

## EXECUTIVE SUMMARY OF THE TRANSACTION



**GRUPO FINANCIERO BANORTE, S.A.B. DE C.V.**

**Ticker symbol: GFNORTE**

**Company's address: Paseo de la Reforma 1230 14<sup>th</sup> floor, Col. Cruz Manca Santa Fe, C.P. 05349, Mexico City, Mexico**

**Mexico City, November 8, 2017**

This document includes a brief summary of the terms and conditions of the transaction consisting in the merger of Grupo Financiero Interacciones, S.A.B. de C.V. ("GF Interacciones"), as the merged company, in Grupo Financiero Banorte, S.A.B. de C.V. ("GF Banorte"), as the merging and surviving company (the "Merger"), as described in greater detail in the Prospectus made available to the shareholders of GF Banorte through the GF Banorte internet portal, as well as in its offices located at David Alfaro Siqueiros 106, Colonia Valle Oriente, San Pedro Garza Garcia, Nuevo Leon, Mexico (the "Prospectus").

If the Merger is approved at the extraordinary general shareholders' meetings of GF Banorte and GF Interacciones, the consideration (the "Consideration"), for the benefit of the shareholders of GF Interacciones, will comprise a combination of cash and shares of GF Banorte, comprised by the sum of (i) \$ 13,712,587,103.60 M.N. (thirteen thousand seven hundred twelve million five hundred eighty seven thousand one hundred three Pesos 60/100 National Currency), which will be paid in cash by GF Interacciones to its shareholders, by means of the payment of a dividend and/or a reimbursement of its capital stock (or a combination of both) immediately before the Merger of GF Interacciones takes effect at GF Banorte, at a rate of \$50.80 (fifty Pesos 80/100 National Currency) for each of GF Interacciones' issued, subscribed, paid and outstanding shares as of October 25, 2017, and (ii) 109,727,031 (one hundred nine million seven hundred twenty seven thousand thirty one) shares of GF Banorte, equivalent to 0.4065 (zero point four zero six five) shares of GF Banorte for each of GF Interacciones' issued, subscribed, paid and in circulation share as of October 25, 2017 (the "Exchange Ratio"), which will be delivered as a result of the Merger of GF Interacciones with GF Banorte. The total amount of the Consideration for the Transaction will be \$26,557,233,352.46 M.N. (twenty six thousand five hundred fifty seven million two hundred thirty three thousand three hundred fifty two pesos 46/100 National Currency) (the "Total Amount of the Transaction").

Within 15 (fifteen) business days following the Merger becoming effective, the controlling shareholders of GF Interacciones, Carlos Hank Rhon, Graciela Hank Gonzalez and Trust number 10353, entered into between Banco Interacciones, as trustee and Carlos Hank González as settlor and beneficiary (the "Controlling Shareholders of GF Interacciones") (i) will transfer shares of GF Banorte with a value equivalent to 10% (ten percent) of the Total Amount of the Transaction, to a guarantee trust (the "Guarantee Trust A") in which the trustee of the Guarantee Trust A will maintain the ownership of the shares transferred by the Controlling Shareholders of GF Interacciones during a period of 24 (twenty-four) months, as from the Closing Date and, during said period the beneficiary may instruct the sale of such shares and deliver the proceeds to GF Banorte as indemnification for the damages and losses caused by the Controlling Shareholders of GF Interacciones as a consequence of a breach of the Fundamental Representations, the General Declarations and the Special Declarations (as such terms are defined below); and (ii) will transfer shares of GF Banorte with a value equivalent to \$1,200,000,000.00 M.N. (one thousand two hundred million Pesos 00/100, National Currency), in order to cover any compensation for potential fiscal contingencies that could affect GF Interacciones (the "Guarantee Trust B").

**This Executive Summary is intended to be only a non-exhaustive summary of the information contained in the Prospectus for reference and benefit of the shareholders of GF Banorte. This Executive Summary does not contain all the information that could be relevant for investors in relation to the Merger, for which reason it is recommended that the shareholders of GF Banorte read this document in conjunction with the Prospectus.**

**If you have any questions regarding the Merger or the information contained in the Prospectus or this Executive Summary, please contact the Investor Relations Office of GF Banorte at + (5255) 5268 1680 or by email electronic investor@banorte.com.**

## **1. INFORMATION OF THE TRANSACTION**

This prospectus contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding the Issuer's future results of operations and financial position; (ii) statements of plans, objectives or goals, including those related to its operations and investments; and (iii) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "should," "estimates," "seeks," "forecasts," "will," "expects," "may," "intends," "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

The statements about future events contained in this prospectus reflect convictions, assumptions and expectations regarding the future performance of GF Banorte after the Transaction and take into account all the information currently available. The realization and accuracy of those convictions, assumptions and expectations are subject to risks and uncertainties and could change as a result of various events or factors, many of which are not or may not be known to GF Banorte. In the event that there are changes in the current circumstances, it is possible that the results of the business, financial situation, liquidity and results of operations of GF Banorte vary considerably from what is stated in the statements about future events. All statements about future events are effective only from the date they were made or are made. Likewise, it is feasible that over time new risks and uncertainties arise, without GF Banorte being in a position to predict them or to know the impact they would have on the business, financial situation, liquidity and results of operations.

### **1.1. Background of the Transaction**

In June 2017, GF Banorte engaged Bank of America Merrill Lynch and Morgan Stanley & Co. LLC (which we refer to as "BofA Merrill Lynch" and "Morgan Stanley", respectively) to provide exclusively financial advice with respect to assessing certain potential strategic transactions including an acquisition of assets of or the equity of, one or more of several financial institutions in Mexico. During the second half of June and during July 2017, BofA Merrill Lynch and Morgan Stanley conducted several analyses of financial institutions as potential targets, including reviews of targets' publicly available financial statements and other business and financial information, the public market valuation of certain targets, and the pro forma impact of an acquisition of each target or portfolio of assets, to GF Banorte's operations, loan portfolio, earnings per share, consolidated capitalization and certain financial ratios if it were to be acquired.

Considering the Chairman of Gf Banorte's potential conflict of interest as a significant shareholder of GF Interacciones, one of the potential target financial institutions identified as well as Mr. Juan Antonio Gonzalez Moreno, as he is related with the Chairman of GF Banorte, on July 24, 2017, our Chairman and Mr. Juan Antonio Gonzalez Moreno informed our CEO and CFO that they would absent themselves from further discussion of GF Interacciones, and would remain uninvolved in any discussions with GF Interacciones management or shareholders if GF Banorte chose to explore a potential transaction.

On August 7, 2017, BofA Merrill Lynch and Morgan Stanley presented further analysis, exclusively of financial nature, of the potential acquisition of several potential targets to a working team composed of Banorte's CEO, CFO and certain other executives (but not including the Chairman and Mr. Juan Antonio González Moreno). Following the receipt of the financial analysis of BofA Merrill Lynch and Morgan Stanley, on August 7, 2017, GF Banorte's senior management determined that a potential acquisition of GF Interacciones could be attractive, and instructed BofA Merrill Lynch and Morgan Stanley to perform further, more in-depth financial analysis of the financial impact of a transaction with Interacciones.

Furthermore, after reviewing BofA Merrill Lynch and Morgan Stanley's analysis, GF Banorte's administration indicated that the probability of structuring an acquisition of the potential targets, other than GF Interacciones, that would be favorable to GF Banorte's EPS was low, considering the valuations that could reasonably be expected to create value so that such targets to be interested in entering into a transaction. GF Banorte administration concluded that an acquisition of either certain loan portfolios of GF Interacciones or of the equity of GF Interacciones could be accretive to GF Banorte's EPS, while allowing GF Banorte to

preserve its capital strength and its return on equity relative to its stated ROE goals, if GF Interacciones could be acquired at or near its then-current share price of approximately \$100.0 pesos per share.

On August 16, 2017, Banorte's Chief Executive Officer contacted GF Interacciones's Chief Executive Officer, Mr. Carlos Rojo, and indicated an interest in exploring a potential acquisition of loans portfolio or potentially of the entire equity of GF Interacciones. Mr. Rojo agreed to provide GF Banorte with access to a limited amount of non-public information of GF Interacciones under a non-disclosure agreement. GF Banorte and GF Interacciones executed a mutual non-disclosure agreement on August 17, 2017. On August 21 and 22, 2017, a team of GF Banorte executives, accompanied by representatives of BofA Merrill Lynch and Morgan Stanley, participated in a presentation by GF Interacciones wherein GF Interacciones senior management discussed GF Interacciones's business model, strategic direction, recent operational financial performance and business prospects.

Following the August 21 and 22, 2017 GF Interacciones' management presentation, GF Banorte's management and representatives from BofA Merrill Lynch and Morgan Stanley were provided access to a Virtual Data Room ("VDR") and performed preliminary due diligence, exclusively of financial nature, of GF Interacciones.

