena Navarrete Villarreal	ED Audit Management
Jesús O. Garza Martínez	MD Banking	Concepción G. Borjón Shears	DMD Branches and Clients Management
Manuel Antonio Romo Villafuerte	MD Ixe Banco, Banorte- Ixe Tarjetas	Miguel Angel Martínez Sienra	DMD Retail Banking
Guillermo Güemez Sarre	MD Technology		
Luis Gerardo Valdés Manzano	DMD Human Resources		
Juan Pedro Meade Kuribreña	ED Institutional Control and Prevention	Ernesto Treviño Gómez	D UNE (Special Unit for Enquiries and Complaints)
Roel Mariano Pérez Martínez (Coordinator Secretary)	DD Audit	Juan Guillermo Flores de Casas	M Audit

CENTRAL CREDIT COMMITTEE

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

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

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

Frequency of sessions: Every fifteen days or as frequently as required.

Integration:

MEMBERS	
Alejandro Valenzuela Del Río	President and Coordinator
Luis Fernando Orozco Mancera	Alternate Coordinator
Javier Márquez Diez-Canedo	Alternate Coordinator
Rafael Hinojosa Cárdenas	Alternate Coordinatora and Secretary
Heleodoro Ruíz Santos	Alternate Coordinator
José Armando Rodal Espinosa	.
Javier Molinar Horcasitas	.
Victor Antonio Roldan Ferrer	.
Rafael Arana de la Garza	.

Carlos Eduardo Martínez González	.
Director Territorial	.
Manuel Antonio Romo Villafuerte	Alternate
Jesús O. Garza Martínez	Alternate
Sergio García Robles Gil	Alternate
Carlos Rafael Arnold Ochoa	Alternate
Legal Representative (Banorte and Ixe)	Invited (without vote)
Audit Representative	Invited (without vote)

CENTRAL CREDIT RECOVERY COMMITTEE

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

Functions: Resolve cash settlements, restructurings and payments in kind or conversions of debt to equity, that could imply or not debt cancellations or removals, as well as sell of assets, or any other considered clients' recovery proposals that are under management of the Asset Recovery Business

Integration:

PROPRIETARY MEMBERS	
Luis Fernando Orozco Mancera	Coordinator
Sergio García Robles Gil	Coordinator
Javier Márquez Diez-Canedo	Coordinator
Armando Rodal Espinosa	Coordinator
Rafael Hinojosa Cárdenas	Coordinator
Juan Gilberto Guasco Godinez	Coordinator
Carlos Rafael Arnold Ochoa	Coordinator
Rafael Flores Birrichaga	
Mario A. Barraza Barrón	
Mario Rodríguez Santacruz	
Sigfrido Gunther Benitez	
Armando Melgar Samperio	
Carlos Humberto Castro Gaytán	
Carlota Hinojosa Salinas	Secretary (without vote)
Juan Pedro Meade Kuribreña	Without vote
Benjamin Vidargas Rojas	Without vote
José Luis Garza González	Without vote
ALTERNATE MEMBERS	
Alejandro Valenzuela del Río	Coordinator
Carlos Martínez González	
Arturo Covarrubias Zamora	
Gerardo Zamora Nañez	
Gerardo Salazar Muro	
Rosa Martha Nuñez Escamilla	Secretary (without vote)
Horacio Antonio Díaz Vásquez	Secretary (without vote)
Blanca Deyanira García Reyes	Secretary (without vote)
Elizabeth Berenice Williams Cantú	Secretary (without vote)

ASSETS AND LIABILITIES COMMITTEE

Functions:

1. Maintain and increase the productivity of the Banks through management of the financial margin.
2. Review, validate and if necessary homologate the tariff and price policies of various products and services offered by the Banks.
3. Analyze, evaluate and determine the parameters and/or conditions to launch new programs, products and services and/or modifications to existing ones, required by the Operations Committee and/or the Evaluation Group.
4. Analyze the evolution of financial margins of the bank and other subsidiaries.
5. Monitor the evolution of the bank's balance sheet.
6. Monitor the impact of interest rate variations on the balance sheet.
7. Establish productivity parameters for the business areas.
8. Monitor the adequate utilization of the Group's capital.
9. Review that the intermediation activities (pesos and dollars) of the bank are according to the global strategies.
10. Evaluate and authorize transactions with assets (interest bearing and non-interest bearing) among entities controlled or managed by the Group where there are no minority interest associates, in all modes (purchase/sale, assignment, etc.).
    - Operations may be considered when:
        - They generate an improvement in the finances of GFNorte's entities.
        - They prevent or minimize a deterioration in the financial structure of GFNorte.
        - They prevent or minimize commercial or property damage to clients for reasons attributable to GFNorte and/or its officials.
    - Must have the following characteristics to proceed with their operation:
        - They must comply with the official provisions and the internal regulations.
        - They should be at market when an external reference exists (price or pit evaluator etc.), in case that is not defined, the market value should be consulted with the external auditor for asset valuation, following at all times the accounting criteria that apply in the situation, with the prior recommendation of the Accounting area.
        - They must have the approval of the Deputy Managing Director of Risk Management to ensure they do not exceed GFNorte's risk limits.
        - They must have the authorization or if the case, No Objection from the corresponding Credit Committee.
        - They must have the "No Objection" of the CPR in case there is a negative wealth effect on GFNorte, which must be previously validated by the áreas of Comptroller Norms and Accounting.
        - If the case, the operation must involve lines of risk granted to entities of the group - this should be reported to the executive or area responsible for serving subsidiaries of GFNorte that establish the corresponding changes in the coverage of credit with respect to risks authorized in each subsidiary.

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

Integration:

MEMBERS		
Alejandro Valenzuela de Río	CEO GFNorte	With veto Power
Carlos Alberto Arciniega Navarro	MD Treasury	With voice and vote (coordinator)
José Marcos Ramírez Miguel	MD Wholesale Banking and Casa de Bolsa Banorte Ixe	With voice and vote
Jesús O. Garza Martínez	MD Banking	With voice and vote
Manuel Antonio Romo Villafuerte	MD Ixe Banco, Banorte- Ixe Tarjetas	With voice and vote
Rafael Arana de la Garza	CFO	With voice and vote

MEMBERS		
Alejandro Garay Espinosa	MD Corporate Services	With voice and vote
Javier Márquez Diez-Canedo	MD Risk Management	With voice and vote
Heleodoro Ruiz Santos	DMD Risk Management	With voice
Benjamín Vidargas Rojas	MD Audit	With voice
Jorge Eduardo Vega Camargo	DMD of Comptrolership	With voice
Adán Peña Guerrero	ED Balance Sheet Management	With voice (Secretary)
Business and Territories Directors	Wholesale Banking/ Retail Banking	With voice

PROPRIETARY INVESTMENT PORTFOLIO COMMITTEE

Functions:

1. Analysis of the national and international economic environment.
2. Approval of general investment strategies (maximum amounts, stop loss levels, profit taking, maximum terms, types of instrument, etc.) and trading of financial instruments.
3. To follow-up on the Balance Sheet and to define strategies for risk in proprietary investment portfolios proposed by the business areas that manage those portfolios.
4. Review and evaluation of the portfolios.
5. Supervise compliance with limits authorized by the Board of Directors or by the corresponding Risk Policy Committee.
6. Define investment strategies in abnormal situations of risk.
7. Review parameters and define remedial liquidation measures if the case applies (without a secondary market, low securitization, etc).

Frequency of Sessions: meetings shall be held every two weeks; the Secretary is responsible to coordinate the agenda and convene sessions. In the event that the financial situation requires it, any member can summon extraordinary meetings.

Integration:

MEMBERS		
José Marcos Ramírez Miguel	MD Wholesale Banking and Casa de Bolsa Banorte Ixe	With voice and vote (Coordinator)
Alejandro Eric Faesi Puente	MD Markets & Institutional Sales	With voice and vote (Alternate Coordinator)
Carlos Alberto Arciniega Navarro	MD Treasury	With voice and vote
Javier Márquez Diez-Canedo	MD Risk Management	With voice and vote
Heleodoro Ruiz Santos	DMD Risk Management	With voice and vote
Ignacio Saldaña Paz	D Investments – Long-term savings	With voice and vote
Fausto José Hernández Pintado	DMD Planning and Strategic Projects	With voice and vote
Andrea Crisanaz	MD Insurance and Annuities - Long-term savings	With voice and vote *
Andrea Battini	D Annuities Technical de Pensiones - Long-term savings	With voice and vote *
Julio A. Sepulveda Elizondo	D Risks	With voice and vote *
Alejandro Aguilar Ceballos	MD Banorte Fund Operator	With voice
Representante de Auditoría		With voice
Representante de Riesgos		With voice
Representante de Jurídico		With voice
Miguel Ángel Arenas López	Comptrollership	With voice (Secretary)

COMMUNICATIONS AND CONTROL COMMITTEE

Each GFNorte entity whose regulation so dictates, has a Committee engaged in the prevention of money laundering that complies with regulatory functions. Below we present the committee corresponding to Banorte as an example of the functions performed.

BANORTE'S COMMUNICATION AND CONTROL COMMITTEE

Functions:

1. Submit for the approval of the Audit Committee of the entity involved, Know-Your-Client policies as well as User Identification policies which the entity itself should prepare, including the criteria, measures and procedures that must be developed for proper compliance, as well as any modification in compliance with that established in the General Regulations referred to in Articles 115 of the LIC;
2. Act as the competent body for receiving outcomes from the Entity's Internal Audit department with respect to the degree of efficiency of the policies, criteria, measures and procedures indicated in the section above so as to adopt appropriate actions for correcting errors, weaknesses or omissions;
3. Have knowledge of new accounts or contracts with characteristics that imply a high Risk for Banco Mercantil del Norte, S. A., or any other subsidiary based on reports from the Compliance Officer, and, if appropriate, formulate the necessary procedures;
4. Establish and disseminate criteria for classifying Clients based on their Risk level;
5. To ensure that the Institution's systems contain, the officially acknowledged lists issued by Mexican authorities, international organisms, intergovernmental groups or authorities of other countries, of people linked to terrorism or its financing, or with other illegal activities; as well as the lists of countries or jurisdictions that apply fiscally preferable régimes or don't have measures to prevent, detect and combat operations with resources of illicit origin or financing of terrorism, or when the application of this measures is faulty, and the lists of Politically Exposed people, these last two provided by the SHCP.
6. To rule on operations that should be reported to the SHCP, through theCNBV, considered as unusual or worrisome, in the terms established in the General Dispositions referred to in Article 115 of the LIC;
7. Approve the training programs for the personnel of Banco Mercantil del Norte, S. A. or any other subsidiary, related to the prevention, detection and reporting of conducts aimed at favoring, helping, aiding or abetting any kind of terrorism financing activities or transactions involving illegally sourced funds;
8. Inform the Institution's competent area about the conducts carried out by directors, officers, employees or representatives that infringe the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, or in the cases that such directors, officers, employees or representatives contravene the established policies, criteria, measures and procedures for the correct compliance with the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, with the objective of imposing the corresponding disciplinary measures, and
9. Resolve other matters submitted to its consideration, related to the application of these Dispositions.

FIDUCARY BUSINESS COMMITTEE

Functions:

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

Frequency of Sessions: meetings will be held permanently every first and third Wednesday of the month.

Integration:

MEMBERS		
PROPRIETARY		**ALTERNATES**
Javier Márquez Diez-Canedo	MD Risk Management	Jesús Valdés Fernández
Jesús O. Garza Martínez	MD Banking	Andrés Emmanuel Aymes Ansoleaga
Carlos Eduardo Martínez González	MD Government	David Alberto Salazar Vite
José Armando Rodal Espinosa	MD Business & Corporate	Osvaldo Brondo Menchaca
José Luis Garza González	ED Audit	Silvia Lázaro Lázaro (Sin voto)
Héctor Martín Ávila Flores	MD Legal	Francisco Juárez Rangel
Javier Rodríguez Flores (Secretario)	D Fiduciary	

INVESTMENT PROJECTS COMMITTEE

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

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

Functions:

1. Analyze and approve different business transactions presented to this Committee, such as:
    a. Acquisition of loan portfolios.
    b. Acquisition of real estate portfolios.
    c. Investment in housing, malls, infrastructure and tourism projects. (see norms at the end of this section)
    d. Extensions and changes to authorizations.
2. Monitor and review advances in the business transactions being executed, through a presentation by those responsible for each business.
3. To ensure that every business transaction presented to the Committee adheres to the minimum profitability and risk criteria established in GFNorte and/or the Board of Sólida Administradora de Portafolios.
4. Recommend that additional funds be requested to the corresponding instances in order to advance in the initiatives or projects under development that require the disbursement of additional resources.
5. Respect all the norms issued by the Risk Policies Committee (CPR) that impact its areas of influence.
6. The Committee will be able to request a review of analysis presented to it by an expert in the subject, as well as by personnel of the specialist areas.

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

Integration:

MEMBERS		
Alejandro Valenzuela del Río	CEO GFNorte	President / Coordinator
José Marcos Ramírez Miguel	MD Wholesale Banking and Casa de Bolsa Banorte Ixe	Alternate Coordinator
Luis Fernando Orozco Mancera	MD Asset Management	Alternate Coordinator
Javier Márquez Diez-Canedo	MD Risk Management	Alternate Coordinator
Rafael Hinojosa Cárdenas	MDM Credit Management	Alternate Coordinator / Secretary

MEMBERS		
Javier Molinar Horcasitas	MD Integration	
Rafael Arana de la Garza	CFO	
Arturo Monroy Ballesteros	MDM Investment Banking & Structured Financing	
Legal Representative		Invited (without vote)
Audit Representative		Invited (without vote)
Sólida or investment vehicle representative		Invited (without vote)

INTEGRITY COMMITTEE

Integrity Committee

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

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

Functions:

1. Define an integral strategy for the security of information.
2. Identify threats and vulnerabilities, and assess their impact.
3. Evaluate the risk of system and critical information loss.
4. Establish objectives, define policies and procedures.
5. Foster a culture of information security.
6. Monitor, measure and report the risks that affect the security of information.
7. Create special committees in order to follow up and attend special risk situations or problems related to information security matters.

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

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

Integration:

MEMBERS		
Javier Márquez Diez-Canedo	MD Risk Management	Coordinator
Guillermo Güemez Sarre	MD Technology	
Jesús O. Garza Martínez	MD Banking	
Heleodoro Ruiz Santos	DMD Risk Management	
Federico Santos Cernuda	DMD Legal Wholesale Banking	
Jorge Vega Camargo	DMD Comptrolership	
Luis Gerardo Valdés Manzano	DMD Human Resources	
Héctor Abrego Pérez	DMD Alternate Channels	
Francisco García Dayo	D Information Technologies Audit	(Without vote)
Alberto Vega Balderas	DD Risk Managment – Long-term savings	Permanently invited
Cesar González Rodríguez	D Information Security and Technology Management	Permanently invited
Jesús Valdés Fernández	D Operational Risk Management	Secretary

INVESTMENTS IN MANAGED PORTFOLIOS COMMITTEE

Functions:

1. Analysis of the national and international economic environment.
2. Definition of the general investment guidelines based on the applicable regulation and normns, on the prospectus of mutual funds or on that established in the mandates of customers, previously formalizing acceptance of risks by the client.
3. Review of compliance with the guidelines defined by the Committee in third-party investment risk portfolios including loan, market and liquidity risk.
4. Follow-up on general investment strategies
5. Approval of exceptions to the guidelines defined by extreme market situations (a rating's downgrade, increase in the VaR, greater concentration, etc.) by defining regularization strategy (buy, sell or hold)
6. Define investment strategies in abnormal risk situations.
7. Approve temporary situationss that exceed prudential investment parameters approved by the Committee, always within the limits authorized by the CPR, in particular those that exceed the maximum concentration percentages of the issuer, emission, sector and others that may be established

Frequency of Sessions: sessions shall be held monthly and the Secretary is responsible to coordinate the agenda and convene sessions. In the event that a financial situation requires it, any member can summon extraordinary meetings.

Integration:

MEMBERS		
José Marcos Marcos Ramírez Miguel	MD Wholesale Banking and Casa de Bolsa Banorte Ixe	With voice and vote (Coordinator)
René Gerardo Pimentel Ibarrola	MD Asset Managment and Business Development	With voice and vote (Alternate)
Juan Pedro Meade Kuribreña	ED Institutional Control and Prevention	With voice and vote
Alejandro Aguilar Ceballos	MD Banorte Fund Operator	With voice and vote
Javier Díaz de León Opitz	D Debt Investment	With voice and vote
Diego Tarrats Guerrero	Equity Operator	With voice and vote
Carlos Alberto Arciniega Navarro	MD Treasury	With voice and vote
Javier Márquez Diez Canedo	MD Risk Management	With voice and vote
Heleodoro Ruiz Santos	DMD Risk Management	With voice and vote *
Ignacio Saldaña Paz	D Investment Long-Term Savings	With voice and vote
Fausto José Hernández Pintado	DMD Planning and Strategic Projects	With voice and vote
Alejandro Eric Faesi Puente	MD Markets & Institutional Sales	With voice and vote
Representante de Auditoría		With voice
Representante de Riesgos		With voice
Representante Jurídico		With voice
Miguel Ángel Arenas López	Comptrollership	With voice (Secretary)

CREDIT CARDS' OPERATIVE DECISIONS GROUP

Functions:

1. Ensure compliance with the risk appetite framework and limits approved by the Risk Policies Committee and notify it of any deviations.
2. Approve Credit Card product policies in accordance with group level policies established by the Risk Policies Committee and the delegation of powers to Financial Group officers.
3. Monitor retail strategies (channels, clients, products, campaigns, etc.) for the Credit Cards Sofom.
4. Authorize alliances and partnerships between Credit Cards and third parties.
5. Monitor the evolution of the portfolio, profitability analysis and budget follow-up.
6. Authorize collection policies and strategies for the Credit Card portfolio.
7. Submit the monthly report to the Risks Policy Committee in accordance with agreements reached.
8. Resolve matters submitted for its consideration related to the Credit Card credit operation.

Frequency of sessions: every two months.

Integration:

MEMBERS		
Manuel Antonio Romo Villafuerte	MD Ixe Banco, Banorte- Ixe Tarjetas	President
Rafael Arana de la Garza	CFO	
Jesús O. Garza Martínez	MD Banking	
Carla Juan Chelala	MD Marketing	
Javier Márquez Diez-Canedo	MD Risk Management	
Benjamin Vidargas Rojas	MD Audit	Without vote
Jorge Eduardo Vega Camargo	DMD Comptrolership	Without vote
Heleodoro Ruiz Santos	DMD Risk Management	
Miguel A. Martínez Sienra	DMD Retail Banking Ixe	
Mario A. Barraza Barrón	DMD Consumer Collections	
Federico García Cruz	DMD Marketing	Secretary (Without vote)

Main Officers to December 2012

Name	Years with the company	Current Position	Age	Maximum Level of Education	Main executive positions at other companies
Alejandro Valenzuela del Río	9.2	GFNorte's CEO	51	PhD in Economics	European Aeronautic Defense and Space Company (EADS); The Laredo National Bank (Member of the Board); Banxico; SHCP.
Jesús Oswaldo Garza Martínez	13.4	Managing Director of Banking	56	Masters in Financial Administration	BBV, Casa de Bolsa Probursa and Valores Finamex
Carlos Eduardo Martínez González	13.7	Managing Director of Government Banking	49	Public Accountant	Grupo Financiero Serfin
José Armando Rodal Espinosa	19.7	Managing Director of Business & Corporate Banking	43	Chemical Engineer Administrator	ITESM
Luis Fernando Orozco Mancera	9.0	Managing Director of Asset Recovery	58	Master of Business Administration	Citibank México
Fernando Solís Soberón	5.5	Managing Director of Long Term Savings	51	Masters and PhD in Economy	Grupo Nacional Provincial, Grupo Bal, CONSAR, Comisión Nacional de Seguros y Fianzas
Samuel J. Munafo (2)	1.0	Managing Director of Inter National Bank	63	Postgradute studies in American Bankers Association Commercial Lending	The Clyde Savings, Indiana Lawrence Bank, Community First Bank & Trust and First Financial Bancorp en Ohio
Javier Molinar Horcasitas	1.6	Managing Director Integration Office	53	Bachelor in Business Administration	CEO Ixe GF and CEO, Ixe Banco, S.A.
Rafael Victorio Arana de la Garza	1.3	Chief Finanancial Officer	61	Electric Mecanical Engineer	Managing Director of HSBC's Retail Banking Latin America and the Caribbean. Deputy Managing Director of HSBC Mexico.
Alejandro Eric Faesi Puente	2.4	Managing Director of Markets and Institutional Sales	43	Master in Finance	JP Morgan Grupo Financiero
Guillermo Guemez Sarré	2.4	Managing Director of Technology	45	Computer Systems' Engineer	Servicios Administrativos Wal-Mart
Carlos Alberto Arciniega Navarro	19.4	Managing Director of Treasury	52	Master of Business and Finance	Empresas La Moderna

Name	Years with the company	Current Position	Age	Maximum Level of Education	Main executive positions at other companies
Sergio García Robles Gil	18.2	Managing Director of Corporate Affairs	52	Master of Business Administration	Fina Consultores (Consultancy)
Alejandro Garay Espinosa	3.8	Managing Director of Corporate Services	49	Attorney at Law	Banco de México
Héctor Martín Ávila Flores	3.2	Managing Director of Legal Affairs	45	Attorney at Law	Red de Universidades SC (SC Universities)
Carla Juan Chelala	5.2	Managing Director of Marketing	43	Masters in Marketing and Advertising	Grupo Financiero HSBC
Benjamín Vidargas Rojas	4.0	Managing Director of Audit	54	Attorney at Law	CNBV
Javier Márquez Diez Canedo	3	Managing Director of Risk Management	72	Doctorate in Math Sciences	Fobaproa, Ixe/Fimsa Casa de Bolsa, ITAM, Operadora de Bolsa
Sergio Deschamps Ebergenyi	15.1	Territorial Director of North	58	Bachelor of Business Administration	Banca Serfin
Andrés Emmanuel Aymes Ansoleaga	3.6	Territorial Director of South	42	Bachelor in Economics	Financiero
Humberto Luna Gale	6.9	Territorial Director of North	50	Electric Mecanical Engineer	Santander Serfin
Juan Carlos Cuéllar Sánchez	27.7	Territorial Director of West	50	Master of Executive Management	BANCAM
Alfonso Páez Martínez	14.9	Territorial Director of Central	47	Master of Executive Management	Casa de Bolsa Abaco and Casa de Bolsa Probursa
Roberto Francisco Ayala Ramos	14.0	Territorial Director of Border	53	Master of Business and Finance	Bancrecer, Banco del Atlántico, Banco Mexicano Somex
Héctor Guijarro Avila	19.3	Territorial Director of Isthmus	50	Public Accountant	Partido Revolucionario Institucional (political party)
Arturo Valdés Villaseñor	16.2	Territorial Director of Northwest	52	Masters in Administration	Bank Center of Monterrey
Jorge Luis Molina Robles	18.7	Territorial Director of Penninsular	56	Civil Engineer	Government of the State of Chiapas
Alberto Salvador López	10.6	Territorial Director of South	49	Bachelor of Actuary	Seguros Bancomer, S. A., Banca Promex, Banco del Atlántico
Ma. Del Socorro Bermúdez	31.5	Territorial Director of West	47	Electronic Engineer	
Alejandro Vázquez Salido	2.4	Managing Director of Institutional Relations	42	Masters in Economy	SHCP
Gabriel Casillas Olvera	0.6	Managing Director of Economic Analysis	37	PhD in Economics	J. P. Morgan Chase & Co.

Name	Years with the company	Current Position	Age	Maximum Level of Education	Main executive positions at other companies
		Económico			
Jose Marcos Ramírez Miguel	2.1	Managing Director Wholesale Bank and Casa de Bolsa Banorte Ixe	49	Bachelor in Actuary	Grupo Financiero Santander
Armando Jorge Rivero Laing (1)	1.8	Managing Director of Legal Affairs	49	Attorney at Law	Ixe GF / Arka Casa de Bolsa r
Victor Antonio Roldán Ferrer (1)	1.8	Managing Director of Transactional Corporate Banking	45	Bachelor in Informatics	Ixe Grupo Financiero / Banco Santander
Ricardo Velázquez Rodríguez (1)	1.8	Managing Director International Banking and Financial Institutions	36	Bachelor in Economics and MBA	Ixe GF
Luis Ernesto Pietrini Sheridan (1)	1.8	Managing Director of Private Banking and Wealth Management	41	Bachelor in Adminitration with specialization in Finance	Ixe GF / Vector Mex Inc
René Pimentel Ibarrola (1)	1.8	Managing Director of Asset Management and Business Development	40	Bachelor in Economics	Ixe GF
Manuel Antonio Romo Villafuerte (1)	1.8	Managing Director of Ixe Banco and Banorte-Ixe Tarjetas	47	Bachelor in Adminitration and Masters in Economics.	Ixe GF / Banco Nacional de México
Gerardo Rodríguez Chabolla (1)	1.8	Territorial Director Ixe Regionals	43.6		
Francisco José Archivaldo Rodríguez Giacinti (1)	1.8	Managing Director Ixe Metropolitan	55	Physicist	

(1) Ixe GF's employee; Position in Banorte officially occupied in April 2011
(2) Samuel J. Munafo has been employed by INB since January 2012.

Compensations and benefits

In 2012, significant changes were carried out in the field of Human Resources at GFNorte. Specifically, those related to harmonization of benefits, wage equalization and alignment of fixed and variable compensation, placing Banorte as one of the most competitive companies regarding compensations to its employees. Additionally, training programs were implemented in the country and abroad with prestigious institutions which were intended to strengthen management and leadership skills for key executives and high potential staff of the Group.

The total amount of compensation and benefits' for 2012 provided to the Board of Directors and GFNorte's main officials was approximately Ps 322.2 million.

