

1Q17

Financial Results as of March 31, 2017

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GFNORTE



OTC QX

GBOOY



XNOR

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“Best Latin America
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I. Summary

GFNorte reports record Net Income of Ps 5.5 billion in 1Q17, up +24% from same period last year

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

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ended March 31st, 2017. The main highlights include:

- **Net Income of Ps 5.5 billion**, achieved outstanding **sequential growth of +5%**, driven by sound fundamentals, dedicated strategy, revenue expansion and healthy business diversification. The main increases came from the **Insurance +58%**, **Brokerage +44%**, **Pensions Fund +31%**, **Annuities +14%**, and the **Bank +5%**.
- Strong quarterly financial indicators: **NIM to 5.5%** from 5.0%, **non-performing loans ratio** stable at **1.8%**, **reserves coverage ratio** stable at **138%**, **ROE at 15.7%**, from 15.1% and **ROA at 1.76%**, up +5bp.
- Net Interest Income (NII) grew **+6%** in the quarter; while loan loss provisions were practically flat. **Record net operating income** of Ps 7.5 billion, +9% higher QoQ.
- Subsidiaries achieved strong sequential earnings growth: **Banorte Bank +49%**, **Brokerage +50%**, **Annuities +42%**, **Pensions Fund +14%**, **Leasing and Factoring +15%**.
- Annual key financial ratios improved substantially. **NIM to 5.5%**, from 5.0%, **NPL Ratio at 1.8%**, from 2.2%, **reserves coverage ratio** to **138%**, from 119%, **Efficiency Ratio to 44.5%**, from 46.8%, **ROA to 1.76%**, from 1.50%, and **ROE to 15.7%**, from 13.3%.
- **NII up +16%** annually, and adjusted for credit risks **+21%**.
- **Net service fees** increased **+18%** annually on higher transaction volume and online banking services. **Trading Income** rise **+66%**.
- Controlled efficiency ratio at 44%, outstanding **net operating income** growth of **+35%** yearly.
- Strong growth in the **Consumer book**, **+4% quarterly** and **+19% annually**. **Performing loans growth of +10%** driven by a healthy decline in the government book. Non-performing loans steady vs. last quarter and decrease (12%) vs. 1Q16.
- **Capital ratios remain solid**, at 16.59% impacted by the sale of INB on March. Moreover, the leverage ratio remained solid at 7.98% in 1Q17.

Income Statement Highlights - GFNorte (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Net Interest Income	13,359	13,894	15,555	12%	16%
Fees on Services	2,170	3,050	2,571	(16%)	18%
Trading	444	428	737	72%	66%
Other Operating Income (Expenses)	606	1,037	619	(40%)	2%
Non Interest Income	3,221	4,515	3,927	(13%)	22%
Total Income	16,579	18,409	19,482	6%	18%
Non Interest Expense	7,752	8,203	8,665	6%	12%
Provisions	3,232	3,289	3,268	(1%)	1%
Operating Income	5,595	6,917	7,549	9%	35%
Taxes	1,465	1,921	2,279	19%	56%
Subsidiaries' Net Income	328	257	263	3%	(20%)
Minority Interest	(55)	(77)	(79)	3%	44%
Discontinued Operations	59	68	74	9%	25%
Net Income	4,462	5,244	5,527	5%	24%

Balance Sheet Highlights - GFNorte (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Asset Under Management	2,158,128	2,184,877	2,293,279	5%	6%
Performing Loans (a)	516,970	566,804	569,147	0%	10%
Past Due Loans (b)	11,747	10,312	10,284	(0%)	(12%)
Total Loans (a+b)	528,717	577,117	579,432	0%	10%
Total Loans Net (d)	514,799	562,733	565,197	0%	10%
Acquired Collection Rights (e)	2,120	2,025	2,082	3%	(2%)
Total Credit Portfolio (d+e)	516,919	564,759	567,279	0%	10%
Total Assets	1,184,534	1,268,119	1,245,334	(2%)	5%
Total Deposits	535,410	574,559	576,800	0%	8%
Total Liabilities	1,049,653	1,125,418	1,101,552	(2%)	5%
Equity	134,882	142,701	143,782	1%	7%

Financial Ratios GFNorte	1Q16	4Q16	1Q17
Profitability:			
NIM (1)	5.0%	5.0%	5.5%
ROE (2)	13.3%	15.1%	15.7%
ROA (3)	1.50%	1.71%	1.76%
Operation:			
Efficiency Ratio (4)	46.8%	44.6%	44.5%
Operating Efficiency Ratio (5)	2.6%	2.7%	2.8%
CCL for Banorte and SOFOM - Basel III (6)	114.6%	99.6%	93.2%
Asset Quality:			
Past Due Loan Ratio	2.2%	1.8%	1.8%
Coverage Ratio	118.5%	139.5%	138.4%
Cost of Risk	2.5%	2.4%	2.3%
Market References			
Banxico Reference Rate	3.75%	5.75%	6.50%
TIIE 28 days (Average)	3.79%	5.43%	6.40%
Exchange Rate Peso/Dolar	17.24	20.62	18.80

- 1) NIM= Annualized Net Interest Income / 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.

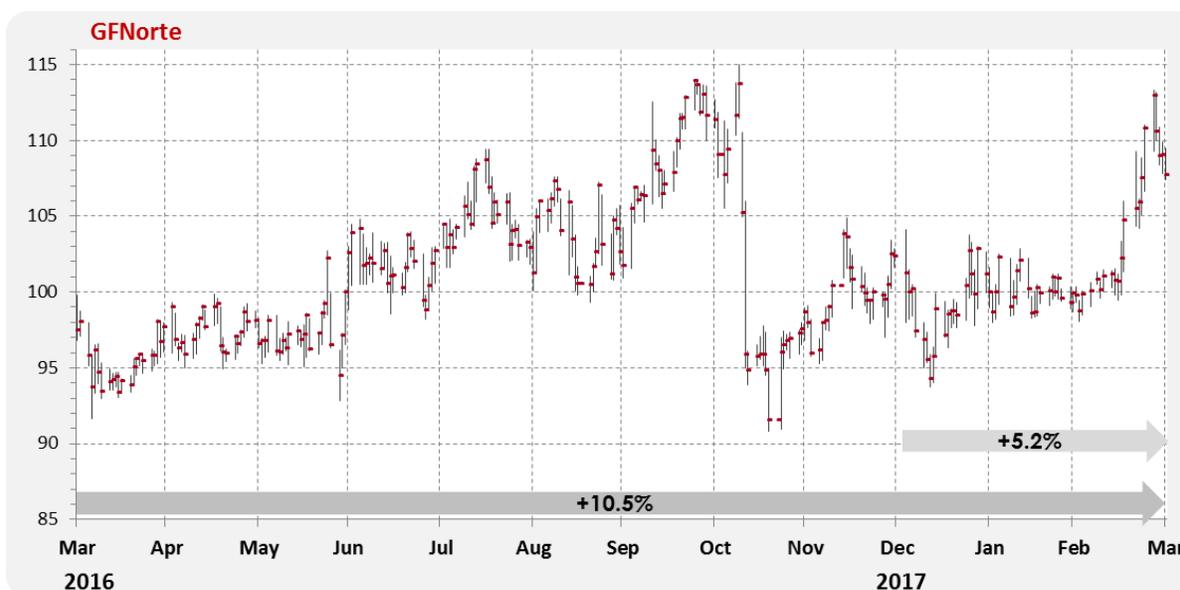
The financial information presented in this report has been calculated in pesos and the tables are in million pesos, thus, differences are the result of rounding effects.

Subsidiaries Net Income (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Banco Mercantil del Norte	2,846	4,031	4,229	5%	49%
Banorte- Ixe-Broker Dealer	154	161	231	44%	50%
Operadora de Fondos Banorte-Ixe	55	62	56	(9%)	1%
Retirement Funds - Afore XXI Banorte	318	276	362	31%	14%
Insurance	916	560	885	58%	(3%)
Annuities	122	152	174	14%	42%
Leasing and Factoring	158	207	182	(12%)	15%
Warehousing	7	6	7	28%	6%
Sólida Administradora de Portafolios	(224)	(183)	(630)	(244%)	(181%)
Ixe Servicios	(0)	(6)	(1)	91%	NA
G. F. Banorte (Holding)	109	(21)	31	NA	(72%)
Total Net Income	4,462	5,244	5,527	5%	24%

Share Data	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Earnings per share (Pesos)	1.609	1.890	1.993	5%	24%
Earnings per share Basic (Pesos)	1.620	1.906	2.008	5%	24%
Dividend per Share (Pesos) (1)	0.46	0.00	1.23	NA	170%
Dividend Payout (Recurring Net Income)	33.3%	0.0%	40.0%	NA	20%
Book Value per Share (Pesos)	47.95	50.74	51.12	1%	7%
Issued Shares (Million)	2,773.7	2,773.7	2,773.7	0%	0%
Stock Price (Pesos)	97.43	102.30	107.66	5%	10%
P/BV (Times)	2.03	2.02	2.11	4%	4%
Market Capitalization (Million Dollars)	15,678	13,761	15,888	15%	1%
Market Capitalization (Million Pesos)	270,244	283,753	298,620	5%	10%

1) Excluding Minority Interest.

Stock Performance



II. Management's Discussion & Analysis

On March 31, 2017 Banco Mercantil del Norte ("Banorte"), finalized through INB Financial Corp. (subsidiary of Banorte) the sale of its ownership of **Inter National Bank** ("INB").

The consolidation of INB's quarterly and accumulated figures in Banorte's Balance and Sheet and Income Statement were fully reversed for 2016. Hence, the consolidated figures and ratios of GFNorte and Banorte presented in this report differ from those published in the Quarterly Releases of 1Q, 2Q, 3Q and 4Q of 2016, as these have been modified retroactively to be comparable and to reflect the INB deconsolidation.

Grupo Financiero Banorte

Net Interest Income

Net Interest Income (NII) (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Interest Income	16,780	20,341	23,221	14%	38%
Interest Expense	5,966	7,879	9,778	24%	64%
Loan Origination Fees	306	305	282	(7%)	(8%)
Fees Paid	102	153	144	(6%)	42%
NII excluding Insurance and Annuities Co.	11,018	12,615	13,581	8%	23%
Premium Income (Net)	7,741	4,844	7,784	61%	1%
Technical Reserves	4,154	2,655	5,544	109%	33%
Damages, Claims and Other Obligations	2,882	3,271	3,306	1%	15%
Technical Results	705	(1,082)	(1,065)	2%	NA
Interest Income (Expenses) net	1,635	2,362	3,038	29%	86%
Insurance and Annuities NII	2,340	1,280	1,973	54%	(16%)
GFNORTE's NII	13,359	13,894	15,555	12%	16%
Credit Provisions	3,232	3,289	3,268	(1%)	1%
NII Adjusted for Credit Risk	10,127	10,605	12,287	16%	21%
Average Earning Assets	1,074,841	1,101,682	1,126,094	2%	5%
Net Interest Margin (1)	5.0%	5.0%	5.5%		
NIM after Provisions (2)	3.8%	3.9%	4.4%		
NIM adjusted w/o Insurance & Annuities	4.4%	5.0%	5.3%		
NIM from loan portfolio (3)	7.8%	8.3%	8.4%		<

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 Income from loans / Average Performing Loans

Net Interest Income (NII) excluding Insurance and Annuities in 1Q17 amounted to Ps 13.58 billion, +8% higher QoQ and up +23% annually.

The quarterly growth derived from a positive evolution of **NII from loans and deposits (+5%)** and from investments in securities and repos (+51%). Moreover, the annual comparison reflects the positive impact of the interest rate hikes that Banxico carried out last year and this quarter, which derived in a +21% increase in NII from loans and deposits; also it is worth mentioning the very significant +71% acceleration of NII from investments in securities and repos.

In 1Q17, **Insurance and Annuities NII totaled Ps 1.97 billion, +54% higher vs 4Q16** on the back of strong seasonal insurance premium renewals in the quarter. NII declined (16%) annually impacted by the one-time effect of Ps 565 million included in 1Q16's NII of the insurance company related to the accounting changes implemented in 2016 from the Solvency II regulation. Eliminating this effect, adjusted NII grew 10% annually. Technical Results were (Ps 1.07) billion, impacted by higher Technical Reserves (+33%) and Damages & Claims (+15%). Technical Reserves from annuities increased +94% from a year ago on a +33% increase in Premium Income and reserve requirements indexed to inflation, which was higher. **Net Interest Income improved by +Ps 677 million in the quarter and +Ps 1.40 billion vs. the prior year**, mainly on the result of the higher inflation valuation registered at Pensiones Banorte (specifically +Ps 662 million QoQ and +Ps 1.32 billion YoY).

According to new regulation Premium Income and Technical Reserves of life policies are fully accounted when originated, as opposed to the former rule in which Premium Income and Costs were registered following the payment calendar of the policies.

GFNorte's Net Interest Income (NII) amounted to Ps 15.55 billion for 1Q17, up +12% QoQ as result of better performance in all lines, while vs. 1Q16 rose +16% on higher income from the loan and the investment books.

The Net Interest Margin (NIM) was 5.5% in 1Q17, up +48bp vs. 4Q16 and +55bp vs. the prior year. The NIM expansion reflects a better mix in the loan book, controlled funding costs, the benefit of rising market rates on the repricing of the balance sheet and strong seasonal insurance premium renewals.

Loan Loss Provisions

During 1Q17 Loan Loss Provisions totaled Ps 3.27 billion, (1%) lower sequentially and +1% higher annually. Lower LLP requirements in government, consumer and corporate portfolios explain the quarterly decline. On the yearly comparison, Provisions were almost flat, increasing only Ps 36 million. There were lower LLP requirements on the government, commercial and corporate portfolios, while the consumer book required higher LLPs because of the growth in this segment.

Provisions represented 21.0% of Net Interest Income in 1Q17, decreasing by (267bp) QoQ and by (318bp) compared to the same period a year ago.

Furthermore, **Provisions in the first quarter of 2017 accounted for 2.3% of the average loan portfolio**, (9bp) and (20bp) lower QoQ and YoY, respectively.

Non-Interest Income

Non-Interest Income (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Fees on Services	2,170	3,050	2,571	(16%)	18%
Trading	444	428	737	72%	66%
Other Operating Income (Expenses)	606	1,037	619	(40%)	2%
Non-Interest Income	3,221	4,515	3,927	(13%)	22%

In the first quarter of 2017 Non-Interest Income totaled Ps 3.93 billion, (13%) lower vs 4Q16 but up by +22% compared to the same period a year ago.

Service Fees

Service Fees (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Fund Transfers	273	367	368	0%	35%
Account Management Fees	469	597	596	(0%)	27%
Electronic Banking Services	1,341	1,628	1,639	1%	22%
Basic Banking Services Fees	2,083	2,592	2,604	0%	25%
For Commercial and Mortgage Loans *	191	231	94	(59%)	(51%)
For Consumer Loans	830	1,116	999	(10%)	20%
Fiduciary	81	107	92	(15%)	14%
Income from Real Estate Portfolios	33	24	7	(71%)	(79%)
Mutual Funds	276	302	282	(7%)	2%
Trading & Financial Advising Fees	145	140	115	(18%)	(21%)
Other Fees Charged (1) *	198	231	264	14%	33%
Fees Charged on Services	3,838	4,742	4,455	(6%)	16%
Exchange Fees	584	706	722	2%	24%
Insurance Fees	625	360	379	5%	(39%)
Other Fees Paid	459	627	783	25%	71%
Fees Paid on Services	1,667	1,692	1,884	11%	13%
Service Fees	2,170	3,050	2,571	(16%)	18%

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

* Figures for 2016 were reclassified to Other Fees Charged from Fees for Commercial and Mortgage Loans.

In 1Q17, Service Fees totaled Ps 2.57 billion, (16%) lower vs. 4Q16 on the seasonality presented at the beginning of year, driven mainly by the:

- (6%) reduction in Fees Charged, mainly affected by the seasonal decline in transactions that normally occurs in the first quarter of the year,
- +Ps 11 million increase in Core Banking Services fees; and
- Higher fees paid on loan placements and debt issuance.

Annually, Service Fees increased +18% on the:

- solid increase of Ps 520 million in Core Banking Services,
- +20% growth in Fees related to Consumer Loans, and
- lower Fees Paid, mainly on the (Ps 246) million decrease in the acquisition cost of the Insurance Company, which is related to the change in the insurance portfolio mix, which today carries a lower proportion of reinsurance.

Trading

Trading Income (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Currency and Metals	8	36	(151)	NA	NA
Derivatives	(108)	(85)	(195)	(130%)	80%
Negotiable Instruments	199	(26)	27	NA	(87%)
Valuation	99	(75)	(319)	NA	NA
Currency and Metals	254	437	520	19%	105%
Derivatives	3	14	281	NA	NA
Negotiable Instruments	88	52	255	NA	190%
Trading	346	503	1,056	110%	NA
Trading Income	444	428	737	72%	66%

During 1Q17 Trading Income was Ps 737 million, +72% higher QoQ and up by +66% vs. the same period a year ago.

These revenues were driven by the solid performance in Trading, up by +Ps 553 million vs. 4Q16 and +Ps 711 million vs. 1Q16.

- Better results in derivatives.
- Higher revenue related to foreign currency transactions.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Loan Recovery	347	434	413	(5%)	19%
Loan Portfolios	50	6	42	NA	(17%)
Income from foreclosed assets	35	29	21	(27%)	(39%)
Provisions Release	155	39	164	NA	6%
Losses and Estimates	(320)	(173)	(298)	(72%)	(7%)
Impairment of Assets	(165)	(0)	(428)	NA	NA
Lease Income	79	80	111	38%	40%
From Insurance	208	275	234	(15%)	12%
Others	216	347	360	4%	67%
Other Operating Income (Expenses)	606	1,037	619	(40%)	2%

In 1Q17 Other Operating Income (Expenses) was Ps 619 million, (40%) lower QoQ, coming from:

- a (Ps 428) million charge to adjust the value of investment projects,
- +Ps 125 million increase in Losses and Estimates which are related to fraud, theft and others, and
- lower revenues related to loan recoveries (-5%), sale of foreclosed assets (-27%) and the Insurance Company (-15%).

Annually, Other Operating Income (Expenses) only grew by +Ps 13 million.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Personnel	3,154	3,357	3,512	5%	11%
Professional Fees	479	606	567	(6%)	18%
Administrative and Promotional	1,923	1,974	2,022	2%	5%
Rents, Depreciation & Amortization	1,113	1,254	1,306	4%	17%
Taxes other than income tax & non deductible expenses	423	306	523	71%	24%
Contributions to IPAB	562	607	634	4%	13%
Employee Profit Sharing (PTU)	97	99	101	1%	4%
Non-Interest Expense	7,752	8,203	8,665	6%	12%

In 1Q17 Non-Interest Expense totaled Ps 8.67 billion, up by +6% QoQ, mainly as result of the +Ps 217 million increase in Other Non-Deductible Expenses and Taxes and of +Ps 155 million in Personnel Expenses, of which, about half refer to increases to cover the actuarial requirements of the pensions plan and the rest are mainly related to seasonal factors.

On a yearly basis, Non-Interest Expense rose +12%; mainly driven by +Ps 357 million in Personnel Expenses and +Ps 192 million in Rents, Depreciations and Amortizations on higher amortizations of IT projects and software, as well as by the increase in expenses related to payments and cards transactions.

The Efficiency Ratio for 1Q17 declined to 44.5%, (8bp) and (228bp) lower QoQ and YoY, respectively, continuing the improving Efficiency trend derived from positive operating leverage.

Net Income

Net Income (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Operating Income	5,595	6,917	7,549	9%	35%
Subsidiaries' Net Income	328	257	263	3%	(20%)
Pre-Tax Income	5,923	7,173	7,812	9%	32%
Taxes	1,465	1,921	2,279	19%	56%
Discontinued Operations	59	68	74	9%	25%
Minority Interest	(55)	(77)	(79)	3%	44%
Net Income	4,462	5,244	5,527	5%	24%

Recurring revenues (NII + Net Fees excluding Portfolio Recoveries - Operating Expenses - Provisions) **were Ps 14.22 billion, higher by +4% vs. 4Q16 and +28% YoY**, both cases driven by a +12% and +16% growth –respectively- in Net Interest Income.

Net Income from Subsidiaries stood at Ps 263 million, increasing +3% sequentially but (20%) lower than a year ago affected by Solida's results. Afore XXI Banorte's profits grew +Ps 176 million quarterly and Ps 89 million annually.

Taxes totaled Ps 2.28 billion, +19% higher QoQ and +56% up vs. 1Q16, explained by lower deductible expenses. **The effective tax rate for 1Q17 was 29.2%**, unfavorably compared vs. the 26.8% in 4Q16 and the 24.7% in 1Q16.

Income from Discontinued Operations, which represents INB's profits, reached Ps 74 million, increasing +Ps 6 million YoY and +Ps 15 million vs. the same period a year ago.

