

# 2Q20

Financial Results  
as of June 30<sup>th</sup>, 2020

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GFNORTE



OTC QX

GBOOY



XNOR

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# I. Executive Summary

**GFNorte reports Net Income of Ps 6.52 billion during 2Q20, 29% lower than 1Q20 due to higher anticipated provisions to face COVID-19 pandemic.**

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

The most relevant results for the period ended on June 30<sup>th</sup>, 2020 were:

- This quarter was fully immersed in the COVID-19 pandemic. In Mexico the lockdown started on the first day of the quarter, with a sharp contraction of economic activity and a rapid increase in unemployment levels.
- **Net income** for the **second quarter** of 2020 was **Ps 6.52 billion, down (29%) sequentially**, and (25%) below the same period in 2019. However, this reflects a one-time negative impact of Ps 4.9 billion, which consists of Ps 3.0 billion in reserves to cover the estimated impact of COVID-19 for the entirety of 2020 and a relevant portion of 2021, and Ps 1.9 billion in write-offs, **proactively anticipating the loan portfolio deterioration** once the support programs for consumer and SMEs portfolios and customized support programs for the commercial portfolio, come to an end. Thus, **provisions were 95%** higher than the previous quarter, and consequently **cost of risk** totaled **4.2%** from 2.2% in 1Q20.
- The overall operating performance of the business was quite positive. Provisions, excluding the one-time increase, would have been **(17%) lower** sequentially, and **net income would have reached Ps 9.87 billion** in the quarter, **up 8%** against 1Q20.
- **Net interest income rose 6%** against the same period in 2019, although it shows the expected sequential decline due the high seasonality of the insurance business during the first quarter of the year. **NIM** reached 5.3% (18bps) below 2Q19 due to a **10% increase in productive assets**.
- **Non-interest income rose 13% annually and 19% sequentially**, positively offsetting a decline in fees from lower economic activity with a relevant increase in trading income due to high volatility in the markets. **Non-interest expenses were down (2%)** sequentially, with a net (13bps) improvement in **efficiency ratio to 38.8%**.
- **Net income** for the **first half** of the year totaled **Ps 15.6 billion, (11%) below** recurring figures in 1H19, and (16%) vs. the reported result. These results were **mainly driven by the anticipated provisions** mentioned above, which totaled Ps 12.8 billion for the semester, 71% higher than a year ago. Excluding this effect, provisions would have been 6% higher.
- **Net interest income** for the semester rose 6% annually, and **NIM grew 2bps reaching 5.6%**, which was a positive result considering that during this period the central bank's reference rate went from 8.25% to 5.0%. **Total income** was up 3% and **non-interest expense** increased 6% producing an **efficiency ratio** of 38.8% for the semester.
- **ROE and ROA** for the period were clearly affected by the additional provisions, totaling 15.8% and 1.8% respectively. **Excluding additional provisions, ROE would have totaled 19.6% for the quarter, and 19.2% for the first half of the year.**
- Non-banking **subsidiaries** contributed positively to the group's performance. During 1H20, net profit of Casa de Bolsa grew 64%, Operadora de fondos 9%, Insurance 8%, Annuities 43%, Pensions 13%, and Arrendadora y Factor 3%.
- **Consumer loans** were up **1%** during the quarter driven by **2%** growth in **mortgages**, offsetting declines in **auto loans (2%)**, **credit cards (3%)**, and **flat payroll loans**, as they were all impacted by the weak economic activity during the lockdown. Additionally, performing loan portfolios have not been affected thanks to the timely implementation of **relief programs** announced by Banorte. During the 4-month relief programs, enrolled clients are not required to pay interest nor principal on their loans. Compared to 1H19, **consumer** grew **5%**, **mortgages 9%**, **auto loans 5%**, **credit cards (1%)** and **payroll (2%)**.
- **Commercial and corporate** loans increased sequentially, **2%** and **3% respectively**, and **government loans 1%**. Overall, **total loan portfolio** grew **2% quarterly, and 3% annually**; excluding government loans, the **loan portfolio increased 8% annually**.
- Asset quality remained stable thanks to the support programs implemented for individuals, SMEs and businesses; however, the **NPL ratio** fell sharply **from 1.7% to 1.2%** due to Ps 4.6 billion in write-offs to the past due loan portfolio, which caused **coverage ratio** to rise to **200.5%** from 140.1%.

- **Core Deposits increased 4%** during the quarter: **demand deposits grew 6%**, and **time deposits declined (1%)**. Compared to 2Q19, demand deposits were up 22%, and time deposits were down (5%), totaling 12% growth in Core Deposits.
- **Capital preservation, as well as capital growth and good liquidity management** have been top priorities for the Financial Group during this challenging period. This can be witnessed by the **bank's capital ratio** which reached **19.68%**; with **Core Equity Tier 1 (CET1)** at **13.19%**, **Liquidity Coverage Ratio** at **150.8%**, and **Leverage Ratio** ended the quarter at **11.05%**.

