

# 4Q19

Financial Results  
as of December 31<sup>st</sup>, 2019

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GFNORTE



OTC QX

GBOOY



XNOR

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# I. Executive Summary

**GFNorte reports Net Income of Ps 9.01 billion during 4Q19, 2% higher. Net Income for 2019 reached Ps 36.53 billion, 14% higher than 2018, and 17% higher with recurring results.**

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

The most relevant results for the period ended on December 31<sup>st</sup>, 2019 were:

- **Net income** for the **fourth quarter of 2019** was **Ps 9.01 billion, up 2% sequentially**, and (12%) lower vs. the same period in 2018. However, excluding the non-recurring income reported in 4Q18, net income had a **6% annual increase**.
- Compared to the previous quarter there are positive results in key concepts: **Net interest income** ex-Insurance and Annuities **rose 4%**, while **loan loss provisions declined (9%)**, **net service fees were up 33%**, and **non-interest expenses showed no major changes**.
- Among the relevant financial indicators for the **quarter**, **NIM** stood at **5.7%**, flat vs. 3Q19; **ROE** changed from 19.6% to **19.0%** due to positive capital accumulation; **ROA** rose to **2.28%** from 2.24%. **Efficiency ratio was practically unchanged**, ending the quarter at **40.6%** from 40.2%.
- In 2019, the Group's net income totaled **Ps 36.52 billion, up 14% vs. 2018**; with **recurring** figures the **increase was 17%** resulting from significant growth across its subsidiaries: The **Bank** increased its recurring net income by **14%**, **Insurance 14%**, **Annuities 26%**, **Afore 28%**, **Mutual Funds 12%**, and **Arrendadora 11%**.
- **Net Interest Income (NII)** grew **8%** vs. 2018, **loan loss provisions** declined (**4%**), recurring **non-interest income** was up **15%**, while **non-interest expense** did so by **8%**. Altogether, recurring **net operating income before taxes** grew **15%** annually.
- Relevant financial indicators for **2019** and their changes vs. 2018 were: **NIM** was steady at **5.6%**; reported **ROE** closed at **20.1%**, while **recurring ROE** rose 28bps from 19.3% to **19.6%**; **recurring ROA** reached **2.22%** from 2.07%. **Recurring efficiency ratio** improved **34bps** from 40.0% to **39.7%**.
- **Consumer loans** were up **2%** during the quarter driven by **2%** growth in both **mortgages and credit cards**, and **3%** growth in **auto loans**. On an annual basis, the **consumer portfolio** expanded **7%**, with a **9%** increase in **mortgages**, **11%** in **auto loans**, **8%** in **credit cards**, and a **(3%)** decline in **payroll loans**.
- **Commercial loans** were up **3% vs. 3Q19**, **corporate 4%**, and **government loans 10%**. Overall, total loan portfolio had a **4% quarterly increase**, and a **(2%)** annual decline. Excluding government loans, the total loan portfolio grew 2% vs. 2018.
- **Asset quality** showed a good sequential trend, with **NPL ratio** improving (27bps) ending the quarter at **1.7%**; **coverage ratio** rose from 126.6% to **137.7%**. **Cost of Risk** totaled **1.98%** both for the quarter and the full year, **declining** (18bps) in the quarter, and (33bps) during the year.
- **The Bank's Core Deposits** were up **5%** quarterly: **demand deposits grew 9%**, while **time deposits were down (3%)**. On an annual basis, demand deposits were up 6%, and time deposits 4%, totaling 5% growth in Core Deposits.
- The bank's **Capital Ratio** reached **18.55%**; **Core Equity Tier 1 (CET1)** stood at **12.74%**, while **leverage ratio** ended the quarter at **10.84%**.

Income Statement Highlights - GFNorte (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Interest Income	39,203	37,161	<b>37,667</b>	1%	(4%)	137,583	<b>150,514</b>	9%
Interest Expense	17,600	16,796	<b>15,174</b>	(10%)	(14%)	60,754	<b>68,693</b>	13%
Technical Results (Insurance & Annuities)	(2,004)	(251)	<b>(2,305)</b>	(819%)	(15%)	(2,003)	<b>(1,244)</b>	38%
Net Interest Income	19,600	20,114	<b>20,188</b>	0%	3%	74,825	<b>80,577</b>	8%
Net Service Fees	3,730	3,183	<b>4,230</b>	33%	13%	13,041	<b>14,011</b>	7%
Trading	1,263	2,303	<b>872</b>	(62%)	(31%)	4,228	<b>5,289</b>	25%
Other Operating Income (Expenses)	2,790	722	<b>746</b>	3%	(73%)	4,226	<b>4,264</b>	1%
Non Interest Income	7,783	6,208	<b>5,847</b>	(6%)	(25%)	21,495	<b>23,564</b>	10%
Total Income	27,383	26,322	<b>26,035</b>	(1%)	(5%)	96,320	<b>104,141</b>	8%
Non Interest Expense	10,013	10,578	<b>10,572</b>	(0%)	6%	37,610	<b>40,678</b>	8%
Provisions	3,902	4,118	<b>3,765</b>	(9%)	(3%)	16,045	<b>15,347</b>	(4%)
Operating Income	13,468	11,626	<b>11,698</b>	1%	(13%)	42,665	<b>48,116</b>	13%
Taxes	3,375	3,094	<b>2,951</b>	(5%)	(13%)	11,637	<b>12,795</b>	10%
Subsidiaries & Minority Interest	89	326	<b>263</b>	(19%)	197%	929	<b>1,208</b>	30%
<b>Net Income</b>	<b>10,182</b>	<b>8,858</b>	<b>9,010</b>	<b>2%</b>	<b>(12%)</b>	<b>31,958</b>	<b>36,528</b>	<b>14%</b>
<b>Recurring Net Income</b>	<b>8,535</b>	<b>8,858</b>	<b>9,010</b>	<b>2%</b>	<b>6%</b>	<b>30,311</b>	<b>35,345</b>	<b>17%</b>

Balance Sheet Highlights - GFNorte (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Asset Under Management	2,607,083	2,815,927	<b>2,771,604</b>	(2%)	6%
Performing Loans (a)	777,192	732,726	<b>762,642</b>	4%	(2%)
Past Due Loans (b)	13,263	14,357	<b>12,806</b>	(11%)	(3%)
Total Loans (a+b)	790,455	747,084	<b>775,448</b>	4%	(2%)
Total Loans Net (d)	771,611	728,913	<b>757,809</b>	4%	(2%)
Acquired Collection Rights (e)	2,417	1,905	<b>1,601</b>	(16%)	(34%)
Total Credit Portfolio (d+e)	774,028	730,818	<b>759,410</b>	4%	(2%)
Total Assets	1,620,470	1,583,651	<b>1,580,010</b>	(0%)	(2%)
Total Deposits	756,301	722,039	<b>724,490</b>	0%	(4%)
Total Liabilities	1,446,006	1,395,973	<b>1,384,012</b>	(1%)	(4%)
Equity	174,464	187,678	<b>195,998</b>	4%	12%

Financial Ratios GFNorte	4Q18	3Q19	4Q19	2018	2019
<b>Profitability:</b>					
NIM (1)	5.4%	5.7%	<b>5.7%</b>	5.6%	<b>5.6%</b>
ROE (2)	23.8%	19.6%	<b>19.0%</b>	20.3%	<b>20.1%</b>
ROA (3)	2.5%	2.24%	<b>2.28%</b>	2.2%	<b>2.3%</b>
<b>Operation:</b>					
Efficiency Ratio (4)	36.6%	40.2%	<b>40.6%</b>	39.0%	<b>39.1%</b>
Operating Efficiency Ratio (5)	2.5%	2.7%	<b>2.7%</b>	2.6%	<b>2.6%</b>
CCL Banorte and SOFOM - Basel III (6)	107.0%	140.7%	<b>133.5%</b>	107.0%	<b>133.5%</b>
<b>Asset Quality:</b>					
Past Due Loan Ratio	1.7%	1.9%	<b>1.7%</b>	1.7%	<b>1.7%</b>
Coverage Ratio	142.1%	126.6%	<b>137.7%</b>	142.1%	<b>137.7%</b>
Cost of Risk (7)	2.01%	2.15%	<b>1.98%</b>	2.31%	<b>1.98%</b>
<b>Market References</b>					
Banxico Reference Rate	8.25%	7.75%	<b>7.25%</b>	8.25%	<b>7.25%</b>
TIE 28 days (Average)	8.25%	8.35%	<b>7.86%</b>	7.99%	<b>8.32%</b>
Exchange Rate Peso/Dolar	19.65	19.73	<b>18.86</b>	19.08	<b>19.30</b>

- 1) NIM= Annualized Net Interest Income / Average Earnings Assets.
- 2) Annualized earnings as a percentage of average quarterly equity over the period, minus minority interest, for the same period.
- 3) Annualized earnings as a percentage of average quarterly assets over the period, minus minority interest, for the same period.
- 4) Non-Interest Expense / Total Income
- 5) Annualized Non-Interest Expense / Average Total Assets.
- 6) Preliminary CCL calculation. To be updated upon Banco de Mexico's official indicators.
- 7) Cost of Risk = Annualized Provisions / Average Total Loans.

Subsidiaries Net Income (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Banco Mercantil del Norte	8,645	6,613	<b>6,729</b>	2%	(22%)	24,377	<b>26,994</b>	11%
Banorte- Ixe-Broker Dealer	214	245	<b>276</b>	13%	29%	851	<b>869</b>	2%
Operadora de Fondos Banorte-Ixe	89	100	<b>101</b>	1%	14%	347	<b>390</b>	12%
Retirement Funds - Afore XXI Banorte	222	415	360	(13%)	62%	1,256	<b>1,609</b>	28%
Insurance	645	739	744	1%	15%	3,434	<b>3,918</b>	14%
Annuities	189	263	<b>272</b>	4%	44%	818	<b>1,030</b>	26%
BAP (Holding)	24	(1)	<b>2</b>	N.A.	(1%)	234	<b>(0)</b>	(10%)
Leasing and Factoring	203	285	<b>236</b>	(17%)	16%	861	<b>957</b>	11%
Warehousing	2	8	<b>11</b>	28%	344%	17	<b>3</b>	(85%)
Sólida Administradora de Portafolios	(216)	(68)	<b>(74)</b>	(9%)	66%	(793)	<b>(172)</b>	78%
Ixe Servicios	(0)	(0)	<b>(0)</b>	7%	48%	(1)	<b>(1)</b>	24%
G. F. Banorte (Holding)	164	259	<b>353</b>	36%	115%	557	<b>932</b>	67%
<b>Total Net Income</b>	<b>10,182</b>	<b>8,858</b>	<b>9,010</b>	<b>2%</b>	<b>(12%)</b>	<b>31,958</b>	<b>36,528</b>	<b>14%</b>

Share Data	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Earnings per share (Pesos)	3.531	3.072	<b>3.125</b>	2%	(12%)	11.083	<b>12.668</b>	14%
Earnings per share Basic (Pesos)	3.557	3.092	<b>3.138</b>	2%	(12%)	11.389	<b>12.747</b>	12%
Dividend per Share for the period (Pesos)	0.00	0.00	<b>0.00</b>	NA	NA	3.45	<b>5.54</b>	61%
Payout for the period	0.0%	0.0%	<b>0.0%</b>	NA	NA	40.0%	<b>50.0%</b>	25%
Book Value per Share (Pesos)	59.75	64.29	<b>67.18</b>	4%	12%	59.75	<b>67.18</b>	12%
Issued Shares (Million)	2,883.5	2,883.5	<b>2,883.5</b>	0%	0%	2,883.5	<b>2,883.5</b>	0%
Stock Price (Pesos)	95.78	106.07	<b>105.00</b>	(1%)	10%	95.78	<b>105.00</b>	10%
P/BV (Times)	1.60	1.65	<b>1.56</b>	(5%)	(3%)	1.60	<b>1.56</b>	(3%)
Market Capitalization (Million Dollars)	14,054	15,498	<b>16,050</b>	4%	14%	14,054	<b>16,050</b>	14%
Market Capitalization (Million Pesos)	276,177	305,848	<b>302,763</b>	(1%)	10%	276,177	<b>302,763</b>	10%

### Share performance



## II. Management's Discussion & Analysis

On this report there are references to recurring figures related to usual business activities without the effect of the non-recurring income resulting from the dissolution of Banorte USA.

For comparison purposes, it is important to consider that GFNorte holds a 98.2619% ownership of the bank; therefore, some figures may vary as they refer to the group or the bank.

Net Interest Income (NII) (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Interest Income	35,105	34,354	<b>33,395</b>	(3%)	(5%)	125,631	<b>138,752</b>	10%
Interest Expense	17,316	16,512	<b>14,858</b>	(10%)	(14%)	59,703	<b>67,533</b>	13%
Loan Origination Fees	338	365	<b>382</b>	5%	13%	1,283	<b>1,406</b>	10%
Fees Paid	284	284	<b>316</b>	11%	11%	1,052	<b>1,160</b>	10%
<b>NII excluding Insurance and Annuities Co.</b>	<b>17,844</b>	<b>17,923</b>	<b>18,604</b>	<b>4%</b>	<b>4%</b>	<b>66,160</b>	<b>71,465</b>	<b>8%</b>
Premium Income (Net)	5,838	6,305	<b>7,747</b>	23%	33%	29,067	<b>32,537</b>	12%
Technical Reserves	3,260	1,922	<b>5,086</b>	165%	56%	13,508	<b>15,003</b>	11%
Damages, Claims and Other Obligations	4,582	4,634	<b>4,967</b>	7%	8%	17,563	<b>18,779</b>	7%
<b>Technical Results</b>	<b>(2,004)</b>	<b>(251)</b>	<b>(2,305)</b>	(819%)	(15%)	<b>(2,003)</b>	<b>(1,244)</b>	38%
Interest Income (Expenses) net	3,760	2,442	3,889	59%	3%	10,669	10,356	(3%)
<b>Insurance and Annuities NII</b>	<b>1,756</b>	<b>2,191</b>	<b>1,584</b>	<b>(28%)</b>	<b>(10%)</b>	<b>8,665</b>	<b>9,112</b>	<b>5%</b>
<b>GFNORTE's NII</b>	<b>19,600</b>	<b>20,114</b>	<b>20,188</b>	<b>0%</b>	<b>3%</b>	<b>74,825</b>	<b>80,577</b>	<b>8%</b>
Credit Provisions	3,902	4,118	<b>3,765</b>	(9%)	(3%)	16,045	<b>15,347</b>	(4%)
<b>NII Adjusted for Credit Risk</b>	<b>15,698</b>	<b>15,996</b>	<b>16,423</b>	<b>3%</b>	<b>5%</b>	<b>58,780</b>	<b>65,230</b>	<b>11%</b>
Average Earning Assets	1,456,619	1,408,741	<b>1,419,439</b>	1%	(3%)	1,329,316	<b>1,434,764</b>	8%
<b>Net Interest Margin (1)</b>	5.4%	5.7%	<b>5.7%</b>			5.6%	<b>5.6%</b>	
<b>NIM after Provisions (2)</b>	4.3%	4.5%	<b>4.6%</b>			4.4%	<b>4.5%</b>	
<b>NIM adjusted w/o Insurance &amp; Annuities</b>	5.4%	5.7%	<b>5.9%</b>			5.5%	<b>5.6%</b>	
<b>NIM from loan portfolio (3)</b>	7.8%	8.3%	<b>8.7%</b>			8.3%	<b>8.2%</b>	

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

2) NIM = Annualized Net Interest Income adjusted by Loan Loss Provisions / Average Interest Earnings Assets.

3) NIM = Annualized Net Interest Income from loans / Average Performing Loans

### Net Interest Income (NII)

**NII excluding Insurance and Annuities grew 4%** during the quarter, with a (10%) decline in interest expense attributable to cost of funds savings of Ps 1.65 billion achieved on improving deposit growth and mix, with 9% higher demand deposits, and (6%) lower time deposits including money market funds. It also had a partial benefit from the 50bps cut in the reference rate during the period. Interest income was down (3%) during the quarter, mainly explained by the interest rate cuts, as the loan portfolio increased 4%. As a result, **NIM for the loan portfolio** had a 37bps improvement, ending at **8.7%** from 8.3% in the previous quarter, same performance as **NIM excluding Insurance and Annuities**, which expanded 19bps to reach **5.9%**.

**Accumulated for the year, NII excluding Insurance and Annuities increased 8%** as a result of loan growth, mainly coming from consumer loans, as well as lower wholesale cost of funds, and improvements in the deposit mix. Regarding **NIM of the loan portfolio**, it reached **8.2%**, (11bps) below its 8.3% level of 2018, resulting from reference rate cuts and lower balances in some portfolios. Nevertheless, **NIM excluding insurance and annuities** improved 10bps vs. 2018 reaching **5.6%**, reflecting benefits from lower cost of funds.

**NII from Insurance and Annuities** had a (28%) quarterly decline, mainly explained by higher technical reserves from insurance totaling Ps 1.56 billion, related to new retained premiums underwritten in the quarter, which also explains the (37%) decline in the **technical result** from insurance. The annuities business showed a Ps 1.57 billion increase in interest income, offset by Ps 1.61 billion in reserves, both figures related to higher UDI values on lower inflation vs. the previous period.

**Comparing accumulated results, NII from Insurance and Annuities was up 5%** driven by 12% growth in net premium income, 11% growth in technical reserves totaling Ps 1.49 billion, of which Ps 638 million correspond to a new annuities insurance policy, and the rest came from growth in invested assets. As for the Annuities business, reserves declined Ps 850 million on inflation valuation. Growth in damages and claims from both businesses totaled 7%; claims from Insurance came mainly from P&C, while the increase in Annuities was explained by the portfolio acquisitions in July and December 2018.

Overall, GFNorte's **NII** remained unchanged during the quarter, and grew **8%** annually driven by higher growth in the banking business following the merger in 3Q18, increase in insurance, and strong growth in annuities resulting from the acquired portfolios. **NIM** for the quarter totaled **5.7%** after increasing technical reserves of Ps 1.55 billion, even after NIM excluding insurance and annuities improved by 19bps. The annual NIM reached 5.6%, recovering the 30bps reduction post-merger with Interacciones.

## Loan Loss Provisions

**Provisions declined (9%)** compared to the previous quarter, considering moderate 4% loan growth, and (11%) decline in the past due portfolio. The Ps 754 million provision requirement decline was driven by controlled deterioration in the credit book, and moderate new loan origination. Provisions for the wholesale book increased Ps 494 million over the previous quarter, of which Ps 111 million correspond to the commercial portfolio, and Ps 622 million to the government portfolio on new loan origination during the quarter.

**Considering aggregate results, provisions were down (4%)** with respect to 2018, driven by a (2%) annual decline in performing loans on lower loan origination, and a (3%) reduction in past due loans. The annual comparison shows a Ps 1.30 billion provision decline in the commercial portfolio, of which Ps 906 million correspond to reserve releases in the government portfolio following the reduction in balances, Ps 392 million reduction in the provision requirement of the corporate portfolio mainly explained by the write-off in the previous quarter, a Ps 16 million increase in the commercial portfolio due to payments to the SME past due loan portfolio, Provisions for the consumer portfolio increased Ps 557 due to higher requirements from mortgages, credit cards and auto loans, while there were lower requirements from payroll loans, in line with the slower origination.

Credit Provisions (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Commercial, Corporate & Government	524	172	666	287%	27%	2,558	1,254	(51%)
Consumer	3,466	4,057	3,303	(19%)	(5%)	13,745	14,302	4%
Charge offs and discounts	(88)	(111)	(204)	(84%)	(131%)	(258)	(209)	19%
<b>Credit Provisions</b>	<b>3,902</b>	<b>4,118</b>	<b>3,765</b>	<b>(9%)</b>	<b>(3%)</b>	<b>16,045</b>	<b>15,347</b>	<b>(4%)</b>

**Provisions** represented **18.6%** of **net interest income** in **4Q19**, (182bps) lower than the previous quarter, while in the **aggregate 2019 figure**, they declined (240bps) ending at **19.0%**.

**Cost of risk reached 1.98%** for both the quarter and the annual figure, showing an (18bps) quarterly reduction, and a (33bps) annual decline, in both cases explained by lower provision requirements.

## Non-Interest Income

Non-Interest Income (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Net Service Fees	3,730	3,183	4,230	33%	13%	13,041	14,011	7%
Trading	1,263	2,303	872	(62%)	(31%)	4,228	5,289	25%
Other Operating Income (Expenses)	2,790	722	746	3%	(73%)	4,226	4,264	1%
<b>Non-Interest Income</b>	<b>7,783</b>	<b>6,208</b>	<b>5,847</b>	<b>(6%)</b>	<b>(25%)</b>	<b>21,495</b>	<b>23,564</b>	<b>10%</b>

1) In 1Q19 there was an extraordinary income of Ps 1.66 billion due to the recognition of the conversion effect from Banorte USA' dissolution, as part of the gains generated from the entity's dissolution.

**Non-interest income** was down (6%) during the quarter as trading revenue normalized after their high result in 3Q19 related to market conditions during that period. Despite this decline, non-interest income from the rest of the businesses showed increases both quarterly and annually. Compared to full year reported results in 2018, there was 10% growth in this segment, while recurring figures show **15% growth**. Both results reflect higher fee income from customers as well as trading revenue.

## Service Fees

Service Fees (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Fund Transfers	430	444	427	(4%)	(1%)	1,634	1,636	0%
Account Management Fees	645	579	587	1%	(9%)	2,517	2,366	(6%)
Electronic Banking Services	2,362	2,363	2,656	12%	12%	8,268	9,432	14%
Basic Banking Services Fees	3,437	3,387	3,669	8%	7%	12,419	13,434	8%
For Commercial and Mortgage Loans *	511	280	509	82%	(0%)	1,351	1,317	(3%)
For Consumer Loans	1,253	1,282	1,424	11%	14%	4,711	5,163	10%
Fiduciary *	116	127	146	15%	26%	419	486	16%
Income from Real Estate Portfolios	113	1	7	530%	(94%)	189	276	46%
Mutual Funds	451	462	472	2%	5%	1,673	1,811	8%
Trading & Financial Advisory Fees	131	131	102	(22%)	(22%)	702	513	(27%)
Other Fees Charged (1)	250	259	261	1%	4%	1,103	1,063	(4%)
<b>Fees Charged on Services</b>	<b>6,263</b>	<b>5,929</b>	<b>6,591</b>	<b>11%</b>	<b>5%</b>	<b>22,567</b>	<b>24,063</b>	<b>7%</b>
Interchange Fees	1,173	1,168	1,349	16%	15%	4,000	4,676	17%
Insurance Fees	294	581	(109)	(119%)	(137%)	1,479	1,350	(9%)
Other Fees Paid	1,066	997	1,120	12%	5%	4,047	4,026	(1%)
<b>Fees Paid on Services</b>	<b>2,534</b>	<b>2,746</b>	<b>2,361</b>	<b>(14%)</b>	<b>(7%)</b>	<b>9,526</b>	<b>10,052</b>	<b>6%</b>
<b>Net Service Fees</b>	<b>3,730</b>	<b>3,183</b>	<b>4,230</b>	<b>33%</b>	<b>13%</b>	<b>13,041</b>	<b>14,011</b>	<b>7%</b>

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

**Fees charged on services were up 11%** quarterly, due to higher client transactions on services such as online banking, as well as credit and debit cards, which is typical seasonal behavior during this quarter. **Annual** figures show a **7%** increase in fees charged, mainly on higher basic banking services and consumer loan fees, as well as a Ps 216 million gain in sale of a real estate asset.

**Fees paid on services had a (14%)** sequential decline, mostly driven by lower insurance fees, as in 3Q19 there was a Ps 331 million charge on reinsurance cost. During 4Q19 actual losses were lower than projected, allowing for the release of Ps 417 million from this item. This release compensated the Ps 410 million increase in the reserve for losses. Considering aggregate figures, there was a **6% increase** resulting from greater commercial activity in the acquiring business.

Overall, **net service fees** were up 33% vs. the previous quarter and up 7% when compared to 2018.

## Trading

Trading Income (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Currency and Metals	(136)	(13)	36	N.A.	N.A.	(119)	(8)	93%
Derivatives	1,184	(1,473)	(79)	95%	(107%)	1,979	(855)	(143%)
Negotiable Instruments	(266)	155	70	(55%)	N.A.	(135)	440	N.A.
<b>Valuation</b>	<b>782</b>	<b>(1,330)</b>	<b>26</b>	<b>N.A.</b>	<b>(97%)</b>	<b>1,724</b>	<b>(423)</b>	<b>(125%)</b>
Currency and Metals	509	471	342	(27%)	(33%)	2,113	1,120	(47%)
Derivatives	(63)	2,270	(115)	(105%)	(83%)	(71)	2,358	N.A.
Negotiable Instruments	35	892	618	(31%)	1657%	461	2,233	384%
<b>Trading</b>	<b>481</b>	<b>3,633</b>	<b>845</b>	<b>(77%)</b>	<b>76%</b>	<b>2,503</b>	<b>5,712</b>	<b>128%</b>
<b>Trading Income</b>	<b>1,263</b>	<b>2,303</b>	<b>872</b>	<b>(62%)</b>	<b>(31%)</b>	<b>4,228</b>	<b>5,289</b>	<b>25%</b>

On a **quarterly basis**, trading income declined Ps 1.43 billion, (62%) below the previous quarter fully explained by the normalization of market conditions during the quarter. It is noteworthy to mention that market conditions during 3Q19 contributed to higher revenue, with similar risk levels.

Aggregate figures for 2019 show a **25% increase** in trading income, which was also influenced by higher income during 3Q19.



## Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Loan Portfolios	56	86	57	(34%)	2%	227	286	26%
Income from Foreclosed Assets	(60)	177	206	16%	N.A.	275	545	98%
Impairment of Assets	(7)	-	-	N.A.	(100%)	(180)	(132)	26%
Lease Income	114	119	114	(5%)	(0%)	465	417	(10%)
From Insurance	218	240	246	2%	12%	870	1,004	15%
Securitization Operation Valuation Result	(80)	37	(7)	(117%)	92%	145	106	(27%)
Others	2,549	61	130	113%	(95%)	2,423	2,038	(16%)
<b>Other Operating Income (Expenses)</b>	<b>2,790</b>	<b>722</b>	<b>746</b>	<b>3%</b>	<b>(73%)</b>	<b>4,226</b>	<b>4,264</b>	<b>1%</b>

\*The concepts of Sólida and Lease and Factor previously registered in "Other income (expenses) of the operation" were reclassified in 3Q19 towards "Provisions for Credit": a) "Recovery of Credit Portfolio" and, b) "Release of Provisions"; for comparison purposes they are reclassified retroactively for 2018 and 1H19.

