GRUPO FINANCIERO BANORTE

3Q16

Financial Results as of September 30, 2016

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GFNORTE **GBOOY** **XNOR**

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"Best Latin America Executive Team 2015"

"Best Bank in México 2011, 2014 & 2015"

"Sustainable Company"

I. Summary

GFNorte reports Net Income of Ps 14.06 billion in 9M16, up 16% 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 September 30th, 2016. The main highlights include:

- **Outstanding sequential EPS growth of 8%,** driven mainly by a significant increase in the quarterly net profits of the **Bank 11%, Insurance 10%, and Pension Fund 15%.**

- Key ratios posted a substantial improvement in the quarter: **non-performing loans ratio** improved to **2.2%,** from 2.3%, **reserves coverage ratio to 124%,** from 120%, **ROE at 14.1**%, from 13.4% and **ROA at 1.6%**, up +11bp.

- **NIM at 4.9%** growing strongly +35bp in the quarter, on higher Net Interest Income (**NII**) of Ps 1.0 billion, +8% during the quarter; Adjusted NII grew **14%** on a 7% decrease in loan loss provisions.

- **The first nine months** show **sound earnings growth from subsidiaries**: Banorte Bank +14%, Insurance +23%, Annuities +58%, as well as Leasing and Factoring +15%.

- Key financial ratios improved substantially in 9M16. **NIM to 4.8%,** from 4.4%, **NPL Ratio at 2.2%**, from 2.7%, **Efficiency Ratio to 45.4%,** from 48.6%, **ROA to 1.54%,** from 1.40%, and **ROE to 13.6%,** from 12.7%.

- **Revenues from core banking fees increased +14% annually** on higher transaction volume. **Trading Income decreased (20%)** YoY due to the strong volatility in global financial markets.

- **Non-Interest Expenses** grew only +5% yearly, once again as a tangible result of **strict expense management.**

- Strong annual growth in the **consumer book +14%, corporate loans** had an excellent +**17%** annual variation, and the **commercial loans +12%. Performing loans** increased **+11%** YoY, whereas the non-performing loans posted an annual decline of (10%).

- **Deposits from clients** increased +12% YoY, demand +13% and time +11%.

- Capital ratios remain solid, at 14.69% derived from healthy growth in risk assets.

- Banorte's leverage ratio, published as of this quarter, was 8.47% in 3Q16.

Income Statement Highlights - GFNorte (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Net Interest Income	11,840	12,645	**13,647**	8%	15%	35,053	**39,888**	14%
Fees on Services	2,523	2,706	**2,776**	3%	10%	7,269	**7,688**	6%
Trading	659	771	**722**	(6%)	9%	2,430	**1,946**	(20%)
Other Operating Income (Expenses)	793	955	**952**	(0%)	20%	1,734	**2,528**	46%
Non Interest Income	3,976	4,432	**4,449**	0%	12%	11,433	**12,162**	6%
Total Income	15,816	17,076	**18,097**	6%	14%	46,486	**52,050**	12%
Non Interest Expense	7,328	7,533	**8,168**	8%	11%	22,574	**23,653**	5%
Provisions	2,840	3,529	**3,289**	(7%)	16%	8,224	**10,056**	22%
Operating Income	5,648	6,014	**6,640**	10%	18%	15,688	**18,341**	17%
Taxes	1,580	1,632	**1,945**	19%	23%	4,251	**5,074**	19%
Subsidiaries & Minority Interest	216	244	**281**	15%	30%	730	**798**	9%
Net Income	4,284	4,626	**4,976**	8%	16%	12,168	**14,064**	16%

Balance Sheet Highlights - GFNorte (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Asset Under Management	2,102,794	2,253,035	**2,296,019**	2%	9%
Performing Loans (a)	500,208	544,118	**553,454**	2%	11%
Past Due Loans (b)	13,717	12,665	**12,300**	(3%)	(10%)
Total Loans (a+b)	513,925	556,783	**565,753**	2%	10%
Total Loans Net (d)	498,912	541,576	**550,470**	2%	10%
Acquired Collection Rights (e)	2,559	1,946	**2,223**	14%	(13%)
Total Credit Portfolio (d+e)	501,470	543,522	**552,693**	2%	10%
Total Assets	1,171,183	1,239,392	**1,219,271**	(2%)	4%
Total Deposits	535,870	577,675	**567,944**	(2%)	6%
Total Liabilities	1,037,028	1,097,390	**1,075,687**	(2%)	4%
Equity	134,155	142,002	**143,584**	1%	7%

Financial Ratios GFNorte	3Q15	2Q16	3Q16	9M15	9M16
Profitability:					
NIM (1)	4.4%	4.6%	**4.9%**	4.4%	**4.8%**
ROE (2)	13.2%	13.4%	**14.1%**	12.7%	**13.6%**
ROA (3)	1.5%	1.51%	**1.62%**	1.40%	**1.54%**
Operation:					
Efficiency Ratio (4)	46.3%	44.1%	**45.1%**	48.6%	**45.4%**
Operating Efficiency Ratio (5)	2.5%	2.5%	**2.7%**	2.6%	**2.6%**
CCL for Banorte and SOFOM - Basel III (6)	102.0%	118.5%	**119.4%**	102.0%	**119.4%**
Asset Quality:					
Past Due Loan Ratio	2.7%	2.3%	**2.2%**	2.7%	**2.2%**
Coverage Ratio	109.4%	120.1%	**124.3%**	109.4%	**124.3%**

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

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

Subsidiaries Net Income (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Banco Mercantil del Norte	3,137	3,283	**3,645**	11%	16%	8,600	**9,774**	14%
Banorte- Ixe-Broker Dealer	179	163	**117**	(28%)	(35%)	434	**434**	(0%)
Operadora de Fondos Banorte-Ixe	56	58	**62**	6%	10%	173	**175**	2%
Retirement Funds - Afore XXI Banorte	282	305	**349**	15%	24%	922	**972**	5%
Insurance	490	547	**603**	10%	23%	1,679	**2,065**	23%
Annuities	97	149	**137**	(8%)	41%	258	**408**	58%
Leasing and Factoring	154	153	**176**	16%	15%	423	**487**	15%
Warehousing	8	7	**8**	18%	1%	25	**22**	(11%)
Sólida Administradora de Portafolios	(105)	(32)	**(93)**	195%	11%	(294)	**(349)**	19%
Ixe Servicios	0	1	**1**	NA	NA	0	**1**	NA
G. F. Banorte (Holding)	(15)	(6)	**(28)**	358%	91%	(51)	**75**	(246%)
Total Net Income	4,284	4,626	**4,976**	**8%**	**16%**	12,168	**14,064**	**16%**

Share Data	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Earnings per share (Pesos)	1.545	1.668	**1.794**	8%	16%	4.387	**5.071**	16%
Earnings per share Basic (Pesos)	1.553	1.680	**1.806**	7%	16%	4.411	**5.105**	16%
Dividend per Share (Pesos) (1)	0.24	0.46	**1.69**	270%	594%	0.73	**2.61**	257%
Dividend Payout (Recurring Net Income)	20.0%	33.3%	**38.2%**	15%	91%	20.0%	**36.5%**	82%
Book Value per Share (Pesos)	47.70	50.47	**51.03**	1%	7%	47.70	**51.03**	7%
Issued Shares (Million)	2,773.7	2,773.7	**2,773.7**	0%	0%	2,773.7	**2,773.7**	0%
Stock Price (Pesos)	82.80	102.52	**101.68**	(1%)	23%	82.80	**101.68**	23%
P/BV (Times)	1.74	2.03	**1.99**	(2%)	15%	1.74	**1.99**	15%
Market Capitalization (Million Dollars)	13,585	15,400	**14,555**	(5%)	7%	13,585	**14,555**	7%
Market Capitalization (Million Pesos)	229,665	284,363	**282,033**	(1%)	23%	229,665	**282,033**	23%

1) Excluding Minority Interest.

Stock Performance



II. Management's Discussion & Analysis

Grupo Financiero Banorte

Net Interest Income

Net Interest Income (NII) *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Interest Income	16,401	17,670	**18,923**	7%	15%	47,974	**53,624**	12%
Interest Expense	6,031	6,264	**6,823**	9%	13%	17,573	**19,074**	9%
Loan Origination Fees	326	303	**308**	2%	(5%)	907	**925**	2%
Fees Paid	96	112	**123**	10%	28%	282	**337**	20%
NII excluding Insurance and Annuities Co.	**10,600**	**11,597**	**12,285**	**6%**	**16%**	**31,026**	**35,138**	**13%**
Premium Income (Net)	4,225	4,512	**4,210**	(7%)	(0%)	14,097	**16,462**	17%
Technical Reserves	1,186	675	**994**	47%	(16%)	4,794	**5,822**	21%
Damages, Claims and Other Obligations	3,015	3,252	**3,248**	(0%)	8%	8,034	**9,383**	17%
Technical Results	**23**	**585**	**(32)**	(106%)	(239%)	**1,270**	**1,258**	(1%)
Interest Income (Expenses) net	1,218	462	**1,395**	202%	15%	2,757	**3,493**	27%
Insurance and Annuities NII	**1,241**	**1,048**	**1,363**	**30%**	**10%**	**4,027**	**4,750**	**18%**
GFNORTE´s NII	**11,840**	**12,645**	**13,647**	**8%**	**15%**	**35,053**	**39,888**	**14%**
Credit Provisions	2,840	3,529	**3,289**	(7%)	16%	8,224	**10,056**	22%
NII Adjusted for Credit Risk	**9,000**	**9,115**	**10,359**	**14%**	**15%**	**26,829**	**29,832**	**11%**
Average Earning Assets	1,069,081	1,103,103	**1,107,170**	0%	4%	1,052,005	**1,097,589**	4%
Net Interest Margin (1)	4.4%	4.6%	**4.9%**			4.4%	**4.8%**	
NIM after Provisions (2)	3.4%	3.3%	**3.7%**			3.4%	**3.6%**	
NIM adjusted w/o Insurance & Annuities	4.3%	4.5%	**4.8%**			4.2%	**4.6%**	
NIM from loan portfolio (3)	7.9%	7.9%	**8.1%**			7.8%	**7.9%**	

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

Net Interest Income excluding Insurance and Annuities Companies amounted Ps 12.28 billion in 3Q16, up +6% vs. 2Q16 and +16% YoY. It is worth mentioning the Interest Income grew Ps 1.25 billion on a quarterly basis – twice the QoQ increase of +Ps 641 million reported in the second quarter – reflecting clearly the positive effect of the +75bp hike in the benchmark interest rate in December 2015 and February 2016 and, in to a lesser extent, the +50bp increase by the end of June. Moreover, Interest Expenses rose +9% QoQ and +13% YoY, derived from the growth in deposits and due to a controlled increase in the funding cost on the back of policy rates.

The effect of rising rates is also reflected on the quarterly performance of Interest Income from loans and from deposits & funding which grew +5% and +9%, respectively; hence, the impact of increasing rates on loans lags - as expected - and on deposits is almost immediate, as the latter already reflect the repricing derived from the +50bp interest rate hike in June 2016. Moreover, income from repo operations was up +28% vs. 2Q16, also benefited from rate.

In **3Q16, the Technical Results of Seguros Banorte and Pensiones Banorte was (Ps 32) million, comparing** unfavorably vs. 2Q16 due to i) lower Premium Income at the Insurance company and ii) higher Technical Reserves at Pensiones Banorte – the former, derived from seasonality and the effect of accounting changes implemented at the Insurance company in 1Q16; whereby Premium Income and Technical Reserves of life policies were recorded on a cash basis, while currently they are registered upon renewal. Regarding Pensiones Banorte, the increase of Technical Reserves is related to the inflation hike during the period. Furthermore, on a yearly basis the Technical Result is affected, mainly, by the increase in Damages and Claims. Nevertheless, **in 3Q16 Interest Income (Expenses) net improved by Ps 933 million QoQ,** as result of the inflation valuation at Pensiones Banorte, which amounted to Ps 479 million in 3Q16 - vs. (Ps 391) in 2Q16 - on higher inflation during the quarter**.**

In 3Q16 GFNorte's Net Interest Income (NII) totaled Ps 13.65 billion, catching up from the quarterly (7%) drop in 2Q16, and grew Ps 1.00 billion or +8% QoQ; while compared to 3Q15, it went up +15%.

During 9M16, NII excluding the Insurance and Annuities companies amounted to Ps 35.14 billion, +13% YoY, reflecting the loans and deposits growth, and partially the +125bp interest rate hikes in December, February and June. The increase vs. 9M15 on interest income from loans during this period was +12% and from deposits & funding +7%.

The Insurance and Annuities NII of the first nine months of 2016 rose +18% AoA, partially benefited from the accounting changes implemented at Seguros Banorte in 1Q16, and mainly due to the positive business evolution during the period.

The Net Interest Margin (NIM) was 4.9% during 3Q16, +35bp higher QoQ and +50bp YoY and **in 9M16 rose to 4.8%**, +40bp YoY. The NIM improvements are the result of a better portfolio mix, funding cost and a stronger margin at Seguros and Pensiones, as well as the benefit from rising market rates.

Loan Loss Provisions

In 3Q16 Loan Loss Provisions totaled Ps 3.29 billion, (7%) lower QoQ; while **in 9M16 it reached Ps 10.06 billion**, +22% up vs. 9M15.

On a quarterly basis, Provisions decreased (Ps 241) million, benefited by the important reduction in requirements from the corporate and commercial portfolios, which offset – already normalized and without the seasonality effects of 2Q – provisions coming from consumer loans.

The YoY growth vs. 9M15 derives mainly from higher requirements in payroll and credit card loans. This +22% provision increase is not related to deterioration (NPLs declined (10%) YoY), but to loan loss reserve reversals of Ps 564 million in March-15 and Ps 380 million in May-15, that compensated the monthly provisioning requirements respectively.

Loan Loss Provisions represented 24.1% of Net Interest Income in 3Q16, a (3.8 pp) drop vs 2Q16; while in **9M16 accounted for 25.2%**, +1.8 pp up YoY.

Furthermore, **Loan Loss Provisions in the third quarter of 2016 accounted for 2.4% of the average loan portfolio,** (22bp) lower vs 2Q16 **and in 9M16 were 2.5%**, rising +23bp YoY.

Non-Interest Income

Non-Interest Income *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Fees on Services	2,523	2,706	**2,776**	3%	10%	7,269	**7,688**	6%
Trading	659	771	**722**	(6%)	9%	2,430	**1,946**	(20%)
Other Operating Income (Expenses)	793	955	**952**	(0%)	20%	1,734	**2,528**	46%
Non-Interest Income	3,976	4,432	**4,449**	0%	12%	11,433	**12,162**	6%

In 3Q16, Non-Interest Income totaled Ps 4.45 billion, similar to 2Q16 and +12% up vs. 3Q15**. During 9M16 Non-Interest Income reached Ps 12.16 billion**, +6% higher vs. the same period a year ago, detailed as follows:

Service Fees

Service Fees (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
For Commercial and Mortgage Loans *	137	183	**196**	7%	43%	398	**573**	44%
Fund Transfers	234	325	**347**	6%	48%	638	**958**	50%
Account Management Fees	529	518	**521**	1%	(2%)	1,508	**1,521**	1%
Fiduciary	88	86	**73**	(15%)	(17%)	286	**240**	(16%)
Income from Real Estate Portfolios	35	19	**38**	98%	7%	79	**89**	14%
Electronic Banking Services	1,287	1,403	**1,453**	4%	13%	3,720	**4,206**	13%
For Consumer and Credit Card Loans	794	786	**925**	18%	16%	2,242	**2,542**	13%
Other Fees Charged (1) *	612	634	**670**	6%	9%	1,899	**1,922**	1%
Fees Charged on Services	**3,717**	**3,955**	**4,223**	**7%**	**14%**	**10,771**	**12,052**	**12%**
Fees Paid on Services	**1,194**	**1,249**	**1,447**	**16%**	**21%**	**3,502**	**4,364**	**25%**
Service Fees	**2,523**	**2,706**	**2,776**	**3%**	**10%**	**7,269**	**7,688**	**6%**

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.

Service fees totaled Ps 2.78 billion in 3Q16, +3% higher QoQ; all lines increased – except for Fiduciary – outstanding growth is presented in Fees for Consumer and Credit Card Loans. Fees Paid on Services increased +16% mainly coming from the insurance company. Acquisition cost at the insurance company increased Ps 160 million pesos in the quarter on higher acquisition costs and a reduction in revenue from reinsurance, which is netted out in this line.

Service Fees in 9M16 grew +6% vs. the same period of last year, coming from a **+14% increase in core banking services** (account management, fund transfers and electronic banking services) and a +13% growth in those related to consumer loans; these growth rates are still influenced by the acquisition cost of the Insurance company, registered in Fees Paid on Services in 1Q16.

During this quarter, Fees from Commercial and Government Loans were reclassified to Fees for Commercial and Mortgage Loans from Other Fees Charged, as follows:

Service Fees (Million Pesos)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Prior Reclassification							
For Commercial and Mortgage Loans	1	2	(0)	7	3	45	32
Other Fees Charged	753	792	750	737	809	772	834
Reclassification							
For Commercial and Mortgage Loans	112	149	137	70	194	183	196
Other Fees Charged	642	644	612	674	618	634	670

Trading

Trading Income (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Foreign Exchange	354	406	**471**	16%	33%	874	**1,147**	31%
Securities-Realized Gains	173	68	**272**	298%	57%	948	**432**	(54%)
Securities-Unrealized Gains	132	297	**(21)**	(107%)	(116%)	608	**367**	(40%)
Trading Income	**659**	**771**	**722**	**(6%)**	**9%**	**2,430**	**1,946**	**(20%)**

Trading revenues in 3Q16 decreased (Ps 49) million vs. 2Q16, undermined by mark to market valuation losses on the securities book held for sale derived from market volatility which could not be offset by the QoQ gain in trading revenue (+Ps 204 million) and the +16% increase in fees coming from FX transactions.

In 9M16 trading income decreased (Ps 484) million, although regaining ground vs. 1H16; YoY comparison was affected by the deceleration of (Ps 516) million in trading and (Ps 241) million in valuation; thus, reflecting market volatility and interest rate hikes of this year. Moreover, volatility on Mexican Peso-US Dollar parity has enabled that FX transactions increase +31% YoY.

Other Operating Income (Expenses)

Other Operating Income (Expenses) *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Loan Recovery	299	367	**406**	11%	36%	915	**1,122**	23%
Income from foreclosed assets	112	91	**(35)**	(139%)	(131%)	118	**88**	(26%)
Other Operating Income	5	173	**31**	(82%)	491%	178	**361**	103%
Other Operating Expenses	(39)	(67)	**(29)**	(57%)	(26%)	(407)	**(273)**	(33%)
Subtotal Recoveries and Others"	**377**	**564**	**373**	**(34%)**	**(1%)**	**805**	**1,298**	**61%**
Other Products	913	1,222	**1,567**	28%	72%	2,670	**3,869**	45%
Other Acquired Recoveries	191	60	**147**	144%	(23%)	484	**394**	(19%)
Other (Expenses)	(885)	(1,178)	**(1,383)**	17%	56%	(2,782)	**(3,776)**	36%
Non Operating Income (Expenses), Net	**219**	**104**	**332**	**220%**	**52%**	**373**	**487**	**31%**
Other From Insurance and Annuities	**197**	**287**	**248**	**(14%)**	**25%**	**557**	**743**	**33%**
Other Operating Income (Expenses)	**793**	**955**	**952**	**(0%)**	**20%**	**1,734**	**2,528**	**46%**

In 3Q16 Other Operating Income (Expenses) amounted to Ps 952 million, only (Ps 3) million lower QoQ, with a mixed performance explained mainly by:

i) the increase of +28% in Other Products and of +17% in Other (Expenses) is related to transactions made by the Warehousing company, of which, the net result is Ps 29 million; and
ii) the (Ps 268) million decrease in Other Operating Income –related to (83%) lower provision reversals– and in Income from Foreclosed Assets –which QoQ is affected by extraordinary revenues registered in 2Q16 that did not repeat in this quarter-.

During 9M16 Other Operating Income (Expenses) rose +46% YoY **reaching Ps 2.53 billion,** driven by:

i) +45% increase in Other Products, comprised mainly of +Ps 561 million in revenues on the sale of foreclosed assets, higher cancelations of creditors and provisions at Banorte and rising revenues from sales at Almacenadora Banorte;
ii) + Ps 224 million from Operating Leasing which formerly were recorded in Interest Income;
iii) + Ps 207 million in Loan Recoveries related to better results on loan collections;
iv) a rise of Ps 186 million in Other Income from Insurance and Annuities;
v) a reduction of over a third in Other (Expenses) on lower valuation charges.

Non-Interest Expense

Non-Interest Expense *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Personnel	2,974	3,101	**3,508**	13%	18%	9,598	**9,882**	3%
Professional Fees	551	587	**576**	(2%)	4%	1,676	**1,660**	(1%)
Administrative and Promotional	1,771	1,686	**1,865**	11%	5%	5,227	**5,515**	5%
Rents, Depreciation & Amortization	1,048	1,132	**1,219**	8%	16%	3,040	**3,478**	14%
Taxes other than income tax & non deductible expenses	355	351	**320**	(9%)	(10%)	1,176	**1,099**	(7%)
Contributions to IPAB	533	579	**584**	1%	10%	1,566	**1,730**	10%
Employee Profit Sharing (PTU)	96	97	**97**	0%	1%	289	**290**	0%
Non-Interest Expense	**7,328**	**7,533**	**8,168**	**8%**	**11%**	**22,574**	**23,653**	**5%**

Non-Interest Expenses during 3Q16 amounted to Ps 8.17 billion, +8% higher QoQ, mainly due to the following increases:

- +Ps 407 million in Personnel Expenses derived from growth in fiscal obligations related to personnel expenses, on wages' rise and to provisions for variable compensation;
- +Ps 179 million in Administrative and Promotional Expenses resulting from i) transaction volume in payment methods, on FX effect in some dollar expenses and in technology expenses, and;
- +Ps 87 million in Rents, Depreciation & Amortizations, mainly due to amortizations in technology projects.

Non-Interest Expenses in 9M16 reached Ps 23.65 billion, barely +5% above YoY**, -** similar to the QoQ comparison - the increase derived from higher:

- Rents, Depreciation & Amortizations +Ps 438 million, mainly due to amortizations in technology projects;
- Administrative and Promotional Expenses +Ps 287 million, due to the growth in i) transaction volume in credit cards, POSs and ATMs, ii) fees on insurance origination, and iii) charges for systems maintenance;
- Personnel Expenses +Ps 284 million, mainly on fiscal obligations related to to personnel expenses, on wages' rise and to provisions for variable compensation; and
- Contributions to IPAB +11%, in line with deposits growth.

The Efficiency Ratio during the quarter was 45.1%, increasing +102bp QoQ, in line with the growth in Non-Interest Expenses. **During 9M16 stood at 45.4%**, improving continuously with a (3.1 pp) YoY drop due to positive operating leverage, achieving historically low accumulated efficiency levels.

