

4Q16

Financial Results as of December 31, 2016

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GFNORTE



OTC QX

GBOOY



XNOR

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“Best Latin America Executive Team 2016”



“Bank of the Year 2016 - Mexico”



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I. Summary

GFNorte reports Net Income of Ps 19.31 billion in 2016, up 13% from same period last year

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

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

- **Fourth-quarter** Net Income of Ps 5.24 billion, presenting outstanding **sequential growth of 5%**, driven by an adequate strategy, sound fundamentals, margin expansion and a healthy business diversification. Main increases in the quarter were **Bank +11%, Arrendadora y Factor +17% and Pensions Fund +11%**.
- Quarterly key ratios posted a substantial improvement: **NIM at 5.0%***, **non-performing loans ratio** improved to **1.8%**, from 2.2%, **reserves coverage ratio to 139%**, from 124%, **ROE at 14.9%**, from 14.1% and **ROA at 1.7%**, up +7bp.
- Net Interest Income (**NII**) grew **+4%*** in the quarter; loan loss provisions practically flat; fees were up +11%*. During the quarter, **we had a record net operating income** of Ps 7.02* billion.
- **Accumulated figures in 2016** show **sound earnings growth from subsidiaries**: Banorte Bank +14%, Insurance +19%, Leasing and Factoring +22% and Annuities +39%.
- Annual key financial ratios improved substantially. **NIM to 4.9%***, from 4.5%, **NPL Ratio at 1.7%***, from 2.2%, **reserves coverage ratio to 142%*** from 116%, **Efficiency Ratio to 45 %**, from 48%, **ROA to 1.58%**, from 1.47%, and **ROE to 13.9%**, from 13.3%.
- **NII** up +14%* vs. 2015. Moreover, loan loss provisions grew +25%* yearly, on new loan origination.
- **Revenues from core banking fees** increased **+16%*** annually on higher transaction volume. **Trading Income** decreased (**20%**) YoY due to the strong volatility in global financial markets.
- In spite of inflationary pressures, **Non-Interest Expenses** grew only **+5.8%*** yearly, once again as a tangible result of **strict expense management**. **Net operating income** grew annually +14%*.
- Strong annual growth in the **Consumer, Corporate and Commercial books +17%*** YoY each segment. **Performing loans** increased **+14%*** YoY. Non-performing loans posted an annual decline of (**13%***).
- **Deposits from clients** increased **+14%*** YoY, demand +15%* and time +12%*.
- **Capital ratios remain solid**, at 15.28% and equity grew +4%*. Moreover, the increase in the capital ratio was supported by the issuance of the subordinated notes in October 2016.
- The leverage ratio as of 2016 remained solid at 7.77%.

**Official results and consolidated financial results of INB and Banco Mercantil del Norte, as reported until 3Q16, are provided for comparison purposes. .*

Income Statement Highlights - GFNorte (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Net Interest Income	12,355	13,647	13,170	(3%)	7%	47,408	53,057	12%
Fees on Services	2,598	2,776	2,940	6%	13%	9,867	10,628	8%
Trading	561	722	400	(45%)	(29%)	2,991	2,346	(22%)
Other Operating Income (Expenses)	1,267	952	963	1%	(24%)	3,001	3,491	16%
Non Interest Income	4,426	4,449	4,303	(3%)	(3%)	15,859	16,465	4%
Total Income	16,781	18,096	17,473	(3%)	4%	63,267	69,522	10%
Non Interest Expense	7,722	8,167	7,591	(7%)	(2%)	30,295	31,243	3%
Provisions	2,495	3,289	3,257	(1%)	31%	10,719	13,313	24%
Operating Income	6,564	6,640	6,625	(0%)	1%	22,253	24,965	12%
Taxes	1,855	1,945	1,804	(7%)	(3%)	6,106	6,878	13%
Subsidiaries' Net Income	301	353	257	(27%)	(15%)	1,201	1,246	4%
Minority Interest	(71)	(72)	(77)	7%	9%	(240)	(269)	12%
Extraordinary Items, net	-	-	243	-	-	-	243	-
Net Income	4,940	4,976	5,244	5%	6%	17,108	19,308	13%

Balance Sheet Highlights - GFNorte (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Asset Under Management	2,105,565	2,296,019	2,184,877	(5%)	4%
Performing Loans (a)	518,188	553,454	566,804	2%	9%
Past Due Loans (b)	11,903	12,300	10,312	(16%)	(13%)
Total Loans (a+b)	530,091	565,753	577,117	2%	9%
Total Loans Net (d)	516,279	550,470	562,733	2%	9%
Acquired Collection Rights (e)	2,217	2,223	2,025	(9%)	(9%)
Total Credit Portfolio (d+e)	518,496	552,693	564,759	2%	9%
Total Assets	1,198,476	1,219,271	1,268,119	4%	6%
Total Deposits	561,462	567,944	574,559	1%	2%
Total Liabilities	1,061,124	1,075,687	1,125,418	5%	6%
Equity	137,351	143,584	142,701	(1%)	4%

Financial Ratios GFNorte	4Q15	3Q16	4Q16	2015	2016
Profitability:					
NIM (1)	4.6%	4.9%	4.7%	4.5%	4.8%
ROE (2)	14.8%	14.1%	14.9%	13.3%	13.9%
ROA (3)	1.7%	1.62%	1.69%	1.47%	1.58%
Operation:					
Efficiency Ratio (4)	46.0%	45.1%	43.4%	47.9%	44.9%
Operating Efficiency Ratio (5)	2.6%	2.7%	2.4%	2.6%	2.5%
CCL for Banorte and SOFOM - Basel III (6)	107.8%	119.4%	99.6%	107.8%	99.6%
Asset Quality:					
Past Due Loan Ratio	2.2%	2.2%	1.8%	2.2%	1.8%
Coverage Ratio	116.0%	124.3%	139.5%	116.0%	139.5%

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

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

Income Statement Highlights - GFNorte <i>Consolidated with Inter National Bank (INB) (Million Pesos)</i>	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Net Interest Income	12,355	13,647	14,157	4%	15%	47,408	54,044	14%
Fees on Services	2,598	2,776	3,088	11%	19%	9,867	10,777	9%
Trading	561	722	439	(39%)	(22%)	2,991	2,385	(20%)
Other Operating Income (Expenses)	1,267	952	1,060	11%	(16%)	3,001	3,588	20%
Non Interest Income	4,426	4,449	4,587	3%	4%	15,859	16,749	6%
Total Income	16,781	18,096	18,744	4%	12%	63,267	70,792	12%
Non Interest Expense	7,722	8,167	8,407	3%	9%	30,295	32,059	6%
Provisions	2,495	3,289	3,314	1%	33%	10,719	13,370	25%
Operating Income	6,564	6,640	7,023	6%	7%	22,253	25,363	14%
Taxes	1,855	1,945	1,959	1%	6%	6,106	7,033	15%
Subsidiaries' Net Income	301	353	257	(27%)	(15%)	1,201	1,246	4%
Minority Interest	(71)	(72)	(77)	7%	9%	(240)	(269)	12%
Extraordinary Items, net	-	-	-	-	-	-	-	-
Net Income	4,940	4,976	5,244	5%	6%	17,108	19,308	13%

Balance Sheet Highlights - GFNorte <i>Consolidated with Inter National Bank (INB) (Million Pesos)</i>	4Q15	3Q16	4Q16*	Change	
				3Q16	4Q15
Asset Under Management	2,105,565	2,296,019	2,211,506	(4%)	5%
Performing Loans (a)	518,188	553,454	588,548	6%	14%
Past Due Loans (b)	11,903	12,300	10,382	(16%)	(13%)
Total Loans (a+b)	530,091	565,753	598,930	6%	13%
Total Loans Net (d)	516,279	550,470	584,211	6%	13%
Acquired Collection Rights (e)	2,217	2,223	2,025	(9%)	(9%)
Total Credit Portfolio (d+e)	518,496	552,693	586,237	6%	13%
Total Assets	1,198,476	1,219,271	1,296,116	6%	8%
Total Deposits	561,462	567,944	601,188	6%	7%
Total Liabilities	1,061,124	1,075,687	1,153,415	7%	9%
Equity	137,351	143,584	142,701	(1%)	4%

Financial Ratios GFNorte <i>Consolidated with Inter National Bank (INB)</i>	4Q15	3Q16	4Q16*	2015	2016*
Profitability:					
NIM (1)	4.6%	4.9%	5.0%	4.5%	4.9%
ROE (2)	14.8%	14.1%	14.9%	13.3%	13.9%
ROA (3)	1.7%	1.6%	1.7%	1.5%	1.6%
Operation:					
Efficiency Ratio (4)	46.0%	45.1%	44.9%	47.9%	45.3%
Operating Efficiency Ratio (5)	2.6%	2.7%	2.7%	2.6%	2.6%
CCL for Banorte and SOFOM - Basel III (6)	107.8%	119.4%	99.6%	107.8%	99.6%
Asset Quality:					
Past Due Loan Ratio	2.2%	2.2%	1.7%	2.2%	1.7%
Coverage Ratio	116.0%	124.3%	141.8%	116.0%	141.8%

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

Subsidiaries Net Income (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Banco Mercantil del Norte	3,458	3,645	4,031	11%	17%	12,057	13,804	14%
Banorte- Ixe-Broker Dealer	130	117	161	37%	24%	564	595	6%
Operadora de Fondos Banorte-Ixe	53	62	62	(0%)	15%	226	237	5%
Retirement Funds - Afore XXI Banorte	299	349	276	(21%)	(8%)	1,220	1,248	2%
Insurance	530	603	560	(7%)	6%	2,210	2,626	19%
Annuities	144	137	152	11%	5%	402	561	39%
Leasing and Factoring	148	176	207	17%	40%	571	693	22%
Warehousing	6	8	6	(31%)	(6%)	31	28	(10%)
Sólida Administradora de Portafolios	189	(93)	(183)	96%	197%	(105)	(533)	408%
Ixe Servicios	0	1	(6)	NA	NA	0	(5)	NA
G. F. Banorte (Holding)	(18)	(28)	(21)	(24%)	20%	(69)	54	NA
Total Net Income	4,940	4,976	5,244	5%	6%	17,108	19,308	13%

*For comparative purposes, Banco Mercantil del Norte's net income excludes net income from Afore as of 4Q16. Afore's result is reported in Seguros Banorte.

Share Data	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Earnings per share (Pesos)	1.781	1.794	1.890	5%	6%	6.168	6.961	13%
Earnings per share Basic (Pesos)	1.791	1.806	1.906	6%	6%	6.201	7.011	13%
Dividend per Share (Pesos) (1)	0.27	1.69	0.00	(100%)	(100%)	1.01	2.61	159%
Dividend Payout (Recurring Net Income)	20.0%	38.2%	0.0%	(100%)	(100%)	20.0%	36.5%	82%
Book Value per Share (Pesos)	48.83	51.03	50.74	(1%)	4%	48.83	50.74	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)	94.99	101.68	102.30	1%	8%	94.99	102.30	8%
P/BV (Times)	1.95	1.99	2.02	1%	4%	1.95	2.02	4%
Market Capitalization (Million Dollars)	15,275	14,555	13,761	(5%)	(10%)	15,275	13,761	(10%)
Market Capitalization (Million Pesos)	263,477	282,033	283,753	1%	8%	263,477	283,753	8%

1) Excluding Minority Interest.

Stock Performance



II. Management's Discussion & Analysis

Banco Mercantil del Norte ("Banorte") has classified its investment in Inter National Bank ("INB") as a long-term asset available for sale, which was registered at yearend at its estimated sale value. INB's fiscal year net income of Ps 243 million was registered as Income from discontinued operations. INB's results consolidated for the three quarters of 2016 in Banorte's Balance Sheet and Income Statement, and was reversed at 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. For comparative purposes blue charts are included showing the evolution of the business reversing this effect.

Grupo Financiero Banorte

Net Interest Income

Net Interest Income (NII) (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Interest Income	16,535	18,923	19,580	3%	18%	64,510	73,204	13%
Interest Expense	5,792	6,824	7,818	15%	35%	23,365	26,893	15%
Loan Origination Fees	350	308	281	(9%)	(20%)	1,256	1,206	(4%)
Fees Paid	101	123	153	24%	52%	383	490	28%
NII excluding Insurance and Annuities Co.	10,993	12,284	11,891	(3%)	8%	42,019	47,027	12%
Premium Income (Net)	4,977	4,210	4,844	15%	(3%)	19,074	21,307	12%
Technical Reserves	2,337	994	2,655	167%	14%	7,131	8,477	19%
Damages, Claims and Other Obligations	2,994	3,248	3,271	1%	9%	11,027	12,654	15%
Technical Results	(354)	(32)	(1,082)	NA	NA	916	176	(81%)
Interest Income (Expenses) net	1,716	1,395	2,362	69%	38%	4,473	5,854	31%
Insurance and Annuities NII	1,362	1,363	1,280	(6%)	(6%)	5,389	6,030	12%
GFNORTE's NII	12,355	13,647	13,170	(3%)	7%	47,408	53,057	12%
Credit Provisions	2,495	3,289	3,257	(1%)	31%	10,719	13,313	24%
NII Adjusted for Credit Risk	9,860	10,358	9,913	(4%)	1%	36,689	39,744	8%
Average Earning Assets	1,071,925	1,107,170	1,115,151	1%	4%	1,059,044	1,104,742	4%
Net Interest Margin (1)	4.6%	4.9%	4.7%			4.5%	4.8%	
NIM after Provisions (2)	3.7%	3.7%	3.6%			3.5%	3.6%	
NIM adjusted w/o Insurance & Annuities	4.4%	4.8%	4.6%			4.3%	4.6%	
NIM from loan portfolio (3)	7.9%	8.1%	7.7%			7.8%	7.9%	

Net Interest Income (NII) Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Interest Income	16,535	18,923	20,616	9%	25%	64,510	74,240	15%
Interest Expense	5,792	6,824	7,899	16%	36%	23,365	26,974	15%
Loan Origination Fees	350	308	312	1%	(11%)	1,256	1,238	(1%)
Fees Paid	101	123	153	24%	52%	383	490	28%
NII excluding Insurance and Annuities Co.	10,993	12,284	12,877	5%	17%	42,019	48,014	14%
Premium Income (Net)	4,977	4,210	4,844	15%	(3%)	19,074	21,307	12%
Technical Reserves	2,337	994	2,655	167%	14%	7,131	8,477	19%
Damages, Claims and Other Obligations	2,994	3,248	3,271	1%	9%	11,027	12,654	15%
Technical Results	(354)	(32)	(1,082)	NA	NA	916	176	(81%)
Interest Income (Expenses) net	1,716	1,395	2,362	69%	38%	4,473	5,854	31%
Insurance and Annuities NII	1,362	1,363	1,280	(6%)	(6%)	5,389	6,030	12%
GFNORTE's NII	12,355	13,647	14,157	4%	15%	47,408	54,044	14%
Credit Provisions	2,495	3,289	3,314	1%	33%	10,719	13,370	25%
NII Adjusted for Credit Risk	9,860	10,358	10,842	5%	10%	36,689	40,673	11%
Average Earning Assets	1,071,925	1,107,170	1,130,543	2%	5%	1,059,044	1,110,898	5%
Net Interest Margin (1)	4.6%	4.9%	5.0%			4.5%	4.9%	
NIM after Provisions (2)	3.7%	3.7%	3.8%			3.5%	3.7%	
NIM adjusted w/o Insurance & Annuities	4.4%	4.8%	4.9%			4.3%	4.7%	
NIM from loan portfolio (3)	7.9%	8.1%	8.2%			7.8%	8.0%	

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

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

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

Net Interest Income excluding Insurance and Annuities in 4Q16 amounted to Ps 11.89 billion, (3%) lower QoQ, however, on an equal comparative basis, NII amounted to Ps 12.88 billion, up + 5% in the quarter.

In 4Q16, **Technical Results of Seguros Banorte and Pensiones Banorte were (Ps 1.08) billion**, comparing unfavorably QoQ, despite a +15% increase in Premium Income. The Technical Result was mainly affected by the +167% increase in Technical Reserves, with two effects to be mentioned: i) fewer reserves release in the Insurance Company during 4Q16, amounting Ps 114 million, compared to the Ps 1.10 billion release in 3Q16, which generated a net QoQ increase of +Ps 982 million; ii) +Ps 679 million increase in Technical Reserves at the Annuities Company on higher inflation during this period. **Net Interest Income in 4Q16 improved by +Ps 967 million QoQ** as a result of the inflation valuation registered at the Annuities Company.

GFNorte's Net Interest Income (NII) including INB amounted to Ps 14.16 billion for 4Q16, increasing +4% QoQ, on higher income from the loan book as well as by higher revenues from investment in securities.

During 2016, NII excluding the Insurance and Annuities companies totaled Ps 47.03 billion, +12% higher YoY; while including INB they amounted to **Ps 48.01 billion, growing +14% yearly**, reflecting growth in loans and deposits, as well as the interest rate hikes that Banxico carried out in December 2015 and during 2016, accumulating +275 bp. Favorable results came from a **+16% increase in NII from loans and deposits**, as well as by **+9% in NII from repos**.

During 2016, the Insurance and Annuities NII also increased +12% YoY, mainly on the positive business evolution; Insurance had a +12% gain in retained premium and Annuities a +27% expansion in operating income.

The Net Interest Margin (NIM) was 4.7% in 4Q16 and in 2016 rose to 4.8%, a +33bp increase vs. 2015. **Consolidating INB, NIM for 4Q16 was 5.0%**, +8bp higher QoQ, while in **2016 it reached 4.9%**, +39bp vs. 2015. These NIM growths are mainly result of a better portfolio mix and control in funding cost, as well as the benefit of rising market rates.

Loan Loss Provisions

During 4Q16 Loan Loss Provisions totaled Ps 3.26 billion, (1%) lower vs. 3Q16; while **in 2016 they reached Ps 13.31 billion**, +24% higher annually. **On a comparative basis**, Provisions for the quarter, amounted to Ps 3.31 billion, rising only **+0.8%**; while in 2016 they were Ps 13.37 billion, +25% higher YoY.

The YoY growth vs. 2015 was mainly on higher requirements in payroll, credit card and corporate loans, which could not be offset by lower requirements in the commercial portfolio. The +25% increase is not related to deterioration in credit quality (past due loans declined (13%) YoY), but relates to loan loss reserve reversals for Ps 564 million in March 2015 and Ps 380 million in May 2015, and Ps 334 million in December 2015 that offset the requirements for those months, respectively. Eliminating these reversals, provisions requirement for 2016 would have been only 11%.

Provisions represented 24.7% of Net Interest Income in 4Q16, +63bp vs. 3Q16; while **in 2016 they accounted for 25.1%**, +2.5 pp compared to the same period a year ago.

Likewise, **Provisions for 4Q16 were 2.3% of the average loan portfolio**, (7bp) lower QoQ, and **in 2016 accounted for 2.5%**, increasing +27bp YoY.

Non-Interest Income

Non-Interest Income (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Fees on Services	2,598	2,776	2,940	6%	13%	9,867	10,628	8%
Trading	561	722	400	(45%)	(29%)	2,991	2,346	(22%)
Other Operating Income (Expenses)	1,267	952	963	1%	(24%)	3,001	3,491	16%
Non-Interest Income	4,426	4,449	4,303	(3%)	(3%)	15,859	16,465	4%

Non-Interest Income Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Fees on Services	2,598	2,776	3,088	11%	19%	9,867	10,777	9%
Trading	561	722	439	(39%)	(22%)	2,991	2,385	(20%)
Other Operating Income (Expenses)	1,267	952	1,060	11%	(16%)	3,001	3,588	20%
Non-Interest Income	4,426	4,449	4,587	3%	4%	15,859	16,749	6%

In 4Q16 Non-Interest Income totaled Ps 4.30 billion, (3%) lower QoQ, in 2016 Non-Interest Income reached Ps 16.47 billion, increasing by +4% vs. 2015. Excluding the INB effect of 4Q16, Non-Interest Income totaled Ps 4.59 billion, +3% higher sequentially and for 2016, Ps 16.75 billion, +6% YoY.

Service Fees

Service Fees (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
For Commercial and Mortgage Loans *	70	196	223	14%	219%	468	796	70%
Fund Transfers	247	347	345	(0%)	40%	885	1,303	47%
Account Management Fees	528	521	554	6%	5%	2,036	2,075	2%
Fiduciary	102	73	107	47%	6%	388	347	(10%)
Income from Real Estate Portfolios	91	38	24	(37%)	(74%)	169	113	(33%)
Electronic Banking Services	1,398	1,453	1,601	10%	15%	5,118	5,808	13%
For Consumer and Credit Card Loans	835	925	1,116	21%	34%	3,077	3,658	19%
Other Fees Charged (1) *	674	670	661	(1%)	(2%)	2,573	2,583	0%
Fees Charged on Services	3,944	4,223	4,632	10%	17%	14,714	16,684	13%
Fees Paid on Services	1,346	1,447	1,692	17%	26%	4,847	6,056	25%
Service Fees	2,598	2,776	2,940	6%	13%	9,867	10,628	8%

Service Fees Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
For Commercial and Mortgage Loans *	70	196	232	18%	233%	468	806	72%
Fund Transfers	247	347	380	10%	54%	885	1,338	51%
Account Management Fees	528	521	613	18%	16%	2,036	2,134	5%
Fiduciary	102	73	107	47%	6%	388	347	(10%)
Income from Real Estate Portfolios	91	38	24	(37%)	(74%)	169	113	(33%)
Electronic Banking Services	1,398	1,453	1,637	13%	17%	5,118	5,844	14%
For Consumer and Credit Card Loans	835	925	1,116	21%	34%	3,077	3,658	19%
Other Fees Charged (1) *	674	670	670	0%	(1%)	2,573	2,592	1%
Fees Charged on Services	3,944	4,223	4,781	13%	21%	14,714	16,832	14%
Fees Paid on Services	1,346	1,447	1,692	17%	26%	4,847	6,056	25%
Service Fees	2,598	2,776	3,088	11%	19%	9,867	10,777	9%

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

* Reclassified figures to Other Fees Charged from Fees for Commercial and Mortgage Loans for 2015, 1Q16, 2Q16 and 3Q16.

In 4Q16, Service Fees totaled Ps 2.94 billion, +6% higher vs. 3Q16, nevertheless, consolidating INB, Service Fees totaled Ps 3.09 billion, +11% QoQ coming from the growth in Fees for Consumer and Credit Cards Loans, as well as for Electronic Banking Services. Moreover, Fees Paid on Services grew +17% QoQ, mainly on Other Banking Fees; thus, reducing the accumulated impact of the acquisition cost of the Insurance Company, recorded within this line in 1Q16.

Service Fees in 2016 increased by +8% annually to Ps 10.63 billion. On a comparative basis, they were **Ps 10.78 billion**, +9% higher vs. 2015, mainly as a result of the **+16% growth in core banking services** (account management, fund transfers, and electronic banking services) and a +19% growth in fees related to the consumer portfolio.

Trading

Trading Income (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Foreign Exchange	411	471	447	(5%)	9%	1,285	1,594	24%
Securities-Realized Gains	506	272	64	(76%)	(87%)	1,454	497	(66%)
Securities-Unrealized Gains	(355)	(21)	(111)	421%	(69%)	252	255	1%
Trading Income	561	722	400	(45%)	(29%)	2,991	2,346	(22%)

Trading Income Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Foreign Exchange	411	471	484	3%	18%	1,285	1,631	27%
Securities-Realized Gains	506	272	66	(76%)	(87%)	1,454	498	(66%)
Securities-Unrealized Gains	(355)	(21)	(111)	421%	(69%)	252	255	1%
Trading Income	561	722	439	(39%)	(22%)	2,991	2,385	(20%)

In 4Q16 Trading Income was Ps 400 million, (45%) lower QoQ; considering INB, it totaled **Ps 439 million**, a (39%) decline vs. 3Q16, on a significant reduction of (76%) in trading revenues and mark to market valuation losses on the securities held for sale derived from volatility in market rates.

