

## **GFNorte reports Net Income of Ps 23.91 billion in 2017, +24% higher than 2016.**

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

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ending December 31, 2017 highlighting:

- **4Q17 Net Income of Ps 6.48 billion, showing strong sequential growth of +4.2%.** Net Interest Income grows +4.8% vs. 3Q17, while Trading Fees grow +8.4%. **Provisions for Credit Risks grow only +0.9%**, and Earnings Before Taxes are up +5.4% in the period.
- Key indicators in the quarter continue showing solid performance: **NIM** grows from 5.5% to **5.6%**; profitability keeps improving with **Return on Equity (ROE)** of **18.1%** and **Return on Assets (ROA)** of **1.96%**; **Efficiency Ratio** at **41.1%**, while **Non-Performing Loans** show a slight deterioration to **2.0%**.
- **Accumulated 2017 results show Group's Net Income of Ps 23.91 billion**, supported by solid annual growth in subsidiaries' Net Income: **Banorte Bank +30%**; **Leasing +11%**, **Warehousing +48%**, **Brokerage +16%**, **Mutual Funds 19%**, **Annuities +57%**, and **Insurance +6%**, despite a rough year due to natural disasters.
- **Key indicators for 2017** had a very strong pick up versus last year: **NIM** grows from 4.9% to **5.5%**, **Efficiency Ratio** improves +300bps to **41.9%**, **ROE** grows +284bps to **17.0%** and **ROA** of **1.86%** was up +26bps. With a slight deterioration, **Non-Performing Loans (NPL)** increased to **2.0%** versus 1.8%, while the **Coverage Ratio** dropped to **129%** from 139%.
- Net Interest Income (**NI**) grows **+19%** in the year, and **Service Fees +13%**, while **Loan Loss Provisions** increase **+14%** and **Expenses +9%** vs. 2016, resulting in **Net Operating Profit** before taxes growing **+28%**.
- **Performing Loans** grew **2%** QoQ and **+9%** YoY: **commercial loans +10%** in the year; **corporate loans** contracting (**1%**); **government** was flat; however, **consumer loans** were up **+19%** (**mortgage +18%**, **auto +28%**, **credit cards +19%**, **payroll +17%**). **Non Performing Loans** grew **+21%** in the year, in line with the strong growth in consumer lending.
- **Total customer deposits** up **+13%** in the year: **demand deposits +3%** and **time deposits and money market +31%**.
- The bank's **Capital ratio** stood at a strong **17.2%** while **leverage ratio** stood at **8.4%**.

**Mexico City, January 25<sup>th</sup>, 2018.** Grupo Financiero Banorte (GFNorte) reported fourth quarter 2017 results, highlighting solid increases in loan book, total deposits and profitability.

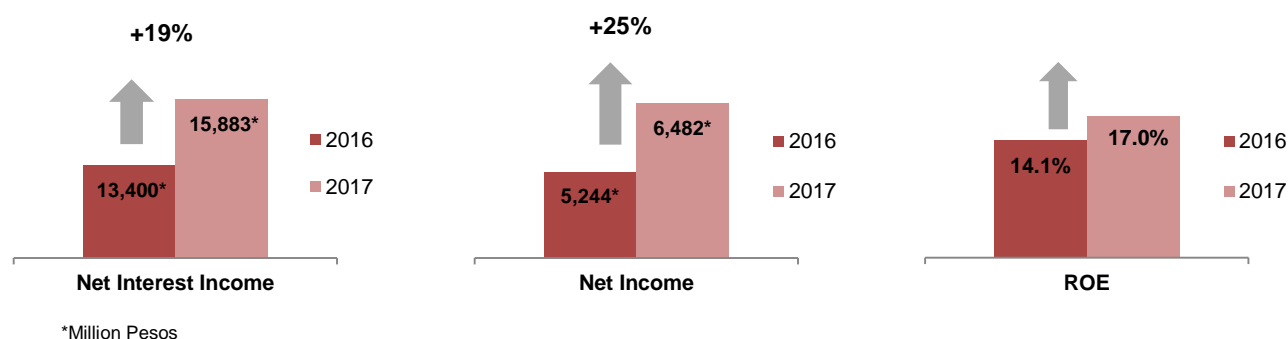
**Performing Loans** grew **+9% YoY**, totaling **Ps 615.52 billion**, mainly due to the outstanding performance of Mexican household financing in 2017.

**Consumer loans** had a **+19%** increase vs. 2016, totaling **Ps 240.90 billion**. By segment, auto loans had an outstanding increase of **+28% YoY**, totaling Ps 19.19 billion, credit card **+19%** with an ending balance of **Ps 33.90 billion**. Mortgages grew **+18% YoY**, twofold vs. the banking system, to **Ps 135.33 billion**, and payroll loans rose to **Ps 52.47 billion, +17% vs. 2016**.

Commercial loans reported a **Ps 137.50 billion** balance, corporate **Ps 102.22 billion**, and government loans ended at **Ps 134.90 billion**.

Total core deposits increased **+7%** in 2017, from Ps 551.41 billion to **Ps 590.27 billion**. Demand deposits grew **+3%**, while Time deposits grew **15% YoY**.

GFNorte's profitability had a considerable growth reporting Net Income of **Ps 6.48 billion in 4Q17**, up **+24%** vs. 4Q16, and also **+24% YoY** totaling **Ps 23.91 billion**.



