



2016 ANNUAL REPORT

ENVISIONING THE **FUTURE**

GROWING WITH **MEXICO**

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BANORTE AT A GLANCE

We are already the 2nd top financial group by net result in Mexico
and the first controlled by Mexican investors.



Sources: Official Report of the CNBV and CONSAR

CARLOS HANK GONZALEZ
Chairman of the Board
Grupo Financiero Banorte



"Our goal is to become the best financial group in Mexico for Mexicans."

SRS 102-10, 102-14, 102-15, 203-2

DEAR SHAREHOLDERS, BOARD MEMBERS AND EMPLOYEES:

It is my great pleasure to announce that **2016 was a record year for Banorte** and that we are now ranked as the second best financial group in Mexico by net results.

In a year of uncertainty and important challenges in the global environment, our liquidity and capitalization rates, our profits, portfolios, deposits and share prices all achieved record levels.

Our net income reached Ps 19.308 billion in the year, 13% higher than for 2015: the loan portfolio with Ps 588.457 billion was 14% higher compared to 2015; we had a 17% increase in commercial, corporate and consumer portfolios, and a share price that reached a historic high.

We have kept our word to shareholders by generating greater value – thanking them for their trust is us - closing the year with a **ROE of 13.9%**, exceeding the 13.3% of 2015.

These results reflect our approach to strengthening recurring and diversified income, as well as maintaining adequate asset quality and prudent control of spending.

We improved in each indicator, in every business area, and in every region of the country, and we did it as a team: board members, directors and employees, as the large family that we are.

This was made possible thanks to our medium-term growth plan: our "20/20 Vision" strategy, which gave Banorte a new course with the clear aim of becoming the best financial group in Mexico and for Mexicans.

Thanks to the timely implementation of our plan, we earned one of the most important awards for any banking institution: "Best Bank of Mexico" awarded by the prestigious British publication *The Banker*, of *The Financial Times Group*; we also received the same recognition from *Latin Finance* magazine.

Our net income reached Ps 19.308 billion in the year.

In terms of credit ratings, Standard & Poor's, Fitch Ratings, Moody's and HR Ratings have recognized the strength, effectiveness, internal capacity to generate capital and diversification of the group's business, through their published ratings of GFNorte and its subsidiaries during the year.



In corporate governance, we continue to spearhead the adoption of corporate best practices on an international level, as well as strengthening the financial group's administrative entities, maintaining our leadership in the field in the country.

Additionally, in 2016 we received first place at the ALAS20 Awards as the "Leading Company in Corporate Governance in Mexico".

We want to be the best financial group in Mexico, and that also means being the most committed to sustainability. In 2016, for the sixth consecutive year, we formed part of the sustainable IPC of the Mexican stock exchange and for a third year, we formed part of the Dow Jones Sustainability Emerging Markets Index. We were also included in the STOXX Global Climate Change Leaders Index and the Euronext-Vigeo EM 70 Index.

This year we won second place in the ALAS20 Awards, in the category of "Leading Company in Sustainability" and were included in the Bloomberg Financial Services Gender-Equality Index, with which we enforce our commitment to women's empowerment and the UN Global Compact's Ten Principles of which we are a signatory member.

There is no doubt that this year presented major economic and political challenges; our economy grew much less than expected, with higher inflation, a pressured exchange rate, and an uncertain international political environment marked by the US presidential election.

In the face of these conditions, Mexico maintained its macroeconomic stability, sound public finances and sustained growth.

We recorded growth in direct foreign investment and in employment, remaining as the main economic engine of Latin America.

As was the case with Mexico, at Grupo Financiero Banorte we rose to meet the challenges and obtained achievements that fill us with pride and motivate us to go for more.

Dear shareholders, board members and employees:

I am convinced that 2017 will be an excellent year for Banorte and for each of us.

We know very well that we will face tough challenges, such as a highly volatile and complex international environment.

But at Banorte, we have always managed to understand changes in the environment and we have turned them into opportunities: that is our nature.

Each adversity holds an opportunity: the opportunity to demonstrate who you are and forge your own destiny.

Throughout our history, the moments of greatest challenge have been catalysts for the growth and consolidation of our group.

**The key is to be flexible, efficient and accurate
to capitalize on opportunities afforded by
the current environment.**

In 2017 we will reinforce our position as a financial institution that is solid and strong, prudent and responsible; the Mexican financial group that makes the decisions at home and knows the regions of the country and the needs of Mexicans better than any other.

We will work diligently to consolidate our position as the most innovative, ground-breaking, bold financial group that makes life easier for its customers through the latest in technology.

Have confidence in Mexico and have confidence in Banorte, the Mexican financial group that knows and supports Mexicans.

I want to thank you all for your steadfast commitment to the institution and tell you that in spite of the challenges that we will undoubtedly face this year, this is the year that Mexico will grow stronger; this is the year of Banorte.

Carlos Hank Gonzalez
Chairman of the Board
of Grupo Financiero Banorte



MARCOS RAMIREZ MIGUEL
CEO
Grupo Financiero Banorte



"At Banorte we have the firm intention of becoming the best financial group in Mexico and for Mexicans through our "20/20, Perfect Vision" strategy focused on our investors, customers and employees."

SRS 102-10, 102-14, 102-15, 203-2

2016 ANNUAL REPORT OF BUSINESS PERFORMANCE, GRUPO FINANCIERO BANORTE

2016 was an important year for Grupo Financiero Banorte, in which we completed the first year of our 20/20 plan, satisfactorily achieving each of the goals set for this period and establishing the foundations to achieve the growth with sustainable profitability proposed in our strategic plan.

ECONOMIC ENVIRONMENT

In 2016, we experienced a challenging economic national and international environment, distinguished by some events that had seemed unlikely to happen. News focus was on the United Kingdom's referendum in which it was decided to leave the European Union as well as the controversial presidential elections in the United States that ended in the victory of the Republican candidate. In monetary terms, the strengthening of the dollar led to a depreciation of most of the world's currencies, most especially in the emerging markets and in particular in the Mexican peso; also the more restrictive posture in the Fed's monetary stance caused the beginning of the cycle of rising rates.

In Mexico, despite observing the GDP's moderate growth of 2.3%, domestic demand-related indicators reflected the greater spending dynamism of Mexican homes favored by inflation's downward trajectory, recovery of labor market growth, increased flow of remittances and the increased offering of credit. Such is the case with retail sales, which grew 8.7% in 2016, its highest growth rate in the last 8 years. For its part, the lower dynamism of manufacturing production reflected the lower performance of the external sector in the face of a rising dollar. However, manufacturing of final goods as well as automotive production registered improved performances due to the increased competitiveness of Mexican labor.

In the monetary field, the Bank of Mexico decided to increase the benchmark rate in 2016 by 250 bp, thus favoring banking sector expectations for the coming years by leaving behind the cycle of falling rates that began in 2008 and led to historically low interest rates.



A lot of competition was also observed in the financial sector in order to take advantage of the economic environment and the growing domestic demand, so banks were very active commercially especially in the consumer loans and financial products for individuals segments. Although the Mexican stock market demonstrated little appetite for risk, there were still companies and funds that agreed to the public markets.

In relation to the loan portfolio's evolution, GFNorte closed the year with excellent growth in virtually all segments despite strong competition in the consumer, business and corporate segments. With respect to individual loans (consumer plus mortgages), at Banorte we made good use of the opportunities and together with the customer information analysis we increased the portfolios by 17% annually, well above the 14% average of all the banks in Mexico, gaining a market share of 56 bp.

GFNorte's Long Term Savings which as from 2016 includes Insurance, Annuities, as well as the Afore XXI Banorte with its 50% participation consolidated by the equity method; had an outstanding growth of 16% in net profits that the three companies contributed to the Group; privileged profitability as well as long-term relationships with our customers in all three segments. Annuities and Afore continue to be leaders in AUMs and number of pensioners that we manage.

RESULTS

GFNorte continues to report record highs in net profits and further diversify sources of income, benefiting the recurrence of these. Throughout the year great growth in portfolio and deposits were obtained, +14% in each, improving asset quality as a result of a proper risk management. Operational leverage and growth strategies resulted in a relevant increase in recurring revenue and responsible growth in spending.

Diversification in Business is evident in several aspects: in terms of assets under management, at the closing of 2016, the three fundamental pillars of business demonstrating strength and balance, bank assets represented 31.2%, Trading 34.2% (including Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe) and those related to Long Term Savings represented 34.6% (Insurance, Annuities and the Afore XXI Banorte); in terms of Net Income, the Bank contributed 71% and Long Term Savings contributed 23%.

Net Income for 2016 for the financial group totaled Ps 19.308 billion, 13% higher vs. 2015. This increase was due to the good performances of the Bank and Long Term Savings. It is important to emphasize that results demonstrated an annual growth of 14%. Regularity in revenues is a strategic factor for Banorte and in 2016 generation of recurring revenue grew by 20%.

Net Interest Income presented an annual increase of 14%, reaching Ps 54.044 billion. Service fees (account management, transfers and electronic banking services) closed 2016 with an annual increase of 16%. Brokerage revenues in 2016 recorded a 20% decrease as a result of less risk taking and the environment of rising rates that commenced at the beginning of the year.

On the other hand, the slight growth of only 5.8% in non-interest expenses reflects the strict spending control and efficiency efforts with a slightly higher inflation and the sharp depreciation in the exchange rate. With this, the Efficiency Ratio improved by 260 basis points in the year to close at 45.3%.

GFNorte's loan portfolio performed favorably throughout the year in all its components, such that the PDL Ratio was only 1.7%, at the end of the year - substantially lower than the 2.2% reported in the previous year. We also continue to strengthen reserve coverage for non-performing loans, which was 142% at the close of 2016, higher than the 116% of 2015.

In terms of capitalization and the Administration's commitment to maintain solid levels and encourage the confidence for our shareholders and customers, Banco Mercantil del Norte shows a 15.3% capitalization rate in accordance with the Basel III Rules composed of a Tier 1 Capital Ratio of 12.1%, and a Tier 2 Capital Ratio of 12.7% and supplementary capital of 2.6%. In 2016 Banorte was designated a Grade II Multiple Banking Institution of Local Systemic Importance by the National Banking and Securities Commission, ("CNBV"), which highlights Banorte's relevance in the Mexican financial system.

In 2016, Return on Equity (ROE) of the Group was 13.9%, 65 base points higher than in 2015

The financial group's subsidiaries generated excellent returns on capital with outstanding performances by Insurance with 46.0% and Annuities with 29.8%. Grupo Financiero Banorte's Return on Assets (ROA) was 1.57%, increasing by 10 basis points over the previous year.

DISTRIBUTION CHANNELS

2016 was a year of consolidation and growth seeking profitability in providing services for more than 12 million banking customers. At the close of the year, the branch network consisted of 1,092 Banorte branches, 83 Ixe Preferential Service Centers, 20 Inter National Bank (INB) branches and 16 SME Centers.

On the other hand, alternate channels are turning into more points of business and not only for consultation. We concluded the year with a correspondent network of 24,312 contact points, 7,756 ATMs and 151,948 Point of Sale terminals (POS). Of the total monetary transactions carried out on all the channels, 82% was made through channels outside the branch, i.e. 757 million monetary transactions were conducted in the year; of which 13% were performed using the internet and the use of mobile banking increased by 53% to 13.9 million monetary transactions, the reason for which we continue to add more functionality and better services to these channels.

With a vision of continuous evolution in digital banking, Banorte recently signed an alliance with the global consortium R3 seeking to deploy innovative technologies such as the "blockchain" database to strengthen payment processes and records and make them more efficient; the use of cryptocurrency and the trading of stock, among others.

SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

At Grupo Financiero Banorte, we are committed to the environment, our community and our country, so we continue to strengthen our social responsibility and sustainable development program through which we support initiatives for improvement in the areas mentioned. For this reason, together with past awards, in 2016 we were included in the Euronext-Vigeo EM 70 Index, which recognizes 70 companies in emerging countries with the most advanced sustainability practices. Moreover, GFNorte was included in the STOXX Global Climate Change Leaders Index, thus becoming the only Latin American institution to be included in the index. Likewise, we were also selected to participate in the Sustainability Index. TSE4Good Emerging Index, London's stock exchange also included us; we are the only Mexican financial institution present in the Top 10 companies in Latin America of the index. Finally, GFNorte was recognized by Alas20 as a leading company in sustainability.

We are proud to have been awarded "Bank of the Year 2016 in Mexico" by the prestigious *The Banker* publication; GFNorte was awarded first place by Alas20 in the category of leading company in corporate governance; and Institutional Investor magazine ranked GFNorte for a seventh consecutive year among the top Management and Investor Relations Teams of Latin American banks and Mexican companies.

At Banorte we have the firm intention of becoming the best financial group in Mexico and for Mexicans through our **"20/20, Perfect Vision"** strategy focusing on our investors, customers and employees, having concluded the first of our five year plan with strong achievements in each of the metrics established for its follow-up.

The joint effort continues to focus on all of our projects to deliver the best services in a working environment that drives creativity and continuous improvement of processes and products, results and profitability.

I would like to thank our more than 22 million customers for their preference and trust, in addition to our 4,000+ shareholders and national and regional directors for their invaluable support. Finally, I would like to recognize and appreciate the commitment and effort of our more than 27,000 employees for their contribution and dedication to the **transformation with a vision to the future of Grupo Financiero Banorte.**

Best regards,

Actuary Jose Marcos Ramirez Miguel
CEO of Grupo Financiero Banorte



WE ARE **BANORTE**



+22
MILLIONS
OF CLIENTS



1,175
BRANCHES



7,756
ATMs



24,312
CORRESPONDENTS



150,000
POSs

“Grupo Financiero Banorte (GFNorte; BMV: GFNORTEO) is a leading financial institution in Mexico, the country’s third largest financial group and the first controlled by Mexican shareholders.”

SRS 102-7, 102-45

GFNorte serves more than 22 million customers through a network that includes more than 1,000 branches, over 7,000 ATMs, more than 24,000 correspondents and over 150,000 Point of Sale terminals.

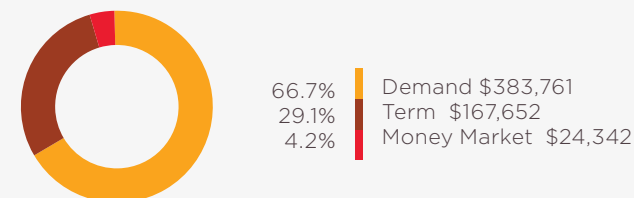
The main activity of GFNorte subsidiaries is to carry out financial operations – provide services for banking, brokerage, leasing, financial factoring and warehousing services in general, annuities and life and damage insurance, as well as the acquisition, transfer, administration, collection and negotiation, in any form, of claims. Other subsidiaries include the Afore XXI Banorte which is the main administrator of retirement funds in Mexico, remittance companies Motran which operates in California and Uniteller in New Jersey, and Banorte - Ixe Securities operating in New York.

Banorte is one of the banks with better asset quality and appropriate levels of capital and liquidity in the Mexican financial system.

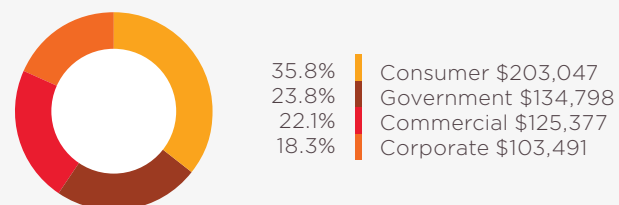
RELEVANT FIGURES

GRUPO FINANCIERO BANORTE	2016	2015	2014
Assets Under Administration (millions of pesos)	2,211,506	2,105,565	2,039,197
Total Assets (millions of pesos)	1,296,116	1,198,476	1,097,982
Banorte brand value (millions of dollars) ⁽¹⁾	1,619	1,204	1,942
Total Deposits (millions of pesos)	575,755	561,462	497,922
Total Portfolio (millions of pesos)	577,117	530,091	486,062
Equity (without minority interest)	140,746	135,452	122,922
Net Income (according to participation)	19,308	17,108	15,228
Earnings per Share (pesos)	7.01	6.20	5.49
Dividends paid per share (pesos) ⁽²⁾	2.47	1.65	0.97
Dividends paid	7,229	2,787	1,218
Book value per share (pesos) ⁽³⁾	50.7	48.8	44.3
Shares in circulation (millions)	2,773.7	2,772.4	2,773.0
Share price (pesos)	102.30	94.99	81.2
ROE (%)	13.9	13.3	13.2
ROA (%)	1.6	1.5	1.5
Net Interest Margin adjusted for risk (NIM) (%) ⁽⁴⁾	3.6	3.5	3.5
Efficiency Ratio (%) ⁽⁵⁾	44.9	47.9	48.5
Past Due Loans Ratio (%)	1.7	2.2	2.9
Reserves Coverage (%)	142	116	107
Capitalization Ratio (%)	15.28	14.59	15.26
Full-time Employees	27,913	27,574	27,898

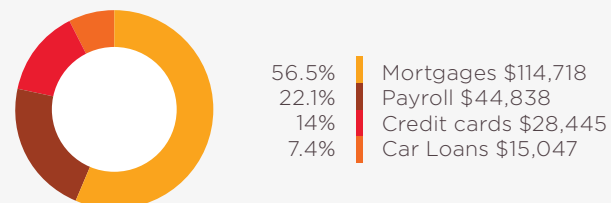
DEPOSITS 2016



PERFORMING LOANS 2016



CONSUMER PERFORMING LOANS PORTFOLIO 2016



CHANNELS	2016	2015	2014
Branches ⁽⁶⁾	1,175	1,191	1,269
ATMs	7,756	7,425	7,297
Contact Center calls received (millions)	69.7	56.4	69
Point of Sale Terminals (POS's)	151,948	155,893	162,352
POS transactions (millions)	260	250	224
POS billings (millions of pesos)	200,163	174,422	141,338
Correspondents	24,312	6,989	5,336
Number of internet clients	2,014,596	1,721,682	1,847,000
Internet transactions (millions)	963	1,031	827
Number of mobile banking clients	914,057	709,652	247,141
Mobile banking transactions (millions)	113	107	44

(1) Source for 2016 and 2015, corresponds to Brand Finance. For 2014, the source is Interbrand.

(2) Dividends per share decreed by the Shareholders' Assemblies of 2014, 2015 and 2016 were: total decreed dividend in 2014 was for Ps 0.9740 per share to be paid in 4 installments of Ps 0.2435 per share (October 2014, January, April and July 2015), the total dividend is equivalent to 20% of the net profit of the 2013 fiscal year. Total decreed dividend in 2015 was for Ps 1.64702 per share to be paid in 4 installments; the first for Ps 0.2745 per share (November 2015) and the remaining 3 installments of Ps 0.45750654921773 per share each (February, June and August 2016), the total dividend is equivalent to 30% of the net profit for the 2014 fiscal year. The total decreed dividend in 2016 was for Ps 2.4671 per share payable in 2 installments of Ps 1.233553556868510 per share each (August 2016 and March 2017), the total dividend is equivalent to 40% of the net profit for the 2015 fiscal year.

(3) Considering the number of issued shares that for the three periods reach Ps 2,773.7 million.

(4) NIM adjusted for Provisions = quarterly Net Interest Income adjusted for annualized Credit Risk / Average Performing Assets.

(5) Non-Interest Expenses / (Net Interest Income + Non-Interest Income).

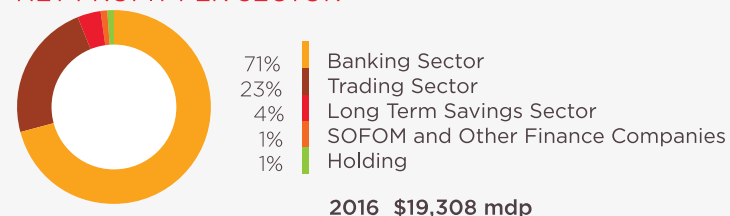
(6) Includes bank modules and excludes the Grand Cayman branch.

MAJORITY INCOME PER SECTOR	2016	2015	2014
BANKING SECTOR	13,804	12,057	10,526
Brokerage ⁽¹⁾	832	790	931
Long Term Savings	4,434	3,832	3,215
Afore XXI Banorte	1,248	1,220	1,181
Insurance	2,626	2,210	1,759
Annuities	561	402	276
Auxiliares de Crédito	184	498	574
Leasing and Factoring	693	571	700
Warehouse	28	31	45
Sólida Administradora de Portafolios	-533	-105	-173
Other Companies			
Ixe Services	-5	0	2
Holding	54	69	18
TOTAL	19,308	17,108	15,228

Figures in millions of pesos.

(1) As of 1Q12 and until 3Q16, the Afore XXI Banorte was registered under the participation method in Banorte. As of 4Q16 results for the Afore XXI Banorte are registered under Insurance. For informative and comparative purposes of profits per sector, Afore XXI Banorte profits are presented in the corresponding business sector.

NET PROFIT PER SECTOR



2016 \$19,308 mdp

SRS 102-1, 102-2, 102-5, 102-45

CORPORATE STRUCTURE OF GRUPO FINANCIERO BANORTE	
Banco Mercantil del Norte, S.A. and Subsidiaries	98.22%
Solida Administradora de Portafolios, S.A. de C.V., SOFOM	98.22%
Leasing and Factoring and Subsidiary	99.99%
Warehouse and Subsidiary	99.99%
Long Term Savings and Subsidiaries	99.99%
Casa de Bolsa Banorte Ixe, S.A. de C.V. and Subsidiary	99.99%
Operadora de Fondos Banorte Ixe S.A. de C.V.	99.99%
Ixe Bank	99.99%
Insurance	99.99%
Annuities	99.99%
Afore XXI Banorte	50%

SRS 102-4

OUR COVERAGE

“For GFNorte, creating value means providing services to a greater number of clients, even those in the most remote locations, enabling access to the quality services that we offer.”

Grupo Financiero Banorte (GFNorte; BMV: GFNORTEO) is a leading financial institution in Mexico, the third largest financial group in the country and the first controlled by Mexicans.


GFNorte serves more than 27 million customers through a network that includes over 1,000 branches, more than 7,000 ATMs, over 24,000 correspondents and more than 150,000 point of sale terminals.

The main activity of GFNorte subsidiaries is carrying out financial operations - banking, brokerage, leasing, financial factoring and warehousing services in general, annuities as well as life and damage insurance, as well as the acquisition, transfer, administration, collection and negotiation in any form, of credit claims. The Afore XXI Banorte, is the main administrator of retirement funds in Mexico, other companies include the remittance companies Motran which operates in California and Uniteller in New Jersey, as well as Banorte - Ixe Securities operating in New York.

Banorte is one of the banks with better asset quality and appropriate capital and liquidity levels in the Mexican financial system.

SRS 102-6


1,175
BRANCHES


7,756
ATMs


24,312
CORRESPONDENTS ¹



MEXICO

BANORTE / MEXICO INFRASTRUCTURE

TERRITORY	STATE	BRANCHES		ATMs POPULATION		CORRESPONDENTS ⁽¹⁾		DISADVANTAGED	
		2016	2015	2016	2015	2016	2015	Population Density ⁽²⁾	Extreme and Moderate Poverty ⁽³⁾ %
SOUTHERN MEXICO	Ciudad de México, Estado de México	167	169	818	778	1,563	571	1,008	37.1
NORTHERN MEXICO	Ciudad de México, Estado de México	158	161	790	702	2,208	566	1,008	37.1
NORTH	Durango, Nuevo León, Tamaulipas, Coahuila	212	217	1,705	1,644	4,873	1,850	29	34.9
CENTRAL	Aguascalientes, Guanajuato, Jalisco, Querétaro, San Luis Potosí, Tamaulipas, Zacatecas	148	150	1,109	1,062	2,949	779	68	43.2
NORTHWEST	Baja California, Baja California Sur, Chihuahua, Sinaloa, Sonora	142	141	1,118	1,126	4,563	910	20	32.2
WEST	Colima, Guanajuato, Jalisco, Michoacán, Nayarit	130	133	749	736	2,690	957	94	44.1
SOUTH	Guerrero, Hidalgo, Morelos, Oaxaca, Puebla, Tlaxcala, Veracruz	103	117	681	685	3,172	701	106	57.8
PENINSULAR	Campeche, Chiapas, Oaxaca, Tabasco, Veracruz, Yucatán, Quintana Roo	115	103	723	692	2,294	655	56	52.8
BANORTE TOTALS		1,175	1,191	7,756	7,425	24,312	6,989	57	44.7

(1) Our network of correspondents is made up of branches of Telecomm, 7-Eleven, Extra, Soriana, Grupo Control, Farmacias Guadalajara, Farmacias del Ahorro, Gasmart and Oxxo.

(2) Population density expressed in inhabitants/km. Source: cuentame.inegi.gob.mx

(3) Extreme and Moderate Poverty. Source: www.coneval.gob.mx

USA

2015

2016

19*
INB
BRANCHES

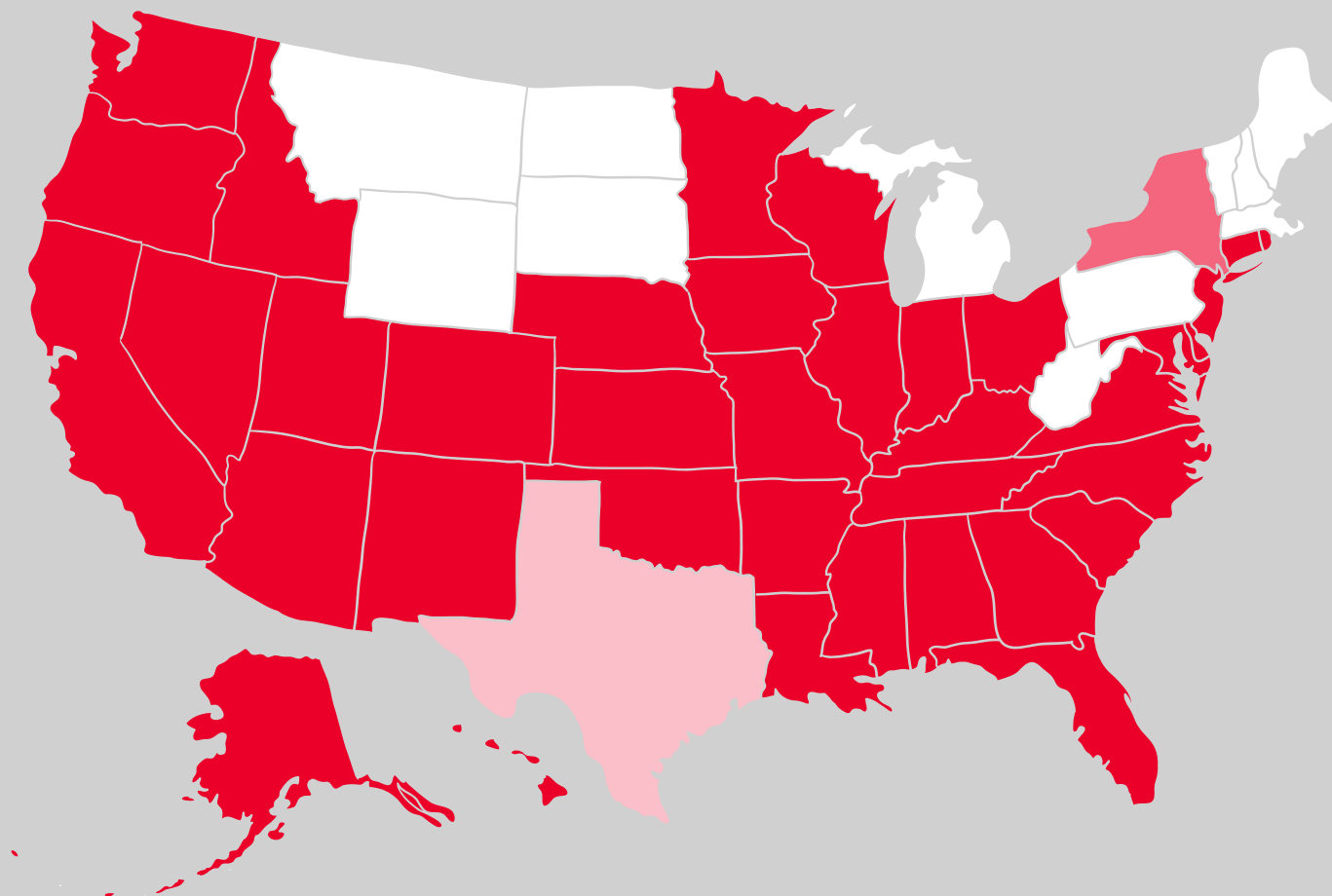
19*
INB
BRANCHES

1,031
UNITELLER
BRANCHES

1,175
UNITELLER
BRANCHES

2*
BANORTE- IXE
SECURITIES
BRANCHES

2*
BANORTE- IXE
SECURITIES
BRANCHES



* BRANCHES INB, BRANCHES BANORTE - IXE SECURITIES WITH PRESENCE IN TEXAS.



GABRIEL CASILLAS OLVERA
Deputy General Director
Economic Analysis

"According to our analysis, despite the 3.4% reduction in growth rate in 2016, and the anticipated 1.1% reduction in the growth rate in 2017, we anticipate a rapid recovery of the economic dynamism in 2018 and acceleration towards sustainable growth rates of between 3% and 4%."

SRS 102-15

Mexico remains a great option for investing. As we enter into a period of uncertainty about the future of bilateral relations between Mexico and United States, as a result of the new administration's proposals in our neighboring country, macroeconomic stability - with an autonomous central bank, public finance and external accounts under control as well as a well capitalized banking system - make Mexico an attractive country for investment within the emerging economies. The opening of the energy industry, as well as the

gradual implementation of structural reforms, are laying the groundwork for more robust growth in the medium term. According to our analysis, although we anticipated a slowdown in the pace of growth of 3.4% in 2016, to 1.1% in 2017, we also anticipate a rapid recovery of the economic dynamism in 2018 and acceleration towards sustainable growth rates between 3% and 4%.



PRIVATE DOMESTIC SPENDING

Private spending has been one of the economy's main drivers, thanks to higher levels of employment and a healthy expansion of bank credit. However, it is likely that temporary inflation pressures, coupled with the aforementioned uncertainty, will cause consumer spending to moderate its pace of growth this year, only to accelerate in 2018. The labor reform - approved in 2017- has led to growth rates of formal employment higher than the GDP, which has been key to boosting credit demand and raising growth rates for domestic spending in recent years.



INFRASTRUCTURE

The need to provide modern and efficient infrastructure in our country gives this sector significant potential and represents a huge opportunity for development. Unfortunately the pressure placed on public finances has resulted in cut backs on infrastructure projects in recent years. However, the opening of the energy sector and progress of partnerships are allowing channels for investment in infrastructure to open.



HOUSING

Housing needs in our country remain significant. The residential sector has been recovering its growth rate following the strong downturn of 2013.



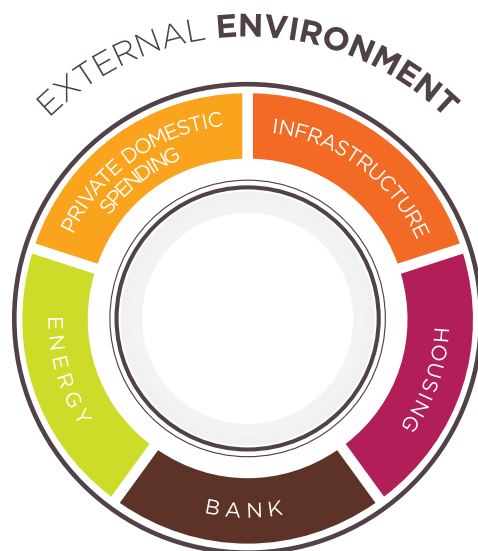
BANK

The Mexican financial system is one of the world's most robust and well capitalized. However, banking penetration remains relatively low - commercial bank loans to the non-financial private sector, for example, just barely over the GDP of 17%, one of the lowest ratios in Latin America.. And even if this low penetration could be explained by the high degree of informality of the country's economic activity and the difficulty of banks to recover collateral, rapid technological advancement and financial reform could benefit the process of providing banking services to the population. At Grupo Financiero Banorte we see the low credit penetration in Mexico as a great opportunity to support projects for growth in the country, as well as fulfill the dreams of many Mexicans. Above all because we are a bank operated by Mexicans, for Mexicans.