Compensations and benefits are as follows:

- **Fixed Compensation:** Salary.

- **Annual Bonus Plan for 2012:**

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

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

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

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

  Stock Options:

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

  The gains for the executive will be the difference between the strike price, the price originally determined by the trust, and the share's exercise price at the time they exercise their rights.

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

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

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

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

- **Medical Service: Traditional Scheme:** Provides medical services through recognized medical institutions, obtaining efficiency in cost and service. **Full Medical Insurance Scheme:** Major medical expenses insurance policy.

- **Life Insurance:** In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months' salary. In the event of an accidental death, the compensation would be double, with prior verification by the insurance company.

- **Food Vouchers:** Non-executive employees are given food vouchers equivalent to 10% of their monthly salary; the amount is subject to a legal limit of one month's minimum wage according to the Economic Area in question**.**

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

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

The total amount accumulated by GFNorte, for pensions, retirement or similar plans for their main officers is Ps $50.6 million.

In October 2012, the payroll migration process of former Ixe GF's subsidiaries to Banorte's payroll was finalized.

d) CORPORATE BY-LAWS AND OTHER AGREEMENTS

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

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

Banco del Centro, S, A. was spun-off from Grupo Financiero Banorte due to its merger with Banco Mercantil del Norte, S. A., as well as Fianzas Banorte, S.A. de C.V., as a result of selling all the shares that represented its equity.

Additionally, Arrendadora Banorte, S.A. de C.V. merged Arrendadora y Factor Banorte, S. A. de C. V. and changed its denomination to remain as Arrendadora y Factor Banorte, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte.

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

In 2011, Ixe GF, was merged into GFNorte, modifying articles: second, under the terms of Article 15 of the Law to Regulate Financial Groups (LRAF), to change the Group's participation in the financial entities that conform it, including the financial subsidiaries of Ixe Grupo Financiero; tenth and twenty-first in reference to Article 50 of the Stock Market Law concerning the right of shareholders who either individually or jointly hold 10% of the Group's equity, to require the Board of Directors's Chairman or the Committees' that carry out the functions related to Audit and Corporate Practices, at any moment, to convene a General Shareholders' Meeting, without the effect being applicable to the percentage pointed out in Article 184 of the General Law of Mercantile Companies; Articles 25, 31, 32 and 36 in order to reflect changes in the Corporate By-Laws as a result of the appointment of a Chairman Emeritus and a Chairman of the Board of Directors; Article 25 establishing the faculties so that the Chairman Emeritus presides the Shareholders' Meetings and in his absence, the Chairman of the Board of Directors will have full authority; Article 31 in order to grant the General Assembly the faculty to designate a Chairman Emeritus and also a Chairman of the Board of Directors, both of which are part of the Board of Directors. Also, the Assembly or the Board will designate a Secretary or his/her respective alternate (Pro-

Secretary) who will not be part of these corporate organisms. The Chairman Emeritus will not have an alternate. Also, in the event of death, inability, remotion or resignation of the Chairman of the Board of Directors, he/she will be substituted by the rest of the proprietary members in the order that they determine, or if there is no rule in this respect, in the order of their appointments until the Shareholders Assembly names a new Chairman of the Board. The changes also grant the faculty to the Chairman Emeritus to preside the Shareholders Assemblies and the Board Sessions of the company as stipulated in articles Twenty-Five and Thirty-Two of the Corporate By-Laws. Also, the Chairman of the Board of Directors will have the following faculties, obligations, attributions and powers unless otherwise indicated by the Assembly: i) Preside the Shareholders Assemblies and Board Sessions in the absence of the Chairman Emeritus; ii) Propose to the Board the independent board members that will integrate the Corporate Practices and Audit Committees, as well as the temporary board members whose designation corresponds to the board in accordance with article Thirty-Six of the By-Laws and iii) Execute or supervise the execution of the resolutions taken by the Shareholders Assembly and the Board of Directors, doing whatever is necessary or prudent to protect the interests of the company, without violating the faculties that the Assembly, Board of Directors and the legal framework gives to the Chief Executive Officer; Article Thirty-Two will be modified in order to make express reference to articles 27 of the Stock Market Law and 24 of the Law to Regulate Financial Institutions regarding the requirement to hold at least one Board meeting every quarter. Also, the obligation of the Chairman of the Board of Directors to call the necessary board meetings in accordance with article 411 of the Stock Market Law. The changes also reflect the faculty of the Chairman Emeritus to preside the Board Sessions, and in his absence, by the Chairman of the Board of Directors. In the case that both are absent, the Board of Directors' sessions will be presided by the board member designated by those present at the meeting. Also, the Chairman Emeritus and the President of the Board of Directors will have a tie-breaking vote in case of a tie in the voting of the Board's resolutions. Article Thirty-Six will change in order to make a express reference to Article 25 of the Stock Market Law regarding the faculty of the Chairman of the Board of Directors to propose to the Board or the Shareholders Assembly, the independent members that will integrate the Audit and Corporate Practices Committee.

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

Also, through agreements reached at the Extraordinary General Shareholders' Meeting held on July 21, 2011, Article Twenty Nine was modified, so that the Board of Directors is is composed of a maximum of 15 proprietary members and, where appropriate, by their respective alternates and also members may be appointed for defined periods of 3 years, with the possibility of reelection, seeking to have a generational balance, ensuring that at least 50% of the members are characterized as independent in accordance with best practices.

Moreover, in the Extraordinary General Shareholders' Meeting held on October 17, 2011, Article Thirty-seventh Bis 1 of the Bylaws was added, in order to establish the creation and operation of the Designations Committee, whose main objective is the to propose to the Assembly the people who serve on the Board of Directors of the Company and the Directors of the Subsidiaries and entities that comprise the financial group.

On February 17th, 2012 the Extraordinary General Shareholders' Meeting approved to modify Article Second of the Bylaws, in order to exclude Casa de Bolsa Banorte, S.A. de C.V., as integrated entity of Grupo Financiero Banorte, S.A.B. de C.V, given its merger with Ixe Casa de Bolsa, S.A. de C.V.

On January 22nd, 2013, the Extraordinary General Shareholders' Meeting approved to modify Article Second of the Bylaws, in order to i) exclude Ixe Automotriz, S.A. de C.V., , as an integrated entity of Grupo Financiero Banorte, S.A.B. de C.V., as a result of its merger with Arrendadora y Factor Banorte, S.A. de C.V.,and ii) modify the legal denomination of Ixe Casa de Bolsa, S.A. de C.V. to Casa de Bolsa Banorte Ixe, S.A. de C.V.

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

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

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

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

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

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

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

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

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

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

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

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

Board to exercise the corporate rights of such shares.

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

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

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

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

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

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

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

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

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

Both "O" and "L" series will be freely subscribed; the latter will be issued for an amount of up to forty percent of ordinary equity with prior authorization by the CNBV, and will have limited voting and other corporate rights. Foreign entities that exercise authority functions cannot participate in any form in the company's equity. Domestic financial entities also cannot participate, including those that are part of the group, unless when acting as institutional investors under the terms established in the Law to Regulate Financial Groups.

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

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

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

5. STOCK MARKET

a) SHARE STRUCTURE

GFNorte does not have convertible obligations or Ordinary Participation Certificates (CPO's) of shares. The information on representative shares of equity can be found in section 2.B) xxi "The Company – Business Description - Representative Shares of Equity" of this Annual Report.

In June 2009, Grupo Financiero Banorte (BMV: GFNORTEO) established a Level I Sponsored Program of ADRs in the United States, as a consequence of changes on October 10th, 2008 to regulation 12g3-2b of the Securities and Exchange Commission (SEC) that facilitates the establishment of sponsored and non-sponsored ADR programs for shares in companies which don't trade in US financial markets. Because Banorte shares are one of the most liquid and one of the most traded in the Mexican Stock Exchange, they have attracted the interest of institutional funds around the world. This ADR program supplements the efforts of Banorte to achieve presence in the main international financial markets for its shares. The program has been established as Level 1, which allows it to operate in "Over the Counter" markets without having to be listed in the NYSE, NASDAQ or any other Stock exchange. The shares operate under the GBOOY symbol. Each ADR represents 5 shares of Banorte and 3,425,136 ADRs were in circulation at closing of 2012. The depository bank is Bank of New York Mellon. On July 15th, 2010, the Level 1 ADR program was authorized to quote and operate in the OTCQX International Premier platform, the highest level in the "Over The Counter" (OTC) market.

On June 9th, 2009, ordinary shares of Grupo Financiero Banorte. began trading in the Madrid Stock Exchange through the Latin American Stock Market "Latibex", under the symbol XNOR. The Banorte shares were included in the FTSE Latibex All Shares index from their inclusion to the market, and as of June 10th, they were incorporated into the FTSE Latibex TOP index which includes the 16 Latin American most important companies of this market. One share of XNOR represents 10 shares of GFNORTE.

b) PERFORMANCE OF SHARES IN THE STOCK MARKET

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

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

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

Date	Maximum	Minimum	Close	P/BV *	P/E **	Volume of Shares (Daily Average)	Total Volume Operated
31/12/2008	51.81	15.00	24.88	1.33	9.87	5,202,547	1,311,041,800
31/12/2009	51.00	13.04	47.84	2.33	16.16	5,447,834	1,367,406,400
31/12/2010	60.80	41.25	58.86	2.58	16.91	4,951,769	1,247,845,700
31/12/2011	60.64	37.80	42.32	1.39	9.80	5,692,451	1,434,497,700
31/12/2012	84.99	42.40	83.45	2.37	16.20	5,626,429	1,417,860,174

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

Date	Maximum	Minimum	Close	P/BV *	P/E **	Volume of Shares (Daily Average)	Total Volume Operated
31/03/2011	60.19	51.90	55.98	2.37	15.55	5,266,505	326,523,300
30/06/2011	60.64	50.36	53.30	1.86	15.14	6,087,195	383,493,300
30/09/2011	55.16	37.80	41.16	1.39	11.18	6,006,174	390,401,300
31/12/2011	48.49	39.31	42.32	1.39	9.80	5,388,384	334,079,800
31/03/2012	58.20	42.40	56.98	1.81	13.44	5,590,353	352,192,237
30/06/2012	69.49	55.89	69.15	2.14	15.30	6,348,265	393,592,422
30/09/2012	76.25	65.26	72.76	2.16	15.29	5,138,119	333,977,718
31/12/2012	84.99	69.81	83.45	2.37	16.17	5,453,190	338,097,797
31/03/2013	101.07	83.50	98.68	2.72	18.27	4,918,251	290,176,793

Monthly performance of shares during the last 6 months:

Date	Maximum	Minimum	Close	Volume of Shares (Daily Average)	Total Volume Operated
30/09/2012	72.98	67.22	72.76	6,731,643	134,632,870
31/10/2012	79.00	71.17	72.75	5,847,548	134,493,607
30/11/2012	75.41	69.81	74.12	5,732,493	114,649,871
31/12/2012	84.99	74.12	83.45	4,681,806	88,954,319
31/01/2013	93.10	83.50	87.67	3,965,063	87,231,391
28/02/2013	95.50	84.75	94.84	4,833,159	91,830,018
31/03/2013	101.07	89.71	98.68	6,173,077	111,115,384

*P/BV = Multiple Price to Book Value. The indicators were calculated with known numbers as of the date of the report.
**P/E = Multiple Price to Earnings. The indicators were calculated with known numbers as of the date of the report.
Source: Bloomberg. .

c) MARKET MAKER

GFNorte does not have or ever has, a market maker.

6. UNDERLYING ASSETS

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

7. RESPONSIBLE OFFICERS

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

____

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

____

Rafael Arana de la Garza
Chief Financial Officer

____

Lic. Hector Ávila Flores
Managing Director of Legal Affairs

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Lázaro Cárdenas 2321 Poniente, PB
Residencial San Agustín
66260 Garza García, N.L.
México

Tel: +52 (81) 8133 7300
Fax: +52 (81) 8133 7383
www.deloitte.com/mx

Los suscritos manifestamos bajo protesta de decir verdad, que los estados financieros que contiene el presente reporte anual de Grupo Financiero Banorte S.A.B. de C.V., y sus Subsidiarias, por los ejercicios terminados al 31 de diciembre de 2012 y 2011 fueron dictaminados con fecha 27 de febrero de 2013, de conformidad con las Normas Internacionales de Auditoría.

Asimismo, manifestamos que hemos leído el presente reporte anual y basado en su lectura y dentro del alcance del trabajo de auditoría realizado, no tenemos conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros dictaminados señalados en el párrafo anterior, ni de información que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, los suscritos no fueron contratados, y no realizaron procedimientos adicionales con el objeto de expresar su opinión respecto de la otra información contenida en el reporte anual que no provenga de los estados financieros por ellos dictaminados.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Firma miembro de Deloitte Touche Tohmatsu Limited.

CPC Fernando Nogueda Conde
Auditor Externo

CPC Jorge Alberto Villarreal González
Apoderado Legal

23 de abril de 2013

8. ANNEXES

a) AUDIT AND CORPORATE PRACTICES' COMMITTEE REPORT

Mexico D.F. March 21st, 2013.

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

In accordance with Article 43 of the Stock Market Law (LMV), the Audit and Corporate Practices' Committee presents its annual report of activities carried out during the 2012 fiscal year.

The contents of this report refer to Grupo Financiero Banorte (GFNorte) and the following relevant entities: Banco Mercantil del Norte, S.A., Ixe Banco, 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, Ixe Automotriz, S.A. de C.V. SOFOM ER, Fincasa Hipotecaria, S.A. de C.V. SOFOM ER, Ixe Soluciones, S.A. de C.V. SOFOM ER, Sólida Administradora de Portafolios, S.A. de C.V., Seguros Banorte Generali, S.A. de C.V. and Pensiones Banorte Generali, S.A. de C.V.

I. With regard to Audit:

a) With regard to the status of GFNorte's and its relevant entities' Internal Control System (SCI) and Internal Audit , as well as the deficiencies and deviations, the following elements were taken into consideration:

1. Annual reports on the Internal Control activities of the relevant entities prepared by their CEOs.
2. Reports from Internal Comptrollers and Normative Comptrollers of some relevant entities containing their opinion about the functioning of the SCI.
3. Internal Audit's opinion about the status of the SCI of the relevant entities.
4. Reports about relevant weaknesses and findings at GFNorte and its Subsidiaries presented by Internal Audit and follow-up of corrective measures.
5. Reports on Internal Control observations from the External Auditor and the audited financial statements for GFNorte and Subsidiaries.
6. Reports on inspection visits by the corresponding regulator.
7. Reports from GFNorte Commissioners and their relevant entities.
8. Reports from other Audit Committees on relevant events and minutes of their meetings.
9. Internal Audit's reports on its activities and compliance with its work program, and the results of its quality assurance and improvement program.

Taking the previous elements into consideration, and as a result of the surveillance work carried out by this Committee in its sessions, we can inform that generally the SCI of GFNorte and its relevant entities works appropriately and no weaknesses or deviations were detected that could significantly affect them.

We can report that Internal Audit has maintained independence in its operations, complied reasonably with its approved work program in accordance with best practices and supervised the efficient implementation of actions to correct findings and identified areas of opportunity.

b) There were no significant instances of non-compliance with GFNorte and its relevant entities' operating guidelines, policies and accounting registries. The areas of opportunity identified were informed to those responsible and measures were taken to attend those for which there is a follow-up system to ensure due implementation.

c) Regarding the performance evaluation of the entity providing external audit services, it can be reported that in the development of its activities and in its relation with management and the Committee, the quality of the firm Galaz, Yamazaki, Ruiz Urquiza, S. C. (member of Deloitte Touche Tohmatsu), has been noted, as well as the designated Auditor.

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

d) With respect to the description and valorization of additional or complementary services performed by the External Auditor, we can inform that it was approved to hire them in order to review transfer prices in intercompany operations, and some trusts and equity permanent investments, as well as to report on some local taxes, and that such services do not represent a conflict of interest.

   Independent experts were hired to conduct goodwill deterioration tests for GFNorte and some entities, to assess the quality of the main borrowers of some relevant entities and to review GFNorte's normativity management process.

e) A review was made of the financial statements of GFNorte and its Subsidiaries for the year ended December 31st, 2012 and the External Auditor's report, confirming that they were prepared in all material aspects in accordance with the applicable accounting rules. Therefore, their approval was recommended to the Board. The Committee also conducted a quarterly review of the interim financial statements.

f) With respect to changes to policies and accounting criteria used during the fiscal year, we inform that modifications were made to comply with changes to the applicable provisions, which are detailed in Note 4 "Main Accounting Policies" of GFNorte's financial statements, which contain a detailed explanation of the afore-mentioned modifications and their effects.

   The Board also approved changes to accounting policies for loan portfolio write-downs and estimating legal and fiscal contingencies, as well as criteria for identifying credit restructurings arising from troubled loans.

g) No relevant observations were made by shareholders, board members, directors, employees or any third party during the year with respect to accounting, internal controls or internal and external audits or complaints about irregularities. We can inform that in accordance with best practices there is an anonymous complaints system which the Committee follows up.

h) With respect to the follow-up to Shareholders' and Board of Directors' Meetings, there were no requests to the Committee to follow up any agreement.

i) Relevant activities performed by the Committee include the comprehensive review of basic SCI documents, the review of the process for determining the fair value of the assets of Ixe entities and recognition of their impairment, and the approval of communication policies with other Audit Committees responsible for overseeing some relevant entities.

   The effectiveness tests of the hedging mechanisms for the perpetual bond issued by Ixe were reviewed with Management and Internal and External Auditors, and it was determined that it did not comply with the effectiveness requirements. Thus, its accounting registry was corrected, leading to an important adjustment to the accounting registry of that Institution's Stockholders' Equity.

   Regarding Inter National Bank we can inform that the Office of the Comptroller of the Currency (OCC) terminated the Formal Agreement containing commitments related to loan management and review processes, management of critical assets and reserve adequacy, and the development of a strategic plan.

II. With regard to Corporate Practices:

a) With respect to observations related to the performance of relevant directors, we can report that the Human Resources Committee informed that there were no cases in which they acted outside of the established policies.

b) Operations with related parties were approved by this Board and as at December 31st, 2013 loans granted by Banco Mercantil del Norte and Ixe Banco to related parties amounted to Ps 13.33 billion. Intercompany operations took place at market prices which were verified by the External Auditor who did not report any relevant findings.

We can inform that no unusual or non recurring transactions took place during the year requiring the Board's approval.

c) Regarding the remuneration packages of the CEO and relevant officers, we can report that there is a Remuneration System that has been approved by this Board that divides the remuneration into ordinary and extraordinary, including rules for the deferment of the latter based on established risk indicators and compliance with stated policies.

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

Sincerely,

Héctor Reyes Retana y Dahl
President of the Audit and Corporate Practices' Committee
Grupo Financiero Banorte

b) COMMISSARY REPORT

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

c) AUDITED FINANCIAL STATEMENTS

Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries (the "Financial Group") as of December 31, 2012 and 2011, and the related consolidated statements of income and changes in stockholders' equity for the years then ended, as well as a summary of the significant accounting policies and other explanatory information.

Responsibility of the Financial Group's Management regarding the consolidated financial statements.
The Financial Group's Management is responsible for the reasonable preparation and presentation of the attached consolidated financial statements pursuant to the accounting criteria set forth by the National Banking and Securities Commission (the Commission) in the "General Provisions Applicable to Financial Group Holding Companies subject to the Supervision by the National Banking and Securities Commission" (the Provisions), as well as for the internal control said Management deems necessary to enable a preparation of the consolidated financial statements free from substantial error due to fraud or error.

Auditor's responsibility.
Our responsibility is to express an opinion about the accompanying consolidated financial statements based on our audits. We have conducted our audits in accordance with the International Audit Standards. Such standards compel us to meet ethical requirements as well as to plan and conduct the audit in order to determine with reasonable certainty whether the consolidated financial statements are free from any substantial error.

An audit requires the application of procedures to obtain evidence regarding the amounts and the information disclosed in the consolidated financial statements. The procedures selected are at the auditor's discretion and include evaluating the risks of substantial errors in the consolidated financial statements due to fraud or error. During such risk evaluations, the auditor considers the Financial Group's relevant internal control for the reasonable preparation and presentation of the consolidated financial statements so as to design the proper audit procedures in terms of the circumstances, and not with 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 the accounting estimates made by the Financial Group's Management, as well as the evaluation of the presentation of the financial statements as a whole.

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

Opinion.

In our opinion, the consolidated financial statements of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries as of December 31, 2012 and 2011, and for the years then ended have been prepared in conformity with the accounting practices prescribed by the Commission.

Other matters
As explained in Note 11, during 2011 the Commission issued modifications to the accounting criteria and to the methodologies for rating state and municipal loans, non-revolving consumer loans as well as mortgage loans. The Commission criteria stipulate that the effect of the change in the methodology for commercial, non-revolving consumer and mortgage loans was recorded under "Past years' results" in stockholders' equity in the amount of Ps. 350 million, net of deferred taxes, and the change in the methodology for rating state and municipal government loans by Ps. 87 million was recorded in the consolidated income statement.

Note 2b to the consolidated financial statements indicates that the Extraordinary Stockholders' Meeting held on March 30, 2011 agreed to the merger of IXE Grupo Financiero, S.A.B. de C.V. and Grupo Financiero Banorte, S.A.B. de C.V , The merger went into effect on April 15, 2011 when the relevant authorization and agreements were recorded in the Public Registry of Commerce of Monterrey, Nuevo León. The Financial Group took over as the merging company. Prior to this merger, the Financial Group increased the variable portion of its capital stock by Ps. 1,078 million by issuing 308,010,234 ordinary, nominal Series "O" shares, which were exchanged for the shares of IXE Grupo Financiero, S.A.B. de C.V., which ceased to exist as a legal entity after the merger.

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 27, 2013

GRUPO FINANCIERO BANORTE, SAB DE CV AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011
(In millions of Mexican pesos)

ASSETS	2012	2011
CASH AND CASH EQUIVALENTS	**Ps. 68,480**	**Ps. 53,653**
MARGIN SECURITIES	**496**	**252**
INVESTMENTS IN SECURITIES		
Trading securities	123,233	115,027
Securities available for sale	115,291	53,666
Securities held to maturity	106,850	162,148
	345,374	**330,841**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**5,695**	**3,830**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	18,239	15,854
For hedging purposes	27	623
	18,266	**16,477**
VALUATION ADJUSTMENTS FOR ASSET HEDGING	**174**	**123**
PERFORMING LOAN PORTFOLIO		
Commercial loans		
Business loans	186,061	169,023
Financial institutions' loans	8,434	11,560
Government loans	88,293	71,162
Consumer loans	46,036	34,246
Mortgage loans	72,608	64,567
TOTAL PERFORMING LOAN PORTFOLIO	**401,432**	**350,558**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	6,138	4,684
Financial institutions' loans	4	1
Government loans	60	11
Consumer loans	1,467	1,286
Mortgage loans	812	967
TOTAL PAST-DUE LOAN PORTFOLIO	**8,481**	**6,949**
LOAN PORTFOLIO	**409,913**	**357,507**
(Minus) Allowance for loan losses	(11,734)	(9,944)
LOAN PORTFOLIO, net	**398,179**	**347,563**
ACQUIRED COLLECTION RIGHTS	**3,109**	**3,559**
TOTAL LOAN PORTFOLIO, net	**401,288**	**351,122**
ACCOUNTS RECEIVABLE FROM INSURANCE AND ANNUITIES, net	**885**	**953**
PREMIUM RECEIVABLES, net	**3,137**	**3,442**
ACCOUNTS RECEIVABLE FROM REINSURANCE, net	**2,715**	**2,594**
RECEIVABLES GENERATED BY SECURITIZATIONS	**883**	**856**
OTHER ACCOUNTS RECEIVABLE, net	**23,097**	**20,348**
MERCHANDISE INVENTORY	**351**	**43**
FORECLOSED ASSETS, net	**2,939**	**2,284**
PROPERTY, FURNITURE AND EQUIPMENT, net	**11,986**	**11,716**
PERMANENT STOCK INVESTMENTS	**5,170**	**2,040**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	**25,631**	**24,573**
TOTAL ASSETS	**Ps. 916,567**	**Ps. 825,147**

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 financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the balance sheet dates above..

As of December 31, 2012, the stockholders' equity amounts to Ps. 8,116 (nominal value).
The accompanying Consolidated Balance Sheets have been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached Notes are an integral part of these consolidated balance sheets.