**Other Operating Income (Expenses) were up 3%** vs. the previous quarter totaling **Ps 746 million**, driven by Ps 29 million gains on the sale of foreclosed assets; a Ps 69 million increase on higher income from the credit card business, also to creditors and liabilities cancellations at the bank which were booked under Others, as well as gains from investment projects and other recoveries.

Full year results for 2019, were up 1% vs. reported figures in 2018, mainly explained by a Ps 270 million increase in revenue from foreclosed assets on lower expenses from losses valuations, a Ps 134 million increase of insurance income from reinsurance and from higher premiums, released provisions caused non-recognized expenses, and a decline in Others from lower income from recoveries.

For comparison purposes, **recurring growth** was **43%** as a result of higher revenues from the recognition of Ps 1,661 million of the conversion effect of Banorte USA during 1Q19 and Ps 2,410 million from the sale & leaseback transaction in 4Q18.

## Non-Interest Expense

Non-Interest Expense (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Personnel	3,915	4,258	4,105	(4%)	5%	15,022	15,862	6%
Professional Fees	1,090	941	625	(34%)	(43%)	3,330	3,100	(7%)
Administrative and Promotional	1,959	2,180	2,377	9%	21%	7,954	8,693	9%
Rents, Depreciation & Amortization	1,458	1,772	1,919	8%	32%	5,625	7,001	24%
Taxes other than income tax & non deductible expenses	615	484	602	24%	(2%)	2,075	2,221	7%
Contributions to IPAB	853	821	809	(2%)	(5%)	3,149	3,297	5%
Employee Profit Sharing (PTU)	123	122	136	11%	11%	455	504	11%
<b>Non-Interest Expense</b>	<b>10,013</b>	<b>10,578</b>	<b>10,572</b>	<b>(0%)</b>	<b>6%</b>	<b>37,610</b>	<b>40,678</b>	<b>8%</b>

**Non-interest expenses remain unchanged** during the quarter and showed minor increases in some business-related concepts. Aggregate figures had an **8% increase**, driven by a 6% increase in personnel expenses, mainly related to salary increases; a 9% increase in administrative and promotional expenses due to higher volume in securities and cash transfers from branches; higher transactionality in the acquiring business, and a 24% increase in rents which includes Ps 344 million in leasing expenses from the sale & leaseback transaction of the corporate offices in December 2018, while depreciation and amortization were higher from IT project amortizations.

The **efficiency ratio** stood at **40.6%** showing a 42bps **increase** vs. the 40.2% ratio in 3Q19, while the aggregate **reported results** reached 39.1%. Measured with recurring income figures, it totaled **39.7%**, improving (34bps) vs. the 40.0% figure in 2018.

## Net Income

Net Income (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
<b>Operating Income</b>	<b>13,468</b>	<b>11,626</b>	<b>11,698</b>	<b>1%</b>	<b>(13%)</b>	<b>42,665</b>	<b>48,116</b>	<b>13%</b>
Subsidiaries' Net Income	245	451	389	(14%)	59%	1,385	1,716	24%
<b>Pre-Tax Income</b>	<b>13,713</b>	<b>12,077</b>	<b>12,086</b>	<b>0%</b>	<b>(12%)</b>	<b>44,050</b>	<b>49,832</b>	<b>13%</b>
Taxes	3,375	3,094	2,951	(5%)	(13%)	11,637	12,795	10%
Discontinued Operations	-	-	-	N.A.	N.A.	-	-	N.A.
Minority Interest	(156)	(125)	(125)	0%	20%	(456)	(509)	(11%)
<b>Net Income</b>	<b>10,182</b>	<b>8,858</b>	<b>9,010</b>	<b>2%</b>	<b>(12%)</b>	<b>31,958</b>	<b>36,528</b>	<b>14%</b>

**Net operating income grew 1%** during the quarter, resulting from higher interest income, adequate non-interest expense control, and lower provisions. Compared to full-year 2018 results, it **increased 13%** with reported figures, and **15%** using **recurring** results, favored by good performance in the Bank and Insurance operations, and by lower provision requirements. Lower provisions were driven by moderate loan growth, and by the implementation of internal methodologies for reserves and provisions of revolving consumer products and for commercial loans; the latter was authorized by the regulator and implemented in 2019.

**Taxes declined (5%)** during the quarter, using recurring figures. The resulting effective tax rate for the quarter was 24.4%, (120bps) lower than the reported rate in the previous quarter. Accumulated tax expenses grew 10%, resulting in an **effective tax rate for 2019 of 25.7%**, down (74bps) vs. 2018. In both cases the lower tax rate is a result of lower accumulated fiscal income in certain transactions, and the recognition of fiscal losses.

**Net income** for the quarter totaled **Ps 9.01 billion, up 2%** vs. the previous quarter. **Accumulated net income during 2019**, showed **17% recurring growth** compared to 2018, and up **14% using reported figures**.

Regarding **profitability for the Holding company**, it is noteworthy to mention that the accumulated annual increase of Ps 375 million is a result of interest income from the funds that were transferred by the subsidiaries as dividends and the fair value recognition assets acquired in 2018.

**Reported EPS** for the quarter was **Ps 3.12**, and the **recurring 2019 figure** was **Ps 12.668**.

## Profitability

	4Q18	3Q19	4Q19	2018	2019
<b>ROE</b>	<b>23.8%</b>	<b>19.6%</b>	<b>19.0%</b>	<b>20.3%</b>	<b>20.1%</b>
Goodwill & Intangibles (billion pesos)	45	51	52	45	52
Average Tangible Equity (billion pesos)	123	131	133	123	133
<b>ROTE</b>	<b>32.0%</b>	<b>27.2%</b>	<b>26.1%</b>	<b>25.9%</b>	<b>27.5%</b>

**ROE** totaled **19.0%** for the **quarter**, down (59bps) vs. the previous quarter, on capital accumulation as equity grew 4% during the period. **ROE for 2019** reached 20.1%; and **19.6%** when measured with recurring results, up 28bps vs. last year's results, on overall good business performance.

During the quarter **ROTE** reached **26.1%**, down (115bps) vs. 3Q19 driven by positive average tangible equity accumulation during the quarter; using recurring aggregate figures, ROTE improved 219bps vs. 2018.

	4Q18	3Q19	4Q19	2018	2019
<b>ROA</b>	<b>2.5%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.3%</b>
Average Risk Weighted Assets (billion pesos)	692	765	578	692	578
<b>RRWA</b>	<b>4.6%</b>	<b>4.9%</b>	<b>6.3%</b>	<b>4.6%</b>	<b>6.3%</b>

**ROA** remained **stable** at **2.3%**, adding 5bps over the previous quarter's result. The aggregate result totaled 2.3%, up 12bps vs. 2018, while recurring accumulated results reached **2.2%**, **up 16bps** vs. 2018, including the merger.

## Deposits

Deposits (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Non-Interest Bearing Demand Deposits	303,340	266,731	<b>297,379</b>	11%	(2%)
Interest Bearing Demand Deposits	110,670	134,652	<b>140,158</b>	4%	27%
<b>Total Demand Deposits</b>	<b>414,010</b>	<b>401,383</b>	<b>437,537</b>	9%	6%
<b>Time Deposits – Retail</b>	<b>219,797</b>	<b>235,703</b>	<b>229,036</b>	(3%)	4%
<b>Core Deposits</b>	<b>633,806</b>	<b>637,086</b>	<b>666,573</b>	5%	5%
<b>Money Market</b>	<b>125,429</b>	<b>89,334</b>	<b>77,698</b>	(13%)	(38%)
<b>Total Bank Deposits</b>	<b>759,235</b>	<b>726,420</b>	<b>744,271</b>	2%	(2%)
<b>GFNorte's Total Deposits</b>	<b>756,301</b>	<b>722,039</b>	<b>724,490</b>	0%	(4%)
<b>Third Party Deposits</b>	<b>150,850</b>	<b>184,906</b>	<b>152,648</b>	(17%)	1%
<b>Total Assets Under Management</b>	<b>910,085</b>	<b>911,325</b>	<b>896,919</b>	(2%)	(1%)

**Banorte's core deposits were up 5%** during the quarter, with a **(3%)** decline in **time deposits**, while **demand deposits had a significant 9% growth**, favoring an overall cost of funds reduction. On an annual basis, time deposits rose 4%, while demand deposits did so by 6%, as a result of the implementation of strategies aimed at increasing client deposit balances, given a generalized preference from customers towards interest-bearing deposits during the prevailing rate cycle in the country.

**Money market funds and notes issued** showed a **(13%)** quarterly decline and a (38%) annual drop, because of the strategic reduction funds with higher cost. Overall, **total deposits** were up 2% during the quarter, and down **(2%)** during the year, in line with the decline in the loan portfolio.

## Loans

Performing Loan Portfolio (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Mortgages	155,798	166,286	<b>170,086</b>	2%	9%
Auto Loans	24,132	25,889	<b>26,669</b>	3%	11%
Credit Card	36,657	39,028	<b>39,700</b>	2%	8%
Payroll	52,653	52,096	<b>51,311</b>	(2%)	(3%)
<b>Consumer</b>	<b>269,239</b>	<b>283,298</b>	<b>287,766</b>	2%	7%
<b>Commercial</b>	<b>173,941</b>	<b>167,839</b>	<b>172,729</b>	3%	(1%)
<b>Corporate</b>	<b>136,639</b>	<b>123,767</b>	<b>128,159</b>	4%	(6%)
<b>Government</b>	<b>197,373</b>	<b>157,821</b>	<b>173,988</b>	10%	(12%)
<b>Total</b>	<b>777,192</b>	<b>732,726</b>	<b>762,642</b>	4%	(2%)

From 1Q19 onwards, Recovery Banking Portfolio is incorporated into the segment in which it belongs (mortgage & auto, retroactive to 2018)

**Performing loans** were up 4% in the quarter driven by relevant growth across the **commercial, corporate and government portfolios**, reverting the downward trend in previous quarters.

The **consumer portfolio** showed quarterly growth rates in mortgage 2%, auto 3% and credit cards 2%, as well as a (2%) contraction in payroll loans given a seasonal decline in payroll loan demand during the last months of the year, as there is typically higher liquidity among individuals during this period.

During the **year**, performing loans **declined (2%)** as the good performance of the quarter was not enough to offset the declines of previous quarters in the commercial, corporate and government portfolios. It is noteworthy to mention that excluding government loans, performing loans grew 2%, both quarterly and annually.

On an annual basis, **consumer loans** were up **7%**, outpacing both the banking system and peers. Growth in **auto loans** was **11%**, followed by **9%** in **mortgages** and **8%** in **credit cards**, thus holding a steady 14.8% market share in consumer and mortgages.

Market share position (CNBV records as of November 2019):

- **Mortgages:** Banorte showed a **9.2%** annual growth, slightly below that of the banking system, holding a 19.2% market share, keeping its **second place within the industry**.
- **Auto Loans:** Industry-wide, new car sales continue to decelerate; nonetheless, Banorte holds its 17.9% market share, **ranking 2<sup>nd</sup>** in the market and **growing 10.7%** annually, above the banking system at **9.1%**.
- **Credit Cards: Leading the growth** in the market, Banorte's portfolio **was up 9.3%** compared to 6.2% annual growth of the banking system. Banorte holds a 9.7% market share, gaining 27 bps in one year.
- **Payroll Loans:** After a deceleration period which reached negative annual growth rates, October and November balances already show positive trends. Loan origination has moderately resumed, with portfolio quality still being a top priority. November annual growth rates reached 0.7%. Banorte holds 19.3% share and **ranks third in the market**.
- **Commercial:** With a high comparison basis, portfolio balances were down (6.3%) annually. Market share (according to the regulator's methodology which includes corporate and SME's) stood at 9.9%, ranking fourth in the banking system.

**SME's performing loan portfolio** had a 1% increase, up **Ps 242 million** vs. the previous period. Annual results show a **(3%)** decline vs. 2018, as a result of a rigorous risk selection amidst an uncertain market. NPL ratio improved 7bps reaching 6.55% during the quarter.

SME's Loans (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
<b>Performing Portfolio</b>	33,635	32,492	32,735	1%	(3%)
<b>% of Performing Commercial Portfolio</b>	19.3%	19.4%	19.0%	(41 bp)	(39 bp)
<b>% of Total Performing Portfolio</b>	4.3%	4.4%	4.3%	(14 bp)	(4 bp)
<b>NPL Ratio</b>	5.5%	6.62%	6.55%	(7 bp)	104 bp

- **Corporate Loans:** The portfolio reached an ending balance of **Ps 128.16 billion**, a 4% sequential increase, and a (6%) annual decline, the latter as a result of significant prepayments in earlier quarters. GFNorte's corporate loan book is well diversified by industry and by regions, showing low concentration risk. The 20 main corporate borrowers accounted for 9.9% of the group's total portfolio. The group's largest corporate exposure represented 0.9% of the total performing book, whereas number 20 represented 0.4% of it. Out of these 20 borrowers, 19 companies have an A1 rating, and 1 has an A2 rating.

As of December 2019, GFNorte's **loan exposure to home builders declined Ps 1.15 billion reaching Ps 278 million** spread among 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.

The reduction was generated after Sólida and some of its trusts paid Banorte a total amount of Ps 643.4 million net of reserves, to liquidate several Homex and Urbi bridge loans, as well as a Ps 208 million write-off from Geo which was guaranteed with real estate collateral owned by trusts in which Sólida is the primary trustee. This was done in order to **speed up and maximize the proceeds of these assets**, by concentrating all the exposure at Sólida, where it will be managed and sold by a specialized team.

In **books**, this operation had accounted for a (Ps 1.15) billion **reduction** in past due loans, a (Ps 495 million) decline in reserves, plus an additional Ps 98 million provision requirement, with a **neutral effect** in the group's **financial results**.

The remainder exposure to homebuilders accounts for 0.04% of the total loan portfolio. The total **portfolio is 100% guaranteed** and had no changes vs. the previous quarter's reports. Loan Loss Reserve coverage for these companies was 41.3%. Sólida, held a Ps 3.30 billion balance in investment projects, up 26% vs. 3Q19 resulting from the transaction mentioned before.

- **Government Book:** Loan portfolio increased Ps 16.16 billion, up 10% vs. the previous quarter, totaling **Ps 173.99 billion**; down (12%) vs. 4Q18.

The (12%) decline in the government book follows a decision to improve this portfolio's profitability in an environment of low demand and intense competition, which originated a significant decline in margins. It was under these circumstances that management's decision was to prioritize this portfolio's profitability over volume growth.

GFNorte's government portfolio is well diversified by regions, showing adequate concentration risk given that 32.3% of the portfolio is Federal Government risk. 84.3% of regional government loans are backed by fiduciary guarantees. GFNorte's market share as of December 2019 for this segment was 31.5%, **ranking first in the system**.

- **Infrastructure:** This sector shows a relevant reactivation, reflected by a 3% quarterly increase, that is Ps 1.12 billion in additional loans. On an annual basis, the portfolio had a (3%) decline, explained by its own amortization, as well as by low demand that had prevailed in this segment during the past quarters.

Infrastructure Loans (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Performing Portfolio	44,061	41,649	42,869	3%	(3%)
% of Total Performing Portfolio	5.7%	5.7%	5.6%	(6 bp)	(7 bp)
NPL Ratio	0.0%	0.1%	0.0%	(3 bp)	4 bp

## Past Due Loans

(Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Past Due Loans	13,263	14,357	<b>12,806</b>	(11%)	(3%)
Loan Loss Reserves	18,844	18,171	<b>17,639</b>	(3%)	(6%)
Acquired Rights	2,417	1,905	<b>1,601</b>	(16%)	(34%)

Past Due Loans ended the quarter **with an (11%) decline** vs. 3Q19, with **reductions across all segments**, particularly in the corporate book which had a Ps 1.23 billion decline, of which Ps 1.15 billion was related to the homebuilder's write-off and sale, in addition to a decline in the commercial book as some loans were reinstated as performing loans, and a decline in credit card NPLs from an increase in payments during December. With this, and an overall good behavior of the portfolio, NPLs were down **(3%)** vs. 4Q18. Further detail by product is shown below:

Past Due Loans (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Credit Cards	2,151	2,473	<b>2,287</b>	(186)	136
Payroll	1,995	1,834	<b>1,758</b>	(76)	(237)
Auto Loans	261	270	<b>269</b>	(1)	8
Mortgages	1,464	1,807	<b>1,973</b>	166	509
Commercial	3,300	4,392	<b>4,164</b>	(228)	864
Corporate	4,087	3,578	<b>2,351</b>	(1,227)	(1,736)
Government	4	4	<b>4</b>	0	1
<b>Total</b>	<b>13,263</b>	<b>14,357</b>	<b>12,806</b>	<b>(1,551)</b>	<b>(456)</b>

**NPL ratio** declined 27bps, reaching **1.7%**, mainly driven by the decline in past due loans in the corporate book, from the reduced exposure to homebuilders.

On an **annual basis**, the NPL ratio had a slight (3bps) improvement, supported by a (34bps) improvement in payroll, and (110bps) in corporate, but a 49bps deterioration in commercial loans. SME ratios deteriorated from the mathematical effect of having a lower denominator due to lower origination volumes.

Past Due Loans Ratios	4Q18	1Q19	2Q19	3Q19	4Q19
Credit Cards	5.5%	5.9%	5.9%	6.0%	5.4%
Payroll	3.7%	3.0%	3.8%	3.4%	3.3%
Auto Loans	1.1%	0.9%	1.0%	1.0%	1.0%
Mortgages	0.9%	1.0%	1.0%	1.1%	1.1%
Commercial	1.9%	2.1%	2.4%	2.5%	2.4%
SMEs	5.5%	5.9%	6.4%	6.6%	6.6%
Commercial	0.9%	1.1%	1.3%	1.5%	1.3%
Corporate	2.9%	2.9%	3.0%	2.8%	1.8%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.7%</b>

**Expected loss for Banco Mercantil del Norte**, the group's largest subsidiary, **was 2.2%**, and the **unexpected loss was 3.9%**, both with respect to the total portfolio as of 4Q19. These ratios were 2.1% and 3.8%, respectively during 3Q19, and 1.9% and 4.2% twelve months ago.

Banco Mercantil del Norte's **Net Credit Losses (NCL)** including write-offs were **2.1%**, similar to 3Q19.

Quarterly changes in accounts that affect Non-performing Loan balances for the Financial Group were:

<b>Past Due Loan Variations</b>	
<i>(Million Pesos)</i>	
<b>Balance as of September '19</b>	<b>14,357</b>
Transfer from Performing Loans to Past Due Loans	6,937
Portfolio Purchase	-
Renewals	(260)
Cash Collections	(1,062)
Discounts	(624)
Charge Offs	(4,117)
Foreclosures	(171)
Transfer from Past Due Loans to Performing Loans	(2,181)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(73)
Fair Value Ixe	-
<b>Balance as of December '19</b>	<b>12,806</b>

Of the **total loan book**, 86% was rated A Risk, 9% B Risk, and 5% as Risk C, D and E combined.

**Risk Rating of Performing Loans as of 4Q19 - GFNorte**  
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	659,853	909	557	67	631	220	2,384
A2	37,291	159	77	15	304	30	585
B1	31,638	60	86	0	859	17	1,022
B2	13,292	64	4	0	382	28	477
B3	25,899	112	372	9	851	15	1,359
C1	8,598	96	92	0	269	78	535
C2	9,676	95	101	-	870	163	1,229
D	14,564	2,113	0	2	2,195	491	4,801
E	6,516	1,072	-	-	3,260	87	4,419
<b>Total</b>	<b>807,328</b>	<b>4,680</b>	<b>1,288</b>	<b>94</b>	<b>9,621</b>	<b>1,128</b>	<b>16,812</b>
Not Classified	(1,711)						
Exempt	-						
<b>Total</b>	<b>805,617</b>	<b>4,680</b>	<b>1,288</b>	<b>94</b>	<b>9,621</b>	<b>1,128</b>	<b>16,812</b>
<b>Reserves</b>							<b>17,639</b>
<b>Preventive Reserves</b>							<b>827</b>

Notes:

- Figures for reserve creation and rating are as of December 31, 2019.
- The loan portfolio is rated pursuant to rules issued by the CNBV, in Chapter V, Second Title of General Provisions Applicable to Credit Institutions, and it can also be rated according to internal methodologies authorized by this same regulator.  
The Institution uses regulatory methodologies to grade all credit portfolios. The Institution uses internal methodologies authorized by the CNBV according to the following: for the revolving consumer portfolio from January 2018 onwards; and for the commercial portfolio, borrowers with sales or revenue greater than or equal to 14 million UDIS (not applicable to estate and municipal governments and financial institutions), from January 2019 onwards in the Banco Mercantil del Norte, and from February 2019 onwards for Arrendadora and Factor Banorte, and Sólida Administradora de Portafolios.  
The Institution uses risk ratings: A1, A2, B1, B2, B3, C1, C2, D and E to classify provisions according to the portfolio segment and percentage of the provisions representing the outstanding balance of the loan, and which are set forth in Fifth Section of the "Reserve creation and their classification by degree of risk" contained in Chapter 5, Second Title of the aforementioned regulation.
- Complementary reserves constituted follow General Provisions Applicable to Credit Institutions.

Based on B6 Credit Portfolio criterion from the CNBV, **Distressed Portfolio** is defined as the pool of commercial loans unlikely to be recovered fully, including both principal and interest pursuant to terms and conditions originally agreed upon. Such determination is made based on actual information and data, and on the loan review process. **Performing loans and past-due loans** are susceptible of being identified as Distressed Portfolios. The D and E risk degrees of the commercial loan rating were as follows:

(Million Pesos)	4Q19
Distressed Portfolio	7,381
Total Loans	805,617
<b>Distressed Portfolio / Total Loans</b>	<b>0.9%</b>

## Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	4Q19
<b>Previous Period Ending Balance</b>	<b>18,171</b>
Provisions charged to results	4,344
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(616)
Consumer Loans	(3,443)
Mortgage Loans	(487)
Foreclosed assets	0
	(4,546)
Cost of debtor support programs	(2)
Valorization and Others	(41)
Adjustments	(286)
<b>Loan Loss Reserves at Period End</b>	<b>17,639</b>

**Loan Loss Reserves** during 4Q19 totaled **Ps 17.64 billion**, down Ps 803 million vs. the previous quarter, explained by the use of reserves assigned to homebuilders portfolio mentioned above. **Charge-offs and Discounts** during the quarter were down **(5%)** vs. the previous quarter. Out of total charge-offs, 71% correspond to the consumer portfolio, 10% to mortgages, and 19% to commercial.

**Loan loss reserve coverage** was **137.7%** in the quarter, above the 126.6% in 3Q19 mainly driven by the decline in homebuilders' past due loans, and slightly below the 142.1% in 4Q18, mainly explained by the decline in performing loans from state and municipal governments.

## Capital

**Shareholders' equity** totaled **Ps 195.99** billion, up 4% quarterly.

Capital accounts changes during the quarter were: a Ps 9.01 billion increase in net income, Ps 678 million in interest payment from subordinated liabilities, a Ps 909 million decline in adjustments for defined benefit pension plan of employees of which Ps 800 million correspond to the annual update by actuarial calculation of the Group's new obligations; Ps 292 million from valuation of securities available for sale, resulting from volatility in asset prices during the quarter, and a Ps 383 million increase in mark-to-market valuation of cash flow hedging instruments on lower volatility during the period.

It is noteworthy to mention that valuation results revert their negative trend, and at the end of 2019 there is a Ps 1.57 billion gain, of which Ps 673 million correspond to mark-to-market valuation of cash flow hedging instruments, and Ps 1.04 billion to the result of valuation of securities available for sale.



## Recent Events

### 1. **LATIN FINANCE NAMED BANORTE AS BANK OF THE YEAR IN MEXICO**

On November 1<sup>st</sup>, 2019, GFNorte was named bank of the year in Mexico by Latin Finance. The LatinFinance Banks of the Year awards recognize financial institutions in Latin America and the Caribbean that demonstrated excellence in retail, commercial and investment services in the last year. These awards evaluate banks in their efforts between July 1<sup>st</sup>, 2018 and June 30<sup>th</sup>, 2019.

### 2. **FITCH RATED OPERADORA DE FONDOS BANORTE AS "EXCELLENT" WITH STABLE PERSEPECTIVE**

On November 15<sup>th</sup>, 2019, Fitch Ratings affirmed the 'Excellent (mex)' rating with a Stable Outlook for Operadora de Fondos Banorte, S.A. de CV, Investment Fund Operating Company, Grupo Financiero Banorte (OB), for having a robust investment platform and operating framework, exceeding the standards set by institutional managers in Mexico for the class and mix of strategies managed. Fitch also highlighted the good performance in corporate governance, as well as its strong organizational structure with segregation of functions, in addition to the fact that first and second level officials have extensive experience. Finally, they added that the key funds have shown consistent performance, in addition to having solid support from Grupo Financiero Banorte.

### 3. **PENSIONES BANORTE SIGNED AGREEMENT WITH PENSIONES SURA FOR THE ASSIGNMENT OF ITS LIFE ANNUITY INCOME BUSINESS**

On November 29<sup>th</sup>, 2019 Grupo Financiero Banorte informed the investing public that Pensiones Banorte had reached an agreement with Pensiones SURA S.A de C.V. by which SURA would transfer its Life Annuity portfolio. This transaction is still subject to approvals by the insurance and annuities regulator (Comisión Nacional de Seguros y Fianzas), as well as by the antitrust regulator (Comisión Federal de Competencia Económica) during the coming months. The transaction includes exclusively the Life Annuity business, which SURA Asset Management had stopped marketing since 2018. The transaction price will be set at the execution of the contract and will be informed to the market once the closing conditions be met.

