

3Q17

Financial Results as of September 30, 2017

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GFNORTE



OTC **QX**

GBOOY



XNOR

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I. Summary

GFNorte reports Net Income of Ps 17.43 billion in 9M17, up 24% 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, 2017. The main highlights include:

- The **third quarter of 2017** shows an excellent **sequential growth of +9% with Net Income of Ps 6.22 billion**. Key indicators continue to achieve improved performance: **NIM at 5.5%** from 5.4% with NPL ratio stable at 1.8%; profitability and efficiency stand out: **ROE increased to 18.0%** from 16.4%; **ROA to 1.95%** from 1.81%, the **Efficiency Ratio improved to 40.5%** from 41.9%. While **provisions** for credit risks dropped **(3%) sequentially**.
- In the **first nine months of the year**, GFNorte's Net Income stood at **Ps 17.43 billion**, with robust YoY growth across most subsidiaries: **Bank +36%, Brokerage +26%, Annuities +33% and Insurance +5%**.
- Key financial indicators and YoY changes are strong in 9M17: **MIN increases to 5.5%** from 4.8%, **NPL ratio to 1.8%** from 2.2%, **Coverage Ratio to 147%** from 123%, **Efficiency Ratio improved by 2.8pp to 42.3%**, **ROE increased +281bp to 16.6%** from 13.8% and **ROA increased +26bp to 1.83%**
- Net Interest Income (**NII**) in **9M17** increased **+19%** while **provisions** increased **+12%** versus the same period in 2016.
- **Net Fees** increased **+14%** YoY, while **Trading Income** grew annually **+21%** and **expenses** increased a modest **+10%** YoY. In summary, **Operating Income** of Ps 23.18 billion pesos in 9M17, was **+28% higher than the same period of last year**.
- **Performing Loans** increased **+13% YoY**, from a strong third quarter practically in all of its components: **the commercial portfolio up +12% YoY; the corporate book +15%; the consumer portfolio grew +21%** vs. 1Q16 (Mortgage +19%, Auto +28%, Credit Card +22%, Payroll loans +20%). While non-Performing Loans declined (10%) YoY.
- **Total Deposits** increased **+12%** in the year: **Demand Deposits +8%** and **Time Deposits +21%**.
- **Capital ratios remain solid, at 17.6%** while the leverage ratio stood at 8.8%.

Income Statement Highlights - GFNorte (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Net Interest Income	13,400	15,289	15,883	4%	19%	39,163	46,727	19%
Non Interest Income	4,384	4,599	4,531	(1%)	3%	11,949	13,058	9%
Total Income	17,785	19,889	20,414	3%	15%	51,112	59,784	17%
Non Interest Expense	7,954	8,337	8,260	(1%)	4%	23,040	25,262	10%
Provisions	3,277	4,058	3,927	(3%)	20%	10,024	11,252	12%
Operating Income	6,553	7,494	8,227	10%	26%	18,048	23,270	29%
Taxes	1,902	2,074	2,218	7%	17%	4,957	6,572	33%
Subsidiaries & Minority Interest	281	255	202	(21%)	(28%)	798	641	(20%)
Discontinued Operations	44	6	8	39%	(82%)	175	87	(50%)
Net Income	4,976	5,680	6,219	9%	25%	14,064	17,426	24%

Balance Sheet Highlights - GFNorte (Million Pesos)			Change	
3Q16	2Q17	3Q17	2Q17	3Q16
Asset Under Management	2,272,760	2,352,407	2,418,155	3% 6%
Performing Loans (a)	533,925	593,997	601,602	1% 13%
Past Due Loans (b)	12,250	10,818	11,053	2% (10%)
Total Loans (a+b)	546,175	604,815	612,656	1% 12%
Total Loans Net (d)	531,071	588,696	596,451	1% 12%
Acquired Collection Rights (e)	2,223	1,986	2,593	31% 17%
Total Credit Portfolio (d+e)	533,294	590,682	599,044	1% 12%
Total Assets	1,190,937	1,265,675	1,295,121	2% 9%
Total Deposits	544,685	613,142	623,976	2% 15%
Total Liabilities	1,051,519	1,129,036	1,152,133	2% 10%
Equity	139,418	136,639	142,988	5% 3%

Financial Ratios GFNorte	3Q16	2Q17	3Q17	9M16	9M17
Profitability:					
NIM (1)	5.0%	5.4%	5.5%	4.8%	5.5%
ROE (2)	14.6%	16.4%	18.0%	13.8%	16.6%
ROA (3)	1.7%	1.8%	1.9%	1.57%	1.83%
Operation:					
Efficiency Ratio (4)	44.7%	41.9%	40.5%	45.1%	42.3%
Operating Efficiency Ratio (5)	2.6%	2.7%	2.6%	2.6%	2.7%
CCL for Banorte and SOFOM - Basel III (6)	119.4%	91.5%	109.7%	119.4%	109.7%
Asset Quality:					
Past Due Loan Ratio	2.2%	1.8%	1.8%	2.2%	1.8%
Coverage Ratio	123.3%	149.0%	146.6%	123.3%	146.6%
Cost of Risk	2.5%	2.8%	2.6%	2.6%	2.6%
Market References					
Banxico Reference Rate	4.75%	7.00%	7.00%	4.75%	7.00%
TIIE 28 days (Average)	4.59%	7.02%	7.37%	4.15%	6.93%
Exchange Rate Peso/Dolar	19.38	18.06	18.16	18.36	18.34

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

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

Subsidiaries Net Income (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Banco Mercantil del Norte	3,645	4,116	4,904	19%	35%	9,774	13,249	36%
Banorte- Ixe-Broker Dealer	117	167	147	(12%)	26%	434	545	26%
Operadora de Fondos Banorte-Ixe	62	68	73	7%	18%	175	197	12%
Retirement Funds - Afore XXI Banorte	349	310	301	(3%)	(14%)	972	973	0%
Insurance	603	674	609	(10%)	1%	2,065	2,169	5%
Annuities	137	190	179	(6%)	30%	408	542	33%
Leasing and Factoring	176	178	192	8%	9%	487	552	13%
Warehousing	8	14	7	(49%)	(16%)	22	28	26%
Sólida Administradora de Portafolios	(93)	(103)	(185)	(80%)	(98%)	(349)	(919)	(163%)
G. F. Banorte (Holding)	(28)	66	(7)	(111%)	(74%)	75	89	19%
Total Net Income	4,976	5,680	6,219	9%	25%	14,064	17,426	24%

Share Data	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Earnings per share (Pesos)	1.794	2.048	2.242	9%	25%	5.071	6.283	24%
Earnings per share Basic (Pesos)	1.806	2.068	2.266	10%	25%	5.103	6.342	24%
Dividend per Share (Pesos) (1)	1.69	4.05	0.00	(100%)	(100%)	2.61	5.28	103%
Dividend Payout (Recurring Net Income)	38.2%	40.0%	0.0%	(100%)	(100%)	36.5%	40.0%	10%
Book Value per Share (Pesos)	49.56	48.59	50.87	5%	3%	49.56	50.87	3%
Issued Shares (Million)	2,773.7	2,773.7	2,773.7	0%	0%	2,773.7	2,773.7	0%
Stock Price (Pesos)	101.68	115.39	125.58	9%	24%	101.68	125.58	24%
P/BV (Times)	2.05	2.37	2.47	4%	20%	2.05	2.47	20%
Market Capitalization (Million Dollars)	14,555	17,720	19,182	8%	32%	14,555	19,182	32%
Market Capitalization (Million Pesos)	282,033	320,061	348,325	9%	24%	282,033	348,325	24%

1) Excluding Minority Interest.

Stock Performance



II. Management's Discussion & Analysis

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

Grupo Financiero Banorte

Net Interest Income

Net Interest Income (NII) (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change
				2Q17	3Q16			9M16
Interest Income	18,664	24,615	25,852	5%	39%	52,863	73,688	39%
Interest Expense	6,804	10,985	11,661	6%	71%	19,014	32,424	71%
Loan Origination Fees	301	295	296	1%	(1%)	901	873	(3%)
Fees Paid	123	167	174	4%	41%	337	485	44%
NII excluding Insurance and Annuities Co.	12,038	13,758	14,314	4%	19%	34,413	41,653	21%
Premium Income (Net)	4,210	6,507	5,156	(21%)	22%	16,462	19,447	18%
Technical Reserves	994	2,654	1,482	(44%)	49%	5,822	9,680	66%
Damages, Claims and Other Obligations	3,248	3,645	4,110	13%	27%	9,383	11,060	18%
Technical Results	(32)	208	(436)	N.A.	N.A.	1,258	(1,294)	N.A.
Interest Income (Expenses) net	1,395	1,324	2,004	51%	44%	3,493	6,367	82%
Insurance and Annuities NII	1,363	1,532	1,568	2%	15%	4,750	5,073	7%
GFNORTE's NII	13,400	15,289	15,883	4%	19%	39,163	46,727	19%
Credit Provisions	3,277	4,058	3,927	(3%)	20%	10,024	11,252	12%
NII Adjusted for Credit Risk	10,123	11,231	11,956	6%	18%	29,139	35,474	22%
Average Earning Assets	1,080,279	1,132,946	1,157,432	2%	7%	1,077,560	1,141,763	6%
Net Interest Margin (1)	5.0%	5.4%	5.5%			4.8%	5.5%	
NIM after Provisions (2)	3.7%	4.0%	4.1%			3.6%	4.1%	
NIM adjusted w/o Insurance & Annuities	4.8%	5.3%	5.4%			4.6%	5.3%	
NIM from loan portfolio (3)	8.2%	8.5%	8.5%			8.0%	8.4%	

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

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

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

Net Interest Income (NII) excluding Insurance and Annuities: amounted to Ps 41.65 billion in the first nine months of 2017, +21% higher vs. 9M16, driven by the positive combination of the balance sheet re-pricing on the progressive interest rate hikes of +400bp that Banxico has carried out since December 2015; and the growth in the loan portfolio with a larger share of consumer loans. NII from loans and deposits grew +19%, while NII from investments in securities and repos increased +50% during the period. .

In 3Q17 Net Interest Income (NII) excluding Insurance and Annuities totaled Ps 14.31 billion, accelerating its quarterly growth to 4% (vs. +1% registered in 2Q17), and above the growth in the loan book; driven by a +3% QoQ growth in NII from loans and a +5% increase in NII from investments in securities and repos.

Insurance and Annuities NII: In 9M17 totaled Ps 5.07 billion, +7% higher YoY. It is worth noting that NII of the insurance company in 2016 includes a one-time effect of Ps 565 million related to the accounting changes implemented from the Solvency II regulation. Adjusting for this effect, Insurance and Annuities NII grew +21% vs. 9M16.

Moreover, **in the third quarter of 2017 Insurance and Annuities NII amounted to Ps 1.57 billion, +2% above sequentially** (favorably compared vs. the -22% decline registered in 2Q17) benefited by reserves release in Seguros Banorte related to the strong premium renewal activity registered in the first quarter of the year. The UDI (investment units) valuation result registered at Pensiones Banorte was Ps 865 million in 3Q17, in contrast to Ps 278 billion registered in 2Q17.

Technical Results: in the first nine months of 2017 were (Ps 1.29) billion, unfavorably compared YoY due to a +66% hike in reserve requirements and a +18% growth in Damages & Claims. **In 3Q17 the Technical Results also decreased to (Ps 436) million**, impacted by lower premium income and higher damages & claims.

Interest Income (Expenses) Net: rose +Ps 2.88 billion vs. 9M16 and +Ps 680 million on the quarterly comparison, mainly on a higher UDI valuation at the annuities company (+Ps 2.37 billion YoY and + Ps 587 millions vs. 2Q17)

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

In 9M17 GFNorte's Net Interest Income (NII) rose to Ps 46.73 billion, increasing +19% YoY **and to Ps 15.88 billion in 3Q17**, +4% higher sequentially. Both cases, compare favorably in practically all lines, although it is worth mentioning the benefit coming from the inflation factor at Pensiones Banorte in the QoQ comparison.

The Net Interest Margin (NIM) was 5.5% for the accumulated and the third quarter of 2017, up +61bp YoY and +9pb QoQ given a better mix in the loan book and the benefit of rising market rates on the re-pricing of the balance sheet.

Loan Loss Provisions

Loan Loss Provisions totaled Ps 11.52 billion during the first nine months of 2017, +12% higher vs. 9M16. **In 3Q17 amounted to Ps 3.93 billion**, (3%) below on a sequential basis.

The annual increase vs. 9M16 is explained mainly by higher requirements in the portfolios with the most dynamic growth (credit card and payroll) despite declining provisions related to mortgages. Furthermore, the sequential decrease came from lower provision requirements in the wholesale portfolios.

Provisions represented 24.1% of Net Interest Income in 9M17 and 24.7% in 3Q17, decreasing by (1.5 pp) vs. 9M16 and (1.8 pp) sequentially.

Additionally, **accumulated and quarterly Provisions accounted for 2.6% of the average loan portfolio**, rising +2bp vs. 9M16 but decreasing (16bp) sequentially.

Non-Interest Income

Non-Interest Income (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Fees on Services	2,738	2,985	3,083	3%	13%	7,578	8,640	14%
Trading	713	961	628	(35%)	(12%)	1,918	2,326	21%
Other Operating Income (Expenses)	934	653	820	26%	(12%)	2,454	2,092	(15%)
Non-Interest Income	4,384	4,599	4,531	(1%)	3%	11,949	13,058	9%

Non-Interest Income rose to Ps 13.06 billion in 9M17, +9% higher YoY, Service Fees explained almost two thirds of this positive performance. Furthermore, in 3Q17 Non-Interest Income totaled Ps 4.53 billion, lower by (1%) sequentially on lower Trading income mainly.

Service Fees

Service Fees (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Fund Transfers	334	390	350	(10%)	5%	920	1,109	21%
Account Management Fees	505	624	647	4%	28%	1,478	1,867	26%
Electronic Banking Services	1,444	1,709	1,653	(3%)	14%	4,180	5,001	20%
Basic Banking Services Fees	2,284	2,723	2,651	(3%)	16%	6,578	7,977	21%
For Commercial and Mortgage Loans *	193	198	225	14%	17%	565	517	(9%)
For Consumer Loans	925	1,055	1,096	4%	18%	2,542	3,150	24%
Fiduciary	73	101	97	(5%)	32%	240	289	21%
Income from Real Estate Portfolios	38	17	43	145%	14%	89	67	(25%)
Mutual Funds	298	329	360	10%	21%	862	971	13%
Trading & Financial Advisory Fees	130	167	305	83%	136%	380	587	54%
Other Fees Charged (1) *	244	205	263	28%	8%	685	732	7%
Fees Charged on Services	4,184	4,795	5,040	5%	20%	11,941	14,290	20%
Interchange Fees	613	762	739	(3%)	21%	1,799	2,224	24%
Insurance Fees	279	269	384	43%	37%	1,011	1,032	2%
Other Fees Paid	554	779	833	7%	50%	1,553	2,395	54%
Fees Paid on Services	1,447	1,810	1,957	8%	35%	4,364	5,651	29%
Service Fees	2,738	2,985	3,083	3%	13%	7,578	8,640	14%

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

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

During 9M17 Service Fees rose to Ps 8.64 billion, +14% higher year over year:

- driven mainly by the +21% increase in Core Banking Services fees supported by larger transaction volume, +24% higher fees related to Consumer Loans, +54% growth in Trading and Financial Advisory fees and +13% increase in those coming from Mutual Funds;
- in contrast, the increase in Fees Charged comes from Loan Placements and Debt Issuance (+Ps 592 million), Interchange fees (+Ps 425 million) and Third Party Correspondents (+Ps 207 million).

In 3Q17 Service Fees were Ps 3.08 billion, up +3% QoQ:

- driven by a +83% increase in Trading and Financial Advisory fees, +5% in Consumer, Commercial and Mortgage loans and +10% in Mutual Funds;
- Insurance fees were up +43% mainly related to acquisition costs on premiums written in 2Q17; and, the seasonal (3%) decline in Core Banking Services fees.

Trading

Trading Income (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Currency and Metals	8	(15)	22	N.A.	186%	46	(145)	N.A.
Derivatives	554	(56)	357	N.A.	(36%)	413	106	(74%)
Negotiable Instruments	(575)	56	(153)	N.A.	(73%)	(47)	(71)	52%
Valuation	(14)	(15)	225	N.A.	N.A.	413	(109)	(126%)
Currency and Metals	454	523	234	(55%)	(49%)	1,074	1,277	19%
Derivatives	62	73	(28)	(139%)	(145%)	(28)	326	N.A.
Negotiable Instruments	210	381	197	(48%)	(6%)	459	833	82%
Trading	726	977	402	(59%)	(45%)	1,505	2,435	62%
Trading Income	713	961	628	(35%)	(12%)	1,918	2,326	21%

During 9M17 Trading Income rose +21% reaching Ps 2.33 billion, driven by trading and clients' transactions, which offset mark-to-market losses.

Trading income was Ps 628 million in the third quarter of 2017, (35%) below 2Q17. As opposed to the accumulated trend, the QoQ comparison is impacted by the negative performance in all the trading lines and does not reflect the significative recovery in valuation.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Loan Recovery	403	462	463	0%	15%	1,116	1,337	20%
Loan Portfolios	44	46	38	(18%)	(13%)	143	126	(12%)
Income from foreclosed assets	(35)	(273)	255	N.A.	N.A.	69	4	(95%)
Provisions Release	28	86	108	27%	N.A.	353	358	1%
Losses and Estimates	(127)	(422)	(340)	19%	168%	(787)	(1,060)	35%
Impairment of Assets	(17)	(10)	(189)	N.A.	N.A.	(242)	(627)	159%
Lease Income	97	105	106	1%	10%	244	322	32%
From Insurance	248	213	189	(11%)	(24%)	743	635	(15%)
Others	294	446	190	(57%)	(35%)	815	997	22%
Other Operating Income (Expenses)	934	653	820	26%	(12%)	2,454	2,092	(15%)

During the first nine months of 2017 Other Operating Income (Expenses) stood at Ps 2.09 billion, (15%) down YoY, explained mainly by i) a (Ps 627) million charge to adjust the value of investment projects, ii) additional +273 million in losses and estimates, and iii) a (15%) reduction in Other Operating Income from Insurance.