Income Statement Highlights - GFNorte (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Interest Income	37,612	37,008	<b>32,684</b>	(12%)	(13%)	75,686	<b>69,692</b>	(8%)
Interest Expense	18,317	14,657	<b>13,289</b>	(9%)	(27%)	36,723	<b>27,947</b>	(24%)
Technical Results (Insurance & Annuities)	197	(383)	<b>1,288</b>	N.A.	555%	1,313	<b>905</b>	(31%)
Net Interest Income	19,492	21,968	<b>20,683</b>	(6%)	6%	40,276	<b>42,651</b>	6%
Net Service Fees	3,630	3,455	<b>3,069</b>	(11%)	(15%)	6,598	<b>6,524</b>	(1%)
Trading	963	1,166	<b>1,703</b>	46%	77%	2,114	<b>2,869</b>	36%
Other Operating Income (Expenses)	653	327	<b>1,140</b>	248%	75%	2,796	<b>1,467</b>	(48%)
Non Interest Income	5,246	4,949	<b>5,911</b>	19%	13%	11,508	<b>10,860</b>	(6%)
Total Income	24,738	26,916	<b>26,595</b>	(1%)	8%	51,784	<b>53,511</b>	3%
Non Interest Expense	9,525	10,466	<b>10,307</b>	(2%)	8%	19,528	<b>20,774</b>	6%
Provisions	3,728	4,344	<b>8,456</b>	95%	127%	7,464	<b>12,800</b>	71%
Operating Income	11,485	12,106	<b>7,832</b>	(35%)	(32%)	24,792	<b>19,938</b>	(20%)
Taxes	3,100	3,228	<b>1,886</b>	(42%)	(39%)	6,750	<b>5,114</b>	(24%)
Subsidiaries' Net Income	466	353	<b>648</b>	83%	39%	877	<b>1,001</b>	14%
Minority Interest	(123)	(113)	<b>(75)</b>	(33%)	39%	(258)	<b>(189)</b>	(27%)
Subsidiaries & Minority Interest	343	240	<b>573</b>	138%	67%	618	<b>813</b>	31%
<b>Net Income</b>	<b>8,728</b>	<b>9,118</b>	<b>6,518</b>	(29%)	(25%)	<b>18,660</b>	<b>15,636</b>	(16%)
Balance Sheet Highlights - GFNorte (Million Pesos)	2Q19	1Q20	2Q20	Change				
				1Q20	2Q19			
Asset Under Management	2,763,574	2,708,692	2,878,778	6%	4%			
Performing Loans (a)	768,183	779,818	791,637	2%	3%			
Past Due Loans (b)	14,567	13,212	9,254	(30%)	(36%)			
Total Loans (a+b)	782,750	793,030	800,891	1%	2%			
Total Loans Net (d)	764,158	774,525	782,337	1%	2%			
Acquired Collection Rights (e)	2,065	1,500	1,438	(4%)	(30%)			
Total Credit Portfolio (d+e)	766,222	776,025	783,774	1%	2%			
Total Assets	1,589,998	1,729,280	1,783,581	3%	12%			
Total Deposits	734,568	772,993	801,148	4%	9%			
Total Liabilities	1,411,630	1,531,790	1,575,237	3%	12%			
Equity	178,368	197,490	208,344	5%	17%			
Financial Ratios GFNorte	2Q19	1Q20	2Q20			1H19	1H20	
<b>Profitability:</b>								
NIM (1)	5.5%	5.9%	<b>5.3%</b>			5.6%	<b>5.6%</b>	
ROE (2)	19.5%	18.8%	<b>13.0%</b>			21.1%	<b>15.8%</b>	
ROA (3)	2.2%	2.21%	<b>1.49%</b>			2.3%	<b>1.8%</b>	
<b>Operation:</b>								
Efficiency Ratio (4)	38.5%	38.9%	<b>38.8%</b>			37.7%	<b>38.8%</b>	
Operating Efficiency Ratio (5)	2.4%	2.5%	<b>2.3%</b>			2.4%	<b>2.4%</b>	
CCL Banorte and SOFOM - Basel III (6)	122.2%	120.1%	<b>150.8%</b>			122.2%	<b>150.8%</b>	
<b>Asset Quality:</b>								
Past Due Loan Ratio	1.9%	1.7%	<b>1.2%</b>			1.9%	<b>1.2%</b>	
Coverage Ratio	127.6%	140.1%	<b>200.5%</b>			127.6%	<b>200.5%</b>	
Cost of Risk (7)	1.91%	2.22%	<b>4.24%</b>			1.91%	<b>3.24%</b>	
<b>Market References</b>								
Banxico Reference Rate	8.25%	6.50%	<b>5.00%</b>			8.25%	<b>5.00%</b>	
TIE 28 days (Average)	8.50%	7.36%	<b>6.07%</b>			8.53%	<b>6.72%</b>	
Exchange Rate Peso/Dolar	19.21	23.48	<b>23.09</b>			19.29	<b>23.29</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 publication of Banco de Mexico's official calculations.  
 7) Cost of Risk = Annualized Provisions / Average Total Loans.

Subsidiaries Net Income (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Banco Mercantil del Norte	6,428	6,072	<b>3,606</b>	(41%)	(44%)	13,652	<b>9,678</b>	(29%)
Banorte- Ixe-Broker Dealer	137	213	<b>360</b>	69%	162%	348	<b>572</b>	64%
Operadora de Fondos Banorte-Ixe	95	100	<b>107</b>	7%	12%	189	<b>207</b>	9%
Retirement Funds - Afore XXI Banorte	425	325	<b>618</b>	90%	45%	833	<b>944</b>	13%
Insurance	824	1,703	<b>927</b>	(46%)	12%	2,434	<b>2,630</b>	8%
Annuities	223	284	<b>424</b>	49%	90%	495	<b>708</b>	43%
BAP (Holding)	(0)	14	<b>8</b>	(41%)	N.A.	(0)	<b>22</b>	N.A.
Leasing and Factoring	210	203	<b>245</b>	21%	17%	436	<b>447</b>	3%
Warehousing	11	10	<b>9</b>	(9%)	(16%)	(16)	<b>19</b>	N.A.
Sólida Administradora de Portafolios	78	(145)	<b>(11)</b>	93%	(114%)	(31)	<b>(156)</b>	(407%)
G. F. Banorte (Holding)	297	340	<b>226</b>	(33%)	(24%)	320	<b>566</b>	77%
<b>Total Net Income</b>	<b>8,728</b>	<b>9,118</b>	<b>6,518</b>	<b>(29%)</b>	<b>(25%)</b>	<b>18,660</b>	<b>15,636</b>	<b>(16%)</b>

Share Data	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Earnings per share (Pesos)	3.027	3.162	<b>2.260</b>	(29%)	(25%)	6.471	<b>5.423</b>	(16%)
Earnings per share Basic (Pesos)	3.048	3.180	<b>2.287</b>	(28%)	(25%)	6.518	<b>5.470</b>	(16%)
Dividend per Share for the period (Pesos)	5.54	0.00	<b>0.00</b>	NA	NA	5.54	<b>0.00</b>	NA
Payout for the period	50.0%	0.0%	<b>0.0%</b>	NA	NA	50.0%	<b>0.0%</b>	NA
Book Value per Share (Pesos)	61.08	67.70	<b>71.41</b>	5%	17%	61.08	<b>71.41</b>	17%
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)	111.36	65.00	<b>79.72</b>	23%	(28%)	111.36	<b>79.72</b>	(28%)
P/BV (Times)	1.82	0.96	<b>1.12</b>	16%	(39%)	1.82	<b>1.12</b>	(39%)
Market Capitalization (Million Dollars)	16,716	7,981	<b>9,956</b>	25%	(40%)	16,716	<b>9,956</b>	(40%)
Market Capitalization (Million Pesos)	321,102	187,425	<b>229,869</b>	23%	(28%)	321,102	<b>229,869</b>	(28%)