### 4. **BANORTE RECEIVED THE 2019 ALAS20 INSTITUTION AWARD**

On December 2<sup>nd</sup>, 2019 Grupo Financiero Banorte won the ALAS 20 Institution Award, The ALAS20 Institution category is the most important category to which an investor in the 2020 Sustainable Leaders Agenda can aspire, since it is granted only to one investor, one who demonstrates leadership, consistency, and excellence in the public disclosure of its practices regarding responsible investments, corporate governance, and sustainability research. Awards are based on the results of each of the three winners in each of the three categories, weighting their scores according to the following criteria:

- Leading Institution in Responsible Investments: 40%
- Leading Institution in Corporate Governance: 35%
- Leading Institution in Sustainability Research: 25%

### 5. **BANORTE SIGNED COMMERCIAL AGREEMENT WITH SINOSURE**

On November 15<sup>th</sup>, 2019, Banorte became the first commercial bank in Mexico to sign a Bilateral Cooperation Framework Agreement with Sinasure, Export Credit Agency of the Government of China. This agreement will enable Banorte to provide short, medium and long-term financing to Mexican companies for imports from China, and Sinasure will grant insurance and credit guarantees to support and encourage exports from China to Mexico.

## Bank

Income Statement and Balance Sheet (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Net Interest Income	17,442	17,150	<b>17,654</b>	3%	1%	64,513	<b>68,587</b>	6%
Non-Interest Income	7,433	5,932	<b>4,906</b>	(17%)	(34%)	20,197	<b>21,574</b>	7%
<b>Total Income</b>	<b>24,875</b>	<b>23,082</b>	<b>22,559</b>	(2%)	(9%)	84,711	<b>90,161</b>	6%
Non-Interest Expense	9,286	9,947	<b>9,875</b>	(1%)	6%	35,079	<b>38,095</b>	9%
Provisions *	3,809	4,034	<b>3,713</b>	(8%)	(3%)	15,635	<b>15,104</b>	(3%)
<b>Operating Income</b>	<b>11,780</b>	<b>9,101</b>	<b>8,971</b>	(1%)	(24%)	33,997	<b>36,962</b>	9%
Taxes	3,015	2,401	<b>2,167</b>	(10%)	(28%)	9,325	<b>9,597</b>	3%
Discontinued Operations	-	-	-	-	-	-	-	-
Subsidiaries & Minority Interest	43	31	<b>44</b>	43%	N.A.	162	<b>128</b>	N.A.
<b>Net Income</b>	<b>8,808</b>	<b>6,730</b>	<b>6,848</b>	2%	(22%)	24,834	<b>27,493</b>	11%
<b>Balance Sheet</b>								
Performing Loans (a)	756,336	715,617	<b>743,507</b>	4%	(2%)	756,336	<b>743,507</b>	(2%)
Past Due Loans (b)	12,840	13,925	<b>12,392</b>	(11%)	(3%)	12,840	<b>12,392</b>	(3%)
<b>Total Loans (a+b)</b>	<b>769,176</b>	<b>729,542</b>	<b>755,899</b>	4%	(2%)	769,176	<b>755,899</b>	(2%)
Total Loans Net (d)	750,912	711,925	<b>738,816</b>	4%	(2%)	750,912	<b>738,816</b>	(2%)
Acquired Collection Rights ( e)	2,001	1,560	<b>1,359</b>	(13%)	(32%)	2,001	<b>1,359</b>	(32%)
<b>Total Loans (d+e)</b>	<b>752,913</b>	<b>713,485</b>	<b>740,175</b>	4%	(2%)	752,913	<b>740,175</b>	(2%)
<b>Total Assets</b>	<b>1,180,492</b>	<b>1,157,433</b>	<b>1,149,536</b>	(1%)	(3%)	1,180,492	<b>1,149,536</b>	(3%)
Total Deposits	759,235	726,420	<b>744,271</b>	2%	(2%)	759,235	<b>744,271</b>	(2%)
Demand Deposits	412,118	399,464	<b>435,453</b>	9%	6%	412,118	<b>435,453</b>	6%
Time Deposits	347,117	326,956	<b>308,819</b>	(6%)	(11%)	347,117	<b>308,819</b>	(11%)
<b>Total Liabilities</b>	<b>1,072,090</b>	<b>1,042,747</b>	<b>1,035,276</b>	(1%)	(3%)	1,072,090	<b>1,035,276</b>	(3%)
<b>Equity</b>	<b>108,403</b>	<b>114,686</b>	<b>114,261</b>	(0%)	5%	108,403	<b>114,261</b>	5%
<b>Financial Ratios - Bank</b>								
	<b>4Q18</b>	<b>3Q19</b>	<b>4Q19</b>			<b>2018</b>	<b>2019</b>	
<b>Profitability:</b>								
NIM (1)	6.3%	6.5%	<b>6.6%</b>			6.3%	<b>6.4%</b>	
NIM after Provisions (2)	5.0%	5.0%	<b>5.2%</b>			4.8%	<b>5.0%</b>	
ROE (3)	33.3%	23.6%	<b>23.9%</b>			25.7%	<b>24.2%</b>	
ROA (4)	3.0%	2.3%	<b>2.4%</b>			2.3%	<b>2.4%</b>	
<b>Operation:</b>								
Efficiency Ratio (5)	37.3%	43.1%	<b>43.8%</b>			41.4%	<b>42.3%</b>	
Operating Efficiency Ratio (6)	3.2%	3.4%	<b>3.4%</b>			3.2%	<b>3.3%</b>	
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	107.0%	140.7%	<b>133.5%</b>			107.0%	<b>133.5%</b>	
<b>Asset Quality:</b>								
Past Due Loan Ratio	1.7%	1.9%	<b>1.6%</b>			1.7%	<b>1.6%</b>	
Coverage Ratio	142.2%	126.5%	<b>137.9%</b>			142.2%	<b>137.9%</b>	
<b>Capitalization:</b>								
Net Capital/ Credit Risk Assets	20.5%	25.4%	<b>23.7%</b>			20.5%	<b>23.7%</b>	
Total Capitalization Ratio	17.2%	20.3%	<b>18.6%</b>			17.2%	<b>18.6%</b>	
<b>Leverage</b>								
Basic Capital/ Adjusted Assets	8.4%	10.9%	<b>10.8%</b>			8.4%	<b>10.8%</b>	

- 1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.
- 2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.
- 3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.
- 4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.
- 5) Non-Interest Expenses / Total Income.
- 6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.
- 7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.

## Changes vs. the previous quarter

**Net Interest Income (NII)** increased 3% during the quarter, due to a (13.5%) decline in interests from deposits associated with strategies to reduce high funding cost, as well as to the impact of interest rate cuts. Additionally, there was a benefit from valuation of foreign currencies and UDIS accounts. With this, **NIM reached 6.6%**, up 15bps vs. 3Q19.

**Non-interest income declined (17%)**, mainly explained by a lower base of trading income with respect to the previous quarter. Regarding the fees charged, the increase was mainly attributed to electronic banking services and consumer loans, while fees paid, those corresponding to acquiring services and other fees were the ones that showed growth in the quarter. With this, net fees reflect a 10% increase, and other income (expenses) 33%, related to an increase results from foreclosed assets mainly by lower loss estimates and others from lower recoveries.

**Non-interest expense** was down (1%), on lower personnel expenses -as the previous quarter saw higher provisions in this segment-, in addition to lower fees paid primarily for managed system services. Consequently, **efficiency ratio** totaled **43.8%**, higher than the 43.1% reported in the last quarter.

**Loan loss provisions were down (8%)** quarterly considering a moderate 4% loan growth and an (11%) reduction in past due loans. The consumer portfolio shows Ps 753 million lower reserve requirements, driven by controlled asset deterioration as well as moderate loan origination. Provisions for commercial loans went up Ps 520 million, of which Ps 138 million correspond to the commercial portfolio, and Ps 621 million to government related to a new loan origination during the quarter. **Risk adjusted NIM** stood at **5.2%**, 28bps higher than the **5.0%** figure reported in the previous quarter.

Altogether, **net income grew 2%**, while **ROE rose 33bps to 23.9%**, and **ROA gained 5bps, reaching 2.4%**.

## Changes vs. the previous year (2018)

**Net Interest Income grew 6%**, driven by strategies to improve funding costs, and by improvements in the mix of the loan portfolio. **NIM rose 7bps** vs. 2018, reaching **6.4%** vs. 2018.

**Recurring non-interest income was up 12%**, primarily related to higher trading income, and higher other income (expenses) from operations.

**Non-interest expense rose 9%** vs. 2018, showing a 25% increase in rents, depreciation and amortization, related to the corporate offices sale and leaseback transaction booked in December 2018, as well as a 6% and 9% increase in personnel expenses and administrative and promotional expenses, respectively. Altogether, there was a 44bps improvement in the **recurring efficiency ratio for 2019**, reaching **43.0%**.

**Loan Loss Provisions were down (3%)** explained by the (2%) annual reduction in the performing loan portfolio driven by lower new loan origination, and by a (3%) decline in past due loans. Full year results show a Ps 1.24 billion decline in provisions for the commercial portfolio, of which Ps 906 million were related to provision releases from the government portfolio due to lower balances, a Ps 392 million decline in the corporate portfolio, associated to the write-off booked in the previous quarter, and a Ps 198 million increase in the commercial book. Provisions for the consumer portfolio were up Ps 657 million due to higher requirements from the mortgage, credit card and auto loans, while payroll and personal loans demanded lower requirements, in line with lower origination in these products. **Risk adjusted NIM** totaled **5.0%**, up 20bps from 4.8% in 2018.

**Recurring accumulated net income** totaled **Ps 35.34 billion**, up **17%** vs. 2018. Regarding profitability, there was a significant improvement; **ROE** for 2019 reached **24.2%**, up **148bps** vs. 2018, while **ROA rose 10bps to 2.4%**.

## Capital

**Reported shareholders' equity** totaled **Ps 114.26 billion**, a marginal (0.4%) decline vs. the previous quarter.

The main changes during the quarter were: a Ps 6.84 billion increase from net income; a (Ps 7.19) billion decline in retained earnings associated to Ps 6.50 billion in dividend payments to the Group, and (Ps 690) million in interest payments from subordinated obligations; a Ps 929 million increase in remediations to employee benefits, of which Ps 815 million correspond to the annual update to the actuarial calculation of the Bank's new obligations; a Ps 313 million increase from valuation gains on securities available for sale; and a Ps 389 million gain from valuation of cash hedging instruments as a result of interest rate volatility and its effect on asset prices during the quarter.

It is worth mentioning that the annual change in valuation results reverts the negative trend; therefore, at the end of 2019 there is a Ps 920 million gain in the valuation of cash hedging instruments, and Ps 1.04 billion in valuation gains on securities available for sale.

## Regulatory Capital (Banco Mercantil del Norte)

Banorte has fully adopted the capital requirements established to date by Mexican authorities and international standards, so-called Basel III, which came into effect in January 2013.

In May 2019, Banorte was confirmed as Level II - Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, **starting on December 2019, the minimum Capital Adequacy Ratio required for Banorte amounts to 11.40%** (corresponding to the regulatory minimum of 10.5% plus the 0.90 pp capital supplement).

Capitalization (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Core Tier 1 Capital	94,970	102,861	101,927	(0.9%)	7.3%
Tier 1 Capital	113,835	143,514	139,655	(2.7%)	22.7%
Tier 2 Capital	14,472	14,141	8,783	(37.9%)	(39.3%)
Net Capital	128,307	157,655	148,438	(5.8%)	15.7%
Credit Risk Assets	627,479	620,837	626,953	1.0%	(0.1%)
Net Capital / Credit Risk Assets	20.45%	25.4%	23.68%	(1.7 pp)	3.2 pp
Total Risk Assets (1)	747,464	775,642	800,125	3.2%	7.0%
Core Tier 1	12.71%	13.26%	12.74%	(0.5 pp)	0.0 pp
Tier 1	15.23%	18.50%	17.45%	(1.0 pp)	2.2 pp
Tier 2	1.94%	1.82%	1.10%	(0.7 pp)	(0.8 pp)
<b>Capitalization Ratio</b>	<b>17.17%</b>	<b>20.33%</b>	<b>18.55%</b>	<b>(1.8 pp)</b>	<b>1.4 pp</b>

(\*) The reported capitalization ratio of the period is submitted to the Central Bank.

At the end of 4Q19 the estimated **Capital Adequacy Ratio (CAR)** for Banorte was **18.55%** considering credit, market and operational risk; and 23.68% considering only credit risks. Moreover, Total Tier 1 Capital reached 12.74% as of 4Q19.

The **CAR** declined **1.77 pp** vs. 3Q19 due to the following effects:

1. Net income growth for 4Q19	+ 0.86 pp
2. Securities mark-to-market valuation	+ 0.08 pp
3. Permanent Investments and Intangibles	+ 0.08 pp
4. Other Capital Effects	- 0.23 pp
5. Growth in Risk Assets	- 0.62 pp
6. Dividend Payments	-0.81 pp
Capital Notes*	-1.12 pp

\* Including the mark-to-market valuation and buyback effect on Capital Notes.

The **CAR** rose **1.38 pp** vs. 4Q18, due to the following effects:

1. Net income growth	+ 3.44 pp
2. Capital Notes*	+ 1.44 pp
3. Securities' mark-to-market valuation*	+ 0.82 pp
4. Other Capital Effects	+ 0.06 pp
5. Goodwill***	- 0.18 pp
6. Permanent Investments and Intangibles	- 0.27 pp
7. Growth in Risk Assets	- 1.13 pp
8. Dividend Payments	- 2.80 pp

\* Including the mark-to-market valuation effect on Capital Notes, Issuance of Additional Tier 1 Notes in June 2019, and the buyback effect.

\*\* Initial recognition of fair market value of Assets & Liabilities related to the merger

## Evolution of Risk Weighted Assets

In compliance with the capitalization requirements established to date by the Mexican authorities and Basel Rules III International Standards, Banorte classifies its Risk Assets as Credit, Market, and Operational, which are actively managed by the Institution to monitor its quality.

The Total Risk Assets as of December 2019 reached Ps 800.12 billion, up Ps 24.48 billion vs. the end of September 2019, and \$ 52.6 billion vs. December 2018.

The evolution of Risk Assets is presented below:

Risk Assets (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
<b>Total Credit</b>	<b>627,479</b>	<b>620,837</b>	<b>626,953</b>	<b>1.00%</b>	<b>-0.10%</b>
Credit (Loan Portfolio)	542,529	516,598	528,848	2.4%	(2.5%)
Credit (Others)	84,951	104,238	98,105	(5.9%)	15.5%
<b>Total Market</b>	<b>66,119</b>	<b>92,508</b>	<b>108,359</b>	<b>17.10%</b>	<b>63.90%</b>
<b>Total Operational</b>	<b>53,865</b>	<b>62,297</b>	<b>64,812</b>	<b>4.00%</b>	<b>20.30%</b>
<b>Total</b>	<b>747,464</b>	<b>775,642</b>	<b>800,125</b>	<b>3.20%</b>	<b>7.00%</b>

Main quarterly changes RWA:

- Increase in Assets Subject to Credit Risk (Loan Portfolio) dictated by the quarterly growth of the performing loan portfolio, mainly concentrated towards the end of the quarter, which had an overall positive evolution except for the payroll portfolio.
- Decline in Assets Subject to Credit Risk (Others) dictated by the Credit Valuation Adjustment requirement for derivative transactions, due to portfolio efficiency exercises and the effect of market rate evolution in these positions, since, on a quarterly basis, the derivative rate curve had a slight increase in tenors greater than 1 year (6 bps).
- Increase in Assets Subject to Market Risk mainly due to variations in FX positions.

Main annual changes in RWA:

- Decline in Assets Subject to Credit Risk (Loan Portfolio) derived from the decline in the wholesale portfolio, highlighting the decline in the government portfolio associated to the strategy to improve profitability of this portfolio during 2019. In addition, there was a benefit in Assets Subject to Credit Risk due to the implementation of the Basic Internal Model for the commercial book in early 2019.
- Increase in Assets Subject to Credit Risk (Others) dictated by the Credit Valuation Adjustment requirement for derivative transactions, which due to the decline in derivative rate curves during the year (200bps in tenors > 5yrs), have increased their exposure in operations with clients who hedge interest rate risk, and consequently, their capital requirements.
- Increase in Assets Subject to Market Risk due to movements in the FX position.

## Leverage Ratio

**Leverage Ratio** according to CNBV's regulation is presented below:

Leverage (Million Pesos)	4Q18	3Q19	4Q19	Change	
				3Q19	4Q18
Tier 1 Capital	113,835	143,514	139,655	(2.7%)	22.7%
Adjusted Assets	1,353,919	1,317,225	1,288,446	(2.2%)	(4.8%)
<b>Leverage Ratio</b>	<b>8.41%</b>	<b>10.90%</b>	<b>10.84%</b>	<b>(0.06 pp)</b>	<b>2.43 pp</b>

*Adjusted Assets are defined according to the General Provisions applicable to Credit Institutions.*

## Long Term Savings

### Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
<b>Interest Income (Net)</b>	345	464	<b>340</b>	(27%)	(1%)	1,421	<b>1,712</b>	20%
Premium Income (Net)	3,850	3,586	<b>4,928</b>	37%	28%	19,596	<b>21,991</b>	12%
Net Increase in Technical Reserves	(450)	(790)	<b>767</b>	N.A.	N.A.	1,161	<b>3,532</b>	204%
Damages, Claims and Other Obligations	3,026	2,896	<b>3,181</b>	10%	5%	12,159	<b>11,933</b>	(2%)
<b>Technical Results</b>	1,274	1,480	<b>980</b>	(34%)	(23%)	6,276	<b>6,526</b>	4%
<b>Net Interest Income (NI)</b>	<b>1,619</b>	<b>1,944</b>	<b>1,321</b>	<b>(32%)</b>	<b>(18%)</b>	<b>7,697</b>	<b>8,237</b>	<b>7%</b>
Other Fees (acquisition costs)	(530)	(817)	<b>(140)</b>	83%	74%	(2,408)	<b>(2,308)</b>	4%
Securities-Realized Gains	5	14	<b>55</b>	287%	1087%	29	<b>103</b>	251%
Other Operating Income (Expenses)	165	228	<b>216</b>	(5%)	31%	800	<b>943</b>	18%
<b>Total Operating Income</b>	<b>1,259</b>	<b>1,369</b>	<b>1,451</b>	<b>6%</b>	<b>15%</b>	<b>6,119</b>	<b>6,975</b>	<b>14%</b>
Non Interest Expense	372	365	<b>367</b>	0%	(1%)	1,338	1,399	5%
<b>Operating Income</b>	<b>887</b>	<b>1,004</b>	<b>1,084</b>	<b>8%</b>	<b>22%</b>	<b>4,781</b>	<b>5,576</b>	<b>17%</b>
Taxes	229	263	<b>323</b>	23%	41%	1,329	1,636	23%
Subsidiaries' Net Income	216	423	<b>353</b>	(16%)	63%	1,269	1,626	28%
Minority Interest	(7)	(10)	<b>(10)</b>	(8%)	(53%)	(31)	<b>(39)</b>	(25%)
<b>Net Income</b>	<b>867</b>	<b>1,154</b>	<b>1,104</b>	<b>(4%)</b>	<b>27%</b>	<b>4,690</b>	<b>5,526</b>	<b>18%</b>
Shareholder's Equity	23,096	23,017	<b>22,634</b>	(2%)	(2%)	23,096	<b>22,634</b>	(2%)
Total Assets	51,478	56,296	<b>53,610</b>	(5%)	4%	51,478	<b>53,610</b>	4%
Technical Reserves	22,688	27,003	<b>24,928</b>	(8%)	10%	22,688	<b>24,928</b>	10%
Premiums sold	4,331	3,978	<b>5,384</b>	35%	24%	25,616	<b>26,551</b>	4%
Coverage ratio of technical reserves	1.3	1.2	<b>1.2</b>	(0.1 pp)	(0.0 pp)	1.3	<b>1.2</b>	(0.1 pp)
Solvency capital requirement coverage ratio	4.6	3.5	<b>5.4</b>	1.9 pp	0.8 pp	4.6	<b>5.4</b>	0.8 pp
Coverage ratio of minimum capital	224.3	212.9	<b>209.3</b>	(3.7 pp)	(15.0 pp)	224.3	<b>209.3</b>	(15.0 pp)
Claims ratio	71%	67%	<b>77%</b>	10.2 pp	5.9 pp	66%	65%	(1.7 pp)
Combined ratio	89%	91%	<b>83%</b>	(8.4 pp)	(5.8 pp)	78%	76%	(2.8 pp)
ROE	14.8%	20.4%	<b>19.6%</b>	(0.7 pp)	4.8 pp	20.0%	<b>24.0%</b>	4.0 pp
ROE ex-Afore	31.2%	38.6%	<b>42.8%</b>	4.2 pp	11.6 pp	41.1%	<b>50.7%</b>	9.6 pp

**Net interest income** came down (27%) during the **quarter**, and **up 20% annually**, primarily explained by growth in the investment book, and benefits in the rates.

During the quarter, retained premiums grow 37% on new premium underwriting and renewals. Claims increased 10% increase mainly explained by a Ps 410 million increase in the IBNR reserve, according to a new methodology in the life book which was authorized by the insurance regulator (Comisión Nacional de Seguros y Fianzas) during 4Q19.

At the end of 4Q19, **technical results** for Seguros Banorte totaled **Ps 980 million**, down **(34%)**, due to by higher technical reserves in the quarter primarily driven by growth in retained premiums, and to a lesser degree by claims.

Compared to 2018, **technical results** were up **4%**, primarily related to net premium income from the business, and to a decline in claims of which Ps 149 million correspond to catastrophic reserves released in March 2019.

**Acquisition Costs** declined **(83%)** in the period, totaling **Ps 140 million**; using accumulated figures as of **2019**, acquisition costs were **down (4%)**. The quarterly change is explained release of Ps 417 million in reinsurance coverage cost, since incurred losses were lower than originally estimated, for which in 3Q19 there was a 331 million increase in this reserve. Additionally, this reserve release compensated the reserve increase of Ps 410 million pesos due to the new statutory methodology referred earlier.

**Net Operating Income** amounted to **Ps 1.08 billion**, up **8%** vs. the previous quarter driven by higher premium origination and renewal during the quarter, and their corresponding reserves.

**Net Income** for the quarter was **Ps 1.10 billion**, down **(4%)** vs. **3Q19**, explained by lower income from subsidiaries vs. the previous quarter. The accumulated result had a relevant **18%** increase vs. 2018 driven by 28% higher income from subsidiaries.

**Net Income** for the quarter for Seguros Banorte, excluding its subsidiary Afore XXI Banorte, totaled **Ps 744 million**, accounting for 8.3% of GFNorte's net income on 4Q19.

**ROE** for the **Insurance business (including subsidiaries)** declined to **19.6%**, and in 2019 it reached **24%** vs. 20% in 2018.

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

- i. 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 4Q19 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
  - *In 4Q19 damage ratios remained under control and reinsurers complied with their obligations.*
- iii. Costs generated from issuance of insurance policies and bonds.
  - *There were no relevant events to disclose in 4Q19*
- iv. Transfer of risks through reinsurance and bonding contracts
  - *In the Damages book, risks were transferred to reinsurers, for the most part to foreign reinsurers under which there were 3 relevant businesses: 1 related to services, 1 related to commerce, and 1 related to the transformation industry.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
  - *There were no relevant issues related to non-compliance during 4Q19.*

## Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Net Income	452	845	<b>733</b>	(13%)	62%	2,558	<b>3,275</b>	28%
Shareholder's Equity	24,541	24,734	<b>25,466</b>	3%	4%	24,541	<b>25,466</b>	4%
Total Assets	26,437	26,835	<b>27,820</b>	4%	5%	26,437	<b>27,820</b>	5%
AUM (SIEFORE)	747,082	860,835	<b>882,314</b>	2%	18%	747,082	<b>882,314</b>	18%
ROE	7.4%	13.9%	<b>11.7%</b>	(2.2 pp)	4.2 pp	10.7%	<b>13.5%</b>	2.7 pp

During 4Q19, Afore XXI Banorte reported **net income** of **Ps 733 million**, down **(13%)** vs. 3Q19. Using 2019 aggregate results, net income was 28% higher vs. 2018 due to the effect of rates on the valuation result, and higher assets under management.

**ROE** in 4Q19 reached **11.7%**, declining **(2.2pp)** during the quarter, while increasing 2.7pp vs. 2018. Excluding goodwill, **Return on Tangible Equity (ROTE)** totaled **35.17%**, showing a slight **(9.6pp)** decline.

Afore XXI Banorte represented 4% of the Financial Group's net income during 4Q19.

Afore XXI Banorte's **assets under management** of as of December 2019 totaled **Ps 882.31 billion**, an 18% increase vs. 2018.

## Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
<b>Interest Income (Net)</b>	3,415	1,977	<b>3,549</b>	79%	4%	9,247	<b>8,644</b>	(7%)
Premium Income (Net)	2,259	2,957	<b>3,014</b>	2%	33%	10,368	<b>11,485</b>	11%
Net Increase in Technical Reserves	3,709	2,713	<b>4,319</b>	59%	16%	12,346	<b>11,471</b>	(7%)
Claims and Other Obligations	1,556	1,738	<b>1,786</b>	3%	15%	5,403	<b>6,845</b>	27%
<b>Technical Results</b>	(3,006)	(1,493)	<b>(3,091)</b>	(107%)	(3%)	(7,382)	<b>(6,832)</b>	7%
<b>Net Interest Income (NII)</b>	<b>409</b>	<b>485</b>	<b>458</b>	<b>(5%)</b>	<b>12%</b>	<b>1,865</b>	<b>1,812</b>	<b>(3%)</b>
Net Fees	(30)	-	-	N.A.	N.A.	(269)	-	N.A.
Securities-Realized Gains	5	3	<b>21</b>	623%	357%	15	<b>46</b>	206%
Other Operating Income (Expenses)	6	(2)	<b>2</b>	N.A.	(60%)	(10)	<b>2</b>	N.A.
<b>Total Operating Income</b>	<b>390</b>	<b>485</b>	<b>481</b>	<b>(1%)</b>	<b>24%</b>	<b>1,602</b>	<b>1,861</b>	<b>16%</b>
Non Interest Expense	126	117	<b>102</b>	(13%)	(19%)	461	420	(9%)
<b>Operating Income</b>	<b>263</b>	<b>368</b>	<b>379</b>	<b>3%</b>	<b>44%</b>	<b>1,141</b>	<b>1,441</b>	<b>26%</b>
Taxes	77	107	<b>111</b>	4%	44%	331	421	27%
Subsidiaries' Net Income	3	2	<b>4</b>	110%	46%	8	10	22%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
<b>Net Income</b>	<b>189</b>	<b>263</b>	<b>272</b>	<b>4%</b>	<b>44%</b>	<b>818</b>	<b>1,030</b>	<b>26%</b>
Shareholder's Equity	3,845	4,608	<b>4,870</b>	6%	27%	3,845	<b>4,870</b>	27%
Total Assets	123,177	131,568	<b>136,092</b>	3%	10%	123,177	<b>136,092</b>	10%
Technical Reserves	117,958	125,261	<b>129,319</b>	3%	10%	117,958	<b>129,319</b>	10%
Premiums sold	2,259	2,957	<b>3,014</b>	2%	33%	10,368	<b>11,485</b>	11%
Coverage ratio of technical reserves	1.0	1.0	<b>1.0</b>	0.0 pp	0.0 pp	1.0	<b>1.0</b>	0.0 pp
Solvency capital requirement coverage ratio	28.8	31.9	<b>29.4</b>	(2.5 pp)	0.6 pp	28.8	<b>29.4</b>	0.6 pp
ROE	20.1%	23.5%	<b>23.0%</b>	(0.5 pp)	2.8 pp	23.8%	<b>23.6%</b>	(0.1 pp)

During 4Q19, **net interest income** reached Ps 3.55 billion, **79% above 3Q19** due to UDIs valuation during the quarter totaling (Ps 1.49 billion). During 2019 it was down (7%) vs. 2018, due to the valuation effect, partially offset by higher interest income.

