

# **Annual Report 2015**

**Grupo Financiero Banorte, S.A.B. de  
C.V.**

IN ACCORDANCE WITH REGULATIONS APPLICABLE TO THE FINANCIAL INFORMATION OF CONTROLLING COMPANIES OF FINANCIAL GROUPS SUBJECT TO SUPERVISION BY THE NATIONAL BANKING AND SECURITIES COMMISSION (CNBV),

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"Best Latin America  
Executive Team 2015"



"Best Bank in México  
2011, 2014 & 2015"



"Sustainable Company"

# I. Management's Discussion & Analysis

When analyzing the information contained herein is important to take the following into consideration:

- ✓ The financial information contained in this report is based on GFNorte's Audited Financial Statements for the years ended December 31, 2015 and 2014, published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited dated February 26, 2016. For the year ended December 31, 2014, financial figures are based on GFNorte's Audited Financial Statements published by Galaz, Yamazaki, Ruiz Urquiza, S. C., a member of Deloitte Touche Tohmatsu Limited, dated February 19, 2015.
- ✓ During the second quarter of 2014, GFNorte reclassified retroactively, (in order to allow comparisons with 2013 figures), the result for "securities investment valuations" presented by the Insurance and Annuities companies in the **Trading Income line** to **Net Interest Income** under the **Interest Income line**. The above due to this concept corresponds to a recovery mainly caused by the update of the UDI's value of the position titles held to maturity denominated in UDIs for both companies. This reclassification between Trading Income and Net Interest Income amounted to Ps 1.56 billion in 2013. (See Note 4 of the Audited Financial Statements published on February 19<sup>th</sup>, 2015- Significant Accounting Policies – "Changes to the Consolidated P&L statement related to the accounting of the results of investments in securities valuation of the Insurance and Annuities companies").
- ✓ The presented financial information have arithmetic operations carried out in pesos and in the following tables are presented in million pesos. As a result, some totals appear to have minimal errors; however it is just a matter of rounding off figures.

## Operating Results

### SELECTED FINANCIAL INFORMATION

	2015	2014	2013
Net Income Grupo Financiero Banorte (GFNorte)	\$17,108	\$15,228	\$13,508
Total Assets GFNorte	\$1,198,476	\$1,097,982	\$1,006,788
Total Liabilities GFNorte	\$1,061,124	\$973,310	\$898,097
Stockholders' Equity GFNorte	\$137,352	\$124,672	\$108,691
Stockholders' Equity GFNorte excluding minority interest	\$135,452	\$122,922	\$106,657

### INFORMATION PER SHARE

Net income per share Basic (pesos)	\$6.19	\$5.49	\$5.35
Net income per share Diluted (pesos)	\$6.17	\$5.49	\$5.35
Dividend approved per share (pesos) <sup>1)</sup>	\$1.6470	\$0.9740	\$0.7852
Book value per share (pesos) (excluding minority interest) <sup>2)</sup>	\$48.83	\$44.32	\$38.45
Shares outstanding Basic (millions)	2,762.5	2,772.5	2,526.1
Shares outstanding Diluted (millions)	2,772.4	2,773.0	2,526.1

### PROFITABILITY RATIOS

NIM <sup>3)</sup>	4.5%	4.7%	4.4%
NIM adjusted for credit risk <sup>3)</sup>	3.5%	3.5%	3.4%

	2015	2014	2013
NIM adjusted w/o Insurance & Annuities <sup>3)</sup>	4.3%	4.5%	4.3%
NIM from loan portfolio <sup>3)</sup>	7.8%	8.2%	7.8%
Return on assets (ROA)	1.5%	1.5%	1.4%
Return on equity (ROE)	13.3%	13.2%	14.2%
<b>OPERATIONS</b>			
Efficiency ratio <sup>4)</sup>	47.9%	48.5%	52.0%
Operating efficiency ratio <sup>5)</sup>	2.6%	2.8%	2.9%
Liquidity ratio	127.6%	133.7%	137.4%
<b>ASSET QUALITY INDICATORS</b>			
Past due loan ratio	2.2%	2.9%	3.1%
PDL reserve coverage	116.0%	107.0%	104.6%
<b>CAPITALIZATION RATIO</b>			
Banco Mercantil del Norte	14.59%	15.26%	15.12%
<b>INFRASTRUCTURE AND EMPLOYEES</b>			
Bank Branches <sup>6)</sup>	1,191	1,269	1,288
ATMs (automated teller machines)	7,425	7,297	7,035
Points of Sale	155,893	162,352	141,432
Full-time employees	27,574	27,898	27,474
Full-time employees and professional services	27,594	27,943	27,549

Million pesos.

- Dividends approved by the Shareholders' Assemblies in 2013, 2014 and 2015 were: a total dividend decreed in 2013 was Ps 0.7852 per share to be paid in four installments of Ps 0.1963 per share (October 2013, January, April and July 2014) although in the Shareholders' Assembly celebrated on December 20, 2013, the advanced payments regarding the installments of January and April 2014 were authorized to be made on December 31, 2013, the fourth installment was paid on its original date on July 2014. Total dividend decreed in 2014 was Ps 0.9740 per share to be paid in four installments of Ps 0.2435 per share (October 2014, January, April, and July 2015). Total dividend decreed in 2015 was Ps 1.64702 per share to be paid in four installments, the first one for Ps 0.2745 per share (November 2015) and the remaining three for an amount of Ps 0.457506549 per share each (February, June and October 2016).
- Considering the number of issued shares that for the three periods amount to 2,773.7 million.
- Derived from the reclassification mentioned in the Note 4 of the Audited Financial Statements published on February 19<sup>th</sup>, 2015, ratios in 2013 have been modified from what was published in the 2013 Annual Report (sent to the authorities in February and April 2014).
- Non Interest Expense / (Total Net Income + Non Interest Income).
- Non Interest Expense / Average Total Assets.
- Includes bank modules and excludes 1 branch in the Cayman Islands.

## MANAGEMENT AND ANALYSIS COMMENTS

In 2015 GFNorte reported profits of Ps 17.11 billion, 12% higher than in 2014 and 27% higher than in 2013. The contribution to accumulated profits for 2015 by business sector are:

Net Income for the **Consolidated Bank** (Banco Mercantil del Norte, Banorte- Ixe Tarjetas, Banorte USA, and the 50% participation in Afore XXI) rose to Ps 13.52 billion, growing Ps 1.58 billion or 13% YoY driven by higher Net Interest Income. Net Income for the Consolidated Bank in 2015, according to GFNorte's participation in this sector and excluding Afore XXI Banorte results, was Ps 12.06 billion, +15% YoY, contributing 70% of the Financial Group's profits.

Net Income for the **Long Term Savings Sector** comprised of Afore XXI Banorte, Insurance and Annuities Companies was Ps 5.01 billion, 15% higher than in 2014. According to GFNorte's participation in this sector, accumulated profits amounted to Ps 3.83 billion, 19% higher vs. 2014, representing 22% of GFNorte's accumulated earnings. This increase was due to better dynamics in the companies that make up this sector, especially Seguros Banorte (driven by higher premiums and lower technical reserves requirements) and Pensiones Banorte (also benefited for lower technical reserves).

The **Brokerage Sector** comprised of Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe, reported profits during 2015 of Ps 790 million, (15%) lower YoY driven by reduced NII and trading revenues, which was not offset by lower Non Interest Expense and tax payments. The Brokerage Sector's Net Income for 2015 represented 5% of the Financial Group's profits.

**SOFOM and Other Finance Companies** comprised of Arrendadora y Factor Banorte, Almacенadora Banorte, Sólida Administradora de Portafolios and Ixe Servicios, recorded profits of Ps 496 million in 2015, a (13%) decrease vs. 2014. According to GFNorte's participation in this sector, accumulated profits amounted to Ps 498 million, (13%) lower vs. 2014. The accumulated profit of this sector represented 3% of GFNorte's earnings.

## 1. Grupo Financiero Banorte

### Consolidated Income Statement of the Group

	2015	2014	2013
Interest income <sup>1)</sup>	\$70,239	\$72,579	\$70,991
Premium income (Net)	19,074	18,692	18,027
Interest expense	(23,747)	(27,861)	(31,456)
Increase in technical reserves	(7,131)	(9,655)	(9,686)
Casualty rate, Claims and other Contractual Obligations (Net)	(11,027)	(9,659)	(9,138)
<b>NET INTEREST INCOME (NII)</b>	<b>\$47,408</b>	<b>\$44,096</b>	<b>\$38,738</b>
Loan Loss Provisions	(10,719)	(11,196)	(8,942)
<b>NET INTEREST INCOME ADJUSTED FOR CREDIT RISK</b>	<b>\$36,689</b>	<b>\$32,900</b>	<b>\$29,796</b>
Fees Charged	14,714	12,820	12,006
Fees Paid	(4,847)	(4,267)	(3,917)
Trading Income <sup>1)</sup>	2,991	4,420	3,414
Other Operating Income	3,001	3,260	3,223
<b>Non-Interest Income</b>	<b>\$15,859</b>	<b>\$16,233</b>	<b>\$14,727</b>
Administration and promotional expenses	(30,295)	(29,232)	(27,818)
<b>OPERATING INCOME</b>	<b>\$22,253</b>	<b>\$19,901</b>	<b>\$16,704</b>
Minority Interest	1,201	1,220	1,130
<b>PRE-TAX INCOME</b>	<b>\$23,454</b>	<b>\$21,121</b>	<b>\$17,834</b>
Income Tax	(5,720)	(8,040)	(3,671)
Deferred Income Tax (Net)	(386)	2,372	116
<b>Taxes</b>	<b>(\$6,106)</b>	<b>(\$5,668)</b>	<b>(\$3,555)</b>
<b>NET INCOME BEFORE RECOGNITION OF MINORITY INTEREST</b>	<b>\$17,348</b>	<b>\$15,453</b>	<b>\$14,279</b>
Minority interest	(240)	(225)	(771)
<b>NET INCOME</b>	<b>\$17,108</b>	<b>\$15,228</b>	<b>\$13,508</b>

Million pesos.

1. Interest Income and Trading Income of 2013 published in the 2013 Audited Financial Statements and Annual Report (sent to the authorities in February and April 2014) have been modified in this document due to the reclassification on the second quarter of 2014. See Note 4 of the Audited Financial Statements published on February 19<sup>th</sup>, 2015.

