

1Q16

Financial Results
as of March 31, 2016

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GFNORTE



BNY MELLON
DEPOSITARY RECEIPTS

GBOOY



XNOR

Table of Content

I.	Summary	3
II.	Management's Discussion & Analysis	6
	Grupo Financiero Banorte.....	6
	Recent Events	17
	Consolidated Bank.....	18
	Long Term Savings.....	20
	Brokerage	23
	SOFOM & Other Finance Companies.....	24
	Recovery Banking.....	26
III.	General Information.....	27
	Infrastructure.....	27
	GFNorte's Analyst Coverage	27
	Ratings.....	28
	Ownership on Subsidiaries	30
	Holding Company Capital Structure.....	30
	Group's Main Officers	30
	Integration of the Board of Directors as of December 2015	31
IV.	Financial Statements	32
	Holding.....	32
	Grupo Financiero Banorte.....	34
	Consolidated Bank.....	40
	Information by Segments	44
V.	Appendix	49
	Accounting Changes & Regulation	49
	Loan Portfolio Sales to Sólida.....	52
	Notes to Financial Statement.....	54
	Risk Management.....	62



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I. Summary

GFNorte reports first quarter Net Income of Ps 4.46 billion, up 15% from same period last year

(BMV: GFNORTEO; OTC: GBOOY; Latibex: XNOR)

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ended March 31st, 2016. The main highlights include:

- **Earnings Per Share** were up 15% to Ps 1.61 compared to Ps 1.40 in the same period a year ago.
- Strong annual net income growth in **Seguros Banorte, up by +56% and Pensiones Banorte +39%**, as a result of good business performance and changes to accounting rules for insurance companies.
- Key financial ratios improved substantially in the quarter: **NIM at 5.0%** from 4.5%, **Efficiency at 47.1%** from 50.3%, and **Return on Equity at 13.1%** from 12.5%.
- Net Interest Income totaled Ps 13.60 billion, growing 17% versus the same period last year.
- Loan loss provisions increased 24% against the prior year as a result of new loan origination.
- **Revenues from core banking fees** increased **14%** on a yearly basis on higher transaction volume.
- Non-Interest Expenses grew a low 4% yearly, as a result of **strict expense management and efficiency efforts**.
- The **annual growth in the loan book was +11%**, highlighting the 11% increase in performing loans; while, non-performing loans declined (13%) yearly.
- **Asset Quality continues to evolve positively**, as the **NPL ratio** further declined to **2.16%** and the **reserves coverage ratio** was stronger at **119.3%** at the end of the quarter.
- Demand **deposits** increased **11%** and time deposits also grew a good +12% versus the same period of last year.
- Capital ratios remain solid, at 14.94% on equity growth of 8% and manageable growth in risk assets.

Income Statement Highlights - GFNorte (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Net Interest Income	11,635	12,355	13,596	10%	17%
Non Interest Income	3,624	4,426	3,281	(26%)	(9%)
Total Income	15,259	16,781	16,877	1%	11%
Non Interest Expense	7,670	7,722	7,952	3%	4%
Provisions	2,605	2,495	3,238	30%	24%
Operating Income	4,983	6,564	5,686	(13%)	14%
Taxes	1,328	1,855	1,497	(19%)	13%
Subsidiaries & Minority Interest	225	231	273	18%	21%
Net Income	3,880	4,940	4,462	(10%)	15%

Balance Sheet Highlights - GFNorte (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Asset Under Management	2,101,760	2,105,565	2,181,804	4%	4%
Performing Loans (a)	479,808	518,188	533,556	3%	11%
Past Due Loans (b)	13,474	11,903	11,782	(1%)	(13%)
Total Loans (a+b)	493,282	530,091	545,339	3%	11%
Total Loans Net (d)	478,711	516,279	531,280	3%	11%
Acquired Collection Rights (e)	2,860	2,217	2,120	(4%)	(26%)
Total Credit Portfolio (d+e)	481,571	518,496	533,400	3%	11%
Total Assets	1,183,186	1,198,476	1,212,090	1%	2%
Total Deposits	513,899	561,462	559,086	(0%)	9%
Total Liabilities	1,055,334	1,061,124	1,073,667	1%	2%
Equity	127,851	137,351	138,423	1%	8%

Financial Ratios GFNorte	1Q15	4Q15	1Q16
Profitability:			
NIM (1)	4.5%	4.6%	5.0%
ROE (2)	12.5%	14.8%	13.1%
ROA (3)	1.4%	1.7%	1.5%
Operation:			
Efficiency Ratio (4)	50.3%	46.0%	47.1%
Operating Efficiency Ratio (5)	2.7%	2.6%	2.6%
Liquidity Ratio- Basel II	153.1%	N.A.	N.A.
CCL for Banorte and SOFOM - Basel III (6)	77.67%	107.78%	114.62%
Asset Quality:			
Past Due Loan Ratio	2.73%	2.25%	2.16%
Coverage Ratio	108.1%	116.0%	119.3%

- 1) NIM= Annualized Net Interest Margin / Average Earnings Assets.
- 2) Annualized earnings as a percentage of the average quarterly equity over the period, minus minority interest of the same period.
- 3) Annualized earnings as a percentage of the average quarterly assets over the period, minus minority interest of the same period.
- 4) Non-Interest Expense / Total Income
- 5) Annualized Non-Interest Expense / Average Total Assets.
- 6) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.

The financial information presented in this report has been calculated in pesos and the tables are in million pesos, thus, they may seem to have some errors but the differences are because of rounding effects.

Subsidiaries Net Income (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Banco Mercantil del Norte	2,327	2,826	2,402	(15%)	3%
Banorte Ixe Tarjetas	407	632	444	(30%)	9%
Banorte- Ixe-Broker Dealer	106	130	154	18%	45%
Operadora de Fondos Banorte-Ixe	57	53	55	4%	(2%)
Retirement Funds - Afore XXI Banorte	294	299	318	7%	8%
Insurance	586	530	916	73%	56%
Annuities	88	144	122	(15%)	39%
Leasing and Factoring	136	148	158	7%	16%
Warehousing	10	6	7	13%	(30%)
Sólida Administradora de Portafolios	(110)	189	(224)	(218%)	(104%)
Ixe Servicios	0	0	(0)	NA	NA
G. F. Banorte (Holding)	(20)	(18)	109	NA	NA
Total Net Income	3,880	4,940	4,462	(10%)	15%

Share Data	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Earnings per share (Pesos)	1.399	1.781	1.609	(10%)	15%
Earnings per share Basic (Pesos)	1.402	1.791	1.620	(10%)	16%
Dividend per Share (Pesos) (1)	0.24	0.27	0.46	67%	88%
Dividend Payout (Recurring Net Income)	20.0%	20.0%	30.0%	50%	50%
Book Value per Share (Pesos)	45.45	48.83	49.21	1%	8%
Issued Shares (Million)	2,773.7	2,773.7	2,773.7	0%	0%
Stock Price (Pesos)	88.52	94.99	97.43	3%	10%
P/BV (Times)	1.95	1.95	1.98	2%	2%
Market Capitalization (Million Dollars)	16,085	15,275	15,678	3%	(3%)
Market Capitalization (Million Pesos)	245,531	263,477	270,244	3%	10%

1) Excluding Minority Interest.

Stock Performance



II. Management's Discussion & Analysis

Grupo Financiero Banorte

Net Interest Income

Net Interest Income (NII) (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Interest Income	15,562	16,535	17,038	3%	9%
Interest Expense	5,556	5,792	5,995	4%	8%
Loan Origination Fees	284	350	315	(10%)	11%
Fees Paid	90	101	102	1%	13%
NII excluding Insurance and Annuities Co.	10,201	10,993	11,256	2%	10%
Premium Income (Net)	5,337	4,977	7,741	56%	45%
Technical Reserves	2,478	2,337	4,154	78%	68%
Damages, Claims and Other Obligations	2,475	2,994	2,882	(4%)	16%
Technical Results	385	(354)	705	NA	83%
Interest Income (Expenses) net	1,050	1,716	1,635	(5%)	56%
Insurance and Annuities NII	1,434	1,362	2,340	72%	63%
GFNORTE's NII	11,635	12,355	13,596	10%	17%
Credit Provisions	2,605	2,495	3,238	30%	24%
NII Adjusted for Credit Risk	9,030	9,860	10,358	5%	15%
Average Earning Assets	1,034,929	1,071,925	1,088,009	2%	5%
Net Interest Margin (1)	4.5%	4.6%	5.0%		
NIM after Provisions (2)	3.5%	3.7%	3.8%		
NIM adjusted w/o Insurance & Annuities	4.2%	4.4%	4.5%		
NIM from loan portfolio (3)	7.8%	7.9%	7.8%		

1) NIM = Annualized Net Interest Income / Average Interest Earnings Assets.

2) NIM= Annualized Net Interest Income adjusted by Loan Loss Provisions / Average Interest Earnings Assets.

3) NIM = Annualized Net Interest Margin from loan portfolio / Average Performing Loans

During 1Q16, GFNorte's Net Interest Income (NII) grew 17% YoY, moving up from Ps 11.64 billion to Ps 13.60 billion, driven mainly by:

- Ps 1.02 billion (+11%) increase in Net Interest Income from loans on the favorable combination of: 11% growth in performing loans; a more favorable portfolio mix; and, the benefit of higher market rates on asset and liability sensitivity.
- Ps 906 million (+63%) expansion in NII from the Insurance and Annuities companies due to
 - i) good business evolution resulting in higher premium growth and strong Technical Results of Ps 705 million, up (+83%). During the quarter, regulatory accounting changes were implemented which modified the accounting of premium income and technical reserves in life policies. Based on the new rule, these are registered in full upon premium issuance; as opposed to the former rule that deferred income an expense upon the premium payments calendar.
 - ii) higher revenues on their investment books, particularly at the pensions company and;
- Ps 108 million (+11%) in income from repo operations.

Moreover, NII rose 10% QoQ or Ps 1.24 billion, due to:

- a 72% (or +Ps 978 million) increase in Net Interest Income from the Insurance and Annuities companies, and
- a 3% growth in NII from loans on higher market rates and loan portfolio growth.

The inflation valuation result on *Insurance and Annuities Interest Income* in 1Q16 was Ps 585 million YoY and (Ps 81) million QoQ.

The Net Interest Margin (NIM) stood at 5.0% in 1Q16, 50bp higher YoY and 39bp QoQ. These improvements are the result of positive performance of Seguros Banorte and Pensiones Banorte, better NII from loans and the investment books and the increase in the benchmark interest rate.

Likewise, **NIM adjusted for Credit Risks was 3.8%**, +32bp vs. 1Q15 and +13bp vs. 4Q15, reflecting higher Net Interest Income, which offset the increase in loan loss provisions.

Loan Loss Provisions

In 1Q16 Loan Loss Provisions totaled Ps 3.24 billion, +24% vs. 1Q15 and +30% QoQ, as a result of the origination of new loans and the dynamics of portfolio growth, and to a lesser extent on deterioration, as non-performing loans were (1%) lower QoQ and (13%) YoY.

The annual increase came from higher reserve requirements on corporate, payroll and government books, there were lower reserves requirements on commercial, mortgage and the credit card books. The quarterly increase came from higher provision requirements in almost all the books, except for corporate and auto loans. Provisions for corporate, commercial and government books are the result of origination of new loans, while provisions from the consumer book derived from new origination and, to a lesser extent, regular portfolio deterioration.

Loan Loss Provisions represented 23.8% of Net Interest Income in 1Q16, +1.4 pp YoY and +3.6 pp vs. 4Q15.

Also, **Loan Loss Provisions in the first quarter of 2016 accounted for 2.5% of the average loan portfolio**, comparing unfavorably YoY and QoQ, since they increased 27bp and 50bp, respectively.

Non-Interest Income

Non-Interest Income (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Fees on Services	2,248	2,598	2,207	(15%)	(2%)
Trading	953	561	453	(19%)	(52%)
Other Operating Income (Expenses)	423	1,267	621	(51%)	47%
Non-Interest Income	3,624	4,426	3,281	(26%)	(9%)

In 1Q16, Non-Interest Income totaled Ps 3.28 billion, declining (Ps 343) million vs. 1Q15 and (Ps 1.15) billion QoQ.

Service Fees

Service Fees (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
For Commercial and Mortgage Loans	1	7	3	(63%)	107%
Fund Transfers	209	247	286	16%	36%
Account Management Fees	459	528	483	(9%)	5%
Fiduciary	111	102	81	(21%)	(27%)
Income from Real Estate Portfolios	23	91	33	(64%)	44%
Electronic Banking Services	1,193	1,398	1,350	(3%)	13%
For Consumer and Credit Card Loans	703	835	830	(1%)	18%
Other Fees Charged (1)	753	737	809	10%	8%
Fees Charged on Services	3,451	3,944	3,874	(2%)	12%
Fees Paid on Services	1,203	1,346	1,667	24%	39%
Service Fees	2,248	2,598	2,207	(15%)	(2%)

1) Includes fees from letters of credit, transactions with pension funds, warehousing services, financial advisory services and securities trading among others.

Service fees totaled Ps 2.21 billion, and were lower by (2%) YoY and (15%) QoQ, as a result of the seasonality at the beginning of the year and fewer operating days in 1Q16.

Core banking services (account management, fund transfers and electronic banking services) dropped (2%) QoQ on fewer operating days during the quarter; albeit, 14% higher or Ps 258 million vs. 4Q15.

Trading

Trading Income (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Foreign Exchange	402	411	270	(34%)	(33%)
Securities-Realized Gains	477	506	92	(82%)	(81%)
Securities-Unrealized Gains	74	(355)	91	NA	23%
Trading Income	953	561	453	(19%)	(52%)

Trading revenues in 1Q16 totaled Ps 453 million, dropping (52%) YoY and (19%) QoQ; as a result of lower trading revenues on securities - due to the 50bp hike on the benchmark market rate in February - and in FX income due to volatility, which could not be offset by valuation gains amounting to Ps 17 million YoY and Ps 447 million QoQ.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Loan Recovery	299	391	349	(11%)	17%
Income from foreclosed assets	13	33	32	(1%)	155%
Other Operating Income	48	187	157	(16%)	227%
Other Operating Expenses	(266)	(35)	(177)	410%	(33%)
Subtotal Recoveries and Others"	94	576	361	(37%)	285%
Other Products	1,219	1,352	1,080	(20%)	(11%)
Other Acquired Recoveries	208	103	187	82%	(10%)
Other (Expenses)	(1,283)	(972)	(1,216)	25%	(5%)
Non Operating Income (Expenses), Net	144	483	51	(89%)	(64%)
Other From Insurance and Annuities	185	209	208	(0%)	13%
Other Operating Income (Expenses)	423	1,267	621	(51%)	47%

During 1Q16 Other Operating Income (Expenses) amounted to Ps 621 million, growing 47% YoY explained mainly by the: i) Ps 109 million increase in Other Operating Income related to provision reversals, ii) (Ps 88) million decline in Other Operating (Expenses) on lower valuation adjustments to investment projects, iii) (Ps 67) million in Other (Expenses), and iv) +17% increase in Loan Recoveries.

On a quarterly basis, Other Operating Income (Expenses) was (51%) below on lower activity compared to the prior quarter and also because the prior quarter result is impacted by revenue from an extraordinary transaction at Solida Administradora de Portafolios, that was not repeated this quarter.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Personnel	3,390	2,806	3,273	17%	(3%)
Professional Fees	515	757	497	(34%)	(3%)
Administrative and Promotional	1,722	1,987	1,964	(1%)	14%
Rents, Depreciation & Amortization	992	1,089	1,128	4%	14%
Taxes other than income tax & non deductible expenses	444	449	428	(5%)	(4%)
Contributions to IPAB	510	550	566	3%	11%
Employee Profit Sharing (PTU)	98	84	97	15%	(1%)
Non-Interest Expense	7,670	7,722	7,952	3%	4%

Non-Interest Expenses during 1Q16 amounted to Ps 7.95 billion, growing only 4% from the prior year, as a result of a similar reduction of (Ps 134 million) in Personnel Expenses and Professional Fees derived from savings from efficiency program. Conversely, the following increases were registered:

- +14% in Administrative and Promotional Expenses due to the growth in i) transaction volume in services such as: ATMs, POSs and credit cards, and ii) charges for systems maintenance;
- +Ps 135 million in Rents, Depreciation & Amortizations, mainly due to amortizations in technology projects; and
- +Ps 56 million in Contributions to IPAB on deposits growth.

Non-Interest Expenses rose 3% vs 4Q15, on higher Personnel Expenses in the quarter, which were not compensated by a substantial decline of (Ps 259 million) in Professional Fees resulting from seasonality effects.

The Efficiency Ratio during the quarter was 47.1%, decreasing 3.1 pp YoY due to improved operating leverage. On a quarterly basis this ratio increased 1.1 pp derived from seasonally lower growth in revenues on a comparative basis.

Net Income

Net Income (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Operating Income	4,983	6,564	5,686	(13%)	14%
Subsidiaries' Net Income	279	301	328	9%	18%
Pre-Tax Income	5,262	6,866	6,014	(12%)	14%
Taxes	1,328	1,855	1,497	(19%)	13%
Extraordinary Items, net	-	-	-	-	-
Minority Interest	(54)	(71)	(55)	(22%)	3%
Net Income	3,880	4,940	4,462	(10%)	15%

During 1Q16, recurring revenues (NII + net fees excluding portfolio recoveries - Operating Expenses – Provisions) totaled Ps 4.58 billion, 28% higher YoY, stemming from 17% growth in Net Interest Income; while QoQ slightly decreases (1%) on seasonality.

Subsidiaries' Net Income mainly related to Afore XXI Banorte's quarterly earnings of Ps 318 million in 1Q16 (+8% YoY and +7% QoQ) based on the Group's ownership of this company.

Income taxes during the first quarter totaled Ps 1.50 billion, 13% higher YoY and (19%) lower QoQ, the latter due to lower deferred income taxes on fiscal losses from Solida Administradora de Portafolios. **The effective tax rate in 1Q16 was 24.9%**, comparing favorably vs. the 25.2% in 1Q15 and the 27.0% in 4Q15.

GFNorte's Net Income in 1Q16 amounted to Ps 4.46 billion, 15% higher vs. 1Q15 due to the outstanding growth in Net Interest Income, the strict control expense and efficiency efforts. Furthermore, net income declined (Ps 478) million QoQ due to a (26%) reduction in Non-Interest Income and 30% more provisions.

Profitability

	1Q15	4Q15	1Q16
ROE	12.5%	14.8%	13.1%
Goodwill & Intangibles (billion pesos)	23.9	28.9	27.1
Average Tangible Equity (billion pesos)	97.3	104.4	106.2
ROTE	15.5%	18.6%	16.5%

ROE for 1Q16 was 13.1%, 66bp above 1Q15 and (163bp) lower vs. 4Q15. Equity increased 8% YoY and 1% QoQ.

Additionally, Return on Tangible Equity (ROTE) stood at 16.5% for 1Q16, increasing 104bp YoY and dropping (209bp) vs. 4Q15.

	1Q15	4Q15	1Q16
ROA	1.4%	1.7%	1.5%
Average Risk Weighted Assets (billion pesos)	509.0	536.8	544.8
RRWA	3.0%	3.2%	3.2%

ROA for the quarter was 1.5%, 12bp higher vs. 1Q15 and lower by (19bp) QoQ. **Return on Risk-Weighted Assets was 3.2%**, higher in 6bp vs. 4Q15 and 21bp vs. 1Q15.

Capitalization (Banco Mercantil del Norte)

Capitalization (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Tier 1 Capital	71,864	72,817	75,722	4.0%	5.4%
Tier 2 Capital	8,200	7,692	7,731	0.5%	(5.7%)
Net Capital	80,064	80,509	83,453	3.7%	4.2%
Credit Risk Assets	359,784	398,908	410,884	3.0%	14.2%
Net Capital / Credit Risk Assets	22.3%	20.2%	20.3%	0.1 pp	(1.9 pp)
Total Risk Assets	526,762	551,642	558,750	1.3%	6.1%
Tier 1	13.64%	13.20%	13.55%	0.4 pp	(0.1 pp)
Tier 2	1.56%	1.39%	1.38%	(0.0 pp)	(0.2 pp)
Capitalization Ratio	15.20%	14.59%	14.94%	0.34 pp	(0.26 pp)

(*) The reported capitalization ratio of the period is estimated.

Banorte has fully adopted the capitalization requirements established to date by Mexican authorities and international standards, so-called Basel III, which came into effect as of January 2013.

At the end of 1Q16 the estimated Capitalization Ratio (CR) for Banorte was 14.94% considering credit, market and operational risk; and, 20.31% if only credit risks are considered. The Core Tier 1 ratio was 12.87%, Total Tier 1 ratio was 13.55% and Tier 2 was 1.38%.

The Capitalization Ratio increased 0.34 pp vs. 4Q15, as follows:

1.	Profits for 1Q16	+0.25 pp
2.	Investment in Subsidiaries and Intangibles	+0.21 pp
3.	Valuation of Financial Instruments, Securitizations and Equity Accounts	+0.06 pp
4.	Growth in risk assets	-0.19 pp

The Capitalization Ratio decreased (0.26 pp) vs 1Q15, as follows:

1.	Profit growth for the period	+1.44 pp
2.	Investment in Subsidiaries and Intangibles	-0.12 pp
3.	Decrease of Subordinate Debt effectiveness	-0.21 pp
4.	Valuation of Financial Instruments, Securitizations and Equity Accounts	-0.52 pp
5.	Growth in risk assets	-0.84 pp

Deposits

Deposits (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Non-Interest Bearing Demand Deposits	144,240	175,919	170,167	(3%)	18%
Interest Bearing Demand Deposits	163,715	175,126	172,553	(1%)	5%
Total Demand Deposits	307,955	351,045	342,720	(2%)	11%
Time Deposits – Retail	141,694	157,718	159,141	1%	12%
Money Market	65,611	54,907	59,252	8%	(10%)
Total Bank Deposits	515,259	563,670	561,114	(0%)	9%
GFNorte's Total Deposits	513,899	561,462	559,086	(0%)	9%
Third Party Deposits	177,481	139,099	167,246	20%	(6%)
Total Assets Under Management	692,741	702,769	728,359	4%	5%

At the end of 1Q16, Total Deposits maintained the good growth pace reaching a balance of Ps 559.09 billion, +9% YoY driven by promotional efforts as well as higher account balances in all client segments and the retail network. On a quarterly basis, total Deposits slightly declined (-0.4%), on seasonal effects registered at the beginning of the year in deposits balances.

Loans

Performing Loan Portfolio (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Commercial	114,902	123,289	126,853	3%	10%
Consumer	160,754	176,544	179,966	2%	12%
Corporate	78,914	88,108	89,481	2%	13%
Government	125,085	130,119	137,144	5%	10%
Sub Total	479,656	518,059	533,444	3%	11%
Recovery Bank	152	129	112	(13%)	(26%)
Total	479,808	518,188	533,556	3%	11%

Performing Consumer Loan Portfolio (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Mortgages	91,152	99,825	102,094	2%	12%
Car Loans	11,071	12,400	12,827	3%	16%
Credit Cards	23,199	25,838	25,206	(2%)	9%
Payroll	35,333	38,482	39,838	4%	13%
Consumer Loans	160,754	176,544	179,966	2%	12%

Total Performing Loans increased 11% YoY, growing Ps 53.79 billion for an ending balance of Ps 533.44 billion in 1Q16, excluding proprietary loans managed by the Recovery Bank. Outstanding annual growth rate in corporate and commercial books; similarly, the consumer portfolio has an important performance vs. prior years.

Total Performing Loans increased 3% QoQ, growing in all segments, led by the commercial and government books. Growth by segment was:

- **Mortgages:** up 12% YoY, with an ending balance of Ps 102.09 billion as of 1Q16. During the quarter the portfolio grew Ps 2.27 billion or 2% QoQ. As of February 2016, Banorte had a 16.3% market share in mortgage balances, ranking third in the system.
- **Credit Cards:** At the end of 1Q16 the credit card book totaled Ps 25.21 billion, up 9% or +Ps 2.01 billion YoY on active portfolio management and commercial campaigns. On a quarterly basis, the book declined (Ps 631) million pesos or (2%). As of February 2016, Banorte held an 8.4% market share in credit card balances, ranking fourth in the banking system.

- **Payroll:** increased Ps 4.51 billion or 13% YoY and Ps 1.36 billion or 4% QoQ **totaling Ps 39.84 billion**, on a larger base of payroll account holders and a higher credit penetration in this customer segment. Payroll loans continue to show good growth and adequate asset quality with respect to the system's average. Banorte held an 18.9% market share in balances as of February 2016, ranking third in the system.
- **Car Loans:** increased 16% YoY and 3% QoQ for an ending balance of **Ps 12.83 billion**, on a successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of February 2016, Banorte's market share was 14.6%.
- **Commercial:** up Ps 11.95 billion or 10% YoY and Ps 3.56 billion or 3% QoQ **ending at Ps 126.85 billion**. The leasing and factoring books showed a positive evolution, growing 6% YoY. As of February 2016, the market share in commercial loans (including the Corporate book according to the CNBV's classification) was 10.7%, ranking fourth in the system.