On September 18, 2017, BofA Merrill Lynch and Morgan Stanley presented to GF Banorte's CEO, CFO and Managing Directors of Wholesale and Retail Banking a preliminary report on their preliminary valuation of, exclusively of financial nature, and other considerations regarding GF Interacciones, incorporating inputs from GF Banorte's team that had participated in the preliminary due diligence process up to that date. Such preliminary report was supported by preliminary business projections of GF Interacciones, as developed by GF Banorte's management, which also included preliminary proforma financial projections of GF Banorte, developed by GF Banorte. Additionally, BofA Merrill Lynch and Morgan Stanley presented several transaction structuring alternatives, from a financial standpoint, and excluding any other matters, as legal or tax, including a merger, and incorporating different combinations of stock and cash consideration.

On September 18, 2017, based on its preliminary due diligence findings and financial analysis, and taking into account the financial analysis of BofA Merrill Lynch and Morgan Stanley, GF Banorte's CEO and CFO concluded that a transaction with GF Interacciones under certain conditions, would be strategically and financially attractive to GF Banorte.

Because of the related party nature of GF Interacciones, on September 21, 2017 our CEO informed the members of the Audit and Corporate Practices Committee of Banorte's Board of Directors (the "CAPS") of management's interest in making an acquisition proposal to GF Interacciones. The CAPS is composed of six independent directors, Mr. Héctor Federico Reyes-Retana Dahl, Ms. Carmen Patricia Armendáriz Guerra and Mr. Thomas Stanley Heather Rodríguez, and by the alternate members, Mr. Manuel Aznar Nicolín, Mr. Robert William Chandler Edwards and Mr. Clemente Ismael Reyes Retana Valdés. The materials reviewed presented a summary of strategic and financial merits, summary of potential structures, and considerations associated with a potential transaction involving that target, as well as a preliminary analysis of the impact of a transaction on GF Banorte's pro forma net income, capitalization ratios and return on equity, among other metrics.

On September 26, BofA Merrill Lynch and Morgan Stanley conducted an in-person and videoconference with the CAPS to present a detailed summary of the work they had performed, exclusively of financial nature, for GF Banorte since the date of their engagement, including a review of potential targets that had been considered as well as financial analysis of the potential acquisition of GF Interacciones and the impact such a transaction would have on GF Banorte's strategic positioning and financial situation.

On October 4, 2017, the CAPS retained FTI Consulting, Inc. ("FTI") and the law firm Bufete Robles Miaja, S.C. ("Robles Miaja") to act as an independent financial and legal advisor to the CAPS in connection the potential acquisition of GF Interacciones. Although FTI had provided GF Banorte with certain accounting advisory services during the last two years, the CAPS considered that, for the amount of the fees paid to FTI and for the type of services provided, it did not affect the independence of FTI in relation to its role as independent financial adviser to the CAPS. Although FTI had provided certain accounting services to GF

Banorte during the last two years, the CAPS considered that, for the amount of the fees paid to FTI and because of the type of services provided by them, the independence of FTI as independent financial adviser to the CAPS was not compromised.

On October 9, 2017, GF Banorte's CEO, CFO, General Counsel and certain other executives, accompanied by representatives of BofA Merrill Lynch and Morgan Stanley as well as GF Banorte's outside counsel White & Case, met with the CEO, CFO and General Counsel of GF Interacciones. In this meeting, GF Banorte verbally conveyed the key terms of its acquisition proposal, including transaction structure, value per share, key representations and warranties to be provided by GF Interacciones to GF Banorte as well as survival periods for such representations and warranties, and its requirement that the controlling shareholders of GF Interacciones provide for indemnification to GF Banorte for certain breaches of representations and warranties made by GF Interacciones. The GF Banorte proposal included a total value of \$98.50 pesos per GF Interacciones share or \$26.6 billion pesos in total, in the form of a \$13.3 billion pesos cash distribution by GF Interacciones to its shareholders and an exchange of GF Banorte shares valued at \$13.3 billion pesos for 100% of the common stock of GF Interacciones. In the meeting, GF Interacciones CEO indicated that the proposed value per share was unacceptable to GF Interacciones, as were certain other terms proposed by GF Banorte, but requested that GF Banorte provide a written term sheet for GF Interacciones to comment on. GF Banorte indicated that it would provide a written term sheet within 24 hours and would look forward to receiving GF Interacciones' response.

From October 12 through October 16, 2017, GF Banorte and GF Interacciones had a series of in-person and telephonic discussions in which the parties negotiated the term sheet. On October 16, 2017 GF Banorte provided GF Interacciones with a final term sheet based on what it believed had been agreed in a series of conversations during the week.

At the CAPS session held on October 18, 2017, in the presence of the representatives of FTI and Robles Miaja, the CAPS discussed extensively, among others: (i) the opinion of the independent legal advisor, Robles Miaja; (ii) compliance with the requirements of the applicable laws, the bylaws and the Code of Conduct of GF Banorte; (iii) the financial opinions of the financial experts hired by both the senior administration of GF Banorte and the CAPS; (iv) the information presented by the relevant directors of GF Banorte; and (v) the strategy proposed by them regarding the rationalization of GF Banorte's capital, the criteria, the comparative alternatives analyzed by the senior level administration with the support of its advisors, legal and financial experts, including the strategic advantages and the grounds presented with respect to the possibility of creating value for the shareholders of GF Banorte, the members of the CAPS unanimously adopted to present the transaction to the Board of Directors for its analysis and evaluation, together with the presentations provided by BofA Merrill Lynch, Morgan Stanley and FTI, and the opinion provided by FTI; and that, in its case, the board of directors may authorize the administration of GF Banorte to continue with the negotiation, considering in all cases, the approval by the shareholders of GF Banorte, and compliance with regulatory provisions and standards applicable to similar transactions.

The CAPS reviewed with the board of directors the potential conflict of interest arising from the GF Banorte Chairman's ownership, along with his sister and other family members excluding Carlos Hank Rhon, of 27.4% of GF Interacciones and the ownership by his father, Mr. Carlos Hank Rhon, of 40.7% of GF Interacciones. The CAPS noted the independence of the members of the CAPS and stated that none of the members had any financial interest or shareholding in GF Interacciones. The CAPS presented the steps it had taken in considering the transaction, and noted that it had retained FTI to provide financial analysis and a financial opinion to the CAPS on the Transaction.

FTI presented a summary of its findings to the Board and indicated that in its letter opinion to the CAPS, it concluded that the consideration paid by GF Banorte for GF Interacciones was fair to GF Banorte shareholders from a financial point of view. Their opinion noted that *"we are of the opinion that the aggregate Merger Consideration to be paid to the stockholders of Interacciones in the merger is fair, from a financial point of view, to the Company and to the holders of the common stock of the Company"*.

After considering the recommendations and in consideration of the above referenced discussions, including the favorable opinion by the CAPS, considering the fairness opinion sent by FTI, as independent expert, GF Banorte's board of directors, in a vote of 13 members for, none against and two (GF Banorte's Chairman and Mr. Juan Antonio González Moreno, by virtue of being excluded from the Board's consideration of the matter) abstaining, after deliberation, it resolved that the transaction subject of this prospectus had merits to be presented for consideration and approval by the general shareholders' meeting of GF Banorte and, consequently, resolved the ordinary and extraordinary shareholders' meetings of GF Banorte to be convened, so that they deliberate and, in their case, resolve with respect to the approval of the Operation.

On October 20, 2017, the legal external advisors of GF Banorte distributed to the legal advisors of GF Interacciones and its controlling shareholders a first draft of the Framework Agreement, reflecting the terms and conditions agreed in the terms sheet. From October 20 to 25, officials of GF Banorte and GF Interacciones, as well as their legal and financial advisors, held various meetings and communications to negotiate the final version of the Framework Agreement, adjusting various sections based on the negotiations held until reaching a version of the document that reflects an agreement acceptable to all parties, but keeping the basic agreements reached in the terms sheet in previous days.

On October 25, 2017, GF Interacciones, GF Banorte and the Controlling Shareholders of GF Interacciones finalized and executed the Framework Merger Agreement and the two companies announced the transaction via the filing of an *Evento Relevante* with the BMV.

## 1.2. Detailed description of the Transaction

The Transaction consists of the merger of GF Interacciones, as the merged company, with GF Banorte, as merging company, and of (i) Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones ("Banco Interacciones"), as merged company, with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, as merging company ("Banco Banorte"); (ii) Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones, as merged company ("Interacciones Casa de Bolsa"), with Casa de Bolsa Banorte Ixe, S.A. de C.V., Grupo Financiero Banorte, as merging company ("Casa de Bolsa Banorte Ixe"); (iii) Aseguradora Interacciones, S.A. de C.V., Grupo Financiero Interacciones, as merged company ("Aseguradora Interacciones"), with Seguros Banorte, S.A. de C.V., Grupo Financiero Banorte, as merging company ("Seguros Banorte"); y (iv) Interacciones Sociedad Operadora de Fondos de Inversión, S.A. de C.V., Grupo Financiero Interacciones, as merged company ("Interacciones Sociedad Operadora") and together with GF Interacciones, Banco Interacciones, Interacciones Casa de Bolsa and Aseguradora Interacciones, the "Interacciones Companies", with Operadora de Fondos Banorte Ixe, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Banorte as merging company ("Operadora de Fondos Banorte") and together with GF Banorte, Banco Banorte, Casa de Bolsa Banorte Ixe and Seguros Banorte, the "Banorte Companies").