### 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 presented in 1Q19 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)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Interest Income	35,588	32,662	<b>31,358</b>	(4%)	(12%)	71,003	<b>64,020</b>	(10%)
Interest Expense	18,038	14,366	<b>13,019</b>	(9%)	(28%)	36,164	<b>27,385</b>	(24%)
Loan Origination Fees	335	360	<b>346</b>	(4%)	3%	659	<b>706</b>	7%
Fees Paid	279	291	<b>270</b>	(7%)	(3%)	560	<b>561</b>	0%
<b>NII excluding Insurance and Annuities Co.</b>	<b>17,607</b>	<b>18,365</b>	<b>18,415</b>	<b>0%</b>	<b>5%</b>	<b>34,939</b>	<b>36,780</b>	<b>5%</b>
Premium Income (Net)	6,271	12,155	<b>8,118</b>	(33%)	29%	18,485	<b>20,273</b>	10%
Technical Reserves	1,228	7,946	<b>1,216</b>	(85%)	(1%)	7,994	<b>9,162</b>	15%
Damages, Claims and Other Obligations	4,846	4,592	<b>5,613</b>	22%	16%	9,178	<b>10,205</b>	11%
<b>Technical Results</b>	<b>197</b>	<b>(383)</b>	<b>1,288</b>	N.A.	555%	<b>1,313</b>	<b>905</b>	(31%)
Interest Income (Expenses) net	1,688	3,986	980	(75%)	(42%)	4,025	4,966	23%
<b>Insurance and Annuities NII</b>	<b>1,885</b>	<b>3,603</b>	<b>2,268</b>	<b>(37%)</b>	<b>20%</b>	<b>5,337</b>	<b>5,871</b>	<b>10%</b>
<b>GFNORTE's NII</b>	<b>19,492</b>	<b>21,968</b>	<b>20,683</b>	<b>(6%)</b>	<b>6%</b>	<b>40,276</b>	<b>42,651</b>	<b>6%</b>
Credit Provisions	3,728	4,344	<b>8,456</b>	95%	127%	7,464	<b>12,800</b>	71%
<b>NII Adjusted for Credit Risk</b>	<b>15,764</b>	<b>17,623</b>	<b>12,227</b>	<b>(31%)</b>	<b>(22%)</b>	<b>32,812</b>	<b>29,851</b>	<b>(9%)</b>
Average Earning Assets	1,426,372	1,481,187	<b>1,566,225</b>	6%	10%	1,444,980	<b>1,523,513</b>	5%
<b>Net Interest Margin (1)</b>	<b>5.5%</b>	<b>5.9%</b>	<b>5.3%</b>			<b>5.6%</b>	<b>5.6%</b>	
<b>NIM after Provisions (2)</b>	<b>4.4%</b>	<b>4.8%</b>	<b>3.1%</b>			<b>4.5%</b>	<b>3.9%</b>	
<b>NIM adjusted w/o Insurance &amp; Annuities</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.3%</b>			<b>5.4%</b>	<b>5.4%</b>	
<b>NIM from loan portfolio (3)</b>	<b>8.0%</b>	<b>8.4%</b>	<b>8.1%</b>			<b>7.8%</b>	<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 was marginally up 0.3%** in the quarter, due to a combined effect of: a (7%) decline in interest expenses on better cost of funding driven by a 6% increase in demand deposits and a (1%) reduction in time deposits; a (3%) decline in interest income from the loan portfolio, and higher income from repurchase agreements and valuation adjustments equivalent to Ps 387 million. All this in a low rate environment that saw a 150bps decline in Banxico's reference rate. Additionally, a 6% increase in interest earning assets drove the NIM down: **NIM of the loan portfolio** declined (31bps) closing at **8.1%** from 8.4% in the previous quarter, and the **adjusted NIM excluding Insurance and Annuities** dropped (27bps) reaching **5.3%**.

Compared to 1S19, **NII excluding Insurance and Annuities** rose **5%**, due to increases in the loan portfolio, efficient asset and liability management, and improvements in funding costs that have helped to offset the (325bps) drop in reference rates from 8.25% to 5.0% at the end of the quarter. Regarding margins, **NIM of the loan portfolio** grew **42bps** standing at 8.2% as of 1H20; **adjusted NIM excluding Insurance and Annuities** grew 6bp at **5.4%**.

Regarding NII from **insurance and annuities**, there was a (37%) quarterly decline attributable to the seasonality of the **Insurance** business related to premium renewals during the first quarter of the year. **Technical result** from the Insurance business had a Ps. (1.4) billion decline, and NII was also down by (39%) due to the same seasonality. For Annuities, NII was down (10%) during the quarter due to a (29%) reduction in premiums, partially offset by a significant (90%) decline in technical reserves and interest income due to the negative effect caused by inflation valuation, in addition to a 6% increase in claims.

Compared to 1H19, **NII from insurance and annuities** for the first half of the year **grew 10%**, mainly driven by 8% growth in insurance premium income and higher interest income. In Annuities NII was impacted by lower technical results and higher Other Operating Income.

Altogether, GFNorte's **net interest income** was down **(6%)** during the **quarter** and up **6%** annually. **NIM** ended the quarter at **5.3%**, as a result of a lower rate environment, showing a **(65bp)** decline vs. the previous quarter, and down **(18bps)** vs. 2Q19; compared to 1S19, NIM rose 2bps to 5.6%.

## Loan Loss Provisions

From beginning to end, the quarter was engulfed by the COVID-19 pandemic, having a sharp contraction of economic activity, and a rapid increase in unemployment rates. Under these circumstances, the financial group has **proactively anticipated the effects of portfolio deterioration** once the support programs for consumer, SMEs, and customized support programs for the commercial portfolio, come to an end.

**Thus, provisions grew 95%** compared to the previous quarter, due to a one-time Ps 4.9 billion impact, consisting of Ps 3.0 billion additional general provisions, which are in addition to the regular provisions, which cover the incremental estimated impact of COVID-19 for the all of 2020 and a relevant portion of 2021, and Ps 1.9 billion in anticipated write-offs. **Without these anticipated transactions, total provisions would have been (17%) lower sequentially**, driven by lower reserve requirements from the payroll portfolio, in addition to lower delinquency levels brought by the COVID-19 special accounting criteria issued by the regulator (CNBV).

Regarding the recurring operation of the bank, the commercial portfolio had a Ps 1.6 billion increase, of which Ps 1.0 billion correspond to the corporate portfolio, and Ps 687 million to commercial and SMEs, resulting from fully provisioning certain loans that were written-off in advance, as well as a Ps (67) million reduction in corporate and government portfolios. In the consumer portfolio, there was an Ps (835) million decline, mainly driven by lower provisions in credit card and payroll: Ps (105) million and Ps (770) million, respectively. In both cases the reduction is explained by lower credit placement provision requirements, the support program effect, and risk management model improvements. In addition, there was a Ps 3.0 billion increase in other deductions and write-offs, including the additional provisions.

In sum, of the Ps 8.4 billion of provisions recorded in the quarter, 58% correspond to the one-time impact due to anticipation of loan loss provisions and write-offs, and 42% to new loans, improvements and asset deterioration.

**Compared to 1H19**, accumulated provisions in 1H20 increased by 71%, because of the effects described above. Without advance provisions, the increase in provisions would have been 6%.