GFNorte's SME performing portfolio was Ps 27.53 billion, (1%) lower YoY and Ps 713 million higher vs. 4Q15, upholding the growth pace presented since the last quarter.

SMEs Portfolio Evolution (billion pesos)

	1Q15	4Q15	1Q16
Performing Portfolio	\$27,860	\$26,816	\$27,529
% of Performing Commercial Portfolio	24.2%	21.8%	21.7%
% of Total Performing Portfolio	5.8%	5.2%	5.2%
NPL Ratio	8.8%	8.8%	8.3%

- **Corporate:** At the end of 1Q16 the balance was **Ps 89.48 billion**, an important increase of Ps 10.57 billion or 13% YoY and of Ps 1.37 billion or 2% vs. 4Q15, on higher loan origination. GFNorte's corporate loan book is well diversified by sectors and regions and shows a low concentration risk. GFNorte's 20 main corporate borrowers accounted for 11.5% of the group's total portfolio, increasing by 0.5 pp vs. 1Q15 and flat vs. 4Q15. The group's largest corporate loan represents 0.98% of the total portfolio; whereas number 20 represent 0.35%. 95% of GFNorte's main corporate borrowers have an A1 rating, the remaining is rated A2.

As of March 31, 2016 GFNorte's loan exposure to home builders was Ps 3.95 billion in Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V., (0.4%) lower than the prior quarter. This exposure represented 0.7% of the total loan portfolio, (3bp) lower than as of December 2015. The credit exposure has an 89% collateral coverage, unchanged from the prior quarter. Desarrolladora Homex and Corporación Geo credit exposures are fully secured, as the unsecured portfolio has already been exchanged for other assets, as instructed by in the final ruling of the bankruptcy processes. The loan loss reserve coverage on the overall exposure was 42.2% in 1Q16.

Sólida had a balance of Ps 5.29 billion in investment projects to these companies, down (6.3%) vs. 4Q15.

- **Government:** At the end of 1Q16 the balance was **Ps 137.14 billion**, growing by Ps 12.06 billion or 10% YoY and Ps 7.03 billion QoQ, recovering from the drop on the last quarter. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 22.9% of the group's total portfolio, decreasing by (0.3 pp) vs. 1Q15 and 0.3 pp vs. 4Q15. The largest government loan represents 4.2% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%. The portfolio's risk profile is adequate with 34.3% of the loans granted to Federal Government entities and 97% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and 2% of the loans have short-term maturities (unsecured). As of February 2016, Banorte held a 23.9% market share of the total system, ranking second.

Past Due Loans

(Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Past Due Loans	13,474	11,903	11,782	(1%)	(13%)
Loan Loss Reserves	14,571	13,813	14,059	2%	(4%)
Acquired Rights	2,860	2,217	2,120	(4%)	(26%)

During 1Q16, Past Due Loans were Ps 11.78 billion, lower in (Ps 1.69) billion or (13%) YoY driven by significantly lower delinquencies in the corporate, commercial and mortgage loans. On a quarterly basis decline (Ps 121) million or (1%) on reduced past due loans in the majority of the segments led by payroll.

The quarterly evolution of NPL balances were as follows:

Past Due Loans (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Credit Cards	1,357	1,511	1,438	(73)	81
Payroll	798	1,200	1,076	(124)	278
Car Loans	163	197	170	(27)	7
Mortgages	1,176	1,072	1,122	49	(54)
Commercial	4,543	4,145	4,209	64	(334)
Corporate	5,437	3,778	3,768	(10)	(1,669)
Government	-	-	-	-	-
Total	13,474	11,903	11,782	(121)	(1,692)

In 1Q16, the Past Due Loan Ratio was 2.2%, lower by (57bp) vs. 1Q15 and by (1bp) vs. 4Q15. The annual decrease came from the decline in all segments excluding the payroll book; whereas the QoQ drop derived from an improvement of the PDL ratios on all portfolios.

PDL Ratios by segment showed the following trends during the last 12 months:

Past Due Loans Ratios	1Q15	2Q15	3Q15	4Q15	1Q16
Credit Cards	5.5%	5.9%	5.5%	5.5%	5.4%
Payroll	2.2%	2.5%	2.6%	3.0%	2.6%
Car Loans	1.5%	1.9%	1.7%	1.6%	1.3%
Mortgages	1.3%	1.2%	1.1%	1.1%	1.1%
Commercial	3.8%	3.9%	3.6%	3.3%	3.2%
SMEs	8.8%	9.5%	9.5%	8.8%	8.3%
Commercial	2.1%	2.1%	1.8%	1.6%	1.7%
Corporate	6.4%	6.5%	6.4%	4.1%	4.0%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.7%	2.8%	2.7%	2.2%	2.2%

The expected loss for Banco Mercantil del Norte was 1.7% and the unexpected loss 3.1%, both with respect to the total portfolio at 1Q16. These ratios were 1.8% and 3.1%, respectively in 4Q15 and 1.9% and 3.2% 12 months ago. In both cases, current ratios have improved.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs was 1.6%, (17bp) lower vs. 4Q15.

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

Past Due Loan Variations (Million Pesos)	
Balance as of December '15	11,903
Transfer from Performing Loans to Past Due Loans	5,238
Portfolio Purchase	213
Renewals	(1,575)
Cash Collections	(568)
Discounts	(161)
Charge Offs	(2,466)
Foreclosures	(65)
Transfer from Past Due Loans to Performing Loans	(743)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	7
Fair Value Ixe	-
Balance as of March '16	11,782

Out of the loan book 85% is rated A Risk, 10% B Risk and 5% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 1Q16 - GFNorte
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	427,888	857	459	164	373	140	1,992
A2	71,980	365	225	3	380	44	1,016
B1	24,661	92	107	3	595	17	814
B2	22,407	80	41	1	704	33	859
B3	12,873	205	0	2	396	13	617
C1	7,029	88	102	0	283	34	508
C2	4,905	75	-	0	548	61	684
D	11,977	2,943	-	0	1,561	233	4,737
E	4,132	1,196	-	3	1,348	76	2,622
Total	587,853						
Not Classified	27						
Exempt	-						
Total	587,880	5,900	935	176	6,188	650	13,849
Reserves							14,059
Preventive Reserves							209

Notes:

- 1) Loan grading and reserves are as of as of March 31, 2016.
- 2) The loan portfolio is graded following rules issued by the Ministry of Finance and Public Credit (SHCP), and the methodology established by the CNBV.

The Institution uses regulatory methodologies to grade all credit portfolios.

The Institution uses risk ratings: A1, A2, B1, B2, B3, C1, C2, D and E to classify provisions according to the portfolio segment and percentage of the provisions representing the outstanding balance of the loan, and which are set forth in Fifth Section of the "De la constitución de reservas y su clasificación por grado de riesgo" contained in Chapter 5, Title Section of such regulation.

- 3) The additional loan loss reserves follow the rules applicable to banks and credit institutions.

Based on B6 Credit Portfolio criteria of the CNBV, a Distressed Portfolio is defined as the pool of commercial loans unlikely to be recovered fully, including both principal and interest pursuant to terms and conditions originally agreed. Such determination is made based on actual information and data and on the loan review process. Performing loans and past-due loans are susceptible of being identified as Distressed Portfolios. The D and E risk degrees of the commercial loan rating are as follows:

<i>(Million Pesos)</i>	Total
Distressed Portfolio	9,238
Total Loans	587,880
Distressed Portfolio / Total Loans	1.6%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves <i>(Million Pesos)</i>	1Q16
Previous Period Ending Balance	13,813
Provisions charged to results	3,095
<u>Charge offs and discounts:</u>	
Commercial Loans	(458)
Consumer Loans	(2,110)
Mortgage Loans	(279)
	(2,847)
Cost of debtor support programs	(2)
Valorization and Others	0
Adjustments	0
Loan Loss Reserves at Period End	14,059

Loan Loss Reserves in 1Q16 totaled Ps 14.06 billion, 1.8% higher vs. 4Q15. Moreover, 74% of write-offs, charge-offs and discounts are related to the consumer portfolio, 16% to commercial and 10% to mortgages.

The loan loss coverage ratio was 119.3% in 1Q16, increasing 11.2 pp YoY and 3.3 pp QoQ.

Recent Events

CREDIT RATINGS

Standard & Poor's and Fitch Ratings confirm ratings for GFNorte and Subsidiaries

On March 17th Standard & Poor's confirmed ratings for Banco Mercantil del Norte, S.A. ("Banorte") and Casa de Bolsa Banorte Ixe, S.A. de C.V. ("Casa de Bolsa Banorte Ixe, S.A. de C.V."), all with stable outlook.

The affirmation reflects the internal capital generation, business diversification and adequate risk management and asset quality.

Additionally, on March 18th and 22nd Fitch Ratings confirmed ratings for Grupo Financiero Banorte, S.A.B. de C.V. ("GFNorte"), Banorte, Arrendadora y Factor Banorte, S.A. de C.V., Almacenadora Banorte, S.A. de C.V., Casa de Bolsa Banorte Ixe, Seguros Banorte S.A de C.V. and Pensiones Banorte, S.A. de C.V., all the aforementioned with stable outlook.

GFNorte's ratings confirmation reflects the growth and diversification of the business achieved in recent years; while Banorte's ratings confirmation reflects its business position and market share, adequate and stable financial performance, improved capital position, reasonable level of reserves to absorb losses and improved asset quality. Furthermore, ratings of the nonbank subsidiaries consider GFNorte's support and the strategic importance of these entities in the Group's strategy.

Moody's reviews for downgrade several Banorte's ratings

On April 4th, Moody's Investor Service placed on review for downgrade several Mexican banks' ratings, among them Banorte's:

- standalone baseline credit assessment (BCA) and adjusted BCA of baa1;
- long-term global local and foreign currency deposit ratings of A3;
- long-term global local currency (GLC) subordinated and junior subordinated debt ratings of Baa2 and Baa3 (hyb), respectively, and;
- long and short-term Counterparty Risk (CR) Assessments of A2(cr)/Prime-1(cr).

These rating actions followed Moody's decision to change the outlook of Mexico's A3 government bond rating to negative from stable on March 31st, and subsequently, to change Mexico's Macro Profile to Moderate +, from Strong.

Additionally, in the same date, the agency downgraded the rating of BNORTCB07 certificates from Baa1 (sf) to Baa2 (sf) (Global Scale, Local Currency) and from Aaa.mx (sf) to Aa1.mx (sf) (Mexican Scale). This action was driven by: the downgrade of PEMEX's ("Petróleos Mexicanos") ratings, as 18% of the underlying collateral is backed by PEMEX notes and the risks associated with the foreign currency and interest rate swap provided by Banorte.

GFNORTE WAS INCLUDED IN THE STOXX GLOBAL CLIMATE CHANGE LEADERS INDEX.

In February the list of issuer companies comprising the STOXX Global Climate Change Leaders Index was announced, in which GFNorte was included, thus becoming the only issuer in Latin America to be considered in it.

This index considers only the companies belonging to the "A List" of the CDP's Carbon Performance Leadership Index, which are recognized for their commitment to reduce their carbon footprint.

The STOXX Global Climate Change Leaders Index is comprised by a select group of 105 institutions that outperform on a global basis for analyzing risks derived from the climate change in their daily operations.

In GFNorte we continue aiming the highest standards of quality and transparency on sustainability matters; likewise, we ensure providing those seeking long-term profitability the certainty that climate change risks and their potential implications are considered.

Consolidated Bank

Consolidated Bank: Banco Mercantil del Norte, Banorte USA, Banorte- Ixe Tarjetas and Afore XXI Banorte (50% ownership).

Income Statement and Balance Sheet Highlights - Consolidated Bank		1Q15	4Q15	1Q16	Change	
<i>(Million Pesos)</i>					4Q15	1Q15
Income Statement						
Net Interest Income		9,790	10,568	11,005	4%	12%
Non-Interest Income		3,650	3,767	3,522	(7%)	(4%)
Total Income		13,440	14,335	14,527	1%	8%
Non-Interest Expense		7,087	7,118	7,413	4%	5%
Provisions		2,539	2,442	3,177	30%	25%
Operating Income		3,814	4,775	3,938	(18%)	3%
Taxes		1,034	1,270	1,049	(17%)	1%
Subsidiaries & Minority Interest		302	320	333	4%	10%
Net Income		3,082	3,824	3,222	(16%)	5%
Balance Sheet						
Performing Loans (a)		470,707	509,593	524,062	3%	11%
Past Due Loans (b)		12,981	11,634	11,512	(1%)	(11%)
Total Loans (a+b)		483,688	521,227	535,574	3%	11%
Total Loans Net (d)		469,736	507,893	521,979	3%	11%
Acquired Collection Rights (e)		1,480	1,376	1,310	(5%)	(12%)
Total Loans (d+e)		471,216	509,269	523,288	3%	11%
Total Assets		939,691	917,610	969,499	6%	3%
Total Deposits		515,259	563,670	561,114	(0%)	9%
Total Liabilities		842,090	815,027	864,390	6%	3%
Equity		97,601	102,584	105,109	2%	8%

Financial Ratios - Consolidated Bank		1Q15	4Q15	1Q16
Profitability:				
NIM (1)		4.6%	5.0%	5.1%
NIM after Provisions (2)		3.4%	3.8%	3.6%
ROE (3)		12.8%	15.1%	12.4%
ROA (4)		1.4%	1.7%	1.4%
Operation:				
Efficiency Ratio (5)		52.7%	49.7%	51.0%
Operating Efficiency Ratio (6)		3.1%	3.1%	3.1%
Liquidity Ratio- Basel II		119.3%	N.A.	N.A.
Average Liquidity Coverage Ratio for Banorte and SOFOM- Basel III (7)		77.67%	107.78%	114.62%
Asset Quality:				
Past Due Loan Ratio		2.7%	2.2%	2.1%
Coverage Ratio		107.5%	114.6%	118.1%
Past Due Loan Ratio w/o Banorte USA		2.8%	2.3%	2.2%
Coverage Ratio w/o Banorte USA		106.8%	113.8%	117.2%
Growth (8)				
Performing Loans (9)		11.7%	9.9%	11.3%
Core Deposits		16.4%	16.3%	11.6%
Total Deposits		13.1%	13.0%	8.9%
Capitalization:				
Net Capital/ Credit Risk Assets		22.3%	20.2%	20.3%
Total Capitalization Ratio		15.2%	14.6%	14.9%

- 1) NIM = Annualized Net Interest Margin for the quarter / Average of Performing Assets.
- 2) NIM = Annualized Net Interest Margin for the quarter adjusted for Credit Risks / Average of Performing Assets.
- 3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.
- 4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.
- 5) Non-Interest Expenses / Total Income.
- 6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.
- 7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.
- 8) Growth compared to the same period of the previous year.
- 9) Does not include Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

Net Interest Income

During 1Q16, Net Interest Income increased 12% YoY to Ps 11.01 billion mainly as a result of the 13% growth in Net Interest Income from loans and a 9% hike in net fees from origination. In 4Q15, Net Interest Income grew 4% a similar growth in NII from loans.

The NIM was 5.1% in 1Q16, up +0.4 pp YoY and +0.1 pp QoQ arising from greater Net Interest Income (on better portfolio mix and the hike in the benchmark market rate) vs. earning assets. Moreover, the **NIM adjusted for Credit Risks was 3.6% in 1Q16**, +17bp over the prior year and (23bp) lower vs. 4Q15, the latter impacted by higher provisions.

Loan Loss Provisions

In 1Q16 Loan Loss Provisions totaled Ps 3.18 billion, +25% YoY driven mainly by higher reserve requirements on the corporate, middle-market, payroll and government books, which were not offset by reduced provisions in the commercial, mortgage and credit card balances. On a quarterly basis, provisions grew 30% on higher requirements in practically all segments excluding corporate and car books. As mentioned before, both increases arise from loan origination and the dynamics of portfolio growth, not for deterioration.

Non-Interest Income

During 1Q16, Non-Interest Income totaled Ps 3.52 billion, down (4%) YoY, as a result mainly of the (Ps 374) million reduction in trading income, which were not offset by the 10% increase in service fees. On a quarterly basis dropped 7% on the decline in all lines.

Moreover, Core banking services (account management, fund transfers and electronic banking services), **grew 14.6% YoY**.

Non-Interest Expenses

Non-Interest Expenses during 1Q16 amounted to Ps 7.41 billion, growing only 5% YoY, as a result of the reduction in Personnel Expenses derived from the efficiency program; whereas the 4% QoQ growth derived from the +Ps 475 million increase in Personnel Expenses related to severance charges held in 1Q16.

The Efficiency Ratio for 1Q16 was 51.0%, (-1.7 pp) lower YoY due to improved operating leverage. Meanwhile, in a quarterly basis this ratio increased +1.4 pp on a higher pace of growth in operating expenses than in total revenues.

Net Income

Net Income in 1Q16 was Ps 3.22 billion, growing 5% YoY driven by higher Net Interest Income and higher profits from subsidiaries and minority interest; **on a quarterly basis, net income decreases (-16%)** due to a 30% hike in provisions, +Ps 295 million in operating expenses and (-7%) decrease in non-interest income. **Net Income for the Consolidated Bank in 1Q16, according to GFNorte's participation and excluding Afore XXI Banorte results, was Ps 2.85 billion**, +4% YoY, contributing 63.8% of the Financial Group's profits. **SOFOM Banorte-Ixe Tarjetas posted net profits of Ps 444 million in 1Q16**, +9% higher YoY, contributing 10.0% of the Financial Group's profits.

ROE for 1Q16 of the Consolidated Bank was 12.4%, lower in (41bp) YoY and (266bp) QoQ. **ROA for 1Q16 was 1.4%**, flat YoY and (30bp) lower QoQ.

NPL Ratio

The Consolidated Bank's NPL Ratio for 1Q16 was 2.1%, lower in (0.5 pp) vs. 1Q15 and in (0.1 pp) vs. 4Q15.

Long Term Savings

LONG TERM SAVINGS (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Afore (1)					
Net Income	598	608	648	7%	8%
Shareholder's Equity	22,380	23,667	22,116	(7%)	(1%)
Total Assets	23,604	25,067	25,615	2%	9%
AUM (SIEFORE)*	616,374	625,821	637,343	2%	3%
ROE	10.3%	10.3%	11.3%	1.0 pp	1.0 pp
Insurance- Seguros Banorte					
Total Operating Income	1,055	1,028	1,548	51%	47%
Non-Interest Expense	210	280	235	(16%)	12%
Operating Income	845	748	1,313	76%	55%
Taxes	257	217	397	83%	54%
Subsidiaries & Minority Interest	(2)	(1)	(1)	19%	(32%)
Net Income	586	530	916	73%	56%
Shareholder's Equity	5,682	6,331	5,410	(15%)	(5%)
Total Assets	26,063	26,139	29,637	13%	14%
Technical Reserves	14,498	14,051	17,275	23%	19%
Premiums sold	5,438	4,464	8,783	97%	62%
Coverage ratio of technical reserves	1.3	1.4	1.2	(0.1 pp)	(0.0 pp)
Capital coverage ratio of minimum guarantee	1.7	2.2	1.7	(0.6 pp)	(0.1 pp)
Coverage ratio of minimum capital	62.3	69.4	59.0	(10.5 pp)	(3.4 pp)
ROE	43.8%	33.8%	62.8%	28.9 pp	19.0 pp
Annuities					
Total Operating Income	198	272	247	(9%)	25%
Non-Interest Expense	70	60	68	12%	(3%)
Operating Income	128	212	179	(15%)	40%
Taxes	42	68	58	(15%)	38%
Subsidiaries & Minority Interest	2	1	1	19%	(30%)
Net Income	88	144	122	(15%)	39%
Shareholder's Equity	1,464	1,629	1,747	7%	19%
Total Assets	63,842	68,988	71,070	3%	11%
Technical Reserves	61,820	66,713	68,616	3%	11%
Premiums sold	2,048	1,572	1,492	(5%)	(27%)
Coverage ratio of technical reserves	1.0	1.0	1.0	(0.0 pp)	0.0 pp
Coverage ratio of minimum capital	9.9	11.0	11.8	0.1 pp	0.2 pp
ROE	24.8%	36.5%	29.0%	(7.5 pp)	4.2 pp

1) Afore XXI Banorte's results are shown in Banco Mercantil del Norte through the equity participation method. For comparative purposes, Afore XXI Banorte's full net income is included in this section.

Afore XXI Banorte

Afore XXI Banorte posted net profits of Ps 648 million for 1Q16, 8% higher YoY due to lower operating expenses and an increase in the market valuation of the managed funds, which offset the drop in total income on a decline in the administration commission effective on January. **Quarterly profits went up 7%** on the significant decline in administrative expenses and lower tax payments.

ROE for Afore XXI Banorte as of March 2016 was 11.3%, 1.0 pp higher YoY and QoQ, in both cases; excluding goodwill **Tangible ROE is 42.3%**. Afore XXI Banorte contributed with 7.1% of the Financial Group's profits.

Assets under management as of March 2016 totaled Ps 637.34 billion, an increase of 2% and 3% QoQ and YoY, respectively.

According to CONSAR, to February 2016 Afore XXI Banorte had a 24.3% share in managed funds, ranking 1st in the market, with 11.05 million accounts (this number does not include 6.5 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 23.0% share of the total number of accounts in the system, making it the market leader.

Seguros Banorte

During 1Q16, Seguros Banorte reported profits of Ps 916 million, a 56% YoY increase driven by strong growth in premiums income (+87%); offsetting higher technical reserves (+318%) and acquisition expenses, as well as, to a lower extent, higher claims and operating costs.

Quarterly earnings increased 73%, also on the back of the important growth in premium income (+80%) and lower claims; offsetting higher technical reserves requirements (net) (+620%) and higher acquisition and operating expenses.

During the quarter, the National Insurance and Bonding Commission (*Comisión Nacional de Seguros y Fianzas, CNSF*) enforced accounting changes related to life policies, as follows:

- i) Premiums income is to be fully accounted when originated, as opposed to the former rule in which premium income was registered following the payment calendar of the life policy. This change also affected technical reserves and acquisitions costs.
- ii) Changes to the calculation of technical reserves using internal methodologies authorized by the CNSF and recognizes a margin component related to each segment.

Even though this accounting change affected the quarterly Net Income, this effect is expected to be levered off in the following quarters, as the accounting change is implemented through the remainder year.

Seguros Banorte's net income represented 20.5% of the Financial Group's profits for 1Q16.

Premium income (net) increased +87% YoY and +80% QoQ, **totaling Ps 6.39 billion in 1Q16**. Moreover, **Technical Reserves totaled Ps 17.28 billion**, growing 19% YoY.

ROE for the insurance company was 62.8% in 1Q16, higher than the 33.8% in 4Q15 (+28.9 pp) and the 43.8% in 1Q15 (+19.0 pp).

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

- i. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
 - *No cancellations were registered during 1Q16 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 1Q16 damage ratios remained under control.*
- iii. Costs derived from placement of insurance policies and bonds.
 - *There were no relevant events to disclose in 1Q16.*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the P&C book five important businesses, one related to the state and four to the manufacturing industry, were ceded to reinsurers, mainly foreign entities, by which 100% of the risk was transferred.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.

- *There were no relevant events in 1Q16.*

Pensiones Banorte

During 1Q16, Pensiones Banorte reported profits of Ps 122 million, up 39% YoY on higher total income and lower operating expenses; whereas sequentially, net income decreased (15%) arising mainly from the drop in total income and higher non-interest expenses. Annuities contributed with 2.7% of the Financial Group's quarterly profits.

ROE was 29.0% in 1Q16, 4.2 pp higher vs. 1Q15 and (7.5 pp) lower QoQ.



Brokerage

Brokerage Sector (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Net Income	163	183	209	14%	29%
Shareholder's Equity	2,890	3,309	3,551	7%	23%
Assets Under Custody	738,459	724,410	759,426	5%	3%
Total Assets	119,075	149,848	108,432	(28%)	(9%)
ROE	22.9%	22.7%	24.4%	1.7 pp	1.5 pp
Net Capital					
Net Capital (1)	2,379	2,641	2,836	7%	19%

1) Net capital structure: Tier 1 =Ps 2.84 billion, Tier 2 = Ps 0 million.

Net Income

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) reported profits of **Ps 209 million in 1Q16**, increasing 29% YoY and 14% QoQ, in both cases, derived from higher trading income and lower operating expenses, which offset a drop on Net Interest Income. Net Income during the first quarter represented 4.7% of the Financial Group's profits.