LIABILITIES AND STOCKHOLDERS' EQUITY	2012	2011
DEPOSITS		
Demand deposits	Ps. 211,171	Ps. 189,616
Time deposits		
General public	187,055	162,635
Money market	21,533	11,089
Senior debt issued	4,566	6,953
	424,325	**370,293**
INTERBANK AND OTHER LOANS		
Demand loans	295	3,968
Short-term loans	27,628	25,150
Long-term loans	7,982	6,330
	35,905	**35,448**
TECHNICAL RESERVES	**51,722**	**42,406**
NON-ASSIGNED SECURITIES PENDING SETTLEMENT	**-**	**4**
CREDITOR BALANCES UNDER REPURCHASE AND RESALE TRANSACTIONS	**244,031**	**243,756**
COLLATERAL SOLD OR PLEDGED		
Repurchase or resale agreements (creditor balance)	**37**	**31**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	17,777	16,009
For hedging purposes	4,461	5,305
	22,238	**21,314**
VALUATION ADJUSTMENT FOR HEDGING OF FINANCIAL LIABILITIES	**-**	**(91)**
ACCOUNTS PAYABLE TO REINSURERS, net	**805**	**1,246**
OTHER ACCOUNTS PAYABLES		
Income tax	1,786	530
Employee profit sharing	738	481
Creditors from settlements of transactions	8,413	2,705
Sundry creditors and other payables	15,028	12,140
	25,965	**15,856**
SUBORDINATED DEBENTURES	**19,455**	**16,543**
DEFERRED TAXES, net	**978**	**40**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**2,597**	**1,867**
TOTAL LIABILITIES	**828,058**	**748,713**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	13,072	13,050
Additional paid-in capital	18,320	18,006
	31,392	**31,056**
OTHER CAPITAL		
Capital reserves	3,399	3,224
Retained earnings from prior years	37,644	30,573
Result from valuation of securities available for sale	1,598	188
Result from valuation of instruments for cash flow hedging	(2,493)	(2,537)
Cumulative foreign currency translation adjustment	(547)	(172)
Net income	10,888	8,517
	50,489	**39,793**
MINORITY INTEREST	**6,628**	**5,585**
TOTAL STOCKHOLDERS' EQUITY	**88,509**	**76,434**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 916,567**	**Ps. 825,147**

Dr. Alejandro Valenzuela del Río
CEO

Ing. Rafael Arana de la Garza
CFO

Lic. Benjamín Vidargas Rojas
Managing Director – Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director – Controller

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

GRUPO FINANCIERO BANORTE, SAB DE CV AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In millions of Mexican pesos)

	2012	**2011**
Interest income	Ps. 64,127	Ps. 52,930
Premium revenue, net	16,321	15,275
Interest expense	(30,874)	(24,628)
Increase in technical reserves	(8,708)	(9,316)
Casualty rate, claims and other contractual obligations, net	(8,057)	(6,092)
NET INTEREST INCOME	**32,809**	**28,169**
Provisions for loan losses	(6,172)	(5,438)
NET INTEREST INCOME AFTER ALLOWANCE FOR LOAN LOSSES	**26,637**	**22,731**
Commission and fee income	11,539	9,733
Commission and fee expense	(3,480)	(2,856)
Brokerage revenues	4,152	2,778
Other operating income (expenses)	2,300	2,814
Non interest expense	(25,535)	(22,588)
	(11,024)	**(10,119)**
OPERATING INCOME	**15,613**	**12,612**
Equity in earnings of unconsolidated subsidiaries and associated companies	590	157
INCOME BEFORE INCOME TAX	**16,203**	**12,769**
Current income tax	(3,653)	(2,446)
Deferred income taxes, net	(475)	(953)
	(4,128)	**(3,399)**
INCOME BEFORE NONCONTROLLING INTEREST	**12,075**	**9,370**
Minority interest	(1,187)	(853)
NET INCOME	**Ps. 10,888**	**Ps. 8,517**

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

Dr. Alejandro Valenzuela del Río
CEO

Ing. Rafael Arana de la Garza
CFO

Lic. Benjamín Vídargas Rojas
Managing Director – Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director – Controller

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

GRUPO FINANCIERO BANORTE, SAB DE CV AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(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, 2011	**Ps. 11,971**	**Ps. 1,673**	**Ps. 3,181**	**Ps. 25,492**	**Ps. 309**	**(Ps. 2,214)**
TRANSACTIONS APPROVED BY STOCKHOLDERS:						
Issuance (repurchase) of shares	1	171	43	(87)	333	-
Transfer of prior year's result	-	-	-	6,705	-	-
Dividend declared at the General Stockholders' meeting on:						
February 18, 2011	-	-	-	(343)	-	-
April 29, 2011	-	-	-	(419)	-	-
October 17, 2011	-	-	-	(395)	-	-
Merger effect of IXE Grupo Financiero, S.A.B. de C.V. (Stock issuance)	1,078	16,161	-	-	-	-
Total transactions approved by stockholders	**1,079**	**16,332**	**43**	**5,461**	**333**	**-**
COMPREHENSIVE INCOME:						
Net income	-	-	-	-	-	-
Result from valuation of securities available for sale	-	-	-	-	(454)	-
Effect of subsidiaries, affiliates and mutual funds	-	1	-	(30)	-	-
Result from valuation of instruments for cash flow hedging	-	-	-	-	-	(323)
Effect of modification to consumer loans rating rules (net of differed tax)	-	-	-	(350)	-	-
Total comprehensive income	**-**	**1**	**-**	**(380)**	**(454)**	**(323)**
Minority interest	-	-	-	-	-	-
Balances, December 31, 2011	**13,050**	**18,006**	**3,224**	**30,573**	**188**	**(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	**Ps. 13,072**	**Ps. 18,320**	**Ps. 3,399**	**Ps. 37,644**	**Ps. 1,598**	**(Ps. 2,493)**

These statements of changes in stockholder's equity, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the 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 stockholder's equity were approved by the Board of Directors in accordance with the responsibility assigned to them.
The attached Notes are an integral part of these consolidated statements of changes in stockholders' equity.

OTHER CAPITAL					
	Cumulative foreign currency translation adjustment	Net income	Total majority interest	Minority interest	Total stockholders' equity
Balances, January 1, 2011	**(Ps. 1,000)**	**Ps. 6,705**	**Ps. 46,117**	**Ps. 4,110**	**Ps. 50,227**
TRANSACTIONS APPROVED BY STOCKHOLDERS:					
Issuance (repurchase) of shares	-	-	461	-	461
Transfer of prior year's result	-	(6,705)	-	-	-
Dividend declared at the General Stockholders' meeting on:					
February 18, 2011	-	-	(343)	-	(343)
April 29, 2011	-	-	(419)	-	(419)
October 17, 2011	-	-	(395)	-	(395)
Merger effect of IXE Grupo Financiero, S.A.B. de C.V. (Stock issuance)	-	-	17,239	-	17,239
Total transactions approved by stockholders	**-**	**(6,705)**	**16,543**	**-**	**16,543**
COMPREHENSIVE INCOME:					
Net income	-	8,517	8,517	-	8,517
Result from valuation of securities available for sale	-	-	(454)	-	(454)
Effect of subsidiaries, affiliates and mutual funds	828	-	799	-	799
Result from valuation of instruments for cash flow hedging	-	-	(323)	-	(323)
Effect of modification to consumer loans rating rules (net of differed tax)	-	-	(350)	-	(350)
Total comprehensive income	**828**	**8,517**	**8,189**	**-**	**8,189**
Minority interest	-	-	-	1,475	1,475
Balances, December 31, 2011	**(172)**	**8,517**	**70,849**	**5,585**	**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	**(Ps. 547)**	**Ps. 10,888**	**Ps. 81,881**	**Ps. 6,628**	**Ps. 88,509**

Dr. Alejandro Valenzuela del Río
CEO

Ing. Rafael Arana de la Garza
CFO

Lic. Benjamín Vidargas Rojas
Managing Director – Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director – Controller

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

GRUPO FINANCIERO BANORTE, SAB DE CV AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In millions of Mexican pesos)

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

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 cash flow statements.

Dr. Alejandro Valenzuela del Río
CEO

Ing. Rafael Arana de la Garza
CFO

Lic. Benjamín Vidargas Rojas
Managing Director – Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director – Controller

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

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 and its subsidiaries are 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 the rendering of full-banking services, brokerage activities, leasing, factoring, rendering of general warehousing services, annuities (pensions) and providing life insurance & casualty insurance.

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 17, 2013 meeting in accordance with the responsibilities assigned to this Organ.

At the Extraordinary General Shareholders' Meeting held on March 30, 2011, it was agreed to merge IXE Grupo Financiero, S.A.B. de C.V. with the Financial Group, once the authorization and the relevant agreements were registered in the Public Registry of Commerce in Monterrey, Nuevo Leon; on April 15, 2011 the merger takes effect with the Financial Group as the merging entity. Prior to this merger, the Financial Group increased the variable part of its capital by Ps. 1,078 through the issuance of 308,010,234 ordinary, nominative Series "O" shares, which were exchanged for shares of IXE Grupo Financiero, S.A.B. de C.V., who after the merger ceased to exist as a legal entity.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Acquisition of 99.99% of Ixe Tarjetas de Crédito S.A. de C.V. SOFOM ER

Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte) acquired 50% of the capital stock of Ixe Tarjetas, S.A. de C.V., SOFOM ER (Ixe Tarjetas) by means of an agreement entered into with CMC Holding Delaware, Inc. Such agreement established that the transition of the stock share in favor of Banorte would be carried out on January 1, 2012 and, in exchange, Banorte made a payment of USD 62.7 as a consideration. The acquisition consisted of 50,000 Class I, Series B shares and 820,220,500 Class II, Series B shares; all of which represent 50% of the share holdings in Ixe Tarjetas. This acquisition generated goodwill of Ps. 727.

Furthermore, in April 2012 Banorte acquired 49.99% of the stock share of Ixe Tarjetas that was in the possession of Ixe Banco, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (Ixe Banco) at its book value for a total of Ps. 480 that was recorded as permanent investments. With these two acquisitions Banorte now holds 99.99% of the stock share in Ixe Tarjetas and controls this subsidiary, and consequently, consolidates its financial statements as of April 2012.

Ixe Tarjetas later changed its business name to Banorte Ixe Tarjetas, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte.

b. Brokerage Houses Merger

On December 7, 2011, the Extraordinary General Stockholders' Meeting approved a merger agreement between Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte, as the merged company, and Ixe Casa de Bolsa, S.A. de C.V., Grupo Financiero Banorte as the merging company.

On December 9, 2011, pursuant to the provisions of article 10 of the Law for the Regulation of Financial Institutions and the approval of the Commission and Banco de México, the SHCP [Ministry of Treasury] issued document UBVA/099/2011 by which it authorized the merger of Ixe Casa de Bolsa, S.A. de C.V., Grupo Financiero Banorte as the surviving acquiring corporation, and Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte as the acquired corporation that ceased to exist. The merger became effective on January 1, 2012 once the relevant merger agreements were recorded in the Public Registry of Commerce.

c. Strategic merger of Afore Banorte Generali and Afore XXI

On December 23, 2011, the Extraordinary General Stockholders' Meeting approved a merger agreement between Banorte Generali, S.A. de C.V., AFORE, as the acquired company, and Afore XXI, S.A. de C.V., (Afore XXI) as the acquiring company.

The merger was authorized by CONSAR in Official Document D00/-100/-095/-2011 dated December 5, 2011.

On January 16, 2012 the mergers of Afore Banorte and Afore XXI and their respective Siefores went into effect with the registration of such Agreements in the Public Register of Property and Commerce. Since then, this entity changed its business name to Afore XXI Banorte, S.A. de C.V. (Afore XXI Banorte).

As a result of the merger, Banorte determined the loss of its control over Afore XXI Banorte. Since then, it no longer consolidates its financial statements; instead it is recognized under the equity method given its significant influence. The net assets of Afore XXI Banorte were then Ps. 1,297. The financial statements as of December 31, 2011 reflect the effects of the deconsolidation of Afore XXI Banorte, in order to make them comparable with the 2012 financial statements. As a result, there is a net asset effect of Ps. 648.

d. Acquisition of Afore Bancomer through Afore XXI Banorte

On November 27, 2012 the Financial Group reached an agreement with Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (Grupo BBVA) by which Afore XXI-Banorte acquired Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (Afore Bancomer).

In November 2012, Banorte made a capital contribution in the amount of Ps. 1,560 to Afore XXI-Banorte, thereby increasing the permanent investment in this entity's equity. This was part of the Afore Bancomer purchase transaction, which was finalized in January 2013 as described in Note 41.

e. Issuance of subordinated debentures

On June 8, 2012, Banorte made the fifth issuance of Subordinated Debentures (BANORTE 12), Preferred and Not Susceptible to Conversion to Shares in the local market, for an amount of Ps. 3,200, with 10 year maturity, pre-payable on the fifth, with a rate equivalent to the 28-day TIIE plus 1.5 percentage points. Moody's and HR Rating rated the securities Aaa.mx and HR AA+, respectively. The capitalization levels were strengthened by this issuance.

f. Spin-offs and mergers

On December 17, 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 and Fincasa Hipotecaria, S.A. de C.V. (Finacasa) as the acquired corporations.

The disinvestment plan will be carried out during 2013 in 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, will be investing in the Spun-off Company.

(iii) Conduct the merger of the Spun-off Company, as the acquired corporation, with Sólida, the acquiring company, by which the latter assumes the rights and obligations of the former; and

(iv) Merge Sólida, as the acquired company, to Ixe Soluciones, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte (Ixe Soluciones), as the acquiring company, by which the latter assumes the rights and obligations of Sólida.

After the merger, Ixe Soluciones will perform all the activities currently carried out in Sólida, consequently modifying its business purpose and company name to Sólida Administradora de Portafolios, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, E.R., Grupo Financiero Banorte.

The merger of Ixe Soluciones will go into effect once the corresponding authorization is obtained and recorded in the Public Registry of Commerce along with the relevant agreements.

The Banorte – Ixe Banco and Fincasa merger will become effective once the Commission gives its authorization and it is recorded in the Public Registry of Commerce along with the merger agreements.

The financial statements that will be used to carry out the spin-off and mergers described above will be those published nearest to the corresponding Stockholders' Meetings.

Furthermore, the Commission and SHCP are processing the request to authorize the merger of Ixe Automotriz, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, E.R. Grupo Financiero Banorte 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.

g. Effects of suspending the hedging accounting of the derivatives financial instruments that cover Ixe Banco's permanent bond

In accordance with NIF B-7 "Business acquisitions", the Financial Group increased the goodwill from the acquisition of Ixe Grupo Financiero by Ps. 193, derived from the correction of an error in Ixe Banco originated from a date prior to the date of acquisition. The identification of the error is mentioned below.

In February 2007, Ixe Banco issued a perpetual bond for USD 120 million, with a quarterly interest payment of 9.75% and an early repurchase option as of February 26, 2012 and two foreign exchange swaps to cover the fluctuation of the interest rate in USD and the exchange rate USD of both interest and principal.

A verification of the retrospective evidence of the hedging concluded that such evidence was not highly effective, as it was outside the 80%-125% range. This ineffectiveness started since the outset of the swaps deal in May 2009. Therefore, the hedging relationship was revoked and the hedging accounting was suspended, pursuant to the criteria in effect.

At the time the hedging was cancelled, stated as the adjustment to the fair value of the primary position (Ps. 223), of which Ps. 193 was recorded in the Financial Group as goodwill and Ps. 30 in the year's net income.

h. Restating of securities held-to-maturity

In December 2012, Banorte restated securities held to maturity denominated in foreign currency to Securities available for sale, made up of bonds issued by the government of the United Mexican States (UMS) and bonds issued by Petróleos Mexicanos (PEMEX) for an amount of USD 418.5 million and EUR 19.0 million. The book value of the securities was Ps. 5,769, with a market value of Ps. 6,676, recognizing an appreciated surplus of Ps. 907 in the stockholders equity

According to the Commission's Circular 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.

i. Increase in Goodwill derived from the acquisition of Ixe Grupo Financiero

Pursuant to Bulletin B-7 "Business Acquisitions", the Financial Group continued the valuation and analysis process of the fair value of the assets and liabilities acquired from the Ixe Grupo Financiero companies. As of March 31, 2012, the Management identified a difference of Ps. 1,488 in the fair value of some assets, mainly in the loans, collections rights and foreclosed assets items. The Financial Group analyzed the aforementioned assets and found that the events, facts and circumstances that caused the reduction in their fair value took place prior to the date on which Ixe Grupo Financiero was acquired, and the adjustments should have been recognized before the purchase. Consequently, on March 31, 2012, the Financial Group recognized these effects as an increase in goodwill generated by the acquisition of Ixe Grupo Financiero.

The results of applying the purchase method are described below:

Goodwill		**Fair value**
Swapped shares	(300,420,101 x 55.97)	Ps. 16,814
Shares in the trust	(7,590,133 x 55.97)	425
Consideration value		17,239
Merged assets		111,289
Merged liabilities		105,587
Merged net fixed assets		5,702
Total goodwill from the acquisition		**Ps. 11,537**

j. Stockholders' equity of Ixe Soluciones and Fincasa

By December 31, 2012, the subsidiaries Ixe Soluciones and Fincasa (the Companies) have lost more than two thirds of their capital stock and, according to the General Corporation and Partnership Law, this might cause the Companies' dissolution at the request of an interested third party. These factors indicate that the Companies may not continue operating. However, their main creditor is Banorte. Furthermore, there is a liability arrangement between the Companies and the Financial Group, pursuant to article 28 of the Financial Groups Regulation Law, by which the Financial Group will answer unlimitedly for the Companies and fulfill their obligations. Therefore the Management does not believe there is any risk of dissolving the companies. Additionally, as mentioned in subsection f) in this note, the Companies will be merged with Sólida and Banorte, respectively, in the short term and this situation will be corrected on the merger date.

3 – BASIS OF PRESENTATION

Monetary unit of the financial statements

The consolidated financial statements and notes as of December 31, 2012 and 2011 and for the years then ended include balances and transactions in Mexican pesos of purchasing power of such dates.

Consolidation of financial statements

The accompanying consolidated financial statements include those of 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, 2012 and 2011, Grupo Financiero Banorte, S.A.B. de C.V.'s consolidated subsidiaries and its equity ownership is as follows:

	2012	2011
Banco Mercantil del Norte, S. A. y Subsidiarias	92.72%	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.	51.00%	51.00%
Pensiones Banorte Generali, S. A. de C. V.	51.00%	51.00%
Ixe Banco, S. A.*	99.99%	99.99%
Casa de Bolsa Banorte Ixe, S. A. de C. V. (was Ixe Casa de Bolsa)*	99.99%	99.99%
Ixe Fondos, S. A. de C. V.*	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 Subsidiaria*	99.99%	99.99%
Ixe Soluciones, S. A. de C. V. SOFOM, ER*	99.99%	99.99%
Fincasa Hipotecaria, S. A. de C. V. SOFOM, ER and Subsidiaria*	99.99%	99.99%
Casa de Bolsa Banorte, S. A. de C. V. y Subsidiarias***	-	99.99%
Banorte-Ixe Tarjetas, S. A. de C. V. SOFOM, ER **	-	50%

*Subsidiary consolidated as of April 2011.
**Subsidiary consolidated in Banco Mercantil as of April 2012.
***Subsidiary merged with Casa de Bolsa Banorte Ixe S.A. de C.V. as of January 2012.

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 for stockholders' equity, and c) weighted average of the period for income, costs and expenses. In 2012 and 2011, the conversion effects are presented in Financial Group's stockholders' equity.

Comprehensive Income

This is the change in stockholders' equity during the year, for items other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the consolidated Income Statements, in accordance with the accounting practices established by the Commission. In 2012 and 2011, 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 result from valuation of cash flow hedging instruments; the application of the cumulative result of non-monetary asset holdings, and the change in credit card loan rating methodology.

4 – SIGNIFICANT ACCOUNTING POLICIES

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

Pursuant to accounting 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

On October 5, 2011, the Commission issued a resolution to the General Provisions for Banking Institutions modifying criteria B-6 “Loan Portfolios”, by which it clarifies the specific treatment applicable to loan restructuring and renewals. Furthermore, the circular clarifies the conditions for considering a loan as performing or past-due. This modification will eventually become effective on March 1, 2012.

The main changes to the provisions mentioned above are:

- The loan restructuring or renewal fees shall be deferred during the term of the loan.
- “Sustained payment” requires that the loan amortizations cover at least 20% of the principal or the total amount of the interest of any type that have been accrued according to the restructuring or renewal payments model.
- If various loans granted to a single borrower are consolidated by means of a restructure or renewal, the loan will be treated as the worst of the loans involved in the consolidation.
- In order to prove sustained payment, the Financial Group shall show the evidence of the borrower's payment capacity available to the Commission.
- This includes the treatment for loans with principal and interest amortizations that are restructured or renewed before 80% of the original term has elapsed. It also mentions the treatment for the time during the last 20% of the original term.
- It clarifies the conditions under which the original loan may undergo changes that are not to be considered as restructuring.

On July 5, 2012, the Official Gazette of the Federation published the Resolution that modifies the General Provisions Applicable to Banking Institutions 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 criteria 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 inflation effects 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 2012 and 2011 was 12.12% and 15.09%, respectively. Therefore, the Mexican economy is considered as non-inflationary according to the NIF B-10 definition. However, assets, liabilities and stockholders’ equity as of December 31, 2012 and 2011 include the restatement effects recorded up through December 31, 2007.

The Mexican inflation rates for the years ended December 31, 2012 and 2011, were 3.91% and 3.65%, 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 yearend by Banco de México at the consolidated balance sheet.

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 holding them 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 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 of holding 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 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 securities available for sale, which can be done in extraordinary circumstances (lack of market liquidity, absence of an active market for such securities, among other), the Commission will evaluate such circumstances and, if it determines they are valid, it will issue its express authorization for their reclassification.

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 securities available for sale to securities held to maturity, 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 whether its securities available for sale and those held to maturity show any impairment loss, by means of an evaluation on the quarterly balance sheet date or whenever there are indications of an impairment loss.

Securities are deemed as impaired and therefore 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 facing 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 uses to determine impairment loss incorporates the aforementioned events according to their importance and rates them as per a severity average used to estimate the return on investment. Similarly, it incorporates the existence of guarantees, which contributes to lower impairment losses.

The investments on which impairment losses have been recognized are analyzed on a quarterly basis to identify the possible recovery of their value and, if applicable, reverse the recorded loss in the consolidated 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 derivative financial instruments are presented in assets or liabilities, as applicable, under the heading "Derivatives financial instruments", separating derivatives for trading purposes from those for hedging purposes.

When entering into transactions involving derivatives financial instruments, the Financial Group's internal policies and norms require an assessment and if necessary determination of different risk exposures for each counterparty in the financial system that have been authorized by the Banco de México to enter into these types of transactions. Regarding corporate customers, a preauthorized credit line by the National Credit Committee must be granted or liquid guarantees must be given through a securitized collateral contract before entering into these types of transactions. Medium and small sized companies and individuals must provide liquid guarantees established in securitized collateral contracts with this type of transactions.

The recognition or cancellation of assets and/or liabilities resulting from transactions involving derivatives financial instruments occurs when these transactions are entered into, regardless of the respective settlement or 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. Futures contracts are recorded initially by the Financial Group in the consolidated balance sheets as an asset and a liability at fair value, which represents the price agreed in the contract in order to acknowledge the right and obligation 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 liabilities 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 to which said price is established is the reference or underlying value.

The premium is the price the holder pays 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 statement of income 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 policy regarding hedging contracts is to protect the Financial Group's consolidated balance sheets and 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 the 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 71 "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 as an asset or liability account called "derivatives financial instruments" with an offsetting account in the liquid assets or liabilities. The portion determined as ineffective is measured through retrospective testing, and when it results in over-hedging, it is immediately recognized in current earnings.

    b. The effective hedging component stated in the stockholders' equity associated with the hedged item is adjusted to equal the lower (in absolute terms) of:
        i. The accumulated gain or loss of the hedging instrument from its inception.
        ii. The accumulated change in the fair value (present value) of the hedged item's expected future cash flows from the beginning of the transaction.

- A fair value hedging transaction is recorded as follows:

    a. The result of valuing the hedging instrument at its fair value is stated immediately in the results of the period in which it occurred.

b. The result of the valuation of the primary position attributable to the hedged risk should adjust the book value of said position and be stated immediately in the results of the period in which it occurs.

Valuation method

Since the derivatives used by the Financial Group are considered as conventional ("plain vanilla"), the standard valuation models contained in the derivatives transaction systems and the Financial Group's risk management are used.

All of the valuation methods that the Financial Group uses result in the fair value of the transactions and are periodically adjusted. Furthermore, they are audited by internal and external auditors, as well as by the financial authorities.

Valuation of the positions is done on a daily basis and a price provider generates the input used by the transaction and risk management systems. The price provider generates these valuations based on daily market conditions.

The valuation methods are based on the market's accepted and commonly used principles. At present, derivatives are valued by the cash flow present value method, except in the case of options. This method consists of estimating future flows of these derivatives, 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 then 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 exchange rate forwards and currency swaps, as well as interest rates by means of interest rate swaps. This is done with the purpose of locking the rates paid on the 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 an agreement to deliver its financial information in a timely manner and to abide by the applicable laws, regulations and provisions, as well as to 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 expire or diminish in value; the Financial Group 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 the amounts effectively granted to borrowers plus uncollected accrued interest minus interest collected in advance. The allowance for loan losses from credit risks is presented as a reduction of the loan portfolio.

The unpaid loan balance is classified in the past-due portfolio as follows:

- Loans with bullet payment of principal and interest at maturity: 30 calendar days after being overdue.
- Loans involving a single principal payment at maturity, but with periodic interest payments, total principal and interest payments 30 and 90 calendar days after being overdue, respectively.
- Loans for which the payment of principal and interest is agreed based on partial periodic payments, 90 calendar days after the first payment is due.
- In the case of revolving loans, whenever payment is outstanding for two billing periods or when they are 60 or more days overdue.
- Overdrawn customer checking accounts are considered as part of the past-due portfolio when such situations arise.

Interest is recognized and accrued as income when earned. The accrual of interest income is suspended when loans are transferred to the past-due portfolio.

The fees charged for the initial granting, 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 a renewal, are recorded as a deferred credit and amortized over a 12-month period against the year's results in the 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 forgiveness or term extensions.

The Financial Group regularly evaluates whether a past-due loan should remain on 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, 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 Ministry of Finance and Public Credit (SHCP) and the methodology established by the Commission. Internal methodology authorized by such Commission may also be used.

In the case of consumer and mortgage loans, the Financial Group applies the general dispositions applicable to Banking Institutions in rating the loan portfolio as issued by the Commission and published in the Official Gazette of the Federation on October 5, 2011. The Financial Group uses the internal methodology authorized by the Commission for rating commercial loans, and the rules issued by the Commission for commercial loan in the event of absence of the other methodology.

Such dispositions also establish general methodologies for rating and calculating the allowance for each type of loan, while also allowing credit institutions to classify and calculate allowances based on internal methodologies, when previously approved by the Commission.

