

GFNorte reports record Net Income of Ps 5.5 billion in 1Q17, up +24% from same period last year

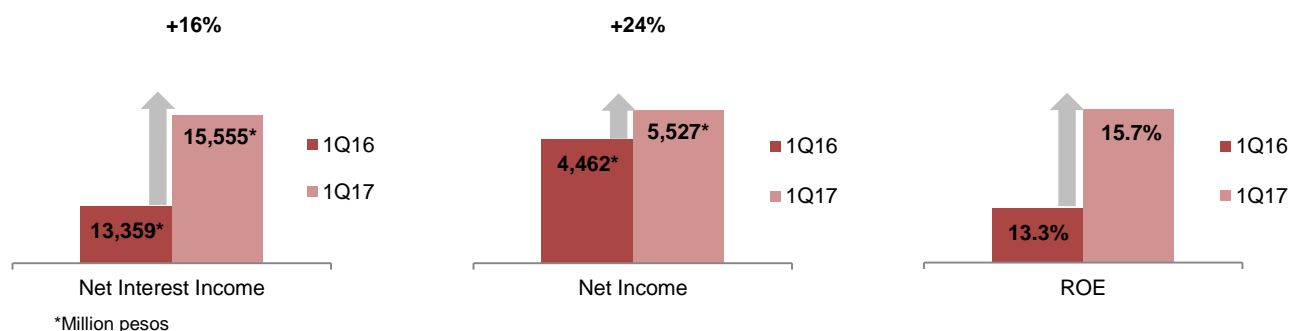
(BMV: GFNORTEO; OTCQX: GBOOY; Latibex: XNOR)

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ended March 31st, 2017. The main highlights include:

- **Net Income of Ps 5.5 billion**, achieved outstanding **sequential growth of +5%**, driven by sound fundamentals, dedicated strategy, revenue expansion and healthy business diversification. The main increases came from the **Insurance +58%**, **Brokerage +44%**, **Pensions Fund +31%**, **Annuities +14%**, and the **Bank +5%**.
- Strong quarterly financial indicators: **NIM to 5.5%** from 5.0%, **non-performing loans ratio** stable at **1.8%**, **reserves coverage ratio** stable at **138%**, **ROE at 15.7%**, from 15.1% and **ROA at 1.76%**, up +5bp.
- Net Interest Income (**NII**) grew **+6%** in the quarter; while loan loss provisions were practically flat. **Record net operating income** of Ps 7.5 billion, +9% higher QoQ.
- Subsidiaries achieved strong sequential earnings growth: **Banorte Bank +49%**, **Brokerage +50%**, **Annuities +42%**, **Pensions Fund +14%**, **Leasing and Factoring +15%**.
- Annual key financial ratios improved substantially. **NIM to 5.5%**, from 5.0%, **NPL Ratio at 1.8%**, from 2.2%, **reserves coverage ratio** to **138%**, from 119%, **Efficiency Ratio to 44.5%**, from 46.8%, **ROA to 1.76%**, from 1.50%, and **ROE to 15.7%**, from 13.3%.
- **NII up +16%** annually, and adjusted for credit risks **+21%**.
- **Net service fees** increased **+18%** annually on higher transaction volume and online banking services. **Trading Income** rise **+66%**.
- Controlled efficiency ratio at 44%, outstanding **net operating income** growth of **+35%** yearly.
- Strong growth in the **Consumer book, +4% quarterly and +19% annually**. **Performing loans growth of +10%** driven by a healthy decline in the government book. Non-performing loans steady vs. last quarter and decrease (12%) vs. 1Q16.
- **Capital ratios remain solid**, at 16.59% impacted by the sale of INB on March. Moreover, the leverage ratio remained solid at 7.98% in 1Q17.

Mexico City, April 27th, 2017. Grupo Financiero Banorte (GFNorte) reported **Net Income of Ps 5.53 billion in 1Q17**, +24% YoY, as result of an adequate long-term strategy and sound diversification in the banking business.

“We started 2017 with a record first quarter. We achieved and exceeded our objectives and are in the path to become the best financial group in Mexico, in benefit of our clients, investors and colleagues” highlighted Marcos Ramírez Miguel CEO of GFNorte.



Profitability ratios reflected the implementation of strategic improvements: **NIM to 5.5%**, from 5.0%; **ROE to 15.7%**, from 13.3% and **ROA to 1.8%**, from 1.5%.

GFNorte Key Figures	1Q16*	1Q17*	Change %
Net Income	4,462	5,527	24
Net Interest Income	13,359	15,555	16
Net Operating Income	5,595	7,549	35
Performing Portfolio	516,858	569,062	10
Efficiency	46.8%	44.5%	
ROE	13.3%	15.7%	
ROA	1.5%	1.8%	

*Million pesos

Subsidiaries achieved strong annual earnings growth: **Banorte Bank +49%**, **Brokerage +50%**, **Annuities +42%**, **Pensions Fund +14%** and **Leasing and Factoring +15%**.

Diversified and sound **Performing portfolio increased +10%**, driven by origination dynamics and focused strategy. **Loan Loss Provisions grew only +1%** vs. the same period in 2016.