Assets Under Management

At the end of 1Q16 AUMs totaled **Ps 759.4 billion**, growing 3% YoY and 5% QoQ. At the end of March 2016, assets managed by mutual funds totaled **Ps 142.8 billion**, a 4% QoQ increase and a (2%) YoY decline. Assets held in fixed income funds totaled Ps 127.8 billion, 6% higher vs. 4Q15 and practically flat YoY, while equity funds held assets amounting to Ps 15.1 billion, decreasing (16%) YoY and (6%) vs. 4Q15. At the end of March, Banorte had a 7.3% share of the mutual fund market, comprised of 8.8% in fixed income funds and 2.9% in equity funds.

SOFOM & Other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	1Q15	4Q15	1Q16	Change	
				4Q15	1Q15
Leasing and Factoring					
Net Income	136	148	158	7%	16%
Shareholder's Equity	3,871	4,297	4,455	4%	15%
Loan Portfolio (1)	21,657	23,220	23,580	2%	9%
Past Due Loans	202	175	188	8%	(7%)
Loan Loss Reserves	323	310	305	(1%)	(5%)
Total Assets	22,065	23,336	23,642	1%	7%
ROE	14.3%	14.0%	14.4%	0.4 pp	0.2 pp
Warehousing					
Net Income	10	6	7	13%	(30%)
Shareholder's Equity	224	246	253	3%	13%
Inventories	422	462	416	(10%)	(2%)
Total Assets	627	619	572	(8%)	(9%)
ROE	17.8%	10.1%	11.1%	1.0 pp	(6.7 pp)
Sólida Administradora de Portafolios					
Net Income	(111)	191	(227)	(218%)	104%
Shareholder's Equity	3,841	4,874	3,958	(19%)	3%
Loan Portfolio	3,654	2,575	2,352	(9%)	(36%)
Past Due Loans	291	94	82	(13%)	(72%)
Loan Loss Reserves	296	168	158	(6%)	(46%)
Total Assets	16,067	16,995	15,674	(8%)	(2%)
Ixe Servicios					
Net Income	0.0	0.1	(0.1)	(139%)	(228%)
Shareholder's Equity	145	146	146	(0%)	0%
Total Assets	146	146	146	(0%)	(0%)
ROE	0.1%	0.4%	(0.2%)	(0.5 pp)	(0.3 pp)

1) Includes pure leasing portfolio and fixed asset amounting to Ps 22 million registered in property, furniture and equipment (net).

Leasing and Factoring

In 1Q16 Arrendadora y Factor Banorte reported profits of Ps 158 million, up +16% YoY as a result of higher net interest income on growth of the Leasing and Factoring portfolio, as well as by higher other operating income on the back of the sale of Pure Leasing assets of contracts that met their maturities. On a quarterly basis, profits grew 7% due to higher net interest income. The Leasing and Factoring Company contributed 3.5% of the Financial Group's profits in 1Q16.

At the end of 1Q16, the **Past Due Loans Ratio** was **0.9%**, decreasing (0.1 pp) vs. 1Q15 and increasing 0.1 pp QoQ; while the **Coverage ratio** was **162.1%**, 2.3 pp higher YoY and (14.8 pp) lower vs. 4Q15. The **Capitalization ratio** estimated as of March was **17.9%** considering total risk-weighted assets of Ps 24.84 billion.

Arrendadora y Factor Banorte is the market leader in loans and assets among the 32 companies, according to the CNBV.

Warehouse

In 1Q16, Warehouse posted profits of Ps 7 million, down (Ps 3) million YoY on lower trading income and NII. Sequentially, profits increased Ps 1 million as result of the 15% recovery on NII. Almacenadora Banorte contributed 0.2% of the Financial Group's profits in 1Q16.

ROE for 1Q15 was 11.1%, 1.0 pp higher QoQ and (6.7 pp) lower YoY.

At the end of 1Q16, the Capitalization Ratio was 233% considering net capital of Ps 220 million and certificates for sale issued in warehouses of Ps 1.88 billion, according to the new methodology. Almacenadora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

During 1Q16, Sólida Administradora de Portafolios reported a loss of (Ps 227) million, higher by (Ps 111) million vs. 1Q15 on lower trading income and Net Interest Income. On a quarterly basis profits decreased (Ps 418) million mainly due to trading losses and other operating income, lines affected by the market valuation on shares position from homebuilders.

The Past Due Loan Ratio was 3.5% at the end of March 2016, (0.2) pp lower QoQ. **The Coverage ratio was 193.1%**, comparing favorably to the 179.1% of 4Q15 and the 101.6% of 1Q15. **The estimated Capitalization ratio at the end of 1Q16 was 11.8%**, lower by (0.8 pp) QoQ and (5.2 pp) YoY.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	1Q15	1Q16	Change. Vs. 1Q15
Net Interest Income	1	4	528%
Loan Loss Provisions	(5)	2	(142%)
Non Interest Income	446	497	12%
Non Interest Expense	(237)	(236)	(0%)
Pre-tax Income & Subsidiaries	204	267	31%
Income Tax and Profit Sharing	(63)	(70)	11%
Net Income	141	197	40%

Assets Under Management (Million Pesos)	1Q16	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	98,805	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	28,663	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	8,128	Solida Asset Management and Banorte	Non Interest Income
Total	135,596		

- Net Income**

Recovery Banking posted profits of Ps 197 million in 1Q16, up 40% YoY, on higher Net Interest Income, Non-Interest Income and lower Non-Interest Expenses, which offset the increase in tax payments. The Recovery Banking's accumulated net income was 4.4% of the Group's profits.

- Assets Under Management**

The Recovery Bank managed total assets of Ps 99 billion at the end of 1Q16, of which 28% correspond to mortgage loans, 18% to credit cards, 16% to Crediactivo, 18% to payroll loans, 7% to foreclosed assets, 7% to auto loans, 4% to middle market companies and 2% to other loans. Gross revenues in 1Q16 amounted to Ps 297 million, 12% higher YoY.

At the end of 1Q16, of the **acquired assets managed by the Recovery Bank** 37% were mortgages, 21% loans to middle market companies and commercial, 20% were assets managed on behalf of the Mexican mortgages agency SHF, 12% were real estate portfolios and 10% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 156 million in 1Q16, 11% higher YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	1Q15	4Q15	1Q16
Employees (1)	27,376	27,574	27,461
Banorte - Ixe Branches	1,270	1,191	1,170
INB Branches	20	20	20
ATM's	7,062	7,425	7,494
POS's	159,066	155,893	153,417

1) Includes Banking Sector and Afore hired and outsourcing personnel.

GFNorte's Analyst Coverage

In compliance with the BOLSA MEXICANA DE VALORES, S.A.B. DE C.V requirement, the information of Brokers that have analyst coverage to:

TICKER: GFNORTEO

BROKER	ANALYST	RECOMMENDATION	DATE
Actinver	Enrique Mendoza	Buy	29-Jan-16
Barclays	Victor Galliano	Buy	13-Apr-16
BOFA - Merrill Lynch	Mario Pierry	Buy	13-Apr-16
Bradesco	Bruno Chemmer	Buy	16-Apr-15
Brasil Plural	Eduardo Nishio	Buy	29-Jan-16
BTG Pactual	Eduardo Rosman	Buy	13-Apr-16
BX+	Juan Eduardo Hernández	Buy	29-Jan-16
Citi		Buy	29-Jan-16
Credit Suisse	Marcello Telles	Buy	13-Apr-16
GBM	Lilían Ochoa	Buy	12-Oct-15
HSBC	Carlos Gómez	Buy	25-Sep-15
InterCam	Fernanda Simón	Buy	29-Jan-16
JP Morgan	Catalina Araya	Buy	28-Jan-16
Punto	Héctor Romero	Buy	17-Dec-15
Santander	Jason Mollin	Buy	2-Dec-15
UBS	Philip Finch	Buy	13-Apr-16
Vector	Jorge Plácido	Buy	29-Jan-16
BBVA	Germán Velasco	Hold	29-Feb-16
Deutsche Bank	Tito Labarta	Hold	14-Apr-16
Goldman Sachs	Carlos Macedo	Hold	1-Feb-16
Invex	Ana Sepúlveda	Hold	12-May-15
Itaú BBA	Thiago Batista	Hold	28-Jan-16
Morgan Stanley	Jorge Kuri	Hold	21-Mar-16
Nau	Iñigo Vega	Hold	13-Apr-16

Ratings

International Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	March, 2016
		BBB	Counterparty credit - Long term foreign currency	
		BBB	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	STABLE	Outlook	March, 2016
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
	Banco Mercantil del Norte	NF (Not Floor)	Support Rating Floor - GFNorte	
		STABLE	Outlook	
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short term foreign Currency	
Moody's	Banco Mercantil del Norte	C	Individual - Foreign Currency	April, 2016
		BBB-	Support Rating Floor	
		2	Support Rating - Banco Mercantil del Norte	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
		UNDER REVIEW	Outlook BFSR	
		baa1	Baseline Credit Assessment	
		UNDER REVIEW	Outlook	
		A3	Long term local currency deposits*	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits*	
		P-2	Short term foreign currency deposits	
		A3	Long term foreign currency senior debt*	
		Baa2	Long term local currency subordinated debt	
		Baa2 (hyb)	Long term foreign currency subordinated debt	
	Arrendadora y Factor Banorte	Baa3 (hyb)	Long term local currency junior subordinated debt	
		Baa3 (hyb)	Long term foreign currency junior subordinated debt	
		baa1	Adjusted baseline credit assesment	
		A2 (cr)	Long term counterparty risk assesment	
		Prime-1 (cr)	Short term counterparty risk assesment	
	Arrendadora y Factor Banorte	STABLE	Outlook	
		Baa1	Long term local currency issuer*	
		P-2	Short term local currency issuer	
		(P)Baa1	Long term local currency senior debt*	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	March, 2016
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty - Long term	
	Casa de Bolsa Banorte Ixe	STABLE	Outlook	
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty credit - Long term	
Fitch	Banco Mercantil del Norte	STABLE	Outlook	March, 2016
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale Counterparty - Short term	
		F1+ (mex)	Depo. Certi. y P.R.L.V. short Term	
		AA+ (mex)	Depo. Certi. y P.R.L.V. long term	
	Casa de Bolsa Banorte Ixe	STABLE	Outlook	
		F1+ (mex)	National Scale - Short term	
		AAA (mex)	National Scale - Long term	
	Arrendadora y Factor Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale - Unsecured Debt - Short term	
		AAA (mex)	National Scale - Unsecured Debt - Long term	
	Almacenadora Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
	Pensiones Banorte	ESTABLE	Outlook	
		AAA (mex)	National Scale	
	Seguros Banorte Generali	STABLE	Outlook	
		AAA (mex)	Financial Strenght	
Moody's	Banco Mercantil del Norte	UNDER REVIEW	Outlook	April, 2016
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
		Aa1.mx	Subordinated debt - Long term	
	Arrendadora y Factor Banorte	Aa2.mx	Junior Subordinated debt - Long term	
		STABLE	Outlook	
		Aaa.mx	National Scale - Long term issuer*	
		MX-1	National Scale - Short term issuer	
HR Ratings	Banco Mercantil del Norte	Aaa.mx	National Scale - Long term senior debt*	May, 2015
		MX-1	National Scale - Short term senior debt	
		STABLE	Outlook	
		HR AAA	Long term debt	
		HR+1	Short term debt	
		HR AA+	Subordinated Debt Preferential	

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	1Q16
Banco Mercantil del Norte, S.A. (1)	98.22%
Banorte USA (2)	100.00%
Afore XXI Banorte S.A. de C.V. (2)	50.00%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Pensiones Banorte, S.A. de C.V.	99.99%
Seguros Banorte S.A. de C.V.	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.99%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	98.83%

1. Considers as of 3Q14 a 98.22% stake of GFNorte.
2. Subsidiary of Banco Mercantil del Norte. Banorte USA owns 100% of Uniteller and 100% of INB Financial Corp.

Holding Company Capital Structure

Holding Company Capital Structure	
Number of Shares (Million)	SERIE O As of March 2016
Number of Issued Shares	2,773.73
Number of Shares Outstanding	2,773.73
Shares held in the GFNorte's Treasury	0

Group's Main Officers

Group's Main Officers 1Q16	
Name	Current Position
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Guillermo Chávez Eckstein	Chief Credit & Risk Officer
Isaías Velázquez González	Managing Director - Internal Audit

Integration of the Board of Directors as of March 2016

Board of Directors for the fiscal year 2015, appointed and approved in the Annual General Shareholders' Meeting held on April 24, 2015.

Grupo Financiero Banorte Board of Directors

PROPRIETARY MEMBERS

Carlos Hank González	Chairman
Juan Antonio González Moreno	
David Villarreal Montemayor	
José Marcos Ramírez Miguel	
Everardo Elizondo Almaguer	Independent
Patricia Armendáriz Guerra	Independent
Héctor Reyes-Retana y Dahl	Independent
Juan Carlos Braniff Hierro	Independent
Armando Garza Sada	Independent
Alfredo Elías Ayub	Independent
Adrián Sada Cueva	Independent
Vacant*	Independent
Alejandro Burillo Azcárraga	Independent
José Antonio Chedraui Eguía	Independent
Alfonso de Angoitia Noriega	Independent

ALTERNATE MEMBERS

Graciela González Moreno	
Juan Antonio González Marcos	
José María Garza Treviño	Independent
Robert William Chandler Edwards	Independent
Alberto Halabe Hamui	Independent
Roberto Kelleher Vales	Independent
Manuel Aznar Nicolás	Independent
Guillermo Mascareñas Milmo	Independent
Ramón A. Leal Chapa	Independent
Isaac Becker Kabacnik	Independent
Eduardo Livas Cantú	Independent
Vacant**	Independent
Javier Braun Burillo	Independent
Rafael Contreras Grosskelwing	Independent
Guadalupe Phillips Margain	Independent

*As of July, 23, 2015, Miguel Aleman Magnani is no longer part of GFNorte's and Banorte's Boards of Directors.

**As of July, 23, 2015, Lorenzo Lazo Margain is no longer part of GFNorte's and Banorte's Boards of Directors.

IV. Financial Statements

Holding

Income Statement-Holding (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2015	3M16
Income Subsidiaries	3,900	4,020	4,299	4,958	4,352	17,177	4,352
Interest Income	3	8	16	21	8	48	8
Interest Expense	-	-	-	-	-	-	-
Fees & Tariffs	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	-
Other Operating Income (Expenses)	-	-	-	(2)	2	(2)	2
Non-Interest Expense	27	26	30	26	26	108	26
Pre-Tax Income	3,876	4,003	4,285	4,951	4,336	17,115	4,336
Income Tax	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	(4)	(1)	6	20	(62)	21	(62)
Taxes	(4)	(1)	6	20	(62)	21	(62)
Net Income from Continuous Operations	3,880	4,003	4,278	4,932	4,398	17,093	4,398
Extraordinary Items, net	-	-	-	-	-	-	-
Net Income	3,880	4,003	4,278	4,932	4,398	17,093	4,398

Holding - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16
ASSETS					
Cash and Due from Banks	30	92	19	13	62
Margin Accounts	-	-	-	-	-
Investment in Securities	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans, net	190	1,260	2,305	1,800	1,507
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	190	1,260	2,305	1,800	1,507
Valuation adjustments for Asset Coverage	-	-	-	-	-
Performing Loans	-	-	-	-	-
Past Due Loans	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-
Benef. receivab. securization transactions	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	63	61	59	59	58
Inventories	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-
Investment in Subsidiaries	113,124	114,658	117,008	120,714	121,891
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	136	136	130	110	172
Goodwill and Intangibles	10,819	10,796	10,773	10,750	10,728
Other Assets Short and Long Term	-	-	-	-	-
Other Assets	-	-	-	-	-
	124,141	125,651	127,969	131,633	132,849
TOTAL ASSETS	124,361	127,003	130,293	133,445	134,419

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16
LIABILITIES					
Demand Deposits	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-
Deposits	-	-	-	-	-
Due to Banks & Correspondents	-	-	-	-	-
Total Collateral sold	-	-	-	-	-
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	10	676	1	3	0
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	-	-	-	-	-
TOTAL LIABILITIES	10	676	1	3	0
EQUITY					
Paid-in Capital	14,643	14,614	14,612	14,610	14,597
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	36,207	36,371	36,225	36,268	36,189
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,850	50,985	50,837	50,878	50,785
Capital Reserves	6,563	5,854	5,809	5,765	5,419
Retained Earnings	63,123	61,770	61,770	61,008	76,820
Surplus (Deficit) of Secs Available for Sale	779	74	(532)	(1,544)	(1,964)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)
Results from Conversions	181	339	930	1,070	1,110
Remeasurements defined benefits for employees	-	-	-	-	(121)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	3,880	7,884	12,162	17,093	4,398
Earned Capital	73,501	75,342	79,455	82,564	83,633
Minority Interest	-	-	-	-	-
Total Equity	124,351	126,327	130,292	133,442	134,418
TOTAL LIABILITIES & EQUITY	124,361	127,003	130,293	133,445	134,419

Holding - Memorandum Accounts <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-
Properties in Custody or Management	3,716	3,716	3,716	3,716	3,716
Collateral Received	-	-	2,308	1,784	1,503
Proprietary Transactions	3,716	3,716	6,024	5,500	5,219
TOTAL PROPRIETARY	3,716	3,716	6,024	5,500	5,219

Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2015	3M16
Interest Income	16,612	16,501	17,618	18,251	18,680	68,983	18,680
Interest Expense	5,556	5,986	6,031	5,792	6,002	23,365	6,002
Charged Fees	284	297	326	350	315	1,256	315
Fees Paid	90	96	96	101	102	383	102
Net Interest Income from interest & fees (NII)	11,251	10,716	11,817	12,709	12,891	46,492	12,891
Premium Income (Net)	5,337	4,535	4,225	4,977	7,741	19,074	7,741
Net Increase in Technical Reserves	2,478	1,130	1,186	2,337	4,154	7,131	4,154
Damages, Claims and Other Obligations	2,475	2,543	3,015	2,994	2,882	11,027	2,882
Net Interest Income (NII)	11,635	11,577	11,840	12,355	13,596	47,408	13,596
Preventive Provisions for Loan Losses	2,605	2,778	2,840	2,495	3,238	10,719	3,238
Net Interest Income Adjusted for Credit Risk	9,030	8,799	9,000	9,860	10,358	36,689	10,358
Fees for Commercial and Mortgage Loans	1	2	(0)	7	3	10	3
Fund Transfers	209	195	234	247	286	885	286
Account Management Fees	459	521	529	528	483	2,036	483
Fiduciary	111	87	88	102	81	388	81
Other Fees	753	792	750	737	809	3,031	809
Income from Real Estate Portfolios	23	21	35	91	33	169	33
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	5,118	1,350
For Consumer and Credit Card Loans	703	745	794	835	830	3,077	830
Fees Charged on Services	3,451	3,602	3,717	3,944	3,874	14,714	3,874
Fund transfers	16	13	5	18	18	52	18
Other Fees	1,187	1,092	1,189	1,328	1,650	4,795	1,650
Amortization of Loan Portfolio	-	-	-	-	-	-	-
Fees Paid on Services	1,203	1,105	1,194	1,346	1,667	4,847	1,667
Foreign Exchange	402	118	354	411	270	1,285	270
Securities-Realized Gains	477	298	173	506	92	1,454	92
Securities-Unrealized Gains	74	401	132	(355)	91	252	91
Trading Income	953	817	659	561	453	2,991	453
Loan Recoveries	299	317	299	391	349	1,306	349
Income from foreclosed assets	13	(6)	112	33	32	151	32
Other Operating Income	48	125	5	187	157	365	157
Other Operating Expense	(266)	(102)	(39)	(35)	(177)	(442)	(177)
Other Products	1,219	539	913	1,352	1,080	4,022	1,080
Other Recoveries	208	85	191	103	187	587	187
Other Operating Expense	(1,283)	(613)	(885)	(972)	(1,216)	(3,754)	(1,216)
Other Operating Income (Expense) from Insurance and Annuities	185	174	197	209	208	765	208
Total Other Operating Income (Expense)	423	519	793	1,267	621	3,001	621
Total Non Interest Income	3,624	3,833	3,976	4,426	3,281	15,859	3,281
Total Operating Income	12,654	12,632	12,976	14,286	13,639	52,548	13,639
Personnel	3,390	3,234	2,974	2,806	3,273	12,404	3,273
Employee Profit Sharing (PTU)	98	96	96	84	97	374	97
Professional Fees	515	610	551	757	497	2,433	497
Administrative and Promotional Expenses	1,722	1,735	1,771	1,987	1,964	7,215	1,964
Rents, Depreciation & Amortization	992	1,000	1,048	1,089	1,128	4,129	1,128
Taxes other than income tax & non deductible expenses	444	377	355	449	428	1,625	428
Contributions to IPAB/Fobaproa	510	523	533	550	566	2,116	566
Total Non Interest Expense	7,670	7,575	7,328	7,722	7,952	30,295	7,952
Operating Income	4,983	5,057	5,648	6,564	5,686	22,253	5,686
Subsidiaries' Net Income	279	345	277	301	328	1,201	328
Pre-Tax Income	5,262	5,402	5,925	6,866	6,014	23,454	6,014
Income Tax	1,208	1,537	1,587	1,389	1,699	5,720	1,699
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	121	(193)	(7)	466	(202)	386	(202)
Taxes	1,328	1,343	1,580	1,855	1,497	6,106	1,497
Net Income from Continuous Operations	3,934	4,058	4,345	5,011	4,517	17,348	4,517
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	(54)	(55)	(61)	(71)	(55)	(240)	(55)
Net Income	3,880	4,003	4,284	4,940	4,462	17,108	4,462

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16
ASSETS					
Cash and Due from Banks	83,716	85,551	88,257	107,848	96,566
Margin Accounts	97	160	105	91	269
Negotiable Instruments	294,182	295,065	245,062	244,945	249,531
Securities Available for Sale	117,709	117,035	118,933	113,465	113,167
Securities Held to Maturity	80,371	78,694	80,849	83,115	77,339
Investment in Securities	492,263	490,794	444,844	441,525	440,038
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans, net	1	0	70	493	402
Securities Lending	-	-	-	-	-
For trading purposes	19,211	19,000	23,166	19,068	18,154
For hedging purposes	137	151	103	79	100
Operations w/Derivatives & Securities					
Transactions with Derivatives	19,347	19,152	23,269	19,147	18,254
Operations w/Derivatives & Securities	19,349	19,152	23,340	19,640	18,656
Valuation adjustments for Asset Coverage	139	136	132	128	124
Commercial Loans	190,682	192,050	195,316	208,066	213,462
Financial Intermediaries' Loans	3,156	3,301	2,914	3,331	2,872
Consumer Loans	69,597	72,118	75,414	76,721	77,873
Mortgage Loans	91,288	93,844	96,892	99,952	102,205
Medium and Residential	88,562	90,690	93,471	96,285	98,465
low income housing	102	86	75	68	62
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679
Government Entities' Loans	125,085	124,704	129,670	130,118	137,144
Performing Loans	479,808	486,017	500,208	518,188	533,556
Commercial PDL's	9,980	10,162	9,918	7,923	7,977
Financial Intermediaries PDL's	1	0	0	0	0
Consumer PDL's	2,318	2,685	2,703	2,908	2,684
Mortgage PDL's	1,175	1,149	1,096	1,072	1,122
Medium and Residential	1,136	1,110	1,064	1,031	1,062
low income housing	3	4	7	6	7
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53
Government Entities PDL's	-	-	-	-	-
Past Due Loans	13,474	13,996	13,717	11,903	11,782
Gross Loan Portfolio	493,282	500,012	513,925	530,091	545,339
Preventive Loan Loss Reserves	14,571	14,734	15,013	13,813	14,059
Net Loan Portfolio	478,711	485,278	498,912	516,279	531,280
Acquired Collection Rights	2,860	2,651	2,559	2,217	2,120
Total Credit Portfolio	481,571	487,929	501,470	518,496	533,400
Account Receivables from Insurance and Annuities	2,167	2,444	2,432	1,888	1,718
Premium Debtors (Net)	5,952	5,477	4,480	4,414	9,252
Account Receivables from Reinsurance	5,865	6,864	5,692	5,872	6,462
Benef.receivab.securization transactions	583	505	329	184	149
Sundry Debtors & Other Accs Rec, Net	31,845	34,191	36,475	31,544	40,628
Inventories	422	688	596	462	416
Foreclosed Assets, Net	2,678	2,526	2,402	2,259	2,170
Real Estate, Furniture & Equipment, Net	13,191	13,468	13,701	14,537	14,582
Investment in Subsidiaries	13,115	13,440	13,730	13,805	13,034
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	2,293	2,378	2,712	2,785	3,514
Goodwill and Intangibles	23,901	25,145	26,642	28,860	27,148
Other Assets Short and Long Term	4,037	3,959	3,845	4,135	3,965
Other Assets					
	106,050	111,085	113,036	110,747	123,037
TOTAL ASSETS	1,183,186	1,194,806	1,171,183	1,198,476	1,212,090