Net Income

Net Income *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Operating Income	**5,648**	**6,014**	**6,640**	**10%**	**18%**	**15,688**	**18,341**	**17%**
Subsidiaries' Net Income	277	309	**353**	14%	27%	900	**990**	10%
Pre-Tax Income	**5,925**	**6,323**	**6,993**	**11%**	**18%**	**16,589**	**19,330**	**17%**
Taxes	1,580	1,632	**1,945**	19%	23%	4,251	**5,074**	19%
Extraordinary Items, net	-	-	**-**	-	-	-	**-**	-
Minority Interest	(61)	(65)	**(72)**	11%	18%	(170)	**(192)**	13%
Net Income	**4,284**	**4,626**	**4,976**	**8%**	**16%**	**12,168**	**14,064**	**16%**

During 9M16 recurring revenues (NII + net fees excluding portfolio recoveries - Operating Expenses – Provisions) **totaled Ps 13.78 billion,** +20% higher YoY, driven mainly by a +14% rise in Net Interest Income. Moreover, **in 3Q16 were Ps 4.93 billion**, accelerating QoQ growth to 15% as result of -similar to the 9M comparison– the increase of over a billion in Net Interest Income.

In 3Q16 Subsidiaries' Net Income increased +14% vs. 2Q16 -in line with Afore XXI Banorte's Net Income growth– recovering from the QoQ drop in 2Q16**. During 9M16 rose +10% YoY**; this line is mainly related to Afore XXI Banorte's earnings of Ps 972 million.

Income taxes during the third quarter totaled Ps 1.95 billion and Ps 5.07 billion in 9M16, +19% up QoQ and YoY, respectively. Both increases are explained by a larger taxable income base.

The effective tax rate in 3Q16 was 27.8%, +2.0 pp higher QoQ; moreover, **in 9M16 stood at 26.2%,** +0.6 pp vs. 9M15.

GFNorte achieved excellent Net Profit of Ps 4.98 billion in 3Q16, +8% up QoQ, driven by a similar increase in Net Interest Income and a (7%) drop in Provisions. **During 9M16 the Financial Group reported Ps 14.06 billion in Net Income**, as result of the acceleration in Net Interest Income. **Profitability, asset quality and net interest income ratios evolved positively** – both in the QoQ and accumulated YoY comparisons – in spite of FX, monetary and political pressures, as well as, market volatility. Regarding subsidiaries, in 3Q16 outstanding QoQ growth at Banorte, Seguros Banorte and Afore XXI Banorte was achieved; while comparing to 9M15, Banorte and the Insurance & Annuities companies stood out.

Profitability

	3Q15	2Q16	3Q16
ROE	**13.2%**	**13.4%**	**14.1%**
Goodwill & Intangibles (billion pesos)	26.6	27.6	**28.0**
Average Tangible Equity (billion pesos)	102.3	108.5	**110.5**
ROTE	**16.4%**	**16.7%**	**17.6%**

In 3Q16 ROE accelerated its growth by +75bp, **reaching 14.1%; in 9M16 stood at 13.6%,** +82bp higher vs. the same period a year ago. Equity grew +7% YoY and +1% QoQ.

Additionally, Return on Tangible Equity (ROTE) stood at 17.6% for 3Q16, increasing +93bp QoQ and +121bp vs. 3Q15.

	3Q15	2Q16	3Q16
ROA	**1.5%**	**1.5%**	**1.6%**
Average Risk Weighted Assets (billion pesos)	526.7	563.4	**583.1**
RRWA	**3.0%**	**3.3%**	**3.3%**

ROA for the quarter was 1.6%, +11bp higher QoQ**; in 9M16 it was 1.5%, +**14bp vs. 9M15**. Return on Risk-Weighted Assets was 3.3%**, flat vs. 2Q16 and +22bp higher vs. 3Q15.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Tier 1 Capital	72,018	82,824	82,898	0.1%	15.1%
Tier 2 Capital	7,649	7,331	7,366	0.5%	(3.7%)
Net Capital	79,667	90,155	90,264	0.1%	13.3%
Credit Risk Assets	375,315	442,375	454,782	2.8%	21.2%
Net Capital / Credit Risk Assets	21.2%	20.4%	19.8%	(0.5 pp)	(1.4 pp)
Total Risk Assets	535,992	606,577	614,666	1.3%	14.7%
Tier 1	13.44%	13.65%	13.49%	(0.2 pp)	0.1 pp
Tier 2	1.43%	1.21%	1.20%	(0.0 pp)	(0.2 pp)
Capitalization Ratio	14.86%	14.86%	14.69%	(0.2 pp)	(0.2 pp)

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

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

At the end of 3Q16 the estimated Capitalization Ratio (CR) for Banorte was 14.69% considering credit, market and operational risk; and, 19.85% if only credit risks are considered. The Core Tier 1 ratio was 12.86%, Total Tier 1 ratio was 13.49% and Tier 2 was 1.20%.

The Capitalization Ratio decreased (0.17 pp) vs. 2Q16, as follows:

1.	Profits for 3Q16	+0.26 pp
2.	Other Capital Impacts	-0.05 pp
3.	Growth in Risk Assets	-0.18 pp
4.	Investment in Subsidiaries and Intangibles	-0.20 pp

The Capitalization Ratio decreased (0.17 pp) vs. 3Q15, as follows:

1.	Profit growth for the period	+1.77 pp
2.	Investment in Subsidiaries and Intangibles	+0.38 pp
3.	Decrease of Subordinate Debt effectiveness	-0.15 pp
4.	Valuation of Financial Instruments, Securitizations and Equity Accounts	-0.27 pp
5.	Growth in risk assets	-1.90 pp

Moreover, complying with CNBV's regulation, as of September 2016, the leverage ratio calculation and monitoring is included:

Leverage (Million Pesos)	3Q15	4Q15	1Q16	2Q16	3Q16	Change 2Q16	Change 3Q15
Tier 1 Capital	72,018	72,817	75,722	82,824	82,898	0.1%	15.1%
Adjusted Assets	910,478	973,272	965,719	967,981	978,928	1.1%	7.5%
Leverage Ratio	**7.91%**	**7.48%**	**7.84%**	**8.56%**	**8.47%**	**(0.09 pp)**	**0.56 pp**

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

Deposits

Deposits (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Non-Interest Bearing Demand Deposits	158,007	184,899	**193,197**	4%	22%
Interest Bearing Demand Deposits	165,964	168,722	**172,557**	2%	4%
Total Demand Deposits	323,971	353,621	**365,753**	3%	13%
Time Deposits – Retail	150,921	165,636	**167,497**	1%	11%
Core Deposits	474,892	519,257	**533,251**	3%	12%
Money Market	62,538	60,129	**35,767**	(41%)	(43%)
Total Bank Deposits	**537,430**	**579,387**	**569,018**	(2%)	6%
GFNorte's Total Deposits	**535,870**	**577,675**	**567,944**	(2%)	6%
Third Party Deposits	**160,489**	**162,454**	**199,010**	23%	24%
Total Assets Under Management	**697,919**	**741,840**	**768,028**	4%	10%

At the end of 3Q16, Banorte's Total Deposits amounted to Ps 569.02 billion, a +6% annual variation, the deceleration in the growth pace **is not due to a loss in client's deposits, as these grew +12 YoY,** but to a decline in money market funds as a strategy to maintain funding costs under control. **Total Assets under Management** grew +4% QoQ and +10% yearly.

Loans

Performing Loan Portfolio (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Commercial*	119,843	129,458	**133,882**	3%	12%
Consumer*	171,179	186,982	**195,124**	4%	14%
Corporate	79,374	91,855	**92,940**	1%	17%
Government	129,675	135,717	**131,409**	(3%)	1%
Sub Total	500,071	544,012	**553,355**	2%	11%
Recovery Bank	137	106	**99**	(7%)	(28%)
Total	500,208	544,118	**553,454**	2%	11%

Performing Consumer Loan Portfolio (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Mortgages	96,757	106,188	**110,525**	4%	14%
Car Loans	11,970	13,495	**14,036**	4%	17%
Credit Card*	24,359	25,287	**26,994**	7%	11%
Payroll	38,092	42,013	**43,569**	4%	14%
Consumer Loans	171,179	186,982	**195,124**	4%	14%

*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 3Q15 amounted to Ps 991 million in performing loans.

Total Performing Loans increased +11% YoY and +2% ToT for an ending balance of Ps 553.36 billion in 3Q16. Outstanding YoY growth in corporate (+17%), consumer (+14%) and commercial (+12%); however, the portfolio's performance undermined by a decline in the government loan book. Detail by segment:

- **Mortgages:** up +14% YoY, with an ending **balance of Ps 110.53 billion as of 3Q16**. During the quarter the portfolio grew Ps 4.34 billion or +4% QoQ on higher origination in all products comprising this segment. As of August 2016, Banorte had a 16.7% market share in mortgage balances, ranking third in the system, and growing above its main peers.

- **Car Loans: In 3Q16**, the portfolio increased +17% YoY and +4% QoQ, totaling **Ps 14.04 billion**, on the successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of August 2016, Banorte's market share was 15.0%, and had the best annual performance versus its main peers.

- **Credit Cards:** Outstanding performance of the book, with an **ending balance of Ps 26.99 billion,** up +11% YoY *-considering the adjustment to 3Q15 loan balance due to the reclassification of Tarjeta Empuje Negocios in 1Q16-,* and +7% QoQ, growth pace unseen for the last four years, both comparatives on the back of active portfolio management and commercial campaigns. As of August 2016, Banorte held an 8.2% market share in credit card balances, ranking fourth in the banking system.

- **Payroll:** increased +14% YoY and +4% QoQ, **reaching a balance of Ps 43.57 billion**, driven by higher credit penetration on a larger base of Banorte's payroll account holders. Payroll loans had an 18.7% market share in balances as of August 2016, ranking third in the system.

- **Commercial:** accelerate its growth pace increasing Ps 14.04 billion or +12% YoY and +3% QoQ, **ending at Ps 133.88 billion**. There's good increase in SME portfolio. The leasing and factoring books showed outstanding evolution, growing +16% YoY. As of August 2016, the market share in commercial loans (including the corporate book according to the CNBV's classification) was 10.1%, ranking fourth in the system.

  GFNorte's SME performing portfolio was Ps 29.69 billion, +8% higher YoY *–considering the adjustment to loan balance of 3Q15 related to the reclassification of Tarjeta Empuje Negocios into this segment in 1Q16-*. On a quarterly basis grows +5% driven by new origination. The NPL ratio continues to improve, during the quarter reduces another (50bp) and annually (208bp).

SMEs Portfolio Evolution (million pesos)

	3Q15	2Q16	3Q16
Performing Portfolio	$27,598	$28,227	**$29,690**
% of Performing Commercial Portfolio	23.0%	21.8%	**22.2%**
% of Total Performing Portfolio	5.5%	5.2%	**5.4%**
NPL Ratio	9.4%	7.8%	**7.3%**

- **Corporate: At the end of 3Q16 the balance was Ps 92.94 billion**, an important increase of +17% YoY and +1% QoQ. GFNorte's corporate loan book is well diversified by sectors and regions and shows a low concentration risk. GFNorte's 20 main corporate borrowers accounted for 10.8% of the group's total portfolio, decreasing by (31bp) vs. 3Q15 and (54bp) vs. 2Q16. The group's largest corporate loan represents 1.1% of the total portfolio; whereas number 20 represent 0.33%. 95% of GFNorte's main corporate borrowers have an A1 rating.

  As of September 30, 2016 GFNorte's loan exposure to home builders was Ps 3.93 billion in Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V., 1.7% higher than the prior quarter. This exposure represented 0.7% of the total loan portfolio, flat vs. that of June 2016. The credit exposure has an 80% collateral coverage, lower than the 89% of 2Q16. Homex and Geo credit exposures are fully secured, as the unsecured portfolio has already been exchanged for other assets, as instructed by in the final ruling of the bankruptcy processes. The loan loss reserve coverage on the overall exposure was 42.1% in 3Q16. **Sólida had a balance of Ps 5.42 billion in investment projects** to these companies, up +1.5% vs. 2Q16.

- **Government: At the end of 3Q16 the balance was Ps 131.41 billion**, growing only +1% YoY and decreasing by (Ps 4.31) billion QoQ, affected by prepayments. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 21.2% of the group's total portfolio, a decline of (2.03 pp) vs. 3Q15 and (1.07 pp) vs. 2Q16. The largest government loan represents 3.6% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%. The portfolio's risk profile is adequate with 33.1% of the loans granted to Federal Government entities and 99.9% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and only 0.1% of the loans have short-term maturities (unsecured). As of August 2016, Banorte held a 23.5% market share of the total system, ranking second.

Past Due Loans

(Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Past Due Loans	13,717	12,665	**12,300**	(3%)	(10%)
Loan Loss Reserves	15,013	15,207	**15,284**	1%	2%
Acquired Rights	2,559	1,946	**2,223**	14%	(13%)

During 3Q16, Past Due Loans were Ps 12.30 billion, lower in (Ps 1.42) billion or (10%) YoY. On a quarterly basis they were down (3%), reversing last quarter's seasonal effect in the consumer book and on lower delinquencies in practically all portfolios.

The quarterly evolution of NPL balances were as follows:

Past Due Loans (Million Pesos)	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15
Credit Cards	1,427	1,671	**1,619**	(52)	192
Payroll	1,019	1,488	**1,454**	(34)	435
Car Loans	202	183	**190**	7	(12)
Mortgages	1,096	1,163	**1,156**	(6)	60
Commercial	4,531	4,059	**3,827**	(232)	(704)
Corporate	5,443	4,101	**4,053**	(47)	(1,389)
Government	-	-	**0**	0	0
Total	13,717	12,665	**12,300**	(365)	(1,418)

In 3Q16, the Past Due Loan Ratio was 2.3%, lower by (50bp) vs. 3Q15 and (10bp) vs. 2Q16. The annual decrease came from the decline in almost all segments excluding the credit card, payroll and mortgage books on the back of higher penetration in these sectors; whereas the QoQ PDL ratio decreased in all segments on the quality origination strategy now on track.

PDL Ratios by segment showed the following trends:

Past Due Loans Ratios	3Q15	4Q15	1Q16	2Q16	3Q16
Credit Cards	5.5%	5.6%	5.4%	6.2%	**5.7%**
Payroll	2.6%	3.0%	2.6%	3.4%	**3.2%**
Car Loans	1.7%	1.6%	1.3%	1.3%	**1.3%**
Mortgages	1.1%	1.1%	1.1%	1.1%	**1.0%**
Commercial	3.6%	3.3%	3.2%	3.0%	**2.8%**
SMEs	*9.4%*	*8.7%*	*8.3%*	*7.8%*	***7.3%***
Commercial	*1.8%*	*1.6%*	*1.7%*	*1.6%*	***1.4%***
Corporate	6.4%	4.1%	4.0%	4.3%	**4.2%**
Government	0.0%	0.0%	0.0%	0.0%	**0.0%**
Total	2.7%	2.2%	2.2%	2.3%	**2.2%**

The expected loss for Banco Mercantil del Norte was 2.3% and the unexpected loss 3.4%, both with respect to the total portfolio at 3Q16. These ratios were 2.2% and 3.4%, respectively in 2Q16 and 1.8% and 3.2% 12 months ago.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas **was 2.1%,** +8bp vs. 2Q16.

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

Past Due Loan Variations *(Million Pesos)*	
Balance as of June '16	**12,665**
Transfer from Performing Loans to Past Due Loans	5,461
Portfolio Purchase	-
Renewals	(178)
Cash Collections	(555)
Discounts	122
Charge Offs	(2,865)
Foreclosures	(66)
Transfer from Past Due Loans to Performing Loans	(2,288)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	5
Fair Value Ixe	-
Balance as of September '16	**12,300**

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 3Q16 - GFNorte

(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	446,827	900	552	84	469	157	**2,161**
A2	51,899	294	37	3	494	51	**878**
B1	26,626	145	63	5	626	20	**859**
B2	21,954	65	0	1	785	34	**886**
B3	13,501	208	0	13	424	13	**658**
C1	6,715	105	-	2	397	40	**544**
C2	5,302	72	0	0	633	86	**791**
D	12,720	2,853	-	155	1,480	372	**4,860**
E	5,242	1,006	-	-	2,305	105	**3,416**
Total	590,786	5,647	653	263	7,613	877	**15,053**
Not Classified	(1)						
Exempt							
Total	590,786	5,647	653	263	7,613	877	**15,053**
Reserves							**15,284**
Preventive Reserves							**231**

Notes:

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

   The Institution uses regulatory methodologies to grade all credit portfolios.

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

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

(Million Pesos)	**Total**
Distressed Portfolio	9,083
Total Loans	590,786
Distressed Portfolio / Total Loans	**1.5%**

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves *(Million Pesos)*	**3Q16**
Previous Period Ending Balance	**15,207**
Provisions charged to results	3,259
Charge offs and discounts:	
Commercial Loans	(448)
Consumer Loans	(2,436)
Mortgage Loans	(320)
	(3,203)
Cost of debtor support programs	(2)
Valorization and Others	22
Adjustments	0
Loan Loss Reserves at Period End	**15,284**

Loan Loss Reserves in 3Q16 totaled Ps 15.28 billion, +0.5% higher vs. 2Q16. Moreover, 76% of write-offs, charge-offs and discounts are related to the consumer portfolio, 14% to commercial and 10% to mortgages.

The loan loss coverage ratio was 124.3% in 3Q16, increasing +14.8 pp YoY and +4.2 pp QoQ.

Recent Events

1. SHAREHOLDERS' MEETINGS

GFNorte's Extraordinary and Ordinary General Shareholders' Meetings were held on August 19, with a 77.02% representation of the total subscribed, paid and voting shares of the Company's capital. The resolutions adopted by the Assembly were:

Extraordinary

1. Amendment of Article Five of the Corporate Bylaws to change the corporate domicile to the Municipality of San Pedro Garza García, Nuevo León from the city of Monterrey, Nuevo León.
2. Amendment of Article Nineteen of the Corporate Bylaws so that the approval of operations related to asset acquisitions by the Company or its controlled companies be through an Ordinary General Shareholders' Meeting if: (i) the amount of the operation represents 5% or more of the Company's consolidated assets; and (ii) the counterparties are Related Parties.
3. Amendment of Article Forty-Four of the Corporate Bylaws so that the Nomination Committee be comprised of 7 members of the Board of Directors , being 4 of them Independent Members and the Chairman of the Board, who will preside the Nomination Committee.

These resolutions are subject to the suspense condition consisting of the authorization - referred to in article 20 of the Law Regulating Financial Groups ("LRAF") – granted by the Ministry of Finance ("SHCP"), with prior opinion of the National Banking and Securities Commission ("CNBV") and Banco de México.

Ordinary

1. Approval to modify the First Resolution of the Ordinary General Shareholders' Meeting held on June 28th, in order to make an advanced payment on August 31st, of the dividend that would have been disbursed on October 31st, amounting to Ps 0.45750654921773000 per share, against delivery of coupon 4. This dividend was the fourth and last disbursement equivalent to 30% of 2014 net profits, derived from Fiscal Net Income as of December 31st, 2013.
2. Approval to pay the fourth and last disbursement of the 2014 dividend on August 31st.
3. Approval to distribute a cash dividend of Ps 3,421'543,968.23 or Ps 1.233553556868510 per share, against delivery of coupon 5. This payment corresponded to the first of two disbursements of the dividend approved by the Group's Board of Directors last July 21st, and represents 40% of 2015net profits, derived from Fiscal Net Income as of December 31st, 2013.
4. Approval to pay the first disbursement of 2015 dividend on August 31st.
5. Approval to pay the second disbursement of 2015 dividend in May 2017, following Shareholders' Assembly approval.

2. CHANGES TO CORPORATE STRUCTURE

Banorte Ahorro y Previsión

Following on the information published in 2Q16 Quarterly Release on the creation of the Sub-holding Banorte Ahorro y Previsión, S.A. de C.V. ("Banorte Ahorro y Previsión or BAP") it is informed that the CNBV, National Insurance and Bonding Commission ("CNSF") and National Commission for the Retirement Savings System ("CONSAR") granted their authorizations; consequently, on September 1st, BAP held an Ordinary Shareholders' Meeting in which was approved to increase the variable portion of its equity, which was subscribed and paid by GFNorte with shares of Pensiones Banorte, S.A. de C.V., Grupo Financiero Banorte (Pensiones Banorte) and Seguros Banorte, S.A. de C.V., Grupo Financiero Banorte (Seguros Banorte).

Banorte Futuro

Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") held an Extraordinary Shareholders' Meeting on November 4th, 2015, in which was approved to spin-off Banorte ("the spin-off") and create Banorte Futuro, S.A. de C.V. ("Banorte Futuro"), a new company. Banorte Futuro, as GFNorte's Sub-holding, will acquire and manage shares of financial entities, service providers and real estate companies, according to the terms established by LRAF.

Regarding the formerly mentioned resolution, on May 12th, through Memorandum 312-3/113814/2016, the CNBV authorized the spin-off and later, on September 20th, through Memorandum 312-/113185/2016, it approved changes to Banorte's Bylaws to incorporate i) the equity increase derived from the merger of Banorte with Banorte-Ixe Tarjetas, S.A. de C.V., SOFOM, E.R. ("Banorte-Ixe Tarjetas") – corporate modification effective in May – and ii) the equity decrease derived from Banorte's spin-off to create Banorte Futuro.

Given the spin-off, Banorte will transfer to Banorte Futuro Ps 14,283'630,660.90 to Assets corresponding to investment in subsidiaries, which Banorte held at Afore XXI Banorte, S.A. de C.V. ("Afore XXI Banorte"), Ps 406'660,260.42 to Liabilities and Ps 13,876'970,400.49 to Stockholders' Equity. Banorte Futuro will assume all liabilities derived from the transfer resulting from the spin-off.

Furthermore, the CNSF on August 16th, through Memorandum 06-C00-41100/24219 authorized Seguros Banorte to: i) modify its Bylaws and ii) 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 through Memorandum D00/100/390/2016 authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as result of Banorte spin-off

Additionally, the Tax Administration Service ("SAT") on October 12th, through Memoranadum 900-08-03-2016-572 authorized to transfer shares at fiscal cost from Banorte Futuro i) to Banorte Ahorro y Previsión, and ii) then to Seguros Banorte.

Finally, on October 17th the public deed 192,963 (dated on October 13th, 2016) was registered in the Public Registry of Property and Commerce of Monterrey, N.L., under folio 81438*1. This file contains the partial notarization of the agreements of the Extraordinary Shareholders' Meeting held on November 4th, 2015, in which was agreed among others, to spin-off Banorte and consequently decrease its equity. Moreover, on October 17th the deed 192,964 (dated on October 13th, 2016) was registered in the Public Registry of Mexico City under folio 2016024200. The formerly mentioned file contains Banorte Futuro Bylaws.
Given the aforementioned, these transactions became effective from October 17th, 2016.

3. ISSUANCE OF TIER 2 SUBORDINATED PREFERRED CAPITAL NOTES FOR USD $500 MILLION

On October 4th, Banorte successfully concluded the issuance of the Tier 2 Subordinated Preferred Capital Notes for USD $500 million in the international markets.