During 2016 Trading Revenues totaled Ps 2.35 billion, lower in (22%) year over year; including INB, they were **Ps 2.39 billion**, (20%) lower vs. 2015, explained by a (Ps 956) million decline in trading revenue, which was not offset by the +27% growth in FX transactions with clients.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Loan Recovery	391	406	428	5%	9%	1,306	1,550	19%
Income from foreclosed assets	33	(35)	10	NA	(69%)	151	98	(35%)
Other Operating Income	187	31	32	3%	(83%)	365	393	8%
Other Operating Expenses	(35)	(29)	(31)	8%	(11%)	(442)	(304)	(31%)
Subtotal Recoveries and Others"	576	373	439	18%	(24%)	1,381	1,737	26%
Other Products	1,352	1,567	1,391	(11%)	3%	4,022	5,260	31%
Other Acquired Recoveries	103	147	158	8%	54%	587	552	(6%)
Other (Expenses)	(972)	(1,383)	(1,299)	(6%)	34%	(3,754)	(5,076)	35%
Non Operating Income (Expenses), Net	483	332	250	(25%)	(48%)	855	737	(14%)
Other From Insurance and Annuities	209	248	275	11%	32%	765	1,017	33%
Other Operating Income (Expenses)	1,267	952	963	1%	(24%)	3,001	3,491	16%

Other Operating Income (Expenses) Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Loan Recovery	391	406	440	8%	12%	1,306	1,561	20%
Income from foreclosed assets	33	(35)	30	NA	(9%)	151	118	(22%)
Other Operating Income	187	31	43	39%	(77%)	365	404	11%
Other Operating Expenses	(35)	(29)	(31)	8%	(11%)	(442)	(304)	(31%)
Subtotal Recoveries and Others"	576	373	481	29%	(16%)	1,381	1,779	29%
Other Products	1,352	1,567	1,445	(8%)	7%	4,022	5,314	32%
Other Acquired Recoveries	103	147	158	8%	54%	587	552	(6%)
Other (Expenses)	(972)	(1,383)	(1,299)	(6%)	34%	(3,754)	(5,076)	35%
Non Operating Income (Expenses), Net	483	332	304	(8%)	(37%)	855	791	(8%)
Other From Insurance and Annuities	209	248	275	11%	32%	765	1,017	33%
Other Operating Income (Expenses)	1,267	952	1,060	11%	(16%)	3,001	3,588	20%

In 4Q16 Other Operating Income (Expenses) was Ps 963 million, +1% QoQ. On a comparative basis, these amounted to **Ps 1.06 billion, +11% higher vs. 3Q16**; thus, reversing the sequential decline presented in 3Q16, as a result of:

- i) +Ps 99 million higher revenues from asset recovery and sale of foreclosed assets;
- ii) +Ps 27 million increase in Other Income from the Insurance and Annuities companies.

In 2016 Other Operating Income (Expenses) totaled Ps 3.49 billion, rising +16% YoY; reverting INB's deconsolidation, grew +20% YoY, amounting to **Ps 3.59 billion**, driven by:

- i) +Ps 255 million increase in income from Loan Recoveries related to better results on loan collection;
- ii) +Ps 252 million rise in Other Income from the Insurance and Annuities companies;
- iii) +32% in Other Products, mainly on rising revenues from sales at Almacenadora Banorte, higher cancellations of creditors and provisions at Banorte and the increase in revenues from sales of foreclosed assets;
- iv) (Ps 138) million reduction in Other Operating (Expenses) on lower valuation charges.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Personnel	2,806	3,508	2,994	(15%)	7%	12,404	12,876	4%
Professional Fees	757	576	548	(5%)	(28%)	2,433	2,208	(9%)
Administrative and Promotional	1,987	1,865	1,852	(1%)	(7%)	7,215	7,366	2%
Rents, Depreciation & Amortization	1,089	1,219	1,210	(1%)	11%	4,129	4,689	14%
Taxes other than income tax & non deductible expenses	449	320	292	(9%)	(35%)	1,625	1,390	(14%)
Contributions to IPAB	550	584	595	2%	8%	2,116	2,325	10%
Employee Profit Sharing (PTU)	84	97	99	2%	18%	374	389	4%
Non-Interest Expense	7,722	8,167	7,591	(7%)	(2%)	30,295	31,243	3%

Non-Interest Expense Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Personnel	2,806	3,508	3,475	(1%)	24%	12,404	13,356	8%
Professional Fees	757	576	630	9%	(17%)	2,433	2,290	(6%)
Administrative and Promotional	1,987	1,865	2,016	8%	1%	7,215	7,529	4%
Rents, Depreciation & Amortization	1,089	1,219	1,269	4%	17%	4,129	4,747	15%
Taxes other than income tax & non deductible expenses	449	320	310	(3%)	(31%)	1,625	1,409	(13%)
Contributions to IPAB	550	584	608	4%	11%	2,116	2,338	11%
Employee Profit Sharing (PTU)	84	97	99	2%	18%	374	389	4%
Non-Interest Expense	7,722	8,167	8,407	3%	9%	30,295	32,059	6%

In 4Q16 Non-Interest Expenses declined to Ps 7.59 billion, (7%) lower QoQ; including INB, expenses totaled Ps 8.41 billion, only +3% higher QoQ, as a result of tight expense management.

Non-Interest Expenses for 2016 totaled Ps 31.24 billion, +3% higher YoY; considering INB, totaled Ps 32.06 billion, +5.8% vs. 2015, mainly due to the following increases:

- +Ps 952 million in Personnel Expenses mainly related to provisions for pensions funds and bonus payments;
- +Ps 618 million in Rents, Depreciations and Amortizations, mostly due to amortizations in technology projects and software rents;
- +Ps 314 million in Administration and Promotional Expenses coming from increases in: i) transaction volume in payments; ii) promotional campaigns of products and services, and iii) charges for systems maintenance; and
- +Ps 229 million in Contributions to IPAB, in line with deposits growth.

The Efficiency Ratio for 4Q16 declined to 43.4%, (169bp) lower QoQ; while in 2016 was 44.9%, a (2.9 pp) decline YoY. Reverting INB's deconsolidation, in 4Q16, this ratio was 44.9% and for 2016 45.3% - on positive operating leverage -, continuing the trend of historically low levels of Efficiency.

Net Income

Net Income (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Operating Income	6,564	6,640	6,625	(0%)	1%	22,253	24,965	12%
Subsidiaries' Net Income	301	353	257	(27%)	(15%)	1,201	1,246	4%
Pre-Tax Income	6,866	6,993	6,881	(2%)	0%	23,454	26,211	12%
Taxes	1,855	1,945	1,804	(7%)	(3%)	6,106	6,878	13%
Extraordinary Items, net	-	-	243	-	-	-	243	-
Minority Interest	(71)	(72)	(77)	7%	9%	(240)	(269)	12%
Net Income	4,940	4,976	5,244	5%	6%	17,108	19,308	13%

Net Income Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Operating Income	6,564	6,640	7,023	6%	7%	22,253	25,363	14%
Subsidiaries' Net Income	301	353	257	(27%)	(15%)	1,201	1,246	4%
Pre-Tax Income	6,866	6,993	7,279	4%	6%	23,454	26,609	13%
Taxes	1,855	1,945	1,959	1%	6%	6,106	7,033	15%
Extraordinary Items, net	-	-	-	-	-	-	-	-
Minority Interest	(71)	(72)	(77)	7%	9%	(240)	(269)	12%
Net Income	4,940	4,976	5,244	5%	6%	17,108	19,308	13%

In 2016, recurring revenues (NII + Net Fees excluding Portfolio Recoveries - Operating Expenses - Provisions) were Ps 19.02 billion, +18% higher YoY; considering INB, Ps 19.28 billion, also +18% vs. 2015, driven mainly by +14% growth in Net Interest Income.

In 4Q16 were Ps 5.24 billion, +6% vs. 3Q16. Reverting INB deconsolidation, operating recurring income totaled Ps 5.50 billion, +12% QoQ, benefiting from growth in total income and controlled growth of non-interest income.

In 4Q16 Subsidiaries' Net Income declined (27%) QoQ -in line with Afore XXI Banorte's net profits -. While in 2016, increased +4% YoY; following the trend of the Afore, which reported earnings for Ps 1.248 billion.

In the last quarter, Taxes totaled Ps 1.80 billion, decreasing (7%) QoQ, and Ps 6.88 billion during 2016, +13% higher vs. the prior year. Considering INB, this line grew +1% QoQ to Ps 1.96 billion in 4Q16; on accumulated basis, grew +15% vs. 2015, totaling Ps 7.03 billion.

The effective tax rate for 4Q16 and 2016 was 26.2% in both cases. Including INB, the effective tax rate was 26.9% in 4Q16 and 26.4% for 2016.

GFNorte reported a net income of Ps 5.24 billion in 4Q16, achieving an excellent QoQ growth of +5%, coming from an adequate strategy, solid fundamentals, higher net interest income and healthy diversification of banking and long-term business. On a quarterly basis, outstanding growths were reported at the Bank +11%, Leasing and Factoring +17% and Annuities +11%. While on a cumulative basis, it is worth mentioning the increases at Banorte +14%, Insurance +19%, Leasing and Factoring +22% and Annuities +39%. **Positive evolution of profitability, asset quality and margin ratios** stands out -both in QoQ and YoY comparisons- despite the challenging economic, social and political environment.

Profitability

	4Q15	3Q16	4Q16
ROE	14.8%	14.1%	14.9%
Goodwill & Intangibles (billion pesos)	28.9	28.0	26.3
Average Tangible Equity (billion pesos)	104.4	110.5	112.4
ROTE	18.6%	17.6%	17.5%

	4Q15	3Q16	4Q16
ROE	14.8%	14.1%	14.9%
Goodwill & Intangibles (billion pesos)	28.9	28.0	26.5
Average Tangible Equity (billion pesos)	104.4	110.5	112.4
ROTE	18.6%	17.6%	17.5%

ROE for 4Q16 grew by +72bp QoQ, reaching **14.9%**; while in **2016 ROE stood at 13.9%**, up by +65bp vs. 2015. Equity rose +4% YoY and declined (1%) QoQ.

Return on Tangible Capital (ROTE) was 17.5% for 4Q16, decreasing (17bp) QoQ and (117bp) vs. 4Q15.

	4Q15	3Q16	4Q16
ROA	1.7%	1.6%	1.7%
Average Risk Weighted Assets (billion pesos)	536.8	582.9	605.3
RRWA	3.2%	3.3%	3.2%

	4Q15	3Q16	4Q16*
ROA	1.7%	1.6%	1.7%
Average Risk Weighted Assets (billion pesos)	536.8	582.9	605.3
RRWA	3.2%	3.3%	3.2%

ROA for 4Q16 was 1.7%, up by +7bp vs. 3Q16 and in **2016 stood at 1.6%**, +0.1 pp YoY **Return on Risk-Weighted Assets was 3.2%**, flat vs. 4Q15 and +7bp higher vs. 3Q16.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Core Tier 1	68,348	79,067	77,518	(2.0%)	13.4%
Tier 1 Capital	72,817	82,898	81,348	(1.9%)	11.7%
Tier 2 Capital	7,692	7,366	16,643	125.9%	116.4%
Net Capital	80,509	90,264	97,992	8.6%	21.7%
Credit Risk Assets	398,684	454,799	477,880	5.1%	19.9%
Net Capital / Credit Risk Assets	20.2%	19.8%	20.5%	0.7 pp	0.3 pp
Total Risk Assets	550,654	614,651	641,302	4.3%	16.5%
Core Tier 1	12.41%	12.86%	12.09%	(0.8 pp)	(0.3 pp)
Tier 1	13.22%	13.49%	12.68%	(0.8 pp)	(0.5 pp)
Tier 2	1.40%	1.20%	2.60%	1.4 pp	1.2 pp
Capitalization Ratio	14.62%	14.69%	15.28%	0.6 pp	0.7 pp

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

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

Moreover, in 2016, Banorte was designated 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 regulatory Capitalization Ratio for Banorte amounts to 10.73% as of 2016 (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

At the end of 4Q16 the estimated Capitalization Ratio (CR) for Banorte was 15.28% considering credit, market and operational risk; and, 20.51% if only credit risks are considered.

The Capitalization Ratio increased +0.60 pp vs. 3Q16, as follows:

1. Profits for 4Q16	+0.64 pp
2. Net effect of the Issuance and Settlement of Subordinated Notes	+1.44 pp
3. Valuation of Financial Instruments	-0.32 pp
4. December 2016 Dividend to GFNorte	-0.55 pp
5. Growth in risk assets	-0.61 pp

The Capitalization Ratio increased + 0.66 pp vs. 4Q15, as follows:

1. Profit growth for the period	+2.35 pp
2. Net effect of the Issuance and Settlement of Subordinated Notes	+1.26 pp
3. Investment in Subsidiaries and Intangibles	+0.50 pp
4. Valuation of Financial Instruments	-0.42 pp
5. 2016 Dividends to GFNorte	-0.93 pp
6. Growth in risk assets	-2.07 pp

Leverage Ratio (Banco Mercantil del Norte)

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

Leverage (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Tier 1 Capital	72,817	82,898	81,348	(1.9%)	11.7%
Adjusted Assets	973,272	978,928	1,047,439	7.0%	7.6%
Leverage Ratio	7.48%	8.47%	7.77%	(0.7 pp)	0.3 pp

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

The QoQ variation of (0.7 pp) is mainly explained by the Dividend payment in December to GFNorte.

Deposits

Deposits (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Non-Interest Bearing Demand Deposits	175,919	193,197	230,043	19%	31%
Interest Bearing Demand Deposits	175,126	172,557	153,719	(11%)	(12%)
Total Demand Deposits	351,045	365,753	383,761	5%	9%
Time Deposits – Retail	157,718	167,497	167,652	0%	6%
Money Market	54,907	35,767	24,342	(32%)	(56%)
Total Bank Deposits	563,670	569,018	575,755	1%	2%
GFNorte's Total Deposits	561,462	567,944	574,559	1%	2%
Third Party Deposits	139,099	199,010	148,407	(25%)	7%
Total Assets Under Management	702,769	768,028	724,163	(6%)	3%

For comparison purposes, the analysis of deposits without considering the deconsolidation of INB is presented. In this context, the business development was as follows:

Deposits Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Non-Interest Bearing Demand Deposits	175,919	193,197	239,847	24%	36%
Interest Bearing Demand Deposits	175,126	172,557	162,309	(6%)	(7%)
Total Demand Deposits	351,045	365,753	402,156	10%	15%
Time Deposits – Retail	157,718	167,497	175,885	5%	12%
Core Deposits	508,763	533,251	578,042	8%	14%
Money Market	54,907	35,767	24,342	(32%)	(56%)
Total Bank Deposits	563,670	569,018	602,384	6%	7%
GFNorte's Total Deposits	561,462	567,944	601,188	6%	7%
Third Party Deposits	139,099	199,010	148,407	(25%)	7%
Total Assets Under Management	702,769	768,028	750,791	(2%)	7%

At the end of 4Q16, Banorte's Total Deposits amounted to Ps 602.38 billion, a +7% annual variation, the deceleration in the growth pace is not due to a loss in client's deposits, as these grew +14% YoY, but to a decline in money market funds as a strategy to maintain funding costs under control given market rate hikes. Total Assets under Management grew +7% yearly and decline (2%) quarterly on the strategy previously mentioned.

Loans

Performing Loan Portfolio (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Commercial*	124,272	133,882	125,377	(6%)	1%
Consumer*	175,561	195,124	203,047	4%	16%
Corporate	88,108	92,940	103,491	11%	17%
Government	130,119	131,409	134,798	3%	4%
Sub Total	518,059	553,355	566,713	2%	9%
Recovery Bank	129	99	91	(8%)	(29%)
Total	518,188	553,454	566,804	2%	9%

Performing Consumer Loan Portfolio (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Mortgages	99,825	110,525	114,718	4%	15%
Car Loans	12,400	14,036	15,047	7%	21%
Credit Card*	24,855	26,994	28,445	5%	14%
Payroll	38,482	43,569	44,838	3%	17%
Consumer Loans	175,561	195,124	203,047	4%	16%

*As of 1Q16, "Tarjeta Empuje Negocios" was reclassified to the SME segment from the Credit Card segment with a performing balance of Ps 995 million. For comparison purposes, 2015's balances were reclassified similarly, Tarjeta Empuje Negocios balance in 4Q15 amounted to Ps 983 million in performing loans.

For comparison purposes, the analysis of loans without considering the deconsolidation of INB and its effects in the payroll, mortgage and commercial loans in 4Q16 are presented. In this context, the business development was as follows:

Performing Loan Portfolio Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Commercial*	124,272	133,882	145,293	9%	17%
Consumer*	175,561	195,124	204,877	5%	17%
Corporate	88,108	92,940	103,489	11%	17%
Government	130,119	131,409	134,798	3%	4%
Sub Total	518,059	553,355	588,457	6%	14%
Recovery Bank	129	99	91	(8%)	(29%)
Total	518,188	553,454	588,548	6%	14%

Performing Consumer Loan Portfolio Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Mortgages	99,825	110,525	116,391	5%	17%
Car Loans	12,400	14,036	15,047	7%	21%
Credit Card*	24,855	26,994	28,445	5%	14%
Payroll	38,482	43,569	44,995	3%	17%
Consumer Loans	175,561	195,124	204,877	5%	17%

*As of 1Q16, "Tarjeta Empuje Negocios" was reclassified to the SME segment from the Credit Card segment with a performing balance of Ps 995 million. For comparison purposes, 2015's balances were reclassified similarly, Tarjeta Empuje Negocios balance in 4Q15 amounted to Ps 983 million in performing loans.

Total Performing Loans increased +13.6% YoY and +6.4% ToT for an ending balance of Ps 588.62 billion in 4Q16. Outstanding YoY growth was achieved in practically all portfolios, driven by good origination dynamic. Corporate loans grew (+17%), commercial (+17%) and consumer (+17%). Detail by segment:

- **Mortgages:** up +17% YoY, with an ending **balance of Ps 116.39 billion as of 4Q16.** During the quarter the portfolio grew Ps 5.87 billion or +5% QoQ on higher origination in all products comprising this segment. As of

November 2016, Banorte had a 17.0% market share in mortgage balances, ranking third in the system, and growing above its main peers.

- **Car Loans: In 4Q16**, the portfolio increased +21% YoY and +7% QoQ, totaling **Ps 15.05 billion**, on the successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of November 2016, Banorte's market share was 15.0%, and continues with one of the best annual performances in the banking industry.
- **Credit Cards:** Outstanding performance of the book, with an **ending balance of Ps 28.45 billion**, up +14% YoY -considering the adjustment to 4Q15 loan balance due to the reclassification of Tarjeta Empuje Negocios in 1Q16-, and +5% QoQ, consolidating the strong growth pace seen in the last quarter, both comparatives on the back of active portfolio management and commercial campaigns. As of November 2016, Banorte held an 8.3% market share in credit card balances, ranking fourth in the banking system and leading the growth pace among its main peers.
- **Payroll:** good increase of +17% YoY and +3% QoQ, **reaching a balance of Ps 45.0 billion**, driven by higher credit penetration on a larger base of Banorte's payroll account holders. Payroll loans had a 19.1% market share in balances as of November 2016, ranking third in the system.
- **Commercial:** continue to accelerate its growth pace increasing Ps 21.02 billion or +17% YoY and +9% QoQ, **ending at Ps 145.29 billion**. There's good increase in SME portfolio. The leasing and factoring books showed outstanding evolution, growing +18% YoY. As of November 2016, the market share in commercial loans (including the corporate book according to the CNBV's classification) was 10.1%, ranking fifth in the system.

GFNorte's SME performing portfolio was Ps 30.73 billion, +11% higher YoY –considering the adjustment to loan balance of 4Q15 related to the reclassification of Tarjeta Empuje Negocios into this segment in 1Q16-. On a quarterly basis grows +3% driven by new origination. The NPL ratio continues to improve, during the quarter reduces (102bp) and annually (237bp).

SMEs Portfolio Evolution (million pesos)

	4Q15	3Q16	4Q16
Performing Portfolio	\$27,799	\$29,690	\$30,726
% of Performing Commercial Portfolio	22.4%	22.2%	21.1%
% of Total Performing Portfolio	5.4%	5.4%	5.2%
NPL Ratio	8.7%	7.3%	6.3%

- **Corporate: At the end of 4Q16 the balance was Ps 103.49 billion**, an important increase of +17% YoY and +11% QoQ **on an excellent and diversified origination dynamics**. GFNorte's corporate loan book is well diversified by sectors and regions and shows a low concentration risk. GFNorte's 20 main corporate borrowers accounted for 11.4% of the group's total portfolio, decreasing by (10bp) vs. 4Q15 and +64pb higher vs. 3Q16. The group's largest corporate loan represents 0.9% of the total portfolio; whereas number 20 represent 0.3%. 100% of GFNorte's main corporate borrowers have an A1 rating.

As of December 31, 2016 GFNorte's loan exposure to home builders was Ps 2.45 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. This exposure is lower by (Ps 1.5) billion than the prior quarter. This exposure represented 0.4% of the total loan portfolio, (29pb) lower vs. that of September 2016. The credit exposure has a 100% collateral coverage, higher than the 80% of 3Q16. The loan loss reserve coverage was 38.9% in 4Q16. **Sólida had a balance of Ps 5.57 billion in investment projects** to these companies, up +2.7% vs. 3Q16.

- Government: At the end of 4Q16 the balance was Ps 134.80 billion**, growing +4% YoY and +3% QoQ. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 21.0% of the group's total portfolio, a decline of (1.63 pp) vs. 4Q15 and (22bp) vs. 3Q16. The largest government loan represents 3.9% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%. The portfolio's risk profile is adequate with 31.0% of the loans granted to Federal Government entities and 96.7% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and 3.2% of the loans have short-term maturities (unsecured). As of November 2016, Banorte held a 23.3% market share of the total system, ranking second.

Past Due Loans

(Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Past Due Loans	11,903	12,300	10,312	(16%)	(13%)
Loan Loss Reserves	13,813	15,284	14,384	(6%)	4%
Acquired Rights	2,217	2,223	2,025	(9%)	(9%)

During 4Q16, Past Due Loans were Ps 10.31 billion, lower in (Ps 1.59) billion or (13%) YoY. On a quarterly basis they were down (16%), driven by lower delinquencies in practically all portfolios, mainly by the (36%) QoQ decrease in the corporate book given Urbi's portfolio exchange.

In 4Q16, the credit exposure related to homebuilders classified as non-performing was Ps. 2.23 billion, declining (Ps 1.48) billion QoQ, over settlements with Urbi. In October and as per the final ruling from the judges managing the bankruptcy processes, GFNorte exchanged unsecured past due loans for other assets, among them, shares and warrants to subscribe shares of this company for an amount equivalent to the past due unsecured exposure, net of reserves; therefore, the NPL balance in this company declined by (Ps 1.48) billion.

The shares received were registered as securities available for sale, net of reserves, and the warrants were registered as derivatives, both will be valued at market prices according to the applicable accounting rules. As of December 31, 2016 the valuation loss on the shares was (Ps 756) million, registered in the Equity account Surplus (Deficit) of Securities Available for Sale. Additionally, the valuation loss on the warrants was (Ps 17) million, registered in the year's income in trading results.

The quarterly evolution of NPL balances were as follows:

Past Due Loans (Million Pesos)	4Q15	3Q16	4Q16	Change	
				3Q16	4Q15
Credit Cards	1,461	1,619	1,623	4	162
Payroll	1,200	1,454	1,442	(13)	241
Car Loans	197	190	182	(7)	(15)
Mortgages	1,072	1,156	1,049	(107)	(23)
Commercial	4,195	3,827	3,422	(405)	(773)
Corporate	3,778	4,053	2,594	(1,459)	(1,183)
Government	-	0	-	(0)	-
Total	11,903	12,300	10,312	(1,987)	(1,591)

In 4Q16, the Past Due Loan Ratio was 1.79% (1.73% incorporating INB in 4Q16), ratio's historically low level, improving by (46bp) vs. 4Q15 and (39bp) vs. 3Q16. Both decreases came from the decline in all segments on the quality origination strategy now on track. The (173bp) QoQ decline in the corporate book derives from Urbi's exchange.

PDL Ratios by segment showed the following trends:

Past Due Loans Ratios	4Q15	1Q16	2Q16	3Q16	4Q16
Credit Cards	5.6%	5.4%	6.2%	5.7%	5.4%
Payroll	3.0%	2.6%	3.4%	3.2%	3.1%
Car Loans	1.6%	1.3%	1.3%	1.3%	1.2%
Mortgages	1.1%	1.1%	1.1%	1.0%	0.9%
Commercial	3.3%	3.2%	3.0%	2.8%	2.7%
SMEs	8.7%	8.3%	7.8%	7.3%	6.3%
Commercial	1.6%	1.7%	1.6%	1.4%	1.4%
Corporate	4.1%	4.0%	4.3%	4.2%	2.4%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.2%	2.2%	2.3%	2.2%	1.8%

The expected loss for Banco Mercantil del Norte was 2.0% and the unexpected loss 4.4%, both with respect to the total portfolio at 4Q16. These ratios were 2.3% and 3.4%, respectively in 3Q16 and 1.8% and 3.1% 12 months ago, considering that in those quarters, the unexpected loss was reported with a 99.50% level of confidence, whereas in 4Q16, it is reported with a 99.95% level, as the portfolio's model improve and strengthen; this change explains the increase in the unexpected loss ratio for 4Q16.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte lxe Tarjetas was 2.1%, +4bp vs. 3Q16.