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16
LIABILITIES					
Demand Deposits	305,716	310,282	321,146	347,577	339,524
Time Deposits-Retail	194,351	196,146	200,285	207,940	215,356
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171
Senior Unsecured Debt	4,997	5,177	100	100	130
Deposits	513,899	522,870	535,870	561,462	559,086
Demand Loans	0	0	0	1	6,928
Short Term Loans	17,172	17,546	15,694	16,481	16,333
Long Term Loans	11,324	12,438	14,163	14,551	14,187
Due to Banks & Correspondents	28,496	29,984	29,856	31,033	37,448
Technical Reserves	76,450	78,753	78,485	80,945	86,054
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	360,901	362,801	314,327	315,155	316,634
Secs to be received in Repo Trans, Net	-	-	0	-	-
Repos (Credit Balance)	19	41	3	1	0
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	19	41	3	1	0
For trading purposes	19,664	19,495	24,025	19,940	18,829
For hedging purposes	3,381	3,556	4,686	5,004	6,161
Operations w/ Derivatives & Securities					
Transactions with Derivatives	23,045	23,050	28,711	24,944	24,990
Total Operations w/ Derivatives & Securities	383,965	385,892	343,041	340,100	341,624
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-
Payable Accountsfor Reinsurance	2,094	1,477	1,606	1,735	2,575
Income Tax Payable	1,681	1,572	2,088	1,922	1,349
Profit Sharing Payable	145	217	309	375	135
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	14,996	8,747	10,094	7,541	7,451
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	15,484	16,950	17,073	17,458	19,396
Other Payable Accounts	32,306	27,485	29,564	27,296	28,331
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475
Deferred Taxes, Net	0	0	(0)	(0)	-
Deferred Credits	1,413	1,400	1,307	1,169	1,075
TOTAL LIABILITIES	1,055,334	1,064,652	1,037,028	1,061,124	1,073,667
EQUITY					
Paid-in Capital	14,627	14,610	14,608	14,606	14,593
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	36,079	36,527	36,381	36,423	36,345
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,706	51,137	50,989	51,030	50,937
Capital Reserves	6,563	5,854	5,809	5,765	5,419
Retained Earnings	64,974	63,622	63,622	62,860	78,686
Surplus (Deficit) of Secs Available for Sale	773	75	(526)	(1,552)	(1,976)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)
Results from Conversions	181	339	930	1,070	1,110
Remeasurements defined benefits for employees	-	-	-	-	(121)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	3,880	7,883	12,168	17,108	4,462
Earned Capital	75,346	77,195	81,317	84,422	85,551
Minority Interest	1,799	1,823	1,848	1,900	1,935
Total Equity	127,851	130,154	134,155	137,351	138,423
TOTAL LIABILITIES & EQUITY	1,183,186	1,194,806	1,171,183	1,198,476	1,212,090

GFNorte - Memorandum Accounts (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16
On behalf of Third Parties					
Customer's Banks	22	252	34	165	93
Dividends Receivable from Customers	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-
Settlement of Customer Transactions	(2)	(18)	(16)	45	208
Customer Premiums	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-
Other Current Accounts	-	-	-	-	-
Customers' Current Account	20	234	18	210	301
Client Securities Received in Custody	592,356	594,403	589,191	587,733	616,579
Securities and Documents Received in Guarantee	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-
Clients' Securities	592,356	594,403	589,191	587,733	616,579
Clients' Repurchase Operations	112,425	126,824	114,729	145,667	102,988
Clients' Repo Transactions w/ Securities	-	-	-	-	-
Collateral received in guarantee for customer accounts	111,981	126,381	114,288	145,225	102,953
Purchase of Futures & Forward Contracts, national	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-
Trusts under Management	77,144	73,549	79,143	87,009	99,220
Transactions On Behalf of Clients	301,550	326,754	308,160	377,901	305,161
Investment Bank Trans. on behalf of Third (Net)	91,311	98,221	95,736	79,643	71,038
TOTAL ON BEHALF OF THIRD PARTIES	985,237	1,019,612	993,105	1,045,488	993,079
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084
Trusts	211,808	217,386	283,559	290,832	306,517
Mandates	596	9,524	557	8,316	8,571
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088
Properties in Custody or Management	441,489	449,344	452,819	438,214	457,665
Collateral Received	83,491	87,699	88,377	147,797	103,030
Collateral Received or sold or delivered	142,879	161,124	145,469	235,143	146,735
Drafts in Transit	-	-	-	-	-
Assets' Deposit	2,688	2,440	2,029	3,023	2,343
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-
Contingent assets & Liabilities	1	5	13	19	26
Uncollected Accrued Interest from Past Due Loans	468	492	485	482	491
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Proprietary Transactions	929,620	1,085,747	1,138,395	1,284,355	1,189,463
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	929,620	1,085,747	1,138,395	1,284,355	1,189,463

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2016 – MARCH 31, 2016***(Million Pesos)*

Net Income	4,462
Items charged to results that do not generate or require use of resources	
Depreciation	288
Technical Reserves	4,154
Provisions	(1,517)
Income taxes and deferred	1,497
Minority Interest	(273)
	4,149
	8,611
Change in items related to operations	
Change in Margin Accounts	(178)
Change in Investment in Securities	1,543
Change in repo debtors	91
Change in derivatives (assets)	918
Change in Loan Portfolio (net)	(15,017)
Change in purchased receivables (net)	97
Change in accounts receivable insurance and bonding institutions (net)	169
Change in debtor premiums	(4,838)
Change in Reinsurance (net)	(589)
Change in benefits to receive from securitizations	36
Change in foreclosed assets (net)	89
Change in other operating assets (net)	(8,979)
Change in core deposits	(2,288)
Change in interbank loans and other entities	6,405
Change in repo creditors	1,479
Change in collateral pledged sold	(1)
Change in derivatives (liability)	(1,111)
Change in Technical Reserves (net)	955
Change in Reinsurance (net) (liability)	840
Change in subordinated debt with characteristics of liabilities	90
Change in other operating liabilities	3,104
Change in hedging instruments (the related hedged transaction activities)	1,136
Income Tax Payments	(2,797)
Net cash generated or used from operations	(10,235)
Investment Activities	
Charges for disposal of property, furniture and equipment	717
Payments for acquisition of property, furniture and equipment	(1,050)
Payments for other permanent investmentes	(2)
Charges for cash dividends	1,100
Net cash generated or used from investment activities	765
Financing Activities	
Payments of cash dividends	(1,269)
Payments associated with the repurchase of proprietary shares	(477)
Net cash flows from financing activities	(1,746)
Net Cash Increase (decrease) and equivalents value	(11,216)
Effects for changes in cash and equivalents value	(66)
Cash and cash equivalents at beginning of period	107,848
Cash and cash equivalents at end of period	96,566

GFNORTE – CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2016 – DECEMBER 31, 2016

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2015	14,606	36,424	5,765	62,860	(1,552)	(828)	0	1,069	0	17,108	1,900	137,352
Changes stemming from stockholders' decisions												
Repurchases of payment plan based on stock	(13)	(46)	(346)		(3)							(408)
Capitalization of profits				17,108						(17,108)		0
Dividends declared by the Ordinary General Shareholders' Meeting held on:												
February 19, 2016				(1,269)								(1,269)
Total	(13)	(46)	(346)	15,839	(3)	0	0	0	0	(17,108)	0	(1,677)
Changes stemming from profits												
Net Income										4,462		4,462
Result from valuation of securities available for sale					(421)							(421)
Effect of subsidiaries, associates and mutual funds		(34)		(13)				41				(6)
Result from valuation of instruments of cash flow hedges						(849)						(849)
Result in the valuations reserve for unexpired risks valuation in rates							(352)					(352)
Remeasurements defined benefits for employees									(121)			(121)
Total	0	(34)	0	(13)	(421)	(849)	(352)	41	(121)	4,462	0	2,713
Recognition of minority interest											35	35
Balance as of March 31, 2016	14,593	36,344	5,419	78,686	(1,976)	(1,677)	(352)	1,110	(121)	4,462	1,935	138,423

Consolidated Bank

Income Statement - Consolidated Bank (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2015	3M16
Interest Income	14,283	14,429	14,914	15,031	15,787	58,657	15,787
Interest Expense	4,688	4,807	4,893	4,711	4,994	19,098	4,994
Charged Fees	283	295	324	347	313	1,250	313
Fees Paid	88	94	95	99	101	376	101
Net Interest Income (NII)	9,790	9,823	10,251	10,568	11,005	40,432	11,005
Preventive Provisions for Loan Losses	2,539	2,690	2,731	2,442	3,177	10,401	3,177
Net Interest Income Adjusted for Credit Risk	7,250	7,133	7,520	8,127	7,829	30,031	7,829
Fees for Commercial and Mortgage Loans	1	2	(0)	7	3	10	3
Fund Transfers	209	195	234	247	286	885	286
Account Management Fees	459	521	529	528	498	2,036	498
Fiduciary	111	87	88	101	80	386	80
Other Fees	495	503	498	517	554	2,014	554
Income from Real Estate Portfolios	6	4	19	68	8	98	8
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	5,118	1,350
For Consumer and Credit Card Loans	703	745	794	835	835	3,077	835
Fees Charged on Services	3,177	3,297	3,448	3,701	3,613	13,624	3,613
Fund transfers	16	13	5	18	18	52	18
Other Fees	780	830	879	985	964	3,474	964
Amortization of Loan Portfolio	-	-	-	-	-	-	-
Fees Paid on Services	796	844	884	1,003	982	3,527	982
Foreign Exchange	411	125	374	417	269	1,326	269
Securities-Realized Gains	392	233	88	327	34	1,040	34
Securities-Unrealized Gains	46	371	126	(266)	172	277	172
Trading Income	850	728	588	477	475	2,643	475
Loan Recoveries	299	317	299	376	337	1,290	337
Income from foreclosed assets	7	(16)	105	39	26	135	26
Other Operating Income	48	125	5	187	145	365	145
Other Operating Expense	(32)	(7)	(0)	(0)	-	(39)	-
Other Products	201	153	354	365	107	1,073	107
Other Recoveries	139	63	136	48	104	385	104
Other Expense	(242)	(242)	(386)	(423)	(303)	(1,294)	(303)
Other Operating Income (Expense) from Insurance and Annuities	-	-	-	-	-	-	-
Total Other Operating Income (Expenses)	419	393	512	591	415	1,915	415
Total Non-Interest Income	3,650	3,575	3,664	3,767	3,522	14,655	3,522
Total Operating Income	10,900	10,708	11,184	11,893	11,351	44,686	11,351
Personnel	3,249	3,092	2,840	2,661	3,136	11,843	3,136
Employee Profit Sharing (PTU)	96	94	94	84	95	368	95
Professional Fees	434	492	467	597	442	1,990	442
Administrative and Promotional Expenses	1,504	1,535	1,611	1,818	1,749	6,467	1,749
Rents, Depreciation & Amortization	927	937	984	1,017	1,058	3,864	1,058
Taxes other than income tax & non-deductible expenses	368	326	302	392	366	1,387	366
Contributions to IPAB/Fobaproa	510	523	533	550	566	2,116	566
Total Non-Interest Expense	7,087	6,999	6,831	7,118	7,413	28,035	7,413
Operating Income	3,814	3,709	4,353	4,775	3,938	16,650	3,938
Subsidiaries' Net Income	302	359	299	320	333	1,280	333
Pre-Tax Income	4,116	4,068	4,652	5,095	4,271	17,930	4,271
Income Tax	789	1,133	1,208	1,046	1,154	4,177	1,154
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	245	(195)	(38)	224	(105)	235	(105)
Taxes	1,034	938	1,170	1,270	1,049	4,412	1,049
Net Income from Continuous Operations	3,082	3,130	3,482	3,824	3,222	13,518	3,222
Extraordinary Items, net	-	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	3,082	3,130	3,482	3,824	3,222	13,518	15,337

Consolidated Bank - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16
ASSETS					
Cash and Due from Banks	83,447	85,248	87,645	107,457	96,167
Margin Accounts	97	160	105	91	269
Negotiable Instruments	208,758	196,688	153,669	130,211	153,455
Securities Available for Sale	83,850	82,238	87,712	73,026	94,647
Securities Held to Maturity	10,283	7,837	7,795	7,761	7,730
Investment in Securities	302,891	286,763	249,176	210,998	255,832
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans,net	1	0	3	493	342
Securities Lending	-	-	-	-	-
For trading purposes	19,211	19,000	23,166	18,771	18,045
For hedging purposes	137	151	103	79	100
Operations w/Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	19,347	19,152	23,269	18,850	18,145
Operations w/Derivatives & Securities	19,349	19,152	23,273	19,343	18,487
Valuation adjustments for Asset Coverage	139	136	132	128	124
Commercial Loans	173,430	172,994	177,538	189,522	194,171
Financial Intermediaries' Loans	16,424	17,493	15,543	17,317	16,220
Consumer Loans	66,230	69,090	72,661	74,236	75,599
Mortgage Loans	91,288	93,844	96,892	99,952	102,205
Medium and Residential	88,562	90,690	93,471	96,285	98,465
low income housing	102	86	75	68	62
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679
Government Entities' Loans	123,336	123,029	128,481	128,567	135,866
Loans granted as Federal Agent	-	-	-	-	-
Performing Loans	470,707	476,450	491,116	509,593	524,062
Commercial PDL's	9,583	9,768	9,604	7,723	7,764
Financial Intermediaries PDL's	1	0	0	0	0
Consumer PDL's	2,223	2,618	2,637	2,839	2,627
Mortgage PDL's	1,175	1,149	1,096	1,072	1,122
Medium and Residential	1,136	1,110	1,064	1,031	1,062
low income housing	3	4	7	6	7
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-
Past Due Loans	12,981	13,536	13,337	11,634	11,512
Gross Loan Portfolio	483,688	489,986	504,453	521,227	535,574
Preventive Loan Loss Reserves	13,952	14,117	14,442	13,334	13,595
Net Loan Portfolio	469,736	475,869	490,011	507,893	521,979
Acquired Collection Rights	1,480	1,416	1,399	1,376	1,310
Total Credit Portfolio	471,216	477,285	491,410	509,269	523,288
Benef.receivab.securization transactions	583	505	329	184	149
Sundry Debtors & Other Accs Rec, Net	19,427	23,017	25,536	21,164	28,138
Inventories	-	-	-	-	-
Foreclosed Assets, Net	2,197	2,051	1,937	1,800	1,720
Real Estate, Furniture & Equipment, Net	10,443	10,618	10,778	11,364	11,466
Investment in Subsidiaries	12,808	13,151	13,461	13,485	12,719
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	2,453	2,566	2,927	3,095	3,366
Goodwill and Intangibles	10,888	11,914	13,336	15,394	14,114
Other Assets Short and Long Term	3,752	3,672	3,553	3,837	3,659
	62,551	67,495	71,858	70,324	75,331
TOTAL ASSETS	939,691	936,237	923,598	917,610	969,499

Consolidated Bank - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16
LIABILITIES					
Demand Deposits	307,197	311,717	322,742	349,805	341,549
Time Deposits-Retail	194,609	196,425	200,350	208,020	215,489
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171
Senior Unsecured Debt	4,619	4,798	-	-	-
Deposits	515,259	524,205	537,430	563,670	561,114
Demand Loans	0	0	0	1	6,928
Short Term Loans	7,223	7,225	6,680	7,558	6,845
Long Term Loans	5,214	6,378	6,991	7,385	7,197
Due to Banks & Correspondents	12,437	13,603	13,671	14,943	20,970
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	248,747	237,297	202,500	171,133	215,119
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	16	11	2	1	0
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	16	11	2	1	0
For trading purposes	19,664	19,495	24,025	19,940	18,829
For hedging purposes	3,381	3,556	4,686	5,004	6,161
Operations w/ Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	23,045	23,050	28,711	24,944	24,990
Total Operations w/ Derivatives & Securities	271,808	260,358	231,213	196,078	240,109
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-
Income Tax Payable	1,287	859	1,116	703	779
Profit Sharing Payable	145	217	309	375	135
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	12,130	8,099	8,292	7,465	8,291
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	10,995	11,805	12,576	13,351	14,584
Other Payable Accounts	24,557	20,980	22,294	21,893	23,789
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	1,316	1,289	1,199	1,058	933
TOTAL LIABILITIES	842,090	837,224	823,106	815,027	864,390
EQUITY					
Paid-in Capital	20,074	20,074	20,074	20,074	20,074
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	11,274	11,449	11,623	11,682	11,754
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	31,348	31,523	31,698	31,756	31,828
Capital Reserves	8,968	10,157	10,157	10,157	10,157
Retained Earnings	54,445	51,454	49,416	48,398	61,905
Surplus (Deficit) of Secs Available for Sale	771	69	(546)	(1,310)	(1,224)
Results from Valuation of Hedging Secs	(1,137)	(681)	(790)	(936)	(1,708)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-
Results from Conversions	115	269	853	990	1,041
Remeasurements defined benefits for employees	-	-	-	-	(123)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	3,082	6,212	9,694	13,518	3,222
Earned Capital	66,243	67,480	68,784	70,818	73,271
Minority Interest	10	10	10	10	10
Total Equity	97,601	99,013	100,492	102,584	105,109
TOTAL LIABILITIES & EQUITY	939,691	936,237	923,598	917,610	969,499

Consolidated Bank - Memorandum Accounts (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16
Investment Banking transactions for third parties, net	91,311	98,221	95,736	79,643	71,038
TOTAL ON BEHALF OF THIRD PARTIES	91,311	98,221	95,736	79,643	71,038
Proprietary Transactions					
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084
Trusts	211,808	217,386	283,559	290,832	306,517
Mandates	596	9,524	557	8,316	8,571
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088
Properties in Custody or Management	290,237	295,499	301,893	296,801	310,030
Collateral Received	72,222	78,345	76,255	141,993	86,437
Collateral Received or sold	19,629	25,389	21,881	85,898	28,941
Drafts in Transit	-	-	-	-	-
Deposits of assets	-	-	-	-	-
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-
Contingent assets & liabilities	1	5	13	19	26
Uncollected Accrued Interest from Past Due Loans	425	450	442	439	449
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Proprietary Transactions	641,118	784,330	849,686	984,827	905,053
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	641,118	784,330	849,686	984,827	905,053

Information by Segments

GFNorte - Income Statement as of March '16

(Million Pesos)

	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Interest Income	8	16,100	367	18	133	1,509	1,257
Premium Income (Net)	-	-	-	-	6,389	1,492	-
Interest Expense	-	5,094	180	0	7	-	1,202
Net Increase in Technical Reserves	-	-	-	-	2,284	1,870	-
Damages, Claims and Other Obligations	-	-	-	-	1,995	887	-
Net Interest Income (NII)	8	11,005	187	18	2,236	244	55
Preventive Provisions for Loan Losses	-	3,177	13	-	-	-	-
Net Interest Income Adjusted for Credit Risk	8	7,829	174	18	2,236	244	55
Loan Origination Fees	-	3,613	7	-	-	-	269
Fees Paid	-	982	22	0	838	-	37
Trading Income	-	475	(1)	-	1	4	160
Other Operating Income (Expenses)	2	415	133	1	149	(1)	(4)
Non Interest Income	2	3,522	117	1	(688)	3	388
Total Operating Income	10	11,351	291	18	1,548	247	443
Administrative and Promotional Expenses	26	7,413	61	8	235	68	225
Operating Income	(16)	3,938	229	10	1,313	179	218
Subsidiaries' Net Income	4,352	333	-	-	0	1	0
Pre-Tax Income	4,336	4,271	229	10	1,313	180	218
Income Tax	-	1,154	76	3	397	-	47
Deferred Income Tax	(62)	(105)	(5)	(0)	-	58	16
Net Income from Continuous Operations	4,398	3,222	158	7	917	122	154
Minority Interest	-	(0)	(0)	-	(1)	-	-
Net Income	4,398	3,222	158	7	916	122	154

GFNorte - Income Statement as of March '16

(Million Pesos)

	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Cargos	Créditos	Saldo Final
Interest Income	4	0	110	19,505	511	-	18,994
Premium Income (Net)	-	-	-	7,881	140	-	7,741
Interest Expense	-	0	126	6,609	-	506	6,103
Net Increase in Technical Reserves	-	-	-	4,154	-	-	4,154
Damages, Claims and Other Obligations	-	-	-	2,882	-	-	2,882
Net Interest Income (NII)	4	0	(16)	13,741	-	-	13,596
Preventive Provisions for Loan Losses	-	-	48	3,238	-	-	3,238
Net Interest Income Adjusted for Credit Risk	4	0	(64)	10,503	-	-	10,358
Loan Origination Fees	276	-	43	4,208	334	-	3,874
Fees Paid	195	-	0	2,073	-	405	1,667
Trading Income	-	-	(186)	453	-	-	453
Other Operating Income (Expenses)	1	-	(65)	630	11	2	621
Non Interest Income	82	-	(209)	3,218	345	(404)	3,281
Total Operating Income	86	0	(273)	13,721	345	(404)	13,639
Administrative and Promotional Expenses	11	0	41	8,089	188	325	7,952
Operating Income	75	(0)	(314)	5,632	-	-	5,686
Subsidiaries' Net Income	2	-	(7)	4,681	4,354	-	328
Pre-Tax Income	77	(0)	(322)	10,313	-	-	6,014
Income Tax	22	-	-	1,699	-	-	1,699
Deferred Income Tax	(0)	-	(95)	(193)	-	9	(202)
Net Income from Continuous Operations	55	(0)	(227)	8,807	-	-	4,517
Minority Interest	-	-	-	(1)	54	-	(55)
Net Income	55	(0)	(227)	8,805	5,591	1,238	4,462

GFNorte - Balance Sheet as of March 31 '16

(Million Pesos)

ASSETS	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	62	96,167	12	28	61	2	1,625
Margin Accounts	-	269	-	-	-	-	-
Investment in Securities	-	255,832	0	-	12,364	69,823	100,885
Negotiable Instruments	-	153,455	-	-	8,795	500	86,781
Securities Available for Sale	-	94,647	0	-	3,570	327	13,449
Securities Held to Maturity	-	7,730	-	-	-	68,996	655
Debtor Balance in Repo Trans, net	1,507	342	-	-	60	-	0
Transactions with Derivatives For trading purposes	-	18,045	1	-	-	-	-
Transactions with Derivatives For hedging purposes	-	100	-	-	-	-	-
Valuation adjustments for Asset Coverage	-	124	-	-	-	-	-
Gross Loan Portfolio	-	523,288	20,741	-	-	-	-
Net Loan Portfolio	-	521,979	20,741	-	-	-	-
Performing Loans	-	524,062	20,858	-	-	-	-
Commercial Loans	-	194,171	19,291	-	-	-	-
Financial Intermediaries' Loans	-	16,220	285	-	-	-	-
Government Entities' Loans	-	135,866	1,277	-	-	-	-
Consumer Loans	-	75,599	5	-	-	-	-
Mortgage Loans	-	102,205	-	-	-	-	-
Media y Residencial	-	98,465	-	-	-	-	-
De Interés Social	-	62	-	-	-	-	-
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	3,679	-	-	-	-	-
Past Due Loans	-	11,512	188	-	-	-	-
Commercial PDL's	-	7,764	188	-	-	-	-
Financial Intermediaries PDL's	-	0	-	-	-	-	-
Consumer PDL's	-	2,627	0	-	-	-	-
Mortgage PDL's	-	1,122	-	-	-	-	-
Media y Residencial	-	1,062	-	-	-	-	-
De Interés Social	-	7	-	-	-	-	-
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	53	-	-	-	-	-
Preventive Loan Loss Reserves	-	13,595	305	-	-	-	-
Acquired Collection Rights	-	1,310	-	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	-	-	578	1,140	-
Premium Debtors (Net)	-	-	-	-	9,196	56	-
Account Receivables from Reinsurance	-	-	-	-	6,462	-	-
Benef.receivab.securization transactions	-	149	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	58	28,138	176	40	-	-	4,931
Inventories	-	-	-	416	-	-	-
Foreclosed Assets, Net	-	1,720	7	-	-	-	-
Real Estate, Furniture & Equipment, Net	-	11,466	2,534	73	289	10	55
Investment in Subsidiaries	121,891	12,719	-	0	2	36	11
Deferred Taxes, Net	172	3,366	-	3	79	-	90
Total other Assets	10,728	17,773	171	12	546	3	274
Goodwill	9,699	5,083	-	-	-	-	-
Intangible	1,029	9,031	171	1	470	0	48
Other Assets	-	3,659	-	11	76	3	227
TOTAL ASSETS	134,419	969,499	23,642	572	29,637	71,070	107,870

GFNorte - Balance Sheet as of March 31 '16

(Million Pesos)

ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges	Credits	Final Balance
Cash and Due from Banks	384	32	124	98,498	215	2,147	96,566
Margin Accounts	-	-	-	269	-	-	269
Investment in Securities	-	-	1,288	440,193	195	351	440,038
Negotiable Instruments	-	-	-	249,531	-	-	249,531
Securities Available for Sale	-	-	1,288	113,281	-	114	113,167
Securities Held to Maturity	-	-	-	77,381	195	237	77,339
Debtor Balance in Repo Trans, net	-	-	127	2,036	-	1,635	402
Transactions with Derivatives For trading purposes	-	-	108	18,154	-	-	18,154
Transactions with Derivatives For hedging purposes	-	-	-	100	-	-	100
Valuation adjustments for Asset Coverage	-	-	-	124	-	-	124
Gross Loan Portfolio	-	-	3,004	547,033	-	13,634	533,400
Net Loan Portfolio	-	-	2,193	544,913	-	13,634	531,280
Performing Loans	-	-	2,270	547,190	-	13,634	533,556
Commercial Loans	-	-	-	213,463	-	1	213,462
Financial Intermediaries' Loans	-	-	-	16,505	-	13,632	2,872
Government Entities' Loans	-	-	-	137,144	-	-	137,144
Consumer Loans	-	-	2,270	77,873	-	-	77,873
Mortgage Loans	-	-	-	102,205	-	-	102,205
Media y Residencial	-	-	-	98,465	-	-	98,465
De Interés Social	-	-	-	62	-	-	62
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	-	-	3,679	-	-	3,679
Past Due Loans	-	-	82	11,782	-	-	11,782
Commercial PDL's	-	-	25	7,977	-	-	7,977
Financial Intermediaries PDL's	-	-	-	0	-	-	0
Consumer PDL's	-	-	57	2,684	-	-	2,684
Mortgage PDL's	-	-	-	1,122	-	-	1,122
Media y Residencial	-	-	-	1,062	-	-	1,062
De Interés Social	-	-	-	7	-	-	7
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	-	-	53	-	-	53
Preventive Loan Loss Reserves	-	-	158	14,059	-	-	14,059
Acquired Collection Rights	-	-	810	2,120	-	-	2,120
Account Receivables from Insurance and Annuities	-	-	-	1,718	-	-	1,718
Premium Debtors (Net)	-	-	-	9,252	-	-	9,252
Account Receivables from Reinsurance	-	-	-	6,462	-	-	6,462
Benef.receivab.securization transactions	-	-	-	149	-	-	149
Sundry Debtors & Other Accs Rec, Net	123	5	9,446	42,915	61	2,348	40,628
Inventories	-	-	-	416	-	-	416
Foreclosed Assets, Net	-	-	444	2,170	201	201	2,170
Real Estate, Furniture & Equipment, Net	0	103	2	14,532	212	163	14,582
Investment in Subsidiaries	94	-	306	135,059	767	122,792	13,034
Deferred Taxes, Net	-	-	671	4,380	383	1,250	3,514
Total other Assets	1	6	153	29,668	2,453	1,008	31,113
Goodwill	-	-	-	14,782	2,453	876	16,359
Intangible	1	6	153	10,910	-	120	10,789
Other Assets	-	-	-	3,976	-	11	3,965
TOTAL ASSETS	603	146	15,674	1,353,130	4,487	145,528	1,212,090

GFNorte - Balance Sheet as of March 31 '16

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Deposits	-	561,114	130	-	-	-	-
Demand Deposits	-	341,549	-	-	-	-	-
Time Deposits	-	218,394	-	-	-	-	-
Time Deposits-Retail	-	215,489	-	-	-	-	-
Time Deposits-Money Market	-	2,904	-	-	-	-	-
Senior Unsecured Debt	-	-	130	-	-	-	-
Cuenta global de captación sin movimientos	-	1,171	-	-	-	-	-
Due to Banks & Correspondents	-	20,970	18,162	306	-	-	-
Immediate Redemption Loans	-	6,928	-	-	-	-	-
Short Term Loans	-	6,845	11,172	306	-	-	-
Long Term Loans	-	7,197	6,990	-	-	-	-
Technical Reserves	-	-	-	-	17,275	68,616	-
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	215,119	-	-	-	-	103,150
Collateral sold or pledged as collateral	-	0	-	-	-	-	0
Transactions with Derivatives for trading purposes	-	18,829	-	-	-	-	-
Transactions with Derivatives for hedging purposes	-	6,161	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	-	2,575	-	-
Other Payable Accounts	0	23,789	782	14	4,237	106	1,641
Income Tax Payable	-	779	122	1	399	-	34
Profit Sharing Payable	-	135	-	-	-	-	-
Creditors for settlement of transactions	-	8,291	-	-	-	-	1,305
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	0	14,584	660	13	3,838	106	302
Subordinated Non Convertible Debt	-	17,475	-	-	-	-	-
Deferred Taxes, Net	-	-	4	-	-	600	-
Deferred Credits	-	933	109	-	140	-	0
TOTAL LIABILITIES	0	864,390	19,186	320	24,227	69,322	104,790
EQUITY							
Subscribed Capital	50,785	31,828	526	87	709	325	1,429
Paid-in Capital	14,597	20,074	526	87	709	325	1,354
Share Subscription Premiums	36,189	11,754	-	-	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
Earned Capital	83,633	73,271	3,923	165	4,665	1,422	1,651
Capital Reserves	5,419	10,157	499	44	540	176	124
Retained Earnings	76,820	61,905	3,276	115	3,451	1,130	1,223
Surplus (Deficit) of Secs Available for Sale	(1,964)	(1,224)	(10)	-	109	(6)	63
Results from Valuation of Hedging Secs	(1,677)	(1,708)	-	-	-	-	-
Resultado en la Valuación de la Reserva de Riesgos en curso por variaciones en las tasas.	(352)	-	-	-	(352)	-	-
Results from Conversions	1,110	1,041	-	-	-	-	87
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remediones por beneficios definidos a los empleados	(121)	(123)	-	-	-	-	-
Net Income	4,398	3,222	158	7	916	122	154
Capital Mayoritario	134,418	105,099	4,449	253	5,374	1,747	3,080
Minority Interest	-	10	6	0	36	-	-
Total Equity	134,418	105,109	4,455	253	5,410	1,747	3,080
TOTAL LIABILITIES & EQUITY	134,418	969,499	23,642	572	29,637	71,070	107,870

GFNorte - Balance Sheet as of March 31 '16

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Cargos	Créditos	Saldo Final
Deposits	-	-	-	561,244	2,158	-	559,086
Demand Deposits	-	-	-	341,549	2,025	-	339,524
Time Deposits	-	-	-	218,394	133	-	218,260
Time Deposits-Retail	-	-	-	215,489	133	-	215,356
Time Deposits-MoneyMarket	-	-	-	2,904	-	-	2,904
Senior Unsecured Debt	-	-	-	130	-	-	130
Cuenta global de captación sin movimientos	-	-	-	1,171	-	-	1,171
Due to Banks & Correspondents	-	-	11,644	51,081	13,634	-	37,448
Immediate Redemption Loans	-	-	-	6,928	-	-	6,928
Short Term Loans	-	-	11,644	29,967	13,634	-	16,333
Long Term Loans	-	-	-	14,187	-	-	14,187
Technical Reserves	-	-	-	85,892	-	162	86,054
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	318,268	1,635	-	316,634
Collateral sold or pledged as collateral	-	-	-	0	-	-	0
Transactions with Derivatives for trading purposes	-	-	-	18,829	-	-	18,829
Transactions with Derivatives for hedging purposes	-	-	-	6,161	-	-	6,161
Payable Accounts for Reinsurance	-	-	-	2,575	-	-	2,575
Other Payable Accounts	131	0	59	30,759	2,481	53	28,331
Income Tax Payable	14	0	-	1,349	-	-	1,349
Profit Sharing Payable	-	-	-	135	-	-	135
Creditors for settlement of transactions	-	-	1	9,597	2,146	-	7,451
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	117	0	58	19,678	335	53	19,396
Subordinated Non Convertible Debt	-	-	-	17,475	-	-	17,475
Deferred Taxes, Net	0	-	-	604	604	-	-
Deferred Credits	-	-	13	1,195	120	-	1,075
TOTAL LIABILITIES	132	0	11,716	1,094,084	20,631	215	1,073,667
EQUITY							
Subscribed Capital	112	144	4,200	90,146	39,530	322	50,937
Paid-in Capital	112	144	2,926	40,856	26,263	-	14,593
Share Subscription Premiums	-	-	2	48,019	11,996	322	36,345
Contributions for future capital increases agreed by the governing body	-	-	1,272	1,272	1,272	-	-
Earned Capital	359	1	(242)	168,849	86,576	3,278	85,551
Capital Reserves	19	2	117	17,097	11,678	-	5,419
Retained Earnings	284	(1)	797	149,001	73,520	3,205	78,686
Surplus (Deficit) of Secs Available for Sale	-	-	(929)	(3,962)	(1,985)	-	(1,976)
Results from Valuation of Hedging Secs	-	-	-	(3,385)	(1,708)	-	(1,677)
Resultado en la Valuación de la Reserva de Riesgos en curso por variaciones en las tasas.	-	-	-	(703)	(352)	-	(352)
Results from Conversions	-	-	-	2,239	1,129	-	1,110
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remediones por beneficios definidos a los empleados	-	-	-	(243)	(123)	-	(121)
Net Income	55	(0)	(227)	8,805	4,417	74	4,462
Capital Mayoritario	471	146	3,958	258,995	126,106	3,600	136,488
Minority Interest	0	-	-	52	36	1,918	1,935
Total Equity	471	146	3,958	259,047	126,142	5,518	138,423
TOTAL LIABILITIES & EQUITY	603	146	15,674	1,353,130	146,773	5,733	1,212,090

V. Appendix

Accounting Changes & Regulation

Numbers in this section are stated in million pesos.

Modifications in Seguros Banorte and Pensiones Banorte.

Seguros Banorte

On April 4th, 2015 the Law for Insurance and Bonding Institutions came into effect, with new requirements in terms of corporate governance systems, disclosure of information, documentation and enhanced processes; furthermore, new methodologies for Reserves calculation in accordance with the new Law were registered.

During the first quarter of 2016, the National Insurance and Bonding National Commission (CNSF) authorized to use internal methodologies of reserves, the preliminary calculations of the final test with figures as of December 2015 had no impact on Capital Solvency Requirement and Margin of Solvency.

Recognition of rate variation of reserve for Long-Term Unexpired Risks

The variations that occur between the reserve for unexpired risks valuation and the recoverable long-term reinsurance amounts due to differences in interest rates used in the valuation, will correspond to unrealized losses or gains, which could subsequently be reversed depending on the movements of rates used for the valuation; therefore, registration shall affect Equity in the line "Surplus / Deficit in the valuation of the reserve for long-term unexpired risks" in accordance with the criteria defined by the CNSF.

Registration of changes in calculation methodology for Unexpired Risks

In accordance to the amendment circular 1/16, to institutions – that as a result of the application as of January 1st, 2016 regarding internal calculation methods for unexpired risks and reserves for pending outstanding obligations for occurred and non-reported claims– that determine a net decrease in such reserves related to the amounts determined in accordance with the provisions in force to December 31st, 2015. Such net decrease could be registered in accordance with that established under Title 22 of current regulations, which must be carried out in a maximum period of 2 years.

Securities Portfolio

Securities classified as "Held to Maturity" were reclassified as "Available for Sale", the foregoing in adherence to Title 22 (of accounting and financial statements) Chapter 22.1.2 (of accounting criteria for the estimation of the assets and liabilities of institutions) which states that Securities Held to Maturity will be used exclusively by the insurance companies that operate the insurance of Annuities companies, considering the nature of their obligations.

Registration of Short-Term Life Insurance Premiums

Until December 2015 registration of income was carried out according to the payment periodicity for each premium and as from January 2016 is recognized in accordance with the policy's term. This effect has a corresponding impact in the constitution of reserves.

Pensiones Banorte

Securities Portfolio

Also, in January 2016 Pensiones Banorte changed its classification of securities "Held to Maturity" to "Available for Sale" reflecting a deficit of Ps 7,860,116 in equity as of January 31st, 2016.

Modification to the Severity of Loss Exposure for debtors in bankruptcy.

On October 30, 2014 the CNBV published an amendment to Regulations for the rating methodology of commercial loan portfolios, to make it congruent with Bankruptcy Law reforms published in January 2014 for loans granted to debtors applying for bankruptcy who had previously submitted a restructuring plan.

The resolution amends Article 114 of the Regulations and applies to the part not covered by real guarantees for loans granted to individuals or corporations who have filed for bankruptcy, with a previous restructuring plan. The amendment establishes that for such cases, Institutions may calculate an Updated Loss Estimate that reflects the best estimate of loss as a percentage of the past due portfolio, considering possible payments or mitigated losses that could be received as payment for the portion of the loan that is not covered.

The Severity of Loss to be used in these cases would be the maximum between the Updated Loss Estimate and the 45% established in the regulation as Severity of Loss for un-subordinated, uncovered positions with less than 18 months of arrears. This calculation can be maintained until an agreement between lender(s) and borrower is reached or until the borrower has been declared in bankruptcy in which case this modification would not apply and the uncovered portion of the loan will be set aside in accordance to the existing regulation which requires up to 100% of Loss Severity for loans 18 months or more in default.

Liquidity Coverage Ratio (LCR). Changes in Methodology

On December 31, 2015 the CNBV published amendments on liquidity requirements for banking institutions, which became effective on January 2016, and impacted Banorte positively.

Among the amendments, the following are highlighted: i) the methodology to receive cash inflows and outflows from derivatives; ii) the change in weights to credit obligations; and iii) the possibility to acknowledge positions with deterioration on its historical prices as liquid assets, among others.

Main changes in the accounting criterion NIF D-3 "Employee Benefits".

On December 31st, 2015, the Commission issued a resolution amending provisions corresponding to the application of the "NIF D-3 Employee Benefits". This provision is intended to publicize transitory articles that identify the options that institutions have to recognize accounting effects as a result of the new NIF-D-3.

Under the above, the institution took the option set forth in the third transitional article of progressively registering in equity formula changes referred to in paragraphs a) and b) of paragraph 81.2 of the NIF D-3 "Employees' Benefits", issued by the "*Consejo Mexicano de Normas de Información Financiera, A.C.*", which became effective on January 1st, 2016 and promptly reported to the Commission in accordance with the deadlines set in the provisions.

The registration of balances in paragraphs a) and b) of paragraph 81.2 of the NIF D-3, started in 2016 recognizing 20% of the balances in that year and an additional 20% in each of the subsequent years, up to 100% in a maximum period of 5 years.

The total amounts to register regarding paragraphs a) and b) of paragraph 81.2 of the NIF D-3 were determined using the corporate bond discount rate for market valuation, of the Defined Benefits Obligation in accordance with the new NIF D-3, in the following terms:

- I. The amendments balance of the unrecognized plan, is recognized progressively, registering 20% in 2016 affecting the "results from prior years" line, using as a counterpart the "Provision for employee benefits" account, corresponding to the liability line "Other creditors & accounts payable", as follows:

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 1Q16
Corporate bonds	\$183.0	\$36.6	\$9.0

- II. In the case of an accumulated balance of gains or losses of the unrecognized plan (broker approach), its perceived progressively, registering 20% in 2016, and increasing the "Provision for employee benefits" account, corresponding to the liability line "Other creditors & accounts payable", using as a counterpart the "Remeasurements of defined benefits for employees" of the "Earned Capital" line as follows:

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 1Q16
Corporate bonds	\$2,728.7	\$545.7	\$136.4

The 20% annual application is registered proportionally each month in 2016.

The amounts that would have been registered and presented in the balance sheet as of March 31, 2016, having not implemented the aforementioned option in the affected lines are:

Other short and long term assets ⁽¹⁾	1,199
Total assets	1,209,328
Results from prior years	78,512
Remeasurements of defined benefits for employees	(2,713)
Total equity	135,643
Total liabilities plus equity	1,209,328

1. Under this line, the "Provision for employee benefits" account is netted to show "Net asset for defined benefits" driven by the institutions' prepayments.

Early termination of the mortgage debtor support programs

On June 30, 2010, the Ministry of Finance and Public Credit (SHCP) on behalf of the Federal Government agreed (the Agreement) to the early termination of mortgage debtor support programs (end point and UDIS trusts) with banks. Consequently, as of January 1, 2011, the Holding Company absorbed the corresponding part of the discount offered in advance to mortgage debtors that participated in the program.

In the Agreement a series of Federal Government's obligations were established, payable in 5 annual amortizations whose maturity date was June 1, 2015. On such date the last payment for an amount of Ps 29 was received. This includes a monthly financial cost as of the day immediately following the cut-off date and until the end of the month immediately preceding the payment date.

As of March 31st, 2016, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 920, and its maturities are between 2017 and 2027.

Loan Portfolio Sales to Sólida

As instructed by the CNBV in the document 601-II-323110, we show the integration of the loan portfolio sold in 1Q03 by Banorte to its subsidiary Solida Administradora de Portafolios, S.A. de C.V. The Purpose of this sale was to concentrate the portfolio in this unit as it had been managing the collections of these loans previously. This was a one-time operation and not a permanent transfer procedure of the Solida's portfolio.

On February, 2003 Banorte sold Ps 1.9 billion (Ps 1.861 billion in past due loans and Ps 64 million in Performing loans) of its own portfolio (including interests) to its subsidiary, Solida Administradora de Portafolios, S.A. de C.V. for Ps 378 million. The transaction was done based on August 2002 figures, and therefore the final figure that affected the February balance was Ps 1.86 billion, once the collections made since August 2002 are considered. The past due portfolio, as well as Ps 1.577 billion in associated loan reserves, were cancelled.

	Local Currency			Foreign Currency (USD)			Total		
(Million of Nominal Pesos)	aug-02	Dec-15	Mar-16	aug-02	Dec-15	Mar-16	aug-02	Dec-15	Mar-16
Performing Loans									
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	22	21	0	0	0	54	22	21
Total	59	22	21	5	0	0	64	22	21
Non Performing Loans									
Commercial	405	236	236	293	11	11	698	248	248
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	214	210	0	0	0	1,112	214	210
Total	1,598	522	518	293	11	11	1,891	533	529
TOTAL LOANS	1,657	544	539	298	11	11	1,955	555	551
Loan Loss Reserves (1)									
Commercial	326	236	236	246	11	11	572	248	248
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	226	221	0	0	0	669	226	221
Total	1,072	533	529	246	11	11	1,318	544	540

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

(*) There was a reserve difference of Ps 12 million as of March 2016.

(*) The dollar portfolio and reserves are re-expressed in pesos.

(*) Local Currency includes UDIS valued at the new exchange rate.

In 1Q16 the Loan portfolio showed changes due to: collections of Ps 1.4 million, charge offs and discounts of Ps 3.5 million and foreclosed assets for Ps 0.6 million; during the quarter there were no restructurings. In the Loan loss provisions, there were charge offs and discounts of Ps 2.3 million. There were no transfers from performing loans to past due loans and vice versa.

As instructed by the CNBV in the document 601-II-323110 for purposes of determining financial indicators and a general disclosure referred to regulations, we show the integration of the Banorte's portfolio including the portfolio which was sold to Solida Administradora de Portafolios, S.A. de C.V.

	Local Currency (1)		Foreign Currency (USD) (2)		Total	
<i>(Million of Nominal Pesos)</i>	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16
Commercial	303,835	315,455	35,435	34,918	339,271	350,373
Consumer	49,269	50,267	0	0	49,269	50,267
Mortgage	98,493	100,764	0	0	98,494	100,765
Performing Loans	451,598	466,486	35,436	34,918	487,034	501,404
Commercial	7,880	7,896	80	108	7,960	8,004
Consumer	1,491	1,284	0	0	1,491	1,284
Mortgage	1,254	1,304	0	0	1,254	1,304
Non Performing Loans	10,625	10,484	80	108	10,705	10,592
TOTAL LOANS	462,223	476,970	35,516	35,026	497,739	511,996
Loan Loss Reserves	10,726	10,906	315	300	11,041	11,206
Net Loan Portfolio	451,497	466,064	35,201	34,726	486,698	500,790
Loan Loss Reserves					103.14%	105.80%
% Past Due Loans					2.15%	2.07%

1. Includes UDIS.

2. The dollar portfolio and reserves are re-expressed in pesos.

Notes to Financial Statement

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q16

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	214,485	797	11	215,293
Unrestricted	1,271	45	(25)	1,292
CETES	4,267	31	(7)	4,292
BONDES	514	1	1	516
BPA	405	1	0	406
Bonds	(4,068)	10	(19)	(4,078)
Udibonds	135	3	1	139
UMS	18	0	(0)	18
Treasury Notes	-	0	-	0
Restricted	213,214	752	35	214,001
CETES	8,198	-	1	8,199
BONDES	22,767	23	0	22,789
BPA	173,236	578	28	173,842
Bonds	8,911	151	6	9,069
Udibonds	101	0	0	102
Treasury Notes	0	-	(0)	0
Banking Securities	28,205	31	3	28,239
Unrestricted	2,621	1	(0)	2,621
Notes	1,734	0	0	1,734
Stock Certificates	462	1	(0)	463
Other Banking Securities	425	-	-	425
Restricted	25,584	30	3	25,618
Notes	3,031	-	(2)	3,029
CEDES	2,856	3	(0)	2,859
Stock Certificates	16,951	26	6	16,983
Other Banking Securities	2,745	2	(0)	2,747
Private Securities	5,769	9	221	6,000
Unrestricted	1,693	3	239	1,936
Stock Certificates	504	1	(6)	499
PEMEX Bonds	3	0	(0)	3
Euro Bonds	122	3	7	131
BMV stocks	136	-	183	319
Mutual Funds stocks	928	-	56	984
Restricted	4,076	6	(18)	4,064
Stock Certificates	3,975	6	(18)	3,963
BMV stocks	101	-	(0)	101
Other Private Securities	0	-	-	0
Total	248,459	838	235	249,531

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q16*(Million Pesos)*

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	82,959	536	95	83,591
Unrestricted	14,693	165	233	15,091
CETES	64	1	(0)	65
BONDES	100	-	0	100
Bonds	1,075	19	(22)	1,073
CBIC	112	2	27	141
Udibonds	280	5	160	445
UMS	5,431	117	152	5,701
Other Government Securities	7,630	21	(83)	7,567
Restricted	68,266	371	(137)	68,500
CETES	97	-	(0)	97
BPA	68,169	371	(137)	68,402
Bonds	1	0	(0)	1
Banking Securities	1,605	10	49	1,664
Unrestricted	1,506	10	49	1,564
CEDES	310	9	92	410
Stock Certificates	404	1	29	434
Structured Notes	732	0	(72)	660
Other Banking Securities	60	0	0	60
Restricted	100	0	0	100
Stock Certificates	100	0	0	100
Private Securities	30,939	228	(3,255)	27,912
Unrestricted	21,678	205	(2,366)	19,517
Stock Certificates	5,259	33	(309)	4,983
PEMEX Bonds	9,110	150	(779)	8,481
Euro Bonds	1,347	21	(30)	1,338
BMV stocks	2,630	-	(1,341)	1,289
Mutual Funds stocks	3,333	-	94	3,427
Restricted	9,261	23	(889)	8,395
Stock Certificates	7,093	10	(98)	7,005
PEMEX Bonds	1,396	13	(67)	1,342
BMV stocks	771	-	(723)	48
Total	115,504	773	(3,110)	113,167

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q16
(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	60,468	649	-	61,117
Unrestricted	60,468	649	-	61,116
CETES (Special)	920	-	-	920
CBIC	279	5	-	284
Udibonds	59,268	644	-	59,912
Restricted	0	0	-	0
Bonds	0	0	-	0
CBIC	0	0	-	0
Udibonds	0	0	-	0
Banking Securities	2,184	1,308	-	3,492
Unrestricted	2,184	1,308	-	3,492
CEDES	1,072	1,132	-	2,204
Stock Certificates	662	6	-	668
Structured Notes	449	170	-	619
Private Securities	12,621	151	-	12,772
Unrestricted	8,643	139	-	8,782
Stock Certificates	8,643	139	-	8,782
Restricted	3,978	12	-	3,990
Stock Certificates	3,978	12	-	3,990
Fair Value Adjustment Ixe Banco	(42)	-	-	(42)
Total	75,232	2,107	-	77,339

REPURCHASE AGREEMENT OPERATIONS 1Q16
(Million Pesos)

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Government securities	39,438	39,038	401	0	275,828
Banking securities	3,254	3,254	0	0	23,382
Private Securities	1,234	1,234	0	0	17,424
Total	43,927	43,526	402	0	316,634

