

GFNorte reports Net Income of Ps 11.21 billion in 1H17, up +23% from same period last year

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

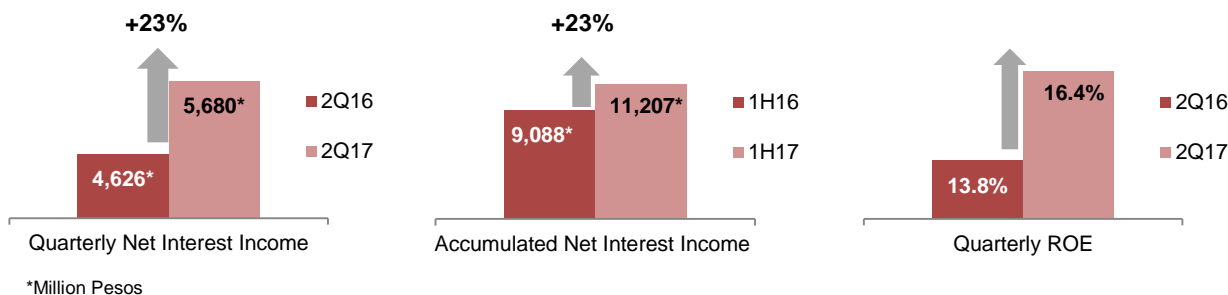
Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ended June 30th, 2017. The main highlights include:

- The **second quarter of 2017 with Net Income of Ps 5.68 billion** shows a **sequential growth of +3%**. Key indicators continue to achieve improved quarterly performance: **loan growth +4%**; **NPL ratio stable at 1.8%**; **ROE increased to 16.4%** from 15.7%; **ROA to 1.81%** from 1.76% and **Efficiency Ratio improved to 41.9%** from 44.5%.
- In the **first half of the year, GFNorte's Net Income stood at Ps 11.21 billion**, composed of robust YoY growth across subsidiaries: **Bank +36%**, **Brokerage +26%**, **Pensions Fund +8%**, **Insurance +7 %** and **Annuities +34%**.
- Key ratios and YoY changes are worth noting in 1H17: **MIN increases to 5.4%** from 4.8%, **NPL ratio to 1.8%** from 2.3%, **Coverage Ratio to 149%** from 119%, **Efficiency Ratio improved** by 2.1pp to **43.2%**, **ROE increased +264bp to 16.1%** from 13.5% and **ROA increased +26bp to 1.78%**
- Net Interest Income (NII) in 1H17 increased **+20%** while **provisions increased +9%** versus the same period in 2016.
- **Net Fees** increased **+15%** YoY, driven by a higher number of transactions and electronic banking services. **Trading Income** grew annually **+41%**. In summary, we obtained a **record high in Operating Income** of Ps 15.04 billion pesos in 1H17, **+31% higher than the same period of the previous year**.
- **Performing Loans** increased **+13% YoY**, due to a strong quarter in each of its components: **consumer portfolio** grew **+20%** vs. 1Q16; **commercial portfolio +15%** YoY; **corporate +17%**; **government rose +2%** in the quarter but decreased **(1%) annually**. On the other hand, Non-Performing Loans grew +5% in the quarter; however, decreased (14%) YoY.
- **Total Deposits** increased **+11%** in the year: **Demand Deposits +9%** and **Time Deposits +15%**.
- **Capital ratios remain solid, at 15.1%** while leverage ratio maintained at 7.48%.

Mexico City, July 20th, 2017. Grupo Financiero Banorte (GFNorte) reported **Net Income of Ps 5.68 billion in 2Q17**, +23% YoY, as a result of an adequate long-term strategy and sound diversification in the banking business.

In the first half of 2017 Profits amounted to Ps 11.21 billion, also increasing +23.3% compared to 1H16; thus, Banorte reports seven consecutive quarters with double digit growth

“These results demonstrate we are not only fulfilling, but also exceeding the objective of becoming the best financial group in Mexico for our clients, investors and colleagues” highlighted Marcos Ramírez Miguel CEO of GFNorte.



