

# **STRONG** MEXICANS

2017 ANNUAL REPORT





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# BANORTE AT A GLANCE

Relevant market positions:



## 1<sup>st</sup> place

- Afore XXI Banorte
- Managed resources: **23.1%**
- Banorte annuities resolutions: **40.5%**
- Time deposits: **20.2%**
- Loans to governmental entities: **24.3%**



## 2<sup>nd</sup> place

- Total assets: **14.8%**
- Mortgages: **18.7%**, climbing one notch in 2017



## 3<sup>rd</sup> place

- Car loans: **16.3%**
- Payroll loans: **21.1%**
- Point of sale terminals (POSs) **16.9%**



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

- Demand deposits: **12.2%**
- Consumer loans: **11.0%**
- Credit cards: **9.3%**

“We are the second largest Financial Group in Mexico, in total assets, and the largest controlled by Mexicans.”

# MESSAGE FROM THE **CHAIRMAN** OF THE BOARD

► SRS 102-10 ► SRS 102-14 ► SRS 102-15 ► SRS 102-33 ► SRS 203-2

## Dear shareholders, Board members and employees:

2017 has been a significant year for Banorte and for the country. One in which we strengthened our position, got closer to Mexicans and consolidated our commitment to sustainability. A year in which, despite adverse signs, we managed to achieve all our goals and establish the foundation for an even more successful 2018.

### We rode out the storm

The year began with the threat of a storm; high waves and choppy seas. There was uncertainty about the new administration in the US, the NAFTA renegotiation, international volatility and the internal challenges we faced as a country.

In this environment, we analyzed region-by-region and bank-by-bank and proposed the goal of a 16% annual growth to the Board of Directors, one that seemed optimistic to some.

But we at GFNorte are informed optimists. We know how to navigate in difficult waters and turn them into opportunities, that is part of our nature. Our greatest challenges have been the detonators of growth for our Group.

### Banorte is going strong

By year end, we not only achieved our goal, but surpassed it with a record 24% growth in profits, reaching Ps 23.908 billion and generated a 17% return on capital for our shareholders; of all this with a 9% growth in loans, 13% in client deposits and 18% in insurance.

Both the Board of Directors and the Shareholders' Assembly at the end of 2017 authorized the acquisition by merger of Grupo Financiero Interacciones.

This operation, once it is approved by the authorities, will bring new strength to the Group and will allow us to take advantage of Interacciones' expertise to lead financing of the country's infrastructure needs, in addition to realizing synergies that will add value from the very first year.

We are gaining momentum towards our 20/20 Vision strategy.

### Banorte nearby

We want to be the best financial group in Mexico and that also means the closest to Mexicans, their needs and concerns.

That is why we have launched #MexicanosFuentes (Strong Mexicans), a long-term movement created to boost pride in being Mexican and to highlight the best of ourselves.



## Carlos Hank Gonzalez

Chairman of the Board of Directors  
of Grupo Financiero Banorte

We have redefined the focus of our Foundation's vision on a crucial issue for Mexico: promoting 21<sup>st</sup> century education.

After the devastating earthquakes in September we grew closer to Mexican families. We provided immediate help and launched the Banorte Adopts a Community plan which goes beyond the main focus of reconstruction of housing, by bringing in volunteers, providing programs for health, nutrition, culture and education to affected communities, in coordination with civil society organizations.



We continue to advance in the field of corporate governance. For the first time, we have an evaluation process for the Board and its members. We also have a policy for the selection of the latter.

In the area of gender equality, the framework governing the Nominating Committee includes policies aimed at promoting gender equality. One extraordinary and four general Shareholder Assemblies were held during the year, in which participation was over 70% of the base. We remained in close communication with shareholders through our participation in different conferences in the main international financial centers and through visits to their offices.

### A sustainable Banorte

We know that the best investment we can make in the future is to leave a better world for our children; for this reason we continue to consolidate our leadership in sustainability.

In 2017, the Sustainable Leaders Agenda 2020 (ALAS20) recognized us as the leading organization in sustainability in Mexico. Likewise, we were included in the recently created Dow Jones Sustainability MILA Pacific Alliance Index.

In addition, we affirm our presence in the Dow Jones Sustainability Emerging Markets Index, the Euronext Vigeo EM 70 Index, and the Bloomberg Gender-Equality Index, among others.

Similarly, we reaffirm our commitment to the Women's Empowerment Principles, and the 10 Principles of the UN Global Compact, of which we are signatories.

As Chairman of the Board of Directors of Grupo Financiero Banorte, I reaffirm my commitment and that of all the directors who are part of the Group to continue to respect the Principles of Responsible Investment, which implies incorporating into our investment policies emerging risks arising from climate change and loss of biodiversity, as well as human rights violations, thus safeguarding the social and environmental heritage of the communities in which we work.

This year we also received the Best Corporate Governance award from Ethical Boardroom Magazine, which is an endorsement of our commitment to lead the implementation of international best practices in this area.

### A challenging 2018

I am convinced that 2018 will be a historic year for Banorte and for each of us.

This year we see two challenges in the environment: the NAFTA renegotiation, and the presidential and congressional elections in Mexico.

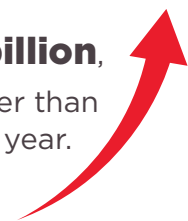
NAFTA is a treaty that generates \$2,600 million dollars per day and has been fundamental in the development of the country.

I believe that, beyond the specific outcome of the negotiations, Mexico has the fortitude to continue to grow, based on its macroeconomic stability, reforms that are already providing results and our extensive business relationship with the world.

This coming July we will hold the most competitive elections in history for the Presidency and over 3,400 elected positions, including Congress.

GFNorte reported very positive results, achieving an annual net income of

**Ps 23.908 billion,**  
**24%** higher than  
last year.



Mexico is ready for this process, with strong institutions and a balance of powers.

Banorte will continue to work to benefit businesses and Mexican families above and beyond the options that the population selects.

### Dear Shareholders, Board members and employees:

I would like to thank you all for your unwavering commitment to this institution.

This will be the year of Banorte, who will stand out and compete successfully with the best in the world. The year in which we will grow in the face of adversity and build our future day by day. A year of #MexicanosFuertes.

Sincerely,

**Carlos Hank González**

Chairman of the Board of Directors  
of Grupo Financiero Banorte

# MESSAGE FROM THE **CEO**

► SRS 102-10 ► SRS 102-14 ► SRS 102-15 ► SRS 102-33 ► SRS 203-2

**2017 was a year of consolidation for our 20/20 Vision strategy and, at the same time, a year marked by major challenges and opportunities that we successfully faced. In this annual report we recount the most relevant events and results of the year.**

## Environment

In 2017 we went through a difficult environment marked by international and local events that generated high volatility in financial markets. In spite of this, at Grupo Financiero Banorte we focused on reaching the goals that we established.

Of the most relevant international events that stood out was the uncertain response to policies implemented by President Trump as head of the US Government, particularly in foreign trade and the most ambitious tax reform that the country has ever seen.

At the national level, we experienced two earthquakes that devastated many families and caused major property damage in different parts of our country. Banorte, in solidarity with Mexico, launched its Banorte Adopts a Community plan focused on the reconstruction of housing and providing school equipment in nine communities

affected by the earthquakes for a total amount of Ps 170 million that was raised from the generous contributions of our customers, employees, the Group and the Banorte Foundation.

In the national economic environment, some variables that marked the pace during the year were the high levels of inflation in Mexico, which reached 6.7% and an exchange rate that although volatile, was able to see levels such as those prior to the US election. In this environment, the Bank of Mexico adopted a restrictive policy, which resulted in an accumulated increase of 150 basis points in the reference interest rate during 2017.

With respect to the country's economic growth, GDP showed a moderate downturn during the year, with growth of 2% vs. the 2.3% in 2016, driven mainly by the services sector.

## The Group's results

Despite the difficult aforementioned environment, GFNorte reported very positive results, achieving an annual net income of Ps 23.908 billion, 24% higher compared to the previous year, showing a robust growth in most of its subsidiaries: the Bank reported growth of 30%, Warehouse 48%, Brokerage house 16%, Investment Funds 19%, Annuities 57% and Insurance, despite a year plagued with natural disasters, grew 6%.



## Marcos Ramirez Miguel

CEO of Grupo Financiero Banorte

Net interest margin (NIM) increased by 60 Basis Points during the year, reaching 5.5%, as a result of a better mix of products and re-pricing our portfolio in accordance with reference rate hikes during the year. Revenues from service fees grew 13%, reflecting a greater volume of banking services transactions.

In order to further strengthen the volume of transactions, in October 2017 we announced a strategic alliance with PayPal, making Banorte the first bank in Mexico and Latin America to associate itself with this institution to offer an integrated experience, enabling customers to link their credit and debit cards to new or existing PayPal accounts and perform transactions in Mexico and around the world.

The Group's efficiency rate was 41.9%, an improvement of 300 basis points, as a result of careful and responsible management of operating expenses.

The evolution of the loan portfolio showed solid results, with an annual growth of 9%, highlighted by the performance of the commercial loans portfolio that increased by 10% and the consumer loans portfolio, which recorded a growth of 19%, doubling the growth average of the banking system. This growth comes from a much more accurate and efficient origination based on information and analysis from our strong analytical client information system, which we have been building for several years.

Throughout the year various actions were carried out to strengthen different stages of the loan process such as origination, authorization and information validation models, in order to reduce loan cost, in particular for credit card and payroll products whose penalties and write-offs in 2017 amounted to Ps 10.056 billion. Although it is common in the market to register costs similar to those of our competitors, these actions are being carried out to reduce them.

With respect to asset quality, the NPL ratio showed a slight increase reaching 2%, result of a pronounced inflation, moderate delays in collection of consumer products due to the distortion caused by the earthquakes, and as a result of natural growth in the consumer loan portfolio.

In terms of our capital indicators, in 2017 our capital ratio was 17.2%, positively affected by the issuance of perpetual capital notes in international markets for a total of \$900 million dollars in July 2017. Proceeds from the issuance were also used for other general corporate purposes. Also, during 2017 the Group distributed dividends to shareholders for the historic amount of Ps 14.645 billion, an annual yield of 102.6%.

ROE for GFNorte was 17%, 307 points higher than in 2016 and ROA was 1.9%, 28 points over the previous year, to consolidate our progress towards the goals established in our 20/20 Vision strategy.

### Relevant events

As part of the corporate restructuring strategy announced in 2016, in March 2017, we successfully formalized the sale of Inter National Bank, our subsidiary in the United States. With the divestiture of this asset, the Group's objectives became to concentrate all our efforts on our natural market, Mexico.

On the other hand, in October 2017, we announced the execution of a master merger agreement with Grupo Financiero Interacciones. As a result of this merger, GFNorte will consolidate as the second

largest financial group in Mexico, measured by total assets, as well as by loans and customer deposits.

The General Ordinary and Extraordinary Shareholders' Assemblies of both Grupo Financiero Banorte and Grupo Financiero Interacciones, held on December 5<sup>th</sup>, 2017, approved the merger; however, it is still subject to approval from financial authorities, and the antitrust commission, and the successful outcome of the comprehensive due diligence process.

I am sure that the combination of these results speaks of the strong bank we are building for Mexico, in which 2017 was a key year in bringing us closer to our goal of becoming the best financial group of Mexico through our 20/20 Vision strategy.

I sincerely thank our more than 4,000 investors for their confidence in 2017, our Board of Directors, our regional and local advisors and each and every one of our over 29,000 employees who demonstrated their dedication and commitment once again to the institution that we all form.

Sincerely,

**Marcos Ramirez Miguel**

CEO of Grupo Financiero Banorte



**+21**  
million clients



**1,148**  
branches



**7,911**  
ATMs



**26,131**  
correspondents



**165,441**  
point of sale terminals

## WE ARE **BANORTE**

►SRS 102-1 ►SRS 102-2 ►SRS 102-5 ►SRS 102-6 ►SRS 102-7 ►SRS 102-45 ►SRS 102-48

Grupo Financiero Banorte (GFNorte: BMV: GFNORTEO; OTCQX: GBOOY; LATIBEX: XNOR) is a leading financial institution in Mexico, the second largest financial group in the country and the one with the broadest business diversification in the market.

GFNorte provides services to more than 21 million customers through an extensive network that includes more than 1,000 branches, over 7,000 ATMs, more than 26,000 correspondents and over 160,000 point of sale terminals.

Our subsidiaries' main activity is the realization of financial operations such as providing banking, brokerage and warehousing services, leasing and factoring operations. We offer insurance and annuity services, as well as the management of retirement savings contributions. We also operate the international money transfer companies Motran Uniteller, which mainly serve the remittance market.

**“GFNorte is the second largest Financial Group in Mexico, and the one with the broadest business diversification.”**





**RELEVANT FIGURES**

GRUPO FINANCIERO BANORTE	2017	2016	2015
Assets under management (Ps million)	<b>2,423,321</b>	2,184,877	2,105,565
Total assets (Ps million)	<b>1,354,147</b>	1,268,119	1,198,476
Total deposits (Ps million)	<b>648,622</b>	575,755	561,462
Total loan portfolio (Ps million)	<b>628,080</b>	577,117	530,091
Shareholders' equity excluding minority interest (Ps million)	<b>145,751</b>	140,745	135,452
Net profits (Ps million)	<b>23,908</b>	19,308	17,108
Profits per share (pesos)	<b>8.619</b>	6.961	6.168
Dividends declared per share (pesos) <sup>(1)</sup>	<b>5.28</b>	2.61	1.01
Paid dividends	<b>14,645</b>	7,229	2,787
Book value per share (pesos) <sup>(2)</sup>	<b>52.55</b>	50.74	48.83
Shares in circulation (millions)	<b>2,773.73</b>	2,773.73	2,773.73
Price per share (pesos)	<b>107.83</b>	102.30	94.99
ROE (%)	<b>17.0</b>	13.9	13.3
ROA (%)	<b>1.9</b>	1.6	1.5
Net interest ratio (%)	<b>5.5</b>	4.9	4.5
Efficiency ratio (%) <sup>(3)</sup>	<b>41.9</b>	44.9	47.9
NPL ratio (%)	<b>2.0</b>	1.8	2.2
Reserves coverage (%)	<b>129.2</b>	139.5	116.0
Bank capitalization ratio (%)	<b>17.2</b>	15.3	14.6
Banorte brand value (millions of dollars) <sup>(4)</sup>	<b>1,441</b>	1,619	1,204

(1) Dividends per share approved by the Shareholders' Assemblies in 2015, 2016 and 2017 were: the total dividend decreed in 2015 was Ps 1.64702 per share to be paid in 4 installments: the first for Ps 0.2745 per share (in November 2015) and the remaining three for Ps 0.45750654921773 per share each (February, June and August 2016). The total dividend decreed in 2016 was Ps 2.4671 per share to be paid in two installments of Ps 1.233553556868510 each (August 2016 and March 2017). The total dividend decreed in 2017 was Ps 4.0462300 to be paid in two installments: the first for Ps 2.7843910 per share (June 2017) and the second, being an extraordinary dividend payment, for Ps 1.2618390 per share (June 2017).

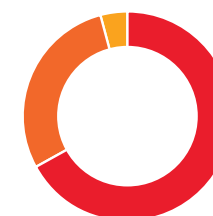
(2) Considering the number of shares issued, which for the three periods amount to 2,773.73 million.

(3) Non-interest expenses / (Net interest income + Non-interest income).

(4) Source: Brand Finance.

**Total deposits in 2017**

Ps million



**61.2%** Demand **\$396,652**  
**29.8%** Term **\$193,617**  
**9.0%** Money market **\$58,352**

**Credit portfolio 2017**

Ps million



**39.1%** Consumer **\$240,899**  
**22.4%** Commercial **\$137,501**  
**16.6%** Corporate **\$102,220**  
**21.9%** Government **\$134,905**

**Consumer Portfolio 2017**

Ps million



**56.1%** Mortgages **\$135,334**  
**8.0%** Car loans **\$19,189**  
**14.1%** Credit cards **\$33,906**  
**21.8%** Payroll loans **\$52,469**

**WHOLESALE PROFITS PER SECTOR**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Bank</b>	<b>18,012</b>	13,804	12,057
<b>Brokerage house</b>	<b>972</b>	832	790
<b>Long term savings</b>	<b>4,941</b>	4,434	3,832
Afore XXI Banorte	<b>1,284</b>	1,248	1,220
Insurance	<b>2,775</b>	2,626	2,210
Annuities	<b>882</b>	561	402
<b>Leasing &amp; factoring</b>	<b>771</b>	693	571
<b>Warehouse</b>	<b>42</b>	28	31
<b>Sólida portfolio management</b>	<b>-963</b>	-533	-105
<b>Ixe Services</b>	<b>-2</b>	-5	0
<b>Holding</b>	<b>132</b>	54	-69
<b>Total</b>	<b>23,908</b>	<b>19,308</b>	<b>17,108</b>

Figures in Ps million.

**2017 GRUPO FINANCIERO BANORTE CORPORATE STRUCTURE**

Banco Mercantil del Norte, S.A.	<b>98.22%</b>
Arrendadora y Factor Banorte, S.A. de C.V. SOFOM	<b>99.99%</b>
Almacenadora Banorte, S.A. de C.V.	<b>99.99%</b>
Casa de Bolsa Banorte Ixe, S.A. de C.V.	<b>99.99%</b>
Operadora de Fondos Banorte Ixe S.A. de C.V.	<b>99.99%</b>
Ixe Servicios, S.A. de C. V.	<b>99.99%</b>
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	<b>99.46%</b>
Banorte Ahorro y Previsión, S.A. de C.V.	<b>99.99%</b>



►SRS 102-4 ►SRS 102-6 ►SRS 203-1

INFRASTRUCTURE									
Territory	State	Branches		ATMs		Correspondents <sup>(1)</sup>		Disadvantaged population	
		2016	2017	2016	2017	2016	2017	Population density <sup>(2)</sup>	Extreme and moderate poverty <sup>(3)</sup>
Southern Mexico	Mexico City, State of Mexico	167	<b>155</b>	818	<b>850</b>	1,563	<b>1,833</b>	1,009	37.8
Northern Mexico	Mexico City, State of Mexico	158	<b>153</b>	790	<b>843</b>	2,208	<b>2,242</b>	1,009	37.8
North	Durango, Nuevo Leon, Tamaulipas, Coahuila	212	<b>212</b>	1,705	<b>1,754</b>	4,873	<b>5,130</b>	29	26.8
Central	Aguascalientes, Guanajuato, Jalisco, Queretaro, San Luis Potosi, Tamaulipas, Zacatecas	148	<b>148</b>	1,109	<b>1,135</b>	2,949	<b>3,315</b>	68	37.2
Northwest	Baja California, Southern Baja California, Chihuahua, Sinaloa, Sonora	142	<b>140</b>	1,181	<b>1,192</b>	4,563	<b>4,871</b>	20	26.7
West	Colima, Guanajuato, Jalisco, Michoacan, Nayarit	130	<b>124</b>	749	<b>763</b>	2,690	<b>2,844</b>	94	40.1
South	Guerrero, Hidalgo, Morelos, Puebla, Oaxaca, Tlaxcala, Veracruz	103	<b>116</b>	681	<b>675</b>	3,172	<b>3,382</b>	66	58.6
Peninsular	Campeche, Chiapas, Oaxaca, Tabasco, Quintana Roo, Yucatan, Veracruz	115	<b>100</b>	723	<b>699</b>	2,294	<b>2,514</b>	48	53.6
<b>Total Banorte</b>		1,175	<b>1,148</b>	7,756	<b>7,911</b>	24,312	<b>26,131</b>	57	<b>43.6</b>

(1) Our network of correspondents is comprised of different chain stores: Telecomm, 7-Eleven, Tiendas Extra, Soriana, Grupo Control, NetPay, Farmacias Guadalajara, Farmacias del Ahorro, OXXO and La Comer.

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

(3) Disadvantaged population refers to the percentage of inhabitants who fall into the moderate or extreme poverty classification in the states that make up each territory.

Source: [www.coneval.gob.mx](http://www.coneval.gob.mx)


**1,148**  
branches


**26,131**  
correspondents


**7,911**  
ATMs


Mexico


**616**  
Uniteller agencies


**2**  
Banorte Securities offices

USA

► SRS 203-1

CHANNELS			
	2017	2016	2015
Branches	<b>1,148</b>	1,175	1,191
Monetary transactions (millions)	<b>130</b>	170	183
ATMs	<b>7,911</b>	7,756	7,425
Monetary transactions (millions)	<b>349</b>	340	341
Correspondents	<b>26,131</b>	24,312	6,989
Monetary transactions (millions)	<b>32</b>	16	11
Internet - number of customers	<b>2,383,218</b>	2,014,596	1,721,682
Monetary transactions (millions)	<b>160</b>	106	105
Mobile banking - number of customers	<b>963,277</b>	914,057	709,652
Monetary transactions (millions)	<b>29</b>	14	9
Point of sale terminals (POS)	<b>165,441</b>	151,948	155,893
Transactions (millions)	<b>320</b>	260	250
Billings (Ps million)	<b>244,918</b>	200,163	174,422
Call center - calls received (millions)	<b>81.5</b>	69.7	56.4





# **STRONG** MEXICANS

**Banorte wants to be the bank that drives Mexicans, gives them potential, helps them to exceed their goals with innovation, technology, products, services and intelligence.**

**Olga  
Medrano**

Mathematician

## Strong Mexicans

Banorte is the strong bank of Mexico, a Mexico that experienced times of uncertainty and concern at the end of last year. This is the Mexico that rose to the occasion and surprised the world by becoming stronger.

Banorte believes in this strong Mexico, with its optimistic, positive Mexicans who are innovators seeking to change things.

Banorte wants to be the bank that Mexico comes to. A bank of the future—not of the past. A bank that helps drive Mexicans, enhances them, helps them to exceed their goals with innovation, technology, products and services and with intelligence.

At Banorte, we not only make our decisions in Mexico, we make them with all Mexicans.

Hence our communication strategy, in which we return to our positioning as a Mexican bank, and sustaining that image with a comprehensive value offering with first class products and services.

The implementation of this strategy has been designed in a multilevel platform, as much as for brand activations such as sending out massive institutional messages as for products.

The integration of a group of strong Mexicans has also allowed us to broaden our message, including a digital strategy based on the hash tag #MexicanosFuentes with which we have managed to reach out to millions of Mexicans.

We are confident that the continuation of this strategy will contribute to our results and will help to boost the Mexico to come.

Because the Mexico of the future will need strong Mexicans. Mexicans who are as strong as their bank.

**Banorte, the bank of a strong Mexico.**

# Banorte, the strong bank of Mexico.



**Roberto Cortazar**  
Painter



**Maria de los Angeles Ortiz**  
Paralympic athlete

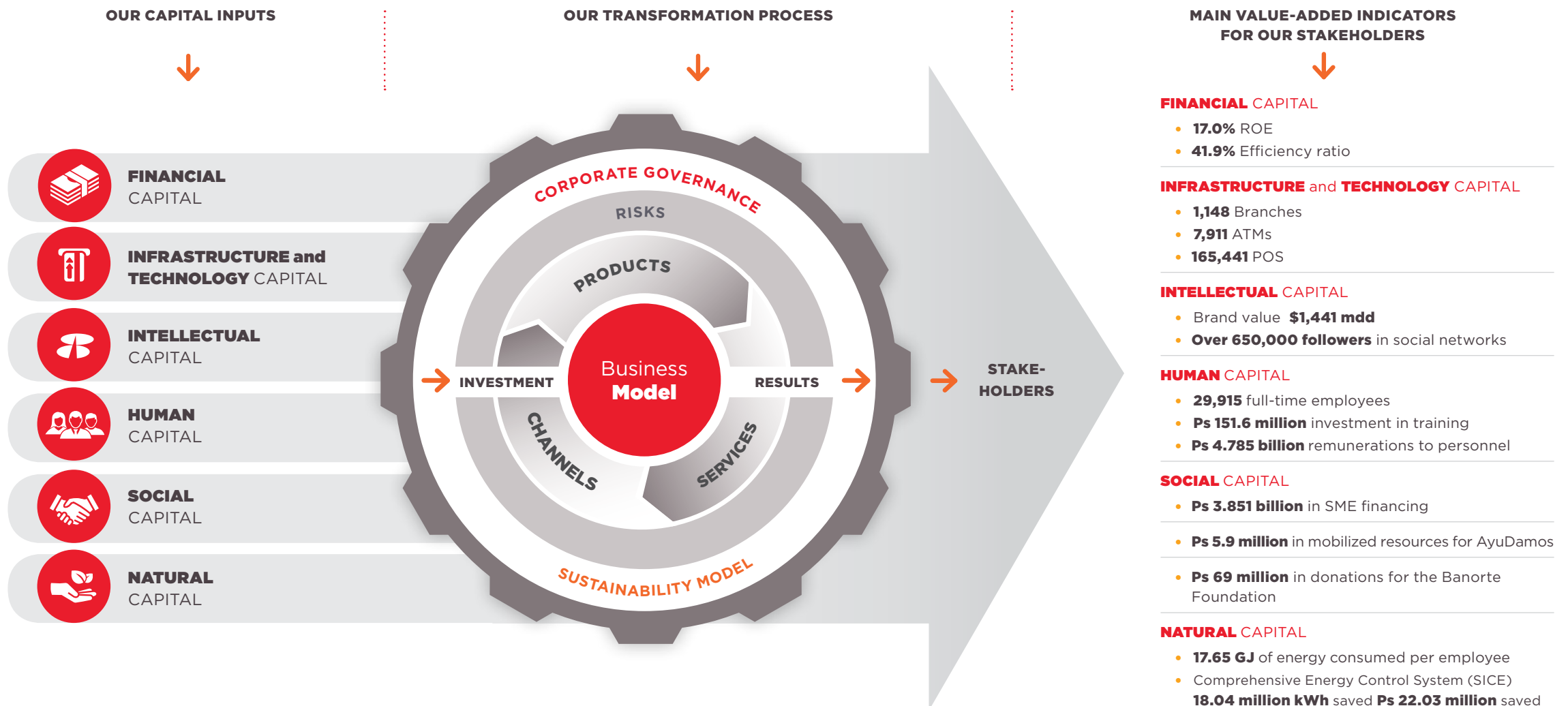


**Mexican Debate Association**

# HOW WE CREATE VALUE

► SRS 102-15 ► SRS 102-16

## MODEL FOR CREATING VALUE



“For GFNorte, generating value means growing our business while at the same time contributing to improve the social and environmental context of our country.”



### **This is how we create value**

Our business model is focused on customer service. That is why we have focused our 20/20 Vision strategic plan on becoming the best financial group in Mexico and for Mexicans.

This model is based on six major capitals: Financial, Infrastructure and Technology, Intellectual, Human, Social and Natural, in which we have invested to transform and deliver value to our customers.

We measure the contributions of each of these capitals in the generation of value for our business and, at the same time, we make sure we manage them responsibly, strengthen them and care for them in natural, social and human terms.







The following table shows our main lines of business, the associated risks and the main results achieved in 2017, as well as the investment made in each capital with its main impact indicators.

**“We measure the contributions of each of these capitals in the generation of value for our business and, at the same time, ensure they are managed, strengthened and taken care of responsibly.”**





## CREATING VALUE

LINES OF BUSINESS	BUSINESS ACTIVITY	IMPACT ON INCOME	ASSOCIATED RISKS						MAIN IMPACT INDICATORS FOR STAKEHOLDERS
			CREDIT	MARKET	LIQUIDITY	OPERATIONAL	CONCENTRATION	REPUTATIONAL	
MAIN INCOME SOURCES									
DEPOSITS	We receive and invest clients' resources and savings	Income from the management of the deposit portfolio		•		•		•	<ul style="list-style-type: none"><li>• Demand deposits: <b>Ps 396.652 billion</b></li><li>• Term deposits: <b>Ps 193.617 billion</b></li><li>• Money Market deposits: <b>Ps 58.352 billion</b></li><li>• Investment funds: <b>Ps 160.3 billion</b> assets under management</li></ul>
LOANS	We grant loans to promote the development of individuals and projects	Interest income	•	•	•	•	•	•	<ul style="list-style-type: none"><li>• Commercial portfolio: <b>Ps 137.501 billion</b></li><li>• Consumer portfolio: <b>Ps 240.899 billion</b></li><li>• Corporative portfolio: <b>Ps 102.220 billion</b></li><li>• Government portfolio: <b>Ps 134.905 billion</b></li></ul>
CHANNELS	We offer secure access enabling our clients to manage their resources	Income from fees for transactions using channels		•		•		•	<ul style="list-style-type: none"><li>• <b>1,148</b> branches</li><li>• <b>7,911</b> ATMs</li><li>• <b>165,441</b> POS</li><li>• <b>26,131</b> correspondents</li></ul>
LONG TERM SAVINGS	We offer a wide variety of services to ensure the long-term well-being and tranquility of our customers	Long-term profits from investments and management of Long-term Savings activities		•		•		•	<ul style="list-style-type: none"><li>• Afore XXI Banorte: <b>Ps 1.284 billion</b> net profit</li><li>• Insurance: <b>Ps 2.775 billion</b> net profit</li><li>• Annuities: <b>Ps 882 million</b> net profit</li></ul>
INTERNATIONAL BUSINESSES	We offer specialized products and services to promote trade on an international level	Income from foreign trade activities	•	•	•	•	•	•	<ul style="list-style-type: none"><li>• Uniteller: <b>616 agencies</b></li><li>• Banorte Securities: <b>2 offices</b></li></ul>
LEASING, FACTORING AND WAREHOUSE	Our quality services benefit and support companies	Income from offering financial services	•	•	•	•		•	<ul style="list-style-type: none"><li>• Leasing &amp; factoring: <b>Ps 771 million</b> net profit</li><li>• Warehouse: <b>Ps 42 million</b> net profit</li></ul>
PRINCIPAL CAPITAL INVESTMENTS									
 FINANCIAL CAPITAL	Investment that strengthens our business profitability	Improvement in GFNorte's performance indicators				•		•	<ul style="list-style-type: none"><li>• ROE: <b>17.0%</b></li><li>• Efficiency ratio: <b>41.9%</b></li></ul>
 INFRASTRUCTURE AND TECHNOLOGY	Investment in channels and improved technology for our customers	Improvement in operating costs that translate into improved services for our customers				•			<ul style="list-style-type: none"><li>• Branches: <b>130 million</b> transaction</li><li>• ATMs: <b>349 million</b> transactions</li><li>• POS: <b>320 million</b> transactions</li><li>• Correspondents: <b>32 million</b> transactions</li></ul>
 INTELLECTUAL CAPITAL	Investments in innovation to offer better products and services to our customers	Products and services that respond more strongly to our customers' needs				•			<ul style="list-style-type: none"><li>• Brand value: <b>\$1,441 million dollars</b></li><li>• Over <b>650,000 followers</b> in social networks</li><li>• Ingenuity Innovating Program participation: <b>8,600</b> employees</li></ul>
 HUMAN CAPITAL	Investment to attract and develop our employees	Payroll, benefits and career development				•		•	<ul style="list-style-type: none"><li>• Full-time employees: <b>29,915</b></li><li>• Investment in training and development: <b>Ps 151.6 million</b></li><li>• Employees' compensation: <b>Ps 4.786 billion</b></li></ul>
 SOCIAL CAPITAL	Investment to provide clients with the best experience and have a positive impact on the development of Mexico	Investment and social support to boost the development of communities in which we operate				•		•	<ul style="list-style-type: none"><li>• Financing through support programs for SMEs: <b>Ps 3.851 billion</b></li><li>• Mobilized AyuDamos resources: <b>Ps 5.9 million</b></li><li>• Banorte Foundation donations: <b>Ps 69 million</b></li></ul>
 NATURAL CAPITAL	Investment in resource efficiency and reducing our environmental footprint	Optimizing use of resources, improving operating costs				•		•	<ul style="list-style-type: none"><li>• <b>17.65 GJ</b> energy consumed per employee</li><li>• Comprehensive Energy Control System (SICE)</li><li>• <b>18.04 millions of kWh</b> saved, <b>Ps 22.03 million</b> saved</li></ul>



## **FINANCIAL** CAPITAL

Investments that strengthen  
our business profitability

►SRS 102-5 ►SRS 102-45 ►SRS 103-1 ►SRS 103-3 ►SRS 201-1

2017 was a year of historic results for GFNorte, with indicators demonstrating once again our strong performance and profitability.