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q16
(Million Pesos)**

Creditor Balance	
Instrument	Fair Value
Forward	
Fx Forward	12
Options	
Rate options	552
Fx options	1
Opciones de acciones	111
Swaps	
Rate swap	14,852
Fx swap	2,627
Negotiable Total	18,154
Swaps	
Rate swap	36
Fx swap	64
Hedging total	100
Position total	18,254
Debtor Balance	
Instrument	Fair Value
Forward	
Fx Forward	20
Options	
Rate options	320
Fx options	0
Swaps	
Rate swap	14,115
Fx swap	4,375
Negotiable Total	18,829
Swaps	
Rate swap	1,292
Fx swap	4,868
Hedging total	6,161
Position total	24,990

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q16 - Banorte

(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	1,575	7
FX Forwards	Sales	Exchange Rate (USD/MXN)	221	32
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	10	3
FX Forwards	Sales	Exchange Rate (EUR/MXN)	10	3
FX Options	Purchases	Exchange Rate (Dollar)	6	21
FX Options	Sales	Exchange Rate (Dollar)	3	18
Interest Rate Options	Purchases	TIE	44,502	133
Interest Rate Options	Sales	TIE	77,644	396
Interest Rate Options	Purchases	LIBOR	1,663	15
Interest Rate Options	Sales	LIBOR	1,812	12
Interest Rate Swaps	USD LIBOR	LIBOR	368,080	1,380
Interest Rate Swaps	MXN TIE	TIE	2,273,723	8,026
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	1,490	7
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	15,068	25
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	8,309	29
Interest Rate and FX Swaps	CS EURMXN	FIX/VARIABLE	7,793	62
Interest Rate and FX Swaps	CS GBPMXN	FIX/VARIABLE	2,334	11

LOAN PORTFOLIO

(Million Pesos)

	Local Currency		UDIS		Foreign Currency		Total	
	1Q15	1Q16	1Q15	1Q16	1Q15	1Q16	1Q15	1Q16
Commercial Loans	147,652	161,760	-	-	43,030	51,701	190,682	213,462
Financial Intermediaries' Loans	1,778	1,023	-	-	1,378	1,849	3,156	2,872
Consumer Loans	69,454	77,731	-	-	143	142	69,597	77,873
Mortgage Loans	89,579	100,522	274	221	1,435	1,462	91,288	102,205
Government Entities' Loans	124,027	136,065	-	-	1,058	1,078	125,085	137,144
Performing Loans	432,491	477,102	274	221	47,043	56,233	479,808	533,556
Commercial Loans	9,884	7,873	4	0	93	104	9,980	7,977
Financial Intermediaries' Loans	1	0	-	-	-	-	1	0
Consumer Loans	2,318	2,684	-	-	-	-	2,318	2,684
Mortgage Loans	1,121	1,077	27	17	26	28	1,175	1,122
Past Due Loans	13,324	11,633	32	17	119	132	13,474	11,782
Total Proprietary Loans	445,814	488,735	305	239	47,162	56,365	493,282	545,339

COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q16- GFNorte

(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	2.1	0.0
Mortgage FOVI	-	-
	2.1	0.0

DEFERRED TAXES 1Q16*(Million Pesos)*

ASSETS	INCOME TAX	NET
Excess of preventive reserves accounts over the fiscal limit	3,081	3,081
Non deductible provisions and cumulative income	750	750
Excess of accounting value over fiscal value on Repossessed Assets	787	787
Diminishable profit sharing	139	139
Fees received in advance	928	928
Effects from valuation of instruments	1,558	1,558
Tax losses pending amortization	1,903	1,903
Provisions for possible loss in loans	1,099	1,099
Loss on sale of foreclosed assets and credits	85	85
State Tax on Assets Deferred	5	5
Loss on sale of foreclosed assets and credits	0	0
Loss on sale of foreclosed assets and credits	59	59
Total Assets	10,393	10,393
LIABILITIES		
Pension Funds Contribution	(1,013)	(1,013)
Loan Portfolio Acquisitions	(424)	(424)
Projects to be capitalized	(2,207)	(2,207)
Intangibles' amortizations	(33)	(33)
Effects from valuation of instruments	(2,446)	(2,446)
Intangibles' amortizations	(696)	(696)
Unrealized Loss on Securities held for Sale	(61)	(61)
Total Liabilities	(6,879)	(6,879)
Assets (Liabilities) Accumulated Net	3,514	3,514

LONG TERM DEBT AS OF MARCH '16 - BANCO MERCANTIL DEL NORTE*(Million Pesos)*

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds 2006	USD	13-oct-06	200	2,188	3,447	15 years	6.862%	13-oct-21	E/ 180 days
Non Convertible Subordinated Bonds Q Banorte 08	MXN	11-mar-08	3,000	3,000	3,000	10 years	TIIE + 0.60%	27-feb-18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08-2	MXN	27-jun-08	2,750	2,750	2,750	10 years	TIIE + 0.77%	15-jun-18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,434	20 years	4.950%	15-feb-28	E/ 182 days
Non Convertible Subordinated Bonds Q Banorte 12	MXN	08-jun-12	3,200	3,200	3,200	10 years	TIIE + 1.50%	27-may-22	E/ 28 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020	USD	14-oct-10	120	1,484	2,068	10 years	9.25%	14-oct-20	E/ 180 days

BANK AND OTHER ENTITIES LOANS' AS OF 1Q16*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	1,788	1,788
Loans from Development Banks	11,603	5,547	17,150
Loans from Public Funds	8,000	1,004	9,003
Call Money & Loans from Banks	22,917	-	22,917
Loans from Fiduciary Funds	155	-	155
Provisions for Interest	67	-	67
	42,742	8,338	51,080
Eliminations			(13,633)
Total			37,448

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 1Q16**
CORE DEPOSITS (BANORTE)**Demand Deposits**

Local Currency and UDIs	0.49%
Foreign Currency	0.02%

Time Deposits - Retail

Local Currency and UDIs	2.75%
Foreign Currency	0.37%

Time Deposits - Money Market

Local Currency and UDIs	3.52%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	3.27%
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Public Funds and Development Banks

Local Currency and UDIs	4.32%
Foreign Currency	2.07%

MAIN CREDIT LINES RECEIVED 1Q16 (BANORTE)*Million pesos*

	1Q15	4Q15	1Q16	Change vs. 1Q15	Change vs. 4Q15
Banxico (Monetary Regulation Deposits)	33,449	33,449	33,449	0%	0%
Banxico (Repos with the System of Payments)	36,675	38,278	38,822	6%	1%
Call Money	65,650	111,065	111,088	69%	0%
TOTAL	135,774	182,792	183,359	35%	0%

TRADING INCOME 1Q16*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	95
Negotiable instruments	203
Derivative instruments - Negotiation	(105)
Derivative instruments - Hedging	(4)
Impairment loss or revaluation increase	(3)
Result from foreign exchange valuation	2
Result from valuation of precious metals	4
Result from purchase/sale of securities and derivatives	92
Negotiable instruments	1
Securities held for sale	87
Derivative instruments - Hedging	3
Result from purchase/sale of foreign exchange	262
Result from purchase/sale of precious metals	2
Total	453

Risk Management

Risk management at Grupo Financiero Banorte is a key element in determining and implementing Group's strategic planning. The Group's risk management and policies comply with regulations and market best practices.

1. OBJECTIVES, SCOPE AND RISK MANAGEMENT FUNCTIONS

GFNorte's Risk Management's main objectives are:

- Provide to different business areas, clear rules that contribute to its correct understanding to minimize risk and ensure compliance with the parameters established and approved by the Board of Directors and the Risk Policies Committee (CPR).
- Establish mechanisms to monitor the risk taking across GFNorte through the use of robust systems and processes.
- Verify the observance of Risk Appetite.
- Estimate and control GFNorte's capital, under regular and stressed scenarios, aiming to provide coverage for unexpected losses from market movements, credit bankruptcies, and operational risks.
- Implement pricing models for different types of risks.
- Establish procedures for portfolio optimization and credit portfolio management.
- Update and monitor on the Contingency Plan to restore the capital and liquidity levels in case of negative events.

Moreover, GFNorte owns sound methodologies to manage quantifiable risks such as Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Concentration Risk and Counterparty Risk.

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

Market Risk: revenue volatility due to market changes, which affect the valuation of positions for active, liabilities or causative of contingent liabilities operations, such as: interest rates, spread over yields, exchange rates, price indices, etc.

Liquidity Risk: potential loss by the impossibility of renewing liabilities or hiring others to GFNorte in normal conditions, by early or forced sale of assets at unusual discounts to meet their obligations.

Operational Risk: loss resulting from inadequate or failed internal processes, employees, internal systems or external events. This definition includes Technology Risk and Legal Risk. Technology Risk, groups all those potential losses from damage, interruption, disruption or failures resulting from use of or reliance on hardware, software, systems, applications, networks and any other information distribution channel, while the Legal Risk involves the potential loss by sanctions for noncompliance with laws and administrative or judicial decisions unfavorable related to GFNorte's performed operations.

Concentration Risk: potential loss by high and disproportional exposure to particular risk factors within a single category or among different risk categories.

Likewise, regarding unquantifiable risks, Risk Management's Manual in GFNorte establish specific objectives for:

Reputational Risk: potential loss in the performance of Institution's activities, due to an inappropriate or unethical perception of the different stakeholders, internal or external, on their solvency and viability.

1.1 Risk Management – Structure and Corporate Governance

Regarding the structure and organization for a Comprehensive Risk Management, the Board of Directors is responsible for authorizing policies and overall strategies such as:

- GFNorte's Risk Appetite.
- Risk Comprehensive Management Framework.
- Risk exposure limits, risk tolerance levels and mechanisms for corrective actions
- Contingency Plan
- The outcome of the internal and regulatory capital adequacy exercises.

The Board of Directors designates the CPR (Risk Policy Committee) as accountable for managing the risks that GFNorte is exposed to; in order to monitor the performance of operations; and, to comply with objectives, policies and procedures for Risk Management.

The CPR also monitors the overall limits of risk exposure approved by the Board of Directors, in addition to approving specific limits for exposure to different types of risk.

The CPR is integrated with proprietary and alternate members of the Board, the CEO, the Managing Directors of the Group's Entities, the Risk Managing Director and the Audit Managing Director, the latter participates with voice but no vote.

Moreover, the Assets and Liabilities Committee and the Capital and Liquidity Group, analyze, surveys, and make decisions regarding rate's risks in the balance sheet, the financial margin, liquidity and net capital of the Institution.

The Unit for the Comprehensive Risk Management is in charge of the Risk Management department (DGAR) and among its functions helps to identify measure, monitor, limit, control, report and disclose the different types of risk to which the GFNorte is exposed to.

The DGAR reports to CPR, in compliance with the regulation related to its independence from the business areas.

1.2 Scope and Nature of GFNorte's Risk Management

The function of the Risk Management extends to all subsidiaries comprising GFNorte. Depending on each of the businesses' lines, Credit, Concentration, Market, Liquidity and Operational Risks are measured, managed and controlled.

For this purpose, DGAR relies on different information and risks' measurement systems, which comply with regulatory standards and are aligned with best international practices in Risk Management's matters. It's worth mentioning that information and reports contained and produced in the risks systems are constantly backed up following institutional procedures in IT security matters. Furthermore, risks systems enclose transactions susceptible to Credit, Market, Liquidity and Operational Risks, processed through revised models and methodologies, thus generating periodic reports for each one of these risks.

At GFNorte, there are policies and procedures for hedging, risk mitigation and compensation strategies for each type of risk in and off balance, all of them enclosed in models, methodologies and procedures for Risk Management. Within these policies and procedures, are detailed among others: features, loan to value, legal terms, instrumentation and the hedging level when mitigating or compensating risk. These policies and procedures also consider collateral execution as a risk compensation mechanism in the case of non-fulfillment by debtors. As part of the strategies and processes for monitoring the coverage or mitigation effectiveness for each type of risk, there are limits for each one of them (Credit, Market, Liquidity and Operational Risks), which are monitored continuously, as well as procedures established for the documentation of excesses and its causes, and the corrective actions implemented to return to acceptable risk levels.

2. CREDIT RISK

It is the risk that clients, issuers or counterparts do not fulfill their payment obligations. Therefore, proper management is essential to maintain loan quality of the portfolio.

The objectives of Credit Risk Management at GFNorte are:

- Comply with the Risk Appetite defined by the Board of Directors.
- Improve the quality, diversification and composition of the loan portfolio in order to optimize the risk- reward ratio
- Provide Executive Management with reliable, timely information to assist decision making regarding funding.
- Provide Business Areas with clear and sufficient tools to support funding placement and follow-up.
- Create economic value for shareholders by efficient Credit Risk Management.
- Define and update the regulatory framework for the Credit Risk Management.
- Comply with the information requirements that the authorities establish regarding Credit Risk Management.
- Perform Risk Management in accordance with the best practices, implementing models, methodologies, procedures and systems based on best practices worldwide.
- Measure institution's vulnerability to extreme conditions and consider those results for decisions making.

GFNorte's Risk Management policies are:

- Grant and Manage Retail Credit Risk according to best market practices through Parametric Models aimed to identify risk, minimize losses and increase loan origination with quality.
- Grant and Manage Wholesale Loans to companies and other entities, according to best market practices through a credit strategy including Target Markets and Risk Acceptance Criteria, identifying and managing risk through Loan Rating and Early Alerts methodologies.
- Monitor and control asset quality through Loan Classification System which provides treatment and general actions for defined situations, as well as departments or officers responsible for carrying out such actions.
- Surveillance and Control through Global and Specific Limits, loan rating policies and Credit Risk models that identifies expected and unexpected losses at specific confidence intervals.
- Inform and disclose Credit Risks to risk taking areas, CPR, Board of Directors, Financial Authorities and Investors.
- Define faculties when taking Credit Risks for the institution.

In order to comply with objectives and policies, a series of strategies and procedures have been defined including origination, analysis, approval, management, monitoring, recovery and collections.

2.1 Credit Risk Scope and Methodology

2.1.1 Individual Credit Risk

GFNorte separates the loan portfolio into two large groups: retail loans and wholesale loans.

The individual Credit Risk for retail loans is identified, measured and controlled through a parametric system (scoring) that includes models for each of the SME (small and medium enterprises) and consumer products (mortgage, auto, payroll, personal loans and credit cards).

Individual risk for wholesale loans is identified, measured and controlled through Objective Markets, Criteria for Risk Acceptance, Early Alerts and GFNorte's Internal Risk Rating (CIR Banorte).

The Objective Markets, Criteria for Risk Acceptance and Early Alerts are tools that, together with the Internal Risk Rating are part of GFNorte's Loan Strategy and support the estimated level of Credit Risk.

The Target Markets are categories of economic activity by region, backed by economic research and loan behavior analysis as well as by expert opinions, where GFNorte is interested in granting loans.

The Risk Acceptance Criteria are parameters that describe different types of risks by industry, in order to estimate the risk taking when granting loans to customers based on their economic activity. The types of risk observed in the Risk Acceptance Criteria are: Financial, Operation, Market, Enterprise's life cycle, Legal and Regulatory Risks, besides credit experience and management quality.

Early Alerts are a set of criteria based on borrower information and indicators, as well as their environment, as a mechanism for timely prevention and identification of a probable deterioration in the loan portfolio, thereby enabling the institution to take prompt preventive actions to mitigate Credit Risk.

Banorte's CIR is a borrower's rating methodology which assesses quantitative and qualitative criteria in order to determine credit quality. CIR applies to commercial loans equal to or greater than the equivalent of four million investment units (UDIS) in Mexican pesos equivalent on the qualification date.

2.1.2 Portfolio Credit Risk

GFNorte developed a portfolio Credit Risk methodology that, besides including international standards for identifying, measuring, controlling and monitoring, has been adapted to function within the context of the Mexican Financial System.

This Credit Risk methodology provides current value of the entire loan's portfolio at GFNorte, that is, the loan exposure, in order to monitor risk concentration levels through risk ratings, geographical regions, economic activities, currency and type of product in order to observe the portfolio's profile and take action to improve diversification, which will maximize profitability with the lowest risk.

Estimating loan exposure implies generating cash flow for each and every loan, of both capital and interests, in order to discount them later. This exposure is sensible to changes in the market, thereby facilitating calculations under different economic scenarios.

The methodology, besides loan exposure, takes into consideration the probability of default, recovery level associated to each client and the classification of the debtor based on the Merton model. The probability of default is the probability that the debtor will not fulfill his/her debt obligation with the institution according to the originally agreed terms and conditions. The probability of default is based on transition matrixes estimated by GFNorte based on the migration of the debtors through different risk rating levels. The recovery ratio is the percentage of total exposure that is estimated to be recovered if the debtor defaults. The classification of the debtor, based on the Merton model, associates the debtor's future behavior to loan and market factors on which his "credit health" depends, as determined by statistical techniques.

The results are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the credit portfolio's loss distribution average, which is used to measure the following year's expected loss due to default or variations in debtors' credit quality. The unexpected loss is an indicator of the loss in extreme scenarios and is measured as the difference between the maximum losses given the distribution of losses, at a specific confidence level that for GFNorte's is 99.5% and expected loss.

These results are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to GFNorte's strategy. The individual risk identification tools and the portfolio Credit Risk methodology are periodically verified and updated to in order to include the application of new techniques that may support or strengthen them.

2.1.3 Credit Risk of Financial Instruments

Credit Risk Management of financial instruments is managed through a series of key pillars with a robust framework of policies for origination, analysis, authorization and management.

Origination policies define the types of eligible negotiable financial instruments, as well as the methodology for assessing Credit Risk of the different types of originators / issuers and counterparties. Credit Risk is allocated through: a risk rating obtained with an internal methodology, evaluations of external rating agencies or a combination of both. Maximum parameters of operation are also defined depending on the type of originator / issuer or counterpart, rating and type of operation.

The Loan Committee authorizes operation lines with financial instruments for clients and counterparties in accordance with authorization policies. The authorization request is submitted by the business area and other areas involved in the operation, with all the relevant information for analysis by the Committee who, if considered appropriate, issues its authorization. Nevertheless, the UAIR is empowered to authorize counterparty credit lines (mainly financial entities) that comply with certain criteria through a parametric methodology approved by the CPR.

In the specific case of derivatives contracts, and in line with best practices, a methodology for calculating potential exposure of credit lines is used, which are analyzed and approved within the Credit Committee and are monitored on daily and monthly basis in the CPR, where guarantee analysis for derivative transaction is held both for clients and financial counterparties.

The National Credit Committee holds the minimum faculty to approve credit lines for derivatives (in case of applying facilities, the UAIR will hold the faculty). For these transactions, the use of derivatives with margin calls shall be privileged in order to mitigate the risk of potential exposure to these transactions.

To determine the lines of credit adversely correlated (Wrong Way Risk "WWR") a potential exposure adjustment is considered.

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

Credit Risk is measured through a rating associated with the issuer, security or counterparty which has a previously assigned risk level based on two fundamentals:

- 1) The probability of nonfulfillment of the issuer, security or counterparty, which is expressed as a percentage between 0% and 100% where the better the rating or lower rate differential vs. the instrument of an equivalent government bond, the lower the probability of non-fulfillment and vice versa.

- 2) The loss given default that could be experienced with respect of the total of the operation in the event of non-fulfillment, is expressed as a percentage between 0% and 100% where the better the guarantees or credit structures, the smaller the loss given default and vice versa. To mitigate Credit Risk and to reduce the loss given default in the event of non-fulfillment, the counterparties have signed ISDA contracts and agreements to net out, in which credit lines and the use of collateral to mitigate loss in the event of non-fulfillment are implemented.

2.2 Credit Risk Exposure

As of March 31st, 2016 the total amount of the exposure subject to the Standard Method to calculate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method (Million pesos)	Banorte	Arrendadora y Factor*	Sólida	Banorte- Ixe Tarjetas	Total Loans
Commercial	150,062	19,357	25	0	169,445
YoY Revenues or Sales < 14 MM UDIS	56,047	1,267	0	0	57,314
YoY Revenues or Sales >= 14 MM UDIS	94,015	18,090	25	0	112,130
States or Municipalities	84,568	906	0	0	85,474
Decentralized Federal Government Agencies and State Companies	51,298	501	0	0	51,799
Projects with own source of payment	37,256	0	0	0	37,256
Financial Institutions	34,944	277	0	0	35,221
Mortgage	101,837	0	0	0	101,837
Consumer	51,480	5	2,326	26,604	80,415
Credit Card	40	0	0	26,604	26,644
Non-revolving	51,440	5	2,326	0	53,771
Total Loans subject to the Standard Method	511,445	21,046	2,352	26,604	561,448
INB					16,623
Eliminations					(32,732)
Total Loans					545,339

*Excludes pure leasing

Note: For transactions subject to Credit Risk, the Institution uses external ratings issued by the rating agencies S&P, Moody's, Fitch, HR Ratings and Verum. Only ratings issues by rating agencies are considered, and are not assigned based on comparable assets.

2.2.1 Loan Portfolio

GFNorte's Credit Risk loan portfolio as of March 2016 presented an exposure of Ps 545,339 billion, higher in Ps 15.25 billion or 2.9% QoQ and Ps 52.06 billion or 10.6% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment (Million pesos)	Total Loan			Change vs 4Q15		Change vs 1Q15	
	1Q15	4Q15	1Q16	\$	%	\$	%
Government	125,085	130,119	137,144	7,025	5.4%	12,058	9.6%
Commercial	119,468	127,434	131,063	3,628	2.8%	11,595	9.7%
Corporate	84,351	91,885	93,248	1,363	1.5%	8,898	10.5%
Mortgage	92,462	101,024	103,327	2,303	2.3%	10,864	11.7%
Payroll	36,125	39,683	40,915	1,232	3.1%	4,790	13.3%
Credit Card	24,556	27,349	26,644	(705)	(2.6%)	2,088	8.5%
Auto Loans	11,235	12,598	12,998	400	3.2%	1,763	15.7%
Total Loans	493,282	530,091	545,339	15,247	2.9%	52,057	10.6%

As of 1Q16, GFNorte's performing loans, past due loans and the distressed portfolio, grouped by subsidiary are detailed below:

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past due	Performing	Past due		
Banorte*	467,200	2,506	1,450	7,557	478,713	10,456
Banorte-lxe Tarjetas	25,190	1,414	0	0	26,604	2,799
Arrendadora y Factoraje	20,858	15	0	173	21,046	297
INB	16,555	35	33	0	16,623	140
Sólida	2,270	57	0	25	2,352	157
Accounting Record						209
Total Loans	532,073	4,027	1,483	7,756	545,339	14,059

* Banorte's total loans include eliminations for (Ps 32.73 billion)

Total reserves Ps 14.06 billion includes rating reserves for Ps 13.85 billion and accounting records (to reserve 100% overdue interests, valuation, negative debts in the credit bureau and registered in recoveries) for Ps 209 million.

