

4Q17

Financial Results as of December 31, 2017

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GFNORTE



OTC **QX**

GBOOY



XNOR

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I. Executive Summary

GFNorte reports Net Income of Ps 23.91 billion in 2017, +24% higher than 2016.

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

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ending December 31, 2017 highlighting:

- **4Q17 Net Income of Ps 6.48 billion, showing strong sequential growth of +4.2%.** Net Interest Income grows +4.8% vs. 3Q17, while Trading Fees grow +8.4%. **Provisions for Credit Risks grow only +0.9%**, and Earnings Before Taxes are up +5.4% in the period.
- Key indicators in the quarter continue showing solid performance: **NIM** grows from 5.5% to **5.6%**; profitability keeps improving with **Return on Equity (ROE)** of **18.1%** and **Return on Assets (ROA)** of **1.96%**; **Efficiency Ratio** at **41.1%**, while **Non-Performing Loans** show a slight deterioration to **2.0%**.
- **Accumulated 2017 results show Group's Net Income of Ps 23.91 billion**, supported by solid annual growth in subsidiaries' Net Income: **Banorte Bank +30%**; **Leasing +11%**, **Warehousing +48%**, **Brokerage +16%**, **Mutual Funds 19%**, **Annuities +57%**, and **Insurance +6%**, despite a rough year due to natural disasters.
- **Key indicators for 2017** had a very strong pick up versus last year: **NIM** grows from 4.9% to **5.5%**, **Efficiency Ratio** improves +300bps to **41.9%**, **ROE** grows +284bps to **17.0%** and **ROA** of **1.86%** was up +26bps. With a slight deterioration, **Non-Performing Loans (NPL)** increased to **2.0%** versus 1.8%, while the **Coverage Ratio** dropped to **129%** from 139%.
- Net Interest Income (**NII**) grows **+19%** in the year, and **Service Fees +13%**, while **Loan Loss Provisions** increase **+14%** and **Expenses +9%** vs. 2016, resulting in **Net Operating Profit** before taxes growing **+28%**.
- **Performing Loans** grew **2%** QoQ and **+9%** YoY: **commercial loans +10%** in the year; **corporate loans** contracting **(1%)**; **government** was flat; however, **consumer loans** were up **+19%** (**mortgage +18%**, **auto +28%**, **credit cards +19%**, **payroll +17%**). **Non Performing Loans** grew **+21%** in the year, in line with the strong growth in consumer lending.
- **Total customer deposits** up **+13%** in the year: **demand deposits +3%** and **time deposits and money market +31%**.
- **The bank's Capital ratio stood at a strong 17.2%** while **leverage ratio** stood at **8.4%**.

Income Statement Highlights - GFNorte (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Net Interest Income	13,894	15,883	16,640	5%	20%	53,057	63,366	19%
Non Interest Income	4,515	4,531	4,794	6%	6%	16,465	17,852	8%
Total Income	18,409	20,414	21,434	5%	16%	69,522	81,218	17%
Non Interest Expense	8,203	8,260	8,799	7%	7%	31,243	34,061	9%
Provisions	3,289	3,927	3,961	1%	20%	13,313	15,214	14%
Operating Income	6,917	8,227	8,674	5%	25%	24,965	31,943	28%
Taxes	1,921	2,218	2,476	12%	29%	6,878	9,048	32%
Subsidiaries & Minority Interest	180	202	283	40%	57%	978	924	(6%)
Discontinued Operations	68	8	2	(78%)	(97%)	243	89	(63%)
Net Income	5,244	6,219	6,482	4%	24%	19,308	23,908	24%

Balance Sheet Highlights - GFNorte (Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Asset Under Management	2,184,877	2,418,155	2,423,321	0%	11%
Performing Loans (a)	566,804	601,602	615,598	2%	9%
Past Due Loans (b)	10,312	11,053	12,482	13%	21%
Total Loans (a+b)	577,117	612,656	628,080	3%	9%
Total Loans Net (d)	562,733	596,451	611,958	3%	9%
Acquired Collection Rights (e)	2,025	2,593	2,477	(4%)	22%
Total Credit Portfolio (d+e)	564,759	599,044	614,435	3%	9%
Total Assets	1,268,119	1,295,121	1,354,147	5%	7%
Total Deposits	574,559	623,976	640,821	3%	12%
Total Liabilities	1,125,418	1,152,133	1,206,564	5%	7%
Equity	142,701	142,988	147,583	3%	3%

Financial Ratios GFNorte	4Q16	3Q17	4Q17	2016	2017
Profitability:					
NIM (1)	5.0%	5.5%	5.6%	4.9%	5.5%
ROE (2)	15.1%	18.0%	18.1%	14.1%	17.0%
ROA (3)	1.7%	1.9%	2.0%	1.60%	1.86%
Operation:					
Efficiency Ratio (4)	44.6%	40.5%	41.1%	44.9%	41.9%
Operating Efficiency Ratio (5)	2.7%	2.6%	2.7%	2.6%	2.6%
CCL for Banorte and SOFOM - Basel III (6)	99.6%	109.7%	123.4%	99.6%	123.4%
Asset Quality:					
Past Due Loan Ratio	1.8%	1.8%	2.0%	1.8%	2.0%
Coverage Ratio	139.5%	146.6%	129.2%	139.5%	129.2%
Cost of Risk	2.4%	2.6%	2.6%	2.5%	2.6%
Market References					
Banxico Reference Rate	5.75%	7.00%	7.25%	5.75%	7.25%
TIIE 28 days (Average)	5.43%	7.37%	7.42%	4.47%	7.05%
Exchange Rate Peso/Dolar	20.62	18.16	19.66	18.92	18.67

- 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.

Subsidiaries Net Income (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Banco Mercantil del Norte	4,031	4,904	4,763	(3%)	18%	13,804	18,012	30%
Banorte- Ixe-Broker Dealer	161	147	146	(1%)	(10%)	595	691	16%
Operadora de Fondos Banorte-Ixe	62	73	85	16%	37%	237	281	19%
Retirement Funds - Afore XXI Banorte	276	301	311	3%	13%	1,248	1,284	3%
Insurance	561	609	606	(1%)	8%	2,626	2,775	6%
Annuities	152	179	340	90%	123%	561	882	57%
Leasing and Factoring	207	192	219	14%	6%	693	771	11%
Warehousing	6	7	13	91%	134%	28	42	48%
Sólida Administradora de Portafolios	(183)	(185)	(44)	76%	76%	(533)	(963)	(81%)
Ixe Servicios	(6)	(0)	(1)	(55%)	(91%)	(5)	(2)	NA
G. F. Banorte (Holding)	(21)	(7)	43	NA	NA	54	132	147%
Total Net Income	5,244	6,219	6,482	4%	24%	19,308	23,908	24%

Share Data	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Earnings per share (Pesos)	1.890	2.242	2.337	4%	24%	6.961	8.619	24%
Earnings per share Basic (Pesos)	1.906	2.266	2.354	4%	24%	7.018	8.697	24%
Dividend per Share (Pesos) (1)	0.00	0.00	0.00	NA	-	2.61	5.28	103%
Dividend Payout (Recurring Net Income)	0.0%	0.0%	0.0%	NA	-	36.5%	40.0%	10%
Book Value per Share (Pesos)	50.74	50.87	52.55	3%	4%	50.74	52.55	4%
Issued Shares (Million)	2,773.7	2,773.7	2,773.7	0%	0%	2,773.7	2,773.7	0%
Stock Price (Pesos)	102.30	125.58	107.83	(14%)	5%	102.30	107.83	5%
P/BV (Times)	2.02	2.47	2.05	(17%)	2%	2.02	2.05	2%
Market Capitalization (Million Dollars)	13,761	19,182	15,211	(21%)	11%	13,761	15,211	11%
Market Capitalization (Million Pesos)	283,753	348,325	299,091	(14%)	5%	283,753	299,091	5%

1) Excluding minority interest.

Stock Performance in 2017



II. Management's Discussion & Analysis

The sale of Inter National Bank was completed on March 31st, 2017; therefore, for comparative purposes the consolidation of INB's quarterly and accumulated figures in Banorte's Balance Sheet and Income Statement were fully reversed for 2016. Hence, the consolidated figures and ratios of GFNorte and Banorte presented in this report differ from those published in the Quarterly Releases of 1Q, 2Q, 3Q and 4Q of 2016, as these have been modified retroactively to be comparable and to reflect INB's deconsolidation.

Net Interest Income (NII) (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change
				3Q17	4Q16			2016
Interest Income	20,341	25,852	26,626	3%	31%	73,204	100,315	37%
Interest Expense	7,879	11,661	11,517	(1%)	46%	26,893	43,941	63%
Loan Origination Fees	305	296	297	0%	(3%)	1,206	1,171	(3%)
Fees Paid	153	174	210	21%	37%	490	695	42%
NII excluding Insurance and Annuities Co.	12,615	14,314	15,197	6%	20%	47,027	56,850	21%
Premium Income (Net)	4,844	5,156	5,596	9%	16%	21,307	25,043	18%
Technical Reserves	2,655	1,482	2,965	100%	12%	8,477	12,645	49%
Damages, Claims and Other Obligations	3,271	4,110	3,845	(6%)	18%	12,654	14,906	18%
Technical Results	(1,082)	(436)	(1,214)	(178%)	N.A.	176	(2,507)	N.A.
Interest Income (Expenses) net	2,362	2,004	2,657	33%	13%	5,854	9,024	54%
Insurance and Annuities NII	1,280	1,568	1,443	(8%)	13%	6,030	6,517	8%
GFNORTE's NII	13,894	15,883	16,640	5%	20%	53,057	63,366	19%
Credit Provisions	3,289	3,927	3,961	1%	20%	13,313	15,214	14%
NII Adjusted for Credit Risk	10,605	11,956	12,679	6%	20%	39,744	48,153	21%
Average Earning Assets	1,101,682	1,157,432	1,194,474	3%	8%	1,088,718	1,157,638	6%
Net Interest Margin (1)	5.0%	5.5%	5.6%			4.9%	5.5%	
NIM after Provisions (2)	3.9%	4.1%	4.2%			3.7%	4.2%	
NIM adjusted w/o Insurance & Annuities	5.0%	5.4%	5.6%			4.7%	5.4%	
NIM from loan portfolio (3)	8.3%	8.5%	8.6%			8.0%	8.5%	

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

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

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

Net Interest Income (NII)

NII excluding Insurance and Annuities amounted to **Ps 56.85 billion** during 2017, **+21% above** reported figures in 2016, driven by the positive combination of the loan book mix, and the balance sheet re-pricing to incorporate the progressive interest rate hikes from the Central Bank of +150bps during 2017. **NII from loans and deposits grew +19%**, while **NII from investments in securities and repos increased +49%** during the period.

In 4Q17 NII excluding Insurance and Annuities totaled **Ps 15.19 billion**, keeping a sequential **growth of +6%**, higher than the loan book and the investment portfolio. Particularly, NII from loans grew +4% in addition to a substantial 22% growth in **NII from investments in Securities and Repos**.

Insurance and Annuities NII totaled **Ps 6.52 billion**, **+8% higher YoY**. Insurance NII in 2016 includes a one-time effect of Ps \$565 million related to the accounting changes implemented from the Solvency II regulation. Adjusting for this effect, Insurance and Annuities NII would have grown +19% YoY. The inflation-valuation result from the Annuity company was Ps 4.63 billion in 2017 vs. Ps 2.20 billion in 2016.

Moreover, in 4Q17 NII from Insurance and Annuities amounted to **Ps 1.44 billion**, (8%) below 3Q17 mainly impacted by larger technical reserves of the annuity company. The inflation valuation result registered at Pensiones Banorte was Ps 1.44 billion in 4Q17, vs. Ps 865 million in 3Q17.

Technical Results in 2017 amounted to **(Ps 2.51) billion**, and **(Ps 1.21) billion in the quarter**, unfavorably compared vs. 2016 and vs. 3Q17 due to reserve requirements of +49% and +100% respectively. Although Damages & Claims decreased (6%) in 4Q17, they were up +18% yearly.

Interest Income (Expenses) Net: rose +Ps 3.17 billion in 2017 vs. 2016, and +Ps 652 million vs 3Q17, mainly on higher UDI valuation at the annuities company (+Ps 2.43 billion YoY and + Ps 575 million vs. 3Q17), which reflects total premium growth as well as higher inflation during 2017.

According to new regulation Premium Income and Technical Reserves of life policies are fully accounted when originated, as opposed to the former rule in which Premium Income and Costs were registered following the payment calendar of the policies. This change resulted in a distortion in 1Q16 results because of the increase in Premiums and Reserves.

In 2017 GFNorte's Net Interest Income (NII) rose to Ps 63.37 billion, increasing +19% YoY **and to Ps 16.64 billion in 4Q17**, +5% higher sequentially. Both periods benefited from the good performance in practically all lines which are not related to Annuities and Insurance businesses.

Net Interest Margin (NIM) was 5.5% for the year and 5.6% for 4Q17, up +60bps YoY and +8pb QoQ due to a better mix in the loan book and the benefit of re-pricing the balance sheet due to rising market rates.

Loan Loss Provisions

Loan Loss Provisions totaled Ps 15.21 billion during 2017, +14% higher vs. 2016. **In 4Q17 they amounted to Ps 3.96 billion**, only Ps 35 million higher sequentially.

The annual increase is explained by higher requirements in the consumer portfolios with the most dynamic growth (credit card, payroll, and personal loans) despite declining provisions related to mortgages and government lending. Furthermore, the decrease vs. 3Q17 came from lower provision requirements in the wholesale portfolios.

Provisions represented 24.0% of Net Interest Income in 2017, and 23.8% in 4Q17, lower by (1.1pp) vs. 2016 and (0.9 pp) sequentially.

Additionally, **accumulated and quarterly Provisions accounted for 2.6% of the average loan portfolio**, rising +8bps vs. 2016, and similar to the previous quarter.

Non-Interest Income

Non-Interest Income (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Fees on Services	3,050	3,083	3,344	8%	10%	10,628	11,983	13%
Trading	428	628	331	(47%)	(23%)	2,346	2,657	13%
Other Operating Income (Expenses)	1,037	820	1,119	36%	8%	3,491	3,211	(8%)
Non-Interest Income	4,515	4,531	4,794	6%	6%	16,465	17,852	8%

Non-Interest Income rose to Ps 17.85 billion in 2017, +8% higher YoY, Service Fees explained almost two thirds of this positive performance. Furthermore, **in 4Q17 Non-Interest Income totaled Ps 4.79 billion**, up +6% sequentially driven by Service Fees and Other Operating Income.

Service Fees

Service Fees (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Fund Transfers	367	350	380	8%	3%	1,287	1,489	16%
Account Management Fees	597	647	662	2%	11%	2,075	2,529	22%
Electronic Banking Services	1,628	1,653	1,902	15%	17%	5,808	6,903	19%
Basic Banking Services Fees	2,592	2,651	2,944	11%	14%	9,170	10,921	19%
For Commercial and Mortgage Loans *	231	225	178	(21%)	(23%)	796	694	(13%)
For Consumer Loans	1,116	1,096	1,146	5%	3%	3,658	4,296	17%
Fiduciary	107	97	133	37%	23%	347	422	21%
Income from Real Estate Portfolios	24	43	40	(6%)	68%	113	107	(5%)
Mutual Funds	302	360	372	3%	23%	1,163	1,343	15%
Trading & Financial Advisory Fees	140	305	134	(56%)	(4%)	520	721	39%
Other Fees Charged (1) *	231	263	306	16%	32%	916	1,038	13%
Fees Charged on Services	4,742	5,040	5,252	4%	11%	16,684	19,542	17%
Fees Paid on Services	1,692	1,957	1,908	(2%)	13%	6,056	7,559	25%
Service Fees	3,050	3,083	3,344	8%	10%	10,628	11,983	13%

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

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

During 2017 Service Fees rose to Ps 11.98 billion, +13% higher year over year:

- driven mainly by the +19% increase in Core Banking Services Fees supported by larger transaction volume, by +17% higher fees related to Consumer Loans, in line with high consumer loan origination, +39% growth in Trading and Financial Advisory fees and +15% increase in those coming from Mutual Funds;
- in contrast, the increase in Fees Charged comes from Loan Placements and Debt Issuance (+Ps 775 million), Interchange fees (+Ps 594 million) and Third Party Correspondents (+Ps 255 million).

In 4Q17 Service Fees were Ps 3.34 billion, up +8% QoQ:

- driven by +11% increase in Core Banking Services Fees, (compensating for the downward trend in 3Q17), a 5% in Consumer Lending, 37% increase in Fiduciary and 3% in Mutual Funds.
- Moreover, this account benefited from the (52%) decline in Fees Charged in the Insurance business by a substantial reduction in the acquisition cost of subscribed insurance policies.

Trading

Trading Income (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Currency and Metals	36	22	(9)	(140%)	(124%)	82	(153)	N.A.
Derivatives	(85)	357	387	9%	N.A.	328	493	50%
Negotiable Instruments	(26)	(153)	(639)	N.A.	N.A.	(73)	(709)	N.A.
Valuation	(75)	225	(260)	N.A.	N.A.	338	(370)	(209%)
Currency and Metals	437	234	452	94%	3%	1,511	1,729	14%
Derivatives	14	(28)	(189)	N.A.	N.A.	(14)	137	N.A.
Negotiable Instruments	52	197	328	67%	N.A.	511	1,161	127%
Trading	503	402	592	47%	18%	2,008	3,027	51%
Trading Income	428	628	331	(47%)	(23%)	2,346	2,657	13%

During 2017 Trading Income totaled Ps 2.66 billion, 13% higher vs. 2016, driven by trading and client transactions which offset mark-to-market losses.

In 4Q17 Trading Income was Ps 331 million, (Ps 296 million) below 3Q17, impacted mainly by a mark-to-market valuation loss of (Ps 552) million related to securities held for sale, and by Derivatives trading.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Loan Recovery	434	463	413	(11%)	(5%)	1,550	1,750	13%
Loan Portfolios	6	38	64	71%	N.A.	149	190	28%
Income from foreclosed assets	29	255	156	(39%)	N.A.	98	159	62%
Provisions Release	39	108	12	(89%)	(69%)	393	371	(6%)
Losses and Estimates	(173)	(335)	(583)	(74%)	N.A.	(960)	(1,636)	70%
Impairment of Assets	(0)	(189)	134	N.A.	N.A.	(242)	(493)	104%
Lease Income	80	106	125	17%	56%	325	447	38%
From Insurance	275	189	199	6%	(27%)	1,017	835	(18%)
Others	347	185	599	N.A.	72%	1,162	1,588	37%
Other Operating Income (Expenses)	1,037	820	1,119	36%	8%	3,491	3,211	(8%)

During the year Other Operating Income (Expenses) stood at Ps 3.21 billion, (8%) lower vs. 2016, explained mainly by i) +Ps 676 million in losses and estimates from fraud and vandalism related to cards and ATMs; ii) (Ps 493) million charge on the valuation of investment projects, and iii) a (Ps 183) million reduction in Other Operating Income from Insurance, which is related to a Ps 290 million write-off on reinsurance.

In 4Q17, Other Operating Income (Expenses) increased +36% vs. 3Q17 to Ps 1.12 billion, mainly from the release of Ps 323 million from asset valuations.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Personnel	3,357	3,206	3,445	7%	3%	12,876	13,447	4%
Professional Fees	606	771	875	13%	44%	2,208	2,926	33%
Administrative and Promotional	1,974	1,859	1,998	8%	1%	7,366	7,833	6%
Rents, Depreciation & Amortization	1,254	1,233	1,245	1%	(1%)	4,689	5,058	8%
Taxes other than income tax & non deductible expenses	306	422	453	7%	48%	1,390	1,772	27%
Contributions to IPAB	607	668	696	4%	15%	2,325	2,634	13%
Employee Profit Sharing (PTU)	99	101	88	(13%)	(12%)	389	391	0%
Non-Interest Expense	8,203	8,260	8,799	7%	7%	31,243	34,061	9%

In 2017 Non-Interest Expense totaled Ps 34.06 billion, +9% above 2016 as result of a general increase in all lines, except Employee Profit Sharing (PTU), and also because of higher inflation levels during the year.

In 4Q17, Non-Interest Expense increases +Ps 539 million to Ps 8.80 billion, driven by a +7% increase in Personnel expenses, mainly related to year-end compensation, +8% Administrative & Promotional expenses, and +13% in Professional Fees paid related to a relevant transaction.

Efficiency Ratio improved during 2017, decreasing to 41.9%, (300bps) below 2016, as result of positive operating leverage; while in the fourth quarter it stood at 41.1%, up +59bps vs. 3Q17, driven by higher Non-Interest Expense.

Net Income

Net Income (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Operating Income	6,917	8,227	8,674	5%	25%	24,965	31,943	28%
Subsidiaries' Net Income	257	291	375	29%	46%	1,246	1,265	1%
Pre-Tax Income	7,173	8,519	9,049	6%	26%	26,211	33,208	27%
Taxes	1,921	2,218	2,476	12%	29%	6,878	9,048	32%
Discontinued Operations	68	8	2	(78%)	(97%)	243	89	(63%)
Minority Interest	(77)	(90)	(93)	3%	21%	(269)	(341)	27%
Net Income	5,244	6,219	6,482	4%	24%	19,308	23,908	24%

In 2017 Net Income from Subsidiaries was up 1% vs. 2016, and amounted to Ps 1.26 billion, comprising Ps 1.28 billion from Afore XXI Banorte's results and a (Ps 112) million loss in Solida's investments; in the fourth quarter of 2017

this line stood at **Ps 375 million**, +29% higher on a sequential basis, driven by a +Ps 30 million recovery in Solida's investments.

Accumulated taxes totaled Ps 9.05 billion, up +32% vs. 2016, as result of both a higher taxable base, and a rise in deferred taxes; while **in 4Q17 taxes amounted to Ps 2.47 billion**, +12% higher QoQ due to substantially higher deferred taxes. **The effective tax rate in 2017 was at 27.2%**, +101bps YoY, and **in 4Q17 27.4%**, up +132bps QoQ

GFNorte reported Net Income of Ps 23.91 billion in 2017 (+24% YoY), with robust annual growth across most subsidiaries: Bank +30%, Leasing +11%, Warehousing +48%, Brokerage +16%, Fund Management +19%, Annuities +57%, and Insurance +6% despite a complicated year due to natural disasters.

Strong Key financial indicators and YoY changes: **NIM increases to 5.5%** from 4.9%, **Efficiency Ratio** improves 300bps to **41.9%**, **ROE** increased +284bps to **17.0%** from 14.1%, and **ROA** increased +26bp to **1.86%**. **NPL ratio slightly deteriorated from 1.8% to 2.0%**, and **Coverage Ratio** from 139% to **129%**.