### Net interest income

Net Interest Income (NII) for GFNorte grew 19% annually reaching Ps 63.366 billion in 2017. The aforementioned driven mainly by NII, excluding Insurance and Annuities, that totaled Ps 56.850 billion in 2017, 21% higher than in 2016, due to the positive effects of the phased rate increases by Banxico (for a total of +150bp in 2017), as well as by a more profitable mix in the loan portfolio and a more controlled funding cost. NII for Insurance and Annuities totaled Ps 6.517 billion, 8% higher than in the previous year, affected by a one-time Ps 565 million impact due to accounting changes resulting from the Solvency II regulation that impacted the Insurance company's NII in 2016; without this effect, NII for the Insurance and Annuities' companies would have increased 19% annually.

In 2017 net interest margin (NIM) was 5.5%, representing an annual increase of 60bp versus 2016. This growth is a result of a more profitable portfolio mix, a healthy funding cost and the effects of the balance repricing by the interest rate cycle.

### Provisions

Provisions charged to results for 2017 were Ps 15.214 billion, 14% more than for last year.

This increase is explained by requirements in the sectors of the consumer portfolio with more dynamic growth (credit cards, payroll and personal loans), despite the reduction in provisions for the mortgage and government portfolios.

Provisions accounted for 24% of the net interest income in the year, 1.1 pp lower than in 2016. Provisions represented 2.6% of the loan portfolio average in 2017, 8 bp higher versus 2016.

### Non-interest income

In 2017 Non-Interest Income was Ps 17.852 billion, an 8% annual increase, driven by growth in net service fees that totaled Ps 11.983 billion, 13% higher than for last year, in turn supported by a 19% growth in basic bank service fees due to a greater volume of transactions (highlighted by the performance of electronic banking), a 17% increase in consumer loan fees due to more origination fees, a 39% in consultancy and brokerage fees and 15% in investment funds.

### Non-interest expenses

In 2017 non-interest expenses totaled Ps 34.061 billion, 9% higher than in 2016, as a result of an increase in all items (with the exception of caused Statutory Employee Profit Sharing), the effect of higher inflation registered in the year and fees paid for reported expenses linked to a relevant transaction.



“Net interest income (NII) for GFNorte increased by 19% annually reaching Ps 63.366 billion in 2017, driven mainly by NII, excluding Insurance and Annuities, that reached Ps 56.850 billion in 2017, 21% higher than in 2016.”



### Efficiency ratio

The efficiency ratio improved steadily during 2017 to close at 41.9%, (300 bp) lower annually as a result of a positive operating leverage. This has allowed us to extend our tendency with historically low efficiency ratio levels.

► SRS 201-1

### Net profits

Net profits were Ps 23.908 billion, 24% higher annually, a result of the positive trend observed in net interest and non-interest income. This profit is comprised of solid growth in the subsidiaries' net profits: Bank 30%, Annuities 57%, Insurance 6% (despite a very complicated year plagued by natural disasters), Leasing 11%, Warehouse 48%, Brokerage 16% and Operadora de Fondos 19%.

### Profitability

Return on equity (ROE) increased 307 bp, going from 13.9% to 17%, while return on assets (ROA) grew 28 bp to 1.86%. Return on tangible equity (ROTE) for 2017 was 20.9%, 353 bp higher than that reported in 2016. Return on risk-weighted assets was 3.8%, 66 bp higher than last year.

Total performing loans increased by 9% annually reaching Ps 615.525 billion by year-end. Although there was a slight decline in overall growth, it was offset by the outstanding annual performance of +19% in the consumer portfolio, a growth higher

than that presented by the banking system and a reflection of the bank's origination capabilities, underpinned with technology and analytics. For their part, the Commercial, Corporate and Government portfolios demonstrated moderate growth dynamics very similar to the market growth.

LOAN PORTFOLIO			
	2017	2016	2015
Mortgages	135,334	114,718	99,825
Car loans	19,189	15,047	12,400
Credit cards	33,906	28,445	24,854
Payroll loans	52,469	44,838	38,482
<b>Consumer</b>	<b>240,899</b>	<b>203,047</b>	<b>175,561</b>
<b>Commercial</b>	<b>137,501</b>	<b>125,377</b>	<b>124,272</b>
<b>Corporate</b>	<b>102,220</b>	<b>103,491</b>	<b>88,108</b>
<b>Government</b>	<b>134,905</b>	<b>134,798</b>	<b>130,119</b>
<b>Subtotal</b>	<b>615,525</b>	<b>566,713</b>	<b>518,059</b>
Recovery bank	72	91	129
<b>Total performing loans</b>	<b>615,598</b>	<b>566,804</b>	<b>518,188</b>
Past due loans	12,482	10,312	11,903
<b>NPL ratio</b>	<b>2.0%</b>	<b>1.8%</b>	<b>2.2%</b>

Figures expressed in Ps million.



“Total performing loans increased by 9% annually reaching Ps 615.525 billion at year end.”



### Past due loans

The NPL ratio was 2%. Past due loans reached a total of Ps 12.482 billion, an increase of Ps 2.170 billion, reflecting an annual growth of 21%. A slight deterioration was observed in the Consumer and Corporate portfolios while the Commercial portfolio demonstrated remarkable improvement.



### Deposits

At the close of 2017, total deposits reached the amount of Ps 648.622 billion, representing an annual variation of +13%, driven mainly by growth in term deposits and the money market during the year. This shows that clients are migrating to products that pay interest given the current cycle of high rates, and explains the annual growth in client deposits of 12% and total assets under administration of 11%.

DEPOSITS			
	2017	2016	2015
Demand deposits - without interest	<b>239,227</b>	231,394	169,611
Demand deposits - with interest	<b>157,425</b>	152,367	167,275
<b>Demand deposits</b>	<b>396,652</b>	<b>383,761</b>	<b>336,886</b>
<b>Term deposits - teller</b>	<b>193,617</b>	<b>167,652</b>	<b>149,733</b>
<b>Money market</b>	<b>58,352</b>	<b>24,342</b>	<b>54,907</b>
<b>Total bank deposits</b>	<b>648,622</b>	<b>575,755</b>	<b>541,526</b>
<b>Total GFNorte Deposits</b>	<b>640,821</b>	<b>574,559</b>	<b>539,318</b>
Third party deposits	<b>157,748</b>	148,407	139,099
<b>Total assets under management</b>	<b>806,370</b>	<b>724,163</b>	<b>702,769</b>

Figures expressed in Ps million.

### Fiscal policy

The income tax rate applicable to companies in Mexico is 30%. GFNorte's fiscal policy establishes keeping a correct record of operations that will enable the company to take advantage of all the benefits for the company within the legal fiscal framework while at the same time complying promptly with obligations. In GFNorte we look for that interpretation and internal enforcement of such laws that does not lead to the generation of high risks or future tax contingencies for the Group and/or its subsidiaries. In 2017, the effective tax rate for GFNorte was 27.2%.

HISTORICAL TAX RATE %	
Year	Rate
2015	26.0
2016	26.2
2017	27.2

## INTERNATIONAL RANKING - GFNORTE

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	July 2017
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior debt	
		BB	Subordinated junior debt	
Fitch	Grupo Financiero Banorte	Stable / Negative	Outlook / Observation	October 2017
		bbb+	Viability	
		BBB+	Long term foreign currency debt	
		F2	Short term foreign currency debt	
		5	Support rating - GFNorte	
		NF (Not Floor)	Support rating floor - GFNorte	
	Banco Mercantil del Norte	Stable / Negative	Outlook / Observation	
		bbb+	Viability	
		BBB+	Long term foreign currency debt	
		F2	Short term foreign currency debt	
		C	Individual - foreign currency	
		BBB-	Support rating floor	
		2	Support rating - Banco Mercantil del Norte	
		BB+ (EXP)	Long term foreign currency subordinated debt	
		BB	Subordinated Junior Notes (from the merged Ixe Bank)	
Moody's	Banco Mercantil del Norte	Negative	Outlook BFSR	September, 2016
		baa2	Credit risk assessment	
		Negative	Outlook	
		A3	Long term local currency deposits	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits	
		P-2	Short term foreign currency deposits	
		A3	Long term foreign currency senior debt	
		Baa3	Long term local currency subordinated debt	
		Baa2 (hyb)	Long term foreign currency subordinated debt	
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		(P)Ba1 (hyb)	Long term foreign currency subordinated debt	
		Ba1	Long term foreign currency junior subordinated debt	
		baa2	Adjusted baseline credit assessment	
		A2 (cr)	Long term counterparty risk assessment	
		Prime-1 (cr)	Short term counterparty risk assessment	
	Arrendadora y Factor Banorte	Stable	Outlook	November 2016
		(P)P-2	Short term local currency issuer	
		(P)P-2	Short term local currency senior debt	

## DOMESTIC RANKING - GFNORTE

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	March 2017
		mxA-1+	National scale counterparty credit - short term	
		mxAAA	National scale counterparty credit - 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 / Negative	Outlook / Observation	October 2017
		AAA (mex)	National scale counterparty credit - long term	
		F1+ (mex)	National scale counterparty Credit - short term	
		F1+ (mex)	Certificate of deposit and P.R.L.V. - short term	
		AA+ (mex)	National scale counterparty credit - long term	
	Casa de Bolsa Banorte Ixe	Stable / Negative	Outlook / Observation	
		F1+ (mex)	National scale counterparty credit - short term	
		AAA (mex)	National scale counterparty credit - long term	
	Arrendadora y Factor Banorte	F1+ (mex)	National scale counterparty credit - short term	
		AAA (mex)	National scale counterparty credit - long term	
		F1+ (mex)	National scale unsecured debt - short term	
		AAA (mex)	National scale counterparty credit - long term	
	Almacenadora Banorte	F1+ (mex)	National scale counterparty credit - short term	
		AAA (mex)	National scale counterparty credit - long term	
	Pensiones Banorte	Stable / Negative	Outlook / Observation	
		AAA (mex)	National scale	
	Seguros Banorte	Stable / Negative	Outlook / Observation	
		AAA (mex)	Financial strength of insurer	
Moody's	Banco Mercantil del Norte	Negative	Outlook	June 2016
		Aaa.mx	National Scale deposits - long term	
		MX-1	National Scale deposits - short term	
		Aa3.mx	Subordinated debt - long term	
		A1.mx	Subordinated junior debt - Long term	
	Arrendadora y Factor Banorte	Stable	Outlook	November 2016
		MX-1	National Scale - Short term issuer	
		Aa2.mx	National scale - senior debt - long term	
HR Ratings	Banco Mercantil del Norte	MX-1	National scale - senior debt - short term	May 2016
		Stable	Outlook	
		HR AAA	Long term obligations	
		HR+1	Short term obligations	
		HR AA+	Preferred subordinated obligations	

## Our shareholders

Being a public company with wide recognition and listed in the Mexican stock market, we are committed to following the highest standards in corporate governance, disclosure of information and communication with our investors and stakeholders.

Grupo Financiero Banorte's shareholder base is globally diversified, consisting of individuals and institutional investors. Throughout the Group's institutionalization process, we developed various strategies to expand our shareholder base and become an option for those seeking a long-term investment or a growing recognition through dividends.

We are a financial group that listens to and cares about its shareholders. One example of this is the amendment to our bylaws and the changes to the Nominating Committee, actions that were made after taking into account the recommendations and concerns expressed by our investors.

We work continuously to strengthen our relationship with the community, investors, analysts and rating agencies, seeking to expand our communication channels. In 2017 we mainly did so through innovation in our digital platform and increased detail in our information disclosures, all the while evolving our financial group.

In addition, we have maintained our traditional channels: quarterly and annual reports, quarterly conferences, roadshows, non-deal roadshows and attendance to various international and national stock exchange conferences.

In particular, in 2017:

- We actively participated in 24 national and international conferences, 6 roadshows and 68 on-site visits.
- We met with more than 65% of GFNorte's total shareholder base.
- Senior management was present at 40% of the meetings attended.
- Appetite for our institution continues to grow in regions such as South America and Asia; more than 20% of the institutional investors visited were met with more than once.

GFNorte has also developed a solid strategy through which we support efforts to achieve sustainable development in our daily operations and the requirements of our shareholders.

With regard to our corporate governance, In 2017 we held four Ordinary and one Extraordinary Shareholders' Assemblies, with an average assistance of 80% of the shareholders. Initiatives proposed in these assemblies were all approved during the session.

We will continue to strengthen the relationship with our investors, because we are convinced that constant and efficient communication and increased transparency are the way forward in order to keep us as a reference in the field of corporate governance and transparency of information.



**“We are committed to following the highest standards of corporate governance, disclosure of information, and communication with investors and stakeholders.”**



### Shareholders' assemblies

In 2017 we held four Ordinary Shareholders' Assemblies registering a high participation of shareholders, which exceeded the required quorum of assistance established in the Group's statutes. We also held an Extraordinary Shareholders' Assembly in which participation was 81.26% of the share capital, exceeding the minimum requirement of 70% stipulated in the Group's statutes. In all cases, submitted resolutions were approved by a majority vote.

We have an established process for the development of Shareholders Assemblies and to facilitate information, participation and voting. In this way, the Group convenes assemblies with a minimum of 30 calendar days in advance of the date of execution, via the email address: [investor@banorte.com](mailto:investor@banorte.com).

Additionally, we have the services of an internationally recognized firm that does a comprehensive job of shareholder engagement to ensure that they are well informed, address questions and doubts, as well as ensure assistance at the assemblies. Similarly, two prestigious international firms providing voting proxy services, follow-up on Shareholders' Assemblies of the Group and prepare reports of recommendations on proposals, in order to analyze each one and provide support to shareholders for the vote.

SHAREHOLDERS' ASSEMBLIES				
Date	General Shareholders' Assembly	Quorum %	Average in favor vote of shares represented in assemblies %	Average in favor vote of total equity %
February 24 <sup>th</sup> , 2017	Ordinary	80.71	99.99	80.71
April 28 <sup>th</sup> , 2017	Ordinary	80.06	99.39	79.58
June 20 <sup>th</sup> , 2017	Ordinary	77.68	99.98	77.66
December 5 <sup>th</sup> , 2017	Ordinary	81.26	79.91	64.93
	Extraordinary	81.26	83.01	67.45

All votes are received and registered in an international electronic platform—dedicated to this purpose and well known in the market—to register the votes and verify the Shareholder's identity.

For more information please go to:

<https://www.banorte.com/ri>





# INFRASTRUCTURE & TECHNOLOGY CAPITAL

**Investing in channels and better  
technology for our customers**





►SRS 103-1 ►SRS 103-2 ►SRS 103-3 ►SRS 417-1

## Technology

We remain at the forefront of technology in order to make the transformation to a digital world, where customers have access to easier and more convenient methods of doing business between each other and with their bank, through the implementation of reliable solutions that are easy to use and provide security in financial operations.

At GFNorte we continue promoting the use of innovative technological tools to add value to our customers and users through solutions that anticipate their needs in a practical, simple and secure way.

The development of projects in the area of technology is oriented to execute tasks and activities in a more simple and effective manner. To do this, we have evolved the way in which we manage our operation and execution methods, our relationship with suppliers and our performance measurement model. This has allowed us to become more efficient and produce 2 million hours in technological solutions, 17% more than in 2016, which has positioned us as a strategic business partner and has strengthened us in the face of the competition.

Our programs and projects of technology are classified into the following categories: Operating the Bank, Change the Bank and Transform the Bank.

In 2017, productive capacities were assigned to our portfolio in the following manner:

- Operating the Bank, 48%. These projects are oriented to pay attention to regulatory requirements, security and technological and operative risks, as well as corrective (incidents) and evolutionary (adjustments) maintenance in existing systems. Among the most relevant programs we work with, are:
  - The Prevention of Money Laundering and Illegal Activities Program. We have developed a tool that generates alerts when it detects unusual behavior in bank and brokerage customers, pursuant to Article 115 of Law of Credit Institutions.
  - The Information Security Management System (SASI for its initials in Spanish), a management system based on ISO 27001:2013, certified for Banorte with a specific incremental scope, that periodically establishes the comprehensive Information Security Management System. SASI has incorporated critical bank services and processes since 2016, when it received the first certification, to seek to reduce risks to acceptable levels, comply with regulations, business agreements and internal regulations, in accordance with the General Information Security Policy.
  - The 2020 Information Security Program. A long-term program that we initiated in July 2016 which is based on three main actions:
    - A broadening of the base of information security controls already installed.

- Ensuring that the technical infrastructure supporting applications and critical data bases provide security in accordance with industry standards.
- Introducing new technologies for access protection, monitoring and testing of applications' security.



Now we are more efficient  
and produced  
**2 million hours**  
in technological solutions,  
**17% more**  
than in 2016.

► SRS 417-1

- Updating data center technology. We renewed the data center's core infrastructure (switches), mitigating the obsolescence of equipment and enabling an architecture that permits the fast, agile, and efficient deployment of services in accordance with the new digital age.
- Change Bank, 27%. These projects contribute to updating the way operations are managed through increasingly advanced technologies that automate operations.
  - The transformation of branches: implements a new self-service model that permits customers to perform simple, fast and secure transactions thereby avoiding lines and saving time.
  - Credit card system update: the competitive functionality of our credit card in the market was reinforced with a more modern processing platform for this product with greater attributes and functionality.
  - La Comer and other new correspondents: a credit card co-branding La Comer-Banorte was developed focused on providing other service points to clients and users of our financial services, which will be available in Banorte modules located in the supermarkets with a programmed growth plan scheduled over the next few years.

- Transform the Bank, 25%. These projects are the result of our continuous quest to reinvent the bank through digital technology solutions, which is the inspiration for innovation in businesses.
  - Odyssey, IBM Service Management. Through the transfer of our service management infrastructure to IBM, we improved controls and tools for service management related to infrastructure, reduced costs, added new services and improved current services. This technological renovation implies savings in energy through the use of new technologies and sites with optimum efficiency levels (green data centers).
  - Customer Business Intelligence Program (CBI). Represents a new knowledge-of-customer module that allows a better understanding of customer needs, suggesting the most suitable financial solutions based on their behavior and profile.
  - Market Operating Platform Transformation Program. The first phase involves implementing a new operating model for Financial markets, the Brokerage house and Investments. In the second phase, the program's vision will be consolidated, seeking to increase benefits for the business by reducing operational risk. This program enhances increased revenue and profits, due to the increased number of products available such as funds, futures, derivatives, swaps and exchanges among others, as well as the unification in various sales and execution channels.

- Digitalization of the Call Center. We seek to serve our customers through social networks and channels such as the Internet and mobile services, integrating social mobile and web engagement projects.
- Watson Virtual Assistant. This artificial intelligence system will enable customers, by simply giving instructions, to perform transactions in electronic banking and receive digital assistance in topics of interest at any time. It represents a self-service solution that facilitates interaction with banking services.





► SRS 417-1

Convinced that technology is the key to the development of our business, at GFNorte we continue to work on innovation and the implementation of new trends. These are our plans for the projects that are already underway:

- The transfer of infrastructure services to IBM, will be consolidated, with high availability and redundancy in the systems.
- Governance, Risk & Compliance (GRC) will be implemented, integrating the areas of Comptrollership, Risk and Audit in one consolidated technological platform enabling them to coincide in a unified risk model. A consolidated Government information security platform for the Group including all of its subsidiaries is also contemplated.
- We will continue to evolve in the use of new artificial intelligence technologies with the Watson system in the construction of our data warehouse and in the evolution of our “Next best action - Next best offer” campaign system.
- We will work with the area of Risk in reducing the capital ratio that authorities require using a tool that automates the implementation and certification of regulatory models for reserves and capital, as well as an analytical platform for data related to risks with traceable, replicable, coherent and comprehensive variables.

- We will evolve our Digital Web and Mobile banking by consolidating both widely used channels, with a greater offering of secure and innovative services. We will enable the business to use the Business as a Service (BaaS) model in a controlled manner, speeding up internal value chain processes with automation. The Fintech companies will be integrated to operate the Group's products and services that will enrich the diversity of service offerings and expand our customer base through cross-sales.
- We will implement the Medallia Digital tool that through their web sites and mobile applications will allow us to engage in a dialogue with customers as well as gather actionable feedback with sophisticated segmentation capabilities, and enrich the customer's voice with efficient web analytic integrations.

**“Convinced that technology is a key element for the development of our business, at GFNorte we continue to work on the innovation and implementation of new trends.”**



## Innovation

At Grupo Financiero Banorte, innovation is essential to continue our transformation, keep us abreast of customers' needs and offer them the best service.

GFNorte is seeking to anticipate customers' needs and increase their satisfaction with our services, through innovation. For this reason, we have an area dedicated to innovation to develop ideas, prototypes and projects that are then tested with the end user.

We focus on three main themes:

- Disruptive changes: promoting the development of new technologies, processes or services on the market.
- Critical processes: addressing those processes that are transversal to our services and channels that support cross-sales of different business lines.
- Cognitive capabilities: developing new sales channels with new generation and security systems.

In this way we seek to meet the changing needs of our customers, to whom we offered multiple upgrade options in 2017, including:

- Campaigns to strengthen cross-sales of products and our relationship with customers.
  - Next Best Action (NBA) campaigns and Multi-channel Sales. Using the multiple access channels to perform different transactions in one visit such as credit card activation, increment in the line of credit, acquiring and renewal of credit, payroll and updating of data.
  - Informative campaigns with referencing, that involve the following companies, products and operations: Afore, Mortgages, Car loans, Personal loans and Collections.
  - Direct closure campaigns focused specifically on insurance products such as: Integral Protection, Car Driver's, Hospital Assistance and Breast Cancer.
  - Campaigns in different channels of the institution. The web, branch offices, mobile, ATMs, Call Center and SMS messages, by which we reach more customers directly and encourage greater communication and contact between the customer and the bank.
- Implementation of the GESCO platform. A tool that integrates the functions required by sales directors and executives for the management of their activities. Among its contents are a commercial agenda, profitability information, campaign and offerings management and customer portfolio information.



**“At GFNorte we anticipate our customer's needs and increase their satisfaction with services through innovation.”**

- Release of payroll loans on non-working days. Our customers have the advantage of liquidity at any time.
- Formalization of an agreement to adhere to the R3-Corda which will provide access to develop collaborative research, evaluation and development projects and deployment of new technologies (Blockchain/DLT).

In addition, we pioneered a program in Latin America together with the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) and IBM to contribute to the development of new technologies and education in Mexico. The program consists in using Blockchain as a core part of two projects, both developed by computer engineering students from ITESM, using IBM's Bluemix platform.

### **Banorte's Ingenuity Program**

It is the best-known and most popular program among our employees in terms of innovation. Since 2010, this program has become one of the main promoters of innovation among GFNorte employees.

In 2017 we decided to put a twist on this initiative and challenge the internal innovation process to improve it by changing the platform, the rules and the manner in which it is managed.

One of the main features of Banorte's Ingenuity Program is that it allows open innovation, i.e., employees can go beyond boundaries and work with colleagues from different areas or external professionals to innovate in a more distributed way, participative and decentralized, generating new networking among participants.

The program works with a mixed model that includes internal crowdsourcing using an institutional collaboration tool for the registering, enrichment, voting and selection of the best ideas, and internal crowdfunding through what we call the Ideas Market. During the year, 1,200 employees invested in previously selected proposals to select the winning ideas.

With the objective of determining whether the ideas presented could be feasibly implemented, more than 60 employees used Design Thinking and other innovative tools to test them using a non-functional prototype.

These actions strengthen innovation and consolidate it as a continuous process in the organization, to inspire, encourage and motivate our employees to think beyond the usual.



**“We pioneered a program in Latin America, together with the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) and IBM to contribute to the development of new technologies and education in Mexico.”**



### Innovation for the future

At Banorte we seek to position ourselves as the Group that provides the best customer service and experience, setting the example for being avant-garde and innovative. Therefore, in 2018 we will promote the following projects:

- Virtual Assistant based on Watson. At the end of 2017, we began testing IBM's virtual assistant that uses cognitive technology, Watson, which will help to answer questions about Banorte products and services, as well as to execute the most common transactions that customers require in real time. The virtual assistant will be launched on a massive scale in the first half of 2018. Pilots based on Watson will also be developed for other services, both for internal customers (processes), as well as for external customers (sales, risks and channels).
- Paykey. Maintaining our position as pioneers in the use of applications, in the first quarter of 2018 Teclado Banorte (Banorte Keyboard) will be launched, linking mobile banking services to social networks, without leaving the application the user is in.
- Blockchain. Because we are convinced that this tool has the potential to reinvent innumerable processes and change the way we carry out operations, we are contributing to boost the technological education of Mexico with the use of disruptive technologies. We are developing initiatives for customer identity and processes that could be used in and out of our financial services.
- Mobile applications. We will provide continuity for the implementation of architectural security for external applications, in order to prepare us to connect internal systems to applications on the market in a swift and secure manner.

“At Banorte we seek to position ourselves as the Group that provides the best customer service and experience, setting the example for being avant-garde and innovative.”





## INTELLECTUAL CAPITAL

Investing in innovation to  
offer customers the very best  
products and services

## Marketing

We are the nation's largest Mexican financial group. Thanks to our efforts to communicate our brand, it is regarded as one of the most valuable of Mexico and especially in the financial sector. Currently, the Banorte brand, according to Brand Finance, is valued at \$1,441 million dollars, also being the fifth most important financial brand in Latin America.

In 2017, we launched a new institutional communication strategy Strong Mexicans, with the objective of developing a platform for communication and relationship with each of our clients to strengthen our brand and transmit it to new generations, increasing its value and relevance with important results in indicators for recognition and advertising recall, but especially in the image attributes that are characteristic of the brand.

We understand the opportunities and challenges that current forms of customer contact present. That is why our hash-tag on social networks, #MexicanosFuerteres, has an important relevance, which was strengthened in the days after the earthquakes that hit Mexico. The meaning of strong Mexicans has transformed into a more roots-based interpretation of uniting forces

and work to achieve common goals among Mexicans. We achieved a 94% identification and connection with clients, given the need for understanding and support due to the situation in the country, not only because Banorte is a Mexican bank, but because it is a Mexican bank free to make decisions, create products and services in accordance to the needs of Mexicans, satisfying our customers with relevant and differentiated benefits.

We reinvented ourselves for our customers, being a solid Mexican bank able to adapt to changes in the market, providing and communicating innovation and technology, but without losing our essence of customer orientation and support for Mexicans.

On the other hand, we have promoted the participation of Banorte in major international events held in our country, such as the Formula 1, the Longines Global Champions Tour, the OHL Classic at Mayakoba, the NFL, the PGA's WGC in Mexico, the Banorte half marathon of Mexico City, always with the objective of demonstrating loyalty to our clients and developing a more efficient relationship.

Today we are able to generate real value for our customers, where not only the relevance of being a Mexican bank comes into play, but also our capacity to provide solutions for their needs.

Our brand is displayed in all communications, making it synonymous with the experiences we provide and above all, with our ability to attract and retain clients; therein lies our work in terms of marketing.





## Communication

We continue with our 20/20 Vision strategy with clearly established business goals that must be built from the Group's impeccable reputation of proper communication and an effective and reliable relationship with stakeholders.

In 2017 we concentrated on the strategic alignment and consistency of corporate communication, which involves understanding the Group's public environment keeping in mind the institutional growth objectives embodied in the 20/20 Vision strategy, and manage communication needs for each business unit, according to the diagnosis of the gap between the current and the optimum positions.

Proper management of these needs implies ordering and prioritizing communication initiatives in accordance with its relevance to institutional objectives in ongoing editorial work, enabling all target audiences to receive consistent, accurate, opportune and relevant information on the institution's activities.

That is why we launched a long-term analysis program on the impact of communications from indicators agreed upon with the internal areas that receive this service. The program seeks to streamline the flow of corporate communication to achieve greater efficiency and communication to become a real tool in solving business challenges.

As the first initiative, a weekly internal, newsletter was created which in the first three months, increased reading levels by 15%.

One of the most significant events was the communication of the concept for the "Strong Mexicans" initiative that aims to discover those Mexicans who, every day, give the best of themselves and project the best values of our country, generating confidence and recognition to the institution among stakeholders. The movement has two lines of action: a marketing campaign showing Mexicans who have already made their mark, and another of commitment and social responsibility which through the branch network, seeks to discover those Mexicans who are positively transforming their communities.

In the wake of the September 7th and 19th earthquakes in the center and southern parts of the country, Mexicans demonstrated the strength of our union, solidarity and commitment from which Banorte could not abstain.

From the outset, the Group launched the Banorte Adopts a Community program, to implement a comprehensive strategy focused on nine communities in seven entities to address reconstruction of housing and supply of school equipment, as well as support in health, culture, financial education and food aid.



“In 2017 we focused on the strategic alignment and consistency of corporate communications; that implies understanding the public environment of the Group while keeping in mind the institutional growth objectives embodied in our 20/20 Vision strategy.”

On the other hand, we communicated the change in focus of our Foundation to 21<sup>st</sup> century education, with a greater emphasis on social networks.

For the seventh consecutive year we received the Great Place to Work certification, as being one of the best places to work in Mexico. In this Edition, we achieved the participation of 18,067 employees, which represents an increase of almost 100%, based on 2015 statistics. With an 88% of employee satisfaction, we exceeded the 79% average for the financial sector.

In our first attempt, we obtained the Super Companies 2017 certification, coordinated by Expansion magazine and Top Companies, ranking seventh among Mexican companies with more than 3,000 employees and ranking second in the financial sector.

### Communication for the future

In 2018, we will promote digital conversation through social networks. While progress has been sustained and the generation of content has made it possible to increase the size of our community, the challenge is to generate transparent and opportune conversations and interactions with audiences, generating greater value for customers, employees and shareholders.

We seek more effective communication with employees that reflects the Group's identity and values, to be both constructive and to generate value for business.

The scale of Banorte, its geographical dispersion and diversity of audiences require the streamlining of communication space, generating tools that facilitate a more effective and useful communication for every communicator. This will require the creation of an internal policy and migration from a framework of complying with internal communication to guiding and empowering every contributor, considering them as ambassadors of our brand and informal spokesmen for the institution.



**“We redirected the focus of our Foundation to 21<sup>st</sup> Century education, with greater emphasis on social networks.”**



## HUMAN CAPITAL

Investing to attract and develop  
our employees to realize their  
full potential



►SRS 102-7 ►SRS 102-8 ►SRS 102-45 ►SRS 102-48  
►SRS 103-1 ►SRS 103-3 ►SRS 401-1 ►SRS 405-1

The development of human talent is key to fulfilling our business strategy. In Human Resources, we have the challenge of maintaining an efficient organizational culture, focused on business results and guided by the institution's leaders, by enabling new models for the attraction, performance and retention of personnel.

### The value of our Human Capital

Our main focus on Human Capital has been the management of change through sustainability and the supply of talent in the organization. We have focused on the development of a result-oriented culture, generating new leaderships and promoting skills oriented towards new digital and disruptive innovation trends.

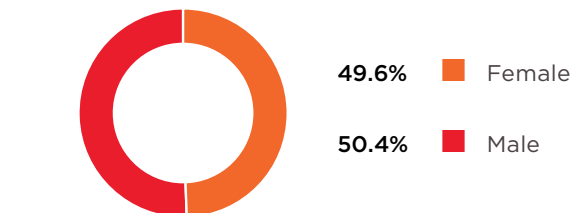
We have over 29,000 employees evenly distributed by gender with 50.4% male and 49.6% female staff.