The following is a breakdown of the most important items of the Income Statement:

• **Net Interest Income**

	2015	2014	2013
Interest Income	\$64,510	\$65,303	\$65,307
Interest Expense	23,365	27,494	31,065
Fees Charged	1,256	2,238	1,564
Fees Paid	383	367	377
<b>Net Interest Income without Insurance and Annuities</b>	<b>\$42,019</b>	<b>\$39,680</b>	<b>\$35,428</b>
Premium Income (Net)	19,074	18,693	18,026
Technical reserves	7,131	9,655	9,686
Damages, Claims and Other Obligations	11,027	9,659	9,138
<b>Technical Result</b>	<b>\$916</b>	<b>(\$622)</b>	<b>(\$798)</b>
Net Interest Income (Expense)	4,473	5,038	4,107
<b>Net Interest Income for Insurance and Annuities</b>	<b>\$5,389</b>	<b>\$4,416</b>	<b>\$3,310</b>
<b>Net Interest Income GFNorte</b>	<b>\$47,408</b>	<b>\$44,096</b>	<b>\$38,738</b>
Credit Provisions	10,719	11,196	8,942
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>\$36,689</b>	<b>\$32,900</b>	<b>\$29,796</b>
Average Earnings Assets	1,059,044	944,776	875,366
<b>NIM <sup>1) 2)</sup></b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.4%</b>
<b>NIM adjusted for Credit Risk <sup>1) 3)</sup></b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>
<b>NIM adjusted w/o Insurance and Annuities <sup>1)</sup></b>	<b>4.3%</b>	<b>4.5%</b>	<b>4.3%</b>
<b>NIM from loan portfolio <sup>1) 4)</sup></b>	<b>7.8%</b>	<b>8.2%</b>	<b>7.8%</b>

Million pesos.

1. Interest Income of 2013 published in the 2013 Audited Financial Statements and Annual Report (sent to the authorities in February and April 2014) has been modified in this document due to the reclassification on the second quarter of 2014. See Note 4 of the Audited Financial Statements published on February 19<sup>th</sup>, 2015. Derived from the reclassification, NIM and NIM adjusted by credit risk in 2013 have been modified.
2. NIM (Net Interest Margin) = Annualized Net Interest Income / Average Earnings Assets.
3. NIM adjusted for Credit Risk = Annualized Net Interest Income adjusted for Credit Risk / Average Earnings Assets.
4. NIM from loan portfolio = Annualized Net Interest Margin from loan portfolio / Average Performing Loans.

**During 2015, GFNorte's Net Interest Income (NII) grew 8% YoY, increasing from Ps 44.10 billion to Ps 47.41 billion driven mainly by:**

- Ps 3.51 billion (+11%) increase in Net Interest Income from loans, as a result of the 10% growth in performing loans,
- Ps 973 million (+22%) increase in NII from the Insurance and Annuities companies due to higher revenues on their investment books,
- Ps 997 million YoY decline in fees from loans, on a one-time transaction recorded in 4Q14, and
- Ps 271 million (-6%) YoY drop in income from repo operations.

**Net Interest Income excluding the Insurance and Annuities companies** increased annually 6%, from Ps 39.68 billion to Ps 42.02 billion.

**The Net Interest Margin (NIM) stood at 4.5% in 2015**, 19bp lower YoY on lower loan fees as compared to the prior year. Likewise, **NIM adjusted for Credit Risks was 3.5% in 2015**, flat vs. 2014. **Adjusted NIM excluding the Insurance and Annuities companies was 4.3%**, lower in 18bp vs. 2014 and the **NIM from loan portfolio was 7.8%**, 33bp lower vs. last year.

- **Provisions**

**In 2015 Loan Loss Provisions totaled Ps 10.72 billion**, (4%) lower YoY, the reduction came from lower reserve requirements on corporate, middle-market and mortgage loan balances, which offset higher ordinary reserves in payroll and credit card books.

**Loan Loss Provisions represented 22.6% of Net Interest Income in 2015**, comparing favorably to the 25.4% in 2014.

Also, **Loan Loss Provisions in 2015 accounted for 2.2% of the average loan portfolio**, a YoY increase of 36bp.

- **Non-Interest Income**

	2015	2014	2013
Fees on Services	\$9,867	\$8,553	\$8,089
Trading <sup>1)</sup>	2,991	4,420	3,414
Other Operating Income (Expenses)	3,001	3,260	3,223
<b>Non-Interest Income</b>	<b>\$15,859</b>	<b>\$16,233</b>	<b>\$14,727</b>

Million Pesos.

1. Figure in 2013 includes the Ps 1.56 billion reclassification held on the second quarter of 2014. See Note 4 of the Audited Financial Statements published on February 19<sup>th</sup>, 2015.

**During 2015, Non-Interest Income totaled Ps 15.86 billion**, Fees on Services improved significantly in 2015 accounting for 62% of the total, comparing to 53% in 2014, which supported growth in recurring revenues.



- **Service Fees**

	2015	2014	2013
For Commercial and Mortgage Loans	\$10	\$9	\$11
Fund Transfers	885	637	533
Account Management Fees	2,036	1,499	1,371
Fiduciary	388	362	362
Income from Real Estate Portfolios	169	187	811
Electronic Banking Services	5,118	4,486	3,934
For Consumer and Credit Card Loans	3,077	2,792	2,361
Other Fees Charged <sup>1)</sup>	3,031	2,847	2,622
<b>Fees Charged on Services</b>	<b>\$14,714</b>	<b>\$12,820</b>	<b>\$12,006</b>
<b>Fees Paid on Services</b>	<b>\$4,847</b>	<b>\$4,267</b>	<b>\$3,917</b>
<b>Service Fees</b>	<b>\$9,867</b>	<b>\$8,553</b>	<b>\$8,089</b>

Million Pesos

1. Includes fees from letters of credit, transactions with pension funds, warehousing services, financial advisory services and securities trading among others.

**In 2015, Service fees increased 15% YoY, accounting to Ps 9.87 billion.** Core banking services, such as account management, fund transfers and electronic banking services kept growing strongly, +21% vs. 2014.

- **Trading**

	2015	2014	2013
Foreign Exchange	\$1,285	\$1,085	\$885
Securities-Realized Gains	1,454	2,322	2,726
Securities-Unrealized Gains <sup>1)</sup>	252	1,013	(197)
<b>Trading Income</b>	<b>\$2,991</b>	<b>\$4,420</b>	<b>\$3,414</b>

Million Pesos

1. Securities-Unrealized Gains line within Trading Income of 2013 published in the 2013 Audited Financial Statements and Annual Report (sent to the authorities in February and April 2014) has been modified in this document due to the reclassification on the second quarter of 2014. See Note 4 of the Audited Financial Statements published on February 19<sup>th</sup>, 2015.

**Trading revenues in 2015 amounted to Ps 2.99 billion, decreasing (32%) YoY;** result of the combined effect of 18% increase in FX income due to higher client volume, lower trading revenues on securities & derivatives, and lower valuation gains.

- **Other Operating Income (Expense)**

	2015	2014	2013
Loan Recoveries	\$1,306	\$956	\$1,384
Income from Foreclosed Assets	151	(130)	(145)
Other Operating Income	365	424	135
Other Operating Expense	(442)	(229)	(223)
<b>Subtotal Recoveries and Others</b>	<b>\$1,381</b>	<b>\$1,022</b>	<b>\$1,151</b>
Other Products	4,022	3,421	2,988
Other Acquired Recoveries	587	1,217	1,312
Other (Expenses)	(3,754)	(3,060)	(2,912)
<b>Non-Operating Income (Expenses), Net</b>	<b>\$855</b>	<b>\$1,578</b>	<b>\$1,387</b>
<b>Other from Insurance and Annuities</b>	<b>\$765</b>	<b>\$660</b>	<b>\$685</b>
<b>Other Operating Income (Expense)</b>	<b>\$3,001</b>	<b>\$3,260</b>	<b>\$3,223</b>

Million pesos.

During 2015 Other Operating Income (Expenses) amounted to Ps 3.00 billion, declining (8%) YoY explained by a (52%) drop in Other Acquired Recoveries, the valuation charges on Solida's investment projects accounted in Other Operating Expenses (93% YoY higher) and a (Ps 93) million decline in Non-Operating Income (Expenses), net.

- **Non-Interest Expense**

	2015	2014	2013
Personnel	\$12,404	\$12,986	\$13,077
Professional Fees	2,433	3,000	2,767
Administrative and Promotional	7,215	5,679	4,874
Rents, Depreciation & Amortization	4,129	3,648	3,219
Taxes other than income tax & non-deductible expenses	1,625	1,653	1,726
Contributions to IPAB	2,116	1,887	1,831
Employee Profit Sharing (PTU)	374	379	324
<b>Non-Interest Expense</b>	<b>\$30,295</b>	<b>\$29,232</b>	<b>\$27,818</b>

Million pesos.

Non-Interest Expenses during 2015 amounted to Ps 30.30 billion, growing only 4% from the prior year, as a result of the reduction in Personnel Expenses and Professional Fees during the first half of the year, which offset higher transaction volume in services such as: ATMs, POS, credit cards as well as amortizations of IT expenses.

The Efficiency Ratio during 2015 was 47.9%, +57bp vs. 2014, making it the best ratio of the past seven years.

- **Net Income**

	2015	2014	2013
<b>Operating Income</b>	\$22,253	\$19,901	\$16,704
Subsidiaries' Net Income	1,201	1,220	1,130
<b>Pre-tax income</b>	23,454	21,121	17,834
Taxes	(6,106)	(5,668)	(3,555)
Extraordinary items, net	-	-	-
Minority Interest	(240)	(225)	(771)
<b>Net Income</b>	<b>\$17,108</b>	<b>\$15,228</b>	<b>\$13,508</b>

During 2015, accumulated recurring revenues (NII + net fees excluding portfolio recoveries - Operating Expenses – Provisions) totaled Ps 16.09 billion, 34% higher vs. 2014, this result was explained by higher NII and service fees, as well as lower requirements on Loan Loss Provisions and controlled Non-Interest Expenses.

**Subsidiaries' Net Income** is mostly related to Afore XXI Banorte's earnings of Ps 1.22 billion in 2015 (+3% YoY), based on the Group's ownership of this company.

**Income taxes during 2015 totaled Ps 6.11 billion, +8% YoY**, on a larger taxable accumulated income base.

**Net Income in 2015 rose to Ps 17.11 billion, 12% higher vs. 2014** result of the positive trend in NII, provisions, service fees, as well as the efficiency in non-interest expense and controlled taxes, offsetting lower trading revenues and other income.

- **Performing loan portfolio**

	2015	2014	2013
Commercial	\$123,289	\$114,040	\$113,795
Consumer	176,544	158,139	139,715
Corporate	88,108	80,464	75,690
Government	130,118	118,963	95,637
<b>Subtotal</b>	<b>\$518,059</b>	<b>\$471,606</b>	<b>\$424,837</b>
Recovery Bank	129	162	201
<b>Total</b>	<b>\$518,188</b>	<b>\$471,768</b>	<b>\$425,038</b>
Past due loans	11,903	14,294	13,655
<b>% NPL Ratio</b>	<b>2.2%</b>	<b>2.9%</b>	<b>3.1%</b>

Million pesos.