4Q17 Net Income shows an excellent **sequential growth of +4.2% reaching Ps 6.48 billion**. Key quarterly indicators keep solid performance: **NIM at 5.6%** from 5.5%, profitability and efficiency keep improving: **ROE increased to 18.1%**; **ROA to 1.96%**, **Efficiency Ratio improved to 41.1%**, while **NPL ratio** slightly deteriorates to **2.0%**.

Profitability

	4Q16	3Q17	4Q17
ROE	15.1%	18.0%	18.1%
Goodwill & Intangibles (billion pesos)	26.3	25.8	28.2
Average Tangible Equity (billion pesos)	111.4	113.9	114.6
ROTE	18.4%	22.2%	22.3%

Accumulated ROE accelerated its YoY growth by +284bp to reach **17.0% in 2017**, and by +5bps on a sequential basis reaching **18.1% in 4Q17**. In both cases, the ratio benefited by the growth in earnings as well as by the equity strategies implemented throughout the year, such as the sale of a low-yield asset, an increase in the dividend yield and a faster dividend payout timeframe.

Return on Tangible Capital (ROTE) was **22.3% in 4Q17**, up +389bps vs. 2016, and +12bp higher QoQ.

	4Q16	3Q17	4Q17
ROA	1.7%	1.9%	2.0%
Average Risk Weighted Assets (billion pesos)	605.1	624.2	621.6
RRWA	3.2%	3.6%	3.8%

ROA for 2017 stood at **1.9%**, +26bp higher vs. 2016; while **in 4Q17** was **2.0%**, up by +1bp QoQ. **Return on Risk-Weighted Assets** was **3.8%**, +21bp higher QoQ and +66bp YoY, respectively.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Core Tier 1	77,518	79,522	75,220	(5.4%)	(3.0%)
Tier 1 Capital	81,348	98,044	95,323	(2.8%)	17.2%
Tier 2 Capital	16,643	12,362	13,286	7.5%	(20.2%)
Net Capital	97,992	110,406	108,609	(1.6%)	10.8%
Credit Risk Assets	477,880	507,022	512,752	1.1%	7.3%
Net Capital / Credit Risk Assets	20.5%	21.8%	21.2%	(0.6 pp)	0.7 pp
Total Risk Assets	640,590	625,339	630,264	0.8%	(1.6%)
Core Tier 1	12.10%	12.72%	11.93%	(0.8 pp)	(0.2 pp)
Tier 1	12.70%	15.68%	15.12%	(0.6 pp)	2.4 pp
Tier 2	2.60%	1.98%	2.11%	0.1 pp	(0.5 pp)
Capitalization Ratio	15.30%	17.66%	17.23%	(0.4 pp)	1.9 pp

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

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

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

At the end of 4Q17 the estimated Capitalization Ratio (CR) for Banorte was 17.23% considering credit, market and operational risk; and, 21.18% if only credit risks are considered.

The Capitalization Ratio decreased (0.42pp) vs. 3Q17 due to the following effects:

1.	Profits for 4Q17	+ 0.77 pp
2.	Subordinated Notes	+ 0.40 pp
3.	Investment in Subsidiaries and Intangibles	-0.03 pp
4.	Other Capital Effects	-0.08 pp
5.	Growth in Risk Assets	- 0.13 pp
6.	Valuation of Financial Instruments	- 0.21 pp
7..	Dividends paid during the period	- 1.13 pp

The Capitalization Ratio rose +1.94 pp vs. 4Q16, as follows:

1.	Profit growth for the period	+ 2.91 pp
2.	Subordinated Notes	+ 2.05 pp
3.	Investment in Subsidiaries and Intangibles	+ 0.65 pp
4.	Growth in Risk Assets	+0.26 pp
5.	Valuation of Financial Instruments	+0.12 pp
6.	Other Capital Effects	- 0.33 pp
7.	Dividends of the period	- 3.71 pp

Leverage Ratio (Banco Mercantil del Norte)

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

Leverage <i>(Million Pesos)</i>	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Tier 1 Capital	81,348	98,044	95,323	(2.8%)	17.2%
Adjusted Assets	1,047,439	1,114,377	1,133,176	1.7%	8.2%
Leverage Ratio	7.77%	8.80%	8.41%	(0.4 pp)	0.6 pp

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

Deposits

Deposits (Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Non-Interest Bearing Demand Deposits	231,394	217,796	239,227	10%	3%
Interest Bearing Demand Deposits	152,367	160,549	157,425	(2%)	3%
Total Demand Deposits	383,761	378,345	396,652	5%	3%
Time Deposits – Retail	167,652	192,938	193,617	0%	15%
Core Deposits	551,413	571,284	590,270	3%	7%
Money Market	24,342	54,394	58,352	7%	140%
Total Bank Deposits	575,755	625,678	648,622	4%	13%
GFNorte's Total Deposits	574,559	623,976	640,821	3%	12%
Third Party Deposits	148,407	166,323	157,748	(5%)	6%
Total Assets Under Management	724,163	792,002	806,370	2%	11%

Banorte's Total Deposits amounted to **Ps 648.62 billion** in **4Q17**, a **+13%** annual variation, driven by good performance in time and money market deposits throughout the year, as a result of clients shifting towards interest bearing instruments, given the high rate cycle in Mexico. **Client deposits grew +12% YoY, and Total Assets Under Management** grew **+11% YoY**.

During the quarter, different strategies were implemented to reduce the cost of deposits, resulting in a **+10%** increase in **Non-Interest Bearing Demand Deposits**, while Interest Bearing Demand Deposits declined **(2%)**. Time deposits remain stable, but at a better cost for NIM. **Total Bank Deposits growth of 4% YoY**.

Loans

Performing Loan Portfolio (Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Commercial	125,377	130,263	137,501	6%	10%
Consumer	203,047	233,230	240,899	3%	19%
Corporate	103,491	106,573	102,220	(4%)	(1%)
Government	134,798	131,460	134,905	3%	0%
Sub Total	566,713	601,526	615,525	2%	9%
Recovery Bank	91	76	72	(5%)	(21%)
Total	566,804	601,602	615,598	2%	9%

Performing Consumer Loan Portfolio (Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Mortgages	114,718	130,008	135,334	4%	18%
Car Loans	15,047	17,954	19,189	7%	28%
Credit Card	28,445	33,042	33,906	3%	19%
Payroll	44,838	52,225	52,469	0%	17%
Consumer Loans	203,047	233,230	240,899	3%	19%

Total Performing Loans increased **+9% YoY** for an ending balance of **Ps 615.52 billion** in **4Q17**. Despite a slight slowdown, **consumer loans** grew at a **remarkable rate of +19%**, higher than the banking system, driven by strong origination capacity of the bank based on technology and business analytics. Commercial, Corporate and Government Loans show moderate growth in line with the banking system.

- **Mortgages:** up +18% YoY, with an ending **balance of Ps 135.33 billion, and +4% i QoQ at Ps 5.32 billion in 4Q17**. Banorte grew twofold versus the banking system: 18.8% vs. 9.0% respectively, according to November regulatory data. Market share gains of +152bps placed Banorte second in the banking system with an 18.4% market share.
- **Car Loans:** In 4Q17, the portfolio increased +28% YoY and +7% QoQ, totaling **Ps 19.19 billion**, as a result of a successful commercial strategy to offset strong competition from captive finance companies. As of November 2017, Banorte's market share was 16.1%, gaining +112bps in the year, and maintaining the best annual performance in the banking industry.
- **Credit Cards:** Outstanding performance of the book, with an **ending balance of Ps 33.90 billion**, up +19% YoY and +3% QoQ, slightly slowing down growth in the quarter, but consolidating the strong growth pace seen since last year. These results derive from active portfolio management and strong push in commercial campaigns. As of November 2017, Banorte held a 9.2% market share in credit card balances, gaining +88bps in the year, ranking fourth in the banking system, with twofold growth vs. the system.

Payroll Loans: Showed a good increase of +17% YoY and +0.5% QoQ, **reaching a balance of Ps 52.47 billion**. Growth was driven by higher credit penetration on a larger base of payroll account holders. Banorte has a market share of 21.0% as of November 2017, gaining +190bps in the year, and ranking third in the market.

- **Commercial Book:** accelerated growth with an **ending balance of Ps 137.50 billion**, +Ps 12.12 billion or +10% higher YoY. As of November 2017, market share in commercial loans (including the corporate book according to the CNBV's classification) was 9.6%, ranking fourth in the banking system.

GFNorte's SME performing portfolio amounted to Ps 33.44 billion, +9% higher YoY, and 2% QoQ. NPL declined -53bps reaching 5.3% in 4Q17.

	4Q16	3Q17	4Q17
Performing Portfolio	\$30,726	\$32,830	\$33,447
% of Performing Commercial Portfolio	24.5%	25.2%	24.3%
% of Total Performing Portfolio	5.4%	5.5%	5.4%
NPL Ratio	6.3%	5.9%	5.3%

- **Corporate Loans:** Ending balance in 4Q17 stood at **Ps 102.22 billion**, a (4%) reduction in the quarter and (1%) YoY. During the quarter, growth was affected by a slight reduction in demand, and prepayments of approximately Ps 8 billion. Moreover, 4Q16 was a high comparative base, as it was a particularly good quarter with extraordinary growth of more than Ps 10 billion, 11% QoQ. GFNorte's corporate loan book is well diversified by industry and regions, and shows low concentration risk. GFNorte's 20 main corporate borrowers accounted for 10.5% of the group's total portfolio. The group's largest corporate exposure represents 0.9% of the total portfolio; whereas number 20 represent 0.3%. 100% of GFNorte's main corporate borrowers have an A1 rating.

As of December 31, 2017 GFNorte's **loan exposure to home builders was Ps 2.24 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., (8.1%) lower than the previous quarter. This exposure represented 0.4% of the total loan portfolio, similar to 3Q17. Credit exposure has 100% collateral coverage, with no changes vs. 3Q17. Loan Loss Reserve coverage was 35.6% in 4Q17. **Sólida had a balance of Ps 5.30 billion in investment projects** to these companies, up 5.9% vs. 3Q17.

- **Government Book:** had an **ending balance of Ps 134.90 billion in 4Q17**, very similar to 4Q16. Sequentially, it increased +3%. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 19.3% of the group's total portfolio. The largest government loan represents 3.0% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%, also rated A1. The portfolio's risk profile is adequate with 29.8% of the loans granted to Federal Government entities and 98.9% of loans to States and Municipalities have a fiduciary guarantee (consisting of Federal budget transfers and local revenues such as payroll tax), and 1.1% of the loans have short-term maturities. As of November 2017, Banorte held a 24.5% market share of the total system, ranking first.

Past Due Loans

(Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Past Due Loans	10,312	11,053	12,482	13%	21%
Loan Loss Reserves	14,384	16,205	16,122	(1%)	12%
Acquired Rights	2,025	2,593	2,477	(4%)	22%

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

During 4Q17, Past Due Loans were Ps 12.48 billion, up Ps 2.17 billion or +21% YoY. There is a quarterly deterioration in the corporate and payroll loan portfolio, and YoY there is a deterioration of consumer loans, while commercial loans show remarkable improvement. There was a Ps 1.4 billion corporate credit in arrears that pushed up NPL levels during the quarter; this exposure is under restructuring.

The quarterly evolution of NPL balances was as follows:

Past Due Loans (Million Pesos)	4Q16	3Q17	4Q17	Change	
				3Q17	4Q16
Credit Cards	1,623	2,174	2,188	14	564
Payroll	1,442	1,711	2,020	309	578
Car Loans	182	203	233	30	51
Mortgages	1,049	1,234	1,323	89	274
Commercial	3,422	3,510	3,239	(272)	(183)
Corporate	2,594	2,221	3,481	1,259	886
Government	-	-	-	-	-
Total	10,312	11,053	12,482	1,429	2,170

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

In 4Q17, Past Due Loan Ratio reached **2.0%**, improving +20bps vs. 4Q16, driven by deterioration in corporate and consumer books. During the quarter, there was an +18bps increase. Quarterly evolution for the segment follows:

Past Due Loans Ratios	4Q16	1Q17	2Q17	3Q17	4Q17
Credit Cards	5.4%	5.3%	6.2%	6.2%	6.1%
Payroll	3.1%	2.5%	3.2%	3.2%	3.7%
Car Loans	1.2%	0.9%	1.1%	1.1%	1.2%
Mortgages	0.9%	0.8%	0.9%	0.9%	1.0%
Commercial	2.7%	2.9%	2.6%	2.6%	2.3%
SMEs	6.3%	6.1%	5.5%	5.9%	5.3%
Commercial	1.4%	1.8%	1.6%	1.5%	1.3%
Corporate	2.4%	2.4%	2.1%	2.0%	3.3%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.8%	1.8%	1.8%	1.8%	2.0%

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

The expected loss for Banco Mercantil del Norte, the group's largest subsidiary, was 2.2% and the unexpected loss 4.1%, both with respect to the total portfolio as of 4Q17. These ratios were 2.2% and 4.1%, respectively vs. 3Q17 and 2.0% and 4.4% YoY

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas **was 2.0%**, (7bps) lower vs. 3Q17.

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

Past Due Loan Variations	
<i>(Million Pesos)</i>	
Balance as of September '17	11,053
Transfer from Performing Loans to Past Due Loans	7,788
Portfolio Purchase	-
Renewals	(129)
Cash Collections	(823)
Discounts	(199)
Charge Offs	(3,416)
Foreclosures	(16)
Transfer from Past Due Loans to Performing Loans	(1,822)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	45
Fair Value Ixe	-
Balance as of December '17	12,482

86% of the total loan book is rated A Risk, 9% B Risk and 5% as Risk C, D and E combined.

**Risk Rating of Performing Loans as of 4Q17 – GF Norte
(Million Pesos)**

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	518,671	964	488	94	856	205	2,606
A2	53,964	269	161	6	501	37	973
B1	34,213	99	24	11	903	23	1,059
B2	14,639	99	-	0	389	35	523
B3	13,671	138	21	2	497	21	678
C1	8,730	110	6	7	470	76	669
C2	6,178	64	-	3	662	130	858
D	10,660	1,952	-	0	1,801	351	4,104
E	6,590	880	-	-	3,510	56	4,445
Total	667,315	4,574	700	123	9,588	933	15,917
Not Classified	(179)						
Exempt	-						
Total	667,136	4,574	700	123	9,588	933	15,917

Reserves **16,122**
Preventive Reserves **206**

Notes:

- 1) Loan grading and reserves are as of as of September 30, 2017.
- 2) The loan portfolio is graded following rules issued by the Ministry of Finance and Public Credit (SHCP), and the methodology established by the CNBV.

The Institution uses regulatory methodologies to grade all credit portfolios.

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

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

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

(Million Pesos)	Total
Distressed Portfolio	6,545
Total Loans	667,136
Distressed Portfolio / Total Loans	1.0%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	4Q17
Previous Period Ending Balance	16,205
Provisions charged to results	3,951
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(555)
Consumer Loans	(3,173)
Mortgage Loans	(327)
Foreclosed assets	0
	(4,055)
Cost of debtor support programs	(2)
Valorization and Others	23
Adjustments	0
Loan Loss Reserves at Period End	16,122

Loan Loss Reserves in 4Q17 totaled Ps 16.12 billion, (0.5%) lower vs. 3Q17. Charge-offs during the quarter amounted to Ps 4.05 billion, +8% higher than the prior quarter. Of this amount, 78% are related to the consumer portfolio, 14% to commercial and 8% to mortgages.

Loan loss coverage ratio was 129.2% in 4Q17, compared unfavorably vs. both 146.6% in 3Q17 and 139.5% in 4Q16.

Capital

Shareholders equity had an ending balance of Ps 147.58 billion, +3% higher vs. 2016. During 2017, the group paid dividends of Ps 14.65 billion, which corresponded to i) the last dividend coupon from 2015 profits, ii) 50% related to the ordinary dividend from 2016 profits, and iii) an extraordinary dividend of Ps 3.5 billion. Moreover, in March 2017 the sale of INB International Bank was completed, which resulted in a capital charge of Ps 3.74 billion. During 2017, capital was increased by Ps 23.91 billion from accrued earnings during the year.

Recent Events

1. MERGER OF GFNORTE AND GFINTERACCIONES

On October 25 2017, Grupo Financiero Banorte, S.A.B. de C.V. ("GFNorte") signed a binding merger agreement ("Merger Agreement") by which GFInter will merge with GFNorte.

The merger and the effects of the Merger Agreement are subject to (i) the approval of the Ordinary and Extraordinary General Shareholders' meetings of GFNorte and GFInter, (ii) the approval from financial and antitrust authorities; and (iii) the successful completion of the due diligence process.

Regarding point (i) above, on December 5, 2017, GFNorte held its General and Extraordinary Shareholders' Meetings which granted approval for:

- i) The relevant asset acquisition, compliant with paragraph i), Section I, Article Nineteen of the Corporate Bylaws of the Company, consistent with the acquisition via a merger of GFNorte, acting as merging entity, with GFInter, as merged entity, with the favorable vote of 71.57% of the total shares represented at the Ordinary General Shareholders' Meeting, with a total quorum of 81.26% of the shares of GFNorte's Capital.
- ii) The merger of GFNorte, acting as merging entity, with GFInteracciones, acting as merged entity, with the favorable vote of 71.61% of total shares represented at the Extraordinary General Shareholders' Meeting, with a quorum of 81.26% of the shares of GFNorte's Capital.

The merger is still subject, among other conditions, to obtaining the applicable regulatory authorizations and to the completion of the comprehensive due diligence. Furthermore, the financial subsidiaries of GFInter will merge with their corresponding financial subsidiaries of GFNorte.

It is worth mentioning that GFInter shareholders will receive a combination of a cash payment of \$13,700 million pesos, and 109,727,031 shares of GFNorte. Such shares represent approximately 4.0% of the current shares outstanding.

2. GFNORTE IS AWARDED BY WORLD FINANCE IN THE BANKING GUIDE 2017

On October 9, WorldFinance published the Banking Guide 2017 document, in which GFNorte was recognized as the Best Banking Group in Mexico. This publication rewards financial institutions who stand out globally, particularly those who have gone a step ahead in consumer tendencies and who have innovated through the use of technologies which provide an added value for their customers.

3. GFNORTE JOINS THE DOW JONES SUSTAINABILITY MILA PACIFIC ALLIANCE INDEX

On October 2017 GFNorte joined the Dow Jones Sustainability MILA Pacific Alliance Index, a newly launched regional index that measures performance among leading sustainability companies in Mexico, Chile, Colombia and Peru.

Furthermore, GFNorte ranked 2nd among the 41 members of the index, on which only 12 Mexican companies participate.

4. BANORTE WAS RECOGNIZED AS LEADER IN SUSTAINABILITY IN MEXICO BY ALAS20

The Sustainable Leaders Agenda 2017 (ALAS20), an initiative that promotes and recognizes companies' best practices in environmental, social and corporate governance matters, recognized GFNorte as the leading organization in sustainability in Mexico during 2017.

With just one prize for each participating country, the ALAS 2017 award is the most important one among the ALAS20 categories, and recognizes leadership, persistence and excellence in public awareness regarding investor relations best practices, as well as environmental, social and corporate. Carlos Hank Gonzalez, Chairman of the Board of GFNorte, was recognized as Trustee of a Leading Institution in Responsible Investments.

The nominees were analyzed and qualified by Vigeo-Eiris, a specialized sustainability risk rating agency. All qualifications were received by a jury in Mexico, formed by specialists in sustainability, social responsibility, finance and communication, which gathered at the Commission of Studies of the Private Sector for Sustainable Growth (CESPEDES) in October.

Banorte ranked in first place in the category of Leading Organization in Sustainability, due to the breadth and depth of publicly available information regarding the company's environmental, social and economic practices. Banorte ranked second as a Leading Corporation in Corporate Governance, for informing with excellence to all interested parties of all decisions in favor of sustainable development.

Consolidated Bank

The sale of Inter National Bank was completed on March 31st, 2017, therefore, for comparative purposes the consolidation of INB's quarterly and accumulated figures in Banorte's Balance and Sheet and Income Statement were fully reversed for 2016. Hence, the consolidated figures and ratios of GFNorte and Banorte presented in this report differ from those published in the Quarterly Releases of 1Q, 2Q, 3Q and 4Q of 2016, as these have been modified retroactively to be comparable and to reflect the INB deconsolidation

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

Income Statement and Balance Sheet Highlights - Consolidated Bank (Million Pesos)		4Q16	3Q17	4Q17	Change		2016	2017	Change
					3Q17	4Q16			2016
Net Interest Income		12,414	14,057	14,856	6%	20%	46,163	55,648	21%
Non-Interest Income		4,185	4,370	4,211	(4%)	1%	15,183	16,760	10%
Total Income		16,599	18,427	19,066	3%	15%	61,346	72,407	18%
Non-Interest Expense		7,638	7,693	8,191	6%	7%	29,155	31,750	9%
Provisions		3,216	3,911	3,868	(1%)	20%	13,070	14,983	15%
Operating Income		5,745	6,823	7,007	3%	22%	19,121	25,675	34%
Taxes		1,727	1,833	2,196	20%	27%	5,363	7,487	40%
Discontinued Operations		68	8	2	(78%)	(97%)	243	89	(63%)
Subsidiaries & Minority Interest		18	(6)	37	(712%)	105%	1,043	62	(94%)
Net Income		4,104	4,993	4,850	(3%)	18%	15,044	18,339	22%
Balance Sheet									
Performing Loans (a)		556,971	592,114	603,522	2%	8%	556,971	603,522	8%
Past Due Loans (b)		10,060	10,788	12,192	13%	21%	10,060	12,192	21%
Total Loans (a+b)		567,031	602,902	615,714	2%	9%	567,031	615,714	9%
Total Loans Net (d)		553,090	587,274	600,163	2%	9%	553,090	600,163	9%
Acquired Collection Rights (e)		1,400	2,021	1,925	(5%)	37%	1,400	1,925	37%
Total Loans (d+e)		554,490	589,295	602,088	2%	9%	554,490	602,088	9%
Total Assets		1,030,435	1,044,085	1,056,423	1%	3%	1,030,435	1,056,423	3%
Total Deposits		575,755	625,678	648,622	4%	13%	575,755	648,622	13%
Total Liabilities		937,648	954,198	970,361	2%	3%	937,648	970,361	3%
Equity		92,787	89,887	86,062	(4%)	(7%)	92,787	86,062	(7%)

Financial Ratios - Consolidated Bank	4Q16	3Q17	4Q17	2016	2017
Profitability:					
NIM (1)	5.4%	5.8%	6.0%	5.2%	5.8%
NIM after Provisions (2)	4.0%	4.2%	4.5%	3.7%	4.3%
ROE (3)	16.4%	22.5%	22.1%	14.8%	20.3%
ROA (4)	1.6%	2.0%	1.8%	1.6%	1.8%
Operation:					
Efficiency Ratio (5)	46.0%	41.7%	43.0%	47.5%	43.8%
Operating Efficiency Ratio (6)	3.1%	3.0%	3.1%	3.0%	3.1%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	99.55%	109.69%	123.42%	99.55%	123.42%
Asset Quality:					
Past Due Loan Ratio	1.8%	1.8%	2.0%	1.8%	2.0%
Coverage Ratio	138.6%	144.9%	127.6%	138.6%	127.6%
Past Due Loan Ratio w/o Banorte USA	1.8%	1.8%	2.0%	1.8%	2.0%
Coverage Ratio w/o Banorte USA	138.6%	144.9%	127.6%	138.6%	127.6%
Growth (8)					
Performing Loans (9)	9.3%	13.2%	8.4%	9.3%	8.4%
Core Deposits	8.4%	12.0%	7.0%	8.4%	7.0%
Total Deposits	2.1%	14.6%	12.7%	2.1%	12.7%
Capitalization:					
Net Capital/ Credit Risk Assets	20.5%	21.8%	21.2%	20.5%	21.2%
Total Capitalization Ratio	15.3%	17.7%	17.2%	15.3%	17.2%
Leverage					
Basic Capital/ Adjusted Assets	7.8%	8.8%	8.4%	7.8%	8.4%

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

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

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

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

5) Non-Interest Expenses / Total Income.

