GRUPO FINANCIERO BANORTE

2Q16

Financial Results
as of June 30, 2016

Contact: *investor@banorte.com*

www.banorte.com/ri

+52 (55) 1670 2256

COTIZA EN BOLSA MEXICANA DE VALORES

GFNORTE

BNY MELLON DEPOSITARY RECEIPTS

OTCQX

GBOOY

LATIBEX

XNOR

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"Best Latin America Executive Team 2015"

"Best Bank in México 2011, 2014 & 2015"

"Sustainable Company"

I. Summary

GFNorte reports first semester Net Income of Ps 9.09 billion, up 15% 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 June 30th, 2016. The main highlights include:

- Strong secuential growth in all group's subsidiaries earnings, reaching a **Net Income of Ps 4.63 billion,** growing +4% during the quarter.
- Key ratios recorded a substantial improvement in the quarter: **Efficiency Ratio to 44.1%,** from 47.1%; **ROE at 13.4**%, from 13.1%; **Earnings Per Share were up +16% to Ps 1.67,** compared to 1.44 in the same period a year ago.
- The first half shows sound earnings growth from subsidiaries: Banorte Bank +12%, Broker Dealer +24%, Insurance +23%, Annuities +69% and Leasing and Factoring +15%.
- Key financial ratios improved substantially in the first half. **NIM to 4.8%,** from 4.4%, **Efficiency Ratio to 45.6%,** from 49.7%, **ROA to 1.50%,** from 1.36%, and **ROE to 13.2%,** from 12.5%.
- Net Interest Income totaled Ps 26.24 billion in 1H16, growing +13% versus the same period last year.
- Loan loss provisions increased +26% against the previous year as a result of new loan origination. Moreover, **the reserves coverage ratio strenghtened to 120.1% in 2Q16,** from 105.3% in 2Q15.
- **Revenues from core banking fees** increased +**14%** YoY on higher transaction volume.
- **Trading Income totaled Ps 1.22 billion in the first half of the year, (31%) lower** YoY due to the strong volatility in global financial markets.
- Non-Interest Expenses grew only +2% yearly, as a tangible result of **strict expense management and efficiency efforts.**
- The **annual growth in the loan book was +11%,** highlighting the +12% increase in performing loans; while, non-performing loans declined (10%) yearly. Corporate Loans grew +17% and consumer +13%.
- **Asset Quality continues to evolve positively**, as the NPL ratio further declined to 2.27%, from 2.80% in 2Q15 with stronger reserves coverage ratio.
- Demand and time **deposits from clients** increased +13% YoY.
- Capital ratios remain solid, at 14.85% on equity growth of +9% and healthy growth in risk assets.

Income Statement Highlights - GFNorte (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Net Interest Income	11,577	13,596	**12,645**	(7%)	9%	23,212	**26,240**	13%
Non Interest Income	3,833	3,281	**4,432**	35%	16%	7,457	**7,712**	3%
Total Income	15,410	16,877	**17,076**	1%	11%	30,669	**33,953**	11%
Non Interest Expense	7,575	7,952	**7,533**	(5%)	(1%)	15,246	**15,485**	2%
Provisions	2,778	3,238	**3,529**	9%	27%	5,383	**6,767**	26%
Operating Income	5,057	5,686	**6,014**	6%	19%	10,040	**11,700**	17%
Taxes	1,343	1,497	**1,632**	9%	21%	2,671	**3,129**	17%
Subsidiaries & Minority Interest	290	273	**244**	(11%)	(16%)	514	**517**	0%
Net Income	4,003	4,462	**4,626**	4%	16%	7,883	**9,088**	15%

Balance Sheet Highlights - GFNorte (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Asset Under Management	2,101,588	2,181,804	**2,253,035**	3%	7%
Performing Loans (a)	486,017	533,556	**544,118**	2%	12%
Past Due Loans (b)	13,996	11,782	**12,665**	7%	(10%)
Total Loans (a+b)	500,012	545,339	**556,783**	2%	11%
Total Loans Net (d)	485,278	531,280	**541,576**	2%	12%
Acquired Collection Rights (e)	2,651	2,120	**1,946**	(8%)	(27%)
Total Credit Portfolio (d+e)	487,929	533,400	**543,522**	2%	11%
Total Assets	1,194,806	1,212,090	**1,239,392**	2%	4%
Total Deposits	522,870	559,086	**577,675**	3%	10%
Total Liabilities	1,064,652	1,073,667	**1,097,390**	2%	3%
Equity	130,154	138,423	**142,002**	3%	9%

Financial Ratios GFNorte	2Q15	1Q16	2Q16	1H15	1H16
Profitability:					
NIM (1)	4.3%	5.0%	**4.6%**	4.4%	**4.8%**
ROE (2)	12.6%	13.1%	**13.4%**	12.5%	**13.2%**
ROA (3)	1.3%	1.5%	**1.5%**	1.36%	**1.50%**
Operation:					
Efficiency Ratio (4)	49.2%	47.1%	**44.1%**	49.7%	**45.6%**
Operating Efficiency Ratio (5)	2.5%	2.6%	**2.5%**	2.6%	**2.5%**
CCL for Banorte and SOFOM - Basel III (6)	85.6%	114.6%	**118.5%**	85.6%	**118.5%**
Asset Quality:					
Past Due Loan Ratio	2.8%	2.2%	**2.3%**	2.8%	**2.3%**
Coverage Ratio	105.3%	119.3%	**120.1%**	105.3%	**120.1%**

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

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

Subsidiaries Net Income (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Banco Mercantil del Norte	2,237	2,402	**3,096**	29%	38%	4,564	**5,499**	20%
Banorte Ixe Tarjetas (merged with Banorte in May)	492	444	**186**	(58%)	(62%)	898	**630**	(30%)
Consolidated Bank	**2,729**	**2,846**	**3,283**	**15%**	**20%**	**5,462**	**6,129**	**12%**
Banorte- Ixe-Broker Dealer	149	154	**163**	6%	9%	254	**316**	24%
Operadora de Fondos Banorte-Ixe	60	55	**58**	5%	(2%)	117	**114**	(2%)
Retirement Funds - Afore XXI Banorte	346	318	**305**	(4%)	(12%)	640	**623**	(3%)
Insurance	603	916	**547**	(40%)	(9%)	1,190	**1,462**	23%
Annuities	73	122	**149**	21%	105%	160	**271**	69%
Leasing and Factoring	133	158	**153**	(3%)	14%	269	**310**	15%
Warehousing	7	7	**7**	2%	1%	17	**14**	(17%)
Sólida Administradora de Portafolios	(79)	(224)	**(32)**	(86%)	60%	(189)	**(256)**	36%
Ixe Servicios	(0)	(0)	**1**	NA	NA	0	**1**	NA
G. F. Banorte (Holding)	(17)	109	**(6)**	(106%)	(63%)	(37)	**103**	(383%)
Total Net Income	4,003	4,462	**4,626**	**4%**	**16%**	7,883	**9,088**	**15%**

Share Data	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Earnings per share (Pesos)	1.443	1.609	**1.668**	4%	16%	2.842	**3.276**	15%
Earnings per share Basic (Pesos)	1.569	1.620	**1.680**	4%	7%	3.089	**3.300**	7%
Dividend per Share (Pesos) (1)	0.24	0.46	**0.46**	0%	88%	0.49	**0.92**	88%
Dividend Payout (Recurring Net Income)	20.0%	30.0%	**30.0%**	0%	50%	20.0%	**30.0%**	50%
Book Value per Share (Pesos)	46.27	49.21	**50.47**	3%	9%	46.27	**50.47**	9%
Issued Shares (Million)	2,773.7	2,773.7	**2,773.7**	0%	0%	2,773.7	**2,773.7**	0%
Stock Price (Pesos)	86.24	97.43	**102.52**	5%	19%	86.24	**102.52**	19%
P/BV (Times)	1.86	1.98	**2.03**	3%	9%	1.86	**2.03**	9%
Market Capitalization (Million Dollars)	15,250	15,678	**15,402**	(2%)	1%	15,250	**15,402**	1%
Market Capitalization (Million Pesos)	239,206	270,244	**284,363**	5%	19%	239,206	**284,363**	19%

1) Excluding Minority Interest.

Stock Performance

II. Management's Discussion & Analysis

Grupo Financiero Banorte

Net Interest Income

Net Interest Income (NII) *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Interest Income	16,012	17,030	**17,670**	4%	10%	31,574	**34,700**	10%
Interest Expense	5,986	5,987	**6,264**	5%	5%	11,542	**12,251**	6%
Loan Origination Fees	297	315	**303**	(4%)	2%	581	**617**	6%
Fees Paid	96	102	**112**	10%	16%	186	**214**	15%
NII excluding Insurance and Annuities Co.	**10,226**	**11,256**	**11,597**	**3%**	**13%**	**20,427**	**22,853**	**12%**
Premium Income (Net)	4,535	7,741	**4,512**	(42%)	(1%)	9,872	**12,253**	24%
Technical Reserves	1,130	4,154	**675**	(84%)	(40%)	3,608	**4,828**	34%
Damages, Claims and Other Obligations	2,543	2,882	**3,252**	13%	28%	5,018	**6,134**	22%
Technical Results	**862**	**705**	**585**	(17%)	(32%)	**1,246**	**1,290**	4%
Interest Income (Expenses) net	490	1,635	462	(72%)	(6%)	1,540	2,098	36%
Insurance and Annuities NII	**1,351**	**2,340**	**1,048**	**(55%)**	**(22%)**	**2,786**	**3,388**	**22%**
GFNORTE´s NII	**11,577**	**13,596**	**12,645**	**(7%)**	**9%**	**23,212**	**26,240**	**13%**
Credit Provisions	2,778	3,238	**3,529**	9%	27%	5,383	**6,767**	26%
NII Adjusted for Credit Risk	**8,799**	**10,358**	**9,115**	**(12%)**	**4%**	**17,829**	**19,473**	**9%**
Average Earning Assets	1,078,324	1,088,009	**1,103,103**	1%	2%	1,050,457	**1,097,802**	5%
Net Interest Margin (1)	4.3%	5.0%	**4.6%**			4.4%	**4.8%**	
NIM after Provisions (2)	3.3%	3.8%	**3.3%**			3.4%	**3.5%**	
NIM adjusted w/o Insurance & Annuities	4.1%	4.5%	**4.5%**			4.2%	**4.5%**	
NIM from loan portfolio (3)	7.8%	7.8%	**7.9%**			7.8%	**7.9%**	

1) NIM = Annualized Net Interest Income / Average Interest Earnings Assets.
2) NIM= Annualized Net Interest Income adjusted by Loan Loss Provisions / Average Interest Earnings Assets.
3) NIM = Annualized Net Interest Margin from loan portfolio / Average Performing Loans

During the first half of the year Net Interest Income (NII) already reflects the positive impact of the increase in the benchmark interest rate of +25bp in December 2015 and +50bp in February 2016, carried out by Banxico. Interest Income in 2Q16, excluding Insurance and Annuities, was Ps 17.67 billion, up +4% vs. 1Q16 and +10% YoY; and within this number, **Interest Income from loans grew +5% QoQ and +12% YoY.**

Moreover, Interest Expenses increased moderately at +5% vs. 1Q16 and 2Q15, respectively. This as a result of the good growth in Non-Interest Bearing Demand Deposits and the decline in Time Deposits.

In 2Q16, **Premium Income and Technical Reserves of Seguros and Pensiones Banorte were still affected** by the accounting changes implemented in the Insurance company in 1Q16; whereby Premium Income and Technical Reserves of life policies were recorded on a cash basis, while currently they are registered upon renewal; therefore, in 2Q16 Techincal Results compare unfavorably QoQ and YoY, and do not reflect the good performance of both companies during the quarter. Furthermore, in 2Q16 Interest Income (Expenses) Net declined (Ps 1.17 billion) or (72%) QoQ, as a result of the inflation valuation at Pensiones Banorte, which amounted to (Ps 391) million in 2Q16 and to Ps 730 million in 1Q16. This valuation result does not have an effect on NII or Net Income of the Annuities company.

The decline in overall Insurance and Annuities NII **undermined growth of GFNorte's quarterly NII, which totaled Ps 12.64 billion, +9% YoY and (7%) lower QoQ.**

During 1H16, the positive combination of loans and deposits growth, along with the interest rate hike is becoming evident in the results. **During 1H16 interest income from loans was up +11% YoY, while interest from deposits and funding grew a modest +5%**. As a result, **Net Interest Income without Insurance and Annuities increased +12% vs. 1H15**.

Moreover, during 1H16, NII of the Insurance and Annuities companies grew +22% YoY, partially benefited from the new accounting changes implemented in the Insurance company in 1Q16, as well as the overall growth of these businesses during the period.

The Net Interest Margin (NIM) was 4.6% during the quarter, +29bp higher vs. the same period of last year and (41bp) lower vs. 1Q16; the QoQ comparison was affected by the Insurance and Annuities results already described. The NIM for 1H16 was 4.8%, +36bp compared with the same period a year ago, as a result of an improvement in the loan books' margin and the positive impact of higher market rates.

Loan Loss Provisions

In 2Q16 Loan Loss Provisions totaled Ps 3.53 billion, +9% vs. 1Q16; whereas, **in 1H16 reached Ps 6.77 billion**, +26% higher YoY.

On a quarterly basis, Provisions increased Ps 291 million, mainly, due to higher requirements on growth in non-performing consumer loans due to seasonality typically observed during the second quarter of the year. Moreover, provision requirements increased from quarterly performing loan growth in mortgage, payroll and auto loans. Finally, a Provision charge of Ps 185 million related to a specific corporate exposure that went in arrears was also registered.

The annual increase vs. 1H15 is explained by higher requirements in the corporate, payroll and credit card loans mainly. The annual provision increase of +26% is not related to deterioration (NPLs declined (10%) YoY), but to loan loss reserve reversals of Ps 564 million in March-15 and Ps 380 million in May-15, that compensated the monthly provisioning requirements respectively and therefore reduced the cost of risk in 1H15.

Loan Loss Provisions represented 27.9% of Net Interest Income in 2Q16, +4.1 pp QoQ; while in **1H16 accounted for 25.8%**, +2.6 pp higher vs. 1H15.

Also, **Loan Loss Provisions in the second quarter of 2016 accounted for 2.6% of the average loan portfolio and 2.5% in 1H16,** higher by +16bp QoQ and +30bp YoY, respectively.

Non-Interest Income

Non-Interest Income *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Fees on Services	2,497	2,207	**2,706**	**23%**	**8%**	4,745	**4,912**	**4%**
Trading	817	453	**771**	**70%**	**(6%)**	1,770	**1,224**	**(31%)**
Other Operating Income (Expenses)	519	621	**955**	**54%**	**84%**	941	**1,576**	**67%**
Non-Interest Income	**3,833**	**3,281**	**4,432**	**35%**	**16%**	**7,457**	**7,712**	**3%**

In 2Q16, Non-Interest Income totaled Ps 4.43 billion, representing an outstanding growth of +35% QoQ and +16% YoY. **In 1H16, Non-Interest Income reached Ps 7.71 billion**, +3% higher vs. the same period a year ago, detailed as follows:

Service Fees

Service Fees (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
For Commercial and Mortgage Loans	2	3	**45**	n.a.	n.a	3	**48**	n.a.
Fund Transfers	195	286	**325**	14%	67%	404	**611**	51%
Account Management Fees	521	483	**518**	7%	(1%)	980	**1,001**	2%
Fiduciary	87	81	**86**	7%	(1%)	198	**167**	(16%)
Income from Real Estate Portfolios	21	33	**19**	(42%)	(8%)	43	**52**	19%
Electronic Banking Services	1,240	1,350	**1,403**	4%	13%	2,433	**2,753**	13%
For Consumer and Credit Card Loans	745	830	**786**	(5%)	6%	1,447	**1,617**	12%
Other Fees Charged (1)	792	809	**772**	(5%)	(3%)	1,544	**1,581**	2%
Fees Charged on Services	**3,602**	**3,874**	**3,955**	**2%**	**10%**	**7,053**	**7,829**	**11%**
Fees Paid on Services	**1,105**	**1,667**	**1,249**	**(25%)**	**13%**	**2,308**	**2,917**	**26%**
Service Fees	**2,497**	**2,207**	**2,706**	**23%**	**8%**	**4,745**	**4,912**	**4%**

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

Service fees totaled Ps 2.71 billion in 2Q16, +23% higher QoQ; outstanding quarterly growth is presented through all lines – except for Fiduciary – with respect to the seasonally lower first quarter of the year. Regarding the accounting change in life policies, whose acquisition cost is registered in Fees Paid on Services, the effect is normalizing as it decreased (25%) QoQ.

Service Fees in 1H16 grew +4% vs. the same period of last year, coming from a +14**% increase in core banking services** (account management, fund transfers and electronic banking services) and a +12% growth in those related to consumer loans; these growth rates are still influenced by the acquisition cost of the Insurance company, registered in Fees Paid on Services in 1Q16.

Trading

Trading Income (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Foreign Exchange	118	270	**406**	50%	245%	520	**676**	30%
Securities-Realized Gains	298	92	**68**	(25%)	(77%)	775	**160**	(79%)
Securities-Unrealized Gains	401	91	**297**	225%	(26%)	475	**388**	(18%)
Trading Income	**817**	**453**	**771**	**70%**	**(6%)**	**1,770**	**1,224**	**(31%)**

Trading revenues in 2Q16 increased +70% vs. 1Q16, supported by a strong +50% growth in fees from FX transactions –which is the second highest level in the last twelve quarters **–** while vauation gains grew Ps 205 million vs. 1Q16. Moreover, trading income decreased (Ps 23) million QoQ, impacted by the +50bp rate hike of June 30.

In 1H16 trading income decreased (Ps 546) million or (31%) derived from the drop in trading revenues on securities and valuation gains, reflecting market volatility linked to economic and political events, as well as the +50bp hikes on the benchmark rate in February and June; despite of the aforementioned, FX income increased +30% on greater clients' transactions.

Other Operating Income (Expenses)

Other Operating Income (Expenses) *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Loan Recovery	317	349	**367**	5%	16%	616	**716**	16%
Income from foreclosed assets	(6)	32	**91**	180%	NA	7	**123**	1770%
Other Operating Income	125	157	**173**	10%	38%	173	**330**	91%
Other Operating Expenses	(102)	(177)	**(67)**	(62%)	(35%)	(368)	**(244)**	(34%)
Subtotal Recoveries and Others"	**334**	**361**	**564**	**56%**	**69%**	**428**	**926**	**116%**
Other Products	539	1,080	**1,222**	13%	127%	1,758	**2,302**	31%
Other Acquired Recoveries	85	187	**60**	(68%)	(29%)	293	**247**	(16%)
Other (Expenses)	(613)	(1,216)	**(1,178)**	(3%)	92%	(1,896)	**(2,394)**	26%
Non Operating Income (Expenses), Net	**11**	**51**	**104**	**103%**	**886%**	**154**	**155**	**1%**
Other From Insurance and Annuities	**174**	**208**	**287**	**38%**	**65%**	**359**	**495**	**38%**
Other Operating Income (Expenses)	**519**	**621**	**955**	**54%**	**84%**	**941**	**1,576**	**67%**

In 2Q16 Other Operating Income (Expenses) amounted to Ps 955 million, +54% higher QoQ, which in addition to the ordinary growth in the business there were also an additional Ps 91 million related to asset recoveries and sale of repossed assets. Ps 61 million were recorded as Income from Operating Leasing which formerly were registered in Interest Income. Finally, the Insurance and Annuities companies accounted Ps 79 million in Other Income.

During 1H16 Other Operating Income (Expenses) rose +67% YoY, driven by:

i) Ps 156 million increase in Other Operating Income, related to provision reversals on better collections;
ii) Ps 136 million rise in Other Income from Insurance and Annuities;
iii) Ps 117 increase in revenues from sale of foreclosed assets;
iv) Ps 134 million from Operating Leasing which formley were recorded in Interest Income; and
v) Ps 100 million in Loan Recoveries related to better results on loan collections.

Non-Interest Expense

Non-Interest Expense *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Personnel	3,234	3,273	**3,101**	(5%)	(4%)	6,624	**6,374**	(4%)
Professional Fees	610	497	**587**	18%	(4%)	1,125	**1,085**	(4%)
Administrative and Promotional	1,735	1,964	**1,686**	(14%)	(3%)	3,457	**3,650**	6%
Rents, Depreciation & Amortization	1,000	1,128	**1,132**	0%	13%	1,993	**2,260**	13%
Taxes other than income tax & non deductible expenses	377	428	**351**	(18%)	(7%)	821	**779**	(5%)
Contributions to IPAB	523	566	**579**	2%	11%	1,033	**1,145**	11%
Employee Profit Sharing (PTU)	96	97	**97**	(0%)	1%	193	**193**	(0%)
Non-Interest Expense	**7,575**	**7,952**	**7,533**	**(5%)**	**(1%)**	**15,246**	**15,485**	**2%**

Non-Interest Expenses during 2Q16 amounted to Ps 7.53 billion, (5%) lower QoQ due to savings in most lines, with reductions as follows: i) (14%) in Administrative and Promotional Expenses resulting from disciplined expense management, ii) (5%) in savings on Personnel Expenses and iii) (18%) in Other Taxes.

Non-Interest Expenses in 1H16 reached Ps 15.49 billion, **barely +2% above YoY,** benefited by a (4%) reduction in Personnel Expenses and Professional Fees coming from the efficiency program. Conversely, the following increases were registered:

- +Ps 267 million in Rents, Depreciation & Amortizations, mainly due to amortizations in technology projects;
- +Ps 193 million in Administrative and Promotional Expenses due to the growth in i) transaction volume in credit cards, POSs and ATMs, iii) placement of life and damages insurance, linked to payroll and mortgage loans, and iii) charges for systems maintenance;
- +11% in Contributions to IPAB on deposits growth.

The Efficiency Ratio during the quarter was 44.1%, decreasing (3.0 pp) QoQ, aided by the decline in Non-Interest Expenses. **During 1H16 this ratio stood at 45.6%**, improving 4.1pp YoY due to enhanced operating leverage. It is worth mentioning that the strict expense control has resulted in the **lowest historical levels of Efficiency in the first half and quarterly.**

Net Income

Net Income *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Operating Income	**5,057**	**5,686**	**6,014**	**6%**	**19%**	**10,040**	**11,700**	**17%**
Subsidiaries' Net Income	345	328	**309**	(6%)	(10%)	623	**636**	2%
Pre-Tax Income	**5,402**	**6,014**	**6,323**	**5%**	**17%**	**10,664**	**12,337**	**16%**
Taxes	1,343	1,497	**1,632**	9%	21%	2,671	**3,129**	17%
Extraordinary Items, net	-	-	**-**	-	-	-	**-**	-
Minority Interest	(55)	(55)	**(65)**	18%	18%	(109)	**(120)**	10%
Net Income	**4,003**	**4,462**	**4,626**	**4%**	**16%**	**7,883**	**9,088**	**15%**

During 1H16, recurring revenues (NII + net fees excluding portfolio recoveries - Operating Expenses – Provisions) **totaled Ps 8.85 billion, +**21% higher YoY**,** driven by a +13% growth in Net Interest Income.

In 2Q16 Subsidiaries' Net Income decreased (6%) vs. 1Q16, reflecting the QoQ (Ps 14) million drop in Afore XXI Banorte's Net Income. Moreover in **1H16 rose +2% YoY**, this line is mainly related to Afore XXI Banorte's earnings of Ps 623 million in 1H16, (3%) lower YoY.

Income taxes during the second quarter totaled Ps 1.63 billion, +9% vs. 1Q16; **while in 1H16 reached Ps 3.13 billion, +**17% higher YoY. Both increases are explained by a larger taxable income base.