- **Performing Consumer Loan Portfolio (without Recoveries)**

	2015	2014	2013
Mortgage	\$99,825	\$89,758	\$81,833
Car Loans	12,400	11,074	11,412
Credit Cards	25,837	23,209	20,323
Payroll	38,482	34,098	26,147
<b>Total performing consumer loans</b>	<b>\$176,544</b>	<b>\$158,139</b>	<b>\$139,715</b>

Million pesos.

- **Total Performing Loans**

**Total Performing Loans increased 10% YoY, growing Ps 46.45 billion for an ending balance of Ps 518.06 billion in 2015**, excluding proprietary loans managed by the Recovery Bank. Good sequential growth achieved in the commercial, corporate and car books; while the remaining books maintain a similar growth rate vs. prior quarters.

Portfolio growth by segments was as follows:

- ✓ **Mortgages:** up 11% YoY, with an ending **balance of Ps 99.83 billion as of 2015**, driven by growth in most products of this book.
- ✓ **Credit Cards:** **At the end of 2015 the credit card book totaled Ps 25.84 billion**, up 11% or +Ps 2.63 billion YoY. Active portfolio management and commercial campaigns explained this performance.
- ✓ **Payroll:** increased Ps 4.38 billion or 13% YoY, **totaling Ps 38.48 billion**, on a larger base of payroll account holders. Payroll loans continue to show good growth with respect to the system's average.
- ✓ **Car Loans:** increased 12% YoY for an ending balance of **Ps 12.40 billion**, on a successful commercial strategy to offset the strong competition from financial firms of car manufacturers.

- ✓ **Commercial:** up Ps 9.25 billion or 8% YoY, **ending at Ps 123.29 billion**. The leasing and factoring books showed a positive evolution, growing 3% YoY. **GFNorte's SME performing portfolio was Ps 26.82 billion**, (10%) lower YoY.
- ✓ **Corporate:** **At the end of 2015 the balance was Ps 88.11 billion**, Ps 7.64 billion or 9% YoY higher; driven by higher loan origination.

**As of December 31, 2015 GFNorte's loan exposure to home builders was Ps 3.97 billion in Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V., (29.6%) lower than the prior quarter.** This exposure represented 0.7% of the total loan portfolio, (35bp) lower than as of September 2015. The credit exposure has an 89% collateral coverage, +130bp higher vs. the 76% reported in the prior quarter. For Desarrolladora Homex and Corporación Geo, the remaining portfolio is fully secured, as the unsecured portfolio has already been exchanged for other assets, as instructed by the respective Judge in the final ruling of the bankruptcy processes. The loan loss reserve coverage on the overall exposure was 42.1% in 2015.

**Sólida had a balance of Ps 5.64 billion in investment projects** to these companies, unchanged from the September 2015.

- ✓ **Government:** **At the end of 2015 the balance was Ps 130.12 billion**, growing by Ps 11.16 billion or 9% YoY. The portfolio's risk profile is adequate with 33.3% of the loans granted to Federal Government entities and over 98% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and less than 1% of the loans have short-term maturities.

- **Past Due Loans**

**During 2015, Past Due Loans were Ps 11.90 billion**, lower in (Ps 2.39) billion or (17%) vs. 2014, as a result of lower delinquencies in the corporate, commercial, mortgages and car books.

In 2015, the credit exposure related to homebuilders classified as non-performing **was Ps. 3.78 billion**, declining (Ps 1.64) billion vs. September 2015 on settlements with Corporación Geo and Desarrolladora Homex. During the quarter and as per the final ruling from the judges managing the bankruptcy processes of these companies, GFNorte exchanged unsecured past due loans for other assets, mainly shares of these companies for an amount equivalent to the past due unsecured exposure; therefore, the NPL balances in these two companies declined by Ps 1.63 billion.

The shares received were registered as securities available for sale, net of reserves, and will be valued at market prices according to the applicable accounting rules. As of December 31<sup>st</sup>, 2015 the valuation loss on the shares was (Ps 753) million, registered in the Equity account Surplus (Deficit) of Securities Available for Sale.

The evolution of NPL balances were as follows:

	<b>2015</b>	<b>2014</b>
Credit Card	\$1,511	\$153
Payroll	1,200	411
Car Loans	197	(26)
Mortgage	1,072	(201)
Commercial	4,145	(1,070)
Corporate	3,778	(1,657)
Government	-	-
<b>Total</b>	<b>\$11,903</b>	<b>(\$2,390)</b>

Million pesos.

**In 2015, the Past Due Loan Ratio was 2.2%**, lower by (70bp) vs. 2014 as a result of lower PDL ratio in all segments excluding the payroll book.

**Excluding the remainder homebuilder exposure, the PDL Ratio is 1.5%**, (29bp) lower YoY.

PDL Ratios by segment showed the following trends during the last 12 months.

	<b>2015</b>	<b>2014</b>
Credit Card	5.5%	5.5%
Payroll	3.0%	2.3%
Car Loans	1.6%	2.0%
Mortgage	1.1%	1.4%
Commercial	3.3%	4.4%
<i>SME</i>	8.8%	10.0%
<i>Commercial</i>	1.6%	2.2%
Corporate	4.1%	6.3%
Government	0.0%	0.0%
<b>Total</b>	<b>2.2%</b>	<b>2.9%</b>

- **Deposits**

	2015	2014	2013
Non-Interest Bearing Demand Deposits	\$175,918	\$147,033	\$122,499
Interest Bearing Demand Deposits	175,127	153,249	132,798
<b>Total Demand Deposits</b>	<b>\$351,045</b>	<b>\$300,282</b>	<b>\$255,297</b>
<b>Time Deposits – Retail</b>	<b>157,718</b>	<b>136,127</b>	<b>129,121</b>
<b>Money Market</b>	<b>54,907</b>	<b>62,287</b>	<b>59,729</b>
<b>Total Bank Deposits <sup>1)</sup></b>	<b>\$563,670</b>	<b>\$498,697</b>	<b>\$444,148</b>
<b>GFNorte's Total Deposits <sup>2)</sup></b>	<b>\$561,462</b>	<b>\$497,922</b>	<b>\$443,741</b>
Third Party Deposits	139,099	149,092	150,636
<b>Total Assets Under Management</b>	<b>\$702,769</b>	<b>\$647,789</b>	<b>\$594,783</b>

Million pesos.

1. For the integration of Total Demand Deposits, see Note 19 of Banco's Mercantil del Norte Audited Financial Statements.
2. Includes eliminations between subsidiaries. The eliminations during 2013, 2014 and 2015 were , (Ps 407) million, (Ps 774) million and (Ps 2.21) billion, respectively.

**At the end of 2015, Total Deposits maintained the high growth pace reaching a balance of Ps 561.46 billion, +13% YoY** driven by promotional efforts as well as higher account balances in all client segments and the retail network.

**Total Bank Deposits amounted to Ps 563.67 billion**, increasing Ps 64.97 billion, which is composed of a 17% increase in Demand Deposits and 16% in Retail Time Deposits.

## 2. Consolidated Bank

**The Consolidated Bank** (comprised of Banco Mercantil del Norte, Banorte- Ixe Tarjetas, Banorte USA and 50% of Afore XXI) reported **Net Income in 2015 of Ps 13.52 billion**, growing 13% or Ps 1.58 billion YoY driven by higher Net Interest Income, as well as lower provisions and taxes, which compensated lower Non-Interest Income. The profits of this sector represent 79% of the Financial Group's earnings.

**ROE for 2015 of the Consolidated Bank was 13.7%**, flat YoY. **ROA for 2015 was 1.5%**, 0.1 pp higher vs. 2014.

### Consolidated Bank Income Statement

	2015	2014	2013
Interest income	\$59,906	\$58,593	\$57,183
Interest expense	19,474	20,003	22,498
<b>NET INTEREST INCOME (NII)</b>	<b>\$40,432</b>	<b>\$38,590</b>	<b>\$34,685</b>
Loan Loss Provisions	10,401	11,107	8,788
<b>NET INTEREST INCOME ADJUSTED FOR CREDIT RISK</b>	<b>\$30,031</b>	<b>\$27,483</b>	<b>\$25,897</b>
Fees Charged	13,623	11,723	10,565
Fees Paid	(3,527)	(3,091)	(2,897)
Trading Income	2,643	3,859	3,021
Other Operating Income	1,915	2,478	2,624
<b>Non-Interest Income</b>	<b>\$14,654</b>	<b>\$14,969</b>	<b>\$13,313</b>
Administrative and Promotional Expenses	28,035	27,037	25,766
<b>OPERATING INCOME</b>	<b>\$16,650</b>	<b>\$15,415</b>	<b>\$13,444</b>
Minority Interest	1,280	1,241	1,439
<b>PRE-TAX INCOME</b>	<b>\$17,930</b>	<b>\$16,655</b>	<b>\$14,883</b>
Income taxes incurred	4,177	6,874	2,822
Income taxes deferred (net)	235	(2,154)	(61)
<b>Taxes</b>	<b>\$4,412</b>	<b>\$4,720</b>	<b>\$2,761</b>
<b>INCOME BEFORE NONCONTROLLING INTEREST</b>	<b>\$13,518</b>	<b>\$11,936</b>	<b>\$12,122</b>
Minority interest	0	0	0
<b>NET INCOME</b>	<b>\$13,518</b>	<b>\$11,936</b>	<b>\$12,122</b>

Million pesos.

Does not include Afore XXI Banorte. Its results are included in the Subsidiaries' equity using the equity participation method.



The following is a breakdown of the most important items of the income statement:

- Net Interest Income**

	2015	2014	2013
Interest Income	\$58,657	\$56,356	\$55,619
Interest Expense	19,098	19,638	22,120
Loan Origination Fees	1,250	2,237	1,564
Fees Paid	376	365	377
<b>Net Interest Income</b>	<b>\$40,432</b>	<b>\$38,590</b>	<b>\$34,685</b>
Provisions	10,401	11,107	8,788
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>\$30,031</b>	<b>\$27,483</b>	<b>\$25,897</b>
Average Productive Assets	\$851,417	\$790,173	\$722,830
<b>NIM <sup>(1)</sup></b>	<b>4.7%</b>	<b>4.9%</b>	<b>4.8%</b>
<b>NIM Adjusted for Credit Risk <sup>(2)</sup></b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.6%</b>

Million pesos.

1. NIM (Net Interest Margin) = Annualized Net Interest Income / Average Earnings Assets.

2. Annualized Net Interest Income adjusted for Credit Risk / Average Earnings Assets.

**During 2015, Net Interest Income increased 5% YoY to Ps 40.43 billion** mainly as a result of the 9% growth in Net Interest Income from loans.