In 1Q17 the **Corporate book** grew **+14%** YoY, totaling **Ps 102.35 billion**; the **Commercial portfolio** came **+10%** higher YoY, ending at **Ps 123.55 billion** and the **Consumer book** amounted to **Ps 211.62 billion**, up **+19%** YoY.

Within Consumer book, outstanding YoY growth was presented in all segments: **Car loans** totaling **Ps 15.92 billion** in 1Q17, **+24%** higher, while **Payroll portfolio** reached a balance of **Ps 46.96 billion**, **+18** higher vs. 1Q16. Furthermore, **Mortgage loans** rose **+18%** amounting **Ps 119.23 billion** and **Credit Card book** increased **+17%**, totaling **Ps 29.52 billion** in 1Q17.

Consumer Portfolio	1Q16*	1Q17*	Change %
Mortgage	101	119	18
Car	13	16	24
Credit Card	25	30	17
Payroll	40	47	18
Total	178	212	19

*Billion pesos

During the quarter asset quality and reserve coverage ratios improved, NPL Ratio decreased YoY to 1.8% in 1Q17 from 2.2%, while Coverage Ratio stood at 138% in 1Q17 from 118% a year ago.

Core deposits grew +13% vs. 1Q16, to Ps 541.75 billion from Ps 478.18 billion a year ago. Demand deposits rose +13% and Time deposits increased +15%.

Capital ratios remained solid, at 16.59% driven by an adequate equity management and sound growth in risk assets.

Recent Events

1. INTER NATIONAL BANK

On March 31, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") finalized through INB Financial Corporation (subsidiary of Banorte) the sale of its ownership in the representative shares of Inter National Bank, in favor of a group of investors in the United States of America.

The aforementioned derives from the corporate restructuring process that Financial Group is going through; further information may be checked in Banorte's financial statements corresponding to 2016.

2. BANORTE WAS REAFFIRMED AS LEVEL II - DOMESTIC SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION

In April Banorte was reaffirmed as Level II - Domestic Systemically Important Financial Institution by the National Banking and Securities Commission ("CNBV"), which highlights Banorte's importance in the Mexican Financial System.

The aforementioned derives from the annual review that the Board of the CNBV carries out based on Credit Institutions' information as of December 2016. Such designation implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years –due on December 31, 2019-, additional to the regulatory Capitalization Ratio ("CR") of 10.5%, this means that Banorte's minimum CR will amount to 11.4% at the end of 2019.

It's noteworthy that even though the CNBV will allow a progressive fulfillment, Banorte's CR was 16.59% as of March 31, 2017, so Banorte complies with the new requirement.

3. CREDIT RATINGS

Standard & Poor's confirms ratings for Banco Mercantil del Norte and Casa de Bolsa Banorte Ixe

On March 8, Standard & Poor's ("S&P") confirmed Banorte long & short-term global and national scale ratings; moreover, S&P also ratified ratings for Casa de Bolsa Banorte Ixe, S.A. de C.V. ("Casa de Bolsa Banorte Ixe"). The outlook for the global scale remains negative, as a result of the sovereign's outlook, and for the national scale ratings stable.

The rating action derives from the bank's sound financial performance, mainly on its position in the banking system in terms of total deposits, the increasing presence in the retail segment, assets' quality and improvements in the efficiency ratio; as well as its strengthening in the internal capacity of capital generation.

Below is the list of modified ratings:

- SACP to “**bbb+**” from “bbb”.
- Subordinated Junior Notes (from the merged Ixe Banco) to “**BB+**” from “BB”.

Below is the list of confirmed ratings:

Banorte:

- Global Scale - Counterparty Credit BBB+ / Negative / A-2
- National Scale – Counterparty Credit mxAAA / Stable / mxA-1+

Casa de Bolsa Banorte Ixe:

- National Scale – Counterparty Credit mxAAA / Stable / mxA-1+

4. GFNORTE JOINS FTSE4GOOG EMERGING INDEX

In December 2016, GFNorte was included in the Sustainability Index *FTSE4Good Emerging Index* of the London Stock Exchange, becoming the only Mexican financial institution within the top 10 of Latin American companies.

In order to be considered in this index, the companies' performance is assessed comprehensively from environmental, social and corporate governance scopes. As member of the *FTSE4Good Emerging Index*, GFNorte increases its presence in global markets and consolidates as a financial actor committed to sustainability. This is one step more targeted towards the objective to attract more responsible investors interested in doing business with us.

The *FTSE4Good Emerging Index* is part of the *FTSE4Good* family of Indices, pioneers in developing indices that consider environmental, social and corporate governance factors.

5. BANORTE IS INCLUDED IN THE RANKING BRANDZ™ TOP 30 MOST VALUABLE MEXICAN BRANDS 2017

In February, *Kantar Millward Brown*, advisory and brand research firm, published the annual ranking of the top 30 most valuable Mexican brands in 2017. Banorte was valued at USD 2.14 billion, ranking 9th, but 1st among the four Mexican banking brands.