The effective tax rate in 2Q16 was 25.8%, +0.9 pp higher QoQ; moreover, **in 1H16 stood at 25.4%,** +0.3 pp vs. 1H15.

In a complex global environment, under interest rate and FX pressures, **GFNorte's Net Income reached Ps 4.63 billion, higher by +4% QoQ and +16% vs. 2Q15**. **In the first half of 2016 Net Income totaled Ps 9.09 billion, +15% YoY**, derived from good performance in NIM on loans, improved funding, better business performance in the Insurance and Annuities companies, higher banking fees, as well as enhanced efficiency and expense control.

Profitability

	2Q15	1Q16	2Q16
ROE	**12.6%**	**13.1%**	**13.4%**
Goodwill & Intangibles (billion pesos)	25.1	27.1	**27.6**
Average Tangible Equity (billion pesos)	99.9	106.2	**108.5**
ROTE	**15.6%**	**16.5%**	**16.7%**

ROE for 2Q16 was 13.4%, +26bp above 1Q16; in **1H16 stood at 13.2%,** +70bp higher vs. the same period a year ago. Equity increased +9% YoY and +3% QoQ.

Additionally, Return on Tangible Equity (ROTE) stood at 16.7% for 2Q16, increasing +16bp QoQ and +109bp vs. 2Q15.

	2Q15	1Q16	2Q16
ROA	**1.3%**	**1.5%**	**1.5%**
Average Risk Weighted Assets (billion pesos)	519.4	544.8	**563.4**
RRWA	**3.0%**	**3.2%**	**3.3%**

ROA for the quarter was 1.5%, +3bp higher QoQ**; in 1H16 stood at 1.5%, +**13bp vs. 1H15**. Return on Risk-Weighted Assets was 3.3%**, flat vs. 1Q16 and +22bp higher vs. 2Q15.

Capitalization (Banco Mercantil del Norte)

Capitalization *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Tier 1 Capital	72,815	75,722	82,824	9.4%	13.7%
Tier 2 Capital	7,634	7,731	7,331	(5.2%)	(4.0%)
Net Capital	80,450	83,453	90,155	8.0%	12.1%
Credit Risk Assets	371,761	410,884	442,994	7.8%	19.2%
Net Capital / Credit Risk Assets	21.6%	20.3%	20.4%	0.0 pp	(1.3 pp)
Total Risk Assets	532,905	558,750	607,196	8.7%	13.9%
Tier 1	13.66%	13.55%	13.64%	0.1 pp	(0.0 pp)
Tier 2	1.43%	1.38%	1.21%	(0.2 pp)	(0.2 pp)
Capitalization Ratio	15.10%	14.94%	14.85%	(0.09 pp)	(0.25 pp)

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

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

At the end of 2Q16 the estimated Capitalization Ratio (CR) for Banorte was 14.85% considering credit, market and operational risk; and, 20.35% if only credit risks are considered. The Core Tier 1 ratio was 13.01%, Total Tier 1 ratio was 13.64% and Tier 2 was 1.21%.

The Capitalization Ratio decreased (0.09 pp) vs. 1Q16, as follows:

1. Profits for 2Q16 +0.54 pp
2. Investment in Subsidiaries and Intangibles +0.60 pp
3. Decrease of Subordinate Debt effectiveness -0.07 pp
4. Growth in risk assets -1.16 pp

The Capitalization Ratio decreased (0.25 pp) vs. 2Q15, as follows:

1. Profit growth for the period +1.77 pp
2. Investment in Subsidiaries and Intangibles +0.32 pp
3. Decrease of Subordinate Debt effectiveness -0.16 pp
4. Valuation of Financial Instruments, Securitizations and Equity Accounts -0.36 pp
5. Growth in risk assets -1.82 pp

Deposits

Deposits (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Non-Interest Bearing Demand Deposits	153,071	170,167	184,899	9%	21%
Interest Bearing Demand Deposits	159,803	172,553	168,722	(2%)	6%
Total Demand Deposits	312,875	342,720	**353,621**	3%	13%
Time Deposits – Retail	146,834	159,141	**165,636**	4%	13%
Money Market	64,496	59,252	**60,129**	1%	(7%)
Total Bank Deposits	**524,205**	**561,114**	**579,387**	3%	11%
GFNorte's Total Deposits	**522,870**	**559,086**	**577,675**	3%	10%
Third Party Deposits	**158,036**	**167,246**	**162,454**	(3%)	3%
Total Assets Under Management	**682,241**	**728,359**	**741,840**	2%	9%

At the end of 2Q16, Banorte's Total Deposits improved growth pace reaching a balance of Ps 579.39 billion, +11% YoY driven by promotional efforts as well as higher account balances in all client segments and the retail network. **On a quarterly basis, total Deposits increased +3%**, on the back of the quarter's seasonal growth.

Loans

Performing Loan Portfolio (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Commercial*	117,553	126,853	**129,458**	2%	10%
Consumer*	164,825	179,966	**186,982**	4%	13%
Corporate	78,784	89,481	**91,855**	3%	17%
Government	124,708	137,144	**135,717**	(1%)	9%
Sub Total	485,870	533,444	**544,012**	2%	12%
Recovery Bank	147	112	**106**	(6%)	(28%)
Total	486,017	533,556	**544,118**	2%	12%

Performing Consumer Loan Portfolio (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Mortgages	93,699	102,094	**106,188**	4%	13%
Car Loans	11,466	12,827	**13,495**	5%	18%
Credit Card*	23,099	25,206	**25,287**	0%	9%
Payroll	36,561	39,838	**42,013**	5%	15%
Consumer Loans	164,825	179,966	**186,982**	4%	13%

*As of 1Q16, "Tarjeta Empuje Negocios" was reclassified to the SME segment from the Credit Card segment with a performing balance of Ps 995 million. For comparison purposes, 2015's balances were reclsassified similarly, Tarjeta Empuje Negocios balance in 2Q15 amounted to Ps 990 million in performing loans.

Total Performing Loans increased +12% YoY and +2% ToT for an ending balance of Ps 544.01 billion in 2Q16, excluding proprietary loans managed by the Recovery Bank. Outstanding growth rate in corporate (+17%), commercial (+10%), auto (+18%), payroll (+15%) and mortgage (+13%). Detail by segment:

- **Mortgages:** up +13% YoY, with an ending **balance of Ps 106.19 billion as of 2Q16**. During the quarter the portfolio grew Ps 4.09 billion or +4% QoQ. As of May 2016, Banorte had a 16.4% market share in mortgage balances, ranking third in the system, and growing above its main peers.

- **Car Loans: In 2Q16, the portfolio** increased +18% YoY and +5% QoQ for an ending balance of **Ps 13.50 billion**, on higher originations due to a successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of May 2016, Banorte's market share was 14.9%, and one of the best performances in the banking system.

- **Credit Cards: totaled Ps 25.29 billion,** up +9% YoY, considering the adjustment to 2Q15 loan balance due to the reclassification of Tarjeta Empuje Negocios in 1Q16. As of May 2016, Banorte held an 8.1% market share in credit card balances, ranking fourth in the banking system.

- **Payroll:** increased +15% YoY with an outstanding growth during the last quarter of Ps 2.18 billion or +5% QoQ, **reaching a balance of Ps 42.01 billion**, on a larger base of payroll account holders, higher credit penetration and important origination growth. Payroll loans continue to show good growth with respect to the system's average, whith an 18.7% market share in balances as of May 2016, ranking third in the system.

- **Commercial:** we keep double digit growth, increasing Ps 11.91 billion or +10% YoY and +2% QoQ, **ending at Ps 129.46 billion**. There's a moderate increase in SME portfolio.The leasing and factoring books showed a positive evolution, growing +9% YoY. As of May 2016, the market share in commercial loans (including the corporate book according to the CNBV's classification) was 10.4%, ranking fourth in the system.

  GFNorte's SME performing portfolio was Ps 28.23 billion, +2.3% higher YoY, and considers the adjustment to loan balance of 2Q15 related to the reclassification of Tarjeta Empuje Negocios in this segment in 1Q16. The YoY growth was mainly driven by new origination. The NPL ratio improved +50bp in the quarter.

  SMEs Portfolio Evolution (million pesos)

	2Q15	1Q16	2Q16
Performing Portfolio	$27,598	$27,529	$28,227
% of Performing Commercial Portfolio	23.5%	21.7%	21.8%
% of Total Performing Portfolio	5.7%	5.2%	5.2%
NPL Ratio	9.4%	8.3%	7.8%

- **Corporate: At the end of 2Q16 the balance was Ps 91.86 billion**, an important increase of +17% YoY and of Ps 2.38 billion or +3% QoQ. GFNorte's corporate loan book is well diversified by sectors and regions and shows a low concentration risk. GFNorte's 20 main corporate borrowers accounted for 11.3% of the group's total portfolio, increasing by +15bp vs. 2Q15 and decreasing (18bp) vs. 1Q16. The group's largest corporate loan represents 1.0% of the total portfolio; whereas number 20 represent 0.34%. 100% of GFNorte's main corporate borrowers have an A1 rating.

  As of June 30, 2016 GFNorte's loan exposure to home builders was Ps 3.87 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., (1.9%) lower than the prior quarter. This exposure represented 0.7% of the total loan portfolio, (2bp) lower than as of March 2016. The credit exposure has an 89% collateral coverage, unchanged from the prior quarter. Homex and Geo credit exposures are fully secured, as the unsecured portfolio has already been exchanged for other assets, as instructed by in the final ruling of the bankruptcy processes. The loan loss reserve coverage on the overall exposure was 43% in 2Q16. **Sólida had a balance of Ps 5.34 billion in investment projects** to these companies, up +1% vs. 1Q16.

- **Government: At the end of 2Q16 the balance was Ps 135.72 billion**, growing +9% YoY and decreasing by (Ps 1.43) billion QoQ. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 22.3% of the group's total portfolio, decreasing by (59bp) vs. 2Q15 and (64bp) vs. 1Q16. The largest government loan represents 4.5% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%. The portfolio's risk profile is adequate with 35.7% of the loans granted to Federal Government entities and 99% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and only +1% of the loans have short-term maturities (unsecured). As of May 2016, Banorte held a 24.0% market share of the total system, ranking second.

Past Due Loans

(Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Past Due Loans	13,996	11,782	**12,665**	7%	(10%)
Loan Loss Reserves	14,734	14,059	**15,207**	8%	3%
Acquired Rights	2,651	2,120	**1,946**	(8%)	(27%)

During 2Q16, Past Due Loans were Ps 12.67 billion, lower in (Ps 1.33) billion or (10%) YoY driven by significantly lower delinquencies in the corporate and commercial loans. On a quarterly basis they were up Ps 882 million or +7% attributed to seasonally larger NPL formation in the the second quarter mainly in the consumer books, while there is a marked improvement in the commercial book. There was an increase of Ps 344 million in corporate delinquencies related to a specific exposure that went into arrears in the quarter.

The quarterly evolution of NPL balances were as follows:

Past Due Loans (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15
Credit Cards	1,460	1,438	**1,671**	234	212
Payroll	945	1,076	**1,488**	413	543
Car Loans	219	170	**183**	12	(36)
Mortgages	1,149	1,122	**1,163**	41	14
Commercial	4,759	4,209	**4,059**	(150)	(700)
Corporate	5,464	3,768	**4,101**	333	(1,364)
Government	-	-	**-**	-	-
Total	13,996	11,782	**12,665**	882	(1,331)

In 2Q16, the Past Due Loan Ratio was 2.3%, lower by (52bp) vs. 2Q15 and higher by +11bp vs. 1Q16. The annual decrease came from the decline in all segments excluding the credit card and payroll books on the back of higher penetration in these sectors; whereas the QoQ PDL ratio increased in practically all segments on seasonal effects where delinquencies tend to increase in the second quarter of the year.

PDL Ratios by segment showed the following trends:

Past Due Loans Ratios	2Q15	3Q15	4Q15	1Q16	2Q16
Credit Cards	5.9%	5.5%	5.6%	5.4%	**6.2%**
Payroll	2.5%	2.6%	3.0%	2.6%	**3.4%**
Car Loans	1.9%	1.7%	1.6%	1.3%	**1.3%**
Mortgages	1.2%	1.1%	1.1%	1.1%	**1.1%**
Commercial	3.9%	3.6%	3.3%	3.2%	**3.0%**
SMEs	*9.4%*	*9.4%*	*8.7%*	*8.3%*	***7.8%***
Commercial	*2.1%*	*1.8%*	*1.6%*	*1.7%*	***1.6%***
Corporate	6.5%	6.4%	4.1%	4.0%	**4.3%**
Government	0.0%	0.0%	0.0%	0.0%	**0.0%**
Total	2.8%	2.7%	2.2%	2.2%	**2.3%**

The expected loss for Banco Mercantil del Norte was 2.2% and the unexpected loss 3.4%, both with respect to the total portfolio at 2Q16. These ratios were 1.7% and 3.1%, respectively in 1Q16 and 1.8% and 3.2% 12 months ago.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas **was 2.0%, +**4bp vs. 1Q16.

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

Past Due Loan Variations (Million Pesos)	
Balance as of March '16	**11,782**
Transfer from Performing Loans to Past Due Loans	5,835
Portfolio Purchase	1,563
Renewals	(242)
Cash Collections	(581)
Discounts	(131)
Charge Offs	(2,604)
Foreclosures	(54)
Transfer from Past Due Loans to Performing Loans	(1,419)
Loan Portfolio Sale	(1,492)
Foreign Exchange Adjustments	8
Fair Value Ixe	-
Balance as of June '16	**12,665**

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 2Q16 - GFNorte

(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	426,709	882	485	91	445	146	**2,049**
A2	64,591	344	132	8	467	51	**1,003**
B1	25,615	127	74	3	629	18	**850**
B2	21,041	83	3	1	702	34	**822**
B3	13,800	206	0	11	452	9	**678**
C1	7,067	99	16	0	405	46	**567**
C2	5,358	76	1	2	636	81	**795**
D	12,494	2,924	0	155	1,497	307	**4,882**
E	5,030	1,058	-	-	2,137	103	**3,298**
Total	581,705	5,799	711	271	7,369	794	**14,943**
Not Classified Exempt	(1)						
Total	581,704	5,799	711	271	7,369	794	**14,943**
Reserves							**15,207**
Preventive Reserves							**264**

Notes:

1) Loan grading and reserves are as of as of June 30, 2016.
2) The loan portfolio is graded following rules issued by the Ministry of Finance and Public Credit (SHCP),and the methodology established by the CNBV.

   The Institution uses regulatory methodologies to grade all credit portfolios.

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

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

(Million Pesos)	Total
Distressed Portfolio	9,375
Total Loans	581,704
Distressed Portfolio / Total Loans	**1.6%**

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves *(Million Pesos)*	**2Q16**
Previous Period Ending Balance	**14,060**
Provisions charged to results	3,357
Provisions charged to retained earnings	670
Charge offs and discounts:	
Commercial Loans	(594)
Consumer Loans	(1,982)
Mortgage Loans	(334)
	(2,910)
Cost of debtor support programs	(2)
Valorization and Others	30
Adjustments	0
Loan Loss Reserves at Period End	**15,207**

Loan Loss Reserves in 2Q16 totaled Ps 15.21 billion, +8.2% higher vs. 1Q16. Moreover, 68% of write-offs, charge-offs and discounts are related to the consumer portfolio, 20% to commercial and 11% to mortgages.

During the quarter, Ps 670 million of credit card provisions were recorded in the equity account of retained earnings of prior years, which is related to the new Reserves Methodology for credit cards issued by the CNBV, effective as of April 2016.

The loan loss coverage ratio was 120.1% in 2Q16, increasing +14.8 pp YoY and +0.8 pp QoQ.

Recent Events

1. CORPORATE RESTRUCTURING: CREATION OF BANORTE AHORRO Y PREVISIÓN

During 2016 GFNorte has launched a series of efforts to consolidate as a leading institution in Mexico. One of these initiatives is related to improve the Group's and its subsidiaries' corporate structure, aiming to:

- provide greater flexibility to foster the Group's growth;
- align business units and subsidiaries to GFNorte's diversification strategy;
- improve the capital allocation of the entities comprising it.

As per approval of the Board of Directors of the company, at the end of 2015 GFNorte requested authorization to the Ministry of Finance (SHCP) for:

1) creating the Sub-holding Banorte Ahorro y Previsión, S.A. de C.V. (Banorte Ahorro y Previsión or BAP);
2) GFNorte's investing 99.9% of the equity at the newly created Sub-holding –- Banorte Ahorro y Previsión;
3) GFNorte's transmitting its holding of representative shares of Pensiones Banorte, S.A de C.V., Grupo Financiero Banorte (Pensiones Banorte) and Seguros Banorte, S.A. de C.V., Grupo Financiero Banorte (Seguros Banorte) equity towards BAP, through contribution in kind, given the capital increase to be carried out at BAP.

It is informed that on March 16th, the SHCP – considering the opinion of Banco de México, the National Banking and Securities Commission (CNBV) and the National Insurance and Bonding Commission (CNSF) – authorized items 1 and 2, through the communication No. UBVA/DGABV/213/2016.

As a result, on March 30th, the Sub-holding company was formally constituted by Bylaws 187,394, registered at *Registro Público de la Propiedad y Comercio* on April 29th. Furthermore, on April 20th the SHCP approved Banorte Ahorro y Previsión's Bylaws, through the communication No. UBVA/DGABV/330/2016.

Regarding item 3 –transmission of Pensiones Banorte and Seguros Banorte shares towards BAP -, it is subject to the corresponding authorizations of the CNBV, CNSF and the National Comission of the Retirement Saving Funds System (CONSAR).

Banorte Ahorro y Previsión will be subject to the inspection and surveillance of the CNBV, in accordance with Article 94 of the Law Regulating Financial Groups (LRAF) and 37 of the General Rules for Financial Groups.

2. SHAREHOLDERS' ASSEMBLY

GFNorte's Annual General Shareholders' Meeting was held on April 22nd, with a 76.97% representation of the total subscribed, paid and voting shares of the Company's capital. The resolutions adopted by the Assembly were:

1. Approval of the reports referred in section IV, Article 28 of the Securities Market Law, corresponding to the year ending December 31st, 2015.
2. Distribution of the 2015 net income amounting to Ps 17.09 billion, applied into the account "Retained Earnings from prior Years", as it was not necessary to allocate resources into the account "Legal Reserve" since it is fully constituted.
3. Approval of the Board of Directors' composition of 15 Proprietary Members, and if the case, of their respective Alternate Members, appointing the following people and their duties for the year 2016, qualifying the corresponding members' independence as long as they do not fall within the restrictions outlined in the Securities Market Law nd the Law Regulating Financial Groups.

Proprietary Members		Alternate Members	
Carlos Hank González	Chairman	Graciela González Moreno	
Juan Antonio González Moreno		Juan Antonio González Marcos	
David Juan Villarreal Montemayor		Carlos de la Isla Corry	
José Marcos Ramírez Miguel		Juan Carlos Braniff Hierro	
Everardo Elizondo Almaguer	Independent	Alberto Halabe Hamui	Independent
Carmen Patricia Armendáriz Guerra	Independent	Roberto Kelleher Vales	Independent
Héctor Federico Reyes-Retana y Dahl	Independent	Manuel Aznar Nicolín	Independent
Eduardo Livas Cantú	Independent	Robert William Chandler Edwards	Independent
Alfredo Elías Ayub	Independent	Isaac Becker Kabacnik	Independent
Adrián Sada Cueva	Independent	José María Garza Treviño	Independent
Alejandro Burillo Azcárraga	Independent	Javier Braun Burillo	Independent
José Antonio Chedraui Eguía	Independent	Rafael Contreras Grosskelwing	Independent
Alfonso de Angoitia Noriega	Independent	Guadalupe Phillips Margain	Independent
Olga María del Carmen Sánchez Cordero Dávila	Independent	Eduardo Alejandro Francisco García Villegas	Independent
Thomas Stanley Heather Rodríguez	Independent	Ricardo Maldonado Yáñez	Independent

4. Héctor Ávila Flores was designated as Secretary of the Board of Directors; but, he is not a board member.
5. Designation of Héctor Reyes-Retana y Dahl as Chairman of the Audit and Corporate Practices Committee.
6. Approval to allocate the amount of Ps. 3.95 billion, equivalent to 1.5% of the Financial Groups' market capitalization value as of December 2015, charged against equity, to purchase Company's shares during 2016, and will consider those transactions to be carried out in 2016 and until April 2017, subject to the Treasury's Policy for Transactions with Shares.

3. CREDIT RATINGS

Moody´s review Banorte's ratings

On June 29th, Moody´s revised different ratings for Banco Mercantil del Norte, S.A., Institución de Banca Múltiple ("Banorte") and Arrendadora y Factor Banorte, S.A. de C.V. ("Arrendadora y Factor Banorte").

The rating action was due to the confirmation of some ratings and the change in others (detailed list below) as a result of the decreased of the BCA, reflecting the change in the Mexican macroeconomic environment and similarly affecting other banks' ratings.

- Confirmed ratings for Banorte:

International

- Long term local currency deposits rating of **A3; negative outlook**
- Long-term foreign currency deposits rating of **A3; negative outlook**
- Long-term counterparty risk assessment of **A2 (cr)**
- Short-term counterparty risk assessment of **Prime-1 (cr)**

Domestic

- National Scale - Long term deposits rating of **Aaa.mx**

- Confirmed ratings for Banorte Cayman:

- Long-term counterparty risk assessment of **A2 (cr)**
- Short-term counterparty risk assessment of **Prime-1 (cr)**
- Negative outlook.

The tables below show modified ratings:

Banco Mercantil del Norte			
		Former	Current
International	Outlook	Under Review	Negative
	Baseline Credit Assessment	baa1	baa2
	Long term local currency subordinated debt	Baa2	Baa3
	Long term local currency junior subordinated debt	Baa3 (hyb)	Ba1 (hyb)
	Long term foreing currency junior subordinated debt	Baa3	Ba1
	Adjusted baseline credit assesment	baa1	baa2
Domestic	Subordinated debt - Long term	Aa2.mx	Aa3.mx
	Junior Subordinated debt - Long term	Aa3.mx (hyb)	A1.mx

Arrendadora y Factor Banorte			
		Former	Current
International	Long term local currency issuer	Baa1	Baa2
	Long term local currency senior debt	(P)Baa1	(P)Baa2
Domestic	National Scale - Long term issuer	Aa1.mx	Aa2.mx
	National Scale - Long term senior debt	Aa1.mx	Aa2.mx

Standard & Poor's upgraded Banorte's long-term global scale rating to "BBB+"

On May 12th Standard & Poor's ("S&P") upgraded Banorte's long-term global scale rating to "BBB+" from "BBB" and affirmed its short-term global scale and long & short-term 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"), both institutions maintaining stable outlook.

The aforementioned rise derived mainly from three elements, i) Banorte's designation as Level II - Domestic Systemically Important Financial Institution by the National Banking and Securities Commission ("CNBV"), ii) the bank's position as the third largest bank in the country in terms of total deposits and iii) the strong presence in the retail segment, which is expected to continue growing in the future.

S&P recognizes Banorte's importance in the Mexican financial system and its impact towards adverse situations. Likewise, it considers portfolio's growth, diversifications and mix, as well as its stable market share.