The Controlling Shareholders of GF Interacciones will have a lock-up period with respect to their GF Banorte shares delivered as a result of the Transaction, for a term of 24 (twenty-four) months, as from the Closing Date, during which the Controlling Shareholders of GF Interacciones may not sell, pledge, transfer, affect in trust, assign, or in any other way convey the shares of GF Banorte they hold.

The Exchange Ratio may be adjusted upwards or downwards, solely and exclusively as a result of losses or contingencies that result on or before the Closing Date, derived from: (i) exit compensation packages for directors or officers of any of the Interacciones Companies (known as Golden Parachute) or similar compensations that are related to the Merger, except for the retention bonds and authorized compensations in accordance with the provisions of the Framework Agreement and that were expressly and previously authorized in writing by GF Banorte, (ii) any amount that is pending to be paid or funded that has not been disclosed by GF Interacciones or GF Banorte in terms of pensions, pension plans or amounts payable for retirement of its employees, notwithstanding the name or how they are documented, (iii) undisclosed liabilities or assets incorrectly reflected in GF Interacciones's financial information, or (iv) if derived from the due diligence process completed by GF Banorte prior to the Closing Date, there are undisclosed contingencies or there are losses that imply a decrease in the value of GF Interacciones, in cases of subsections (iii) and (iv) above, for an amount equivalent to or greater than 5% (five percent) of the Total

Amount of the Transaction, considering said assumptions individually or jointly, in the understanding that the foregoing two causes may be invoked in subsections (iii) and (iv) exclusively by GF Banorte.

For more information regarding the Framework Agreement and the Obligations of the parties derived from it, please refer to the Prospectus.

### **Procedure to complete the Transaction**

#### *Approval by the general shareholders' meeting of GF Banorte*

On October 19, 2017, the board of directors of GF Banorte, based on the favorable opinion of the CAPS, which considered FTI's opinion as an independent expert, resolved that the transaction covered by this prospectus has merits to be submitted for the consideration and approval by the general shareholders' meeting of GF Banorte and, consequently, resolved that the ordinary and extraordinary shareholders' meetings of GF Banorte, shall be convened so that shareholders may deliberate and, in its case, resolve on the approval of the Transaction. . The board of directors had the favorable opinion of the CAPS, and the CAPS opinion was supported in (i) the legal opinion prepared by the firm Robles Miaja; (ii) the opinion regarding exclusively the financial aspects of the Transaction prepared by BofA Merrill Lynch and Morgan Stanley presented to the board of directors of GF Banorte; and (iii) the presentation of the validation of said financial reports issued by FTI and submitted to the CAPS of GF Banorte.

Following this resolution, the board of directors of GF Banorte convened an ordinary general shareholders' meeting of GF Banorte, which will be held on December 5, 2017, in which, among other items on the agenda, the approval of the Transaction will be submitted to the shareholders for their consideration, as it is considered as a "Relevant Acquisition of Assets", as such term is defined in the current by-laws of GF Banorte.

Likewise, the board of directors convened an extraordinary general shareholders' meeting of GF Banorte, which will be held on December 5, 2017, in which, among other items of the agenda, the approval of the Merger of GF Interacciones in GF Banorte will be submitted to the shareholders for their consideration.

#### *General rules applicable to the shareholders' meeting of GF Banorte*

In accordance with the bylaws of GF Banorte, the general shareholders' meeting is the highest body of GF Banorte and may resolve on, revoke and ratify all acts and transactions thereof. General meetings shall be ordinary and extraordinary. Both shall meet at the corporate domicile whenever called. Shareholders' meetings shall be ruled according to the following:

I. The general ordinary shareholders' meeting shall meet at least once a year at the corporate domicile and on the date it is called once the immediately previous fiscal year has elapsed, according to the applicable legal provisions.

II. The general extraordinary shareholders' meeting shall be authorized to: (a) approve any clauses setting forth any steps tending to prevent the acquisition of any shares granting control of GF Banorte by any third parties or by the shareholders themselves, either directly or indirectly, and subject to the provisions of Article 64 of the LRAF; (b) approve the maximum amount of any increases in the capital stock and the conditions in which the respective issuances of unsubscribed shares must be made; (c) Approve the delisting of the shares from the RNV; and (d) those set forth by Article 182 of the General Law of Business Corporations, as well as any other applicable laws and the by-laws.

*Relevant Acquisition of Assets Approvals.* Without prejudice to the provisions of the above paragraph, a general ordinary shareholders' meeting shall be held from time to time, as may be convenient or necessary, to discuss and, if applicable, approve any Relevant Acquisition of Assets intended to be carried out by GF Banorte, the Subholding Companies, the Financial Entities member of the Financial Group or the holding companies of the later themselves.

For purposes of the immediately previous paragraph, the phrase “*Relevant Acquisition of Assets*” must be understood as such operation or operations carried out simultaneously or successively that may imply the acquisition of assets by GF Banorte or the companies controlled by it, either directly or indirectly, within one fiscal year: (i) which amount represents, based on any figures corresponding to the closing of the immediately previous fiscal quarter, an amount equal to or higher than five percent of the consolidated assets of GF Banorte; and (ii) which counterparts are Related Persons (as such term is defined in the Securities Market Law);

*Calls.* The calls for general meetings must be made by the board of directors or by the corporate practice or audit committees. Whenever due to any cause the minimum number of members of the committee that performs corporate practices audit functions is not present and the board of directors fails to designate provisional directors, any shareholder may request the chairman of the board of directors to call a meeting for the same to make the corresponding designation. The call must be issued within a term of three calendar days. In the event that the meeting is not held or once the same is held no designation is made, the judicial authority of the domicile of GF Banorte, at the request and proposal of any shareholder, shall appoint the respective directors, who shall hold office until the general shareholders meeting makes the definitive appointment. Calls shall indicate the date, time and location of holding thereof, shall include the agenda which must list all the affairs to be transacted at the shareholders meeting, and it may not include any subject to be transacted in the general items. Calls shall be subscribed by the person who prepares them, or if the same is done by the board of directors, by its chairman or the secretary, and shall be published in the official gazette of the corporate domicile or in the official gazette of the federation, or in any of the newspapers of high circulation at the domicile of GF Banorte, at least fifteen calendar days prior to the date of holding thereof, during which term the documentation and information related to the subjects to be transacted at the corresponding shareholders meeting shall be made available to the shareholders immediately and for free. If the meeting cannot be held on the day established for the holding thereof, a second call shall be made specifying such circumstance, within a term not to exceed fifteen business days after such date. The call to the respective meeting shall be made upon the terms of the above paragraph and shall be published at least five calendar days prior to the date of the holding thereof.

*Crediting of Shareholders.* To attend meetings, shareholders must deliver to the Secretary of the Board of Directors, no later than one business day before the date established for the meeting, the evidence of deposit of shares of the Company issued by any of the institutions for the deposit of securities regulated by the applicable legislation, supplemented, as the case may be, with the list of shareholders issued by the corresponding depositors, so that the holders evidence their capacity as shareholders. The abovementioned evidence shall indicate the name of the depositor, the amount of shares deposited in the institution for the deposit of securities and the date of holding of the meeting. The office of the secretary of the Company shall grant upon request of the shareholders that shall have met the requirements referred to in this Article and those provided by the applicable laws, the corresponding evidence to enter the meeting, at least one business day before the date stated for the same, in which they shall indicate the name of the shareholder and the number of votes to which he is entitled, as well as the name of the depository

*Representation of the Shareholders.* Any persons who attend on behalf of the shareholders the meetings of the Company shall evidence their legal capacity through a power-of-attorney granted in the forms prepared by the Company itself. The forms must meet the following requirements: (a) clearly state the name of the Company and the respective agenda, and (b) include a space for the instructions stated by the grantor for the exercise of the power-of-attorney. According to Article 65, section III, of the Law to Regulate Financial Groups, the Secretary of the Board of Directors must ensure that this Article is enforced and shall inform the same to the Meeting, which shall evidence such fact in the respective minutes. The Company must keep available to the shareholders through the securities intermediaries or in the Company itself, at least fifteen days prior to the Meeting, the forms of powers-of-attorney. The members of the Board of Directors may not represent the shareholders at any meeting.

*Holding of Meetings.* General ordinary meetings shall be deemed to be legally convened upon first call if at least one half of the shares of the ordinary paid capital stock are represented thereat. Upon second or ulterior call, they shall be legally convened notwithstanding the number of shares represented thereat. General extraordinary meetings shall be legally convened upon first call if at least three quarters of the voting paid

capital stock are represented thereat, and upon second or ulterior call, if those present represent, at least, fifty percent of such capital stock. Other special meetings called to deal with any affairs different from those mentioned above, shall be ruled by the General Law of Business Corporations. If, for any reason, a meeting cannot be legally convened, this fact and its causes shall be evidenced in the Minutes book, observing, to the relevant extent, the provisions of Article Twenty-Seven of the by-laws.