GFNorte reported Net Income of Ps 5.53 billion in 1Q17, demonstrating extraordinary sequential and annual growth. This is the result of good strategy execution, solid fundamentals, NIM expansion, stable cost of risk and sound business diversification. By company, performance was strong: Seguros Banorte +58%, Bank +5% and Afore XXI Banorte +31%. Likewise, on a yearly basis performance was also strong: Banorte +49%, the Broker Dealer +78% and the Long-Term Savings Sector.

Profitability, asset quality and margin ratios evolved positively in all cases -both in QoQ and YoY comparisons even under the current volatile and uncertain environment.

Profitability

	1Q16	4Q16	1Q17
ROE	13.3%	15.1%	15.7%
Goodwill & Intangibles (billion pesos)	23.4	26.3	25.3
Average Tangible Equity (billion pesos)	106.3	111.4	115.5
ROTE	16.5%	18.4%	19.1%

ROE rose +57bp QoQ and +235bp YoY, standing at **15.7% in 1Q17**. Equity increased +1% on a sequential basis and +7% vs. 1Q16.

Return on Tangible Capital (ROTE) was 19.1%, increasing +76bp QoQ and +264bp compared to 1Q16.

	1Q16	4Q16	1Q17
ROA	1.5%	1.7%	1.8%
Average Risk Weighted Assets (billion pesos)	544.6	605.1	620.9
RRWA	3.2%	3.2%	3.3%

ROA for 1Q17 was 1.8%, up by +5bp vs. 4Q16 and by +26bp YoY. **Return on Risk-Weighted Assets was 3.3%**, +3bp vs. 1Q16 and +9bp higher vs. 4Q16.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Core Tier 1	71,891	77,518	85,080	9.8%	18.3%
Tier 1 Capital	75,722	81,348	87,336	7.4%	15.3%
Tier 2 Capital	7,731	16,643	15,808	(5.0%)	104.5%
Net Capital	83,453	97,992	103,143	5.3%	23.6%
Credit Risk Assets	410,884	477,880	479,076	0.3%	16.6%
Net Capital / Credit Risk Assets	20.3%	20.5%	21.5%	1.0 pp	1.2 pp
Total Risk Assets	558,750	640,590	621,801	(2.9%)	11.3%
Core Tier 1	12.87%	12.10%	13.68%	1.6 pp	0.8 pp
Tier 1	13.55%	12.70%	14.05%	1.4 pp	0.5 pp
Tier 2	1.38%	2.60%	2.54%	(0.1 pp)	1.2 pp
Capitalization Ratio	14.94%	15.30%	16.59%	1.3 pp	1.7 pp

(*) The reported capitalization ratio of the period is submitted to the Central Bank.

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.

In April 2017, Banorte was confirmed as Level II - Domestic Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, the minimum Capitalization Ratio required for Banorte amounts to 10.73% as of March 2017 (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

At the end of 1Q17 the estimated Capitalization Ratio (CR) for Banorte was 16.59% considering credit, market and operational risk; and, 21.53% if only credit risks are considered.

The Capitalization Ratio increased +1.3 pp vs. 4Q16, as follows:

1. Profits for 1Q17	+0.69 pp
2. Investment in Subsidiaries (INB's sale)	+0.70 pp
3. Change in risk assets	+0.46 pp
4. Valuation of Financial Instruments	+0.22 pp
5. February 2017 Dividend to GFNorte	-0.38 pp
6. Settlement of Subordinated Notes (Jan'17)	-0.39 pp

The Capitalization Ratio increased +1.7 pp vs. 1Q16, as follows:

1. Profit growth for the period	+2.37 pp
2. Investment in Subsidiaries and Intangibles	+1.26 pp
3. Net effect of the Issuance and Settlement of Subordinated Notes	+1.01 pp
4. Valuation of Financial Instruments	-0.13 pp
5. 2016 Dividends to GFNorte	-1.32 pp
6. Growth in risk assets	-1.51 pp

Leverage Ratio (Banco Mercantil del Norte)

The Leverage Ratio, according to CNBV's regulation, is presented below:

Leverage (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Tier 1 Capital	75,722	81,348	87,336	7.4%	15.3%
Adjusted Assets	965,719	1,047,439	1,094,203	4.5%	13.3%
Leverage Ratio	7.84%	7.77%	7.98%	0.2 pp	0.1 pp

Adjusted Assets are defined according to the General Provisions applicable to Credit Institutions.

Deposits

Deposits (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Non-Interest Bearing Demand Deposits	163,435	231,394	214,194	(7%)	31%
Interest Bearing Demand Deposits	163,461	152,367	153,670	1%	(6%)
Total Demand Deposits	326,896	383,761	367,864	(4%)	13%
Time Deposits – Retail	151,289	167,652	173,891	4%	15%
Core Deposits	478,185	551,413	541,755	(2%)	13%
Money Market	59,252	24,342	36,437	50%	(39%)
Total Bank Deposits	537,438	575,755	578,191	0%	8%
GFNorte's Total Deposits	535,410	574,559	576,800	0%	8%
Third Party Deposits	167,246	148,407	190,537	28%	14%
Total Assets Under Management	704,683	724,163	768,728	6%	9%

*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

Banorte's Total Deposits amounted to Ps 578.19 billion, an +8% annual variation, the deceleration in the growth pace reflects the addressed management in the different funding sources, to maintain funding costs under control given market rate hikes. In this period, **client's deposits grew +13% YoY. On a quarterly basis, total deposits increased +Ps 2.44 billion**, positive result despite seasonality registered at the beginning of the year in deposits balances. The quarterly decline of (4%) in demand deposits is driven by seasonal effects in the behavior of deposits and to the impact of deposits valuation in US dollars at a lower exchange rate than that of 4Q16, affecting the balance in Ps 4.97 billion. **Total Assets under Management** grew +9% yearly and +6% quarterly.

Loans

Performing Loan Portfolio (Million Pesos)	1Q16*	4Q16	1Q17	Change	
				4Q16	1Q16
Commercial	111,869	125,377	123,547	(1%)	10%
Consumer	178,362	203,047	211,619	4%	19%
Corporate	89,483	103,491	102,345	(1%)	14%
Government	137,144	134,798	131,551	(2%)	(4%)
Sub Total	516,858	566,713	569,062	0%	10%
Recovery Bank	112	91	85	(7%)	(24%)
Total	516,970	566,804	569,147	0%	10%

Performing Consumer Loan Portfolio (Million Pesos)	1Q16*	4Q16	1Q17	Change	
				4Q16	1Q16
Mortgages	100,633	114,718	119,227	4%	18%
Car Loans	12,827	15,047	15,916	6%	24%
Credit Card	25,206	28,445	29,516	4%	17%
Payroll	39,696	44,838	46,960	5%	18%
Consumer Loans	178,362	203,047	211,619	4%	19%

*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

Total Performing Loans increased +10% YoY for an ending balance of Ps 569.06 billion in 1Q17. Outstanding +19% annual growth in the consumer book: auto +24%, mortgage +18%, payroll +18% and credit card +17%. The aforementioned driven by the origination dynamic and to the focus strategy in these segments. On a quarterly basis, the total performing loans were undermined by the impact of the portfolio valuation in US dollars at a lower exchange rate than that of 4Q16, eliminating this effect, the sequential growth would have been +1%.

- **Mortgages:** up +18% YoY, with an ending **balance of Ps 119.23 billion as of 1Q17**. During the quarter the portfolio grew Ps 4.51 billion or +4% QoQ on higher origination in all products comprising this segment. As of February 2017, Banorte had a 17.3% market share in mortgage balances, ranking third in the system, and growing above its main peers.
- **Car Loans:** In 1Q17, the portfolio increased +24% YoY and +6% QoQ, totaling **Ps 15.92 billion**, on the successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of February 2017, Banorte's market share was 15.0%, and continues with one of the best annual performances in the banking industry.
- **Credit Cards:** Outstanding performance of the book, with an **ending balance of Ps 29.52 billion**, up +17% YoY and +4% QoQ, consolidating the strong growth pace seen since the second half of 2016, both comparatives on the back of active portfolio management and commercial campaigns. As of February 2017, Banorte held an 8.8% market share in credit card balances, ranking fourth in the banking system and leading the growth pace among its main peers.
- **Payroll:** good increase of +18% YoY and +5% QoQ, **reaching a balance of Ps 46.96 billion**, driven by higher credit penetration on a larger base of Banorte's payroll account holders. Payroll loans had a 19.9% market share in balances as of February 2017, ranking third in the system.
- **Commercial:** slight deceleration in its growth pace, **ending at Ps 123.55 billion**, +Ps 11.68 billion or +10% higher YoY, affected by prepayments during the quarter. On a quarterly basis, declines (1%) vs. 4Q16. The leasing and factoring books grew +9% annually. As of February 2017, the market share in commercial loans (including the corporate book according to the CNBV's classification) was 10.2%, ranking fourth in the system.

GFNorte's SME performing portfolio was Ps 30.88 billion, +12% higher YoY on higher origination. The NPL ratio continues to improve, during the quarter reduces (20bp) and annually (223bp).

SMEs Portfolio Evolution (million pesos)

	1Q16	4Q16	1Q17
Performing Portfolio	\$27,529	\$30,726	\$30,878
% of Performing Commercial Portfolio	24.6%	24.5%	25.0%
% of Total Performing Portfolio	5.3%	5.4%	5.4%
NPL Ratio	8.3%	6.3%	6.1%

- **Corporate:** At the end of 1Q17 the balance was **Ps 102.35 billion**, an important increase of +14% YoY on an excellent and diversified origination dynamics. Sequentially declined (1%) vs. 4Q16 on the back of client's conservative expectations of the commercial environment with the USA and by the impact of the portfolio valuation in US dollars at a lower exchange rate than that of 4Q16. 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 10.5% of the group's total portfolio, decreasing by (1.1 pp) vs. 1Q16 and (94bp) vs. 4Q16. The group's largest corporate loan represents 0.9% of the total portfolio; whereas number 20 represent 0.3%. 100% of GFNorte's main corporate borrowers have an A1 rating.

As of March 31, 2017 GFNorte's **loan exposure to home builders was Ps 2.46 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., +Ps 8 million higher than the prior quarter. This exposure represented 0.4% of the total loan portfolio, flat vs. that of December 2016. The credit exposure has a 100% collateral coverage, unchanged vs. 4Q16. The loan loss reserve coverage was 38.3% in 1Q17. **Sólida had a balance of Ps 5.26 billion in investment projects** to these companies, (5.5%) lower vs. 4Q16.

- Government: At the end of 1Q17 the balance was Ps 131.55 billion**, decreasing (4%) YoY and (2%) QoQ, on the strategy to reduce concentration in the portfolio. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 19.9% of the group's total portfolio, a decline of (3.24 pp) vs. 1Q16 and (1.10 pp) vs. 4Q16. The largest government loan represents 2.9% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%, also rated A1. The portfolio's risk profile is adequate with 27.4% of the loans granted to Federal Government entities and 97.9% 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 2017, Banorte held a 22.9% market share of the total system, ranking second.

Past Due Loans

(Million Pesos)	1Q16*	4Q16	1Q17	Change	
				4Q16	1Q16
Past Due Loans	11,747	10,312	10,284	(0%)	(12%)
Loan Loss Reserves	13,918	14,384	14,235	(1%)	2%
Acquired Rights	2,120	2,025	2,082	3%	(2%)

*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

During 1Q17, Past Due Loans were Ps 10.28 billion, lower in (Ps 1.46) billion or (12%) YoY, on a quarterly basis they were down (0.3%); in both cases, driven by lower delinquencies in practically all portfolios.

The quarterly evolution of NPL balances were as follows:

Past Due Loans (Million Pesos)	1Q16*	4Q16	1Q17	Change	
				4Q16	1Q16
Credit Cards	1,438	1,623	1,660	37	223
Payroll	1,076	1,442	1,218	(223)	142
Car Loans	170	182	150	(32)	(20)
Mortgages	1,094	1,049	1,019	(30)	(75)
Commercial	4,201	3,422	3,667	245	(534)
Corporate	3,768	2,594	2,569	(25)	(1,198)
Government	-	-	-	-	-
Total	11,747	10,312	10,284	(28)	(1,463)

*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

In 1Q17, the Past Due Loan Ratio was at a historically low 1.77%, improving by (45bp) vs. 1Q16 and (2bp) vs. 4Q16. Improvements are accountable to stable performance in all books, except the commercial portfolio, which deteriorated slightly.

PDL Ratios by segment showed the following trends:

Past Due Loans Ratios	1Q16*	2Q16*	3Q16*	4Q16	1Q17
Credit Cards	5.4%	6.2%	5.7%	5.4%	5.3%
Payroll	2.6%	3.4%	3.2%	3.1%	2.5%
Car Loans	1.3%	1.3%	1.3%	1.2%	0.9%
Mortgages	1.1%	1.1%	1.0%	0.9%	0.8%
Commercial	3.6%	3.5%	3.2%	2.7%	2.9%
SMEs	8.3%	7.8%	7.3%	6.3%	6.1%
Commercial	2.0%	1.9%	1.7%	1.4%	1.8%
Corporate	4.0%	4.3%	4.2%	2.4%	2.4%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.2%	2.3%	2.2%	1.8%	1.8%

*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

The expected loss for Banco Mercantil del Norte was 2.0% and the unexpected loss 4.1%, both with respect to the total portfolio at 1Q17. These ratios were 2.0% and 4.4%, respectively in 4Q16 and 1.7% and 3.1% 12 months ago, considering that in 1Q16, the unexpected loss was reported with a 99.50% level of confidence, whereas as of 4Q16, it is reported with a 99.95% level, as the portfolio's model improve and strengthen; this change explains the increase in the unexpected loss ratio for 1Q17.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas was 2.1%, flat vs. 4Q16.

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 '16	10,312
Transfer from Performing Loans to Past Due Loans	4,717
Portfolio Purchase	-
Renewals	(104)
Cash Collections	(457)
Discounts	(120)
Charge Offs	(2,816)
Foreclosures	(86)
Transfer from Past Due Loans to Performing Loans	(1,150)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(11)
Fair Value Ixe	-
Balance as of March '17	10,284

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 1Q17 - GFNorte

(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	468,784	915	498	80	646	171	2,311
A2	51,543	246	63	21	554	43	927
B1	23,915	121	29	4	539	22	716
B2	23,879	74	18	3	821	33	950
B3	13,235	123	17	8	494	11	653
C1	6,508	86	15	2	409	36	548
C2	5,513	105	-	0	670	56	830
D	10,509	2,121	-	155	1,493	234	4,003
E	4,736	946	-	-	2,095	54	3,095
Total	608,623						
Not Classified	4						
Exempt	-						
Total	608,628	4,738	640	273	7,721	660	14,032
Reserves							14,235
Preventive Reserves							203

Notes:

- 1) Loan grading and reserves are as of as of March 31, 2017.
- 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	7,349
Total Loans	608,628
Distressed Portfolio / Total Loans	1.2%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves	1Q17
<i>(Million Pesos)</i>	
Previous Period Ending Balance	14,384
Provisions charged to results	3,106
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	-
<u>Charge offs and discounts:</u>	
Commercial Loans	(335)
Consumer Loans	(2,614)
Mortgage Loans	(274)
Foreclosed assets	-
	(3,224)
Cost of debtor support programs	(4)
Valorization and Others	(26)
Adjustments	0
Loan Loss Reserves at Period End	14,235

Loan Loss Reserves in 1Q17 totaled Ps 14.24 billion, (1.0%) lower vs. 4Q16. Moreover, 81% of write-offs, charge-offs and discounts are related to the consumer portfolio, 10% to commercial and 9% to mortgages.

The loan loss coverage ratio was 138.4% in 1Q17, increasing +19.9 pp YoY and decreasing (1.1 pp) QoQ.

Recent Events

1. INTER NATIONAL BANK

On March 31, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") finalized through INB Financial Corporation (subsidiary of Banorte) the sale of its ownership in the representative shares of Inter National Bank, in favor of a group of investors in the United States of America.

The aforementioned derives from the corporate restructuring process that Financial Group is going through; further information may be checked in Banorte's financial statements corresponding to 2016.

2. BANORTE WAS REAFFIRMED AS LEVEL II - DOMESTIC SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION

In April Banorte was reaffirmed as Level II - Domestic Systemically Important Financial Institution by the National Banking and Securities Commission ("CNBV"), which highlights Banorte's importance in the Mexican Financial System.

The aforementioned derives from the annual review that the Board of the CNBV carries out based on Credit Institutions' information as of December 2016. Such designation implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years –due on December 31, 2019-, additional to the regulatory Capitalization Ratio ("CR") of 10.5%, this means that Banorte's minimum CR will amount to 11.4% at the end of 2019.

It's noteworthy that even though the CNBV will allow a progressive fulfillment, Banorte's CR was 16.59% as of March 31, 2017, so Banorte complies with the new requirement.

3. CREDIT RATINGS

Standard & Poor's confirms ratings for Banco Mercantil del Norte and Casa de Bolsa Banorte Ixe

On March 8, Standard & Poor's ("S&P") confirmed Banorte long & short-term global and national scale ratings; moreover, S&P also ratified ratings for Casa de Bolsa Banorte Ixe, S.A. de C.V. ("Casa de Bolsa Banorte Ixe"). The outlook for the global scale remains negative, as a result of the sovereign's outlook, and for the national scale ratings stable.

The rating action derives from the bank's sound financial performance, mainly on its position in the banking system in terms of total deposits, the increasing presence in the retail segment, assets' quality and improvements in the efficiency ratio; as well as its strengthening in the internal capacity of capital generation.

Below is the list of modified ratings:

- SACP to "**bbb+**" from "bbb".
- Subordinated Junior Notes (from the merged Ixe Banco) to "**BB+**" from "BB".

Below is the list of confirmed ratings:

Banorte:

- Global Scale - Counterparty Credit BBB+ / Negative / A-2
- National Scale – Counterparty Credit mxAAA / Stable / mxA-1+

Casa de Bolsa Banorte Ixe:

- National Scale – Counterparty Credit mxAAA / Stable / mxA-1+

4. GFNORTE JOINS FTSE4GOOG EMERGING INDEX

In December 2016, GFNorte was included in the Sustainability Index *FTSE4Good Emerging Index* of the London Stock Exchange, becoming the only Mexican financial institution within the top 10 of Latin American companies.

In order to be considered in this index, the companies' performance is assessed comprehensively from environmental, social and corporate governance scopes. As member of the *FTSE4Good Emerging Index*, GFNorte increases its presence in global markets and consolidates as a financial actor committed to sustainability. This is one step more targeted towards the objective to attract more responsible investors interested in doing business with us.

The *FTSE4Good Emerging Index* is part of the *FTSE4Good* family of Indices, pioneers in developing indices that consider environmental, social and corporate governance factors.

5. BANORTE IS INCLUDED IN THE RANKING BRANDZ™ TOP 30 MOST VALUABLE MEXICAN BRANDS 2017

In February, *Kantar Millward Brown*, advisory and brand research firm, published the annual ranking of the top 30 most valuable Mexican brands in 2017. Banorte was valued at USD 2.14 billion, ranking 9th but 1st among the four Mexican banking brands.

Consolidated Bank

On March 31, 2017 Banco Mercantil del Norte ("Banorte"), finalized through INB Financial Corporation (subsidiary of Banorte) the sale of its ownership in the representative shares of **Inter National Bank** ("INB").

In this regard, the consolidation of INB's quarterly and accumulated results in Banorte's Balance and Sheet and Income Statement were fully reversed for 2016. Hence, the consolidated figures and ratios of GFNorte and Banorte differ from those published in the Quarterly Releases of 1Q, 2Q, 3Q and 4Q 2016, as these have been modified retroactively to be comparable and to reflect the INB deconsolidation.

