

1Q18

Financial Results
as of March 31, 2018

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GFNORTE



OTC **QX**

GBOOY



XNOR

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“Mejor Equipo Ejecutivo en Latinoamérica 2017”



“Mejor Gobierno Corporativo 2017”



I. Executive Summary

GFNorte reports Net Income of Ps 6.77 billion in 1Q18, +22.5% higher than 1Q17.

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

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ending March 31, 2018 highlighting:

- **1Q18 Net Income of Ps 6.77 billion, showing strong sequential growth of +4.4%, and +22.5% vs. 1Q17.** Net Interest Income grows +10%, and Earnings Before Taxes are up +3.1% sequentially.
- **Net Income from Long Term Savings** sector grows +33% vs. 1Q17; Insurance +52%, Annuities +21%.
- Key indicators show significant growth for the quarter: **NIM** grows from 5.6% to **5.9%**; profitability keeps improving with **Return on Equity (ROE)** of **18.2%**, **+10%bp** during the quarter and +252bp vs. 1Q17. **Return on Assets (ROA)** of **1.98%**, with a +22bp increase vs. 1Q17.
- **Stronger Efficiency Ratio now at 40.9%**, while **Non-Performing Loans** improving to **1.9%**. **Coverage Ratio** increased +7.5pp during the quarter reaching **137%**.
- **Net Interest Income (NII)** grows **+17.7%** YoY; **Non-Interest Income** grows **+24.3%**, while **Non-Interest Expense** grows **+6.5%** vs. 1Q17, resulting in **Net Operating Profit** before taxes growing **+18.8%** vs. 1Q17.
- **Performing Loans** grew **1.2%** QoQ and **+9.4%** YoY: Excellent **+12.9%** growth in **commercial loans** YoY, **consumer +17.3%**, while **government +1.9%**, and **corporate loans** decreased (**1.4%**).
- **Consumer products** led portfolio growth, with **mortgage loans** growing **+17.2%**, **auto loans +30.2%**, **credit cards +14.8%**, and **payroll loans +14.7%**
- **Non-Performing Loans (NPL)** grow **+18.7%**, in line with the strong growth in consumer loans.
- **Total customer deposits** up **+13%** in the year: **demand deposits +6%** and **time deposits and money market +24%**.
- **The bank's Capital Ratio stood at a strong 17.6%** while **leverage ratio** stood at **8.6%**.

Income Statement Highlights - GFNorte (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Net Interest Income	15,555	16,640	18,305	10%	18%
Fees on Services ¹	2,512	3,279	2,607	(20%)	4%
Trading	737	331	866	161%	17%
Other Operating Income (Expenses) ² *	33	699	607	(13%)	N.A.
Non Interest Income	3,282	4,310	4,080	(5%)	24%
Total Income	18,836	20,949	22,385	7%	19%
Non Interest Expense ³	8,590	8,732	9,151	5%	7%
Provisions	2,698	3,544	4,264	20%	58%
Operating Income	7,549	8,674	8,970	3%	19%
Taxes	2,279	2,476	2,472	(0%)	8%
Subsidiaries & Minority Interest	184	283	270	(5%)	46%
Discontinued Operations	74	2	-	(100%)	(100%)
Net Income	5,527	6,482	6,768	4%	22%

Balance Sheet Highlights - GFNorte (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Asset Under Management	2,293,278	2,423,321	2,428,272	0%	6%
Performing Loans (a)	569,147	615,598	622,695	1%	9%
Past Due Loans (b)	10,284	12,482	12,205	(2%)	19%
Total Loans (a+b)	579,432	628,080	634,900	1%	10%
Total Loans Net (d)	565,197	611,958	618,226	1%	9%
Acquired Collection Rights (e)	2,082	2,477	2,315	(7%)	11%
Total Credit Portfolio (d+e)	567,279	614,435	620,541	1%	9%
Total Assets	1,245,334	1,354,147	1,383,526	2%	11%
Total Deposits	576,800	640,821	642,579	0%	11%
Total Liabilities	1,101,552	1,206,564	1,229,446	2%	12%
Equity	143,782	147,583	154,081	4%	7%

Financial Ratios GFNorte	1Q17	4Q17	1Q18
Profitability:			
NIM (1)	5.5%	5.6%	5.9%
ROE (2)	15.7%	18.1%	18.2%
ROA (3)	1.8%	2.0%	2.0%
Operation:			
Efficiency Ratio (4)	45.6%	41.7%	40.9%
Operating Efficiency Ratio (5)	2.7%	2.6%	2.7%
CCL for Banorte and SOFOM - Basel III (6)	93.2%	123.4%	118.4%
Asset Quality:			
Past Due Loan Ratio	1.8%	2.0%	1.9%
Coverage Ratio	138.4%	129.2%	136.6%
Cost of Risk (7)	1.9%	2.3%	2.7%
Market References			
Banxico Reference Rate	6.50%	7.25%	7.50%
TIIE 28 days (Average)	6.40%	7.42%	7.75%
Exchange Rate Peso/Dolar	18.80	19.66	18.27

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

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

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

4) Non-Interest Expense / Total Income

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

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

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

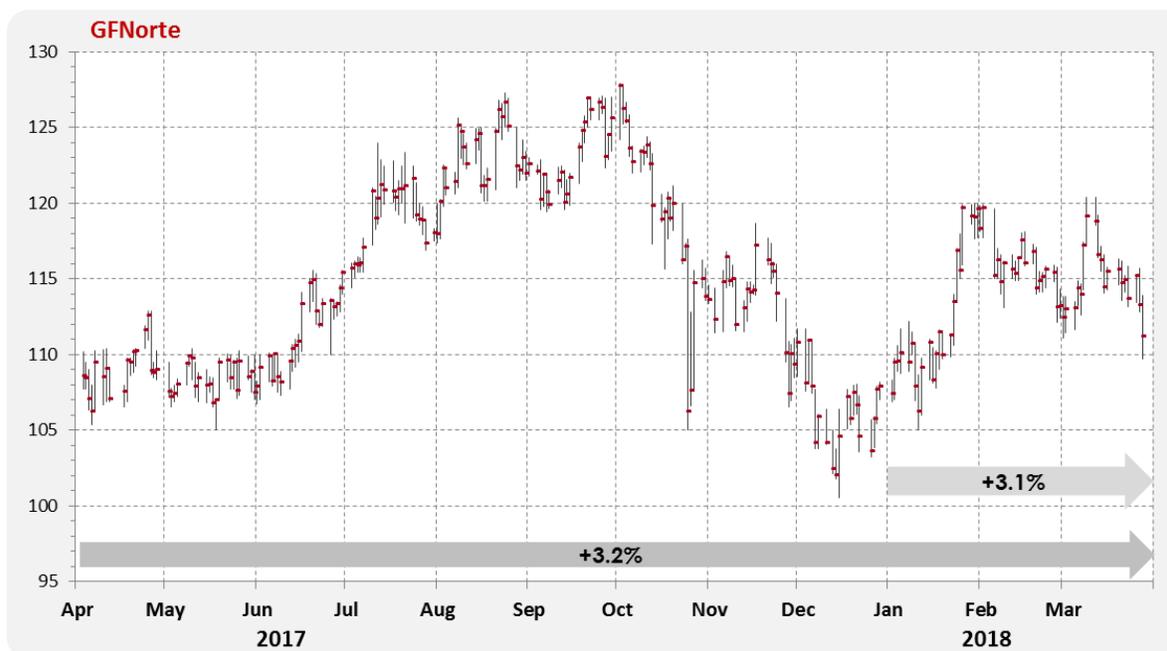
*As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)", were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

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

Subsidiaries Net Income (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Banco Mercantil del Norte	4,229	4,763	4,536	(5%)	7%
Banorte- Ixe-Broker Dealer	231	146	158	9%	(32%)
Operadora de Fondos Banorte-Ixe	56	85	77	(9%)	37%
Retirement Funds - Afore XXI Banorte	362	311	329	6%	(9%)
Insurance	885	606	1,348	123%	52%
Annuities	174	340	210	(38%)	21%
BAP (Holding)	0	1	7	771%	7302%
Leasing and Factoring	182	219	191	(13%)	5%
Warehousing	7	13	9	(30%)	29%
Sólida Administradora de Portafolios	(630)	(44)	(277)	(531%)	56%
Ixe Servicios	(1)	(1)	(0)	57%	(60%)
G. F. Banorte (Holding)	31	43	180	316%	483%
Total Net Income	5,527	6,482	6,768	4%	22.5%

Share Data	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Earnings per share (Pesos)	1.993	2.337	2.440	4%	22%
Dividend per Share for the period (Pesos)	1.23	0.00	0.00	NA	(100%)
Payout for the period	40.0%	0.0%	0.0%	NA	(100%)
Book Value per Share (Pesos)	51.12	52.55	54.86	4%	7%
Issued Shares (Million)	2,773.7	2,773.7	2,773.7	0%	0%
Stock Price (Pesos)	107.66	107.83	111.13	3%	3%
P/BV (Times)	2.11	2.05	2.03	(1%)	(4%)
Market Capitalization (Million Dollars)	15,888	15,211	16,871	11%	6%
Market Capitalization (Million Pesos)	298,620	299,091	308,245	3%	3%

Stock Performance



II. Management's Discussion & Analysis

Net Interest Income (NII) (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Interest Income	23,221	26,626	27,524	3%	19%
Interest Expense	9,778	11,517	12,415	8%	27%
Loan Origination Fees	282	297	290	(2%)	3%
Fees Paid	144	210	239	14%	66%
NII excluding Insurance and Annuities Co.	13,581	15,197	15,160	(0%)	12%
Premium Income (Net)	7,784	5,596	11,632	108%	49%
Technical Reserves	5,544	2,965	6,976	135%	26%
Damages, Claims and Other Obligations	3,306	3,845	4,049	5%	23%
Technical Results	(1,065)	(1,214)	607	N.A.	N.A.
Interest Income (Expenses) net	3,038	2,657	2,538	(4%)	(16%)
Insurance and Annuities NII	1,973	1,443	3,144	118%	59%
GFNORTE's NII	15,555	16,640	18,305	10%	18%
Credit Provisions *	2,698	3,544	4,264	20%	58%
NII Adjusted for Credit Risk	12,857	13,096	14,041	7%	9%
Average Earning Assets	1,126,094	1,194,474	1,239,231	4%	10%
Net Interest Margin (1)	5.5%	5.6%	5.9%		
NIM after Provisions (2) *	4.6%	4.4%	4.5%		
NIM adjusted w/o Insurance & Annuities	5.3%	5.6%	5.4%		
NIM from loan portfolio (3)	8.4%	8.6%	8.5%		

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

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

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

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

Net Interest Income (NII)

NII excluding Insurance and Annuities amounted to **Ps 15.16 billion** during the quarter, **+12%** above the number reported in **1Q17**, driven by the positive combination of loan book mix, and balance sheet re-pricing to incorporate progressive interest rate hikes from the Central Bank of +100bps during the period. NII from loans and deposits grew +12%.

Sequentially, NII excluding Insurance and Annuities remains unchanged vs. 4Q17 as NII from loans and deposits does not yet account for the additional yield derived from the +50bp hikes from Banxico (+25bp in December 2017, and +25bp in February 2018); however, it does account for the +23bp increase in funding cost during the quarter and the effect of faster growth in time deposits.

Insurance and Annuities NII totaled Ps 3.14 billion, +118% higher sequentially, and +59% vs. 1Q17. This increase is mainly driven by the seasonality of premium renewals, and an increase in the life portfolio within the Insurance business.

Technical Results in 1Q18 amounted to **Ps 607 billion**, showing a +Ps 1.7 billion increase YoY, and +Ps 1.8 billion sequentially, mainly driven by seasonal higher insurance revenue related to premium renewals in the life and P&C books which took place during the quarter.

Interest Income (Expenses) Net: declined by (Ps 501) million vs. 1Q17 and (Ps 119) million sequentially, mainly on higher UDI valuation at the annuities company of (Ps 755) million YoY, and (Ps 150) million vs. 1Q17, effect of lower inflation during the period.

In 1Q18 GFNorte's Net Interest Income (NII) totaled Ps 18.30 billion, up +18% YoY, and +10% vs. 1Q17, showing not only the positive performance of the loan portfolio and insurance and annuities businesses, but also the good control in funding cost.

Net Interest Margin (NIM) for the first three months of the year rose to 5.9%, growing +38bp YoY, as a result of a better mix in the loan book, and the benefit of re-pricing the balance sheet due to rising market rates. Compared to 4Q17, NIM increases +34bp, mainly driven by the good performance of the Insurance business.

Loan Loss Provisions

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

Loan Loss Provisions totaled **Ps 4.26** billion during the quarter, +58% higher vs. 1Q17, and +20% sequentially.

The increase vs. 1Q17 is explained by higher requirements across the loan portfolio, specifically in the consumer books. The sequential increase is driven by higher provision requirements in corporate, payroll, commercial and mortgage books, which off-set an important reduction in credit card requirements. In particular, there was a Ps 619 million provision assigned to a corporate loan exposure which was registered as NPL during 4Q17. Excluding this specific provision, total provisions for the rest of the book were Ps 3.65 billion, up 3% sequentially and +35% YoY.

Provisions represented 23.3% of **Net Interest Income** in 1Q18, up **+5.9pp** YoY, and +2.0pp sequentially. While **Cost of Risk** accounted for 2.8% of the average loan book in the first three months of the year, an +83bp increase YoY, and +42bp sequentially. Without considering the specific provision mentioned above, **Cost of Risk** would have been stable at 2.3% in the quarter.

Non-Interest Income

Non-Interest Income (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Fees on Services ↘	2,512	3,279	2,607	(20%)	4%
Trading	737	331	866	N.A.	17%
Other Operating Income (Expenses) *	33	699	607	(13%)	N.A.
Non-Interest Income	3,282	4,310	4,080	(5%)	24%

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

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

Non-Interest Income rose to **Ps 4.08 billion in 1Q18**, +24% higher YoY, driven by good performance across all of its components. Sequentially, it declined (5%), as a result of lower Service Fees. Trading income shows an increase of Ps 535 million vs. 4Q17.

Service Fees

Service Fees (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Fund Transfers	368	380	363	(4%)	(1%)
Account Management Fees	596	662	618	(7%)	4%
Electronic Banking Services	1,639	1,902	1,880	(1%)	15%
Basic Banking Services Fees	2,604	2,944	2,861	(3%)	10%
For Commercial and Mortgage Loans	94	178	135	(24%)	44%
For Consumer Loans	999	1,146	1,120	(2%)	12%
Fiduciary	92	133	108	(19%)	18%
Income from Real Estate Portfolios	7	40	36	(12%)	N.A.
Mutual Funds	282	372	374	0%	33%
Trading & Financial Advisory Fees	115	134	201	50%	75%
Other Fees Charged (1)	264	306	289	(5%)	10%
Fees Charged on Services	4,455	5,252	5,124	(2%)	15%
Interchange Fees	722	875	880	1%	22%
Insurance Fees	379	186	725	291%	91%
Other Fees Paid	843	912	911	(0%)	8%
Fees Paid on Services -	1,944	1,972	2,516	28%	29%
Service Fees	2,512	3,279	2,607	(20%)	4%

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

During the first three months of the year, Service Fees rose to Ps 2.61 billion, +4% higher year over year. Although Fees Paid grew significantly, mainly due to the +91% increase in Insurance Fees (which is itself explained by the seasonality of acquisition cost), and also due to the +22% growth in Interchange Fees, this is compensated by:

- +10% increase in Core Banking Services Fees supported by larger transaction volume, which is mainly driven by +15% in Electronic Banking Fees.
- +15% growth in Consumer, Commercial and Mortgage origination fees.
- 33% growth in Mutual Fund fees
- +75% growth in Advisory and Financial Fees, due to higher operating volumes with customers and investment banking activities in the quarter.

In the quarter, Service Fees decreased (20%), mainly impacted by a Ps 540 million growth in Insurance acquisitions costs, which are entirely related to premium renewals registered in the quarter. The rest of Fees Paid derive from the transactional volume dynamics.

Trading

Trading Income (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Currency and Metals	(151)	(9)	(123)	N.A.	(19%)
Derivatives	(195)	387	195	(50%)	N.A.
Negotiable Instruments	27	(639)	(55)	91%	N.A.
Valuation	(319)	(260)	17	N.A.	N.A.
Currency and Metals	520	452	613	35%	18%
Derivatives	281	(189)	39	N.A.	(86%)
Negotiable Instruments	255	328	198	(40%)	(23%)
Trading	1,056	592	850	44%	(20%)
Trading Income	737	331	866	161%	17%

During 1Q18 Trading Income totaled Ps 866 million, 17% higher vs. 1Q17, driven by mark to market valuation gains.

Sequentially, Trading Income grew +Ps 535 million, or +161% QoQ, driven by strong trading income.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Loan Recovery*	3	5	3	(46%)	(21%)
Loan Portfolios	42	64	44	(32%)	5%
Income from Foreclosed Assets	21	156	80	(49%)	N.A.
Provisions Release*	4	3	14	N.A.	N.A.
Losses and Estimates	(295)	(583)	(913)	(57%)	N.A.
Impairment of Assets	(428)	134	(173)	N.A.	(60%)
Lease Income	111	125	123	(2%)	11%
From Insurance	234	199	200	0%	(14%)
Others	341	596	1,229	N.A.	N.A.
Other Operating Income (Expenses)	33	699	607	(13%)	N.A.

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

During **1Q18 Other Operating Income (Expenses)** totaled **Ps 607 million**, Ps 574 million above 1Q17. Sequentially, it declines (13%), impacted by higher Losses and Estimates (+57%) and charges related to Impairment of Assets -which in 4Q17 benefited from a Ps 323 million provision release- while income from Foreclosed Assets declined (49%) in the period.