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

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

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

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

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

**On October 17, 2016 the corporate restructure became effective through which Afore XXI Banorte reports its results within Seguros Banorte as of 4Q16.

*** Derived from the Inter National Bank divestiture, Banorte USA will not consolidate this subsidiary's results as of 4Q16.

Net Interest Income

Net Interest Income in 2017 amounted to Ps 55.65 billion, +21% higher vs. 2016, in line with the +46% increase in NII from securities and repos, and a +20% rise in NII from loans and deposits, driven by the loan portfolio mix, and the interest rate hikes that Banxico carried out during the year.

In 4Q17 NII rose to Ps 14.86 billion, up +6% QoQ, driven by same factors: NII +4% up from loans and deposits, and a +17% increase in NII from securities and repos.

Accumulated Net Interest Margin (NIM) hiked to 5.8%, +63bp above 2016, and **4Q17 at 6.0%**, +21bps higher vs. 3Q17. In both cases, improvements derived from a better loan portfolio mix and the effects of portfolio repricing as a result of the high interest rate cycle.

Additionally, **NIM adjusted for credit risk was 4.3% in 2017, +54bps higher vs. 2016, and 4Q17 at 4.5%**, +26bps higher than 3Q17.

Loan Loss Provisions

During 2017 Loan Loss Provisions reached Ps 14.98 billion, up +15% YoY on higher requirements in credit card and payroll loan portfolios. Moreover, **Provisions in 4Q17 declined to Ps 3.87 billion**, (1%) below 3Q17, as result of lower requirements from commercial and corporate loan portfolios.

Non-Interest Income

In 2017, Non-Interest Income amounted to Ps 16.76 billion, +10% higher vs. 2016, given the increase all lines except Recoveries. Net Fees growth of +Ps 2.04 billion is noteworthy.

4Q17 Non-Interest Income totaled Ps 4.21 billion, (4%) below 3Q17, mostly explained by the (Ps 407) million mark - to-market valuation loss in certain securities.

Moreover, **revenues from core banking services** (account management, fund transfers and electronic banking services) **grew +19% in 2017**, and 11% QoQ, on higher transaction volume and on an improved fee structure in products and segments.

Non-Interest Expenses

Accumulated Non-Interest Expenses were Ps 31.75 billion for 2017, +9% higher vs. 2016, as result of increases in all lines. **In 4Q17, Non-Interest Expenses increased +6% QoQ to Ps 8.19 billion**, despite growth in every line.

Efficiency Ratio improves continuously during 2017 reaching 43.8%, a (386bps) decline vs. 2016, as a result of positive operating leverage. While on 4Q17 it increased by 1.2pp to reach 43.0%, driven by higher Non-Interest Expenses.

Net Income

Net Income during 2017 rose to Ps 18.34 billion, up +22% vs. 2016, driven by positive traction in total revenues which increased +Ps 11.06 billion. Net Income during 4Q17 was Ps 4.85 billion, (3%) lower than 3Q17 as a result of higher tax payments.

Consolidated Bank's profits –according to GFNorte's holding- **in 2017 were Ps 18.01 billion**, +30% higher YoY, **while in 4Q17 stood at Ps 4.76 billion**, down (3%) on a sequential basis. The bank contributed with 75.3% of the Group's accumulated results and with 73.5% of the quarterly profits.

2017 ROE for the Consolidated Bank reached 20.3%, up +556bps vs. 2016, explained by the good level of profits and the decline in equity due to the divestment of the bank in Texas; **in the fourth quarter this ratio reached 22.1%**, declining (46bps) vs. 3Q17 as result of the decrease in net results.

ROA for both 2017 and 4Q17 reached 1.8% with a +23bps increase vs. 2016, and a (10bps) decline vs. 3Q17.

NPL Ratio

The Consolidated Bank's **Non-Performing Loan Ratio in 4Q17 was 2.0%**, +0.2pp higher than both, 2016, and 3Q17.

Capital

The Bank's capital ending balance was **Ps 86.06 billion**, showing a **(7%)** decline vs. 2016 mainly due to a Ps 23.38 dividend payout during the year. In **4Q17** there was a **Ps 7.13 billion** dividend payout. Dividends derived from Retained Earnings from prior years.

Long Term Savings

Seguros Banorte

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

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

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

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change
				3Q17	4Q16			2016
Interest Income (Net)	172	293	284	(3%)	66%	572	1,005	76%
Premium Income (Net)	3,215	3,302	3,581	8%	11%	14,534	17,206	18%
Net Increase in Technical Reserves	(114)	(1,004)	(389)	61%	N.A.	544	990	82%
Damages, Claims and Other Obligations	2,321	3,051	2,762	(9%)	19%	8,927	10,739	20%
Technical Results	1,008	1,255	1,209	(4%)	20%	5,063	5,476	8%
Net Interest Income (NII)	1,179	1,548	1,493	(4%)	27%	5,635	6,482	15%
Other Fees (acquisition costs)	(517)	(577)	(398)	31%	(23%)	(2,042)	(2,008)	(2%)
Securities-Realized Gains	(3)	16	19	17%	N.A.	43	42	(0%)
Other Operating Income (Expenses)	274	152	(5)	(103%)	(102%)	999	547	(45%)
Total Operating Income	934	1,139	1,110	(3%)	19%	4,635	5,063	9%
Non Interest Expense	294	300	332	11%	13%	1,020	1,206	18%
Operating Income	387	839	778	(7%)	101%	3,615	3,857	7%
Taxes	76	228	169	(26%)	122%	983	1,075	9%
Subsidiaries' Net Income	281	306	316	3%	13%	281	1,307	N.A.
Minority Interest	(8)	(7)	(8)	(18%)	5%	(12)	(31)	N.A.
Net Income	836	910	917	1%	10%	2,902	4,059	40%
Shareholder's Equity	20,364	22,511	22,967	2%	13%	20,364	22,967	13%
Total Assets	41,593	49,694	49,292	(1%)	19%	41,593	49,292	19%
Technical Reserves	15,539	20,426	21,426	5%	38%	15,539	21,426	38%
Premiums sold	3,610	3,753	4,046	8%	12%	18,382	21,711	18%
Coverage ratio of technical reserves	1.3	1.3	1.3	(0.0 pp)	0.0 pp	1.3	1.3	0.0 pp
Solvency capital requirement coverage ratio	2.1	3.8	3.6	(0.2 pp)	1.5 pp	2.1	3.6	1.5 pp
Coverage ratio of minimum capital	218.2	233.5	238.1	4.6 pp	20.0 pp	218.2	238.1	20.0 pp
Claims ratio	70%	71%	70%	(1.2 pp)	(0.1 pp)	64%	67%	2.5 pp
Combined ratio	86%	92%	89%	(2.4 pp)	3.2 pp	76%	80%	3.3 pp
ROE	26.3%	16.6%	16.4%	(0.2 pp)	(9.9 pp)	33.9%	18.8%	(15.1 pp)
ROE ex-Afore	40.2%	33.2%	31.7%	(1.5 pp)	(8.5 pp)	46.0%	39.9%	(6.1 pp)

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

Income from Retained Premiums amounted to Ps 17.20 billion in 2017, +18% YoY, as a result of the high volume of renewals, growth in bancassurance, and issuance of a large life premium registered in 2Q17. There was a noticeable slowdown in reserve creation from +132% in 2016, to **+82% in 2017**, in line with the amount of subscribed premiums during the period, softening the impact of the aforementioned life premium. Thus, accrued retained premiums (excluding the net increase for cat reserves) totaled Ps 16.43 billion, up +16% QoQ.

In 4Q17, Income from Retained Premiums amounted to Ps 3.58 billion, growing +8% in line with the increase in premium subscriptions and showing recovery from the sequential fall in 3Q17 which was affected by the life premium registered in 2Q17. Furthermore, there was a Ps 389 million technical reserve release, which was Ps 615 million lower than the amount registered in 3Q17. As a result, accrued retained premium (excluding the net increase for cat reserves) totaled Ps 4.03 billion, (8%) lower QoQ.

Net Damages, Claims and Other Obligations amounted to Ps 10.74 billion in 2017, +20% YoY. This change reflects the significant increase in Auto claims which have affected the industry, and it also reflects an increase in cat risk in the P&C book (related to the earthquakes that took place in September 2017), which is mostly reinsured, resulting in a net impact of Ps 30 million.

In 4Q17 Net Damages, Claims and Other Obligations totaled Ps 2.76 billion, down (9%) sequentially mainly due to the high number of claims registered in 3Q17 related to the September earthquakes in Mexico City.

Acquisition Costs in 2017 were down (Ps 34 million) vs. 2016, and (Ps 179 million) vs. 3Q17 mainly due to the different composition of the portfolio between the second and third quarters.

Non-Interest Expenses amounted to Ps 1.20 billion in 2017, +18% above 2016, due to higher expenses linked to operation and intangible expenses at Afore derived from the consolidation in 2017. In 4Q17 they totaled Ps 332 million, 11% QoQ, slightly slower than sequential growth in 3Q17.

Operating Income in 2017 amounted to Ps 3.86 billion, +7% above 2016. In 4Q17 it declined to Ps 778 million, (7%) below 3Q17, mainly due to lower Net Interest Income, and a Ps 120 million increase in Losses and Estimates. Net Operating Profit reflects the Ps 290 million write-off related to a reinsurance account. This was registered under Other Income (Operating Expenses). In 4Q17 the writeoff was Ps 205 million.

Seguros Banorte (including Afore XXI Banorte) reported net income of Ps 4.06 billion in 2017, +40% higher than 2016, and in 4Q17 it totaled Ps 917 million, 1% vs Q317. Excluding Afore XXI Banorte, the insurer's Net Income totaled Ps 2.77 billion in 2017, and Ps 606 million in 4Q17, accounting for 11.6% and 9.3% of the Group's results, respectively.

ROE for the consolidated insurance company was 16.4% in 4Q17, (0.2 pp) below 3Q17. Excluding Afore, this indicator totaled 39.9% YoY, (6.1pp) vs. 2016, and 31.7% in 4Q17, (1.5pp) vs 3Q17.

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 4Q17 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 3Q17 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 4Q17.*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life, books, seven important businesses: three related to government, two to the energy sector, one to commerce and one more to the services industry, were ceded to reinsurers, mainly foreign entities.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
 - *In April of 2017 the Superintendency of Panama announced the forced liquidation of Istmo Panamá. Afterwards, in September of 2017 the National Insurance and Bonding Commission published the repeal of Istmo México. As of 4Q17, Seguros Banorte posted a write-off in its books for the total contingency with Istmo Méico and Panama totaling Ps 290 million.*

Afore XXI Banorte

Afore XXI Banorte (1) (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Net Income	561	612	633	3%	13%	2,541	2,614	3%
Shareholder's Equity	24,008	23,690	24,333	3%	1%	24,008	24,333	1%
Total Assets	25,336	25,254	26,056	3%	3%	25,336	26,056	3%
AUM (SIEFORE)*	645,213	713,779	732,700	3%	14%	645,213	732,700	14%
ROE	9.5%	10.5%	10.5%	0.1 pp	1.1 pp	11.0%	11.1%	0.2 pp

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

Afore XXI Banorte posted net profits of Ps 2.61 billion in 2017, +Ps 74 million above 2016, mostly explained by the positive evolution of financial income which offsets the accumulated provisions a Ps 180 million payment of a penalty set by COFEC. **In 4Q17** net income recovers from the downturn in 3Q17, increasing +3% QoQ, totaling **Ps 633 million**, as a result of good cost control, and positive performance in financial income +77% above 3Q17.

ROE for the year was 11.1%, +38bps above 2016; while **in the fourth quarter it reached 10.5%**, +7bps QoQ. Excluding goodwill, **Tangible ROE (ROTE) would have been 38.8% in 2017**, (76bps) lower vs. 2016, and **34.9% in 4Q17**, (2.1 pp) lower vs. 3Q17.

Afore XXI Banorte contributed with 5.4% of the Financial Group's profits in 2017, and with 4.8% in 4Q17.

Assets under management as of December 2017 totaled Ps 732.70 billion, an increase of +3% QoQ and +14% vs. 2016.

According to CONSAR, as of December 2017 Afore XXI Banorte had a 23.1% share in managed funds, ranking 1st in the market, with 9.62 million accounts (this number does not include 8.65 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent an 18.7% share of the total number of accounts in the system, ranking second in the market.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Insurance - Pensiones Banorte (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change 2016
				3Q17	4Q16			
Interest Income (Net)	2,190	1,712	2,373	39%	8%	5,282	8,019	52%
Premium Income (Net)	1,802	2,050	2,200	7%	22%	7,442	8,583	15%
Net Increase in Technical Reserves	2,769	2,486	3,354	35%	21%	7,933	11,655	47%
Claims and Other Obligations	950	1,059	1,084	2%	14%	3,727	4,167	12%
Technical Results	(1,917)	(1,496)	(2,237)	(50%)	17%	(4,218)	(7,238)	72%
Net Interest Income (NII)	273	216	135	(37%)	(50%)	1,064	781	(27%)
Net Fees	-	-	-	N.A.	N.A.	-	-	-
Securities-Realized Gains	12	112	222	99%	1688%	43	568	N.A.
Other Operating Income (Expenses)	6	(3)	(4)	(23%)	(165%)	(0)	(13)	N.A.
Total Operating Income	292	324	353	9%	21%	1,107	1,335	21%
Non Interest Expense	78	78	97	25%	26%	296	330	12%
Operating Income	214	247	256	4%	19%	811	1,005	24%
Taxes	65	70	(82)	N.A.	(225%)	257	130	(50%)
Subsidiaries' Net Income	3	2	2	47%	(22%)	7	7	4%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
Net Income	152	179	340	90%	123%	561	882	57%
Shareholder's Equity	2,150	2,692	3,030	13%	41%	2,150	3,030	41%
Total Assets	77,690	86,787	90,333	4%	16%	77,690	90,333	16%
Technical Reserves	74,604	83,008	86,180	4%	16%	74,604	86,180	16%
Premiums sold	1,802	2,050	2,200	7%	22%	7,442	8,583	15%
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	N/A	24.7	26.1	1.4 pp		N/A	26.1	
Coverage ratio of minimum capital	14.3	17.3	19.5	0.1 pp	0.4 pp	14.3	19.5	5.2 pp
ROE	29.3%	27.5%	47.5%	20.0 pp	18.2 pp	29.8%	34.7%	4.9 pp

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

During 2017, Pensiones Banorte reported profits of Ps 882 million, +57% higher YoY, driven by financial income from the inflation indexed investment book (+Ps 525 million).

In 4Q17 Net Income from the annuities company totaled Ps 340 million, which includes a Ps 159 million amortization of deferred taxes.

In 2017 Net Income from Pensiones Banorte represented 3.7% of the Financial Group's profits, and 5.2% in 4Q17, up from 2.9% in 3Q17.

The inflation valuation result registered at Pensiones Banorte in 2017 was Ps 4.62 billion compared to Ps 2.20 billion in 2016. For the quarter, this line amounted to Ps 1.44 billion, significantly higher than the Ps 865 million registered in 3Q17.

ROE totaled 34.7% in 2017, up +9bps vs. 2016, and 47.5% in 4Q17, a significant improvement of +20pp vs. 3Q17.

Brokerage

Brokerage Sector (Million Pesos)	4Q16	3Q17	4Q17	Change		2016	2017	Change
				3Q17	4Q16			2016
Net Income	223	220	230	5%	3%	832	972	17%
Shareholder's Equity	2,753	2,946	3,060	4%	11%	2,753	3,060	11%
Assets Under Custody	757,423	840,929	824,291	(2%)	9%	757,423	824,291	9%
Total Assets	81,175	80,331	121,833	52%	50%	81,175	121,833	50%
ROE	33.9%	31.2%	30.7%	(0.5 pp)	(3.2 pp)	27.4%	33.6%	6.2 pp
Net Capital								
Net Capital (1)	2,058	2,330	2,371	2%	15%	2,058	2,371	15%

1) Net capital structure: Tier 1 =Ps 2.3 billion, Tier 2 = Ps 0 million.

Net Income

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) reported profits of Ps 972 million in 2017, +17% vs. 2016, driven by an 18% increase in net fees, and a (2%) decline in administrative expenses. Brokerage Net Income accounted for 4.1% of the Group's total results.

In 4Q17, net profits accounted for Ps. 230 million, +5% vs 3Q17 driven by an improved finance margin and good trading results. Operating expenses declined (7%).

Assets under Management

At the end of 4Q17 AUMs totaled Ps 824 billion, growing +9% YoY, and (2%) QoQ.

Mutual fund assets totaled Ps 160.3 billion, increasing +8% YoY and (1.3%) vs. 3Q17. Assets held in fixed income funds totaled Ps 146.1 billion, +8.8% higher vs. 2016, and (1.9%) vs. 3Q17, while equity funds held assets amounting to Ps 14.1 billion, up +1% vs. 2016, and +5% vs. 3Q17. Banorte had a 7.0% share of the mutual fund market, comprised of 9.3% in fixed income funds and 2.0% in equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies <i>(Million Pesos)</i>	4Q16	3Q17	4Q17	Change		2016	2017
				3Q17	4Q16		
Leasing and Factoring							
Net Income	207	192	219	14%	6%	693	771
Shareholder's Equity	4,482	4,930	5,149	4%	15%	4,482	5,149
Loan Portfolio (1)	27,402	26,226	29,841	14%	9%	27,402	29,841
Past Due Loans	180	140	154	10%	(14%)	180	154
Loan Loss Reserves	319	272	302	11%	(6%)	319	302
Total Assets	27,768	26,604	30,362	14%	9%	27,768	30,362
ROE	18.9%	15.9%	17.4%	1.5 pp	(1.5 pp)	16.1%	16.1%
Warehousing							
Net Income	6	7	13	91%	134%	28	42
Shareholder's Equity	184	212	226	6%	23%	184	226
Inventories	438	1,204	783	(35%)	79%	438	783
Total Assets	586	1,412	955	(32%)	63%	586	955
ROE	10.2%	13.5%	24.6%	11.1 pp	14.4 pp	11.6%	20.5%
Sólida Administradora de Portafolios							
Net Income	(185)	(186)	(44)	(76%)	(76%)	(538)	(969)
Shareholder's Equity	4,243	3,999	3,573	(11%)	(16%)	4,243	3,573
Loan Portfolio	1,768	4,836	4,211	(13%)	138%	1,768	4,211
Past Due Loans	73	126	137	9%	88%	73	137
Loan Loss Reserves	123	305	270	(11%)	119%	123	270
Total Assets	14,988	16,782	15,459	(8%)	3%	14,988	15,459
Ixe Servicios							
Net Income	(6.0)	(0.3)	(0.5)	55%	(91%)	(4.9)	(1.8)
Shareholder's Equity	141	140	139	(0%)	(1%)	141	139
Total Assets	141	140	139	(0%)	(1%)	141	139
ROE	(16.6%)	(1.0%)	(1.5%)	(0.5 pp)	15.1 pp	(3.4%)	(1.3%)

1) Includes operating lease portfolio of Ps 4.06 billion, and fixed assets of Ps 34 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Arrendadora y Factor Banorte reported profits of Ps 771 million in 2017, up +11% YoY, driven by an increase in net interest income from the expansion in its Leasing & Factoring book.

During 4Q17, net profits were Ps 219 million, a +14% sequential increase driven by higher interest income and income from remarketing of end-of-lease assets. During the quarter, there was a Ps 3.05 billion increase in the Leasing and Factoring book.

At the end of 4Q17, the **Past Due Loans Ratio was 0.6%**, and the **Coverage ratio was 196%**, +2pp higher QoQ and +18pp YoY.

The **Capitalization ratio as of December was 15.9%** considering total risk-weighted assets of Ps 32.27 billion.

The leverage ratio as of September and December 2017 was 16.18% and 15.13% respectively; considering adjusted assets of Ps 30.40 billion and Ps 33.95 billion in each case.

During 2017, Net Income from Leasing and Factoring accounted for 3.2% of the Group's total results.

Warehouse

In 2017, Warehouse posted profits of Ps 42 million, a +48% increases vs. 2016 on higher inventory origination, and higher income from net services and recoveries.

On a quarterly basis, net profits were Ps. 13 million, 91% higher than 3Q17, as a result of higher income from inventory sales. Almacénadora Banorte accounted for 0.2% of the Financial Group's profits in 2017.

ROE for 4Q17 was 24.6%, +14.4pp vs. 2016 and +11.1pp vs. 3Q17.

At the end of 4Q17, the Capitalization Ratio was 146% considering net capital of Ps 189 million and deposit certificates for sale issued in warehouses of Ps 2.60 billion. Almacénadora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

Sólida Administradora de Portafolios reported a net result of (Ps 969) million, explained by valuation losses on derivatives related to the equity securities received from the restructuring agreements with the homebuilders.