GRUPO FINANCIERO BANORTE NUMBER OF EMPLOYEES TO DECEMBER 31 <sup>ST</sup> , 2017						
Business	Full-time		Fees		Total	
	2016	2017	2016	2017	2016	2017
<b>Banking Sector</b>	<b>20,960</b>	<b>21,875</b>	<b>7</b>	<b>3</b>	<b>20,967</b>	<b>21,878</b>
Bank	18,559	<b>19,250</b>	0	<b>3</b>	18,559	<b>19,253</b>
Warehouse	10	<b>52</b>	0	<b>0</b>	10	<b>52</b>
Leasing and Factoring	91	<b>110</b>	7	<b>0</b>	98	<b>110</b>
ASPE	2,300	<b>2,463</b>	0	<b>0</b>	2,300	<b>2,463</b>
<b>US Businesses</b>	<b>571</b>	<b>174</b>	<b>0</b>	<b>0</b>	<b>571</b>	<b>174</b>
<b>Inter National Bank <sup>(1)</sup></b>	414	-	0	-	414	-
Uniteller	135	<b>152</b>	0	<b>0</b>	135	<b>152</b>
Banorte Securities	22	<b>22</b>	0	<b>0</b>	22	<b>22</b>
<b>Long term savings <sup>(2)</sup></b>	<b>6,382</b>	<b>7,854</b>	<b>9</b>	<b>9</b>	<b>6,391</b>	<b>7,863</b>
Afore	4,436	<b>5,823</b>	3	<b>4</b>	4,439	<b>5,827</b>
Insurance	1,756	<b>1,831</b>	6	<b>5</b>	1,762	<b>1,836</b>
Annuities	190	<b>200</b>	0	<b>0</b>	190	<b>200</b>
<b>Total</b>	<b>27,913</b>	<b>29,903</b>	<b>16</b>	<b>12</b>	<b>27,929</b>	<b>29,915</b>

(1) The sale of Inter National Bank was finalized on March 31<sup>st</sup>, 2017, and has ceased to be part of the GFNorte corporate structure.

(2) Data for full-time long term savings employees include outsourced employees.

### Composition of workforce by gender



Banking sector data.



► SRS 103-2

WORKFORCE BY AGE RANGE AND GENDER					
Gender	Age range	2015	2016	2017	Var. % 2017 vs 2016
Female	< 30 years	4,199	4,909	<b>5,371</b>	9.4
	30 - 50 years	5,152	4,721	<b>4,790</b>	1.5
	> 50 years	571	626	<b>678</b>	8.3
<b>Total females</b>		<b>9,922</b>	<b>10,256</b>	<b>10,839</b>	<b>5.7</b>
Male	< 30 years	4,360	5,007	<b>5,325</b>	6.4
	30 - 50 years	5,039	4,521	<b>4,532</b>	0.2
	> 50 years	1,141	1,183	<b>1,182</b>	-0.1
<b>Total males</b>		<b>10,540</b>	<b>10,711</b>	<b>11,039</b>	<b>3.1</b>
<b>Total</b>		<b>20,462</b>	<b>20,967</b>	<b>21,878</b>	<b>4.3</b>

Banking sector data.

WORKFORCE BY OCCUPATIONAL CATEGORY AND GENDER				
Category	Female		Male	
	Employees	%	Employees	%
Upper	106	1	417	2
Middle	2,286	12	3,191	17
Operational	7,285	38	5,965	31
<b>Total</b>	<b>9,677</b>	<b>50</b>	<b>9,573</b>	<b>50</b>

Data corresponds to Banco Mercantil del Norte, S.A.

## Talent Development

One of the most important programs implemented in 2017 was the Success Factors platform, developed for better management of our Human Capital through the following modules:

- Recruitment management
- My profile
- Performance assessment
- Succession and development

In this first year of implementation, this tool has allowed us to evolve the human resources management process to make employee work hours visible and to obtain punctual follow-up to performance, in line with business objectives.

## Identification of key executives under potential and performance criteria

We determine the contribution of talent in GFNorte through the intersection of performance results of employees with the level of potential to contribute to the objectives and obtain positions with greater responsibility. We refer to this as our Matrix of Talent.

The potential of an executive is determined by their capacity, commitment and aspiration, which is measured with standardized regulatory assessment tools, that when compared with Banorte profiles, show the appropriate potential classification. An executive with high potential is a person who demonstrates high performance, outstanding potential, commitment and aspirations to succeed in positions of greater responsibility.

## Succession plans

We initiated the Executive Succession Process with the Management Committee, who identifies successors for senior management positions that were validated by each Managing Director. Successors emerged from talent and leadership assessments, considering candidates in positions where they report directly to each general manager, peers, and positions that report directly to their counterparts.

## Implementation of our new retention plan

We started a new long-term incentive plan to strengthen compensation, providing continuity to the strategy of attraction and retention of key executives. The new plan is aimed at recognizing performance and achievement of objectives of each employee as well as in promoting fulfillment of the Group's goals.

► SRS 201-3 ► SRS 401-2 ► SRS 405-2

## Attraction and retention of talent

We have transformed the comprehensive attraction of talent process with the implementation of technology platforms that have allowed us to streamline recruitment functions and provide new applicants with an experience of digital accessibility.

We redesigned the Young Talent program, focusing on projects that add value to the business in which young people with high potential, from national and international universities, have access to a platform that allows them to demonstrate their skills and complement their professional development.

►SRS 404-1

For GFNorte, the key factors in the decision to attract talent are capacity, skills and the knowledge of applicants, always based on equality to make the decision to hire a new employee, with which we avoid discrimination for any reason.

One of the most important issues of our human resources strategy is to maintain wage competitiveness among operating and executive salaries, using performance as an element to assess productivity and recognizing personnel with outstanding performance in achieving results with a higher salary percentage.

We continually work to offer our employees a comprehensive remuneration and benefits package that is competitive within the industry.

For the key senior management positions, whose responsibilities are associated with market, credit or policy risk, we have an annual bonus payment scheme and retention plan with different characteristics. The annual bonus is subject to the fulfillment of objectives and the performance of risk and human resources metrics, including adherence to regulations. Thus, 40% of this bonus is variable and its payment is deferred over three years. So we encourage our top executives make decisions based on profitability, vision and the creation of long-term value.

EMPLOYEE REMUNERATION			
	2016	2017	Var. % 2017 vs 2016
Officers	2,674,559,726	<b>2,858,419,708</b>	6.9
Employees	1,849,310,534	<b>1,927,512,137</b>	4.2
<b>Total</b>	<b>4,523,870,260</b>	<b>4,785,931,845</b>	<b>5.8</b>

Banking sector, amounts expressed in pesos.

►SRS 405-2

AVERAGE SALARY BY OCCUPATIONAL CATEGORY AND GENDER										
General labor category	Average salary						Variation between average male and female wages			
	Female			Male			2017 Amount	Ratio %		Var. % 2017 vs 2016
	2016	2017	Var. % 2017 vs 2016	2016	2017	Var. % 2017 vs 2016		2016	2017	
Upper	111,947	<b>115,178</b>	2.9	120,321	<b>125,743</b>	4.5	10,565	93.0	<b>91.6</b>	-1.4
Middle	29,784	<b>30,429</b>	2.2	32,058	<b>33,087</b>	3.2	2,658	92.9	<b>92.0</b>	-0.9
Operational	12,170	<b>12,598</b>	3.5	12,340	<b>12,664</b>	2.6	66	98.6	<b>99.5</b>	0.9

Banking sector, amounts expressed in pesos.

►SRS 404-1, ►SRS 404-2

**Training**

We incorporated new training models to optimize knowledge retention and improve employees' performance. In addition, we created a breeding program in the commercial network in which we reinforce our training and development programs.

Similarly, we launched a multidimensional leadership program, based on 360° evaluations for retail banking territorial directors, which allowed executives to know their areas of opportunity in leadership and work with certified coaches.



► SRS 404-1

#### INVESTMENT IN TRAINING AND DEVELOPMENT

	2016	2017	Var. % 2017 vs 2016
Scholarships	9.4	<b>9.8</b>	4.3
Travel expenses for training	24.6	<b>33.2</b>	35.0
Courses and conferences	98.1	<b>108.6</b>	10.7
<b>Total</b>	<b>132.1</b>	<b>151.6</b>	<b>14.8</b>

Banking sector, amounts expressed in pesos.

In 2017 each employee received an average of 35 training hours, over 20% more than in 2016.

#### AVERAGE TRAINING HOURS BY GENDER

Gender	2015	2016	2017	Var. % 2017 vs 2016
Female	29	30	<b>30</b>	-
Male	31	29	<b>40</b>	<b>37.9</b>
<b>Average</b>	<b>30</b>	<b>29</b>	<b>35</b>	<b>20.7</b>

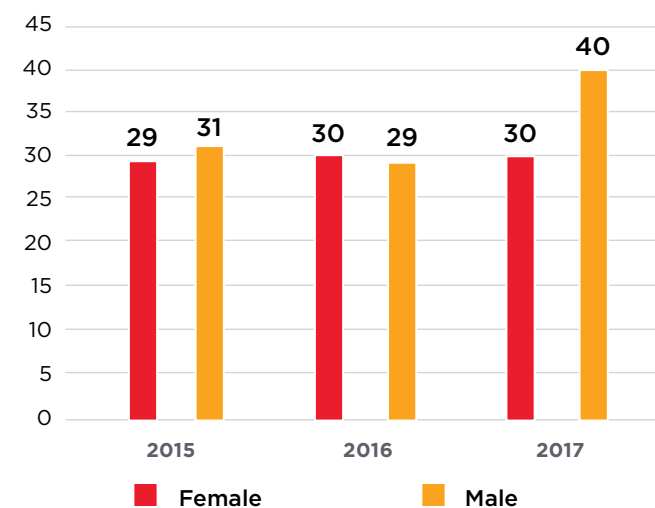
Banking sector data.

#### AVERAGE TRAINING HOURS PER JOB CATEGORY

Category	2015	2016	2017	Var. % 2017 vs 2016
Director	43	29	<b>34</b>	17.2
Deputy director	40	30	<b>40</b>	33.3
Manager	33	28	<b>37</b>	32.1
Non-union	25	23	<b>31</b>	34.8
Unionized	32	36	<b>39</b>	8.3

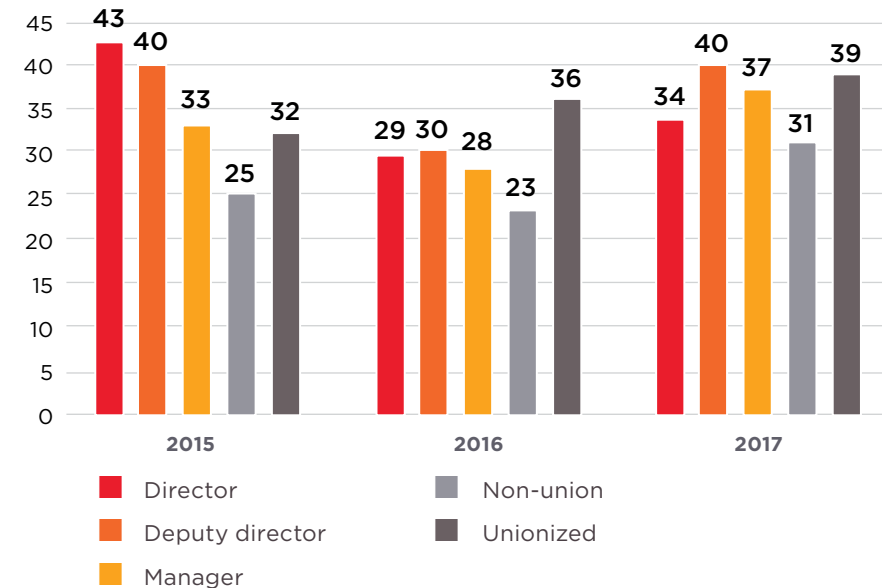
Banking sector data.

#### Average training hours by gender















Banking sector data.

#### Average training hours by job category



Banking sector data.



MAIN BENEFITS	
 Obligatory annual christmas bonus	 Food stamps
 Savings fund	 IMSS subsidy
 Vacations and vacation bonus Comprehensive health system	 Comprehensive health
 Cash loans	 Insurance
 Car loans	 Aid for sports
 Loans for mortgages plans	 Annuities and retirement

►SRS 201-3    ►SRS 401-2

**Employee benefits**

The benefits we offer are mostly superior to those stipulated by law.

**Job flexibility**

Grupo Financiero Banorte seeks to improve our employees' quality of life through tools that promote a healthy balance between work and personal life.

In 2016 we launched the first pilot for working with flexible hours comprised of two modes:

- Remote work: Selection of one day a week in which a person can work from home or any other alternate location away from bank facilities, complying with established goals and objectives.
- Staggered schedules: three schedule options for a 40 hour working week, adapting the work schedule to the needs of each person, complying with established goals and objectives.

Because Banorte has the technological tools required to work remotely (Jabber, VPN, Lync and lap tops), our employees have managed to achieve objectives while working away from the office.

In 2017, the pilot became a program. Employee participation with respect to the 2016 pilot grew 62%, from 117 to 190 participants. This represents a 31% of the total number of employees in the area of technology management.

The program gave us positive results associated with improvement to quality of life, motivation, recognition and flexibility; other aspects that had a positive impact related to the performance were:

- Team work: support from co-workers.
- Programming and organization of work team activities and better objective definition.

In 2018 we seek to expand this program, incorporating new forms of flexibility, as well as a broader dissemination of this initiative and extend participation to other areas of the bank.

“Grupo Financiero Banorte seeks to improve our employees’ quality of life through tools that promote a balance between work and personal life.””

►SRS 403-1

### **Protecting employees' health and well-being**

In 2017 we implemented an inspection protocol in accordance with the occupational health and safety regulation of Department of Labor and Social Welfare (STPS) in 300 Banorte branches in Monterrey, Guadalajara and Mexico City.

### **Quality health care**

To ensure better medical care for our employees and their beneficiaries, we continue with tenders for the selection of hospitals in the country's main cities, looking for high standards in quality and service. We established some agreements with national institutes, to improve response to highly complex and costly cases, and finalize agreements with the leading pharmaceutical chains and laboratories in the country.

We have our own Call Center with a greater resolution capacity and accompany the user with information about our services, especially in the use of the medical expenses policy.

In 2017, we started our own primary care clinic in the city of Monterrey, as a model to improve the quality of health care.

We restructured our medical network with three main axes: joining the network with the best doctors in each area; evaluating to qualify and encourage better performance; and approaching specialists to increase institutional identity.

We also implemented a psychological support program for victims of the September 19th earthquake, who suffered personal losses or their homes, which includes a 24-hour hotline and personalized session for those who need it.

### **Health care and promoting health**

In our corporate buildings, we conducted a screening of employees and initiated the Kiloton program, aimed at promoting a culture of weight control, as well as addressing risk factors facing personnel and their family members. The program has the support of a multidisciplinary team of bariatric doctors, nutritionists, health promoters, physical education professionals and psychologists. We can report the active participation of 2,855 employees who have managed to lose 2,343 kilos of body weight by the end of 2017.

We are proud to be the recipient of two awards from the Workplace Wellness Council Mexico: Leadership in Health and Wellness Programs and Responsibly Healthy Organization, in the consolidation phase.

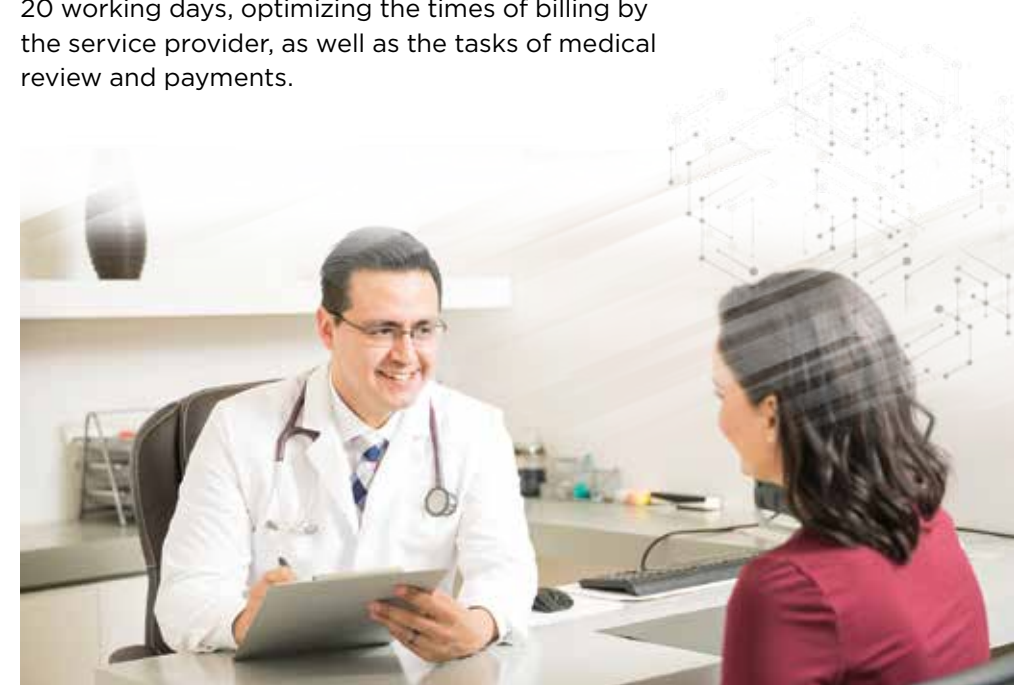
### **Process improvement**

We designed a new health service management platform, which provides multiple health services to beneficiaries through a network of over 5,000 nation wide medical services providers in a securely traceable manner and in real-time. We additionally started a biometric authentication program for doctors and patients to ensure the proper use of services and resources.

Among the most tangible results of this process, is the ease with which the service can be aligned to hospitalized patients by standardizing entering-staying-leaving processes for all our employees in any city, improving monitoring actions and streamlining care times.

We have also implemented a program for personalized attention to patients with a special pathology (catastrophic cases), which has improved the quality of care and treatment, and optimized response times.

Administratively, we have improved the quality of management information for decision making, with the participation of the company Administrative Engineering, as well as the time of payment to our suppliers of health for a term of not more than 20 working days, optimizing the times of billing by the service provider, as well as the tasks of medical review and payments.





► SRS 102-41

### Collective labor agreement

By virtue that the Federal Labor Law which includes the right for all workers in the country to join a union to protect their labor rights, Banco Mercantil del Norte, S.A. Institución de Banca Múltiple, Grupo Financiero Banorte, signed a Collective Labor Agreement with the National Union of Workers of Banorte in 1992.

This union has had structural autonomy since its inception and has a National Executive Committee, whose members are elected by the Bank's union personnel.

Since 1992, annual reviews were conducted during the annual congress and ratified in the presence of the national union representatives, to be subsequently submitted to the Federal Council for Conciliation and Arbitration, without a summons to strike for any reason.

A total of 5,991 banking sector employees are members of the union, which represents 30.9% of the total employees in this sector.

► SRS 401-1

### Personnel turnover

In 2017, the voluntary and involuntary turnover of personnel was 22.5%. We are one of the financial groups with the lowest rate of involuntary turnover in the sector, with 6.4%.

AVERAGE PERSONNEL ROTATION BY AGE RANGE AND GENDER					
Gender	Age range	2015 %	2016 %	2017 %	Var. % 2017 vs 2016
Female	< 30 years	11.9	10.7	<b>13.5</b>	2.8
	30 - 50 years	8.3	6.5	<b>6.4</b>	-0.1
	> 50 years	1.4	0.4	<b>0.7</b>	0.3
<b>Total female</b>		<b>21.6</b>	<b>17.7</b>	<b>20.5</b>	<b>2.8</b>
Male	< 30 years	14.3	13.1	<b>15.8</b>	2.7
	30 - 50 years	9.9	7.2	<b>7.0</b>	-0.2
	> 50 years	2.1	0.9	<b>1.7</b>	0.8
<b>Total male</b>		<b>26.3</b>	<b>21.2</b>	<b>24.5</b>	<b>3.3</b>
<b>Total</b>		<b>24.0</b>	<b>19.5</b>	<b>22.5</b>	<b>3.0</b>

Banking sector data.

### Human Capital in 2018:

We are working redesigning the administration of wages and the incorporation of flexible benefits. We seek to create a new framework of wage administration that will facilitate decisions regarding the definition of the level of each position, as well as the management of Human Capital based on talent, merit and wage competitiveness.

Regarding flexible benefits, we will seek to improve the perception of the value of the remuneration package, identifying the real possibilities of improvement of employees' liquidity without increasing compensation costs. This will contribute to improving our capacity to attract and retain talent, maximizing the money invested in current benefits.

### Projects for 2018:

- Implementation of a technological platform to manage the admission process for new employees, in order to reduce the learning curve and improve the integration experience, generating a commitment to the institution.
- Strengthening our relationship with universities through new programs for attracting talent and employer brand positioning.
- Research of new technological tools to streamline the recruitment and selection process.
- Installation a new health services management platform for doctors, hospitals, laboratories and pharmacies, as well as the back office link between suppliers and our Administration in the corresponding validation and payment of services.



## **SOCIAL** CAPITAL

**Investing to provide clients with a positive experience and Mexico with a positive impact in its development**



### **Analytics to better serve our customers**

As Mexico's second largest financial group we have a great responsibility and, at the same time, a unique opportunity to contribute to the development of our country.

We have the vocation to serve our customers and reach more people, which is why we are developing solutions to better understand customers' needs and provide them with the best service and establish stronger relationships.

We know that customer relations form part of our Social Capital and to strengthen those relationships we must have a better understanding of customers' needs to respond with appropriate, practical and safe solutions.

We use analytics to translate customer information into value; developing a deeper knowledge of the customer and our company, using the experience of our business lines with analytical tools that use the information thereby increasing Grupo Financiero Banorte's profitability. This is developed through five main aspects:

- Identify opportunities to streamline processes.
- Use predictive analytics on customer behavior, to strengthen and increase the value of their relationship with Banorte over time.
- Increase opportunities to promote vertical and cross sales, and direct campaign heads to propose better offerings of value to customers.

- Reduce financial and operational costs and those for risk.
- Develop studies that contribute to improving the decision-making process within GFNorte.

The nature of projects managed in the area of Analytics, with which it seeks to challenge the statu quo, implies a break with inertia and requires a comprehensive action.

Analytics develops transformation projects jointly with the business lines and support projects that generate ever-increasing contributions to direct profits. We have gone from generating a Ps 5.249 billion impact in 2016, to generating a value of Ps 10.494 billion in 2017.

During the year several projects were developed, among which were:

- Cross-selling to significantly expand GFNorte's loan origination capacity in lower risk segments and therefore, with a higher value in the customer - time relationship:
  - Credit cards increased the Group's sales capacity by 20% for customers whose risk cost is around 400 basis points lower than the general public.
  - Payroll loans increased the Group's sales capacity, incorporating 23% new originations for clients whose risk cost was up to 1,00 basis points lower.

- Obtaining mortgage customers through new channels, which has contributed to us surpassing our main competitors in the generation of new mortgages. Customers who from these channels exhibited a risk cost of 116 basis points lower than for those customers from traditional channels.
- Portfolio campaigns to strengthen relationships with cardholders, considering the use of alternative channels for loan originations through means such as convenience checks, transferring balances, increasing lines of credit, and/or additional lines of credit.





- Optimization of origination processes for various retail banking loan products. In 2017, we achieved a 57% reduction in non-formalized loans, which in turn directly reduced administrative acquisition costs implied by reprocessing and indirectly, acquisition costs; while at the same time increased placement of credit cards, payroll and car loans.
- Identification of opportunities for vertical and cross selling among business banking customers, which has helped to accelerate the placement of various banking products with clients, as well as extend relationships with them, which translates into value for the GFNorte-client relationship.

These projects generated benefits for that group of customers who generally have better access to credit with more favorable costs, a better value offering, as well as greater facility and ease in acquiring loans. In this case we look for less aggressive communication with the customer and one done through their favorite channels.

Our annual goal is to create value based on a rate equivalent to 10 times the cost. An example of how we have achieved this is that at the beginning of 2017, the Lafferty Group awarded Banorte with the Lafferty Global Award in Credit Card Excellence for the analytical work that was developed in conjunction with credit cards to optimize the cross-selling process and improve the value offering to customers.

In addition, we work hard to analyze the information that will allow us to offer customers the best services and product offerings across all the channels that they use.

### **Analytics for the future**

For 2018, we will continue to promote conditions to generate vertical and cross sales, acquire new customers and, in general, optimize processes. In addition, we will seek to influence these five relevant aspects in the creation of value:

- Ensure the creditworthiness of customers to achieve quality growth in their loan portfolios.
- Establish prices according to our customers' profile, in such a way that the risk-return relationship is adequate.
- Increase deposit balances enabling GFNorte to broaden its credit relationship with customers.
- Identify the relevant factors to broaden the relationships with customers and reduce the cancellation rate.
- Explore opportunities for synergy between the different lines of business of the Group.



**“The Lafferty Group awarded Banorte with the Lafferty Global Award in Credit Card Excellence for the analytical work developed in conjunction with credit cards to optimize the cross-selling process and improve the offering of value to customers.”**

## Customer experience

We recognize that the most powerful source of innovation is our customer; therefore we aspire to become the best bank in terms of attention and service to Mexicans by focusing on them.

Through the area of customer experience, we attend their needs and requirements, seeking to generate positive experiences at every point of contact. In this regard, we are working so that in the new platforms, processes, operational changes and transformations of the Group, the customer's voice is always present and we meet their expectations.

We are constantly checking the pulse of customer experience in the different interactions with Banorte through metrics that allow us to determine the important moments and areas of opportunity. The implementation of Net Promoter Score (NPS), a satisfaction methodology used throughout the organization, as well as the alignment and efficiency of internal processes guaranteeing service, inspire confidence and provide the assurance of a pleasant customer experience.

In 2017, we promote various projects, including:

- **Customer's voice management program**  
This program has had the greatest impact in our organization and with our clients, because, at Banorte, we listen to customers in real time. In Mexico we are one of the two banks that process feedback from customers only hours after receiving their comments. Thanks to this, we can improve our processes day-by-day, identifying root problems and areas of opportunity in the products and services

we offer, and generating appropriate improvement measures to improve customer experience.

This project has allowed the NPS to improve 20 points by the end of 2017, obtaining a 66% rating on the recommendation level of high-value customers, with an impact on the service of 1.7 million more client promoters, with a 80% coverage of the customer base.

This daily management of information, together with the weekly and/or monthly analysis, allows us to take actions to improve customer experience, resulting in significant operational improvements that translate into excellence in service.

- **Banorte Móvil**  
The dynamism that is required today to carry out financial operations with security, simplicity and immediacy has encouraged us to provide one of the best mobile banking offerings on the market.

We are counting on a functional self-service in which customers have the freedom to carry out financial operations whenever they want, reducing visits to branches and calls to the Call Center, achieving a higher level of autonomy with lower risk and friction.

In this regard, we have worked on various fronts ranging from the continuous improvement of the application resulting from user-friendly studies with client groups, to the incorporation of new capabilities that put Banorte mobile banking at the forefront of this sector.

- **Migrating branches towards self-service**  
Banorte's internal transformation is reflected in changes in branch image and service, with spaces dedicated to self-service.



Transformed branches have a shift manager and quality service executives who provide differentiated service to high value customers. Additionally, kiosks and digital displays promote the use of efficient electronic channels, allowing customers to migrate more and more towards carrying out transactions using self-service channels.

- Service model

The objective of this model is to implement an institutional culture of customer service, to provide the comprehensive expertise to develop the talent and bring out the spirit of service from within employees.

This year we made great strides in this regard by developing competitions and initiatives to strengthen our service model. Training programs for branch executives and internal areas were implemented, based on more than 70 interdisciplinary work groups focused on improving experiences, with the premise that “the customer experience is a commitment by all of us”.

This effort will allow us to shape GFNorte’s culture of service, directly contributing to the objectives laid out in our 20/20 Vision strategy.

### Improving customer experience in the future

In 2018, we will continue with the actions that we have implemented to improve customer satisfaction, focusing on the following projects:

- Integrate the Banorte Call Center and Insurance operations into the customer’s voice management program in real time.
- Build a systematic and integrated approach of the NPS that enables us to define our position versus our competitors, to achieve permanent and sustained leadership in service.
- Close the gaps between the customer’s expectations and experiences in major Banorte transactions, giving priority to improving the customer’s voice initiatives.
- Ensure that new developments aimed at the customer boost effective use of self-service channels, supported by an intuitive, simple, quick and easy access design and available 24/7.

We will consolidate the service model at all levels of the organization, as a tool to differentiate us from our competitors, becoming the best institution in service.



“This year we made great strides by developing competitions and initiatives to strengthen our service model.”



► SRS 203-1, ► FS-16

### Support for SME customers

It is very important to Banorte to support small and medium-sized Mexican enterprises (SMEs) because we know that entrepreneurship is crucial for the economic development of a nation.

For this reason, our relationship with customers is a key factor that motivates us to focus on their financial needs, as well as those special circumstances that might occur in national and local markets. In order to promote local development we continue to provide special conditions for SMEs in sectors or regions of the country that require some special support. In 2017 the portfolio of funding for these programs was Ps 3,851,168,539 offering support with 1,965 loans.

2017 SME SUPPORT PROGRAMS	
Natural Disaster Support	Boosting the economy and promoting employment in Sinaloa
Natural Disaster Support, Hurricanes Manuel and Ingrid	Boosting the economy and promoting employment in Sonora Tourism
Emergency Support Baja California Sur, Hurricane Odile	Boosting the economy and promoting employment in Yucatan
Emergency Support Southern Baja California Sur, Hurricane Paul	Boosting the economy and promoting employment in Zacatecas
Emergency Support Baja California and Sonora	Boosting the economy in border areas of Baja California
Emergency Support Chiapas	Boosting the economy in border areas of Baja California Sur
Emergency Support Guerrero	Boosting the economy in border areas of Chihuahua
Program for the Prevention of Hunger, Violence and Crime	Boosting the economy in border areas of Coahuila
SEM Support in Tamaulipas	Boosting the economy in border areas of Quintana Roo
Crediaactivo Commercial Building loans	Boosting the economy in border areas of Sonora
“Ven a Comer” (Come to Eat) loans	Boosting the economy in border areas of Tamaulipas
National Crusade Against Hunger	My SMEs Support Southwest Chiapas
Leather and Footwear	My SMEs Support Southwest Guerrero
Boosting strategic sectors in the state of Guanajuato	My SMEs Support Southwest Michoacan
Boosting the economy and promoting employment in Aguascalientes	My SMEs Support Southwest Oaxaca
Boosting the economy and promoting employment in Durango	Textile Industry, Clothing and Fashion
Boosting the economy and promoting employment in the State of Mexico	Microsupport financing for small businesses
Boosting the economy and promoting employment in Hidalgo	SME Woman
Boosting the economy and promoting employment in Jalisco	Federal Government Suppliers
Boosting the economy and promoting employment in Nuevo Leon	Reactivating the economy in Campeche
Boosting the economy and promoting employment in Oaxaca	Reactivating the economy in Michoacan
Boosting the economy and promoting employment in Puebla	Reactivating the economy in Oaxaca
Boosting the economy and promoting employment in Queretaro	Reactivating the economy in Tabasco
Boosting the economy and promoting employment in San Luis Potosi	
Total: Ps 3,851,168,539	

► SRS 203-1   ► FS-13   ► FS-14

**Correspondents: ever closer to customers**

To build a stronger Mexico, Banorte has been working to improve financial inclusion in populations with limited banking penetration. We do this through our network of correspondents, through which we offer various services to customers and users with the support of third parties: retail chains that put their personnel and technical equipment at the disposal of our clients to realize online and in real-time banking transactions for payments, deposits, withdrawals or consultations.

The services that we offer to our customers through the network of correspondents are deposits, payment of some services as well as credit card payments and cash withdrawals. These operations are executed immediately, as if they had performed directly in a bank branch.