This transaction considered the issuance of Tier 2 Notes with a 15-year term and a coupon rate at 5.750%, callable at the tenth year. Ratings granted by Moody's and Fitch were Ba1 and BB+, respectively. These debentures are Basel III-compliant.

Proceeds from the issuance will be used for general corporate purposes and to strengthen the bank's regulatory capital.

4. PREPAYMENT OF BANORTE'S SUBORDINATED NON-PREFERRED & NONCUMULATIVE OBLIGATIONS, DUE 2021

On October 13th, 2016 Banorte exercised the prepayment option of the Subordinated Non-preferred & Non- cumulative Obligations, due 2021 amounting to US $200 million dollars.

These obligations were issued on October 13, 2006 and had a prepayment option as of the tenth year.

5. EARLY SETTLEMENT OF THE UMS 5.625% GLOBAL NOTES DUE 2017 (CURRENT ASSETS OF THE F/00374 TRUST)

On September 9th Banorte settled early and in full USD $120 million in government securities known as United Mexican States (UMS) 5.625% Global Notes due 2017 (CUSIP: 91086QAU2, ISIN: US91086QAU22). These were part of the current assets of the F/00374 Trust, which was constituted on June 21st, 2006, acting as:

- **Trustor:** Banorte.
- **Only Beneficiary:** Banorte.
- **Trustee:** CIBanco, S.A., Institución de Banca Múltiple (former denominated as The Bank of New York Mellon, S.A., Institución de Banca Múltiple, final universal successor of Banco J.P. Morgan, S.A., Institución de Banca Múltiple, J.P. Morgan Grupo Financiero, Trustee Division).

6. CREDIT RATINGS

Standard & Poor's confirmed Banorte's ratings, outlook was changed to Negative

On August 23rd, Standard & Poor's ("S&P") announced revisions to the outlook on 12 Mexican financial Institutions included Banorte, resulting from the revision to negative from stable on Mexico's sovereign ratings. The change in outlook reflects the possibility of a downgrade in the next 24 months if there is continued deterioration in the government's direct debt burden or an increase in interest expenses beyond their estimates, and if vulnerability of public finances were to increase given adverse shocks. In Banorte's case, ratings were confirmed and the outlook changed to negative from stable.

7. INSTITUTIONAL INVESTOR MAGAZINE'S RANKINGS

In August, Institutional Investor magazine announced the "Best Latin America Executive Team 2016" rankings, which were based on a survey to 179 buy-side fund managers from 141 institutions and 50 sell-side analysts from 32 firms. This survey evaluates attributes such as accessibility to C-Suite, quality and depth of answers to inquiries, transparency of financial reporting and disclosure, among others.

For the seventh year in a row, GFNorte's Top Management and Investor Relations team ranked in the top positions among Latin American banks and Mexican companies.

- José Marcos Ramírez Miguel, CEO, improved his position YoY in the regional comparison, ranking third in Latin America and second in Mexico.

- Rafael Arana de la Garza, Chief Operating Officer, ranked as the best CFO in Mexico, improving a position vs. 2015.

- Ursula Wilhelm Nieto, Executive Director of Investor Relations was chosen Best IRO in Mexico.

- Moreover, the Investor Relations team maintained the third position in Latin American; whereas, in the Mexican ranking was placed second by the buy-side.

8. FOR THE THIRD CONSECUTIVE YEAR GFNORTE WAS INCLUDED IN THE DOW JONES EMERGING MARKETS SUSTAINABILITY INDEX

In September, the Dow Jones Sustainability Indices ("DJSI") announced results of their annual review, in which for the third year GFNorte was chosen to be part of the Dow Jones Sustainability Index Emerging Markets, awarding outperforming companies in the Sustainability field. GFNorte is the first and only Mexican financial institution to be included in this index since 2014.

This milestone is the result of a solid Sustainability program which has enabled GFNorte to include a wide array of initiatives that contribute to generate value to its stakeholders.

On a yearly basis, S&P Dow Jones Indices, through RobecoSAM, assesses the performance of over 3,400 companies around the world in economic, social and environmental terms.

The 2016 edition of Dow Jones Sustainability Index Emerging Markets is integrated by 95 members from 39 industries and 14 countries, considering that 811 companies were invited to participate –of which, 108 were financial institutions.

This award reaffirms GFNorte's commitment to Sustainability and positions it as a solid and profitable institution, translating into value for its shareholders.

Consolidated Bank

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

Income Statement and Balance Sheet Highlights - Consolidated Bank *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Net Interest Income	10,251	11,373	**12,094**	6%	18%	29,864	**34,472**	15%
Non-Interest Income	3,664	3,670	**4,019**	10%	10%	10,888	**11,211**	3%
Total Income	13,915	15,043	**16,113**	7%	16%	40,752	**45,683**	12%
Non-Interest Expense	6,831	7,058	**7,659**	9%	12%	20,917	**22,129**	6%
Provisions	2,731	3,458	**3,251**	(6%)	19%	7,960	**9,886**	24%
Operating Income	4,353	4,528	**5,202**	15%	20%	11,875	**13,668**	15%
Taxes	1,170	1,197	**1,507**	26%	29%	3,142	**3,753**	19%
Subsidiaries & Minority Interest	299	322	**371**	15%	24%	961	**1,025**	7%
Net Income	3,482	3,652	**4,066**	11%	17%	9,694	**10,941**	13%
Balance Sheet								
Performing Loans (a)	491,116	534,289	**542,851**	2%	11%	491,116	**542,851**	11%
Past Due Loans (b)	13,337	12,369	**12,044**	(3%)	(10%)	13,337	**12,044**	(10%)
Total Loans (a+b)	504,453	546,658	**554,896**	2%	10%	504,453	**554,896**	10%
Total Loans Net (d)	490,011	531,885	**540,022**	2%	10%	490,011	**540,022**	10%
Acquired Collection Rights (e)	1,399	1,165	**1,473**	26%	5%	1,399	**1,473**	5%
Total Loans (d+e)	491,410	533,051	**541,495**	2%	10%	491,410	**541,495**	10%
Total Assets	923,598	993,168	**990,255**	(0%)	7%	923,598	**990,255**	7%
Total Deposits	537,430	579,387	**569,018**	(2%)	6%	537,430	**569,018**	6%
Total Liabilities	823,106	883,875	**878,932**	(1%)	7%	823,106	**878,932**	7%
Equity	100,492	109,293	**111,323**	2%	11%	100,492	**111,323**	11%

Financial Ratios - Consolidated Bank	3Q15	2Q16	3Q16	9M15	9M16
Profitability:					
NIM (1)	4.8%	5.0%	**5.3%**	4.7%	**5.1%**
NIM after Provisions (2)	3.5%	3.5%	**3.9%**	3.4%	**3.7%**
ROE (3)	14.0%	13.6%	**14.7%**	13.2%	**13.6%**
ROA (4)	1.5%	1.5%	**1.6%**	1.4%	**1.5%**
Operation:					
Efficiency Ratio (5)	49.1%	46.9%	**47.5%**	51.3%	**48.4%**
Operating Efficiency Ratio (6)	2.9%	2.9%	**3.1%**	3.0%	**3.0%**
Liquidity Ratio- Basel II	99.5%	n.a.	**n.a.**	99.5%	**n.a.**
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	101.97%	118.52%	**119.42%**	101.97%	**119.42%**
Asset Quality:					
Past Due Loan Ratio	2.6%	2.3%	**2.2%**	2.6%	**2.2%**
Coverage Ratio	108.3%	119.4%	**123.5%**	108.3%	**123.5%**
Past Due Loan Ratio w/o Banorte USA	2.7%	2.3%	**2.2%**	2.7%	**2.2%**
Coverage Ratio w/o Banorte USA	107.7%	118.5%	**122.5%**	107.7%	**122.5%**
Growth (8)					
Performing Loans (9)	12.5%	12.2%	**10.5%**	12.5%	**10.5%**
Core Deposits	15.3%	13.0%	**12.3%**	15.3%	**12.3%**
Total Deposits	15.8%	10.5%	**5.9%**	15.8%	**5.9%**
Capitalization:					
Net Capital/ Credit Risk Assets	21.2%	20.4%	**19.8%**	21.2%	**19.8%**
Total Capitalization Ratio	14.9%	14.9%	**14.7%**	14.9%	**14.7%**
Leverage					
Basic Capital/ Adjusted Assets	7.9%	8.6%	**8.5%**	7.9%	**8.5%**

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

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

Net Interest Income

During 3Q16, Net Interest Income increased +6% QoQ to Ps 12.09 billion as a result of the effect of rate's hike, benefiting net interest income from loans, which grew +5%. In **9M16, NII amounted to Ps 34.47 billion**, +15% higher vs. 9M15, also on the +17% increase in net interest income from loans, deposits and funding.

The NIM was 5.3% in 3Q16, +27bp in the sequential comparative; whereas in **9M16, this indicator was 5.1%,** +48bp YoY, both arising from greater loan's margin and the positive effect of the hike in the market rate. Moreover, the **NIM adjusted for Credit Risks was 3.9% in 3Q16**, +37bp higher QoQ; and **during the 9M16, it was 3.7%**, +24bp over the prior year.

Loan Loss Provisions

In 3Q16 Loan Loss Provisions totaled Ps 3.25 billion, (6%) QoQ driven mainly by lower reserve requirements in the corporate and commercial books, offsetting higher –normalized and without the seasonality presented in 2Q- provision requirement in the consumer book.

During 9M16 provisions amounted to Ps 9.89 billion a +24% YoY growth on higher requirements in the payroll and credit card portfolios. Such increase is not related to loan deterioration (as non-performing loans decreased 10% YoY), but to reserve reversals in March and May 2015.

Non-Interest Income

During 3Q16, Non-Interest Income totaled Ps 4.02 billion, up +10% QoQ, as a result mainly of +59% in trading revenues and a good performance of net fees during the quarter. In **9M16, Non-Interest Income reached Ps 11.21 billion,** slightly above (+3%) of that of 9M15.

Moreover, Core banking services (account management, fund transfers and electronic banking services)**, grew +3%** QoQ in 3Q16 and +15% YoY in 9M16.

Non-Interest Expenses

Non-Interest Expenses during 3Q16 amounted to Ps 7.66 billion, +8% higher vs. 2Q16, on the following increases i) +14% in personnel expenses on increases in provisions for variable compensation and fiscal obligations, ii) +11% in administrative and promotional expenses due to higher transaction volume in credit cards, POSs and ATMs, and iii) +8% in rents, depreciation & amortizations, mainly due to amortizations in technology projects.

In 9M16 operating expenses was Ps 22.13 billion, +6% above YoY. Derived from the +Ps 419 million in rents, depreciation & amortizations, +Ps 391 million in administrative and promotional expenses and to a lesser extent, the +3% increase in personnel expenses.

Net Income

Net Income in 3Q16 was Ps 4.07 billion, growing +11% QoQ driven mainly by a +7% growth in total income and a (6%) decline in provisions, offsetting the +9% increase in operating expenses. **Net Income as of 9M16 was Ps 10.94 billion**, +13% vs. 9M15, outstanding the Ps 4.61 billion increase in net interest income, which offset higher provisions.

Net Income for the Consolidated Bank in 3Q16, according to GFNorte's stake and excluding Afore XXI Banorte results, **was Ps 3.65 billion,** +11% QoQ, contributing 73% of the Financial Group's profits. In **9M16**, this item posted **Ps 9.77 billion**, +14% YoY, contributing 69% of GFNorte's profits.

ROE for 3Q16 of the Consolidated Bank was 14.7%, higher in +1.1 pp QoQ; **for 9M16, this ratio was 13.6%,** +43bp YoY. **ROA for 3Q16 was 1.6%,** +15bp higher vs. 2Q16; and **for 9M16 it was 1.5%,** +10bp YoY.

NPL Ratio

The Consolidated Bank's NPL Ratio for 3Q16 was 2.2%, lower in (47bp) vs. 3Q15 and in (9bp) vs. 2Q16.

Long Term Savings

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Interest Income (Net)	143	132	**143**	9%	0%	380	**401**	5%
Premium Income (Net)	2,709	2,627	**2,304**	(12%)	(15%)	8,830	**11,319**	28%
Net Increase in Technical Reserves	(455)	(529)	**(1,097)**	107%	141%	(83)	**659**	(898%)
Damages, Claims and Other Obligations	2,163	2,312	**2,298**	(1%)	6%	5,522	**6,606**	20%
Technical Results	1,001	843	**1,102**	NA	10%	3,391	**4,055**	20%
Net Interest Income (NII)	**1,144**	**975**	**1,245**	**28%**	**9%**	**3,770**	**4,456**	**18%**
Other Fees (acquisition costs)	(401)	(264)	**(424)**	61%	6%	(1,217)	**(1,525)**	25%
Securities-Realized Gains	1	18	**27**	50%	2063%	11	**45**	328%
Other Operating Income (Expenses)	197	284	**292**	3%	48%	541	**726**	34%
Total Operating Income	**941**	**1,013**	**1,141**	**13%**	**21%**	**3,105**	**3,702**	**19%**
Non Interest Expense	237	226	**265**	17%	12%	686	726	6%
Operating Income	**705**	**787**	**876**	**11%**	**24%**	**2,419**	**2,976**	**23%**
Taxes	213	239	**271**	14%	27%	735	907	23%
Minority Interest	(2)	(1)	**(1)**	23%	(11%)	(4)	**(4)**	(17%)
Net Income	**490**	**547**	**603**	**10%**	**23%**	**1,679**	**2,065**	**23%**
Shareholder's Equity	6,278	5,689	**5,399**	(5%)	(14%)	6,278	**5,399**	(14%)
Total Assets	25,597	28,567	**26,823**	(6%)	5%	25,597	**26,823**	5%
Technical Reserves	13,519	16,472	**15,347**	(7%)	14%	13,519	**15,347**	14%
Premiums sold	3,476	3,361	**2,627**	(22%)	(24%)	12,614	**14,772**	17%
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	**1.8**	(0.0 pp)	(0.5 pp)	2.2	**1.8**	(0.5 pp)
Coverage ratio of minimum capital	68.9	61.0	**57.8**	(3.2 pp)	(11.1 pp)	68.9	**57.8**	(11.1 pp)
Claims ratio	69%	74%	**68%**	(5.6 pp)	(0.8 pp)	62%	62%	(0.2 pp)
Combined ratio	82%	81%	**85%**	4.2 pp	2.8 pp	74%	74%	(0.4 pp)
ROE	32.6%	39.7%	**43.8%**	4.1 pp	11.2 pp	39.4%	**48.6%**	9.1 pp

During 3Q16, Seguros Banorte reported profits of Ps 603 million, a 10% increase QoQ. Technical results' improved from 2Q16, increasing by +Ps 259 million. They continue to normalize on the accounting changes to life policies registered in 1Q16. The main details include:

- Premium Income reduction of (Ps 322) million
- Technical Reserves release of (Ps 568) million
- Acquisition Cost increase of +Ps 160 million

Moreover, Damages, Claims and Other Obligations supported the recovery of the technical result by decreasing (Ps 14 million) vs. 2Q16. During the quarter, Seguros Banorte benefited from an additional +Ps 11 million in net interest income, +50% QoQ higher trading revenues and +Ps 8 million in other operating income (expenses) on financial products.

In 9M16, net income was Ps 2.07 billion, growing +23% YoY, arising from the +20% increase in technical results – mainly as a result of higher premium income- and other operating income, these offset higher acquisition costs –on lower reinsurers revenues- and higher tax payments.

Seguros Banorte's profits in the third quarter of 2016 represented 12.1% of GFNorte's net income **and 14.7% in 9M16**.

ROE for the insurance company was 43.8% in 3Q16, +4.1 pp higher than 2Q16. On an accumulated basis, **ROE was 48.6% for 9M16**, favorably compared vs. 39.4% of the same period in 2015.

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

i. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
   - *No cancellations were registered during 3Q16 that involved any technical risk.*

ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
   - *In 3Q16 damage ratios remained under control.*

iii. Costs derived from placement of insurance policies and bonds.
   - *There were no relevant events to disclose in 3Q16.*

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

v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
   - *There were no relevant events in 3Q16.*

Accounting changes related to life policies required by the National Insurance and Bonding Commission *(Comisión Nacional de Seguros y Fianzas, 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.

Pensiones Banorte

Annuities *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Total Operating Income	221	295	**273**	(8%)	23%	597	**815**	37%
Non-Interest Expense	80	78	**72**	(7%)	(10%)	222	**218**	(1%)
Operating Income	141	218	**200**	(8%)	42%	375	**597**	59%
Taxes	46	70	**65**	(8%)	41%	122	**192**	57%
Subsidiaries & Minority Interest	2	1	**1**	23%	(11%)	4	**4**	(17%)
Net Income	97	149	**137**	(8%)	41%	258	**408**	58%
Shareholder's Equity	1,534	1,868	**2,006**	7%	31%	1,534	**2,006**	31%
Total Assets	66,977	72,595	**74,834**	3%	12%	66,977	**74,834**	12%
Technical Reserves	64,841	69,877	**71,988**	3%	11%	64,841	**71,988**	11%
Premiums sold	1,654	2,069	**2,078**	0%	26%	5,669	**5,639**	(1%)
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	10.4	12.4	**13.3**	0.1 pp	0.3 pp	10.4	**13.3**	2.9 pp
ROE	26.2%	32.9%	**28.3%**	(4.6 pp)	2.1 pp	23.7%	**30.0%**	6.4 pp

During 3Q16, Pensiones Banorte reported profits of Ps 137 million, (8%) lower QoQ, mainly on the negative performance of the trading income, which was not offset by higher net interest income and lower operating expenses and tax payments.

I**n 9M16, net profits were Ps 408 million**, +58% YoY, reflecting higher net interest income, a recovery on trading income and a reduction in other expenses.

Annuities contributed with 2.8% of the Financial Group's quarterly profits and 2.9% of those in 9M16.

ROE was 28.3% in 3Q16, (4.6 pp) lower vs. 2Q16 **and for 9M16 stood at 30.0%,** +6.4 pp higher YoY.

Afore XXI Banorte

Afore XXI Banorte (1) *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Net Income	575	621	**711**	15%	24%	1,877	**1,980**	5%
Shareholder's Equity	23,659	22,736	**23,447**	3%	(1%)	23,659	**23,447**	(1%)
Total Assets	24,932	23,983	**24,795**	3%	(1%)	24,932	**24,795**	(1%)
AUM (SIEFORE)*	615,180	647,090	**656,289**	1%	7%	615,180	**656,289**	7%
ROE	9.8%	11.1%	**12.3%**	1.2 pp	2.5 pp	10.8%	**11.5%**	0.7 pp

1. The results are presented on Banco Mercantil del Norte´s results through participation method. For sector comparisons, the results are shown at 100%.

Afore XXI Banorte posted net profits of Ps 711 million for 3Q16, +15% higher, reversing the QoQ decline in 2Q16. Net income was enhanced by the significant recovery in subsidiaries' results, higher total income and valuation gains in the investment portfolios. **In 9M16, net income amounted to Ps 1.98 billion**, +5% higher than 9M15, on the positive performance of results on subsidiaries, offsetting mainly an increase in operating expenses.

ROE for Afore XXI Banorte for 3Q16 was 12.3%, an increase of +1.2 pp vs. last quarter. This ratio in **9M16 stood at 11.5%,** higher in +0.7 pp yearly; excluding goodwill, **Tangible ROE would be 42.4% in 9M16,** +4.0 pp above that of 9M15.

Afore XXI Banorte contributed with 7.0% of the Financial Group's profits as of September, 2016; while in 9M16 accounted for 6.9%.

Assets under management as of September 2016 totaled Ps 656.29 billion, an increase of +1% and +7% QoQ and YoY, respectively.

According to CONSAR, as of September 2016 Afore XXI Banorte had a 23.4% share in managed funds, ranking 1st in the market, with 9.69 million accounts (this number does not include 7.4 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 19.8% share of the total number of accounts in the system, making it the market leader.

Brokerage

Brokerage Sector *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Net Income	236	221	**179**	(19%)	(24%)	606	**609**	0%
Shareholder's Equity	3,157	3,065	**2,502**	(18%)	(21%)	3,157	**2,502**	(21%)
Assets Under Custody	734,891	800,420	**804,956**	1%	10%	734,891	**804,956**	10%
Total Assets	120,631	107,711	**88,573**	(18%)	(27%)	120,631	**88,573**	(27%)
ROE	31.1%	26.7%	**25.7%**	(1.0 pp)	(5.4 pp)	27.5%	**26.1%**	(1.4 pp)
Net Capital								
Net Capital (1)	2,544	2,355	**1,906**	(19%)	(25%)	2,544	**1,906**	(25%)

1) Net capital structure: Tier 1 =Ps 1.91 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 179 million in 3Q16, (-19%) decline QoQ on lower net interest income and a decline in non-interest income, mainly due to trading revenues –item affected by the valuation gains -. Nevertheless, fees recurring income had a good performance during the quarter +9%, and on the other hand, operating expenses decreased (5%).

In 9M16, net profits accounted for Ps 609 million, no annual growth driven mainly by the impact on revenues of valuation gains and the corresponding impact of the rate's hike. Net Income in 9M16 represented 4.3% of the Financial Group's profits.

Assets under Management

At the end of 3Q16 AUMs totaled Ps 805 billion, growing +10% YoY and +1% QoQ.

At the end of September 2016, assets managed by mutual funds totaled Ps 157.9 billion, a +3% QoQ and a +8% YoY increase. Assets held in fixed income funds totaled Ps 143.8 billion, +4% higher vs. 2Q16 and +11% higher vs. 3Q15, while equity funds held assets amounting to Ps 14.1 billion, decreasing (12%) YoY and (4%) QoQ. At the end of September 2016, Banorte had a 7.6% share of the mutual fund market, comprised of 9.4% in fixed income funds and 2.6% in equity funds.

