

# TRANSFORMING CAPITAL INTO VALUE

ANNUAL REPORT 2014



 GRUPO FINANCIERO  
**BANORTE**



## CONTENT

|   |  |                                  |  |
|---|--|----------------------------------|--|
| 2   | Banorte at a glance  | 54                               | Government Banking   |
| 6   | Message from the Chairman of the Board of Directors as of December 31 <sup>st</sup> , 2014 | 56                               | SME Banking  |
| 8   | Message from the Chairman of the Board of Directors  | 57                               | GFNorte Affiliates   |
| 10  | Message from the CEO   | <b>60 Corporate Governance</b>   |  |
| 16  | Relevant Figures   | <b>68 Sustainable management</b> |  |
| <b>20 Transforming capital into value</b> |  | 72                               | Economic Value   |
| 22  | Financial Capital  | 78                               | Social Value   |
| 26  | Intellectual Capital   | 84                               | Environmental Value  |
| 30  | Human Capital  | 90                               | External initiatives   |
| 34  | Social Capital   | 91                               | Awards and recognitions                                      |
| 38  | Natural Capital  | 92                               | Message from the Executive Director of Social Responsibility |
| <b>42 Mexico, a great opportunity</b>     |  | 94                               | GRI Content Index  |
| <b>44 Our offer of value</b>              |  | 106                              | Annual Report from the Audit and Social Practices Committee  |
| 46  | Retail Banking   | 109                              | Independent Assurance Report                                 |
| 51  | Patrimonial and Private Banking  |                                  | <b>Consolidated financial statements</b>                     |
| 52  | Business and Corporate Banking   |                                  | electronic file attachments                                  |

## MISSION

To generate trust and financial strength for our clients

## VISION

Be a great ally to grow stronger with Mexico

## PRINCIPLES

We work to make our clients stronger

We innovate to generate value

We develop committed teams

We include

We contribute to Mexico's well-being

# BANORTE TIMELINE



**1899**

Founding of Banco Mercantil de Monterrey

**1947**

Fuounding of Banco Regional del Norte

**1986**

Merger of Banco Mercantil de Monterrey and Banco Regional del Norte to form Banco Mercantil del Norte (Banorte)

**1992**

Banorte is acquired by a group of businessmen headed by Don Roberto González Barrera, who would become its President for Life as from 2011 and a driving force in the Bank's development



**1993**

In order to increase the supply of services, Banorte acquired Afin Casa de Bolsa

**1995**

Despite the financial crisis, Banorte maintains its strength and started the incorporation of Bancentro, turning into a multiregional institution

**1997**

Banorte acquires Banpais and becomes associated with Generali International, a pension fund operator

**1998**

Inauguration of a new method for providing customer service using modern information technology: an online banking system and the Banortel call center



**1999**

Creation of the slogan: "The strong bank of Mexico", coinciding with Banorte's 100 year anniversary



**2000**

Grupo Financiero Banorte is recognized for its institutional values and financial solidity in the "Solid Bank" category by the rating agency of Fitch

**2001**

Acquisition of 100% of Bancrecer's shares

**2002**

With the integration of Bancrecer, Banorte has become the fourth most important branch network in the Mexican banking system



**2003**

Banorte joins the globalization trend and forges alliances that foster economic growth in Mexico.



## 2004

Strengthening and focusing on growth strategies with new services and products

## 2005

Alliance with Telecomm - Telégrafos to offer banking service to thousands of Mexicans.

Relocation of the Group's head office to a corporate building in Santa Fe, Mexico City

## 2006

Banorte crosses borders with the acquisitions of Inter National Bank and the remittance company, Uniteller in the USA.



## 2007

Banorte has over 1,000 branches and 3,500 ATMs.

Acquisition of the remittance company, Motran in California, USA

## 2008

Banorte is named "Best Bank in Mexico" and "Best Bank in Latin America" by Euromoney magazine

## 2009

For a fifth consecutive time, Banorte earns the "Best Bank of the Year in Mexico" distinction from The Banker magazine

## 2010

World Finance recognizes GFNorte as "The Best Financial Group in Mexico 2010"



## 2011

Banorte was one of three finalists for the "Sustainable Bank of the Year 2011" award, bestowed by the Financial Times and the IFC.

Banorte - Ixe merger, converting it into the third largest banking institution in Mexico



## 2012

Inauguration of the "Don Roberto González Barrera" Contact Center, in memory of its president for life, coinciding with his passing that same year.

Creation of 5 Regional Boards, for the purpose of providing advice to the President of the Board of Directors on relevant issues in different zones of the country



## 2013

Afore XXI Banorte becomes the nation's largest retirement fund administrator, after acquiring the Afore of BBVA Bancomer.

## 2014

Carlos Hank González is appointed President of the Board of Directors and Marcos Ramirez Miguel, CEO of Grupo Financiero Banorte.





At **Grupo Financiero Banorte**, we are always focused on generating ever-increasing value for our stakeholders within our sustainable practices framework, continue to invest in capitals to strengthen our institution: financial, intellectual, human, social and natural –that is, both tangible and intangible capital. That is why in this report we wanted to devote a special section to each one of them and the progress achieved. To manage and harmonize these capitals, and integrate them into our business model, we generated a solid long-term operation that allows us to continue to grow with Mexico.

# VALUE

# **GFNORTE** AT a glance

Grupo Financiero Banorte (GFNorte; BMV: GFNORTEO) is a leading financial institution in Mexico. After the merger with Ixe, it became the third largest bank in the country and the largest financial group controlled by Mexican investors.

Through a network comprised of more than 1,200 branches, 7,000+ ATMs, over 5,300 third-party correspondents and more than 162,000 POS terminals, it currently serves over 13 million customers in the banking sector throughout the country.

The main activity of GFNorte's subsidiaries is the realization of financial transactions such as providing services for banking, brokerage, leasing, financial factoring, general warehousing services, annuities, life and damage insurance, as well as the acquisition, disposal, administration, collection and in general negotiation in any form, of claims. It operates the main administrator of retirement funds in Mexico, Afore XXI Banorte, as well as the money transfer companies Motran and Uniteller in California and New Jersey respectively, and Banorte Securities International in New York.

Banorte is one of the banks with better quality assets within the Mexican financial system and possesses adequate capitalization and liquidity levels.

**No. 1**  
in Afore\*,  
with 25% of  
the market  
share

**First**  
in time  
deposits,  
with 18% of  
the market  
share

**2<sup>nd</sup>** in POS\*\*, with  
22% of the  
market share

**Second in Government  
loans with 23% of the  
market share**

**3<sup>rd</sup>**  
in Performing  
Loans, with  
14% of the  
market share

**No. 3**  
in Payroll  
loans with  
19.2% of  
market  
share

**Third** in mortgage loans with 16.4% of the market share

**3<sup>rd</sup>** in Core deposits with 14.5% of the market share

## 4<sup>th</sup> place

- in car loans with a 14.7% share of the market
- in total assets with a 12% share of the market
- in credit cards with a 7.9% share of the market



Source:

\* Afore CONSAR Managed resources

\*\* Infra, December 2014, Banca Múltiple

# OUR coverage



## BANORTE – IXE INFRASTRUCTURE

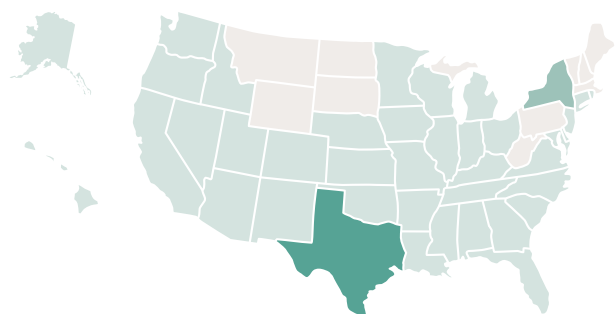
| Territory            | State  | Branches     |              | ATMs         |              | Third-party correspondents |              | Disadvantaged Population         |  |
|----------------------|--|--------------|--------------|--------------|--------------|----------------------------|--------------|----------------------------------|--|
|                      |  | 2013         | 2014         | 2013         | 2014         | 2013                       | 2014         | Population density <sup>2)</sup> | Moderate and extreme poverty <sup>3)</sup> % |
| Southern Mexico      | Distrito Federal, Estado de México   | 197          | 192          | 741          | 763          | 168                        | 229          | 1,008                            | 37.1   |
| Northern Mexico      | Distrito Federal, Estado de México   | 177          | 169          | 713          | 701          | 476                        | 764          | 1,008                            | 37.1   |
| North                | Durango, Nuevo León, Tamaulipas, Coahuila  | 218          | 220          | 1,630        | 1,636        | 1,243                      | 1,501        | 29                               | 34.9   |
| Central              | Aguascalientes, Guanajuato, Jalisco, Querétaro, San Luis Potosí, Tamaulipas, Zacatecas | 165          | 161          | 989          | 1,040        | 350                        | 448          | 68                               | 43.2   |
| Northwest            | Baja California, Baja California Sur, Chihuahua, Sinaloa, Sonora                       | 152          | 149          | 1,018        | 1,079        | 606                        | 800          | 20                               | 32.2   |
| West                 | Colima, Guanajuato, Jalisco, Michoacán, Nayarit  | 146          | 142          | 673          | 713          | 447                        | 546          | 94                               | 44.1   |
| South                | Guerrero, Hidalgo, Morelos, Oaxaca, Puebla, Tlaxcala, Veracruz                         | 122          | 124          | 641          | 697          | 364                        | 472          | 106                              | 57.8   |
| Peninsular           | Campeche, Chiapas, Oaxaca, Tabasco, Veracruz, Yucatán, Quintana Roo                    | 111          | 112          | 630          | 668          | 493                        | 640          | 56                               | 52.8   |
| <b>Banorte Total</b> |  | <b>1,288</b> | <b>1,269</b> | <b>7,035</b> | <b>7,297</b> | <b>4,147</b>               | <b>5,400</b> | <b>57</b>                        | <b>44.7</b>                                  |

<sup>1)</sup> Our network of third-party correspondents is composed of network branches for Telecomm, 7-Eleven, Extra, Soriana, Woolworth and Del Sol stores.

<sup>2)</sup> Population density expressed in inhabitants/km. Source: [cuentame.inegi.gob.mx](http://cuentame.inegi.gob.mx)

<sup>3)</sup> Extreme and moderate poverty: source: [www.coneval.gob.mx](http://www.coneval.gob.mx)





USA

- Uniteller
- Uniteller and Banorte - Ixe Securities International
- Uniteller, Banorte - Ixe Securities International and Inter National Bank

| BANORTE USA INFRASTRUCTURE |                     |          |      |
|----------------------------|---------------------|----------|------|
| Unit                       | State               | Branches |      |
|                            |                     | 2013     | 2014 |
| INB                        | Texas               | 20       | 20   |
| Motran                     | 9 states in the US  | 108      | 0    |
| Uniteller                  | 42 states in the US | 1,665    | 733  |
| Banorte Securities         | Texas, New York     | 2        | 2    |

The All Point network that INB uses has 55,000 ATMs throughout the United States.

Figures for Motran and Uniteller refer to independent agencies providing service - not to branches that are owned.

Figures for Banorte Securities refer to offices.

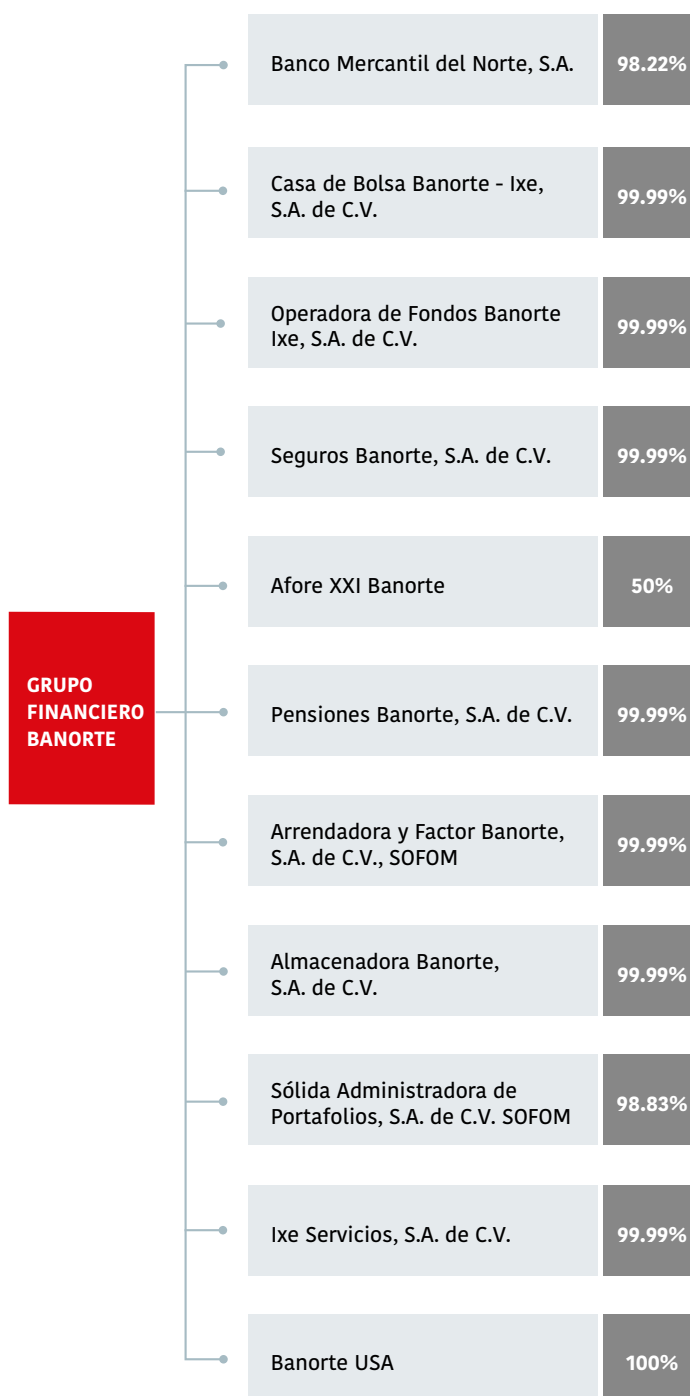


PHILIPPINES

- 1 Uniteller office

G4-7, G4-17

# CORPORATE Structure



# MESSAGE FROM THE Chairman of the Board of Directors

until December 31<sup>st</sup>, 2014

## Esteemed Shareholders and employees of Grupo Financiero Banorte:

It has been my honor to preside over the Board of Directors of Grupo Financiero Banorte - Ixe. During these four years, together with the Board of Directors, officers and employees of the institution, I have been part of the Group's expansion in every segment, positioning it as the third largest financial group in Mexico, and the only one managed by Mexicans.

With the guidelines set by the Board and the joint effort of all our main officers and employees, deposits and performing loans have grown at an annual compound rate of 14.2% and 15.7% respectively during the past four years. Assets under management also increased, compounded annually at 30.1%, growth driven by the merger with Ixe Grupo Financiero in 2011 and the acquisition of the Afore XXI and Afore Bancomer pension funds in 2012 and 2013, respectively. Moreover, earnings per share (EPS) went from Ps 3.32 to Ps 5.49, growing 13.4% annually (even including the increase in outstanding shares due to the merger with Ixe Grupo Financiero and the Public Offering carried out in July, 2013).

It is my privilege to announce that as of January 1st, 2015, Mr. Carlos Hank González will preside as Chairman of GFNorte's Board of Directors; his appointment is subject to ratification by the Shareholders' Meeting to be held in April 2015.

Globally, 2014 was a complex year, which was reflected in a weak performance of the Mexican economy. As a result of the Financial Crisis of 2007-2008, growth in the world's economy in recent years has been disappointing. The International Monetary Fund has revised downwards global economy growth in more than one percentage point with respect to original projections over the past five years. Emerging markets, the largest economies (BRICS)

have experienced significant reductions in growth (China) and even recessions (Brazil and Russia).

The Mexican economy only grew by 2.1% when initial estimates placed growth closer to 4%. The lower dynamics of the Mexican economy as well as the reasonable behavior of inflation - which ended in 4.1% (but with a clear downward trend) - led the Mexican Central Bank to cut in 50 basis points the reference rate in June.

Mexico was also significantly affected by the abrupt drop in oil prices that began in the last months of the year. The price of the Mexican mixture dropped 45% in December 2014 compared to the price at mid-year. This impacted in the 13% depreciation of the exchange rate versus the US dollar, which appreciated compared to other currencies.

On the other hand, structural reforms that were enacted in 2013 have begun to show positive results. Such is the case for the telecommunications reform where significant reductions in mobile telephony and Internet access prices have been observed.

Just as the Mexican economy, Grupo Financiero Banorte - Ixe has had to face big challenges, but we also achieved significant strategic developments in 2014.

We continue transforming our retail business, implementing a new customer-centric banking model as we make more efficient and practical our operational processes; both efforts will enable us to achieve higher levels of efficiency, growth and profitability.

Regarding results, we achieved a 13% growth in net income despite the complex economic environment. The loan portfolio and deposits maintained a growth rate above

the economy, while past due loans stabilized after the negative effects in 2013 driven by the financial problems faced by the housing development sector, as well as the impact of the economic weakness in that year. During 2014 Banorte consolidated its position as the third largest banking institution in Mexico. In terms of market share, we are the second main provider of government financing, the third largest in mortgage and consumer and the fourth in credit cards and commercial loans.

GFNorte's market capitalization amounted over Ps 225 billion at the end of 2014. During this year, Fitch, Moody's, Standard & Poor's and HR Ratings have ratified our investment - grade ratings.

In terms of Corporate Governance, three General Shareholders' Meetings of Grupo Financiero Banorte (ordinary and extraordinary) were held, with an average quorum of 90.6%, where, among other decisions, the integration of the Board of Directors was approved as well as the payment of a cash dividend for a total amount of Ps. 0.9740 per share, equivalent to Ps. 2.70 billion. The total amount of the dividend represents 20% of the recurring profits of 2013; a 24% increase vs. the dividend paid in 2012. At the end of 2014 we had 6 Regional Boards, comprised by 230 members. Also, for the third year in a row, the Plenary Session of the National Council (Sesión Plenaria del Consejo Nacional) was successfully held, with the participation of over 500 individuals including Board Members, clients, special guests and speakers. During the meeting, international, national and regional topics were discussed, providing our Board Members with perspectives and unique dialogues on the most relevant issues at the time.

Important progress was made regarding our Social Responsibility and Sustainability strategies. For the fourth year in a row, we were included in the Mexican stock market's Sustainable IPC and for the third year, we are part of the Carbon Disclosure Project's (CDP) "Climate Disclosure Leadership Index" for Latin America. I am also pleased to announce that this year we were included in the Dow Jones' Sustainability Index for Emerging Markets. These important steps show the strengthening and consolidation of our environmental, social and Corporate Governance practices, which place us as one of the leaders in sustainability in Latin America.



We remain committed to the ten principles of the United Nations Global Compact, through which we maintain our healthy practices in Human Rights, Labor Standards, Environment and Anti-corruption scopes.

Finally, I would like to gratefully thank our shareholders, board members, employees and customers of Grupo Financiero Banorte for their continued commitment to our institution.

**Guillermo Ortiz Martínez**

Chairman of the Board of Directors of Grupo Financiero Banorte until December 31<sup>st</sup>, 2014.



# MESSAGE FROM THE Chairman of the Board of Directors

Dear Shareholders and colleagues:

I refer to you for the first time as Chairman of Grupo Financiero Banorte's Board of Directors, responsibility that I have proudly committed to assume as of January 1st of this year.

It is an honor for me to preside over the Board of Directors of the third largest financial group in the country. Together with the CEO, we have given ourselves the task to continue with the strategy that has been jointly structured to ensure that this financial institution achieves the expected results and consequently increases value for shareholders.

The transformation program, currently underway within our institution, aims to improve value for our customers, increase cross-selling among existing clients, improve profitability and efficiency indicators and strengthen risk management. This transformation program is ambitious, but necessary to prepare this group to face Mexico's competitive, economic and social challenges.

As Member and Chairman of the Board of Directors, I hold my commitment of maintaining best practices in our Corporate Governance. Strengthening them makes us a stronger institution and allows us to have transparency and accountability required by our laws and shareholders.

2015 will undoubtedly be a year of great opportunities for us as a financial group. The Board of Directors, the management team and everyone here at Grupo Financiero Banorte are working to continue to consolidate Banorte - Ixe as Mexico's Strongest Bank.

Cordially,



**Carlos Hank González**

Designated Chairman of Grupo Financiero Banorte's Board of Directors.



The transformation program, currently underway within our institution, aims to improve value for our customers, increase cross-selling among existing clients, improve profitability and efficiency indicators and strengthen risk management.

# MESSAGE

## FROM THE CEO

This is my first annual report on Grupo Financiero Banorte's business as CEO. I would like to thank the Board of Directors for their trust in appointing me to lead this group; it is a responsibility that I assume with great enthusiasm.

10

As already mentioned in the reports of Dr. Guillermo Ortiz Martínez and Lic. Carlos Hank González, we have made a generational change in the Chairmanship of the Board of Directors. We thank Dr. Ortiz for his years of contribution and welcome Lic. Hank as the Designated Chairman of the Board of Directors, whose appointment is subject to ratification by the Shareholders' Assembly to be held in April 2015.

In 2014 the economic environment remained challenging for both national and international economies. Economic growth expectations for the major economies and emerging markets were constantly being revised downwards during the year; in Mexico, for example, the GDP grew 2.1% annually having been brought down from 3.4% by policymakers and market participants alike. Decline in economic growth was partially due to the impact of the Tax Reform implemented in January 2014. This undoubtedly generated a greater tax burden for companies and individuals, implying substantial changes in corporate tax planning that led to a slowdown in productive investment, only occurring in the last months of the year. Also, during the year domestic demand did not grow, and domestic consumption remained flat from 2013. The external sector reacted favorably as the year progressed, resulting in high growth rates in both manufacturing and exports. On the monetary front, The Mexican Central Bank surprised the market by cutting in 50 basis points the reference rate, adding further pressure to the banking system as it operates in the lowest interest rate environment in history.

In the competitive landscape, the financial sector remained very competitive despite moderate economic expansion and low interest rates. The Mexican capital market

remained highly liquid throughout the year and with a broad level of appetite for risk. Many companies took part of their financing requirements from the market, or refinanced in the capital market therefore prepaying bank loans. In the loan market, competition was also strong, pricing down loans despite low interest rates. In the Afore sector where retirement savings are managed, competition remains intense to promote retirement savings accounts switchovers between Afores. This competition is reducing transparency and competitiveness in the sector and is based on misinformation to workers. In the Annuities companies' sector, changes in the annuities' assignment scheme have also led to increased price competition, in detriment to the companies' profitability. Yet despite this very competitive environment, GFNorte was able to react responsibly ensuring profitability on chaotic growth and also seeking to establish long-term relations with our clients. We were able to achieve positive growth in all our businesses, and in some specific cases we also sought to outgrow the market with more quality to secure our market share.

During 2014, GFNorte continued developing its strategy to increase value for our shareholders, to provide better value and service to our customers and be a better place for our employees to develop their potential and thereby strengthen our position in the Mexican market. Also, we continued with the construction and implementation of key projects that will allow us to transform our retail business into a business with better cross-selling, improved customer service, increased productivity from the sales force and to take advantage of the client base to develop and improve our banking relationships with them.

## GFNorte was able to reach an all-time high in reported net earnings and the diversification of its profit sources.

In spite of the challenging economic environment, GFNorte was able to reach an all-time high net income and also to improve its diversification of earnings. Good growth in deposits and loans was achieved. Recurring revenues also increased. Capital ratios are stronger. Asset quality remains adequate and in control. Market share was maintained in the third position in the banking system. The Afore remained the largest in its sector.

2014 was also a year of accountability. Acquisitions and mergers carried out in the past have begun to generate added value for the Financial Group, which is evident in the diversification of the Group's businesses and earnings. Through organic growth and various mergers and acquisitions, assets under management have increased from Ps 712.4 billion in 2010 to Ps 2,039.2 billion in 2014. In terms of diversification of assets under management, at the end of 2014 the Banking Sector represented 30.1%, the Brokerage Sector 35.9% (including assets managed by the Casa de Bolsa Banorte Ixe and mutual funds), the Afore 29.7%, while Insurance and Annuities companies managed 4.2% of the assets managed by GFNorte.

Regarding the operating performance, the Financial Group's accumulated net income for 2014 reached maximum historical levels, rising to Ps 15.23 billion, 13% higher vs. 2013. This increase was mainly due to the 13% growth in total income vs the 5% increase in operating expenses, generating a positive operating leverage and thus, offsetting higher provisions which increased by 25% and a higher effective tax rate, which meant an additional expense of Ps 2.11 billion, representing a 59% increase versus 2013. It is important to note that Operating Income registered a 19% YoY growth.



During 2014, GFNorte continued developing its strategy to increase value for our shareholders, to provide better value and service to our customers and be a better place for our employees to develop their potential and thereby strengthen our position in the Mexican market.

When analyzing the different elements of the results, Net Interest Income presented a 14% annual increase of Ps 44.1 billion, mainly due to the 12% growth in net interest income and loan origination fees; as well as by the decrease in funding costs.

Non-interest income increased 10% vs. 2013 to total Ps 16.23 billion due to: (i) a 15% growth in service fees due to better business dynamics reflected mainly in higher fees from electronic banking, consumer loans, account management and fund transfer revenues; (ii) a 29% growth in trading income due to valuation gains of Banorte and Casa de Bolsa Banorte Ixe titles, as well as the positive results in FX transactions, and (iii) 1% increase in Other Operating Income (Expenses); which offset the (77%) decline in income from real estate portfolio recoveries.

We have been consistently improving our efficiency ratio and our cost structure. The Efficiency Ratio for 2014 was 48.5%, coming down 3.6% from the prior year. Non-interest Expenses grew 5% vs. 2013, in line with the annual inflation in Mexico, 4.08%. This important improvement is due to the fact that throughout the year we maintained disciplined management of recurring expenses, and still managed to strengthen business areas, extend operational infrastructure and make required investments in the Group's strategic projects.

Provisions charged to results in 2014 totaled Ps 11.20 billion, 25% higher YoY. This increase is mainly explained by higher reserve requirements in Middle Market Companies', increases in provisions to cover exposures to home developers who face financial restructuring, to protect the SME portfolio, and in the consumer portfolios to cover a higher origination.

At the end of December 2014, the performing loan portfolio grew 11% YoY, amounting to Ps 471.77 billion. The loan portfolio has recovered growth rates similar to levels not seen since the end of 2012 due to the gradual economic recovery and has grown above the national economy. For corporate and business portfolios, in 2014 a historic record of loan pre-payments were received; derived from the favorable conditions and liquidity that the domestic capital markets showed during the year, and many bank

Accumulated net income during the year reached historical highs

# 13%

higher with respect to 2013.

customers chose to refinance their loans in the market. Even so, new loan originations were gradually offsetting these effects, achieving positive annual growth. Loans to Governments grew 24% annually, amounting to Ps 118.96 billion. The corporate portfolio showed an annual increase of 6%, totaling Ps 80.46 billion, while the commercial portfolio totaled Ps 114.04 billion, a 0.2% increase YoY, this growth was affected by loan pre-payments, as well as by the reduction of the SME portfolio. Consumer loans, including mortgages, grew 13% during the year. Payroll loans increased 30% to total Ps 34.10 billion at the end of 2014, as a result of growth in the number of Banorte - Ixe payroll account holders, campaigns to promote the product and product adjustments to provide more flexibility.

Mortgages, including the Recovery Bank, ended the year with a balance of Ps 89.92 billion, 10% higher vs. 2013, with which Banorte continues to consolidate as a strong originator of residential mortgages. The credit card portfolio increased 14% annually, totaling Ps 23.21 billion, growing at rates higher than those of the industry with conservative risk standards and maintaining very good portfolio quality. All of the growth achieved in this segment is the result of better customer targeting and



organic growth. The car loan portfolio balance at the end of 2014 was Ps 11.07 billion, decreasing by (3%) annually given that, there is very strong competition from finance companies of car manufacturers.

Grupo Financiero Banorte presented a PDL Ratio of 2.9%, (17 bp) lower vs. 2013 with a balance of past due loans at the end of the year of Ps 14.29 billion. If the delinquent home developers' exposure is excluded, then the PDL Ratio was a healthy 1.8%. We continue to strengthen coverage for past due loans, at the end of 2014 this indicator stood at 107%, higher than the 104.6% for the same period of last year.

Banco Mercantil del Norte continues to demonstrate a strong level of equity and robust solvency. Banco Mercantil del Norte's capitalization ratio, according to the Basel III rules, was 15.26%, consisting of a Total Tier 1 Ratio of 12.70%, a Core Tier 1 Ratio of 13.70% and complementary equity of 1.56%. It is management's commitment to shareholders and customers to provide solidity and confidence by maintaining a well-capitalized and solvent institution, above the minimum parameters required by Mexican regulations.

**The loan portfolio has recovered growth to levels not seen since the end of 2012 due to the gradual economic recovery and has maintained a higher rate of growth than the national economy.**

During 2014, ROE for the Group was 13.2%, 99 bp lower vs. 2013; this was mainly due to the dilution effect from the equity offering implemented by the Financial Group last year. It is noteworthy that the majority of the Financial Group's subsidiaries are generating strong ROE, as in the case of the Sofom credit card, the insurance and annuities companies to name a few. ROA for Grupo Financiero Banorte was 1.5%, 5 bp vs. 2013 due to growth in net income as a result of a better asset mix, mainly the growing proportion of assets in the consumer segment, and good profitability in general.

The results presented by the Financial Group's subsidiaries and their contributions to earnings in 2014 according to their percentage of participation by business sector were: Banking Sector excluding Afore XXI Banorte, and considering Banco Mercantil del Norte, Banorte - Ixe Tarjetas and Banorte USA reported profits of Ps 10.53 billion, 2% lower vs. 2013, contributing 69% of GFNorte's earnings; Brokerage Sector comprised of Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte - Ixe, reported accumulated profits of Ps 931 million, an annual increase of 43%, contributing 6% of GFNorte's earnings; The Long-Term Savings Sector comprised of the Afore XXI Banorte, Insurance and Annuities, totaled Ps 3.22 billion, 64% higher vs. 2013 and contributing 21% of GFNorte's earnings; the SOFOM and Other Finance Companies Sector, comprised of Arrendadora y Factor Banorte, Almacenedora Banorte and Solida Administradora de Portfolios, registered profits of Ps 573 million, a 58% increase over 2013, contributing 4% of the Financial Group's profits. The holding company presented a loss of Ps 18 million in 2014.

Regarding banking infrastructure, Banorte - Ixe presented significant advances in the development of all contact channels with clients in order to maintain closeness, offer comfort and flexibility when a customer requires banking service. At the end of 2014, more than 13 million customers were served in the bank through 1,269 branches (159 of which are Ixe branches), 7,297 ATMs and 162,352 POS terminals. INB had 20 branches operating in the state of Texas as of that date. Our correspondents' network grew to 5,336 contact points through the chain of 7Eleven stores, Telecomm-Telegrafos, Extra stores, Soriana, Grupo Control with "Del Sol" and "Woolworth" brands and NetPay.