The following rating for Banorte was modified:

- Counterparty Credit – Long-term from "BBB" to "**BBB+**"

Below is the list of confirmed ratings:

Banorte:

- Counterparty Credit – Short-term "**A-2**"
- National Scale Counterparty Credit - Short-term "**mxA-1+**"
- National Scale Counterparty Credit – Long-term "**mxAAA**"

Casa de Bolsa Banorte Ixe:

- National Scale Counterparty Credit – Short-term "**mxA-1+**"
- National Scale Counterparty Credit – Long-term "**mxAAA**"

4. BANORTE IXE TARJETAS MERGES WITH BANCO MERCANTIL DEL NORTE

On May 2nd took place the legal merger (the "Merger") between Banorte-Ixe Tarjetas, S.A. de C.V., SOFOM, E.R. ("Banorte-Ixe Tarjetas") and Banorte, the latter as the merging entity.

This event took place following receipt of authorization by the Ministry of Finance and Public Credit number No. UBVA/023/2016 dated April 15th, 2016.

As part of the process, in GFNorte's Extraordinary General Shareholders' Meeting held on November 19th, 2015, the following amendments were approved: i) to the second article of the Corporate bylaws, aiming to exclude Banorte-Ixe Tarjetas as an entity that comprises the Financial Group; and ii) to the Agreement of Shared Responsibilities according to the Law Regulating Financial Groups, in order to remove Banorte-Ixe Tarjetas from it and have Banorte as successor of that company.

The Merger's agreements, along with their corresponding authorizations, were properly subscribed in the Public Registry of Commerce of Mexico City and Monterrey, N.L., thus, as of this date all the legal effects are ongoing.

It's noteworthy that the Merger will not affect Banorte's consolidated financial statements, since Banorte-Ixe Tarjetas, as its subsidiary, already consolidated its financial information in it.

5. BANORTE IS A LEVEL II - DOMESTIC SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION

On May 2nd Banorte was designated as a Level II - Domestic Systemically Important Financial Institution by the CNBV, which highlights Banorte's importance in the Mexican Financial System. The aforementioned derives from an evaluation carried out by the CNBV's Board with Credit Institutions' information as of December 2015 and implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, 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.

Date	CR	Tier 1	Core Tier 1
Current	**10.50%**	8.50%	7.00%
Dec 31, 2016	**10.73%**	8.73%	7.23%
Dec 31, 2017	**10.95%**	8.95%	7.45%
Dec 31, 2018	**11.18%**	9.18%	7.68%
Dec 31, 2019	**11.40%**	9.40%	7.90%

It's noteworthy that even though the CNBV will allow a progressive fulfillment, Banorte's CR was 14.85% as of June 30th, so Banorte complies with the new requirement.

6. GFNORTE WAS INCLUDED IN THE EURONEXT - VIGEO EM 70 INDEX

On July 12th, GFNORTE informed it was included in the Euronext - Vigeo EM 70 Index, which recognizes the top 70 companies in emerging markets with the best sustainability practices.

Euronext - Vigeo EM 70 Index is a benchmark for responsible investors, who make decisions not only based on financial fundamentals, but also on sustainability criteria. Being included in this kind of indices provides stocks with visibility and liquidity; it is worth mentioning that GFNORTE is the only Mexican financial group and one out of three in Latin America included in the list.

Carlos Hank, Chairman of the Financial Group's Board recognized: "The fact that GFNORTE was included in this index proves our investors our long-term vision. We are a responsible and transparent company committed to Mexico´s development."

Out of 800 assessed companies, only those outperforming in 330 social, environmental and corporate governance metrics were included.

Marcos Ramírez, GFNORTE's CEO mentioned "We are proud to be one of the four Mexican companies included in this index. This recognition is the result of daily efforts to include sustainability to the business DNA. Today, more than ever, global investors recognize our sustainability practices. Environmental, social and corporate governance best practices are an indicator of companies with a solid management committed to long-term value generation."

Consolidated Bank

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

Income Statement and Balance Sheet Highlights - Consolidated Bank (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Income Statement								
Net Interest Income	9,823	11,005	**11,373**	3%	16%	19,613	**22,379**	14%
Non-Interest Income	3,575	3,522	**3,670**	4%	3%	7,225	**7,192**	(0%)
Total Income	13,398	14,527	**15,043**	4%	12%	26,837	**29,570**	10%
Non-Interest Expense	6,999	7,413	**7,058**	(5%)	1%	14,086	**14,470**	3%
Provisions	2,690	3,177	**3,458**	9%	29%	5,229	**6,635**	27%
Operating Income	3,709	3,938	**4,528**	15%	22%	7,522	**8,466**	13%
Taxes	938	1,049	**1,197**	14%	28%	1,972	**2,245**	14%
Subsidiaries & Minority Interest	359	333	**322**	(3%)	(11%)	662	**654**	(1%)
Net Income	3,130	3,222	**3,652**	13%	17%	6,212	**6,875**	11%
Balance Sheet								
Performing Loans (a)	476,450	524,062	**534,289**	2%	12%	476,450	**534,289**	12%
Past Due Loans (b)	13,536	11,512	**12,369**	7%	(9%)	13,536	**12,369**	(9%)
Total Loans (a+b)	489,986	535,574	**546,658**	2%	12%	489,986	**546,658**	12%
Total Loans Net (d)	475,869	521,979	**531,885**	2%	12%	475,869	**531,885**	12%
Acquired Collection Rights (e)	1,416	1,310	**1,165**	(11%)	(18%)	1,416	**1,165**	(18%)
Total Loans (d+e)	477,285	523,288	**533,051**	2%	12%	477,285	**533,051**	12%
Total Assets	936,237	969,499	**993,168**	2%	6%	936,237	**993,168**	6%
Total Deposits	524,205	561,114	**579,387**	3%	11%	524,205	**579,387**	11%
Total Liabilities	837,224	864,390	**883,875**	2%	6%	837,224	**883,875**	6%
Equity	99,013	105,109	**109,293**	4%	10%	99,013	**109,293**	10%

Financial Ratios - Consolidated Bank	2Q15	1Q16	2Q16	1H15	1H16
Profitability:					
NIM (1)	4.5%	5.1%	**5.0%**	4.6%	**5.0%**
NIM after Provisions (2)	3.3%	3.6%	**3.5%**	3.4%	**3.6%**
ROE (3)	12.7%	12.4%	**13.6%**	12.8%	**13.0%**
ROA (4)	1.3%	1.4%	**1.5%**	1.4%	**1.4%**
Operation:					
Efficiency Ratio (5)	52.2%	51.0%	**46.9%**	52.5%	**48.9%**
Operating Efficiency Ratio (6)	3.0%	3.1%	**2.9%**	3.1%	**3.0%**
Liquidity Ratio- Basel II	113.8%	n.a.	**n.a.**	113.8%	**n.a.**
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	85.6%	114.6%	**118.5%**	85.6%	**118.5%**
Asset Quality:					
Past Due Loan Ratio	2.8%	2.1%	**2.3%**	2.8%	**2.3%**
Coverage Ratio	104.3%	118.1%	**119.4%**	104.3%	**119.4%**
Past Due Loan Ratio w/o Banorte USA	2.8%	2.2%	**2.3%**	2.8%	**2.3%**
Coverage Ratio w/o Banorte USA	103.8%	117.2%	**118.5%**	103.8%	**118.5%**
Growth (8)					
Performing Loans (9)	11.5%	11.3%	**12.2%**	11.5%	**12.2%**
Core Deposits	14.8%	11.5%	**13.0%**	14.8%	**13.0%**
Total Deposits	16.1%	8.9%	**10.5%**	16.1%	**10.5%**
Capitalization:					
Net Capital/ Credit Risk Assets	21.6%	20.3%	**20.4%**	21.6%	**20.4%**
Total Capitalization Ratio	15.1%	14.9%	**14.8%**	15.1%	**14.8%**

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

* On May 2, 2016, the merger between Banorte-Ixe Tarjetas – as the merged and extinguished company – and Banorte - merging and surviving entity- became effective.

Net Interest Income

During 2Q16, Net Interest Income increased +3% QoQ to Ps 11.37 billion as a result of the +5% QoQ hike in income from loans. **In 1H16, NII amounted to Ps 22.38 billion**, +14% vs. 1H15, driven by the +15% increase in net interest income from loans.

The NIM was 5.0% in 2Q16, flat in the secuential comparative as a result of a larger balance of interest earning assets. **This indicator for 1H16 was 5.0%**, +45pb YoY, arising from greater loan's margin and the positive effect of the hike in the market rate. Moreover, the **NIM adjusted for Credit Risks was 3.5% in 2Q16**, (10bp) lower QoQ; and **during the first half of the year, it was 3.6%**, +18bp over the prior year.

Loan Loss Provisions

In 2Q16 Loan Loss Provisions totaled Ps 3.46 billion, +9% QoQ driven mainly by higher reserve requirements in the consumer book on seasonality during the second quarter. Moreover, Ps 185 million were provisioned related to a corporate loan registered in past due loans during the quarter. There were lower quarterly provision requirements for government and commercial loans.

During 1H16 provisions amounted to Ps 6.64 billion a +27% growth YoY on higher requirements in the corporate, consumer – payroll and credit card – and, to a lesser extent, government and auto loans, along with the specific provision mentioned previously. The annual growth rate of +27% in provisions is not related to loan deterioration but to lower provisions charges in 1H15, due to reserve reversals of Ps 564 million in March-15 and Ps 380 million in May-15 which compensated the monthly provision requirement respectively, and therefore actual provision charges were lower than normal.

Non-Interest Income

During 2Q16, Non-Interest Income totaled Ps 3.67 billion, up +4% QoQ, as a result mainly of the Ps 224 million increase in other operating income (expenses). **In 1H16 Non-Interest Income reached Ps 7.19 million**, slightly below the Ps 7.23 reported in 1H15.

Moreover, Core banking services (account management, fund transfers and electronic banking services)**, grew +6%** QoQ in 2Q16 and +15% YoY in 1H16.

Non-Interest Expenses

Non-Interest Expenses during 2Q16 amounted to Ps 7.06 billion, (5%) lower vs. 1Q16, on the reduction of i) (11%) in administrative and promotional expenses resulting from disciplined expense management, ii) (6%) in savings on personnel expenses and iii) (18%) in other taxes.

In 1H16 operating expenses were Ps 14.47 million, only +3% above YoY. Outstands the (Ps 253) million reduction in personnel expenses, derived from the efficiency program, whereas practically the remaining lines increased moderately.

Net Income

Net Income in 2Q16 was Ps 3.65 billion, growing +13% QoQ driven mainly by a +4% growth in total income and a (Ps 355) million decline in non-interest expenses. **Net Income as of 1H16 was Ps 6.87 million**, +11% vs. 1H15, outstanding the Ps 2.77 million increase in NII which offset higher provisions.

Net Income for the Consolidated Bank in 2Q16, according to GFNorte's participation and excluding Afore XXI Banorte results, **was Ps 3.28 billion,** +15% QoQ, contributing 71.0% of the Financial Group's profits. In 1H16, this item posted Ps 6.13 billion,+12% YoY, contributing 67.4% of GFNorte's profits. It's worth mentioning that on May 2, 2016, SOFOM Banorte-Ixe Tarjetas, which was already reporting as Consolidated Bank, merged in Banorte.

ROE for 2Q16 of the Consolidated Bank was 13.6%, higher in +1.2 pp QoQ; **for 1H16, this ratio was 13.0%,** +22bp YoY. **ROA for 2Q16 was 1.5%,** +12bp higher vs. 1Q16; and **for 1H16 it was 1.4%,** +8bp vs. 1H15.

NPL Ratio

The Consolidated Bank's NPL Ratio for 2Q16 was 2.3%, lower in (0.5 pp) vs. 2Q15 and +11bp higher vs. 1Q16.

Long Term Savings

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Interest Income (Net)	108	126	**132**	4%	22%	237	**258**	9%
Premium Income (Net)	2,701	6,389	**2,627**	(59%)	(3%)	6,121	**9,015**	47%
Net Increase in Technical Reserves	(174)	2,284	**(529)**	(123%)	204%	372	**1,755**	NA
Damages, Claims and Other Obligations	1,704	1,995	**2,312**	16%	36%	3,359	**4,307**	28%
Technical Results	1,171	2,110	**843**	NA	(28%)	2,389	**2,953**	24%
Net Interest Income (NII)	**1,279**	**2,236**	**975**	**(56%)**	**(24%)**	**2,627**	**3,210**	**22%**
Other Fees (acquisition costs)	(339)	(838)	**(264)**	(69%)	(22%)	(816)	**(1,101)**	35%
Securities-Realized Gains	(1)	1	**18**	NA	NA	9	**19**	98%
Other Operating Income (Expenses)	169	149	**284**	91%	68%	344	**433**	26%
Total Operating Income	**1,109**	**1,548**	**1,013**	**(35%)**	**(9%)**	**2,164**	**2,561**	**18%**
Non Interest Expense	240	235	**226**	(4%)	(6%)	450	**461**	2%
Operating Income	**869**	**1,313**	**787**	**(40%)**	**(9%)**	**1,714**	**2,100**	**23%**
Taxes	264	397	**239**	(40%)	(10%)	522	**636**	22%
Minority Interest	(1)	(1)	**(1)**	7%	(10%)	(3)	**(2)**	(21%)
Net Income	**603**	**916**	**547**	**(40%)**	**(9%)**	**1,190**	**1,462**	**23%**
Shareholder's Equity	5,787	5,410	**5,689**	5%	(2%)	5,787	**5,689**	(2%)
Total Assets	26,637	29,637	**28,567**	(4%)	7%	26,637	**28,567**	7%
Technical Reserves	15,449	17,275	**16,472**	(5%)	7%	15,449	**16,472**	7%
Premiums sold	3,700	8,783	**3,361**	(62%)	(9%)	9,138	**12,144**	33%
Coverage ratio of technical reserves	1.3	1.2	**1.3**	0.0 pp	(0.0 pp)	1.3	**1.3**	(0.0 pp)
Capital coverage ratio of minimum guarantee	1.9	1.7	**1.8**	0.2 pp	(0.1 pp)	1.9	**1.8**	(0.1 pp)
Coverage ratio of minimum capital	63.5	59.0	**61.0**	2.0 pp	(2.5 pp)	63.5	**61.0**	(2.5 pp)
Claims ratio	60%	49%	**74%**	25.0 pp	13.8 pp	59%	**60%**	0.5 pp
Combined ratio	72%	60%	**81%**	21.1 pp	9.0 pp	70%	**70%**	(0.2 pp)
ROE	42.3%	62.8%	**39.7%**	(23.1 pp)	(2.6 pp)	43.3%	**50.6%**	7.3 pp

During 2Q16, Seguros Banorte reported profits of Ps 547 million, a (40%) YoY decrease driven by the normalization of the lines affected in 1Q16 by the accounting change related to the annualization in life policies registry, mainly having an impact on the following items:

- Premium Income reduction of (Ps 3.76) billion
- Technical Reserves release of (Ps 2.81) billion
- Acquisition Cost reduction of (Ps 574) million

During 2Q16, Damages, Claims and Other Obligations grew Ps 317 million vs. 1Q16, due to higher Damages registered in auto and medical expenses, as well as increased in reserves registered in this same line.

The QoQ recovery in Non-Interest Income highlights, specifically, the +91% growth in Other Operating Income (Expenses) on Financial Proudcts and the increase in Trading from Ps 0.7 million in 1Q16 to Ps 18 million in the second quarter of 2016 .

In 1H16 the net income was Ps 1.46 billion, growing +23% YoY, in line with the +24%increase in Technical Results.

Seguros Banorte profits in the second quarter of 2016 represented 11.8% of GFNorte's net income **and 16.1% in 1H16**.

ROE for the insurance company was 39.7% in 2Q16, (23.1 pp) lower than 1Q16. On acumulated basis, **the ratio climbed to 50.6% for 1H16**, favorably compared vs. 43.3% of the same period in 2015.

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 2Q16 that involved any technical risk.*

ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
   - *In 2Q16 damage ratios remained under control.*

iii. Costs derived from placement of insurance policies and bonds.
   - *There were no relevant events to disclose in 2Q16.*

iv. Transfer of risks through reinsurance and bonding contracts
   - *In the P&C book five important businesses, one related to the state and four to the manufacturing industry, were ceded to reinsurers, mainly foreign entities, by which 100% of the risk was transferred.*

v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
   - *There were no relevant events in 2Q16.*

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

i) Premium income is fully accounted when originated, as opposed to the former rule in which premium income was registered following the payment calendar of the short-term life policy. This change also affected technical reserves and acquisitions costs.

ii) Changes to the calculation of technical reserves using internal methodologies authorized by the CNSF and recognizes a risk margin component related to each segment, which accelerate the premium accrual.

Pensiones Banorte

Annuities *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Total Operating Income	177	247	**295**	20%	67%	375	**542**	44%
Non-Interest Expense	71	68	**78**	14%	9%	142	**146**	3%
Operating Income	106	179	**218**	22%	106%	234	**397**	69%
Taxes	34	58	**70**	21%	103%	76	**128**	67%
Subsidiaries & Minority Interest	1	1	**1**	7%	(10%)	3	**2**	(21%)
Net Income	73	122	**149**	21%	105%	160	**271**	69%
Shareholder's Equity	1,437	1,747	**1,868**	7%	30%	1,437	**1,868**	30%
Total Assets	65,168	71,070	**72,595**	2%	11%	65,168	**72,595**	11%
Technical Reserves	63,169	68,616	**69,877**	2%	11%	63,169	**69,877**	11%
Premiums sold	1,967	1,492	**2,069**	39%	5%	4,015	**3,561**	(11%)
Coverage ratio of technical reserves	1.0	1.0	**1.0**	0.0 pp	0.0 pp	1.0	**1.0**	0.0 pp
Coverage ratio of minimum capital	9.7	11.8	**12.4**	0.0 pp	0.3 pp	9.7	**12.4**	2.7 pp
ROE	20.0%	29.0%	**32.9%**	3.9 pp	12.9 pp	22.5%	**31.0%**	8.5 pp

During 2Q16, Pensiones Banorte reported profits of Ps 149 million, a new record for the company, +21% higher QoQ due to a significant income recovery.

I**n 1H16, net profits were Ps 271 million**,+69% YoY, reflecting higher Net Interest Income, a reduction in Other Expenses and a recovery on Trading income.

Annuities contributed with 3.2% of the Financial Group's quarterly profits and 3.0% of those in 1H16, in both cases, becoming more relevant.

ROE was 32.9% in 2Q16, +3.9 pp higher vs. 1Q16 **and for 1H16 stood 31.0%,** +8.5 pp higher YoY

Afore XXI Banorte

Afore XXI Banorte (1) *(Million Pesos)*	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Afore (1)								
Net Income	704	648	**621**	(4%)	(12%)	1,302	**1,269**	(3%)
Shareholder's Equity	23,085	22,116	**22,736**	3%	(2%)	23,085	**22,736**	(2%)
Total Assets	24,279	25,615	**23,983**	(6%)	(1%)	24,279	**23,983**	(1%)
AUM (SIEFORE)*	620,426	637,343	**647,090**	2%	4%	620,426	**647,090**	4%
ROE	12.4%	11.3%	**11.1%**	(0.3 pp)	(1.3 pp)	11.3%	**11.1%**	(0.1 pp)

1) The results are presente don Banco Mercantil del Norte´s resuts through participation method. For sector comparisons, the results are shown at 100%.

Afore XXI Banorte posted net profits of Ps 621 million for 2Q16, (4%) lower QoQ due to higher Non-Interest Expenses (mainly due to affiliations and transfers), lower results on subsidiaries and in market valuation of the managed funds. **During 1H16 the net profit was Ps 1.27 billion,** (3%) lower than 1H15, due to higher operating expenses and a reduction in total income.

ROE for Afore XXI Banorte for 2Q16 was 11.1%, (26bp) lower QoQ, and **in 1H16 stood at 11.1%**, decreasing (14bp) YoY; excluding goodwill **Tangible ROE for 1H16 would be 41.8%, +**1.0 pp higher vs. 1H15.

Afore XXI Banorte contributed with 6.6% of the Financial Group's profits as of June , 2016; while in 1H16 accounted for 6.9%.

Assets under management as of June 2016 totaled Ps 647.09 billion, an increase of +2% and +4% QoQ and YoY, respectively.

According to CONSAR, as of June 2016 Afore XXI Banorte had a 23.9% share in managed funds, ranking 1st in the market, with 10.98 million accounts (this number does not include 5.6 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 22.4% share of the total number of accounts in the system, making it the market leader.

Brokerage

Brokerage Sector (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Net Income	208	209	**221**	6%	6%	371	**430**	16%
Shareholder's Equity	2,904	3,551	**3,065**	(14%)	6%	2,904	**3,065**	6%
Assets Under Custody	743,088	759,426	**800,420**	5%	8%	743,088	**800,420**	8%
Total Assets	131,224	108,432	**107,711**	(1%)	(18%)	131,224	**107,711**	(18%)
ROE	28.7%	24.4%	**26.7%**	2.3 pp	(2.0 pp)	25.9%	**26.0%**	0.1 pp
Net Capital								
Net Capital (1)	2,362	2,844	**2,355**	(17%)	(0%)	2,362	**2,355**	(0%)

1) Net capital structure: Tier 1 =Ps 2.36 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 221 million in 2Q16, +6% QoQ derived from higher net interest income and lower non-interest expenses, which offset the (34%) decline in trading income, item affected by the valuation gains.

In 1H16, net profits accounted for Ps 430 million, +16% higher YoY on tne back reduced operating expenses and higher trading revenues, offsetting a drop in net interest income. Net Income during the first half of the year represented 4.7% of the Financial Group's profits.

Assets Under Management

At the end of 2Q16 AUMs totaled Ps 800.4 billion, growing +8% YoY and +5% QoQ.

At the end of June 2016, assets managed by mutual funds **totaled Ps 153.0 billion,** a +7% QoQ and a +3% YoY increase. Assets held in fixed income funds totaled Ps 138.6 billion, +8% higher vs. 1Q16 and +6% higher vs. 2Q15, while equity funds held assets amounting to Ps 14.4 billion, decreasing (18%) YoY and (4%) vs. QoQ. At the end of June 2016, Banorte had a 7.5% share of the mutual fund market, comprised of 9.1% in fixed income funds and 2.7% in equity funds.

SOFOM & Other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	2Q15	1Q16	2Q16	Change 1Q16	Change 2Q15	1H15	1H16	Change 1H15
Leasing and Factoring								
Net Income	133	158	**153**	(3%)	14%	269	**310**	15%
Shareholder's Equity	4,005	4,455	**4,098**	(8%)	2%	4,005	**4,098**	2%
Loan Portfolio (1)	23,519	23,580	**25,636**	9%	9%	23,519	**25,636**	9%
Past Due Loans	198	188	**210**	11%	6%	198	**210**	6%
Loan Loss Reserves	350	305	**283**	(7%)	(19%)	350	**283**	(19%)
Total Assets	23,840	23,642	**25,629**	8%	8%	23,840	**25,629**	8%
ROE	13.6%	14.4%	**14.3%**	(0.2 pp)	0.7 pp	13.9%	**14.5%**	0.6 pp
Warehousing								
Net Income	7	7	**7**	2%	1%	17	**14**	(17%)
Shareholder's Equity	231	253	**260**	3%	12%	231	**260**	12%
Inventories	688	416	**951**	129%	38%	688	**951**	38%
Total Assets	857	572	**1,112**	94%	30%	857	**1,112**	30%
ROE	12.4%	11.1%	**11.1%**	(0.0 pp)	(1.3 pp)	15.0%	**11.1%**	(3.9 pp)
Sólida Administradora de Portafolios								
Net Income	(80)	(227)	**(32)**	(86%)	(60%)	(191)	**(259)**	36%
Shareholder's Equity	3,758	3,958	**5,084**	28%	35%	3,758	**5,084**	35%
Loan Portfolio	3,285	2,352	**2,115**	(10%)	(36%)	3,285	**2,115**	(36%)
Past Due Loans	262	82	**86**	5%	(67%)	262	**86**	(67%)
Loan Loss Reserves	268	158	**151**	(4%)	(43%)	268	**151**	(43%)
Total Assets	15,554	15,674	**16,152**	3%	4%	15,554	**16,152**	4%
Ixe Servicios								
Net Income	(0.0)	(0.1)	**0.6**	(1094%)	(2417%)	0.0	**0.5**	2452%
Shareholder's Equity	145	146	**146**	0%	1%	145	**146**	1%
Total Assets	145	146	**146**	0%	1%	145	**146**	1%
ROE	(0.1%)	(0.2%)	**1.5%**	1.7 pp	1.6 pp	0.0%	**0.7%**	0.7 pp

1) Includes pure leasing portfolio and fixed asset amounting to Ps 36 million registered in property, furniture and equipment (net).