SOFOM & Other Finance Companies

SOFOM & Other Finance Companies *(Million Pesos)*	3Q15	2Q16	3Q16	Change 2Q16	Change 3Q15	9M15	9M16	Change 9M15
Leasing and Factoring								
Net Income	154	153	**176**	16%	15%	423	**487**	15%
Shareholder's Equity	4,159	4,098	**4,275**	4%	3%	4,159	**4,275**	3%
Loan Portfolio (1)	21,892	25,636	**25,964**	1%	19%	21,892	**25,964**	19%
Past Due Loans	210	210	**173**	(18%)	(18%)	210	**173**	(18%)
Loan Loss Reserves	352	283	**266**	(6%)	(24%)	352	**266**	(24%)
Total Assets	22,306	25,629	**26,321**	3%	18%	22,306	**26,321**	18%
ROE	15.1%	14.3%	**16.9%**	2.6 pp	1.8 pp	14.3%	**15.2%**	0.9 pp
Warehousing								
Net Income	8	7	**8**	18%	1%	25	**22**	(11%)
Shareholder's Equity	240	260	**268**	3%	12%	240	**268**	12%
Inventories	596	951	**703**	(26%)	18%	596	**703**	18%
Total Assets	747	1,112	**865**	(22%)	16%	747	**865**	16%
ROE	14.1%	11.1%	**12.7%**	1.6 pp	(1.4 pp)	14.7%	**11.6%**	(3.0 pp)
Sólida Administradora de Portafolios								
Net Income	(107)	(32)	**(94)**	193%	(12%)	(297)	**(353)**	19%
Shareholder's Equity	3,652	5,084	**4,754**	(6%)	30%	3,652	**4,754**	30%
Loan Portfolio	2,919	2,115	**1,925**	(9%)	(34%)	2,919	**1,925**	(34%)
Past Due Loans	170	86	**83**	(4%)	(51%)	170	**83**	(51%)
Loan Loss Reserves	219	151	**144**	(5%)	(34%)	219	**144**	(34%)
Total Assets	15,330	16,152	**15,639**	(3%)	2%	15,330	**15,639**	2%
Ixe Servicios								
Net Income	0.3	0.6	**0.5**	(2%)	118%	0.3	**1.0**	287%
Shareholder's Equity	146	146	**147**	0%	1%	146	**147**	1%
Total Assets	146	146	**147**	0%	1%	146	**147**	1%
ROE	0.7%	1.5%	**1.5%**	(0.0 pp)	0.8 pp	0.2%	**1.0%**	0.7 pp

1) Includes pure leasing portfolio for Ps 2.65 billion and fixed asset amounting to Ps 39 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

In 3Q16 Arrendadora y Factor Banorte reported profits of Ps 176 million, up +16% QoQ and +15% YoY. The quarterly performance was mainly enhanced by an increase in net interest income arising from the expansion of the portfolio and a significant decline in administrative and promotional expenses of (-14% or –Ps 5 million). **In 9M16, net profits amounted to Ps 487 million**, +15% higher annually as a result of greater income from the portfolio's expansion and to revenues from pure leasing that reached maturity.

The Leasing and Factoring Company contributed 3.5% of the Financial Group's profits in 3Q16.

At the end of 3Q16, the **Past Due Loans Ratio was 0.7%,** lower vs. QoQ and YoY. The **Coverage ratio was 154.2%,** +19.5 pp above the last quarter and (13.6 pp) below 9M15. The **Capitalization ratio as of September was 16.2%** considering total risk-weighted assets of Ps 26.22 billion.

The leverage ratio as of June and September, was 15.94% and 7.07%, respectively; considering adjusted assets of Ps 25.61 billion and Ps 60.23 billion.

Warehouse

In 3Q16, Warehouse posted profits of Ps 8 million, +14% higher QoQ on proportionally higher other products than other expenses, thus increasing non-interest income +50%, this, together to controlled expenses contributed the increase presented in the net income.

At the end of 9M16, earnings totaled Ps 22 million, (11%) lower vs. the same period of the last year driven by lower operating income and an (11%) decrease in NII, which could not be offset by fewer administrative and promotional expenses. Almacenadora Banorte contributed 0.2% of the Financial Group's profits in 9M16.

ROE for3Q16 was 12.7%, +1.6 pp vs. 2Q16**; in 9M16 it was 11.6%,** (3.1 pp) lower YoY.

At the end of 3Q16, the Capitalization Ratio was 382% considering net capital of Ps 234 million and certificates for sale issued in warehouses of Ps 1.23 billion. Almacenadora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

During 3Q16, Sólida Administradora de Portafolios reported a loss of (Ps 94) million, Ps 62 million higher vs. 2Q16, mainly on reduced trading revenues (-94%), affecting non-interest income even though expenses are controlled.

In 9M16, the net income decrease (Ps 56) million YoY to (Ps 353) million as a result of lower NII, which was not offset by the +244% increase in trading revenues and lower administrative expenses.

The Past Due Loan Ratio was 4.3% at the end of September 2016, +0.2 pp above 2Q16. **The Coverage ratio was 174.2%,** comparing unfavorably to the 175.3% of 2Q16 and improving vs. the 128.7% of 3Q15. **The estimated Capitalization ratio at the end of 3Q16 was 14.4%,** +0.2 pp QoQ and (2.9 pp) YoY.

The leverage ratio as of June and September, was 20.60% and 16.94%, respectively; considering adjusted assets of Ps 13.53 billion and Ps 15.70 billion.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	9M15	9M16	Var. Vs. 9M15
Net Interest Income	19	8	(55%)
Loan Loss Provisions	(5)	2	(145%)
Non Interest Income	1,505	1,757	17%
Non Interest Expense	(727)	(765)	5%
Pre-tax Income & Subsidiaries	791	1,003	27%
Income Tax and Profit Sharing	(233)	(268)	15%
Net Income	**558**	**735**	**32%**

Assets Under Management (Million Pesos)	3Q16	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	**106,707**	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	**28,178**	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	**7,895**	Solida Asset Management and Banorte	Non Interest Income
Total	**142,780**		

Net Income

Recovery Banking posted profits of Ps 735 million in 9M16, up +32% YoY, on higher non-interest income and lower provision requirements, elements that offset the increase in tax payments and a slight increase in expenses. The Recovery Banking's accumulated net income was 5.2% of the Group's profits.

Assets Under Management

The Recovery Bank managed total assets of Ps 107 billion at the end of 3Q16, of which 26% correspond to mortgage loans, 21% to payroll loans, 19% to credit cards, 13% to Crediactivo, 7% to foreclosed assets, 7% to auto loans, 4% to middle market companies and 3% to other loans. Gross revenues in 9M16 amounted to Ps 1.09 billion, +27% higher YoY.

At the end of 3Q16, of the **acquired assets managed by the Recovery Bank** 40% were mortgages, 19% were assets managed on behalf of the Mexican mortgages agency SHF, 15% 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 525 million in 9M16, (22%) lower YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	3Q15	2Q16	3Q16
Employees (1)	26,990	27,323	**27,523**
Banorte - Ixe Branches	1,187	1,173	**1,175**
INB Branches	20	21	20
ATM's	7,234	7,631	**7,598**
POS's	151,081	156,262	**152,015**

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

GFNorte's Analyst Coverage

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

TICKER: GFNORTEO

BROKER	ANALYST	RECOMMENDATION	DATE
Actinver	Enrique Mendoza	Buy	13-Jul-16
Barclays	Victor Galliano	Buy	22-Jun-16
BOFA - Merill Lynch	Mario Pierry	Buy	6-Sep-16
Brasil Plural	Eduardo Nishio	Buy	22-Apr-16
BTG Pactual	Eduardo Rosman	Buy	6-Sep-16
BX+	Juan Eduardo Hernández	Buy	22-Jul-16
Citi	Carlos Rivera	Buy	2-Sep-16
Credit Suisse	Marcello Telles	Buy	22-Jul-16
GBM	Lilian Ochoa	Buy	22-Apr-16
HSBC	Carlos Gómez	Buy	22-Jul-16
Interacciones	-	Buy	14-Oct-16
Intercam	Fernanda Simón	Buy	22-Jul-16
Invex	Ana Sepúlveda	Buy	19-Sep-16
Itaú BBA	Thiago Batista	Buy	16-Oct-16
JP Morgan	Domingos Falavina	Buy	22-Jul-16
Morgan Stanley	Jorge Kuri	Buy	30-Sep-16
Punto	Claudia Benavente	Buy	29-Sep-16
UBS	Philip Finch	Buy	22-Jul-16
BBVA	Germán Velasco	Hold	14-Jun-16
Bradesco	Bruno Chemmer	Hold	20-Sep-16
Goldman Sachs	Carlos Macedo	Hold	14-Oct-16
Nau	Iñigo Vega	Hold	9-Mar-16
Punto	Ana María Telleria	Hold	25-Apr-16
Scotia	Jason Mollin	Hold	28-Sep-16
Deutsche Bank	Tito Labarta	Sell	6-Sep-16

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	STABLE	Outlook	March, 2016
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
	Banco Mercantil del Norte	STABLE	Outlook	September, 2016
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short term foreign Currency	
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
		2	Support Rating - Banco Mercantil del Norte	
		BB+ (EXP)	Long term foreign currency subordinated debt	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Moody's	Banco Mercantil del Norte	Negative	Outlook BFSR	September, 2016
		baa2	Baseline Credit Assessment	
		Negative	Outlook	
		A3	Long term local currency deposits*	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits*	
		P-2	Short term foreign currency deposits	
		A3	Long term foreign currency senior debt*	
		Baa3	Long term local currency subordinated debt	
		Baa2 (hyb)	Long term foreign currency subordinated debt	
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		(P)Ba1 (hyb)	Long term foreing currency subordinated debt	
		Ba1	Long term foreing currency junior subordinated debt	
		baa2	Adjusted baseline credit assesment	
		A2 (cr)	Long term counterparty risk assesment	
		Prime-1 (cr)	Short term counterparty risk assesment	
	Arrendadora y Factor Banorte	STABLE	Outlook	June, 2016
		Baa2	Long term local currency issuer*	
		P-2	Short term local currency issuer	
		(P)Baa2	Long term local currency senior debt*	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

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

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	3Q16
Banco Mercantil del Norte, S.A. (1)	98.22%
Banorte USA (2)	100.00%
Afore XXI Banorte S.A. de C.V. (2)	50.00%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Pensiones Banorte, S.A. de C.V. (3)	99.99%
Seguros Banorte S.A. de C.V. (3)	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.99%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.19%
Banorte Ahorro y Previsión, S.A. de C.V.	99.99%

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

Holding Company Capital Structure

Holding Company Capital Structure

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

Group's Main Officers

Group's Main Officers 3Q16	
Name	**Current Position**
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Guillermo Chávez Eckstein	Chief Credit & Risk Officer
Isaías Velázquez González	Managing Director - Internal Audit

Integration of the Board of Directors

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

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

IV. Financial Statements

Holding

Income Statement-Holding *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	2015	9M16
Income Subsidiaries	3,900	4,020	4,299	4,958	4,352	4,632	5,005	17,177	13,989
Interest Income	3	8	16	21	8	18	17	48	43
Interest Expense	-	-	-	-	-	-	-	-	-
Fees & Tariffs	-	-	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	-	-	-
Other Operating Income (Expenses)	-	-	-	(2)	2	1	1	(2)	3
Non-Interest Expense	27	26	30	26	26	25	28	108	79
Pre-Tax Income	**3,876**	**4,003**	**4,285**	**4,951**	**4,336**	**4,626**	**4,994**	**17,115**	**13,957**
Income Tax	-	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-	-
Deferred Income Tax	(4)	(1)	6	20	(62)	(6)	(4)	21	(71)
Taxes	**(4)**	**(1)**	**6**	**20**	**(62)**	**(6)**	**(4)**	**21**	**(71)**
Net Income from Continuos Operations	**3,880**	**4,003**	**4,278**	**4,932**	**4,398**	**4,632**	**4,998**	**17,093**	**14,028**
Extraordinary Items, net	-	-	-	-	-	-	-	-	-
Net Income	**3,880**	**4,003**	**4,278**	**4,932**	**4,398**	**4,632**	**4,998**	**17,093**	**14,028**

Holding - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
ASSETS							
Cash and Due from Banks	**30**	**92**	**19**	**13**	**62**	**60**	**90**
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**
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	**190**	**1,260**	**2,305**	**1,800**	**1,507**	**1,508**	**700**
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-
Performing Loans	-	-	-	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-	-	-
Benef.receivab.securization transactions	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	63	61	59	59	58	53	17
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
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	136	136	130	110	172	178	181
Goodwill and Intangibles	10,819	10,796	10,773	10,750	10,728	10,705	10,682
Other Assets Short and Long Term	-	-	-	-	-	-	-
Other Assets	124,141	125,651	127,969	131,633	132,849	137,631	138,712
TOTAL ASSETS	**124,361**	**127,003**	**130,293**	**133,445**	**134,419**	**139,199**	**139,503**

Holding - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
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
Subordinated Non Convertible Debt	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-	-
TOTAL LIABILITIES	**10**	**676**	**1**	**3**	**0**	**1,269**	**2**
EQUITY							
Paid-in Capital	14,643	14,614	14,612	14,610	14,597	14,593	14,599
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
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	**50,850**	**50,985**	**50,837**	**50,878**	**50,785**	**50,894**	**50,714**
Capital Reserves	6,563	5,854	5,809	5,765	5,419	5,334	5,421
Retained Earnings	63,123	61,770	61,770	61,008	76,820	73,823	70,387
Surplus (Deficit) of Secs Available for Sale	779	74	(532)	(1,544)	(1,964)	(894)	(516)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)	(1,739)	(2,368)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)	15
Results from Conversions	181	339	930	1,070	1,110	1,754	2,196
Remeasurements defined benefits for employees	-	-	-	-	(121)	(249)	(376)
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
Earned Capital	**73,501**	**75,342**	**79,455**	**82,564**	**83,633**	**87,036**	**88,786**
Minority Interest	-	-	-	-	-	-	-
Total Equity	**124,351**	**126,327**	**130,292**	**133,442**	**134,418**	**137,930**	**139,500**
TOTAL LIABILITIES & EQUITY	**124,361**	**127,003**	**130,293**	**133,445**	**134,419**	**139,199**	**139,503**

Holding - Memorandum Accounts *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
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
Collateral Received	-	-	2,308	1,784	1,503	1,506	698
Proprietary Transactions	**3,716**	**3,716**	**6,024**	**5,500**	**5,219**	**5,223**	**4,414**
TOTAL PROPRIETARY	**3,716**	**3,716**	**6,024**	**5,500**	**5,219**	**5,223**	**4,414**

Grupo Financiero Banorte

Income Statement -GFNorte *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	2015	9M16
Interest Income	16,612	16,501	17,618	18,251	18,672	18,126	20,318	68,983	57,116
Interest Expense	5,556	5,986	6,031	5,792	5,994	6,257	6,823	23,365	19,074
Charged Fees	284	297	326	350	315	303	308	1,256	925
Fees Paid	90	96	96	101	102	112	123	383	337
Net Interest Income from interest & fees (NII)	**11,251**	**10,716**	**11,817**	**12,709**	**12,891**	**12,059**	**13,680**	**46,492**	**38,630**
Premium Income (Net)	5,337	4,535	4,225	4,977	7,741	4,512	4,210	19,074	16,462
Net Increase in Technical Reserves	2,478	1,130	1,186	2,337	4,154	675	994	7,131	5,822
Damages, Claims and Other Obligations	2,475	2,543	3,015	2,994	2,882	3,252	3,248	11,027	9,383
Net Interest Income (NII)	**11,635**	**11,577**	**11,840**	**12,355**	**13,596**	**12,645**	**13,647**	**47,408**	**39,888**
Preventive Provisions for Loan Losses	2,605	2,778	2,840	2,495	3,238	3,529	3,289	10,719	10,056
Net Interest Income Adjusted for Credit Risk	**9,030**	**8,799**	**9,000**	**9,860**	**10,358**	**9,115**	**10,359**	**36,689**	**29,832**
Fees for Commercial and Mortgage Loans	112	149	137	70	194	183	196	468	573
Fund Transfers	209	195	234	247	286	325	347	885	958
Account Management Fees	459	521	529	528	483	518	521	2,036	1,521
Fiduciary	111	87	88	102	81	86	73	388	240
Other Fees	642	644	612	674	618	634	670	2,573	1,922
Income from Real Estate Portfolios	23	21	35	91	33	19	38	169	89
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	1,403	1,453	5,118	4,206
For Consumer and Credit Card Loans	703	745	794	835	830	786	925	3,077	2,542
Fees Charged on Services	**3,451**	**3,602**	**3,717**	**3,944**	**3,874**	**3,955**	**4,223**	**14,714**	**12,052**
Fund transfers	16	13	5	18	18	23	13	52	53
Other Fees	1,187	1,092	1,189	1,328	1,650	1,227	1,434	4,795	4,310
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-	-
Fees Paid on Services	**1,203**	**1,105**	**1,194**	**1,346**	**1,667**	**1,249**	**1,447**	**4,847**	**4,364**
Foreign Exchange	402	118	354	411	270	406	471	1,285	1,147
Securities-Realized Gains	477	298	173	506	92	68	272	1,454	432
Securities-Unrealized Gains	74	401	132	(355)	91	297	(21)	252	367
Trading Income	**953**	**817**	**659**	**561**	**453**	**771**	**722**	**2,991**	**1,946**
Loan Recoveries	299	317	299	391	349	367	406	1,306	1,122
Income from foreclosed assets	13	(6)	112	33	32	91	(35)	151	88
Other Operating Income	48	125	5	187	157	173	31	365	361
Other Operating Expense	(266)	(102)	(39)	(35)	(177)	(67)	(29)	(442)	(273)
Other Products	1,219	539	913	1,352	1,080	1,222	1,567	4,022	3,869
Other Recoveries	208	85	191	103	187	60	147	587	394
Other Operating Expense	(1,283)	(613)	(885)	(972)	(1,216)	(1,178)	(1,383)	(3,754)	(3,776)
Other Operating Income (Expense) from Insurance and Annuities	185	174	197	209	208	287	248	765	743
Total Other Operating Income (Expense)	**423**	**519**	**793**	**1,267**	**621**	**955**	**952**	**3,001**	**2,528**
Total Non Interest Income	**3,624**	**3,833**	**3,976**	**4,426**	**3,281**	**4,432**	**4,449**	**15,859**	**12,162**
								-	-
Total Operating Income	**12,654**	**12,632**	**12,976**	**14,286**	**13,639**	**13,547**	**14,808**	**52,548**	**41,994**
Personnel	3,390	3,234	2,974	2,806	3,273	3,101	3,508	12,404	9,882
Employee Profit Sharing (PTU)	98	96	96	84	97	97	97	374	290
Professional Fees	515	610	551	757	497	587	576	2,433	1,660
Administrative and Promotional Expenses	1,722	1,735	1,771	1,987	1,964	1,686	1,865	7,215	5,515
Rents, Depreciation & Amortization	992	1,000	1,048	1,089	1,128	1,132	1,219	4,129	3,478
Taxes other than income tax & non deductible expenses	444	377	355	449	428	351	320	1,625	1,099
Contributions to IPAB/Fobaproa	510	523	533	550	566	579	584	2,116	1,730
Total Non Interest Expense	**7,670**	**7,575**	**7,328**	**7,722**	**7,952**	**7,533**	**8,168**	**30,295**	**23,653**
Operating Income	**4,983**	**5,057**	**5,648**	**6,564**	**5,686**	**6,014**	**6,640**	**22,253**	**18,341**
Subsidiaries' Net Income	279	345	277	301	328	309	353	1,201	990
Pre-Tax Income	**5,262**	**5,402**	**5,925**	**6,866**	**6,014**	**6,323**	**6,993**	**23,454**	**19,330**
Income Tax	1,208	1,537	1,587	1,389	1,699	1,439	2,170	5,720	5,307
Tax on Assets	-	-	-	-	-	-	-	-	-
Deferred Income Tax	121	(193)	(7)	466	(202)	193	(224)	386	(233)
Taxes	**1,328**	**1,343**	**1,580**	**1,855**	**1,497**	**1,632**	**1,945**	**6,106**	**5,074**
Net Income from Continuos Operations	**3,934**	**4,058**	**4,345**	**5,011**	**4,517**	**4,691**	**5,048**	**17,348**	**14,256**
Extraordinary Items, net	-	-	-	-	-	-	-	-	-
Minority Interest	(54)	(55)	(61)	(71)	(55)	(65)	(72)	(240)	(192)
Net Income	**3,880**	**4,003**	**4,284**	**4,940**	**4,462**	**4,626**	**4,976**	**17,108**	**14,064**

GFNorte - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
ASSETS							
Cash and Due from Banks	**83,716**	**85,551**	**88,257**	**107,848**	**96,566**	**90,759**	**71,315**
Margin Accounts	**97**	**160**	**105**	**91**	**269**	**513**	**745**
Negotiable Instruments	294,182	295,065	245,062	244,945	249,531	253,957	250,061
Securities Available for Sale	117,709	117,035	118,933	113,465	113,167	129,477	126,366
Securities Held to Maturity	80,371	78,694	80,849	83,115	77,339	77,909	79,054
Investment in Securities	**492,263**	**490,794**	**444,844**	**441,525**	**440,038**	**461,343**	**455,481**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debtor Balance in Repo Trans, net	**1**	**0**	**70**	**493**	**402**	**62**	**72**
Securities Lending	**-**	**-**	**-**	**-**	**-**	**-**	**-**
For trading purposes	19,211	19,000	23,166	19,068	18,154	21,030	16,516
For hedging purposes	137	151	103	79	100	76	113
Operations w/Derivatives & Securities							
Transactions with Derivatives	**19,347**	**19,152**	**23,269**	**19,147**	**18,254**	**21,107**	**16,630**
Operations w/Derivatives & Securities	**19,349**	**19,152**	**23,340**	**19,640**	**18,656**	**21,169**	**16,702**
Valuation adjustments for Asset Coverage	**139**	**136**	**132**	**128**	**124**	**121**	**117**
Commercial Loans	190,682	192,050	195,316	208,066	213,462	218,000	222,569
Financial Intermediaries´ Loans	3,156	3,301	2,914	3,331	2,872	3,313	4,253
Consumer Loans	69,597	72,118	75,414	76,721	77,873	80,796	84,601
Mortgage Loans	91,288	93,844	96,892	99,952	102,205	106,292	110,622
Medium and Residential	88,562	90,690	93,471	96,285	98,465	102,509	106,686
low income housing	102	86	75	68	62	48	43
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679	3,735	3,892
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
Performing Loans	**479,808**	**486,017**	**500,208**	**518,188**	**533,556**	**544,118**	**553,454**
Commercial PDL´s	9,980	10,162	9,918	7,923	7,977	7,816	7,536
Financial Intermediaries PDL´s	1	0	0	0	0	344	344
Consumer PDL´s	2,318	2,685	2,703	2,908	2,684	3,343	3,263
Mortgage PDL´s	1,175	1,149	1,096	1,072	1,122	1,163	1,156
Medium and Residential	1,136	1,110	1,064	1,031	1,062	1,086	1,081
low income housing	3	4	7	6	7	2	2
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53	74	74
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**
Gross Loan Portfolio	**493,282**	**500,012**	**513,925**	**530,091**	**545,339**	**556,783**	**565,753**
Preventive Loan Loss Reserves	14,571	14,734	15,013	13,813	14,059	15,207	15,284
Net Loan Portfolio	**478,711**	**485,278**	**498,912**	**516,279**	**531,280**	**541,576**	**550,470**
Acquired Collection Rights	2,860	2,651	2,559	2,217	2,120	1,946	2,223
Total Credit Portfolio	**481,571**	**487,929**	**501,470**	**518,496**	**533,400**	**543,522**	**552,693**
Account Receivables from Insurance and Annuities	2,167	2,444	2,432	1,888	1,718	1,781	1,827
Premium Debtors (Net)	5,952	5,477	4,480	4,414	9,252	7,627	5,653
Account Receivables from Reinsurance	5,865	6,864	5,692	5,872	6,462	6,936	6,966
Benef.receivab.securization transactions	583	505	329	184	149	153	202
Sundry Debtors & Other Accs Rec, Net	31,845	34,191	36,475	31,544	40,628	39,510	40,839
Inventories	422	688	596	462	416	951	703
Foreclosed Assets, Net	2,678	2,526	2,402	2,259	2,170	2,064	1,843
Real Estate, Furniture & Equipment, Net	13,191	13,468	13,701	14,537	14,582	15,146	15,462
Investment in Subsidiaries	13,115	13,440	13,730	13,805	13,034	13,344	13,716
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	2,293	2,378	2,712	2,785	3,514	3,085	3,519
Goodwill and Intangibles	23,901	25,145	26,642	28,860	27,148	27,604	27,986
Other Assets Short and Long Term	4,037	3,959	3,845	4,135	3,965	3,765	3,503
Other Assets	106,050	111,085	113,036	110,747	123,037	121,965	122,218
TOTAL ASSETS	**1,183,186**	**1,194,806**	**1,171,183**	**1,198,476**	**1,212,090**	**1,239,392**	**1,219,271**