*Development.* Meetings shall be presided over by the permanent chairman, if he is present and by the chairman of the board of directors when the permanent chairman is not present. If, for any reason, the former are not present thereat, or in the case of a special meeting, the chairperson shall be any shareholder or representative of the shareholders designated by those present. The secretary of the board shall be the secretary and, in case of absence, the alternate secretary, and in the absence of both of them, any person designated by the chairman of the meeting. The chairman of the meeting shall designate two shareholders or representatives of the shareholders present as tellers, who shall validate the attendance list, indicating the number of shares represented by each person present; and shall provide their report to the meeting, as evidenced in the respective minutes. No affair which is not contemplated in the agenda shall be discussed or resolved, except in the case provided by Article 188 of the General Law of Business Corporations. Notwithstanding the possibility of deferral referred to in Article 199 of the General Law of Business Corporations, if all the affairs comprised in the agenda could not be dealt with on the stated date, the meeting may continue at subsequent meetings, which shall be held on the dates determined by it, without a new call being necessary, but no more than three business days may elapse between two meetings. At subsequent meetings, the quorum and the majority to pass resolutions shall be that stated in the General Law of Business Corporations in case of a second call.

*Votes and Resolutions.* At meetings, each outstanding share shall be entitled to one vote. Votes shall be by show of hands, unless a majority of those present resolves that they shall be by roll call or by ballot. At general ordinary meetings held upon first or ulterior call, resolutions shall be passed by simple majority vote of the represented shares. In the case of a general extraordinary meeting held upon first or ulterior call, resolutions shall be valid if passed upon vote of shares representing at least one half of the voting paid capital stock. For the validity of any resolution that implies the merger or spin-off of GF Banorte with one or more other companies, or amendment to the by-laws, the approval of the Ministry of Finance and Public Credit shall be required. To such effect, both the articles of incorporation and the amendments to the corporate bylaws shall be filed in the Public Registry of Commerce, including the respective authorizations, as provided by the Law to Regulate Financial Groups.

*Conditions to which the Transaction is subject in accordance with the Framework Agreement*

In accordance with the provisions of the Framework Agreement, the Merger is subject, among others, to the following conditions: **(i)** that the board of directors of each of GF Banorte and GF Interacciones, with the prior opinion of the audit committee and corporate practices of said companies, give its favorable opinion and recommend the Merger to their respective shareholders' meetings; **(ii)** that the shareholders' meetings of G Banorte and of GF Interacciones, approve the Merger, **(iii)** that the applicable governmental authorizations have been obtained and, in the case of the concentration authorization by the Federal Antitrust Commission, if subject to any conditions, do not result in an impact that represents an amount equal to or greater than 10% (ten percent) of the Total Amount of the Transaction, **(iv)** that the declarations of the Parties contained in the Framework Agreement are true and correct on the date of signature of the Framework Agreement and on the Closing Date in the form in which they are written, including exceptions and qualifications, except for breaches that have an adverse and significant effect, **(v)** that GF Banorte and GF Interacciones have complied with all the obligations and agreements contemplated in the Framework Agreement, **(vi)** the absence of a material adverse effect affecting GF Interacciones and its subsidiaries, individually or jointly, **(vii)** that no contingencies are identified before the Closing Date that together represent an amount equivalent to or greater than 10% (ten percent) of the Total Amount of the Transaction, with the understanding that said contingencies must be indemnified in accordance with the provisions of the Framework Agreement, if GF Banorte complies with this condition, in the understanding, however, that GF Banorte may terminate unilaterally the Framework Agreement if this condition is not fulfilled by GF Interacciones, **(viii)** the absence of any order of competent authority that impedes, affects or substantially limits or substantially modifies the Transaction, **(ix)** the consent of any creditor or necessary third party; **(x)** that each of the Controlling Shareholders of GF



Interacciones has subscribed, and is in force, a non-compete agreement for a period of 2 (two) years as from the Closing Date, on terms reasonably satisfactory to GF Banorte; and **(xi)** that each of the agreements of the corresponding mergers, adopted by the general shareholders' meetings of the Banorte Companies and the Interacciones Companies have been published in the Electronic System of the Ministry of Economy, have been registered in the Public Registry of the Property and Commerce of the corporate domiciles of each of the Banorte Companies and of the Interacciones Companies and, insofar as applicable, any governmental authorizations applicable for the consummation of the Transaction shall have been published in the Official Gazette of the Federation in terms of applicable laws.

*Date on which the Merger will be effective*

If approved by the shareholders' meetings of GF Banorte and GF Interacciones, the Merger shall take effect once all the conditions to which they are subject under the Framework Agreement are fully met (or, where applicable, waived), including, among others, obtaining any required regulatory authorizations, and that the applicable authorizations and the resolutions adopted by the shareholders' meetings of GF Banorte and GF Interacciones are registered in the Public Registry of Commerce and, to the extent required by the applicable provisions, these authorizations are published in the Official Gazette of the Federation.

*Integration of GF Banorte subsidiaries*

As a result of the Merger, GF Banorte will acquire all of the assets, property and rights of GF Interacciones, and additionally, **(i)** Banco Banorte will merge, as merging company, with Banco Interacciones, as merged and extinguishing company; **(ii)** Casa de Bolsa Banorte Ixe will merge, as merging company, with Interacciones Casa de Bolsa, as merged and extinguishing company; **(iii)** Seguros Banorte will merge, as merging company, with Aseguradora Interacciones, as merged and extinguishing company; and **(iv)** Operadora de Fondos Banorte will merge, as merging company, with Interacciones Sociedad Operadora, as merged and extinguishing company; in all previous cases, on a universal basis and without reservation or limitation.

*Integration of the administrative bodies of GF Banorte*

As a result of the Merger, the management bodies of GF Banorte and the Banorte Companies will remain unchanged, with GF Banorte and the Banorte Companies maintaining the same integration of their boards of directors and other administrative bodies.

*Update of the registration of the shares of GF Banorte in the RNV*

As a result of the Merger of GF Interacciones in GF Banorte, the registration of the shares of GF Banorte in the RNV will be updated, with the previous authorization of the CNBV for such purposes.

*Cancellation of the registration of the GF Interacciones securities in the RNV*

After the date on which the Merger becomes effective, the cancellation of the securities of GF Interacciones in the RNV will be requested.

### **1.3. Objectives and Merits of the Transaction**

The purpose of the acquisition of GF Interacciones via the Transaction and Merger is to maintain the positive trajectory of growth and profitability that GF Banorte has been building to position itself as a leading financial institution in Mexico. Among others, the merits of the proposed transaction are highlighted below:

**a) *GF Interacciones has executed a successful strategy that has allowed it to obtain sustainable and profitable growth***

GF Interacciones has managed to maintain one of the highest levels of growth and profitability in the Mexican system, reaching 55 consecutive quarters reporting earnings upwards. As the largest

specialized financial group in Mexico and with a focus on financing services, financial advisory and risk management mainly to sub-national entities, GF Interacciones has achieved better efficiency levels than the average of the Mexican financial system. On the other hand, GF Interacciones has maintained the lowest nonperforming portfolio ratio in Mexico's financial system based on the expertise it has developed in risk analysis and, above all, in the transfer of risk from the final customer to the Federal Government, through loan structuring. With this, 93.5% of the total loan portfolio of GF Interacciones, as of the second quarter of 2017, it has as a primary or secondary source of payment proceeds from the Federal Government. The specialization that GF Interacciones has achieved, combined with a highly efficient business model and rigorous risk control have resulted in returns on capital of ~ 18% on average over the last four years, and an average of 20% through of the different cycles that have been presented in the last 15 years.

Even during difficult years, GF Interacciones business model has shown great strength. For example, during 2009, GF Interacciones was not affected by decreases in GDP. That year, Mexico's GDP decreased 4.7%, and GF Interacciones achieved a return on capital of approximately 29.1%. This is because the fall in GDP led to a decrease in federal transfers and temporary budget cuts that translated into a greater need for sub-national financing, expanding GF Interacciones potential margin of action. On the other hand, the projects that GF Interacciones finances represent between \$100 and \$1,500 million pesos and belong to the basic infrastructure, first necessity and direct impact on society segments. For this reason, and because they are projects approved by state and municipal governments, they are not usually affected by decisions at the Federal level or by macroeconomic adverse situations.

**b) *Great opportunity to increase GF Banorte market share in the infrastructure sector, which has proven to be highly profitable and with significant growth potential***

Mexico is ranked 15<sup>th</sup> in terms of GDP and 62<sup>nd</sup> in terms of infrastructure development on a global level, which means a significant lag in terms of investment in infrastructure. To reduce the country's infrastructure deficit, significant investments will be required from both the private and government sectors and GF Interacciones has the necessary experience to successfully fund these projects.