ENERGY

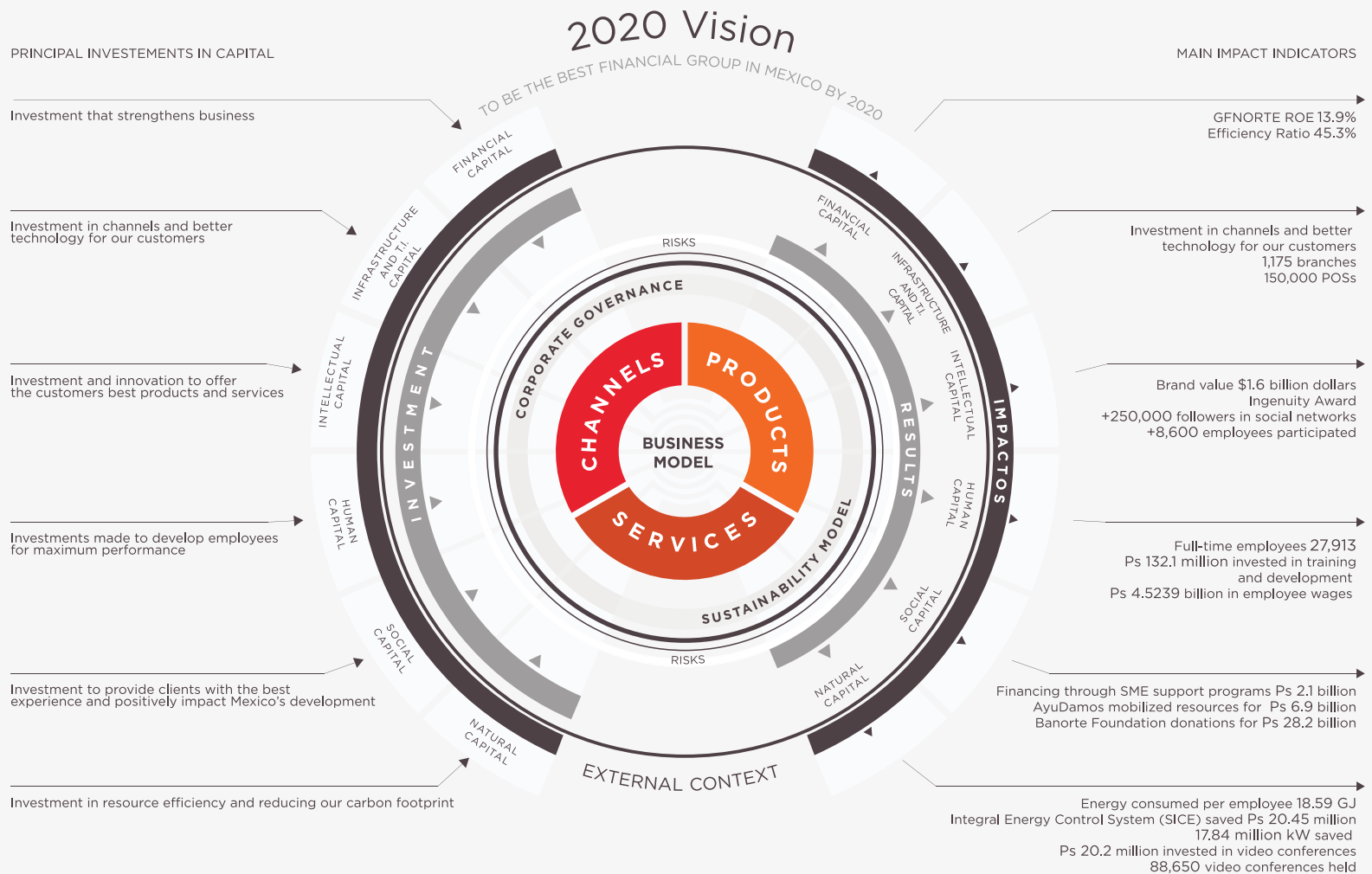
Although the short-term trend towards declining oil prices has reduced the appeal for investing in the sector, the process of opening up to private investment continues. In 2016, the first projects were assigned in which Pemex partnered with a private company to carry out exploration and production process (farm outs) in 2016. The process of opening up the energy sector also continues to go forward. Finally, the Government has advanced the liberalization of the fuels market, although this has generated short-term inflationary pressures, we think that it will be an important factor in improving competitiveness and increasing investment, and that it will help reduce the pressure on public finances in the medium term. The process of opening up the energy sector to private companies also continues.



HOW WE CREATE **VALUE?**

SRS 102-15, 102-16

“For GFNorte, generating value means growing our business and at the same time improving the social and environmental context in which we do it. And our strength lies in this generation of value.”





RAFAEL ARANA DE LA GARZA
COO

"Our strength lies in the generation of value. For us, creating value means growing our business while at the same time contributing to Mexico's development and that of the environment."

HOW WE CREATE VALUE

Serving our customers is our business model's first purpose. To do this we are continuously improving in accordance with our strategic Vision 20/20 plan to become the best financial group in Mexico and for Mexicans.

At Grupo Financiero Banorte we created our business model taking into account that we handle six important capitals: Financial, Infrastructure and Information Technology, Intellectual, Human, Social and Natural.

We invest in each of these capitals to transform them using our business model to generate value for our clients.

By grouping the capitals this way, we can measure each one's contribution to the value of our business and at the same time monitor that we use them responsibly. Just as we use and strengthen the financial, infrastructure and intellectual capitals we know that we have a responsibility to develop and care for our human, social and natural capitals.

In the table below you can see how each capital created value for our business.

GFNorte's main income was also analyzed. In each of our main income sources and major investments in each of the capitals, we can see what the impact indicators are.

	LINE OF BUSINESS	BUSINESS ACTIVITY	IMPACT ON INCOME	RIESGOS ASOCIADOS						MAIN INDICATORS				
				Loans	Market	Liquidity	Operational	Concentration	Reputational					
INCOME		IN OUR BUSINESS												
		We receive and invest funds from our clients	Income from the management of the deposit portfolio		•		•		•	Demand deposits Ps 383.761 billion	Term deposits Ps 167.652 billion	Money Market deposits Ps 24.342 billion		
		We provide support with loans to promote the development of individuals and companies by helping them meet their expenses.	Interest charged, cost of unpaid loans	•	•	•	•	•	•	Commercial portfolio Ps 125.377 billion	Consumer portfolio Ps 203,047	Corporate portfolio Ps 103,491	Government portfolio Ps 134,798	
	CHANNELS	We offer methods to access insurance that help customers by facilitating the management of their resources	Non-interest income for use of channels		•		•		•	Branches 1,175	ATMs 7,756	Point of Sale Terminales 151,948	Correspondents 24,312	
	LONG TERM SAVINGS	We have a wide range of products, guaranteeing the well-being and tranquility in the short and medium term for our clients	Long-term income from investment and management of savings and forecast activities		•		•		•	Afore XXI Banorte Ps 1,248 billion net income	Insurance Ps 2.626 million net income	AnnuitiesPs 561 million net income		
	INTERNATIONAL BUSINESS	We provide specialized products and services for commercial interaction at the international level	Income for investments in foreign trade activities	•	•	•	•	•	•	INB offices 19	Uniteller offices 1,175	Banorte - Ixe Securities offices 2		
	WAREHOUSE, LEASING AND FACTORING	We offer quality services to benefit and support companies	Income for offering auxiliary credit services		•	•	•		•	Leasing & Factoring Ps 693 million net income	Almacenadora \$28 million net income			
	MAIN INVESTMENTS IN CAPITAL													
EXPENSES	FINANCIAL CAPITAL	Main investments in capital	Improvements in service				•		•	GFNORTE ROE 13.9%	Efficiency Ratio 45.3%	Net Interest Income Ps 53,057 billion		
	CAPITAL DE INFRAESTRUCTURA Y T.I.	Investment in channels and the best technology for our clients	Operating cost				•			Contact Center calls received 69.7 million	POS transactions 260 million	Internet transactions 963 million	Mobile banking transactions 1,113 million	
	INTELLECTUAL CAPITAL	Investment and innovation to offer clients the best service	Operating cost				•			Brand value Ps 1.6 billion	Social networks over 250 followers	Ingenuity Award Participants 8,600 employees		
	HUMANO CAPITAL	Investment in our employees to develop their maximum potential	Payroll & benefits				•		•	Full-time employees 27,913	Employee wages Ps 4.523 billion	Training and development Ps 132.1 million		
	SOCIAL CAPTIAL	Investments to positively impact the socio-economic development of communities	Social support				•		•	SME Support Program \$2.1 billion	Banorte Foundation donations \$28.2 billion	Ayudamos mobilized resources Ps 6.9 billion		
	NATURAL CAPITAL	Investments in resource efficiency and reducing our carbon footprint	Operating cost				•		•	Energy consumed per employee 18.59 GJ	Videoconferences Ps 20.2 million invested 88,650 videoconferences held	Integral Energy Control System (SICE) \$20.45 million saved 17.84 million Kw saved		
II	NET PROFIT													



FINANCIAL CAPITAL



URSULA WILHELM NIETO
Executive Director
Investor Relations

"2016 was a year in which GFNorte made its financial strengths clear by achieving positive figures, as can be seen in the next section, with information based on consolidated financial statements."

SRS 202-1

GFNorte's Net Interest Income (NII) increased +14% YoY going from Ps 46.576 billion in 2015 to Ps 53.057 billion in 2016. The foregoing, driven primarily by the NII without Insurance and Annuities which totaled Ps 47.027 billion in 2016, +14% vs. 2015, reflecting growth in the portfolio and deposits, as well as rate increases that Banxico carried out in December 2015 and 2016, which increased +275 bp. The favorable results were due to the +16% increase in the NII of the loan portfolio and deposits, as well as a +10% in the repo's NII.

Net interest margin (NIM) for 2016 was 4.8%, an increase of +40 bp vs. 2015. This growth resulted mainly from an improvement in the loan portfolio mix, curtailment of funding costs, as well as the benefits arising as a result of higher market rates.

LOAN PROVISIONS

During 2016, provisions charged to results totaled Ps 13.313 billion, represented an increase of +25% YoY mainly as a result of higher requirements for the payroll, credit card and corporate portfolios, which were not offset by the reduction in requirements for the commercial portfolio. The +25% increase was not related to deterioration in the credit quality (the PDL portfolio was reduced by 13% YoY), but due to the effect of reserves released in March 2015, May 2015 and December 2015, which offset the requirements of those months, respectively. When eliminating this release of reserves, the increase in the requirement for provisions in 2016 would have been only +11%.

Provisions represented 25.1% of net interest income in 2016, +2.1 pp higher compared to the same period of the previous year.

NON-INTEREST INCOME

Non-Interest Income totaled Ps 16.465 billion for the year, increasing by + 5% or Ps 854 million vs. 2015, driven mainly by the Service Fees.

NON-INTEREST EXPENSES

Non-Interest Expenses for 2016 totaled Ps 31.243 billion, + 6% higher YoY as a result mainly of increases of:

- +Ps 879 million in Personnel expenses mainly related to future pension fund and bonus payments
- +Ps 617 million in Rents, Depreciations and Amortizations mainly for amortizations of technology projects and software rentals;
- +Ps 283 million in Management and Promotional expenses resulting from increases in: i) the volume of payment method transactions, ii) campaigns for the promotion of products and services, and iii) charges for system maintenance; and
- +Ps 224 million in IPAB contributions, in accordance with growth in deposits.

The Efficiency ratio for 2016 was 45.3%, (2.6 pp) lower compared to the same period of the previous year - derived from a positive operating leverage - managing to continue the trend of historically low efficiencies.

NET INCOME

GFNorte's Net Income for 2016 was Ps 19.308 billion, +13% YoY higher, as a result of the positive trend observed in net interest income and non-interest income.

ROE for 2016 was 13.9%, comparing favorably to the 13.3% del 2015; equity increased +4% annually; while **[ROTE was 17.4%, +77 bp higher than for the previous year.]** Accumulated **ROA for 2016 was 1.58%**, +11 bp higher YoY and **[RAPR rose to 3.2%** the same as in 2015.]

CURRENT LOAN PORTFOLIO			
	2016	2015 ¹⁾	2014
Commercial*	\$125,377	\$109,583	\$115,068
Consumer*	203,047	173,948	157,111
Corporate	103,491	88,108	80,464
Government	134,798	130,119	118,963
Sub Total	\$566,713	\$501,758	\$471,606
Recovery Banking	91	129	162
Total Performing Loans	\$566,805	\$501,887	\$471,768
Past Due Loans	10,312	11,860	14,294
PDL Ratio	1.8%	2.3%	2.9%

Millions of pesos.

1. Figures are restated for comparative purposes to reflect the INB sale carried out in 2016 as part of the corporate restructuring, which is why they differ from those presented the Annual Report submitted in April 2016.

* As from 1Q16, the SME credit card segment "Tarjeta Empuje Negocios" was reclassified with a balance of Ps 995 million in Performing Loans. For comparison purposes, the 2014 and 2015 balances were reclassified in a similar manner; the business credit card totaled Ps 983 million in 2015 and Ps 1.028 billion in 2014 in Performing Loans.

Total Performing Loans increased by +12.9%, closing 2016 with a total of Ps 566.713 billion. There was outstanding annual performance in virtually all the portfolios driven dynamics in origination, Corporate (+17%), Consumer (+17%) and Commercial (+14%).

PDL PORTFOLIO

At closing of 2016, the PDL portfolio totaled Ps 10.312 billion, (Ps 1.548) billion less or (13%) YoY, impacted by improvement in virtually all of the portfolios, but mainly due to the reduction in the Corporate portfolio as a result of the Urbi portfolio exchange.

In 2016, the PDL Ratio was 1.79%, at historically low levels, improving by (52bp) vs. that registered in 2015, driven by reductions in virtually all segments as a result of the strategy to improve origination quality and specifically for the corporate portfolio mainly due to the Urbi portfolio exchange during the last quarter.

DEPOSITS			
	2016	2015 ¹⁾	2014
Demand deposits - Non Interest Bearing	\$231,395	\$169,611	\$147,033
Demand deposits - Interest Bearing	152,367	167,275	153,249
Demand deposits	\$383,761	\$336,886	\$300,282
Term deposits	167,652	149,733	136,127
Money Market	24,342	54,907	62,287
Core Bank Deposits ²⁾	\$575,755	\$541,526	\$498,697
Total GFNorte Deposits	\$574,560	\$539,318	\$497,922
Third party deposits	148,407	139,099	149,092
Total Assets Under Management	\$724,163	\$702,769	\$647,789

Millions of pesos

1. Figures are restated for comparative purposes to reflect the INB sale carried out in 2016 as part of the corporate restructuring, which is why they differ from those presented the Annual Report submitted in April 2016.

2. Includes deletions between subsidiaries. Deletions for 2014, 2015 and 2016 were (Ps 774) million, (Ps 2.208) billion and (Ps1.196) billion, respectively.



At closing of 2016, Total Deposits reached Ps 575.755 billion, an annual increase of +6%, the reduced growth rate **was not due to a reduction in deposits, since customer deposits increased by +13% YoY**, but due to a reduction in the Money Market as part of the strategy to control funding costs in the face of market rate increases. **Total Assets Under Management** increased +7% YoY due to the aforementioned strategy.

OUR CREDIT RATINGS

INTERNATIONAL RANKING - GFNORTE				
RATING AGENCY	ENTITY RATED	RATING	CATEGORY	DATE
STANDARD & POOR'S	Banco Mercantil del Norte	Negative BBB+ BBB+ A-2 A-2 BBB BB	Prospect Long Term Foreign Currency Counterparty Credit Long Term Local Currency Counterparty Credit Short Term Foreign Currency Counterparty Credit Short Term Local Currency Counterparty Credit Senior Debt Securities Junior Subordinated Debt (from the Ixe Bank merger)	March, 2017
	Banco Mercantil del Norte	Negative bbb+ BBB+ F2 5 NF (Not Floor)	Prospect Viability Long Term Foreign Currency Debt - (IDR'S) Short Term Foreign Currency Debt - (IDR'S) GFNorte Support Rating Floor of the support rating - GFNorte	March, 2017
	Banco Mercantil del Norte	Negative bbb+ BBB+ F2 C BBB- 2 BB+ (EXP) BB	Prospect Viability Long Term Foreign Currency Debt Short Term Foreign Currency Debt Individual - Foreign Currency Floor of the support rating Banco Mercantil del Norte Support Rating Long Term Foreign Currency Subordinated Debt Junior Subordinated Debt (from the Ixe Bank merger)	March, 2017
MOODY'S	Banco Mercantil del Norte	Negative A3 A3 P-2 P-2 A3 Baa3 Baa2 (hyb) Ba1 (hyb) (P)Ba1 (hyb) Ba1 baa2 A2 (cr) Prime-1 (cr)	Prospect Long Term Deposits - Local currency* Long Term Deposits - Foreign currency Short Term Deposits - Local currency* Short Term Foreign Currency Deposits Senior Long Term Foreign Currency Debt* Long Term Subordinated Debt - Local Currency Long Term Subordinated Debt - Foreign Currency Long Term Junior Subordinated Debt - Local Currency (P) Long Term Subordinated Debt - Foreign Currency Long Term Junior Subordinated Debt - Foreign Currency Evaluation adjusted for credit risk Long Term Counterparty Risk Evaluation Short Term Counterparty Risk Evaluation	September, 2016
	Leasing & Factoring	Stable (P)P-2 (P)P-2	Prospect Short Term Issuer - Local Currency Short Term Senior Debt - Local Currency	November, 2016

DOMESTIC RANKING - GFNORTE				
RATING AGENCY	ENTITY RATED	RATING	CATEGORY	DATE
STANDARD & POOR'S	Banco Mercantil del Norte	Stable mxA-1+ mxAAA	Prospect National Scale - Counter party risk (Short term) National Scale - Counter party risk (Long term)	March, 2017
	Casa de Bolsa Banorte Ixe	Stable mxA-1+ mxAAA	Prospect National Scale - Counter party risk (Short term) National Scale - Counter party risk (Long term)	
FITCH	Banco Mercantil del Norte	Stable AAA (mex) F1+ (mex) F1+ (mex) AA+ (mex)	Prospect National Scale - Long Term Counter Party Risk National Scale - Short Term Counter Party Risk Certificate of Deposit & P.R.L.V. - Short Term Certificate of Deposit & P.R.L.V. - Long Term	March, 2017
	Casa de Bolsa Banorte Ixe	Stable F1+ (mex) AAA (mex)	Prospect National Scale - Counterparty Risk - Short Term National Scale - Counterparty Risk - Long Term	
	Leasing & Factoring	F1+ (mex) AAA (mex) F1+ (mex) AAA (mex)	National Scale - Counterparty Risk - Short Term National Scale - Counterparty Risk - Long Term National Scale - Unsecured Debt - Short Term National Scale - Unsecured Debt - Long Term	
	Warehouse	F1+ (mex) AAA (mex)	National Scale - Counterparty Risk - Short Term National Scale - Counterparty Risk - Long Term	
	Annuities	Stable AAA (mex)	Prospect National Scale	
	Insurance	Estable AAA (mex)	Prospect Financial Strength of Insurer	
MOODY'S	Banco Mercantil del Norte	Negative Aaa.mx MX-1 Aa3.mx A1.mx	Prospect National Scale - Long Term Deposits National Scale - Short Term Deposits Long Term Subordinated Debt Long Term Junior Subordinated Debt	June, 2016
	Leasing & Factoring	Stable MX-1 Aa2.mx MX-1	Prospect National Scale - Short Term Issuer National Scale - Long Term Senior Debt* National Scale - Short Term Senior Debt	November, 2016
HR RATINGS	Banco Mercantil del Norte	Stable HR AAA HR+1 HR AA+	Prospect Long Term Obligations Short Term Obligations Preferred Subordinated Obligations	May, 2016

OUR SHAREHOLDERS

SRS 103-1

As one of the most public companies in Mexico, we are committed to following the highest standards in terms of corporate governance, disclosure of information and communication with investors and stakeholders.

Grupo Financiero Banorte's shareholder base is globally diversified, consisting of individuals and institutional investors. Throughout the Group's institutionalization process various strategies were developed to adapt to different investment criteria in order to broaden our shareholder base, and be that option for those seeking to invest in the long or short-term or for our dividend policy.

We are a financial group that listens to and cares about its shareholders. An example of this is the amendment to our Articles of Association and changes to the Nomination Committee, the aforementioned in response to recommendations and concerns voiced by our of our minority investors.

Efforts were directed at strengthening our relationship with the community, investors, analysts and securities' rating agencies, seeking to expand our channels of communication mainly in 2016, through innovations in our digital platform and providing more details in information disclosures. All the while maintaining our traditional channels: quarterly and annual reports, quarterly conferences, Non Deal Roadshows and attending conferences of various international and national brokerages.

In our constant search for innovation, this year, for the first time we participated in a virtual Non Deal Roadshow, reaching a wider audience from all around the world.

In particular:

- We actively participated in 11 conferences (national and international), 7 Non-Deal Roadshows and 53 on-site visits
- In 2016 we met with approximately 60% of GFNorte's total shareholders
- Senior Management was present at 40% of the conferences attended
- Appeal for the Institution has grown continuously, which brought over 20% of the institutional investors to visit, meeting more than once with Banorte.

In terms of sustainability, GFNorte has developed a solid program which supports efforts to achieve sustainable development, promote social responsibility in the search for returns on investments, convey an awareness for sustainable development and for environmental protection in our daily work.

We will continue to strengthen our relationship with investors, confident that improved communication and greater transparency are the way forward in order to maintain us as a reference in the field of corporate governance and disclosure of information.



INFRASTRUCTURE AND I.T. CAPITAL

INFRASTRUCTURE AND I.T. CAPITAL



JOSE FRANCISCO MARTHA GONZALEZ
Deputy Managing Director
Technology

"Our use of technology allows us to better understand customers and offer them better value, thereby maintaining a long-term relationship."

SRS 103-1

GREATER INTELLIGENCE TO OFFER BETTER SOLUTIONS FOR OUR CUSTOMERS

This year more than one million clients have used our mobile application, just a sample of how we have advanced in the use of technologies to better serve our customers.

In Grupo Financiero Banorte we are going forward with a transformation of our technology, which now allows us to better understand our customers, suggesting the best financial solutions to their needs, based on their behavior and profile.

We worked on a pilot with Watson, the artificial intelligence system, so users can carry out operations by only giving instructions over the cellphone.

With new artificial intelligence technologies, we can offer customers more logical products and services for their lifestyle. Based on an analysis of our warehouse data, we can analyze our customers' behaviors as well as their contract payment dates to show them the transaction that best suits their lifestyle. It may be that they would like to receive notification of a pending payment, but we can also offer them a service to let them make better use of the financial system.

To do this, we have the Next Best Action, Next Best Offer (NBA-NBO) system, that alerts customers to the more favorable action according to previous transactional behavior, because our analyses improve each time and with better security of our user data.

The NBA-NBO system has helped us with more efficient campaigns for products and is also being put to use in collection areas. In addition to helping increase value for the user, we can provide a more personalized and convenient service to each client. For example, we can send a notification in time about the payment due date of a credit card, accompanied by information on the amount to be paid.

Thanks to this system, we have the ability to increase interaction with our customers in various channels and points of contact. Reporting systems are already implemented in the sales and collection areas and this year will be extended to areas of the group that will require it.

To offer users a more pleasant and efficient experience, we are implementing technologies that facilitate identification through biometrics systems. Already being used in our mobile app and we are also introducing speech recognition technologies in the call center, and we are also adding fingerprint recognition technologies.

These biometric systems use data unique to each user, so using digital banking authentication provides more secure transactions. This will give users more confidence and at the same time give us more security.

We are achieving a more reliable digital banking experience. And what follows now is to give users a service more in line with their needs and user friendly.

We worked on a pilot with Watson, the artificial intelligence system so users can carry out operations by only giving instructions over their cellphone.

New technologies reinforce our progress in digital banking, most especially mobile banking. Digital banking continues to give our clients the confidence and freedom to conduct banking transactions anywhere, securely.

The use of technological platforms will enable us to further extend our offer. This year, we are starting with the selective credit project that will allow us to effectively analyze users' behavior, to offer better credit products.

Good analysis of information will also help us to offer business checkbooks the same day, giving business customers more value.

To remain current in research on financial technology, Grupo Banorte signed an agreement with the group researching Blockchain, R3. Blockchain technology will allow financial institutions to have more security in exchanges carried out using digital platforms. For now, being a part of this group will allow us to be aware of developments and requirements that the financial industry has with this technology.

INFRASTRUCTURE AND INFORMATION TECHNOLOGIES CAPITAL

To reinforce information security, we launched the Task Force 20-20 program, consisting of 24 initiatives to be implemented within 24 months, based on three main actions:

- Broaden the installed information security control base
- Ensure the security controls are in accordance with technology infrastructure standards that support applications and critical databases
- Introduce new technologies for access protection, monitoring and application security testing.

The 24 initiatives are divided into six safety application initiatives, six for data management and access control, and the rest in hygiene, protection of computation and distribution and operations and monitoring. We are working to improve indicators in six main risks facing our technology infrastructure: client information theft, bank information theft, fraud in electronic channels, fraud in systems used by employees, loss of critical information or loss of system availability.





GUILLERMO GÜEMEZ SARRE
Deputy Managing Director
Innovation

“Innovation is one of our financial group's key principles, an aspect that we take care of in the technology and strategies of our transformation.”

SUMANDO, TRANSFORMATION TURNED INTO REALITY

Each day we seek to become more effective in satisfying our customers' needs according to market trends. Here are some major projects that were implemented during 2016 that have to do with strategies focused on improving customer service and providing more options for clients' day-to-day needs:

NBA/NBO (Next Best Action/Next Best Offer) is a component that has enabled us to deploy campaigns with offers and information about products in the different contact channels with clients; for example online banking, our Call Center, customer branches and ATMs. With NBA/NBO we are able to expedite the deployment of campaigns through different channels, improve their acceptance rate, facilitate closing sales and allow us to obtain client information.

We are continuing with the Business Mobility strategy implemented last year: The pilot application (app) was launched with a focus on Preferential Banking customers, in which banking executives received customer information that allowed them to manage their portfolios efficiently, generating more precise and specific offerings. This has enabled the generation of business opportunities to meet sales objectives, optimizing monitoring of customer portfolios, displays of all relevant customer information, configurable data as well as the geographical locations of customers. In 2017, more than 600 iPad devices will be distributed to the Preferential Banking sales force.

Our Banorte mobile application was also updated, and customers can now use the mobile banking 24 hours a day from anywhere. This application allows customers to download a selfie quickly, easily and securely, as well as transfer funds over the phone, check balances, movements, pay credit cards and services, block and unblock credit cards in case they have been misplaced or lost, withdraw cash at Banorte ATMs without the need of a card, receive notifications of charges or deposits made to their accounts, credit cards or investments, share with Whatsapp contacts notifications of payments or deposits, transfers between Banorte accounts with QR code, among others.

The pilot phase of our GESCO app was launched, this application integrates the functions that sales management directors and executives require, this tool can be configured for use in any of Banorte's banks. Its main functionality includes a commercial agenda, profitability information, campaign management and offers, information about clients in our portfolios, among others; facilitating achievement of sales objectives, display campaigns quickly, optimize monitoring and management in real time, reduce contact time for campaign services, build a monitoring history of the offers carried out, obtain directive information automatically from organizational structure.

Thanks to the progress that has been made in recent years with the **Sumando program**, we are making the transition from the process of transformation to internalizing it into the financial group, in order for it to be a recurring process.



INTELLECTUAL CAPITAL



CARLA JUAN CHELALA
Deputy Managing Director
Marketing

"As a result of efforts to communicate our brand, ours is considered one of the most valuable in Mexico, especially in the financial sector."

MARKETING

We are the largest Mexican Financial Group in the country a fact that is reflected in our brand, transmitting strength, our unique dynamic, our ability to adapt to the changing needs of our clients and the environment, and at the same time that we are solid, a very important value that allows us to inspire trust.

As a result of our efforts to communicate our brand, ours is considered one of the most valuable in Mexico and especially in the financial sector. The consultancy agency, Brand Finance, estimates the Banorte brand's value to be worth \$1.619 billion dollars. Our challenge is to continue to strengthen it, so that customers and employees remain proud of Banorte and continue to place their trust and patrimony in us.

Throughout 2016 we defined trends in innovation, launching such products as Cuenta Enlace Personal (Personal Link Account) and Tarjeta de Credito por Ti (Credit Card for You). We were the first to use facial recognition technology to allow Mobile Banorte users access to the app using just a selfie.

We understand the challenges and opportunities offered by current methods of contacting customers, driven by digital communication. The customer journey has evolved notoriously, since now customers select the brands and communication methods that they can relate to.

Points of contact with the consumer have also changed - the user no longer receives information from one source of communication or one particular ad. Today clients can be influenced by friends, acquaintances or people they are in contact with by sharing digital messages, and in particular, through social networks.

We know that our content must be relevant and useful so that our users can identify with us. Therefore, in order to attain a good level of bonding with both current and potential customers, we have evolved into integral communication strategies, including a presence in social networks.

In 2016, Banorte opened profiles in Twitter, Facebook, Instagram, Google+ and LinkedIn, adapting our content and language according to the interaction characteristics of each social network, and in just three months we surpassed 250,000 followers.

In addition, we developed marketing relationship activities, in order to clearly communicate Banorte's offering and thus allow our clients to experience the brand more closely.

These activities include sponsoring events of international stature, such as NFL games and the Sistine Chapel in Mexico, always with the objective of promoting customer loyalty and developing a more efficient relationship with them.

**In just the first three months, we acquired
250,000 followers.**



Follow us:
Banorte_mx





FERNANDO SOLÍS CÁMERA Y JIMÉNEZ CANET
Deputy Managing Director
Communication and Public Affairs

"We launched a strategic program to redefine our corporate position, our institutional consensus, that projects who we are and what we do, strengthening the Group's solid reputation."

SRS 103-2

COMMUNICATION AND PUBLIC AFFAIRS

Our 20/20 Vision proposes a course with defined business goals, which must be built on the group's reputation, proper communication and an effective and reliable relationship with stakeholders.

Corporate reputation stems from the ongoing dialogue between audiences and our institution, both from institutional communication as well as what we project with our daily work.

Our strategic communication program requires the Group to interact with different audiences from a single discursive path and consensus-based narratives, so that audiences hear a homogeneous message. A harmonious communication is effective, and the effectiveness of the image and communication strengthen trust.

The development of this program stems from an innovative theory in institutional communication from the Mexican financial groups: to convert communication offices into a true "engine of content", corporate wording that reports to our different audiences in a truthful, innovative and attractive way. To do that, we use all the technological repertoire which we have access to, the brief video for computer graphics or digital animation, and using both traditional media as well as social networks or other means (i.e. institutional web page, our TV and radio channels), adapting stories depending on the audience, (whether for investors, customers, employees, opinion forming authorities, civil organizations or the general public), but without changing the core messages, and the narrative path.