Credit Provisions (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Commercial, Corporate & Government	168	908	<b>2,541</b>	180%	1412%	416	<b>3,449</b>	729%
Consumer	3,553	3,595	<b>2,836</b>	(21%)	(20%)	6,942	<b>6,431</b>	(7%)
Charge offs and discounts	7	(159)	<b>79</b>	N.A.	1004%	106	<b>(81)</b>	(176%)
Additional Provisions	-	-	<b>3,000</b>	N.A.	N.A.	-	<b>3,000</b>	N.A.
<b>Credit Provisions</b>	<b>3,728</b>	<b>4,344</b>	<b>8,456</b>	<b>95%</b>	<b>127%</b>	<b>7,464</b>	<b>12,800</b>	<b>71%</b>

**Cost of risk for the quarter was 4.24%**, reflecting a 203bps increase vs. the previous quarter, and up 233bps annually, associated with the additional provisions anticipated for COVID-19, as previously explained. Excluding anticipated provisions, cost of risk would have been 1.80%, a 42bps improvement compared to the previous quarter.

## Non-Interest Income

Non-Interest Income (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Net Service Fees	3,630	3,455	<b>3,069</b>	(11%)	(15%)	6,598	<b>6,524</b>	(1%)
Trading	963	1,166	<b>1,703</b>	46%	77%	2,114	<b>2,869</b>	36%
Other Operating Income (Expenses)	653	327	<b>1,140</b>	248%	75%	2,796	<b>1,467</b>	(48%)
<b>Non-Interest Income</b>	<b>5,246</b>	<b>4,949</b>	<b>5,911</b>	<b>19%</b>	<b>13%</b>	<b>11,508</b>	<b>10,860</b>	<b>(6%)</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** increased 19% in the quarter, reflecting lower Net Service Fees due to the decline in domestic economic activity; as well as an increase in trading income due to the highly volatile conditions prevailing in the markets, in addition to higher Other Operating Income.

Compared to accumulated figures of 1H20, there is a (6%) decline associated with the Ps 1.6 billion extraordinary income during 1Q19 related to the recognition of the conversion effect of Banorte USA. Adjusting for this event, recurring **non-interest income rose 10%**.

## Service Fees

Service Fees (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Fund Transfers	399	400	<b>476</b>	19%	19%	766	<b>876</b>	14%
Account Management Fees	596	578	<b>508</b>	(12%)	(15%)	1,200	<b>1,086</b>	(9%)
Electronic Banking Services	2,285	2,336	<b>2,027</b>	(13%)	(11%)	4,413	<b>4,364</b>	(1%)
Basic Banking Services Fees	3,280	3,315	<b>3,012</b>	(9%)	(8%)	6,379	<b>6,326</b>	(1%)
For Commercial and Mortgage Loans *	291	495	<b>394</b>	(20%)	35%	528	<b>889</b>	68%
For Consumer Loans	1,246	1,242	<b>1,049</b>	(16%)	(16%)	2,457	<b>2,291</b>	(7%)
Fiduciary *	108	119	<b>102</b>	(14%)	(6%)	212	<b>221</b>	4%
Income from Real Estate Portfolios	220	5	<b>11</b>	108%	(95%)	268	<b>17</b>	(94%)
Mutual Funds	449	461	<b>486</b>	5%	8%	877	<b>948</b>	8%
Trading & Financial Advisory Fees	171	147	<b>126</b>	(14%)	(26%)	279	<b>273</b>	(2%)
Other Fees Charged (1)	238	331	<b>226</b>	(32%)	(5%)	542	<b>557</b>	3%
<b>Fees Charged on Services</b>	<b>6,002</b>	<b>6,115</b>	<b>5,406</b>	<b>(12%)</b>	<b>(10%)</b>	<b>11,542</b>	<b>11,521</b>	<b>(0%)</b>
Interchange Fees	1,077	1,226	<b>1,018</b>	(17%)	(5%)	2,159	<b>2,245</b>	4%
Insurance Fees	296	473	<b>353</b>	(25%)	19%	877	<b>826</b>	(6%)
Other Fees Paid	999	961	<b>966</b>	1%	(3%)	1,909	<b>1,926</b>	1%
<b>Fees Paid on Services</b>	<b>2,372</b>	<b>2,660</b>	<b>2,337</b>	<b>(12%)</b>	<b>(1%)</b>	<b>4,945</b>	<b>4,997</b>	<b>1%</b>
<b>Net Service Fees</b>	<b>3,630</b>	<b>3,455</b>	<b>3,069</b>	<b>(11%)</b>	<b>(15%)</b>	<b>6,598</b>	<b>6,524</b>	<b>(1%)</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 declined (12%)** sequentially due to lower transactions from customers in services such as electronic banking and lower use of debit and credit cards, mainly as a consequence of the COVID-19 health contingency. Compared to 2Q19 figures, fees charged on services were down **(10%) in the year**, on lower income from customer transactions, in addition to the effect of Ps 216 million income recognition from the sale of a real estate asset during 2Q19. Compared to 1H19, accumulated results for the first half of the year were flat.

**Fees paid on services were down (12%)** compared to the previous quarter, driven by lower interchange fees from lower activity during the health contingency. Compared with 2Q19 figures, there was a **(1%) contraction**, while compared to 1H20, accumulated figures show a 1% increase due to greater commercial activity in the acquiring business.

Altogether, **net service fees** show an (11%) decline vs. the previous quarter, and (15%) vs. a year ago. With aggregate figures for 1H20, net service fees show a (1%) drop vs. 1H19.

## Trading

Trading Income (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Currency and Metals	(26)	1,235	<b>(501)</b>	N.A.	(1858%)	(31)	<b>734</b>	N.A.
Derivatives	176	(1,238)	<b>1,139</b>	N.A.	547%	697	<b>(98)</b>	(114%)
Negotiable Instruments	29	(166)	<b>(111)</b>	33%	N.A.	215	<b>(277)</b>	(229%)
<b>Valuation</b>	<b>179</b>	<b>(169)</b>	<b>527</b>	<b>N.A.</b>	<b>194%</b>	<b>881</b>	<b>358</b>	<b>(59%)</b>
Currency and Metals	206	(862)	<b>774</b>	N.A.	276%	307	<b>(88)</b>	(129%)
Derivatives	121	1,742	<b>(323)</b>	N.A.	N.A.	203	<b>1,420</b>	598%
Negotiable Instruments	456	455	<b>724</b>	59%	59%	723	<b>1,179</b>	63%
<b>Trading</b>	<b>783</b>	<b>1,335</b>	<b>1,175</b>	<b>(12%)</b>	<b>50%</b>	<b>1,233</b>	<b>2,511</b>	<b>104%</b>
<b>Trading Income</b>	<b>963</b>	<b>1,166</b>	<b>1,703</b>	<b>46%</b>	<b>77%</b>	<b>2,114</b>	<b>2,869</b>	<b>36%</b>

**Trading income** was up 46% sequentially, as a result of the combined effect of valuation and trading activity: Ps 273 million in currency and metals, Ps 816 million in derivatives, and Ps 613 million proprietary securities.

Thus, compared to the previous quarter trading income was up Ps 537 million: Ps 358 million from valuation, and Ps (160) million from trading activity.



