

3Q18

Financial Results as of September 30, 2018

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GFNORTE



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GBOOY



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I. Executive Summary

GFNorte reports Net Income of Ps 21.77 billion in 9M18, +25% higher than the prior year

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

On July 13th, 2018, Grupo Financiero Banorte, S.A.B. de C.V. completed the merger with Grupo Financiero Interacciones (GFI) and its subsidiaries. Therefore, in the financial results presented for the period ended on September 30, 2018, the following information is highlighted:

- The profit & loss statement and net profit include the revenues and expenses of GFI as of the date of the merger; therefore, they do not include the entire quarter. The balance sheet includes all the corresponding accounting records. In some paragraphs of this report, the relevant information that GFI reported in past quarters is added as a **proforma exercise** to show more appropriate comparisons **[these proforma comparisons are shown in brackets]**. It is also noted that the financial information of GFNorte prior to 3Q18 has not been restated to incorporate GFI.
- **Earnings per Share** for 3Q18 grew **+4.5% sequentially** and +20.9% YoY supported by strong results driven by diligent **control in the cost of funds and non-interest expenses**.
- **Net Income reached Ps 7.82 billion, showing strong sequential growth of +8.7%, and +25.7% vs. 3Q17.** Net Interest Income (NII) without Insurance and Annuities grew +5.7%, with similar growth in Loan Loss Provisions [proforma +4.0%]; Non-interest expense increased +5.3%, [proforma -4.0%], and Earnings before taxes +4.1% sequentially.
- The relevant key indicators for the quarter include: a stable Net Interest Margin (NIM) at 5.7% [proforma +62bp], Return on Equity (ROE) of **19.7%**, +54bp [proforma +117bp]; Return on Assets (ROA) of **2.1%**, up +3bp [proforma +20bp]; stable **Efficiency Ratio** at **39.7%** from 39.5% in the previous quarter; a sequential decline in **Non-Performing Loans ratio (NPL)** to **1.81%** from 1.97%, that is (16pb) [proforma +13 bp].
- **During the first nine months of the year, the Group's Net Income totaled Ps 21.77 billion, underpinned by strong results across all subsidiaries vs. 9M17: Banco Banorte +19%, Leasing and Factoring +19%, Mutual Funds +31%, Broker Dealer +17%, and Long Term Savings division +26%.**
- Key indicators for the **first nine months** showed great improvement vs. 9M17: **NIM** grew from 5.5% to **5.7%**, **Efficiency Ratio** improved 325bp to **40.0%**, **ROE** up +222bp to **18.9%** and **ROA** grew +20bp reaching **2.0%**.
- Net Interest Income (**NII**) grew **+18.2% vs. 9M17.** Non-Interest Income up +23.2% while **Non-Interest Expenses increased +10.2% vs. 9M17.** **Net Operating Profit before taxes** improved **+25.5%** during the period.
- **Performing loans** were up **+17.3% sequentially**, while in the proforma comparison they decreased [-0.4%] during the quarter. **Government portfolio** showed the strongest positive impact from the merger, by growing +51.9% [proforma -5.5% sequentially]. **Commercial** was up **+14.0%** [proforma +1.2%]. **Corporate +15.2%** [proforma +0.8% QoQ], and **consumer grew +2.6% sequentially, and +12.9% YoY.** **Consumer products were the primary driver for loan growth, auto loans were up +29.6%, mortgages +15.7%, credit cards +7.7%, and payroll +3.6% YoY.**
- **Asset quality behaved in accordance with the expected seasonality, resulting in an NPL ratio of 1.81%, declining (16bp) as a result of the incorporation of the GFI portfolio; with comparable proforma figures it increased [+13bp].**
- **Total bank deposits** during the quarter increased **+18.4% YoY, demand deposits +8%, time deposits +10%, while money market up +121% driven by the merger.**
- The bank's **Capital Ratio** was slightly reduced, as expected, by effects of the merger to **16.6%** during **3Q18**, with Core Equity Tier 1 (CET1) at 12.1%, while the **leverage ratio** stood at **8.3%.**

Income Statement Highlights - GFNorte (Million Pesos)		3Q17	2Q18	3Q18	Change		9M17	9M18	Change
					2Q18	3Q17			9M17
Interest Income		28,150	30,579	37,494	23%	33%	80,929	98,425	22%
Interest Expense		11,831	13,280	17,266	30%	46%	32,909	43,200	31%
Technical Results (Insurance & Annuities)		(436)	561	(1,167)	(308%)	168%	(1,294)	1	NA
Net Interest Income		15,883	17,860	19,061	7%	20%	46,727	55,226	18%
Net Service Fees -		3,025	3,256	3,457	6%	14%	8,459	9,320	10%
Trading		628	1,221	877	(28%)	40%	2,326	2,964	27%
Other Operating Income (Expenses) ° *		240	401	452	13%	89%	378	1,464	287%
Non Interest Income		3,892	4,878	4,787	(2%)	23%	11,163	13,749	23%
Total Income		19,774	22,738	23,848	5%	21%	57,889	68,975	19%
Non Interest Expense - °		8,188	8,986	9,465	5%	16%	25,049	27,605	10%
Provisions		3,359	3,844	4,065	6%	21%	9,570	12,173	27%
Operating Income		8,227	9,908	10,318	4%	25%	23,270	29,197	25%
Taxes		2,218	3,023	2,767	(8%)	25%	6,572	8,262	26%
Subsidiaries & Minority Interest		202	306	265	(14%)	31%	641	840	31%
Discontinued Operations		8	-	-	N.A.	(100%)	87	-	(100%)
Net Income		6,219	7,191	7,816	9%	26%	17,426	21,776	25%

Balance Sheet Highlights - GFNorte (Million Pesos)		3Q17	2Q18	3Q18	Change	
					2Q18	3Q17
Asset Under Management		2,418,155	2,527,769	2,752,489	9%	14%
Performing Loans (a)		601,602	640,660	751,735	17%	25%
Past Due Loans (b)		11,053	12,888	13,895	8%	26%
Total Loans (a+b)		612,656	653,547	765,630	17%	25%
Total Loans Net (d)		596,451	636,386	746,725	17%	25%
Acquired Collection Rights (e)		2,593	2,781	2,610	(6%)	1%
Total Credit Portfolio (d+e)		599,044	639,168	749,335	17%	25%
Total Assets		1,295,121	1,400,644	1,584,791	13%	22%
Total Deposits		623,976	660,257	737,033	12%	18%
Total Liabilities		1,152,133	1,250,281	1,413,330	13%	23%
Equity		142,988	150,363	171,461	14%	20%

Financial Ratios GFNorte		3Q17	2Q18	3Q18	9M17	9M18
Profitability:						
NIM (1)		5.5%	5.7%	5.7%	5.5%	5.7%
ROE (2)		18.0%	19.1%	19.7%	16.6%	18.9%
ROA (3)		1.9%	2.1%	2.1%	1.8%	2.0%
Operation:						
Efficiency Ratio (4)		41.4%	39.5%	39.7%	43.3%	40.0%
Operating Efficiency Ratio (5)		2.6%	2.6%	2.5%	2.6%	2.6%
CCL Banorte and SOFOM - Basel III (6)		109.7%	116.3%	107.6%	109.7%	107.6%
Asset Quality:						
Past Due Loan Ratio		1.8%	2.0%	1.8%	1.8%	1.8%
Coverage Ratio		146.6%	133.2%	136.1%	146.6%	136.1%
Cost of Risk (7)		2.2%	2.4%	2.3%	2.2%	2.4%
Market References						
Banxico Reference Rate		7.00%	7.75%	7.75%	7.00%	7.75%
TIIE 28 days (Average)		7.37%	7.87%	8.11%	6.93%	7.91%
Exchange Rate Peso/Dolar		18.16	19.69	18.72	18.34	18.90

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

2) Annualized earnings as a percentage of average quarterly equity over the period, minus minority interest, for the same period.

3) Annualized earnings as a percentage of average quarterly assets over the period, minus minority interest, for the same period.

4) Non-Interest Expense / Total Income

5) Annualized Non-Interest Expense / Average Total Assets.

6) Preliminary CCL calculation. To be updated upon Banco de Mexico's official indicators.

7) Cost of Risk = Annualized Provisions / Average Total Loans.

*As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

*As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid, and a component of Administrative Expenses from the Leasing business was reclassified under Other Income.

Subsidiaries Net Income (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Banco Mercantil del Norte	4,904	5,296	5,900	11%	20%	13,249	15,732	19%
Banorte- Ixe-Broker Dealer	147	241	238	(1%)	61%	545	637	17%
Operadora de Fondos Banorte-Ixe	73	85	97	14%	33%	197	258	31%
Retirement Funds - Afore XXI Banorte	301	363	343	(6%)	14%	973	1,035	6%
Insurance	609	751	688	(8%)	13%	2,169	2,788	29%
Annuities	179	189	230	22%	29%	542	629	16%
BAP (Holding)	0	8	2	(81%)	2378%	1	17	1101%
Leasing and Factoring	192	289	177	(39%)	(8%)	552	657	19%
Warehousing	7	5	1	(85%)	(90%)	28	15	(48%)
Sólida Administradora de Portafolios	(185)	(153)	(147)	4%	21%	(919)	(577)	37%
Ixe Servicios	(0)	(0)	(0)	32%	24%	(1)	(1)	32%
G. F. Banorte (Holding)	(7)	117	289	148%	NA	89	586	558%
Total Net Income	6,219	7,191	7,816	9%	26%	17,426	21,776	25%

Share Data	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Earnings per share (Pesos)	2.242	2.593	2.711	4.5%	20.9%	6.283	7.552	20%
Earnings per share Basic (Pesos)	2.266	2.617	2.728	4.2%	20.4%	6.350	7.813	23%
Dividend per Share for the period (Pesos)	0.00	3.45	0.00	(100%)	-	8.73	3.45	(60%)
Payout for the period	0.0%	40.0%	0.0%	(100%)	-	40.0%	0.0%	(100%)
Book Value per Share (Pesos)	50.87	53.50	58.74	10%	15%	50.87	58.74	15%
Issued Shares (Million)	2,773.7	2,773.7	2,883.5	4%	4%	2,773.7	2,883.5	4%
Stock Price (Pesos)	125.58	117.07	135.30	16%	8%	125.58	135.30	8%
P/BV (Times)	2.47	2.19	2.30	5%	(7%)	2.47	2.30	(7%)
Market Capitalization (Million Dollars)	19,182	16,491	20,837	26%	9%	19,182	20,837	9%
Market Capitalization (Million Pesos)	348,325	324,721	390,132	20%	12%	348,325	390,132	12%

Share Performance



II. Management's Discussion & Analysis

The profit & loss statement and net profit include the revenues and expenses of GFI as of the date of the merger, therefore they do not include the full quarter. The balance sheet includes all the corresponding accounting records. In some paragraphs of this report, the relevant information that GFI reported in past quarters is added as a **proforma exercise** to show more appropriate comparisons [these proforma comparisons are shown in brackets]. It is also noted that the financial information of GFNorte prior to 3Q18 has not been restated to incorporate GFI.

Net Interest Income (NII) (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change
				2Q18	3Q17			9M17
Interest Income	25,852	29,077	33,971	17%	31%	73,688	90,572	23%
Interest Expense	11,661	13,024	16,993	30%	46%	32,424	42,433	31%
Loan Origination Fees	296	321	334	4%	13%	873	945	8%
Fees Paid	174	255	273	7%	57%	485	767	58%
NII excluding Insurance and Annuities Co.	14,314	16,118	17,038	6%	19%	41,653	48,316	16%
Premium Income (Net)	5,156	5,614	5,983	7%	16%	19,447	23,229	19%
Technical Reserves	1,482	814	2,458	202%	66%	9,680	10,248	6%
Damages, Claims and Other Obligations	4,110	4,239	4,692	11%	14%	11,060	12,981	17%
Technical Results	(436)	561	(1,167)	(308%)	N.A.	(1,294)	1	N.A.
Interest Income (Expenses) net	2,004	1,181	3,190	170%	59%	6,367	6,909	9%
Insurance and Annuities NII	1,568	1,742	2,023	16%	29%	5,073	6,910	36%
GFNORTE's NII	15,883	17,860	19,061	7%	20%	46,727	55,226	18%
Credit Provisions *	3,359	3,844	4,065	6%	21%	9,570	12,173	27%
NII Adjusted for Credit Risk	12,524	14,016	14,996	7%	20%	37,156	43,053	16%
Average Earning Assets	1,157,432	1,256,102	1,342,962	7%	16%	1,141,763	1,291,096	13%
Net Interest Margin (1)	5.5%	5.7%	5.7%			5.5%	5.7%	
NIM after Provisions (2) *	4.3%	4.5%	4.5%			4.3%	4.4%	
NIM adjusted w/o Insurance & Annuities	5.4%	5.6%	5.6%			5.3%	5.5%	
NIM from loan portfolio (3)	8.5%	8.6%	8.4%			8.4%	8.4%	

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

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

3) NIM = Annualized Net Interest Income from loans / Average Performing Loans

* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses"

Net Interest Income (NII)

NII excluding Insurance and Annuities amounted to Ps 48.32 billion during the first nine months of the year, +16% above the number reported in 9M17. This growth was mainly driven by an increase in the bank's business volumes, as well as by the effects of GFI's incorporation, which include a diligent control in the cost of funds. NII from loans and deposits grew +18%, while NII from investments in securities and repos increased +30% during the period.

In the quarter, NII excluding Insurance and Annuities reached Ps 17.04 billion, up +6% vs. 2Q18, as a result of an +8% increase in NII from loans and deposits, and also from a +29% growth in NII from investments in securities and repos.

NIM without Insurance and Annuities showed a sequential decline of (5bp) totaling 5.59% from 5.64% in 2Q18, as a result of the integration of assets from GFI; however, adjusted proforma comparisons showed NIM **expansion of [+62bp]**.

Insurance and Annuities NII improved its growth rate showing a +36% YoY increase, **reaching Ps 6.91 billion in 9M18** driven by an increase in income from retained premiums of 19%.

Technical Results in 9M18 amounted to Ps 1.0 million, mainly impacted by UDI mark-to-market effect in the technical reserves of the annuity business which totaled Ps 2.81 billion during the period. The counter account for this amount is registered under Interest Income from Insurance and Annuities, which is not considered for the technical result calculation. Adjusting for this effect, the technical result would be +35% higher than that of 9M17, driven by a +19% growth in retained premiums from the combined businesses.

Net Interest Income (Expenses) during the first nine months of the year was Ps 6.91 billion, up +9% vs. 9M17, driven by higher premium growth from both businesses, as well as by the positive effect of rates on investments from the insurance company in particular.

During 9M18 GFNorte's Net Interest Income (NII) totaled Ps 55.23 billion, up +18% vs. 9M17, as a result of good margin performance of banking and long term savings businesses, as well as higher results from repo transactions. During the quarter, **NII of the group totaled Ps 19.06 billion**, +7% above 2Q18, mainly driven by improvements in cost of funds of the acquired assets, and higher retail deposits.

Net Interest Margin (NIM) during 9M18 totaled 5.7%, up +25bp vs. 9M17, as a result of a profitable mix in the loan book, a significant increase in hedging and repo transactions, and higher insurance and annuities business results. During **3Q18, NIM remains stable at 5.7%**, despite expectations of a possible decline upon the incorporation of GFI's assets. **On a proforma basis, there is a [+62bp] sequential improvement in NIM.**

Loan Loss Provisions

Starting in the first quarter of 2018, and retroactively for 2017, amounts related to "Loan Recovery" and "Provisions Release" items, previously included under "Other Operating Income (Expenses)", are now classified under "Preventive Provisions for Loan Losses" in the Income Statement. For further details, please refer to Section V –Accounting and Regulatory Changes– Early adoption of changes to B-6 criterion "Bank's Loan Book".

Loan Loss Provisions totaled Ps 12.17 billion during 9M18, up +27% vs. 9M17 on higher requirements across the loan portfolio, particularly in consumer (payroll and mortgage), and corporate books.

During 3Q18, Loan Loss Provisions totaled Ps 4.06 billion, up +5.7% sequentially. This increase was driven by an increase in commercial and SME loan books, and offset by a decline in provisions in the government loan book as a result of a pre-payment. Provisions for consumer loans incorporate a decline in mortgage requirements, and an increase in payroll requirements from deterioration in this portfolio. During 3Q18, there was a Ps 250 million provision related to a specific corporate client.

Provisions represented 22.0% of Net Interest Income in 9M18, up +1.56pp YoY, while on **3Q18** they declined (0.20pp) QoQ totaling **21.3%**. **Cost of Risk during 9M18** increased +27bp YoY, reaching 2.4% -incorporating the specific provisions made in 1Q18 and 3Q18- this indicator declined (10bp) sequentially to 2.3% in 3Q18 as a result of the incorporation of GFI's assets.

Non-Interest Income

Non-Interest Income (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Net Service Fees ~	3,025	3,256	3,457	6%	14%	8,459	9,320	10%
Trading	628	1,221	877	(28%)	40%	2,326	2,964	27%
Other Operating Income (Expenses) ° *	240	401	452	13%	89%	378	1,464	N.A.
Non-Interest Income	3,892	4,878	4,787	(2%)	23%	11,163	13,749	23%

~* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)", were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid, and a component of Administrative Expenses from the Leasing business was reclassified under Other Income.

Non-Interest Income was Ps 13.75 billion in 9M18, +23% higher YoY, driven by good performance across all its constituents. During **3Q18 Non-Interest Income totaled Ps 4.79 billion**, down (2%) sequentially, on lower trading results - during 2Q18 there were some specific non-recurring client transactions-; however, this was partially offset by good performance on Service Fees that grew +6% during the quarter.

Service Fees

Service Fees (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Fund Transfers	350	422	418	(1%)	19%	1,109	1,204	9%
Account Management Fees	647	627	627	0%	(3%)	1,867	1,872	0%
Electronic Banking Services	1,653	2,019	2,007	(1%)	21%	5,001	5,906	18%
Basic Banking Services Fees	2,651	3,068	3,053	(1%)	15%	7,977	8,982	13%
For Commercial and Mortgage Loans	225	269	376	40%	67%	517	780	51%
For Consumer Loans	1,096	1,158	1,179	2%	8%	3,150	3,457	10%
Fiduciary	97	126	129	2%	34%	289	363	25%
Income from Real Estate Portfolios	43	26	15	(44%)	(66%)	67	76	14%
Mutual Funds	360	390	458	17%	27%	971	1,222	26%
Trading & Financial Advisory Fees	305	231	138	(40%)	(55%)	587	570	(3%)
Other Fees Charged (1)	263	281	292	4%	11%	732	862	18%
Fees Charged on Services	5,040	5,549	5,639	2%	12%	14,290	16,312	14%
Interchange Fees	739	986	961	(3%)	30%	2,224	2,827	27%
Insurance Fees	384	144	316	120%	(18%)	1,032	1,185	15%
Other Fees Paid	892	1,163	905	(22%)	1%	2,576	2,980	16%
Fees Paid on Services -	2,016	2,294	2,182	(5%)	8%	5,831	6,992	20%
Net Service Fees	3,025	3,256	3,457	6%	14%	8,459	9,320	10%

1) Includes fees from letters of credit, transactions with pension funds, warehousing services, financial advisory services and securities trading among others.
 As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid

During the first nine months of the year, Net Service Fees were Ps 9.32 billion, +10% higher YoY as a result of the following:

- +13% increase in Core Banking Service Fees supported by larger transaction volume (66% of this growth was explained by the +18% annual increase in Electronic Banking Services).
- +51% growth in Commercial and Mortgage origination fees, directly driven from origination growth across these loan books during the period; and by the incorporation of commercial loans from GFI.
- +26% growth in Mutual Fund fees.

During 3Q18, Net Service Fees totaled Ps 3.46 billion, +6.2% QoQ, highlighting:

- a (5%) decline in Fees Paid, on lower interchange fees and Other Fees Paid. Insurance fees include excess loss payments and lower reinsurance revenues.
- +2% growth in Fees Charged, mainly on higher Commercial and Mortgage Loan Fees, which include Ps 190 million in structured loans fees.
- +17% QoQ growth in Mutual Funds Fees driven by higher promotional efforts from the bank, as well as by additional client fees from GFI's incorporation.

Trading

Trading Income (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Currency and Metals	22	237	(97)	(141%)	(546%)	(145)	17	N.A.
Derivatives	357	603	(2)	(100%)	(101%)	106	795	650%
Negotiable Instruments	(153)	76	109	44%	N.A.	(71)	131	N.A.
Valuation	225	916	10	N.A.	(96%)	(109)	942	N.A.
Currency and Metals	234	354	638	80%	173%	1,277	1,605	26%
Derivatives	(28)	(117)	70	NA	NA	326	(8)	N.A.
Negotiable Instruments	197	69	160	133%	(19%)	833	426	(49%)
Trading	402	305	868	184%	116%	2,435	2,022	(17%)
Trading Income	628	1,221	877	(28%)	40%	2,326	2,964	27%

During 9M18 Trading Income increased +27% vs. 9M17, totaling Ps 2.96 billion, driven by mark to market valuation on derivatives: +Ps 689 million -which include certain client transactions during 2Q18-; currency and metals: +Ps 162 million; securities: +Ps 202 million, and by a decline in securities and derivatives trading.

In 3Q18, Trading Income totaled Ps 877 million, down (28%) sequentially driven by certain non-recurring derivative transactions with clients during 2Q18; however, there was an +80% increase in F/X transactions with clients, as well as a significant increase in revenue from securities trading.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Loan Recovery*	2	2	2	(3%)	(9%)	9	7	(17%)
Loan Portfolios	38	58	69	18%	82%	126	171	36%
Income from Foreclosed Assets	255	68	188	176%	(26%)	3	336	N.A.
Provisions Release*	1	1	29	N.A.	N.A.	5	44	739%
Losses and Estimates	(335)	(355)	(650)	(83%)	94%	(1,053)	(1,919)	(82%)
Impairment of Assets	(189)	-	-	N.A.	N.A.	(627)	(173)	72%
Lease Income	106	106	121	14%	14%	322	351	9%
From Insurance	189	254	197	(23%)	4%	635	651	3%
Others	173	266	496	87%	187%	957	1,996	109%
Other Operating Income (Expenses)	240	401	452	13%	89%	378	1,464	287%

* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses"

Other Operating Income (Expenses) grew Ps 1.08 billion YoY reaching Ps 1.46 billion in 9M18. This significant improvement was mainly driven by:

- good performance in Foreclosed Assets, from the sale of several assets and from lower provision requirements.
- +82% increase in Losses and Estimates from higher credit card fraud, and ATM tampering. This was partially offset by Other Income from the recoveries of such losses.
- +109% increase in Others mainly driven by a Ps 206 million revenue from the termination of a mortgage securitization program.

During the third quarter of the year, Other Operating Income (Expenses) increased to Ps 452 million, up +13% QoQ mainly driven by the result in Foreclosed Assets, and Others that offset greater Losses and Estimates during the quarter.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Personnel	3,206	3,850	3,721	(3%)	16%	10,002	11,107	11%
Professional Fees	771	754	772	2%	0%	2,051	2,241	9%
Administrative and Promotional - °	1,787	1,973	2,090	6%	17%	5,622	6,003	7%
Rents, Depreciation & Amortization	1,233	1,386	1,435	4%	16%	3,813	4,168	9%
Taxes other than income tax & non deductible expenses	422	191	481	153%	14%	1,320	1,460	11%
Contributions to IPAB	668	726	845	16%	26%	1,938	2,296	18%
Employee Profit Sharing (PTU)	101	106	120	14%	19%	303	332	10%
Non-Interest Expense	8,188	8,986	9,465	5%	16%	25,049	27,605	10%

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid, and also a component of Administrative Expenses from the Leasing business was reclassified under Other Income

During 9M18, Non-Interest Expense totaled Ps 27.60 billion, +10% above 9M17 as result of a controlled increase in expenses, and the incorporation of extraordinary integration expenses from the merger with GFI.

During 3Q18, Non-Interest Expense increased +5% to Ps 9.46 billion, and are explained as follows:

- A (3%) reduction in personnel expenses from an employee reduction program implemented in May at the bank which was previously provisioned, and which offset severance expenses related to the merger.
- A +6% increase in Administrative and Promotional expenses related to integration expenses.
- A +153% increase in non-deductible expenses of which around half of the increase is explained by GFI's integration including contract cancellation costs, and other non-deductible legal and administrative expenses.
- A +16% increase in fees paid to IPAB derived from the bank's natural business growth, as well as those from the additional liabilities from GFI that require such fees.

The proforma comparison for Non-Interest Expense shows a [(4%)] decline from expense synergies.