Compared to 2Q17, increased +26% to Ps 820 million in the third quarter of 2017, mainly revenue from sales of foreclosed assets (+Ps 528 million) and a (Ps 82) million decrease in losses and estimates.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Personnel	3,382	3,285	3,206	(2%)	(5%)	9,519	10,002	5%
Professional Fees	554	712	771	8%	39%	1,602	2,051	28%
Administrative and Promotional	1,823	1,954	1,859	(5%)	2%	5,392	5,835	8%
Rents, Depreciation & Amortization	1,203	1,274	1,233	(3%)	2%	3,435	3,813	11%
Taxes other than income tax & non deductible expenses	315	374	422	13%	34%	1,084	1,320	22%
Contributions to IPAB	580	636	668	5%	15%	1,718	1,938	13%
Employee Profit Sharing (PTU)	97	101	101	(1%)	4%	290	303	4%
Non-Interest Expense	7,954	8,337	8,260	(1%)	4%	23,040	25,262	10%

In the accumulated of 2017 Non-Interest Expense totaled Ps 25.26 billion, +10% above 9M16 as result of a generalized increase in all lines, mostly explained by the following changes:

- +5% in Personnel Expenses related to wage increases and provisions for variable compensation;
- +28% in Professional Fees linked to both, business and technological projects;

- +8% in Administrative and Promotional Expenses on higher expenses related to increased transaction volume in banking services, updated prices of general services and annual equipment maintenance; and
- +11% in Rents, Depreciations and Amortizations due to higher amortizations of IT projects, software maintenance and renewal of rent agreements.

It is worth noting that out of the four lines formerly mentioned, except for Professional Fees, all the lines decelerated its growth in the accumulated trend.

In 3Q17, Non-Interest Expense declined (Ps 78) million to **Ps 8.26 billion**, driven by the reduction in Administrative and Promotional Expenses (-Ps 96 million), Personnel Expenses (-Ps 79 million) and Rents, Depreciations and Amortizations (-Ps 41 million).

The Efficiency Ratio improves continuously: in 9M17 decreased to 42.3%, down by (282bp) on an annual basis, as result of positive operating leverage; while **in the third quarter stood at 40.5%**, (146bp) below 2Q17, benefited by the Non-Interest Expense reduction.

Net Income

Net Income (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Operating Income	6,553	7,494	8,227	10%	26%	18,048	23,270	29%
Subsidiaries' Net Income	353	335	291	(13%)	(18%)	990	889	(10%)
Pre-Tax Income	6,906	7,828	8,519	9%	23%	19,038	24,159	27%
Taxes	1,902	2,074	2,218	7%	17%	4,957	6,572	33%
Discontinued Operations	44	6	8	39%	(82%)	175	87	(50%)
Minority Interest	(72)	(80)	(90)	13%	25%	(192)	(248)	29%
Net Income	4,976	5,680	6,219	9%	25%	14,064	17,426	24%

In 9M17 Net Income from Subsidiaries amounted to Ps 889 million, comprising Ps 973 million from Afore XXI Banorte's results and a (Ps 132) million loss in Solida's investments; **in the third quarter of 2017 this line stood at Ps 291 million**, (13%) lower on a sequential basis, derived from the (Ps 9) million decline in Afore XXI Banorte's net income and a (Ps 11) million loss in Solida's investments.

Accumulated taxes totaled Ps 6.57 billion, +33% up vs. 9M16, as result of both a higher taxable base and a rise in deferred taxes; while **in 3Q17 amounted to Ps 2.22 billion**, +7% higher QoQ. **The effective tax rate in 9M17 stood at 27.2%**, +96bp above the same period a year ago and **in 3Q17 was 26.0%**, favorably compared as it declined (46bp) sequentially.

GFNorte reported Net Income of Ps 17.43 billion in 9M17 (+24% YoY), with robust annual growth across most subsidiaries: Bank +36%, Brokerage +26%, Annuities +33% and Insurance +5%.

Key financial indicators and YoY changes are strong in 9M17: **MIN increases to 5.5%** from 4.8%, **NPL ratio to 1.8%** from 2.2%, **Coverage Ratio to 147%** from 123%, **Efficiency Ratio improved by 2.8pp to 42.3%**, **ROE increased +281bp to 16.6%** from 13.8% and **ROA increased +26bp to 1.83%**.

The **third quarter of 2017** shows an excellent **sequential growth of +9%** with **Net Income of Ps 6.22 billion**. Key indicators continue to achieve improved performance: **NIM at 5.5%** from 5.4% with **NPL ratio stable at 1.8%**; profitability and efficiency stand out: **ROE increased to 18.0%** from 16.4%; **ROA to 1.95%** from 1.81%, the **Efficiency Ratio improved to 40.5%** from 41.9%.

Profitability

	3Q16	2Q17	3Q17
ROE	14.6%	16.4%	18.0%
Goodwill & Intangibles (billion pesos)	23.8	25.5	25.8
Average Tangible Equity (billion pesos)	110.6	113.4	113.9
ROTE	17.6%	20.1%	22.2%

Accumulated ROE accelerated its YoY growth by +281bp to reach **16.6%** and by +160bp on a sequential basis to stand at **18.0% in 3Q17**. In both cases, the ratio was favored the growth in earnings.

Return on Tangible Capital (ROTE) was **22.2% in 3Q17**, up by +456bp vs. the same period a year ago and +203bp higher on a sequential basis.

	3Q16	2Q17	3Q17
ROA	1.7%	1.8%	1.9%
Average Risk Weighted Assets (billion pesos)	582.7	621.5	624.5
RRWA	3.3%	3.4%	3.6%

ROA for the 9M17 stood at 1.8%, +26bp higher vs. 9M16; while **in 3Q17 was 1.9%**, up by +13bp QoQ. **Return on Risk-Weighted Assets was 3.6%**, +18bp higher QoQ and +37bp YoY, respectively.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Core Tier 1	79,067	77,392	79,522	2.8%	0.6%
Tier 1 Capital	82,898	79,559	98,044	23.2%	18.3%
Tier 2 Capital	7,366	12,221	12,362	1.2%	67.8%
Net Capital	90,264	91,780	110,406	20.3%	22.3%
Credit Risk Assets	454,799	503,729	507,277	0.7%	11.5%
Net Capital / Credit Risk Assets	19.8%	18.2%	21.8%	3.5 pp	1.9 pp
Total Risk Assets	614,651	608,847	626,374	2.9%	1.9%
Core Tier 1	12.86%	12.71%	12.70%	(0.0 pp)	(0.2 pp)
Tier 1	13.49%	13.07%	15.65%	2.6 pp	2.2 pp
Tier 2	1.20%	2.01%	1.97%	(0.0 pp)	0.8 pp
Capitalization Ratio	14.69%	15.07%	17.63%	2.6 pp	2.9 pp

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

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

In April 2017, Banorte was confirmed as Level II - Domestic Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, the **minimum Capitalization Ratio required for Banorte amounts to 10.73% as of September 2017** (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

At the end of 3Q17 the estimated Capitalization Ratio (CR) for Banorte was 17.63% considering credit, market and operational risk; and, 21.76% if only credit risks are considered.

The Capitalization Ratio increased +2.55 pp vs. 2Q17, as follows:

1.	Profits for 3Q17	+ 0.80 pp
2.	Subordinated Notes	+ 2.63 pp
3.	Valuation of Financial Instruments	+ 0.07 pp
4.	Investment in Subsidiaries and Intangibles	- 0.02 pp
5.	Other Capital Effects	- 0.02 pp
6.	Growth in risk assets	- 0.43 pp
7..	Dividend	- 0.49 pp

The Capitalization Ratio rose +2.94 pp vs. 3Q16, as follows:

1.	Profit growth for the period	+ 3.76 pp
2.	Subordinated Notes	+ 3.14 pp
3.	Valuation of Financial Instruments	+ 0.01 pp
4.	Investment in Subsidiaries and Intangibles	- 0.21 pp
5.	Growth in risk assets	- 0.28 pp
6.	Other Capital Effects	- 0.32 pp
7.	Dividends of the period	- 3.16 pp

Leverage Ratio (Banco Mercantil del Norte)

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

Leverage <i>(Million Pesos)</i>	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Tier 1 Capital	82,898	79,559	98,044	23.2%	18.3%
Adjusted Assets	978,928	1,063,240	1,114,377	4.8%	13.8%
Leverage Ratio	8.47%	7.48%	8.80%	1.3 pp	0.3 pp

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

Deposits

Deposits (Million Pesos)	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Non-Interest Bearing Demand Deposits	185,798	215,069	217,796	1%	17%
Interest Bearing Demand Deposits	164,570	154,225	160,549	4%	(2%)
Total Demand Deposits	350,368	369,295	378,345	2%	8%
Time Deposits – Retail	159,623	181,614	192,938	6%	21%
Core Deposits	509,991	550,909	571,284	4%	12%
Money Market	35,767	63,716	54,394	(15%)	52%
Total Bank Deposits	545,759	614,625	625,678	2%	15%
GFNorte's Total Deposits	544,685	613,142	623,976	2%	15%
Third Party Deposits	199,010	151,556	166,323	10%	(16%)
Total Assets Under Management	744,769	766,180	792,002	3%	6%

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

Banorte's Total Deposits amounted to Ps 625.68 billion, a +15% annual variation, coming from good growth in non-interest bearing demand deposits and an outstanding performance in time deposits, along with the continuous strategy to maintain low funding costs. In this period, **client's deposits grew +12% YoY. In the quarter, total deposits increased +Ps 11.05 billion led by an expansion in time deposits. Total Assets under Management grew +6% yearly.**

Loans

Performing Loan Portfolio (Million Pesos)	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Commercial*	116,184	129,783	130,263	0%	12%
Consumer*	193,293	222,603	233,230	5%	21%
Corporate	92,940	107,107	106,573	(0%)	15%
Government	131,409	134,423	131,460	(2%)	0%
Sub Total	533,826	593,916	601,526	1%	13%
Recovery Bank	99	81	76	(5%)	(23%)
Total	533,925	593,997	601,602	1%	13%

Performing Consumer Loan Portfolio (Million Pesos)	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Mortgages	108,859	124,126	130,008	5%	19%
Car Loans	14,036	16,809	17,954	7%	28%
Credit Card*	26,994	31,560	33,042	5%	22%
Payroll	43,405	50,108	52,225	4%	20%
Consumer Loans	193,293	222,603	233,230	5%	21%

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

Total Performing Loans increased +13% YoY for an ending balance of Ps 601.60 billion in 3Q17. The group achieved outstanding annual growth +21% in the consumer book: auto loans +28%, credit cards +22%, payroll loans +20% and mortgage +19%. These results continue to show advances in the alignment of products and segments to provide the right product offer to our customers. During the quarter, there was a strong loan growth in all segments.

- **Mortgages:** up +19% YoY, with an ending **balance of Ps 130.01 billion as of 3Q17**. During the quarter the portfolio grew Ps 5.88 billion or +5% on higher origination in all products comprising this segment. As of August 2017, Banorte had a 18.2% market share in mortgage balances, ranking second in the system, and growing way above its main peers.
- **Car Loans:** In **3Q17**, the portfolio increased +28% YoY and +7% QoQ, totaling **Ps 17.95 billion**, on the successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of August 2017, Banorte's market share was 15.7%, and maintained the best annual performance in the banking industry.
- **Credit Cards:** Outstanding performance of the book, with an **ending balance of Ps 33.04 billion**, up +22% YoY and +5% QoQ, consolidating the strong growth pace seen since last year, both comparatives, on the back of active portfolio management and continued commercial campaigns. As of August 2017, Banorte held a 9.2% market share in credit card balances, ranking fourth in the banking system and leading growth among its main peers.
- **Payroll Loans:** Showed a good increase of +20% YoY and +4% QoQ, **reaching a balance of Ps 52.23 billion**, driven by higher credit penetration on a larger base of payroll account holders. Banorte holds a market share in payroll loans of 20.3% as of August 2017, ranking third in the system.
- **Commercial Book:** accelerated growth with an **ending balance of Ps 130.26 billion**, +Ps 14.08 billion or +12% higher YoY. As of August 2017, the market share in commercial loans (including the corporate book according to the CNBV's classification) was 9.9%, ranking fourth in the system.

GFNorte's SME performing portfolio amounted to Ps 32.83 billion, +11% higher YoY on higher loan origination. The NPL ratio in this portfolio remained stable.

SMEs Portfolio Evolution (million pesos)

	3Q16	2Q17	3Q17
Performing Portfolio	\$29,690	\$32,507	\$32,830
% of Performing Commercial Portfolio	25.6%	25.0%	25.2%
% of Total Performing Portfolio	5.6%	5.5%	5.5%
NPL Ratio	7.3%	5.5%	5.9%

- **Corporate Loans:** The ending balance in **3Q17 stood at Ps 106.57 billion**, an important increase of +15% YoY **on good loan demand**. Sequentially it remained stable. 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 10.7% of the group's total portfolio. The group's largest corporate exposure represents 0.9% of the total portfolio; whereas number 20 represent 0.4%. 95% of GFNorte's main corporate borrowers have an A1 rating.

As of September 30, 2017 GFNorte's **loan exposure to home builders was Ps 2.45 billion** in Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V., (5.0%) lower than the prior quarter. This exposure represented 0.4% of the total loan portfolio, unchanged from June 2017. The credit exposure has 100% collateral coverage. 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 was 38.5% in 3Q17. **Sólida had a balance of Ps 5.01 billion in investment projects** to these companies, (3.8%) lower vs. 2Q17.

- **Government Book: the ending balance at 3Q17 was Ps 131.46 billion**, unchanged vs. 3Q16. Sequentially, it decreased (2%). GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 19.3% of the group's total portfolio, a decline of (2.6 pp) vs. 3Q16 and (8bp) vs. 2Q17. The largest government loan represents 3.0% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%, also rated A1. The portfolio's risk profile is adequate with 28.7% of the loans granted to Federal Government entities and 99.4% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and 0.5% of the loans have short-term maturities. As of August 2017, Banorte held a 24.13% market share of the total system, ranking first.

Past Due Loans

(Million Pesos)	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Past Due Loans	12,250	10,818	11,053	2%	(10%)
Loan Loss Reserves	15,104	16,119	16,205	1%	7%
Acquired Rights	2,223	1,986	2,593	31%	17%

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

During 3Q17, Past Due Loans were Ps 11.05 billion, lower by (Ps 1.20) billion or (10%) YoY. There's a slight annual deterioration in the consumer portfolio, while the commercial and corporate books showed improved performance.

The quarterly evolution of NPL balances were as follows:

Past Due Loans (Million Pesos)	3Q16	2Q17	3Q17	Change	
				2Q17	3Q16
Credit Cards	1,619	2,073	2,174	101	555
Payroll	1,454	1,662	1,711	49	257
Car Loans	190	183	203	20	13
Mortgages	1,119	1,161	1,234	73	115
Commercial	3,814	3,468	3,510	42	(304)
Corporate	4,053	2,270	2,221	(49)	(1,832)
Government	0	-	-	-	(0)
Total	12,250	10,818	11,053	235	(1,197)

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

In 3Q17, the Past Due Loan Ratio remained at historically low levels of 1.8%, improving by (44bp) vs. 3Q16 on improvements in all books. During the quarter, it had a stable performance.

PDL Ratios by segment showed the following trends:

Past Due Loans Ratios	3Q16	4Q16	1Q17	2Q17	3Q17
Credit Cards	5.7%	5.4%	5.3%	6.2%	6.2%
Payroll	3.2%	3.1%	2.5%	3.2%	3.2%
Car Loans	1.3%	1.2%	0.9%	1.1%	1.1%
Mortgages	1.0%	0.9%	0.8%	0.9%	0.9%
Commercial	3.2%	2.7%	2.9%	2.6%	2.6%
SMEs	7.3%	6.3%	6.1%	5.5%	5.9%
Commercial	1.7%	1.4%	1.8%	1.6%	1.5%
Corporate	4.2%	2.4%	2.4%	2.1%	2.0%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.2%	1.8%	1.8%	1.8%	1.8%

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

The expected loss for Banco Mercantil del Norte was 2.2% and the unexpected loss 4.1%, both with respect to the total portfolio at 3Q17. These ratios were 2.2% and 4.0%, respectively in 2Q17 and 2.3% and 3.4% 12 months ago, considering that in 3Q16, the unexpected loss was reported with a 99.50% level of confidence, whereas as of 4Q16, it is reported with a 99.95% level, as the portfolio's model improve and strengthen.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas was 2.1%, (3bp) lower vs. 2Q17.

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 2017	10,818
Transfer from Performing Loans to Past Due	5,974
Portfolio Purchase	-
Renewals	(121)
Cash Collections	(658)
Discounts	(237)
Charge Offs	(3,246)
Foreclosures	(18)
Transfer from Past Due Loans to Performing	(1,458)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	0
Fair Value Ixe	-
Balance as of September 2017	11,053

Out of the loan book 85% is rated A Risk, 10% B Risk and 5% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 3Q17 - GFNorte

(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARI			
A1	496,463	958	446	86	800	198	2,487
A2	54,687	253	178	5	477	36	949
B1	37,552	128	23	10	954	23	1,138
B2	14,676	93	-	5	391	36	525
B3	14,250	155	21	1	500	24	701
C1	8,961	93	7	0	487	83	671
C2	6,457	84	-	-	664	131	879
D	11,224	2,120	-	0	1,707	345	4,171
E	6,463	996	-	-	3,441	60	4,497
Total	650,733	4,880	675	107	9,421	936	16,018
Not Classified	(71)						
Exempt	-						
Total	650,662	4,880	675	107	9,421	936	16,018
Reserves							16,205
Preventive Reserves							186

Notes:

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

The Institution uses regulatory methodologies to grade all credit portfolios.