In addition, at the end of 2014, we had 16 SME centres throughout the country.

The number of customers who performed transactions over the Internet grew to more than 1.8 million, 18% higher vs. 2013, carrying out more than 800 million (monetary and non-monetary) transactions, representing an increase of 17% over the same period of last year. As Internet and mobile are more and more becoming the preferred transactional channel for clients, Banorte will continue improving our electronic banking system so clients can conduct more operations with greater ease and convenience.

In addition, the number of mobile banking transactions increased to more than 43.5 million, an annual growth of 97% and the number of mobile tokens was more than 208,000 units, increasing 95% vs. 2013. Similar to electronic banking, rates of growth and adoption of mobile banking exceed previous numbers by far. We are sure that mobile banking will become our clients' preferred method of contact with their bank and therefore we will continue to add functionality and services that are useful to customers.

At the end of 2014,  
more than

**13** million

clients received service  
through 1,269 branches.

As you all know, for several years now, Banorte has been committed to our environment, communities and country. We have a solid program of social responsibility and sustainable development through which we support causes and initiatives seeking to achieve improvements in how we live, our environment and help people. In 2014, GFNorte was included for the first time in the Dow Jones Sustainability indexes, "DJSI", thus becoming the first Mexican financial institution to be included in this index. This distinction establishes us as an institution that in addition to being financially solid and profitable is also committed to the planet's sustainability. For this reason, many investors who focus on investing in companies with a strong commitment to sustainable development may see GFNorte as a safe, committed and profitable investment vehicle.

Also in 2014 Millward Brown ranked the top 30 most valuable companies in Mexico through the report BrandZ, in which Banorte was ranked as one of the top ten most valuable companies in the country; and the most valuable in the financial industry. This recognition of our brand in Mexico, and by our clients is without doubt the best recommendation letter that we have and therefore we remain committed to maintaining our name, which is our brand.

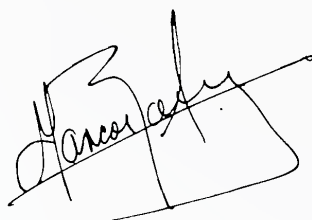
In April 2014, Grupo Financiero Banorte was included in the OTCQX30 index, comprised of the 30 most relevant ADRs in the market, in terms of market capitalization, volume and liquidity, being one of only two Mexican companies included in this index. The inclusion of our ADR Level 1 in this index will provide it with greater visibility and liquidity. Without a doubt, this event is a sign that our stock is recognized and widely accepted by foreign investors.

During the year, Grupo Financiero Banorte has received a number of awards and mentions in different fields. In December, Banorte was recognized by The Banker for the second time in a row and the 7<sup>th</sup> since 2005 as the "Best Bank in Mexico 2014". Also in December Grupo Financiero Banorte was honored by LatinFinance, the specialized in banking and capital markets magazine as the "Best Bank in Mexico and Latin America". In February, Operadora de

**Millward Brown ranked the top 30 most valuable companies in Mexico through the report BrandZ, in which Banorte was ranked as one of the top ten most valuable companies in the country.**

Fondos Banorte Ixe received the 2014 Morningstar Award, in the category of Best Aggressive Mixed Fund in Mexico. These awards are just one example of the commitment and dedication that Grupo Financiero Banorte's employees have for the creation of value for the different groups of interest and Mexico to help with our effort and dedication to economic and social development.

Finally, on behalf of all of us at Grupo Financiero Banorte, we thank our more than 24 million customers for their preference and trust, allowing us to manage assets of Ps 2.04 billion on their behalf. I would also like to acknowledge my appreciation for the commitment and efforts of our over 27,000 employees for their contribution and dedication to the Group's transformation, and to our more than 4,000 shareholders and national and regional advisers for their invaluable support, even more their trust that we will continue to consolidate Banorte - Ixe as the strong Bank of Mexico.



**Marcos Ramírez Miguel**  
CEO Grupo Financiero Banorte

# RELEVANT Figures

## Grupo Financiero Banorte

|  | 2014      | 2013      | 2012      |
|--|-----------|-----------|-----------|
| Assets under management (millions of pesos)                    | 2,039,197 | 1,829,106 | 1,471,422 |
| Total assets (millions of pesos)                               | 1,097,982 | 1,006,788 | 916,567   |
| Banorte brand value (millions of dollars) <sup>(1)</sup>       | 1,942     | 985       | 608       |
| Total deposits (millions of pesos)                             | 497,922   | 443,741   | 424,325   |
| Total loan portfolio (millions of pesos)                       | 486,062   | 438,693   | 409,914   |
| Shareholder's equity (excluding minority interest)             | 122,922   | 106,657   | 81,881    |
| Net profits (according to participation)                       | 15,228    | 13,508    | 10,888    |
| Profits per share (pesos)                                      | 5.49      | 5.35      | 4.68      |
| Dividends declared per share (pesos) <sup>(2)</sup>            | 0.9740    | 0.7852    | 0.732     |
| Paid dividends (pesos)   | 1,218     | 2,911     | 1,240     |
| Book value per share (pesos) (excluding minority interest)     | 44.4      | 38.5      | 35.2      |
| Shares outstanding (millions) <sup>(3)</sup>                   | 2,773.0   | 2,526.1   | 2,326.4   |
| Price per share (pesos)  | 81.20     | 91.36     | 83.45     |
| ROE (%)  | 13.2      | 14.2      | 14.3      |
| ROA (%)  | 1.5       | 1.4       | 1.3       |
| Net interest margin adjusted for risk (MIN) (%) <sup>(4)</sup> | 3.5       | 3.4       | 3.4       |
| Efficiency Ratio (%) <sup>(5)</sup>                            | 48.5      | 52.0      | 54.0      |
| Past due loan ratio (%)  | 2.9       | 3.1       | 2.1       |
| Reserves Coverage (%)  | 107.0     | 104.6     | 138.3     |
| Capitalization Ratio (%)                                       | 15.26     | 15.12     | 14.75     |
| Full-time employees  | 27,898    | 27,474    | 26,108    |
| <b>DELIVERY CHANNELS</b>                                       |           |           |           |
| Branches <sup>(6)</sup>  | 1,269     | 1,288     | 1,316     |
| ATMs   | 7,297     | 7,035     | 6,707     |
| Contact Center calls received (millions)                       | 69.2      | 66.6      | 41.2      |
| Point of Sale Terminals (POS)                                  | 162,352   | 141,432   | 115,213   |
| POS transactions (millions)                                    | 224       | 162       | 131       |
| POS Billings   | 167,316.8 | 160,059   | 126,146   |
| third-party correspondents                                     | 5,400     | 4,147     | 3,080     |
| Number of internet clients                                     | 1,847,000 | 1,571,000 | 1,336,782 |
| Number of internet clients (millions)                          | 826.9     | 708.0     | 613.4     |
| Number of mobile banking clients                               | 247,141   | 192,245   | 136,014   |
| Mobile banking transactions (millions)                         | 43.6      | 22.1      | 10.0      |

<sup>(1)</sup> Source: Interbrand

<sup>(2)</sup> Per share dividends approved by the Shareholders' Assemblies in 2012, 2013 and 2014 were: the 2012 total dividend of Ps 0.732 per share payable in four disbursements of Ps 0.183 per share (October 2012, January, April and July 2013). The 2013 total dividend of Ps 0.7852 per share payable in four disbursements of Ps 0.1963 per share (October 2013, January, April and July 2014, however, the Shareholders' meeting of December 20th, 2013 authorized advance payments on December 31st, 2013 of disbursements programmed for January and April 2014 while the fourth and last disbursement was paid on the original date in July 2014). The 2014 total dividend of Ps 0.9740 per share was paid in four disbursements of Ps 0.2435 per share (October 2014, January, April and July 2015).

<sup>(3)</sup> The accumulated weighted average at the end of 2014 was 2,773.0 million shares; while at the end of 4Q14, the total number of GFNORTE shares in circulation was 2,769.34 million.

<sup>(4)</sup> As a result of the reclassification mentioned in Note 4 of the Audited Financials, indicators for 2013 were modified from those published in the 2013 Annual Report (sent to the authorities in February and April 2014).

<sup>(5)</sup> Non-interest expenses / (net interest Income + non-interest income).

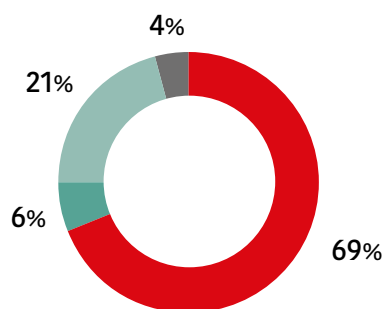
<sup>(6)</sup> Includes banking modules and excludes foreign agencies.

### 2014 Subsidiaries' Performance

(millions of pesos)

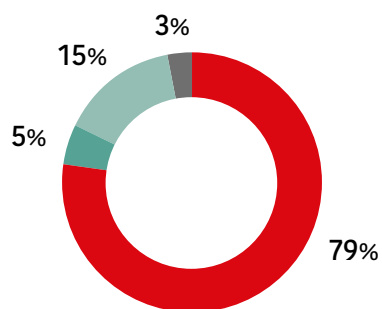
| NET INCOME BY SECTOR                     | 2014<br>\$ | 2013<br>\$ | 2012<br>\$ |
|--|------------|------------|------------|
| Banking Sector                           | 10,526     | 10,658     | 7,310      |
| Brokerage Sector                         | 931        | 649        | 681        |
| Long Term Savings Sector                 | 3,215      | 1,962      | 1,052      |
| SOFOM and Other Finance Companies Sector | 574        | 392        | 256        |
| Holding                                  | -18        | -153       | 1,589      |
| GFNorte                                  | 15,228     | 13,508     | 10,888     |

### Net Income by Sector



2014

**Ps 15.228 billion**



2013

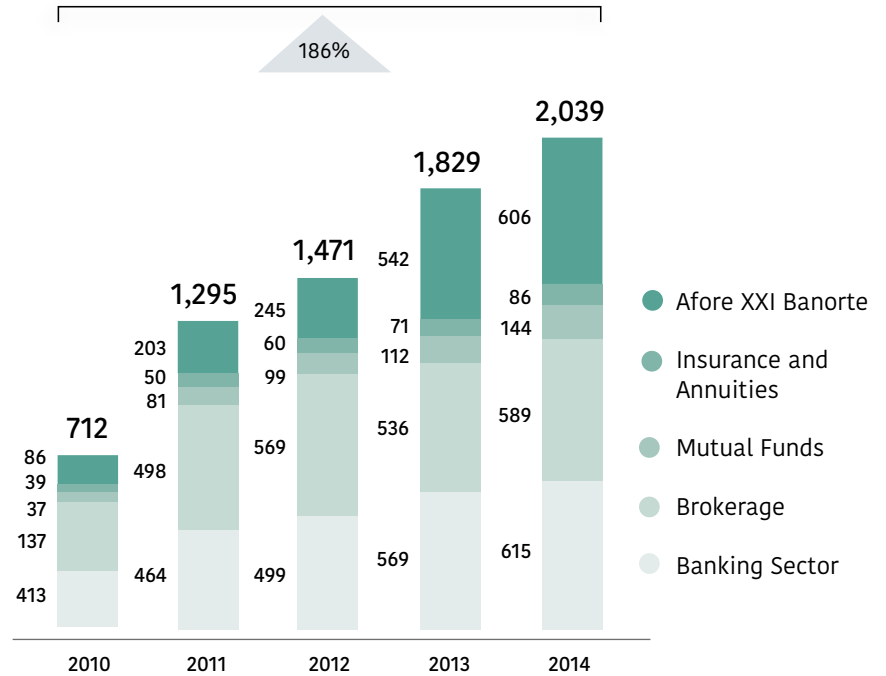
**Ps 13.308 billion**

- Banking Sector
- Brokerage Sector

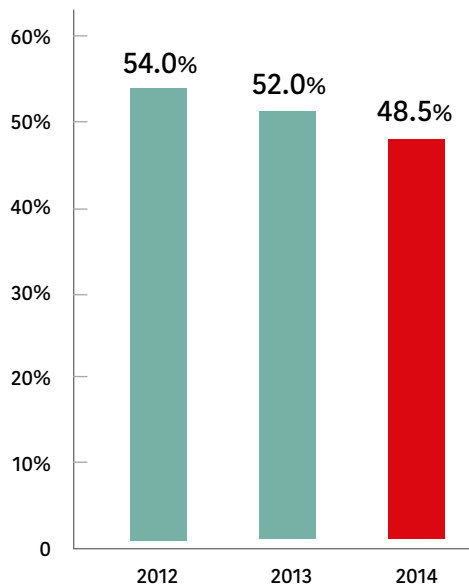
- Long Term Savings Sector
- SOFOM and Other Finance Companies Sector Holding

2014 was a year of good results, strategic changes and transformation for GFNorte. Despite an environment of low dynamics, we managed to meet established objectives and deliver value to our shareholders.

**Assets under Management**  
(billions of pesos)



**Efficiency index**



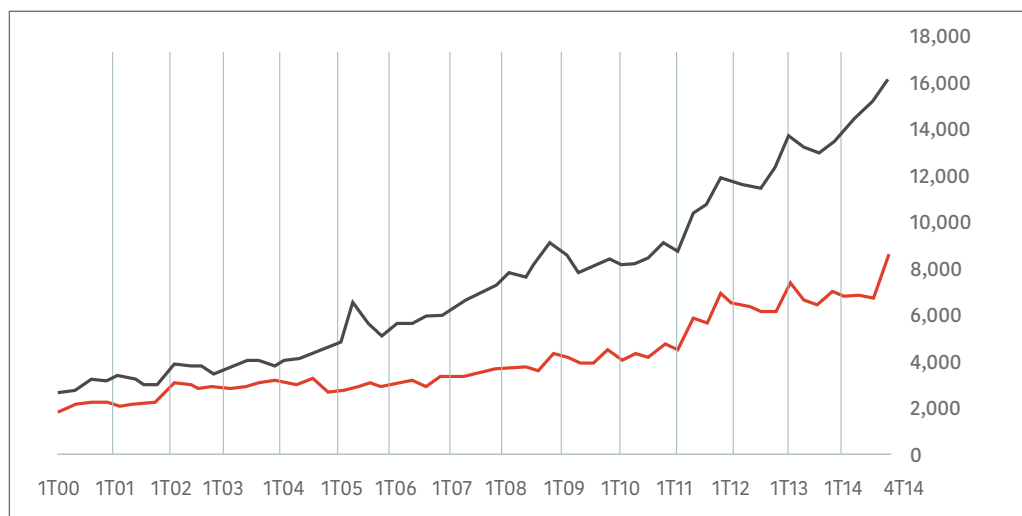
### Operating expenses

(billions of pesos)

|                       | 2013          |           | 2014          |
|-----------------------|---------------|-----------|---------------|
| <b>Total Expenses</b> | <b>27,818</b> | <b>5%</b> | <b>29,232</b> |



### Income vs Expenses Ratio



— Expenses  
— Income

# TRANSFORMING capital into value

20



## FINANCIAL CAPITAL



### Investments that strengthen our business

Through financial intelligence, we develop solid economic performance and our operations use the latest in technological tools. This takes us to another level of service, improving customer experience and profitability.



## INTELLECTUAL CAPITAL



### A strong brand and reputation distinguish us as leaders in the market

Our goal is to become the best customer-oriented institution that means generating value in every interaction and paying constant attention to understanding customer needs, which will result in satisfied customers and long-term relationships.



GFNorte adheres to best practices policies in terms of transparency and quality of information available to financial capital suppliers, through a cohesive report that provides information on how value is generated over time.



## HUMAN CAPITAL



**A valuable asset: a force that transforms**

An environment of constant encouragement and development, with committed people at all levels of the organization and corporate government best practices represent values that make us a leading institution.



## SOCIAL CAPITAL



**An integrated management that strengthens the socio-economic development of Mexico**

Transforming our operations, products and financial services to positively impact the communities where we operate demonstrates an ethical commitment and strengthens us as an institution and to society.



## NATURAL CAPITAL



**Operations and services committed to the responsible use of resources.**

As a financial industry, we have the possibility and obligation to responsibly influence the environment through the loans we fund, by evaluating environmental risk factors and incorporating natural capital criteria in products and services.





# Financial CAPITAL

Investments that  
strengthen our business



Sumando's objective is to provide technical capabilities for processes and organization to improve customer experience, a platform that is laying the groundwork for the great transformation that we have initiated in Banorte.

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# Financial

## CAPITAL

### Sumando: a transformation program that strengthens our relationship with clients.

“Sumando” is a medium-term and long range project that sets in motion strategic capabilities to improve alignment with the business and the operating model, seeks to increase capacities of management and the execution of projects as well as technological architecture and technological risk management. This will allow us to promote and channel the great potential we have as Mexico’s third largest financial group, by giving us unique competitive advantages in the sector: a thorough knowledge of each client and their preferences. The project has been implemented in different stages and only one year since its inception, significant progress has already been recorded.

#### Customer-focused financial intelligence

We made a decisive leap to evolve a fragmented model to a model that truly places the customer at the center of our operations. With a single database, we can segment our broad client base in accordance to the level of their relationship with the Bank and thus meet their needs. It also allows us to define the best actions and offers to implement campaigns that are more focused on each segment.

Today our branch executives use this financial intelligence platform, a valuable tool that allows them to cross information and learn more about customers: their relationship with the bank, which products they use, channels and segments they feel most comfortable using, what their consumption patterns are and in this way

surprise them with customized proposals that will improve their experience.

#### Dynamic customer interaction through multichannel architecture

Regardless of the channel a client uses, clients will always receive consistent service and when any of our executives interact with the client, they will have the elements to suggest specific products for that client’s needs.

The soon-to-be-launched new web platform is a radically different portal that from the question, “What can Banorte do for you?”, changes the concept of the bank-customer relationship to recognize that the customer is the center of our business. This technological innovation will not only connect to other channels, but will improve user experience through a more intuitive and secure tool that allows customers to make queries and transactions in a direct and agile manner.

The new web-based platform also allows us to promote the concept of self-service through more efficient and profitable channels – the Internet, ATMs or mobile phones – reducing the pressure on branches and enabling our executives more time and space to interact with customers and increase sales. From the customers’ point of view, the integration of all channels to this new architecture will not only improve our level of service but will facilitate carrying out transactions when it is most convenient for them.



Sumando allows us to promote and channel the great potential that we already have as a strong financial institution, giving us unique competitive advantages in the sector.



| SUMANDO PROGRAM  |                             |  |                               |   |                   |   |       |
|--|-----------------------------|--|-------------------------------|---|-------------------|---|-------|
| 1  | Client-focused Intelligence | 2  | Interacting with the Customer | 3   | Industrialization | 4   | Risks |
| All client information and analyses are concentrated into a single database  |                             | Enable the same experience across all channels   |                               | Optimization of our processes   |                   | Consideration of risk variables   |       |
| <ul style="list-style-type: none"> <li>• Construction of single customer receptacle</li> <li>• Development of analytical models</li> <li>• Propensity models</li> <li>• Better share and better offer (NBA and the NBO)</li> </ul> |                             | <ul style="list-style-type: none"> <li>• Multi-channel architecture</li> <li>• New Internet portal</li> <li>• Strengthen self-service concept for the customer, so that the points of contact are ATM and mobile services</li> </ul> |                               | <ul style="list-style-type: none"> <li>• Customer originations</li> <li>• Improve productivity of branch executives</li> <li>• Transformation of back office transactions, to obtain more efficiency</li> </ul> |                   | <ul style="list-style-type: none"> <li>• Parametric models</li> <li>• Adjustment of risk capital</li> </ul> |       |

We are just one step away from our customers beginning to appreciate this great transformation, of receiving services and offers designed especially for them, of experiencing that for us, each is a special customer. We have gone from the idea to the reality of benefits offered by this huge investment in technology: optimal levels of service, attention and quality of response.

This is just the beginning of what we will be able to achieve by combining technology, platforms and talent with the commitment of generating a real change in interacting with our customers. We will have metrics that will enable us to make the right decisions and significantly improve customer relations, encouraging their loyalty and profitability and giving way to what we call the new IT.

**Sumando and the new IT – focused on clients**

This year, we will make significant efforts to design and implement strategic capabilities to improve alignment with the business, improve the operating model, increase management’s capacity and implementation of projects, improve technological risk management and management of technological architecture adhering to six strategic principles that form what we call the new IT.

**New IT**

- 1 Oriented to create economic value for the Group
- 2 Obsession for customer satisfaction and transparency
- 3 Promotes innovation and viability of ideas for business and optimization
- 4 Efficient architecture promoting industrialization and stability
- 5 Efficiency, quality and high level of management
- 6 Risk management avoiding losses for the business



Mujer Banorte  
ROS  
de Crédito

**PRODUCTOS  
FUERTES  
TE HACEN MÁS  
FUERTE**  
BANORTE

Banorte Móvil  
Credito Hipotecario  
Autoestrene  
Pago móvil  
Banorte Móvil  
Crediaactivo  
Servicio  
tarjeta de Crédito  
tarjeta Visa Money



# Intellectual CAPITAL

A strong brand and reputation distinguish us as leaders in the market



Doubling the value of a brand in one year is not one minor achievement. It means that our image of reliability, responsiveness and competitiveness is increasingly more positioned in consumers' minds.

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# Intellectual CAPITAL

## Our brand, an increasingly strong value

A well-known brand is positively identified with satisfied customers and long-term profitability. How do we achieve that? With an increasingly aligned institution that invests to enhance its capacity to be increasingly relevant to customers, with talented and focused people, with well-directed communication and values which distinguished us as a committed and socially responsible company that promotes the development of Mexico.

- **Ethical corporate practices** are another equally important factor of a valuable brand: an institution that acts in a socially responsible manner, adhering to the highest international standards. Our inclusion in the main indexes that analyze and value sustainable performances of companies, such as the Dow Jones Sustainability Index of Emerging Markets and the Sustainable CPI of the Mexican stock market is proof of our commitment.
- **The transformation program** places us at the forefront of technology and allows us to involve all areas in a concentrated effort to fulfill our objective: providing customers with strong products that make them even stronger. This, combined with our name, years in the market and prestige as a great Mexican institution, supports the client's choice, which translates to a tangible value with time.
- **Our team's attitude is decisive:** committed, well-known people, who have realized personal and professional accomplishment through their work, spread their satisfaction of working for a solid institution among peers and customers. For this reason, Banorte focuses on strengthening this intangible boost to our brand among our employees.
- **Clear and well-directed communication** also positively impacts our brand. A follow-up study by Tracking Advertising and Image, identified Banorte as an institution with experience and leadership in Mexico for contributing to society, as well as highlighting the fundamental aspect of an "Institution that thinks about its customers", offering the best products with excellent service and personalized treatment. This rising brand awareness of the last 4 years has positioned us in third place this year among Mexican banks.

Being aware that banking touches everyone in every stage of life, it is essential to improve and make the process of gaining and maintaining customers more efficient, that is to say, to understand its life-long value, to design customized products and services for customers in each stage. Thus, we provide unique and significant experiences and strengthen a long-term relationship that increases our profitability.

All the aforementioned has combined so that today, our brand has a value of nearly \$2 billion dollars and is positioned among the 16 main brands in Mexico, according to polls conducted by Interbrand. Banorte is the only brand in the financial sector included in this list, which speaks strongly about the challenge of building a bank brand. Our slogan "Banorte, the Strong Bank of Mexico" has positioned us as a serious, honest and solid bank and we will continue to work to strengthen these attributes.







G4-PR5



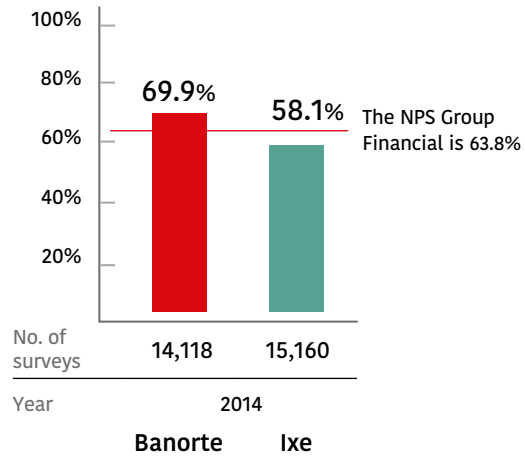
**Customer satisfaction**

Listen to the customer and take actions that benefit their “experience” has become one of our most important commitments to increase the value of products and services, as well as to improve current offers. This, combined with best practices, quality indicators that express satisfaction with services and the efficiency of processes, have resulted in customers’ preference, loyalty and recommendation in their close personal and professional circles, ensuring our position and permanence in the market.

**Banorte – Ixe telephone surveys:** Net Promoter Score evaluations have been added to measure customer experience in the main channels of service (Branch, ATMs, telephone banking and electronic banking).

**Objective:** To identify strengths and weaknesses in the main channels of service through telephone interviews, translating information into actions that positively impact the client’s perception, obtaining improvements in processes and profitability of the institution.

**Net Promoter Score**

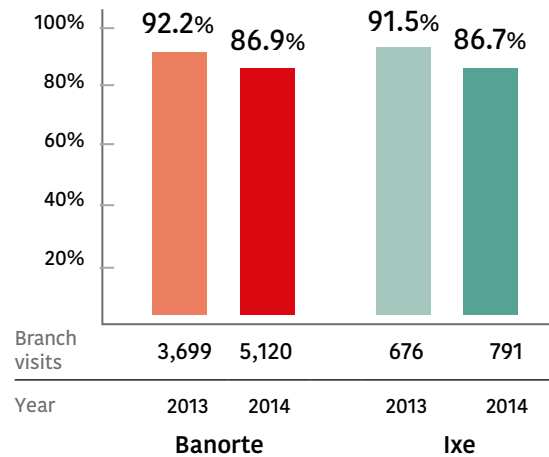


Channels: branches, ATMs, electronic banking, telephone and mobile banking (sum of ratings 9 and 10 subtracting 0 to 6).

**Mystery shoppers for Banorte and Ixe branches:** Bi-monthly evaluations of protocols for service, sales, personal and branch images.

**Objective:** To monitor and improve the service and image of branches, seeking to achieve standardization and excellence in service.

**Mystery Shopping (average rating)**





Confianza  
Responsabilidad



# Human CAPITAL

A valuable asset:  
a force that transforms



Employees who are well-trained, well-reimbursed and acknowledged for their work are a fundamental asset in any business to increase profitability in the short, medium and long terms.

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# Human CAPITAL

## A new focus of human resources

Most of the value created occurs through investments in intangible assets. And of those, personnel stands out because of its importance, since it is through our employees that we provide service to our customers.

An essential piece, as part of our objective to establish long-term relationships with our customers, is human resources. Our business, by providing financial services, is based on building trust with our clients over time. That is why the development of committed teams is essential to us.

We also seek to provide investors with information to forecast movements, enabling them to know how the performance of this intangible will contribute to the generation of value in the long term.

For the fifth consecutive year, we have been certified as a Great Place to Work company after the annual survey to determine the degree of employee satisfaction and commitment to the company and leaders of the organization.

We have a competitive remuneration system in the sector, which is complemented with attractive benefits packages and institutional wellbeing, through which we promote the development and retaining of our employees, thereby increasing potential in the generation of value.

Cash remuneration to employees in 2014 was as follows:

| OFFICERS           | EMPLOYEES          | TOTAL              |
|--------------------|--------------------|--------------------|
| \$2,568,849,992.65 | \$1,745,171,035.13 | \$4,314,021,027.78 |

Amounts expressed in pesos

### Balancing life and occupational health programs

- Vive Sano, Vive Banorte: survey on risk assessment in health and, according to the results, a personalized series of recommendations for health care is provided.
- Health and Corporate Wellness Program: activities and programs aimed at creating a culture of corporate wellbeing among participants.
- Information and biweekly talks on health issues
- Hotline support for stress management.
- Deliveries of fruit are made to the Santa Fe corporate building.
- Alternative medicine and relaxation massages available in the Santa Fe corporate building.

In the Social Value chapter, details of our benefit plan are shown.



For a 5<sup>th</sup> consecutive year, our company has been certified as a Great Place to Work.



### Programs to develop talent

As part of the development of competences, we offer scholarship programs for a Master's degree, technical training and development of employees with high potential. We also offer technical training to ensure our employees have the necessary skills for daily operations and skills and in the framework of our transformation program.

| TRAINING AND DEVELOPMENT     |                    |                    |
|------------------------------|--------------------|--------------------|
| Concept                      | Investment 2014 \$ | Budget for 2015 \$ |
| Scholarships                 | 6.8                | 8.5                |
| Courses and conferences      | 69.4               | 106.1              |
| Travel expenses for training | 9.4                | 13.3               |
| <b>Total</b>                 | <b>85.6</b>        | <b>127.9</b>       |

Millions of pesos

### Talent Management

We have a methodology of succession plans that to date is implemented in various General Managements in the institution. We also have a pool of talent from which to mold future leaders in our sales network, as well as career development programs for personnel with good potential and performance. It is worth mentioning that, as a result of

the previously mentioned programs, insiders fill all of the key leadership positions.

As part of talent management, diverse assessments for staff are carried out to determine their level of potential, compatibility with the position, personality style, effectiveness of communication in work teams, 360° assessments of skills, focus groups to complement successful profiles, tests to evaluate aptitudes and attitudes, psychometric assessments and evaluations of honesty, interests and commitments.

### Performance Assessments

Middle and upper level positions receive bonuses for institutional performance, which consist of a performance evaluation and budget compliance. Bonuses change according to the employee's level, increasing in proportion as responsibility increases.

For key senior management positions, whose responsibilities are associated with market, loan or regulatory risk, there is an annual bonus plan and an incentive plan, with different features. The annual bonus plan is subject to the fulfillment of objectives and the performance of human resources and risk metrics with adherence to regulations. In this manner, 40% of the bonus is variable with payment deferred for three years. With this compensation scheme, our top executives are encouraged to make decisions based on profitability, vision and the creation of long-term value.



For the 4<sup>th</sup> consecutive year, Banorte - Ixe has earned the distinction of being a socially responsible company.





# Social CAPITAL

An integral management that strengthens the socio-economic development of Mexico.



Our vocation, being a financial services company, allows us to know that the root of our business is based solidly on our relationships with people. That is why we promote the generation of value shared with our stakeholders and seek to strengthen long-term links with them, gaining a special significance our relationship with customers, employees and the community.

---

# Social CAPITAL

## Our clients are our reason for being

That is why we focus everything on improving and strengthening our relationship with clients, because we seek to be their ally and grow together.

As evidence of how important this is to us, this year we created the Customer Experience General Management, a specialized area to monitor and establish actions that allow us a greater understanding of and satisfaction for our customers. The objectives of this area are focused on:

- Increasing Grupo Financiero Banorte's profitability through products, services and processes directed to customers.

- Building a service-oriented culture, to meet customers' needs and create innovations focused on clients.
- Enable GFNorte to offer service models with profitable, industrializable, sustainable, simple, functional and predictable characteristics.