Efficiency Ratio for the first nine months of 2018 totaled 40.0%, (325pb) lower vs. 9M17, due to positive operating leverage. **In 3Q18,** it showed a slight increase to **39.7%.**

Net Income

Net Income (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Operating Income	8,227	9,908	10,318	4%	25%	23,270	29,197	25%
Subsidiaries' Net Income	291	409	375	(8%)	29%	889	1,140	28%
Pre-Tax Income	8,519	10,317	10,693	4%	26%	24,159	30,337	26%
Taxes	2,218	3,023	2,767	(8%)	25%	6,572	8,262	26%
Discontinued Operations	8	-	-	N.A.	(100%)	87	-	(100%)
Minority Interest	(90)	(102)	(110)	8%	23%	(248)	(300)	(21%)
Net Income	6,219	7,191	7,816	9%	26%	17,426	21,776	25%

Net Income from Subsidiaries increased +28% vs. 9M17 totaling **Ps 1.14 billion in 9M18**, driven by a +6% increase in Afore XXI Banorte's Net Income, which reached Ps 1.03 billion during the period, and from better results in Solida's investments.

During **3Q18** it declined to **Ps 375 million**, down (8%) vs. 2Q18 also driven by the good performance of Afore XXI Banorte, which contributed with Ps 343 million during the quarter, and Solida, which reduced its losses by Ps 6 million.

During **9M18**, **Taxes totaled Ps 8.26 billion**, a +26% increase vs. 9M17, and **Ps 2.77 billion during 3Q18**, an (8%) decrease vs. 2Q18, as a result of a higher taxable base with a stable effective tax rate of 27.2%.

GFNorte reported Net Income of Ps 21.77 billion for 9M18, +25% higher vs. 9M17 on strong subsidiary growth: Banco Banorte +19%, Leasing and Factoring +19%, Brokerage Business +17%, Mutual Funds +31%, and Long Term Savings +26%.

Significant growth in Key financial indicators for the **first nine months** of the year: **NIM** increased to **5.7%** from 5.5%, **Efficiency Ratio** improved +325bp to **40%**, **ROE** up +222bp to **18.9%**, and **ROA** up +20bp reaching **2.0%**.

During **3Q18**, **Net Income totaled Ps 7.82 billion**, showing excellent sequential growth of 9%. Among key indicators for the quarter, **ROE** totaled **19.7%**, up +54bp QoQ; **ROA** at **2.1%**, up +3bp; **Efficiency Ratio** with a minor increase to **39.7%** from 39.5%; **NPLs** stable at **1.8%** from 2.0% in 2Q18.

Profitability

	3Q17	2Q18	3Q18
ROE	18.0%	19.1%	19.7%
Goodwill & Intangibles (billion pesos)	25.8	29.7	42.3
Average Tangible Equity (billion pesos)	113.9	120.4	122.0
ROTE	22.2%	23.6%	25.4%

Significant **ROE** growth of +222bp YoY, **reaching 18.9% during 9M18**; and +54bp sequentially reaching **19.7% in 3Q18**. In both cases, ROE growth is attributed to Net Income growth.

Return on Tangible Equity (ROTE) was 25.4% in 3Q18, up +329bps vs. 3Q17, and +183bp higher vs. 2Q18.

	3Q17	2Q18	3Q18
ROA	1.9%	2.1%	2.1%
Average Risk Weighted Assets (billion pesos)	624.2	633.0	662.1
RRWA	3.6%	4.2%	4.3%

ROA for 9M18 reached 2.0%, +20bp higher vs. 9M17, and **2.1% during 3Q18**, +3bp higher than 2Q18. **Return on Risk-Weighted Assets was 4.3%**, +6bp higher QoQ and +64bp YoY.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Core Tier 1	79,522	82,205	89,977	9.5%	13.1%
Tier 1 Capital	98,044	102,290	109,074	6.6%	11.2%
Tier 2 Capital	12,362	13,220	13,903	5.2%	12.5%
Net Capital	110,406	115,510	122,977	6.5%	11.4%
Credit Risk Assets	507,022	539,254	618,253	14.6%	21.9%
Net Capital / Credit Risk Assets	21.8%	21.4%	19.9%	(1.5 pp)	(1.9 pp)
Total Risk Assets	625,339	650,436	741,948	14.1%	18.6%
Core Tier 1	12.72%	12.64%	12.13%	(0.5 pp)	(0.6 pp)
Tier 1	15.68%	15.73%	14.70%	(1.0 pp)	(1.0 pp)
Tier 2	1.98%	2.03%	1.87%	(0.2 pp)	(0.1 pp)
Capitalization Ratio	17.66%	17.76%	16.57%	(1.19 pp)	(1.08 pp)

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

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

In April 2017, Banorte was confirmed as Level II - Domestic Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, starting on December 2017, the **minimum Capitalization Ratio required for Banorte amounts to 10.95%** (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

At the end of 3Q18 the estimated Capitalization Ratio (CR) for Banorte was 16.57% considering credit, market and operational risk; and, 19.89% considering only credit risks. Moreover, Total Tier 1 Capital reached 12.13% as of 3Q18.

The Capitalization Ratio decreased (1.18bp) vs. 2Q18 due to the following effects:

1. Profit growth for 3Q18	+ 0.81 pp
2. Securities' (mark-to-market)	+ 0.11 pp
3. Other Capital Effects	+ 0.01 pp
4. Permanent Investments & Intangibles	- 0.09 pp
5. Capital Notes Return and mark-to-market	- 0.23 pp
6. Change in Risk Assets	- 0.27 pp
7. Merger Effect	-1.51 pp

The Capitalization Ratio rose +1.08 bps vs. 3Q17, as follows:

1. Profit growth for 3Q18	+ 2.81 pp
2. Other Capital effects	+ 0.04 pp
3. Capital Notes Return and mark-to-market	+ 0.01 pp
4. Securities' (mark-to-market)	- 0.15 pp
5. Permanent Investments and Intangibles	- 0.46 pp
6. Change in Risk Assets	- 0.85 pp
7. Dividends paid during the period	- 0.96 pp
8. Merger Effect	- 1.51 pp

Leverage Ratio (Banco Mercantil del Norte)

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

Leverage (Millon Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Tier 1 Capital	98,044	102,290	109,074	6.6%	11.3%
Adjusted Assets	1,114,377	1,152,058	1,317,442	14.4%	18.2%
Leverage Ratio	8.80%	8.88%	8.28%	-6.75%	(0.8 pp)

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

Deposits

Deposits (Million Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Non-Interest Bearing Demand Deposits	273,311	292,129	283,036	(3%)	4%
Interest Bearing Demand Deposits	105,035	112,689	125,289	11%	19%
Total Demand Deposits*	378,345	404,818	408,325	1%	8%
Time Deposits – Retail	192,938	206,473	211,890	3%	10%
Core Deposits	571,284	611,291	620,215	1%	9%
Money Market	54,394	50,384	120,383	139%	121%
Total Bank Deposits	625,678	661,675	740,598	12%	18%
GFNorte's Total Deposits	623,976	660,257	737,033	12%	18%
Third Party Deposits	166,323	174,448	175,253	0%	5%
Total Assets Under Management	792,002	836,123	915,851	10%	16%

* Starting on 1Q18 and retroactively for 2017, accounts that were previously registered under Interest Bearing Demand Deposits will now be registered under Non-interest Bearing Demand Deposits, according to their particular situation.

Banorte's Total Deposits amounted to Ps 740.60 billion as of 3Q18, a YoY increase of +18% mainly driven by the merger with GFI, but also by organic growth resulting from strong commercial activity aimed towards increasing customer deposits. Time Deposits grew +8%, Demand Deposits +10%, **Third Party Deposits +5%**, and Total Assets Under Management grew +16% YoY.

During the quarter, demand deposits grew +1% as high yield deposits were reduced. **Time deposits** reached **organic growth of +3%**, as a result of promotional campaigns to increase retail deposits. Money Market deposits had a significant increase as a result of a diligent control to reduce GFI's funding costs.

On the following table, **proforma variations** show a sequential decline of [-4%] in Total Bank Deposits, with a significant shift in mix: a [-14%] decline in demand deposits, and a [+48%] increase in money market. These changes are the results of the funding strategy implemented to reduce the cost of funds of GFI's assets.

	2Q18	3Q18	Change 2Q18	Proforma with GFI	
				2Q18	Change 2Q18
Total Demand Deposits*	404,818	408,325	1%	476,943	(14%)
Time Deposits – Retail	206,473	211,890	3%	210,954	0%
Money Market & Senior Unsecured Debt	50,384	120,383	139%	81,569	48%
Total Bank Deposits	661,675	740,598	12%	769,467	(4%)

Loans

Performing Loan Portfolio (Million Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Commercial	130,263	143,181	163,218	14%	25%
Consumer	233,230	256,760	263,414	3%	13%
Corporate	106,573	110,569	127,409	15%	20%
Government	131,460	130,087	197,636	52%	50%
Sub Total	601,526	640,597	751,678	17%	25%
Recovery Bank	76	63	58	(8%)	(25%)
Total	601,602	640,660	751,735	17%	25%

Performing Consumer Loan Portfolio (Million Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Mortgages	130,008	145,291	150,462	4%	16%
Auto Loans	17,954	22,109	23,260	5%	30%
Credit Card	33,042	34,718	35,590	3%	8%
Payroll	52,225	54,642	54,102	(1%)	4%
Consumer Loans	233,230	256,760	263,414	3%	13%

	2Q18	3Q18	Change 2Q18	Proforma with GFI	
				2Q18	Change 2Q18
Government	130,087	197,636	52%	209,228	(6%)
Commercial	143,181	163,218	14%	161,310	1%
Corporate	110,569	127,409	15%	126,380	1%
Consumer & Mortgages	256,760	263,414	3%	256,887	3%
Performing Loan Portfolio	640,597	751,678	17%	754,876	(0%)

Total Performing Loans increased +25% YoY reaching an ending balance of Ps 751.68 billion in 3Q18, mainly driven by a +13% YoY growth in **consumer loans**, well above the banking system's growth during the period. Such growth rates reflect the bank's strong origination capabilities, enhanced by valuable business analytics. Commercial, Corporate, and Government loan books show high growth dynamics with the integration of GFI's portfolio.

Proforma figures provide a better sequential comparison base showing a [-0.4%] decline in performing loans mainly driven by a [-6%] decline in the Government book from the pre-payment of several low-yielding loans. Commercial and Corporate grew [+1%], Consumer and Mortgage show no relevant changes on the proforma comparison. A detailed description by product is provided below:

- **Mortgages:** +16% YoY growth, reaching a total **balance of Ps 150.46 billion in 3Q18**. During the quarter, the mortgage loan book increased by **+4% QoQ**. Based on public regulatory data as of August 2018, Banorte shows **more than twofold growth vs. the banking system** (+16.1% vs. +9.0%) and a market share of 19.4%, growing +120bp YoY, and consolidating its **second place within the mortgage banking system**.
- **Auto Loans:** **Strong +30% YoY growth**, and +5% sequentially, **reaching a Ps 23.3 billion balance**, mainly driven by loan origination through exclusivity agreements with auto dealerships. As of August 2018, Banorte held a 17.5% market share, gaining +182bp vs. 3Q17, leading loan growth among the main banking players.
- **Credit Cards:** Reached an **ending balance of Ps 35.6 billion**, up +8% YoY, and +3% sequentially, showing moderate origination growth in order to maintain asset quality. Based on August 2018's public regulatory data, Banorte held a 9.4% market share, gaining +17bp YoY, standing in fourth place, and **leading growth among its competitors**.

- **Payroll Loans:** Showed a 4% YoY increase, and (1%) QoQ, **reaching a balance of Ps 54.1 billion**. This decline is the result of a more moderate loan origination to Banorte's payroll customer base aimed at maintaining asset quality. Banorte held a 21.5% market share as of August 2018, gaining +114bps vs. 3Q17, and ranking third in the market.
- **Commercial:** With a 14% expansion in the quarter, including GFI's portfolio integration, it reached an ending balance of **Ps 163.22 billion**, which represents a +Ps 32.95 billion increase, leading to a +25% YoY growth. Market share as of August 2018 (including corporate loans, according to the regulatory methodology), stood at 10.6%, ranking fourth in the banking system.

GFNorte's **SME** performing book amounted to **Ps 33.53 billion**, +2% higher YoY, and (2%) QoQ. NPL grew to 6.0% for this portfolio; however, this resulted from the total portfolio decline in the quarter.

SME Portfolio (Million Pesos)	2Q18	3Q18	Change	
			2Q18	3Q17
Performing Portfolio	34,144	33,533	(2%)	2%
% of Performing Commercial Portfolio	23.8%	20.5%	(330 bp)	(466 bp)
% of Total Performing Portfolio	5.3%	4.5%	(87 bp)	(100 bp)
NPL Ratio	5.5%	6.0%	56 bp	17 bp

- **Corporate Loans:** At the end of the third quarter, including the merger, they reached an ending balance of **Ps 127.41 billion**, a +15% sequential increase, and +20% YoY, showing good credit demand in this segment. GFNorte's corporate loan book is well diversified by industry and regions, and showed low concentration risk. Its 20 main corporate borrowers accounted for 10.3% of the group's total portfolio. The group's largest corporate exposure represented 1.0% of the total portfolio; whereas number 20 represented 0.3% of it. 100% of GFNorte's main corporate borrowers have an A1 rating.

As of September 30, 2018 GFNorte's loan exposure to home builders was **Ps 1.96 billion** in **Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V., and Desarrolladora Homex, S.A.B. de C.V.**, (0.3%) lower than the previous quarter. This exposure represented 0.3% of the total loan portfolio, similar to 2Q18. Credit exposure has 100% collateral coverage, with no changes vs. the preceding quarter. Loan Loss Reserve coverage for these companies was 38.0% in 3Q18. **Sólida** had a balance of **Ps 5.59 billion** in investment projects to these companies, **+2.3% higher vs. 2Q18**.

Government Book: As of 3Q18, including the significant incorporation of GFI's portfolio, the government loan book closed the quarter with a total balance of **Ps 197.64 billion**, +52% QoQ, and +50% YoY. GFNorte's government portfolio is diversified by regions, and shows adequate concentration risk given that 27.8% of the loans are granted to Federal Government entities. 86.9% of loans to states and municipalities are backed by a fiduciary guarantee, (consisting of Federal budget transfers and local revenues such as payroll tax), while short term loans (with no guarantee) account for 13.1% of the portfolio. As a result of the merger with GFI, total market share in government lending reached 36.1% vs. 23.7% at the end of June, ranking first in the Mexican banking system.

- **Infrastructure:** As a result of the merger, the group incorporated a portfolio of infrastructure loans as follows:

Infrastructure Portfolio (Million Pesos)	Jul-18	Sep-18	Change
			Jul-18
Performing Portfolio	42,739	44,461	4%
% of Total Performing Portfolio	5.7%	5.9%	22 bp
NPL Ratio	0.0%	0.0%	0 bp

Past Due Loans

(Million Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Past Due Loans	11,053	12,888	13,895	8%	26%
Loan Loss Reserves	16,205	17,161	18,906	10%	17%
Acquired Rights	2,593	2,781	2,610	(6%)	1%

During **3Q18**, **Past Due Loans** totaled **Ps 13.89** billion, up Ps 2.84 billion or **+26%** YoY, mainly driven by payroll loans, and by corporate credit exposures that were recently registered as NPLs, which are under restructuring.

During the quarter, NPLs showed a sequential increase of +Ps 1,007 million, as a result of deterioration in the payroll loan book, and a corporate account which was registered as NPL during the quarter, and is currently under restructuring. The quarterly evolution of NPL balances was as follows:

Past Due Loans (Million Pesos)	3Q17	2Q18	3Q18	Change	
				2Q18	3Q17
Credit Cards	2,174	2,315	2,281	(34)	107
Payroll	1,711	1,868	2,287	419	576
Auto Loans	203	242	249	7	46
Mortgages	1,234	1,347	1,448	101	214
Commercial	3,510	3,691	3,750	60	240
Corporate	2,221	3,426	3,864	438	1,643
Government	-	-	16	16	16
Total	11,053	12,888	13,895	1,007	2,842

In **3Q18**, **Non-Performing Loans ratio reached 1.8%**, showing a (16bp) decline vs. 2Q18 driven by the positive incorporation of GFI's portfolio, as well as by an improvement the credit card portfolio. Payroll and SME loans however, showed deterioration due to a slowdown in new loan origination. Quarterly evolution for each segment follows:

Past Due Loans Ratios	3Q17	4Q17	1Q18	2Q18	3Q18
Credit Cards	6.2%	6.1%	6.1%	6.3%	6.0%
Payroll	3.2%	3.7%	2.9%	3.3%	4.1%
Auto Loans	1.1%	1.2%	0.9%	1.1%	1.1%
Mortgages	0.9%	1.0%	0.9%	0.9%	1.0%
Commercial	2.6%	2.3%	2.5%	2.5%	2.2%
SMEs	5.9%	5.3%	5.6%	5.5%	6.0%
Commercial	1.5%	1.3%	1.4%	1.5%	1.2%
Corporate	2.0%	3.3%	3.2%	3.0%	2.9%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.8%	2.0%	1.9%	2.0%	1.8%

The expected loss for Banco Mercantil del Norte, the group's largest subsidiary, was **2.0%** and the unexpected loss **4.2%**, both with respect to the total portfolio as of 3Q18. These ratios were 2.3% and 4.0%, respectively vs. 2Q18, and 2.2% and 4.1% in 3Q17.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs was 2.1%, (5bps) lower vs. 2Q18. Quarterly changes in accounts that affect Non Performing Loans' balances for the Financial Group were:

Past Due Loan Variations (Million Pesos)	
Balance as of June '18	12,888
Transfer from Performing Loans to Past Due Loans	7,639
Portfolio Purchase	-
Renewals	(107)
Cash Collections	(641)
Discounts	(195)
Charge Offs	(3,921)
Foreclosures	(7)
Transfer from Past Due Loans to Performing Loans	(1,680)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(80)
Fair Value Ixe	-
Balance as of September '18	13,895

Of the total loan book, 85% was rated A Risk, 9% B Risk, and 6% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 3Q18 - GFNorte
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	621,333	1,172	599	107	662	182	2,723
A2	71,564	356	278	6	331	31	1,002
B1	34,850	134	11	4	876	20	1,045
B2	13,404	75	13	8	346	29	471
B3	26,994	169	465	3	553	18	1,209
C1	17,268	110	524	0	488	78	1,200
C2	8,792	78	0	0	1,182	141	1,401
D	13,854	3,064	6	0	1,706	365	5,141
E	6,231	797	-	-	3,463	63	4,323
Total	814,291	5,954	1,896	130	9,607	926	18,514
Not Classified	(2,355)						
Exempt	-						
Total	811,936	5,954	1,896	130	9,607	926	18,514
Reserves							18,906
Preventive Reserves							392

Notes:

- Figures for reserve creation and grading are as of September 30, 2018.
- 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. For the revolving consumer portfolio, as of January 2018, the bank will use the internal methodology authorized by CNBV. 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.
- Additional loan loss reserves follow the rules applicable to banks and credit institutions.

Based on B6 Credit Portfolio criterion of the CNBV, 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 upon. 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 were as follows:

<i>(Million Pesos)</i>	Total
Distressed Portfolio	8,978
Total Loans	811,936
Distressed Portfolio / Total Loans	1.1%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves <i>(Million Pesos)</i>	3Q18
Previous Period Ending Balance	17,161
Provisions charged to results	4,618
Charges to retained earnings	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	1,508
<u>Charge offs and discounts:</u>	
Commercial Loans	(478)
Consumer Loans	(3,544)
Mortgage Loans	(307)
Foreclosed assets	0
	(4,329)
Cost of debtor support programs	(2)
Valorization and Others	(50)
Adjustments	0
Loan Loss Reserves at Period End	18,906

Loan Loss Reserves in 3Q18 totaled Ps 18.91 billion, +10.2% higher vs. 2Q18. Charge-offs during the quarter amounted to Ps 4.33 billion, +12.1% higher than the previous quarter. Of this amount, 82% are related to the consumer portfolio, 11% to commercial and 7% to mortgages.

Loan loss reserve coverage was 136.1% in 3Q18, slightly down from 133.2% during 2Q18.

Capital

Shareholders equity had an ending balance of Ps 171.46 billion, +20% higher vs. 3Q17, and +14% higher sequentially, which is mostly explained by the merger with GFI. During the quarter, equity was impacted by the Ps 309 million interest payment from the capital notes in Retained Earnings. Moreover, there was a Ps 479 million mark-to-market gain on securities held for sale. As a result of the merger with GFI, there is a Ps 384 million increase in Subscribed Capital, and Ps 12.78 billion under Share Subscription Premiums; +7.82 billion as accumulated Net Income.

Recent Events

1. MERGER WITH GRUPO FINANCIERO INTERACCIONES (GFI)

As of July 13, 2018 the mergers between Grupo Financiero Banorte ("GFNorte"), and Grupo Financiero Interacciones ("GFInter") and their corresponding subsidiaries, took place in accordance with the applicable law, and in accordance with the merger agreements from their respective shareholder's assemblies, and the authorizations from the financial authorities; therefore, the mergers have been duly registered in the Public Registries of Commerce.

On July 10, 2018, GFNorte and GFInter received the necessary authorizations from the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) - considering the opinion of the Central Bank (Banco de México), the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), and the National Insurance and Bonding Commission (Comisión Nacional de Seguros y Fianzas) respectively- to carry out the merger of: (i) GFInter, as the merged company, with GFNorte, as the merging company; (ii) Banco Interacciones, S.A., as the merged company, with Banco Mercantil del Norte, S.A., as the merging company; (iii) Interacciones Casa de Bolsa, S.A. de C.V., as the merged company, with Casa de Bolsa Banorte, S.A. de C.V., as the merging company; (iv) Aseguradora Interacciones, S.A. de C.V., as the merged company, with Seguros Banorte, S.A. de C.V., as the merging company; and (v) Interacciones Sociedad Operadora de Fondos de Inversión, S.A. de C.V., as the merged company, with Operadora de Fondos Banorte, S.A. de C.V., as the merging company (the "Mergers").

2. 2018 BANORTE FORUM (FORO BANORTE 2018)

On August 22nd and 23rd, Banorte hosted its 2018 Strategy Forum (Foro Estrategia Banorte 2018), with the main subject being "Banorte as an ally of Mexico's future". This was an unprecedented event that brought together the main appointees to the incoming government's ministries, and leading business men from Mexico. This forum was a place for open dialogue between the next administration and the country's main business groups who were able to obtain a first-hand vision of the next government's plans on budgeting strategy, infrastructure, telecommunications education, and rule of law.

During its seventh edition, Foro Banorte had a direct impact on 16,000 employees, and approximately 6,000 students and teachers from 29 universities across the country via live streaming, and 226 million Twitter accounts. There were more than 20,000 visits to ForoBanorte's online portal, in which 27 notes and 12 videos were uploaded, and more than 880 mentions were generated both in traditional and digital means.

3. AFORE XXI BANORTE IS RECOGNIZED AS THE BEST PENSION FUND IN MEXICO IN 2018.

On July 31, and for the third consecutive time, Afore XXI Banorte was recognized by The World Finance Pension Fund Awards, as the best pension fund in Mexico. This is the fourth award obtained by Afore XXI Banorte in this category, which recognizes companies that have demonstrated an ability to innovate and adapt to the ever-changing and complex sector environment, while maintaining a standard of excellence. Afore XXI Banorte was awarded for its investment policy's track record, its industry leadership on developing innovative strategies, as well as for showing superior quality, adaptability, excellence and technological solutions that enable it to learn more about its clients' needs.

4. GFNORTE WAS INCLUDED FOR THE THIRD CONSECUTIVE YEAR IN THE FTSE4GOOD EMERGING MARKET SUSTAINABILITY INDEX.

In September, GFNorte was once again included in the FTSE4Good Index Series, which consolidates it as a company that meets the highest sustainability standards set forth by the FTSE stock exchange in London.

This index is made up of 499 companies, 24 of which are Mexican. These companies were evaluated on climate change, biodiversity, labor standards, health and security, as well as on risk management and corporate governance.

GFNorte ranked 5th on market cap in the "Emerging Latin America" division.

5. GFNORTE IS RECOGNIZED BY INSTITUTIONAL INVESTOR MAGAZINE

In August, Institutional Investor magazine published its annual rankings on "Best Executive Team in Latin America in 2018", which are awarded through a survey of 924 fund managers, and market analysts from 2015 institutions.

The attributes measured were: upper management's accessibility, how well informed the team is, timely and proper financial information, turnaround speed on questions and concerns, transparency and financial information disclosure, constructive conference calls, deep and relevant information on Social, Environmental and Governance (ESG) issues, as well as Socially Responsible Investment (SRI).

For the eighth consecutive year, GFNorte's executive team ranked within the first positions among Latin American banks and companies highlighting:

- 1st place as best IRO

- 1st place as best IR team

- 2nd place as best CFO

6. FULL PREPAYMENT OF BINTER STOCK CERTIFICATES

In August, Banco Mercantil del Norte, acting on behalf of Banco Interacciones, based on the provisions set forth by the securities covering the stock certificates, informed of the full prepayment of all of the stock certificates for the following amounts: BINTER 15 (Ps1.5 billion); BINTER 16-2 (Ps 1.5 billion); BINTER 14-4 (Ps 2.5 billion); BINTER14-5 (Ps 1.5 billion); BINTER 16 (Ps 1.5 billion); BINTER 17U (491,804,300 UDIS).