Since June 2001, the Financial Group has the Commission's approval to apply its own methodology, called Internal Risk Classification (CIR Banorte) to the commercial loans of Banorte and Arrendadora y Factor Banorte, S.A. de C.V. SOFOM ER. CIR Banorte applies to commercial loans with outstanding balances equal to or greater than 4 million UDIS or its equivalent in Mexican pesos. 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, while 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 December 3, 2012, the Commission issued Document 111-1/53384/2012, which renewed for a 7-month period, effective December 1, 2012, the authorization for such internal loan rating methodology.

Commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos are rated based on the following criteria:

- Debtor's credit quality.
- The loans, in relation to the value of the guarantees or the value of the assets in trusts or in "structured" programs, as applicable.

The commercial loan segment includes loans granted to business groups and corporations, state and municipal governments and their decentralized agencies, as well as financing to companies of the financial services sector.

The Financial Group applied the internal risk classification methodology, CIR Banorte, authorized by the Commission, to the authorized affiliates, and the Commission´s rules to the remaining affiliates in order to rate debtors, except in loans granted to state and municipal governments and their decentralized agencies, loans intended for investment projects with their own source of payment and financing granted to trustees that act under trusts and "structured" loan programs in which the affected assets allow for an individual risk evaluation associated with the type of loan, in such cases, the Financial Group applied the procedure established by the Commission.

When evaluating a debtor's credit quality with the CIR Banorte method, the following risks and payment experiences are classified specifically and independently:

Risk criteria	Risk factors
1. Financial risk	1. Financial structure and payment capacity
	2. Financing sources
	3. Management and decision-making
	4. Quality and timeliness of financial information
2. Industry risk	5. Positioning and market in which debtor participates
	- Target markets
	- Risk acceptance criteria
3. Borrower's experience	6. Borrower's experience
4. Country risk	7. Country risk

Each of the risk factors is analyzed using descriptive evaluation tables, the result of which indicates the borrower's rating. This, in turn, is standardized with the risk degrees established by the Commission.

CIR Banorte	Risk level description	Commission classification equivalent
1	Substantially risk free	A1
2	Below minimal risk	A2
3	Minimum risk	A2
4	Low risk	B1
5	Moderate risk	B2
6	Average risk	B3
7	Risk requiring management attention	C1
8	Potential partial loss	C2
9	High loss percentage	D
10	Total loss	E

For commercial loans under 4 million UDIS or its equivalent in Mexican pesos, loans under 900 thousand UDIS to state and municipal governments and their decentralized agencies, mortgage loans and consumer loans, the Financial Group applied the general provisions applicable to credit institutions for rating the loan portfolio as issued by the Commission.

General description of rules established by the Commission

The rules established by the Commission to rate commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos, indicate that the following factors should be analyzed in the order listed and in a specific and independent manner:

- Country risk
- Financial risk
- Industry risk
- Payment experience

The rules for rating the consumer, mortgage and commercial loans granted to the state and municipal governments indicate that their allowance for loan losses should be determined based on the estimated expected loss of the loans over the next twelve month period.

The methodologies stipulate that in order to estimate such losses, it is necessary to evaluate 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, which is the same amount of reserves that must be created 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 arrears, the payments made on the past due balances, how many times the original value is paid, the type of loan, the remaining terms, among other things.
- Revolving consumer loan – considers the current situation and historical behavior regarding the number of outstanding payments, the life of the accounts, payments made with respect to the balance, as well as the used percentage of the authorized credit line.
- Mortgage loan – it considers the current arrears, maximum number of arrears over the last four periods, willingness to pay and the value of the property with respect to the loan balance.
- Government loans – considers payment experience, rating agencies' evaluation, financial risk, social-economical risk and financial soundness.

Severity of the loss

- Non-revolving consumer loan – depends on the number of missed payments.
- Revolving consumer loan – depends on the number of missed payments.
- Mortgage loan – considers the property's value compared to the loan balance, the amount of the housing property sub-account in Infonavit, unemployment insurance and the state where the loan was granted.
- Commercial state and municipal government loans – they consider actual financial and non-financial guarantees as well as personal guarantees.

Exposure to non-compliance

- Non-revolving consumer loan – loan balance on 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 on the rating date.
- State and municipal government loans – 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 loans under 4 million UDIS or the equivalent in Mexican pesos and for loans to decentralized government agencies of state and municipal governments under 900 thousand UDIS or the equivalent in Mexican pesos indicate that the rating should be based on the number of months that have elapsed as of the first default and, if applicable, the actual and personal guarantees received.

The Commission's rules for rating the decentralized state and municipal government agencies with commitments of at least 900 thousand UDIS or the equivalent in Mexican pesos state that the rating should be based on the ratings issued by agencies authorized by the Commission.

Acquired loan portfolios

This balance is represented by the acquisition cost of the various loan asset packages acquired by the Financial Group, which are subsequently valued by applying one of the three following methods:

Cost recovery method – Payments received are applied against the acquisition cost of the loan portfolio until the balance equals zero. Recoveries in excess of the acquisition cost are recognized in current earnings.

Interest method - The result of multiplying the acquired portfolio's outstanding balance by the estimated yield is recorded in current earnings. Differences between the Financial Group's collection estimates and actual collections are reflected prospectively in the estimated yield.

Cash basis method - The amount resulting from multiplying the estimated yield times the amount actually collected is recorded in the 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.

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, 2012, 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 which have not been collected totally or partially. These accounts are indeed collectible and negotiations with the insured are currently underway. On December 31, 2012, the premiums over 45 days old that have not been cancelled amounted to Ps. 255. The non-accrued net premium, fees and reinsurance should be subtracted from such amount to determine its net effect on earnings. This amount did not compute 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 publicly issues securities through an intermediary. The securities represent the right to the yield on the securitized portfolio and, as compensation; the Financial Group receives cash and a 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. Those revenues are recorded under “Other Operating Income (expenses).”

The valuation of the benefits to be received from securitizations operations is recorded in the consolidated Income Statement under “Other Income (expenses)”, as applicable.

Other accounts receivable and payable

The Financial Group performs a study to quantify the different future events that could affect the amount in accounts receivable over 90 days and thus determine their percentage of non-recoverability to calculate its allowance for doubtful accounts. The remaining balance of accounts receivable is reserved at 90 calendar days from the initial recognition.

The balances of asset and liability settlement accounts represent transactions involving the sale and purchase of currency and securities, which are recorded when entered into and 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	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the value of collection rights or foreclosed property, received as payment in kind or awarded in a court proceeding.

II. Investments in securities must be valued in accordance with the provisions of the Commission's accounting Circular B-2, using annual audited financial statements and monthly financial information of the issuer.

Following the valuation of foreclosed assets or those received as payment in kind, the reserves resulting from applying the percentages established in the table of Section I above to the estimated value, must be created.

III. In the case of real 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	0%
More than 12 and up to 24	10%
More than 24 and up to 30	15%
More than 30 and up to 36	25%
More than 36 and up to 42	30%
More than 42 and up to 48	35%
More than 48 and up to 54	40%
More than 54 and up to 60	50%
More than 60	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the awarded value of the property based on the accounting criteria. Furthermore, when problems are identified regarding the realization of the value of the foreclosed property, the Financial Group records additional reserves based on management's best estimates. On December 31, 2012, 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 fixtures are recorded at acquisition cost. The balances of acquisitions made until 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.

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, 2012 and 2011.

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 México 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, 2012 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 General Law of Institutions and Mutual Insurance Companies, 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 Circular S-10.1.2, S-10.1.7, S-10.1.7.1 and S-10.6.6 issued by the CNSF on September 11, 2003 and published in the DOF on September 30, 2003; S-10.6.3 issued by the CNSF on July 11, 2007 and published in the DOF on August 13, 2007; S-10.6.4 issued by the CNSF on March 31, 2004, and S-10.1.8 issued on May 13, 2004, published in the DOF on April 27, 2004 and June 1, 2004, respectively.

1) Current risk reserve:

The determination of reserves for life insurance transactions is done 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 valued 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 that results from a past event and are likely to result in the use of economic resources and can be reasonably estimated.

Employee retirement obligations

According to Mexican Federal Labor Law, the Financial Group has obligations derived from severance payments and seniority premiums payable to employees that cease to render their services under certain circumstances.

Defined 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.

During 2012 Ixe Banco, Casa de Bolsa Banorte Ixe, Ixe Fondos, Fincasa Hipotecaria, Ixe Automotriz, Banorte Ixe Tarjetas and Ixe Fleet, transferred its employees to Banorte; transferred employees will receive the same benefits provided by Banorte to their employees, so from the date of transfer Banorte is responsible for covering the concepts of obligation for pension plans, seniority premiums, indemnities and medical service to employees transferred.

The effect of the transfer of employees to Banorte was Ps. 74, this effect is part of the liability recognized by the Financial Group under the actuarial calculation at December 31, 2012.

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. 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.

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:

<u>Contingent assets and liabilities (unaudited):</u>

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 risk exposure for participating in the Expanded Use Electronic Payments System.

<u>Assets in trust or mandate (unaudited):</u>

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

<u>Assets in custody or under management (unaudited):</u>

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

<u>Loan commitments (unaudited):</u>

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 client, not disposed.

<u>Collateral received:</u>

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 – they are originally recorded at their acquisition cost and are valued through the equity method, based on the latest available financial statements.

Recognition of income from services, financial advisory and securities' intermediation – the 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 -They 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 and Ixe Automotriz

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 general balance sheet, deducting the total of rents from the potential profit.

Loans from operating leasing operations – represent company assets given to a third party for the latter's temporary use and enjoyment for a given term equal to or over six months. The operating leasing contract rents are recorded as 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 is 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 when accrued.

Seguros Banorte-Generali

Income from premiums – Recognized as follows:

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

b. Income from premiums for accidents, health and damage is recorded in terms of the policies contracted in the year, even if their term is for over one year, deducting the premiums ceded in reinsurance.

c. Income from rights and surcharges on policies with segmented payments is recorded in income as collected and the uncollected portion is recorded in deferred loans.

5 - CASH AND CASH EQUIVALENTS

As of December 31, 2012 and 2011, this line item was composed as follows:

	2012	2011
Cash	Ps. 15,190	Ps. 12,331
Banks	44,911	38,481
Other deposits and available funds	8,379	2,841
	Ps. 68,480	**Ps. 53,653**

"Banks" is represented by cash in Mexican pesos and US dollars converted at the exchange rate issued by Banco de México of Ps. 12.9658 and Ps. 13.9476 as of December 31, 2012 and 2011, respectively and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2012	2011	2012	2011	2012	2011
Call money	Ps. 6,101	Ps. -	Ps. 8,946	Ps. 7,671	Ps. 15,047	Ps. 7,671
Deposits with foreign credit institutions	-	-	432	1,713	432	1,713
Domestic banks	517	434	-	-	517	434
Banco de México	28,598	28,591	317	72	28,915	28,663
	Ps. 35,216	**Ps. 29,025**	**Ps. 9,695**	**Ps. 9,456**	**Ps. 44,911**	**Ps. 38,481**

As of December 31, 2012 and 2011, the Financial Group had made monetary regulation deposits of Ps. 28,598 and Ps. 28,591, respectively.

As of December 31, 2012 and 2011, the total sum of restricted cash and cash equivalents is Ps 52,028 and Ps 39,655, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending liquidation in 24 and 48 hours.

The interbank loans are documented and accrued at an average rate of return of 0.446% and 0.348% in USD and 0.20% and 0.18% in pesos, as of December 31, 2012 and 2011, respectively.

On December 31, 2012, “Other deposits and available funds” include 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 and Ps. 6 in remittances. In 2011, it includes Ps. 2,495 for funds due to be received in 24 and 48 hours, Ps. 35 in gold and silver coins, Ps. 130 immediately collectible checks and Ps. 13 in remittances.

The exchange rates used for the conversion of gold and silver coins (Centenarios and Troy ounces, respectively) was Ps. 528.572 and Ps. 410.37, per unit, respectively, in 2012 and Ps. 525.202 and Ps. 413.96, per unit, respectively, in 2011.

6 - INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2012 and 2011, trading securities are as follows:

	2012				2011
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
CETES	Ps. 4,165	Ps. 11	Ps. 1	Ps. 4,177	Ps. 11,215
Bonds	63,730	378	29	64,137	4,612
Development Bonds	4,472	9	2	4,483	7,452
Savings Protection Bonds (BPAS)	20,896	131	(4)	21,023	57,288
UDIBONOS	1,164	1	(2)	1,163	150
Negotiable certificates	474	1	12	487	577
Bank securities	8,667	16	14	8,697	25,681
EUROBONDS	308	5	20	333	-
Securitization certificates	18,007	26	69	18,102	6,564
Treasury notes	1	3	-	4	-
Other securities	111	-	(2)	109	1,446
Shares	452	-	(43)	409	-
Investment funds	109	-	-	109	42
	Ps. 122,556	**Ps. 581**	**Ps. 96**	**Ps. 123,233**	**Ps. 115,027**

During 2012 and 2011, the Financial Group recognized under "Brokerage revenues" a loss and a profit of Ps. 1,360 and Ps. 517, respectively, for the fair value valuation of these instruments.

As of December 31, 2012 and 2011, there are Ps. 111,894 and Ps. 106,561, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2012, 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
CETES	Ps. 4,165	Ps. -	Ps. -	Ps. -	Ps. 4,165
Bonds	62,385	189	7	1,149	63,730
Development Bonds	739	3,634	99	-	4,472
Savings Protection Bonds (BPAS)	255	20,371	-	270	20,896
UDIBONOS	1,148	16	-	-	1,164
Negotiable certificates	474	-	-	-	474
Bank securities	5,182	3,434	51	-	8,667
EUROBONDS	-	11	25	272	308
Securitization certificates	12,670	4,973	363	1	18,007
Treasury notes	1	-	-	-	1
Other securities	111	-	-	-	111
Shares	-	-	-	452	452
Investment funds	109	-	-	-	109
	Ps. 87,239	**Ps. 32,628**	**Ps. 545**	**Ps. 2,144**	**Ps. 122,556**

b. Securities available for sale

As of December 31, 2012 and 2011, securities available for sale were as follows:

	2012				2011
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government Bonds	Ps. 13,770	Ps. 34	Ps. 253	Ps. 14,057	Ps. 10,756
CETES	-	-	-	-	290
Bonds	7,102	17	13	7,132	6,808
Development Bonds	26,287	52	(34)	26,305	11,874
Savings Protection Bonds (BPAS)	35,338	493	(47)	35,784	6,002
Bank securities	1,841	3	(13)	1,831	9,496
Shares	-	-	-	-	318
Corporate bonds	1,151	8	154	1,313	1,278
EUROBONDS	8,863	207	1,146	10,216	3,434
Investment funds	8,477	-	41	8,518	-
CPO	-	-	-	-	21
Securitization certificates	9,340	28	(5)	9,363	3,094
Other securities	402	-	370	772	295
	Ps. 112,571	**Ps. 842**	**Ps. 1,878**	**Ps. 115,291**	**Ps. 53,666**

As of December 31, 2012 and 2011 there are Ps 78,024 and Ps 39,789, respectively, in restricted securities available for sale, mainly associated with securities repurchasing transactions.

As of December 31, 2012, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
US Government Bonds	Ps. -	Ps. 13,643	Ps. 127	Ps. -	Ps. 13,770
CETES	-	-	-	-	-
Bonds	-	5,281	188	1,633	7,102
Development Bonds	13,641	8,750	3,896	-	26,287
Savings Protection Bonds (BPAS)	10,515	3,492	21,331	-	35,338
Bank securities	1,841	-	-	-	1,841
Corporate bonds	436	-	-	715	1,151
EUROBONDS	55	3,480	5,284	44	8,863
Investment funds	-	-	-	8,477	8,477
Securitization certificates	1,917	6,884	256	283	9,340
Other securities	-	-	-	402	402
	Ps. 28,405	**Ps. 41,530**	**Ps. 31,082**	**Ps. 11,554**	**Ps. 112,571**

c. Securities held to maturity

As of December 31, 2012 and 2011, securities held to maturity are as follows:

Medium and long-term debt instruments:

	2012			2011
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 828	Ps. -	Ps. 828	Ps. 793
Bonds	965	4	969	1
Development Bonds	1,300	5	1,305	19,200
CETES	1	-	1	9,983
Savings Protection Bonds (BPAS)	40,230	249	40,479	59,743
UDIBONOS	32,739	38	32,777	-
Bank securities	4,092	838	4,930	10,893
EUROBONDS	769	15	784	7,208
Securitization certificates	24,302	407	24,709	54,279
Other securities	68	-	68	48
	Ps. 105,294	**Ps. 1,556**	**Ps. 106,850**	**Ps. 162,148**

As of December 31, 2012 and 2011, there are Ps. 35,351 and Ps. 150,859, respectively, in restricted trading securities associated mainly with repurchasing operations.

As of December 31, 2012, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
Government bonds- support program for Special Federal Treasury Certificates	Ps. -	Ps. -	Ps. -	Ps. 828	Ps. 828
Bonds	336	573	-	56	965
Development Bonds	1,300	-	-	-	1,300
CETES	1	-	-	-	1
Savings Protection Bonds (BPAS)	20,071	20,159	-	-	40,230
UDIBONOS	91	101	-	32,547	32,739
Bank securities	765	-	566	2,761	4,092
EUROBONDS	-	596	143	30	769
Securitization certificates	1,524	7,042	2,350	13,386	24,302
Other securities	68	-	-	-	68
	Ps. 24,156	**Ps. 28,471**	**Ps. 3,059**	**Ps. 49,608**	**Ps. 105,294**

Some of the investments in securities are given as collateral in derivatives 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, 2012 and 2011, is as follows:

		2012		
		Fair value in millions		
Type of collateral	**Instrument category**	**Pesos**	**USD**	**Euros**
Cash	-	Ps. 136	337	-
UMS	Held to maturity	-	-	-
PEMEX bonds	Held to maturity	-	25	-
PEMEX bonds	Available for sale	-	53	45
Bank bonds	Available for sale	-	-	-
Other	Available for sale	-	-	-
		Ps. 136	**415**	**45**

		2011		
		Fair value in millions		
Type of collateral:	**Instrument category**	**Pesos**	**USD**	**Euros**
Cash	-	Ps. 267	474	-
UMS	Held to maturity	-	168	-
PEMEX bonds	Held to maturity	-	238	5
PEMEX bonds	Available for sale	-	201	5
Bank bonds	Available for sale	171	69	-
Other	Available for sale	-	10	-
		Ps. 438	**1,160**	**10**

As of December 31, 2012 and 2011, the Financial Group had no instruments received as collateral.

As of December 2012, 2011, interest income from securities was Ps. 14,125 and Ps. 12,551, respectively.

During 2012 and 2011, accrued interest income from impaired instruments was Ps. 2 and Ps. 2, respectively.

The amount recorded for the impairment of securities available for sale and securities held to maturity as of December 31, 2012 and 2011 was:

Concept	2012	2011
Securities available for sale	Ps. 24	Ps. 24
Securities held to maturity	261	125
	Ps. 285	**Ps. 149**

7 - CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS

As of December 31, 2012 and 2011, the creditor balance in repurchase transactions consist of:

Acting as seller of securities

Instrument	2012	2011
CETES	Ps. 2,288	Ps. 16,848
Development Bonds	47,830	38,552
Bonds IPAB	5,786	-
Quarterly IPAB bonds	79,258	66,046
Semi-annual IPAB bonds	54,401	56,434
10-year bonds	224	1,257
20-year bonds	9,929	10,326
UDIBONOS	774	101
10-year UDIBONDS	100	20
Negotiable CEBUR	5,948	570
Government securities	**206,538**	**190,154**
Promissory Notes	572	6,243
CEDES	5,214	12,393
Bank bonds	-	228
CEBUR Bank	21,084	18,943
Bank securities	**26,870**	**37,807**
Private paper	6,563	6,563
Short-term CEBUR	4,060	9,097
Mortgage certificates	-	135
Private securities	**10,623**	**15,795**
	Ps. 244,031	**Ps. 243,756**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations as of December 31, 2012 and 2011 for Ps. 15,499 and Ps. 11,184, respectively.

During 2012, the period of repurchase transactions carried out by the Financial Group in its capacity as vendor ranged from 1 to 91 days.

Acting as securities purchaser

Instrument	2012				2011			
	Repurchase agreement from debtors	Received, sold collateral in repurchase	Debit difference	Credit difference	Repurchase agreement from debtors	Received, sold collateral in repurchase	Debit difference	Credit difference
Development Bonds	Ps. 4,756	Ps. 4,756	Ps. -	Ps. -	Ps. 2,704	Ps. 2,703	Ps. 1	Ps. -
Bonds IPAB	9,446	9,446	-	-	-	-	-	-
Quarterly IPAB bonds	18,925	18,925	-	-	2,370	2,370	-	-
Semi-annual IPAB bonds	16,548	10,859	5,689	-	3,802	-	3,802	-
UDIBONOS	581	581	-	-				
10-year bonds	194	194	-	-	-	-	-	-
20-year bonds	-	-	-	-	-	-	-	-
Government securities	**50,450**	**44,761**	**5,689**	**-**	**8,876**	**5,073**	**3,803**	**-**
CEDES	701	701	-	-	-	-	-	-
Bank bonds	70	70	-	-	49	49	-	-
Securitized bank certificates	5,270	5,275	-	5	5,713	5,713	-	-
Bank securities	**6,041**	**6,046**	**-**	**5**	**5,762**	**5,762**	**-**	**-**
Private paper	1,025	1,040	-	15	1,387	1,387	-	-
Short-term CEBUR	3,272	3,283	6	17	6,963	6,967	27	31
Private securities	**4,297**	**4,323**	**5**	**31**	**8,350**	**8,354**	**27**	**31**
	Ps. 60,788	**Ps. 55,130**	**Ps. 5,695**	**Ps. 37**	**Ps. 22,988**	**Ps. 19,189**	**Ps. 3,830**	**Ps. 31**

With the Financial Group acting as the purchaser, accrued premiums were charged to the results of operations as of December 31, 2012 and 2011 for Ps. 6,206 and Ps. 2,974, respectively.

During 2012, repurchase transactions carried out by the Financial Group in its capacity as purchaser ranged in term from 1 to 364 days.

By December 31, 2012, the amount of goods corresponding to the guarantees given and received in repurchasing transactions that involved the transfer of property totaled Ps. 863 and Ps. 3,137, respectively, and by December 31, 2011, the totals were Ps. 814 in guarantees given and Ps. 608 in guarantees received.

8 - DERIVATIVES FINANCIAL INSTRUMENTS

The transactions carried out by the Financial Group involving derivatives correspond mainly to futures, swaps and options contracts. These transactions are done to hedge various risks and for trading purposes.

As of December 31, 2012, 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, 2012 and 2011, the Financial Group's derivatives positions held for trading purposes are as follows:

	2012		2011	
Asset position	**Nominal amount**	**Asset position**	**Nominal amount**	**Asset position**
Futures				
CETES-rate futures	Ps. -	Ps. -	Ps. 500	Ps. -
TIIE-rate futures	184,826	3	42,141	-
Forwards				
Foreign currency forwards	9,166	152	7,630	547
Options				
Foreign currency options	-	-	109	-
Interest rate options	67,417	599	62,797	1,060
Swaps				
Interest rate swaps	528,431	15,682	467,532	12,389
Exchange rate swaps	26,883	1,803	9,290	1,858
Total trading	**816,723**	**18,239**	**589,999**	**15,854**
Options				
Interest rate options	9,750	6	9,750	100
Swaps				
Interest rate swaps	34,611	-	39,112	61
Exchange rate swaps	10,141	21	10,625	462
Total hedging	**54,502**	**27**	**59,487**	**623**
Total position	**Ps. 871,225**	**Ps. 18,266**	**Ps. 649,486**	**Ps. 16,477**

	2012		2011	
Liability position	**Nominal amount**	**Liability position**	**Nominal amount**	**Liability position**
Futures				
CETES-rate futures	Ps. -	Ps. -	Ps. 500	Ps. -
TIIE-rate futures	184,826	5	42,141	-
Forwards				
Foreign currency forwards	9,242	137	8,149	464
Options				
Foreign currency options	14	-	254	1
Interest rate options	96,284	396	63,822	1,003
Swaps				
Interest rate swaps	528,451	15,599	458,809	12,587
Exchange rate swaps	20,573	1,640	9,179	1,954
Total trading	**839,390**	**17,777**	**582,854**	**16,009**
Swaps				
Interest rate swaps	34,756	2,642	39,976	2,418
Exchange rate swaps	2,547	1,819	738	2,887
Total hedging	**37,303**	**4,461**	**40,714**	**5,305**
Total position	**Ps. 876,693**	**Ps. 22,238**	**Ps. 623,568**	**Ps. 21,314**

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-CAD	TIIE 28	TIIE 91	Libor
Fx-EUR	TIIE 91	CETES 91	Libor EUR
	Libor	Libor	

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 2013 to 2031 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, 2012 is USD 415,003 thousand and EUR 45,000 thousand, and as of December 31, 2011 it was USD 685,953 thousand and EUR 25,888 thousand. Futures transactions are made through recognized markets, and as of December 31, 2012 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, 2012 and 2011, 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, 2012 and 2011, the Financial Group had no instruments received as collateral in derivatives transactions.

During 2012 and 2011, the net income associated with the valuation and realization of derivatives was Ps. 518 and Ps. 241, respectively.

The net amount of estimated gains or losses originated by transactions or events that are recorded in cumulative other comprehensive income to date in the financial statements and that are expected to be reclassified to earnings within the next 12 months totals Ps. 24.

As of December 31, 2012 and 2011, 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.

Fair value assets hedging

The Financial Group has fair value hedges as follows:

- Recorded assets in Mexican pesos using TIIE rate Swaps.
- Recorded assets in foreign currency using Cross Currency Swaps.