Technical **results** had a quarterly decline, due to an increase in reserves driven by valuation of inflation vs. the previous quarter, and growth in the book, while net premium income showed stability, and claims had a slight increase. As of 2019, there was a 7% increase vs. 2018, explained by higher premium income, and lower reserves generation caused by inflation valuation.

**Net Income** from Pensiones Banorte **increased 4% quarterly**, driven by the increase in interest income and premium income growth above that of reserves and claims. Compared to 2018, net income rose 26% driven by lower expenses than the previous year, which were primarily explained by the effect of the acquired portfolios during 2018, despite a (7%) decline in net interest income on lower inflation, and higher claims.

**Net income** during 4Q19 represented 3.0% of the Financial Group's net income.

**ROE** for the quarter totaled **23%**, down slightly vs. 23.5% of the previous quarter.

On November 29<sup>th</sup>, 2019 Grupo Financiero Banorte informed the investor community that Pensiones Banorte had reached an agreement with Pensiones SURA S.A de C.V. in which SURA transfers its Life Annuity business portfolio. This transaction is still subject to approvals by the insurance and pension regulator (Comisión Nacional de Seguros y Fianzas), as well as by the antitrust regulator (Comisión Federal de Competencia Económica) during the coming months. The transaction only includes the Life Annuity business, which SURA Asset Management had stopped commercializing since 2018. The transaction price will be set at the execution of the contract and will be informed to the market once the closing conditions are met.



## Brokerage

Brokerage Sector (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
Net Income	303	345	<b>377</b>	9%	24%	1,198	<b>1,260</b>	5%
Shareholder's Equity	3,880	4,482	<b>4,634</b>	3%	19%	3,880	<b>4,634</b>	19%
Assets Under Custody	878,033	953,309	<b>919,985</b>	(3%)	5%	878,033	<b>919,985</b>	5%
Total Assets	214,123	190,323	<b>189,972</b>	(0%)	(11%)	214,123	<b>189,972</b>	(11%)
ROE	18.2%	31.2%	<b>33.1%</b>	1.9 pp	14.9 pp	31.8%	<b>29.2%</b>	(2.6 pp)
Net Capital (1)	3,035	3,373	<b>3,445</b>	2%	14%	3,035	<b>3,445</b>	14%

1) Net capital structure: Tier 1 = Ps 3.44 billion, Tier 2 = Ps 0 million.

The Brokerage business (Casa de Bolsa Banorte and Operadora de Fondos) reported **net income of Ps 377 million**, a **9%** quarterly **increase** resulting from higher trading valuation, as well as from a relevant increase of other income from operations, and 2% growth in mutual fund fees during the quarter.

Accumulated 2019 net income rose 5% vs. 2018, due to higher interest income from securities and cash, and due to a relevant increase in trading income, particularly securities trading. The annual comparison also shows a relevant increase in non-interest income.

Net income from the brokerage business in 4Q19 accounted for 4.2% of the group's net income.

### Assets Under Management

At the end of 4Q19, AUMs totaled **Ps 920 billion, down (3%)** during the quarter, and up 5% annually.

**Mutual fund assets totaled Ps 204 billion, up 14%** during the year. Assets held in **fixed income funds** totaled **Ps 188 billion, (3%)** lower during the quarter, but 15% higher vs. 4Q18; assets held in **equity funds** amounted to **Ps 15.8 billion**, up 2% quarterly and 3% annually. As of 4Q19, Banorte held an 8.4% share of the mutual fund market: 10.3% of fixed income funds, and 2.6% of equity funds.

## SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	4Q18	3Q19	4Q19	Change		2018	2019	Change 2018
				3Q19	4Q18			
<b>Leasing and Factoring</b>								
Net Income	203	285	<b>236</b>	(17%)	16%	861	<b>957</b>	11%
Shareholder's Equity	4,957	5,679	<b>5,908</b>	4%	19%	4,957	<b>5,908</b>	19%
Loan Portfolio (1)	35,917	33,335	<b>35,954</b>	8%	0%	35,917	<b>35,954</b>	0%
Past Due Loans	321	345	<b>344</b>	(0%)	7%	321	<b>344</b>	7%
Loan Loss Reserves	393	402	<b>424</b>	5%	8%	393	<b>424</b>	8%
Total Assets	36,216	34,155	<b>36,977</b>	8%	2%	36,216	<b>36,977</b>	2%
ROE	16.8%	20.6%	<b>16.3%</b>	(4.3 pp)	(0.4 pp)	17.0%	<b>17.7%</b>	0.7 pp
<b>Warehousing</b>								
Net Income	2	8	<b>11</b>	28%	344%	17	<b>3</b>	(85%)
Shareholder's Equity	243	235	<b>245</b>	4%	1%	243	<b>245</b>	1%
Inventories	961	555	<b>677</b>	22%	(30%)	961	<b>677</b>	(30%)
Total Assets	1,154	719	<b>852</b>	18%	(26%)	1,154	<b>852</b>	(26%)
ROE	3.9%	14.3%	<b>17.6%</b>	3.3 pp	13.6 pp	7.2%	<b>1.1%</b>	(6.1 pp)
<b>Sólida Administradora de Portafolios</b>								
Net Income	(217)	(68)	<b>(74)</b>	(9%)	(66%)	(797)	<b>(173)</b>	78%
Shareholder's Equity	3,178	3,083	<b>3,009</b>	(2%)	(5%)	3,178	<b>3,009</b>	(5%)
Loan Portfolio	2,709	1,985	<b>1,723</b>	(13%)	(36%)	2,709	<b>1,723</b>	(36%)
Past Due Loans	101	88	<b>71</b>	(19%)	(30%)	101	<b>71</b>	(30%)
Loan Loss Reserves	187	151	<b>132</b>	(13%)	(29%)	187	<b>132</b>	(29%)
Total Assets	9,515	8,891	<b>9,221</b>	4%	(3%)	9,515	<b>9,221</b>	(3%)
<b>Ixe Servicios</b>								
Net Income	(0.3)	(0.2)	<b>(0.2)</b>	7%	(48%)	(1.2)	<b>(0.9)</b>	24%
Shareholder's Equity	138	137	<b>137</b>	(0%)	(1%)	138	<b>137</b>	(1%)
Total Assets	138	137	<b>137</b>	(0%)	(1%)	138	<b>137</b>	(1%)
ROE	(1.0%)	(0.5%)	<b>(0.5%)</b>	0.0 pp	0.4 pp	(0.8%)	<b>(0.7%)</b>	0.2 pp

1) Includes operating lease portfolio of Ps 2.75 billion, and fixed assets of Ps 52 million, both registered in property, furniture and equipment (net).

### Leasing and Factoring

**Net income** during 4Q19 totaled **Ps 236 million**, a **(17%) quarterly decline** due to an extraordinary income related to tax recoveries from 2018 fiscal period which were registered in the previous quarter.

**Past due loans ratio** reached **1.0%**, (0.1pp) lower vs. 3Q19. **Coverage ratio** totaled **123.4%**, **6.6pp higher** vs. the previous quarter. **Capital ratios** for 4Q19 totaled 17.0%, considering total risk weighted assets of Ps 34.31 billion.

Leverage ratio as of September and December 2019 were 14.60% and 14.22%, respectively, considering risk weighted assets of Ps 38.37 billion, and Ps 40.99 billion, respectively.

During 4Q19, Net Income from Leasing and Factoring represented 2.6% of the group's total results.

Leasing and Factoring Banorte continues to rank 2nd in terms of portfolio size among the 58 companies in this sector, according to the Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. (AMSOFAC).

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## Warehouse

In 4Q19, the Warehouse reported net income of Ps 11 million, much higher when compared to 4Q18, due to higher service income from new clients. ROE reached 17.6%, and the capital ratio totaled 205% considering a net capital of Ps 202 million, and negotiable certificates of deposit issued in active warehouses totaling Ps 1.97 billion.

Almacenadora Banorte was ranked in 10<sup>th</sup> place among the warehousing businesses in the sector in terms of certificates of deposit in June 2019.

## Sólida Administradora de Portafolios

The business reported net income of **Ps (74) million** for the quarter, down (9%) vs. 3Q19, explained by higher expenses and a contraction of the loan portfolio. Net income declined (66%) during the year.

**Past Due Loan Ratio** was **4.1%** at the end of 4Q19, (32bps) lower vs. 3Q19. **Coverage ratio** stood at **186.8%**, higher than 171.9% in 3Q19.

**Capitalization ratio** in 4Q19 reached **23.5%**, (0.7pp) lower vs. last quarter, and 0.6pp higher vs. last year.

**Leverage ratios** as of September and December 2019 were **28.18%** and **25.40%**, respectively; considering risk adjusted assets of Ps 8.15 billion and Ps 8.54 billion respectively.

Sólida and some of its trusts liquidated Ps 643.4 million of various bridge loans from Homex, Urbi and Geo that were secured with real estate collateral owned by trusts in which Sólida is the primary trustee. This was done with the **objective of accelerating and maximizing the proceeds of these assets** by concentrating the total exposure at Sólida, where it will be managed by a specialized team .

### III. General Information

#### GFNORTE's Analyst Coverage

In compliance with requirements from BOLSA MEXICANA DE VALORES, S.A.B. DE C.V, the list of brokers who provide analysis coverage to Ticker GFNORTEO are:

BROKER	ANALYST	RECOMMENDATION	DATE
Barclays	Gilberto García	Buy	9-Aug-19
Bradesco	Alain Nicolau	Buy	13-Mar-19
Brasil Plural	Eduardo Nishio	Buy	25-Oct-19
BTG Pactual	Eduardo Rosman	Buy	13-Nov-19
Citi	Jorg Friedman	Buy	28-Oct-19
GBM	Natalia Zamora	Buy	9-Dec-19
Intercam	Sofía Robles	Buy	29-Nov-18
Monex	Verónica Uribe	Buy	28-Oct-19
Itaú BBA	Thiago Batista	Buy	25-Oct-19
Vector	Marco Montañez	Buy	9-Jan-20
UBS	Philip Finch	Buy	7-May-19
HSBC	Carlos Gómez	Buy	31-Jul-19
BBVA	Rodrigo Ortega	Buy	21-Aug-19
Scotia	Jason Mollin	Buy	24-Oct-19
Actinver	Marco Montañez	Buy	25-Oct-19
BOFA - Merrill Lynch	Mario Pierry	Buy	22-Aug-19
Credit Suisse	Marcelo Telles	Hold	24-Oct-19
Invex	Montserrat Antón	Hold	25-Nov-19
JP Morgan	Domingos Falavina	Hold	18-Dec-19
Santander	Claudia Benavente	Hold	24-Jul-19
Morgan Stanley	Jorge Kuri	Sell	24-Oct-19

#### Capital Structure

Number of Shares (Million)	SERIES O
	As of December 2019
Number of Issued Shares	2,883,456,594
Number of Shares Outstanding	2,883,456,594
Shares held in GFNorte's Treasury	0

## IV. Financial Statements

### Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Interest Income	29,958	30,366	37,111	38,865	37,751	37,276	36,796	37,285
Interest Expense	12,311	13,132	16,944	17,316	18,126	18,038	16,512	14,858
Charged Fees	290	321	334	338	323	335	365	382
Fees Paid	239	255	273	284	281	279	284	316
<b>Net Interest Income from interest &amp; fees (NII)</b>	<b>17,698</b>	<b>17,299</b>	<b>20,228</b>	<b>21,603</b>	<b>19,668</b>	<b>19,295</b>	<b>20,365</b>	<b>22,493</b>
Premium Income (Net)	11,632	5,614	5,983	5,838	12,214	6,271	6,305	7,747
Net Increase in Technical Reserves	6,976	814	2,458	3,260	6,766	1,228	1,922	5,086
Damages, Claims and Other Obligations	4,049	4,239	4,692	4,582	4,332	4,846	4,634	4,967
<b>Net Interest Income (NII)</b>	<b>18,305</b>	<b>17,860</b>	<b>19,061</b>	<b>19,600</b>	<b>20,784</b>	<b>19,492</b>	<b>20,114</b>	<b>20,188</b>
Preventive Provisions for Loan Losses	4,245	3,838	4,060	3,902	3,736	3,728	4,118	3,765
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>14,059</b>	<b>14,022</b>	<b>15,001</b>	<b>15,698</b>	<b>17,048</b>	<b>15,764</b>	<b>15,996</b>	<b>16,423</b>
For Commercial and Mortgage Loans	158	288	394	511	238	291	280	509
For Consumer and Credit Card Loans	1,120	1,158	1,179	1,253	1,212	1,246	1,282	1,424
Fiduciary	85	107	111	116	104	108	127	146
Income from Real Estate Portfolios	36	26	15	113	48	220	1	7
Trading & Financial Advising Fees	201	231	138	131	108	171	131	102
Other Fees Charged	286	279	288	250	304	238	259	261
<b>Fees Charged on Services</b>	<b>5,121</b>	<b>5,547</b>	<b>5,635</b>	<b>6,263</b>	<b>5,540</b>	<b>6,002</b>	<b>5,929</b>	<b>6,591</b>
Interchange Fees	880	986	961	1,173	1,082	1,077	1,168	1,349
Insurance Fees	725	144	316	294	581	296	581	(109)
Other Fees Paid	911	1,163	905	1,066	910	999	997	1,120
<b>Fees Paid on Services</b>	<b>2,516</b>	<b>2,294</b>	<b>2,182</b>	<b>2,534</b>	<b>2,573</b>	<b>2,372</b>	<b>2,746</b>	<b>2,361</b>
<b>Net Service Fees</b>	<b>2,604</b>	<b>3,254</b>	<b>3,453</b>	<b>3,730</b>	<b>2,967</b>	<b>3,630</b>	<b>3,183</b>	<b>4,230</b>
Currency and Metals	(123)	237	(97)	(136)	(6)	(26)	(13)	36
Derivatives	195	603	(2)	1,184	521	176	(1,473)	(79)
Negotiable Instruments	(55)	76	109	(266)	186	29	155	70
<b>Valuation</b>	<b>17</b>	<b>916</b>	<b>10</b>	<b>782</b>	<b>702</b>	<b>179</b>	<b>(1,330)</b>	<b>26</b>
Currency and Metals	613	354	638	509	101	206	471	342
Derivatives	39	(117)	70	(63)	82	121	2,270	(115)
Negotiable Instruments	198	69	160	35	267	456	892	618
<b>Trading</b>	<b>850</b>	<b>305</b>	<b>868</b>	<b>481</b>	<b>450</b>	<b>783</b>	<b>3,633</b>	<b>845</b>
<b>Trading Income</b>	<b>866</b>	<b>1,221</b>	<b>877</b>	<b>1,263</b>	<b>1,152</b>	<b>963</b>	<b>2,303</b>	<b>872</b>
Loan Recovery	-	-	-	-	-	-	-	-
Loan Portfolios	44	58	69	56	59	85	86	57
Income from foreclosed assets	80	68	188	(60)	88	74	177	206
Provisions Release	-	-	-	-	-	-	-	-
Impairment of Assets	(173)	-	-	(7)	(132)	-	-	-
Lease Income	123	106	121	114	91	92	119	114
From Insurance	200	254	197	218	263	255	240	246
Securitization Operation Valuation Result	206	(9)	28	(80)	27	48	37	(7)
Other Operating Expense	113	(83)	(155)	2,549	1,747	100	61	130
<b>Total Other Operating Income (Expense)</b>	<b>593</b>	<b>395</b>	<b>447</b>	<b>2,790</b>	<b>2,143</b>	<b>653</b>	<b>722</b>	<b>746</b>
<b>Total Non Interest Income</b>	<b>4,064</b>	<b>4,870</b>	<b>4,778</b>	<b>7,783</b>	<b>6,262</b>	<b>5,246</b>	<b>6,208</b>	<b>5,847</b>
<b>Total Operating Income</b>	<b>18,123</b>	<b>18,892</b>	<b>19,779</b>	<b>23,481</b>	<b>23,310</b>	<b>21,010</b>	<b>22,204</b>	<b>22,270</b>
Personnel	3,535	3,850	3,721	3,915	3,932	3,567	4,258	4,105
Employee Profit Sharing (PTU)	106	106	120	123	123	123	122	136
Professional Fees	714	754	772	1,090	738	796	941	625
Administrative and Promotional Expenses	1,938	1,971	2,086	1,959	2,135	2,002	2,180	2,377
Rents, Depreciation & Amortization	1,347	1,386	1,435	1,458	1,676	1,635	1,772	1,919
Taxes other than income tax & non deductible expenses	788	191	481	615	561	573	484	602
Contributions to IPAB/Fobaproa	725	726	845	853	839	829	821	809
<b>Total Non Interest Expense</b>	<b>9,153</b>	<b>8,984</b>	<b>9,461</b>	<b>10,013</b>	<b>10,004</b>	<b>9,525</b>	<b>10,578</b>	<b>10,572</b>
<b>Operating Income</b>	<b>8,970</b>	<b>9,908</b>	<b>10,318</b>	<b>13,468</b>	<b>13,306</b>	<b>11,485</b>	<b>11,626</b>	<b>11,698</b>
Subsidiaries' Net Income	357	409	375	245	411	466	451	389
<b>Pre-Tax Income</b>	<b>9,327</b>	<b>10,317</b>	<b>10,693</b>	<b>13,713</b>	<b>13,717</b>	<b>11,951</b>	<b>12,077</b>	<b>12,086</b>
Income Tax	2,343	2,627	2,808	2,989	3,062	2,472	3,088	1,903
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	128	396	(41)	385	588	628	6	1,049
<b>Taxes</b>	<b>2,472</b>	<b>3,023</b>	<b>2,767</b>	<b>3,375</b>	<b>3,650</b>	<b>3,100</b>	<b>3,094</b>	<b>2,951</b>
<b>Net Income from Continuous Operations</b>	<b>6,856</b>	<b>7,294</b>	<b>7,926</b>	<b>10,338</b>	<b>10,067</b>	<b>8,851</b>	<b>8,983</b>	<b>9,135</b>
Discontinued Operations	-	-	-	-	-	-	-	-
Minority Interest	(87)	(102)	(110)	(156)	(135)	(123)	(125)	(125)
<b>Net Income</b>	<b>6,768</b>	<b>7,191</b>	<b>7,816</b>	<b>10,182</b>	<b>9,932</b>	<b>8,728</b>	<b>8,858</b>	<b>9,010</b>

<b>GFNorte - Balance Sheet</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<i>(Million Pesos)</i>								
<b>ASSETS</b>								
<b>Cash and Due from Banks</b>	<b>87,954</b>	<b>69,649</b>	<b>65,483</b>	<b>75,637</b>	<b>72,135</b>	<b>54,543</b>	<b>56,121</b>	<b>62,797</b>
<b>Margin Accounts</b>	<b>1,739</b>	<b>1,680</b>	<b>1,764</b>	<b>1,458</b>	<b>3,508</b>	<b>4,408</b>	<b>6,245</b>	<b>5,926</b>
Negotiable Instruments	258,739	259,179	260,794	257,904	250,541	223,499	225,565	233,832
Securities Available for Sale	164,663	157,586	203,583	214,164	196,009	212,927	213,131	202,685
Securities Held to Maturity	97,981	98,689	120,494	128,038	131,202	131,481	146,657	150,606
<b>Investment in Securities</b>	<b>521,382</b>	<b>515,454</b>	<b>584,871</b>	<b>600,106</b>	<b>577,752</b>	<b>567,907</b>	<b>585,353</b>	<b>587,123</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-	-
<b>Debtor Balance in Repo Trans, net</b>	<b>595</b>	<b>187</b>	<b>372</b>	<b>1,021</b>	<b>253</b>	<b>556</b>	<b>162</b>	<b>3,070</b>
<b>Securities Lending</b>	-	-	-	-	-	-	-	-
For trading purposes	24,404	28,796	28,233	28,083	23,793	25,473	26,398	22,295
For hedging purposes	293	134	349	156	15	29	29	162
Operations w/Derivatives & Securities								
<b>Transactions with Derivatives</b>	<b>24,697</b>	<b>28,931</b>	<b>28,582</b>	<b>28,239</b>	<b>23,807</b>	<b>25,502</b>	<b>26,427</b>	<b>22,457</b>
<b>Operations w/Derivatives &amp; Securities</b>	<b>25,291</b>	<b>29,118</b>	<b>28,954</b>	<b>29,260</b>	<b>24,061</b>	<b>26,059</b>	<b>26,590</b>	<b>25,527</b>
<b>Valuation adjustments for Asset Coverage</b>	<b>95</b>	<b>91</b>	<b>88</b>	<b>84</b>	<b>80</b>	<b>77</b>	<b>73</b>	<b>69</b>
Commercial Loans	234,847	248,783	283,315	302,845	298,561	294,591	285,822	293,499
Financial Intermediaries' Loans	5,576	4,967	7,312	7,734	9,384	7,942	5,784	7,389
Consumer Loans	108,477	111,471	112,954	113,441	114,086	115,577	117,013	117,680
Mortgage Loans	139,779	145,351	150,517	155,798	158,605	162,619	166,286	170,086
Medium and Residential	135,952	141,629	146,834	152,270	155,134	159,294	162,995	166,921
low income housing	23	20	19	16	13	12	10	9
Loans acquired from INFONAVIT or FOVISSSTE	3,804	3,702	3,665	3,511	3,457	3,314	3,280	3,156
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	134,017	130,087	197,636	197,373	181,470	187,454	157,821	173,988
<b>Performing Loans</b>	<b>622,695</b>	<b>640,660</b>	<b>751,735</b>	<b>777,192</b>	<b>762,105</b>	<b>768,183</b>	<b>732,726</b>	<b>762,642</b>
Commercial PDL's	6,913	7,116	7,614	7,387	7,740	8,146	7,965	6,511
Financial Intermediaries PDL's	1	0	0	0	4	4	4	4
Consumer PDL's	3,976	4,424	4,816	4,408	4,183	4,716	4,577	4,314
Mortgage PDL's	1,315	1,347	1,448	1,464	1,557	1,696	1,807	1,973
Medium and Residential	1,186	1,227	1,324	1,349	1,417	1,526	1,634	1,785
low income housing	1	1	2	2	0	0	0	0
Loans acquired from INFONAVIT or FOVISSSTE	128	119	123	113	139	170	172	187
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	16	4	4	4	4	4
<b>Past Due Loans</b>	<b>12,205</b>	<b>12,888</b>	<b>13,895</b>	<b>13,263</b>	<b>13,488</b>	<b>14,567</b>	<b>14,357</b>	<b>12,806</b>
<b>Gross Loan Portfolio</b>	<b>634,900</b>	<b>653,547</b>	<b>765,630</b>	<b>790,455</b>	<b>775,594</b>	<b>782,750</b>	<b>747,084</b>	<b>775,448</b>
Preventive Loan Loss Reserves	16,674	17,161	18,906	18,844	18,329	18,592	18,171	17,639
<b>Net Loan Portfolio</b>	<b>618,226</b>	<b>636,386</b>	<b>746,725</b>	<b>771,611</b>	<b>757,265</b>	<b>764,158</b>	<b>728,913</b>	<b>757,809</b>
Acquired Collection Rights	2,315	2,781	2,610	2,417	2,217	2,065	1,905	1,601
<b>Total Credit Portfolio</b>	<b>620,541</b>	<b>639,168</b>	<b>749,335</b>	<b>774,028</b>	<b>759,482</b>	<b>766,222</b>	<b>730,818</b>	<b>759,410</b>
Account Receivables from Insurance and Annuities	1,879	2,133	2,227	2,241	1,763	1,945	2,112	2,279
Premium Debtors (Net)	11,026	8,866	6,212	3,835	11,246	9,125	6,429	4,474
Account Receivables from Reinsurance	13,682	14,044	12,069	8,956	11,532	10,884	10,920	7,787
Benef. receivab. securization transactions	162	149	169	61	85	125	158	139
Sundry Debtors & Other Accs Rec, Net	36,942	54,191	52,911	42,008	49,472	62,040	67,824	31,203
Inventories	594	1,058	740	961	765	912	555	677
Foreclosed Assets, Net	1,131	1,011	1,088	895	988	830	919	1,154
Real Estate, Furniture & Equipment, Net	17,871	18,089	18,860	17,684	17,338	17,782	18,018	18,764
Investment in Subsidiaries	12,953	13,328	13,837	14,038	13,278	13,701	14,192	14,554
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	2,629	2,631	3,504	4,318	2,632	2,481	1,964	626
Goodwill and Intangibles	27,226	29,707	42,321	44,550	48,117	50,598	50,546	52,115
Other Assets Short and Long Term	431	275	360	350	375	362	4,813	5,388
Other Assets								
	126,524	145,484	154,297	139,898	157,589	170,783	178,452	139,157
<b>TOTAL ASSETS</b>	<b>1,383,526</b>	<b>1,400,644</b>	<b>1,584,791</b>	<b>1,620,470</b>	<b>1,594,607</b>	<b>1,589,998</b>	<b>1,583,651</b>	<b>1,580,010</b>