Bank

Income Statement and Balance Sheet Highlights - Bank (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change
				2Q18	3Q17			9M17
Net Interest Income	14,057	15,628	16,700	7%	19%	40,792	47,072	15%
Non-Interest Income	3,743	4,265	4,212	(1%)	13%	10,686	12,773	20%
Total Income	17,800	19,893	20,911	5%	17%	51,478	59,845	16%
Non-Interest Expense	7,634	8,394	8,824	5%	16%	23,378	25,803	10%
Provisions *	3,343	3,759	3,919	4%	17%	9,433	11,826	25%
Operating Income	6,823	7,740	8,169	6%	20%	18,667	22,216	19%
Taxes	1,833	2,397	2,198	(8%)	20%	5,291	6,310	19%
Discontinued Operations	8	-	-	-	(100%)	87	-	(100%)
Subsidiaries & Minority Interest	(6)	49	44	(11%)	N.A.	25	119	N.A.
Net Income	4,993	5,392	6,015	12%	20%	13,489	16,025	19%
Balance Sheet								
Performing Loans (a)	592,114	629,576	739,555	17%	25%	592,114	739,555	25%
Past Due Loans (b)	10,788	12,619	13,612	8%	26%	10,788	13,612	26%
Total Loans (a+b)	602,902	642,196	753,167	17%	25%	602,902	753,167	25%
Total Loans Net (d)	587,274	625,556	734,834	17%	25%	587,274	734,834	25%
Acquired Collection Rights (e)	2,021	2,298	2,149	(6%)	6%	2,021	2,149	6%
Total Loans (d+e)	589,295	627,855	736,983	17%	25%	589,295	736,983	25%
Total Assets	1,044,085	1,052,365	1,168,439	11%	12%	1,044,085	1,168,439	12%
Total Deposits	625,678	661,675	740,598	12%	18%	625,678	740,598	18%
Total Liabilities	954,198	957,644	1,065,405	11%	12%	954,198	1,065,405	12%
Equity	89,887	94,721	103,034	9%	15%	89,887	103,034	15%

Financial Ratios - Bank	3Q17	2Q18	3Q18	9M17	9M18
Profitability:					
NIM (1)	5.8%	6.4%	6.5%	5.7%	6.2%
NIM after Provisions (2)	4.4%	4.9%	5.0%	4.4%	4.7%
ROE (3)	22.5%	23.3%	24.3%	19.7%	22.8%
ROA (4)	2.0%	2.1%	2.2%	1.8%	2.0%
Operation:					
Efficiency Ratio (5)	42.9%	42.2%	42.2%	45.4%	43.1%
Operating Efficiency Ratio (6)	3.0%	3.2%	3.2%	3.1%	3.2%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	109.7%	116.3%	107.6%	109.7%	107.6%
Asset Quality:					
Past Due Loan Ratio	1.8%	2.0%	1.8%	1.8%	1.8%
Coverage Ratio	144.9%	131.9%	134.7%	144.9%	134.7%
Past Due Loan Ratio w/o Banorte USA	1.8%	2.0%	1.8%	1.8%	1.8%
Coverage Ratio w/o Banorte USA	144.9%	131.9%	134.7%	144.9%	134.7%
Growth (8)					
Performing Loans (9)	13.2%	7.8%	24.9%	13.2%	24.9%
Core Deposits	12.0%	10.9%	8.6%	12.0%	8.6%
Total Deposits	14.6%	7.7%	18.4%	14.6%	18.4%
Capitalization:					
Net Capital/ Credit Risk Assets	21.8%	21.4%	19.9%	21.8%	19.9%
Total Capitalization Ratio	17.7%	17.8%	16.6%	17.7%	16.6%
Leverage					
Basic Capital/ Adjusted Assets	8.8%	8.9%	8.3%	8.8%	8.3%

1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.

2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.

3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.

4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.

5) Non-Interest Expenses / Total Income.

6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.

7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.

8) Growth compared to the same period of the previous year.

9) Excludes Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)", were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid

Net Interest Income

Net Interest Income during the first three months of 2018 amounted to Ps 47.072 billion, +15% higher vs. 9M17, as a result of growth in the banking business. NII from loans and deposits grew +14%, and those from investments in securities and repos grew +27%.

During 3Q18, NII totaled Ps 16.70 billion, up +7% sequentially, as a result of an +8% increase in net interest income from loans and deposits, and from a +5% increase in investments in securities and repos. These numbers incorporate the results of GF Interacciones.

Accumulated Net Interest Margin (NIM) in 9M18 totaled 6.2%, +63bp above 9M17, and in **3Q18 it totaled 6.5%**, +3bp vs. 2Q18. Both indicators were driven by a better mix in the loan book, and by the balance sheet re-pricing effect of the higher interest rate cycle.

Additionally, **NIM adjusted for credit risk was 4.7% during 9M18**, +50bp above 9M17, and in **3Q18 it totaled 5.0%**, +6bp above sequentially.

Loan Loss Provisions

During 9M18 Loan Loss Provisions reached Ps 11.83 billion, up +25% YoY, driven by higher overall requirements from the loan book, particularly in the consumer (payroll and mortgage) portfolios, and by a reserve for two corporate exposures.

During 3Q18, Loan Loss Provisions reached Ps 3.92 billion, up +4% QoQ, on lower requirements for the state and municipal government loan books, and a Ps 189 million reserve for a specific credit exposure.

Non-Interest Income

In 9M18, Non-Interest Income amounted to Ps 12.77 billion, +20% higher vs. 9M17, on higher service fees and trading income.

During 3Q18, Non-Interest Income reached Ps 4.21 billion, (1%) lower QoQ on lower Trading Income and Other Operating Income (Expenses).

Revenues from core banking services during 9M18 (account management, fund transfers and electronic banking services fees) **grew +13% vs. 9M17, and declined (1%) vs. 2Q18.**

Non-Interest Expenses

Accumulated Non-Interest Expenses were Ps 25.80 billion for 9M18, +10% higher vs. 9M17, as a result of an overall increase in expenses, mainly on contributions to IPAB related to the higher deposit base resulting from the merger.

During 3Q18 Non-Interest Expense grew +5% vs. 2Q18 reaching Ps 8.82 billion, mainly explained by the merger.

Efficiency Ratio showed a steady improvement by declining to 43.1% during 9M18 from 45.4% in 9M17. On a quarterly basis it remained stable at **42.2% in 3Q18.**

Net Income

Net Income during 9M18 rose to Ps 16.02 billion, up +19% vs. 9M17, driven by positive traction in total revenues. **Net Income during 3Q18 totaled Ps 6.01 billion**, up +12% vs. 2Q18, driven by good performance in Net Interest Income, and lower taxes.

According to GFNorte's ownership, **the Bank's profits in 9M18 totaled Ps 15.73 billion**, up +19% YoY. The bank contributed with 72% of the Group's accumulated results, while **during 3Q18 they totaled Ps 5.9 billion**, +11% QoQ, contributing with 75% of quarterly net income of the group.

The Bank's ROE during 9M18 reached 22.8%, up +313bp vs. 9M17, while during **3Q18 it was 24.3%** vs. 23.3% in 2Q18.

ROA for 9M18 totaled 2.0%, up +21bp vs. 9M17; while this ratio for **3Q18 stood at 2.2%**, +9bp higher vs. 2Q18.

NPL Ratio

The Bank's **Non-Performing Loan Ratio in 3Q18 remained steady at 1.8%** on a YoY comparison, and declined (20bp) sequentially.

Capital

The Bank's capital ending balance was Ps 103.03 billion as of September 2018, showing a +15% increase vs. 9M17, and +9% QoQ. The quarterly comparison was benefited from net income generated during the quarter of Ps 6.01 billion, and mark-to-market gains on securities held for sale of Ps 647 million, in addition to a Ps 133 million gain on mark-to-market valuation of cash flow hedging instruments, which was partially offset by a Ps 144 million decline in employee benefits.

Long Term Savings

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change
				2Q18	3Q17			9M17
Interest Income (Net)	293	359	379	6%	30%	721	1,076	49%
Premium Income (Net)	3,302	3,230	3,037	(6%)	(8%)	13,624	15,746	16%
Net Increase in Technical Reserves	(1,004)	(918)	(1,424)	(55%)	N.A.	1,379	1,611	17%
Damages, Claims and Other Obligations	3,051	3,022	3,199	6%	5%	7,977	9,133	14%
Technical Results	1,255	1,126	1,263	12%	1%	4,267	5,002	17%
Net Interest Income (NII)	1,548	1,485	1,642	11%	6%	4,988	6,078	22%
Other Fees (acquisition costs)	(577)	(370)	(557)	(51%)	(3%)	(1,610)	(1,878)	(17%)
Securities-Realized Gains	16	(0)	20	N.A.	21%	23	25	5%
Other Operating Income (Expenses)	152	252	191	(24%)	26%	551	635	15%
Total Operating Income	1,139	1,367	1,296	(5%)	14%	3,953	4,860	23%
Non Interest Expense	300	317	346	9%	15%	874	966	11%
Operating Income	839	1,049	950	(9%)	13%	3,080	3,894	26%
Taxes	228	296	260	(12%)	14%	906	1,100	21%
Subsidiaries' Net Income	306	370	348	(6%)	14%	991	1,053	6%
Minority Interest	(7)	(9)	(8)	8%	12%	(22)	(25)	(11%)
Net Income	910	1,115	1,031	(8%)	13%	3,142	3,823	22%
Shareholder's Equity	22,511	23,549	24,415	4%	8%	22,511	24,415	8%
Total Assets	49,694	58,928	56,270	(5%)	13%	49,694	56,270	13%
Technical Reserves	20,426	28,058	24,838	(11%)	22%	20,426	24,838	22%
Premiums sold	3,753	4,320	3,728	(14%)	(1%)	17,665	21,284	20%
Coverage ratio of technical reserves	1.3	1.2	1.3	0.1 pp	(0.0 pp)	1.3	1.3	(0.0 pp)
Solvency capital requirement coverage ratio	3.8	3.9	4.6	0.7 pp	0.8 pp	3.8	4.6	0.8 pp
Coverage ratio of minimum capital	233.5	229.0	237.4	8.4 pp	3.9 pp	233.5	237.4	3.9 pp
Claims ratio	71%	73%	72%	(1.2 pp)	0.9 pp	66%	65%	(0.5 pp)
Combined ratio	92%	84%	92%	7.9 pp	0.6 pp	77%	76%	(1.3 pp)
ROE	16.6%	18.7%	17.4%	(1.3 pp)	0.9 pp	19.7%	21.6%	1.9 pp
ROE ex-Afore	33.2%	33.7%	31.4%	(2.3 pp)	(1.8 pp)	42.7%	43.4%	0.7 pp

(*) The reported Solvency capital requirement coverage ratio of the period is preliminary.

Technical results for 9M18 totaled Ps 5.00 billion, up +17% vs. 9M17. They were mainly explained by a +16% increase in **Income from Retained Premiums during 9M18 equivalent to Ps 15.75 billion**, resulting from good performance in the life book, and new business. Damages, Claims and Other Obligations had a +14% increase in the period.

Technical results during 3Q18 totaled Ps 1.26 billion, +12% QoQ, showing lower Income from Retained Premiums on typical quarterly seasonality, which is offset by a technical reserves release during the period. Lower growth in claims is noteworthy.

Acquisition Costs in 9M18 increased +17% YoY totaling (Ps 1.88) billion. Sequentially, Acquisition Costs grew +51% to **(Ps 557) million**, on higher origination fees, bonds at higher reinsurance cost, and lower revenue from reinsurance fees as a result of the business' seasonality.

Other Operating Income totaled Ps 635 million during 9M18, +15% YoY, and **Ps 191 million during 3Q18**, down (24%) sequentially.

Non-Interest Expenses totaled Ps 966 million in 9M18, up +11% vs. 9M17 driven by growth in policy origination, and during **3Q18** they grew +9% sequentially. This line item incorporates the net effect between revenues and expenses; therefore, its behavior derives from a decline in revenue and the recognition of certain losses and penalties.

Net Operating Income during 9M18 amounted to Ps 3.89 billion, +26% vs. 9M17. During 3Q18 it was (9%) lower sequentially due to seasonality in premium growth during the period.

Seguros Banorte (including Afore XXI Banorte) reported net income of **Ps 3.82 billion in 9M18**, +22% higher vs. 9M17, and **Ps 1.03 billion during 3Q18**, (8%) lower vs. 2Q18 as a result of seasonality of the business.

Net Income for Seguros Banorte excluding Afore XXI Banorte totaled Ps 2.78 billion during 9M18, contributing with 12.8% of the group's results, and **Ps 688 million during 3Q18**, contributing with 8.8% of the group's quarterly results.

ROE for the consolidated insurance company was 21.6% in 9M18, +190bp higher vs. 9M17, while during **the third quarter of the year, it declined to 17.4%**, (130bp) sequentially, due to the seasonal effect of policy renewals during 1Q18. **For Seguros Banorte, excluding Afore, this indicator totaled 43.4% for the first nine months of the year**, +70bp YoY, and **31.4% during 3Q18**.

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 3Q18 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 3Q18 damage ratios remained under control, and reinsurers complied with their obligations.*
- iii. Costs derived from placement of insurance policies and bonds.
 - *There were no relevant events to disclose in 3Q18*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life, books, 10 important businesses were transferred to foreign reinsurers: 7 related to government, 1 related to SME, 1 related to the construction sector, and 1 to the transportation sector.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
 - *There were no relevant issues related to non-fulfillment during 3Q18.*

Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Net Income	612	739	697	(6%)	14%	1,982	2,106	6%
Shareholder's Equity	23,690	23,392	24,089	3%	2%	23,690	24,089	2%
Total Assets	25,254	25,235	26,092	3%	3%	25,254	26,092	3%
AUM (SIEFORE)	713,779	753,281	773,222	3%	8%	713,779	773,222	8%
ROE	10.5%	12.8%	11.7%	(1.1 pp)	1.3 pp	11.3%	11.9%	0.6 pp

Afore XXI Banorte posted net profits of Ps 2.11 billion in 9M18, +Ps 124 million higher vs. 9M17, mainly driven by an +8% increase in Total Revenue.

During 3Q18, Afore XXI Banorte posted net profits of Ps 697 million, (6%) lower vs. 2Q18, mainly on lower onboarding and administrative costs.

ROE for 9M18 was 11.9%, +60bp above 9M17. **During 3Q18, it reached 11.7%**, (110bp) lower sequentially. Excluding goodwill, **Tangible ROE (ROTE) was 39.96% in 3Q18**, showing a decline compared to the previous quarter.

Afore XXI Banorte contributed with 4.8% of the Financial Group's profits in 9M18, and with 4.4% during 3Q18.

Assets under management by Afore XXI Banorte as of September 2018 **totaled Ps 773.2 billion**, a +3% QoQ increase, and +8% vs. 3Q17.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Interest Income (Net)	1,712	823	2,810	242%	64%	5,646	5,833	3%
Premium Income (Net)	2,050	2,591	3,168	22%	55%	6,383	8,109	27%
Net Increase in Technical Reserves	2,486	1,732	3,882	124%	56%	8,301	8,637	4%
Claims and Other Obligations	1,059	1,217	1,494	23%	41%	3,083	3,848	25%
Technical Results	(1,496)	(359)	(2,207)	(516%)	48%	(5,001)	(4,376)	13%
Net Interest Income (NII)	216	464	603	30%	N.A.	645	1,457	126%
Net Fees	-	(101)	(138)	(37%)	N.A.	-	(239)	N.A.
Securities-Realized Gains	112	2	9	506%	(92%)	346	11	(97%)
Other Operating Income (Expenses)	(3)	(5)	(10)	N.A.	217%	(9)	(16)	(75%)
Total Operating Income	324	359	464	29%	43%	982	1,212	23%
Non Interest Expense	78	95	142	50%	83%	233	335	44%
Operating Income	247	265	322	22%	31%	749	877	17%
Taxes	70	77	94	22%	35%	211	254	20%
Subsidiaries' Net Income	2	2	2	4%	8%	5	5	15%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
Net Income	179	189	230	22%	29%	542	629	16%
Shareholder's Equity	2,692	3,430	3,660	7%	36%	2,692	3,660	36%
Total Assets	86,787	95,732	115,486	21%	33%	86,787	115,486	33%
Technical Reserves	83,008	91,022	110,535	21%	33%	83,008	110,535	33%
Premiums sold	2,050	2,591	3,168	22%	55%	6,383	8,109	27%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp	1.0	1.0	0.0 pp
Solvency capital requirement coverage ratio	23.8	26.9	28.6	0.1 pp	0.2 pp	23.8	28.6	4.8 pp
Coverage ratio of minimum capital	17.3	20.6	22.0	0.1 pp	0.3 pp	17.3	22.0	4.7 pp
ROE	27.5%	22.7%	25.9%	3.2 pp	(1.5 pp)	29.9%	25.1%	(4.8 pp)

During the first nine months of the year, Pensiones Banorte reported profits of Ps 629 million, +16% higher YoY, mainly driven by an increase in premium and interest income, and a lower increase in reserves and expenses.

During 3Q18, Net Income increased +22% QoQ to Ps 230 million, as a result of +22% higher Premium Income.

It is worth mentioning that the increases in investments were related to the inflation mark-to-market which totaled Ps 1.76 billion. This amount was offset by the technical reserves update and other obligations.

Both, the accumulated 9M18, and the quarterly 3Q18 Net Income amounts represented 2.9% of the Financial Group's profits in their respective periods.

ROE for the annuities business totaled 25.1% during 9M18, (480bp) below 9M17. During the quarter it totaled 25.9%, showing a +320bp increase vs. 2Q18.

During 3Q18 the annuities company completed the acquisition of an annuities portfolio for a total amount of Ps 15.49 billion, which was added to the company's portfolio in July, upon reception of all required regulatory approvals. The company paid Ps 239 million for this portfolio; this amount was incorporated in the company's results in 2Q18 and 3Q18.

Brokerage

Brokerage Sector (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change 9M17
				2Q18	3Q17			
Net Income	220	326	335	3%	52%	742	895	21%
Shareholder's Equity	2,946	2,764	3,821	38%	30%	2,946	3,821	30%
Assets Under Custody	840,929	863,277	984,794	14%	17%	840,929	984,794	17%
Total Assets	80,331	158,421	200,089	26%	149%	80,331	200,089	149%
ROE	31.2%	43.1%	40.6%	(2.5 pp)	9.5 pp	34.6%	37.0%	2.3 pp
Net Capital (1)	2,330	2,181	-	(100%)	(100%)	2,330	-	(100%)

1) Net capital structure: Tier 1 =Ps 3.0 billion, Tier 2 = Ps 0 million.

The Brokerage Sector (Casa de Bolsa Banorte and Operadora de Fondos Banorte) reported profits of Ps 895 million in 9M18, +21% vs. 9M17, driven by a +15% increase in fees charged, higher commercial activity both, in the brokerage business (Casa de Bolsa), and in the mutual fund business (Operadora de Fondos), as well as by the incorporation of GFI's brokerage business.

Profits for 3Q18 were Ps 335 million, +3% higher vs. 2Q18, on +65% higher trading income, and a significant increase in mutual fund fees of +17%. Net Income for 9M18 represented 4.1% of the Financial Group's income, while the quarterly result did so by 4.3%.

Assets under Management

At the end of 3Q18 AUMs totaled Ps 985 billion, growing +17% YoY, and +14% vs. QoQ.

Mutual fund assets totaled Ps 198.02 billion, increasing +22.0% YoY and +12% QoQ. Assets held in fixed income funds totaled Ps 180.7 billion, +21.3% higher YoY, and 11.6% quarterly; while equity funds held assets amounting to Ps 17.3 billion, up +28.6% vs. 3Q17, and +14.3% vs. 2Q18. Banorte had an 8.24% share of the mutual fund market as of September 2018, of which 10.72% came from fixed income funds and 2.41% from equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	3Q17	2Q18	3Q18	Change		9M17	9M18	Change
				2Q18	3Q17			9M17
Leasing and Factoring								
Net Income	192	289	177	(39%)	(8%)	552	657	19%
Shareholder's Equity	4,930	5,131	4,757	(7%)	(4%)	4,930	4,757	(4%)
Loan Portfolio (1)	26,226	30,221	32,296	7%	23%	26,226	32,296	23%
Past Due Loans	140	161	170	6%	21%	140	170	21%
Loan Loss Reserves	272	295	368	25%	35%	272	368	35%
Total Assets	26,604	30,736	32,677	6%	23%	26,604	32,677	23%
ROE	15.9%	22.1%	14.3%	(7.8 pp)	(1.6 pp)	15.7%	17.2%	1.6 pp
Warehousing								
Net Income	7	5	1	(85%)	(90%)	28	15	(48%)
Shareholder's Equity	212	240	240	0%	13%	212	240	13%
Inventories	1,204	1,058	740	(30%)	(39%)	1,204	740	(39%)
Total Assets	1,412	1,250	925	(26%)	(34%)	1,412	925	(34%)
ROE	13.5%	7.7%	1.1%	(6.6 pp)	(12.4 pp)	19.0%	8.3%	(10.7 pp)
Sólida Administradora de Portafolios								
Net Income	(186)	(153)	(148)	(4%)	(21%)	(925)	(580)	37%
Shareholder's Equity	3,999	2,823	3,248	15%	(19%)	3,999	3,248	(19%)
Loan Portfolio	4,836	3,256	2,979	(9%)	(38%)	4,836	2,979	(38%)
Past Due Loans	126	107	113	5%	(10%)	126	113	(10%)
Loan Loss Reserves	305	226	205	(9%)	(33%)	305	205	(33%)
Total Assets	16,782	14,383	14,347	(0%)	(15%)	16,782	14,347	(15%)
Ixe Servicios								
Net Income	(0.3)	(0.4)	(0.3)	(32%)	(24%)	(1.2)	(0.8)	32%
Shareholder's Equity	140	138	138	(0%)	(1%)	140	138	(1%)
Total Assets	140	139	138	(0%)	(1%)	140	138	(1%)
ROE	(1.0%)	(1.1%)	(0.7%)	0.3 pp	0.2 pp	(1.2%)	(0.8%)	0.4 pp

1) Includes operating lease portfolio of Ps 3.33 billion, and fixed assets of Ps 44 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Arrendadora y Factor Banorte reported profits of Ps 657 million in 9M18, up +19% vs. 9M17, mainly benefited from +18% higher risk adjusted net interest income resulting from +28% annual growth in the loan book, and higher operating income.

During **3Q18**, **Net Income totaled Ps 177 million**, (39%) vs. 2Q18, on lower Other Operating Income.

At the end of 3Q18, the **Past Due Loans Ratio was 0.6%**, and **Coverage ratio was 215.9%**, +330bp higher QoQ and +220bp YoY. The **Capitalization ratio** as of September 2018 was 13.3% considering total risk-weighted assets of Ps 35.60 billion.

The leverage ratio as of June 2018 and September 2018 was 14.94% and 13.48% respectively; considering adjusted assets of Ps 34.26 billion and Ps 35.21 billion in each case.

During 3Q18, Net Income from Leasing and Factoring accounted for 2.3% of the Group's total results.

Warehouse

In 9M18, Warehouse posted profits of Ps 15 million, a (48%) decline vs. 9M17 on lower income from client loss, and increases in operating expenses. **During 3Q18 it posted profits of Ps 1 million**, (85%) lower vs. 2Q18. Almacenedora Banorte accounted for 0.10% of the Financial Group's profits during the period.

ROE for 3Q18 was 1.1%, (660bp) vs. 2Q18.

At the end of 3Q18, the Capitalization Ratio was 331% considering net capital of Ps 200 million, and deposit certificates issued of Ps 1.21 billion. Almacenedora Banorte ranked third among the 14 warehousing businesses in this sector in terms of profits.

Sólida Administradora de Portafolios

Sólida Administradora de Portafolios reported a net result of (Ps 580) million during 9M18, (37%) lower loss vs. 9M17, supported by strong improvement in YoY financial income, as well as a +64% increase in other operating income vs. 9M17.

Past Due Loan Ratio was 3.8% at the end of September 2018, +30bp vs. 2Q18. **Coverage ratio was 182.1%**, (290 bp) lower vs. 3Q17.

Capitalization ratio in 3Q18 reached 16.87%, up +50pp QoQ, and (230bp) YoY.

Leverage ratio as of June 2018 and September 2018 was 16.32% and 19.27%, respectively; considering adjusted assets of Ps 14.03 billion and Ps 13.97 billion in each case.

Recovery Banking

Income Statement Highlights - Recovery Banking (Million Pesos)	9M17	9M18	Var.
Net Interest Income	(12)	(5)	(61%)
Loan Loss Provisions	0	1	459%
Non Interest Income	2,024	2,234	10%
Non Interest Expense	(871)	(898)	3%
Pre-tax Income & Subsidiaries	1,141	1,332	17%
Income Tax and Profit Sharing	(323)	(386)	20%
Net Income	818	946	16%

Assets Under Management (Million Pesos)	3T18	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	148,242	Banorte's Portfolio and Reposessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	26,359	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	5,763	Solida Asset Management and Banorte	Non Interest Income
Total	180,364		

Net Income

Recovery Banking posted profits of Ps 946 million at the end of September 2018, up +16% YoY, on higher revenues driven by loan recoveries of Ps 88 million, and an increase in recovered portfolios of +Ps 51 million.