As part of our interest in developing healthy long-term relationships with our customers, we seek to understand those circumstances and special moments they might be going through. We pay special attention in particular areas where our support is essential in making our customers feel supported. The following programs are an example:

| PROGRAM   | OBJECTIVE   |
|---|---|
| <b>Financing Program for contracts with SME suppliers of the Federal Government</b>                       | Financing for contracts of SME suppliers of the Federal Government, with a Nafin guarantee of 70%.  |
| <b>Program for leather and footwear producers</b>   | Financing for companies or individuals with business activity in the leather and footwear industry and their production chain, with a Nafin guarantee of 75%. |
| <b>Economic Revival Program for the State of Michoacán</b>  | New financing for SMEs in the State of Michoacán, in order to stimulate their economic recovery, with a Nafin guarantee of 100%.                              |
| <b>Economic Stimulus Program for Financing in border areas</b>  | Financing for SMEs in 9 states (borderlands) that were affected by the implementation of the 16% VAT, with a Nafin guarantee of 80%.                          |
| <b>Emergency Support Program for SMEs affected by Hurricane Odile in the State of Baja California Sur</b> | New financing for SMEs affected by Hurricane Odile in the State of Baja California Sur, with a Nafin guarantee of 100%  |



### Corporate Volunteering






More than 1,000 registered volunteers achieve a powerful force when it comes to joining together to implement positive actions on behalf of the community. This is where that our corporate volunteering program got its name: Acciones Banorte, (Banorte Actions) which covers multiple initiatives and supports various causes.





G4-EC7



| INITIATIVE  | DESCRIPTION  |
|---|--|
|    | <ul style="list-style-type: none"> <li>• Trust through which employees can contribute, through payroll, the amount they choose.</li> <li>• The Banorte foundation duplicates the amount of the contribution.</li> <li>• Funds are allocated to causes which a committee formed exclusively by employees decides.</li> <li>• This year, the causes of 11 institutions were supported with Ps 1,920,401.18.</li> </ul>   |
|    | <ul style="list-style-type: none"> <li>• Annual toy collection, at the end of the year</li> <li>• Employees participate by donating toys and in the operation, transportation and delivery to children and adolescents in public hospitals, orphanages and to the children of our security and cleaning personnel</li> <li>• This year 40,710 toys were collected and distributed at over 200 institutions.</li> </ul> |
|    | <ul style="list-style-type: none"> <li>• Employees can propose and participate to support social causes to protect the environment.</li> <li>• Seeks to actively involve our stakeholders in these activities.</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>• Employees can propose and participate to support social causes to protect the environment.</li> <li>• These causes are backed by a civil society organization.</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>• Actions to promote equality and wellbeing in and out of the financial group.</li> </ul>   |

37

### Banorte Foundation

Through Fundación Banorte, we create conditions of equality for everyone. Starting this year, the foundation's efforts are aimed at promoting the economic participation of women and to this end we allocate 1% of the financial group's profits to this cause.

We seek to contribute to develop Mexico's full economic potential through the economic empowerment of women and to boost female entrepreneurship. We also carry out actions aimed at bringing humanitarian aid to populations affected by natural phenomena. To achieve this, we work closely together with civil society organizations, through various actions.

Our theory of change is based on the reflection of "How to achieve the full potential of economic and social development in Mexico, if 51% of the population is at a disadvantage to develop?" The answer is help women to make up the difference to complete 100% with opportunities to empower themselves economically and thereby contribute to the country's development.

| STRATEGIC LINES   | CROSS-CUTTING STRATEGIES  |
|---|---|
| Economic empowerment                                    | <ul style="list-style-type: none"> <li>• Research</li> <li>• Institutional strengthening and collective impact</li> </ul> |
| Female entrepreneurship                                 |   |
| Gender culture: cultural and artistic diffusion program |   |
| General actions   |   |
| Natural disasters                                       |   |
| Organizational philanthropy                             |   |

This year, we supplied Ps 53,395,282 in resources directly to 391,786 beneficiaries in 23 states of the country.

Details of the support provided through our Corporate Volunteering programs and Fundación Banorte can be found in the Social Value section of this report.





# Natural CAPITAL

Operations and services committed to the responsible use of resources



At Grupo Financiero Banorte, we are aware that natural capital is also an important source of resources for our daily operations. That is why that we continually promote behavior for the efficient use and mitigation of its main impacts.

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# Natural CAPITAL

## Products and services with a positive environmental footprint

This year we have devoted ourselves to the task of carrying out a detailed analysis of our environmental footprint. Our main environmental impacts and the mitigation actions implemented are:

| ENVIRONMENTAL ASPECT                        | MITIGATION ACTIONS IMPLEMENTED   | OBJECTIVES  |
|---|--|---|
| Consumption of electricity and fossil fuels | Implementation of the Integrated Power Control System (SICE) together with promoting environmental awareness and the implementation of a monitoring system for gasoline consumption in utility vehicles. | The calculated goal is based on the reduction in intensity of total emissions per employee. In 2014 we achieved the objective to reduce this indicator by 20% with respect to the base year, 2009. At the end of 2014 a new goal was set for 2020 of reducing the intensity of emissions per employee an additional 10%.            |
| Paper consumption                           | Implementation of the Paperless program in Banorte and campaigns to promote the responsible use of paper and recycling.  | In 2014 a 36% reduction in paper consumption was achieved in the areas of staff participants.* For 2020, a gradual goal was set to reduce paper consumption per employee by 15% with respect to 2014.   |
| Waste management                            | Follow-up on the campaign for the delivery, reuse and proper disposal of physical tokens returned by customers. Promotion of Banorte Móvil and celular token to substitute the physical token.           | Encourage clients and company personnel change from the physical token to the celular phone through communication campaigns detailing the benefits afforded by this mode.<br><br>In 2015, a goal was set to reuse and recycle tokens based on expirations of each year.   |
| Water consumption                           | Annual estimate of 99% of GFNorte's water consumption.   | Implement a short-term methodology which quantifies GF-Norte's actual water consumption to determine what the higher consumption areas and seasons are in order to measure the impact of our operations on this natural resource.<br><br>The objective of reducing water consumption to be met by 2020 will be established in 2015. |

\* Compared to the base years corresponding to each area for the period of 2010-2013.



At GFNorte we also take challenges climate change presents seriously, so, in addition to the steps taken for the efficient use of resources, an inventory and monitoring of our greenhouse gas emissions was carried out through the following initiatives.

### GEI Mexico

We are the first financial group to obtain the GEI2 recognition from the GEI Mexico Program, of the Ministry of Environment and Natural Resources (Semarnat) which also seeks to develop capacities for evaluating, accounting and reporting of GHG emissions in participating companies. As of 2015, we will adhere to the GEI Mexico Program's new guidelines. For the first time, we will report in the national registry of emissions in accordance to the Climatic Change General Law, which functions as SEMARNAT's monitoring instrument.

### CDP

For the second consecutive year, we form part of the Climate Disclosure Leadership Index (CDLI) for Latin America, standing out in a leadership role for the thoroughness and quality of climate change information that we report to investors and global markets through the CDP.

As from the end of 2014, Banorte has adhered to three initiatives of CDP's Road to Paris project, in preparation for the UN Climate Change Conference to be held December 15th, 2015 in Paris.

Just as we have described the importance of the rational use of natural capital in our operations, we also know the significance of being one of the leading players in the financial sector and the responsibility represented in financing more diverse projects with their inherent social and environmental risks.

### Social and Environmental Risk Management

As of March 2012, we have been adhering to the Equator Principles, which has allowed us a framework to identify risks, analysis and socio-environmental management of investment project transactions exceeding \$10 million dollars.

Our Social and Environmental Management System (SEMS) has been in operation now for 2 years since the end of 2012, and has been a valuable tool to identify, manage, assess, prevent, mitigate and compensate risks associated with Banorte's loan portfolio.

Performance results of these 2 important social and environmental risk management tools can be found in the Economic Value section.

### Declaration of Natural Capital

GFNorte has been an active participant in supporting this declaration in the financial sector - in accordance with the commitment made at the Rio+20 UN Conference on Sustainable Development - which focused on working towards the integration of natural capital considerations into financial products and services in this century. GFNorte leads one of this initiative's working groups.



**We are the first financial group in Mexico to obtain GEI2 recognition from the GEI Mexico Program of the Ministry of Environment and Natural Resources (Semarnat).**

# MEXICO, a great opportunity

Mexico remains an excellent option for investing. The opening of the energy industry and the ambitious infrastructure program, important adjustments to the labor legal framework and the stimulus of support programs such as housing among other measures, open a panorama for competition and growth.

At Banorte, we are ready to capitalize on these opportunities. Based on our analysis, we anticipate a growth rate of 3.6% in the country and an important opportunity to participate in financing projects in various sectors.



## Energy

The energy reform affects all energy-related industries including electricity. And if in the short term the significant fall in oil prices changes the course of investment projects, the electrical industry on the contrary –particularly the so-called green energy– acquires special relevance. Mexico not only has untapped reserves with a high cost of extraction; reserves in shallow waters and conventional underground reserves with low extraction costs –between \$6 and \$20 dollars per barrel– which pose very profitable projects.



## Infrastructure

The current government has undertaken the most ambitious national infrastructure program in history, with projects valued at 8% of the GDP, contemplating the combination of public and private investment. This represents a huge window of opportunity to activate the construction industry in our country.





## Banking

The Mexican financial system is one of the most robust and well capitalized in the world. However, banking penetration is very low –loans from commercial banks to the non-financial private sector for example, barely exceeds 15% of GDP– one of the lowest ratios in Latin America. And although this low penetration could be explained by the high degree of informality in the country’s economic activity and the difficulty of banks to recover collateral, rapid technological advancement and financial reform could benefit the penetration of the banking process in the population.



## Housing

The recent initiative to channel resources and support the housing industry in Mexico –by approximately Ps 370 billion, of which we have set aside Ps 35 billion to invest in the sector, makes us important participants. In addition, Banorte will make processes and products that enhance our offer available to new customers, facilitating and reducing time in processing mortgages and loans in general, both in areas where we already have a significant market share as well as in places where we have no presence yet.

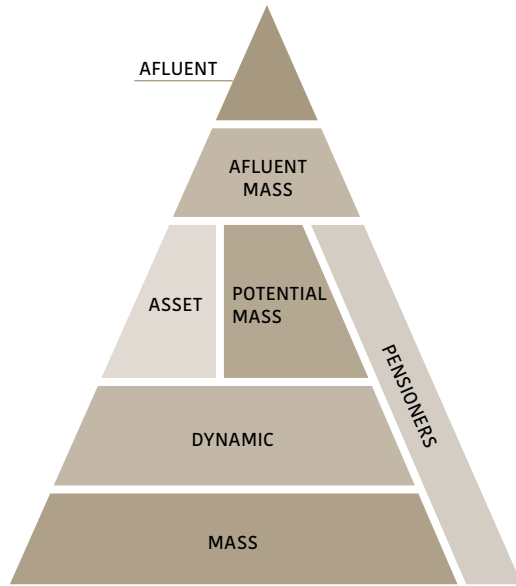


## Insurance

The tendency of the Mexican population to become more aware of risks they face every day, the high costs of an accident and the large number of young adults are factors that have driven the demand for insurance. Another relevant factor are recent modifications to regulations for vehicles, particularly the requirement to have third-party insurance on federal roads in the country.



# TRANSFORMING TO IMPROVE our offer of value



Segmentation of clients

Knowing our customers is fundamental in implementing changes that will improve their experience and our relationship with them, as well as increasing profitability. Today we know our clients better: by transforming a single data base into a segmented base according to the level of their relationship with the bank, and well-structured business lines that will raise our level of service.

| Lines of Business               |   | Description |
|---------------------------------|---|-------------|
| Retail Banking                  | At Banorte, we support the Mexican economy with a wide range of financial products and services for our customers through:  |             |
| Patrimonial and Private Banking | We offer products and services in line with clients' investment profiles where our Investment Banking - Casa de Bolsa Banorte - Ixe brokerage, offers a wide range of financing options |             |
| Business and Corporate Banking  | We boost company growth by offering specialized advice and services to meet daily needs.  |             |
| Government Banking              | We provide banking and financial services, and comprehensive advice to Federal and State governments for the development of large projects that will transform Mexico.                  |             |
| SME Banking                     | We are committed to supporting small and medium-sized businesses with quality products and services   |             |
| Affiliates                      |   | Description |
| Long Term Savings               | We offer a wide selection of products to ensure the current and future tranquility of our customers   |             |
| Leasing and Factoring           | We complement Business and Corporate Banking services with specialized products for comprehensive business management   |             |
| International Businesses        | Products and services for our Patrimonial and Private Banking clients as well as international correspondent services   |             |



**OUR OFFER OF VALUE**

**Products and services**

**Deposits:** at-call savings accounts, term savings accounts, Mutual funds, payroll

**Credit:** credit cards, car loans, payroll loans, mortgages

**Channels:** Banorte - Ixe branches, ATMs, third-party correspondents, point of sale terminals, internet banking, mobile phone banking

**Casa de Bolsa:** fund operator, asset management, investment banking, stock market, money market, mutual funds

Checking accounts, technology, financing, internet banking, International banking, cash management



**Products and services**

**Insurance:** car, casualty, life, health, SME

**Afore:** individual account, specialized service, integration of resources, Infonavit advice

**Pensions:** payment of IMSS and ISSSTE pensions

Leasing, fleet management, warehouse, financial factoring

International Desk, Banorte - Ixe Securities, Uniteller, Inter National Bank



# RETAIL Banking

Customer service is provided through a network of branches and ATMs, alternate channels and our Contact Center, for those who require differentiated products and services and with added value according to their needs.



## 2014 Performance

During the year, our more than 13 million customers nationwide were segmented in terms of banking and retail banking sub-segments were created according to income and specific characteristics defined for each group.

This base was our starting point, allowing us to design and offer financial solutions tailored to each segment through appropriate channels, thus improving our relationship with customers and profitability.

With the use of cutting-edge analytical tools, we now have the ability to better understand the behavior, characteristics and needs of our clients in order to provide them with customized solutions.

These tools are being extended to branch executives, facilitating their work and boosting productivity. Knowing a customer's profile results in more personalized service and better experiences for our clients.

## Outlook for Retail Banking in 2015

We will continue promoting the development of our customers with packaged financial solutions, which offer the combinations best suited to their profile and improve our relationship with them, creating value for each customer segment and sub segment.

In this way, our campaigns will not be directed to only a single product, but to generate value through individualized proposals for each of our clients, as well as promote

solution packages to generate greater cross-selling, customer satisfaction and improve profitability.

We will also strongly promote the development and use of our alternative channels, such as the Internet, ATMs and mobile phones, which provide greater productivity and convenience for our customers.

## Products

### Total Deposits

#### **Ps 497.922 billion in portfolio**

Deposits recorded a good level of growth at 12%, with good penetration among our clients and a more efficient deposit mix.

Demand deposits registered an increase of 18%; retail time deposits 5% and Money market 4%.

### Consumer Loans

#### **Ps 158.139 billion in Performing Loans Portfolios**

Banorte offers various loan products directed at different levels of consumption. Our interest as a Mexican bank is to provide support to Mexican families by offering them products to strengthen their economy and allow them to enjoy a better quality of life.

Our Consumer loan portfolio grew by 13%, totaling Ps 158.139 billion.

### **Credit cards**

#### **Ps 23.209 billion in Performing Loans Portfolio 14% increase over last year**

Even when the economic slowdown impacted our expectations, we registered a 14% growth and gained more customers by providing improved benefits. These encouraging results demonstrate that we still have great potential for further growth, so we will continue to implement strategies to strengthen performance.

Undoubtedly the various campaigns carried out during the year were important in obtaining these results. Among them, several campaigns stood out such as “1, 2, 3 for me”, designed to motivate customers with an offer of three products - a savings account, a credit card and recurrent internet use - with the benefit of not having to pay an annual fee; Ixe’s “From me for me”, already very well positioned, offering its cardholders an ample catalogue with a wide range of products to choose from, depending on the amount signed for in December and January; and our newest campaign, Banorte’s “2% cashback”, something

completely new to the market, which has had great success and consists in refunding cardholders, who register on the website to participate in the program, 2% of the amount signed for during the Christmas holiday season.

Another strategy to promote credit card use was to strengthen the relationship between customers and businesses, by allowing our customers interest-free monthly installments for purchases made at different establishments and retail chains.

### **Car loans**

#### **Ps 11.074 billion in Performing Loans Portfolio 3% decrease from last year**

In a weakened market, the strong competition from car manufacturers with their own financing agencies significantly affected all banks. And even though we lost one point of the market share, we continue to be strong players in this segment, ranking 4<sup>th</sup> in the market.

### **Mortgages**

#### **Ps 89.758 billion in Performing Loans Portfolios 10% increase over last year**

We offer a catalogue of products for different segments with improved proposals. An example of this is our offer of the lowest rate in the market - 7.99% - for one of our customer segments. We also increased program penetration with public entities to promote housing in Mexico.



**We serve over  
13 million customers.**

### Payroll loans

**Ps 34.098 billion in portfolios  
30% increase over last year**

We continue focusing on this important customer base which grew significantly this year, among other factors, by the purchase of the largest payroll portfolio in the market and that increasingly more companies and Government entities choose us as their bank to distribute payrolls to workers.

Also, due to high rates of performance in this large customer segment, we increased our product offer, which resulted in good penetration and expanded our market share in all loan products.

### Prospects for Products in 2015

Our products recorded higher participation and growth than others in the market, we know that we still have an enormous potential. One area of opportunity is to continue to promote electronic banking and alternate channels with strategies that seek alternatives to using the telephone or a branch. For example, redeeming points can only be done over the internet or refunds from cashback programs are only realized via SMS messages on mobile phones.

We will also focus on improving portfolio quality and the cost of deposits, favoring profitability over growth, and the use of efficient and massive methods of payment such as the POS terminal.

### Channels

We seek to draw closer to customers by offering options for their transactions: from a branch visit to channels that optimize their time by allowing them to make transactions 24 hours a day, 365 days a year from anywhere. The Sumando program represents a technological platform that permits communication between all channels and promotes the use of these more efficient and cost-effective alternate channels through which Ps 1.8 billion transactions were made.

### Traditional Channel

#### Branches

**1,110 Banorte + 159 Ixe = 1,269**

We have a strong presence in the country with a network of 1,269 branches, which realize around 214 million transactions a year. Beginning in 2014, we implemented a new business management model that would convert



**We serviced more than 8 billion internet transactions.**

each branch manager into a strategist for a customer's business, thanks to the financial intelligence platform that allows executives to exchange information, learn more about customers and offer them personalized proposals. Today, we are the third largest bank in terms of number of branches, although in some regions as Northern, Central and West we have a greater presence that makes us the indisputable leaders.

### Alternate Channels

#### ATMs

During the year, 587 million transactions were carried out using our 7,297 ATMs, a 12% growth with respect to 2013. We have begun to dabble in the transaction automation with multifunctional ATMs that download part of cash deposit transactions normally carried out at the teller window. With 200 ATMs already operating with this function, we will continue installing state-of-the-art ATMs that shorten transaction times, as well as working on improving our time per operation.

#### Internet Banking

At the end of 2014, more than 1.85 million customers rely on Banorte for Internet or Ixe Net, a growth of 18% compared to the 1.57 billion in 2013. Through this channel nearly 827 million total transactions were realized, representing a growth of 17%. Moreover, electronic banking serviced 422,568 accounts, of which 190,825 chose to receive statements via email and 153,154 have enabled the option of no home deliveries, preferring in both cases the Paperless option. This represents an increase of 12% and 7%, respectively, compared to 2013.

### Telephone Banking

#### 53 million calls answered

Through the “Don Roberto González Barrera” Contact Center customers can get information and advice about products and services, activate their cards, make transactions and contract insurance.

During the year 53 million calls were answered, 8% more than in 2013 and 16.2 million outgoing calls, 6% less than in 2013. In order to maintain the levels of efficiency and quality service, we continue to take surveys to monitor pulse of the “customer’s voice” to improve their experience.

### Mobile Banking

Through a mobile financial services platform we provide an efficient, safe and sustainable global solution for all our customers; compatible with all major mobile platforms for smartphones and low-end phones, in addition, it is not dependent on mobile telephone service providers.

Pagomóvil Banorte is a service offered through Banorte Móvil, where purchases with a debit or credit card can be made at any e-commerce in Mexico. The service generates a virtual card on the mobile phone that allows you to make Internet purchases in a totally secure manner without providing the actual data of the card. This service is unique in Mexico and prevents frauds, cloning, duplications and unrecognized charges.

In 2014, over 247,000 clients used Banorte’s mobile service, which represents a growth of 29% compared to the 192,000 customers in 2013. More than 43 million total transactions were carried out, a 97% increase over last year.

As from 2014 this service can be acquired through our ATM network. Two new features were also incorporated into this channel: i) payment for telephone service (Telmex) and electricity (CFE) by scanning the billing’s bar code, thus avoiding manual deposits, optimizing times and mitigating errors and ii) the free “Notifications” service, that operates through Push messages, and has increased the rate of contact in communications with customers, positioning Banorte as one of the most innovative on the market.

At the close of 2014 there were 208,306 mobile phone tokens in use, a 95% increase over the same period last year.

### Point of Sale Terminals

The total number of POS terminals amounted to more than 162,000, of which over 28,000 pertain to the Ixe network, representing an annual increase of 15%.

At the end of December 2014, we ranked second in the market with a 22% share, according to the CNBV.

In 2014, the number of POS transactions totaled Ps 224 million, representing an annual increase of 38%. Billings totaled Ps 167.300 billion, an annual increase of 4.5%, 5 basis points higher than the market according to PROSA (electronics transactions provider using ATMs, POS terminals and credit cards). This growth positioned our unit of acquired business in 3<sup>rd</sup> place nationally in billings with a 14% market share for this concept.

### Third-party correspondents

Through our third-party correspondents we support banking and provide a service that contributes to the well being of thousands of Mexicans who do not have access to financial services.



**We are the 2<sup>nd</sup> bank in  
POS terminals**

Banorte has made strategic alliances with various counterparts that have allowed us to increase our market share, permitting our services to be available to customers at more locations and with more convenient hours.

Banorte has positioned itself as a major player in this market. At the end of 2014, it had 5,400 points of contact through 7-Eleven stores (1,867), Telecom-Telegrafos (1,676), Extra stores (1,112), Soriana (634), Control Group with the Del Sol and Woolworth brands (77) and NetPay (34) representing an increase of 30% over the 4,147 points of contact in 2013.

There was a 44% annual increase in total transactions in the correspondent bank network, from 5.9 million in 2013 to 8.5 million transactions in 2014.

### Prospects for Channels in 2015

We will concentrate efforts and strategies to strengthen the use of channels now available to customers, thanks to new technological tools. And once we conclude the implementation of the three channels most frequently used by customers —e-banking, mobile banking and ATMs— we are sure that the number of transactions carried out by these means will register a significant increase. One way to achieve this will be to install multifunction ATMs in 50% of our branches by next year.



**Total transactions increased by 44% in the correspondent bank network.**

# Patrimonial and Private BANKING

Specialized financial advice through personalized service with a wide range of investment products that are consistent with our client's investment profile.



## 2014 Performance

In patrimonial and private banking, we offer personalized services for sophisticated clients, with advice in accordance to their financial needs and investment profile through a diverse range of products to provide them with a diversified portfolio and consistent with their investment risk profile.

2014 presented two main challenges: the volatility that prevailed throughout the year which affected business, by affecting clients' state of mind by increasing aversion to risk and products with that profile; and to excel in an industry that was increasingly offering more standardized products.

At Banorte we faced these challenges and added value with a completely personalized quality model that allows us to identify each client's objectives and offer customized solutions through our renowned team of specialized promoters. To complement this service, we will soon make easy, efficient and friendly mobile applications available

that will allow clients access our products; receive information and make various queries.

## Patrimonial and Private Banking Prospects for 2015

Supported by the institutional program for the correct segmentation of our customers, we will those that correspond to our banking profile, provide the attention that distinguishes us, through a robust offer of value that adds value for our customers.

Also we plan to expand the use of technology, so that clients will have an agile tool to access products that distinguish us and that generate value.

We will continue to expand our portfolio, integrating more and more alternative products related to sectors or trends such as green funds. Even though it is an emerging theme in the country, by offering access to these Mexican funds adds value to us and sets us apart from our competitors.

# Business and Corporate BANKING

Integrated financial solutions for business and corporate clients through various types of specialized financing, including structured loans, syndicated loans, financing for acquisitions and investment planning, among others.



## 2014 Performance

### Business and Corporate Banking

With the objective of developing our clients and seeking the most profitable products, we have changed our focus: not only provide more products, but starting with a diagnosis, knowing which products and services required by the company are the most profitable and what we can offer. We want to be our customers' main bank, designing specific products that can help it grow.

We have made a strong emphasis on transactional banking, a new area whose objective is to provide support for the

management of large volumes of transactions. Thanks to participation in this area, and to the strategy directed to customer service for selected products, we exceeded market growth, thus raising our participation.

In terms of financing, the priority this year was to obtain greater diversification in sectors where we participate, mainly energy, where currently we provide important support to renewable energy projects. Additionally, we seek to deepen our presence in the areas of infrastructure, oil and gas.

Several prepayments were received from clients, which is why we designed strategies to achieve greater penetration among current and potential customers.



### Agricultural Banking

Banorte knows that if the field grows, Mexico grows. For this reason we are strongly involved in the agricultural sector, financing projects to boost the development of agriculture.

This year, financings that stand out were those for projects for improving the conduction and use of water, such as Ps 56 million for irrigation modules mainly in Sinaloa. Also in the spotlight were Ps16 million for projects to promote technological irrigation for land; Ps 7.5 million for forestry purposes; Ps 6.7 million for sustainable projects and Ps 2.2 million for the generation of bioenergy.

We can make a significant impact through the rural financing program on populations or communities under 50,000 inhabitants, with the Ps 367 million that we implemented through programs jointly operated with FIRA (Fideicomisos Instituidos en Relación con la Agricultura).

### Business and Corporate Banking Prospects for 2015

In the medium term, we seek more specialization in high growth sectors of the country such as infrastructure, industrial, energy and agriculture.

We are also working hard to strengthen the different areas of products and channels, as well as synergies with transactional, international, investment banking and structured financing, in order to offer our customers comprehensive services that provide them with more added value and support in achieving their growth objectives.

### Prospects for Agricultural Banking in 2015

Through agricultural financing, we seek to identify and follow-up on the development of projects in this sector. In conjunction with FIRA, our goal in 2015 is to increase financing to family agriculture, develop suppliers, support the population in the Southeastern sector, as well as sustainable, bioenergy and forest sustainability projects, and efficient water and energy use.



At Banorte, we know if the fields grow, Mexico grows.

# Government BANKING

Financial services specializing in the sectors of federal, state and municipal governments, decentralized government agencies and other entities such as social security, unions and public trusts.



## 2014 Performance

### Direction of Federal Government Banking

In this important segment of business, we support the Federal Government, the Distrito Federal Government and state-owned companies, now productive companies of the State of Mexico, such as Pemex and CFE.

2014 was a year of great challenges, being a very intense year in terms of the major structural reforms undertaken by our Government. This process also presented great opportunities for our group, such as important increases in deposits +40%, loans +122%, non-interest income +76%, with a past due portfolio ratio of 0%.

Banorte has been a pioneer in its history and this business unit is no exception. We are innovative and venture into new models of service, diversity of products and financial services, both general and specialized, based on the specific needs of our customers.

We continue to consolidate our strategy of specialization by segment and public sector profiling beginning with our own organizational governance, strengthening staff quality and experience this area of business.

Loan growth was outstanding, basically for CFE and Pemex, who presented the opportunity to become their main bank in peso accounts, with the placement of over Ps 31 billion.

In the same way, we participated as an agent in multiple placements in the stock market sector, for more than Ps 74 billion to entities such as Fovissste, Pemex and CFE. Our Government employee payroll portfolio grew by 24% to 1,203,172 employees— which meant a 35% growth in the placement of payroll loans, to Ps 12.543 billion. This reflects the affinity and loyalty of workers with the Strong Bank of Mexico.

It is important to note that this area works hand-in-hand with virtually all of the group’s subsidiaries and business areas, such as the Afore XXI-Banorte, Seguros Banorte (with an important premium portfolio in the sector), as well as Retail and Wholesale Banking and areas of products, operation and support, without which it would not be possible to advance at the pace demanded by the market with the results previously mentioned.

**State and Municipal Government Banking**

We are the banking area with the largest of GFNorte’s portfolios - 22% - a comprehensive and well-structured portfolio that endorses our strength and translates into a one of the institution’s healthiest portfolios.

We had an exceptional year in this line of business year, since, given the prospects of the environment, we created opportunities with consulting and more sophisticated financial products. Our close relationship with customers enabled us to maximize additional business and generate a solid and growing recurrent income for the bank. Also drawing-in new loans or conducting financial re-engineering for any state or municipality is a gateway to providing different products such as payroll, payroll loans,

loans and diverse products for employees and Government offices, as well as placing highly profitably specialized financial products.

As leaders in loan placements to government entities, we have supported the country’s growth by financing large infrastructure projects in all the states, such as bridges, roads, aqueducts, dams and works of great economical and social importance.

**Federal Government Banking Prospects for 2015**

Fiscal stability and structural reforms reveal a positive turn in the conditions to come in the near future, since they represent opportunities to transform the country, to make us a more global and competitive economy. In this sense, banking has great challenges, especially technological, to compete with banks on a global scale.

In Federal Government Banking, we strive to maintain leadership in placing loans to large state-owned enterprises. Windows of opportunity opened when Government reforms were implemented in various sectors such as education, infrastructure and energy, and we want to be ready to take advantage of them.

**State and Municipal Government Banking Prospects for 2015**

In reference to state and municipal government banking, we expect that during the second half of the year opportunities will arise to provide consultancy and financial re-engineering options to various states, as well as new projects to support them in issues such as providing banking services for revenues and fundraising.



**A great opportunity has opened with reforms implemented by the Government in various sectors: education, infrastructure and energy - and we’re ready to take advantage of it.**

# SME BANKING

We provide financial products and services to small and medium-sized businesses through solutions for saving and investment, financing, technology and business insurance adapted to the transactional size and volume of each company.



## 2014 Performance

Due to the important economic and social role of SMEs in the country - generating 72% of employment and 52% of the gross domestic product (GDP) - Banorte created SME Banking by integrating the segment, products and channels in one place. This action has allowed us to respond more efficiently and opportunely to our clients with products and solutions in accordance to their needs. We serve various economic sectors such as manufacturing, textile, construction, energy, commercial and services, thus contributing not only to regional development but also to the development of Mexico.

In 2014, SME banking achieved a growth of 30% in deposits, as well as a solid 23% increase in payrolls and 33% in POS terminal billings. The aforementioned accompanied by a loan portfolio in excess of Ps 30 billion.

In order to diversify our financing solutions to assist individuals with entrepreneurial activities under the incorporation tax regime, this year we launched Microapoyo Banorte, a financing product available to promote business without having to resort to a personal loan.