**The NIM was 4.7% in 2015**, lower by (0.1 pp) over the same period last year, the **NIM adjusted for Credit Risks was 3.5% in 2015**, flat vs. 2014.

- Provisions**

**In 2015 Loan Loss Provisions totaled Ps 10.40 billion in 2015**, (6%) lower YoY driven mainly by lower provision charges on the corporate, commercial and government loan balances, which offset higher ordinary reserves in credit card and payroll books.

- Non-Interest Income**

	2015	2014	2013
Services	\$10,097	\$8,632	\$7,668
Trading	2,643	3,859	3,021
Other Operating Income (Expense)	1,915	2,478	2,624
<b>Non-Interest income</b>	<b>\$14,655</b>	<b>\$14,969</b>	<b>\$13,313</b>

Million pesos.

**During 2015, Non-Interest Income totaled Ps 14.66 billion**, down (2%) YoY, as a result of lower trading revenues and Other Operating Income (Expenses). These were not offset by higher service fees +17%.

- **Non-Interest Expense**

	2015	2014	2013
Personnel	\$11,843	\$12,441	\$12,569
Professional Fees	1,990	2,591	2,365
Administrative and promotional expenses	6,467	4,995	4,230
Rents, depreciations and amortizations	3,864	3,391	2,992
Other Taxes and Non-deductible Expenses	1,387	1,364	1,456
Contributions to IPAB	2,116	1,887	1,831
Employee Profit Sharing (PTU)	368	369	323
<b>Non-Interest Expense</b>	<b>\$28,035</b>	<b>\$27,037</b>	<b>\$25,766</b>

Million pesos.

**Non-Interest Expenses in 2015 totaled Ps 28.04 billion, increasing only 4% YoY** as a result of the reduction in Personnel Expenses and Professional Fees during the first half of the year, which offset higher administrative and promotional expenses, as well as IT expenses.

**The Efficiency Ratio for 2015 was 50.9%, +0.4 pp YoY** driven by a faster pace of growth in Operating Expenses vs. total income.

- **Performing Loan Portfolio**

	2015	2014	2013
Commercial	\$114,788	\$107,346	\$107,417
Consumer	174,058	154,408	139,641
Corporate	92,051	84,213	79,086
Government	128,567	117,656	93,485
<b>Subtotal</b>	<b>\$509,464</b>	<b>\$463,622</b>	<b>\$419,629</b>
Recovery Bank	129	162	201
<b>Total performing loans</b>	<b>\$509,593</b>	<b>\$463,785</b>	<b>\$419,830</b>
Past due loans	\$11,634	\$13,912	\$13,317
<b>% NPL Ratio</b>	<b>2.2%</b>	<b>2.9%</b>	<b>3.1%</b>

Million Pesos.

- **Performing Consumer Loan Portfolio (without recoveries)**

	2015	2014	2013
Mortgage	\$99,825	\$89,758	\$81,808
Car Loans	12,396	11,068	11,408
Credit Cards	25,837	23,209	20,323
Payroll	36,001	30,373	26,102
<b>Consumer loans</b>	<b>\$174,058</b>	<b>\$154,408</b>	<b>\$139,641</b>

Million pesos.

**Total Performing Loans increased 10% YoY, from Ps 463.62 billion to Ps 509.46 billion in 2015**, excluding proprietary loans managed by the Recovery Bank. Good sequential growth achieved in the commercial, corporate and car books; while the remaining books maintain a similar growth rate vs. prior quarters.

In 2015, The Consolidated Bank's Past due Loans were Ps 11.63 billion, (16%) lower YoY; the NPL Ratio was 2.2%, lower in (0.7 pp) vs. 2014.

- **Deposits**

	2015	2014	2013
Non-Interest Bearing Demand Deposits	\$175,918	\$147,033	\$122,499
Interest Bearing Demand Deposits	175,127	153,249	132,798
<b>Total Demand Deposits</b>	<b>\$351,045</b>	<b>\$300,282</b>	<b>\$255,297</b>
<b>Time Deposits – Retail</b>	<b>157,718</b>	<b>136,127</b>	<b>129,121</b>
<b>Money Market</b>	<b>54,907</b>	<b>62,287</b>	<b>59,729</b>
<b>Total Bank Deposits <sup>1)</sup></b>	<b>\$563,670</b>	<b>\$498,697</b>	<b>\$444,148</b>

Million pesos.

1. For the integration of Total Demand Deposits, see Note 19 of Banco's Mercantil del Norte Audited Financial Statements.

At the end of 2015, **Total Deposits grew Ps 64.97 billion or 13% YoY, totaling Ps 563.67 billion** driven by promotional efforts as well as higher account balances in all client segments and the retail network. Such growth derived from a 17% increase in Demand Deposits and a 16% increase in Retail Time Deposits.

### 3. Brokerage

	2015	2014	2013
Net Income	\$790	\$931	\$649
Stockholders' Equity	3,309	2,799	2,569
Total Assets	149,848	102,373	116,576
Assets Under Management	724,410	732,713	647,996

Million pesos.

**The Brokerage Sector** (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) **reported profits of Ps 790 million in 2015, (15%) lower YoY** due to lower Net Interest Income and trading revenues, which could not be offset by a reduction in Non-Interest Expense and lower tax payments. Net Income during 2015 represented 5% of the Financial Group's profits.

### 4. Long-Term Savings

The following figures correspond to what was reported in the Financial Statements of each company. The total of the sector are not consolidated figures. *See note 28 of the Audited Financial Statements.*

	2015	2014	2013
<b>Long-Term Savings Sector</b>			
Net Income	\$5,097	\$4,443	\$3,576
Stockholders' Equity	31,628	30,451	29,478
Total Assets	120,194	111,164	96,396
<b>Afore XXI Banorte</b>			
Net Income	\$2,485	\$2,408	\$2,301
Stockholders' Equity	23,667	23,982	24,374
Total Assets	25,067	25,282	25,402
AUM <sup>1)</sup>	625,821	605,816	541,544
<b>Seguros Banorte</b>			
Net Income	\$2,210	\$1,759	\$1,097
Stockholders' Equity	6,331	5,094	3,854
Total Assets	26,139	24,153	18,470
<b>Pensiones Banorte</b>			
Net Income	\$402	\$276	\$178
Stockholders' Equity	1,629	1,375	1,250
Total Assets	68,988	61,729	52,524

Million pesos.

1. Source: CONSAR

- **Afore XXI Banorte**

**Afore XXI Banorte posted net profits of Ps 2.49 billion for 2015**, 3% higher vs. 2014 due to higher revenue, lower operating expenses and unrealized valuation losses on its invested equity. **ROE for Afore XXI Banorte as of December 2015 was 10.6%**, 0.7 pp higher YoY; excluding goodwill, **ROTE is 37.7%**. Afore XXI Banorte contributed 7% of the Financial Group's profits for 2015.

Assets under management as of December 2015 totaled Ps 625.82 billion, an increase of 3% YoY.

According to CONSAR, as of December 2015 Afore XXI Banorte had a 24.5% share in managed funds, ranking 1<sup>st</sup> in the market, with 11.09 million accounts (this number does not include 6.6 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 23.2% share of the total number of accounts in the system, making it the market leader.

- **Seguros Banorte**

**During 2015, Seguros Banorte reported profits of Ps 2.21 billion**, a 26% YoY increase driven by strong growth in premium income and lower reserves requirements, offsetting higher damages, claims and other obligations, as well as operating expenses. Seguros Banorte's net income represented 13% of the Financial Group's profits for 2015.

**ROE for the insurance company was 38.1% in 2015**, (1.2 pp) lower YoY.

Regarding the disclosure requested by the General Provisions applicable to Financial Groups' holding companies, for this reporting period:

- Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
  - *No cancellations were registered during 4Q15 that involved any technical risk.*
- Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
  - *In 4Q15 damage ratios remained under control.*
- Costs derived from placement of insurance policies and bonds.
  - *There were no relevant events to disclose in 4Q15.*
- Transfer of risks through reinsurance and bonding contracts
  - *In the P&C book three important businesses, two related to manufacturing industry and one to the construction industry, were ceded to reinsurers, mainly foreign entities, by which 100% of the risk was transferred.*
- Contingencies arising from non-fulfillment by reinsurers and bonding companies.
  - *There were no relevant events in 4Q15.*

- **Pensiones Banorte**

**During 2015, Pensiones Banorte reported profits of Ps 402 million**, +46% YoY driven by fewer technical reserves, offsetting lower interest income. Annuities contributed with 2% of the Financial Group's yearly profits.

**ROE was 27.0% in 2015**, 6.6 pp higher vs. 2014.

## 5. SOFOM Other Finance Companies

The following figures correspond to what was reported in the Financial Statements of each company. The total of the sector are not consolidated figures. *See note 28 of the Audited Financial Statements.*

	2015	2014	2013
<b>SOFOM and Other Finance Companies <sup>1)</sup></b>			
Net Income	\$496	\$569	\$391
Stockholders' Equity	9,563	8,044	6,116
Total Portfolio	25,795	25,163	20,296
Past Due Loans	269	394	424
Loan Loss Provisions	(478)	(569)	(531)
Total Assets	41,096	39,740	35,598
<b>Leasing and Factoring <sup>2)</sup></b>			
Net Income	\$571	\$700	\$599
Stockholders' Equity	4,297	3,735	3,209
Total Portfolio*	23,220	21,237	19,732
Past Due Loans	175	181	210
Loan Loss Provisions	(310)	(309)	(312)
Total Assets	23,336	21,623	20,173
<b>Warehousing</b>			
Net Income	\$31	\$45	\$43
Stockholders' Equity	246	218	271
Inventories	462	922	477
Total Assets	619	1,127	711
<b>Sólida Administradora de Portafolio <sup>3)</sup></b>			
Net Income	(\$106)	(\$178)	(\$266)
Stockholders' Equity	4,874	3,946	2,310
Total Portfolio	2,575	3,926	494
Past Due Loans	94	213	196
Loan Loss Provisions	(168)	(260)	(213)
Total Assets	16,995	16,843	14,010
<b>Ixe Servicios <sup>1)</sup></b>			
Utilidad neta	\$0.4	\$1.5	\$1
Capital contable	146	145	24
Activo total	146	147	32
<b>Ixe Automotriz <sup>2)</sup></b>			
Net Income	\$-	\$-	\$15
Stockholders' Equity	-	-	326
Total Portfolio	-	-	70
Past Due Loans	-	-	18
Loan Loss Provisions	-	-	(6)
Total Assets	-	-	704

Million pesos.