Assets Under Management

The Recovery Bank managed total assets of Ps 148 billion in 3Q18, of which 26% were mortgage loans, 22% credit cards, 19% payroll loans, 13% relate to Crediactivo, 6% auto loans, 6% foreclosed assets, 3% relate to commercial loans and 4% to other loans.

Gross revenues in 3Q18 amounted to Ps 1.54 billion, +8% higher YoY.

During 3Q18, of the total portfolio acquired and managed by Recovery Banking, 45% corresponds to mortgage portfolio, 12% to commercial and SME, 12% is the managed portfolio for SHF, 13% foreclosed assets and payments, and 16% to real estate portfolios.

Gross income from these portfolios was Ps 662 million in 3Q18, 24% higher YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	3Q17	2Q18	3Q18
Employees (1)	29,522	29,620	30,298
Branches	1,144	1,145	1,145
Correspondents	25,237	27,046	27,307
ATM's	7,515	8,026	8,148
POS's	161,824	172,804	159,260

1) Includes full time and third party employees from Banking and Afore

GFNORTE's Analyst Coverage

In compliance with requirements from BOLSA MEXICANA DE VALORES, S.A.B. DE C.V, the list of brokers who provide analysis coverage to Ticker GFNORTEO are:

BROKER	ANALYST	RECOMMENDATION	DATE
Actinver	Enrique Mendoza	Buy	13-Jul-18
Barclays	Gilberto García	Buy	26-Sep-18
BBVA	Rodrigo Ortega	Buy	15-Aug-18
BOFA - Merrill Lynch	Mario Pierry	Buy	26-Jul-18
Bradesco	Alain Nicolau	Buy	3-Sep-18
Brasil Plural	Eduardo Nishio	Buy	26-Jul-18
BTG Pactual	Eduardo Rosman	Buy	31-Jul-18
BX+	Marisol Huerta	Buy	27-Jul-18
Citi	Jorg Friedman	Buy	21-Sep-18
Credit Suisse	Marcelo Telles	Buy	26-Jul-18
GBM	Jorge Benitez	Buy	9-Jul-18
Goldman Sachs	Carlos Macedo	Buy	19-Jul-18
Intercam	Sofía Robles	Buy	26-Jul-18
Invex	Montserrat Antón	Buy	6-Aug-18
Itaú BBA	Thiago Batista	Buy	11-Sep-18
JP Morgan	Domingos Falavina	Buy	26-Jul-18
Morgan Stanley	Jorge Kuri	Buy	27-Jul-18
Nau	Iñigo Vega	Buy	7-Feb-18
Punto	Ana María Telleria	Buy	31-Mar-17
Punto	Claudia Benavente	Buy	30-Jul-18
Scotia	Jason Mollin	Buy	23-Aug-18
UBS	Philip Finch	Buy	6-Aug-18
HSBC	Carlos Gómez	Hold	5-Aug-18

Ratings

International Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	July, 2017
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	Stable / Negative	Outlook / Risk Watch	July, 2018
		Negative	Risk Watch	
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
	Banco Mercantil del Norte	5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
		Stable / Negative	Outlook / Risk Watch	
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short term foreign Currency	
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
		2	Support Rating - Banco Mercantil del Norte	
		BB+ (EXP)	Long term foreign currency subordinated debt	
Moody's	Banco Mercantil del Norte	Stable	Outlook	April, 2018
		baa2	Baseline Credit Assessment	
		Stable	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	Baseline Credit Adjusted Assessment	
	Cayman	A2 (cr)	Long term counterparty risk assesment	October, 2017
		Prime-1 (cr)	Short term counterparty risk assesment	
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		Ba2 (hyb)	Long term local currency junior subordinated debt	
		Ba2 (hyb)	Long term foreing currency subordinated debt	
		A3	Senior debt unsecured	
	Arrendadora y Factor Banorte	Stable	Outlook	August, 2018
		Baa2	Long-term issuer rating	
		(P)P-2	Short term local currency issuer	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	March, 2017
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty - Long term	
	Casa de Bolsa Banorte Ixe	Stable	Outlook	
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty credit - Long term	
Fitch	Banco Mercantil del Norte	Stable / Negative	Outlook / Risk Watch	July, 2018
		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 / Negative	Outlook / Risk Watch	
		F1+ (mex)	National Scale - Short term	
		AAA (mex)	National Scale - Long term	
	Arrendadora y Factor Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale - Unsecured Debt - Short term	
		AAA (mex)	National Scale - Unsecured Debt - Long term	
	Almacenadora Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
	Pensiones Banorte	Stable / Negative	Outlook / Risk Watch	
		AAA (mex)	National Scale	
	Seguros Banorte	Stable / Negative	Outlook / Risk Watch	
		AAA (mex)	Financial Strenght	
Moody's	Banco Mercantil del Norte	Negative	Outlook	April, 2016
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
		Aa3.mx	Subordinated debt - Long term	
	Arrendadora y Factor Banorte	A1.mx	Junior Subordinated debt - Long term	
		Stable	Outlook	October, 2017
		MX-1	National Scale - Short term issuer	August, 2018
		Aa2.mx	National Scale - Long term senior debt*	October, 2017
		MX-1	National Scale - Short term senior debt	August, 2018
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	3Q18
Banco Mercantil del Norte, S. A.	98.2619%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	100.0000%
Almacenadora Banorte, S.A. de C.V.	100.0000%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	100.0000%
Operadora de Fondos Banorte Ixe, S.A. de C.V.*	88.8400%
Ixe Servicios, S.A. de C.V.	100.0000%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.4986%
Banorte Ahorro y Previsión, S.A. de C.V.	100.0000%

*In addition to this, there is an 11.1587% ownership of Operadora de Fondos in Banco Mercantil del Norte and 0.0012% in Casa de Bolsa Banorte

Holding Company Capital Structure

Holding Company Capital Structure

Number of Shares	SERIES O As of September 2018
Number of Issued Shares	2,883,456,594
Number of Shares Outstanding	2,883,456,594
Shares held in GFNorte's Treasury	0

Group's Main Officers

Group's Main Officers 3Q18	
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
Carlos Alberto Rojo Macedo	Managing Director – Infrastructure Projects
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Héctor Ávila Flores	Chief Legal Counsel
Javier Beltrán Cantú	Managing Director – Administration and Human Resources
Carlos de la Isla Corry	Chief Credit Officer
Isaías Velázquez González	Managing Director - Internal Audit
Guillermo Chávez Eckstein	Chief Risk Officer

Integration of the Board of Directors

Board of Directors for the fiscal year 2018, appointed and approved in the Annual General Shareholders' Meeting held on April 27, 2018.

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
Thomas Stanley Heather Rodríguez	Independent

SUBSTITUTE

Graciela González Moreno	
Juan Antonio González Marcos	
Carlos de la Isla Corry	
Clemente Ismael Reyes Retana Valdés	Independent
Alberto Halabe Hamui	Independent
Manuel Aznar Nicolín	Independent
Roberto Kelleher Vales	Independent
Robert William Chandler Edwards †	Independent
Isaac Becker Kabacnik	Independent
José María Garza Treviño	Independent
Javier Braun Burillo	Independent
Humberto Tafolla Nuñez	Independent
Guadalupe Phillips Margain	Independent
Ricardo Maldonado Yáñez	Independent

† It is with deep sorrow that we announce the passing of Robert W. Chandler, on September 23, 2018. Mr. Chandler was one of our Substitute Independent Board Members. May he rest in peace.

On July 26, 2018, Olga María del Carmen Sánchez Cordero Dávila presented her resignation to the Board of Directors, along with her substitute board member, Eduardo Alejandro Francisco García Villegas, both resignations were accepted by the members of the Board.

IV. Financial Statements

Holding

Income Statement-Holding <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Income Subsidiaries	5,496	5,615	6,226	6,439	6,588	7,075	7,719
Interest Income	47	89	13	91	202	195	116
Interest Expense	-	-	-	-	-	-	-
Fund Transfers	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	1
Other Operating Income (Expenses)	0	0	0	0	0	-	0
Non-Interest Expense	27	25	28	39	25	26	32
Pre-Tax Income	5,516	5,678	6,212	6,491	6,765	7,244	7,804
Income Tax	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	(4)	(2)	(1)	15	4	59	9
Taxes	(4)	(2)	(1)	15	4	59	9
Net Income from Continuous Operations	5,520	5,680	6,213	6,475	6,762	7,185	7,795
Discontinued Operations	-	-	-	-	-	-	-
Net Income	5,520	5,680	6,213	6,475	6,762	7,185	7,795

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
ASSETS							
Cash and Due from Banks	21	40	48	6,081	6,263	0	395
Margin Accounts	-	-	-	-	-	-	-
Investment in Securities	-	-	-	-	-	-	38
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	1,451	611	3,613	4,915	4,816	5,667	6,016
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	1,451	611	3,613	4,915	4,816	5,667	6,016
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-
Performing Loans	-	-	-	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-	-	-
Benef.receiveab.securization transactions	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	0	0	0	0	0	139
Inventories	-	-	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-	-	-
Investment in Subsidiaries	127,454	121,286	124,613	121,961	128,314	130,032	140,560
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	198	200	201	186	182	123	114
Goodwill and Intangibles	10,638	10,615	10,592	10,556	10,536	10,513	20,333
Other Assets Short and Long Term	-	-	-	-	-	-	-
Other Assets							
	138,291	132,101	135,407	132,704	139,032	140,669	161,146
TOTAL ASSETS	139,762	132,753	139,068	143,701	150,111	146,336	167,595

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
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	1	1	1	0	0	0	7
Subordinated Non Convertible Debt	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-	-
TOTAL LIABILITIES	1	1	1	0	0	0	7
EQUITY							
Paid-in Capital	14,582	14,568	14,579	14,594	14,591	14,591	14,989
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Share Subscription Premiums	35,934	35,758	35,606	35,419	35,519	35,620	47,941
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	50,516	50,326	50,185	50,013	50,110	50,211	62,930
Capital Reserves	4,870	4,827	5,095	5,491	5,379	5,379	5,787
Retained Earnings	82,129	69,718	69,710	69,412	92,801	82,929	82,789
Surplus (Deficit) of Secs Available for Sale	(2,731)	(2,442)	(2,389)	(2,369)	(3,488)	(4,629)	(4,150)
Results from Valuation of Hedging Secs	(1,790)	(1,943)	(1,884)	(3,588)	(2,103)	(2,170)	(2,039)
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77	79	112
Results from Conversions	1,660	1,616	1,613	1,684	1,618	1,753	1,700
Remeasurements defined benefits for employees	(494)	(618)	(741)	(926)	(1,045)	(1,163)	(1,282)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-
Net Income	5,520	11,201	17,414	23,889	6,762	13,947	21,741
Earned Capital	89,245	82,426	88,881	93,688	100,002	96,126	104,658
Minority Interest	-	-	-	-	-	-	-
Total Equity	139,762	132,752	139,067	143,701	150,111	146,336	167,588
TOTAL LIABILITIES & EQUITY	139,762	132,753	139,068	143,701	150,111	146,336	167,595
Holding - Memorandum Accounts <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-	-	-
Properties in Custody or Management	3,716	35,685	36,535	36,535	36,535	36,535	51,040
Collateral Received	1,452	607	3,612	4,913	4,812	5,663	6,013
Proprietary Transactions	5,168	36,292	40,147	41,448	41,347	42,198	57,053
TOTAL PROPRIETARY	5,168	36,292	40,147	41,448	41,347	42,198	57,053

Grupo Financiero Banorte

Income Statement -GFNorte <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Interest Income	26,265	25,938	27,853	29,283	30,062	30,258	37,160
Interest Expense	9,783	10,984	11,657	11,517	12,415	13,024	16,993
Charged Fees	282	295	296	297	290	321	334
Fees Paid	144	167	174	210	239	255	273
Net Interest Income from interest & fees (NII)	16,620	15,082	16,319	17,854	17,698	17,299	20,228
Premium Income (Net)	7,784	6,507	5,156	5,596	11,632	5,614	5,983
Net Increase in Technical Reserves	5,544	2,654	1,482	2,965	6,976	814	2,458
Damages, Claims and Other Obligations	3,306	3,645	4,110	3,845	4,049	4,239	4,692
Net Interest Income (NII)	15,555	15,289	15,883	16,640	18,305	17,860	19,061
Preventive Provisions for Loan Losses	2,698	3,514	3,359	3,544	4,264	3,844	4,065
Net Interest Income Adjusted for Credit Risk	12,857	11,776	12,524	13,096	14,041	14,016	14,996
Fund Transfers	368	390	350	380	363	422	418
Account Management Fees	596	624	647	662	618	627	627
Electronic Banking Services	1,639	1,709	1,653	1,902	1,880	2,019	2,007
For Commercial and Mortgage Loans *	94	198	225	178	135	269	376
For Consumer and Credit Card Loans	999	1,055	1,096	1,146	1,120	1,158	1,179
Fiduciary	92	101	97	133	108	126	129
Income from Real Estate Portfolios	7	17	43	40	36	26	15
Mutual Funds	282	329	360	372	374	390	458
Trading & Financial Advising Fees	115	167	305	134	201	231	138
Other Fees Charged (1) *	264	205	263	306	289	281	292
Fees Charged on Services	4,455	4,795	5,040	5,252	5,124	5,549	5,639
Interchange Fees	722	762	739	875	880	986	961
Insurance Fees	379	269	384	186	725	144	316
Other Fees Paid	843	841	892	912	911	1,163	905
Fees Paid on Services -	1,944	1,872	2,016	1,972	2,516	2,294	2,182
Net Service Fees	2,512	2,923	3,025	3,279	2,607	3,255	3,457
Currency and Metals	(151)	(15)	22	(9)	(123)	237	(97)
Derivatives	(195)	(56)	357	387	195	603	(2)
Negotiable Instruments	27	56	(153)	(639)	(55)	76	109
Valuation	(319)	(15)	225	(260)	17	916	10
Currency and Metals	520	523	234	452	613	354	638
Derivatives	281	73	(28)	(189)	39	(117)	70
Negotiable Instruments	255	381	197	328	198	69	160
Trading	1,056	977	402	592	850	305	868
Trading Income	737	961	628	331	866	1,221	877
Loan Recovery	3	3	2	5	3	2	2
Loan Portfolios	42	46	38	64	44	58	69
Income from foreclosed assets	21	(273)	255	156	80	68	188
Provisions Release	4	0	1	3	14	1	29
Losses and Estimates	(295)	(423)	(335)	(583)	(913)	(355)	(650)
Impairment of Assets	(428)	(10)	(189)	134	(173)	-	-
Lease Income	111	105	106	125	123	106	121
From Insurance	234	213	189	199	200	254	197
Other Operating Expense	341	443	173	596	1,233	266	496
Total Other Operating Income (Expense)	33	105	240	699	611	401	452
Total Non Interest Income	3,282	3,989	3,892	4,310	4,085	4,878	4,787
Total Operating Income	16,138	15,765	16,416	17,406	18,126	18,894	19,783
Personnel	3,512	3,285	3,206	3,445	3,535	3,850	3,721
Employee Profit Sharing (PTU)	101	101	101	88	106	106	120
Professional Fees	567	712	771	875	714	754	772
Administrative and Promotional Expenses	1,947	1,888	1,787	1,931	1,941	1,973	2,090
Rents, Depreciation & Amortization	1,306	1,274	1,233	1,245	1,347	1,386	1,435
Taxes other than income tax & non deductible	523	374	422	453	788	191	481
Contributions to IPAB/Fobaproa	634	636	668	696	725	726	845
Total Non Interest Expense	8,590	8,271	8,188	8,732	9,155	8,986	9,465
Operating Income	7,549	7,494	8,227	8,674	8,970	9,908	10,318
Subsidiaries' Net Income	263	335	291	375	357	409	375
Pre-Tax Income	7,812	7,828	8,519	9,049	9,327	10,317	10,693
Income Tax	2,070	2,015	2,184	2,200	2,343	2,627	2,808
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	210	59	34	276	128	396	(41)
Taxes	2,279	2,074	2,218	2,476	2,472	3,023	2,767
Net Income from Continuous Operations	5,532	5,754	6,300	6,573	6,856	7,294	7,926
Discontinued Operations	74	6	8	2	-	-	-
Minority Interest	(79)	(80)	(90)	(93)	(87)	(102)	(110)
Net Income	5,527	5,680	6,219	6,482	6,768	7,191	7,816

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
ASSETS							
Cash and Due from Banks	60,422	65,840	59,809	76,269	87,954	69,649	65,483
Margin Accounts	1,909	2,635	1,628	1,986	1,739	1,680	1,764
Negotiable Instruments	244,183	240,223	242,347	239,019	258,739	259,179	260,794
Securities Available for Sale	136,570	139,264	153,555	168,540	164,663	157,586	203,583
Securities Held to Maturity	85,347	87,127	91,188	95,310	97,981	98,689	120,494
Investment in Securities	466,100	466,614	487,090	502,870	521,382	515,454	584,871
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Debtor Balance in Repo Trans, net	2	0	231	679	595	187	372
Securities Lending	-	-	-	-	-	-	-
For trading purposes	22,780	20,387	18,983	25,520	24,404	28,796	28,233
For hedging purposes	387	216	94	205	293	134	349
Operations w/Derivatives & Securities							
Transactions with Derivatives	23,167	20,603	19,077	25,725	24,697	28,931	28,582
Operations w/Derivatives & Securities	23,168	20,604	19,308	26,403	25,291	29,118	28,954
Valuation adjustments for Asset Coverage	110	106	102	99	95	91	88
Commercial Loans	220,656	231,284	231,954	233,777	234,847	248,783	283,315
Financial Intermediaries' Loans	5,237	5,607	4,882	5,944	5,576	4,967	7,312
Consumer Loans	92,394	98,478	103,222	105,567	108,477	111,471	112,954
Mortgage Loans	119,310	124,206	130,084	135,405	139,779	145,351	150,517
Medium and Residential	115,226	120,197	126,120	131,563	135,952	141,629	146,834
low income housing	37	33	29	26	23	20	19
Loans acquired from INFONAVIT or FOVISSSTE	4,048	3,975	3,934	3,816	3,804	3,702	3,665
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities' Loans	131,551	134,423	131,460	134,905	134,017	130,087	197,636
Performing Loans	569,147	593,997	601,602	615,598	622,695	640,660	751,735
Commercial PDL's	5,893	5,739	5,731	6,719	6,913	7,116	7,614
Financial Intermediaries PDL's	344	0	0	0	1	0	0
Consumer PDL's	3,029	3,918	4,088	4,440	3,976	4,424	4,816
Mortgage PDL's	1,019	1,161	1,234	1,323	1,315	1,347	1,448
Medium and Residential	911	1,044	1,096	1,179	1,186	1,227	1,324
low income housing	1	1	1	1	1	1	2
Loans acquired from INFONAVIT or FOVISSSTE	106	117	137	143	128	119	123
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	16
Past Due Loans	10,284	10,818	11,053	12,482	12,205	12,888	13,895
Gross Loan Portfolio	579,432	604,815	612,656	628,080	634,900	653,547	765,630
Preventive Loan Loss Reserves	14,235	16,119	16,205	16,122	16,674	17,161	18,906
Net Loan Portfolio	565,197	588,696	596,451	611,958	618,226	636,386	746,725
Acquired Collection Rights	2,082	1,986	2,593	2,477	2,315	2,781	2,610
Total Credit Portfolio	567,279	590,682	599,044	614,435	620,541	639,168	749,335
Account Receivables from Insurance and Annuities	1,620	1,769	1,879	1,904	1,879	2,133	2,227
Premium Debtors (Net)	8,406	8,223	6,519	4,031	11,026	8,866	6,212
Account Receivables from Reinsurance	7,189	8,878	9,285	8,717	13,682	14,044	12,069
Benef. receivab. securization transactions	151	152	177	141	162	149	169
Sundry Debtors & Other Accs Rec, Net	46,084	36,699	46,338	51,834	36,942	54,191	52,911
Inventories	399	1,309	1,204	783	594	1,058	740
Foreclosed Assets, Net	1,569	1,149	1,121	1,100	1,131	1,011	1,088
Real Estate, Furniture & Equipment, Net	15,770	15,981	16,896	18,171	17,871	18,089	18,860
Investment in Subsidiaries	12,875	13,104	13,395	13,771	12,953	13,328	13,837
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	3,750	3,729	3,011	2,949	2,629	2,631	3,504
Goodwill and Intangibles	25,281	25,493	25,826	28,238	27,226	29,707	42,321
Other Assets Short and Long Term	3,253	2,709	2,488	448	431	275	360
Other Assets							
	126,347	119,194	128,140	132,085	126,524	145,484	154,297
TOTAL ASSETS	1,245,334	1,265,675	1,295,121	1,354,147	1,383,526	1,400,644	1,584,791

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
LIABILITIES							
Demand Deposits	365,031	366,429	375,201	393,308	387,601	401,870	404,405
Time Deposits-Retail	209,159	227,113	235,524	239,174	240,557	238,418	268,129
Time Deposits-Money Market	1,115	15,394	8,983	3,679	9,984	13,264	55,689
Global Account of deposits without movements	1,410	1,456	1,523	1,657	1,673	1,709	1,769
Senior Unsecured Debt	85	2,750	2,745	3,003	2,764	4,995	7,041
Deposits	576,800	613,142	623,976	640,821	642,579	660,257	737,033
Demand Loans	1,137	1,591	0	0	0	0	0
Short Term Loans	13,264	14,886	15,104	18,213	13,029	15,670	19,884
Long Term Loans	17,984	18,222	15,751	15,731	17,508	16,597	32,057
Due to Banks & Correspondents	32,385	34,698	30,856	33,944	30,537	32,267	51,941
Technical Reserves	97,016	100,982	103,550	107,794	118,660	119,065	135,585
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	314,163	307,161	299,573	301,665	311,829	323,057	369,793
Secs to be received in Repo Trans, Net	-	-	0	-	-	-	-
Repos (Credit Balance)	2	0	54	3	1	2	1
Securities' Loans	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-
Total Collateral sold	2	0	54	3	1	2	1
For trading purposes	22,092	19,445	17,958	24,608	21,195	25,966	24,956
For hedging purposes	6,555	6,552	7,104	12,401	8,180	9,646	7,797
Operations w/ Derivatives & Securities							
Transactions with Derivatives	28,647	25,997	25,062	37,009	29,374	35,612	32,753
Total Operations w/ Derivatives & Securities	342,812	333,158	324,690	338,677	341,204	358,671	402,547
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	2,526	3,348	3,185	1,255	4,075	3,507	3,030
Income Tax Payable	2,021	1,933	2,455	3,132	2,549	2,253	3,310
Profit Sharing Payable	494	222	320	405	127	216	367
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Creditors for settlement of transactions	6,609	6,956	10,616	16,047	28,512	5,488	7,176
Margin Accounts Payable	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	23,072	20,612	21,812	31,615	30,270	35,573	39,587
Other Payable Accounts	32,196	29,722	35,203	51,198	61,458	43,530	50,441
Subordinated Non Convertible Debt	17,551	13,733	30,255	32,445	30,482	32,507	32,241
Deferred Taxes, Net	0	(0)	0	0	0	(0)	(0)
Deferred Credits	265	252	418	429	450	477	512
TOTAL LIABILITIES	1,101,552	1,129,036	1,152,133	1,206,564	1,229,446	1,250,281	1,413,330
EQUITY							
Paid-in Capital	14,578	14,564	14,576	14,591	14,588	14,588	14,979
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Share Subscription Premiums	36,098	35,932	35,780	35,592	35,692	35,793	47,849
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	50,676	50,496	50,355	50,183	50,280	50,381	62,828
Capital Reserves	4,870	4,827	5,095	5,491	5,379	5,379	5,787
Retained Earnings	84,011	71,600	71,592	71,294	94,702	84,830	84,690
Surplus (Deficit) of Secs Available for Sale	(2,754)	(2,471)	(2,428)	(2,390)	(3,513)	(4,659)	(4,198)
Results from Valuation of Hedging Secs	(1,790)	(1,943)	(1,884)	(3,588)	(2,103)	(2,170)	(2,039)
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77	79	112
Results from Conversions	1,660	1,616	1,613	1,684	1,618	1,753	1,700
Remeasurements defined benefits for employees	(494)	(618)	(741)	(926)	(1,045)	(1,163)	(1,282)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-
Net Income	5,527	11,207	17,426	23,908	6,768	13,960	21,776
Earned Capital	91,112	84,287	90,737	95,567	101,885	98,009	106,546
Minority Interest	1,994	1,856	1,896	1,832	1,916	1,973	2,088
Total Equity	143,782	136,639	142,988	147,583	154,081	150,363	171,461
TOTAL LIABILITIES & EQUITY	1,245,334	1,265,675	1,295,121	1,354,147	1,383,526	1,400,644	1,584,791