The correspondents are a huge plus in terms of financial inclusion in the development of Mexico, since they offer diverse benefits such as products, transparency and, most importantly, proximity. Many of our correspondents are located in areas where there is no bank presence at all, which allows us to be there without a large investment in infrastructure.

Correspondents enable us to provide banking services to regions with no physical banks.

CHANNEL	NUMBER OF OFFICES	NUMBER OF MEXICAN MUNICIPALITIES COVERED	% OF MEXICAN MUNICIPALITIES COVERED
Banorte branch network	1,148	327	13.3
Correspondents network	26,131	1,367	55.6
Correspondents located in municipalities with no Banorte branches	3,573	1,046	42.5
Correspondents located in municipalities where there is no presence of any bank	749	490	19.9
Correspondents located in municipalities with a poverty index over 40%	635	412	16.7

Total municipalities in Mexico: 2,459. Source: [www.inegi.gob.mx](http://www.inegi.gob.mx)  
Data corresponds to the poverty index taken from: [www.coneval.gob.mx](http://www.coneval.gob.mx)

Learn more about correspondent infrastructure growth in the **We Are Banorte** section.

“Correspondents help to propel financial inclusion for the development of Mexico.”



►SRS 102-9 ►SRS 308-1

### Promoting the development of Mexico through our value chain

At GFNorte, whenever possible, we try to choose domestic suppliers to provide services to help Mexican society. In 2017 we had 1,336 suppliers, of which 96% were national and 99% provided some kind of service to us.

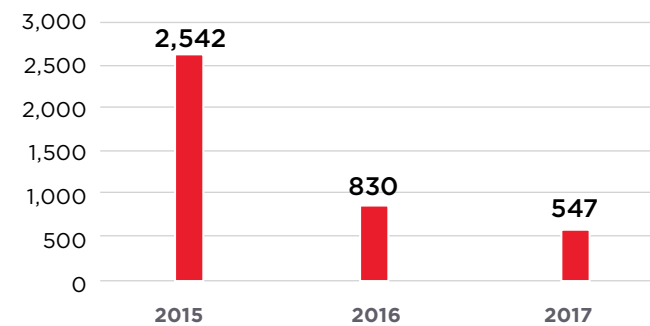
#### INFORMATION OF SUPPLIERS 2016 VS 2017

	2016	2017	Var. % 2017 vs 2016
<b>Interaction with suppliers</b>			
Number of suppliers	1,446	<b>1,336</b>	-7.6
<b>Origin of supplier</b>			
Foreign	50	<b>49</b>	-2.0
National	1,396	<b>1,287</b>	-7.8
<b>Total</b>	<b>1,446</b>	<b>1,336</b>	<b>-7.6</b>
<b>Category of supplier</b>			
Goods	56	<b>12</b>	-78.6
Services	1,390	<b>1,324</b>	-4.7
<b>Total</b>	<b>1,446</b>	<b>1,336</b>	<b>-7.6</b>
<b>Type of supplier</b>			
Permanent	1,004	<b>949</b>	-5.5
Eventual	442	<b>387</b>	-12.4
<b>Total</b>	<b>1,446</b>	<b>1,336</b>	<b>-7.6</b>

### Sustainable value chain

We encourage our suppliers to share our adherence to healthy business practices. To ensure a positive and lasting impact, since 2012 supplier contracts declare that the supplier acknowledges and applies the 10 UN Global Compact Principles of the in their contracts.

#### Supplier contracts that stipulate knowing the 10 UN Global Compact Principles



In addition, as part of our sustainable value chain program, we developed a questionnaire in accordance with criteria established in the second edition of the UN Global Compact's Supply Chain Sustainability guide which outlines the hiring process for new suppliers, which is handled from our SAP ARIBA platform.

With this initiative, we received 162 responses from new suppliers to the questionnaire with 20 environmental and social indicators, which will allow us to detect the risks associated with compliance to applicable legislation, as well as the sustainability and corporate social responsibility initiatives.



“In 2017, we dealt with 1,336 suppliers, of which 96% were domestic and 99% provided some type of service.”



► SRS 203-1

**Banorte's Foundation**

The main purpose of our foundation is to give back to Mexico and Mexicans what they have so generously provided us. For this reason, we focus much of our philanthropic efforts into transforming education for the 21<sup>st</sup> century, as this is the best tool for social mobility.

Through Banorte foundation programs we contribute to achieve our country's full potential, favoring those sectors, people or regions of higher vulnerability, because we know that Mexico's greatest strength lies in its people.

In 2017, our social investment amounted to more than Ps 69 million through programs such as our Líderes Educativos Banorte (Banorte Educational Leaders), Mil Sueños por Cumplir (1,000 Dreams to Fulfill), Natural Disasters as well as other philanthropic support in which we contribute with 21 organizations directly benefiting 41,855 people throughout the country. We also collaborate with other areas of our institution in special programs that provide support for specific social needs.

• Líderes Educativos Banorte

This innovative program offers a learning network; continuing education and support for strengthening the role of principals in school communities and affirming the rights of children receive an education.

We seek to become leaders of change that will help transform preschool education for the 21<sup>st</sup> century. We want our children to develop their full potential in order to become strong, supportive and creative Mexicans, ready to contribute to society and to successfully overcome current and future challenge.

To accomplish this, we established alliances with civil society organizations, academic institutions as well as federal and state educational authorities.

Líderes Educativos Banorte operates in five Mexican states: Aguascalientes, Campeche, Hidalgo, Puebla and Sonora.

Supported organizations: **4**

Amount: **Ps 14,170,277**

Direct beneficiaries: **7,665 people**

Indirect beneficiaries: **82,078 people**

Alliances **19**

• Mil Sueños por Cumplir

We support talented Mexican youths in the areas of academia, arts and sports to encourage them to fulfill their dreams through maintenance grants. For three years we encourage them to continue their studies maintaining standards of excellence in their educational, cultural or athletic performance.

In 2017 students from secondary and high school levels in the 32 states of the country received support.

Supported organizations: **1**

Amount: **Ps 13,378,000**

Direct beneficiaries: **1,575 people**

Indirect beneficiaries: **6,300 people**

• Natural disasters

As a result of the earthquakes in September 2017, we activated two campaigns to receive donations from customers, employees and the general public, amounts that we matched donating 1 peso for each peso received.

With these resources, we provided humanitarian aid and immediate attention to affected populations in Mexico City. We also initiated a plan of action to support the rehabilitation and reconstruction of housing, equip schools and restore livelihood in the communities of Chiapas, Morelos and Oaxaca.

Supported organizations: **5**

Amount: **Ps 23,767,964**

Direct beneficiaries: **4,366 people**

Indirect beneficiaries: **5,000 people**

• Other philanthropic support

We allocated resources and donated matching funds to philanthropic actions to solve problems that affect the communities in which we have a commercial presence or provide services. These problems are linked to Banorte Foundation's strategy and/or to the particular concerns for aid of employees or the Group.

During the year we provided opportunities for access to education to low-income youth and homeless people. We also contributed to the development of socio-emotional skills in children, by introducing them to art.

Supported organizations: **11**

Amount: **Ps 17,742,241**

Direct beneficiaries: **28,249 people**

Indirect beneficiaries: **270,629 people**

## Special programs

We would like to share the Foundation's experience as a guide and operator of social initiatives led by other areas of the Group. We seek to permeate a culture of philanthropy in internal and external communities that leads to social action. Two examples are AyuDamos (We Give Help) and Causa Social Tarjeta 40 (Social Cause Card 40).

- Causa Social Tarjeta 40 (Social Cause Card 40). This credit card, in alliance with the radio station "Los 40 Mexico", earmarks resources for projects in community development, education, environment and health that are enduring because they contribute to improve the quality of life of vulnerable communities. The causes are selected by a vote of cardholders, listeners and the general public. Donations are obtained through a trust coming from of a percentage of the credit card billings.

In 2017 Ps 2.5 million was donated to four organizations, benefiting people in the states of Chihuahua, Morelos, Oaxaca and Sonora.

**“We would like to share the Banorte Foundation's experience as a guide and operator of social initiatives led by other areas of the Group. We seek to permeate a culture of philanthropy in internal and external communities that leads to social action.”**

## Banorte Foundation supports the Mexico of the future

In 2018 we will continue to contribute with the same strategic lines in which we currently operate to pursuing the following objectives:

- Be leaders in the development of 21<sup>st</sup> century education as a vehicle of social transformation in our country.
- Identify the best opportunities for social investment to improve the quality of preschool education and promote the talents of present and future Mexicans.
- Position the Foundation as a relevant actor to achieve 21<sup>st</sup> century education in preschool, working from children's rights to learn.
- Consolidate our act of solidarity through the recovery of communities affected by a natural disaster or emergency.
- Strengthen our social practices to meet the expectations of customers and investors.
- Create value for the social action of our company and generate a positive impact in the communities in which we operate and with whom we interact.



### Acciones Banorte (Banorte Actions)

Acciones Banorte has achieved a position within Grupo Financiero Banorte as a program that integrates initiatives relating to employees, their families, the community and the environment, with the aim of supporting Mexico's development.



**AyuDamos (We Give Help)** is a trust that makes donations in kind to social assistance causes for disadvantaged people in a vulnerable situation and GFNorte employees with health complications; these causes are proposed by employees. The trust exists thanks to the voluntary contributions of our employees: the Banorte Foundation matches every employee peso donated. This program strengthens the culture of donation and social work among our employees.

The projects that receive support are chosen by a selection committee comprised of volunteer members who visit the institutions to choose and review each of the projects.

In 2017 AyuDamos provided aid to 20 institutions with a total of Ps 5,893,499 distributed as shown in the following:

AYUDAMOS ACTIONS				
No.	Territory	Name of the Organization	Project	Amount \$
1	Central	Casa Hogar Loyola, A.C.	Secure facilities for the protection of children	295,000
2	Mexico	Ayuda y Caridad, A.C.	Dining room equipment	300,000
3	Mexico	Fundación Dar y Amar, IAP (DAYA)	Waterproofing and changing roof tiles, and general maintenance of facilities	300,000
4	Mexico	Fundación Hogares, IAP	Voluntary corporate program Working for My Community	300,000
5			Volunteer program after the Mexico City earthquake in September	20,000
6	Mexico	Asociación Mexicana para la Audición Amaoír, A.C.	The case of Monica Jimenez Santiago, a bank employee	30,000
7	Mexico	Reforestamos México, A.C. (Excedente)	Providing material for the reforestation of Cumbres Park in Monterrey, Nuevo Leon	144,473
			Reforestation events, payment of reforestation events in 2018 and 2019	900,000
8	Mexico	Fundación para el Desarrollo y Bienestar Yaakunah, A.C.	Rescue and care of abused and neglected dogs	199,458
9	Mexico	Unidos Somos Iguales, ABP	Support for the realization of video to raise awareness and anniversary event	309,568
10	Northeast	Ayuda a Corazón de Niño, A.C.	Acquisition of diagnostic equipment for on-site facilities	300,000
11	Northeast	Protección de la Fauna Mexicana, A.C.	Program management of black bears in the Sierra Zapaliname, to ensure the preservation of this species	500,000
12	North	Latidos de Vida, ABP	Four surgeries in CardioChavitos through the pumping hearts campaign	300,000
13	Staff North	Fundación Debra México, A.C.	Equipment for the lobby and the area for doctor's offices and rehabilitation	100,000
14	Staff North	Alianza Anticáncer Infantil, ABP	Multi-purpose equipment	300,000
15	Staff North	Asociación Mexicana para la Audición Amaoír, A.C.	Cochlear implant for Jose Dario Loreda Gutierrez supporting the son of our employee Gutierrez Yesenia Reyna	300,000
16	Staff North	Fundación Instituto Otológico Monterrey, A.C.	Cochlear implant for Leonel Ibarra Herrera, supporting the son of our employee Leonel Ibarra Franco	300,000
17	Staff North	Centro de Acción Social San Rafael	Hospital support and liver transplant, supporting the grandson of our employee Leonardo Fernandez Nuncio	180,000
18	West	Mayama, A.C.	Intallation of aluminium for the windows of the Yo Actúo area of the Mayama - Tlajomulco Day Care Center	300,000
19	West	Fundación Personas con Abuso Sexual de Guadalajara, A.C. (PAS)	Equipment and furniture for three care clinic doctor's offices	265,000
20	Peninsular	Fundación Kanxoc, A.C.	Complete workshop equipment and the purchase of raw materials	250,000
<b>Total: Ps 5,893,499</b>				





**Working for my Community** is the project through which we seek to promote activities that involve organization between the community and our employees, creating a social synergy among the different actors. In this way we strengthen not only the participation of our volunteers, but also solidarity, cooperation and community partnerships.

In 2017 we formed an alliance with Fundación Hogares I.A.P. to promote three days of volunteering in Mexico City, where the best conditions for solutions and improvement of communities were determined. Thanks to this program, we developed self-management capabilities with neighbors to identify and meet their needs through community projects. There were 24 volunteers who donated 120 hours of their time in weekly activities.

VOLUNTEER WORK IN MEXICO CITY		
Alliance	Activity	Volunteers
Clara Moreno y Miramon, IAP	Installation of a kitchen-garden in the institution, facilitating teaching and learning to improve education in nutrition and food safety for girls sheltered here.	6
Collective MUTEM	Integration of art into a sports and cultural context with the completion of a mural art with a sense of community.	6
Un Techo para mi Pais (A roof for my country)	Construction of a Pocket Park to promote organization among neighbors through collaboration and teamwork.	12
Total volunteers: 24		

These actions served as a guide to residents to organize themselves, establish agreements, work in teams, carry out community projects and form alliances. With the participation and support of Grupo Financiero Banorte, relationship of active participation was established with communities, thus contributing to their own development.

“We seek to promote activities that involve the organization between the community and our employees, creating a social synergy between them.”



On the other hand, taking into context the devastating effects of the September earthquakes that affected Mexico City and other states in the country, employees from the areas of Market Promotion and Transactional Banking spent a day volunteering. Through this activity, in an alliance with Fundacion Hogares I.A.P., we created a bond with one of the affected communities learning about their needs in obtaining food and building materials.

On October 5<sup>th</sup>, 35 volunteers from the Group visited El Gavillero community, located in San Nicolas Totolapan, Magdalena Contreras in Mexico City to hand over collected donations.

The volunteers from various territories that make up this area of Banorte raised a total of Ps 103,420.

This amount was used to buy 400 blankets, 12 sheets of galvanized steel and poles to construct emergency housing, diapers for adults, sanitary napkins, powdered milk, bottled water, diapers for babies, canned foods and candies for the children, wet wipes, chlorine, detergent and other personal hygiene products, as well as bringing a food service into the community.

Banorte volunteers, in coordination with the community and Fundacion Hogares I.A.P. supported the reconstruction of 12 emergency housing shelters and distributed food, giving each family a package of basic staples. At the end of the day a meal was prepared and the volunteers served food to 450 people from the locality.

FUNDRAISING FOR THE GAVILLERO COMMUNITY	
Team	Amount raised (Ps)
West	17,120
Mexico South	12,700
Investments South	11,000
Peninsular	9,200
North	7,700
Corporate/Derivates	6,500
South	5,700
Mexico North	5,000
Investments North	5,000
Central	5,000
Northwest	4,800
Others	13,700
<b>Total</b>	<b>103,420</b>

Amounts expressed in pesos.



“We created a bond with one of the affected communities learning about their needs and obtaining food and building materials.”





**Jugando Jugando (Playing Playing)** is a nationwide toy collection initiative, on which our employees dressing costumes visit community centers and dining rooms, and orphanages to deliver the toys to needy children. A part of the toy collection also is donated to the children of our cleaning and security staff in the main corporate buildings.

In 2017 the decision was made to donate 40% of the collected toys to the communities affected by the earthquake; this percentage was distributed among the affected states. In addition, employees were invited to donate blankets and school supplies by setting as a goal to collect 23,000 gifts on the national level.

“In 2017 the decision was made to donate 40% of the toys collected to communities affected by the earthquakes.”

#### TOYS COLLECTED BY TERRITORY

Territory	Toys collected
Northwest	2,759
North Commercial	3,279
Call Center	2,497
North personnel	1,699
Central	3,611
West	2,288
South	1,983
Peninsular	1,882
Mexico (North and South)	11,535
Afore XXI	1,055
Insurance and Annuities	2,124
<b>Total</b>	<b>34,712</b>

A total of 34,712 toys was collected to be distributed among the 753 volunteers from all across the country who signed up to distribute the gifts.







## Financial Education

### National Financial Education Week

Every year, Grupo Financiero Banorte participates in the National Financial Education Week (SNEF), in which various public and private sector institutions work together to reinforce the financial culture of Mexicans.

From October 5<sup>th</sup> to 8<sup>th</sup>, 2017 we participated at the headquarters in Chapultepec Park, Mexico City. We had a stand that simulated a bank branch to carry out different experiments related to topics such as savings, investment and spending.

Banorte also participated, providing three conferences that were given by volunteers from the bank in senior management. The lectures were presented in the Auditorium that was packed to capacity. It is important to mention that the auditorium can accommodate 100 people, which means that we were able to reach out to 300 people.

The following topics were addressed:

- The evolution of the annuities' market imparted by Banorte Annuities.
- Saving for retirement (voluntary savings), imparted by Afore XXI Banorte.
- Investment, imparted by the areas of Economic Analysis and Investor Relations.

Eight info-graphics on various themes, were shown to our volunteers, to inform them on various topics such as our participation in the National Financial Education Week, responsible shopping and advice for the better administration of their annual Christmas bonuses.

### UNAM Chair

Through collaboration with the Universidad Nacional Autónoma de México, (UNAM) the Chair held Markets and Financial Instruments in Mexico. Aimed at assisting students in understanding financial topics, through the knowledge and experience of professionals who are dedicated to this, as well as to strengthen the link between our institution and the university. The scope of this Chair was 100 classes of two hours each for a group of approximately 40 students.

### Afore

As part of an effort to publicize the importance of saving for retirement, various communication messages were sent out through the Afore:

- Publications in Facebook and Twitter: 150 publications in 2017, reaching a total of 276,756 people.
- Four video capsules, with a total of 2,004 visits
- 27 e-mails, reaching a total of 92,015 people
- Two infographics on financial education issues
- Development of one game for download through mobile devices

### Investment Funds

A major effort by Executive Management of Deposits in the field of financial education were the internal and external publications entitled "The best way to save through investment funds", whose main objective was to present both the basics as well as the advantages of investment funds. The actions implemented as part of financial education on investment funds were:

- 11 video capsules on the ABC's of funds
- Six video capsules on the advantages of and the different types of investment funds available on the market
- Eight Infographics on the characteristics of investment funds offered by Banorte
- 10 videos shown in GFNorte about the benefits and basics of investment funds
- Seven weekly publications Excelsior newspaper and discussed on air in the radio program Dinero en Imagen.
- Multimedia content on the internet as part of the Dinero en Imagen program: Investment funds, what are they and how to save lasting 30 minutes and a reach of 7,000 connections.
- The seminar delivered to the press and media specializing in finance: Induction into Investment Funds Workshop lasting two hours.



**Health and Wellness.** At Grupo Financiero Banorte, we want to fully support women; that is why we started supporting our employees in one of the most important stages of women's and Mexican families' lives: motherhood.

This year we continued our internal communication campaign explaining the benefits of breastfeeding, not just for newborns, but also for mothers and the healthy development of families.

As part of our health and well-being program, a pilot project for Breastfeeding rooms was started, available in the Banorte Tower in Santa Fe, the Palo Alto building, the KOI and South Towers in Monterrey. This will enable mothers to store their milk properly and/or feed their children.

In line with our 20/20 Vision strategy, we have the objective of implementing a culture of health and wellness through healthy habits that promote physical, emotional and social well-being for all Banorte employees and their families.

In 2017 we offered a program on a nation-wide level for vaccinations against influenza aimed at more than 22,000 Banorte employees. These employees were also screened to assess health risk factors such as quality of sleep, level of stress, weight, body composition, cholesterol,

glucose and triglyceride levels, all of which resulted in a diagnosis of risk factors that seeks to support employees in reducing the number of risk factors in their health.

We promote nutritional habits through coaching in nutrition and coaching in physical activities; we offer bariatric services to cases of Class III obesity with no response to medical treatment in the buildings where Kilon contest is carried out, and all of our dining facilities offer employees a healthy menu to choose from.

We carry out follow-up visits for employees with ailments such as high blood pressure, diabetes and cholesterol; and provide psychological care for cases with moderate to severe stress and anti-stress massages in our buildings located in Santa Fe, KOI, Heroes Tijuana, Guadalajara and Tlalpan I, II and III.

We promote health within the Group through videos, capsules, infographics, postcards, mailings and social networks. In 2017 lectures on diabetes, hypertension, obesity, stress, resiliency, breast cancer, cervical cancer, lung cancer and nutrition were offered in the buildings located in Santa Fe, KOI, Heroes Tijuana, Guadalajara, Tlalpan I, II and III, the South Tower and Torre Mayor.

Employees received a copy of Mi Diario de Bienestar Total (My Total Well-being Journal) a tool for leading a healthy life with easy to follow recommendations. Copies were distributed in


the buildings of Santa Fe, KOI, Heroes Tijuana, Guadalajara, Torre Mayor, Palo Alto, the Call Center and Tlalpan I, II and III. The Mayo Clinic, one of the world's most prestigious health institutions developed this journal.

Banorte also offers a support hotline and the [www.vivesanobanorte.com](http://www.vivesanobanorte.com) site, both are available 24 hours a day, 365 days a year to all employees and their families nationwide with services such as management and prevention of stress, family problems, life management, nutritional coaching, coaching physical activities, as well as providing a financial advisor and legal staff.






**Taking Care of my Planet.** Through this program, we promote good environmental practices to make efficient use of resources and generate awareness among employees, their families, customers, suppliers and the community. We do this through paperless campaigns, recycling, video conferencing and reducing our consumption of water, among other steps.

Learn more about what we do to contribute to caring for our planet in the  **Natural Capital** section.



**Developing Talent.** This program promotes the personal and professional growth of our employees.

Discover the initiatives that we promote to develop employees' talent in the  **Human Capital** section.



**Doing the Right Thing.** To promote best practices with our customers, employees and suppliers, we promote our mission, vision and principles, as well as adherence to Grupo Financiero Banorte's standards, codes and procedures.

Our mission: Generate trust and financial strength for our customers.

Our vision: Be a great ally in strengthening Mexico.

We are a large family with principles and values that inspire our relationships with customers, employees and suppliers.

- We work to strengthen our clients: Solidarity
- We innovate to generate value: Innovation
- We develop committed teams: Loyalty
- We are inclusive: Respect
- We contribute to the well-being of Mexico: Responsibility

### **Banorte Actions in the future**

In 2018 the corporate volunteer program will be institutionalized as the I am a Banorte Volunteer, with the following guidelines:

- Environment: Employees can participate in reforestation activities through the Banorte Actions initiative: Taking Care of My Planet, in alliance with Reforestamos Mexico in Mexico City, Guadalajara and Monterrey.

- Community: As every year, through our Jugando Jugando initiative, disadvantaged children nationwide as well as the children of our cleaning and security staff receive gifts. Working for my Community is our initiative in which employees carry out social actions that foster social organization, such as painting, recovering public spaces and cleaning up parks, among other activities.
- Natural Disasters: Under the umbrella of the Banorte program Banorte Adopts a Community and in coordination with civil society organizations and volunteers from the Group, we helped to reconstruct areas affected by the September 2017 earthquakes, by carrying out activities such as cleaning up debris in the affected areas prior to reconstruction, and housing finishes after reconstruction.
- Our goal is to have a network of volunteers in every area of the Bank that actively participates in initiatives—that 10% of our employees take part in this program.
- To promote diversity and inclusion, we are launching campaigns to make employees aware of the various vulnerable groups that exist in our country.



## Human rights

At GFNorte, we are aware of the importance of this topic in society, and conduct a diagnostic to identify areas of opportunity that exist or may arise among employees on a national level.

A group of 647 employees were surveyed, representing a sample that gives 95% of trust of non-unionized employees, selected from the total workforce of all areas of the Group.

This initiative aims to identify and assess the impacts that could occur inside and outside the organization, as well as implement continuous improvement strategies derived from results of the analysis.

## Diversity and inclusion

During the year we worked with the consulting firm COLABORE, to address issues for people with disabilities (PwD) in the following activities:

- Diagnostics, infrastructure and accessibility of corporate buildings in Mexico City.
- Development of process manuals.
- Focus groups to study employee perceptions on disability.

In the first quarter of 2018, six awareness workshops were held to conclude the program.

## International Day for the Eradication of Violence against Women and Girls

In the framework of the International Day for the Eradication of Violence against Women and Girls we took steps to raise awareness and make the violence suffered by women and girls around the world visible. A symbolic signing of our commitment to spread the message and defend women's rights was held. This signing was attended by directors and employees of GFNorte, collecting more than 300 signatures.

## Report of operations with a gender perspective

Banorte is one of the six signatory companies of the UN Women's Empowerment Principles in Mexico and the only bank to join this initiative.

That is why, to reaffirm our commitment to these principles, in 2018 we will publish this report to know the current state of inclusion of women in GFNorte, and thus, highlight our best practices of equality and detect areas of opportunity.

## Mentoring for female Banorte employees

In 2018 this program will include 15 participants and 15 mentors (men and women in management), and through a diagnosis of personality and skills the formation of groups will be determined, so that participants can receive expert guidance on those points they wish to work on.

With this program, we hope our female employees can enhance their talent and improve social skills, to break down gender bias and all those barriers that hinder women from growing in the corporate world.

## True Value: creation of shared value

The True Value methodology is a useful catalyst for a new way of thinking in companies about the creation of corporate and social value. Its objective is to understand the true worth of value generated by GFNorte to society, taking into account environmental, social and economic impacts.

With the support of an in-house consultant experienced in the subject, we implemented this tool, based on the quantification of externalities in financial terms, through a chart of results by categories (economy, environment and society), accounting for both positive and negative impacts.

- In the economic scope, categories such as revenues, costs, results of previous years and added economic value are considered.
- In the social scope, categories such as strategic social investment, health and safety, and information security are analyzed.
- The environmental field includes categories such as other emissions, recycling, renewables, alternative fuels, waste, biodiversity, energy and water.

GFNorte's approach is to allow a balanced insight with stakeholders with respect to the creation of value, exploring both the positive and negative value created, as well as providing a strategic point of view in the creation of social and corporate value.

# NATURAL CAPITAL

Investing in efficient use  
of resources and reducing  
our carbon footprint





► SRS 102-48

We strive to implement an environmental strategy geared towards the efficient and sustainable management of resources. Our impacts on the environment are derived mainly from the direct and indirect use of energy and the management of goods and waste.

► FS-1

### Environmental policy

We have a public environmental policy aligned to the ISO 14000 international standard, which deals with the following aspects:

- Environmental impacts and risks
- Carbon footprint
- Waste management
- Environmental criteria in procurement processes
- Collaboration with stakeholders
- Internal eco-efficient practices
- Commitment to external initiatives

By using an internal matrix to identify, evaluate and classify environmental impacts we support our policy and annually review those business processes with relevant current and potential risks in environmental matters.

► SRS 302-1 ► SRS 302-3 ► SRS 302-4

### Energy

Building and branch infrastructures increase our energy efficiency through physical adaptations as well as monitoring and reduction initiatives.

Our main subsidiary, Banorte, has 26% of its

personnel concentrated in four corporate buildings with such energy efficiency considerations as double windows taking advantage of natural lighting; and two of these buildings have received LEED certification (Gold and Silver).

Similarly, our network of Banorte branches operates under the Comprehensive Energy Control System (SICE), operating with high-efficiency equipment and regulating operational hours for lighting and air conditioners. Since its implementation in 2007, SICE has saved us 120 million kWh and Ps 174 million; in addition, we have prevented the emission of 70,000 tons of CO<sub>2</sub>e.

In 2017, consumption of electricity per employee was reduced by 1.89% at the Group level.

Our ATMs are constantly being renewed, and this year 561 ATMs were replaced by more energy-efficient models. This figure is equivalent to 7% of the total number of ATMs at the end of the year.

In the long term savings sector, Afore XXI Banorte has led an initiative for high efficiency LED lamps in new and remodeled offices. In 2017, 26 offices were adapted with LED lighting.

More than 90% of our employees work in buildings with modifications for greater energy efficiency.

Gasoline consumption has been reduced within the entire operation by 6%, including Banorte Insurance and Annuities by 7%; and Banorte and Afore XXI Banorte by a 4% decrease. In our Banorte subsidiary, vehicles considered obsolete were identified and renewed every four years in accordance with the fleet supplier lease agreement.

#### TOTAL ENERGY CONSUMPTION OF GFNORTE

Indicators	2015	2016	2017	Var. % 17/16
Energy use*	(GJ)	(GJ)	(GJ)	
Natural gas (heating)	240.33	174.29	<b>102.08</b>	-41
Diesel (Emergency generators)	220.57	536.40	<b>1,060.11</b>	98
LP gas (forklifts)	1,534.62	572.42	<b>280.71</b>	-51
LP gas (kitchens)	493.69	471.13	<b>446.85</b>	-5
Gasoline (Utility vehicles)	58,441.55	61,250.18	<b>58,015.79</b>	-5
Energy generated by solar panels	136.62	136.62	<b>136.62</b>	0
<b>Energy consumed (Scope 1)</b>	<b>60,930.75</b>	<b>63,004.41</b>	<b>59,905.55</b>	<b>-5</b>
Electrical energy consumed	433,079.82	438,727.96	<b>467,998.50</b>	7
<b>Total energy consumed</b>	<b>494,147.20</b>	<b>501,868.99</b>	<b>528,040.67</b>	<b>5</b>
<b>Energy/employee</b>	<b>18.18</b>	<b>18.24</b>	<b>17.65</b>	<b>-3</b>
<b>Energy/net profits (GJ/Ps million)</b>	<b>28.88</b>	<b>25.99</b>	<b>22.09</b>	<b>-15</b>
Scope of employees	100%	100%	<b>100%</b>	
Factors used (CONUEE)	2014	2015	<b>2016</b>	

\* Considers the separation of INB.

Diesel consumption increased annually by 76%, mainly due to use of the emergency generator plants in the Banorte Tlalpan and KOI Tower buildings, adapted for the relocation of employees in 2017. Considering the termination of construction and expansion of corporate offices, in 2018 the consumption of diesel will be limited to usage by emergency generator plants only in cases of power failures.



► SRS 302-4

We gradually renewed dining rooms in our main buildings to reduce natural and LP gas consumption.

We have nine dining rooms, used by approximately 35% of employees; eight of these use electrical energy and the last dining room will be modified in 2018 to stop using LP gas.

In conjunction with the National Commission for Efficient Energy Use (CONUEE), we participated in the first project of energy labeling of offices in Mexico. The energy efficiency of two of our buildings was recognized with the E4 Award and E4 Recognition, following the results of an evaluation algorithm that considers consumption and infrastructure.

As a counter measure for climate change risks, Banorte has mobile units fitted with a multiple service ATM and a customer service area to acquire products and services. These units present operational advantages and can reach communities affected by natural disasters. Also, hurricane shutters were installed in coastal branches of Banorte and as well as carrying out preventative maintenance to combat premature deterioration by moisture.

**Branches in the SICE program**

BANORTE COMPREHENSIVE POWER CONTROL SYSTEM				
Year	Total branches <sup>(1)</sup>	Branches with SICE/totals (%) <sup>(2)</sup>	Economic savings (Ps million)	Energy savings (millions of kWh)
2015	1,112	98.4	22.60	17.43
2016	1,095	95.2	20.45	17.84
<b>2017</b>	<b>1,148</b>	<b>90.5</b>	<b>22.03</b>	<b>18.04</b>

(1) Includes modules and preferential service centers.

(2) Since 2016 the new Banorte service centers include SICE equipment.