As of December 31, 2012 there are 39 cash flow hedging transactions. Cash flow hedging effectiveness varies between 80% and 100%, which are well within the range established by the current accounting criteria (from 80% to 125%). Furthermore, there is no over hedging on any of the derivatives, so as of December 31, 2012, 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, 2012, 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. 309	Ps. 948	Ps. 3,410	Ps. 1,983
Liabilities denominated in UDIs	101	190	158	-
Assets denominated in USD	3	3	27	208
Liabilities denominated in USD	340	314	4,958	5,278
Assets denominated in Euros	38	363	150	984
	Ps. 791	**Ps. 1,818**	**Ps. 8,703**	**Ps. 8,453**

The fair value of the instruments designated as cash flow hedging, recognized in overall earnings in stockholders equity on December 31, 2012 and 2011 totaled Ps. 2,493 and Ps. 2,537, respectively. Furthermore, Ps. 75 and Ps. 15, respectively, were reclassified from stockholders' equity to results.

The (losses) gains recognized in derivatives financial instruments' results designated for trading were Ps. 321 and (Ps. 309), on December 31, 2012 and 2011, respectively.

Trading derivatives and hedging derivatives: the loan risk is minimized through means of contractual compensation agreements, in which asset and liability derivatives with the same counterparty are settled for their net balance. Similarly, there may be other types of collateral such as credit lines, depending on the counterparty's solvency and the nature of the transaction.

The following table shows the cash flows hedging valuation 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. 2,903)	(Ps. 789)	Ps. 15
Balance, December 31, 2012	(Ps. 2,780)	(Ps. 123)	Ps. 75

9 - LOAN PORTFOLIO

As of December 31, 2012 and 2011, the loan portfolio by loan type is as follows:

	Performing Loan Portfolio		Past-due loan portfolio		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 156,279	Ps. 130,729	Ps. 5,620	Ps. 4,053	Ps. 161,899	Ps. 134,782
Rediscounted portfolio	5,603	5,346	-	-	5,603	5,346
Denominated in USD						
Commercial	23,501	32,204	518	631	24,019	32,835
Rediscounted portfolio	678	744	-	-	678	744
Total commercial loans	**186,061**	**169,023**	**6,138**	**4,684**	**192,199**	**173,707**
Loans to financial institutions	8,434	11,560	4	1	8,438	11,561
Consumer loans						
Credit card	17,624	11,465	934	903	18,558	12,368
Other consumer loans	28,412	22,781	533	383	28,945	23,164
Mortgage loans	72,608	64,567	812	967	73,420	65,534
Government loans	88,293	71,162	60	11	88,353	71,173
	215,371	**181,535**	**2,343**	**2,265**	**217,714**	**183,800**
Total loan portfolio	**Ps. 401,432**	**Ps. 350,558**	**Ps. 8,481**	**Ps. 6,949**	**Ps. 409,913**	**Ps. 357,507**

Restructured loans

The restructured loans on December 31, 2012 and 2011 that modified their terms and rates are shown below:

	2012		2011	
	Performing	**Past-due**	**Performing**	**Past-due**
Commercial loans	Ps. 4,066	Ps. 864	Ps. 15,935	Ps. 540
Consumer loans	32	16	50	1
Mortgage loans	37	48	30	51
	Ps. 4,135	**Ps. 928**	**Ps. 16,015**	**Ps. 592**

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 days 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**

As of December 31, 2011, past-due loans showed the following periods of delinquency:

	From 1 to 180 days	From 181 to 365 days	From 366 days to 2 years	More than 2 years	Total
Commercial loans					
Business loans	Ps. 1,196	Ps. 870	Ps. 2,018	Ps. 612	Ps. 4,696
Consumer loans	1,204	6	74	2	1,286
Mortgage loans	637	137	25	168	967
	Ps. 3,037	**Ps. 1,013**	**Ps. 2,117**	**Ps. 782**	**Ps. 6,949**

Past-due loan movements for the years ended on December 31, 2012 and 2011 are shown below:

	2012	**2011**
Balance at the beginning of the year	Ps. 6,949	Ps. 6,664
IXE's NPLs incorporation	-	603
Liquidations	(1,638)	(1,954)
Write-offs*	(3,212)	(4,025)
Renewals	(401)	(555)
Loan portfolio purchases	-	1
Discounts	(116)	(95)
Foreclosures	(639)	(360)
Loan portfolio sales	(872)	(470)
Transfers to performing loans	(2,573)	(4,662)
Transfers from performing loans	11,060	11,735
Fluctuation from foreign exchange rate	(77)	67
Year-end balance	**Ps. 8,481**	**Ps. 6,949**

*Loans with 100% allowance for loan loss.

As of December 31, 2012, the balance of deferred 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. As of December 31, 2011, the balance of deferred fee was Ps. 1,949, and the amount recorded in results was Ps. 933. Furthermore, the deferred balance of costs and expenses associated with initial loan originations was Ps. 384, and the amount recorded in results was Ps. 213. 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 incurred are presented on a net basis in the line item of deferred loans and advanced 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 segments are: a) commercial, 2.9 years; b) financial institutions, 3.0 years; c) mortgage, 18.1 years; d) government loans, 13.8 years; and e) consumer, 5.4 years.

During the periods ended on December 31, 2012 and 2011, the balance of fully reserved past-due loans that was written off was Ps. 3,212 and Ps. 4,025, respectively.

On December 31, 2012 and 2011, revenues from recoveries of previously written-off loan portfolios were Ps 1,100 and Ps 1,178, 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 is amortized by the client. The amount of financed car insurance policies by December 31, 2012 and 2011 is Ps. 21 and Ps. 19, respectively.

The loans granted per economic sectors as of December 31, 2012 and 2011, are shown below:

	2012		2011	
	Amount	**Concentration percentage**	**Amount**	**Concentration percentage**
Private (companies and individuals)	Ps. 192,199	46.89%	Ps. 173,707	48.59%
Financial institutions	8,438	2.06%	11,561	3.23%
Credit card and consumer	47,503	11.59%	35,532	9.94%
Mortgage	73,420	17.91%	65,534	18.33%
Government loans	88,353	21.55%	71,173	19.91%
	Ps. 409,913	**100%**	**Ps. 357,507**	**100%**

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 Commission Circular B6, “Loan Portfolio”, distressed portfolio is defined as the commercial loans which, based on the current information and facts as well as on the loan revision process, are very unlikely to be fully recovered (both principal and interest) pursuant to the original terms and conditions. The performing and past-due portfolios are susceptible to be classified as a distressed portfolio. The commercial loans rating D and E risk degrees are as follows:

	2012	**2011**
Distressed portfolio	Ps. 3,121	Ps. 2,792
Total rated portfolio	439,561	371,212
Distressed portfolio/total rated portfolio	0.71%	0.75%

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, 2012 and 2011 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, 2012 is Ps. 84, which includes Ps. 82 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, 2012 subject to the Agreement are described below:

	Payment date	**Amount**
Third amortization	June 1, 2013	Ps. 28
Fourth amortization	June 1, 2014	28
Fifth amortization	June 1, 2015	28
		Ps. 84

A monthly financial cost is incorporated to each amortization as of the day following the Cut-off Date and up to the close of the month prior to each payment date. The rate for January 2011 is the arithmetic average of the annual rate of return based on the 91-day CETES discount issued in December 2010, and for the subsequent months the 91-day future CETES rate of the previous month as published by Proveedor Integral de Precios, S.A. on the business day after the Cut-off Date, or that of the nearest month contained in said publication, taken on a 28-day return term, then dividing the resulting rate by 360 and multiplying the result by the number of days effectively elapsed during the period it is accrued, capitalized on a monthly basis.

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

	2012
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 2012, Ps. 9 was recognized in earnings related to the support of *punto final*.

The maximum amount the Financial Group would absorb for loans not susceptible to the Early Termination program and that would be entitled to discount benefits program is Ps. 14.

Ps. 13 was used to repurchase Special CETES; the remaining balance not repurchased by the Federal Government as of December 31, 2012 is Ps. 818 with maturities between 2017 and 2027.

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

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:

	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	0	26	168	194
Risk A1	178,598	846	0	0	846
Risk A2	97,155	913	0	0	913
Risk B	29,023	0	1,005	217	1,222
Risk B1	39,106	794	382	0	1,176
Risk B2	10,915	81	682	0	763
Risk B3	2,445	273	0	0	273
Risk C	3,105	0	914	186	1,100
Risk C1	391	105	0	0	105
Risk C2	714	320	0	0	320
Risk D	2,064	408	1,004	6	1,418
Risk E	2,689	2,491	184	18	2,693
Unclassified	(81)				
	Ps. 439,561	**Ps. 6,231**	**Ps. 4,197**	**Ps. 595**	**Ps. 11,023**
Less: recorded allowance					**11,734**
Reserve supplement*					**Ps. 710**

*The reserves supplement conforms to the general provisions applicable to Bank Institutions. 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 2012 they include the recognition of Ps. 577 in the loan portfolio quality impairment derived from unforeseen factors in the rating methodologies.

	2011				
		Required allowances for losses			
Risk category	**Loan portfolio**	**Commercial portfolio**	**Consumer portfolio**	**Mortgage portfolio**	**Total**
Exempted portfolio	Ps. 113	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	62,759	-	20	160	180
Risk A1	167,023	783	-	-	783
Risk A2	72,717	682	-	-	682
Risk B	25,129	-	934	266	1,200
Risk B1	24,405	568	249	-	817
Risk B2	7,770	63	464	-	527
Risk B3	2,167	232	-	-	232
Risk C	2,736	-	667	263	930
Risk C1	765	185	-	-	185
Risk C2	1,389	611	-	-	611
Risk D	1,929	430	829	57	1,316
Risk E	2,466	2,112	263	108	2,483
Unclassified	(156)	-	-	-	-
	Ps. 371,212	**Ps. 5,666**	**Ps. 3,426**	**Ps. 854**	**Ps. 9,946**
Less: recorded allowance					**9,944**
Reserve supplement*					**(Ps. 2)**

*The recorded reserves supplement conforms to the general provisions applicable to Bank Institutions. To hedge 100% of the past-due interest and for the effects of inquiries in the credit bureau Ps. 107 was recorded. In 2011 they include the effect of unifying the internal accounting policy for mortgage loan write-offs of FINCASA in the amount of (Ps. 109).

The sum of the rated loan portfolio includes Ps. 25,929 and Ps. 10,475 in loans granted to subsidiaries whose balance and reserves were eliminated in the consolidation process as of December 31, 2012 and 2011, respectively.

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

As of December 31, 2012 and 2011, the estimated allowance for loan losses is determined based on portfolio balances at those dates.

As of December 31, 2012 and 2011, the allowance for loan losses represents 138% and 143%, 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, 2011 and 2010.

Modification of the consumer and mortgage loan rating methodology

On October 25, 2010 the Commission published a resolution to the General Provisions for Banking Institutions modifying the applicable non-revolving consumer and mortgage loan rating so that the allowance for loan losses will be calculated on the basis of expected rather than incurred loss. This modification became effective on March 1, 2011.

Abiding by the above modification, as of March 31, 2011 the Financial Group recognized Ps. 350, net of its deferred taxes effect, in stockholders' equity under the prior years' earnings which corresponds to the initial financial effect derived from applying the rating methodologies for non-revolving consumer and mortgage loans.

If the aforementioned effect had been recorded in the results of year, the affected items and amounts that the Financial Group would have recorded in the balance sheet and Income Statement would be:

	Balances, December 31, 2011	Effect	How it would have been presented
Consolidated balance sheet			
Stockholders' equity			
Retained earnings from prior years	Ps. 30,573	Ps. 350	Ps. 30,923
Net income	Ps. 8,517	(Ps. 350)	Ps. 8,167
Total stockholders' equity	Ps. 77,082	Ps. -	Ps. 77,082
Consolidated Income Statements			
Provisions for loan losses	Ps. 5,438	Ps. 582	Ps. 6,020
Net interest income after allowance for loan losses	Ps. 22,804	(Ps. 582)	Ps. 22,222
Deferred income taxes, net	Ps. 933	(Ps. 232)	Ps. 701
Net income	Ps. 8,517	(Ps. 350)	Ps. 8,167

Modification of the rating methodology of commercial loans granted to state and municipal governments

On October 5, 2011, the Commission published a resolution that modified the provisions regarding the rating methodology for loan portfolios granted to state and municipal governments. 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 resolution went into effect on October 6, 2011 and its application was optional during the third or fourth quarter of 2011. As a result of this modification, the Financial Group opted to apply the aforementioned methodology with figures as of September 30, 2011. Thus, the Financial Group released Ps. 87 for the surplus reserves calculated using the above methodology. Such cancellation of surplus reserves was made to the year's earnings as established in the methodology.

The amount of allowances for loan losses for the Financial Group, calculated with the methodology referred in Exhibit 18 of such resolution was Ps. 961, and the amount of the allowance of the methodology in effect prior the current resolution totaled Ps. 1,048, both with figures as of September 30, 2011.

Movements in allowance for loan losses

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

	2012	2011
Balance at the beginning of the year	Ps. 9,944	Ps. 8,245
Increase charged to results	8,594	5,356
Discounts and write-offs	(5,287)	(4,901)
Valuation in foreign currencies and UDIS	(36)	63
Discount granted to mortgage debtors	(12)	(72)
Consolidation of Ixe Tarjetas	446	-
Loan acquisitions	(2,040)	(358)
Recognized against retained earnings from prior years	16	628
Acquisition of Ixe Grupo Financiero	-	972
Other	-	11
Intercompanies eliminated	109	-
Year-end balance	**Ps. 11,734**	**Ps. 9,944**

As of December 31, 2012, the net amount of preventive loan loss reserves charged to the 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 (Ps. 1) exchange rate and eliminations from intercompany operations Ps. 2,475; said amount affected the results for Ps. 8,594 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. 5,438, and is presented net of (Ps. 84) paid to Other income or expenses, and due to the variation of the USD Ps. 2 exchange rate; such amounts are affected against results is comprised of Ps. 5,356 credited directly to the estimate.

12 - ACQUIRED COLLECTION RIGHTS

As of December 31, 2012 and 2011, the acquired collection rights are comprised as follows:

	2012	2011	Valuation Method
INB I	Ps. 430	Ps. 614	Cash Basis Method
Bancomer IV	183	258	Cash Basis Method
Banamex Hipotecario	193	231	Cash Basis Method
INB II	100	117	Cost Recovery Method
Bancomer III	82	98	Cash Basis Method
Serfin Hipotecario	70	96	Cash Basis Method
Bital I	47	80	Cash Basis Method
Goldman Sach's	33	68	Cash Basis Method
Banorte Mortgage	106	127	Interest method
Comerci	-	586	Cost Recovery Method
Fincasa II	68	322	Cost Recovery Method
Sólida Mortgage	242	310	Cost Recovery Method
Fincasa I	71	172	Cost Recovery Method
Grupo Binomio Constructor	54	115	Cost Recovery Method
Solución productiva	20	86	Cost Recovery Method
Serfin Commercial II	36	67	Cost Recovery Method
Confia I	44	56	Cost Recovery Method
Serfin Commercial I	38	54	Cost Recovery Method
Bital II	45	50	Cost Recovery Method
Banorte Sólida Commercial	22	32	Cost Recovery Method
INB III	143	-	Cash Basis Method
Naos	408	-	Cost Recovery Method
Ixe Automotriz (Tú eliges)	3	20	Cost Recovery Method
Ixe Automotriz	48	-	Cost Recovery Method
Bancomer V	623	-	Cost Recovery Method
	Ps. 3,109	**Ps. 3,559**	

As of December 31, 2011, the Financial Group recognized income from credit asset portfolios of Ps. 698 derived from applying the valuation methods (described in Note 4), together with the respective amortization of Ps. 482, the effects of which were recognized under the "Other operating income (expenses)" heading in the consolidated Income Statement. For the year ended December 31, 2011, the Financial Group recognized income of Ps. 685, together with the respective amortization of Ps. 547.

As of December 31, 2012 Ixe Soluciones, S.A. de C.V. (Ixe Soluciones) had amortized the balance of the collection rights by means of settlements, collections in cash and sales of rights for Ps. 46, Ps. 33 and Ps. 535, respectively. As of December 31, 2011 Ixe Soluciones, S.A. de C.V. had amortized the balance of the collection rights by means of settlements, collections in cash and sales of rights for Ps. 68, Ps. 16 and Ps. 86, respectively.

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 current events information, the analysis demonstrates that the expected future cash flows will decrease to the degree that they will not cover the book value, it will constitute an estimate for non-recoverability or difficult collection against the year's results for the amount that such expected cash flows are lower than the book value of the accounts receivable.

Assets other than 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

The balance of premium receivables as of December 31, 2012 and 2011 is made up as follows:

	2012	2011
Liability	Ps. 84	Ps. 83
Maritime and transportation	36	65
Fire	117	67
Automobile	1,016	968
Various	862	1,056
Accidents and health	430	827
Life	167	153
Pensions	75	86
	2,787	**3,305**
Federal public administration agencies' indebtedness	350	137
	Ps. 3,137	**Ps. 3,442**

14 – ACCOUNTS RECEIVABLE FROM REINSURANCE

As of December 31, 2011, the other accounts receivable balance is as follows:

	2012	2011
Insurance and annuities	Ps. 666	Ps. 513
Reinsurers' participation for pending claims	1,249	1,289
Reinsurers' participation for current risk	791	776
Other participations	9	16
	Ps. 2,715	**Ps. 2,594**

15 - OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2012 and 2011, the other accounts receivable balance is as follows:

	2012	2011
Loans to officers and employees	Ps. 1,999	Ps. 1,249
Debtors from liquidation settlements	4,433	3,222
Debtors from cash collateral	4,508	4,419
Real estate property portfolios	1,789	1,940
Fiduciary rights*	6,813	6,970
Sundry debtors in Mexican pesos	2,842	1,866
Sundry debtors in foreign currency	824	762
Other	198	112
	23,406	**20,540**
Allowance for doubtful accounts	(309)	(192)
	Ps. 23,097	**Ps. 20,348**

* 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.

As of December 31, 2011 and 2010, real estate portfolios include Ps. 303 that correspond to the collection rights issued by the INVEX trust as preferred securities with accounts receivable surety granted by Vitro Plano and that is valued applying the interest method.

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

16 - FORECLOSED ASSETS, NET

As of December 31, 2012 and 2011, the foreclosed assets' balance is as follows:

	2012	2011
Moveable property	Ps. 705	Ps. 331
Real estate property	2,971	2,459
Goods pledged for sale	33	18
	3,709	**2,808**
Allowance for losses on foreclosed moveable assets	(106)	(38)
Allowance for losses on foreclosed real estate assets	(651)	(474)
Allowance for losses on assets pledged for sale	(13)	(12)
	(770)	**(524)**
	Ps. 2,939	**Ps. 2,284**

17 - PROPERTY, FURNITURE AND EQUIPMENT, NET

As of December 31, 2012 and 2011, the property, furniture and equipment balance is as follows:

	2012	2011
Furniture and equipment	Ps. 9,651	Ps. 8,904
Property intended for offices	6,238	6,010
Installation costs	4,041	3,638
	19,930	**18,552**
Less - Accumulated depreciation and amortization	(7,944)	(6,836)
	Ps. 11,986	**Ps. 11,716**

The depreciation recorded in the results of 2012 and 2011 was Ps. 1,061 and Ps. 1,112, 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 fixtures	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 %	2012	2011
Banorte Mutual funds	Various	Ps. 14	Ps. 14
Controladora PROSA, S.A. de C.V.	19.73%	47	57
Afore XXI-Banorte, S.A. de C.V.	50%	4,434	1,038
Transporte Aéreo Técnico Ejecutivo, S.A. de C.V.	45.33%	246	116
Concesionaria Internacional Anzaldúas, S.A. de C.V.	40%	79	82
Internacional de Inversiones, S.A.P.I. de C.V.	5.62%	90	95
Servicios Banorte Generali, S. A. de C.V.	33%	14	22
Commercial Banorte Generali, S.A. de C.V.	33%	6	12
Horizontes Banorte Generali, S.A. de C.V.	49%	-	65
Ixe Tarjetas (credit cards), S.A. de C.V.*	-	-	356
Sociedades de Inversión Ixe Fondos (Mutual Funds)	Various	126	116
Other	Various	114	67
		Ps. 5,170	**Ps. 2,040**

* As of 2012, Banorte acquired 99.99% of the subsidiary's equity stock; and as of April of that year it consolidates the company as explained in Note 2.

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 accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of (Ps. 978) and (Ps. 40) as of December 31, 2012 and 2011, respectively, as detailed below:

	2012			2011		
	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU
Temporary Differences - Assets						
Allowance for loan losses	Ps. 2,303	Ps. 700	Ps. -	Ps. 669	Ps. 215	Ps. -
Tax loss carry forwards	2,952	885	-	1,845	554	-
Surplus preventive allowances for credit risks over the net tax limit	1,002	300	103	4,200	1,198	375
Excess of tax over book value of foreclosed and fixed assets	1,971	569	56	1,437	396	66
PTU	692	208	83	463	139	45
Fees collected in advance	953	288	31	364	110	31
Accounting provisions	646	197	61	2,352	706	96
Other assets	350	112	1	145	46	-
Total assets	**Ps. 10,869**	**Ps. 3,259**	**Ps. 335**	**Ps. 11,475**	**Ps. 3,364**	**Ps. 613**

	2012			2011		
	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU
Temporary Differences - Liabilities						
Unrealized loss in securities available-for-sale	Ps. 252	Ps. 88	Ps. -	Ps. 247	Ps. 86	Ps. -
Unrealized capital gain from special allowance	-	-	-	177	54	-
Portfolios acquired	1,120	330	91	2,271	660	122
Capitalizable projects' expenses	1,514	445	107	1,109	328	110
Reversal of sales costs	-	-	-	-	-	-
Contribution to pension fund	3,239	908	270	2,772	778	270
Intangible assets	1,826	517	-	480	145	-
Deferred from the IXE purchase method	366	110	-	1,659	498	-
Other	5,574	1,674	34	3,040	902	64
Total deferred liabilities	**Ps. 13,891**	**Ps. 4,072**	**Ps. 502**	**Ps. 11,755**	**Ps. 3,451**	**Ps. 566**
Net accumulated asset	**(Ps. 3,022)**	**(Ps. 811)**	**(Ps. 167)**	**(Ps. 280)**	**(Ps. 87)**	**Ps. 47**
Deferred tax, net			**(Ps. 978)**			**(Ps. 40)**

As discussed in Note 29, as of January 1, 2010 and up to December 31, 2012, 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 they will continue to pay ISR. Thus no change was made to the deferred tax calculations.

Banorte USA's deferred tax assets and liabilities are determined using the liability method. According to this method, the net asset 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. Derived from consolidating Banorte USA, a net amount of Ps 55 was added to deferred taxes determined at a rate of 35% as per the tax law of the USA.

20 - OTHER ASSETS

As of December 31, 2012 and 2011, other assets are as follows:

	2012	2011
Net asset forecast from labor obligations and savings fund	Ps. 3,664	Ps. 3,113
Other amortizable expenses	7,100	6,305
Accumulated amortization of other expenses	(489)	(534)
Goodwill	15,356	15,689
	Ps. 25,631	**Ps. 24,573**

As of December 31, 2012 and 2011, Goodwill is as follows:

	2012	2011
Ixe Grupo Financiero, S.A.B. de C.V.	Ps. 11,537	Ps. 9,856
INB Financial Corp.	2,816	3,029
Afore XXI, S.A. de C.V.*	-	2,504
Banorte-Ixe Tarjetas, S. A. de C. V., SOFOM, ER	727	-
Uniteller Financial Services	252	271
Generali México Compañía de Seguros, S. A.	23	25
Royal Sun Alliance Pensiones (México), S.A. de C.V.	1	4
	Ps. 15,356	**Ps. 15,689**

* The Permanent stock investments line item was restated as the Financial Group no longer controlled Afore XXI.

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, 2012 and 2011.

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 2012 and 2011 the Financial Group generated a liquidity requirement of USD 78 thousand and USD 328 million, respectively, and held investments in liquid assets of USD 379 thousand and USD 646 million, representing a surplus of USD 301 million and USD 319 million, respectively.