Leasing and Factoring

In 2Q16 Arrendadora y Factor Banorte reported profits of Ps 153 million, down (3%) QoQ and up +14% YoY. The quarterly performance was mainly affected by a decrease in other operating income – on lower revenues from pure leasing and clients' tenur collection. Outstanding positively the (36%) or (Ps 22) million saving in administrative and promotional expenses. **In the first half of the year, net income amounted to Ps 310 million**, up +15% YoY driven mainly by higher net interest income and other income from the sale of pure leasing assets.

The Leasing and Factoring Company contributed 3.3% of the Financial Group's profits in 2Q16 and 3.4% in 1H16.

At the end of 2Q16, the **Past Due Loans Ratio was 0.9%,** flat vs. 1Q16 and 2Q15, respectively. The **Coverage ratio was 134.7%,** lower in (27.4 pp) QoQ and (41.9 pp) YoY. The **Capitalization ratio estimated as of June was 15.6%** considering total risk-weighted assets of Ps 25.81 billion.

Warehouse

In 2Q16, Warehouse posted profits of Ps 7 million, +2% higher QoQ on reduced other operating expenses and lower non-interest expenses, which together offset the (18%) drop in net interest income.

At the end of 1H16, earnings totaled Ps 14 million, (17%) lower vs. the same period of the last year driven by lower operating income and an (8%) decrease in NII, which could not be offset by fewer administrative and promotional expenses. Almacenadora Banorte contributed 0.2% of the Financial Group's profits in 1H16.

ROE for2Q16 and 1H16 was 11.1%, flat vs. 1Q16 and (3.9 pp) lower vs. 1H15.

At the end of 2Q16, the Capitalization Ratio was 269% considering net capital of Ps 260 million and certificates for sale issued in warehouses of Ps 1.68 billion. Almacenadora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

During 2Q16, Sólida Administradora de Portafolios reported a loss of (Ps 32) million, Ps 195 million lower vs. 1Q16, mainly on trading revenues recovery (+221%), offsetting lower NII and non-interest expenses.

In 1H16, the net income decrease (Ps 68) million YoY to (Ps 259) million as a result of lower NII, which was not offset by the +348% increase in trading revenues and lower administrative expenses.

The Past Due Loan Ratio was 4.1% at the end of June 2016, (0.6 pp) lower QoQ. **The Coverage ratio was 175.3%,** comparing unfavorably to the 193.1% of 1Q16 and improving vs. the 102.1% of 2Q15. **The estimated Capitalization ratio at the end of 2Q16 was 13.2%,** +1.4 pp QoQ and (4.2 pp) YoY.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	1H15	1H16	Var. Vs. 1H15
Net Interest Income	12	8	(33%)
Loan Loss Provisions	(5)	0	(104%)
Non Interest Income	913	1,110	22%
Non Interest Expense	(479)	(496)	4%
Pre-tax Income & Subsidiaries	442	622	41%
Income Tax and Profit Sharing	(130)	(176)	35%
Net Income	**312**	**446**	**43%**

Assets Under Management (Million Pesos)	2Q16	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	**102,294**	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	**28,953**	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	**7,899**	Solida Asset Management and Banorte	Non Interest Income
Total	**139,146**		

Net Income

Recovery Banking posted profits of Ps 446 million in 1H16, up +43% YoY, on lower provision requirements an higher non-interest income, elements that offset the increase in tax payments and a slight increase in expenses. The Recovery Banking's accumulated net income was 4.9% of the Group's profits.

Assets Under Management

The Recovery Bank managed total assets of Ps 102 billion at the end of 2Q16, of which 27% correspond to mortgage loans, 20% to credit cards, 18% to payroll loans, 15% to Crediactivo, 7% to foreclosed assets, 7% to auto loans, 4% to middle market companies and 2% to other loans. Gross revenues in 1H16 amounted to Ps 699 million, +28% higher YoY.

At the end of 2Q16, of the **acquired assets managed by the Recovery Bank** 36% were mortgages, 21% loans to middle market companies and commercial, 19% were assets managed on behalf of the Mexican mortgages agency SHF, 12% were real estate portfolios and 12% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 356 million in 1H16, (6%) lower YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	2Q15	1Q16	2Q16
Employees (1)	26,979	27,461	**27,323**
Banorte - Ixe Branches	1,184	1,170	**1,173**
INB Branches	20	20	21
ATM's	7,135	7,494	**7,631**
POS's	151,114	153,417	**156,262**

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

GFNorte's Analyst Coverage

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

TICKER: GFNORTEO

BROKER	ANALYST	RECOMMENDATION	DATE
Actinver	Enrique Mendoza	Buy	13-Jul-16
Barclays	Victor Galliano	Buy	22-Jun-16
BOFA - Merill Lynch	Mario Pierry	Buy	22-Apr-16
Bradesco	Bruno Chemmer	Buy	16-Apr-15
Brasil Plural	Eduardo Nishio	Buy	22-Apr-16
BTG Pactual	Eduardo Rosman	Buy	10-Jul-16
BX+	Juan Eduardo Hernández	Buy	22-Apr-16
Citi	Carlos Rivera	Buy	19-Jul-16
Credit Suisse	Marcello Telles	Buy	23-Apr-16
GBM	Lilian Ochoa	Buy	22-Apr-16
HSBC	Carlos Gómez	Buy	22-Apr-16
Intercam	Fernanda Simón	Buy	22-Apr-16
JP Morgan	Domingos Falavina	Buy	22-Jun-16
Morgan Stanley	Jorge Kuri	Buy	4-May-16
Punto	Cecilia Jimenez	Buy	2-May-16
Scotia	Jason Mollin	Buy	13-Jun-16
UBS	Philip Finch	Buy	26-Jun-16
BBVA	Germán Velasco	Hold	14-Jun-16
Goldman Sachs	Carlos Macedo	Hold	26-Apr-16
Invex	Ana Sepúlveda	Hold	13-Jun-16
Itaú BBA	Thiago Batista	Hold	3-Jun-16
Nau	Iñigo Vega	Hold	9-Mar-16
Punto	Ana María Telleria	Hold	25-Apr-16
Deutsche Bank	Tito Labarta	Sell	5-Jul-16

Ratings

International Ratings - GFNorte

Rating Agency	Rated Intitutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	May, 2016
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	STABLE	Outlook	March, 2016
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
	Banco Mercantil del Norte	STABLE	Outlook	
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short rerm foreign Currency	
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
		2	Support Rating - Banco Mercantil del Norte	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Moody's	Banco Mercantil del Norte	Negative	Outlook BFSR	June, 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	
		Ba1	Long term foreing 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	STABLE	Outlook	
		Baa2	Long term local currency issuer*	
		P-2	Short term local currency issuer	
		(P)Baa2	Long term local currency senior debt*	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	STABLE	Outlook	May, 2016
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty - Long term	
	Casa de Bolsa Banorte Ixe	STABLE	Outlook	
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty credit - Long term	
Fitch	Banco Mercantil del Norte	STABLE	Outlook	March, 2016
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale Counterparty - Short term	
		F1 + (mex)	Depo. Certi. y P.R.L.V. short Term	
		AA+ (mex)	Depo. Certi. y P.R.L.V. long term	
	Casa de Bolsa Banorte Ixe	STABLE	Outlook	
		F1+ (mex)	National Scale - Short term	
		AAA (mex)	National Scale - Long term	
	Arrendadora y Factor Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale - Unsecured Debt - Short term	
		AAA (mex)	National Scale - Unsecured Debt - Long term	
	Almacenadora Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
	Pensiones Banorte	ESTABLE	Outlkook	
		AAA (mex)	National Scale	
	Seguros Banorte Generali	STABLE	Outlook	March, 2016
		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	
		Aa2.mx	National Scale - Long term issuer*	
		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	2Q16
Banco Mercantil del Norte, S.A. (1)	98.22%
Banorte USA (2)	100.00%
Afore XXI Banorte S.A. de C.V. (2)	50.00%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Pensiones Banorte, S.A. de C.V.	99.99%
Seguros Banorte S.A. de C.V.	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.99%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.19%
Banorte Ahorro y Previsión, S.A. de C.V.	99.99%

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

Holding Company Capital Structure

Holding Company Capital Structure

Number of Shares (Million)	SERIE O As of June 2016
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 2Q16	
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
ALTERNATE	
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 Nicolín	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 *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	2015	1H16
Income Subsidiaries	3,900	4,020	4,299	4,958	4,352	4,632	17,177	8,985
Interest Income	3	8	16	21	8	18	48	26
Interest Expense	-	-	-	-	-	-	-	-
Fees & Tariffs	-	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	-	-
Other Operating Income (Expenses)	-	-	-	(2)	2	1	(2)	3
Non-Interest Expense	27	26	30	26	26	25	108	52
Pre-Tax Income	**3,876**	**4,003**	**4,285**	**4,951**	**4,336**	**4,626**	**17,115**	**8,962**
Income Tax	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(4)	(1)	6	20	(62)	(6)	21	(68)
Taxes	**(4)**	**(1)**	**6**	**20**	**(62)**	**(6)**	**21**	**(68)**
Net Income from Continuos Operations	**3,880**	**4,003**	**4,278**	**4,932**	**4,398**	**4,632**	**17,093**	**9,030**
Extraordinary Items, net	-	-	-	-	-	-	-	-
Net Income	**3,880**	**4,003**	**4,278**	**4,932**	**4,398**	**4,632**	**17,093**	**9,030**

Holding - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
ASSETS						
Cash and Due from Banks	**30**	**92**	**19**	**13**	**62**	**60**
Margin Accounts	-	-	-	-	-	-
Investment in Securities	-	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	**190**	**1,260**	**2,305**	**1,800**	**1,507**	**1,508**
Securities Lending	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-
Operations w/Derivatives & Securities	**190**	**1,260**	**2,305**	**1,800**	**1,507**	**1,508**
Valuation adjustments for Asset Coverage	-	-	-	-	-	-
Performing Loans	-	-	-	-	-	-
Past Due Loans	-	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-	-
Benef.receivab.securization transactions	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	63	61	59	59	58	53
Inventories	-	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-	-
Investment in Subsidiaries	113,124	114,658	117,008	120,714	121,891	126,696
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	136	136	130	110	172	178
Goodwill and Intangibles	10,819	10,796	10,773	10,750	10,728	10,705
Other Assets Short and Long Term	-	-	-	-	-	-
Other Assets						
	124,141	125,651	127,969	131,633	132,849	137,631
TOTAL ASSETS	**124,361**	**127,003**	**130,293**	**133,445**	**134,419**	**139,199**

Holding - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
LIABILITIES						
Demand Deposits	-	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-	-
Deposits	**-**	**-**	**-**	**-**	**-**	**-**
Due to Banks & Correspondents	**-**	**-**	**-**	**-**	**-**	**-**
Total Collateral sold	**-**	**-**	**-**	**-**	**-**	**-**
Total Operations w/ Derivatives & Securities	**-**	**-**	**-**	**-**	**-**	**-**
Margin Accounts Payable	-	-	-	-	-	-
Other Creditors & Accounts Payable	10	676	1	3	0	1,269
Subordinated Non Convertible Debt	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-
TOTAL LIABILITIES	**10**	**676**	**1**	**3**	**0**	**1,269**
EQUITY						
Paid-in Capital	14,643	14,614	14,612	14,610	14,597	14,593
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Share Subscription Premiums	36,207	36,371	36,225	36,268	36,189	36,301
Subordinated Convertible Debentures	-	-	-	-	-	-
Subscribed Capital	**50,850**	**50,985**	**50,837**	**50,878**	**50,785**	**50,894**
Capital Reserves	6,563	5,854	5,809	5,765	5,419	5,334
Retained Earnings	63,123	61,770	61,770	61,008	76,820	73,823
Surplus (Deficit) of Secs Available for Sale	779	74	(532)	(1,544)	(1,964)	(894)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)	(1,739)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)
Results from Conversions	181	339	930	1,070	1,110	1,754
Remeasurements defined benefits for employees	-	-	-	-	(121)	(249)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee´s Pensions						
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	3,880	7,884	12,162	17,093	4,398	9,030
Earned Capital	**73,501**	**75,342**	**79,455**	**82,564**	**83,633**	**87,036**
Minority Interest	-	-	-	-	-	-
Total Equity	**124,351**	**126,327**	**130,292**	**133,442**	**134,418**	**137,930**
TOTAL LIABILITIES & EQUITY	**124,361**	**127,003**	**130,293**	**133,445**	**134,419**	**139,199**

Holding - Memorandum Accounts *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
TOTAL ON BEHALF OF THIRD PARTIES	**-**	**-**	**-**	**-**	**-**	**-**
Properties in Custody or Management	3,716	3,716	3,716	3,716	3,716	3,716
Collateral Received	-	-	2,308	1,784	1,503	1,506
Proprietary Transactions	**3,716**	**3,716**	**6,024**	**5,500**	**5,219**	**5,223**
TOTAL PROPRIETARY	**3,716**	**3,716**	**6,024**	**5,500**	**5,219**	**5,223**

Grupo Financiero Banorte

Income Statement -GFNorte *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	2015	1H16
Interest Income	16,612	16,501	17,618	18,251	18,672	18,126	68,983	36,798
Interest Expense	5,556	5,986	6,031	5,792	5,994	6,257	23,365	12,251
Charged Fees	284	297	326	350	315	303	1,256	617
Fees Paid	90	96	96	101	102	112	383	214
Net Interest Income from interest & fees (NII)	**11,251**	**10,716**	**11,817**	**12,709**	**12,891**	**12,059**	**46,492**	**24,950**
Premium Income (Net)	5,337	4,535	4,225	4,977	7,741	4,512	19,074	12,253
Net Increase in Technical Reserves	2,478	1,130	1,186	2,337	4,154	675	7,131	4,828
Damages, Claims and Other Obligations	2,475	2,543	3,015	2,994	2,882	3,252	11,027	6,134
Net Interest Income (NII)	**11,635**	**11,577**	**11,840**	**12,355**	**13,596**	**12,645**	**47,408**	**26,240**
Preventive Provisions for Loan Losses	2,605	2,778	2,840	2,495	3,238	3,529	10,719	6,767
Net Interest Income Adjusted for Credit Risk	**9,030**	**8,799**	**9,000**	**9,860**	**10,358**	**9,115**	**36,689**	**19,473**
Fees for Commercial and Mortgage Loans	1	2	(0)	7	3	45	10	48
Fund Transfers	209	195	234	247	286	325	885	611
Account Management Fees	459	521	529	528	483	518	2,036	1,001
Fiduciary	111	87	88	102	81	86	388	167
Other Fees	753	792	750	737	809	772	3,031	1,581
Income from Real Estate Portfolios	23	21	35	91	33	19	169	52
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	1,403	5,118	2,753
For Consumer and Credit Card Loans	703	745	794	835	830	786	3,077	1,617
Fees Charged on Services	**3,451**	**3,602**	**3,717**	**3,944**	**3,874**	**3,955**	**14,714**	**7,829**
Fund transfers	16	13	5	18	18	23	52	40
Other Fees	1,187	1,092	1,189	1,328	1,650	1,227	4,795	2,876
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-
Fees Paid on Services	**1,203**	**1,105**	**1,194**	**1,346**	**1,667**	**1,249**	**4,847**	**2,917**
Foreign Exchange	402	118	354	411	270	406	1,285	676
Securities-Realized Gains	477	298	173	506	92	68	1,454	160
Securities-Unrealized Gains	74	401	132	(355)	91	297	252	388
Trading Income	**953**	**817**	**659**	**561**	**453**	**771**	**2,991**	**1,224**
Loan Recoveries	299	317	299	391	349	367	1,306	716
Income from foreclosed assets	13	(6)	112	33	32	91	151	123
Other Operating Income	48	125	5	187	157	173	365	330
Other Operating Expense	(266)	(102)	(39)	(35)	(177)	(67)	(442)	(244)
Other Products	1,219	539	913	1,352	1,080	1,222	4,022	2,302
Other Recoveries	208	85	191	103	187	60	587	247
Other Operating Expense	(1,283)	(613)	(885)	(972)	(1,216)	(1,178)	(3,754)	(2,394)
Other Operating Income (Expense) from Insurance and Annuities	185	174	197	209	208	287	765	495
Total Other Operating Income (Expense)	**423**	**519**	**793**	**1,267**	**621**	**955**	**3,001**	**1,576**
Total Non Interest Income	**3,624**	**3,833**	**3,976**	**4,426**	**3,281**	**4,432**	**15,859**	**7,712**
							-	-
Total Operating Income	**12,654**	**12,632**	**12,976**	**14,286**	**13,639**	**13,547**	**52,548**	**27,186**
Personnel	3,390	3,234	2,974	2,806	3,273	3,101	12,404	6,374
Employee Profit Sharing (PTU)	98	96	96	84	97	97	374	193
Professional Fees	515	610	551	757	497	587	2,433	1,085
Administrative and Promotional Expenses	1,722	1,735	1,771	1,987	1,964	1,686	7,215	3,650
Rents, Depreciation & Amortization	992	1,000	1,048	1,089	1,128	1,132	4,129	2,260
Taxes other than income tax & non deductible expenses	444	377	355	449	428	351	1,625	779
Contributions to IPAB/Fobaproa	510	523	533	550	566	579	2,116	1,145
Total Non Interest Expense	**7,670**	**7,575**	**7,328**	**7,722**	**7,952**	**7,533**	**30,295**	**15,485**
Operating Income	**4,983**	**5,057**	**5,648**	**6,564**	**5,686**	**6,014**	**22,253**	**11,700**
Subsidiaries' Net Income	279	345	277	301	328	309	1,201	636
Pre-Tax Income	**5,262**	**5,402**	**5,925**	**6,866**	**6,014**	**6,323**	**23,454**	**12,337**
Income Tax	1,208	1,537	1,587	1,389	1,699	1,439	5,720	3,138
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	121	(193)	(7)	466	(202)	193	386	(9)
Taxes	**1,328**	**1,343**	**1,580**	**1,855**	**1,497**	**1,632**	**6,106**	**3,129**
Net Income from Continuos Operations	**3,934**	**4,058**	**4,345**	**5,011**	**4,517**	**4,691**	**17,348**	**9,208**
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	(54)	(55)	(61)	(71)	(55)	(65)	(240)	(120)
Net Income	**3,880**	**4,003**	**4,284**	**4,940**	**4,462**	**4,626**	**17,108**	**9,088**

GFNorte - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
ASSETS						
Cash and Due from Banks	**83,716**	**85,551**	**88,257**	**107,848**	**96,566**	**90,759**
Margin Accounts	**97**	**160**	**105**	**91**	**269**	**513**
Negotiable Instruments	294,182	295,065	245,062	244,945	249,531	253,957
Securities Available for Sale	117,709	117,035	118,933	113,465	113,167	129,477
Securities Held to Maturity	80,371	78,694	80,849	83,115	77,339	77,909
Investment in Securities	**492,263**	**490,794**	**444,844**	**441,525**	**440,038**	**461,343**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**
Debtor Balance in Repo Trans, net	**1**	**0**	**70**	**493**	**402**	**62**
Securities Lending	**-**	**-**	**-**	**-**	**-**	**-**
For trading purposes	19,211	19,000	23,166	19,068	18,154	21,030
For hedging purposes	137	151	103	79	100	76
Operations w/Derivatives & Securities						
Transactions with Derivatives	**19,347**	**19,152**	**23,269**	**19,147**	**18,254**	**21,107**
Operations w/Derivatives & Securities	**19,349**	**19,152**	**23,340**	**19,640**	**18,656**	**21,169**
Valuation adjustments for Asset Coverage	**139**	**136**	**132**	**128**	**124**	**121**
Commercial Loans	190,682	192,050	195,316	208,066	213,462	218,000
Financial Intermediaries´ Loans	3,156	3,301	2,914	3,331	2,872	3,313
Consumer Loans	69,597	72,118	75,414	76,721	77,873	80,796
Mortgage Loans	91,288	93,844	96,892	99,952	102,205	106,292
Medium and Residential	88,562	90,690	93,471	96,285	98,465	102,509
low income housing	102	86	75	68	62	48
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679	3,735
Government Entities´ Loans	125,085	124,704	129,670	130,118	137,144	135,717
Performing Loans	**479,808**	**486,017**	**500,208**	**518,188**	**533,556**	**544,118**
Commercial PDL´s	9,980	10,162	9,918	7,923	7,977	7,816
Financial Intermediaries PDL´s	1	0	0	0	0	344
Consumer PDL´s	2,318	2,685	2,703	2,908	2,684	3,343
Mortgage PDL´s	1,175	1,149	1,096	1,072	1,122	1,163
Medium and Residential	1,136	1,110	1,064	1,031	1,062	1,086
low income housing	3	4	7	6	7	2
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53	74
Government Entities PDL´s	-	-	-	-	-	-
Past Due Loans	**13,474**	**13,996**	**13,717**	**11,903**	**11,782**	**12,665**
Gross Loan Portfolio	**493,282**	**500,012**	**513,925**	**530,091**	**545,339**	**556,783**
Preventive Loan Loss Reserves	14,571	14,734	15,013	13,813	14,059	15,207
Net Loan Portfolio	**478,711**	**485,278**	**498,912**	**516,279**	**531,280**	**541,576**
Acquired Collection Rights	2,860	2,651	2,559	2,217	2,120	1,946
Total Credit Portfolio	**481,571**	**487,929**	**501,470**	**518,496**	**533,400**	**543,522**
Account Receivables from Insurance and Annuities	2,167	2,444	2,432	1,888	1,718	1,781
Premium Debtors (Net)	5,952	5,477	4,480	4,414	9,252	7,627
Account Receivables from Reinsurance	5,865	6,864	5,692	5,872	6,462	6,936
Benef.receivab.securization transactions	583	505	329	184	149	153
Sundry Debtors & Other Accs Rec, Net	31,845	34,191	36,475	31,544	40,628	39,510
Inventories	422	688	596	462	416	951
Foreclosed Assets, Net	2,678	2,526	2,402	2,259	2,170	2,064
Real Estate, Furniture & Equipment, Net	13,191	13,468	13,701	14,537	14,582	15,146
Investment in Subsidiaries	13,115	13,440	13,730	13,805	13,034	13,344
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	2,293	2,378	2,712	2,785	3,514	3,085
Goodwill and Intangibles	23,901	25,145	26,642	28,860	27,148	27,604
Other Assets Short and Long Term	4,037	3,959	3,845	4,135	3,965	3,765
Other Assets	106,050	111,085	113,036	110,747	123,037	121,965
TOTAL ASSETS	**1,183,186**	**1,194,806**	**1,171,183**	**1,198,476**	**1,212,090**	**1,239,392**