GFNorte - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
LIABILITIES							
Demand Deposits	305,716	310,282	321,146	347,577	339,524	350,671	363,501
Time Deposits-Retail	194,351	196,146	200,285	207,940	215,356	224,581	201,736
Time Deposits-Money Market	8,076	10,108	13,109	4,606	2,904	1,068	1,400
Global Account of deposits without movements	758	1,157	1,229	1,240	1,171	1,224	1,250
Senior Unsecured Debt	4,997	5,177	100	100	130	130	58
Deposits	**513,899**	**522,870**	**535,870**	**561,462**	**559,086**	**577,675**	**567,944**
Demand Loans	0	0	0	1	6,928	0	0
Short Term Loans	17,172	17,546	15,694	16,481	16,333	17,887	17,331
Long Term Loans	11,324	12,438	14,163	14,551	14,187	14,054	16,257
Due to Banks & Correspondents	**28,496**	**29,984**	**29,856**	**31,033**	**37,448**	**31,941**	**33,589**
Technical Reserves	76,450	78,753	78,485	80,945	86,054	86,535	87,495
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
Secs to be received in Repo Trans, Net	-	-	0	-	-	0	0
Repos (Credit Balance)	19	41	3	1	0	17	21
Securities' Loans	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-
Total Collateral sold	**19**	**41**	**3**	**1**	**0**	**17**	**21**
For trading purposes	19,664	19,495	24,025	19,940	18,829	21,961	18,597
For hedging purposes	3,381	3,556	4,686	5,004	6,161	6,825	8,671
Operations w/ Derivatives & Securities							
Transactions with Derivatives	**23,045**	**23,050**	**28,711**	**24,944**	**24,990**	**28,786**	**27,268**
Total Operations w/ Derivatives & Securities	**383,965**	**385,892**	**343,041**	**340,100**	**341,624**	**346,036**	**336,405**
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Obligations in securitization transactions	0	-	-	-	-	-	-
Payable Accountsfor Reinsurance	2,094	1,477	1,606	1,735	2,575	2,412	2,455
Income Tax Payable	1,681	1,572	2,088	1,922	1,349	1,806	2,360
Profit Sharing Payable	145	217	309	375	135	206	299
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
Margin Accounts Payable	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	15,484	16,950	17,073	17,458	19,396	19,452	17,719
Other Payable Accounts	**32,306**	**27,485**	**29,564**	**27,296**	**28,331**	**34,089**	**28,813**
Subordinated Non Convertible Debt	16,712	16,790	17,299	17,385	17,475	17,821	18,246
Deferred Taxes, Net	0	0	(0)	(0)	-	-	-
Deferred Credits	1,413	1,400	1,307	1,169	1,075	882	741
TOTAL LIABILITIES	**1,055,334**	**1,064,652**	**1,037,028**	**1,061,124**	**1,073,667**	**1,097,390**	**1,075,687**
EQUITY							
Paid-in Capital	14,627	14,610	14,608	14,606	14,593	14,590	14,595
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
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	**50,706**	**51,137**	**50,989**	**51,030**	**50,937**	**51,054**	**50,874**
Capital Reserves	6,563	5,854	5,809	5,765	5,419	5,334	5,421
Retained Earnings	64,974	63,622	63,622	62,860	78,686	75,689	72,253
Surplus (Deficit) of Secs Available for Sale	773	75	(526)	(1,552)	(1,976)	(911)	(532)
Results from Valuation of Hedging Secs	(1,026)	(578)	(685)	(828)	(1,677)	(1,739)	(2,368)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)	15
Results from Conversions	181	339	930	1,070	1,110	1,754	2,196
Remeasurements defined benefits for employees	-	-	-	-	(121)	(249)	(376)
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
Earned Capital	**75,346**	**77,195**	**81,317**	**84,422**	**85,551**	**88,944**	**90,673**
Minority Interest	1,799	1,823	1,848	1,900	1,935	2,004	2,038
Total Equity	**127,851**	**130,154**	**134,155**	**137,351**	**138,423**	**142,002**	**143,584**
TOTAL LIABILITIES & EQUITY	**1,183,186**	**1,194,806**	**1,171,183**	**1,198,476**	**1,212,090**	**1,239,392**	**1,219,271**

GFNorte - Memorandum Accounts *(Million Pesos)*	1Q15	2Q15	3Q15	4Q16	1Q16	2Q16	3Q16
On behalf of Third Parties							
Customer's Banks	22	252	34	165	93	98	64
Dividends Receivable from Customers	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-
Settlement of Customer Transactions	(2)	(18)	(16)	45	208	(18)	(10)
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**
Client Securities Received in Custody	592,356	594,403	589,191	587,733	616,579	647,418	647,173
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**
Clients' Repurchase Operations	112,425	126,824	114,729	145,667	102,988	102,541	85,315
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
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
Transactions On Behalf of Clients	**301,550**	**326,754**	**308,160**	**377,901**	**305,161**	**307,092**	**266,908**
Investment Bank Trans. on behalf of Third (Net)	**91,311**	**98,221**	**95,736**	**79,643**	**71,038**	**65,031**	**92,104**
TOTAL ON BEHALF OF THIRD PARTIES	**985,237**	**1,019,612**	**993,105**	**1,045,488**	**993,079**	**1,019,622**	**1,006,238**
Endorsement Guarantees Granted	-	-	-	-	-	-	-
Loan Obligations	46,200	72,508	165,086	160,529	164,084	170,475	258,580
Trusts	211,808	217,386	283,559	290,832	306,517	320,511	309,671
Mandates	596	9,524	557	8,316	8,571	9,824	9,557
Properties in Trusts and Warrant	212,405	226,910	284,116	299,147	315,088	330,336	319,228
Properties in Custody or Management	441,489	449,344	452,819	438,214	457,665	480,655	470,481
Collateral Received	83,491	87,699	88,377	147,797	103,030	72,198	89,904
Collateral Received or sold or delivered	142,879	161,124	145,469	235,143	146,735	114,133	114,103
Drafts in Transit	-	-	-	-	-	-	-
Assets' Deposit	2,688	2,440	2,029	3,023	2,343	1,943	1,484
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
Uncollected Accrued Interest from Past Due Loans	468	492	485	482	491	526	465
Investments of Retirement Savings Funds	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-
Proprietary Transactions	**929,620**	**1,085,747**	**1,138,395**	**1,284,355**	**1,189,463**	**1,170,298**	**1,254,286**
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**

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW
JANUARY 1, 2016 – SEPTEMBER 30, 2016
(Million Pesos)

Net Income	**14,064**
Items charged to results that do not generate or require use of resources	
Depreciation	884
Technical Reserves	5,822
Provisions	516
Income taxes and deferred	5,074
Minority Interest	(797)
	11,499
	25,563
Change in items related to operations	
Change in Margin Accounts	(654)
Change in Invesment in Securities	(13,002)
Change in repo debtors	420
Change in derivatives (assets)	2,563
Changein Loan Portfolio (net)	(32,111)
Change in purchased receivables (net)	(6)
Change in accounts receivable insurance and bonding institutions (net)	61
Change in debtor premiums (net)	(1,239)
Change in Reinsurance (net)	(1,094)
Change in benefits to receive from securitizations	(17)
Change in foreclosed assets (net)	421
Change in other operating assets (net)	(8,818)
Change in core deposits	3,836
Change in interbank loans and other entities	2,508
Change in repo creditors	(6,039)
Change in collateral pledged sold	20
Change in derivatives (liability)	(1,343)
Change in Technical Reserves (net)	727
Change in Reinsurance (net) (liability)	720
Change in subordinated debt with characteristics of liabilities	817
Change in other operating liabilities	428
Change in hedging instruments (the related hedged transaction activities)	3,633
Income Tax Payments	(5,460)
Net cash generated or used from operations	**(28,066)**
Investment Activities	
Charges for disposal of property, furniture and equipment	1,281
Payments for acquisition of property, furniture and equipment	(3,000)
Charges for disposal of subsidiaries, associated and agreements with mutual control	2
Payments for other permanent investmentes	(2)
Charges for cash dividends	1,122
Net cash generated or used from investment activities	**(597)**
Financing Activities	
Payments of cash dividends	(7,229)
Payments associated with the repurchase of proprietary shares	(776)
Net cash flows from financing activities	**(8,005)**
Net Cash Increase (decrease) and equivalents value	**(36,668)**
Effects for changes in cash and equivalents value	**135**
Cash and cash equivalents at beginning of period	**107,848**
Cash and cash equivalents at end of period	**71,315**

GFNORTE - ESTADO DE VARIACIONES EN EL CAPITAL CONTABLE CONSOLIDADO

JANUARY 1, 2016 – SEPTEMBER 30, 2016

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2015	**14,606**	**36,424**	**5,765**	**62,860**	**(1,552)**	**(828)**	**0**	**1,069**	**0**	**17,108**	**1,900**	**137,352**
Changes stemming from stockholders' decisions												
Repurchases of payment plan based on stock	(11)	(120)	(344)		(7)							**(482)**
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)
Total	**(11)**	**(120)**	**(344)**	**9,879**	**(7)**	**0**	**0**	**0**	**0**	**(17,108)**	**0**	(7,711)
Changes stemming from profits												
Total profits:												
Net Income										14,064		14,064
Result from valuation of securities available for sale					1,027							1,027
Effect of subsidiaries, associates and mutual funds		(25)		(24)				1,127				1,078
Result from valuation of instruments of cash flow hedges						(1,540)						(1,540)
Result in the valuations reserve for unexpired risks valuation in rates							15					15
Remeasurements defined benefits for employees									(376)			(376)
Modification in the disposition of the consumer book's rating				(462)								(462)
Total	**0**	**(25)**	**0**	**(486)**	**1,027**	**(1,540)**	**15**	**1,127**	**(376)**	**14,064**	**0**	**13,806**
Recognition of minority interest											**138**	**138**
Balance as of June 30, 2016	**14,595**	**36,279**	**5,421**	**72,253**	**(532)**	**(2,368)**	**15**	**2,196**	**(376)**	**14,064**	**2,038**	**143,585**

Consolidated Bank

Income Statement - Consolidated Bank *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	2015	9M16
Interest Income	14,283	14,429	14,914	15,031	15,780	16,316	17,804	58,657	49,900
Interest Expense	4,688	4,807	4,893	4,711	4,987	5,132	5,894	19,098	16,013
Charged Fees	283	295	324	347	313	300	306	1,250	919
Fees Paid	88	94	95	99	101	111	122	376	334
Net Interest Income (NII)	**9,790**	**9,823**	**10,251**	**10,568**	**11,005**	**11,373**	**12,094**	**40,432**	**34,472**
Preventive Provisions for Loan Losses	2,539	2,690	2,731	2,442	3,177	3,458	3,251	10,401	9,886
Net Interest Income Adjusted for Credit Risk	**7,250**	**7,133**	**7,520**	**8,127**	**7,829**	**7,915**	**8,842**	**30,031**	**24,586**
Fees for Commercial and Mortgage Loans	112	149	137	70	194	183	196	468	573
Fund Transfers	209	195	234	247	286	325	347	885	958
Account Management Fees	459	521	529	528	498	533	539	2,036	1,569
Fiduciary	111	87	88	101	80	86	72	386	239
Other Fees	385	356	360	455	363	430	442	1,556	1,235
Income from Real Estate Portfolios	6	4	19	68	8	2	31	98	41
Electronic Banking Services	1,193	1,240	1,287	1,398	1,350	1,403	1,453	5,118	4,206
For Consumer and Credit Card Loans	703	745	794	835	835	786	924	3,077	2,545
Fees Charged on Services	**3,177**	**3,297**	**3,448**	**3,701**	**3,613**	**3,749**	**4,004**	**13,624**	**11,366**
Fund transfers	16	13	5	18	18	23	13	52	53
Other Fees	780	830	879	985	964	1,079	1,113	3,474	3,156
Amortization of Loan Portfolio	-	-	-	-	-	-	-	-	-
Fees Paid on Services	**796**	**844**	**884**	**1,003**	**982**	**1,102**	**1,126**	**3,527**	**3,209**
Foreign Exchange	411	125	374	417	269	396	458	1,326	1,123
Securities-Realized Gains	392	233	88	327	34	(80)	160	1,040	114
Securities-Unrealized Gains	46	371	126	(266)	172	67	(9)	277	231
Trading Income	**850**	**728**	**588**	**477**	**475**	**383**	**610**	**2,643**	**1,468**
Loan Recoveries	299	317	299	376	337	365	403	1,290	1,105
Income from foreclosed assets	7	(16)	105	39	26	119	(28)	135	116
Other Operating Income	48	125	5	187	145	173	31	365	349
Other Operating Expense	(32)	(7)	(0)	(0)	-	(0)	(0)	(39)	(0)
Other Products	201	153	354	365	107	416	266	1,073	789
Other Recoveries	139	63	136	48	104	81	105	385	290
Other Expense	(242)	(242)	(386)	(423)	(303)	(514)	(246)	(1,294)	(1,064)
Other Operating Income (Expense) from Insurance and Annuities	-	-	-	-	-	-	-	-	-
Total Other Operating Income (Expenses)	**419**	**393**	**512**	**591**	**415**	**639**	**531**	**1,915**	**1,586**
Total Non-Interest Income	**3,650**	**3,575**	**3,664**	**3,767**	**3,522**	**3,670**	**4,019**	**14,655**	**11,211**
Total Operating Income	**10,900**	**10,708**	**11,184**	**11,893**	**11,351**	**11,585**	**12,861**	**44,686**	**35,797**
Personnel	3,249	3,092	2,840	2,661	3,136	2,951	3,356	11,843	9,444
Employee Profit Sharing (PTU)	96	94	94	84	95	95	95	368	286
Professional Fees	434	492	467	597	442	509	478	1,990	1,429
Administrative and Promotional Expenses	1,504	1,535	1,611	1,818	1,749	1,561	1,731	6,467	5,041
Rents, Depreciation & Amortization	927	937	984	1,017	1,058	1,059	1,149	3,864	3,266
Taxes other than income tax & non-deductible expenses	368	326	302	392	366	302	266	1,387	934
Contributions to IPAB/Fobaproa	510	523	533	550	566	579	584	2,116	1,730
Total Non-Interest Expense	**7,087**	**6,999**	**6,831**	**7,118**	**7,413**	**7,058**	**7,659**	**28,035**	**22,129**
Operating Income	**3,814**	**3,709**	**4,353**	**4,775**	**3,938**	**4,528**	**5,202**	**16,650**	**13,668**
Subsidiaries' Net Income	302	359	299	320	333	322	371	1,280	1,025
Pre-Tax Income	**4,116**	**4,068**	**4,652**	**5,095**	**4,271**	**4,849**	**5,573**	**17,930**	**14,693**
Income Tax	789	1,133	1,208	1,046	1,154	1,065	1,746	4,177	3,965
Tax on Assets									
Deferred Income Tax	245	(195)	(38)	224	(105)	131	(239)	235	(213)
Taxes	**1,034**	**938**	**1,170**	**1,270**	**1,049**	**1,197**	**1,507**	**4,412**	**3,753**
Net Income from Continuos Operations	**3,082**	**3,130**	**3,482**	**3,824**	**3,222**	**3,652**	**4,066**	**13,518**	**10,941**
Extraordinary Items, net	-	-	-	-	-	-	-	-	-
Minority Interest	(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**	**13,518**	**10,941**

Consolidated Bank - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
ASSETS							
Cash and Due from Banks	**83,447**	**85,248**	**87,645**	**107,457**	**96,167**	**90,727**	**71,258**
Margin Accounts	**97**	**160**	**105**	**91**	**269**	**513**	**745**
Negotiable Instruments	208,758	196,688	153,669	130,211	153,455	155,285	167,884
Securities Available for Sale	83,850	82,238	87,712	73,026	94,647	108,976	107,535
Securities Held to Maturity	10,283	7,837	7,795	7,761	7,730	7,678	6,279
Investment in Securities	**302,891**	**286,763**	**249,176**	**210,998**	**255,832**	**271,938**	**281,698**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debtor Balance in Repo Trans,net	**1**	**0**	**3**	**493**	**342**	**16**	**72**
Securities Lending	**-**	**-**	**-**	**-**	**-**	**-**	**-**
For trading purposes	19,211	19,000	23,166	18,771	18,045	20,703	16,191
For hedging purposes	137	151	103	79	100	76	113
Operations w/Derivatives & Securities	-	-	-	-	-	-	-
Transactions with Derivatives	**19,347**	**19,152**	**23,269**	**18,850**	**18,145**	**20,779**	**16,304**
Operations w/Derivatives & Securities	**19,349**	**19,152**	**23,273**	**19,343**	**18,487**	**20,796**	**16,376**
Valuation adjustments for Asset Coverage	**139**	**136**	**132**	**128**	**124**	**121**	**117**
Commercial Loans	173,430	172,994	177,538	189,522	194,171	197,538	202,109
Financial Intermediaries´ Loans	16,424	17,493	15,543	17,317	16,220	18,071	18,386
Consumer Loans	66,230	69,090	72,661	74,236	75,599	78,763	82,753
Mortgage Loans	91,288	93,844	96,892	99,952	102,205	106,292	110,622
Medium and Residential	88,562	90,690	93,471	96,285	98,465	102,509	106,686
low income housing	102	86	75	68	62	48	43
Loans acquired from INFONAVIT or FOVISSSTE	2,623	3,068	3,346	3,598	3,679	3,735	3,892
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
Loans granted as Federal Agent	-	-	-	-	-	-	-
Performing Loans	**470,707**	**476,450**	**491,116**	**509,593**	**524,062**	**534,289**	**542,851**
Commercial PDL´s	9,583	9,768	9,604	7,723	7,764	7,581	7,339
Financial Intermediaries PDL´s	1	0	0	0	0	344	344
Consumer PDL´s	2,223	2,618	2,637	2,839	2,627	3,281	3,206
Mortgage PDL´s	1,175	1,149	1,096	1,072	1,122	1,163	1,156
Medium and Residential	1,136	1,110	1,064	1,031	1,062	1,086	1,081
low income housing	3	4	7	6	7	2	2
Loans acquired from INFONAVIT or FOVISSSTE	35	35	25	35	53	74	74
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities PDL´s	-	-	-	-	-	-	-
Past Due Loans	**12,981**	**13,536**	**13,337**	**11,634**	**11,512**	**12,369**	**12,044**
Gross Loan Portfolio	**483,688**	**489,986**	**504,453**	**521,227**	**535,574**	**546,658**	**554,896**
Preventive Loan Loss Reserves	13,952	14,117	14,442	13,334	13,595	14,773	14,873
Net Loan Portfolio	**469,736**	**475,869**	**490,011**	**507,893**	**521,979**	**531,885**	**540,022**
Acquired Collection Rights	1,480	1,416	1,399	1,376	1,310	1,165	1,473
Total Credit Portfolio	**471,216**	**477,285**	**491,410**	**509,269**	**523,288**	**533,051**	**541,495**
Benef.receivab.securization transactions	583	505	329	184	149	153	202
Sundry Debtors & Other Accs Rec, Net	19,427	23,017	25,536	21,164	28,138	28,206	30,006
Inventories	-	-	-	-	-	-	-
Foreclosed Assets, Net	2,197	2,051	1,937	1,800	1,720	1,654	1,445
Real Estate, Furniture & Equipment, Net	10,443	10,618	10,778	11,364	11,466	11,896	12,184
Investment in Subsidiaries	12,808	13,151	13,461	13,485	12,719	13,031	13,427
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	2,453	2,566	2,927	3,095	3,366	3,268	3,603
Goodwill and Intangibles	10,888	11,914	13,336	15,394	14,114	14,371	14,526
Other Assets Short and Long Term	3,752	3,672	3,553	3,837	3,659	3,442	3,173
	62,551	67,495	71,858	70,324	75,331	76,022	78,565
TOTAL ASSETS	**939,691**	**936,237**	**923,598**	**917,610**	**969,499**	**993,168**	**990,255**

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

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

Seguros Banorte

Income Statement - Insurance - Seguros Banorte *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	2015	9M16
Interest Income	130	108	143	145	133	125	143	525	401
Interest Expense	-	-	-	-	7	(7)	-	-	-
Premium Income (Net)	3,420	2,701	2,709	3,542	6,389	2,627	2,304	12,372	11,319
Net Increase in Technical Reserves	546	(174)	(455)	317	2,284	(529)	(1,097)	235	659
Damages, Claims and Other Obligations	1,655	1,704	2,163	2,126	1,995	2,312	2,298	7,649	6,606
Net Interest Income	**1,348**	**1,279**	**1,144**	**1,244**	**2,236**	**975**	**1,245**	**5,014**	**4,456**
Fees Charged on Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Fees Paid on Services	**477**	**339**	**401**	**462**	**838**	**264**	**424**	1,678	1,525
Securities-Realized Gains	10	(1)	1	32	1	18	27	42	45
Securities-Unrealized Gains	-	-	-	-	-	-	-	-	-
Trading Income	**10**	**(1)**	**1**	**32**	**1**	**18**	**27**	**42**	**45**
Other Products	1	1	1	3	1	1	1	6	2
Other Expense	(0)	(6)	(1)	14	(56)	1	44	7	(11)
Other Operating Income (Expense) from Insurance and Annuities	173	174	197	197	205	282	248	742	734
Total Other Operating Income (Expenses)	**174**	**169**	**197**	**215**	**149**	**284**	**292**	**755**	**726**
Total Non-Interest Income	**(293)**	**(170)**	**(203)**	**(216)**	**(688)**	**38**	**(105)**	**(881)**	**(754)**
Total Operating Income	**1,055**	**1,109**	**941**	**1,028**	**1,548**	**1,013**	**1,141**	**4,133**	**3,702**
Personnel	80	78	82	87	82	88	85	327	255
Employee Profit Sharing (PTU)	1	1	1	0	1	1	1	3	3
Professional Fees	26	62	57	85	24	34	59	229	117
Administrative and Promotional Expenses	64	64	63	58	77	58	72	249	207
Rents, Depreciation & Amortization	15	15	14	21	21	22	23	65	66
Taxes other than income tax & non-deductible expenses	23	21	20	28	30	23	24	92	78
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-	-	-
Total Non-Interest Expense	**210**	**240**	**237**	**280**	**235**	**226**	**265**	**966**	**726**
Operating Income	**845**	**869**	**705**	**748**	**1,313**	**787**	**876**	**3,167**	**2,976**
Subsidiaries' Net Income	(0)	(0)	0	-	0	(0)	0	(0)	0
Pre-Tax Income	**845**	**869**	**705**	**748**	**1,313**	**787**	**876**	**3,167**	**2,976**
Income Tax	257	264	213	197	397	239	320	932	956
Deferred Income Tax	-	-	-	20	-	-	(49)	20	(49)
Taxes	**257**	**264**	**213**	**217**	**397**	**239**	**271**	**952**	**907**
Net Income from Continuos Operations	**588**	**605**	**491**	**531**	**917**	**548**	**604**	**2,215**	**2,069**
Extraordinary Items, net	-	-	-	-	-	-	-	-	-
Minority Interest	(2)	(1)	(2)	(1)	(1)	(1)	(1)	(5)	(4)
Net Income	**586**	**603**	**490**	**530**	**916**	**547**	**603**	**2,210**	**2,065**