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 '16	12,300
Transfer from Performing Loans to Past Due Loans	4,871
Portfolio Purchase	-
Renewals	(543)
Cash Collections	(1,693)
Discounts	(149)
Charge Offs	(2,837)
Foreclosures	(75)
Transfer from Past Due Loans to Performing Loans	(1,567)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	7
Fair Value lxe	-
Balance as of December '16	10,312

Out of the loan book 84% is rated A Risk, 11% B Risk and 5% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 4Q16 - GFNorte

(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	457,787	907	524	88	604	163	2,286
A2	53,868	279	46	9	536	50	920
B1	25,450	147	33	3	528	23	735
B2	25,046	69	58	1	804	35	967
B3	13,958	150	59	3	430	10	652
C1	6,952	89	16	2	419	46	572
C2	5,822	113	-	0	678	75	866
D	10,635	2,071	-	155	1,528	283	4,037
E	4,803	915	-	2	2,171	62	3,150
Total	604,320						
Not Classified	7						
Exempt	-						
Total	604,327	4,741	736	262	7,698	748	14,185
Reserves							14,384
Preventive Reserves							198

Notes:

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

The Institution uses regulatory methodologies to grade all credit portfolios.

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

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

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

(Millones de Pesos)	Total
Cartera Emproblemada	7,177
Cartera Total	604,327
Cartera Emproblemada / Cartera Total	1.2%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves	4Q16
<i>(Million Pesos)</i>	
Previous Period Ending Balance	15,284
Provisions charged to results	3,259
Other items	(197)
<u>Charge offs and discounts:</u>	
Commercial Loans	(1,120)
Consumer Loans	(2,508)
Mortgage Loans	(361)
	(3,989)
Cost of debtor support programs	(2)
Valorization and Others	29
Adjustments	0
Loan Loss Reserves at Period End	14,384

Loan Loss Reserves in 4Q16 totaled Ps 14.38 billion, (5.9%) lower vs. 3Q16. Moreover, 63% of write-offs, charge-offs and discounts are related to the consumer portfolio, 28% to commercial and 9% to mortgages.

The loan loss coverage ratio was 139.5% in 4Q16, increasing +23.4 pp YoY and +15.2 pp QoQ.

Recent Events

1. CREDIT RATINGS

Fitch affirms ratings and revises outlook for GFNorte and Banorte

On December 15 Fitch Ratings ("Fitch") announced revisions to the outlook of several Mexican financial institutions, among them, GFNorte ("GFNorte") and Banco Mercantil del Norte's, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") as a result of the outlook revision of Mexico's sovereign rating to Negative from Stable.

The rating action affected Mexican financial institutions that may be impacted by a sovereign downgrade or any deterioration of the operating environment in the foreseeable future; the change in outlook only affected international-scale ratings. In GFNorte's and Banorte's case, ratings were confirmed, and the outlook was revised to Negative from Stable.

Moody's converts-withdraws ratings for Arrendadora y Factor Banorte

On November 9, Moody's de México ("Moody's") withdrew the long-term provisional ratings assigned to the debt programs of Arrendadora y Factor Banorte, S.A. de C.V. ("AyF Banorte"). Likewise, Moody's converted to definitive the short-term provisional ratings assigned to debt programs of AyF Banorte.

The rating action –which also affected provisional ratings of other national issuers- derived from the withdrawal of some ratings and the conversion of others (shown below) on business – driven reasons as "provisional" ratings are nonexistent in México.

Below is the detailed list of modified ratings:

Arrendadora y Factor Banorte, S.A. de C.V.

- Long-term local currency senior debt (P) Baa2, withdrawn.
- National Scale – long-term senior debt Aa2.mx, withdrawn.
- Short-term local currency senior debt converted to Prime-2 from (P) Prime-2

2. PREPAYMENT OF SUBORDINATED OBLIGATIONS Q BANORTE 08-2 AND Q BANORTE 08

In December Banorte prepaid Subordinated Preferred & Non-Convertible Obligations Q Banorte 08-2 amounting to Ps 2.75 billion, issued on June 27, 2008 and due on June 15, 2018.

Moreover, on January 3, 2017, Banorte prepaid Subordinated Non-Preferred and Non-Convertible Obligations Q Banorte 08 amounting to Ps 3 billion, issued on March 11, 2008 and due on February 27, 2018.

3. THE BANKER AWARDS BANORTE BANK OF THE YEAR

In December, the prestigious British magazine The Banker awarded Banorte "Bank of the Year 2016" in Mexico, in recognition of its solid performance and successful implementation of a long-term strategy.

After assessing over a thousand applications at global scale, judges selected Banorte as the best bank in the country based on its consolidated business model and prudent risk approach, which is reflected in its asset quality.

"This award is a new pride for our Group, and recognition to the work we have been doing with our strategic plan: Vision 20/20," said Marcos Ramírez Miguel, GFNorte's CEO.

The magazine highlighted the importance of this strategy, which aims to turn GFNorte into the best financial group in the country for clients, investors and collaborators, as well as to double its profits in 2020, based on a cross-selling strategy.

The Banker also highlighted the implementation of the new multichannel architecture, which allows customers to access customized products through different platforms, and the growth of mobile and internet banking.

4. ALAS20 RECOGNIZES GFNORTE FOR ITS LEADERSHIP IN CORPORATE GOVERNANCE AND SUSTAINABILITY PRACTICES

In November, GFNorte was recognized by Alas20, an initiative of GovernArt (Latin American think tank and consulting firm based in Chile) that promotes and recognizes outstanding companies, investors and professionals that actively contribute to sustainable development towards 2020.

GFNorte ranked first in the category of Leading Company in Corporate Governance and second as Leading Company in Sustainability; furthermore, Carlos Hank González -Chairman of the Board of Directors- was recognized as Leading Chairman of Companies Investing Responsibly. It is worth mentioning that is market participants themselves -financial analysts, CEOs, portfolio managers and investors- who select winners.

These awards granted for the first time to Mexican companies, are supported by CESPEDES (Mexican chapter of the Business Council for Sustainable Development), BNAmericas and VigeoEiris (global provider of environmental, social and corporate governance research and other services for investors, private entities, public and non-profitable organizations).

Consolidated Bank

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)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Net Interest Income	10,568	12,094	11,691	(3%)	11%	40,432	46,163	14%
Non-Interest Income	3,767	4,019	3,972	(1%)	5%	14,655	15,183	4%
Total Income	14,335	16,113	15,663	(3%)	9%	55,087	61,346	11%
Non-Interest Expense	7,118	7,659	7,026	(8%)	(1%)	28,035	29,155	4%
Provisions	2,442	3,251	3,184	(2%)	30%	10,401	13,070	26%
Operating Income	4,775	5,202	5,453	5%	14%	16,650	19,121	15%
Taxes	1,270	1,507	1,610	7%	27%	4,412	5,363	22%
Extraordinary Items, net	-	-	243	-	-	-	243	-
Subsidiaries & Minority Interest	320	371	18	(95%)	(94%)	1,280	1,043	(19%)
Net Income	3,824	4,066	4,104	1%	7%	13,518	15,044	11%
Balance Sheet								
Performing Loans (a)	509,593	542,851	556,971	3%	9%	509,593	556,971	9%
Past Due Loans (b)	11,634	12,044	10,060	(16%)	(14%)	11,634	10,060	(14%)
Total Loans (a+b)	521,227	554,896	567,031	2%	9%	521,227	567,031	9%
Total Loans Net (d)	507,893	540,022	553,090	2%	9%	507,893	553,090	9%
Acquired Collection Rights (e)	1,376	1,473	1,400	(5%)	2%	1,376	1,400	2%
Total Loans (d+e)	509,269	541,495	554,490	2%	9%	509,269	554,490	9%
Total Assets	917,610	990,255	1,030,435	4%	12%	917,610	1,030,435	12%
Total Deposits	563,670	569,018	575,755	1%	2%	563,670	575,755	2%
Total Liabilities	815,027	878,932	937,648	7%	15%	815,027	937,648	15%
Equity	102,584	111,323	92,787	(17%)	(10%)	102,584	92,787	(10%)

Financial Ratios - Consolidated Bank	4Q15	3Q16	4Q16	2015	2016
Profitability:					
NIM (1)	5.0%	5.3%	5.0%	4.7%	5.1%
NIM after Provisions (2)	3.8%	3.9%	3.6%	3.5%	3.7%
ROE (3)	15.1%	14.7%	16.1%	13.7%	14.4%
ROA (4)	1.7%	1.6%	1.6%	1.5%	1.5%
Operation:					
Efficiency Ratio (5)	49.7%	47.5%	44.9%	50.9%	47.5%
Operating Efficiency Ratio (6)	3.1%	3.1%	2.8%	3.1%	3.0%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	107.78%	119.42%	99.55%	107.78%	99.55%
Asset Quality:					
Past Due Loan Ratio	2.2%	2.2%	1.8%	2.2%	1.8%
Coverage Ratio	114.6%	123.5%	138.6%	114.6%	138.6%
Past Due Loan Ratio w/o Banorte USA	2.3%	2.2%	1.8%	2.3%	1.8%
Coverage Ratio w/o Banorte USA	113.8%	122.5%	138.6%	113.8%	138.6%
Growth (8)					
Performing Loans (9)	9.9%	10.5%	9.3%	9.9%	9.3%
Core Deposits	16.3%	12.3%	8.4%	16.3%	8.4%
Total Deposits	13.0%	5.9%	2.1%	13.0%	2.1%
Capitalization:					
Net Capital/ Credit Risk Assets	20.2%	19.8%	20.5%	20.2%	20.5%
Total Capitalization Ratio	14.6%	14.7%	15.3%	14.6%	15.3%
Leverage					
Basic Capital/ Adjusted Assets	7.5%	8.5%	7.8%	7.5%	7.8%

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

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

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

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

5) Non-Interest Expenses / Total Income.

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

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

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

9) Does not include Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

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

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

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

Income Statement and Balance Sheet Highlights - Consolidated Bank Consolidated with Inter National Bank (INB) (Million Pesos)	4Q15	3Q16	4Q16*	Change		2015	2016*	Change 2015
				3Q16	4Q15			
Net Interest Income	10,568	12,094	12,677	5%	20%	40,432	47,150	17%
Non-Interest Income	3,767	4,019	4,256	6%	13%	14,655	15,467	6%
Total Income	14,335	16,113	16,934	5%	18%	55,087	62,617	14%
Non-Interest Expense	7,118	7,659	7,841	2%	10%	28,035	29,970	7%
Provisions	2,442	3,251	3,241	(0%)	33%	10,401	13,127	26%
Operating Income	4,775	5,202	5,851	12%	23%	16,650	19,519	17%
Taxes	1,270	1,507	1,766	17%	39%	4,412	5,518	25%
Extraordinary Items, net	-	-	-	-	-	-	-	-
Subsidiaries & Minority Interest	320	371	18	(95%)	(94%)	1,280	1,043	(19%)
Net Income	3,824	4,066	4,104	1%	7%	13,518	15,044	11%
Balance Sheet								
Performing Loans (a)	509,593	542,851	578,715	7%	14%	509,593	578,715	14%
Past Due Loans (b)	11,634	12,044	10,129	(16%)	(13%)	11,634	10,129	(13%)
Total Loans (a+b)	521,227	554,896	588,844	6%	13%	521,227	588,844	13%
Total Loans Net (d)	507,893	540,022	574,568	6%	13%	507,893	574,568	13%
Acquired Collection Rights (e)	1,376	1,473	1,400	(5%)	2%	1,376	1,400	2%
Total Loans (d+e)	509,269	541,495	575,968	6%	13%	509,269	575,968	13%
Total Assets	917,610	990,255	1,058,421	7%	15%	917,610	1,058,421	15%
Total Deposits	563,670	569,018	602,384	6%	7%	563,670	602,384	7%
Total Liabilities	815,027	878,932	965,634	10%	18%	815,027	965,634	18%
Equity	102,584	111,323	92,787	(17%)	(10%)	102,584	92,787	(10%)

Financial Ratios - Bank Consolidated with Inter National Bank (INB)	4Q15	3Q16	4Q16*	2015	2016*
Profitability:					
NIM (1)	5.0%	5.3%	5.3%	4.7%	5.2%
NIM after Provisions (2)	3.8%	3.9%	4.0%	3.5%	3.7%
ROE (3)	15.1%	14.7%	16.1%	13.7%	14.4%
ROA (4)	1.7%	1.6%	1.6%	1.5%	1.5%
Operation:					
Efficiency Ratio (5)	49.7%	47.5%	46.3%	50.9%	47.9%
Operating Efficiency Ratio (6)	3.1%	3.1%	3.1%	3.1%	3.0%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	107.78%	119.42%	99.55%	107.78%	99.55%
Asset Quality:					
Past Due Loan Ratio	2.2%	2.2%	1.7%	2.2%	1.7%
Coverage Ratio	114.6%	123.5%	140.9%	114.6%	140.9%
Past Due Loan Ratio w/o Banorte USA	2.3%	2.2%	1.8%	2.3%	1.8%
Coverage Ratio w/o Banorte USA	113.8%	122.5%	138.6%	113.8%	138.6%
Growth (8)					
Performing Loans (9)	9.9%	10.5%	13.6%	9.9%	13.6%
Core Deposits	16.3%	12.3%	8.4%	16.3%	8.4%
Total Deposits	13.0%	5.9%	6.9%	13.0%	6.9%
Capitalization:					
Net Capital/ Credit Risk Assets	20.2%	19.8%	20.5%	20.2%	20.5%
Total Capitalization Ratio	14.6%	14.7%	15.3%	14.6%	15.3%
Leverage					
Basic Capital/ Adjusted Assets	7.5%	8.5%	7.8%	7.5%	7.8%

Net Interest Income

During 4Q16 Net Interest Income was Ps 11.69 billion, (3%) lower reflecting the impact of Ps 987 million on the deconsolidation of INB's results for 2016, without considering the aforementioned NII would have grown +5% QoQ to Ps 12.68 billion. In 2016, NII totaled Ps 46.16 billion, +14% higher vs. 2015, including INB it increased to Ps 47.15 billion, +17%, driven by growth in the credit portfolio, deposits, as well as Banxico's interest rate hikes.

Net Interest Margin (NIM) for 4Q16 was 5.0%, (27bp lower) QoQ; while NIM for 2016 was 5.1%, +35bp YoY. Reversing the INB deconsolidation, for comparative purposes, the quarterly ratio increased +6bp and the accumulated NIM rose by +43bp. Both comparisons were driven by better loan portfolio margin and funding cost.

In 4Q16, NIM adjusted for credit risk was 3.6%, (22bp) below 3Q16 and **during 2016 stood at 3.7%**, up +13bp vs. 2015. Reversing the INB deconsolidation for comparative purposes, this ratio **in 4Q16 increased by +12bp QoQ and in 2016 by +21bp YoY**.

Loan Loss Provisions

Loan Loss Provisions in 4Q16 amounted Ps 3.18 billion, (2%) lower sequentially, **considering INB, totaled Ps 3.24 billion**, a (0.3%) decrease vs. 3Q16. The reduction came from lower requirements practically in the consumer portfolio (except for credit card), commercial and corporate loans.

Provisions for 2016 totaled Ps 13.07 billion, +26% higher YoY, while **reverting INB's deconsolidation, amounted to Ps 13.13 billion**, also +26%. This increase was mainly on higher requirements mostly in the payroll, credit card, corporate and government portfolios. Such growth was not related to deterioration in credit quality (past due loans fell by 14% YoY), but due to loan loss reserve reversals in March, May, and December of 2015.

Non-Interest Income

Non-Interest Income for 4Q16 was Ps 3.97 billion, although (1%) lower QoQ. **Including INB, totaled Ps 4.26 billion**, +6% higher QoQ, on a significant increase of +13% in Net Fees.

During 2016 Non-Interest Income totaled Ps 15.18 billion, +4% higher vs. 2015; when considering INB, Non-Interest Income was Ps 15.47 billion, +6% YoY, mainly as a result of the positive performance of Net Fees.

Moreover, **revenues from core banking services** (account management, fund transfers and electronic banking services) **grew +13% QoQ in 4Q16 and +17% YoY in 2016**.

Non-Interest Expenses

Non-Interest Expenses in 4Q16 were Ps 7.03 billion, (8%) lower QoQ; **reverting INB's deconsolidation, they were Ps 7.84 billion**, +2% higher vs. 3Q16.

In 2016, operating expenses totaled Ps 29.16 billion, up +4% YoY; when including INB, totaled Ps 29.97 billion, +7% YoY as a result of growth in all items, except for Other Non-Deductible Expenses and Taxes and Professional Fees which coupled decreased (Ps 273) million.

Net Income

Net Income in 4Q16 was affected mainly by Afore XXI Banorte's spin-off -carried out on October 17- and **amounted to Ps 4.10 billion**, +1% higher QoQ. Moreover, **Net Income during 2016 totaled Ps 15.04 billion**, a +11% increase vs. 2015. Income before subsidiaries was +11% higher QoQ and up by +14% YoY.

The Consolidated Bank's net profits – according to GFNorte's holding - **in 4Q16 were Ps 4.03 billion**, +11% QoQ, contributing 77% of the Group's results. **In 2016, this item reported Ps 13.80 billion**, +14% higher YoY, accounting for 71% of GFNorte's profits.

ROE for the Consolidated Bank in 4Q16 was 16.1%, up +134bp QoQ; while for **2016 it rose to 14.4%**, increasing +77bp YoY. Likewise, **ROA for the quarter was 1.6%**, practically unchanged vs. 3Q16; while **ROE for 2016 was 1.5%**, +6bp higher vs. 2015.

NPL Ratio

The Consolidated Bank's Non-Performing Loan Ratio for **4Q16 was 1.8%**, (40bp) lower vs. 3Q16 and (46bp) below YoY. When including INB, this ratio would have been 1.7% in the fourth quarter, (45 bp) lower QoQ and YoY, respectively.

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 ("CON SAR") authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as a result of its spin-off from Banco Mercantil del Norte.

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

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

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Interest Income (Net)	145	143	172	20%	18%	525	572	9%
Premium Income (Net)	3,542	2,304	3,215	40%	(9%)	12,372	14,534	17%
Net Increase in Technical Reserves	317	(1,097)	(114)	(90%)	(136%)	235	544	132%
Damages, Claims and Other Obligations	2,126	2,298	2,321	1%	9%	7,649	8,927	17%
Technical Results	1,099	1,102	1,008	(9%)	(8%)	4,489	5,063	13%
Net Interest Income (NII)	1,244	1,245	1,179	(5%)	(5%)	5,014	5,635	12%
Other Fees (acquisition costs)	(462)	(424)	(517)	22%	12%	(1,678)	(2,042)	22%
Securities-Realized Gains	32	27	(3)	(110%)	(109%)	42	43	1%
Other Operating Income (Expenses)	215	292	274	(6%)	28%	755	999	32%
Total Operating Income	1,028	1,141	934	(18%)	(9%)	4,133	4,635	12%
Non Interest Expense	280	265	294	11%	5%	966	1,020	6%
Operating Income	748	876	640	(27%)	(15%)	3,167	3,615	14%
Taxes	217	271	76	(72%)	(65%)	952	983	3%
Subsidiaries' Net Income	-	0	281	N.A.	N.A.	(0)	281	N.A.
Minority Interest	(1)	(1)	(8)	N.A.	804%	(5)	(12)	123%
Net Income	530	603	836	39%	58%	2,210	2,902	31%
Shareholder's Equity	6,331	5,399	20,364	277%	222%	6,331	20,364	222%
Total Assets	26,139	26,823	41,593	55%	59%	26,139	41,593	59%
Technical Reserves	14,051	15,347	15,539	1%	11%	14,051	15,539	11%
Premiums sold	4,464	2,627	3,610	37%	(19%)	17,078	18,382	8%
Coverage ratio of technical reserves	1.4	1.3	1.3	0.0 pp	(0.1 pp)	1.4	1.3	(0.1 pp)
Capital coverage ratio of minimum guarantee	2.2	1.8	1.7	(0.1 pp)	(0.5 pp)	2.2	1.7	(0.5 pp)
Coverage ratio of minimum capital	69.4	57.8	218.2	160.4 pp	148.7 pp	69.4	218.2	148.7 pp
Claims ratio	66%	68%	70%	2.2 pp	4.1 pp	63%	64%	0.7 pp
Combined ratio	79%	85%	86%	0.7 pp	7.2 pp	75%	76%	1.1 pp
ROE	33.8%	43.8%	26.3%	(17.5 pp)	(7.5 pp)	38.1%	33.9%	(4.1 pp)

During 4Q16, Seguros Banorte reported profits of Ps 836 million, this result is not comparable vs. 3Q16 since as of the fourth quarter, Afore XXI Banorte's results are reflected in the Subsidiaries' Net Income item.

Operating Income stood at Ps 640 million in 4Q16, (27%) lower QoQ mainly as a result of higher Acquisition Costs – reflecting the accounting changes related to life policies registry in 1Q16 – and the (Ps 95) million QoQ decline in Technical Results. The latter affected by a Ps 114 million reserves release in 4Q16 – unfavorably compared to the Ps 1.10 billion release in 3Q16 – and that could not be offset with the significant recovery of Ps 910 million in Premium Income.

In 2016, net profits amounted to Ps 2.90 billion, which also considers Afore XXI Banorte's net income of the last quarter. For comparison purposes – excluding Afore – net income in 2016 increased +19% vs. 2015.

During 2016, operating income was Ps 3.62 billion, up +14%YoY, arising from: i) +13% increase in Technical Results, benefited from an additional + Ps 2.16 billion in premium income and ii) +32% increase in Other Operating Income (Expenses); these offset higher acquisition costs – mainly on lower reinsurers revenues - and higher operating expenses and tax payments.

Seguros Banorte's profits in the fourth quarter of 2016 - excluding Afore XXI Banorte - represented 10.7% of GFNorte's net income, and 13.6% in 2016.

ROE for the insurance company was 26.3% in 4Q16. On an accumulated basis, **ROE was 33.9% for 2016**, lower vs. the 38.1% in 2015.

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

- i. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
 - *No cancellations were registered during 4Q16 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 4Q16 damage ratios remained under control.*
- iii. Costs derived from placement of insurance policies and bonds.
 - *There were no relevant events to disclose in 4Q16.*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the P&C book two important businesses, one related to the government, and the other one to the manufacturing industry, were ceded to reinsurers, mainly foreign entities.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
 - *There were no relevant events in 4Q16.*

Accounting changes related to life policies required by the CNSF, are as follows:

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

Afore XXI Banorte

Afore XXI Banorte (1) (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Net Income	608	711	561	(21%)	(8%)	2,485	2,541	2%
Shareholder's Equity	23,667	23,447	24,008	2%	1%	23,667	24,008	1%
Total Assets	25,067	24,795	25,332	2%	1%	25,067	25,332	1%
AUM(SIEFORE)*	625,821	656,289	645,213	(2%)	3%	625,821	645,213	3%
ROE	10.3%	12.3%	9.5%	(2.9 pp)	(0.8 pp)	10.6%	11.0%	0.3 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 561million for 4Q16, (21%) lower sequentially on lower revenues from its SIEFORES, which reflects the market's volatility impact. **In 2016, net income amounted to Ps 2.54 billion**, +2% YoY, on the positive performance of results on subsidiaries, valuation gains in the investment portfolios and the important decline in tax payments.

ROE for Afore XXI Banorte for 4Q16 was 9.5%, a decrease of (2.9 pp) vs. last quarter. This ratio in **2016 stood at 11.0%**, higher in +31bp yearly; excluding goodwill, **Tangible ROE would be 39.5% in 2016**, +1.8 pp above that of 2015.

Afore XXI Banorte contributed with 5.3% of the Financial Group's profits as of 4Q16; while in December 2016 it represented 6.5% of the Group's results.

Assets under management as of December 2016 totaled Ps 645.21 billion, a (2%) decline QoQ and +3% higher YoY.

According to CONSAR, as of December 2016 Afore XXI Banorte had a 23.3% share in managed funds, ranking 1st in the market, with 9.67 million accounts (this number does not include 8.0 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 19.6% share of the total number of accounts in the system, ranking second in the market.

Pensiones Banorte

Annuities (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Total Operating Income	272	273	292	7%	7%	869	1,107	27%
Non-Interest Expense	60	72	78	7%	28%	282	296	5%
Operating Income	212	200	214	7%	1%	587	811	38%
Taxes	68	65	65	1%	(4%)	190	257	35%
Subsidiaries & Minority Interest	1	1	3	131%	260%	5	7	30%
Net Income	144	137	152	11%	5%	402	561	39%
Shareholder's Equity	1,629	2,006	2,150	7%	32%	1,629	2,150	32%
Total Assets	68,988	74,834	77,690	4%	13%	68,988	77,690	13%
Technical Reserves	66,713	71,988	74,604	4%	12%	66,713	74,604	12%
Premiums sold	1,572	2,078	1,802	(13%)	15%	7,241	7,442	3%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp	1.0	1.0	0.0 pp
Coverage ratio of minimum capital	11.0	13.3	14.3	0.1 pp	0.3 pp	11.0	14.3	3.2 pp
ROE	36.5%	28.3%	29.3%	1.0 pp	(7.2 pp)	27.0%	29.8%	2.8 pp

During 4Q16, Pensiones Banorte reported profits of Ps 152 million, +11% higher QoQ, mainly on the recovery of trading revenues and other operating income (expenses), which offset lower net interest income and higher operating expenses.