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

Income Statement and Balance Sheet Highlights - Consolidated Bank (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Net Interest Income	10,768	12,414	13,272	7%	23%
Non-Interest Income	3,462	4,185	4,077	(3%)	18%
Total Income	14,230	16,599	17,349	5%	22%
Non-Interest Expense	7,212	7,638	8,043	5%	12%
Provisions	3,170	3,216	3,227	0%	2%
Operating Income	3,847	5,745	6,078	6%	58%
Taxes	1,017	1,727	1,861	8%	83%
Discontinued Operations	59	68	74	9%	25%
Subsidiaries & Minority Interest	333	18	14	(20%)	(96%)
Net Income	3,222	4,104	4,305	5%	34%
Balance Sheet					
Performing Loans (a)	507,476	556,971	560,589	1%	10%
Past Due Loans (b)	11,477	10,060	10,034	(0%)	(13%)
Total Loans (a+b)	518,953	567,031	570,622	1%	10%
Total Loans Net (d)	505,498	553,090	556,818	1%	10%
Acquired Collection Rights (e)	1,310	1,400	1,477	5%	13%
Total Loans (d+e)	506,808	554,490	558,294	1%	10%
Total Assets	941,943	1,030,435	975,193	(5%)	4%
Total Deposits	537,438	575,755	578,191	0%	8%
Total Liabilities	840,375	937,648	880,289	(6%)	5%
Equity	101,568	92,787	94,904	2%	(7%)

Financial Ratios - Consolidated Bank	1Q16	4Q16	1Q17
Profitability:			
NIM (1)	5.0%	5.4%	5.7%
NIM after Provisions (2)	3.5%	4.0%	4.3%
ROE (3)	12.6%	16.4%	18.4%
ROA (4)	1.4%	1.6%	1.7%
Operation:			
Efficiency Ratio (5)	50.7%	46.0%	46.4%
Operating Efficiency Ratio (6)	3.1%	3.1%	3.2%
Average Liquidity Coverage Ratio for Banorte and SOFOM- Basel III (7)	114.62%	99.55%	93.20%
Asset Quality:			
Past Due Loan Ratio	2.2%	1.8%	1.8%
Coverage Ratio	117.2%	138.6%	137.6%
Past Due Loan Ratio w/o Banorte USA	2.2%	1.8%	1.8%
Coverage Ratio w/o Banorte USA	117.2%	138.6%	137.6%
Growth (8)			
Performing Loans (9)	7.8%	9.3%	10.5%
Core Deposits	6.3%	8.4%	13.3%
Total Deposits	4.3%	2.1%	7.6%
Capitalization:			
Net Capital/ Credit Risk Assets	20.3%	20.5%	21.5%
Total Capitalization Ratio	14.9%	15.3%	16.6%
Leverage			
Basic Capital/ Adjusted Assets	7.8%	7.8%	8.0%

- 1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.
 - 2) NIM = Annualized Net Interest Income 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) Excludes Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.
- * On May 2, 2016, the merger between Banorte-Ixe Tarjetas – as the merged and extinguished company – and Banorte - merging and surviving entity- became effective.
**On October 17, 2016 the corporate restructure became effective through which Afore XXI Banorte reports its results within Sguors Banorte as of 4Q16.
*** Derived from the Inter National Bank divestiture, Banorte USA will not consolidate this subsidiary's results as of 4Q16.

Net Interest Income

Net Interest Income was Ps 13.27 billion, +7% higher QoQ, derived from a very positive evolution of the NII from loans and deposits (+5%) and from repos (+45%). On a yearly basis, NII rose +23%, driven by the growth of the loan portfolio and the interest rate hikes that Banxico carried out during 2016 and 1Q17, which derived in a +22% increase in NII from loans and deposits and a +65% acceleration in NII from repos.

Net Interest Margin (NIM) for 1Q17 was 5.7%, up by +30bp and +68bp vs. 4Q16 and 1Q16, respectively. Both comparisons were driven by better loan portfolio margin and funding cost. Furthermore, **NIM adjusted for credit risk was 4.3%**, increasing +31bp on a sequential basis and +77bp YoY.

Loan Loss Provisions

Loan Loss Provisions during 1Q17 totaled Ps 3.23 billion, virtually unchanged QoQ and only +2% higher vs 1Q16. On the latter comparison, the decrease in requirements for government, commercial and corporate portfolios stands out but provisions requirements for payroll loans increased.

Non-Interest Income

Non-Interest Income in 1Q17 amounted to Ps 4.08 billion, (3%) lower sequentially, impacted by the seasonal decline of (13%) in Net Fees. Annually they increased +18%, on better Trading revenues (+49%) and Net Fees (+9%).

Revenues from core banking services (account management, fund transfers and electronic banking services) **accelerated its performance by +35% vs. 1Q16** on higher transaction volume and on an improved fee structure in products and segments.

Non-Interest Expenses

Non-Interest Expenses in 1Q17 were Ps 8.04 billion, +5% higher vs 4Q16, mainly on the increase in Other Non-Deductible Expenses and Taxes and Personnel Expenses. Annually they grew +12% on higher inflation in the quarter, a higher exchange rate for the first two months of the year and advanced payments to suppliers to achieve better pricing terms.

Net Income

Net Income in 1Q17 was Ps 4.31 billion, up by +5% sequentially and +34% vs. 1Q16; in both cases, driven by the positive performance of Net Interest Income and stable cost of risk.

Consolidated Bank's profits – according to GFNorte's holding - **in 1Q17 were Ps 4.23 billion**, +5% QoQ and +49% YoY, contributing with 77% of the Group's results.

ROE for the Consolidated Bank in 1Q17 was 18.4%, up by +193bp and +572bp vs. 4Q16 and 1Q16, respectively. The significant improvement in this ratio is driven by the good level of profits generated by the bank, as well as by the decrease in equity on the recent divestment. Likewise, **ROA for the quarter was 1.7%**, growing +7bp sequentially and +33bp YoY.

NPL Ratio

The Consolidated Bank's Non-Performing Loan Ratio for **the first quarter of 2017 was 1.8%**, unchanged QoQ but (45bp) lower vs. YoY.

Long Term Savings

Seguros Banorte

On August 16th, 2016, the National Insurance and Bonding Commission ("CNSF") authorized Seguros Banorte to directly invest in Banorte Futuro's equity, and to invest indirectly in the equity of Afore XXI's. Then, on August 26th, the National Commission for the Retirement Savings System ("CONSAR") authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as a result of its spin-off from Banco Mercantil del Norte.

Additionally, the Tax Administration Service ("SAT") on October 12th, authorized to transfer shares at fiscal cost from Banorte Futuro i) to Banorte Ahorro y Previsión, and ii) then to Seguros Banorte.

These transactions became effective as of October 17th, 2016. Therefore, as of that date, 50% of Afore's XXI Banorte profits are registered in the Subsidiaries' Net Income line.

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Interest Income (Net)	126	172	174	2%	38%
Premium Income (Net)	6,389	3,215	5,986	86%	(6%)
Net Increase in Technical Reserves	2,284	(114)	1,920	NA	(16%)
Damages, Claims and Other Obligations	1,995	2,321	2,325	0%	16%
Technical Results	2,110	1,008	1,741	73%	(17%)
Net Interest Income (NII)	2,236	1,179	1,916	62%	(14%)
Other Fees (acquisition costs)	(838)	(517)	(564)	9%	(33%)
Securities-Realized Gains	1	(3)	12	NA	NA
Other Operating Income (Expenses)	149	274	228	(17%)	53%
Total Operating Income	1,548	934	1,592	71%	3%
Non Interest Expense	235	294	322	9%	37%
Operating Income	1,313	640	1,270	99%	(3%)
Taxes	397	76	384	NA	(3%)
Subsidiaries' Net Income	0	281	369	31%	NA
Minority Interest	(1)	(8)	(8)	NA	NA
Net Income	916	836	1,247	49%	36%
Shareholder's Equity	5,410	20,364	21,346	5%	NA
Total Assets	29,637	41,593	46,137	11%	56%
Technical Reserves	17,275	15,539	18,623	20%	8%
Premiums sold	8,783	3,610	7,727	114%	(12%)
Coverage ratio of technical reserves	1.2	1.3	1.3	0.0 pp	0.1 pp
Capital coverage ratio of minimum guarantee	1.7	1.7	2.6	0.9 pp	0.9 pp
Coverage ratio of minimum capital	59.0	218.2	228.8	10.6 pp	169.8 pp
Claims ratio	49%	70%	58%	(12.5 pp)	9.1 pp
Combined ratio	60%	86%	67%	(19.1 pp)	6.9 pp
ROE	62.8%	26.3%	24.3%	(2.0 pp)	(38.5 pp)
ROE ex-Afore	62.8%	40.2%	57.0%	16.8 pp	(5.8 pp)

Operating Income stood at Ps 1.27 billion in 1Q17, practically doubling the result of 4Q16 on the large increase in Premium Income that takes place every first quarter of the year and is related to renewals of large insurance policies.

Insurance claims and damages posted a large increase if compared to the prior year, partly driven by the deterioration in claims from the commercial vehicle portfolio that has affected not only Seguros Banorte, but the industry as a whole.

The results of 1Q16 include Ps 565 million in retained premiums and Ps 196 million in Net Income, associated to the accounting changes on life policies. Adjusting for these one-time effects, retained premiums grew 3% annually and Operating profits grew 22%.

Seguros Banorte (including Afore XXI Banorte) reported net income of Ps 1.25 billion, +49% higher QoQ.

Excluding Afore XXI Banorte, the Insurance company's profits in the first quarter – totaled Ps 885 million and accounted for 16.0% of GFNorte's net income.

ROE for the insurance company was 24.3% in 1Q17; **when excluding the Afore, stands at 57.0%**, comparing favorably vs. the 40.2% of 4Q16 and unfavorably vs. 62.8% in 1Q16.

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 1Q17 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 1Q17 damage ratios remained under control.*
- iii. Costs derived from placement of insurance policies and bonds.
 - *There were no relevant events to disclose in 1Q17.*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life books, ten important businesses, nine related to the government, and the other one to the manufacturing industry, were ceded to reinsurers, mainly foreign entities.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
 - *There were no relevant events in 1Q17.*

Afore XXI Banorte

Afore XXI Banorte (1) (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Net Income	648	561	737	31%	14%
Shareholder's Equity	22,116	24,008	22,446	(7%)	1%
Total Assets	25,615	25,336	23,787	(6%)	(7%)
AUM (SIEFORE)*	637,343	645,213	670,135	4%	5%
ROE	11.3%	9.5%	12.7%	3.2 pp	1.4 pp

1. The results up to 3Q16, were presented on Banco Mercantil del Norte's results through participation method; as of 4Q16, results are reported in Seguros Banorte, through participation method. For sector comparisons, Afore XXI Banorte's results are shown at 100% in this chart.

Afore XXI Banorte posted net profits of Ps 737 million for 1Q17, +31% higher sequentially on the significant recovery in revenues from its SIEFORES and the valuation gains in the investment portfolios. The annual comparison also shows a positive performance growing +14% vs. 1Q16, benefited by the same factors previously mentioned and by higher total revenues.

ROE for Afore XXI Banorte for 1Q17 was 12.7%, higher in +3.2 pp vs. 4Q16 and in +1.4 pp vs. 1Q16. Excluding goodwill, **Tangible ROE would be 45.6%**, +3.3 pp above YoY and +13.4 pp QoQ.

Afore XXI Banorte contributed with 6.6% of the Financial Group's profits as of 1Q17, comparing favorably vs. the 5.3% in 4Q16.

Assets under management as of March 2017 totaled Ps 670.14 billion, an increase of +4% and +5% QoQ and YoY, respectively.

According to CONSAR, as of March 2017 Afore XXI Banorte had a 23.2% share in managed funds, ranking 1st in the market, with 9.64 million accounts (this number does not include 7.3 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 19.2% share of the total number of accounts in the system, ranking second in the market.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Insurance - Pensiones Banorte <i>(Million Pesos)</i>	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Interest Income (Net)	1,509	2,190	2,864	31%	90%
Premium Income (Net)	1,492	1,802	1,979	10%	33%
Net Increase in Technical Reserves	1,870	2,769	3,623	31%	94%
Claims and Other Obligations	887	950	981	3%	11%
Technical Results	(1,265)	(1,917)	(2,626)	(37%)	108%
Net Interest Income (NII)	244	273	238	(13%)	(2%)
Net Fees	-	-	-	NA	NA
Securities-Realized Gains	4	12	89	615%	2031%
Other Operating Income (Expenses)	(1)	6	(2)	(128%)	40%
Total Operating Income	247	292	325	11%	32%
Non Interest Expense	68	78	78	1%	15%
Operating Income	179	214	247	15%	38%
Taxes	58	65	75	14%	29%
Subsidiaries' Net Income	1	3	1	(56%)	33%
Minority Interest	-	-	-	NA	NA
Net Income	122	152	174	14%	42%
Shareholder's Equity	1,747	2,150	2,320	8%	33%
Total Assets	71,070	77,690	81,517	5%	15%
Technical Reserves	68,616	74,604	78,241	5%	14%
Premiums sold	1,492	1,802	1,979	10%	33%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp
Coverage ratio of minimum capital	11.8	14.3	15.4	0.1 pp	0.3 pp
ROE	29.0%	29.3%	31.1%	1.9 pp	2.1 pp

During 1Q17, Pensiones Banorte reported profits of Ps 174 million, higher in +14% QoQ and +42% YoY. The good performance in both cases is driven by a positive growth dynamic in the annuities market and by higher income from the inflation indexed investment book.

Pensiones Banorte net income in 1Q17 represented 3.1% of the Financial Group's profits, a higher contribution vs. the 2.9% in 4Q16 and the 2.7% in 1Q16.

ROE was 31.1% in 1Q17, +1.9 pp above 4Q16 and +2.1 pp yearly.

Brokerage

Brokerage Sector (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Net Income	209	223	287	29%	37%
Shareholder's Equity	3,551	2,753	3,019	10%	(15%)
Assets Under Custody	759,426	757,423	791,671	5%	4%
Total Assets	108,432	81,175	109,700	35%	1%
ROE	24.4%	33.9%	39.8%	5.9 pp	15.4 pp
Net Capital					
Net Capital (1)	2,844	2,058	2,338	14%	(18%)

1) Net capital structure: Tier 1 =Ps 2.34 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 287 million in 1Q17, +37% YoY and +29% QoQ, in both cases driven by the important increase in net interest income and higher non-interest income, on the back of the good performance of trading revenues. Net Income in 1Q17 represented 5.2% of the Financial Group's profits.

Assets under Management

At the end of 1Q17 AUMs totaled Ps 792 billion, growing +4% YoY and +5% QoQ.

At the end of the first quarter, assets managed by mutual funds totaled Ps 149.7 billion, increasing by +4.8% YoY and +1.0% QoQ. Assets held in fixed income funds totaled Ps 137 billion, higher in +7.0% annually and +1.9% quarterly, while equity funds held assets amounting to Ps 12.9 billion, decreasing (14%) vs. the same period of last year and (8%) vs. 4Q16. At the end of 1Q17, Banorte had a 7.4% share of the mutual fund market, comprised of 9.4% in fixed income funds and 2.3% in equity funds.

SOFOM & Other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	1Q16	4Q16	1Q17	Change	
				4Q16	1Q16
Leasing and Factoring					
Net Income	158	207	182	(12%)	15%
Shareholder's Equity	4,455	4,482	4,664	4%	5%
Loan Portfolio (1)	23,580	27,402	26,261	(4%)	11%
Past Due Loans	188	180	190	6%	1%
Loan Loss Reserves	305	319	318	(0%)	4%
Total Assets	23,642	27,768	26,534	(4%)	12%
ROE	14.4%	18.9%	16.0%	(3.0 pp)	1.5 pp
Warehousing					
Net Income	7	6	7	28%	6%
Shareholder's Equity	253	184	191	4%	(24%)
Inventories	416	438	399	(9%)	(4%)
Total Assets	572	586	535	(9%)	(7%)
ROE	11.1%	10.2%	15.7%	5.5 pp	4.6 pp
Sólida Administradora de Portafolios					
Net Income	(227)	(185)	(635)	244%	180%
Shareholder's Equity	3,958	4,243	3,419	(19%)	(14%)
Loan Portfolio	2,352	1,768	1,701	(4%)	(28%)
Past Due Loans	82	73	60	(17%)	(27%)
Loan Loss Reserves	158	123	112	(9%)	(29%)
Total Assets	15,674	14,988	13,853	(8%)	(12%)
Ixe Servicios					
Net Income	(0.1)	(6.0)	(0.5)	(91%)	874%
Shareholder's Equity	146	141	140	(0%)	(4%)
Total Assets	146	141	140	(0%)	(4%)
ROE	(0.2%)	(16.6%)	(1.6%)	15.1 pp	(1.4 pp)

1) Includes pure leasing portfolio for Ps 3.01 billion and fixed asset amounting to Ps 46 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

In 1Q17 Arrendadora y Factor Banorte reported profits of Ps 182 million, up +15% YoY, enhanced by an increase in net interest income arising from the expansion of the portfolio. Sequentially, net profits declined (12%) on lower non-interest income, which was not offset by greater net interest income from the portfolio's expansion.

The Leasing and Factoring Company contributed 3.3% of the Financial Group's profits in 1Q17.

At the end of 1Q17, the **Past Due Loans Ratio was 0.8%**, +0.1 pp higher quarterly and (0.1 pp) lower YoY; the **Coverage ratio was 167%**, a (10.7 pp) decline vs. 4Q16 and +4.9 pp above 1Q16. The **Capitalization ratio as of March was 15.6%** considering total risk-weighted assets of Ps 29.70 billion.

The leverage ratio as of December 2016 and March 2017, was 14.23% and 15.41%, respectively; considering adjusted assets of Ps 31.36 billion and Ps 30.14 billion.

Warehouse

In 1Q17, Warehouse posted profits of Ps 7 million, a +6% YoY increase on higher non-interest income, offsetting the slight decline in net interest income. On a quarterly basis, it went up +28% as a result of the +32% increase in net interest income and lower operating expenses. Almacenedora Banorte contributed 0.1% of the Financial Group's profits in 1Q17.

ROE for 1Q17 was 15.7%, higher in +5.5 pp and +4.6 pp vs. 4Q16 and 1Q16, respectively.

At the end of 1Q17, the Capitalization Ratio was 159% considering net capital of Ps 156 million and certificates for sale issued in warehouses of Ps 1.95 billion. Almacenedora Banorte ranks fourth among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

Sólida Administradora de Portafolios reported a loss of (Ps 635) million, explained by (Ps 209) million pesos valuation loss on derivatives related to the equity securities received from the restructuring agreements with the homebuilders; and, a (Ps 370) million pesos charge to adjust the value of Solida's investment projects, also related to the homebuilders.

The Past Due Loan Ratio was 3.5% at the end of March 2017, improving (0.6 pp) vs 4Q16. **The Coverage ratio was 186.5%**, (6.6 pp) lower YoY. **The estimated Capitalization ratio at the end of 1Q17 was 12.9%**, (0.2 pp) QoQ and +1.1 pp YoY.

The leverage ratio as of December 2016 and March 2017, was 17.57% and 15.17%, respectively; considering adjusted assets of Ps 13.04 billion and Ps 12.55 billion.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	1Q16	1Q17	Var. Vs. 1Q16
Net Interest Income	4	(2)	(153%)
Loan Loss Provisions	2	0	(99%)
Non Interest Income	497	582	17%
Non Interest Expense	(236)	(276)	17%
Pre-tax Income & Subsidiaries	267	304	14%
Income Tax and Profit Sharing	(70)	(97)	39%
Net Income	197	207	5%

Assets Under Management (Million Pesos)	1Q17	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	118,254	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	27,748	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	5,970	Solida Asset Management and Banorte	Non Interest Income
Total	151,972		

Net Income

Recovery Banking posted profits of Ps 207 million in 1Q17, up +5% YoY, on higher non-interest income driven by an increase in Banorte's charge-offs recoveries and a decrease foreclosed assets' net cost recovery, offsetting higher operating expenses and lower net interest income. The Recovery Banking's accumulated net income was 3.7% of the Group's profits.

Assets Under Management

The Recovery Bank managed total assets of Ps 118 billion at the end of 1Q17, of which 24% correspond to mortgage loans, 24% to credit cards, 17% to payroll loans, 16% to Crediactivo, 7% to foreclosed assets, 6% to auto loans, 3% to middle market companies and 3% to other loans. Gross revenues in the first quarter of 2017 amounted to Ps 416 million, +40% higher YoY.