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q18	1Q18	2Q18	3Q18
On behalf of Third Parties							
Customer's Banks	154	53	79	33	37	44	200
Dividends Receivable from Customers	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-
Settlement of Customer Transactions	(3)	5	48	(64)	182	86	126
Customer Premiums	-	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-	-
Customers' Current Account	150	58	128	(32)	219	129	326
Client Securities Received in Custody	642,019	670,333	678,718	663,995	657,387	686,453	786,752
Securities and Documents Received in Guarantee	-	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-	-
Clients' Securities	642,019	670,333	678,718	663,995	657,387	686,453	786,752
Clients' Repurchase Operations	106,095	90,620	75,928	118,210	167,552	154,485	194,824
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	106,060	90,585	75,949	118,175	167,518	154,451	194,825
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	108,323	113,681	103,775	112,960	104,431	101,779	100,614
Transactions On Behalf of Clients	320,478	294,885	255,652	349,346	439,500	410,715	490,263
Investment Bank Trans. on behalf of Third (Net)	90,367	77,102	85,844	87,333	89,601	90,056	71,600
TOTAL ON BEHALF OF THIRD PARTIES	1,053,014	1,042,379	1,020,341	1,100,642	1,186,708	1,187,353	1,348,941
Endorsement Guarantees Granted	-	-	-	-	-	-	-
Loan Obligations	326,160	259,402	236,364	252,516	269,875	290,268	320,465
Trusts	271,144	279,574	269,077	276,410	267,263	264,320	452,846
Mandates	2,712	13,148	14,482	14,339	14,628	16,625	16,500
Properties in Trusts and Warrant	273,856	292,722	283,559	290,749	281,891	280,945	469,346
Properties in Custody or Management	475,934	553,930	559,611	561,016	577,678	590,176	738,265
Collateral Received	164,657	101,105	110,142	145,077	187,966	181,148	230,558
Collateral Received or sold or delivered	203,465	123,597	111,691	184,011	273,284	250,217	326,695
Drafts in Transit	-	-	-	-	-	-	-
Assets' Deposit	2,368	2,415	1,802	3,068	2,498	1,545	1,382
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	63	73	111	100	119	131	166
Uncollected Accrued Interest from Past Due Loans	437	471	361	367	363	358	659
Investments of Retirement Savings Funds	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-
Proprietary Transactions	1,446,941	1,333,715	1,303,640	1,436,905	1,593,673	1,594,788	2,087,536
Repo Securities to be Received	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,446,941	1,333,715	1,303,640	1,436,905	1,593,673	1,594,788	2,087,536

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – SEPTEMBER 30, 2018***(Million Pesos)*

Net Income	21,776
Items charged to results that do not generate or require use of resources	
Depreciation	1,389
Technical Reserves	10,248
Provisions	1,110
Income taxes and deferred	8,261
Minority Interest	(840)
	20,168
	41,944
Change in items related to operations	
Change in Margin Accounts	222
Change in Investment in Securities	(82,001)
Change in repo debtors	306
Change in derivatives (assets)	(2,702)
Change in Loan Portfolio (net)	(134,737)
Change in purchased receivables (net)	(133)
Change in accounts receivable insurance and bonding institutions (net)	(323)
Change in debtor premiums (net)	(2,182)
Change in Reinsurance (net)	(3,352)
Change in benefits to receive from securitizations	(28)
Change in foreclosed assets (net)	12
Change in other operating assets (net)	(15,852)
Change in core deposits	96,212
Change in interbank loans and other entities	17,972
Change in repo creditors	68,128
Change in collateral pledged sold	(2)
Change in derivatives (liability)	349
Change in Technical Reserves (net)	17,542
Change in Reinsurance (net) (liability)	1,775
Change in subordinated debt with characteristics of liabilities	(204)
Change in other operating liabilities	11,175
Change in hedging instruments (the related hedged transaction activities)	(4,749)
Income Tax Payments	(8,651)
Net cash generated or used from operations	721
Investment Activities	
Charges for disposal of property, furniture and equipment	1,298
Payments for acquisition of property, furniture and equipment	(3,381)
Charges for cash dividends	1,205
Discontinued Operational Assets	-
Net cash generated or used from investment activities	(878)
Financing Activities	
Payments of cash dividends	(9,563)
Payments associated with the repurchase of proprietary shares	(116)
Payments of interests of subordinated debentures	(917)
Net cash flows from financing activities	(10,596)
Net Cash Increase (decrease) and equivalents value	(10,753)
Effects for changes in cash and equivalents value	(33)
Cash and cash equivalents at beginning of period	76,269
Cash and cash equivalents at end of period	65,483

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 – SEPTEMBER 30, 2018

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
Balance as of December 31, 2017	14,591	35,592	5,491	71,294	(2,390)	(3,588)	96	1,684	(926)	23,908	1,832	147,584
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	4	(382)	296		(27)							(109)
Capitalization of profits				23,908						(23,908)		0
Dividends Declared by the Ordinary General Shareholders' Meeting on June 1, 2018				(9,563)								(9,563)
INB's Sale Accounting Effect				(179)								(179)
Grupo Financiero Interacciones Merger Effect	384	12,779										13,163
Total	388	12,397	296	14,166	(27)	0	0	0	0	(23,908)	0	3,312
Changes stemming from profits												
Total profits:												
Net Income										21,776		21,776
Result from valuation of securities available for sale					(1,781)							(1,781)
Effect of subsidiaries, associates and mutual funds		(140)		147				16				23
Result from valuation of instruments of cash flow hedges						1,549						1,549
Result in valuation of current risk reserve due to changes in rates							16					16
Remeasurements defined benefits for employees									(357)			(357)
Interest of subordinated debentures				(917)								(917)
Total	0	(140)	0	(770)	(1,781)	1,549	16	16	(357)	21,776	0	20,309
Recognition of minority interest											256	256
Balance as of September 30, 2018	14,979	47,849	5,787	84,690	(4,198)	(2,039)	112	1,700	(1,283)	21,776	2,088	171,461

Bank

Income Statement - Bank <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Interest Income	21,747	23,165	24,448	25,181	26,045	26,626	31,483
Interest Expense	8,614	9,831	10,515	10,415	11,354	11,065	14,845
Charged Fees	282	294	296	297	290	320	333
Fees Paid	143	165	171	207	237	253	271
Net Interest Income (NII)	13,272	13,463	14,057	14,856	14,744	15,628	16,700
Preventive Provisions for Loan Losses	2,658	3,433	3,343	3,450	4,149	3,759	3,919
Net Interest Income Adjusted for Credit Risk	10,614	10,030	10,715	11,406	10,596	11,869	12,781
Fund Transfers	368	390	350	380	363	422	418
Account Management Fees	614	639	662	681	639	650	650
Electronic Banking Services	1,639	1,709	1,653	1,902	1,880	2,019	2,007
For Commercial and Mortgage Loans	94	193	225	178	135	269	376
For Consumer Loans	997	1,052	1,093	1,143	1,117	1,155	1,176
Fiduciary	91	101	96	132	107	126	129
Income from Real Estate Portfolios	5	9	10	13	20	7	3
Trading & Financial Advising Fees	-	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1	1	1
Other Fees Charged (1) *	473	464	521	557	580	587	622
Fees Charged on Services	4,282	4,557	4,611	4,986	4,842	5,235	5,381
Interchange Fees	722	762	739	875	880	986	961
Insurance Fees	-	-	-	-	-	-	-
Other Fees Paid	802	779	836	871	864	999	975
Fees Paid on Services	1,524	1,541	1,576	1,746	1,744	1,985	1,936
Net Fees	2,758	3,016	3,036	3,240	3,099	3,250	3,445
Foreign Exchange	(124)	(11)	22	(16)	(116)	231	(93)
Derivatives	16	(49)	368	402	199	605	(1)
Negotiable Instruments	(63)	26	(130)	(554)	(31)	41	45
Valuation	(172)	(34)	260	(168)	52	877	(50)
Currency and Metals	520	523	234	452	613	354	638
Derivatives	281	73	(28)	(189)	39	(117)	70
Negotiable Instruments	64	149	87	50	103	17	55
Trading	865	745	292	314	755	254	763
Trading Income	693	711	552	145	807	1,131	713
Loan Recovery	-	-	-	-	-	-	-
Loan Portfolios	30	30	25	47	29	36	42
Income from foreclosed assets	12	(266)	229	151	70	87	176
Provisions Release	-	-	-	-	-	-	-
Losses and Estimates	(280)	(325)	(267)	(361)	(715)	(337)	(616)
Impairment of Assets	(58)	(9)	(9)	(8)	-	-	-
Lease Income	8	8	19	13	15	3	20
From Insurance	-	-	-	-	-	-	-
Other Operating Expense	285	333	158	502	993	95	431
Total Other Operating Income (Expenses)	(3)	(230)	155	344	391	(116)	53
Total Non-Interest Income	3,448	3,496	3,743	3,729	4,297	4,265	4,212
Total Operating Income	14,062	13,526	14,457	15,135	14,892	16,134	16,993
Personnel	3,361	3,127	3,048	3,272	3,370	3,679	3,534
Employee Profit Sharing (PTU)	99	99	99	85	104	104	118
Professional Fees	463	612	655	726	606	621	621
Administrative and Promotional Expenses	1,749	1,765	1,649	1,797	1,784	1,826	1,919
Rents, Depreciation & Amortization	1,219	1,184	1,155	1,158	1,272	1,311	1,356
Taxes other than income tax & non-deductible expenses	458	337	358	394	724	126	430
Contributions to IPAB/Fobaproa	634	636	668	696	725	726	845
Total Non-Interest Expense	7,984	7,760	7,634	8,127	8,585	8,394	8,824
Operating Income	6,078	5,766	6,823	7,007	6,307	7,740	8,169
Subsidiaries' Net Income	14	17	(6)	37	25	49	44
Pre-Tax Income	6,092	5,783	6,817	7,044	6,332	7,790	8,213
Income Tax	1,541	1,509	1,755	1,977	1,591	2,112	2,324
Deferred Income Tax	320	89	78	219	123	285	(126)
Taxes	1,861	1,597	1,833	2,196	1,714	2,397	2,198
Net Income from Continuous Operations	4,232	4,185	4,985	4,848	4,618	5,392	6,015
Discontinued Operations	74	6	8	2	-	-	-
Minority Interest	0	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	4,305	4,191	4,993	4,850	4,618	5,392	6,015

Bank - Balance Sheet (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
ASSETS							
Cash and Due from Banks	60,405	65,822	59,618	76,063	87,771	69,226	65,084
Margin Accounts	1,909	2,635	1,628	1,986	1,739	1,680	1,764
Negotiable Instruments	150,913	159,894	174,661	122,065	85,206	95,500	84,122
Securities Available for Sale	106,886	110,750	126,881	152,910	150,133	145,572	162,694
Securities Held to Maturity	6,245	6,202	6,849	6,834	6,836	6,770	8,888
Investment in Securities	264,044	276,846	308,392	281,810	242,175	247,842	255,704
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Debtor Balance in Repo Trans.net	2	0	20	5	1	0	1
Securities Lending	-	-	-	-	-	-	-
For trading purposes	22,738	20,352	18,959	25,511	24,399	28,794	28,231
For hedging purposes	387	216	94	205	293	134	349
Operations w/Derivatives & Securities	-	-	-	-	-	-	-
Transactions with Derivatives	23,125	20,568	19,053	25,716	24,692	28,929	28,581
Operations w/Derivatives & Securities	23,126	20,568	19,073	25,721	24,693	28,929	28,582
Valuation adjustments for Asset Coverage	110	106	102	99	95	91	88
Commercial Loans	199,150	208,717	209,711	210,431	211,079	224,216	258,347
Financial Intermediaries' Loans	21,122	23,538	22,517	22,875	24,843	22,887	26,114
Consumer Loans	90,824	93,999	99,186	101,995	105,358	108,725	110,491
Mortgage Loans	119,310	124,206	130,084	135,405	139,779	145,351	150,517
Medium and Residential	115,226	120,197	126,120	131,563	135,952	141,629	146,834
low income housing	37	33	29	26	23	20	19
Loans acquired from INFONAVIT or FOVISSSTE	4,048	3,975	3,934	3,816	3,804	3,702	3,665
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities' Loans	130,183	133,394	130,617	132,816	131,014	128,397	194,085
Loans granted as Federal Agent	-	-	-	-	-	-	-
Performing Loans	560,589	583,853	592,114	603,522	612,074	629,576	739,555
Commercial PDL's	5,677	5,570	5,566	6,540	6,723	6,930	7,422
Financial Intermediaries PDL's	344	0	0	0	1	0	0
Consumer PDL's	2,993	3,867	3,987	4,329	3,875	4,342	4,729
Mortgage PDL's	1,019	1,161	1,234	1,323	1,315	1,347	1,448
Medium and Residential	911	1,044	1,096	1,179	1,186	1,227	1,324
low income housing	1	1	1	1	1	1	2
Loans acquired from INFONAVIT or FOVISSSTE	106	117	137	143	128	119	123
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	13
Past Due Loans	10,034	10,598	10,788	12,192	11,914	12,619	13,612
Gross Loan Portfolio	570,622	594,452	602,902	615,714	623,988	642,196	753,167
Preventive Loan Loss Reserves	13,805	15,499	15,628	15,551	16,108	16,639	18,333
Net Loan Portfolio	556,818	578,953	587,274	600,163	607,880	625,556	734,834
Acquired Collection Rights	1,477	1,394	2,021	1,925	1,794	2,298	2,149
Total Credit Portfolio	558,294	580,347	589,295	602,088	609,673	627,855	736,983
Benef. receivab. securization transactions	151	152	177	141	162	149	169
Sundry Debtors & Other Accs Rec, Net	36,363	26,519	35,953	37,492	27,055	43,581	42,559
Inventories	-	-	-	-	-	-	-
Foreclosed Assets, Net	1,182	791	755	752	754	704	768
Real Estate, Furniture & Equipment, Net	12,120	12,306	12,777	13,474	13,720	13,893	14,753
Investment in Subsidiaries	199	119	113	150	175	192	347
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	3,602	3,651	3,146	3,517	3,189	3,302	4,174
Goodwill and Intangibles	10,775	10,805	10,918	13,051	12,639	14,870	17,160
Other Assets Short and Long Term	2,914	2,364	2,137	81	57	53	306
	67,306	56,707	65,977	68,658	57,750	76,743	80,235
TOTAL ASSETS	975,193	1,003,031	1,044,085	1,056,423	1,023,894	1,052,365	1,168,439

Bank - Balance Sheet (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
LIABILITIES							
Demand Deposits	366,454	367,839	376,822	394,995	389,330	403,109	406,557
Time Deposits-Retail	209,212	227,186	235,605	245,288	248,275	238,597	269,543
Time Deposits-Money Market	1,115	15,394	8,983	3,679	9,984	13,264	55,689
Global Account of deposits without movements	1,410	1,456	1,523	1,657	1,673	1,709	1,769
Senior Unsecured Debt	-	2,750	2,745	3,003	2,764	4,995	7,041
Deposits	578,191	614,625	625,678	648,622	652,027	661,675	740,598
Demand Loans	1,137	1,591	0	0	0	0	0
Short Term Loans	7,204	7,557	7,610	8,441	6,971	7,528	12,675
Long Term Loans	8,702	8,495	6,520	6,797	6,520	6,489	21,372
Due to Banks & Correspondents	17,043	17,642	14,130	15,238	13,491	14,017	34,047
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	210,936	218,158	228,696	190,363	150,684	175,344	181,148
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-
Repos (Credit Balance)	2	0	0	3	1	2	1
Securities' Loans	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-
Total Collateral sold	2	0	0	3	1	2	1
For trading purposes	22,092	19,445	17,958	24,608	21,195	25,966	24,956
For hedging purposes	6,555	6,552	7,104	12,401	8,180	9,646	7,797
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-
Transactions with Derivatives	28,647	25,997	25,062	37,009	29,374	35,612	32,753
Total Operations w/ Derivatives & Securities	239,585	244,155	253,758	227,375	180,059	210,958	213,902
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-
Income Tax Payable	1,477	1,143	1,351	1,940	1,794	1,121	1,929
Profit Sharing Payable	494	222	320	405	127	216	356
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Creditors for settlement of transactions	6,516	6,828	9,904	15,871	28,150	4,856	6,972
Margin Accounts Payable	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	19,290	17,026	18,544	27,981	26,757	31,837	34,876
Other Payable Accounts	27,777	25,218	30,119	46,196	56,828	38,031	44,133
Subordinated Non Convertible Debt	17,551	13,733	30,255	32,445	30,482	32,507	32,241
Deferred Taxes, Net	-	-	-	-	-	-	-
Deferred Credits	142	107	258	485	464	456	484
TOTAL LIABILITIES	880,289	915,480	954,198	970,361	933,350	957,644	1,065,405
EQUITY							
Paid-in Capital	18,105	18,105	18,105	18,105	18,105	18,105	18,794
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Share Subscription Premiums	180	294	420	648	750	852	954
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	18,285	18,399	18,525	18,753	18,855	18,957	19,748
Capital Reserves	11,509	13,013	13,013	13,013	13,013	14,847	14,847
Retained Earnings	62,685	49,462	46,400	38,959	56,788	54,641	55,548
Surplus (Deficit) of Secs Available for Sale	(1,139)	(752)	(402)	4	(1,068)	(2,002)	(1,355)
Results from Valuation of Hedging Secs	(1,827)	(1,982)	(1,923)	(3,653)	(2,141)	(2,209)	(2,076)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-	-
Results from Conversions	1,579	1,544	1,540	1,591	1,542	1,661	1,623
Remeasurements defined benefits for employees	(503)	(629)	(755)	(943)	(1,063)	(1,184)	(1,328)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-
Net Income	4,305	8,496	13,489	18,339	4,618	10,010	16,025
Earned Capital	76,609	69,152	71,362	67,309	71,689	75,764	83,284
Minority Interest	10	0	0	0	0	0	2
Total Equity	94,904	87,551	89,887	86,062	90,544	94,721	103,034
TOTAL LIABILITIES & EQUITY	975,193	1,003,031	1,044,085	1,056,423	1,023,894	1,052,365	1,168,439

Bank - Memorandum Accounts (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Investment Banking transactions for third parties, net	90,367	77,102	85,844	87,333	89,601	90,056	71,600
TOTAL ON BEHALF OF THIRD PARTIES	90,367	77,102	85,844	87,333	89,601	90,056	71,600
Proprietary Transactions							
Endorsement Guarantees Granted	-	-	-	-	-	-	-
Loan Obligations	287,187	217,510	194,370	213,098	230,194	252,633	280,011
Trusts	271,144	279,574	269,077	276,410	267,263	264,320	452,846
Mandates	2,712	13,148	14,482	14,339	14,628	16,625	16,500
Properties in Trusts and Warrant	273,856	292,722	283,559	290,749	281,891	280,945	469,346
Properties in Custody or Management	321,987	359,766	360,273	363,730	377,497	376,146	488,495
Collateral Received	158,596	97,317	101,413	133,904	174,273	167,571	223,700
Collateral Received or sold	94,204	30,833	32,285	62,240	99,167	89,256	131,673
Drafts in Transit	-	-	-	-	-	-	-
Deposits of assets	-	-	-	-	-	-	-
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-
Contingent assets & liabilities	63	73	111	100	119	131	166
Uncollected Accrued Interest from Past Due Loans	436	470	359	365	361	357	657
Investments of Retirement Savings Funds	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-
Proprietary Transactions	1,136,328	998,692	972,371	1,064,187	1,163,501	1,167,038	1,594,048
Repo Securities to be Received	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,136,328	998,692	972,371	1,064,187	1,163,501	1,167,038	1,594,048

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – SEPTEMBER 30, 2018***(Million Pesos)*

Net Income	16,025
Items charged to results that do not generate or require use of resources	
Depreciation	1,240
Provisions	1,117
Income taxes and deferred	6,310
Minority Interest	(119)
	8,548
	24,573
Change in items related to operations	
Change in Margin Accounts	222
Change in Investment in Securities	24,581
Change in repo debtors	4
Change in derivatives (assets)	(2,710)
Change in Loan Portfolio (net)	(134,642)
Change in purchased receivables (net)	(224)
Change in benefits to receive from securitizations	(28)
Change in foreclosed assets (net)	(16)
Change in other operating assets (net)	(9,434)
Change in core deposits	91,976
Change in interbank loans and other entities	18,785
Change in repo creditors	(9,215)
Change in collateral pledged sold	(2)
Change in derivatives (liability)	349
Change in subordinated debt with characteristics of liabilities	(204)
Change in other operating liabilities	(1,372)
Change in hedging instruments (the related hedged transaction activities)	(3,172)
Income Tax Payments	(6,989)
Net cash generated or used from operations	(7,518)
Investment Activities	
Charges for disposal of property, furniture and equipment	38
Payments for acquisition of property, furniture and equipment	(2,562)
Charges for cash dividends	30
Net cash generated or used from investment activities	(2,494)
Financing Activities	
Payments of interests of subordinated debentures	(934)
Net cash flows from financing activities	(934)
Net Cash Increase (decrease) and equivalents value	(10,946)
Effects for changes in cash and equivalents value	(33)
Cash and cash equivalents at beginning of period	76,063
Cash and cash equivalents at end of period	65,084

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018– SEPTEMBER 30, 2018

(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, 2017	18,105	648	13,013	38,959	4	(3,653)	18,105	1,590	(943)	18,339	0	86,062
Changes stemming from stockholders' decisions												
Capitalization of profits				18,339						(18,339)		0
Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 27, 2018.			1,834	(1,834)								0
Payment plan based on equity-settle shares in equity instruments		306										306
INB's Sale Accounting Effect				(183)								(183)
Banco Interacciones Merger Effect	689			1,264	165				(23)			2,095
Total	689	306	1,834	17,586	165	0	689	0	(23)	(18,339)	0	2,218
Changes stemming from profits												
Total profits:												
Net Income										16,025		16,025
Result from valuation of securities available for sale					(1,524)							(1,524)
Effect of subsidiaries, associates and mutual funds				(36)					(1)			(37)
Conversion accumulated effect								33				33
Result from valuation of instruments of cash flow hedges						1,577						1,577
Remeasurements defined benefits for employees				(27)					(361)			(388)
Interest of subordinated debentures				(934)								(934)
Total	0	0	0	(997)	(1,524)	1,577	0	33	(362)	16,025	0	14,752
Recognition of minority interest											2	2
Balance as of September 30, 2018	18,794	954	14,847	55,548	(1,355)	(2,076)	18,794	1,623	(1,328)	16,025	2	103,034

Seguros Banorte

Income Statement - Insurance - Seguros Banorte <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Interest Income	179	252	290	284	338	359	379
Interest Expense	5	(2)	(3)	-	-	-	-
Premium Income (Net)	5,986	4,336	3,302	3,581	9,479	3,230	3,037
Net Increase in Technical Reserves	1,920	463	(1,004)	(389)	3,954	(918)	(1,424)
Damages, Claims and Other Obligations	2,325	2,602	3,051	2,762	2,912	3,022	3,199
Net Interest Income	1,916	1,524	1,548	1,493	2,951	1,485	1,642
Fees Charged on Services	-	-	-	-	-	-	-
Fees Paid on Services	564	469	577	398	952	370	557
Securities-Valuation Gains	-	-	-	-	-	-	-
Securities Trading	12	(5)	16	19	5	(0)	20
Trading Income	12	(5)	16	19	5	(0)	20
From Insurance	232	213	188	199	194	250	199
Losses and Estimates	(7)	(43)	(39)	(209)	(6)	(2)	(13)
Other Operating Income (Expense)	3	2	2	5	5	3	6
Total Other Operating Income (Expenses)	228	172	152	(5)	192	252	191
Total Non-Interest Income	(324)	(302)	(409)	(384)	(754)	(118)	(346)
Total Operating Income	1,592	1,222	1,139	1,110	2,197	1,367	1,296
Personnel	84	90	96	106	93	97	113
Employee Profit Sharing (PTU)	1	1	1	2	1	1	1
Professional Fees	60	56	59	62	57	67	76
Administrative and Promotional Expenses	101	66	84	97	84	90	89
Rents, Depreciation & Amortization	38	38	39	41	41	41	44
Taxes other than income tax & non-deductible expenses	38	(0)	21	24	27	21	24
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-
Total Non-Interest Expense	322	252	300	332	303	317	346
Operating Income	1,270	970	839	778	1,895	1,049	950
Subsidiaries' Net Income	369	316	306	316	335	370	348
Pre-Tax Income	1,639	1,287	1,145	1,094	2,229	1,419	1,298
Income Tax	387	298	256	141	590	299	263
Deferred Income Tax	(4)	(4)	(28)	27	(46)	(4)	(4)
Taxes	384	295	228	169	544	296	260
Net Income from Continuous Operations	1,255	992	917	925	1,685	1,123	1,039
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	(8)	(7)	(7)	(8)	(8)	(9)	(8)
Net Income	1,247	985	910	917	1,677	1,115	1,031