During the quarter, the following line items are noteworthy:

- (Ps 913) million in Losses and Impairments of which (Ps \$302) million result from two events whose recoveries were registered under "Others" by the same amount.
- Ps 1.23 billion in Others, mainly composed of:
 - A Ps 206 million income in "Others", under Results from Securitization Valuation, related to the termination of a mortgage loan trust.
 - Ps 306 million registered in "Others", related to inactive account closures.
 - (Ps 173) million were registered as reserves for investment projects valuation adjustments.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Personnel	3,512	3,445	3,535	3%	1%
Professional Fees	567	875	714	(18%)	26%
Administrative and Promotional - °	1,947	1,931	1,937	0%	(1%)
Rents, Depreciation & Amortization	1,306	1,245	1,347	8%	3%
Taxes other than income tax & non deductible expenses	523	453	788	74%	51%
Contributions to IPAB	634	696	725	4%	14%
Employee Profit Sharing (PTU)	101	88	106	21%	5%
Non-Interest Expense	8,590	8,732	9,151	5%	7%

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

In **1Q18 Non-Interest Expense** totaled **Ps 9.15 billion**, only +7% above 1Q17 as result of a general increase across all line items.

Compared to **4Q17**, Non-Interest Expense increases +Ps 419 million; however, there is an (18%) reduction in Paid Fees as there was an extraordinary expense during 4Q17 related to a relevant transaction.

Efficiency Ratio shows consistent improvement, reaching a record low of **40.9%**, (427bp) lower YoY, and (80bp) lower sequentially, in both cases showing a positive operating leverage.

Net Income

Net Income (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Operating Income	7,549	8,674	8,970	3%	19%
Subsidiaries' Net Income	263	375	357	(5%)	36%
Pre-Tax Income	7,812	9,049	9,327	3%	19%
Taxes	2,279	2,476	2,472	(0%)	8%
Discontinued Operations	74	2	-	N.A.	N.A.
Minority Interest	(79)	(93)	(87)	(6%)	10%
Net Income	5,527	6,482	6,768	4%	22%

In 1Q18 Net Income from Subsidiaries totaled Ps 357 million –which includes Ps 329 million from Afore XXI Banorte's net income–, up 36% vs. 1Q17, as a consequence of better results in Solida's investments (in 1Q17 there was a (Ps 120) million loss reported compared to a (Ps 2) million loss reported this quarter). Sequentially, it declined by (Ps 19) million, due to losses in Solida.

During 1Q18 Accumulated taxes totaled Ps 2.47 billion, up +8% vs. 1Q17, as result of a higher taxable base, and (Ps 4) million lower sequentially. The effective tax rate during the quarter was 26.5%, decreasing (2.7pp) YoY, and (0.9pp) QoQ.

GFNorte reported Net Income of Ps 6.77 billion for 1Q18, showing very strong sequential growth of +4.4%, and +22.5% vs. 1Q17.

Net Income from Long Term Savings business is noteworthy, growing +33% vs 1Q17: Insurance +52%, and Annuities +21%.

Significant growth in Key financial indicators for the quarter: **NIM increases to 5.9%** from 5.6%, while profitability keeps improving with **ROE of 18.2%**, up +10bp in the quarter and +252 vs. 1Q17; **ROA at 1.98%**, up +22bp vs. 1Q17; **Efficiency Ratio improves to 40.9%**; **NPL ratio** also improves, reaching **1.9%**, while **Coverage Ratio** totaled 137%, growing +7.5pp during the quarter.

Profitability

	1Q17	4Q17	1Q18
ROE	15.7%	18.1%	18.2%
Goodwill & Intangibles (billion pesos)	25.3	28.2	27.2
Average Tangible Equity (billion pesos)	115.5	114.6	121.2
ROTE	19.1%	22.3%	22.3%

Outstanding **ROE** growth vs. 1Q17, increasing +252bp reaching **18.2%** during **1Q18**; and +10bp sequentially. In both cases, ROE growth is supported by growth in Net Income and an efficient management of the capital base.

Return on Tangible Equity (ROTE) was **22.3%** in **1Q18**, up +319bps vs. 1Q17, and +6bp higher QoQ.

	1Q17	4Q17	1Q18
ROA	1.8%	2.0%	2.0%
Average Risk Weighted Assets (billion pesos)	621.0	620.8	622.7
RRWA	3.3%	3.9%	4.0%

*Amounts in Billion pesos.

ROA for 1Q18 reached 2.0%, +22bp higher vs. 1Q17, and +2bp higher than 4Q17. **Return on Risk-Weighted Assets was 4.0%**, +19bp higher QoQ and +76bp YoY.

Regulatory Capital (Banco Mercantil del Norte)

Capitalization (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Core Tier 1	85,080	75,220	79,218	5.3%	(6.9%)
Tier 1 Capital	87,336	95,323	97,855	2.7%	12.0%
Tier 2 Capital	15,808	13,286	12,795	(3.7%)	(19.1%)
Net Capital	103,143	108,609	110,650	1.9%	7.3%
Credit Risk Assets	479,075	507,721	520,834	2.6%	8.7%
Net Capital / Credit Risk Assets	21.5%	21.4%	21.2%	(0.1 pp)	(0.3 pp)
Total Risk Assets	622,068	626,976	629,534	0.4%	1.2%
Core Tier 1	13.68%	12.00%	12.58%	0.6 pp	(1.1 pp)
Tier 1	14.04%	15.20%	15.54%	0.3 pp	1.5 pp
Tier 2	2.54%	2.12%	2.03%	(0.1 pp)	(0.5 pp)
Capitalization Ratio	16.58%	17.32%	17.58%	0.25 pp	1.00 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, starting on December 2017, the **minimum Capitalization Ratio required for Banorte amounts to 10.95%** (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

At the end of 1Q18 the estimated Capitalization Ratio (CR) for Banorte was 17.58% considering credit, market and operational risk; and, 21.24% considering only credit risks.

The Capitalization Ratio increased +25bp vs. 4Q17 due to the following effects:

1. Profits for 1Q18	+ 0.73 pp
2. Valuation of Financial Instruments	+ 0.07 pp
3. Other Capital Effects	0.00 pp
4. Issuance Payment	-0.05 pp
5. Permanent Investments & Intangibles	- 0.07 pp
6. Variation of Risk Assets	- 0.07 pp
7. Subordinated Liabilities	- 0.36 pp

The Capitalization Ratio rose +1.00 pp vs. 1Q17, as follows:

1. Profit growth for the period	+ 2.96 pp
2. Subordinated Notes (BANORTE17 Perp NC10 and BANORTE17 Perp NC5)	+ 2.61 pp
3. Valuation of Financial Instruments	-0.03 pp
4. Capital Notes Valuation	-0.05 pp
5. Other Capital Effects	-0.07 pp
6. Growth in Risk Assets	- 0.20 pp
7. Permanent Investments & Intangibles	- 0.37 pp
8. Capital Notes Prepayment (Q BANORTE 012)	-0.49 pp
9. Dividends paid during the period	-3.36 pp

Leverage Ratio (Banco Mercantil del Norte)

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

Leverage (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Tier 1 Capital	87,336	95,323	97,855	2.7%	12.0%
Adjusted Assets	1,094,203	1,133,176	1,133,135	(0.0%)	3.6%
Leverage Ratio	7.98%	8.41%	8.64%	0.2 pp	0.7 pp

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

Deposits

Deposits (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Non-Interest Bearing Demand Deposits	270,588	300,910	287,671	(4%)	6%
Interest Bearing Demand Deposits	97,276	95,742	103,332	8%	6%
Total Demand Deposits*	367,864	396,652	391,003	(1%)	6%
Time Deposits – Retail	173,891	193,617	198,902	3%	14%
Core Deposits	541,755	590,270	589,906	(0%)	9%
Money Market	36,437	58,352	62,121	6%	70%
Total Bank Deposits	578,191	648,622	652,027	1%	13%
GFNorte's Total Deposits	576,800	640,821	642,579	0%	11%
Third Party Deposits	190,537	157,748	157,768	0%	(17%)
Total Assets Under Management	768,728	806,370	809,795	0%	5%

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

Banorte's **Total Deposits** amounted to **Ps 652.02 billion** as of **1Q18**, a +13% annual variation, driven by +24% growth in time deposits and money market, as some clients continue migrating towards interest bearing instruments, given the rate cycle in Mexico. **Client deposits grew +11% YoY**, and Total Assets Under Management grew +5% YoY.

During the quarter, Non-interest bearing demand deposits declined **(4%)**, while **Interest bearing deposits** increased **+8%**, and **time deposits +3%**. With this, total deposits grew + 1% QoQ.

Loans

Performing Loan Portfolio (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Commercial	123,547	137,501	139,543	1%	13%
Consumer	211,619	240,899	248,189	3%	17%
Corporate	102,345	102,220	100,880	(1%)	(1%)
Government	131,551	134,905	134,017	(1%)	2%
Sub Total	569,062	615,525	622,628	1%	9%
Recovery Bank	85	72	67	(7%)	(21%)
Total	569,147	615,598	622,695	1%	9%

Performing Consumer Loan Portfolio (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Mortgages	119,227	135,334	139,713	3%	17%
Car Loans	15,916	19,189	20,726	8%	30%
Credit Card	29,516	33,906	33,872	(0%)	15%
Payroll	46,960	52,469	53,877	3%	15%
Consumer Loans	211,619	240,899	248,189	3%	17%

Total Performing Loans increased +9% YoY for an ending balance of Ps 622.63 billion in 1Q18. Despite a slight slowdown, **consumer loans** grew at a **remarkable rate of +17%, well above** that of the banking system, driven by the bank's strong origination capabilities, based on technology and business analytics. Commercial, Corporate and Government Loans keep showing moderate growth in line with the banking system.

- **Mortgages:** Grew **+17%** YoY, reaching a total balance of **Ps 139.71 billion** in **1Q18**. During the quarter, mortgage loan book grew Ps 4.38 billion, +3% QoQ. Based on regulatory data from February 2018, Banorte shows **twofold growth vs. the banking system** (+17.7% vs. +8.2%) and a market share of 18.8%, growing +152bp vs. 1Q17 and reaching second place in the mortgage banking system.
- **Car Loans:** Strong growth of **+30%** vs. 1Q17, and +8% sequentially, reaching a **Ps 20.7 billion** balance, mainly driven by loan origination through exclusivity agreements with car dealerships. As of February 2018, Banorte holds a 16.8% market share, gaining +180bp vs. 1Q17, leading loan growth among the main banking players.
- **Credit Cards:** Reached an **ending balance of Ps 33.87 billion**, up +15% YoY, with no change during the quarter. Origination efforts are reduced, in an effort to maintain asset quality. Banorte holds a 9.4% market share; using February regulatory data, Banorte gained +20bp during the first three months of the year, and +64bp vs. 1Q17, standing in fourth place, and **growing twofold vs. competitors**.
- **Payroll Loans:** Showed a significant 15% increase YoY and +3% QoQ, **reaching a balance of Ps 53.87 billion**. Growth was driven by higher credit penetration on a larger base of Banorte's payroll account holders. Banorte holds a market 21.4% market share as of February 2018, gaining +151bps vs. 1Q17, and ranking third in the market.
- **Commercial Book:** With 1% growth during the quarter, it reaches an **ending balance of Ps 139.54 billion**, which represents a Ps 15.99 billion increase during the quarter and +13% vs. 1Q17. Market share as of February 2018 (including corporate loans, according to the regulator's methodology), is at 9.5%, ranking fourth in the banking system.

GFNorte's SME performing portfolio amounted to **Ps 33.79 billion**, +9% higher YoY, and 1% QoQ. **NPL** grows +30bp reaching **5.6% in 1Q18**.

	1Q17	4Q17	1Q18
Performing Portfolio	\$30,878	\$33,447	\$33,793
% of Performing Commercial Portfolio	25.0%	24.3%	24.2%
% of Total Performing Portfolio	5.4%	5.4%	5.4%
NPL Ratio	6.1%	5.3%	5.6%

- Corporate Loans: Ending balance in 1Q18 stood at Ps 100.88 billion**, a (1%) reduction in the quarter and (1%) YoY. During the quarter, growth was affected by a slight reduction in demand, and prepayments of approximately Ps 7 billion. GFNorte's corporate loan book is well diversified by industry and regions, and shows low concentration risk. GFNorte's 20 main corporate borrowers accounted for 9.9% of the group's total portfolio. The group's largest corporate exposure represents 1.2% of the total portfolio; whereas number 20 represent 0.3%. 95% of GFNorte's main corporate borrowers have an A1 rating, and 5% an A2 rating.

As of March 31, 2018 GFNorte's **loan exposure to home builders was Ps 2.19 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., (2.5%) lower than the previous quarter. This exposure represented 0.3% of the total loan portfolio, similar to 4Q17. Credit exposure has 100% collateral coverage, with no changes vs. 4Q17. Loan Loss Reserve coverage was 36.1% in 1Q18. **Sólida had a balance of Ps 5.25 billion in investment projects** to these companies, (0.9%) lower vs. 4Q17.

- Government Book: had an ending balance of Ps 134.02 billion in 1Q18**, +2% vs. 1Q17. Sequentially, it decreased (1%). GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 19 % of the group's total portfolio, The largest government loan represents 3.0% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%, also rated A1. The portfolio's risk profile is adequate with 29.2% of the loans granted to Federal Government entities and 99.3% of loans to States and Municipalities have a fiduciary guarantee (consisting of Federal budget transfers and local revenues such as payroll tax), and 0.7% of the loans have short-term maturities. As of February 2018, Banorte held a 24.3% market share of the total system, standing in first place.

Past Due Loans

<i>(Million Pesos)</i>	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Past Due Loans	10,284	12,482	12,205	(2%)	19%
Loan Loss Reserves	14,235	16,122	16,674	3%	17%
Acquired Rights	2,082	2,477	2,315	(7%)	11%

During 1Q18, **Past Due Loans** were **Ps 12.20 billion**, up Ps 1.92 billion or **+19%** YoY. There is a quarterly deterioration in the commercial loan book, and improvements across the rest of the segments. YoY there is an overall improvement in NPL levels.

The quarterly evolution of NPL balances was as follows:

Past Due Loans <i>(Million Pesos)</i>	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Credit Cards	1,660	2,188	2,186	(1)	526
Payroll	1,218	2,020	1,601	(419)	383
Car Loans	150	233	189	(44)	39
Mortgages	1,019	1,323	1,315	(8)	296
Commercial	3,667	3,239	3,564	325	(103)
Corporate	2,569	3,481	3,350	(131)	781
Government	-	-	-	-	-
Total	10,284	12,482	12,205	(278)	1,921

In 1Q18, Past Due Loan Ratio reached 1.9%, improving 7bps vs. 1Q17, with deterioration in the commercial segment, mainly SMEs and improvements in payroll, car and corporate loans. Quarterly evolution for the segment follows:

Past Due Loans Ratios	1Q17	2Q17	3Q17	4Q17	1Q18
Credit Cards	5.3%	6.2%	6.2%	6.1%	6.1%
Payroll	2.5%	3.2%	3.2%	3.7%	2.9%
Car Loans	0.9%	1.1%	1.1%	1.2%	0.9%
Mortgages	0.8%	0.9%	0.9%	1.0%	0.9%
Commercial	2.9%	2.6%	2.6%	2.3%	2.5%
SMEs	6.1%	5.5%	5.9%	5.3%	5.6%
Commercial	1.8%	1.6%	1.5%	1.3%	1.4%
Corporate	2.4%	2.1%	2.0%	3.3%	3.2%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.8%	1.8%	1.8%	2.0%	1.9%

The expected loss for Banco Mercantil del Norte, the group's largest subsidiary, was 2.2% and the unexpected loss 4.1%, both with respect to the total portfolio as of 1Q18. These ratios were 2.2% and 4.1%, respectively vs. 4Q17 and 2.0% and 4.1% YoY

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas was 2.1%, +9bp higher vs. 4Q17.

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

Past Due Loan Variations	
<i>(Million Pesos)</i>	
Balance as of December '17	12,482
Transfer from Performing Loans to Past Due Loans	6,077
Portfolio Purchase	-
Renewals	(110)
Cash Collections	(755)
Discounts	(109)
Charge Offs	(3,648)
Foreclosures	(14)
Transfer from Past Due Loans to Performing Loans	(1,605)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(114)
Fair Value Ixe	-
Balance as of March '18	12,205

84% of the total loan book is rated A Risk, 10% B Risk and 5% as Risk C, D and E combined.

**Risk Rating of Performing Loans as of 1Q18 – GF Norte
(Million Pesos)**

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	527,276	955	496	110	587	209	2,357
A2	45,780	301	57	7	305	34	703
B1	42,988	122	119	5	930	21	1,197
B2	12,596	63	-	2	353	33	451
B3	14,077	145	6	2	528	21	703
C1	8,919	98	19	0	458	81	656
C2	8,145	55	-	0	1,124	129	1,308
D	13,160	2,765	-	0	1,726	375	4,866
E	5,702	857	-	0	2,969	54	3,880
Total	678,642	5,359	697	126	8,981	958	16,121
Not Classified	(231)						
Exempt	-						
Total	678,412	5,359	697	126	8,981	958	16,121
Reserves							16,674
Preventive Reserves							553

Notes:

- Figures for reserve creation and grading are as of March 31, 2018.
- The loan portfolio is graded following rules issued by the Ministry of Finance and Public Credit (SHCP), and the methodology established by the CNBV. The Institution uses regulatory methodologies to grade all credit portfolios. For the revolving consumer portfolio, as of January 2018, the bank will use the internal methodology authorized by CNBV. The Institution uses risk ratings: A1, A2, B1, B2, B3, C1, C2, D and E to classify provisions according to the portfolio segment and percentage of the provisions representing the outstanding balance of the loan, and which are set forth in Fifth Section of the "De la constitución de reservas y su clasificación por grado de riesgo" contained in Chapter 5, Title Section of such regulation.
- Additional loan loss reserves follow the rules applicable to banks and credit institutions.