GF Interacciones business model has allowed it to develop specific skills to compete successfully in funding for sub-national entities with pressing needs. Due to the high complexity and small size of the projects, the infrastructure sector of sub-national governments has not been a focus of the largest financial institutions in Mexico. The foregoing has allowed GF Interacciones to maintain a leadership position and develop important competitive advantages.

GF Interacciones concentrates approximately 90% of its business in the financing of needs of states and municipalities, both in infrastructure and in productive investment projects: 60% in financing to state and municipal governments and 30% in direct financing to sub-national infrastructure projects. GF Interacciones has in-depth knowledge of the market and the particular needs of its customers, which has allowed it to identify infrastructure opportunities in states and municipalities and to structure products tailored to each situation. GF Interacciones offers comprehensive services for financing infrastructure projects, with the possibility of receiving commissions for advising and structuring these projects, a dynamic that we hope will be maintained under the GF Banorte platform, if the Transaction is consummated.

**c) *High complementarity and important cross-selling potential in the government segment***

GF Banorte government business is based on offering comprehensive services to all levels of government and their employees. An important part of its profitability comes from the ability to offer cross-sales to government customers. For example, payroll services, treasury, among others. The financing to governmental entities by GF Banorte is oriented to long-term loans ( with a 94.2% backed by Federal participations), as well as federal large-scale infrastructure projects, while GF Interacciones has a focus on financing states and municipalities as well as basic infrastructure projects and short term loans. GF Banorte concentrates 6.6% of its total portfolio in the Federal Government, while GF Interacciones, the Federal Government represents 1.4% of its total loan portfolio as of June 30, 2017.

GF Interacciones portfolio is not only complementary, but also has a lower risk profile than the market average. At the end of June 2017, approximately 93.5% of the total portfolio has guarantees of federal government flows, which historically has resulted in indicators of non-performing portfolio as a percentage of the total portfolio very close to 0%, having registered 0.17% on average during the last four years and with non-performing portfolio coverage levels several times above the Mexican banking average.

**d) *Transaction with low relative risk of execution and high degree of expected synergies***

As a consequence of GF Interacciones specialized business model, which operates without branches and with a centralized structure, the risk of execution of the integration has been analyzed in detail and the conclusions reached by GF Banorte management team indicate low execution risk in relative terms. GF Banorte has a broad experience and recent history of acquisition and business integration, including the purchase and integration of Grupo Financiero Ixe in 2011 and Afore Bancomer in 2013.

In the analysis of synergies of operating expenses, three main areas have been identified:

- i) Personnel  
A reduction of personnel has been estimated as a result of an optimization process that will have a total implementation period of approximately six months from the closing date and that will include two stages, culminating at the end of 2018.
- ii) Professional fees  
A reduction has been estimated as a result of the use of the GF Banorte platform and through access to economies of scale, in relation to fees paid for services that the current platform of GF Banorte is able to provide without incurring additional significant expenses.
- iii) Taxes and other related expenses  
GF Banorte management has identified proportional improvements on VAT, and in particular, significant savings in lease expenses and other expenses related to the physical infrastructure of the consolidated entity, including rents and other expenses derived from the maintenance of the current offices, both of GF Banorte and GF Interacciones.

We estimate that these three items of synergies, in operating expenses, could represent an annual saving between \$2,100 and \$2,300 million pesos pre-tax, which would be equivalent to 65% of the base of GF Interacciones estimated operating or a 5% of the combines costs of GF Banorte and GF Interacciones.

Additionally and as a consequence of the relative scales and business models, differences have been identified in the cost of funding between GF Banorte and GF Interacciones, where GF Banorte management has estimated a potential reduction equal to 40-46 basis points in the funding of GF Interacciones in the first year following the Transaction, equivalent to approximately \$700-800 million pesos of annual savings before taxes. The current differential between the funding costs of both companies as of June 30, 2017 is higher than 400 basis points.

**e) *Favorable relative value ratio of GF Banorte compared to GF Interacciones***

As a result of the terms agreed between GF Banorte and GF Interacciones and the GF Interacciones Controlling Shareholders, subject to the vote of the shareholders, the proposed structure of the Transaction could result in a material increase of value for the GF Banorte shareholders, and similarly, for GF Interacciones current shareholders. Taking into account the price per GF Banorte share the day prior to the execution date of the Framework Agreement, the value per GF Interacciones share embedded in the Transaction of \$98.38 pesos per share represents a multiple on the expected earnings for 2018 by the financial analysts who issue valuation reports for GF Interacciones, of 8.4x, compared to 12.2x in the case of GF Banorte. The difference of the multiples between the valuations is significant, and observing the evolution of said multiples embedded in the prices of the GF Banorte and GF

Interacciones shares during the last three years measured as of October 24, 2017, it is observed that the current conditions suggest an optimal time to carry out the proposed Transaction.

Similarly, if the relative values in terms of price over book value of GF Banorte with respect to GF Interacciones are analyzed, a similar relationship is observed, where the GF Banorte shares, measured at the embedded exchange price at the time of the execution of the Framework Agreement, correspond to a multiple of price over book value as of the second quarter of 2017 of 2.4x, while in the case of GF Interacciones, it would have an embedded value of 1.7x also measured as of the second quarter of 2017, this is, before the payment of the dividend and/or capital reduction contemplated prior to the closing of the Transaction.

**f) *The transaction may result in a significant increase in earnings per share of GF Banorte***

If the Transaction is consummated, GF Banorte shall issue approximately 109.7 million shares to GF Interacciones shareholders. Even with the corporate dilution that will result from the increase in the number of GF Banorte shares, the addition of GF Interacciones earnings, as a result of the exchange terms and expected synergies, we hope will be positive in the EPS of GF Banorte. Based on the exchange ratio of the shares of the Transaction and with the contribution of earnings from GF Interacciones to GF Banorte, we estimate that the execution of the Transaction could generate for GF Banorte shareholders, in addition to the strategic and operational value that GF Interacciones will contribute, an increase in earnings per share proforma of GF Banorte of approximately 3% during 2018, and between 8.5% and 10.5% during 2019, including the effect of the expected synergies.

**g) *The structure of the transaction allows GF Banorte to maintain high levels of capital to continue its profitable and sustainable growth and at the same time evaluate other inorganic opportunities in the near future***

As a result of the Transaction and the designed structure, it is expected that the capitalization levels of Banco Banorte will not be materially affected. GF Banorte expects to comply with its capital policy for Banco Banorte, which places the core equity ratio measured as a percentage of risk-weighted assets (“Core Equity” or “CET1”) at approximately 12.0% and a total capital level measured as a percentage of risk-weighted assets of approximately 15.0%. Although GF Banorte CET1 could be below 12.0% upon the close of the Transaction, it is expected that by the end of fiscal year 2018, the level of CET1 will return to levels close to 12.0% derived from the high capacity of organic generation of capital.

**h) *GF Banorte consolidates its competitive position, becoming the second largest financial group in Mexico***

As a result of the transaction, GF Banorte will become the second largest financial group in Mexico in terms of total assets, total portfolio and deposits as of the second quarter of 2017. GF Banorte and GF Interacciones combined pro forma assets as of June 30, 2017 amount to \$1,502 billion pesos, total portfolio to \$698 billion pesos and deposits to \$702 billion pesos. With the integration of GF Interacciones, it is expected that the market share of GF Banorte in the second quarter of 2017 will increase reaching 16.8% in total assets and 15.9% in deposits. It is expected that the larger scale will allow GF Banorte to compete more efficiently in all its business lines.

#### **1.4. Issuance of new shares for the transaction**

By virtue of the transaction described herein, GF Banorte shall increase its capital stock, after the Merger takes effect, in the amount of (i) \$34,913,147.50 (thirty-four million, nine hundred thirteen thousand, one hundred forty-seven pesos 50/100 Mexican currency) corresponding to the minimum fixed portion of the capital stock, resulting in an amount of \$917,463,463.00 (nine hundred seventeen million, four hundred sixty-three thousand, four hundred sixty-three pesos 00/100 Mexican currency), and (ii) \$349,131,461.00 (three hundred forty-nine million, one hundred thirty-one thousand, four hundred sixty-one pesos 00/100 Mexican currency) corresponding to the variable portion of the capital stock, resulting in an amount of \$9,174,634,616.00 (nine billion, one hundred seventy-four million, six hundred thirty-four thousand, six

hundred sixteen pesos 00/100 Mexican currency), an increase represented in its entirety by 109,727,031 (one hundred nine million, seven hundred twenty-seven thousand, thirty-one) common, registered Series "O" shares, with a par value of \$3.50 (three pesos 50/100 Mexican currency) each, of which, 9,975,185 (nine million, nine hundred seventy-five thousand, one hundred eighty-five) Series "O" shares correspond to Class "I" representing the minimum fixed portion of the capital stock and 99,751,846 (ninety-nine million, seven hundred fifty-one thousand, eight hundred forty-six) Series "O" shares correspond to Class "II" representing the variable portion of the capital stock.