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
ASSETS							
Cash and Due from Banks	55	37	58	69	81	105	96
Margin Accounts	-	-	-	-	-	-	-
Negotiable Instruments	11,834	13,264	13,996	15,509	17,777	17,140	19,409
Securities Available for Sale	2,232	2,093	2,103	1,505	1,188	906	864
Securities Held to Maturity	(0)	-	-	(0)	(0)	-	-
Investment in Securities	14,066	15,356	16,099	17,013	18,965	18,046	20,274
Debtor Balance in Repo Trans.,net	1,150	927	1,153	2,235	2,261	1,354	609
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	1,150	927	1,153	2,235	2,261	1,354	609
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-
Account Receivables	360	480	562	558	500	710	745
Premium Debtors (Net)	8,319	8,105	6,401	3,916	10,913	8,666	6,002
Account Receivables from Reinsurance	7,189	8,878	9,285	8,717	13,682	14,044	12,069
Benef.receivab.securization transactions	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	337	330	331	363	353	363	364
Investment in Subsidiaries	12,551	12,867	13,173	13,495	12,655	13,024	13,374
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	134	134	158	127	169	169	225
Goodwill and Intangibles	1,891	2,152	2,386	2,706	2,121	2,354	2,423
Other Assets Short and Long Term	85	86	87	93	94	92	90
	30,866	33,033	32,384	29,975	40,488	39,423	35,291
TOTAL ASSETS	46,137	49,353	49,694	49,292	61,795	58,928	56,270

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
LIABILITIES							
Technical Reserves	18,623	20,346	20,426	21,426	29,468	28,058	24,838
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	2,526	3,348	3,185	1,255	4,075	3,507	3,030
Income Tax Payable	409	702	952	1,087	630	923	1,180
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	2,770	2,413	2,172	2,111	2,518	2,446	2,369
Other Payable Accounts	3,179	3,115	3,124	3,198	3,147	3,369	3,548
Subordinated Non Convertible Debt	-	-	-	-	-	-	-
Deferred Taxes, Net	397	394	390	386	383	379	376
Deferred Credits	66	60	58	60	65	65	63
TOTAL LIABILITIES	24,791	27,262	27,183	26,326	37,138	35,379	31,855
EQUITY							
Paid-in Capital	13,766	13,766	13,766	13,766	13,766	13,766	13,928
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	13,766	13,766	13,766	13,766	13,766	13,766	13,928
Capital Reserves	1,499	1,789	1,789	1,789	1,789	2,195	2,247
Retained Earnings	4,419	3,879	3,379	2,889	6,948	4,332	3,917
Surplus (Deficit) of Secs Available for Sale	31	52	58	45	68	68	61
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77	79	114
Results from Conversions	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	-	-	-	0
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-
Net Income	1,247	2,232	3,142	4,059	1,677	2,792	3,823
Earned Capital	7,278	8,020	8,433	8,878	10,560	9,465	10,162
Minority Interest	302	305	312	323	330	318	326
Total Equity	21,346	22,091	22,511	22,967	24,657	23,549	24,415
TOTAL LIABILITIES & EQUITY	46,137	49,353	49,694	49,292	61,795	58,928	56,270

Information by Segments

GFNorte - Income Statement as of September '18

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	512	85,097	6,929	1,770	40	9,283
Premium Income (Net)	-	-	23,828	-	-	-
Interest Expense	-	38,025	-	1,116	0	8,972
Net Increase in Technical Reserves	-	-	10,248	-	-	-
Damages, Claims and Other Obligations	-	-	12,981	-	-	-
Net Interest Income (NII)	512	47,072	7,529	654	40	310
Preventive Provisions for Loan Losses	-	11,826	-	125	-	-
Net Interest Income Adjusted for Credit Risk	512	35,246	7,529	529	40	310
Loan Origination Fees	-	15,459	-	19	-	1,053
Fees Paid	-	5,665	1,880	51	0	101
Trading Income	1	2,651	35	(0)	-	290
Other Operating Income (Expenses)	0	328	619	605	28	25
Non Interest Income	1	26,204	3,145	674	28	1,779
Total Operating Income	513	61,450	10,674	1,203	68	2,089
Administrative and Promotional Expenses	82	25,803	1,236	177	47	688
Operating Income	430	22,216	5,067	925	22	890
Subsidiaries' Net Income	21,383	119	1,053	-	0	(5)
Pre-Tax Income	21,813	22,335	6,120	925	22	885
Income Tax	-	6,027	1,156	275	7	219
Deferred Income Tax	72	283	283	(8)	0	30
Net Income from Continuous Operations	21,741	16,025	4,681	658	15	637
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(43)	(1)	-	(0)
Net Income	21,741	16,025	4,637	657	15	637

GFNorte - Income Statement as of September '18

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	20	2	472	104,125	5,700	-	98,425
Premium Income (Net)	-	-	-	23,828	599	-	23,229
Interest Expense	0	-	756	48,870	-	5,670	43,200
Net Increase in Technical Reserves	-	-	-	10,248	-	-	10,248
Damages, Claims and Other Obligations	-	-	-	12,981	-	-	12,981
Net Interest Income (NII)	20	2	(284)	55,855	-	-	55,226
Preventive Provisions for Loan Losses	-	-	222	12,173	-	-	12,173
Net Interest Income Adjusted for Credit Risk	20	2	(506)	43,682	-	-	43,053
Loan Origination Fees	1,222	-	97	17,850	1,537	-	16,312
Fees Paid	857	-	0	8,554	-	1,562	6,992
Trading Income	-	-	(12)	2,964	-	-	2,964
Other Operating Income (Expenses)	(1)	0	(121)	1,484	41	21	1,464
Non Interest Income	2,078	0	(410)	33,499	1,578	1,593	30,391
Total Operating Income	2,097	2	(916)	77,181	1,578	1,593	73,444
Administrative and Promotional Expenses	31	3	177	28,244	568	1,207	27,605
Operating Income	352	(1)	(720)	29,182	-	-	29,197
Subsidiaries' Net Income	5	-	(21)	22,534	21,394	-	1,140
Pre-Tax Income	357	(1)	(741)	51,716	-	-	30,337
Income Tax	96	-	-	7,779	-	-	7,779
Deferred Income Tax	3	-	(161)	503	-	20	483
Net Income from Continuous Operations	259	(1)	(580)	43,435	-	-	22,076
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(44)	291	35	(300)
Net Income	259	(1)	(580)	43,390	30,129	8,494	21,776

GFNorte - Balance Sheet as of September 30 '18

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Cash and Due from Banks	395	65,084	1,084	12	0	1,794
Margin Accounts	-	1,764	-	-	-	-
Investment in Securities	38	255,704	133,002	0	-	196,276
Negotiable Instruments	38	84,122	21,156	-	-	155,478
Securities Available for Sale	-	162,694	942	0	-	40,067
Securities Held to Maturity	-	8,888	110,904	-	-	731
Debtor Balance in Repo Trans, net	6,016	1	629	-	-	-
Transactions with Derivatives For trading purposes	-	28,231	-	-	-	-
Transactions with Derivatives For hedging purposes	-	349	-	-	-	-
Valuation adjustments for Asset Coverage	-	88	-	-	-	-
Gross Loan Portfolio	-	736,983	-	28,539	-	-
Net Loan Portfolio	-	734,834	-	28,539	-	-
Performing Loans	-	739,555	-	28,736	-	-
Commercial Loans	-	258,347	-	24,603	-	-
Financial Intermediaries' Loans	-	26,114	-	576	-	-
Government Entities' Loans	-	194,085	-	3,552	-	-
Consumer Loans	-	110,491	-	6	-	-
Mortgage Loans	-	150,517	-	-	-	-
Medium and Residential	-	146,834	-	-	-	-
Low income housing	-	19	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,665	-	-	-	-
Past Due Loans	-	13,612	-	170	-	-
Commercial PDL's	-	7,422	-	167	-	-
Financial Intermediaries PDL's	-	0	-	-	-	-
Government Entities PDL's	-	13	-	4	-	-
Consumer PDL's	-	4,729	-	0	-	-
Mortgage PDL's	-	1,448	-	-	-	-
Medium and Residential	-	1,324	-	-	-	-
Low income housing	-	2	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	123	-	-	-	-
Preventive Loan Loss Reserves	-	18,333	-	368	-	-
Acquired Collection Rights	-	2,149	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	2,227	-	-	-
Premium Debtors (Net)	-	-	6,212	-	-	-
Account Receivables from Reinsurance	-	-	12,069	-	-	-
Benef.receivab.securization transactions	-	169	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	139	42,559	0	488	102	904
Inventories	-	-	-	-	740	-
Foreclosed Assets, Net	-	768	-	22	-	-
Real Estate, Furniture & Equipment, Net	-	14,753	385	3,389	65	170
Investment in Subsidiaries	140,560	347	13,374	-	0	1
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	114	4,174	-	32	3	-
Total other Assets	20,333	17,466	2,791	196	15	327
Goodwill	19,383	1,425	-	-	-	5
Intangible	950	15,735	2,700	196	2	126
Other Assets	-	306	90	-	14	196
TOTAL ASSETS	167,595	1,168,439	171,772	32,677	925	199,472

GFNorte - Balance Sheet as of September 30 '18

(Million Pesos)

ASSETS	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Cash and Due from Banks	311	36	85	68,799	250	3,567	65,483
Margin Accounts	-	-	-	1,764	-	-	1,764
Investment in Securities	-	-	12	585,032	208	369	584,871
Negotiable Instruments	-	-	-	260,794	-	-	260,794
Securities Available for Sale	-	-	12	203,715	-	132	203,583
Securities Held to Maturity	-	-	-	120,523	208	237	120,494
Debtor Balance in Repo Trans, net	-	-	19	6,665	-	6,293	372
Transactions with Derivatives For trading purposes	-	-	1	28,233	-	-	28,233
Transactions with Derivatives For hedging purposes	-	-	-	349	-	-	349
Valuation adjustments for Asset Coverage	-	-	-	88	-	-	88
Gross Loan Portfolio	-	-	3,235	768,757	-	19,422	749,335
Net Loan Portfolio	-	-	2,773	766,147	-	19,422	746,725
Performing Loans	-	-	2,866	771,157	-	19,422	751,735
Commercial Loans	-	-	409	283,359	-	43	283,315
Financial Intermediaries' Loans	-	-	-	26,691	-	19,379	7,312
Government Entities' Loans	-	-	-	197,636	-	-	197,636
Consumer Loans	-	-	2,457	112,954	-	-	112,954
Mortgage Loans	-	-	-	150,517	-	-	150,517
Medium and Residential	-	-	-	146,834	-	-	146,834
Low income housing	-	-	-	19	-	-	19
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,665	-	-	3,665
Past Due Loans	-	-	113	13,895	-	-	13,895
Commercial PDL's	-	-	25	7,614	-	-	7,614
Financial Intermediaries PDL's	-	-	-	0	-	-	0
Government Entities PDL's	-	-	-	16	-	-	16
Consumer PDL's	-	-	87	4,816	-	-	4,816
Mortgage PDL's	-	-	-	1,448	-	-	1,448
Medium and Residential	-	-	-	1,324	-	-	1,324
Low income housing	-	-	-	2	-	-	2
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	123	-	-	123
Preventive Loan Loss Reserves	-	-	205	18,906	-	-	18,906
Acquired Collection Rights	-	-	461	2,610	-	-	2,610
Account Receivables from Insurance and Annuities	-	-	-	2,227	-	-	2,227
Premium Debtors (Net)	-	-	-	6,212	-	-	6,212
Account Receivables from Reinsurance	-	-	-	12,069	-	-	12,069
Benef. receivab. securization transactions	-	-	-	169	-	-	169
Sundry Debtors & Other Accs Rec, Net	175	4	9,363	53,734	62	886	52,911
Inventories	-	-	-	740	-	-	740
Foreclosed Assets, Net	-	-	298	1,088	201	201	1,088
Real Estate, Furniture & Equipment, Net	0	97	-	18,860	212	212	18,860
Investment in Subsidiaries	175	-	95	154,551	767	141,482	13,837
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	871	5,193	464	2,154	3,504
Total other Assets	17	1	368	41,513	2,453	1,285	42,681
Goodwill	-	-	-	20,813	2,453	876	22,389
Intangible	6	1	368	20,083	-	151	19,932
Other Assets	11	-	-	618	-	258	360
TOTAL ASSETS	678	138	14,347	1,756,043	4,618	175,870	1,584,791

GFNorte - Balance Sheet as of September 30 '18

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Deposits	-	740,598	-	-	-	-
Demand Deposits	-	406,557	-	-	-	-
Time Deposits	-	325,232	-	-	-	-
Time Deposits-Retail	-	269,543	-	-	-	-
Time Deposits-Money Market	-	55,689	-	-	-	-
Senior Unsecured Debt	-	7,041	-	-	-	-
Cuenta global de captación sin movimientos	-	1,769	-	-	-	-
Due to Banks & Correspondents	-	34,047	-	25,554	669	43
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	12,675	-	14,869	669	-
Long Term Loans	-	21,372	-	10,685	-	43
Technical Reserves	-	-	135,373	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	181,148	-	-	-	194,938
Collateral sold or pledged as collateral	-	1	-	-	-	0
Transactions with Derivatives for trading purposes	-	24,956	-	-	-	-
Transactions with Derivatives for hedging purposes	-	7,797	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	3,030	-	-	-
Other Payable Accounts	7	44,133	3,683	2,254	16	1,059
Income Tax Payable	-	1,929	1,183	185	1	-
Profit Sharing Payable	-	356	-	-	-	9
Creditors for settlement of transactions	(0)	6,972	-	-	-	817
Creditors for collateral received in cash	-	11,286	-	-	-	-
Other Creditors & Accounts Payable	7	23,590	2,500	2,069	15	233
Subordinated Non Convertible Debt	-	32,241	-	-	-	-
Deferred Taxes, Net	-	-	1,392	-	-	112
Deferred Credits	-	484	63	112	-	1
TOTAL LIABILITIES	7	1,065,405	143,541	27,920	685	196,153
EQUITY						
Subscribed Capital	62,930	19,748	20,781	526	87	2,059
Paid-in Capital	14,989	18,794	15,740	526	87	1,985
Share Subscription Premiums	47,941	954	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	104,658	83,284	6,616	4,226	153	1,259
Capital Reserves	5,787	14,847	309	526	54	216
Retained Earnings	82,789	55,548	1,599	3,053	85	162
Surplus (Deficit) of Secs Available for Sale	(4,150)	(1,355)	(35)	(10)	-	138
Results from Valuation of Hedging Secs	(2,039)	(2,076)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	112	-	106	-	-	-
Results from Conversions	1,700	1,623	-	-	-	106
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(1,282)	(1,328)	(1)	-	-	-
Net Income	21,741	16,025	4,637	657	15	637
Capital Mayoritario	167,588	103,032	27,397	4,752	240	3,318
Minority Interest	-	2	834	5	0	0
Total Equity	167,588	103,034	28,231	4,757	240	3,318
TOTAL LIABILITIES & EQUITY	167,595	1,168,439	171,772	32,677	925	199,472

GFNorte - Balance Sheet as of September 30 '18

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	740,598	3,565	-	737,033
Demand Deposits	-	-	-	406,557	2,151	-	404,405
Time Deposits	-	-	-	325,232	1,414	-	323,818
Time Deposits-Retail	-	-	-	269,543	1,414	-	268,129
Time Deposits-Money Market	-	-	-	55,689	-	-	55,689
Senior Unsecured Debt	-	-	-	7,041	-	-	7,041
Cuenta global de captación sin movimientos	-	-	-	1,769	-	-	1,769
Due to Banks & Correspondents	-	-	11,044	71,357	19,416	-	51,941
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	11,044	39,257	19,373	-	19,884
Long Term Loans	-	-	-	32,101	43	-	32,057
Technical Reserves	-	-	-	135,373	-	212	135,585
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	376,086	6,293	-	369,793
Collateral sold or pledged as collateral	-	-	-	1	-	-	1
Transactions with Derivatives for trading purposes	-	-	-	24,956	-	-	24,956
Transactions with Derivatives for hedging purposes	-	-	-	7,797	-	-	7,797
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	3,030	-	-	3,030
Other Payable Accounts	174	0	51	51,377	969	33	50,441
Income Tax Payable	13	0	-	3,310	-	-	3,310
Profit Sharing Payable	2	-	-	367	-	-	367
Creditors for settlement of transactions	-	-	-	7,789	613	-	7,176
Creditors for collateral received in cash	-	-	-	11,286	-	-	11,286
Other Creditors & Accounts Payable	160	0	51	28,624	356	33	28,301
Subordinated Non Convertible Debt	-	-	-	32,241	-	-	32,241
Deferred Taxes, Net	0	-	-	1,504	1,504	-	-
Deferred Credits	-	-	4	663	151	-	512
TOTAL LIABILITIES	175	0	11,099	1,444,984	31,898	244	1,413,330
EQUITY							
Subscribed Capital	170	144	7,268	113,714	51,208	322	62,828
Paid-in Capital	170	144	6,698	59,133	44,154	-	14,979
Share Subscription Premiums	-	-	1	54,011	6,484	322	47,849
Contributions for future capital increases agreed by the governing body	-	-	570	570	570	-	-
Earned Capital	333	(6)	(4,021)	196,503	93,295	3,337	106,546
Capital Reserves	23	2	117	21,882	16,095	-	5,787
Retained Earnings	52	(7)	(739)	142,540	61,153	3,303	84,690
Surplus (Deficit) of Secs Available for Sale	-	-	(2,819)	(8,231)	(4,032)	-	(4,198)
Results from Valuation of Hedging Secs	-	-	1	(4,114)	(2,075)	-	(2,039)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	218	106	-	112
Results from Conversions	-	-	-	3,429	1,729	-	1,700
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(2,611)	(1,329)	-	(1,282)
Net Income	259	(1)	(580)	43,390	21,649	35	21,776
Capital Mayoritario	503	138	3,248	310,217	144,503	3,659	169,373
Minority Interest	-	-	-	842	617	1,863	2,088
Total Equity	503	138	3,248	311,059	145,120	5,522	171,461
TOTAL LIABILITIES & EQUITY	678	138	14,347	1,756,043	177,019	5,767	1,584,791

V. Appendix

Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

Changes to the rating methodologies for non-revolving consumer and mortgage portfolios.

On January 6th, 2017, the CNBV issued a resolution modifying the provisions regarding the rating methodologies for non-revolving consumer and mortgage portfolios which continue to have an expected loss approach and incorporate more recent information of the industry performance to the new variables incorporated. The main change in both methodologies is that, in addition to analyzing the credit history of the borrower with the current lender, it also requires analysis of the credit behavior of the borrower with other Institutions according to information from Sociedades de Información Crediticia. This new methodologies came into effect on June 1st, 2017.

The financial effect applied to Banorte at the end of June 2017 was Ps 1.054 billion and derived from the new provision methodologies minus the provisions of the previous methodologies. The accounting record of this financial effect was an increase in the estimated credit risk of Ps 1.054 billion (liabilities), a deferred tax increase of Ps 316 million (assets) and a decrease in prior years' income of Ps 725 million (stockholders' equity).

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

On December 31st, 2015, the CNBV 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 Group took the option set forth in the third transitional article; consisting of progressively registering in equity the 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 CNBV 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% annually 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 3Q18
Corporate bonds	\$183.0	\$36.6	\$100.6

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 3Q18
Corporate bonds	\$2,728.7	\$545.7	\$1,500.7

The 20% annual application is registered proportionally each month in 2018.

The amounts that would have been registered and presented in the balance sheet as of September 30th, 2018, if the aforementioned option in the affected lines had not been implemented are:

Other short and long term assets ⁽¹⁾	(950)
Total assets	1,583,481
Results from prior years	84,608
Measurements of defined benefits for employees	(2,391)
Total equity	170,151
Total liabilities plus equity	1,583,481

1. Under this line, the "Provision for employee benefits" account is netted to show "Net assets for defined benefits" driven by the institutions' prepayments. (if the balance were negative, this would be presented under Different creditors and other accounts payable).

Early termination of support programs for mortgage loan debtors

On June 30, 2010, the Federal Government, through the SHCP (Tax Authority), and Credit Institutions, signed an agreement to early terminate support programs for mortgage loan debtors; therefore, as of January 1, 2011, the Holding entity absorbed the discount that was early-applied to mortgage loan debtors that were enrolled in the program.

The agreement established a set of payment obligations by the Federal Government which were payable in 5 equal annual amortizations ending on June 1, 2015, on which Banorte received Ps 29 million, including monthly interest from the day after the cutoff date until the ending month before the payment date.

As of September 30, 2018, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 538 million, with maturities between 2022 and 2027.

Early adoption of changes to criterion B-6 "Bank Loan portfolio"

The Resolution that modifies the general provisions applicable to Credit Institutions published by the CNBV on December 27, 2017, includes modifications to criterion B-6 Credit Portfolio, which require that the following items be recorded by decreasing "Preventive Estimation for Credit Risks" item, instead of registering it under "Other Income (Expenses) of the Operation":

- Surplus of Credit Reserves,
- Recovered Credits

The above mentioned modifications will be effective as of January 1, 2019; however, Credit Institutions have an option to adopt them in advance, that is one day after they were published. In this regard Banorte decided to follow this early adoption.

As of September 30, 2018, Banorte has posted Ps 412 million under Preventive Provisions for Loan Losses, and Ps 1,342 million related to excess loan reserves and loan recoveries, which as of December 2017 were posted under Other Operating Income (Expenses).

For comparison purposes, the accounting change was applied to the quarterly information for 2017, as follows:

	1Q17	2Q17	3Q17	4Q17
Other Operating Income(Expenses)				
Original Balance	619	653	820	1,119
Reclassified Balance	49	109	252	701
	570	544	568	418
Preventive Reserves for Credit Risks				
Original Balance	3,268	4,058	3,927	3,961
Reclassified Balance	2,698	3,514	3,359	3,544
	570	544	568	418

New Financial Reporting Standards

Regarding the Normas de Información Financiera (NIF) issued by the Mexican Council for Research and Development of Financial Reporting Standards (CINIF), which have not yet been enforced, the Financial Group is waiting for the CNBV to publish the final version of the Resolution draft amending the general provisions applicable to Credit Institutions (CUB) that we received on August 7, 2017, and which includes amendments to the accounting criteria to incorporate the future adoption of the mentioned NIF as of January 1st, 2019.

A project was received from the Commission in which it is proposed to modify the Fourth Transitory Article of the CUB published in the DOF on December 27, 2017, which is intended to be published prior to January 1, 2019, and in which the authority notes that it is necessary to modify the entry into force on January 1, 2020 of some NIFs referred to in criterion A-2 "Application of particular rules", in order to align them with the accounting criteria that will come into force in the same date.

The final publication of the Resolution may include some clarifications in the application of the NIF through criterion A-2 "Application of Special Standards" derived from the recommendations and comments that the Credit Institutions made through the Association of Banks from Mexico to the CNBV, considering that Credit Institutions carry out specialized operations.

To date, we are in process of analyzing the impact that such NIF may have on the financial statements, which we will inform at the time considering the final version of the project once it is published in the DOF, and in accordance with the requirements of the NIF B-1 "Accounting Changes and Corrections of Errors".

The NIFs issued and coming into force in January 1st 2019 are:

- NIF B-17 "Determination of Reasonable Value".
- NIF C-3 "Accounts Receivable".
- NIF C-9 "Provisions, contingencies and commitments".
- NIF C-16 "Impairment of financial instruments receivable".
- NIF C-19 "Financial instruments payable".
- NIF C-20 "Financial instruments receivable principal and interest".
- NIF D-1 "Income from contracts with customers".
- NIF D-2 "Costs for contracts with customers", disclose for each one of them.

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

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	ago-02	jun-18	sep-18	ago-02	jun-18	sep-18	ago-02	jun-18	sep-18
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	5	5	0	0	0	54	5	5
Performing Loans	59	5	5	5	0	0	64	5	5
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	208	206	0	0	0	1,112	208	206
Non Performing Loans	1,598	463	461	293	1	1	1,891	465	462
TOTAL LOANS	1,657	469	466	298	1	1	1,955	470	467
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	208	206	0	0	0	669	208	206
Loan Loss Reserves (1)	1,072	463	461	246	1	1	1,318	465	462

(1) Reserve requirements according to the banking sector's rating methodology (*) There was a reserve difference of Ps \$17 million as of September 2018.

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

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

(*) Banorte has the 99.9% of the participation in the capital of Sólida

In 3Q18 the Loan portfolio showed no changes due to charge offs and discounts, and neither for foreclosed assets; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 0.9 million. No transfers to performing loans or to past due loans were made.