**Emissions**

► SRS 305-1 ► SRS 305-2 ► SRS 305-3 ► SRS 305-4 ► SRS 305-5

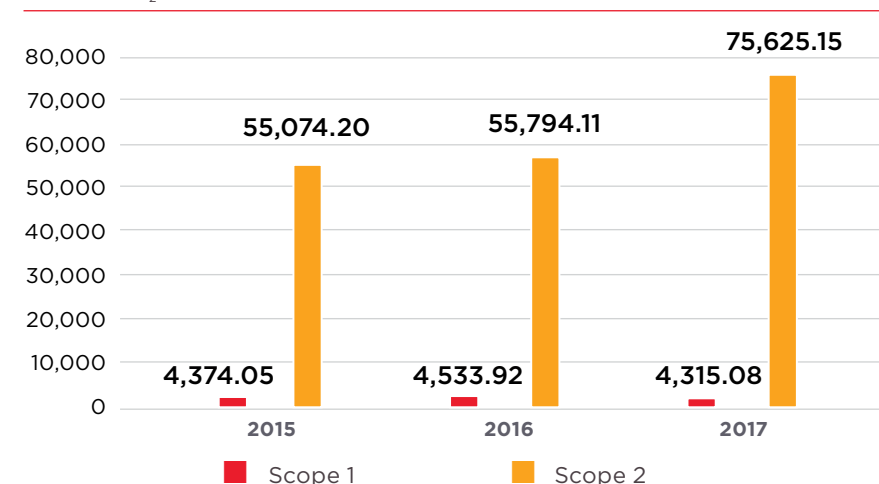
**Electricity and fuels**

We calculated our carbon footprint through a focus on financial control that uses methodologies such as the Corporate Standard of Accounting and Reporting (ECCR), the Greenhouse Gas (GHG) Protocol and the IPCC's Fifth Assessment Report (AR5) national guidelines on the use of the potential global warming products.

Our data is backed up by the verification of a third party accredited by the Mexican Accreditation Entity (EMA). The data is reported together with our energy consumption to Mexico's Department of Environment and Natural Resources (SEMARNAT) through the annual seal of operation (COA), under the guidance of the General Law of Climate Change (LGCC) and regulations of the National Registry of Emissions (RENE).

**GFNorte Emissions Scopes 1 and 2**

(Tons of CO<sub>2</sub>e)

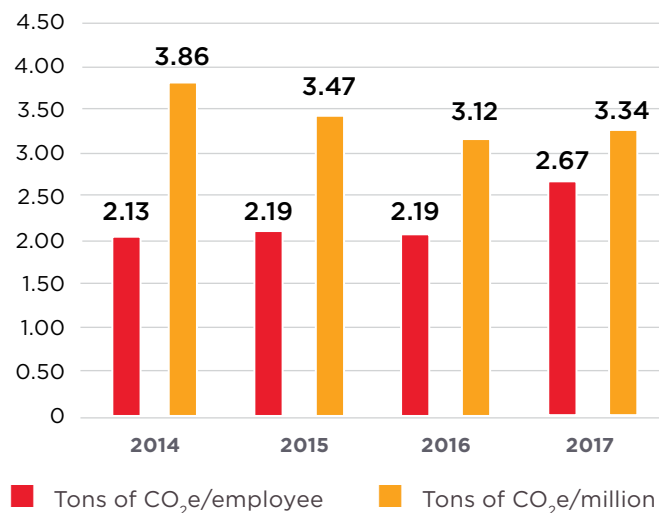


To calculate our Scope 2 emissions derived from electrical consumption, we updated the National Electrical System Emission (Mexico) factor according to the estimate by the Energy Regulatory Commission, based on methodologies issued under Article 12 of the regulation in the Law of Energy Transition. In 2017 a 27% increase was registered in this factor (tCO<sub>2</sub>e / MWh), which reflects in the calculation of absolute Scope 2 emissions generated by our institution. In contrast, on the Group level, electricity per employee was reduced by 1.89%; likewise, consumption of fuels and absolute Scope 1 emissions was reduced by 5%.

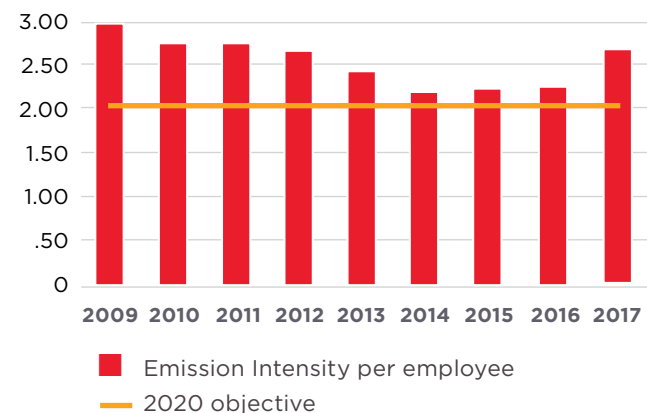
We are committed to reducing our emissions. In line with our strategy deployed nationwide, we have the goal of reducing emission intensity by 30% per employee by 2020, using 2009 as our baseline. Additionally, since 2016 we have adhered to the Science Based Targets initiative to establish long and mid-term targets based on scientific international standards. This signed commitment gives us a period of 24 months to set objectives based on certified methodologies, and progress will be reported annually to the CDP and made publicly available.

►SRS 102-48 ►SRS 305-1 ►SRS 305-2 ►SRS 305-4

### Emission intensity in tons of CO<sub>2</sub>e per employee and net profits



### Emission intensity in tons of CO<sub>2</sub>e per employee, 2020 goal



Data considered for the calculation of emission intensity was 29,915 employees and Ps 23.908 billion in net profits.



### GFNORTE EMISSIONS SCOPES 1 AND 2 (TONS OF CO<sub>2</sub>E)\*

Business entity	2015			2016			2017			S1+S2 Var. % 17/16
	S1	S2	S1+S2	S1	S2	S1+S2	S1	S2	S1+S2	
Afore XXI Banorte	214.76	1,668.20	1,882.96	209.98	1,647.16	1,857.14	<b>202.80</b>	<b>2,223.30</b>	<b>2,426.10</b>	30.64
Warehouse	116.02	105.81	221.83	59.88	102.43	162.31	<b>30.65</b>	<b>136.31</b>	<b>166.96</b>	2.86
Leasing and Factoring	119.05	n/a	119.05	113.41	n/a	113.41	<b>112.96</b>	<b>n/a</b>	<b>112.96</b>	-0.40
Banorte	1,556.60	51,874.14	53,430.74	1614.43	52,415.51	54,029.94	<b>1,597.66</b>	<b>71,185.85</b>	<b>72,783.51</b>	34.71
Banorte Securities	n/a	27.53	27.53	n/a	26.02	26.02	<b>n/a</b>	<b>25.88</b>	<b>25.88</b>	-0.55
Insurance and Annuities	2,367.62	1,398.52	3,766.14	2536.22	1,602.99	4,139.20	<b>2,371.02</b>	<b>2,053.81</b>	<b>4,424.83</b>	6.90
<b>Grupo Financiero Banorte</b>	<b>4,434.97</b>	<b>55,074.20</b>	<b>59,448.25</b>	<b>4,533.92</b>	<b>55,794.11</b>	<b>60,328.03</b>	<b>4,315.08</b>	<b>75,625.15</b>	<b>79,940.23</b>	32.51

\*Considers separation of INB.

To calculate our Scope 2 emissions from consumption of electricity, we updated the National Electric System (Mexico) factor according to the Energy Regulatory Commission estimate, based on methodologies issued under the terms of Article 12 of the Law of Energy Transition regulations. In 2017 a 27% increase was registered in said factor (tCO<sub>2</sub>e/MWh), which is reflected in the calculation of absolute Scope 2 emissions generated by our institution. In contrast, on the Group level, consumption of electricity was reduced by 1.89%; likewise, fuel consumption and absolute Scope 1 emissions were reduced by 5%.

►SRS 102-48 ►SRS 305-3

### Corporate travel

We quantified the kilometers traveled by plane for corporate travel with a scope of 99% of the Group's employees.

In the year, employees traveled 18.7 million kilometers, 12% more than last year, which is equivalent to 1,799 tons of CO<sub>2</sub>e emitted into the atmosphere.

To offset this impact we promoted digital collaboration between employees using online meetings and video conferencing. We held 92,346 video conferences, which represents a 4% increase from 2016. Likewise, an estimated 122,000 kilometers was avoided through the use of videoconferences held in Leasing and Factoring and Banorte Securities, resulting in a savings of more than Ps 1.4 billion, considering the average cost per trip in 2017.

To quantify the impact of displacing employees, in 2015 we performed a case study considering the transfer of more than 2,000 employees in our Call Center, by which we estimated an annual emission of 80.32 tons of CO<sub>2</sub>e from using motorized transport. This study will be repeated every three years.

“We are CDP leaders, in climate change in Latin America.”

BUSINESS LINE	CORPORATE TRAVEL (KM)				S3 EMISSIONS (TONS OF CO <sub>2</sub> e)			
	2015	2016	2017	Var. % 17/16	2015	2016	2017	Var. % 17/16
Afore XXI	736,761.00	1,597,949.00	<b>1,449,518.49</b>	-9	191.25	167.31	<b>151.77</b>	-9
Warehouse	n/a	n/a	<b>n/a</b>	n/a	n/a	n/a	<b>n/a</b>	n/a
Leasing and Factoring	297,134.40	418,764.00	<b>393,822.00</b>	-6	50.12	43.85	<b>41.23</b>	-6
Banorte	10,382,539.60	11,131,466.81	<b>13,946,203.46</b>	25	973.91	1,033.20	<b>1,300.73</b>	26
Banorte Securities	57,644.00	76,639.31	<b>78,035.58</b>	2	9.17	8.02	<b>8.17</b>	2
Insurance and Annuities	n/a	3,509,159.83	<b>2,837,781.00</b>	-19	n/a	367.41	<b>297.12</b>	-19
<b>Grupo Financiero Banorte</b>	<b>11,474,079.00</b>	<b>16,733,978.95</b>	<b>18,705,360.53</b>	<b>12</b>	<b>1,224.45</b>	<b>1,619.80</b>	<b>1,799.02</b>	<b>11</b>

The overall increase in the kilometers travelled is related to an increase in the percentage of trips with registered kilometers, from 89% in 2016 to 98% for 2017. Measurement of kilometers is considered to be from the departing airport to destination.





► SRS 305-3 ► SRS 305-6

### Refrigerants

Emissions from recharging refrigerants in Banorte and Afore XXI Banorte installations were calculated at 92% with respect to the total number of employees in the Group. Currently, recharges of R-410A, R-134A and R-404A, which do not affect the ozone layer, signify 37% of the total number of refills. Also, as from 2015, Banorte stopped acquiring equipment that uses R22.

► SRS 102-48

### ATMs

We implemented remote selling and self-service technologies in Banorte ATMs to reduce the need for customers to go to a branch office, thereby avoiding customer transportation emissions. Among the features installed: sale and cancellation of insurance, credit acquisition or renewal and data collection campaigns for customer data.

► SRS 301-1

### Waste management

#### Efficient use of paper

The efficient use of paper was promoted in our operations through the use of digital media and cross-selling. As a result, we achieved an 11% reduction in paper consumption in the banking sector.

Among the strategies developed: Origina, with electronic file features, eliminates the need to print clauses and make photocopies of proof of address and identifications, as well as optimizing the printing process for contracts in the Payroll area, an initiative that saved 44 tons of paper.

REFILLS BY REFRIGERANT TYPE (KG)	2015		2016		2017			
	Banorte	TonCO <sub>2</sub> e	Banorte	TonCO <sub>2</sub> e	Banorte	Afore XXI	Total	TonCO <sub>2</sub> e
R-22	1,501.75	2,643.08	851.50	1,498.64	<b>1,251.53</b>	<b>102.10</b>	<b>1,353.63</b>	<b>2,382.39</b>
R-410A	561.15	1,079.37	695.00	1,336.83	<b>772.85</b>	<b>0.00</b>	<b>772.85</b>	<b>1,486.58</b>
R-134A	0.00	0.00	0.00	0.00	<b>16.60</b>	<b>0.00</b>	<b>16.60</b>	<b>21.58</b>
R-404A	0.00	0.00	0.00	0.00	<b>3.50</b>	<b>0.00</b>	<b>3.50</b>	<b>13.80</b>
<b>Totals</b>	<b>2,062.90</b>	<b>3,722.45</b>	<b>1,546.50</b>	<b>2,835.47</b>	<b>2,044.48</b>	<b>102.10</b>	<b>2,146.58</b>	<b>3,904.35</b>

Global warming potentials used were published in the Diario Oficial de la Federacion on August 14<sup>TH</sup>, 2015.

GFNORTE PAPER CONSUMPTION (TONS)					
GFNorte Sectors		2015	2016	2017	Var. % 17/16
Banking Sector	Total consumption	968.16	1036.09	<b>918.58</b>	-11.34
	Per employee	0.05	0.05	<b>0.04</b>	-15.03
Long Term Savings	Total consumption	225.30	184.56	<b>171.23</b>	-7.22
	Per employee	0.03	0.03	<b>0.02</b>	-24.59
US Sector	Total consumption	0.86*	0.79*	<b>0.56</b>	-28.57
	Per employee	0.03	0.04	<b>0.03</b>	-28.57
<b>Total GFNorte</b>	<b>Total consumption</b>	<b>1,194.32</b>	<b>1,221.44</b>	<b>1,090.37</b>	<b>-10.73</b>
	<b>Per employee</b>	<b>0.044</b>	<b>0.044</b>	<b>0.036</b>	<b>-17.89</b>
	<b>Per net profits (ton/Ps million)</b>	<b>0.070</b>	<b>0.063</b>	<b>0.046</b>	<b>-27.91</b>

\*Values for the US Sector for 2015 and 2016 consider the separation of INB.

One of our main areas of opportunity is to promote responsible printing. With this objective, the Papercut application was used to manage paper and toner in corporate buildings through a

printing control directly from the multifunctional printer. In 2017, 1.81 tons of paper was saved, a 417% reduction in paper use compared to the previous year.

► SRS 102-48

In Insurance operations, the Mobile Adjuster tool enables adjusters to gather claims information in digital documents which are shared with those involved and downloaded to a central system for future reference, completely avoiding the use of paper. In 2017 this tool enabled us to save more than 10 tons of paper.

We maintain the pre-established Paperless option as a configuration for Banorte credit card customers with online banking and token service, eliminating the printing and door to door shipping of statements and, consequently, promoting energy and paper savings.

► SRS 306-2

**Solid municipal waste**

In 2017 we renewed the sampling for the estimation of waste generated in administrative buildings and branches, including Preferential, Dual, Preferential Dual and Module service centers.

The estimation of waste generated this year, increased by 2% compared to 2016, in tons generated per employee. Likewise, we estimate a global Group generation of 2,437 tons.

**Recycling initiatives**

We continue to work on reducing the generation of solid municipal waste and proper disposal of waste that require special management.

36% of banking sector employees work in buildings with waste management programs.

Our Call Center recycling program ended its first year with 1.8 tons of PET collected for recycling, equivalent to 20% of the building's monthly waste of this material. Also, as part of the Strong Mexicans campaign, by installing recycling machines in large events, 0.12 tons of PET was collected.

At the same time, in our Torre Mayor offices we recycled more than 15 tons of waste, using the economic recovery to supply local primary schools with computers. In Banorte Securities offices, recyclable waste was separated under environmental regulations in the United States.

Our banking sector recycling program has a coverage of more than 6,500 employees from 14 administrative buildings, i.e., 30% of its staff.

**RECYCLING OF PAPER AND CARDBOARD (TONS)**

Offices and dead files	2015	2016	2017	Var. % 17/16
Grupo Financiero Banorte	633.86	503.20	<b>499.29</b>	-0.78

\* Considers separation of INB.

With regard to toner consumption, we recycled the equivalent of 13% of toners purchased in 2017, exceeding the target in 2016. This implies a recovery of 5 tons of components such as plastic, toner, cardboard, aluminum and other metals.

On the other hand, we promoted the adoption of a cellular token rather than a physical token, avoiding the generation of these devices and their

subsequent disposal. In 2017, 24,431 physical tokens were migrated to mobile phone tokens and an additional 502,663 new mobile phone tokens were introduced, thus totaling 527,094 mobile token users (+ 55%). Along the same line, we received 43,492 physical tokens from customers for proper disposal and recovery of components for recycling.

► SRS 303-1

**Water**

Estimated water consumption in 2017 was 616,431 m<sup>3</sup>, which represents a reduction of 1% from 2016, considering the scope of 99% of the Group. Water consumed in our facilities comes from and is channeled to local networks in the areas in which we operate. To promote the efficient use of water in our corporate buildings: the KOI tower, Call Center, Tlalpan and Santa Fe where 30% of Banorte personnel are concentrated, the installation of water economizers in basins was carried out, as well as dry urinals and water efficient toilets.

**GFNORTE WATER CONSUMPTION**

Consumption	2015	2016	2017	Var. % 17/16
Water m <sup>3</sup>	617,997	623,181	<b>616,431</b>	-1.08
Water m <sup>3</sup> /employee	22.74	22.65	<b>20.61</b>	-9.02

\*Considers separation of INB.

## Environmental culture

Through our Noticias Banorte newsletter, our corporate network Yammer and other internal communications, we promoted behavioral change in our employees. In 2017, we undertook campaigns to raise awareness about the recycling of solid urban waste, toners and the efficient use of energy. We also promoted the Earth Hour, initiative in which we participated by turning off non-essential lights in 19 properties of Afore XXI, Banorte and Banorte Insurance and Annuities.

The responsible consumption of paper in daily activities was encouraged through the online course Paperless Banorte. During the year, 660 new employees were trained with accreditation in this topic. Of employees with more seniority, 969 passed the course.

Communication with our stakeholders is transparent and a priority. For this reason, we provide an electronic channel to receive initiatives and suggestions related to our environmental impacts. In 2017, we addressed 133 comments via the email: [medioambiente@banorte.com](mailto:medioambiente@banorte.com)

Since its inception, our green roof has received over **6,000 visitors** and has provided talks for more than **10,000 hours** on biodiversity awareness, food safety and climate change.

► SRS 102-12 ► SRS 304-1

## Biodiversity

We promote the sustainable use of urban spaces. Our main focus for action is the green roof located on the Roberto Gonzalez Barrera Call Center in Monterrey, Mexico. The roof hosts a landscaped garden of 1,784 m<sup>2</sup> which has 72 Mexican plant species, 18 of them under the NOM-059-SEMARNAT-2010 Standard of environmental protection.

In addition to this, since 2015 we have supported the protection of the black bear through the contribution of one million pesos, over four years, to the civil association Profauna Mexico for its conservation in the Sierra de Zapaliname, Coahuila.

## Green Roof

In 2017 we were able to inform 1,145 people through our green roof environmental education program, particularly administrative personnel, newly hired executives and civil associations.

Since its inception, our green roof has received more than 6,000 visitors who were given over 10,000 hours of talks on biodiversity, food safety and climate change.

Visitors included more than 700 students from primary and secondary schools, who came to this space as part of an agreement between the Department of Public Education (SEP) and Banorte.

### GREEN ROOF ENVIRONMENTAL EDUCATION PROGRAM

Visitors	2015	2016	2017	Var. % 17/16	Total visitors 2014- 2017
External CSOs, academic and others	829	1,429	<b>837</b>	-41	3,272
Internal employees	985	763	<b>308</b>	-60	2,747
<b>Total</b>	<b>1,814</b>	<b>2,192</b>	<b>1,145</b>	<b>-48</b>	<b>6,019</b>
<b>Total number of visitors</b>	<b>92</b>	<b>95</b>	<b>17</b>	<b>-82</b>	<b>256</b>





**Environmental expenses and investments**

In 2017, we invested Ps 13.8 million for the construction, renovation and maintenance of video conferencing rooms to reduce emissions generated by corporate travel.

In terms of prevention and environmental management, we have invested Ps 1.2 million on the purchase of plants and materials for the green roof, its maintenance and development of the educational program. This amount considers investment in the SMS platform for the management of environmental indicators and verification of the inventory of greenhouse gas emissions.

On the other hand, we budgeted Ps 16.53 million in the renewal of air conditioning equipment and installing hurricane shutters.







## **CORPORATE** GOVERNANCE

**We have the best corporate governance practices, which has earned us the recognition of Mexican institutions and international agencies**

[▶ SRS 102-15](#)
[▶ SRS 102-16](#)
[▶ SRS 102-18](#)
[▶ SRS 102-20](#)
[▶ SRS 102-26](#)
[▶ SRS 102-28](#)
[▶ SRS 102-36](#)
[▶ SRS 405-1](#)

## Corporate Governance

Grupo Financiero Banorte is the strong bank of Mexico, not only because of its reputation and excellence in financial services, but also for having the best corporate governance and sustainability practices, which has earned us the recognition of Mexican institutions and international organizations.

We have a work team responsible for managing corporate governance issues in order to align the Group with international best practices policies and also to ensure that these policies and bodies are in alignment with our shareholders' interests.

The Board of Directors is the governing body of Grupo Financiero Banorte, charged with carrying out the necessary actions to ensure sound corporate governance, safeguarding the interests of shareholders, customers, employees, suppliers and communities.

At GFNorte we are always one step ahead. This year, a policy to promote equality between men and women was approved. This policy is included in the Nominating Committee's operational and functional regulations, and includes provisions that promote dignity, equity, inclusion and diversity (gender, race, nationality, culture, beliefs, language, marital status, ideology, political opinions or any other personal, physical or social condition), to foster an inclusive working environment within the governing body of respect and free of discrimination. In addition, it was approved that the Nominating Committee, in the

election process of Board member candidates, ensures that 20% of the members of the Board of Directors are women.

It is important to stress that the selection process, remuneration and conditions for the development of the activities of members of the Board of Directors shall be determined exclusively according to the criteria of merit and ability in relation to the requirements of the position.

In GFNorte, we established a remuneration policy for the members of the Board of Directors. In 2016 we carried out a thorough review of the policy with the assistance of a firm specializing in the field to align the remuneration of the Board of Directors with international best practices. Remuneration for 2017 was carried out in accordance with the new policy. It is important to mention that GFNorte does not publicly disclose this policy nor the specific remuneration of each of the Board members.

The Internal Control System is in charge of monitoring that mechanisms and internal controls are established to verify that the acts of GFNorte and their financial institutions adhere to applicable regulations, in addition to implementing methodologies that enable reviewing compliance with the foregoing. Also to inform the Board of Directors the situation of Banorte's Internal Control System for the financial institutions under their responsibility or legal entities over which it exercises control, including any irregularities detected, if any.

GFNorte assigns special attention to Internal Control in the realization of operations, in originations, processing and disclosure of accounting and financial information, in relationships with investors, customers and suppliers and in its compliance of applicable regulations.

Grupo Financiero Banorte's Code of Conduct establishes that members of the Board of Directors, officers and employees must ensure that the activities and businesses, performed or promoted by them, do not have a negative impact on the natural resources of communities in which they participate, as well as supervise, if there is any negative impact on these resources, that a conducive way to replace these actions or mitigate ecological damage is carried out.

On the other hand, we hired the services of an internationally recognized specialized external firm to evaluate the performance of the Group's Corporate Governance framework and compare it with other non-Mexican public financial businesses. As a result of this study, we obtained a guide of the Group's strengths and weaknesses, as well as a multi-year work plan to implement and manage elements that are considered areas of opportunity.



► SRS 102-22 ► SRS 405-1

### Board of Directors

The Board of Directors is composed of 15 members, of which 11 are independent, i.e. 73%, which exceeds the 25% established in the legislation and the 60% recommended by international corporate best practices. Each proprietary member has an alternate.

The Board of Directors meets on a quarterly basis and in exceptional cases, at the request of the Chairman of the Board, 25% of the proprietary owners, or the Presidents of the Corporate Practices and Audit Committees.

### Average attendance of the Board of Directors and Committees

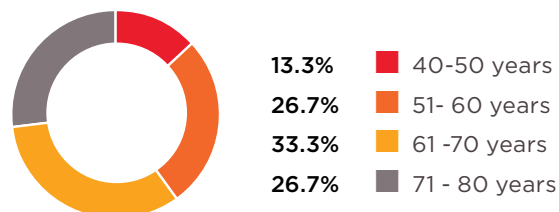
Average attendance of the Board of Directors: **98.3%**

The Audit and Corporate Practices Committee holds 12 annual meetings, plus extraordinary sessions that may be required; the Risk Policies Committee meets for 12 ordinary sessions and one extraordinary session each year; the Human Resources Committee holds four sessions a year, and the Nominations Committee meets at least once a year or whenever it is convened by the President.

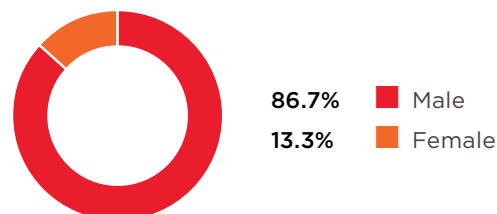
Average attendance of each Committee:

- Audit and Corporate Practices: 88%
- Risk Policies Committee: 93.75%
- Human Resources Committee: 79%
- Nominations Committee: 100%

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



### Composition of the Board of Directors by gender



## Composition of the Board of Directors

PROPRIETARY BOARD MEMBERS				
	Name		Gender	Member since
1.	Carlos Hank Gonzalez	Proprietary President	Male	October 2014
2.	Juan Antonio Gonzalez Moreno	Proprietary	Male	April 2004
3.	David Juan Villarreal Montemayor	Proprietary	Male	October 1993
4.	Jose Marcos Ramirez Miguel	Proprietary	Male	July 2011
5.	Everardo Elizondo Almaguer	Proprietary Independent	Male	April 2010
6.	Carmen Patricia Armendariz Guerra	Proprietary Independent	Female	April 2009
7.	Hector Federico Reyes Retana y Dahl	Proprietary Independent	Male	July 2011
8.	Eduardo Livas Cantu	Proprietary Independent	Male	April 1999
9.	Alfredo Elias Ayub	Proprietary Independent	Male	April 2012
10.	Adrian Sada Cueva	Proprietary Independent	Male	April 2013
11.	Alejandro Burillo Azcarraga	Proprietary Independent	Male	April 2013
12.	Jose Antonio Chedraui Eguia	Proprietary Independent	Male	April 2015
13.	Alfonso de Angoitia Noriega	Proprietary Independent	Male	April 2015
14.	Olga Maria del Carmen Sanchez Cordero Davila	Proprietary Independent	Female	April 2016
15.	Thomas Stanley Heather Rodriguez	Proprietary Independent	Male	April 2016

ALTERNATES				
	Name		Gender	Member since
1.	Graciela Gonzalez Moreno	Alternate	Female	April 2013
2.	Juan Antonio Gonzalez Marcos	Alternate	Male	April 2014
3.	Carlos de la Isla Corry	Alternate	Male	April 2016
4.	Clemente Ismael Reyes Retana Valdes	Alternate Independent	Male	April 2017
5.	Alberto Halabe Hamui	Alternate Independent	Male	April 2014
6.	Roberto Kelleher Vales	Alternate Independent	Male	April 2014
7.	Manuel Aznar Nicolin	Alternate Independent	Male	March 2007
8.	Robert William Chandler Edwards	Alternate Independent	Male	April 2015
9.	Isaac Becker Kabacnik	Alternate Independent	Male	April 2002
10.	Jose Maria Garza Treviño	Alternate Independent	Male	April 2014
11.	Javier Braun Burillo	Alternate Independent	Male	April 2015
12.	Rafael Contreras Grosskelwing	Alternate Independent	Male	April 2015
13.	Guadalupe Phillips Margain	Alternate Independent	Female	April 2015
14.	Eduardo Alejandro Francisco Garcia Villegas	Alternate Independent	Male	April 2016
15.	Ricardo Maldonado Yañez	Alternate Independent	Male	April 2016
	Hector Avila Flores	Secretary (non-member)	Male	

## Board member profiles

### Carlos Hank Gonzalez (46 years old)

Proprietary Chairman

#### Professional background

He is currently Chairman of the Board of Directors of GFNorte, a position he has held as from January 1st, 2015. At Gruma, world leader in the production of corn flour and tortillas with a presence in over 100 countries, he played a key role since December 2012, where he served as Vice-President of the Board of Directors and joined the Executive Committee for designing a healthy, responsible financial strategy and generated value for the company.

In 1997 he was appointed Managing Director of Interacciones Casa de Bolsa, in 1999 Managing Director of Banco Interacciones and in 2000 Managing Director of Grupo Financiero Interacciones (GFI). At the beginning of 2003 he became Deputy General Director of GFNorte and towards the end of the same year returned to GFI to position it as a financial group with high profitability, specialized in funding to states and municipalities. He led a successful public offering in 2013, which strengthened GFI as a public company with growing liquidity in the stock market. In 2008, he was appointed as Managing Director of Grupo Industrial Hermes, founded in 1978, with different lines of business in infrastructure, energy, automotive, transportation and as of 2013, tourism.

#### Academic background

He graduated with a degree in Business Administration majoring in finance from the Universidad Iberoamericana and joined the Board of Directors of GFNorte in October 2014.

### Juan Antonio Gonzalez Moreno (60 years old)

Proprietary

#### Professional background

He is Chairman of the Board of Directors and CEO of Gruma and Gimsa, having served as Managing Director of Gruma Asia and Oceania, and Senior Vice-President of Special Projects at Gruma Corporation. Chairman and Managing Director of CarAmigo United States, Vice-President of the Eastern and Central Regions for MissionFoods, President and Vice-President of Sales for Azteca Milling.

#### Academic background

He holds a degree in Business Administration from Universidad Regiomontana and an MBA from the University of San Diego, California. He joined the Board of Directors of GFNorte in April 2004.

### David Juan Villarreal Montemayor (69 years old)

Proprietary

#### Professional background

He serves as CEO and majority shareholder of Artefactos Laminados, S.A. de C.V., and is currently Chairman of the Board of Directors and Deputy Managing Director of Inmobiliaria Montevi, S.A. de C.V. and of Inmobiliaria Monyor, S.A. de C.V. He is a Regional Advisory Director of Banco Nacional de Mexico, S.A. (Banamex) and financial adviser and business developer at SISMEX, Sistemas Mexicanos, S.A. de C.V. In addition, he has served as Deputy Manager of Operations from 1972 to 1990 in Artefactos Laminados.

#### Academic background

He received his degree as an Electrical / Mechanical Engineer and his Master Degree in Automatic Control Sciences from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), as well as having participated in the Pan-American Institute's Program for Senior Management (IPADE). He joined the Board of Directors of GFNorte in October 1993.



### Jose Marcos Ramirez Miguel (54 years old)

Proprietary

#### Professional background

CEO of GFNorte and Banco Mercantil del Norte, S.A. since November 2014. He served as Banorte's Corporate Managing Director and Managing Director of Wholesale Banking. His work experience is essentially in banking, beginning as an interdisciplinary consultant at Peat Marwick Mexico and subsequently entered the Financial Engineering area at Operadora de Bolsa. In 1989, he founded Finventia, highlighting his participation in the issuance of the first private Eurobond, following the restructuring of Mexico's debt. He also worked at Banque Nationale de Paris and Banque Indosuez Mexico as a trader in the Mexican market. From 1993 to 1999 he worked at Nacional Financiera S.N.C. in development banking in various management positions. Subsequently, he worked for 11 years with Grupo Financiero Santander where he served as CFO, Managing Director of Wholesale Banking, Managing Director of Casa de Bolsa Santander and Vice-President of the group. In 2007, he also served as Chairman of the Mexican Association of Stock Brokers.

#### Academic background

He is an Actuary graduate from the Universidad Anáhuac, with postgraduate studies in Finance from the Instituto Tecnológico Autónomo de México (ITAM), and holds a Master in Business Administration (MBA) from ESADE in Barcelona. He joined the Board of Directors of GFNorte in July 2011.

### Everardo Elizondo Almaguer (74 years old)

Proprietary Independent

#### Professional background

He is a Professor of international finance at the EGADE Business School, ITESM. He held the Directorate of Economic Studies of Grupo Industrial Alfa (Grupo Alfa today). He founded the index consultancy firm Economía Aplicada, S.A. and was Deputy Governor of the Bank of Mexico. He was the founder and first director of the graduate school of the faculty of Economy of the Universidad Autonoma de Nuevo Leon.