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

Insurance - Seguros Banorte - Balance Sheet *(Million Pesos)*	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
LIABILITIES							
Technical Reserves	14,498	15,449	13,519	14,051	17,275	16,472	15,347
Total Operations w/ Derivatives & Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	2,094	1,477	1,606	1,735	2,575	2,412	2,455
Income Tax Payable	274	535	745	935	399	633	948
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
Other Payable Accounts	**3,664**	**3,803**	**4,068**	**3,890**	**4,237**	**3,892**	**3,538**
Subordinated Non Convertible Debt	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-
Deferred Credits	125	121	126	132	140	102	84
TOTAL LIABILITIES	**20,380**	**20,850**	**19,318**	**19,808**	**24,227**	**22,878**	**21,424**
EQUITY							
Paid-in Capital	709	709	709	709	709	709	709
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	**709**	**709**	**709**	**709**	**709**	**709**	**709**
Capital Reserves	540	540	540	540	540	717	717
Retained Earnings	3,742	3,242	3,242	2,742	3,451	2,674	1,774
Surplus (Deficit) of Secs Available for Sale	74	74	74	96	109	113	80
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	(352)	(24)	15
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
Earned Capital	**4,942**	**5,046**	**5,535**	**5,587**	**4,665**	**4,943**	**4,652**
Minority Interest	31	32	34	35	36	37	38
Total Equity	**5,682**	**5,787**	**6,278**	**6,331**	**5,410**	**5,689**	**5,399**
TOTAL LIABILITIES & EQUITY	**26,063**	**26,637**	**25,597**	**26,139**	**29,637**	**28,567**	**26,823**

Information by Segments

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

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Interest Income	43	50,819	50,819	1,155	46	-	-	3,569
Premium Income (Net)	-	-	-	-	-	-	-	-
Interest Expense	-	16,346	16,346	587	-	-	-	3,402
Net Increase in Technical Reserves	-	-	-	-	-	-	-	-
Damages, Claims and Other Obligations	-	-	-	-	-	-	-	-
Net Interest Income (NII)	**43**	**34,472**	**34,472**	**568**	**46**	**-**	**-**	**168**
Preventive Provisions for Loan Losses	-	9,886	9,886	25	-	-	-	-
Net Interest Income Adjusted for Credit Risk	**43**	**24,586**	**24,586**	**543**	**46**	**-**	**-**	**168**
Loan Origination Fees	-	11,366	11,366	17	-	-	-	762
Fees Paid	-	3,209	3,209	66	0	-	-	79
Trading Income	-	1,468	1,468	1	-	-	-	348
Other Operating Income (Expenses)	3	1,586	1,586	337	11	-	-	59
Non Interest Income	**3**	**11,211**	**11,211**	**289**	**11**	**-**	**-**	**1,090**
Total Operating Income	**47**	**35,797**	**35,797**	**832**	**57**	**-**	**-**	**1,257**
Administrative and Promotional Expenses	79	22,129	22,129	135	24	-	-	655
Operating Income	**(33)**	**13,668**	**13,668**	**697**	**32**	**-**	**-**	**602**
Subsidiaries' Net Income	13,989	1,025	1,025	-	-	-	-	0
Pre-Tax Income	**13,957**	**14,693**	**14,693**	**697**	**32**	**-**	**-**	**602**
Income Tax	-	3,965	3,965	212	10	-	-	94
Deferred Income Tax	(71)	(213)	(213)	(3)	(0)	-	-	74
Net Income from Continuos Operations	**14,028**	**10,941**	**10,941**	**487**	**22**	**-**	**-**	**434**
Minority Interest	**-**	**(0)**	**(0)**	**(1)**	**-**	**-**	**-**	**-**
Net Income	**14,028**	**10,941**	**10,941**	**487**	**22**	**-**	**-**	**434**

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

	Operadora de Fondos Banorte Ixe	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	11	1	302	56,482	1,399	-	-	2,957	58,041
Premium Income (Net)	-	-	-	1,414	496	-	-	15,545	16,462
Interest Expense	-	-	453	20,788	-	1,377	-	-	19,411
Net Increase in Technical Reserves	-	-	-	324	-	-	5,498	-	5,822
Damages, Claims and Other Obligations	-	-	-	1,055	-	-	8,328	-	9,383
Net Interest Income (NII)	**11**	**1**	**(151)**	**35,730**	**-**	**-**	**-**	**-**	**39,888**
Preventive Provisions for Loan Losses	-	-	145	10,056	-	-	-	-	10,056
Net Interest Income Adjusted for Credit Risk	**11**	**1**	**(296)**	**25,674**	**-**	**-**	**-**	**-**	**29,832**
Loan Origination Fees	862	-	107	13,114	1,062	-	-	-	12,052
Fees Paid	601	-	0	4,114	-	1,117	1,366	-	4,364
Trading Income	-	-	52	1,854	-	1	-	90	1,946
Other Operating Income (Expenses)	2	-	(169)	1,928	31	11	-	620	2,528
Non Interest Income	**263**	**-**	**(10)**	**12,782**	**1,094**	**(1,105)**	**(1,366)**	**711**	**12,162**
Total Operating Income	**275**	**1**	**(306)**	**38,456**	**1,094**	**(1,105)**	**(1,366)**	**711**	**41,994**
Administrative and Promotional Expenses	35	0	141	23,324	556	1,047	820	-	23,653
Operating Income	**239**	**1**	**(447)**	**15,132**	**-**	**-**	**-**	**-**	**18,341**
Subsidiaries' Net Income	6	-	(42)	14,979	11,777	-	2,216	3	990
Pre-Tax Income	**245**	**1**	**(488)**	**30,111**	**-**	**-**	**-**	**-**	**19,330**
Income Tax	70	-	0	4,445	-	-	863	-	5,307
Deferred Income Tax	(0)	-	(135)	(327)	0	28	122	-	(233)
Net Income from Continuos Operations	**175**	**1**	**(353)**	**25,993**	**-**	**-**	**-**	**-**	**14,256**
Minority Interest	**-**	**-**	**-**	**(1)**	**188**	**-**	**3**	**-**	**(192)**
Net Income	**175**	**1**	**(353)**	**25,993**	**15,509**	**3,553**	**19,217**	**19,217**	**14,064**

GFNorte - Balance Sheet as of September 30 '16

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	**90**	**71,258**	**71**	**23**	**23**	**-**	**-**	**453**
Margin Accounts	**-**	**745**	**-**	**-**	**-**	**-**	**-**	**-**
Investment in Securities	**-**	**281,698**	**85,656**	**1**	**-**	**-**	**-**	**86,374**
Negotiable Instruments	-	167,884	167,884	-	-	-	-	71,163
Securities Available for Sale	-	107,535	2,495	1	-	-	-	14,542
Securities Held to Maturity	-	6,279	72,147	-	-	-	-	669
Debtor Balance in Repo Trans, net	**700**	**72**	**0**	**-**	**-**	**-**	**-**	**-**
Transactions with Derivatives For trading purposes	**-**	**16,191**	**-**	**3**	**-**	**-**	**-**	**-**
Transactions with Derivatives For hedging purposes	**-**	**113**	**-**	**-**	**-**	**-**	**-**	**-**
Valuation adjustments for Asset Coverage	**-**	**117**	**-**	**-**	**-**	**-**	**-**	**-**
Gross Loan Portfolio	**-**	**541,495**	**-**	**23,014**	**-**	**-**	**-**	**-**
Net Loan Portfolio	**-**	**540,022**	**-**	**23,014**	**-**	**-**	**-**	**-**
Performing Loans	**-**	**542,851**	**-**	**23,108**	**-**	**-**	**-**	**-**
Commercial Loans	-	202,109	-	20,463	-	-	-	-
Financial Intermediaries´ Loans	-	18,386	-	211	-	-	-	-
Government Entities´ Loans	-	128,981	-	2,428	-	-	-	-
Consumer Loans	-	82,753	-	5	-	-	-	-
Mortgage Loans	-	110,622	-	-	-	-	-	-
Media y Residencial	-	106,686	-	-	-	-	-	-
Past Due Loans	**-**	**12,044**	**-**	**173**	**-**	**-**	**-**	**-**
Commercial PDL´s	-	7,339	-	172	-	-	-	-
Financial Intermediaries PDL´s	-	344	-	-	-	-	-	-
Consumer PDL´s	-	3,206	-	0	-	-	-	-
Mortgage PDL´s	-	1,156	-	-	-	-	-	-
Media y Residencial	-	1,081	-	-	-	-	-	-
De Interés Social	-	2	-	-	-	-	-	-
Preventive Loan Loss Reserves	**-**	**14,873**	**-**	**266**	**-**	**-**	**-**	**-**
Acquired Collection Rights	**-**	**1,473**	**-**	**-**	**-**	**-**	**-**	**-**
Account Receivables from Insurance and Annuities	**-**	**-**	**1,827**	**-**	**-**	**-**	**-**	**-**
Premium Debtors (Net)	**-**	**-**	**5,653**	**-**	**-**	**-**	**-**	**-**
Account Receivables from Reinsurance	**-**	**-**	**6,966**	**-**	**-**	**-**	**-**	**-**
Benef.receivab.securization transactions	**-**	**202**	**-**	**-**	**-**	**-**	**-**	**-**
Sundry Debtors & Other Accs Rec, Net	**17**	**30,006**	**0**	**445**	**52**	**-**	**-**	**904**
Inventories	**-**	**-**	**-**	**-**	**703**	**-**	**-**	**-**
Foreclosed Assets, Net	**-**	**1,445**	**-**	**5**	**-**	**-**	**-**	**-**
Real Estate, Furniture & Equipment, Net	**-**	**12,184**	**335**	**2,684**	**72**	**-**	**-**	**53**
Investment in Subsidiaries	**127,831**	**13,427**	**2**	**-**	**0**	**-**	**-**	**11**
Deferred Taxes, Net	**181**	**3,603**	**-**	**-**	**3**	**-**	**-**	**45**
Total other Assets	**10,682**	**17,698**	**981**	**147**	**12**	**-**	**-**	**345**
Goodwill	9,698	5,590	-	-	-	-	-	-
Intangible	985	8,936	897	147	1	-	-	111
Other Assets	-	3,173	84	-	12	-	-	233
TOTAL ASSETS	**139,503**	**990,255**	**101,491**	**26,321**	**865**	**-**	**-**	**88,186**

GFNorte - Balance Sheet as of September 30 '16

(Million Pesos)

ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Charges Insurance and Annuities *	Credits Insurance and Annuities*	Final Balance
Cash and Due from Banks	**203**	**33**	**40**	**72,196**	**255**	**1,136**	**-**	**-**	**71,315**
Margin Accounts	**-**	**-**	**-**	**745**	**-**	**-**	**-**	**-**	**745**
Investment in Securities	**-**	**-**	**1,903**	**455,631**	**197**	**347**	**-**	**-**	**455,481**
Negotiable Instruments	-	-	-	250,061	-	-	-	-	250,061
Securities Available for Sale	-	-	1,903	126,475	-	110	-	-	126,366
Securities Held to Maturity	-	-	-	79,095	197	237	-	-	79,054
Debtor Balance in Repo Trans, net	**-**	**-**	**83**	**856**	**-**	**783**	**-**	**-**	**72**
Transactions with Derivatives For trading purposes	**-**	**-**	**323**	**16,516**	**-**	**-**	**-**	**-**	**16,516**
Transactions with Derivatives For hedging purposes	**-**	**-**	**-**	**113**	**-**	**-**	**-**	**-**	**113**
Valuation adjustments for Asset Coverage	**-**	**-**	**-**	**117**	**-**	**-**			**117**
Gross Loan Portfolio	**-**	**-**	**2,531**	**567,041**	**-**	**14,348**	**-**	**-**	**552,693**
Net Loan Portfolio	**-**	**-**	**1,781**	**564,817**	**-**	**14,348**	**-**	**-**	**550,470**
Performing Loans	**-**	**-**	**1,842**	**567,801**	**-**	**14,348**	**-**	**-**	**553,454**
Commercial Loans	-	-	-	222,573	-	4	-	-	222,569
Financial Intermediaries´ Loans	-	-	-	18,597	-	14,344	-	-	4,253
Government Entities´ Loans	-	-	-	131,409	-	-	-	-	131,409
Consumer Loans	-	-	1,842	84,601	-	-	-	-	84,601
Mortgage Loans	-	-	-	110,622	-	-	-	-	110,622
Media y Residencial	-	-	-	106,686	-	-	-	-	106,686
Past Due Loans	**-**	**-**	**83**	**12,300**	**-**	**-**	**-**	**-**	**12,300**
Commercial PDL´s	-	-	25	7,536	-	-	-	-	7,536
Financial Intermediaries PDL´s	-	-	-	344	-	-	-	-	344
Consumer PDL´s	-	-	57	3,263	-	-	-	-	3,263
Mortgage PDL´s	-	-	-	1,156	-	-	-	-	1,156
Media y Residencial	-	-	-	1,081	-	-	-	-	1,081
De Interés Social	-	-	-	2	-	-	-	-	2
Preventive Loan Loss Reserves	**-**	**-**	**144**	**15,284**	**-**	**-**	**-**	**-**	**15,284**
Acquired Collection Rights	**-**	**-**	**751**	**2,223**	**-**	**-**	**-**	**-**	**2,223**
Account Receivables from Insurance and Annuities	**-**	**-**	**-**	**1,827**	**-**	**-**	**-**	**-**	**1,827**
Premium Debtors (Net)	**-**	**-**	**-**	**5,653**	**-**	**-**	**-**	**-**	**5,653**
Account Receivables from Reinsurance	**-**	**-**	**-**	**6,966**	**-**	**-**	**-**	**-**	**6,966**
Benef.receivab.securization transactions	**-**	**-**	**-**	**202**	**-**	**-**	**-**	**-**	**202**
Sundry Debtors & Other Accs Rec, Net	**125**	**5**	**9,421**	**40,975**	**65**	**201**	**-**	**-**	**40,839**
Inventories	**-**	**-**	**-**	**703**	**-**	**-**	**-**	**-**	**703**
Foreclosed Assets, Net	**-**	**-**	**394**	**1,843**	**201**	**201**	**-**	**-**	**1,843**
Real Estate, Furniture & Equipment, Net	**0**	**103**	**2**	**15,432**	**212**	**182**	**-**	**-**	**15,462**
Investment in Subsidiaries	**99**	**-**	**275**	**141,645**	**767**	**128,697**	**-**	**-**	**13,716**
Deferred Taxes, Net	**-**	**-**	**532**	**4,365**	**402**	**1,248**	**-**	**-**	**3,519**
Total other Assets	**1**	**6**	**136**	**30,009**	**2,453**	**974**	**-**	**-**	**31,488**
Goodwill	-	-	-	15,288	2,453	876	-	-	16,864
Intangible	0	6	136	11,219	-	97	-	-	11,122
Other Assets	1	-	-	3,503	-	-	-	-	3,503
TOTAL ASSETS	**428**	**147**	**15,639**	**1,362,834**	**4,552**	**148,115**	**-**	**-**	**1,219,271**

GFNorte - Balance Sheet as of September 30 '16

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Seguros	Pensiones	Casa de Bolsa Banorte Ixe
Deposits	**-**	**569,018**	**-**	**58**	**-**	**-**	**-**	**-**
Demand Deposits	**-**	**364,504**	**-**	**-**	**-**	**-**	**-**	**-**
Time Deposits	**-**	**203,264**	**-**	**-**	**-**	**-**	**-**	**-**
Time Deposits-Retail	-	201,865	-	-	-	-	-	-
Time Deposits-Money Market	-	1,400	-	-	-	-	-	-
Senior Unsecured Debt	**-**	**-**	**-**	**58**	**-**	**-**	**-**	**-**
Cuenta global de captación sin movimientos	**-**	**1,250**	**-**	**-**	**-**	**-**	**-**	**-**
Due to Banks & Correspondents	**-**	**15,583**	**-**	**20,954**	**583**	**-**	**-**	**-**
Immediate Redemption Loans	-	0	-	-	-	-	-	-
Short Term Loans	-	6,529	-	13,751	583	-	-	-
Long Term Loans	-	9,054	-	7,203	-	-	-	-
Technical Reserves	**-**	**-**	**87,335**	**-**	**-**	**-**	**-**	**-**
Non-assigned Securities for Settlement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Creditor Balance in Repo Trans, Net	**-**	**224,490**	**-**	**-**	**-**	**-**	**-**	**85,409**
Collateral sold or pledged as collateral	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**15**
Transactions with Derivatives for trading purposes	**-**	**18,597**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with Derivatives for hedging purposes	**-**	**8,671**	**-**	**-**	**-**	**-**	**-**	**-**
Payable Accounts for Reinsurance	**-**	**-**	**2,455**	**-**	**-**	**-**	**-**	**-**
Other Payable Accounts	**2**	**23,684**	**3,654**	**924**	**14**	**-**	**-**	**571**
Income Tax Payable	-	1,311	948	91	2	-	-	-
Profit Sharing Payable	-	299	-	-	-	-	-	-
Creditors for settlement of transactions	-	8,072	-	-	-	-	-	363
Acreedores Por Colaterales Recibidos En Efectivo	-	1,328	-	-	-	-	-	-
Other Creditors & Accounts Payable	2	12,674	2,707	832	13	-	-	209
Subordinated Non Convertible Debt	**-**	**18,246**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred Taxes, Net	**-**	**-**	**596**	**6**	**-**	**-**	**-**	**-**
Deferred Credits	**-**	**637**	**84**	**105**	**-**	**-**	**-**	**0**
TOTAL LIABILITIES	**2**	**878,932**	**94,124**	**22,046**	**597**	**-**	**-**	**85,995**
EQUITY								
Subscribed Capital	**50,714**	**32,050**	**7,106**	**526**	**87**	**-**	**-**	**1,429**
Paid-in Capital	14,599	20,074	2,683	526	87	-	-	1,354
Share Subscription Premiums	36,115	11,976	4,423	-	-	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-	-
Earned Capital	**88,786**	**79,263**	**261**	**3,742**	**181**	**-**	**-**	**762**
Capital Reserves	5,421	11,509	-	526	47	-	-	152
Retained Earnings	70,387	57,599	-	2,739	112	-	-	1
Surplus (Deficit) of Secs Available for Sale	(516)	(108)	(7)	(9)	-	-	-	59
Results from Valuation of Hedging Secs	(2,368)	(2,411)	-	-	-	-	-	-
Resultado en la Valuación de la Reserva de Riesgos en curso por variaciones en las tasas.	15	-	10	-	-	-	-	-
Results from Conversions	2,196	2,117	-	-	-	-	-	117
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Remediciones por beneficios definidos a los empleados	(376)	(382)	-	-	-	-	-	-
Net Income	14,028	10,941	258	487	22	-	-	434
Capital Mayoritario	139,500	111,313	7,367	4,268	268	-	-	2,191
Minority Interest	-	10	0	7	0	-	-	-
Total Equity	**139,500**	**111,323**	**7,367**	**4,275**	**268**	**-**	**-**	**2,191**
TOTAL LIABILITIES & EQUITY	**139,503**	**990,255**	**101,491**	**26,321**	**865**	**-**	**-**	**88,186**

GFNorte - Balance Sheet as of September 30 '16

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Charges Insurance and Annuities *	Credits Insurance and Annuities*	Final Balance
Deposits	-	-	-	**569,075**	**1,131**	-	-	-	**567,944**
Demand Deposits	-	-	-	**364,504**	**1,002**	-	-	-	**363,501**
Time Deposits	-	-	-	**203,264**	**129**	-	-	-	**203,135**
Time Deposits-Retail	-	-	-	201,865	129	-	-	-	201,736
Time Deposits-Money Market	-	-	-	1,400	-	-	-	-	1,400
Senior Unsecured Debt	-	-	-	**58**	-	-	-	-	**58**
Cuenta global de captación sin movimientos	-	-	-	**1,250**	-	-	-	-	**1,250**
Due to Banks & Correspondents	-	-	**10,815**	**47,935**	**14,347**	-	-	-	**33,589**
Immediate Redemption Loans	-	-	-	0	-	-	-	-	0
Short Term Loans	-	-	10,815	31,678	14,347	-	-	-	17,331
Long Term Loans	-	-	-	16,257	-	-	-	-	16,257
Technical Reserves	-	-	-	**87,335**	-	**160**	-	-	**87,495**
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	**309,899**	**783**	-	-	-	**309,116**
Collateral sold or pledged as collateral	-	-	-	**21**	-	-	-	-	**21**
Transactions with Derivatives for trading purposes	-	-	-	**18,597**	-	-	-	-	**18,597**
Transactions with Derivatives for hedging purposes	-	-	-	**8,671**	-	-	-	-	**8,671**
Payable Accounts for Reinsurance	-	-	-	**2,455**	-	-	-	-	**2,455**
Other Payable Accounts	**116**	**0**	**57**	**29,023**	**305**	**94**	-	-	**28,813**
Income Tax Payable	8	0	0	2,360	-	-	-	-	2,360
Profit Sharing Payable	-	-	-	299	-	-	-	-	299
Creditors for settlement of transactions	-	-	-	8,435	0	-	-	-	8,435
Acreedores Por Colaterales Recibidos En Efectivo	-	-	-	1,328	-	-	-	-	1,328
Other Creditors & Accounts Payable	108	0	57	16,602	305	94	-	-	16,391
Subordinated Non Convertible Debt	-	-	-	**18,246**	-	-	-	-	**18,246**
Deferred Taxes, Net	**0**	-	-	**602**	**602**	-	-	-	-
Deferred Credits	-	-	**12**	**838**	**97**	-	-	-	**741**
TOTAL LIABILITIES	**117**	**0**	**10,885**	**1,092,698**	**17,266**	**254**	-	-	**1,075,687**
EQUITY									
Subscribed Capital	**112**	**144**	**4,701**	**96,870**	**46,318**	**322**	-	-	**50,874**
Paid-in Capital	112	144	4,198	43,778	29,183	-	-	-	14,595
Share Subscription Premiums	-	-	4	52,592	16,635	322	-	-	36,279
Contributions for future capital increases agreed by the governing body	-	-	500	500	500	-	-	-	-
Earned Capital	**199**	**3**	**53**	**173,249**	**85,847**	**3,270**	-	-	**90,673**
Capital Reserves	22	2	117	17,796	12,375	-	-	-	5,421
Retained Earnings	1	(1)	799	131,637	62,588	3,205	-	-	72,253
Surplus (Deficit) of Secs Available for Sale	-	-	(510)	(1,092)	(560)	-	-	-	(532)
Results from Valuation of Hedging Secs	-	-	-	(4,780)	(2,411)	-	-	-	(2,368)
Resultado en la Valuación de la Reserva de Riesgos en curso por variaciones en las tasas.	-	-	-	25	10	-	-	-	15
Results from Conversions	-	-	-	4,429	2,234	-	-	-	2,196
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-	-
Remediciones por beneficios definidos a los empleados	-	-	-	(758)	(382)	-	-	-	(376)
Net Income	175	1	(353)	25,993	11,994	65	-	-	14,064
Capital Mayoritario	311	147	4,754	270,119	132,165	3,592	-	-	141,546
Minority Interest	0	-	-	17	-	2,021	-	-	2,038
Total Equity	**311**	**147**	**4,754**	**270,136**	**132,165**	**5,613**	-	-	**143,584**
TOTAL LIABILITIES & EQUITY	**428**	**147**	**15,639**	**1,362,834**	**149,430**	**5,867**	-	-	**1,219,271**

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 performace towards new elements. The main amendment to such methodology besides taking into consideration the credit experience of the borrower with the institution granting the loan, address the credit behavior of such borrowers with other institutions according to the information from Credit Information Societies. The new methodology became effective as of April 2016.