As instructed by the CNBV in 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)	jun-18	sep-18	jun-18	sep-18	jun-18	sep-18
Performing Loans						
Commercial	327,630	422,519	47,890	56,272	375,520	478,791
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	108,725	110,491	0	0	108,725	110,491
Mortgage	145,357	150,522	0	0	145,357	150,522
Performing Loans	581,711	683,533	47,890	56,272	629,601	739,805
Non Performing Loans						
Commercial	5,505	6,071	1,611	1,549	7,116	7,620
Consumer	4,413	4,800	0	0	4,413	4,800
Mortgage	1,555	1,654	0	0	1,555	1,654
Non Performing Loans	11,473	12,525	1,611	1,549	13,084	14,074
TOTAL LOANS	593,185	696,058	49,501	57,820	642,685	753,879
Loan Loss Reserves	14,718	17,751	1,016	1,044	15,734	18,795
Net Loan Portfolio	578,467	678,308	48,485	56,776	626,952	735,084
Loan Loss Reserves					120.25%	133.54%
% Past Due Loans					2.04%	1.87%

1. Includes UDIS.

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

Notes to Financial Statements

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q18

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	219,417	1,976	177	221,570
Unrestricted	14,704	394	55	15,153
BONDES D	-	-	-	-
BONDES M	(565)	4	(5)	(566)
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	104	0	1	105
Municipalities Securities	0	0	0	0
UDI Securities	-	-	-	-
CETES	12,105	347	(18)	12,433
CETES (Special)	-	-	-	-
Government Eurobonds	89	1	1	91
Udibonds	2,971	43	76	3,089
Restricted	204,713	1,581	123	206,417
BONDES D	19,503	70	2	19,575
BONDES M	1,055	6	(9)	1,052
BPA	162,210	1,445	122	163,777
BREMS	-	-	-	-
Government Securities	7,568	24	(7)	7,584
Municipalities Securities	938	8	0	946
UDI Securities	0	0	(0)	0
CETES	9,007	-	1	9,008
CETES (Special)	-	-	-	-
Government Eurobonds	4	-	(0)	4
Udibonds	4,428	28	13	4,469
-	-	-	-	-
Banking Securities	35,126	116	20	35,262
Unrestricted	3,144	1	(0)	3,145
Bank Acceptances	4	0	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	4	0	(0)	4
Bank Securities	43	0	0	43
Deposit Certificates	66	0	(0)	66
Structured Notes	-	-	-	-
Other Banking Securities	125	0	(0)	125
Promissory Notes	2,902	1	(0)	2,903
Restricted	31,982	115	20	32,117
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	3,261	10	(0)	3,271
Bank Securities	13,996	44	20	14,059
Deposit Certificates	14,305	60	0	14,365
Structured Notes	-	-	-	-
Other Banking Securities	421	1	0	422
Promissory Notes	-	-	-	-
-	-	-	-	-
Private Securities	3,419	6	537	3,961
Unrestricted	3,104	5	537	3,647
Shares	390	-	419	809
Investment Company Shares	1,315	-	23	1,338
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,351	4	96	1,451
Trust Stock Certificates	-	-	-	-
Private Eurobonds	49	1	(1)	49
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	314	0	(0)	315
Shares	51	-	(0)	51
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	264	0	0	264
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	257,962	2,098	734	260,794

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q18

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	175,598	1,289	(1,149)	175,739
Unrestricted	32,882	288	(355)	32,815
BONDES D	-	-	-	-
BONDES M	370	7	(34)	343
BPA	-	-	-	-
BREMS	7,778	40	2	7,820
Government Securities	793	4	11	808
Municipalities Securities	261	4	41	306
UDI Securities	-	-	-	-
CETES	1,575	-	0	1,575
CETES (Special)	-	-	-	-
Government Eurobonds	22,105	233	(375)	21,962
Udibonds	-	-	-	-
Restricted	142,716	1,001	(794)	142,924
BONDES D	27,681	102	12	27,795
BONDES M	-	-	-	-
BPA	81,439	762	25	82,226
BREMS	-	-	-	-
Government Securities	5,324	15	(1)	5,338
Municipalities Securities	2,429	3	0	2,432
UDI Securities	-	-	-	-
CETES	95	-	0	96
CETES (Special)	-	-	-	-
Government Eurobonds	25,747	119	(830)	25,037
Udibonds	-	-	-	-
Banking Securities	2,194	8	(1)	2,202
Unrestricted	2,194	8	(1)	2,202
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	538	1	0	539
Bank Securities	58	1	35	94
Deposit Certificates	1,151	6	(5)	1,152
Structured Notes	448	-	(32)	416
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	30,022	282	(4,662)	25,643
Unrestricted	28,456	256	(4,630)	24,082
Shares	4,781	-	(4,125)	656
Investment Company Shares	3,626	-	261	3,887
ADRs	-	-	-	-
Stock Certificates BORHIS	111	0	(81)	30
Corporate Stock Certificates	7,185	30	(541)	6,675
Trust Stock Certificates	-	-	-	-
Private Eurobonds	12,753	226	(145)	12,834
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,567	26	(32)	1,561
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,567	26	(32)	1,561
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
Total	207,815	1,580	(5,812)	203,583

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q18

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	111,464	1,203	-	112,666
Unrestricted	108,118	1,188	-	109,306
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,687	3	-	1,690
Municipalities Securities	2,087	17	-	2,104
UDI Securities	231	4	-	235
CETES	-	-	-	-
CETES (Special)	538	-	-	538
Government Eurobonds	-	-	-	-
Udibonds	103,575	1,164	-	104,739
Restricted	3,346	15	-	3,360
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	3,346	15	-	3,360
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
Banking Securities	1,223	730	-	1,953
Unrestricted	1,223	730	-	1,953
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	743	7	-	750
Deposit Certificates	300	586	-	886
Structured Notes	180	138	-	318
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	5,263	640	-	5,903
Unrestricted	2,786	633	-	3,419
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,436	633	-	2,069
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,349	-	-	1,349
CP	-	-	-	-
Restricted	2,477	7	-	2,484
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	2,477	7	-	2,484
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(29)	-	-	(29)
Total	117,921	2,573	-	120,494

REPURCHASE AGREEMENT OPERATIONS 3Q18*(Million Pesos)*

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Government securities	123,762	123,391	372	1	331,943
Banking securities	6,530	6,530	0	0	28,848
Private Securities	1,947	1,947	0	0	9,002
Total	132,239	131,868	372	1	369,793

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q18***(Million Pesos)*

Creditor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	-
Fx Forward	10
Options	-
Rate options	665
Fx options	48
Warrants	3
Swaps	-
Rate swap	24,305
Fx swap	3,202
Negotiable Total	28,233
Options	
Rate Options	2
Fx options	-
Swaps	-
Rate swap	85
Fx swap	262
Hedging total	349
Position total	28,582

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q18
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	-
Fx Forward	355
Options	-
Rate options	627
Fx options	46
Swaps	-
Rate swap	20,935
Fx swap	2,994
Negotiable Total	24,956
Swaps	
Rate swap	393
Fx swap	7,404
Hedging total	7,797
Position total	32,753

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 3Q18 - Banorte
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	21,013	63
FX Forwards	Sales	Exchange Rate (USD/MXN)	341	61
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	0	0
FX Forwards	Sales	Exchange Rate (EUR/MXN)	0	0
FX Options	Purchases	Exchange Rate (Dollar)	7,529	14
FX Options	Sales	Exchange Rate (Dollar)	7,527	7
Interest Rate Options	Purchases	TIIE	58,022	130
Interest Rate Options	Sales	TIIE	53,584	608
Interest Rate Options	Purchases	LIBOR	6,868	33
Interest Rate Options	Sales	LIBOR	6,887	32
Interest Rate Swaps	USD LIBOR	LIBOR	453,903	4,245
Interest Rate Swaps	MXN TIIE	TIIE	2,341,903	5,265
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	0	0
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	60,047	83
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	21,980	51
Interest Rate and FX Swaps	CS UDI	UDI	10,295	2
Interest Rate and FX Swaps	CS EURMXN	FIX/FIX	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FIX/FIX	2,900	12

LOAN PORTFOLIO (Million Pesos)								
	Local Currency		UDIS		Foreign Currency		Total	
	3Q17	3Q18	3Q17	3Q18	3Q17	3Q18	3Q17	3Q18
Performing Loans								
Commercial Loans	189,860	229,394	0	-	42,094	53,921	231,954	283,315
Financial Intermediaries' Loans	4,882	7,312	0	-	0	-	4,882	7,312
Consumer Loans	103,222	112,954	0	-	0	-	103,222	112,954
Mortgage Loans	129,925	150,382	159	135	0	-	130,084	150,517
Government Entities' Loans	128,772	183,252	0	6,800	2,688	7,585	131,460	197,636
Total	556,661	683,295	159	6,935	44,783	61,506	601,602	751,735
Past Due Loans								
Commercial Loans	5,684	6,067	0	0	47	1,547	5,731	7,614
Financial Intermediaries' Loans	0	0	0	-	0	-	0	0
Consumer Loans	4,088	4,816	0	-	0	-	4,088	4,816
Mortgage Loans	1,212	1,434	23	14	0	0	1,234	1,448
Government Entities' Loans	-	16	-	-	-	-	-	16
Total	10,984	12,333	23	14	47	1,547	11,053	13,895
Total Proprietary Loans	567,645	695,628	181	6,949	44,830	63,054	612,656	765,630

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 3Q18- GFNorte**

<i>(Million Pesos)</i>		
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	4.9	0.0
Mortgage FOVI	-	-
	4.9	0.0

DEFERRED TAXES 3Q18

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,500	5,500
Non deductible provisions and cumulative income	1,393	1,393
Excess of accounting value over fiscal value on Repossessed Assets	1,365	1,365
Diminishable profit sharing	154	154
Fees received in advance	1,124	1,124
Effects from valuation of instruments	520	520
Tax losses pending amortization	979	979
Provisions for possible loss in loans	580	580
Loss on sale of foreclosed assets and credits	-	-
State Tax on Assets Deferred	-	-
Loss on sale of foreclosed assets and credits	-	-
Loss on sale of foreclosed assets and credits	3	3
Total Assets	11,617	11,617
LIABILITIES		
Pension Funds Contribution	(510)	(510)
Loan Portfolio Acquisitions	(400)	(400)
Projects to be capitalized	(4,408)	(4,408)
Intangibles' amortizations	(1)	(1)
Effects from valuation of instruments	(2,150)	(2,150)
Intangibles' amortizations	(575)	(575)
Unrealized Loss on Securities held for Sale	(70)	(70)
Total Liabilities	(8,114)	(8,114)
Assets (Liabilities) Accumulated Net	3,504	3,504

LONG TERM DEBT AS OF SEP 28, 2018 - 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 Q Banorte 08U	UDIS	11-mar-08	447	1,749	2,731	20 years	4.950%	15-feb-28	182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXGB40 141020)	USD	14-oct-10	120	1,484	2,247	10 years	9.250%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,362	15 years	5.750%	04-oct-31	180 days
Perpetual 5-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 6 7/8 PERP)	USD	06-jul-17	350	6,725	6,553	Perpetual	6.875%	NA	Quarterly
Perpetual 10-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 7 5/8 PERP)	USD	06-jul-17	550	10,568	10,298	Perpetual	7.625%	NA	Quarterly
Bank Notes 2018 (BANO589)	USD	14-jun-18	100	1,983	1,916	3.5 years	0.875%	14-dic-21	Biannual
Non Convertible Subordinated Bonds Q Binter 15	MXN	26-feb-15	1,000	1,000	1,000	10 years	TIE+2.50%	13-feb-25	28 days
Certificates 94 BINTER 16U	USD	13-oct-16	365	2,097	2,230	10 years	4.970%	01-oct-26	Biannual

BANK AND OTHER ENTITIES LOANS' AS OF 3Q18*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	15,035	15,035
Loans from Development Banks	14,589	6,342	20,931
Loans from Public Funds	9,260	756	10,017
Call Money & Loans from Banks	24,709	-	24,709
Loans from Fiduciary Funds	89	-	89
Provisions for Interest	577	-	577
	49,223	22,134	71,357
Eliminations			(19,416)
Total			51,941

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 3Q18****CORE DEPOSITS (BANORTE)****Demand Deposits**

Local Currency and UDIs	1.33%
Foreign Currency	0.16%

Time Deposits - Retail

Local Currency and UDIs	6.16%
Foreign Currency	0.25%

Time Deposits - Money Market

Local Currency and UDIs	7.62%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	8.60%
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Public Funds and Development Banks

Local Currency and UDIs	11.17%
Foreign Currency	0.98%

MAIN CREDIT LINES RECEIVED 3Q18 (BANORTE)*Million pesos*

	3Q17	2Q18	3Q18	Change vs. 3Q17	Change vs. 3Q18
Banxico (Monetary Regulation Deposits)	33,418	33,449	37,458	12%	12%
Banxico (Repos with the System of Payments)	55,180	57,637	54,900	(1%)	(5%)
Call Money	111,582	119,301	119,301	7%	0%
TOTAL	200,181	210,387	211,659	6%	1%

TRADING INCOME 3Q18*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	928
Negotiable instruments	133
Derivative instruments - Negotiation	811
Derivative instruments - Hedging	(16)
Impairment loss or revaluation increase	(2)
Result from foreign exchange valuation	22
Result from valuation of precious metals	(5)
Result from purchase/sale of securities and derivatives	418
Negotiable instruments	518
Securities held for sale	(92)
Securities held to maturity	0
Derivative instruments - Hedging	(8)
Result from purchase/sale of foreign exchange	1,600
Result from purchase/sale of precious metals	4
Total	2,964

Risk Management

Risk management at Grupo Financiero Banorte is a key element in determining and implementing the 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:

- To provide clear rules to different business areas, that contribute to minimizing risk and ensuring compliance with the parameters established and approved by the Board of Directors and the Risk Policies Committee (CPR by its acronym in Spanish).
- To establish mechanisms to monitor risk-taking across GFNorte, through the use of robust systems and processes.
- To verify the observance of Risk Appetite.
- To 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.
- To implement pricing models for different types of risks.
- To establish procedures for portfolio's optimization and credit portfolio management.
- To update and monitor Contingency Plan in order to restore capital and liquidity levels in case of adverse events.

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

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

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

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

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

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

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

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

1.1 Risk Management – Structure and Corporate Governance

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

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

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

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

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

Moreover, the Assets and Liabilities Committee (ALCO) and the Capital and Liquidity Group, analyze, monitors, and decide regarding interest rate risks in the balance sheet, the financial margin, liquidity and net capital of the Institution.

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

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

1.2 Scope and Nature of GFNorte's Risk Management

The Risk Management function extends to all subsidiaries that comprise GFNorte. Depending on the line of business of each of the Businesses, Credit, Concentration, Market, Liquidity and Operational Risks are measured, managed and controlled.

For this purpose, DGAR relies on different information and risk measurement systems, which comply with regulatory standards and align with the best international practices in Risk Management's matters. It's worth mentioning that information and reports contained and produced in the risk systems are constantly backed up following institutional procedures in IT security matters. Furthermore, risk 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, there are certain variables that must be considered for risk mitigation, such as: general features, loan to value, legal terms, instrumentation and hedging level. 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 continuously monitored, as well as established procedures for the documentation of excesses and its causes, and the corrective actions implemented to return to acceptable risk levels.

2. CREDIT RISK

Credit risk is the risk of clients, issuers or counterparts not fulfilling their payment obligations. Therefore, proper management is essential to maintain loan quality of the portfolio.

The objectives of Credit Risk Management at GFNorte are:

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

- Measure Institution's vulnerability to extreme conditions and consider those results for decisions making.

GFNorte's Risk Management policies are:

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

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

2.1 Credit Risk Scope and Methodology

2.1.1 Individual Credit Risk

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

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

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

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

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

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

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

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

2.1.2 Portfolio Credit Risk

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

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

The model considers the loan portfolio exposure directly to the balance of each loan, whereas for the financial instruments' portfolio, considers the present value of the instruments and their future cash flows. This exposure is sensible to changes in the market, thereby facilitating estimations under different economic scenarios

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

The results of this methodology, are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the average of credit portfolio's loss distribution, which is used to measure the following year's expected loss due to default or variations in debtors' credit quality. The unexpected loss is an indicator of the loss in extreme scenarios and is measured as the difference between the maximum losses given the distribution of losses, at a specific confidence level that for GFNorte's is 99.95% and expected loss.

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

2.1.3 Credit Risk of Financial Instruments

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

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

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

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

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

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

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

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

- 1) The probability of nonfulfillment of the issuer, security or counterparty, which is expressed as a percentage between 0% and 100% where the better the rating or lower rate differential vs. the instrument of an equivalent government bond, the lower the probability of non-fulfillment and vice versa.
- 2) The loss given default that could be experienced with respect of the total of the operation in the event of non-fulfillment, is expressed as a percentage between 0% and 100% where the better the guarantees or credit structures, the smaller the loss given default and vice versa. To mitigate Credit Risk and to reduce the loss given default in the event of non-fulfillment, the counterparties have signed ISDA contracts and agreements to net out, in which credit lines and the use of collateral to mitigate loss in the event of non-fulfillment are implemented.

2.2 Credit Risk Exposure

As of September 30, 2018 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	Cartera Total
Commercial	182,679	24,770	434	207,883
YoY Revenues or Sales < 14 MM UDIS	68,010	1,038	409	69,457
YoY Revenues or Sales >= 14 MM UDIS	114,669	23,731	25	138,426
States or Municipalities	128,610	95	0	128,705
Decentralized Federal Government Agencies and State Companies	65,487	3,463	0	68,950
Projects with own source of payment	83,335	0	0	83,335
Financial Institutions	26,115	574	0	26,688
Mortgage	151,966	0	0	151,966
Consumer	77,349	6	2,545	77,899
Non-revolving	715,541	28,907	2,979	747,426
Total Loans subject to the Standard Method	37,871	0	0	37,871
Credit Card	37,871	0	0	37,871
Total Loans subject to the Standard Method				(19,704)
Eliminations				37
Not Rated				765,630
Cartera Total				765,630

*Excludes operating leases

For transactions subject to Credit Risk, the Institution uses external ratings issued by the rating agencies S&P, Moody's, Fitch, HR Ratings, Verum, DBRS Ratings México and A.M. Best America Latina. 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 September 2018 presented an exposure of Ps 765,630 million, higher in Ps112,083 million or +17.1% QoQ and Ps 152,974 million or +25.0% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment (Million pesos)	Total Loan			Var. vs. 2Q18		Var. vs. 3Q17	
	3Q17	2Q18	3Q18	\$	%	\$	%
Government	131,460	130,087	197,652	67,565	51.9%	66,193	50.4%
Commercial	133,774	146,871	166,969	20,098	13.7%	33,195	24.8%
Mortgage	131,318	146,698	151,966	5,267	3.6%	20,648	15.7%
Corporate	108,794	113,995	131,273	17,278	15.2%	22,478	20.7%
Payroll	53,937	56,511	56,390	(121)	(0.2%)	2,453	4.5%
Credit Card	35,216	37,033	37,871	838	2.3%	2,655	7.5%
Auto Loans	18,157	22,352	23,510	1,158	5.2%	5,353	29.5%
Total Loans	612,656	653,547	765,630	112,083	17.1%	152,974	25.0%

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past-due	Performing	Past-due		
Banorte*	718,555	6,513	1,541	7,098	733,708	18,143
Arrendadora y Factoraje	28,577	16	159	154	28,907	364
Sólida	2,866	87	0	25	2,979	203
Accounting Records**	37	0	0	0	37	196
Total Loans	750,035	6,617	1,700	7,278	765,630	18,906

* Banorte's total loans include eliminations for (Ps 19.70 billion)

** Includes portfolio from trust FCICK 16-1 for Ps 37 million.

Total reserves of Ps 18.91 billion, include rating reserves of Ps 18.71 billion and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) of Ps 196 million.

GFNorte's performing, past-due and distressed portfolios in 3Q18 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		3Q18	Var vs. 2Q18		
Government	199,803	2	0	13	199,818	1,896	1,182	0	216
Services*	68,795	35	271	550	69,651	902	132	73	234
Commerce	49,932	148	134	2,107	52,321	1,246	(60)	200	1,518
Construction	47,479	94	272	1,795	49,640	1,303	47	122	329
Manufacturing	43,665	46	185	1,954	45,849	1,264	(10)	39	321
Top 5 Sectors	409,675	324	862	6,419	417,279	6,611	1,291	434	
Other Sectors	76,851	28	839	859	78,577	1,368	325	24	
Mortgage	150,517	1,448	0	0	151,966	926	(19)	285	
Consumer	112,954	4,816	0	0	117,771	9,805	127	3,178	
Accounting Records	37	0	0	0	37	196	0	0	
Total Group	750,035	6,617	1,700	7,278	765,630	18,906	1,723	3,921	

* Includes Financial, Real Estate and Other Services

**Days past due from Non-Performing Loans.

*** Includes portfolio from trust FCICK 16-1 for Ps 37 million.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Sólida	Total Loans
Government	196,264	3,554	0	199,818
Services**	65,168	4,483	0	69,651
Commerce	48,201	4,095	25	52,321
Construction	44,352	4,879	409	49,640
Construction Manufacturing	36,866	8,984	0	45,849
Top 5 Sectors	390,851	25,995	434	417,279
Remaining	342,894	2,912	2,545	348,351
Total Loans	733,745	28,907	2,979	765,630

* Banorte's total loans include eliminations for (Ps 19.70 billion)

** Includes Financial and Real Estate services

*** Remaining includes the portfolio from trust FCICK 16-1 for Ps 37 million

As of 3Q18, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

Federal Entities (Million pesos)		Loans		Distressed		Total Loans	Total Reserves
		Performing	Past-Due	Performing	Past-Due		
1	Ciudad de México	293,311	2,061	746	2,982	299,100	6,881
2	Nuevo León	100,166	664	280	2,198	103,308	2,891
3	Estado de México	52,822	772	134	531	54,258	1,610
4	Jalisco	38,370	384	60	172	38,985	833
5	Tamaulipas	20,609	188	35	114	20,946	483
6	Sinaloa	20,557	161	37	109	20,865	373
7	Veracruz	16,762	274	63	143	17,242	488
8	Coahuila	16,980	110	24	56	17,170	324
9	Chihuahua	16,287	138	12	68	16,505	380
10	Baja California Sur	15,702	87	1	10	15,800	194
	Top 10	591,566	4,838	1,391	6,384	604,179	14,459
	Other Federal Entities	158,432	1,779	309	894	161,414	4,251
	Accounting Records	37	0	0	0	37	196
	Total Loans	750,035	6,617	1,700	7,278	765,630	18,906

* Banorte's total loans include eliminations for (Ps 19.70 billion)

As of 3Q18, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

Remaining Term (Million pesos)	Portfolio		Distressed		Total Loans	Total Reserves
	Performing	Past-Due	Performing	Past-Due		
0 - 1 years	117,480	2,580	196	5,032	125,288	8,536
1 - 5 years	176,228	2,546	642	1,920	181,336	6,628
5 - 10 years	103,498	154	703	147	104,501	1,047
> 10 years	321,350	1,233	0	0	322,582	1,932
Banorte*	718,555	6,513	1,541	7,098	733,708	18,143
Leasing and Factoring	28,577	16	159	154	28,907	364
Sólida	2,866	87	0	25	2,979	203
Accounting Records**	37	0	0	0	37	196
Total Loans	750,035	6,617	1,700	7,278	765,630	18,906

* Banorte's total loans include eliminations for (Ps 19,704)

**Includes the portfolio from trust FCICK 16-1 for Ps 37 million.

The total distressed portfolio is Ps 8,978 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio (Million pesos)	3Q18			
	Banorte	Arrendadora y Factor	Sólida	GFNorte
Initial Loan Loss Provisions	3,692	82	15	3,790
Charged to results	495	87	0	582
Loans' write offs	99	0	0	99
FX changes	(37)	0	0	(37)
Adjustments in Credit Risk	432	87	0	519
Received in lieu of payment	0	0	0	0
Write-offs, charge-offs and discounts	(419)	(17)	0	(436)
Final Loan Loss Reserves	3,768	153	15	3,936
Loan Recoveries	31	0	0	31

2.2.2 Exposure to Financial Instruments

As of September 30, 2018, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 252.13 billion, of which 99.5% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 10% of the Tier 1 Capital as of June 2018. 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 June 2018 has higher or similar rating to AA- (mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 5 years and 4 months totaling Ps 13.58 billion at 4.7%.

For Derivatives operations, the exposure of the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 1% of the Tier 1 Capital as of June 2018.

Exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte was Ps 195.5 billion, of which 99.3% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 50% of the Capital as of June 2018. 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 June 2018 has a higher or similar rating to A+(mex) and are comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market certificates of PEMEX for 1 year and 2 months totaling Ps 4.29 billion at 8.2%; market certificates of CFE for 1 year and 7 months totaling Ps 3.42 billion at 8.3%; market certificates from Banco Santander Mexicano, for 1 years and 4 months, totaling Ps 2.90 billion at 8.2%; market certificates of Banamex for 1 year and 2 months for Ps 2.89 billion at 8.2%; ; certificates of deposit and market certificates of BBVA Bancomer for 11 months for Ps 2.84 billion at 8.2%; certificates of deposit and market certificates of Scotiabank Inverlat for 9 months for Ps 1.90 billion at 8.0%; certificates of deposit from Banco Inbursa for 3 years and 7 months for Ps 1.50 billion at 8.3%; certificates of deposit and market certificates from Banobras for 2 years and 3 months for Ps 1.25 billion at 8.1%; certificates of deposit and market certificates from Consurbanco for 2 years and 2 months for Ps 1.08 billion at 9.3%; market certificates from HSBC Mexico for 2 months for Ps 2.04 billion at 8.0%; market certificates from the State of Oaxaca for 8 years and 2 months for Ps 821 million at 8.9%; certificates of deposit and market certificates from Banco Actinver for 1 year and 1 month for Ps 583 million at 8.6%; Deutsche Bank bonds for 4 years and 8 months for Ps 575 million at 11.1%, market certificates from Banco Multiva for 1 year and 8 months for Ps 540 million at 8.7%; certificates of deposit from Banco del Bajío for 3 months for Ps 501 million at 8.2%; market certificates from Bancomext for 1 year and 9 months for Ps 401 million at 8.1%; market certificates from INFONACOT for 2 years and 10 months for Ps 252 million at 8.3%; market certificates from Nafinsa for 1 year and 6 months for \$216 million at 8.0%. There are no Derivative instrument operations.