## 1.5. QUESTIONS AND ANSWERS

The following are some questions that you may have about the merger and the GF Banorte's general ordinary and extraordinary shareholders' meetings, and brief answers to those questions. We urge you to read carefully the remainder of the Disclosure Memorandum (*Folleto Informativo*) in connection with this transaction, because the information in this section does not provide all of the information that might be important to you with respect to the Merger, or the GF Banorte's general ordinary and extraordinary shareholders' meetings. Additional important information is also contained in the documents incorporated by reference into the Disclosure Memorandum.

### I. Description of the Merger

#### 1. Q: What is the proposed Merger?

A: The Merger consists of the merger between Grupo Financiero Interacciones, S.A.B. de C.V. ("GF Interacciones") as merged entity, with Grupo Financiero Banorte, S.A.B. de C.V. ("GF Banorte") as merging and surviving entity, pursuant to the terms and conditions agreed upon between GF Banorte, GF Interacciones and the GF Interacciones' controlling shareholders under a certain Merger Agreement (*Convenio Marco*) dated October 25, 2017, as disclosed in detail in the accompanying Disclosure Memorandum ("Merger Agreement").

Immediately following the merger between GF Banorte and GF Interacciones, the merger of the following subsidiaries will take place: (i) Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones, as merged entity, with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, as merging and surviving entity; (ii) Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones, as merged entity, with Casa de Bolsa Banorte Ixe, S.A. de C.V., Grupo Financiero Banorte, as merging and surviving entity; (iii) Aseguradora Interacciones, S.A. de C.V., Grupo Financiero Interacciones, as merged entity, with Seguros Banorte, S.A. de C.V., Grupo Financiero Banorte, as merging and surviving entity; and (iv) Interacciones Sociedad Operadora de Fondos de Inversión, S.A. de C.V., Grupo Financiero Interacciones, as merged entity, with Operadora de Fondos Banorte Ixe, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Banorte as merging and surviving entity.

The transactions described above are collectively referred to herein as the "Merger".

If the Merger is completed, GF Interacciones common shareholders will receive (i) Ps. \$13,712,587,103.60 that will be paid, in the form of dividends and/or capital reduction by GF Interacciones to its shareholders, equivalent to Ps. \$50.80 per outstanding share and (ii) 109,727,031 shares of GF Banorte, equaling 0.4065 shares of GF Banorte per every GF Interacciones share. GF Banorte will not issue any fractional shares of GF Banorte common stock in the Merger, GF Interacciones shareholders who would otherwise be entitled to a fraction of a share of GF Banorte common stock upon the completion of the Merger will instead receive, for the fraction of a share, an amount in cash (rounded to the nearest cent) based on GF Banorte share closing price on the Closing Date.

The Merger cannot be completed unless, among other things, GF Interacciones shareholders, in general extraordinary shareholders' meeting, approve their proposal to adopt the merger agreement and GF Banorte, in general extraordinary shareholders' meeting, approve the Merger between GF Banorte and GF Interacciones, and all related actions required to consummate such Merger, including the issuance of 109,727,031 Series "O" shares, that will be paid to GF Interacciones' shareholders as consideration for the Merger.

#### 2. Q: Why am I receiving the Disclosure Memorandum?

A: We are delivering the Disclosure Memorandum because the applicable Mexican regulation requires us to prepare such document in connection with the proposed Merger and to submit it for the review and analysis of GF Banorte's shareholders prior to the holding of GF Banorte's general ordinary and extraordinary shareholders' meeting that will vote in connection with the Merger.

**3. Q: Why is GF Banorte calling a general ordinary shareholders' meeting in connection with the Merger?**

A: The Merger constitutes a "relevant assets acquisition" in terms of paragraph i), section I, Article Nineteen of the corporate bylaws of GF Banorte, given that its consideration exceeds 5% of the consolidated assets of GF Banorte as of September 30, 2017, and the transaction is being executed with a related party. GF Banorte's corporate bylaws require that any transaction meeting those standards must be approved by the general ordinary shareholders' meeting.

**4. Q: What are GF Banorte's shareholders being asked to vote on at the GF Banorte's general ordinary shareholders' meeting?**

A: GF Banorte's shareholders are required to vote on the approval of the Merger, as a "relevant assets acquisition" in terms of the GF Banorte's corporate bylaws (please refer to our answer to question 3 above).

GF Banorte's shareholders will also receive a copy of GF Banorte's External Auditor Report on the tax status of the Company for the fiscal year ended December 31, 2016. However, no vote is required from GF Banorte's shareholders in connection with this item.

For further detail, please refer to the document describing the proposed resolutions sought from GF Banorte's shareholders in the general ordinary shareholders' meeting.

**5. Q: Why is Banorte calling a general extraordinary shareholders' meeting in connection with the Merger?**

A: GF Banorte's corporate bylaws and applicable Mexican law require that any merger by a company must be approved by a general extraordinary shareholders' meeting.

**6. Q: What are GF Banorte's shareholders being asked to vote on at the GF Banorte's general extraordinary shareholders' meeting?**

A: GF Banorte's shareholders are required to vote on the approval of the following matters:

- 1) Approval of GF Banorte's financial statements as of September 30, 2017, which will be used as a basis for the Merger with Interacciones.
- 2) Approval of the Merger between GF Banorte and Interacciones, and all related actions required to consummate such Merger, including the issuance of 109,727,031 Series "O" shares, that will be paid to Interacciones' shareholders as consideration for the Merger.
- 3) Approval to amend GF Banorte's corporate bylaws to reflect the capital increase in Banorte's minimum fixed capital stock as a result from the Merger, from Ps\$882,550,315.50 to Ps\$917,463,463.00.

For further detail, please refer to the document describing the proposed resolutions sought from Banorte's shareholders in the general extraordinary shareholders' meeting.

**7. Q: What will GF Interacciones' shareholders receive in the Merger?**

A: GF Banorte will issue 109,727,031 shares for delivery to Interacciones' shareholders, which constitute an exchange ratio of 0.4065x Banorte's shares per each Interacciones share. Additionally, immediately prior to the merger, Interacciones will distribute to its shareholders Ps\$50.80 per share in

cash, for a total of Ps\$13,712,587,103.60 in the form of a dividend and/or capital reduction. The total value to be received by Interacciones shareholders pursuant to the Merger is Ps\$26,557,233,352.46, or Ps\$98.4 per Interacciones share, assuming Banorte's shares are issued at a price of Ps\$117.06 per share which corresponds to Banorte's closing price as of October 24, 2017 for illustrative purposes.

**8. Q: Will the value of the Merger consideration change between the date of the Merger Agreement and the time the Merger is completed?**

A: Yes. Although the Merger consideration is fixed, the value of the stock consideration will fluctuate between the date of the Merger Agreement and the completion of the Merger based upon the market value of GF Banorte stock. Any fluctuation in the market price of GF Banorte common stock will change the value of the shares of GF Banorte stock that the GF Interacciones shareholders will receive.

**9. How dilutive are the proposed terms to current GF Banorte shareholders from an ownership perspective?**

A: The 109,727,031 GF Banorte shares to be issued to GF Interacciones' shareholders represent a 4.0% increase on GF Banorte's current shares outstanding of 2,773,729,563, or 3.8% of the pro forma GF Banorte outstanding shares after the completion of the Merger.

**10. Q: What will GF Banorte's shareholders receive in the Merger?**

A: Current GF Banorte shareholders will not receive any Merger consideration and will continue to hold the shares of GF Banorte that they currently hold. Following the Merger, shares of Banorte will continue to be traded on the BMV under the symbol "GFNORTE".

**11. How will the merger affect GF Interacciones options?**

A: There are no options, warrants or other instruments convertible into GF Interacciones shares.

**12. Q: Can the terms of the Merger, specifically the exchange ratio, be modified prior to closing of the proposed transaction?**

A: The exchange ratio cannot be modified prior to closing, except for very limited reasons, including payment of golden parachutes or similar compensation packages to GF Interacciones' executives, unfunded and undisclosed amounts in connection with pension or retirement plans for the benefit of GF Interacciones' employees, or unless GF Banorte identifies contingencies or undisclosed liabilities of GF Interacciones in excess of 5% of the total purchase price between signing and closing of the transaction. It has been set at 0.4065 shares of GF Banorte per each outstanding share of GF Interacciones.

The cash distribution to be made by GF Interacciones immediately prior to the completion of the Merger cannot be modified by GF Banorte and per the terms of Merger Agreement, cannot exceed Ps\$13,112,587,103.60.

**13. Q: When and where are the meetings?**

A: The GF Banorte's general ordinary shareholders' meeting will be held at Banorte's offices, located at David Alfaro Siqueiros 106, Colonia Valle Oriente, San Pedro Garza García, Nuevo León, Mexico on December 5, 2017 at 11:00 a.m.

The GF Banorte's general extraordinary shareholders' meeting will be held at GF Banorte's offices, located at David Alfaro Siqueiros 106, Colonia Valle Oriente, San Pedro Garza García, Nuevo León, Mexico on December 5, 2017 at 11:20 a.m.