Sólida posted a net loss of (Ps 44) million in 4Q17, mainly reflecting a (Ps 107) million loss from an asset valuation. During the quarter, there was a Ps 152 million release from provisions on its investment projects.

Past Due Loan Ratio was 3.2% at the end of December 2017, up +0.6 pp vs. 3Q17. Coverage ratio was 198%, +28 pp higher vs. 2016.

The estimated Capitalization ratio in 4Q17 was 15.9%, +0.6 pp QoQ, and +2.8 pp YoY.

Leverage ratio as of September and December 2017 was 19.09% and 19.32%, respectively; considering adjusted assets of Ps 15.03 billion and Ps 15.07 billion in each case.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	2016	2017	Var.
Net Interest Income	7	(18)	(374%)
Loan Loss Provisions	3	0	(87%)
Non Interest Income	2,494	2,816	13%
Non Interest Expense	(1,082)	(1,203)	11%
Pre-tax Income & Subsidiaries	1,421	1,596	12%
Income Tax and Profit Sharing	(393)	(460)	17%
Net Income	1,028	1,136	10%

Assets Under Management (Million Pesos)	4Q17	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	129,530	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	27,467	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	5,804	Solida Asset Management and Banorte	Non Interest Income
Total	162,800		

Net Income

Recovery Banking posted profits of Ps 1.14 billion in 2017, up +10% YoY, on higher revenues driven by loan recoveries of Ps 175 million and a +Ps 23 million recovery in acquired portfolios. This generated an +Ps 87 million incremental business expense.

Assets Under Management

The Recovery Bank managed total assets of Ps 130 billion in 4Q17, of which 26% were mortgage loans, 23% credit cards, 19% payroll loans, 14% relate to Crediactivo, 6% are auto loans, 6% are foreclosed assets, 3% relate to middle market companies and 3% to other loans. Gross revenues in 4Q17 amounted to Ps 1.90 billion, +20% higher YoY.

The asset inventory managed by the Recovery Bank includes mortgages which make up 46% , 13% were assets managed on behalf of the Mexican mortgages agency SHF, 17% were real estate portfolios, 12% were loans to middle market companies and other commercial loans, and 12% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 848 million in 4Q17, 12% higher vs. 2016.

III. General Information

Infrastructure

INFRASTRUCTURE	4Q16	3Q17	4Q17
Employees (1)	27,913	29,522	29,903
Banorte - Ixe Branches	1,175	1,144	1,148
ATM's	7,756	7,515	7,911
POS's	151,948	161,824	165,441

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
Barclays	Benjamín Theurer	Buy	20-Oct-17
BBVA	Rodrigo Ortega	Buy	20-Oct-17
Brasil Plural	Eduardo Nishio	Buy	15-Jan-18
BTG Pactual	Eduardo Rosman	Buy	10-Jan-18
BX+	José Eduardo Coello	Buy	21-Jul-17
Citi	Carlos Rivera	Buy	10-Jan-18
Credit Suisse	Marcelo Telles	Buy	18-Sep-17
Deutsche Bank	Tito Labarta	Buy	20-Oct-17
GBM	Lilian Ochoa	Buy	20-Oct-17
HSBC	Carlos Gómez	Buy	31-Oct-16
Interacciones	Martín Hernández	Buy	29-Aug-17
Intercam	Sofía Robles	Buy	20-Jul-17
Itaú BBA	Thiago Batista	Buy	27-Sep-17
JP Morgan	Domingos Falavina	Buy	20-Oct-17
Morgan Stanley	Jorge Kuri	Buy	20-Oct-17
Punto	Ana María Tellería	Buy	31-Mar-17
Santander	Claudia Benavente	Buy	6-Dec-17
UBS	Philip Finch	Buy	10-Jan-18
Actinver	Enrique Mendoza	Hold	16-Oct-17
BOFA - Merrill Lynch	Mario Pierry	Hold	20-Oct-17
Bradesco	Bruno Chemmer	Hold	10-Jan-18
Goldman Sachs	Carlos Macedo	Hold	24-Apr-17
Invex	Montserrat Antón	Hold	23-Aug-17
Nau	Iñigo Vega	Hold	20-Jun-17
Scotia	Jason Mollin	Sell	10-Jan-18

Ratings

International Ratings - GFNorte				
Rating Agency	Rated Intitutions	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	Outlook	August, 2017
		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	Outlook	
		bbb+	Viability	
		BBB+	Long term foreign currency	
Moody's	Banco Mercantil del Norte	F2	Short term foreign Currency	September, 2016
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
		2	Support Rating - Banco Mercantil del Norte	
		BB+ (EXP)	Long term foreign currency subordinated debt	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
		Negative	Outlook BFSR	
		baa2	Baseline Credit Assessment	
		Negative	Outlook	
		A3	Long term local currency deposits *	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits *	
		P-2	Short term foreign currency deposits	
		A3	Long term foreign currency senior debt*	
		Baa3	Long term local currency subordinated debt	
	Arrendadora y Factor Banorte	Baa2 (hyb)	Long term foreign currency subordinated debt	
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		(P)Ba1 (hyb)	Long term foreing currency subordinated debt	
		Ba1	Long term foreing currency junior subordinated debt	
		baa2	Adjusted baseline credit assesment	
		A2 (cr)	Long term counterparty risk assesment	November, 2016
		Prime-1 (cr)	Short term counterparty risk assesment	
		Stable	Outlook	
		(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	
	Casa de Bolsa Banorte Ixe	mxAAA	National Scale Counterparty - Long term	
Fitch	Banco Mercantil del Norte	Stable	Outlook	March, 2017
		Negative	Risk Watch	
		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	
	Casa de Bolsa Banorte Ixe	AA+ (mex)	Depo. Certi. y P.R.L.V. long term	
		Stable	Outlook	
		F1+ (mex)	National Scale - Short term	
	Arrendadora y Factor Banorte	AAA (mex)	National Scale - Long term	
		F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale - Unsecured Debt - Short term	
	Almacenadora Banorte	AAA (mex)	National Scale - Unsecured Debt - Long term	
Moody's	Banco Mercantil del Norte	Stable	Outlook	June, 2016
		AAA (mex)	National Scale	
		Stable	Outlook	
		AAA (mex)	Financial Strenght	
	Arrendadora y Factor Banorte	Negative	Outlook	Noviembre, 2016
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
		Aa3.mx	Subordinated debt - Long term	
HR Ratings	Banco Mercantil del Norte	A1.mx	Junior Subordinated debt - Long term	May, 2016
		Stable	Outlook	
		HR AAA	Long term debt	
		HR+1	Short term debt	
		HR AA+	Subordinated Debt Preferential	

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	4Q17
Banco Mercantil del Norte, S.A.	98.22%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.99%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.46%
Banorte Ahorro y Previsión, S.A. de C.V.	99.99%

Holding Company Capital Structure

Holding Company Capital Structure

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

Group's Main Officers

Group's Main Officers 4Q17	
Name	Current Position
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Guillermo Chávez Eckstein	Chief Credit & Risk Officer
Isaías Velázquez González	Managing Director - Internal Audit

Integration of the Board of Directors

Board of Directors for the fiscal year 2017, appointed and approved in the Annual General Shareholders' Meeting held on April 28, 2017.

Grupo Financiero Banorte Board of Directors

PROPRIETARY

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

SUBSTITUTE

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

IV. Financial Statements

Holding

Income Statement-Holding <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Income Subsidiaries	4,352	4,632	5,005	5,265	5,496	5,615	6,226	6,439
Interest Income	8	18	17	11	47	89	13	91
Interest Expense	-	-	-	-	-	-	-	-
Fund Transfers	-	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	-	-
Other Operating Income (Expenses)	2	1	1	2	0	0	0	0
Non-Interest Expense	26	25	28	27	27	25	28	39
Pre-Tax Income	4,336	4,626	4,994	5,251	5,516	5,678	6,212	6,491
Income Tax	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(62)	(6)	(4)	(13)	(4)	(2)	(1)	15
Taxes	(62)	(6)	(4)	(13)	(4)	(2)	(1)	15
Net Income from Continuous Operations	4,398	4,632	4,998	5,264	5,520	5,680	6,213	6,475
Discontinued Operations	-	-	-	-	-	-	-	-
Net Income	4,398	4,632	4,998	5,264	5,520	5,680	6,213	6,475

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
ASSETS								
Cash and Due from Banks	62	60	90	43	21	40	48	6,081
Margin Accounts	-	-	-	-	-	-	-	-
Investment in Securities	-	-	-	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	1,507	1,508	700	3,482	1,451	611	3,613	4,915
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	1,507	1,508	700	3,482	1,451	611	3,613	4,915
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-	-
Performing Loans	-	-	-	-	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-	-	-	-
Benef.receiveab.securization transactions	-	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	58	53	17	0	0	0	0	0
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-	-	-	-
Investment in Subsidiaries	118,413	122,840	123,739	124,341	127,454	121,286	124,613	121,961
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	172	178	181	194	198	200	201	186
Goodwill and Intangibles	10,728	10,705	10,682	10,659	10,638	10,615	10,592	10,556
Other Assets Short and Long Term	-	-	-	-	-	-	-	-
Other Assets								
	129,371	133,775	134,620	135,195	138,291	132,101	135,407	132,704
TOTAL ASSETS	130,941	135,344	135,410	138,720	139,762	132,753	139,068	143,701

Holding - Balance Sheet (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
LIABILITIES								
Demand Deposits	-	-	-	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Banks & Correspondents	-	-	-	-	-	-	-	-
Total Collateral sold	-	-	-	-	-	-	-	-
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	0	1,269	2	0	1	1	1	0
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	0	1,269	2	0	1	1	1	0
EQUITY								
Paid-in Capital	14,597	14,593	14,599	14,578	14,582	14,568	14,579	14,594
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	36,189	36,301	36,115	36,263	35,934	35,758	35,606	35,419
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	50,785	50,894	50,714	50,841	50,516	50,326	50,185	50,013
Capital Reserves	5,419	5,334	5,421	4,825	4,870	4,827	5,095	5,491
Retained Earnings	73,410	70,292	66,730	66,626	82,129	69,718	69,710	69,412
Surplus (Deficit) of Secs Available for Sale	(1,964)	(894)	(516)	(2,576)	(2,731)	(2,442)	(2,389)	(2,369)
Results from Valuation of Hedging Secs	(1,677)	(1,739)	(2,368)	(2,089)	(1,790)	(1,943)	(1,884)	(3,588)
Result in the valuation reserve for unexpired risks variations in rates	(352)	(24)	15	88	82	68	65	96
Results from Conversions	1,042	1,430	1,760	2,084	1,660	1,616	1,613	1,684
Remeasurements defined benefits for employees	(121)	(249)	(376)	(370)	(494)	(618)	(741)	(926)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	4,398	9,030	14,028	19,292	5,520	11,201	17,414	23,889
Earned Capital	80,155	83,180	84,694	87,879	89,245	82,426	88,881	93,688
Minority Interest	-	-	-	-	-	-	-	-
Total Equity	130,940	134,074	135,408	138,720	139,762	132,752	139,067	143,701
TOTAL LIABILITIES & EQUITY	130,941	135,344	135,410	138,720	139,762	132,753	139,068	143,701

Holding - Memorandum Accounts (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-	-	-	-
Properties in Custody or Management	3,716	3,716	3,716	3,716	3,716	35,685	36,535	36,535
Collateral Received	1,503	1,506	698	3,479	1,452	607	3,612	4,913
Proprietary Transactions	5,219	5,223	4,414	7,196	5,168	36,292	40,147	41,448
TOTAL PROPRIETARY	5,219	5,223	4,414	7,196	5,168	36,292	40,147	41,448

Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Interest Income	18,422	17,874	20,059	22,703	26,265	25,938	27,853	29,283
Interest Expense	5,973	6,238	6,804	7,879	9,783	10,984	11,657	11,517
Charged Fees	306	294	301	305	282	295	296	297
Fees Paid	102	112	123	153	144	167	174	210
Net Interest Income from interest & fees (NII)	12,654	11,819	13,433	14,976	16,620	15,082	16,319	17,854
Premium Income (Net)	7,741	4,512	4,210	4,844	7,784	6,507	5,156	5,596
Net Increase in Technical Reserves	4,154	675	994	2,655	5,544	2,654	1,482	2,965
Damages, Claims and Other Obligations	2,882	3,252	3,248	3,271	3,306	3,645	4,110	3,845
Net Interest Income (NII)	13,359	12,404	13,400	13,894	15,555	15,289	15,883	16,640
Preventive Provisions for Loan Losses	3,232	3,515	3,277	3,289	3,268	4,058	3,927	3,961
Net Interest Income Adjusted for Credit Risk	10,127	8,889	10,123	10,605	12,287	11,231	11,956	12,679
Fund Transfers	273	313	334	367	368	390	350	380
Account Management Fees	469	504	505	597	596	624	647	662
Electronic Banking Services	1,341	1,394	1,444	1,628	1,639	1,709	1,653	1,902
For Commercial and Mortgage Loans *	191	181	193	231	94	198	225	178
For Consumer and Credit Card Loans	830	786	925	1,116	999	1,055	1,096	1,146
Fiduciary	81	86	73	107	92	101	97	133
Income from Real Estate Portfolios	33	19	38	24	7	17	43	40
Mutual Funds	276	287	298	302	282	329	360	372
Trading & Financial Advising Fees	145	106	130	140	115	167	305	134
Other Fees Charged (1) *	198	242	244	231	264	205	263	306
Fees Charged on Services	3,838	3,919	4,184	4,742	4,455	4,795	5,040	5,252
Interchange Fees	584	602	613	706	722	762	739	875
Insurance Fees	625	107	279	360	379	269	384	186
Other Fees Paid	459	540	554	627	783	779	833	848
Fees Paid on Services	1,667	1,249	1,447	1,692	1,884	1,810	1,957	1,908
Service Fees	2,170	2,670	2,738	3,050	2,571	2,985	3,083	3,344
Currency and Metals	8	31	8	36	(151)	(15)	22	(9)
Derivatives	(108)	(32)	554	(85)	(195)	(56)	357	387
Negotiable Instruments	199	329	(575)	(26)	27	56	(153)	(639)
Valuation	99	328	(14)	(75)	(319)	(15)	225	(260)
Currency and Metals	254	366	454	437	520	523	234	452
Derivatives	3	(93)	62	14	281	73	(28)	(189)
Negotiable Instruments	88	161	210	52	255	381	197	328
Trading	346	433	726	503	1,056	977	402	592
Trading Income	444	761	713	428	737	961	628	331
Loan Recovery	347	366	403	434	413	462	463	413
Loan Portfolios	50	50	44	6	42	46	38	64
Income from foreclosed assets	35	69	(35)	29	21	(273)	255	156
Provisions Release	155	170	28	39	165	86	108	12
Losses and Estimates	(320)	(340)	(127)	(173)	(295)	(423)	(335)	(583)
Impairment of Assets	(165)	(60)	(17)	(0)	(428)	(10)	(189)	134
Lease Income	79	69	97	80	111	105	106	125
From Insurance	208	287	248	275	234	213	189	199
Other Operating Expense	216	305	294	347	357	447	185	599
Total Other Operating Income (Expense)	606	914	934	1,037	619	653	820	1,119
Total Non Interest Income	3,221	4,345	4,384	4,515	3,927	4,599	4,531	4,794
Total Operating Income	13,347	13,234	14,507	15,120	16,214	15,831	16,487	17,473
Personnel	3,154	2,983	3,382	3,357	3,512	3,285	3,206	3,445
Employee Profit Sharing (PTU)	97	97	97	99	101	101	101	88
Professional Fees	479	569	554	606	567	712	771	875
Administrative and Promotional Expenses	1,923	1,645	1,823	1,974	2,022	1,954	1,859	1,998
Rents, Depreciation & Amortization	1,113	1,118	1,203	1,254	1,306	1,274	1,233	1,245
Taxes other than income tax & non deductible	423	347	315	306	523	374	422	453
Contributions to IPAB/Fobaproa	562	575	580	607	634	636	668	696
Total Non Interest Expense	7,752	7,334	7,954	8,203	8,665	8,337	8,260	8,799
Operating Income	5,595	5,900	6,553	6,917	7,549	7,494	8,227	8,674
Subsidiaries' Net Income	328	309	353	257	263	335	291	375
Pre-Tax Income	5,923	6,209	6,906	7,173	7,812	7,828	8,519	9,049
Income Tax	1,667	1,397	2,126	1,865	2,070	2,015	2,184	2,200
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(202)	193	(224)	55	210	59	34	276
Taxes	1,465	1,590	1,902	1,921	2,279	2,074	2,218	2,476
Net Income from Continuous Operations	4,458	4,619	5,004	5,253	5,532	5,754	6,300	6,573
Discontinued Operations	59	72	44	68	74	6	8	2
Minority Interest	(55)	(65)	(72)	(77)	(79)	(80)	(90)	(93)
Net Income	4,462	4,626	4,976	5,244	5,527	5,680	6,219	6,482

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
ASSETS								
Cash and Due from Banks	94,384	89,996	70,750	65,886	60,422	65,840	59,809	76,269
Margin Accounts	269	513	745	2,185	1,909	2,635	1,628	1,986
Negotiable Instruments	249,531	253,957	250,061	181,777	244,183	240,223	242,347	239,019
Securities Available for Sale	105,600	121,630	119,522	195,087	136,570	139,264	153,555	168,540
Securities Held to Maturity	77,339	77,909	79,054	81,920	85,347	87,127	91,188	95,310
Investment in Securities	432,470	453,496	448,636	458,784	466,100	466,614	487,090	502,870
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans, net	402	62	72	0	2	0	231	679
Securities Lending	-	-	-	-	-	-	-	-
For trading purposes	18,154	21,030	16,516	41,133	22,780	20,387	18,983	25,520
For hedging purposes	100	76	113	742	387	216	94	205
Operations w/Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	18,254	21,107	16,630	41,875	23,167	20,603	19,077	25,725
Operations w/Derivatives & Securities	18,656	21,169	16,702	41,876	23,168	20,604	19,308	26,403
Valuation adjustments for Asset Coverage	124	121	117	113	110	106	102	99
Commercial Loans	198,477	201,478	204,870	224,218	220,656	231,284	231,954	233,777
Financial Intermediaries' Loans	2,875	3,313	4,253	4,650	5,237	5,607	4,882	5,944
Consumer Loans	77,731	80,643	84,437	88,332	92,394	98,478	103,222	105,567
Mortgage Loans	100,743	104,733	108,955	114,807	119,310	124,206	130,084	135,405
Medium and Residential	97,003	100,950	105,020	110,825	115,226	120,197	126,120	131,563
low income housing	62	48	43	40	37	33	29	26
Loans acquired from INFONAVIT or FOVISSSTE	3,679	3,735	3,892	3,942	4,048	3,975	3,934	3,816
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	137,144	135,717	131,409	134,798	131,551	134,423	131,460	134,905
Performing Loans	516,970	525,884	533,925	566,804	569,147	593,997	601,602	615,598
Commercial PDL's	7,969	7,797	7,524	5,672	5,893	5,739	5,731	6,719
Financial Intermediaries PDL's	0	344	344	344	344	0	0	0
Consumer PDL's	2,684	3,343	3,263	3,247	3,029	3,918	4,088	4,440
Mortgage PDL's	1,094	1,141	1,119	1,049	1,019	1,161	1,234	1,323
Medium and Residential	1,034	1,064	1,044	952	911	1,044	1,096	1,179
low income housing	7	2	2	1	1	1	1	1
Loans acquired from INFONAVIT or FOVISSSTE	53	74	74	96	106	117	137	143
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	0	-	-	-	-	-
Past Due Loans	11,747	12,624	12,250	10,312	10,284	10,818	11,053	12,482
Gross Loan Portfolio	528,717	538,508	546,175	577,117	579,432	604,815	612,656	628,080
Preventive Loan Loss Reserves	13,918	15,045	15,104	14,384	14,235	16,119	16,205	16,122
Net Loan Portfolio	514,799	523,463	531,071	562,733	565,197	588,696	596,451	611,958
Acquired Collection Rights	2,120	1,946	2,223	2,025	2,082	1,986	2,593	2,477
Total Credit Portfolio	516,919	525,409	533,294	564,759	567,279	590,682	599,044	614,435
Account Receivables from Insurance and Annuities	1,718	1,781	1,827	1,908	1,620	1,769	1,879	1,904
Premium Debtors (Net)	9,252	7,627	5,653	4,245	8,406	8,223	6,519	4,031
Account Receivables from Reinsurance	6,462	6,936	6,966	7,166	7,189	8,878	9,285	8,717
Benef. receivab. securization transactions	149	153	202	155	151	152	177	141
Sundry Debtors & Other Accs Rec, Net	39,620	38,422	39,689	50,366	46,084	36,699	46,338	51,834
Inventories	416	951	703	438	399	1,309	1,204	783
Foreclosed Assets, Net	2,132	1,998	1,801	1,610	1,569	1,149	1,121	1,100
Real Estate, Furniture & Equipment, Net	13,922	14,428	14,723	15,828	15,770	15,981	16,896	18,171
Investment in Subsidiaries	12,858	13,155	13,503	13,764	12,875	13,104	13,395	13,771
Long-term assets held for sale	4,481	4,801	5,036	5,299	-	-	-	-
Deferred Taxes, Net	3,395	2,965	3,406	3,994	3,750	3,729	3,011	2,949
Goodwill and Intangibles	23,393	23,563	23,760	26,315	25,281	25,493	25,826	28,238
Other Assets Short and Long Term	3,915	3,702	3,424	3,427	3,253	2,709	2,488	448
Other Assets	-	-	-	-	-	-	-	-
	121,712	120,482	120,693	134,516	126,347	119,194	128,140	132,085
TOTAL ASSETS	1,184,534	1,211,186	1,190,937	1,268,119	1,245,334	1,265,675	1,295,121	1,354,147