At the end of 1Q17, of the **acquired assets managed by the Recovery Bank** 40% were mortgages, 19% were assets managed on behalf of the Mexican mortgages agency SHF, 15% were real estate portfolios, 14% loans to middle market companies and commercial, and 12% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 147 million in 1Q17, (6%) lower YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	1Q16	4Q16	1Q17
Employees	27,461	27,913	27,572
Banorte - Ixe Branches	1,170	1,175	1,139
INB Branches	20	20	0
ATM's	7,494	7,756	7,242
POS's	153,417	151,948	153,322

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	2-Feb-17
Barclays	Benjamin Theurer	Buy	28-Oct-16
BBVA	Germán Velasco	Buy	13-Feb-17
BOFA - Merrill Lynch	Mario Pierry	Buy	13-Feb-17
Brasil Plural	Eduardo Nishio	Buy	27-Jan-17
BTG Pactual	Eduardo Rosman	Buy	27-Jan-17
BX+	José Eduardo Coello	Buy	27-Jan-17
Citi	Carlos Rivera	Buy	17-Apr-17
Credit Suisse	Marcello Telles	Buy	27-Jan-17
GBM	Lilian Ochoa	Buy	14-Dec-16
HSBC	Carlos Gómez	Buy	27-Jan-17
Invex	-----	Buy	19-Sep-16
Itaú BBA	Thiago Batista	Buy	27-Jan-17
JP Morgan	Domingos Falavina	Buy	27-Jan-17
Morgan Stanley	Jorge Kuri	Buy	27-Jan-17
Santander	Claudia Benavente	Buy	27-Jan-17
UBS	Philip Finch	Buy	27-Jan-17
Bradesco	Bruno Chemmer	Hold	10-Feb-17
Deutsche Bank	Tito Labarta	Hold	27-Jan-17
Goldman Sachs	Carlos Macedo	Hold	17-Apr-17
Intercam	Sofía Robles	Hold	27-Jan-17
Nau	Iñigo Vega	Hold	6-Dec-16
Punto	Ana María Telleria	Hold	31-Mar-17
Scotia	Jason Mollin	Sell	27-Jan-17

Ratings

International Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Negative	Outlook	March, 2017
		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	Negative	Outlook	March, 2017
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
Fitch	Banco Mercantil del Norte	Negative	Outlook	March, 2017
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short term foreign Currency	
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
2	Support Rating - Banco Mercantil del Norte			
BB+ (EXP)	Long term foreign currency subordinated debt			
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Moody's	Banco Mercantil del Norte	Negative	Outlook BFSR	September, 2016
		baa2	Baseline Credit Assessment	
		Negative	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*	
		Baa3	Long term local currency subordinated debt	
		Baa2 (hyb)	Long term foreign currency subordinated debt	
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		(P)Ba1 (hyb)	Long term foreign currency subordinated debt	
		Ba1	Long term foreign currency junior subordinated debt	
		baa2	Adjusted baseline credit assesment	
		A2 (cr)	Long term counterparty risk assesment	
Prime-1 (cr)	Short term counterparty risk assesment			
Arrendadora y Factor Banorte	Arrendadora y Factor Banorte	Stable	Outlook	November, 2016
		(P)P-2	Short term local currency issuer	
		(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, 2017
		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, 2017
		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	Stable	Outlook	
AAA (mex)		National Scale		
Seguros Banorte	Stable	Outlook		
	AAA (mex)	Financial Strenght		
Moody's	Banco Mercantil del Norte	Negative	Outlook	June, 2016
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
		Aa3.mx	Subordinated debt - Long term	
	A1.mx	Junior Subordinated debt - Long term		
	Arrendadora y Factor Banorte	Stable	Outlook	
		MX-1	National Scale - Short term issuer	
		Aa2.mx	National Scale - Long term senior debt*	
MX-1		National Scale - Short term senior debt		
HR Ratings	Banco Mercantil del Norte	Stable	Outlook	May, 2016
		HR AAA	Long term debt	
		HR+1	Short term debt	
		HR AA+	Subordinated Debt Preferential	

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	1Q17
Banco Mercantil del Norte, S.A.	98.22%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora 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	99.31%
Banorte Ahorro y Previsión, S.A. de C.V.	99.99%

Holding Company Capital Structure

Holding Company Capital Structure

Number of Shares (Million)	SERIES O As of March 2017
Number of Issued Shares	2,773.73
Number of Shares Outstanding	2,773.73
Shares held in GFNorte's Treasury	0

Group's Main Officers

Group's Main Officers 1Q17	
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

Board of Directors for the fiscal year 2016, appointed and approved in the Annual General Shareholders' Meeting held on April 22, 2016.

Grupo Financiero Banorte

Board of Directors

PROPRIETARY

Carlos Hank González	Chairman
Juan Antonio González Moreno	
David Juan Villarreal Montemayor	
José Marcos Ramírez Miguel	
Everardo Elizondo Almaguer	Independent
Carmen Patricia Armendáriz Guerra	Independent
Héctor Federico Reyes-Retana y Dahl	Independent
Eduardo Livas Cantú	Independent
Alfredo Elías Ayub	Independent
Adrián Sada Cueva	Independent
Alejandro Burillo Azcárraga	Independent
José Antonio Chedraui Eguía	Independent
Alfonso de Angoitia Noriega	Independent
Olga María del Carmen Sánchez Cordero Dávila	Independent
Thomas Stanley Heather Rodríguez	Independent

SUBSTITUTE

Graciela González Moreno	
Juan Antonio González Marcos	
Carlos de la Isla Corry	
Juan Carlos Braniff Hierro	
Alberto Halabe Hamui	Independent
Roberto Kelleher Vales	Independent
Manuel Aznar Nicolás	Independent
Robert William Chandler Edwards	Independent
Isaac Becker Kabacnik	Independent
José María Garza Treviño	Independent
Javier Braun Burillo	Independent
Rafael Contreras Grosskelwing	Independent
Guadalupe Phillips Margain	Independent
Eduardo Alejandro Francisco García Villegas	Independent
Ricardo Maldonado Yáñez	Independent

On April 28 it will be held the Annual Ordinary General Shareholders' Meeting, in which the Board of Directors for the fiscal year 2017 will be designated:

**Grupo Financiero Banorte
Board of Directors**

PROPRIETARY

Carlos Hank González	Chairman
Juan Antonio González Moreno	
David Juan Villarreal Montemayor	
José Marcos Ramírez Miguel	
Everardo Elizondo Almaguer	Independent
Carmen Patricia Armendáriz Guerra	Independent
Héctor Federico Reyes-Retana y Dahl	Independent
Eduardo Livas Cantú	Independent
Alfredo Elías Ayub	Independent
Adrián Sada Cueva	Independent
Alejandro Burillo Azcárraga	Independent
José Antonio Chedraui Eguía	Independent
Alfonso de Angoitia Noriega	Independent
Olga María del Carmen Sánchez Cordero Dávila	Independent
Thomas Stanley Heather Rodríguez	Independent

SUBSTITUTE

Graciela González Moreno	
Juan Antonio González Marcos	
Carlos de la Isla Corry	
Clemente Ismael Reyes Retana Valdés	Independent
Alberto Halabe Hamui	Independent
Manuel Aznar Nicolás	Independent
Roberto Kelleher Vales	Independent
Robert William Chandler Edwards	Independent
Isaac Becker Kabacnik	Independent
José María Garza Treviño	Independent
Javier Braun Burillo	Independent
Rafael Contreras Grosskelwing	Independent
Guadalupe Phillips Margain	Independent
Eduardo Alejandro Francisco García Villegas	Independent
Ricardo Maldonado Yáñez	Independent

IV. Financial Statements

Holding

Income Statement-Holding <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
Income Subsidiaries	4,352	4,632	5,005	5,265	5,496
Interest Income	8	18	17	11	47
Interest Expense	-	-	-	-	-
Fees & Tariffs	-	-	-	-	-
Trading Income	-	-	-	-	-
Other Operating Income (Expenses)	2	1	1	2	0
Non-Interest Expense	26	25	28	27	27
Pre-Tax Income	4,336	4,626	4,994	5,251	5,516
Income Tax	-	-	-	-	-
Tax on Assets	-	-	-	-	-
Deferred Income Tax	(62)	(6)	(4)	(13)	(4)
Taxes	(62)	(6)	(4)	(13)	(4)
Net Income from Continuous Operations	4,398	4,632	4,998	5,264	5,520
Discontinued Operations	-	-	-	-	-
Net Income	4,398	4,632	4,998	5,264	5,520

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
ASSETS					
Cash and Due from Banks	62	60	90	43	21
Margin Accounts	-	-	-	-	-
Investment in Securities	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans,net	1,507	1,508	700	3,482	1,451
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	1,507	1,508	700	3,482	1,451
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.receiveab.securization transactions	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	58	53	17	0	0
Inventories	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-
Investment in Subsidiaries	118,413	122,840	123,739	124,341	127,454
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	172	178	181	194	198
Goodwill and Intangibles	10,728	10,705	10,682	10,659	10,638
Other Assets Short and Long Term	-	-	-	-	-
Other Assets					
	129,371	133,775	134,620	135,195	138,291
TOTAL ASSETS	130,941	135,344	135,410	138,720	139,762

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
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	0	1,269	2	0	1
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	-	-	-	-	-
TOTAL LIABILITIES	0	1,269	2	0	1
EQUITY					
Paid-in Capital	14,597	14,593	14,599	14,578	14,582
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	36,189	36,301	36,115	36,263	35,934
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,785	50,894	50,714	50,841	50,516
Capital Reserves	5,419	5,334	5,421	4,825	4,870
Retained Earnings	73,410	70,292	66,730	66,626	82,129
Surplus (Deficit) of Secs Available for Sale	(1,964)	(894)	(516)	(2,576)	(2,731)
Results from Valuation of Hedging Secs	(1,677)	(1,739)	(2,368)	(2,089)	(1,790)
Result in the valuation reserve for unexpired risks variations in rates	(352)	(24)	15	88	82
Results from Conversions	1,042	1,430	1,760	2,084	1,660
Remeasurements defined benefits for employees	(121)	(249)	(376)	(370)	(494)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	4,398	9,030	14,028	19,292	5,520
Earned Capital	80,155	83,180	84,694	87,879	89,245
Minority Interest	-	-	-	-	-
Total Equity	130,940	134,074	135,408	138,720	139,762
TOTAL LIABILITIES & EQUITY	130,941	135,344	135,410	138,720	139,762

Holding - Memorandum Accounts <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-
Properties in Custody or Management	3,716	3,716	3,716	3,716	3,716
Collateral Received	1,503	1,506	698	3,479	1,452
Proprietary Transactions	5,219	5,223	4,414	7,196	5,168
TOTAL PROPRIETARY	5,219	5,223	4,414	7,196	5,168

Grupo Financiero Banorte

Income Statement -GFNorte <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
Interest Income	18,422	17,874	20,059	22,703	26,264
Interest Expense	5,973	6,238	6,804	7,879	9,783
Charged Fees	306	294	301	305	282
Fees Paid	102	112	123	153	144
Net Interest Income from interest & fees (NII)	12,654	11,819	13,433	14,976	16,620
Premium Income (Net)	7,741	4,512	4,210	4,844	7,784
Net Increase in Technical Reserves	4,154	675	994	2,655	5,544
Damages, Claims and Other Obligations	2,882	3,252	3,248	3,271	3,306
Net Interest Income (NII)	13,359	12,404	13,400	13,894	15,555
Preventive Provisions for Loan Losses	3,232	3,515	3,277	3,289	3,268
Net Interest Income Adjusted for Credit Risk	10,127	8,889	10,123	10,605	12,287
Transferencia de fondos	273	313	334	367	368
Manejo de cuenta	469	504	505	597	596
Servicios de Banca Electrónica	1,341	1,394	1,444	1,628	1,639
For Commercial and Mortgage Loans *	191	181	193	231	94
Por créditos de consumo y tarjeta de crédito	830	786	925	1,116	999
Fiduciario	81	86	73	107	92
Ingresos por Portafolios Inmobiliarios	33	19	38	24	7
Fondos de Inversión	276	287	298	302	282
Trading & Financial Advising Fees	145	106	130	140	115
Other Fees Charged (1) *	198	242	244	231	264
Fees Charged on Services	3,838	3,919	4,184	4,742	4,455
Cuotas de Intercambio	584	602	613	706	722
Comisiones de Seguros	625	107	279	360	379
Other Fees Paid	459	540	554	627	783
Fees Paid on Services	1,667	1,249	1,447	1,692	1,884
Service Fees	2,170	2,670	2,738	3,050	2,571
Divisas y Metales	8	31	8	36	(151)
Derivados	(108)	(32)	554	(85)	(195)
Títulos	199	329	(575)	(26)	27
Valuación	99	328	(14)	(75)	(319)
Divisas y Metales	254	366	454	437	520
Derivados	3	(93)	62	14	281
Títulos	88	161	210	52	255
Compra-venta	346	433	726	503	1,056
Trading Income	444	761	713	428	737
Loan Recovery	347	366	403	434	413
Loan Portfolios	50	50	44	6	42
Income from foreclosed assets	35	69	(35)	29	21
Provisions Release	155	170	28	39	164
Losses and Estimates	(320)	(340)	(127)	(173)	(298)
Impairment of Assets	(165)	(60)	(17)	(0)	(428)
Lease Income	79	69	97	80	111
From Insurance	208	287	248	275	234
Other Operating Expense	216	305	294	347	360
Total Other Operating Income (Expense)	606	914	934	1,037	619
Total Non Interest Income	3,221	4,345	4,384	4,515	3,927
Total Operating Income	13,347	13,234	14,507	15,120	16,214
Personnel	3,154	2,983	3,382	3,357	3,512
Employee Profit Sharing (PTU)	97	97	97	99	101
Professional Fees	479	569	554	606	567
Administrative and Promotional Expenses	1,923	1,645	1,823	1,974	2,022
Rents, Depreciation & Amortization	1,113	1,118	1,203	1,254	1,306
Taxes other than income tax & non deductible	423	347	315	306	523
Contributions to IPAB/Fobaproa	562	575	580	607	634
Total Non Interest Expense	7,752	7,334	7,954	8,203	8,665
Operating Income	5,595	5,900	6,553	6,917	7,549
Subsidiaries' Net Income	328	309	353	257	263
Pre-Tax Income	5,923	6,209	6,906	7,173	7,812
Income Tax	1,667	1,397	2,126	1,865	2,070
Deferred Income Tax	(202)	193	(224)	55	210
Taxes	1,465	1,590	1,902	1,921	2,279
Net Income from Continuous Operations	4,458	4,619	5,004	5,253	5,532
Discontinued Operations	59	72	44	68	74
Minority Interest	(55)	(65)	(72)	(77)	(79)
Net Income	4,462	4,626	4,976	5,244	5,527

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
ASSETS					
Cash and Due from Banks	94,384	89,996	70,750	65,886	60,422
Margin Accounts	269	513	745	2,185	1,909
Negotiable Instruments	249,531	253,957	250,061	181,777	244,183
Securities Available for Sale	105,600	121,630	119,522	195,087	136,570
Securities Held to Maturity	77,339	77,909	79,054	81,920	85,347
Investment in Securities	432,470	453,496	448,636	458,784	466,100
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans, net	402	62	72	0	2
Securities Lending	-	-	-	-	-
For trading purposes	18,154	21,030	16,516	41,133	22,780
For hedging purposes	100	76	113	742	387
Operations w/Derivatives & Securities					
Transactions with Derivatives	18,254	21,107	16,630	41,875	23,167
Operations w/Derivatives & Securities	18,656	21,169	16,702	41,876	23,168
Valuation adjustments for Asset Coverage	124	121	117	113	110
Commercial Loans	198,477	201,478	204,870	224,218	220,656
Financial Intermediaries' Loans	2,875	3,313	4,253	4,650	5,237
Consumer Loans	77,731	80,643	84,437	88,332	92,394
Mortgage Loans	100,743	104,733	108,955	114,807	119,310
Medium and Residential	97,003	100,950	105,020	110,825	115,226
low income housing	62	48	43	40	37
Loans acquired from INFONAVIT or FOVISSSTE	3,679	3,735	3,892	3,942	4,048
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities' Loans	137,144	135,717	131,409	134,798	131,551
Performing Loans	516,970	525,884	533,925	566,804	569,147
Commercial PDL's	7,969	7,797	7,524	5,672	5,893
Financial Intermediaries PDL's	0	344	344	344	344
Consumer PDL's	2,684	3,343	3,263	3,247	3,029
Mortgage PDL's	1,094	1,141	1,119	1,049	1,019
Medium and Residential	1,034	1,064	1,044	952	911
low income housing	7	2	2	1	1
Loans acquired from INFONAVIT or FOVISSSTE	53	74	74	96	106
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	-	-	0	-	-
Past Due Loans	11,747	12,624	12,250	10,312	10,284
Gross Loan Portfolio	528,717	538,508	546,175	577,117	579,432
Preventive Loan Loss Reserves	13,918	15,045	15,104	14,384	14,235
Net Loan Portfolio	514,799	523,463	531,071	562,733	565,197
Acquired Collection Rights	2,120	1,946	2,223	2,025	2,082
Total Credit Portfolio	516,919	525,409	533,294	564,759	567,279
Account Receivables from Insurance and Annuities	1,718	1,781	1,827	1,908	1,620
Premium Debtors (Net)	9,252	7,627	5,653	4,245	8,406
Account Receivables from Reinsurance	6,462	6,936	6,966	7,166	7,189
Benef.receivab.securization transactions	149	153	202	155	151
Sundry Debtors & Other Accs Rec, Net	39,620	38,422	39,689	50,366	46,084
Inventories	416	951	703	438	399
Foreclosed Assets, Net	2,132	1,998	1,801	1,610	1,569
Real Estate, Furniture & Equipment, Net	13,922	14,428	14,723	15,828	15,770
Investment in Subsidiaries	12,858	13,155	13,503	13,764	12,875
Long-term assets held for sale	4,481	4,801	5,036	5,299	-
Deferred Taxes, Net	3,395	2,965	3,406	3,994	3,750
Goodwill and Intangibles	23,393	23,563	23,760	26,315	25,281
Other Assets Short and Long Term	3,915	3,702	3,424	3,427	3,253
Other Assets					
	121,712	120,482	120,693	134,516	126,347
TOTAL ASSETS	1,184,534	1,211,186	1,190,937	1,268,119	1,245,334

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
LIABILITIES					
Demand Deposits	323,700	334,812	348,116	381,203	365,031
Time Deposits-Retail	207,504	216,587	193,862	190,461	209,159
Time Deposits-Money Market	2,904	1,068	1,400	1,459	1,115
Global Account of deposits without movements	1,171	1,224	1,250	1,352	1,410
Senior Unsecured Debt	130	130	58	85	85
Deposits	535,410	553,820	544,685	574,559	576,800
Demand Loans	6,928	0	0	4,019	1,137
Short Term Loans	16,333	17,887	17,338	17,155	13,264
Long Term Loans	14,187	14,054	15,870	17,462	17,984
Due to Banks & Correspondents	37,448	31,941	33,208	38,636	32,385
Technical Reserves	86,054	86,535	87,495	90,369	97,016
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	316,634	317,232	309,116	308,777	314,163
Secs to be received in Repo Trans, Net	-	0	0	-	-
Repos (Credit Balance)	0	17	21	0	2
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	0	17	21	0	2
For trading purposes	18,829	21,961	18,597	40,403	22,092
For hedging purposes	6,161	6,825	8,671	9,372	6,555
Operations w/ Derivatives & Securities					
Transactions with Derivatives	24,990	28,786	27,268	49,776	28,647
Total Operations w/ Derivatives & Securities	341,624	346,036	336,405	358,553	342,812
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accounts for Reinsurance	2,575	2,412	2,455	1,747	2,526
Income Tax Payable	1,321	1,777	2,354	3,114	2,021
Profit Sharing Payable	135	206	299	396	494
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	7,451	12,625	8,435	7,348	6,609
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	19,157	19,131	17,278	28,364	23,072
Other Payable Accounts	28,064	33,740	28,366	39,221	32,196
Subordinated Non Convertible Debt	17,475	17,821	18,246	21,917	17,551
Deferred Taxes, Net	-	-	-	(0)	0
Deferred Credits	1,003	805	660	415	265
TOTAL LIABILITIES	1,049,653	1,073,110	1,051,519	1,125,418	1,101,552
EQUITY					
Paid-in Capital	14,593	14,590	14,595	14,574	14,578
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	36,345	36,465	36,279	36,427	36,098
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,937	51,054	50,874	51,001	50,676
Capital Reserves	5,419	5,334	5,421	4,825	4,870
Retained Earnings	75,276	72,158	68,596	68,492	84,011
Surplus (Deficit) of Secs Available for Sale	(1,976)	(911)	(532)	(2,592)	(2,754)
Results from Valuation of Hedging Secs	(1,677)	(1,739)	(2,368)	(2,089)	(1,790)
Result in the valuation reserve for unexpired risks variations in rates	(352)	(24)	15	88	82
Results from Conversions	1,042	1,430	1,760	2,084	1,660
Remeasurements defined benefits for employees	(121)	(249)	(376)	(370)	(494)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	4,462	9,088	14,064	19,308	5,527
Earned Capital	82,073	85,088	86,580	89,745	91,112
Minority Interest	1,872	1,934	1,964	1,956	1,994
Total Equity	134,882	138,076	139,418	142,701	143,782
TOTAL LIABILITIES & EQUITY	1,184,534	1,211,186	1,190,937	1,268,119	1,245,334

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
On behalf of Third Parties					
Customer's Banks	93	98	64	118	154
Dividends Receivable from Customers	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-
Settlement of Customer Transactions	208	(18)	(10)	(3)	(3)
Customer Premiums	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-
Other Current Accounts	-	-	-	-	-
Customers' Current Account	301	80	54	114	150
Client Securities Received in Custody	616,579	647,418	647,173	609,288	642,019
Securities and Documents Received in Guarantee	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-
Clients' Securities	616,579	647,418	647,173	609,288	642,019
Clients' Repurchase Operations	102,988	102,541	85,315	77,781	106,095
Clients' Repo Transactions w/ Securities	-	-	-	-	-
Collateral received in guarantee for customer accounts	102,953	102,522	85,295	77,746	106,060
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	99,220	102,029	96,297	90,205	108,323
Transactions On Behalf of Clients	305,161	307,092	266,908	245,732	320,478
Investment Bank Trans. on behalf of Third (Net)	71,038	65,031	92,104	93,307	90,367
TOTAL ON BEHALF OF THIRD PARTIES	993,079	1,019,622	1,006,238	948,441	1,053,014
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	164,071	170,431	258,537	324,528	326,160
Trusts	306,517	320,511	309,671	289,905	271,144
Mandates	8,571	9,824	9,557	2,268	2,712
Properties in Trusts and Warrant	315,088	330,336	319,228	292,174	273,856
Properties in Custody or Management	457,665	480,655	470,481	446,626	475,934
Collateral Received	103,030	72,198	89,904	89,288	164,657
Collateral Received or sold or delivered	146,735	114,133	114,103	101,473	203,465
Drafts in Transit	-	-	-	-	-
Assets' Deposit	2,343	1,943	1,484	2,550	2,368
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	26	33	40	45	63
Uncollected Accrued Interest from Past Due Loans	491	526	465	439	437
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Proprietary Transactions	1,189,450	1,170,254	1,254,243	1,257,123	1,446,941
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	1,189,450	1,170,254	1,254,243	1,257,123	1,446,941