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

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

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

(Million Pesos)	Total
Distressed Portfolio	7,071
Total Loans	650,662
Distressed Portfolio / Total Loans	1.1%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves	3Q17
(Million Pesos)	
Previous Period Ending Balance	16,119
Provisions charged to results	3,831
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(475)
Consumer Loans	(2,961)
Mortgage Loans	(311)
Foreclosed assets	0
	(3,746)
Cost of debtor support programs	(2)
Valorization and Others	2
Adjustments	0
Loan Loss Reserves at Period End	16,205

Loan Loss Reserves in 3Q17 totaled Ps 16.21 billion, +0.5% higher vs. 2Q17. Charge-offs during the quarter amounted to Ps 3.74 million, +27% higher than the prior quarter. Of this amount 79% of write-offs, are related to the consumer portfolio, 13% to commercial and 8% to mortgages.

The loan loss coverage ratio was 146.6% in 3Q17, increasing +23.3 pp YoY and decreasing (2.4 pp) QoQ.

Recent Events

1. ETHICAL BOARDROOM RECOGNIZES GFNORTE WITH CORPORATE GOVERNANCE AWARD

In July, the prestigious magazine Ethical Boardroom awarded GFNorte with "Best Corporate Governance 2017" in the Latin American Financial Services category, as result of a thorough assessment of factors and features of its corporate governance.

GFNorte was the only Mexican financial institution to receive this award on its exceptional leadership to guarantee protection and long-term value creation for its stakeholders.

2. INSTITUTIONAL INVESTOR MAGAZINE'S RANKINGS

In August, Institutional Investor magazine announced the "Best Latin American Executive Team 2017" rankings, which were based on a survey to 292 buy-side fund managers and sell-side analysts from 205 institutions.

This survey evaluates attributes such as accessibility to C-Suite; quality, depth and promptness of answers to inquiries; transparency of financial reporting and disclosure; proactive communication on material and strategic matters, among others

For the eight 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, ranked third in Latin America for the CEO category, according to the sell-side.
- Rafael Arana de la Garza, Chief Operating Officer, was selected as the best CFO in Latam according to the buy and sell-side.
- Ursula Wilhelm Nieto, Executive Director of Investor Relations stood third overall as Best IRO in Latin America; while in the national survey ranked third according to the buy side but second by the sell-side.
- Moreover, the Investor Relations team consolidated as the second best in all the categories, both in the region and Mexico.

3. FOR THE FOURTH YEAR GFNORTE WAS INCLUDED IN THE DOW JONES EMERGING MARKETS SUSTAINABILITY INDEX

In September, GFNorte was chosen again to be part of the Dow Jones Sustainability Index Emerging Markets, maintaining its position as the only Mexican financial institution to be included in this international index.

To determine the index, 800 leading companies of 58 different industries in 22 emerging markets were assessed. Only the top 10% was selected, out of which only four companies were Mexican.

These companies were evaluated in the economic, social and environmental scopes; in specific key criteria such as: corporate governance, eco-efficiency, labor indicators, human capital development, human rights, management systems and materiality.

Consolidated Bank

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

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

Income Statement and Balance Sheet Highlights - Consolidated Bank		3Q16	2Q17	3Q17	Change		9M16	9M17	Change
(Million Pesos)					2Q17	3Q16			9M16
Net Interest Income		11,847	13,463	14,057	4%	19%	33,749	40,792	21%
Non-Interest Income		3,953	4,102	4,370	7%	11%	10,998	12,549	14%
Total Income		15,801	17,565	18,427	5%	17%	44,747	53,341	19%
Non-Interest Expense		7,445	7,822	7,693	(2%)	3%	21,517	23,559	9%
Provisions		3,240	3,977	3,911	(2%)	21%	9,854	11,115	13%
Operating Income		5,115	5,766	6,823	18%	33%	13,376	18,667	40%
Taxes		1,464	1,597	1,833	15%	25%	3,636	5,291	46%
Discontinued Operations		44	6	8	39%	(82%)	175	87	(50%)
Subsidiaries & Minority Interest		371	17	(6)	(136%)	(102%)	1,025	25	(98%)
Net Income		4,066	4,191	4,993	19%	23%	10,941	13,489	23%
Balance Sheet									
Performing Loans (a)		523,323	583,853	592,114	1%	13%	523,323	592,114	13%
Past Due Loans (b)		11,995	10,598	10,788	2%	(10%)	11,995	10,788	(10%)
Total Loans (a+b)		535,318	594,452	602,902	1%	13%	535,318	602,902	13%
Total Loans Net (d)		520,623	578,953	587,274	1%	13%	520,623	587,274	13%
Acquired Collection Rights (e)		1,473	1,394	2,021	45%	37%	1,473	2,021	37%
Total Loans (d+e)		522,096	580,347	589,295	2%	13%	522,096	589,295	13%
Total Assets		961,921	1,003,031	1,044,085	4%	9%	961,921	1,044,085	9%
Total Deposits		545,759	614,625	625,678	2%	15%	545,759	625,678	15%
Total Liabilities		854,765	915,480	954,198	4%	12%	854,765	954,198	12%
Equity		107,156	87,551	89,887	3%	(16%)	107,156	89,887	(16%)

Financial Ratios - Consolidated Bank	3Q16	2Q17	3Q17	9M16	9M17
Profitability:					
NIM (1)	5.3%	5.8%	5.8%	5.2%	5.7%
NIM after Provisions (2)	3.9%	4.1%	4.2%	3.6%	4.2%
ROE (3)	15.3%	18.4%	22.5%	14.0%	19.7%
ROA (4)	1.7%	1.7%	2.0%	1.5%	1.8%
Operation:					
Efficiency Ratio (5)	47.1%	44.5%	41.7%	48.1%	44.2%
Operating Efficiency Ratio (6)	3.1%	3.2%	3.0%	3.0%	3.1%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	119.42%	91.48%	109.69%	119.42%	109.69%
Asset Quality:					
Past Due Loan Ratio	2.2%	1.8%	1.8%	2.2%	1.8%
Coverage Ratio	122.5%	146.2%	144.9%	122.5%	144.9%
Past Due Loan Ratio w/o Banorte USA	2.2%	1.8%	1.8%	2.2%	1.8%
Coverage Ratio w/o Banorte USA	122.5%	146.2%	144.9%	122.5%	144.9%
Growth (8)					
Performing Loans (9)	6.6%	13.1%	13.2%	6.6%	13.2%
Core Deposits	7.4%	11.2%	12.0%	7.4%	12.0%
Total Deposits	1.5%	10.6%	14.6%	1.5%	14.6%
Capitalization:					
Net Capital/ Credit Risk Assets	19.8%	18.2%	21.8%	19.8%	21.8%
Total Capitalization Ratio	14.7%	15.1%	17.6%	14.7%	17.6%
Leverage					
Basic Capital/ Adjusted Assets	8.5%	7.5%	8.8%	8.5%	8.8%

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

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

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

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

5) Non-Interest Expenses / Total Income.

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

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

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

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

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

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

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

Net Interest Income

Net Interest Income in 9M17 amounted to Ps 40.79 billion, +21% higher vs. the same period a year ago, in line with the +21% rise in the NII from loans and deposits – driven by the loan portfolio growth and the interest rate hikes that Banxico carried out during the year- and +47% acceleration in NII from securities and repos.

In 3Q17 rose to Ps 14.06 billion, +4% up QoQ and similar to the accumulated comparison, were driven by higher NII from loans and deposits and NII from securities and repos, the latter recovering from the drop registered in 2Q17.

Accumulated Net Interest Margin (NIM) hiked to 5.7%, +59bp above vs. 9M16 and **for the quarter stood at 5.8%**, +3bp higher vs. 2Q17. In both cases, improvements derived from a better loan portfolio mix and the repricing of the balance sheet as a result of the interest rate cycle.

Additionally, **NIM adjusted for credit risk was 4.2% both in 9M17 and 3Q17**, increasing +53bp vs. the same period a year ago and +12bp on a sequential basis.

Loan Loss Provisions

During the first nine months of 2017 Loan Loss Provisions reached Ps 11.11 billion, +13% up YoY on higher requirements in credit card and payroll portfolios. Moreover, **Provisions in 3Q17 declined to Ps 3.91 billion**, (2%) below QoQ, as result of lower requirements from wholesale portfolios

Non-Interest Income

In 9M17, Non-Interest Income amounted to Ps 12.55 billion, +14% higher vs. the same period a year ago, given the increase in Net Fees for +Ps 944 million and in Trading for +Ps 516 million.

Non-Interest Income in the third quarter rose to Ps 4.37 billion, +7% above vs. 2Q17, mostly explained by the significative increase in Income from Foreclosed Assets registered in Other Operating Income (Expenses).

Moreover, **revenues from core banking services** (account management, fund transfers and electronic banking services) **grew +21% YoY in 9M17** on higher transaction volume and on an improved fee structure in products and segments.

Non-Interest Expenses

Accumulated Non-Interest Expenses were Ps 23.56 billion, +9% higher vs. 9M16, as result of increases in all lines. **In 3Q17, Non-Interest Expenses declined (2%) QoQ to Ps 7.69 billion**, benefited mainly by the significative reduction (Ps 119 million) in Administrative and Promotional

The Efficiency Ratio improves continuously -both vs. 9M16 and 2Q17-, **to 44.2% in the accumulated of 2017**, (392bp) lower vs. the same period a year ago, due to positive operating leverage; while **in 3Q17 was 41.7%**, (278bp) below QoQ, benefited by the Non-Interest Expense contraction.

Net Income

Net Income during the first nine months of 2017 rose to Ps 13.49 billion, up by +23% on a yearly basis, driven by positive traction in total revenues. **In 3Q17 Profits amounted to Ps 4.99 billion**, recovering with a significant QoQ increase of +19%, derived from positive performance in most lines.

Consolidated Bank's profits – according to GFNorte's holding - **in 9M17 were Ps 13.25 billion**, +36% higher YoY, **while in 3Q17 stood at Ps 4.90 billion**, +19% above on a sequential basis. The bank contributed with 76.0% of the Group's accumulated results and with 78.9% of the quarterly profits.

Accumulated ROE for the Consolidated Bank stood at 19.7%, up by +570bp vs. 9M16, explained by the good level of profits and the decline in equity due to the divestment of the bank in Texas; **in the third quarter this ratio reached 22.5%**, growing +413bp vs 2Q17 as result of the recovery of profits.

Moreover, **ROA in 9M17 stood at 1.8% and at 2.0% in 3Q17**, comparing favorably both YoY and QoQ increasing +23bp and +26bp, respectively.

In 3Q17 the Consolidated Bank paid to the Financial Group a Ps 3.05 billion dividend derived from Retained Earnings of Prior Years.

NPL Ratio

The Consolidated Bank's **Non-Performing Loan Ratio in 3Q17 was 1.8%**, unchanged QoQ but (45bp) below vs. 3Q16.

Issuance of Tier 1 Capital Notes

In July the Bank issued Subordinated Non- Preferred Non-Cumulative Tier 1 Capital Notes for USD 900 million, considered regulatory Tier 1 capital and with the following characteristics:

- **BANORT 6 ^{7/8} PERP** for USD 350 million, callable at the fifth year, carrying a coupon rate of 6.875%.
- **BANORT 7 ^{5/8} PERP** for USD 550 million, callable at the tenth year, carrying a coupon rate of 7.625%
- The capital notes were registered in the liabilities and the interest coupons on the notes are deducted from retained earnings.

Long Term Savings

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

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

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

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change
				2Q17	3Q16			
Interest Income (Net)	143	254	293	15%	105%	401	721	80%
Premium Income (Net)	2,304	4,336	3,302	(24%)	43%	11,319	13,624	20%
Net Increase in Technical Reserves	(1,097)	463	(1,004)	N.A.	(8%)	659	1,379	109%
Damages, Claims and Other Obligations	2,298	2,602	3,051	17%	33%	6,606	7,977	21%
Technical Results	1,102	1,271	1,255	(1%)	14%	4,055	4,267	5%
Net Interest Income (NII)	1,245	1,524	1,548	2%	24%	4,456	4,988	12%
Other Fees (acquisition costs)	(424)	(469)	(577)	(23%)	36%	(1,525)	(1,610)	6%
Securities-Realized Gains	27	(5)	16	N.A.	(39%)	45	23	(48%)
Other Operating Income (Expenses)	292	172	152	(12%)	(48%)	726	551	(24%)
Total Operating Income	1,141	1,222	1,139	(7%)	(0%)	3,702	3,953	7%
Non Interest Expense	265	252	300	19%	13%	726	874	20%
Operating Income	623	970	839	(14%)	35%	2,976	3,080	3%
Taxes	271	295	228	(23%)	(16%)	907	906	(0%)
Subsidiaries' Net Income	0	316	306	(3%)	N.A.	0	991	N.A.
Minority Interest	(1)	(7)	(7)	(1%)	N.A.	(4)	(22)	N.A.
Net Income	603	985	910	(8%)	51%	2,065	3,142	52%
Shareholder's Equity	5,399	22,091	22,511	2%	N.A.	5,399	22,511	N.A.
Total Assets	26,823	49,353	49,694	1%	85%	26,823	49,694	85%
Technical Reserves	15,347	20,346	20,426	0%	33%	15,347	20,426	33%
Premiums sold	2,627	6,185	3,753	(39%)	43%	14,772	17,665	20%
Coverage ratio of technical reserves	1.3	1.3	1.3	0.0 pp	0.0 pp	1.3	1.3	0.1 pp
Capital coverage ratio of minimum guarantee	1.8	3.0	3.4	0.4 pp	1.6 pp	1.8	3.4	1.6 pp
Coverage ratio of minimum capital	57.8	229.2	233.5	4.4 pp	175.7 pp	57.8	233.5	175.7 pp
Claims ratio	68%	68%	71%	3.6 pp	3.3 pp	62%	66%	3.4 pp
Combined ratio	85%	77%	92%	14.5 pp	6.4 pp	74%	77%	3.5 pp
ROE	43.8%	18.4%	16.6%	(1.8 pp)	(27.3 pp)	48.6%	19.7%	(28.9 pp)
ROE ex-Afore	43.8%	38.8%	33.2%	(5.6 pp)	(10.6 pp)	48.6%	42.7%	(5.9 pp)

Income from Retained Premiums amounted to Ps 13.62 billion in 9M17, +20% above YoY, as a result of the high volume of renewals, growth in bancassurance and issuance of a large life premium registered in 2Q17. The +109% increase in technical reserves during the same period, reflected mainly the high volume of written premiums and the effect of the already mentioned life premium. Therefore, accrued premiums rose to Ps 12.40 billion, up by +15% YoY.

In 3Q17, Income from Retained Premiums declined to Ps 3.30 billion, (24%) below QoQ, reflecting higher written premiums in 2Q17. Moreover, Ps 1.00 billion in technical reserves were released, related to the renewal of policies in 1Q17. As result, accrued premiums totaled Ps 4.36 billion, +11% up vs. 2Q17.

During the first nine months of 2017, Net Damages, Claims and Other Obligations amounted to Ps 7.98 billion, +21% YoY. This change reflects the significative increase in Life claims related to higher unwriting and the rise in catastrophic damage, which is mostly reinsured.

Net Damages, Claims and Other Obligations, increased to Ps 3.05 billion, +17% above sequentially. This change results from higher underwriting and considers estimated claims for Ps 1.10 billion related to the September earthquake that impacted several regions of the country, including Mexico City. The majority of such claims are reinsured.

In 9M17 Acquisition Costs increased moderately by +6% YoY; though in the third quarter stood at Ps 577 million, up by +23% QoQ, mainly on the different composition of the portfolio written between the second and third quarters.

Non-Interest Expenses amounted to Ps 874 million in 9M17, +20% above the same period a year ago, due to higher expenses linked to operation and intangible expenses at Afore derived from the consolidation in 2017 (Ps 50 million).

Operating Income in 9M17 amounted to Ps 3.08 billion, +3% above YoY. **In the third quarter declined to Ps 839 million**, (14%) below 2Q17, derived from the seasonality effect in written premiums registered in 2Q17, the net impact of Ps 63.2 million for catastrophic damage in the third quarter and higher expenses vs. 2Q17.

Seguros Banorte (including Afore XXI Banorte) reported net income of Ps 3.14 billion in 9M17, +52% higher YoY and **in 3Q17 declined to Ps 910 million**, (8%) below QoQ. Impacted by lower Operating Income in Insurance and a (Ps 10) million drop in Afore's contribution.

Excluding Afore XXI Banorte, the Insurance Company's profits during the first nine months of 2017 totaled Ps 2.17 billion and Ps 609 million in the third quarter, accounting for 12.4% and 9.8% of GFNorte's net income, respectively.

ROE for the consolidated insurance company was 16.6% in 3Q17, (1.8 pp) below sequentially. **Excluding Afore, this indicator stood at 42.7% in 9M17**, (5.9 pp) below YoY, **and at 33.2% in 3Q17**, (5.6 pp) lower on a sequential basis.

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 3Q17 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 3Q17 damage ratios remained under control.*
- iii. Costs derived from placement of insurance policies and bonds.
 - *There were no relevant events to disclose in 3Q17.*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life books, seven important businesses: three related to the government, two to the energy sector, one to commerce and other to the services industry, were ceded to reinsurers, mainly foreign entities.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
 - *In April of 2017 the Superintendency of Panama announced the forced liquidation of Istmo Panamá. Afterwards, in September of 2017 the National Insurance and Bonding Commission published the repeal of Istmo México. Currently, Seguros Banorte has an outstanding balance to recover from Istmo Panamá of Ps 4.5 million and a contingency of Ps 281million from Istmo México.*

Afore XXI Banorte

Afore XXI Banorte (1) (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Net Income	711	632	612	(3%)	(14%)	1,980	1,982	0%
Shareholder's Equity	23,447	23,078	23,690	3%	1%	23,447	23,690	1%
Total Assets	24,795	24,500	25,254	3%	2%	24,795	25,254	2%
AUM (SIEFORE)*	656,289	689,867	713,779	3%	9%	656,289	713,779	9%
ROE	12.3%	11.1%	10.5%	(0.6 pp)	(1.8 pp)	11.5%	11.3%	(0.1 pp)

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

Afore XXI Banorte posted net profits of Ps 1.98 billion in the first nine months of 2017, +2% above the same period a year ago, mostly explained by the positive evolution of financial income coming from the mark to market capital investment in the SIEFORES (+79% vs. 9M16). **In 3Q17 net income totaled Ps 612 million**, (3%) lower QoQ on higher acquisition and operating costs.