In 2016, net profits were Ps 561 million, +39% YoY, reflecting higher net interest income and non-interest income.

Pensiones Banorte contributed with 2.9% of the Financial Group's quarterly and yearly profits.

ROE was 29.3% in 4Q16, +96bp above 3Q16 and for 2016 stood at 29.8%, +2.8 pp higher YoY.

Brokerage

Brokerage Sector (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Net Income	183	179	223	25%	21%	790	832	5%
Shareholder's Equity	3,309	2,502	2,753	10%	(17%)	3,309	2,753	(17%)
Assets Under Custody	724,410	804,956	757,423	(6%)	5%	724,410	757,423	5%
Total Assets	149,848	88,573	81,175	(8%)	(46%)	149,848	81,175	(46%)
ROE	22.7%	25.7%	33.9%	8.2 pp	11.2 pp	26.2%	27.4%	1.2 pp
Net Capital								
Net Capital (1)	2,641	1,906	2,058	8%	(22%)	2,641	2,058	(22%)

1) Net capital structure: Tier 1 =Ps 2.06 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 223 million in 4Q16, +25% QoQ on a +55% increase in net interest income and higher trading and fees revenues.

In 2016, net profits accounted for Ps 832 million, +5% YoY due to higher non-interest income, on the back of the good annual performance of trading revenues and other income (expense) net, lower operating expenses and tax payment. Net Income in 2016 represented 4.3% of the Financial Group's profits.

Assets under Management

At the end of 4Q16 AUMs totaled Ps 757 billion, growing +5% YoY and (6%) lower QoQ.

At yearend, assets managed by mutual funds totaled Ps 148.3 billion, +8% YoY and a quarterly decrease of (6%). Assets held in fixed income funds totaled Ps 134.2 billion, +11% higher annually and (7%) lower vs. 3Q16, while equity funds held assets amounting to Ps 14.0 billion, decreasing (13%) vs. the same period of last year and (1%) QoQ. At the end of 2016, Banorte had a 7.4% share of the mutual fund market, comprised of 9.2% in fixed income funds and 2.5% in equity funds.

SOFOM & Other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	4Q15	3Q16	4Q16	Change		2015	2016	Change 2015
				3Q16	4Q15			
Leasing and Factoring								
Net Income	148	176	207	17%	40%	571	693	22%
Shareholder's Equity	4,297	4,275	4,482	5%	4%	4,297	4,482	4%
Loan Portfolio (1)	23,220	25,964	27,402	6%	18%	23,220	27,402	18%
Past Due Loans	175	173	180	4%	3%	175	180	3%
Loan Loss Reserves	310	266	319	20%	3%	310	319	3%
Total Assets	23,336	26,321	27,768	5%	19%	23,336	27,768	19%
ROE	14.0%	16.9%	18.9%	2.0 pp	4.9 pp	14.2%	16.1%	1.8 pp
Warehousing								
Net Income	6	8	6	(31%)	(6%)	31	28	(10%)
Shareholder's Equity	246	268	184	(31%)	(25%)	246	184	(25%)
Inventories	462	703	438	(38%)	(5%)	462	438	(5%)
Total Assets	619	865	586	(32%)	(5%)	619	586	(5%)
ROE	10.1%	12.7%	10.2%	(2.5 pp)	0.1 pp	13.5%	11.6%	(1.9 pp)
Sólida Administradora de Portafolios								
Net Income	191	(94)	(185)	96%	(196%)	(106)	(538)	408%
Shareholder's Equity	4,874	4,754	4,243	(11%)	(13%)	4,874	4,243	(13%)
Loan Portfolio	2,575	1,925	1,768	(8%)	(31%)	2,575	1,768	(31%)
Past Due Loans	94	83	73	(12%)	(23%)	94	73	(23%)
Loan Loss Reserves	168	144	123	(14%)	(27%)	168	123	(27%)
Total Assets	16,995	15,639	14,988	(4%)	(12%)	16,995	14,988	(12%)
Ixe Servicios								
Net Income	0.1	0.5	(6.0)	(1196%)	(4257%)	0.4	(4.9)	(1291%)
Shareholder's Equity	146	147	141	(4%)	(3%)	146	141	(3%)
Total Assets	146	147	141	(4%)	(3%)	146	141	(3%)
ROE	0.4%	1.5%	(16.6%)	(18.1 pp)	(17.0 pp)	0.3%	(3.4%)	(3.7 pp)

1) Includes pure leasing portfolio for Ps 3.24 billion and fixed asset amounting to Ps 40 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

In 4Q16 Arrendadora y Factor Banorte reported profits of Ps 207 million, up +17% QoQ and +40% YoY. The quarterly performance was mainly enhanced by an increase in net interest income arising from the expansion of the portfolio and to non-interest income on revenues from pure leasing that reached maturity. **At yearend, net profits amounted to Ps 693 million**, +22% higher annually as a result of greater income from the portfolio's expansion and to an outstanding performance of non-interest income.

The Leasing and Factoring Company contributed 3.6% of the Financial Group's profits in 4Q16.

At the end of 4Q16, the **Past Due Loans Ratio was 0.7%**, flat QoQ and lower YoY. The **Coverage ratio was 177.7%**, +23.5 pp above the last quarter and +0.8 pp vs. 4Q15. The **Capitalization ratio as of December was 15.6%** considering total risk-weighted assets of Ps 28.62 billion.

The leverage ratio as of September and December, was 14.34% and 14.23%, respectively; considering adjusted assets of Ps 29.69 billion and Ps 31.36 billion.

Warehouse

In 4Q16, Warehouse posted profits of Ps 6 million, a (31%) QoQ decrease on lower non-interest income and net interest income, as well as to higher operating expenses.

At the end of 2016, earnings totaled Ps 28 million, a (10%) decline vs. the same period of the last year driven by fewer operating income; which could not be offset by higher non-interest income and a decrease in administrative and promotional expenses. Almacenadora Banorte contributed 0.1% of the Financial Group's profits in 2016.

ROE for 4Q16 was 10.2%, (2.5 pp) lower vs. 3Q16; **in 2016 it was 11.6%**, (1.9 pp) lower YoY.

At the end of 4Q16, the Capitalization Ratio was 142% considering net capital of Ps 150 million and certificates for sale issued in warehouses of Ps 2.10 billion. Almacenadora Banorte ranks fifth among the 16 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

During 4Q16, Sólida Administradora de Portafolios reported a loss of (Ps 185) million, Ps 90 million higher vs. 2Q16, mainly on lower trading revenues on mark to market valuation losses.

In 2016, the net income decrease (Ps 432) million YoY to (Ps 538) million as a result of lower NII and non-interest income, which was not offset by the (18%) reduction in administrative expenses.

The Past Due Loan Ratio was 4.1% at the end of December 2016, improving (0.2 pp) vs 3Q16. **The Coverage ratio was 170%**, (10 pp) lower YoY. **The estimated Capitalization ratio at the end of 4Q16 was 13.1%**, +0.3 pp QoQ and +0.6 pp YoY.

The leverage ratio as of September and December, was 16.80% and 15.60%, respectively; considering adjusted assets of Ps 28.98 billion and Ps 33.19 billion.

As part of the restructuring agreement instructed by the Judge in Urbi's bankruptcy process, Sólida received, among other assets, shares and warrants to subscribe shares of this company in exchange for an overdue account recognized in the bankruptcy process and which net book value amounted to Ps. 320 million. The shares were registered as securities held for sale and the valuation loss recorded at yearend was (Ps 298) million in the equity accounts. Additionally, the valuation loss on the warrants was (Ps 9) million, registered in the year's income in trading results.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	2015	2016	Change vs. 2015
Net Interest Income	26	7	(75%)
Loan Loss Provisions	(7)	3	(138%)
Non Interest Income	2,166	2,494	15%
Non Interest Expense	(1,101)	(1,082)	(2%)
Pre-tax Income & Subsidiaries	1,084	1,421	31%
Income Tax and Profit Sharing	(267)	(393)	47%
Net Income	818	1,028	26%

Assets Under Management (Million Pesos)	4Q16	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	108,117	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	27,959	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	7,297	Solida Asset Management and Banorte	Non Interest Income
Total	143,373		

Net Income

Recovery Banking posted profits of Ps 1.03 billion in 2016, up +26% YoY, on higher non-interest income driven by an increase in recoveries of consumer charge-offs, greater sales of Banorte's foreclosed assets and lower expenses. The Recovery Banking's accumulated net income was 5.3% of the Group's profits.

Assets Under Management

The Recovery Bank managed total assets of Ps 108 billion at the end of 4Q16, of which 26% correspond to mortgage loans, 22% to credit cards, 18% to payroll loans, 13% to Crediactivo, 7% to foreclosed assets, 7% to auto loans, 4% to middle market companies and 3% to other loans. Gross revenues in 2016 amounted to Ps 1.58 billion, +34% higher YoY.

At the end of 4Q16, of the **acquired assets managed by the Recovery Bank** 39% were mortgages, 19% were assets managed on behalf of the Mexican mortgages agency SHF, 15% loans to middle market companies and commercial, 14% were real estate portfolios and 12% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 756 million in 2016, (24%) lower YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	4Q15	3Q16	4Q16
Employees (1)	27,574	27,523	27,913
Banorte - Ixe Branches	1,191	1,175	1,175
INB Branches	20	20	20
ATM's	7,425	7,598	7,756
POS's	155,893	152,015	151,948

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

GFNorte's Analyst Coverage

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

TICKER: GFNORTEO

BROKER	ANALYST	RECOMMENDATION	DATE
Activer	Enrique Mendoza	Buy	4-Jan-17
Barclays	Benjamin Theurer	Buy	28-Oct-16
BBVA	Germán Velasco	Buy	4-Jan-17
BOFA - Merrill Lynch	Mario Pierry	Buy	30-Nov-16
Brasil Plural	Eduardo Nishio	Buy	20-Oct-16
BTG Pactual	Eduardo Rosman	Buy	21-Nov-16
BX+	José Eduardo Coello	Buy	21-Oct-16
Citi	Carlos Rivera	Buy	4-Jan-17
Credit Suisse	Marcello Telles	Buy	22-Jan-17
GBM	Lilian Ochoa	Buy	14-Dec-16
HSBC	Carlos Gómez	Buy	1-Nov-16
Invex	Ana Sepúlveda	Buy	19-Sep-16
Itaú BBA	Thiago Batista	Buy	8-Dec-16
JP Morgan	Domingos Falavina	Buy	18-Jan-17
Morgan Stanley	Jorge Kuri	Buy	4-Jan-17
Santander	Claudia Benavente	Buy	4-Jan-17
UBS	Philip Finch	Buy	11-Dec-16
Bradesco	Bruno Chemmer	Hold	6-Dec-16
Deutsche Bank	Tito Labarta	Hold	16-Dec-16
Goldman Sachs	Carlos Macedo	Hold	19-Dec-16
InterCam	Sofía Robles	Hold	20-Oct-16
Nau	Iñigo Vega	Hold	6-Dec-16
Punto	Ana María Telleria	Hold	22-Jul-16
Scotia	Jason Mollin	Sell	24-Jan-17

Ratings

International Ratings - GFNorte				
Rating Agency	Rated Intitutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Negative	Outlook	August, 2016
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	Negative	Outlook	December, 2016
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
Moody's	Banco Mercantil del Norte	Negative	Outlook	September, 2016
		baa2	Baseline Credit Assessment	
		Negative	Outlook	
		A3	Long term local currency deposits*	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits*	
		P-2	Short term foreign currency deposits	
A3	Long term foreign currency senior debt*			
Baa3	Long term local currency subordinated debt			
Baa2 (hyb)	Long term foreign currency subordinated debt			
Ba1 (hyb)	Long term local currency junior subordinated debt			
(P)Ba1 (hyb)	Long term foreign currency subordinated debt			
Ba1	Long term foreign currency junior subordinated debt			
baa2	Adjusted baseline credit assesment			
A2 (cr)	Long term counterparty risk assesment			
Prime-1 (cr)	Short term counterparty risk assesment			
Arrendadora y Factor Banorte	Arrendadora y Factor Banorte	Stable	Outlook	November, 2016
		(P)P-2	Short term local currency issuer	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	August, 2016
		mxA-1+	National Scale Counterparty credit - Short term	
	mxAAA	National Scale Counterparty - Long term		
	Casa de Bolsa Banorte Ixe	Stable	Outlook	
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty credit - Long term	
Stable		Outlook		
Fitch	Banco Mercantil del Norte	AAA (mex)	National Scale Counterparty - Long term	March, 2016
		F1+ (mex)	National Scale Counterparty - Short term	
		F1+ (mex)	Depo. Certi. y P.R.L.V. short Term	
		AA+ (mex)	Depo. Certi. y P.R.L.V. long term	
	Casa de Bolsa Banorte Ixe	Stable	Outlook	
		F1+ (mex)	National Scale - Short term	
		AAA (mex)	National Scale - Long term	
	Arrendadora y Factor Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale - Unsecured Debt - Short term	
		AAA (mex)	National Scale - Unsecured Debt - Long term	
	Almacenadora Banorte	F1+ (mex)	National Scale Counterparty - Short term	
AAA (mex)		National Scale Counterparty - Long term		
Pensiones Banorte	Stable	Outlook		
	AAA (mex)	National Scale		
Seguros Banorte	Stable	Outlook		
	AAA (mex)	Financial Strength		
Moody's	Banco Mercantil del Norte	Negative	Outlook	June, 2016
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
		Aa3.mx	Subordinated debt - Long term	
	A1.mx	Junior Subordinated debt - Long term		
	Arrendadora y Factor Banorte	Stable	Outlook	
MX-1		National Scale - Short term issuer		
Aa2.mx		National Scale - Long term senior debt*		
MX-1		National Scale - Short term senior debt		
HR Ratings	Banco Mercantil del Norte	Stable	Outlook	May, 2016
		HR AAA	Long term debt	
		HR+1	Short term debt	
		HR AA+	Subordinated Debt Preferential	

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	4Q16
Banco Mercantil del Norte, S.A. (1)	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	99.28%
Banorte Ahorro y Previsión, S.A. de C.V.	100.00%

1. Considers as of 3Q14 a 98.22% stake of GFNorte.

Holding Company Capital Structure

Holding Company Capital Structure

Number of Shares (Million)	SERIE O As of December 2016
Number of Issued Shares	2,773.73
Number of Shares Outstanding	2,773.73
Shares held in GFNorte's Treasury	0

Group's Main Officers

Group's Main Officers 4Q16	
Name	Current Position
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Guillermo Chávez Eckstein	Chief Credit & Risk Officer
Isaías Velázquez González	Managing Director - Internal Audit

Integration of the Board of Directors

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

Grupo Financiero Banorte

Board of Directors

PROPRIETARY

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

ALTERNATE

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

IV. Financial Statements

Holding

Income Statement-Holding (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016
Income Subsidiaries	3,900	4,020	4,299	4,958	4,352	4,632	5,005	5,265	17,177	19,254
Interest Income	3	8	16	21	8	18	17	11	48	54
Interest Expense	-	-	-	-	-	-	-	-	-	-
Fees & Tariffs	-	-	-	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	-	-	-	-
Other Operating Income (Expenses)	-	-	-	(2)	2	1	1	2	(2)	6
Non-Interest Expense	27	26	30	26	26	25	28	27	108	107
Pre-Tax Income	3,876	4,003	4,285	4,951	4,336	4,626	4,994	5,251	17,115	19,207
Income Tax	-	-	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Income Tax	(4)	(1)	6	20	(62)	(6)	(4)	(13)	21	(84)
Taxes	(4)	(1)	6	20	(62)	(6)	(4)	(13)	21	(84)
Net Income from Continuous Operations	3,880	4,003	4,278	4,932	4,398	4,632	4,998	5,264	17,093	19,292
Extraordinary Items, net	-	-	-	-	-	-	-	-	-	-
Net Income	3,880	4,003	4,278	4,932	4,398	4,632	4,998	5,264	17,093	19,292

Holding - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
ASSETS								
Cash and Due from Banks	30	92	19	13	62	60	90	43
Margin Accounts	-	-	-	-	-	-	-	-
Investment in Securities	-	-	-	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	190	1,260	2,305	1,800	1,507	1,508	700	3,482
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	190	1,260	2,305	1,800	1,507	1,508	700	3,482
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	63	61	59	59	58	53	17	0
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-	-	-	-
Investment in Subsidiaries	113,124	114,658	117,008	120,714	121,891	126,696	127,831	124,341
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	136	136	130	110	172	178	181	194
Goodwill and Intangibles	10,819	10,796	10,773	10,750	10,728	10,705	10,682	10,659
Other Assets Short and Long Term	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
	124,141	125,651	127,969	131,633	132,849	137,631	138,712	135,195
TOTAL ASSETS	124,361	127,003	130,293	133,445	134,419	139,199	139,503	138,720

Holding - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
LIABILITIES								
Demand Deposits	-	-	-	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Banks & Correspondents	-	-	-	-	-	-	-	-
Total Collateral sold	-	-	-	-	-	-	-	-
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	10	676	1	3	0	1,269	2	0
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	10	676	1	3	0	1,269	2	0
EQUITY								
Paid-in Capital	14,643	14,614	14,612	14,610	14,597	14,593	14,599	14,578
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	36,207	36,371	36,225	36,268	36,189	36,301	36,115	36,263
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	50,850	50,985	50,837	50,878	50,785	50,894	50,714	50,841
Capital Reserves	6,563	5,854	5,809	5,765	5,419	5,334	5,421	4,825
Retained Earnings	63,123	61,770	61,770	61,008	76,820	73,823	70,387	66,626
Surplus (Deficit) of Secs Available for Sale	779	74	(532)	(1,544)	(1,964)	(894)	(516)	(2,576)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)	(1,739)	(2,368)	(2,089)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)	15	88
Results from Conversions	181	339	930	1,070	1,110	1,754	2,196	2,084
Remeasurements defined benefits for employees	-	-	-	-	(121)	(249)	(376)	(370)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	3,880	7,884	12,162	17,093	4,398	9,030	14,028	19,292
Earned Capital	73,501	75,342	79,455	82,564	83,633	87,036	88,786	87,879
Minority Interest	-	-	-	-	-	-	-	-
Total Equity	124,351	126,327	130,292	133,442	134,418	137,930	139,500	138,720
TOTAL LIABILITIES & EQUITY	124,361	127,003	130,293	133,445	134,419	139,199	139,503	138,720

Holding - Memorandum Accounts (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-	-	-	-
Properties in Custody or Management	3,716	3,716	3,716	3,716	3,716	3,716	3,716	3,716
Collateral Received	-	-	2,308	1,784	1,503	1,506	698	3,479
Proprietary Transactions	3,716	3,716	6,024	5,500	5,219	5,223	4,414	7,196
TOTAL PROPRIETARY	3,716	3,716	6,024	5,500	5,219	5,223	4,414	7,196

Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016
Interest Income	16,612	16,501	17,618	18,251	18,672	18,126	20,318	21,942	68,983	79,058
Interest Expense	5,556	5,986	6,031	5,792	5,994	6,258	6,824	7,818	23,365	26,893
Charged Fees	284	297	326	350	315	303	308	281	1,256	1,206
Fees Paid	90	96	96	101	102	112	123	153	383	490
Net Interest Income from interest & fees (NII)	11,251	10,716	11,817	12,709	12,891	12,059	13,679	14,252	46,492	52,881
Premium Income (Net)	5,337	4,535	4,225	4,977	7,741	4,512	4,210	4,844	19,074	21,307
Net Increase in Technical Reserves	2,478	1,130	1,186	2,337	4,154	675	994	2,655	7,131	8,477
Damages, Claims and Other Obligations	2,475	2,543	3,015	2,994	2,882	3,252	3,248	3,271	11,027	12,654
Net Interest Income (NII)	11,635	11,577	11,840	12,355	13,596	12,644	13,647	13,170	47,408	53,057
Preventive Provisions for Loan Losses	2,605	2,778	2,840	2,495	3,238	3,529	3,289	3,257	10,719	13,313
Net Interest Income Adjusted for Credit Risk	9,030	8,799	9,000	9,860	10,358	9,115	10,358	9,913	36,689	39,744
Fees for Commercial and Mortgage Loans	112	149	137	70	194	183	196	223	468	796
Fund Transfers	209	195	234	247	286	325	347	345	885	1,303
Account Management Fees	459	521	529	528	483	518	521	554	2,036	2,075
Fiduciary	111	87	88	102	81	86	73	107	388	347
Other Fees	642	644	612	674	618	634	670	661	2,573	2,583
Income from Real Estate Portfolios	23	21	35	91	33	19	38	24	169	113
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	1,403	1,453	1,601	5,118	5,808
For Consumer and Credit Card Loans	703	745	794	835	830	786	925	1,116	3,077	3,658
Fees Charged on Services	3,451	3,602	3,717	3,944	3,874	3,955	4,223	4,632	14,714	16,684
Fund transfers	16	13	5	18	18	23	13	1	52	54
Other Fees	1,187	1,092	1,189	1,328	1,650	1,227	1,434	1,691	4,795	6,002
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-	-	-
Fees Paid on Services	1,203	1,105	1,194	1,346	1,667	1,249	1,447	1,692	4,847	6,056
Foreign Exchange	402	118	354	411	270	406	471	447	1,285	1,594
Securities-Realized Gains	477	298	173	506	92	68	272	64	1,454	497
Securities-Unrealized Gains	74	401	132	(355)	91	297	(21)	(111)	252	255
Trading Income	953	817	659	561	453	771	722	400	2,991	2,346
Loan Recoveries	299	317	299	391	349	367	406	428	1,306	1,550
Income from foreclosed assets	13	(6)	112	33	32	91	(35)	10	151	98
Other Operating Income	48	125	5	187	157	173	31	32	365	393
Other Operating Expense	(266)	(102)	(39)	(35)	(177)	(67)	(29)	(31)	(442)	(304)
Other Products	1,219	539	913	1,352	1,080	1,222	1,567	1,391	4,022	5,260
Other Recoveries	208	85	191	103	187	60	147	158	587	552
Other Operating Expense	(1,283)	(613)	(885)	(972)	(1,216)	(1,178)	(1,383)	(1,299)	(3,754)	(5,076)
Other Operating Income (Expense) from Insurance and Annuities	185	174	197	209	208	287	248	275	765	1,017
Total Other Operating Income (Expense)	423	519	793	1,267	621	955	952	963	3,001	3,491
Total Non Interest Income	3,624	3,833	3,976	4,426	3,281	4,432	4,449	4,303	15,859	16,465
Total Operating Income	12,654	12,632	12,976	14,286	13,639	13,546	14,808	14,216	52,548	56,209
Personnel	3,390	3,234	2,974	2,806	3,273	3,101	3,508	2,994	12,404	12,876
Employee Profit Sharing (PTU)	98	96	96	84	97	97	97	99	374	389
Professional Fees	515	610	551	757	497	587	576	548	2,433	2,208
Administrative and Promotional Expenses	1,722	1,735	1,771	1,987	1,964	1,685	1,865	1,852	7,215	7,366
Rents, Depreciation & Amortization	992	1,000	1,048	1,089	1,128	1,132	1,219	1,210	4,129	4,689
Taxes other than income tax & non deductible expenses	444	377	355	449	428	351	320	292	1,625	1,390
Contributions to IPABI/Fobaproa	510	523	533	550	566	579	584	595	2,116	2,325
Total Non Interest Expense	7,670	7,575	7,328	7,722	7,952	7,532	8,167	7,591	30,295	31,243
Operating Income	4,983	5,057	5,648	6,564	5,686	6,014	6,640	6,625	22,253	24,965
Subsidiaries' Net Income	279	345	277	301	328	309	353	257	1,201	1,246
Pre-Tax Income	5,262	5,402	5,925	6,866	6,014	6,323	6,993	6,881	23,454	26,211
Income Tax	1,208	1,537	1,587	1,389	1,699	1,439	2,170	1,748	5,720	7,056
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Income Tax	121	(193)	(7)	466	(202)	193	(224)	55	386	(178)
Taxes	1,328	1,343	1,580	1,855	1,497	1,632	1,945	1,804	6,106	6,878
Net Income from Continuous Operations	3,934	4,058	4,345	5,011	4,517	4,691	5,048	5,077	17,348	19,333
Extraordinary Items, net	-	-	-	-	-	-	-	243	-	243
Minority Interest	(54)	(55)	(61)	(71)	(55)	(65)	(72)	(77)	(240)	(269)
Net Income	3,880	4,003	4,284	4,940	4,462	4,626	4,976	5,244	17,108	19,308