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY 1, 2017 – MARCH 31, 2017

(Million Pesos)

Net Income	5,527
Items charged to results that do not generate or require use of resources	
Depreciation	416
Technical Reserves	5,544
Provisions	(2,544)
Income taxes and deferred	2,280
Minority Interest	(184)
Discontinued Operations	74
	11,113
Change in items related to operations	
Change in Margin Accounts	277
Change in Investment in Securities	(7,315)
Change in repo debtors	(1)
Change in derivatives (assets)	18,357
Change in Loan Portfolio (net)	(2,440)
Change in purchased receivables (net)	(57)
Change in accounts receivable insurance and bonding institutions (net)	289
Change in debtor premiums (net)	(4,162)
Change in Reinsurance (net)	(22)
Change in benefits to receive from securitizations	4
Change in foreclosed assets (net)	41
Change in other operating assets (net)	5,335
Change in core deposits	2,241
Change in interbank loans and other entities	(6,238)
Change in repo creditors	5,386
Change in collateral pledged sold	2
Change in derivatives (liability)	(18,311)
Change in Technical Reserves (net)	1,103
Change in Reinsurance (net) (liability)	780
Change in subordinated debt with characteristics of liabilities	(3,942)
Change in other operating liabilities	(3,391)
Change in hedging instruments (the related hedged transaction activities)	(2,462)
Discontinued Operational Assets	(3,252)
Income Tax Payments	(3)
Net cash generated or used from operations	(6,668)
Investment Activities	
Charges for disposal of property, furniture and equipment	799
Payments for acquisition of property, furniture and equipment	(1,193)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3,195
Payments for other permanent investmentes	
Charges for cash dividends	2,278
Discontinued Operational Assets	
Net cash generated or used from investment activities	5,079
Financing Activities	
Payments of cash dividends	(3,422)
Payments associated with the repurchase of proprietary shares	(384)
Net cash flows from financing activities	(3,806)
Net Cash Increase (decrease) and equivalents value	(5,395)
Effects for changes in cash and equivalents value	(69)
Cash and cash equivalents at beginning of period	65,886
Cash and cash equivalents at end of period	60,422

	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, 2016	14,574	36,427	4,825	68,492	(2,592)	(2,089)	87	2,084	(370)	19,308	1,956	142,702
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	4	(325)	45		(6)							(282)
Capitalization of profits				19,308						(19,308)		
Dividend Declared by the Ordinary General Shareholders' Meeting on February 24, 2017				(3,422)								(3,422)
INB's Sale Accounting Effect				(358)								(358)
Total	4	(325)	45	15,528	(6)	0	0	0	0	(19,308)	0	(4,062)
Changes stemming from profits												
Total profits:												
Net Income										5,527		5,527
Result from valuation of securities available for sale					(156)							(156)
Effect of subsidiaries, associates and mutual funds		(4)		(9)				(424)				(437)
Result from valuation of instruments of cash flow hedges						299						299
Result in valuation of current risk reserve due to changes in rates								(5)				(5)
Remeasurements defined benefits for employees									(124)			(124)
Total	0	(4)	0	(9)	(156)	299	(5)	(424)	(124)	5,527	0	5,104
Recognition of minority interest											38	38
Balance as of March 31, 2017	14,578	36,098	4,870	84,011	(2,754)	(1,790)	82	1,660	(494)	5,527	1,994	143,782

Consolidated Bank

Income Statement - Consolidated Bank (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17
Interest Income	15,530	16,064	17,545	19,070	21,747
Interest Expense	4,966	5,112	5,874	6,808	8,614
Charged Fees	305	292	299	303	282
Fees Paid	101	111	122	151	143
Net Interest Income (Nil)	10,768	11,133	11,847	12,414	13,272
Preventive Provisions for Loan Losses	3,170	3,444	3,240	3,216	3,227
Net Interest Income Adjusted for Credit Risk	7,598	7,690	8,607	9,198	10,044
Transferencia de Fondos	273	313	334	367	368
Manejo de Cuenta	484	519	523	612	614
Servicios de Banca Electrónica	1,341	1,394	1,444	1,628	1,639
Por Créditos Comerciales y Vivienda	191	181	193	231	94
Por créditos de Consumo	835	786	924	1,106	997
Fiduciario	80	86	72	107	91
Ingresos por Portafolios Inmobiliarios	8	2	31	11	5
Fondos de Inversión	-	-	-	-	-
Asesoría e Intermediación financiera	1	1	1	1	1
Otras Comisiones Cobradas (1) *	364	431	443	446	473
Comisiones por Servicios Cobrados	3,577	3,713	3,966	4,508	4,282
Cuotas de Intercambio	584	602	613	706	722
Comisiones de Seguros	-	-	-	-	-
Other Fees Paid	398	500	512	583	742
Fees Paid on Services	982	1,102	1,126	1,288	1,464
Net Fees	2,595	2,612	2,840	3,220	2,817
Divisas y Metales	6	21	(5)	32	(124)
Derivados	80	(36)	341	1	16
Títulos	93	103	(349)	28	(63)
Valuación	179	88	(14)	62	(172)
Divisas y Metales	254	366	454	437	520
Derivados	3	(93)	62	14	281
Títulos	31	13	98	(113)	64
Compra-venta	288	285	614	337	865
Trading Income	467	373	600	399	693
Recuperación de cartera de crédito	335	364	400	432	409
Portafolios de crédito	44	41	35	21	30
Resultado por bienes adjudicados	28	97	(28)	28	12
Liberación de Provisiones	142	170	28	39	160
Quebrantos y Estimaciones	(242)	(319)	(155)	(156)	(280)
Deterioro de Activos	-	-	-	-	(58)
Ingresos por Arrendamiento	6	7	15	13	8
Provenientes de Seguros	-	-	-	-	-
Otros	87	238	218	188	285
Total Other Operating Income (Expenses)	400	599	513	566	566
Total Non-Interest Income	3,462	3,583	3,953	4,185	4,077
Total Operating Income	11,059	11,273	12,561	13,383	14,121
Personnel	3,017	2,833	3,230	3,209	3,361
Employee Profit Sharing (PTU)	95	95	95	97	99
Professional Fees	424	491	456	474	463
Administrative and Promotional Expenses	1,708	1,522	1,689	1,834	1,809
Rents, Depreciation & Amortization	1,044	1,045	1,133	1,178	1,219
Taxes other than income tax & non-deductible expenses	361	298	261	239	458
Contributions to IPAB/Fobaproa	562	575	580	607	634
Total Non-Interest Expense	7,212	6,859	7,445	7,638	8,043
Operating Income	3,847	4,414	5,115	5,745	6,078
Subsidiaries' Net Income	333	322	371	18	14
Pre-Tax Income	4,180	4,735	5,486	5,763	6,092
Income Tax	1,122	1,023	1,703	1,631	1,541
Deferred Income Tax	(105)	131	(239)	96	320
Taxes	1,017	1,155	1,464	1,727	1,861
Net Income from Continuous Operations	3,163	3,580	4,022	4,036	4,232
Discontinued Operations	59	72	44	68	74
Minority Interest	(0)	(0)	(0)	(0)	0
Net Income	3,222	3,652	4,066	4,104	4,305

Consolidated Bank - Balance Sheet (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17
ASSETS					
Cash and Due from Banks	93,984	89,964	70,693	65,844	60,405
Margin Accounts	269	513	745	2,185	1,909
Negotiable Instruments	153,455	155,285	167,884	129,477	150,913
Securities Available for Sale	87,079	101,129	100,691	153,128	106,886
Securities Held to Maturity	7,730	7,678	6,279	6,258	6,245
Investment in Securities	248,265	264,091	274,854	288,863	264,044
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans.net	342	16	72	0	2
Securities Lending	-	-	-	-	-
For trading purposes	18,045	20,703	16,191	40,881	22,738
For hedging purposes	100	76	113	742	387
Operations w/Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	18,145	20,779	16,304	41,623	23,125
Operations w/Derivatives & Securities	18,487	20,796	16,376	41,623	23,126
Valuation adjustments for Asset Coverage	124	121	117	113	110
Commercial Loans	179,187	181,016	184,411	201,753	199,150
Financial Intermediaries' Loans	16,222	18,071	18,386	20,240	21,122
Consumer Loans	75,457	78,610	82,589	86,632	90,824
Mortgage Loans	100,743	104,733	108,955	114,807	119,310
Medium and Residential	97,003	100,950	105,020	110,825	115,226
low income housing	62	48	43	40	37
Loans acquired from INFONAVIT or FOMISSSTE	3,679	3,735	3,892	3,942	4,048
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities' Loans	135,866	133,626	128,981	133,540	130,183
Loans granted as Federal Agent	-	-	-	-	-
Performing Loans	507,476	516,055	523,323	556,971	560,589
Commercial PDL's	7,756	7,562	7,326	5,467	5,677
Financial Intermediaries PDL's	0	344	344	344	344
Consumer PDL's	2,627	3,281	3,205	3,200	2,993
Mortgage PDL's	1,094	1,141	1,119	1,049	1,019
Medium and Residential	1,034	1,064	1,044	952	911
low income housing	7	2	2	1	1
Loans acquired from INFONAVIT or FOMISSSTE	53	74	74	96	106
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-
Past Due Loans	11,477	12,328	11,995	10,060	10,034
Gross Loan Portfolio	518,953	528,383	535,318	567,031	570,622
Preventive Loan Loss Reserves	13,455	14,612	14,694	13,941	13,805
Net Loan Portfolio	505,498	513,772	520,623	553,090	556,818
Acquired Collection Rights	1,310	1,165	1,473	1,400	1,477
Total Credit Portfolio	506,808	514,937	522,096	554,490	558,294
Benef.receiveab.securization transactions	149	153	202	155	151
Sundry Debtors & Other Accs Rec, Net	27,130	27,118	28,856	39,989	36,363
Inventories	-	-	-	-	-
Foreclosed Assets, Net	1,681	1,588	1,402	1,222	1,182
Real Estate, Furniture & Equipment, Net	10,807	11,178	11,444	11,927	12,120
Investment in Subsidiaries	12,543	12,843	13,214	185	199
Long-term assets held for sale	4,481	4,801	5,036	5,299	-
Deferred Taxes, Net	3,247	3,148	3,491	4,227	3,602
Goodwill and Intangibles	10,359	10,331	10,300	11,214	10,775
Other Assets Short and Long Term	3,609	3,379	3,095	3,097	2,914
	74,006	74,539	77,039	77,316	67,306
TOTAL ASSETS	941,943	964,962	961,921	1,030,435	975,193

Consolidated Bank - Balance Sheet (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17
LIABILITIES					
Demand Deposits	325,725	336,538	349,118	382,409	366,454
Time Deposits-Retail	207,637	216,703	193,991	190,535	209,212
Time Deposits-Money Market	2,904	1,068	1,400	1,459	1,115
Global Account of deposits without movements	1,171	1,224	1,250	1,352	1,410
Senior Unsecured Debt	-	-	-	-	-
Deposits	537,438	555,532	545,759	575,755	578,191
Demand Loans	6,928	0	0	4,019	1,137
Short Term Loans	6,845	7,018	6,535	8,063	7,204
Long Term Loans	7,197	7,593	8,667	9,178	8,702
Due to Banks & Correspondents	20,970	14,612	15,202	21,260	17,043
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	215,119	216,288	224,490	234,490	210,936
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	0	(0)	6	0	2
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	0	(0)	6	0	2
For trading purposes	18,829	21,961	18,597	40,403	22,092
For hedging purposes	6,161	6,825	8,671	9,372	6,555
Operations w/ Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	24,990	28,786	27,268	49,776	28,647
Total Operations w/ Derivatives & Securities	240,109	245,074	251,765	284,265	239,585
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Income Tax Payable	751	1,062	1,305	1,965	1,477
Profit Sharing Payable	135	206	299	396	494
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	8,291	11,086	8,072	6,988	6,516
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	14,345	13,519	13,561	24,770	19,290
Other Payable Accounts	23,522	25,873	23,237	34,120	27,777
Subordinated Non Convertible Debt	17,475	17,821	18,246	21,917	17,551
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	861	682	557	331	142
TOTAL LIABILITIES	840,375	859,594	854,765	937,648	880,289
EQUITY					
Paid-in Capital	20,074	20,074	20,074	18,105	18,105
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	11,754	11,862	11,976	72	180
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	31,828	31,936	32,050	18,177	18,285
Capital Reserves	10,157	11,509	11,509	11,509	11,509
Retained Earnings	58,434	56,480	53,876	50,215	62,685
Surplus (Deficit) of Secs Available for Sale	(1,224)	(768)	(108)	(1,645)	(1,139)
Results from Valuation of Hedging Secs	(1,708)	(1,770)	(2,411)	(2,131)	(1,827)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-
Results from Conversions	972	1,350	1,673	1,985	1,579
Remeasurements defined benefits for employees	(123)	(253)	(382)	(377)	(503)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	3,222	6,875	10,941	15,044	4,305
Earned Capital	69,730	73,422	75,096	74,600	76,609
Minority Interest	10	10	10	10	10
Total Equity	101,568	105,367	107,156	92,787	94,904
TOTAL LIABILITIES & EQUITY	941,943	964,962	961,921	1,030,435	975,193

Consolidated Bank - Memorandum Accounts (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17
Investment Banking transactions for third parties, net	71,038	65,031	92,104	93,307	90,367
TOTAL ON BEHALF OF THIRD PARTIES	71,038	65,031	92,104	93,307	90,367
Proprietary Transactions					
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	164,071	170,431	221,960	285,690	287,187
Trusts	306,517	320,511	309,671	289,905	271,144
Mandates	8,571	9,824	9,557	2,268	2,712
Properties in Trusts and Warrant	315,088	330,336	319,228	292,174	273,856
Properties in Custody or Management	310,030	322,924	308,394	294,203	321,987
Collateral Received	86,437	65,935	73,162	82,197	158,596
Collateral Received or sold	28,941	6,975	12,846	20,124	94,204
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	26	33	40	45	63
Uncollected Accrued Interest from Past Due Loans	449	483	465	439	436
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Proprietary Transactions	905,041	897,117	936,095	974,870	1,136,328
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	905,041	897,117	936,095	974,870	1,136,328

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2016 – MARCH 31, 2017***(Million Pesos)*

Net Income	4,305
Items charged to results that do not generate or require use of resources	
Depreciation	379
Provisions	(2,537)
Income taxes and deferred	1,861
Minority Interest	(14)
Discontinued Operations	74
	4,068
Change in items related to operations	
Change in Margin Accounts	277
Change in Investment in Securities	25,325
Change in repo debtors	(1)
Change in derivatives (assets)	18,146
Change in Loan Portfolio (net)	(3,704)
Change in purchased receivables (net)	(76)
Change in accounts receivable insurance and bonding institutions (net)	
Change in debtor premiums (net)	
Change in Reinsurance (net)	
Change in benefits to receive from securitizations	4
Change in foreclosed assets (net)	40
Change in other operating assets (net)	4,106
Change in core deposits	2,436
Change in interbank loans and other entities	(4,204)
Change in repo creditors	(23,554)
Change in collateral pledged sold	2
Change in derivatives (liability)	(18,311)
Change in Technical Reserves (net)	
Change in Reinsurance (net) (liability)	
Change in subordinated debt with characteristics of liabilities	(3,941)
Change in other operating liabilities	(3,489)
Change in hedging instruments (the related hedged transaction activities)	(2,158)
Discontinued Operational Assets	(3)
Income Tax Payments	(1,847)
Net cash generated or used from operations	(6,884)
Investment Activities	
Charges for disposal of property, furniture and equipment	41
Payments for acquisition of property, furniture and equipment	(650)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3,195
Charges for cash dividends	1,128
Net cash generated or used from investment activities	3,714
Financing Activities	
Payments of cash dividends	(2,200)
Net cash flows from financing activities	(2,200)
Net Cash Increase (decrease) and equivalents value	(5,370)
Effects for changes in cash and equivalents value	(69)
Cash and cash equivalents at beginning of period	65,844
Cash and cash equivalents at end of period	60,405

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 - MARCH 31, 2017

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									Total Stockholders' Equity
	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 from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest		
Balance as of December 31, 2016	18,105	72	11,509	50,215	(1,645)	(2,131)	1,985	(377)	15,044	10	92,787	
Changes stemming from stockholders' decisions												
Capitalization of profits				15,044					(15,044)			
Dividends declared by the General Assembly of Shareholders on February 17, 2017				(2,200)							(2,200)	
Payment plan based on equity-settled shares in equity instruments		108									108	
INB's Sale Accounting Effect				(365)							(365)	
Total	0	108	0	12,479	0	0	0	0	(15,044)	0	(2,457)	
Changes stemming from profits												
Total profits:												
Net Income									4,305		4,305	
Result from valuation of securities available for sale					506						506	
Conversion accumulated effect							(406)				(406)	
Result from valuation of instruments of cash flow hedges						304					304	
Remeasurements defined benefits for employees				(9)				(126)			(135)	
Total	0	0	0	(9)	506	304	(406)	(126)	4,305	0	4,574	
Balance as of March 31, 2017	18,105	180	11,509	62,685	(1,139)	(1,827)	1,579	(503)	4,305	10	94,904	

Seguros Banorte

Income Statement - Insurance - Seguros Banorte <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
Interest Income	133	125	143	172	179
Interest Expense	7	(7)	-	-	5
Premium Income (Net)	6,389	2,627	2,304	3,215	5,986
Net Increase in Technical Reserves	2,284	(529)	(1,097)	(114)	1,920
Damages, Claims and Other Obligations	1,995	2,312	2,298	2,321	2,325
Net Interest Income	2,236	975	1,245	1,179	1,916
Fees Charged on Services	-	-	-	-	-
Fees Paid on Services	838	264	424	517	564
Securities-Valuation Gains	-	-	-	-	-
Securities Trading	1	18	27	(3)	12
Trading Income	1	18	27	(3)	12
From Insurance	205	282	248	264	232
Losses and Estimates	(56)	2	44	8	(7)
Other Operating Income (Expense)	0	0	0	2	3
Total Other Operating Income (Expenses)	149	284	292	274	228
Total Non-Interest Income	(688)	38	(105)	(246)	(324)
Total Operating Income	1,548	1,013	1,141	934	1,592
Personnel	82	88	85	94	84
Employee Profit Sharing (PTU)	1	1	1	2	1
Professional Fees	24	34	59	50	60
Administrative and Promotional Expenses	77	58	72	78	101
Rents, Depreciation & Amortization	21	22	23	36	38
Taxes other than income tax & non-deductible expenses	30	23	24	35	38
Contributions to IPAB/Fobaproa	-	-	-	-	-
Total Non-Interest Expense	235	226	265	294	322
Operating Income	1,313	787	876	640	1,270
Subsidiaries' Net Income	0	(0)	0	281	369
Pre-Tax Income	1,313	787	876	920	1,639
Income Tax	397	239	320	86	387
Deferred Income Tax	-	-	(49)	(10)	(4)
Taxes	397	239	271	76	384
Net Income from Continuous Operations	917	548	604	844	1,255
Discontinued Operations	-	-	-	-	-
Minority Interest	(1)	(1)	(1)	(8)	(8)
Net Income	916	547	603	836	1,247

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
ASSETS					
Cash and Due from Banks	61	69	69	67	55
Margin Accounts	-	-	-	-	-
Negotiable Instruments	8,795	9,504	9,734	10,848	11,834
Securities Available for Sale	3,570	2,655	2,415	2,264	2,232
Securities Held to Maturity	(0)	(0)	(0)	(0)	(0)
Investment in Securities	12,364	12,159	12,150	13,112	14,066
Debtor Balance in Repo Trans,net	60	46	0	0	1,150
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	60	46	0	0	1,150
Valuation adjustments for Asset Coverage	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-
Account Receivables	578	604	622	667	360
Premium Debtors (Net)	9,196	7,566	5,589	4,189	8,319
Account Receivables from Reinsurance	6,462	6,936	6,966	7,166	7,189
Benef.receivab.securization transactions	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-
Inventories	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	289	315	319	343	337
Investment in Subsidiaries	2	2	2	13,332	12,551
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	79	79	128	134	134
Goodwill and Intangibles	470	713	897	2,501	1,891
Other Assets Short and Long Term	76	78	81	81	85
	17,151	16,293	14,604	28,414	30,866
TOTAL ASSETS	29,637	28,567	26,823	41,593	46,137