GFNorte's performing, past due and distressed portfolios in 1Q16, grouped by sector and subsidiary are detailed in the two following tables:

Sector (Million pesos)	Loans		Distressed		Total Loans	Reserves		QoQ Charge offs	Days Past Due**
	Performing	Past Due	Performing	Past Due		1Q16	Change vs 4Q15		
Government	137,144	0	0	0	137,144	935	148	0	0
Services*	47,207	33	250	643	48,133	895	48	84	286
Commerce	41,926	57	299	1,456	43,739	1,135	(12)	171	314
Construction	36,758	53	48	4,662	41,522	2,494	122	28	852
Manufacturing	37,828	28	139	552	38,548	661	(40)	76	307
Top 5 Sectors	300,863	172	737	7,314	309,086	6,120	267	359	
Other Sectors	36,181	42	713	442	37,377	764	10	45	
Mortgage	102,205	1,122	0	0	103,327	650	(51)	258	
Consume	52,683	1,270	0	0	53,953	3,389	(23)	1,031	
Credit Card Sofom	25,190	1,414	0	0	26,604	2,799	43	773	
INB Commercial	14,951	8	33	0	14,992	127	3	4	
Accounting Records						209	(3)		
Total Group	532,073	4,027	1,483	7,756	545,339	14,059	246	2,470	

* Includes Financial, Real Estate and Other Services

**Days past due from Non Performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	Banorte-lxe Tarjetas	AyF	INB	Sólida	Total Loans
Government	135,866		1,277			137,144
Services**	44,257		3,876			48,133
Commercial	39,240		4,499			43,739
Construction	38,045		3,452		25	41,522
Manufacturing	32,055		6,492			38,548
Top 5 Sectors	289,464	0	19,597	0	25	309,086
Remaining	189,249	26,604	1,450	16,623	2,326	236,253
Total Loans	478,713	26,604	21,046	16,623	2,352	545,339

* Banorte's total loans include eliminations for (Ps 32.73 billion)

** Includes Financial and Real Estate services

As of 1Q16, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

	Federal Entities	Loans		Distressed		Total Loans	Total Reserves
	(Million pesos)	Performing	Past Due	Performing	Past Due		
1	Distrito Federal	144,240	867	741	5,071	150,920	5,023
2	Nuevo León	93,716	461	137	310	94,624	1,742
3	Estado de México	40,374	421	67	501	41,363	1,111
4	Jalisco	29,013	307	63	243	29,625	679
5	Tamaulipas	17,923	122	28	131	18,205	382
6	Sinaloa	14,240	122	41	201	14,604	288
7	Veracruz	13,769	160	40	91	14,060	428
8	Coahuila	13,801	88	24	76	13,988	233
9	San Luis Potosí	12,330	81	6	44	12,461	239
10	Chihuahua	12,055	78	19	89	12,240	306
Top 10		391,461	2,706	1,165	6,757	402,089	10,430
Other Federal Entities		140,612	1,321	318	999	143,250	3,420
Accounting Records							209
Total Loans		532,073	4,027	1,483	7,756	545,339	14,059

	Entity/ Subsidiary (Million pesos)	Banorte*	Banorte- Ixe Tarjetas	AyF	INB	Sólida	Total Loans
1	Distrito Federal	139,418	7,316	3,238		947	150,920
2	Nuevo León	81,354	4,043	9,139		87	94,624
3	Estado de México	36,077	3,240	1,881		165	41,363
4	Jalisco	26,990	2,098	514		22	29,625
5	Tamaulipas	17,104	856	170		74	18,205
6	Sinaloa	13,563	498	524		19	14,604
7	Veracruz	12,930	544	423		163	14,060
8	Coahuila	12,396	706	845		41	13,988
9	San Luis Potosí	11,434	566	424		37	12,461
10	Chihuahua	11,244	516	425		55	12,240
Top 10		362,511	20,383	17,583	0	1,612	402,089
Other Federal Entities		116,202	6,221	3,463	16,623	740	143,250
Total Loans		478,713	26,604	21,046	16,623	2,352	545,339

* Banorte's total loans include eliminations for (Ps 32.73 billion)

As of 1Q16, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

Remaining Term	Portfolio		Distressed		Total Loans	Total Reserves
(Million pesos)	Performing	Past Due	Performing	Past Due		
0 - 1 years	56,267	121	274	5,871	62,533	3,648
1 - 5 years	96,031	455	516	1,466	98,467	2,300
5 - 10 years	88,553	182	68	220	89,022	603
> 10 years	226,350	1,749	592	0	228,690	3,905
Banorte	467,200	2,506	1,450	7,557	478,713	10,456
Banorte-Ixe Tarjetas	25,190	1,414	0	0	26,604	2,799
INB	16,555	35	33	0	16,623	140
Factoring	11,380	1	0	75	11,456	162
Leasing	9,478	14	0	98	9,590	135
Sólida	2,270	57	0	25	2,352	157
Accounting Records						209
Total Loans	532,073	4,027	1,483	7,756	545,339	14,059

* Banorte's total loans include eliminations for (Ps 32.73 billion)

The total distressed portfolio is Ps 9.24 billion, below is the quarterly balance of loan loss provisions for this book:

Loan Loss Reserves for Distressed Portfolio (Million Pesos)	1Q16					
	Banorte	Inter National Bank	Banorte-Ixe Tarjetas	Arrendadora y Factor	Sólida	GFNorte
Initial Loan Loss Provisions	3,934	7	0	98	15	4,054
Charged to results	561	0	0	3	0	564
Loans' write offs	140	0	0	0	0	140
FX changes	0	0	0	0	0	0
Adjustments in Credit Risk	422	0	0	3	0	424
Payments in kind	(14)	0	0	0	0	(14)
Write-offs, charge-offs and discounts	(384)	0	0	0	0	(384)
Final Loan Loss Reserves	4,098	7	0	101	15	4,220
Loan Recoveries	61	2	0	0	0	63

2.2.2 Exposure to Financial Instruments

As of March 31st, 2016, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 243.16 billion, of which 99.5% is rated higher or similar to A-(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 10% of the Tier 1 Capital as of December 2015. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Net Capital as of December 2015 has similar rating to AAA(mex) and is comprised of (average considered term, amount in billion pesos and average return to annualized maturity): market and bond certificates from: Pemex to 6 years and 6 months for Ps 14.31 at 4.9% and Banco Inbursa market certificates for 1 year and 4 months for Ps 6.77 at 4.2%.

For Derivatives operations, the notional amount of the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 2% of the Tier 1 Capital as of December 2015.

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 98.22 billion, of which 100.0% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 25% of the Capital as of December 2015. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Capital as of December 2015 has a higher or similar rating to A+(mex) and are comprised of (average considered term, amount in billion/million pesos and average return to annualized maturity): market and deposits certificates of Banco Santander Mexicano to 2 months for Ps 2.44 billion at 4.0%; market certificates of Pemex to 2 years and 8 months for Ps 1.92 billion at 4.7%; deposit and market certificates of Bancomer to 10 months for Ps 1.57 billion at 4.1%; market certificates of HSBC México to 2 years and 8 months for Ps 1.15 billion at 4.2%; market certificates of Banamex to 1 year and 5 months for Ps 905 million at 4.2%; market certificates of Scotiabank Inverlat for 2 years for Ps 813 million at 4.3%; market certificates of Banco Inbursa to 8 months for Ps 744 million at 4.2%; bonds of Deutsche Bank to 7 years and 2 months for Ps 528 million at 9.1%; market certificates of Banco Interacciones to 3 years and 6 months for Ps 200 million at 5.0%; bonds of CABEL to 2 years and 9 months for Ps 165 million at 4.0%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 341 thousand, 100% of them are shares. In derivatives, its exposure is Ps 1 million with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 1.29 billion. The 100.0% of them are shares. Its exposure to derivatives was Ps 108 million, 100% of them are with private counterparties.

Banorte Ixe Tarjetas had no exposure to securities nor investments in derivatives.

Banorte's exposure to counterparty risk from transactions with derivatives is presented below, as well as the netting effect and risk mitigation based on the aggregate of guarantees related to transactions.

Position	1Q16	1Q16 Average
Forwards	(4)	(34)
Options	233	252
Interest Rate Swaps	(521)	(612)
Cross Currency Swap	(6,543)	(6,904)
Total	(6,835)	(7,299)
Positive Fair Value (Positive Fair Value)	5,543	5,908
Netting Effect*	12,378	13,207
Delivered Guarantees(-) /Received(+)		
Cash	(8,923)	(9,844)
Securities	8.9	9.2
Total	(8,914)	(9,835)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value
Futures amounting (Ps 3.26) million are not included, as do not represent counterparty risk.

The following table represents the current and potential levels of exposure at the end and the average of the quarter, respectively.

	Potential Risk		Current Risk	
Financial Counterparties	1Q16	1Q16 Average	1Q16	1Q16 Average
FWD	48	82	(14)	(46)
OPTIONS	654	656	472	475
INTEREST RATE SWAP	3,732	4,259	(3,512)	(3,706)
CCS	239	418	(7,511)	(7,941)
Total	4,673	5,416	(10,565)	(11,217)
Clients (Non-Financial)	1Q16	1Q16 Average	1Q16	1Q16 Average
FWD	19	21	11	12
OPTIONS	18	23	(239)	(224)
INTEREST RATE SWAP	3,328	3,430	2,991	3,094
CCS	981	1,051	968	1,036
Total	4,346	4,525	3,730	3,919

Based on conditions established in derivative agreements, tolerance levels of exposure are considered according to the rating of involved entities. The following table presents the amount of guarantees to be delivered, in case of a rating downgrade.

Net Cash Outflows	1Q16	1Q16 Average
Cash Outflow with 1-notch Downgrade	382	469
Cash Outflow with 2-notch Downgrade	434	534
Cash Outflow with 3-notch Downgrade	469	570

In the following table, the market value is detailed according to the ratings for derivatives' counterparties

Rating	1Q16	1Q16 Average
AAA/AA-	(228)	(244)
A+/A-	(1,577)	(1,684)
BBB+/BBB-	(1,839)	(1,964)
BB+/BB-	(4,847)	(5,176)
B+/B-	0	0
CCC/C	0	0
SC	1,656	1,769
Total	(6,835)	(7,299)

2.3 Credit Collaterals

Collaterals represent the second credit recovery source when its coverage, through the predominant activity of the applicant, is compromised. Collaterals may be real or personal.

The main types of real collaterals are the following:

- Civil Mortgage
- Industrial Mortgage
- Regular Pledge
- Pledge w/o possession transfers
- Pledge / Pledge Bond
- Pledge Bond
- Caution Securities
- Securities Pledge
- Management and Payments Trust
- Development Funds

For assets granted in guarantee, the Company has policies and procedures to monitor and make periodic inspection visits to ensure the existence, legitimacy, value and quality of the guarantees accepted as an alternative credit support. Furthermore, when guarantees are securities, there are policies and procedures to monitor its market's valuation and require additional guarantees if needed.

The covered loan portfolio by type of collateral is as follows:

Collateral type (Million pesos)	1Q16					
	Banorte	INB	Banorte- Ixe Tarjetas	Arrendadora y Factor	Sólida	GFNorte*
Total Loan Portfolio	511,445	16,623	26,604	21,046	2,352	545,339
Covered Loan Portfolio by type of collateral						
Real Financial Guarantees	16,514	896	0	0	0	17,410
Real Non-Financial Guarantees	254,355	14,591	0	4,677	25	273,649
Pari Passu	20,618	0	0	0	0	20,618
First Losses	23,972	0	0	0	0	23,972
Personal Guarantees	10,462	0	0	5,690	0	16,152
Total Covered Portfolio	325,921	15,488	0	10,367	25	351,801

*Total Loans includes eliminations for (Ps 32.73).

2.4 Expected Loss

As of March 31st, 2016, Banco Mercantil del Norte's total portfolio, excluding Banorte-Ixe Tarjetas and INB, was Ps 511.45 billion. The expected loss represents 1.7% and the unexpected loss is 3.1% with respect to the total portfolio. The average expected loss is 1.7% during the period January - March 2016.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 100.23 billion and the expected loss represents 0.01% of the exposure. The average expected loss is 0.01% between January - March 2016.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 23.56 billion. The expected loss represents 0.6% and the unexpected loss is 4.3% of the total portfolio. The average expected loss represents 0.7% during the January - March 2016 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 2.35 billion. The expected loss of the portfolio represents 6.5% and the unexpected loss 10.9%, both with respect to the total portfolio. The average expected loss for the period of January - March 2016 was 6.5%.

The total portfolio of Banorte Ixe Tarjetas is Ps 26.60 billion. The expected loss represents 10.9% and the unexpected loss 8.9% both with regard to the total portfolio. The average expected loss represents 11.0% for the period of January - March 2016.

2.5 Risk Diversification

In December 2005, the CNBV issued "General Dispositions Applicable to Credit Institutions regarding to Risk Diversification". These guidelines state that the institutions must carry out an analysis of their borrowers and/or loans to determine the amount of "Common Risk"; also, the institutions must have the necessary information and documentation to prove that the person or group of persons represent common risk in accordance with the assumptions established in those Rules.

In compliance with the risk diversification regulation in asset and liability operations, Banco Mercantil del Norte submits the following information (billion pesos):

Tier 1 as of December 31, 2015		72.82
I. Financings whose individual amounts represent more than 10% of basic equity:		
<u>Loan Operations</u>		
Number of financings		2
Total amount of financings		16.92
% in relation to Tier 1		23%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Tier 1		0%
<u>Overnight Operations</u>		
Number of financings		1
Total amount of financings		12,568
% in relation to Tier 1		17%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		35.63

In compliance with the risk diversification regulation in asset and liability operations, Leasing and Factoring (Arrendadora y Factor Banorte) submits the following information (billion pesos):

Equity as of December 31, 2015		4.29
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		3
Total amount of financings		2.74
% in relation to Equity		64%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		5.18

In compliance with the risk diversification regulation in asset and liability operations, Sólida Administradora de Portafolios submits the following information (billion pesos):

Equity as of December 31, 2015	4.87
I. Financings whose individual amounts represent more than 10% of equity (group level):	
<u>Loan Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Overnight Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	0.439

In compliance with the risk diversification regulation in asset and liability operations, Banorte-Ixe Tarjetas submits the following information (billion pesos):

Equity as of September 30, 2015	6.38
I. Financings whose individual amounts represent more than 10% of equity (group level):	
<u>Loan Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Overnight Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	0.006

3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

- Maintain an adequate monitoring on Market Risk.
- Maintain the Senior Management adequately informed in time and form.
- Quantify exposure to Market Risk through the use diverse methodologies.
- Define maximum risk levels the Institution is willing to maintain.

- Measure the Institution's vulnerability to extreme market conditions and consider such results when making decisions.

GFNorte's Market Risk Policies are:

- Operation of financial instruments exclusively through approved Markets and approved products.
- Establishment of Global and Specific Limits of Market Risk.
- Measurement and monitoring of Market Risk through the Value at Risk methodology, sensitivities, stress testing analysis under extreme conditions and back testing among others.
- Information and disclosure of Market Risk to risk-taking areas, CPR, Board of Directors, Financial Authorities and to the investment public.

3.1 Market Risk Methodology

Market Risk Management is managed through a series of fundamental pillars, highlighting the use of models and methodologies such as Value at Risk (VaR), Back Testing and Stress Testing, which are used to measure the risk of traded products and portfolios in the financial markets.

Risk management is supported by a framework of policies and manuals through which the implementation and monitoring on market risk limits, the disclosure of the aforementioned risk metrics and its tracking regarding the established limits, are set.

Key risk ratios are disclosed in monthly reports to the Risk Policy Committee and through a daily report to top executives at the institution, related to the Market Risk risk-taking.

3.2 Market Risk Exposure

Exposure of the institution's financial portfolios to Market Risk is quantified using the standard methodology in the industry known as Value at Risk (VaR).

The VaR model considers a one day horizon base, a non-parametric historical simulation with a 99% confidence level and 500 historical observations on risk factors. Furthermore, it considers all the positions (money market, treasury, equities, FX and derivatives for trading and hedging purposes) classified for accounting purposes as trading and available for sale assets, both on and off the balance sheet.

The average VaR of the portfolio for 1Q16 was Ps 313 million (Ps 13 million higher than the average VaR for 4Q15).

The result shows that the Bank's potential loss will be above Ps 313 million in one out of a hundred days.

VaR Million Pesos	Average 1Q16
VaR Total	313
Net Capital ⁽¹⁾	83,453
VaR/Net Capital	0.38%

As of the end of the quarter and the average for the quarter, the holding of securities available for sale, included in the VaR, are Ps 67.90 billion and Ps 57.57 billion, respectively.

The average VaR by risk factor for Banorte's portfolio had the following behavior during the fourth quarter of the year:

Risk Factor Million Pesos	1Q16	Average 1Q16
IPC	1.3	1.4
Domestic Interest Rates	204.7	205.0
Foreign Interest Rates	89.5	98.9
Surcharge	20.1	15.7
FX Rate	204.9	188.2
Diversification Effect	(199.3)	(196.1)
Bank's Total VaR	321.1	313.0

The proportion by market risk factor excluding the diversification effect is:

Risk Factor	VaR 1Q16
IPC	0.2%
Domestic Interest Rates	39.3%
Foreign Interest Rates	17.3%
Surcharge	3.8%
FX Rate	39.4%

3.2.1 Sensibility Analysis and Stress Testing under extreme conditions

Since VaR indicates the potential losses under normal market conditions, Banorte complements its risk analysis by applying tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on a monthly basis with the main objective of assessing the impact on the institution's positions of extreme movements in risk factors.

3.2.2 Back testing

In order to validate the effectiveness and accuracy of the VaR, a monthly Back testing analysis is presented to the Risk Policy Committee. Through this analysis, it is possible to compare losses and gains observed with respect to the estimated Value at Risk and if necessary make the required adjustments to the estimated.

3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 1Q16 is Ps 26 million.

The result shows that potential loss will be above Ps 26 million in one out of a hundred days.

VaR Million Pesos	Average 1Q16
Total VaR	26.3
Net Capital	2,836
VaR/Net Capital	0.93%

The VaR per risk factor is determined by simulating 500 historical scenarios and assessing instruments by their main risk factor. It is important to note that all Casa de Bolsa Banorte-lxe positions were taken into account for the analysis were those classified as trading and available for sale, excluding held to maturity positions.

As of the end of the quarter and the average for the quarter, the holding of securities available for sale, included in the VaR, are Ps 13.36 billion and Ps 24.79 billion, respectively.

Risk Factor Million Pesos	1Q16	Average 1Q16
IPC	0	0
Domestic Interest Rates	23.1	24.3
Surcharge	11.3	8.7
Diversification Effect	(3.2)	(4.1)
Casa de Bolsa Total VaR	31.2	28.9

The proportion by Market Risk factor excluding the diversification effect is

Risk Factor	VaR 1Q16
IPC	0%
Domestic Interest Rates	67%
Surcharge	32%

3.2.4 Sensibility Analysis and Stress Testing under extreme conditions

Since VaR indicates the potential losses under normal market conditions, Casa de Bolsa Banorte-Ixe complements its risk analysis by applying tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on a monthly basis with the main objective of assessing the impact on the institution's positions of extreme movements in risk factors

3.2.5 Back testing

In order to validate the effectiveness and accuracy of the VaR, a monthly Back testing analysis is presented to the Risk Policy Committee. Through this analysis it is possible to compare losses and gains observed with respect to the estimated Value at Risk and if necessary make the required adjustments to the estimated.

4. LIQUIDITY RISK

GFNorte's Liquidity Risk objectives are:

- Comply with the Risk Appetite defined by the Group's Board of Directors.
- Give proper monitoring of Liquidity Risk, supported both by stress tests and a funding contingency plan including corrective measures, as well as diversification monitoring of funding sources.
- Maintain Senior Management properly informed in a timely manner.
- Assessing through the use of different methodologies, Liquidity Risk exposure.
- Define the maximum risk levels that the institution is willing to maintain.
- Measure institution vulnerability to extreme market conditions and consider such results for decision making.

GFNorte's Liquidity Risk Policies are:

- Establishment of specific global limits of Liquidity Risk Management.
- Measurement and monitoring of Liquidity Risk.
- Information and disclosure of Liquidity Risk to risk-taking areas, CPR, Board of Directors, Financial Authorities and to public investors.

4.1 Liquidity Risk Methodology and Exposure

Liquidity risk is managed through a series of fundamental pillars that include the use of key indicators such as the Liquidity Coverage Ratio (LCR), concentration, funding and stability ratios as well as liquidity stress testing. The latter, based on a framework of policies and manuals, including a liquidity funding contingency plan, and similarly, is enhanced with monitoring limits and Risk Appetite metrics of Liquidity Risk. The disclosure of metrics and indicators and their compliance with the established limits and the Risk Appetite are reviewed through monthly reports to the CPR, weekly reports to the capital and liquidity management group and quarterly reports to the Board of Directors.

4.2 Profile and Funding Strategy

The composition and evolution of the bank's funding during the quarter is shown in the following table:

Funding Source (Million Pesos)	4Q15	1Q16	Change vs. 4Q15
Demand Deposits			
Local Currency (1)	304,102	288,568	(5.1%)
Foreign Currency (1)	32,918	37,227	13.1%
Demand Deposits	337,019	325,795	(3.3%)
Time Deposits – Retail			
Local Currency (2)	126,518	131,891	4.2%
Foreign Currency	23,215	19,398	(16.4%)
Core Deposits	486,752	477,084	(2.0%)
Money Market			
Local Currency (3)	54,971	62,158	13.1%
Banking Sector Deposits	541,723	539,242	(0.5%)

1. Includes the balance of the Global Deposits without Movement.
2. Includes eliminations among subsidiaries
3. Money Market & Time Deposits

4.3 Liquidity Coverage Ratio (LCR)

The LCR allows the quantification of Liquidity Risk through the relationship between Liquid Assets and Net Cash Outflows in the next 30 days, under a regulatory stress scenario.

The LCR is an indicator designed to ensure that the institution has the liquidity to meet its short term obligations, under an extreme scenario using exclusively high quality liquid assets as source of funding.

The following table presents the average evolution of LCR components in 1Q16.

CCL Components (Million Pesos)		Banco and Sofoms	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	67,778
CASH DISBURSEMENTS			
2	Unsecured retail financing	363,697	28,951
3	Stable financing	148,377	7,419
4	Less stable financing	215,320	21,532
5	Unsecured wholesale financing	141,690	52,210
6	Operational Deposits	71,009	14,252
7	Non-Operational Deposits	69,181	36,458
8	Unsecured debt	1,500	1,500
9	Secured wholesale financing	NA	15,732
10	Additional Requirements:	210,344	16,918
11	Disbursements related to derivatives and other guarantee requirements	41,572	4,685
12	Disbursements related to losses from debt financing	-	-
13	Lines of credit and liquidity	168,772	12,233
14	Other contractual financing obligations	-	-
15	Other contingent financing liabilities	1,175	-
16	TOTAL CASH DISBURSEMENTS	NA	113,811
CASH INFLOWS			
17	Cash Inflows for secured operations	54,840	3,787
18	Cash Inflows for unsecured operations	63,721	49,155
19	Other Cash Inflows	3,160	1,624
20	TOTAL CASH INFLOWS	121,721	54,565
Adjusted amount			
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	67,778
22	TOTAL NET CASH DISBURSEMENTS	NA	59,246
23	LIQUID COVERAGE RATIO	NA	114.62%

During 1Q16, the average LCR for the Bank and Sofoms was 114.62%, and at **the end of 1Q16 the LCR was 118.92%**, the aforementioned levels are above the Risk Appetite and the regulatory minimum standards. The former results show that Banorte can meet all of its short-term obligations in a crisis scenario¹.

4.4 Evolution of LCR Components

The evolution of the LCR components comparing 4Q15 and 1Q16 is presented in the following table

LCR Component (Million Pesos)	4Q15	1Q16	Change vs. 1Q16
Liquid Assets	80,576	69,757	(13.4%)
Cash Inflows	49,306	57,124	15.9%
Cash Outflows	122,925	115,741	(5.8%)

The Liquid Assets that compute in the LCRs for the Bank and Sofoms between 4Q15 and 1Q16 are distributed as follows:

Type of Asset (Million Pesos)	4Q15	1Q16	Change vs. 1Q16
Total	80,576	69,757	(13.4%)
Level I	73,575	60,619	(17.6%)
Level II	7,001	9,138	30.5%
Level II A	6,944	8,035	15.7%
Level II B	57	1,104	>1,000.0%

Decrease in Level I Assets explained by the funding maturity that the institution provided Banxico at the end of 4Q15. On the other hand, the increase in Level IIB Assets derives from a regulatory amendment that allows the acknowledgement of positions with drops on prices.

4.5 LCR Result's Main Causes

Variations in the LCR between 4Q15 and 1Q16 are mainly due to the regulatory amendments published on December 31, 2015, where the adjustments to the derivatives flows' methodology were highlighted and in the possibility to acknowledge liquid assets with price deterioration.

Additionally, the institution has maintained sound liquidity management activities, mainly the adequate management of seasonality in deposits and foreign currency liquidity.

4.6 Liquidity Risk in foreign currency

For Liquidity Risk quantification and monitoring, in the specific case of the foreign currency denominated portfolio, Banorte uses the criteria established by Banco de México for the assessment of the foreign currency Liquidity Coefficient.

The Liquidity Coefficient in foreign currencies should be interpreted as the ability of the institution to meet its liquidity mismatches with liquid assets, both in foreign currency.

¹ The Liquidity Coverage Ratio information is preliminary and is subject to Banco de Mexico's affirmation.

4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 1Q16, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	4Q15	1Q16	Change vs. 4Q15
Net cash outflows at market value and for potential future exposure	4,047	2,383	(41.1%)
Cash outflows for a 3 notch credit rating downgrade.	606	469	(22.7%)

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 2.85 billion. The decline vs. 4Q15 arises from the new calculation rules for outflows from derivatives.

4.8 Liquidity Gaps

As part of the liquidity analysis for the Bank, 30 days liquidity gaps for the institution's assets and liabilities (obligations) are analyzed. Results for the Bank at the end of 1Q16 are presented in the following table.

Concept (Million Pesos)	4Q15	1Q16	Change vs. 4Q15
Cumulative 30 day Gap	(67,283)	(53,284)	(20.8%)
Liquid Assets	80,576	69,757	(13.4%)

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets.

4.9 Stress Testing under liquidity extreme conditions

As part of its Liquidity Risk management, Banorte performs tests under extreme liquidity circumstances with internal scenarios to assess the Bank's liquidity adequacy. A total of 9 scenarios, based on 3 sources of risk (systemic, idiosyncratic and combined) with 3 levels of severity (moderate, medium and severe) are used.

4.10 Contingency Funding Plan

In order to comply with comprehensive liquidity management practices, and to ensure its operation in adverse situations in terms of Liquidity, Banorte has implemented a contingency funding plan, which incorporates elements to identify possible liquidity problems and defines alternate funding sources available to deal with contingencies.