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
ASSETS								
Cash and Due from Banks	83,716	85,551	88,257	107,848	96,566	90,759	71,315	65,886
Margin Accounts	97	160	105	91	269	513	745	2,185
Negotiable Instruments	294,182	295,065	245,062	244,945	249,531	253,957	250,061	181,777
Securities Available for Sale	117,709	117,035	118,933	113,465	113,167	129,477	126,366	195,087
Securities Held to Maturity	80,371	78,694	80,849	83,115	77,339	77,909	79,054	81,920
Investment in Securities	492,263	490,794	444,844	441,525	440,038	461,343	455,481	458,784
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans, net	1	0	70	493	402	62	72	0
Securities Lending	-	-	-	-	-	-	-	-
For trading purposes	19,211	19,000	23,166	19,068	18,154	21,030	16,516	41,133
For hedging purposes	137	151	103	79	100	76	113	742
Operations w/Derivatives & Securities								
Transactions with Derivatives	19,347	19,152	23,269	19,147	18,254	21,107	16,630	41,875
Operations w/Derivatives & Securities	19,349	19,152	23,340	19,640	18,656	21,169	16,702	41,876
Valuation adjustments for Asset Coverage	139	136	132	128	124	121	117	113
Commercial Loans	190,682	192,050	195,316	208,066	213,462	218,000	222,569	224,218
Financial Intermediaries' Loans	3,156	3,301	2,914	3,331	2,872	3,313	4,253	4,650
Consumer Loans	69,597	72,118	75,414	76,721	77,873	80,796	84,601	88,332
Mortgage Loans	91,288	93,844	96,892	99,952	102,205	106,292	110,622	114,807
Medium and Residential	88,562	90,690	93,471	96,285	98,465	102,509	106,686	110,825
low income housing	102	86	75	68	62	48	43	40
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679	3,735	3,892	3,942
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	125,085	124,704	129,670	130,118	137,144	135,717	131,409	134,798
Performing Loans	479,808	486,017	500,208	518,188	533,556	544,118	553,454	566,804
Commercial PDL's	9,980	10,162	9,918	7,923	7,977	7,816	7,536	5,672
Financial Intermediaries PDL's	1	0	0	0	0	344	344	344
Consumer PDL's	2,318	2,685	2,703	2,908	2,684	3,343	3,263	3,247
Mortgage PDL's	1,175	1,149	1,096	1,072	1,122	1,163	1,156	1,049
Medium and Residential	1,136	1,110	1,064	1,031	1,062	1,086	1,081	952
low income housing	3	4	7	6	7	2	2	1
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53	74	74	96
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	0	-
Past Due Loans	13,474	13,996	13,717	11,903	11,782	12,665	12,300	10,312
Gross Loan Portfolio	493,282	500,012	513,925	530,091	545,339	556,783	565,753	577,117
Preventive Loan Loss Reserves	14,571	14,734	15,013	13,813	14,059	15,207	15,284	14,384
Net Loan Portfolio	478,711	485,278	498,912	516,279	531,280	541,576	550,470	562,733
Acquired Collection Rights	2,860	2,651	2,559	2,217	2,120	1,946	2,223	2,025
Total Credit Portfolio	481,571	487,929	501,470	518,496	533,400	543,522	552,693	564,759
Account Receivables from Insurance and Annuities	2,167	2,444	2,432	1,888	1,718	1,781	1,827	1,908
Premium Debtors (Net)	5,952	5,477	4,480	4,414	9,252	7,627	5,653	4,245
Account Receivables from Reinsurance	5,865	6,864	5,692	5,872	6,462	6,936	6,966	7,166
Benef.receiveab.securization transactions	583	505	329	184	149	153	202	155
Sundry Debtors & Other Accs Rec, Net	31,845	34,191	36,475	31,544	40,628	39,510	40,839	50,366
Inventories	422	688	596	462	416	951	703	438
Foreclosed Assets, Net	2,678	2,526	2,402	2,259	2,170	2,064	1,843	1,610
Real Estate, Furniture & Equipment, Net	13,191	13,468	13,701	14,537	14,582	15,146	15,462	15,828
Investment in Subsidiaries	13,115	13,440	13,730	13,805	13,034	13,344	13,716	13,764
Long-term assets held for sale	-	-	-	-	-	-	-	5,299
Deferred Taxes, Net	2,293	2,378	2,712	2,785	3,514	3,085	3,519	3,994
Goodwill and Intangibles	23,901	25,145	26,642	28,860	27,148	27,604	27,986	26,315
Other Assets Short and Long Term	4,037	3,959	3,845	4,135	3,965	3,765	3,503	3,427
TOTAL ASSETS	1,183,186	1,194,806	1,171,183	1,198,476	1,212,090	1,239,392	1,219,271	1,268,119

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
LIABILITIES								
Demand Deposits	305,716	310,282	321,146	347,577	339,524	350,671	363,501	381,203
Time Deposits-Retail	194,351	196,146	200,285	207,940	215,356	224,581	201,736	190,461
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904	1,068	1,400	1,459
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171	1,224	1,250	1,352
Senior Unsecured Debt	4,997	5,177	100	100	130	130	58	85
Deposits	513,899	522,870	535,870	561,462	559,086	577,675	567,944	574,559
Demand Loans	0	0	0	1	6,928	0	0	4,019
Short Term Loans	17,172	17,546	15,694	16,481	16,333	17,887	17,331	17,155
Long Term Loans	11,324	12,438	14,163	14,551	14,187	14,054	16,257	17,462
Due to Banks & Correspondents	28,496	29,984	29,856	31,033	37,448	31,941	33,589	38,636
Technical Reserves	76,450	78,753	78,485	80,945	86,054	86,535	87,495	90,369
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	360,901	362,801	314,327	315,155	316,634	317,232	309,116	308,777
Secs to be received in Repo Trans, Net	-	-	0	-	-	0	0	-
Repos (Credit Balance)	19	41	3	1	0	17	21	0
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	19	41	3	1	0	17	21	0
For trading purposes	19,664	19,495	24,025	19,940	18,829	21,961	18,597	40,403
For hedging purposes	3,381	3,556	4,686	5,004	6,161	6,825	8,671	9,372
Operations w/ Derivatives & Securities								
Transactions with Derivatives	23,045	23,050	28,711	24,944	24,990	28,786	27,268	49,776
Total Operations w/ Derivatives & Securities	383,965	385,892	343,041	340,100	341,624	346,036	336,405	358,553
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,094	1,477	1,606	1,735	2,575	2,412	2,455	1,747
Income Tax Payable	1,681	1,572	2,088	1,922	1,349	1,806	2,360	3,114
Profit Sharing Payable	145	217	309	375	135	206	299	396
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	14,996	8,747	10,094	7,541	7,451	12,625	8,435	7,348
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	15,484	16,950	17,073	17,458	19,396	19,452	17,719	28,364
Other Payable Accounts	32,306	27,485	29,564	27,296	28,331	34,089	28,813	39,221
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475	17,821	18,246	21,917
Deferred Taxes, Net	0	0	(0)	(0)	-	-	-	(0)
Deferred Credits	1,413	1,400	1,307	1,169	1,075	882	741	415
TOTAL LIABILITIES	1,055,334	1,064,652	1,037,028	1,061,124	1,073,667	1,097,390	1,075,687	1,125,418
EQUITY								
Paid-in Capital	14,627	14,610	14,608	14,606	14,593	14,590	14,595	14,574
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	36,079	36,527	36,381	36,423	36,345	36,465	36,279	36,427
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	50,706	51,137	50,989	51,030	50,937	51,054	50,874	51,001
Capital Reserves	6,563	5,854	5,809	5,765	5,419	5,334	5,421	4,825
Retained Earnings	64,974	63,622	63,622	62,860	78,686	75,689	72,253	68,492
Surplus (Deficit) of Secs Available for Sale	773	75	(526)	(1,552)	(1,976)	(911)	(532)	(2,592)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)	(1,739)	(2,368)	(2,089)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)	15	88
Results from Conversions	181	339	930	1,070	1,110	1,754	2,196	2,084
Remeasurements defined benefits for employees	-	-	-	-	(121)	(249)	(376)	(370)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	3,880	7,883	12,168	17,108	4,462	9,088	14,064	19,308
Earned Capital	75,346	77,195	81,317	84,422	85,551	88,944	90,673	89,745
Minority Interest	1,799	1,823	1,848	1,900	1,935	2,004	2,038	1,956
Total Equity	127,851	130,154	134,155	137,351	138,423	142,002	143,584	142,701
TOTAL LIABILITIES & EQUITY	1,183,186	1,194,806	1,171,183	1,198,476	1,212,090	1,239,392	1,219,271	1,268,119

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q16	1Q16	2Q16	3Q16	4Q16
On behalf of Third Parties								
Customer's Banks	22	252	34	165	93	98	64	118
Dividends Receivable from Customers	-	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-	-
Settlement of Customer Transactions	(2)	(18)	(16)	45	208	(18)	(10)	(3)
Customer Premiums	-	-	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-	-	-
Customers' Current Account	20	234	18	210	301	80	54	114
Client Securities Received in Custody	592,356	594,403	589,191	587,733	616,579	647,418	647,173	609,288
Securities and Documents Received in Guarantee	-	-	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-	-	-
Clients' Securities	592,356	594,403	589,191	587,733	616,579	647,418	647,173	609,288
Clients' Repurchase Operations	112,425	126,824	114,729	145,667	102,988	102,541	85,315	77,781
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	111,981	126,381	114,288	145,225	102,953	102,522	85,295	77,746
Purchase of Futures & Forward Contracts, national	-	-	-	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-	-	-	-
Trusts under Management	77,144	73,549	79,143	87,009	99,220	102,029	96,297	90,205
Transactions On Behalf of Clients	301,550	326,754	308,160	377,901	305,161	307,092	266,908	245,732
Investment Bank Trans. on behalf of Third (Net)	91,311	98,221	95,736	79,643	71,038	65,031	92,104	93,307
TOTAL ON BEHALF OF THIRD PARTIES	985,237	1,019,612	993,105	1,045,488	993,079	1,019,622	1,006,238	948,441
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084	170,475	258,580	324,528
Trusts	211,808	217,386	283,559	290,832	306,517	320,511	309,671	289,905
Mandates	596	9,524	557	8,316	8,571	9,824	9,557	2,268
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088	330,336	319,228	292,174
Properties in Custody or Management	441,489	449,344	452,819	438,214	457,665	480,655	470,481	446,626
Collateral Received	83,491	87,699	88,377	147,797	103,030	72,198	89,904	89,288
Collateral Received or sold or delivered	142,879	161,124	145,469	235,143	146,735	114,133	114,103	101,473
Drafts in Transit	-	-	-	-	-	-	-	-
Assets' Deposit	2,688	2,440	2,029	3,023	2,343	1,943	1,484	2,550
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-	-
Contingent assets & Liabilities	1	5	13	19	26	33	40	45
Uncollected Accrued Interest from Past Due Loans	468	492	485	482	491	526	465	439
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-	-
Other Registration Accounts	-	85,224	-	-	-	-	-	-
Proprietary Transactions	929,620	1,085,747	1,138,395	1,284,355	1,189,463	1,170,298	1,254,286	1,257,123
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
TOTAL PROPRIETARY	929,620	1,085,747	1,138,395	1,284,355	1,189,463	1,170,298	1,254,286	1,257,123

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY 1, 2016 – DECEMBER 31, 2016

(Million Pesos)

Net Income	19,308
Items charged to results that do not generate or require use of resources	
Depreciation	1,170
Technical Reserves	8,477
Provisions	3,449
Income taxes and deferred	6,878
Minority Interest	(978)
Extraordinary Items, net	243
	19,239
Change in items related to operations	
Change in Margin Accounts	(2,094)
Change in Investment in Securities	(24,797)
Change in repo debtors	493
Change in derivatives (assets)	(22,051)
Change in Loan Portfolio (net)	(62,669)
Change in purchased receivables (net)	192
Change in accounts receivable insurance and bonding institutions (net)	(20)
Change in debtor premiums (net)	169
Change in Reinsurance (net)	(1,294)
Change in benefits to receive from securitizations	29
Change in foreclosed assets (net)	611
Change in other operating assets (net)	(23,467)
Change in core deposits	35,268
Change in interbank loans and other entities	7,556
Change in repo creditors	(6,378)
Change in collateral pledged sold	(1)
Change in derivatives (liability)	20,464
Change in Technical Reserves (net)	947
Change in Reinsurance (net) (liability)	11
Change in subordinated debt with characteristics of liabilities	4,464
Change in other operating liabilities	6,958
Change in hedging instruments (the related hedged transaction activities)	3,706
Income Tax Payments	(6,976)
Assets on Extraordinary Items, net	(1,224)
Net cash generated or used from operations	(31,556)
Investment Activities	
Charges for disposal of property, furniture and equipment	1,033
Payments for acquisition of property, furniture and equipment	(4,083)
Charges for disposal of subsidiaries, associated and agreements with mutual control	2
Payments for other permanent investmentes	(2)
Charges for cash dividends	1,122
Assets on Extraordinary Items, net	(10)
Net cash generated or used from investment activities	(1,938)
Financing Activities	
Payments of cash dividends	(7,229)
Payments associated with the repurchase of proprietary shares	(1,394)
Net cash flows from financing activities	(8,623)
Net Cash Increase (decrease) and equivalents value	(42,117)
Effects for changes in cash and equivalents value	155
Cash and cash equivalents at beginning of period	107,848
Cash and cash equivalents at end of period	65,886

GNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2016 – DECEMBER 31, 2016

(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, 2015	14,606	36,424	5,765	62,860	(1,552)	(828)	0	1,069	0	17,108	1,900	137,352	
Changes stemming from stockholders' decisions													
Repurchases of payment plan based on stock	(32)	28	(940)		(8)							(952)	
Capitalization of profits				17,108						(17,108)		0	
Dividends declared by the Ordinary General Shareholders' Meeting held on:													
February 19, June 28 and August 19, 2016				(7,229)								(7,229)	
Accountant impact on INB's sale				(3,741)								(3,741)	
Total	(32)	28	(940)	6,138	(8)	0	0	0	0	(17,108)	0	(11,922)	
Changes stemming from profits													
Total profits:												0	
Net Income										19,308		19,308	
Result from valuation of securities available for sale					(1,032)							(1,032)	
Effect of subsidiaries, associates and mutual funds		(25)		(44)				1,015				946	
Result from valuation of instruments of cash flow hedges						(1,261)						(1,261)	
Result in the valuations reserve for unexpired risks valuation in rates								87				87	
Remeasurements defined benefits for employees									(370)			(370)	
Modification in the disposition of the consumer book's rating				(462)								(462)	
Total	0	(25)	0	(506)	(1,032)	(1,261)	87	1,015	(370)	19,308	0	17,216	
Recognition of minority interest											55	55	
Balance as of December 31, 2016	14,574	36,427	4,825	68,492	(2,592)	(2,089)	87	2,084	(370)	19,308	1,955	142,701	

Consolidated Bank

Income Statement - Consolidated Bank (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016
Interest Income	14,283	14,429	14,914	15,031	15,780	16,316	17,804	18,309	58,657	68,208
Interest Expense	4,688	4,807	4,893	4,711	4,987	5,132	5,894	6,747	19,098	22,759
Charged Fees	283	295	324	347	313	300	306	279	1,250	1,199
Fees Paid	88	94	95	99	101	111	122	151	376	485
Net Interest Income (Nil)	9,790	9,823	10,251	10,568	11,005	11,373	12,094	11,691	40,432	46,163
Preventive Provisions for Loan Losses	2,539	2,690	2,731	2,442	3,177	3,458	3,251	3,184	10,401	13,070
Net Interest Income Adjusted for Credit Risk	7,250	7,133	7,520	8,127	7,829	7,915	8,842	8,506	30,031	33,093
Fees for Commercial and Mortgage Loans	112	149	137	70	194	183	196	223	468	796
Fund Transfers	209	195	234	247	286	325	347	345	885	1,303
Account Management Fees	459	521	529	528	498	533	539	569	2,036	2,138
Fiduciary	111	87	88	101	80	86	72	107	386	346
Other Fees	385	356	360	455	363	430	442	435	1,556	1,670
Income from Real Estate Portfolios	6	4	19	68	8	2	31	11	98	52
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	1,403	1,453	1,601	5,118	5,808
For Consumer and Credit Card Loans	703	745	794	835	835	786	924	1,106	3,077	3,651
Fees Charged on Services	3,177	3,297	3,448	3,701	3,613	3,749	4,004	4,398	13,624	15,764
Fund transfers	16	13	5	18	18	23	13	1	52	54
Other Fees	780	830	879	985	964	1,079	1,113	1,288	3,474	4,444
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-	-	-
Fees Paid on Services	796	844	884	1,003	982	1,102	1,126	1,288	3,527	4,498
Foreign Exchange	411	125	374	417	269	396	458	442	1,326	1,565
Securities-Realized Gains	392	233	88	327	34	(80)	160	(101)	1,040	13
Securities-Unrealized Gains	46	371	126	(266)	172	67	(9)	30	277	261
Trading Income	850	728	588	477	475	383	610	371	2,643	1,839
Loan Recoveries	299	317	299	376	337	365	403	426	1,290	1,531
Income from foreclosed assets	7	(16)	105	39	26	119	(28)	9	135	125
Other Operating Income	48	125	5	187	145	173	31	32	365	381
Other Operating Expense	(32)	(7)	(0)	(0)	-	(0)	(0)	(28)	(39)	(28)
Other Products	201	153	354	365	107	416	266	146	1,073	935
Other Recoveries	139	63	136	48	104	81	105	138	385	427
Other Expense	(242)	(242)	(386)	(423)	(303)	(514)	(246)	(230)	(1,294)	(1,294)
Other Operating Income (Expense) from Insurance and Annuities	-	-	-	-	-	-	-	-	-	-
Total Other Operating Income (Expenses)	419	393	512	591	415	639	531	492	1,915	2,078
Total Non-Interest Income	3,650	3,575	3,664	3,767	3,522	3,670	4,019	3,972	14,655	15,183
Total Operating Income	10,900	10,708	11,184	11,893	11,351	11,585	12,861	12,479	44,686	48,276
Personnel	3,249	3,092	2,840	2,661	3,136	2,951	3,356	2,846	11,843	12,290
Employee Profit Sharing (PTU)	96	94	94	84	95	95	95	97	368	383
Professional Fees	434	492	467	597	442	509	478	416	1,990	1,845
Administrative and Promotional Expenses	1,504	1,535	1,611	1,818	1,749	1,561	1,731	1,712	6,467	6,753
Rents, Depreciation & Amortization	927	937	984	1,017	1,058	1,059	1,149	1,135	3,864	4,400
Taxes other than income tax & non-deductible expenses	368	326	302	392	366	302	266	225	1,387	1,159
Contributions to IPAB/Fobaproa	510	523	533	550	566	579	584	595	2,116	2,325
Total Non-Interest Expense	7,087	6,999	6,831	7,118	7,413	7,058	7,659	7,026	28,035	29,155
Operating Income	3,814	3,709	4,353	4,775	3,938	4,528	5,202	5,453	16,650	19,121
Subsidiaries' Net Income	302	359	299	320	333	322	371	18	1,280	1,043
Pre-Tax Income	4,116	4,068	4,652	5,095	4,271	4,849	5,573	5,471	17,930	20,164
Income Tax	789	1,133	1,208	1,046	1,154	1,065	1,746	1,514	4,177	5,479
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Income Tax	245	(195)	(38)	224	(105)	131	(239)	96	235	(116)
Taxes	1,034	938	1,170	1,270	1,049	1,197	1,507	1,610	4,412	5,363
Net Income from Continuous Operations	3,082	3,130	3,482	3,824	3,222	3,652	4,066	3,861	13,518	14,801
Extraordinary Items, net	-	-	-	-	-	-	-	243	-	243
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	3,082	3,130	3,482	3,824	3,222	3,652	4,066	4,104	13,518	15,044

Consolidated Bank - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
ASSETS								
Cash and Due from Banks	83,447	85,248	87,645	107,457	96,167	90,727	71,258	65,844
Margin Accounts	97	160	105	91	269	513	745	2,185
Negotiable Instruments	208,758	196,688	153,669	130,211	153,455	155,285	167,884	129,477
Securities Available for Sale	83,850	82,238	87,712	73,026	94,647	108,976	107,535	153,128
Securities Held to Maturity	10,283	7,837	7,795	7,761	7,730	7,678	6,279	6,258
Investment in Securities	302,891	286,763	249,176	210,998	255,832	271,938	281,698	288,863
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	1	0	3	493	342	16	72	0
Securities Lending	-	-	-	-	-	-	-	-
For trading purposes	19,211	19,000	23,166	18,771	18,045	20,703	16,191	40,881
For hedging purposes	137	151	103	79	100	76	113	742
Operations w/Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	19,347	19,152	23,269	18,850	18,145	20,779	16,304	41,623
Operations w/Derivatives & Securities	19,349	19,152	23,273	19,343	18,487	20,796	16,376	41,623
Valuation adjustments for Asset Coverage	139	136	132	128	124	121	117	113
Commercial Loans	173,430	172,994	177,538	189,522	194,171	197,538	202,109	201,753
Financial Intermediaries' Loans	16,424	17,493	15,543	17,317	16,220	18,071	18,386	20,240
Consumer Loans	66,230	69,090	72,661	74,236	75,599	78,763	82,753	86,632
Mortgage Loans	91,288	93,844	96,892	99,952	102,205	106,292	110,622	114,807
Medium and Residential	88,562	90,690	93,471	96,285	98,465	102,509	106,686	110,825
low income housing	102	86	75	68	62	48	43	40
Loans acquired from INFONAVT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679	3,735	3,892	3,942
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	123,336	123,029	128,481	128,567	135,866	133,626	128,981	133,540
Loans granted as Federal Agent	-	-	-	-	-	-	-	-
Performing Loans	470,707	476,450	491,116	509,593	524,062	534,289	542,851	556,971
Commercial PDL's	9,583	9,768	9,604	7,723	7,764	7,581	7,339	5,467
Financial Intermediaries PDL's	1	0	0	0	0	344	344	344
Consumer PDL's	2,223	2,618	2,637	2,839	2,627	3,281	3,206	3,200
Mortgage PDL's	1,175	1,149	1,096	1,072	1,122	1,163	1,156	1,049
Medium and Residential	1,136	1,110	1,064	1,031	1,062	1,086	1,081	952
low income housing	3	4	7	6	7	2	2	1
Loans acquired from INFONAVT or FOVISSSTE	35	35	25	35	53	74	74	96
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	-	-
Past Due Loans	12,981	13,536	13,337	11,634	11,512	12,369	12,044	10,060
Gross Loan Portfolio	483,688	489,986	504,453	521,227	535,574	546,658	554,896	567,031
Preventive Loan Loss Reserves	13,952	14,117	14,442	13,334	13,595	14,773	14,873	13,941
Net Loan Portfolio	469,736	475,869	490,011	507,893	521,979	531,885	540,022	553,090
Acquired Collection Rights	1,480	1,416	1,399	1,376	1,310	1,165	1,473	1,400
Total Credit Portfolio	471,216	477,285	491,410	509,269	523,288	533,051	541,495	554,490
Benef. receivab. securization transactions	583	505	329	184	149	153	202	155
Sundry Debtors & Other Accs Rec, Net	19,427	23,017	25,536	21,164	28,138	28,206	30,006	39,989
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	2,197	2,051	1,937	1,800	1,720	1,654	1,445	1,222
Real Estate, Furniture & Equipment, Net	10,443	10,618	10,778	11,364	11,466	11,896	12,184	11,927
Investment in Subsidiaries	12,808	13,151	13,461	13,485	12,719	13,031	13,427	185
Long-term assets held for sale	-	-	-	-	-	-	-	5,299
Deferred Taxes, Net	2,453	2,566	2,927	3,095	3,366	3,268	3,603	4,227
Goodwill and Intangibles	10,888	11,914	13,336	15,394	14,114	14,371	14,526	11,214
Other Assets Short and Long Term	3,752	3,672	3,553	3,837	3,659	3,442	3,173	3,097
TOTAL ASSETS	939,691	936,237	923,598	917,610	969,499	993,168	990,255	1,030,435