We believe that timely and transparent access to information about the Group is as important as the explanation of the stories behind the data, and how these strengthen our commitment to become the best financial group in Mexico and for Mexicans, as described in our 20/20 Vision.



This year the Public Affairs area was created, which aims to develop, manage and follow-up on relationships with Governments, authorities, regulators, legislators, social organizations and public institutions, and thus strengthen our reputation and positioning among these key stakeholders.

This area also provides support to business units, by being responsible for understanding the context and the public agenda of the country, knowing in which direction it is headed and how Grupo Financiero Banorte can take advantage of opportunities.

ENCOURAGING INNOVATION

Innovation is essential to banking, which is being pressured by new technologies and new demands from customers. It is imperative for Banorte to design new operating models and improve the way we attend to customers, our internal processes and innovate in any area.

We created the Ingenuity Program to promote innovation in GFNorte. As of 2016, participation in the program has been continuous. Employees can participate by registering an idea, enriching ideas with their comments, voting for the best proposals or investing in the idea they consider should be implemented.

Thanks to the Ingenuity Program we have managed to manifest the collective intelligence and collaboration to create a culture of innovation within the company. In 2016, the Ingenuity Program formed a community for innovation with the participation of 8,600 employees.





HUMAN CAPITAL



JAVIER BELTRAN CANTU
Deputy Managing Director
Administration and Human Resources

"In the face of an adverse economic climate, the development of talent is key to fulfilling our business strategy. In Human Resources our challenge is to maintain an efficient organizational culture with a total focus on the results of the business run by the institution's leaders, enabling new models of attraction, performance and retention of personnel."

SRS 102-7, 102-8, 103-3, 405-1

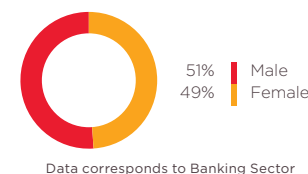
The development of employees has been fundamental to the results that Banorte has achieved. The search for a balance between a results-oriented culture and the generation of a value offering that meets our employees' business and personal expectations has become one of the strategic objectives of Human Resources.

We have more than 27,000 employees, our personnel has a balance of male and female employees. The following charts show the different areas of the group, composition by gender and age, as well as turnover rate.

NUMBER OF GRUPO FINANCIERO BANORTE EMPLOYEES TO DECEMBER 31 ST , 2016						
BUSINESS	FULL-TIME EMPLOYEES		WAGES		TOTAL	
	2015	2016	2015	2016	2015	2016
Banking Sector	20,455	20,960	7	7	20,462	20,967
House	18,055	18,559	7	7	18,062	18,566
Insurance & Factoring	11	10	0	0	11	10
Long Term Savings	93	91	0	0	93	91
Other Businesses	2,296	2,300	0	0	2,296	2,300
Inter-National Bank	558	571	0	0	558	571
Uniteller	413	414	0	0	413	414
Banorte Securities	122	135	0	0	122	135
Long Term Savings	23	22	0	0	23	22
AFORE	6,561	6,382	13	9	6,574	6,391
Insurance	4,645	4,436	7	3	4,652	4,439
Annuities	1,684	1,756	6	6	1,690	1,762
TOTAL	27,574	27,913	20	16	27,594	27,929

Full-time employees of Long Term Savings data include outsourcing employees

COMPOSITION OF FULL-TIME EMPLOYEES SET BY GENDER



Gender balance is increasing, as shown in the following table:

WORKFORCE BY AGE RANGE AND GENDER					
GENDER	AGE RANGE	2014	2015	2016	VARIATION 2016 VS 2015
Female	< 30 years	4,393	4,199	4,909	16.9%
	30 - 50 years	5,379	5,152	4,721	-8.4%
	> 50 years	489	571	626	9.6%
TOTAL FEMALES		10,261	9,922	10,256	3.4%
Male	< 30 years	4,426	4,360	5,007	14.8%
	30 - 50 years	5,580	5,039	4,521	-10.3%
	> 50 years	996	1,141	1,183	3.7%
TOTAL MALES		11,002	10,540	10,711	1.6%
TOTAL		21,263	20,462	20,967	2.5%

Data corresponds to Banking Sector

SRS 102-41, 401-1

We have 5,580 employees in the banking sector, who are covered by a collective agreement and Union members, which represents 36.3% of the total sector mentioned. Banorte Insurance and Annuities have no unionized personnel.

Total turnover was at 19.5%. It is important to notes that we are one of the financial Groups with the lowest rate of undesired rotation in the sector, this being only 6.4%.

ROTATION BY AGE RANGE AND GENDER					
GENDER	AGE RANGE	2014	2015	2016	VARIATION 2016 VS 2015
Female	< 30 years	11.6%	11.9%	10.7%	-1.2%
	30 - 50 years	6.9%	8.3%	6.5%	-1.8%
	> 50 years	0.6%	1.4%	0.4%	-1.0%
MALES	< 30 years	19.1%	21.6%	17.7%	-3.9%
	30 - 50 years	14.8%	14.3%	13.1%	-1.2%
	> 50 years	8.1%	9.9%	7.2%	-2.7%
TOTAL	< 30 years	1.3%	2.1%	0.9%	-1.2%
	30 - 50 years	24.2%	26.3%	21.2%	-5.1%
	> 50 years	21.8%	24.0%	19.5%	-4.5%

Data corresponds to Banking Sector

SRS 202-1, 404-1, 404-2, 405-2

ATRACTION AND DEVELOPMENT OF TALENT

To ensure availability of talent within the group, we have strengthened our relationships with schools and universities nationwide, seeking to generate a collaborative feeling between the organization and the interest of professionals, through the increase of employment fairs and the generation of strategies that ensure their entry and commitment to the institution.

Our Human Resources team has worked very hard with the Instituto Tecnológico de Estudios Superiores de Monterrey, the University del Valle de Mexico, the Instituto Tecnológico Autónomo de Mexico and the Universidad Autónoma de Leon (UANL).

Especially with UANL we reinforced the link to find the best talent for our Contact Center. We have diverse practices with purposes focused on encouraging the performance and retention of the customer service executives.

For the purpose of providing the Organization's leaders with effective tools to better manage personnel, we have implemented the Human Resources Management system "Success Factors", a leading tool in the market, which integrates the following interactive modules and information:

- Employee profile
- Recruitment Management
- Goals and objectives
- Succession and Development
- Labor Discipline

Under the administration of these modules we are evolving in the management of Human Resources processes, obtaining visibility in service times to internal clients and ensuring a more objective alignment of performance with business objectives.

Our selection processes of talent for both personnel in branches as well as in support and control areas, are focused on strengthening our policy of promotion by merit. At middle management job levels, almost 70% of vacancies are covered with internal staff.

Total remunerations grew 4.9% in 2016 compared to the previous year; with a further increase given to operating personnel

REMUNERATION OF EMPLOYEES				
	2015	2016	VARIATION 2016 VS 2015	
Officers	\$ 2,568,849,992	\$ 2,674,559,726	4.1%	
Employees	\$ 1,745,171,035	\$ 1,849,310,534	6.0%	
TOTAL	\$ 4,314,021,027	\$ 4,523,870,260	4.9%	

Banking Sector. Amounts expressed in pesos.

We remain constantly attentive to offer our employees a competitive compensation and benefits package in the industry.

AVERAGE SALARY BY WORK CATEGORY AND GENDER					
GENERAL LABOR CATEGORY	AVERAGE SALARY		VARIATION BETWEEN AVERAGE FEMALE AND MALE SALARY		
	FEMALE	MALE	MONTO	RAZÓN %	VARIACIÓN 2016 VS 2015
Upper Management	\$ 111,947	\$ 120,321	\$ 8,374	93.0%	3.7%
Middle Management	\$ 29,784	\$ 32,058	\$ 2,274	92.9%	1.3%
Operational	\$ 12,170	\$ 12,340	\$ 170	98.6%	0.2%

Datos corresponds to Banking Sector. Employees are compensated with wages above the minimum wage.



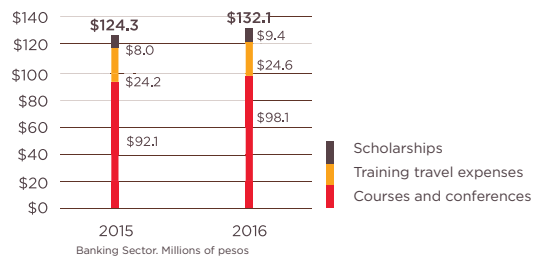
SRS 404-1

Investment in training and developing our staff continues to increase. In 2016, 6.3% more than in 2015 was invested.

INVESTMENT IN TRAINING AND DEVELOPMENT				
	2015	2016	VARIATION 2016 VS 2015	
Scholarships	\$ 8.0	\$ 9.4	17.5%	
Training travel expenses	\$ 24.2	\$ 24.6	1.7%	
Courses and conferences	\$ 92.1	\$ 98.1	6.5%	
TOTAL	\$ 124.3	\$ 132.1	6.3%	

Millions of pesos

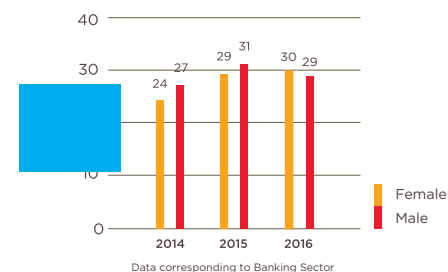
INVESTMENT IN TRAINING AND DEVELOPMENT



On average each employee received 29 hours of training.

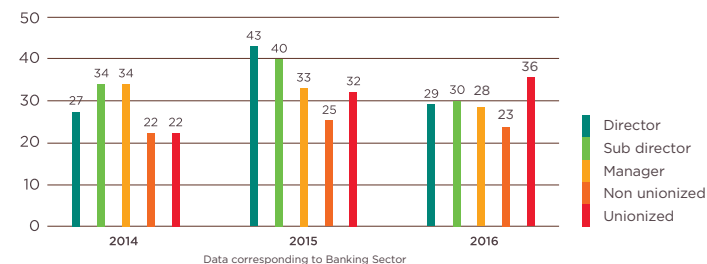
AVERAGE OF TRAINING HOURS PER GENDER				
GENDER	2014	2015	2016	VARIATION 2016 VS 2015
Female	24	29	30	3.4%
Male	27	31	29	-6.5%
AVERAGE	25	30	29	-3.3%

AVERAGE TRAINING HOURS PER GENDER



AVERAGE TRAINING HOURS PER LABOR CATEGORY				
LABOR CATEGORY	2014	2015	2016	VARIATION 2016 VS 2015
Director	27	43	29	-32.6%
Sub director	34	40	30	-25.0%
Manager	34	33	28	-9.1%
Non unionized	22	25	23	-4.0%
Unionized	22	32	36	15.6%

AVERAGE TRAINING HOURS PER LABOR CATEGORY



SRS 403-1

As part of the Atracción de Talent program we have dabbled in the social networks: Facebook, Twitter and LinkedIn, platforms from which we will be recruiting potential candidates for operational and managerial positions.

Throughout the year 38,896 hours of training on policies and procedures related to human rights issues was taught, covering 84% of banking sector personnel. 50% of security personnel received training in human rights.

For training in terms of job security, our civil protection brigades received training in first aid, fire-fighting and controlling fires and rescue evacuation among others. These brigades are made up of 34 employees of administrative buildings and 1,174 employees in the bank branch network.

STRONG TEAMS TO GENERATE MORE VALUE

Leadership within Banorte is a strategic issue and today more than ever it has focused on recognising the value of our leaders. Under the challenge of consolidating stronger teams, we have a talent management tool to identify and validate the directors with greater leadership potential and better performance in their duties. With this tool, we can also detect areas of opportunity in the leadership of our managers, to design development programs for them, coaching and retention plans for those with the greatest potential and contribution to Banorte.

Ascension in Banorte is a process based on identifying candidates with high potential and performance, to form managerial talent that will ensure strategic business continuity. During 2016 leaders were identified who will participate in this process. Similarly we have nursery of talent to form the next leaders of the commercial network, and redesigned the branch promotion list to strengthen the career plans of our executives in Banorte branches nationwide.

PROFILE OF SUCCESS TO DIFFERENTIATE TALENT



POTENTIAL

Personality and motivational attributes of related to success in the post. They are the innate characteristics of a person (leadership style, communication, tolerance to stress, etc.)



TECHNICAL KNOWLEDGE

The basic knowledge required for a position. And can be acquired in a formal and informal way.



EXPERIENCE

Trayectoria within and outside of the institution.



COMPETENCIES

These are the set of related and observable behaviours associated with success in a post. They tell us what the person is capable of.

Since the beginning of 2016 we have worked with all the territorial directors to make them more conscious to achieve more motivated teams, with a healthier organizational atmosphere. Programs and workshops for work integration were held, from territorial we went to regional and then on to the entire structure. We are developing leaders who can motivate their teams and are concerned about their personnel.

We conduct exercises to better evaluate productivity in all areas of the group. We can thereby recognize good performance and take corrective action in cases of poor performance.

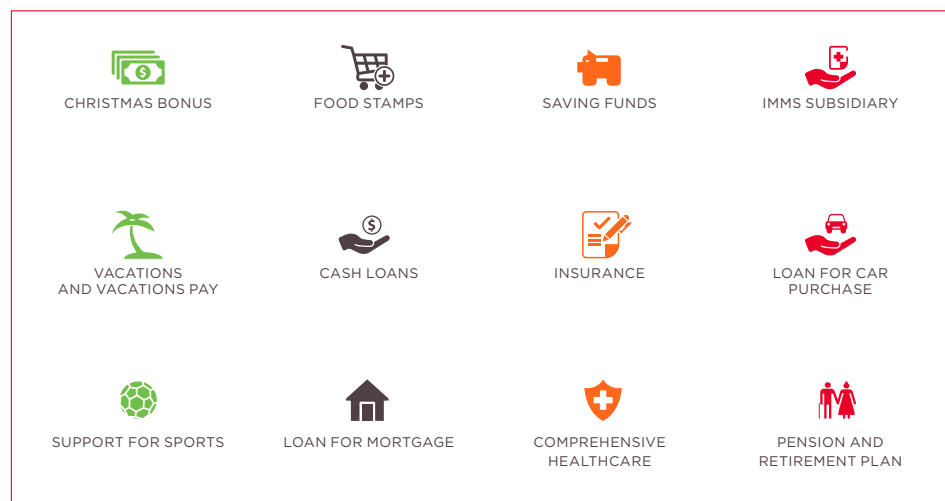
SRS 201-3, 401-2

VALUE FOR THE NEW GENERATIONS

Banorte is redefining the proposal of value given to employees, considering that 67% of employees are already part of the millennial generation born since the mid 1980's. New bank employees seek differentiated benefits in their employment, as well as compensation, and also value that the company is socially responsible and has a culture which they agree with. For the younger generation, it is important to feel valued and have challenges in their work. We have the appropriate values and continue to work to better inform them about our team.

We have become more efficient in delivering benefits to employees. We established the bases so that as from 2017, we start with the automation of our medical services platform. Along with that, we are implementing an operations center for all of the Human Resources products, so that employees have efficient self-service that will help them to deal with different documents, such as letters for passports, certificates, tax withholding and loans, among others.

As part of our remuneration, we include benefits that are mostly above legal requirements. Banorte offers employees attractive benefits, which are broken down in the following chart:



PROTECTING EMPLOYEES' HEALTH AND WELL-BEING

We know that our employees' health is important to the company, and the healthcare of 42,000 beneficiaries is a great task. Therefore some of our main objectives focus on improving the quality of services and increasing employees' and their dependents satisfaction, without neglecting the rational use of resources.

To do this, in 2016, the lines of action with greater impact were the following:

Quality of Service:

- A competition was established to select a hospital based in Mexico City and Monterrey, in which the highest standards of quality were included as a requirement in infrastructure, healthcare processes, materials and supplies. The same will be done in 2017 for the country's main cities.
- A purge was done on the network of physicians nationwide, incorporating specialists of recognised prestige in their location.
- The network of services in remote locations was strengthened, including doctors and hospitals for emergency care that were not previously considered.

Satisfaction of employees and their dependents:

- The area of Customer Care was restructured, which expedited responses to questions, complaints, comments and daily operational problems.
- A satisfaction survey was conducted to learn more about the perception of our services and work in identified areas of opportunity.
- Having our own Contact Center was formally proposed with more problem-solving capacity, providing the user with information about our services, especially the use of the medical expense policy.

Healthcare and Promoting Health:

- Our health and healthcare program's main objective is to implement a culture of health in Banorte personnel, through modifying habits and promoting taking care of oneself.
- Our page "Healthy Living", a fundamental structure of this program, went from less than 250 visits in three years to more than 3,000 in 2016.
- A clinical measurement of 90% of the Santa Fe Tower's population was conducted in order to detect health risks of individuals as well as a global diagnostic of the corporate. Based on this, global and individual programs were established in order to mitigate health risks and change unhealthy habits.
- The program is supported by a multidisciplinary team involving doctors, nurses, health promoters, psychologists, nutritionists and physical activity activator as well as a 24 hour support hotline (01800 0007770) available 365 days of the year.

Process Improvements:

- Security measures were modified through electronic prescribing, which expedites the supply and payment to the supplier.
- The door-to-door medication delivery program was implemented for patients with chronic degenerative and/or highly complex diseases.

We promoted a prevention plan, taking advantage of our "Healthy Living" page's infrastructure, to detect health risks of our employees in time.



DINING ROOMS

Grupo Financiero Banorte Installations with more than 6,500 employees, offer dining room service with an extensive variety of balanced dishes. Food choices are congruent with the health and wellness program. All the dining rooms have the “Distinctive H”, given out by the Secretary of Tourism indicating that the highest standards in cleanliness and hygiene have been met.

Our “Meatless Monday” initiative raises awareness among dining room users on the environmental benefits of not eating meat one day a week. This is one action for sustainability and to reinforce healthy habits within the corporate.



A GREAT PLACE TO WORK

The efforts of the Human Resources area have been successful in the organizational and working environment. Once again we took part in the Great Place To Work survey, and more than 75% of our personnel registered their opinion, a very high percentage of participation. The survey revealed that the group has a higher level of personnel satisfaction than the industry. Within the Great Place to Work survey, the leadership was assessed and the results show that personnel is proud to pertain to Banorte, of their companionship, and with confidence in their leaders.

Banorte has a good organizational environment, with the necessary conditions to make the company profitable, and personnel that feel connected and committed to the institution.





SOCIAL CAPITAL



JOSE ANTONIO MURILLO GARZA
Deputy Managing
Analysis

"We work hard to analyze vast amounts of information in order to provide our clients with the best services and offerings of products through all the different channels we offer."

At Grupo Financiero Banorte we understand that our business strategy must be seriously linked to social commitment. We want to support the development of communities because that strengthens our country and us as an institution.

SRS 102-43

At Banorte our business model is focused on serving our customers always seeking to promote the development of our country. In this manner, for a few years now, we have been working on the implementation of our multichannel platform, through which we seek to offer better service and attention to our clients. Today, this platform is a reality and a vital component in making it work properly are the analytics that we perform every day.

CUSTOMER SATISFACTION

In Banorte we constantly listen to our customers, to detect what their major needs in financial services are, measure their expectations and seek to improve our processes to transform their experience in each of our service channels.

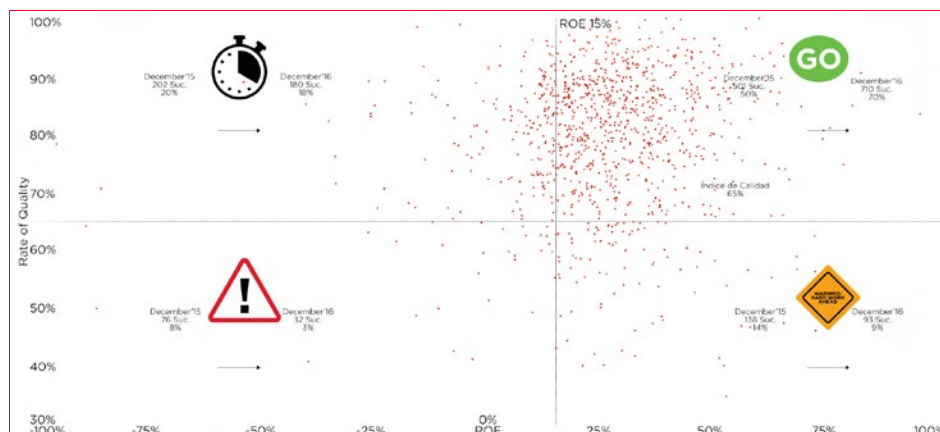
Using the Net Promoter Score methodology we can assess customer satisfaction for each channel (branch offices, ATMs, telephone banking and digital channels).

In 2016 we achieved a general Net Promoter Score of 61.4%. With this information, we could identify for each channel, the services and processes that our clients valued most and work on eliminating points of dissatisfaction to transform their experience.

One of the great advances in service in 2016 was in the branch network. In January 2016, 56% of branches attained the service goals established by the institution; while in December 2016, 70% of branches reached this goal. This result represents an advance of 25%, a reduction in complaints and improvement in operational efficiency for loans placed in branch offices.

We achieved a Net Promoter Score of 61.4%

**QUALITY IN SERVICE
EVOLUTION OF BRANCH QUALITY INDEX
ROE PER BRANCH AND QUALITY INDEX DECEMBER 2016 VS. JANUARY 2016**



This graph places each branch according to its performance in terms of quality and profitability, in four quadrants. GO quadrant, located in the upper right shows those branches that meet the goal of service established in the institution, i.e., with a level of superior quality at 65% and a ROE above 15%.

CORRESPONDENTS EVER CLOSER TO OUR CUSTOMERS

Banorte contributes to improving financial inclusion in Mexico, thanks to its growing network of correspondents, which allows us to serve the population with limited banking penetration.

Through our correspondents model, we offer various services to customers and users through the support of third parties. Retail chains, mainly, put their personnel and technical equipment at the disposal of our customers so they can conduct online and real time payment, deposit, withdrawal or consultation transactions.

The services we offer to customers using this model are: deposits, credit card payments and other services. These operations are reflected in customer's account statements immediately, as if they had performed the operations directly in the branch.

The correspondents are a huge boost to financial inclusion for the development of Mexico, since it has several dimensions: products, transparency and, most importantly, location. Many of our correspondents are located where we don't yet have branches including no other competitor. This allows us to approach customers without making large investments in infrastructure. On the other hand, correspondents make our services available to clients with no banking services available to them.

Learn more about the growth of our Correspondents' infrastructure in the section: [Our Coverage](#).

WE PROMOTE THE DEVELOPMENT OF MEXICO

It is very important to Banorte to support small and medium-sized companies in the country, because we understand that entrepreneurship is key to economic development.

For this reason, the relationship with our customers is the reason that motivates us to focus on their needs, as well as those special circumstances that might be manifesting the market, both nationally and locally.

We continue to provide funding with special conditions for small and medium businesses in those sectors or regions of the country that could require some special support, thus promoting local development.

This year, to cite some examples, we implemented the following support programs to small and medium-sized businesses.

SMEs SUPPORT PROGRAM	
Construction	Economic stimulus for Border Zones South Baja California
Come to Eat	Economic stimulus for Border Zones Chihuahua
Leather and footwear	Economic stimulus for Border Zones Coahuila
National crusade against hunger	Economic stimulus for Border Zones Quintana Roo
Economic stimulus and promoting employment Jalisco	Economic stimulus for Border Zones Sonora
Economic stimulus and promoting employment Aguascalientes	Economic stimulus for Border Zones Tamaulipas
Economic stimulus and promoting employment San Luis Potosi	Encouraging My SMEs Southwest Chiapas
Economic stimulus and promoting employment Puebla	Encouraging My SMEs Southwest Guerrero
Economic stimulus and promoting employment Sinaloa	Encouraging My SMEs Southwest Michoacan
Economic stimulus and promoting employment Yucatan	Encouraging My SMEs Southwest Oaxaca
Economic stimulus and promoting employment Zacatecas	Textile Industry, Clothing and Fashion
Economic stimulus and promoting employment Nuevo Leon	SME Woman
Economic stimulus and promoting employment State of Mexico	Government Suppliers
Economic stimulus for Border Zones Baja California	
TOTAL	\$2,196,312,187



SRS 102-9, 308-1

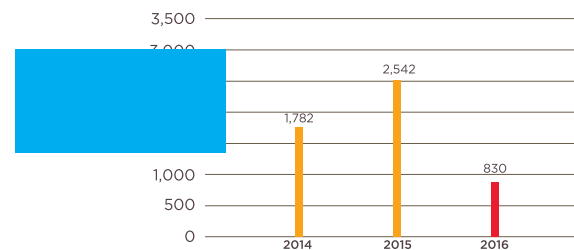
SUPPLIERS

We are interested in promoting, to the extent possible, that suppliers are of national origin, thereby favoring communities, a goal that we have achieved as can be seen in the following chart.

REGISTERED SUPPLIERS			
	2015	2016	
OUR SUPPLIERS			
NO. OF SUPPLIERS	3,649	1,446	-60.4%
SUPPLIER ORIGIN			
Foreign	57	50	-12.3%
Domestic	3,592	1,396	-61.1%
TOTAL	3,649	1,446	-60.4%
CLASE DE PROVEEDOR			
Compras	113	56	-50.4%
De servicios	3,536	1,390	-60.7%
TOTAL	3,649	1,446	-60.4%
TYPE OF SUPPLIER			
Permanent	3,172	1,004	-68.3%
Eventual	477	442	-7.3%
TOTAL	3,649	1,446	40%

In 2016 there is decrease due to the fact during 2015 there was a significant burden with the regularization of suppliers and contracts in the area of health management.

SUPPLIER CONTRATS THAT DECLARE KNOWING THE GLOBAL COMPACT'S 10 PRINCIPLES



BANORTE FOUNDATION



FRINE SALGUERO TORRES
Director
Banorte Foundation

"To the Financial Group, their social commitment a very important in order to strengthen Mexico, because it's a way to contribute to the communities in which our customers, employees and investors live in."

The Group's philanthropic work through Banorte Fundación ABP, has two main areas: the promotion of education, since this is one of the most efficient tools for social transformation and that of humanitarian aid. The bank's solidarity with its country, has the goal of providing support to populations affected by natural phenomena, as well as promoting a culture of organizational philanthropy.

SRS 203-1, 417-1, FS-11, FS-13, FS-16

The guiding principles of our work are integrality, perseverance, commitment, leadership and equity.

The Banorte Foundation is a nonprofit that operates with a percentage of the bank's earnings and carries out economic contributions, actions and partnerships with non-governmental organizations, academic institutions and Government agencies that contribute to improve the quality of education and the development of disadvantaged populations.

In 2016 we channeled Ps 28,207,344.00 through 22 projects operated by 20 non-governmental organizations, in 30 states of Mexico, which directly supported 334,530 people, of which 52% were women and 48% men; and indirectly supported 652,886 people.

Resources were channeled, mainly to Working for My Community and Working for Families, as well as other philanthropic support. Here are details of the results.

DISTRIBUTION OF RESULTS BY STRATEGIC LINE

DONATIONS PROVIDED BY BANORTE FOUNDATION			
	COMMUNITY SUPPORT	FAMILY SUPPORT	OTHER PHILANTHROPIC SUPPORT
Donation	\$ 6,715,224	\$ 3,056,880	\$ 18,435,240
No. of direct beneficiaries	5,899 people	478 people	328,153 people
Initiatives	Promoting projects that contribute to improving: <ul style="list-style-type: none"> • Quality education • Comprehensive education • Education and generation of employment 	Support with scholarships to students who require special education and those whos stand out for their: <ul style="list-style-type: none"> • Academic excellence • Artistic or sports talents 	Resources are earmarked for initiatives related to: <ul style="list-style-type: none"> • Social support to public organisms • Matching gift donations (1X1) or emergency or disaster campaigns • Special projects, philanthropic commitments or others

ACCIONES BANORTE (BANORTE ACTIONS)

Banorte Actions integrates all of the Financial Group's social initiatives aimed at supporting employees, their families, communities and environment protection, with the ultimate goal of supporting Mexico's development.



AyuDamos is a trust funded by voluntary biweekly contributions from our employees. This initiative is coordinated and operated by the area of Social Value and the Banorte Foundation, since every peso that employees contribute is matched by the Banorte Foundation (1 x 1).

Thanks to these donations, help provides in-kind support to Civil Society organizations (CSOs) serving vulnerable populations such as: children, the elderly, people with disabilities and women. These organizations are chosen by a Selection Committee, composed of employees of the financial group, who visit and evaluate projects proposed by the employees themselves and decide on who to grant resources.

This year 29 institutions were supported by a total donation of Ps 6,943,121.67. Of this total, the Banorte Foundation donated Ps 4 million and our employees contributed Ps 2,943,121.



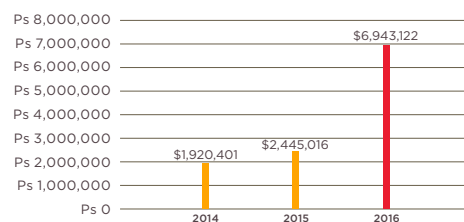
Through this initiative toys are collected and delivered to underprivileged children who are hospitalized in public children's hospitals, orphanages, and Civil Society Organizations and also to the children of our employees who work in security and cleaning. Thanks to the volunteers' interactions with the children we are able to witness and share moments of joy, strengthen our philanthropic culture and maintain our commitment with disadvantaged communities.

JUGANDO JUGANDO RESULTS			
	2014	2015	2016
Toys collected	40,710	39,012	40,802
Total Volunteers	1,014	987	1,088
Beneficiaries	39,466	35,977	36,744
Investment	\$63,871.66	\$63,871.66	\$34,074.52

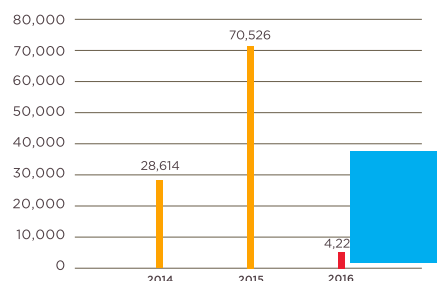
AYUDAMOS RESULTS

	2014	2015	2016
Supported organizations	11	22	29
Mobilized resources	\$1,920,401	\$2,445,016	\$6,943,122
Beneficiaries	28,614	70,526	4,225

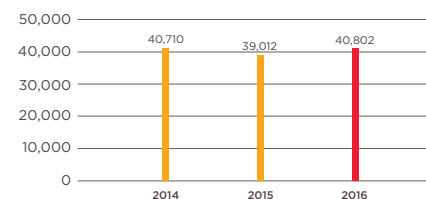
AYUDAMOS MOBILIZED RESOURCES



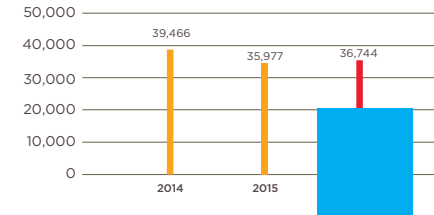
AYUDAMOS' TOTAL BENEFICIARIES



JUGANDO JUGANDO TOYS COLLECTED



JUGANDO JUGANDO BENEFICIARIES OF THE PROGRAM



BANORTE CHILDREN

On July 28 and 29 in Mexico City and on August 11, 12 and 13 in Monterrey, Banorte Children held activities for employees' children between the ages of 6 and 12 who visited the corporation and got to know their mom or dad's workplace.

A tour of the corporate office facilities of Santa Fe in Mexico City and South Tower in Monterrey was given. A storyteller shared in the children's activities and gave each child a welcome kit. The activity lasted for 5 hours each day.