<b>GFNorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<b>LIABILITIES</b>								
Demand Deposits	387,601	401,870	404,405	410,375	389,657	391,720	395,959	416,548
Time Deposits-Retail	240,557	238,418	268,129	276,386	280,204	267,318	262,679	260,828
Time Deposits-Money Market	9,984	13,264	55,689	55,552	51,019	49,515	33,999	18,122
Global Account of deposits without movements	1,673	1,709	1,769	1,891	1,803	1,856	1,919	2,085
Senior Unsecured Debt	2,764	4,995	7,041	12,098	12,272	24,159	27,483	26,907
<b>Deposits</b>	<b>642,579</b>	<b>660,257</b>	<b>737,033</b>	<b>756,301</b>	<b>734,956</b>	<b>734,568</b>	<b>722,039</b>	<b>724,490</b>
Demand Loans	0	0	0	0	0	900	7,851	500
Short Term Loans	13,029	15,670	19,884	25,724	18,743	20,434	19,236	22,287
Long Term Loans	17,508	16,597	32,057	33,035	33,310	33,477	14,675	14,275
<b>Due to Banks &amp; Correspondents</b>	<b>30,537</b>	<b>32,267</b>	<b>51,941</b>	<b>58,759</b>	<b>52,052</b>	<b>54,811</b>	<b>41,762</b>	<b>37,061</b>
Technical Reserves	118,660	119,065	135,585	140,879	150,637	150,742	152,486	154,487
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	311,829	323,057	369,793	369,457	350,667	339,751	341,709	345,959
Secs to be received in Repo Trans, Net	-	-	-	-	-	0	0	0
Repos (Credit Balance)	1	2	1	2	9	4	4	105
Securities' Loans	-	-	-	-	-	2	19	0
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
<b>Total Collateral sold</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>6</b>	<b>23</b>	<b>106</b>
For trading purposes	21,195	25,966	24,956	23,605	18,872	20,367	24,226	20,752
For hedging purposes	8,180	9,646	7,797	10,963	9,313	8,763	5,079	4,221
Operations w/ Derivatives & Securities								
<b>Transactions with Derivatives</b>	<b>29,374</b>	<b>35,612</b>	<b>32,753</b>	<b>34,568</b>	<b>28,184</b>	<b>29,130</b>	<b>29,305</b>	<b>24,973</b>
<b>Total Operations w/ Derivatives &amp; Securities</b>	<b>341,204</b>	<b>358,671</b>	<b>402,547</b>	<b>404,027</b>	<b>378,860</b>	<b>368,887</b>	<b>371,037</b>	<b>371,038</b>
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accountsfor Reinsurance	4,075	3,507	3,030	1,325	2,615	2,347	2,071	1,505
Income Tax Payable	2,549	2,253	3,310	3,296	2,248	2,629	3,501	3,588
Profit Sharing Payable	127	216	367	485	606	256	374	508
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	28,512	5,488	7,176	4,469	11,939	7,730	9,925	9,972
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	30,270	35,573	39,587	42,326	41,667	35,100	36,665	32,696
<b>Other Payable Accounts</b>	<b>61,458</b>	<b>43,530</b>	<b>50,441</b>	<b>50,576</b>	<b>56,460</b>	<b>45,715</b>	<b>50,464</b>	<b>46,764</b>
Subordinated Non Convertible Debt	30,482	32,507	32,241	33,560	33,327	53,953	55,515	48,050
Deferred Taxes, Net	0	(0)	(0)	-	(0)	0	0	(0)
Deferred Credits	450	477	512	579	592	606	598	617
<b>TOTAL LIABILITIES</b>	<b>1,229,446</b>	<b>1,250,281</b>	<b>1,413,330</b>	<b>1,446,006</b>	<b>1,409,497</b>	<b>1,411,630</b>	<b>1,395,973</b>	<b>1,384,012</b>
<b>EQUITY</b>								
Paid-in Capital	14,588	14,588	14,979	14,962	14,967	14,968	14,982	14,992
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	35,692	35,793	47,849	47,904	48,081	48,244	47,973	47,979
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>50,280</b>	<b>50,381</b>	<b>62,828</b>	<b>62,866</b>	<b>63,048</b>	<b>63,212</b>	<b>62,955</b>	<b>62,971</b>
Capital Reserves	5,379	5,379	5,787	5,207	5,333	5,779	6,206	6,486
Retained Earnings	94,702	84,830	84,690	76,550	108,191	91,470	90,775	90,084
Surplus (Deficit) of Secs Available for Sale	(3,513)	(4,659)	(4,198)	(2,136)	(80)	638	1,471	1,763
Results from Valuation of Hedging Secs	(2,103)	(2,170)	(2,039)	(3,369)	(3,027)	(2,861)	(2,629)	(2,246)
Result in the valuation reserve for unexpired risks variations in rates	77	79	112	28	(7)	(57)	(81)	(85)
Results from Conversions	1,618	1,753	1,700	1,751	105	97	126	77
Remeasurements defined benefits for employees	(1,045)	(1,163)	(1,282)	(576)	(708)	(830)	(952)	(1,861)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	6,768	13,960	21,776	31,958	9,932	18,660	27,518	36,528
<b>Earned Capital</b>	<b>101,885</b>	<b>98,009</b>	<b>106,546</b>	<b>109,412</b>	<b>119,738</b>	<b>112,896</b>	<b>122,434</b>	<b>130,747</b>
Minority Interest	1,916	1,973	2,088	2,185	2,323	2,260	2,289	2,281
<b>Total Equity</b>	<b>154,081</b>	<b>150,363</b>	<b>171,461</b>	<b>174,464</b>	<b>185,110</b>	<b>178,368</b>	<b>187,678</b>	<b>195,998</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,383,526</b>	<b>1,400,644</b>	<b>1,584,791</b>	<b>1,620,470</b>	<b>1,594,607</b>	<b>1,589,998</b>	<b>1,583,651</b>	<b>1,580,010</b>

<b>GFNorte - Memorandum Accounts</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q19</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<i>(Million Pesos)</i>								
<b>On behalf of Third Parties</b>								
Customer's Banks	37	44	200	236	34	35	35	56
Dividends Receivable from Customers	-	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-	-
Settlement of Customer Transactions	182	86	126	(145)	32	(136)	136	143
Customer Premiums	-	-	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-	-	-
<b>Customers' Current Account</b>	<b>219</b>	<b>129</b>	<b>326</b>	<b>91</b>	<b>66</b>	<b>(101)</b>	<b>170</b>	<b>199</b>
Client Securities Received in Custody	657,387	686,453	786,752	699,130	709,242	726,007	744,672	716,128
Securities and Documents Received in Guarantee	-	-	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-	-	-
<b>Clients' Securities</b>	<b>657,387</b>	<b>686,453</b>	<b>786,752</b>	<b>699,130</b>	<b>709,242</b>	<b>726,007</b>	<b>744,672</b>	<b>716,128</b>
Clients' Repurchase Operations	167,552	154,485	194,824	209,591	184,937	187,339	184,220	184,063
Clients' Repo Transactions w / Securities	-	-	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	167,518	154,451	194,825	209,595	184,939	187,340	184,239	184,063
Purchase of Futures & Forward Contracts, national	-	-	-	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-	-	-	-
Trusts under Management	104,431	101,779	100,614	91,152	89,878	86,428	88,900	83,298
<b>Transactions On Behalf of Clients</b>	<b>439,500</b>	<b>410,715</b>	<b>490,263</b>	<b>510,338</b>	<b>459,754</b>	<b>461,107</b>	<b>457,359</b>	<b>451,424</b>
<b>Investment Bank Trans. on behalf of Third</b>	<b>89,601</b>	<b>90,056</b>	<b>71,600</b>	<b>68,035</b>	<b>82,947</b>	<b>101,587</b>	<b>104,928</b>	<b>96,100</b>
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>1,186,708</b>	<b>1,187,353</b>	<b>1,348,941</b>	<b>1,277,594</b>	<b>1,252,008</b>	<b>1,288,600</b>	<b>1,307,129</b>	<b>1,263,851</b>
<b>Endorsement Guarantees Granted</b>	-	-	-	-	-	-	-	-
Loan Obligations	269,875	290,268	320,465	305,418	316,687	284,174	275,096	286,019
Trusts	267,263	264,320	452,846	442,948	445,853	456,152	457,200	452,406
Mandates	14,628	16,625	16,500	15,847	1,344	8,039	7,964	7,615
<b>Properties in Trusts and Warrant</b>	<b>281,891</b>	<b>280,945</b>	<b>469,346</b>	<b>458,795</b>	<b>447,197</b>	<b>464,191</b>	<b>465,164</b>	<b>460,021</b>
Properties in Custody or Management	577,678	590,176	738,265	676,612	687,330	693,335	694,066	631,539
Collateral Received	187,966	181,148	230,558	245,892	230,687	184,929	233,652	213,885
Collateral Received or sold or delivered	273,284	250,217	326,695	372,881	327,444	287,246	322,840	304,448
Drafts in Transit	-	-	-	-	-	-	-	-
Assets' Deposit	2,498	1,545	1,382	2,781	2,658	2,318	1,764	3,107
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-	-
Contingent assets & Liabilities	119	131	166	193	54	64	39	50
Uncollected Accrued Interest from Past Due Loans	363	358	659	636	633	318	323	299
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Miscellaneous accounts	-	-	-	255,021	266,235	272,258	278,650	280,016
<b>Proprietary Transactions</b>	<b>1,593,673</b>	<b>1,594,788</b>	<b>2,087,536</b>	<b>2,318,227</b>	<b>2,278,926</b>	<b>2,188,832</b>	<b>2,271,594</b>	<b>2,179,383</b>
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-	-	-	-
<b>TOTAL PROPRIETARY</b>	<b>1,593,673</b>	<b>1,594,788</b>	<b>2,087,536</b>	<b>2,318,227</b>	<b>2,278,926</b>	<b>2,188,832</b>	<b>2,271,594</b>	<b>2,179,383</b>



**GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**
**JANUARY 1, 2019 – DECEMBER 31, 2019**
*(Million Pesos)*

<b>Net Income</b>	<b>36,528</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	2,087
Technical Reserves	15,003
Provisions	1,484
Income taxes and deferred	12,795
Minority Interest	(1,207)
	<b>30,162</b>
	<b>66,690</b>
<b>Change in items related to operations</b>	
Change in Margin Accounts	(4,469)
Change in Investment in Securities	12,984
Change in repo debtors	(2,048)
Change in derivatives (assets)	5,803
Change in Loan Portfolio (net)	13,802
Change in purchased receivables (net)	816
Change in accounts receivable insurance and bonding institutions (net)	(38)
Change in debtor premiums (net)	(639)
Change in Reinsurance (net)	1,169
Change in benefits to receive from securitizations	(78)
Change in foreclosed assets (net)	(259)
Change in other operating assets (net)	(15)
Change in core deposits	(31,811)
Change in interbank loans and other entities	(21,697)
Change in repo creditors	(23,499)
Change in collateral pledged sold	103
Change in derivatives (liability)	(2,853)
Change in Technical Reserves (net)	(1,395)
Change in Reinsurance (net) (liability)	180
Change in subordinated debt with characteristics of liabilities	14,489
Change in other operating liabilities	(4,712)
Change in hedging instruments (the related hedged transaction activities)	(6,748)
Income Tax Payments	(8,818)
<b>Net cash generated or used from operations</b>	<b>6,957</b>
<b>Investment Activities</b>	
Charges for disposal of property, furniture and equipment	1,406
Payments for acquisition of property, furniture and equipment	(4,578)
Charges for disposal of subsidiaries, associated and agreements with mutual control	68
Subsidiaries and associated acquisitions payment	(101)
Charges for cash dividends	1,265
<b>Net cash generated or used from investment activities</b>	<b>(1,940)</b>
<b>Financing Activities</b>	
Payments for issued shares	108
Payments of cash dividends	(15,954)
Payments of interests of subordinated debentures	(1,983)
<b>Net cash flows from financing activities</b>	<b>(17,829)</b>
<b>Net Cash Increase (decrease) and equivalents value</b>	<b>(12,812)</b>
<b>Effects for changes in cash and equivalents value</b>	<b>(28)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>75,637</b>
<b>Cash and cash equivalents at end of period</b>	<b>62,797</b>

**GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**
**JANUARY 1, 2019 – DECEMBER 31, 2019**
*(Million Pesos)*

	CONTRIBUTED CAPITAL		EARNED CAPITAL									
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of Instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2018	14,962	47,904	5,207	76,550	(2,136)	(3,369)	28	1,751	(576)	31,958	2,185	174,464
<b><u>Changes stemming from stockholders' decisions</u></b>												
Repurchase of payment plan based on shares payable	30	80	833		(10)							933
Capitalization of profits				31,958						(31,958)		0
Creation of Reserves according to Ordinary Annual General Shareholder's Meeting of April 30, 2019			62	(62)								0
Dividends Declared by the Ordinary General Shareholders' Meeting on May 30, 2019				(15,954)								(15,954)
Banorte USA subsidiary's Sale Accounting Effect								(1,632)				(1,632)
Reserve creation for share repurchase			384	(384)								0
<b>Total</b>	<b>30</b>	<b>80</b>	<b>1,279</b>	<b>15,558</b>	<b>(10)</b>	<b>0</b>	<b>0</b>	<b>(1,632)</b>	<b>0</b>	<b>(31,958)</b>	<b>0</b>	<b>(16,653)</b>
<b><u>Changes stemming from profits</u></b>												
<b><u>Total profits:</u></b>												
Net Income										36,528		36,528
Result from valuation of securities available for sale					3,909							3,909
Effect of subsidiaries, associates and mutual funds		(5)		(41)				(42)				(88)
Result from valuation of instruments of cash flow hedges						1,123						1,123
Result in valuation of current risk reserve due to Remeasurements defined benefits for employees							(113)					(113)
Interest of subordinated debentures				(1,983)								(1,983)
<b>Total</b>	<b>0</b>	<b>(5)</b>	<b>0</b>	<b>(2,024)</b>	<b>3,909</b>	<b>1,123</b>	<b>(113)</b>	<b>(42)</b>	<b>(1,285)</b>	<b>36,528</b>	<b>0</b>	<b>38,091</b>
<b>Recognition of minority interest</b>											<b>96</b>	<b>96</b>
<b>Balance as of December 31, 2019</b>	<b>14,992</b>	<b>47,979</b>	<b>6,486</b>	<b>90,084</b>	<b>1,763</b>	<b>(2,246)</b>	<b>(85)</b>	<b>77</b>	<b>(1,861)</b>	<b>36,528</b>	<b>2,281</b>	<b>195,998</b>

## Bank

<b>Income Statement - Bank</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
Interest Income	25,945	26,729	31,437	32,587	32,320	32,094	30,964	30,425
Interest Expense	11,254	11,168	14,799	15,201	15,432	15,299	13,896	12,837
Charged Fees	290	320	333	338	323	335	365	382
Fees Paid	237	253	271	283	280	278	283	315
<b>Net Interest Income (NII)</b>	<b>14,744</b>	<b>15,628</b>	<b>16,700</b>	<b>17,442</b>	<b>16,931</b>	<b>16,853</b>	<b>17,150</b>	<b>17,654</b>
Preventive Provisions for Loan Losses	4,149	3,759	3,919	3,809	3,700	3,657	4,034	3,713
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>10,596</b>	<b>11,869</b>	<b>12,781</b>	<b>13,633</b>	<b>13,231</b>	<b>13,196</b>	<b>13,116</b>	<b>13,941</b>
Fund Transfers	363	422	418	430	367	399	444	427
Account Management Fees	639	650	650	662	623	614	598	604
Electronic Banking Services	1,880	2,019	2,007	2,362	2,128	2,285	2,363	2,656
For Commercial and Mortgage Loans	158	288	394	511	238	289	269	506
For Consumer Loans	1,117	1,155	1,176	1,251	1,210	1,244	1,280	1,423
Fiduciary	84	107	111	115	104	108	126	146
Income from Real Estate Portfolios	20	7	3	16	1	0	5	2
Trading & Financial Advising Fees	-	-	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1	1	1	0
Other Fees Charged	577	585	618	580	632	599	609	606
<b>Fees Charged on Services</b>	<b>4,840</b>	<b>5,233</b>	<b>5,377</b>	<b>5,929</b>	<b>5,303</b>	<b>5,539</b>	<b>5,695</b>	<b>6,370</b>
Interchange Fees	880	986	961	1,173	1,082	1,077	1,168	1,349
Insurance Fees	-	-	-	-	-	-	-	-
Other Fees Paid	864	999	975	1,011	869	940	951	1,080
<b>Fees Paid on Services</b>	<b>1,744</b>	<b>1,985</b>	<b>1,936</b>	<b>2,185</b>	<b>1,951</b>	<b>2,016</b>	<b>2,119</b>	<b>2,430</b>
<b>Net Fees</b>	<b>3,096</b>	<b>3,248</b>	<b>3,441</b>	<b>3,744</b>	<b>3,351</b>	<b>3,523</b>	<b>3,576</b>	<b>3,940</b>
Foreign Exchange	(116)	231	(93)	(140)	(5)	(25)	(14)	39
Derivatives	199	605	(1)	1,185	521	176	(1,473)	(79)
Negotiable Instruments	(31)	41	45	(138)	68	13	97	43
Valuation	52	877	(50)	907	585	164	(1,390)	2
Currency and Metals	613	354	638	509	101	206	471	342
Derivatives	39	(117)	70	(63)	82	121	2,270	(115)
Negotiable Instruments	103	17	55	(205)	166	344	778	432
Trading	755	254	763	241	349	671	3,519	659
<b>Trading Income</b>	<b>807</b>	<b>1,131</b>	<b>713</b>	<b>1,148</b>	<b>934</b>	<b>835</b>	<b>2,129</b>	<b>662</b>
Loan Recovery	-	-	-	-	-	-	-	-
Loan Portfolios	29	36	42	35	45	60	52	45
Income from foreclosed assets	70	87	176	116	88	57	163	203
Provisions Release	-	-	-	-	-	-	-	-
Losses and Estimates	(715)	(337)	(616)	(313)	(447)	(877)	(263)	(237)
Impairment of Assets	-	-	-	(7)	(132)	-	-	-
Lease Income	15	3	20	18	19	19	25	23
From Insurance	-	-	-	-	-	-	-	-
Other Operating Expense	993	95	431	2,693	2,248	1,014	251	269
<b>Total Other Operating Income (Expenses)</b>	<b>391</b>	<b>(116)</b>	<b>53</b>	<b>2,541</b>	<b>1,820</b>	<b>273</b>	<b>228</b>	<b>304</b>
<b>Total Non-Interest Income</b>	<b>4,294</b>	<b>4,263</b>	<b>4,208</b>	<b>7,433</b>	<b>6,105</b>	<b>4,631</b>	<b>5,932</b>	<b>4,906</b>
<b>Total Operating Income</b>	<b>14,889</b>	<b>16,132</b>	<b>16,989</b>	<b>21,066</b>	<b>19,336</b>	<b>17,826</b>	<b>19,048</b>	<b>18,846</b>
Personnel	3,370	3,679	3,534	3,728	3,765	3,390	4,074	3,933
Employee Profit Sharing (PTU)	104	104	118	118	121	121	120	134
Professional Fees	606	621	621	870	610	655	778	485
Administrative and Promotional Expenses	1,782	1,824	1,915	1,822	1,926	1,882	2,045	2,158
Rents, Depreciation & Amortization	1,272	1,311	1,356	1,380	1,595	1,552	1,691	1,837
Taxes other than income tax & non-deductible expenses	724	126	430	514	485	503	418	520
Contributions to IPAB/Fobaproa	725	726	845	853	839	829	821	809
<b>Total Non-Interest Expense</b>	<b>8,582</b>	<b>8,392</b>	<b>8,820</b>	<b>9,286</b>	<b>9,341</b>	<b>8,931</b>	<b>9,947</b>	<b>9,875</b>
<b>Operating Income</b>	<b>6,307</b>	<b>7,740</b>	<b>8,169</b>	<b>11,780</b>	<b>9,996</b>	<b>8,895</b>	<b>9,101</b>	<b>8,971</b>
Subsidiaries' Net Income	25	49	44	43	14	39	31	44
<b>Pre-Tax Income</b>	<b>6,332</b>	<b>7,790</b>	<b>8,213</b>	<b>11,823</b>	<b>10,009</b>	<b>8,934</b>	<b>9,132</b>	<b>9,015</b>
Income Tax	1,591	2,112	2,324	2,539	2,176	1,941	2,550	1,355
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	123	285	(126)	476	472	441	(149)	812
<b>Taxes</b>	<b>1,714</b>	<b>2,397</b>	<b>2,198</b>	<b>3,015</b>	<b>2,647</b>	<b>2,382</b>	<b>2,401</b>	<b>2,167</b>
<b>Net Income from Continuous Operations</b>	<b>4,618</b>	<b>5,392</b>	<b>6,015</b>	<b>8,808</b>	<b>7,362</b>	<b>6,553</b>	<b>6,730</b>	<b>6,848</b>
Discontinued Operations	-	-	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Net Income</b>	<b>4,618</b>	<b>5,392</b>	<b>6,015</b>	<b>8,808</b>	<b>7,362</b>	<b>6,553</b>	<b>6,730</b>	<b>6,848</b>

<b>Bank - Balance Sheet (Million Pesos)</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<b>ASSETS</b>								
<b>Cash and Due from Banks</b>	<b>87,771</b>	<b>69,226</b>	<b>65,084</b>	<b>75,233</b>	<b>71,563</b>	<b>53,955</b>	<b>55,470</b>	<b>62,282</b>
<b>Margin Accounts</b>	<b>1,739</b>	<b>1,680</b>	<b>1,764</b>	<b>1,458</b>	<b>3,508</b>	<b>4,408</b>	<b>6,245</b>	<b>5,926</b>
Negotiable Instruments	85,206	95,500	84,122	92,418	100,271	71,098	75,687	75,169
Securities Available for Sale	150,133	145,572	162,694	147,986	138,523	154,921	155,394	152,630
Securities Held to Maturity	6,836	6,770	8,888	8,492	8,456	7,886	19,755	19,593
<b>Investment in Securities</b>	<b>242,175</b>	<b>247,842</b>	<b>255,704</b>	<b>248,896</b>	<b>247,250</b>	<b>233,906</b>	<b>250,836</b>	<b>247,392</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-	-
<b>Debtor Balance in Repo Trans,net</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>405</b>	<b>3</b>	<b>11</b>	<b>162</b>	<b>2,016</b>
<b>Securities Lending</b>	-	-	-	-	-	-	-	-
For trading purposes	24,399	28,794	28,231	28,083	23,793	25,473	26,398	22,295
For hedging purposes	293	134	349	156	15	29	29	162
Operations w/Derivatives & Securities	-	-	-	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>24,692</b>	<b>28,929</b>	<b>28,581</b>	<b>28,239</b>	<b>23,807</b>	<b>25,502</b>	<b>26,427</b>	<b>22,457</b>
<b>Operations w/Derivatives &amp; Securities</b>	<b>24,693</b>	<b>28,929</b>	<b>28,582</b>	<b>28,643</b>	<b>23,810</b>	<b>25,513</b>	<b>26,590</b>	<b>24,473</b>
<b>Valuation adjustments for Asset Coverage</b>	<b>95</b>	<b>91</b>	<b>88</b>	<b>84</b>	<b>80</b>	<b>77</b>	<b>73</b>	<b>69</b>
Commercial Loans	211,079	224,216	258,347	275,979	272,884	268,146	258,389	266,442
Financial Intermediaries' Loans	24,843	22,887	26,114	21,088	22,708	20,351	18,287	20,595
Consumer Loans	105,358	108,725	110,491	111,237	112,105	113,803	115,413	116,228
Mortgage Loans	139,779	145,351	150,517	155,798	158,605	162,619	166,286	170,086
Medium and Residential	135,952	141,629	146,834	152,270	155,134	159,294	162,995	166,921
low income housing	23	20	19	16	13	12	10	9
Loans acquired from INFONAVIT or FOVISSSTE	3,804	3,702	3,665	3,511	3,457	3,314	3,280	3,156
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	131,014	128,397	194,085	192,234	179,434	185,133	157,242	170,155
Loans granted as Federal Agent	-	-	-	-	-	-	-	-
<b>Performing Loans</b>	<b>612,074</b>	<b>629,576</b>	<b>739,555</b>	<b>756,336</b>	<b>745,735</b>	<b>750,052</b>	<b>715,617</b>	<b>743,507</b>
Commercial PDL's	6,723	6,930	7,422	7,044	7,418	7,810	7,600	6,147
Financial Intermediaries PDL's	1	0	0	0	4	4	4	4
Consumer PDL's	3,875	4,342	4,729	4,331	4,115	4,659	4,514	4,268
Mortgage PDL's	1,315	1,347	1,448	1,464	1,557	1,696	1,807	1,973
Medium and Residential	1,186	1,227	1,324	1,349	1,417	1,526	1,634	1,785
low income housing	1	1	2	2	0	0	0	0
Loans acquired from INFONAVIT or FOVISSSTE	128	119	123	113	139	170	172	187
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	13	0	0	0	0	0
<b>Past Due Loans</b>	<b>11,914</b>	<b>12,619</b>	<b>13,612</b>	<b>12,840</b>	<b>13,095</b>	<b>14,170</b>	<b>13,925</b>	<b>12,392</b>
<b>Gross Loan Portfolio</b>	<b>623,988</b>	<b>642,196</b>	<b>753,167</b>	<b>769,176</b>	<b>758,830</b>	<b>764,222</b>	<b>729,542</b>	<b>755,899</b>
Preventive Loan Loss Reserves	16,108	16,639	18,333	18,264	17,822	18,070	17,617	17,083
<b>Net Loan Portfolio</b>	<b>607,880</b>	<b>625,556</b>	<b>734,834</b>	<b>750,912</b>	<b>741,008</b>	<b>746,152</b>	<b>711,925</b>	<b>738,816</b>
Acquired Collection Rights	1,794	2,298	2,149	2,001	1,864	1,720	1,560	1,359
<b>Total Credit Portfolio</b>	<b>609,673</b>	<b>627,855</b>	<b>736,983</b>	<b>752,913</b>	<b>742,872</b>	<b>747,872</b>	<b>713,485</b>	<b>740,175</b>
Benef. receivab. securization transactions	162	149	169	61	85	125	158	139
Sundry Debtors & Other Accs Rec, Net	27,055	43,581	42,559	36,083	43,371	55,248	65,982	29,410
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	754	704	768	738	770	606	701	860
Real Estate, Furniture & Equipment, Net	13,720	13,893	14,753	13,547	13,667	14,010	14,360	15,088
Investment in Subsidiaries	175	192	347	342	362	422	413	418
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	3,189	3,302	4,174	4,839	3,328	2,572	2,215	1,104
Goodwill and Intangibles	12,639	14,870	17,160	17,422	21,490	21,409	20,677	21,979
Other Assets Short and Long Term	57	53	306	235	226	209	228	223
	57,750	76,743	80,235	73,265	83,299	94,599	104,734	69,220
<b>TOTAL ASSETS</b>	<b>1,023,894</b>	<b>1,052,365</b>	<b>1,168,439</b>	<b>1,180,492</b>	<b>1,172,383</b>	<b>1,160,329</b>	<b>1,157,433</b>	<b>1,149,536</b>