GFNorte - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
LIABILITIES						
Demand Deposits	305,716	310,282	321,146	347,577	339,524	350,671
Time Deposits-Retail	194,351	196,146	200,285	207,940	215,356	224,581
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904	1,068
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171	1,224
Senior Unsecured Debt	4,997	5,177	100	100	130	130
Deposits	**513,899**	**522,870**	**535,870**	**561,462**	**559,086**	**577,675**
Demand Loans	0	0	0	1	6,928	0
Short Term Loans	17,172	17,546	15,694	16,481	16,333	17,887
Long Term Loans	11,324	12,438	14,163	14,551	14,187	14,054
Due to Banks & Correspondents	**28,496**	**29,984**	**29,856**	**31,033**	**37,448**	**31,941**
Technical Reserves	76,450	78,753	78,485	80,945	86,054	86,535
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	360,901	362,801	314,327	315,155	316,634	317,232
Secs to be received in Repo Trans, Net	-	-	0	-	-	0
Repos (Credit Balance)	19	41	3	1	0	17
Securities' Loans	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-
Total Collateral sold	**19**	**41**	**3**	**1**	**0**	**17**
For trading purposes	19,664	19,495	24,025	19,940	18,829	21,961
For hedging purposes	3,381	3,556	4,686	5,004	6,161	6,825
Operations w/ Derivatives & Securities						
Transactions with Derivatives	**23,045**	**23,050**	**28,711**	**24,944**	**24,990**	**28,786**
Total Operations w/ Derivatives & Securities	**383,965**	**385,892**	**343,041**	**340,100**	**341,624**	**346,036**
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-	-
Payable Accounts for Reinsurance	2,094	1,477	1,606	1,735	2,575	2,412
Income Tax Payable	1,681	1,572	2,088	1,922	1,349	1,806
Profit Sharing Payable	145	217	309	375	135	206
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Creditors for settlement of transactions	14,996	8,747	10,094	7,541	7,451	12,625
Margin Accounts Payable	-	-	-	-	-	-
Other Creditors & Accounts Payable	15,484	16,950	17,073	17,458	19,396	19,452
Other Payable Accounts	**32,306**	**27,485**	**29,564**	**27,296**	**28,331**	**34,089**
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475	17,821
Deferred Taxes, Net	0	0	(0)	(0)	-	-
Deferred Credits	1,413	1,400	1,307	1,169	1,075	882
TOTAL LIABILITIES	**1,055,334**	**1,064,652**	**1,037,028**	**1,061,124**	**1,073,667**	**1,097,390**
EQUITY						
Paid-in Capital	14,627	14,610	14,608	14,606	14,593	14,590
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Share Subscription Premiums	36,079	36,527	36,381	36,423	36,345	36,465
Subordinated Convertible Debentures	-	-	-	-	-	-
Subscribed Capital	**50,706**	**51,137**	**50,989**	**51,030**	**50,937**	**51,054**
Capital Reserves	6,563	5,854	5,809	5,765	5,419	5,334
Retained Earnings	64,974	63,622	63,622	62,860	78,686	75,689
Surplus (Deficit) of Secs Available for Sale	773	75	(526)	(1,552)	(1,976)	(911)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)	(1,739)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)
Results from Conversions	181	339	930	1,070	1,110	1,754
Remeasurements defined benefits for employees	-	-	-	-	(121)	(249)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee´s Pensions						
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	3,880	7,883	12,168	17,108	4,462	9,088
Earned Capital	**75,346**	**77,195**	**81,317**	**84,422**	**85,551**	**88,944**
Minority Interest	1,799	1,823	1,848	1,900	1,935	2,004
Total Equity	**127,851**	**130,154**	**134,155**	**137,351**	**138,423**	**142,002**
TOTAL LIABILITIES & EQUITY	**1,183,186**	**1,194,806**	**1,171,183**	**1,198,476**	**1,212,090**	**1,239,392**

GFNorte - Memorandum Accounts *(Million Pesos)*	1Q15	2Q15	3Q15	4Q16	1Q16	2Q16
On behalf of Third Parties						
Customer's Banks	22	252	34	165	93	98
Dividends Receivable from Customers	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-
Settlement of Customer Transactions	(2)	(18)	(16)	45	208	(18)
Customer Premiums	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-
Customers' Current Account	**20**	**234**	**18**	**210**	**301**	**80**
Client Securities Received in Custody	592,356	594,403	589,191	587,733	616,579	647,418
Securities and Documents Received in Guarantee	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-
Clients' Securities	**592,356**	**594,403**	**589,191**	**587,733**	**616,579**	**647,418**
Clients' Repurchase Operations	112,425	126,824	114,729	145,667	102,988	102,541
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	111,981	126,381	114,288	145,225	102,953	102,522
Purchase of Futures & Forward Contracts, national	-	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-	-
Clients' Option Sales Operations						
Purchase Operations of derivatives	-	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-	-
Trusts under Management	77,144	73,549	79,143	87,009	99,220	102,029
Transactions On Behalf of Clients	**301,550**	**326,754**	**308,160**	**377,901**	**305,161**	**307,092**
Investment Bank Trans. on behalf of Third (Net)	**91,311**	**98,221**	**95,736**	**79,643**	**71,038**	**65,031**
TOTAL ON BEHALF OF THIRD PARTIES	**985,237**	**1,019,612**	**993,105**	**1,045,488**	**993,079**	**1,019,622**
Endorsement Guarantees Granted	-	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084	170,475
Trusts	211,808	217,386	283,559	290,832	306,517	320,511
Mandates	596	9,524	557	8,316	8,571	9,824
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088	330,336
Properties in Custody or Management	441,489	449,344	452,819	438,214	457,665	480,655
Collateral Received	83,491	87,699	88,377	147,797	103,030	72,198
Collateral Received or sold or delivered	142,879	161,124	145,469	235,143	146,735	114,133
Drafts in Transit	-	-	-	-	-	-
Assets' Deposit	2,688	2,440	2,029	3,023	2,343	1,943
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-
Contingent assets & Liabilities	1	5	13	19	26	33
Uncollected Accrued Interest from Past Due Loans	468	492	485	482	491	526
Investments of Retirement Savings Funds	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-
Proprietary Transactions	**929,620**	**1,085,747**	**1,138,395**	**1,284,355**	**1,189,463**	**1,170,298**
Repo Securities to be Received	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-
Net Repo Transactions	**-**	**-**	**-**	**-**	**-**	**-**
Repo Debtors	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-
Net Repo Transactions	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL PROPRIETARY	**929,620**	**1,085,747**	**1,138,395**	**1,284,355**	**1,189,463**	**1,170,298**

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW JANUARY 1, 2016 – JUNE 30, 2016 *(Million Pesos)*	
Net Income	**9,088**
Items charged to results that do not generate or require use of resources	
Depreciation	577
Technical Reserves	4,828
Provisions	693
Income taxes and deferred	3,129
Minority Interest	(516)
	8,711
	17,799
Change in items related to operations	
Change in Margin Accounts	(422)
Change in Invesment in Securities	(19,175)
Change in repo debtors	430
Change in derivatives (assets)	(1,955)
Changein Loan Portfolio (net)	(24,133)
Change in purchased receivables (net)	271
Change in accounts receivable insurance and bonding institutions (net)	107
Change in debtor premiums	(3,213)
Change in Reinsurance (net)	(1,064)
Change in benefits to receive from securitizations	32
Change in foreclosed assets (net)	198
Change in other operating assets (net)	(7,508)
Change in core deposits	14,647
Change in interbank loans and other entities	894
Change in repo creditors	2,078
Change in collateral pledged sold	16
Change in derivatives (liability)	2,021
Change in Technical Reserves (net)	761
Change in Reinsurance (net) (liability)	677
Change in subordinated debt with characteristics of liabilities	411
Change in other operating liabilities	4,794
Change in hedging instruments (the related hedged transaction activities)	1,824
Income Tax Payments	(3,539)
Net cash generated or used from operations	**(14,049)**
Investment Activities	
Charges for disposal of property, furniture and equipment	458
Payments for acquisition of property, furniture and equipment	(1,592)
Charges for disposal of subsidiaries, associated and agreements with mutual control	2
Payments for other permanent investmentes	(2)
Charges for cash dividends	1,122
Net cash generated or used from investment activities	**(12)**
Financing Activities	
Payments of cash dividends	(2,538)
Payments associated with the repurchase of proprietary shares	(571)
Net cash flows from financing activities	**(3,109)**
Net Cash Increase (decrease) and equivalents value	**(17,170)**
Effects for changes in cash and equivalents value	**81**
Cash and cash equivalents at beginning of period	**107,848**
Cash and cash equivalents at end of period	**90,759**

GFNORTE – CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2016 – JUNE 30, 2016
(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2015	**14,606**	**36,424**	**5,765**	**62,860**	**(1,552)**	**(828)**	**0**	**1,069**	**0**	**17,108**	**1,900**	**137,352**
Changes stemming from stockholders' decisions												
Repurchases of payment plan based on stock	(16)	64	(431)		(8)							**(391)**
Capitalization of profits				17,108						**(17,108)**		0
Dividends declared by the Ordinary General Shareholders' Meeting held on:												
February 19 and June 28, 2016				(2,538)								(2,538)
Dividend declared by the Ordinary General Shareholders' Meeting held on June 28, 2016 to be paid on October 31, 2016				(1,269)								(1,269)
Total	**(16)**	**64**	**(431)**	**13,301**	**(8)**	**0**	**0**	**0**	**0**	**(17,108)**	**0**	(4,198)
Changes stemming from profits												
Total profits:												
Net Income										9,088		9,088
Result from valuation of securities available for sale					649							649
Effect of subsidiaries, associates and mutual funds		(23)		(10)				686				653
Result from valuation of instruments of cash flow hedges						(911)						(911)
Result in the valuations reserve for unexpired risks valuation in rates							(24)					(24)
Remeasurements defined benefits for employees									(249)			(249)
Modification in the disposition of the consumer book's rating				(462)								(462)
Total	**0**	**(23)**	**0**	**(472)**	**649**	**(911)**	**(24)**	**686**	**(249)**	**9,088**	**0**	**8,744**
Recognition of minority interest											**104**	**104**
Balance as of June 30, 2016	**14,590**	**36,465**	**5,334**	**75,689**	**(911)**	**(1,739)**	**(24)**	**1,755**	**(249)**	**9,088**	**2,004**	**142,002**

Consolidated Bank

Income Statement - Consolidated Bank *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	2015	1H16
Interest Income	14,283	14,429	14,914	15,031	15,780	16,316	58,657	32,095
Interest Expense	4,688	4,807	4,893	4,711	4,987	5,132	19,098	10,119
Charged Fees	283	295	324	347	313	300	1,250	613
Fees Paid	88	94	95	99	101	111	376	211
Net Interest Income (NII)	**9,790**	**9,823**	**10,251**	**10,568**	**11,005**	**11,373**	**40,432**	**22,379**
Preventive Provisions for Loan Losses	2,539	2,690	2,731	2,442	3,177	3,458	10,401	6,635
Net Interest Income Adjusted for Credit Risk	**7,250**	**7,133**	**7,520**	**8,127**	**7,829**	**7,915**	**30,031**	**15,744**
Fees for Commercial and Mortgage Loans	1	2	(0)	7	3	45	10	48
Fund Transfers	209	195	234	247	286	325	885	611
Account Management Fees	459	521	529	528	498	533	2,036	1,031
Fiduciary	111	87	88	101	80	86	386	166
Other Fees	495	503	498	517	554	568	2,014	1,122
Income from Real Estate Portfolios	6	4	19	68	8	2	98	10
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	1,403	5,118	2,753
For Consumer and Credit Card Loans	703	745	794	835	835	786	3,077	1,621
Fees Charged on Services	**3,177**	**3,297**	**3,448**	**3,701**	**3,613**	**3,749**	**13,624**	**7,362**
Fund transfers	16	13	5	18	18	23	52	40
Other Fees	780	830	879	985	964	1,079	3,474	2,043
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-
Fees Paid on Services	**796**	**844**	**884**	**1,003**	**982**	**1,102**	**3,527**	**2,084**
Foreign Exchange	411	125	374	417	269	396	1,326	665
Securities-Realized Gains	392	233	88	327	34	(80)	1,040	(46)
Securities-Unrealized Gains	46	371	126	(266)	172	67	277	240
Trading Income	**850**	**728**	**588**	**477**	**475**	**383**	**2,643**	**859**
Loan Recoveries	299	317	299	376	337	365	1,290	702
Income from foreclosed assets	7	(16)	105	39	26	119	135	145
Other Operating Income	48	125	5	187	145	173	365	318
Other Operating Expense	(32)	(7)	(0)	(0)	-	(0)	(39)	(0)
Other Products	201	153	354	365	107	416	1,073	523
Other Recoveries	139	63	136	48	104	81	385	185
Other Expense	(242)	(242)	(386)	(423)	(303)	(514)	(1,294)	(818)
Other Operating Income (Expense) from Insurance and Annuities	-	-	-	-	-	-	-	-
Total Other Operating Income (Expenses)	**419**	**393**	**512**	**591**	**415**	**639**	**1,915**	**1,055**
Total Non-Interest Income	**3,650**	**3,575**	**3,664**	**3,767**	**3,522**	**3,670**	**14,655**	**7,192**
Total Operating Income	**10,900**	**10,708**	**11,184**	**11,893**	**11,351**	**11,585**	**44,686**	**22,936**
Personnel	3,249	3,092	2,840	2,661	3,136	2,951	11,843	6,088
Employee Profit Sharing (PTU)	96	94	94	84	95	95	368	191
Professional Fees	434	492	467	597	442	509	1,990	951
Administrative and Promotional Expenses	1,504	1,535	1,611	1,818	1,749	1,561	6,467	3,310
Rents, Depreciation & Amortization	927	937	984	1,017	1,058	1,059	3,864	2,117
Taxes other than income tax & non-deductible expenses	368	326	302	392	366	302	1,387	668
Contributions to IPAB/Fobaproa	510	523	533	550	566	579	2,116	1,145
Total Non-Interest Expense	**7,087**	**6,999**	**6,831**	**7,118**	**7,413**	**7,058**	**28,035**	**14,470**
Operating Income	**3,814**	**3,709**	**4,353**	**4,775**	**3,938**	**4,528**	**16,650**	**8,466**
Subsidiaries' Net Income	302	359	299	320	333	322	1,280	654
Pre-Tax Income	**4,116**	**4,068**	**4,652**	**5,095**	**4,271**	**4,849**	**17,930**	**9,120**
Income Tax	789	1,133	1,208	1,046	1,154	1,065	4,177	2,219
Tax on Assets								
Deferred Income Tax	245	(195)	(38)	224	(105)	131	235	26
Taxes	**1,034**	**938**	**1,170**	**1,270**	**1,049**	**1,197**	**4,412**	**2,245**
Net Income from Continuos Operations	**3,082**	**3,130**	**3,482**	**3,824**	**3,222**	**3,652**	**13,518**	**6,875**
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	**3,082**	**3,130**	**3,482**	**3,824**	**3,222**	**3,652**	**13,518**	**6,875**

Consolidated Bank - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
ASSETS						
Cash and Due from Banks	**83,447**	**85,248**	**87,645**	**107,457**	**96,167**	**90,727**
Margin Accounts	**97**	**160**	**105**	**91**	**269**	**513**
Negotiable Instruments	208,758	196,688	153,669	130,211	153,455	155,285
Securities Available for Sale	83,850	82,238	87,712	73,026	94,647	108,976
Securities Held to Maturity	10,283	7,837	7,795	7,761	7,730	7,678
Investment in Securities	**302,891**	**286,763**	**249,176**	**210,998**	**255,832**	**271,938**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**
Debtor Balance in Repo Trans,net	**1**	**0**	**3**	**493**	**342**	**16**
Securities Lending	**-**	**-**	**-**	**-**	**-**	**-**
For trading purposes	19,211	19,000	23,166	18,771	18,045	20,703
For hedging purposes	137	151	103	79	100	76
Operations w/Derivatives & Securities	-	-	-	-	-	-
Transactions with Derivatives	**19,347**	**19,152**	**23,269**	**18,850**	**18,145**	**20,779**
Operations w/Derivatives & Securities	**19,349**	**19,152**	**23,273**	**19,343**	**18,487**	**20,796**
Valuation adjustments for Asset Coverage	**139**	**136**	**132**	**128**	**124**	**121**
Commercial Loans	173,430	172,994	177,538	189,522	194,171	197,538
Financial Intermediaries´ Loans	16,424	17,493	15,543	17,317	16,220	18,071
Consumer Loans	66,230	69,090	72,661	74,236	75,599	78,763
Mortgage Loans	91,288	93,844	96,892	99,952	102,205	106,292
Medium and Residential	88,562	90,690	93,471	96,285	98,465	102,509
low income housing	102	86	75	68	62	48
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679	3,735
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-
Government Entities´ Loans	-	-	-	-	-	-
Loans granted as Federal Agent	-	-	-	-	-	-
Performing Loans	**470,707**	**476,450**	**491,116**	**509,593**	**524,062**	**534,289**
Commercial PDL´s	9,583	9,768	9,604	7,723	7,764	7,581
Financial Intermediaries PDL´s	1	0	0	0	0	344
Consumer PDL´s	2,223	2,618	2,637	2,839	2,627	3,281
Mortgage PDL´s	1,175	1,149	1,096	1,072	1,122	1,163
Medium and Residential	1,136	1,110	1,064	1,031	1,062	1,086
low income housing	3	4	7	6	7	2
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53	74
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-
Government Entities PDL´s	-	-	-	-	-	-
Past Due Loans	**12,981**	**13,536**	**13,337**	**11,634**	**11,512**	**12,369**
Gross Loan Portfolio	**483,688**	**489,986**	**504,453**	**521,227**	**535,574**	**546,658**
Preventive Loan Loss Reserves	13,952	14,117	14,442	13,334	13,595	14,773
Net Loan Portfolio	**469,736**	**475,869**	**490,011**	**507,893**	**521,979**	**531,885**
Acquired Collection Rights	1,480	1,416	1,399	1,376	1,310	1,165
Total Credit Portfolio	**471,216**	**477,285**	**491,410**	**509,269**	**523,288**	**533,051**
Benef.receivab.securization transactions	583	505	329	184	149	153
Sundry Debtors & Other Accs Rec, Net	19,427	23,017	25,536	21,164	28,138	28,206
Inventories	-	-	-	-	-	-
Foreclosed Assets, Net	2,197	2,051	1,937	1,800	1,720	1,654
Real Estate, Furniture & Equipment, Net	10,443	10,618	10,778	11,364	11,466	11,896
Investment in Subsidiaries	12,808	13,151	13,461	13,485	12,719	13,031
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	2,453	2,566	2,927	3,095	3,366	3,268
Goodwill and Intangibles	10,888	11,914	13,336	15,394	14,114	14,371
Other Assets Short and Long Term	3,752	3,672	3,553	3,837	3,659	3,442
	62,551	67,495	71,858	70,324	75,331	76,022
TOTAL ASSETS	**939,691**	**936,237**	**923,598**	**917,610**	**969,499**	**993,168**

Consolidated Bank - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
LIABILITIES						
Demand Deposits	307,197	311,717	322,742	349,805	341,549	352,397
Time Deposits-Retail	194,609	196,425	200,350	208,020	215,489	224,698
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904	1,068
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171	1,224
Senior Unsecured Debt	4,619	4,798	-	-	-	-
Deposits	**515,259**	**524,205**	**537,430**	**563,670**	**561,114**	**579,387**
Demand Loans	0	0	0	1	6,928	0
Short Term Loans	7,223	7,225	6,680	7,558	6,845	7,018
Long Term Loans	5,214	6,378	6,991	7,385	7,197	7,593
Due to Banks & Correspondents	**12,437**	**13,603**	**13,671**	**14,943**	**20,970**	**14,612**
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	248,747	237,297	202,500	171,133	215,119	216,288
Secs to be received in Repo Trans, Net	-	-	-	-	-	-
Repos (Credit Balance)	16	11	2	1	0	(0)
Securities' Loans	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-
Total Collateral sold	**16**	**11**	**2**	**1**	**0**	**(0)**
For trading purposes	19,664	19,495	24,025	19,940	18,829	21,961
For hedging purposes	3,381	3,556	4,686	5,004	6,161	6,825
Operations w/ Derivatives & Securities	-	-	-	-	-	-
Transactions with Derivatives	**23,045**	**23,050**	**28,711**	**24,944**	**24,990**	**28,786**
Total Operations w/ Derivatives & Securities	**271,808**	**260,358**	**231,213**	**196,078**	**240,109**	**245,074**
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-	-
Income Tax Payable	1,287	859	1,116	703	779	1,091
Profit Sharing Payable	145	217	309	375	135	206
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Creditors for settlement of transactions	12,130	8,099	8,292	7,465	8,291	11,086
Margin Accounts Payable	-	-	-	-	-	-
Other Creditors & Accounts Payable	10,995	11,805	12,576	13,351	14,584	13,839
Other Payable Accounts	**24,557**	**20,980**	**22,294**	**21,893**	**23,789**	**26,222**
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475	17,821
Deferred Taxes, Net	-	-	-	-	-	-
Deferred Credits	1,316	1,289	1,199	1,058	933	759
TOTAL LIABILITIES	**842,090**	**837,224**	**823,106**	**815,027**	**864,390**	**883,875**
EQUITY						
Paid-in Capital	20,074	20,074	20,074	20,074	20,074	20,074
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Share Subscription Premiums	11,274	11,449	11,623	11,682	11,754	11,862
Subordinated Convertible Debentures	-	-	-	-	-	-
Subscribed Capital	**31,348**	**31,523**	**31,698**	**31,756**	**31,828**	**31,936**
Capital Reserves	8,968	10,157	10,157	10,157	10,157	11,509
Retained Earnings	54,445	51,454	49,416	48,398	61,905	60,075
Surplus (Deficit) of Secs Available for Sale	771	69	(546)	(1,310)	(1,224)	(768)
Results from Valuation of Hedging Secs	(1,137)	(681)	(790)	(936)	(1,708)	(1,770)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-
Results from Conversions	115	269	853	990	1,041	1,680
Remeasurements defined benefits for employees	-	-	-	-	(123)	(253)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee´s Pensions	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	3,082	6,212	9,694	13,518	3,222	6,875
Earned Capital	**66,243**	**67,480**	**68,784**	**70,818**	**73,271**	**77,347**
Minority Interest	10	10	10	10	10	10
Total Equity	**97,601**	**99,013**	**100,492**	**102,584**	**105,109**	**109,293**
TOTAL LIABILITIES & EQUITY	**939,691**	**936,237**	**923,598**	**917,610**	**969,499**	**993,168**

Consolidated Bank - Memorandum Accounts *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Investment Banking transactions for third parties, net	91,311	98,221	95,736	79,643	71,038	65,031
TOTAL ON BEHALF OF THIRD PARTIES	**91,311**	**98,221**	**95,736**	**79,643**	**71,038**	**65,031**
Proprietary Transactions						
Endorsement Guarantees Granted	-	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084	170,475
Trusts	211,808	217,386	283,559	290,832	306,517	320,511
Mandates	596	9,524	557	8,316	8,571	9,824
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088	330,336
Properties in Custody or Management	290,237	295,499	301,893	296,801	310,030	322,924
Collateral Received	72,222	78,345	76,255	141,993	86,437	65,935
Collateral Received or sold	19,629	25,389	21,881	85,898	28,941	6,975
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 & liabilites	1	5	13	19	26	33
Uncollected Accrued Interest from Past Due Loans	425	450	442	439	449	483
Investments of Retirement Savings Funds	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-
Proprietary Transactions	**641,118**	**784,330**	**849,686**	**984,827**	**905,053**	**897,161**
Repo Securities to be Received	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-
Net Repo Transactions	**-**	**-**	**-**	**-**	**-**	**-**
Repo Debtors	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-
Net Repo Transactions	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL PROPRIETARY	**641,118**	**784,330**	**849,686**	**984,827**	**905,053**	**897,161**