BANORTE CHILDREN RESULTS

Total Volunteers	37 (total)
Volunteer hours	333:00 (for the 5 days)
Total of children attending	203 (for the 5 days)

BANORTE I.T. CHRISTMAS

On December 9th, the children of information technology employees visited I.T. headquarters in the Tlalpan area, participating in a rally to get to know the different areas that make up the IT area and ending with decorating a Christmas tree.

IT CHRISTMAS RESULTS

Total Volunteers	44
Volunteer hours	176
Total of children attending (between 5 and 12 years of age)	Approx. 78 children



Employees participating in Working For My Community proposed volunteer projects that benefited the community. In 2016 we supported 4 projects by mobilizing a total of Ps 199,571.70, it is important to mention that this amount was awarded through the AyuDamos trust which donated close to Ps 50,000 to each of the 4 selected projects.

The 4 projects were:

- Fundación Monstritos AC. Ubuntu Camp: The donation was used to cover the expenses for the event held October 29th, 2016, which included rental of a farmhouse, breakfast and lunch for the guests, as well as transportation and didactic materials. Experiential activities were held with the children to reinforce family values. Bank volunteers were directing and supporting the activities.
- Alianza Anti Cancer ABP. Multi-purpose Hall 2nd floor: Installation of drainage system and painting: the donation was used for the 2nd stage of the multipurpose hall used specifically for the purchase of plumbing material to install a hydro sanitary system for the room that holds workshops in nutrition and psychology for families of the cancer patients.

Bank volunteers supported the maintenance of the institutions by cleaning and painting one wall.

- The donation was used to purchase food for cats and dogs in the shelter. Volunteers from the Bank helped by walking and feeding the animals in the shelter.
- The donation was invested in gardening tools in order to restore the green area and recycled material to build benches and tables. Bank volunteers participated by cleaning and painting a fence in the green area.

WORKING FOR MY COMMUNITY RESULTS

Supported projects	4
Mobilized resources	\$199,571.70
Direct beneficiaries	60
Volunteer hours	31:00
Total of volunteers	23



NATIONAL FINANCIAL EDUCATION WEEK

Grupo Financiero Banorte participates annually in the national financial education week in which various public and private sector institutions join forces to reinforce the financial culture of Mexicans.

The 2016 National Financial Education Week was held on November 7th to 13th in Mexico City. Grupo Financiero Banorte participated with a stand representing a bank branch in which attendees could learn in a playful way, the best ways to manage their money and make decisions on how to either save, invest or spend. Volunteers gave three conferences with an emphasis on the topics of saving for retirement, exchange rate and financial education for children.

NATIONAL FINANCIAL EDUCATION WEEK 2016 RESULTS	
Total attendees	71,689
Volunteer hours	3:00
Total of volunteers	3

CHILDREN'S SAVINGS DAY

The fourth Children's Savings Day was held on November 23rd, in the cities of Campeche, city Guadalajara, Hermosillo, La Paz, Leon, Mérida, Mexicali, Queretaro Monterrey, Saltillo, San Luis Potosi, Tepic, Toluca, Villahermosa and Mexico City. Bank employees provided savings workshops for 5th Grade school children.

Banorte tuvo la siguiente participación:

CHILDREN'S SAVINGS DAY RESULTS		
	2015	2016
Total volunteers	200	279
Volunteer hours	400	1,674
Total population benefitted (in the 15 cities)	Approx. 51,000	Approx. 68,000



BREASTFEEDING ROOMS

At Grupo Financiero Banorte, we are convinced that good health for all employees is extremely important, so we decided to support one of the most important stages of women, and of Mexican families, motherhood.

During 2016, we started with an internal communication campaign publicizing the benefits that breastfeeding provides not only to newborns, but also mothers and the healthy development of families.

Banorte is concerned about the issue and as part of our health and wellness programs, prompted the pilot of "breastfeeding rooms", which initially will be available in:

- Banorte Santa Fe Tower
- Koi Monterrey Tower
- Palo Alto Building
- South Monterrey Tower

This will enable mothers who need to, to store their milk properly and thus healthily feed their children.

DIVERSITY AND INCLUSION PROGRAM

In 2016 we began the Diversity and Inclusion program, that aims to include the needs of vulnerable groups by developing actions for the benefit of employees, creating a better workplace.

Among the objectives for 2017 is to work with the COLABORE consultant to obtain assessment on the area of accessibility in corporate buildings, raising awareness on the issue of persons with disabilities (PWD) and procedure manuals to assist this vulnerable group.



In the Working For My Planet program we promote good practices on environmental matters to make efficient use of resources and generate awareness among employees, their families, customers, suppliers and the community through various actions such as Paperless campaigns, recycling, video conferencing and reducing water consumption, among others. For more details on this topic, refer to *Natural Capital*.



This program promotes the personal and professional growth of our employees. For more details on this topic see *Human Capital*.



SRS 102-16

To promote best practices with clients, employees and suppliers, we promote our mission, vision and principles as well as adherence to the Financial Group's standards, codes and procedures.

OUR MISSION

To generate trust and financial strength for our customers.

OUR VISION

To be a great ally to grow strong with Mexico.

We are a large family with principles and values, which inspire our actions in relationships with our customers, employees and suppliers.

These are our **FIVE PRINCIPLES**:

- We work to strengthen our clients: **SOLIDARITY**
- We innovate to generate value: **INNOVATION**
- We develop committed teams: **LOYALTY**
- We are inclusive: **RESPECT**
- We contribute to the well-being of Mexico: **RESPONSIBILITY**

OTHER EXTERNAL INITIATIVES ¹⁰²⁻¹²



SOCIALLY RESPONSIBLE COMPANY DISTINCTION

For the sixth consecutive year, Banorte has earned the Socially Responsible Company Award. In addition, Insurance and Annuities have also earned it for a second time. This award, bestowed by the Mexican Center for Philanthropy, CEMEFI, recognizes our performance in socially responsible management, quality of life, business ethics, links with the community and care and preservation of the environment.

THE UNITED NATIONS GLOBAL COMPACT

Since in 2011 we have voluntarily adhered to the United Nations Global Compact, fulfilling its 10 Principles in the areas of human rights, labor, environment and the fight against corruption. Every year we present our Communication on Progress (CoP) on an advanced level.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

Banorte is committed implementing the 17 Sustainable Development Objectives, which strengthen the fight to eradicate poverty, inequality, injustice and at the same time, we address climate change.

THE WOMEN'S EMPOWERMENT PRINCIPLES

We seek to promote gender equality and the empowerment of women working in the financial group, ensuring equal opportunities to promote their development. We have voluntarily adhered to the principles for the empowerment of women since 2014 and we will continue to promote them within the institution.



NATURAL CAPITAL

SRS FS-3, FS5, FS11

SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT SYSTEM

Environmental protection is a fundamental part of GFNorte. We ensure that management in all group processes is consistent with best practices and in compliance with applicable national and international regulations on environmental matters.

Banorte's Social and Environmental Risk Management System (SEMS), is a mechanism to analyze risks and environmental and social impacts, with the objective of promoting projects for which we provide funding and consultancy, ensuring that they are carried out in a socially responsible manner, applying rigorous environmental practices and have the lowest possible impacts.

The SEMS adheres to a process of identification, allocation, evaluation and management of risks and social and environmental impacts based on the national legal framework, IFC's performance standards, the World Bank's guidelines on the environment, health and safety and the Equator Principles. The SEMS considers transactions greater than \$1 million US dollars of the corporate, business banking, structured finance and Government loan portfolios.

In 2016, concerned about how the banks that financed controversial projects were affected, we incorporated the reputational risk variable into our social and environmental risk analysis process. This way, we developed an algorithm that considers the level of socio-environmental risk of projects and how communities, governmental authorities and non-governmental organizations perceive them as well as media exposure. Thus we monitor the reputational risk of large infrastructure projects on a monthly basis, to prevent risks to the institution.

In 2016 we also started defining policies for sensitive areas and sectors, with the aim of establishing specific frameworks to prevent financing and investment activities that generate risks and adverse environmental and social impacts in sensitive areas. We were able to close the year with 8 sectoral policies (sensitive areas, electric power, oil and gas, mining, agriculture, fishing, forestry and chemical substances) and the corresponding revision by Banorte's specialized areas. Policies are currently under observation by experts on various issues, for their later approval 2017.

We also improved training of GFNorte analysts, executives and directors. Online, through the updating of e-learning with more examples, exercises and case studies, as well as with more than 3,900 phone calls a year. Likewise, to maintain awareness and strengthen knowledge on the management of social and environmental risks, we improved our newsletter with high environmental risk cases, reorienting the "Know that?" section with issues related to the operation and fundamentals of the SEMS. The "SEMS in brief" newsletter is published monthly and reaches more than 1,800 bank employees.

We are convinced that our Social and Environmental Risk Management System is essential in our consolidation as a sustainable bank. 2016 was a year in which we defined objectives, however, 2017 will present even greater challenges with the system's expansion to other areas of the bank, formalizing priority processes and the development of tools to increase effectiveness and efficiency of social and environmental risk management in Banorte.

The following table shows an overview of the figures reported by the operation of SEMS:

OPERATION OF SEMS	
Total loans with high socio-environmental risk	16
Total loans with medium socio-environmental risk	1,668
Total loans with low socio-environmental risk	2,124
Total loans analyzed	3,808



13 due diligences were prepared and 233 recommendations were sent based on IFC sectoral guidelines for health, safety and the environment, promoting improvement of the social and environmental performance of loans. Of the total loans assessed by the area of socio-environmental risk, 60.22% was authorized.

Total due proceedings	13
Total due proceedings under Equator Principles	11
Total recommendations sent to client	233

THE EQUATOR PRINCIPLES

The Equator Principles, created in 2003 by the Equator Principles Financial Institutions (EPFIS) together with the IFC, represent the most important standard within the financial sector to manage environmental and social impacts and risks.

Banorte was the second Mexican bank to sign these principles and as part of the Social and Environmental Risk Management System, since 2012 we analyze large investment projects and provide specialized consultancy to customers, thereby providing added value and contributing to minimizing social and environmental risks and generated financial risk in projects.

REPORTING

In 2016, we analyzed a total of 35 projects classified as high risk (A) 5, 6 in medium risk (B) and 24 at risk under (C) using the Equator Principles and the Mexican legal framework in force. Performance of high and medium risk projects were assessed through due diligences (11 due diligences) and continue to be monitored.

EQUATOR PRINCIPLES

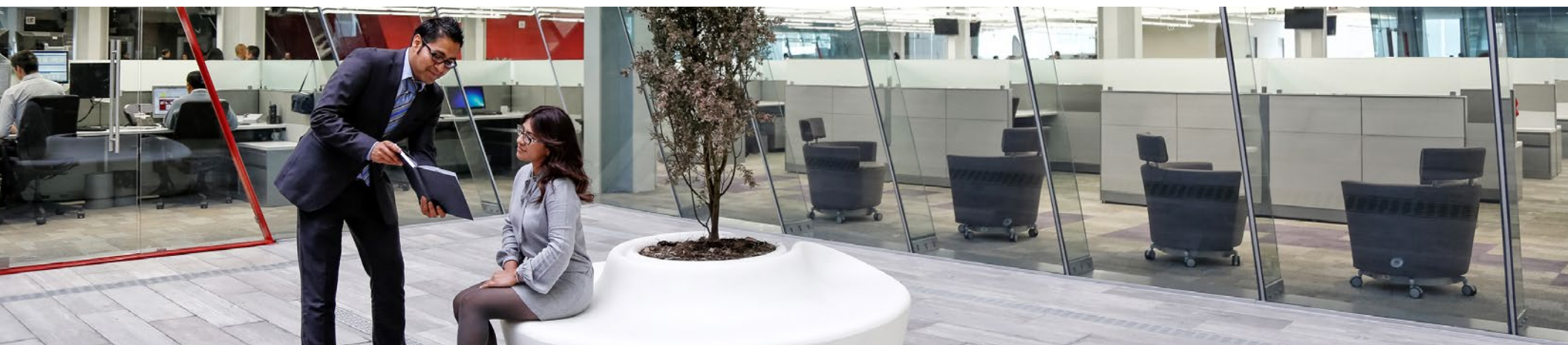
Category A	5
Category B	6
Category C	24
TOTAL	35

*CATEGORIES OF SOCIO-ENVIRONMENTAL RISK:

Category A - Projects with possible significant adverse social or environmental risk that are diverse, irreversible or unprecedented.
Category B - Projects with possible limited adverse social or environmental impacts, few in number, and generally located in specific sites, reversible and easily mitigated.
Category C - Projects with minimal or non-existent social or environmental impacts

The industrial sectors predominant with projects are shown below:

SECTOR	RISK A	RISK B	RISK C	TOTAL	%
Mining	0	1	0	1	2.86
Oil and gas	0	0	0	0	0
Chemicals	0	0	0	0	0
Construction	1	1	18	20	57.14
Manufacturing	0	0	2	2	5.71
Agricultural business	0	0	1	1	2.86
Energy	0	1	0	1	2.86
Forestry	0	0	0	0	0
Infrastructure	3	0	1	4	11.43
Tourism	1	3	0	4	11.43
Other	0	0	2	2	5.71
TOTAL	5	6	24	35	100



OPERATIONS AND SERVICES COMMITTED TO THE RESPONSIBLE USE OF RESOURCES



JORGE RUIZ CORTAZAR
Executive Director
Material Resources

"We are aware of natural capital's importance as a source of resources for our operations."

SRS 103-3

At Grupo Financiero Banorte, we are aware of the importance of natural capital as a source of resources for our operations, so we continually promote their responsible use and mitigate potential environmental impacts through projects and efficiency strategies.

ENVIRONMENTAL POLICY SRI 103

Grupo Financiero Banorte has a public environmental policy, restructured to align with the international ISO 14000 standard, and meet all its long-term requirements by addressing the following aspects:

- Environmental risk and impact management
- Monitoring the carbon footprint
- Waste management
- Environmental criteria in procurement processes
- Collaboration with stakeholders
- Promotion and adoption of eco-efficient practices
- Commitment to national and international initiatives

To support the policy, GFNorte has a Matrix for the identification, evaluation and classification of environmental impacts to determine which business processes represent relevant actual and potential risks in environmental matters, which are classified according to scale, relevance, scope, frequency and reversibility; and which are reviewed annually.

ENERGY SRI 302-1, SRI 302-3, SRI 302-4, SRI 305-5

In 2016 we continued to monitor energy consumption of the Group, we followed up on efficiency projects and promoted the development of actions with operational and environmental benefits.

TOTAL ENERGY CONSUMPTION GFNORTE				
INDICATORS	2014	2015	2016	%VAR 15/16
FUEL /USE	[GJ]	[GJ]	[GJ]	
Gas	141.08	158.63	170.12	7%
Emergency electrical	N/A	240.33	174.29	-25%*
	703.27	243.70	536.40	120%*
	1,441.59	1,534.62	572.41	-63%*
	N/A	493.69	471.13	-5%
Baseline for energy vehicles	55,155.72	59,185.23	62,072.67	5%
Energy consumed (Scope 1)	57,441.66	61,848.85	63,997.02	3%
Energy generated by solar panels	136.62	136.62	136.62	0%
Electrical energy consumption	450,347.71	450,652.83	455,674.06	1%
Total energy consumption	507,925.99	512,645.65	519,807.70	1%
Energy/employee (includes natural and LP gas for)*	N/A	18.58	18.61	0.2%
Energy/employee (not including natural and LP gas)	18.33	18.55	18.59	0.2%
Energy/net income (GJ/millions of pesos)	33.35	29.97	26.92	-10%
Scope employees	100%	100%	100%	
Factors used	CONUEE 2014	CONUEE 2014	CONUEE 2015	

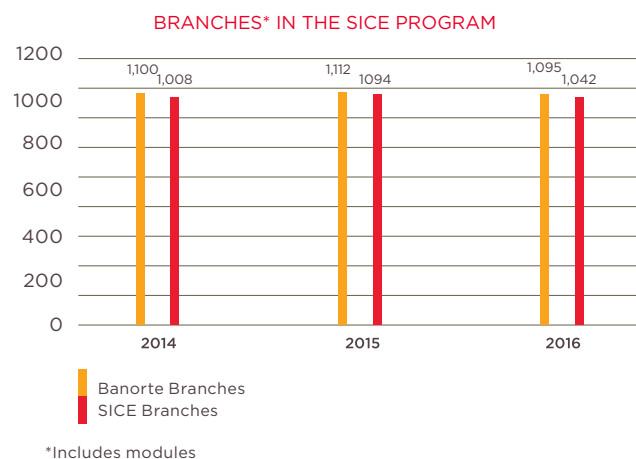
Natural gas kitchen: reduction due to closure of South Tower administrative building dining room, to open an electric stovetop. LP gas forklifts: reduction due to less income from the Warehouse compared to previous years. Diesel: increased in Banorte due to filling to capacity for the new electrical emergency plant in the KOI building and in Insurance and Annuities as a result of prolonged electrical shortages resulting from maintenance of underground lines.

The overall figure of 27,929 employees considered full-time employees, fees and professional service providers.

Energy applications include gasoline consumption of utilitarian cars of the Insurance and Annuities companies: 1.08 million liters, 56% of the total gasoline consumption of the group. Similarly Afore XXI Banorte and Banorte used 39% of the total fuel consumption, in both subsidiaries we continue to use a fuel monitoring system which has achieved a 2% decrease in use in the Afore XXI Banorte.

The Integral Energy Control System (SICE), one of our major programs for the efficient use of electricity, is now used in all Banorte branches. Since it was launched in 2007 and to the close of 2016, this system had coverage of more than 95% of Banorte branches, achieving acumulative savings of more than 150 million pesos and savings of 102 million kWh; avoiding 47,073 tons of CO2 emitted into the atmosphere.

The progress of this program brings us closer to our goal of a 30% reduction in emission intensity per employee by 2020, in alignment with the strategy implemented on a national level.



BANORTE INTEGRAL ENERGY CONTROL SYSTEM				
YEAR	TOTAL BRANCHES	BRANCH SCOPE SICE/ TOTALS (%)	MONETARY SAVINGS (MILLIONS OF PESOS)	ENERGY SAVINGS (MILLIONS OF kWh)
2014	1,110	90.81%	21.28	13.62
2015	1,112	98.38%	22.60	17.43
2016	1,095	95.16%	20.45	17.84

Since 2016, these benefits are extended to new branches, built with the SICE engineering for the automation of lighting and air conditioners, as well as the use of energy-efficient equipment.

Considering the risks associated with climate change, as from 2015 we have an initiative to install hurricane shutters and provide maintenance of air conditioning in Banorte branches in coastal areas, to prevent premature deterioration due to moisture. At the close of 2016 more than Ps \$800,000 were invested in 8 Banorte branches, adding 15 more branches since its implementation in 2015.

In 2016 mobile Banorte units were implemented, equipped with ATMs and customer service areas for the purchase of products and services. These units started operating in 11 municipalities in the states of San Luis Potosí and Puebla and present opportunities in the event of climate change, considering that these could reach communities affected by natural phenomena, in addition, they reduce our Scope 3 emissions. With regard to corporate buildings, Banorte began the relocation of 6% of its Banking Sector personnel in Monterrey, N.L., to the KOI building which is LEED silver certified for its energy efficiency. This change involves a reduction in the number of Banorte administrative buildings in the northern territory and considerable energy savings, likewise, the centralization of personnel an improvement represents for the institution for the execution of certain environmental initiatives such as reducing the need to travel, and those related to the recovery and recycling of toner and paper.

We are aware of the transition to the use of cleaner fuels and technologies raised in Mexico for the year 2018 by the national program for the sustainable use of energy. For this reason, since 2016 we have been evaluating a portfolio of suppliers of renewable energy with a view to its subsequent acquisition and our alignment to national objectives in the field of energy.

EARTH HOUR

In 2016, we participated in the Earth Hour initiative, organized by the World Wildlife Fund, by turning off non-essential lighting in 7 Banorte buildings, 8 Insurance and Annuities halls, and for the first time in 3 Afore XXI Banorte representative offices. In addition, we encouraged the efficient use of energy and employees participation in Earth Hour through the Banorte and Long Term Savings' internal communication channels.

PARTICIPATING BANORTE BUILDINGS

- Monterrey Torre Sur (South Tower)
- Tijuana Heroes
- Chihuahua Quintas del Sol
- Culiacan Matrix
- Guadalajara La Paz
- Mexico City Santa Fe
- Mexico City Mariano Escobedo

PARTICIPATING INSURANCE AND ANNUITIES

- Monterrey Plaza Hidalgo
- Monterrey Padre Mier
- Monterrey Valuation Center
- Mexico City Chicontepec
- Mexico City Ceylan
- Mexico City Mazaryk
- Guadalajara Americas
- Guadalajara Washington

PARTICIPATING AFORE XXI OFFICES

- Mexico City San Francisco Office
- Mexico City Annex 489
- Mexico City Annex 505

ATMs SRI 302-4, SRI 305-5

In 2016, 757 ATMs were replaced by more energy-efficient models, 5% more than in the previous year. This figure is equivalent to 10% of the total number of automatic teller machines at the close of the year. We also implemented technologies and functionalities in the ATMs that include remote selling and self-service services to reduce the need for clients to go to a branch, thus speeding up operations and reducing emissions generated by customer travel. Some of the new features are: sale and cancellation of insurance, contracting and renewal of loans and campaigns to collect data from customers, among others.

WATER CONSUMPTION

Estimated water consumption for 2016 was 668,673 m³, representing an increase of 0.09% from 2015 considering the scope of 99% of the financial group. The water consumed on the premises of the group comes from and is channeled to local networks where we operate.

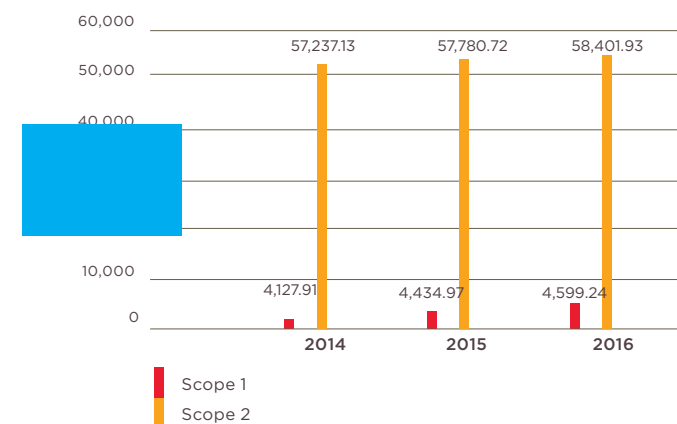
GFNORTE WATER CONSUMPTION CONSUMPTION			
CONSUMPTION	2015	2016	% VAR 15/16
Water m ³	668,065	668,673	0.09%
Water m ³ /employee	24.21	23.94	-1.11%

Note: Estimated values of water consumption for 2015 change with respect to those published in the annual report of the previous year due to internal re-costing based on state rates published by the National Water Commission (Mexico) in 2016.

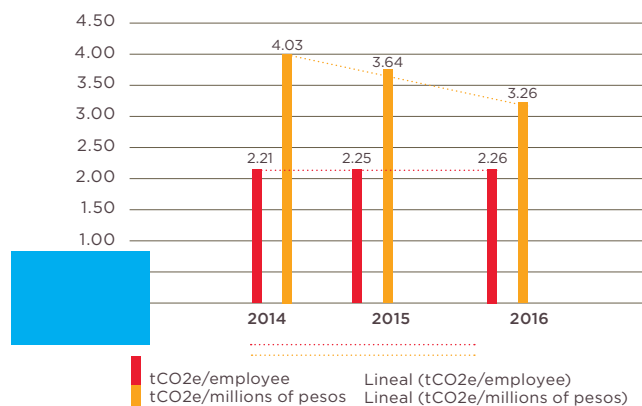
EMISSIONS SRI 305-1, SRI 305-2, SRI 305-3, SRI 305-4, SRI 305-5

At GFNorte, we calculate our carbon footprint through a focus of financial control that uses methodologies as the corporate standard accounting and reporting (ECCR) - the Greenhouse Gas Protocol (GHG Protocol) and national guidelines on the use of the potential global warming ingredients, the IPCC's Fifth Assessment Report (AR5). Our data are backed up every year, since 2012, through assurance by an external firm accredited by EMA (Mexican Accreditation Entity).

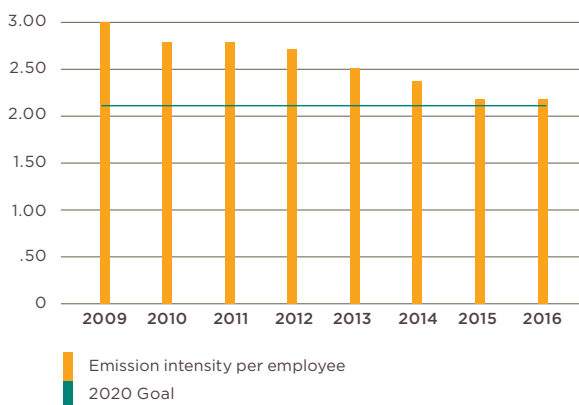
GFNORTE SCOPE 1 AND 2 EMISSIONS [TONS OF CO₂e]



EMISSION INTENSITY OF CO₂e
PER EMPLOYEE AND NET INCOME



TONS OF CO₂E/EMPLOYEES



Note: The overall figure of 27,929 employees for intensity of emissions per employee in 2016 considers full-time employees, fees and professional service providers.

GFNORTE EMISSIONS SCOPES 1 & 2 [TONS OF CO₂E]

BUSINESS UNIT	2014			2015			2016			VARIATION 2015 VS 2016
	A1	A2	A1+A2	A1	A2	A1+A2	A1	A2	A1+A2	
Afore XXI Banorte	223.00	1,264.21	1,487.21	214.76	1,668.20	1,882.96	209.98	1,647.16	1,857.14	-1.37%
Warehouse	110.95	107.49	218.44	116.02	105.81	221.83	59.88	102.43	162.31	-26.83%*
Leasing & Factoring	122.43	N/A	122.43	119.05	N/A	119.05	113.41	N/A	113.41	-4.73%
Banorte	1,515.77*	51,637.55	53,153.32	1,556.60	51,874.14	53,430.74	1,614.43	52,415.51	54,029.94	1.12%*
Banorte-Ixe Securities International	N/A	26.97	26.97	N/A	27.53	27.53	N/A	26.02	26.02	-5.49%
Inter National Bank	58.22	2,569.58	2,627.80	60.93	2,706.52	2,767.45	65.32	2,607.82	2,673.14	-3.41%
Insurance & Annuities	2,097.55	1,631.32	3,728.87	2,367.62	1,398.52	3,766.14	2,536.22	1,602.99	4,139.20	9.91%*
GRUPO FINANCIERO BANORTE	4,127.91	57,237.13	61,365.04	4,434.97	57,780.72	62,215.70	4,599.24	58,401.93	63,001.17	1.26%

NOTES:

A1 and A2 emissions: 100% since 2013 considering that (i) Banorte Ixe Securities has no fleet of cars (ii) Leasing and Factoring carries out its operations in Banorte buildings. *Does not include natural and LP gas stoves. GFNorte uses emission factors published on Sept. 3rd, 2015 in the Official Journal of the Federation. In addition, the calorific capacities used according to that published by the National Commission for Efficient Energy Use (CONUEE) in 2014 and 2015 and the electric emission factor published by the Ministry of the Environment and Natural Resources (SEMARNAT) for 2015. #Emissions derived from a) natural gas kitchen: reduction due to closure of South Tower administrative building's dining room to give way to use of electric stoves; b) LP Gas forklift: reduction related to less Warehouse income versus previous years; c) Diesel: increase due to filling to capacity of emergency electrical plant for the inauguration of KOI building and in Insurance and Annuities, as a result of prolonged power shortages as a result of maintenance work on underground lines.

With regard to the objective of reducing emissions resulting from our operations, in 2016 we adhered to the Science Based Targets initiative for the establishment of medium and long-term reduction targets based on international scientific standards. The signing of the commitment gives us a period of 24 months to establish objectives based on certified methodologies, whose progress will be annually reported to CDP and publicly available.

VIDEOCONFERENCES

In 2016 we held 88,650 videoconferences at GFNorte, representing an increase of 139% from 2015. Specifically, in Banorte the increase represents a 149% growth. In addition, an estimated of 127,871 kilometers of travel were saved through videoconferences held in leasing and factoring and Banorte Ixe Securities International, which represent a savings of more than Ps 1.5 million considering the average cost per trip in 2016. In Banorte more than 20 million pesos were invested for the renovation and maintenance of videoconferencing rooms, 103% more than in 2015.

CORPORATE TRAVEL SRI 305-3, SRI 305-5

Kilometers travelled aboard airlines were calculated for employee of Banorte subsidiaries, Afore XXI Banorte, Leasing and Factoring, Banorte- Ixe Securities International and, for the first time, Insurance and Annuities companies, business units that are responsible for 98% of the financial group's employees, 7% higher than in 2015.

In Banorte, we continue to use the tool included in the SAP module for calculations. In 2016 more than 16.7 million kilometers were registered, 46% more than the previous year, which amounted to 11.5 million kilometers, equivalent to 1,619 tons of CO₂ emitted into the atmosphere. To offset this impact, we encourage video-conferencing as well as digital collaboration between employees through the use of web tools for online meetings. To this end, since 2015 employees with laptops have UC Voice equipment available to them, also the Webex service in the sales area of Afore XXI Banorte was activated.

GFNORTE SCOPE 3 EMISSIONS

BUSINESS UNIT	CORPORATE TRIPS [km]				A3 [TONS OF CO ₂ e]			
	2014	2015	2016	16/15 VAR%	2014	2015	2016	16/15 VAR%
Afore XXI	2,158,836.00	736,761.00	1,597,949.00	117%	258.38	88.18	167.31	90%
Warehouse	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Leasing & Factoring	298,437.00	297,134.40	418,764.00	41%	35.72	35.56	43.85	23%
Banorte	8,277,667.42	10,382,539.60	11,131,466.81	7%	761.54	973.91	1,033.20	6%
Banorte Ixe Securities International	78,591.00	57,644.00	76,639.31	33%	9.41	6.90	8.02	16%
Inter National Bank	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Insurance and Annuities	N/A	N/A	3,509,159.83	N/A	N/A	N/A	367.41	N/A
GRUPO FINANCIERO BANORTE	10,813,531.42	11,474,079.00	16,733,978.95	46%	1,065.04	1,104.55	1,619.80	47%

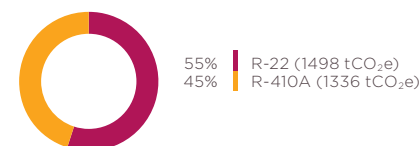
Note: GFNorte updated emission factors of corporate air travel according to the recommendations published in the *Federal Greenhouse Gas Accounting and Reporting Guidance* on January 17th, 2016, reason for which the values of CO₂e differ with respect to those published in the 2015 Annual Report.

With respect to the employee travel, the "Employee Travel" survey was carried out in 2015 more than 2,000 employees of the Call Center building in Monterrey, N.L., which estimated a total of 80.32 tons of CO₂ emissions due to the use of motorized transport.

GAS REFRIGERANTS SRI 305-6

With regard to Scope 3 emissions, as from 2015 emissions corresponding to recharging refrigerant in Banorte installations are accounted for, with a 75% scope with respect to the total number of employees of the financial group. Refrigerants recharged in 2016 were 851 kg of R-22 gas and 695 kg of organic gas R-410A, which involved the generation of 2,835 ton CO₂e. Currently top-ups of R-410a refrigerant, which does not contribute to the reduction of the ozone layer and does not contain CFCs, is 45% of the total number of refills in Banorte, while top-ups of R-22 were reduced by 43%. In addition, in 2015 Banorte stopped purchasing equipment using R22.