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

(Million Pesos)	Total
Distressed Portfolio	8,309
Total Loans	678,412
Distressed Portfolio / Total Loans	1.2%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	1Q18
Previous Period Ending Balance	16,122
Provisions charged to results	4,588
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	72
<u>Charge offs and discounts:</u>	
Commercial Loans	(297)
Consumer Loans	(3,395)
Mortgage Loans	(393)
Foreclosed assets	0
	(4,084)
Cost of debtor support programs	(2)
Valorization and Others	-23
Adjustments	0
Loan Loss Reserves at Period End	16,674

Loan Loss Reserves in 1Q18 totaled Ps 16.67 billion, +3.4% higher vs. 1Q17. Charge-offs during the quarter amounted to Ps 4.08 billion, +1% higher than the previous quarter. Of this amount, 83% are related to the consumer portfolio, 7% to commercial and 10% to mortgages.

Loan loss coverage ratio was 136.6. % in 1Q18, improving from the 129.2% during 4Q17 and similar to 138.5% in 1Q17.

Capital

Shareholders equity had an ending balance of **Ps 154.08 billion**, +7% higher vs. 1Q17, and 4% higher sequentially. During the quarter equity benefited from net income of Ps 6.77 billion. The mark to market value of securities available for sale declined by (Ps 1.12 billion), affected by FX variation on the USD denominated securities. This valuation loss is offset by a Ps 1.45 billion gain on the valuation of hedging instruments. Moreover, during the quarter Ps 725 million interest payment from capital notes were registered in retained earnings.

Recent Events

1. FITCH RATINGS AFFIRMS “AAA” RATING WITH NEGATIVE WATCH FOR SEGUROS BANORTE AND PENSIONES BANORTE.

In March 2018, Fitch Ratings affirmed the financial strength of Seguros Banorte, and considered it as one of the most important subsidiaries of Grupo Financiero Banorte (GFNORTE). The agency highlighted that the strong support provided by the group is an important factor for the rating, together with the company's adequate leverage levels, positive profitability trend, and reasonable liquidity levels.

The rating agency mentioned that the IT implementation during the integration with GF Interacciones (GFINTER) could add some pressure to the business, keeping its negative watch for the company.

Regarding Pensiones Banorte, the agency equally affirmed its AAA rating with negative watch, as it values the group's support behind the company, and regards the annuities business as a strategic subsidiary for the group.

There are no expected changes to the financial profile of the company derived from the merger with GFINTER. The agency highlights the company's strong market positioning, its positive earnings trend, and its conservative asset management strategy, consistent with Mexican regulation. On the other hand, the agency considered that the company's leverage ratio has some room for improvement.

2. GFNORTE JOINS BLOOMBERG'S 2018 GENDER EQUALITY INDEX

In January 2018, GFNorte was added to the recently created Bloomberg Gender Equality Index (GEI), constituted by 104 companies in the communications, consumer products, energy, finance, materials, and technology sectors across 24 countries.

This Index measures gender equality from internally generated statistics from all rated companies. It also evaluates employee policies, support and participation of external communities, and focus on gender-specific product offerings.

It is noteworthy that companies within the GEI index scored at or above the global limit set by Bloomberg to publish the accomplishment or adoption of the best policies and statistics. Banorte was the only Mexican company in the financial sector that reached an international standard for its internal policies, and product offering focused in empowering women.

3. INDEXAMERICAS RECOGNIZES GFNORTE AS SUSTAINABILITY LEADER

IndexAmericas sustainability index, part of the Inter-American Development Bank (IDB), and the Inter-American Investment Corporation (IIC), recognized several publicly traded companies across Latin America and the Caribbean for their outstanding performance in four main areas: environmental, society, corporate governance and development (ESGD).

IndexAmericas evaluated more than 400 metrics of over 6,000 companies included in Thomson Reuter's ESG database, from which only 30 companies were selected, including Banorte, to join the Multilatin Index.

4. BANORTE RECOGNIZED IN THE BRAND FINANCE BANKING 500 REPORT

In February 2018, Brand Finance consulting published its annual report of the 500 most valuable brands in the global banking sector. This ranking considers long term macroeconomic perspectives, historic performance, financial projections, as well as overall brand strength relative to its direct competitors.

In the report's 2018 edition, Banorte escalated three notches ranking #139, being the best ranked Mexican bank and the fifth best ranked in Latin America.

5. BANORTE AND MASTERCARD LAUNCHED AMAZON RECHARGEABLE AND SOCIO 7 CARDS

In March 2018, Banorte, Mastercard and 7-Eleven launched Socio 7 debit card, in an effort to offer financial products across the broad network of more than 26,000 correspondent banking establishments in Mexico. In March 2018, also in partnership with Mastercard, Banorte and Amazon launched Amazon Rechargeable debit card. With this product, Banorte seeks to boost e-commerce and digital services subscriptions.

Consolidated Bank

Consolidated Bank: Banco Mercantil del Norte Banorte USA.

Income Statement and Balance Sheet Highlights - Consolidated Bank (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Net Interest Income	13,272	14,856	14,744	(1%)	11%
Non-Interest Income	3,448	3,729	4,297	15%	25%
Total Income	16,719	18,585	19,041	2%	14%
Non-Interest Expense	7,984	8,127	8,585	6%	8%
Provisions *	2,658	3,450	4,149	20%	56%
Operating Income	6,078	7,007	6,307	(10%)	4%
Taxes	1,861	2,196	1,714	(22%)	(8%)
Discontinued Operations	74	2	-	(100%)	(100%)
Subsidiaries & Minority Interest	14	37	25	(31%)	76%
Net Income	4,305	4,850	4,618	(5%)	7%
Balance Sheet					
Performing Loans (a)	560,589	603,522	612,074	1%	9%
Past Due Loans (b)	10,034	12,192	11,914	(2%)	19%
Total Loans (a+b)	570,622	615,714	623,988	1%	9%
Total Loans Net (d)	556,818	600,163	607,880	1%	9%
Acquired Collection Rights (e)	1,477	1,925	1,794	(7%)	21%
Total Loans (d+e)	558,294	602,088	609,673	1%	9%
Total Assets	975,193	1,056,423	1,023,894	(3%)	5%
Total Deposits	578,191	648,622	652,027	1%	13%
Total Liabilities	880,289	970,361	933,350	(4%)	6%
Equity	94,904	86,062	90,544	5%	(5%)

Financial Ratios - Consolidated Bank	1Q17	4Q17	1Q18
Profitability:			
NIM (1)	5.7%	6.0%	6.0%
NIM after Provisions (2)	4.6%	4.6%	4.3%
ROE (3)	18.4%	22.1%	20.9%
ROA (4)	1.7%	1.8%	1.8%
Operation:			
Efficiency Ratio (5)	47.8%	43.7%	45.1%
Operating Efficiency Ratio (6)	3.2%	3.1%	3.3%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	93.20%	123.42%	118.42%
Asset Quality:			
Past Due Loan Ratio	1.8%	2.0%	1.9%
Coverage Ratio	137.6%	127.6%	135.2%
Past Due Loan Ratio w/o Banorte USA	1.8%	2.0%	1.9%
Coverage Ratio w/o Banorte USA	137.6%	127.6%	135.2%
Growth (8)			
Performing Loans (9)	10.5%	8.4%	9.2%
Core Deposits	13.3%	7.0%	8.9%
Total Deposits	7.6%	12.7%	12.8%
Capitalization:			
Net Capital/ Credit Risk Assets	21.5%	21.4%	21.2%
Total Capitalization Ratio	16.6%	17.3%	17.6%
Leverage			
Basic Capital/ Adjusted Assets	8.0%	8.4%	8.6%

- 1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.
- 2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.
- 3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.
- 4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.
- 5) Non-Interest Expenses / Total Income.
- 6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.
- 7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.
- 8) Growth compared to the same period of the previous year.
- 9) Excludes Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

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

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

Net Interest Income

Net Interest Income in 1Q18 amounted to Ps 14.74 billion, +11% higher vs. 1Q17, in line with the +12% increase in NII from loan and deposit books, driven by the loan portfolio mix, and the rate rate hikes from Banxico which totaled +100bp during the period.

Sequentially, NII declined (1%) as NII from loan book and deposits did not yet incorporate the +50bp increase in Banxico's reference rate (+25bp in December 2017, and +25bp in February 2018), but did incorporate the +23bp increase in cost of funds during the quarter.

Accumulated Net Interest Margin (NIM) in 1Q18 totaled 6.0%, (1bp) below 4Q17, and +33bp higher vs. 1Q17, the latter driven by a better mix in loan book and the balance re-pricing effect as a result of a high interest rate cycle.

Additionally, **NIM adjusted for credit risk was 4.3%, (30bp) and (22bp) lower sequentially and YoY respectively, as a result in an increase in provisions.**

Loan Loss Provisions

During 1Q18 Loan Loss Provisions reached Ps 4.14 billion, up +56% YoY, and +20% vs. 4Q17.

The increase during 1Q18 is explained by an overall increase in reserve requirements from our loan book, mainly driven by consumer book growth during 2017. Furthermore, the sequential increase is a result of higher provision requirements from corporate, payroll, commercial and mortgage books which off-set an important decline in credit card provision requirements.

Non-Interest Income

In 1Q18, Non-Interest Income amounted to Ps 4.3 billion, +25% higher vs. 1Q17, given the increase all lines. Sequentially, they grew +15% mainly driven by a Ps 661 million increase in Trading Income.

Revenues from core banking services (account management, fund transfers and electronic banking services) **grew +10% vs 1Q17**, on higher transaction volume and on an improved fee structure in products and segments.

Non-Interest Expenses

Accumulated Non-Interest Expenses were Ps 8.58 billion for 1Q18, +8% higher vs. 1Q17, as result of increases in all lines. Sequentially, Non-Interest Expenses increased +6%, with a (17%) reduction in Fees Paid, which were higher during 4Q17 due to an extraordinary expense from a relevant transaction.

The Efficiency Ratio continued improving during 1Q17 reaching 45.1% vs. 47.8% in 1Q17.

Net Income

Net Income during the quarter rose to Ps 4.62 billion, up +7% vs. 1Q17, driven by positive traction in total revenues. Net Income during 1Q17 was (5%) lower than 4Q17, affected by the specific provision registered in the quarter.

Consolidated Bank's profits –according to GFNorte's holding- in 1Q18 were Ps 4.53 billion, +7% higher YoY. The bank contributed with 67.0% of the Group's accumulated results.

1Q18 ROE for the Consolidated Bank reached 20.9%, (113bp) below 4Q17, explained by the overall slowdown in Net Income; however, it is +257bp higher vs. 1Q17 driven by good net income levels throughout the year, and the reduction in capital (prior fiscal years).

ROA for the quarter totaled 1.8%, growing +6% vs. 1Q17, and (7bp) vs. 4Q17.

NPL Ratio

The Consolidated Bank's **Non-Performing Loan Ratio in 1Q18 was 1.9%, +15bp higher vs. 1Q17, but (7bp) lower than 4Q17.**

Capital

The Bank's capital ending balance was Ps 90.54 billion as of March 2018, showing a (5%) decline vs. 1Q17, and +5% vs. 4Q17, due to earnings of Ps 4.61 billion during the quarter. During the quarter there was a reduction in the valuation of securities available for sale of Ps 1.07 billion, mainly related to dollar-denominated securities, which were affected by FX changes during the quarter. This amount is offset by the Ps. 1.52 billion positive valuation from hedging instruments. During the quarter Retained Earnings registered a Ps 317 million interest payment from capital notes.

Long Term Savings

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Interest Income (Net)	174	284	338	19%	94%
Premium Income (Net)	5,986	3,581	9,479	N.A.	58%
Net Increase in Technical Reserves	1,920	(389)	3,954	N.A.	106%
Damages, Claims and Other Obligations	2,325	2,762	2,912	5%	25%
Technical Results	1,741	1,209	2,613	116%	50%
Net Interest Income (NII)	1,916	1,493	2,951	98%	54%
Other Fees (acquisition costs)	(564)	(398)	(952)	N.A.	69%
Securities-Realized Gains	12	19	5	(72%)	(56%)
Other Operating Income (Expenses)	228	(5)	192	N.A.	(16%)
Total Operating Income	1,592	1,110	2,197	98%	38%
Non Interest Expense	322	332	303	(9%)	(6%)
Operating Income	1,018	778	1,895	N.A.	86%
Taxes	384	169	544	N.A.	42%
Subsidiaries' Net Income	369	316	335	6%	(9%)
Minority Interest	(8)	(8)	(8)	7%	1%
Net Income	1,247	917	1,677	83%	34%
Shareholder's Equity	21,346	22,967	24,657	7%	16%
Total Assets	46,137	49,292	61,795	25%	34%
Technical Reserves	18,623	21,426	29,468	38%	58%
Premiums sold	7,727	4,046	13,236	N.A.	71%
Coverage ratio of technical reserves	1.3	1.3	1.2	(0.0 pp)	(0.0 pp)
Solvency capital requirement coverage ratio	2.5	3.7	4.2	0.5 pp	1.7 pp
Coverage ratio of minimum capital	228.8	238.1	255.9	17.7 pp	27.1 pp
Claims ratio	58%	70%	53%	(16.8 pp)	(4.4 pp)
Combined ratio	67%	89%	61%	(27.6 pp)	(5.3 pp)
ROE	24.3%	16.4%	28.6%	12.2 pp	4.3 pp
ROE ex-Afore	57.0%	31.7%	65.5%	33.8 pp	8.5 pp

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

Income from Retained Premiums had a significant growth of **+58%** vs. 1Q17, and **+165%** sequentially, reaching a balance of **Ps 9.48 billion** in 1Q18, as a result of the **seasonality effect** caused by premium renewals of large accounts at the beginning of the year, and the **overall good performance** of the bankassurance business.

Accrued Retained Premiums (excluding the net increase of catastrophic reserves) amounted to **Ps 5.58 billion** during **1Q18**, growing **+39%** sequentially, and **+36%** vs. 1Q17.

Net Damages, Claims and Other Obligations amounted to **Ps 2.914 billion in 1Q18**, up **+5%** sequentially, and **+25%** vs. 1Q18, as a result of growth in the book and the changes mix.

Despite this, Technical Results in 1Q18 totaled Ps 2.61 billion, growing 116% vs. 4Q17, and +50% vs 1Q17.

Acquisition Costs in 1Q18 increased by **+Ps 553** vs. 4Q17, and **+Ps 388 million** vs. 1Q17; in both cases, as a result of the change in mix of the insurance book and seasonality effect caused by premium renewals during the first quarter.

Other Operating Income had sequential growth of **+Ps 197 million**, totaling Ps 192 million, stabilizing from the extraordinary reinsurance provision recorded in 4Q17.

Non-Interest Expenses decreased **(9%)** sequentially, and **(6%)** YoY, reaching **Ps 303 million** during 1Q18.

Operating Income in 1Q18 amounted to **Ps 1.89 billion**, more than twofold growth vs. 4Q17, which was affected by the reinsurance provision posted in 4Q17.

Seguros Banorte (including Afore XXI Banorte) reported net income of **Ps 1.67 billion** in **1Q18, +83%** sequentially, and **+34% vs. 1Q17**. Net Income for Seguros Banorte excluding Afore XXI Banorte totaled Ps 1.35 billion during 1Q18, 123% above the previous quarter, and +52% YoY, increasing its contribution to 19.9% of the group's results.

ROE for the consolidated insurance company was 28.6% in 1Q18, +12.2pp higher sequentially, and +4.3pp vs. 1Q17. Excluding Afore, this indicator totaled **65.5% vs. 31.7% in 4Q17, and vs. 57% in 1Q17**.

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

Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Net Income	737	633	670	6%	(9%)
Shareholder's Equity	22,446	24,333	22,653	(7%)	1%
Total Assets	23,787	26,056	24,451	(6%)	3%
AUM (SIEFORE)	670,135	732,700	737,171	1%	10%
ROE	12.7%	10.5%	11.4%	0.9 pp	(1.3 pp)

Afore XXI Banorte posted net profits of Ps 670 million in 1Q18, +6% higher sequentially, as a result of a (43%) reduction in Administrative Expenses. Compared to 4Q17, net profits decline by (9%) due to higher onboarding and transfer costs, and also due to the net result of SIEFORES.

ROE for the quarter was 11.4%, +86bps above 4Q17, and (130bp) lower YoY. Excluding goodwill, **Tangible ROE (ROTE) would have been 39.8% in 1Q18**, +488bp higher sequentially, and **(583bp) lower vs. 1Q17**.

Afore XXI Banorte contributed with **4.9%** of the Financial Group's profits in 1Q18.

Assets under management as of March 2018 totaled **Ps 737.17** billion, an increase of +1% QoQ and +10% vs. 1Q17.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Interest Income (Net)	2,864	2,373	2,199	(7%)	(23%)
Premium Income (Net)	1,979	2,200	2,350	7%	19%
Net Increase in Technical Reserves	3,623	3,354	3,023	(10%)	(17%)
Claims and Other Obligations	981	1,084	1,137	5%	16%
Technical Results	(2,626)	(2,237)	(1,810)	19%	(31%)
Net Interest Income (NII)	238	135	389	187%	63%
Net Fees	-	-	-	N.A.	N.A.
Securities-Realized Gains	89	222	(0)	N.A.	N.A.
Other Operating Income (Expenses)	(2)	(4)	(0)	93%	(84%)
Total Operating Income	325	353	389	10%	20%
Non Interest Expense	78	97	98	1%	26%
Operating Income	247	256	291	14%	18%
Taxes	75	(82)	82	N.A.	11%
Subsidiaries' Net Income	1	2	2	(34%)	16%
Minority Interest	-	-	-	N.A.	N.A.
Net Income	174	340	210	(38%)	21%
Shareholder's Equity	2,320	3,030	3,238	7%	40%
Total Assets	81,517	90,333	93,577	4%	15%
Technical Reserves	78,241	86,180	89,233	4%	14%
Premiums sold	1,979	2,200	2,350	7%	19%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp
Solvency capital requirement coverage ratio	22.4	28.6	28.9	0.0 pp	0.3 pp
Coverage ratio of minimum capital	15.4	19.5	20.8	0.1 pp	0.4 pp
ROE	31.1%	47.5%	26.8%	(20.7 pp)	(4.4 pp)

During 1Q18, Pensiones Banorte reported profits of Ps 210 million, (38%) lower QoQ, mainly affected by lower income from interest and securities trading, which were impacted by lower inflation during the period, and also by an increase in total taxes paid – in 4Q17 there was a deferred tax release of Ps 159 million. Nevertheless, net profit compared to 1Q17 had a +21% increase, mainly driven by a lower technical reserves (Ps 619) million, and by good growth in income from premium origination.