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17
LIABILITIES					
Technical Reserves	17,275	16,472	15,347	15,539	18,623
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accounts for Reinsurance	2,575	2,412	2,455	1,747	2,526
Income Tax Payable	399	633	948	1,028	409
Profit Sharing Payable	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	3,838	3,259	2,590	2,447	2,770
Other Payable Accounts	4,237	3,892	3,538	3,475	3,179
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	-	-	-	401	397
Deferred Credits	140	102	84	68	66
TOTAL LIABILITIES	24,227	22,878	21,424	21,229	24,791
EQUITY					
Paid-in Capital	709	709	709	13,766	13,766
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	709	709	709	13,766	13,766
Capital Reserves	540	717	717	1,499	1,499
Retained Earnings	3,451	2,674	1,774	1,768	4,419
Surplus (Deficit) of Secs Available for Sale	109	113	80	48	31
Results from Valuation of Hedging Secs	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(352)	(24)	15	88	82
Results from Conversions	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	-	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	916	1,462	2,065	2,902	1,247
Earned Capital	4,665	4,943	4,652	6,304	7,278
Minority Interest	36	37	38	294	302
Total Equity	5,410	5,689	5,399	20,364	21,346
TOTAL LIABILITIES & EQUITY	29,637	28,567	26,823	41,593	46,137

Information by Segments

GFNorte - Income Statement as of March '17

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora
Interest Income	47	22,029	3,044	477	18
Premium Income (Net)	-	-	7,958	-	-
Interest Expense	-	8,757	5	282	0
Net Increase in Technical Reserves	-	-	5,544	-	-
Damages, Claims and Other Obligations	-	-	3,306	-	-
Net Interest Income (NII)	47	13,272	2,148	195	17
Preventive Provisions for Loan Losses	-	3,227	-	7	-
Net Interest Income Adjusted for Credit Risk	47	10,044	2,148	188	17
Loan Origination Fees	-	4,282	-	10	-
Fees Paid	-	1,464	564	14	0
Trading Income	-	693	101	(1)	-
Other Operating Income (Expenses)	0	566	226	148	2
Non Interest Income	0	4,077	(237)	143	2
Total Operating Income	47	14,121	1,910	331	19
Administrative and Promotional Expenses	27	8,043	393	70	9
Operating Income	20	6,078	1,517	261	11
Subsidiaries' Net Income	5,496	14	369	-	-
Pre-Tax Income	5,516	6,092	1,886	261	11
Income Tax	-	1,541	387	62	4
Deferred Income Tax	(4)	320	71	16	(1)
Net Income from Continuous Operations	5,520	4,232	1,428	183	7
Discontinued Operations	-	74	-	-	-
Minority Interest	-	0	(6)	(0)	-
Net Income	5,520	4,305	1,422	182	7

GFNorte - Income Statement as of March '17

(Million Pesos)

	Casa de Bolsa Banorte Ixe	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	1,789	5	0	76	27,484	938	-	26,547
Premium Income (Net)	-	-	-	-	7,958	174	-	7,784
Interest Expense	1,645	-	-	170	10,860	-	932	9,927
Net Increase in Technical Reserves	-	-	-	-	5,544	-	-	5,544
Damages, Claims and Other Obligations	-	-	-	-	3,306	-	-	3,306
Net Interest Income (NII)	144	5	0	(94)	15,734	-	-	15,555
Preventive Provisions for Loan Losses	-	-	-	33	3,268	-	-	3,268
Net Interest Income Adjusted for Credit Risk	144	5	0	(127)	12,466	-	-	12,287
Loan Origination Fees	238	282	-	18	4,829	373	-	4,455
Fees Paid	26	198	-	0	2,266	-	382	1,884
Trading Income	171	-	-	(236)	727	-	10	737
Other Operating Income (Expenses)	22	0	-	(336)	629	11	0	619
Non Interest Income	404	84	-	(554)	3,919	385	(371)	3,927
Total Operating Income	548	89	0	(681)	16,386	385	(371)	16,214
Administrative and Promotional Expenses	227	11	1	56	8,837	206	378	8,665
Operating Income	321	78	(1)	(737)	7,548	-	-	7,549
Subsidiaries' Net Income	(0)	1	-	(120)	5,759	5,496	-	263
Pre-Tax Income	320	79	(1)	(857)	13,308	4,96	-	7,812
Income Tax	53	23	-	-	2,070	-	-	2,070
Deferred Income Tax	36	(0)	-	(222)	216	3	9	210
Net Income from Continuous Operations	231	56	(1)	(635)	11,022	-	-	5,532
Discontinued Operations	-	-	-	-	74	-	-	74
Minority Interest	-	-	-	-	(7)	72	-	(79)
Net Income	231	56	(1)	(635)	11,089	7,271	1,703	5,527

GFNorte - Balance Sheet as of March 31 '17

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora
Cash and Due from Banks	21	60,405	56	19	0
Margin Accounts	-	1,909	-	-	-
Investment in Securities	-	264,044	94,167	0	-
Negotiable Instruments	-	150,913	13,408	-	-
Securities Available for Sale	-	106,886	2,312	0	-
Securities Held to Maturity	-	6,245	78,447	-	-
Debtor Balance in Repo Trans, net	1,451	2	1,400	-	-
Transactions with Derivatives For trading purposes	-	22,738	-	0	-
Transactions with Derivatives For hedging purposes	-	387	-	-	-
Valuation adjustments for Asset Coverage	-	110	-	-	-
Gross Loan Portfolio	-	558,294	-	22,889	-
Net Loan Portfolio	-	556,818	-	22,889	-
Performing Loans	-	560,589	-	23,017	-
Commercial Loans	-	199,150	-	21,434	-
Financial Intermediaries' Loans	-	21,122	-	210	-
Government Entities' Loans	-	130,183	-	1,368	-
Consumer Loans	-	90,824	-	4	-
Mortgage Loans	-	119,310	-	-	-
Medium and Residential	-	115,226	-	-	-
Low income housing	-	37	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	4,048	-	-	-
Past Due Loans	-	10,034	-	190	-
Commercial PDL's	-	5,677	-	190	-
Financial Intermediaries PDL's	-	344	-	-	-
Consumer PDL's	-	2,993	-	0	-
Mortgage PDL's	-	1,019	-	-	-
Medium and Residential	-	911	-	-	-
Low income housing	-	1	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	106	-	-	-
Preventive Loan Loss Reserves	-	13,805	-	318	-
Acquired Collection Rights	-	1,477	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,620	-	-
Premium Debtors (Net)	-	-	8,406	-	-
Account Receivables from Reinsurance	-	-	7,189	-	-
Benef. receivab. securization transactions	-	151	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	36,363	0	452	49
Inventories	-	-	-	-	399
Foreclosed Assets, Net	-	1,182	-	4	-
Real Estate, Furniture & Equipment, Net	-	12,120	364	3,054	70
Investment in Subsidiaries	127,454	199	12,551	-	-
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	198	3,602	-	33	4
Total other Assets	10,638	13,689	1,977	82	13
Goodwill	9,697	1,370	-	-	-
Intangible	941	9,405	1,891	82	1
Other Assets	-	2,914	86	-	12
TOTAL ASSETS	139,762	975,193	127,731	26,534	535

GFNorte - Balance Sheet as of March 31 '17

(Million Pesos)

ASSETS	Casa de Bolsa Banorte Ixe	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Cash and Due from Banks	805	326	33	20	61,686	212	1,476	60,422
Margin Accounts	-	-	-	-	1,909	-	-	1,909
Investment in Securities	107,491	-	-	543	466,245	208	353	466,100
Negotiable Instruments	79,862	-	-	-	244,183	-	-	244,183
Securities Available for Sale	26,944	-	-	543	136,686	-	116	136,570
Securities Held to Maturity	684	-	-	-	85,376	208	237	85,347
Debtor Balance in Repo Trans, net	-	-	-	8	2,861	-	2,860	2
Transactions with Derivatives For trading purposes	-	-	-	42	22,780	-	-	22,780
Transactions with Derivatives For hedging purposes	-	-	-	-	387	-	-	387
Valuation adjustments for Asset Coverage	-	-	-	-	110	-	-	110
Gross Loan Portfolio	-	-	-	2,194	583,378	-	16,099	567,279
Net Loan Portfolio	-	-	-	1,589	581,296	-	16,099	565,197
Performing Loans	-	-	-	1,641	585,247	-	16,099	569,147
Commercial Loans	-	-	-	75	220,660	-	4	220,656
Financial Intermediaries' Loans	-	-	-	-	21,332	-	16,095	5,237
Government Entities' Loans	-	-	-	-	131,551	-	-	131,551
Consumer Loans	-	-	-	1,566	92,394	-	-	92,394
Mortgage Loans	-	-	-	-	119,310	-	-	119,310
Medium and Residential	-	-	-	-	115,226	-	-	115,226
Low income housing	-	-	-	-	37	-	-	37
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	-	4,048	-	-	4,048
Past Due Loans	-	-	-	60	10,284	-	-	10,284
Commercial PDL's	-	-	-	25	5,893	-	-	5,893
Financial Intermediaries PDL's	-	-	-	-	344	-	-	344
Consumer PDL's	-	-	-	35	3,029	-	-	3,029
Mortgage PDL's	-	-	-	-	1,019	-	-	1,019
Medium and Residential	-	-	-	-	911	-	-	911
Low income housing	-	-	-	-	1	-	-	1
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	-	106	-	-	106
Preventive Loan Loss Reserves	-	-	-	112	14,235	-	-	14,235
Acquired Collection Rights	-	-	-	605	2,082	-	-	2,082
Account Receivables from Insurance and Annuities	-	-	-	-	1,620	-	-	1,620
Premium Debtors (Net)	-	-	-	-	8,406	-	-	8,406
Account Receivables from Reinsurance	-	-	-	-	7,189	-	-	7,189
Benef.receiveab.securization transactions	-	-	-	-	151	-	-	151
Sundry Debtors & Other Accs Rec, Net	393	123	5	9,047	46,432	61	409	46,084
Inventories	-	-	-	-	399	-	-	399
Foreclosed Assets, Net	-	-	-	383	1,569	201	201	1,569
Real Estate, Furniture & Equipment, Net	47	0	102	1	15,759	212	201	15,770
Investment in Subsidiaries	11	99	-	114	140,428	767	128,319	12,875
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	-	0	-	1,317	5,155	421	1,826	3,750
Total other Assets	445	0	0	182	27,027	2,453	945	28,534
Goodwill	-	-	-	-	11,067	2,453	876	12,643
Intangible	204	0	0	182	12,706	-	69	12,638
Other Assets	241	-	-	-	3,253	-	-	3,253
TOTAL ASSETS	109,192	549	140	13,853	1,393,488	4,535	152,689	1,245,334

GFNorte - Balance Sheet as of March 31 '17

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora
Deposits	-	578,191	-	85	-
Demand Deposits	-	366,454	-	-	-
Time Deposits	-	210,327	-	-	-
Time Deposits-Retail	-	209,212	-	-	-
Time Deposits-Money Market	-	1,115	-	-	-
Senior Unsecured Debt	-	-	-	85	-
Cuenta global de captación sin movimientos	-	1,410	-	-	-
Due to Banks & Correspondents	-	17,043	-	20,753	327
Immediate Redemption Loans	-	1,137	-	-	-
Short Term Loans	-	7,204	-	11,471	327
Long Term Loans	-	8,702	-	9,282	-
Technical Reserves	-	-	96,863	-	-
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	210,936	-	-	-
Collateral sold or pledged as collateral	-	2	-	-	-
Transactions with Derivatives for trading purposes	-	22,092	-	-	-
Transactions with Derivatives for hedging purposes	-	6,555	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	2,526	-	-
Other Payable Accounts	1	27,777	3,271	912	17
Income Tax Payable	-	1,477	409	125	1
Profit Sharing Payable	-	494	-	-	-
Creditors for settlement of transactions	(0.00)	6,516	-	-	-
Creditors for collateral received in cash	-	5,981	-	-	-
Other Creditors & Accounts Payable	0.71	13,309	2,862	787	16
Subordinated Non Convertible Debt	-	17,551	-	-	-
Deferred Taxes, Net	-	-	1,127	-	-
Deferred Credits	-	142	66	119	-
TOTAL LIABILITIES	1	880,289	103,854	21,870	343
EQUITY					
Subscribed Capital	50,516	18,285	20,944	526	87
Paid-in Capital	14,582	18,105	15,740	526	87
Share Subscription Premiums	35,934	180	5,204	-	-
Contributions for future capital increases agreed by the governing body	-	-	-	-	-
Earned Capital	89,245	76,609	2,670	4,131	104
Capital Reserves	4,870	11,509	-	526	47
Retained Earnings	82,129	62,685	1,235	3,432	50
Surplus (Deficit) of Secs Available for Sale	(2,731)	(1,139)	(63)	(10)	-
Results from Valuation of Hedging Secs	(1,790)	(1,827)	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	82	-	77	-	-
Results from Conversions	1,660	1,579	-	-	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Remeasurements defined benefits for employees	(494)	(503)	-	-	-
Net Income	5,520	4,305	1,422	182	7
Capital Mayoritario	139,762	94,894	23,614	4,657	191
Minority Interest	-	10	262	8	0
Total Equity	139,762	94,904	23,877	4,664	191
TOTAL LIABILITIES & EQUITY	139,762	975,193	127,731	26,534	535

GFNorte - Balance Sheet as of March 31 '17

(Million Pesos)

LIABILITIES & EQUITY	Casa de Bolsa Banorte Ixe	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	-	578,276	1,476	-	576,800
Demand Deposits	-	-	-	-	366,454	1,423	-	365,031
Time Deposits	-	-	-	-	210,327	53	-	210,274
Time Deposits-Retail	-	-	-	-	209,212	53	-	209,159
Time Deposits-Money Market	-	-	-	-	1,115	-	-	1,115
Senior Unsecured Debt	-	-	-	-	85	-	-	85
Cuenta global de captación sin movimientos	-	-	-	-	1,410	-	-	1,410
Due to Banks & Correspondents	-	-	-	10,361	48,484	16,099	-	32,385
Immediate Redemption Loans	-	-	-	-	1,137	-	-	1,137
Short Term Loans	-	-	-	10,361	29,363	16,099	-	13,264
Long Term Loans	-	-	-	-	17,984	-	-	17,984
Technical Reserves	-	-	-	-	96,863	-	152	97,016
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	106,087	-	-	-	317,023	2,860	-	314,163
Collateral sold or pledged as collateral	0	-	-	-	2	-	-	2
Transactions with Derivatives for trading purposes	-	-	-	-	22,092	-	-	22,092
Transactions with Derivatives for hedging purposes	-	-	-	-	6,555	-	-	6,555
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	-	2,526	-	-	2,526
Other Payable Accounts	466	118	0	66	32,629	492	60	32,196
Income Tax Payable	-	9	0	-	2,021	-	-	2,021
Profit Sharing Payable	-	-	-	-	494	-	-	494
Creditors for settlement of transactions	282	-	-	-	6,798	189	-	6,609
Creditors for collateral received in cash	-	-	-	-	5,981	-	-	5,981
Other Creditors & Accounts Payable	184	109	0	66	17,334	303	60	17,091
Subordinated Non Convertible Debt	-	-	-	-	17,551	-	-	17,551
Deferred Taxes, Net	50	-	-	-	1,177	1,177	-	-
Deferred Credits	0	-	-	6	333	69	-	265
TOTAL LIABILITIES	106,603	118	0	10,434	1,123,512	22,172	212	1,101,552
EQUITY								
Subscribed Capital	1,429	112	144	5,351	97,396	47,041	322	50,676
Paid-in Capital	1,354	112	144	4,898	55,549	40,971	-	14,578
Share Subscription Premiums	75	-	-	4	41,396	5,620	322	36,098
Contributions for future capital increases agreed by the governing body	-	-	-	450	450	450	-	-
Earned Capital	1,160	318	(4)	(1,932)	172,301	84,468	3,279	91,112
Capital Reserves	152	22	2	117	17,245	12,375	-	4,870
Retained Earnings	596	239	(6)	258	150,618	69,867	3,260	84,011
Surplus (Deficit) of Secs Available for Sale	72	-	-	(1,676)	(5,548)	(2,795)	-	(2,754)
Results from Valuation of Hedging Secs	-	-	-	4	(3,613)	(1,823)	-	(1,790)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	159	77	-	82
Results from Conversions	109	-	-	-	3,347	1,688	-	1,660
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	-	(997)	(503)	-	(494)
Net Income	231	56	(1)	(635)	11,089	5,581	20	5,527
Capital Mayoritario	2,589	430	140	3,419	269,696	131,509	3,601	141,788
Minority Interest	-	0	-	-	280	-	1,714	1,994
Total Equity	2,589	430	140	3,419	269,976	131,509	5,315	143,782
TOTAL LIABILITIES & EQUITY	109,192	549	140	13,853	1,393,488	153,681	5,527	1,245,334

V. Appendix

Accounting Changes & Regulation

Numbers in this section are stated in million pesos.

Special accounting treatment to the support program derived from PEMEX's budgetary adjustments.

On May 2, 2016 the National Banking and Securities Commission issued a special accounting criterion applicable to credit institutions related to MiPYMES; indirect suppliers to PEMEX, as well as to individuals and MiPYMES located in the states of Tamaulipas, Veracruz, Campeche, Chiapas and Tabasco, which were identified as affected areas by PEMEX's budgetary adjustments. Under this special accounting criteria, that will apply to those restructured and renewed performing loans before December 31, 2016, will not be considered as restructured loans as per criterion B-6 "Loan Portfolio" and will remain as performing loans during the specified period in the Plan while meeting the terms of its restructuring, then, they would be considered as performing loans for the loan loss provisions' determination.

As of this date, the institution has not granted supports under this special criterion, if applied, we will comply with the required disclosure.

Amendments to the revolving consumer portfolio's rating methodology

On December 16, 2015, the CNBV published a ruling modifying the provisions regarding the rating methodology for revolving consumer loans, which still has an expected loss application, adding recent information on industry's performance towards new elements. The main amendment to such methodology besides taking into consideration the credit experience of the borrower with the institution granting the loan, address the credit behavior of such borrowers with other institutions according to the information from Credit Information Societies. The new methodology became effective as of April 2016.

The financial impact on Banorte as of April 2016, derived from the modified methodology minus the expected reserves on the balance of the portfolio with the prior methodology was Ps 672. The accounting registration of this financial effect was an increase in loan loss provisions of Ps 672 (liabilities), an increase in deferred tax of Ps 201 (assets) and a decrease in the results from prior years for Ps 471 (equity).

The financial effect for GFNorte, considering its participation in Banorte, was Ps 462 as a decrease to the result from prior years net of deferred taxes.

Changes 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.

Afore XXI Banorte's acquisition

On August 16th, 2016, the CNSF authorized Seguros Banorte to directly invest in Banorte Futuro's equity, and to invest indirectly in the equity of Afore XXI's. Then, on August 26th, the CONSAR authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as a result of its spin-off from Banco Mercantil del Norte.

Additionally, the SAT on October 12th, authorized to transfer shares at fiscal cost from Banorte Futuro i) to Banorte Ahorro y Previsión, and ii) then to Seguros Banorte.

The aforementioned transactions became effective as of October 17th, 2016. Therefore, as of that date, 50% of Afore's XXI Banorte profits are registered in the Subsidiaries' Net Income line.

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.

Changes to the calculation of Severity of Loss 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.

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

On December 31, 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 1Q17
Corporate bonds	\$183.0	\$36.6	\$45.75

- 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 "Measurements 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 1Q17
Corporate bonds	\$2,728.7	\$545.7	\$682.12

The 20% annual application is registered proportionally each month in 2017.

The amounts that would have been registered and presented in the balance sheet as of March 31, 2017, having not implemented the aforementioned option in the affected lines are:

Other short and long term assets ⁽¹⁾	1,070
Total assets	1,243,172
Results from prior years	83,874
Measurements of defined benefits for employees	(2,540)
Total equity	141,598
Total liabilities plus equity	1,243,172

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 31, 2017, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 959, and its maturities are between 2017 and 2027.

Accounting Registration applicable to the investment in International Bank ("INB")

As part of the divestment that Banorte decided over Inter National Bank (INB), in December 2016 certain accounting amendments were made in compliance with the requirements established in NIF C15 "Deterioration of long-term assets and their disposal", according to the following.

Banorte classified its investment in INB as a long-term asset available for sale, which was registered at the end of 2016 at its estimated sale value. Moreover, INB's 2016 fiscal year income of Ps 243 million was registered in the Income from discontinued operations line. The consolidation of INB figures in Banorte's Balance Sheet and Income Statement was reversed for the entire year as of yearend 2016. Hence, the consolidated figures of GFNorte and Banorte for 4Q16 and 2016 are not comparable with the results published for the first three quarters of 2016 and those for 2015, which are consolidated line by line with INB.

In 1Q17 Banorte finalized INB's sale, therefore, the long-term asset available for sale item against the cash entrance received from the sale. Moreover, INB's 1Q17 net income of Ps 74 million was registered in Income from discontinued operations.