Additionally, we strengthen added value proposals contained in our SME portal “Círculo PyME”, including relevant topics, tools to conduct business through interaction with our clients, promotions and campaigns which include various SME events across the country that represent opportunities to promote financial education, as well as offering Banorte’s SME business services.

## SME Banking Prospects for 2015

Technological transformation will enable us to have a leading-edge platform, which will result in offering the best services to Mexican SMEs in accordance to their activity and economic sector.

We focus on the growth of our loan portfolio by improving portfolio quality and increasing profitability by offering new services and finance products.

We see 2015 as a year of greater vigor resulting from the recent reforms in the country. Without a doubt Banorte’s SME banking will remain an important protagonist in the financial services sector.

# SUBSIDIARIES OF GFNorte

Long Term Savings, Leasing and Factoring and International Businesses are the subsidiaries through which GFNorte can expand its financial services for specific audiences, both in Mexico and in the United States.



## Long Term Savings Performance in 2014

### Insurance

We offer protection and foresight in auto, damage, health and life insurances, through Insurance Banking, that provides insurance solutions to the financial group's customers through its various channels of distribution, as well as through the traditional channel of agents and brokers. We participate in tenders to federal, state and municipal levels in the same manner.

Revenues and results for the year were positive, which has allowed us to steadily increase our contribution to GFNorte's profits.

Los ingresos y resultados del año fueron positivos, lo cual nos ha permitido incrementar de manera constante nuestra participación en las utilidades de GFNorte.

### Afore

Afore Banorte is the administrator of the largest retirement fund in Mexico and the second largest in Latin America. We currently manage 25 centavos of each peso for workers in

the country, which gives us advantages in terms of scale: lower operating costs and the potential to have robust areas of operation, investment and service, which translates into greater benefits for our customers, such as lower fees than private companies that make up the industry.

The Afore represents approximately one third of the assets managed by the financial group. We seek to invest in funds that bring companies with sound corporate governance practices together; in accordance with regulations, we manage four savings funds, which vary according to the wage earner's age. Additionally we encourage voluntary savings contributions so that they can obtain a better pension. We are leaders in the country's financial market in terms of amount of funds.

### **Annuities**

In the annuities sector, we have positioned ourselves in second place in terms of premiums, with a 37% market share and who created the most value in the industry.

By implementing projects such as the electronic survival confirmation, we improve our customers' experience and increase our competitive advantage.

### **Long Term Savings Prospects in 2015**

The insurance company has a great potential to increase business in all of our loan and deposit products. A great advance was having included the option of insurance in the contracts. Another important area of opportunity is insurance not associated with deposit or loan products and that are independently available in our network: auto, home, life, accident and health insurance, and are sold through our ATMs as well.

With regards to the Afore, the industry's challenge in general is to operate with more commercial rationality in the transferring of accounts that benefit workers and institutions. In terms of profitability, focus should be put on the size of the funds under management. It is also important to continue to increase voluntary contributions in which we are already leaders.

We will continue lead in the creation of value in annuities, increasing operational efficiency while improving our offer of value through better service and greater benefits to retirees.



**In the social security pension market, we rank in second place in terms of premiums.**

### **Leasing and Factoring**

#### **Performance in 2014**

In 2014, Leasing and Factoring posted profits of Ps 700 million, a 17% increase over the previous year, ROE was 20%; the PDL Ratio was under 0.9% and the Coverage Ratio rose to 170.5%.

#### **Leasing**

Despite the difficult economic environment, we grew significantly in the area of leasing; especially in pure leasing which grew by 6%, as a result of changes in tax regulations as well as market norms – we have begun to comprehend the benefits offered. It is important to highlight that this last factor is a result of our competitive advantages such as: rapid and immediate responses, the experience of our consultants, knowledge of our customers' needs and the ability to create tailored leasing solutions. Some examples are leasing programs for fleets and buildings, enabling us to realize operations with leading international companies, who, despite having been referred to other lending institutions, opted for our services as a result of our service, knowledge and speed.

This has resulted in our position as the market leader according to the Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje (AMSOFAC).

### Factoring

Our own factoring portal through Bxl has allowed us to service the electronic factoring market in an agile and efficient manner with an advantage over the competition in terms of response times, as operations are carried out in real time with immediate results.

### Warehouse

We have a professional company through which we manage warehouses and issue certificates of guarantee for loans; we also offer sales of inventories.

### Leasing and Factoring Prospects in 2015

Although we anticipate a year of slow growth and strong competition, we will seek to increase our portfolio by 18.9% and maintain a ROE of 13.5%. Given the new taxation base in 2015, we will complement our leasing portfolio with fleet management, which will give us a competitive advantage in the market. We will also seek to increase placement of our factoring product with more of Grupo Financiero Banorte's clients.

### International Businesses

#### Performance in 2014

Our subsidiary in the USA, Inter National Bank registered positive results with a 16% growth in its loan portfolio while maintaining quality. Growth was also registered in net income due to the operating leverage and a reduction in non-interest expenses. Capital levels remain robust.

Our international payments platform, Uniteller, had an unprecedented year with growths of 163% in profits and over 65% in transactions compared to last year – the more than 8 million transactions translates into approximately 14% of processed remittances from the United States to Mexico. Our Uniteller network consists of 30,000 points of payment, operating in 42 states of the US and in 17 countries, as well as in Mexico and the United States. In addition, we have strengthened our position as a leading company in the sector through new agreements with companies such as Western Union, Wells Fargo and Farmacias Guadalajara.

Banorte - Ixe Securities, our New York subsidiary, continues to offer a range of investment alternatives mainly for Casa de Bolsa Banorte – Ixe's patrimonial banking customer base in Mexico. 2014 was a year of challenges given the United States' regulatory environment; one of our main achievements was to change the operating model that undoubtedly will result in better customer service from our specialists.

In Mexico, for customers who have need of international services and foreign trade, we have implemented a new business model that includes customer service with specialized executives as one of its main features. This will allow us to better meet the needs of customers and importantly increase our foreign trade business. Through relationships established in the last couple of years with foreign financial institutions, we have significantly increased the flow of referred business. The International Desk initiative has already registered more than 100 recently established foreign companies in Mexico.

### International Business Prospects in 2015

Our objective in the United States is to increase market participation by taking care of asset quality and the regulatory environment. Likewise in 2015 we will be launching a platform for sending remittances via the internet and a prepaid card, which reduces the cost of remittances, making them more accessible to migrant workers in the United States and their families in Mexico.

In Mexico, our goal is to expand the range of products in financing foreign trade, as well as to steadily increase our portfolio of customers and reference programs attended by the International Desk.



# CORPORATE Governance

Convinced that Corporate Government is an essential element in the strategy to create value, Grupo Financiero Banorte's Board of Directors is guided by standards that ensure every decision and every action safeguards the interests of shareholders, customers, employees, suppliers and communities, providing the institution with strength and stability.

One of the functions of corporate governance is to provide the necessary elements for the effective and efficient operation of governmental entities directly reflecting the transparency of decision-making and to promote mechanisms that regulate the relationships between shareholders, Government entities, the administration and interested third parties.

To ensure sound corporate governance, the following government entities have been established:

- Advisory Council
- Audit and Corporate Practices Committee
- Risk Policy Committee
- Human Resources Committee
- Nominations Committee

These committees are made up of members of GFNorte's Board of Directors or independent members, with the participation of the institution's officers in some of them. A Committee to develop talent was also created to support the development of GFNorte's human resources.

GFNorte's Board of Directors is comprised of 15 members, with 10 of them being independent. Similarly, each proprietary member has an alternate, resulting in 28 men and 2 women, whose age range varies between 38 and 73 years.

## Board of Directors

### Proprietary Members

|   |                         |
|---|-------------------------|
| Guillermo Ortiz Martínez <sup>(1)</sup>     | President               |
| Carlos Hank González <sup>(2)</sup>         | Proprietary             |
| David Villarreal Montemayor                 | Proprietary             |
| Everardo Elizondo Almaguer                  | Proprietary Independent |
| Alfredo Elías Ayub                          | Proprietary Independent |
| Herminio Blanco Mendoza                     | Proprietary Independent |
| Adrián Sada Cueva                           | Proprietary Independent |
| Patricia Armendáriz Guerra                  | Proprietary Independent |
| Armando Garza Sada                          | Proprietary Independent |
| Héctor Reyes-Retana y Dahl                  | Proprietary Independent |
| Juan Carlos Braniff Hierro                  | Proprietary Independent |
| Miguel Alemán Magnani                       | Proprietary Independent |
| Alejandro Burillo Azcárraga                 | Proprietary Independent |
| Juan Antonio González Moreno                | Proprietary             |
| Alejandro Valenzuela del Río <sup>(3)</sup> | Proprietary             |

### Alternates

|   |                       |
|---|-----------------------|
| Graciela González Moreno                | Alternate             |
| José María Garza Treviño                | Alternate Independent |
| Alberto Halabe Hamui                    | Alternate Independent |
| Isaac Becker Kabacnik                   | Alternate Independent |
| Manuel Aznar Nicolín                    | Alternate Independent |
| Eduardo Livas Cantú                     | Alternate Independent |
| Roberto Kelleher Vales                  | Alternate Independent |
| Ramón A. Leal Chapa                     | Alternate Independent |
| Julio César Méndez Rubio <sup>(4)</sup> | Alternate Independent |
| Guillermo Mascareñas Milmo              | Alternate Independent |
| Lorenzo Lazo Margain                    | Alternate Independent |
| Alejandro Orvañanos Alatorre            | Alternate Independent |
| Juan Antonio González Marcos            | Alternate             |
| José Marcos Ramírez Miguel              | Alternate             |
| Jesús O. Garza Martínez                 | Alternate             |

<sup>(1)</sup> Dr. Guillermo Ortiz Martínez served as Chairman of the Board of Directors until December 31st, 2014.

<sup>(2)</sup> Lic. Carlos Hank González took office as Chairman of the Board of Directors as from January 1st, 2015.

<sup>(3)</sup> Dr. Alejandro Valenzuela del Río ceased to serve on the Board of Directors as of November 20th, 2014.

<sup>(4)</sup> Don Julio César Méndez Rubio ceased to serve on the Board of Directors as of June 10, 2014.

### Secretary Non-Member

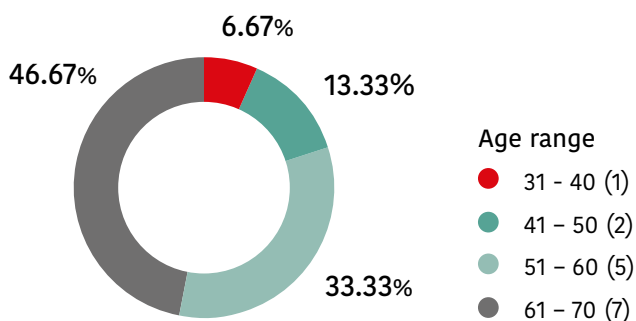
Héctor Ávila Flores



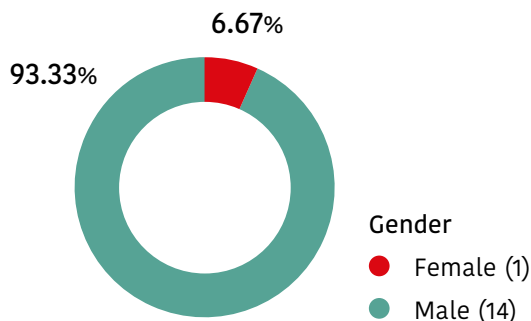
G4-35, G4-42, G4-56, G4-LA12



**Composition of the Board of Directors by age range**



**Composition of the Board of Directors by gender**



Whenever it is necessary to update internal control documents –including Mission, Vision, Values and Code of Conduct– or develop new guidelines, strategies and policies on the economic, social and environmental impacts of the organization, these are submitted for review and authorization by the Audit and Corporate Practices Committee.

**One of our essential elements in the strategy to create value is strong corporate governance.**

# BIOGRAPHIES of Board Members



## **Carlos Hank González**

### **President of the Board of Directors as of January 1st, 2015**

Carlos Hank González has developed a strong track record of over the past 20 years in strategic management levels in the private sector, with two outstanding key features: clear, measurable and compelling results; and construction of a long-term institutionality. At 43 years of age, he is recognized as a businessman, financier, proud Mexican and family man. He has his degree in Business Administration majoring in Finance from the Universidad Iberoamericana.

In 1997 he was appointed General Director of Interacciones Casa de Bolsa, in 1999 General Director of Banco Interacciones and in 2000 General Director of Grupo Financiero Interacciones (GFI). At the beginning of 2003 he was appointed Deputy General Director of Grupo Financiero Banorte, and towards the end of the same year returned to the General Management of Grupo Financiero Interacciones to position it as a highly profitable financial group, specialized in providing financing to states and municipalities. He led a successful public offering in 2013, which consolidated GFI as a public company with growing liquidity in the stock market. In 2008 he was named General Director of Grupo Industrial Hermes, which was founded in 1978, with different lines of businesses in infrastructure, energy, automotive, transportation and as of 2013, tourism. In Gruma, a world leader in the production of corn-flour and tortillas with a presence in more than 100 countries, Carlos Hank González has played a fundamental role since December 2012, month in which he served as Vice-President of the Board of Directors and joined the Executive Committee to design a healthy, responsible financial strategy which generated value for the company.

On October 7<sup>th</sup>, 2014, he left Grupo Financiero Interacciones and on November 20<sup>th</sup>, 2014 he was appointed by unanimous vote as President of Grupo Financiero Banorte's Board of Directors, effective as of January 1st, 2015.



## **David Villarreal Montemayor**

### **Proprietary**

Mr. Villarreal Montemayor joined Grupo Financiero Banorte's Board of Directors in October 1993. He has a degree as a Mechanical Electrical Engineer from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), and a Master's degree in Automatic Control Sciences from the same institution, as well as having participated in the IPADE's program for upper management. He is the CEO and major shareholder of Artefactos Laminados, S. A. de C.V., President of the Board of Directors and Deputy General Director of Inmobiliaria Montevi, S.A. de C.V., Regional Advisory Director to Banco Nacional de Mexico, S.A. (Banamex) and Financial Advisor and Business Developer at SISMEX, Sistemas Mexicanos, S.A. de C.V.



## **Everardo Elizondo Almaguer**

### **Proprietary Independent**

Mr. Elizondo Almaguer joined the Board of Directors of Grupo Financiero Banorte in April 2010. Mr. Elizondo has served on Grupo Financiero Banorte's Board of Directors since April 2010. He has a Bachelor's degree in Economics from the Universidad de Nuevo Leon; a master's degree and is working on his PhD in Economics from the University of Wisconsin-Madison. He founded and was the first Dean of the Graduate School of the Faculty of Economy of the Universidad Autonoma de Nuevo Leon. He was Director of Economic Studies for Grupo Industrial Alfa (Grupo Alfa today). He founded the consultancy company Index, Economía Aplicada, S.A. and was Deputy Governor of the Bank of Mexico. He is a Professor of International Finance at the EGADE Business School, ITESM and serves on the Boards of Directors of several companies.



**Alfredo Elías Ayub**

**Proprietary Independent**

Mr. Elías Ayub joined Grupo Financiero Banorte's Board of Directors in April 2012. He has a Civil Engineering degree from Anahuac University and an MBA from Harvard Business School. He distinguished himself as CEO for the Comisión Federal de Electricidad (CFE), CEO of Airports and Auxiliary Services (ASA) and held various positions in the Ministry of Energy, Mines and State Industry and has served on various academic and other Boards such as the Deans' Board of Advisors for Harvard Business School, Nacional Financiera, Multibanco Mercantil de Mexico and Banco Internacional. He also served as Chairman of the Mexican Institute for Electrical Research and serves as Chairman of the Harvard Mexican Foundation. He is currently President of the Board of Directors of Promociones Metrópolis, S.A. de C.V. and member of the Board of Iberdrola USA and Rotoplas.



**Herminio Blanco Mendoza**

**Proprietary Independent**

Dr. Blanco Mendoza joined Grupo Financiero Banorte's Board of Directors in April 2005. He holds a Bachelor's degree in Economics from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), and has a Doctorate in Economics from the University of Chicago. He has collaborated in four different presidential terms of six years each for the Mexican Federal Government, in which reforms were implemented that successfully made Mexico stand out in the global economic system. He was the Secretary of Commerce and Industrial Development (1994-2000), Undersecretary of International Trade Negotiations (1993-1994); Undersecretary of Commerce and Industrial Development (1988-1990); Member of the Economic Council of Advisers to the President of Mexico (1985-1998) and Adviser to the Secretary of Finance and Public Credit (1978-1980).

Dr. Blanco was one of President Ernesto Zedillo's Cabinet members (1988-2000) and Chief of Negotiations of the North American Free Trade Agreement, NAFTA (1990-1993). He was responsible for free trade negotiations between Mexico and the European Union and seven free trade agreements with 10 Latin American countries and Israel.

In 2002 he founded Soluciones Estratégicas, a consulting company specializing in international trade negotiation and investment issues. He is founder and CEO of IQOM, Commercial Intelligence, an electronic medium that provides daily systematic monitoring of all measures related to international trade and that have an impact on companies with an interest in doing business in and with Mexico. He is a member of various committees including Arcelor Mittal US and Arcelor Mittal México, Bladex (Banco Latinoamericano de Comercio Exterior, NYSE). He is a Board member of Banorte, Cydsa, S.A. de C.V., FIBRA 1, Monterrey Global Ventures and the United States Chamber of Commerce Foundation; he is also a member of the International Advisory Committee of Mitsubishi Corporation and Advisor to companies such as Mitsubishi Heavy Industries, Isuzu, Panasonic, Sumitomo and Autodesk.



**Adrián Sada Cueva**

**Proprietary Independent**

Mr. Sada Cueva joined Grupo Financiero Banorte's Board of Directors in April 2013. He holds a degree in Business Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and has a Master's degree in Business from Stanford University. He is Chief Executive Officer of Vitro since March 2013 and a member of the Board of Directors of Vitro, S.A.B. de C.V. since 2010. He has served as Director of Vitro Cristalglass (Spain), General Director of Vitro Automotriz, Director of Internal Restructuring, Director of Administration and Finance and General Director of Vitro's packaging business. In addition, he is a member of the Boards of Comegua, Club Industrial de Monterrey, the Universidad de Monterrey and Board of Directors of the chamber of the transformation industry (CAINTRA).



### **Patricia Armendáriz Guerra**

#### **Proprietary Independent**

Ms. Armendáriz Guerra joined Grupo Financiero Banorte's Board of Directors in April 2009. She is an actuary mathematician from the Universidad Nacional Autónoma de México (UNAM), and has a Master's degree in Economics from the same institution, as well as a Ph.D. in Economics from Columbia University in New York. Her professional career includes serving as Assistant to the Secretary of Finance and Public Credit, where she coordinated negotiations for the Free Trade Agreement in financial services, she later served as Vice President of Supervision for the National Banking and Securities Commission, in charge of supervision and resolution of the Mexican banking system; she was appointed Associate Director of the Bank for International Settlements, in charge of the analysis of the Basel II's impact on emerging markets. She also served as advisor to the President of the Board of GFNorte and Director of Special Projects. She is currently Managing Director of Financiera Sustentable, Sociedad Financiera Popular that finances projects for entrepreneurs offering sustainability and is managing partner and founder of Valores Financieros, a company dedicated to banking systems. Ms. Armendariz Guerra has served as an international consultant in banking crises, Professor of Economics at the Instituto Tecnológico Autónomo de México and author of numerous academic publications specializing in banking and macroeconomics.



### **Armando Garza Sada**

#### **Proprietary Independent**

Mr. Garza Sada joined the Board of Directors of Grupo Financiero Banorte in July 2011. He graduated from the Massachusetts Institute of Technology (MIT) and has a Master's degree in Administration from the Stanford Graduate School of Business. He is currently President of the Board of Directors of Alpha and serves on the boards of the following companies and institutions: Bank of Mexico Regional Council, FEMSA, Frisa, Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), Lamosa, Liverpool, Proeza, the Stanford Business School Advisory Board and is a member of the Stanford University Board of Directors.



### **Héctor Reyes-Retana y Dahl**

#### **Proprietary Independent**

Mr. Reyes-Retana y Dahl joined Grupo Financiero Banorte's Board of Directors in July 2011. An Industrial Engineer graduate from the Universidad Iberoamericana, he holds a Master's degree in Business Administration (MBA) from Cornell University, New York. He serves as a consultant and Independent Board member. He is currently a member of the Board of the national savings bank national (Bansefi), and has held various positions in the public sector, the Ministry of Economy he founded the state-owned agency called "Promexico, Investment and Commerce"; he served as General Director of Banco Nacional de Comercio Exterior, S.N.C (Bancomext) and General Director of Banco Confía, as well as Director of International Operations at the Bank of Mexico (Banxico). In the private sector, he was General Manager of Grupo Financiero Mifel and Banca Mifel and served as Vice President in the Asociación de Banqueros de México (Mexican Association of Bankers), among other positions.



### **Juan Carlos Braniff Hierro**

#### **Proprietary Independent**

Mr. Braniff Hierro joined Grupo Financiero Banorte's Board of Directors in July 2011. He is President of the Board of Directors and General Director of Capital I, real estate investment funds; a Member of the Board of Directors of Maxcom and the Afore XXI Banorte. In Grupo Financiero BBVA Bancomer he was Vice-President of the Board, and held several executive positions: Chairman of the Board of Insurance, Annuities and Afore Bancomer and was member of the Loan, Risk and Audit Committees. He has also served as a member of the Board of Directors and committees of companies such as: Fomento Económico Mexicano (FEMSA), Coca Cola Femsa (KOF), Aeromexico, Maizoro, Hoteles Presidente Intercontinental and Paso Corp., among others.



**Miguel Alemán Magnani**

**Proprietary Independent**

Mr. Alemán Magnani joined Grupo Financiero Banorte's Board of Directors in April 2013. He graduated in law from the Universidad Anáhuac and participated in the IPADE's Senior Management program. He is Executive Chairman of ABC, Interjet Airlines, President of Grupo Alemán and President of the Miguel Alemán Foundation's tourism program committee, and also serves on the Tourism Advisory Council for the Distrito Federal, on the Business Coordinating Council and the Tourism Board of Mexico. He has held various positions in Grupo Televisa, including Director of Special Affairs of the Presidency, Vice President of Corporate Image and as a Proprietary Board member of the same group.



**Alejandro Burillo Azcárraga**

**Proprietary Independent**

Mr. Burillo Azcárraga joined the Board of Directors of Grupo Financiero Banorte in April 2013. He is Chairman of the Board of Directors of Grupo Pegaso, an industrial conglomerate with presence in areas such as: technology, telecommunications, media, real estate, sports, culture and philanthropy, agro-industry, tourism and aeronautics to name a few. He has participated as majority and strategic partner in various companies and financial institutions as: Ixe Bank, Laredo National Bank, Telefonica Movistar, and the Atlante soccer club, among others. He has also participated as an independent member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A.



**Juan Antonio González Moreno**

**Proprietary**

Mr. González Moreno has served on Grupo Financiero Banorte's Board of Directors of since April 2004. He holds a degree in Business Administration from Universidad Regiomontana, and a Master's in Business Administration from the University of San Diego California. He is Chairman of the Board of Directors and CEO of Gruma and Gimsa and has served as General Director of Gruma Asia and Oceania, Senior Vice President of special projects of Gruma Corporation. President of the Board and General Director of CarAmigo in the United States, Vice President of the Central and East regions for MissionFoods, and President and Vice President of Sales for Azteca Milling.



An essential element in our strategy to create value is strong corporate governance.

## Regional Councils

We have 6 regional councils, which have achieved great solidity in the 3 years since their implementation. To integrate them, 231 businessmen and personalities from different sectors representing 29 States of the country were conveyed, so that each Council could learn firsthand the about challenges and opportunities of each region.

To foster greater interaction between the regional directors and the institution, work sessions with advisers and officials were implemented in 2014, at which issues related to the products and services we offer were discussed, thereby obtaining feedback and immediate recommendations.

Ideas generated in these sessions are evaluated by directors of the corresponding regions to develop them and then present a plan of action for those recommendations.

Other important actions that were carried out during 2014 were:

- 12 sessions of regional councils held in different cities of the country, with important speakers such as Dr. Carlos Elizondo Mayer-Serra, Dr. Hector Moreira, Lic. Oscar Ortiz and Lic. Juan Carlos Anaya, among others.

- The 2014 National Council Plenary Session's theme was "Productivity, the key to sustainable development in Mexico", with the participation of speakers such as Felipe González, former President of Spain; Alan Stoga, who spoke about the political situation in the United States; Xavier Sala i Martin who presented the "Productivity with Innovation" conference; Blanca Treviño, Jerónimo Gerard and Louise. K. Goeser, who sat on the "Productivity of the Labor Force" panel moderated by Lourdes Dieck.

To end the session, an exceptional panel of former presidents Ernesto Zedillo, Alan García and Sebastián Piñera shared their thoughts on the challenges and opportunities for sustainable development, moderated by Joaquín Lopez-Doriga.

The event's closure was attended by more than 500 guests and was honored with the presence of Lic. Enrique Peña Nieto, President of Mexico.

The work realized during the year served as a platform to define the strategy of the regional councils in 2015, which is aimed at encouraging greater interaction with Board members and pursuing new business development, always focused on maintaining permanent feedback on aspects of interest to the institution.



G4-36

### Key Executives to December 31<sup>st</sup>, 2014

|  |  |
|--|--|
| Marcos Ramírez Miguel                        | CEO GFNorte  |
| Carlos Eduardo Martínez González             | Mng. Dir. Retail Banking                                 |
| José Armando Rodal Espinosa                  | Mng. Dir. Business & Corporate Banking                   |
| Mario Alberto Barraza Barrón                 | Mng. Dir. Asset Recovery                                 |
| Fernando Solís Soberon                       | Mng. Dir. Long Term Savings                              |
| Samuel J. Munafo                             | Mng. Dir. Inter National Bank                            |
| Rafael Victorio Arana de la Garza            | CFO /COO   |
| Alejandro Eric Faesi Puente                  | Mng. Dir. Markets & Institutional Sales                  |
| Guillermo Güémez Sarre                       | Head Executive Transformation Services                   |
| Carlos Alberto Arciniega Navarro             | Mng. Dir. Treasury                                       |
| Sergio García Robles Gil                     | Mng. Dir. Corporate Banking                              |
| Federico Santos Cernuda                      | Mng. Dir. Legal  |
| Carla Juan Chelala                           | Mng. Dir. Marketing                                      |
| Sergio Deschamps Ebergenyi                   | Territorial Director North                               |
| Humberto Luna Gale                           | Territorial Director Northern Mexico                     |
| Juan Carlos Cuéllar Sanchez                  | Territorial Director West                                |
| Alfonso Páez Martínez                        | Territorial Director Central                             |
| Arturo Valdés Villaseñor                     | Territorial Director Northwest                           |
| Jorge Luis Molina Robles                     | Territorial Director Peninsular                          |
| Alberto Salvador López                       | Territorial Director Southern                            |
| Alejandro del Valle Morales                  | Territorial Director Eastern Mexico                      |
| Francisco José Archivaldo Rodríguez Giacinti | Territorial Director Western Mexico                      |
| Gabriel Casillas Olvera                      | Mng. Dir. Economic Analysis                              |
| Víctor Antonio Roldan Ferrer                 | Mng. Dir. Transactional Banking                          |
| Ricardo Velázquez Rodríguez                  | Mng. Dir. International Banking & Financial Institutions |
| Luis Ernesto Pietrini Sheridan               | Mng. Dir. Patrimonial & Private Banking                  |
| Rene Pimentel Ibarrola                       | Mng. Dir. Asset Management & Business Development        |
| Manuel Antonio Romo Villafuerte              | Mng. Dir. Products                                       |
| Ignacio Aldonza Goicoechea                   | Mng. Dir. Technology & Operations                        |
| Fausto José Hernandez Pintado                | Mng. Dir. Strategic Planning & Generation of Value       |
| Isaias Velázquez González                    | Mng. Dir. Audit  |
| David Aaron Margolin Schabes                 | Mng. Dir. Risk Management                                |
| Concepción Borjón Shears                     | Head Sumando Program                                     |
| José Antonio Murillo Garza                   | Mng. Dir. Analytics                                      |
| Ayax Carranza Segura                         | Mng. Dir. Communications & Institutional Relations       |
| Luis Fernando Orozco Mancera                 | Dirección General Crédito                                |
| María del Socorro Bermudez Ramírez           | Mng. Dir. IXE Preferred Banking                          |
| Jorge de la Vega Grajales                    | Mng. Dir. Federal Government                             |
| Arturo Monroy Ballesteros                    | Mng. Dir. Investment & Structured Financing              |
| Carlos Javier Zambrano Elizondo              | Mng. Dir. SME Banking                                    |
| David Alberto Salazar Vite                   | Mng. Dir. State & Municipal Government Banking           |
| Juan Jesus Viteri Alvarez                    | Mng. Dir. Internal Communication                         |
| Felipe Duarte Olvera                         | Mng. Dir. Client Experience                              |

More information on Board of Directors' activities, as well as documents relating to Internal Control Guidelines, Codes of Conduct and Best Corporate Practices, is available at: [www.banorte.com/corporategovernance](http://www.banorte.com/corporategovernance)

# SUSTAINABLE Management

At Grupo Financiero Banorte, we our concept of sustainability is maximizing profitability and growth of the institution, and ensuring a balanced development between the economic, social and environmental aspects inherent in our operation at all times.

## Corporate Social Responsibility Management

At GFNorte, we work to ensure that each transaction, product and service generates value for all stakeholders.