It is worth mentioning that there was a relevant decline in inflation during the quarter, which reduced the income from inflation-indexed securities in the investment portfolio; therefore, UDI denominated valuation result totaled Ps 1.29 billion, which was lower than the Ps 1.44 billion in 4Q17, and also lower than the Ps 2.04 billion in 1Q17.

In 1Q18 **Net Income** from Pensiones Banorte represented **3.1%** of the Financial Group's profits.

Quarterly **ROE** totaled **26.8%**, (20.pp) lower than 4Q17, and (4.4pp) lower than 1Q17.

Brokerage

Brokerage Sector (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Net Income	287	230	235	2%	(18%)
Shareholder's Equity	3,019	3,060	3,277	7%	9%
Assets Under Custody	791,671	824,291	820,639	(0%)	4%
Total Assets	109,700	121,833	171,784	41%	57%
ROE	39.8%	30.7%	29.7%	(1.0 pp)	(10.2 pp)
Net Capital					
Net Capital (1)	2,338	2,371	2,512	6%	7%

1) Net capital structure: Tier 1 =Ps 2.5 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 235 million in 1Q18, (17%) lower vs. 1Q17, driven by a (59%) lower Net Margin, and a (62%) reduction in trading income YoY. This was affected by very high comparison basis, which does not offset an increase of +42% in net fees. Brokerage Net Income during the quarter accounted for 3.5% of the Group's total results.

Sequentially, net income grows +2% QoQ, driven by a +10% improvement in trading results, and +15% increase in fees.

Assets under Management

At the end of 1Q18 AUMs totaled Ps 821 billion, growing +4% YoY, and flat vs. 4Q17.

Mutual fund assets totaled Ps 163.2 billion, increasing +9% YoY and +1.8% vs. 4Q17. Assets held in fixed income funds totaled Ps 148.7 billion, +8.8% higher vs. 1Q17, while equity funds held assets amounting to Ps 14.5 billion, up +11.9% vs. 1Q17, and +2.3% vs. 4Q17. Banorte had a 7.1% share of the mutual fund market, comprised of 9.2% in fixed income funds and 2.1% in equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	1Q17	4Q17	1Q18	Change	
				4Q17	1Q17
Leasing and Factoring					
Net Income	182	219	191	(13%)	5%
Shareholder's Equity	4,664	5,149	5,341	4%	15%
Loan Portfolio (1)	26,261	29,841	30,754	3%	17%
Past Due Loans	190	154	165	7%	(13%)
Loan Loss Reserves	318	302	311	3%	(2%)
Total Assets	26,534	30,362	31,295	3%	18%
ROE	16.0%	17.4%	14.6%	(2.8 pp)	(1.3 pp)
Warehousing					
Net Income	7	13	9	(30%)	29%
Shareholder's Equity	191	226	235	4%	23%
Inventories	399	783	594	(24%)	49%
Total Assets	535	955	786	(18%)	47%
ROE	15.7%	24.6%	16.4%	(8.2 pp)	0.7 pp
Sólida Administradora de Portafolios					
Net Income	(635)	(44)	(279)	531%	(56%)
Shareholder's Equity	3,419	3,573	3,205	(10%)	(6%)
Loan Portfolio	1,701	4,211	3,647	(13%)	114%
Past Due Loans	60	137	126	(8%)	109%
Loan Loss Reserves	112	270	254	(6%)	126%
Total Assets	13,853	15,459	14,774	(4%)	7%
Ixe Servicios					
Net Income	(0.5)	(0.5)	(0.2)	(57%)	(60%)
Shareholder's Equity	140	139	139	(0%)	(1%)
Total Assets	140	139	139	(0%)	(1%)
ROE	(1.6%)	(1.5%)	(0.6%)	0.9 pp	0.9 pp

1) Includes operating lease portfolio of Ps 3.52 billion, and fixed assets of Ps 46 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Arrendadora y Factor Banorte reported profits of Ps 191 million in 1Q18, down (13%) sequentially. Despite interest income growth, non-interest income declined as a result of lower leasing income. During 1Q18 the Leasing and Factoring book grew by Ps 1.43 billion.

At the end of 1Q18, the **Past Due Loans Ratio** was **0.6%**, and the **Coverage ratio** was **189%**, -7pp higher QoQ and +22pp YoY.

The **Capitalization ratio** as of March 2018 was **15.8%** considering total risk-weighted assets of Ps 33.71 billion.

Leverage ratio as of December 2017 and March 2018 was 15.13% and 15.28% respectively; considering adjusted assets of Ps 33.95 billion and Ps 34.88 billion in each case.

During 1Q18, Net Income from Leasing and Factoring accounted for 2.8% of the Group's total results.

Warehouse

In **1Q18**, **Warehouse** posted profits of **Ps 9** million, a **+29%** increases vs. 1Q17 on higher inventory origination. Almacenadora Banorte accounted for 0.14% of the Financial Group's profits in 1Q18.

ROE for 1Q18 was **16.4%**, +0.7pp vs. 1Q17.

At the end of 1Q18, the **Capitalization Ratio** was **172%** considering net capital of Ps 197 million and deposit certificates for sale issued in warehouses of Ps 2.29 billion. Almacenadora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

Sólida Administradora de Portafolios

Sólida Administradora de Portafolios reported a net result of **(Ps 279)** million, as a result lower revenues
Past Due Loan Ratio was **3.4%** at the end of **March 2018**, up +0.2 pp vs. 4Q17. **Coverage ratio** was **202%**, +5 pp higher vs. 1Q17.

The estimated Capitalization ratio in 1Q18 was **14.7%**, (1.2pp) QoQ, and +1.8 pp YoY.

Leverage ratio as of December 2017 and March 2018 was 19.32% and 17.24%, respectively; considering adjusted assets of Ps 15.07 billion and Ps 14.68 billion in each case.

Recovery Banking

Income Statement Highlights - Recovery Banking

(Million Pesos)	1Q17	1Q18	Var.
Net Interest Income	(2)	(2)	(29%)
Loan Loss Provisions	0	1	2323%
Non Interest Income	582	670	15%
Non Interest Expense	(276)	(277)	0%
Pre-tax Income & Subsidiaries	304	392	29%
Income Tax and Profit Sharing	(97)	(116)	19%
Net Income	207	276	34%

Assets Under Management (Million Pesos)	1Q18	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	128,905	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	27,194	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	5,671	Solida Asset Management and Banorte	Non Interest Income
Total	161,770		

Net Income

Recovery Banking posted profits of Ps 276 million in 1Q18, up +34% YoY, on higher revenues driven by loan recoveries of Ps 38 million, a +Ps 19 million recovery in acquired portfolios, and +Ps 8 million higher fees collected from SHG project.

Assets Under Management

The Recovery Bank managed total assets of Ps 129 billion in 1Q18, of which 25% were mortgage loans, 22% credit cards, 20% payroll loans, 14% relate to Crediactivo, 7% are auto loans, 6% are foreclosed assets, 3% relate to commercial loans and 3% to other loans. Gross revenues in 1Q18 amounted to Ps 473 million, +14% higher YoY.

The asset inventory managed by the Recovery Bank includes mortgages which make up 46%, 13% were assets managed on behalf of the Mexican mortgages agency SHF, 17% were real estate portfolios, 12% were loans to middle market companies and other commercial loans, and 12% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 214 million in 1Q18, 46% higher vs. 1Q17.

III. General Information

Infrastructure

INFRASTRUCTURE	1Q17	4Q17	1Q18
Employees (1)	27,572	29,903	29,792
Banorte - Ixe Branches	1,139	1,148	1,152
ATM's	7,242	7,911	7,937
POS's	153,322	165,441	169,405

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

GFNORTE's Analyst Coverage

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

BROKER	ANALYST	RECOMMENDATION	DATE
Barclays	Benjamín Theurer	Buy	20-Oct-17
BBVA	Rodrigo Ortega	Buy	7-Mar-18
Bradesco	Alain Nicolau	Buy	7-Mar-18
Brasil Plural	Eduardo Nishio	Buy	15-Jan-18
BTG Pactual	Eduardo Rosman	Buy	16-Mar-18
Citi	Carlos Rivera	Buy	28-Feb-18
Credit Suisse	Marcelo Telles	Buy	18-Sep-17
GBM	Jorge Benitez	Buy	20-Oct-17
HSBC	Carlos Gómez	Buy	2-Feb-18
Intercam	Sofía Robles	Buy	20-Feb-18
Itaú BBA	Thiago Batista	Buy	27-Sep-17
JP Morgan	Domingos Falavina	Buy	20-Oct-17
Morgan Stanley	Jorge Kuri	Buy	20-Oct-17
Nau	Iñigo Vega	Buy	7-Feb-18
Santander	Claudia Benavente	Buy	6-Dec-17
UBS	Philip Finch	Buy	10-Jan-18
Actinver	Enrique Mendoza	Hold	16-Oct-17
BOFA - Merrill Lynch	Mario Pierry	Hold	26-Jan-18
Goldman Sachs	Carlos Macedo	Hold	24-Apr-17
Scotia	Jason Mollin	Sell	26-Feb-18

Ratings

International Ratings - GFNorte

Rating Agency	Rated Intitutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	July, 2017
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	Stable / Negative	Outlook / Risk Watch	October, 2017
		Negative	Risk Watch	
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
	Banco Mercantil del Norte	5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
		Stable / Negative	Outlook / Risk Watch	
		bbb+	Viability	
		BBB+	Long term foreign currency	
Moody's	Banco Mercantil del Norte	F2	Short term foreign Currency	September, 2016
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
		2	Support Rating - Banco Mercantil del Norte	
		BB+ (EXP)	Long term foreign currency subordinated debt	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
		Outlook BFSR	Outlook	
Moody's	Banco Mercantil del Norte	Negative	Outlook BFSR	September, 2016
		baa2	Baseline Credit Assessment	
		Negative	Outlook	
		A3	Long term local currency deposits*	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits*	
		P-2	Short term foreign currency deposits	
		A3	Long term foreign currency senior debt*	
		Baa3	Long term local currency subordinated debt	
		Baa2 (hyb)	Long term foreign currency subordinated debt	
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		(P)Ba1 (hyb)	Long term foreing currency subordinated debt	
		Ba1	Long term foreing currency junior subordinated debt	
baa2	Adjusted baseline credit assesment			
A2 (cr)	Long term counterparty risk assesment			
Prime-1 (cr)	Short term counterparty risk assesment			
Moody's	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			
	Stable	Outlook			
Casa de Bolsa Banorte Ixe	mxA-1+	National Scale Counterparty credit - Short term	National Scale Counterparty credit - Long term		
	mxAAA	National Scale Counterparty credit - Long term			
Fitch	Banco Mercantil del Norte	Stable / Negative	Outlook / Risk Watch	October, 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		
	Casa de Bolsa Banorte Ixe	AA+ (mex)	Depo. Certi. y P.R.L.V. long term		National Scale - Long term
		Stable / Negative	Outlook / Risk Watch		
		F1+ (mex)	National Scale - Short term		
	Arrendadora y Factor Banorte	AAA (mex)	National Scale Counterparty - Long term		National Scale Counterparty - Short term
		F1+ (mex)	National Scale - Unsecured Debt - Short term		
		AAA (mex)	National Scale - Unsecured Debt - Long term		
		F1+ (mex)	National Scale Counterparty - Short term		
	Almacenadora Banorte	AAA (mex)	National Scale Counterparty - Long term		National Scale Counterparty - Long term
		Stable / Negative	Outlook / Risk Watch		
	Pensiones Banorte	AAA (mex)	National Scale		National Scale
Stable / Negative		Outlook / Risk Watch			
Seguros Banorte	AAA (mex)	Financial Strenght	Financial Strenght		
	Stable / Negative	Outlook / Risk Watch			
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		
	Arrendadora y Factor Banorte	A1.mx	Junior Subordinated debt - Long term		National Scale - Short term issuer
		Stable	Outlook		
Noviembre, 2016	Aa2.mx	National Scale - Long term senior debt*	National Scale - Short 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	1Q18
Banco Mercantil del Norte, S. A.	98.2190%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	99.9999%
Almacenadora Banorte, S.A. de C.V.	99.9999%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	99.9999%
Operadora de Fondos Banorte Ixe, S.A. de C.V.	99.9990%
Ixe Servicios, S.A. de C.V.	99.9999%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.4574%
Banorte Ahorro y Previsión, S.A. de C.V.	99.9999%

Holding Company Capital Structure

Holding Company Capital Structure

Number of Shares (Million)	SERIES O As of March 2018
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 1Q18	
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 2018, appointed and approved in the Annual General Shareholders' Meeting held on April 27, 2018.

Grupo Financiero Banorte

Board of Directors

PROPRIETARY

Carlos Hank González	Chairman
Juan Antonio González Moreno	
David Juan Villarreal Montemayor	
José Marcos Ramírez Miguel	
Everardo Elizondo Almaguer	Independent
Carmen Patricia Armendáriz Guerra	Independent
Héctor Federico Reyes-Retana y Dahl	Independent
Eduardo Livas Cantú	Independent
Alfredo Elías Ayub	Independent
Adrián Sada Cueva	Independent
Alejandro Burillo Azcárraga	Independent
José Antonio Chedraui Eguía	Independent
Alfonso de Angoitia Noriega	Independent
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>	1Q17	2Q17	3Q17	4Q17	1Q18
Income Subsidiaries	5,496	5,615	6,226	6,439	6,588
Interest Income	47	89	13	91	202
Interest Expense	-	-	-	-	-
Fund Transfers	-	-	-	-	-
Trading Income	-	-	-	-	-
Other Operating Income (Expenses)	0	0	0	0	0
Non-Interest Expense	27	25	28	39	25
Pre-Tax Income	5,516	5,678	6,212	6,491	6,765
Income Tax	-	-	-	-	-
Tax on Assets	-	-	-	-	-
Deferred Income Tax	(4)	(2)	(1)	15	4
Taxes	(4)	(2)	(1)	15	4
Net Income from Continuous Operations	5,520	5,680	6,213	6,475	6,762
Discontinued Operations	-	-	-	-	-
Net Income	5,520	5,680	6,213	6,475	6,762

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18
ASSETS					
Cash and Due from Banks	21	40	48	6,081	6,263
Margin Accounts	-	-	-	-	-
Investment in Securities	-	-	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans,net	1,451	611	3,613	4,915	4,816
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	1,451	611	3,613	4,915	4,816
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	0	0	0	0	0
Inventories	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-
Investment in Subsidiaries	127,454	121,286	124,613	121,961	128,314
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	198	200	201	186	182
Goodwill and Intangibles	10,638	10,615	10,592	10,556	10,536
Other Assets Short and Long Term	-	-	-	-	-
Other Assets					
	138,291	132,101	135,407	132,704	139,032
TOTAL ASSETS	139,762	132,753	139,068	143,701	150,111

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18
LIABILITIES					
Demand Deposits	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-
Deposits	-	-	-	-	-
Due to Banks & Correspondents	-	-	-	-	-
Total Collateral sold	-	-	-	-	-
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	1	1	1	0	0
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	-	-	-	-	-
TOTAL LIABILITIES	1	1	1	0	0
EQUITY					
Paid-in Capital	14,582	14,568	14,579	14,594	14,591
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	35,934	35,758	35,606	35,419	35,519
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,516	50,326	50,185	50,013	50,110
Capital Reserves	4,870	4,827	5,095	5,491	5,379
Retained Earnings	82,129	69,718	69,710	69,412	92,801
Surplus (Deficit) of Secs Available for Sale	(2,731)	(2,442)	(2,389)	(2,369)	(3,488)
Results from Valuation of Hedging Secs	(1,790)	(1,943)	(1,884)	(3,588)	(2,103)
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77
Results from Conversions	1,660	1,616	1,613	1,684	1,618
Remeasurements defined benefits for employees	(494)	(618)	(741)	(926)	(1,045)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	5,520	11,201	17,414	23,889	6,762
Earned Capital	89,245	82,426	88,881	93,688	100,002
Minority Interest	-	-	-	-	-
Total Equity	139,762	132,752	139,067	143,701	150,111
TOTAL LIABILITIES & EQUITY	139,762	132,753	139,068	143,701	150,111
Holding - Memorandum Accounts <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-
Properties in Custody or Management	3,716	35,685	36,535	36,535	36,535
Collateral Received	1,452	607	3,612	4,913	4,812
Proprietary Transactions	5,168	36,292	40,147	41,448	41,347
TOTAL PROPRIETARY	5,168	36,292	40,147	41,448	41,347