<b>Bank - Balance Sheet (Million Pesos)</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<b>LIABILITIES</b>								
Demand Deposits	389,330	403,109	406,557	412,118	391,855	394,308	399,464	435,453
Time Deposits-Retail	248,275	238,597	269,543	277,576	280,277	268,190	263,555	261,705
Time Deposits-Money Market	9,984	13,264	55,689	55,552	51,019	49,515	33,999	18,122
Global Account of deposits w without movements	1,673	1,709	1,769	1,891	1,803	1,856	1,919	2,085
Senior Unsecured Debt	2,764	4,995	7,041	12,098	12,272	24,159	27,483	26,907
<b>Deposits</b>	<b>652,027</b>	<b>661,675</b>	<b>740,598</b>	<b>759,235</b>	<b>737,227</b>	<b>738,028</b>	<b>726,420</b>	<b>744,271</b>
Demand Loans	0	0	0	0	0	900	7,851	500
Short Term Loans	6,971	7,528	12,675	13,523	11,864	9,737	9,996	9,276
Long Term Loans	6,520	6,489	21,372	22,199	21,767	22,169	3,940	4,854
<b>Due to Banks &amp; Correspondents</b>	<b>13,491</b>	<b>14,017</b>	<b>34,047</b>	<b>35,722</b>	<b>33,631</b>	<b>32,806</b>	<b>21,787</b>	<b>14,630</b>
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	150,684	175,344	181,148	163,507	172,118	152,642	165,120	162,684
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-	-
Repos (Credit Balance)	1	2	1	2	9	4	4	105
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
<b>Total Collateral sold</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>105</b>
For trading purposes	21,195	25,966	24,956	23,605	18,872	20,367	24,226	20,752
For hedging purposes	8,180	9,646	7,797	10,963	9,313	8,763	5,079	4,221
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>29,374</b>	<b>35,612</b>	<b>32,753</b>	<b>34,568</b>	<b>28,184</b>	<b>29,130</b>	<b>29,305</b>	<b>24,973</b>
<b>Total Operations w/ Derivatives &amp; Securities</b>	<b>180,059</b>	<b>210,958</b>	<b>213,902</b>	<b>198,077</b>	<b>200,311</b>	<b>181,775</b>	<b>194,428</b>	<b>187,763</b>
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Income Tax Payable	1,794	1,121	1,929	1,696	1,341	1,331	1,792	1,513
Profit Sharing Payable	127	216	356	485	606	256	374	508
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	28,150	4,856	6,972	4,402	11,561	7,014	9,281	9,397
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	26,757	31,837	34,876	38,378	37,575	31,206	32,689	28,758
<b>Other Payable Accounts</b>	<b>56,828</b>	<b>38,031</b>	<b>44,133</b>	<b>44,960</b>	<b>51,082</b>	<b>39,808</b>	<b>44,137</b>	<b>40,176</b>
Subordinated Non Convertible Debt	30,482	32,507	32,241	33,560	33,327	53,953	55,515	48,050
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	464	456	484	535	505	475	460	385
<b>TOTAL LIABILITIES</b>	<b>933,350</b>	<b>957,644</b>	<b>1,065,405</b>	<b>1,072,090</b>	<b>1,056,082</b>	<b>1,046,845</b>	<b>1,042,747</b>	<b>1,035,276</b>
<b>EQUITY</b>								
Paid-in Capital	18,105	18,105	18,794	18,794	18,794	18,794	18,794	18,794
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	750	852	954	1,184	1,455	1,612	1,931	2,123
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>18,855</b>	<b>18,957</b>	<b>19,748</b>	<b>19,979</b>	<b>20,250</b>	<b>20,406</b>	<b>20,726</b>	<b>20,917</b>
Capital Reserves	13,013	14,847	14,847	14,847	14,847	17,330	17,330	17,330
Retained Earnings	56,788	54,641	55,548	53,133	77,622	64,882	58,082	50,883
Surplus (Deficit) of Secs Available for Sale	(1,068)	(2,002)	(1,355)	(1,994)	65	755	1,572	1,885
Results from Valuation of Hedging Secs	(2,141)	(2,209)	(2,076)	(3,430)	(3,082)	(2,912)	(2,676)	(2,287)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-	-	-
Results from Conversions	1,542	1,661	1,623	1,659	(13)	(18)	4	(34)
Remeasurements defined benefits for employees	(1,063)	(1,184)	(1,328)	(628)	(752)	(875)	(999)	(1,930)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	4,618	10,010	16,025	24,834	7,362	13,914	20,645	27,493
<b>Earned Capital</b>	<b>71,689</b>	<b>75,764</b>	<b>83,284</b>	<b>88,422</b>	<b>96,049</b>	<b>93,075</b>	<b>93,958</b>	<b>93,341</b>
Minority Interest	0	0	2	2	3	3	3	3
<b>Total Equity</b>	<b>90,544</b>	<b>94,721</b>	<b>103,034</b>	<b>108,403</b>	<b>116,301</b>	<b>113,484</b>	<b>114,686</b>	<b>114,261</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,023,894</b>	<b>1,052,365</b>	<b>1,168,439</b>	<b>1,180,492</b>	<b>1,172,383</b>	<b>1,160,329</b>	<b>1,157,433</b>	<b>1,149,536</b>

<b>Bank - Memorandum Accounts</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
Investment Banking transactions for third parties, net	89,601	90,056	71,600	68,035	82,947	101,587	104,928	96,100
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>89,601</b>	<b>90,056</b>	<b>71,600</b>	<b>68,035</b>	<b>82,947</b>	<b>101,587</b>	<b>104,928</b>	<b>96,100</b>
<b>Proprietary Transactions</b>								
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	230,194	252,633	280,011	269,658	275,296	244,506	231,715	243,391
Trusts	267,263	264,320	452,846	442,948	445,853	456,152	457,200	452,406
Mandates	14,628	16,625	16,500	15,847	1,344	8,039	7,964	7,615
Properties in Trusts and Warrant	281,891	280,945	469,346	458,795	447,197	464,191	465,164	460,021
Properties in Custody or Management	377,497	376,146	488,495	446,162	451,005	443,311	433,982	376,241
Collateral Received	174,273	167,571	223,700	237,642	212,316	184,124	222,048	207,870
Collateral Received or sold	99,167	89,256	131,673	159,301	130,919	99,906	134,590	116,266
Drafts in Transit	-	-	-	-	-	-	-	-
Deposits of assets	-	-	-	-	-	-	-	-
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-	-	-	-
Contingent assets & liabilities	119	131	166	193	54	64	39	50
Uncollected Accrued Interest from Past Due Loans	361	357	657	634	632	317	322	298
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Miscellaneous accounts	-	-	-	226,303	240,660	244,880	250,215	249,298
<b>Proprietary Transactions</b>	<b>1,163,501</b>	<b>1,167,038</b>	<b>1,594,048</b>	<b>1,798,688</b>	<b>1,758,077</b>	<b>1,681,299</b>	<b>1,738,075</b>	<b>1,653,435</b>
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
<b>Net Repo Transactions</b>	-	-	-	-	-	-	-	-
<b>TOTAL PROPRIETARY</b>	<b>1,163,501</b>	<b>1,167,038</b>	<b>1,594,048</b>	<b>1,798,688</b>	<b>1,758,077</b>	<b>1,681,299</b>	<b>1,738,075</b>	<b>1,653,435</b>

**BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**
**JANUARY 1, 2019 – DECEMBER 31, 2019**
*(Million Pesos)*

<b>Net Income</b>	<b>27,493</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	1,903
Provisions	1,527
Income taxes and deferred	9,597
Minority Interest	(128)
	<b>12,899</b>
	<b>40,392</b>
<b>Change in items related to operations</b>	
Change in Margin Accounts	(4,469)
Change in Investment in Securities	5,384
Change in repo debtors	(1,611)
Change in derivatives (assets)	5,803
Change in Loan Portfolio (net)	12,096
Change in purchased receivables (net)	642
Change in benefits to receive from securitizations	(78)
Change in foreclosed assets (net)	(122)
Change in other operating assets (net)	2,101
Change in core deposits	(14,964)
Change in interbank loans and other entities	(21,091)
Change in repo creditors	(823)
Change in collateral pledged sold	103
Change in derivatives (liability)	(2,853)
Change in subordinated debt with characteristics of liabilities	14,490
Change in other operating liabilities	(8,617)
Change in hedging instruments (the related hedged transaction activities)	(5,605)
Income Tax Payments	(6,052)
<b>Net cash generated or used from operations</b>	<b>14,726</b>
<b>Investment Activities</b>	
Charges for disposal of property, furniture and equipment	463
Payments for acquisition of property, furniture and equipment	(3,913)
Charges for disposal of subsidiaries, associated and agreements with mutual control	228
Payments for Subsidiaries and associated Dispositions	(101)
Charges for cash dividends	90
<b>Net cash generated or used from investment activities</b>	<b>(3,233)</b>
<b>Financing Activities</b>	
Payments of cash dividends	(22,398)
Payments of interests of subordinated debentures	(2,018)
<b>Net cash flows from financing activities</b>	<b>(24,416)</b>
<b>Net Cash Increase (decrease) and equivalents value</b>	<b>(12,923)</b>
<b>Effects for changes in cash and equivalents value</b>	<b>(28)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>75,233</b>
<b>Cash and cash equivalents at end of period</b>	<b>62,282</b>

**BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**JANUARY 1, 2019– DECEMBER 31, 2019**

*(Million Pesos)*

	CONTRIBUTED CAPITAL		EARNED CAPITAL								Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
<b>Balance as of December 31, 2018</b>	<b>18,794</b>	<b>1,184</b>	<b>14,847</b>	<b>53,133</b>	<b>(1,994)</b>	<b>(3,430)</b>	<b>1,659</b>	<b>(628)</b>	<b>24,834</b>	<b>3</b>	<b>108,402</b>
<b><u>Changes stemming from stockholders' decisions</u></b>											
Capitalization of profits				24,834					(24,834)		0
Creation of Reserves according to Ordinary Annual General Shareholder's Meeting of April 30, 2019			2,483	(2,483)							0
Dividends declared by the General Assembly of Shareholders on May 23, August 20 and December 18, 2019				(22,398)							(22,398)
Payment plan based on equity-settle shares in equity instruments		795									795
Fair Value effect form Merger with GFI				(145)							(145)
Banorte USA subsidiary's Sale Accounting Effect							(1,661)				(1,661)
Sale of shares of Operadora de Fondos Banorte		144									144
<b>Total</b>	<b>0</b>	<b>939</b>	<b>2,483</b>	<b>(192)</b>	<b>0</b>	<b>0</b>	<b>(1,661)</b>	<b>0</b>	<b>(24,834)</b>	<b>0</b>	<b>(23,265)</b>
<b><u>Changes stemming from profits</u></b>											
<b><u>Total profits:</u></b>											
Net Income									27,493		27,493
Result from valuation of securities available for sale					3,879						3,879
Effect of subsidiaries, associates and mutual funds				(3)				(2)			(5)
Conversion accumulated effect							(32)				(32)
Result from valuation of instruments of cash flow hedges						1,143					1,143
Remeasurements defined benefits for employees				(37)				(1,300)			(1,337)
Interest of subordinated debentures				(2,018)							(2,018)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,058)</b>	<b>3,879</b>	<b>1,143</b>	<b>(32)</b>	<b>(1,302)</b>	<b>27,493</b>	<b>0</b>	<b>29,123</b>
<b>Balance as of December 31, 2019</b>	<b>18,794</b>	<b>2,123</b>	<b>17,330</b>	<b>50,883</b>	<b>1,885</b>	<b>(2,287)</b>	<b>(34)</b>	<b>(1,930)</b>	<b>27,493</b>	<b>3</b>	<b>114,260</b>



## Seguros Banorte

<b>Income Statement - Insurance - Seguros Banorte</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
Interest Income	338	359	379	345	444	464	464	340
Interest Expense	-	-	-	-	-	-	-	-
Premium Income (Net)	9,479	3,230	3,037	3,850	9,712	3,765	3,586	4,928
Net Increase in Technical Reserves	3,954	(918)	(1,424)	(450)	4,219	(664)	(790)	767
Damages, Claims and Other Obligations	2,912	3,022	3,199	3,026	2,699	3,158	2,896	3,181
<b>Net Interest Income</b>	<b>2,951</b>	<b>1,485</b>	<b>1,642</b>	<b>1,619</b>	<b>3,238</b>	<b>1,735</b>	<b>1,944</b>	<b>1,321</b>
<b>Fees Charged on Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fees Paid on Services</b>	<b>952</b>	<b>370</b>	<b>557</b>	<b>530</b>	<b>817</b>	<b>534</b>	<b>817</b>	<b>140</b>
Securities-Valuation Gains	-	-	-	-	-	-	-	-
Securities Trading	5	(0)	20	5	15	18	14	55
<b>Trading Income</b>	<b>5</b>	<b>(0)</b>	<b>20</b>	<b>5</b>	<b>15</b>	<b>18</b>	<b>14</b>	<b>55</b>
From Insurance	194	250	199	205	232	262	232	237
Losses and Estimates	(6)	(2)	(13)	(44)	(34)	31	(8)	(25)
Other Operating Income (Expense)	5	3	6	4	4	4	4	4
<b>Total Other Operating Income (Expenses)</b>	<b>192</b>	<b>252</b>	<b>191</b>	<b>165</b>	<b>202</b>	<b>297</b>	<b>228</b>	<b>216</b>
<b>Total Non-Interest Income</b>	<b>(754)</b>	<b>(118)</b>	<b>(346)</b>	<b>(360)</b>	<b>(600)</b>	<b>(218)</b>	<b>(575)</b>	<b>131</b>
<b>Total Operating Income</b>	<b>2,197</b>	<b>1,367</b>	<b>1,296</b>	<b>1,259</b>	<b>2,637</b>	<b>1,517</b>	<b>1,369</b>	<b>1,451</b>
Personnel	93	97	113	115	100	108	111	103
Employee Profit Sharing (PTU)	1	1	1	4	1	1	1	1
Professional Fees	57	67	76	102	58	76	98	64
Administrative and Promotional Expenses	84	90	89	87	103	78	86	124
Rents, Depreciation & Amortization	41	41	44	41	44	43	45	45
Taxes other than income tax & non-deductible expenses	27	21	24	23	28	26	25	29
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-	-
<b>Total Non-Interest Expense</b>	<b>303</b>	<b>317</b>	<b>346</b>	<b>372</b>	<b>334</b>	<b>333</b>	<b>365</b>	<b>367</b>
<b>Operating Income</b>	<b>1,895</b>	<b>1,049</b>	<b>950</b>	<b>887</b>	<b>2,303</b>	<b>1,184</b>	<b>1,004</b>	<b>1,084</b>
Subsidiaries' Net Income	335	370	348	216	416	434	423	353
<b>Pre-Tax Income</b>	<b>2,229</b>	<b>1,419</b>	<b>1,298</b>	<b>1,103</b>	<b>2,719</b>	<b>1,618</b>	<b>1,427</b>	<b>1,438</b>
Income Tax	590	299	263	258	695	362	314	327
Deferred Income Tax	(46)	(4)	(4)	(29)	(4)	(4)	(51)	(4)
<b>Taxes</b>	<b>544</b>	<b>296</b>	<b>260</b>	<b>229</b>	<b>691</b>	<b>358</b>	<b>263</b>	<b>323</b>
<b>Net Income from Continuous Operations</b>	<b>1,685</b>	<b>1,123</b>	<b>1,039</b>	<b>874</b>	<b>2,028</b>	<b>1,260</b>	<b>1,164</b>	<b>1,114</b>
Discontinued Operations	-	-	-	-	-	-	-	-
Minority Interest	(8)	(9)	(8)	(7)	(10)	(10)	(10)	(10)
<b>Net Income</b>	<b>1,677</b>	<b>1,115</b>	<b>1,031</b>	<b>867</b>	<b>2,018</b>	<b>1,250</b>	<b>1,154</b>	<b>1,104</b>

<b>Insurance - Seguros Banorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<b>ASSETS</b>								
<b>Cash and Due from Banks</b>	<b>81</b>	<b>105</b>	<b>96</b>	<b>64</b>	<b>63</b>	<b>423</b>	<b>965</b>	<b>303</b>
<b>Margin Accounts</b>	-	-	-	-	-	-	-	-
Negotiable Instruments	17,777	17,140	19,409	19,205	19,031	19,624	20,118	21,105
Securities Available for Sale	1,188	906	864	842	861	552	562	560
Securities Held to Maturity	(0)	-	-	(0)	(0)	(0)	(0)	(0)
<b>Investment in Securities</b>	<b>18,965</b>	<b>18,046</b>	<b>20,274</b>	<b>20,046</b>	<b>19,893</b>	<b>20,176</b>	<b>20,680</b>	<b>21,664</b>
Debtor Balance in Repo Trans,net	2,261	1,354	609	1,226	3,200	545	491	1,892
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
<b>Operations w/Derivatives &amp; Securities</b>	<b>2,261</b>	<b>1,354</b>	<b>609</b>	<b>1,226</b>	<b>3,200</b>	<b>545</b>	<b>491</b>	<b>1,892</b>
<b>Valuation adjustments for Asset Coverage</b>	-	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-	-
Account Receivables	500	710	745	710	164	281	355	443
Premium Debtors (Net)	10,913	8,666	6,002	3,578	10,970	8,611	5,972	4,059
Account Receivables from Reinsurance	13,682	14,044	12,069	8,956	11,532	10,884	10,920	7,787
Benef. receivab.securization transactions	-	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	353	363	364	379	371	365	357	356
Investment in Subsidiaries	12,655	13,024	13,374	13,600	12,840	13,273	13,696	14,062
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	169	169	225	250	250	250	297	298
Goodwill and Intangibles	2,121	2,354	2,423	2,582	1,858	2,253	2,472	2,655
Other Assets Short and Long Term	94	92	90	89	91	87	90	91
	<b>40,488</b>	<b>39,423</b>	<b>35,291</b>	<b>30,142</b>	<b>38,078</b>	<b>36,004</b>	<b>34,159</b>	<b>29,751</b>
<b>TOTAL ASSETS</b>	<b>61,795</b>	<b>58,928</b>	<b>56,270</b>	<b>51,478</b>	<b>61,233</b>	<b>57,148</b>	<b>56,296</b>	<b>53,610</b>

<b>Insurance - Seguros Banorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>
<b>LIABILITIES</b>								
Technical Reserves	29,468	28,058	24,838	22,688	29,792	27,986	27,003	24,928
<b>Total Operations w/ Derivatives &amp; Securities</b>	-	-	-	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	4,075	3,507	3,030	1,325	2,615	2,347	2,071	1,505
Income Tax Payable	630	923	1,180	1,406	699	1,044	1,358	1,685
Profit Sharing Payable	-	-	-	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	2,518	2,446	2,369	2,530	2,582	2,397	2,422	2,440
<b>Other Payable Accounts</b>	<b>3,147</b>	<b>3,369</b>	<b>3,548</b>	<b>3,936</b>	<b>3,282</b>	<b>3,441</b>	<b>3,779</b>	<b>4,125</b>
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	383	379	376	372	368	365	361	358
Deferred Credits	65	65	63	61	65	67	63	60
<b>TOTAL LIABILITIES</b>	<b>37,138</b>	<b>35,379</b>	<b>31,855</b>	<b>28,382</b>	<b>36,121</b>	<b>34,205</b>	<b>33,278</b>	<b>30,975</b>
<b>EQUITY</b>								
Paid-in Capital	13,766	13,766	13,928	13,928	13,928	13,928	13,928	13,928
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>13,766</b>	<b>13,766</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>
Capital Reserves	1,789	2,195	2,247	2,247	2,247	2,716	2,716	2,716
Retained Earnings	6,948	4,332	3,917	1,800	6,500	2,651	1,574	74
Surplus (Deficit) of Secs Available for Sale	68	68	61	50	74	99	111	116
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	77	79	114	30	(5)	(55)	(79)	(83)
Results from Conversions	-	-	-	-	-	-	-	0
Remeasurements defined benefits for employees	-	-	0	18	8	8	7	12
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	1,677	2,792	3,823	4,690	2,018	3,268	4,422	5,526
<b>Earned Capital</b>	<b>10,560</b>	<b>9,465</b>	<b>10,162</b>	<b>8,835</b>	<b>10,842</b>	<b>8,686</b>	<b>8,751</b>	<b>8,361</b>
Minority Interest	330	318	326	333	343	329	338	345
<b>Total Equity</b>	<b>24,657</b>	<b>23,549</b>	<b>24,415</b>	<b>23,096</b>	<b>25,112</b>	<b>22,943</b>	<b>23,017</b>	<b>22,634</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>61,795</b>	<b>58,928</b>	<b>56,270</b>	<b>51,478</b>	<b>61,233</b>	<b>57,148</b>	<b>56,296</b>	<b>53,610</b>

## Information by Segments

### GFNorte - Income Statement as of December 31 '19

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	315	127,208	10,366	2,739	69	16,886
Premium Income (Net)	-	-	33,435	-	-	-
Interest Expense	-	58,621	-	1,696	1	16,309
Net Increase in Technical Reserves	-	-	15,003	-	-	-
Damages, Claims and Other Obligations	-	-	18,779	-	-	-
<b>Net Interest Income (NII)</b>	<b>315</b>	<b>68,587</b>	<b>10,020</b>	<b>1,043</b>	<b>68</b>	<b>577</b>
Preventive Provisions for Loan Losses	-	15,104	-	60	-	-
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>315</b>	<b>53,484</b>	<b>10,020</b>	<b>983</b>	<b>68</b>	<b>577</b>
Loan Origination Fees	-	22,906	-	27	-	1,209
Fees Paid	-	8,516	2,319	69	0	113
Trading Income	1	4,560	149	-	-	551
Other Operating Income (Expenses)	2	2,624	945	620	(13)	(2)
<b>Non Interest Income</b>	<b>3</b>	<b>40,707</b>	<b>4,023</b>	<b>714</b>	<b>(13)</b>	<b>2,182</b>
<b>Total Operating Income</b>	<b>318</b>	<b>94,191</b>	<b>14,043</b>	<b>1,697</b>	<b>56</b>	<b>2,759</b>
Administrative and Promotional Expenses	107	38,095	1,781	265	52	1,006
<b>Operating Income</b>	<b>211</b>	<b>36,962</b>	<b>7,014</b>	<b>1,296</b>	<b>3</b>	<b>1,217</b>
Subsidiaries' Net Income	36,299	128	1,626	-	-	0
<b>Pre-Tax Income</b>	<b>36,510</b>	<b>37,090</b>	<b>8,640</b>	<b>1,296</b>	<b>3</b>	<b>1,217</b>
Income Tax	-	8,021	1,700	385	1	264
Deferred Income Tax	23	1,576	355	(48)	0	84
<b>Net Income from Continuous Operations</b>	<b>36,487</b>	<b>27,493</b>	<b>6,586</b>	<b>958</b>	<b>3</b>	<b>869</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(158)	(1)	(0)	(0)
<b>Net Income</b>	<b>36,487</b>	<b>27,493</b>	<b>6,427</b>	<b>957</b>	<b>3</b>	<b>869</b>

### GFNorte - Income Statement as of December 31 '19

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	49	3	388	158,024	8,756	1,246	150,514
Premium Income (Net)	-	-	-	33,435	898	-	32,537
Interest Expense	0	-	542	77,169	-	8,475	68,693
Net Increase in Technical Reserves	-	-	-	15,003	-	-	15,003
Damages, Claims and Other Obligations	-	-	-	18,779	-	-	18,779
<b>Net Interest Income (NII)</b>	<b>49</b>	<b>3</b>	<b>(154)</b>	<b>80,510</b>	<b>-</b>	<b>-</b>	<b>80,577</b>
Preventive Provisions for Loan Losses	-	-	183	15,347	-	-	15,347
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>49</b>	<b>3</b>	<b>(336)</b>	<b>65,163</b>	<b>-</b>	<b>-</b>	<b>65,230</b>
Loan Origination Fees	1,811	-	342	26,295	2,232	-	24,063
Fees Paid	1,293	-	0	12,310	-	2,259	10,052
Trading Income	-	-	(1)	5,260	-	29	5,289
Other Operating Income (Expenses)	1	0	152	4,329	78	13	4,264
<b>Non Interest Income</b>	<b>3,105</b>	<b>0</b>	<b>119</b>	<b>50,841</b>	<b>2,310</b>	<b>2,311</b>	<b>46,324</b>
<b>Total Operating Income</b>	<b>3,154</b>	<b>3</b>	<b>(217)</b>	<b>116,004</b>	<b>2,310</b>	<b>2,311</b>	<b>111,554</b>
Administrative and Promotional Expenses	39	4	300	41,648	822	1,792	40,678
<b>Operating Income</b>	<b>530</b>	<b>(1)</b>	<b>(145)</b>	<b>47,088</b>	<b>-</b>	<b>-</b>	<b>48,116</b>
Subsidiaries' Net Income	14	-	(31)	38,037	36,320	-	1,716
<b>Pre-Tax Income</b>	<b>544</b>	<b>(1)</b>	<b>(175)</b>	<b>85,125</b>	<b>-</b>	<b>-</b>	<b>49,832</b>
Income Tax	154	-	-	10,525	-	-	10,525
Deferred Income Tax	(0)	-	(3)	1,987	310	26	2,271
<b>Net Income from Continuous Operations</b>	<b>390</b>	<b>(1)</b>	<b>(173)</b>	<b>72,613</b>	<b>-</b>	<b>-</b>	<b>37,037</b>
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(160)	477	129	(509)
<b>Net Income</b>	<b>390</b>	<b>(1)</b>	<b>(173)</b>	<b>72,453</b>	<b>49,584</b>	<b>12,697</b>	<b>36,528</b>