RECHARGING REFRIGERANTS



SCOPE 3 EMISSIONS FOR REFRIGERANT GASES 2016

BUSINESS UNIT	2015				2016				YOY 15/16 [tCO ₂ e]	
	R22 [kg]	R-410A [kg]	R22 [tCO ₂ e]	R410-A [tCO ₂ e]	R22 [kg]	R-410A [kg]	R22 [tCO ₂ e]	R410-A [tCO ₂ e]	R22	R410-A
Banorte	1,2501.75	561.15	2,643.08	1,079.37	851.50	695.00	1,498.64	1,336.83	-43%	24%
TOTAL	1,501.75	561.15	2,643.08	1,079.37	851.50	695.00	1,498.64	1,336.83		





WASTE MANAGEMENT

PAPER CONSUMPTION SRI 301-1

The financial group's paper consumption increased by 2% versus 2015, totaling 1,230 tons. In contrast, based on net profits, paper consumption has decreased by more than 9%, reflecting the results of operational strategies implemented in 2015 and 2016, which encourage the use of digital media and cross-selling. These strategies include Origina, which has been implemented in customer service centers and promotes the efficient use of paper through multiple contracts and eliminating the file records at branches. In addition, in Savings and Provision Sector, as well as US Sector, reductions in paper consumption per employee of 6% and 7% respectively, were achieved.

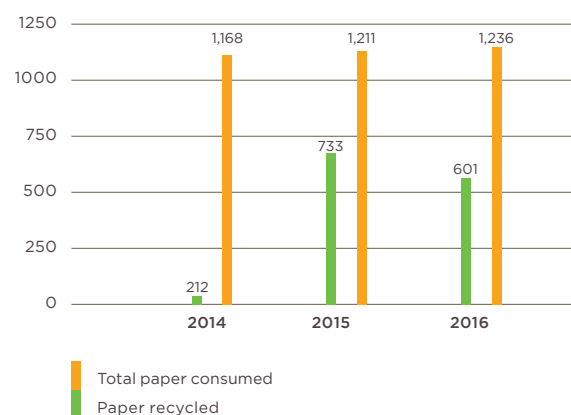
CONSUMPTION GFNORTE

(TONS)	2014*	2015	2016	% VAR 15/16
Total Consumption	934.19	968.16	1,036.09	7.04%
Per employee	0.04	0.05	0.05	-1.15%
Total Consumption	211.96	225.30	184.56	-20.65%
Per employee	0.03	0.03	0.03	-6.76%
Total Consumption	21.47	17.54	15.80	-9.91%
Per employee	0.04	0.03	0.03	-7.75%
Total Consumption	1,167.62	1,211.00	1,236.46	2.10%
Per employee	0.04	0.04	0.04	0.88%
Per net income (t/mop)	0.077	0.071	0.064	-9.53%

Note: Recycled paper includes dead files ready for recycling at the end of its legal validity.

With regard to the consumption of toner, in 2016 we recycled 7% of toner purchased in 2015, which implies the recovery of 3.1 tons of components such as plastic, toner, cardboard, aluminum and other metals. In addition, by the end of the year we recycled 1.289 toners, equivalent to 8% of toner purchased in 2016. Finally, in 2016 we worked on the strategy for the recovery and recycling a minimum of 12% of the total toners to be requested in 2017.

RELATION OF PAPER CONSUMED / RECYCLED (TONS)



Among Banorte initiatives to promote efficient paper use, we continue with the application of our Paperless online course in the induction package for new employees. In 2016, 605 employees (+41% vs 2015) were trained in responsible paper consumption in work activities. In addition, 129 employees with seniority were accredited for the course.

One of the main areas of opportunity is to promote responsible document printing. Since 2015, the Papercut tool is used in corporate buildings; this tool manages paper and toner via printing controls directly from the multifunctional. At end of 2016, the consumption of 0.35 tons of paper (+ 25% YoY) was prevented.

Within the Insurance's operations, we continued to use the "Mobile adjuster" application, which allows the electronic management of accidents thereby increasing operational efficiency. Through this application, insurance adjusters gather the accident information in digital documents, which are shared with the insured and the providers responsible for follow-up. At the end, documents are downloaded to the Insurance central system, allowing future reference and completely avoiding the use of paper. In 2016, after use at the national level, 9 tons of paper was saved, surpassing the goal established in the developmental stage in 2015.

TOKENS SRI 306-2

During 2016, 55,171 physical tokens were migrated to cell phones and 283,534 new cellular tokens were contracted, thus reaching a total of 338,705 users of this modality in 2016.

The campaign to reuse and recycle clients' tokens continued in 2016, collecting 29,374 physical tokens. Of these, 8,682 devices were reintroduced into banking operations and 20,692 were sent to a warehouse for recycling and recovery of components in 2017, also 5,090 tokens available in the warehouse at the end of 2015 were recycled in 2016. The reduction in the recovery of physical tokens is related to the increase in clients' adoption of the mobile token.

On the other hand, as from November 2016, our Paperless service is automatically provided to all credit card customers with online banking services with token (cell or physical) to check their online bank statement, eliminating the need to print and mail statements thus saving energy and paper.

MUNICIPAL SOLID WASTE SRI 306-2

In 2016 we expanded the sampling scope for the estimation of waste generated in Banorte administrative buildings and branches, including the Preferential, Dual, Preferential Dual, and Module customer service centers implemented in 2015. The estimated waste generated this year versus 2015 was a 24% reduction in tons generated per employee. Also, the global estimate indicates a generation of 2,394 tons on a Banorte level.

Banorte continues its efforts to reduce the amount of solid waste being sent to landfills. Therefore, in 2016 we began a recycling program in the "Roberto González Barrera" Call Center in Monterrey, Nuevo León, which has recovered an estimated 30% of the monthly PET waste in the building. Separation of waste was also encouraged through an awareness campaign for the more than 2,500 employees in the building.

WASTE RECYCLING SRI 306-2

In 2016 we recycled more than 479 tons of paper from the program implemented in corporate buildings and dead files, which represents an economic return of more than 1 million pesos. The recycling program benefits more than 5,800 employees in 13 administrative buildings, i.e. 28% of banking sector personnel. Additionally, the Insurance and Annuities companies recycled 22.57 tons of cardboard and white paper, 7% more than in 2015, in the same way, INB recycled 97.67 tons of paper in 2016 and Afore XXI Banorte joined the initiative recycling 1.59 tons of paper.

RECYCLED PAPER [ton]				
OFFICES AND DEAD FILES	2014	2015	2016	% VAR 15/16
Banking Sector	121.76	612.85	479.03	-21.84%
BAP Sector	25.33	21.02	24.17	15.00%
USA Sector	65.87	99.40	97.67	-1.75%
TOTAL GFNORTE	212.95	733.27	600.87	-18.06%

We also continued with source separation and recycling of urban solid waste in the Torre Mayor offices. In 2016, we recycled more than 18 tons of waste, 150% more than in the previous year. The economic savings, after operating expenses, was earmarked for the non-profit World Green Brigade to support social causes such as the delivery of computer equipment to local elementary schools.

SUSTAINABLE VALUE CHAIN SRI 103

The implementation of the SAP ARIBA platform for the management of the financial group's suppliers of goods and services was launched in 2016. This tool is used for an evaluation methodology of the environmental risks associated with our supply chain in alignment with the second edition of the practical guide to Supply Chain Sustainability of the United Nations Global Compact, which includes diagnosis, planning, monitoring and decision-making. Registering providers in the platform began in 4Q16 and included a questionnaire for new providers with a permanent contract. For 2018 we expect, with the information gathered, to carry out the diagnostic phase using a matrix to classify suppliers considering the possible socio-environmental risks of each sector, company or area of action.

As part of the portfolio of sustainable suppliers, since 2014 we have been collaborating with a solar company that provides benefits to our employees. During the year, Banorte employees who use solar panels in their homes contribute to preventing emitting 3,359 kg of CO₂ into the atmosphere, at the same time, these solar panels generate 7,334 kWh of energy.

SUSTAINABILITY MANAGEMENT SYSTEM SRI 103

The SMS (Sustainability Management System) platform continued in operation for the collection, validation and analysis of environmental performance indicators of the financial group. In 2016 trained users captured 254 data related to environmental indicators.

In addition the range was increased in the monitoring through the inclusion of indicators for measuring Scope 3 emissions from the use of office materials, commercial printing, and other items; and the inclusion of key social indicators for the group. This platform was also used as a basis for the data management of this report.

EXPENSES AND ENVIRONMENTAL INVESTMENTS SRI 103

The total cost to treat and mitigate emissions in 2016 amounted to Ps 20.19 million for the construction, renovation and maintenance of videoconferencing rooms to reduce emissions generated by corporate travel.

In addition, the total investment for prevention and environmental management was Ps 3.51 million, which includes the purchase of plants and materials for the green roof, maintenance and development of the educational program in 2016. This sum also considers investing in the SMS platform for the management of sustainability indicators and assurance of the greenhouse gas emission inventory.

An investment of Ps 11.91 million was made to renew air conditioning equipment and install hurricane shutters in coastal areas.

GREEN ROOF

The green roof of the “Roberto González Barrera” Call Center in Monterrey, N.L. completed its third year of operation promoting the conservation of Mexican species.

In 2016, 2,192 people went through the environmental education program implemented in June 2014, 44% more than in 2015. The educational program’s scope, through an agreement with the Ministry of Public Education (SEP) offered primary school children the opportunity to participate in various workshops which has resulted in the green roof being the only one endorsed by the SEP for school visits.

Globally, the green roof’s educational program has benefited 4,874 people of our various stakeholders, particularly administrative personnel and newly hired executives, relatives of employees, suppliers, primary school and higher institutions, and non-governmental entities.



GREEN ROOF

	2014	2015	2016	% VAR 15/16
Internal	149	829	1,429	72%
OSC	58	170	144	-15%
Academic	22	312	818	172%
Employee relatives	47	300	462	54%
Suppliers	16	31	0	-100%
Government entities	6	16	5	-82%
Number of internal visitors	719	985	763	-23%
Number of total visitors	52	77	95	3%
TOTAL	868	1,814	2,192	44%

The educational program includes conferences, craft workshops, tours and activities for reflection that aims to educate our stakeholders on sustainability. In 2016 this program was awarded the Honorable Mention for Ecological Merit by the municipality of Monterrey, Nuevo Leon.

DONATION FOR THE PROTECTION OF THE BLACK BEAR SRI 103

Banorte continued its Alliance with the MexiCO2 platform for the contribution of Ps 1 million to Profauna Mexico to finance the protection of black bears in the Sierra Zapalina, in Coahuila. This donation will take place over 4 years from 2015, through the trust's help, in which funds donated by employees will be doubled by the Banorte Foundation.

The Profauna project raises awareness about the importance of the species to the public, the prevention and mitigation of possible damage, allowing the coexistence of productive activities carried out by the habitants and the black bear.

INTERNAL COMMUNICATION

During 2016 a culture of organizational change among employees of the Banking Sector and Long Terms Savings was encouraged to promote the implementation of sustainable practices by sending 16 internal postcards for "Taking care of my Planet" and "Meatless Monday" campaigns. Employees were also encouraged to use digital banking through 35 comunicués highlighting the benefits of Bxl, mobile Token, Banorte mobile and mobile payment.

In addition, we continued to receive suggestions and initiatives through various channels of communication. In 2016, 340 comments on activities related to sustainability were discussed.

EXTERNAL INITIATIVES

GEI MEXICO SRS 102-10

For fourth consecutive year we participated in the GEI Mexico program of the Ministry of Environment and Natural Resources (SEMARNAT). GFNorte was the first private financial institution to obtain GEI2 recognition, which supports our strategy of evaluating, accounting and reporting GHG emissions from the company, as well as implementing the emission mitigation program.

In order to comply with new environmental legislation in the field of emissions, in 2016 GFNorte recorded figures for 2015 in the Annual Operational Card, adhering to guidelines established by the National Regulation of Emissions (RENE).

ACKNOWLEDGEMENTS

- GFNorte was recognized as a member of the **STOXX Global Climate Change Leaders Index**, making it in the only Latin American issuer to be considered in the index. The STOXX Global Climate Change Leaders Index is composed of a select group of 105 companies that stand out globally for their incorporation of risk analysis due to climate change in their daily operations.
- GFNorte joined the **Euronext Vigeo Emerging Markets 70 Index**, which recognizes 70 companies in emerging countries with the most advanced sustainability practices. GFNorte is the only Mexican financial group and one of three Latin American companies to be included.
- GFNorte joined the **FTSE4Good Emerging Sustainability Index**, being the only Mexican financial institution included in the top 10 Latin American companies of the stock exchange indicator in London, which evaluates actions on issues of climate change, labor standards, and risk management, among others.
- Grupo Financiero Banorte was distinguished by the international organization **CDP** as one of the three leading companies in the "CDP Climate Change Program of Latin America", obtaining the A- qualification in the 2016 CDP Climate Change questionnaire, proving its management strategy in the face of climate change in their operations.
- GFNorte is a signatory of the **Business and Biodiversity Pledge**, promoted by the Ministry of the Convention on Biological Diversity and the Government of Mexico. This signature reaffirms the financial group's commitment in promoting the importance of biodiversity and ecosystem services and establishing positive actions in our operations.



CORPORATE GOVERNANCE

Maintaining sound Corporate Governance is essential to safeguarding the interests of shareholders, customers, employees, suppliers and the communities we serve. Given its importance, the Board of Directors is the supreme body responsible for taking the necessary actions to ensure good Corporate Governance.

SRS 102-18, 102-20, 102-22, 102-26, 102-26, 102-34, 102-36, 405-1

Corporate Governance is one of our essential elements in the strategy of creating value. Maintaining sound Corporate Governance is essential to safeguarding the interests of our shareholders, customers, employees, suppliers and the communities we serve. Given its importance, Grupo Financiero Banorte's Board of Directors is the supreme body responsible for taking the necessary actions to ensure good Corporate Governance.

Among the functions of Corporate Governance is to provide the necessary elements to achieve the effective and efficient functioning of the governing bodies, reflecting directly in the transparency of decision-making, as well as to promote mechanisms to regulate relations between shareholders, Government bodies, the administration and interested third parties.

In this sense and in order to guarantee a healthy Corporate Governance, the following governing bodies have been established:

- Audit and Corporate Practices Committee
- Risk Policies Committee
- Human Resources Committee
- Nomination Committee

These committees are made up of members of the Board of Directors, with the participation of officials of the Institution itself in some of them.

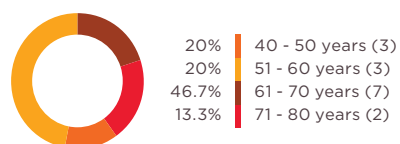


BOARD OF DIRECTORS

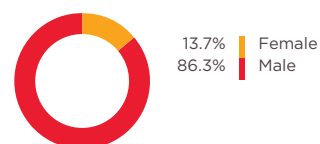
The Board of Directors of Grupo Financiero Banorte is made up of 15 members, 11 of whom are independent. Similarly, each proprietary member has an alternate.

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

COMPOSITION OF BOARD OF DIRECTORS
BY AGE RANGE



COMPOSITION OF BOARD OF DIRECTORS
BY GENDER



PROFILES

CARLOS HANK GONZALEZ
PRESIDENT
(45 YEARS OLD)

PROFESSIONAL BACKGROUND

In 1997 he was appointed as CEO of Interacciones Casa de Bolsa, in 1999 as CEO of Interacciones Bank, and in 2000 as CEO of Grupo Financiero Interacciones (GFI). At the beginning of 2003 became Deputy Director General of GFNorte and the end of the year, returned to the Directorate General of GFI to place it as a financial group with high profitability, specializing in financing to states and municipalities; led a successful public offering in 2013, which consolidated the GFI as a public company with increasing liquidity in the stock market. He also was named in 2008 as Group General Industrial Hermes, founded in 1978, with different lines of business in infrastructure, energy, automotive, transportation and, as of 2013, tourism.

ACADEMIC BACKGROUND

Administration with specialization in Finance from the Universidad Iberoamericana.

Member of the Board of Directors since: October 2014

JUAN ANTONIO GONZALEZ MORENO
PRORIETARY
(59 YEARS OLD)

PROFESSIONAL BACKGROUND

Chairman and CEO of GRUMA and GIMSA. He has served as CEO of Gruma Asia and Oceania, Senior Vice President of Special Projects of Gruma Corporation. Chairman and CEO of CarAmigo United States, Vice President of Central and Eastern Regions of MissionFoods, President and Vice President of Sales of Azteca Milling.

ACADEMIC BACKGROUND

He graduated with a degree in Business Administration from the Universidad Regiomontana and holds a Master of Business Administration (MBA) from the University of San Diego, California.

Member of the Board of Directors since: April 2004

DAVID VILLARREAL MONTEMAYOR
PRORIETARY
(68 YEARS OLD)

PROFESSIONAL BACKGROUND

He serves as CEO and is the majority shareholder of Artefactos Laminadas, S.A. de C.V. Currently the Chairman and Deputy CEO of Inmobiliaria Montevi, S.A. de C.V. and Inmobiliaria Mony, S.A. de C.V., he is also a Consultant Regional Board Member of Banco Nacioanl de Mexico, S.A. (Banamex) and Financial Advisor and Developer in SISMEX Sistemas Mexicanos, S.A. de C.V. From 1972 to 1980, he served as assistant director of operations in Artefactos Laminadas.

ACADEMIC BACKGROUND

A Mechanical and Electrical Engineer graduate from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), he also has a Master of Science in Automatic Controls from the same institution, and has participated in the Senior Management program of the Institute Panamericano de Alta Dirección (IPADE).

Member of the Board of Directors since: October 1993

JOSÉ MARCOS RAMIREZ MIGUEL
PRORIETARY
(53 YEARS OLD)

PROFESSIONAL BACKGROUND

CEO of GFNorte and Banco Mercantil del Norte, S.A., since November 2014.

He served as General Director of Corporate and General Director of Wholesale Banking in Banorte. His work experience is essentially banking. Starting as an interdisciplinary consultant in Peat Marwick Mexico he subsequently entered the area of Financial Engineering at Operadora de Bolsa. In 1989 he founded Finventia, highlighting their participation in the issuance of the first private Eurobond, he later participated in the restructuring of the Mexican public debt. He also worked at Banque Nationale de Paris and Banque Indosuez Mexico as a trader of the Mexican market. From 1993 to 1999 he worked at Nacional Financiera, S.N.C. in the area of development banking, performing various executive positions. Later, he worked for 11 years in Grupo Financiero Santander, where he acted as CFO, General Director of Wholesale Banking, General Director of Casa de Bolsa Santander and Executive Vice President of the Group. In 2007 he served as President of the Mexican Association of Brokerage Firms.

ACADEMIC BACKGROUND

He graduated an Actuary from the Universidad Anahuac, with graduate studies in Finance from the Instituto Tecnológico Autonomo de Mexico (ITAM) and a Master of Business Administration (MBA) from E.S.A.D.E. Barcelona.

Member of the Board of Directors since: July 2011

EVERARDO ELIZONDO ALMAGUER
INDEPENDENT
(73 YEARS OLD)

PROFESSIONAL BACKGROUND

A Professor of International Finance Chair of the EGADE Business School, ITESM. He was Director of Economic Studies of Grupo Industrial Alfa (Grupo Alfa today). He founded the consulting firm Index, Economia Aplicada, S.A. and was Deputy Governor of the Bank of Mexico. Founder and first director of the Graduate School of the Faculty of Economics at the Universidad Autónoma of Nuevo Leon.

ACADEMIC BACKGROUND

He graduated in Economics from the University of Nuevo Leon and holds an MBA and is a candidate for his PhD in Economics from the University of Wisconsin-Madison.

Member of the Board of Directors since: April 2010

PATRICIA ARMENDARIZ GUERRA
INDEPENDENT
(61 YEARS OLD)



PROFESSIONAL BACKGROUND

She currently serves as General Director of Sustainable Finance, Sociedad Financiera Popular dedicated to financing projects for micro-entrepreneurs and is Managing Partner and Founder of Valores Financieros, a consultancy firm for banking systems.

She served as advisor to the Secretary of Finance and Public Credit, in which capacity she coordinated the negotiation of free trade in financial services, was subsequently Vice-president of Supervision of the National Banking and Securities Commission. She was appointed Associate Director of the Bank for International Payments, in charge of the analysis of the Basel II impact on emerging markets. Adviser to GFNorte President for Life of GFNorte, Roberto Gonzalez Barrera and Director of Special Projects at the same institution.

She has been an international consultant in banking crises, a Professor of Economics at the Instituto Tecnológico Autónomo de México (ITAM) and author of numerous academic and specialized publications for Banking and Macroeconomics.

ACADEMIC BACKGROUND

She is Mathematics Actuary from the Universidad Autonoma of Mexico (UNAM) and holds a Masters in Economics from the same institution, as well as a Doctorate in Economics from Columbia University in New York.

Member of the Board of Directors since: April 2009

HECTOR REYES-RETANA Y DAHL
INDEPENDENT
(70 YEARS OLD)



PROFESSIONAL BACKGROUND

He is An Independent Consultant and Board Member who is also currently a member of the Board of the National Savings Bank (Bansefi). He has occupied several positions in the public sector, in the Ministry of Economy, and founded the parastatal agency "ProMexico, Investment and Commerce". He served as General Director of Banco Nacional de Comercio Exterior, S.N.C (Bancomext) and General Director of Banca Confía, as well as Director of International Operations at Banco de México (Banxico). In the private sector, he was CEO of Grupo Financiero Mifel and Banca Mifel and held the position of First Vice-President of the Mexican Association of Banks as well as Vice-President of the Mexican Bankers Association, among other positions.

ACADEMIC BACKGROUND

An Industrial Engineering from the Universidad Iberoamericana he also holds a Master's Degree in Business Administration (MBA) from Cornell University, New York.

MEMBER OF THE BOARD OF DIRECTORS SINCE: JULY 2011

EDUARDO LIVAS CANTU
INDEPENDENT
(67 YEARS OLD)



PROFESSIONAL BACKGROUND

Currently serving as a member of Gruma's Executive Committee. He served as Director of Operations and General Director of Gimsa's Central America Division. He was General Manager of Gruma Corp. (U.S.A. Division) and Corporate General Director of Gruma and Gimsa. He was an independent business consultant.

ACADEMIC BACKGROUND

He holds a Law Degree from the Universidad Autonoma de Nuevo Leon (UANL) and is a Doctor of Economics from the University of Austin, Texas.

Member of the Board of Directors since: April 1999

ALFREDO ELIAS AYUB
INDEPENDENT
(66 YEARS OLD)



PROFESSIONAL BACKGROUND

He currently serves as Chairman of the Board of Directors of Promociones Metrópolis, S.A. de C.V. and member of the board of Iberdrola USA and Rotoplas. Previously, he served as General Director of the Federal Electricity Commission (CFE), General Director of Airports and Auxiliary Services (ASA) and held various positions within the Energy, Mines and Parastatal Industry Ministry. He was a member of the Alumni Councils of the Harvard University Business School, National Financiera, Multibanco Mercantil de México and Banco Internacional. He also served as Chairman of the Board of the Mexican Institute of Electrical Research and as Chairman of the Board of the Harvard Foundation in Mexico.

ACADEMIC BACKGROUND

A Civil Engineer graduate from the Universidad Anahuac, he also has a Masters in Business Administration (MBA) from Harvard University Business School.

Member of the Board of Directors since: April 2012

ADRIAN SADA CUEVA
INDEPENDENT
(41 YEARS OLD)



ANTECEDENTES PROFESIONALES

He has been Executive General Director of Vitro since March 2013 and a member of the Board of Directors of Vitro, S.A.B. de C.V. since 2010, as well as member of the boards of Comegua, the Industrial Club of Monterrey, the University of Monterrey, he sits on the Board of Directors of the Chamber of Transformation Industry (CAINTRA) and the North Regional Board of GFNorte. He has served as Director of Vitro Cristalglass (Spain), General Manager of Vitro Automotriz, Director of Internal Restructuring, Director of Administration and Finance and General Director of the Vitro Packaging business.

ACADEMIC BACKGROUND

He holds a Bachelor's Degree in Business Administration from the Monterrey Institute of Technology and Advanced Studies (ITESM) and holds a Master's in Business Administration (MBA) from Stanford University.

Member of the Board of Directors since: April 2013

ALEJANDRO BURILLO AZCARRAGA

INDEPENDENT
(65 YEARS OLD)



PROFESSIONAL BACKGROUND

He is Chairman of the Board of Directors of Grupo Pegaso, with presence in sectors such as: technology, telecommunications, media, real estate, sports, culture and philanthropy, agriculture, tourism, services and aeronautics. He has participated as a majority and strategic partner in several companies and financial institutions such as: Ixe Bank, Laredo National Bank, Telefónica Movistar and Atlante Football Club, among others. He has also participated as an independent member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A.

Member of the Board of Directors since: April 2013

JOSE ANTONIO CHEDRAUI EGUÍA

INDEPENDENT
(50 YEARS OLD)



PROFESSIONAL BACKGROUND

He is CEO of Grupo Comercial Chedraui. In addition, he has served as Commercial Director and then as Commercial General Director of Las Galas. He also participates in the Chedraui Foundation, Young Presidents' Organization and Mexico Nuevo

ACADEMIC BACKGROUND

He holds a degree in Accounting and Finance from the Universidad Anahuac

Member of the Board of Directors since: April 2015

ALFONSO DE ANGOITIA NORIEGA

INDEPENDENT
(51 YEARS OLD)



PROFESSIONAL BACKGROUND

He currently is the Executive Vice President and Chairman of the Finance Committee of Grupo Televisa, S.A.B. and has been a member of the Board and Executive Committee of the company since 1997. He is also a member of the Board of Directors of Empresas Cablevisión, S.A. de C.V., Innova, S. de R.L. de C.V. (Sky), Cablemás Telecomunicaciones, S.A. de C.V., Operbes, S.A. de C.V. (Bestel), Televisión Internacional, S.A. de C.V. And Grupo Axxo, S.A.P.I. de C.V., as well as The Americas Society. He is President of the Board of Kardias Foundation and member of the UNAM Foundation and the Mexican Health Foundation. Before joining Grupo Televisa, he was a founding partner of the law firm of Mijares, Angoitia, Cortés y Fuentes, S.C. He served as Executive Vice President of Administration and Finance from 1999 to 2003. He was also a member of the Board of Grupo Modelo, S.A.B. de C.V. from 2005 to 2013 and The American School Foundation from 2001 to 2010.

ACADEMIC BACKGROUND

He holds a Law Degree from the Universidad Nacional Autónoma de México (UNAM).

Member of the Board of Directors since: April 2015

OLGA SANCHEZ CORDERO DAVILA

INDEPENDENT
(70 YEARS OLD)



PROFESSIONAL BACKGROUND

She is Notary Public 182 of Mexico City and of the Property Heritage of the City of Mexico. She is a member of the International Women's Forum, the International Federation of University Women and the International Association of Women Judges. She was appointed Minister of the Supreme Court of Justice of the Nation (1995-2015) and Magistrada Numeraria of the Supreme Court of Justice of the Federal District (1993 to January 1995).

ACADEMIC BACKGROUND

She holds a Law Degree from the Universidad Nacional Autónoma de México (UNAM) with a postgraduate degree in Social Policy and Administration from the University College of Swansea in Great Britain. She is Doctor Honoris Causa of the Autonomous University of Morelos and the Autonomous University of Nuevo Leon.

Member of the Board of Directors since: April 2016

THOMAS S. HEATHER RODRIGUEZ

INDEPENDENT
(63 YEARS OLD)



PROFESSIONAL BACKGROUND

He is a partner of Ritch, Mueller, Heather and Nicolau, S.C. and specializes in external financing, restructuring and securities placement. He is legal counsel of the Business Coordinating Board (CCE) and a permanent member of the committee responsible for drafting the Code of Best Corporate Practices of this Board. He is a member of the Board of Directors and of the Audit and Corporate Practices Committee (CAPS) of Grupo Bimbo, S.A.B. de C.V.; Independent Director and Chairman of CAPS de Gruma, S.A.B. de C.V. and Grupo Industrial Maseca, S.A.B. de C.V.

ACADEMIC BACKGROUND

He is a law graduate from the Escuela Libre de Derecho, with a Master's degree from the University of Texas (Austin) - "Master of Comparative Jurisprudence- Financial Law".

Member of the Board of Directors since: April 2016

ASSISTANCE AVERAGES OF THE BOARD AND COMMITTEES

ATTENDANCE AVERAGE FOR THE BOARD OF DIRECTORS: 98.3%

ATTENDANCE AVERAGE FOR EACH COMMITTEE

- Audit and Corporate Practices Committee: 95%
- Risk Policies Committee: 96%
- Human Resources Committee: 100%
- Nominations Committee: 100%

NUMBER AND NAME OF COMMITTEES ON WHICH BOARD MEMBERS SIT

4 Committees:

- Audit and Corporate Practices Committee
- Risk Policies Committee
- Human Resources Committee
- Nominations Committee

NUMBER OF ISSUES ADDRESSES DURING THE SESSIONS: 8

HOW OFTEN THE BOARD OF DIRECTORS MEET

The Board meets quarterly and in extraordinary cases at the request of the Chairman, 25% of the proprietary shareholders, or the Chairmen of the Audit or Corporate Practice Committees.

HOW OFTEN THE COMMITTEES MEET

- **Audit and Corporate Practices Committee.** 12 a year (monthly), plus any extraordinary sessions that may arise.
- **Risk Policies Committee.** Meets for 12 regular sessions and 1 extraordinary session a year.
- **Human Resources Committee.** Meets 4 times a year.
- **Nominations Committee.** The Nominations Committee meets at least once a year or when convened by the President.

PRINCIPALES FUNCIONARIOS

	JOSE MARCOS RAMÍREZ MIGUEL	CEO OF THE FINANCIAL GROUP		GUILLERMO CHAVEZ ECKSTEIN	MANAGING DIRECTOR CREDIT AND RISK MANAGEMENT
	JOSE ARMANDO RODAL ESPINOSA	MANAGING DIRECTOR WHOLESALE BANKING		RAFAEL ARANA DE LA GARZA	COO
	CARLOS EDUARDO MARTÍNEZ GONZÁLEZ	MANAGING DIRECTOR RETAIL BANKING		CARLOS DE LA ISLA CORRY	MANAGING DIRECTOR PRESIDENTIAL ADVISORY
	FERNANDO SOLIS SOBERON	MANAGING DIRECTOR LONG TERM SAVINGS		SERGIO GARCIA ROBLES GIL	PRESIDENTIAL ADVISOR FOR REGIONAL BOARDS
	MANUEL ANTONIO ROMO VILLAFUERTE	MANAGING DIRECTOR METHODS OF PAYMENT		ISAIAS VELÁZQUEZ GONZÁLEZ	MANAGING DIRECTOR AUDIT

Internal Control

Grupo Financiero Banorte pays special attention to internal control in the execution of its operations, in originations, processing and disclosure of its accounting and financial information, in the relationship with its investors, customers and suppliers and in compliance with applicable regulations.



REGIONAL **BOARDS**

REGIONAL BOARDS



SERGIO GARCIA ROBLES GIL
Presidential Advisor
Regional Boards

"The 2017 strategy contemplates the implementation of a new project, the installation of 33 Local Boards throughout the country."