Seguros Banorte

Income Statement - Insurance - Seguros Banorte *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	2015	1H16
Interest Income	130	108	143	145	133	125	525	258
Interest Expense	-	-	-	-	7	(7)	-	-
Premium Income (Net)	3,420	2,701	2,709	3,542	6,389	2,627	12,372	9,015
Net Increase in Technical Reserves	546	(174)	(455)	317	2,284	(529)	235	1,755
Damages, Claims and Other Obligations	1,655	1,704	2,163	2,126	1,995	2,312	7,649	4,307
Net Interest Income	**1,348**	**1,279**	**1,144**	**1,244**	**2,236**	**975**	**5,014**	**3,210**
Fees Charged on Services	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Fees Paid on Services	**477**	**339**	**401**	**462**	**838**	**264**	1,678	1,101
Securities-Realized Gains	10	(1)	1	32	1	18	42	19
Securities-Unrealized Gains	-	-	-	-	-	-	-	-
Trading Income	**10**	**(1)**	**1**	**32**	**1**	**18**	**42**	**19**
Other Products	1	1	1	3	1	1	6	2
Other Expense	(0)	(6)	(1)	14	(56)	1	7	(55)
Other Operating Income (Expense) from Insurance and Annuities	173	174	197	197	205	282	742	487
Total Other Operating Income (Expenses)	**174**	**169**	**197**	**215**	**149**	**284**	**755**	**433**
Total Non-Interest Income	**(293)**	**(170)**	**(203)**	**(216)**	**(688)**	**38**	**(881)**	**(650)**
Total Operating Income	**1,055**	**1,109**	**941**	**1,028**	**1,548**	**1,013**	**4,133**	**2,561**
Personnel	80	78	82	87	82	88	327	170
Employee Profit Sharing (PTU)	1	1	1	0	1	1	3	2
Professional Fees	26	62	57	85	24	34	229	57
Administrative and Promotional Expenses	64	64	63	58	77	58	249	135
Rents, Depreciation & Amortization	15	15	14	21	21	22	65	43
Taxes other than income tax & non-deductible expenses	23	21	20	28	30	23	92	54
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-	-
Total Non-Interest Expense	**210**	**240**	**237**	**280**	**235**	**226**	**966**	**461**
Operating Income	**845**	**869**	**705**	**748**	**1,313**	**787**	**3,167**	**2,100**
Subsidiaries' Net Income	(0)	(0)	0	-	0	(0)	(0)	(0)
Pre-Tax Income	**845**	**869**	**705**	**748**	**1,313**	**787**	**3,167**	**2,100**
Income Tax	257	264	213	197	397	239	932	636
Deferred Income Tax	-	-	-	20	-	-	20	-
Taxes	**257**	**264**	**213**	**217**	**397**	**239**	**952**	**636**
Net Income from Continuos Operations	**588**	**605**	**491**	**531**	**917**	**548**	**2,215**	**1,464**
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	(2)	(1)	(2)	(1)	(1)	(1)	(5)	(2)
Net Income	**586**	**603**	**490**	**530**	**916**	**547**	**2,210**	**1,462**

Insurance - Seguros Banorte - Balance Sheet *(Million Pesos)*	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**1Q16**	**2Q16**
ASSETS						
Cash and Due from Banks	**73**	**59**	**58**	**233**	**61**	**69**
Margin Accounts	**-**	**-**	**-**	**-**	**-**	**-**
Negotiable Instruments	5,905	6,121	6,540	6,699	8,795	9,504
Securities Available for Sale	-	-	-	289	3,570	2,655
Securities Held to Maturity	6,558	5,862	6,262	6,537	(0)	(0)
Investment in Securities	**12,463**	**11,983**	**12,801**	**13,525**	**12,364**	**12,159**
Debtor Balance in Repo Trans,net	0	-	67	(0)	60	**46**
Securities Lending	-	-	-	-	-	**-**
Transactions with Derivatives	-	-	-	-	-	**-**
Operations w/Derivatives & Securities	**0**	**-**	**67**	**(0)**	**60**	**46**
Valuation adjustments for Asset Coverage	**-**	**-**	**-**	**-**	**-**	**-**
Acquired Collection Rights	-	-	-	-	-	-
Account Receivables	1,234	1,455	1,383	804	578	604
Premium Debtors (Net)	5,740	5,354	4,394	4,363	9,196	7,566
Account Receivables from Reinsurance	5,865	6,864	5,692	5,872	6,462	6,936
Benef.receivab.securization transactions	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	267	263	261	276	289	315
Investment in Subsidiaries	1	1	1	1	2	2
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	100	99	99	79	79	79
Goodwill and Intangibles	250	489	769	914	470	713
Other Assets Short and Long Term	70	69	70	72	76	78
	13,527	**14,595**	**12,670**	**12,381**	**17,151**	**16,293**
TOTAL ASSETS	**26,063**	**26,637**	**25,597**	**26,139**	**29,637**	**28,567**

Insurance - Seguros Banorte - Balance Sheet *(Million Pesos)*	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**1Q16**	**2Q16**
LIABILITIES						
Technical Reserves	14,498	15,449	13,519	14,051	17,275	16,472
Total Operations w/ Derivatives & Securities	**-**	**-**	**-**	**-**	**-**	**-**
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,094	1,477	1,606	1,735	2,575	2,412
Income Tax Payable	274	535	745	935	399	633
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	3,390	3,268	3,323	2,955	3,838	3,259
Other Payable Accounts	**3,664**	**3,803**	**4,068**	**3,890**	**4,237**	**3,892**
Subordinated Non Convertible Debt	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-
Deferred Credits	125	121	126	132	140	102
TOTAL LIABILITIES	**20,380**	**20,850**	**19,318**	**19,808**	**24,227**	**22,878**
EQUITY						
Paid-in Capital	709	709	709	709	709	709
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-
Subscribed Capital	**709**	**709**	**709**	**709**	**709**	**709**
Capital Reserves	540	540	540	540	540	717
Retained Earnings	3,742	3,242	3,242	2,742	3,451	2,674
Surplus (Deficit) of Secs Available for Sale	74	74	74	96	109	113
Results from Valuation of Hedging Secs	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)
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	586	1,190	1,679	2,210	916	1,462
Earned Capital	**4,942**	**5,046**	**5,535**	**5,587**	**4,665**	**4,943**
Minority Interest	31	32	34	35	36	37
Total Equity	**5,682**	**5,787**	**6,278**	**6,331**	**5,410**	**5,689**
TOTAL LIABILITIES & EQUITY	**26,063**	**26,637**	**25,597**	**26,139**	**29,637**	**28,567**

Information by Segments

GFNorte - Income Statement as of July '16

(Million Pesos)

	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Interest Income	26	32,709	752	32	258	1,840	2,447
Premium Income (Net)	-	-	-	-	9,015	3,561	-
Interest Expense	-	10,330	374	-	-	-	2,321
Net Increase in Technical Reserves	-	-	-	-	1,755	3,073	-
Damages, Claims and Other Obligations	-	-	-	-	4,307	1,827	-
Net Interest Income (NII)	**26**	**22,379**	**377**	**32**	**3,210**	**501**	**126**
Preventive Provisions for Loan Losses	-	6,635	35	-	-	-	-
Net Interest Income Adjusted for Credit Risk	**26**	**15,744**	**343**	**32**	**3,210**	**501**	**126**
Loan Origination Fees	-	7,362	12	-	-	-	502
Fees Paid	-	2,084	41	0	1,101	-	60
Trading Income	-	859	2	-	19	41	265
Other Operating Income (Expenses)	3	1,055	229	4	433	0	56
Non Interest Income	**3**	**7,192**	**203**	**4**	**(650)**	**41**	**762**
Total Operating Income	**29**	**22,936**	**545**	**36**	**2,561**	**542**	**888**
Administrative and Promotional Expenses	52	14,470	101	16	461	146	446
Operating Income	**(23)**	**8,466**	**444**	**20**	**2,100**	**397**	**442**
Subsidiaries' Net Income	8,985	654	-	-	(0)	2	0
Pre-Tax Income	**8,962**	**9,120**	**444**	**20**	**2,100**	**399**	**442**
Income Tax	-	2,219	148	7	636	-	84
Deferred Income Tax	(68)	26	(15)	(0)	-	128	42
Net Income from Continuos Operations	**9,030**	**6,875**	**311**	**14**	**1,464**	**271**	**316**
Minority Interest	**-**	**(0)**	**(1)**	**-**	**(2)**	**-**	**-**
Net Income	**9,030**	**6,875**	**310**	**14**	**1,462**	**271**	**316**

GFNorte - Income Statement as of July '16

(Million Pesos)

	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges	Credits	Final Balance
Interest Income	7	1	211	38,282	867	-	37,415
Premium Income (Net)	-	-	-	12,577	324	-	12,253
Interest Expense	-	-	296	13,321	-	856	12,465
Net Increase in Technical Reserves	-	-	-	4,828	-	-	4,828
Damages, Claims and Other Obligations	-	-	-	6,134	-	-	6,134
Net Interest Income (NII)	**7**	**1**	**(85)**	**26,575**	**-**	**-**	**26,240**
Preventive Provisions for Loan Losses	-	-	98	6,767	-	-	6,767
Net Interest Income Adjusted for Credit Risk	**7**	**1**	**(183)**	**19,808**	**-**	**-**	**19,473**
Loan Origination Fees	564	-	83	8,523	694	-	7,829
Fees Paid	393	-	0	3,680	-	763	2,917
Trading Income	-	-	39	1,224	-	-	1,224
Other Operating Income (Expenses)	1	-	(188)	1,592	20	4	1,576
Non Interest Income	**171**	**-**	**(66)**	**7,660**	**715**	**(759)**	**7,712**
Total Operating Income	**178**	**1**	**(249)**	**27,469**	**715**	**(759)**	**27,186**
Administrative and Promotional Expenses	23	0	92	15,808	380	702	15,485
Operating Income	**156**	**1**	**(341)**	**11,661**	**-**	**-**	**11,700**
Subsidiaries' Net Income	3	-	(21)	9,623	8,987	-	636
Pre-Tax Income	**159**	**1**	**(362)**	**21,284**	**-**	**-**	**12,337**
Income Tax	45	-	-	3,138	-	-	3,138
Deferred Income Tax	(0)	-	(104)	10	-	19	(9)
Net Income from Continuos Operations	**114**	**1**	**(259)**	**18,137**	**-**	**-**	**9,208**
Minority Interest	**-**	**-**	**-**	**(3)**	**117**	**-**	**(120)**
Net Income	**114**	**1**	**(259)**	**18,134**	**11,390**	**2,325**	**9,088**

GFNorte - Balance Sheet as of June 30 '16

(Million Pesos)

ASSETS	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	**60**	**90,727**	**10**	**21**	**69**	**2**	**930**
Margin Accounts	**-**	**513**	**-**	**-**	**-**	**-**	**-**
Investment in Securities	**-**	**271,938**	**1**	**-**	**12,159**	**71,300**	**103,866**
Negotiable Instruments	-	155,285	-	-	9,504	1,613	87,555
Securities Available for Sale	-	108,976	1	-	2,655	77	15,648
Securities Held to Maturity	-	7,678	-	-	0	69,610	663
Debtor Balance in Repo Trans, net	**1,508**	**16**	**-**	**-**	**46**	**-**	**-**
Transactions with Derivatives For trading purposes	**-**	**20,703**	**4**	**-**	**-**	**-**	**-**
Transactions with Derivatives For hedging purposes	**-**	**76**	**-**	**-**	**-**	**-**	**-**
Valuation adjustments for Asset Coverage	**-**	**121**	**-**	**-**	**-**	**-**	**-**
Gross Loan Portfolio	**-**	**533,051**	**22,707**	**-**	**-**	**-**	**-**
Net Loan Portfolio	**-**	**531,885**	**22,707**	**-**	**-**	**-**	**-**
Performing Loans	**-**	**534,289**	**22,779**	**-**	**-**	**-**	**-**
Commercial Loans	-	197,538	20,465	-	-	-	-
Financial Intermediaries´ Loans	-	18,071	220	-	-	-	-
Government Entities´ Loans	-	133,626	2,091	-	-	-	-
Consumer Loans	-	78,763	4	-	-	-	-
Mortgage Loans	-	106,292	-	-	-	-	-
Media y Residencial	-	102,509	-	-	-	-	-
De Interés Social	-	48	-	-	-	-	-
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	3,735	-	-	-	-	-
Past Due Loans	**-**	**12,369**	**210**	**-**	**-**	**-**	**-**
Commercial PDL´s	-	7,581	210	-	-	-	-
Financial Intermediaries PDL´s	-	344	-	-	-	-	-
Consumer PDL´s	-	3,281	0	-	-	-	-
Mortgage PDL´s	-	1,163	-	-	-	-	-
Media y Residencial	-	1,086	-	-	-	-	-
De Interés Social	-	2	-	-	-	-	-
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	74	-	-	-	-	-
Preventive Loan Loss Reserves	**-**	**14,773**	**283**	**-**	**-**	**-**	**-**
Acquired Collection Rights	**-**	**1,165**	**-**	**-**	**-**	**-**	**-**
Account Receivables from Insurance and Annuities	**-**	**-**	**-**	**-**	**604**	**1,176**	**-**
Premium Debtors (Net)	**-**	**-**	**-**	**-**	**7,566**	**61**	**-**
Account Receivables from Reinsurance	**-**	**-**	**-**	**-**	**6,936**	**-**	**-**
Benef.receivab.securization transactions	**-**	**153**	**-**	**-**	**-**	**-**	**-**
Sundry Debtors & Other Accs Rec, Net	**53**	**28,206**	**90**	**52**	**-**	**-**	**1,967**
Inventories	**-**	**-**	**-**	**951**	**-**	**-**	**-**
Foreclosed Assets, Net	**-**	**1,654**	**7**	**-**	**-**	**-**	**-**
Real Estate, Furniture & Equipment, Net	**-**	**11,896**	**2,647**	**73**	**315**	**16**	**54**
Investment in Subsidiaries	**126,696**	**13,031**	**-**	**0**	**2**	**37**	**11**
Deferred Taxes, Net	**178**	**3,268**	**6**	**3**	**79**	**-**	**73**
Total other Assets	**10,705**	**17,813**	**157**	**12**	**791**	**3**	**291**
Goodwill	9,698	5,374	-	-	-	-	-
Intangible	1,007	8,997	157	1	713	0	61
Other Assets	-	3,442	-	11	78	3	230
TOTAL ASSETS	**139,199**	**993,168**	**25,629**	**1,112**	**28,567**	**72,595**	**107,193**

GFNorte - Balance Sheet as of June 30 '16

(Million Pesos)

ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges	Credits	Final Balance
Cash and Due from Banks	**341**	**32**	**147**	**92,339**	**265**	**1,845**	**90,759**
Margin Accounts	**-**	**-**	**-**	**513**	**-**	**-**	**513**
Investment in Securities	**-**	**-**	**2,230**	**461,495**	**195**	**347**	**461,343**
Negotiable Instruments	-	-	-	253,957	-	-	253,957
Securities Available for Sale	-	-	2,230	129,587	-	110	129,477
Securities Held to Maturity	-	-	-	77,951	195	237	77,909
Debtor Balance in Repo Trans, net	**-**	**-**	**120**	**1,691**	**-**	**1,629**	**62**
Transactions with Derivatives For trading purposes	**-**	**-**	**323**	**21,030**	**-**	**-**	**21,030**
Transactions with Derivatives For hedging purposes	**-**	**-**	**-**	**76**	**-**	**-**	**76**
Valuation adjustments for Asset Coverage	**-**	**-**	**-**	**121**	**-**	**-**	**121**
Gross Loan Portfolio	**-**	**-**	**2,745**	**558,502**	**-**	**14,980**	**543,522**
Net Loan Portfolio	**-**	**-**	**1,964**	**556,556**	**-**	**14,980**	**541,576**
Performing Loans	**-**	**-**	**2,029**	**559,098**	**-**	**14,980**	**544,118**
Commercial Loans	-	-	-	218,002	-	3	218,000
Financial Intermediaries´ Loans	-	-	-	18,290	-	14,977	3,313
Government Entities´ Loans	-	-	-	135,717	-	-	135,717
Consumer Loans	-	-	2,029	80,796	-	-	80,796
Mortgage Loans	-	-	-	106,292	-	-	106,292
Media y Residencial	-	-	-	102,509	-	-	102,509
De Interés Social	-	-	-	48	-	-	48
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	-	-	3,735	-	-	3,735
Past Due Loans	**-**	**-**	**86**	**12,665**	**-**	**-**	**12,665**
Commercial PDL´s	-	-	25	7,816	-	-	7,816
Financial Intermediaries PDL´s	-	-	-	344	-	-	344
Consumer PDL´s	-	-	61	3,343	-	-	3,343
Mortgage PDL´s	-	-	-	1,163	-	-	1,163
Media y Residencial	-	-	-	1,086	-	-	1,086
De Interés Social	-	-	-	2	-	-	2
Créditos adquiridos al INFONAVIT o el FOVISSSTE	-	-	-	74	-	-	74
Preventive Loan Loss Reserves	**-**	**-**	**151**	**15,207**	**-**	**-**	**15,207**
Acquired Collection Rights	**-**	**-**	**781**	**1,946**	**-**	**-**	**1,946**
Account Receivables from Insurance and Annuities	**-**	**-**	**-**	**1,781**	**-**	**-**	**1,781**
Premium Debtors (Net)	**-**	**-**	**-**	**7,627**	**-**	**-**	**7,627**
Account Receivables from Reinsurance	**-**	**-**	**-**	**6,936**	**-**	**-**	**6,936**
Benef.receivab.securization transactions	**-**	**-**	**-**	**153**	**-**	**-**	**153**
Sundry Debtors & Other Accs Rec, Net	**122**	**5**	**9,361**	**39,856**	**63**	**409**	**39,510**
Inventories	**-**	**-**	**-**	**951**	**-**	**-**	**951**
Foreclosed Assets, Net	**-**	**-**	**402**	**2,064**	**201**	**201**	**2,064**
Real Estate, Furniture & Equipment, Net	**0**	**103**	**2**	**15,106**	**212**	**172**	**15,146**
Investment in Subsidiaries	**96**	**-**	**302**	**140,174**	**767**	**127,598**	**13,344**
Deferred Taxes, Net	**-**	**-**	**402**	**4,008**	**393**	**1,316**	**3,085**
Total other Assets	**1**	**6**	**119**	**29,899**	**2,453**	**983**	**31,369**
Goodwill	-	-	-	15,072	2,453	876	16,648
Intangible	0	6	119	11,062	-	107	10,955
Other Assets	1	-	-	3,765	-	-	3,765
TOTAL ASSETS	**560**	**146**	**16,152**	**1,384,322**	**4,549**	**149,479**	**1,239,392**

GFNorte - Balance Sheet as of June 30 '16

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Deposits	**-**	**579,387**	**130**	**-**	**-**	**-**	**-**
Demand Deposits	**-**	**352,397**	**-**	**-**	**-**	**-**	**-**
Time Deposits	**-**	**225,765**	**-**	**-**	**-**	**-**	**-**
Time Deposits-Retail	-	224,698	-	-	-	-	-
Time Deposits-Money Market	-	1,068	-	-	-	-	-
Senior Unsecured Debt	**-**	**-**	**130**	**-**	**-**	**-**	**-**
Cuenta global de captación sin movimientos	**-**	**1,224**	**-**	**-**	**-**	**-**	**-**
Due to Banks & Correspondents	**-**	**14,612**	**20,479**	**839**	**-**	**-**	**-**
Immediate Redemption Loans	-	0	-	-	-	-	-
Short Term Loans	-	7,018	14,019	839	-	-	-
Long Term Loans	-	7,593	6,460	-	-	-	-
Technical Reserves	**-**	**-**	**-**	**-**	**16,472**	**69,877**	**-**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Creditor Balance in Repo Trans, Net	**-**	**216,288**	**-**	**-**	**-**	**-**	**102,573**
Collateral sold or pledged as collateral	**-**	**(0)**	**-**	**-**	**-**	**-**	**17**
Transactions with Derivatives for trading purposes	**-**	**21,961**	**-**	**-**	**-**	**-**	**-**
Transactions with Derivatives for hedging purposes	**-**	**6,825**	**-**	**-**	**-**	**-**	**-**
Payable Accounts for Reinsurance	**-**	**-**	**-**	**-**	**2,412**	**-**	**-**
Other Payable Accounts	**1,269**	**26,222**	**806**	**14**	**3,892**	**179**	**1,982**
Income Tax Payable	-	1,091	73	2	633	-	-
Profit Sharing Payable	-	206	-	-	-	-	-
Creditors for settlement of transactions	-	11,086	-	-	-	-	1,740
Acreedores Por Colaterales Recibidos En Efectivo	-	1,513	-	-	-	-	-
Other Creditors & Accounts Payable	1,269	12,325	734	12	3,259	179	242
Subordinated Non Convertible Debt	**-**	**17,821**	**-**	**-**	**-**	**-**	**-**
Deferred Taxes, Net	**-**	**-**	**-**	**-**	**-**	**670**	**-**
Deferred Credits	**-**	**759**	**115**	**-**	**102**	**-**	**0**
TOTAL LIABILITIES	**1,269**	**883,875**	**21,531**	**853**	**22,878**	**70,727**	**104,573**
EQUITY							
Subscribed Capital	**50,894**	**31,936**	**526**	**87**	**709**	**325**	**1,429**
Paid-in Capital	14,593	20,074	526	87	709	325	1,354
Share Subscription Premiums	36,301	11,862	-	-	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
Earned Capital	**87,036**	**77,347**	**3,566**	**172**	**4,943**	**1,543**	**1,191**
Capital Reserves	5,334	11,509	526	47	717	216	152
Retained Earnings	73,823	60,075	2,739	112	2,674	1,089	550
Surplus (Deficit) of Secs Available for Sale	(894)	(768)	(9)	-	113	(34)	68
Results from Valuation of Hedging Secs	(1,739)	(1,770)	-	-	-	-	-
Resultado en la Valuación de la Reserva de Riesgos en curso por variaciones en las tasas.	(24)	-	-	-	(24)	-	-
Results from Conversions	1,754	1,680	-	-	-	-	104
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remediciones por beneficios definidos a los empleados	(249)	(253)	-	-	-	-	-
Net Income	9,030	6,875	310	14	1,462	271	316
Capital Mayoritario	137,930	109,283	4,092	260	5,652	1,868	2,620
Minority Interest	-	10	7	0	37	-	-
Total Equity	**137,930**	**109,293**	**4,098**	**260**	**5,689**	**1,868**	**2,620**
TOTAL LIABILITIES & EQUITY	**139,199**	**993,168**	**25,629**	**1,112**	**28,567**	**72,595**	**107,193**

GFNorte - Balance Sheet as of June 30 '16

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges	Credits	Final Balance
Deposits	**-**	**-**	**-**	**579,517**	**1,842**	**-**	**577,675**
Demand Deposits	**-**	**-**	**-**	**352,397**	**1,726**	**-**	**350,671**
Time Deposits	**-**	**-**	**-**	**225,765**	**116**	**-**	**225,649**
Time Deposits-Retail	-	-	-	224,698	116	-	224,581
Time Deposits-Money Market	-	-	-	1,068	-	-	1,068
Senior Unsecured Debt	**-**	**-**	**-**	**130**	**-**	**-**	**130**
Cuenta global de captación sin movimientos	**-**	**-**	**-**	**1,224**	**-**	**-**	**1,224**
Due to Banks & Correspondents	**-**	**-**	**10,991**	**46,920**	**14,980**	**-**	**31,941**
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	10,991	32,867	14,980	-	17,887
Long Term Loans	-	-	-	14,054	-	-	14,054
Technical Reserves	**-**	**-**	**-**	**86,350**	**-**	**185**	**86,535**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Creditor Balance in Repo Trans, Net	**-**	**-**	**-**	**318,861**	**1,629**	**-**	**317,232**
Collateral sold or pledged as collateral	**-**	**-**	**-**	**17**	**-**	**-**	**17**
Transactions with Derivatives for trading purposes	**-**	**-**	**-**	**21,961**	**-**	**-**	**21,961**
Transactions with Derivatives for hedging purposes	**-**	**-**	**-**	**6,825**	**-**	**-**	**6,825**
Payable Accounts for Reinsurance	**-**	**-**	**-**	**2,412**	**-**	**-**	**2,412**
Other Payable Accounts	**114**	**0**	**65**	**34,545**	**536**	**80**	**34,089**
Income Tax Payable	8	0	-	1,806	-	-	1,806
Profit Sharing Payable	-	-	-	206	-	-	206
Creditors for settlement of transactions	-	-	-	12,826	201	-	12,625
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	1,513	-	-	1,513
Other Creditors & Accounts Payable	107	0	65	18,193	335	80	17,938
Subordinated Non Convertible Debt	**-**	**-**	**-**	**17,821**	**-**	**-**	**17,821**
Deferred Taxes, Net	**0**	**-**	**-**	**671**	**671**	**-**	**-**
Deferred Credits	**-**	**-**	**12**	**988**	**107**	**-**	**882**
TOTAL LIABILITIES	**115**	**0**	**11,068**	**1,116,888**	**19,763**	**265**	**1,097,390**
EQUITY							
Subscribed Capital	**112**	**144**	**4,702**	**90,865**	**40,133**	**322**	**51,054**
Paid-in Capital	112	144	4,198	42,124	27,534	-	14,590
Share Subscription Premiums	-	-	4	48,241	12,098	322	36,465
Contributions for future capital increases agreed by the governing body	-	-	500	500	500	-	-
Earned Capital	**332**	**2**	**383**	**176,515**	**90,854**	**3,282**	**88,944**
Capital Reserves	22	2	117	18,643	13,309	-	5,334
Retained Earnings	196	(1)	805	142,062	69,578	3,205	75,689
Surplus (Deficit) of Secs Available for Sale	-	-	(280)	(1,805)	(894)	-	(911)
Results from Valuation of Hedging Secs	-	-	-	(3,509)	(1,770)	-	(1,739)
Resultado en la Valuación de la Reserva de Riesgos en curso por variaciones en las tasas.	-	-	-	(48)	(24)	-	(24)
Results from Conversions	-	-	-	3,539	1,784	-	1,754
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remediciones por beneficios definidos a los empleados	-	-	-	(502)	(253)	-	(249)
Net Income	114	1	(259)	18,134	9,123	77	9,088
Capital Mayoritario	445	146	5,084	267,381	130,986	3,604	139,998
Minority Interest	0	-	-	53	37	1,987	2,004
Total Equity	**445**	**146**	**5,084**	**267,434**	**131,023**	**5,591**	**142,002**
TOTAL LIABILITIES & EQUITY	**560**	**146**	**16,152**	**1,384,322**	**150,786**	**5,856**	**1,239,392**

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 the National Banking and Securities Commission issued a special accounting criteria 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 criteria, if applied, we will comply with the disclosures set forth in this criterion.