Consolidated Bank - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
LIABILITIES								
Demand Deposits	307,197	311,717	322,742	349,805	341,549	352,397	364,504	382,409
Time Deposits-Retail	194,609	196,425	200,350	208,020	215,489	224,698	201,865	190,535
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904	1,068	1,400	1,459
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171	1,224	1,250	1,352
Senior Unsecured Debt	4,619	4,798	-	-	-	-	-	-
Deposits	515,259	524,205	537,430	563,670	561,114	579,387	569,018	575,755
Demand Loans	0	0	0	1	6,928	0	0	4,019
Short Term Loans	7,223	7,225	6,680	7,558	6,845	7,018	6,529	8,063
Long Term Loans	5,214	6,378	6,991	7,385	7,197	7,593	9,054	9,178
Due to Banks & Correspondents	12,437	13,603	13,671	14,943	20,970	14,612	15,583	21,260
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	248,747	237,297	202,500	171,133	215,119	216,288	224,490	234,490
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-	-
Repos (Credit Balance)	16	11	2	1	0	(0)	6	0
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	16	11	2	1	0	(0)	6	0
For trading purposes	19,664	19,495	24,025	19,940	18,829	21,961	18,597	40,403
For hedging purposes	3,381	3,556	4,686	5,004	6,161	6,825	8,671	9,372
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	23,045	23,050	28,711	24,944	24,990	28,786	27,268	49,776
Total Operations w/ Derivatives & Securities	271,808	260,358	231,213	196,078	240,109	245,074	251,765	284,265
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-	-	-	-
Income Tax Payable	1,287	859	1,116	703	779	1,091	1,311	1,965
Profit Sharing Payable	145	217	309	375	135	206	299	396
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	12,130	8,099	8,292	7,465	8,291	11,086	8,072	6,988
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	10,995	11,805	12,576	13,351	14,584	13,839	14,002	24,770
Other Payable Accounts	24,557	20,980	22,294	21,893	23,789	26,222	23,684	34,120
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475	17,821	18,246	21,917
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	1,316	1,289	1,199	1,058	933	759	637	331
TOTAL LIABILITIES	842,090	837,224	823,106	815,027	864,390	883,875	878,932	937,648
EQUITY								
Paid-in Capital	20,074	20,074	20,074	20,074	20,074	20,074	20,074	18,105
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	11,274	11,449	11,623	11,682	11,754	11,862	11,976	72
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	31,348	31,523	31,698	31,756	31,828	31,936	32,050	18,177
Capital Reserves	8,968	10,157	10,157	10,157	10,157	11,509	11,509	11,509
Retained Earnings	54,445	51,454	49,416	48,398	61,905	60,075	57,599	50,215
Surplus (Deficit) of Secs Available for Sale	771	69	(546)	(1,310)	(1,224)	(768)	(108)	(1,645)
Results from Valuation of Hedging Secs	(1,137)	(681)	(790)	(936)	(1,708)	(1,770)	(2,411)	(2,131)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-	-	-
Results from Conversions	115	269	853	990	1,041	1,680	2,117	1,985
Remeasurements defined benefits for employees	-	-	-	-	(123)	(253)	(382)	(377)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	3,082	6,212	9,694	13,518	3,222	6,875	10,941	15,044
Earned Capital	66,243	67,480	68,784	70,818	73,271	77,347	79,263	74,600
Minority Interest	10	10	10	10	10	10	10	10
Total Equity	97,601	99,013	100,492	102,584	105,109	109,293	111,323	92,787
TOTAL LIABILITIES & EQUITY	939,691	936,237	923,598	917,610	969,499	993,168	990,255	1,030,435

Consolidated Bank - Memorandum Accounts (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Investment Banking transactions for third parties, net	91,311	98,221	95,736	79,643	71,038	65,031	92,104	93,307
TOTAL ON BEHALF OF THIRD PARTIES	91,311	98,221	95,736	79,643	71,038	65,031	92,104	93,307
Proprietary Transactions								
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084	170,475	222,004	285,690
Trusts	211,808	217,386	283,559	290,832	306,517	320,511	309,671	289,905
Mandates	596	9,524	557	8,316	8,571	9,824	9,557	2,268
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088	330,336	319,228	292,174
Properties in Custody or Management	290,237	295,499	301,893	296,801	310,030	322,924	308,394	294,203
Collateral Received	72,222	78,345	76,255	141,993	86,437	65,935	73,162	82,197
Collateral Received or sold	19,629	25,389	21,881	85,898	28,941	6,975	12,846	20,124
Drafts in Transit	-	-	-	-	-	-	-	-
Deposits of assets	-	-	-	-	-	-	-	-
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-	-
Contingent assets & liabilities	1	5	13	19	26	33	40	45
Uncollected Accrued Interest from Past Due Loans	425	450	442	439	449	483	465	439
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-	-
Other Registration Accounts	-	85,224	-	-	-	-	-	-
Proprietary Transactions	641,118	784,330	849,686	984,827	905,053	897,161	936,138	974,870
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
TOTAL PROPRIETARY	641,118	784,330	849,686	984,827	905,053	897,161	936,138	974,870

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY 1, 2016 – DECEMBER 31, 2016

(Million Pesos)

Net Income	15,044
Items charged to results that do not generate or require use of resources	
Depreciation	1,084
Provisions	3,434
Income taxes and deferred	5,363
Minority Interest	(1,043)
Discontinued Operations	243
	24,125
Change in items related to operations	
Change in Margin Accounts	(2,094)
Change in Investment in Securities	(85,738)
Change in repo debtors	493
Change in derivatives (assets)	(23,539)
Change in Loan Portfolio (net)	(61,882)
Change in purchased receivables (net)	(24)
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	29
Change in foreclosed assets (net)	540
Change in other operating assets (net)	(18,589)
Change in core deposits	34,256
Change in interbank loans and other entities	6,270
Change in repo creditors	63,357
Change in collateral pledged sold	(1)
Change in derivatives (liability)	20,463
Change in Technical Reserves (net)	
Change in Reinsurance (net) (liability)	
Change in subordinated debt with characteristics of liabilities	4,464
Change in other operating liabilities	6,816
Change in hedging instruments (the related hedged transaction activities)	2,511
Discontinued Operational Assets	(1,224)
Income Tax Payments	(4,910)
Net cash generated or used from operations	(34,677)
Investment Activities	
Charges for disposal of property, furniture and equipment	617
Payments for acquisition of property, furniture and equipment	(2,853)
Charges for disposal of subsidiaries, associated and agreements with mutual control	2
Payments for other permanent investmentes	(2)
Charges for cash dividends	1,122
Discontinued Operational Assets	-10
Net cash generated or used from investment activities	(1,124)
Financing Activities	
Payments of cash dividends	(5,967)
Payments associated with the repurchase of proprietary shares	
Net cash flows from financing activities	(5,967)
Net Cash Increase (decrease) and equivalents value	(41,768)
Effects for changes in cash and equivalents value	155
Cash and cash equivalents at beginning of period	107,457
Cash and cash equivalents at end of period	65,844

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2016 – DECEMBER 31, 2016

(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, 2015	20,074	11,682	0	10,157	48,398	(1,310)	(936)	990	0	13,518	10	102,583	
Changes stemming from stockholders' decisions													
Capitalization of profits					13,518					(13,518)			
Creation of reserves on behalf of the Annual Ordinary General Shareholder held on April 22, 2016				1,352	(1,352)								
Dividends declared by the General Assembly of Shareholders on the following dates													
August 12 and December 15, 2016					(5,967)							(5,967)	
Payment plan based on equity-settled shares in equity instruments		442			0							442	
AFORE XXI Banorte's Split Off	(1,969)	(12,052)			(68)							(14,089)	
INB's Sale Accounting Effect					(3,809)							(3,809)	
Total	(1,969)	(11,610)	0	1,352	2,322	0	0	0	0	(13,518)	0	(23,423)	
Changes stemming from profits													
Total profits:													
Net Income										15,044		15,044	
Result from valuation of securities available for sale						(335)						(335)	
Effect of subsidiaries, associates and mutual funds												14	
Conversion accumulated effect								995				995	
Result from valuation of instruments of cash flow hedges												(1,195)	
Remeasurements defined benefits for employees					(37)				(388)			(425)	
Modification in the disposition of the consumer book's rating					(471)							(471)	
Total	0	0	0	0	(505)	(335)	(1,195)	995	(377)	15,044	0	13,627	
Recognition of minority interest											55	55	
Balance as of December 31, 2016	18,105	72	0	11,509	50,215	(1,645)	(2,131)	1,985	(377)	15,044	10	92,787	

Seguros Banorte

Income Statement - Insurance - Seguros Banorte (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016
Interest Income	130	108	143	145	133	125	143	172	525	572
Interest Expense	-	-	-	-	7	(7)	-	-	-	-
Premium Income (Net)	3,420	2,701	2,709	3,542	6,389	2,627	2,304	3,215	12,372	14,534
Net Increase in Technical Reserves	546	(174)	(455)	317	2,284	(529)	(1,097)	(114)	235	544
Damages, Claims and Other Obligations	1,655	1,704	2,163	2,126	1,995	2,312	2,298	2,321	7,649	8,927
Net Interest Income	1,348	1,279	1,144	1,244	2,236	975	1,245	1,179	5,014	5,635
Fees Charged on Services	-	-	-	-	-	-	-	-	-	-
Fees Paid on Services	477	339	401	462	838	264	424	517	1,678	2,042
Securities-Realized Gains	10	(1)	1	32	1	18	27	(3)	42	43
Securities-Unrealized Gains	-	-	-	-	-	-	-	-	-	-
Trading Income	10	(1)	1	32	1	18	27	(3)	42	43
Other Products	1	1	1	3	1	1	1	2	6	5
Other Expense	(0)	(6)	(1)	14	(56)	1	44	7	7	(4)
Other Operating Income (Expense) from Insurance and Annuities	173	174	197	197	205	282	248	264	742	999
Total Other Operating Income (Expenses)	174	169	197	215	149	284	292	274	755	999
Total Non-Interest Income	(293)	(170)	(203)	(216)	(688)	38	(105)	(246)	(881)	(1,000)
Total Operating Income	1,055	1,109	941	1,028	1,548	1,013	1,141	934	4,133	4,635
Personnel	80	78	82	87	82	88	85	94	327	349
Employee Profit Sharing (PTU)	1	1	1	0	1	1	1	2	3	4
Professional Fees	26	62	57	85	24	34	59	50	229	166
Administrative and Promotional Expenses	64	64	63	58	77	58	72	78	249	285
Rents, Depreciation & Amortization	15	15	14	21	21	22	23	36	65	102
Taxes other than income tax & non-deductible expenses	23	21	20	28	30	23	24	35	92	113
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-	-	-	-
Total Non-Interest Expense	210	240	237	280	235	226	265	294	966	1,020
Operating Income	845	869	705	748	1,313	787	876	640	3,167	3,615
Subsidiaries' Net Income	(0)	(0)	0	-	0	(0)	0	281	(0)	281
Pre-Tax Income	845	869	705	748	1,313	787	876	920	3,167	3,896
Income Tax	257	264	213	197	397	239	320	86	932	1,042
Deferred Income Tax	-	-	-	20	-	-	(49)	(10)	20	(59)
Taxes	257	264	213	217	397	239	271	76	952	983
Net Income from Continuous Operations	588	605	491	531	917	548	604	844	2,215	2,913
Extraordinary Items, net	-	-	-	-	-	-	-	-	-	-
Minority Interest	(2)	(1)	(2)	(1)	(1)	(1)	(1)	(8)	(5)	(12)
Net Income	586	603	490	530	916	547	603	836	2,210	2,902

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
ASSETS								
Cash and Due from Banks	73	59	58	233	61	69	69	67
Margin Accounts	-	-	-	-	-	-	-	-
Negotiable Instruments	5,905	6,121	6,540	6,699	8,795	9,504	9,734	10,848
Securities Available for Sale	-	-	-	289	3,570	2,655	2,415	2,264
Securities Held to Maturity	6,558	5,862	6,262	6,537	(0)	(0)	(0)	(0)
Investment in Securities	12,463	11,983	12,801	13,525	12,364	12,159	12,150	13,112
Debtor Balance in Repo Trans,net	0	-	67	(0)	60	46	0	0
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	0	-	67	(0)	60	46	0	0
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-	-
Account Receivables	1,234	1,455	1,383	804	578	604	622	667
Premium Debtors (Net)	5,740	5,354	4,394	4,363	9,196	7,566	5,589	4,189
Account Receivables from Reinsurance	5,865	6,864	5,692	5,872	6,462	6,936	6,966	7,166
Benef.receiveab.securization transactions	-	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	267	263	261	276	289	315	319	343
Investment in Subsidiaries	1	1	1	1	2	2	2	13,332
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	100	99	99	79	79	79	128	134
Goodwill and Intangibles	250	489	769	914	470	713	897	2,501
Other Assets Short and Long Term	70	69	70	72	76	78	81	81
	13,527	14,595	12,670	12,381	17,151	16,293	14,604	28,414
TOTAL ASSETS	26,063	26,637	25,597	26,139	29,637	28,567	26,823	41,593

Insurance - Seguros Banorte - Balance Sheet (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
LIABILITIES								
Technical Reserves	14,498	15,449	13,519	14,051	17,275	16,472	15,347	15,539
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,094	1,477	1,606	1,735	2,575	2,412	2,455	1,747
Income Tax Payable	274	535	745	935	399	633	948	1,028
Profit Sharing Payable	-	-	-	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	3,390	3,268	3,323	2,955	3,838	3,259	2,590	2,447
Other Payable Accounts	3,664	3,803	4,068	3,890	4,237	3,892	3,538	3,475
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-	401
Deferred Credits	125	121	126	132	140	102	84	68
TOTAL LIABILITIES	20,380	20,850	19,318	19,808	24,227	22,878	21,424	21,229
EQUITY								
Paid-in Capital	709	709	709	709	709	709	709	13,766
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	709	709	709	709	709	709	709	13,766
Capital Reserves	540	540	540	540	540	717	717	1,499
Retained Earnings	3,742	3,242	3,242	2,742	3,451	2,674	1,774	1,768
Surplus (Deficit) of Secs Available for Sale	74	74	74	96	109	113	80	48
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)	15	88
Results from Conversions	-	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	-	-	-	-	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	586	1,190	1,679	2,210	916	1,462	2,065	2,902
Earned Capital	4,942	5,046	5,535	5,587	4,665	4,943	4,652	6,304
Minority Interest	31	32	34	35	36	37	38	294
Total Equity	5,682	5,787	6,278	6,331	5,410	5,689	5,399	20,364
TOTAL LIABILITIES & EQUITY	26,063	26,637	25,597	26,139	29,637	28,567	26,823	41,593

Information by Segments

GFNorte - Income Statement as of December '16
(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe	Operadora de Fondos Banorte Ixe	
Interest Income	54	69,407	2,897	1,594		59	4,862	15
Premium Income (Net)	-	-	6,431	-	-	-	-	-
Interest Expense	-	23,244	-	824	-	1	4,627	-
Net Increase in Technical Reserves	-	-	2,979	-	-	-	-	-
Damages, Claims and Other Obligations	-	-	4,326	-	-	-	-	-
Net Interest Income (Nil)	54	46,163	2,023	770	58	235	15	
Preventive Provisions for Loan Losses	-	13,070	-	64	-	-	-	-
Net Interest Income Adjusted for Credit Risk	54	33,093	2,023	706	58	235	15	
Loan Origination Fees	-	15,764	-	25	-	1,035	1,163	
Fees Paid	-	4,498	676	85	0	106	811	
Trading Income	-	1,839	(5)	(0)	-	448	-	
Other Operating Income (Expenses)	6	2,078	379	504	15	69	3	
Non Interest Income	6	15,183	(302)	444	14	1,446	355	
Total Operating Income	60	48,276	1,721	1,150	73	1,681	370	
Administrative and Promotional Expenses	107	29,155	496	178	32	876	43	
Operating Income	(47)	19,121	1,226	972	40	804	327	
Subsidiaries' Net Income	19,254	1,043	281	-	(0)	0	5	
Pre-Tax Income	19,207	20,164	1,506	972	40	805	332	
Income Tax	-	5,479	179	296	13	131	95	
Deferred Income Tax	(84)	(116)	76	(18)	(1)	79	(0)	
Net Income from Continuous Operations	19,292	14,801	1,251	695	28	595	237	
Extraordinary Items, net	-	243	-	-	-	-	-	
Minority Interest	-	(0)	(5)	(1)	-	-	-	
Net Income	19,292	15,044	1,246	693	28	595	237	

GFNorte - Income Statement as of December '16
(Million Pesos)

	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Charges Insurance and Annuities *	Credits Insurance and Annuities *	Final Balance
Interest Income	1	384	79,273	1,966	-	-	2,957	80,264
Premium Income (Net)	-	-	6,431	669	-	-	15,545	21,307
Interest Expense	-	625	29,322	-	1,939	-	-	27,383
Net Increase in Technical Reserves	-	-	2,979	-	-	5,498	-	8,477
Damages, Claims and Other Obligations	-	-	4,326	-	-	8,328	-	12,654
Net Interest Income (Nil)	1	(241)	49,078	-	-	-	-	53,057
Preventive Provisions for Loan Losses	-	179	13,313	-	-	-	-	13,313
Net Interest Income Adjusted for Credit Risk	1	(421)	35,764	-	-	-	-	39,744
Loan Origination Fees	-	143	18,130	1,447	-	-	-	16,684
Fees Paid	-	0	6,175	-	1,486	1,366	-	6,056
Trading Income	-	(29)	2,253	-	2	-	90	2,346
Other Operating Income (Expenses)	(6)	(146)	2,901	44	13	-	620	3,491
Non Interest Income	(6)	(32)	17,110	1,491	(1,470)	(1,366)	711	16,465
Total Operating Income	(4)	(452)	52,874	1,491	(1,470)	(1,366)	711	56,209
Administrative and Promotional Expenses	1	201	31,089	744	1,410	820	-	31,243
Operating Income	(5)	(654)	21,786	-	-	-	-	24,965
Subsidiaries' Net Income	-	(83)	20,500	17,042	-	2,216	3	1,246
Pre-Tax Income	(5)	(736)	42,286	-	-	-	-	26,211
Income Tax	-	-	6,193	-	-	863	-	7,056
Deferred Income Tax	-	(198)	(263)	1	38	122	-	(178)
Net Income from Continuous Operations	(5)	(538)	36,356	-	-	-	-	19,333
Extraordinary Items, net	-	-	243	-	-	-	-	243
Minority Interest	-	-	(6)	259	-	3	-	(269)
Net Income	(5)	(538)	36,593	22,171	4,849	19,217	19,217	19,308

GFNorte - Balance Sheet as of December 31 '16

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe	Operadora de Fondos Banorte Ixe
Cash and Due from Banks	43	65,844	69	8	23	617	265
Margin Accounts	-	2,185	-	-	-	-	-
Investment in Securities	-	288,863	89,436	0	-	79,178	-
Negotiable Instruments	-	129,477	12,068	-	-	40,232	-
Securities Available for Sale	-	153,128	2,344	0	-	38,268	-
Securities Held to Maturity	-	6,258	75,024	-	-	677	-
Debtor Balance in Repo Trans, net	3,482	0	0	-	-	-	-
Transactions with Derivatives For trading purposes	-	40,881	-	2	-	-	-
Transactions with Derivatives For hedging purposes	-	742	-	-	-	-	-
Valuation adjustments for Asset Coverage	-	113	-	-	-	-	-
Gross Loan Portfolio	-	554,490	-	23,801	-	-	-
Net Loan Portfolio	-	553,090	-	23,801	-	-	-
Performing Loans	-	556,971	-	23,940	-	-	-
Commercial Loans	-	201,753	-	22,473	-	-	-
Financial Intermediaries' Loans	-	20,240	-	204	-	-	-
Government Entities' Loans	-	133,540	-	1,258	-	-	-
Consumer Loans	-	86,632	-	4	-	-	-
Mortgage Loans	-	114,807	-	-	-	-	-
Medium and Residential	-	110,825	-	-	-	-	-
Low income housing	-	40	-	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,942	-	-	-	-	-
Past Due Loans	-	10,060	-	180	-	-	-
Commercial PDL's	-	5,467	-	180	-	-	-
Financial Intermediaries PDL's	-	344	-	-	-	-	-
Consumer PDL's	-	3,200	-	0	-	-	-
Mortgage PDL's	-	1,049	-	-	-	-	-
Medium and Residential	-	952	-	-	-	-	-
Low income housing	-	1	-	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	96	-	-	-	-	-
Preventive Loan Loss Reserves	-	13,941	-	319	-	-	-
Acquired Collection Rights	-	1,400	-	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,908	-	-	-	-
Premium Debtors (Net)	-	-	4,245	-	-	-	-
Account Receivables from Reinsurance	-	-	7,166	-	-	-	-
Benef. receivab. securization transactions	-	155	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	39,989	0	525	39	460	124
Inventories	-	-	-	-	438	-	-
Foreclosed Assets, Net	-	1,222	-	5	-	-	-
Real Estate, Furniture & Equipment, Net	-	11,927	371	3,282	71	53	0
Investment in Subsidiaries	124,341	185	13,333	-	-	11	99
Long-term assets held for sale	-	5,299	-	-	-	-	-
Deferred Taxes, Net	194	4,227	-	49	4	-	0
Total other Assets	10,659	14,311	2,583	95	12	410	0
Goodwill	9,697	1,405	-	-	-	-	-
Intangible	962	9,808	2,501	95	0	173	0
Other Assets	-	3,097	82	-	12	237	-
TOTAL ASSETS	138,720	1,030,435	119,111	27,768	586	80,729	488

GFNorte - Balance General al 31 de diciembre 2016

(Millones de Pesos)

ACTIVOS	IXE Servicios	Sólida Administradora de Portafolios	Total	Cargos Eliminaciones Intercompañías	Créditos Eliminaciones Intercompañías	Cargos Seguros y Pensiones*	Créditos Seguros y Pensiones*	Saldo Final
Disponibilidades	33	9	66,910	260	1,284	-	-	65,886
Cuentas de Margen	-	-	2,185	-	-	-	-	2,185
Inversiones en Valores	-	1,456	458,934	198	347	-	-	458,784
Títulos para negociar	-	-	181,777	-	-	-	-	181,777
Títulos Disponibles para la venta	-	1,456	195,197	-	110	-	-	195,087
Títulos Conservados a vencimiento	-	-	81,959	198	237	-	-	81,920
Deudores por reporto (saldo deudor)	-	10	3,492	-	3,492	-	-	0
Derivados con fines de negociación	-	251	41,133	-	-	-	-	41,133
Derivados con fines de cobertura	-	-	742	-	-	-	-	742
Ajustes de valuación por cobertura de activos	-	-	113	-	-	-	-	113
Cartera de Crédito Total	-	2,270	580,561	-	15,802	-	-	564,759
Cartera de Crédito Neto	-	1,645	578,535	-	15,802	-	-	562,733
Cartera de Crédito Vigente	-	1,695	582,606	-	15,802	-	-	566,804
Créditos Comerciales	-	-	224,226	-	8	-	-	224,218
Créditos a Entidades Financieras	-	-	20,444	-	15,794	-	-	4,650
Créditos a Entidades Gubernamentales	-	-	134,798	-	-	-	-	134,798
Créditos al Consumo	-	1,695	88,332	-	-	-	-	88,332
Créditos a la Vivienda	-	-	114,807	-	-	-	-	114,807
Media y Residencial	-	-	110,825	-	-	-	-	110,825
De interés social	-	-	40	-	-	-	-	40
Créditos adquiridos al INFONAVIT o FOVISSSTE	-	-	3,942	-	-	-	-	3,942
Cartera de Crédito Vencida	-	73	10,312	-	-	-	-	10,312
Créditos Comerciales	-	25	5,672	-	-	-	-	5,672
Créditos a Entidades Financieras	-	-	344	-	-	-	-	344
Créditos al Consumo	-	47	3,247	-	-	-	-	3,247
Créditos a la Vivienda	-	-	1,049	-	-	-	-	1,049
Media y Residencial	-	-	952	-	-	-	-	952
De interés social	-	-	1	-	-	-	-	1
Créditos adquiridos al INFONAVIT o FOVISSSTE	-	-	96	-	-	-	-	96
Prov. Prev. Riesgos Crediticios	-	123	14,384	-	-	-	-	14,384
Derechos de cobro adquiridos	-	625	2,025	-	-	-	-	2,025
Cuentas por cobrar de Instituciones de Seguros y Pensiones	-	-	1,908	-	-	-	-	1,908
Deudores por Prima (Neto)	-	-	4,245	-	-	-	-	4,245
Ctas por cobrar a reaseguradores y reafianzadores	-	-	7,166	-	-	-	-	7,166
Beneficios por recibir en operaciones de reporto	-	-	155	-	-	-	-	155
Otras Cuentas por cobrar, neto	5	9,374	50,518	64	216	-	-	50,366
Inventario de Mercancías	-	-	438	-	-	-	-	438
Bienes Adjudicados	-	383	1,610	201	201	-	-	1,610
Inmueb., Mobiliario y equipo, neto	103	1	15,808	212	191	-	-	15,828
Inversiones permanentes	-	234	138,203	767	125,207	-	-	13,764
Activos de larga duración disponibles para la venta	-	-	5,299	-	-	-	-	5,299
Impuestos diferidos, neto	-	821	5,296	412	1,714	-	-	3,994
Total Otros activos	0	178	28,249	2,453	960	-	-	29,742
Crédito Mercantil	-	-	11,103	2,453	876	-	-	12,679
Intangibles	0	178	13,719	-	83	-	-	13,636
Otros activos	-	-	3,427	-	-	-	-	3,427
TOTAL ACTIVOS	141	14,988	1,412,966	4,566	149,413	-	-	1,268,119