#### Academic background

He holds a Bachelor in Economics from the Universidad Autonoma de Nuevo Leon, as well as a Master degree and is a candidate for a PhD in Economics from the University of Wisconsin-Madison. He joined the Board of Directors of GFNorte in April 2010.

### Carmen Patricia Armendariz Guerra (62 years old)

Proprietary Independent

#### Professional background

She currently serves as Managing Director of Sustainable Finance in Sociedad Financiera Popular, dedicated to the financing of projects for entrepreneurs and is associate director and founder of Valores Financieros, a company dedicated to banking system consultancy.

She has served as an advisor to the Secretary of Finance and Public Credit, in which she coordinated negotiations for the Free Trade Agreement in financial services, was Vice-President of Supervision at the National Banking and Securities Commission, as well as making a name for herself as Associate Director of the Bank for International Settlements (BIS), responsible for analysis of Basel II impacts on emerging markets. She was advisor to Roberto Gonzalez Barrera, former Chariman of GFNorte and Director of Special Projects at GFNorte.

She has served as an international consultant in banking crises, Professor of Economics at the Instituto Tecnológico Autónomo de México (ITAM) and author of numerous academic and specialized publications in banking and macroeconomics.

#### Academic background

She is an Actuary Mathematician of the Universidad Nacional Autonoma de Mexico (UNAM) and holds a Master in Economics from the same institution, as well as a Ph.D. in Economics from Columbia University in New York. She joined the Board of Directors of GFNorte in April 2009.

### Hector Federico Reyes-Retana y Dahl (71 years old)

Proprietary Independent

#### Professional background

He serves as a consultant and Independent Board member. He has held various positions in the public sector, at the Ministry of Economy where he founded the state-owned agency ProMexico, Inversion y Comercio. He served as Managing Director of Banco Nacional de Comercio Exterior, S.N.C (Bancomext) and Managing Director of Banca Confia, as well as Director of International Operations at the Bank of Mexico (Banxico). In the private sector he served as Managing Director of Grupo Financiero Mifel and Banca Mifel. He was a member of the Board of Directors of the National Savings Bank (Bansefi) and held the position of first Vice-President of the Mexican Association of Banks and was Vice-President of the Bankers Association of Mexico, among other positions.

#### Academic background

He is an Industrial Engineer graduate of the Universidad Iberoamericana and holds a Master in Business Administration (MBA) from Cornell University in New York. He joined the Board of Directors of GFNorte in July 2011.

### Alfredo Elias Ayub (67 years old)

Proprietary Independent

#### Professional background

He is currently Chairman of the Board of Directors of Promociones Metropolis, S.A. de C.V. and member of the Board of Iberdrola USA and Rotoplas. Previously, he served as Managing Director of the Federal Commission of Electricity (CFE), Managing Director of Aeropuertos y Servicios Auxiliares (ASA) and held various positions within the Ministry of Energy, Mines and State-owned Industry. He sat on the Boards of the Harvard Business School Alumni Association, Nacional Financiera, Multibanco Mercantil de Mexico and Banco Internacional. He also served as Chairman of the Board of the Instituto Mexicano de Investigaciones Electricas and as Chairman of the Board of the Harvard Mexico Foundation.

#### Academic background

He is a Civil Engineer graduate of the Universidad Anahuac, with a Master in Business Administration (MBA) from the Harvard Business School. He joined the Board of Directors of GFNorte in April 2012.

### Eduardo Livas Cantu (74 years old)

Proprietary Independent

#### Professional background

He is currently a member of the Executive Committee of Gruma, having served as Director of Operations at Gimsa from 1975-1978 and Managing Director of the Central America Division from 1978-1982. He was Managing Director of Gruma Corp. (USA Division) from 1982-1994 and CEO of Gruma and Gimsa from 1994-1999. Additionally, he was a consultant from 1999-2014.

#### Academic background

He holds a degree in Law from the Universidad Autonoma de Nuevo Leon (UANL) and a Doctorate in Economy from the University of Texas in Austin. He joined the Board of Directors of GFNorte in April 1999.

### Adrian Sada Cueva (42 years old)

Proprietary Independent

#### Professional background

He has been CEO of Vitro since March 2013 and member of the Board of Directors of Vitro, S.A.B. de C.V. since 2010. He has also served as Director of Vitro Cristalglass (Spain), Managing Director of Vitro Automotriz, Director of Internal Restructuring, Director of Administration and Finance and Managing Director of Vitro's packaging business. Additionally, he sits on the Boards of Comegua, Industrial Club of Monterrey, the Universidad de Monterrey, and the Chamber of the Transformation Industry (CAINTRA).

#### Academic background

He holds a degree in Business Administration from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and a Master in Business Administration (MBA) from Stanford University. He joined the Board of Directors of GFNorte in April 2013.

**Alejandro Burillo Azcarraga (66 years old)****Proprietary Independent****Professional background**

He is Chairman of the Board of Directors of Grupo Pegaso, with presence in sectors such as: technology, telecommunications, media, real estate, sports, culture and philanthropy, agro-industry, tourism, services and aeronautics. He has participated as majority and strategic partner in various companies and financial institutions such as Ixe Bank, Laredo National Bank, Telefonica Movistar and Atlante Soccer Club among others. He joined the Board of Directors of GFNorte in April 2013.

**Jose Antonio Chedraui Eguia (51 years old)****Proprietary Independent****Professional background**

He is CEO of Grupo Comercial Chedraui. Additionally, he has held positions as Commercial Director and then as CEO of Comercial de Las Galas. He also participates in the Fundacion Chedraui, Young Presidents' Organization and Mexico Nuevo organizations.

**Academic background**

He holds a Bachelor's Degree in Accounting and Finance from the Universidad Anahuac. He joined the Board of Directors of GFNorte in April 2015.

**Alfonso de Angoitia Noriega (55 years old)****Proprietary Independent****Professional background**

He currently serves as the Executive Co-Chair and President of the Finance Committee of Grupo Televisa, S.A.B. having been a member of the Board and of the company's Executive Committee since 1997. He also sits on the Board of Directors of Cablevision, S.A. de C.V., Innova, S. de R.L. de C.V. (Sky), Cablemas Telecomunicaciones, S.A. de C.V., Operbes, S.A. de C.V. (Bestel), TV Internacional, S.A. de C.V. and Grupo Axo, S.A.P.I. de C.V., as well as The Americas Society. Additionally, he is President of the Board of Trustees of Fundacion Kardias and a member of Fundacion UNAM and the Mexican Health Foundation. Prior to joining Grupo Televisa, he was a founding partner of the law firm Mijares, Angoitia, Cortes y Fuentes, S.C. He served as Executive Vice-President of Administration and Finance from 1999 to 2003. He was also a member of the Board of Grupo Modelo, S.A.B. de C.V. from 2005 to 2013 and of The American School Foundation from 2001 to 2010.

**Academic background**

He received his Law degree from the Universidad Nacional Autonoma de Mexico (UNAM). He joined the Board of Directors of GFNorte in April 2015.



### Olga Maria del Carmen Sanchez Cordero Davila (71 years old)

Proprietary Independent

#### Professional background

She is Public Notary 182 of Mexico City and of the World Heritage Property of Mexico City. She is a member of the International Women's Forum, International Federation of University Women and the International Association of Women Judges. Likewise, she is also a member of the Mexican Bar, the Colegio de Abogados A.C., the Colegio de Notarios del D.F., A.C. and the National Association of Mexican Notaries A.C. She is a Board member of Fundacion UNAM and numerary member number one of the Grupo de los 100 of the Center Development and Legal Research for Latin America. She was appointed Minister of the Supreme Court of Justice of the Nation (1995-2015) and Numerary Judge of the Superior Court of Justice of the Federal District (1993-January 1995). A professor at the UNAM and the author of several publications, she served as Director of the Seminary of General and Legal Sociology of the UNAM Law Faculty (1980-1984).

#### Academic background

She received her Bachelor degree in Law from the Universidad Nacional Autonoma de Mexico (UNAM) with a postgraduate degree in Social Policy and Administration from the University College of Swansea in Great Britain. She received two Honorary Doctorate degrees from the Universidad Autonoma de Morelos and the Universidad Autonoma de Nuevo Leon. She joined the Board of Directors of GFNorte in April 2016.

### Thomas Stanley Heather Rodriguez (64 years old)

Proprietary Independent

#### Professional background

Currently a partner in the firm Ritch, Mueller, Heather and Nicolau, S.C. specializing in external financing, restructuring and securities placement. He is the legal advisor for Consejo Coordinador Empresarial (CCE) and a permanent member of the Committee responsible for the drafting of the code of best corporate practices.

He has served as Arbitrator of the International Court of Arbitration and as Conciliator for the Federal Institute of Bankruptcy Specialists (IFECOM). He was a representative of the International Insolvency Institute before the United Nations Commission on International Trade Law (UNCITRAL) and a member of the Mexican Bar, Colegio de Abogados, A.C.

Previously, he was a founding partner of Heather & Heather, S.C., from 2010 until its merger in 2013 to form Ritch, Mueller, Heather and Nicolau, S.C. and of White & Case, LLP in their Mexico City offices from 2005 to 2009. He is a member of the Board of Directors and of the Audit and Corporate Practices Committee (CAPS) of Grupo Bimbo, S.A.B. de C.V.; and Independent member of the Board and Chairman of the CAPS of Gruma, S.A.B. de C.V. and Grupo Industrial Maseca, S.A.B. de C.V. He was independent Board member of Grupo Modelo, S.A.B. de C.V. (1997-2005), of GSF Telecom Holdings, S.A.P.I. (2012-2014) and Nikko Hotels (until 2013). Likewise, he also participated as an Independent Board member of Grupo Financiero Scotiabank and subsidiaries (2001-2016).

#### Academic background

He received his degree in Law from the Escuela Libre de Derecho, a Master degree in Comparative Jurisprudence - Financial Law from the University of Texas in Austin. Likewise, he has several diplomas from the Universidad Panamericana and the University of New York. He joined the Board of Directors of GFNorte in April 2016.

### Committees that support the Board of Directors

The following committees are comprised of independent members, and some of them, by officials of the institution, in accordance with applicable regulations:

- Audit and Corporate Practices Committee
- Risk Policies Committee
- Human Resources Committee
- Nominating Committee

#### RISK POLICY COMMITTEE

Members				Gender
1.	Eduardo Livas Cantu	Proprietary Independent	President	Male
2.	Everardo Elizondo Almaguer	Proprietary Independent	Member	Male
3.	Hector Federico Reyes Retana y Dahl	Proprietary Independent	Member	Male
4.	Thomas Stanley Heather Rodriguez	Proprietary Independent	Member	Male
5.	Manuel Aznar Nicolin	Alternate Independent	Member	Male
6.	Robert William Chandler Edwards	Alternate Independent	Member	Male
7.	Jose Marcos Ramirez Miguel	CEO GFNorte	Member	Male
8.	Guillermo Chavez Eckstein	DG Credit & Risk Management / UAIR	Member	Male

#### AUDIT AND CORPORATE PRACTICES COMMITTEE

Members				Gender
1.	Hector Federico Reyes Retana y Dahl	Proprietary Independent	President	Male
2.	Carmen Patricia Armendariz Guerra	Proprietary Independent	Member	Female
3.	Thomas Stanley Heather Rodriguez	Proprietary Independent	Member	Male
4.	Robert William Chandler Edwards	Alternate Independent	Member	Male
5.	Manuel Aznar Nicolin	Alternate Independent	Member	Male
6.	Clemente Ismael Reyes Retana Valdes	Alternate Independent	Member	Male

#### HUMAN RESOURCES COMMITTEE

Members				Gender
1.	Everardo Elizondo Almaguer	Proprietary Independent	President	Male
2.	Eduardo Livas Cantu	Proprietary Independent	Member	Male
3.	Guillermo Chavez Eckstein	Comprehensive Risk Management representative	Member	Male
4.	Javier Beltran Cantu	Human Resources representative	Member	Male
5.	Rafael Arana de la Garza	Financial Planning representative	Member	Male
6.	Isaias Velazquez Gonzalez	Internal Auditor	Member with voice but no vote	Male

### NOMINATING COMMITTEE

Members				Gender
1.	Carlos Hank Gonzalez	Proprietary President	President	Male
2.	Jose Marcos Ramirez Miguel	Proprietary	Member	Male
3.	Juan Antonio Gonzalez Moreno	Proprietary	Member	Male
4.	Everardo Elizondo Almaguer	Proprietary Independent	Member	Male
5.	Alfonso de Angoitia Noriega	Proprietary Independent	Member	Male
6.	Jose Antonio Chedraui Eguia	Proprietary Independent	Member	Male
7.	Thomas Stanley Heather Rodriguez	Proprietary Independent	Member	Male

### Management structure

#### SENIOR MANAGEMENT OF GRUPO FINANCIERO BANORTE

Members	Position
Jose Marcos Ramirez Miguel	CEO Grupo Financiero
Jose Armando Rodal Espinosa	Managing Director of Wholesale Banking
Carlos Eduardo Martinez Gonzalez	Managing Director of Retail Banking
Fernando Solis Soberon	Managing Director of Long Term Savings
Manuel Antonio Romo Villafuerte	Managing Director of Methods of Payment
Guillermo Chavez Eckstein	Managing Director of Credit and Risk Management
Rafael Arana de la Garza	CFO
Carlos de la Isla Corry	Managing Director of Presidential Advisory
Sergio Garcia Robles Gil	Presidential Advisor for Regional Boards
Isaias Velazquez Gonzalez	Managing Director of Audit

### Support committees for management

The following committees support the Directorate General of GFNorte:

- Investment
- Security
- Credit Center
- Credit Recovery Center
- Assets and Liabilities
- Financial Markets
- Communication and Control
- Business Trusts
- Investment Projects
- Integrity
- Investments in Managed portfolios
- Parametric Credit
- Analysis of Financial Products
- Recovery and Continuity

### Variable compensation for senior management

Senior Management includes the Managing Director, his direct reports and, at the same time, the direct reports of these, i.e., the first three levels of the organizational hierarchy. At GFNorte we have a variable compensation plan specific to this group, subject to the fulfillment of the financial metrics established as objectives to achieve within the 20/20 Vision strategy.

Financial metrics are quantifiable and measurable over time and include concepts such as return on capital and efficiency index.

In general, the variable compensation plan establishes specific financial objectives to meet annually until 2020. At GFNorte we do not disclose our retribution policy, executive compensation plan, or individual remuneration of senior management.



## REGIONAL BOARDS

The regional Boards are an important means to understand the needs of customers and each of its regions, giving us the ability to capitalize on opportunities and to offer better and more financial products continuously, thereby keeping GFNorte at the forefront.

In its sixth year of operation, 12 Board sessions were held in the different headquarters of the country, with the participation of exhibitors such as Jesus Reyes Heróles, Carlos Elizondo Mayer-Serra, Gerardo Rodríguez Regordosa, Luis Carlos Ugalde, Dr. Leo Zuckerman, Jorge Nacif Iñigo and Roy Campos Esquerra. Also honoring us with his presence was Ildefonso Guajardo Villarreal, Secretary of Economy, who shared perspectives on the North American Free Trade Agreement negotiations with us.

In 2017 we installed 32 local boards with the objective of geographically complementing the purpose of the regional boards and thus strengthening our 20/20 Vision strategy. These boards, comprised of customers from various business segments, function as a space for dialogue and feedback between customers and local managers, where opinions are exchanged and advice provided about the trends and opportunities of each zone.

This year regional advisers were invited to participate, together with their children, in Grupo Financiero Banorte's most important institutional event of the year, the Banorte Strategy 2017 Forum under the slogan "A strong Mexico, in the future Mexico", which was held on August 22nd and 23rd in Mexico City, being the meeting point for young talents, strong Mexicans and international figures, to analyze the current context of Mexico, as well as its challenges and opportunities.

On the first day, Alfredo Quiñones-Hinojosa, Dr. Q., gave a lecture entitled "Forming dreams and strengthening bridges". Six members of the Mexican Debate Team analyzed the role of social networks in the consumption of information. Alejandro Diaz de Leon, Everardo Elizondo and Alejandra Palacios participated in the workshop "Mexico's strengths to compete and win". Marc Levinson hosted the workshop "Infrastructure and energy: engines of investment and productivity". Luis Lojero and Ramon Carazo held the workshop "Jobs and skills for the future". Miguel Angel Mancera, head of the Mexico City Government Mexico and Jose Antonio Meade, then Secretary of Finance and Public Credit accompanied us for the welcome dinner.

Lawrence H. Summers, former US Secretary of the Treasury and President Emeritus of Harvard University presented the lecture on "North America in the new global economy" on the second day of sessions. The panel of "The strength of the states in the face of NAFTA renegotiations" enjoyed the participation of Governors



Carlos Mendoza Davis, Javier Corral Jurado, Claudia Pavlovich Arellano and Jaime Rodríguez Calderón. Moreover, sitting on the "Strong entrepreneurs, a strong Mexico" panel were Juan Domingo Beckmann Legorreta, Jose Antonio Chedraui Eguía, Blanca Treviño de Vega, Alejandro Ramírez Magaña and Carlos Hank González.

**“The Regional Boards are an important means to understand the needs of customers in each of its regions.”**

In order to give other distinguished members of the business community the opportunity to participate, and based on GFNorte's established protocol, in 2018 the renewal process will be held

for some members of the regional boards to give other prominent members of the business community of our country an opportunity to collaborate with us.

## LOCAL BOARDS



“In 2017 we installed 32 local boards with the objective of geographically complementing the purpose of the regional boards and thus strengthening our 20/20 Vision strategy.”

\* The local board Altos de Jalisco is in the integration process; once integration is concluded, there will be a total of 33 boards.





## LEADERS IN **SUSTAINABILITY**

**Financing and investment to ensure  
prosperity for Mexicans and their  
future generations**



►SRS 102-14 ►SRS 102-15 ►SRS 102-19 ►SRS 102-20  
►SRS 102-21 ►SRS 102-27 ►SRS 102-29 ►SRS 102-30  
►SRS 102-44 ►SRS 102-46 ►SRS 102-47 ►SRS 102-49  
►SRS 103-1 ►SRS 103-2 ►SRS 103-3

### Sustainable management

At GFNorte we believe that as a financial institution we play a key role in the development of a prosperous Mexico. For this reason, we integrate sustainability into our operations as a guiding principle to maximize profitability and growth, protecting at all times our financial, social and environmental capital.

Our objective is to generate value for all stakeholders, so we focus our sustainability strategy on four fundamentals:

- Promotion of sustainable finance
- Transparency and accountability
- Minimization of our environmental footprint
- Implementation of actions for the community

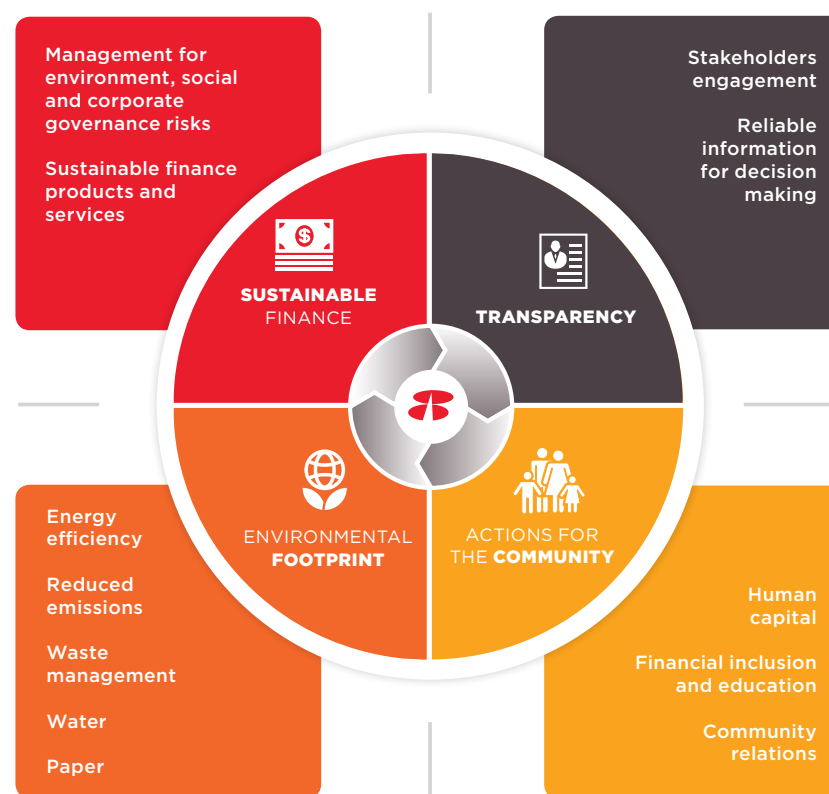
The area responsible for implementing this strategy is Sustainability and Responsible Investment depending on the Executive Management of Investor Relations, Sustainability and Financial Intelligence who, in turn, depends on the department of Finance.

Sustainability and Responsible Investment is comprised of the Environmental Risk Management area in credit and investment activities and of Social Value. Environmental initiatives are administered in conjunction with the Directorate of Material Resources, with the objective of achieving a strong integration between operational processes and sustainability.

### Sustainability model

We continually strive to improve the Group's performance, so in 2017 we updated our sustainability model in order to provide a clearer representation of our strategic pillars as well as our works areas. In this way we express the commitments and actions we have defined to meet the Objectives of Sustainable Development (ODS) proposed by the United Nations.

### SUSTAINABILITY MODEL



“We integrate sustainability into our operations as a guiding principle to maximize profitability and growth, protecting our financial, social and environmental capital at all times.”

#### Sustainable finance

We consider environmental, social and corporate governance factors in our offering of products and services in order to contribute to environmental protection, social balance and the economic development of our country.

#### Transparency

We maintain a bilateral relationship with our stakeholders providing accurate and updated information on our practices and results, allowing us to obtain constructive feedback for the continuous improvement and participation in investment markets globally.

#### Environmental footprint

We carry our initiatives to generate a culture of environmental protection within the institution, as well as to measure and reduce our consumption of resources and generation of pollutants, in order to mitigate the direct and indirect impacts of our operations.

#### Actions for the community

We implemented various social programs that involved our employees and the communities in which we operate, in order to apply practices that improve the internal and external conditions of the institution, creating a better quality of life.

► SRS 102-43 ► SRS 102-47

### Priorities

In addition, we believe that as engines of economic development we have the responsibility of promoting attention in topics whose characteristics represent unprecedented challenges on a global scale and for Mexico. Thus, we have determined that human rights, climate change and biodiversity are priorities within our processes.

- **Human rights**

Mexico is one of the countries with more human rights observers' visits due to the number of cases involving serious and systemic violations of vulnerable peoples and communities. Aware of this situation, we diagnose, assess and ensure respect for human rights within our activities, in line with the guidelines of the UN's Universal Declaration of Human Rights.

- **Climate change**

Climate change is one of the 21<sup>st</sup> century's major problems. According to the World Bank, Mexico is one of the most vulnerable countries, so our territory, population and economy are exposed to adverse consequences. Therefore we consider essential to get involved in initiatives that identify opportunities and provide consistent and efficient solutions to the risks of climate change. Promoting interest in the transition to a low-carbon economy, market resilience, mitigation of the impact of natural disasters among other issues, is paramount to GFNorte.

- **Biodiversity**

Mexico is the fourth most megadiverse country in the world; home to between 10% - 12% of all plant and animal species on the planet. However, more than half is under some category of risk due to anthropogenic causes. Therefore, it is essential that the activities and projects in which we intervene seek to protect animal and plant species, their habitats and ecosystems in order to preserve the balance and the natural wealth of our country.

“As engines of economic development we have a responsibility to promote attention in subjects whose characteristics represent unprecedented challenges on a global scale and for Mexico.”



► SRS 102-40

### Stakeholders

Our stakeholders are a key factor in achieving our business objectives. We believe that it is essential to maintain a constant, open and transparent communication to fulfill our commitments and strengthen the ties that unite us.

The frequency of interactions depends on the channel established with each group; however, our approach focuses on satisfying their requirements.

►SRS 102-40 ►SRS 102-42 ►SRS 102-43 ►SRS 102-46

## STAKEHOLDERS ENGAGEMENT

### EMPLOYEES

Workforce development (continuous technical training as a model to enhance skills and leadership among employees), labor practices and retention of talent.

- Intranet
- Emails
- Banorte hotline
- Banorte TV
- Ethic Points Reporting System
- Human resources development portal
- Organizational climate survey
- Union magazine



Human Resources

### INVESTORS

Corporate governance; coverage, expansion, and business ethics; financial information; risk management and aspects of sustainability (socio-environmental contributions and impacts).

- Annual report
- Circular Única CNBV
- Annual report
- Quarterly reports
- Shareholders' assemblies
- Newsletters
- Service hotline
- Emails
- Web page



Investor Relations  
Corporate Governance

### SECTORAL AUTHORITIES AND UNION

Integrity of the business operation, monitoring and adherence to financial regulations, transparency and opportune reporting, anti-corruption, offer and promotion of products and services in accordance with regulations.

- Annual report
- Circular Única CNBV
- Annual report
- Quarterly reports
- Shareholders' assemblies
- Newsletters
- Web page



Investor Relations,  
Communication and  
Institutional Relations  
Comptrollership

### CUSTOMERS

Accessibility to financial products and services, clear information regarding them, monitoring of satisfaction and quality of service (attention and advice).

- Bank branches via internet
- Service telephone line
- Banorte Specialized Queries and Complaints unit
- Web page
- Social networks
- Satisfaction surveys
- Media advertising



Commercial, Marketing  
Specialized Queries and  
Complaints Unit

### SUPPLIERS

Requirements and standards, selection of goods, creation of value, environmental and social policies adopted by the institution.

- Telephone
- Email
- Tenders
- Meetings



Acquisitions and  
Expense Control

### COMMUNICATION METHODS

Access, dissemination and transparency of the Group's information; opportune and comprehensive media coverage; consistency and fluidity of internal and external messages.

- Telephone
- Email
- Web page
- Social networks
- Meetings and visits



Communication and  
Institutional Relations

### CIVIL ASSOCIATIONS

Impact on climate change and natural capital, human rights, Economic or in-kind support, strategic alliances and participation in work teams.

- Telephone
- Email
- Web page
- Social networks
- Meetings and visits



Sustainability and  
Responsible Investment  
Banorte Foundation

### COMMUNITY

Management of social responsibility, natural resources, business ethics, cooperation with communities in which we operate, strengthening of relations and opportunities to rebuild the social fabric.

- Telephone
- Email
- Web page
- Social networks
- Visits to communities
- Meetings



Sustainability and  
Responsible Investment  
Banorte Foundation

### GOVERNMENT ENTITIES

Compliance with legislation, compensation agreements with unionized employees, environmental management (in topics such as water and waste, impacts on biodiversity, emissions to the atmosphere) and participation with social impact.

- Committees
- Participation in forums
- Meetings
- Telephone
- Email
- Web page



Sustainability and  
Responsible Investment  
Banorte Foundation

Frequency of meetings with stakeholders:

- **Constant**
- **Periodical** (weekly, monthly, bimonthly, quarterly, per semester or several times a year)
- **Annual**



LIASON AREA



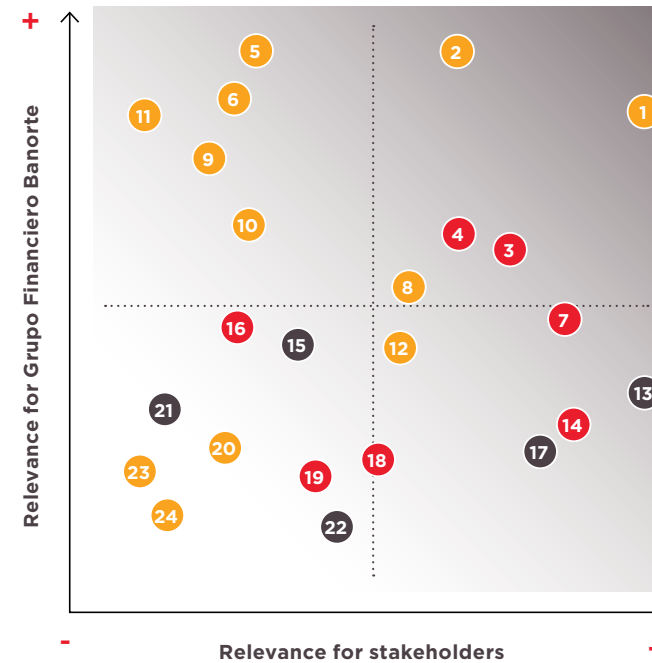
► SRS 102-47 ► SRS 102-49

## Materiality

In GFNorte we are interested to know our stakeholders' concerns about sustainability. For this reason, we developed a matrix of materiality with internal and external feedback, that allows us to see the relevance of the different issues that we address in our activities.

From the results of this exercise, we prioritize the topics that are most relevant for all, in order to define and implement actions that contribute to improving our performance.

## MATERIALITY MATRIX



- |  |   |
|--|---|
| 1 Comprehensive risk management  | 13 Responsible investment                               |
| 2 Corporate Governance   | 14 Financial inclusion                                  |
| 3 Compliance   | 15 Financial education and culture                      |
| 4 Responsible customer service practices                                 | 16 Accessibility to products and services for customers |
| 5 Attraction and retention of talent                                     | 17 Financing of infrastructure and sustainable projects |
| 6 Development of Human Capital   | 18 Development of communities                           |
| 7 Supporting economic development  | 19 Value chain  |
| 8 Anticorruption and the prevention of money laundering                  | 20 Diversity and inclusion                              |
| 9 Security of information  | 21 Brand management and reputation                      |
| 10 Ethics and integrity  | 22 Financing of controversial activities                |
| 11 Technology and innovation in the development of products and services | 23 Management of water, waste and paper                 |
| 12 Energy eco-efficiency   | 24 Internal purchasing processes                        |
- Legend:**
- Orange circle: Internal Impact
  - Red circle: External impact
  - Black circle: Internal and external impacts

## Sustainable development goals

We are working on various initiatives to align them to the objectives established in the 17 Sustainable Development Goals (SDG), of the United Nations Development Program (UNDP) 2030 Agenda.



►SRS 102-11 ►SRS 102-12 ►FS-2 ►FS-3 ►FS-5

### **Social and environmental risk management**

Recognizing the importance of respecting human rights, the care of natural resources and the mitigation of climate change, GFNorte is committed to prevent, minimize, restore and compensate for adverse impacts. For this reason, a vital aspect within our investment and financing operations is the management of social and environmental risks.

### **Responsible investment**

Following our new model of sustainability we seek to implement different strategies to handle the potential environmental, social and governance (ESG) risks of our business. In this regard, in March 2017 we became the first financial group in Mexico to form part of the Principles for Responsible Investment (PRI). As signatories of this initiative, we are committed to integrating ESG criteria in our investment process to support decision-making and the transition to a low-carbon economy covering the needs of the current economic model, and in addition, generate a positive financial impact on our investment portfolio.

The PRI derive from the United Nations Environment Program Finance Initiative (UNEP-FI) and the Global Compact, in order to improve the ability of investors to fulfill

commitments with beneficiaries, as well as to align investment activities with the broader interests of the society, following six principles:

- Incorporating ESG issues into our analysis and decision making processes in regard to investments.
- Be pioneers in incorporating ESG issues to our practices and property policies.
- Seek transparent reporting of ESG issues by the entities in which we invest.
- Promote the acceptance and implementation of the principles in the investment sector.
- Work together to improve our effectiveness in implementing the principles.
- Report our activity and progress in the implementation of the principles.

In this first year of adherence, we focused efforts on the fourth principle, and promoted the acceptance and the implementation of all the principles.

Additionally, in July 2017, GFNorte joined the group of 390 global investors representing \$22 billion dollars in assets, so that the G20 leaders honor their commitments to the Paris Agreement.