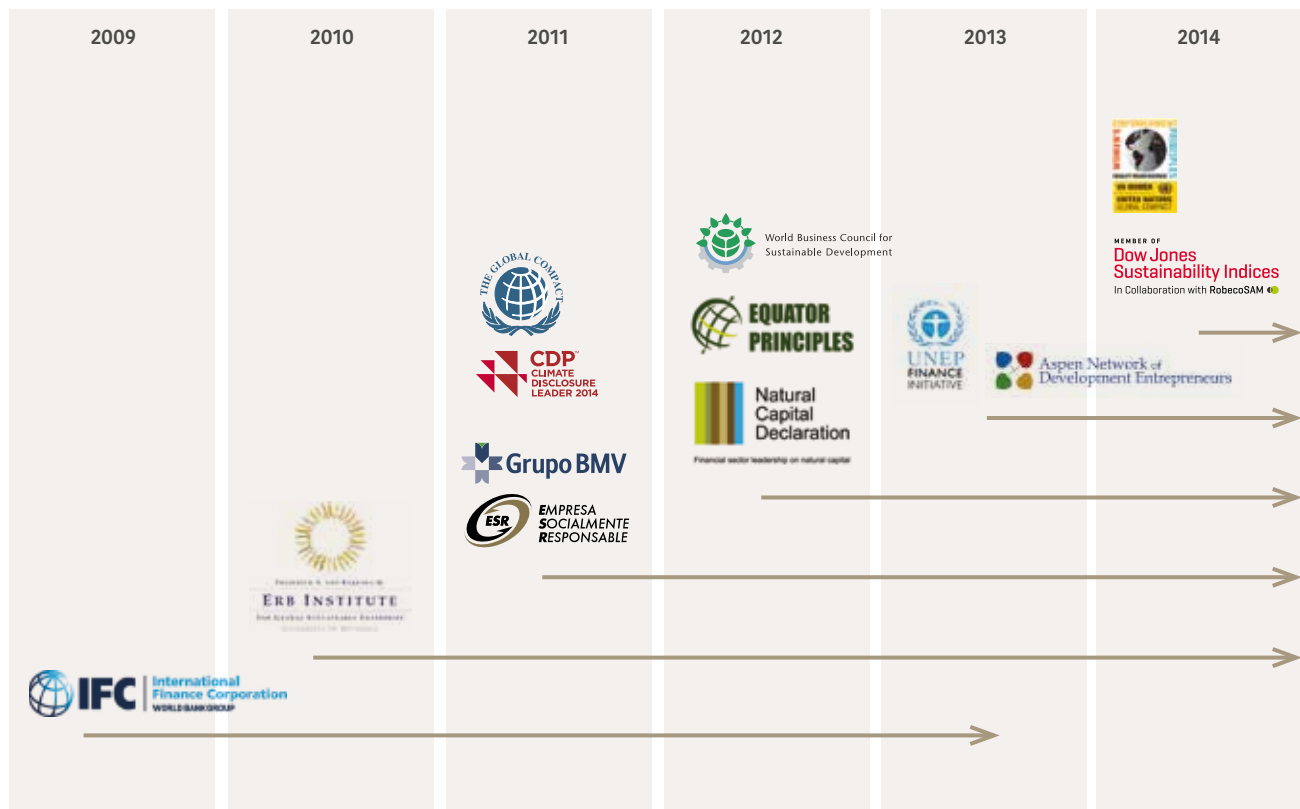
The Executive Management of Social Responsibility is in charge of reporting directly to the Presidency of the Board of Directors, the issues of greatest relevance in the area. Additionally, in 2014, the Sustainability Work Group was created, responsible for following-up on initiatives from the corresponding strategies. The General Managements of Operations, Administration and Finance, Legal, Risk, Investor Relations and Communication all participate. One

of the most significant achievements in the year was to have been chosen as a leader in sustainability on the global level, to be included in Dow Jones' Sustainability Index for Emerging Markets (DJSI), a recognition that distinguishes GFNorte as a profitable company that includes strict sustainability criteria in their management.

Also, for the fourth consecutive year, GFNorte forms part of the Sustainable Index sample of the Bolsa Mexicana de Valores.

## Sustainability Trajectory

For several years the concept of sustainability as a whole integrated business, has been gaining greater relevance in Banorte. The following timeline graphically illustrates our evolution in this area, demonstrated through the commitments that we have gradually established with various initiatives and economic, social and environmental principles.





G4-18, G4-19

## Materiality

One of the most important aspects of sustainability is to understand our stakeholders' concerns and respond to them through actions and services.

With the aim of identifying those issues of the greatest importance, in 2013 Grupo Financiero Banorte with the support of an external consulting firm, conducted a study of materiality, which will be repeated every 3 years.

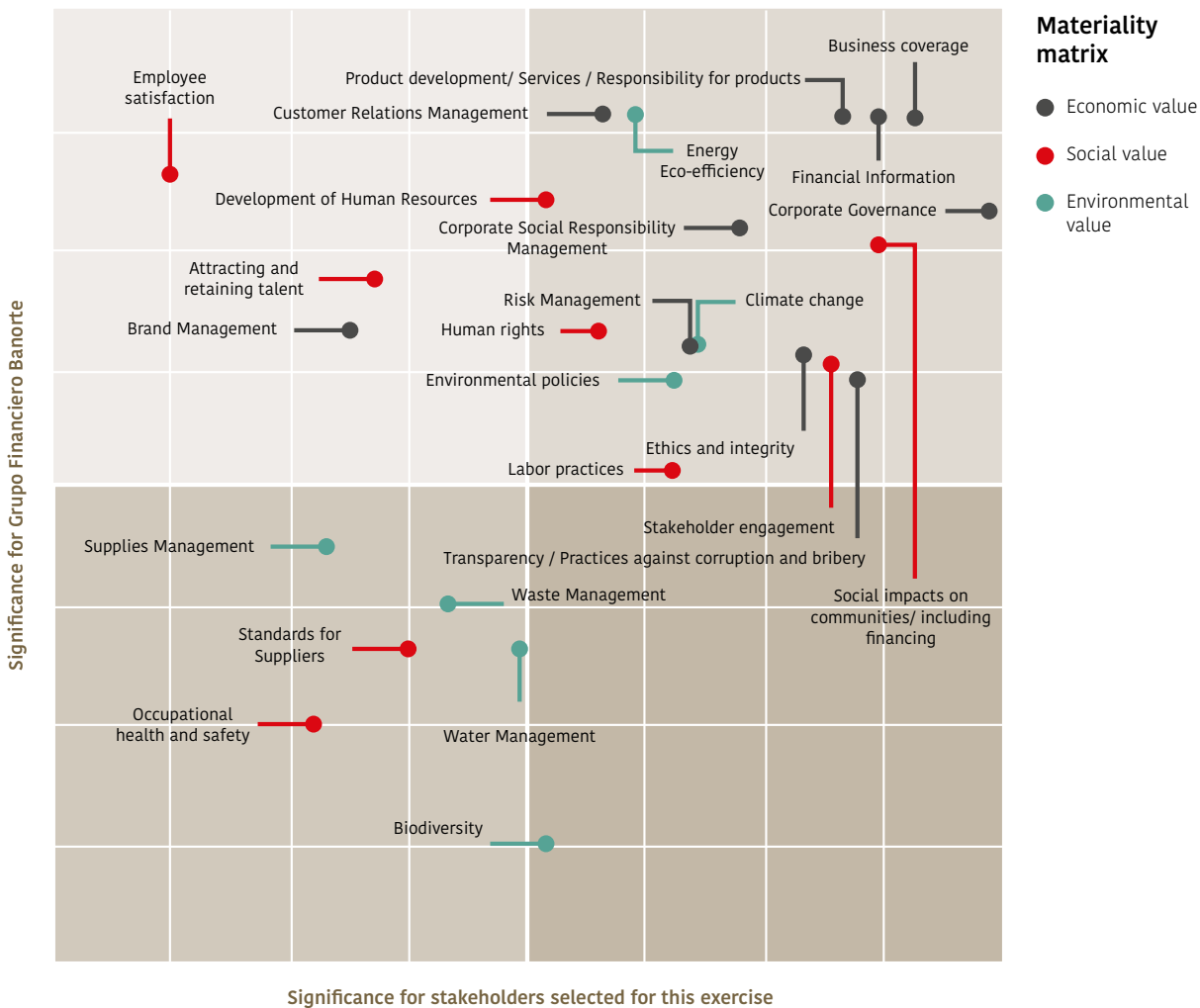
Based on a diagnosis of the economic, social and environmental aspects, we were able to identify the organization's state based on policies and procedures, specific business risks and the perception of stakeholders.

The following graph was generated based on the following criteria:

- Significance, in Grupo Financiero Banorte, is understood as the level of service and management (prioritization) that relevant aspects have in our group.
- Significance for stakeholders, starting from the level of attention paid to relevant aspects of published information analyzed by stakeholders.

Beginning with the subjects located in the upper right quadrant, we will proceed to report each of the dimensions in relation to economic, social or environmental value for our stakeholders.

Each year we will follow-up on aspects that were determined as important, with the support of our stakeholders.



For more information on our study of materiality, consult the 2013 Annual Report at: [www.banorte.com/sustentabilidad](http://www.banorte.com/sustentabilidad)



### Stakeholder engagement

Open, transparent and constant communication is what strengthens our stakeholder engagement, whom we consider a fundamental to achieve our business strategies. For that reason, we build our business with a long-term vision on a daily basis, valuing these relationships and always striving to fulfill our responsibilities to them.

The communication process and its recurrence depend on the channel of communication established with each

stakeholder. We seek to align this process by AccountAbility 1000 (AA 1000).

We are also working on a Communication Policy that will allow us to establish processes, procedures and guidelines for interacting with stakeholders and to continuously improve our relationship through feedback from each group.

Communication with our stakeholders is carried out as shown in the following table:

G4-24, G4-25, G4-26, G4-27

**COMMITMENT WITH OUR STAKEHOLDERS**

| Groups of Interest                   | Focal themes   | Connectivity  | Link area   |
|--------------------------------------|--|---|---|
| Employees                            | Development of workforce (continuous technical training as a model to enhance skills and leadership among employees), labor practices and retention of talent.   | <ul style="list-style-type: none"> <li>● Intranet</li> <li>● Electronic correspondence (emails)</li> <li>● Banorte hotline</li> <li>● Banorte Ixe TV</li> <li>■ Ethic Points - complaint system</li> <li>■ Portal for Development of Human Resources</li> <li>▲ Organizational climate survey</li> <li>■ Union magazine</li> </ul>                | <ul style="list-style-type: none"> <li>● Human Resources</li> </ul>   |
| Investors (Shareholders)             | Corporate governance, coverage, expansion and ethics of business, financial information, risk management and aspects of sustainability (socio-environmental contributions and impacts).  | <ul style="list-style-type: none"> <li>▲ CNBV Annual Report</li> <li>▲ Annual Reports</li> <li>■ Quarterly reports</li> <li>■ Shareholders' Assemblies</li> <li>■ Newsletters</li> <li>● Hotline 5268 1680 and investor@banorte.com</li> <li>● Web site</li> </ul>  | <ul style="list-style-type: none"> <li>● Investor Relations and Corporate Governance</li> </ul>   |
| Sectorial and Guild Authorities      | Operational integrity of the business, monitoring and adherence to financial regulations, transparency and timely reporting, corruption, offer and promotion of products and services in accordance with regulations.              | <ul style="list-style-type: none"> <li>▲ CNBV Annual Report</li> <li>● Electronic correspondence (emails)</li> <li>● Web page</li> <li>■ Channels provided by authorities</li> <li>■ Committees</li> <li>■ Meetings</li> </ul>  | <ul style="list-style-type: none"> <li>● Investor Relations</li> <li>● Communication and Corporate Relations</li> <li>● Accounting regulations</li> </ul>   |
| Clients                              | Accessibility to financial products and services, clear information regarding them, monitoring customer satisfaction and quality of service (attention and advice).  | <ul style="list-style-type: none"> <li>● Branches</li> <li>● Internet Banking</li> <li>● Banortel service line: 01 800 Banorte</li> <li>● Specialized Queries &amp; Complaints unit: 01 800 627 2292 and une@banorte.com</li> <li>● Web page</li> <li>● Social networking</li> <li>● Satisfaction surveys</li> <li>● Media advertising</li> </ul> | <ul style="list-style-type: none"> <li>● Commercial area</li> <li>● Marketing</li> <li>● Specialized Queries &amp; Complaints unit</li> </ul>   |
| Suppliers                            | Requirements and standards, selection of supplies, creation of value, environmental and social policies adopted by the institution.  | <ul style="list-style-type: none"> <li>● Telephone</li> <li>● Electronic correspondence</li> <li>■ Bids</li> <li>■ Meetings</li> </ul>  | <ul style="list-style-type: none"> <li>● Acquisitions and Expense Control</li> </ul>  |
| Methods of Communication             | Access, diffusion and transparency of the group's information, timely media management with broad coverage, consistency and fluidity of internal and external messages.  | <ul style="list-style-type: none"> <li>● Telephone</li> <li>● Press releases</li> <li>● Electronic correspondence</li> <li>■ Press conferences</li> <li>■ Summoning media</li> <li>● Web page</li> </ul>  | <ul style="list-style-type: none"> <li>● Communication and Corporate Relations</li> </ul>   |
| Civil Society Organizations          | Impact on natural capital and climate change, human rights, economic support or in kind, strategic alliances and participation in working groups.  | <ul style="list-style-type: none"> <li>● Telephone</li> <li>● Electronic correspondence</li> <li>● Web page</li> <li>● Social networks of Social Responsibility</li> <li>■ Meetings</li> <li>■ Visits</li> </ul>  | <ul style="list-style-type: none"> <li>● Social Responsibility and Sustainability</li> <li>● Fundación Banorte (Banorte Foundation)</li> </ul>  |
| Community                            | Management of social responsibility, ecosystem resources and ethics in business, cooperation with communities where we operate, strengthening relations of coexistence and advancement opportunities to rebuild the social fabric. | <ul style="list-style-type: none"> <li>● Telephone</li> <li>● Electronic correspondence</li> <li>● Web page</li> <li>● Social networks</li> <li>■ Visits to communities</li> <li>■ Meetings</li> </ul>  | <ul style="list-style-type: none"> <li>● Social Responsibility and Sustainability</li> <li>● Communication and Corporate Relations</li> <li>● Regional Advisors</li> <li>● Territorial Managements</li> <li>● Fundación Banorte (Banorte Foundation)</li> </ul> |
| Governmental entities and coalitions | Compliance with legislature, compensation agreements with union-member employees, environmental management (in areas such as water and waste, impacts on biodiversity, atmospheric emissions), collaborations with social impact.  | <ul style="list-style-type: none"> <li>■ Committees</li> <li>■ Participation in forums</li> <li>■ Meetings</li> <li>● Telephone</li> <li>● Electronic correspondence</li> <li>● Web page</li> </ul>   | <ul style="list-style-type: none"> <li>● Investor Relations</li> <li>● Human Resources</li> <li>● Communication and Corporate Relations</li> <li>● Accounting regulations</li> <li>● Social Responsibility and Sustainability</li> </ul>                        |

**Frequency of interaction with stakeholders**

● **Constantly** ■ **Periodically** (weekly, monthly, bimonthly, quarterly, bi-annually or several times a year) ▲ **Annually**

For more information on our study of materiality, consult the 2013 Annual Report at: [www.banorte.com/sustentabilidad](http://www.banorte.com/sustentabilidad)

# ECONOMIC value

## Financial strengths of Banorte

2014 was a year in which GFNorte demonstrated its financial strength to achieve positive figures, as shown in the next section, with information based on GFNorte's consolidated financial statements.

### Net Interest Income

In 2014, GFNorte's net interest income increased 14% YoY (inter-annual) going from Ps 38.738 billion to Ps 44.096 billion, as a combined effect of the following:

- a. A 13% increase in net interest income and portfolio origination fees; the latter grew by 11% YoY mainly due to growth in the Government, Corporate and Consumer portfolios.
- b. Reduced funding costs due to growth in Core Deposits (+14%), mainly in Demand Deposits (+18%), giving rise along with other factors, to an (11%) decrease in interest expenses. The latter was also reduced by the 50 bp drop in the market benchmark rate in the past 12 months, as well as the August 2013 payment of Ixe's Perpetual Subordinated Notes with a fixed annual rate of issued 9.75% in US dollars, cancellation of the loan service fee for GFNorte's \$800 million dollar syndicated loan paid on July 26th, 2013 and the prepayment on April 21<sup>st</sup>, 2014 of Preferential and Non-Convertible Subordinated Obligations in the amount of Ps 2.200 billion that were paying a rate of TIIE + 2.0%.
- c. A 43% increase in loan placement fees.
- d. A 33% increase in the Insurance and Annuities companies' margins.

Net interest income, excluding the Insurance and Annuities companies posted an accumulated annual increase of 12%, going from Ps 35.428 billion to Ps 39.680 billion.

The average net interest margin (NIM) was 4.7% in 2014, 24 bp higher than in the same period last year, due to growth in GFNorte's performing assets in higher yield segments (the Consumer portfolio excluding Mortgages, represented 14.5% of Performing Loan portfolio at the close of 2014 vs. 13.6% at the close of 2013) as well as by a greater positive impact on investment valuations for the Annuities company.

NIM related to lending activity in 2014 was 8.2%, increasing by 39 bp while the NIM average, excluding the Insurance

and Annuities companies, was 4.5%, 19 bp higher than in the previous year.

The NIM average adjusted for Credit Risks was 3.5%, an increase of 8 bp over 2013 due to growth in net interest income and a higher yielding portfolio mix offsetting the annual increase in provisions.

### Provisions

Provisions charged to results totaled Ps 11.196 billion, 25% more than in 2013, mainly caused by higher requirements in the Business, SME, Payroll, Mortgage and credit card loan portfolios and the loan exposure to housing developers facing financial problems.

### Non-Interest Income

Non-interest income totaled Ps 16.233 billion increasing 10% YoY due to increases of 15% in Service fees, 29% in Trading revenues and 1% in Other Operating Income (Expenses). This offset the (77%) decrease in revenues in real estate portfolio recoveries.

### Non-Interest Expenses

The non-interest expenses amounted to Ps 29.232 billion, a 5% YoY increase (in line with Mexico's annual inflation of 4.08%) mainly due to the strengthening of business areas and the operational infrastructure expansion, which was partially offset by decreases in other concepts. The Efficiency Ratio was 48.5%, (3.6 pp) lower YoY, due to the positive operating leverage achieved in the period.

### Taxes

Income taxes totaled Ps 5.668 billion, 59% higher YoY. The current rate for taxes and accumulated Employee Profit Sharing was 29.8%, 7.0 pp higher compared to the 22.8% for the same period in 2013.

### Net Income

Net income totaled Ps 15.228 billion in 2014, 13% higher compared to 2013, due to the positive operating leverage achieved, an annual growth of 13% in total income, as well as a reduced growth rate in operating expenses, effects that offset growth in loan costs and taxes; in addition to the decrease in minority interest as a result of buying out IFC's participation in Banorte and Generali's participation in the insurance and annuities companies. Together with Afore XXI Banorte and SOFOM, they have presented a favorable business dynamics.

ROE for 2014 was 13.2%, decreasing by 99 bp over the same period last year due to the dilution effect of the equity offering last year; while ROTE was 16.4%, decreasing 2.3 pp compared to that registered in 2013. On the other hand, ROA for 2014 was 1.5%, an increase of 5 bp over the same period of last year, due to growth

in net income, as a result of a better mix and returns on assets. RAPR was 3.1% in 2014, increasing by 8 bp over 2013.

| LOAN PORTFOLIO              |         |         |         |
|-----------------------------|---------|---------|---------|
|                             | 2014    | 2013    | 2012    |
| Performing Loans Portfolio* | 471,606 | 424,837 | 401,190 |
| Recovery Bank*              | 162     | 201     | 243     |
| Total Performing Loans*     | 471,768 | 425,038 | 401,433 |
| PDL Portfolio               | 14,294  | 13,655  | 8,481   |
| PDL Portfolio %             | 2.9     | 3.1     | 2.1     |

\* Millions of pesos

Performing loans increased 11%YoY, growing by Ps 46.769 billion to close at Ps 471.606 billion at the end of 2014, excluding the proprietary portfolio managed by the Recovery Bank. The Loan portfolio has recovered to shift to growth levels not seen since the end of 2012 due to the gradual economic recovery and maintaining a growth rate higher than the national economy's. Corporate and business portfolios (included in the Commercial portfolio) continued to receive prepayments from customers (approximately Ps19 billion in 2014). However, during the last quarter, these began to be compensated by new loan originations in both segments, achieving annual growth.

### Past Due Loans

At the close of 2014, Past Due loans totaled Ps 14.294 billion, 5% higher compared to 2013, as a result of growth in past due loans of some Commercial (including SMEs), Payroll, Credit card, Mortgage and Car loans, which failed to be offset by the significant reduction in Corporate Past Due loans. The PDL Ratio was 2.9%, 17 bp lower than that registered in 2013 due to a lower PDL Ratios in the Corporate, Credit card and Payroll segments.

When excluding the Past Due loans of the three housing development companies in financial problems, the PDL Ratio would be 1.8%, 30 bp above the level registered one year ago.

| DEPOSITS                                     |            |            |            |
|--|------------|------------|------------|
|  | 2014<br>\$ | 2013<br>\$ | 2012<br>\$ |
| Non-interest bearing Demand deposits         | 147,033    | 122,499    | 107,450    |
| Interest bearing Demand deposits             | 153,249    | 132,798    | 103,968    |
| Total Demand Deposits <sup>(1)</sup>         | 300,282    | 255,297    | 211,418    |
| Time Deposits – Retail                       | 136,127    | 129,121    | 124,255    |
| Core Deposits                                | 436,409    | 384,418    | 335,673    |
| Money market <sup>(2)</sup>                  | 62,287     | 59,729     | 90,073     |
| Total Banking Sector Deposits <sup>(3)</sup> | 498,697    | 444,148    | 425,746    |
| GFNorte Core deposits <sup>(4)</sup>         | 497,922    | 443,741    | 424,325    |
| Third party deposits                         | 149,092    | 150,636    | 111,042    |
| Total deposits under administration          | 647,789    | 594,783    | 536,788    |

Millions of pesos

<sup>(1)</sup> Includes debit cards.

<sup>(2)</sup> Includes bank bonuses. Includes customers and financial intermediaries.

<sup>(3)</sup> See Note 19 of the audited Financial Statements of Banco Mercantil del Norte for the integration of demand deposits.

<sup>(4)</sup> Includes eliminations between subsidiaries. Eliminations for 2012, 2013 and 2014 were (Ps 1.421) billion, (Ps 407) million and (Ps 774) million, respectively.

At the end of 2014, total deposits for GFNorte totaled Ps 497.922 billion, an increase of Ps 54.181 billion or 12% YoY, driven mainly by efforts to promote Banorte-Ixe's deposit products as well as the significant increase registered in account balances of some clients, especially in Government Banking since the end of 2013. In the Banking Sector, core deposits totaled Ps 498.697 billion, which represented an increase of 12% YoY or Ps 54.549 billion pesos, comprised of increases of 18% in Demand Deposits, 5% in Retail Time Deposits and 4% in Money Market deposits.

## Our credit ratings

One form of recognition of GFNorte's financial strength is the credit rating that different agencies have determined.

| INTERNATIONAL RATINGS - GFNORTE |                              |   |  |                 |
|---------------------------------|------------------------------|---|--|-----------------|
| Rating Agency                   | Rated Intitutions            | Rating  | Category   | Date            |
| Standard & Poor's               | Banco Mercantil del Norte    | STABLE  | Outlook  | September, 2014 |
|                                 |                              | BBB   | Counterparty credit - Long term foreign currency       |                 |
|                                 |                              | BBB   | Counterparty credit - Long term foreign currency       |                 |
|                                 |                              | A-2   | Counterparty credit - Short term foreign currency      |                 |
|                                 |                              | A-2   | Counterparty credit - Short term foreign currency      |                 |
|                                 |                              | BBB   | Senior Unsecured Notes                                 |                 |
|                                 |                              | BB  | Subordinated Junior Notes (from the merged Ixe Banco)  |                 |
| Fitch                           | Grupo Financiero Banorte     | STABLE  | Outlook  | March, 2014     |
|                                 |                              | bbb+  | Viability  |                 |
|                                 |                              | BBB+  | Long term foreign currency (IDR'S)                     |                 |
|                                 |                              | F2  | Short term foreign currency (IDR'S)                    |                 |
|                                 |                              | 5   | Support Rating - GFNorte                               |                 |
|                                 |                              | NF (Not Floor)                                      | Support Rating Floor - GFNorte                         |                 |
|                                 | Banco Mercantil del Norte    | STABLE  | Outlook  |                 |
|                                 |                              | bbb+  | Viability  |                 |
|                                 |                              | BBB+  | Long term foreign currency                             |                 |
|                                 |                              | F2  | Short term foreign currency                            |                 |
|                                 |                              | C   | Individual - Foreign Currency                          |                 |
|                                 |                              | 2   | Support Rating - Banco Mercantil del Norte             |                 |
|                                 |                              | BBB-  | Support Rating Floor - Banco Mercantil del Norte       |                 |
|                                 |                              | BB  | Subordinated Junior Notes (f rom the merged Ixe Banco) |                 |
| Moody's                         | Banco Mercantil del Norte    | STABLE  | Outlook BFSR   | December, 2014  |
|                                 |                              | C -   | Bank Financial Strenght                                |                 |
|                                 |                              | baa1  | Baseline Credit Assessment                             |                 |
|                                 |                              | STABLE  | Outlook  |                 |
|                                 |                              | A2  | Long term local currency deposits                      |                 |
|                                 |                              | A3  | Long term foreign currency deposits                    |                 |
|                                 |                              | P-1   | Short term local currency deposits                     |                 |
|                                 |                              | P-2   | Short term foreign currency deposits                   |                 |
|                                 |                              | A2  | Long term foreign currency senior debt                 |                 |
|                                 |                              | Baa2  | Long term local currency subordinated debt             |                 |
|                                 |                              | Baa2 (hyb)  | Long term foreign currency subordinated debt           |                 |
|                                 |                              | Baa3 (hyb)  | Long term local currency junior subordinated debt      |                 |
|                                 | Baa3 (hyb)                   | Long term foreing currency junior subordinated debt |  |                 |
|                                 | Arrendadora y Factor Banorte | STABLE  | Outlook  |                 |
|                                 |                              | A3  | Long term local currency issuer                        |                 |
|                                 |                              | P-2   | Short term local currency issuer                       |                 |
|                                 |                              | (P)A3   | Long term local currency senior debt                   |                 |
| (P)P-2                          |                              | Short term local currency senior debt               |  |                 |

| DOMESTIC RATINGS - GFNORTE |                              |                    |   |                |
|----------------------------|------------------------------|--------------------|---|----------------|
| Rating Agency              | Rated Institutions           | Rating             | Category  | Date           |
| Standard & Poor's          | Banco Mercantil del Norte    | STABLE             | Outlook   | April, 2014    |
|                            |                              | mxA-1+             | National Scale Counterparty credit - Short term |                |
|                            |                              | mxAAA              | National Scale Counterparty - Long term         |                |
|                            | Casa de Bolsa Banorte - Ixe  | STABLE             | Outlook   |                |
|                            |                              | mxA-1+             | National Scale Counterparty credit - Short term |                |
|                            |                              | mxAAA              | National Scale Counterparty credit - Long term  |                |
| Fitch                      | Banco Mercantil del Norte    | STABLE             | Outlook   | March, 2014    |
|                            |                              | AAA (mex)          | National Scale Counterparty - Long term         |                |
|                            |                              | F1+ (mex)          | National Scale Counterparty - Short term        |                |
|                            |                              | F1+ (mex)          | Depo. Certi. y P.R.L.V. Short term              |                |
|                            |                              | AA+ (mex)          | Depo. Certi. y P.R.L.V. Long term               |                |
|                            | Casa de Bolsa Banorte - Ixe  | STABLE             | Outlook   |                |
|                            |                              | F1+ (mex)          | National Scale - Short term                     |                |
|                            |                              | AAA (mex)          | National Scale - Long term                      |                |
|                            | Arrendadora y Factor Banorte | F1+ (mex)          | National Scale Counterparty - Short term        |                |
|                            |                              | AAA (mex)          | National Scale Counterparty- Long term          |                |
|                            |                              | F1+ (mex)          | National Scale - Unsecured Debt - Short term    |                |
|                            |                              | AAA (mex)          | National Scale - Unsecured Debt - Long term     |                |
|                            | Almacenadora Banorte         | F1+ (mex)          | National Scale Counterparty - Short term        |                |
|                            |                              | AAA (mex)          | National Scale Counterparty - Long term         |                |
|                            | Seguros Banorte Generali     | STABLE             | Outlook   |                |
| AAA (mex)                  |                              | Financial Strenght |   |                |
| Moody's                    | Banco Mercantil del Norte    | STABLE             | Outlook   | December, 2014 |
|                            |                              | Aaa.mx             | National Scale - Long term deposits             |                |
|                            |                              | MX-1               | National Scale - Short term deposits            |                |
|                            |                              | Aa1.mx             | Subordinated debt - Long term                   |                |
|                            |                              | Aa2.mx             | Junior Subordinated debt - Long term            |                |
|                            | Arrendadora y Factor Banorte | STABLE             | Outlook   |                |
|                            |                              | Aaa.mx             | National - Long term Issuer                     |                |
|                            |                              | MX-1               | National - Short term Issuer                    |                |
|                            |                              | Aaa.mx             | National Scale - Long term senior debt          |                |
|                            |                              | MX-1               | National Scale - Short term senior debt         |                |
| HR Ratings                 | Banco Mercantil del Norte    | STABLE             | Outlook   | May, 2014      |
|                            |                              | HR AAA             | Long term debt                                  |                |
|                            |                              | HR+1               | Short term debt                                 |                |
|                            |                              | HR AA+             | Subordinated Debt Preferential                  |                |

## Risk Management

As a financial institution responsible for the ministration and increase of the patrimony belonging to our clients and their families, we are responsible to use strict risk management systems.

Our main banking risks are loan risk (individual and business), portfolio risk, of financial instruments, market risk, liquidity and balance risk, operational risk, annuities risk, technological risk, legal risk and sustainability risk. We also have insurance risk.

In the case of the Consumer, Housing and Commercial portfolios, Banorte applies regulations relating to loan ratings issued by the National Commission of Banking and Securities.

Since June 2001, Banorte has also applied an internal risk rating methodology (CIR Banorte) to Commercial loan portfolios which establish the rating of a debtor. In assessing the credit worthiness of debtors using the Banorte CIR, risk and payment experience was calculated in a specific and independent manner as follows:

| RISK CRITERIA        | RISK FACTORS                                |
|----------------------|---|
| 1. Financial risk    | 1. Financial structure and ability to pay   |
|                      | 2. Sources of financing                     |
|                      | 3. Management and decision making           |
|                      | 4. Opportune, quality financial information |
| 2. Industrial risk   | 5. Positioning and market participation     |
|                      | - Market objective                          |
|                      | - Criteria for risk acceptance              |
| 3. Credit experience | 6. Credit experience                        |
| 4. Country risk      | 7. Country risk                             |

Each of the risk factors is analysed through descriptive evaluation charts whose result indicates the rating of the debtor, which is approved to the degrees of risk established by the Commission.

| CIR BANORTE | DESCRIPTION OF LEVEL OF RISK            | EQUIVALENCE WITH RATING SET UP BY THE COMMISSION |
|-------------|---|--|
| 1           | Substantially risk free                 | A1   |
| 2           | Under the minimal risk                  | A2   |
| 3           | Minimal risk                            | A2   |
| 4           | Moderate risk                           | B1   |
| 5           | Moderate risk                           | B2   |
| 6           | Average risk                            | B3   |
| 7           | Risk requiring administrative attention | C1   |
| 8           | Potential partial loss                  | C2   |
| 9           | High percentage of loss                 | D  |
| 10          | Total loss                              | E  |

Banorte's integrated risk management unit (UAIR) is in charge of identifying, measuring, monitoring, limiting, controlling, informing and disclosing the various types of risk to which the Bank is exposed, and is in charge of the Directorate-General for Risk Management (DGAR).

### Social and environmental risk management system (SEMS)

As one of the most important steps to identify, manage and mitigate risks associated with our loan portfolio, as from the end of 2012, GFNorte has implemented a Social and Environmental Management System (SEMS), enabling the identification, categorization, assessment and monitoring of risks associated with loan portfolios for Corporate and Business Banking, Government Banking and Structured Finance.

