

GFNorte reports Net Income of Ps 14.06 billion in 9M16, up 16% from same period last year

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

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ended September 30th, 2016. The main highlights include:

- **Outstanding sequential EPS growth of 8%**, driven mainly by a significant increase in the quarterly net profit of **Bank 11%, Insurance 10%, and Pension Fund 15%**.
- Key ratios posted a substantial improvement in the quarter: **non-performing loans ratio** improved to **2.2%**, from 2.3%, **reserves coverage ratio to 124%**, from 120%, **ROE at 14.1%**, from 13.4% and **ROA at 1.6%**, up +11bp.
- **NIM at 4.9%** growing strongly +35bp in the quarter, on higher Net Interest Income (NII) of Ps 1.0 billion, +8% during the quarter; Adjusted NII grew **14%** on a 7% decrease in loan loss provisions.
- **The first nine months show sound earnings growth from subsidiaries:** Banorte Bank +14%, Insurance +23%, Annuities +58%, as well as Leasing and Factoring +15%.
- Key financial ratios improved substantially in 9M16. **NIM to 4.8%**, from 4.4%, **NPL Ratio at 2.2%**, from 2.7%, **Efficiency Ratio to 45.4%**, from 48.6%, **ROA to 1.54%**, from 1.40%, and **ROE to 13.6%**, from 12.7%.
- **Revenues from core banking fees increased +14% annually** on higher transaction volume. **Trading Income decreased (20%)** YoY due to the strong volatility in global financial markets.
- **Non-Interest Expenses** grew only +5% yearly, once again as a tangible result of **strict expense management**.
- Strong annual growth in the **consumer book +14%**, **corporate loans** had an excellent **+17%** annual variation, and the **commercial loans +12%**. **Performing loans** increased **+11%** YoY, whereas the non-performing loans posted an annual decline of (10%).
- **Deposits from clients** increased +12% YoY, demand +13% and time +11%.
- Capital ratios remain solid, at 14.69% derived from healthy growth in risk assets.
- Banorte's leverage ratio, published as of this quarter, was 8.47% in 3Q16.

Mexico City, October 20th, 2016. Grupo Financiero Banorte (GFNorte) reported **Net Income of Ps 4.98 billion** in 3Q16, 16% higher vs. the same period a year ago.

These profits reflect good performance in key business, as well as efficiency efforts and profitability growth.

Profitability ratios improved substantially YoY in the quarter: **ROE at 14.1%**, from 13.2% and **ROA at 1.6%** from 1.5%.

NIM at 4.9% growing strongly 35bp in the quarter, on higher Net Interest Income (NII) and Adjusted NII.

Revenues from core banking fees increased **14%** annually in 9M16, on higher transaction volume.

In 3Q16 **Performing Loans increased 11% YoY** for an ending balance of Ps 553.36 billion from Ps 500.07 billion. Outstanding YoY growth was presented in Corporate and Consumer books.

The **Corporate book** grew **17% YoY** from Ps 79.37 billion in 3Q15 to Ps 92.94 billion at the end of 3Q16. Moreover, **Consumer portfolio** increased **14%** between 3Q15 and 3Q16, to Ps 195.12 billion from Ps 171.18 billion.

Within the latter segment, outstanding YoY growth was presented in **Car Loans** totaling Ps 14.04 billion in 3Q16, **17% higher**, while **Payroll portfolio** reached a balance of Ps 43.57 billion, **14% higher** vs. 3Q15. Furthermore, **Mortgage loans** increased **14%**, totaling Ps 110.53 billion in 3Q16.

NPL Ratio decreased YoY to **2.2%** from 2.7%, while **Coverage Ratio** stood at **124.3%** in 3Q16 from 109.4% a year ago.

Core deposits grew 12% YoY, to Ps 533.25 billion in 3Q16, from Ps 474.89 billion in 3Q15. Demand deposits rose to Ps 365.75 billion in 3Q16 from Ps 323.97 billion in 3Q15 and Time deposits to Ps 167.50 billion from Ps 150.92 billion during the same period.

Capital ratios remain solid, at **14.69%** derived from healthy growth in risk assets.

Recent Events

1. SHAREHOLDERS' MEETINGS

GFNorte's Extraordinary and Ordinary General Shareholders' Meetings were held on August 19, with a 77.02% representation of the total subscribed, paid and voting shares of the Company's capital. The resolutions adopted by the Assembly were:

Extraordinary

1. Amendment of Article Five of the Corporate Bylaws to change the corporate domicile to the Municipality of San Pedro Garza García, Nuevo León from the city of Monterrey, Nuevo León.
2. Amendment of Article Nineteen of the Corporate Bylaws so that the approval of operations related to asset acquisitions by the Company or its controlled companies be through an Ordinary General Shareholders' Meeting if: (i) the amount of the operation represents 5% or more of the Company's consolidated assets; and (ii) the counterparties are Related Parties.
3. Amendment of Article Forty-Four of the Corporate Bylaws so that the Nomination Committee be comprised of 7 members of the Board of Directors, being 4 of them Independent Members and the Chairman of the Board, who will preside the Nomination Committee.