As part of the dynamics of the Regional Councils, and in accordance with the general operating guidelines, at the beginning of 2016 a nation-wide update of the Regional Boards was carried out, in order to give members of the business community an opportunity to participate in them and to strengthen its presence in the different regions of the country.

This update included the retirement of 54 Board members and the integration of 75 new ones, for a total base of 252 Regional Board members, all of them leading Mexican entrepreneurs, of recognized moral character and highly influential in their communities, who give opinions, advise and dialogue directly with the Financial Group's Managers on relevant aspects of each region.

In its fifth year of operation, Regional Boards met on 12 occasions in which, in addition to reporting on the group's results, showing the economic outlook and presenting the follow-up to recommendations resulting from the feedback from the directors, enjoyed the participation of prominent speakers such as Dr. Carlos Elizondo Mayer-Serra, Dr. Leo Zuckermann Behar, Dr. Luis Carlos Ugalde Ramirez, and Public Account Oscar Ortiz Molina, who addressed issues of political interest and inherent to the interests and activities of the directors.

Once again, the members of the 6 Regional Boards met at the "2016 Banorte Strategy Forum: A Strong Mexico of Opportunities", an institutional event that took place on August 23rd and 24th in Mexico City, with the objective of examining our country's competitive and growth opportunities.

In this event the audience heard the inspiring life story of José Hernández Moreno, the Mexican astronaut; participated in three different workshops; visualized the future of exponential organizations through the outstanding presentation by Peter H. Diamandis, founder and CEO of XPRIZE Foundation. The audience also experienced the presentations of vision, expansion strategy and projection of three globally important Mexican companies, by Jose Antonio Fernandez, President of the Board of Directors of FEMSA; Daniel Servitje, President and CEO of BIMBO and Rogelio Zambrano, Chairman of the Board of Directors of CEMEX. They also attended the dialogue of five governors from different states, around positive experiences of economic development in various sectors and finally Oscar Arias, former President of Costa Rica and Nobel Peace Prize winner who shared his perspective on the strengths and opportunities in Mexico and Latin America.

The strategy for 2017 contemplates the implementation of a new project, the installation of 33 Local Boards throughout the country. The aforementioned, with the objective of geographically complementing the purpose of the Regional Boards to provide advice and feedback to our group, and thus strengthen our 20/20 Institutional Strategy.



REGIONAL BOARDS

2016 REGIONAL BOARDS' COMPOSITION


252 Board members
29 States
53 Cities
54 average age
9 Economic sectors



OUR OFFER OF VALUE

“We are interested in getting to know our customers better and better, because only then can we provide them with the best service, according to their needs and interests, and ensure our profitability. Greater knowledge of our clients has allowed us to segment them, according to their level of relationship with the bank, so that they can be served with the most appropriate lines of business. This way we can raise our level of service.”

SRS 102-6

OUR OFFER OF VALUE			
<div></div> <div>CLIENT SEGMENTTION</div>	BUSINESS LINES	DESCRIPTION	PRODUCTS AND SERVICES
	RETAIL BANKING	At Banorte we support the Mexican economy with a wide range of financial products and services for our clients.	Deposits: demand savings accounts, term savings accounts, funds, payroll accounts Loans: credit cards, car loans, payroll loans, mortgages
	PREFERENTIAL BANKING	We offer a differentiated service that is adapted to the financial needs of our clients.	Channels: branches, ATMs, correspondents, point of sale terminals, online banking, mobile banking, Call Center
	PATRIMONIAL AND PRIVATE BANKING	We offer a differentiated service that is adapted to the financial needs of our clients investment profile Mutual funds – stock market, Casa de Bolsa Banorte - Ixe, offers a wide range of financing options.	Casa de Bolsa: fund operator, asset management, banking, stock market, money market, investment funds.
	SME BANKING	We are committed to continue supporting small and medium-sized enterprises with quality products and services.	Checking accounts, technology, financing, online banking, international banking, cash management.
	FEDERAL GOVERNMENT BANKING	We provide support with banking services, financial and comprehensive consulting services at all government levels: federal, state and municipal, for the development of large projects that will transform Mexico.	
	STATE AND MUNICIPAL GOVERNMENT BANKING		
	BUSINESS BANKING		
	CORPORATE BANKING	We drive the growth of companies by offering them specialized advice and services to meet their daily needs	
	SPECIALIZED BANKING		
	INTERNATIONAL BANKING	Specialized products and services for our Patrimonial and Private Banking clients, such as correspondent services on an international level.	International Desk, Banorte - Ixe Securities, Uniteller, Inter National Bank.
	INSURANCE	We offer a wide range of products to guarantee the current and future peace of mind of our customers.	Seguros: life, car, damage, major medical expenses, SME
	ANNUITIES		Afore: individual account, specialized service, integration of resources Infonavit consultancy
	AFORE		Annuities: payment of IMSS and ISSSTE pensions.
WAREHOUSE, LEASING AND FACTORING	We complement banking services to Mexican financial companies with specialized products for integral business management.	Leasing, fleet management, warehouse, factoring.	



CARLOS EDUARDO MARTINEZ GONZALEZ
General Director
Retail Banking



JOSE ARMANDO RODAL ESPINOSA
General Director
Wholesale Banking



FERNANDO SOLIS SOBERON
General Director
Long Term Savings

RETAIL BANKING

Pablo

LOVES OUTDOOR
ACTIVITIES AND HIS
BANORTE USA MOBILE APP

Client
since 2015





CARLOS EDUARDO MARTINEZ GONZALEZ
Managing Director
Retail Banking

"2016 was the year that GFNorte demonstrated its financial strengths by achieving positive figures, as seen in the following section, with information based on audited consolidated financial statements."

2016 PERFORMANCE

In Retail Banking we are continuing with the consolidation process initiated in 2014, which has two main lines of action: increase customer satisfaction and improve productivity. Both will make banking more profitable and efficient.

Customer satisfaction is one of Banorte's great strengths. We have conducted studies on what customers value in our bank and found that the quality of personnel gives us an edge against the competition.

To continue with this advantage, we are working on automating processes, in order to provide faster and more efficient service and thus spend more quality time with clients, which will allow us to provide better advice and increase the opportunity to cross-sell.

Some indicators of greater efficiency and speed in services: the mortgage lending process has been reduced from 35 to 12 days; we finished pilot testing that managed to get the SME lending process reduced from 35 to less than 4 days and for car loans, we modified the process to respond to clients by the same day or within a maximum of 24 hours, of whether the loan was authorized or not.

Productivity allows us to be more profitable and at the same time, improve customer satisfaction and services. In 2016 we continued to improve service efficiency in branches and to increase alternate channels, that helps us to serve less profitable customers, that freed up capacity in branches to serve priority customers.

We continue with the branch transformations, with an information system, in handling queues, which enables us to foresee the types of operations that each type of customer carries out and thus assign them to the most appropriate teller or executive. This information system has prevented long queues at teller windows, by calculating the necessary service times in advance. The Oro Sena branch in Mexico City is an example of the new servicing efficiency of this channel.

To strengthen efficiency, we use specialized sales forces, who attend to customers wherever they are, without them having to go to bank branches.

In alternate channels, we provide services through Oxxo stores and mobile branches, the latter being an important social responsibility project.



MANUEL ROMO VILLAFUERTE
Managing Director
Methods of Payment

"We had a very good year in the loan portfolio, with double digit growth."

PRODUCTS

DEPOSITS

The accumulated deposits exceeded Ps 10 billion in the year, thanks to a 15% growth. As well as ensuring a better experience for existing customers, we provide banking services to new segments, allowing them access to more and better financial services. Banorte has highly competitive deposit products that meet the financial needs of different customer segments.

As part of the innovations and improvements that we mentioned we launched the new Personal Account Link, to service the Demand deposits for individuals segment. Among this account's attributes: from mobile and electronic banking as digital attributes, includes the customer's choice of a checkbook and promotes the debit card as a method of payment. It is important to point out that an offering of deposit products is better with a simple offer focused on the customer's needs.

15% increase vs. last year.

This year we are investing in campaigns to encourage users use more banking services and a more active use of the debit card for payments. In addition we have allocated resources to spread remittances via deposits in accounts. As a result, we doubled deposits in this segment.

CONSUMER LOANS

2016 was a year of great efforts to increase our efficiency in the products that we offer to Mexican families so they could realize their personal projects and thereby improve their quality of life.

CREDIT CARDS

The bank is committed to increasing its market share in the credit card business. Banorte's Ti credit card was launched, which helped the bank to exceed market growth in the use of the card.

CAR LOANS

Ps 15.047 billion in Performing Loans and a 21% increase v.s. last year.

We continue to work to provide swifter services, with an expert sales force in car dealerships to respond on site and save the customer the trouble of having to go to the branch. Motorcycles and recreational vehicles are included in car financing, we also established an alliance with a new brand of automobiles which began marketing in Mexico. During the year we provided financing to 49,414 families and companies for the purchase of this car, a 14% increase vs. the previous year.

MORTGAGES

Ps 114.718 billion in the Performing Loans Portfolio, a 15% YoY growth.

Mortgage placements increased 35%.

We have reduced the time it takes for borrowers to conclude the process of obtaining a mortgage from 35 to 12 days.

We started a program to send specialized sales agents to promote loans in real estate developments.

PAYROLL LOANS

Payroll loan customers have a new service at their disposal. Now, instead of having a branch executive leave the branch and get distracted from the services he provides, we have hired specialized executives to go to companies to sell on-site to customers.

2017 PROSPECTS

We will continue working to improve customer service, focusing mainly on speed and access to the various service channels.

Among the most important challenges for the retail banking division is for branch models to work with greater agility than they already do. One of our objectives is to have 400 working branches by the end of 2017 and 805 by 2018; as well as modernization processes.

At the same time, we want to continue to modernize mobile channels, while we create new agile, and profitable products to benefit clients, such as the Fide Vida trust. We seek the same for mortgages, car loans and the rest of the consumer segment.



HECTOR ABREGO PEREZ
Deputy Managing Director
Channel Development and Innovation

"We had a very good year in the loan portfolio, with double digit growth."

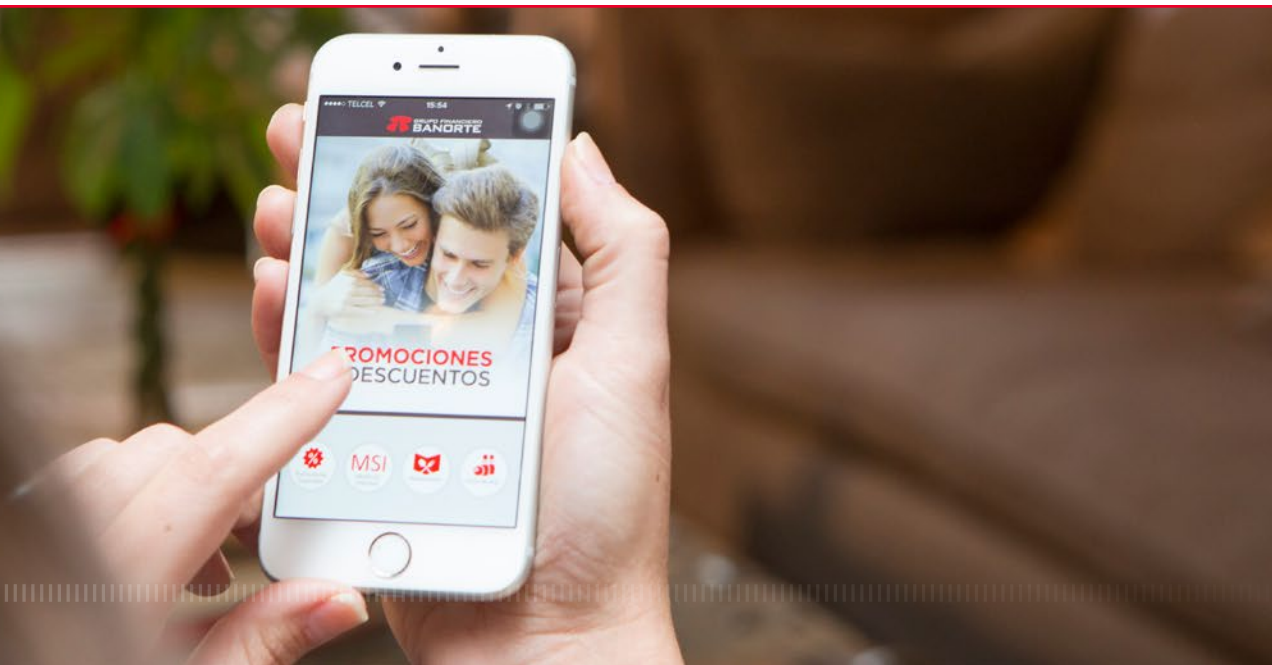
CHANNELS

TRADITIONAL CHANNEL BRANCHES

Banorte's main objective is maintaining a humane treatment at branches. The great challenge is to eliminate branch saturation through the modernization of the same and the use of the alternate channels to serve large masses of clients and those less profitable. Therefore branches will have more time to attend to preferred customers.

ALTERNATIVE CHANNELS

We have strived to improve and encourage the use of channels such as internet banking and mobile banking. The goal is that customers who want to work from their cell phone also access the services online or in branches and that in all there is the speed and efficiency that are required.



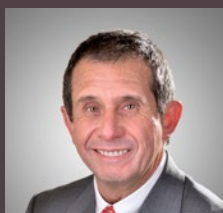
PREFERENTIAL BANKING

Olga and Miguel

ENJOY BEING AT HOME
AND COOKING, TOGETHER
THEY BOUGHT THEIR NEW
HOME WITH A BANORTE
MORTGAGE.

Clients
since 2012





JAVIER SALGADO MUÑOZ
Deputy Managing Director
Preferential Banking

"In 2016 we focused on consolidating and improving our services. Our great differentiator is service."

2016 PERFORMANCE

Banorte's Preferential Banking was born in October 2015. We now have 450,000 preferred clients, and Banorte wants to recognize the relationship and loyalty of these highly valued clients of the bank with an offer of value and a differentiated service model:

- Preferential Relations Executive
- Preferential Line (dedicated telephone hotline)
- Preferential Centers
- Preferential service in Banorte branches
- Special conditions for products / services

In 2016 we focused on consolidating and improving our service. Our great differentiator is service.

To provide Preferential customers with the best service, we modified our executives' authority, and improved procedures and regulations. The executive is empowered to immediately resolve any problems or issues the preferred customer may have.

For example, in the case of unrecognized credit card charges, a credit is issued immediately and then the investigation into the charges is instigated. If the investigation confirms that the charge does indeed proceed, then we contact and advise the customer, but as a principle, our trust is in the customer. On our Preferential Line we solve 70% of problems in the first telephone call we receive which already is a service reference in the whole country.

Preferential customers also receive special attention in branches. We are implementing a new queuing model. As soon as customers identify themselves as Preferential, they can automatically move to the first available teller or desk. Waiting time is between 2.5 and a maximum of 4.5 minutes.

We know that for the main requirement for Preferential customers is quality service and we are committed to providing that.

During the year we introduced new products for this segment, the Infinite and Platinum credit cards, which complete the offer of Preferred Banking accounts. We also have special conditions for personal loans, mortgages and car loans. In all the products we offer, Preferential customers are differentiated, although we do not lose sight that what it is necessary is to distinguish ourselves in our service model.

**We serve more than
450,000 Preferential clients.**

2017 PROSPECTS

In 2017 we plan to bring the queuing model for priority service to Preferred customers to more than 700 branches, which will provide preferential service to a large majority of Preferential customers. The plan also includes having Preferential Centers in very important locations such as Tijuana, Chihuahua, Culiacan, Mexicali, Morelia, Saltillo, Toluca, Tijuana, Durango, Veracruz, Tuxtla, Acapulco, the intention is to bring this model to customers at a national level.

We will continue to work with the bank's transformation program, for example analytical tools and knowledge about the customer, so that based on this, we can offer totally personalized offers to our Preferential customers, knowing that each customer is unique.

PRIVATE AND PATRIMONIAL BANKING

Javier

ENJOYS THE PEACE OF MIND
HE HAS KNOWING THAT
HIS PATRIMONY IS IN GOOD
HANDS WITH BANORTE

Customer
for 21 years





LUIS ERNESTO PIETRINI SHERIDAN
Deputy Managing Director
Private and Patrimonial Banking

"For Banorte the great challenge is to find opportunities in each crisis or situation."

2016 PERFORMANCE

2016 was a good year in terms of revenue, we ended the year 10% over our estimated goal. Volatility in capital markets and interest rate increases led to a greater number of operations and, consequently, more commissions.

Mutual funds, our main product, increased their offering, with *funds of funds*, national and international.

The foreign exchange market had more operations with the depreciation of the peso against the dollar, and this generated commissions that helped results. As a coverage method, Ixe USA funds demonstrated good performance in sales.

Mutual funds, our main product, increased their offering, with a fund of funds, both national and international, allowing our customers to take advantage of the good performance of the stock markets in the United States and Europe.

We are working on a segmentation strategy to separate customers into three groups: personal, preferred and patrimonial, and private, which has allowed us to offer products that are suitable to each different profile.

2017 PROSPECTS

The scenario for Mexico's economy appears challenging in 2017. The GDP is expected to have marginal growth, so it is expected that customers will have fewer assets available to invest.

For Banorte, the great challenge is to find opportunities in each crisis or situation. Our job is to show customers the investment options, find companies that are being managed in a healthier manner and that are in the sectors and activities that can benefit from the new situation.

In 2017 we intend to strengthen our proposal for value, our sales model and the price of products aimed at patrimonial and private banking clients.

Our proposal for value will include products for trading, mutual funds, investment banking and Banorte-Ixe Securities' services with investments in the United States. We can strengthen this proposal with the bank credit products, as well as trust fund products.

SME BANKING

Luis

ENTREPRENEUR,
OWNER OF A CAFE, USES
HIS BANORTE POINT OF
SALE TERMINAL

Client
since 2014





MARIA DEL PILAR MORENO HERNANDEZ
Executive Director
SME Banking

"Today our clients have financing that covers all of their working capital and asset needs and requirements"

2016 PERFORMANCE

In 2016 we had very relevant achievements in the SME segment because we reduced the PDL portfolio and managed to increase production. In origination we achieved a growth of 78%.

We were determined to reduce delivery times of resources to customers from 35 to 15 days and in the end exceeded our own expectations by delivering in 4 days. Now our new goal is to achieve it in 2 days' time.

To improve performance, we placed executives in different branches from where they could more efficiently serve customers. Thus, executives can work collaboratively with the branch director, who becomes co-responsible.

Half of the SME Bank executives are already located in branches.

In the eighteen months the area of Risk developed different rating scales, which allow easier instrumentation, much faster for the client and with more certainty for the bank.

We collaborate intensively with the areas of Risk and Analysis. The work with Risk allows us to rate clients, while Analysis provides us with the necessary information to design well-targeted campaigns.

We went from having pre-approved loans only for individuals to including businesses.

We increased the amount and term of loans, making commercial efforts more efficient, in this manner budget goals can be achieved with more efficient effort. Today our clients have financing available to them that can cover all their working capital and asset needs and requirements.

Achievements in the SME segment have allowed us to surpass our 20/20 plan and we are now focusing on a more challenging project. We are already exceeded the market growth rate.

Growth was reinforced by the increase of sales channels. Communication with our clients is done, in addition to external account executives, by electronic banking campaigns, emails and other contact points.

2017 PROSPECTS

We have been preparing the groundwork, which is why we feel that we can achieve a good year, despite a challenging economic environment.

Among our main objectives for 2017 is the launching of 25 to 30 products, that will allow us to grow with our current customer base and attract new users, as well as open more sales channels, to be closer to users.

We will boost our offering of value with innovative solutions tailored to the needs of our SMEs to continue to promote cross-sales and customer loyalty

To improve management of commercial teams, we developed an application that will enable executives to better prospect customers and organize visits that are done to provide services.

We continue our collaboration with the development bank, participating in more than 100 in sectoral as well as industrial programs.



BUSINESS BANKING

Gabriela

**IS A BUSINESSWOMAN WHO
HAS HELPED HER COMPANY
GROW WITH THE SUPPORT
OF BANORTE**

Client
since 2006





VICTOR ANTONIO ROLDAN FERRER
Deputy Managing Director
Business Banking

"2016 was the first year in which we implemented our strategic plan, once we finished putting our team together at the end of 2015."

2016 PERFORMANCE

Portfolio performance and profit generation were in line with planned projections thanks to growth in the loan portfolio and deposits, as well as a greater generation of non-interest income, the latter reflecting that our customers are more recurrent every day and are conducting more transactions in Banorte.

This year we implemented a more adequate segmentation to the customer base profile in order to more efficiently attend our business segment customers.

Together with the Human Resources area, we continued to work on training programs that have helped us in reducing staff turnover.

2017 PROSPECTS

Opportunities for the business segment are generating a lot of competition and we have to take advantage of our position as a local financial group. In the face of possible changes in relations between Mexico and the United States we can make growth and expansion decisions more quickly and with a better knowledge of our market than most of our competitors.

We see opportunities in the tourism sector, which we know well and in which we have an important market share, we also participated in the financing of malls, offices, and housing and industrial developments. Likewise we perceived the agricultural sector to be attractive.

One medium-term goal is to bridge the gap between the loan portfolio and deposits, so that the sale and implementation of solutions for the management of our clients' finance departments will have a major role.

Likewise we will seek to strengthen our team's presence in areas with relevant business activities.

CORPORATE BANKING

Cesar

**IS THE DIRECTOR OF A
LARGE COMPANY, THAT HAS
BANORTE'S SUPPORT FOR
ITS PLANS FOR GROWTH
AND EXPANSION**

Client
since 2009



RENE PIMENTEL IBARROLA
Deputy Managing Director
Corporate Banking

"Corporate Banking performed favorably in 2016, with a 17.5% growth in our loan portfolio."

2016 PERFORMANCE

Corporate banking performed favorably in 2016, with a 17.5% growth in the total loan portfolio. We strengthened relationships with our customers through credit as well as structured finance products and services of, investment banking, international commerce and transactional banking.

In 2016, we formed the Energy and Infrastructure team through which we are addressing opportunities in the sector resulting from structural reforms.

2017 PROSPECTS

Given the current uncertainty that exists, in 2017 we will be very close to our customers to help them face the implications of a possible economic slowdown, abrupt movements in exchange rates or in trade policy with the United States. In this regard we will continue

to create financial solutions that will allow us to strengthen our relations and we will continue to work on increasing our sector specialization that will allow us to better serve our customers.

SPECIALIZED BANKING

Fernando

**AGRICULTURAL
ENTREPRENEUR WHO
EXPANDED HIS VEGETABLE
PROCESSING PLANT WITH
BANORTE'S SUPPORT.**

Client
since 2005





OSVALDO BRONDO MENCHACA
Deputy Managing Director
Specialized Banking

"In Agricultural Banking we pay attention to negotiations with our main trading partner and we will always seek to support our clients when there are changes in the environment."

2016 PERFORMANCE

Banorte's Specialized Banking includes agricultural banking, tourism and real estate, all within the structure of wholesale banking. Our role is to participate with a critical view of experts and support the relationship with Corporate and Business clients.

Agricultural banking enjoyed a remarkable year, with growth exceeding 20% of the financed volume, which resulted in a portfolio over Ps 22,000 billion. The growth was mainly in the segments of cattle, pork and vegetables.

Additionally, the grain program (corn, sorghum and wheat) continues to boost growth with certificate of deposit guarantees and FIRA para-finance schemes.

Real estate banking has worked on adapting the different bridge loan schemes, enabling us to meet the current needs of our customers. During the year the national organization for the release of paid-up loans (Mesa Nacional de Liberaciones) was consolidated with the support of Business and Corporate executives in the partial liberation of mortgages. The volume of paid-up mortgages surpassed 4,300 units.

2016 was very good year for Tourism Banking with the financing of large hotel projects. Projects at beach destinations were analyzed, mainly in cities like Cancun and Los Cabos, city hotels were primarily in Mexico City, Monterrey, Guadalajara and Zacatecas where we have accumulated extensive experience.

During the year we finished consolidating the programs that monitor technical opinions with the aim of providing the executive with the necessary opportune and quality opinions of specialists to the respective credit committees.

Our role is to participate with a critical view of experts and support relationships with Corporate and Business clients.

2017 PROSPECTS

In agricultural banking we will pay close attention to the negotiations with our main commercial partner and always seek to support our clients when there are changes in the environment.

We will promote new financing programs for pork sharecropping and pledge bond schemes for cotton and sugar.

In real estate banking we are preparing to be more aggressive in attracting new developers.

In the tourism segment we expect an intense year in new hotel projects.

GOVERNMENT BANKING

Tania and
Francisco

THEY LEAD AN IMPORTANT
INFRASTRUCTURE PROJECT
FOR MEXICO, FINANCED
BY BANORTE

Clients
since 2002





JORGE DE LA VEGA GRAJALES
Deputy Managing Director
Federal Government Banking

"In Federal Government Banking, we had a good year, with significant growth in profits and a strengthening of our ROE."

FEDERAL GOVERNMENT BANKING 2016 PERFORMANCE

For Federal Government Banking, 2016 was a year in which net profits were increased by 20%, obtaining a ROE of 23.2%. This was achieved by following our strong conviction and strategy of increasing revenues and reducing costs.

Growth in financial income continued to strengthen with a strong loan placement base, as well as strong deposits at a lower cost. Non-Interest Income increased based on business growth, and operating costs in services impacting the branch network were reduced by 43%, due to the 49% drop in teller transactions.

The previous results came in amidst a complicated environment: 2016 commenced with a severe decline in oil prices which pressured public finances very importantly and in particular, affected the liquidity of the two productive state enterprises and main agents of access to government credit.

Banorte conducted in-depth studies of these companies' and their relevant suppliers' situations, making the decision to continue supporting them responsibly. These decisions had good results, since with our support and a great effort by the companies, their situation improved along with the improvement in hydrocarbon prices.

We firmly believe that responsible and well-documented support in times of uncertainty is fundamental for the good performance of our portfolio and support for the development of major reforms in the sector.

However, in view of the Federal Government's reduction in spending, which reduced and made more expensive resources available for current expenses and investment spending of all government entities, we implemented a rapid diversification strategy for products and services in all the areas in which we participate, such as the management of scarce resources through specialized cash management, government institution payrolls, money market, investment funds, loans, public-private participations, investment banking, leasing and insurance among others.

With the aforementioned, we managed to provide payroll services to government dependencies whom we did not have as clients previously and accompany those payrolls with our offer of insurance. We returned to an important business, which is support in cash collection for large users, as well as the payment of government pensions. This has served as a great opportunity to promote and support access to banking services by strengthening our presence on a national level.

We entered into new lines of business, such as storage lines to finance federal government employee mortgages, which are securitized by strengthening our participation in the issuance of stock certificates through the Mexican stock market.

**Banorte is ranked second in this segment,
with a 23.5% market share participation.**

FEDERAL GOVERNMENT BANKING 2017 PROSPECTS

Our country's prospects became complicated in November 2016, with the election results in the United States. Although there will be uncertainty in 2017, we are confident that there will also be great opportunities for further growth.

We observed that some of these opportunities will be based on a better environment in the energy sector, as better oil prices are anticipated and efforts to implement energy reform will be reap results. It is important to emphasize that the loans we provide to this sector, are aimed at strengthening the industry and improving production processes, fuel with less pollutants and lower costs, replace oil fuel with natural gas, solar and wind energies.

In 2017 we will go through the well-known electoral uncertainty; but we are still certain that opportunities will present themselves in different sectors such as communications, education, health and housing, and we will continue with the implementation of major structural reforms approved by our Congress.

In Federal Government Banking, we will continue to support strengthening the great institutions of our country, the engines of our development, to continue growing with Mexico.





SAMIR ABUD ESPINOSA
Deputy Managing Director
State and Municipal Governments and SME Banking

"With digital banking and its innovative solutions, we seek to give states and municipalities better tools to collect taxes and rights."

STATE AND MUNICIPAL GOVERNMENT BANKING 2016 PERFORMANCE

Despite the fact that state and municipal banking serves a mature market, it has obtained a 15% growth in revenues, due to the transactional area's performance and specialized services.

The states and municipalities market has matured in recent years, which has given rise to slower growth than in previous periods, in terms of deposits and loan placement.

However, we were able to attract more funding thanks to better financial solutions, including digital banking, which facilitates tax collection. We also attracted some local governments with our payroll services, with which we now cover more than 1,300,000 employees in the segment.

Thanks to innovation and the diversification of sources of income, it was possible to meet our goals for the year.

**Today we offer payroll services
to more than 1,300,000 employees
of this government segment.**

STATE AND MUNICIPAL GOVERNMENT BANKING 2017 PROSPECTS

Next year will be very challenging due to the situation expected in many states, especially in the 12 in which there was change of government. This also offers opportunities to place more loans, restructure our positions, and generate additional revenue through solutions other than loans, such as financial reengineering, transactions and long-term coverages.

One of the aggressively opportunities that we want to develop and that makes us feel more solid is to participate at the municipal level. Until now it has been a very conservative sector, since there were municipalities that were not in financial order.

However in recent years we have seen a process of financial regulation with the Financial Discipline Law, enabling greater legal certainty and allowing us to work more with these municipalities, which now have a better risk profile than previously.

Opportunities in this market are disputed by national and foreign banks, which have found that despite media perception of certain isolated cases reputational crisis, the risk profile of some of our client states is very low, with A, AA and AAA ratings.

As we expand the possibilities of the municipalities' market in Banorte, we can forge closer bonds to and with more clients in the state and municipal segment, in which we have been leaders for many years.

With digital banking and its innovative solutions, we seek to provide states and municipalities with better banking tools to collect more taxes or rights, thanks to a better control and coverage.

The bank will provide digital tools to bring more revenue to states and municipalities. By simplifying collection for state and municipal governments, we obtain incremental income, some transaction fees, and increased deposits.

So 2017 looks positive, although challenging and complex. There is a lot of competition for lesser federal revenues and stakes in states and municipalities, at the same time, we have more and more players in this segment seeking to innovate and collect better and more efficiently, and to make more efficient use of spending and investment.

INTERNATIONAL BANKING

Carlos

IS AN ENTREPRENEUR
WHO IS EXPANDING HIS
BUSINESS WITH BANORTE'S
SUPPORT BY EXPORTING HIS
PRODUCTS TO ASIA

Client
since 2014





RICARDO VELAZQUEZ RODRIGUEZ
Deputy Managing Director
International Banking

"2016 was a very good year, we were able to achieve growth in service fees, commissions, volume and business deals, likewise we continue to invest in technology expanding our lines of business for the benefit of our clients."

2016 PERFORMANCE

In 2016 we achieved good results and significantly exceeded our goals. It was a year of great challenges and satisfaction for International Banking of Banorte, which undoubtedly allows us to continue on the right track towards our 20/20 Vision plan.

FOREIGN TRADE AND INTERNATIONAL BUSINESS

In Mexico our Foreign Trade customers were able to count on our framework of specialized attention that minimized response times and improved the quality of the same, as a result transactions and volume operated in letters of credit increased with an outstanding performance in the energy and communications sector, due to this good performance we have doubled our income of 3 years ago in foreign trade and international services. Additionally our strategic partnerships with financial institutions abroad allowed us to offer a world of solutions and financial services both in Mexico and abroad. On the other hand our specialized care channel, International Desk, has supported more than 160 foreign companies through the various Banorte banks.

UNITELLER

In the United States, our international payments platform Uniteller, continued to demonstrate strong growth, processing 12.6 million transactions through our network of payers, an increase of 31% versus the previous year. The year was influenced by various external factors such as the appreciation of the dollar against the peso and the presidential elections in the United States, likewise growths were also due to internal

factors such as: the expansion of our points of payment in more than 30 countries, investments in technology and the successful implementation of strategies to expand our customer base. Meanwhile our digital platform has facilitated sending remittances at a lower cost to benefit a larger number of Mexicans.