In view of the fact that GFNorte is carrying out a corporate restructuring process, and with the objective of ensuring its adequate solvency and stability, the National Banking and Securities Commission, based on Article 175 of the "General Provisions Applicable to Credit Institutions" authorized the special accounting registration through Official Notice No. P071/2016 dated October 3rd, 2016. This registration authorizes Banorte to recognize profits derived from the sale of INB shares in the "Income from Prior Years" and not in the results of the corresponding year. As per requirements set forth in the NIF C-15 "Deterioration of long-term assets and their disposal".

The comparison between the book value of the investment, net of expenses associated to the sale, and the estimated sale value generated a difference of (Ps 4.01) billion, of which (Ps 3.74) billion were recorded in 4Q16 and (Ps 358) million in 1Q17, both decreasing the item of "Income from Prior Years" and not against the results of the fiscal year as established in NIF C-15.

By not being applying the authorized Special Accounting Register, the amounts that would have been recognized and presented in the Balance Sheet as of March 31st, 2017 and December 31st, 2016 in the affected accounts would have been:

Accounting effect in 1Q17 including expenses associated with the sale.

<i>1Q17</i>	Figures without Special Accounting Register	Figures with Special Accounting Register	Variation
Income from prior years	84,369	84,011	(358)
Net Income	5,169	5,527	358
Total equity	143,782	143,782	0
Total liabilities + equity	1,245,356	1,245,356	0

Accounting effect in 4Q16 including expenses associated with the sale.

<i>4Q16</i>	Figures without Special Accounting Register	Figures with Special Accounting Register	Variation
Income from prior years	72,233	68,492	(3,741)
Net Income	15,567	19,308	3,741
Total equity	142,701	142,701	0
Total liabilities + equity	1,268,119	1,268,119	0

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.

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	aug-02	dic-16	mar-17	aug-02	dic-16	mar-17	aug-02	dic-16	mar-17
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
Performing Loans	59	22	21	5	0	0	64	22	21
Commercial	405	193	192	293	13	1	698	205	193
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	203	201	0	0	0	1,112	203	201
Non Performing Loans	1,598	467	464	293	13	1	1,891	480	465
TOTAL LOANS	1,657	489	485	298	13	1	1,955	502	486
Commercial	326	193	192	246	13	1	572	205	193
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	214	211	0	0	0	669	214	211
Loan Loss Reserves (1)	1,072	478	474	246	13	1	1,318	491	476

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

(*) There was a reserve difference of Ps 21 million as of March 2017.

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

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

In 1Q17 the Loan portfolio showed changes due to charge offs and discounts of Ps 0.1 million and foreclosed assets for Ps 1.0 million; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 1.5 million. No transfers to performing loans or to past due loans were made.

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.

<i>(Million of Nominal Pesos)</i>	Local Currency (1)		Foreign Currency (USD) (2)		Total	
	Dec-16	Mar-17	Dec-16	Mar-17	Dec-16	Mar-17
Commercial	313,319	315,321	42,279	35,162	355,598	350,483
Consumer	86,632	90,824	0	0	86,632	90,824
Mortgage	114,828	119,331	0	0	114,828	119,331
Performing Loans	514,779	525,476	42,279	35,162	557,058	560,638
Commercial	5,862	6,149	141	66	6,002	6,214
Consumer	3,271	3,065	0	0	3,271	3,065
Mortgage	1,252	1,220	0	0	1,252	1,220
Non Performing Loans	10,385	10,433	141	66	10,526	10,499
TOTAL LOANS	525,164	535,909	42,420	35,227	567,584	571,136
Loan Loss Reserves	14,116	14,038	323	253	14,439	14,291
Net Loan Portfolio	511,048	521,871	42,097	34,974	553,145	556,846
Loan Loss Reserves					137.18%	136.12%
% Past Due Loans					1.85%	1.84%

1. Includes UDIS.

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

Notes to Financial Statement

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q17

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	209,826	1,246	133	211,205
Unrestricted	9,904	140	2	10,046
CETES	7,532	109	(9)	7,632
BONDES	16	0	0	16
BPA	552	8	(1)	559
Bonds	95	3	(1)	97
Udibonds	1,700	20	13	1,732
UMS	10	0	0	11
Treasury Notes	-	0	-	0
Restricted	199,922	1,106	131	201,159
CETES	5	-	(0)	5
BONDES	20,701	54	7	20,762
BPA	177,670	1,039	118	178,827
Bonds	981	12	4	997
Udibonds	566	1	2	569
Banking Securities	28,598	53	(6)	28,645
Unrestricted	2,114	1	(0)	2,115
Notes	1,320	-	(0)	1,320
Stock Certificates	344	1	(0)	345
Other Banking Securities	450	-	-	450
Restricted	26,484	52	(6)	26,530
Notes	3,258	-	0	3,259
CEDES	6,957	10	(1)	6,965
Stock Certificates	15,541	42	(5)	15,577
Other Banking Securities	727	1	0	729
Private Securities	4,030	6	297	4,333
Unrestricted	1,599	1	308	1,908
Stock Certificates	539	1	(8)	532
PEMEX Bonds	3	0	0	3
Euro Bonds	-	-	-	-
BMV stocks	542	-	304	846
Mutual Funds stocks	501	-	16	517
Other Private Securities	13	-	(3)	10
Restricted	2,431	5	(11)	2,425
Stock Certificates	2,398	5	(11)	2,392
BMV stocks	33	-	(0)	33
Total	242,453	1,305	424	244,183

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q17

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	101,851	987	(51)	102,787
Unrestricted	28,693	211	(2)	28,902
CETES	1	-	(0)	1
BONDES	100	0	0	100
BREMS	7,778	11	-	7,789
Bonds	477	8	(34)	451
CBIC	51	1	7	59
UMS	20,287	191	24	20,501
Restricted	73,157	777	(49)	73,885
CETES	97	-	(0)	97
BPA	70,717	699	(172)	71,244
UMS	2,343	78	123	2,544
Banking Securities	1,887	10	5	1,902
Unrestricted	1,887	10	5	1,902
CEDES	810	9	87	906
Stock Certificates	254	1	31	286
Structured Notes	763	-	(113)	650
Other Banking Securities	60	0	0	60
Private Securities	36,163	255	(4,537)	31,881
Unrestricted	24,660	187	(2,833)	22,014
Stock Certificates	5,930	35	(418)	5,547
PEMEX Bonds	9,205	113	(99)	9,219
Euro Bonds	3,109	38	(56)	3,091
GFNORTE stocks	-	-	-	-
BMV stocks	2,952	-	(2,409)	543
Mutual Funds stocks	3,463	-	150	3,613
Restricted	11,503	68	(1,704)	9,867
Stock Certificates	6,622	15	(96)	6,541
PEMEX Bonds	3,339	53	(88)	3,304
BMV stocks	1,542	-	(1,520)	22
Total	139,901	1,253	(4,583)	136,570

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q17
(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	70,911	769	-	71,680
Unrestricted	70,911	769	-	71,680
CETES (Special)	959	-	-	959
CBIC	264	5	-	268
Udibonds	69,688	765	-	70,453
Restricted	0	0	-	0
Bonds	(0)	0	-	0
CBIC	0	0	-	0
Udibonds	0	0	-	0
Banking Securities	1,830	983	-	2,813
Unrestricted	1,830	983	-	2,813
CEDES	684	777	-	1,461
Stock Certificates	696	6	-	702
Structured Notes	449	200	-	650
Private Securities	10,709	174	-	10,883
Unrestricted	5,410	153	-	5,562
Stock Certificates	5,410	153	-	5,562
Restricted	5,300	21	-	5,321
Stock Certificates	5,300	21	-	5,321
Fair Value Adjustment lxe Banco	(29)	-	-	(29)
Total	83,420	1,926	-	85,347

REPURCHASE AGREEMENT OPERATIONS 1Q17
(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	93,094,344	93,093,424	1,583	664	268,588,419
Banking securities	3,196,605	3,196,608	2	5	24,989,422
Private Securities	1,119,817	1,121,138	4	1,325	20,585,371
Total	97,410,766	97,411,171	1,589	1,994	314,163,212

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q17
(Million Pesos)**

Creditor Balance	
Instrument	Fair Value
Forward	
Fx Forward	63
Options	
Rate options	869
Fx options	0
Warrants	46
Swaps	
Rate swap	17,967
Fx swap	3,835
Negotiable Total	22,780
Options	
Rate Options	28
Swaps	
Rate swap	359
Hedging total	387
Position total	23,167
Debtor Balance	
Instrument	Fair Value
Forward	
Fx Forward	75
Options	
Rate options	866
Fx options	0
Swaps	
Rate swap	16,255
Fx swap	4,896
Negotiable Total	22,092
Swaps	
Rate swap	480
Fx swap	6,075
Hedging total	6,555
Position total	28,647

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q17 - Banorte
(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	1,715	46
FX Forwards	Sales	Exchange Rate (USD/MXN)	1,129	115
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	29	8
FX Forwards	Sales	Exchange Rate (EUR/MXN)	29	8
FX Options	Purchases	Exchange Rate (Dollar)	1	4
FX Options	Sales	Exchange Rate (Dollar)	0	1
Interest Rate Options	Purchases	TIE	57,882	134
Interest Rate Options	Sales	TIE	79,097	530
Interest Rate Options	Purchases	LIBOR	6,441	23
Interest Rate Options	Sales	LIBOR	6,604	23
Interest Rate Options	Swaption - Purchases	LIBOR	188	1
Interest Rate Options	Swaption - Sales	LIBOR	376	2
Interest Rate Swaps	USD LIBOR	LIBOR	455,605	2,565
Interest Rate Swaps	MXN TIE	TIE	1,441,450	5,003
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	137	3
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	58,685	73
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	5,853	21
Interest Rate and FX Swaps	CS UDI	UDI	10,856	2
Interest Rate and FX Swaps	CS EURMXN	FIX/VARIABLE	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FIX/VARIABLE	2,334	11

LOAN PORTFOLIO
(Million Pesos)

	Local Currency		UDIS		Foreign Currency		Total	
	1Q16	1Q17	1Q16	1Q17	1Q16	1Q17	1Q16	1Q17
Commercial Loans	161,760	182,445	-	-	51,701	38,211	213,462	220,656
Financial Intermediaries' Loans	1,023	3,120	-	-	1,849	2,116	2,872	5,236
Consumer Loans	77,731	92,394	-	-	142	-	77,873	92,394
Mortgage Loans	100,522	119,127	221	184	1,462	-	102,205	119,310
Government Entities' Loans	136,065	131,362	-	-	1,078	189	137,144	131,551
Performing Loans	477,102	528,448	221	184	56,233	40,516	533,556	569,147
Commercial Loans	7,873	5,828	0	0	104	64	7,977	5,893
Financial Intermediaries' Loans	0	344	-	-	-	-	0	344
Consumer Loans	2,684	3,029	-	-	-	-	2,684	3,029
Mortgage Loans	1,077	1,005	17	14	28	0	1,122	1,019
Government Entities' Loans	-	-	-	-	-	-	-	-
Past Due Loans	11,633	10,206	17	14	132	64	11,782	10,284
Total Proprietary Loans	488,735	538,654	239	197	56,365	40,580	545,339	579,432

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q17- GFNorte**

(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	3.9	0.0
Mortgage FOVI	-	-
	3.9	0.0

DEFERRED TAXES 1Q17

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	4,141	4,141
Non deductible provisions and cumulative income	963	963
Excess of accounting value over fiscal value on Repossessed Assets	1,031	1,031
Diminishable profit sharing	145	145
Fees received in advance	963	963
Effects from valuation of instruments	1,757	1,757
Tax losses pending amortization	1,518	1,518
Provisions for possible loss in loans	496	496
Loss on sale of foreclosed assets and credits	22	22
Total Assets	11,036	11,036
LIABILITIES		
Pension Funds Contribution	(932)	(932)
Loan Portfolio Acquisitions	(297)	(297)
Projects to be capitalized	(2,961)	(2,961)
Intangibles' amortizations	(2)	(2)
Effects from valuation of instruments	(2,372)	(2,372)
Intangibles' amortizations	(644)	(644)
Unrealized Loss on Securities held for Sale	(78)	(78)
Total Liabilities	(7,286)	(7,286)
Assets (Liabilities) Accumulated Net	3,750	3,750

LONG TERM DEBT AS OF MARCH '17 - 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 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,398	15 years	5.750%	04-oct-31	E/ 180 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,559	20 years	4.950%	15-feb-28	E/ 182 days
Non Convertible Subordinated Bonds Q Banorte 12	MXN	09-jun-12	3,200	3,200	3,200	10 years	TIE + 1.50%	27-may-22	E/ 28 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,255	10 years	9.25%	14-oct-20	E/ 180 days

BANK AND OTHER ENTITIES LOANS' AS OF 1Q17*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	2,350	2,350
Loans from Development Banks	10,545	4,247	14,792
Loans from Public Funds	9,410	804	10,214
Call Money & Loans from Banks	20,897	-	20,897
Loans from Fiduciary Funds	123	-	123
Provisions for Interest	109	-	109
	41,083	7,401	48,485
Eliminations			(16,099)
Total			32,386

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 1Q17**
CORE DEPOSITS (BANORTE)**Demand Deposits**

Local Currency and UDIs	0.52%
Foreign Currency	0.02%

Time Deposits - Retail

Local Currency and UDIs	4.85%
Foreign Currency	0.18%

Time Deposits - Money Market

Local Currency and UDIs	4.31%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	5.82%
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Public Funds and Development Banks

Local Currency and UDIs	11.31%
Foreign Currency	2.35%

MAIN CREDIT LINES RECEIVED 1Q17 (BANORTE)*Million pesos*

	1Q16	4Q16	1Q17	Change vs. 1Q16	Change vs. 4Q16
Banxico (Monetary Regulation Deposits)	33,449	33,449	33,449	0%	0%
Banxico (Repos with the System of Payments)	38,822	49,093	51,623	33%	5%
Call Money	111,088	112,925	111,923	1%	(1%)
TOTAL	183,359	195,467	196,995	7%	1%

TRADING INCOME 1Q17

Million Pesos

Trading income	Consolidated
Securities - Unrealized gains	(35)
Negotiable instruments	159
Derivative instruments - Negotiation	(160)
Derivative instruments - Hedging	(33)
Impairment loss or revaluation increase	(134)
Result from foreign exchange valuation	(151)
Result from valuation of precious metals	0
Result from purchase/sale of securities and derivatives	536
Negotiable instruments	250
Securities held for sale	6
Securities held to maturity	0
Derivative instruments - Hedging	281
Result from purchase/sale of foreign exchange	519
Result from purchase/sale of precious metals	1
Total	737

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 main objectives are:

- Provide to different business areas, clear rules that contribute to minimize risk and ensure compliance with the parameters established and approved by the Board of Directors and the Risk Policies Committee (CPR by its acronym in Spanish).
- Establish mechanisms to monitor 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's optimization and credit portfolio management.
- Update and monitor Contingency Plan in order to restore capital and liquidity levels in case of adverse 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 potential losses on borrower or counterparty defaults.

Market Risk: revenue volatility due to market changes, which affect the valuation of book positions for active, liabilities or 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 securing resources in normal conditions, and 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 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.
- Comprehensive Risk Management Framework.
- Risk exposure limits, risk tolerance levels and mechanisms for corrective actions.
- Contingency Plan and the Contingency Funding Plan.
- The outcome of the internal and regulatory capital adequacy scenarios.

The Board of Directors designates the CPR (Risk Policy Committee) as accountable for managing the risks that GFNorte is exposed to, in order to ensure that operations comply with objectives, policies and procedures established by 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 by members and deputies 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 (ALCO) and the Capital and Liquidity Group, analyze, monitors, and decide regarding interest rate risks in the balance sheet, the financial margin, liquidity and net capital of the Institution.

The Unit for the Comprehensive Risk Management (UAIR by its acronym in Spanish) is in charge of the Risk Management Department (DGAR), and among its functions, is responsible 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 and monitor funding placement.
- Create economic value for shareholders through an 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 for Credit Risks taking at 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 segments 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 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.

The model considers the loan portfolio exposure directly to the balance of each loan, whereas for the financial instruments' portfolio, considers the present value of the instruments and their future cash flows. This exposure is sensible to changes in the market, thereby facilitating estimations 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 of this methodology, are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the average of credit portfolio's loss distribution, 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 99.95% 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 31, 2017 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method <i>(Million pesos)</i>	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	157,508	21,810	100	179,418
YoY Revenues or Sales < 14 MM UDIS	64,308	1,096	0	65,404
YoY Revenues or Sales >= 14 MM UDIS	93,200	20,714	100	114,014
States or Municipalities	88,131	218	0	88,350
Decentralized Federal Government Agencies and State Companies	42,051	1,059	0	43,110
Projects with own source of payment	47,691	0	0	47,691
Financial Institutions	21,122	116	0	21,238
Mortgage	120,329	0	0	120,329
Consumer	93,817	4	1,601	95,423
Credit Card	31,176	0	0	31,176
Non-revolving	62,641	4	1,601	64,247
Total Loans subject to the Standard Method	570,651	23,207	1,701	595,559
Eliminations				(16,127)
Total Loans				579,432

*Excludes pure leasing

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 2017 presented an exposure of Ps 579,432 million, higher in Ps 2,315 million or +0.4% QoQ and Ps 34,093 million or +6.3% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment <i>(Million pesos)</i>	Total Loan			Var. vs 4Q16		Var. vs 1Q16	
	1Q16	4Q16	1Q17	\$	%	\$	%
Government	137,144	134,798	131,551	(3,247)	(2.4%)	(5,593)	(4.1%)
Commercial	131,063	128,799	127,214	(1,585)	(1.2%)	(3,848)	(2.9%)
Mortgage	103,327	115,856	120,329	4,473	3.9%	17,003	16.5%
Corporate	93,248	106,085	104,914	(1,171)	(1.1%)	11,666	12.5%
Payroll	40,915	46,281	48,180	1,899	4.1%	7,264	17.8%
Credit Card	26,644	30,068	31,176	1,108	3.7%	4,532	17.0%
Auto Loans	12,998	15,229	16,067	837	5.5%	3,069	23.6%
Total Loans	545,339	577,117	579,432	2,315	0.4%	34,093	6.3%

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past-due	Performing	Past-due		
Banorte*	543,141	4,194	1,349	5,839	554,523	13,612
Arrendadora y Factoraje	23,003	68	14	122	23,207	309
Sólida	1,641	35	0	25	1,701	111
Accounting Records						203
Total Loans	567,785	4,298	1,362	5,986	579,432	14,235

* Banorte's total loans include eliminations for (Ps 16,127)

Total reserves Ps 14,235 million, includes rating reserves for Ps 14,032 million and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) for Ps 203 million.

GFNorte's performing, past-due and distressed portfolios in 1Q17 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		1Q17	Var. vs 4Q16		
Government	131,551	0	0	0	131,551	640	(96)	0	0
Services*	55,669	72	202	548	56,491	827	(36)	53	355
Construction	42,920	69	51	3,191	46,231	1,838	(8)	27	1,042
Commerce	40,565	51	270	1,520	42,405	1,094	114	142	281
Manufacturing	39,143	32	204	433	39,812	563	(55)	50	323
Top 5 Sectors	309,847	223	728	5,693	316,491	4,962	(82)	273	
Other Sectors	46,233	27	635	294	47,189	690	(6)	17	
Mortgage	119,310	1,019	0	0	120,329	660	(88)	264	
Consumer	92,394	3,029	0	0	95,422	7,721	23	2,262	
Accounting Records						203			
Total Group	567,785	4,298	1,362	5,986	579,432	14,235	(153)	2,816	

* Includes Financial, Real Estate and Other Services

**Days past due from Non-Performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Sólida	Total Loans
Government	130,183	1,369	0	131,551
Services**	52,151	4,340	0	56,491
Construction	42,440	3,691	100	46,231
Commerce	32,952	6,860	0	39,812
Manufacturing	295,586	20,805	100	316,491
Top 5 Sectors	258,937	2,402	1,601	262,941
Remaining	554,523	23,207	1,701	579,432
Total Loans	130,183	1,369	0	131,551

* Banorte's total loans include eliminations for (Ps 16,127)

** Includes Financial and Real Estate services

As of 1Q17, 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	Ciudad de México	161,699	947	731	3,790	167,167	4,739
2	Nuevo León	92,701	554	108	334	93,698	1,786
3	Estado de México	47,023	470	71	385	47,949	1,244
4	Jalisco	34,079	285	58	169	34,591	736
5	Tamaulipas	19,684	150	32	122	19,988	456
6	Veracruz	15,592	191	29	114	15,925	445
7	Sinaloa	15,324	114	33	107	15,578	282
8	Coahuila	15,025	93	17	47	15,182	304
9	Sonora	14,222	68	22	64	14,376	227
10	Chihuahua	13,416	99	9	79	13,602	281
	Top 10	428,766	2,971	1,109	5,211	438,057	10,500
	Other Federal Entities	139,019	1,327	253	775	141,374	3,532
	Accounting Records						203
	Total Loans	567,785	4,298	1,362	5,986	579,432	14,235

* Banorte's total loans include eliminations for (Ps 16,127)

As of 1Q17, 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		
0 - 1 years	79,162	1,771	182	4,008	85,124	6,442
1 - 5 years	103,184	393	466	1,207	105,250	2,117
5 - 10 years	94,235	119	125	280	94,759	600
> 10 years	266,560	1,911	576	344	269,390	4,453
	Banorte*	543,141	4,194	1,349	5,839	13,612
Factoring	11,414	16	12	48	11,490	130
Leasing	11,589	53	2	74	11,717	179
Sólida	1,641	35	0	25	1,701	111
Accounting Records						203
	Total Loans	567,785	4,298	1,362	5,986	14,235

* Banorte's total loans include eliminations for (Ps 16,127)

The total distressed portfolio is Ps 7,349 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio	1Q17			
	Banorte	Arrendadora y Factor	Sólida	GFNorte
(Million pesos)				
Initial Loan Loss Provisions	3,145	70	15	3,231
Charged to results	343	20	0	363
Loans' write offs	110	0	0	110
FX changes	(2)	0	0	(2)
Adjustments in Credit Risk	235	20	0	255
Received in lieu of payment	0	0	0	0
Write-offs, charge-offs and discounts	(284)	0	0	(284)
Final Loan Loss Reserves	3,204	90	15	3,310
Loan Recoveries	42	0	0	42

2.2.2 Exposure to Financial Instruments

As of March 31, 2017, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 262.05 billion, of which 99.3% 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 11% of the Tier 1 Capital as of December 2016. 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 2016 has higher or similar rating to AA-(mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 5 years and 9 months for Ps 15,173 at 5.1%; and market and bond certificates from Banco Inbursa for 1 year and 4 months for Ps 5,588 at 6.9%.