Accumulated ROE was 11.3%, (14bp) below 9M16; while **in the third quarter stood at 10.5%**, (0.6 pp) below 2Q17. Excluding goodwill, **Tangible ROE was 40.4% in 9M17**, (2.0 pp) lower YoY and **in 3Q17 was 37.0%**, (5.2 pp) lower QoQ.

Afore XXI Banorte contributed with 5.6% of the Financial Group's profits in 9M17 and with 4.8% in 3Q17.

Assets under management as of September 2017 totaled Ps 713.78 billion, an increase of +3% and +9% QoQ and YoY, respectively.

According to CONSAR, as of September 2017 Afore XXI Banorte had a 23.1% share in managed funds, ranking 1st in the market, with 9.62 million accounts (this number does not include 8.15 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 18.9% share of the total number of accounts in the system, ranking second in the market.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Insurance - Pensiones Banorte (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Interest Income (Net)	1,252	1,071	1,712	60%	37%	3,092	5,646	83%
Premium Income (Net)	2,078	2,354	2,050	(13%)	(1%)	5,639	6,383	13%
Net Increase in Technical Reserves	2,090	2,191	2,486	13%	19%	5,163	8,301	61%
Claims and Other Obligations	950	1,043	1,059	2%	11%	2,777	3,083	11%
Technical Results	(962)	(880)	(1,496)	(70%)	55%	(2,301)	(5,001)	117%
Net Interest Income (NII)	290	191	216	13%	(25%)	791	645	(18%)
Net Fees	-	-	-	N.A.	N.A.	-	-	-
Securities-Realized Gains	(10)	146	112	(24%)	N.A.	31	346	N.A.
Other Operating Income (Expenses)	(7)	(4)	(3)	21%	(51%)	(6)	(9)	46%
Total Operating Income	273	333	324	(3%)	19%	815	982	20%
Non Interest Expense	72	77	78	0%	7%	218	233	7%
Operating Income	200	255	247	(3%)	23%	597	749	25%
Taxes	65	67	70	4%	8%	192	211	10%
Subsidiaries' Net Income	1	1	2	17%	22%	4	5	27%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
Net Income	137	190	179	(6%)	30%	408	542	33%
Shareholder's Equity	2,006	2,513	2,692	7%	34%	2,006	2,692	34%
Total Assets	74,834	84,023	86,787	3%	16%	74,834	86,787	16%
Technical Reserves	71,988	80,488	83,008	3%	15%	71,988	83,008	15%
Premiums sold	2,078	2,354	2,050	(13%)	(1%)	5,639	6,383	13%
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	13.3	16.1	17.3	0.1 pp	0.3 pp	13.3	17.3	4.0 pp
ROE	28.3%	31.4%	27.5%	(3.9 pp)	(0.9 pp)	30.0%	29.9%	(0.1 pp)

During 9M17, Pensiones Banorte reported profits of Ps 542 million, +33% higher YoY, driven by financial income (+Ps 315 million) and higher income from the inflation indexed investment book.

In 3Q17 the annuities company's net income totaled Ps 179 million, down (6%) vs. 2Q17. Contrary to the accumulated comparison, the quarterly is affected by of the reduction of (\$34) million in intermediation revenues without reflecting the substantial improvement in Net Interest Income.

In 9M17 Pensiones Banorte's profits represented 2.9% and 3.1% in 3Q17 of the Financial Group's profits.

The UDI valuation result registered at Pensiones Banorte in 9M17 was Ps 3.19 billion compared to Ps 817 million in 9M16; while this number stood at Ps 865 million in 3Q17, higher than the Ps 278 million amount registered in 2Q17.

ROE stood at 29.9% in 9M17 and at 27.5% in 3Q17, in both cases decreasing (14bp) vs. 9M16 and (395bp) vs. 2Q17.

Brokerage

Brokerage Sector (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Net Income	179	234	220	(6%)	23%	609	742	22%
Shareholder's Equity	2,502	2,708	2,946	9%	18%	2,502	2,946	18%
Assets Under Custody	804,956	828,254	840,929	2%	4%	804,956	840,929	4%
Total Assets	88,573	93,828	80,331	(14%)	(9%)	88,573	80,331	(9%)
ROE	25.7%	32.8%	31.2%	(1.6 pp)	5.5 pp	26.1%	34.6%	8.5 pp
Net Capital								
Net Capital (1)	1,906	2,168	2,330	7%	22%	1,906	2,330	22%

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

Net Income

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) reported profits of Ps 742 million in 9M17, +22% YoY driven by the important increase in net interest income, slightly better non-interest income and stable expenses. Net Income in 9M17 represented 4.3% of the Financial Group's profits.

In 3Q17, net profits accounted for Ps. 220 million, (6%) lower QoQ on the back of lower net interest income and lower trading. Net fees had a good performance during the quarter and were up +47%, while, operating expenses declined (2.4%).

Assets under Management

At the end of 3Q17 AUMs totaled Ps 841 billion, growing +4% YoY and +2% QoQ.

Mutual fund assets totaled Ps 162.4 billion, increasing by +2.8% YoY and +2.9% QoQ. Assets held in fixed income funds totaled Ps 148.9 billion, higher in +3.5% annually and +1.2% quarterly, while equity funds held assets amounting to Ps 13.4 billion, decreasing (5%) vs. the same period of last year and increasing +2% vs. 2Q17. At the end of 3Q17, Banorte had a 7.3% share of the mutual fund market, comprised of 9.6% in fixed income funds and 2.16% in equity funds.

SOFOM & Other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	3Q16	2Q17	3Q17	Change		9M16	9M17	Change 9M16
				2Q17	3Q16			
Leasing and Factoring								
Net Income	176	178	192	8%	9%	487	552	13%
Shareholder's Equity	4,275	4,742	4,930	4%	15%	4,275	4,930	15%
Loan Portfolio (1)	25,964	26,295	26,226	(0%)	1%	25,964	26,226	1%
Past Due Loans	173	144	140	(3%)	(19%)	173	140	(19%)
Loan Loss Reserves	266	331	272	(18%)	2%	266	272	2%
Total Assets	26,321	26,606	26,604	(0%)	1%	26,321	26,604	1%
ROE	16.9%	15.1%	15.9%	0.7 pp	(1.0 pp)	15.2%	15.7%	0.5 pp
Warehousing								
Net Income	8	14	7	(49%)	(16%)	22	28	26%
Shareholder's Equity	268	205	212	3%	(21%)	268	212	(21%)
Inventories	703	1,309	1,204	(8%)	71%	703	1,204	71%
Total Assets	865	1,489	1,412	(5%)	63%	865	1,412	63%
ROE	12.7%	28.0%	13.5%	(14.5 pp)	0.8 pp	11.6%	19.0%	7.4 pp
Sólida Administradora de Portafolios								
Net Income	(94)	(104)	(186)	80%	98%	(353)	(925)	162%
Shareholder's Equity	4,754	3,999	3,999	(0%)	(16%)	4,754	3,999	(16%)
Loan Portfolio	1,925	5,229	4,836	(8%)	151%	1,925	4,836	151%
Past Due Loans	83	76	126	65%	52%	83	126	52%
Loan Loss Reserves	144	289	305	5%	112%	144	305	112%
Total Assets	15,639	17,134	16,782	(2%)	7%	15,639	16,782	7%
Ixe Servicios								
Net Income	0.5	(0.4)	(0.3)	(7%)	(161%)	1.0	(1.2)	(219%)
Shareholder's Equity	147	140	140	(0%)	(5%)	147	140	(5%)
Total Assets	147	140	140	(0%)	(5%)	147	140	(5%)
ROE	1.5%	(1.0%)	(1.0%)	0.1 pp	(2.4 pp)	1.0%	(1.2%)	(2.1 pp)

1) Includes pure leasing portfolio for Ps 3.51 billion and fixed asset amounting to Ps 38 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Arrendadora y Factor Banorte reported profits of Ps 552 million in 9M17, **up +13% YoY**, enhanced by an increase in net interest income arising from the expansion in its loan book.

During the third quarter, net profits were Ps 192 million, an +8% sequential increase on higher net interest income and reduced loan loss reserves.

The Leasing and Factoring Company contributed 3.09% of the Financial Group's profits in 3Q17.

At the end of 3Q17, the **Past Due Loans Ratio was 0.6%**, and the **Coverage ratio was 194%**, +39.4 pp higher QoQ and (36.26 pp) lower YoY.

The **Capitalization ratio as of September was 16.85%** considering total risk-weighted assets of Ps 29.21 billion.

The leverage ratio as of June and September 2017 was 15.54% and 16.18%, respectively; considering adjusted assets of Ps 30.39 billion and Ps 30.40 billion in each case.

Warehouse

In 9M17, Warehouse posted profits of Ps 28 million, a +26% increases vs. 9M16 on higher loan recoveries, other operating income and net interest income.

On a quarterly basis, net profits were Ps. 7 million, (49%) lower QoQ as a result of lower loan recoveries. Almacenedora Banorte contributed 0.1% of the Financial Group's profits in 3Q17.

ROE for 3Q17 was 13.54%, lower in (15 pp) vs. 2Q17 and higher in +0.83 pp vs. 3Q16.

At the end of 3Q17, the Capitalization Ratio was 215% considering net capital of Ps 177 million and certificates for sale issued in warehouses of Ps 1.64 billion. Almacenedora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

Sólida Administradora de Portafolios reported a loss of (Ps 925) million, explained by the valuation loss on derivatives related to the equity securities received from the restructuring agreements with the homebuilders.

Sólida posted a net loss of (Ps 186) million in 3Q17, mainly reflecting an impairment of assets, to adjust the value of its investment projects.

The Past Due Loan Ratio was 2.6% at the end of September 2017, +1 pp vs. 2Q17. **The Coverage ratio was 242.7%**, +68.5 pp higher YoY. **The estimated Capitalization ratio in 3Q17 was 15.3%**, +1.8 pp QoQ and (1.2 pp) YoY.

The leverage ratio as of June and September 2017 was 16.83% and 19.09%, respectively; considering adjusted assets of Ps 15.89 billion and Ps 15.03 billion in each case.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	9M16	9M17	Var.
Net Interest Income	8	(12)	(248%)
Loan Loss Provisions	2	0	(90%)
Non Interest Income	1,757	2,024	15%
Non Interest Expense	(765)	(871)	14%
Pre-tax Income & Subsidiaries	1,003	1,141	14%
Income Tax and Profit Sharing	(268)	(323)	21%
Net Income	735	818	11%

Assets Under Management (Million Pesos)	3T17	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	122,991	Banorte's Portfolio and Reposessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	27,360	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	5,597	Solida Asset Management and Banorte	Non Interest Income
Total	155,948		

Net Income

Recovery Banking posted profits of Ps 818 million in 9M17, up +11% YoY, on higher revenues coming from loan recoveries by Ps 200 million which were reduced in the result due to a lower recovery in portfolio revenues acquired with (Ps 20 million) as well as higher expense related to the business (Ps 77 million).

Assets Under Management

The Recovery Bank managed total assets of Ps 123 billion in 3Q17, of which 26% are mortgage loans, 21% are credit cards, 19% are payroll loans, 16% relate to Crediactivo, 7% are auto loans, 6% are foreclosed assets, 3% relate to middle market companies and 2% to other loans. Gross revenues in 3Q17 amounted to Ps 1.43 billion, +31% higher YoY.

The composition of the inventory of **assets managed by the Recovery Bank** include mortgages which make up 38% , 19% were assets managed on behalf of the Mexican mortgages agency SHF, 16% were real estate portfolios, 14% were loans to middle market companies and other commercial loans, and 13% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 535 million in 3Q17, 2% higher YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	3Q16	2Q17	3Q17
Employees (1)	27,523	28,376	29,522
Banorte - Ixe Branches	1,175	1,143	1,144
ATM's	7,598	7,409	7,515
POS's	152,015	157,019	161,824

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
Barclays	Benjamín Theurer	Buy	28-Oct-16
BBVA	Germán Velasco	Buy	13-Feb-17
Brasil Plural	Eduardo Nishio	Buy	26-Jan-17
BTG Pactual	Eduardo Rosman	Buy	27-Apr-17
BX+	José Eduardo Coello	Buy	21-Oct-16
Citi	Carlos Rivera	Buy	26-May-17
Credit Suisse	Marcelo Telles	Buy	18-Sep-17
GBM	Lilian Ochoa	Buy	14-Dec-16
HSBC	Carlos Gómez	Buy	31-Oct-16
Interacciones	Martín Hernández	Buy	29-Aug-17
Itaú BBA	Thiago Batista	Buy	27-Sep-17
JP Morgan	Domingos Falavina	Buy	18-Jan-17
Morgan Stanley	Jorge Kuri	Buy	5-May-17
Punto	Ana María Tellería	Buy	31-Mar-17
Santander	Claudia Benavente	Buy	8-Aug-17
UBS	Philip Finch	Buy	1-Aug-17
Actinver	Enrique Mendoza	Hold	16-Oct-17
Bradesco	Bruno Chemmer	Hold	24-May-17
BOFA - Merrill Lynch	Mario Pierry	Hold	19-Apr-17
Deutsche Bank	Tito Labarta	Hold	2-Oct-17
Goldman Sachs	Carlos Macedo	Hold	24-Apr-17
Intercam	Sofía Robles	Hold	20-Jul-17
Invex	Montserrat Antón	Hold	23-Aug-17
Nau	Iñigo Vega	Hold	20-Jun-17
Scotia	Jason Mollin	Sell	18-Sep-17

Ratings

International Ratings - GFNorte				
Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	July, 2017
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	Stable	Outlook	August, 2017
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
	Banco Mercantil del Norte	Stable	Outlook	
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short 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 foreign currency subordinated debt	
		Ba1	Long term foreign currency junior subordinated debt	
		baa2	Adjusted baseline credit assesment	
		A2 (cr)	Long term counterparty risk assesment	
		Prime-1 (cr)	Short term counterparty risk assesment	
	Arrendadora y Factor Banorte	Stable	Outlook	November, 2016
		(P)P-2	Short term local currency issuer	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	March, 2017
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty - Long term	
	Casa de Bolsa Banorte Ixe	Stable	Outlook	
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty credit - Long term	
Fitch	Banco Mercantil del Norte	Stable	Outlook	March, 2017
		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	Stable	Outlook	
		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	Noviembre, 2016
		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	3Q17
Banco Mercantil del Norte, S.A.	98.22%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.99%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.46%
Banorte Ahorro y Previsión, S.A. de C.V.	99.99%

Holding Company Capital Structure

Holding Company Capital Structure

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

Group's Main Officers

Group's Main Officers 3Q17	
Name	Current Position
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Guillermo Chávez Eckstein	Chief Credit & Risk Officer
Isaías Velázquez González	Managing Director - Internal Audit

Integration of the Board of Directors

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

Grupo Financiero Banorte

Board of Directors

PROPRIETARY

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

SUBSTITUTE

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

IV. Financial Statements

Holding

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

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
ASSETS							
Cash and Due from Banks	62	60	90	43	21	40	48
Margin Accounts	-	-	-	-	-	-	-
Investment in Securities	-	-	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	1,507	1,508	700	3,482	1,451	611	3,613
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	1,507	1,508	700	3,482	1,451	611	3,613
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	58	53	17	0	0	0	0
Inventories	-	-	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-	-	-
Investment in Subsidiaries	118,413	122,840	123,739	124,341	127,454	121,286	124,613
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	172	178	181	194	198	200	201
Goodwill and Intangibles	10,728	10,705	10,682	10,659	10,638	10,615	10,592
Other Assets Short and Long Term	-	-	-	-	-	-	-
Other Assets							
	129,371	133,775	134,620	135,195	138,291	132,101	135,407
TOTAL ASSETS	130,941	135,344	135,410	138,720	139,762	132,753	139,068