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
LIABILITIES								
Demand Deposits	323,700	334,812	348,116	381,203	365,031	366,429	375,201	393,308
Time Deposits-Retail	207,504	216,587	193,862	190,461	209,159	227,113	235,524	239,174
Time Deposits-Money Market	2,904	1,068	1,400	1,459	1,115	15,394	8,983	3,679
Global Account of deposits without movements	1,171	1,224	1,250	1,352	1,410	1,456	1,523	1,657
Senior Unsecured Debt	130	130	58	85	85	2,750	2,745	3,003
Deposits	535,410	553,820	544,685	574,559	576,800	613,142	623,976	640,821
Demand Loans	6,928	0	0	4,019	1,137	1,591	0	0
Short Term Loans	16,333	17,887	17,338	17,155	13,264	14,886	15,104	18,213
Long Term Loans	14,187	14,054	15,870	17,462	17,984	18,222	15,751	15,731
Due to Banks & Correspondents	37,448	31,941	33,208	38,636	32,385	34,698	30,856	33,944
Technical Reserves	86,054	86,535	87,495	90,369	97,016	100,982	103,550	107,794
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	316,634	317,232	309,116	308,777	314,163	307,161	299,573	301,665
Secs to be received in Repo Trans, Net	-	0	0	-	-	-	0	-
Repos (Credit Balance)	0	17	21	0	2	0	54	3
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	0	17	21	0	2	0	54	3
For trading purposes	18,829	21,961	18,597	40,403	22,092	19,445	17,958	24,608
For hedging purposes	6,161	6,825	8,671	9,372	6,555	6,552	7,104	12,401
Operations w/ Derivatives & Securities								
Transactions with Derivatives	24,990	28,786	27,268	49,776	28,647	25,997	25,062	37,009
Total Operations w/ Derivatives & Securities	341,624	346,036	336,405	358,553	342,812	333,158	324,690	338,677
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	2,575	2,412	2,455	1,747	2,526	3,348	3,185	1,255
Income Tax Payable	1,321	1,777	2,354	3,114	2,021	1,933	2,455	3,132
Profit Sharing Payable	135	206	299	396	494	222	320	405
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	7,451	12,625	8,435	7,348	6,609	6,956	10,616	16,047
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	19,157	19,131	17,278	28,364	23,072	20,612	21,812	31,615
Other Payable Accounts	28,064	33,740	28,366	39,221	32,196	29,722	35,203	51,198
Subordinated Non Convertible Debt	17,475	17,821	18,246	21,917	17,551	13,733	30,255	32,445
Deferred Taxes, Net	-	-	-	(0)	0	(0)	0	0
Deferred Credits	1,003	805	660	415	265	252	418	429
TOTAL LIABILITIES	1,049,653	1,073,110	1,051,519	1,125,418	1,101,552	1,129,036	1,152,133	1,206,564
EQUITY								
Paid-in Capital	14,593	14,590	14,595	14,574	14,578	14,564	14,576	14,591
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	36,345	36,465	36,279	36,427	36,098	35,932	35,780	35,592
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	50,937	51,054	50,874	51,001	50,676	50,496	50,355	50,183
Capital Reserves	5,419	5,334	5,421	4,825	4,870	4,827	5,095	5,491
Retained Earnings	75,276	72,158	68,596	68,492	84,011	71,600	71,592	71,294
Surplus (Deficit) of Secs Available for Sale	(1,976)	(911)	(532)	(2,592)	(2,754)	(2,471)	(2,428)	(2,390)
Results from Valuation of Hedging Secs	(1,677)	(1,739)	(2,368)	(2,089)	(1,790)	(1,943)	(1,884)	(3,588)
Result in the valuation reserve for unexpired risks variations in rates	(352)	(24)	15	88	82	68	65	96
Results from Conversions	1,042	1,430	1,760	2,084	1,660	1,616	1,613	1,684
Remeasurements defined benefits for employees	(121)	(249)	(376)	(370)	(494)	(618)	(741)	(926)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	4,462	9,088	14,064	19,308	5,527	11,207	17,426	23,908
Earned Capital	82,073	85,088	86,580	89,745	91,112	84,287	90,737	95,567
Minority Interest	1,872	1,934	1,964	1,956	1,994	1,856	1,896	1,832
Total Equity	134,882	138,076	139,418	142,701	143,782	136,639	142,988	147,583
TOTAL LIABILITIES & EQUITY	1,184,534	1,211,186	1,190,937	1,268,119	1,245,334	1,265,675	1,295,121	1,354,147

GFNorte - Memorandum Accounts (Million Pesos)	1Q16	2Q16	3Q16	4Q17	1Q17	2Q17	3Q17	4Q17
On behalf of Third Parties								
Customer's Banks	93	98	64	118	154	53	79	33
Dividends Receivable from Customers	-	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-	-
Settlement of Customer Transactions	208	(18)	(10)	(3)	(3)	5	48	(64)
Customer Premiums	-	-	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-	-	-
Customers' Current Account	301	80	54	114	150	58	128	(32)
Client Securities Received in Custody	616,579	647,418	647,173	609,288	642,019	670,333	678,718	663,995
Securities and Documents Received in Guarantee	-	-	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-	-	-
Clients' Securities	616,579	647,418	647,173	609,288	642,019	670,333	678,718	663,995
Clients' Repurchase Operations	102,988	102,541	85,315	77,781	106,095	90,620	75,928	118,210
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	102,953	102,522	85,295	77,746	106,060	90,585	75,949	118,175
Purchase of Futures & Forward Contracts, national	-	-	-	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-	-	-	-
Trusts under Management	99,220	102,029	96,297	90,205	108,323	113,681	103,775	112,960
Transactions On Behalf of Clients	305,161	307,092	266,908	245,732	320,478	294,885	255,652	349,346
Investment Bank Trans. on behalf of Third (Net)	71,038	65,031	92,104	93,307	90,367	77,102	85,844	87,333
TOTAL ON BEHALF OF THIRD PARTIES	993,079	1,019,622	1,006,238	948,441	1,053,014	1,042,379	1,020,341	1,100,642
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	164,071	170,431	258,537	324,528	326,160	259,402	236,364	252,516
Trusts	306,517	320,511	309,671	289,905	271,144	279,574	269,077	276,410
Mandates	8,571	9,824	9,557	2,268	2,712	13,148	14,482	14,339
Properties in Trusts and Warrant	315,088	330,336	319,228	292,174	273,856	292,722	283,559	290,749
Properties in Custody or Management	457,665	480,655	470,481	446,626	475,934	553,930	559,611	561,016
Collateral Received	103,030	72,198	89,904	89,288	164,657	101,105	110,142	145,077
Collateral Received or sold or delivered	146,735	114,133	114,103	101,473	203,465	123,597	111,691	184,011
Drafts in Transit	-	-	-	-	-	-	-	-
Assets' Deposit	2,343	1,943	1,484	2,550	2,368	2,415	1,802	3,068
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-	-
Contingent assets & Liabilities	26	33	40	45	63	73	111	100
Uncollected Accrued Interest from Past Due Loans	491	526	465	439	437	471	361	367
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-	-
Proprietary Transactions	1,189,450	1,170,254	1,254,243	1,257,123	1,446,941	1,333,715	1,303,640	1,436,905
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,189,450	1,170,254	1,254,243	1,257,123	1,446,941	1,333,715	1,303,640	1,436,905

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2017 – DECEMBER 31, 2017***(Million Pesos)*

Net Income	23,908
Items charged to results that do not generate or require use of resources	
Depreciation	1,688
Technical Reserves	12,645
Provisions	(260)
Income taxes and deferred	9,048
Minority Interest	(923)
Discontinued Operations	89
	46,195
Change in items related to operations	
Change in Margin Accounts	200
Change in Investment in Securities	(44,085)
Change in repo debtors	(679)
Change in derivatives (assets)	15,628
Change in Loan Portfolio (net)	(49,202)
Change in purchased receivables (net)	(452)
Change in accounts receivable insurance and bonding institutions (net)	5
Change in debtor premiums (net)	214
Change in Reinsurance (net)	(1,550)
Change in benefits to receive from securitizations	15
Change in foreclosed assets (net)	510
Change in other operating assets (net)	(3,828)
Change in core deposits	66,262
Change in interbank loans and other entities	(4,691)
Change in repo creditors	(7,112)
Change in collateral pledged sold	3
Change in derivatives (liability)	(15,796)
Change in Technical Reserves (net)	4,780
Change in Reinsurance (net) (liability)	(492)
Change in subordinated debt with characteristics of liabilities	10,952
Change in other operating liabilities	12,826
Change in hedging instruments (the related hedged transaction activities)	3,566
Discontinued Operational Assets	(184)
Income Tax Payments	(8,069)
Net cash generated or used from operations	25,016
Investment Activities	
Charges for disposal of property, furniture and equipment	742
Payments for acquisition of property, furniture and equipment	(4,780)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3,195
Payments for other permanent investmentes	0
Charges for cash dividends	2,364
Discontinued Operational Assets	0
Net cash generated or used from investment activities	1,521
Financing Activities	
Payments of cash dividends	(14,645)
Payments associated with the repurchase of proprietary shares	(1,181)
Payments of interests of subordinated debentures	(301)
Net cash flows from financing activities	(16,127)
Net Cash Increase (decrease) and equivalents value	10,410
Effects for changes in cash and equivalents value	(27)
Cash and cash equivalents at beginning of period	65,886
Cash and cash equivalents at end of period	76,269

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 – DECEMBER 31, 2017

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of Instrum Cash flow hedges	Results 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	14,574	36,427	4,825	68,492	(2,592)	(2,089)	87	2,084	(370)	19,308	1,955	142,701
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	17	(823)	211		(5)							(600)
Capitalization of profits				19,308						(19,308)		
Dividend Declared by the Ordinary General Shareholders' Meeting on February 24, 2017 and on June 20, 2017				(14,645)								(14,645)
INB's Sale Accounting Effect				(357)								(357)
Reserve creation for share repurchase			455	(455)								0
Total	17	(823)	666	3,851	(5)	0	0	0	0	(19,308)	0	(15,602)
Changes stemming from profits												
Total profits:												
Net Income										23,908		23,908
Result from valuation of securities available for sale					207							207
Effect of subsidiaries, associates and mutual funds		(12)		(23)				(400)				(435)
Result from valuation of instruments of cash flow hedges						(1,499)						(1,499)
Result in valuation of current risk reserve due to changes in rates							9					9
Remeasurements defined benefits for employees									(556)			(556)
Modification in the disposition of the non-revolving consumer book and mortgage house book's rating				(725)								(725)
Interest of subordinated debentures				(301)								(301)
Total	0	(12)	0	(1,049)	207	(1,499)	9	(400)	(556)	23,908	0	20,608
Recognition of minority interest											(123)	(123)
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

Consolidated Bank

Income Statement - Consolidated Bank (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Interest Income	15,530	16,064	17,545	19,070	21,747	23,165	24,448	25,181
Interest Expense	4,966	5,112	5,874	6,808	8,614	9,831	10,515	10,415
Charged Fees	305	292	299	303	282	294	296	297
Fees Paid	101	111	122	151	143	165	171	207
Net Interest Income (NII)	10,768	11,133	11,847	12,414	13,272	13,463	14,057	14,856
Preventive Provisions for Loan Losses	3,170	3,444	3,240	3,216	3,227	3,977	3,911	3,868
Net Interest Income Adjusted for Credit Risk	7,598	7,690	8,607	9,198	10,044	9,486	10,147	10,988
Fund Transfers	273	313	334	367	368	390	350	380
Account Management Fees	484	519	523	612	614	639	662	681
Electronic Banking Services	1,341	1,394	1,444	1,628	1,639	1,709	1,653	1,902
For Commercial and Mortgage Loans	191	181	193	231	94	193	225	178
For Consumer Loans	835	786	924	1,106	997	1,052	1,093	1,143
Fiduciary	80	86	72	107	91	101	96	132
Income from Real Estate Portfolios	8	2	31	11	5	9	10	13
Trading & Financial Advising Fees	-	-	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1	1	1	1
Other Fees Charged (1) *	364	431	443	446	473	464	521	557
Fees Charged on Services	3,577	3,713	3,966	4,508	4,282	4,557	4,611	4,986
Interchange Fees	584	602	613	706	722	762	739	875
Insurance Fees	-	-	-	-	-	-	-	-
Other Fees Paid	398	500	512	583	742	717	777	807
Fees Paid on Services	982	1,102	1,126	1,288	1,464	1,479	1,517	1,682
Net Fees	2,595	2,612	2,840	3,220	2,817	3,078	3,095	3,304
Foreign Exchange	6	21	(5)	32	(124)	(11)	22	(16)
Derivatives	80	(36)	341	1	16	(49)	368	402
Negotiable Instruments	93	103	(349)	28	(63)	26	(130)	(554)
Valuation	179	88	(14)	62	(172)	(34)	260	(168)
Currency and Metals	254	366	454	437	520	523	234	452
Derivatives	3	(93)	62	14	281	73	(28)	(189)
Negotiable Instruments	31	13	98	(113)	64	149	87	50
Trading	288	285	614	337	865	745	292	314
Trading Income	467	373	600	399	693	711	552	145
Loan Recovery	335	364	400	432	409	459	461	408
Loan Portfolios	44	41	35	21	30	30	25	47
Income from foreclosed assets	28	97	(28)	28	12	(266)	229	151
Provisions Release	142	170	28	39	160	85	107	10
Losses and Estimates	(242)	(319)	(155)	(156)	(280)	(325)	(267)	(361)
Impairment of Assets	-	-	-	-	(58)	(9)	(9)	(8)
Lease Income	6	7	15	13	8	8	19	13
From Insurance	-	-	-	-	-	-	-	-
Other Operating Expense	87	238	218	188	285	333	158	502
Total Other Operating Income (Expenses)	400	599	513	566	566	314	723	762
Total Non-Interest Income	3,462	3,583	3,953	4,185	4,077	4,102	4,370	4,211
Total Operating Income	11,059	11,273	12,561	13,383	14,121	13,588	14,516	15,199
Personnel	3,017	2,833	3,230	3,209	3,361	3,127	3,048	3,272
Employee Profit Sharing (PTU)	95	95	95	97	99	99	99	85
Professional Fees	424	491	456	474	463	612	655	726
Administrative and Promotional Expenses	1,708	1,522	1,689	1,834	1,809	1,827	1,708	1,862
Rents, Depreciation & Amortization	1,044	1,045	1,133	1,178	1,219	1,184	1,155	1,158
Taxes other than income tax & non-deductible expenses	361	298	261	239	458	337	358	394
Contributions to IPAB/Fobaproa	562	575	580	607	634	636	668	696
Total Non-Interest Expense	7,212	6,859	7,445	7,638	8,043	7,822	7,693	8,191
Operating Income	3,847	4,414	5,115	5,745	6,078	5,766	6,823	7,007
Subsidiaries' Net Income	333	322	371	18	14	17	(6)	37
Pre-Tax Income	4,180	4,735	5,486	5,763	6,092	5,783	6,817	7,044
Income Tax	1,122	1,023	1,703	1,631	1,541	1,509	1,755	1,977
Deferred Income Tax	(105)	131	(239)	96	320	89	78	219
Taxes	1,017	1,155	1,464	1,727	1,861	1,597	1,833	2,196
Net Income from Continuous Operations	3,163	3,580	4,022	4,036	4,232	4,185	4,985	4,848
Discontinued Operations	59	72	44	68	74	6	8	2
Minority Interest	(0)	(0)	(0)	(0)	0	(0)	(0)	(0)
Net Income	3,222	3,652	4,066	4,104	4,305	4,191	4,993	4,850

Consolidated Bank - Balance Sheet (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
ASSETS								
Cash and Due from Banks	93,984	89,964	70,693	65,844	60,405	65,822	59,618	76,063
Margin Accounts	269	513	745	2,185	1,909	2,635	1,628	1,986
Negotiable Instruments	153,455	155,285	167,884	129,477	150,913	159,894	174,661	122,065
Securities Available for Sale	87,079	101,129	100,691	153,128	106,886	110,750	126,881	152,910
Securities Held to Maturity	7,730	7,678	6,279	6,258	6,245	6,202	6,849	6,834
Investment in Securities	248,265	264,091	274,854	288,863	264,044	276,846	308,392	281,810
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	342	16	72	0	2	0	20	5
Securities Lending	-	-	-	-	-	-	-	-
For trading purposes	18,045	20,703	16,191	40,881	22,738	20,352	18,959	25,511
For hedging purposes	100	76	113	742	387	216	94	205
Operations w/Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	18,145	20,779	16,304	41,623	23,125	20,568	19,053	25,716
Operations w/Derivatives & Securities	18,487	20,796	16,376	41,623	23,126	20,568	19,073	25,721
Valuation adjustments for Asset Coverage	124	121	117	113	110	106	102	99
Commercial Loans	179,187	181,016	184,411	201,753	199,150	208,717	209,711	210,431
Financial Intermediaries' Loans	16,222	18,071	18,386	20,240	21,122	23,538	22,517	22,875
Consumer Loans	75,457	78,610	82,589	86,632	90,824	93,999	99,186	101,995
Mortgage Loans	100,743	104,733	108,955	114,807	119,310	124,206	130,084	135,405
Medium and Residential	97,003	100,950	105,020	110,825	115,226	120,197	126,120	131,563
low income housing	62	48	43	40	37	33	29	26
Loans acquired from INFONAVIT or FOVISSSTE	3,679	3,735	3,892	3,942	4,048	3,975	3,934	3,816
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	135,866	133,626	128,981	133,540	130,183	133,394	130,617	132,816
Loans granted as Federal Agent	-	-	-	-	-	-	-	-
Performing Loans	507,476	516,055	523,323	556,971	560,589	583,853	592,114	603,522
Commercial PDL's	7,756	7,562	7,326	5,467	5,677	5,570	5,566	6,540
Financial Intermediaries PDL's	0	344	344	344	344	0	0	0
Consumer PDL's	2,627	3,281	3,205	3,200	2,993	3,867	3,987	4,329
Mortgage PDL's	1,094	1,141	1,119	1,049	1,019	1,161	1,234	1,323
Medium and Residential	1,034	1,064	1,044	952	911	1,044	1,096	1,179
low income housing	7	2	2	1	1	1	1	1
Loans acquired from INFONAVIT or FOVISSSTE	53	74	74	96	106	117	137	143
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	-	-
Past Due Loans	11,477	12,328	11,995	10,060	10,034	10,598	10,788	12,192
Gross Loan Portfolio	518,953	528,383	535,318	567,031	570,622	594,452	602,902	615,714
Preventive Loan Loss Reserves	13,455	14,612	14,694	13,941	13,805	15,499	15,628	15,551
Net Loan Portfolio	505,498	513,772	520,623	553,090	556,818	578,953	587,274	600,163
Acquired Collection Rights	1,310	1,165	1,473	1,400	1,477	1,394	2,021	1,925
Total Credit Portfolio	506,808	514,937	522,096	554,490	558,294	580,347	589,295	602,088
Benef. receivab. securization transactions	149	153	202	155	151	152	177	141
Sundry Debtors & Other Accs Rec, Net	27,130	27,118	28,856	39,989	36,363	26,519	35,953	37,492
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	1,681	1,588	1,402	1,222	1,182	791	755	752
Real Estate, Furniture & Equipment, Net	10,807	11,178	11,444	11,927	12,120	12,306	12,777	13,474
Investment in Subsidiaries	12,543	12,843	13,214	185	199	119	113	150
Long-term assets held for sale	4,481	4,801	5,036	5,299	-	-	-	-
Deferred Taxes, Net	3,247	3,148	3,491	4,227	3,602	3,651	3,146	3,517
Goodwill and Intangibles	10,359	10,331	10,300	11,214	10,775	10,805	10,918	13,051
Other Assets Short and Long Term	3,609	3,379	3,095	3,097	2,914	2,364	2,137	81
	74,006	74,539	77,039	77,316	67,306	56,707	65,977	68,658
TOTAL ASSETS	941,943	964,962	961,921	1,030,435	975,193	1,003,031	1,044,085	1,056,423

Consolidated Bank - Balance Sheet (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
LIABILITIES								
Demand Deposits	325,725	336,538	349,118	382,409	366,454	367,839	376,822	394,995
Time Deposits-Retail	207,637	216,703	193,991	190,535	209,212	227,186	235,605	245,288
Time Deposits-Money Market	2,904	1,068	1,400	1,459	1,115	15,394	8,983	3,679
Global Account of deposits without movements	1,171	1,224	1,250	1,352	1,410	1,456	1,523	1,657
Senior Unsecured Debt	-	-	-	-	-	2,750	2,745	3,003
Deposits	537,438	555,532	545,759	575,755	578,191	614,625	625,678	648,622
Demand Loans	6,928	0	0	4,019	1,137	1,591	0	0
Short Term Loans	6,845	7,018	6,535	8,063	7,204	7,557	7,610	8,441
Long Term Loans	7,197	7,593	8,667	9,178	8,702	8,495	6,520	6,797
Due to Banks & Correspondents	20,970	14,612	15,202	21,260	17,043	17,642	14,130	15,238
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	215,119	216,288	224,490	234,490	210,936	218,158	228,696	190,363
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-	-
Repos (Credit Balance)	0	(0)	6	0	2	0	0	3
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	0	(0)	6	0	2	0	0	3
For trading purposes	18,829	21,961	18,597	40,403	22,092	19,445	17,958	24,608
For hedging purposes	6,161	6,825	8,671	9,372	6,555	6,552	7,104	12,401
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	24,990	28,786	27,268	49,776	28,647	25,997	25,062	37,009
Total Operations w/ Derivatives & Securities	240,109	245,074	251,765	284,265	239,585	244,155	253,758	227,375
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	-	-	-	-	-	-	-	-
Income Tax Payable	751	1,062	1,305	1,965	1,477	1,143	1,351	1,940
Profit Sharing Payable	135	206	299	396	494	222	320	405
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	8,291	11,086	8,072	6,988	6,516	6,828	9,904	15,871
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	14,345	13,519	13,561	24,770	19,290	17,026	18,544	27,981
Other Payable Accounts	23,522	25,873	23,237	34,120	27,777	25,218	30,119	46,196
Subordinated Non Convertible Debt	17,475	17,821	18,246	21,917	17,551	13,733	30,255	32,445
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	861	682	557	331	142	107	258	485
TOTAL LIABILITIES	840,375	859,594	854,765	937,648	880,289	915,480	954,198	970,361
EQUITY								
Paid-in Capital	20,074	20,074	20,074	18,105	18,105	18,105	18,105	18,105
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	11,754	11,862	11,976	72	180	294	420	648
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	31,828	31,936	32,050	18,177	18,285	18,399	18,525	18,753
Capital Reserves	10,157	11,509	11,509	11,509	11,509	13,013	13,013	13,013
Retained Earnings	58,434	56,480	53,876	50,215	62,685	49,462	46,400	38,959
Surplus (Deficit) of Secs Available for Sale	(1,224)	(768)	(108)	(1,645)	(1,139)	(752)	(402)	4
Results from Valuation of Hedging Secs	(1,708)	(1,770)	(2,411)	(2,131)	(1,827)	(1,982)	(1,923)	(3,653)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-	-	-
Results from Conversions	972	1,350	1,673	1,985	1,579	1,544	1,540	1,591
Remeasurements defined benefits for employees	(123)	(253)	(382)	(377)	(503)	(629)	(755)	(943)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	3,222	6,875	10,941	15,044	4,305	8,496	13,489	18,339
Earned Capital	69,730	73,422	75,096	74,600	76,609	69,152	71,362	67,309
Minority Interest	10	10	10	10	10	0	0	0
Total Equity	101,568	105,367	107,156	92,787	94,904	87,551	89,887	86,062
TOTAL LIABILITIES & EQUITY	941,943	964,962	961,921	1,030,435	975,193	1,003,031	1,044,085	1,056,423