Amendments to the revolving consumer portfolio's rating methodology

On December 16, 2015, the CNBV published a disposition modifying the provisions regarding the rating methodology for revolving consumer loans, which still has an expected loss focus, addingrecent information on industry's performace 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.

General Dispositions applicable to Credit Institutions in Capitalization Matters

In October 2015, regulatory changes published on December 31, 2014 in de Official Gazette became effective. Those modified general dispositions applicable to credit institutions in capitalization matters. Among the amendments, stand out:

a. Change in the weightings to calculate Credit and Market risks requirements.
b. Change in the treatment of Lines of Credit.
c. Incorporation of options' requirements for Gamma and Vega risks.
d. Incorporation of Credit Valuation Adjustment in the calculation of the counterparty risk requirement.
e. Entry of the Standard Model and Alternative Standard for Operational Risk.

Modifications in Seguros Banorte and Pensiones Banorte.

Seguros Banorte

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

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

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

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

Registration of changes in calculation methodology for Unexpired Risks

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

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

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

Pensiones Banorte

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

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

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

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

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

the loan will be set aside in accordance to the existing regulation which requires up to 100% of Loss Severity for loans 18 months or more in default.

Liquidity Coverage Ratio (LCR). Changes in Methodology

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

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

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 2Q16
Corporate bonds	$183.0	$36.6	$18.3

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 2Q16
Corporate bonds	$2,728.7	$545.7	$272.9

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

The amounts that would have been registered and presented in the balance sheet as of June 30, 2016, having not implemented the aforementioned option in the affected lines are:

Other short and long term assets[1]	1,145
Total assets	**1,236,772**
Results from prior years	75,487
Remeasurements of defined benefits for employees	(2,704)
Total equity	**139,345**
Total liabilities plus equity	**1,236,735**

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 June 30, 2016, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 928, and its maturities are between 2017 and 2027.

Loan Portfolio Sales to Sólida

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

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

	Moneda Nacional			Moneda Extranjera (USD)			Total		
(Millones de Pesos Nominales)	ago-02	mar-16	jun-16	ago-02	mar-16	jun-16	ago-02	mar-16	jun-16
Cartera Vigente									
Comercial	5	0	0	5	0	0	10	0	0
Consumo	0	0	0	0	0	0	0	0	0
Hipotecario	54	21	21	0	0	0	54	21	21
Total	**59**	**21**	**21**	**5**	**0**	**0**	**64**	**21**	**21**
Cartera Vencida									
Comercial	405	236	236	293	11	12	698	248	249
Consumo	81	71	71	0	0	0	81	71	71
Hipotecario	1,112	210	209	0	0	0	1,112	210	209
Total	**1,598**	**518**	**516**	**293**	**11**	**12**	**1,891**	**529**	**529**
CARTERA TOTAL	**1,657**	**539**	**537**	**298**	**11**	**12**	**1,955**	**551**	**549**
Reservas Crediticias (1)									
Comercial	326	236	236	246	11	11	572	248	248
Consumo	77	71	71	0	0	0	77	71	71
Hipotecario	669	221	221	0	0	0	669	221	221
Total	**1,072**	**529**	**529**	**246**	**11**	**11**	**1,318**	**540**	**540**

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

(*)There was a reserve difference of Ps 30 million as of June 2016.

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

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

In 2Q16 the Loan portfolio showed changes due to: collections of Ps 0.8 million, charge offs and discounts of Ps 6.3 million, foreclosed assets for Ps 0.9 million and restructurings for Ps 0.1 million. In the Loan loss provisions, there were charge offs and discounts of Ps 1.6 million. There were transfers to past due loans for Ps 156.1 million and to performing loans for Ps 20.6 million.

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

	Local Currency (1)		Foreign Currency (USD) (2)		Total	
(Million of Nominal Pesos)	Mar-16	Jun-16	Mar-16	Jun-16	Mar-16	Jun-16
Commercial	315,455	295,632	34,918	37,117	350,373	332,749
Consumer	50,267	78,610	0	0	50,267	78,610
Mortgage	100,764	104,754	0	0	100,765	104,754
Performing Loans	**466,486**	**478,996**	**34,918**	**37,117**	**501,404**	**516,113**
Commercial	7,896	8,087	108	68	8,004	8,155
Consumer	1,284	3,353	0	0	1,284	3,353
Mortgage	1,304	1,350	0	0	1,304	1,350
Non Performing Loans	**10,484**	**12,789**	**108**	**68**	**10,592**	**12,857**
TOTAL LOANS	**476,970**	**491,785**	**35,026**	**37,185**	**511,996**	**528,970**
Loan Loss Reserves	**10,906**	**13,721**	**300**	**328**	**11,206**	**14,048**
Net Loan Portfolio	**466,064**	**478,064**	**34,726**	**36,857**	**500,790**	**514,922**
Loan Loss Reserves					**105.80%**	**109.27%**
%Past Due Loans					**2.07%**	**2.43%**

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

Notes to Financial Statement

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q16
(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	**213,017**	**812**	**128**	**213,956**
Unrestricted	**7,359**	**59**	**(35)**	**7,383**
CETES	5,601	55	(13)	5,644
BONDES	1	0	0	1
BPA	1,131	1	1	1,134
Bonds	136	1	(23)	114
Udibonds	478	1	0	479
UMS	19	0	(0)	19
Treasury Notes	(7)	0	0	(7)
Restricted	**205,658**	**753**	**162**	**206,573**
CETES	2,263	-	(1)	2,262
BONDES	22,322	39	4	22,366
BPA	176,617	702	137	177,456
Bonds	4,334	12	14	4,360
Udibonds	121	0	0	121
UMS	0	-	-	0
Treasury Bonds	(0)	-	0	(0)
Treasury Notes	0	-	7	7
Banking Securities	**36,094**	**41**	**3**	**36,138**
Unrestricted	**1,560**	**1**	**(1)**	**1,561**
Notes	1,817	0	0	1,817
Stock Certificates	411	1	(0)	411
Other Banking Securities	(667)	-	(0)	(667)
Restricted	**34,534**	**40**	**3**	**34,577**
Notes	3,942	-	(0)	3,942
CEDES	9,143	7	(1)	9,149
Stock Certificates	17,577	31	4	17,612
Other Banking Securities	3,872	1	1	3,874
Private Securities	**3,635**	**5**	**223**	**3,863**
Unrestricted	**1,497**	**2**	**225**	**1,724**
Stock Certificates	506	1	(7)	500
PEMEX Bonds	3	0	0	3
Euro Bonds	123	1	9	133
BMV stocks	67	-	159	225
Mutual Funds stocks	798	-	64	862
Restricted	**2,138**	**3**	**(2)**	**2,139**
Stock Certificates	1,960	3	(4)	1,959
BMV stocks	171	-	2	173
Other Private Securities	0	-	-	0
Total	**252,746**	**857**	**353**	**253,957**

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q16

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	**94,160**	**1,210**	**306**	**95,676**
Unrestricted	**27,855**	**253**	**352**	**28,460**
CETES	16	-	(0)	16
BONDES	100	0	0	100
BREMS	7,778	11	-	7,790
Bonds	478	1	(12)	467
CBIC	67	0	8	75
Udibonds	97	0	46	144
UMS	11,462	218	342	12,022
Other Government Securities	7,856	23	(32)	7,847
Restricted	**66,305**	**956**	**(46)**	**67,216**
CETES	97	-	(0)	97
BPA	66,207	956	(45)	67,118
Bonds	1	0	(0)	1
Banking Securities	**1,466**	**6**	**49**	**1,520**
Unrestricted	**1,366**	**6**	**49**	**1,420**
CEDES	310	3	89	402
Stock Certificates	254	2	30	286
Structured Notes	742	0	(71)	671
Other Banking Securities	60	0	0	60
Restricted	**100**	**0**	**0**	**100**
Stock Certificates	100	0	0	100
Private Securities	**33,982**	**254**	**(1,954)**	**32,281**
Unrestricted	**23,132**	**203**	**(1,038)**	**22,297**
Stock Certificates	6,205	44	(282)	5,967
PEMEX Bonds	9,483	137	(442)	9,177
Euro Bonds	1,440	22	(2)	1,461
BMV stocks	2,645	-	(414)	2,231
Mutual Funds stocks	3,359	-	102	3,461
Restricted	**10,849**	**51**	**(916)**	**9,985**
Stock Certificates	6,637	15	(122)	6,530
PEMEX Bonds	3,441	36	(53)	3,424
BMV stocks	771	-	(741)	31
Total	**129,607**	**1,469**	**(1,600)**	**129,477**

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q16

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	**62,505**	**91**	**-**	**62,595**
Unrestricted	**62,504**	**91**	**-**	**62,595**
CETES (Special)	928	-	-	928
CBIC	264	2	-	266
Udibonds	61,312	89	-	61,401
Restricted	**0**	**0**	**-**	**0**
Bonds	0	0	-	0
CBIC	0	0	-	0
Udibonds	0	0	-	0
Banking Securities	**1,830**	**859**	**-**	**2,689**
Unrestricted	**1,830**	**859**	**-**	**2,689**
CEDES	722	669	-	1,390
Stock Certificates	659	13	-	672
Structured Notes	449	177	-	627
Private Securities	**12,472**	**195**	**-**	**12,667**
Unrestricted	**8,551**	**183**	**-**	**8,733**
Stock Certificates	8,551	183	-	8,733
Restricted	**3,922**	**12**	**-**	**3,934**
Stock Certificates	3,922	12	-	3,934
Fair Value Adjustment Ixe Banco	(42)	-	-	(42)
Total	**76,765**	**1,144**	**-**	**77,909**

REPURCHASE AGREEMENT OPERATIONS 2Q16

(Million Pesos)

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Goverment securities	5,803	5,757	46	0	269,115
Banking securities	3,376	3,376	0	0	31,040
Private Securities	2,510	2,494	16	-	17,077
Total	**11,689**	**11,626**	**62**	**0**	**317,232**

DERIVATES FINANCIAL INSTRUMENTS OPERATIONS 2Q16

(Million Pesos)

Creditor Balance	
Instrument	**Fair Value**
Forward	
Fx Forward	9
Options	
Rate options	630
Fx options	1
Opciones de acciones	337
Swaps	
Rate swap	16,665
Fx swap	3,388
Negotiable Total	**21,030**
Options	
Rate Options	7
Swaps	
Fx swap	69
Hedging total	**76**
Position total	**21,107**

Debtor Balance	
Instrument	**Fair Value**
Forward	
Fx Forward	5
Options	
Rate options	492
Fx options	1
Swaps	
Rate swap	15,965
Fx swap	5,498
Negotiable Total	**21,961**
Swaps	
Rate swap	1,008
Fx swap	5,817
Hedging total	**6,825**
Position total	**28,786**

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2Q16 - Banorte

(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	106	7
FX Forwards	Sales	Exchange Rate (USD/MXN)	1,069	24
FX Options	Purchases	FALSO	2	5
FX Options	Purchases	Exchange Rate (Dollar)	4	10
FX Options	Sales	Exchange Rate (Dollar)	78	12
Interest Rate Options	Purchases	TIIE	44,478	142
Interest Rate Options	Sales	TIIE	90,147	437
Interest Rate Options	Purchases	LIBOR	5,746	21
Interest Rate Options	Sales	LIBOR	5,905	18
Interest Rate Swaps	USD LIBOR	LIBOR	491,737	2,116
Interest Rate Swaps	MXN TIIE	TIIE	1,406,683	4,786
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	1,362	6
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	8,433	30
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	15,732	26
Interest Rate and FX Swaps	CS EURMXN	FIX/VARIABLE	569	2
Interest Rate and FX Swaps	CS EURMXN	FIX/FIX	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FIX/FIX	2,334	11

LOAN PORTFOLIO

(Million Pesos)

	Local Currency		UDIS		Foreign Currency		Total	
	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16
Commercial Loans	146,721	161,932	-	-	45,329	56,068	192,050	218,000
Financial Intermediaries´ Loans	1,532	1,349	-	-	1,769	1,965	3,301	3,313
Consumer Loans	71,979	80,643	-	-	139	153	72,118	80,796
Mortgage Loans	92,176	104,523	257	210	1,411	1,559	93,844	106,292
Government Entities´ Loans	123,782	134,203	-	-	922	1,514	124,704	135,717
Total	**436,190**	**482,649**	**257**	**210**	**49,570**	**61,259**	**486,017**	**544,118**
Commercial Loans	10,058	7,742	0	0	104	74	10,162	7,816
Financial Intermediaries´ Loans	0	344	-	-	-	-	0	344
Consumer Loans	2,684	3,343	-	-	0	-	2,685	3,343
Mortgage Loans	1,092	1,125	27	15	30	22	1,149	1,163
Total	**13,836**	**12,554**	**27**	**15**	**134**	**96**	**13,996**	**12,665**
Total Propietary Loans	**450,025**	**495,203**	**284**	**225**	**49,704**	**61,355**	**500,012**	**556,783**

COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND MORTGAGE FOVI LOAN PORTFOLIOS AS OF 2Q16- GFNorte

(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	4.0	0.0
Mortgage FOVI	-	-
	4.0	**0.0**

DEFERRED TAXES 2Q16

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	3,884	**3,884**
Non deductible provisions and cumulative income	913	**913**
Excess of accounting value over fiscal value on Reposessed Assets	786	**786**
Diminishable profit sharing	140	**140**
Fees received in advance	943	**943**
Effects from valuation of instruments	960	**960**
Tax losses pending amortization	1,604	**1,604**
Provisions for possible loss in loans	538	**538**
Loss on sale of foreclosed assets and credits	91	**91**
State Tax on Assets Deferred	5	**5**
Loss on sale of foreclosed assets and credits	0	**0**
Loss on sale of foreclosed assets and credits	74	**74**
Total Assets	9,939	**9,939**
LIABILITIES		
Pension Funds Contribution	(1,005)	**(1,005)**
Loan Portfolio Acquisitions	(399)	**(399)**
Projects to be capitalized	(2,397)	**(2,397)**
Intangibles' amortizations	(36)	**(36)**
Effects from valuation of instruments	(2,253)	**(2,253)**
Intangibles' amortizations	(681)	**(681)**
Unrealized Loss on Securities held for Sale	(83)	**(83)**
Total Liabilities	(6,854)	**(6,854)**
Assets (Liabilities) Accumulated Net	3,085	**3,085**

LONG TERM DEBT AS OF JUNE '16 - BANCO MERCANTIL DEL NORTE

(Million Pesos)

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds 2006 (BANOA28 131021)	USD	13-oct-06	200	2,188	3,693	15 years	6.862%	13-oct-21	E/ 180 days
Non Convertible Subordinated Bonds Q Banorte 08	MXN	11-mar-08	3,000	3,000	3,000	10 years	TIIE + 0.60%	27-feb-18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08-2	MXN	27-jun-08	2,750	2,750	2,750	10 years	TIIE + 0.77%	15-jun-18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,421	20 years	4.950%	15-feb-28	E/ 182 days
Non Convertible Subordinated Bonds Q Banorte 12	MXN	08-jun-12	3,200	3,200	3,200	10 years	TIIE + 1.50%	27-may-22	E/ 28 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,216	10 years	9.25%	14-oct-20	E/ 180 days

BANK AND OTHER ENTITIES LOANS' AS OF 2Q16

(Million Pesos)

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	1,983	1,983
Loans from Development Banks	12,085	5,765	17,850
Loans from Public Funds	8,090	1,179	9,268
Call Money & Loans from Banks	17,602	-	17,602
Loans from Fiduciary Funds	145	-	145
Provisions for Interest	72	-	72
	37,993	**8,927**	**46,920**
Eliminations			(14,979)
Total			**31,941**

CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST RATES 2Q16	
CORE DEPOSITS (BANORTE)	
Demand Deposits	
Local Currency and UDIs	0.46%
Foreign Currency	0.02%
Time Deposits - Retail	
Local Currency and UDIs	3.12%
Foreign Currency	0.23%
Time Deposits - Money Market	
Local Currency and UDIs	3.10%
DUE TO BANKS & CORRESPONDENTS (BANORTE)	
Inmediate Redemption Loans	
Local Currency and UDIs	3.15%
Public Funds and Development Banks	
Local Currency and UDIs	4.33%
Foreign Currency	2.06%

MAIN CREDIT LINES RECEIVED 2Q16 (BANORTE)

Million pesos

	2Q15	1Q16	2Q16	Change vs. 2Q15	Change vs. 1Q16
Banxico (Monetary Regulation Deposits)	33,449	33,449	33,449	0%	0%
Banxico (Repos with the System of Payments	36,967	38,822	46,962	27%	21%
Call Money	65,650	111,088	111,746	70%	1%
TOTAL	**136,066**	**183,359**	**192,157**	41%	5%

TRADING INCOME 2Q16

Million Pesos

Trading income	Consolidated
Securities - Unrealized gains	**180**
Negotiable instruments	**136**
Derivative instruments - Negotiation	**51**
Derivative instruments - Hedging	**(7)**
Impairment loss or revaluation increase	**(7)**
Result from foreign exchange valuation	**17**
Result from valuation of precious metals	**10**
Result from purchase/sale of securities and derivatives	**160**
Negotiable instruments	**170**
Securities held for sale	**80**
Derivative instruments - Hedging	**-90**
Result from purchase/sale of foreign exchange	**646**
Result from purchase/sale of precious metals	**3**
Total	**1,009**

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 negative events.

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

Credit Risk: revenue volatility due to constitution of provisions for impaired loans, and 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
- 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, surveys, 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 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 though 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 separates the loan portfolio into two large groups: retail loans and wholesale loans.

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

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

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

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

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

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

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

2.1.2 Portfolio Credit Risk

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

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

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

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

The results 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 99.5% and expected loss.

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

2.1.3 Credit Risk of Financial Instruments

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

Origination policies define the types of eligible negotiable financial instruments, as well as the methodology for assessing Credit Risk of the different types of originators / issuers and counterparts. 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 June 30, 2016 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 *(Million pesos)*	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	149,818	20,780	25	170,623
YoY Revenues or Sales < 14 MM UDIS	56,660	786	0	57,446
YoY Revenues or Sales >= 14 MM UDIS	93,158	19,994	25	113,177
States or Municipalities	81,829	634	0	82,463
Decentralized Federal Government Agencies and State Companies	51,797	1,365	0	53,163
Projects with own source of payment	39,141	0	0	39,141
Financial Institutions	18,071	205	0	18,276
Mortgage	105,874	0	0	105,874
Consumer	81,891	5	2,090	83,986
Credit Card	26,958	0	0	26,958
Non-revolving	54,933	5	2,090	57,028
Total Loans subject to the Standard Method	**528,420**	**22,989**	**2,115**	**553,525**
INB				**18,275**
Eliminations				**(15,017)**
Total Loans				**556,783**

*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 June 2016 presented an exposure of Ps 556,783 million, higher in Ps 11,444 million or +2.1% QoQ and Ps 56,771 million or +11.4% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment	Total Loan			Var. vs 1Q16		Var. vs 2Q15	
(Million pesos)	2Q15	1Q16	2Q16	$	%	$	%
Government	124,708	137,144	135,717	(1,427)	(1.0%)	11,008	8.8%
Commercial	122,311	131,063	133,517	2,454	1.9%	11,206	9.2%
Mortgage	94,993	103,327	107,455	4,128	4.0%	12,462	13.1%
Corporate	84,248	93,248	95,956	2,708	2.9%	11,708	13.9%
Payroll	37,508	40,915	43,503	2,588	6.3%	5,995	16.0%
Credit Card	24,558	26,644	26,958	314	1.2%	2,400	9.8%
Auto Loans	11,686	12,998	13,678	680	5.2%	1,992	17.0%
Total Loans	**500,012**	**545,339**	**556,783**	**11,444**	**2.1%**	**56,771**	**11.4%**

*2Q15 figures we updated retroactively due to the reclassification of "Empuje Business Card" in the first quarter of 2016.

As of 2Q16, GFNorte's performing loans, past due loans and the distressed portfolio, grouped by subsidiary are detailed below:

Subsidiary	Loans		Distressed Portfolio		Total	Total Reserves
(Million pesos)	Performing	Past-due	Performing	Past-due		
Banorte*	499,625	4,629	1,451	7,699	513,404	14,358
Arrendadora y Factoraje	22,776	80	4	130	22,989	274
INB	18,168	41	67	0	18,275	161
Sólida	2,029	61	0	25	2,115	150
Accounting Record						264
Total Loans	**542,597**	**4,811**	**1,521**	**7,854**	**556,783**	**15,207**

* Banorte's total loans include eliminations for (Ps 15,017)

Total reserves Ps 15,207 million, includes rating reserves for Ps 14,943 million and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) for Ps 264 million.