Core Deposits

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

	2012	2011
Demand deposits		
Non-interest Bearing Checking accounts:		
Cash deposits	Ps. 99,059	Ps. 86,400
Checking accounts in US dollars for individual residents in the Mexican border	909	734
Demand deposits accounts	7,558	6,341
Interest Bearing Checking accounts:		
Other bank checking deposit	43,885	45,292

Savings accounts	411	346
Checking accounts in US dollars for individual residents on the Mexican border	1,512	1,621
Demand deposits accounts	57,837	48,882
	211,171	**189,616**
Time deposits		
General public:		
Fixed-term deposits	36,189	25,503
Retail time deposits	71,367	66,071
Promissory note with interest payable at maturity PRLV primary market for individuals	76,779	68,855
PRLV primary market for business entities	2,321	1,892
Foreign residents deposits	23	28
Provision for interest	376	286
	187,055	**162,635**
Money market:		
Fixed-term deposits	-	297
Promissory notes	19,624	9,103
Provision for interest	1,909	1,689
	21,533	**11,089**
	208,588	**173,724**
Senior debt issued		
Bank bonds	4,490	6,870
Provision for interest	76	83
	4,566	**6,953**
	Ps. 424,325	**Ps. 370,293**

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:

	2012				**2011**			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIS	0.56%	0.56%	0.52%	0.52%	0.54%	0.54%	0.52%	0.57%
Foreign Currency	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Ixe Banco								
Mexican pesos and UDIS	-	-	-	0.46%	-	-	-	1.22%
Foreign Currency	-	-	-	0.00%	-	-	-	0.03%
Banorte USA (INB)								
Demand deposits accounts	0.05%	0.04%	0.05%	0.05%	0.75%	0.57%	0.20%	0.18%
Money market	0.10%	0.09%	0.08%	0.07%	0.74%	0.67%	0.45%	0.40%

Time deposits:

Foreign exchange	2012 1Q	2012 2Q	2012 3Q	2012 4Q	2011 1Q	2011 2Q	2011 3Q	2011 4Q
General public								
Mexican pesos and UDIS	3.61%	3.62%	3.53%	3.58%	3.41%	3.52%	3.46%	3.49%
Foreign Currency	0.61%	0.61%	0.55%	0.61%	0.70%	0.71%	0.91%	0.70%
Money market	4.97%	4.82%	4.72%	4.79%	5.46%	5.61%	5.26%	5.08%
Ixe Banco								
Mexican pesos and UDIS	-	-	-	4.00%	-	-	-	4.09%
Foreign Currency	-	-	-	0.46%	-	-	-	2.72%
Banorte USA (INB)	0.41%	0.39%	0.38%	0.36%	2.32%	2.30%	2.11%	1.82%

As of December 31, 2012 and 2011, the terms set for these deposits are as follows:

	2012			
	From 1 to 179 days	**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
	Ps. 174,784	**Ps. 5,810**	**Ps. 6,461**	**Ps. 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**

	2011			
	From 1 to 179 years	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps. 14,958	Ps. 4,760	Ps. 5,785	Ps. 25,503
Retail time deposits	65,971	96	4	66,071
Promissory note with interest payable at maturity PRLV primary market for individuals	68,274	519	62	68,855
PRLV primary market for business entities	1,700	28	164	1,892
Foreign residents deposits	20	2	6	28
Provision for interest	268	17	1	286
	151,191	**5,422**	**6,022**	**162,635**
Money market				
Fixed term deposits	-	-	297	297
Promissory notes	-	-	9,103	9,103
Provision for interest	-	-	1,689	1,689
	-	**-**	**11,089**	**11,089**
Senior debt issued	**-**	**-**	**6,953**	**6,953**
	Ps. 151,191	**Ps. 5,422**	**Ps. 24,064**	**Ps. 180,677**

22 - INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2012 and 2011 are as follows:

	Mexican pesos		Denominated in USD		Total	
	2012	2011	2012	2011	2012	2011
Immediately due						
Domestic banks (Call money)	Ps. 295	Ps. 3,968	Ps. -	Ps. -	Ps. 295	Ps. 3,968
	295	**3,968**	**-**	**-**	**295**	**3,968**
Short-term						
Banco de México	7,000	3,000	-	-	7,000	3,000
Commercial banks	2,424	1,585	67	1,050	2,491	2,635
Development banks	12,333	12,626	2,189	2,508	14,522	15,134
Public trusts	3,336	4,052	208	191	3,544	4,243
Provision for interest	65	131	6	7	71	138
	25,158	**21,394**	**2,470**	**3,756**	**27,628**	**25,150**
Long-term						
Commercial banking	1,131	988	-		1,131	988
Development banking	2,224	2,312	522	184	2,746	2,496
Public trusts	3,893	2,673	212	169	4,105	2,842
Provision for interest	0	4	-		0	4
	7,248	**5,977**	**734**	**353**	**7,982**	**6,330**
	Ps. 32,701	**Ps. 31,339**	**Ps. 3,204**	**Ps. 4,109**	**Ps. 35,905**	**Ps. 35,448**

These liabilities incur interest depending on the type of instrument and average balance of the loans.

The average interest rates are shown below:

	2012				2011			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Call money								
Mexican pesos and UDIS	4.52%	4.45%	4.47%	4.45%	4.55%	4.52%	4.47%	4.45%
Other bank loans								
Mexican pesos and UDIS	4.89%	4.71%	4.59%	4.60%	5.54%	5.00%	4.93%	4.90%
Foreign Currency	1.80%	2.10%	2.05%	2.45%	1.55%	1.22%	1.60%	1.65%

Banorte USA liabilities accrue interest at an average rate of 0.67% and 2.86% as of December 2012 and 2011, respectively. Moreover, the loans obtained by Arrendadora y Factor Banorte, S.A. de C.V. accrue an average interest rate of 5.68% and 6.16% in Mexican pesos and 1.96% and 2.91% in U.S. dollars as of December 31, 2012 and 2011, respectively. Furthermore the interbank and other loans engaged by Ixe Banco are settled at annual rates between 4.13% and 4.21%.

23 - TECHNICAL RESERVES

The balance of the technical reserves as of December 31, 2012 and 2011 is made up as follows:

	2012	2011
Current risk:		
Life	Ps. 42,356	Ps. 34,390
Accidents and health	988	847
Damages	2,517	2,325
	45,861	37,562
Contractual obligations:		
Claims and expirations	2,037	2,152
Unreported claims	1,358	742
Dividends on policies	381	362
Insurance funds under management	11	12
Security premiums	230	96
	4,017	3,364
Contingency:		
Catastrophic risk	510	408
Contingencies	801	634
Special	533	438
	1,844	1,480
	Ps. 51,722	**Ps. 42,406**

24 - SUNDRY CREDITORS AND OTHER PAYABLES

As of December 31, 2012 and 2011, the balance of sundry creditors and other payables is as follows:

	2012	2011
Cashier and certified checks and other negotiable instruments	Ps. 2,610	Ps. 1,841
Provision for employee retirement obligations and saving fund	717	524
Provisions for other obligations	3,778	3,489
Other	7,923	6,286
	Ps. 15,028	**Ps. 12,140**

25 - EMPLOYEE RETIREMENT OBLIGATIONS

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, 2012 and 2011, related to the defined benefit pension plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

	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**
Transition asset (obligation)	-	-	-	-
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**

	2011			
	Pension plan	**Seniority premiums**	**Medical services**	**Total**
Projected benefit obligation (PBO)	(Ps. 885)	(Ps. 200)	(Ps. 2,029)	(Ps. 3,114)
Fund market value	1,512	345	2,841	4,698
Funded status	**627**	**145**	**812**	**1,584**
Transition asset (obligation)	7	(3)	82	86
Unrecognized prior service cost	1	(2)	-	(1)
Unrecognized actuarial losses	407	9	762	1,178
Net projected asset	**Ps. 1,042**	**Ps. 149**	**Ps. 1,656**	**Ps. 2,847**

The Financial Group has a net prepayment (net prepaid asset) of Ps 3 generated by transferring personnel from Sólida Administradora de Portafolios, S. A. de C. V. (Sólida) to Banorte. Moreover, as of December 31, 2012, a separate fund amounting to Ps. 5,245, (Ps. 4,511 in 2011) 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, 2012 and 2011, the net periodic pension cost is as follows:

	2012	2011
Service cost	Ps. 114	Ps. 129
Interest cost	252	237
Expected return on plan assets	(383)	(342)
Amortizations of unrecognized items:		
Transition obligation	85	86
Cost of the advance reduction/liquidation of obligations	-	(20)
Variations in assumptions	68	36
Effect of personnel transfer	18	-
Net periodic pension cost	**Ps. 154**	**Ps. 126**

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2012 and 2011, are shown below:

Concept	2012 Nominal	2011 Nominal
Discount rate	7.25%	8.50%
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	7.25%	8.50%

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

Concept	2012	2011
Defined and projected benefit obligations	(Ps. 264)	(Ps. 256)
Transition obligation	-	20
Net projected liability	**(Ps. 264)**	**(Ps. 236)**

For the years ended December 31, 2012 and 2011, the net periodic pension cost is as follows:

Concept	2012	2011
Service cost	Ps. 23	Ps. 48
Interest cost	15	18
Transition obligation	20	21
Variations in assumptions	29	133
Effect of personnel transfer	56	-
Net periodic pension cost	**Ps. 143**	**Ps. 220**

The balance of the employee retirement obligations presented in this Note refers to the Financial Group's defined benefit pension plan for those employees who remain enrolled.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan's participants. This pension plan maintains a fund as of December 31, 2012 and 2011, equivalent to Ps. 1,499 and Ps. 1,404, respectively, which is recorded under "Other assets" and is equivalent to the recorded plan liability.

26 - SUBORDINATED DEBENTURES

As of December 31, 2012 and 2011, the subordinated debentures in circulation are as follows:

	2012	2011
Preferred subordinated nonconvertible debentures, QBANORTE 12 maturing in March 2022, paying interest at the 28-day TIIE rate plus 1,5%, payable in 130 periods of 28 days each.	Ps. 3,200	Ps. -
Non preferred subordinated nonconvertible debentures (Q BANORTE 08 debentures), maturing in February 2018, paying interest at the 28-day TIIE rate plus 0.60%.	3,000	3,000
Preferred subordinated nonconvertible debentures (Q BANORTE 08-2), maturing in June 2018, paying interest at the 28-day TIIE rate plus 0.77%.	2,750	2,750
Preferred subordinated nonconvertible debentures, BANORTE 09 maturing in March 2019, paying interest at the 28-day TIIE rate plus 2%, payable in 130 periods of 28 days each.	2,200	2,200
Nonpreferred subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semiannually with a final principal payment at maturity (15-year term).	2,593	2,790
Preferred subordinated nonconvertible debentures, Q BANORTE 08-U maturing in February 2028, interest at a 4.95% annual rate.	2,179	2,098
Perpetual subordinated debentures at an annual rate of 9.75%, payable on a quarterly basis with a total or partial maturity option as of February 26, 2012.	1,556	1,674
Perpetual 10-year subordinated debentures at an annual rate of 9.75%, payable twice a year with a total or partial maturity option as of October 14, 2020.	1,556	1,588
Subordinated debentures, maturing in June 2034, denominated in US dollars, at a 3-months LIBOR interest rate plus 2.75%.	134	144
Preferred subordinated debentures maturing in April 2034, denominated in US dollars, at a 3-months LIBOR interest rate plus 2.72%.	134	144
Accrued interest.	153	155
	Ps. 19,455	**Ps. 16,543**

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. 4 and Ps. 17 in 2012 and 2011, 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, 2011 and 2010, the amount of the loans granted to related parties were as follows:

Institution granting the loan	2012	% of the limit	2011	% of the limit
Banorte	Ps. 11,536	50.3%	Ps. 12,732	59.8%
Ixe Banco	1,787	68.6%	1,732	81.8%
	Ps. 13,323		**Ps. 14,464**	

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

As of December 31, 2012 and 2011, the payable balance of Afore XXI-Banorte is Ps. 1 and Ps. 2, respectively.

Sale of loan portfolio packages between related parties (nominal values)

In February 2003 Banorte sold Ps. 1,925 of its own portfolio (with interest) to its subsidiary Sólida at a price of Ps.

378. Of this transaction, Ps. 1,891 were related to past-due loans amounts and Ps. 64 to the performing loan portfolio. The transaction was recorded based on figures as of August 2002, for which reason the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. In conjunction with the loan portfolio sold, Ps. 1,577 of the associated allowance for loan losses was transferred as well.

In official letter 601-II-323110 dated November 5, 2003, the Commission established the accounting criteria to be applied to this transaction and issued a series of rulings whereby 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 2011 and 2012:

	Mexican pesos			Foreign Currency			Total		
Type of portfolio	**Aug 02**	**Dec 11**	**Dec 12**	**Aug 02**	**Dec 11**	**Dec 12**	**Aug 02**	**Dec 11**	**Dec 12**
Performing Loan Portfolio									
Commercial	Ps. 5	Ps. -	Ps. -	Ps. 5	Ps. -	Ps. -	Ps. 10	Ps. -	Ps. -
Mortgage	54	15	13	-	-	-	54	15	13
Total	**59**	**15**	**13**	**5**	**-**	**-**	**64**	**15**	**13**
Past-due portfolio									
Commercial	405	322	300	293	117	109	698	439	409
Consumer	81	72	72	-	-	-	81	72	72
Mortgage	1,112	303	282	-	-	-	1,112	303	282
Total	**1,598**	**697**	**654**	**293**	**117**	**109**	**1,891**	**814**	**763**
Total portfolio	**Ps. 1,657**	**Ps. 712**	**Ps. 667**	**Ps. 298**	**Ps. 117**	**Ps. 109**	**Ps. 1,955**	**829**	**776**
Allowance for loan losses(1)									
Commercial	326	321	300	246	117	109	572	438	409
Consumer	77	72	72	-	-	-	77	72	72
Mortgage	669	309	288	-	-	-	669	309	288
Total allowance for loan loss	**Ps. 1,072**	**Ps. 702**	**Ps. 660**	**Ps. 246**	**Ps. 117**	**Ps. 109**	**Ps. 1,318**	**Ps. 819**	**Ps. 769**

(1) Allowances required based on the classification methodology applied in the Financial Group that maintained a 99.99% equity interest in Sólida during 2012 and 2011.

As of December 31, 2012 and 2011, the composition of the Financial Group's loan portfolio excluding its subsidiaries, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign Currency		Total	
Type of portfolio	Dec 12	Dec 11	Dec 12	Dec 11	Dec 12	Dec 11
Commercial loans	Ps. 226,763	Ps. 192,102	Ps. 18,920	Ps. 16,426	Ps. 245,683	Ps. 208,528
Consumer loans	23,296	29,775	-	-	23,296	29,775
Mortgage loans	66,978	60,948	-	-	66,978	60,948
Performing Loan Portfolio	**317,037**	**282,825**	**18,920**	**16,426**	**335,957**	**299,251**
Commercial loans	3,931	3,922	417	335	4,348	4,257
Consumer loans	555	1,294	-	-	555	1,294
Mortgage loans	1,033	1,060	-	-	1,033	1,060
Past-due portfolio	**5,519**	**6,276**	**417**	**335**	**5,936**	**6,611**
Total portfolio	**322,556**	**289,101**	**19,337**	**16,761**	**341,893**	**305,862**
Allowance for loan losses	7,192	8,939	461	487	7,653	9,426
Net portfolio	**Ps. 315,364**	**Ps. 280,162**	**Ps. 18,876**	**Ps. 16,274**	**Ps. 334,240**	**Ps. 296,436**
Allowance for loan losses					**128.93%**	**142.58%**
% of past-due portfolio					**1.74%**	**2.16%**

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

	2012	2011
Banking sector:		
Net income	Ps. 10,139	Ps. 7,260
Stockholders' equity	66,115	54,909
Total portfolio	395,910	341,897
Past-due portfolio	7,281	6,583
Allowance for loan losses	(10,557)	(9,446)
Total net assets	726,241	726,082
Brokerage sector:		
Net income	681	418
Stockholders' equity	2,785	2,591
Portfolio balance	667,873	578,762
Total net assets	103,344	23,528
Long Term Savings' Sector		
Net income	2,169	1,157
Stockholders' equity	10,641	5,140
Total net assets	66,690	51,814
Other finance companies sector:		
Net income	(434)	708
Stockholders' equity	3,323	3,726
Total portfolio	23,478	22,115
Past-due portfolio	1,081	480
Allowance for loan losses	(943)	(545)
Total net assets	24,533	23,056

b. The intermediation results for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
Valuation results		
Trading securities	Ps. 1,360	Ps. 517
Decrease in securities	(156)	(95)
Derivatives financial instruments	643	(175)
Total valuation results	**1,847**	**247**
Trading results		
Trading securities	800	981
Securities available for sale	260	283
Securities held to maturity	15	6
Derivatives financial instruments	(161)	79
Total securities' trading results	**914**	**1,349**
Spot foreign currency	1,362	1,134
Foreign currency futures	-	(4)
Foreign currency valuation	29	38
Minted metals trading	7	7
Minted metals valuation	(7)	7
Total foreign currency trading results	**1,391**	**1,182**
Total trading results	**2,305**	**2,531**
Total intermediation results	**Ps. 4,152**	**Ps. 2,778**

c. The performing loan portfolio, grouped by economic sectors and geographical location, is as follows

	2012				
	Geographical location				
Economic sector	**North**	**Central**	**West**	**South**	**Total**
Agriculture	Ps. 3,646	Ps. 583	Ps. 961	Ps. 1,250	Ps. 6,440
Mining	390	147	17	14	568
Manufacturing	11,325	4,952	1,652	1,043	18,972
Construction	10,934	17,921	850	2,600	32,305
Public utilities	19	226	3	4	252
Commerce	14,698	12,944	4,012	6,636	38,290
Transportation	3,236	6,711	974	422	11,343
Financial services	19,953	3,809	1,272	2,383	27,417
Communal, social services	7,837	3,548	484	614	12,483
Public administration and services	41,047	24,364	7,810	11,311	84,532
INB	-	-	-	-	7,307
Credit card	-	-	-	-	907
Consumer	-	-	-	-	40,990
Mortgage	-	-	-	-	71,364
Other	-	-	-	-	564
Arrendadora y Factor Banorte	-	-	-	-	17,602
Ixe Banco:					
Commercial	-	-	-	-	22,717
Consumer	-	-	-	-	4,079
Mortgage	-	-	-	-	893
Fincasa Hipotecaria	-	-	-	-	2,261
Ixe Automotriz	-	-	-	-	62
Ixe Soluciones	-	-	-	-	84
Performing loan portfolio	**Ps. 113,085**	**Ps. 75,205**	**Ps. 18,035**	**Ps. 26,277**	**Ps. 401,432**

	2011				
	Geographical location				
Economic sector	**North**	**Central**	**West**	**South**	**Total**
Agriculture	Ps. 3,322	Ps. 613	Ps. 903	Ps. 1,005	Ps. 5,843
Mining	365	197	16	10	588
Manufacturing	9,915	4,686	1,611	917	17,129
Construction	9,618	14,194	658	2,229	26,699
Public utilities	20	89	5	-	114
Commerce	13,870	12,497	3,619	6,899	36,885
Transportation	2,804	6,397	1,081	346	10,628
Financial services	15,174	5,359	1,080	1,505	23,118
Communal, social services	8,120	2,628	470	539	11,757
Public administration and services	36,165	13,239	6,891	10,094	66,389
INB	-	-	-	-	8,181
Credit card	-	-	-	-	11,465
Consumer	-	-	-	-	18,528
Mortgage	-	-	-	-	63,143
Other					902
Arrendadora y Factor Banorte	-	-	-	-	15,117
Ixe Banco:					
Commercial	-	-	-	-	24,999
Consumer	-	-	-	-	4,049
Mortgage	-	-	-	-	997
Fincasa Hipotecaria	-	-	-	-	3,579
Ixe Automotriz	-	-	-	-	337
Ixe Soluciones	-	-	-	-	111
Performing loan portfolio	**Ps. 99,373**	**Ps. 59,899**	**Ps. 16,334**	**Ps. 23,544**	**Ps. 350,558**

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

	2012				
	Geographical location				
Economic sector	**North**	**Central**	**West**	**South**	**Total**
Agriculture	Ps. 324	Ps. 53	Ps. 55	Ps. 48	Ps. 480
Mining	1	0	-	0	1
Manufacturing	117	119	87	42	365
Construction	1,161	69	32	18	1,280
Commerce	472	186	123	228	1,009
Transportation	23	1,268	9	13	1,313
Financial services	33	6	0	11	50
Communal, social services	56	59	38	31	184
Public administration and services	-	-	-	-	-
INB	-	-	-	-	66
Credit card	-	-	-	-	68
Consumer	-	-	-	-	1,306
Mortgage	-	-	-	-	782
Arrendadora y Factor Banorte	-	-	-	-	154
Ixe Banco:					
Commercial	-	-	-	-	254
Consumer	-	-	-	-	97
Mortgage	-	-	-	-	26
Fincasa Hipotecaria	-	-	-	-	907
Ixe Automotriz	-	-	-	-	20
Ixe Soluciones	-	-	-	-	204
Other	-	-	-	-	(85)
Past-due loan portfolio	**Ps. 2,187**	**Ps. 1,760**	**Ps. 344**	**Ps. 391**	**Ps. 8,481**

Economic sector	2011 Geographical location North	Central	West	South	Total
Agriculture	Ps. 309	Ps. 72	Ps. 55	Ps. 50	Ps. 486
Mining	3	-	1	1	5
Manufacturing	108	171	64	30	373
Construction	582	81	23	15	701
Commerce	361	136	137	152	786
Transportation	13	1,262	5	9	1,289
Financial services	17	3	2	7	29
Communal, social services	61	29	37	10	137
Public administration and services	-	-	13	-	13
INB	-	-	-	-	269
Credit card	-	-	-	-	903
Consumer	-	-	-	-	320
Mortgage	-	-	-	-	900
Arrendadora y Factor Banorte	-	-	-	-	79
Ixe Banco:					
Commercial	-	-	-	-	295
Consumer	-	-	-	-	13
Mortgage	-	-	-	-	65
Fincasa Hipotecaria	-	-	-	-	335
Ixe Automotriz	-	-	-	-	66
Ixe Soluciones	-	-	-	-	174
Fair value adjustment **	-	-	-	-	(289)
Past-due loan portfolio	**Ps. 1,454**	**Ps. 1,754**	**Ps. 337**	**Ps. 274**	**Ps. 6,949**

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

Product	2012 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	East	Treasury and other	Foreign	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 deposits	-	-	-	-	-	-	-	-	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**

	2011								
	Geographical location								
Product	**Monterrey**	**Mexico City**	**West**	**Northwest**	**Southeast**	**East**	**Treasury and other**	**Foreign**	**Total**
Non-interest bearing checking accounts	Ps. 13,590	Ps. 23,729	Ps. 7,767	Ps. 10,323	Ps. 10,198	Ps. 6,254	Ps. 165	Ps. -	Ps. 72,026
Interest-bearing checking accounts	8,050	27,542	5,249	7,063	11,889	2,630	193	-	62,616
Savings accounts	1	1	-	-	-	1	-	-	3
Current account Ps. and pre-established	3,414	6,346	1,866	3,569	3,326	2,425	145	-	21,091
Non-interest bearing demand deposits, USD	729	1,298	190	1,400	235	263	-	4,889	9,004
Interest bearing demand deposits, USD	1,705	1,468	265	2,090	242	953	(4)	4,618	11,337
Savings accounts in USD	-	-	-	-	-	-	-	343	343
Retail time deposits	9,716	26,063	7,612	8,272	11,057	7,053	2,001	-	71,774
Time deposits, USD	3,888	3,632	1,461	1,512	689	1,296	19	13,026	25,523
Customers Money market	16,145	12,153	5,344	4,365	3,335	4,668	422	-	46,432
Financial intermediaries	-	-	-	-	-	-	12,800	4,184	16,984
Ixe Banco:									
Demand deposit	-	-	-	-	-	-	-	-	13,203
Time deposits	-	-	-	-	-	-	-	-	19,954
Total deposits	**Ps. 57,238**	**Ps. 102,232**	**Ps. 29,754**	**Ps. 38,594**	**Ps. 40,971**	**Ps.25,543**	**Ps. 15,741**	**Ps.27,060**	**Ps. 370,290**

29 - TAX ENVIRONMENT

In 2012 and 2011 the Financial Group was subject to ISR and IETU.

ISR

Income tax (ISR) is calculated considering certain inflation effects as taxable or deductible; until December 31, 2011 the ISR rate was 30%. On December 7, 2009, the decree was published reforming, adding and eliminating various provisions of the Income Tax Law that went into effect on January 1, 2010. Temporary provisions were established through which the income tax rate for 2012 will be 30%; 29% for 2013 and 28% for 2014.

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 2012 and 2011. The Asset Tax Law was eliminated 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, 2012, 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.

30 - STOCKHOLDERS' EQUITY

At the Ordinary General Shareholders' Meeting held on April 27, 2012, it was agreed to transfer the profits of 2010 equal to Ps. 8,342 to earnings from prior years and increase the legal reserve by Ps. 175.

At the Ordinary General Stockholders' Meetings held on February 17, April 27 and October 11, 2012, it was agreed to decree cash dividends of Ps. 395, Ps. 419 and Ps. 426, respectively.

The Financial Group's shareholders' common stock as of December 31, 2012 and 2011 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50	
	2012	**2011**
	Paid-in Capital	**Paid-in Capital**
"O" Series	2,326,357,782	2,312,837,603

	Historical Amounts	
	2012	**2011**
	Paid-in Capital	**Paid-in Capital**
"O" Series	Ps. 8,116	Ps. 8,094
Restatement in Mexican pesos through December 2007	4,956	4,956
	Ps. 13,072	Ps. 13,050

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, 2012, the legal reserve was Ps. 2,620 and represents 20% of paid-in capital.

Share-based payments

During 2012 and 2011, the Financial Group recorded Ps. 26 and Ps. 68, respectively in administration expenses as compensation for share-based payments against the contributed capital.

As of December 31, 2012 and 2011, the Financial Group has 4,643,780 and 8,053,128 shares, respectively, granted to its executives through various share-based payment plans. The share's average weighted price for all the plans during the year was Ps. 28.64.

During 2012, no shares were assigned. 3,830,977 shares were assigned in 2011. During 2012 and 2011, 5,290,237 and 1,592,821 shares were exercised, respectively.

Capitalization ratio (pertaining to Banorte and Ixe Banco, the Financial Group's main subsidiaries)

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, 2012 sent to Banco de México to review is shown below.

- The capitalization ratio of Banorte as of December 31, 2012 was 14.75% of total risk (market, credit and operational), and 19.59% of credit risk, which in both cases exceeds the current regulatory requirements.