GFNorte - Balance Sheet as of December 31 '16

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe	Operadora de Fondos Banorte Ixe
Deposits	-	575,755	-	85	-	-	-
Demand Deposits	-	382,409	-	-	-	-	-
Time Deposits	-	191,994	-	-	-	-	-
Time Deposits-Retail	-	190,535	-	-	-	-	-
Time Deposits-Money Market	-	1,459	-	-	-	-	-
Senior Unsecured Debt	-	-	-	85	-	-	-
Cuenta global de captación sin movimientos	-	1,352	-	-	-	-	-
Due to Banks & Correspondents	-	21,260	-	22,104	390	-	-
Immediate Redemption Loans	-	4,019	-	-	-	-	-
Short Term Loans	-	8,063	-	13,820	390	-	-
Long Term Loans	-	9,178	-	8,284	-	-	-
Technical Reserves	-	-	90,143	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	234,490	-	-	-	77,779	-
Collateral sold or pledged as collateral	-	0	-	-	-	0	-
Transactions with Derivatives for trading purposes	-	40,403	-	-	-	-	-
Transactions with Derivatives for hedging purposes	-	9,372	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	1,747	-	-	-	-
Other Payable Accounts	0	34,120	3,621	1,003	13	559	114
Income Tax Payable	-	1,965	1,028	111	0	-	9
Profit Sharing Payable	-	396	-	-	-	-	-
Creditors for settlement of transactions	-	6,988	-	-	-	368	-
Creditors for collateral received in cash	-	10,326	-	-	-	-	-
Other Creditors & Accounts Payable	0	14,444	2,594	892	12	191	105
Subordinated Non Convertible Debt	-	21,917	-	-	-	-	-
Deferred Taxes, Net	-	-	1,056	-	-	11	-
Deferred Credits	-	331	68	94	-	0	-
TOTAL LIABILITIES	0	937,648	96,635	23,286	402	78,350	114
EQUITY							
Subscribed Capital	50,841	18,177	20,944	526	87	1,429	112
Paid-in Capital	14,578	18,105	15,740	526	87	1,354	112
Share Subscription Premiums	36,263	72	5,204	-	-	75	-
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
Earned Capital	87,879	74,600	1,275	3,949	97	951	261
Capital Reserves	4,825	11,509	-	526	47	152	22
Retained Earnings	66,626	50,215	(12)	2,739	22	1	2
Surplus (Deficit) of Secs Available for Sale	(2,576)	(1,645)	(42)	(10)	-	68	-
Results from Valuation of Hedging Secs	(2,089)	(2,131)	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	88	-	83	-	-	-	-
Results from Conversions	2,084	1,985	-	-	-	135	-
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	(370)	(377)	-	-	-	-	-
Net Income	19,292	15,044	1,246	693	28	595	237
Capital Mayoritario	138,720	92,777	22,220	4,475	184	2,380	374
Minority Interest	-	10	256	7	0	-	0
Total Equity	138,720	92,787	22,476	4,482	184	2,380	374
TOTAL LIABILITIES & EQUITY	138,720	1,030,435	119,111	27,768	586	80,729	488

GFNorte - Balance Sheet as of December 31 '16

(Million Pesos)

LIABILITIES & EQUITY	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Charges Insurance and Annuities *	Credits Insurance and Annuities*	Final Balance
Deposits	-	-	575,841	1,281	-	-	-	574,559
Demand Deposits	-	-	382,409	1,206	-	-	-	381,203
Time Deposits	-	-	191,994	75	-	-	-	191,920
Time Deposits-Retail	-	-	190,535	75	-	-	-	190,461
Time Deposits-MoneyMarket	-	-	1,459	-	-	-	-	1,459
Senior Unsecured Debt	-	-	85	-	-	-	-	85
Cuenta global de captación sin movimientos	-	-	1,352	-	-	-	-	1,352
Due to Banks & Correspondents	-	10,684	54,438	15,802	-	-	-	38,636
Immediate Redemption Loans	-	-	4,019	-	-	-	-	4,019
Short Term Loans	-	10,684	32,957	15,802	-	-	-	17,155
Long Term Loans	-	-	17,462	-	-	-	-	17,462
Technical Reserves	-	-	90,143	-	226	-	-	90,369
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	312,269	3,492	-	-	-	308,777
Collateral sold or pledged as collateral	-	-	0	-	-	-	-	0
Transactions with Derivatives for trading purposes	-	-	40,403	-	-	-	-	40,403
Transactions with Derivatives for hedging purposes	-	-	9,372	-	-	-	-	9,372
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	1,747	-	-	-	-	1,747
Other Payable Accounts	0	56	39,486	299	34	-	-	39,221
Income Tax Payable	0	-	3,114	-	-	-	-	3,114
Profit Sharing Payable	-	-	396	-	-	-	-	396
Creditors for settlement of transactions	-	-	7,356	9	-	-	-	7,348
Creditors for collateral received in cash	-	-	10,326	-	-	-	-	10,326
Other Creditors & Accounts Payable	0	56	18,294	290	34	-	-	18,037
Subordinated Non Convertible Debt	-	-	21,917	-	-	-	-	21,917
Deferred Taxes, Net	-	-	1,067	1,067	-	-	-	-
Deferred Credits	-	6	499	83	-	-	-	415
TOTAL LIABILITIES	0	10,746	1,147,182	22,025	260	-	-	1,125,418
EQUITY								
Subscribed Capital	144	4,901	97,162	46,483	322	-	-	51,001
Paid-in Capital	144	4,698	55,345	40,771	-	-	-	14,574
Share Subscription Premiums	-	4	41,617	5,512	322	-	-	36,427
Contributions for future capital increases agreed by the governing body	-	200	200	200	-	-	-	-
Earned Capital	(3)	(659)	168,349	81,864	3,260	-	-	89,745
Capital Reserves	2	117	17,200	12,375	-	-	-	4,825
Retained Earnings	(1)	796	120,387	55,100	3,205	-	-	68,492
Surplus (Deficit) of Secs Available for Sale	-	(1,037)	(5,242)	(2,650)	-	-	-	(2,592)
Results from Valuation of Hedging Secs	-	4	(4,217)	(2,127)	-	-	-	(2,089)
Result in the valuation reserve for unexpired risks variations in rates	-	-	170	83	-	-	-	88
Results from Conversions	-	-	4,204	2,120	-	-	-	2,084
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	(747)	(377)	-	-	-	(370)
Net Income	(5)	(538)	36,593	17,340	55	-	-	19,308
Capital Mayoritario	141	4,243	265,511	128,347	3,581	-	-	140,745
Minority Interest	-	-	273	-	1,683	-	-	1,956
Total Equity	141	4,243	265,784	128,347	5,264	-	-	142,701
TOTAL LIABILITIES & EQUITY	141	14,988	1,412,966	150,372	5,524	-	-	1,268,119

V. Appendix

Accounting Changes & Regulation

Numbers in this section are stated in million pesos.

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

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

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

Amendments to the revolving consumer portfolio's rating methodology

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

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

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

Changes in Seguros Banorte and Pensiones Banorte.

Seguros Banorte

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

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

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

The variations that occur between the reserve for unexpired risks valuation and the recoverable long-term reinsurance amounts due to differences in interest rates used in the valuation, will correspond to unrealized losses or gains, which could subsequently be reversed depending on the movements of rates used for the valuation; therefore, registration shall

affect Equity in the line "Surplus / Deficit in the valuation of the reserve for long-term unexpired risks" in accordance with the criteria defined by the CNSF.

Registration of changes in calculation methodology for Unexpired Risks

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

Securities Portfolio

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

Registration of Short-Term Life Insurance Premiums

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

Afore XXI Banorte's acquisition

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

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

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

Pensiones Banorte

Securities Portfolio

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

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

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

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

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

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 4Q16
Corporate bonds	\$183.0	\$36.6	\$36.6

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 4Q16
Corporate bonds	\$2,728.7	\$545.7	\$545.7

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

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

Other short and long term assets ⁽¹⁾	1,096
Total assets	1,265,656
Results from prior years	68,344
Measurements of defined benefits for employees	(2,553)
Total equity	140,354
Total liabilities plus equity	1,265,656

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

Early termination of the mortgage debtor support programs

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

In the Agreement a series of Federal Government's obligations were established, payable in 5 annual amortizations whose maturity date was June 1, 2015. On such date the last payment for an amount of Ps 29 was received. This

includes a monthly financial cost as of the day immediately following the cut-off date and until the end of the month immediately preceding the payment date.

As of December 31, 2016, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 951, and its maturities are between 2017 and 2027.

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

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

Banorte has classified its investment in INB as a long-term asset available for sale, which was registered at yearend at its estimated sale value. Moreover, INB's fiscal year income of Ps 243 million was registered in Income from discontinued operations. Therefore, 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 view of the fact that GFNorte is carrying out a corporate restructuring process, and with the objective of ensuring its adequate solvency and stability, the National Banking and Securities Commission, based on Article 175 of the "General Provisions Applicable to Credit Institutions" authorized the special accounting registration through Official Notice No. P071/2016 dated October 3rd, 2016. This registration authorizes Banorte to recognize profits derived from the sale of INB shares in the "Income from Prior Years" and not in the results of the corresponding year. As per requirements set forth in the NIF C-15 "Deterioration of long-term assets and their disposal".

The difference between the net book value of the investment and the estimated sale value generated a difference of (Ps 3.74) billion, which was recorded by decreasing the asset value of the investment against a reduction under 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 December 31st, 2016 in the affected accounts would have been:

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

Loan Portfolio Sales to Sólida

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

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

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	aug-02	jun-16	sep-16	aug-02	jun-16	sep-16	aug-02	jun-16	sep-16
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	21	22	0	0	0	54	21	22
Performing Loans	59	21	22	5	0	0	64	21	22
Commercial	405	193	193	293	12	13	698	205	205
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	205	203	0	0	0	1,112	205	203
Non-Performing Loans	1,598	469	467	293	12	13	1,891	482	480
TOTAL LOANS	1,657	490	489	298	12	13	1,955	502	502
Commercial	326	193	193	246	12	13	572	205	205
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	216	214	0	0	0	669	216	214
Loan Loss Reserves (1)	1,072	480	478	246	12	13	1,318	492	491

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

(*) There was a reserve difference of Ps 59 million as of December 2016.

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

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

In 4Q16 the Loan portfolio showed changes due to: collections of Ps 0.6 million, charge offs and discounts of Ps 3.8 million, foreclosed assets for Ps 0.2 million and restructurings for Ps 0.2 million. In the Loan loss provisions, there were charge offs and discounts of Ps 1.5 million. There were transfers to performing loans for Ps 0.9 million and no transfers to past due loans.

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

<i>(Million of Nominal Pesos)</i>	Local Currency (1)		Foreign Currency (USD) (2)		Total	
	mar-16	sep-16	mar-16	sep-16	mar-16	sep-16
Commercial	291,934	313,319	39,873	42,279	331,807	355,598
Consumer	82,589	86,632	0	0	82,589	86,632
Mortgage	108,976	114,828	0	0	108,976	114,829
Performing Loans	483,499	514,779	39,874	42,279	523,373	557,059
Commercial	7,805	5,862	69	141	7,875	6,002
Consumer	3,277	3,271	0	0	3,277	3,271
Mortgage	1,325	1,252	0	0	1,325	1,252
Non Performing Loans	12,407	10,385	69	141	12,476	10,526
TOTAL LOANS	495,906	525,164	39,943	42,420	535,849	567,584
Loan Loss Reserves	14,907	14,116	296	323	15,203	14,439
Net Loan Portfolio	480,998	511,048	39,647	42,097	520,646	553,146
Loan Loss Reserves					121.86%	137.18%
% Past Due Loans					2.33%	1.85%

1. Includes UDIS.

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

Notes to Financial Statement

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q16

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	148,146	710	27	148,883
Unrestricted	8,754	78	(20)	8,811
CETES	7,130	75	(22)	7,183
BONDES	5	0	0	5
BPA	652	0	(0)	652
Bonds	208	1	(7)	201
Udibonds	747	2	9	758
UMS	11	0	0	12
Treasury Notes	-	0	-	0
Restricted	139,392	632	48	140,072
CETES	35	0	0	35
BONDES	21,893	35	(8)	21,920
BPA	116,985	597	58	117,640
Bonds	180	1	(3)	178
Udibonds	299	0	(0)	299
Banking Securities	28,775	54	(6)	28,824
Unrestricted	2,392	1	(1)	2,393
Notes	1,396	0	(0)	1,396
Stock Certificates	471	1	(1)	471
Other Banking Securities	526	0	-	526
Restricted	26,383	53	(5)	26,431
Notes	1,887	-	0	1,887
CEDES	6,999	19	(0)	7,017
Stock Certificates	16,770	31	(6)	16,796
Other Banking Securities	727	2	1	731
Private Securities	3,838	5	227	4,071
Unrestricted	1,556	2	235	1,792
Stock Certificates	519	1	(8)	512
PEMEX Bonds	4	0	(0)	4
Euro Bonds	146	1	5	152
BMV stocks	510	-	226	735
Mutual Funds stocks	378	-	11	389
Restricted	2,282	4	(7)	2,278
Stock Certificates	2,260	4	(7)	2,256
BMV stocks	22	-	(0)	22
Total	180,759	769	249	181,777

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q16
(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	153,671	2,131	(99)	155,703
Unrestricted	25,784	406	(61)	26,129
CETES	8	-	(0)	8
BONDES	100	0	0	100
BREMS	7,778	2	-	7,781
Bonds	478	1	(41)	438
CBIC	51	0	7	58
UMS	17,368	402	(27)	17,743
Restricted	127,887	1,725	(38)	129,575
CETES	101	-	(0)	101
BPA	127,786	1,725	(38)	129,474
Banking Securities	5,500	20	(30)	5,490
Unrestricted	5,500	20	(30)	5,490
CEDES	4,433	18	69	4,520
Stock Certificates	254	2	31	287
Structured Notes	753	-	(131)	622
Other Banking Securities	60	0	0	60
Private Securities	37,552	452	(4,110)	33,894
Unrestricted	25,795	392	(2,397)	23,790
Stock Certificates	5,957	46	(415)	5,588
PEMEX Bonds	10,040	306	(465)	9,882
Euro Bonds	3,411	40	(144)	3,307
GFNORTE stocks	14	-	(14)	0
BMV stocks	2,938	-	(1,482)	1,456
Mutual Funds stocks	3,435	-	122	3,557
Restricted	11,757	60	(1,713)	10,104
Stock Certificates	6,618	18	(121)	6,515
PEMEX Bonds	3,597	42	(85)	3,555
BMV stocks	1,542	-	(1,507)	35
Total	196,723	2,604	(4,240)	195,087

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q16
(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	68,201	113	-	68,314
Unrestricted	68,201	113	-	68,314
CETES (Special)	951	-	-	951
CBIC	256	2	-	258
Udibonds	66,994	111	-	67,105
Restricted	0	0	-	0
Bonds	(0)	0	-	0
CBIC	0	0	-	0
Udibonds	0	0	-	0
Banking Securities	1,831	933	-	2,763
Unrestricted	1,831	933	-	2,763
CEDES	704	727	-	1,431
Stock Certificates	677	13	-	690
Structured Notes	449	193	-	642
Private Securities	10,675	208	-	10,883
Unrestricted	5,353	187	-	5,540
Stock Certificates	5,353	187	-	5,540
Restricted	5,322	20	-	5,342
Stock Certificates	5,322	20	-	5,342
Fair Value Adjustment Ixe Banco	(39)	-	-	(39)
Total	80,667	1,253	-	81,920

REPURCHASE AGREEMENT OPERATIONS 4Q16
(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	15,951	15,951	0	0	266,178
Banking securities	4,453	4,453	0	0	24,888
Private Securities	3,322	3,322	0	-	17,711
Total	23,726	23,726	0	0	308,777

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 4Q16
(Million Pesos)**

Creditor Balance	
Instrument	Fair Value
Forward	
Fx Forward	9
Options	
Rate options	1,051
Fx options	4
Warrants	263
Swaps	
Rate swap	34,570
Fx swap	5,237
Negotiable Total	41,133
Options	
Rate Options	46
Swaps	
Rate swap	696
Hedging total	742
Position total	41,875
Debtor Balance	
Instrument	Fair Value
Forward	
Fx Forward	28
Options	
Rate options	1,112
Fx options	1
Swaps	
Rate swap	32,937
Fx swap	6,325
Negotiable Total	40,403
Swaps	
Rate swap	168
Fx swap	9,204
Hedging total	9,372
Position total	49,776

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 4Q16 - Banorte

(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	327	22
FX Forwards	Sales	Exchange Rate (USD/MXN)	411	99
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)	19	8
FX Forwards	Sales	Exchange Rate (EUR/MXN)	20	8
FX Options	Purchases	Exchange Rate (Dollar)	146	11
FX Options	Sales	Exchange Rate (Dollar)	146	5
Interest Rate Options	Purchases	TIE	54,169	143
Interest Rate Options	Sales	TIE	89,390	486
Interest Rate Options	Purchases	LIBOR	7,018	21
Interest Rate Options	Sales	LIBOR	7,196	21
Interest Rate Swaps	USD LIBOR	LIBOR	445,662	1,919
Interest Rate Swaps	MXN TIE	TIE	1,258,544	4,966
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	2,517	4
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	40,151	53
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	7,462	25
Interest Rate and FX Swaps	CS UDI	UDI	10,856	2
Interest Rate and FX Swaps	CS EURMXN	FIX/VARIABLE	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FIX/VARIABLE	2,334	11

LOAN PORTFOLIO

(Million Pesos)

	Local Currency		UDIS		Foreign Currency		Total	
	4Q15	4Q16	4Q15	4Q16	4Q15	4Q16	4Q15	4Q16
Performing Loans								
Commercial Loans	157,398	178,149	-	-	50,668	46,069	208,066	224,218
Financial Intermediaries' Loans	694	2,062	-	-	2,637	2,588	3,331	4,650
Consumer Loans	76,589	88,332	-	-	132	-	76,721	88,332
Mortgage Loans	98,236	114,618	236	189	1,480	-	99,952	114,807
Government Entities' Loans	128,976	134,182	-	(0)	1,143	616	130,118	134,798
Total	461,892	517,343	236	189	56,060	49,273	518,188	566,804
Past Due Loans								
Commercial Loans	7,844	5,544	0	0	79	128	7,923	5,672
Financial Intermediaries' Loans	0	344	-	-	-	-	0	344
Consumer Loans	2,908	3,247	-	-	-	-	2,908	3,247
Mortgage Loans	1,025	1,034	14	16	33	0	1,072	1,049
Government Entities' Loans	-	-	-	-	-	-	-	-
Total	11,777	10,169	14	16	112	128	11,903	10,312
Total Proprietary Loans	473,670	527,512	250	204	56,171	49,401	530,091	577,117

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 4Q16- GFNorte**

(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	7.7	0.0
Mortgage FOVI	-	-
	7.7	0.0

DEFERRED TAXES 4Q16

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	4,182	4,182
Non deductible provisions and cumulative income	1,048	1,048
Excess of accounting value over fiscal value on Repossessed Assets	956	956
Diminishable profit sharing	115	115
Fees received in advance	970	970
Effects from valuation of instruments	1,766	1,766
Tax losses pending amortization	1,557	1,557
Provisions for possible loss in loans	366	366
Loss on sale of foreclosed assets and credits	23	23
Total Assets	10,984	10,984
LIABILITIES		
Pension Funds Contribution	(958)	(958)
Loan Portfolio Acquisitions	(307)	(307)
Projects to be capitalized	(2,669)	(2,669)
Intangibles' amortizations	(2)	(2)
Effects from valuation of instruments	(2,330)	(2,330)
Intangibles' amortizations	(654)	(654)
Unrealized Loss on Securities held for Sale	(69)	(69)
Total Liabilities	(6,990)	(6,990)
Assets (Liabilities) Accumulated Net	3,994	3,994

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

(Million Pesos)

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	10,310	15 years	5.750%	04-oct-31	E/ 180 days
Non Convertible Subordinated Bonds Q Banorte 08	MXN	11-mar-08	3,000	3,000	3,000	10 years	TIE + 0.60%	03-jan-17	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,487	20 years	4.950%	15-feb-28	E/ 182 days
Non Convertible Subordinated Bonds Q Banorte 12	MXN	08-jun-12	3,200	3,200	3,200	10 years	TIE + 1.50%	27-may-22	E/ 28 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (XEGB40 141020)	USD	14-oct-10	120	1,484	2,474	10 years	9.25%	14-oct-20	E/ 180 days

BANK AND OTHER ENTITIES LOANS' AS OF 4Q16*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	2,634	2,634
Loans from Development Banks	11,480	7,092	18,572
Loans from Public Funds	9,744	1,180	10,924
Call Money & Loans from Banks	22,050	-	22,050
Loans from Fiduciary Funds	129	-	129
Provisions for Interest	129	-	129
	43,533	10,905	54,439
Eliminations			(15,802)
Total			38,637

TASAS DE INTERÉS - CAPTACIÓN VENTANILLA Y PRÉSTAMOS DE BANCOS Y OTROS AL 4T16**CAPTACIÓN VENTANILLA (BANORTE)****Depósitos Exigibilidad Inmediata**

Moneda Nacional y UDIs	0.47%
Moneda Extranjera	0.02%

Depósitos a Largo Plazo - del Público en General

Moneda Nacional y UDIs	3.98%
Moneda Extranjera	0.22%

Depósitos a Largo Plazo - Mesa de Dinero

Moneda Nacional y UDIs	3.72%
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PRÉSTAMOS DE BANCOS Y OTROS (BANORTE)**De Exigibilidad Inmediata**

Moneda Nacional y UDIs	5.07%
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Banca de Fomento y Desarrollo

Moneda Nacional y UDIs	5.14%
Moneda Extranjera	2.39%

MAIN CREDIT LINES RECEIVED 4Q16 (BANORTE)*Million pesos*

	4Q15	3Q16	4Q16	Change vs. 4Q15	Change vs. 3Q16
Banxico (Monetary Regulation Deposits)	33,449	33,449	33,449	0%	0%
Banxico (Repos with the System of Payments)	38,278	48,406	49,093	28%	1%
Call Money	111,065	112,235	112,925	2%	1%
TOTAL	182,792	194,090	195,467	7%	1%

TRADING INCOME 4Q16*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	542
Negotiable instruments	157
Derivative instruments - Negotiation	382
Derivative instruments - Hedging	3
Impairment loss or revaluation increase	(287)
Result from foreign exchange valuation	73
Result from valuation of precious metals	10
Result from purchase/sale of securities and derivatives	497
Negotiable instruments	356
Securities held for sale	155
Securities held to maturity	0
Derivative instruments - Hedging	(14)
Result from purchase/sale of foreign exchange	1,505
Result from purchase/sale of precious metals	6
Total	2,346

Risk Management

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

1. OBJECTIVES, SCOPE AND RISK MANAGEMENT FUNCTIONS

GFNorte's Risk Management main objectives are:

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

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

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

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

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

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

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

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

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

1.1 Risk Management – Structure and Corporate Governance

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

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

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

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

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

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

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

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

1.2 Scope and Nature of GFNorte's Risk Management

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

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

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

2. CREDIT RISK

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

The objectives of Credit Risk Management at GFNorte are:

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

GFNorte's Risk Management policies are:

- Grant and Manage Retail Credit Risk according to best market practices through Parametric Models aimed to identify risk, minimize losses and increase loan origination with quality.
- Grant and Manage Wholesale Loans to companies and other entities, according to best market practices through a credit strategy including Target Markets and Risk Acceptance Criteria, identifying and managing risk through Loan Rating and Early Alerts methodologies.
- Monitor and control asset quality through Loan Classification System which provides treatment and general actions for defined situations, as well as departments or officers responsible for carrying out such actions.
- Surveillance and Control 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 separates the loan portfolio into two large groups: retail loans and wholesale loans.