1. The total of the sector for 2014 and according to note 28 of the 2014 Audited Financial Statements, consider Leasing and Factoring, Warehousing, Sólida and Ixe Servicios. The total of the sector for 2013 and according to note 28 of the 2013 Audited Financial Statements, consider Leasing and Factoring, Warehousing, Ixe Automotriz and Sólida.
2. Ixe Automotriz was merged into Arrendadora y Factor Banorte, becoming effective since May 7, 2013. The results presented correspond to previous periods.
3. Figures for Sólida includes the effect of its spin-off from Banorte and subsequent merger with Ixe Soluciones, (both effective as of May 24<sup>th</sup>, 2013) in order to consolidate the recovery banking operations.

\*Includes pure leasing portfolio and fixed asset registered in property, furniture and equipment (net).

- **Leasing and Factoring**

**In 2015 Arrendadora y Factor Banorte reported profits of Ps 571 million**, down (18%) YoY on higher taxes; yet, profits before taxes **grew 17%**. The Leasing and Factoring Company contributed 3% of the Financial Group's profits in 2015.

At the end of 2015, the **Past Due Loans Ratio was 0.8%**, decreasing (0.1 pp) vs. 2014; while the **Coverage ratio was 176.9%**, increasing 6.4 pp vs. 2014. The **Capitalization ratio estimated as of December was 17.8%** considering total risk-weighted assets of Ps 23.90 billion.

Arrendadora y Factor Banorte continues to be the market leader in loans and assets among the 47 companies, according to the Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. (AMSOFAC).

- **Warehouse**

**In 2015, Warehouse posted profits of Ps 31 million**, decreasing (Ps 14) million or (30%) YoY as a result of reduced Other Operating Income, which were not offset by greater trading revenues and net interest income. Almacén Banorte contributed 0.2% of the Financial Group's profits in 2015.

**ROE for 2015 was 13.5%**, (3.1 pp) lower YoY. **At the end of 2015, the Capitalization Ratio was 158%** considering net capital of Ps 216 million and certificates for sale issued in warehouses of Ps 2.74 billion, according to the new methodology. Almacén Banorte ranks third among the 16 warehouses of this sector in terms of profits generated.

- **Sólida Administradora de Portafolios**

**During 2015, Sólida Administradora de Portafolios reported a loss of (Ps 106) million** on low revenue growth.

During December, Sólida made an equity injection to Corporación Geo for a net amount of Ps 2.28 billion. The investment was registered as securities held for sale. To fund this transaction, Sólida received a capital injection from GFNorte of Ps 1.27 billion and funded the difference with debt. At yearend, the valuation loss on this holding was (Ps 84) million.

As part of this transaction, Sólida received warrants to subscribe Corporación Geo's shares within a 12-year term, which was registered in the Financial Instruments Option account for a balance of Ps 323 million pesos. Revenue for a similar amount was recorded in Other Income/Expense. At yearend, the valuation loss on the option was (Ps 28) million recorded in trading income.

As part of the restructuring agreement with Geo, Sólida received shares in exchange for an overdue account for Ps 189 million. The shares were registered as securities held for sale and the valuation loss recorded at yearend was (Ps 183) million in the equity accounts of valuation of securities held for sale.

During the quarter Sólida reached a debt settlement, instructed by the Judge in the bankruptcy process of Desarrolladora Homex by which it received shares, in exchange for unsecured debt recognized in the bankruptcy process, for a balance of Ps 102.7 million. This transaction generated Other Income for a similar amount. The shares were registered as available for sale. Also, Sólida received shares in exchange of overdue loans for Ps 43 million. The shares were recorded as available for sale, net of reserves, and the yearend valuation loss was (Ps 32) million registered in equity accounts.

## Financial Situation, Liquidity And Capital Resources

### NET INCOME AND PROFITABILITY INDICES

#### GFNorte's Equity

	2015	2014	2013
Paid-in Capital	14,606	14,632	14,652
Premium of Subscribed & Issued Shares	36,424	36,201	35,219
<b>Subscribed Capital</b>	<b>\$51,030</b>	<b>\$50,833</b>	<b>\$49,871</b>
Capital Reserves	5,765	6,657	5,811
Retained Earnings	62,860	50,407	39,303
Surplus (Deficit) from Valuation of Securities Available for Sale	(1,552)	634	667
Results from Valuation of Hedging Instruments	(828)	(762)	(1,420)
Results from Conversions of Foreign Operations	1,069	(75)	(1,083)
Net Income	17,108	15,228	13,508
<b>Earned Capital</b>	<b>\$84,422</b>	<b>\$72,089</b>	<b>\$56,786</b>
Minority Interest	1,900	1,750	2,034
<b>Total Shareholders' Equity</b>	<b>\$137,352</b>	<b>\$124,672</b>	<b>\$108,691</b>

Million pesos.

#### Consolidated Bank Equity (\*)

	2015	2014	2013
Stockholder's Equity	20,074	20,074	15,577
Disclosed reserves	-	-	1,950
Premium of Subscribed & Issued Shares	11,682	11,099	10,389
<b>Subscribed Capital</b>	<b>\$31,756</b>	<b>\$31,173</b>	<b>\$27,916</b>
Capital Reserves	10,157	8,968	7,761
Retained Earnings	48,398	43,201	32,284
Surplus (Deficit) from Valuation of Securities Available for Sale	(1,310)	510	517
Results from Valuation of Hedging Instruments	(936)	(869)	(1,541)
Results from Conversions of Foreign Operations	990	(138)	(1,143)
Net Income	13,518	11,936	12,122
<b>Earned Capital</b>	<b>\$70,817</b>	<b>\$63,608</b>	<b>\$50,000</b>
Minority Interest	10	10	10
<b>Total Shareholders' Equity</b>	<b>\$102,583</b>	<b>\$94,791</b>	<b>\$77,926</b>

Million pesos.

(\*) Does not include the Afore.



**Banco Mercantil del Norte's Capitalization Ratio\***

See Note 30 of GFNorte's 2015 Audited Financial Statements

	Dec-15	Dec-14	Dec-13
Tier 1 Capital	72,817	69,995	58,585
Tier 2 Capital	7,692	8,001	11,034
<b>Net Capital</b>	<b>\$80,509</b>	<b>\$77,996</b>	<b>\$69,619</b>
Credit Risk Assets	398,908	359,318	338,045
Market & Operational Risk Assets	152,734	151,739	122,283
<b>Total Risk Assets <sup>1)</sup></b>	<b>\$551,642</b>	<b>\$511,057</b>	<b>\$460,328</b>
<b>Net Capital / Credit Risk Assets</b>	<b>20.2%</b>	<b>21.7%</b>	<b>20.6%</b>
<b>Capitalization Ratio</b>			
Tier 1	13.2%	13.7%	12.7%
Tier 2	1.4%	1.6%	2.4%
<b>Total Capitalization Ratio</b>	<b>14.6%</b>	<b>15.3%</b>	<b>15.1%</b>

Million pesos.

At the end of 2015 the estimated Capitalization Ratio (CR) for Banorte was 14.59% considering credit, market and operational risk; and, 20.18% if only Credit Risks are considered. The Core Tier 1 ratio was 12.39%, Total Tier 1 ratio was 13.20% and Tier 2 was 1.39%.

The Capitalization Ratio decreased (0.67 pp) vs. 2014, as follows:

1.	Profit growth for the period	+2.65 pp
2.	Valuation of Financial Instruments, Securitizations and Equity Accounts	-0.17 pp
3.	Decrease of Subordinate Debt effectiveness	-0.22 pp
4.	Investment in Subsidiaries and Intangibles	-0.68 pp
5.	Dividend payment	-1.09 pp
6.	Growth in risk assets	-1.16 pp

At the end of 2014 Banorte's estimated Capitalization Ratio (CR) was 15.26% considering credit, market and operational risk and 21.71% if only credit risks are considered. The Core Tier 1 ratio was 12.70%, Total Tier 1 ratio was 13.70% and Tier 2 was 1.56%.

**CASH FLOW STATEMENT**

The cash flow statement reveals cash available to the institution at a certain point in time in order to meet its obligations with creditors. The structure of the cash flow statement provides details of the cash generated by the operation, and uses of resources for net financing and the investment program. As of December 2015, available cash amounted to Ps 107.85 billion, 46% higher than the Ps 73.84 billion registered in December 2014.

**GFNorte Cash Flow Statement**

	<b>2015</b>	<b>2014</b>
<b>Net income</b>	<b>17,108</b>	<b>15,228</b>
Items not requiring (generating) resources:		
Depreciation and amortization	1,372	1,262
Technical reserves	7,131	9,655
Provisions	(3,570)	6,005
Current and deferred income tax	6,106	5,668
Equity in earnings of unconsolidated subsidiaries and associated companies	(961)	(995)
	<b>27,186</b>	<b>36,823</b>
<b>OPERATING ACTIVITIES:</b>		
Changes in margin accounts	(46)	13
Changes in investments in securities	(8,709)	(15,802)
Changes in repo debtors	379	(669)
Changes in derivatives (assets)	(2,543)	(1,696)
Change in loan portfolio	(43,178)	(44,888)
Changes in acquired collection rights	767	537
Changes in accounts receivable from insurance and annuities, net	46	(653)
Changes in debtor premiums, net	88	(1,455)
Changes in reinsurance (net) (asset)	95	(2,404)
Changes in receivables generated by securitizations	403	151
Change in foreclosed assets	482	61
Change in other operating assets	(10,258)	(5,881)
Change in deposits	60,141	51,799
Change in interbank and other loans	931	10
Change in creditor balances under repurchase and sale agreements	8,553	2,580
Collateral sold or pledged	(152)	145
Change in liability position of derivative financial instruments	2,669	2,444
Change in technical reserves (net)	121	1,831
Changes in reinsurance (net) (liability)	116	860
Change in subordinated debentures	865	(1,567)
Change in other operating liabilities	10,777	(5,291)
Change in hedging instruments related to operations	991	488
Income tax	(10,027)	(3,584)
<b>Net cash generated or used from operations</b>	<b>39,697</b>	<b>13,852</b>
<b>INVESTING ACTIVITIES:</b>		
Proceeds on disposal of property, furniture and equipment	1,003	2,002
Payments for acquisition of property, furniture and equipment	(3,961)	(4,006)
Charges on acquisitions of Subsidiaries and associated companies	-	409
Payment on acquisitions of Subsidiaries and associated companies	(71)	-
Charges for cash Dividends	1,419	1,134
<b>Net cash flows from investment activity</b>	<b>(1,610)</b>	<b>(461)</b>
<b>FINANCING ACTIVITIES:</b>		
Dividends paid	(2,787)	(1,218)
Repurchase of shares	(1,551)	(549)
<b>Net financing activity cash flows</b>	<b>(4,338)</b>	<b>(1,767)</b>
Net (decrease) increase in cash and cash equivalents	33,749	11,624
Effects from changes in the value of cash and cash equivalents	261	236
Cash and cash equivalents at the beginning of the year	73,838	61,978
<b>Cash and cash equivalents at the end of the year</b>	<b>\$107,848</b>	<b>\$73,838</b>

Million pesos.