Compared to **1H19**, results for the first half of the year were up **36%** from the highly volatile environment during the period.

### Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Loan Portfolios	85	80	63	(21%)	(26%)	143	143	(0%)
Income from Foreclosed Assets	74	88	132	50%	78%	162	220	36%
Impairment of Assets	-	(55)	-	N.A.	NA	(132)	(55)	58%
Lease Income	92	100	77	(24%)	(16%)	183	177	(3%)
From Insurance	255	211	322	53%	26%	518	533	3%
Securitization Operation Valuation Result	48	31	6	(82%)	(88%)	75	37	(51%)
Others	100	(128)	541	N.A.	443%	1,847	413	(78%)
<b>Other Operating Income (Expenses)</b>	<b>653</b>	<b>327</b>	<b>1,140</b>	<b>248%</b>	<b>75%</b>	<b>2,796</b>	<b>1,467</b>	<b>(48%)</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) grew 248%** vs. 1Q20, totaling **Ps 1.1 billion**, as a result of a Ps 487 million increase from recoveries, of which Ps 358 million were related to positive tax balances, as well as higher operating income from insurance totaling Ps 151 million related to the portfolio acquisition from SURA, lower write-offs totaling Ps 137 million, lower asset deterioration totaling Ps 55 million, and other items totaling Ps 112 million.

Compared to 1H19, the semester had a (48%) decline as a result of the recognition of Ps 1.6 billion in additional income due to conversion effect of Banorte USA during 1Q19. Excluding this effect, the recurring figure for the **semester increased 29%**, due to a lower number of write-offs and liability management.

### Non-Interest Expense

Non-Interest Expense (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Personnel	3,567	3,930	3,891	(1%)	9%	7,498	7,820	4%
Professional Fees	796	748	801	7%	1%	1,534	1,550	1%
Administrative and Promotional	2,002	2,382	2,032	(15%)	1%	4,137	4,415	7%
Rents, Depreciation & Amortization	1,635	1,946	2,047	5%	25%	3,311	3,994	21%
Taxes other than income tax & non deductible expenses	573	498	483	(3%)	(16%)	1,134	982	(13%)
Contributions to IPAB	829	828	919	11%	11%	1,668	1,748	5%
Employee Profit Sharing (PTU)	123	133	133	0%	8%	246	265	8%
<b>Non-Interest Expense</b>	<b>9,525</b>	<b>10,466</b>	<b>10,307</b>	<b>(2%)</b>	<b>8%</b>	<b>19,528</b>	<b>20,774</b>	<b>6%</b>

**Non-interest expense was down (2%)** sequentially, mainly attributed to a strategic expense control in response to the pandemic environment, and lower expenses related to lower transactions and operation in the acquiring business, lower advertising and promotional expenses, as well as lower travel expenses.

Compared to 1H19, expenses for the first six months of the year grew 6%, mainly associated with the amortization of capitalized projects totaling Ps 683 million, increases in salaries and variable compensation of Ps 322 million, and Ps 278 million from increased commercial activity.

Consequently, **efficiency ratio** reached **38.8%**, a **(13bps) improvement** vs. 38.9% in the previous quarter. Accumulated results for **1H20** show a **(14bps) improvement** vs. the 39.0% **recurring** figures of 1H19, and it increases 111bps vs the 37.7% ratio using reported figures of 1H19.

## Net Income

Net Income (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
<b>Operating Income</b>	<b>11,485</b>	<b>12,106</b>	<b>7,832</b>	<b>(35%)</b>	<b>(32%)</b>	<b>24,792</b>	<b>19,938</b>	<b>(20%)</b>
Subsidiaries' Net Income	466	353	<b>648</b>	83%	39%	877	<b>1,001</b>	14%
<b>Pre-Tax Income</b>	<b>11,951</b>	<b>12,459</b>	<b>8,480</b>	<b>(32%)</b>	<b>(29%)</b>	<b>25,668</b>	<b>20,939</b>	<b>(18%)</b>
Taxes	3,100	3,228	<b>1,886</b>	(42%)	(39%)	6,750	<b>5,114</b>	(24%)
Discontinued Operations	-	-	-	N.A.	N.A.	-	-	N.A.
Minority Interest	(123)	(113)	<b>(75)</b>	(33%)	39%	(258)	<b>(189)</b>	27%
<b>Net Income</b>	<b>8,728</b>	<b>9,118</b>	<b>6,518</b>	<b>(29%)</b>	<b>(25%)</b>	<b>18,660</b>	<b>15,636</b>	<b>(16%)</b>

**Operating income was down (35%)** in the quarter, and (32%) compared to 2Q19 figures, in both cases mainly attributed to the increase in loan loss provisions related to the health contingency. With accumulated recurring figures as of 1H20, the decline was (14%) and (20%) with reported figures.

**Taxes were down (42%)** in the quarter and down (19%) vs. recurring figures in 1H19. The decline in the effective income tax rate was mainly explained by non-cumulative income for tax purposes, such as positive tax balance from the previous fiscal exercise totaling Ps 358 million, and the increase in income from non-consolidated subsidiaries totaling Ps 295 million.

Reported **net income** for the period totaled **Ps 6.5 billion, down (29%)** compared to the previous quarter, mainly explained by a Ps (1.3) billion reduction in Insurance life premiums recognized during the first quarter. Comparing the reported Ps 15.6 billion of 1H20 versus the **recurring results in 1H19 of Ps 17.4 billion, net income decreases (11%)**. Comparing the Ps 15.6 billion of 1H20 to the reported net income in 1H19 of Ps 18.6 billion it decreases (16%).

**Excluding the effect of anticipated loan loss provisions**, net income would have been **Ps 9.9 billion, up 8% vs. the previous quarter, and 13% compared to 2Q19**. Results for the first half of the year would have been 9% higher vs. 1H19.

**Earnings per share** for the quarter were **Ps 2.26**, while with aggregate results as of **1H20** totaled Ps **5.42**.

## Profitability

	2Q19	1Q20	2Q20	1H19	1H20
<b>ROE</b>	<b>19.5%</b>	<b>18.8%</b>	<b>13.0%</b>	<b>21.1%</b>	<b>15.8%</b>
Goodwill & Intangibles (billion pesos)	51	51	40	51	40
Average Tangible Equity (billion pesos)	129	143	150	129	150
<b>ROTE</b>	<b>26.8%</b>	<b>25.5%</b>	<b>16.8%</b>	<b>28.9%</b>	<b>20.8%</b>

Considering the one-time anticipated provisions, profitability indicators show sharp declines.

**ROE** closed the **quarter** at **13.0%**, down (576bps) compared to the previous quarter, and (646bps) compared to 2Q19. With accumulated figures as of 1H20, ROE ended at 15.8%, a (531bps) contraction, reflecting a significant decline in the group's net income and a 5% increase in shareholders equity, considering that 2019 dividends have not been distributed yet. **Excluding the effect of anticipated provisions, ROE for the quarter** would have been **19.6%**, and **19.2% for 1H20**.