Grupo Financiero Banorte

Income Statement -GFNorte <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18
Interest Income	26,265	25,938	27,853	29,283	30,062
Interest Expense	9,783	10,984	11,657	11,517	12,415
Charged Fees	282	295	296	297	290
Fees Paid	144	167	174	210	239
Net Interest Income from interest & fees (NII)	16,620	15,082	16,319	17,854	17,698
Premium Income (Net)	7,784	6,507	5,156	5,596	11,632
Net Increase in Technical Reserves	5,544	2,654	1,482	2,965	6,976
Damages, Claims and Other Obligations	3,306	3,645	4,110	3,845	4,049
Net Interest Income (NII)	15,555	15,289	15,883	16,640	18,305
Preventive Provisions for Loan Losses	2,698	3,514	3,359	3,544	4,264
Net Interest Income Adjusted for Credit Risk	12,857	11,776	12,524	13,096	14,041
Fund Transfers	368	390	350	380	363
Account Management Fees	596	624	647	662	618
Electronic Banking Services	1,639	1,709	1,653	1,902	1,880
For Commercial and Mortgage Loans *	94	198	225	178	135
For Consumer and Credit Card Loans	999	1,055	1,096	1,146	1,120
Fiduciary	92	101	97	133	108
Income from Real Estate Portfolios	7	17	43	40	36
Mutual Funds	282	329	360	372	374
Trading & Financial Advising Fees	115	167	305	134	201
Other Fees Charged (1) *	264	205	263	306	289
Fees Charged on Services	4,455	4,795	5,040	5,252	5,124
Interchange Fees	722	762	739	875	880
Insurance Fees	379	269	384	186	725
Other Fees Paid	843	841	892	912	911
Fees Paid on Services	1,944	1,872	2,016	1,972	2,516
Service Fees	2,512	2,923	3,025	3,279	2,607
Currency and Metals	(151)	(15)	22	(9)	(123)
Derivatives	(195)	(56)	357	387	195
Negotiable Instruments	27	56	(153)	(639)	(55)
Valuation	(319)	(15)	225	(260)	17
Currency and Metals	520	523	234	452	613
Derivatives	281	73	(28)	(189)	39
Negotiable Instruments	255	381	197	328	198
Trading	1,056	977	402	592	850
Trading Income	737	961	628	331	866
Loan Recovery	3	3	2	5	3
Loan Portfolios	42	46	38	64	44
Income from foreclosed assets	21	(273)	255	156	80
Provisions Release	4	0	1	3	14
Losses and Estimates	(295)	(423)	(335)	(583)	(913)
Impairment of Assets	(428)	(10)	(189)	134	(173)
Lease Income	111	105	106	125	123
From Insurance	234	213	189	199	200
Other Operating Expense	341	443	173	596	1,229
Total Other Operating Income (Expense)	33	105	240	699	607
Total Non Interest Income	3,282	3,989	3,892	4,310	4,080
Total Operating Income	16,138	15,765	16,416	17,406	18,122
Personnel	3,512	3,285	3,206	3,445	3,535
Employee Profit Sharing (PTU)	101	101	101	88	106
Professional Fees	567	712	771	875	714
Administrative and Promotional Expenses	1,947	1,888	1,787	1,931	1,937
Rents, Depreciation & Amortization	1,306	1,274	1,233	1,245	1,347
Taxes other than income tax & non deductible	523	374	422	453	788
Contributions to IPAB/Fobaproa	634	636	668	696	725
Total Non Interest Expense	8,590	8,271	8,188	8,732	9,151
Operating Income	7,549	7,494	8,227	8,674	8,970
Subsidiaries' Net Income	263	335	291	375	357
Pre-Tax Income	7,812	7,828	8,519	9,049	9,327
Income Tax	2,070	2,015	2,184	2,200	2,343
Tax on Assets	-	-	-	-	-
Deferred Income Tax	210	59	34	276	128
Taxes	2,279	2,074	2,218	2,476	2,472
Net Income from Continuous Operations	5,532	5,754	6,300	6,573	6,856
Discontinued Operations	74	6	8	2	-
Minority Interest	(79)	(80)	(90)	(93)	(87)
Net Income	5,527	5,680	6,219	6,482	6,768

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

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

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18
On behalf of Third Parties					
Customer's Banks	154	53	79	33	37
Dividends Receivable from Customers	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-
Settlement of Customer Transactions	(3)	5	48	(64)	182
Customer Premiums	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-
Other Current Accounts	-	-	-	-	-
Customers' Current Account	150	58	128	(32)	219
Client Securities Received in Custody	642,019	670,333	678,718	663,995	657,387
Securities and Documents Received in Guarantee	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-
Clients' Securities	642,019	670,333	678,718	663,995	657,387
Clients' Repurchase Operations	106,095	90,620	75,928	118,210	167,552
Clients' Repo Transactions w/ Securities	-	-	-	-	-
Collateral received in guarantee for customer accounts	106,060	90,585	75,949	118,175	167,518
Purchase of Futures & Forward Contracts, national	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-
Trusts under Management	108,323	113,681	103,775	112,960	104,431
Transactions On Behalf of Clients	320,478	294,885	255,652	349,346	439,500
Investment Bank Trans. on behalf of Third (Net)	90,367	77,102	85,844	87,333	89,601
TOTAL ON BEHALF OF THIRD PARTIES	1,053,014	1,042,379	1,020,341	1,100,642	1,186,708
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	326,160	259,402	236,364	252,516	269,875
Trusts	271,144	279,574	269,077	276,410	267,263
Mandates	2,712	13,148	14,482	14,339	14,628
Properties in Trusts and Warrant	273,856	292,722	283,559	290,749	281,891
Properties in Custody or Management	475,934	553,930	559,611	561,016	577,678
Collateral Received	164,657	101,105	110,142	145,077	187,966
Collateral Received or sold or delivered	203,465	123,597	111,691	184,011	273,284
Drafts in Transit	-	-	-	-	-
Assets' Deposit	2,368	2,415	1,802	3,068	2,498
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-
Contingent assets & Liabilities	63	73	111	100	119
Uncollected Accrued Interest from Past Due Loans	437	471	361	367	363
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-
Proprietary Transactions	1,446,941	1,333,715	1,303,640	1,436,905	1,593,673
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	1,446,941	1,333,715	1,303,640	1,436,905	1,593,673

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – MARCH 31, 2018***(Million Pesos)*

Net Income	6,768
Items charged to results that do not generate or require use of resources	
Depreciation	442
Technical Reserves	6,976
Provisions	(1,388)
Income taxes and deferred	2,472
Minority Interest	(270)
	8,232
	15,000
Change in items related to operations	
Change in Margin Accounts	247
Change in Investment in Securities	(18,512)
Change in repo debtors	84
Change in derivatives (assets)	1,119
Change in Loan Portfolio (net)	(6,239)
Change in purchased receivables (net)	163
Change in accounts receivable insurance and bonding institutions (net)	25
Change in debtor premiums (net)	(6,995)
Change in Reinsurance (net)	(4,966)
Change in benefits to receive from securitizations	(21)
Change in foreclosed assets (net)	(31)
Change in other operating assets (net)	16,082
Change in core deposits	1,757
Change in interbank loans and other entities	(3,428)
Change in repo creditors	10,164
Change in collateral pledged sold	(3)
Change in derivatives (liability)	(3,413)
Change in Technical Reserves (net)	3,889
Change in Reinsurance (net) (liability)	2,820
Change in subordinated debt with characteristics of liabilities	(1,963)
Change in other operating liabilities	12,395
Change in hedging instruments (the related hedged transaction activities)	(4,309)
Discontinued Operational Assets	-
Income Tax Payments	(2,729)
Net cash generated or used from operations	11,136
Investment Activities	
Charges for disposal of property, furniture and equipment	991
Payments for acquisition of property, furniture and equipment	(1,139)
Charges for disposal of subsidiaries, associated and agreements with mutual control	-
Payments for other permanent investmentes	-
Charges for cash dividends	1,175
Discontinued Operational Assets	-
Net cash generated or used from investment activities	1,027
Financing Activities	
Payments of cash dividends	-
Payments associated with the repurchase of proprietary shares	(115)
Payments of intrests of subordinated debentures	(312)
Net cash flows from financing activities	(427)
Net Cash Increase (decrease) and equivalents value	11,736
Effects for changes in cash and equivalents value	(51)
Cash and cash equivalents at beginning of period	76,269
Cash and cash equivalents at end of period	87,954

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 – MARCH 31, 2018

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of Instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2017	14,591	35,592	5,491	71,294	(2,390)	(3,588)	96	1,684	(926)	23,908	1,832	147,584
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	(4)	102	(112)		(3)							(17)
Capitalization of profits				23,908						(23,908)		
INB's Sale Accounting Effect				(179)								(179)
Reserve creation for share repurchase			0	0								0
Total	(4)	102	(112)	23,729	(3)	0	0	0	0	(23,908)	0	(196)
Changes stemming from profits												
Total profits:												
Net Income										6,768		6,768
Result from valuation of securities available for sale					(1,120)							(1,120)
Effect of subsidiaries, associates and mutual funds		(2)		(8)					(66)			(76)
Result from valuation of instruments of cash flow hedges						1,485						1,485
Result in valuation of current risk reserve due to changes in rates							(19)					(19)
Remeasurements defined benefits for employees									(118)			(118)
Interest of subordinated debentures				(312)								(312)
Total	0	(2)	0	(320)	(1,120)	1,485	(19)	(66)	(118)	6,768	0	6,608
Recognition of minority interest											84	84
Balance as of March 31, 2018	14,587	35,692	5,379	94,703	(3,513)	(2,103)	77	1,618	(1,044)	6,768	1,916	154,081

Consolidated Bank

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

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

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

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

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – MARCH 31, 2018***(Million Pesos)*

Net Income	4,618
Items charged to results that do not generate or require use of resources	
Depreciation	404
Provisions	(1,376)
Income taxes and deferred	1,714
Minority Interest	(25)
	717
	5,335
Change in items related to operations	
Change in Margin Accounts	247
Change in Investment in Securities	38,563
Change in repo debtors	5
Change in derivatives (assets)	1,115
Change in Loan Portfolio (net)	(7,687)
Change in purchased receivables (net)	131
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)	(2)
Change in other operating assets (net)	10,826
Change in core deposits	3,405
Change in interbank loans and other entities	(1,768)
Change in repo creditors	(39,679)
Change in collateral pledged sold	(2)
Change in derivatives (liability)	(3,413)
Change in Technical Reserves (net)	
Change in Reinsurance (net) (liability)	
Change in subordinated debt with characteristics of liabilities	(1,964)
Change in other operating liabilities	11,965
Change in hedging instruments (the related hedged transaction activities)	(2,797)
Discontinued Operational Assets	
Income Tax Payments	(1,527)
Net cash generated or used from operations	12,732
Investment Activities	
Charges for disposal of property, furniture and equipment	21
Payments for acquisition of property, furniture and equipment	(677)
Charges for disposal of subsidiaries, associated and agreements with mutual control	0
Charges for cash dividends	0
Net cash generated or used from investment activities	(656)
Financing Activities	
Payments of cash dividends	0
Payments of interests of subordinated debentures	(317)
Net cash flows from financing activities	(317)
Net Cash Increase (decrease) and equivalents value	11,759
Effects for changes in cash and equivalents value	(51)
Cash and cash equivalents at beginning of period	76,063
Cash and cash equivalents at end of period	87,771

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 – MARCH 31, 2018

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL								Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
Balance as of December 31, 2017	18,105	648	13,013	38,959	4	(3,653)	1,590	(943)	18,339	275	86,062
Changes stemming from stockholders' decisions											
Capitalization of profits				18,339					(18,339)		
Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 28, 2017.											
Payment plan based on equity-settle shares in equity instruments		102									102
INB's Sale Accounting Effect				(183)							(183)
Total	0	102	0	18,156	0	0	0	0	(18,339)	0	(81)
Changes stemming from profits											
Total profits:											
Net Income									4,618		4,618
Result from valuation of securities available for sale					(1,072)						(1,072)
Effect of subsidiaries, associates and mutual funds											0
Conversion accumulated effect								(48)			(48)
Result from valuation of instruments of cash flow hedges						1,512					1,512
Remeasurements defined benefits for employees				(10)				(120)			(130)
Modification in the norms of the qualification of non-revolving consumer and mortgage housing portfolio											0
Interest of subordinated debentures				(317)							(317)
Total	0	0	0	(327)	(1,072)	1,512	(48)	(120)	4,618	0	4,563
Recognition of minority interest	0	0	0	0	0	0	0	0	0	7	0
Saldos al 31 de Marzo de 2018	18,105	750	13,013	56,788	(1,068)	(2,141)	1,542	(1,063)	4,618	282	90,544

Seguros Banorte

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

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

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18
LIABILITIES					
Technical Reserves	18,623	20,346	20,426	21,426	29,468
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accounts for Reinsurance	2,526	3,348	3,185	1,255	4,075
Income Tax Payable	409	702	952	1,087	630
Profit Sharing Payable	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	2,770	2,413	2,172	2,111	2,518
Other Payable Accounts	3,179	3,115	3,124	3,198	3,147
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	397	394	390	386	383
Deferred Credits	66	60	58	60	65
TOTAL LIABILITIES	24,791	27,262	27,183	26,326	37,138
EQUITY					
Paid-in Capital	13,766	13,766	13,766	13,766	13,766
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	13,766	13,766	13,766	13,766	13,766
Capital Reserves	1,499	1,789	1,789	1,789	1,789
Retained Earnings	4,419	3,879	3,379	2,889	6,948
Surplus (Deficit) of Secs Available for Sale	31	52	58	45	68
Results from Valuation of Hedging Secs	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77
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	1,247	2,232	3,142	4,059	1,677
Earned Capital	7,278	8,020	8,433	8,878	10,560
Minority Interest	302	305	312	323	330
Total Equity	21,346	22,091	22,511	22,967	24,657
TOTAL LIABILITIES & EQUITY	46,137	49,353	49,694	49,292	61,795

Information by Segments

GFNorte - Income Statement as of March '18

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Interest Income	202	26,335	2,545	574	17	1,708
Premium Income (Net)	-	-	11,819	-	-	-
Interest Expense	-	11,590	-	363	0	1,655
Net Increase in Technical Reserves	-	-	6,976	-	-	-
Damages, Claims and Other Obligations	-	-	4,049	-	-	-
Net Interest Income (NII)	202	14,744	3,338	211	17	53
Preventive Provisions for Loan Losses	-	4,149	-	28	-	-
Net Interest Income Adjusted for Credit Risk	202	10,596	3,338	183	17	53
Loan Origination Fees	-	4,842	-	6	-	343
Fees Paid	-	1,744	952	17	0	34
Trading Income	-	807	5	(0)	-	65
Other Operating Income (Expenses)	0	391	192	153	9	20
Non Interest Income	0	9,885	1,759	174	9	772
Total Operating Income	202	20,481	5,097	356	26	825
Administrative and Promotional Expenses	25	8,585	391	54	12	228
Operating Income	177	6,307	2,193	271	13	220
Subsidiaries' Net Income	6,588	25	335	-	0	0
Pre-Tax Income	6,765	6,332	2,528	271	13	220
Income Tax	-	1,591	590	66	4	61
Deferred Income Tax	4	123	37	14	(0)	0
Net Income from Continuous Operations	6,762	4,618	1,900	192	9	158
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(6)	(0)	-	-
Net Income	6,762	4,618	1,894	191	9	158

GFNorte - Income Statement as of March '18

(Million Pesos)

	Operadora de Fondos Banorte Ixe	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	7	1	176	31,564	1,212	-	30,352
Premium Income (Net)	-	-	-	11,819	186	-	11,632
Interest Expense	-	-	249	13,858	-	1,204	12,654
Net Increase in Technical Reserves	-	-	-	6,976	-	-	6,976
Damages, Claims and Other Obligations	-	-	-	4,049	-	-	4,049
Net Interest Income (NII)	7	1	(74)	18,499	-	-	18,305
Preventive Provisions for Loan Losses	-	-	87	4,264	-	-	4,264
Net Interest Income Adjusted for Credit Risk	7	1	(160)	14,235	-	-	14,041
Loan Origination Fees	374	-	43	5,608	484	-	5,124
Fees Paid	262	-	0	3,008	-	491	2,516
Trading Income	-	-	(11)	866	-	-	866
Other Operating Income (Expenses)	0	0	(147)	618	13	2	607
Non Interest Income	636	0	(488)	12,747	498	503	11,771
Total Operating Income	643	1	(648)	26,983	498	503	25,812
Administrative and Promotional Expenses	9	1	45	9,350	185	384	9,151
Operating Income	109	(0)	(320)	8,970	-	-	8,970
Subsidiaries' Net Income	(2)	-	(2)	6,945	6,588	-	357
Pre-Tax Income	107	(0)	(322)	15,915	-	-	9,327
Income Tax	31	-	-	2,343	-	-	2,343
Deferred Income Tax	(0)	-	(43)	135	-	7	128
Net Income from Continuous Operations	77	(0)	(279)	13,437	-	-	6,856
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(6)	81	-	(87)
Net Income	77	(0)	(279)	13,431	8,750	2,081	6,768