Consolidated Bank - Memorandum Accounts (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Investment Banking transactions for third parties, net	71,038	65,031	92,104	93,307	90,367	77,102	85,844	87,333
TOTAL ON BEHALF OF THIRD PARTIES	71,038	65,031	92,104	93,307	90,367	77,102	85,844	87,333
Proprietary Transactions								
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	164,071	170,431	221,960	285,690	287,187	217,510	194,370	213,098
Trusts	306,517	320,511	309,671	289,905	271,144	279,574	269,077	276,410
Mandates	8,571	9,824	9,557	2,268	2,712	13,148	14,482	14,339
Properties in Trusts and Warrant	315,088	330,336	319,228	292,174	273,856	292,722	283,559	290,749
Properties in Custody or Management	310,030	322,924	308,394	294,203	321,987	359,766	360,273	363,730
Collateral Received	86,437	65,935	73,162	82,197	158,596	97,317	101,413	133,904
Collateral Received or sold	28,941	6,975	12,846	20,124	94,204	30,833	32,285	62,240
Drafts in Transit	-	-	-	-	-	-	-	-
Deposits of assets	-	-	-	-	-	-	-	-
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-	-
Contingent assets & liabilities	26	33	40	45	63	73	111	100
Uncollected Accrued Interest from Past Due Loans	449	483	465	439	436	470	359	365
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-	-
Proprietary Transactions	905,041	897,117	936,095	974,870	1,136,328	998,692	972,371	1,064,187
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
TOTAL PROPRIETARY	905,041	897,117	936,095	974,870	1,136,328	998,692	972,371	1,064,187

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

Net Income	18,339
Items charged to results that do not generate or require use of resources	
Depreciation	1,533
Provisions	(246)
Income taxes and deferred	7,487
Minority Interest	(62)
Discontinued Operations	89
	27,140
Change in items related to operations	
Change in Margin Accounts	200
Change in Investment in Securities	8,703
Change in repo debtors	(5)
Change in derivatives (assets)	15,385
Change in Loan Portfolio (net)	(47,762)
Change in purchased receivables (net)	(524)
Change in accounts receivable insurance and bonding institutions (net)	
Change in debtor premiums (net)	
Change in Reinsurance (net)	
Change in benefits to receive from securitizations	15
Change in foreclosed assets (net)	470
Change in other operating assets (net)	3,661
Change in core deposits	72,867
Change in interbank loans and other entities	(6,022)
Change in repo creditors	(44,127)
Change in collateral pledged sold	3
Change in derivatives (liability)	(15,796)
Change in Technical Reserves (net)	
Change in Reinsurance (net) (liability)	
Change in subordinated debt with characteristics of liabilities	10,952
Change in other operating liabilities	12,478
Change in hedging instruments (the related hedged transaction activities)	2,044
Discontinued Operational Assets	(184)
Income Tax Payments	(6,886)
Net cash generated or used from operations	32,612
Investment Activities	
Charges for disposal of property, furniture and equipment	219
Payments for acquisition of property, furniture and equipment	(3,308)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3,195
Charges for cash dividends	1,214
Net cash generated or used from investment activities	1,320
Financing Activities	
Payments of cash dividends	(23,380)
Payments of interests of subordinated debentures	(306)
Net cash flows from financing activities	(23,686)
Net Cash Increase (decrease) and equivalents value	10,246
Effects for changes in cash and equivalents value	(27)
Cash and cash equivalents at beginning of period	65,844
Cash and cash equivalents at end of period	76,063

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 – DECEMBER 31, 2017

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL								Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
Balance as of December 31, 2017	18,105	72	11,509	50,215	(1,645)	(2,131)	1,985	(377)	15,044	10	92,787
Changes stemming from stockholders' decisions											
Capitalization of profits				15,044					(15,044)		
Dividends declared by the General Assembly of Shareholders on February 17, 2017; April 28, 2017; September 20, 2017 and December 6, 2017				(23,380)							(23,380)
Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 28, 2017.			1,504	(1,504)							
Payment plan based on equity-settle shares in equity instruments		576									576
INB's Sale Accounting Effect				(364)							(364)
Total	0	576	1,504	(10,204)	0	0	0	0	(15,044)	0	(23,168)
Changes stemming from profits											
Total profits:											
Net Income									18,339		18,339
Result from valuation of securities available for sale					1,649						1,649
Effect of subsidiaries, associates and mutual funds				1				2			3
Conversion accumulated effect							(395)				(395)
Result from valuation of instruments of cash flow hedges						(1,522)					(1,522)
Remeasurements defined benefits for employees				(36)				(568)			(604)
Modification in the norms of the qualification of non-revolving consumer and mortgage housing portfolio				(711)							(711)
Interest of subordinated debentures	0	0	0	(306)	0	0	0	0	0	0	(306)
Total	0	0	0	(1,052)	1,649	(1,522)	(395)	(566)	18,339	0	16,453
Recognition of minority interest	0	0	0	0	0	0	0	0	0	(10)	(10)
Balance as of December 31, 2017	18,105	648	13,013	38,959	4	(3,653)	1,590	(943)	18,339	0	86,062

Seguros Banorte

Income Statement - Insurance - Seguros Banorte <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Interest Income	133	125	143	172	179	252	290	284
Interest Expense	7	(7)	-	-	5	(2)	(3)	-
Premium Income (Net)	6,389	2,627	2,304	3,215	5,986	4,336	3,302	3,581
Net Increase in Technical Reserves	2,284	(529)	(1,097)	(114)	1,920	463	(1,004)	(389)
Damages, Claims and Other Obligations	1,995	2,312	2,298	2,321	2,325	2,602	3,051	2,762
Net Interest Income	2,236	975	1,245	1,179	1,916	1,524	1,548	1,493
Fees Charged on Services	-	-	-	-	-	-	-	-
Fees Paid on Services	838	264	424	517	564	469	577	398
Securities-Valuation Gains	-	-	-	-	-	-	-	-
Securities Trading	1	18	27	(3)	12	(5)	16	19
Trading Income	1	18	27	(3)	12	(5)	16	19
From Insurance	205	282	248	264	232	213	188	199
Losses and Estimates	(56)	2	44	8	(7)	(43)	(39)	(209)
Other Operating Income (Expense)	0	0	0	2	3	2	2	5
Total Other Operating Income (Expenses)	149	284	292	274	228	172	152	(5)
Total Non-Interest Income	(688)	38	(105)	(246)	(324)	(302)	(409)	(384)
Total Operating Income	1,548	1,013	1,141	934	1,592	1,222	1,139	1,110
Personnel	82	88	85	94	84	90	96	106
Employee Profit Sharing (PTU)	1	1	1	2	1	1	1	2
Professional Fees	24	34	59	50	60	56	59	62
Administrative and Promotional Expenses	77	58	72	78	101	66	84	97
Rents, Depreciation & Amortization	21	22	23	36	38	38	39	41
Taxes other than income tax & non-deductible expenses	30	23	24	35	38	(0)	21	24
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-	-
Total Non-Interest Expense	235	226	265	294	322	252	300	332
Operating Income	1,313	787	876	640	1,270	970	839	778
Subsidiaries' Net Income	0	(0)	0	281	369	316	306	316
Pre-Tax Income	1,313	787	876	920	1,639	1,287	1,145	1,094
Income Tax	397	239	320	86	387	298	256	141
Deferred Income Tax	-	-	(49)	(10)	(4)	(4)	(28)	27
Taxes	397	239	271	76	384	295	228	169
Net Income from Continuous Operations	917	548	604	844	1,255	992	917	925
Discontinued Operations	-	-	-	-	-	-	-	-
Minority Interest	(1)	(1)	(1)	(8)	(8)	(7)	(7)	(8)
Net Income	916	547	603	836	1,247	985	910	917

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
ASSETS								
Cash and Due from Banks	61	69	69	67	55	37	58	69
Margin Accounts	-	-	-	-	-	-	-	-
Negotiable Instruments	8,795	9,504	9,734	10,848	11,834	13,264	13,996	15,509
Securities Available for Sale	3,570	2,655	2,415	2,264	2,232	2,093	2,103	1,505
Securities Held to Maturity	(0)	(0)	(0)	(0)	(0)	-	-	(0)
Investment in Securities	12,364	12,159	12,150	13,112	14,066	15,356	16,099	17,013
Debtor Balance in Repo Trans,net	60	46	0	0	1,150	927	1,153	2,235
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	60	46	0	0	1,150	927	1,153	2,235
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-	-
Account Receivables	578	604	622	667	360	480	562	558
Premium Debtors (Net)	9,196	7,566	5,589	4,189	8,319	8,105	6,401	3,916
Account Receivables from Reinsurance	6,462	6,936	6,966	7,166	7,189	8,878	9,285	8,717
Benef.receiveab.securization transactions	-	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	289	315	319	343	337	330	331	363
Investment in Subsidiaries	2	2	2	13,332	12,551	12,867	13,173	13,495
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	79	79	128	134	134	134	158	127
Goodwill and Intangibles	470	713	897	2,501	1,891	2,152	2,386	2,706
Other Assets Short and Long Term	76	78	81	81	85	86	87	93
	17,151	16,293	14,604	28,414	30,866	33,033	32,384	29,975
TOTAL ASSETS	29,637	28,567	26,823	41,593	46,137	49,353	49,694	49,292

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
LIABILITIES								
Technical Reserves	17,275	16,472	15,347	15,539	18,623	20,346	20,426	21,426
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,575	2,412	2,455	1,747	2,526	3,348	3,185	1,255
Income Tax Payable	399	633	948	1,028	409	702	952	1,087
Profit Sharing Payable	-	-	-	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	3,838	3,259	2,590	2,447	2,770	2,413	2,172	2,111
Other Payable Accounts	4,237	3,892	3,538	3,475	3,179	3,115	3,124	3,198
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	401	397	394	390	386
Deferred Credits	140	102	84	68	66	60	58	60
TOTAL LIABILITIES	24,227	22,878	21,424	21,229	24,791	27,262	27,183	26,326
EQUITY								
Paid-in Capital	709	709	709	13,766	13,766	13,766	13,766	13,766
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	709	709	709	13,766	13,766	13,766	13,766	13,766
Capital Reserves	540	717	717	1,499	1,499	1,789	1,789	1,789
Retained Earnings	3,451	2,674	1,774	1,768	4,419	3,879	3,379	2,889
Surplus (Deficit) of Secs Available for Sale	109	113	80	48	31	52	58	45
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(352)	(24)	15	88	82	68	65	96
Results from Conversions	-	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	-	-	-	-	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	916	1,462	2,065	2,902	1,247	2,232	3,142	4,059
Earned Capital	4,665	4,943	4,652	6,304	7,278	8,020	8,433	8,878
Minority Interest	36	37	38	294	302	305	312	323
Total Equity	5,410	5,689	5,399	20,364	21,346	22,091	22,511	22,967
TOTAL LIABILITIES & EQUITY	29,637	28,567	26,823	41,593	46,137	49,353	49,694	49,292

Information by Segments

GFNorte - Income Statement as of December '17

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Interest Income	241	95,710	9,026	2,045	69	6,694
Premium Income (Net)	-	-	25,763	-	-	-
Interest Expense	-	40,062	-	1,241	1	6,349
Net Increase in Technical Reserves	-	-	12,645	-	-	-
Damages, Claims and Other Obligations	-	-	14,906	-	-	-
Net Interest Income (NII)	241	55,648	7,239	803	68	345
Preventive Provisions for Loan Losses	-	14,983	-	34	-	-
Net Interest Income Adjusted for Credit Risk	241	40,665	7,239	770	68	345
Loan Origination Fees	-	18,436	-	25	-	1,265
Fees Paid	-	6,142	2,008	55	0	154
Trading Income	-	2,101	610	(2)	-	310
Other Operating Income (Expenses)	0	2,365	534	578	29	62
Non Interest Income	0	31,145	3,762	655	29	2,101
Total Operating Income	241	71,810	11,001	1,425	96	2,446
Administrative and Promotional Expenses	119	31,750	1,510	248	40	862
Operating Income	121	25,675	4,864	1,067	57	965
Subsidiaries' Net Income	23,776	62	1,307	-	-	(0)
Pre-Tax Income	23,897	25,736	6,171	1,067	57	965
Income Tax	-	6,781	1,082	276	14	203
Deferred Income Tax	8	706	122	23	1	71
Net Income from Continuous Operations	23,889	18,249	4,967	768	42	691
Discontinued Operations	-	89	-	-	-	-
Minority Interest	-	(0)	(24)	3	-	-
Net Income	23,889	18,339	4,943	771	42	691

GFNorte - Income Statement as of December '17

(Million Pesos)

	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	19	2	652	114,457	3,948	-	110,509
Premium Income (Net)	-	-	-	25,763	720	-	25,043
Interest Expense	-	-	903	48,557	-	3,922	44,635
Net Increase in Technical Reserves	-	-	-	12,645	-	-	12,645
Damages, Claims and Other Obligations	-	-	-	14,906	-	-	14,906
Net Interest Income (NII)	19	2	(251)	64,113	-	-	63,366
Preventive Provisions for Loan Losses	-	-	331	15,348	-	134	15,214
Net Interest Income Adjusted for Credit Risk	19	2	(582)	48,765	-	(134)	48,153
Loan Origination Fees	1,343	-	180	21,248	1,706	-	19,542
Fees Paid	934	-	0	9,294	-	1,736	7,559
Trading Income	-	-	(373)	2,647	-	10	2,657
Other Operating Income (Expenses)	(4)	(0)	(172)	3,391	186	6	3,211
Non Interest Income	2,273	(0)	(738)	39,227	1,891	1,762	35,626
Total Operating Income	2,292	2	(1,320)	87,992	1,891	1,628	83,779
Administrative and Promotional Expenses	38	4	231	34,802	714	1,455	34,061
Operating Income	385	(2)	(1,178)	31,954	-	-	31,943
Subsidiaries' Net Income	8	-	(112)	25,040	23,776	-	1,265
Pre-Tax Income	393	(2)	(1,290)	56,994	-	-	33,208
Income Tax	112	-	-	8,469	-	-	8,469
Deferred Income Tax	(0)	-	(321)	609	3	33	579
Net Income from Continuous Operations	281	(2)	(969)	47,917	-	-	24,160
Discontinued Operations	-	-	-	89	-	-	89
Minority Interest	-	-	-	(21)	320	-	(341)
Net Income	281	(2)	(969)	47,985	31,369	7,128	23,908

GFNorte - Balance Sheet as of December 31 '17

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	6,081	76,063	70	17	0	1,125
Margin Accounts	-	1,986	-	-	-	-
Investment in Securities	-	281,810	105,808	0	-	115,061
Negotiable Instruments	-	122,065	16,428	-	-	100,526
Securities Available for Sale	-	152,910	1,583	0	-	13,827
Securities Held to Maturity	-	6,834	87,797	-	-	708
Debtor Balance in Repo Trans, net	4,915	5	2,637	-	-	-
Transactions with Derivatives For trading purposes	-	25,511	-	0	-	-
Transactions with Derivatives For hedging purposes	-	205	-	-	-	-
Valuation adjustments for Asset Coverage	-	99	-	-	-	-
Gross Loan Portfolio	-	602,088	-	25,442	-	-
Net Loan Portfolio	-	600,163	-	25,442	-	-
Performing Loans	-	603,522	-	25,589	-	-
Commercial Loans	-	210,431	-	22,850	-	-
Financial Intermediaries' Loans	-	22,875	-	649	-	-
Government Entities' Loans	-	132,816	-	2,088	-	-
Consumer Loans	-	101,995	-	3	-	-
Mortgage Loans	-	135,405	-	-	-	-
Medium and Residential	-	131,563	-	-	-	-
Low income housing	-	26	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,816	-	-	-	-
Past Due Loans	-	12,192	-	154	-	-
Commercial PDL's	-	6,540	-	154	-	-
Financial Intermediaries PDL's	-	0	-	-	-	-
Consumer PDL's	-	4,329	-	0	-	-
Mortgage PDL's	-	1,323	-	-	-	-
Medium and Residential	-	1,179	-	-	-	-
Low income housing	-	1	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	143	-	-	-	-
Preventive Loan Loss Reserves	-	15,551	-	302	-	-
Acquired Collection Rights	-	1,925	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,904	-	-	-
Premium Debtors (Net)	-	-	4,031	-	-	-
Account Receivables from Reinsurance	-	-	8,717	-	-	-
Benef. receivab. securization transactions	-	141	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	37,492	0	524	87	4,749
Inventories	-	-	-	-	783	-
Foreclosed Assets, Net	-	752	-	18	-	-
Real Estate, Furniture & Equipment, Net	-	13,474	388	4,097	68	43
Investment in Subsidiaries	121,961	150	13,495	-	-	1
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	186	3,517	-	24	3	-
Total other Assets	10,556	13,132	2,803	240	13	319
Goodwill	9,683	1,385	-	-	-	-
Intangible	874	11,666	2,710	240	0	58
Other Assets	-	81	94	-	13	261
TOTAL ASSETS	143,701	1,056,423	139,853	30,362	955	121,298

GFNorte - Balance Sheet as of December 31 '17

(Million Pesos)

ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Cash and Due from Banks	324	34	72	83,787	282	7,801	76,269
Margin Accounts	-	-	-	1,986	-	-	1,986
Investment in Securities	-	-	325	503,004	208	342	502,870
Negotiable Instruments	-	-	-	239,019	-	-	239,019
Securities Available for Sale	-	-	325	168,645	-	105	168,540
Securities Held to Maturity	-	-	-	95,340	208	237	95,310
Debtor Balance in Repo Trans, net	-	-	25	7,583	-	6,905	679
Transactions with Derivatives For trading purposes	-	-	9	25,520	-	-	25,520
Transactions with Derivatives For hedging purposes	-	-	-	205	-	-	205
Valuation adjustments for Asset Coverage	-	-	-	99	-	-	99
Gross Loan Portfolio	-	-	4,493	632,023	-	17,588	614,435
Net Loan Portfolio	-	-	3,941	629,546	-	17,588	611,958
Performing Loans	-	-	4,074	633,186	-	17,588	615,598
Commercial Loans	-	-	505	233,786	-	9	233,777
Financial Intermediaries' Loans	-	-	-	23,524	-	17,579	5,944
Government Entities' Loans	-	-	-	134,905	-	-	134,905
Consumer Loans	-	-	3,569	105,567	-	-	105,567
Mortgage Loans	-	-	-	135,405	-	-	135,405
Medium and Residential	-	-	-	131,563	-	-	131,563
Low income housing	-	-	-	26	-	-	26
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,816	-	-	3,816
Past Due Loans	-	-	137	12,482	-	-	12,482
Commercial PDL's	-	-	25	6,719	-	-	6,719
Financial Intermediaries PDL's	-	-	-	0	-	-	0
Consumer PDL's	-	-	111	4,440	-	-	4,440
Mortgage PDL's	-	-	-	1,323	-	-	1,323
Medium and Residential	-	-	-	1,179	-	-	1,179
Low income housing	-	-	-	1	-	-	1
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	143	-	-	143
Preventive Loan Loss Reserves	-	-	270	16,122	-	-	16,122
Acquired Collection Rights	-	-	553	2,477	-	-	2,477
Account Receivables from Insurance and Annuities	-	-	-	1,904	-	-	1,904
Premium Debtors (Net)	-	-	-	4,031	-	-	4,031
Account Receivables from Reinsurance	-	-	-	8,717	-	-	8,717
Benef.receivab.securization transactions	-	-	-	141	-	-	141
Sundry Debtors & Other Accs Rec, Net	153	4	9,105	52,115	61	341	51,834
Inventories	-	-	-	783	-	-	783
Foreclosed Assets, Net	-	-	330	1,100	201	201	1,100
Real Estate, Furniture & Equipment, Net	0	100	-	18,171	212	212	18,171
Investment in Subsidiaries	105	-	118	135,831	767	122,827	13,771
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	710	4,440	444	1,935	2,949
Total other Assets	0	1	271	27,335	2,453	1,101	28,686
Goodwill	-	-	-	11,068	2,453	876	12,644
Intangible	0	1	271	15,819	-	225	15,594
Other Assets	-	-	-	448	-	-	448
TOTAL ASSETS	582	139	15,459	1,508,772	4,628	159,254	1,354,147

GFNorte - Balance Sheet as of December 31 '17

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Deposits	-	648,622	-	-	-	-
Demand Deposits	-	394,995	-	-	-	-
Time Deposits	-	248,967	-	-	-	-
Time Deposits-Retail	-	245,288	-	-	-	-
Time Deposits-Money Market	-	3,679	-	-	-	-
Senior Unsecured Debt	-	3,003	-	-	-	-
Cuenta global de captación sin movimientos	-	1,657	-	-	-	-
Due to Banks & Correspondents	-	15,238	-	23,731	713	-
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	8,441	-	14,797	713	-
Long Term Loans	-	6,797	-	8,934	-	-
Technical Reserves	-	-	107,606	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	190,363	-	-	-	118,207
Collateral sold or pledged as collateral	-	3	-	-	-	0
Transactions with Derivatives for trading purposes	-	24,608	-	-	-	-
Transactions with Derivatives for hedging purposes	-	12,401	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	1,255	-	-	-
Other Payable Accounts	0	46,196	3,402	1,379	16	368
Income Tax Payable	-	1,940	1,087	76	3	12
Profit Sharing Payable	-	405	-	-	-	-
Creditors for settlement of transactions	(0.00)	15,871	-	-	-	191
Creditors for collateral received in cash	-	11,083	-	-	-	-
Other Creditors & Accounts Payable	0.12	16,898	2,315	1,303	14	165
Subordinated Non Convertible Debt	-	32,445	-	-	-	-
Deferred Taxes, Net	-	-	1,178	-	-	108
Deferred Credits	-	485	60	102	-	0
TOTAL LIABILITIES	0	970,361	113,502	25,212	729	118,683
EQUITY						
Subscribed Capital	50,013	18,753	20,944	526	87	1,429
Paid-in Capital	14,594	18,105	15,740	526	87	1,354
Share Subscription Premiums	35,419	648	5,204	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	93,688	67,309	5,132	4,619	138	1,186
Capital Reserves	5,491	13,013	62	526	49	182
Retained Earnings	69,412	38,959	85	3,332	47	66
Surplus (Deficit) of Secs Available for Sale	(2,369)	4	(50)	(10)	-	126
Results from Valuation of Hedging Secs	(3,588)	(3,653)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	96	-	91	-	-	-
Results from Conversions	1,684	1,591	-	-	-	121
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(926)	(943)	-	-	-	-
Net Income	23,889	18,339	4,943	771	42	691
Capital Mayoritario	143,701	86,062	26,076	5,145	226	2,615
Minority Interest	-	0	275	4	0	-
Total Equity	143,701	86,062	26,351	5,149	226	2,615
TOTAL LIABILITIES & EQUITY	143,701	1,056,423	139,853	30,362	955	121,298