**Net Interest Income** rose **+20%** on a yearly basis to reach **Ps 16.64 billion in 4Q17**. Profitability ratios also demonstrate the success of the strategy in the YoY comparison: **NIM at 5.6%** from 5.5%, **ROE at 18.1%** from 15.1% and **ROA to 2.0%** from 1.7%.

GFNorte Key Numbers	4Q16*	4Q17*	Change	2016*	2017*	Change
<b>Net Income</b>	5,244	<b>6,482</b>	24%	19,308	<b>23,908</b>	24%
<b>Net Interest Income</b>	13,894	<b>16,640</b>	20%	53,057	<b>63,366</b>	19%
<b>Net Operating Income</b>	6,917	<b>8,674</b>	25%	24,965	<b>31,943</b>	28%
<b>Performing Portfolio</b>				566,713	<b>615,525</b>	9%
<b>Efficiency</b>	44.6%	<b>41.1%</b>		44.9%	<b>41.9%</b>	
<b>ROE</b>	15.1%	<b>18.1%</b>		14.1%	<b>17.0%</b>	
<b>ROA</b>	1.7%	<b>2.0%</b>		1.60%	<b>1.86%</b>	

\*Million Pesos

Subsidiaries achieved strong annual earnings growth in 4Q17: **Bank +30%, Annuities +57%, Broker Dealer +16%, Fund Manager +19%** and **Leasing and Factoring +11%**.

**Banorte's Capitalization ratio** remained solid, at **17.23%** driven by an adequate equity management and sound growth in risk assets.

## Recent Events

### 1. MERGER OF GFNORTE AND GFINTERACCIONES

On October 25 2017, Grupo Financiero Banorte, S.A.B. de C.V. ("GFNorte") signed a binding merger agreement ("Merger Agreement") by which GFInter will merge with GFNorte.

The merger and the effects of the Merger Agreement are subject to (i) the approval of the Ordinary and Extraordinary General Shareholders' meetings of GFNorte and GFInter, (ii) the approval from financial and antitrust authorities; and (iii) the successful completion of the due diligence process.

Regarding point (i) above, on December 5, 2017, GFNorte held its General and Extraordinary Shareholders' Meetings which granted approval for:

- i) The relevant asset acquisition, compliant with paragraph i), Section I, Article Nineteen of the Corporate Bylaws of the Company, consistent with the acquisition via a merger of GFNorte, acting as merging entity, with GFInter, as merged entity, with the favorable vote of 71.57% of the total shares represented at the Ordinary General Shareholders' Meeting, with a total quorum of 81.26% of the shares of GFNorte's Capital.
- ii) The merger of GFNorte, acting as merging entity, with GFInteracciones, acting as merged entity, with the favorable vote of 71.61% of total shares represented at the Extraordinary General Shareholders' Meeting, with a quorum of 81.26% of the shares of GFNorte's Capital.

The merger is still subject, among other conditions, to obtaining the applicable regulatory authorizations and to the completion of the comprehensive due diligence. Furthermore, the financial subsidiaries of GFInter will merge with their corresponding financial subsidiaries of GFNorte.

It is worth mentioning that GFInter shareholders will receive a combination of a cash payment of \$13,700 million pesos, and 109,727,031 shares of GFNorte. Such shares represent approximately 4.0% of the current shares outstanding.

### 2. GFNORTE IS AWARDED BY WORLD FINANCE IN THE BANKING GUIDE 2017

On October 9, WorldFinance published the Banking Guide 2017 document, in which GFNorte was recognized as the Best Banking Group in Mexico. This publication rewards financial institutions who stand out globally, particularly those who have gone a step ahead in consumer tendencies and who have innovated through the use of technologies which provide an added value for their customers.

### 3. GFNORTE JOINS THE DOW JONES SUSTAINABILITY MILA PACIFIC ALLIANCE INDEX

On October 2017 GFNorte joined the Dow Jones Sustainability MILA Pacific Alliance Index, a newly launched regional index that measures performance among leading sustainability companies in Mexico, Chile, Colombia and Peru.

Furthermore, GFNorte ranked 2<sup>nd</sup> among the 41 members of the index, on which only 12 Mexican companies participate.

### 4. BANORTE WAS RECOGNIZED AS LEADER IN SUSTAINABILITY IN MEXICO BY ALAS20

The Sustainable Leaders Agenda 2017 (ALAS20), an initiative that promotes and recognizes companies' best practices in environmental, social and corporate governance matters, recognized GFNorte as the leading organization in sustainability in Mexico during 2017.

With just one prize for each participating country, the ALAS 2017 award is the most important one among the ALAS20 categories, and recognizes leadership, persistence and excellence in public awareness regarding investor relations best practices, as well as environmental, social and corporate. Carlos Hank Gonzalez, Chairman of the Board of GFNorte, was recognized as Trustee of a Leading Institution in Responsible Investments.

The nominees were analyzed and qualified by Vigeo-Eiris, a specialized sustainability risk rating agency. All qualifications were received by a jury in Mexico, formed by specialists in sustainability, social responsibility, finance and communication, which gathered at the Commission of Studies of the Private Sector for Sustainable Growth (CESPEDES) in October.

**Banorte ranked in first place in the category of Leading Organization in Sustainability, due to the breadth and depth of publicly available information regarding the company's environmental, social and economic practices. Banorte ranked second as a Leading Corporation in Corporate Governance, for informing with excellence to all interested parties of all decisions in favor of sustainable development.**