**GFNorte - Balance Sheet as of December 31 '19**
*(Million Pesos)*

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
<b>Cash and Due from Banks</b>	14,574	62,282	2,096	157	13	2,233
<b>Margin Accounts</b>	-	5,926	-	-	-	-
<b>Investment in Securities</b>	-	247,392	154,599	-	-	185,583
Negotiable Instruments	-	75,169	23,370	-	-	135,293
Securities Available for Sale	-	152,630	643	-	-	49,515
Securities Held to Maturity	-	19,593	130,585	-	-	775
<b>Debtor Balance in Repo Trans, net</b>	-	2,016	1,892	-	-	4
<b>Transactions with Derivatives For trading purposes</b>	-	22,295	-	-	-	-
<b>Transactions with Derivatives For hedging purposes</b>	-	162	-	-	-	-
<b>Valuation adjustments for Asset Coverage</b>	-	69	-	-	-	-
<b>Gross Loan Portfolio</b>	-	740,175	-	32,722	-	-
<b>Net Loan Portfolio</b>	-	738,816	-	32,722	-	-
<b>Performing Loans</b>	-	743,507	-	32,802	-	-
Commercial Loans	-	266,442	-	26,527	-	-
Financial Intermediaries' Loans	-	20,595	-	565	-	-
Government Entities' Loans	-	170,155	-	5,702	-	-
Consumer Loans	-	116,228	-	9	-	-
Mortgage Loans	-	170,086	-	-	-	-
Medium and Residential	-	166,921	-	-	-	-
Low income housing	-	9	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,156	-	-	-	-
<b>Past Due Loans</b>	-	12,392	-	344	-	-
Commercial PDL's	-	6,147	-	339	-	-
Financial Intermediaries PDL's	-	4	-	-	-	-
Government Entities PDL's	-	0	-	4	-	-
Consumer PDL's	-	4,268	-	0	-	-
Mortgage PDL's	-	1,973	-	-	-	-
Medium and Residential	-	1,785	-	-	-	-
Low income housing	-	0	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	187	-	-	-	-
<b>Preventive Loan Loss Reserves</b>	-	17,083	-	424	-	-
<b>Acquired Collection Rights</b>	-	1,359	-	-	-	-
<b>Account Receivables from Insurance and Annuities</b>	-	-	2,279	-	-	-
<b>Premium Debtors (Net)</b>	-	-	4,474	-	-	-
<b>Account Receivables from Reinsurance</b>	-	-	7,787	-	-	-
<b>Benef. receivab. securization transactions</b>	-	139	-	-	-	-
<b>Sundry Debtors &amp; Other Accs Rec, Net</b>	28	29,410	0	455	84	723
<b>Inventories</b>	-	-	-	-	677	-
<b>Foreclosed Assets, Net</b>	-	860	-	21	-	-
<b>Real Estate, Furniture &amp; Equipment, Net</b>	-	15,088	371	2,808	59	159
<b>Investment in Subsidiaries</b>	152,091	418	14,062	-	-	2
<b>Long-term assets held for sale</b>	-	-	-	-	-	-
<b>Deferred Taxes, Net</b>	600	1,104	-	45	5	-
<b>Total other Assets</b>	24,450	22,202	3,042	769	15	230
Goodwill	23,752	1,371	-	-	-	-
Intangible	698	20,607	2,951	769	0	70
Other Assets	-	223	91	-	14	160
<b>TOTAL ASSETS</b>	<b>191,743</b>	<b>1,149,536</b>	<b>190,602</b>	<b>36,977</b>	<b>852</b>	<b>188,934</b>

**GFNorte - Balance Sheet as of December 31 '19**
*(Million Pesos)*

<b>ASSETS</b>	<b>Operadora de Fondos Banorte</b>	<b>IXE Servicios</b>	<b>Sólida Administradora de Portafolios</b>	<b>Total</b>	<b>Charges Intercompany Eliminations</b>	<b>Credits Intercompany Eliminations</b>	<b>Final Balance</b>
<b>Cash and Due from Banks</b>	<b>786</b>	<b>39</b>	<b>155</b>	<b>82,336</b>	<b>242</b>	<b>19,781</b>	<b>62,797</b>
<b>Margin Accounts</b>	-	-	-	<b>5,926</b>	-	-	<b>5,926</b>
<b>Investment in Securities</b>	-	-	-	<b>587,573</b>	-	<b>450</b>	<b>587,123</b>
Negotiable Instruments	-	-	-	233,832	-	-	233,832
Securities Available for Sale	-	-	-	202,788	-	103	202,685
Securities Held to Maturity	-	-	-	150,953	-	347	150,606
<b>Debtor Balance in Repo Trans, net</b>	-	-	-	<b>3,911</b>	-	<b>842</b>	<b>3,070</b>
<b>Transactions with Derivatives For trading purposes</b>	-	-	-	<b>22,295</b>	-	-	<b>22,295</b>
<b>Transactions with Derivatives For hedging purposes</b>	-	-	-	<b>162</b>	-	-	<b>162</b>
<b>Valuation adjustments for Asset Coverage</b>	-	-	-	<b>69</b>	-	-	<b>69</b>
<b>Gross Loan Portfolio</b>	-	-	<b>1,834</b>	<b>774,730</b>	<b>1,850</b>	<b>17,170</b>	<b>759,410</b>
<b>Net Loan Portfolio</b>	-	-	<b>1,591</b>	<b>773,129</b>	<b>1,850</b>	<b>17,170</b>	<b>757,809</b>
<b>Performing Loans</b>	-	-	<b>1,653</b>	<b>777,961</b>	<b>1,850</b>	<b>17,170</b>	<b>762,642</b>
Commercial Loans	-	-	210	293,178	604	284	293,499
Financial Intermediaries' Loans	-	-	-	21,160	-	13,771	7,389
Government Entities' Loans	-	-	-	175,857	1,246	3,115	173,988
Consumer Loans	-	-	1,443	117,680	-	-	117,680
Mortgage Loans	-	-	-	170,086	-	-	170,086
Medium and Residential	-	-	-	166,921	-	-	166,921
Low income housing	-	-	-	9	-	-	9
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,156	-	-	3,156
<b>Past Due Loans</b>	-	-	<b>71</b>	<b>12,806</b>	-	-	<b>12,806</b>
Commercial PDL's	-	-	25	6,511	-	-	6,511
Financial Intermediaries PDL's	-	-	-	4	-	-	4
Government Entities PDL's	-	-	-	4	-	-	4
Consumer PDL's	-	-	45	4,314	-	-	4,314
Mortgage PDL's	-	-	-	1,973	-	-	1,973
Medium and Residential	-	-	-	1,785	-	-	1,785
Low income housing	-	-	-	0	-	-	0
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	187	-	-	187
<b>Preventive Loan Loss Reserves</b>	-	-	<b>132</b>	<b>17,639</b>	-	-	<b>17,639</b>
<b>Acquired Collection Rights</b>	-	-	<b>243</b>	<b>1,601</b>	-	-	<b>1,601</b>
<b>Account Receivables from Insurance and Annuities</b>	-	-	-	<b>2,279</b>	-	-	<b>2,279</b>
<b>Premium Debtors (Net)</b>	-	-	-	<b>4,474</b>	-	-	<b>4,474</b>
<b>Account Receivables from Reinsurance</b>	-	-	-	<b>7,787</b>	-	-	<b>7,787</b>
<b>Benef. receivab. securization transactions</b>	-	-	-	<b>139</b>	-	-	<b>139</b>
<b>Sundry Debtors &amp; Other Accs Rec, Net</b>	<b>181</b>	<b>4</b>	<b>529</b>	<b>31,413</b>	<b>0</b>	<b>210</b>	<b>31,203</b>
<b>Inventories</b>	-	-	-	<b>677</b>	-	-	<b>677</b>
<b>Foreclosed Assets, Net</b>	-	-	<b>273</b>	<b>1,154</b>	-	-	<b>1,154</b>
<b>Real Estate, Furniture &amp; Equipment, Net</b>	<b>0</b>	<b>93</b>	-	<b>18,579</b>	<b>185</b>	-	<b>18,764</b>
<b>Investment in Subsidiaries</b>	<b>116</b>	-	<b>55</b>	<b>166,743</b>	<b>3,625</b>	<b>155,814</b>	<b>14,554</b>
<b>Long-term assets held for sale</b>	-	-	-	-	-	-	-
<b>Deferred Taxes, Net</b>	<b>0</b>	-	<b>1,007</b>	<b>2,762</b>	<b>497</b>	<b>2,634</b>	<b>626</b>
<b>Total other Assets</b>	<b>9</b>	<b>1</b>	<b>5,367</b>	<b>56,085</b>	<b>2,212</b>	<b>794</b>	<b>57,503</b>
Goodwill	-	-	-	25,124	2,212	635	26,700
Intangible	0	1	319	25,415	-	-	25,415
Other Assets	9	-	5,048	5,546	-	158	5,388
<b>TOTAL ASSETS</b>	<b>1,092</b>	<b>137</b>	<b>9,221</b>	<b>1,769,094</b>	<b>8,611</b>	<b>197,695</b>	<b>1,580,010</b>

**GFNorte - Balance Sheet as of December 31 '19**
*(Million Pesos)*

<b>LIABILITIES &amp; EQUITY</b>	<b>Holding</b>	<b>Banorte</b>	<b>Ahorro y Previsión</b>	<b>Arrendadora y Factor</b>	<b>Almacenadora</b>	<b>Casa de Bolsa Banorte</b>
<b>Deposits</b>	-	<b>744,271</b>	-	-	-	-
<b>Demand Deposits</b>	-	<b>435,453</b>	-	-	-	-
<b>Time Deposits</b>	-	<b>279,827</b>	-	-	-	-
Time Deposits-Retail	-	261,705	-	-	-	-
Time Deposits-Money Market	-	18,122	-	-	-	-
<b>Senior Unsecured Debt</b>	-	<b>26,907</b>	-	-	-	-
Cuenta global de captación sin movimientos	-	2,085	-	-	-	-
<b>Due to Banks &amp; Correspondents</b>	-	<b>14,630</b>	-	<b>29,475</b>	<b>592</b>	<b>42</b>
Immediate Redemption Loans	-	500	-	-	-	-
Short Term Loans	-	9,276	-	20,054	592	-
Long Term Loans	-	4,854	-	9,421	-	42
<b>Technical Reserves</b>	-	-	<b>154,247</b>	-	-	-
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	<b>162,684</b>	-	-	-	<b>184,116</b>
<b>Collateral sold or pledged as collateral</b>	-	<b>105</b>	-	-	-	<b>0</b>
<b>Transactions with Derivatives for trading purposes</b>	-	<b>20,752</b>	-	-	-	-
<b>Transactions with Derivatives for hedging purposes</b>	-	<b>4,221</b>	-	-	-	-
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	<b>1,505</b>	-	-	-
<b>Other Payable Accounts</b>	<b>0</b>	<b>40,176</b>	<b>4,372</b>	<b>1,424</b>	<b>15</b>	<b>900</b>
Income Tax Payable	-	1,513	1,686	383	1	-
Profit Sharing Payable	-	508	-	-	-	-
Creditors for settlement of transactions	-	9,397	-	-	-	582
Creditors for collateral received in cash	-	2,493	-	-	-	-
Other Creditors & Accounts Payable	0	26,265	2,686	1,041	15	318
<b>Subordinated Non Convertible Debt</b>	-	<b>48,050</b>	-	-	-	-
<b>Deferred Taxes, Net</b>	-	-	<b>1,805</b>	-	-	<b>171</b>
<b>Deferred Credits</b>	-	<b>385</b>	<b>60</b>	<b>170</b>	-	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>1,035,276</b>	<b>161,989</b>	<b>31,068</b>	<b>607</b>	<b>185,230</b>
<b>EQUITY</b>						
<b>Subscribed Capital</b>	<b>63,040</b>	<b>20,917</b>	<b>20,781</b>	<b>526</b>	<b>87</b>	<b>2,059</b>
Paid-in Capital	15,000	18,794	15,740	526	87	1,985
Share Subscription Premiums	48,039	2,123	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
<b>Earned Capital</b>	<b>128,703</b>	<b>93,341</b>	<b>7,030</b>	<b>5,383</b>	<b>158</b>	<b>1,645</b>
Capital Reserves	6,486	17,330	594	526	55	253
Retained Earnings	88,063	50,883	68	3,900	100	389
Surplus (Deficit) of Secs Available for Sale	1,783	1,885	14	-	-	23
Results from Valuation of Hedging Secs	(2,246)	(2,287)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(85)	-	(86)	-	-	-
Results from Conversions	77	(34)	-	-	-	111
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(1,861)	(1,930)	12	-	-	-
Net Income	36,487	27,493	6,427	957	3	869
Capital Mayoritario	191,743	114,258	27,811	5,908	245	3,704
Minority Interest	-	3	803	-	0	0
<b>Total Equity</b>	<b>191,743</b>	<b>114,261</b>	<b>28,613</b>	<b>5,908</b>	<b>245</b>	<b>3,704</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>191,743</b>	<b>1,149,536</b>	<b>190,602</b>	<b>36,977</b>	<b>852</b>	<b>188,934</b>

**GFNorte - Balance Sheet as of December 31 '19**
*(Million Pesos)*

<b>LIABILITIES &amp; EQUITY</b>	<b>Operadora de Fondos Banorte</b>	<b>IXE Servicios</b>	<b>Sólida Administradora de Portafolios</b>	<b>Total</b>	<b>Charges Intercompany Eliminations</b>	<b>Credits Intercompany Eliminations</b>	<b>Final Balance</b>
<b>Deposits</b>	-	-	-	<b>744,271</b>	<b>19,781</b>	-	<b>724,490</b>
<b>Demand Deposits</b>	-	-	-	<b>435,453</b>	<b>18,904</b>	-	<b>416,548</b>
<b>Time Deposits</b>	-	-	-	<b>279,827</b>	<b>877</b>	-	<b>278,950</b>
Time Deposits-Retail	-	-	-	261,705	877	-	260,828
Time Deposits-Money Market	-	-	-	18,122	-	-	18,122
<b>Senior Unsecured Debt</b>	-	-	-	<b>26,907</b>	-	-	<b>26,907</b>
<b>Cuenta global de captación sin movimientos</b>	-	-	-	<b>2,085</b>	-	-	<b>2,085</b>
<b>Due to Banks &amp; Correspondents</b>	-	-	<b>6,136</b>	<b>50,875</b>	<b>13,813</b>	-	<b>37,061</b>
Immediate Redemption Loans	-	-	-	500	-	-	500
Short Term Loans	-	-	6,136	36,058	13,771	-	22,287
Long Term Loans	-	-	-	14,317	42	-	14,275
<b>Technical Reserves</b>	-	-	-	<b>154,247</b>	-	<b>240</b>	<b>154,487</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	-	-	<b>346,800</b>	<b>842</b>	-	<b>345,959</b>
<b>Collateral sold or pledged as collateral</b>	-	-	-	<b>106</b>	-	-	<b>106</b>
<b>Transactions with Derivatives for trading purposes</b>	-	-	-	<b>20,752</b>	-	-	<b>20,752</b>
<b>Transactions with Derivatives for hedging purposes</b>	-	-	-	<b>4,221</b>	-	-	<b>4,221</b>
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	-	<b>1,505</b>	-	-	<b>1,505</b>
<b>Other Payable Accounts</b>	<b>162</b>	<b>0</b>	<b>74</b>	<b>47,124</b>	<b>362</b>	<b>2</b>	<b>46,764</b>
Income Tax Payable	5	0	-	3,588	-	-	3,588
Profit Sharing Payable	-	-	-	508	-	-	508
Creditors for settlement of transactions	-	-	-	9,979	8	-	9,972
Creditors for collateral received in cash	-	-	-	2,493	-	-	2,493
Other Creditors & Accounts Payable	157	-	74	30,556	354	2	30,204
<b>Subordinated Non Convertible Debt</b>	-	-	-	<b>48,050</b>	-	-	<b>48,050</b>
<b>Deferred Taxes, Net</b>	-	-	-	<b>1,976</b>	<b>1,976</b>	-	-
<b>Deferred Credits</b>	-	-	<b>1</b>	<b>617</b>	-	-	<b>617</b>
<b>TOTAL LIABILITIES</b>	<b>162</b>	<b>0</b>	<b>6,212</b>	<b>1,420,544</b>	<b>36,774</b>	<b>242</b>	<b>1,384,012</b>
<b>EQUITY</b>							
<b>Subscribed Capital</b>	<b>170</b>	<b>144</b>	<b>11,773</b>	<b>119,498</b>	<b>56,862</b>	<b>335</b>	<b>62,971</b>
Paid-in Capital	170	144	11,768	64,215	49,223	-	14,992
Share Subscription Premiums	-	-	5	55,283	7,639	335	47,979
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
<b>Earned Capital</b>	<b>760</b>	<b>(7)</b>	<b>(8,764)</b>	<b>228,247</b>	<b>100,988</b>	<b>3,487</b>	<b>130,747</b>
Capital Reserves	23	2	117	25,387	18,901	-	6,486
Retained Earnings	346	(9)	(8,709)	135,033	48,372	3,423	90,084
Surplus (Deficit) of Secs Available for Sale	-	-	-	3,704	1,941	-	1,763
Results from Valuation of Hedging Secs	-	-	(0)	(4,533)	(2,287)	-	(2,246)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	(171)	(86)	-	(85)
Results from Conversions	-	-	-	153	77	-	77
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(3,778)	(1,918)	-	(1,861)
Net Income	390	(1)	(173)	72,453	35,988	64	36,528
Capital Mayoritario	930	137	3,009	347,745	157,850	3,822	193,718
Minority Interest	-	-	-	805	519	1,994	2,281
<b>Total Equity</b>	<b>930</b>	<b>137</b>	<b>3,009</b>	<b>348,551</b>	<b>158,369</b>	<b>5,817</b>	<b>195,998</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,092</b>	<b>137</b>	<b>9,221</b>	<b>1,769,094</b>	<b>195,143</b>	<b>6,059</b>	<b>1,580,010</b>



## V. Appendix

### Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

Main changes in the accounting criterion NIF D-3 "Employee Benefits".

On December 31<sup>st</sup>, 2015, the CNBV issued a resolution amending provisions corresponding to the application of the "NIF D-3 Employee Benefits". This provision is intended to publicize transitory articles that identify the options that institutions have to recognize accounting effects as a result of the new NIF-D-3.

Under the above, the Group took the option set forth in the third transitional article; consisting of progressively registering in equity the formula changes referred to in paragraphs a) and b) of paragraph 81.2 of the NIF D-3 "Employees' Benefits", issued by the "Consejo Mexicano de Normas de Información Financiera, A.C.", which became effective on January 1<sup>st</sup>, 2016 and promptly reported to the CNBV in accordance with the deadlines set in the provisions.

The registration of balances in paragraphs a) and b) of paragraph 81.2 of the NIF D-3, started in 2016 recognizing 20% of the balances in that year and an additional 20% in each of the subsequent years, up to 100% in a maximum period of 5 years.

The total amounts to register regarding paragraphs a) and b) of paragraph 81.2 of the NIF D-3 were determined using the corporate bond discount rate for market valuation, of the Defined Benefits Obligation in accordance with the new NIF D-3, in the following terms:

- I. The amendments balance of the unrecognized plan, is recognized progressively, registering 20% annually the "results from prior years" line, using as a counterpart the "Provision for employee benefits" account, corresponding to the liability line "Other creditors & accounts payable", as follows:

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 4Q19
Corporate bonds	\$183.0	\$36.6	\$146.4

- II. In the case of an accumulated balance of gains or losses of the unrecognized plan (broker approach), its perceived progressively, registering 20% in 2016, and increasing the "Provision for employee benefits" account, corresponding to the liability line "Other creditors & accounts payable", using as a counterpart the "Measurements of defined benefits for employees" of the "Earned Capital" line as follows:

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 4Q19
Corporate bonds	\$2,728.7	\$545.7	\$2,182.9

The 20% annual application is registered proportionally each month in 2019.

The amounts that would have been registered and presented in the balance sheet as of December 31<sup>th</sup>, 2019, had the aforementioned option in the affected lines not been implemented are:

Other creditors & accounts payable <sup>(1)</sup>	30,786
<b>Total liabilities</b>	<b>1,384,594</b>
Results from prior years	90,048
Measurements of defined benefits for employees	(2,406)
<b>Total equity</b>	<b>195,416</b>
<b>Total liabilities plus equity</b>	<b>1,579,428</b>

1. Under this line, the "Provision for employee benefits" account is netted to show "Net assets for defined benefits" driven by the institutions' prepayments. (if the balance were negative, this would be presented under Different creditors and other accounts payable).

Early termination of support programs for mortgage loan debtors

On June 30, 2010, the Federal Government, through the SHCP (Tax Authority), and Credit Institutions, signed an agreement to early terminate support programs for mortgage loan debtors; therefore, as of January 1, 2011, the Holding entity absorbed the discount that was early-applied to mortgage loan debtors that were enrolled in the program.

The agreement established a set of payment obligations by the Federal Government which were payable in 5 equal annual amortizations ending on June 1, 2015, on which Banorte received Ps 29 million, including monthly interest from the day after the cutoff date until the ending month before the payment date.

As of December 31, 2019, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 568 million, with maturities between 2022 and 2027.

## New Financial Reporting Standards

In accordance with the modification resolution published in November 4, 2019 which modifies the applicable general provisions to credit institutions (CUB), published in November 27, 2017, the Normas de Información Financiera (NIF) issued by the Mexican Council for Research and Development of Financial Reporting Standards (CINIF), referred to in the paragraph 3 of Criteria A-2 "Aplicación de normas particulares" of modified Annex 33, which will be applicable until January 1, 2021.

Grupo Financiero Banorte is waiting for the final publication of the Resolution by CNBV which may include some clarifications in the application of the NIF through criterion A-2 "Application of Special Standards" derived from the recommendations and comments that the Credit Institutions made through the Association of Banks from Mexico to the CNBV, considering that Credit Institutions carry out specialized operations.

To date, we are in process of analyzing the impact that such NIF may have on the financial statements, which we will inform at the time considering the final version of the project once it is published in the DOF, and in accordance with the requirements of the NIF B-1 "Accounting Changes and Corrections of Errors".

The NIFs issued and coming into force in January 1<sup>st</sup> 2021 are:

- NIF B-17 "Determination of Reasonable Value".
- NIF C-3 "Accounts Receivable".
- NIF C-9 "Provisions, contingencies and commitments".
- NIF C-16 "Impairment of financial instruments receivable".
- NIF C-19 "Financial instruments payable".
- NIF C-20 "Financial instruments receivable principal and interest".
- NIF D-1 "Income from contracts with customers".
- NIF D-2 "Costs for contracts with customers", disclose for each one of them.
- NIF D-5 "Leases"

## Loan Portfolio Sales to Sólida

As instructed by the CNBV in the document 601-II-323110, we show the integration of the loan portfolio sold in 1Q03 by Banorte to its subsidiary Solida Administradora de Portafolios, S.A. de C.V. The Purpose of this sale was to concentrate the portfolio in this unit as it had been managing the collections of these loans previously. This was a one-time operation and not a permanent transfer procedure of the Solida's portfolio.

On February, 2003 Banorte sold Ps 1.92 billion (Ps 1.861 billion in past due loans and Ps 64 million in Performing loans) of its own portfolio (including interests) to its subsidiary, Solida Administradora de Portafolios, S.A. de C.V. for Ps 378 million. The transaction was done based on August 2002 figures, and therefore the final figure that affected the February balance was Ps 1.86 billion, once the collections made since August 2002 are considered. The past due portfolio, as well as Ps 1.577 billion in associated loan reserves, were cancelled.

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	ago-02	sep-19	dic-19	ago-02	sep-19	dic-19	ago-02	sep-19	dic-19
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	4	4	0	0	0	54	4	4
<b>Performing Loans</b>	<b>59</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>4</b>	<b>4</b>
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	193	190	0	0	0	1,112	193	190
<b>Non Performing Loans</b>	<b>1,598</b>	<b>447</b>	<b>445</b>	<b>293</b>	<b>1</b>	<b>1</b>	<b>1,891</b>	<b>449</b>	<b>446</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>451</b>	<b>449</b>	<b>298</b>	<b>1</b>	<b>1</b>	<b>1,955</b>	<b>453</b>	<b>450</b>
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	195	192	0	0	0	669	195	192
<b>Loan Loss Reserves (1)</b>	<b>1,072</b>	<b>449</b>	<b>447</b>	<b>246</b>	<b>1</b>	<b>1</b>	<b>1,318</b>	<b>451</b>	<b>448</b>

(1) Reserve requirements according to the banking sector's rating methodology

(\*) There was a reserve difference of Ps \$16 million as of December 2019.

(\*) The dollar portfolio and reserves are re-expressed in pesos.

(\*) Local Currency includes UDIS valued at the new exchange rate.

(\*) Banorte has the 99.9% of the participation in the capital of Sólida

In 4Q19 the Loan portfolio showed no changes due to charge offs and discounts, nor for foreclosed assets; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 1.9 million. No transfers to performing loans or to past due loans were made.

As instructed by the CNBV in document 601-II-323110 for purposes of determining financial indicators and a general disclosure referred to regulations, we show the integration of the Banorte's portfolio including the portfolio which was sold to Solida Administradora de Portafolios, S.A. de C.V.