Arrendadora y Factor Banorte had an exposure to Securities Investments and Derivatives of 0.

Sólida Administradora de Portafolios had an exposure to securities for Ps 12 million. 100.0% of them are shares. Its exposure to derivatives was Ps 1 million with private counterparties.

Banorte's exposure to counterparty risk from transactions with derivatives is presented below, as well as the netting effect and risk mitigation based on the aggregate of guarantees related to transactions (includes operations with Banxico. Excludes settled transactions through central counterparties).

Position (Million Pesos)	3Q18	3Q18 Average
Forwards	(14)	(3)
FX Swaps	(325)	(20)
FX	(1)	(2)
Options	42	72
Swaps with Interest Rates IRS	4,188	4,178
Cross Currency Swap (CCIRS)	(6,904)	(7,286)
Total	(3,014)	(3,061)
Positive Fair Value (Positive Fair Value)	11,060	11,159
Netting Effect*	14,074	14,220
Delivered Guarantees(-) /Received(+)	0	0
Cash	(1,212)	(950)
Securities	0	
Total	(1,212)	(950)

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

Transactions performed at the clearing house are not included, as they are not subject to counter party risk.

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

(Million Pesos)	Potential Risk		Current Risk	
Financial Counterparties	3Q18	3Q18 Average	3Q18	3Q18 Average
FWD			3	20
FX SWAP	1,690	1,225	(325)	(20)
FX			(1)	(2)
OPTIONS	835	868	569	601
INTEREST RATE SWAP	15,167	15,465	5,825	5,956
CCS	1,316	1,301	(6,881)	(7,264)
Total	5,959	5,347	(810)	(710)
Clients (Non-Financial)	3Q18	3Q18 Avg	3Q18	3Q18 Avg
FWD	25	34	(17)	(23)
OPTIONS	33	33	(527)	(529)
INTEREST RATE SWAP	836	780	(1,637)	(1,777)
CCS	23	23	(23)	(22)
Total	911	868	(2,205)	(2,352)

Based on conditions established in derivative agreements, tolerance levels of exposure are considered according to the rating of involved entities. The following table presents the amount of guarantees to be delivered, in case of a rating downgrade (it's worth noting that with most counterparties we've migrated to zero threshold, thus, guarantees to be delivered do not depend on credit rating but to market movements).

Net Cash Outflows (Million pesos)	3Q18	3Q18 Average
Cash Outflow with 1-notch Downgrade	0	0
Cash Outflow with 2-notch Downgrade	0	0
Cash Outflow with 3-notch Downgrade	0	0

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

Rating (Thousand pesos)	MoM 3Q18	3Q18 Average
AAA/AA-	0	0
A+/A-	266	387
BBB+/BBB-	(1,109)	(1,133)
BB+/BB-	(845)	(928)
B+/B-	0	0
CCC/C	0	(1)
SC	(1,326)	(1,386)
Total	(3,014)	(3,061)

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)	3Q18			
	Banorte	Arrendadora y Factor**	Sólida	GFNorte*
Total Loan Portfolio	753,412	28,907	2,979	765,630
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	26,940	0	0	26,940
Real Non-Financial Guarantees	393,369	6,153	25	399,547
Pari Passu	20,502	0	0	20,502
First Losses	40,804	0	0	40,804
Personal Guarantees	18,141	6,915	0	25,056
Total Loan Portfolio Covered	499,756	13,068	25	512,850

*Total Loans includes eliminations for (Ps 19.70 billion).

** Excludes operating leasing

2.4 Expected Loss

As of September 30, 2018, Banco Mercantil del Norte's total portfolio was Ps 753.41 billion. The expected loss represents 2.0% and the unexpected loss is 4.2% with respect to the total portfolio. The average expected loss is 2.0% during the period July– September 2018.

Regarding Casa de Bolsa Banorte, the credit exposure of investments is Ps 195.5 billion and the expected loss represents 0.04% of the exposure. The average expected loss is 0.04% between July-September 2018.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 32.41 billion. The expected loss represents 0.8% and the unexpected loss is 4.6% of the total portfolio. The average expected loss represents 0.9% during the July - September 2018 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 2.98 billion. The expected loss of the portfolio represents 11.1% and the unexpected loss 11.7%, both with respect to the total portfolio. The average expected loss for the period of July-September 2018 was 11.3%.

2.5 Internal Advanced Model for Credit Card

On November 15, 2017, GF Banorte received approval from the banking regulator (Comisión Nacional Bancaria y de Valores) to use Internal Models (IM) for credit card rating for reserve generation and regulatory capital by credit risk with an advanced focus (Document 111-3/706/2017).

These internal models improve credit risk management by estimating risk parameters from the bank's own experience, and have been applied as of February 2018. The aforementioned parameters are:

- **Probability of Default.** Indicates the probability that a credit card customer defaults on its contractual obligations within the next twelve months after the month being rated. For each loan, there is a score, which is mapped to a Master rating scale.
- **Severity of Loss.** Measures the intensity of the loss upon default expressed as a percentage of the Default Exposure (DE).
- **Default Exposure.** Is the amount of the debt at the time of default of a loan, considering a time horizon of twelve months after the month being rated.

The next table shows the Credit Card portfolio subject to the Internal Advanced Model, classified by degrees of regulatory risk:

Consumer Revolving Portfolio under Internal Advanced Model							Million Pesos
Degree of Risk*	Accounting Balance	Default Exposure (DE)**	Severity of Loss	PD factored by DE	Unused credit lines	DE factored by exposure	Current DE
A1	15,422	28,306	87.16%	1.20%	40,088	58%	28,305
A2	6,239	8,579	87.16%	3.40%	5,325	37%	8,579
B1	3,125	4,076	87.16%	5.36%	1,703	30%	4,076
B2	1,025	1,174	87.16%	7.85%	453	13%	1,174
B3	2,175	2,870	87.16%	7.30%	974	32%	2,870
C1	2,804	3,585	87.16%	10.76%	913	27%	3,585
C2	4,211	4,904	87.16%	22.69%	783	16%	4,840
D	1,848	1,924	87.16%	70.72%	154	4%	678
E	1,023	1,035	88.78%	98.77%	128	1%	45
Total Portfolio	37,871	56,453	87.20%	8.92%	50,521	33%	54,151

* The scale of Degrees of Risk of the Internal Advanced Model has been mapped in accordance with regulatory risk levels.

** The balances under Default Exposure include Potential Risk as well as Used credit line balance.

The next table shows the difference between expected loss and observed loss resulting from the Internal Advance Model for Credit Cards.

Backtesting				
Portfolio	Expected Loss Internal Model (Avg Jan-Sep18)	Observed Loss Jan18-Sep18	Difference \$ (Observed Loss – Expected Loss)	% Use
Credit Card	4,275	N/D	N/D	N/D
Cartera Total	4,275	N/D	N/D	N/D

* Internal Models were applied for the first time in February 2018; therefore, Observed Loss cannot be estimated for a full year.

2.6 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 June 30, 2018		102,290
I. Loans with individual balance greater than 10% of basic equity:		
<u>Loan Operations</u>		
Number of loans		0
Total amount of loans		0
% in relation to Tier 1		0%
<u>Money Market Operations</u>		
Number of loans		0
Total amount of loans		0
% in relation to Tier 1		0%
<u>Overnight Operations</u>		
Number of loans		0
Total amount of loans		0
% in relation to Tier 1		0%
II. Maximum amount of credit with the 3 largest debtors and common risk groups:		52,007

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 June 30, 2018		5,126
I. Loans with individual balance greater than 10% of equity:		
<u>Loan Operations</u>		
Number of loans		5
Total amount of loans		6,494
% in relation to Equity		127%
<u>Money Market Operations</u>		
Number of loans		0
Total amount of loans		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of loans		0
Total amount of loans		0
% in relation to Equity		0%
II. Maximum amount of credit with the 3 largest debtors and common risk groups:		6,733

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 June 30, 2018	2,823
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I. Loans with individual balance greater than 10% of equity (group level):

Loan Operations

Number of loans	1
Total amount of loans	409
% in relation to Equity	14%

Money Market Operations

Number of loans	0
Total amount of loans	0
% in relation to Equity	0%

Overnight Operations

Number of loans	0
Total amount of loans	0
% in relation to Equity	0%

II. Maximum amount of credit with the 3 largest debtors and common risk groups:	629
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3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

- Comply with the Desired Profile Risk defined by the Group's Board of Directors.
- Maintain an adequate monitoring on Market Risk.
- Maintain the Senior Management adequately informed in time and form.
- Quantify exposure to Market Risk through the use of various methodologies.
- Define maximum risk levels the Institution is willing to maintain.
- Measure the Institution's vulnerability to extreme market conditions and consider such results when making decisions.

GFNorte's Market Risk Policies are:

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

3.1 Market Risk Methodology

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

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

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

3.2 Market Risk Exposure

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

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

The average VaR of the portfolio for 3Q18 was Ps 54.8 million (Ps 15.6 million higher than the average VaR from last quarter).

The result shows that the Bank's potential loss will be above Ps 54.8 million in one out of a hundred days.

VaR Million Pesos	Average 3Q18
VaR Total	54.8
Net Capital	122,977
VaR/Net Capital	0.05%

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

Risk Factor Million Pesos	3Q18	Average 3Q18
Rates	61.2	54.3
FX	1.6	4.0
Equity	6.1	4.3
Diversification Effect	(6.7)	(7.8)
Bank's Total VaR	62.2	54.8

VaR for 3Q18 was Ps 62.2 million. The contribution to VaR for each risk factor is:

Risk Factor Million Pesos	3Q18	Average 3Q18
Rates	59.2	53.9
FX	2.0	0.4
Equity	0.0	0.7
Diversification Effect	1.0	(0.2)
Bank's Total VaR	62.2	54.8

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

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

Risk Factor	3Q18
Rates	89%
FX	2%
Equity	9%

3.2.1 Sensitivity Analysis and Stress Testing under extreme conditions

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

3.2.2 Backtesting

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

3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 3Q18 was Ps 29.2 million, +Ps 3.6 million higher vs. 2Q18.

The result shows that potential loss will be above Ps 29.2. million in one out of a hundred days.

VaR Million Pesos	Average 3Q18
Total VaR	29.2
Net Capital	3,024
VaR/Net Capital	0.97%

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

Risk Factor (Million Pesos)	3Q18	Average 3Q18
Rates	29.9	29.2
FX	0	0
Equity	0.5	0.7
Diversification effect	(0.4)	(0.7)
Casa de Bolsa Total VaR	30.0	29.2

VaR at the end of 3Q18 was Ps 30.0 million.

The VaR by risk factor is determined by simulating 500 historical scenarios and performing a grouping of instruments by their main risk factor. It is important to note that all positions classified as trading were taken into account, excluding the held-to-maturity position and available for sale, were taken into account.

Concentration by Market Risk factor is mainly 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. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

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

GFNorte's Liquidity Risk Policies are:

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

4.1 Liquidity Risk Methodology and Exposure

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

4.2 Profile and Funding Strategy

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

Funding Source (Million Pesos)	2Q18	3Q18	Change vs. 2Q18
Demand Deposits			
Local Currency ⁽¹⁾	349,568	360,935	3.3%
Foreign Currency ⁽¹⁾	55,733	47,783	(14.3%)
Demand Deposits	405,301	408,717	0.8%
Time Deposits – Retail			
Local Currency ⁽²⁾	184,723	193,033	4.5%
Foreign Currency	21,750	18,857	(13.3%)
Core Deposits	611,774	620,607	1.4%
Money Market			
Local Currency ⁽³⁾	45,430	116,179	155.7%
Foreign Currency ⁽³⁾	1,984	4,204	111.9%
Banking Sector Deposits	659,188	740,990	12.4%

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 3Q18.

LCR Components <i>(Million Pesos)</i>		Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	105,384
CASH DISBURSEMENTS			
2	Unsecured retail financing	355,497	24,548
3	Stable financing	220,031	11,002
4	Less stable financing	135,466	13,547
5	Unsecured wholesale financing	251,954	90,159
6	Operational Deposits	148,526	33,428
7	Non-Operational Deposits	98,500	51,803
8	Unsecured debt	4,928	4,928
9	Secured wholesale financing	296,340	23,312
10	Additional Requirements:	299,419	18,238
11	Disbursements related to derivatives and other guarantee requirements	70,972	5,478
12	Disbursements related to losses from debt financing	0	0
13	Lines of credit and liquidity	228,447	12,761
14	Other contractual financing obligations	0	0
15	Other contingent financing liabilities	0	0
16	TOTAL CASH DISBURSEMENTS	NA	156,258
CASH INFLOWS			
17	Cash Inflows for secured operations	108,622	3,797
18	Cash Inflows for unsecured operations	68,700	52,605
19	Other Cash Inflows	1,871	1,871
20	TOTAL CASH INFLOWS	NA	58,274
		Adjusted amount	
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	105,384
22	TOTAL NET CASH DISBURSEMENTS	NA	97,984
23	LIQUID COVERAGE RATIO	NA	107.57%

During 3Q18, the average LCR for the Bank and Sofomes was 116.29%, and at the end of 3Q18 the LCR was 93.55% the aforementioned levels are above the Risk Appetite and the regulatory minimum standards.

These results show that Banorte can meet all of its short-term obligations in a crisis scenario¹.

4.4 Evolution of LCR Components

The evolution of the LCR components comparing 2Q18 and 3Q18 is presented in the following table:

LCR Component (Million Pesos)	2Q18	3Q18	Var. vs. 2Q18
Liquid Assets	89,354	98,461	10.2%
Cash Inflows	50,210	47,351	(5.7%)
Cash Outflows	138,565	152,596	10.1%

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 2Q18 and 3Q18 are distributed as follows:

Type of Asset (Million Pesos)	2Q18	3Q18	Var. vs. 2Q18
Total	89,354	98,461	10.2%
Level I	80,537	92,081	14.3%
Level II	8,816	6,379	(27.6%)
Level II A	7,171	2,103	(70.7%)
Level II B	1,646	4,276	159.8%

Liquid assets decreased in the quarterly comparison in 2Q18 and 3Q18, due to the federal government securities exchange in foreign currency as part of a long term repo operation.

4.5 LCR Result's Main Causes

Variations in the LCR between 2Q18 and 3Q18 are mainly due to the increase in cash outflows related to the position taken during the merger, including liquid assets as well as funding.

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 2Q18, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	2Q18	3Q18	Var. vs. 2Q18
Net cash outflows at market value and for potential future exposure	4,379	4,379	0.0%
Cash outflows for a 3 notch credit rating downgrade.	0	0	0%

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

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 4.379 billion, stable vs. 2Q18 .

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 3Q18 are presented in the following table.

Concept (Million Pesos)	2Q18	3Q18	Var. vs. 2Q18
Cumulative 30 day Gap	(45,572)	(69,178)	51.8%
Liquid Assets	88,958	93,023	4.6%

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets. In addition, a more granular breakdown of the liquidity gaps is presented, remaining as follows for 3Q18:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(17,437)	(20,733)	(31,008)	(3,458)	(26,516)	1,185
Accumulated Gap	(17,437)	(38,170)	(69,178)	(72,636)	(99,152)	(97,966)

4.9 Stress Testing under liquidity extreme conditions

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

4.10 Contingency Funding Plan

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

4.11 Balance Risk

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

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

In the table below, the effect on net interest income of a movement of 100 basis points over the rates is shown, which considers available for sale, that as of 3Q18 amounted to Ps 162.69 billion and in average during 3Q18 to Ps 170.94 billion.

(Million Pesos)	2Q18	3Q18	Var. vs. 2Q18
Margin Sensitivity	1,090	1,508	38.3%

4.12 Subsidiaries

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

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofomes at the end of 3Q18.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	2,266	120	(4,935)
Liquid assets	2,904	8	85

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 with the support of Process 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 Alternative Basic Model, which is estimated and reported periodically to the authorities.

5.5. Information and Reporting

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

5.6 Technological Risk

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

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

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

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

5.7 Legal risk

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

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

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

6. SECURITIZATIONS EXECUTED BY GFNORTE

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

GFNorte has accomplished the following securitizations:

- On October 11th, 2006, Fincasa Hipotecaria (Fincasa), now merged with Banorte, held the irrevocable trust for the issuance of market certificates No. 563, issuer code FCASACB, whose underlying assets are mortgages originated and transferred by Fincasa.
- On December 13th, 2006, Banorte held the irrevocable trust for the issuance of market certificates No. 583, issuer code BNORCB, whose underlying assets are mortgages originated and transferred by Banorte.
- On November 5th, 2007, Banorte held the irrevocable trust for the issuance of market certificates No. 477, issuer code BNTECB, whose underlying assets are loans originated and transferred by Banorte to federal entities, states and municipalities, as well as trusts in which any of such entities act as trustees.

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

The Institution is responsible that each of the assigned loans meets the eligibility criteria, at the time of their respective assignment. If the trust, the common representative, the financial guarantor, identify any non-eligible loans, they may

require Banorte to replace such loan or if replacement is not possible, to make payment for the "non-replaced ineligible loan" in question. If Banorte identifies any non-eligible loan, it must notify and replace or make the corresponding payment.

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

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

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

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

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

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

On the other hand, the Institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By September 30, 2018 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same Institution:

Securitization (Million pesos)	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNTECB_07	50,763,776	1,906	500,000	19	51,263,776	1,924
91_BNTECB_07-2	563,059	18	-	-	563,059	18
97_FCASACB_06U	-	-	-	-	-	-

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

Securitization (Million pesos)	Issued Securities	Banorte	Insurance	Total GFNorte	Total Clients
91_BNTECB_07	52,313,776	97.0%	1.0%	98.0%	2.0%
91_BNTECB_07-2	1,113,059	50.6%	0.0%	50.6%	49.4%
97_FCASACB_06U	1,351,386	0.0%	0.0%	0.0%	100.0%

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

Securitization	Standard & Poor's		Fitch Ratings		Moody's		HR Ratings		Verum		Best		DBRS	
	Local	Global	Local	Global	Local	Global	Local	Global	Local	Global	Local	Global	Local	Global
91_BNTECB_07					Aa3.mx	Baa3	HR AAA							
91_BNTECB_07-2					A3.mx	Ba3	HR AA+							
97_FCASACB_06U	mxA+		A- (mex)											

As of September 30, 2018 the amounts of the underlying assets of each securitization were:

Securitization (Million pesos)	Performing	Amount Past-Due	Total
91_BNTECB_07			
91_BNTECB_07-2	\$2,660	\$0	\$2,660
97_FCASACB_06U	\$106	\$131	\$237

There are no impaired assets in trust 477.

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

Concept (Million Pesos)	Balance	Capital Requirement
Securitized with Risk Level 1 (weighted 20%)	0	0
Securitized with Risk Level 2 (weighted 50%)	1,906	76
Securitized with Risk Level 3 (weighted 100%)	18	1
Securitized with Risk Level 4 (weighted 350%)	0	0
Securitized with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

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

6.1 Applied Accounting Policies

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

- Eliminate transferred financial assets at the last book value;
- Recognition for the consideration received in the operation;
- 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 September 2018, Banco Mercantil del Norte held shares amounting to Ps 4.902 billion, with gains of Ps 113.5 million.

During the third quarter, accumulated losses from sales and settlements were Ps 35.4 million.

For negotiable securities, the capital requirement for Market Risk was Ps 1.6 million. For securities available for sale, the capital requirement for Market Risk was Ps 24.4 million and for Credit Risk Ps 1.54 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 3Q18	Gains / Losses 3Q18	Acum. Profit / Loss 2Q18-3Q18
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	5.4	(0)	(21.6)
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	4.4	(0.3)	(11.2)
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	251.2	44	102.3
Banorte	Public	Negotiable Securities	Subject to capital reduction	520.3	0	275.7
Banorte	Public	Securities Available for Sale	Subject to capital reduction	233.4	30.1	132.7
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,877.4	39.7	261.4
Total				4,902	113.5	739.3

In September 2018 it has a position of 594.6 billion million pesos in Casa de Bolsa Banorte

During the quarter, there were gains for 0.4 million pesos from sales and settlements.

Regarding Market Risk Capital Requirement the amount was of 179 million pesos of the total position in shares of Banorte.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 3Q18	Gains / Losses 3Q18	Acum. Profit / Loss 2Q18-3Q18
Casa de Bolsa Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	594.6	76.9	377.5
Total				594.6	76.9	377.5

Internal Control

The companies comprising GFNorte have an Internal Control System (SCI) 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 effective and efficient performance of operations, reliability of 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. Within these documents, the Code of Conduct stands out as it regulates the behavior that each Board member, officer or employee of the Group should maintain while performing their activities.
- 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 third quarter of 2018, 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. Corporate Governance documents related with Internal Audit were revised and updated, and were presented by the Audit and Corporate Practices Committee to the Board of Directors for final approval.
- C. Throughout the merger with Interacciones, several cross-functional teams were created to ensure an adequate operating, technological, legal and accounting process integration, as well as the design of the proper internal control monitoring models applied at Banorte.
- D. 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.
- E. The requests from different internal areas regarding internal control matters were addressed, both in support of the development of new institutional projects, as well as those that derive from regulatory changes. GFNORTE's business and operating support processes are constantly monitored through the Business Process and Management Comptrollers. They issue periodic compliance reports and identify areas of opportunity so that they can be remediated in a timely manner.
- F. GFNORTE's business and operating support processes are constantly monitored through the Business Process and Management Comptrollers. They issue periodic compliance reports and identify areas of opportunity so that they can be remediated in a timely manner.
- G. According to the work plan established at the beginning of the year, there was progress in several activities related to internal accounting control.
- H. Effectiveness tests related to the Business Continuity Plan were executed
- I. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- J. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted. Regular inspection visits were carried out.

FINANCIAL SITUATION AND LIQUIDITY

Internal and External Liquidity Sources

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

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

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

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 exceed the established limit of 35% of the basic portion of net capital.

In the case of GFNorte as of September 30 and June 30, 2018, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Sept-2018	% Basic Equity	Mar -2018	% Basic Equity
Banorte	Ps 18.13	17.7%	Ps 26.72	27.3%

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

Banorte

As of September 30, 2018, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 18.13 billion (including Ps 7.13 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 2.4% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 14.81 billion were loans granted to clients linked to members of the Board of Directors; Ps 2.08 billion were granted to clients linked to shareholders and Ps 1.23 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 September 2018 was 17.7% 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. 98% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

Banorte

As of June 30, 2018, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 26.72 billion (including Ps 7.08 billion in — Letters of Credit “CC”, which are registered in memorandum accounts), representing 4.2% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 23.30 billion were loans granted to clients linked to members of the Board of Directors; Ps 2.46 billion were granted to clients linked to shareholders and Ps 947 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 2018 was 27.3% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 98% 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 September 30, 2018
BANORTE	\$-
IMSS fees	-
INFONAVIT fees	-
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$6
Philippines 2007 - 2008	6
CASA DE BOLSA	\$-
–Financial year 2007 (document 900 06 05-2010-03968)	-
IXE BANCO	\$-
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	-
Million pesos	

People in Charge

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

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

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

Isaías Velázquez González
Managing Director of Internal Audit

Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

Mayra Nelly López López
Executive Director of Accounting

Basis for submitting and presenting Financial Statements

Grupo Financiero Banorte (GFNorte). Issues the financial statements in consolidated form with its Subsidiaries in accordance with the General Provisions Applicable to the Controlling Companies of Financial Groups that regulate the matters that correspond jointly to the National Supervisory Commissions (the Provisions) published in the Official Gazette of the Federation on January 9, 2015.

Sector Bancario (Banorte). Issues the financial statements in consolidated form with its Subsidiaries in accordance with the General Provisions Applicable to the financial information of the Credit Institutions (the Provisions) published in the Official Gazette of the Federation on December 2, 2005, modified by means of published Resolutions in the aforementioned Official Gazette 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, 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 and December 20, 2010, June 24 and 27 January, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, and December 28, 2011, June 19, July 5, October 23, November 28 and December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2 and 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, 5 February, April 30, May 27 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, April 7 and 28 and December 22, 2015 June 2016, July 7 and 29, August 1, September 19, September 28, 2016, and December 27, 2016, January 6, April 4 and 27, May 31, June 26, 4 and 24 July, August 29, October 6 and 25, December 18, 26 and 27, 2017, January 22, March 14, April 26, May 11, June 26, July 23, August 29 and September 4, 2018, respectively.

GFNorte and Banorte. The financial information contained in this document has been prepared in accordance with the regulation issued by the National Banking and Securities Commission (CNBV) for the holding company and the financial entities that make up the Financial Group and the NIF issued by the Mexican Board of Standards of Financial Information, AC (CINF). The regulation of the CNBV and the aforementioned NIFs differ from each other due to the specialized operations of the Credit Institutions. They also differ from the accounting principles generally accepted in the United States of America (US GAAP) and the regulations and principles established by the North American authorities for this type of financial entities. In order to present the information contained in an international format, the format for the classification and presentation of certain financial information differs from the format used for the financial information published in Mexico.

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