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

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

General Dispositions applicable to Credit Institutions in Leverage Matters

Moreover, in September 2016, regulatory changes published on June 22, 2016 in the Official Gazette became effective. Those include the leverage ratio calculation as well as its disclosure requirements.

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.

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 3Q16
Corporate bonds	$183.0	$36.6	$27.45

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 3Q16
Corporate bonds	$2,728.7	$545.7	$409.3

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

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

Other short and long term assets[1]	1,028
Total assets	**1,216,796**
Results from prior years	72,097
Measurements of defined benefits for employees	(2,695)
Total equity	**141,109**
Total liabilities plus equity	**1,216,796**

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 September 30, 2016, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 938, and its maturities are between 2017 and 2027.

Loan Portfolio Sales to Sólida

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

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

	Local Currency			Foreign Currency (USD)			Total		
(Million of Nominal Pesos)	aug-02	jun-16	sep-16	aug-02	jun-16	sep-16	aug-02	jun-16	sep-16
Performing Loans									
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	21	21	0	0	0	54	21	21
Total	**59**	**21**	**21**	**5**	**0**	**0**	**64**	**21**	**21**
Non Performing Loans									
Commercial	405	236	193	293	12	12	698	249	205
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	209	205	0	0	0	1,112	209	205
Total	**1,598**	**516**	**469**	**293**	**12**	**12**	**1,891**	**529**	**481**
TOTAL LOANS	**1,657**	**537**	**490**	**298**	**12**	**12**	**1,955**	**549**	**502**
Loan Loss Reserves (1)									
Commercial	326	236	193	246	11	11	572	248	204
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	219	216	0	0	0	669	219	216
Total	**1,072**	**527**	**480**	**246**	**11**	**11**	**1,318**	**538**	**491**

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

(*)There was a reserve difference of Ps 42 million as of September 2016.

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

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

In 3Q16 the Loan portfolio showed changes due to: collections of Ps 0.4 million, charge offs and discounts of Ps 13.4 million, foreclosed assets for Ps 0.4 million and restructurings for Ps 1 million. In the Loan loss provisions, there were charge offs and discounts of Ps 46.9 million. There were transfers to performing loans for Ps 0.7 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.

	Local Currency (1)		Foreign Currency (USD) (2)		Total	
(Million of Nominal Pesos)	mar-16	sep-16	mar-16	sep-16	mar-16	sep-16
Commercial	295,632	291,934	37,117	39,873	332,749	331,807
Consumer	78,610	82,589	0	0	78,610	82,589
Mortgage	104,754	108,976	0	0	104,754	108,976
Performing Loans	**478,996**	**483,499**	**37,117**	**39,874**	**516,113**	**523,372**
Commercial	8,087	7,805	68	69	8,155	7,875
Consumer	3,353	3,277	0	0	3,353	3,277
Mortgage	1,350	1,325	0	0	1,350	1,325
Non Performing Loans	**12,789**	**12,407**	**68**	**69**	**12,857**	**12,476**
TOTAL LOANS	**491,785**	**495,906**	**37,185**	**39,943**	**528,970**	**535,849**
Loan Loss Reserves	**13,721**	**14,907**	**328**	**296**	**14,048**	**15,203**
Net Loan Portfolio	**478,064**	**480,998**	**36,857**	**39,647**	**514,922**	**520,645**
Loan Loss Reserves					**109.27%**	**121.86%**
%Past Due Loans					**2.43%**	**2.33%**

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

Notes to Financial Statement

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q16

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	**215,211**	**991**	**(29)**	**216,172**
Unrestricted	**7,582**	**99**	**(41)**	**7,640**
CETES	6,049	77	(16)	6,110
BONDES	3	0	0	3
BPA	584	6	(1)	590
Bonds	89	7	(25)	71
Udibonds	850	9	(0)	859
UMS	10	0	1	11
Treasury Notes	(4)	0	0	(4)
Restricted	**207,628**	**892**	**12**	**208,532**
CETES	983	-	(2)	981
BONDES	26,819	39	1	26,860
BPA	179,245	846	14	180,106
Bonds	559	6	(2)	563
Udibonds	18	0	0	18
Treasury Bonds	(0)	-	0	0
Treasury Notes	4	-	(0)	4
Banking Securities	**29,802**	**41**	**(7)**	**29,836**
Unrestricted	**2,162**	**1**	**(0)**	**2,163**
Notes	1,194	0	(0)	1,194
Stock Certificates	468	1	(0)	469
Other Banking Securities	500	-	0	500
Restricted	**27,640**	**41**	**(7)**	**27,674**
Notes	3,028	-	(3)	3,025
CEDES	6,924	13	(2)	6,936
Stock Certificates	16,955	26	(2)	16,979
Other Banking Securities	733	1	1	735
Private Securities	**3,765**	**8**	**279**	**4,052**
Unrestricted	**1,765**	**4**	**285**	**2,054**
Stock Certificates	501	1	(8)	494
PEMEX Bonds	3	0	0	4
Euro Bonds	134	3	8	145
BMV stocks	176	-	204	380
Mutual Funds stocks	947	-	84	1,031
Other Private Securities	3	-	(3)	0
Restricted	**2,000**	**4**	**(7)**	**1,998**
Stock Certificates	1,940	4	(7)	1,937
Euro Bonds	3	-	1	3
BMV stocks	58	-	(0)	58
Other Private Securities	0	-	-	0
Total	**248,778**	**1,040**	**242**	**250,061**

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q16

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	**87,101**	**685**	**577**	**88,363**
Unrestricted	**29,150**	**250**	**640**	**30,040**
CETES	11	-	(0)	11
BONDES	100	0	0	100
BREMS	7,576	20	-	7,596
Bonds	479	8	(19)	469
CBIC	67	1	8	76
UMS	14,056	200	689	14,944
Other Government Securities	6,861	21	(38)	6,844
Restricted	**57,951**	**435**	**(63)**	**58,323**
CETES	98	-	(0)	98
BPA	57,323	434	(62)	57,695
BREMS	202	1	(0)	202
Bonds	1	0	(0)	1
UMS	327	-	(1)	326
Banking Securities	**5,242**	**12**	**41**	**5,294**
Unrestricted	**5,242**	**12**	**41**	**5,294**
CEDES	4,185	11	88	4,283
Stock Certificates	254	1	31	286
Structured Notes	743	-	(78)	665
Other Banking Securities	60	0	0	60
Private Securities	**34,485**	**272**	**(2,048)**	**32,709**
Unrestricted	**23,578**	**247**	**(1,160)**	**22,665**
Stock Certificates	6,112	31	(381)	5,763
PEMEX Bonds	9,940	193	(142)	9,992
Euro Bonds	1,483	23	(12)	1,494
BMV stocks	2,645	-	(742)	1,903
Mutual Funds stocks	3,398	-	116	3,514
Restricted	**10,907**	**25**	**(888)**	**10,043**
Stock Certificates	6,629	8	(129)	6,507
PEMEX Bonds	3,507	17	(19)	3,505
BMV stocks	771	-	(741)	31
Total	**126,827**	**969**	**(1,430)**	**126,366**

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q16

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	**64,884**	**702**	**-**	**65,586**
Unrestricted	**64,883**	**702**	**-**	**65,585**
CETES (Special)	938	-	-	938
CBIC	266	5	-	270
Udibonds	63,679	697	-	64,376
Restricted	**0**	**0**	**-**	**0**
Bonds	0	0	-	0
CBIC	0	0	-	0
Udibonds	0	0	-	0
Banking Securities	**1,832**	**879**	**-**	**2,711**
Unrestricted	**1,832**	**879**	**-**	**2,711**
CEDES	719	688	-	1,407
Stock Certificates	664	6	-	669
Structured Notes	449	185	-	634
Private Securities	**10,646**	**152**	**-**	**10,798**
Unrestricted	**5,289**	**134**	**-**	**5,423**
Stock Certificates	5,289	134	-	5,423
Restricted	**5,358**	**17**	**-**	**5,375**
Stock Certificates	5,358	17	-	5,375
Fair Value Adjustment Ixe Banco	(41)	-	-	(41)
Total	**77,321**	**1,732**	**-**	**79,054**

REPURCHASE AGREEMENT OPERATIONS 3Q16

(Million Pesos)

	Repo Debtors				Repo Creditors
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Goverment securities	18,292	18,292	0	0	265,511
Banking securities	4,213	4,213	0	0	25,166
Private Securities	6,357	6,291	72	6	18,439
Total	**28,861**	**28,795**	**72**	**6**	**309,116**

DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q16

(Million Pesos)

Creditor Balance	
Instrument	**Fair Value**
Forward	
Fx Forward	3
Options	
Rate options	651
Fx options	3
Opciones de acciones	331
Swaps	
Rate swap	12,811
Fx swap	2,716
Negotiable Total	**16,516**
Options	
Rate Options	18
Swaps	
Rate swap	15
Fx swap	80
Hedging total	**113**
Position total	**16,630**

Debtor Balance	
Instrument	**Fair Value**
Forward	
Fx Forward	13
Options	
Rate options	587
Fx options	3
Swaps	
Rate swap	11,612
Fx swap	6,382
Negotiable Total	**18,597**
Swaps	
Rate swap	629
Fx swap	8,042
Hedging total	**8,671**
Position total	**27,268**

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 3Q16 - Banorte

(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	159	13
FX Forwards	Sales	Exchange Rate (USD/MXN)	126	63
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	0	0
FX Forwards	Sales	Exchange Rate (EUR/MXN)	0	0
FX Options	Purchases	Exchange Rate (Dollar)	42	10
FX Options	Sales	Exchange Rate (Dollar)	47	11
Interest Rate Options	Purchases	TIIE	49,703	142
Interest Rate Options	Sales	TIIE	87,915	433
Interest Rate Options	Purchases	LIBOR	6,012	20
Interest Rate Options	Sales	LIBOR	6,179	17
Interest Rate Swaps	USD LIBOR	LIBOR	377,482	1,633
Interest Rate Swaps	MXN TIIE	TIIE	1,299,161	4,807
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	2,524	6
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	24,733	29
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	8,307	29
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	
	3Q15	3Q16	3Q15	3Q16	3Q15	3Q16	3Q15	3Q16
Performing Loans								
Commercial Loans	147,002	162,613	-	-	48,314	59,956	195,316	222,569
Financial Intermediaries´ Loans	1,541	2,040	-	-	1,374	2,213	2,914	4,253
Consumer Loans	75,275	84,437	-	-	139	164	75,414	84,601
Mortgage Loans	95,154	108,758	244	197	1,495	1,666	96,892	110,622
Government Entities´ Loans	128,688	128,930	-	-	983	2,479	129,670	131,409
Total	**447,659**	**486,778**	**244**	**197**	**52,305**	**66,478**	**500,208**	**553,454**
Past Due Loans								
Commercial Loans	9,841	7,466	0	0	77	70	9,918	7,536
Financial Intermediaries´ Loans	0	344	-	-	-	-	0	344
Consumer Loans	2,703	3,263	-	-	0	0	2,703	3,263
Mortgage Loans	1,037	1,103	23	17	36	37	1,096	1,156
Government Entities´ Loans	-	0	-	-	-	-	-	0
Total	**13,581**	**12,176**	**23**	**17**	**113**	**107**	**13,717**	**12,300**
Total Propietary Loans	**461,240**	**498,954**	**266**	**214**	**52,418**	**66,585**	**513,925**	**565,753**

COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND MORTGAGE FOVI LOAN PORTFOLIOS AS OF 3Q16- GFNorte

(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	5.7	0.0
Mortgage FOVI	-	-
	5.7	**0.0**

DEFERRED TAXES 3Q16

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	4,230	**4,230**
Non deductible provisions and cumulative income	1,088	**1,088**
Excess of accounting value over fiscal value on Reposessed Assets	763	**763**
Diminishable profit sharing	128	**128**
Fees received in advance	1,001	**1,001**
Effects from valuation of instruments	1,026	**1,026**
Tax losses pending amortization	1,473	**1,473**
Provisions for possible loss in loans	535	**535**
Loss on sale of foreclosed assets and credits	96	**96**
State Tax on Assets Deferred	5	**5**
Loss on sale of foreclosed assets and credits	0	**0**
Loss on sale of foreclosed assets and credits	55	**55**
Total Assets	10,400	**10,400**
LIABILITIES		
Pension Funds Contribution	(970)	**(970)**
Loan Portfolio Acquisitions	(396)	**(396)**
Projects to be capitalized	(2,557)	**(2,557)**
Intangibles' amortizations	(37)	**(37)**
Effects from valuation of instruments	(2,203)	**(2,203)**
Intangibles' amortizations	(668)	**(668)**
Unrealized Loss on Securities held for Sale	(50)	**(50)**
Total Liabilities	(6,881)	**(6,881)**
Assets (Liabilities) Accumulated Net	3,519	**3,519**

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

(Million Pesos)

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds 2006 (BANOA38 131021)	USD	13-oct-06	200	2,188	3,876	15 years	6.862%	13-oct-21	E/ 180 days
Non Convertible Subordinated Bonds Q Banorte 08	MXN	11-mar-08	3,000	3,000	3,000	10 years	TIIE + 0.60%	27-feb-18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08-2	MXN	27-jun-08	2,750	2,750	2,750	10 years	TIIE + 0.77%	15-jun-18	E/ 28 days
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,439	20 years	4.950%	15-feb-28	E/ 182 days
Non Convertible Subordinated Bonds Q Banorte 12	MXN	08-jun-12	3,200	3,200	3,200	10 years	TIIE + 1.50%	27-may-22	E/ 28 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,325	10 years	9.25%	14-oct-20	E/ 180 days

BANK AND OTHER ENTITIES LOANS' AS OF 3Q16

(Million Pesos)

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Local Banks		-	-
Loans from Foreign Banks generated in the country		-	-
Loans from Foreign Banks generated from foreign country	-	2,829	2,829
Loans from Development Banks	11,806	6,199	18,005
Loans from Public Funds	8,476	757	9,233
Call Money & Loans from Banks	17,659	-	17,659
Loans from Fiduciary Funds	135	-	135
Provisions for Interest	76	-	76
	38,151	**9,784**	**47,936**
Eliminations			(14,347)
Total			**33,589**

CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST RATES 3Q16	
CORE DEPOSITS (BANORTE)	
Demand Deposits	
Local Currency and UDIs	0.47%
Foreign Currency	0.02%
Time Deposits - Retail	
Local Currency and UDIs	3.43%
Foreign Currency	0.18%
Time Deposits - Money Market	
Local Currency and UDIs	2.76%
DUE TO BANKS & CORRESPONDENTS (BANORTE)	
Inmediate Redemption Loans	
Local Currency and UDIs	4.15%
Public Funds and Development Banks	
Local Currency and UDIs	4.85%
Foreign Currency	2.16%

MAIN CREDIT LINES RECEIVED 3Q16 (BANORTE)

Million pesos

	3Q15	2Q16	3Q16	Change vs. 3Q15	Change vs. 2Q16
Banxico (Monetary Regulation Deposits)	33,449	33,449	33,449	0%	0%
Banxico (Repos with the System of Payments	37,229	46,962	48,406	30%	3%
Call Money	105,381	111,746	112,235	7%	0%
TOTAL	**176,059**	**192,157**	**194,090**	10%	1%

TRADING INCOME 3Q16

Million Pesos

Trading income	Consolidated
Securities - Unrealized gains	**638**
Negotiable instruments	**254**
Derivative instruments - Negotiation	**402**
Derivative instruments - Hedging	**(18)**
Impairment loss or revaluation increase	**(272)**
Result from foreign exchange valuation	**33**
Result from valuation of precious metals	**13**
Result from purchase/sale of securities and derivatives	**432**
Negotiable instruments	**368**
Securities held for sale	**92**
Derivative instruments - Hedging	**(28)**
Result from purchase/sale of foreign exchange	**1,096**
Result from purchase/sale of precious metals	**5**
Total	**1,946**

Risk Management

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

1. OBJECTIVES, SCOPE AND RISK MANAGEMENT FUNCTIONS

GFNorte's Risk Management main objectives are:

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

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

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

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

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

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

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

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

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

1.1 Risk Management – Structure and Corporate Governance

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

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

The Board of Directors designates the CPR (Risk Policy Committee) as accountable for managing the risks that GFNorte is exposed to, in order to ensure that operations comply with objectives, policies and procedures established by Risk Management.
The CPR also monitors the overall limits of risk exposure approved by the Board of Directors, in addition to approving specific limits for exposure to different types of risk.

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

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

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

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

1.2 Scope and Nature of GFNorte's Risk Management

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

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

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

2. CREDIT RISK

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

The objectives of Credit Risk Management at GFNorte are:

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

GFNorte's Risk Management policies are:

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

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

2.1 Credit Risk Scope and Methodology

2.1.1 Individual Credit Risk

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

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

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

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

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

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

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

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

2.1.2 Portfolio Credit Risk

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

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

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

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

The results of this methodology, are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the average of credit portfolio's loss distribution, which is used to measure the following year's expected loss due to default or variations in debtors' credit quality. The unexpected loss is an indicator of the loss in extreme scenarios and is measured as the difference between the maximum losses given the distribution of losses, at a specific confidence level that for GFNorte's is 99.5% and expected loss.

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

2.1.3 Credit Risk of Financial Instruments

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

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

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

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

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

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

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

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

1) The probability of nonfulfillment of the issuer, security or counterparty, which is expressed as a percentage between 0% and 100% where the better the rating or lower rate differential vs. the instrument of an equivalent government bond, the lower the probability of non-fulfillment and vice versa.

2) The loss given default that could be experienced with respect of the total of the operation in the event of non-fulfillment, is expressed as a percentage between 0% and 100% where the better the guarantees or credit structures, the smaller the loss given default and vice versa. To mitigate Credit Risk and to reduce the loss given default in the event of non-fulfillment, the counterparties have signed ISDA contracts and agreements to net out, in which credit lines and the use of collateral to mitigate loss in the event of non-fulfillment are implemented.

2.2 Credit Risk Exposure

As of September 30, 2016 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method *(Million pesos)*	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	149,248	20,850	25	170,123
YoY Revenues or Sales < 14 MM UDIS	58,309	984	0	59,293
YoY Revenues or Sales >= 14 MM UDIS	90,939	19,865	25	110,830
States or Municipalities	82,367	16	0	82,384
Decentralized Federal Government Agencies and State Companies	46,614	2,210	0	48,824
Projects with own source of payment	42,862	0	0	42,862
Financial Institutions	18,386	199	0	18,585
Mortgage	110,075	0	0	110,075
Consumer	85,795	5	1,899	87,699
Credit Card	28,613	0	0	28,613
Non-revolving	57,182	5	1,899	59,086
Total Loans subject to the Standard Method	**535,347**	**23,280**	**1,925**	**560,552**
INB				**19,578**
Eliminations				**(14,377)**
Total Loans				**565,753**

*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 September 2016 presented an exposure of Ps 565,753 million, higher in Ps 8,970 million or +1.6% QoQ and Ps 51,828 million or +10.1% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment	Total Loan			Var. vs 2Q16		Var. vs 3Q15	
(Million pesos)	3Q15	2Q16	3Q16	$	%	$	%
Commercial	124,374	133,517	137,709	4,192	3.1%	13,335	10.7%
Government	129,675	135,717	131,409	(4,307)	(3.2%)	1,735	1.3%
Mortgage	97,988	107,455	111,778	4,323	4.0%	13,790	14.1%
Corporate	84,817	95,956	96,993	1,037	1.1%	12,176	14.4%
Payroll	39,112	43,503	45,025	1,522	3.5%	5,913	15.1%
Credit Card	25,787	26,958	28,613	1,655	6.1%	2,826	11.0%
Auto Loans	12,172	13,678	14,226	548	4.0%	2,053	16.9%
Total Loans	**513,925**	**556,783**	**565,753**	**8,970**	**1.6%**	**51,828**	**10.1%**

*3Q15 figures we updated retroactively due to the reclassification of "Empuje Business Card" in the first quarter of 2016.

Subsidiary	Loans		Distressed Portfolio		Total	Total Reserves
(Million pesos)	Performing	Past-due	Performing	Past-due		
Banorte*	507,604	4,504	1,371	7,491	520,970	14,472
Arrendadora y Factoraje	23,104	51	4	122	23,280	260
INB	19,459	49	70	0	19,578	178
Sólida	1,842	57	0	25	1,925	143
Accounting Records						231
Total Loans	**552,009**	**4,661**	**1,444**	**7,638**	**565,753**	**15,284**

* Banorte's total loans include eliminations for (Ps 14,377)

Total reserves Ps 15,284 million, includes rating reserves for Ps 15,053million and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) for Ps 231 million.