GFNorte - Balance Sheet as of March 31 '18

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Cash and Due from Banks	6,263	87,771	1,486	12	20	1,088
Margin Accounts	-	1,739	-	-	-	-
Investment in Securities	-	242,175	109,972	0	-	169,136
Negotiable Instruments	-	85,206	18,245	-	-	155,287
Securities Available for Sale	-	150,133	1,268	0	-	13,134
Securities Held to Maturity	-	6,836	90,459	-	-	715
Debtor Balance in Repo Trans, net	4,816	1	2,267	-	-	-
Transactions with Derivatives For trading purposes	-	24,399	-	0	-	-
Transactions with Derivatives For hedging purposes	-	293	-	-	-	-
Valuation adjustments for Asset Coverage	-	95	-	-	-	-
Gross Loan Portfolio	-	609,673	-	26,878	-	-
Net Loan Portfolio	-	607,880	-	26,878	-	-
Performing Loans	-	612,074	-	27,024	-	-
Commercial Loans	-	211,079	-	23,366	-	-
Financial Intermediaries' Loans	-	24,843	-	650	-	-
Government Entities' Loans	-	131,014	-	3,003	-	-
Consumer Loans	-	105,358	-	6	-	-
Mortgage Loans	-	139,779	-	-	-	-
Medium and Residential	-	135,952	-	-	-	-
Low income housing	-	23	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,804	-	-	-	-
Past Due Loans	-	11,914	-	165	-	-
Commercial PDL's	-	6,723	-	165	-	-
Financial Intermediaries PDL's	-	1	-	-	-	-
Consumer PDL's	-	3,875	-	0	-	-
Mortgage PDL's	-	1,315	-	-	-	-
Medium and Residential	-	1,186	-	-	-	-
Low income housing	-	1	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	128	-	-	-	-
Preventive Loan Loss Reserves	-	16,108	-	311	-	-
Acquired Collection Rights	-	1,794	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,879	-	-	-
Premium Debtors (Net)	-	-	11,026	-	-	-
Account Receivables from Reinsurance	-	-	13,682	-	-	-
Benef. receivab. securization transactions	-	162	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	27,055	0	561	89	561
Inventories	-	-	-	-	594	-
Foreclosed Assets, Net	-	754	-	48	-	-
Real Estate, Furniture & Equipment, Net	-	13,720	376	3,565	67	44
Investment in Subsidiaries	128,314	175	12,655	-	-	1
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	182	3,189	-	10	3	-
Total other Assets	10,536	12,696	2,221	221	14	324
Goodwill	9,683	1,360	-	-	-	-
Intangible	853	11,279	2,126	221	1	58
Other Assets	-	57	95	-	13	266
TOTAL ASSETS	150,111	1,023,894	155,564	31,295	786	171,155

GFNorte - Balance Sheet as of March 31 '18

(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	409	35	74	97,159	255	9,460	87,954
Margin Accounts	-	-	-	1,739	-	-	1,739
Investment in Securities	-	-	236	521,519	208	346	521,382
Negotiable Instruments	-	-	-	258,739	-	-	258,739
Securities Available for Sale	-	-	236	164,771	-	108	164,663
Securities Held to Maturity	-	-	-	98,010	208	237	97,981
Debtor Balance in Repo Trans, net	-	-	15	7,098	-	6,504	595
Transactions with Derivatives For trading purposes	-	-	5	24,404	-	-	24,404
Transactions with Derivatives For hedging purposes	-	-	-	293	-	-	293
Valuation adjustments for Asset Coverage	-	-	-	95	-	-	95
Gross Loan Portfolio	-	-	3,914	640,465	-	19,924	620,541
Net Loan Portfolio	-	-	3,393	638,150	-	19,924	618,226
Performing Loans	-	-	3,522	642,619	-	19,924	622,695
Commercial Loans	-	-	409	234,853	-	7	234,847
Financial Intermediaries' Loans	-	-	-	25,493	-	19,917	5,576
Government Entities' Loans	-	-	-	134,017	-	-	134,017
Consumer Loans	-	-	3,113	108,477	-	-	108,477
Mortgage Loans	-	-	-	139,779	-	-	139,779
Medium and Residential	-	-	-	135,952	-	-	135,952
Low income housing	-	-	-	23	-	-	23
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,804	-	-	3,804
Past Due Loans	-	-	126	12,205	-	-	12,205
Commercial PDL's	-	-	25	6,913	-	-	6,913
Financial Intermediaries PDL's	-	-	-	1	-	-	1
Consumer PDL's	-	-	101	3,976	-	-	3,976
Mortgage PDL's	-	-	-	1,315	-	-	1,315
Medium and Residential	-	-	-	1,186	-	-	1,186
Low income housing	-	-	-	1	-	-	1
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	128	-	-	128
Preventive Loan Loss Reserves	-	-	254	16,674	-	-	16,674
Acquired Collection Rights	-	-	521	2,315	-	-	2,315
Account Receivables from Insurance and Annuities	-	-	-	1,879	-	-	1,879
Premium Debtors (Net)	-	-	-	11,026	-	-	11,026
Account Receivables from Reinsurance	-	-	-	13,682	-	-	13,682
Benef. receivab. securization transactions	-	-	-	162	-	-	162
Sundry Debtors & Other Accs Rec, Net	165	4	9,057	37,493	73	624	36,942
Inventories	-	-	-	594	-	-	594
Foreclosed Assets, Net	-	-	329	1,130	201	201	1,131
Real Estate, Furniture & Equipment, Net	0	99	-	17,871	212	212	17,871
Investment in Subsidiaries	103	-	117	141,365	767	129,179	12,953
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	753	4,137	451	1,959	2,629
Total other Assets	0	1	274	26,286	2,453	1,081	27,657
Goodwill	-	-	-	11,042	2,453	876	12,619
Intangible	0	1	274	14,813	-	205	14,607
Other Assets	-	-	-	431	-	-	431
TOTAL ASSETS	677	139	14,774	1,548,396	4,620	169,489	1,383,526

GFNorte - Balance Sheet as of March 31 '18

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte Ixe
Deposits	-	652,027	-	-	-	-
Demand Deposits	-	389,330	-	-	-	-
Time Deposits	-	258,260	-	-	-	-
Time Deposits-Retail	-	248,275	-	-	-	-
Time Deposits-Money Market	-	9,984	-	-	-	-
Senior Unsecured Debt	-	2,764	-	-	-	-
Cuenta global de captación sin movimientos	-	1,673	-	-	-	-
Due to Banks & Correspondents	-	13,491	-	24,924	535	-
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	6,971	-	13,936	535	-
Long Term Loans	-	6,520	-	10,988	-	-
Technical Reserves	-	-	118,701	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	150,684	-	-	-	167,648
Collateral sold or pledged as collateral	-	1	-	-	-	0
Transactions with Derivatives for trading purposes	-	21,195	-	-	-	-
Transactions with Derivatives for hedging purposes	-	8,180	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	4,075	-	-	-
Other Payable Accounts	0	56,828	3,265	908	16	643
Income Tax Payable	-	1,794	631	63	3	44
Profit Sharing Payable	-	127	-	-	-	-
Creditors for settlement of transactions	(0)	28,150	-	-	-	490
Creditors for collateral received in cash	-	9,762	-	-	-	-
Other Creditors & Accounts Payable	0	16,994	2,635	844	14	109
Subordinated Non Convertible Debt	-	30,482	-	-	-	-
Deferred Taxes, Net	-	-	1,201	-	-	108
Deferred Credits	-	464	65	122	-	0
TOTAL LIABILITIES	0	933,350	127,308	25,954	551	168,400
EQUITY						
Subscribed Capital	50,110	18,855	20,944	526	87	1,429
Paid-in Capital	14,591	18,105	15,740	526	87	1,354
Share Subscription Premiums	35,519	750	5,204	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	100,002	71,689	7,030	4,810	148	1,326
Capital Reserves	5,379	13,013	62	526	49	182
Retained Earnings	92,801	56,788	5,029	4,103	89	757
Surplus (Deficit) of Secs Available for Sale	(3,488)	(1,068)	(28)	(10)	-	126
Results from Valuation of Hedging Secs	(2,103)	(2,141)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	77	-	72	-	-	-
Results from Conversions	1,618	1,542	-	-	-	104
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(1,045)	(1,063)	-	-	-	-
Net Income	6,762	4,618	1,894	191	9	158
Capital Mayoritario	150,111	90,544	27,974	5,336	235	2,755
Minority Interest	-	0	282	5	0	-
Total Equity	150,111	90,544	28,255	5,341	235	2,755
TOTAL LIABILITIES & EQUITY	150,111	1,023,894	155,564	31,295	786	171,155

GFNorte - Balance Sheet as of March 31 '18

(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	-	-	-	652,027	9,448	-	642,579
Demand Deposits	-	-	-	389,330	1,729	-	387,601
Time Deposits	-	-	-	258,260	7,719	-	250,541
Time Deposits-Retail	-	-	-	248,275	7,719	-	240,557
Time Deposits-Money Market	-	-	-	9,984	-	-	9,984
Senior Unsecured Debt	-	-	-	2,764	-	-	2,764
Cuenta global de captación sin movimientos	-	-	-	1,673	-	-	1,673
Due to Banks & Correspondents	-	-	11,503	50,454	19,917	-	30,537
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	11,503	32,946	19,917	-	13,029
Long Term Loans	-	-	-	17,508	-	-	17,508
Technical Reserves	-	-	-	118,701	236	195	118,660
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	318,332	6,504	-	311,829
Collateral sold or pledged as collateral	-	-	-	1	-	-	1
Transactions with Derivatives for trading purposes	-	-	-	21,195	-	-	21,195
Transactions with Derivatives for hedging purposes	-	-	-	8,180	-	-	8,180
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	4,075	-	-	4,075
Other Payable Accounts	155	0	61	61,876	471	53	61,458
Income Tax Payable	15	0	-	2,549	-	-	2,549
Profit Sharing Payable	-	-	-	127	-	-	127
Creditors for settlement of transactions	-	-	-	28,640	128	-	28,512
Creditors for collateral received in cash	-	-	-	9,762	-	-	9,762
Other Creditors & Accounts Payable	140	0	61	20,797	343	53	20,507
Subordinated Non Convertible Debt	-	-	-	30,482	-	-	30,482
Deferred Taxes, Net	-	-	-	1,310	1,310	-	-
Deferred Credits	-	-	4	656	205	-	450
TOTAL LIABILITIES	155	0	11,568	1,267,287	38,090	248	1,229,446
EQUITY							
Subscribed Capital	112	144	6,702	98,909	48,951	322	50,280
Paid-in Capital	112	144	6,198	56,858	42,270	-	14,588
Share Subscription Premiums	-	-	4	41,551	6,181	322	35,692
Contributions for future capital increases agreed by the governing body	-	-	500	500	500	-	-
Earned Capital	410	(5)	(3,496)	181,913	83,338	3,309	101,885
Capital Reserves	22	2	117	19,354	13,974	-	5,379
Retained Earnings	310	(7)	(739)	159,131	67,731	3,303	94,702
Surplus (Deficit) of Secs Available for Sale	-	-	(2,595)	(7,063)	(3,550)	-	(3,513)
Results from Valuation of Hedging Secs	-	-	(0)	(4,244)	(2,141)	-	(2,103)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	149	72	-	77
Results from Conversions	-	-	-	3,264	1,646	-	1,618
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(2,108)	(1,063)	-	(1,045)
Net Income	77	(0)	(279)	13,431	6,669	7	6,768
Capital Mayoritario	522	139	3,205	280,822	132,289	3,631	152,164
Minority Interest	-	-	-	286	-	1,630	1,916
Total Equity	522	139	3,205	281,108	132,289	5,261	154,081
TOTAL LIABILITIES & EQUITY	677	139	14,774	1,548,396	170,379	5,509	1,383,526

V. Appendix

Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

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

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

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

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 1Q18
Corporate bonds	\$183.0	\$36.6	\$82.3

- 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 1Q18
Corporate bonds	\$2,728.7	\$545.7	\$1,227.9

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

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

Other short and long term assets ⁽¹⁾	(1,171)
Total assets	1,381,925
Results from prior years	94,602
Measurements of defined benefits for employees	(2,545)
Total equity	152,479
Total liabilities plus equity	1,381,925

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

Early termination of support programs for mortgage loan debtors

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

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

As of March 31, 2018, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 528 million, with maturities between 2022 and 2027.

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

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

- Surplus of Credit Reserves,
- Recovered Credits

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

As of March 31, 2018, Banorte has posted Ps 67 million under Preventive Provisions for Loan Losses, and Ps 349 million related to excess loan reserves and loan recoveries, which as of December 2017 were posted under Other Operating Income (Expenses).

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

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

New Financial Reporting Standards

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

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

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

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

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

Loan Portfolio Sales to Sólida

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

On February, 2003 Banorte sold Ps 1.92 billion (Ps 1.861 billion in past due loans and Ps 64 million in Performing loans) of its own portfolio (including interests) to its subsidiary, Solida Administradora de Portafolios, S.A. de C.V. for Ps 378 million. The transaction was done based on August 2002 figures, and therefore the final figure that affected the February balance was Ps 1.86 billion, once the collections made since August 2002 are considered. The past due portfolio, as well as Ps 1.577 billion in associated loan reserves, were cancelled.

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	ago-02	dic-17	mar-18	ago-02	dic-17	mar-18	ago-02	dic-17	mar-18
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	19	19	0	0	0	54	19	19
Performing Loans	59	19	19	5	0	0	64	19	19
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	195	193	0	0	0	1,112	195	193
Non Performing Loans	1,598	450	448	293	1	1	1,891	452	449
TOTAL LOANS	1,657	470	467	298	1	1	1,955	471	468
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	195	193	0	0	0	669	195	193
Loan Loss Reserves (1)	1,072	450	448	246	1	1	1,318	452	449

(1) Reserve requirements according to the banking sector's rating methodology (*)There was a reserve difference of Ps \$25 million as of December 2017.

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

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

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

In 1Q18 the Loan portfolio showed changes due to charge offs of Ps 0.01 million, write-offs, penalties and reimbursements of Ps 0.10 million, No changes in restructure nor in foreclosed assets. In Loan loss provisions, there were changes of Ps 2.23 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.

(Million of Nominal Pesos)	Local Currency (1)		Foreign Currency (USD) (2)		Total	
	dic-17	mar-18	dic-17	mar-18	dic-17	mar-18
Performing Loans						
Commercial	321,767	324,498	44,384	42,438	366,151	366,936
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	101,995	105,358	0	0	101,995	105,358
Mortgage	135,424	139,798	0	0	135,424	139,798
Performing Loans	559,187	569,654	44,384	42,438	603,571	612,093
Non Performing Loans						
Commercial	5,115	5,414	1,610	1,495	6,725	6,909
Consumer	4,400	3,946	0	0	4,400	3,946
Mortgage	1,528	1,508	0	0	1,528	1,508
Non Performing Loans	11,043	10,868	1,610	1,495	12,653	12,363
TOTAL LOANS	570,230	580,522	45,994	43,934	616,224	624,456
Loan Loss Reserves	15,685	15,654	327	923	16,012	16,576
Net Loan Portfolio	554,545	564,869	45,667	43,011	600,212	607,880
Loan Loss Reserves					126.55%	134.08%
% Past Due Loans					2.05%	1.98%

1. Includes UDIS.

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

Notes to Financial Statements

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1 Q18

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	219,844	1,601	81	221,526
Unrestricted	11,784	339	(3)	12,120
BONDES D	5	0	0	5
BONDES M	(929)	2	(3)	(930)
BPA	1	0	0	1
BREMS	-	-	-	-
Government Securities	130	1	2	132
Municipalities Securities	0	0	0	1
UDI Securities	-	-	-	-
CETES	10,362	310	(24)	10,647
CETES (Special)	-	-	-	-
Government Eurobonds	10	0	0	10
Udibonds	2,204	27	23	2,253
Restricted	208,060	1,263	84	209,406
BONDES D	45,685	142	(5)	45,822
BONDES M	1,755	8	(17)	1,746
BPA	154,806	1,079	103	155,988
BREMS	-	-	-	-
Government Securities	2,618	9	(5)	2,622
Municipalities Securities	-	-	-	-
UDI Securities	-	-	-	-
CETES	1,119	-	0	1,119
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	2,078	24	8	2,109
-	-	-	-	-
Banking Securities	34,682	132	20	34,835
Unrestricted	3,507	2	(0)	3,509
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	4	0	(0)	4
Bank Securities	39	0	(0)	39
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	575	0	(0)	575
Promissory Notes	2,888	2	0	2,890
Restricted	31,176	130	20	31,326
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	3,147	11	0	3,159
Bank Securities	10,332	45	19	10,396
Deposit Certificates	15,203	70	0	15,273
Structured Notes	-	-	-	-
Other Banking Securities	728	4	0	732
Promissory Notes	1,766	-	0	1,766
-	-	-	-	-
Private Securities	1,989	1	388	2,378
Unrestricted	1,735	1	391	2,127
Shares	514	-	338	853
Investment Company Shares	785	-	22	807
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	417	1	33	451
Trust Stock Certificates	16	-	(3)	13
Private Eurobonds	3	0	(0)	3
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	(0)	-	(0)	(0)
CP	-	-	-	-
Restricted	253	0	(3)	250
Shares	121	-	(2)	119
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	132	0	(1)	132
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	79	-	0	79
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
Total	256,515	1,735	489	258,739

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q18

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	128,889	984	(590)	129,283
Unrestricted	51,996	243	(863)	51,376
BONDES D	-	-	-	-
BONDES M	372	7	(31)	348
BPA	-	-	-	-
BREMS	7,778	15	-	7,793
Government Securities	260	3	14	277
Municipalities Securities	193	4	62	259
UDI Securities	17	0	4	21
CETES	1,727	-	(0)	1,727
CETES (Special)	-	-	-	-
Government Eurobonds	41,648	214	(911)	40,952
Udibonds	-	-	-	-
Restricted	76,892	742	273	77,907
BONDES D	11,182	26	17	11,225
BONDES M	-	-	-	-
BPA	57,063	601	(17)	57,647
BREMS	-	-	-	-
Government Securities	5,953	27	3	5,983
Municipalities Securities	-	-	-	-
UDI Securities	-	-	-	-
CETES	95	-	0	95
CETES (Special)	-	-	-	-
Government Eurobonds	2,600	87	271	2,958
Udibonds	-	-	-	-
Banking Securities	11,010	17	10	11,037
Unrestricted	11,010	17	10	11,037
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	94	1	34	129
Deposit Certificates	6,441	16	(1)	6,456
Structured Notes	432	-	(23)	409
Other Banking Securities	-	-	-	-
Promissory Notes	4,044	-	1	4,045
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	28,659	248	(4,565)	24,342
Unrestricted	27,031	191	(4,568)	22,654
Shares	4,524	-	(4,184)	340
Investment Company Shares	3,582	-	157	3,739
ADRs	-	-	-	-
Stock Certificates BORHIS	118	0	(81)	37
Corporate Stock Certificates	5,660	30	(527)	5,163
Trust Stock Certificates	-	-	-	-
Private Eurobonds	13,146	161	67	13,373
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,628	57	3	1,688
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,628	57	3	1,688
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
Total	168,558	1,249	(5,144)	164,663