These resolutions are subject to the suspense condition consisting of the authorization –referred to in article 20 of the Law Regulating Financial Groups (“LRAF”)– granted by the Ministry of Finance (“SHCP”), with prior opinion of the National Banking and Securities Commission (“CNBV”) and Banco de México.

Ordinary

1. Approval to modify the First Resolution of the Ordinary General Shareholders' Meeting held on June 28th, in order to make an advanced payment on August 31st, of the dividend that would have been disbursed on October 31st, amounting to Ps 0.45750654921773000 per share, against delivery of coupon 4. This dividend was the fourth and last disbursement equivalent to 30% of 2014 net profits, derived from Fiscal Net Income as of December 31st, 2013.
2. Approval to pay the fourth and last disbursement of the 2014 dividend on August 31st.
3. Approval to distribute a cash dividend of Ps 3,421'543,968.23 or Ps 1.233553556868510 per share, against delivery of coupon 5. This payment corresponded to the first of two disbursements of the dividend approved by the Group's Board of Directors last July 21st, and represents 40% of 2015 net profits, derived from Fiscal Net Income as of December 31st, 2013.
4. Approval to pay the first disbursement of 2015 dividend on August 31st.
5. Approval to pay the second disbursement of 2015 dividend in May 2017, following Shareholders' Assembly approval.

2. CHANGES TO CORPORATE STRUCTURE

Banorte Ahorro y Previsión

Following on the information published in 2Q16 Quarterly Release on the creation of the Sub-holding Banorte Ahorro y Previsión, S.A. de C.V. ("Banorte Ahorro y Previsión or BAP") it is informed that the CNBV, National Insurance and Bonding Commission ("CNSF") and National Commission for the Retirement Savings System ("CONSAR") granted their authorizations; consequently, on September 1st, BAP held an Ordinary Shareholders' Meeting in which was approved to increase the variable portion of its equity, which was subscribed and paid by GFNorte with shares of Pensiones Banorte, S.A. de C.V., Grupo Financiero Banorte (Pensiones Banorte) and Seguros Banorte, S.A. de C.V., Grupo Financiero Banorte (Seguros Banorte).

Banorte Futuro

Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") held an Extraordinary Shareholders' Meeting on November 4th, 2015, in which was approved to spin-off Banorte ("the spin-off") and create Banorte Futuro, S.A. de C.V. ("Banorte Futuro"), a new company. Banorte Futuro, as GFNorte's Sub-holding, will acquire and manage shares of financial entities, service providers and real estate companies, according to the terms established by LRAF.

Regarding the formerly mentioned resolution, on May 12th, through Memorandum 312-3/113814/2016, the CNBV authorized the spin-off and later, on September 20th, through Memorandum 312-/113185/2016, it approved changes to Banorte's Bylaws to incorporate i) the equity increase derived from the merger of Banorte with Banorte-Ixe Tarjetas, S.A. de C.V., SOFOM, E.R. ("Banorte-Ixe Tarjetas") –corporate modification effective in May– and ii) the equity decrease derived from Banorte's spin-off to create Banorte Futuro.

Given the spin-off, Banorte will transfer to Banorte Futuro Ps 14,283'630,660.90 to Assets corresponding to investment in subsidiaries, which Banorte held at Afore XXI Banorte, S.A. de C.V. ("Afore XXI Banorte"), Ps 406'660,260.42 to Liabilities and Ps 13,876'970,400.49 to Stockholders' Equity. Banorte Futuro will assume all liabilities derived from the transfer resulting from the spin-off.

Furthermore, the CNSF on August 16th, through Memorandum 06-C00-41100/24219 authorized Seguros Banorte to: i) modify its Bylaws and ii) to directly invest in Banorte Futuro's equity, and to invest indirectly in the equity of Afore XXI's. Then, on August 26th, the CONSAR through Memorandum D00/100/390/2016 authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as result of Banorte spin-off

Additionally, the Tax Administration Service ("SAT") on October 12th, through Memorandum 900-08-03-2016-572 authorized to transfer shares at fiscal cost from Banorte Futuro i) to Banorte Ahorro y Previsión, and ii) then to Seguros Banorte.

Finally, on October 17th the public deed 192,963 (dated on October 13th, 2016) was registered in the Public Registry of Property and Commerce of Monterrey, N.L., under folio 81438*1. This file contains the partial notarization of the agreements of the Extraordinary Shareholders' Meeting held on November 4th, 2015, in which was agreed among others, to spin-off Banorte and consequently decrease its equity. Moreover, on October 17th the deed 192,964 (dated on October 13th, 2016) was registered in the Public Registry of Mexico City under folio 2016024200. The formerly mentioned file contains Banorte Futuro Bylaws.