GFNorte's performing, past-due and distressed portfolios in 3Q16, 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		3Q16	Var. vs 2Q16		
Government	131,409	0	0	0	131,409	653	(58)	0	0
Services*	50,846	69	253	532	51,700	795	8	67	313
Construction	39,904	46	62	4,818	44,829	2,594	(83)	47	974
Manufacturing	40,188	34	142	543	40,908	620	(3)	53	290
Commerce	37,225	63	275	1,400	38,963	1,047	(35)	177	288
Top 5 Sectors	**299,572**	**212**	**733**	**7,292**	**307,809**	**5,709**	**(172)**	**344**	
Other Sectors	39,587	17	642	346	40,592	692	(60)	46	
Mortgage	109,119	1,156	0	0	110,276	877	83	309	
Consumer	86,103	3,263	0	0	89,366	7,613	244	2,156	
INB Commercial	17,629	13	70	0	17,711	162	14	2	
Accounting Records						231			
Total Group	**552,009**	**4,661**	**1,444**	**7,638**	**565,753**	**15,284**	**109**	**2,858**	

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

Sector/Subsidiary *(Million pesos)*	Banorte*	AyF	INB	Sólida	Total Loans
Government	128,981	2,428			131,409
Services**	47,561	4,139			51,700
Construction	41,381	3,422		25	44,829
Manufacturing	33,478	7,430			40,908
Commerce	35,046	3,917			38,963
Top 5 Sectors	**286,447**	**21,337**	**0**	**25**	**307,809**
Remaining	234,523	1,944	19,578	1,899	257,944
Total Loans	**520,970**	**23,280**	**19,578**	**1,925**	**565,753**

* Banorte's total loans include eliminations for (Ps 14,377)
** Includes Financial and Real Estate services

As of 3Q16, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

	Federal Entities	Loans		Distressed		Total Loans	Total Reserves
	(Million pesos)	**Performing**	**Past-Due**	**Performing**	**Past-Due**		
1	Distrito Federal	147,627	960	741	5,264	154,593	5,377
2	Nuevo León	95,275	608	115	331	96,329	1,887
3	Estado de México	42,564	520	68	343	43,496	1,211
4	Jalisco	30,978	306	52	202	31,538	758
5	Tamaulipas	18,514	143	30	159	18,845	453
6	Coahuila	14,527	90	19	67	14,702	290
7	Sinaloa	14,373	108	26	120	14,628	288
8	Veracruz	14,027	230	32	112	14,401	440
9	Sonora	12,871	67	17	69	13,024	244
10	Chihuahua	12,683	109	16	79	12,887	290
	Top 10	**403,439**	**3,143**	**1,115**	**6,746**	**414,443**	**11,237**
	Other Federal Entities	148,571	1,519	329	892	151,310	3,815
	Accounting Records						231
	Total Loans	**552,009**	**4,661**	**1,444**	**7,638**	**565,753**	**15,284**

* Banorte's total loans include eliminations for (Ps 14,377)

As of 3Q16, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

Remaining Term	Portfolio		Distressed		Total Loans	Total Reserves
(Million pesos)	**Performing**	**Past-Due**	**Performing**	**Past-Due**		
0 - 1 years	78,046	1,716	247	5,507	85,516	7,003
1 - 5 years	95,579	433	473	1,432	97,917	2,280
5 - 10 years	88,788	177	75	209	89,248	576
> 10 years	245,191	2,178	575	344	248,288	4,613
Banorte	**507,604**	**4,504**	**1,371**	**7,491**	**520,970**	**14,472**
INB	19,459	49	70	0	19,578	178
Factoring	12,387	0	3	47	12,437	113
Leasing	10,718	50	0.34	75	10,843	147
Sólida	1,842	57	0	25	1,925	143
Accounting Records						231
Total Loans	**552,008**	**4,661**	**1,444**	**7,638**	**565,753**	**15,284**

* Banorte's total loans include eliminations for (Ps 14,377)

The total distressed portfolio is Ps 9,083 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio *(Million pesos)*	3Q16				
	Banorte	**Inter National Bank**	**Arrendadora y Factor**	**Sólida**	**GFNorte**
Initial Loan Loss Provisions	**4,147**	**14**	**71**	**15**	**4,246**
Charged to results	257	1	4	0	262
Loans' write offs	134	0	0	0	134
FX changes	1	1	0	0	2
Adjustments in Credit Risk	122	0	4	0	126
Write-offs, charge-offs and discounts	(383)	0	(4)	0	(386)
Final Loan Loss Reserves	**4,021**	**14**	**71**	**15**	**4,122**
Loan Recoveries	**62**	**3**	**0**	**0**	**65**

2.2.2 Exposure to Financial Instruments

As of September 30, 2016, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps $269,689million, 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 June 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 June 2016 has similar rating to AAA(mex) and is comprised of (average considered term, amount in million pesos and average return to annualized maturity): market and bond certificates from Pemex to 6 years and 3 months for Ps 16,040 at 4.5%; market certificates from Banco Inbursa for 1 year and 3 months for Ps 6,823 at 5.2%; and Banamex market and deposit certificates for 7 months for Ps 6,235 at 2.7%.

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

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 85,604million, of which 100% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 28% of the Capital as of June 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 June 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 10 months for Ps 1,992 at 5.9%; market certificates of PEMEX to 2 years and 1 month for Ps 1,910 at 6.2%; market certificates of HSBC México to 2 years and 2 months for Ps 1,149 at 5.4%; market certificates of Banamex to11 months for Ps 902 at 5.2%; market certificates of Scotiabank Inverlat for 1 year and 6 months for Ps 729 million at 5.3%; market certificates of Bancomer for 1 year and 6 months for Ps 623 at 5.3%; bonds of Deutsche Bank for 6 years and 8 months for Ps 541 at 9.2%; market certificates of Banco Interacciones for 3 years and 4 months for Ps 388 at 6.0%; market certificates of Banco Inbursa for 7 months for Ps 305 at 5.1%; bonds of CABEI to 2 years and 3 months for Ps 165 at 5.0%;and market certificates of Banco Monex for 1 year and 10 months for Ps 144 at 6.1%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 524 thousand, 100% of them are shares. In derivatives, its exposure is Ps 3 million with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 1,903million. The 100.0% of them are shares. Its exposure to derivatives was Ps 323 million with private counterparties.

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

Position	3Q16	3Q16 Average
Forwards	(6)	(4)
Options	82	102
Interest Rate Swaps	1,046	532
Cross Currency Swap	(11,615)	(9,903)
Total	(10,492)	(9,274)
Positive Fair Value *(Positive Fair Value)*	3,606	4,256
Netting Effect*	14,100	13,518
Delivered Guarantees(-) /Received(+)		
Cash	(11,237)	(10,532)
Securities	9.3	9.2
Total	(11,228)	(10,523)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value Futures amounting (Ps 0.52) million are not included, as do not represent counterparty risk.

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

	Potential Risk		Current Risk	
Financial Counterparties	3Q16	3Q16 Average	3Q16	3Q16 Average
FWD	0.6	2	(2.4)	(1.4)
OPTIONS	719	719	503	508
INTEREST RATE SWAP	3,718	3,555	(787)	(1,517)
CCS	462	437	(11,621)	(10,619)
Total	**3,828**	**3,818**	**(11,907)**	**(11,629)**
Clients (Non-Financial)	3Q16	3Q16 Average	3Q16	3Q16 Average
FWD	6.1	5.6	(3.6)	(2.6)
OPTIONS	22	24	(420)	(406)
INTEREST RATE SWAP	2,476	2,547	1,833	2,048
CCS	6	724	6	716
Total	**2,462**	**3,252**	**1,415**	**2,355**

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

Net Cash Outflows	3Q16	3Q16 Average
Cash Outflow with 1-notch Downgrade	0	359
Cash Outflow with 2-notch Downgrade	0	359
Cash Outflow with 3-notch Downgrade	0	415

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

Rating	3Q16	3Q16 Average
AAA/AA-	(7,851)	(7,887)
A+/A-	(2,087)	(1,951)
BBB+/BBB-	(1,875)	(1,796)
BB+/BB-	(94)	4
B+/B-	0	0
CCC/C	0	0
SC	1,415	2,355
Total	(10,492)	(9,274)

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)*	3Q16				
	Banorte	INB	Arrendadora y Factor	Sólida	GFNorte*
Total Loan Portfolio	**535,347**	**19,578**	**23,280**	**1,925**	**565,753**
Covered Loan Portfolio by type of collateral					
Real Financial Guarantees	15,431	1,028	0	0	16,458
Real Non-Financial Guarantees	277,196	17,165	5,415	25	299,802
Pari Passu	19,586	0	0	0	19,586
First Losses	25,161	0	0	0	25,161
Personal Guarantees	12,733	0	6,013	0	18,746
Total Loan Portfolio Covered	**350,107**	**18,193**	**11,428**	**25**	**379,754**

*Total Loans includes eliminations for (Ps 14,377).

2.4 Expected Loss

As of September 30, 2016, Banco Mercantil del Norte's total portfolio, excluding INB, was Ps 535,347million. The expected loss represents 2.3% and the unexpected loss is 3.4% with respect to the total portfolio. The average expected loss is 2.3% during the period July - September 2016.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 85,604 million and the expected loss represents 0.03% of the exposure. The average expected loss is 0.03% between July - September 2016.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 25,925 million. The expected loss represents 0.6% and the unexpected loss is 4.4% of the total portfolio. The average expected loss represents 0.6% during the July - September 2016 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 1,925 million. The expected loss of the portfolio represents 6.8% and the unexpected loss 9.9%, both with respect to the total portfolio. The average expected loss for the period of July - September 2016 was 6.8%.

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 June 30, 2016	**82,824**
I. Financings whose individual amounts represent more than 10% of basic equity:	
Loan Operations	
Number of financings	1
Total amount of financings	8,585
% in relation to Tier 1	10%
Money Market Operations	
Number of financings	0
Total amount of financings	0
% in relation to Tier 1	0%
Overnight Operations	
Number of financings	1
Total amount of financings	9,077
% in relation to Tier 1	11%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	**35,492**

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 ofJune 30, 2016	**4,092**
I. Financings whose individual amounts represent more than 10% of equity:	
Loan Operations	
Number of financings	4
Total amount of financings	5,333
% in relation to Equity	130%
Money Market Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
Overnight Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	**6,058**

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

Equity as of June 30, 2016	**5,084**
I. Financings whose individual amounts represent more than 10% of equity (group level):	
Loan Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
Money Market Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
Overnight Operations	
Number of financings	0
Total amount of financings	0
% in relation to Equity	0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:	**569**

3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

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

GFNorte's Market Risk Policies are:

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

3.1 Market Risk Methodology

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

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

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

3.2 Market Risk Exposure

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

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

The average VaR of the portfolio for 3Q16 was Ps 213 million (Ps 73 million lower than the average VaR for 1Q16).

The result shows that the Bank's potential loss will be above Ps 213 million in one out of a hundred days.

VaR Million Pesos	Average 3Q16
VaR Total	213
Net Capital[(1)]	90,264 [(1)]
VaR/Net Capital	0.24%

Note (1): Figures as of September 2016

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

Risk Factor Million Pesos	3Q16	Average 3Q16
IPC	4.2	7.3
Domestic Interest Rates	74.4	78.7
Foreign Interest Rates	(9.1)	(2.7)
Surcharge	10.2	12.0
FX Rate	175.2	118.0
Bank's Total VaR	**254.9**	**213.4**

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

Risk Factor	VaR 3Q16
IPC	3.4%
Domestic Interest Rates	36.0%
Foreign Interest Rates	1.2%
Surcharge	5.5%
FX Rate	53.9%

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 3Q16 is Ps 33 million.

The result shows that potential loss will be above Ps 33 million in one out of a hundred days.

VaR Million Pesos	Average 3Q16
Total VaR	33
Net Capital	1,906 (1)
VaR/Net Capital	**1.73%**

Note (1): Figures as of September 2016

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

Risk Factor *(Million Pesos)*	3Q16	Average 3Q16
IPC	0	0
Domestic Interest Rates	31.9	31.9
Surcharge	0.9	0.6
Casa de Bolsa Total VaR	**32.8**	**32.5**

Risk Market concentration factor is set in domestic interest rates.

3.2.4 Sensitivity Analysis and Stress Testing under extreme conditions

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

3.2.5 Back testing

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

4. LIQUIDITY RISK

GFNorte's Liquidity Risk objectives are:

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

GFNorte's Liquidity Risk Policies are:

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

4.1 Liquidity Risk Methodology and Exposure

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

4.2 Profile and Funding Strategy

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

Funding Source (Million Pesos)	2Q16	3Q16	Change vs. 2Q16
Demand Deposits			
Local Currency [1]	298,404	306,594	2.7%
Foreign Currency [1]	38,203	42,587	11.5%
Demand Deposits	**336,607**	**349,181**	**3.7%**
Time Deposits – Retail			
Local Currency [2]	137,386	143,069	4.1%
Foreign Currency	20,255	16,554	(18.3%)
Core Deposits	**494,248**	**508,805**	**2.9%**
Money Market			
Local Currency [3]	60,139	35,788	(40.5%)
Banking Sector Deposits	**554,387**	**544,593**	**(1.8%)**

1. Includes balance of the Global Deposits without Movement.
2. Includes eliminations among subsidiaries
3. Money Market & Time Deposits

4.3 Liquidity Coverage Ratio (LCR)

The LCR measures Liquidity Risk through the relationship between Liquid Assets and Net Cash Outflows in the next 30 days, under a regulatory stress scenario.

The LCR is an indicator designed to ensure that the institution has sufficient liquidity to meet its short term obligations, under an extreme scenario using exclusively high quality liquid assets as source of funding.

The following table presents the average evolution of LCR components in 3Q16.

	LCR Components *(Million Pesos)*	Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	81,909
CASH DISBURSEMENTS			
2	Unsecured retail financing	37,802	30,397
3	Stable financing	145,665	7,283
4	Less stable financing	231,137	23,114
5	Unsecured wholesale financing	137,896	45,450
6	Operational Deposits	90,722	19,254
7	Non-Operational Deposits	46,802	25,825
8	Unsecured debt	372	372
9	Secured wholesale financing	240,734	18,706
10	Additional Requirements:	241,747	18,599
11	Disbursements related to derivatives and other guarantee requirements	43,051	18,599
12	Disbursements related to losses from debt financing	-	-
13	Lines of credit and liquidity	-	-
14	Other contractual financing obligations	-	-
15	Other contingent financing liabilities	-	-
16	**TOTAL CASH DISBURSEMENTS**	**NA**	**113,152**
CASH INFLOWS			
17	Cash Inflows for secured operations	54,274	41,009
18	Cash Inflows for unsecured operations	12,913	1,141
19	Other Cash Inflows	3,097	1,723
20	**TOTAL CASH INFLOWS**	**70,285**	**43,873**
			Adjusted amount
21	**TOTAL COMPUTABLE LIQUID ASSETS**	**NA**	**81,909**
22	**TOTAL NET CASH DISBURSEMENTS**	**NA**	**69,279**
23	**LIQUID COVERAGE RATIO**	**NA**	**119.42%**

During 3Q16, the average LCR for the Bank and Sofomes was 119.42%, and at **the end of 3Q16 the LCR was 103.88%** the aforementioned levels are above the Risk Appetite and the regulatory minimum standards.

These results show that Banorte can meet all of its short-term obligations in a crisis scenario[1].

4.4 Evolution of LCR Components

The evolution of the LCR components comparing 2Q16 and 3Q16 is presented in the following table

LCR Component (Million Pesos)	2Q16	3Q16	Var. vs. 2Q16
Liquid Assets	79,090	81,662	3.3%
Cash Inflows	55,711	34,250	(38.52%)
Cash Outflows	115,432	112,864	(2.22%)

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 2Q16 and 3Q16 are distributed as follows:

Type of Asset (Million Pesos)	2Q16	3Q16	Var. vs. 2Q16
Total	**79,090**	**81,662**	**3.3%**
Level I	69,622	71,881	3.2%
Level II	9,468	9,781	3.3%
Level II A	8,207	8,425	2.7%
Level II B	1,261	1,356	7.5%

Liquid assets remained stable in the sequential comparison. The 3.3% slight increase is mainly as a result of growth in the level I liquid assets' base during the quarter.

4.5 LCR Result's Main Causes

Variations in the LCR between 2Q16 and 3Q16 are mainly due to the organic growth of the portfolio and a decrease in the wholesale funding.

4.6 Liquidity Risk in foreign currency

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

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

[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 3Q16, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	2Q16	3Q16	Var. vs. 2Q16
Net cash outflows at market value and for potential future exposure	2,658	3,531	32.8%
Cash outflows for a 3 notch credit rating downgrade.	627	0	(100%)

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 3,531 million.

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 3Q16 are presented in the following table.

Concept *(Million Pesos)*	2Q16	3Q16	Var. vs. 2Q16
Cumulative 30 day Gap	(55,434)	(71,893)	29.7%
Liquid Assets	79,355	81,662	2.9%

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

4.9 Stress Testing under liquidity extreme conditions

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

4.10 Contingency Funding Plan

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

4.11 Interest Rate Risk

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

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

In the table below, the effect on net interest income of a movement of 100 basis points over the rates is shown.

(Million Pesos)	2Q16	3Q16	Var. vs. 2Q16
Margin Sensitivity	983	1,066	8.44%

4.12 Subsidiaries

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

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofomes at the end of 3Q16.

Liquidity Ratio *(Million Pesos)*	**Casa de Bolsa Banorte Ixe**	**Arrendadora y Factor**	**Sólida**
Cumulative 30 days Gap	981	(3,848)	(5,124)
Liquid assets	1,847	23	40

5. OPERATIONAL RISK

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

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

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

5.1 Policies, Objectives and Guidelines

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

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

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

5.2 Quantitative and Qualitative Measuring Tools

5.2.1 Operational Losses Database

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

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

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

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

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

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

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

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

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

5.2.2 Legal and Fiscal Contingencies Database

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

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

5.3 Risk Management Model

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

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

5.4. Required Capital Calculation

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

5.5. Information and Reporting

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

5.6 Technological Risk

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

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

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

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

5.7 Legal risk

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

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

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

6. SECURITIZATIONS EXECUTED BY GFNORTE

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

GFNorte has accomplished the following securitizations:

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

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

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

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

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

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

Particularly in Trusts 374 and 477, operations with derivatives are carried out, specifically swaps, in order to reduce exposure to exchange rate and interest rate risks. The Institution assumes the counterparty risk generated by these operations, however these operations are only carried out with institutions of recognized solvency. The Trust's policy is to only carry out derivative instrument operations for the sole purpose of coverage, never for speculation.

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

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

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

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

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

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

Securitization *(Million pesos)*	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNORTCB_07	-	-	-	-	-	-
91_BNTECB_07	50,763,776	2,009	500,000	20	51,263,776	2,029
91_BNTECB_07-2	563,059	18	-	-	563,059	18
97_BNORCB_06	4,938,137	33	500,000	3	5,438,137	37
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_BNORTCB_07	19,756,030	0.0%	0.0%	0.0%	100.0%
91_BNTECB_07	52,313,776	97.0%	1.0%	98.0%	2.0%
91_BNTECB_07-2	1,113,059	50.6%	0.0%	50.6%	49.4%
97_BNORCB_06	19,853,820	24.9%	2.5%	27.4%	72.6%
97_BNORCB_06-2	620,431	92.8%	0.0%	92.8%	7.2%
97_FCASACB_06U	1,351,386	0.0%	0.0%	0.0%	100.0%

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

Securitization	Standard & Poor's		Fitch Ratings		Moody's		HR Ratings	
	Local	Global	Local	Global	Local	Global		
91_BNORTCB_07			AAA (mex)		Aa2.mx	Baa2		
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)					

On July 28, the rating agency HR Ratings assigned long-term ratings to the issuance of trust market certificates with ticker BNTECB 07 and BNTECB 07-2, both with stable outlook.

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

Securitization *(Million pesos)*	Amount		
	Performing	Past-Due	Total
91_BNORTCB_07*	$ 2,410	-	$ 2,410
91_BNTECB_07	$ 2,976	-	$ 2,976
91_BNTECB_07-2		-	
97_BNORCB_06	$ 152	$ 101	$ 253
97_BNORCB_06-2			
97_FCASACB_06U	$ 131	$ 142	$ 272

*Figures correspond to securities valuation of trust securitizations.

There are no impaired assets in any of the securitizations.

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

Concept *(Million Pesos)*	Balance	Capital Requirement
Securitizations with Risk Level 1 (weighted 20%)	33	1
Securitizations with Risk Level 2 (weighted 50%)	2,027	81
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. Securitization trust 374 was early matured in October this year because an extraordinary event was presented, which consisted of the early amortization of government securities known as UMS 5.625% Global Notes due 2017 on September 9, 2016, which represented 100% of assets of the trust 374. Due to this event, the Assembly of Security Certificate Holders BNORTCB 07 agreed to terminate the issue at the next payment date on October 3, 2016. 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:

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

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

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

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

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

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

7. POSITION IN SHARES:

At the end of September 2016, Banco Mercantil del Norte held shares amounting to Ps 4,288 million, with gains of Ps 202 million.

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

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

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 3Q16	Gains / Losses 3Q16	Acumm.. Profit / Loss 2Q16-3Q16
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	633	70	10
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,392	25	38
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	33	(13)	0
Banorte	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	110	16	0
Banorte	Public	Securities Available for Sale	Subject to Credit Risk Requirement	120	104	0
			Total	**4,288**	**202**	**48**

In September 2016, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 438 million with a positive valuation of Ps 204 million.

During the quarter, losses were recorded for Ps 820,273 thousand from sales and settlements.

For the purpose of estimating Capitalization Ratio, investments that are deducted from the Net Capital are not included. For securities available for sale, the capital requirement for Market risk was Ps 2 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 3Q16	Gains / Losses 3Q16	Acumm. Profit / Loss 2Q16-3Q16
Casa de Bolsa Banorte-Ixe	Public	Negotiable Securities	Subject to Market Risk Requirement	438	204	(0.8)
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	**438**	**204**	**(0.8)**

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

A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
B. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
C. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
D. The Supervisory Authorities' requirements have been addressed, the ordinary inspection visits were attended and the information required by the external regulations has been submitted.
E. Through Process and Management Controllers, various business and support processes that make up the operation in GFNorte are monitored, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
F. Various activities in terms of accounting internal control were carried out, according to the work plan developed at the beginning of the year.
G. Effectivity tests related to the Continuity Business Plan were carried out.
H. Requests regarding internal control subjects from diverse internal departments were handled, to the development of new institutional projects, as well as those derived from changes to the Regulation.

FINANCIAL SITUATION AND LIQUIDITY

- **Treasury Policy**

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

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

- **Internal and External Liquidity Sources**

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

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

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

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

- **Dividend Policy**

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

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

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

- **Related Parties Loans**

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

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

Lender	Sep-2016	% Basic Equity	Jun-2016	% Basic Equity
Banorte	Ps 8.47	10.2%	Ps 8.69	11.5%

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

Banorte.

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.

As of **June 30, 2016**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 8.69 billion (including Ps 987 million in — Credit Letters "CC", which are registered in memorandum accounts), representing 1.6% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 7.44 billion were loans granted to clients linked to members of the Board of Directors and Ps 1.25 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of June 2016 was 11.5% of the basic part of the equity.

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

- **Loan or tax liabilities**

The tax credits listed below are currently in litigation:

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

Million pesos

- **People in Charge**

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation. Furthermore, we express that we are no aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors.

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

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

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

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

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

Basis for submitting and presenting Financial Statements

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

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

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

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