GFNorte - Balance Sheet as of December 31 '17

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	648,622	7,801	-	640,821
Demand Deposits	-	-	-	394,995	1,687	-	393,308
Time Deposits	-	-	-	248,967	6,114	-	242,853
Time Deposits-Retail	-	-	-	245,288	6,114	-	239,174
Time Deposits-Money Market	-	-	-	3,679	-	-	3,679
Senior Unsecured Debt	-	-	-	3,003	-	-	3,003
Cuenta global de captación sin movimientos	-	-	-	1,657	-	-	1,657
Due to Banks & Correspondents	-	-	11,826	51,508	17,564	-	33,944
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	11,826	35,777	17,564	-	18,213
Long Term Loans	-	-	-	15,731	-	-	15,731
Technical Reserves	-	-	-	107,606	52	240	107,794
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	308,569	6,905	-	301,665
Collateral sold or pledged as collateral	-	-	-	3	-	-	3
Transactions with Derivatives for trading purposes	-	-	-	24,608	-	-	24,608
Transactions with Derivatives for hedging purposes	-	-	-	12,401	-	-	12,401
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	1,255	-	-	1,255
Other Payable Accounts	137	0	54	51,552	372	18	51,198
Income Tax Payable	15	0	-	3,132	-	-	3,132
Profit Sharing Payable	-	-	-	405	-	-	405
Creditors for settlement of transactions	-	-	-	16,062	15	-	16,047
Creditors for collateral received in cash	-	-	-	11,083	-	-	11,083
Other Creditors & Accounts Payable	122	0	54	20,871	357	18	20,532
Subordinated Non Convertible Debt	-	-	-	32,445	-	-	32,445
Deferred Taxes, Net	-	-	-	1,286	1,286	-	-
Deferred Credits	-	-	6	654	225	-	429
TOTAL LIABILITIES	137	0	11,886	1,240,510	34,205	258	1,206,564
EQUITY							
Subscribed Capital	112	144	6,702	98,711	48,849	322	50,183
Paid-in Capital	112	144	6,198	56,861	42,270	-	14,591
Share Subscription Premiums	-	-	4	41,349	6,079	322	35,592
Contributions for future capital increases agreed by the governing body	-	-	500	500	500	-	-
Earned Capital	333	(5)	(3,129)	169,271	77,006	3,303	95,567
Capital Reserves	22	2	117	19,465	13,974	-	5,491
Retained Earnings	29	(6)	230	112,155	44,120	3,260	71,294
Surplus (Deficit) of Secs Available for Sale	-	-	(2,506)	(4,805)	(2,414)	-	(2,390)
Results from Valuation of Hedging Secs	-	-	(0)	(7,242)	(3,653)	-	(3,588)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	186	91	-	96
Results from Conversions	-	-	-	3,395	1,712	-	1,684
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(1,869)	(943)	-	(926)
Net Income	281	(2)	(969)	47,985	24,120	43	23,908
Capital Mayoritario	445	139	3,573	267,982	125,855	3,624	145,751
Minority Interest	-	-	-	280	-	1,552	1,832
Total Equity	445	139	3,573	268,262	125,855	5,176	147,583
TOTAL LIABILITIES & EQUITY	582	139	15,459	1,508,772	160,060	5,434	1,354,147

V. Appendix

Accounting Changes & Regulation

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).

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

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

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

Amendments to the revolving consumer portfolio's rating methodology

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

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

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

Changes in Seguros Banorte and Pensiones Banorte.

Seguros Banorte

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

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

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

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

Registration of changes in calculation methodology for Unexpired Risks

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

Securities Portfolio

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

Registration of Short-Term Life Insurance Premiums

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

Afore XXI Banorte's acquisition

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

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

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

Pensiones Banorte

Securities Portfolio

Also, in January 2016 Pensiones Banorte changed its classification of securities "Held to Maturity" to "Available for Sale" reflecting a deficit of Ps 7.86 billion in equity as of January 31st, 2016.

Changes to the calculation of the Severity of Loss for debtors in bankruptcy.

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

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

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

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

On December 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 4Q17
Corporate bonds	\$183.0	\$36.6	\$73.2

- 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 4Q17
Corporate bonds	\$2,728.7	\$545.7	\$1,091.48

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

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

Other short and long term assets ⁽¹⁾	(1299)
Total assets	1,352,400
Results from prior years	71,185
Measurements of defined benefits for employees	(2,564)
Total equity	145,836
Total liabilities plus equity	1,352,400

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

Early termination of the mortgage debtor support programs

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

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

As of December 31st, 2017, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government was Ps 523 million, with maturity dates between 2017 and 2027.

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

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

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

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

The accounting record of the sale was made based of the Official Letter P071/2016. Said Office authorizes Banorte to recognize profits derived from the sale of INB shares in the "Income from Prior Years" and not in the results of the corresponding year. As per requirements set forth in the NIF C-15 "Deterioration of long-term assets and their disposal".

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

By not being applying the authorized Special Accounting Register, the amounts that would have been recognized and presented in the Balance Sheet as of September 30, 2017 and December 31st, 2016 in the affected accounts would have been:

Accounting effect in 4Q17 including expenses associated with the sale.

4Q17	Numbers without Special Accounting Registry	Numbers with Special Accounting Registry	Variation
Income from prior years	71,652	71,294	(358)
Net Income	23,550	23,908	358
Total equity	147,584	147,584	0
Total liabilities + equity	1,354,147	1,354,147	0

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

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

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 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.

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-2 "Investment in financial instruments".
- NIF C-3 "Accounts Receivable".
- NIF C-9 "Provisions, contingencies and commitments".
- NIF C-10 "Derivative financial instruments and hedging operations".
- 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.

Liquidity Coverage Ratio – Regulatory Changes

In compliance with the current liquidity norm published on December 31 2014 by Comisión Nacional Bancaria y de Valores, starting on January 1st, 2018 the daily monitoring of Liquidity Coverage Ratio will take effect, and will have a minimum regulatory level of 90%. Monitoring will be based on maximum deviations from the base ratio.

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	sep-17	dic-17	ago-02	sep-17	dic-17	ago-02	sep-17	dic-17
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	20	19	0	0	0	54	20	19
Performing Loans	59	20	19	5	0	0	64	20	19
Commercial	405	192	184	293	1	1	698	193	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	208	205	0	0	0	1,112	208	205
Non Performing Loans	1,598	472	460	293	1	1	1,891	473	461
TOTAL LOANS	1,657	491	479	298	1	1	1,955	493	480
Commercial	326	192	184	246	1	1	572	193	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	210	205	0	0	0	669	210	205
Loan Loss Reserves (1)	1,072	473	460	246	1	1	1,318	474	461

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

(*) There was a reserve difference of Ps \$25 million as of December 2017.

(*) 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 4Q17 the Loan portfolio showed changes due to charge offs of PS 0.01 million, discounts of Ps 0.10 million, No changes in restructure nor foreclosed assets. In the Loan loss provisions, there were changes of Ps 2.72 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)	sep-17	dic-17	sep-17	dic-17	sep-17	dic-17
Performing Loans						
Commercial	321,689	321,767	41,182	44,384	362,872	366,151
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	99,186	101,995	0	0	99,186	101,995
Mortgage	130,103	135,424	0	0	130,103	135,424
Performing Loans	550,979	559,187	41,182	44,384	592,161	603,571
Non Performing Loans						
Commercial	5,711	5,115	49	1,610	5,759	6,725
Consumer	4,058	4,400	0	0	4,058	4,400
Mortgage	1,443	1,528	0	0	1,443	1,528
Non Performing Loans	11,212	11,043	49	1,610	11,261	12,653
TOTAL LOANS	562,191	570,230	41,231	45,994	603,422	616,224
Loan Loss Reserves	15,815	15,685	286	327	16,101	16,012
Net Loan Portfolio	546,375	554,545	40,945	45,667	587,320	600,212
Loan Loss Reserves					142.99%	126.55%
% Past Due Loans					1.87%	2.05%

1. Includes UDIS.

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

Notes to Financial Statements

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q17

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	196,330	1,211	165	197,706
Unrestricted	11,119	161	9	11,289
BONDES D	12	0	0	12
BONDES M	(357)	1	(7)	(364)
BPA	1	0	0	1
BREMS	-	-	-	-
Government Securities	152	0	2	154
Municipalities Securities	0	0	0	1
UDI Securities	-	-	-	-
CETES	9,607	156	(24)	9,739
CETES (Special)	-	-	-	-
Government Eurobonds	31	0	0	32
Udibonds	1,673	3	38	1,714
Restricted	185,211	1,049	157	186,417
BONDES D	28,230	56	8	28,294
BONDES M	984	4	(7)	981
BPA	151,477	983	155	152,615
BREMS	-	-	-	-
Government Securities	2,493	7	(6)	2,494
Municipalities Securities	-	-	-	-
UDI Securities	-	-	-	-
CETES	1,799	-	(1)	1,797
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	228	0	8	236
-	-	-	-	-
Banking Securities	39,040	106	10	39,155
Unrestricted	3,319	1	(0)	3,320
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	(0)	3
Bank Securities	42	0	(0)	42
Deposit Certificates	16	0	(0)	16
Structured Notes	-	-	-	-
Other Banking Securities	59	0	(0)	59
Promissory Notes	3,198	1	(0)	3,199
Restricted	35,721	105	10	35,835
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	1,878	3	(0)	1,881
Bank Securities	12,898	45	9	12,951
Deposit Certificates	13,955	54	(1)	14,008
Structured Notes	-	-	-	-
Other Banking Securities	727	3	1	731
Promissory Notes	6,264	-	1	6,265
-	-	-	-	-
Private Securities	1,777	1	379	2,158
Unrestricted	1,622	1	380	2,003
Shares	412	-	327	738
Investment Company Shares	768	-	27	795
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	447	1	28	476
Trust Stock Certificates	(9)	-	(2)	(11)
Private Eurobonds	3	0	0	3
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	155	0	(0)	155
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	129	0	(1)	129
Trust Stock Certificates	26	-	1	27
Private Eurobonds	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	237,146	1,318	554	239,019

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q17

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	132,886	2,289	562	135,737
Unrestricted	48,499	689	222	49,411
BONDES D	100	0	0	100
BONDES M	374	1	(38)	337
BPA	(4,412)	-	3	(4,409)
BREMS	7,778	6	-	7,785
Government Securities	269	2	15	286
Municipalities Securities	302	7	89	398
UDI Securities	17	0	3	21
CETES	1,820	-	(0)	1,820
CETES (Special)	-	-	-	-
Government Eurobonds	42,251	672	150	43,073
Udibonds	-	-	-	-
Restricted	84,387	1,600	340	86,327
BONDES D	11,377	48	5	11,430
BONDES M	-	-	-	-
BPA	64,240	1,457	(53)	65,644
BREMS	-	-	-	-
Government Securities	5,949	25	(1)	5,973
Municipalities Securities	-	-	-	-
UDI Securities	-	-	-	-
CETES	96	-	(0)	96
CETES (Special)	-	-	-	-
Government Eurobonds	2,725	69	389	3,184
Udibonds	-	-	-	-
Banking Securities	6,514	10	(1)	6,522
Unrestricted	6,514	10	(1)	6,522
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	254	2	33	289
Deposit Certificates	5,836	8	(3)	5,841
Structured Notes	424	-	(31)	392
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	29,965	436	(4,120)	26,281
Unrestricted	28,261	392	(4,156)	24,497
Shares	4,525	-	(3,935)	590
Investment Company Shares	3,570	-	102	3,672
ADRs	-	-	-	-
Stock Certificates BORHIS	122	0	(81)	41
Corporate Stock Certificates	5,460	40	(599)	4,901
Trust Stock Certificates	-	-	-	-
Private Eurobonds	14,583	352	357	15,293
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,705	44	35	1,784
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,705	44	35	1,784
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	169,365	2,735	(3,559)	168,540

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q17

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	88,615	241	-	88,857
Unrestricted	85,837	226	-	86,063
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,735	23	-	1,758
Municipalities Securities	2,862	59	-	2,921
UDI Securities	241	2	-	243
CETES	-	-	-	-
CETES (Special)	523	-	-	523
Government Eurobonds	-	-	-	-
Udibonds	80,476	142	-	80,618
Restricted	2,779	15	-	2,794
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,580	15	-	2,595
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	199	0	-	199
Banking Securities	1,202	676	-	1,878
Unrestricted	1,202	676	-	1,878
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	722	14	-	736
Deposit Certificates	300	539	-	839
Structured Notes	180	122	-	302
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	4,032	573	-	4,605
Unrestricted	1,440	564	-	2,004
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,440	564	-	2,004
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	2,593	9	-	2,601
Shares	-	-	-	-
Stock Certificates BORHIS	1	0	-	1
Corporate Stock Certificates	2,591	9	-	2,600
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(29)	-	-	(29)
Total	93,850	1,490	-	95,310

REPURCHASE AGREEMENT OPERATIONS 4Q17*(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	59,897	59,218	678	0	251,257
Banking securities	3,985	3,985	0	0	33,953
Private Securities	2,628	2,631	0	3162	16,455
Total	66,509	65,834	679	3	301,665

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 4Q17***(Million Pesos)*

Creditor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	120
Options	
Rate options	849
Fx options	111
Warrants	14
Swaps	
Rate swap	20,921
Fx swap	3,506
Negotiable Total	25,520
Options	
Rate Options	25
Fx options	-
Swaps	
Rate swap	180
Fx swap	-
Hedging total	205
Position total	25,725

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 4Q17
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	55
Options	
Rate options	784
Fx options	177
Swaps	
Rate swap	18,322
Fx swap	5,270
Negotiable Total	24,608
Swaps	
Rate swap	492
Fx swap	11,909
Hedging total	12,401
Position total	37,009

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 4Q17 - Banorte
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	7,382	63
FX Forwards	Sales	Exchange Rate (USD/MXN)	1,007	53
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)	2,065	8
FX Options	Sales	Exchange Rate (Dollar)	5,999	14
Interest Rate Options	Purchases	TIIE	66,597	131
Interest Rate Options	Sales	TIIE	74,168	560
Interest Rate Options	Purchases	LIBOR	6,845	24
Interest Rate Options	Sales	LIBOR	6,506	23
Interest Rate Swaps	USD LIBOR	LIBOR	391,050	3,419
Interest Rate Swaps	MXN TIIE	TIIE	1,283,767	3,927
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	0	0
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	67,360	76
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	18,120	41
Interest Rate and FX Swaps	CS EURMXN	FALSO	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FALSO	2,900	12

LOAN PORTFOLIO*(Million Pesos)*

	Local Currency		UDIS		Foreign Currency		Total	
	4Q16	4Q17	4Q16	4Q17	4Q16	4Q17	4Q16	4Q17
Commercial Loans	178,149	188,814	-	-	46,069	44,963	224,218	233,777
Financial Intermediaries' Loans	2,062	5,944	-	-	2,588	(0)	4,650	5,944
Consumer Loans	88,332	105,567	-	-	-	-	88,332	105,567
Mortgage Loans	114,618	135,250	189	155	-	-	114,807	135,405
Government Entities' Loans	134,182	127,537	(0)	3,008	616	4,360	134,798	134,905
Performing Loans	517,343	563,112	189	3,163	49,273	49,323	566,804	615,598
Commercial Loans	5,544	5,110	0	0	128	1,609	5,672	6,719
Financial Intermediaries' Loans	344	0	-	-	-	-	344	0
Consumer Loans	3,247	4,440	-	-	-	-	3,247	4,440
Mortgage Loans	1,034	1,303	16	21	0	0	1,049	1,323
Government Entities' Loans	-	-	-	-	-	-	-	-
Past Due Loans	10,169	10,853	16	21	128	1,609	10,312	12,482
Total Proprietary Loans	527,512	573,965	204	3,183	49,401	50,932	577,117	628,080

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 4Q17- GFNorte**
(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	9.4	0.0
Mortgage FOVI	-	-
	9.4	0.0

DEFERRED TAXES 4Q17*(Million Pesos)*

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	4,665	4,665
Non deductible provisions and cumulative income	1,011	1,011
Excess of accounting value over fiscal value on Repossessed Assets	1,040	1,040
Diminishable profit sharing	116	116
Fees received in advance	1,042	1,042
Effects from valuation of instruments	785	785
Tax losses pending amortization	1,113	1,113
Provisions for possible loss in loans	503	503
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	8	8
Total Assets	10,283	10,283
LIABILITIES		
Pension Funds Contribution	(870)	(870)
Loan Portfolio Acquisitions	(256)	(256)
Projects to be capitalized	(3,521)	(3,521)
Intangibles' amortizations	(1)	(1)
Effects from valuation of instruments	(2,006)	(2,006)
Intangibles' amortizations	(608)	(608)
Unrealized Loss on Securities held for Sale	(72)	(72)
Total Liabilities	(7,334)	(7,334)
Assets (Liabilities) Accumulated Net	2,949	2,949

LONG TERM DEBT AS OF DIC 29, 2017 - 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	2,652	20 years	4.950%	15-feb-28	E/ 182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,360	10 years	9.25%	14-oct-20	E/ 180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,831	15 years	5.750%	04-oct-31	E/ 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	6,882	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	10,815	Perpetual	7.625%	NA	Quarterly

BANK AND OTHER ENTITIES LOANS' AS OF 4Q17*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	104	104
Loans from Development Banks	11,117	6,097	17,214
Loans from Public Funds	10,910	999	11,909
Call Money & Loans from Banks	21,932	-	21,932
Loans from Fiduciary Funds	107	-	107
Provisions for Interest	242	-	242
	44,309	7,200	51,508
Eliminations			(17,564)
Total			33,945

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 4Q17**
CORE DEPOSITS (BANORTE)**Demand Deposits**

Local Currency and UDIs	0.76%
Foreign Currency	0.02%

Time Deposits - Retail

Local Currency and UDIs	5.57%
Foreign Currency	0.20%

Time Deposits - Money Market

Local Currency and UDIs	7.27%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	6.89%
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Public Funds and Development Banks

Local Currency and UDIs	10.50%
Foreign Currency	3.37%

MAIN CREDIT LINES RECEIVED 4Q17 (BANORTE)*Million pesos*

	4Q16	3Q17	4Q17	Change vs. 4Q16	Change vs.4Q17
Banxico (Monetary Regulation Deposits)	33,449	33,418	33,441	(0%)	0%
Banxico (Repos with the System of Payments)	49,093	55,180	56,874	16%	3%
Call Money	112,925	111,582	90,478	(20%)	(19%)
TOTAL	195,467	200,181	180,794	(8%)	(10%)

TRADING INCOME 4Q17*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	761
Negotiable instruments	24
Derivative instruments - Negotiation	783
Derivative instruments - Hedging	-47
Impairment loss or revaluation increase	-977
Result from foreign exchange valuation	-159
Result from valuation of precious metals	5
Result from purchase/sale of securities and derivatives	1,298
Negotiable instruments	1,167
Securities held for sale	-7
Securities held to maturity	0
Derivative instruments - Hedging	137
Result from purchase/sale of foreign exchange	1,726
Result from purchase/sale of precious metals	4
Total	2,657

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:

- 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).
- Establish mechanisms to monitor risk-taking across GFNorte, through the use of robust systems and processes.
- Verify the observance of Risk Appetite.
- Estimate and control GFNorte's capital, under regular and stressed scenarios, aiming to provide coverage for unexpected losses from market movements, credit bankruptcies, and operational risks.
- Implement pricing models for different types of risks.
- Establish procedures for portfolio's optimization and credit portfolio management.
- Update and monitor Contingency Plan in order to restore capital and liquidity levels in case of adverse events.

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

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

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

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

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

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

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

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

1.1 Risk Management – Structure and Corporate Governance

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

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

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

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

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

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

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

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

1.2 Scope and Nature of GFNorte's Risk Management

The 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 December 31, 2017 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method <i>(Million pesos)</i>	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	162,071	23,141	531	185,743
YoY Revenues or Sales < 14 MM UDIS	60,942	982	430	62,355
YoY Revenues or Sales >= 14 MM UDIS	101,128	22,159	100	123,388
States or Municipalities	83,176	163	0	83,339
Decentralized Federal Government Agencies and State Companies	49,640	1,788	0	51,428
Projects with own source of payment	54,929	0	0	54,929
Financial Institutions	22,875	646	0	23,521
Mortgage	136,728	0	0	136,728
Consumer	106,324	6	3,680	110,010
Credit Card	36,093	0	0	36,093
Non-revolving	70,231	6	3,680	73,916
Total Loans subject to the Standard Method	615,744	25,744	4,211	645,698
Eliminations				(17,618)
Total Loans				628,080

*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 and Verum. Only ratings issues by rating agencies are considered, and are not assigned based on comparable assets.

2.2.1 Loan Portfolio

GFNorte's Credit Risk loan portfolio as of December 2017 presented an exposure of Ps 628,080 million, higher in Ps 15,425 million or +2.5% QoQ and Ps 50,963 million or +8.8% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment <i>(Million pesos)</i>	Total Loan			Var. vs 3Q17		Var. vs 4Q16	
	4T16	3T17	4T17	\$	%	\$	%
Government	134,798	131,460	134,905	3,445	2.6%	107	0.1%
Commercial	128,799	133,774	140,740	6,967	5.2%	11,941	9.3%
Mortgage	115,856	131,318	136,728	5,410	4.1%	20,872	18.0%
Corporate	106,085	108,794	105,700	(3,094)	(2.8%)	(385)	(0.4%)
Payroll	46,281	53,937	54,490	553	1.0%	8,209	17.7%
Credit Card	30,068	35,216	36,093	878	2.5%	6,025	20.0%
Auto Loans	15,229	18,157	19,423	1,266	7.0%	4,193	27.5%
Total Loans	577,117	612,656	628,080	15,425	2.5%	50,963	8.8%

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past-due	Performing	Past-due		
Banorte*	584,454	7,318	1,481	4,874	598,126	15,359
Arrendadora y Factoraje	25,576	3	14	151	25,744	290
Sólida	4,074	111	0	25	4,211	268
Accounting Records						206
Total Loans	614,103	7,432	1,495	5,050	628,080	16,122

* Banorte's total loans include eliminations for (Ps 17,618)

Total reserves of Ps 16,122 million, include rating reserves of Ps 15.92 billion and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) of Ps 206 million.