For the period, **ROTE was down** (870bps) ending at 16.8%; compared to 1H19, accumulated figures show an (808bps) decline reaching 20.8%.

	2Q19	1Q20	2Q20	1H19	1H20
<b>ROA</b>	<b>2.2%</b>	<b>2.2%</b>	<b>1.5%</b>	<b>2.3%</b>	<b>1.8%</b>
Average Risk Weighted Assets (billion pesos)	756	795	824	756	824
<b>RRWA</b>	<b>4.8%</b>	<b>4.5%</b>	<b>4.1%</b>	<b>4.8%</b>	<b>4.1%</b>

**ROA** reached **1.5%**, down (72bps) vs. the previous quarter, and (49bps) vs. 1H19.

## Deposits

Deposits (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
Non-Interest Bearing Demand Deposits	280,638	290,229	<b>307,945</b>	6%	10%
Interest Bearing Demand Deposits	115,525	163,825	<b>173,566</b>	6%	50%
<b>Total Demand Deposits</b>	396,164	454,055	<b>481,510</b>	6%	22%
<b>Time Deposits – Retail</b>	236,263	226,592	<b>224,368</b>	(1%)	(5%)
<b>Core Deposits</b>	632,427	680,647	<b>705,879</b>	4%	12%
<b>Money Market</b>	105,602	111,223	<b>115,842</b>	4%	10%
<b>Total Bank Deposits</b>	<b>738,028</b>	<b>791,870</b>	<b>821,721</b>	4%	11%
<b>GFNorte's Total Deposits</b>	<b>734,568</b>	<b>772,993</b>	<b>801,148</b>	4%	9%
<b>Third Party Deposits</b>	<b>189,588</b>	<b>159,012</b>	<b>171,834</b>	8%	(9%)
<b>Total Assets Under Management</b>	<b>927,616</b>	<b>950,882</b>	<b>993,555</b>	4%	7%

**Core deposits had a relevant 4% increase** during the quarter, explained by a (1%) decline in **time deposits**, and **6% growth in demand deposits**. Compared to 2H19, time deposits were down (5%), while demand deposits grew 22% mainly in interest-bearing demand accounts, as a result of strategies focused on increasing customer balances, acknowledging market preference of customers towards yielding deposits.

Money **market operations and issued securities**, grew 4% during the quarter, and 10% annually. In sum, **Total Bank Deposits** increased 4% in the quarter and **11%** in the year.

## Loans

Performing Loan Portfolio (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
Mortgages	162,619	173,226	<b>177,282</b>	2%	9%
Auto Loans	25,478	27,188	<b>26,667</b>	(2%)	5%
Credit Card	37,733	38,707	<b>37,443</b>	(3%)	(1%)
Payroll	52,366	51,643	<b>51,491</b>	(0%)	(2%)
<b>Consumer</b>	278,195	290,763	<b>292,883</b>	1%	5%
<b>Commercial</b>	171,029	182,277	<b>186,092</b>	2%	9%
<b>Corporate</b>	131,504	145,229	<b>149,945</b>	3%	14%
<b>Government</b>	187,454	161,549	<b>162,717</b>	1%	(13%)
<b>Total</b>	768,183	779,818	<b>791,637</b>	2%	3%

The **performing loan portfolio** grew 2% quarterly with mixed results in each segment.

Derived from the lockdown and the contraction in economic growth, the **consumer loan portfolio** had a decline in almost all lines except for mortgages, which had a 2% sequential growth. Credit card balances reflect the most marked effects of the pandemic during the quarter.

In the **year**, there has been a moderate **3% growth** in the **performing portfolio**, given the prevailing market conditions, however, mostly explained by the (13%) contraction in the government portfolio; without this effect, **annual** portfolio growth totaled **8%**.

The annual comparison of the **consumer portfolio** reflects a **5% increase** highlighting the 9% resilient growth of **mortgages**, 5% in **auto loans**, a slight (1%) contraction in **credit cards** and (2%) in **payroll**, keeping Banorte with a 15.2% consumer and mortgage market share.

Market share position (CNBV records as of May 2020):

- **Mortgages:** Banorte showed an **8.6%** annual growth, slightly below that of the banking system, holding a 19.3% market share, keeping the **second place within the industry**.
- **Auto Loans:** Despite an industry-wide reduction in new car sales, Banorte holds its 18% market share, **ranking 2<sup>nd</sup>** in the market and **growing 5.4%**, above the banking system at **2.9%**.
- **Credit Cards:** The portfolio reflects a stable level when compared with the system's (5.6%) contraction, keeping Banorte as the **market leader**, with a 10.2% market share, gaining 17bps during the period.
- **Payroll Loans:** After a deceleration period which reached negative growth rates, the portfolio reverts its trend generating positive growth rates. Asset quality remains a priority and loan origination is resumed at a moderate 0.8% growth rate. Banorte **ranks third** in the market, with a 19.5% market share.
- **Commercial:** The portfolio shows a 10.7% annual increase, favored by a timely approach to support our customer's liquidity needs, and benefited by lower prepayments in the portfolio. Banorte's market share in the commercial portfolio (including corporate and SMEs according to the CNBV classification) is 10.2%, gaining a 27bps share in the last 2 months and ranking fourth in the system.

**SME's performing loan portfolio** had a 3% increase, up **Ps 1.1 billion** vs. the previous period. Compared to 2Q19 it is up **5%** as a result of a rigorous risk selection amidst an uncertain market. NPL ratio showed a sharp (325bps) drop in the quarter reaching 3.7%, as a result of early write-offs to the portfolio.

SME's Loans (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
<b>Performing Portfolio</b>	32,524	32,963	34,094	3%	5%
<b>% of Performing Commercial Portfolio</b>	19.0%	18.1%	18.3%	24 bp	(70 bp)
<b>% of Total Performing Portfolio</b>	4.2%	4.2%	4.3%	8 bp	7 bp
<b>NPL Ratio</b>	6.4%	6.97%	3.72%	(325 bp)	(269 bp)

- **Corporate Loans:** The portfolio reached an ending balance of **Ps 149.94 billion**, a 3% sequential increase and 14% annual growth. GFNorte's corporate loan book is well diversified by industry and by regions, showing low concentration risk. The 20 main private sector corporate borrowers accounted for 11% of the group's total portfolio. The group's largest corporate exposure represented 1.2% of the total performing book, whereas number 20 represented 0.4% of it. Out of these 20 borrowers, the 20 companies have an A1 rating.

As of June 2020, GFNorte's loan exposure to home builders reached 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 remaining exposure to home builders accounts for 0.03% of the total loan portfolio. The total portfolio is 100% guaranteed and had no changes vs. the previous quarter report. Loan Loss Reserve coverage for these companies was 40.1% as of 2Q20.