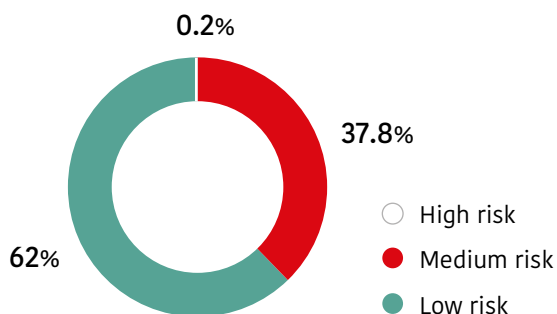
This year we improved our analysis of socio-environmental risks, to analyze all registered loans.

The results of management in 2014 are summarized in the following table.



| SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT SYSTEM |              |
|---|--------------|
| Loans analyzed 2014                             |              |
| Type of risk                                    | Cases        |
| High risk                                       | 6            |
| Medium risk                                     | 1,388        |
| Low risk  | 2,279        |
| <b>Total</b>                                    | <b>3,673</b> |

**Social and environmental risk management system**  
(Loans analyzed by risk type)



| PROCEEDINGS & RECOMMENDATIONS TO CLIENTS |     |
|--|-----|
| Elaborate proceedings                    | 30  |
| Proceedings under Equator Principles     | 7   |
| Recommendations to client                | 208 |

For 2015, we plan to optimize the system’s function by increasing its coverage and efficiency and reinforcing the process of continual improvement.

Similarly, an evaluation of loans based on the Equator Principles was carried out, an initiative of the International Finance Corporation (IFC) created in 2003 with the objective of ensuring that projects financed by the signatory organizations develop in an environmentally and socially responsible manner, reflecting sound environmental management practices.

During the year a total of 47 Equator Principal financings were authorized, of which 3 received an A classification, 4 received a B classification and 40 were classified as C. These financings were the subject of an in-depth analysis on social and environmental risks and the fulfillment of their obligations is being monitored.

Once an analysis is done, we can offer clients consultancy specializing in social and environmental matter, minimizing financial risk and offering an added value of knowledge in areas of opportunity for their projects.

| TRANSACTIONS AUTHORIZED BY RISK CATEGORY |           |
|--|-----------|
| Category A                               | 3         |
| Category B                               | 4         |
| Category C                               | 40        |
| <b>Total</b>                             | <b>47</b> |

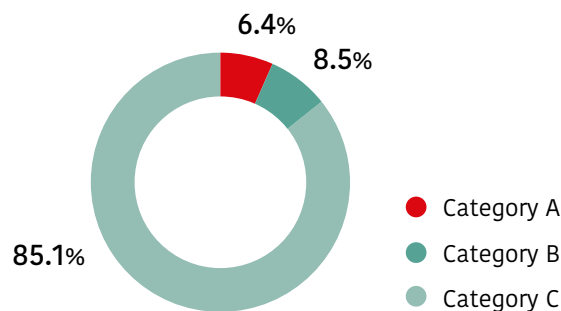
**Category A:** projects with possible environmental or social adverse significant impacts that are diverse, irreversible or unprecedented.

**Category B:** projects with possible social or environmental limited adverse impacts, that are few in number and usually located at specific sites, largely reversible and easily approached through mitigation measures.

**Category C:** projects with minimal or non-existent social or environmental impacts.

| THE EQUATOR PRINCIPLES                            |          |          |           |           |            |
|---|----------|----------|-----------|-----------|------------|
| Transactions authorized by sector & risk category |          |          |           |           |            |
| Sector  | Risk A   | Risk B   | Risk C    | Total     | %          |
| Construction                                      | 0        | 2        | 30        | 32        | 68.1       |
| Petroleum & gas                                   | 0        | 0        | 6         | 6         | 12.8       |
| Energy  | 3        | 0        | 1         | 4         | 8.5        |
| Infrastructure                                    | 0        | 2        | 1         | 3         | 6.4        |
| Chemicals   | 0        | 0        | 1         | 1         | 2.1        |
| Other   | 0        | 0        | 1         | 1         | 2.1        |
| <b>Total</b>                                      | <b>3</b> | <b>4</b> | <b>40</b> | <b>47</b> | <b>100</b> |

**The Equator Principles**  
(Transactions authorized by risk category)



# SOCIAL value

A positive impact, that is what we seek to achieve with each of our decisions and this is due to the sum of actions and initiatives related to social issues expressed by our stakeholders.

Certainly we have an obligation to maximize profitability and growth of the institution, and do so at all times all the while seeking development balanced between growth and social aspects.

## Labor practices

We have more than 27,000 full-time employees, of which 5,406 are covered by a collective agreement and are union members.

GRUPO FINANCIERO BANORTE'S NUMBER OF EMPLOYEES AS OF DECEMBER 31<sup>ST</sup>, 2014

|  | Plant         |               | Fee       |           | Total         |               |
|--|---------------|---------------|-----------|-----------|---------------|---------------|
|  | 2013          | 2014          | 2013      | 2014      | 2013          | 2014          |
| Banking Sector                                     | 20,599        | 21,252        | 14        | 11        | 20,613        | 21,263        |
| Bank   | 18,141        | 18,666        | 14        | 11        | 18,155        | 18,677        |
| Warehouse  | 12            | 10            | 0         | 0         | 12            | 10            |
| Leasing and Factoring                              | 97            | 100           | 0         | 0         | 97            | 100           |
| Administrator of Specialized Professional Services | 2,349         | 2,465         | 0         | 0         | 2,349         | 2,465         |
| Businesses in the USA                              | 485           | 501           | 0         | 0         | 485           | 501           |
| INB  | 376           | 22            | 0         | 0         | 376           | 22            |
| Uniteller  | 92            | 375           | 0         | 0         | 92            | 375           |
| Banorte - Ixe Securities                           | 17            | 104           | 0         | 0         | 17            | 104           |
| <b>Long Term Savings</b>                           | <b>6,390</b>  | <b>6,145</b>  | <b>61</b> | <b>34</b> | <b>6,451</b>  | <b>6,179</b>  |
| Afore  | 4,561         | 4,251         | 45        | 24        | 4,606         | 4,275         |
| Insurance  | 1,617         | 1,690         | 15        | 9         | 1,632         | 1,699         |
| Annuities  | 212           | 204           | 1         | 1         | 213           | 205           |
| <b>Total GFNorte</b>                               | <b>27,474</b> | <b>27,898</b> | <b>75</b> | <b>45</b> | <b>27,549</b> | <b>27,943</b> |

Data for full-time employees in the Long Term Savings Sector include employees from outsourcing.



Attracting and retaining the best talent is essential and has helped us become one of the most renowned financial institutions in the country.

G4-LA1, G4-LA12, G4-LA13

| WORKFORCE BY AGE RANGE AND GENDER |               |        |        |             |
|-----------------------------------|---------------|--------|--------|-------------|
| Gender                            | Age range     | 2013   | 2014   | Variation % |
| Female                            | < 30 years    | 4,250  | 4,393  | 3.4 ▲       |
|                                   | 30 - 50 years | 5,231  | 5,379  | 2.8 ▲       |
|                                   | > 50 years    | 443    | 489    | 10.4 ▲      |
| Total Females                     |               | 9,924  | 10,261 | 3.4 ▲       |
| Males                             | < 30 years    | 4,272  | 4,426  | 3.6 ▲       |
|                                   | 30 - 50 years | 5,490  | 5,580  | 1.6 ▲       |
|                                   | > 50 years    | 927    | 996    | 7.4 ▲       |
| Total Males                       |               | 10,689 | 11,002 | 2.9 ▲       |
| Total                             |               | 20,613 | 21,263 | 3.2 ▲       |

Data corresponding to the Banking Sector

| AVERAGE TURNOVER BY AGE RANGE AND GENDER |               |       |       |             |
|--|---------------|-------|-------|-------------|
| Género                                   | Rango de edad | 2013  | 2014  | Variación % |
| Female                                   | < 30 years    | 11.6% | 11.6% | 0.0         |
|  | 30 - 50 years | 8.5%  | 6.9%  | -1.6 ▼      |
|  | >50 years     | 0.7%  | 0.6%  | -0.1 ▼      |
| Total Females                            |               | 20.8% | 19.1% | -1.7 ▼      |
| Males                                    | < 30 years    | 14.4% | 14.8% | 0.4 ▲       |
|  | 30 - 50 years | 9.9%  | 8.1%  | -1.8 ▼      |
|  | > 50 years    | 2.1%  | 1.3%  | -0.8 ▼      |
| Total Males                              |               | 26.5% | 24.3% | -2.2 ▼      |
| Total                                    |               | 23.8% | 21.8% | -2.0 ▼      |

Data corresponding to the Banking Sector

### Attracting and retaining talent

Attracting and retaining the best talent is fundamental, as commitment and professionalism have helped us to become one of the most recognized financial institutions in the country. Therefore, we have comprehensive programs that include competitive salaries that recognize and encourage performance, as well as programs to promote professional and personal development.













The following chart presents wages for men and women, by occupational category.

| AVERAGE WAGE BY JOB CATEGORY AND GENDER |                   |         |  |         |
|---|-------------------|---------|--|---------|
| General labor category                  | Average salary \$ |         | Variation between male and female average salaries |         |
|   | Female            | Male    | Amount \$  | Ratio % |
| Upper management                        | 96,671            | 111,684 | 15,012   | 87      |
| Middle management                       | 27,703            | 30,210  | 2,508  | 92      |
| Operating Employees                     | 11,315            | 11,623  | 308  | 97      |

Amounts expressed in pesos

Data corresponding to the Banking Sector

In addition to competitive salaries, we offer far superior benefits to those established by the law, as shown in the following table:

| MAIN BENEFITS  |  |
|--|--|
|  <b>Obligatory annual Christmas bonus</b> |  <b>Food stamps</b>                      |
|  <b>Savings fund</b>                      |  <b>IMSS Subsidy</b>                     |
|  <b>Vacations and vacation bonus</b>      |  <b>Comprehensive health system</b>      |
|  <b>Cash loans</b>                       |  <b>Insurance</b>                       |
|  <b>Car loans</b>                       |  <b>Aid for sports</b>                 |
|  <b>Loans for mortgages</b>             |  <b>Annuities and retirement plans</b> |

For more information on major benefits: [www.banorte.com/informeinteractivo2014](http://www.banorte.com/informeinteractivo2014)

### Occupational safety and health

Due to the nature of our business, our employees work predominantly in offices, which implies minimal levels of health risk. However, in the construction of new branches, thanks to the implementation of the regulation for construction works in the Distrito Federal, we had reached 200,000 work hours without accidents or labor-related illnesses for employees, external workers and independent contractors of either gender.

On the other hand, given that bank branches could be subject to threats or violence, as well as verbal or physical aggression, we have a policy to guide the actions of employees for such eventualities.



G4-LA6, G4-LA11, DMA LA, G4-HR7

### Development of human capital

Convinced that our human capital is a great force for GFNorte, we have strengthened the foundations to develop professional and personal growth as a human resources' strategy in alignment with our business strategy. This investment will allow us to ensure the continuity and sustainability of our company.

During the year an average of 25 hours of training per employee was provided to strengthen their talent. As can be seen in the corresponding graph, a greater number of hours to men and women in upper management levels was provided.

76% of personnel received 13,538 hours of training on policies and procedures related to human rights' issues; 64% of employees receiving training courses for regulations at work and regulation guidelines.

In terms of civil protection, 275 training events for more than 6,000 brigades were organized for: firefighting, using and handling fire extinguishers and practicing cardiopulmonary resuscitation.

In terms of skill management skill and continuing development, training, as assessment of the competency model was carried out in senior and middle management. Institutional leadership and functional skills of senior and middle managers were assessed. Also, the Talent Management Directorate started a pilot phase of a competencies model in orientation to customers, labor administration, negotiation, team development and change management.

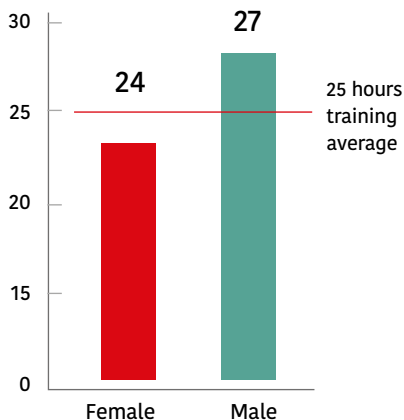
### Employee Satisfaction

For five consecutive years, Banorte has qualified as a Great Place to Work (GPTW), a diagnosis to learn the culture and organizational climate of a company. An indicator of the company's commitment to our human resources is the recent creation of a model culture, responsible for coordinating and analyzing the results of the GPTW survey.

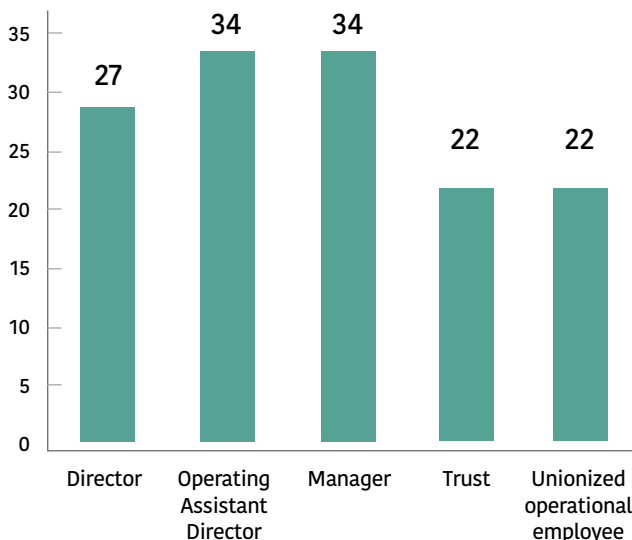
The survey is carried out among staff in an anonymous manner and we can say with great satisfaction that results have improved year after year.

A turning point in the company this year was in the area of internal communication. We have integrated and institutionalized media, which allows us to communicate with employees in real time.

Average number of training hours by gender



Average hours of training by job category



Among the relevant actions taken, the following spaces and media were created: 1,400 points with screens for the live transmission of messages from leaders to employees, cuts, before and after branch hours; 230 BanorTV rooms for live or deferred training; more than 115 video-conferencing rooms and a new portal to integrate multimedia, where people can enter a media gallery. Communication is designed in accordance with integrated strategies for areas of business and having added a new medium: Banorte - Ixe radio, which combines a selection of music with useful content on a day to day basis for employees.

### Supply chain management

A relevant stakeholder in GFNorte is our suppliers. Therefore, adding them to our sustainability strategies is a goal that we have worked on since 2014. The initiative consists in searching for and evaluating suppliers that offer sustainable products, with benefits for our employees, to include in the corporate intranet promotions. As an example, in 2014 a supplier of solar panels was listed our catalog.

| NEW REGISTERED SUPPLIERS       |       |
|--------------------------------|-------|
| Number of Registered Suppliers | 2,146 |

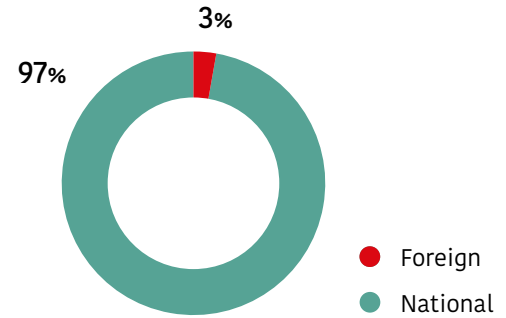
| SUPPLIER ORIGIN |              |
|-----------------|--------------|
| Foreign         | 64           |
| National        | 2,082        |
| <b>Total</b>    | <b>2,146</b> |

| SUPPLIER CLASS |              |
|----------------|--------------|
| Purchases      | 168          |
| Services       | 1,978        |
| <b>Total</b>   | <b>2,146</b> |

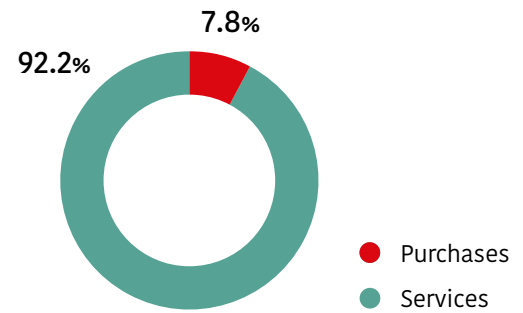
| TYPE OF SUPPLIER |              |
|------------------|--------------|
| Permanent        | 1,406        |
| Eventual         | 740          |
| <b>Total</b>     | <b>2,146</b> |



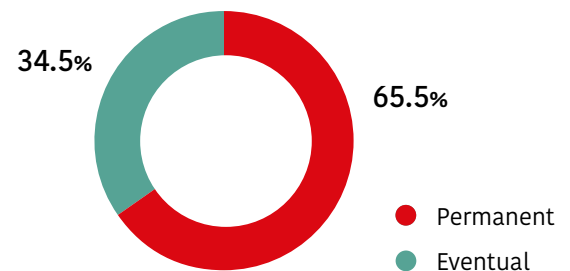
Origen of our suppliers



Classification of our supplier by type of purchase



Classification of our supplier by type of purchase



G4-EC7

### Fundación Banorte (The Banorte Foundation)

The Banorte Foundation works mainly for the economic rights of women, with 1% of GFNorte’s profits donated to this cause, evidence of our institutional responsibility in support of the community. From the support provided to social organizations, we have received first hand information on the situation of women and have shared this information with our area of Social Responsibility —also a signatory of the Women’s Empowerment Principles— who suggests the most relevant actions to take. In this way, a virtuous circle that connects banking strategies, social support and social responsibility in a single aligned strategy, where everyone works for the same goals.

2014 was a year of changes for the Banorte Foundation. From a fragmented support strategy, we now have a strategy linked to the financial group’s objectives. This strategy is based on a vision of systemic change and is implemented by a team of professionals in social issues. In addition, we want to form a plural Council, with external and internal people for the purpose of generating more and more impact.

Results for 2014 were:

| FUNDACIÓN BANORTE RESULTS     |   |
|-------------------------------|---|
| Organizations supported       | 54  |
| Direct beneficiaries          | 391,786   |
| • Women                       | 239,158   |
| • Men                         | 152,628   |
| Mobilized resources           | \$ 53,395,282   |
| States benefited              | 23  |
| Approved projects             | 61  |
| Approved projects by category | <ul style="list-style-type: none"> <li>• 9 economic empowerment</li> <li>• 11 female entrepreneurship</li> <li>• 6 género cultura</li> <li>• 6 gender cultures</li> <li>• 4 institutional strengthenings &amp; collective impact</li> <li>• 8 natural disasters</li> <li>• 8 organizational philanthropic cultures</li> </ul> |
| Indirect beneficiaries        | 5,894,669   |

We have precise objectives for the short and medium term: solidify alliances, have more reach and increase our impact. We want Banorte Foundation to be acknowledged as “the Mexican woman’s best ally”.

### Other social programs

In addition to our strategic focus on women, we continue to maintain all our institutional programs together in the area of Social Responsibility: Jugando, Jugando, AyuDamos and aid in natural disasters.

### Corporate volunteering

#### Jugando, Jugando

By delivering toys to institutions, volunteers prepare to share in activities with the children. They go in costumes and if permitted by the institution, bring piñatas, cakes, cookies or snacks.

| JUGANDO JUGANDO PROGRAM RESULTS |             |
|---------------------------------|-------------|
| Toys collected                  | 40,710      |
| Volunteer hours                 | 3,093       |
| Beneficiaries                   | 39,466      |
| Investment                      | \$63,871.66 |

#### AyuDamos

Through AyuDamos we provide in-kind support for social welfare issues and disadvantaged communities in Mexico, through civil organizations chosen by the Selection Committee made up of employees. This year we supported 11 institutions.

| AYUDAMOS PROGRAM RESULTS |                 |
|--------------------------|-----------------|
| Organizations supported  | 11              |
| Mobilized resources      | \$ 1,920,401.18 |
| Direct beneficiaries     | 4,871           |
| Indirect beneficiaries   | 23,743          |

### Support in natural disasters

As a Mexican company and in solidarity, we provide support to those affected by natural disasters and have an updated emergency protocol. But we have also professionalized this support, by expanding our networks to distribute donations more efficiently and have a greater impact in disaster areas. This includes organizations whose infrastructure allows them to reach the affected areas immediately, such as turning our branch network into collection centers and the campaigns for customers and employees to make donations, which the foundation matches.

# ENVIRONMENTAL value

Conserving resources and taking action to generate environmental awareness among employees, customers and suppliers is what has driven us over the past several years to create a strategy for environmental responsibility.

In 2014, we worked to introduce new into Grupo Financiero Banorte's environmental policy, in order to support our environmental initiatives commitments with our stakeholders, which has been approved and backed by the areas involved and by the Sustainability Work Group.

Today we have a restructured environmental policy that aligns with ISO 14000 Standards and aspires to meet all its requirements in the long term through a review of the following aspects:

1. Management of environmental risks and impacts
2. Monitoring the carbon footprint
3. Waste Management
4. Environmental criteria in procurement processes
5. Collaboration with stakeholders
6. Promotion and adoption of eco-efficient practices
7. Commitment to national and international initiatives

In addition, as supporting documentation for the policy, we have created a matrix for identification, evaluation and classification of environmental impacts that will allow us to determine the origin and priority of the most relevant environmental aspects on which to focus projects of action and mitigation. So far, we have identified a total of 128 environmental impacts classified according to scale, relevance, scope, frequency and reversibility.

## MATRIX OF ENVIRONMENTAL IMPACTS

| Risks                    | Number     | Identified % |
|--------------------------|------------|--------------|
| Very little significance | 57         | 44.5         |
| Significant              | 29         | 22.7         |
| Slight                   | 26         | 20.3         |
| Moderate                 | 16         | 12.5         |
| Serious                  | 0          | 0            |
| Critical                 | 0          | 0            |
| <b>Total</b>             | <b>128</b> | <b>100</b>   |

## Energy

Conscious of the importance of the use of energy in our operations; a continuous follow-up on our energy efficiency programs and actions allows us to mitigate the environmental impact they generate.

## TOTAL ENERGY CONSUMPTION

| Indicators                           | 2013*<br>[GJ]     | 2014<br>[GJ]      | 14/13<br>Var. % |
|--------------------------------------|-------------------|-------------------|-----------------|
| <b>Fuel / Use</b>                    |                   |                   |                 |
| Natural gas for office heating       | 249.40            | 140.39            | -43.71          |
| Diesel for cars and emergency plants | 963.61            | 714.57            | -25.84          |
| LP gas for forklifts                 | 2,176.50          | 1,402.18          | -35.58          |
| Gasoline for cars                    | 54,005.12         | 56,103.61         | 3.89            |
| Energy consumption (scope 1)         | 57,394.64         | 58,360.74         | 1.68            |
| Electricity (scope 2)                | 470,444.24        | 450,347.71        | -4.27           |
| Energy generated by solar panels     | 136.61            | 136.62            | 0               |
| <b>Total energy consumption</b>      | <b>527,975.49</b> | <b>508,845.08</b> | <b>-3.62</b>    |
| <b>Energy / full-time employee</b>   | <b>19.39</b>      | <b>18.36</b>      | <b>-5.33</b>    |
| <b>Coverage employees</b>            | <b>100%</b>       | <b>100%</b>       | <b>100</b>      |

Does not include employees from outsourcing.

\* The figures for 2013 change with respect to the previous Annual Report, due to recalculations with 2006 IPCC factors.



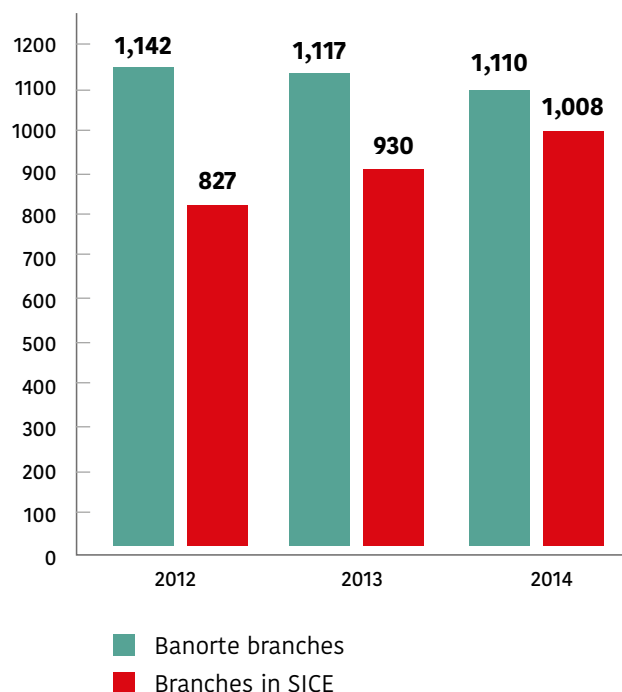
G4-EN6

In order to consume less energy, we have initiatives such as the installation of solar panels in two Banorte branches: Queretaro and Guanajuato, as well as the installation of Banorte’s integral energy control system (SICE), which replaces current air conditioners with more efficient ones on the basis of age, in addition to installing lighting and air conditioning control programs.

Accumulated monetary savings, thanks to the SICE project, totaled Ps 116.5 million since its inception in 2007 to date, generating a cumulative 67 million kW savings as well, representing a savings equivalent to 33,493 tons of CO<sub>2</sub>.

Currently more than 90% of Banorte branches have been integrated into this system, and we have established the goal of including 60 more branches in 2015. Up to now, our goal of reducing energy consumption was based reducing emissions per employee, aspiring to decrease emission intensity by 20%. As from 2015 our new goal is to reduce emissions per employee by 30% with respect to the base line from 2009. This goal aligns with the national strategy of reducing emissions by 30% from 2000 to 2020. For GFNorte, this implies a reduction per employee of approximately 13% with regards to emissions from 2014 to 2020.

Branches in the SICE program



| BRANCHES IN THE SICE PROGRAM |                      |                             |                                   |                              |                            |
|------------------------------|----------------------|-----------------------------|-----------------------------------|------------------------------|----------------------------|
| Year                         | New branches in SICE | Total of Banorte’s branches | Coverage of SICE Branches/ totals | Savings in millions of pesos | Savings in millions of kWh |
| 2012                         | 168                  | 1,142                       | 72.42                             | 20.4                         | 11.5                       |
| 2013                         | 103                  | 1,117                       | 83.26                             | 21.2                         | 12.5                       |
| 2014                         | 78                   | 1,110                       | 90.81                             | 22.6                         | 13.3                       |

**Earth Hour**

In 2014, we participated in the Earth Hour initiative organized by the World Wildlife Fund, by turning off unessential lights in 5 buildings in the cities of Monterrey, Tijuana, Guadalajara and Mexico. Through internal communication we also encouraged the efficient use of energy and employee participation in the Earth Hour.



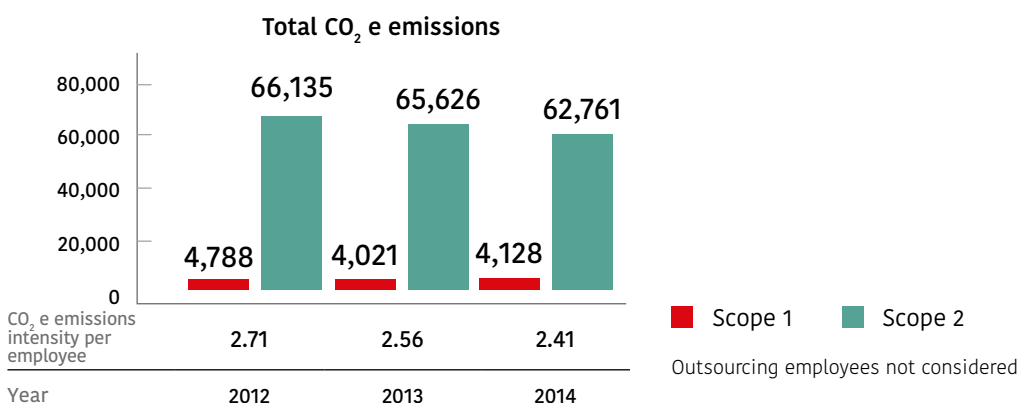
### Emissions

Our carbon footprint is calculated annually through a financial control approach using methodologies such as the corporate standard of accounting and reporting (ECCR), the Greenhouse Gas Effect Protocol (GHG Protocol) and national guidelines on the use of global warming potentials from the IPCC's Fifth Assessment Report (AR5). To support our data, since 2012 our carbon footprint has been verified by an external firm accredited by the EMA (Mexican accreditation entity).

We have also worked on increasing the scope of monitoring environmental indicators, in order to integrate them into the Sustainability Management System (SMS). In this respect, this year, emissions included emerging gases from refrigerants used in Annuities and Insurance that will be added in Banorte - Ixe's next emissions report.

As a result of control and energy efficiency projects we have reduced the environmental impact of emissions generated by our operations, which has allowed us to meet our current target of decreasing intensity emissions per employee by 20% from the 2009 base line.

| GLOBAL EMISSIONS IN TONS OF CO <sub>2</sub> |  |                   |                   |                  |                   |                   |                   |                  |                                     |
|---|--|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------------------------|
| Business Unit                               | 2013   |                   |                   |                  | 2014              |                   |                   |                  | Variation %                         |
|   | Scope 1 emissions  | Scope 2 emissions | Scope 3 emissions | Total emissions  | Scope 1 emissions | Scope 2 emissions | Scope 3 emissions | Total emissions  |                                     |
| Banorte - Ixe Securities International      | n/a  | 36.22             | n/a               | 36.22            | n/a               | 26.97             | 13.36             | 40.33            | 11.35 ▲                             |
| Inter National Bank                         | 69.83  | 2,613.52          | n/a               | 2,683.35         | 58.22             | 2,569.58          | n/a               | 2627.8           | -2.07 ▼                             |
| Afore XXI Banorte                           | 245.52   | 1,129.94          | 396.07            | 1,771.53         | 218.12            | 1,392.02          | 366.94            | 1,977.08         | 11.60 ▲                             |
| Almacенadora Banorte                        | 160.11   | 124.67            | n/a               | 284.78           | 106.61            | 118.36            | n/a               | 224.97           | -21.00 ▼                            |
| Arrendadora y Factor Banorte                | 134.17   | n/a               | 75.9              | 210.07           | 119.69            | n/a               | 50.73             | 170.42           | -18.87 ▼                            |
| Banorte - Ixe                               | 1,327.82   | 59,435.40         | n/a               | 60,763.22        | 1,483.14          | 56,858.18         | 761.54            | 59,102.86        | -2.85* ▼<br>-4.10** ▼               |
| Pensiones y Seguros Banorte                 | 2,083.65   | 2,286.66          | n/a               | 4,370.31         | 2,142.37          | 1,796.25          | n/a               | 3,938.62         | -9.88 ▼                             |
| Grupo Financiero Banorte                    | <b>4,021.10</b>  | <b>65,626.41</b>  | <b>471.97</b>     | <b>70,119.48</b> | <b>4,128.15</b>   | <b>62,761.36</b>  | <b>1,192.57</b>   | <b>68,082.08</b> | <b>-2.91* ▼</b><br><b>-3.96** ▼</b> |
| Coverage (employees)                        | Emission Scopes 1 and 2 in 2013 take into account: (1) Banoret-Ixe Securities has no car fleet, (2) Arrendadora y Factor Banorte conducts its business in the Banorte - Ixe building. A3 Emissions: 18.99% in 2013 and 91.85% in 2014. *Sum includes Scope 3 **Sum excludes Scope 3<br>Indirect emissions from electrical consumption in Mexico for 2013 change with respect to the Annual Report for that same year, due to recalculation with updated factors from the GEI Mexico program. |                   |                   |                  |                   |                   |                   |                  |                                     |



G4-EN1, G4-EN8, G4-EN23, G4-EN27, G4-EN30

### Videoconferences

In 2014, GFNorte held 30,330 videoconferences, which represents an increase of 38% compared to last year. In addition, an estimated 223,368.05 km of travel avoided through videoconferences for Arrendadora y Factor and Banorte - Ixe Securities, which represent a savings of Ps 2,842,365.19 considering the average travel expenses per trip in the year. On the other hand, Ps 10,349,785 were invested in Banorte to renovate four videoconferencing rooms and to create four additional VC rooms.