Given the aforementioned, these transactions became effective from October 17th, 2016.

3. ISSUANCE OF TIER 2 SUBORDINATED PREFERRED CAPITAL NOTES FOR USD \$500 MILLION

On October 4th, Banorte successfully concluded the issuance of the Tier 2 Subordinated Preferred Capital Notes for USD \$500 million in the international markets.

This transaction considered the issuance of Tier 2 Notes with a 15-year term and a coupon rate at 5.750%, callable at the tenth year. Ratings granted by Moody's and Fitch were Ba1 and BB+, respectively. These debentures are Basel III-compliant.

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

4. PREPAYMENT OF BANORTE'S SUBORDINATED NON-PREFERRED & NONCUMULATIVE OBLIGATIONS, DUE 2021

On October 13th, 2016 Banorte exercised the prepayment option of the Subordinated Non-preferred & Non-cumulative Obligations, due 2021 amounting to US \$200 million dollars.

These obligations were issued on October 13, 2006 and had a prepayment option as of the tenth year.

5. EARLY SETTLEMENT OF THE UMS 5.625% GLOBAL NOTES DUE 2017 (CURRENT ASSETS OF THE F/00374 TRUST)

On September 9th Banorte settled early and in full USD \$120 million in government securities known as United Mexican States (UMS) 5.625% Global Notes due 2017 (CUSIP: 91086QAU2, ISIN: US91086QAU22). These were part of the current assets of the F/00374 Trust, which was constituted on June 21st, 2006, acting as:

- **Trustor:** Banorte.
- **Only Beneficiary:** Banorte.
- **Trustee:** CIBanco, S.A., Institución de Banca Múltiple (former denominated as The Bank of New York Mellon, S.A., Institución de Banca Múltiple, final universal successor of Banco J.P. Morgan, S.A., Institución de Banca Múltiple, J.P. Morgan Grupo Financiero, Trustee Division).

6. CREDIT RATINGS

Standard & Poor's confirmed Banorte's ratings, outlook was changed to Negative

On August 23rd, Standard & Poor's ("S&P") announced revisions to the outlook on 12 Mexican financial Institutions included Banorte, resulting from the revision to negative from stable on Mexico's sovereign ratings. The change in outlook reflects the possibility of a downgrade in the next 24 months if there is continued deterioration in the government's direct debt burden or an increase in interest expenses beyond their estimates, and if vulnerability of public finances were to increase given adverse shocks. In Banorte's case, ratings were confirmed and the outlook changed to negative from stable.

7. INSTITUTIONAL INVESTOR MAGAZINE'S RANKINGS

In August, Institutional Investor magazine announced the "Best Latin America Executive Team 2016" rankings, which were based on a survey to 179 buy-side fund managers from 141 institutions and 50 sell-side analysts from 32 firms. This survey evaluates attributes such as accessibility to C-Suite, quality and depth of answers to inquiries, transparency of financial reporting and disclosure, among others.

For the seventh year in a row, GFNorte's Top Management and Investor Relations team ranked in the top positions among Latin American banks and Mexican companies.

- José Marcos Ramírez Miguel, CEO, improved his position YoY in the regional comparison, ranking third in Latin America and second in Mexico.
- Rafael Arana de la Garza, Chief Operating Officer, ranked as the best CFO in Mexico, improving a position vs. 2015.
- Ursula Wilhelm Nieto, Executive Director of Investor Relations was chosen Best IRO in Mexico.
- Moreover, the Investor Relations team maintained the third position in Latin American; whereas, in the Mexican ranking was placed second by the buy-side.

8. FOR THE THIRD CONSECUTIVE YEAR GFNORTE WAS INCLUDED IN THE DOW JONES EMERGING MARKETS SUSTAINABILITY INDEX

In September, the Dow Jones Sustainability Indices (“DJSI”) announced results of their annual review, in which for the third year GFNorte was chosen to be part of the Dow Jones Sustainability Index Emerging Markets, awarding outperforming companies in the Sustainability field. GFNorte is the first and only Mexican financial institution to be included in this index since 2014.

This milestone is the result of a solid Sustainability program which has enabled GFNorte to include a wide array of initiatives that contribute to generate value to its stakeholders.

On a yearly basis, S&P Dow Jones Indices, through RobecoSAM, assesses the performance of over 3,400 companies around the world in economic, social and environmental terms.

The 2016 edition of Dow Jones Sustainability Index Emerging Markets is integrated by 95 members from 39 industries and 14 countries, considering that 811 companies were invited to participate –of which, 108 were financial institutions–.

This award reaffirms GFNorte's commitment to Sustainability and positions it as a solid and profitable institution, translating into value for its shareholders.