- The capitalization ratio of Ixe Banco as of December 31, 2012 was 15.52% of total risk (market, credit and operational), and 24.57% of credit risk, which in both cases exceeds 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):

Banorte

Net capital as of December 31, 2012	
Stockholders' equity	Ps. 60,939
Subordinated debentures and capitalization instruments	5,642
Deductions from investment in subordinated securities	(479)
Deduction from investments in shares of financial entities	(13,515)
Deduction from investments in shares of non-financial entities	(3,466)
Deduction of intangibles and deferred expenses or costs	(2,425)
Basic capital	**46,696**
Debentures and capitalization instruments	10,382
Allowance for loan losses	1,593
Deduction of investments in securitizations	(479)
Complementary capital	**11,496**
Net capital	**Ps. 58,192**

Characteristics of the subordinated debentures:

Concept	Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Tier 1 capital debentures 2006	Ps. 2,632	13/10/2021	100%	0%
Tier 1 capital debentures 2008	Ps. 3,010	27/02/2018	100%	0%
Tier 2 capital debentures 2008	Ps. 2,215	15/02/2028	0%	100%
Tier 2 capital debentures 2008-2	Ps. 2,761	15/06/2018	0%	100%
Tier 2 capital debentures 2009	Ps. 2,200	18/03/2019	0%	100%
Tier 2 capital debentures 2012	Ps. 3,206	27/05/2022	0%	100%

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. 36,320	Ps. 2,906
Floating rate securities' transactions in Mexican pesos	7,676	614
Real interest rate or UDI denominated securities' transactions in Mexican pesos	2,206	177
UDIS or inflation indexed (INPC) securities' transactions	4	-
Nominal interest rate foreign exchange denominated securities' transaction in Mexican pesos	5,177	414
Foreign exchange transactions	578	46
Total	**Ps. 51,961**	**Ps. 4,157**

Assets subject to credit risk

Concept	Risk weighted Assets	Capital requirement
Group III (weighted at 10%)	Ps. 375	Ps. 30
Group III (weighted at 20%)	7,770	622
Group III (weighted at 23%)	297	24
Group III (weighted at 50%)	6,455	516
Group IV (weighted at 20%)	4,027	322
Group V (weighted at 20%)	10,737	859
Group V (weighted at 50%)	11,249	900
Group V (weighted at 150%)	2,952	236
Group VI (weighted at 50%)	8,145	652
Group VI (weighted at 75%)	7,122	570
Group VI (weighted at 100%)	67,463	5,397
Group VII (weighted at 20%)	2,740	219
Group VII (weighted at 50%)	1,234	99
Group VII (weighted at 100%)	96,524	7,722
Group VII (weighted at 115%)	8,606	688
Group VII (weighted at 150%)	121	10
Group VIII (weighted at 125%)	2,455	196
Group IX (weighted at 100%)	35,728	2,858
Securitization (weighted at 20%)	284	23
Securitization (weighted at 50%)	3,853	308
Securitization (weighted at 100%)	45	4
Sum	**Ps. 278,182**	**Ps. 22,255**
For permanent shares, furniture and real property, and advance payments and deferred charges	18,825	1,506
Total	**Ps. 297,007**	**Ps. 23,761**

Assets subject to operational risk:

	Risk weighted Assets	Capital requirement
Total	**Ps. 45,561**	**Ps. 3,645**

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 the various areas of business through strategy or transactions' simulations in order to determine their consumption.

Ixe Banco

Net capital as of December 31, 2012	
Stockholders' equity	**Ps. 5,166**
Subordinated debentures and capitalization instruments	**742**
Deduction from investments in securitizations	(35)
Deduction from investments in shares of financial entities	(38)
Deduction of intangibles and deferred expenses or costs	(149)
Basic capital	**5,686**
Debentures and capitalization instruments	2,370
Allowance for loan losses	148
Deduction of investments in securitizations	(35)
Complementary capital	**2,483**
Net capital	**Ps. 8,169**

Characteristics of the subordinated debentures:

Concept	Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Tier 1 capital debentures 2007	Ps. 1,556	Perpetual	48%	52%
Tier 1 capital debentures 2010	Ps. 1,556	2020	0%	100%

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. 7,551	Ps. 604
Floating rate securities' transactions in Mexican pesos	3,572	286
Real interest rate or UDI denominated securities' transactions in Mexican pesos	199	16
UDIS or inflation denominated (INPC) securities' transactions	5	-
Nominal interest rate foreign exchange denominated securities' transaction in Mexican pesos	685	55
Foreign exchange transactions	650	52
Transactions involving shares	1,300	104
Total	**Ps. 13,962**	**Ps. 1,117**

Assets subject to credit risk

Concept	Risk weighted Assets	Capital requirement
Group II (weighted at 20%)	Ps. 20	Ps. 2
Group III (weighted at 10%)	14	1
Group III (weighted at 20%)	3,518	281
Group III (weighted at 50%)	554	44
Group IV (weighted at 20%)	464	37
Group V (weighted at 50%)	446	36
Group VI (weighted at 50%)	311	25
Group VI (weighted at 75%)	131	10
Group VI (weighted at 100%)	3,966	317
Group VI (weighted at 125%)	67	5
Group VII (weighted at 20%)	1,521	122
Group VII (weighted at 50%)	99	8
Group VII (weighted at 100%)	13,738	1,099
Group VII (weighted at 115%)	1,394	112
Group VII (weighted at 150%)	237	19
Group IX (weighted at 100%)	5,237	419
Group IX (weighted at 125%)	67	6
Sum	**Ps. 31,784**	**Ps. 2,543**
For permanent shares, furniture and real property, and advance payments and deferred charges	1,462	117
Total	**Ps. 33,246**	**Ps. 2,660**

Assets subject to operational risk:

Concept	Assets weighted by risk	Capital requirement
Total	**Ps. 5,416**	**Ps. 433**

31 - FOREIGN CURRENCY POSITION

As of December 31, 2012 and 2011, the Financial Group holds certain assets and liabilities in foreign currency, mainly US dollars, converted to the exchange rate issued by Banco de México at Ps. 12.9658 and Ps. 13.9476 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2012	**2011**
Assets	7,114,673	6,889,507
Liabilities	6,600,029	6,551,328
Net asset position in US dollars	**514,644**	**338,179**
Net asset position in Mexican pesos	**Ps. 6,673**	**Ps. 4,717**

32 - POSITION IN UDIS

As of December 31, 2012 and 2011, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current conversion factor of Ps. 4.874624 and Ps. 4.691316, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2012	**2011**
Assets	520,514	313,543
Liabilities	459,606	458,649
Net asset (liability) position in UDIS	**60,908**	**(145,106)**
Net asset (liability) position in Mexican pesos	**Ps. 297**	**(Ps. 681)**

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, 2012 and 2011 are shown below:

	2012			2011
	Net Income	**Weighted share average**	**Earnings per share**	**Earnings per share**
Net income per share	Ps. 10,888	2,326,357,782	Ps. 4.6802	Ps. 3.7868

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 Policy Committee (CPR), whose purpose is to manage the risks to which the Financial Group is exposed, and ensure that the performance of operations adheres to the established risk management objectives, guidelines, policies and procedures.

Furthermore, the CPR provides oversight on the global risk exposure limits approved by the Board of Directors, and also approves the specific risk limits for exposure to different types of risk.

The CPR is composed of regular members of the Board of Directors, the CEO of the Financial Group, the Managing Directors of the Financial Group's entities, the Managing Director of Comprehensive Risk Management and the Managing Director of Internal Audits, who have voice but no 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 a 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 of the Financial Group is exposed, 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 through six different departments:

- Operating and Credit Risk Management;
- Market Risk Management and Liquidity;
- Credit Management;
- Risk Policy Management;
- Consumer Loan Quality; and
- Risk Management Tools.

The Financial Group currently has methodologies for managing risk in its different phases, such as credit, market, liquidity and operating risk.

The primary objectives of the DGAR are summarized as follows:

- Provide the different business areas with clear rules that facilitate their understanding so as to minimize risks and ensure that they are within the parameters established and approved by the Board of Directors and the Risk Policy Committee.
- Establish mechanisms that provide for follow-up on risk-taking within the Financial Group, ensuring that they are preventive as much as possible, and supported by advanced systems and processes.
- Standardize risk measurement and control.
- Protect the Financial Group’s capital against unexpected losses from market movements, credit losses and operating risks.
- Develop valuation methods for the different types of risks.
- Establish procedures for portfolio optimization and loan portfolio management.

The Financial Group has segmented risk assessment and management into the following headings:

Credit Risk: Volatility of revenues due to the creation of provisions for the impairment of credits and potential credit losses due to nonpayment by a borrower or counterparty.

Market Risk: Volatility of revenues due to changes in market conditions, 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 in order to meet its obligations.

Operational Risk: Loss resulting from lack of adjustment or failure in processes, personnel, internal systems or external events. This definition includes Technological Risk and Legal Risk. Technological Risk groups includes all potential losses from damage, interruption, alteration or failures derived from the use or dependence on hardware, software, systems, applications, networks and any other information distribution channel, while Legal Risk involves the potential loss from penalties for noncompliance with legal and administrative regulations or the issuance of adverse final court rulings in relation to the operations performed by the Financial Group.

Credit risk

Risk that the customers, issuers or counterparty will fail to meet their payment obligations; therefore, adequate risk management is essential to maintain a high quality loan portfolio.

The Financial Group’s credit risk management objectives are as follows:

- Improve the quality, diversification and composition of the loan portfolio to optimize the risk-return ratio.
- Provide senior management with reliable and timely information to support decision-making in credit matters.
- Provide the business departments with clear and sufficient tools to support credit placement and follow up.
- Support the creation of economic value for shareholders by means of efficient credit risk management.
- Define and constantly update the regulatory framework for credit risk management.
- Comply with the credit risk management reporting requirements established by the relevant authorities.
- Perform risk management in accordance with best practices; implementing models, methodologies, procedures and systems based on the latest international advances.

Individual credit risk

The Financial Group segments the loan portfolio into two large groups: the consumer and corporate portfolios.

Individual credit risk for the consumer portfolio is identified, measured and controlled by means of a parametric system (scoring) which includes models for each of the consumer products: mortgage, automotive, payroll credit, personal and credit card.

Individual risk for the corporate portfolio is identified, measured and controlled by means of the Target Markets, the Risk Acceptance Criteria and the Banorte Internal Risk Rating (CIR Banorte). In the case of Ixe loans, expert analysis systems are in place and conducted by personnel specialized in each type of product based on the borrower’s financial situation, economic viability and other features set forth in the law and internal policies. The individual SMEs (PYMES) risk is identified, measured and controlled by means of a parametric (scoring system).

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

The Target Markets are activities selected by region and economic activity - supported by economic studies and portfolio behavior analyses - in which the Financial Group 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.

The CIR Banorte and the individual rating of the Ixe loans are in line with the "General Regulations Applicable to the Classification Methodology for the Loan Portfolio of Credit Institutions" issued by the Commission on December 2, 2005. The CIR Banorte has been certified by the Commission and by an international external auditor since 2001.

The CIR Banorte is applied to loans in the commercial portfolio equal to or exceeding an amount equivalent in Mexican pesos to four million UDIS at the classification date.

Portfolio credit risk

The Financial Group has designed a portfolio credit risk methodology which, while also including the best and most current international practices with regard to identification, measurement, control and follow up, has been adapted to function within the context of the Mexican financial system.

The credit risk methodology identifies the exposure of all the loan portfolios of the Financial Group, overseeing risk concentration levels based on risk classifications, geographical regions, economic activities, currencies and type of product, for the purpose of 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 borrowers based on the Merton model is intended to tie the future behavior of the borrower to credit and market factors on which, according to statistical techniques, it has been determined, that the borrower's “credit health” depends. For Ixe loans, the Credit Risk+ model is used based on an actuarial focus of the loan, which considers the probability of default, the recovery level and each client's outstanding balance.

The primary results obtained are the expected loss and unexpected loss over a one-year time horizon. The expected loss is the median of the distribution of losses of the loan portfolio, which enables a measurement of the average loss expected in the following year due to noncompliance or variations in the credit status of the borrowers. The unexpected loss is an indicator of the loss expected under extreme circumstances, and is measured as the difference between the maximum loss based on the distribution of losses, at a specific confidence level, which in the case of the Financial Group is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and portfolio diversification, in accordance with the global strategy of the Financial Group. The individual risk identification tools and the portfolio credit risk methodology are reviewed and updated periodically to incorporate new techniques that can support or strengthen them.

As of December 31, 2012, the total portfolio of Banorte is Ps 358,313. The expected loss represents 1.3% and the unexpected loss represents 2.9% of the total operating portfolio. The average expected loss was 1.3% for the period between October and December 2012.

The credit exposure of the investments made by Casa de Bolsa Banorte-Ixe, S.A. de C.V. (Casa de Bolsa Banorte) was Ps. 100,036 and the expected loss represents 0.01% of such exposure. The average expected loss was 0.01% for the period between October and December 2012.

The total leasing and factoring operating portfolio of Arrendadora y Factor, including pure leasing, was Ps. 19,607. The expected loss represents 0.7% and the unexpected loss represents 2.8% of the total operating portfolio. The average expected loss was 0.7% for the period between October and December 2012.

As of December 31, 2012, the total portfolio of Ixe Banco was Ps 29,129. The expected loss represents 2.4% and the unexpected loss represents 0.3% of the total operating portfolio. The average expected loss was 2.5% for the period between October and December 2012.

The total car leasing operating portfolio of Ixe Automotriz, S.A. de C.V. (Ixe Automotriz), including pure leasing, was Ps. 701. The expected loss represents 0.7% and the unexpected loss represents 0.3% of the total operating portfolio. The average expected loss was 2.0% for the period between October and December 2012.

The total operating portfolio of Fincasa Hipotecaria, S.A. de C.V. was Ps. 3,168. The expected loss represents 21.0% and the unexpected loss represents 28.0% of the total operating portfolio. The average expected loss was 11.4% for the period between October and December 2012.

The total operating portfolio of Ixe Soluciones was Ps. 288. The expected loss represents 81.3% and the unexpected loss represents 58.8% of the total operating portfolio. The average expected loss was 62.5% for the period between October and December 2012.

The total operating portfolio of Banorte-Ixe Tarjetas was Ps. 17,481. The expected loss represents 10.3% and the unexpected loss represents 10.8% of the total operating portfolio. The average expected loss was 10.6% for the period between October and December 2012.

Credit risk of financial instruments

There are specific policies for the origination, analysis, authorization and management of financial instruments to identify, measure, keep track of and control credit risk.

The origination policies define the type of financial instruments to operate and how to evaluate the credit quality of different types of issuers and counterparts. Credit quality is assigned by means of a rating obtained by an internal methodology, external rating evaluations or a combination of both. Additionally, there are maximum operating parameters depending on the type of issuer or counterparty, rating and operation type.

The analysis policies include the type of information and variables considered to analyze operations with financial instruments when they're presented for their authorization by the corresponding committee, including information about the issuer or counterparty, financial instrument, destination of the transaction within the Financial Group and market information.

The Credit Committee is the body that authorizes operational lines with financial instruments according to the authorization policies. The authorization request is submitted with all the relevant information by the business area and the areas involved in the operation 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 counter-party or issuer depending on the rating and type of operation. For portfolios there are economic and internal group risk diversification policies in place. Additionally, concentration is monitored by type of counter-party or issuer, size of the financial institutions and where they operate in order to get the right diversification and avoid unwanted concentrations.

Credit risk is measured through the rating associated with the issuer, issue or counterparty, 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, the lower the probability of delinquency, and vice versa.
2) The severity of the loss with respect to the total operation's 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, 2012, the credit risk exposure of the investments in securities was Ps 125,985, of which 99.6% 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 15% of the basic capital as of September 2012. 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 2011 has a rating of at least AA(mex) as is comprised of (term in weighted average, amount in million pesos and interest rate): exchange listed debt certificates and Pemex bonds with a 5-year 2-month maturity for Ps. 11,083 at 3.5%; exchange listed debt certificates and certificates of deposit of Banco Inbursa with a maturity of 1 year and 2 months for Ps. 5,696 at 4.9%; exchange listed State and Municipal government loan securitization certificates with a 24-year 5-month maturity for Ps. 3,466 at 6.1%; and exchange listed debt certificates and certificates of deposit of Banco Santander with a 2-year 2-month maturity for Ps. 2,990 at 5.0%.

For derivatives, the exposure is (Ps. 3,924), of which 98.9% 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 3% of the basic capital as of September 2012.

Regarding Casa de Bolsa Banorte-Ixe, the exposure to credit risk of the investments in securities was Ps. 100,034, of which 100.0% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 23% of the basic capital as of September 2012. 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 2012 has a rating of at least A-(mex) and are comprised of (term in weighted average, amount in pesos and rate): exchange listed debt certificates of Banco Inbursa with a maturity of 1 year and 10 months for Ps. 1,439 at 5.0%; exchange listed debt certificates of Scotiabank Inverlat with a 2-year 10-month maturity for Ps. 937 at 5.1%; 3-month certificates of deposit of Banco del Bajio for Ps. 499 at 5.0%; Deutsche Bank bonds maturing in 10 years and 7 months for Ps. 369 at 10.0%; exchange listed debt certificates of Pemex with a 2-year 4-month maturity for Ps. 312 at 4.9%; exchange listed debt certificates of Banco Interacciones with a maturity of 1 year and 2 months for Ps. 192 at 5.9%; a 1-month Banco Azteca promissory note for Ps. 184 at 4.6%; and exchange listed debt certificates of CFE with a 7-year 8-month maturity for Ps. 151 at 5.0%. There are no operations for derivatives financial instruments.

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

As of December 31, 2012, the risk of exposure in investment in securities of Ixe Banco is Ps. 18,776. 8.4% of the total is in instruments with a government or quasi-government counterparty; 77.4% with banking counterparties and 14.2% is private investors.

The credit risk exposure for derivatives financial instruments at the close of the fourth quarter of 2012 is Ps. (109). The total is distributed as follows: 78.4% from banks, 21.0% from private investors and 0.6% from quasi-government entities.

For Ixe Automotriz, the exposure risk for investments in securities was Ps. 52, all of which is in instruments with banks. There are no derivatives financial instruments.

There are no investments in securities exposure for Fincasa Hipotecaria nor derivatives financial instruments.

For Ixe Soluciones, the risk exposure of investments in securities is Ps. 1, all of which is in instruments with banks. The Institutions has no position in derivatives financial instruments.

The risk exposure for investments in securities for Banorte-Ixe is Ps. 340, all of which are in bank instruments. There are no derivatives financial instruments.

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 represents a common risk in accordance with the assumptions established under such rules.

In compliance with the risk diversification rules for asset and liability transactions, the following information regarding Banorte is provided below:

Basic capital as of September 30, 2012	**Ps. 45,823**
I. Financings whose individual amounts represent more than 10% of basic capital:	
Credit transactions	
Number	4
Overall amount	21,634
% in relation to basic capital	47%
Money market transactions	
Number	-
Overall amount	-
% in relation to basic capital	0%
Overnight transactions	
Number	-
Overall amount	-
% in relation to basic capital	0%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 31,603**

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, 2012	**Ps. 2,854**
I. Financings whose individual amounts represent more than 10% of stockholders' equity:	
Credit transactions	
Number	9
Overall amount	5,446
% in relation to basic capital	191%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 4,363**

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

Basic capital as of September 30, 2012	**Ps. 5,209**
I. Financings whose individual amounts represent more than 10% of basic capital (group level):	
Credit transactions	
Number	11
Overall amount	8,341
% in relation to basic capital	160%
Money market transactions	
Number	13
Overall amount	15,891
% in relation to basic capital	305%
Overnight transactions	
Number	0
Overall amount	0
% in relation to basic capital	0%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 3,800**

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

Stockholders' equity as of September 30, 2012	**Ps. 312**
I. Financings whose individual amounts represent more than 10% of stockholders' equity (group level):	
Credit transactions	
Number	1
Overall amount	76
% in relation to stockholders equity	24%
Money market transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
Overnight transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 132**

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

Stockholders' equity as of September 30, 2012	**Ps. 630**
I. Financings whose individual amounts represent more than 10% of stockholders' equity (group level):	
Credit transactions	
Number	18
Overall amount	2,045
% in relation to stockholders equity	324%
Money market transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
Overnight transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 537**

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

Stockholders' equity as of September 30, 2012	**Ps. 190**
I. Financing whose individual amount represents more than 10% of stockholders' equity (group level):	
Credit transactions	
Number	12
Overall amount	902
% in relation to stockholders equity	473%
Money market transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
Overnight transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 353**

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, 2012	**Ps. 2,540**
I. Financing whose individual amount represents more than 10% of stockholders' equity (group level):	
Credit transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
Money market transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
Overnight transactions	
Number	0
Overall amount	0
% in relation to stockholders equity	0%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 4**

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 the portfolio of financial instruments was Ps. 3,288 for the last quarter in 2012.

	4Q11	**1Q12**	**2Q12**	**3Q12**	**4Q12**
VaR Banorte*	Ps. 2,392	Ps. 2,399	Ps. 2,444	Ps. 2,685	Ps. 3,288
Banorte net capital***	50,369	52,087	55,519	56,625	58,192
VaR / net capital Banorte	4.75%	4.61%	4.40%	4.74%	5.65%

* 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 2012:

Risk factor	VaR
Domestic interest rate	Ps. 3,491
Foreign interest rate	376
Exchange rate	418
Total VaR	Ps. 3,288

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, the reason why the arithmetical sum of the VaR Factors does not match the individual amounts.

Operations with derivatives 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 2012 was:

Trading derivatives	4Q12	4Q11
Futures		
MEXDER rate futures	Ps. 8	Ps. 2
Exchange rate derivatives		
Forwards	49	1
Interest rate options		
TIIE	11	3
LIBOR	-	1
Interest rate swaps (IRS) and exchange rate		
TIIE swaps	51	12
LIBOR swaps	36	3
Cross currency exchange rate swaps	176	32
Total trading derivatives	**Ps. 331**	**Ps. 54**

Hedging derivatives	4Q12	4Q11
Rate swaps and exchange rates		
Cross currency exchange rate swaps for hedging bonds in USD	Ps. 211	Ps. 275
TIIE swaps for hedging obligations in Mexican pesos	8	18
TIIE swaps for hedging promissory notes in Mexican pesos	190	189
Interest rate options for hedging fixed rate portfolios	-	13
Total hedging derivatives	**Ps. 409**	**Ps. 495**

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. 51 million. This means that under normal conditions, 99 days out of every 100, the maximum potential loss is Ps. 51 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 2012 was:

Trading Securities	4Q12	4Q11
Floating rate government bonds	Ps. 17	Ps. 35
Fixed rate government bonds	45	28
Securitization certificates	26	47
CEDES	2	7
Actual rate bonds	1	-
US treasury bonds	3	-
PEMEX Eurobonds	137	8
UMS	58	-
Bank Eurobonds	24	21
Private company Eurobonds	10	8
Total	**Ps. 323**	**Ps. 154**

Securities at maturity	4Q12	4Q11
Floating rate government bonds	Ps. 15	Ps. -
Securitization certificates	24	37
CEDES	4	9
PEMEX bonds	-	115
UMS	-	54
Zero coupon bank bonds	5	2
Private company Eurobonds	-	-
Total	**Ps. 48**	**Ps. 217**

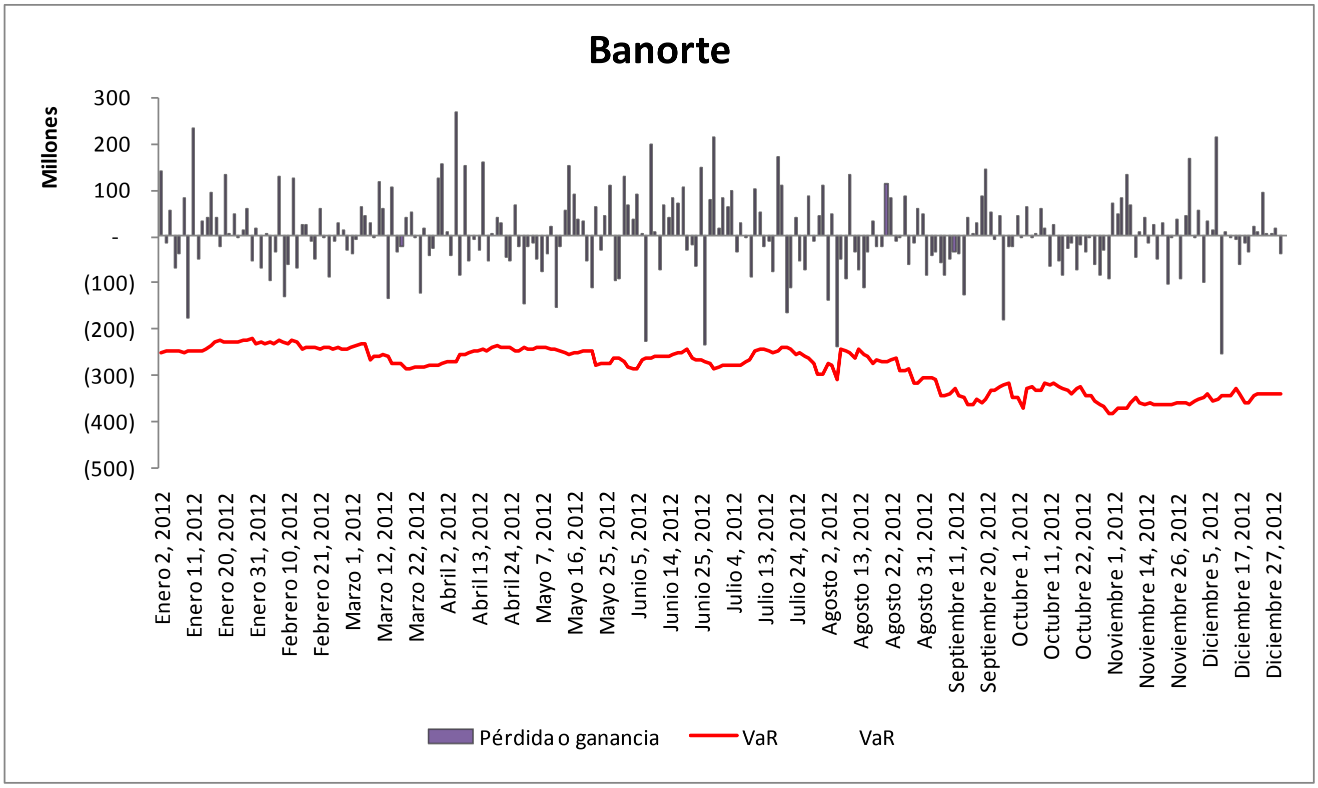
To calculate the VaR for each type of securities listed, the non-parametric historic simulation method is applied to a 99%% level of confidence and a one-day horizon. For instance, the Value at Risk for trading UMS is Ps 58. This means that under normal conditions, 99 days out of every 100, the maximum potential loss is Ps 58 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 2012 are as follows:



During 2012 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' transactions

Sensitivity analysis on derivatives 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. 65)	Ps. -	Ps. -
Exchange rate derivatives			
Options	-	-	(1)
Forwards	-	-	128
Interest rate options			
TIIE	64	-	-
LIBOR	-	2	-
Interest rate swaps (IRS) and exchange rate			
TIIE Swaps	(96)	-	-
LIBOR Swaps	-	126	(7)
Cross exchange rate Swaps	(65)	23	(375)
Total trading derivatives	**(Ps. 162)**	**Ps. 151**	**(Ps. 255)**

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. 256)	Ps. 343	(Ps. 459)
TIIE swaps for hedging obligations in Mexican pesos	64	-	-
TIIE swaps for hedging promissory note in Mexican pesos	820	-	-
TIIE caps for fixed rate loan hedging	-	-	-
Total hedging derivatives	**Ps. 628**	**Ps. 343**	**(Ps. 459)**

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.