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**DIVIDENDS**

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GFNorte's Ordinary General Shareholders' Meeting held on November 19<sup>th</sup>, 2015, approved to modify the Dividend Policy, which was effective since October 2011.

As of November 2015, the Policy establishes that the dividend payment can be between 16% and up to 40% of the net income of the prior year.

- For reference, the former Policy which decreed dividends established a payment between 16% and 20% of the recurring net income depending on its annual growth.

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**POLICIES GOVERNING TREASURY ACTIVITIES OF THE BANK (MAIN SUBSIDIARY OF THE FINANCIAL GROUP)**

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**Regulatory Framework**

1. All operations carried out by the Treasury will be executed in strict accordance with regulations established by Banking Institution regulatory authorities, such as the Central Bank (BANXICO), the National Banking and Securities Commission (CNBV), the Ministry of Finance and Public Credit (SHCP), as well as those set forth in the Law of Credit Institutions.
2. The Treasury is subject to the policies regarding thresholds and management of liquidity risks established by the Risk Policy Committee in the Risk Administration manual.

**Treasury Management**

In order to maintain a prudent strategy for the management of assets and liabilities through stable funding sources, constitute and maintain liquid assets at optimum levels, the Treasury will monitor the following limits to maintain an appropriate level of liquidity:

1. Diversification of funding sources, by accessing several national and international markets.
2. Structure liabilities in such a way as to avoid the accumulation of maturities that significantly influence the administration and control of the Treasury's resources.
3. Ensure liquidity in adverse times by tapping long-term liabilities.
4. Liquid Assets. Maintain a balanced liquid assets-total assets ratio.
5. Additional Liquidity. Maintain a highly liquid inventory of assets to ensure the immediate availability of resources.
6. Transfer Prices. The Treasury will have exclusive power to determine and propose the transfer costs of assets and liabilities to the Risk Policy Committee.

## **Treasury's Funding sources**

Sources of financing for the International Treasury must be classified in a monthly report indicating the sources of available resources, their use and concentration:

1. Public:
  - Checking accounts (via the network of branches and corporations).
2. Market:
  - Commercial paper.
  - Cross Currency Swaps
  - Syndicated Loans.
  - Securitizations
  - Deposit Certificate.
3. National Banks and Development Funds:
  - National Banks.
  - Funds.
4. Correspondent Banks:
  - Foreign Banks
5. Available credit lines: (not available)
  - Commercial paper.
  - Correspondent banks.
- a. Through diverse Long Term Financing Programs, proposals will be studied, analyzed and implemented, in order to consolidate an adequate debt profile.
- b. The Treasury, in coordination with the Head of Risk Control, will monitor the results of its daily calculations of liquidity coefficients established by the CPR and authorities.

**PAID AND DEFERRED TAX**

Concept	As of December 31, 2015
Income Tax (ISR)	5,720
Profit Sharing (PTU)	368
Updated caused taxes	0
Deferred ISR & PTU	418
Updated deferred taxes	0
<b>Total</b>	<b>\$6,506</b>

Million pesos.

Temporary Asset Differences	ISR	PTU	Net
Allowance for loan losses	1,135	0	1,135
Fiscal losses	1,736	0	1,736
Fiscal losses in foreclosed assets	94	0	94
Fiscal losses in shares' sale	2	0	2
Surplus of loan loss provisions over the net fiscal limit	2,801	0	2,801
Excess of tax over book value of foreclosed and fixed assets	880	0	880
PTU	111	0	111
Fees collected in advance	881	0	881
Accounting provisions	919	0	919
Other items	78	0	78
<b>Total Assets</b>	<b>\$8,637</b>	<b>\$0</b>	<b>\$8,637</b>

Temporary Liability Differences	ISR	PTU	Net
Excess of book over tax value of foreclosed and prepayments	(99)	0	(99)
Portfolios acquired	(390)	0	(390)
Capitalizable projects' expenses	(1,943)	0	(1,943)
Provisions	(72)	0	(72)
Valuation of Financial Instruments	(1,401)	0	(1,401)
Anticipated contributions to the pension fund	(1,082)	0	(1,082)
Intangible Assets	(467)	0	(467)
Deferred from the IXE purchase method	(272)	0	(272)
Other liabilities	(126)	0	(126)
<b>Total liabilities</b>	<b>(\$5,852)</b>	<b>\$0</b>	<b>(\$5,852)</b>

<b>Assets (Liabilities) Accumulated Net</b>	<b>\$2,785</b>	<b>\$0</b>	<b>\$2,785</b>
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Million pesos.

GFNorte recognizes the effect of deferred taxes determined under the assets and liabilities method, in accordance with NIF D-4 "Income Tax", through a comparison of their accounting and fiscal values. Temporary differences arise from this comparison to which the corresponding tax rate was applied.

On the other hand, employee profit sharing (PTU) is determined using the guidelines established by the *Constitución Política de los Estados Unidos Mexicanos*, so deferred taxes are not generated.

The net effect of all the aforementioned operations are shown in the Balance Sheet under assets entitled "Deferred Taxes".

The deferred taxes for each subsidiary as of December 31, 2015 are as follows:

<b>Deferred Taxes</b>	<b>As of December 31, 2015</b>
Banco Mercantil del Norte S.A.	3,095
Grupo Financiero Banorte S.A.B. de C.V.	(162)
Arrendadora y Factor Banorte S.A. de C.V.	(9)
Seguros Banorte S.A. de C.V.	79
Pensiones Banorte S.A. de C.V.	(543)
Casa de Bolsa Banorte Ixe, S. A. de C. V.	85
Almacenadora Banorte S.A. de C.V.	3
Sólida Administradora de Portafolios S.A. de C.V.	237
<b>Total</b>	<b>\$2,785</b>

Million pesos.

#### **TAX CREDITS OR DEBTS**

The tax credits listed below are currently in litigation:

	<b>As of December 31, 2015</b>
<b>BANORTE</b>	<b>\$34</b>
IMSS fees, various occupations	6
INFONAVIT fees, various occupations	28
<b>AFORE XXI BANORTE</b>	<b>\$2</b>
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
<b>UNITELLER</b>	<b>\$5</b>
Philippines 2007 - 2008	5
<b>CASA DE BOLSA BANORTE IXE</b>	<b>\$35</b>
Fiscal credit review - year 2007 (document 900 06 05-2010-03968)	35
<b>IXE BANCO</b>	<b>\$13</b>
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	13

Million pesos

## Internal Control

At Grupo Financiero Banorte, S.A.B. de C.V. (GFNorte), we recognize that internal control is the responsibility of each member of the Institution, and is therefore implicit in daily performance which facilitates its permanent spread and promotion at all levels of the Institution.

The Internal Control System (ICS) of GFNorte has been structured in accordance with guidelines set by its Board of Directors which establishes the general internal control framework for the companies that comprise GFNorte, as well as how the internal workings should be operated, in order to provide reasonable security with regard to effectiveness and efficiency of operations, the dependability of financial information and the fulfillment of regulations and the legal framework.

The ICS's mission is to support the operation of appropriate internal controls in transactions, and the generation and recording of information. It is comprised of several elements:

- A. The Board of Directors with the support of: the Advisory Board, Risk Policies Committee (CPR), Audit and Corporate Practices Committee (CAPS), and the Human Resources Committee.
- B. The CEO and the departments which support him: Unit Risk Management (UAIR), Legal Department and the Comptroller, responsible for ensuring that adequate control levels, operational risks and compliance with regulation are maintained.
- C. Internal Audit, External Audit and the Commissary, which applies only to GFNorte's subsidiaries, as additional support structures to check how the Internal Control System functions and provide reasonable assurance regarding the reliability of the generated data. The Internal Audit Department reports to the Audit and Corporate Practices Committee (CAPS) and maintains full independence from the administrative areas.
- D. The Executive Group as main responsible persons for SCI assurance according to the functions and responsibilities assigned to them. In addition to promoting the enforcement of the regulations established for the Institution and the strategies set forth by the GFNorte's CEO.
- E. Documents that establish the general control criteria that should be followed in the operation and reporting of transactions; in optimizing human, material and technological resources; in the use, security, timeliness and reliability of the information; and in the due compliance with the external and internal regulations. The Code of Conduct that regulates the behavior that each Board member, officer or employee of the Group should assume while performing their activities stress out.
- F. Policy and procedure manuals that regulate documentation, recording and liquidation of operations that the Group carries out and establish the control points that should be observed, assuring the separation of functions, clear assigning of responsibilities, safekeeping of information and prevention of unlawful acts.

During 2015, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

- A. The Board of Directors analyzed and, at the request of CAPS, ratified its authorization of the basic SCI documents: Code of Conduct, Objectives and Limitations of Internal Control and General Policies for Human Resources and Materials, in accordance with external regulation specifications.

- B. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- C. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- D. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- E. The Supervisory Authorities' requirements have been addressed, the ordinary inspection visits were attended and the information required by the external regulations has been submitted.
- F. Through Process and Management Controllers, various business and support processes that make up the operation in GFNorte are monitored, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
- G. According to the work plan developed at the beginning of the year, various activities in terms of accounting internal control were carried out.
- H. We comply with the annual effectiveness testing program of the Business Continuity Plan, as well as with the procedure's changes review and the update of the Continuity Plan itself
- I. Requests regarding internal control subjects from diverse internal departments were handled, to the development of new institutional projects, as well as those derived from changes in the Regulation.



## II. Main Transactions and Intragroup Exposure

### OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

At Banco Mercantil del Norte, GFNorte's main subsidiary, loans to related individuals and companies do not exceed the 35% limit of tier 1 capital for December 2015 and 2014, and 50% limit of tier 1 capital for December 2013.

	Banorte		
	Dec-15	Dec-14	Dec-13
Portfolio Art. 73	\$7,552	\$3,688	\$6.778
Portfolio Art. 73 / Tier 1 Capital	10.5%	5.4%	12.0%
Portfolio Art. 73 / Limit established of tier 1 Capital*	30.0%	15.5%	24.1%

\*For Dec-13, the limit established by the regulation was 50% of tier 1 capital.