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1 Q18

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	90,527	964	-	91,491
Unrestricted	87,939	950	-	88,889
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,722	3	-	1,726
Municipalities Securities	2,116	16	-	2,132
UDI Securities	244	4	-	249
CETES	-	-	-	-
CETES (Special)	528	-	-	528
Government Eurobonds	-	-	-	-
Udibonds	83,329	926	-	84,255
Restricted	2,589	14	-	2,602
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,589	14	-	2,602
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
Banking Securities	1,213	692	-	1,905
Unrestricted	1,213	692	-	1,905
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	733	6	-	739
Deposit Certificates	300	559	-	859
Structured Notes	180	127	-	307
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	4,008	606	-	4,614
Unrestricted	1,452	597	-	2,050
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,452	597	-	2,050
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	2,555	9	-	2,564
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	2,555	9	-	2,564
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(29)	-	-	(29)
Total	95,718	2,263	-	97,981

REPURCHASE AGREEMENT OPERATIONS 1Q18
(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	98,778	98,184	595	1	278,800
Banking securities	7,087	7,087	0	0	28,169
Private Securities	500	500	0	-	4,860
Total	106,365	105,772	595	1	311,829

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q18**
(Million Pesos)

Creditor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	-
Fx Forward	29
Options	-
Rate options	659
Fx options	33
Warrants	10
Swaps	-
Rate swap	20,072
Fx swap	3,600
Negotiable Total	24,404
Options	
Rate Options	11
Fx options	-
Swaps	-
Rate swap	83
Fx swap	198
Hedging total	293
Position total	24,697

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q18
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	21
Options	
Rate options	546
Fx options	44
Swaps	
Rate swap	17,384
Fx swap	3,200
Negotiable Total	21,195
Swaps	
Rate swap	504
Fx swap	7,676
Hedging total	8,180
Position total	29,374

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q18 - Banorte
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	909	76
FX Forwards	Sales	Exchange Rate (USD/MXN)	888	79
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	0	0
FX Forwards	Sales	Exchange Rate (EUR/MXN)	0	0
FX Options	Purchases	Exchange Rate (Dollar)	2,204	13
FX Options	Sales	Exchange Rate (Dollar)	5,872	18
Interest Rate Options	Purchases	TIIE	69,467	139
Interest Rate Options	Sales	TIIE	69,550	570
Interest Rate Options	Purchases	LIBOR	6,524	26
Interest Rate Options	Sales	LIBOR	6,682	26
Interest Rate Swaps	USD LIBOR	LIBOR	399,685	3,849
Interest Rate Swaps	MXN TIIE	TIIE	1,827,725	4,580
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	0	0
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	55,185	80
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	18,120	41
Interest Rate and FX Swaps	CS EURMXN	FALSO	8,251	64
Interest Rate and FX Swaps	CS GBPMXN	FALSO	2,900	12

LOAN PORTFOLIO*(Million Pesos)*

	Local Currency		UDIS		Foreign Currency		Total	
	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18
Performing Loans								
Commercial Loans	182,473	190,060	0	-	38,183	44,787	220,656	234,847
Financial Intermediaries' Loans	5,237	5,575	0	-	0	1	5,237	5,576
Consumer Loans	92,394	108,477	0	-	0	-	92,394	108,477
Mortgage Loans	119,127	139,627	184	152	0	-	119,310	139,779
Government Entities' Loans	131,362	127,302	0	2,966	189	3,748	131,551	134,017
Total	530,592	571,041	184	3,119	38,372	48,536	569,147	622,695
Past Due Loans								
Commercial Loans	5,828	5,419	0	0	64	1,494	5,893	6,913
Financial Intermediaries' Loans	344	1	0	-	0	-	344	1
Consumer Loans	3,029	3,976	0	-	0	-	3,029	3,976
Mortgage Loans	1,005	1,300	14	15	0	0	1,019	1,315
Government Entities' Loans	-	-	-	-	-	-	-	-
Total	10,206	10,695	14	15	64	1,494	10,284	12,205
Total Proprietary Loans	540,798	581,736	197	3,134	38,436	50,030	579,432	634,900

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q18- GFNorte**
(Million Pesos)

	TOTAL	
	PERIOD COST	BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	1.6	0.0
Mortgage FOVI	-	-
	1.6	0.0

DEFERRED TAXES 1Q18*(Million Pesos)*

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	4,832	4,832
Non deductible provisions and cumulative income	946	946
Excess of accounting value over fiscal value on Repossessed Assets	1,129	1,129
Diminishable profit sharing	147	147
Fees received in advance	1,087	1,087
Effects from valuation of instruments	490	490
Tax losses pending amortization	1,064	1,064
Provisions for possible loss in loans	508	508
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	2	2
Total Assets	10,206	10,206
LIABILITIES		
Pension Funds Contribution	(834)	(834)
Loan Portfolio Acquisitions	(256)	(256)
Projects to be capitalized	(3,785)	(3,785)
Intangibles' amortizations	(1)	(1)
Effects from valuation of instruments	(2,051)	(2,051)
Intangibles' amortizations	(597)	(597)
Unrealized Loss on Securities held for Sale	(52)	(52)
Total Liabilities	(7,576)	(7,576)
Assets (Liabilities) Accumulated Net	2,629	2,629

LONG TERM DEBT AS OF MAR 28, 2018 - BANCO MERCANTIL DEL NORTE*(Million Pesos)*

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds Q Banorte 08U	UDIs	11-mar-08	447	1,749	2,691	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	2,193	10 years	9.25%	14-oct-20	E/ 180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,135	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	6,395	Perpetual	6.875%	NA	Quarterly
Perpetual 10-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 7 5/8 PERP)	USD	06-jul-17	550	10,568	10,049	Perpetual	7.625%	NA	Quarterly

BANK AND OTHER ENTITIES LOANS' AS OF 1Q18*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	83	83
Loans from Development Banks	8,408	6,820	15,228
Loans from Public Funds	9,819	790	10,609
Call Money & Loans from Banks	24,109	-	24,109
Loans from Fiduciary Funds	99	-	99
Provisions for Interest	326	-	326
	42,761	7,693	50,454
Eliminations			(19,917)
Total			30,538

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 1Q18**
CORE DEPOSITS (BANORTE)**Demand Deposits**

Local Currency and UDIs	0.76%
Foreign Currency	0.02%

Time Deposits - Retail

Local Currency and UDIs	5.66%
Foreign Currency	0.17%

Time Deposits - Money Market

Local Currency and UDIs	6.82%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	7.22%
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Public Funds and Development Banks

Local Currency and UDIs	13.70%
Foreign Currency	3.35%

MAIN CREDIT LINES RECEIVED 1Q18 (BANORTE)*Million pesos*

	1Q17	4Q17	1Q18	Change vs. 1Q17	Change vs. 1Q18
Banxico (Monetary Regulation Deposits)	33,449	33,441	33,449	0%	0%
Banxico (Repos with the System of Payments)	51,623	56,874	57,349	11%	1%
Call Money	111,923	90,478	119,301	7%	32%
TOTAL	196,995	180,794	210,099	7%	16%

TRADING INCOME 1Q18*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	140
Negotiable instruments	(59)
Derivative instruments - Negotiation	208
Derivative instruments - Hedging	(9)
Impairment loss or revaluation increase	0
Result from foreign exchange valuation	(121)
Result from valuation of precious metals	(2)
Result from purchase/sale of securities and derivatives	236
Negotiable instruments	223
Securities held for sale	(25)
Securities held to maturity	0
Derivative instruments - Hedging	39
Result from purchase/sale of foreign exchange	612
Result from purchase/sale of precious metals	1
Total	866

Risk Management

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

1. OBJECTIVES, SCOPE AND RISK MANAGEMENT FUNCTIONS

GFNorte's Risk Management main objectives are:

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

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

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

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

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

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

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

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

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

1.1 Risk Management – Structure and Corporate Governance

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

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

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

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

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

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

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

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

1.2 Scope and Nature of GFNorte's Risk Management

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

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

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

2. CREDIT RISK

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

The objectives of Credit Risk Management at GFNorte are:

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

GFNorte's Risk Management policies are:

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

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

2.1 Credit Risk Scope and Methodology

2.1.1 Individual Credit Risk

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

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

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

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

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

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

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

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

2.1.2 Portfolio Credit Risk

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

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

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

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

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

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

2.1.3 Credit Risk of Financial Instruments

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

Origination policies define the types of eligible negotiable financial instruments, as well as the methodology for assessing Credit Risk of the different types of originators / issuers and counterparties. Credit Risk is allocated through: a risk rating obtained with an internal methodology, evaluations of external rating agencies or a combination of both. Maximum parameters of operation are also defined depending on the type of originator / issuer or counterparty, 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 March 31, 2018 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

Gross Exposures subject to the Standard Method (Million pesos)	Banorte	Arrendadora y Factor*	Sólida	Total Loans
Commercial	161,973	23,531	434	185,937
YoY Revenues or Sales < 14 MM UDIS	61,429	807	409	62,644
YoY Revenues or Sales >= 14 MM UDIS	100,544	22,724	25	123,293
States or Municipalities	83,998	132	0	84,129
Decentralized Federal Government Agencies and State Companies	47,016	2,871	0	49,887
Projects with own source of payment	55,829	0	0	55,829
Financial Institutions	24,844	650	0	25,494
Mortgage	141,094	0	0	141,094
Consumer	109,233	6	3,214	112,453
Credit Card	36,059	0	0	36,059
Non-revolving	73,175	6	3,214	76,394
Total Loans subject to the Standard Method	623,988	27,189	3,647	654,824
Eliminations				(19,924)
Total Loans				634,900

*Excludes operating leases

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

2.2.1 Loan Portfolio

GFNorte's Credit Risk loan portfolio as of March 2018 presented an exposure of Ps 634,900 million, higher in Ps6,820million or +1.1% QoQ and Ps 55,469 million or +9.6% YoY.

Variations per product of GFNorte's total portfolio are:

Product / Segment (Million pesos)	Total Loan			Var. vs 4Q17		Var. vs 1Q17	
	1Q17	4Q17	1Q18	\$	%	\$	%
Government	131,551	134,905	134,017	(888)	(0.7%)	2,466	1.9%
Commercial	127,214	140,740	143,107	2,366	1.7%	15,892	12.5%
Mortgage	120,329	136,728	141,094	4,366	3.2%	20,765	17.3%
Corporate	104,914	105,700	104,230	(1,471)	(1.4%)	(685)	(0.7%)
Payroll	48,180	54,490	55,479	988	1.8%	7,299	15.1%
Credit Card	31,176	36,093	36,059	(35)	(0.1%)	4,883	15.7%
Auto Loans	16,067	19,423	20,915	1,492	7.7%	4,849	30.2%
Total Loans	579,432	628,080	634,900	6,820	1.1%	55,469	9.6%

Subsidiary (Million pesos)	Loans		Distressed Portfolio		Total	Total Reserves
	Performing	Past-due	Performing	Past-due		
Banorte*	590,560	5,401	1,590	6,513	604,064	15,927
Arrendadora y Factoraje	27,007	2	18	163	27,189	299
Sólida	3,522	101	0	25	3,647	252
Accounting Records						195
Total Loans	621,088	5,503	1,607	6,702	634,900	16,674

* Banorte's total loans include eliminations for (Ps 19,924)

Total reserves of Ps 16,674 million, include rating reserves of Ps 16.48 billion and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) of Ps 195 million.

GFNorte's performing, past-due and distressed portfolios in 1Q18 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		1Q18	Var. vs 4Q17		
Government	134,017	-	-	-	134,017	701	(1)	-	-
Services*	54,438	32	232	545	55,246	792	28	55	250
Commerce	44,257	93	344	1,506	46,200	1,139	74	114	357
Construction	37,749	39	214	2,529	40,531	1,422	20	39	1,337
Manufacturing	38,401	20	189	1,824	40,434	1,176	636	34	177
Top 5 Sectors	308,862	184	979	6,403	316,428	5,229	756	242	
Other Sectors	63,970	28	629	299	64,926	953	29	15	
Mortgage	139,779	1,315	-	-	141,094	958	26	371	
Consumer	108,477	3,976	-	-	112,453	9,339	(249)	3,019	
Accounting Records						195			
Total Group	621,088	5,503	1,607	6,702	634,900	16,674	562	3,648	

* Includes Financial, Real Estate and Other Services

**Days past due from Non-Performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Sólida	Total Loans
Government	131,014	3,003	0	134,017
Services**	51,085	4,161	0	55,246
Commerce	41,815	3,976	409	46,200
Construction	36,279	4,227	25	40,531
ConstructionManufacturing	31,393	9,040	0	40,434
Top 5 Sectors	291,587	24,407	434	316,428
Remaining	312,477	2,782	3,214	318,472
Total Loans	604,064	27,189	3,647	634,900

* Banorte's total loans include eliminations for (Ps 19,924)

** Includes Financial and Real Estate services

As of 1Q18, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

	Federal Entities (Million pesos)	Loans		Distressed		Total Loans	Total Reserves
		Performing	Past-Due	Performing	Past-Due		
1	Ciudad de México	175,371	1,363	932	3,115	180,781	5,230
2	Nuevo León	99,243	599	96	1,772	101,710	2,597
3	Estado de México	51,539	680	107	334	52,660	1,447
4	Jalisco	36,929	344	48	157	37,477	831
5	Tamaulipas	20,847	163	24	187	21,221	522
6	Sinaloa	17,191	138	23	97	17,449	352
7	Veracruz	15,897	245	52	169	16,363	500
8	Coahuila	15,935	119	29	75	16,158	328
9	Sonora	15,527	84	14	23	15,648	296
10	Chihuahua	15,305	128	10	68	15,511	343
	Top 10	463,785	3,863	1,335	5,996	474,978	12,446
	Other Federal Entities	157,303	1,640	273	706	159,922	4,033
	Accounting Records						195
	Total Loans	621,088	5,503	1,607	6,702	634,900	16,674

* Banorte's total loans include eliminations for (Ps 19,924)

As of 1Q18, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

Remaining Term (Million pesos)	Portfolio		Distressed		Total Loans	Total Reserves
	Performing	Past-Due	Performing	Past-Due		
0 - 1 years	87,327	2,307	420	4,986	95,040	7,463
1 - 5 years	109,980	550	523	1,383	112,436	2,384
5 - 10 years	92,234	135	647	144	93,160	974
> 10 years	301,019	2,408	0	0	303,427	5,107
Banorte*	590,560	5,401	1,590	6,513	604,064	15,927
Factoring	14,343	0	9	86	14,439	144
Leasing	12,664	2	8	77	12,751	155
Sólida	3,522	101	0	25	3,647	252
Accounting Records						195
Total Loans	621,088	5,503	1,607	6,702	634,900	16,674

* Banorte's total loans include eliminations for (Ps 19,924)

The total distressed portfolio is Ps 8,309 million. Below is the quarterly balance of loan loss provisions for this portfolio:

Loan Loss Reserves for Distressed Portfolio (Million pesos)	1Q18			
	Banorte	Arrendadora y Factor	Sólida	GFNorte
Initial Loan Loss Provisions	2,795	86	15	2,896
Charged to results	1,032	9	0	1,041
Loans' write offs	62	0	0	62
FX changes	(2)	0	0	(2)
Adjustments in Credit Risk	972	9	0	981
Received in lieu of payment	0	0	0	0
Write-offs, charge-offs and discounts	(247)	0	0	(247)
Final Loan Loss Reserves	3,580	94	15	3,689
Loan Recoveries	45	0	0	45

2.2.2 Exposure to Financial Instruments

As of March 31, 2018, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 240.54 billion, of which 99.3% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 9% of the Tier 1 Capital as of December 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 December 2017 has higher or similar rating to A(mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 5 years and 10 months totaling Ps 14.24 million at 4.3%; and debenture bond and stock certificates from Banco Interacciones for 3 months totaling Ps 7.76 billion at 7.9%, and certificates of deposit and stock certificates from Scotiabank for 2 years, totaling Ps 7.33 billion at 8.0%.