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

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

Grupo Financiero Banorte

Income Statement -GFNorte <i>(Million Pesos)</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Interest Income	18,422	17,874	20,059	22,703	26,265	25,938	27,853
Interest Expense	5,973	6,238	6,804	7,879	9,783	10,984	11,657
Charged Fees	306	294	301	305	282	295	296
Fees Paid	102	112	123	153	144	167	174
Net Interest Income from interest & fees (NII)	12,654	11,819	13,433	14,976	16,620	15,082	16,319
Premium Income (Net)	7,741	4,512	4,210	4,844	7,784	6,507	5,156
Net Increase in Technical Reserves	4,154	675	994	2,655	5,544	2,654	1,482
Damages, Claims and Other Obligations	2,882	3,252	3,248	3,271	3,306	3,645	4,110
Net Interest Income (NII)	13,359	12,404	13,400	13,894	15,555	15,289	15,883
Preventive Provisions for Loan Losses	3,232	3,515	3,277	3,289	3,268	4,058	3,927
Net Interest Income Adjusted for Credit Risk	10,127	8,889	10,123	10,605	12,287	11,231	11,956
Fund Transfers	273	313	334	367	368	390	350
Account Management Fees	469	504	505	597	596	624	647
Electronic Banking Services	1,341	1,394	1,444	1,628	1,639	1,709	1,653
For Commercial and Mortgage Loans *	191	181	193	231	94	198	225
For Consumer and Credit Card Loans	830	786	925	1,116	999	1,055	1,096
Fiduciary	81	86	73	107	92	101	97
Income from Real Estate Portfolios	33	19	38	24	7	17	43
Mutual Funds	276	287	298	302	282	329	360
Trading & Financial Advising Fees	145	106	130	140	115	167	305
Other Fees Charged (1) *	198	242	244	231	264	205	263
Fees Charged on Services	3,838	3,919	4,184	4,742	4,455	4,795	5,040
Interchange Fees	584	602	613	706	722	762	739
Insurance Fees	625	107	279	360	379	269	384
Other Fees Paid	459	540	554	627	783	779	833
Fees Paid on Services	1,667	1,249	1,447	1,692	1,884	1,810	1,957
Service Fees	2,170	2,670	2,738	3,050	2,571	2,985	3,083
Currency and Metals	8	31	8	36	(151)	(15)	22
Derivatives	(108)	(32)	554	(85)	(195)	(56)	357
Negotiable Instruments	199	329	(575)	(26)	27	56	(153)
Valuation	99	328	(14)	(75)	(319)	(15)	225
Currency and Metals	254	366	454	437	520	523	234
Derivatives	3	(93)	62	14	281	73	(28)
Negotiable Instruments	88	161	210	52	255	381	197
Trading	346	433	726	503	1,056	977	402
Trading Income	444	761	713	428	737	961	628
Loan Recovery	347	366	403	434	413	462	463
Loan Portfolios	50	50	44	6	42	46	38
Income from foreclosed assets	35	69	(35)	29	21	(273)	255
Provisions Release	155	170	28	39	164	86	108
Losses and Estimates	(320)	(340)	(127)	(173)	(298)	(422)	(340)
Impairment of Assets	(165)	(60)	(17)	(0)	(428)	(10)	(189)
Lease Income	79	69	97	80	111	105	106
From Insurance	208	287	248	275	234	213	189
Other Operating Expense	216	305	294	347	360	446	190
Total Other Operating Income (Expense)	606	914	934	1,037	619	653	820
Total Non Interest Income	3,221	4,345	4,384	4,515	3,927	4,599	4,531
Total Operating Income	13,347	13,234	14,507	15,120	16,214	15,831	16,487
Personnel	3,154	2,983	3,382	3,357	3,512	3,285	3,206
Employee Profit Sharing (PTU)	97	97	97	99	101	101	101
Professional Fees	479	569	554	606	567	712	771
Administrative and Promotional Expenses	1,923	1,645	1,823	1,974	2,022	1,954	1,859
Rents, Depreciation & Amortization	1,113	1,118	1,203	1,254	1,306	1,274	1,233
Taxes other than income tax & non deductible	423	347	315	306	523	374	422
Contributions to IPAB/Fobaproa	562	575	580	607	634	636	668
Total Non Interest Expense	7,752	7,334	7,954	8,203	8,665	8,337	8,260
Operating Income	5,595	5,900	6,553	6,917	7,549	7,494	8,227
Subsidiaries' Net Income	328	309	353	257	263	335	291
Pre-Tax Income	5,923	6,209	6,906	7,173	7,812	7,828	8,519
Income Tax	1,667	1,397	2,126	1,865	2,070	2,015	2,184
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	(202)	193	(224)	55	210	59	34
Taxes	1,465	1,590	1,902	1,921	2,279	2,074	2,218
Net Income from Continuous Operations	4,458	4,619	5,004	5,253	5,532	5,754	6,300
Discontinued Operations	59	72	44	68	74	6	8
Minority Interest	(55)	(65)	(72)	(77)	(79)	(80)	(90)
Net Income	4,462	4,626	4,976	5,244	5,527	5,680	6,219

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

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

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

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2017 – SEPTEMBER 30, 2017***(Million Pesos)*

Net Income	17,426
Items charged to results that do not generate or require use of resources	
Depreciation	1,258
Technical Reserves	9,680
Provisions	(2,179)
Income taxes and deferred	6,572
Minority Interest	(641)
Discontinued Operations	87
	32,203
Change in items related to operations	
Change in Margin Accounts	557
Change in Investment in Securities	(28,306)
Change in repo debtors	(230)
Change in derivatives (assets)	22,161
Change in Loan Portfolio (net)	(33,693)
Change in purchased receivables (net)	(568)
Change in accounts receivable insurance and bonding institutions (net)	29
Change in debtor premiums (net)	(2,275)
Change in Reinsurance (net)	(2,119)
Change in benefits to receive from securitizations	(21)
Change in foreclosed assets (net)	489
Change in other operating assets (net)	3,500
Change in core deposits	49,417
Change in interbank loans and other entities	(7,771)
Change in repo creditors	(9,204)
Change in collateral pledged sold	55
Change in derivatives (liability)	(22,445)
Change in Technical Reserves (net)	3,501
Change in Reinsurance (net) (liability)	1,439
Change in subordinated debt with characteristics of liabilities	8,762
Change in other operating liabilities	(816)
Change in hedging instruments (the related hedged transaction activities)	(1,620)
Discontinued Operational Assets	(109)
Income Tax Payments	(6,316)
Net cash generated or used from operations	6,620
Investment Activities	
Charges for disposal of property, furniture and equipment	382
Payments for acquisition of property, furniture and equipment	(2,731)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3,195
Payments for other permanent investmentes	0
Charges for cash dividends	2,364
Discontinued Operational Assets	0
Net cash generated or used from investment activities	3,210
Financing Activities	
Payments of cash dividends	(14,645)
Payments associated with the repurchase of proprietary shares	(1,181)
Net cash flows from financing activities	(15,826)
Net Cash Increase (decrease) and equivalents value	(5,996)
Effects for changes in cash and equivalents value	(81)
Cash and cash equivalents at beginning of period	65,886
Cash and cash equivalents at end of period	59,809

GRNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 - SEPTEMBER 30, 2017

(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, 2016	14,574	36,427	4,825	68,492	(2,592)	(2,089)	87	2,084	(370)	19,308	1,956	142,702
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	2	(640)	(185)		(23)							(846)
Capitalization of profits				19,308						(19,308)		
Dividend Declared by the Ordinary General Shareholders' Meeting on February 24, 2017 and on June 20, 2017				(14,645)								(14,645)
INB's Sale Accounting Effect				(357)								(357)
Reserve creation for share repurchase			455	(455)								0
Total	2	(640)	270	3,851	(23)	0	0	0	0	(19,308)	0	(15,848)
Changes stemming from profits												
Total profits:												
Net Income										17,426		17,426
Result from valuation of securities available for sale					187							187
Effect of subsidiaries, associates and mutual funds		(8)		(26)				(471)				(505)
Result from valuation of instruments of cash flow hedges						205						205
Result in valuation of current risk reserve due to changes in rates							(23)					(23)
Remeasurements defined benefits for employees									(371)			(371)
Modification in the disposition of the non-revolving consumer book and mortgage house book's rating				(725)								(725)
Total	0	(8)	0	(751)	187	205	(23)	(471)	(371)	17,426	0	16,194
Recognition of minority interest											(60)	(60)
Balance as of September 30, 2017	14,576	35,779	5,095	71,592	(2,428)	(1,884)	64	1,613	(741)	17,426	1,896	142,988

Consolidated Bank

Income Statement - Consolidated Bank (Million Pesos)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Interest Income	15,530	16,064	17,545	19,070	21,747	23,165	24,448
Interest Expense	4,966	5,112	5,874	6,808	8,614	9,831	10,515
Charged Fees	305	292	299	303	282	294	296
Fees Paid	101	111	122	151	143	165	171
Net Interest Income (NII)	10,768	11,133	11,847	12,414	13,272	13,463	14,057
Preventive Provisions for Loan Losses	3,170	3,444	3,240	3,216	3,227	3,977	3,911
Net Interest Income Adjusted for Credit Risk	7,598	7,690	8,607	9,198	10,044	9,486	10,147
Transferencia de Fondos	273	313	334	367	368	390	350
Manejo de Cuenta	484	519	523	612	614	639	662
Servicios de Banca Electrónica	1,341	1,394	1,444	1,628	1,639	1,709	1,653
Por Créditos Comerciales y Vivienda	191	181	193	231	94	193	225
Por créditos de Consumo	835	786	924	1,106	997	1,052	1,093
Fiduciario	80	86	72	107	91	101	96
Ingresos por Portafolios Inmobiliarios	8	2	31	11	5	9	10
Fondos de Inversión	-	-	-	-	-	-	-
Asesoría e Intermediación financiera	1	1	1	1	1	1	1
Otras Comisiones Cobradas (1) *	364	431	443	446	473	464	521
Comisiones por Servicios Cobrados	3,577	3,713	3,966	4,508	4,282	4,557	4,611
Cuotas de Intercambio	584	602	613	706	722	762	739
Comisiones de Seguros	-	-	-	-	-	-	-
Other Fees Paid	398	500	512	583	742	717	777
Fees Paid on Services	982	1,102	1,126	1,288	1,464	1,479	1,517
Net Fees	2,595	2,612	2,840	3,220	2,817	3,078	3,095
Divisas y Metales	6	21	(5)	32	(124)	(11)	22
Derivados	80	(36)	341	1	16	(49)	368
Títulos	93	103	(349)	28	(63)	26	(130)
Valuación	179	88	(14)	62	(172)	(34)	260
Divisas y Metales	254	366	454	437	520	523	234
Derivados	3	(93)	62	14	281	73	(28)
Títulos	31	13	98	(113)	64	149	87
Compra-venta	288	285	614	337	865	745	292
Trading Income	467	373	600	399	693	711	552
Recuperación de cartera de crédito	335	364	400	432	409	459	461
Portafolios de crédito	44	41	35	21	30	30	25
Resultado por bienes adjudicados	28	97	(28)	28	12	(266)	229
Liberación de Provisiones	142	170	28	39	160	85	107
Quebrantos y Estimaciones	(242)	(319)	(155)	(156)	(280)	(325)	(267)
Deterioro de Activos	-	-	-	-	(58)	(9)	(9)
Ingresos por Arrendamiento	6	7	15	13	8	8	19
Provenientes de Seguros	-	-	-	-	-	-	-
Otros	87	238	218	188	285	333	158
Total Other Operating Income (Expenses)	400	599	513	566	566	314	723
Total Non-Interest Income	3,462	3,583	3,953	4,185	4,077	4,102	4,370
Total Operating Income	11,059	11,273	12,561	13,383	14,121	13,588	14,516
Personnel	3,017	2,833	3,230	3,209	3,361	3,127	3,048
Employee Profit Sharing (PTU)	95	95	95	97	99	99	99
Professional Fees	424	491	456	474	463	612	655
Administrative and Promotional Expenses	1,708	1,522	1,689	1,834	1,809	1,827	1,708
Rents, Depreciation & Amortization	1,044	1,045	1,133	1,178	1,219	1,184	1,155
Taxes other than income tax & non-deductible expenses	361	298	261	239	458	337	358
Contributions to IPAB/Fobaproa	562	575	580	607	634	636	668
Total Non-Interest Expense	7,212	6,859	7,445	7,638	8,043	7,822	7,693
Operating Income	3,847	4,414	5,115	5,745	6,078	5,766	6,823
Subsidiaries' Net Income	333	322	371	18	14	17	(6)
Pre-Tax Income	4,180	4,735	5,486	5,763	6,092	5,783	6,817
Income Tax	1,122	1,023	1,703	1,631	1,541	1,509	1,755
Deferred Income Tax	(105)	131	(239)	96	320	89	78
Taxes	1,017	1,155	1,464	1,727	1,861	1,597	1,833
Net Income from Continuous Operations	3,163	3,580	4,022	4,036	4,232	4,185	4,985
Discontinued Operations	59	72	44	68	74	6	8
Minority Interest	(0)	(0)	(0)	(0)	0	(0)	(0)
Net Income	3,222	3,652	4,066	4,104	4,305	4,191	4,993

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

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

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

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2016 – SEPTEMBER 30, 2017***(Million Pesos)*

Net Income	13,489
Items charged to results that do not generate or require use of resources	
Depreciation	1,142
Provisions	(2,163)
Income taxes and deferred	5,290
Minority Interest	(25)
Discontinued Operations	87
	17,820
Change in items related to operations	
Change in Margin Accounts	557
Change in Investment in Securities	(18,286)
Change in repo debtors	(20)
Change in derivatives (assets)	21,933
Change in Loan Portfolio (net)	(34,870)
Change in purchased receivables (net)	(621)
Change in accounts receivable insurance and bonding institutions (net)	
Change in debtor premiums (net)	
Change in Reinsurance (net)	
Change in benefits to receive from securitizations	(21)
Change in foreclosed assets (net)	467
Change in other operating assets (net)	5,185
Change in core deposits	49,923
Change in interbank loans and other entities	(7,122)
Change in repo creditors	(5,794)
Change in collateral pledged sold	0
Change in derivatives (liability)	(22,446)
Change in Technical Reserves (net)	
Change in Reinsurance (net) (liability)	
Change in subordinated debt with characteristics of liabilities	8,762
Change in other operating liabilities	(1,339)
Change in hedging instruments (the related hedged transaction activities)	(1,412)
Discontinued Operational Assets	(109)
Income Tax Payments	(4,891)
Net cash generated or used from operations	7,716
Investment Activities	
Charges for disposal of property, furniture and equipment	50
Payments for acquisition of property, furniture and equipment	(2,066)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3,195
Charges for cash dividends	1,214
Net cash generated or used from investment activities	2,393
Financing Activities	
Payments of cash dividends	(16,254)
Net cash flows from financing activities	(16,254)
Net Cash Increase (decrease) and equivalents value	(6,145)
Effects for changes in cash and equivalents value	(81)
Cash and cash equivalents at beginning of period	65,844
Cash and cash equivalents at end of period	59,618

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 - SEPTEMBER 30, 2017

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL								Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
Balance as of December 31, 2016	18,105	72	11,509	50,215	(1,645)	(2,131)	1,985	(377)	15,044	10	92,787
Changes stemming from stockholders' decisions											
Capitalization of profits				15,044					(15,044)		
Dividends declared by the General Assembly of Shareholders on February 17, 2017; April 28, 2017; and September 20, 2017				(16,254)							(16,254)
Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 28, 2017.			1,504	(1,504)							
- Payment plan based on equity-settle shares in equity instruments		348									348
INB's Sale Accounting Effect				(364)							(364)
Total	0	348	1,504	(3,078)	0	0	0	0	(15,044)	0	(16,270)
Changes stemming from profits											
Total profits:											
Net Income									13,489		13,489
Result from valuation of securities available for sale					1,243						1,243
Effect of subsidiaries, associates and mutual funds				1							1
Convention accumulated effect							(445)				(445)
Result from valuation of instruments of cash flow hedges						208					208
Remeasurements defined benefits for employees				(27)				(378)			(405)
Modification in the norms of the qualification of non-revolving consumer and mortgage				(711)							(711)
Total	0	0	0	(737)	1,243	208	(445)	(378)	13,489	0	13,380
Recognition of minority interest	0	0	0	0	0	0	0	0	0	(10)	(10)
Balance as of September 30, 2017	18,105	420	13,013	46,400	(402)	(1,923)	1,540	(755)	13,489	0	89,887

Seguros Banorte

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

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

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

Information by Segments

GFNorte - Income Statement as of September '17

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Interest Income	149	70,232	6,369	1,502	48	5,260
Premium Income (Net)	-	-	19,987	-	-	-
Interest Expense	-	29,440	-	907	1	4,982
Net Increase in Technical Reserves	-	-	9,680	-	-	-
Damages, Claims and Other Obligations	-	-	11,060	-	-	-
Net Interest Income (NII)	149	40,792	5,616	596	47	278
Preventive Provisions for Loan Losses	-	11,115	-	-	-	-
Net Interest Income Adjusted for Credit Risk	149	29,677	5,616	596	47	278
Loan Origination Fees	-	13,450	-	17	-	981
Fees Paid	-	4,460	1,610	41	0	125
Trading Income	-	1,956	369	(2)	-	250
Other Operating Income (Expenses)	0	1,603	542	410	21	25
Non Interest Income	0	23,425	2,891	465	21	1,632
Total Operating Income	149	53,102	8,507	1,061	68	1,910
Administrative and Promotional Expenses	80	23,559	1,087	193	28	656
Operating Income	69	18,667	3,830	787	40	755
Subsidiaries' Net Income	17,337	25	991	-	-	(0)
Pre-Tax Income	17,406	18,692	4,821	787	40	754
Income Tax	-	4,805	941	267	11	167
Deferred Income Tax	(7)	486	176	(29)	1	42
Net Income from Continuous Operations	17,414	13,401	3,704	549	28	545
Discontinued Operations	-	87	-	-	-	-
Minority Interest	-	(0)	(18)	3	-	-
Net Income	17,414	13,489	3,686	552	28	545

GFNorte - Income Statement as of September '17

(Million Pesos)

	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	13	2	442	84,018	3,089	-	80,929
Premium Income (Net)	-	-	-	19,987	541	-	19,447
Interest Expense	-	-	651	35,980	-	3,071	32,909
Net Increase in Technical Reserves	-	-	-	9,680	-	-	9,680
Damages, Claims and Other Obligations	-	-	-	11,060	-	-	11,060
Net Interest Income (NII)	13	2	(209)	47,285	-	-	46,727
Preventive Provisions for Loan Losses	-	-	271	11,386	-	134	11,252
Net Interest Income Adjusted for Credit Risk	13	2	(480)	35,898	-	(134)	35,474
Loan Origination Fees	971	-	110	15,529	1,238	-	14,290
Fees Paid	674	-	0	6,910	-	1,259	5,651
Trading Income	-	-	(259)	2,316	-	10	2,326
Other Operating Income (Expenses)	(4)	-	(339)	2,258	169	3	2,092
Non Interest Income	1,641	-	(746)	29,329	1,407	1,282	26,685
Total Operating Income	1,655	2	(1,226)	65,227	1,407	1,148	62,159
Administrative and Promotional Expenses	36	3	169	25,811	553	1,102	25,262
Operating Income	270	(1)	(1,136)	23,280	-	-	23,270
Subsidiaries' Net Income	5	-	(132)	18,226	17,337	-	889
Pre-Tax Income	275	(1)	(1,268)	41,507	-	-	24,159
Income Tax	78	-	-	6,269	-	-	6,269
Deferred Income Tax	(0)	-	(343)	326	3	26	303
Net Income from Continuous Operations	197	(1)	(925)	34,912	-	-	17,587
Discontinued Operations	-	-	-	87	-	-	87
Minority Interest	-	-	-	(14)	234	-	(248)
Net Income	197	(1)	(925)	34,985	23,161	5,445	17,426