GFNorte's performing, past-due and distressed portfolios in 2Q16, 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		2Q16	Var. vs 1Q16		
Government	135,716	0	0	0	135,717	711	(224)	0	0
Services*	47,074	92	278	528	47,972	787	(108)	161	245
Construction	38,473	48	54	5,022	43,597	2,677	183	44	867
Commerce	39,875	86	310	1,392	41,664	1,083	(52)	182	287
Manufacturing	39,159	39	136	498	39,831	623	(38)	99	298
Top 5 Sectors	**300,297**	**265**	**778**	**7,440**	**308,781**	**5,881**	**(239)**	**485**	
Other Sectors	38,756	22	676	414	39,868	752	(12)	57	
Mortgage	106,292	1,163	0	0	107,455	794	144	326	
Consumer	80,796	3,343	0	0	84,139	7,369	1,181	1,736	
INB Commercial	16,456	19	67	0	16,541	147	20	4	
Accounting Records						264			
Total Group	**542,597**	**4,811**	**1,521**	**7,854**	**556,783**	**15,207**	**1,094**	**2,607**	

* Includes Financial, Real Estate and Other Services
**Days past due from Non-Performing Loans.

Sector/Subsidiary *(Million pesos)*	Banorte*	AyF	INB	Sólida	Total Loans
Government	133,626	2,091			135,717
Services**	44,107	3,865			47,972
Construction	39,767	3,805		25	43,597
Commerce	37,260	4,404			41,664
Manufacturing	32,649	7,182			39,831
Top 5 Sectors	**287,409**	**21,347**	**0**	**25**	**308,781**
Remaining	225,995	1,642	18,275	2,090	248,002
Total Loans	**513,404**	**22,989**	**18,275**	**2,115**	**556,783**

* Banorte's total loans include eliminations for (Ps 15,017)
** Includes Financial and Real Estate services

As of 2Q16, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

	Federal Entities	Loans		Distressed		Total Loans	Total Reserves
	(Million pesos)	**Performing**	**Past-Due**	**Performing**	**Past-Due**		
1	Distrito Federal	147,988	1,076	718	5,353	155,135	5,417
2	Nuevo León	93,933	541	127	334	94,935	1,863
3	Estado de México	41,360	574	78	352	42,365	1,219
4	Jalisco	29,783	324	111	228	30,447	777
5	Tamaulipas	18,531	119	20	143	18,814	425
6	Sinaloa	14,186	117	49	187	14,540	308
7	Veracruz	14,019	188	42	68	14,317	403
8	Coahuila	14,081	93	27	63	14,265	257
9	Sonora	12,482	76	13	80	12,651	238
10	San Luis Potosí	12,254	93	14	30	12,391	263
	Top 10	**398,617**	**3,203**	**1,200**	**6,840**	**409,860**	**11,170**
	Other Federal Entities	143,980	1,608	320	1,014	146,923	3,773
	Accounting Records						264
	Total Loans	**542,597**	**4,811**	**1,521**	**7,854**	**556,783**	**15,207**

* Banorte's total loans include eliminations for (Ps 15,017)

As of 2Q16, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

Remaining Term	Portfolio		Distressed		Total Loans	Total Reserves
(Million pesos)	**Performing**	**Past-Due**	**Performing**	**Past-Due**		
0 - 1 years	79,544	1,782	253	5,582	87,160	7,001
1 - 5 years	95,154	472	548	1,585	97,759	2,365
5 - 10 years	88,792	164	74	188	89,219	582
> 10 years	236,135	2,212	575	344	239,266	4,410
Banorte	**499,625**	**4,629**	**1,451**	**7,699**	**513,404**	**14,358**
INB	18,168	41	67	0	18,275	161
Factoring	12,891	0	4	56	12,951	150
Leasing	9,885	80	0	73	10,038	124
Sólida	2,029	61	0	25	2,115	150
Accounting Records						264
Total Loans	**542,597**	**4,811**	**1,521**	**7,854**	**556,783**	**15,207**

* Banorte's total loans include eliminations for (Ps 15,017)

The total distressed portfolio is Ps 9,375 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio *(Million pesos)*	**2Q16**				
	Banorte	**Inter National Bank**	**Arrendadora y Factor**	**Sólida**	**GFNorte**
Initial Loan Loss Provisions	**4,098**	**7**	**101**	**15**	**4,220**
Charged to results	553	7	3	0	562
Loans' write offs	188	0	0	0	188
FX changes	2	0	0	0	2
Adjustments in Credit Risk	362	7	3	0	372
Write-offs, charge-offs and discounts	(504)	0	(33)	0	(537)
Final Loan Loss Reserves	**4,147**	**14**	**71**	**15**	**4,246**
Loan Recoveries	**58**	**3**	**0**	**0**	**61**

2.2.2 Exposure to Financial Instruments

As of June 30, 2016, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps $258,100 million, of which 99.4% 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 March 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 March 2016 has 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 6 years and 5 months for Ps 15.213 at 4.6%; market certificates from Banco Inbursa for 1 year and 6 months for Ps 6,575 at 4.1%; and HSBC Mexico market certificates for 2 months for Ps 6,147 at 4.1%.

For Derivatives operations, the notional amount of the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 2% of the Tier 1 Capital as of March 2016

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 101,200 million, of which 99.8% 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 24% of the Capital as of March 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 March 2016has 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 3 years and 1 month for Ps 2,007 at 4.7%; market certificates of PEMEX to 2 years and 4 months for Ps 1,908 at 5.2%; market certificates of HSBC México to 2 years and 5 months for Ps 1,151 at 4.3%; market certificates of Banamex to 1 year and 2 months for Ps 905 at 4.2%; market certificates of Scotiabank Inverlat for 1 year and 9 months for Ps 732 million at 4.3%; market certificates of Bancomer for 1 year and 9 months for Ps 572 at 4.3%; bonds of Deutsche Bank for 6 years and 11 months for Ps 537 at 9.0%; market certificates of Banco Santander Mexicano to 3 months for Ps 529 at 4.2%; market certificates of Banco Inbursa for 9 months for Ps 463 at 4.2%; market certificates of Banco Interacciones for 3 years and 3 months for Ps 186 at 5.2%; and bonds of CABEI to 2 years and 6 months for Ps 165 at 4.0%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 618 thousand, 100% of them are shares. In derivatives, its exposure is Ps 4 million with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 2,230 million. The 100.0% of them are shares. Its exposure to derivatives was Ps 323 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.

Position	2Q16	2Q16 Average
Forwards	(1)	6.2
Options	145	176
Interest Rate Swaps	(194)	(167)
Cross Currency Swap	(7,844)	(7,399)
Total	(7,894)	(7,383)
Positive Fair Value *(Positive Fair Value)*	5,428	4,988
Netting Effect*	13,323	12,371
Delivered Guarantees(-) /Received(+)		
Cash	(10,418)	(9,514)
Securities	9	9
Total	(10,409)	(9,505)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value
Futures amounting (Ps 34.5) million are not included, as do not represent counterparty risk.

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

	Potential Risk		Current Risk	
Financial Counterparties	2Q16	2Q16 Average	2Q16	2Q16 Average
FWD	3	53	0	4
OPTIONS	670	666	470	474
INTEREST RATE SWAP	3,654	3,856	(2,859)	(2,741)
CCS	545	396	(8,999)	(8,487)
Total	**3,773**	**3,930**	**(11,388)**	**(10,750)**
Clients (Non-Financial)	2Q16	2Q16 Average	2Q16	2Q16 Average
FWD	6	7	(1)	2
OPTIONS	33	26	(325)	(298)
INTEREST RATE SWAP	2,988	2,905	2,665	2,575
CCS	1,167	1,101	1,155	1,088
Total	**4,153**	**4,026**	**3,493**	**3,367**

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

Net Cash Outflows	2Q16	2Q16 Average
Cash Outflow with 1-notch Downgrade	516	506
Cash Outflow with 2-notch Downgrade	516	540
Cash Outflow with 3-notch Downgrade	627	637

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

Rating	2Q16	2Q16 Average
AAA/AA-	(264)	(246)
A+/A-	(1,821)	(1,987)
BBB+/BBB-	(2,124)	(1,703)
BB+/BB-	(5,598)	(5,236)
B+/B-	0	0
CCC/C	0	0
SC	1,913	1,789
Total	(7,894)	(7,383)

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)*	**2Q16**				
	Banorte	**INB**	**Arrendadora y Factor**	**Sólida**	**GFNorte***
Total Loan Portfolio	**528,420**	**18,275**	**22,989**	**2,115**	**556,783**
Covered Loan Portfolio by type of collateral					
Real Financial Guarantees	15,866	987	0	0	16,853
Real Non-Financial Guarantees	263,252	16,066	5,444	25	284,788
Pari Passu	19,642	0	0	0	19,642
First Losses	23,146	0	0	0	23,146
Personal Guarantees	12,418	0	5,773	0	18,191
Total Loan Portfolio Covered	**334,323**	**17,053**	**11,218**	**25**	**362,619**

*Total Loans includes eliminations for (Ps 15,017).

2.4 Expected Loss

As of June 30, 2016, Banco Mercantil del Norte's total portfolio, excluding INB, was Ps 528,420 million. The expected loss represents 2.2% and the unexpected loss is 3.4% with respect to the total portfolio. The average expected loss is 2.1% during the period April - June 2016.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 103,225 million and the expected loss represents 0.03% of the exposure. The average expected loss is 0.03% between –April - June 2016.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 25,600 million. The expected loss represents 0.7% and the unexpected loss is 4.5% of the total portfolio. The average expected loss represents 0.6% during the April - June 2016 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 2,115 million. The expected loss of the portfolio represents 6.6% and the unexpected loss 10.1%, both with respect to the total portfolio. The average expected loss for the period of April - June 2016 was 6.4%.

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 March 31, 2016	75,722
I. Financings whose individual amounts represent more than 10% of basic equity:	
Loan Operations	
Number of financings	1
Total amount of financings	8,609
% in relation to Tier 1	11%
Money Market Operations	
Number of financings	0
Total amount of financings	0
% in relation to Tier 1	0%
Overnight Operations	
Number of financings	2
Total amount of financings	16,836
% in relation to Tier 1	22%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	**35,221**

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 March 31, 2016	4,449
I. Financings whose individual amounts represent more than 10% of equity:	
Loan Operations	
Number of financings	5
Total amount of financings	4,446
% in relation to Equity	100%
Money Market Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
Overnight Operations	
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:	**5,555**

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 March 31, 2016	3,958
I. Financings whose individual amounts represent more than 10% of equity (group level):	
Loan Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
Money Market Operations	
Number of financings	1
Total amount of financings	323
% in relation to Equity	8%
Overnight Operations	
Number of financings	1
Total amount of financings	129
% in relation to Equity	3%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	**679**

3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

- Maintain an adequate monitoring on Market Risk.
- Maintain the Senior Management adequately informed in time and form.
- Quantify exposure to Market Risk through the use 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:

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

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 and hedging purposes) classified for accounting purposes as trading and available for sale assets, both on and off the balance sheet.

The average VaR of the portfolio for 2Q16 was Ps 286 million (Ps 27 million higher than the average VaR for 1Q16).

The result shows that the Bank's potential loss will be above Ps 286 million in one out of a hundred days.

VaR Million Pesos	Average 2Q16
VaR Total	286
Net Capital(1)	90,155(1)
VaR/Net Capital	0.32%

Note (1): Figures as of Jun 2016

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

Risk Factor Million Pesos	2Q16	Average 2Q16
IPC	1.8	(2.1)
Domestic Interest Rates	57.3	174.2
Foreign Interest Rates	7.2	17.7
Surcharge	7.4	14.7
FX Rate	153.6	81.4
Bank's Total VaR	**227.3**	**285.9**

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

Risk Factor	VaR 2Q16
IPC	0.8%
Domestic Interest Rates	25.2%
Foreign Interest Rates	3.2%
Surcharge	3.3%
FX Rate	67.6%

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 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.

3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 2Q16 is Ps 26 million.

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

VaR Million Pesos	Average 2Q16
Total VaR	26
Net Capital	2,355[1]
VaR/Net Capital	**1.10%**

Note (1): Figures as of Jun 2016

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

Risk Factor *(Million Pesos)*	2Q16	Average 2Q16
IPC	0	0
Domestic Interest Rates	22.9	23.9
Surcharge	(0.3)	2.2
Casa de Bolsa Total VaR	**22.5**	**26.1**

Risk Market concentration factor is set in domestic 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. LIQUIDITY RISK

GFNorte's Liquidity Risk objectives are:

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

GFNorte's Liquidity Risk Policies are:

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

4.1 Liquidity Risk Methodology and Exposure

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

4.2 Profile and Funding Strategy

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

Funding Source (Million Pesos)	1Q16	2Q16	Change vs. 1Q16
Demand Deposits			
Local Currency [1]	288,568	298,404	3.4%
Foreign Currency [1]	37,227	38,203	2.6%
Demand Deposits	**325,795**	**336,607**	**3.3%**
Time Deposits – Retail			
Local Currency [2]	131,891	137,386	4.2%
Foreign Currency	19,398	20,255	4.4%
Core Deposits	**477,084**	**494,248**	**3.6%**
Money Market			
Local Currency [3]	62,158	60,139	(3.2%)
Banking Sector Deposits	**539,242**	**554,387**	**2.8%**

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 2Q16.

LCR Components		Bank and Sofomes	
(Million Pesos)		**Unweighted amount (Average)**	**Weighted amount (Average)**
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	72,534
CASH DISBURSEMENTS			
2	Unsecured retail financing	368,764	29,546
3	Stable financing	146,607	7,330
4	Less stable financing	222,157	22,216
5	Unsecured wholesale financing	140,895	47,319
6	Operational Deposits	79,315	14,993
7	Non-Operational Deposits	60,931	31,677
8	Unsecured debt	649	649
9	Secured wholesale financing	NA	18,247
10	Additional Requirements:	229,607	18,247
11	Disbursements related to derivatives and other guarantee requirements	40,202	5,061
12	Disbursements related to losses from debt financing	-	-
13	Lines of credit and liquidity	189,405	13,187
14	Other contractual financing obligations	-	-
15	Other contingent financing liabilities	1,197	-
16	**TOTAL CASH DISBURSEMENTS**	**NA**	**113,575**
CASH INFLOWS			
17	Cash Inflows for secured operations	8,091	669
18	Cash Inflows for unsecured operations	63,864	49,349
19	Other Cash Inflows	3,206	1,876
20	**TOTAL CASH INFLOWS**	**75,161**	**51,893**
			Adjusted amount
21	**TOTAL COMPUTABLE LIQUID ASSETS**	**NA**	**72,535**
22	**TOTAL NET CASH DISBURSEMENTS**	**NA**	**61,681**
23	**LIQUID COVERAGE RATIO**	**NA**	**118.52%**

During 2Q16, the average LCR for the Bank and Sofomes was 118.52%, and at **the end of 2Q16 the LCR was 132.48%** 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 scenario[1].

4.4 Evolution of LCR Components

The evolution of the LCR components comparing 1Q16 and 2Q16 is presented in the following table

LCR Component (Million Pesos)	1Q16	2Q16	Var. vs. 1Q16
Liquid Assets	69,680	79,355	13.9%
Cash Inflows	57,406	55,598	(3.15%)
Cash Outflows	116,009	115,498	(0.44%)

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 1Q16 and 2Q16 are distributed as follows:

Type of Asset (Million Pesos)	1Q16	2Q16	Var. vs. 1Q16
Total	**69,680**	**79,355**	**13.9%**
Level I	60,619	69,888	15.3%
Level II	9,061	9,468	4.5%
Level II A	7,957	8,207	3.1%
Level II B	1,104	1,261	14.25%

The increase in Level I Assets are explained by the Level I asset positioning, UMS mainly and the exchange of DRM for BREMS during 2Q16.

4.5 LCR Result's Main Causes

Variations in the LCR between 1Q16 and 2Q16 are mainly due to the increase in Liquid Assets Level 1 as a part of a process for Institution's liquidity optimization.

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.

4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 2Q16, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	1Q16	2Q16	Var. vs. 1Q16
Net cash outflows at market value and for potential future exposure	2,383	2,658	11.55%
Cash outflows for a 3 notch credit rating downgrade.	469	627	33.67%

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 3,285 million.

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

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 2Q16 are presented in the following table.

Concept *(Million Pesos)*	1Q16	2Q16	Var. vs. 1Q16
Cumulative 30 day Gap	(53,270)	(55,434)	4.1%
Liquid Assets	69,680	79,355	13.9%

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

4.9 Stress Testing under liquidity extreme conditions

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

4.10 Contingency Funding Plan

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

4.11 Interest Rate Risk

The structural risk in the balance sheet or interest rate is managed using tools such as the sensitivity analysis to changes in 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.

(Million Pesos)	1Q16	2Q16	Var. vs. 1Q16
Margin Sensitivity	854	983	15.1%

4.12 Subsidiaries

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

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofomes at the end of 2Q16.

Liquidity Ratio *(Million Pesos)*	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	1,520	(3,649)	(1,145)
Liquid assets	2,278	10	147

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 processes 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 June 21st, 2006, Banco Mercantil del Norte (Banorte) held the irrevocable trust for the issuance of market certificates No. 374, issuer code BNORTCB, whose underlying assets securities were issued abroad by the United Mexican States (UMS), PEMEX, CFE and Bancomext.

- On October 11th, 2006, Fincasa Hipotecaria (Fincasa), now merged with Banorte, held the irrevocable trust for the issuance of market certificates No. 563, issuer code FCASACB, whose underlying assets are mortgages originated and transferred by Fincasa.

- On December 13th, 2006, Banorte held the irrevocable trust for the issuance of market certificates No. 583, issuer code BNORCB, whose underlying assets are mortgages originated and transferred by Banorte.

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

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

The Institution is responsible that each of the assigned loans meets the eligibility criteria, at the time of their respective assignment. If the trust, the common representative, the financial guarantor, identify any non-eligible loans, they may require Banorte to replace such loan or if replacement is not possible, to make payment for the "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 Trusts 374 and 477, operations with derivatives are carried out, specifically swaps, in order to reduce exposure to exchange rate and interest rate risks. The Institution assumes the counterparty risk generated by these operations, however these operations are only carried out with institutions of recognized solvency. The Trust's policy is to only carry out derivative instrument operations for the sole purpose of coverage, never for speculation.

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

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

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

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

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

On the other hand, the Institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By June 30, 2016 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same Institution:

Securitization *(Million pesos)*	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNORTCB_07	16,796,030	1,366	-	-	16,796,030	1,366
91_BNTECB_07	50,763,776	1,976	500,000	19	51,263,776	1,996
91_BNTECB_07-2	563,059	17	-	-	563,059	17
97_BNORCB_06	4,938,137	40	500,000	4	5,438,137	44
97_BNORCB_06-2	576,011	5	-	-	576,011	5
97_FCASACB_06U	-	-	-	-	-	-

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

Securitization *(Million pesos)*	Issued Securities	Banorte	Insurance	Total GFNorte	Total Clients
91_BNORTCB_07	19,756,030	85.0%	0.0%	85.0%	15.0%
91_BNTECB_07	52,313,776	97.0%	1.0%	98.0%	2.0%
91_BNTECB_07-2	1,113,059	50.6%	0.0%	50.6%	49.4%
97_BNORCB_06	19,853,820	24.9%	2.5%	27.4%	72.6%
97_BNORCB_06-2	620,431	92.8%	0.0%	92.8%	7.2%
97_FCASACB_06U	1,351,386	0.0%	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	
	Local	Global	Local	Global	Local	Global
91_BNORTCB_07			AAA (mex)		Aa2.mx	Baa2
91_BNTECB_07					Aa2.mx	Baa2
91_BNTECB_07-2					A3.mx	Ba3
97_BNORCB_06	mxAAA		AAA (mex)		Aaa.mx	A3
97_BNORCB_06-2	mxAA		AA-(mex)			
97_FCASACB_06U	mxAA		A(mex)			

As of June 30, 2016 the amounts of the underlying assets of each securitization were:

Securitization *(Million pesos)*	Amount		
	Performing	Past-Due	Total
91_BNORTCB_07*	$ 2,410	-	$ 2,410
91_BNTECB_07	$ 3,019	-	$ 3,019
91_BNTECB_07-2		-	
97_BNORCB_06	$ 171	$ 105	$ 276
97_BNORCB_06-2			
97_FCASACB_06U	$ 138	$ 140	$ 278

*Figures correspond to securities valuation of trust securitizations.

There are no impaired assets in any of the securitizations.

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

Concept *(Million Pesos)*	Balance	Capital Requirement
Securitizations with Risk Level 1 (weighted 20%)	1,406	22
Securitizations with Risk Level 2 (weighted 50%)	1,994	80
Securitizations with Risk Level 3 (weighted 100%)	5	0
Securitizations with Risk Level 4 (weighted 350%)	0	0
Securitizations with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

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

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

6.6 Applied Accounting Policies

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

a) Eliminate transferred financial assets at the last book value;
b) 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 June 2016, Banco Mercantil del Norte held shares amounting to Ps 4,060 million, with gains of Ps 170 million.

During the second quarter, accumulated profits from sales and settlements were Ps 7 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 23 million. For Securities available for sale, the capital requirement for Market Risk was Ps 107 million and for Credit Risk Ps 185 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 2Q16	Gains / Losses 2Q16	Acumm.. Profit / Loss 1Q16-2Q16
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	458	52	(18)
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,357	28	25
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	102	87	0
			Total	**4,060**	**170**	**7**

In June 2016, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 398 million with a positive valuation of Ps 164 million.

During the quarter, losses were recorded for Ps 404,582 thousand 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 118 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 2Q16	Gains / Losses 2Q16	Acumm. Profit / Loss 1Q16-2Q16
Casa de Bolsa Banorte-Ixe	Public	Negotiable Securities	Subject to Market Risk Requirement	398	164	(0.4)
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	**398**	**164**	**(0.4)**

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

A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
B. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
C. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
D. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted.
E. Through Process and Management Controllers, various business and support processes that make up the operation in GFNorte are monitored, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
F. 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

- **Treasury Policy**

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

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

- **Internal and External Liquidity Sources**

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

Regarding external sources of liquidity, it has diverse mechanisms to access the debt and capital markets. The Institution obtains resources through the issuance of debt securities, loans from other institutions - including the Central Bank and international organisms -, as well as from the issuance of subordinated debt. Also considered is the liquidity that the Institution obtains through its proprietary repos' securities that qualify for such transactions. It also has the alternative of obtaining resources through the issuance of shares representing equity.

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

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

- **Dividend Policy**

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

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

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

- **Related Parties Loans**

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

In GFNorte as of June 30 and March 31, 2016, the amount of loans granted to third parties is as follows (million pesos):

Lender	Jun-2016	% Basic Equity	Mar-2016	% Basic Equity
Banorte	Ps 8.69	11.5%	Ps 8.68	11.9%

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

Banorte.

As of **June 30, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 8.69 billion (including Ps 987 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.6% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 7.44 billion were loans

granted to clients linked to members of the Board of Directors and Ps 1.25 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 June 2016 was 11.5% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 92% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

As of **March 31st, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 8.68 billion (including Ps 922 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.7% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 7.50 billion were loans granted to clients linked to members of the Board of Directors; Ps 134 million were granted to clients linked to shareholders and Ps 1.05 billion were linked to companies related to GFNorte.

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

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

- **Loan or tax liabilities**

The tax credits listed below are currently in litigation:

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

Million pesos

- **People in Charge**

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation. Furthermore, we express that we are 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 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 and June 22, 2016 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.