The investors called on global leaders to:

- Continue to support and implement the Paris Agreement, as did the G7 leaders last June.
- Direct investments towards a low-carbon economy.
- Implement financial reporting that explicitly considers climatic aspects.

In October of the same year, in conjunction with the PRI, Ecovalores, Moody's Investors Services and WBCSD, we held the Introduction to Responsible Investment and Roundtable events for the purpose of disseminating practices of responsible investment in Mexico, exploring the international scene and promoting adherence of more financial institutions to the PRI. We received the support and participation of 44 representatives from different financial institutions, private sector companies and CSOs.



► SRS 102-12 ► FS-5

## Social and Environmental Risk Analysis Process

Since 2012, we have used our own Social and Environmental Risk Management System (SEMS) to analyze social and environmental risks and impacts arising from activities that we fund.

The SEMS is based on the most important global risk management standards, such as the Performance Standards of the International Finance Corporation (IFC) and the Equator Principles.

In this way, we encourage that projects from our loan portfolio have the least possible impact, and are developed in a socially responsible manner and apply rigorous environmental practices.

The SEMS complies to a process of identification, categorization, evaluation and risk management that operates in parallel to credit procedures and which currently includes Corporate Banking, Business Banking and Structured Financing portfolios.

Throughout our analysis process we detect potential environmental and social risks of loans by using our exclusion list, classifying them according to their degree of impact and selecting those that meet the criteria to be evaluated. Thus, financing of more than \$1 million dollars are examined under performance standards, and transactions whose amounts exceed \$10 million dollars are analyzed under the Equator Principles.

During the evaluation of projects, we check that they comply with national legislation and international guidelines. In addition, we follow-up on higher risk projects with annual reviews of customers' plans of action, provide periodic advice, monitor reputation and make field visits.

The area responsible for the SEMS is Socio-Environmental Risk (ARSA), that pertains to Sustainability and Responsible Investment and is comprised of a team of four people with training and experience in environmental and social issues such as:

- Social and environmental impacts
- Control and prevention of pollution
- Biodiversity
- Rural and indigenous communities
- Safety and health in the workplace
- Regulatory compliance
- Training

In addition, the SEMS is supported by the Sustainability Champions, a group of employees from the credit and business area who serve as a link between the ARSA and the bank's business areas to promote the proper management of risks and impacts at a national level.

The following email address is at the disposition of stakeholders: [sems@banorte.com](mailto:sems@banorte.com)

## ANALYSIS PROCESS OF SOCIO-ENVIRONMENTAL RISKS, SEMS





► FS-5 ► FS-10 ► FS-11

### Analysis process

In 2017, we conducted a thorough review of the social and environmental risk analysis process to redefine operation procedures and criteria to increase efficiency.

- We internally updated the SEMS manual and its regulated process in 2015.
- We extended SEMS coverage for financings under \$1 million dollars with high potential impact through the SEMS assessment.
- We updated our catalogue of Sectoral Activity Codes with 86 new codes for sustainable economic activities.

2017 CREDITS ANALYZED	
Socio-environmental risk (category)	Credit
High	21
Medium	1,646
Low	2,093
<b>Total</b>	<b>3,760</b>

“We issued a total of 361 recommendations mostly for the construction, agribusiness and infrastructure sectors.”

2017 PROJECT ASSESSMENTS				
Evaluation framework	Projects			
	Category A	Category B	Category C	Total
SEMS Evaluation	0	5	0	5
Performance standards	1	11	103	115
Equator Principles	4	11	33	48
<b>Total</b>	<b>5</b>	<b>27</b>	<b>136</b>	<b>168</b>

FINANCING APPROVED BY SECTOR AND EVALUATION FRAMEWORK				
Sector	SEMS Evaluation	Performance Standards	Equator Principles	Total
Mining	0	1	0	1
Oil and gas	0	1	2	3
Chemicals	1	1	1	3
Construction	2	88	27	117
Manufacturing	0	3	2	5
Agribusiness	0	14	2	16
Energy	0	0	4	4
Forestry	2	3	0	5
Infrastructure	0	2	3	5
Tourism	0	2	7	9
Other	0	0	0	0
<b>Total</b>	<b>5</b>	<b>115</b>	<b>48</b>	<b>168</b>

### 2017 SEMS Results 2017

Pursuant to our testing criteria, we produced 32 rigorous due diligences for projects classified as Category A and B. All Category C projects were managed through IFC recommendations to customers, based on sectoral environmental, health and safety guidelines. We issued a total of 361 recommendations, mostly for the construction, agribusiness and infrastructure sectors.

Similarly, in 2017 we consolidated 15 on-site visits of projects, in conjunction with the credit and business areas, which reflects the interest of our decision makers in risk management, as well as the ever more noticeable participation of the ARSA in business processes. The dominant sectors in project financing were construction, agribusiness and tourism.

2017 PROJECT MANAGEMENT	
Due diligences	32
Recommendations	361
On-site visits	15

► FS-4

### Training

The Credit and Business area plays a key role in environmental and social risk management for GFNorte. Therefore, raising awareness and developing expertise in these areas is essential. Addressing this need, Banorte's own ARSA provided face-to-face training for analysts, executives and directors in person, online and by telephone. And for the second consecutive year, we have published the monthly informative newsletter SEMS in Brief, reaching 15,278 employees.

We trained 375 employees investing more than 571.75 hours in reviewing issues with:

- Sustainability in the financial sector
- Management of social and environmental risks and impacts
- Sustainable and responsible customers
- Reputational risk
- Sensitive sectors
- Functioning of SEMS
- Relevant environmental and social risk cases

### Interaction with business areas

The Credit and Business area, as well as having a crucial participation in the social and environmental risk analysis process, is one of the major stakeholders concerns. Credit committees are responsible for the decision-making for financing, so effective communication of findings from the proceedings carried out is important.

With the support of our principal ally, the area of Selective Credit, we incorporated a section called Socio-Environmental risk within the Study of Credit for Financing, in order to report the results of this analysis, as well as the recommendations and conditions established by ARSA. With this, we improve interaction with decision-makers and guarantee the adequate and opportune flow of information.

#### SEMS TRAINING 2017

Method	Resource	Duration (hours)	Number of employees	Public	Frequency
Face-to-face	Presentations	2	12	Sustainability Champions	Annual
		1	117	Business and Credit Area (new entity)	Quarterly
Virtual	SEMS e-learning	2	211	Business and Credit Area	Annual
Via telephone	ARSA background and experience	0.25	353	Business and Credit Area	Daily
<b>Total</b>		<b>5.25</b>	<b>693</b>		

►FS-8

### **Financing of clean energies**

GFNorte is actively involved in the financing of the generation of electrical energy from renewable sources since 2012. We have funded 11 projects with a capacity to generate 1,190 MW, of which 647 come from wind energy, 433 from photovoltaic energy and 110 from natural gas open cycle cogeneration plant. These projects represent a total investment of \$1,087 million dollars, of which GFNorte has funded \$479 million dollars, equivalent to 44% of the investment. Our strategy is to seize the opportunities that the energy reform has generated for the electricity market, for which we have consolidated our relationship with investors, the federal government and banking institutions, with a firm commitment to extend financing and investment in clean energies.

**“GFNorte has been actively involved in the financing of the generation of electrical energy from renewable sources since 2012.”**

### **Green bonds**

In 2017 Banobras placed the first Sustainable Bond in Latin America in the Mexican Stock Exchange (BMV) for Ps 10 billion, for projects that benefit the environment and society. Banorte, through the Investment Bank Casa de Bolsa Banorte Ixe, served as one of three intermediary underwriters, providing consultancy and distributing the instrument on the market with investors in general.

Without a doubt, this initiative demonstrates the joint commitment of the financial system to boost mitigation of climate change and improve the social wellbeing of Mexico.





► SRS 102-12

## Participation in initiatives

As leaders in sustainability, at GFNorte we want to promote good practices for the financial sector, supporting projects and keep updated on issues of national and international relevance; therefore we are actively involved in various initiatives.

### National initiatives

- **Mexican Bank Association**

Since 2015 we form a part of the Social Responsibility, Financial Education and Sustainability committees, and are signatories to the Sustainability Protocol of the ABM. In 2017 we attended meetings on financial education, risk management systems and green bonds, among others.

- **Mexican Alliance for Biodiversity and Business, AMEBIN**

AMEBIN is an initiative created in 2016 within the COP 13 Convention on Biological Diversity framework, in which large companies, financial institutions, civil society organizations and agencies of international cooperation promote action towards the conservation, sustainable use and restoration of biodiversity. Since then, we form a part of the private sector companies which include biodiversity in their objectives, forming part of the work groups of the Alliance and regularly attending the events that have been held.

- **Mexico GHG Program (2013)**

For the fifth consecutive year, we have participated in the Mexico GHG program of SEMARNAT.

- **Biodiversity and Business Agreement (2016)**

An initiative of the Convention on Biological Diversity and the Government of Mexico to draw attention of companies and financial institutions with regard to

the importance of biodiversity, ecosystem services and the urgency of taking action to prevent losses and promote conservation. This initiative is aligned with Strategic Plan 2011-2020 and the Aichi Targets for biodiversity.

### International initiatives

- **Global Reporting Initiative, GRI (2009)**

The international tool to standardize reporting and communicate a company's actions of sustainability according to economic, environmental and social issues.

- **United Nations Global Compact (2011)**

The international initiative that encourages implementation of 10 universally accepted principles to promote corporate social responsibility.

- **CDP (2011)**

The Carbon Disclosure Project promotes awareness of climate change in Mexico and Latin America. At GFNorte we report our performance relative to emissions, testifying to our actions against climate change in the areas of disclosure, transparency, management and leadership.

- **Natural Capital Declaration (2012)**

The financial sector's voluntary initiative created at the Rio Earth Summit + 20 which recognizes the role of natural resources in the economy through their integration into financial products and services.

- **Equator Principles (2012)**

Standards within the financial sector to determine, assess and manage the environmental and social risks of financing. In October 2017, we attended the annual meeting of the Equator Principles, an

event that unites all signatory members of the world in order to share experiences and promote the implementation of best risk management practices. The annual meeting took place in São Paulo, Brazil and also included the participation of the IFC's Global Learning Community, created to provide advice and training in the application of Performance Standards.

- **United Nations Environment Program - Finance Initiative UNEP FI (2013)**

An initiative that aims to identify, promote and encourage the adoption of best practices for sustainability at all levels of financial institution operations. We participated in the Regional Roundtable of Sustainable Finance for Latin America and the Caribbean organized by the UNEP FI, which took place in September 2017. We had the privilege to present our experience on the criteria that should be considered by a financial institution to integrate sustainability into its processes.

- **Objectives of Sustainable Development, ODS (2015)**

A global initiative proposed by the United Nations and with a 2030 objective, comprising a set of 17 goals to eliminate the problems facing humanity in environmental, social and governance matters, seeking to ensure prosperity by developing sustainable.

- **Principles of Responsible Investment, PRI (2017)**

An initiative that has six principles that seek to improve the capacity to meet commitments with beneficiaries and align investment activities with ESG topics.

► SRS 102-12

### **Adherence to national and international indexes**

The depth and scope of the implementation and disclosure of our practices has positioned us as a leader in sustainability in Latin America, which is why we have been honored with multiple awards that have placed us in different national and international indexes.

- **IPC Sustentable (2011),**  
Mexican Stock Exchange (BMV): Comprised of 30 leading Mexican companies.
- **Dow Jones Sustainability Emerging Markets Index (2013),**  
New York Stock Exchange: Comprised of 80 companies (12 Mexican), 20 emerging markets based on long-term economic, environmental and social criteria.
- **Euronext Vigeo-Eiris Emerging Markets Indexes (2016),**  
The leading European stock market operator: recognizes 70 companies from emerging countries (four Mexican) with the most advanced practices in sustainability.
- **FTSE4Good Emerging Markets Indexes (2016),**  
London Stock Exchange: Comprised of 508 companies (24 Mexican), evaluates actions on issues of climate change, labor standards, and risk management, among others.
- **Dow Jones Sustainability MILA Pacific Alliance Index (2017),**  
New York Stock Exchange: Comprised of 42 companies from Chile, Colombia, Mexico and Peru (eight Mexican), with the highest scores in environmental, social and corporate governance practices.
- **Bloomberg Financial Services Gender-Equality Index (2017),** New York Stock Exchange: Comprised of 54 companies of America (two Mexican), providing analysis of their commitment to gender equality in the workplace.
- **Index Americas (2017)**  
The first sustainability index created by a multilateral development bank (Inter-American Development Bank - BID and BID Invest): formed by 100 companies operating in Latin America and the Caribbean.

“The depth and scope of the implementation and disclosure of our practices has positioned us as a leader in sustainability in Latin America.”



## Acknowledgements

We obtained the following awards in 2017:

- **Leading Company in Sustainability in Mexico**, Sustainable Leaders Agenda 2020 ALAS20.
- **2<sup>nd</sup> Place in Leading Company in Corporate Governance**, ALAS20.
- **Best Corporate Governance**, Ethical Boardroom magazine.
- Award for Carlos Hank Gonzalez, Chairman of the Board of Directors, as **Director of a Leading Institution in Responsible Investment for integrating sustainability** into the Group's business and the principles of responsible investment into the operations of the Afore XXI Banorte, ALAS20.
- **Socially Responsible Company**, Mexican Philanthropy Center (CEMEFI).
- **GEI2 Award**  
Recognizing our commitment to the evaluation, accounting and reporting of emissions, awarded by the Mexico GHG program of SEMARNAT.
- **Award for Leadership in the CDP Latin America Climate Change Program**  
For the third consecutive year, we were distinguished by CDP, obtaining rating of A- in the 2017 CDP Climate Change questionnaire.

## INITIATIVES AND AWARDS

### INITIATIVES



### INDEXES



# GRI CONTENT INDEX

► SRS 102-55

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-1		7	Name of the organization	We Are Banorte	
	102-2		7	Activities, brands, products and services	We Are Banorte	
✓	102-3		136	Location of headquarters	Contact	
	102-4		10	Location of operations	We Are Banorte	
✓	102-5		7, 18, 136	Ownership and legal form	Financial Capital Contact	
	102-6		7, 10	Markets served	We Are Banorte	
	102-7		7, 37	Scale of the organization	We Are Banorte Financial Capital Human Capital	
✓	102-8		37	Information on employees and other workers	Human Capital Banorte will not report all the 102-8 indicator requirements. The company's strategy does not manage information based on the GRI Standards methodology; the information reported is based on the materiality of Banorte.	<b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.
✓	102-9	✓	51	Supply chain	Social Capital	
	102-10		3, 5	Significant changes to the organization and its supply chain	Message from the Chairman of the Board of Directors Message from the CEO	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	102-11		89	Precautionary Principle or approach	<p>Leaders in Sustainability</p> <p>In 2017 we signed the Principles for Responsible Investment to address environmental, social and governance risks in our investment portfolios.</p> <p>There were no studies on risks and environmental impacts for new investments or products; however, measures were taken in the construction of new branches to mitigate the impact to the environment such as:</p> <ul style="list-style-type: none"><li>• Separation of solid waste</li><li>• Use of treated water</li><li>• Reuse of water</li><li>• Rainwater catchment</li><li>• Use of ecological toilets</li><li>• Use of materials made from recycled substances</li><li>• Use of lead-free vinyl paint</li><li>• Lighting and air-conditioning control systems.</li><li>• Installation of energy efficient lighting.</li></ul>	
	102-12	✓	69, 89,90, 94, 95	External Initiatives	<p>Natural Capital</p> <p>Leaders in Sustainability</p>	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-13		-	Membership of associations	<p>GFNorte has an active presence in different associations, through their respective business units:</p> <ul style="list-style-type: none"> <li>• Association of Banks of Mexico</li> <li>• Mexican Association of Afores</li> <li>• Mexican Association of Insurance Institutions</li> <li>• Mexican Association of Financial Leasing Companies</li> </ul> <p>Credit and Factoring</p> <p>AFORE XXI Banorte is a member of:</p> <ul style="list-style-type: none"> <li>• National Commission for the Retirement Savings System</li> <li>• Mexican Association for Human Resources Management</li> <li>• Mexican Association of Afores</li> </ul>	
	102-14		3, 5, 85	Statement from senior decision-maker	<p>Message from the Chairman of the Board of Directors</p> <p>Message from the CEO</p> <p>Leaders in Sustainability</p>	
	102-15		3, 5, 14, 72, 85	Key impacts, risks, and opportunities	<p>Message from the Chairman of the Board of Directors</p> <p>Message from the CEO</p> <p>How We Create Value Corporate Governance</p> <p>Sustainable Management</p>	
	102-16		14, 72	Values, principles, standards, and norms of behavior	<p>How We Create Value</p> <p>To learn more about our Code of Conduct, visit: <a href="https://www.banorte.com/codigodeconducta">https://www.banorte.com/codigodeconducta</a></p>	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	102-17	✓	-	Mechanisms for advice and concerns about ethics	All employees have access to Ethic Points, an internal and external system to report irregularities that provides transparency on issues of ethics and legality. To learn more about our Code of Conduct, visit: <a href="https://www.banorte.com/codigodeconducta">https://www.banorte.com/codigodeconducta</a>	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.
✓	102-18	✓	72	Governance structure	<p>Corporate Governance</p> <p>The Board of Directors is the principal governing body of GFNorte, as well as the entity that decides the necessary actions to ensure a sound corporate governance, thus safeguarding the interests of shareholders, customers, employees, suppliers and the communities it serves.</p> <p>GFNorte has established committees to support the Board of Directors: Audit and Corporate Practices Committee, the Risk Policy Committee, the Human Resources Committee and the Nominating Committee, which include independent members of the Board of Directors and, in some of them, officers of the institution, in accordance with the applicable regulations.</p>	
✓	102-19		85	Delegating authority	Leaders in Sustainability	
✓	102-20		72, 85	Executive-level responsibility for economic, environmental, and social topics	Leaders in Sustainability	
✓	102-21		85	Consulting stakeholders on economic, environmental, and social topics	<p>Leaders in Sustainability</p> <p>Each Department head leads the relationship and dialogue with the different stakeholders, as often as the natural relationship requires. In case of a topic that, by its importance, should be submitted to the Board of Directors, this is put to consideration of the same.</p>	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-22		73	Composition of the highest governance body and its committees	Corporate Governance	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>
✓	102-23		-	Chair of the highest governance body	Mr. Carlos Hank Gonzalez does not occupy any position as a GFNorte officer with operational responsibilities.	<p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>
✓	102-24		-	Nominating and selecting the highest governance body	For more information, go to: <a href="https://www.banorte.com/gobiernocorporativo">https://www.banorte.com/gobiernocorporativo</a>	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-25	✓	-	Conflicts of interest	<p>Extract from the Code of Conduct: <a href="https://www.banorte.com/codigodeconducta">https://www.banorte.com/codigodeconducta</a></p> <p>“The Board members, officers and employees should at all times avoid actions that counteract or seem to counteract the legitimate interest of GFNorte. They should be especially careful in assessing the probability of a conflict of interest in business or personal relationships with customers, suppliers, associates, employees or competitors (including Board Members, officers and employees) of GFNorte. Any GFNorte Board member, officer or employee who has direct or indirect knowledge of an irregular act, conflict of interest or non-compliance with regulations that may constitute or come to mean damage or destruction to GFNorte, or constitute non-compliance with any of the principles of this Code of Conduct, must report it with discretion, to the Deputy General Comptroller, and/or to the Executive Management’s of Audit of banking and subsidiaries operations or through the Ethic Points system and /or electronic channels established in the institution.”</p> <p>Rules were established to facilitate a better understanding of the objective, scope, assessment and mandatory compliance that can be found at: <a href="https://www.banorte.com/gobiernocorporativo">https://www.banorte.com/gobiernocorporativo</a> In addition to the foregoing, and in accordance with Articles 64, 64 Bis and 64 Bis 1 and the General Rules for Financial Groups and their financial entities, financial institutions must avoid conflicts of interest between them and their respective business units. The Committees of Audit and Corporate Practices and Audit of the financial institutions, where appropriate, shall implement a system to prevent conflicts of interest and shall ensure at all times that its operation is consistent with the strategies and goals of these financial institutions, taking preventive and corrective measures to remedy any deficiency detected within a reasonable time, addressing the characteristics of such measures.</p> <p>GFNorte decides whether to communicate conflicts of interest; they are dealt with internally.</p>	<p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-26		72	Role of highest governance body in setting purpose, values, and strategy	<p>Corporate Governance</p> <p>The functions of the Board of Directors seek to promote social responsibility through changes in the mission, vision, values, goals, strategies, policies and objectives of the institution. The above is reflected in GFNorte's Code of Conduct, same that was approved by the Board of Directors and which can be found at: <a href="https://www.banorte.com/codigodeconducta">https://www.banorte.com/codigodeconducta</a></p>	
	102-27		85	Collective knowledge of highest governance body	Leaders in Sustainability	
	102-28		72	Evaluating the highest governance body's performance	<p>GCorporate Governance</p> <p>The evaluation process is internal and confidential.</p>	
	102-29		85	Identifying and managing economic, environmental, and social impacts	<p>Leaders in Sustainability</p> <p>One of the functions of the Board of Directors is to ensure the establishment of mechanisms for the identification, analysis, management, control and disclosure of risks and operational risk related to the business. To fulfill this function, the Board of Directors relies on the Audit and Corporate Practices and Risk Policy Committees; these in turn verify that the mechanisms for the control of risks are established and review of operations is carried out.</p> <p>In turn, the CEO, through a quarterly report, reports the situation of each of the identified risks to the Board of Directors. On an ongoing basis, the Board of Directors receives relevant information on corporate governance, economic, political and social issues, and other relevant issues that enable them to increase their knowledge and keep updated on current events.</p>	<p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	102-30		85	Effectiveness of risk management processes	<p>Leaders in Sustainability</p> <p>One of the functions of the Board of Directors is to ensure the establishment of mechanisms for the identification, analysis, management, control and disclosure of risks and operational risk related to the business. To fulfill this function, the Board of Directors relies on the Audit and Corporate Practices and Risk Policy Committees; these in turn verify that the mechanisms for the control of risks are established and review of operations is carried out.</p> <p>In turn, the CEO, through a quarterly report, reports the situation of each of the identified risks to the Board of Directors. On an ongoing basis, the Board of Directors receives relevant information on corporate governance, economic, political and social issues, and other relevant issues that enable them to increase their knowledge and keep updated on current events.</p>	
	102-31		-	Review of economic, environmental, and social topics	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 economic, social and environmental impacts, risks and opportunities.	<b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.
✓	102-32		-	Highest governance body's role in sustainability reporting	The senior executives of Investor Relations approve the 2017 Annual Report of Grupo Financiero Banorte.	
	102-33	✓	3, 5	Communicating critical concerns	<p>Message from the Chairman of the Board of Directors</p> <p>Message from the CEO</p> <p>Grupo Financiero Banorte SAB de CV is a financial institution listed in the stock exchange, traded in the Bolsa Mexicana de Valores, as well as in various international exchanges. In this sense, shareholders or interested third parties should be notified in the case of a critical event. GFNorte has established a procedure to notify these institutions of relevant events related to the same.</p> <p>For more information see: <a href="https://www.banorte.com/gobiernocorporativo">https://www.banorte.com/gobiernocorporativo</a></p>	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-34		-	Nature and total number of critical concerns	<p>The Board of Directors establishes the general strategies of the financial group, as well as general strategies for managing, conducting and executing the business of the institution, its financial entities and, if the case, subcontrollers; as well as monitor, through the Corporate Practices Committee, the management and conduct of the institute, its financial entities, and if the case, its subcontrollers which exercise control over the institute, considering the relevance that the latter has in the legal, administrative and financial situation of the financial group as a whole, as well as the performance of relevant managers, under the terms established in Articles 56 to 58 of the Act to Regulate Financial Groups. The Board of Directors, in exercising its powers, created the following support committees that allow the analysis of those critical issues that will be later on be presented to the Board of Directors:</p> <ul style="list-style-type: none"> <li>• Audit and Corporate Practices Committee</li> <li>• Risk Policy Committee</li> <li>• Human Resources Committee</li> <li>• Nominating Committee</li> </ul> <p>These committees are comprised of members of the Board of Directors, with the participation of officials of the institution in some of them.</p>	
	102-35		-	Remuneration policies	<p>In accordance with Article 44 of the Articles of Association, the Nominating Committee shall submit, for approval by the General Ordinary General Shareholders' Assembly, together with the proposal for appointment of members of the Board of Directors, the proposal for the corresponding remuneration in accordance with the position to be filled.</p>	
	102-36		72	Process for determining remunerations	<p>Corporate Governance</p> <p>Remunerations received by members of the Board of Directors of GFNorte are established by the Shareholders' Assembly in its ordinary sessions, which usually takes place each year in April.</p>	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-37	✓	-	Stakeholders' involvement in remuneration	The Nominating Committee, within its powers, hired a firm to conduct a study of the remuneration paid to board members at national and international levels, as well as within the financial industry, to determine the remuneration proposal for members of the GFNorte Board of Directors, which was submitted to the Ordinary General Shareholders' Assembly for approval.	
	102-38		-	Annual total compensation ratio	The average of the rest of personnel is 8.21 times the base salary. The methodology consists in grouping together the different managerial levels to obtain an average salary, on the one hand, and grouping together the different levels of the rest of personnel to obtain that average salary. Then, the executive salary average was divided by the personnel salary average to arrive at the indicator.	
✓	102-39		-	Percentage increase in annual total compensation ratio	In 2017 remunerations increased by 4.2% in the categories for: <ul style="list-style-type: none"> <li>• Upper management</li> <li>• Middle management</li> <li>• Employees</li> </ul>	
	102-40	✓	86, 87	Stakeholder List	Stakeholders	
✓	102-41		43	Collective bargaining agreements	Human Capital	<b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.
	102-42	✓	87	Identifying and selecting stakeholders	Leaders in Sustainability As a result of the 2016 materiality study, internal and external stakeholders were identified based on the social, ethical and environmental agenda of GFNorte.	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	102-43	✓	86,87	Approach to stakeholder engagement	Leaders in Sustainability	
	102-44	✓	85	Key topics and concerns raised	Leaders in Sustainability Internal and external material subjects based on the social, ethical and environmental agenda of GFNorte were identified from the 2016 materiality study.	
	102-45	✓	7	Entities included in the consolidated financial statements	We Are Banorte	
	102-46	✓	85, 87	Defining report content and topic Boundaries	Leaders in Sustainability Materiality and sustainability context are found in our sustainability model. Inclusion of stakeholders: through this report we respond to material topics to every stakeholder group. Extensiveness: the scope of this report includes all of GFNorte.	
	102-47	✓	85, 86, 88	List of material topics	Leaders in Sustainability	
	102-48		7, 37, 63, 65, 66, 67	Restatements of information	In 2017, the divestiture of Inter National Bank was completed, which required the reexpression of information in the following sections: • Financial Capital • Human Capital • Natural Capital	
	102-49		85, 88	Changes in reporting	Leaders in Sustainability	
✓	102-50		-	Reporting period	This 2017 Annual Report of Grupo Financiero Banorte includes the period from January 1 <sup>st</sup> to December 31 <sup>st</sup> , 2017.	
✓	102-51		-	Date of most recent report	The edition immediately previous to the present edition was the 2016 Annual Report of Grupo Financiero Banorte.	