Quarterly profitability ratios reflect the implementation of strategic improvements: **NIM to 5.4%**, from 4.6%; **ROE to 16.4%**, from 13.8% and **ROA to 1.8%**, from 1.5%; all of them on a YoY comparison.

GFNorte Key Numbers	2Q16*	2Q17*	Change	1H16*	1H17*	Change
Net Income	4,626	5,680	23%	9,088	11,207	23%
Net Interest Income	12,404	15,289	23%	25,763	30,844	20%
Net Operating Income	5,900	7,494	27%	11,495	15,042	31%
Performing Portfolio	525,778	593,916	13%			
Efficiency	43.8%	41.9%		45.3%	43.2%	
ROE	13.8%	16.4%		13.5%	16.1%	
ROA	1.5%	1.8%		1.5%	1.8%	

*Million Pesos

Subsidiaries achieved strong annual earnings growth in 2Q17: **Banorte Bank +25%**, **Insurance +23%**, **Pension Fund +28%** and **Leasing and Factoring +17%**.

Diversified and sound **Performing Portfolio increased +13% to Ps 593.92 billion**, driven by origination dynamics and focused strategy. **Loan Loss Provisions up +15%** vs. the same period in 2016, in line with credit growth.

In 2Q17 the **Corporate book** grew +17% YoY, totaling **Ps 107.11 billion**; the **Commercial portfolio** came +15% higher YoY, ending at **Ps 129.78 billion** and the **Consumer book** amounted to **Ps 222.60 billion**, up +20% YoY.

Within **Consumer book**, outstanding YoY growth was presented in all segments: **Car loans** totaling **Ps 16.81 billion** in 1Q17, +25% higher, while **Payroll portfolio** reached a balance of **Ps 50.11 billion**, +20% higher vs. 2Q16. Furthermore, **Mortgage loans** rose +19% amounting **Ps 124.13 billion** and **Credit Card book** increased +25%, totaling **Ps 31.56 billion** in 2Q17.

During the quarter asset quality and reserve coverage ratios improved, **NPL Ratio** decreased YoY to **1.8%** in 2Q17 from 2.3%, while **Coverage Ratio** stood at **149%** in 2Q17 from 119% a year ago.

Core deposits grew +11% vs. 2Q16, to **Ps 550.91 billion** from Ps 495.40 billion a year ago. **Demand** deposits rose +9% and **Time** deposits increased +15%.

Capital ratios remained solid, at **15.1%** driven by an adequate equity management and sound growth in risk assets.

Recent Events

1. ISSUANCE OF TIER 1 CAPITAL NOTES FOR USD 900 MILLION AND PREPAYMENT OF SUBORDINATED OBLIGATIONS Q BANORTE 12

On July 6, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (“Banorte”) successfully issued **Subordinated NonPreferred Non-Cumulative Tier 1 Capital Notes** for USD 900 million in the international markets.

Tier 1 Capital Notes were issued in two series:

- **BANORT 6 7/8 PERP** for US 350 million, callable at the fifth year, carrying a coupon rate of 6.875%.
- **BANORT 7 5/8 PERP** for US 550 million, callable at the tenth year, carrying a coupon rate of 7.625%.

Both series were rated by Moody’s and S&P Ba2 and BB, respectively. The Capital Notes are Basel III-compliant.

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

In line with the above, on June 30, 2017 Banorte prepaid subordinated preferred & nonconvertible obligations Q Banorte 12 amounting to Ps 3.2 billion, issued on June 8, 2012 and due on May 27, 2022.