BANORTE - IXE SECURITIES

Despite adverse market conditions in the first part of the year we managed to increase revenues by 8% annually versus the previous year, administering more than US \$840 million dollars in assets.

Our New York-based brokerage firm offers a range of investment alternatives mainly for our customer base of Patrimonial banking of Casa de Bolsa Banorte - Ixe.

INTER NATIONAL BANK

Our bank in Texas demonstrated positive development during 2016 having administered loans for US \$ 1,058 million dollars, which represents a 13% growth versus last year, likewise asset quality and capital indicators remain solid and above those of district the national competitors' average.

2017 PROSPECTS

- To expand our offer of Foreign Trade products as well as our specialized service team.
- To increase our client base as well as Uniteller locations, operating in a secure and efficient manner in accordance with regulatory standards and compliance.
- To support foreign companies arriving in Mexico by offering quality financial products and solutions.
- To continue investing in technology in our different business lines of international banking for the benefit of our customers.

WAREHOUSE, **LEASING** AND FACTORING

Javier

MAINTAINS AN EFFICIENT
CONTROL OF HIS COMPANY
INVENTORY USING
BANORTE'S SERVICES

Client
since 2011





GERARDO ZAMORA NAÑEZ
Deputy Managing Director
Transactional Banking, Leasing and Factoring

"We continue to increase our leasing and factoring portfolio, and are complementing our portfolio to expand services in areas that will have opportunities for growth this year."

2016 PERFORMANCE

In 2016, Banorte's leasing and factoring revenues increased increase due to interest income as a result of portfolio's growth, as well as the growth in non-interest income. Increases in income have allowed the net result to grow 22% compared to 2015, to Ps 693 million.

We reduced the PDL Ratio to 0.7% vs. 0.8% of 2015. Meanwhile, Warehouse achieved net profits for Ps 28 million pesos.

We reduced the PDL Ratio to 0.7% vs. the 0.8% registered for 2015.

LEASING

In the year, the portfolio maintained its trend of growth and continued to make improvements in the quality of service to attract world-class companies.

WAREHOUSE

Warehouse offers management and administrative services for domestic or imported goods, and also issues certificates of deposits and pledge bonds used to guarantee secured loans, stock checking and marketing of inventories.

FACTORING

We remain among the leaders in the sector, because we have worked to maintain our market share.

2017 PROSPECTS

We will continue to work to expand our leasing and factoring portfolio, complementing it to increase services in areas that will have opportunities for growth this year.

To increase profitability, we will continue to fortify our relationship with other areas of Grupo Financiero Banorte.

BANORTE INSURANCE

Marcos, Daniela
and Diego

ENJOY THEIR HOLIDAY WITH THE PEACE OF
MIND THAT COMES FROM KNOWING THAT
THEIR PATRIMONY IS PROTECTED WITH
BANORTE INSURANCE

Clients
since 2008





JOSE FRANCISCO LANDAVERDE FLORES
General Director
Banorte Insurance

"Differentiated insurance sales according to segment and channel have enabled us to increase the length of our relationship with customers."

2016 PERFORMANCE

INSURANCE

In 2016, we concentrated on our main strategies: increasing crossing insurance products with those offered by banks and improving cost efficiency, resulting in a better return on invested capital.

We are improving product offerings to have higher quality sales that reach customers when they need them. To do this, we have better focused our offer for each channel and each customer segment. In retail banking, we focused the number of products with the most deposits from 6 to 4, so that executives can more efficiently direct their efforts to the insurance they sell.

Our contact centers have a are better equipped to conduct client surveys to detect which type of insurance the client needs, according to transactions carried out. Thus, insurance against credit or debit card fraud are promoted at the time the customer calls to activate his/her card.

We designed specific preferential banking products and increased relationship with car loan and mortgage executives. Cross sales for Banorte car loan customers who also bought Banorte insurance was at 76% - we have now reached 86%.

As well as ensuring the outstanding amount of the mortgage, we are promoting individual insurance with customers, to protect their patrimony.

Cross sales for Banorte car loan customers who also bought Banorte insurance was at 76% - we have now reached 86%.

We have expanded our insurance offerings to ATMs. In 2016 we offered 3 different products in this channel and increased it to 5 in 1Q17.

Sales of differentiated insurance according to segment and channel, as well as a better alignment between the goals and incentives for executives, have allowed us to increase the term of the relationship with our customers. The sale of insurance in branches increased 14% but the premiums charged for them increased by 23%, which is a sign that we are enjoying a longer term relationship with customers.

2017 PROSPECTS

We have been preparing to face instability in the exchange rate, which can affect the profitability of the insurance company, as well as to protect us against systemic risks, such as a possible increases in insecurity and therefore in accidents, and to offset the increased competition in the sector.

We will continue our strategy of selling more insurance on average per customer and focus our product offering according to the channel and segment of users. We are working so that products can be more flexible and adapt to the customer's needs.

This year we will continue to align the objectives of business banking executives, especially for SMEs, with the insurance representatives.

BANORTE ANNUITIES

Raul and
Martha

THIS RETIRED COUPLE HAVE
PEACE OF MIND KNOWING
THAT THEIR PENSION IS WELL
MANAGED IN BANORTE

Clients
since 2015



JULIAN ABASCAL ALVAREZ
General Director
Banorte Annuities

"We improved our profit indicators and value for our clients. We already service 38% of the annuities market in Mexico."

2016 PERFORMANCE

ANNUITIES

Profit indicators and value for our customers were improved this year. Profits increased 36% in the year, while return on capital (ROE) reached 30%. We have managed to achieve that 75% of our clients have a credit for annuities with life insurance. We already service 38% of the annuities market in Mexico.

The automation of key processes, in particular verification of the individual, allowed us to improve timing the suspension of pension payments.

We increased detection of people who have passed away by 30%, allowing us to release reserves in a timely manner.

We were the first to sell loans over the telephone. With our Annuities Loan product, we achieved an average term of 6.8 years, against the 5 years of last year, and with that we are approaching our goal of 7 years.

We created a model to determine the types of annuities that will best suit the company and thus participate in social security system pensions auctions with a better analysis of the information.

We have a process to opportunistically detect possible differences between assets and liabilities thereby improving our solvency margin.

An application was launched for new customers, which allows us to register them into our system remotely via a mobile device (tablet) operated by a customer service executive.

A reduction in customer service costs was achieved, as a result of the leverage we obtained with the Afore's customer services offices. Our offices were reduced from 25 to 5, but we increased the number of service centers with 40 major customer service offices of the Afore XXI Banorte in Mexico. The average customer service cost dropped 27%.

We redesigned the training program for Customer Service executives, in order to provide more hours of classroom training.

2017 PROSPECTS

Our calculations show that we will reach our goal of doubling our profits, which was planned for 2020, in 2018-2019. We are conducting a mortality study to make a better selection of pensions.

The restructuring of investments to mitigate asset-rating risks and maintain positive solvency margins continues.

We continue implementing tools to detect deaths in shorter periods of time and opportunistically suspend pension payments.

The scheme for commissions and sales incentives continues to be improved, to establish a more profitable relationship with customers.

AFORE XXI BANORTE

Teresa

LOVES HER JOB AND KNOWS
THAT HER RETIREMENT SAVINGS
IS IN GOOD HANDS WITH AFORE
XXI BANORTE

Client
since 2013





TONATÍUH RODRÍGUEZ GÓMEZ
General Director
Afore XXI Banorte

"2016 was a year of strengthening and transformation; a year in which we improved portfolio management and customer services."

2016 PERFORMANCE

AFORE

Afore XXI Banorte is Mexico's leader in pension fund administration, managing Ps 640 billion, making it one of the nation's largest institutional investors.

Consistent with our fiduciary responsibility, i.e. with the trust of workers whose retirement savings we handle, we have strengthened our human and technological capitals.

With these tools we have successfully faced policy changes improving sales and service of the administrator, and ensuring highly competitive yields for the future.

We have hired talent with the best sector profiles to ensure that the 15 managed portfolios for individuals and institutions are duly safeguarded and strengthened. Changes were made in the Investment Plan with a reengineering of the portfolios, among other actions, and an association was established with two of the world's largest portfolio managers, Black Rock and Schroders to make investments in Europe on behalf of Afore XXI Banorte.

Afore XXI Banorte continues to be an important investor in all of the Mexican public stock markets, such as government securities, credit companies, qualified credit, certificates of capital development (CKD), project investment certificates (CerPI) and real estate trusts (Fibras).

The necessary infrastructure has been implemented so that each of the accounts managed has an electronic file with biometric records and fingerprint and voice recognition, as well as a digital signature of our users; thus providing greater legal certainty to customers on all movements that occur in their account.

To get this up and running, we had to train more than 4,000 people in the operation of electronic records, which was performed remotely on digital devices such as tablets.

Afore XXI Banorte is Mexico's leader in the administration of retirement funds, handling Ps 640 billion.

Increasing the amount of retirement funds in our country is a challenge; a person's pension retirement fund depends on the amount of money that he has saved in his account up to the time of his retirement. Which is why it is so important to promote a financial culture that helps the population understand the importance of saving more on a voluntary basis. In this respect Afore XXI Banorte has been a pioneer in creating an innovative product: the possibility for minors to have an Afore account called "My First Afore XXI Banorte".

With this strategy, we seek to combine concepts like saving money, family and retirement with the aim of promoting savings from an early age, recognizing the importance of family in the formation of financial habits. We know that financial education is received at home rather than at school, so the Afore for children will promote dialogue within families to learn how to better manage the money.

IN 2016 THE COMPANY:

- Surpassed 17.7 million accounts under administration, which is 30.9% of the total number of accounts in the system.
- Registered Ps 598.649 billion in Basic SIEFOREs, equivalent to a 22.2% share of the market.
- Provided services to 2.5 million workers through various customer service channels.
- In its role of service provider, managed 8.0 million accounts, whose resources are invested by the Bank of Mexico.
- Put together the widest range offering in the industry related to additional mutual funds for the Afore for voluntary savings and social security funds. Through its eleven additional companies the Afore managed Ps 45.196 billion.
- Paid shareholders dividends for the 2015 fiscal year of Ps 2.200 billion.
- Obtained an operating margin of Ps 3.452 billion and a net profit of Ps 2.563 billion.
- Has maintained its leadership in investment compliance for the past 3 years.
- Is the only administrator to implement the reference portfolio or “Benchmark”, and has conserved its licensing for futures and derivatives operations.

2017 PROSPECTS

We will continue to register customers' biometrics for when they require access to their electronic files as they come to our offices to carry out some procedure or within the transfer or registration process.

In 2017 we will continue to improve our services, mainly by increasing our offering of remote services, which will facilitate procedures and expedite them.

Efforts will continue in the trade area to maintain our market share, given that we are slightly over represented in the population that makes retirement withdrawals.

Integration to the Sustainable Investments Committee of the Mexican stock market will continue.



LEADERS IN **SUSTAINABILITY**

SUSTAINABLE MANAGEMENT



MARCOS MANCINI
Executive Director
Sustainability and Responsible Investment

"GFNorte is governed by a principle of sustainability, which is to maximize the institution's growth and profitability always in equilibrium with the inherent economic, social and environmental aspects of our operation."

SRS 102-19

SUSTAINABLE MANAGEMENT

We strive to ensure that every operation, product and service generates value for all stakeholders. We know that it is the task of all of us who are part of Grupo Financiero Banorte and this year we have taken important steps to achieve this.

Our previous area of Social Responsibility has evolved to the new Executive Management of Sustainability and Responsible Investment, reporting to the Financial Group's General Management. Now, the management of environmental initiatives and social value is carried out by the areas of Material Resources and Human Resources respectively with the aim of achieving a solid integration of sustainability aspects from the very start.

The Executive Management of Sustainability and Responsible Investment aims to identify and promote the best environmental, social and corporate governance practices within the group, as well as to establish the sustainability strategy is in alignment with that of the business.

Our efforts have borne fruit and are being recognized. Today we are part of the most important sustainability indexes such as: the Sustainable CPI of the Mexican Stock Exchange, for the sixth consecutive year; the Dow Jones Sustainability Index of Emerging Markets for a third year; and our recent entry into the STOXX Index of Global Climate Change Leaders and the Euronext-Vigeo EM 70 Index.

At GFNorte, operating in a sustainable manner has long been part of our essence, the concept of sustainability is becoming more relevant, as can be seen in the commitments we have established with various initiatives and principles of an economic, social and environmental nature.

MATERIALITY SRS 102-46, 102-47

For Banorte, it is very important to know the concerns of our stakeholders in terms of sustainability, in order to respond appropriately, through actions and services. To this end, this year we updated the materiality study that we had prepared three years ago to maintain its validity and make necessary adjustments. From the diagnosis of the economic, social and environmental aspects, we can identify the state of the organization in terms of policies and procedures, specific business risks and the perception of stakeholders.

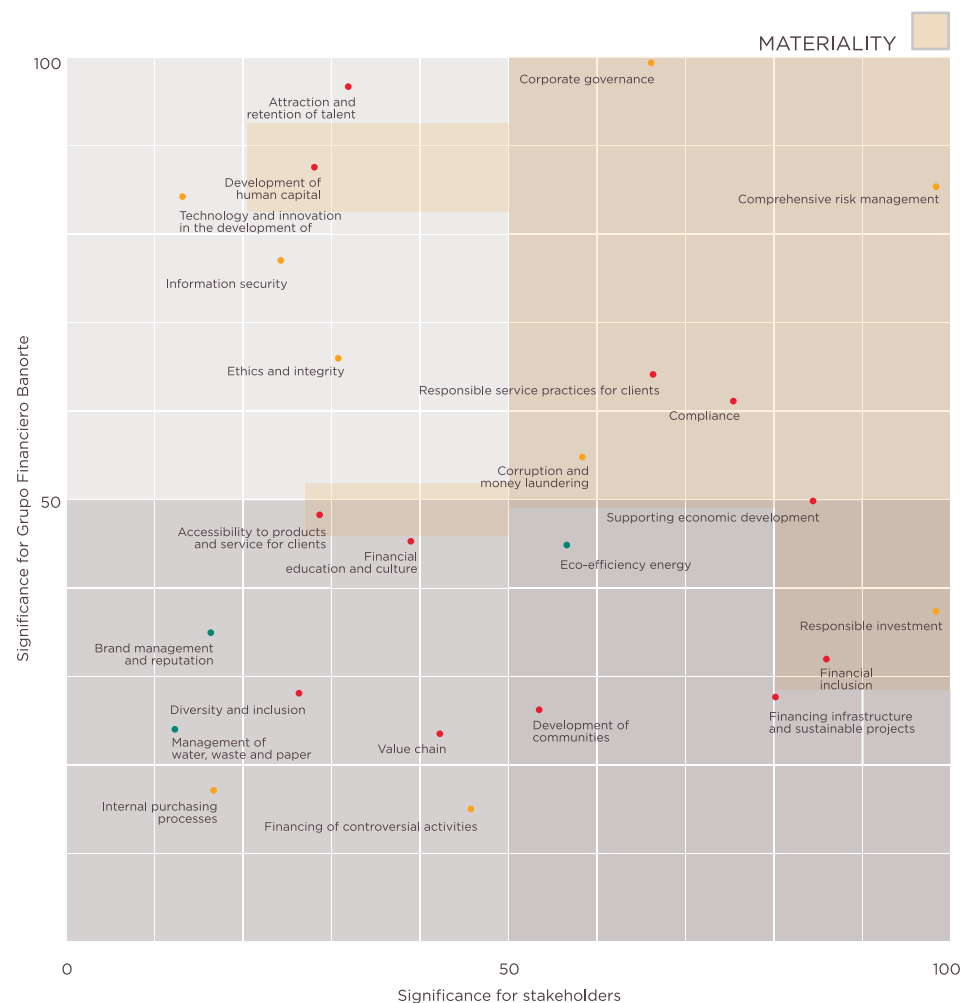
Thanks to our analyses we have been able to develop our sustainability model.

BELOW IS THE GRAPH GENERATED IN THE STUDY, IN ACCORDANCE WITH THE FOLLOWING CRITERIA

- Significance for Grupo Financiero Banorte, that is, the level of attention and management, that is, the prioritization of such aspects relevant to the Institution. **This is represented on the vertical axis.**
- Significance for stakeholders, from the level of attention given to the relevant aspects, based on the data we analyzed and obtained from approaches and interviews, or from public information, as the case may be. **This is shown on the horizontal axis.**

Based on the topics in the upper right quadrant, we can report each of the dimensions in relation to the economic, social or environmental value they have for our stakeholders and we will follow up on the aspects that they determined as material.

GFNorte pays particular attention to the concerns of our stakeholders in order to give them an adequate response.



RELATION WITH **STAKEHOLDERS**



The process and frequency of communication depends on each of the channels established with every stakeholder, in aligned with AccountAbility 1000 (AA 1000).

SRS 102-40, 102-42, 102-43, 102-44, 102-48, 102-49

Our stakeholders are a key factor in achieving our business strategies. Therefore, we consider that a constant, open and transparent communication is essential to strengthen our relationships with these groups.

To build a business relationship with a long-term vision, we must assess these relationships and always comply with contracted responsibilities, reporting our performance to stakeholders.

We will seek to formalize a communication policy with stakeholders, to establish processes, procedures and guidelines for interaction with them, seeking always to improve our relationship with them and find appropriate feedback mechanisms. In the following table we present the priority issues with stakeholders, as well as the communication channel and the link to the financial group's corresponding area.

COMMITTED TO OUR STAKEHOLDERS

STAKEHOLDERS	FOCAL TOPICS	CONNECTIVITY	LINK AREA
EMPLOYEES	Development of workforce (continuous technical training as a model to enhance skills and leadership among our employees), labor practices and retention of talent.	<ul style="list-style-type: none"> • Intranet • Email • Banorte Hotline • Banorte - Ixe TV • Ethic Points complaints system • Development of Human Resources Portal • Organizational climate survey • Union magazine 	<ul style="list-style-type: none"> • Human Resources
INVESTORS	Corporate governance, coverage, business expansion and ethics, financial information, risk management, and aspects of sustainability (environmental and social contributions and impacts).	<ul style="list-style-type: none"> • CNBV Annual "Circular Única" Report • Annual Report • Quarterly reports • Shareholders' Assemblies • Newsletters • Service Line: 5268 1680 and investor@banorte.com • Web site 	<ul style="list-style-type: none"> • Investor Relations • Corporate Governance
SECTORAL AND GUILD AUTHORITIES	Integrity of the business operation, monitoring and adherence to financial regulation, transparency and timely reporting, anti-corruption, offerings and advertisements for products and services in accordance with regulations.	<ul style="list-style-type: none"> • CNBV Annual "Circular Única" Report • Email • Web site • Channels provided by the authority • Committees • Union meetings 	<ul style="list-style-type: none"> • Investor Relations • Communication and Institutional Relations • Accounting Regulations
CLIENTS	Accessibility to financial products and services, clear information regarding them, monitoring their satisfaction and quality of service (attention and advice).	<ul style="list-style-type: none"> • Branches • Online banking • Banortel telephone line 01 800Banorte • Specialized Unit in Queries and Complaints 01 800 627 2292 and une@banorte.com • Web site • Social networks • Customer Satisfaction Surveys • Media advertising 	<ul style="list-style-type: none"> • Commercial Area • Marketing • Specialized Unit in Queries and Complaints
SUPPLIERS	Requirements and standards, supply selection, creation of value, environmental and social policies adopted by the institution.	<ul style="list-style-type: none"> • Telephone calls • Email • Contract bids • Meetings 	<ul style="list-style-type: none"> • Acquisitions and Spending Control
METHODS OF COMMUNICATION	Access, dissemination and transparency of the group's information, timely media management and broad coverage, consistency and fluidity of internal and external messages.	<ul style="list-style-type: none"> • Telephone calls • Press releases • Email • Press conferences • Press call • Web site 	<ul style="list-style-type: none"> • Communication and Institutional Relations
CIVIL SOCIETY ORGANIZATIONS (CSOS)	Impact on natural capital and climate change, human rights, economic support or in kind donations, strategic alliances and participation in work groups.	<ul style="list-style-type: none"> • Telephone calls • Email • Web site • Social networks • Meetings • Visits 	<ul style="list-style-type: none"> • Sustainability and Responsible Investment • Banorte Foundation
COMMUNITY	Management of social responsibility, management of ecosystem resources, business ethics, cooperation with communities in which we have operations, strengthening coexistence relationships and advancement opportunities to rebuild the social fabric.	<ul style="list-style-type: none"> • Telephone calls • Email • Web site • Social networks • Visits to communities • Meetings 	<ul style="list-style-type: none"> • Sustainability and Responsible Investment • Communication and Institutional Relations • Regional Boards of Directors • Territorial Management • Banorte Foundation
GOVERNMENT ENTITIES	Compliance with legislation, compensation agreements for unionized employees, environmental management (in issues such as water and waste, impacts on biodiversity, emissions to the atmosphere), collaborations with social impact.	<ul style="list-style-type: none"> • Committees • Participation in forums • Meetings • Telephone calls • Email • Web site 	<ul style="list-style-type: none"> • Investor Relations • Human Resources • Communication and Institutional Relations • Accounting Regulations • Sustainability and Responsible Investment

FREQUENCY OF INTERACTION WITH STAKEHOLDERS

- Constant
- Periodically (weekly, monthly, bi-monthly, quarterly, twice a year, or several times a year)
- ▲ Annually



SUSTENTABILITY MODEL

VISION OF A SUSTAINABLE MEXICO

SRS 102-46, 102-47

At Grupo Financiero Banorte we believe in a stronger Mexico: **PROSPEROUS, EQUITATIVE** and **SUSTAINABLE**.

We know of the challenges facing the country and Mexicans. We also recognize the important role that the financial sector plays in society as the engine of the economy, serving individuals and families, companies, from micro, small and medium enterprises to large corporations and governments.

Therefore, together with our 20/20 Vision business strategy, we have developed our sustainability model, Sustainable Mexico Vision, which take into consideration the 17 Sustainable Development Goals promoted by the United Nations and is based on the following strategic guidelines.



We are working on the setting of goals that reflect the impact of the financial group on the society for each of the lines of action that form the strategic axes of the model, with the purpose of managing them within GFNorte and reporting periodically advances towards the 2020.



GRI CONTENT INDEX

We use the GRI reporting framework on our economic, social and environmental performance. Currently we use the **GRI Standards methodology** adhering to the option of comprehensive compliance, reporting the contents of the Universal Standard 102 (general content), as well as the contents of the Topic-specific Standards (200, 300, and 400 Series) linked to the topics identified as important.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	102-1	✓	Name of the Organization	Description, Contact, We Are Banorte	
	102-2	✓	Activities, brands, products, and services	How We Create Value, Our Business	
X	102-3	✓	Location of headquarters	Contact	
	102-4	✓	Location of operations	Description, Our Coverage	
X	102-5	✓	Ownership and legal form	Financial Capital, Contact	
	102-6	✓	Markets served	Description, Our Business	
	102-7	✓	Scale of the organization	GFNorte at a glance, Financial Capital, Human Capital	
X	102-8	✓	Information on employees and other workers.	Human Capital, Banorte will not report all 102-8 indicator requirements. The company's strategy does not manage information based on the GRI Standard methodology. The information reported is based on Banorte's materiality.	Principle 8. To promote sustained economic growth, inclusive and sustainable full-time productive employment and a decent work environment for all.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	102-9	✓	Supply chain	Social Capital	
	102-10	✓	Significant changes to the organization and its supply chain	Message from the President, Message from the CEO.	
	102-11		Precautionary Principle or approach	<p>There are no environmental risk and impact for new investments or products, however measures are taken in the construction of new branches to mitigate the impact to the environment such as:</p> <ul style="list-style-type: none"> • Solid waste separation • Use of treated water • Water reuse • Rainwater collection • Use of ecological bathrooms • Use of materials made from recycled material • Use of lead-free vinyl paint • Control systems for lighting and air conditioning • Installation of lighting with low energy consumption. 	
	102-12	✓	External initiatives	Social Capital, Natural Capital	
				<p>GFNorte has an active presence in different associations, through their respective business units:</p> <ul style="list-style-type: none"> • Association of Banks of Mexico • Mexican Association of Afores • Mexican Association of Insurance Institutions • Mexican Association of Leasing Companies • Credit and Factoring <p>AFORE XXI Banorte is a member of:</p> <ul style="list-style-type: none"> - CONSAR (National Commission of Retirement Savings Funds); - AMEDIRH (Mexican Association of Human Resource Management); - AMAFORE (Mexican Association of Afores). 	
X	102-13	✓	Membership of associations		
	102-14	✓	Statement from senior decision-maker	Message from the President, Message from the CEO, Letter of Sustainability.	
	102-15	✓	Key impacts, risks, and opportunities	CEO Message, General Director Message, Sustainability letter, How we create value?, Corporate Governance México, a good investment opportunity.	
	102-16	✓	Values, principles, standards, and norms of behavior	How We Create Value, Social Capital for our Code of conduct visit: https://www.banorte.com/cms/doc/CODIGO_DE_CONDUCTA_dic.pdf	Principle 16.- To promote pacific and inclusive societies for sustainable development, facilitate access to justice for all and create efficient, responsible and inclusive institutions at all levels.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	102-17	✓	Mechanisms for advice and concerns about ethics	All employees have access to Ethics Points, an external complaint system that provides transparency on issues of ethics and legality. To learn more about our code of conduct, please visit: https://www.banorte.com/cms/doc/CODIGO_DE_CONDUCTA_dic.pdf AFORE XXI Banorte: employees benefit from a hotline and SAE as complaints mechanisms.	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	102-18	✓	Governance structure	Corporate Governance	
X	102-19	✓	Delegating authority	Corporate Governance	
X	102-20	✓	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance	
X	102-21	✓	Consulting stakeholders on economic, environmental, and social topics	The relationship and dialogue with stakeholders is led by each responsible area with the frequency that the relationship requires. In case of a relevant topic, this should be submitted to the Board of Directors for its consideration.	Principle 16.- To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	102-22	✓	Composition of the highest governance body and its committees.	Corporate Governance	Principle 5. To achieve equality and the empowerment of all women and girls. Principle 16.- To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	102-23	✓	Chair of the highest governance body	Mr. Carlos Hank González does not occupy any position as an officer of GFNorte with operational responsibilities.	Principle 16.- To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	102-24	✓	Nominating and selecting the highest governance body.	For more Information see: www.banorte.com/gobiernocorporativo	Principle 5. To achieve equality and the empowerment of all women and girls. Principle 16.- To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	102-25	✓	Conflicts of interest	Directors, officers and employees should always avoid actions which may contradict, or give the impression that they contradict with the GFNorte's legitimate interests. In particular, there should be an specific assessing of the possibility of being on a conflict of interest in the business or personal relationships that can be taken with customers, suppliers, associates or competitors (including directors, officers and employees) of GFNorte. The non-compliance on any of the principles of the code of conduct, must be reported, with discretion, to the Executive Department of Prevention and Institutional Control, or through the complaints systems and reporting channels established in the institution. The Executive Department of Prevention and Institutional Control, shall keep the Audit and Corporate Practices Committee, General Management and if the case, the Board of Directors informed of the relevant issues reported by officers or employees. All reports or findings that do not adhere to the principles of this code of conduct will be investigated and if its applicable, internal regulation sanctions will be applied.	Principle 16.- To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	102-26	✓	Role of highest governance body in setting purpose, values, and strategy.	The Board of Director's fuctions seeks to promote the social responsibility in society through changes in Grupo Financiero Banortes's mission, vision, changes, in business strategy and in the responsability of the Board of Directors structure.	
	102-27		Collective knowledge of highest governance body.	Letter of Sustainability	
	102-28		Evaluating the highest governance body's performance.	Corporate Governance	
	102-29	✓	Identifying and managing economic, environmental, and social impacts.	Letter of Sustainability see 102-30	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
	102-30	✓	Effectiveness of risk management processes.	The Board of Directors' functions is to ensure the establishment of mechanisms for the identification, analysis, management, control and disclosure of risks related to the business. To fulfill this function of the Risk Policy Committee and the Audit and Corporate Practices Committee; which verifies that mechanisms established. Also the CEO reports, through a quarterly report, to the Board of Directors about the situation of each of the identified risks.	