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 December 2017

Exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte was Ps 168.25 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 29% of the Capital as of December 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 December 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 for 1 year and 4 months totaling Ps 2.023 billion at 8.0%; market certificates of PEMEX for 1 year and 8 months totaling Ps 1.59 billion at 7.7%; market certificates and IOUs from Banobras, for 2 years and 3 months, totaling Ps 1.49 billion at 7.7%; market certificates of HSBC Mexico for 8 months for Ps 1.04 billion at 7.9%; ; bonds of Deutsche Bank for 5 years and 2 months totaling Ps 564 million at 10.6%; market certificates from Bancomext for 2 years and 3 months totaling Ps 405 million at 7.8%; market certificates of Banco Inbursa for 10 months for Ps 305 million at 7.9%; market certificates from Nafinsa for 2 years totaling \$201 million at 7.8%; market certificates of Banco Interacciones for 1 year and 6 months totaling Ps 186 million at 8.8%; bonds of CABEL for 11 months totaling Ps 174 million at 7.8%; and market certificates of Banco Monex for 4 months for Ps 144 million at 8.7%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 62 thousand, 100% of them are shares. In derivatives, its exposure is Ps 8 thousand with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 236 million. 100.0% of them are shares. Its exposure to derivatives was Ps 5 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)	1Q18	1Q18 Average
Forwards	3	(21)
FX Swaps	17	20
FX	2	1
Options	115	107
Swaps with Interest Rates IRS	3,823	3,870
Cross Currency Swap (CCIRS)	(7,035)	(8,269)
Total	(3,075)	(4,292)
Positive Fair Value (Positive Fair Value)	9,344	10,334
Netting Effect*	12,419	14,626
Delivered Guarantees(-) /Received(+)		
Cash	(2,300)	(2,625)

* 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	
	1Q18	1Q18 Average	1Q18	1Q18 Average
Financial Counterparties				
FWD			4	(16)
FX SWAP	343	383	17	20
FX			2	1
OPTIONS	827	962	535	652
INTEREST RATE SWAP	12,293	13,811	4,212	5,008
CCS	1,350	1,174	(6,996)	(8,228)
Total	4,218	4,314	(2,226)	(2,563)
Clients (Non-Financial)				
FWD	27	25	0	(5)
OPTIONS	41	35	(420)	(546)
INTEREST RATE SWAP	1,148	918	(390)	(1,138)
CCS	23	23	(39)	(40)
Total	1,229	997	(849)	(1,729)

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)	1Q18	1Q18 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)	1Q18	1Q18 Average
AAA/AA-	0	0
A+/A-	(1,322)	(1,475)
BBB+/BBB-	(898)	(1,065)
BB+/BB-	(476)	(818)
B+/B-	0	0
CCC/C	(1)	(2)
SC	(378)	(931)
Total	(3,075)	(4,292)

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)	1Q18			
	Banorte	Arrendadora y Factor**	Sólida	GFNorte*
Total Loan Portfolio	623,988	27,189	3,647	634,900
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	17,359	0	0	17,359
Real Non-Financial Guarantees	335,353	5,556	25	340,934
Pari Passu	21,005	0	0	21,005
First Losses	32,051	0	0	32,051
Personal Guarantees	17,430	6,397	0	23,826
Total Loan Portfolio Covered	423,197	11,953	25	435,175

*Total Loans includes eliminations for (Ps 19,924).

** Excludes pure leasing

2.4 Expected Loss

As of March 31, 2018, Banco Mercantil del Norte's total portfolio was Ps 623,988. The expected loss represents 2.2% and the unexpected loss is 4.1% with respect to the total portfolio. The average expected loss is 2.2% during the period January– March 2018.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 168,254 billion and the expected loss represents 0.01% of the exposure. The average expected loss is 0.03% between January–March 2017.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 30,709 billion. The expected loss represents 0.8% and the unexpected loss is 4.5% of the total portfolio. The average expected loss represents 0.8% during the January – March 2017 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 3.64 billion. The expected loss of the portfolio represents 11.6% and the unexpected loss 11.6%, both with respect to the total portfolio. The average expected loss for the period of January – March 2017 was 11.05%.

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 December 31, 2017		95,323
I. Financings whose individual amounts represent more than 10% of basic equity:		
<u>Loan Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Tier 1		0%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Tier 1		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Tier 1		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		43,332

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 December 31, 2017		5,145
I. Financings whose individual amounts represent more than 10% of equity(group level):		
<u>Loan Operations</u>		
Number of financings		4
Total amount of financings		5,748
% in relation to Equity		112%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		6,957

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 December 31, 2017		3,573
I. Financings whose individual amounts represent more than 10% of equity:		
<u>Loan Operations</u>		
Number of financings		1
Total amount of financings		409
% in relation to Equity		11%
<u>Money Market Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
<u>Overnight Operations</u>		
Number of financings		0
Total amount of financings		0
% in relation to Equity		0%
II. Maximum amount of financing with the 3 largest debtors and common risk groups:		632

1. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

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

GFNorte's Market Risk Policies are:

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

3.1 Market Risk Methodology

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

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

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

3.2 Market Risk Exposure

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

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

The average VaR of the portfolio for 1Q18 was Ps 35.3 million (Ps 1.8 million lower than the average VaR from last quarter).

The result shows that the Bank's potential loss will be above Ps 35.3 million in one out of a hundred days.

VaR Million Pesos	Average 1Q18
VaR Total	35.3
Net Capital	110,650
VaR/Net Capital	0.03%

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

Risk Factor Million Pesos	1Q18	Average 1Q18
Rates	32.4	36.2
FX	11.1	7.2
Equity	5.3	5.2
Diversification Effect	(15.7)	(13.4)
Bank's Total VaR	33.0	35.3

VaR for 1Q18 was Ps 33 million. The contribution to VaR for each risk factor is:

Risk Factor Million Pesos	1Q18	Average 1Q18
Rates	25.7	24.1
FX	3.7	0
Equity	4.0	11.0
Diversification Effect	0.1	2.1
Bank's Total VaR	33.5	37.1

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

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

Risk Factor	1Q18
Rates	66%
FX	23%
Equity	11%

3.2.1 Sensitivity Analysis and Stress Testing under extreme conditions

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

3.2.2 Backtesting

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

3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 1Q18 was Ps 10.9 million, +Ps 1.6 million lower vs. 4Q17.

The result shows that potential loss will be above Ps 10.9. million in one out of a hundred days.

VaR Million Pesos	Average 1Q18
Total VaR	10.9
Net Capital	2,512
VaR/Net Capital	0.43%

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

Risk Factor (Million Pesos)	1Q18	Average 1Q18
Rates	17.6	10.9
FX	0	0
Equity	0	0
Diversification effect	0	0
Casa de Bolsa Total VaR	17.6	10.9

VaR at the end of 1Q18 was Ps 17.6 million.

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

Concentration by Market Risk factor is in domestic interest rates

3.2.4 Sensitivity Analysis and Stress Testing under extreme conditions

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

3.2.5 Back testing

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

2. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

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

GFNorte's Liquidity Risk Policies are:

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

4.1 Liquidity Risk Methodology and Exposure

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

4.2 Profile and Funding Strategy

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

Funding Source (Million Pesos)	4Q17	1Q18	Change vs. 4Q17
Demand Deposits			
Local Currency ⁽¹⁾	345,650	339,175	(1.9%)
Foreign Currency ⁽¹⁾	51,142	51,850	1.4%
Demand Deposits	396,792	391,025	(1.5%)
Time Deposits – Retail			
Local Currency ⁽²⁾	174,297	179,903	3.2%
Foreign Currency	19,320	18,999	(1.7%)
Core Deposits	590,410	589,927	(0.1%)
Money Market			
Local Currency ⁽³⁾	55,394	59,340	7.2%
Banking Sector Deposits	645,804	649,267	0.5%

1. Includes balance of the Global Deposits without Movement.

2. Includes eliminations among subsidiaries

3. Money Market & Time Deposits

4.3 Liquidity Coverage Ratio (LCR)

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

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

The following table presents the average evolution of LCR components in 1Q18.

LCR Components <i>(Million Pesos)</i>		Bank and Sofomes	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	NA	112,910
CASH DISBURSEMENTS			
2	Unsecured retail financing	349,343	23,899
3	Stable financing	220,698	11,035
4	Less stable financing	128,644	12,864
5	Unsecured wholesale financing	224,550	85,366
6	Operational Deposits	136,174	29,639
7	Non-Operational Deposits	83,166	50,517
8	Unsecured debt	5,210	5,210
9	Secured wholesale financing	258,564	17,992
10	Additional Requirements:	240,866	16,039
11	Disbursements related to derivatives and other guarantee requirements	49,222	5,368
12	Disbursements related to losses from debt financing	0	0
13	Lines of credit and liquidity	191,644	10,671
14	Other contractual financing obligations	0	0
15	Other contingent financing liabilities	0	0
16	TOTAL CASH DISBURSEMENTS	NA	143,296
CASH INFLOWS			
17	Cash Inflows for secured operations	18,468	617
18	Cash Inflows for unsecured operations	58,295	44,904
19	Other Cash Inflows	2,428	2,428
20	TOTAL CASH INFLOWS	NA	47,950
		Adjusted amount	
21	TOTAL COMPUTABLE LIQUID ASSETS	NA	112,910
22	TOTAL NET CASH DISBURSEMENTS	NA	95,346
23	LIQUID COVERAGE RATIO	NA	118.42%

During 1Q18, the average LCR for the Bank and Sofomes was 118.42%, and at the end of 1Q18 the LCR was 104.30% 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 4Q17 and 1Q18 is presented in the following table:

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

LCR Component (Million Pesos)	4Q17	1Q18	Var. vs. 4Q17
Liquid Assets	121,972	112,632	(7.7%)
Cash Inflows	30,476	31,273	9.3%
Cash Outflows	143,171	139,264	(2.0%)

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 4Q17 and 1Q18 are distributed as follows:

Type of Asset (Million Pesos)	4Q17	1Q18	Var. vs. 4Q17
Total	121,972	112,632	(7.7%)
Level I	112,445	103,820	(7.7%)
Level II	9,527	8,812	(7.5%)
Level II A	7,762	7,166	(7.7%)
Level II B	1,765	1,646	(6.7%)

Liquid assets decreased in the quarter closing comparison in 4Q17 and 1Q18, due to the revaluation, of liquid assets in foreign currency and by the decrease in the exchange rate observed during the quarter

4.5 LCR Result's Main Causes

Variations in the LCR between 4Q17 and 1Q18 are mainly due to the decrease in the position of liquid assets in foreign currency, derived from the appreciation of the peso against the dollar. Additionally, there is a decrease in cash outflows due to guaranteed financing and an increase in current loan portfolio flows.

4.6 Liquidity Risk in foreign currency

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

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

4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 1Q18, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	4Q17	1Q18	Var. vs. 4Q17
Net cash outflows at market value and for potential future exposure	4,351	4,379	0.7%
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 4.379 billion, stable vs 4Q17 .

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 1Q18 are presented in the following table.

Concept (Million Pesos)	4Q17	1Q18	Var. vs. 4Q17
Cumulative 30 day Gap	(75,073)	(62,067)	9.0%
Liquid Assets	78,540	86,897	49.6%

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets. In addition, a more granular breakdown of the liquidity gaps is presented, remaining as follows for 1Q18:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(19,653)	(12,565)	(29,850)	(3,723)	(5,080)	(5,727)
Accumulated Gap	(19,653)	(32,217)	(62,067)	(65,790)	(70,870)	(76,597)

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

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 1Q18 amounted to Ps 150.13 billion and in average during 1Q18 to Ps 148,6 billion.

(Million Pesos)	4Q17	1Q18	Var. vs. 4Q17
Margin Sensitivity	901	944	31.6%

4.12 Subsidiaries

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

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofomes at the end of 1Q18.

Liquidity Ratio (Million Pesos)	Casa de Bolsa Banorte Ixe	Arrendadora y Factor	Sólida
Cumulative 30 days Gap	1,483	(1,586)	(3,992)
Liquid assets	1,976	12	74

5. OPERATIONAL RISK

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

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

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

5.1 Policies, Objectives and Guidelines

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

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

The Regulatory Comptrollership, as part of the Internal Control System, carries out the following activities to mitigate risk: a) Internal control validations; b) Institutional regulations management and control; c) Monitoring of operating processes'

internal control by means of control indicators reports, that are reported by the process comptrollers in the various areas; d) Money Laundering Prevention process management; e) Control and monitoring of the regulatory provisions; and f) Analysis and assessment of the operating processes and projects with the participation of the responsible Directors of each process in order to ensure adequate internal control.

5.2 Quantitative and Qualitative Measuring Tools

5.2.1 Operational Losses Database

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

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

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

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

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

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

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

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

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

5.2.2 Legal and Fiscal Contingencies Database

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

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

5.3 Risk Management Model

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

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

5.4. Required Capital Calculation

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

5.5. Information and Reporting

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

5.6 Technological Risk

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

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

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

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

5.7 Legal risk

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

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

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

6. SECURITIZATIONS EXECUTED BY GFNORTE

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

GFNorte has accomplished the following securitizations:

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

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

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

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

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

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

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

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

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

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

On the other hand, the Institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By March 31, 2018 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same Institution:

Securitization (Million pesos)	Banorte		Insurance		Total GFNorte	
	Securities	Amount	Securities	Amount	Securities	Amount
91_BNTECB_07	50,763,776	1,986	500,000	20	51,263,776	2,006
91_BNTECB_07-2	563,059	19	-	-	563,059	19
97_FCASACB_06U	-	-	-	-	-	-

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

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

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

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

As of March 31, 2018 the amounts of the underlying assets of each securitization were:

Securitization (Million pesos)	Amount		
	Performing	Past-Due	Total
91_BNTECB_07	\$2,744	\$0	\$2,744
91_BNTECB_07-2			
97_FCASACB_06U	\$115	\$138	\$253

There are no impaired assets in trust 477.

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

Concept (Million Pesos)	Balance	Capital Requirement
Securitized with Risk Level 1 (weighted 20%)	1,986	32
Securitized with Risk Level 2 (weighted 50%)	19	1
Securitized with Risk Level 3 (weighted 100%)	0	0
Securitized with Risk Level 4 (weighted 350%)	0	0
Securitized with Risk Level 4, 5, 6 or not rated (weighted 1250%)	0	0

*Excludes the position in Seguros Banorte

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

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

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

6.1 Applied Accounting Policies

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

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

The BORHIS and GEM Trusts issued certificates in favor of the institution, as holders of rights in last place under the trust agreement. These certificates provide the right to receive a percentage of the distributions and in general to the corresponding proportions of the remnant that may be in the trust after full payment of the bonds. Valuation of the

certificates is based on the method of net present value of remaining cash flows expected over the lifespan of the securitization. Remaining cash flows, depending on the type of securitization, are determined as follows:

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

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

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

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

7. POSITION IN SHARES:

At the end of March 2018, Banco Mercantil del Norte held shares amounting to Ps 4.238 billion, with gains of Ps 270 million.

During the first quarter, accumulated losses from sales and settlements were Ps 2 million.

For negotiable securities, the capital requirement for Market Risk was Ps 150 million. For securities available for sale, the capital requirement for Market Risk was Ps 32 million and for Credit Risk Ps 0.47 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 1Q18	Gains / Losses 1Q18	Acumm.. Profit / Loss 4Q17-1Q18
Banorte	Public	Negotiable Securities	Subject to Market Risk Requirement	497	125	(2)
Banorte	Public	Available for Sale Securities	Subject to Market and Credit Risks Requirements	2	(13)	0
Banorte	w/o Public trading	Available for Sale Securities	Subject to Market and Credit Risks Requirements	3,739	157	4
Total				4,238	270	2

In March 2018 it has a position of 657 million pesos in Casa de Bolsa Banorte. During the quarter, there were losses for 1 million pesos from sales and settlements.

For securities available for sale, the capital requirement for Market risk was Ps 3 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q17	Gains / Losses 4Q17	Acumm. Profit / Loss 3Q17-4Q17
Casa de Bolsa Banorte-lxe	Public	Negotiable Securities	Subject to Market Risk Requirement	165	(4)	(1)
Casa de Bolsa Banorte-lxe	Public	Securities Available for Sale	Subject to Market Risk Requirement	493	259	0
Total				657	254	(1)

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:

- 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.
- 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.
- 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 first quarter of 2018, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. 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 highlighting the issuance of the Anti-Corruption Policy, which compiles in a single document the various internal regulations that GFNorte observes in this regard.
- 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 Code of Conduct was updated, with prior authorization from the Board of Directors at the request of the CAPS committee, incorporating the particular prohibition of engaging in trading strategies or price quotations with the intention of preventing the proper operation of the exchange and securities market or of compromising their integrity.
- F. 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.
- G. Effectiveness tests related to the Business Continuity Plan were executed.
- H. The requests from different internal areas regarding internal control were met, both in support of the development of new institutional projects, as well as those that derive from changes to the Regulation.

FINANCIAL SITUATION AND LIQUIDITY

Internal and External Liquidity Sources

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

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

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

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

Dividend Policy

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

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

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

Related Parties Loans

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

In the case of GFNorte as of December 2017 and March 31, 2018, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Mar-2018	% Basic Equity	Dec -2017	% Basic Equity
Banorte	Ps 21.90	23.0%	Ps 19.41	19.8%

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

Banorte

As of March 31, 2018, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 21.90 billion (including Ps 4.99 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 3.5% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 18.39 billion were loans granted to clients linked to members of the Board of Directors; Ps 2.42 billion were granted to clients linked to shareholders and Ps 1.08 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 March 2018 was 23.0% of the basic part of the equity.

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

Banorte

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

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

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

Loan or tax liabilities

The tax credits listed below are currently in litigation:

	As of March 31, 2018
BANORTE	\$-
IMSS fees	-
INFONAVIT fees	-
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$6
Philippines 2007 - 2008	6
CASA DE BOLSA	\$-
–Financial year 2007 (document 900 06 05-2010-03968)	-
IXE BANCO	\$-
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	-
Million pesos	

People in Charge

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

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

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

Sector Bancario (Banorte). Issues the financial statements in consolidated form with its Subsidiaries in accordance with the General Provisions Applicable to the financial information of the Credit Institutions (the Provisions) published in the Official Gazette of the Federation on December 2, 2005, modified by means of published Resolutions in the aforementioned Official Gazette on March 3 and 28, September 15, December 6 and 8, 2006, January 12, March 23, April 26, November 5, 2007, March 10, August 22, September 19, October 14, December 4, 2008, April 27, May 28, June 11, August 12, October 16, November 9, December 1 and 24, 2009, January 27, February 10, April 9 and 15, May 17, June 28, July 29, August 19, September 9 and 28, October 25, November 26 and December 20, 2010, June 24 and 27 January, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, and December 28, 2011, June 19, July 5, October 23, November 28 and December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2 and December 24, 2013, January 7 and 31, March 26, May 12 and 19, July 3 and 31, September 24, October 30, December 8 and 31, 2014, January 9, 5 February, April 30, May 27 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, April 7 and 28 and December 22, 2015 June 2016, July 7 and 29, August 1, September 19, September 28, 2016, and December 27, 2016, January 6, April 4 and 27, May 31, June 26, 4 and 24 July, August 29, October 6 and 25, December 18, 26 and 27, 2017, January 22 and March 14, 2018, respectively.

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

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