Based on the above analysis, it can be concluded that the portfolio of trading derivatives is exposed mainly to increases in domestic interest rates and exchange rate devaluations. However, the portfolio of hedging derivatives is exposed to foreign interest rate increases without considering the gain of the hedged liability.

Sensitivity for securities' trading

Sensitivity analysis on derivatives 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. 87)	Ps. -	Ps. -	(Ps. 73)	Ps. -
Fixed rate government bonds	(276)	-	-	-	-
Exchange listed debt certificates	(29)	-	-	-	-
Actual rate bonds	(1)	-	-	-	-
CEDES	(3)	-	-	-	-
US treasury bonds	-	(11)	7	-	-
PEMEX Eurobonds	-	(348)	287	-	(148)
UMS	-	(90)	148	-	(46)
Bank bonds in USD	(11)	(47)	49	-	-
Total	**(Ps. 407)**	**(Ps. 496)**	**Ps. 491**	**(Ps. 73)**	**(Ps. 194)**

Securities at 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. 18)	Ps. -
Exchange listed debt certificates	(12)	-	-	-	-
Zero coupon bank bonds	(14)	-	-	-	-
Total	**(Ps. 97)**	**Ps. -**	**Ps. -**	**(Ps. 18)**	**Ps. -**

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 2012 quarter is Ps. 207:

	4Q11	1Q12	2Q12	3Q12	4Q12
VaR Casa de Bolsa*	28	24	199	248	207
Overall capital**	1,396	1,730	1,674	1,925	2,250
VaR / Overall capital Banorte	2.02%	1.37%	11.88%	12.87%	9.21%

* 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 2012:

Risk factor	VaR
Domestic interest rate	226
Capital	24
Total VaR	207

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 derivative products
At the close of December 2012 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 2012 was:

Trading Securities	4Q12	4Q11
Floating rate government bonds	Ps. 38	Ps. -
Exchange listed debt certificates	5	-
Capital	5	-
Total	**Ps. 48**	**Ps. -**

Securities at maturity	4Q12	4Q11
Floating rate government bonds	Ps. 1	Ps. -
Exchange listed debt certificates	1	-
Total	**Ps. 2**	**Ps. -**

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. 38. This means that under normal conditions, 99 days out of every 100, the maximum potential loss is Ps. 38 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	-
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.

To calculate the VaR of Ixe Banco, the non-parametric historical simulation methodology is used, considering a confidence level of 95% and using the last 100 historical scenarios.

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 the portfolio of financial instruments was Ps. 9 for the last quarter in 2012.

	4Q10	1Q11	2Q11	3Q11	4Q11
VaR Ixe Banco*	Ps. 13	Ps. 12	Ps. 9	Ps. 11	Ps. 9
Ixe Banco net capital***	7,617	7,401	8,195	7,750	8,169
Ixe Banco VaR/net capital	0.17%	0.16%	0.11%	0.14%	0.11%

* Quarterly Average
*** Sum of net capital at the close of the quarter

The one day time horizon VaR per Business Unit prior to the fourth quarter of 2012 is as follows:

	Total 4th Quarter 2012	
Ixe Banco	**Average**	**Closing**
Value at Risk 95% 1 day		
Money market	8.30	19.85
Capital Market	4.43	4.75
Foreign exchange market	0.13	0.03
Derivatives market	0.26	0.19
	13.12	24.82
TOTAL	9.11	18.86
Diversification effect	(4.01)	(5.96)
Treasury	8.61	9.81
Net capital	-	8,169
VaR / Net Capital	**0.11%**	**0.23%**

***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 on a daily basis. This analysis makes it possible to compare the estimated results through the VaR with the actual results generated. Furthermore, a statistical test, known as the Kupiec test, is conducted as back up.

During 2012 there were 7 excess events due mainly to the volatility shown.

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 operations with securities and derivatives financial instruments

Sensitivity analysis on securities and 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 -5% in the IPC (Consumer Price Index)
  - A change of +5 basis points in the spreads of government bonds
  - As a stress analysis, the combination of: +10% domestic interest rates +3.5% foreign interest rates; fixed foreign exchange rate at 15.50 pesos per dollar; and +20 basis points rate spread.

The results may be gains or losses depending on the nature of the instrument. Such position contemplate the Bank operations.

	TIIE+100PB	LIBOR+100PB	TC+5%	ST GUBER+5PB	IPC-5%	ST PRIV/BNC+ 5PB	TOTAL	TIIE 10%LIBOR 3.5% TC 15.50 ST 20 PB
Money market	(63.87)	0.15	0.01	(39.33)	-	(23.97)	(127.01)	(582.67)
Derivatives financial instruments	(2.96)	-	-	-	-	-	(2.96)	(15.29)
Capital	-	-	-	-	(14)	-	(14)	-
Foreign exchange	-	-	0.18	-	-	-	0.18	1.07
Treasury	(0.44)	(15.34)	17.27	(0.07)	(491.33)	(5.46)	(495.37)	30.73
TOTAL	**(67.26)**	**(15.20)**	**17.46**	**(39.40)**	**(505.33)**	**(29.43)**	**(639.17)**	**(566.16)**

In the event of any of above scenarios, the losses of the trading securities will directly impact the consolidated Income Statements.

In conclusion, trading securities are exposed to increases in domestic interest rates, foreign rates, and interest rate spreads.

The average VaR for Fincasa Hipotecaria loans for the fourth quarter of 2012 was Ps. 1, which represents -0.41% of the net capital as of December 2012.

The historical simulation methodology with a 100-day horizon was used; policy dictates that estimates be made with a 95% confidence level at a 1-month horizon.

Fincasa Hipotecaria	Total 4th Quarter 2012	
	Average	Closing
VaR Balance	**1.21**	**1.10**

Net capital	Ps. -	(Ps. 239)
VaR / Net Capital	**(0.51%)**	**(0.46%)**

The average VaR for Ixe Automotriz loans for the fourth quarter of 2012 was Ps. 0.62, which represents +0.21% of the net capital as of December 2012.

The historical simulation methodology with a 100-day horizon was used; policy dictates that estimates be made with a 95% confidence level at a 1-month horizon.

	Total 4th Quarter 2012	
Ixe Automotriz	**Average**	**Closing**
VaR Balance	**0.62**	**0.46**
Net capital	Ps. -	Ps. 298
VaR / Net Capital	**0.21%**	**0.16%**

The average VaR for Ixe Soluciones loans for the fourth quarter of 2012 was Ps. 0.97, which represents -0.21% of the net capital as of December 2012.

The historical simulation methodology with a 100-day horizon was used; policy dictates that estimates be made with a 95% confidence level at a 1-month horizon.

	Total 4th Quarter 2012	
Ixe Soluciones	**Average**	**Closing**
VaR Balance	**0.97**	**0.85**
Net capital	Ps. -	(Ps. 462)
VaR / Net Capital	**(0.21%)**	**(0.18%)**

The average VaR for Ixe Tarjetas loans for the fourth quarter of 2012 was Ps. 3, which represents 0.12% of the net capital as of December 2012.

The historical simulation methodology with a 100-day horizon was used; policy dictates that estimates be made with a 95% confidence level at a 1-month horizon.

	Total 4th Quarter 2012	
Ixe Tarjetas	**Average**	**Closing**
VaR Balance	**2.77**	**2.56**
Net capital	Ps. -	Ps. 2,341
VaR / Net Capital	**0.12%**	**0.11%**

Liquidity and balance sheet risk

In order to provide a measurement of liquidity risk in the Financial Group and provide follow-up consistently, the Financial Group relies on the use of financial ratios, which include the Liquidity Ratio (Current Assets/Liquid Liabilities). Liquid assets include cash and cash equivalents, trading securities and 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 2012 was 77.3%, while the average during the quarter was 87.3%, as shown below:

End of quarter					
	4Q11	1Q12	2Q12	3Q12	4Q12
Liquid assets	164,484	151,000	142,019	141,625	150,115
Liquid liabilities	180,088	184,152	180,479	186,680	194,289
Liquidity ratio	91.3%	82.0%	78.7%	75.9%	77.3%

Average					
	4Q11	1Q12	2Q12	3Q12	4Q12
Liquid assets	157,210	171,629	136,390	150,655	164,011
Liquid liabilities	165,791	171,353	171,667	179,802	187,977
Liquidity ratio	94.8%	100.2%	79.5%	83.8%	87.3%

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 leveling 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. 673,572	(Ps. 798,593)	(Ps. 125,021)
3 months	918,247	(1,052,351)	(134,104)
6 months	1,278,368	(1,282,167)	(3,799)
1 year	2,929,767	(2,893,434)	36,333
2 years	15,643,601	(15,912,307)	(268,706)
3 years	5,969,008	(6,111,944)	(142,936)
4 years	4,013,421	(3,976,924)	36,497
5 years	12,689,234	(13,247,967)	(558,733)
7 years	6,239,653	(6,846,692)	(607,039)
10 years	7,974,593	(7,827,713)	146,880
15 years	1,058,222	(997,721)	60,501
20 years	78,542	(73,317)	5,225
> 20 years	82,552	(87,374)	(4,822)
Total	**Ps. 59,548,780**	**(Ps. 61,108,504)**	**(Ps. 1,559,724)**

Liquidity Risk: Ixe

In order to provide a measurement of liquidity risk and provide follow-up consistently, the Financial Group relies on the use of financial ratios, which include the Liquidity Ratio (Current Assets/Liquid Liabilities). Liquid assets include cash, government and bank trading securities, and monetary regulation deposits. The ratio at the end of 4Q11 for Ixe Banco was 217.95%. Additionally, the liquidity ratio (liquid assets / deposits) as of December 2012 was 44.63%.

Ixe Banco	**4Q11**	**1Q12**	**2Q12**	**3Q12**	**4Q12**
Gap accumulated over 1 month (MXP + UDIS)	Ps. 548	Ps. 4,726	Ps. 146	(Ps. 7,681)	(Ps. 46,545)
Liquid assets	8,052	10,638	6,947	9,107	17,804
Net capital	7,617	7,401	8,195	7,750	8,169
Liquidity vs. net capital	**105.71%**	**143.74%**	**84.77%**	**117.51%**	**217.95%**
Liquidity ratio	**25.40%**	**34.11%**	**21.15%**	**19.86%**	**44.63%**

The operation with derivatives allows leveling 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 Banco Ixe operates, a maturity analysis is found below:

Net position (thousands of pesos)			
Gap	**Asset position**	**Liability position**	**Net**
1 month	Ps. 953,796	(Ps. 977,822)	(Ps. 24,026)
3 months	1,783,660	(1,789,806)	(6,146)
6 months	2,717,980	(2,727,735)	(9,755)
1 year	4,928,962	(4,948,396)	(19,434)
2 years	9,220,781	(9,273,680)	(52,899)
3 years	7,824,547	(7,856,198)	(31,651)
4 years	6,412,337	(6,434,880)	(22,543)
5 years	5,482,336	(5,494,333)	(11,997)
7 years	8,363,815	(8,378,190)	(14,374)
10 years	4,463,185	(4,471,596)	(8,411)
15 years	90,061	(90,861)	(799)
20 years	9,786	(8,220)	1,565
> 20 years	0	0	0
Total	**Ps. 52,251,246**	**(Ps. 52,451,717)**	**(Ps. 200,471)**

The liquidity ratio at the end of 4Q12 for the Brokerage House was 64.80%.

Ixe Casa de Bolsa	**4Q11**	**1Q12**	**2Q12**	**3Q12**	**4Q12**
Gap accumulated over 1 month (MXP + UDIS)	Ps. 2.56	Ps. 784	Ps. 400	Ps. 785	Ps. 1,362
Liquid assets	400	525	1,357	1,316	1,458
Overall capital	578	1,674	1,825	1,925	2,250
Liquidity vs. net capital	**69.17%**	**31.38%**	**74.35%**	**68.33%**	**64.80%**

The liquidity ratio vs. net capital for Fincasa Hipotecaria as of December 31, 2012 was (16.15%).

Fincasa Hipotecaria	**USE - December 2012**
Gap accumulated over 1 month (MXP + UDIS)	Ps. 219.33
Gap accumulated over 3 month (MXP + UDIS)	284.87
Liquid assets	47.21
Net capital	(239.24)
Basic capital	(239.24)
Liquidity vs. net capital	**(19.73%)**
Liquidity vs. net capital	**(19.73%)**

The liquidity ratio vs. net capital for Ixe Automotriz as of December 31, 2012 was 19.26%.

Ixe Automotriz	**USE - December 2012**
Gap accumulated over 1 month (MXP + UDIS)	(Ps. 297.65)
Gap accumulated over 3 month (MXP + UDIS)	(278.66)
Liquid assets	57.29
Net capital	297.50
Basic capital	296.98
Liquidity vs. net capital	**19.26%**
Liquidity vs. net capital	**19.29%**

The liquidity ratio vs. net capital for Ixe Soluciones as of December 31, 2012 was (0.38%).

Ixe Soluciones	**USE - December 2012**
Gap accumulated over 1 month (MXP + UDIS)	(Ps. 17.13)
Gap accumulated over 3 month (MXP + UDIS)	(17.13)
Liquid assets	1.98
Net capital	(527.06)
Basic capital	(530.27)
Liquidity vs. net capital	**(0.38%)**
Liquidity vs. net capital	**(0.37%)**

The liquidity ratio vs. net capital for Ixe Tarjetas as of December 31, 2012 was 14.56%.

Ixe Tarjetas	**USE - December 2012**
Gap accumulated over 1 month (MXP + UDIS)	Ps. 4,245.78
Gap accumulated over 3 month (MXP + UDIS)	(77.23)
Liquid assets	340.88
Net capital	2,340.65
Basic capital	2,328.31
Liquidity vs. net capital	**14.56%**
Liquidity vs. net capital	**14.64%**

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

Operational Risk Management's objectives are: a) to enable and support the organization to reach its institutional objectives through operational risk prevention and management; b) to ensure that the existing operational risks and the required controls are duly identified, evaluated and aligned with the organization's risk strategy; and c) to ensure that operational risks are duly quantified in order to assign the proper capital for operational risk.

Operational risk management's cornerstones

I. Policies, objectives and guidelines

The Financial Group has documented the operational risk policies, objectives, guidelines, methodologies and responsible areas.

The Operational Risk Department works closely with the Controllership Department to promote effective Internal Control that defines the proper procedures and controls the mitigation of Operational Risk. The Internal Audit Department follows up on compliance.

The Comptroller, 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

<u>Operating Losses Database</u>

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 (in line with the Basle II Agreement proposals):

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.

<u>Legal and tax contingencies database</u>

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

As part of the Financial Group's Legal Risk management initiative, legal and tax contingencies are estimated by the attorneys that process the issues based on an internal methodology. This makes it possible to create the necessary book reserve to face such estimated contingencies.

<u>Risk management model</u>

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 Comptroller 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 the databases and the Management Model is processed regularly in order to report the main operating events detected, trends, identified risks (risk matrix) and the mitigating strategies to the Risk Policy Committee and the Board of Directors. The status of the principal initiatives for operational risk mitigation implemented by the different areas of the organization is also reported.

Technological 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 to 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 technological risk management set forth by the Commission under the guidelines established by the institutional regulations and the Integrity Committee.

To address the operational risk caused by high impact external events, the Financial Group has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) 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

	2012	2011
Operations on behalf of third parties		
Banks customers (current accounts)	Ps. 20	Ps. 70
Settlement of customer transactions	14	76
Customer securities received in custody	569,079	497,608
Customer repurchase agreements	99,517	58,841
Collateral pledged on account of clients	89,673	5,981
Managed trusts	435	4,181
Investment banking transactions on account of third parties (net)	58,698	75,989
	Ps. 817,436	**Ps. 642,746**
Proprietary transactions		
Contingent assets and liabilities (unaudited)	Ps. 255	Ps. 255
Assets in trust or under mandate (not audited)	342,466	248,561
Managed assets in custody (unaudited)	405,835	377,098
Credit commitments (unaudited)	38,209	30,562
Collateral received	113,138	124,475
Collateral received and sold or given as a pledge	158,103	66,970
Deposits of assets	2,860	3,107
Interest accrued but not charged of past due loans	320	327
	Ps. 1,061,186	**Ps. 851,355**

37 - COMMITMENTS

As of December 31, 2012 and 2011, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 38,464 (Ps. 30,817 in 2011), which are recorded in memorandum accounts.

- Certain operating equipment is leased. Total property lease payments for the years ended December 31, 2012 and 2011, were Ps. 179 and Ps. 202, respectively.

38 - CONTINGENCIES

As of December 31, 2012, 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, 2012, the Financial Group has recorded a reserve for contentious matters of Ps. 204 (Ps. 150 in 2011).

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 maintaining the financial system's stability and the proper functioning of the payments systems.

According to the Law of Bank Savings Protection (LPAB), the IPAB manages a bank savings protection system that guarantees the payment of bank deposits or loans or credits to Full Service Banking Institution up to an amount equivalent to 400 thousand UDIS per individual or business entity, regardless of the number or type of such obligations in the customer's favor and charged to a single bank.

On July 30, 2007, general rules were issued for addressing joint accounts or those in which there is more than one account holder, referred to in art.14 of the LPAB, as well as the rules banks must observe for classifying information relative to transactions associated with guaranteed obligations.

The IPAB plays a major role in the implementation of the LPAB resolutions methods and the Law of Credit Institutions (LIC) as timely and adequate mechanisms for salvaging and liquidating Full Service Banking Institutions in financial trouble that may affect their solvency. The purpose is to provide maximum protection to the public while minimizing the negative impact that salvaging an institution may have on others in the banking system.

During 2012 and 2011, the amount of contributions to the IPAB payable by Banorte and Ixe Banco for fees amounted to Ps. 1,574 and Ps. 1,284, respectively.

40 – NEW ACCOUNTING GUIDELINES

In December 2012, the CINIF decreed a series of Regulations that will take effect on January 1, 2013. The regulations and their main changes are listed below:

The Financial Group is in the process of determining the impact that these criteria and standards may have on its financial information.

NIF B-8, *Consolidated financial statements* The principal changes of this regulations are:

Modification to the definition of majority interest

The existence of one entity's majority interest over another is the basis for requiring that the latter's financial information be consolidated with the former's. Therefore, according to this new definition, it's possible to have to consolidate some entities that were not previously considered as the controlled entity and, conversely no longer consolidate information from entities currently being consolidated.

The repealed NIF B-8 defined majority interest as: the power to decide over the financial and operational policies of an entity with the purpose of benefitting from its activities. The new NIF B-8, on the other hand, states that one entity has a majority interest in another when it has power over the latter to direct its relevant activities, when it is exposed or is entitled to variable gains as a result of such interest, and has the capacity to affect said gains.

Whereas the repealed NIF established that the power rested essentially on the holding of shares with voting rights, the new NIF states that there may also be other contractual agreements that grant such power, or other factors such as the degree of involvement with the controlled entity that could indicate the existence of power. Therefore, professional judgment is required for each situation in order to determine the existence of control.

Protection rights

The concept of protection rights is introduced. It refers to those rights that exist to protect the minority interest investor's share without granting it power. It is important to identify these rights when conducting the analysis to determine the existence of power.

Principal and agent

This NIF also incorporates the principal and the agent. The principal is an investor with the right to make decisions about the entity in which it holds shares. The agent is an individual or entity that makes decisions on behalf of and to the benefit of the principal, and consequently, has no power of its own. The difference between the principal and the agent is important in the process of identifying the existence of power.

Elimination of the term –specific purpose entity (EPE)-

This term was eliminated because an entity's objective and business purpose has no bearing on whether or not it can be considered as a subsidiary.

Introduction of the term –structured entity-

A *structured entity* is the entity that has been designed so that the voting or similar rights are not a determining factor to decide who controls it.

NIF C-21, *Agreements with joint control* and NIF C-7, *Associated investments, joint businesses and other permanent investments* The principal changes of these regulations are:

Classification of the joint control agreements

According to this NIF, a joint control agreement is a covenant that regulates activities over which two or more parties hold joint control. Furthermore, it mentions two types of joint control agreements: 1) *joint operation* – when the involved parties have direct rights over the assets and liability obligations associated with the agreement; and 2) *joint business* – when the parties have the right only to their share in the net assets' value (i.e. stockholders' equity). Finally, it points out that the joint operations may or may not be structured through a vehicle, whereas the joint businesses always have a vehicle.

NIC 31, on the other hand, established that if there was a vehicle, the joint control agreement should be classified as a joint business, and in the absence of a vehicle, the agreement is classified as a joint operation. As a result of this change, an agreement classified as a joint business based on NIC 31 could be deemed a joint operation according to NIF C-21. The NIF establishes the accounting recognition to make the transition.

Accounting recognition for joint businesses

The NIF establishes that a shareholder in a joint business should record its participation as a permanent investment and should valuate it based on the equity method. NIC 31 established that they could be recognized, at the entity's discretion, as a permanent investment valuated based on the equity method or by proportional consolidation. The transitory paragraphs indicate the accounting recognition to follow in order to change proportional consolidation to the equity method.

41 - SUBSEQUENT EVENTS

a) Acquisition of Afore Bancomer through Afore XXI Banorte

As mentioned in Note 2, the Financial Group reached an agreement last November 27 with Grupo BBVA by which Afore XXI Banorte, a subsidiary of Banorte, would acquire Afore Bancomer.

On January 9, 2013 Afore Bancomer was acquired for USD 1,735 million, of which USD 1,600 million correspond to the price paid by Afore XXI Banorte and USD 135 million correspond to Afore Bancomer's surplus capital. The transaction was approved on November 30 by the National Commission of the Retirement Fund System, and on December 18 by the Federal Commission for Economic Competence.

Of the price paid by Afore XXI Banorte, Banorte put up 50% of the amount and the Mexican Institute of Social Security (IMSS) put up the other 50%. The amount given by Banorte to Afore XXI Banorte to pay Grupo BBVA was Ps. 10,252, not including payment for Afore Bancomer's surplus capital, using liquid funds that Banorte had available. During 2013, the Financial Group will implement several capital regenerating mechanisms to offset this acquisition in the short term on Banorte's capitalization ratio.

Thus, as of January 2013 Afore Bancomer's operations will be incorporated to Afore XXI Banorte, which retains its company name and operations. This transaction makes Afore XXI Banorte the leading retirement fund administrator in Mexico.

b) Modifications in the ICAP as a result of the Basel III Agreement:

On November 28, 2012, the Commission published the general provisions that establish changes in the procedure to calculate the minimum capitalization ratio (ICAP) applicable to Banking Institutions. Net capital will be progressively recognized in order to comply with the minimum assumptions (budgets) set forth by the Basel III Agreement.

The objective of the regulatory change is to strengthen banking institutions' net capital consistently with the latest international consensus in the area, as per the guidelines established by the Capital Agreement issued by the Basel Banking Supervision Committee. One of this committee's objectives is to get banking institutions around the world to raise their capability to face financial or economic problems by integrating more and better quality capital. The changes in the Bank Circular will become effective as of January 1, 2013. With the information as of December 2012, Banorte's ICAP will be at 15.17%, 40 basis points higher than that calculated with the Basel II rules. The Ixe Banco ICAP will be 14.56%, 96 basis points lower than that calculated with the same rules.

c) Measures to strengthen the ICAP Banorte

Derived from the payment made to purchase Afore Bancomer as mentioned in item a) of this note, the capitalization ratio pro-forma of Banorte required under Basel III decreased to approximately 13.3% (projected at the end of January 2013). Banorte continues to meet capitalization levels according to the rules established by the Commission, however, it is the practice of Banorte to maintain capitalization levels sufficiently enough to support its growth, so the bank implemented some steps to strengthen its capital ratio.

As part of the measures mentioned, in the Extraordinary General Shareholders' Meeting held on February 14, 2013, it was agreed to authorize a capital increase of Banorte by an amount of Ps. 10,200. Such increase shall be subscribed by Financial Group with funds obtained through a syndicated loan with other financial institutions.

The credit period is one year, the unpaid balance will bear interest at LIBOR to 3 months plus 0.80%, the resources for the payment of this loan will come from the payment of dividends from subsidiaries of the Financial Group, and if corporate event occurs that provide additional resources, those will be effective for pre-payments. The credit does not have any guarantee granted by the Financial Group or any of its subsidiaries.

As part of this operation, the Financial Group hired a derivative financial instrument to cover fluctuations in the interest rate and the USD exchange rate of interest and principal. With this, the interest rate for financing is equivalent to -0.02% TIIE.

Additionally, during the month of February Afore XXI Banorte declared a dividend payment of Ps. 950 and a decrease in capital of Ps. 2,000; with this Banorte had a favorable impact of Ps. 1,475, to strengthen its capital ratios.

As a result of the capital regeneration initiatives described above, the ICAP of Banorte with preliminary data at the end of January 2013 stood at approximately 16.3%.