As of **December 31<sup>st</sup>, 2015**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 7.55 billion (including Ps 914 million in — Credit Letters “CC”, which are registered in memorandum accounts), representing 1.5% of the total loan portfolio (excluding the balance of CC). Of the total related loans, Ps 6.33 billion were loans granted to clients linked to members of the Board of Directors; Ps 15 million were granted to clients linked to shareholders and Ps 1.21 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of December 2015 was 10.5% of the limit set by Banco de México, which is equivalent to 35% of the basic part of the net capital.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 91% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

As of **December 31<sup>st</sup>, 2014**, the total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 3.69 billion (including Ps 450 million in — Credit Letters “CC”, which are registered in memorandum accounts), representing 0.8% of the total loan portfolio (excluding the balance of CC and Support to Federal Government Housing Debtors). Of the total related loans, Ps 2.39 billion were loans granted to clients linked to members of the Board of Directors; Ps 924 million were granted to clients linked to shareholders and Ps 370 million were linked to companies related to GFNorte.

In accordance with Article 73 of the Law of Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of December 2014 was 5.4% of the limit set by Banco de Mexico which is equivalent to 35% of the basic part of net capital.

Related parties loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 99% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

## III. Board of Directors

The Board of Directors of Grupo Financiero Banorte, S.A.B. de C.V. is made up of 14 Proprietary Members, and when appropriate their respective Alternates, of which 10 are independent. Alternate Members can only replace their respective proprietary members in the event of a temporary vacancy, with the understanding that Alternates of Independent Board Members have the same capacity.

**Frequency of sessions:** The Board meets every quarter and under extraordinary circumstances at the request of the Board's Chairman, 25% of Proprietary Members, or the Chairman of the Audit and Corporate Practices Committee.

**Quorum:** 51% of the Board Members which should always include at least one independent member.

- All proprietary members of the Board have voice and vote in the meetings.
- In the absence of a proprietary member, the alternate is entitled to vote and his/her presence is considered part of the required quorum.
- When a proprietary member is present, the alternate is not entitled to vote and his/her presence is not considered part of the required quorum.
- Decisions are made by the majority of votes of those present.

The Board of Directors was approved during the Annual General Shareholders' Meeting held on April 24, 2015. It is comprised by the following members

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Carlos Hank González	Chairman of the Board of Directors Proprietary Member	October 2014	<ul style="list-style-type: none"> <li>• He was CEO of Grupo Financiero Interacciones, Interacciones Casa de Bolsa and Grupo Hermes.</li> <li>• He was Deputy CEO of Grupo Financiero Banorte.</li> <li>• He was Vice-Chairman of Gruma's Board of Directors.</li> <li>• He holds a Bachelor's degree in Business Management from Universidad Iberoamericana</li> </ul>
Juan Antonio González Moreno	Proprietary Member	April 2004	<ul style="list-style-type: none"> <li>• Chairman of the Board and CEO of Gruma and Gimsa</li> <li>• He has been Managing Director of Gruma Asia and Oceania, Senior Vice-Chairman of Special Projects of Gruma Corporation, Chairman of the Board and CEO of CarAmigo USA, Vice-Chairman of Central and East Regions of MissionFoods, Chairman and Vice-Chairman of sales of Azteca Milling.</li> <li>• He graduated in Business Management from Universidad Regiomontana and holds an MBA from San Diego University.</li> </ul>

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
David Villareal Montemayor	Proprietary Member	October 1993	<ul style="list-style-type: none"> <li>• CEO and major shareholder of Artefactos Laminados, S. A. de C.V.</li> <li>• He is Chairman of the Board of Directors and Deputy CEO of Inmobiliaria Montevi, S.A. de C.V. and Inmobiliaria Monyor S.A. de C.V.</li> <li>• He is a regional Advisor of Banco Nacional de Mexico, S.A. (Banamex) and Financial Advisor and Business Developer for SISMEX, Sistemas Mexicanos S.A. de C.V.</li> <li>• He is a Mechanical and Electrical Engineer from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and holds a Master's Degree in Science in Automatic Control from the same institution.</li> </ul>
José Marcos Ramírez Miguel	Proprietary Member	July 2011	<ul style="list-style-type: none"> <li>• CEO of Grupo Financiero Banorte, Banco Mercantil del Norte and Casa de Bolsa Banorte Ixe.</li> <li>• He held positions as Managing Director of Wholesale Banking and Chief Corporate Officer at Grupo Financiero Banorte.</li> <li>• He was CFO, Managing Director of Wholesale Banking, Managing Director of Santander Brokerage and Executive Vice-Chairman of Grupo Financiero Santander.</li> <li>• He was appointed Chairman of Asociación Mexicana de Intermediarios Bursátiles. He also worked at Nacional Financiera, S.N.C., Banque Nationale de Paris and Banque Indosuez Mexico. Founded Finventia and served as interdisciplinary consultant at Peat Marwick Mexico.</li> <li>• He holds a Bachelor's Degree in Actuarial Science from Universidad Anahuac, a Post-graduate Degree in Finance from Instituto Tecnológico Autónomo de México (ITAM) and an MBA from E.S.A.D.E. in Barcelona, Spain.</li> </ul>
Everardo Elizondo Almaguer	Proprietary Independent Member	April 2010	<ul style="list-style-type: none"> <li>• Founder and Director of the Graduate School of the Faculty of Economics, University of Nuevo Leon. He is Professor of International Finance at EGADE, Business School, ITESM.</li> <li>• He was Director of Economic Studies of Grupo Industrial Alfa (Alfa Group).</li> <li>• He founded Consulting Agency Index, Economía Aplicada S.A.</li> <li>• He was Deputy Governor of the Mexican Central Bank.</li> <li>• He is member of several companies' Boards of Directors.</li> <li>• He graduated in Economics from the University of Nuevo Leon and holds a Master's Degree in Economics from the University of Wisconsin-Madison.</li> </ul>

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Patricia Armendáriz Guerra	Proprietary Independent Member	April 2009	<ul style="list-style-type: none"> <li>• She is Managing Director at Financiera Sustentable, Associated Director of the Bank for International Settlements and Partner - Director and Founder of Valores Financieros.</li> <li>• She was advisor to the Chairman Emeritus, Roberto González Barrera, and Director of Special Projects at the same Institution.</li> <li>• She was advisor to the Minister of Finance and Public Credit and Vice-Chairman of Supervision at the National Banking and Securities Commission.</li> <li>• She is an Actuary from Universidad Nacional Autónoma de México (UNAM), holds a Master's Degree in Economics from the same institution and a Ph.D. in Economics from Columbia University.</li> </ul>
Héctor Reyes-Retana y Dahl	Proprietary Independent Member	July 2011	<ul style="list-style-type: none"> <li>• Member of the Board of Banco del Ahorro Nacional (Bansefi).</li> <li>• He founded the organism "ProMéxico, Inversión y Comercio".</li> <li>• He was the CEO of Banco Nacional de Comercio Exterior, S.N.C (Bancomext), CEO of Banca Confia and Director of International Operations of Banco de Mexico (Banxico).</li> <li>• He was CEO of Grupo Financiero Mifel and Banca Mifel, and was Vice-Chairman of the Mexican Banking Association.</li> <li>• He is an Industrial Engineer from Universidad Iberoamericana and holds an MBA from Cornell University.</li> </ul>
Juan Carlos Braniff Hierro	Proprietary Independent Member	July 2011	<ul style="list-style-type: none"> <li>• He is Chairman of the Board of Corporación GEO, S.A.B. de C.V.</li> <li>• He is Chairman of the Board and CEO of Capital I, Fondos de Inversion Inmobiliaria.</li> <li>• Member of the Board of Directors of Maxcom and Afore XXI Banorte.</li> <li>• At Grupo Financiero BBVA Bancomer, he was Vice-Chairman of the Board of Directors, Chairman of the Board of Insurance, Annuities and Afore Bancomer and member of the Credit, Risk and Audit Committees. He has also been member of the Board of Directors and member of committees at: Fomento Económico Mexicano (FEMSA), Coca Cola Femsa (KOF), Aeroméxico, Maizoro, Hoteles Presidente Intercontinental and El Paso Corp, among others.</li> </ul>
Armando Garza Sada	Proprietary Independent Member	July 2011	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Alfa.</li> <li>• Member of the Board of: Banco de México (Regional Board), Femsa, Frisa, Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), Lamosa, Liverpool, Proeza, Advisory Board of Stanford University's Business</li> </ul>

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<p>School, and member of the Board of Stanford University.</p> <ul style="list-style-type: none"> <li>• He graduated from the Massachusetts Institute of Technology (MIT) and holds an MBA from Stanford Business School.</li> </ul>
Alfredo Elias Ayub	Proprietary Independent Member	April 2012	<ul style="list-style-type: none"> <li>• He was CEO of the Mexican Federal Electricity Commission (Comisión Federal de Electricidad, CFE), of Airports and Auxiliary Services (Aeropuertos y Servicios Auxiliares, ASA) and held several positions within the Ministry of Energy and Mining.</li> <li>• He was a member of the Ex Alumni Council at Harvard Business School, Nacional Financiera, Multibanco Mercantil de México and Banco Internacional.</li> <li>• He was Chairman of the Board of the Mexican Institute of Electric Research and of the México Foundation at Harvard.</li> <li>• He is Chairman of the Board of Promociones Metropolis S.A de C.V. and is member of the Board of Iberdrola USA and Rotoplas.</li> <li>• He is a Civil Engineer from Universidad Anáhuac and holds an MBA from Harvard Business School.</li> </ul>
Adrián Sada Cueva	Proprietary Independent Member	April 2013	<ul style="list-style-type: none"> <li>• He is Executive Manager Director and member of the Board of Directors of Vitro, S.A.B. de C.V. and has held several Manager positions within the Industrial Group.</li> <li>• He is a Member of the Board of Directors of Coparmex, Comegua, Club Industrial de Monterrey, Universidad de Monterrey and Cámara de la Industria de Transformación (CAINTRA).</li> <li>• He graduated in Business from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and holds an MBA from Stanford Business School.</li> </ul>
Alejandro Burillo Azcárraga	Proprietary Independent Member	April 2013	<ul style="list-style-type: none"> <li>• He is Chairman of the Board of Directors of Grupo Pegaso.</li> <li>• He has participated as major and strategic partner in: Ixe Banco, Laredo National Bank, Telefónica Movistar, Atlante Football Club, among others. He has also been independent member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A.</li> </ul>
José Antonio Chedraui Eguía	Proprietary Independent Member	April 2015	<ul style="list-style-type: none"> <li>• He is CEO of Grupo Comercial Chedraui.</li> <li>• He has held positions as Commercial Director and then as CEO of Comercial Las Galas.</li> <li>• He participates in the organizations Fundación Chedraui, Young Presidents' Organization and México Nuevo.</li> </ul>