For Derivatives operations, the exposure of the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 1% of the Tier 1 Capital as of December 2016

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 106.78 billion, of which 100% 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 30% of the Capital as of December 2016. 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 2016 has a higher or similar rating to A+(mex) and are comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market certificates of CFE to 2 years and 4 months for Ps 1,998 at 7.5%; market certificates of PEMEX to 1 year and 8 months for Ps 1,855 at 7.8%; market certificates of HSBC México to 1 year and 8 months for Ps 1,147 at 7.1%; market certificates of Banamex to 5 months for Ps 904 at 6.9%; market certificates of Scotiabank Inverlat for 1 year for Ps 731 million at 7.0%; market certificates of Bancomer for 1 year for Ps 622 at 7.0%; bonds of Deutsche Bank for 6 years and 2 months for Ps 528 at 10.6%; market certificates of Banco Inbursa for 1 year and 7 months for Ps 405 at 7.1%; market certificates of Banco Interacciones for 2 years and 10 months for Ps 387 at 7.8%; bonds of CABEI for 1 year and 9 months for Ps 159 at 6.8%; and market certificates of Banco Monex for 1 year and 3 months for Ps 144 at 7.8%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 146 thousand, 100% of them are shares. In derivatives, its exposure is Ps 261 thousand with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 543 million. The 100.0% of them are shares. Its exposure to derivatives was Ps 42 million with private counterparties.

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 (includes operations with Banxico. Excludes settled transactions through central counterparties).

Position (Million Pesos)	1Q17	1Q17 Average
Forwards	(11)	(7)
Options	33	17
Interest Rate Swaps	2,759	2,784
Cross Currency Swap	(7,131)	(8,371)
Total	(4,348)	(5,577)
Positive Fair Value (Positive Fair Value)	8,325	10,663
Netting Effect*	12,673	16,240
Delivered Guarantees(-) /Received(+)		
Cash	(4,699)	(5,679)
Securities	7.9	7.7
Total	(4,691)	(5,671)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value

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

(Million Pesos)	Potential Risk		Current Risk	
Financial Counterparties	1Q17	1Q17 Average	1Q17	1Q17 Average
FWD	57	23	(40)	(21)
OPTIONS	1,009	1,136	762	881
INTEREST RATE SWAP	10,972	13,040	3,679	4,654
CCS	619	585	(7,125)	(8,359)
Total	9,832	12,388	(2,723)	(2,845)
Clients (Non-Financial)	1Q17	1Q17 Average	1Q17	1Q17 Average
FWD	43	34	(29)	(14)
OPTIONS	7	7	(729)	(864)
INTEREST RATE SWAP	509	362	(919)	(1,870)
CCS	17	11	(6)	13
Total	544	398	(1,625)	(2,732)

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 (it's worth noting that with most counterparties we've migrated to zero threshold, thus, guarantees to be delivered do not depend on credit rating but to market movements).

Net Cash Outflows (Million pesos)	1Q17	1Q17 Average
Cash Outflow with 1-notch Downgrade	0	0
Cash Outflow with 2-notch Downgrade	0	0
Cash Outflow with 3-notch Downgrade	0	0

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

Rating (Thousand pesos)	1Q17	1Q17 Average
AAA/AA-	0	0
A+/A-	(1,450)	(940)
BBB+/BBB-	(1,293)	(1,933)
BB+/BB-	(826)	(1,439)
B+/B-	(60)	(115)
CCC/C	(7)	(8)
SC	(713)	(1,142)
Total	(4,348)	(5,577)

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)	1Q17			
	Banorte	Arrendadora y Factor**	Sólida	GFNorte*
Total Loan Portfolio	570,651	23,207	1,701	579,432
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	19,026	0	0	19,026
Real Non-Financial Guarantees	300,457	5,681	25	306,163
Pari Passu	18,758	0	0	18,758
First Losses	31,809	0	0	31,809
Personal Guarantees	16,222	5,924	0	22,146
Total Loan Portfolio Covered	386,272	11,605	25	397,903

*Total Loans includes eliminations for (Ps 16,127).

** Excludes pure leasing

2.4 Expected Loss

As of March 31, 2017, Banco Mercantil del Norte's total portfolio was Ps 570.65 billion. The expected loss represents 2.0% and the unexpected loss is 4.1% with respect to the total portfolio. The average expected loss is 2.0% during the period January – March 2017.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 106.78 billion and the expected loss represents 0.02% of the exposure. The average expected loss is 0.02% between January – March 2017.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 26.22 billion. The expected loss represents 0.9% and the unexpected loss is 4.1% of the total portfolio. The average expected loss represents 0.9% during the January – March 2017 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 1.70 billion. The expected loss of the portfolio represents 11.9% and the unexpected loss 12.7%, both with respect to the total portfolio. The average expected loss for the period of January – March 2017 was 12.0%.

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 (million pesos):

Tier 1 as of December 31, 2016		81,348
I. Financings whose individual amounts represent more than 10% of basic equity:		
<u>Loan Operations</u>		
Number of financings		1
Total amount of financings		8,531
% in relation to Tier 1		10%
<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		2
Total amount of financings		17,943
% in relation to Tier 1		22%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		39,688

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

Equity as of December 31, 2016		4,475
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		6
Total amount of financings		4,605
% in relation to Equity		103%
<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:		5,266

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

Equity as of December 31, 2016		4,243
I. Financings whose individual amounts represent more than 10% of equity:		
<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:		296

3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

- Comply with the Desired Profile Risk defined by the Group's Board of Directors.
- 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 of various 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:

- New products subject to market risk must be evaluated and approved through the new products' guidelines approved by the CPR.
- The Board of Directors is the entitled body to approve global limits and market risk's appetite metrics, as well as their amendments.
- The CPR is the entitled body to approve models, methodologies and specific limits, as well as their amendments.
- Market risk models will be valid by and independent area, which is different from the one that develop and manage them.
- Market risk inputs and models will be valid as per a properly approved policy by the CPR.

3.1 Market Risk Methodology

Market Risk Management is controlled 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, and considers 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 purposes) classified for accounting purposes as trading assets, both on and off the balance sheet.

The average VaR of the portfolio for 1Q17 was Ps 57 million (Ps 14 million lower than the average VaR for 4Q16).

The result shows that the Bank's potential loss will be above Ps 57 million in one out of a hundred days.

VaR Million Pesos	Average 1Q17
VaR Total	57
Net Capital	103,143
VaR/Net Capital	0.06%

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

Risk Factor Million Pesos	1Q17	Average 1Q17
Rates	50.8	57.3
FX	15.1	13.0
Equity	7.8	7.5
Diversification Effect	(23.2)	(21.0)
Bank's Total VaR	50.4	56.9

VaR for 1Q17 was Ps 50 million.

VaR by risk factor is determined by simulating 500 historical scenarios to each risk factor and assessing instruments by their main risk factor. It is important to note that all positions classified as trading were considered, positions classified as held to maturity and available for sale were excluded.

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

Risk Factor	1Q17
Rates	69%
FX	21%
Equity	11%

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 enforcing tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on monthly basis with the main objective of assessing the impact on the Institution's positions of extreme movements in risk factors.

3.2.2 Backtesting

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 parameter.

3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 1Q17 was Ps 15 million, +Ps 10 million higher vs. 4Q16.

The result shows that potential loss will be above Ps 15 million in one out of a hundred days.

VaR Million Pesos	Average 1Q17
Total VaR	15
Net Capital	2,338
VaR/Net Capital	0.64%

VaR by risk factor for Casa de Bolsa Banorte Ixe portfolio had the following behavior during the first quarter of the year:

Risk Factor (Million Pesos)	1Q17	Average 1Q17
Rates	14.5	14.8
FX	0	0
Equity	0	0
Diversification effect	0	0
Casa de Bolsa Total VaR	14.5	14.8

VaR at the end of 1Q17 was Ps 14 million.

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 positions that were taken into account for the analysis were those classified as trading, excluding held to maturity and available for sale positions.

Risk Market concentration factor is in interest rates.

3.2.4 Sensitivity 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 enforcing 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 parameter.

4. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

- Comply with the Risk Appetite defined by the Group's Board of Directors.
- Give proper monitoring of Balance and Liquidity Risk.
- Assessing through the use of different methodologies, Balance and Liquidity Risk exposure.
- Measure Institution's vulnerability to extreme market conditions and consider such results for decision making.
- Maintain Senior Management properly informed in a timely manner on Balance and Liquidity Risk exposure and on any limits' and risk profile's deviation.
- Follow-up on the institution's coverage policy and review it at least annually.
- Maintain a sufficient level of liquid assets eligible to guarantee the institution's liquidity even under stress conditions.

GFNorte's Liquidity Risk Policies are:

- Establishment of specific global limits of Balance and Liquidity Risk Management.
- Measurement and monitoring of Balance and 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

Balance and Liquidity risk is managed through a series of fundamental pillars that include the use of key indicators such as the Liquidity Coverage Ratio (LCR), re-price gaps and liquidity, as well as stress testing. The latter, based on a framework of policies and manuals, including a funding contingency plan, and a contingency plan to preserve solvency and liquidity. Similarly, is enhanced with monitoring limits and Risk Appetite metrics of Balance and 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)	4Q16	1Q17	Change vs. 4Q16
Demand Deposits			
Local Currency ⁽¹⁾	331,280	316,759	(4.4%)
Foreign Currency ⁽¹⁾	51,179	51,168	0.0%
Demand Deposits	382,459	367,927	(3.8%)
Time Deposits – Retail			
Local Currency ⁽²⁾	149,861	159,385	6.4%
Foreign Currency	17,792	14,505	(18.5%)
Core Deposits	550,112	541,817	(1.5%)
Money Market			
Local Currency ⁽³⁾	24,391	36,449	49.4%
Banking Sector Deposits	574,502	578,266	0.7%

1. Includes 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 measures 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 sufficient 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 1Q17.

LCR Components <i>(Million Pesos)</i>		Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	82,432
CASH DISBURSEMENTS			
2	Unsecured retail financing	346,171	23,894
3	Stable financing	214,470	10,723
4	Less stable financing	131,701	13,170
5	Unsecured wholesale financing	189,577	65,275
6	Operational Deposits	106,541	23,035
7	Non-Operational Deposits	81,896	41,100
8	Unsecured debt	1,140	1,140
9	Secured wholesale financing	255,798	21,869
10	Additional Requirements:	408,444	23,889
11	Disbursements related to derivatives and other guarantee requirements	117,896	6,277
12	Disbursements related to losses from debt financing	-	-
13	Lines of credit and liquidity	290,548	17,612
14	Other contractual financing obligations	-	-
15	Other contingent financing liabilities	-	-
16	TOTAL CASH DISBURSEMENTS	NA	134,927
CASH INFLOWS			
17	Cash Inflows for secured operations	56,522	43,497
18	Cash Inflows for unsecured operations	45,973	493
19	Other Cash Inflows	2,685	2,685
20	TOTAL CASH INFLOWS	NA	46,675
		Adjusted amount	
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	82,432
22	TOTAL NET CASH DISBURSEMENTS	NA	88,252
23	LIQUID COVERAGE RATIO	NA	93.20%

During 1Q17, the average LCR for the Bank and Sofomes was 93.20%, and at the end of 1Q17 the LCR was 101.01% the aforementioned levels are above the Risk Appetite and the regulatory minimum standards.

These 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 4Q16 and 1Q17 is presented in the following table:

LCR Component (Million Pesos)	4Q16	1Q17	Var. vs. 4Q16
Liquid Assets	82,074	79,695	(2.9%)
Cash Inflows	43,883	42,281	(3.7%)
Cash Outflows	135,354	121,179	(10.5%)

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 4Q16 and 1Q17 are distributed as follows:

Type of Asset (Million Pesos)	4Q16	1Q17	Var. vs. 4Q16
Total	82,074	79,695	(2.9%)
Level I	71,795	71,449	(0.5%)
Level II	10,278	8,246	(19.8%)
Level II A	8,238	6,909	(16.1%)
Level II B	2,041	1,337	(34.5%)

Liquid assets declined in the sequential comparison. The decrease in Level II Assets was driven by the delivery of paper as collateral to back up a long-term repo transaction.

4.5 LCR Result's Main Causes

Variations in the LCR between 4Q16 and 1Q17 are mainly due to the decrease in collateral deposits' outflows.

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 1Q17, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	4Q16	1Q17	Var. vs. 4Q16
Net cash outflows at market value and for potential future exposure	5,164	5,164	0%
Cash outflows for a 3 notch credit rating downgrade.	0	0	0%

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 5.16 billion, flat vs. 4Q16.

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 1Q17 are presented in the following table.

Concept (Million Pesos)	4Q16	1Q17	Var. vs. 4Q16
Cumulative 30 day Gap	(22,552)	(35,186)	56.0%
Liquid Assets	59,791	62,128	3.9%

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

During the quarter, the Risks Policies Committee approved a new methodology to calculate liquidity gaps, which involves an internal model to determine deposits' (demand and time) survival. The new methodology is the main reason of the mismatch vs. calculations in the prior quarter. Additionally, the new methodology allows a deeper breakdown on liquidity gaps, as follows:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(39)	(18,067)	(17,080)	(976)	(6,954)	1,631
Accumulated Gap	(39)	(18,106)	(35,186)	(36,162)	(43,116)	(41,485)

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 under adverse conditions from the environment as well as by the bank's intrinsic conditions. 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 Balancec Risk

The structural risk in the balance sheet or interest rate is managed using tools such as the sensitivity analysis to changes in domestic, foreign and real rates, obtaining the impact thereof on the net interest margin. In the sensitivity analysis, it is included assumptions on deposits according to a model of stability

As part of the rate risk mitigation actions, the Institution has policies and limits for portfolio hedging at a 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 is shown, which considers available for sale, that as of 1Q17 amounted to Ps 106.89 billion and in average during 1Q17 to Ps 107.98 billion.

(Million Pesos)	4Q16	1Q17	Var. vs. 4Q16
Margin Sensitivity	1,180	755	(36.1%)

4.12 Subsidiaries

Balance and Liquidity Risk Management processes for the Bank and its Sofomes are centralized in GFNorte's Credit and Risk Management General Direction. To monitor Sofomes' liquidity, an analysis of the balance sheet structural behavior is conducted, as well as funding diversification. Furthermore, a liquidity 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 Sofomes at the end of 1Q17.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	1,351	(1,043)	(4,780)
Liquid assets	1,842	19	20

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 among 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 monitoring 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 enable, in the future, to own enough information to estimate capital requirements as per Advances Models.

5.2.2 Legal and Fiscal Contingencies Database

For recording and monitoring legal, administrative and tax issues that may arise from adverse ruling, an internal system called "Legal Risk Issues Monitoring System" (SMARL by its acronym in Spanish) 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 constitute 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 current Capitalization for Operational Risk Regulations, the Institution has adopted the Basic Model, which is estimated 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 for Technology Risk Management are performed by the Institution under 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, covers 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 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 "non-replaced ineligible loan" in question. If Banorte identifies any non-eligible loan, it must notify and replace or make the corresponding payment.

Particularly in Trust 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 31, 2017 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_BNTECB_07	50,763,776	2,049	500,000	20	51,263,776	2,069
91_BNTECB_07-2	563,059	19	-	-	563,059	19
97_BNORCB_06	4,938,137	20	500,000	2	5,438,137	22
97_BNORCB_06-2	576,011	3	-	-	576,011	3
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_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	0.0%	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		HR Ratings	
	Local	Global	Local	Global	Local	Global	Local	Global
91_BNTECB_07					Aa2.mx	Baa2	HR AA+	
91_BNTECB_07-2					A3.mx	Ba3	HR AA	
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 31, 2017 the amounts of the underlying assets of each securitization were:

Securitization (Million pesos)	Amount		
	Performing	Past-Due	Total
91_BNTECB_07	\$ 2,897	-	\$ 2,897
91_BNTECB_07-2		-	
97_BNORCB_06	\$ 117	\$ 91	\$ 208
97_BNORCB_06-2			
97_FCASACB_06U	\$ 128	\$ 142	\$ 270

There are no impaired assets in trust 477.

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

Concept (Million Pesos)	Balance	Capital Requirement
Securitized with Risk Level 1 (weighted 20%)	20	0
Securitized with Risk Level 2 (weighted 50%)	2,068	83
Securitized with Risk Level 3 (weighted 100%)	3	0
Securitized with Risk Level 4 (weighted 350%)	0	0
Securitized with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

Securitizations trusts 563, 583 and 477 consider early amortization provisions. The institution has not made revolving securitizations or resecuritizations operations during the quarter.

There are no significant changes vs. figures in the prior quarter.

6.1 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: 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 2017, Banco Mercantil del Norte held shares amounting to Ps 4.29 billion, with gains of Ps 202 million.

During the first quarter, accumulated profits from sales and settlements were Ps 48 million.

For the purpose of estimating Capital Ratio, only Ps 110 million were deducted for the calculation of the Core Tier 1. For negotiable securities, the capital requirement for Market Risk was Ps 16 million. For securities available for sale, the capital requirement for Market Risk was Ps 109 million and for Credit Risk Ps 187 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 1Q17	Gains / Losses 1Q17	Acumm.. Profit / Loss 4Q16-1Q17
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	633	70	10
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,392	25	38
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	33	(13)	0
Banorte	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	110	16	0
Banorte	Public	Securities Available for Sale	Subject to Credit Risk Requirement	120	104	0
Total				4,288	202	48

In March 2017, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 440 million with a positive valuation of Ps 260 million.

During the quarter, losses were recorded for (Ps 2.51) million from sales and settlements.

For the purpose of estimating 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 2.51 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 1Q17	Gains / Losses 1Q17	Acumm. Profit / Loss 4Q16-1Q17
Casa de Bolsa Banorte-Ixe	Public	Negotiable Securities	Subject to Market Risk Requirement	440	206	(2.5)
Casa de Bolsa Banorte-Ixe	w/o public trading	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				440	206	(2.5)

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 2017, 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. Various activities in terms of accounting internal control were carried out, according to the work plan developed at the beginning of the year.
- G. Effectivity tests related to the Continuity Business Plan were carried out.
- H. 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

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 31, 2017 and December 31, 2016, the amount of loans granted to third parties is as follows (million pesos):

Lender	Mar-2017	% Basic Equity	Dec-2016	% Basic Equity
Banorte	Ps 10.04	12.3%	Ps 9.79	11.8%

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

Banorte.

As of **March 31, 2017**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 10.04 billion (including Ps 993 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.8% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 8.08 billion were loans granted to clients linked to members of the Board of Directors; Ps 987 million were granted to clients linked to shareholders and Ps 975 million 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 2017 was 12.3% 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. 96% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

As of **December 31, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 9.79 billion (including Ps 816 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 8.34 billion were loans granted to clients linked to members of the Board of Directors; Ps 320 million were granted to clients linked to shareholders and Ps 1.14 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 2016 was 11.8% 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. 96% 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 March 31, 2017
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$6
Philippines 2007 - 2008	6
CASA DE BOLSA BANORTE IXE	\$33
Fiscal credit review - year 2003 (document 900 06 05-2010-03968)	33
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 no 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 Groups' Holding Companies which regulates matters that correspond, in tandem, to the National Supervisory Commissions (the Provisions) published in the Official Gazette of the Federation on January 9, 2015.

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, April 7 and 28, June 22, July 7 and 29, August 1 and September 19 and 28, December 27, 2016, and January 6, 2017, 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.