4.11 Interest Rate Risk

The structural risk in the balance sheet or interest rate is managed using tools such as the sensitivity analysis to changes in rates, obtaining the impact thereof on the net interest margin and in the economic value. In the sensitivity analysis, assumptions on deposits and mortgage loans, according to a model of stability and prepayment, are included respectively.

As part of the rate risk mitigation actions, the institution has policies and limits for portfolio hedging on sensitivity and fixed rate. The compliance of the above is reported to the CPR on a monthly basis.

In the table below, the effect on net interest income of a movement of 100 basis points over the rates shown.

(Million Pesos)	4Q15	1Q16	Change vs. 4Q15
Margin Sensitivity	1,323	854	(38.7%)

The change between 4Q15 and 1Q16 explained by a change in methodology for the calculation of the Margin Sensitivity, which includes an intensity and prepayment model for the mortgage book.

With this change, the institution has implemented a metric and an economic value limit, which allows to analyze the

effect of a 100bp change on the intrinsic value of the company's balance. The following table shows the QoQ change in the Economic Value:

(Million Pesos)	4Q15	1Q16	Change vs. 4Q15
Economic Value	4,387	3,954	(9.9%)

4.12 Subsidiaries

Liquidity Risk Management processes for the Bank and its Sofoms are centralized in GFNorte's Risk Management General Direction (DGAR). To monitor Sofoms' liquidity, an analysis of the balance sheet structural behavior is made, as well as to the funding diversification. Furthermore, a maturity gap analysis is performed. Specifically for the Brokerage House, regulatory liquidity requirements are monitored.

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofoms at the end of 1Q16.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida	Banorte-Ixe Tarjetas
Cumulative 30 days Gap	2,174	(1,651)	(6,490)	3,948
Liquid assets	2,967	12	124	0

5. OPERATIONAL RISK

GFNorte has a formal Operational Risk department headed by the "Deputy Managing Director of Financial and Operational Risk", reporting directly to the Chief Risk Officer.

Operational Risk is defined as the potential loss due to failures or deficiencies in internal controls, errors in operation processing and storing or in data transmitting, as well as to adverse administrative and judicial rulings, fraud or theft (this definition includes Technological and Legal Risk).

The objectives of Operational Risk Management are: a) Enable and support the organization to reach its institutional objectives through prevention and management of operational risks; b) To ensure that the existing operational risks and the required controls are properly identified, assessed and in line with the risk strategy established by the organization; and c) To ensure that operational risks are properly quantified in order to adequately allocate capital per Operational Risk.

5.1 Policies, Objectives and Guidelines

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

The Operational Risk Management Directors maintains close communication and coordination with the Regulatory Comptrollership in order to facilitate effective Internal Control in which proper procedures and controls are established for mitigating Operating Risk in the processes, and provide monitoring through the Internal Audit Department.

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

5.2 Quantitative and Qualitative Measuring Tools

5.2.1 Operational Losses Database

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

Internal Fraud: Losses derived from a type of action intended to defraud, unlawfully assets appropriation or sidestep regulations, laws or company policies (excluding diversity/discrimination events) in which at least one company party is involved.

External Fraud: Losses derived from a type of action intended to defraud, unlawfully assets appropriation or sidestep the laws, caused by a third party.

Labor Relations and Safety in the Workplace: Losses caused by acts incompatible with the legislation or labor agreements regarding hygiene or safety, the payment of personal damage claims, or cases associated with diversity/discrimination.

Customers, Products & Business Practices: Losses caused by involuntary noncompliance or negligence of a professional obligation to specific customers (including fiduciary and adjustment requirements), or due to the nature or design of a product.

Natural Disasters and Other Events: Losses caused by damage or harm to material assets as a consequence of natural disasters or other events.

Incidences in the Business and Systems Failures: Losses caused by incidences in the business and systems failures.

Process Execution, Delivery and Management: Losses caused by errors in operations processing or management, as well as relations with commercial counterparties and suppliers.

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

5.2.2 Legal and Fiscal Contingencies Database

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

As part of GFNorte's legal risk management, legal and fiscal contingencies are estimated by the attorneys that process the cases, determining its risk level based on an internal methodology. This allows to create the necessary reserves in a determined term (according to lawsuit's term) to face such Contingencies.

5.3 Risk Management Model

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

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

5.4. Required Capital Calculation

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

5.5. Information and Reporting

The information generated by the Database and the Management Model is processed periodically to report to the Risk Policies Committee and the Board of Directors regarding the main operating events that were detected, the trends, identified risks and their mitigating strategies. Reporting is also done regarding the status of the main Operating Risk mitigation initiatives implemented by the various areas of the organization.

5.6 Technological Risk

Technological Risk is defined as all potential losses from damage, interruption, alteration or failures derived from the use of or dependence on hardware, software, systems, applications, networks and any other information distribution channel in the rendering of banking services to the customers. This risk forms an inherent part of Operating Risk, which is why its management is handled collectively throughout the entire organization.

To address the Operating Risk associated with information integrity, and "Integrity Committee" has been created. Its objectives are to align security and information control efforts under a prevention focus, to define new strategies, policies, processes or procedures and to provide solutions to information security issues that affect or may affect the Institutional patrimony.

The functions established by the CNBV or Technology Risk Management are performed by the Institution under institution regulatory and Integrity Committee guidelines.

To address the Operating Risk caused by high impact external events, GFNorte has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) based on a same-time data replication system at an alternate computer site. All the above cover the backup and recovery of the Institution's critical applications in the event or any relevant operating contingency.

5.7 Legal risk

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

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

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

6. SECURITIZATIONS EXECUTED BY GFNORTE

The main objective of the securitization operations carried out by the Group is to transfer risks and benefits of certain financial assets to third parties.

GFNorte has accomplished the following securitizations:

- On June 21st, 2006, Banco Mercantil del Norte (Banorte) held the irrevocable trust for the issuance of market certificates No. 374, issuer code BNORTCB, whose underlying assets securities were issued abroad by the United Mexican States (UMS), PEMEX, CFE and Bancomext.
- On October 11th, 2006, Fincasa Hipotecaria (Fincasa), now merged with Banorte, held the irrevocable trust for the issuance of market certificates No. 563, issuer code FCASACB, whose underlying assets are mortgages originated and transferred by Fincasa.

- On December 13th, 2006, Banorte held the irrevocable trust for the issuance of market certificates No. 583, issuer code BNORCB, whose underlying assets are mortgages originated and transferred by Banorte.
- On November 5th, 2007, Banorte held the irrevocable trust for the issuance of market certificates No. 477, issuer code BNTECB, whose underlying assets are loans originated and transferred by Banorte to federal entities, states and municipalities, as well as trusts in which any of such entities act as trustees.

In accordance with criterion C-1 *Recognition and Disposal of Financial Assets*, these assets were written off from the institution's balance sheet as a sale, given that conditions for the risk's and benefit's transfer inherent in the ownership of the financial assets were met. The institution is not responsible for assumed or retained risks with respect to trust assets, its sole responsibility is the fulfilment of its obligations in the trust agreement and administration contract.

The institution is responsible that each of the assigned loans meets the eligibility criteria, at the time of their respective assignment. If the trust, the common representative, the financial guarantor, identify any non-eligible loans, they may require Banorte to replace such loan or if replacement is not possible, to make payment for the "unreplaced ineligible loan" in question. If Banorte identifies any non-eligible loan, it must be notified and replaced or make the corresponding payment.

Particularly in Trusts 374 and 477 operations with derivatives are carried out, specifically swaps, in order to reduce exposure to exchange rate and interest rate risks. The institution assumes the counterparty risk generated by these operations, however these operations are only carried out with institutions of recognized solvency. The Trust's policy is to only carry out derivative instrument operations for the sole purpose of coverage, never for speculation.

The institution's Board of Directors has no pre-determined policies for the issuance of securitizations, authorization for any new issuance must be requested.

The institution does not participate in securitizations of third party positions.

There are several risk factors for securitizations that may affect trusts. If these risks materialize, payment to market certificates' holders could be adversely affected. The main risks which these financial instruments are exposed to are credit, market, liquidity and operational risk, which have been detailed in previous sections.

To monitor the quality of Credit Risk exposure of financial instruments arising from securitized assets, the institution estimates expected loss within one-year time horizon. Likewise, in order to monitor exposure to market risk, the value at risk is calculated with a one-day time horizon and a 99% confidence level, for these instruments.

Banco Mercantil del Norte is the settlor and trustee of trusts for the securitizations carried out. At the same time it acts as underwriter on each issue, offering bonds to investors. Additionally, the institution also carries out the duties of administrator in each of the trusts.

On the other hand, the institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By March 31st, 2016 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same institution:

Securitization (Million pesos)	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNORTCB_07	16,796,030	1,366	-	-	16,796,030	1,366
91_BNTECB_07	50,763,776	1,997	500,000	20	51,263,776	2,016
91_BNTECB_07-2	563,059	17	-	-	563,059	17
97_BNORCB_06	4,938,137	45	500,000	5	5,438,137	50
97_BNORCB_06-2	576,011	5	-	-	576,011	5
97_FCASACB_06U	-	-	-	-	-	-

The following shows the proportion of securities held by Grupo Financiero Banorte, in relation to the total issued for each series:

Securitization (Million pesos)	Issued Securities	Banorte	Insurance	Total GFNorte	Total Clients
91_BNORTCB_07	19,756,030	85.0%	0.0%	85.0%	15.0%
91_BNTECB_07	52,313,776	97.0%	1.0%	98.0%	2.0%
91_BNTECB_07-2	1,113,059	50.6%	0.0%	50.6%	49.4%
97_BNORCB_06	19,853,820	24.9%	2.5%	27.4%	72.6%

97_BNORCB_06-2	620,431	92.8%	0.0%	92.8%	7.2%
97_FCASACB_06U	1,351,386	0.00%	0.0%	0.0%	100.0%

Ratings assigned by each rating agency at the end of the quarter for each market certificate issued by the aforementioned trusts are as follows:

Securitization	Standard & Poor's		Fitch Ratings		Moody's	
	Local	Global	Local	Global	Local	Global
91_BNORTCB_07			AAA (mex)		Aaa.mx	Baa1
91_BNTECB_07					Aa1.mx	Baa2
91_BNTECB_07-2					A3.mx	Ba3
97_BNORCB_06	mxAAA		AAA (mex)		Aaa.mx	A3
97_BNORCB_06-2	mxAA		AA-(mex)			
97_FCASACB_06U	mxAA		A(mex)			

As of March 31st, 2016 the amounts of the underlying assets of each securitization were:

Securitization (Million pesos)	Amount		
	Performing	Past Due	Total
91_BNORTCB_07*	\$ 2,410	-	\$ 2,410
91_BNTECB_07	\$ 3,061	-	\$ 3,061
91_BNTECB_07-2		-	
97_BNORCB_06	\$ 190	\$ 104	\$ 294
97_BNORCB_06-2			
97_FCASACB_06U	\$ 143	\$ 145	\$ 288

*Figures correspond to securities valuation of trust securitizations.

There are no impaired assets in any of the securitizations.

Securitization exposure broken down by Credit Risk Weight is shown below:

Concept (Million Pesos)	Balance	Capital Requirement
Securitizations with Risk Level 1 (weighted 20%)	1,411	23
Securitizations with Risk Level 2 (weighted 50%)	2,014	81
Securitizations with Risk Level 3 (weighted 100%)	5	0
Securitizations with Risk Level 4 (weighted 350%)	0	0
Securitizations with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

No securitization position is registered in memorandum accounts and no maintained securitization position is deducted from basic capital.

The securitizations of Trusts 563, 583 and 477 considers early amortization provisions, while that of Trust 374 does not consider any. The institution has not conducted revolving securitization or re-securitization operations.

There have been no significant changes to the previous quarter's figures.

6.6 Applied Accounting Policies

All securitization operations carried out by the institution were recognized as sales in accordance with criterion C-1 *Recognition and Disposal of Financial Assets*. This is because, despite retaining the contractual rights to receive cash flows from financial assets, a contractual obligation is assumed to pay such cash flows to a third party. In addition, an analysis of the transfer of these assets concluded that the entity substantially transfers all the risks and benefits inherent with ownership of the financial assets. Registration of profits from sales conforms to the provisions in paragraph 31 of criterion C-1, which states:

- Eliminate transferred financial assets at the last book value;
- Recognition for the consideration received in the operation;

- c) Recognition of profit or loss in the income statement, for the difference between the book value of eliminated financial assets, and the sum of (i) compensation received (recognized at fair value) and (ii) the effect (gain or loss) by cumulative valuation recognized in equity.

The BORHIS and GEM Trusts issued certificates in favor of the institution, as holders of rights in last place under the trust agreement. These certificates provide the right to receive a percentage of the distributions and in general to the corresponding proportions of the remnant that may be in the trust after full payment of the bonds. Valuation of the certificates is based on the method of net present value of remaining cash flows expected over the lifespan of the securitization. Remaining cash flows, depending on the type of securitization, are determined as follows:

- a) BORHIS: the sum of the cash flow to receive from the securitized loan portfolio, less the cash flow to pay off the market certificates, less the monthly administration expenses plus the income from sales of foreclosed properties, if the case.
- b) GEM: the sum of the cash flow to receive from the securitized loan portfolio, less the cash flow to pay off the stock certificates, less expenses for Administration, plus or less the change in the reserve's interests.

Remaining flows are discounted with the B1 banking curve, which takes into consideration the trust's Credit Risk. The most important assumptions in the valuation of the certificates are the following:

- a) Non-compliance rate: cash flows to be received from loan portfolios are adjusted by a determined percentage of the outstanding portfolio amount that is estimated to fall into non-compliance. That percentage is estimated using historical performance information of this portfolio. This percentage is applied to flows greater than 12 months.
- b) Prepayment rate: cash flows to be received from the loan portfolio are adjusted by a determined percentage of the outstanding portfolio amount estimated to be prepaid. That percentage is estimated using historical performance information of this portfolio.
- c) Portfolio term: is estimated using WAM (*Weighted Average Maturity*) of the securitized portfolio.
- d) Portfolio interest rate: is estimated using WAC (*Weighted Average Coupon*) of the securitized portfolio.
- e) Portfolio payment dates: loan portfolio payment dates are considered to be the same as those of the stock certificates.
- f) Reserve to be rated: the current value of the remaining flows is reduced by the amount of the reserve to be rated. This reserve corresponds to the non-compliance risk for cash flows in the first 12 months.
- g) General account: the current value of the remaining flows are added to the amount of cash or cash equivalents deposited in the general account, collection account and if the case, in the expense reserve account, in case of total payment of the stock certificates, these assets would be distributed to the certificate holders.
- h) General terms of stock certificates: are estimated to be in accordance with prices published by Valmer.

Regarding the policies for recognizing obligations in balance sheet of the agreements that may require financial support from the institution in case of asset's securitization: all amounts due under the stock certificates of the different existing securitizations, will be charged to the trust estate. If, for any reason, the liquid assets of the trust net worth are not sufficient to ensure payment of the amounts due under the stock certificates, holders will not have the right to claim payment from the institution, the Trust, the common representative, the placement agent, the guarantor or guarantors in the case, or anyone else. The stock certificates have not been guaranteed or endorsed by any of the persons involved in the issuance thereof, therefore none of them are obligated to make payments to the certificate holders, with the exception, in the case of a trust, where payments may be charged to the trust in accordance with the trust agreement.

7. POSITION IN SHARES:

At the end of March 2016, Banco Mercantil del Norte held shares amounting to Ps 4.11 billion, with gains of Ps 135 million.

During the first quarter, accumulated losses from sales and settlements were (Ps 21) million.

For the purpose of calculating the Capital Ratio, only Ps 162 million were deducted for the calculation of the Core Tier 1. For negotiable securities, the capital requirement for Market Risk was Ps 158 million. For Securities available for sale, the capital requirement for Market Risk was Ps 36 million and for Credit Risk Ps 187 million.

Institution	Type of Quotation	Accounting classification	Capitalization treatment	Market Value 1Q16	Gains / Losses 1Q16	Acum. Profit / Loss 4Q15-1Q16
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	524	45	(36)
Banorte	w/o public quote	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,326	22	15
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	50	(28)	0
Banorte	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	114	12	0
Banorte	Public	Securities Available for Sale	Subject to Credit Risk Requirement	99	84	0
Total				4,112	135	(21)

In March 2016, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 419 million with a positive valuation of Ps 185 million.

During the quarter, gains were recorded for Ps 18.06 thousand from sales and settlements.

For the purpose of calculating the capitalization ratio, investments that are deducted from the Net Capital are not included. For securities available for sale, the capital requirement for Market risk was Ps 127 million.

Institution	Type of Quotation	Accounting classification	Capitalization treatment	Market Value 1Q16	Gains / Losses 1Q16	Acum. Profit / Loss 4Q15-1Q16
Casa de Bolsa Banorte-Ixe	Public	Negotiable Securities	Subject to Market Risk Requirement	419	185	0
Casa de Bolsa Banorte-Ixe	w/o public quote	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	0
Casa de Bolsa Banorte-Ixe	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	0
Casa de Bolsa Banorte-Ixe	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	0	0	0
Casa de Bolsa Banorte-Ixe	Public	Securities Available for Sale	Subject to Credit Risk Requirement	0	0	0
Total				419	185	0

- **Internal Control**

The companies comprising GFNorte have an Internal Control System (SCI) that has been structured according to the guidelines set forth by their Board of Directors, which establishes a general internal control framework, as well as the environment in which it must operate in order to provide reasonable security regarding the effectiveness and efficiency objectives of the operations, reliability on financial statements and compliance of regulation and legal framework.

The SCI's mission is to help running an adequate internal control in the operations and in data generating and recording. The system is made up of various elements:

- A. The Board of Directors with the support of the Advisory Board, Risk Policies Committee (CPR), Audit and Corporate Practices Committee (CAPS) and Human Resources Committee.
- B. GFNorte's CEO and the departments which support him: Risk Management Unit (RMU), Legal Department and the Comptroller, responsible for ensuring that adequate control levels, operational risks and compliance with regulation are maintained.
- C. Internal Audit, External Audit and the Commissary (The Commissary applies only to GFNorte subsidiaries) as additional support structures to check how the Internal Control System functions and provide reasonable assurance regarding the reliability of the generated data. The Internal Audit Department reports to the Audit and Corporate Practices Committee (CAPS) and maintains full independence from the administrative areas.
- D. The Executive Group as main responsible persons for SCI assurance according to the functions and responsibilities assigned to them. In addition to promoting the enforcement of the regulations established for the Institution and the strategies set forth by the GFNorte's CEO.
- E. Documents that establish the general control criteria that should be followed in the operation and reporting of transactions; in optimizing human, material and technological resources; in the use, security, timeliness and reliability of the information; and in the due compliance with the external and internal regulations. The Code of Conduct that regulates the behavior that each Board member, officer or employee of the Group should assume while performing their activities stress out.
- F. Policy and procedure manuals that regulate documentation, recording and liquidation of operations that the Institution carries out and establish the control points that should be observed, assuring the separation of functions, clear assigning of responsibilities, safekeeping of information and prevention of unlawful acts.

During the first quarter of 2016, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- C. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- D. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted.
- E. Through Process and Management Controllers, various business and support processes that make up the operation in GFNorte are monitored, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
- F. During the quarter, and according to the work plan developed at the beginning of the year, various activities in terms of accounting internal control were carried out.
- G. Requests regarding internal control subjects from diverse internal departments were handled, to the development of new institutional projects, as well as those derived from changes to the Regulation.

FINANCIAL SITUATION AND LIQUIDITY

• Treasury Policy

GFNorte's Treasury Department is the central unit responsible of balancing GFNorte's liquidity needs, monitoring and managing the regulatory levels, reducing interest rate risk on the balance sheet by using coverage and implementing arbitrage strategies.

The majority of cash currencies and investment in securities are in Mexican pesos and U.S. dollars.

• Internal and External Liquidity Sources

The internal liquidity sources, in local and foreign currency, come from the various deposit products that the institution offers to customers.

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 such transactions. It also has the alternative of obtaining resources through the issuance of shares representing equity.

Currently, the Institution has diverse sources of liquidity. Deposits, including interest bearing and non-interest bearing demand and time deposits, are the bank's main source of liquidity. Negotiable and short term instruments, such as government securities and deposits in the Central Bank and other banks, are liquid assets that generate interest. Liquid assets also include deposits in foreign banks, which are denominated mainly in US dollars.

Detailed information related to liquidity sources is reported in different headings of the GFNorte's Balance Sheet in this report

• Dividend Policy

GFNorte's Ordinary General Shareholders' Meeting held on November 19th, 2015, approved to modify the Dividend Policy, which was effective since October 2011.

As of November 2015, the Policy establishes that the dividend payment can be between 16% and up to 40% of the net income of the prior year.

- For reference, the former Policy which decreed dividends established a payment between 16% and 20% of the recurring net income depending on its annual growth.

• Related Parties Loans

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions cannot surpass the established limit of 35% of the basic part of the net capital.

In GFNorte as of March 31st, 2016 and December 31st, 2015, the amount of loans granted to third parties is as follows (million pesos):

Lender	Mar-2016	% Basic Equity	Dec-2015	% Basic Equity
Banorte	Ps 8.68	11.9%	Ps 7.55	10.5%

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

Banorte.

As of **March 31st, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 8.68 billion (including Ps 922 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.7% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 7.50

billion were loans granted to clients linked to members of the Board of Directors; Ps 134 million were granted to clients linked to shareholders and Ps 1.05 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of March 2016 was 11.9% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 95% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

As of **December 31st, 2015**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 7.55 billion (including Ps 914 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.5% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 6.33 billion were loans granted to clients linked to members of the Board of Directors; Ps 15 million were granted to clients linked to shareholders and Ps 1.21 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of December 2015 was 10.5% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 91% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

- **Loan or tax liabilities**

The tax credits listed below are currently in litigation:

As of December 31, 2015	
BANORTE	\$34
IMSS fees, various occupations	6
INFONAVIT fees, various occupations	28
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$5
Philippines 2007 - 2008	5
CASA DE BOLSA BANORTE IXE	\$35
Fiscal credit review - year 2007 (document 900 06 05-2010-03968)	35
IXE BANCO	\$13
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	13
Million pesos	

- **People in Charge**

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation. Furthermore, we express that we are not aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors.

Act. Jose Marcos Ramirez Miguel
Chief Executive Officer of Grupo Financiero Banorte, S.A.B. de C.V.

Eng. Rafael Arana de la Garza
Chief Operating Officer & Chief Financial Officer

C.P. Isaias Velazquez Gonzalez
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

C.P.C. Mayra Nelly Lopez Lopez
Executive Director of Accounting

Basis for submitting and presenting Financial Statements

Grupo Financiero Banorte (GFNorte). Issues consolidated financial statements with its Subsidiaries in accordance with the General Provisions Applicable to Financial Information of the Regulating Agencies of Financial Groups Subject to Supervision by the National Banking and Securities Commission (CNBV) published in the Official Gazette of the Federation on January 31, 2011 and modified on July, 18, 2011 and December 1, 2014. As a result of the norm NIF B10 "Inflation Effects" taking effect and according to INIF 9 "Presentation of comparable financial statements as a consequence of NIF B-10 taking effect"; which mentions that, the economic environment is non-inflationary, when accumulated inflation of the last three years is less than 26%. Under this context, it is not necessary to re-express financial statements as of January 2008.

Consolidated Bank. Issues consolidated financial statements with its subsidiaries in conformity with the General Provisions for Financial Information of Credit Institutions in effect as published on December 2, 2005 and modified on March 3 and 28, September 15, December 6 and 8, 2006, January 12, March 23, April 26, November 5, 2007, March 10, August 22, September 19, October 14, December 4, 2008, April 27, May 28, June 11, August 12, October 16, November 9, 2009, December 1 and 24, 2009, January 27, February 10, April 9 and 15, May 17, June 28, July 29, August 19, September 9 and 28, October 25, November 26, December 20, 2010, January 24 and 27, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, December 28, 2011, June 19, July 5, October 23, November 28, December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2, December 24, 2013, January 7 and 31, March 26, May 12 and 19, July 3 and 31, September 24, October 30, December 8 and 31, 2014, January 9, February 5, April 30, May 2 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, respectively.

GFNorte and Banorte. The financial information contained in this document has been developed according to the regulations issued by the CNBV for the regulating agency and the financial entities that make up the Financial Group and to Norms of Financial Information (Normas de Informacion Financiera NIF), issued by the Mexican Council of Financial Information Norms, A.C. (CINF). The regulations of the CNBV and the NIF mentioned above differ given the specialized operations of the Credit Institutions. Moreover, there is a difference in the generally accepted accounting principles of the United States (US GAAP) and the regulations and principles established by the American authorities for this type of financial entities. In order to present the information contained herein in an international format, the classification format and the presentation of certain financial information differ from the format used for the financial information published in Mexico.

The information contained in this document is based on the non-audited financial information of each of the entities to which it refers.