GFNorte - Balance Sheet as of September 30 '17

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	48	59,618	59	34	30	1,158
Margin Accounts	-	1,628	-	-	-	-
Investment in Securities	-	308,392	101,381	0	-	77,028
Negotiable Instruments	-	174,661	15,530	-	-	52,156
Securities Available for Sale	-	126,881	2,182	0	-	24,173
Securities Held to Maturity	-	6,849	83,669	-	-	699
Debtor Balance in Repo Trans, net	3,613	20	1,154	-	-	-
Transactions with Derivatives For trading purposes	-	18,959	-	0	-	-
Transactions with Derivatives For hedging purposes	-	94	-	-	-	-
Valuation adjustments for Asset Coverage	-	102	-	-	-	-
Gross Loan Portfolio	-	589,295	-	22,403	-	-
Net Loan Portfolio	-	587,274	-	22,403	-	-
Performing Loans	-	592,114	-	22,534	-	-
Commercial Loans	-	209,711	-	21,575	-	-
Financial Intermediaries' Loans	-	22,517	-	113	-	-
Government Entities' Loans	-	130,617	-	843	-	-
Consumer Loans	-	99,186	-	3	-	-
Mortgage Loans	-	130,084	-	-	-	-
Medium and Residential	-	126,120	-	-	-	-
Low income housing	-	29	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,934	-	-	-	-
Past Due Loans	-	10,788	-	140	-	-
Commercial PDL's	-	5,566	-	140	-	-
Financial Intermediaries PDL's	-	0	-	-	-	-
Consumer PDL's	-	3,987	-	0	-	-
Mortgage PDL's	-	1,234	-	-	-	-
Medium and Residential	-	1,096	-	-	-	-
Low income housing	-	1	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	137	-	-	-	-
Preventive Loan Loss Reserves	-	15,628	-	272	-	-
Acquired Collection Rights	-	2,021	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,879	-	-	-
Premium Debtors (Net)	-	-	6,519	-	-	-
Account Receivables from Reinsurance	-	-	9,285	-	-	-
Benef.receiveab.securization transactions	-	177	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	35,953	0	486	92	1,323
Inventories	-	-	-	-	1,204	-
Foreclosed Assets, Net	-	755	-	18	-	-
Real Estate, Furniture & Equipment, Net	-	12,777	356	3,552	69	41
Investment in Subsidiaries	124,613	113	13,173	-	-	1
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	201	3,146	-	78	3	-
Total other Assets	10,592	13,056	2,475	34	13	317
Goodwill	9,696	1,358	-	-	-	-
Intangible	896	9,561	2,387	34	0	66
Other Assets	-	2,137	88	-	13	251
TOTAL ASSETS	139,068	1,044,085	136,282	26,604	1,412	79,868

GFNorte - Balance Sheet as of September 30 '17

(Million Pesos)

ASSETS	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Cash and Due from Banks	252	34	81	61,315	222	1,729	59,809
Margin Accounts	-	-	-	1,628	-	-	1,628
Investment in Securities	0	-	441	487,241	208	359	487,090
Negotiable Instruments	0	-	-	242,347	-	-	242,347
Securities Available for Sale	-	-	441	153,677	-	122	153,555
Securities Held to Maturity	-	-	-	91,217	208	237	91,188
Debtor Balance in Repo Trans, net	-	-	506	5,293	-	5,062	231
Transactions with Derivatives For trading purposes	-	-	24	18,983	-	-	18,983
Transactions with Derivatives For hedging purposes	-	-	-	94	-	-	94
Valuation adjustments for Asset Coverage	-	-	-	102	-	-	102
Gross Loan Portfolio	-	-	5,103	616,801	-	17,756	599,044
Net Loan Portfolio	-	-	4,531	614,207	-	17,756	596,451
Performing Loans	-	-	4,710	619,359	-	17,756	601,602
Commercial Loans	-	-	677	231,963	-	8	231,954
Financial Intermediaries' Loans	-	-	-	22,630	-	17,748	4,882
Government Entities' Loans	-	-	-	131,460	-	-	131,460
Consumer Loans	-	-	4,033	103,222	-	-	103,222
Mortgage Loans	-	-	-	130,084	-	-	130,084
Medium and Residential	-	-	-	126,120	-	-	126,120
Low income housing	-	-	-	29	-	-	29
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,934	-	-	3,934
Past Due Loans	-	-	126	11,053	-	-	11,053
Commercial PDL's	-	-	25	5,731	-	-	5,731
Financial Intermediaries PDL's	-	-	-	0	-	-	0
Consumer PDL's	-	-	100	4,088	-	-	4,088
Mortgage PDL's	-	-	-	1,234	-	-	1,234
Medium and Residential	-	-	-	1,096	-	-	1,096
Low income housing	-	-	-	1	-	-	1
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	137	-	-	137
Preventive Loan Loss Reserves	-	-	305	16,205	-	-	16,205
Acquired Collection Rights	-	-	572	2,593	-	-	2,593
Account Receivables from Insurance and Annuities	-	-	-	1,879	-	-	1,879
Premium Debtors (Net)	-	-	-	6,519	-	-	6,519
Account Receivables from Reinsurance	-	-	-	9,285	-	-	9,285
Benef.receiveab.securization transactions	-	-	-	177	-	-	177
Sundry Debtors & Other Accs Rec, Net	153	5	8,802	46,813	87	563	46,338
Inventories	-	-	-	1,204	-	-	1,204
Foreclosed Assets, Net	-	-	348	1,121	201	201	1,121
Real Estate, Furniture & Equipment, Net	0	101	-	16,896	212	212	16,896
Investment in Subsidiaries	103	-	103	138,106	767	125,478	13,395
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	1,100	4,528	438	1,955	3,011
Total other Assets	0	0	274	26,761	2,453	898	28,315
Goodwill	-	-	-	11,053	2,453	876	12,630
Intangible	0	0	274	13,219	-	22	13,196
Other Assets	-	-	-	2,488	-	-	2,488
TOTAL ASSETS	508	140	16,782	1,444,747	4,588	154,214	1,295,121

GFNorte - Balance Sheet as of September 30 '17

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Deposits	-	625,678	-	-	-	-
Demand Deposits	-	376,822	-	-	-	-
Time Deposits	-	244,587	-	-	-	-
Time Deposits-Retail	-	235,605	-	-	-	-
Time Deposits-Money Market	-	8,983	-	-	-	-
Senior Unsecured Debt	-	2,745	-	-	-	-
Cuenta global de captación sin movimientos	-	1,523	-	-	-	-
Due to Banks & Correspondents	-	14,130	-	20,590	1,183	-
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	7,610	-	11,358	1,183	-
Long Term Loans	-	6,520	-	9,232	-	-
Technical Reserves	-	-	103,435	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	228,696	-	-	-	75,940
Collateral sold or pledged as collateral	-	0	-	-	-	54
Transactions with Derivatives for trading purposes	-	17,958	-	-	-	-
Transactions with Derivatives for hedging purposes	-	7,104	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	3,185	-	-	-
Other Payable Accounts	1	30,119	3,210	963	17	1,214
Income Tax Payable	-	1,351	952	114	4	23
Profit Sharing Payable	-	320	-	-	-	-
Creditors for settlement of transactions	(0.00)	9,904	-	-	-	981
Creditors for collateral received in cash	-	3,860	-	-	-	-
Other Creditors & Accounts Payable	1.33	14,684	2,258	849	13	210
Subordinated Non Convertible Debt	-	30,255	-	-	-	-
Deferred Taxes, Net	-	-	1,232	-	-	74
Deferred Credits	-	258	58	120	-	0
TOTAL LIABILITIES	1	954,198	111,120	21,674	1,200	77,282
EQUITY						
Subscribed Capital	50,185	18,525	20,944	526	87	1,429
Paid-in Capital	14,579	18,105	15,740	526	87	1,354
Share Subscription Premiums	35,606	420	5,204	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	88,881	71,362	3,948	4,400	125	1,157
Capital Reserves	5,095	13,013	62	526	49	182
Retained Earnings	69,710	46,400	173	3,332	47	216
Surplus (Deficit) of Secs Available for Sale	(2,389)	(402)	(33)	(10)	-	113
Results from Valuation of Hedging Secs	(1,884)	(1,923)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	65	-	60	-	-	-
Results from Conversions	1,613	1,540	-	-	-	101
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(741)	(755)	-	-	-	-
Net Income	17,414	13,489	3,686	552	28	545
Capital Mayoritario	139,067	89,887	24,892	4,926	212	2,585
Minority Interest	-	0	269	4	0	-
Total Equity	139,067	89,887	25,161	4,930	212	2,585
TOTAL LIABILITIES & EQUITY	139,068	1,044,085	136,282	26,604	1,412	79,868

GFNorte - Balance Sheet as of September 30 '17

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	625,678	1,702	-	623,976
Demand Deposits	-	-	-	376,822	1,621	-	375,201
Time Deposits	-	-	-	244,587	81	-	244,507
Time Deposits-Retail	-	-	-	235,605	81	-	235,524
Time Deposits-Money Market	-	-	-	8,983	-	-	8,983
Senior Unsecured Debt	-	-	-	2,745	-	-	2,745
Cuenta global de captación sin movimientos	-	-	-	1,523	-	-	1,523
Due to Banks & Correspondents	-	-	12,699	48,601	17,746	-	30,856
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	12,699	32,850	17,746	-	15,104
Long Term Loans	-	-	-	15,751	-	-	15,751
Technical Reserves	-	-	-	103,435	51	167	103,550
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	304,636	5,062	-	299,573
Collateral sold or pledged as collateral	-	-	-	54	-	-	54
Transactions with Derivatives for trading purposes	-	-	-	17,958	-	-	17,958
Transactions with Derivatives for hedging purposes	-	-	-	7,104	-	-	7,104
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	3,185	-	-	3,185
Other Payable Accounts	147	0	81	35,753	595	45	35,203
Income Tax Payable	11	0	-	2,455	-	-	2,455
Profit Sharing Payable	-	-	-	320	-	-	320
Creditors for settlement of transactions	-	-	-	10,885	269	-	10,616
Creditors for collateral received in cash	-	-	-	3,860	-	-	3,860
Other Creditors & Accounts Payable	136	0	81	18,233	326	45	17,952
Subordinated Non Convertible Debt	-	-	-	30,255	-	-	30,255
Deferred Taxes, Net	-	-	-	1,306	1,306	-	-
Deferred Credits	-	-	3	440	22	-	418
TOTAL LIABILITIES	147	0	12,783	1,178,405	26,484	212	1,152,133
EQUITY							
Subscribed Capital	112	144	6,701	98,654	48,621	322	50,355
Paid-in Capital	112	144	6,198	56,846	42,270	-	14,576
Share Subscription Premiums	-	-	4	41,308	5,850	322	35,780
Contributions for future capital increases agreed by the governing body	-	-	500	500	500	-	-
Earned Capital	249	(5)	(2,702)	167,415	79,973	3,296	90,737
Capital Reserves	22	2	117	19,069	13,974	-	5,095
Retained Earnings	29	(6)	230	120,132	51,800	3,260	71,592
Surplus (Deficit) of Secs Available for Sale	-	-	(2,129)	(4,850)	(2,423)	-	(2,428)
Results from Valuation of Hedging Secs	-	-	4	(3,803)	(1,918)	-	(1,884)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	124	60	-	65
Results from Conversions	-	-	-	3,253	1,640	-	1,613
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(1,496)	(755)	-	(741)
Net Income	197	(1)	(925)	34,985	17,595	36	17,426
Capital Mayoritario	361	140	3,999	266,069	128,594	3,618	141,092
Minority Interest	-	-	-	273	-	1,623	1,896
Total Equity	361	140	3,999	266,342	128,594	5,240	142,988
TOTAL LIABILITIES & EQUITY	508	140	16,782	1,444,747	155,078	5,452	1,295,121

V. Appendix

Accounting Changes & Regulation

Numbers in this section are stated in million pesos.

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

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

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

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

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

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

Amendments to the revolving consumer portfolio's rating methodology

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

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

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

Changes in Seguros Banorte and Pensiones Banorte.

Seguros Banorte

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

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

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

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

Registration of changes in calculation methodology for Unexpired Risks

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

Securities Portfolio

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

Registration of Short-Term Life Insurance Premiums

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

Afore XXI Banorte's acquisition

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

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

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

Pensiones Banorte

Securities Portfolio

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

Changes to the calculation of the 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 in arrears. This calculation can be maintained until an agreement between lender(s) and borrower is reached or until the borrower has been declared in bankruptcy in which case this modification would not apply and the uncovered portion of the loan will be set aside in accordance to the existing regulation which requires up to 100% of Loss Severity for loans 18 months or more in default.

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 3Q17
Corporate bonds	\$183.0	\$36.6	\$64.05

- 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 3Q17
Corporate bonds	\$2,728.7	\$545.7	\$955.04

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

The amounts that would have been registered and presented in the balance sheet as of September 30, 2017, having not implemented the aforementioned option in the affected lines are:

Other short and long term assets ⁽¹⁾	596
Total assets	1,293,229
Results from prior years	71,473
Measurements of defined benefits for employees	(2,515)
Total equity	141,096
Total liabilities plus equity	1,293,229

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, 2017, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 517, and its maturities are between 2017 and 2027.

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

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

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

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

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

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

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

Accounting effect in 3Q17 including expenses associated with the sale.

3Q17	Numbers without Special Accounting Register	Numbers with Special Accounting Register	Variation
Income from prior years	71,950	71,592	(358)
Net Income	17,068	17,426	358
Total equity	142,988	142,988	0
Total liabilities + equity	1,295,121	1,295,121	0

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

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

New Financial Reporting Standards

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

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

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

The NIFs issued and coming into force are:

- NIF B-17 "Determination of Reasonable Value".
- NIF C-2 "Investment in financial instruments".
- NIF C-3 "Accounts Receivable".
- NIF C-9 "Provisions, contingencies and commitments".
- NIF C-10 "Derivative financial instruments and hedging relationships".
- NIF C-16 "Impairment of financial instruments receivable".
- NIF C-19 "Financial instruments payable".
- NIF C-20 "Financial instruments receivable principal and interest".
- NIF D-1 "Income from contracts with customers".
- NIF D-2 "Costs for contracts with customers", disclose for each one of them.

Loan Portfolio Sales to Sólida

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

On February, 2003 Banorte sold Ps 1.9 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-17	Sep-17	aug-02	Jun-17	Sep-17	aug-02	Jun-17	Sep-17
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	20	20	0	0	0	54	20	20
Performing Loans	59	20	20	5	0	0	64	20	20
Commercial	405	192	192	293	1	1	698	193	193
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	200	208	0	0	0	1,112	200	208
Non Performing Loans	1,598	463	472	293	1	1	1,891	464	473
TOTAL LOANS	1,657	483	491	298	1	1	1,955	484	493
Commercial	326	192	192	246	1	1	572	193	193
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	210	210	0	0	0	669	210	210
Loan Loss Reserves (1)	1,072	473	473	246	1	1	1,318	474	474

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

(*) There was a reserve difference of Ps 13 million as of September 2017.

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

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

In 3Q17 the Loan portfolio showed changes due to charge offs of PS 0.02 million, discounts of Ps 0.08 million, foreclosed assets for Ps 0.67 million, No changes in restructure. In the Loan loss provisions, there were changes of Ps 1.28 million. No transfers to performing loans or to past due loans were made.