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

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

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

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

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

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

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

2.1.2 Portfolio Credit Risk

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

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

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 calculations under different economic scenarios

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

The results of this methodology, are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the average of credit portfolio's loss distribution, which is used to measure the following year's expected loss due to default or variations in debtors' credit quality. The unexpected loss is an indicator of the loss in extreme scenarios and is measured as the difference between the maximum losses given the distribution of losses, at a specific confidence level that for GFNorte's is 99.95% 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, 2016 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method (Million pesos)	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	161,067	22,768	25	183,860
YoY Revenues or Sales < 14 MM UDIS	63,482	1,048	0	64,530
YoY Revenues or Sales >= 14 MM UDIS	97,585	21,719	25	119,330
States or Municipalities	85,688	84	0	85,772
Decentralized Federal Government Agencies and State Companies	47,852	1,071	0	48,923
Projects with own source of payment	46,548	0	0	46,548
Financial Institutions	20,241	192	0	20,432
Mortgage	115,856	0	0	115,856
Consumer	89,832	5	1,743	91,579
Credit Card	30,068	0	0	30,068
Non-revolving	59,763	5	1,743	61,511
Total Loans subject to the Standard Method	567,083	24,120	1,768	592,970
Eliminations				(15,853)
Total Loans				577,117

*Excludes pure leasing

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

2.2.1 Loan Portfolio

GFNorte's Credit Risk loan portfolio as of December 2016 presented an exposure of Ps 577,117 million, higher in Ps 11,364 million or +2.0% QoQ and Ps 47,025 million or +8.9% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment (Million pesos)	Total Loan			Var. vs 3Q16		Var. vs 4Q15	
	4Q15	3Q16	4Q16	\$	%	\$	%
Government	130,119	131,409	134,798	3,389	2.6%	4,679	3.6%
Commercial	128,467	137,709	128,799	(8,910)	(6.5%)	332	0.3%
Mortgage	101,024	111,778	115,856	4,078	3.6%	14,832	14.7%
Corporate	91,885	96,993	106,085	9,092	9.4%	14,200	15.5%
Payroll	39,683	45,025	46,281	1,256	2.8%	6,598	16.6%
Credit Card	26,316	28,613	30,068	1,455	5.1%	3,753	14.3%
Auto Loans	12,598	14,226	15,229	1,004	7.1%	2,632	20.9%
Total Loans	530,091	565,753	577,117	11,364	2.0%	47,025	8.9%

*4Q15 figures we updated retroactively due to the reclassification of "Empuje Business Card" in the first quarter of 2016.

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past-due	Performing	Past-due		
Banorte*	539,794	4,407	1,375	5,653	551,229	13,751
Arrendadora y Factoraje	23,936	60	4	120	24,120	312
Sólida	1,695	47	0	25	1,768	122
Accounting Records						198
Total Loans	565,425	4,515	1,379	5,798	577,117	14,384

* Banorte's total loans include eliminations for (Ps 15,853)

Total reserves Ps 14,384 million, includes rating reserves for Ps 14,185 million and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) for Ps 198 million.

GFNorte's performing, past-due and distressed portfolios in 4Q16 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		4Q16	Var. vs 3Q16		
Government	134,798	0	0	0	134,798	736	84	0	0
Services*	56,551	67	251	530	57,399	864	69	50	264
Construction	43,079	54	61	3,235	46,429	1,847	(747)	706	949
Manufacturing	43,186	18	135	512	43,850	617	(3)	38	283
Commerce	40,191	53	304	1,213	41,761	980	(67)	169	321
Top 5 Sectors	317,804	192	752	5,490	324,237	5,044	(665)	963	
Other Sectors	44,483	26	628	308	45,445	696	3	31	
Mortgage	114,807	1,049	0	0	115,856	748	(129)	342	
Consumer	88,332	3,247	0	0	91,579	7,698	85	2,176	
INB Commercial	0	0	0	0	0	0	(162)	1	
Accounting Records						198			
Total Group	565,425	4,515	1,379	5,798	577,117	14,384	(867)	3,514	

* Includes Financial, Real Estate and Other Services

**Days past due from Non-Performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Sólida	Total Loans
Government	133,540	1,258	0	134,798
Services**	52,737	4,662	0	57,399
Construction	42,914	3,490	25	46,429
Manufacturing	35,844	8,007	0	43,850
Commerce	37,312	4,449	0	41,761
Top 5 Sectors	302,346	21,866	25	324,237
Remaining	248,883	2,254	1,743	252,880
Total Loans	551,229	24,120	1,768	577,117

* Banorte's total loans include eliminations for (Ps 15,853)

** Includes Financial and Real Estate services

As of 4Q16, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

	Federal Entities	Loans		Distressed		Total Loans	Total Reserves
	(Million pesos)	Performing	Past-Due	Performing	Past-Due		
1	Distrito Federal	161,471	1,020	743	3,583	166,817	4,671
2	Nuevo León	96,959	591	93	326	97,969	1,832
3	Estado de México	43,433	452	71	272	44,228	1,183
4	Jalisco	33,659	299	66	163	34,186	748
5	Tamaulipas	19,416	144	27	122	19,709	436
6	Veracruz	15,350	236	46	109	15,741	489
7	Sinaloa	15,104	110	26	112	15,353	284
8	Coahuila	14,992	101	18	56	15,167	329
9	Sonora	14,357	65	20	69	14,511	252
10	Chihuahua	13,957	107	19	76	14,158	292
	Top 10	428,697	3,124	1,131	4,887	437,839	10,518
	Other Federal Entities	136,728	1,390	249	911	139,278	3,668
	Accounting Records						198
	Total Loans	565,425	4,515	1,379	5,798	577,117	14,384

* Banorte's total loans include eliminations for (Ps 15,853)

As of 4Q16, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

Remaining Term	Portfolio		Distressed		Total Loans	Total Reserves
	(Million pesos)	Performing	Past-Due	Performing		
0 - 1 years	85,505	1,748	229	3,953	91,435	6,537
1 - 5 years	102,246	401	507	1,117	104,270	2,152
5 - 10 years	93,047	135	63	239	93,484	584
> 10 years	258,997	2,124	576	344	262,040	4,478
Banorte*	539,794	4,407	1,375	5,653	551,229	13,751
Factoring	12,365	7	3	40	12,415	112
Leasing	11,571	53	0.92	80	11,705	199
Sólida	1,695	47	0	25	1,768	122
Accounting Records						198
Total Loans	565,425	4,515	1,379	5,798	577,117	14,384

* Banorte's total loans include eliminations for (Ps 15,853)

The total distressed portfolio is Ps 7,177 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio (Million pesos)	4Q16				
	Banorte	Inter National Bank	Arrendadora y Factor	Sólida	GFNorte
Initial Loan Loss Provisions	4,021	14	71	15	4,122
Charged to results	118	(14)	(1)	0	103
Loans' write offs	121	0	0	0	121
FX changes	2	0	0	0	2
Adjustments in Credit Risk	(5)	(14)	(1)	0	(20)
For Datations	(683)	0	0	0	(683)
Write-offs, charge-offs and discounts	(311)	0	0	0	(311)
Final Loan Loss Reserves	3,145	0	70	15	3,231
Loan Recoveries	76	0	0	0	76

2.2.2 Exposure to Financial Instruments

As of December 31, 2016, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 286.97 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 10% of the Tier 1 Capital as of September 2016. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Net Capital as of September 2016 has higher or similar rating to AA-(mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 14 years and 9 months for Ps 15,973 at 5.2%; market and bond certificates from Banco Inbursa for 1 year and 3 months for Ps 7,335 at 6.2%; and Banamex market and deposit certificates for 4 months for Ps 6,500 at 2.9%.

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

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 77.43 billion, of which 100% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 32% of the Capital as of September 2016. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Capital as of September 2016 has a higher or similar rating to A+(mex) and are comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market certificates of CFE to 2 years and 7 months for Ps 1,994 at 7.0%; market certificates of PEMEX to 1 year and 11 months for Ps 1,914 at 7.2%; market certificates of HSBC México to 1 year and 11 months for Ps 1,151 at 6.4%; market certificates of Banamex to 8 months for Ps 903 at 6.2%; market certificates of Scotiabank Inverlat for 1 year and 3 months for Ps 730 million at 6.3%; market certificates of Bancomer for 1 year and 3 months for Ps 621 at 6.4%; bonds of Deutsche Bank for 6 years and 5 months for Ps 505 at 11.3%; market certificates of Banco Inbursa for 1 year and 7 months for Ps 473 at 6.3%; market certificates of Banco Interacciones for 3 years and 1 month for Ps 386 at 7.1%; bonds of CABEI to 2 years for Ps 160 at 6.0%; and market certificates of Banco Monex for 1 year and 7 months for Ps 143 at 7.1%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 401 thousand, 100% of them are shares. In derivatives, its exposure is Ps 2 million with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 1.46 billion. The 100.0% of them are shares. Its exposure to derivatives was Ps 251 million with private counterparties.

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

Position	4Q16	4Q16 Average
Forwards	(14)	(11)
Options	(12)	28
Interest Rate Swaps	2,678	2,039
Cross Currency Swap	(10,280)	(9,039)
Total	(7,628)	(6,983)
Positive Fair Value (<i>Positive Fair Value</i>)	12,732	8,939
Netting Effect*	20,360	15,922
Delivered Guarantees(-) /Received(+)		
Cash	(6,153)	(6,369)
Securities	7.7	7.6
Total	(6,145)	(6,362)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value
Transactions settled in clearing house are not included, as do not represent counterparty risk.

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

	Potential Risk		Current Risk	
Financial Counterparties	4Q16	4Q16 Average	4Q16	4Q16 Average
FWD	10	6	(6)	(4)
OPTIONS	1,164	965	918	734
INTEREST RATE SWAP	14,776	10,421	5,575	3,136
CCS	939	819	(10,267)	(9,039)
Total	14,485	10,211	(3,781)	(5,174)
Clients (Non-Financial)	4Q16	4Q16 Average	4Q16	4Q16 Average
FWD	15	11	(8)	(7)
OPTIONS	6	9	(930)	(706)
INTEREST RATE SWAP	132	841	(2,897)	(1,097)
CCS	10	15	(12)	0
Total	163	862	(3,847)	(1,809)

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.

	4Q16	4Q16 Average
Net Cash Outflows		
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	4Q16	4Q16 Average
AAA/AA-	0	0
A+/A-	(710)	(2,661)
BBB+/BBB-	(3,106)	(2,525)
BB+/BB-	(2,049)	(943)
B+/B-	(166)	(39)
CCC/C	(8)	(6)
SC	(1,588)	(809)
Total	(7,628)	(6,983)

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)	4Q16			
	Banorte	Arrendadora y Factor**	Sólida	GFNorte*
Total Loan Portfolio	567,083	24,120	1,768	577,117
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	19,157	0	0	19,157
Real Non-Financial Guarantees	292,361	5,700	25	298,086
Pari Passu	17,260	0	0	17,260
First Losses	28,216	0	0	28,216
Personal Guarantees	17,158	6,397	0	23,555
Total Loan Portfolio Covered	374,152	12,097	25	386,274

*Total Loans includes eliminations for (Ps 15, 853).

** Excludes pure leasing

2.4 Expected Loss

As of December 31, 2016, Banco Mercantil del Norte's total portfolio was Ps 567.08 billion. The expected loss represents 2.0% and the unexpected loss is 4.4% with respect to the total portfolio. The average expected loss is 2.2% during the period September - December 2016.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 77.43 billion and the expected loss represents 0.04% of the exposure. The average expected loss is 0.03% between September - December 2016.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 27.36 billion. The expected loss represents 0.8% and the unexpected loss is 5.1% of the total portfolio. The average expected loss represents 0.7% during the September - December 2016 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 1.77 billion. The expected loss of the portfolio represents 12.5% and the unexpected loss 13.2%, both with respect to the total portfolio. The average expected loss for the period of September - December 2016 was 8.6%.

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, 2016		82,898
I. Financings whose individual amounts represent more than 10% of basic equity:		
<u>Loan Operations</u>		
Number of financings		1
Total amount of financings		8,561
% in relation to Tier 1		10%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Tier 1		0%
<u>Overnight Operations</u>		
Number of financings		2
Total amount of financings		19,574
% in relation to Tier 1		24%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		37,022

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, 2016		4,268
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		4
Total amount of financings		4,344
% in relation to Equity		102%
<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:		6,161

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, 2016	4,754
I. Financings whose individual amounts represent more than 10% of equity:	
<u>Loan Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Money Market Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
<u>Overnight Operations</u>	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	475

3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

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

GFNorte's Market Risk Policies are:

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

3.1 Market Risk Methodology

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

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

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

3.2 Market Risk Exposure

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

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

The average VaR of the portfolio for 4Q16 was Ps 71 million (Ps 142 million lower than the average VaR for 3Q16). The VaR at the end of 4Q16 was Ps 101 million pesos.

The decline in VaR presented in the fourth quarter of 2016, is driven by an adjustment in surcharged inputs, CCIRS positions criterion and to changes in the origin currency to align them with accounting.

The result shows that the Bank's potential loss will be above Ps 71 million in one out of a hundred days.

VaR Million Pesos	Average 4Q16
VaR Total	71
Net Capital	97,992
VaR/Net Capital	0.07%

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

Risk Factor Million Pesos	4Q16	Average 4Q16
Rates	68.38	56.2
FX	70.48	25.9
Equity	9.45	7.2
Diversification Effect	(47.05)	(18.6)
Bank's Total VaR	101.26	70.7

VaR for 4Q16 was Ps 101 million.

VaR by risk factor is determined by simulating 500 historical scenarios to each risk factor, considering all positions classified as trading.

The proportion by market risk factor is:

Risk Factor	VaR 4Q16
Rates	62.9%
FX	29.0%
Equity	8.1%

3.2.1 Sensibility Analysis and Stress Testing under extreme conditions

Since VaR indicates the potential losses under normal market conditions, Banorte complements its risk analysis enforcing tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on

monthly basis with the main objective of assessing the impact on the Institution's positions of extreme movements in risk factors.

3.2.2 Backtesting

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

3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 4Q16 was Ps 5 million, (Ps 28) million lower vs. 3Q16. The VaR at the end of 4Q16 was Ps 5.5 million.

The decline in VaR presented in the fourth quarter of 2016, is driven by an adjustment in surcharged inputs, CCIRS positions criterion and to changes in the origin currency to align them with accounting.

The result shows that potential loss will be above Ps 5 million in one out of a hundred days.

VaR Million Pesos	Average 4Q16
Total VaR	5
Net Capital	2,057
VaR/Net Capital	0.24%

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)	4Q16	Average 4Q16
Rates	5.5	5.0
FX	0	0
Equity	0	0
Casa de Bolsa Total VaR	5.5	5.0

VaR by risk factor is determined by simulating 500 historical scenarios to each risk factor, considering all positions classified as trading.

Risk Market concentration 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.

4. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

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

GFNorte's Liquidity Risk Policies are:

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

4.1 Liquidity Risk Methodology and Exposure

Balance and Liquidity risk is managed through a series of fundamental pillars that include the use of key indicators such as the Liquidity Coverage Ratio (LCR), re-price gaps an 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)	3Q16	4Q16	Change vs. 3Q16
Demand Deposits			
Local Currency ⁽¹⁾	306,594	331,280	8.1%
Foreign Currency ⁽¹⁾	42,587	51,179	20.2%
Demand Deposits	349,181	382,459	9.5%
Time Deposits – Retail			
Local Currency ⁽²⁾	143,069	149,861	4.7%
Foreign Currency	16,554	17,792	7.5%
Core Deposits	508,805	550,112	8.1%
Money Market			
Local Currency ⁽³⁾	35,788	24,391	(31.8%)
Banking Sector Deposits	544,593	574,502	5.5%

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 4Q16.

LCR Components <i>(Million Pesos)</i>		Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	82,899
CASH DISBURSEMENTS			
2	Unsecured retail financing	313,558	24,725
3	Stable financing	132,607	6,630
4	Less stable financing	180,951	18,095
5	Unsecured wholesale financing	214,641	57,864
6	Operational Deposits	168,386	31,747
7	Non-Operational Deposits	45,608	25,470
8	Unsecured debt	647	647
9	Secured wholesale financing	257,196	21,279
10	Additional Requirements:	703,414	26,062
11	Disbursements related to derivatives and other guarantee requirements	412,073	7,452
12	Disbursements related to losses from debt financing	-	-
13	Lines of credit and liquidity	291,341	18,611
14	Other contractual financing obligations	-	-
15	Other contingent financing liabilities	-	-
16	TOTAL CASH DISBURSEMENTS	NA	129,931
CASH INFLOWS			
17	Cash Inflows for secured operations	56,635	42,953
18	Cash Inflows for unsecured operations	34,486	1,364
19	Other Cash Inflows	1,818	1,818
20	TOTAL CASH INFLOWS	NA	46,135
		Adjusted amount	
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	82,899
22	TOTAL NET CASH DISBURSEMENTS	NA	83,796
23	LIQUID COVERAGE RATIO	NA	99.55%

During 4Q16, the average LCR for the Bank and Sofomes was 99.55%, and at **the end of 4Q16 the LCR was 89.73%** 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 3Q16 and 4Q16 is presented in the following table

LCR Component (Million Pesos)	3Q16	4Q16	Var. vs. 3Q16
Liquid Assets	81,449	82,074	0.8%
Cash Inflows	34,250	43,883	28.1%
Cash Outflows	111,647	135,354	21.2%

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 3Q16 and 4Q16 are distributed as follows:

Type of Asset (Million Pesos)	3Q16	4Q16	Var. vs. 3Q16
Total	81,449	82,074	0.8%
Level I	71,818	71,795	0.0%
Level II	9,631	10,278	6.7%
Level II A	8,060	8,238	2.2%
Level II B	1,571	2,041	29.9%

Liquid assets remained stable in the sequential comparison. The 0.8% slight increase is mainly as a result of growth in the level II B liquid assets' base during the quarter.

4.5 LCR Result's Main Causes

Variations in the LCR between 3Q16 and 4Q16 are mainly due to the subordinated notes' issuance in October for USD 500 MM, which had a positive impact in the institution's liquidity.

4.6 Liquidity Risk in foreign currency

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

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

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

4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 4Q16, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	3Q16	4Q16	Var. vs. 3Q16
Net cash outflows at market value and for potential future exposure	3,531	5,164	46.3%
Cash outflows for a 3 notch credit rating downgrade.	0	0	0

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

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 4Q16 are presented in the following table.

Concept (Million Pesos)	3Q16	4Q16	Var. vs. 3Q16
Cumulative 30 day Gap	(45,220)	(22,552)	(50.1%)
Liquid Assets	56,392	59,791	6.0%

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets. During the quarter, the CPR approved a new methodology to calculate the liquidity gap, which involves an internal model to determine deposits' (demand and time) solvency. The new methodology is the main reason of the differences vs. calculations in the prior quarter. Additionally, the new methodology allows a deeper breakdown on liquidity gaps, as follows:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(1,911)	(17,363)	(3,278)	7,530	(9,369)	2,810
Accumulated Gap	(1,911)	(19,274)	(22,552)	(15,022)	(24,392)	(21,582)

4.9 Stress Testing under liquidity extreme conditions

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

4.10 Contingency Funding Plan

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

4.11 Balancec Risk

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

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

In the table below, the effect on net interest income of a movement of 100 basis points over the rates is shown, which considers available for sale, that as of 4Q16 amounted to Ps 153.12 billion and in average during 4Q16 to Ps 130.48 billion.

(Million Pesos)	3Q16	4Q16	Var. vs. 3Q16
Margin Sensitivity	1,066	1,180	10.7%

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 4Q16.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	1,214	(3,125)	(4,269)
Liquid assets	1,689	8	9

5. OPERATIONAL RISK

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

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

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

5.1 Policies, Objectives and Guidelines

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

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

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

5.2 Quantitative and Qualitative Measuring Tools

5.2.1 Operational Losses Database

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

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

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

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

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

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

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

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

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

5.2.2 Legal and Fiscal Contingencies Database

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

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

5.3 Risk Management Model

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

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

5.4. Required Capital Calculation

In accordance with the current Capitalization for Operational Risk Regulations, the Institution has adopted the Basic Model, which is estimated and reported periodically to the authorities.

5.5. Information and Reporting

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

5.6 Technological Risk

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

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

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

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

5.7 Legal risk

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

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

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

6. SECURITIZATIONS EXECUTED BY GFNORTE

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

GFNorte has accomplished the following securitizations:

- On October 11th, 2006, Fincasa Hipotecaria (Fincasa), now merged with Banorte, held the irrevocable trust for the issuance of market certificates No. 563, issuer code FCASACB, whose underlying assets are mortgages originated and transferred by Fincasa.
- On December 13th, 2006, Banorte held the irrevocable trust for the issuance of market certificates No. 583, issuer code BNORCB, whose underlying assets are mortgages originated and transferred by Banorte.

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

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

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

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

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

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

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

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

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

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

Securitization (Million pesos)	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNTECB_07	50,763,776	2,037	500,000	20	51,263,776	2,057
91_BNTECB_07-2	563,059	19	-	-	563,059	19
97_BNORCB_06	4,938,137	27	500,000	3	5,438,137	29
97_BNORCB_06-2	576,011	4	-	-	576,011	4
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		
91_BNTECB_07					Aa2.mx	Baa2	HR AA+	
91_BNTECB_07-2					A3.mx	Ba3	HR AA	
97_BNORCB_06	mxAAA		AAA (mex)		Aaa.mx	A3		
97_BNORCB_06-2	mxAA		AA- (mex)					
97_FCASACB_06U	mxAA		A(mex)					

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

Securitization (Million pesos)	Amount		
	Performing	Past-Due	Total
91_BNTECB_07	\$ 2,937	-	\$ 2,937
91_BNTECB_07-2		-	
97_BNORCB_06	\$ 134	\$ 95	\$ 228
97_BNORCB_06-2			
97_FCASACB_06U	\$ 129	\$ 141	\$ 270

*Figures correspond to securities valuation of trust securitizations.

In November 2016, three loans from Nayarit that were part of the trust 477 were settled, accordingly to their payments calendar.

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
Securitizations with Risk Level 1 (weighted 20%)	27	0
Securitizations with Risk Level 2 (weighted 50%)	2,056	82
Securitizations with Risk Level 3 (weighted 100%)	4	0
Securitizations with Risk Level 4 (weighted 350%)	0	0
Securitizations with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

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

6.1 Applied Accounting Policies

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

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

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

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

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

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

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

7. POSITION IN SHARES:

At the end of December 2016, Banco Mercantil del Norte held shares amounting to Ps 4.06 billion, with gains of Ps 204 million.

During the fourth quarter, accumulated profits from sales and settlements were Ps 27 million.

For the purpose of estimating Capital Ratio, only Ps 110 million were deducted for the calculation of the Core Tier 1. For negotiable securities, the capital requirement for Market Risk was Ps 16 million. For securities available for sale, the capital requirement for Market Risk was Ps 110 million and for Credit Risk Ps 188 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q16	Gains / Losses 4Q16	Acumm.. Profit / Loss 3Q16-4Q16
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	370	76	(9)
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,435	32	36
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	22	(24)	0
Banorte	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	110	16	0
Banorte	Public	Securities Available for Sale	Subject to Credit Risk Requirement	120	104	0
Total				4,057	204	27

In December 2016, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 387 million with a positive valuation of Ps 153 million.

During the quarter, gains were recorded for Ps 1.57 million from sales and settlements.

For the purpose of estimating Capitalization Ratio, investments that are deducted from the Net Capital are not included. For securities available for sale, the capital requirement for Market risk was Ps 1 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q16	Gains / Losses 4Q16	Acumm. Profit / Loss 3Q16-4Q16
Casa de Bolsa Banorte-Ixe	Public	Negotiable Securities	Subject to Market Risk Requirement	387	153	1.6
Casa de Bolsa Banorte-Ixe	w/o public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	0
Casa de Bolsa Banorte-Ixe	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	0	0	0
Casa de Bolsa Banorte-Ixe	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	0	0	0
Casa de Bolsa Banorte-Ixe	Public	Securities Available for Sale	Subject to Credit Risk Requirement	0	0	0
Total				387	153	1.6

- **Internal Control**

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

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

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

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

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- C. Corporate Governance documents regarding Internal Control were reviewed and updated, and were presented to the Board of Directors through the Audit and Corporate Practices Committee for approval.
- D. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- E. The Supervisory Authorities' requirements have been addressed, the ordinary inspection visits were attended and the information required by the external regulations has been submitted.
- 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. Various activities in terms of accounting internal control were carried out, according to the work plan developed at the beginning of the year.
- H. Effectivity tests related to the Continuity Business Plan were carried out.
- I. Requests regarding internal control subjects from diverse internal departments were handled, to the development of new institutional projects, as well as those derived from changes to the Regulation.

FINANCIAL SITUATION AND LIQUIDITY

• Treasury Policy

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

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

• Internal and External Liquidity Sources

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

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

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

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

• Dividend Policy

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

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

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

• Related Parties Loans

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

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

Lender	Dec-2016	% Basic Equity	Sep-2016	% Basic Equity
Banorte	Ps 9.79	11.8%	Ps 8.47	10.2%

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

Banorte.

As of **December 31, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 9.79 billion (including Ps 816 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.7% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 8.34 billion were loans granted to clients linked to members of the Board of Directors; Ps 320 million were granted to clients linked to shareholders and Ps 1.14 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of December 2016 was 11.8% of the basic part of the equity.

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

As of **September 30, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 8.47 billion (including Ps 777 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.6% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 7.26 billion were loans granted to clients linked to members of the Board of Directors and Ps 1.21 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of September 2016 was 10.2% of the basic part of the equity.

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

- **Loan or tax liabilities**

The tax credits listed below are currently in litigation:

As of December 31, 2016	
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$6
Philippines 2007 - 2008	6
CASA DE BOLSA BANORTE IXE	\$33
Fiscal credit review - year 2003 (document 900 06 05-2010-03968)	33
IXE BANCO	\$13
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	13
Million pesos	

- **People in Charge**

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

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

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

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

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

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

Basis for submitting and presenting Financial Statements

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

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

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

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