**14. Q: What do I need to do now?**



A: After you have carefully read the accompanying Disclosure Memorandum and have decided how you wish to vote your shares, please complete and sign the accompanying proxy card and return it to GF Banorte as expressly stated therein. If your shares are held in “street name” through a bank, broker or other holder of record, please refer to our answer to question 23 below.

**15. Q: What was the involvement of the Board of Directors of GF Banorte in connection with the analysis of the merits of the Merger?**

A: The GF Banorte Board of Directors, considering the previous favorable opinion of the GF Banorte’s Audit and Corporate Practices Committee (*Comité de Auditoría y Prácticas Societarias*), comprised solely by independent members, as well as the fairness opinions received from Bank of America Merrill Lynch and Morgan Stanley, and the third opinion rendered by FTI Consulting to GF Banorte’s Audit and Corporate Practices Committee, analyzed the transaction and resolved that it has sufficient merits to call to the GF Banorte’s shareholders’ meetings for its analysis and, if applicable, approval. Board members that informed the existence of a potential conflict of interest did not participate in the negotiations of the transaction, nor in the deliberation and approval for submission of the transaction to shareholders’ approval. Please see our answer to question 16 below in connection with the scope of the abovementioned fairness opinions.

**16. Q: Has GF Banorte received any opinions by third party financial advisors on the proposed transaction?**

A: Yes, Bank of America Merrill Lynch and Morgan Stanley have each provided fairness opinions to GF Banorte’s Board of Directors (in its capacity as such) for the benefit and use of GF Banorte’s Board of Directors with respect to the fairness from a financial point of view, as of the date of each respective opinion and subject to the limitations and assumptions set forth respectively therein, of the consideration to be paid by GF Banorte in connection with the transaction. The opinions of Bank of America Merrill Lynch and Morgan Stanley, respectively, do not address any other aspect of the transaction and do not express any opinion or view as to the relative merits of the transaction in comparison to other strategies or transactions that might be available to GF Banorte or in which GF Banorte might engage or as to the underlying business decision of GF Banorte’s shareholders’ meetings’ decision to proceed with or effect the Merger. The opinions of Bank of America Merrill Lynch and Morgan Stanley, respectively, do not address any other aspect of the transaction and do not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed transaction or any related matter. A third opinion was rendered by FTI Consulting to GF Banorte’s Audit and Corporate Practices Committee, conformed solely by independent members.

**17. Q: What constitutes a quorum for the GF Banorte’s general ordinary shareholders’ meeting?**

A: The presence at the GF Banorte’s general ordinary shareholders’ meeting on a first call basis, in person or by proxy, of holders of 50% of the ordinary paid-in capital stock, will constitute a quorum for the transaction of business.

On second call, the presence of any number of ordinary paid-in capital stock, in person or by proxy, will constitute a quorum for the transaction of business.

Abstentions will be included in determining the number of shares present at the meeting for the purposes of determining the presence of a quorum.

**18. Q: What is the vote required to approve each proposal at GF Banorte’s general ordinary shareholders’ meeting?**

A: Approval of the matters submitted to GF Banorte’s general ordinary shareholders’ meeting, whether on first or subsequent call, requires the affirmative vote of the majority of the shares represented therein.

In the most recent ordinary general shareholders' meeting, held on June 20, 2017, 77.7% of the subscribed, paid and voting shares were represented.

**19. Q: What constitutes a quorum for the GF Banorte's general extraordinary shareholders' meeting?**

A: The presence at the GF Banorte's general extraordinary shareholders' meeting on a first call basis, in person or by proxy, of holders of 75% of the ordinary paid-in capital stock, will constitute a quorum for the transaction of business.

On second call, the presence of 50% of the ordinary paid-in capital stock, will constitute a quorum for the transaction of business.

Abstentions will be included in determining the number of shares present at the meeting for the purposes of determining the presence of a quorum.

**20. Q: What is the vote required to approve each proposal at GF Banorte's general extraordinary shareholders' meeting?**

A: Approval of the matters submitted to GF Banorte's general extraordinary shareholders' meeting, whether on first or subsequent call, requires the affirmative vote of 50% of the ordinary paid-in capital stock issued and outstanding.

**21. Q: What happens if the quorum requirements are not achieved upon the first call of each of GF Banorte's general ordinary or extraordinary shareholders' meetings?**

A: A second call will be made if the quorum to install a meeting is not achieved on first call. Please refer to our answers in questions 17 and 19 for a discussion of the quorum required to install an ordinary or extraordinary meeting in second or subsequent calls.

**22. Q: Why is my representation at the shareholders' meetings, and my vote, at such meetings important?**

A: If you are not represented at the shareholders' meetings, it will be more difficult for GF Banorte to obtain the necessary quorum to hold each of its general ordinary and extraordinary shareholders' meetings. If you do not vote, it will be more difficult for the Merger to obtain the approval of at least 50% of all GF Banorte shares issued and outstanding.

**23. Q: If my shares of common stock are held in "street name" by my bank or broker, will my bank or broker automatically vote my shares for me?**

A: No. Your bank or broker cannot vote your shares without instructions from you. If your shares are held in "street name" through a bank, broker, or other holder of record, you must provide the record holder of your shares with instructions on how to vote the shares. Please follow the voting instructions provided by the bank or broker. You may not vote shares held in street name by returning a proxy card directly to GF Banorte, or by voting in person at the GF Banorte general ordinary and extraordinary meetings, unless you provide a completed "proxy card," in the form made available by GF Banorte. Further, brokers, banks, or other holder of record who hold shares of GF Banorte common stock on behalf of their customers may not give a proxy to GF Banorte to vote those shares with respect to any of the proposals without specific instructions from their customers, as brokers, banks, and other holder of record do not have discretionary voting power on these matters. If you are a GF Banorte "street name" shareholder, failure to deliver a "proxy card" to your bank, broker, or other holder of record how to vote will have the same effect as a vote "AGAINST" the Merger proposal. If you provide a completed "proxy card" without specifying the instructions on how to vote, the form "proxy card" provides that the vote will be issued "FOR" the Merger.

You are urged to contact your respective bank, broker or other holder of record for further instructions about the process to ensure that your GF Banorte shares are duly represented and voted in the GF Banorte's general ordinary and extraordinary shareholders' meetings.

**24. Q: Can I attend the GF Banorte's general ordinary and shareholders' meetings and vote my shares in person?**

A: Yes. However, please note that GF Banorte has made available to all shareholders a form of proxy card for your completion to facilitate attending and voting at the shareholders' meetings. If you plan to vote your shares through your representative, you are encouraged to use the form of proxy card made available by GF Banorte. You or your proxy must bring a form of personal photo identification with you in order to be admitted to the meetings (in addition to the signed proxy card, if applicable). GF Banorte reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. Whether or not you intend to be present at the GF Banorte's shareholders' meetings, you are urged to sign, date and return your proxy card.

**25. Q: Can I change my vote?**

A: Yes. If you are a holder of record of GF Banorte's shares, you may change your vote at any time before your shares of GF Banorte are voted at the respective GF Banorte's shareholders' meetings by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to GF Banorte's corporate secretary, or (3) attending the shareholders' meetings in person, notifying the corporate secretary and voting at the meetings. Attendance at the shareholders' meetings will not automatically revoke your proxy. A revocation or later-dated proxy received by GF Banorte after the vote will not affect the vote. GF Banorte's corporate secretary mailing address is Prolongación Reforma N° 1230, Piso 10, Col. Cruz Manca Santa Fe, Del. Cuajimalpa, 05349 Mexico City.

**26. Q: Will GF Banorte be required to submit the proposal to adopt the Merger to its shareholders even if GF Banorte's Audit and Corporate Practices Committee and/or Board of Directors have withdrawn, modified, or qualified their recommendation?**

A: Yes. Unless the Merger Agreement is terminated before the GF Banorte' shareholders' meetings, GF Banorte is required to submit the proposal to adopt the Merger to its shareholders even if the GF Banorte's Audit and Corporate Practices Committee and/or Board of Directors have withdrawn, modified or qualified their recommendation.

**27. Q: Are GF Banorte's shareholders entitled to dissenters' rights?**

A: No. Under the Mexican Securities Law, shareholders of a Mexican public company (*sociedad anónima bursátil*) such as GF Banorte are not entitled to dissenters' rights.

**28. Q: When do you expect to complete the Merger?**

A: GF Banorte expects to complete the Merger in the first half of 2018. However, GF Banorte cannot assure you of when or if the Merger will be completed. GF Banorte must obtain the approval of its shareholders in the general ordinary and extraordinary shareholders' meetings, and various regulatory approvals, including from the SHCP (Ministry of Finance and Public Credit) and COFECE (Mexican Federal Competition Commission), and the favorable opinion from CNBV (Mexican Banking and Securities Commission), CNSF (Mexican Insurance and Bonds Commission), and Banxico (Mexican Central Bank). All other closing conditions referred to in the Merger Agreement and described in detail in the Disclosure Memorandum must also be satisfied or waived. It cannot be assured that all the conditions for closing will be satisfied or waived.