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

	Local Currency (1)		Foreign Currency (USD) (2)		Total	
(Million of Nominal Pesos)	jun-17	sep-17	jun-17	sep-17	jun-17	sep-17
Performing Loans						
Commercial	327,808	321,689	37,867	41,182	365,676	362,872
Consumer	93,999	99,186	0	0	93,999	99,186
Mortgage	124,225	130,103	0	0	124,225	130,103
Government	0	0	0	0	0	0
Fobaproa / IPAB	0	0	0	0	0	0
Performing Loans	546,033	550,979	37,867	41,182	583,901	592,161
Non Performing Loans						
Commercial	5,711	5,711	52	49	5,763	5,759
Consumer	3,938	4,058	0	0	3,938	4,058
Mortgage	1,361	1,443	0	0	1,361	1,443
Government	0	0	0	0	0	0
Non Performing Loans	11,010	11,212	52	49	11,062	11,261
TOTAL LOANS	557,043	562,191	37,920	41,231	594,963	603,422
Loan Loss Reserves	13,579	15,815	269	286	13,849	16,101
Net Loan Portfolio	543,464	546,375	37,651	40,945	581,114	587,320
Loan Loss Reserves					125.19%	142.99%
% Past Due Loans					1.86%	1.87%

1. Includes UDIS.

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

Notes to Financial Statement

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q17

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	209,465	1,339	353	211,157
Unrestricted	11,716	100	41	11,857
BONDES D	12	0	0	12
BONDES M	(174)	3	(1)	(172)
BPA	(199)	0	0	(199)
BREMS	-	-	-	-
Government Securities	164	0	1	166
Municipalities Securities	0	0	0	1
UDI Securities	-	-	-	-
CETES	9,672	71	1	9,744
CETES (Special)	-	-	-	-
Government Eurobonds	118	1	(0)	118
Udibonds	2,122	24	39	2,186
Restricted	197,749	1,240	312	199,300
BONDES D	28,015	71	1	28,087
BONDES M	8,109	175	24	8,308
BPA	152,521	926	270	153,717
BREMS	-	-	-	-
Government Securities	2,129	6	(3)	2,132
Municipalities Securities	-	-	-	-
UDI Securities	-	-	-	-
CETES	1,006	-	0	1,006
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	5,968	62	20	6,050
-	-	-	-	-
Banking Securities	28,729	73	2	28,804
Unrestricted	1,799	0	(0)	1,799
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	5	0	0	5
Bank Securities	38	0	(0)	38
Deposit Certificates	(8)	0	(0)	(8)
Structured Notes	-	-	-	-
Other Banking Securities	43	0	(0)	43
Promissory Notes	1,721	0	(0)	1,722
Restricted	26,930	72	2	27,004
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	2,619	7	(0)	2,626
Bank Securities	13,346	35	4	13,385
Deposit Certificates	10,237	29	(2)	10,264
Structured Notes	-	-	-	-
Other Banking Securities	727	2	0	730
Promissory Notes	-	-	-	-
-	-	-	-	-
Private Securities	2,091	1	294	2,386
Unrestricted	1,951	1	294	2,247
Shares	827	-	253	1,081
Investment Company Shares	554	-	19	573
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	473	1	26	500
Trust Stock Certificates	85	-	(4)	81
Private Eurobonds	(1)	0	0	(0)
Infrastructure and Real Estate Trusts	13	-	(1)	12
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	140	0	(0)	140
Shares	6	-	(0)	6
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	129	0	(0)	129
Trust Stock Certificates	1	-	(0)	1
Private Eurobonds	4	-	(0)	4
Total	240,285	1,413	648	242,347

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q17

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	117,909	1,062	629	119,599
Unrestricted	38,322	312	466	39,100
BONDES D	94	0	0	94
BONDES M	375	7	(28)	354
BPA	-	-	-	-
BREMS	7,778	35	-	7,813
Government Securities	472	2	16	490
Municipalities Securities	352	6	91	449
UDI Securities	34	1	6	41
CETES	5	-	(0)	5
CETES (Special)	-	-	-	-
Government Eurobonds	29,211	262	379	29,853
Udibonds	-	-	-	-
Restricted	79,588	749	163	80,500
BONDES D	3,805	12	(1)	3,816
BONDES M	-	-	-	-
BPA	66,039	681	(92)	66,628
BREMS	-	-	-	-
Government Securities	7,157	16	(2)	7,170
Municipalities Securities	-	-	-	-
UDI Securities	-	-	-	-
CETES	97	-	(0)	97
CETES (Special)	-	-	-	-
Government Eurobonds	2,489	41	258	2,788
Udibonds	-	-	-	-
Banking Securities	9,442	30	27	9,499
Unrestricted	9,442	30	27	9,499
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	254	1	34	289
Deposit Certificates	8,772	30	5	8,807
Structured Notes	416	-	(13)	403
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	28,322	271	(4,136)	24,456
Unrestricted	26,766	245	(4,135)	22,877
Shares	4,524	-	(3,911)	613
Investment Company Shares	3,523	-	85	3,608
ADRs	-	-	-	-
Stock Certificates BORHIS	125	0	(81)	44
Corporate Stock Certificates	5,578	33	(455)	5,156
Trust Stock Certificates	-	-	-	-
Private Eurobonds	12,957	211	227	13,395
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	60	0	0	60
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,556	26	(2)	1,580
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,556	26	(2)	1,580
Total	155,673	1,363	(3,481)	153,555

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q17

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	83,855	888	-	84,743
Unrestricted	81,288	874	-	82,161
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,717	3	-	1,720
Municipalities Securities	2,806	23	-	2,830
UDI Securities	252	4	-	257
CETES	-	-	-	-
CETES (Special)	517	-	-	517
Government Eurobonds	-	-	-	-
Udibonds	75,995	843	-	76,838
Restricted	2,568	14	-	2,582
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,568	14	-	2,582
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
Banking Securities	1,188	639	-	1,827
Unrestricted	1,188	639	-	1,827
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	708	6	-	714
Deposit Certificates	300	515	-	815
Structured Notes	180	117	-	298
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	4,095	552	-	4,648
Unrestricted	1,461	544	-	2,005
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,461	544	-	2,005
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	2,634	9	-	2,643
Shares	-	-	-	-
Stock Certificates BORHIS	7	0	-	7
Corporate Stock Certificates	2,628	9	-	2,636
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(29)	-	-	(29)
Total	89,139	2,079	-	91,188

REPURCHASE AGREEMENT OPERATIONS 3Q17
(Million Pesos)

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Government securities	30,561	30,330	231	0	260,510
Banking securities	3,799	3,799	0	0	26,732
Private Securities	1,589	1,589	0	0	19,919
Total	35,949	35,718	231	0	307,161

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q17**
(Million Pesos)

Creditor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	
Fx Forward	197
Options	
Rate options	517
Fx options	60
Warrants	30
Swaps	
Rate swap	14,255
Fx swap	3,924
Negotiable Total	18,983
Options	
Rate Options	6
Fx options	-
Swaps	
Rate swap	88
Fx swap	-
Hedging total	94
Position total	19,077

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q17
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	81
Options	
Rate options	452
Fx options	80
Swaps	
Rate swap	12,021
Fx swap	5,324
Negotiable Total	17,958
Swaps	
Rate swap	329
Fx swap	6,775
Hedging total	7,104
Position total	25,062

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 3Q16 - Banorte
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	18,317	29
FX Forwards	Sales	Exchange Rate (USD/MXN)	2,556	53
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	4	2
FX Forwards	Sales	Exchange Rate (EUR/MXN)	4	2
FX Options	Purchases	Exchange Rate (Dollar)	1,816	5
FX Options	Sales	Exchange Rate (Dollar)	8,175	13
Interest Rate Options	Purchases	TIIE	64,231	131
Interest Rate Options	Sales	TIIE	78,365	564
Interest Rate Options	Purchases	LIBOR	6,260	24
Interest Rate Options	Sales	LIBOR	6,416	24
Interest Rate Swaps	USD LIBOR	LIBOR	359,496	3,232
Interest Rate Swaps	MXN TIIE	TIIE	1,020,203	3,521
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	12	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	68,975	78
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	11,892	27
Interest Rate and FX Swaps	CS EURMXN	FALSO	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FALSO	2,334	11

LOAN PORTFOLIO*(Million Pesos)*

	Local Currency		UDIS		Foreign Currency		Total	
	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17
Performing Loans								
Commercial Loans	162,613	189,860	-	-	42,258	42,094	204,870	231,954
Financial Intermediaries' Loans	2,040	4,882	-	-	2,213	(0)	4,253	4,882
Consumer Loans	84,437	103,222	-	-	-	-	84,437	103,222
Mortgage Loans	108,758	129,925	197	159	-	-	108,955	130,084
Government Entities' Loans	128,930	128,772	-	-	2,479	2,688	131,409	131,460
Total	486,778	556,661	197	159	46,949	44,783	533,925	601,602
Past Due Loans								
Commercial Loans	7,466	5,684	0	0	58	47	7,524	5,731
Financial Intermediaries' Loans	344	0	-	-	-	-	344	0
Consumer Loans	3,263	4,088	-	-	-	-	3,263	4,088
Mortgage Loans	1,103	1,212	17	23	0	0	1,119	1,234
Government Entities' Loans	0	-	-	-	-	-	0	-
Total	12,176	10,984	17	23	58	47	12,250	11,053
Total Proprietary Loans	498,954	567,645	214	181	47,007	44,830	546,175	612,656

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 3Q17- GFNorte**
(Million Pesos)

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

DEFERRED TAXES 3Q17

(Million Pesos)

ASSETS	INCOME TAX	PROFIT SHARING	NET
Global Loss Reserves Loan Portfolio	4,688	-	4,688
Non deductible provisions and cumulative income	1,085	-	1,085
Excess of accounting value over fiscal value on Repossessed Assets	1,002	-	1,002
Diminishable profit sharing	133	-	133
Fees received in advance	1,019	-	1,019
Effects from valuation of instruments	614	-	614
Tax losses pending amortization	1,235	-	1,235
Provisions for possible loss in loans	586	-	586
Loss on sale of foreclosed assets and credits	-	-	-
State Tax on Assets Deferred	-	-	-
Loss on sale of foreclosed assets and credits	-	-	-
Loss on sale of foreclosed assets and credits	25	-	25
Total Assets	10,387	-	10,387
LIABILITIES	INCOME TAX	PROFIT SHARING	NET
Pension Funds Contribution	(879)	-	(879)
Loan Portfolio Acquisitions	(272)	-	(272)
Projects to be capitalized	(3,312)	-	(3,312)
Intangibles' amortizations	(2)	-	(2)
Effects from valuation of instruments	(2,225)	-	(2,225)
Intangibles' amortizations	(619)	-	(619)
Unrealized Loss on Securities held for Sale	(66)	-	(66)
Total Liabilities	(7,376)	-	(7,376)
Assets (Liabilities) Accumulated Net	3,011	-	3,011

LONG TERM DEBT AS OF SEPTEMBER 30, 2017 - BANCO MERCANTIL DEL NORTE

(Million Pesos)

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,602	20 years	4.950%	15-feb-28	E/ 182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,179	10 years	9.25%	14-oct-20	E/ 180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,080	15 years	5.750%	04-oct-31	E/ 180 days
Perpetual 5-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 6 7/8 PERP)	USD	06-jul-17	350	6,725	6,356	Perpetual	6.875%	NA	Quarterly
Perpetual 10-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 7 5/8 PERP)	USD	06-jul-17	550	10,568	9,987	Perpetual	7.625%	NA	Quarterly

BANK AND OTHER ENTITIES LOANS' AS OF 3Q17

(Million Pesos)

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	96	96
Loans from Development Banks	9,337	4,238	13,575
Loans from Public Funds	10,257	864	11,121
Call Money & Loans from Banks	23,505	-	23,505
Loans from Fiduciary Funds	111	-	111
Provisions for Interest	194	-	194
	43,404	5,198	48,602
Eliminations			(17,746)
Total			30,856

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 3Q17**
CORE DEPOSITS (BANORTE)
Demand Deposits

Local Currency and UDIs	0.80%
Foreign Currency	0.02%

Time Deposits - Retail

Local Currency and UDIs	5.86%
Foreign Currency	0.19%

Time Deposits - Money Market

Local Currency and UDIs	7.40%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)
Immediate Redemption Loans

Local Currency and UDIs	6.79%
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Public Funds and Development Banks

Local Currency and UDIs	9.17%
Foreign Currency	2.96%

MAIN CREDIT LINES RECEIVED 3Q16 (BANORTE)
Million pesos

	3Q16	2Q17	3Q17	Change vs. 3Q16	Change vs. 2Q17
Banxico (Monetary Regulation Deposits)	33,449	33,449	33,418	(0%)	(0%)
Banxico (Repos with the System of Payments)	48,406	53,517	55,180	14%	3%
Call Money	112,235	111,531	111,582	(1%)	0%
TOTAL	194,090	198,497	200,181	3%	1%

TRADING INCOME 3Q17
Million Pesos

Trading income	Consolidated
Securities - Unrealized gains	442,483
Negotiable instruments	107,659
Derivative instruments - Negotiation	397,359
Derivative instruments - Hedging	-62,535
Impairment loss or revaluation increase	-407,215
Result from foreign exchange valuation	-144,363
Result from valuation of precious metals	-236
Result from purchase/sale of securities and derivatives	1,158,392
Negotiable instruments	832,462
Securities held for sale	189
Securities held to maturity	0
Derivative instruments - Hedging	325,741
Result from purchase/sale of foreign exchange	1,273,461
Result from purchase/sale of precious metals	3,363
Total	2,325,885

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 adverse events.

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

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

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

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

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

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

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

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

1.1 Risk Management – Structure and Corporate Governance

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

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

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

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

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

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

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

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

1.2 Scope and Nature of GFNorte's Risk Management

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

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

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

2. CREDIT RISK

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

The objectives of Credit Risk Management at GFNorte are:

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

GFNorte's Risk Management policies are:

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

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

2.1 Credit Risk Scope and Methodology

2.1.1 Individual Credit Risk

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

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

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

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

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

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

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

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

2.1.2 Portfolio Credit Risk

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

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

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

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

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

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

2.1.3 Credit Risk of Financial Instruments

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

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

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

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

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

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

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

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

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

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

2.2 Credit Risk Exposure

As of September 30, 2017 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method (Million pesos)	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	163,596	21,765	703	186,063
YoY Revenues or Sales < 14 MM UDIS	66,061	791	602	67,455
YoY Revenues or Sales >= 14 MM UDIS	97,535	20,974	100	118,609
States or Municipalities	86,551	216	0	86,767
Decentralized Federal Government Agencies and State Companies	44,066	579	0	44,645
Projects with own source of payment	51,708	0	0	51,708
Financial Institutions	22,517	110	0	22,627
Mortgage	131,318	0	0	131,318
Consumer	103,174	6	4,133	107,312
Credit Card	35,216	0	0	35,216
Non-revolving	67,958	6	4,133	72,096
Total Loans subject to the Standard Method	602,929	22,674	4,836	630,439
Eliminations				(17,783)
Total Loans				612,656

*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 2017 presented an exposure of Ps 612,656 million, higher in Ps 7,841 million or +1.3% QoQ and Ps 66,481million or +12.2% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment (Million pesos)	Total Loan			Var. vs 2Q17		Var. vs 3Q16	
	3Q16	2Q17	3Q17	\$	%	\$	%
Government	131,409	134,423	131,460	(2,963)	(2.2%)	51	0.0%
Commercial	119,998	133,252	133,774	522	0.4%	13,776	11.5%
Mortgage	110,075	125,367	131,318	5,951	4.7%	21,243	19.3%
Corporate	96,993	109,378	108,794	(584)	(0.5%)	11,801	12.2%
Payroll	44,861	51,771	53,937	2,166	4.2%	9,076	20.2%
Credit Card	28,613	33,633	35,216	1,583	4.7%	6,603	23.1%
Auto Loans	14,226	16,992	18,157	1,165	6.9%	3,931	27.6%
Total Loans	546,175	604,815	612,656	7,841	1.3%	66,481	12.2%

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past-due	Performing	Past-due		
Banorte*	572,801	5,438	1,557	5,350	585,146	15,453
Arrendadora y Factoraje	22,532	4	2	137	22,674	262
Sólida	4,710	100	0	25	4,836	303
Accounting Records						186
Total Loans	600,043	5,542	1,559	5,512	612,656	16,205

* Banorte's total loans include eliminations for (Ps 17,783)

Total reserves Ps 16,205 million, includes rating reserves for Ps 16,019 million and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) for Ps 186 million.

GFNorte's performing, past-due and distressed portfolios in 3Q17 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		3Q17	Var. vs 2Q17		
Government	131,460	0	0	0	131,460	676	(31)	0	0
Services*	54,289	42	273	603	55,207	823	(63)	69	214
Commerce	43,532	83	257	1,440	45,312	1,079	(32)	176	313
Manufacturing	41,497	28	185	355	42,065	531	2	35	296
Construction	35,085	35	193	2,831	38,144	1,645	(417)	19	1,194
Top 5 Sectors	305,864	188	908	5,229	312,189	4,754	(541)	300	
Other Sectors	60,874	32	651	283	61,839	908	451	18	
Mortgage	130,084	1,234	0	0	131,318	936	(104)	281	
Consumer	103,222	4,088	0	0	107,310	9,420	286	2,648	
Accounting Records						186			
Total Group	600,043	5,542	1,559	5,512	612,656	16,205	92	3,246	

* Includes Financial, Real Estate and Other Services

**Days past due from Non-Performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Sólida	Total Loans
Government	130,617	843	0	131,460
Services**	51,644	3,563	0	55,207
Commerce	40,283	4,427	602	45,312
Manufacturing	34,587	7,479	0	42,065
Construction	34,178	3,867	100	38,144
Top 5 Sectors	291,309	20,178	703	312,189
Remaining	293,837	2,497	4,133	300,467
Total Loans	585,146	22,674	4,836	612,656

* Banorte's total loans include eliminations for (Ps 17,783)

** Includes Financial and Real Estate services

As of 3Q17, 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	Ciudad de México	173,123	1,278	903	3,438	178,742	5,218
2	Nuevo León	95,682	685	102	291	96,760	2,017
3	Estado de México	49,235	621	96	279	50,231	1,441
4	Jalisco	35,478	396	54	173	36,101	863
5	Tamaulipas	19,896	182	20	158	20,256	529
6	Sinaloa	16,533	126	46	119	16,823	343
7	Veracruz	15,783	252	43	141	16,219	533
8	Coahuila	15,528	113	20	43	15,704	316
9	Chihuahua	14,508	135	22	70	14,735	369
10	Sonora	14,506	75	18	29	14,628	287
	Top 10	450,272	3,862	1,323	4,741	460,198	11,916
	Other Federal Entities	149,771	1,680	236	771	152,458	4,102
	Accounting Records						186
	Total Loans	600,043	5,542	1,559	5,512	612,656	16,205

* Banorte's total loans include eliminations for (Ps 17,783)

As of 3Q17, 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	85,542	2,318	189	3,945	91,994	7,060
1 - 5 years	113,227	656	703	1,141	115,726	2,500
5 - 10 years	93,828	149	90	264	94,331	659
> 10 years	280,204	2,316	575	0	283,095	5,234
Banorte*	572,801	5,438	1,557	5,350	585,146	15,453
Factoring	10,697	0	1	52	10,750	107
Leasing	11,835	4	0.9	85	11,924	155
Sólida	4,710	100	0	25	4,836	303
Accounting Records						186
Total Loans	600,043	5,542	1,559	5,512	612,656	16,205

* Banorte's total loans include eliminations for (Ps 17,783)

The total distressed portfolio is Ps 7,071 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio (Million pesos)	3Q17			
	Banorte	Arrendadora y Factor	Sólida	GFNorte
Initial Loan Loss Provisions	3,088	80	15	3,183
Charged to results	315	(4)	0	311
Loans' write offs	120	0	0	120
FX changes	0	0	0	0
Adjustments in Credit Risk	195	(4)	0	191
Received in lieu of payment	0	0	0	0
Write-offs, charge-offs and discounts	(314)	0	0	(314)
Final Loan Loss Reserves	3,089	76	15	3,180
Loan Recoveries	87	0	0	87

2.2.2 Exposure to Financial Instruments

As of September 30, 2017, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 306,758 billion, of which 99.4% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 11% of the Tier 1 Capital as of June 2017. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Net Capital as of March 2017 has higher or similar rating to AA-(mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 5 years and 8 months for Ps 14.8 million at 4.4%; and deposit certificates from HSBC for 4 months for Ps 8.2 billion at 1.5%.