### Corporate travel

Since April, a new tool was included within the SAP module to calculate the kilometers traveled by air as a result of corporate travel done by our banking sector employees. In 2014, more than 8.27 million kilometers were registered, the equivalent of 761.5 tons of CO<sub>2</sub> emitted.

This reporting is complemented by Banorte - Ixe Securities, along with Afore XXI and Arrendadora y Factor, registering 2,535,864 kilometres travelled by plane - the equivalent of 431 tons of CO<sub>2</sub>. These businesses employ 15.53% of the financial group's personnel.

## Waste Management

### Paperless

Thanks to internal initiatives for communication and active monitoring a savings of 36% was achieved in 2014 over the base year corresponding to the corresponding program for each area. Estimated savings totaled Ps 1.15 million. The goal of a 50% reduction set in 2011 was not achieved due to the notable increase of customers and employees, as well as the merger with Ixe. Given the above, it was decided to rethink Paperless targets for 2015, establishing a gradual goal by 2020 of a 15% reduction in paper consumed per employee in the Banking Sector compared to 2014.

In 2014, more than 121 tons of paper and cardboard was recycled, which represents 150% more than last year and an estimated economic return of Ps 221,114. The program added 6 more administrative buildings for a total of 13. The recycling program benefited over 6,000 employees in 2014, representing 28% of Banorte's personnel; compared to 2013, this was an 18% increased in benefits to employees.

### Tokens

As part of the campaign to reuse tokens, in 2014, 11,000 devices were reintroduced into our operations and in 2015, 22,086 will be shipped to a recycling plant to recover components. These 33,086 tokens represent 28% of our customers' expired tokens in 2014.

### Municipal solid waste

The disposal of waste generated in Banorte - Ixe is a relevant topic in our operations. In 2014 it was estimated that 3,247.15 tons of solid waste was generated.

| WASTE DISPOSAL                 |  |          |          |              |
|--------------------------------|--|----------|----------|--------------|
| Concept                        | 2012   | 2013     | 2014     | 14/13 Var. % |
| Municipal solid waste          | 2,749.78   | 3,164.53 | 3,247.15 | 2.61 ▲       |
| Municipal solid waste/employee | 0.13   | 0.16     | 0.15     | -2.09 ▼      |
| Scope                          | Employees of Banorte - Ixe and Leasing and Factoring, including ASPE |          |          |              |

Expressed in tons.

### Recycling

We continued in 2014 with our initiative of supporting the "Recycle your World" program from the San Ignacio de Loyola foundation, for which we collected 21,160 kg of office waste in Banorte's Torre Mayor and Mariano Escobedo buildings in Mexico City. The recovery of Ps \$44,360.49 was donated, after operating expenses to the construction of a Community Center in La Gavilana, in the Sierra Tarahumara.

### Paper consumption

GFNorte's paper consumption increased by 2.53% to reach 1,121 tons. However, in the Banking Sector paper consumption in terms of tons of paper per employee was -3.32%.

| PAPER CONSUMPTION                      |        |        |              |
|--|--------|--------|--------------|
| Banking sector indicator (metric tons) | 2013   | 2014   | 14/13 Var. % |
| Paper consumed                         | 924.32 | 921.94 | -0.26 ▼      |
| Paper / employee                       | 0.045  | 0.043  | -3.32 ▼      |
| Paper sent to be recycled              | 48.32  | 121    | 150.41 ▲     |

On a global scale, the increase was due in part to the need of Afore XXI to provide more detailed account statements to customers. In addition, the increase in paper use in offices of this business unit was due to sales offices to affiliate and transfer customers. In addition to this, in 2014 Banorte - Ixe implemented a long-term strategy called Contrato Múltiple (multiple contract). It is hoped that this has positive effects on cross-sales and paper consumption, as the contract is only printed once and in future acquisition product contracts only the cover sheet is printed.

### Water consumption

The estimated water consumption in 2014 was 536,054.79 m<sup>3</sup>, which represents a decrease of 8.81% from last year. The scope of this report increased to 99% with the inclusion of Afore XXI, for a total of 545,361.92 m<sup>3</sup>. Water consumed in the Group's operations comes from and is channeled back to municipal networks. In 2015 the target goal will be established for water consumption by 2020.

| WATER CONSUMPTION              |               |               |
|--------------------------------|---------------|---------------|
| Consumption                    | 2013          | 2014          |
| Water m <sup>3</sup>           | 587,824.70    | 545,361.92    |
| Water m <sup>3</sup> /employee | 21.59         | 19.37         |
| Scope                          | <b>83.02%</b> | <b>99.56%</b> |

### Green Roof

The green roof located on top of the “Roberto González Barrera” Contact Center in Monterrey, N.L. has an area of 2,650 m<sup>2</sup>, of which 1,784 m<sup>2</sup> is landscaped. On this rooftop 72 species are preserved of which 18 endangered species are listed in the NOM-059-SEMARNAT-2010 for the protection of flora and wildlife.

Since 2014, an environmental education program has been taught on the green roof to educate employees on biodiversity, food safety, climate change, water and desert, green cities, plant and herb collections. The program includes conferences, craft workshops, tours and reflective activities that aim to raise awareness among our stakeholders of the importance of sustainability. By December 2014, the rooftop had received a total of 868 visitors from different educational systems.

| PRESERVED SPECIES* ON OUR GREEN ROOF |                            |                            |
|--------------------------------------|----------------------------|----------------------------|
| Threatened                           | Endangered                 | Protected                  |
| Astrophytum capricorne               | Agave victoriae-reginae    | Agave titanota             |
| Astrophytum myriostigma              | Echeveria elegans          | Ariocarpus kotschoubeyanus |
| Astrophytum ornatum                  | Echeveria laui             | Ariocarpus retusus         |
| Cephalocereus senilis                | Echinocactus grusonii      | Echinocactus platyacanthus |
| Coryphantha elephantidens            | Graptopetalum macdougallii | Ferocactus histrix         |
| Mammillaria plumosa                  |                            | Mammillaria bocasana       |
|                                      |                            | Thelocactus bicolor        |

\* Category of species in accordance with the NOM-059-SEMARNAT-2010

| VISITORS TO THE GREEN ROOF         |            |
|------------------------------------|------------|
| <b>Number of external visitors</b> | <b>149</b> |
| CSOs                               | 58         |
| Academical                         | 22         |
| Employees' family members          | 47         |
| Suppliers                          | 16         |
| Others                             | 6          |
| <b>Number of internal visitors</b> | <b>719</b> |
| <b>Number of total visitors</b>    | <b>52</b>  |
| <b>Total</b>                       | <b>868</b> |



G4-EN31



### **Donation to Reserva Jaguar del Norte**

A donation of 1,500 hectares in the State of Sonora was made to the Naturalia A.C. institution to support jaguar preservation. During the ceremony, attended by Banorte clients and employees, an art auction was held marking the beginning of actions that will contribute to generate financial resources for the long-term management and protection of this reserve. Additionally, Banorte will work with Naturalia in developing various initiatives to protect the Reserva Jaguar del Norte and the jaguar as a species.

### **Sustainability Management System**

The implementation of a Sustainability Management System (SMS) was completed for the collection, validation, monitoring and analysis of environmental, social and economic performance indicators within the financial group. The platform was launched in October

and, over the course of the last quarter of the year, 40 users were trained to enter more than 250 data related to environmental indicators.

### **Environmental expenses and investments**

The costs to treat and mitigate emissions in 2014 totaled Ps 21,367,398.00 for the construction, renovation and maintenance of videoconferencing rooms that will reduce emissions generated by corporate travel.

On the other hand, total investment for the environmental management and prevention was Ps 3,227,159.44, which includes the purchase of plants and materials for the green roof, as well as its maintenance and the implementation of the educational program. Investments in the SMS platform for the management of sustainability indicators and in the verification of our greenhouse gas emissions inventory are also considered.

# EXTERNAL Initiatives

In GFNorte, we demonstrate our commitment to sustainability by signing various external economic, environmental and social initiatives.

| INICIATIVE  | GFNORTE OBJECTIVE  | 2014 RESULTS   | 2015 OBJECTIVE  |
|---|--|--|---|
| <b>Greenhouse Gas (GHG) Protocol and United Nations Environment Program Finance (UNEP FI)</b> | Establish a methodology for calculating emissions related to loans and investments of financial institutions to increase our range in reporting scope 3 emissions.   | Participation in online workshops and research aimed at the development, revision and preparation of the first draft for this methodology.   | By 2015, conclusion of the methodology draft is expected and published reports of our financing emissions can commence the following year.  |
| <b>Declaration of Natural Capital</b>   | Incorporate natural capital criteria in products and financial services.   | Leader of Work Group 2, which has participated in the following pilot projects: <ul style="list-style-type: none"> <li>• Identification and integration of risks associated with natural capital in credit risk assessments.</li> <li>• Risk policies in agricultural raw materials (palm oil, soy, meat and timber products) and their relationship with loan and investment portfolios.</li> <li>• Consideration of water risks in the valuation of corporate bonds. A study was started to identify and evaluate such risks.</li> </ul> | Continue to develop methodologies to incorporate criteria for natural capital in credit risk assessment, as well as the tool, for risk policies in soft commodities and water risks.  |
| <b>CDP Carbon Disclosure Project</b>  | Raise awareness of climate change in Mexico and Latin America through better quality and transparency of information reported for company performance in terms of emissions.   | For the 2 <sup>nd</sup> consecutive year, GFNorte was selected from among the 8 companies of the Climate Disclosure Leadership Index (CDLI) in Latin America for leadership in transparency with regard to information relating to climate change. It is ranked second of the companies in Mexico with greater transparency, as well as the financial institution with the second highest rating in Latin America in this same category.   | As part of our commitment to the Road to Paris initiative in preparation for the Paris Climate Summit, to be held in December 2015, the following actions were carried out: <ul style="list-style-type: none"> <li>• Promoting internal use of a price for carbon.</li> <li>• Incorporating aspects of climate change in annual reports and supporting the creation of public policies of climate change.</li> <li>• Positioning ourselves among the top 5 companies in the Latin American CDLI.</li> </ul> |
| <b>GEI National Greenhouse Gas Reporting Program</b>  | Align our calculation and reporting procedures for GHG emissions in accordance with the General Law on Climate Change and strengthen our mitigation strategy.  | GFNorte is the first private financial institution to obtain the GEI2, a recognition, which is proof that we monitor the company's carbon footprint, and have a mitigation program for emissions.  | To report total Scope 1 and 2 emissions, through the addition of refrigerant gas emissions used in our installations.   |
| <b>United Nations Global Compact</b>  | Align and integrate our strategy and operations to the ten Global Compact Principles in the areas of Human Rights, Labor Standards, Environment and Anti-corruption.   | A fourth consecutive year of concrete actions that meet our commitment to the Pact, thus obtaining an advanced level in reporting of operations.   | To comply with these actions for a 5th consecutive year.  |
| <b>Women's empowerment</b>  | To become the leader in gender equality in Mexico's financial sector and work for the economic empowerment of women across the country.  | Grupo Financiero Banorte signed the UN initiative, Women's Empowerment Principles, and the United Nations Global Compact initiative. These principles seek to help businesses to promote gender equality and the empowerment of women in the work place.   | To continue in these initiatives and continue to promote gender equality.   |
| <b>UNAM Chair</b>   | Assist students in understanding financial topics through the knowledge and experience of professionals. In addition to strengthening the Business-University link through direct cooperation in the optional business of "Markets and Financial Instruments in Mexico". | It was successfully taught during the two semesters of the year, to approximately forty students.  | Provide this for two semesters each year with a minimum of thirty enrolled students.  |

# AWARDS and recognitions

## **Banorte is recognized by LatinFinance as “Best Bank in Mexico and Latin America 2014” and as “Best Bank of 2014 in Mexico” by The Banker.**

In November 2014 The Banker, through the Financial Times, honored Banorte for a second consecutive time and 7th since 2005 as “Best Bank in Mexico”. Additionally, in October 2014, Banorte was honored by LatinFinance the international journal specializing in banking and capital markets as “Best Bank of the Year in Mexico and Latin America”.

Both appointments took into consideration qualitative and quantitative factors such as security, solidity and prudence displayed by the institution. They recognized in Banorte the ability to grow through various acquisitions and mergers as was the case with the purchase of Generali’s participation in the Insurance and Annuities companies and the successful mergers of Ixe and Afore BBVA Bancomer, with which the Group has raised its market share by attending to the financial needs of new customers. Mention of GFNorte’s increased presence in the equity market was also made.

An additional factor in the assessment was the confidence that investors have shown by acquiring the stock package that allowed GFNorte to obtain fresh capital for its expansion in mid-2013, stressing that this capital increase was achieved in a context of greater volatility in

international markets and an economic growth in Mexico below expectations.

## **Banorte, the most valuable brand in the financial industry in Mexico according to Millward Brown**

In September 2014, the firm of Millward Brown presented in its BrandZ report, its ranking of the 30 most valuable brands in our country, in which Banorte was ranked among the ten most valuable brands in Mexico, and the most valuable in the financial industry.

## **Recognition from Institutional Investor magazine**

In August 2014, Institutional Investor magazine announced the results of its rankings for the “Best Executive Team in Latin America of 2014” \*, which were determined through the application of a survey to 409 fund administrators (buy-side) and 372 market analysts (sell-side). For the fifth consecutive year GFNorte’s management team and investor-relations team ranked at the top among Mexican companies and Latin American banks.

## **2014 Morningstar Awards**

In February 2014, Operadora de Fondos Banorte Ixe was recognized at the 2014 Morningstar Awards, in the category of Best Aggressive Mixed Fund in Mexico.

\* Residual votes of the CFO voting, since on that date the RI plaza was not designated.

# MESSAGE from the Executive Director of Social Responsibility

From the perspective of our Social Responsibility and Sustainability strategy, 2014 has been a year of intense activity and important results for Grupo Financiero Banorte.

That is why I am pleased to share with you the achievements made through transformation of our different capitals: financial, intellectual, human, social and natural.

One of this year's milestones was being included in the Dow Jones Sustainability Index for Emerging Markets (DJSI), because it represents the sum of all the small and large achievements we have made over almost ten years of working tirelessly to incorporate a culture of sustainability into our operations and objectives that now has become an indelible part of our work. Entering the DJSI also represents a challenge since as a parameter of sustainability for investors and companies; it supports our actions as an institution, our corporate governance practices and healthy risk management and commits us to intensify them.

Today we have a structured Social Responsibility area, which through its multidisciplinary team is consolidating itself gradually into an institutional support to identify and manage impacts, risks and opportunities in the field of sustainability. An example of this is to having developed the Social and Environmental Management System (SEMS) with regard to our products and services, enabling us to analyze and ensure that our institutionally funded projects comply with IFC environmental standards. In this way, based on SEMS and the Equator Principles, this year we can classify risks associated with Banorte's loan portfolio, expanding our analysis to sectors with potentially negative impacts both for society and the environment.

I invite you to learn more about the specific actions taken throughout the year in this integrated report, which includes detailed information based on the Global Reporting Initiative (GRI) standards, version 4. We have complemented our report with the framework of the International Integrated Reporting Council (IIRC), which guided our valuation of intangibles and the future vision in our most important operations. In 2015, we seek commitment from senior management levels to adopt this framework in our scheme of reporting for following periods.

We are proud of what we have achieved, who we are, but even more of our future prospects. We will continue working to transform our capital into value, with gradual but solid results that will become the pillar on which we will build a more sustainable company.

Thank you very much,



**Mayra Hernandez González**

Executive Director of Social Responsibility and Sustainability





Today we have a structured Social Responsibility area, which through its multidisciplinary team is consolidating itself gradually into an institutional support to identify and manage impacts, risks and opportunities in the field of sustainability.

# GRI CONTENT Index

## GLOBAL REPORTING INITIATIVE



| EXTERNAL ASSURANCE<br>Page 109 to 111 |   | PAGE                | DESCRIPTION  | 2014 DECLARATION  |
|---------------------------------------|---|---------------------|--|---|
| G4 DISCLOSURES                        |   |                     |  |   |
| ANALYSIS AND STRATEGY                 |   |                     |  |   |
| G4-1                                  | ✓ | 6-15,92-93          | Declaration of primary responsible for decisions of the organization on the relevance of sustainability for the institution and the strategy to addressing this issue. | Messages from the President, General Management and Executive Management of Social Responsibility   |
| G4-2                                  | ✓ | 6-15,92-93          | Describe the main effects, risks and opportunities.  | Messages from the President, General Management and Executive Management of Social Responsibility   |
| ORGANIZATION PROFILE                  |   |                     |  |   |
| G4-3                                  | ✓ | 2-3                 | Name of the organization.  | Company profile   |
| G4-4                                  | ✓ | 2-3, 27-29, 44-45   | The organization's most important brands, products and services.   | Company profile, Intellectual Capital   |
| G4-5                                  | ✓ | 2, 4-5              | Location of the organization's headquarters.   | Company profile   |
| G4-6                                  | ✓ | 4-5                 | Number of countries in which the organization operates or which have specific relevance to sustainability issues reported.   | Company profile   |
| G4-7                                  | ✓ | 5                   | Nature of ownership and legality.  | Company profile   |
| G4-8                                  | ✓ | 4-5, 44-59          | Markets served (with geographic breakdown, by sectors and types of clients and recipients).  | Company profile, Our offer of value   |
| G4-9 <sup>(1)</sup>                   | ✓ | 16-19, 72-73, 78-79 | Dimensions of the organization (employees, net sales, total capitalization, etc.)  | Relevant figures, Economic value, Social value  |
| G4-10 <sup>(2)</sup>                  | ✓ | 78-79               | Number of employees by employment contract, by region and gender.  | Social value  |
| G4-11                                 | ✓ | 78                  | Percentage of employees covered by collective agreements.  | Social value  |
| G4-12                                 | ✓ | 82                  | Describe the organization's supply chain.  | Social value  |
| G4-13                                 | ✓ | 6-15                | Significant changes during the period reviewed in the size, structure, shareholder property or the supply chain for the organization.                                  | Messages from the President and General Management  |
| G4-14                                 | ✓ | —                   | How the organization addresses, where appropriate, the precautionary principle.  | There are no studies on risks and environmental impact for new investments or products, however, measures are taken in the construction of new branches for the mitigation of environment impact such as: • separation of solid waste • using treated water • water reuse • rainwater collection • ecological bathrooms • use of products made from recycled materials • use of leadfree vinyl paint • lighting and on/off airconditioning control systems • installation of lighting with low energy consumption |
| G4-15                                 | ✓ | 90                  | Letters, principles or other external initiatives of economic, environmental and social character that the organization subscribes to or has taken.                    | External initiatives  |

<sup>(1)</sup> Only Banking Sector employee numbers were reviewed and net profit of GFNorte.

<sup>(2)</sup> Only Banking Sector figures were reviewed.

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE       | DESCRIPTION   | 2014 DECLARATION  |
|--|---|------------|---|---|
| G4 DISCLOSURES                         |   |            |   |   |
| G4-16                                  | ✓ | —          | Major associations and national or international advocacy organizations the organization belongs to.  | Through its respective business units, GFNorte has an active presence in different associations:<br>- Asociación de Bancos de México (Association of Mexican Banks)<br>- Asociación Mexicana de Afores (Mexican Association of Afores)<br>- Asociación Mexicana de Instituciones de Seguros (Mexican Association of Insurance Institutes)<br>- Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje. (Mexican Association of Leasing, Credit and Factoring Financial Corporations) |
| G4-17                                  | ✓ | 5          | Entities included in the consolidated financial statements of the organization and other equivalent documents.  | Corporate structure   |
| G4-18                                  | ✓ | 69         | Describe the process followed to determine the contents of memorandums and the coverage of every aspect   | Materiality   |
| G4-19                                  | ✓ | 69         | Material aspects identified during the process of definition of memorandum contents.  | Materiality   |
| G4-20                                  | ✓ | 95         | Indicate the internal coverage of the organization of every material aspect.  | For more information on our Materiality Study, consult our 2013 Annual Report at: <a href="http://www.banorte.com/informeannual2013">www.banorte.com/informeannual2013</a> , page14.  |
| G4-21                                  | ✓ | 95         | Indicate the external coverage of the organization of every material aspect.  | For more information on our Materiality Study, consult our 2013 Annual Report at: <a href="http://www.banorte.com/informeannual2013">www.banorte.com/informeannual2013</a> , page16.  |
| G4-22                                  | ✓ | 95         | Consequences of the reformulating information provided in earlier reports and its causes.   | There is no need of reformulate due to the fact that there were no acquisitions or mergers during the period.   |
| G4-23                                  | ✓ | 84, 86, 95 | Significant changes in the scope and coverage of every aspect in relation to earlier reports.   | Any significant changes or re-evaluation of data is referred as a note in corresponding cases: p. 84 "Total Energy Consumption" table, p. 86 "Global Emissions in Tons of CO <sub>2</sub> Emissions" table.   |
| STAKEHOLDER ENGAGEMENT                 |   |            |   |   |
| G4-24                                  | ✓ | 70-71      | Stakeholders linked to the organization.  | Stakeholder engagement  |
| G4-25                                  | ✓ | 70-71      | Basis to identify and select stakeholders with whom we work.  | Stakeholder engagement  |
| G4-26                                  | ✓ | 70-71      | Participation of stakeholders, including how often they collaborate with different types and groups of stakeholders.  | Stakeholder engagement  |
| G4-27                                  | ✓ | 70-71      | Key issues and problems that have come up as a result of stakeholders' participation and assessment made by the organization, among other aspects, through memorandums. Specify which stakeholders raised each key issue and problem. | Stakeholder engagement  |

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE              | DESCRIPTION   | 2014 DECLARATION   |
|--|---|-------------------|---|--|
| G4 DISCLOSURES                         |   |                   |   |  |
| <b>REPORT PROFILE</b>                  |   |                   |   |  |
| G4-28                                  | ✓ | —                 | Reporting period for the memorandum (e.g., fiscal year or calendar year).   | This 2014 Annual Report is for the period from January 1 <sup>st</sup> to December 31 <sup>st</sup> , 2014.  |
| G4-29                                  | ✓ | —                 | Date of the last report (if applicable).  | The 2013 Annual Report for Grupo Financiero Banorte was presented immediately prior to this report.  |
| G4-30                                  | ✓ | —                 | Reporting cycle (annual, biennial, etc.).   | Annual   |
| G4-31                                  | ✓ | Inside back cover | Contact to resolve any doubts that may arise in relation to the contents of the memorandum.   | —  |
| G4-32                                  | ✓ | 94-105            | Chart indicating location of the basic contents of the memorandum, and the option “in accordance” with the Guide the organization has selected.   | We adhere to the comprehensive compliance option, reporting all general and specific indicators, based on the GRI G4 Aspects defined as materials, as well as the Financial Services Sector Supplement; In addition, we are committed to continue to work on strengthening compliance with the principles of report preparation, to continue with the materiality exercise and followup on aspects and materiality issues during the course of the year. The Letter of Verification is attached. To learn more about our external assurance process, refer to the G4-33 Disclosure |
| G4-33                                  | ✓ | 109-111           | Policy and current practices of the organization with respect to the external assurance of memorandum.  | External assurance is being performed by the consultancy company Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) The scope of this assurance is found in the Independent Assurance Report. The company has a selection process for the verifying firm. It is subsequently subjected to an audit by the Audit and Corporate Practices Committee and finally ratified by the Board of Directors. Third party verification is important to provide assurance of the data presented in the annual report.   |
| <b>CORPORATE GOVERNANCE</b>            |   |                   |   |  |
| G4-34                                  | ✓ | 60                | The organization’s governing structure and that of top governing committees. Indicate what committees are responsible for decision-making on economic, environmental and social issues. | Corporate governance   |
| G4-35                                  | ✓ | 61                | Process by which the superior governing body delegates authority to senior management and certain employees for issues of an economic, environmental and social nature.                 | Corporate governance   |
| G4-36                                  | ✓ | 67                | Executive responsibilities or with responsibility for economic, environmental and social issues, and if they are answerable directly to the highest governing authority.                | Corporate governance   |
| G4-37                                  | ✓ | 68, 70-71         | Consultation processes between stakeholders and the highest governing body of authority with respect to economic, environmental and social issues.                                      | Sustainable management, corporate governance, stakeholders. The relationship and dialogue with various stakeholders, led by the head of each department, with a periodicity that the natural relationship implies. In the case of a topic that, by its importance, must be submitted to the Board of Directors, is given same consideration.   |
| G4-38                                  | ✓ | 60                | Composition of the highest governing body and of its committees.  | Corporate governance   |
| G4-39                                  | ✓ | —                 | Indicate if the person who presides over the top governing body also holds an executive position.   | Not reported   |

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE | DESCRIPTION  | 2014 DECLARATION  |
|--|---|------|--|---|
| G4 DISCLOSURES                         |   |      |  |   |
| G4-40                                  | ✓ | —    | Nomination and selection processes for the top governing authority and its committees, as well as the criteria on which the appointment and member selection is based.   | For more information go to: <a href="http://www.banorte.com/gobiernocorporativo">www.banorte.com/gobiernocorporativo</a>  |
| G4-41                                  | ✓ | —    | Processes by which the superior governing body prevents and manages potential conflicts of interest.   | GFNorte's bylaws include that "members and, if the case, the Secretary of the Board of Directors, who have a conflict of interest in any matter, shall refrain from participating and be present at the deliberation and vote on such matters, without affecting the quorum required for the aforementioned Council." |
| G4-42                                  | ✓ | 61   | Functions of the superior governing body and senior management in the development, approval and update of the purpose, values or mission statements, strategies, policies and objectives relating to economic, environmental and social impacts of the organization. | Corporate governance  |
| G4-43                                  | ✓ | 68   | Measures taken to develop and improve the collective knowledge of the superior governing body with respect to economic, environmental and social matters.  | Sustainable management  |
| G4-44                                  | ✓ | —    | Processes for evaluating the performance of the superior governing body in relation to the governance of economic, environmental and social issues.  | Internal and confidential information   |
| G4-45                                  | ✓ | 68   | Describe the function of the superior governing body in the identification and management of impacts, risks and opportunities of economic, environmental and social natures.   | Sustainable management  |
| G4-46                                  | ✓ | 68   | Describe the function of the superior governing body in the analysis of the effectiveness of the organization's risk management processes in relation to economic, environmental and social matters.   | Sustainable management  |
| G4-47                                  | ✓ | —    | Frequency with which the superior governing body analyzes the impacts, risks and opportunities of economic, environmental and social matters.  | During the various sessions of the Board of Directors, subject to availability in the agenda, a space is assigned for the review and management of impacts, risks and opportunities of economic, social and environmental character.  |
| G4-48                                  | ✓ | —    | Committee or charge of greater importance that reviews and approves the sustainability memorandum of the organization and ensures that all material aspects are reflected.   | The Executive Management of Social Responsibility approves the Annual Report.   |
| G4-49                                  | ✓ | 68   | Process to transmit important concerns to the superior governing body.   | Sustainable management  |
| G4-50                                  | ✓ | —    | Nature and number of important concerns that were transmitted to the superior governing body; also describing the mechanisms used to approach and evaluate them.   | Confidential information because it represents a direct impact on our business strategy.  |
| G4-51                                  | ✓ | —    | Remuneration policies for the superior governing body and senior management.   | The Shareholders' Assembly establishes the remunerations that members of GFNorte's Board earn in their ordinary sessions, which are usually held each April.  |

| EXTERNAL ASSURANCE<br>Page. 109 to 111              |   | PAGE                              | DESCRIPTION   | 2014 DECLARATION  |
|---|---|-----------------------------------|---|---|
| G4 DISCLOSURES                                      |   |                                   |   |   |
| G4-52   | ✓ | —                                 | Processes by which remuneration is determined. Indicates if consultants were used, and whether these are independent of management.   | The Shareholders' Assembly establishes the remunerations that members of GFNorte's Board earn in their ordinary sessions, which are usually held each April.  |
| G4-53   | ✓ | —                                 | How to request and take into account stakeholders' views with regards to remunerations, including, if the case, voting results on policies and proposals related to this issue.   | Channels of communication with the different stakeholders are kept open to receive comments on the matter.  |
| G4-54   | ✓ | —                                 | Relation between the total annual compensation of the best paid person in the organization of every country where significant transactions are carried out, with the average annual total compensation of all personnel (not counting the best paid person) of the corresponding country. | The ratio that executive directors' salaries have with respect to the average salary of the rest of the staff is 8.0 times the base salary. The methodology consists in grouping different management levels on the one hand to obtain their average compensation and on the other, to group different levels of staff to get their average compensation. With the aforementioned figures, the average compensation for executive directors is divided by the compensation for the rest of the staff to obtain the ratio. |
| G4-55   | ✓ | —                                 | Relation between the percentage increase in the total annual remuneration of the best paid person in the organization with the percentage increase in the annual total compensation average of the entire labor force (not counting the best paid person) of the corresponding country.   | Not applicable, since the best-paid individual has not had an increase in remuneration during the period of time in question.   |
| ETHICS AND INTEGRITY                                |   |                                   |   |   |
| G4-56   | ✓ | 2ª de forros, 61                  | The organization's values, principles, standards and regulations, such as Codes of Conduct or Ethical Codes.  | Company profile, Corporate governance, <a href="http://www.banorte.com/gobiernocorporativo">www.banorte.com/gobiernocorporativo</a>   |
| G4-57   | ✓ | —                                 | Internal and external advisory mechanisms for lawful and ethical conduct, and for issues related to the integrity of the organization, such as hotlines for help or advice.   | All employees have access to Ethics Points, an external complaint system that provides transparency on issues of ethics and legality.   |
| G4-58   | ✓ | —                                 | Internal and external mechanisms for reporting unethical or illegal behavior and integrity issues of the organization, such as staggered notifications to managing directors, whistleblowing mechanisms or telephone help lines.  | All employees have access to Ethics Points, an external complaint system that provides transparency on issues of ethics and legality.   |
| G4-DMA  |   | 92-93                             | Indicate why the aspect is important.   | Message from Executive Management of Social Responsibility  |
| GRI G4 / SPECIFIC STANDAR DISCLOSURES               |   |                                   |   |   |
| ECONOMIC DIMENSION: ECONOMIC PERFORMANCE INDICATORS |   |                                   |   |   |
| G4-EC1  | ✓ | 16-19, 30-33, 35-37, 72-73, 78-83 | Direct economic value generated and distributed, including revenues, operating costs, remuneration to employees, donations and other investments in the community, undistributed profits and payments to suppliers of capital and Governments.  | In a move to introduce the contents of this indicator according to the formula proposed by the GRI, we are only showing the most relevant investments that we have made in GFNorte. Relevant figures, human capital, social capital, economic value, social value.  |
| G4-EC3  | ✓ | 80                                | Coverage of the organization's obligations resulting from the benefit plan.   | Social value  |

