



Board of Directors Report

San Pedro Garza García, April 27, 2018

To the General Shareholders Meeting of Grupo Financiero Banorte, S.A.B. de C.V.

In compliance with the provisions of Article 39, Section IV of the Law to Regulate Financial Groups (LRAF) and Article 28, Section IV of the Securities Market Law (LMV), the following reports for Fiscal Year 2017 are submitted to the General Shareholders Meeting of Grupo Financiero Banorte, S.A.B. de C.V. (GFNorte):

- a) Concerning the reports referred to in Article 58 of the LRAF and 43 of the LMV, the Annual Report of the Audit and Corporate Practices Committee dated March 15, 2018, is attached hereto.
- b) Concerning the report to be prepared by the Managing Director pursuant to Article 59, Section X of the LRAF, and Article 44, Section XI of the LMV, accompanied by the external auditor opinion, the report on the business of the company subscribed by Mr. Marcos Ramírez Miguel corresponding to fiscal year 2017, accompanied by the opinion of Galaz, Yamazaki, Ruiz Urquiza, S.C. (a member of Deloitte Touche Tohmatsu), External Auditor of GFNorte, is attached hereto.
- c) Concerning the opinion on the contents of the Report of the Managing Director of Grupo Financiero Banorte (GFNorte) on the business of the company, the fourth report of Mr. Marcos Ramírez Miguel corresponding to fiscal year 2017, as well as the certified financial statements of GFNorte and Subsidiaries as of December 31, 2017, and the External Auditor opinion were reviewed and, in our opinion, the latter contains an objective account on the national and international environment in which the business was developed, the results as of December 31, 2017 and their profitability, and the highlights of the second annual period of the “20/20 Perfect Vision” strategy and relevant events, including the successful sale of Inter National Bank and the merger with Grupo Financiero Interacciones”. Likewise, we inform you that:
 1. The accounting and information policies and criteria followed are appropriate and comply with the regulations applicable to GFNorte and the financial entities that comprise it.
 2. According to the opinion of the External Auditor and reports on Internal Audit reviews, such accounting policies and criteria were consistently applied in the financial information submitted by the Managing Director.
 3. As a result of that stated in the above two paragraphs, the information submitted by the Managing Director reasonably reflects the financial condition and results of GFNorte and Subsidiaries.



- d) In connection with the report on the main accounting and information policies and criteria followed in the preparation of the financial information of Grupo Financiero Banorte (GFNorte) and Subsidiaries required by Article 172, Subparagraph b of the General Law of Business Corporations, it is informed that the Audit and Corporate Practices Committee reviewed with the persons responsible for their preparation and review, the financial statements as of December 31, 2017 and notes thereto, as well as the opinion of the External Auditor before its issuance, which has no exceptions; therefore, the approval thereof was recommended to the Board of Directors.

Note 4 to the certified financial statements, "Main Accounting Policies", describes and explains the main accounting and information policies and criteria followed in the preparation of the financial information of GFNorte and Subsidiaries, as well as the main changes to the accounting policies made during the fiscal year and their effects on the financial information.

- e) With respect to the report on the operations and activities where the Board of Directors of Grupo Financiero Banorte (GFNorte) participated, as provided by the Securities Market Law and the Law to Regulate Financial Groups, during fiscal year 2017, hearing, if applicable, the prior opinion of the Corporate Audit and Practices Committee, we highlight the following approvals:

1. The approval of the operations with related parties as of December 31, 2017, and the amount of the credits extended through Banco Mercantil del Norte, which was \$19,410 million, which is lower than the limit established by the corresponding regulations.
2. The Management was authorized to continue the negotiation of the merger with Grupo Financiero Interacciones and to submit the project to the Shareholders Meeting for its approval.
3. Annual reviews of the basic internal control documents were made, including the amendments to the Code of Conduct, the Internal Control Objectives and Guidelines, Material Resources General Policies and Human Resources General Policies.
4. The financial statements as of December 31, 2017, and the quarterly financial statements for the same fiscal year were approved.
5. The firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (a member of Deloitte Touche Tohmatsu), was designated as External Auditor of GFNorte and Subsidiaries for fiscal year 2017.
6. The provision of additional services by the External Auditor to obtain an opinion of the interim financial statements as a part of the process of issuance of Capitalization Instruments (Subordinated Debt), a structural analysis of the personnel Pension plan, the funds that comprise it, the resources generated by them and the treatment for purposes of deferred taxes of the plan and the performance of works associated with the Program for Placement as Recurring Issuer, which Banco Mercantil del Norte plans to execute for the next 5 years in the domestic market, were approved.

The review of the tax status of Grupo Financiero Interacciones and of such companies for fiscal years 2015, 2016, and 2017, as well as the works related to the Financial Due Diligence were also approved.

Finally, their hiring was authorized to review the reports of sustainability and local taxes and transfer prices in intercompany operations.



7. The Anticorruption policy and the adhesion to the Global Code of Conduct in the Execution of Operations with Foreign Currencies and the Money and Fixed Income Market Code of Conduct were approved, among others.

Sincerely,

Mr. Héctor Ávila Flores
Secretary of the Board of Directors of
Grupo Financiero Banorte, S.A.B. de C.V.