(Million of Nominal Pesos)	Local Currency (1)		Foreign Currency (USD) (2)		Total	
	sep-19	dic-19	sep-19	dic-19	sep-19	dic-19
<b>Performing Loans</b>						
Commercial	375,331	393,904	58,835	63,533	434,165	457,437
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	115,413	116,228	0	0	115,413	116,228
Mortgage	166,290	170,090	0	0	166,290	170,090
<b>Performing Loans</b>	<b>657,034</b>	<b>680,223</b>	<b>58,835</b>	<b>63,533</b>	<b>715,868</b>	<b>743,755</b>
<b>Non Performing Loans</b>						
Commercial	6,131	4,750	1,658	1,585	7,789	6,336
Consumer	4,585	4,339	0	0	4,585	4,339
Mortgage	1,999	2,163	0	0	1,999	2,163
<b>Non Performing Loans</b>	<b>12,715</b>	<b>11,253</b>	<b>1,658</b>	<b>1,585</b>	<b>14,374</b>	<b>12,838</b>
<b>TOTAL LOANS</b>	<b>669,749</b>	<b>691,476</b>	<b>60,493</b>	<b>65,118</b>	<b>730,242</b>	<b>756,594</b>
<b>Loan Loss Reserves</b>	<b>17,094</b>	<b>16,477</b>	<b>975</b>	<b>1,055</b>	<b>18,069</b>	<b>17,532</b>
<b>Net Loan Portfolio</b>	<b>652,655</b>	<b>674,998</b>	<b>59,517</b>	<b>64,063</b>	<b>712,173</b>	<b>739,061</b>
<b>Loan Loss Reserves</b>					<b>125.71%</b>	<b>136.56%</b>
<b>% Past Due Loans</b>					<b>1.97%</b>	<b>1.70%</b>

1. Includes UDIS.

2. The dollar portfolio and reserves are re-expressed in pesos.

## Notes to Financial Statements

### FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q19

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>174,265</b>	<b>1,795</b>	<b>218</b>	<b>176,279</b>
<b>Unrestricted</b>	<b>13,883</b>	<b>307</b>	<b>66</b>	<b>14,256</b>
BONDES D	(199)	-	0	(199)
BONDES M	(110)	-	0	(110)
BPA	(187)	-	0	(187)
BREMS	-	-	-	-
Government Securities	102	0	1	104
Municipalities Securities	0	0	0	0
UDI Securities	-	-	-	-
CETES	9,979	300	20	10,299
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	4,298	7	44	4,349
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>160,382</b>	<b>1,488</b>	<b>152</b>	<b>162,023</b>
BONDES D	10,656	9	3	10,668
BONDES M	1,328	5	3	1,336
BPA	144,232	1,458	150	145,840
BREMS	-	-	-	-
Government Securities	3,111	11	2	3,124
Municipalities Securities	119	5	0	123
UDI Securities	0	0	(0)	0
CETES	759	-	(0)	759
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	178	0	(5)	173
<b>Banking Securities</b>	<b>48,848</b>	<b>143</b>	<b>33</b>	<b>49,024</b>
<b>Unrestricted</b>	<b>4,083</b>	<b>0</b>	<b>0</b>	<b>4,083</b>
Bank Acceptances	4	-	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	(0)	3
Bank Securities	42	0	0	42
Deposit Certificates	388	0	0	388
Structured Notes	-	-	-	-
Other Banking Securities	81	0	0	81
Promissory Notes	3,565	(0)	(0)	3,565
<b>Restricted</b>	<b>44,765</b>	<b>143</b>	<b>33</b>	<b>44,941</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	2,750	10	0	2,760
Bank Securities	17,206	53	30	17,290
Deposit Certificates	24,458	79	1	24,538
Structured Notes	-	-	-	-
Other Banking Securities	350	1	1	353
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>7,618</b>	<b>41</b>	<b>870</b>	<b>8,529</b>
<b>Unrestricted</b>	<b>7,046</b>	<b>39</b>	<b>860</b>	<b>7,945</b>
Shares	336	-	446	782
Investment Company Shares	3,696	-	191	3,887
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,312	5	122	1,439
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,702	35	101	1,837
Infrastructure and Real Estate Trusts	(0)	-	(0)	(0)
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
<b>Restricted</b>	<b>572</b>	<b>2</b>	<b>11</b>	<b>584</b>
Shares	137	-	10	147
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	435	2	0	437
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
<b>Total</b>	<b>230,731</b>	<b>1,979</b>	<b>1,122</b>	<b>233,832</b>

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q19

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>169,615</b>	<b>2,025</b>	<b>2,386</b>	<b>174,026</b>
<b>Unrestricted</b>	<b>35,053</b>	<b>404</b>	<b>1,071</b>	<b>36,528</b>
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	7,778	8	-	7,786
Government Securities	469	3	12	484
Municipalities Securities	181	5	16	203
UDI Securities	-	-	-	-
CETES	613	-	0	613
CETES (Special)	-	-	-	-
Government Eurobonds	26,011	388	1,043	27,442
Udibonds	-	-	-	-
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>134,562</b>	<b>1,621</b>	<b>1,315</b>	<b>137,498</b>
BONDES D	-	-	-	-
BONDES M	525	2	10	537
BPA	99,468	1,206	141	100,814
BREMS	-	-	-	-
Government Securities	4,305	14	(21)	4,297
Municipalities Securities	2,428	3	3	2,434
UDI Securities	-	-	-	-
CETES	48	-	0	48
CETES (Special)	-	-	-	-
Government Eurobonds	27,789	397	1,182	29,368
Udibonds	-	-	-	-
<b>Banking Securities</b>	<b>6,761</b>	<b>40</b>	<b>102</b>	<b>6,903</b>
<b>Unrestricted</b>	<b>6,761</b>	<b>40</b>	<b>102</b>	<b>6,903</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	1,679	19	60	1,759
Bank Securities	1,364	5	51	1,420
Deposit Certificates	2,048	10	(1)	2,057
Structured Notes	492	-	(13)	479
Other Banking Securities	1,177	5	5	1,187
Promissory Notes	-	-	-	-
<b>Restricted</b>	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>21,533</b>	<b>339</b>	<b>(115)</b>	<b>21,757</b>
<b>Unrestricted</b>	<b>20,012</b>	<b>300</b>	<b>(130)</b>	<b>20,182</b>
Shares	30	-	38	68
Investment Company Shares	4,214	-	91	4,305
ADRs	-	-	-	-
Stock Certificates BORHIS	101	0	(81)	20
Corporate Stock Certificates	7,066	37	(444)	6,658
Trust Stock Certificates	-	-	-	-
Private Eurobonds	8,602	263	267	9,131
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
<b>Restricted</b>	<b>1,520</b>	<b>40</b>	<b>15</b>	<b>1,575</b>
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,520	40	15	1,575
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
<b>Total</b>	<b>197,908</b>	<b>2,404</b>	<b>2,373</b>	<b>202,685</b>

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q19

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>143,090</b>	<b>430</b>	-	<b>143,520</b>
<b>Unrestricted</b>	<b>126,891</b>	<b>325</b>	-	<b>127,216</b>
BONDES D	-	-	-	-
BONDES M	243	2	-	245
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,658	23	-	1,681
Municipalities Securities	2,120	43	-	2,163
UDI Securities	227	2	-	229
CETES	-	-	-	-
CETES (Special)	568	-	-	568
Government Eurobonds	-	-	-	-
Udibonds	122,075	255	-	122,331
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>16,199</b>	<b>105</b>	-	<b>16,304</b>
BONDES D	-	-	-	-
BONDES M	12,564	89	-	12,654
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,915	14	-	2,929
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	720	1	-	721
<b>Banking Securities</b>	<b>1,259</b>	<b>850</b>	-	<b>2,108</b>
<b>Unrestricted</b>	<b>1,259</b>	<b>850</b>	-	<b>2,108</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	779	16	-	794
Deposit Certificates	300	669	-	969
Structured Notes	180	165	-	345
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Restricted</b>	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>4,589</b>	<b>736</b>	-	<b>5,324</b>
<b>Unrestricted</b>	<b>2,680</b>	<b>729</b>	-	<b>3,409</b>
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,366	729	-	2,095
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,312	-	-	1,312
CP	-	-	-	-
<b>Restricted</b>	<b>1,909</b>	<b>6</b>	-	<b>1,915</b>
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,909	6	-	1,915
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	(347)	-	-	(347)
<b>Total</b>	<b>148,590</b>	<b>2,015</b>	-	<b>150,606</b>

**REPURCHASE AGREEMENT OPERATIONS 4Q19**
*(Million Pesos)*

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Government securities	99,460	96,499	3,066	105	296,433
Banking securities	19,502	19,499	4	1	42,192
Private Securities	4,336	4,336	(0)	-	7,334
<b>Total</b>	<b>123,298</b>	<b>120,334</b>	<b>3,070</b>	<b>105</b>	<b>345,959</b>

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 4Q19**
*(Million Pesos)*

Creditor Balance	
Instrument	Fair Value
<b>Futures</b>	
TIIE 28 Futures	-
<b>Forward</b>	
Fx Forward	96
<b>Options</b>	
Rate options	262
Fx options	390
Warrants	-
<b>Swaps</b>	
Rate swap	17,186
Fx swap	4,190
Credit swap	171
<b>Negotiable Total</b>	<b>22,295</b>
<b>Options</b>	
Rate Options	-
Fx options	-
<b>Swaps</b>	
Rate swap	-
Fx swap	162
Credit swap	-
<b>Hedging total</b>	<b>162</b>
<b>Position total</b>	<b>22,457</b>



**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 4Q19  
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
<b>Futures</b>	
TIE 28 Futures	-
<b>Forward</b>	
Fx Forward	176
<b>Options</b>	
Rate options	200
Fx options	729
<b>Swaps</b>	
Rate swap	12,715
Fx swap	6,931
Credit swap	-
<b>Negotiable Total</b>	<b>20,752</b>
<b>Swaps</b>	
Rate swap	273
Fx swap	3,948
Credit swap	-
<b>Hedging total</b>	<b>4,221</b>
<b>Position total</b>	<b>24,973</b>

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 4Q19 - Banorte  
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	8,936	121
FX Forwards	Sales	Exchange Rate (USD/MXN)	2,369	139
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (SEK/MXN)	1	1
FX Forwards	Purchases	Exchange Rate (EUR/USD)	1,782	1
FX Forwards	Sales	Exchange Rate (EUR/USD)	810	1
FX Options	Purchases	Exchange Rate (Dollar)	11,393	20
FX Options	Sales	Exchange Rate (Dollar)	34,032	20
Interest Rate Options	Purchases	TIE	37,094	85
Interest Rate Options	Sales	TIE	44,893	406
Interest Rate Options	Purchases	LIBOR	5,445	27
Interest Rate Options	Sales	LIBOR	5,350	24
Interest Rate Swaps	USD LIBOR	LIBOR	308,935	2,815
Interest Rate Swaps	MXN TIE	TIE	972,285	3,144
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	163	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	73,746	115
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	31,822	46
Interest Rate and FX Swaps	CS UDI	UDI	9,977	2
Interest Rate and FX Swaps	CS CHFMXN	FIX/VARIABLE	9,847	4
Interest Rate and FX Swaps	CS EURMXN	FIX/FIX	13,788	66
Interest Rate and FX Swaps	CS GBPMXN	FIX/FIX	2,900	12
Credit Derivatives	CDS USD	D2 PEMEX 150927	2,188	9

LOAN PORTFOLIO								
<i>(Million Pesos)</i>								
	Local Currency		UDIS		Foreign Currency		Total	
	4Q18	4Q19	4Q18	4Q19	4Q18	4Q19	4Q18	4Q19
<b>Performing Loans</b>								
Commercial Loans	240,860	232,859	0	-	61,985	60,639	302,845	293,499
Financial Intermediaries' Loans	7,734	7,389	0	-	0	-	7,734	7,389
Consumer Loans	113,441	117,680	0	-	0	-	113,441	117,680
Mortgage Loans	155,671	169,983	127	103	0	-	155,798	170,086
Government Entities' Loans	183,636	160,762	6,793	6,333	6,943	6,892	197,373	173,988
<b>Total</b>	<b>701,343</b>	<b>688,673</b>	<b>6,920</b>	<b>6,437</b>	<b>68,929</b>	<b>67,532</b>	<b>777,192</b>	<b>762,642</b>
<b>Past Due Loans</b>								
Commercial Loans	5,760	4,927	0	0	1,627	1,584	7,387	6,511
Financial Intermediaries' Loans	0	4	0	-	0	-	0	4
Consumer Loans	4,408	4,314	0	-	0	-	4,408	4,314
Mortgage Loans	1,448	1,960	16	13	0	0	1,464	1,973
Government Entities' Loans	4	4	-	-	-	-	4	4
<b>Total</b>	<b>11,620</b>	<b>11,210</b>	<b>16</b>	<b>13</b>	<b>1,627</b>	<b>1,584</b>	<b>13,263</b>	<b>12,806</b>
<b>Total Proprietary Loans</b>	<b>712,963</b>	<b>699,883</b>	<b>6,936</b>	<b>6,449</b>	<b>70,555</b>	<b>69,116</b>	<b>790,455</b>	<b>775,448</b>

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND  
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 4Q19- GFNorte**

	<i>(Million Pesos)</i>	
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	0.0	0.0
Mortgage FOVI	-	-
	<b>0.0</b>	<b>0.0</b>

## DEFERRED TAXES 4Q19

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,125	5,125
Non deductible provisions and cumulative income	1,402	1,402
Excess of accounting value over fiscal value on Repossessed Assets	709	709
Diminishable profit sharing	150	150
Fees received in advance	805	805
Effects from valuation of instruments	-	-
Tax losses pending amortization	1,298	1,298
Provisions for possible loss in loans	382	382
Loss on sale of foreclosed assets and credits	-	-
State Tax on Assets Deferred	-	-
Loss on sale of foreclosed assets and credits	-	-
Loss on sale of foreclosed assets and credits	557	557
<b>Total Assets</b>	<b>10,427</b>	<b>10,427</b>
LIABILITIES		
Pension Funds Contribution	(167)	(167)
Loan Portfolio Acquisitions	(352)	(352)
Projects to be capitalized	(5,472)	(5,472)
Intangibles' amortizations	-	-
Effects from valuation of instruments	(3,263)	(3,263)
Intangibles' amortizations	(530)	(530)
Unrealized Loss on Securities held for Sale	(18)	(18)
<b>Total Liabilities</b>	<b>(9,802)</b>	<b>(9,802)</b>
Assets (Liabilities) Accumulated Net	626	626

## LONG TERM DEBT AS OF DECEMBER 30, 2019 - BANCO MERCANTIL DEL NORTE

(Million Pesos)

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds Q Banorte 08U	UDIS	11-mar-08	447	1,749	2,861	20 years	4.950%	15-feb-28	182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,489	2,264	10 years	9.25%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,432	15 years	5.75%	04-oct-31	180 days
Perpetual 5-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 6 7/8 PERP)	USD	06-jul-17	350	6,413	6,602	Perpetual	6.88%	NA	Quarterly
Perpetual 10-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 7 5/8 PERP)	USD	06-jul-17	550	10,077	10,375	Perpetual	7.63%	NA	Quarterly
Eurobond (Swiss francs) 2018 (BANO589)	CHF	14-jun-18	100	1,983	1,948	3.5 years	0.88%	14-dic-21	Annual
Non Convertible Subordinated Bonds Q Binter 15	MXN	26-feb-15	1,000	1,000	1,000	10 years	TIIE+2.50%	13-feb-25	28 days
Stock certificates 94 BINTER 16U	UDIS	13-oct-16	365	2,000	2,337	10 years	4.97%	01-oct-26	Biannual
Stock certificates 94 BANORTE 18	MXN	29-nov-18	1,870	1,870	1,870	728 days	TIIE+0.23%	26-nov-20	28 days
Stock certificates 94 BANORTE 18-2	MXN	29-nov-18	2,663	2,663	2,663	1,456 days	TIIE+0.28%	24-nov-22	28 days
Stock certificates 94 BANORTE 19	MXN	17-may-19	5,400	5,400	5,400	1092 days	TIIE +0.13%	13-may-22	28 days
Stock certificates 94 BANORTE 19-2	MXN	17-may-19	1,500	1,500	1,500	1820 days	TIIE +0.17%	10-may-24	28 days
Eurobond (Swiss francs) 2019 (BANO397)	CHF	11-abr-19	250	4,694	4,870	1279 days	1.55%	11-oct-22	Annual
Non Convertible Subordinated Bonds 2019 (BANO64_999999)	USD	27-jun-19	600	11,501	11,319	Perpetual	6.75%	NA	Quarterly
Non Convertible Subordinated Bonds 2019 (BANOB48_999999)	USD	27-jun-19	500	9,584	9,432	Perpetual	7.50%	NA	Quarterly
Eurobond (Swiss francs) 2019 (BANO43)	CHF	18-sep-19	160	3,112	3,117	1552 days	0.45%	18-dic-23	Annual

**BANK AND OTHER ENTITIES LOANS' AS OF 4Q19***(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	-	-
Loans from Development Banks	14,746	3,086	17,832
Loans from Public Funds	8,948	901	9,848
Call Money & Loans from Banks	21,976	-	21,976
Loans from Fiduciary Funds	67	-	67
Provisions for Interest	1,152	-	1,152
	<b>46,888</b>	<b>3,986</b>	<b>50,875</b>
Eliminations			(13,813)
<b>Total</b>			<b>37,061</b>

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -  
INTEREST RATES 4Q19****CORE DEPOSITS (BANORTE)****Demand Deposits**

Local Currency and UDIs	1.14%
Foreign Currency	0.10%

**Time Deposits - Retail**

Local Currency and UDIs	6.02%
Foreign Currency	0.26%

**Time Deposits - Money Market**

Local Currency and UDIs	7.78%
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**DUE TO BANKS & CORRESPONDENTS (BANORTE)****Immediate Redemption Loans**

Local Currency and UDIs	9.83%
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**Public Funds and Development Banks**

Local Currency and UDIs	8.59%
Foreign Currency	2.86%

**MAIN CREDIT LINES RECEIVED 4Q19 (BANORTE)***Million pesos*

	4Q18	3Q19	4Q19	Change vs. 4Q18	Change vs.4Q19
Banxico (Monetary Regulation Deposits)	37,458	36,846	37,458	0%	2%
Banxico (Repos with the System of Payments)	57,841	63,426	64,217	11%	1%
Call Money	119,301	174,085	173,323	45%	(0%)
<b>TOTAL</b>	<b>214,601</b>	<b>274,356</b>	<b>274,999</b>	<b>28%</b>	<b>0%</b>

## TRADING INCOME 4Q19

*Million Pesos*

<b>Trading income</b>	<b>Consolidated</b>
<b>Securities - Unrealized gains</b>	<b>(414)</b>
Negotiable instruments	440
Derivative instruments - Negotiation	<b>(854)</b>
Derivative instruments - Hedging	(1)
<b>Impairment loss or revaluation increase</b>	0
<b>Result from foreign exchange valuation</b>	<b>(15)</b>
<b>Result from valuation of precious metals</b>	7
<b>Result from purchase/sale of securities and derivatives</b>	<b>4,592</b>
Negotiable instruments	1,669
Securities held for sale	585
Securities held to maturity	(21)
Derivative instruments - Hedging	2,358
<b>Result from purchase/sale of foreign exchange</b>	<b>1,113</b>
<b>Result from purchase/sale of precious metals</b>	7
<b>Total</b>	<b>5,289</b>

## Internal Control

For Grupo Financiero Banorte, S.A.B. de C.V. (GFNORTE), internal control is a shared responsibility among all its constituents; therefore, the Board of Directors, other Corporate Governance entities, senior management as well as each and every one of its executives and employees are part of the Internal Control System (ICS).

ICS is the general framework set forth by the Board of Directors with the objective of reaching institutional objectives through policies, and control and monitoring activities and procedures, which have a positive impact on risk management, on the trustworthiness of financial information being generated, and on regulatory compliance.

ICS establishes the objectives and general guidelines which provide a framework to activities and responsibilities applicable to all the personnel in charge of origination, operational processing and execution. Such activities are monitored by teams specialized in risk monitoring, and in mitigating controls.

ICS is structured around three defense lines:

- A. **First.** The owners of support and business processes, who are ultimately responsible for the primary internal control function in their activities.
- B. **Second.** Risk, Credit, Legal and Comptroller departments, which provide permanent control and monitoring support, and
- C. **Third.** Internal Audit, with the independence granted by its direct line of report to the Internal Audit and Corporate Practices Committee, supervises all activities and the adequate development of all functions across all areas.

At GNORTE we are convinced that having an adequate control environment is yet another competitive advantage that drives our growth and solid presence in the domestic financial market. This is why all executives and employees alike perform their daily activities with discipline, with strict adherence to the norm, and following a philosophy of getting things done right the first time, without having to rely on reviews that might be carried out by other areas.

During the fourth quarter of 2019, there was continuous development of activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and quality of information assurance; highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies and procedures manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- C. The requests from different internal areas regarding internal control matters were addressed, both in support of the development of new institutional projects, as well as those that derive from regulatory changes.
- D. GFNORTE's business and operating support processes are constantly monitored through the Business Process and Management Comptrollers. They issue periodic compliance reports and identify areas of opportunity so that they can be remediated appropriately.
- E. According to the work plan established at the beginning of the year, the activities related to internal accounting control were concluded.
- F. Effectiveness tests related to the Business Continuity Plan were executed.
- G. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- H. The Information Security Officer (CISO) carried out its functions based on the Master Plan, reporting the findings found and the details of the activities carried out to the General Director of GFNorte and the Committees of Corresponding Corporate Governance, maintaining a matrix coordination with the Comptroller as part of the SCI.
- I. The requirements of the Supervisory Authorities were answered, and the obligations to inform required by the external regulation were fulfilled.

## Financial Situation and Liquidity

### Internal and External Liquidity Sources

The internal liquidity sources, in local and foreign currency, come from the various deposit products that the institution offers to customers.

Regarding external sources of liquidity, it has diverse mechanisms to access the debt and capital markets. The Institution obtains resources through the issuance of debt securities, loans from other institutions - including the Central Bank and international organisms -, as well as from the issuance of subordinated debt. Also considered is the liquidity that the Institution obtains through its proprietary repos' securities that qualify for such transactions. It also has the alternative of obtaining resources through the issuance of shares representing equity.

Currently, the Institution has diverse sources of liquidity. Deposits, including interest bearing and non-interest bearing demand and time deposits, are the bank's main source of liquidity. Negotiable and short term instruments, such as government securities and deposits in the Central Bank and other banks, are liquid assets that generate interest. Liquid assets also include deposits in foreign banks, which are denominated mainly in US dollars.

Detailed information related to liquidity sources is reported in different headings of the GFNorte's Balance Sheet in this report

### Related Parties Loans

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions cannot exceed the established limit of 35% of the basic portion of net capital.

In the case of GFNorte as of December 31 and September 30, 2019, the amount of loans granted to third parties is as follows (billion pesos):

<b>Lender</b>	<b>Dec-2019</b>	<b>% Basic Equity</b>	<b>Sep-2019</b>	<b>% Basic Equity</b>
Banorte	Ps 11.31	7.9%	Ps 9.42	6.7%

The loans granted are under the 100% limit set forth by the LIC.

#### Banorte

As of December 31, 2019, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 11.31 billion (including Ps 680 million in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.5% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 9.51 billion were loans granted to clients linked to members of the Board of Directors; Ps 768 million were granted to clients linked to shareholders and Ps 1.03 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 2019 was 7.9% of the basic part of the equity.

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 98% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

#### Banorte

As of September 30, 2019, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 9.42 billion (including Ps 304 million in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.3% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 8.10 billion were loans granted to clients linked to members of the Board of Directors; Ps 170 million were granted to clients linked to shareholders and Ps 1.15 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 September 2019 was 6.7% of the basic part of the equity.

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.

## Loan or tax liabilities

The tax credits listed below are currently in litigation:

	As of December 31, 2019
<b>AFORE XXI BANORTE</b>	<b>\$2</b>
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
<b>UNITELLER</b>	<b>\$7</b>
Philippines 2007 - 2008	7
<b>PENSIONES BANORTE</b>	<b>\$318</b>
Financial year 2014	318
Million pesos	



## People in Charge

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation. Furthermore, we express that we are not aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors.

Act. Jose Marcos Ramirez Miguel  
Chief Executive Officer of Grupo Financiero Banorte, S.A.B. de C.V.

Eng. Rafael Arana de la Garza  
Chief Operating Officer & Chief Financial Officer

C.P. Isaias Velazquez Gonzalez  
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo  
Deputy Managing Director of Comptrollership

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

## Basis for submitting and presenting Financial Statements

**Grupo Financiero Banorte (GFNorte).** Issues the financial statements in consolidated form with its Subsidiaries in accordance with the General Provisions Applicable to the Controlling and Sub-Controlling Companies of Financial Groups that regulate the matters that correspond jointly to the National Supervisory Commissions (the Provisions) published in the Official Gazette of the Federation on June 29, 2018.

**Sector Bancario (Banorte).** Issues the financial statements in consolidated form with its Subsidiaries in accordance with the General Provisions Applicable to the financial information of the Credit Institutions (the Provisions) published in the Official Gazette of the Federation on December 2, 2005, modified by means of published Resolutions in the aforementioned Official Gazette on March 3 and 28, September 15, December 6 and 8, 2006, January 12, March 23, April 26, November 5, 2007, March 10, August 22, September 19, October 14, December 4, 2008, April 27, May 28, June 11, August 12, October 16, November 9, December 1 and 24, 2009, January 27, February 10, April 9 and 15, May 17, June 28, July 29, August 19, September 9 and 28, October 25, November 26 and December 20, 2010, January 24 and 27, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, and December 28, 2011, June 19, July 5, October 23, November 28 and December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2 and December 24, 2013, January 7 and 31, March 26, May 12 and 19, July 3 and 31, September 24, October 30, December 8 and 31, 2014, January 9, 5 February, April 30, May 27 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, April 7 and 28 and June 22, 2016, July 7 and 29, August 1, September 19 and 28, 2016, and December 27, 2016, January 6, April 4 and 27, May 31, June 26, 4 and 24 July, August 29, October 6 and 25, December 18, 26 and 27, 2017, January 22, March 14, April 26, May 11, June 26, July 23, August 29, September 4, October 5, November 15 and 27, 2018, and April 15, July 5, October 1, and November 4 and 25, 2019.

**GFNorte and Banorte.** The financial information contained in this document has been prepared in accordance with the regulation issued by the National Banking and Securities Commission (CNBV) for the holding company and the financial entities that make up the Financial Group and the NIF issued by the Mexican Board of Standards of Financial Information, AC (CINF). The regulation of the CNBV and the aforementioned NIFs differ from each other due to the specialized operations of the Credit Institutions. They also differ from the accounting principles generally accepted in the United States of America (US GAAP) and the regulations and principles established by the North American authorities for this type of financial entities. In order to present the information contained in an international format, the format for the classification and presentation of certain financial information differs from the format used for the financial information published in Mexico. The information contained in this document is based on unaudited financial information of each of the entities to which it refers.