**29. Q: What happens if the Merger is not completed?**

A: If the Merger is not completed, GF Interacciones' shareholders will not receive any consideration for their shares in connection with the Merger. GF Banorte and GF Interacciones will remain as independent, public companies, and GF Banorte's and GF Interacciones' shares will continue to be listed and traded on the BMV. If the Merger Agreement is terminated for any of the reasons provided therein without completing the Merger, there are no associated termination fees payable by any of the parties.

**30. Q: What is the resulting beneficial ownership structure in Banorte after the Merger is completed?**

A: Shareholding Structure of GF Banorte

- Gonzalez Family Trust 10.0%
- Hank Rhon Family 2.6%
- Other insiders 1.6%
- Float 85.8%

**31. Q: Has reciprocal due diligence been performed on the assets in the scope of the proposed transaction? Are there any specific problems identified?**

A: Reciprocal due diligence has been performed on the assets in the scope of the proposed transaction under strict confidentiality provisions and in compliance with all applicable regulations. No specific material problems have been identified, other than those already disclosed.

**32. Q: Will the proposed transaction require the launch of a tender offer?**

A: No, subject to the approval from the CNBV, it will not require the launch of a tender offer as it is being perfected through a merger of the entities and the Merger consideration is payable to all of Interacciones' shareholders.

**33. Q: What are the main risks associated with the proposed transaction?**

A: Please refer to the Risks Factors section of the accompanying Disclosure Memorandum for a detailed description of the risk factors identified by GF Banorte for the Merger.

**34. Q: Which GF Interacciones subsidiaries are included in the scope of the proposed transaction?**

A: All of GF Interacciones businesses and operations are included in the Merger scope:

- (i) Banco Interacciones, S.A., Institución de Banca Múltiple, 99.99% owned
- (ii) Interacciones casa de Bolsa S.A. de C.V., 99.99% owned
- (iii) Aseguradora Interacciones, S.A. de C.V., 99.99% owned
- (iv) Interacciones Sociedad Operadora de Fondos de Inversión, S.A. de C.V., Grupo Financiero Interacciones, 99.99% owned

**35. Q: Is GF Banorte receiving contractual safeguards to protect itself and its shareholders in case of material contingencies not disclosed or analyzed during the due diligence?**

A: Yes. On the Merger Agreement, GF Interacciones has made certain representations and warranties, as well as covenants, and GF Banorte is entitled to indemnification for breaches of those representations, warranties and covenants. GF Banorte's indemnification rights extend to:

- Reps and warranties that survive closing:
  - Indemnification by GF Interacciones' controlling shareholder group for breach of representation and warranties for 70% of the amount owed for each event and for a maximum of 9.0% of the transaction value, for a period of 18 months.

- In case of representations and warranties related to money laundering or anti-corruption law, for up to 100% of the amount owed to GF Banorte for each event and for a maximum of 10% of the transaction value, for a period of 24 months.
- GF Interacciones controlling shareholders will, upon closing of the Merger, fund GF Banorte shares received in the Merger to two different Trusts as described below:
- Shares equivalent to 10% of the transaction value for satisfaction of indemnification claims for breaches of representations, warranties and covenants of GF Interacciones, other than tax contingencies (Trust A) and
- Shares equivalent to the amount of Ps\$1,200,000,000.00 to cover indemnification for tax contingencies, as well as breaches of tax representations and warranties of GF Interacciones (Trust B).

**36. Q: Will the controlling shareholders of GF Interacciones be subject to a lockup of the GF Banorte shares they receive pursuant to the Merger?**

A: Yes, the controlling shareholders of GF Interacciones will not be permitted to sell any of the shares of GF Banorte they receive pursuant to the Merger for a period of two years after closing.

**II. Strategic Rationale and Financial Impact**

**37. Q: What is the rationale for the acquisition?**

A: Strategically, the transaction gives GF Banorte the opportunity to: (i) Access a highly complementary and attractive business for GF Banorte, focused on the profitable infrastructure segment with a competitive advantage, (ii) Consolidate GF Banorte's competitive position in Mexico by becoming the second largest financial group by assets and the second largest bank by gross loans and consumer deposits, (iii) Capitalize on our proven cross-selling capabilities on a new client base

**38. Q: Why pursuing an M&A transaction now?**

A: GF Banorte's profitability over the years has generated an important amount of capital that can support inorganic growth. This has given GF Banorte the opportunity to consider M&A opportunities that create value for its shareholders and accelerate its medium term growth objectives.

**39. Q: Why Interacciones?**

A: After reviewing several financial groups in Mexico as possible alternatives, GF Banorte's management concluded that GF Interacciones was a compelling and actionable acquisition opportunity today, based on several factors including: (i) attractive and highly profitable business serving primarily state and municipality government customers and infrastructure projects, (ii) highly complementary to Banorte's own business (iii) high synergy potential (iv) relative low execution risk given branchless model and (v) compelling relative valuation.

**40. Q: How will the Merger increase Banorte's exposure to government segment?**

A: Based on 2Q'17 figures, our pro forma government loan portfolio after the merger would represent 30% of our total loan portfolio, from 22% pre-Merger, our corporate loan portfolio will continue to be the largest segment of our total loan portfolio. The government segment has a very attractive risk-return profile, and we believe there is an opportunity to capitalize on our cross-selling capabilities on GF Interacciones' client base to further increase profitability. It is also important to mention that, based on 2Q'17 figures, 96% of our pro forma loan portfolio granted to governmental entities would be backed by governmental funds or guarantees (either by federal, state and municipal funds or guarantees or by productive state enterprises or decentralized agencies).

It is important to mention that these funds cannot be discretionally changed, a federal law (Ley de Coordinación Fiscal) states how these funds are composed and distributed among States & Municipalities. To change how these funds are composed and distributed, the law would necessary have to be modified, and this requires the approval from Congress and the executive branch.

### **Corporate Governance**

**41. Q: Will there be a change in GF Banorte's corporate governance structure as a result of the proposed transaction?**

A: No. GF Banorte's corporate governance structure will not change, with no insider gaining additional representation on GF Banorte's Board of Directors as a result of the additional shares to be issued

**42. Q: Will there be changes to the Board of Directors and senior management teams once the merger has been completed?**

A: The proposed transaction will not affect GF Banorte's board composition and we do not foresee changes to the GF Banorte senior management team

### **III. Other Clarifications**

**43. Q: What has been the involvement of the Chairman, in his condition of related party, in the proposed transaction?**

A: This potential transaction was evaluated and proposed to the Board of Directors by Banorte's management and Banorte's Audit and Corporate Practices Committee, which is comprised solely by independent members. The Chairman did not participate in the analysis nor review of the proposed transaction, nor in any of the negotiations between GF Banorte and GF Interacciones.

**44. Q: How will the trust which holds 10.4% of GF Banorte's common stock (and of which the Banorte Chairman is a beneficiary) vote its shares on the proposed transaction?**

A: The Trust is voted *en bloc* by a Trustee based on instructions from the Trust's Technical Committee. The Chairman and his sister do not have the power to determine how the Technical Committee will instruct the Trustee, even under normal circumstances. Trust cannot legally decide how it will vote until convocatoria (call for Shareholders' Meeting) is published.

The Trust requires a 5-day period to call a meeting of the Trust Technical Committee once there is an official date for a vote. Assuming the Trust's standard procedures and anticipated timing to reach a decision, GF Banorte expects that the Trust should be in a position to state how it intends to vote by November 15, 2017.

**45. Q: How will GF Banorte's Chairman, who is a related party, vote his shares in GF Banorte?**

A: The Chairman is one of the 24 beneficiaries of a trust which owns 10.4% of GF Banorte's shares. The Trust is voted *en bloc* by a Trustee based on instructions from the Trust's Technical Committee. The Chairman does not have the power to determine how the Technical Committee will instruct the Trustee, even under normal circumstances. The Trust cannot legally decide how it will vote until *convocatoria* (call for Shareholders' Meeting) is published. For this transaction, the Chairman has disclosed to GF Banorte's Board of Directors his intention to: (i) Recommend to the Technical Committee that the Trust commit to vote its shares in the same way as the majority of votes cast by all other shareholders represented at the meetings, and (ii) Abstain from voting on any Trust decision other than to approve the above recommended action.

**46. Q: Will the shareholders of GF Banorte be asked to vote on any compensation that executive officers of GF Banorte and GF Interacciones will receive in connection with the Merger?**

A: No, there is no compensation for GF Banorte's executive officers or directors contemplated or agreed in connection with or payable as a result of the completion of the Merger. Any payments to GF Interacciones executive officers and directors paid by GF Interacciones prior to closing or owed by GF Interacciones at closing of the Merger will be deducted from the purchase price by means of an adjustment to the Share Exchange Ratio.

**47. Q: Whom should I call with questions?**

A: If you have any questions concerning the Merger or the Disclosure Memorandum, would like additional copies of the Disclosure Memorandum or need help voting your Banorte's shares, please contact Ursula Wilhelm, Head of Investor Relations, at +52 55 1670 2256 or via e-mail at [investor@banorte.com](mailto:investor@banorte.com)