GFNorte's performing, past-due and distressed portfolios in 4Q17 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		4Q17	Var. vs 3Q17		
Government	134,905	0	0	0	134,905	702	26	0	0
Services*	53,868	18	190	519	54,595	764	(59)	80	232
Commerce	43,949	41	290	1,414	45,695	1,065	(14)	142	344
Manufacturing	39,682	1,567	178	376	41,803	540	9	58	101
Construction	37,082	21	197	2,459	39,759	1,402	(243)	47	1,319
Top 5 Sectors	309,486	1,646	855	4,769	316,756	4,473	(281)	326	
Other Sectors	63,645	23	640	282	64,590	924	16	28	
Mortgage	135,405	1,323	0	0	136,728	933	(3)	303	
Consumer	105,567	4,440	0	0	110,007	9,587	167	2,760	
Accounting Records						206			
Total Group	614,103	7,432	1,495	5,050	628,080	16,122	(102)	3,417	

* Includes Financial, Real Estate and Other Services

**Days past due from Non-Performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Sólida	Total Loans
Government	132,816	2,088	0	134,905
Services**	50,822	3,772	0	54,595
Commerce	40,998	4,267	430	45,695
Manufacturing	33,173	8,630	0	41,803
Construction	35,403	4,255	100	39,759
Top 5 Sectors	293,212	23,013	531	316,756
Remaining	304,914	2,731	3,680	311,325
Total Loans	598,126	25,744	4,211	628,080

* Banorte's total loans include eliminations for (Ps 17,618)

** Includes Financial and Real Estate services

As of 4Q17, 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	178,185	1,397	869	3,011	183,462	5,106
2	Nuevo León	94,274	2,300	78	283	96,935	2,029
3	Estado de México	51,169	701	91	274	52,234	1,459
4	Jalisco	36,561	385	46	177	37,170	867
5	Tamaulipas	18,797	180	20	188	19,186	515
6	Sinaloa	16,650	121	17	115	16,904	350
7	Veracruz	15,697	237	58	165	16,157	494
8	Coahuila	15,946	131	33	40	16,150	324
9	Chihuahua	15,453	165	27	74	15,718	376
10	Sonora	14,969	85	13	21	15,088	286
Top 10		457,701	5,702	1,253	4,348	469,003	11,807
Other Federal Entities		156,403	1,730	242	703	159,077	4,110
Accounting Records							206
Total Loans		614,103	7,432	1,495	5,050	628,080	16,122

* Banorte's total loans include eliminations for (Ps 17,618)

As of 4Q17, 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	78,319	3,825	171	3,378	85,692	6,804
1 - 5 years	109,435	599	633	1,182	111,848	2,490
5 - 10 years	103,137	160	101	315	103,714	743
> 10 years	293,563	2,734	575	0	296,872	5,321
Banorte*	584,454	7,318	1,481	4,874	598,126	15,359
Factoring	12,971	2	10	68	13,051	129
Leasing	12,604	2	4	83	12,693	160
Sólida	4,074	111	0	25	4,211	268
Accounting Records						206
Total Loans	614,103	7,432	1,495	5,050	628,080	16,122

* Banorte's total loans include eliminations for (Ps 17,618)

The total distressed portfolio is Ps 6,545 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio (Million pesos)	4Q17			
	Banorte	Arrendadora y Factor	Sólida	GFNorte
Initial Loan Loss Provisions	3,089	76	15	3,180
Charged to results	197	10	0	206
Loans' write offs	123	0	0	123
FX changes	2	0	0	2
Adjustments in Credit Risk	71	10	0	81
Received in lieu of payment	(138)	0	0	(138)
Write-offs, charge-offs and discounts	(353)	0	0	(353)
Final Loan Loss Reserves	2,795	86	15	2,896
Loan Recoveries	55	0	0	55

2.2.2 Exposure to Financial Instruments

As of December 31, 2017, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 280.14 billion, of which 99.2% 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 9% of the Tier 1 Capital as of September 2017. 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 September 2017 has higher or similar rating to A(mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 6 years and 1 months for Ps 15.382 million at 3.9%; and debenture bond and stock certificates from Banco Interacciones for 2 months for Ps.5.6 billion at 7.6%

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 September 2017

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte was Ps 114,401, of which 100% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 28% of the Capital as of September 2017. 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 September 2017 has a higher or similar rating to A+(mex) and are comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market certificates of CFE to 1 year and 7 months for Ps 2.025 billion at 7.9%; market certificates of PEMEX to 1 year and 11 months for Ps 1.59 billion at 7.6%; market certificates of HSBC Mexico for 11 months for Ps 1.11 billion at 7.9%; market certificates of Scotiabank Inverlat for 3 months for Ps 727 million at 7.7%; market certificates of Bancomer for 3 months for Ps 611 million at 7.7%; bonds of Deutsche Bank for 5 years and 5 months for Ps 542 million at 11.3%; market certificates of Banco Inbursa for 11 months for Ps 389 at 7.7%; market certificates of Banco Interacciones for 2 years and 1 month for Ps 386 million at 8.6%; bonds of CABEL for 1 year for Ps 160 million at 7.6%; and market certificates of Banco Monex for 7 months for Ps 144 million at 8.4%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 85 thousand, 100% of them are shares. In derivatives, its exposure is Ps 38 thousand with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 325 million. The 100.0% of them are shares. Its exposure to derivatives was Ps 9 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)	4Q17	4Q17 Average
Forwards	17	125
Options	24	7
Interest Rate Swaps	3,895	3,755
Cross Currency Swap	(13,617)	(11,527)
Total	(9,682)	(7,639)
Positive Fair Value (Positive Fair Value)	10,584	8,775
Netting Effect*	20,265	16,415
Delivered Guarantees(-) /Received(+)		
Cash	(6,580)	(6,155)
Securities	0	0
Total	(6,580)	(6,155)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value.
Operations settled in *Camara de Compensación* are not included because they have no counterparty 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	4Q17	4Q17 Average	4Q17	4Q17 Average
FWD	116	310	7	125
OPTIONS	1,117	935	711	560
INTEREST RATE SWAP	15,621	13,202	5,921	4,602
CCS	865	932	(13,589)	(11,494)
Total	4,142	4,283	(6,950)	(6,206)
Clients (Non-Financial)	4T17	Promedio 4T17	4T17	Promedio 4T17
FWD	45	38	10	0
OPTIONS	25	29	(687)	(553)
INTEREST RATE SWAP	813	1,170	(2,026)	(847)
CCS	26	24	(28)	(33)
Total	895	1,245	(2,731)	(1,433)

Note.- The total for potential risk considers netting effects between the different types of products.

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)	4Q17	4Q17 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)	4Q17	4Q17 Average
AAA/AA-	0	0
A+/A-	(5,401)	(5,025)
BBB+/BBB-	(1,540)	(1,144)
BB+/BB-	(1,348)	(793)
B+/B-	0	(32)
CCC/C	(4)	(4)
SC	(1,389)	(640)
Total	(9,682)	(7,639)

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)	4Q17			
	Banorte	Arrendadora y Factor**	Sólida	GFNorte*
Total Loan Portfolio	615,744	25,744	4,211	628,080
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	17,580	0	0	17,580
Real Non-Financial Guarantees	333,134	5,627	25	338,786
Pari Passu	21,683	0	0	21,683
First Losses	33,321	0	0	33,321
Personal Guarantees	14,991	5,876	0	20,867
Total Loan Portfolio Covered	420,709	11,503	25	432,237

*Total Loans includes eliminations for (Ps 17,783).

** Excludes pure leasing

2.4 Expected Loss

As of December 31, 2017, Banco Mercantil del Norte's total portfolio was Ps 615,744. The expected loss represents 2.2% and the unexpected loss is 4.1% with respect to the total portfolio. The average expected loss is 2.3 during the period October– December 2017.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 114,401 billion and the expected loss represents 0.02% of the exposure. The average expected loss is 0.03% between October– December 2017.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 29,807 billion. The expected loss represents 0.8% and the unexpected loss is 3.8% of the total portfolio. The average expected loss represents 0.8% during the October – Decemberr 2017 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 4.21 billion. The expected loss of the portfolio represents 10.3% and the unexpected loss 11.2%, both with respect to the total portfolio. The average expected loss for the period of October – Decemeber 2017 was 10.5%.

2.5 Risk Diversification

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

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

Tier 1 as of September 30, 2017	98,044
I. Financings whose individual amounts represent more than 10% of basic equity:	
<u>Loan Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Tier 1	0%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Tier 1	0%
<u>Overnight Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Tier 1	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	41,187

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 September 30, 2017	4,926
I. Financings whose individual amounts represent more than 10% of equity:	
<u>Loan Operations</u>	
Number of financings	4
Total amount of financings	4,548
% in relation to Equity	92%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Overnight Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	6,446

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 September 30, 2017		3,999
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		1
Total amount of financings		430
% in relation to Equity		11%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		672

1. 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 4Q17 was Ps 37.1 million (Ps 20.2 million lower than the average VaR from last quarter).

The result shows that the Bank's potential loss will be above Ps 37.1 million in one out of a hundred days.

VaR Million Pesos	Average 4Q17
VaR Total	37.1
Net Capital	108,609
VaR/Net Capital	0.03%

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

Risk Factor Million Pesos	4Q17	Average 4Q17
Rates	28.4	32.8
FX	13.5	9.0
Equity	8.8	8.0
Diversification Effect	(17.3)	(12.7)
Bank's Total VaR	33.5	37.1

VaR for 4Q17 was Ps 33.5 million. The contribution to VaR for each risk factor is:

Risk Factor Million Pesos	4Q17	Average 4Q17
Rates	25.7	24.1
FX	3.7	0
Equity	4.0	11.0
Diversification Effect	0.1	2.1
Bank's Total VaR	33.5	37.1

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	4Q17
Rates	56%
FX	27%
Equity	17%

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 4Q17 was Ps 12.5 million, +Ps 2.2 million higher vs. 2Q17.

The result shows that potential loss will be above Ps 12.5. million in one out of a hundred days.

VaR Million Pesos	Average 4Q17
Total VaR	12.5
Net Capital	2,371
VaR/Net Capital	0.53%

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

Risk Factor (Million Pesos)	4Q17	Average 4Q17
Rates	19.0	12.5
FX	0	0
Equity	0	0
Diversification effect	0	0
Casa de Bolsa Total VaR	19.0	12.5

VaR at the end of 4Q17 was Ps 19.0 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 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.

2. 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)	3Q17	4Q17	Change vs. 3Q17
Demand Deposits			
Local Currency ⁽¹⁾	327,769	345,650	5.5%
Foreign Currency ⁽¹⁾	50,698	51,142	0.9%
Demand Deposits	378,467	396,792	4.8%
Time Deposits – Retail			
Local Currency ⁽²⁾	173,757	174,297	0.3%
Foreign Currency	19,181	19,320	0.7%
Core Deposits	571,406	590,410	3.3%
Money Market			
Local Currency ⁽³⁾	51,685	55,394	7.2%
Banking Sector Deposits	623,091	645,804	3.6%

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 4Q17.

LCR Components <i>(Million Pesos)</i>		Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	105,614
CASH DISBURSEMENTS			
2	Unsecured retail financing	356,803	23,622
3	Stable financing	241,169	12,058
4	Less stable financing	115,634	11,563
5	Unsecured wholesale financing	208,509	73,595
6	Operational Deposits	145,289	31,863
7	Non-Operational Deposits	58,681	37,193
8	Unsecured debt	4,539	4,539
9	Secured wholesale financing	253,245	17,523
10	Additional Requirements:	237,396	15,833
11	Disbursements related to derivatives and other guarantee requirements	47,222	5,237
12	Disbursements related to losses from debt financing	0	0
13	Lines of credit and liquidity	190,174	10,596
14	Other contractual financing obligations	0	0
15	Other contingent financing liabilities	0	0
16	TOTAL CASH DISBURSEMENTS	NA	130,573
CASH INFLOWS			
17	Cash Inflows for secured operations	20,306	543
18	Cash Inflows for unsecured operations	52,633	40,890
19	Other Cash Inflows	2,962	2,962
20	TOTAL CASH INFLOWS	NA	44,395
		Adjusted amount	
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	105,614
22	TOTAL NET CASH DISBURSEMENTS	NA	86,177
23	LIQUID COVERAGE RATIO	NA	123.42%

During 4Q17, the average LCR for the Bank and Sofomes was 123.42%, and at the end of 4Q17 the LCR was 108.23% 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 3Q17 and 4Q17 is presented in the following table:

LCR Component (Million Pesos)	3Q17	4Q17	Var. vs. 3Q17
Liquid Assets	95,498	121,972	27.7%
Cash Inflows	39,337	30,476	(22.5%)
Cash Outflows	123,511	143,171	15.9%

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 3Q17 and 4Q17 are distributed as follows:

Type of Asset (Million Pesos)	3Q17	4Q17	Var. vs. 3Q17
Total	95,498	121,972	27.7%
Level I	86,989	112,445	29.3%
Level II	8,509	9,527	12.0%
Level II A	7,091	7,762	9.5%
Level II B	1,418	1,765	24.5%

Liquid assets increased in the quarter closing comparison in 3Q17 and 4Q17, due to the acquisition of federal government securities denominated in foreign currency and auctions in Banco de México..

4.5 LCR Result's Main Causes

Variations in the LCR between 2Q17 and 3Q17 are mainly due to the increase in level 1 liquid assets, mainly in federal government instruments denominated in foreign currency (UMS) and auctions in Banco de México.

4.6 Liquidity Risk in foreign currency

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

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

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

4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 4Q17, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	3Q17	4Q17	Var. vs. 3Q17
Net cash outflows at market value and for potential future exposure	4,137	4,351	5.2%
Cash outflows for a 3 notch credit rating downgrade.	0	0	0%

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 4.351 billion, stables vs 3Q17 .

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 4Q17 are presented in the following table.

Concept (Million Pesos)	3Q17	4Q17	Var. vs. 3Q17
Cumulative 30 day Gap	(58,934)	(75,073)	27.4%
Liquid Assets	60,297	78,540	30.3%

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 4Q17:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(32,525)	(15,250)	(27,299)	4,934	(9,485)	9,431
Accumulated Gap	(32,525)	(47,775)	(75,073)	(70,140)	(79,624)	(70,194)

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 Balanced 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 4Q17 amounted to Ps 152.9 billion and in average during 4Q17 to Ps 141,4 billion.

(Million Pesos)	3Q17	4Q17	Var. vs. 3Q17
Margin Sensitivity	870	901	3.6%

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 4Q17.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	1,597	(4,164)	(3,694)
Liquid assets	1,973	17	72

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 fulfilment of its obligations in the trust agreement and administration contract.

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

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

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

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

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

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

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

On the other hand, the Institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By December 31, 2017 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same Institution:

Securitization (Million pesos)	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNTECB_07	50,763,776	2,005	500,000	20	51,263,776	2,025
91_BNTECB_07-2	563,059	19	-	-	563,059	19
97_BNORCB_06	4,938,137	4	500,000	0	5,438,137	4
97_BNORCB_06-2	576,011	2	-	-	576,011	2
97_FCASACB_06U	-	-	-	-	-	-

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

Securitization (Million pesos)	Issued Securities	Banorte	Insurance	Total GFNorte	Total Clients
91_BNTECB_07	52,313,776	97.0%	1.0%	98.0%	2.0%
91_BNTECB_07-2	1,113,059	50.6%	0.0%	50.6%	49.4%
97_BNORCB_06	19,853,820	24.9%	2.5%	27.4%	72.6%
97_BNORCB_06-2	620,431	92.8%	0.0%	92.8%	7.2%
97_FCASACB_06U	1,351,386	0.0%	0.0%	0.0%	100.0%

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

Securitization	Standard & Poor's		Fitch Ratings		Moody's		HR Ratings	
	Local	Global	Local	Global	Local	Global	Local	Global
91_BNTECB_07					Aa2.mx	Baa2	HR AAA	
91_BNTECB_07-2					A3.mx	Ba3	HR AA+	
97_BNORCB_06	mxAAA		AAA (mex)		Aaa.mx	A3		
97_BNORCB_06-2	mxAA		AA-(mex)					
97_FCASACB_06U	mxAA		A-(mex)					

As of December 31, 2017 the amounts of the underlying assets of each securitization were:

Securitization (Million pesos)	Amount		
	Performing	Past-Due	Total
91_BNTECB_07	\$2,785	\$0	\$2,785
91_BNTECB_07-2			
97_BNORCB_06	\$73	\$83	\$156
97_BNORCB_06-2			
97_FCASACB_06U	\$118	\$136	\$255

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%)	2,009	32
Securitized with Risk Level 2 (weighted 50%)	21	1
Securitized with Risk Level 3 (weighted 100%)	0	0
Securitized with Risk Level 4 (weighted 350%)	0	0
Securitized with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

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

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

6.1 Applied Accounting Policies

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

- Eliminate transferred financial assets at the last book value;
- Recognition for the consideration received in the operation;
- 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 December 2017, Banco Mercantil del Norte held shares amounting to Ps 4.090 billion, with gains of Ps 185 million.

During the fourth quarter, accumulated profits from sales and settlements were Ps 19 million.

For the purpose of estimating Capital Ratio, no deductions were made for the calculation of the Core Tier 1. For negotiable securities, the capital requirement for Market Risk was Ps 44 million. For securities available for sale, the capital requirement for Market Risk was Ps 52 million and for Credit Risk Ps 0.47 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q17	Gains / Losses 4Q17	Acumm.. Profit / Loss 3Q17-4Q17
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	37.5	(21)	(13)
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	(4.6)
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,672	101	10
Banorte	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	206	105	0
Banorte	Public	Securities Available for Sale	Subject to Credit Risk Requirement	174	32	0
Total				4,090	185	(8)

In December 2017 it has a position of 479 million pesos in Casa de Bolsa Banorte. During the quarter, there were no losses from sales nor settlements.

For the purpose of estimating Capitalization Ratio, investments that are deducted from the Net Capital are not included. For securities available for sale, the capital requirement for Market risk was Ps 3 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q17	Gains / Losses 4Q17	Acumm. Profit / Loss 3Q17-4Q17
Casa de Bolsa Banorte-lxe	Public	Negotiable Securities	Subject to Market Risk Requirement	479	246	0
Casa de Bolsa Banorte-lxe	w/o public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	0
Casa de Bolsa Banorte-lxe	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	0
Casa de Bolsa Banorte-lxe	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	0	0	0
Casa de Bolsa Banorte-lxe	Public	Securities Available for Sale	Subject to Credit Risk Requirement	0	0	0
Total				479	246	0

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 fourth of 2017, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- C. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- D. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted. Regular inspection visits were carried out.
- E. The Corporate Governance documents related to Internal Control were reviewed and updated, which were presented through the CAPS to the Board of Directors for authorization.
- F. Through Process and Management Controllers, various business and support processes that make up the operation in GFNorte are monitored, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
- G. Requests regarding internal control subjects from diverse internal departments were handled, to the development of new institutional projects, as well as those derived from changes to the Regulation.
- H. Effectiveness tests related to the Business Continuity Plan were executed.
- I. The requests from different internal areas regarding internal control were met, both in support of the development of new institutional projects, as well as those that derive from changes to the Regulation.

FINANCIAL SITUATION AND LIQUIDITY

Internal and External Liquidity Sources

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

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

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

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

Dividend Policy

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

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

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

Related Parties Loans

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions cannot 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, 2017, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Dec-2017	% Basic Equity	Sep 2017	% Basic Equity
Banorte	Ps 19.41	19.8%	Ps 13.87	17.4%

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

Banorte

As of December 31, 2017, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 19.410 billion (including Ps 5 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 3.2% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 16.769 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.561 billion were granted to clients linked to shareholders and Ps 1.12 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of December 2017 was 19.8% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 97% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

Banorte

As of **September 30, 2017**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 13.9 billion (including Ps 5 billion in — Letters of Credit “CC”, which are registered in memorandum accounts), representing 2.3% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 11.17 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.58 billion were granted to clients linked to shareholders and Ps 1.12 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 2017 was 17.4% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 96% of the related party loans are rated in Category “A”, and the majority of these loans were classified as commercial loans.

Loan or tax liabilities

The tax credits listed below are currently in litigation:

As of December 31, 2017	
BANORTE	\$0
IMSS fees	0
INFONAVIT fees	
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$5
Philippines 2007 - 2008	5
CASA DE BOLSA	\$33
–Financial year 2007 (document 900 06 05-2010-03968)	33
IXE BANCO	\$13
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	13

Million pesos

People in Charge

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

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

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

C.P. Isaías Velázquez González
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

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

Basis for submitting and presenting Financial Statements

Grupo Financiero Banorte (GFNorte). Issues consolidated financial statements with its Subsidiaries in accordance with the General Provisions applicable to Financial Groups' Holding Companies which regulates matters that correspond, in tandem, to the National Supervisory Commissions (the Provisions) published in the Official Gazette of the Federation on January 9, 2015.

Consolidated Bank. Issues consolidated financial statements with its subsidiaries in conformity with the General Provisions for Financial Information of Credit Institutions in effect as published on December 2, 2005 and modified on March 3 and 28, September 15, December 6 and 8, 2006, January 12, March 23, April 26, November 5, 2007, March 10, August 22, September 19, October 14, December 4, 2008, April 27, May 28, June 11, August 12, October 16, November 9, 2009, December 1 and 24, 2009, January 27, February 10, April 9 and 15, May 17, June 28, July 29, August 19, September 9 and 28, October 25, November 26, December 20, 2010, January 24 and 27, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, December 28, 2011, June 19, July 5, October 23, November 28, December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2, December 24, 2013, January 7 and 31, March 26, May 12 and 19, July 3 and 31, September 24, October 30, December 8 and 31, 2014, January 9, February 5, April 30, May 2 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, April 7 and 28, June 22, July 7 and 29, August 1 and September 19 and 28, December 27, 2016, and January 6, April 4 and 27, May 31, June 26, July 4 and 24, August 29 and October 6 and 25 November 2017 and 18 of December 2017 respectively.

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

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