For Derivatives operations, the exposure of the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 1% of the Tier 1 Capital as of June 2017

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 76,472 billion, of which 100% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 31% of the Capital as of June 2017. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Capital as of June 2017 has a higher or similar rating to A+(mex) and are comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market certificates of CFE to 1 year and 10 months for Ps 2.021 billion at 7.6%; market certificates of PEMEX to 1 year and 8 months for Ps 1.46 billion at 7.6%; market certificates of HSBC Mexico for 1 year and 2 months for Ps 1.15 billion at 7.7%;; market certificates of Scotiabank Inverlat for 6 months for Ps 728 million at 7.5%; market certificates of Bancomer for 6 months for Ps 624 million at 7.4%; bonds of Deutsche Bank for 5 years and 8 months for Ps 557 million at 10%; market certificates of Banco Inbursa for 1 year and 1 month for Ps 399 at 7.5%; market certificates of Banco Interacciones for 2 years and 4 months for Ps 388 million at 8.4%; bonds of CABEL for 1 year and 3 months for Ps 160 million at 7.3%; and market certificates of Banco Monex for 9 months for Ps 144 million at 8.2%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 115 thousand, 100% of them are shares. In derivatives, its exposure is Ps 130 thousand with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 441 million. The 100.0% of them are shares. Its exposure to derivatives was Ps 24 million with private counterparties.

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

Position (Million Pesos)	3Q17	3Q17 Average
Forwards	66	11
Options	53	77
Interest Rate Swaps	3,508	3,491
Cross Currency Swap	(8,151)	(7,744)
Total	(4,524)	(4,164)
Positive Fair Value (Positive Fair Value)	5,980	6,362
Netting Effect*	10,504	10,527
Delivered Guarantees(-) /Received(+)		
Cash	(5,913)	(5,069)
Securities	7.6	7.6
Total	(5,905)	(5,062)

* Difference between the positive fair value (not considering the net positions) and the portfolio market value.
Operations settled in *Camara de Compensación* are not included because they have no counterparty risk.

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

(Million Pesos)	Potential Risk		Current Risk	
Financial Counterparties	3Q17	3Q17 Average	3Q17	3Q17 Average
FWD	528	345	65	2
OPTIONS	707	736	400	438
INTEREST RATE SWAP	8,739	9,244	2,107	2,335
CCS	968	1,218	(8,141)	(7,733)
Total	4,606	4,286	(5,570)	(4,958)
Clients (Non-Financial)	3T17	Promedio 3T17	3T17	Promedio 3T17
FWD	13	23	2	9
OPTIONS	45	44	(348)	(361)
INTEREST RATE SWAP	2,403	2,207	1,401	1,157
CCS	26	25	(10)	(11)
Total	2,443	2,258	1,045	793

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

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

Net Cash Outflows (Million pesos)	3Q17	3Q17 Average
Cash Outflow with 1-notch Downgrade	0	0
Cash Outflow with 2-notch Downgrade	0	0
Cash Outflow with 3-notch Downgrade	0	0

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

Rating (Thousand pesos)	3Q17	3Q17 Average
AAA/AA-	0	0
A+/A-	(5,276)	(4,853)
BBB+/BBB-	(299)	(111)
BB+/BB-	214	75
B+/B-	37	24
CCC/C	(4)	(5)
SC	804	707
Total	(4,524)	(4,164)

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)	3Q17			
	Banorte	Arrendadora y Factor**	Sólida	GFNorte*
Total Loan Portfolio	602,929	22,674	4,836	612,656
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	14,986	0	0	14,986
Real Non-Financial Guarantees	322,651	5,495	25	328,171
Pari Passu	19,106	0	0	19,106
First Losses	32,667	0	0	32,667
Personal Guarantees	19,001	4,824	0	23,825
Total Loan Portfolio Covered	408,410	10,319	25	418,754

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

** Excludes pure leasing

2.4 Expected Loss

As of September 30, 2017, Banco Mercantil del Norte's total portfolio was Ps 602,929billion. The expected loss represents 2.2% and the unexpected loss is 4.1% with respect to the total portfolio. The average expected loss is 2.12 during the period June– September 2017.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 76,47 billion and the expected loss represents 0.03% of the exposure. The average expected loss is 0.03% between June – September 2017.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 26.19 billion. The expected loss represents 0.9% and the unexpected loss is 3.9% of the total portfolio. The average expected loss represents 0.9% during the July – September 2017 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 4,83billion. The expected loss of the portfolio represents 10.5% and the unexpected loss 12.1%, both with respect to the total portfolio. The average expected loss for the period of June - September 2017 was 10.4%.

2.5 Risk Diversification

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

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

Tier 1 as of June 30, 2017		79,559
I. Financings whose individual amounts represent more than 10% of basic equity:		
<u>Loan Operations</u>		
Number of financings		1
Total amount of financings		8,493
% in relation to Tier 1		11%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Tier 1		0%
<u>Overnight Operations</u>		
Number of financings		1
Total amount of financings		8,827
% in relation to Tier 1		11%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		41,639

In compliance with the risk diversification regulation in asset and liability operations, Leasing and Factoring (Arrendadora y Factor Banorte) submits the following information (million pesos):

Equity as of June 31, 2017		4,734
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		2
Total amount of financings		1,927
% in relation to Equity		41%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		5,079

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, 2017		3,999
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		1
Total amount of financings		602
% in relation to Equity		15%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		853

3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

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

GFNorte's Market Risk Policies are:

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

3.1 Market Risk Methodology

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

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

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

3.2 Market Risk Exposure

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

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

The average VaR of the portfolio for 3Q17 was Ps 57.3 million (Ps 12.5 million lower than the average VaR for 4Q16).

The result shows that the Bank's potential loss will be above Ps 57.3 million in one out of a hundred days.

VaR Million Pesos	Average 3Q17
VaR Total	57.3
Net Capital	110,406
VaR/Net Capital	0.05%

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

Risk Factor Million Pesos	3Q17	Average 3Q17
Rates	46.2	46.9
FX	40.9	15.8
Equity	18.0	13.7
Diversification Effect	(33.4)	(19.1)
Bank's Total VaR	71.8	57.3

VaR for 3Q17 was Ps 72 million. The contribution to VaR for each risk factor is:

Risk Factor Million Pesos	3Q17	Average 3Q17
Rates	31.9	44.0
FX	(0.2)	0.9
Equity	27.5	9.2
Diversification Effect	13.1	3.1
Bank's Total VaR	71.8	57.3

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

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

Risk Factor	3Q17
Rates	44%
FX	39%
Equity	17%

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 3Q17 was Ps 10.3 million, +Ps 2 million lower vs. 2Q17.

The result shows that potential loss will be above Ps 10.3 million in one out of a hundred days.

VaR Million Pesos	Average 3Q17
Total VaR	10.3
Net Capital	2,330
VaR/Net Capital	0.44%

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

Risk Factor (Million Pesos)	3Q17	Average 3Q17
Rates	11.2	10.3
FX	0	0
Equity	0	0
Diversification effect	0	0
Casa de Bolsa Total VaR	11.2	10.3

VaR at the end of 3Q17 was Ps 11.2 million.

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

Concentration by Market Risk factor is in domestic interest rates

3.2.4 Sensitivity Analysis and Stress Testing under extreme conditions

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

3.2.5 Back testing

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

4. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

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

GFNorte's Liquidity Risk Policies are:

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

4.1 Liquidity Risk Methodology and Exposure

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

4.2 Profile and Funding Strategy

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

Funding Source (Million Pesos)	2Q17	3Q17	Change vs. 2Q17
Demand Deposits			
Local Currency ⁽¹⁾	321,414	327,769	2.0%
Foreign Currency ⁽¹⁾	47,896	50,698	5.8%
Demand Deposits	369,310	378,467	2.5%
Time Deposits – Retail			
Local Currency ⁽²⁾	167,253	173,757	3.9%
Foreign Currency	14,361	19,181	33.6%
Core Deposits	550,924	571,406	3.7%
Money Market			
Local Currency ⁽³⁾	60,982	51,685	(15.2%)
Banking Sector Deposits	611,906	623,091	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 3Q17.

LCR Components <i>(Million Pesos)</i>		Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	87,366
CASH DISBURSEMENTS			
2	Unsecured retail financing	338,700	22,666
3	Stable financing	224,086	11,204
4	Less stable financing	114,614	11,461
5	Unsecured wholesale financing	200,183	69,157
6	Operational Deposits	139,832	30,746
7	Non-Operational Deposits	54,017	32,075
8	Unsecured debt	6,335	6,335
9	Secured wholesale financing	252,208	17,830
10	Additional Requirements:	246,089	17,448
11	Disbursements related to derivatives and other guarantee requirements	37,430	5,287
12	Disbursements related to losses from debt financing	0	0
13	Lines of credit and liquidity	208,659	12,162
14	Other contractual financing obligations	0	0
15	Other contingent financing liabilities	0	0
16	TOTAL CASH DISBURSEMENTS	NA	127,100
CASH INFLOWS			
17	Cash Inflows for secured operations	61,773	44,843
18	Cash Inflows for unsecured operations	27,043	545
19	Other Cash Inflows	2,016	2,016
20	TOTAL CASH INFLOWS	NA	47,404
		Adjusted amount	
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	87,366
22	TOTAL NET CASH DISBURSEMENTS	NA	79,696
23	LIQUID COVERAGE RATIO	NA	109.69%

During 3Q17, the average LCR for the Bank and Sofomes was 109.69%, and at the end of 3Q17 the LCR was 113.45% the aforementioned levels are above the Risk Appetite and the regulatory minimum standards.

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

4.4 Evolution of LCR Components

The evolution of the LCR components comparing 2Q17 and 3Q17 is presented in the following table:

LCR Component (Million Pesos)	2Q17	3Q17	Var. vs. 1Q17
Liquid Assets	76,634	95,498	24.6%
Cash Inflows	39,965	39,337	(1.6%)
Cash Outflows	122,686	123,511	0.7%

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 2Q17 and 3Q17 are distributed as follows:

Type of Asset (Million Pesos)	1Q17	2Q17	Var. vs. 1Q17
Total	76,634	95,498	24.6%
Level I	68,376	86,989	27.2%
Level II	8,258	8,509	3.0%
Level II A	6,836	7,091	3.7%
Level II B	1,422	1,418	(0.3%)

Liquid assets increased in the quarters closing comparison in 2Q17 and 3Q17, due to the acquisition of federal government securities denominated in foreign currency.

4.5 LCR Result's Main Causes

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

4.6 Liquidity Risk in foreign currency

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

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

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

4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 3Q17, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	2Q17	3Q17	Var. vs. 2Q17
Net cash outflows at market value and for potential future exposure	4,253	4,137	(2.7%)
Cash outflows for a 3 notch credit rating downgrade.	0	0	0%

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 4.13 billion, less than 3Q17 .

4.8 Liquidity Gaps

As part of the liquidity analysis for the Bank, 30 days liquidity gaps for the Institution's assets and liabilities (obligations) are analyzed. Results for the Bank at the end of 3Q17 are presented in the following table.

Concept (Million Pesos)	2Q17	3Q17	Var. vs. 2Q17
Cumulative 30 day Gap	(56,948)	(58,934)	3.5%
Liquid Assets	58,095	60,297	3.8%

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets. In addition, a more granular breakdown of the liquidity gaps is presented, remaining as follows for 2Q17:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(17,382)	(23,098)	(18,454)	(10,468)	(8,233)	8,857
Accumulated Gap	(17,382)	(40,480)	(58,934)	(69,402)	(77,635)	(68,778)

4.9 Stress Testing under liquidity extreme conditions

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

4.10 Contingency Funding Plan

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

4.11 Balanced Risk

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

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

In the table below, the effect on net interest income of a movement of 100 basis points over the rates is shown, which considers available for sale, that as of 3Q17 amounted to Ps 110.75 billion and in average during 3Q17 to Ps 108.43 billion.

(Million Pesos)	2Q17	3Q17	Var. vs. 2Q17
Margin Sensitivity	717	870	21.2%

4.12 Subsidiaries

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

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofomes at the end of 2Q17.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	1,564	(786)	(4,309)
Liquid assets	1,992	34	81

5. OPERATIONAL RISK

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

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

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

5.1 Policies, Objectives and Guidelines

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

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

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

5.2 Quantitative and Qualitative Measuring Tools

5.2.1 Operational Losses Database

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

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

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

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

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

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

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

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

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

5.2.2 Legal and Fiscal Contingencies Database

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

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

5.3 Risk Management Model

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

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

5.4. Required Capital Calculation

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

5.5. Information and Reporting

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

5.6 Technological Risk

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

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

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

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

5.7 Legal risk

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

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

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

6. SECURITIZATIONS EXECUTED BY GFNORTE

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

GFNorte has accomplished the following securitizations:

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

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

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

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

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

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

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

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

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

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

On the other hand, the Institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By September 30, 2017 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same Institution:

Securitization (Million pesos)	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNTECB_07	50,763,776	2,022	500,000	20	51,263,776	2,041
91_BNTECB_07-2	563,059	19	-	-	563,059	19
97_BNORCB_06	4,938,137	8	500,000	1	5,438,137	9
97_BNORCB_06-2	576,011	3	-	-	576,011	3
97_FCASACB_06U	-	-	-	-	-	-

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

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

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

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

As of September 30, 2017 the amounts of the underlying assets of each securitization were:

Securitization (Million pesos)	Amount		
	Performing	Past-Due	Total
91_BNTECB_07	\$2,824	\$0	\$2,824
91_BNTECB_07-2		-	
97_BNORCB_06	\$86	\$84	\$169
97_BNORCB_06-2			
97_FCASACB_06U	\$121	\$137	\$258

There are no impaired assets in trust 477.

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

Concept (Million Pesos)	Balance	Capital Requirement
Securitizations with Risk Level 1 (weighted 20%)	8	0
Securitizations with Risk Level 2 (weighted 50%)	2,040	82
Securitizations with Risk Level 3 (weighted 100%)	3	0
Securitizations with Risk Level 4 (weighted 350%)	0	0
Securitizations with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

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

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

6.1 Applied Accounting Policies

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

- Eliminate transferred financial assets at the last book value;
- Recognition for the consideration received in the operation;

- 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 2017, Banco Mercantil del Norte held shares amounting to Ps 4.479 billion, with gains of Ps 164 million.

During the third quarter, accumulated profits from sales and settlements were Ps 26 million.

For the purpose of estimating Capital Ratio, no deductions were made for the calculation of the Core Tier 1. For negotiable securities, the capital requirement for Market Risk was Ps 130 million. For securities available for sale, the capital requirement for Market Risk was Ps 77 million and for Credit Risk Ps 0.62 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 3Q17	Gains / Losses 3Q17	Acumm.. Profit / Loss 2Q17-3Q17
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	762	91	(6)
Banorte	w/o Public trading	Securities Available for Sale	Subject to Market and Credit Risks Requirements	3,608	85	32
Banorte	Public	Securities Available for Sale	Subject to Market and Credit Risks Requirements	2	(13)	0
Banorte	Public	Securities Available for Sale	Subject to Core Tier 1 deduction	8	7	0
Banorte	Public	Securities Available for Sale	Subject to Credit Risk Requirement	99	(6)	(0.5)
Total				4,479	164	26

In September 2017, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 432 million with a positive valuation of Ps 198 million.

During the quarter, losses were recorded for Ps 0.12 million from sales and settlements.

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

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 3Q17	Gains / Losses 3Q17	Acumm. Profit / Loss 2Q17-3Q17
Casa de Bolsa Banorte-Ixe	Public	Negotiable Securities	Subject to Market Risk Requirement	432	198	0.12
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				432	198	0.12

Internal Control

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

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

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

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

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

FINANCIAL SITUATION AND LIQUIDITY

Internal and External Liquidity Sources

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

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

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

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

Dividend Policy

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

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

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

Related Parties Loans

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

In the case of GFNorte as of September 30 and June 30, 2017, the amount of loans granted to third parties is as follows (million pesos):

Lender	Sept-2017	% Basic Equity	June-2017	% Basic Equity
Banorte	Ps 13.877	17.4%	Ps 14.350	16.4%

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

Banorte.

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

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of September 2017 was 17.4% of the basic part of the equity.

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

As of **June 30, 2017**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 14.35 billion (including Ps 4.80 billion in — Letters of Credit "CC", which are registered in memorandum accounts),

representing 2.4% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 11.47 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.77 billion were granted to clients linked to shareholders and Ps 1.12 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of June 2017 was 16.4% of the basic part of the equity.

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

Loan or tax liabilities

The tax credits listed below are currently in litigation:

As of September 30, 2017	
BANORTE	\$0
IMSS fees	0
INFONAVIT fees	
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$5
Philippines 2007 - 2008	5
CASA DE BOLSA	\$33
–Financial year 2007 (document 900 06 05-2010-03968)	33
IXE BANCO	\$13
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	13
Million pesos	

People in Charge

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

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

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

C.P. 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 Groups' Holding Companies which regulates matters that correspond, in tandem, to the National Supervisory Commissions (the Provisions) published in the Official Gazette of the Federation on January 9, 2015.

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 considered to be non-inflationary, when the last three years' accumulated inflation is less than 26%. In this context, it is not necessary to re-express financial statements as of January 2008.

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

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

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