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	102-31	✓	Review of economic, environmental, and social topics.	During the sessions of the governing body, according to the agenda availability, the review and management of economic, environmental and social impacts, risks and opportunities are reviewed.	Principle 4. To ensure everyone has an inclusive, equitable and quality education and promote opportunities for learning throughout the lifetime.
X	102-32	✓	Highest governance body's role in sustainability reporting.	The annual report is approved by the Executive Department of Sustainability and Responsible Investment.	
	102-33		Communicating critical concerns	Grupo Financiero Banorte SAB DE CV is a financial institution listed in Mexican stock (Bolsa Mexicana de Valores), as well as in various international stock markets. In the case of a critical event shareholders or interested third parties must be notified GFNorte has an established procedure to notify these institutions of relevant events related to it.	
X	102-34	✓	Nature and total number of critical concerns.	Corpotate Governance see 102-30	
	102-35		Remuneration policies	Remuneration for GFNorte Board members is established in the Ordinary session of the Shareholders' Assembly held regularly each April.	
	102-36		Process for determining remuneration	Corporate Governance	
X	102-37	✓	Stakeholders' involvement in remuneration.	Communication channels with the different stakeholders remain open, so far we have not received any request or suggestion regarding the remuneration of Board members; the one's requested will be presented at the following Board session.	
	102-38		Annual total compensation ratio	Managers' salaries are 8.21 times the base salary higher than the average of the rest of the personnel's salary. The methodology consists of grouping on the one hand the different management levels and obtaining an average and on the other hand, grouping the different levels of the rest of the personnel and obtaining an average of their compensation. With the aforementioned, we proceed to divide the average compensation of the Executive group by the average compensation of the rest of the personnel to obtain the indicator.	
X	102-39		Percentage increase in annual total compensation ratio.	Does not apply since the individual receiving greater pay has not received a raise in the stated period.	
	102-40	✓	List of stakeholder groups	Our stakeholders	

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	102-41	✓	Collective bargaining agreements	Human Capital, Insurance and Annuities Banorte: 0% of unionized employees.	Principle 8. Promote sustainable economic growth, full and productive employment and decent work for all.
	102-42	✓	Identifying and selecting stakeholders	Our stakeholders	
	102-43	✓	Approach to stakeholder engagement	Financial Capital, Infraestructura and I.T. Capital, Intellectual Capital, Social Capital	
	102-44	✓	Key topics and concerns raised	Our stakeholders	
	102-45	✓	Entities included in the consolidated financial statements.	Description	
	102-46	✓	Defining report content and topic Boundaries.	Sustainability Model	
	102-47	✓	List of material topics	Sustainability Model	
	102-48	✓	List of material topics	Our Stakeholders. We develop our Annual Report using the GRI Standards methodology with scope comprehensive allowing us to have greater interaction with our different stakeholders, which includes positive aspects and areas of opportunity in order to provide reliability to the emitted information. Our annual report is reviewed by a third party, in this case Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) thereby maintaining our commitment to sustainability.	
	102-49	✓	Changes in reporting	Our stakeholders GFNorte changed from GRI G4 Comprehensive to GRI Comprehensive Standards	
X	102-50	✓	the period for information	This 2016 Annual Report includes the period from January 1st to December 31st, 2016.	
X	102-51	✓	Date of most recent report	The report immediately prior to the present report, is the 2015 Annual Report of Grupo Financiero Banorte.	
X	102-52	✓	Reporting cycle	Annual	
X	102-53	✓	Contact point for questions regarding the report.	Contact	

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	102-54	✓	Contact point for questions regarding the report.	We adhere to the comprehensive compliance option, reporting the contents of the Universal Standard 102 (general content), as well as those contained in the Topic-specific Standards (200, 300 and 400 series) linked to material topics. Also, we, we are committed to continue to work at strengthening compliance with the report preparation principles, continue with the materiality exercise and monitor the important issues throughout the course of the year. We also respond for contents of the Financial Sector's GRI supplement.	
	102-55	✓	GRI Content Index	GRI Table of Contents	
X	102-56	✓	External assurance	Attached is a letter from the independent assurance. To learn more about our external assurance process, refer to the statement.	
	103-1	✓	Explanation of the material topic and its Boundary.	<p>The Executive Management of Sustainability and Responsible Investment establishes structures, principles and guidelines for the planning, organization, execution, monitoring, control and continuous improvement of the social initiatives that seek to achieve sustainable development goals where stakeholders take active part.</p> <p>For this reason, we have social and environmental policies as part of our corporate regulations established to act ethically, equitably and impartially in circumstances that involve sustainability issues, so that it is reliable for stakeholders of Grupo Financiero Banorte and its operations, thereby improving business performance, products, services and the company's position as an institution committed to the country.</p>	

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	103-2		The management approach and its components.	<p>We have Ethic Points, a confidential and anonymous complaints system to address cases of corruption and those who violate sound business practices. In 2016, the number of complaints was 259; 89% corresponded to human resources and 11% to Internal Control. It is worth mentioning that no complaint was presented for discrimination. Complaints in human resources issues correspond to the following classifications: discrimination or harassment; violation of policies and behaviors; bad behavior; violence; threat or theft and unsafe working conditions. In terms of Internal Control, classifications included: operational issues; false accounting; erroneous information; illicit enrichment; falsification of contracts or records.</p>	<p>Principle 2. Put an end to hunger, ensuring food and nutrition; to improve and promote sustainable agriculture.</p> <p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 7. Ensure access to modern, sustainable, safe and affordable energy for all.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p> <p>Principle 9. Build a resilient infrastructure, promote inclusive and sustainable industrialization and promote innovation.</p>
	103-3		Evaluation of the management approach.	<p>At GFNorte we apply the evaluation of management through our capitals:</p> <p>Financial Capital: Corporate Practices Committee (CAPS) Human Capital: Code of Conduct Natural Capital: Natural Policies Social Capital: Social Policies Infrastructure & I.T. Capital: Social Policies Intellectual Capital: Communication Policies.</p>	
X	201-1	✓	Direct economic value generated and distributed.	Financial Capital. The retained economic value is not material to this GFNorte report.	
	201-3	✓	Defined benefit plan obligations and other retirement plans.	Human Capital	
X	201-4	✓	Financial assistance received from government.	Grupo Financiero Banorte has not received aid from the Government in regards to tax relief and tax credits, subsidies or exemption from royalties. i.e. Aid related with taxation.	
X	202-1	✓	Ratios of standard entry level wage by gender compared to local minimum wage.	Our employees are compensated above the minimum wage established in Mexico City in 2016, this is overcome by 50%.	<p>Principle 1. To end poverty in all its forms throughout the world.</p> <p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 8. To promote sustainable economic growth, inclusive and sustainable, productive full-time employment and decent work for all.</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	203-1	✓	Infrastructure investments and services supported.	Social Capital. A donation was given to Alliance Anti Cancer PBL in the amount of Ps 50,008.00.	<p>Principle 2. To end hunger, ensure food and nutrition and to improve and promote sustainable agriculture.</p> <p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 7. To ensure modern, sustainable, safe and affordable energy for all.</p> <p>Principle 9. Build a resilient infrastructure, promote inclusive and sustainable industrialization and promote innovation.</p> <p>Principle 11. To ensure that the cities and human settlements are inclusive, safe, resilient and sustainable.</p>
X	203-2	✓	Significant indirect economic impacts	CEO Message, General Direction Message based on CNBV, GFNorte is an institution of systemic importance for the stability of the Mexican financial system for more detail consult: https://www.gob.mx/cnbv/acciones-y-programas/bancos-de-importancia-sistematica	<p>Principle 1. To end poverty in all its forms throughout the world.</p> <p>Principle 2. To end hunger, ensure food and nutrition and to improve and promote sustainable agriculture.</p> <p>Principle 3. Ensure a healthy life and promote well-being for people regardless of age.</p> <p>Principle 8. To promote sustainable economic growth, inclusive and sustainable, productive full-time employment and decent work for all.</p> <p>Principle 10. To reduce inequality within and between countries.</p> <p>Principle 17. Strengthen the means to implement and revitalize global partnership for sustainable development.</p>
X	205-1	✓	Operations assessed for risks related to corruption.	Our Ethic Points complaints system has the capacity to receive complaints and reports from the 22 centers that form the GFNorte financial group, Northern Territory, South Mexico City, North Mexico City, West, Central, Northwest, Peninsular, South, Consumer, Business, Banorte USA, Banorte-Ixe Securities, Brokerage, Warehouse, Leasing, Factoring, Insurance, Annuities, Afore, Assistance and Sólida. Complaints classified by subject related to Internal Control or Human Resources.	

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	205-2	✓	Communication and training about anti-corruption policies and procedures.	Our staff receives training and constant updates on the prevention of money laundering. In addition to this, there is constant communication to promote the Ethic Points complaints system as a mechanism to report anti-corruption. 15,468 employees have been trained on topics on prevention money laundering.	
X	205-3	✓	Confirmed incidents of corruption and actions taken.	<p>In general, the resolutions implemented since 2008 until 2016 for cases attended through the Ethic Points complaints system, from both Human Resources and Internal Control were:</p> <ul style="list-style-type: none"> • No action taken due to lack of fundamental information: 51.6% • Relocation of the condemned: 3.4% • Reprimand of condemned: 24.6% • Suspension without pay: 3.1% • Termination of employment: 11.9% • Others: 5.3% <p>In 2016, 230 complaints (207 of Human Resources issues and 23 Internal Control) were resolved.</p> <p>In another aspect, Banorte's Insurance and Annuities in 2016 was paid a fine of Ps77,811.0 for the late. Delivery of corporate information (RR-1) of the 2015 Annuities report to the CNSF.</p>	
X	301-1	✓	Materials used by weight or volume	Natural Capital	
	302-1	✓	Energy consumption within the organization.	Natural Capital	<p>Principle 7. To ensure modern, sustainable, safe and affordable energy for all.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	302-3	✓	Energy intensity	Natural Capital	<p>Principle 7. To ensure modern, sustainable, safe and affordable energy for all.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p>
	302-4	✓	Reduction of energy consumption	Natural Capital	<p>Principle 7. To ensure modern, sustainable, safe and affordable energy for all.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
					<p>Principle 3. Ensure a healthy life and promote well-being for people regardless of age.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p> <p>Principle 14. To conserve and sustainably use our oceans, seas and marine resources for sustainable development.</p> <p>Principle 15. Protect, restore and promote sustainable use of terrestrial ecosystems, carry out sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>
	303-1		Water withdrawal by source	Natural Capital	
	304-1		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Natural Capital	<p>Principle 3. Ensure a healthy life and promote well-being for people regardless of age.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p> <p>Principle 14. To conserve and sustainably use our oceans, seas and marine resources for sustainable development.</p> <p>Principle 15. Protect, restore and promote sustainable use of terrestrial ecosystems, carry out sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
					<p>Principle 3. Ensure a healthy life and promote well-being for people regardless of age.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p> <p>Principle 14. To conserve and sustainably use our oceans, seas and marine resources for sustainable development.</p> <p>Principle 15. Protect, restore and promote sustainable use of terrestrial ecosystems, carry out sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>
	304-4		IUCN Red List species and national conservation list species with habitats in areas affected by operations.	Natural Capital	
	305-1	✓	Direct (Scope 1) GHG emissions	Natural Capital	<p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p> <p>Principle 15. Protect, restore and promote sustainable use of terrestrial ecosystems, carry out sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p> <p>Principle 14. To conserve and sustainably use our oceans, seas and marine resources for sustainable development.</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	305-2	✓	Energy indirect (Scope 2) GHG emissions.	Natural Capital	<p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p> <p>Principle 15. Protect, restore and promote sustainable use of terrestrial ecosystems, carry out sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p> <p>Principle 14. To conserve and sustainably use our oceans, seas and marine resources for sustainable development.</p>
	305-3	✓	Other indirect (Scope 3) GHG emissions.	Natural Capital	<p>Principle 3. Ensure a healthy life and promote well-being for people regardless of age.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p>
	305-4	✓	GHG emissions intensity	Natural Capital	<p>Principle 6. To guarantee the availability of water and its sustainable management and sanitation for all.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	305-5	✓	Reduction of GHG emissions	Natural Capital	<p>Principle 6. To guarantee the availability of water and its sustainable management and sanitation for all.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p> <p>Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).</p> <p>Principle 14. To conserve and sustainably use our oceans, seas and marine resources for sustainable development.</p> <p>Principle 15. Protect, restore and promote sustainable use of terrestrial ecosystems, carry out sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>
X	305-6	✓	Emissions of ozone-depleting substances (ODS).	Natural Capital	<p>Principle 6. To guarantee the availability of water and its sustainable management and sanitation for all.</p> <p>Principle 12. Ensure sustainable consumption and production patterns.</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	306-2	✓	Waste by type and disposal method	Natural Capital	Principle 16. Promote specific and inclusive societies for sustainable development, facilitate access to justice for all and create effective, accountable and inclusive institutions at all levels.
	307-1	✓	Non-compliance with environmental laws and regulations.	GFNorte did not receive environmental fines in 2016.	Principle 11. Ensure that the cities and communities are inclusive, safe, resilient and sustainable. Principle 12. Ensure sustainable consumption and production patterns. Principle 13. Adopt urgent measures to combat climate change and its effects (recognizing that the UN Climate Change Convention's framework is the main international intergovernmental forum to negotiate the global response to climate change).
X	308-1		New suppliers that were screened using environmental criteria.	Social Capital	
X	401-1	✓	New employee hires and employee turnover.	Human Capital	Principle 5. To achieve equality and the empowerment of all women and girls. Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.
X	401-2	✓	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Human Capital, Insurance and Annuities Banorte: 14% turnover. AFORE XXI Banorte: 79% turnover.	Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.
X	403-1	✓	Workers representation in formal joint management-worker health and safety committees.	In 2016, 5,061 employee, representing 27% of the full-time employees were trained as brigade members in GFNorte buildings and branches and a total of 269 events were carried out, with 17 committees distributed throughout the country in topics such as: <ul style="list-style-type: none">• First aid• Evacuation and crisis assessment• Fighting and controlling fires• Heimlich Maneuver• Human Capital.	Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.
X	403-2	✓	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	Absenteeism rate of male and female employees: corresponded to 0.018 days in 2016. Lost days rate of male and female employees: were to 0.002 days in 2016.	Principle 3. Ensure a healthy life and promote well-being for people regardless of age. Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	404-1	✓	Average hours of training per year per employee.	Human Capital	<p>Principle 4. To ensure everyone has an inclusive, equitable and quality education and promote opportunities for learning throughout the lifetime.</p> <p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p>
X	404-2	✓	Programs for upgrading employee skills and transition assistance programs.	Human Capital	<p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p>
X	404-3	✓	Percentage of employees receiving regular performance and career development reviews.	Percentage of employees with regular evaluation throughout its performance and their career development plan: female 81%, males 82%, professional development not applicable.	<p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p>
X	405-1	✓	Diversity of governance bodies and employees.	Human Capital	<p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p>
X	405-2	✓	Ratio of basic salary and remuneration of women to men.	Human Capital In the case of AFORE XXI Banorte taking into consideration the different work categories, the average salary of women represents 86% of the men's average salary.	<p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p> <p>Principle 10. To reduce inequality within and between countries.</p>
X	406-1	✓	Ratio of basic salary and remuneration of women to men.	In 2016 no such cases were presented	<p>Principle 5. To achieve equality and the empowerment of all women and girls.</p> <p>Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.</p> <p>Principle 8. Promote sustainable economic growth, inclusive and sustainable full-time and productive employment and decent work for all.</p>

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	410-1	✓	Security personnel trained in human rights policies or procedures.	In 2016, 50% of employees received training in security issues in the field of human rights.	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
	411-1	✓	Incidents of violations involving rights of indigenous peoples.	In 2016 no such cases were presented	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
	412-2	✓	Employee training on human rights policies or procedures.	In 2016, 38,896 hours of training activities were given to employees in human rights issues which represents 84% of employees. In the case of Insurance and Annuities 47,350 hours of training activities were imparted in the topic of human rights of which 29,674.5 were done online.	
X	412-3	✓	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	We have no investment agreements. As for suppliers, we have 830 contracts that declare their commitment to having knowledge of and adherence to the Global Compact Principles (without meaning that they do adhere to).	
X	413-2	✓	Operations with significant actual and potential negative impacts on local communities	No claims were registered in 2016	
X	414-1		New suppliers that were screened using social criteria.	There are no analysis procedures based on social criteria; however, since 2Q12, we have encouraged our suppliers to maintain healthy human rights, labor, environmental and anti-corruption practices, with the incorporation of a clause in new contracts and renewals that manifests their commitment to comply with the Global Compact Principles (without meaning that they do adhere to).	
	417-1	✓	Requirements for product and service information and labeling.	Social Capital	
X	417-2	✓	Incidents of non-compliance concerning product and service information and labeling.	At the end of the 2016 a total of Ps 3.9 million was are paid to various regulatory agencies.	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	417-3	✓	Incidents of non-compliance concerning marketing communications.	During 2016, at GFNorte there were no fines relating to marketing, advertising, promotion or sponsorship.	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	418-1	✓	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	In 2016 4 claims were presented on alleged leakage information; however these 4 claims were inadmissible.	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	419-1	✓	Non-compliance with laws and regulations in the social and economic area.	During the year 144 fines were paid for a total amount of \$3,907,340.23 came for updating properties awarded by the Bank. Came SAT, INFONAVIT, CNBV, CONDUSEF and the Bank of Mexico.	Principle 16. To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and creating effective, accountable and inclusive institutions at all levels.
X	FS1	✓	Policies with specific environmental and social components applied to business lines.	Social Capital. To consult our Socio-Environmental Policy go to: www.banorte.com/responsabilidad-social/sustentabilidad/nuestroenfoco/nuestraspoliticas .	Principle 10. To reduce inequality within and between countries.
X	FS2	✓	Procedures for the evaluation and selection of environmental and social risks in lines of business.	<p>We have two frameworks for analysis and management of social and environmental risks:</p> <p>Our Social and Environmental Management system SEMS (for corporate and business banking) and Equator Principles for all areas of the bank. With these methodologies we developed an analysis to financing a project, self-financing or third party financing.</p> <ul style="list-style-type: none"> SEMS: For transactions with requested financing greater than \$1 million US dollars, which can be investment projects or working capital for more than 2 years Equator Principles: Financial consultancy services, whose total investment is \$10 million US dollars or more. Projects with a total investment amount of \$10 million US dollars or more Business loans related to a single project, with a minimum financing of \$1 billion US dollars for more than 2 years, when Banorte's exposure is \$50 million US dollars or more Temporary loans for under 2 years, that can be refinanced for a project loan or a business loan related to a project Projects with an emission exceeding the equivalent of 100,000 tons of CO₂e a year. 	Principle 10. To reduce inequality within and between countries.
X	FS3	✓	Processes to monitor implementation and compliance with environmental and social requirements included in agreements or transactions with customers.	Natural Capital	Principle 10. To reduce inequality within and between countries.
X	FS4		Processes to improve personnel competence in implementing environmental and social policies and procedures applicable to lines of business.	Grupo Financiero Banorte Sustainability and Responsible Investment area has a staff with experience in the field, who are responsible to provide training to teams in the different territories in which we operate, whose activities are related to loan placement.	Principle 10. To reduce inequality within and between countries.

MATERIAL	DISCLOSURE STANDARDS	INDICATORS REVIEWED BY A THIRD PARTY	DESCRIPTION	2016 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
X	FS5	✓	Interactions with customers in terms of environmental and social opportunities and risks.	Natural Capital	Principle 10. To reduce inequality within and between countries.
	FS8		Monetary value of products and services designed to deliver a specific environmental benefit for each line of business by objectives.	We do not have products designed to deliver a specific environmental benefit.	Principio 10.- Reducir la desigualdad en y entre los países.
X	FS10	✓	Percentage and number of companies in the institution's portfolio with which interactions on environmental or social issues have been carried out.	Departments: Corporate Banking, Business Banking and Structured Financing. 3,138 loans of the Corporate Banking, Business Banking and Structured financing portfolio were analyzed, generating 233 recommendations to improve activity performance of the project on socio-environmental issues and to perform due diligence that include areas of opportunity to improve the social environmental performance. We do not have information on the volume of the portfolio's companies in order to establish the percentage that this data represents.	Principle 10. To reduce inequality within and between countries.
x	FS11		Percentage of assets subject to social or environmental review, positive as well as negative.	Social Capital, Natural Capital	Principle 10. To reduce inequality within and between countries.
x	FS13		Points of access in scarcely populated or economically disadvantaged areas described by type.	Social Capital	Principle 1: End poverty in all its forms everywhere Principle 8: Promote inclusive and sustainable economic growth, employment and decent work for all Principle 10. To reduce inequality within and between countries.
x	FS14		Initiatives to improve access to financial services for the disadvantaged.	Social Capital	Principle 10. To reduce inequality within and between countries.
x	FS15	✓	Policies for the design and sale of financial products and services in a fair and reasonable manner.	GFNorte has the Evaluation and Approval of Initiatives and Projects of New Products and Services policy.	Principle 10. To reduce inequality within and between countries.
x	FS16		Initiatives to improve financial literacy and education by type of beneficiary.	Social Capital	Principle 8: Promote inclusive and sustainable economic growth, employment and decent work for all Principle 10. To reduce inequality within and between countries.

AUDIT AND CORPORATE PRACTICES COMMITTEE ANNUAL REPORT

AUDIT AND CORPORATE PRACTICES COMMITTEE ANNUAL REPORT

MEXICO CITY, MARCH 16TH, 2017

To the Board of Directors of Grupo Financiero Banorte, S.A.B. de C.V.

In accordance with Articles 58 articles of the Law to Regulate Financial Groups and 43 of the Stock Market Law, the Audit and Corporate Practices Committee (Committee) presents its annual report of activities for 2016.

The contents of this report shall refer to Grupo Financiero Banorte (GFNorte) and the following relevant institutions: Banco Mercantil del Norte, S.A., Inter National Bank, Casa de Bolsa Banorte Ixe, S.A. de C.V, Leasing and Factoring of Banorte, S.A. de C.V. SOFOM ER, Solida Administradora de Portafolios, S.A. de C.V. SOFOM ER, Seguros Banorte, S.A. de C.V.(Insurance company), Pensiones Banorte, S.A. de C.V. (Annuities company) and Banorte Ahorro y Previsión S.A. de C.V. (Long Term Savings).

I. In regards to auditing:

- a) Regarding the state of the Internal Control System (ICS) and Internal Audit of GFNorte and its relevant entities, and deficiencies and deviations, the following elements were taken into consideration:
1. The annual reports on activities in issues of Internal Control of the relevant entities prepared by their respective General Directors.
 2. The Internal Comptrollers' reports for GFNorte's relevant entities in Mexico, with their opinion on the functioning of the ICS.
 3. The Internal Audit's opinion on the situation of the ICS of the relevant entities.
 4. Reports on relevant deficiencies and observations of GFNorte and its subsidiaries, presented by Internal Audit and the follow-up on corrective measures.
 5. The External Auditor's reports of observations to Internal Control and its opinion of the financial statements of GFNorte and its subsidiaries.
 6. The inspection reports by competent authorities.
 7. Commissioners' reports on GFNorte's relevant entities.
 8. Reports of other Audit Committees on relevant events and the minutes of their meetings.
 9. Reports on the management Internal Audit and fulfillment of its work program.

Taking into consideration the aforementioned elements, the SCI the ICS of GFNorte and its relevant entities is reported to function properly, and those deficiencies or deviations that were identified have been addressed and others are in the process of being taken care of.

With respect to Internal Audit's functioning, the area has maintained its independence, has reasonably met its work program in accordance with best practices, and effectively monitored the implementation of measures to correct observations and identified areas of opportunity.

- b) No significant non-compliance with GFNorte's and its relevant subsidiaries' operating guidelines and policies and accounting records were presented. Areas of opportunity that were identified, were reported to policy-makers and steps were taken to address them, with respect to which a follow-up system was established to ensure proper implementation.
- c) A performance evaluation of the legal entity providing the external audit services confirmed the quality of the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte Touche Tohmatsu member) in the performance of its activities and in its relationships with the Administration and the Committee, as well as with the Auditor in charge.

Additionally, the content of its audits and reports are of quality and useful in supporting the Committee, emphasizing that their results and opinions did not present differences with the Administration.

- d) With regards to the description and assessment of the additional or complementary services provided by the External Auditor, it was approved to hire them during the fiscal year to assess tax effects on restructuring of GEO and URBI liabilities, advise on the preparation of tax deductions from the taxable base of the ISR 2015 for portfolio write-offs and conduct studies and analyses of the taxes for written-off portfolios from portfolio purchases.

It was approved to hire them for work associated with the issuance of capital (Subordinated Debt) and to conduct an analysis of the mechanics for calculation of the Capitalization Index.

It was also approved to hire them to validate valuation models and a bi-annual review of risk measurement and to impart induction workshops when required for new Board members or for update issues.

With respect to technology, hiring was approved to perform internal and external intrusion tests on systems and consultancy for the Software Development Life Cycle (SDLC) process and optimization of the Security Operations Center (SOC) and response to incidents.

In addition, hiring was approved for review of the sustainability report, local taxes and prices for intercompany transfer operations.

- e) A review of the financial statements for GFNorte and its subsidiaries was carried out as of December 31st, 2016 and the dictum of the External Auditor, confirming that they were prepared in accordance with the applicable accounting principles in all material aspects, and recommended their approval to the Board of Directors. The Committee also reviewed quarterly interim financial statements for the year.
- f) In regard to major modifications to policies and accounting criteria used during the fiscal year, it was reported that modifications were made to comply with changes in applicable provisions, which are described in Note 4 of the financial statements denominated "Main Accounting Policies", which contains a detailed explanation of them and their effects.
- g) No relevant observations were received during the fiscal year from shareholders, Board members, directors, employees or any third party, with respect to accounting, internal controls or internal and external audit, or allegations of irregular events. Based on best practices, there is an anonymous complaints system which the Committee follows up on with due attention.
- h) With regards to the follow-up of agreements between the Shareholders' Assembly and the Board of Directors, such bodies have not asked the Committee to follow-up on any agreement.
- i) During the fiscal year there were various monitoring visits by Banixco, Condusef, CNSF, CNSF and CNBV, highlighting the inspection visit carried out by the latter concentrated on issues relating to the loan process, with special focus on payroll loans, identity theft, trust, mortgage portfolio and operational and technological risk. Main findings were reported to the Board of Directors in the meeting held on January 26, 2017.

Observations resulting from such visits were largely attended or are being attended to.

- j) Among the other relevant activities carried out within the Committee's responsibilities was the analysis of criteria proposed for days that corrective measures and scaling of observations were conducted, and the approval of the proposal to sanction those responsible for overdue observations.

During the period the Committee followed up on the relevant observations that were in arrears with the presence of those responsible for them.

The Committee reviewed the measures to mitigate impacts on branches and electronic banking, advances in the recovery of mortgage testimonies and the current situation in the Trust area.

The Committee met with the External Auditor to review relevant issues considered in the External Audit plan, provide follow-up on general control shortcomings in technology identified in the mid-term review, to assess the new regulations related to changes in the auditor's report, on business in progress and other matters related to the audit.

Additionally, the Committee reviewed the External Auditor's added-value activities, among which stood out the high level of Technology's Internal Audit functions.

With respect to other topics, the Committee followed up on the current situation of GFNorte's international business, the correspondent banking and foreign exchange processes, measures taken to comply with the Protection of Personal Data Law and Internal Control activities implemented in GFNorte to highlight the importance that control has in daily tasks.

In terms of credit, the Committee reviewed the entire Time to Market project, the analysis methodology for state and municipal government loans, the results of the forensic audit for loans reported with write-offs, examined the remediation plan to solve non-compliance problems with covenants, analyzed the reasons for the increase in the application of write-offs of payroll loans and conducted a reconciliation of the Loan Review's observations and recommendations for 2015.

Finally, the Committee continued to follow-up on the progress of the "Adding Value for the Customer" project and revised the project for the outsourcing of information technology with IBM.

II. In regards to Corporate Practices:

- a) In relation to the observations on the performance of relevant managers, the Human Resources Committee's Secretary reported that there were no cases of executives who acted outside of the established policies during the fiscal year.
- b) Transactions with related parties approved by the Board of Directors by December 31, 2016 loans provided through Banco Mercantil del Norte to related parties totaled Ps 9.792 billion, less than the limit set by the corresponding regulation.

Intercompany transactions were carried out at market prices, which was verified by the External Auditor who did not report any findings.

In 2016, the Committee monitored the implementation of GFNorte's system for the prevention of conflicts of interest, relying on the management reports of Audit and Internal Control to do this.

- c) With regards to emolument packages for the CEO and relevant officers, there is a compensation system approved by the Board of Directors, which divides remuneration into ordinary and extraordinary, and includes rules to defer the latter according to established risk indicators and policy compliance, and which has been applied consistently during the fiscal year taking into account review results by Internal Audit and reports presented by the Human Resources Committee and the Risk Policy Committee to the Board of Directors.
- d) During the fiscal year the Board of Directors did not award dispensations to directors or relevant managers to take advantage of business opportunities.

Sincerely,

Hector Reyes Retana y Dahl
President of Audit and Corporate Practices Committee of
Grupo Financiero Banorte, S.A.B. de C.V.

INDEPENDENT ASSURANCE REPORT



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Independent assurance report on the 2016 Annual Report to Grupo Financiero Banorte, S.A.B. de C.V., to the Management of GFNorte

Responsibilities of GFNorte and independent reviewer

The Management of GFNorte is responsible for the elaboration of the 2016 Annual Report (AR) for the period from January 1st to December 31st, 2016, as well as its content ensuring to define, adapt and maintain the management systems and internal control from which the information is obtained, and which are also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of GFNorte in accordance with the terms of our agreement letter dated October 10th, 2016, therefore we don't assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of GFNorte.

Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work, therefore the security provided is also lower. This report in no case can be understood as an audit report.

We conducted the 2016 AR review under the following conditions and/or criteria:

- The adaptation of the 2016 AR contents to the Sustainability Reporting Standards Guidelines of the Global Reporting Initiative (GRI), to the Disclosure Sectors (GRI) version G4 of Financial Services and according to the materiality study provided by GFNorte.
- The review of the GRI Standards contents in accordance with the Comprehensive option and specified in the GRI Content Index of the 2016 AR and the performance indicators of the Disclosure Sector.
- The data consistency between the information contained in the 2016 AR with supporting evidence provided by management.

We have complied with the independence and ethics requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Boards (IAASB) of International Federation of Accountants (IFAC).

Our review work included the formulation of questions to the management as well as various departments of GFNorte that have participated in the elaboration of the 2016 AR and the application of certain analytical and sample screening tests procedures that are described below.

- Meetings with staff of GFNorte to learn the principles, systems and applied management approaches.
- Analysis of the process to collect, validate and consolidate the data presented in the 2016 AR.
- Analysis of scope, relevance and integrity of the information included in the 2016 AR in terms of the understanding of GFNorte and of the requirements that stakeholders have identified as material aspects.
- Selected sample review from the evidence that supports the information included on the 2016 AR.
- On-site review of the Disclosure Sectors performance indicators and GRI Standards contents.
- Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

The following table details the revised contents according with the Sustainability Reporting Standards Guideline and the performance indicators of the Financial Services Disclosure Sector:

SRS-102-1	SRS-102-14	SRS-102-26	SRS-102-45	SRS-103-1	SRS 302-3	SRS 403-1	SRS 413-2
SRS-102-2	SRS-102-15	SRS-102-29	SRS-102-46	SRS-201-1	SRS 302-4	SRS 403-2	SRS 417-1
SRS-102-3	SRS-102-16	SRS-102-30	SRS-102-47	SRS-201-3	SRS 305-1	SRS 404-1	SRS 417-2
SRS-102-4	SRS-102-17	SRS-102-31	SRS-102-48	SRS-201-4	SRS 305-2	SRS 404-2	SRS 417-3
SRS-102-5	SRS-102-18	SRS-102-32	SRS-102-49	SRS-202-1	SRS 305-3	SRS 404-3	SRS 418-1
SRS-102-6	SRS-102-19	SRS-102-34	SRS-102-50	SRS-203-1	SRS 305-4	SRS 405-1	SRS 419-1
SRS-102-7	SRS-102-20	SRS-102-37	SRS-102-51	SRS-203-2	SRS 305-5	SRS 405-2	FS1

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SRS-102-8	SRS-102-21	SRS-102-40	SRS-102-52	SRS 205-1	SRS 305-6	SRS 406-1	FS2
SRS-102-9	SRS-102-22	SRS-102-41	SRS-102-53	SRS 205-2	SRS 306-2	SRS 410-1	FS3
SRS-102-10	SRS-102-23	SRS-102-42	SRS-102-54	SRS 205-3	SRS 307-1	SRS 411-1	FS5
SRS-102-12	SRS-102-24	SRS-102-43	SRS-102-55	SRS 301-1	SRS 401-1	SRS 412-2	FS10
SRS-102-13	SRS-102-25	SRS-102-44	SRS-102-56	SRS 302-1	SRS 401-2	SRS 412-3	FS15

These indicators were selected for the independent review in accordance with the following criteria:

- Materiality of GFNorte referred in the 2016 AR.
- Information included in the 2016 AR.
- Information provided during the meetings with the interviewed staff.
- Review of the evidence provided by GFNorte staff of this project.

Conclusion

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the indicators and contents reviewed in the 2016 AR contains significant errors or has not been prepared in accordance with the Comprehensive option established in the GRI 101: FOUNDATION 2016 of the Sustainability Reporting Standards. For those GRI Standards contents and indicators of the Disclosure Sector where GFNorte didn't report in quantitative terms (numeric) the independent reviewer reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

Action alternatives

Additionally we present the most significant action alternatives for future development of AR, which do not alter the conclusions expressed in this report:

- Raise awareness in data owners about the importance and impact of the report and assurance process for GFNorte in order to engage a more active participation and commitment.
- Implement a detailed management plan for improving future reports.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

Rocio Canal Garrido
Partner
June 8th, 2017

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<https://www.banorte.com/informeannual2016>

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FINANCIAL STATEMENTS

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METHODOLOGY

GFNorte is at the forefront of technology and we present our report with both the IIRC and GRI methodologies, detailing actions carried out in 2016, guided by the evaluation of intangibles and a vision for the future in our most important operations.



We use the GRI methodology to report on our economic, social and environmental performance. We currently use the GRI Standards methodology, adhering to the exhaustive compliance option, reporting the contents of the Universal Standard 102 (general contents), as well as those subject-specific contents Standards (200, 300 and 400 series) determined as material.



We incorporate the IIRC framework into our annual report in order to improve the quality of information and take a more complete approach to factors that affect our ability to create value over time.



We are committed to this initiative that promotes the implementation of ten principles of action in the areas of human rights, labor, environment and anti-corruption. This report represents our communication on progress.

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