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	102-52		-	Reporting cycle	Annually	
✓	102-53		136	Contact point for questions regarding the report	Contact	
✓	102-54		135	Claims of reporting in accordance with the GRI Standards	<p>We adhere to the comprehensive compliance option, reporting the contents of the Universal Standard 102 (general content), as well as those contained in the Topic-specific Standards (200, 300 and 400 series) related to those topics considered material. We also respond in kind to the contents of the GRI supplement of the Financial Sector.</p> <p>In addition, we are committed to continue working on strengthening compliance with report preparation principles, continue with the materiality exercise and follow up on the material topics during the course of the year.</p>	
✓	102-55	✓	97	GRI Content Index	GRI Content Index	
✓	102-56		133	External assurance	Attached is a letter from the independent assurance. To learn more about our external assurance process, refer to the statement.	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	103-1		18, 26, 37, 85	Explanation of the material topic and its Boundary	<p>Financial Capital</p> <p>Human Capital</p> <p>Infrastructure and Technology Capital</p> <p>Leaders in Sustainability</p> <p>Through the Specialized Management of Sustainability and Responsible Investment, establish structures, principles and guidelines for the planning, organization, execution, monitoring, control and continuous improvement of social initiatives were established which seek to achieve sustainable development objectives in which various stakeholders actively participate.</p> <p>For this reason, our social and environmental policies form part of established corporate regulations for the ethical, equitable and impartial acting in sustainability issues to inspire the confidence of stakeholders involved with Grupo Financiero Banorte and its operations, thus improving business performance, products, services and positioning the company as an institution committed to Mexico.</p>	
✓	103-2	✓	26, 38, 85	The management approach and its components	<p>Human Capital</p> <p>Infrastructure and Technology Capital</p> <p>Leaders in Sustainability</p>	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	103-3		18, 26, 37, 85	Evaluation of the management approach	<p>At GFNorte we aim to publicize initiatives that respond to our material issues, as well as our assessment of management, following the International Integrated Reporting Council, IIRC guidelines. These initiatives can be seen in the following sections of the report:</p> <ul style="list-style-type: none"> <li>• Financial Capital</li> <li>• Human Capital</li> <li>• Natural Capital</li> <li>• Social Capital</li> <li>• Infrastructure and Technology Capital</li> <li>• Intellectual Capital</li> </ul>	
✓	201-1	✓	18, 19	Direct economic value generated and distributed	<p>Financial Capital</p> <p>The retained economic value is not material to this GFNorte report.</p> <p>For more information, refer to the 2017 audited financial statements at: <a href="https://www.banorte.com/estadosfinancieros2017">https://www.banorte.com/estadosfinancieros2017</a></p>	<p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 9.</b> To build a resilient infrastructure, promote inclusive and sustainable industrialization and encourage innovation.</p>
	201-3		38, 41	Defined benefit plan obligations and other retirement plans	Human Capital	
✓	201-4			Financial assistance received from government	In 2017 Banorte did not receive any aid from the Government in regards to rebates and tax credits, grants, royalties, i.e. aid related to tax exemption.	
✓	202-1	✓	-	Ratios of standard entry level wage by gender compared to local minimum wage	<p>Human Capital</p> <p>In 2017, our employees received salaries that were 50% higher than the minimum wage established in Mexico City.</p>	<p><b>Objective 1.</b> To end poverty in all its forms throughout the world.</p> <p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	203-1		10, 11, 49, 50, 52	Infrastructure investments and services supported	We Are Banorte Social Capital	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 7.</b> To ensure access to affordable, safe, sustainable and modern energy for all.</p> <p><b>Objective 9.</b> To build a resilient infrastructure, promote inclusive and sustainable industrialization and encourage innovation.</p> <p><b>Objective 11.</b> Ensure that cities and human settlements are inclusive, safe, resilient and sustainable.</p>
✓	203-2		3, 5	Significant indirect economic impacts	<p>Message from the Chairman of the Board of Directors</p> <p>Message from the CEO</p> <p>According to the National Banking and Securities Commission, GFNorte is an institution of systemic importance for the stability of the Mexican financial system.</p> <p>For more details, see: <a href="https://www.gob.mx/cnbv/acciones-y-programas/bancos-importance-systemic">https:// www.gob.mx/cnbv/ acciones-y-programas/bancos-importance-systemic</a></p>	<p><b>Objective 1.</b> To end poverty in all its forms throughout the world.</p> <p><b>Objective 3.</b> To ensure a healthy life and promote the well being for people of all ages.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	205-1		-	Operations assessed for risks related to corruption	In GFNorte, we have the anonymous reporting system, Ethic Points, which enables the financial group to receive complaints from any of its 16 units: GFNorte, NorthernTerritorios, Southern Mexico, Northern Mexico, West, Central, Northwest, Peninsular, South, Consumer, Business, Banorte USA, Banorte - Ixe 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.	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	205-2	✓	-	Communication and training about anti-corruption policies and procedures	<p>In 2017, we updated the Prevention of Money Laundering clause in our Code of Conduct, in order to strengthen our commitment against financing and investing in illicit activities. This update was communicated to all our employees through internal mail and the intranet, who confirmed their acknowledgement through their electronic signatures. In addition, we have a strong policy framework and a Manual of Prevention of Money Laundering and Financing of Terrorism in our institutional regulations portal.</p> <p>We also provide online training relating to the prevention of money laundering in which 20,310 employees were trained, representing 68% on issues of prevention of money laundering in GFnorte. (Governing entities are not included).</p> <p>We have a reporting system called Ethic Points where directors, officers and employees who have direct or indirect knowledge of an act of non-compliance to regulations, can report it via our intranet or by logging into the supplier's web site of the system on the internet. Reports are reviewed depending on the nature of the information by the areas of Control, Human Resources or Audit, with the latter being the tool's administrator. Every six months the audit area informs the Audit Committee or the reports received and the actions taken to address them.</p> <p>The Ethic Points system aims to ensure that users can report illegal or unethical activities, in a secure and honest manner, while at the same time maintaining anonymity and confidentiality. Our Ethic Points provider is Safe Harbor certified through the United States Department of Commerce, for having security measures to meet European Union privacy initiatives and other privacy regulations around the world.</p> <p>In general, the resolutions implemented since 2008 until 2017 for cases attended through the Ethic Points complaints system, from both Human Resources and Internal Control were:</p> <ul style="list-style-type: none"><li>• No action taken due to lack of fundamental information: 52.9%</li><li>• Relocation of the condemned: 3.2%</li><li>• Reprimand of condemnet: 23.7%</li><li>• Suspension without pay: 3.1%</li><li>• Termination of employment: 11.6%</li><li>• Others: 5.4%</li></ul> <p>In 2017, 276 complaints were received, 79% related to Human Resources and 21% to Internal Control issues. 233 complaints were resolved, that is, 84% of the cases received.</p>	

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	205-3		-	Confirmed incidents of corruption and actions taken	In 2017 no cases of corruption were reported.	
✓	301-1	✓	67	Materials used by weight or volume	Natural Capital	
	302-1	✓	63	Energy consumption within the Organization	Natural Capital	<p><b>Objective 7.</b> To ensure access to affordable, safe, sustainable and modern energy for all.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p>
	302-3	✓	63	Energy intensity	Natural Capital	<p><b>Objective 7.</b> To ensure access to affordable, safe, sustainable and modern energy for all.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	302-4	✓	63, 64	Reduction of energy consumption	Natural Capital	<p><b>Objective 7.</b> To ensure access to affordable, safe, sustainable and modern energy for all.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p>
	303-1		68	Water withdrawal by source	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combate desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	304-1		69	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combate desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	304-4		-	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Among the 72 species of Mexican plants that grow in our green roof garden, 18 of them are listed in the NOM-059-SEMARNAT-2010 environmental protection standard: Agave titanota, Agave victoriae-reginae, Ariocarpus kotschoubeyanus, Ariocarpus retusus, Astrophytum capricorne, Astrophytum myriostigma, Astrophytum ornatum, Cephalocereus senilis, Coryphantha elephantidens, Echeveria elegans, Echeveria laui, Echinocactus grusonii, Echinocactus platyacanthus, Ferocactus hystrix, Graptopetalum macdougallii, Mammillaria bocasana, Mammillaria plumosa and Thelocactus bicolor.	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	305-1	✓	64, 65	Direct (Scope 1) GHG emissions	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combate desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	305-2	✓	64, 65	Energy indirect (Scope 2) GHG emissions	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combate desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>
	305-3	✓	64, 66, 67	Other indirect (Scope 3) GHG emissions	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p>



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	305-4	✓	64, 65	GHG emissions intensity	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p>
	305-5	✓	64	Reduction of GHG emissions	Natural Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 6.</b> To ensure the availability of water, its sustainable management and sanitation for all.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	305-6	✓	67	Emissions of ozone-depleting substances (ODS)	Natural Capital	
	306-2	✓	68	Waste by type and disposal method	Natural Capital	
	307-1	✓	-	Non-compliance with environmental laws and regulations	In 2017, GFNorte did not receive any environmental fines.	<p><b>Objective 11.</b> Ensure that cities and human settlements are inclusive, safe, resilient and sustainable.</p> <p><b>Objective 12.</b> To ensure sustainable consumption and production modalities.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p>
✓	308-1	✓	51	New suppliers that were screened using environmental criteria	We have no investment agreements. We have 547 contracts with suppliers, who declared their acknowledgement of and commitment to adhering to the Global Compact Principles, which represents 41.9%, (which does not mean that they adhere to it).	<b>Objective 17.-</b> To strengthen the means to implement and revitalize global alliances for sustainable development.
✓	401-1	✓	37, 43	New employee hires and employee turnover	Human Capital	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	401-2		38, 41	enefits provided to full-time employees that are not provided to temporary or part-time employees	Human Capital	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	403-1		42	Workers representation in formal joint management-worker health and safety committees	<p>2017, we trained 3,587 employees, representing 19% of full-time employees, who are Brigadiers in GFNorte buildings and branches in topics such as:</p> <ul style="list-style-type: none"> <li>• First aid</li> <li>• Evacuation and crisis management</li> <li>• Control and fire fighting</li> <li>• Heimlich Maneuvers</li> </ul>	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	403-2		-	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<p>Rate of absenteeism of male and female employees: corresponds to 0.018 days in 2017.</p> <p>Rate of lost days of male and female employees: corresponds to 0.002 days in 2017.</p>	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	404-1	✓	39, 40	Average hours of training per year per employee	Human Capital	<p><b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.</p> <p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	404-2	✓	39	Programs for upgrading employee skills and transition assistance programs	<p>Human Capital</p> <p>On our intranet, we have Defined Contribution Pension and Defined Benefit Pension plans which our employees have access to, to manage their retirement plan.</p>	<p><b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.</p> <p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	404-3	✓	-	Percentage of employees receiving regular performance and career development reviews	19,658 employees (9,846 or 50% of men and 9,812 or 50% of women) received periodic evaluation of their performance. Technical training for professional development and strengthening of skills is considered.	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	405-1	✓	37, 72, 73	Diversity of governance bodies and employees	Human Capital Corporate Governance	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	405-2	✓	38, 39	Ratio of basic salary and remuneration of women to men	Human Capital	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p>
✓	406-1		-	Incidents of discrimination and corrective actions taken	In 2017, 67 cases were recorded and analyzed; complaints received were related to labor or sexual harassment and 47% had elements to take actions such as reprimands and dismissal.	<p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>
	410-1		-	Security personnel trained in human rights policies or procedures	In 2017, 50% of security employees were trained in the field of human rights.	<p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
	411-1		-	Incidents of violations involving rights of indigenous peoples	No complaints of this type were registered in 2017.	<p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>
	412-2	✓	-	Employee training on human rights policies or procedures	Since 2014, 40,681 hours of training activities in the field of human rights were imparted, representing 83% of banking sector employees.	<p><b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>
✓	412-3	✓	-	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<p>We have no investment agreements that are subject to the evaluation of human rights criteria.</p> <p>In terms of our value chain, we have 547 contracts with suppliers, in which they acknowledge their commitment and adherence to the Global Compact Principles (which does not mean that they adhere to them).</p>	<p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>
✓	413-2		-	Operations with significant actual and potential negative impacts on local communities	No complaints of this type were registered in 2017.	<p><b>Objective 11.</b> Ensure that cities and human settlements are inclusive, safe, resilient and sustainable.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	414-1		-	New suppliers that were screened using social criteria	We have no test procedure based on social criteria; however, since the second half of 2012, we encourage our suppliers to maintain healthy human rights, labor, environmental and anti-corruption practices, with the incorporation of a clause in new and renewed contracts, by which their commitment to comply with the Global Compact Principles is declared (without signifying their adherence).	<b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.
	417-1	✓	26,27,28	Requirements for product and service information and labeling	<p>Infrastructure and Technology Capital</p> <p>At Grupo Financiero Banorte S.A.B. de C.V. and its financial entities, we are a financial services company who protects the personal data of our customers in accordance with the Federal Law for the Protection of Personal Data Held by Individuals and the regulations to safeguard the integrity, privacy and protection of personal data.</p> <p>For more information, go to: <a href="http://www.banorte.com/inicio/Banorteinforma/Avisodeprivacidad">www.banorte.com/inicio/Banorteinforma/Avisodeprivacidad</a></p>	
✓	417-2	✓	-	Incidents of non-compliance concerning product and service information and labeling	During the year, 128 cases were recorded for a total of Ps 7.7 million, paid in fines or municipal penalties for updating properties awarded to the Bank. Fines from SAT, INFONAVIT, CNBV, CONDUSEF and the Bank of Mexico.	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.
✓	417-3	✓	-	Incidents of non-compliance concerning marketing communications	SEGOB presented three fines for a total of Ps 69,000.	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.
✓	418-1	✓	-	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2017, four complaints were received for alleged information leaks; three were resolved against the customer's and/or user 's favor and one was resolved in favor of the user.	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	419-1	✓	-	Non-compliance with laws and regulations in the social and economic area	During the year, 128 cases were recorded for a total of Ps 7.7 million, paid in fines or municipal penalties for updating properties awarded to the Bank. Fines from SAT, INFONAVIT, CNBV, CONDUSEF and the Bank of Mexico.	<b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.
✓	FS-1	✓	63	Policies with specific environmental and social components applied to business lines	<p>Natural Capital</p> <p>For more information on our social and environmental policy see: <a href="https://www.banorte.com/sustentabilidad/nuestro-enfoque/nuestraspoliticas">https://www.banorte.com/sustentabilidad/nuestro-enfoque/nuestraspoliticas</a></p> <p>As a result of the restructuring of the area of Sustainability, the issue topic of policies was detained with regards to the regulatory process. In 2017, the only progress was the presentation of the objective of these policies and drafts of the same to the new department, which approved to continue in 2018.</p>	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 6.</b> To ensure the availability of water, its sustainable management and sanitation for all.</p> <p><b>Objective 7.</b> To ensure access to affordable, safe, sustainable and modern energy for all.</p> <p><b>Objective 9.</b> To build a resilient infrastructure, promote inclusive and sustainable industrialization and encourage innovation.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combat desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	FS-2	✓	89	Procedures for the evaluation and selection of environmental and social risks in lines of business	Leaders in Sustainability	<p><b>Objective 3.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 5.</b> To achieve gender equality and the empowerment of all women and girls.</p> <p><b>Objective 6.</b> To ensure the availability of water, its sustainable management and sanitation for all.</p> <p><b>Objective 7.</b> To ensure access to affordable, safe, sustainable and modern energy for all.</p> <p><b>Objective 9.</b> To build a resilient infrastructure, promote inclusive and sustainable industrialization and encourage innovation.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 13.</b> To adopt urgent measures to combat climate change and its effects (recognizing that the United Nations Framework Convention on Climate Change is the main international intergovernmental forum to negotiate global response to change climate).</p> <p><b>Objective 14.</b> To conserve the oceans, seas and marine resources to use in a sustainable manner for sustainable development.</p> <p><b>Objective 15.</b> To protect, restore and promote sustainable use of terrestrial ecosystems, carry out a sustainable forest management, combate desertification, stop and reverse the degradation of land and halt the loss of biological diversity.</p>
✓	FS-3	✓	89	Processes to monitor implementation and compliance with environmental and social requirements included in agreements or transactions with customers	Leaders in Sustainability	<p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>



MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	FS-4	✓	92	Processes to improve personnel competence in implementing environmental and social policies and procedures applicable to lines of business	<p>Grupo Financiero Banorte has an area of Sustainability and Responsible Investment with an experienced staff, who are responsible for training teams distributed across the territories in which we operate, and whose activities are related to the granting of credit.</p> <p>For more information see:  <a href="https://www.banorte.com/sustentabilidad">https://www.banorte.com/sustentabilidad</a></p>	<p><b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p>
✓	FS-5	✓	89, 90, 91	Interactions with customers in terms of environmental and social opportunities and risks	Leaders in Sustainability	<p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p> <p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>
	FS-8	✓	93	Monetary value of products and services designed to deliver a specific environmental benefit for each line of business by objectives	Leaders in Sustainability	<p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>
✓	FS-10	✓	91	Percentage and number of companies in the institution's portfolio with which interactions on environmental or social issues have been carried out	Leaders in Sustainability	<p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	FS-11	✓	91	Percentage of assets subject to social or environmental review, positive as well as negative	Leaders in Sustainability	<p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p> <p><b>Objective 16.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p> <p><b>Objective 17.</b> To strengthen the means to implement and revitalize global alliances for sustainable development.</p>
✓	FS-13	✓	50	Points of access in scarcely populated or economically disadvantaged areas described by type	Social Capital	<p><b>Objective 17.</b> To end poverty in all its forms throughout the world.</p> <p><b>Objective 17.</b> To ensure a healthy life and promote the well being of people of all ages.</p> <p><b>Objective 17.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 17.</b> To reduce inequality within and between countries.</p> <p><b>Objective 17.</b> To promote peaceful and inclusive societies for sustainable development, facilitating access to justice for all and create effective, accountable and inclusive institutions at all levels.</p>

MATERIAL	DISCLOSURE STANDARDS	ASSURANCE	PAGE	DESCRIPTION	2017 CONTENTS	SUSTAINABLE DEVELOPMENT GOALS (SDG)
✓	FS-14	✓	50	Initiatives to improve access to financial services for the disadvantaged	Social Capital	<p><b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p>
✓	FS-15	✓	-	Policies for the design and sale of financial products and services in a fair and reasonable manner	GFNorte has a policy for the evaluation and approval of initiatives and projects for new products and services.	<p><b>Objective 10.</b> To reduce inequality within and between countries.</p>
✓	FS-16	✓	49	Initiatives to improve financial literacy and education by type of beneficiary	Social Capital	<p><b>Objective 4.</b> To ensure an inclusive, equitable and quality education and promote opportunities for learning throughout life for all.</p> <p><b>Objective 8.</b> To promote sustainable and inclusive economic growth, full and productive employment and decent work for all.</p> <p><b>Objective 10.</b> To reduce inequality within and between countries.</p>

# AUDIT AND CORPORATE PRACTICES COMMITTEE ANNUAL REPORT



ESTADOS FINANCIEROS · INFORME ANUAL BANORTE 2017

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## AUDIT AND CORPORATE PRACTICES COMMITTEE ANNUAL REPORT

Mexico City, March 15<sup>th</sup>, 2018

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

In accordance with Articles 58 articles 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 2017.

The contents of this report shall refer to Grupo Financiero Banorte (GFNorte) and the following relevant institutions: Banco Mercantil del Norte, S.A., Casa de Bolsa Banorte Ixe, S.A. de C.V., Arrendadora y Factor Banorte, S.A. de C.V. SOFOM ER (Leasing and Factoring), Solida Administradora de Portafolios, S.A. de C.V. SOFOM ER, Seguros Banorte, S.A. de C.V.(Insurance company), Pensiones Banorte, S.A. de C.V. (Annuities company) and Banorte Ahorro y Previsión S.A. de C.V. (Long Term Savings).

#### I. In regards to auditing:

- a) Regarding the state of the Internal Control System (ICS) and Internal Audit of GFNorte and its relevant entities, and deficiencies and deviations, the following elements were taken into consideration:
  1. Their respective General Directors prepared the annual reports on activities in Internal Control issues of the relevant entities.
  2. The Internal Comptrollers' reports for GFNorte's relevant entities in Mexico, with their opinion on the functioning of the ICS.
  3. The Internal Audit's opinion on the situation of the ICS of the relevant entities.
  4. Reports on relevant deficiencies and observations of GFNorte and its subsidiaries, presented by Internal Audit and the follow-up on corrective measures.
  5. The External Auditor's reports of observations to Internal Control and its opinion of the financial statements of GFNorte and its subsidiaries.
  6. The inspection reports by competent authorities.
  7. Commissioners' reports on GFNorte's relevant entities.
  8. Reports of other Audit Committees on relevant events and the minutes of their meetings.
  9. Reports on the management Internal Audit and fulfillment of its work program.

Taking into consideration the aforementioned elements, the ICS of GFNorte and its relevant entities is reported to function properly, and of those identified deficiencies or deviations, some have been corrected and others are in the process of being taken care of.

With respect to the functioning of Internal Audit, the area has maintained its independence, reasonably met its work program in accordance with best practices, and effectively monitored the implementation of measures to correct observations and take advantage of detected areas of opportunity.

- b) No significant non-compliance with operating guidelines and policies and accounting records for GFNorte and its relevant subsidiaries were found; identified areas of opportunity were reported to policy-makers and steps were taken to address them, along with a follow-up system that was established to ensure proper implementation.
- c) A performance evaluation of the legal entity that provides the external audit services confirmed the quality of the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte Touche Tohmatsu member) in the performance of its activities and in its relationships with the Administration and the Committee, as well as with the Auditor in charge.

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



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- d) With regards to the description and assessment of the additional or complementary services provided by the External Auditor, it was approved to hire them during the fiscal year to obtain an opinion on the interim financial statements as part of the Capitalization Instruments' (Subordinated Debt) issuance process, a structural analysis of the personnel's pension plan, of the funds that it is comprised of, the resources generated and its handling with regards to deferred taxes for the plan and to carry out work associated with the Placement Program as a recurrent issuer that Banco Mercantil del Norte plans to realize in the national market over the next 5 years.

A review the fiscal situation of Grupo Financiero Interacciones and those companies for the fiscal years of 2015, 2016 and 2017 and to carry out work related to the Financial Due Diligence was also approved.

And lastly, authorization was given to hire them to review reports for sustainability, local taxes and transfer prices for intercompany operations.

- e) A review of the financial statements for GFNorte and its subsidiaries was carried out as of December 31st, 2017 and the dictum of the External Auditor confirmed that they were prepared in accordance with the applicable accounting principles in all material aspects, and recommended their approval to the Board of Directors. The Committee also reviewed quarterly interim financial statements for the year.
- f) In regard to major modifications to policies and accounting criteria used during the fiscal year, it was reported that modifications were made to comply with changes in applicable provisions, which are described in Note 4 of the financial statements denominated "Main Accounting Policies", which contains a detailed explanation of them and their effects.
- g) No relevant observations 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, or allegations of irregular events. Based on best practices, there is an established anonymous complaints system which the Committee follows up on with due attention.
- h) With regards to the follow-up of agreements between the Shareholders' Assembly and the Board of Directors, such bodies have not asked the Committee to follow-up on any agreement.
- i) During the fiscal year, Bank of Mexico paid an inspection visit which focused on issues related to financial markets, payment methods and compliance with the Transparency Law.

For its part, the CNBV made observations related mainly to car and payroll loans, some inconsistencies in risk calculations, and aspects of accounting records and investment services.

In December, responses were provided to CNBV on these observations by contributing additional information in some places in order to ensure the matter is addressed, in other cases by pointing out the correction plan that is already underway and for certain cases reporting that the corresponding analysis will be carried out to initiate the correction programs.

The main findings were reported to the Board of Directors in the meeting held on January 25<sup>th</sup>, 2018.



# AUDIT AND CORPORATE PRACTICES COMMITTEE ANNUAL REPORT



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**d)** Among other relevant activities carried out within the Committee's responsibilities are the review of operations of the Conflict of Interest Prevention System in GFNorte and the remediation plan for the observations detected by Internal Audit in the Foreign Exchange and Fiduciary Market processes.

In terms of Technology, the Committee reviewed the actions to fully remedy the problem of users with incorrect profiles and the progress of the project to improve customer identification mechanisms to comply with provisions to prevent identity theft.

During the fiscal year, the Committee followed up on the progress in the implementation of the new Fiduciary operating model.

Regarding the Internal Audit function, the Committee evaluated the results of the review carried out by the Mexican Institute of Internal Auditors (IMAI), and the work plan to address the areas of opportunity identified in the Technology Audit function.

Regarding the communication with the External Auditor, the Committee reviewed relevant events of the audit for the 2017 fiscal year and other issues considered in its external audit plan such as new developments in corporate governance and fiscal practices, the results of the evaluation on the level of compliance with the new legislation (Solvency II) presented by the Insurance and Annuities companies, the results of the review of the General Information Technology Controls (CGTI) and other matters related to the audit.

In addition, the Committee reviewed the status of the value added services of the External Auditor pending completion of 2015 and 2016 fiscal years and authorized those corresponding to 2017.

In relation to the event that occurred in the Casa de Bolsa Banorte Ixe, the Committee followed up on it, reviewing together with the areas of Private Banking, Legal, Comptroller and Internal Audit the identified areas of opportunity and actions for their mitigation.

In terms of credit, the Committee reviewed the actions of the Analytical area to help reduce the cost of risk of the Payroll Loan product and the results of the Loan Review for the 2017 fiscal year applicable to Banco Mercantil del Norte and Leasing and Factoring.

In relation to the merger with Grupo Financiero Interacciones (GFI), the Committee held work meetings both independently, as well as with members of Management and their legal and financial advisors; as well as with other external advisors of the Committee itself.

On this point, the Committee reviewed the presentations of Management and the financial experts hired by Management, as well as that of the expert hired by the Committee.

Based on the foregoing, the Committee recommended submitting to the Board of Directors for its analysis and evaluation, the opinions of the independent experts who were hired to evaluate the proposed merger with Grupo Financiero Interacciones from different perspectives, the Board of Directors agreeing to authorize Management to continue with the negotiation and present the project to the Shareholders' Assembly for approval.

With respect to other issues, the Committee reviewed the selection process of the external auditor in Banorte USA, the training course for Board Members in the field of Prevention of Money Laundering and Terrorist Financing, information on financial profitability (ROE) by product and segment, the Uniteller Financial Services business plan, the process of analysis of quality in products and services and information on GFNorte's manuals and regulations.



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## II. In regards to Corporate Practices:

**a)** Regarding comments on the performance of relevant executives, the Secretariat of the Human Resources Committee reported that during the fiscal year there were no cases of executives acting in breach of the established policies.

**b)** Transactions with related parties were approved by the Board of Directors and to December 31st, 2017 loans provided through Banco Mercantil del Norte to related parties totaled Ps 19,410 billion, less than the limit established by the corresponding regulation.

Intercompany transactions were carried out at market prices, which was verified by the External Auditor who did not report any findings.

In 2017, the Committee monitored the implementation of GFNorte's system for the prevention of conflicts of interest, relying on the management reports of Audit and Internal Control to do this.

**c)** With regards to emolument packages for the CEO and relevant officers, there is a compensation system approved by the Board of Directors, which divides remuneration into ordinary and extraordinary and includes rules to defer the latter according to established risk indicators and policy compliance, which has been applied consistently during the fiscal year taking into account review results by Internal Audit and reports presented by the Human Resources Committee and the Risk Policy Committee to the Board of Directors.

**d)** During the fiscal year the Board of Directors did not award dispensations to directors or relevant managers to take advantage of business opportunities.

Sincerely,

**Hector Reyes Retana y Dahl**

President of Audit and Corporate Practices Committee of  
Grupo Financiero Banorte, S.A.B. de C.V.

# INDEPENDENT ASSURANCE REPORT

► SRS 102-56

**Deloitte.**

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**Independent assurance report on the 2017 Annual Report to Grupo Financiero Banorte, S.A.B. de C.V., to the Management of GFNorte**

**Responsibilities of GFNorte and independent reviewer**

The Management of GFNorte is responsible for the elaboration of the 2017 Annual Report (AR) for the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017, as well as its content ensuring to define, adopt and maintain the management systems and internal control from which the information is obtained, and which are also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of GFNorte in accordance with the terms of our agreement letter dated October 31<sup>st</sup>, 2017, therefore we don't assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of GFNorte.

**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 the 2017 AR review under the following conditions and/or criteria:

- a) The adaptation of the 2017 AR disclosures to the Sustainability Reporting Standards Guidelines of the Global Reporting Initiative (GRI), the indicators to the Disclosure Sectors (GRI) version G4 of Financial Services and according to the materiality study provided by GFNorte.
- b) The review of the GRI Standards disclosures in accordance with the reporting requirements and specified in the GRI Content Index of the 2017 AR and the performance indicators of the Disclosure Sector.
- c) The data consistency between the information contained in the 2017 AR with supporting evidence provided by management.

We have complied with the independence and ethics requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

**Assurance standards and procedures**

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

Our review work included the formulation of questions to the management as well as various departments of GFNorte that have participated in the elaboration of the 2017 AR and the application of certain analytical and sample screening tests procedures 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 2017 AR.
- c) Analysis of scope, relevance and integrity of the information included in the 2017 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 in the 2017 AR.
- e) On-site review of the Disclosure Sectors performance indicators and GRI Standards disclosures.
- f) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

The following table details the revised contents according with the Sustainability Reporting Standards Guideline and the performance indicators of the Financial Services Disclosure Sector:

SRS-102-9	SRS-102-40	SRS-102-55	SRS 302-3	SRS 305-6	SRS 404-3	SRS 417-3	FS8
SRS-102-12	SRS-102-43	SRS-103-2	SRS 302-4	SRS 306-2	SRS 405-1	SRS 418-1	FS10
SRS-102-17	SRS-102-43	SRS-201-1	SRS 305-1	SRS 307-1	SRS 405-2	FS1	FS11
SRS-102-18	SRS-102-44	SRS-202-1	SRS 305-2	SRS 308-1	SRS 412-2	FS2	FS13
SRS-102-25	SRS-102-45	SRS 205-2	SRS 305-3	SRS 401-1	SRS 412-3	FS3	FS14
SRS-102-33	SRS-102-46	SRS 301-1	SRS 305-4	SRS 404-1	SRS 417-1	FS4	FS15
SRS-102-37	SRS-102-47	SRS 302-1	SRS 305-5	SRS 404-2	SRS 417-2	FS5	FS16

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**GFNorte | Independent assurance report on the 2016 Annual Report**

**Scope review considerations in the disclosures:**

SRS 302-4 includes the Integral Energy Control System (SICE), the reduction of the electricity consumption per employee without Inter National Bank (INB) and the reductions in the fuel consumption.

SRS 302-3 and SRS 305-4 considers only energy consumptions and emissions per employee.

SRS 305-5 considers Scope 1.

SRS 306-2 includes waste generation (paper, cardboard and tokens).

These indicators and disclosures were selected for the independent review in accordance with the following criteria:

- a) Materiality of GFNorte referred in the 2017 AR.
- b) Information included in the 2017 AR.
- c) Information provided during the meetings with the interviewed staff.
- d) Review of the evidence provided by GFNorte staff of this project.

**Conclusion**

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the indicators and disclosures reviewed in the 2017 AR contains significant errors or has not been prepared in accordance with the reporting requirements established in the GRI 101: FOUNDATION of the Sustainability Reporting Standards. For those GRI Standards disclosures and indicators of the Disclosure Sector where GFNorte didn't report in quantitative terms (numeric) the independent reviewer reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

**Action alternatives**

Additionally we present the most significant action alternatives for future development of AR, which do not alter the conclusions expressed in this report:

- Develop processes for periodic reviews and validation of the information to report in the AR of GFNorte in coordination with data owners in order to have reliable, solid and clear databases.
- Identify key performance indicators in environmental, social, labor and customer relationship initiatives that may allow GFNorte to manage the strategies and follow up on progress.

Deloitte Sustentabilidad, S.C.  
Member of Deloitte Touche Tohmatsu Limited

*Rocio Canal*

Rocio Canal Garrido  
Managing Director  
May 9<sup>th</sup>, 2018

# INDEPENDENT ASSURANCE REPORT

Nº de referencia: 2018Ver002\_Banorte

FD00V-001.10.11



**ASOCIACIÓN DE NORMALIZACIÓN Y CERTIFICACIÓN, A.C.**

ANCI, A.C. Accreditation Registry Awarded by the Mexican Entity of Accreditation (Iema) G81 001/15  
 Accreditation Date: June 26, 2015. Approved by PROFEPA under the approval number: PFP-APR-OC-RENE-001/2017.  
 Approval: March 22, 2017  
 Accredited sectors: Energy, Industrial Processes and LULUCF  
 Approved sector: Energy, Agricultural, Transport and Services and Commercial

Date of issue: April 05<sup>th</sup>, 2018

**Verification Statement for Corporate Greenhouse Gas (GHG) Emissions Inventory Report 2017**  
 Prepared by:  
**Grupo Financiero Banorte, S.A.B. de C.V.**

Verification process executed under the approach defined by:  
**NMX-SAA-14064-3-IMNC-2007/ISO 14064-3:2006**  
 Specification with guidance for the validation and verification of greenhouse gas assertions

To verify that the corporate greenhouse gas emissions inventory report has been performed in compliance with the requirements of:

**Carbon Disclosure Project CDP**

Based on the GHG Protocol developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), revised edition in Spanish, SEMARNAT, Mexico 2005; and the GHG quantification methodology published by SEMARNAT under the General Law on Climate Change and its regulation applicable in Mexico

Under a reasonable level of assurance concluding the following:

The Corporate GHG Emissions Inventory Report prepared by Grupo Financiero Banorte, S.A.B de C.V., for the period of operations covered from January 1st, 2017 to December 31st 2017 is substantially correct, and is a faithful representation of information and data on emissions referred below:

Direct Emissions (Scope 1):	4,315.0789
Indirect Emissions (Scope 2):	75,625.1513
<b>Total Emissions:</b>	<b>79,940.2302</b>
Emisiones Indirectas (Scope 3):	34,225.1395

**THIS STATEMENT IS VOID WITHOUT YOUR REPORT FOR VERIFICATION**

Esta publicación y las partes que la conforman no puede ser reproducida o transmitida bajo ninguna circunstancia, incluyendo copias físicas o electrónicas, sin el consentimiento de ANCI.

Ing. Gabriela Estefanía Lara Alvarado  
 Especialista en Auditoría y Evaluación  
 Leading Verifier

Ing. Faustino Flores Chacón  
 Director de Evaluación de la Conformidad  
 Responsable Legal ANCI

# ABOUT **THIS REPORT**

Financial and sustainability information for Grupo Financiero Banorte is available in the following formats:



## PDF

### Spanish

 <https://www.banorte.com/informeannual2017>

### English

 <https://www.banorte.com/annualreport2017>



## WEB

### Spanish / English

 <https://www.banorte.com/informeinteractivo2017>



## FINANCIAL STATEMENTS

### Spanish

 <https://www.banorte.com/estadosfinancieros2017>

### English

 <https://www.banorte.com/financialstatements2017>

► SRS 102-54

## Methodology

This document, reports in detail the actions carried out by the Group in 2017 in the areas of corporate governance, social, economic and environmental evaluations of intangibles and the future of our most important operations with our 20/20 Vision strategy.

We present our 2017 Annual Report under the following frameworks for reporting:



## Global Reporting Initiative

We used the GRI standards guide, adhering to the comprehensive compliance option to report the contents of the 102 Universal Standards (general content), as well as to the Specific Standards (the 200, 300 and 400 series) content on our material issues. This report has been prepared in accordance with the GRI Comprehensive Standards option.



## International Integrated Reporting Council

We incorporated the IIRC framework into our 2017 Annual Report in order to present integrated data on our operation and performance, as well as to improve the quality of information and provide a more complete approach to the factors that affect the ability of Grupo Financiero Banorte to create value over time.



## Sustainable Development Goals (SDGs)

Since its inclusion in the UN Development Program in 2015, these 17 objectives seek prosperity and sustainable development at a global level. This report reflects our commitment through various initiatives that we undertake in the achievement of established goals.



## Global Compact

Acting in the areas of human rights, labor, environment and anti-corruption. This report represents our communication on progress (CoP).



# CONTACTS

►SRS 102-3 ►SRS 102-5 ►SRS 102-53

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## Ticker symbol

Bolsa Mexicana de Valores: GFNORTEO  
OTCQX : GBOOY  
LATIBEX: XNOR