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> <li>• He holds a Bachelor's Degree in Accounting and Finance from Universidad Anáhuac.</li> </ul>
Alfonso de Angoitia Noriega	Proprietary Independent Member	April 2015	<ul style="list-style-type: none"> <li>• He is Executive Vice-Chairman and Chairman of the Finance Committee at Grupo Televisa, S.A.B. He has served on the Board and Executive Committee and has held the position of Executive Vice-Chairman of Administration and Finance at Grupo Televisa.</li> <li>• He is member of the Board of Directors of Cablevisión, S.A. de C.V., Innova, S. de R.L. de C.V. (Sky), Cablemás Telecomunicaciones, S.A. de C.V., Operbes, S.A. de C.V. (Bestel), Televisión Internacional, S.A. de C.V., Grupo Axo, S.A.P.I. de C.V. and The Americas Society.</li> <li>• Co-founder of the Law firm Mijares, Angoitia, Cortés y Fuentes, S.C.</li> <li>• He was a member of the Board of Grupo Modelo, S.A.B. de C.V.</li> <li>• He holds a Bachelor's Degree in Law from the Universidad Autónoma de México (UNAM).</li> </ul>
Graciela González Moreno	Alternate Member	April 2013	<ul style="list-style-type: none"> <li>• She is private accountant, graduated from the Universidad Labastida in Monterrey, N.L. Since September 1988 until 2010, she participated as founding partner and member of the Board of Directors of Asociación Gilberto, A.C., being Vice-Chairman of it from 2007 to 2010. She is daughter of Roberto González Barrera, sister of Bertha González Moreno, Juan González Moreno and Roberto González Moreno.</li> </ul>
Juan Antonio González Marcos	Alternate Member	April 2014	<ul style="list-style-type: none"> <li>• Chairman of Maranello Magnate, LLC.</li> <li>• He was Director of Marketing Projects at Mission Foods.</li> <li>• He holds a Bachelor's degree in Audio Production from SAE Institute of Melbourne.</li> <li>• He holds a Bachelor's degree in Fine Arts; Marketing from University of North Texas.</li> </ul>
José María Garza Treviño	Alternate Independent Member	April 2014	<ul style="list-style-type: none"> <li>• Chairman of Grupo Garza Ponce.</li> <li>• He was member of the Board of Directors in Grupo Financiero BITAL, Finanzas Monterrey, Banca Afirme and Banca Confía- Abaco Grupo Financiero.</li> <li>• He served as Vice-Chairman of the Mexican Camera of the Construction Industry and of the Mexican Association of Industrial Parks (A.M.P.I. P), as an adviser in COPARMEX and in the Owners of Real Estate Camera, and as Chairman of Civil Engineers Ex a Tec.</li> <li>• Participated on the Advisory Boards of HSBC Northeast, BBVA Northeast and NAFINSA.</li> </ul>

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Robert William Chandler Edwards	Alternate Independent Member	April 2015	<ul style="list-style-type: none"> <li>• Partner at Sánchez DeVanny Eseverri, S.C. since 1991.</li> <li>• He is member of the Board of Banco de Bajío, S.A.</li> <li>• He has been officer in various financial entities such as Chase Manhattan Bank, Banco Mercantil Agrícola de Caracas, Banco de Comercio de Bogotá and Banco Mercantil del Norte, S.A.</li> <li>• He participated in the Board of Directors of Banco del Centro, S.A., Banpaís, S.A. and Cydsa, S.A.</li> </ul>
Alberto Halabe Hamui	Alternate Independent Member	April 2014	<ul style="list-style-type: none"> <li>• Deputy Managing Director of Inmobiliaria IHM S.A. de C.V. since 2007, Comercializadora de Viviendas Albatros S.A. de C.V. and Nueva Imagen Construcciones S.A. de C.V.</li> <li>• Member of the Management and Operations Committee of St. Regis México and Banorte's Metropolitan Regional Board; furthermore, he was Member of the Board of Directors in Microfinanciera Finsol.</li> </ul>
Roberto Kelleher Vales	Alternate Independent Member	April 2014	<ul style="list-style-type: none"> <li>• Currently, he is Shareholder, Vice Chairman and CEO of Inmobilia Desarrollos.</li> <li>• He was Chairman and member of the Volkswagen National Dealers Association and member of the Mexican Association of Car Dealers.</li> </ul>
Manuel Aznar Nicolin	Alternate Independent Member	March 2007	<ul style="list-style-type: none"> <li>• Partner at Kuri Breña, Sánchez Ugarte y Aznar, S.C.</li> <li>• He holds a Bachelor's Degree in Law from Escuela Libre de Derecho.</li> </ul>
Guillermo Mascareñas Milmo	Alternate Independent Member	July 2011	<ul style="list-style-type: none"> <li>• Associate Director of Alpha Patrimonial, S.A. de C.V.</li> <li>• He was member of the Board of Directors of Grupo Pegaso, Grupo Televisa and Casa de Bolsa Inverlat.</li> </ul>
Ramón A. Leal Chapa	Alternate Independent Member	July 2011	<ul style="list-style-type: none"> <li>• He is Director of Treasury at Alfa Corporativo.</li> <li>• He held various executive positions at Pulsar, Vector Casa de Bolsa and Violy &amp; Partners.</li> </ul>
Isaac Becker Kabacnik	Alternate Independent Member	April 2002	<ul style="list-style-type: none"> <li>• Chairman of Becker e Hijos, S.A. de C.V. and of Becketl, S.A. de C.V.</li> <li>• He is a Civil Engineer graduated from Universidad Nacional Autónoma de México.</li> </ul>
Eduardo Livas Cantú	Alternate Independent Member	April 1999	<ul style="list-style-type: none"> <li>• He is an Independent Financial Adviser.</li> <li>• Member of the Board of Directors of Gruma S.A. de C.V. and Gimsa S.A. de C.V.</li> <li>• He was a member of the Board of the Executive Committee of Gruma S.A. de C.V. and Chief Corporate Officer of Gruma S.A. de C.V. and Gimsa S.A. de C.V.</li> </ul>



NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Javier Braun Burillo	Alternate Independent Member	April 2015	<ul style="list-style-type: none"> <li>• He is Director of Operations and member of the Board of Directors at Grupo Pegaso.</li> <li>• He was Managing Director of Broad Band at Pegaso.</li> <li>• He holds a Bachelor's degree in Economics from Universidad Iberoamericana and an MBA from UCLA Anderson School of Management.</li> </ul>
Rafael Contreras Grosskelwing	Alternate Independent Member	April 2015	<ul style="list-style-type: none"> <li>• He is Director of Administration and Finance at Grupo Comercial Chedraui, S.A. de C.V.</li> <li>• He is member of the Advisory Board of Banco Nacional de México, S.A.</li> <li>• He is Industrial Engineer from Universidad Panamericana.</li> </ul>
Guadalupe Phillips Margain	Alternate Independent Member	April 2015	<ul style="list-style-type: none"> <li>• She is Vice-Chairman of Finance and Risk at Grupo Televisa, S.A.B.</li> <li>• She is member of the Board of Directors of Más Fondos, S.A. de C.V., Grupo Televisa, S.A.B., Evercore Casa de Bolsa, S.A. and Innova, S. de R.L. de C.V.</li> <li>• She holds a Bachelor's degree in Law from Instituto Tecnológico Autónomo de México and a Master's degree and Ph.D. from Tufts University.</li> </ul>

\*As of July, 23, 2015, Miguel Alemán Magnani and Lorenzo Lazo Margain are no longer part of GFNorte's and Banorte's Boards of Directors.



## IV. Remuneration and Benefits

The total amount of compensations and benefits paid to GFNorte's main officers in 2015 was approximately Ps 174.2 million.

Compensations and Benefits are as follows:

- **Fixed Compensation:** Salary.
- **Annual Bonus Plan for 2015:**

The Bonus Plan for each business area evaluates estimated profit for that particular business, as well as an evaluation of individual performance, which takes into account the achievement of each participant's goals and objectives. The bonus for certain departments is also adjusted based on operational risk evaluations carried out by the Control Department. Likewise, eligibility to receive the deferred variable compensation for a group of managers is determined by a risk and compliance mechanics' review.

Eligible personnel of staff areas are evaluated based on the attainment of estimated profit for the Group, as well as individual performance in accordance with the achievement of each candidate's goals and objectives.

For the senior management, year bonus is covered by 60% and the remaining 40% is covered in three annual installments of 13%, 13% and 14% respectively.

- **Banorte's Long Term Incentive Plans:**

Stock Options:

The long term scheme for incentives consists in assign to designated Officers by the Compensation Committee, a stock options package through a trust with a vesting period up to 4 years having right in 100%. Participants will be entitled to exercise a percentage of the package each year; receiving shares in its capital account.

- **Vacations:** From 10 to 30 working days depending on the number of years of service.
- **Legally Mandated Christmas Bonus:** Equivalent to 42 days of salary.
- **Savings Fund:** The Corporation matches the amount of the employee's contribution up to a maximum of 13% of their monthly salary in accordance with the legal limits established in the Income Tax Law.
- **Medical Service: Traditional Scheme:** Banorte provides medical services through recognized medical institutions, obtaining efficiency in cost and service. **Full Medical Insurance Scheme:** Major medical expenses insurance policy.
- **Life Insurance:** In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months' salary. In the event of accidental death, the compensation is double, prior verification by the insurance company.

- **Pension and Retirement:** The institution has two types of plans: one with defined benefits (Traditional and Special), and a second with a defined contribution (Ensure Your Future).

**Ensure Your Future:** was established on January 1, 2001. This is a defined contribution plan, whereby a percentage of individual contributions by the employee and GFNorte are deposited in a fund for withdrawal by that employee upon termination of their labor relationship. This plan has an "initial individual contribution" (only for employees hired prior to January 1, 2001) that are pension benefits for past services accumulated to date. The maximum monthly contribution is 10% of the gross nominal wage (5% employee and 5% company). The total amount accumulated by GFNORTE in pension, retirement or similar plans for the company's main officers amounts to Ps 55.8 billion.

## **V.** Responsible Officers

The undersigned hereby declare that within the scope of our respective functions, we have truthfully prepared the information contained in this annual report related to Grupo Financiero Banorte, which to the best of our knowledge and understanding reasonably reflects the situation.

Act. José Marcos Ramírez Miguel  
Chief Executive Officer of Grupo Financiero Banorte

Eng. Rafael Arana de la Garza  
Chief Operating Officer

C.P. Isaías Velázquez González  
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo  
Deputy Managing Director of Comptrollership

C.P.C. Mayra Nelly López López  
Executive Director of Accounting

## **VI. Audited Financial Statements**

The Audited Financial Statements are available online ([www.banorte.com](http://www.banorte.com)) in Investor Relations/ Financial Information/ Annual Reports/ Financial Statement 2015.

This report is available in this same link, in the "Annual Reports" section under the title: "CNBV 2015 Annual Report".