| EXTERNAL ASSURANCE<br>Page. 109 to 111                               |   | PAGE         | DESCRIPTION   | 2014 DECLARATION  |
|--|---|--------------|---|---|
| G4 DISCLOSURES   |   |              |   |   |
| <b>Market presence</b>   |   |              |   |   |
| G4-EC5   | ✓ | —            | Relation between the initial salary broken down by gender and local minimum wages in places where significant transactions are carried out.   | Minimum salary in zone A: \$6,810<br>Post: Mixed Teller<br>Tabulators at the national level |
| G4-EC7   | ✓ | 37, 83       | Development and impact of investments in infrastructure and types of services.  | Social Capital, Social Value  |
| G4-EC8   |   | 42-43        | Significant indirect economic impacts and reaches thereof.  | Mexico, a great opportunity   |
| G4-DMA EC  |   | 34-37, 78-83 | Explain the strategy of community investment, related to the data reported in investment in the community.  | Social Capital, Social Value  |
| <b>ENVIRONMENTAL DIMENSION: ENVIRONMENTAL PERFORMANCE INDICATORS</b> |   |              |   |   |
| <b>Materials</b>   |   |              |   |   |
| G4-DMA EN  | ✓ | 84           | Disclosures on management approach.   | Environmental value   |
| G4-EN1   | ✓ | 40-41, 87    | Materials used by weight or volume.   | Natural capital, Environmental value  |
| <b>Energy</b>  |   |              |   |   |
| G4-EN3   | ✓ | 84           | Internal energy consumption broken down by primary sources.   | Environmental value   |
| G4-EN5   | ✓ | 84-85        | Energy intensity.   | Environmental value   |
| G4-EN6   | ✓ | 39-41, 85    | Energy savings due to conservation and improvements in efficiency and initiatives to reduce indirect energy consumption and reductions achieved with these initiatives.   | Natural capital, Environmental value  |
| <b>Water</b>   |   |              |   |   |
| G4-EN8   | ✓ | 39-41, 87    | Total uptake of water by source.  | Natural capital, Environmental value  |
| <b>Biodiversity</b>  |   |              |   |   |
| G4-EN11  | ✓ | 88           | Operating facilities that are owned, leased, managed to be adjacent, containing, or located in protected areas and unprotected areas of great value to biodiversity.  | Environmental value   |
| G4-EN14  | ✓ | 88-89        | The number of species included on the IUCN's red list and national conservation listings whose habitats are found in areas affected by operations, depending on the level of danger of extinction of the species. | Environmental value   |
| <b>Emissions</b>   |   |              |   |   |
| G4-EN15  | ✓ | 86-87        | Direct emissions of greenhouse gases (due to business trips, using company transportation or messenger services).   | Environmental value   |
| G4-EN16  | ✓ | 86-87        | Indirect greenhouse gas emissions when generating power.  | Environmental value   |
| G4-EN17  | ✓ | 86-87        | Other indirect greenhouse gas emissions (from business trips, using company transportation or messenger services).  | Environmental value   |
| G4-EN18  | ✓ | 86-87        | Intensity of greenhouse gas emissions.  | Environmental value   |

| EXTERNAL ASSURANCE<br>Page: 109 to 111                 |   | PAGE  | DESCRIPTION   | 2014 DECLARATION  |
|--|---|-------|---|---|
| G4 DISCLOSURES   |   |       |   |   |
| G4-EN19  | ✓ | 86-87 | Initiatives to reduce GHG emissions, and reductions achieved.   | Environmental value   |
| G4-EN23  | ✓ | 87    | Total weight of waste managed, depending on the type and treatment method (paper and T1 waste).   | Environmental value   |
| <b>Products and services</b>                           |   |       |   |   |
| G4-EN27  | ✓ | 87    | Degree of mitigation of the environmental impact of products and services.  | Risk management   |
| G4-EN29  | ✓ | —     | Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and environmental regulations.  | GFNorte did not receive environmental fines in 2013.  |
| <b>Transporting</b>                                    |   |       |   |   |
| G4-EN30  | ✓ | 87    | Significant environmental impacts of transporting products and other goods and materials used for the organization's activities, as well as transportation of personnel.  | Environmental value   |
| <b>General</b>   |   |       |   |   |
| G4-EN31  | ✓ | 90    | Breakdown of costs and environmental investments.   | Environmental value   |
| <b>Environmental assessment of suppliers</b>           |   |       |   |   |
| G4-EN32  | ✓ | —     | Percentage of new suppliers who are examined on the basis of environmental criteria.  | There are no test procedures based on environmental criteria; However, since the 2 <sup>nd</sup> semester of 2012, suppliers were encouraged to maintain healthy human rights, labor, environmental and anticorruption practices, including a clause in new contracts and renewals, whereby they manifest their commitment to comply with the Global Compact Principles (without signifying their adherence). Today we have 1,782 suppliers' contracts with suppliers in which this commitment is declared. |
| G4-EN34  | ✓ | —     | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms   | GFNorte has not received any complaint on environmental impacts.  |
| <b>SOCIAL DIMENSION: SOCIAL PERFORMANCE INDICATORS</b> |   |       |   |   |
| <b>Employment</b>                                      |   |       |   |   |
| G4-DMA LA  |   | 80    | Policies and practices related to threats or violence in the workplace to help employees, their family or community, in cases of attacks or aggression (verbal or physical) by customers, armed robbery, kidnapping, etc. | Social value  |
| G4-LA1 <sup>(3)</sup>                                  | ✓ | 79    | Number and rate of recruitment and rotation of employees, broken down by age group, gender and region   | Social value  |
| G4-LA2   | ✓ | 80    | Social benefits for full-time employees that are not offered to temporary or part-time employees, broken down by locations with significant activity.   | Social value  |
| G4-LA3   | ✓ | —     | Return to work and retention rates after completion of maternity or paternity leave, broken down by gender.   | During the year there were 375 requests for maternity leave, 188 paternity permissions and the return rate was 100%.  |

<sup>(3)</sup> Only turnover rate figures disaggregated by sex and age were reviewed.



| EXTERNAL ASSURANCE<br>Page. 109 to 111         |   | PAGE      | DESCRIPTION  | 2014 DECLARATION  |
|--|---|-----------|--|---|
| G4 DISCLOSURES                                 |   |           |  |   |
| G4-LA5   | ✓ | —         | Percentage of workers represented in joint formal committees of health and safety for management and employees, established to help monitor and advise on occupational health and safety programs. | 3,791 employees brigades were trained in 2014 in Banorte - Ixe buildings and branches - a total of 197 events in 17 regions of the country on issues such as: <ul style="list-style-type: none"> <li>• First Aid</li> <li>• Evacuation and handling crises</li> <li>• Controlling and fighting and fires</li> <li>• Heimlich maneuver</li> </ul>  |
| G4-LA6   | ✓ | 80        | Rates of injury and types, occupational illness, days lost, absenteeism and death toll related to work by region and gender.   | Social value  |
| <b>Training and education</b>                  |   |           |  |   |
| G4-LA9 <sup>(4)</sup>                          | ✓ | 31-33, 81 | Average hours of training per year per employee, broken down by gender and by job category.  | Human capital, Social value   |
| G4-LA10  | ✓ | 31-33, 81 | Programs for skills management and training to foster employability of workers and help them to manage the end of their careers.   | Human capital, Social value   |
| G4-LA11  | ✓ | 81        | Percentage of employees receiving regular performance and professional development assessments, broken down by gender and by professional category.  | Social value  |
| G4-LA12 <sup>(5)</sup>                         | ✓ | 61, 79    | Composition of governing bodies and breakdown of the workforce by professional category and gender, age, minority membership, and other indicators of diversity.                                   | Corporate governance  |
| G4-LA13  | ✓ | 79        | Relation between base salary of men with respect to women, disaggregated by professional category and locations of significant activity.   | Social value. At GFNorte, there is no gender distinction for salaries; differences are due to the value that a vacant position has at that time, without any gender influence.  |
| <b>Supplier assessment for labor practices</b> |   |           |  |   |
| G4-LA14 <sup>(6)</sup>                         | ✓ | 82        | Percentage of new suppliers who were assessed on the basis of criteria relating to labor practices.  | Social value  |
| <b>Labor practices grievance mechanisms</b>    |   |           |  |   |
| G4-LA16  | ✓ | —         | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.   | We have a confidential and anonymous complaints system, Ethic Points, to address cases of corruption and those who violate sound business practices. In 2014, there were 287 complaints filed: 87% correspond to Human Resources and 13% to Internal Control. It is worth mentioning that no complaint was filed for discrimination. Complaints in matters of Human Resources correspond to the following classifications: discrimination or harassment; violation of policies and conducts; bad behavior; violence; threat or theft and unsafe working conditions. In terms of Internal Control, the existing classifications are: operational issues, false accounting, erroneous information, illicit enrichment, and falsification of contracts or records. |

<sup>(4)</sup> Only training hours corresponding to the Banking Sector were reviewed.

<sup>(5)</sup> No breakdown of full-time staff by professional category and minority status were reported.

<sup>(6)</sup> Only suppliers with the Global Compact clause in their contracts were verified.

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE | DESCRIPTION  | 2014 DECLARATION  |
|--|---|------|--|---|
| G4 DISCLOSURES                         |   |      |  |   |
| <b>HUMAN RIGHTS</b>                    |   |      |  |   |
| Investment                             |   |      |  |   |
| G4-HR1                                 | ✓ | —    | Number and percentage of contracts and significant investment agreements that include human rights' clauses or that have been analyzed in human rights' matters.   | We have no investment agreements, but we do have 1,782 contracts with suppliers in which they have declared their commitment to knowledge and fulfillment of the Global Compact Principles (without signifying their adherence).  |
| G4-HR2                                 | ✓ | —    | Hours of employee training on policies and procedures related to those human rights' aspects relevant to operations, including the percentage of employees trained | In 2014, 13,538 hours of training activities in the area of human rights were conducted which represents 64% of employees trained in this subject.  |
| G4-HR3                                 | ✓ | —    | The number of cases of discrimination and corrective measures taken.   | No complaints of this type were recorded in 2014.   |
| G4-HR7                                 | ✓ | 81   | Percentage of security personnel who received training on the organization's policies and procedures in the field of human rights relevant to operations.          | Social value  |
| G4-HR10                                | ✓ | —    | Percentage of new suppliers who were assessed on the basis of criteria relating to human rights.   | There are no test procedures based on human rights' criteria; However, since the 2 <sup>nd</sup> semester of 2012, suppliers were encouraged to maintain healthy human rights, labor, environmental and anti-corruption practices, including a clause in new con-tracts and renewals, whereby they manifest their commitment to comply with the Global Compact Principles (without signifying their adherence). Today we have 1,782 contracts with suppliers in which this commitment is declared.  |
| G4-HR12                                | ✓ | —    | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.  | We have a confidential and anonymous complaints system, Ethic Points, to address cases of corruption and those who violate sound business practices. In 2014, there were 287 complaints filed: 87% correspond to Human Resources and 13% to Internal Control. It is worth mentioning that no complaint was filed for discrimination. Complaints in matters of Human Resources correspond to the following classifications: discrimination or harassment; violation of policies and conducts; bad behavior; violence; threat or theft and unsafe working conditions. In terms of Internal Control, the existing classifications are: operational issues, false accounting, erroneous information, illicit enrichment, and falsification of contracts or records. |
| <b>SOCIETY</b>                         |   |      |  |   |
| The fight against corruption           |   |      |  |   |
| G4-S01                                 | ✓ | 88   | Percentage of centers where development programs, impact assessments and participation in the local community have been implemented.                               | Environmental value   |

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE | DESCRIPTION   | 2014 DECLARATION  |
|--|---|------|---|---|
| G4 DISCLOSURES                         |   |      |   |   |
| G4-S03                                 | ✓ | —    | Number and percentage of centers where risks associated with corruption have been evaluated and significant risks have been detected. | The Ethic Points complaint system enables complaints to be filed from anywhere in the financial group, and is comprised of 22 centers: GFNorte, Northern Territories, Southern Mexico, Northern Mexico, West, Central, Northwest, Peninsular, South, Consumer, Business, Banorte USA, Banorte Securities, Casa de Bolsa, Warehouse, Leasing, Factoring, Insurance, Annuities, Afore, assistance and Solida. Allegations are classified by topics related to Internal Control or Human Resources.  |
| G4-S04                                 | ✓ | —    | Communication and training on anti-corruption policies and procedures.  | Our staff receives training and constant updates on the prevention of money laundering. In addition to this, there is constant communication to promote the Ethic Points complaint system as a mechanism to report corruption. 17,555 employees have received training on prevention of money laundering issues.  |
| G4-S05                                 | ✓ | —    | Confirmed cases of corruption and measures taken.   | In general, resolutions implemented this year for cases addressed through the Ethic Points complaint system, for both Human Resources and Internal Control were: <ul style="list-style-type: none"> <li>• Reprimand or dismissal of any employee: 5%</li> <li>• Cancellation or nonrenewal of contract with a business associate because of corruptionrelated offences: N/A</li> <li>• Lawsuits for corruption made against the organization or its employees during the period: N/A</li> <li>• Lawsuits for corruption brought against the organization or its employees in the period and results: N/A</li> </ul> |
| G4-S07                                 | ✓ | —    | Number of lawsuits for unfair competition, monopolistic practices or against free competition and results of the same.                | No lawsuit for this concept has been filed.   |
| G4-S08                                 | ✓ | —    | Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations.                | During the year 264 fines were paid for a total of Ps \$2,233,207.50 made up of overdue property taxes for buildings foreclosed by the Bank and fines for: SAT, INFONAVIT, CNBV, CONDUSEF and the Bank of Mexico.   |
| G4-S09                                 | ✓ | —    | Percentage of new suppliers who are assessed on the basis of criteria related to social impact.                                       | There are no test procedures based on social criteria; However, since the 2 <sup>nd</sup> semester of 2012, suppliers were encouraged to maintain healthy human rights, labor, environmental and anticorruption practices, including a clause in new contracts and renewals, whereby they manifest their commitment to comply with the Global Compact Principles (without signifying their adherence). Today we have 1,782 contracts with suppliers in which this commitment is declared.   |

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE | DESCRIPTION  | 2014 DECLARATION  |
|--|---|------|--|---|
| G4 DISCLOSURES                         |   |      |  |   |
| G4-S011                                | ✓ | —    | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.  | GFNorte has received no complaint on social impacts.  |
| <b>PRODUCT LIABILITY</b>               |   |      |  |   |
| Labeling of products and services      |   |      |  |   |
| G4-PR5                                 | ✓ | 29   | Results of surveys measuring customer satisfaction.  | Intellectual capital  |
| G4-PR7                                 | ✓ | —    | Number of cases of noncompliance with regulations or voluntary codes related to marketing communications, such as advertising, promotion and sponsorship, breakdown according to the type of result. | No fines for advertising, promotion or sponsorship were issued.   |
| G4-PR8                                 | ✓ | —    | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.   | No complaints for violation of privacy or leaking client data were filed.   |
| G4-PR9                                 | ✓ | —    | Monetary value of significant fines as a result of noncompliance with regulations related the supply and use of products and services.   | No fines related to the supply and use of products and services were issued to GFNorte in 2013.   |
| <b>FINANCIAL SUPPLEMENT</b>            |   |      |  |   |
| FS1                                    | ✓ | 84   | Policies with specific environmental and social components applied to business lines.  | Environmental value   |
| FS2                                    | ✓ | —    | Procedures for the evaluation and selection of environmental and social risks in lines of business.  | <p>We have two frameworks for socioenvironmental analysis and risk management: the Social and Environmental Management system SEMS (for Corporate and Business Banking) and the Equator Principles for all areas of the bank. With these methodologies we generate an analysis prior to supporting a project through our own financing or third party financing.</p> <ul style="list-style-type: none"> <li>• SEMS: For transactions with amounts of over \$1 million US dollars, for an investment project or for work capital with a term of over 2 years.</li> <li>• Equator Principles: Financial advisory services, for which the total investment is \$10 million US dollars or more.</li> </ul> <p>Projects with a total investment of \$10 million US dollars or more.</p> <ul style="list-style-type: none"> <li>- Business loans related to a single project, with minimal funding of \$100 million US dollars for more than 2 years, when Banorte's exposure amounts to \$50 million US dollars or more.</li> <li>- Temporary loans under 2 years, that can be refinanced for a project or a business loan related to a project.</li> <li>- Projects with emissions of over 100,00 tons of CO<sub>2</sub> per year.</li> </ul> |

| EXTERNAL ASSURANCE<br>Page. 109 to 111 |   | PAGE  | DESCRIPTION  | 2014 DECLARATION  |
|--|---|-------|--|---|
| G4 DISCLOSURES                         |   |       |  |   |
| FS3                                    | ✓ | 76-77 | Processes to monitor implementation and compliance with environmental and social requirements included in agreements or transactions with customers. | Economic value  |
| FS4                                    | ✓ | —     | Processes to improve personnel competence in implementing environmental and social policies and procedures applicable to lines of business.          | Banorte's area of Social Responsibility has a staff with field experience, who are responsible for providing training to teams distributed in all the territories where we operate, and whose activities are related to the placement of loans.   |
| FS5                                    | ✓ | 76-77 | Interactions with customers in terms of environmental and social opportunities and risks.  | Economic value  |
| FS8                                    | ✓ | —     | Monetary value of products and services designed to deliver a specific environmental benefit for each line of business by objectives.                | Products designed to deliver a specific environmental benefit are not currently available.  |
| FS10                                   | ✓ | —     | Percentage and number of companies in the institution's portfolio with which interactions on environmental or social issues have been carried out.   | Departments: Corporate and Business Banking and Structured Financing.<br>199 companies in the Corporate and Business Banking and Structured Financing portfolio were attended to which generated 208 recommendations for improving the efficiency of project activities on socioenvironmental issues and the realization of 30 due diligences including areas of opportunity to improve the client's environmental performance. We do not have information on the total portfolio volume of companies in order to establish the percentage that this data represents. |
| FS11                                   | ✓ | 76-77 | Percentage of assets subject to social or environmental review, positive as well as negative.  | Economic value  |
| FS13                                   | ✓ | 4     | Points of access in scarcely populated or economically disadvantaged areas described by type.  | Banorte infrastructure  |
| FS14                                   | ✓ | 4     | Initiatives to improve access to financial services for the disadvantaged.   | No initiatives to improve access to financial services for the disadvantaged have been reported.  |
| FS15                                   | ✓ | 36    | Policies for the design and sale of financial products and services in a fair and reasonable manner.   | There is no specific policy for the design and supply of services and financial products; However, we adhere to all Internal Control policies of the financial group.   |
| FS16                                   | ✓ | —     | Initiatives to improve financial education by type of beneficiary.   | A campaign of internal communication to employees was implemented, in order to promote basic concepts.  |

# AUDIT AND CORPORATE PRACTICES COMMITTEE'S ANNUAL REPORT

Mexico, D.F., March 19th, 2015

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

In accordance with Articles 58 of the Law to Regulate Financial Groups and 43 of the Stock Market Law, the Audit and Corporate Practices Committee (Committee) presents its annual report of activities for 2014.

The contents of this report shall refer to Grupo Financiero Banorte (GFNorte) and the following relevant institutions: Banco Mercantil del Norte, S.A., Inter National Bank, Casa de Bolsa Banorte Ixe, S.A. de C.V., Banorte Ixe Tarjetas, S.A. de C.V. SOFOM ER, Arrendadora y Factor Banorte, S.A. de C.V. SOFOM ER, Sólida Administradora de Portafolios, S.A. de C.V. SOFOM ER, Seguros Banorte, S.A. de C.V., and Pensiones Banorte, S.A. de C.V.

### **I. In the area of audit:**

- a) On the state of the Internal Control System (SCI) and Internal Audit of GFNorte and their relevant institutions, deficiencies and deviations, the following elements were taken into consideration:
1. The annual reports on activities in matters of Internal Control of relevant entities are prepared by their General Directors.
  2. The reports of Internal Comptrollers and regulations of some relevant entities, and their opinion on the functioning of the SCI.
  3. Internal Audit's opinion on the situation of the SCI for relevant entities.
  4. Reports on deficiencies and relevant observations of GFNorte and its subsidiaries presented by Internal Audit and follow-ups on corrective actions.
  5. Reports of observations on Internal Control of the External Auditor and their opinion of the financial statements for GFNorte and its subsidiaries.
  6. Reports of inspections visits by competent Authorities.
  7. The opinions of Commissioners for relevant entities in GFNorte.
  8. Reports of other Audit Committees on relevant events and the minutes of their meetings.
  9. Reports of Internal Audit's management and compliance with its work program, and the results of its assurance and quality improvement program.

Taking into consideration indicated elements, we can report that the SCI of GFNorte and its relevant entities works reasonably well in general, and that deficiencies or deviations detected are in the process of being attended to.

With respect to the operation of Internal Audit, this areas has maintained its independence, reasonably met its work program in accordance with best practices, and effectively monitored the implementation of actions to correct observations and identified areas of opportunity.

- b) No significant non-compliances to operating guidelines and policies or accounting records of GFNorte and its relevant entities were found. Detected areas of opportunity were reported to policy-makers and steps were taken to address them, a follow-up system ensures their proper implementation.
- c) Regarding the performance evaluation of the corporation providing external audit services, it was reported that in the duty of its activities and its relationship with the Administration and the Committee, the quality of the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (member of Deloitte Touche Tohmatsu) has been confirmed, as well as that of the Auditor in charge.

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

- d) On the description and assessment of the additional or complementary services provided by the External Auditor, during the 2014 fiscal year the hiring of additional services to assess compliance with regulations in the comprehensive risk management process for the Insurance and Annuities companies was approved

Independent experts were hired to perform an impairment testing of GFNorte's goodwill and that of some subsidiaries, conduct a technical review of risk models requested by the Bank of Mexico, carry out a review of quality in the Internal Audit area and issue opinions on more than 10 million legal contingencies.

- e) The review of financial statements to December 31st, 2014 for GFNorte and its subsidiaries and the External Auditor's opinions were concluded, confirming that they were prepared in all material respects in accordance with applicable accounting principles, and recommended their approval by the Board of Directors. The Committee also reviewed the quarterly interim financial statements for the fiscal year.
- f) With respect to the main modifications to policies and accounting criteria used during the year, reports that modifications were made to comply with changes in the applicable regulations, described in Note 4 of the financial statements called "Main Accounting Policies", with a detailed explanation of them and their effects.

An important event in 2014, was when the Board of Directors approved the methodology for the valuation of investment projects.

- g) No relevant observations or allegations of irregular events were received during the fiscal year from shareholders, Board members, directors, employees or any third party with respect to accounting, internal controls or internal and external audit. Based on best practices, there is an anonymous complaint system of the Committee follows-up with due attention.
- h) The Committee has not been asked to monitor or follow-up on any agreements between the Shareholders' Assembly and the Board of Directors.
- i) During the fiscal year, there were various supervisory visits by Banxico, Condusef, IPAB and CNBV, among which stood out the inspection visit carried out by the latter that focused on issues related to the origination process and follow-ups for credit and Internal Audit, which were reported to the Board of Directors in the meeting held on 23 October.

The observations resulting from such visits were largely attended or are being attended to process modifications and/or technological adaptations required.

- j) Among other relevant activities carried out by the Committee, the analysis of re-enforcing Audit and Internal Comptrollership structures and the added value activities of the External Auditor.

The Committee followed-up on areas of opportunity identified in the loan process, of which stood out selective loans and SME loans, and revised plans drawn up by the Administration for their remediation, as well as progress of the work plan to be implemented by the General Management of Credit.

With respect to the strategic alliance between GFNorte and IBM, the Committee followed-up on the progress of the "Adding value for the customer" project with the officers responsible for the same.

The Committee revised the plan to replace the system in the Fiduciary area in order to obtain a commercial solution to achieve a greater functional coverage, in addition to efficiencies.

Additionally, the Committee reviewed the plan for "Transformation Markets, Casa de Bolsa and investments" which seeks to change most of the systems and reduce operational risk.

Finally, the Committee assessed prospective candidates for top-level positions, including CEO.

**II. In the area of Corporate practices:**

- a) In relation to observations on the performance of relevant managers, the Human Resources Committee reported that there were no cases recorded of executives who acted outside of established policies during the fiscal year.
- b) Transactions with related parties were approved by the Board of Directors and to December 31st, 2014 loans provided through Banco Mercantil del Norte to related parties amounted to Ps 3.668 billion, less than the limit set by the corresponding regulation.  
  
Intercompany transactions were conducted at market prices, which was verified by the External Auditor who reported no relevant findings.  
  
We can report that during the fiscal year there were no unusual or non-recurring operations that required approval from the Board of Directors.
- c) Emolument packages for the CEO and relevant managers included in the Remuneration System were approved by the Board of Directors, which divides their remuneration into ordinary and extraordinary, and includes rules to defer the latter according to established risk indicators and compliance with policies, and was applied consistently during the fiscal year.
- d) During the fiscal year the Board of Directors did not award dispensations to directors or relevant managers to take advantage of business opportunities.

Yours truly,



**Héctor Reyes Retana y Dahl**

President of the Audit and Corporate Practices Committee  
Grupo Financiero Banorte



G4-33

## INDEPENDENT ASSURANCE REPORT



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109

### Independent assurance report to Grupo Financiero Banorte, S.A.B. de C.V. (GFNorte) on the Annual Report 2014.

#### Responsibilities of GFNorte and Independent Reviewer

The elaboration of the Annual Report 2014 (AR), as well as its content is responsibility of GFNorte, who is also responsible for defining, adapting and maintaining the management systems and internal control from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively for the management of GFNorte in accordance with the terms of our agreement letter dated December 10th, 2014 and is not intended to be nor should it be used by someone other than this.

#### Scope of our work

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

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

- a. The adaptation of the contents of the AR to the Global Reporting Initiative (GRI) Guidelines version 4 (G4) and according to the materiality study provided by GFNorte.
- b. The review of the sustainability performance indicators reported according to the option Comprehensive and specified in the GRI Index of the AR.
- c. The consistency of information contained in the AR with supporting evidence provided by the management.

**Assurance standards and procedures**

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

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

- a) Meetings with staff of GFNorte to learn the principles, systems and applied management approaches.
- b) Analysis of the process to collect, validate and consolidate the data presented in the AR.
- c) Analysis of scope, relevance and integrity of the information included in the AR in terms of the understanding of GFNorte and of the requirements that stakeholders have identified as material aspects.
- d) Selected sample review from the evidence that supports the information included on the AR.

The following table details the performance indicators on sustainability reviewed according to the GRI Guidelines version 4:

|       |       |       |       |         |         |         |         |      |
|-------|-------|-------|-------|---------|---------|---------|---------|------|
| G4-1  | G4-15 | G4-29 | G4-43 | G4-57   | G4-EN15 | G4-LA3  | G4-HR10 | FS1  |
| G4-2  | G4-16 | G4-30 | G4-44 | G4-58   | G4-EN16 | G4-LA5  | G4-HR12 | FS2  |
| G4-3  | G4-17 | G4-31 | G4-45 | G4-EC1  | G4-EN17 | G4-LA6  | G4-SO1  | FS3  |
| G4-4  | G4-18 | G4-32 | G4-46 | G4-EC3  | G4-EN18 | G4-LA9  | G4-SO3  | FS4  |
| G4-5  | G4-19 | G4-33 | G4-47 | G4-EC5  | G4-EN19 | G4-LA10 | G4-SO4  | FS5  |
| G4-6  | G4-20 | G4-34 | G4-48 | G4-EC7  | G4-EN23 | G4-LA11 | G4-SO5  | FS8  |
| G4-7  | G4-21 | G4-35 | G4-49 | DMA-EN  | G4-EN27 | G4-LA12 | G4-SO7  | FS10 |
| G4-8  | G4-22 | G4-36 | G4-50 | G4-EN1  | G4-EN29 | G4-LA13 | G4-SO8  | FS11 |
| G4-9  | G4-23 | G4-37 | G4-51 | G4-EN3  | G4-EN30 | G4-LA14 | G4-SO9  | FS13 |
| G4-10 | G4-24 | G4-38 | G4-52 | G4-EN5  | G4-EN31 | G4-LA16 | G4-SO11 | FS14 |
| G4-11 | G4-25 | G4-39 | G4-53 | G4-EN6  | G4-EN32 | G4-HR1  | G4-PR5  | FS15 |
| G4-12 | G4-26 | G4-40 | G4-54 | G4-EN8  | G4-EN34 | G4-HR2  | G4-PR7  | FS16 |
| G4-13 | G4-27 | G4-41 | G4-55 | G4-EN11 | G4-LA1  | G4-HR3  | G4-PR8  |      |
| G4-14 | G4-28 | G4-42 | G4-56 | G4-EN14 | G4-LA2  | G4-HR7  | G4-PR9  |      |



### Conclusion

Based on the work performed and described in this report, nothing comes to our attention that could make us believe that the AR contains significant errors or has not been prepared in accordance with the Core Option established in the Sustainability Reporting Guidelines G4.

### Recommendations

Additionally we present our recommendations for strengthening future Annual Reports, which do not modify the conclusions expressed in this report:

- Continue to strengthen communication and training to the people responsible of the elaboration of the AR in order to enhance a better understanding of the processes involved as well as strengthening the information that allows the generation of indicators.
- Conduct a direct dialogue with the stakeholders in order to update the materiality analysis of 2013.
- Develop a review and reporting framework of environmental material aspects of GFNorte that translates into clear initiatives that generate a positive impact to the organization.
- Expand the scope of the platform currently used to manage the environmental indicators including other material aspects of GFNorte.
- Strengthen the management of the Ethics System in order to be supported by policies, procedures and reports.

We have submitted a detailed report of recommendations to the Executive Social Responsibility Officer of GFNorte concerning areas of improvement in the sustainability strategy (specifically for the verified indicators) and the reporting process.

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Member of Deloitte Touche Tohmatsu Limited

**Rocío Canal Garrido**  
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May 19<sup>th</sup>, 2015

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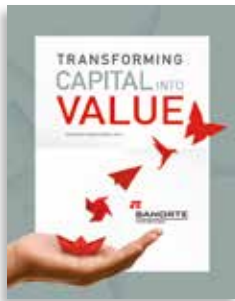
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