Sólida held an ending balance regarding investment projects of these companies for Ps 3.3 billion, (0.03%) lower against 1Q20.

- **Government Book:** Loan portfolio increased Ps 1.17 billion, up 1% vs. the previous quarter, totaling **Ps 162.72 billion**; down (13%) vs. 2Q19.

The annual (13%) decline in the government book follows a lower financing demand, as well as intense competition which drove margins significantly down. With this environment, management decided to prioritize profitability over volume.

GFNorte's government portfolio is well diversified by regions, showing adequate concentration risk given that 33% of the portfolio is Federal Government exposure. Additionally, regarding municipal and states government loans, 86% of the loans are backed by fiduciary guarantees. GFNorte's market share as of May 2020 for this segment was 29.4%, **ranking first in the market**.

- **Infrastructure:** This segment reflected a 1% quarterly increase, or Ps 538 million in additional loans. On an annual basis, the portfolio had a 13% increase for the second time in a row, explained by growing demand for financing in this segment.

Infrastructure Loans (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
<b>Performing Portfolio</b>	43,129	48,306	48,844	1%	13%
<b>% of Total Performing Portfolio</b>	5.7%	6.2%	6.2%	(2 bp)	48 bp
<b>NPL Ratio</b>	0.0%	0.1%	0.2%	12 bp	20 bp

## Past Due Loans

There is a **significant (30%) decline** in the **past-due portfolio** vs. the previous quarter. This is partially explained by the deferred payment support plan, but mainly driven by the early write-offs in commercial and corporate portfolios for approximately Ps 4.6 billion. Likewise, the decline in corporate and commercial portfolios reflects a **(36%)** past due portfolio contraction vs. 2Q19.

Past Due Loans (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
Credit Cards	2,386	2,383	<b>2,161</b>	(223)	(225)
Payroll	2,063	1,423	<b>1,740</b>	317	(323)
Auto Loans	267	246	<b>329</b>	83	62
Mortgages	1,696	2,070	<b>2,305</b>	236	609
Commercial	4,117	4,349	<b>2,160</b>	(2,189)	(1,957)
Corporate	4,033	2,702	<b>444</b>	(2,258)	(3,589)
Government	4	40	<b>115</b>	75	111
<b>Total</b>	<b>14,567</b>	<b>13,212</b>	<b>9,254</b>	<b>(3,958)</b>	<b>(5,313)</b>

The **past due loan ratio** decreases sharply to **1.2%** given the decline in the past due loan balance in the corporate and commercial portfolios, as well as a significant drop in credit cards.

Past Due Loans Ratios	2Q19	3Q19	4Q19	1Q20	2Q20
Credit Cards	5.9%	6.0%	5.4%	5.8%	<b>5.5%</b>
Payroll	3.8%	3.4%	3.3%	2.7%	<b>3.3%</b>
Auto Loans	1.0%	1.0%	1.0%	0.9%	<b>1.2%</b>
Mortgages	1.0%	1.1%	1.1%	1.2%	<b>1.3%</b>
Commercial	2.4%	2.5%	2.4%	2.3%	<b>1.1%</b>
SMEs	6.4%	6.6%	6.6%	7.0%	<b>3.7%</b>
Commercial	1.3%	1.5%	1.3%	1.2%	<b>0.6%</b>
Corporate	3.0%	2.8%	1.8%	1.8%	<b>0.3%</b>
Government	0.0%	0.0%	0.0%	0.0%	<b>0.1%</b>
<b>Total</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.2%</b>

**Expected loss for Banco Mercantil del Norte**, the group's largest subsidiary, **was 1.8%**, and the **unexpected loss was 4.1%**, both with respect to the total portfolio as of 2Q20. These ratios were 2.2% and 4.3%, respectively during 1Q20, and 1.9% and 3.7% twelve months ago.

Banco Mercantil del Norte's **Net Credit Losses (NCL)** excluding write-offs were **2.7%**, 63bps greater than 1Q20.

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

Past Due Loan Variations (Million Pesos)	
<b>Balance as of March'20</b>	<b>13,212</b>
Transfer from Performing Loans to Past Due Loans	7,281
Portfolio Purchase	-
Renewals	(182)
Cash Collections	(608)
Discounts	(323)
Charge Offs	(8,308)
Foreclosures	(4)
Transfer from Past Due Loans to Performing Loans	(1,744)
Loan Portfolio Sale	(36)
Foreign Exchange Adjustments	(35)
Fair Value Ixe	-
<b>Balance as of June'20</b>	<b>9,254</b>

Of the **total loan book**, 87% was rated A Risk, 8% B Risk, and 5% as Risk C, D and E combined.

**Risk Rating of Performing Loans as of 2Q20 - GFNorte**  
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES						
		COMMERCIAL				CONSUMER	MORTGAGES	TOTAL
		MIDDLE COMPANIES	MARKET ENTITIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	693,889		1,020	552	78	679	246	<b>2,574</b>
A2	34,540		168	86	2	272	29	<b>558</b>
B1	27,183		62	8	6	800	16	<b>893</b>
B2	14,846		59	8	0	485	20	<b>571</b>
B3	23,125		158	314	2	633	13	<b>1,121</b>
C1	16,023		151	215	8	749	66	<b>1,190</b>
C2	11,169		130	143	-	1,027	156	<b>1,457</b>
D	8,967		992	50	-	1,542	520	<b>3,104</b>
E	4,721		278	-	-	3,071	95	<b>3,444</b>
<b>Total</b>	<b>834,462</b>		<b>3,017</b>	<b>1,376</b>	<b>97</b>	<b>9,258</b>	<b>1,163</b>	<b>14,911</b>
Not Classified	(1,586)							
Exempt	-							
<b>Total</b>	<b>832,876</b>		<b>3,017</b>	<b>1,376</b>	<b>97</b>	<b>9,258</b>	<b>1,163</b>	<b>14,911</b>
<b>Reserves</b>								<b>18,555</b>
<b>Preventive Reserves</b>								<b>3,644</b>

Notes:

- Figures for reserve creation and rating are as of June 30, 2020.
- 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 rate all credit portfolios. The Institution uses internal methodologies authorized by the CNBV according to the following: for the Revolving Consumption portfolio as of January 2018, for the Auto (Individuals) portfolio as of January 2020, and for the portfolio commercial of borrowers with sales or income greater than or equal to 14 million udis, from January 2019 in the Banco Mercantil del Norte subsidiary and from February 2019 in the subsidiaries 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.
- The complementary reserves established follow the general provisions applicable to credit institutions and contemplate the additional reserves which anticipate the effects of portfolio impairment by COVID-19 described previously under "Loan Loss Provisions".