2. CREDIT RATINGS

Fitch assigns ‘Excellent (mex)’ fund quality rating to Operadora de Fondos Banorte Ixe as asset manager

On May 16, Fitch Ratings assigned ‘Excellent (mex)’ fund quality rating to Operadora de Fondos Banorte Ixe, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Banorte (“OBI”) as asset manager. The factors to assign the highest rating are:

- superior investment process and operational framework compared to the standards applied by institutional investors in Mexico,
- broad expertise of Operadora’s management team,
- adequate Corporate Governance fostering interest alignment with investors, and
- OBI’s relevance as subsidiary of GFNorte.

3. SHAREHOLDERS’ MEETINGS

GFNorte’s Annual General Shareholders’ Meeting was held on April 28th with a 80.06% representation of the total subscribed, paid and voting shares of the Company’s capital. The resolutions adopted by the Assembly were:

1. Approval of the reports referred in section IV, Article 28 of the Securities Market Law and section IV, Article 39 of the Law Regulating Financial Groups, corresponding to the year ended December 31st, 2016.
2. Distribution of the 2016 net income amounting to Ps 19.29 billion, applied into the account “Retained Earnings from prior Years”, as it was not necessary to allocate resources into the account “Legal Reserve” since it was fully constituted.
3. Approval that the Board of Directors be integrated by 15 Members and if the case, by their respective Substitutes, appointing the following people and their duties for the year 2017, qualifying the corresponding members’ independence since they do not fall within the restrictions outlined in the Securities Market Law and the Law Regulating Financial Groups:

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

- Héctor Ávila Flores was designated as Secretary of the Board of Directors; nevertheless, he is not a board member.
- Designation of Héctor Reyes-Retana y Dahl as Chairman of the Audit and Corporate Practices Committee.
- Approval to allocate the amount of Ps. 4.26 billion, equivalent to 1.5% of the Financial Groups' market capitalization value as of December 2016, charged against equity, to purchase Company's shares during 2017, and will consider those transactions to be carried out in 2017 and until April 2018, subject to the Treasury's Policy for Transactions with Shares.
- Approval to certify GFNorte's By-Laws in order to comply with Section V, Article 34 of the General Provisions Applicable to Issuers and Other Market Participants requiring certification of the Company's By-Laws every three years. These By-laws include amendments approved by different Shareholders' Assemblies, being the last, those deriving from the Meeting held on August 19th, 2016.

Moreover, GFNorte held an Ordinary General Shareholders' Meeting on June 20th with a 77.68% representation of the total subscribed, paid and voting shares of the Company's capital. The resolutions adopted by the Assembly were:

- Approval to distribute a cash dividend of Ps 7.72 billion or Ps 2.784391033549680 per share, against delivery of coupon 7. This disbursement was approved by the Board of Directors on April 27th and represents 40% of the net profits of 2016, which derived from the Fiscal Net Income as of December 31st, 2013.
- Approval to distribute a cash dividend of Ps 3.50 billion or Ps 1.261838950230780 per share, against delivery of coupon 8. This disbursement corresponds to the extraordinary dividend approved by the Board of Directors on April 27th as result of the sale of Inter National Bank and derived from the Fiscal Net Income as of December 31st, 2013.

Both payments were delivered on June 29, 2017.

4. INTERBRAND – BEST MEXICAN BRANDS 2017

In April, Interbrand, global brand advisor, published the Best Mexican Brands 2017 report of the 25 most valuable brands in the country. Banorte ranked as the most valuable in the financial sector, occupying the sixth position with a value of Ps 25.94 billion.

5. PRINCIPLES FOR RESPONSIBLE INVESTMENT

In April, GFNorte became signatory of the Principles for Responsible Investment (“PRI”), independent initiative supported by the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

As signatory, the Financial Group commits to consider the impact on climate change, biodiversity and social welfare of that the financed projects.

The PRI imply the adoption of six principles on:

- incorporation of ESG issues into investment analysis and decision-making processes,
- incorporation of ESG issues into ownership policies and practices,
- appropriate disclosure on ESG issues by the entities in which we invest,
- promotion to accept and implement the principles within the investment industry,
- enhancement of effectiveness in implementing the principles, and
- report activities and progress towards implementing the principles.