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)	Total
Distressed Portfolio	3,271
Total Loans	832,876
<b>Distressed Portfolio / Total Loans</b>	<b>0.4%</b>

## Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	2Q20
<b>Previous Period Ending Balance</b>	<b>18,504</b>
Provisions charged to results	8,846
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	(86)
<u>Charge offs and discounts:</u>	
Commercial Loans	(5,054)
Consumer Loans	(3,087)
Mortgage Loans	(620)
Foreclosed assets	0
	(8,762)
Cost of debtor support programs	(1)
Valorization and Others	(32)
Adjustments	86
<b>Loan Loss Reserves at Period End</b>	<b>18,555</b>

**Loan Loss Reserves** as of 2Q20 totaled **Ps 18.55 billion**, up Ps 50 million vs. the previous quarter, explained by the increase in anticipated provisions applied to results. **Charge-offs and discounts** during the quarter were significantly up explained by the same factors above. Out of total charge-offs, 58% correspond to the commercial portfolio, 35% to the consumer portfolio and 7% to the mortgage portfolio.

**Loan loss reserve coverage** totaled **200.5%** in the quarter, well above the 140.1% level in the previous quarter because of the early creation of write-offs and the consequent decline in past-due loans. The same case when compared to 127.6% in 2Q19.

## Capital

**Shareholders' equity** totaled **Ps 208.34 billion**, up 5% quarterly and 17% higher than in 1Q19. Changes during the **quarter** were: a Ps 6.52 billion increase in net income, a Ps 230 million increase in share sale premium, and a (Ps 843 million) decline from stock repurchases for share-based compensation plans, and a (Ps 756 million) reduction due to payment of subordinated notes. Additionally, as a result of asset volatility during the quarter, there was a Ps 3.44 billion gain from valuation of available-for-sale securities, and a Ps 2.50 billion increase in valuation of cash flow hedging instruments.



## Recent Events

### 1. BANORTE ISSUES PERPETUAL, NON-PREFERRED, NON-CUMULATIVE CAPITAL NOTES (Tier 1)

On July 14<sup>th</sup>, 2020, Banorte issued Perpetual, Non-preferred, Non-cumulative (Tier 1) Capital Notes in the international markets for a global amount of US\$ 500 million dollars. The issuance of Capital Notes (Tier 1) was carried out in one series, NC10 Notes PERP for \$ 500 million, prepayable on the tenth year, and with an 8.375% coupon rate. The ratings assigned to the series by Moody's and S&P rating agencies were Ba2 and BB-, respectively.

### 2. GRUPO FINANCIERO BANORTE SIGNS A STRATEGIC ALLIANCE WITH RAPPY

On June 22<sup>nd</sup>, 2020, Grupo Financiero Banorte signed a strategic alliance with Rappi through which both companies, subject to obtaining the applicable regulatory authorizations from the financial and economic competition authorities, will have a (50% - 50%) share ownership and equal share of seats in the board of directors. This will produce a newly created company that will initially offer digital financial services, mainly aimed at Rappi's customers. Through this agreement, GFNorte promised to distribute up to \$ 4.0 billion pesos to the new company within a period of 18 months, provided that the last \$ 3.0 billion pesos are subject to the achievement of certain performance metrics within the established deadlines.

### 3. BANORTE, THE BEST BANK IN MEXICO: LAFFERTY GROUP

On July 1<sup>st</sup>, 2020, Banorte was rated the best bank in Mexico within the ranking "Lafferty 1000 global banking database", published by the international company specialized in banking intelligence, Lafferty Group, and was positioned among the 20 best banks in this listing. The ranking evaluates the performance of 1000 banks, based throughout 100 different countries of the world, through 21 metrics, including financial performance, work in financial inclusion, environmental responsibility and the relationship with its stakeholders. Lafferty Group highlighted Banorte's strength on one key metric: customer focus and gave it 4 out of 5 stars of the rating.

In the evaluation, the annual report of each bank was analyzed, considering it as the main mean for communication and accountability of banking institutions directed to stakeholders such as collaborators, clients, regulators and shareholders.

### 4. GFNORTE IS RECOGNIZED BY THE INSTITUTIONAL INVESTOR MAGAZINE

On May 27<sup>th</sup>, 2020, Grupo Financiero Banorte (GFNorte) was ranked as the best Mexican financial institution and ranked among the top 3 in all of Latin America in the ranking series "Executive Team of Latin America 2020", from the prestigious international publication Institutional Investor, in the banking / finance sector. To prepare the rankings, Institutional Investor carried out a perception study on companies that demonstrated excellence in investor relations performance, according to 364 portfolio managers and buy side analysts, and by 240 sell side analysts. The evaluation considered factors such as consistency, authority and credibility, business and market knowledge, calls with investors and responsiveness, among a total of 351 nominated companies in the Latin American region.

For the tenth consecutive year, the GFNorte Executive Team remained in the top positions among Latin American banks and Mexican companies, highlighting:

1. Best CEO - Second Place (Sell-side)
2. Best CFO - Second place
3. Best IRO - Second Place
4. Best RI team - Second place.

### 5. PENSIONES BANORTE SIGNS AN AGREEMENT WITH PENSIONES SURA TO ACQUIRE ITS ANNUITY BUSINESS PORTFOLIO

On May 6, 2020, Grupo Financiero Banorte obtained authorizations from the CNBV, as well as from the Federal Commission on Economic Competition for Pensiones Banorte S.A. de C.V., Grupo Financiero Banorte, to acquire the entire annuity portfolio of Pensiones SURA S.A. de C.V. The operation includes the acquisition of more than 15 thousand policies for an approximate value of Ps 14.0 billion. With this, Pensiones Banorte is consolidated as the largest annuity company with more than 110,000 clients and one of the largest in the Mexican insurance industry with nearly Ps 150.0 billion in managed reserves.

## 6. MERGER OF SOLIDA ADMINISTRADORA DE PORTAFOLIOS AND ARRENDADORA Y FACTOR BANORTE

On July 1<sup>st</sup>, 2020, the merger of Sólida (acquiring company) and Arrendadora (acquired and extinguished) took effect. As a result of the foregoing, Sólida changed its name to remain as Arrendadora y Factor Banorte, S.A. de C.V., SOFOM, E.R., Grupo Financiero Banorte. The Financial Group equity share on the acquiring company is 99,9058%.

## 7. SHAREHOLDERS' MEETING

On April 24<sup>th</sup>, the Annual Ordinary General Meeting of GFNorte Shareholders was held, with a representation of 69.69% of the shares subscribed and paid with voting rights of the Capital Stock, in which, among others:

**I.** With the prior opinion of the Board of Directors, the Annual Report of the Chief Executive Officer prepared pursuant to the provisions of section XI of article 44 of the Securities Market Act and section X of article 59 of the Law is approved for Regulate Financial Groups, which contains, among other points: (i) the balance sheet; (ii) the income statement; (iii) the statement of changes in stockholders' equity; and (iv) the statement of cash flows of the company as of December 31, 2019.

**II.** The Annual Report of the Board of Directors is approved, in which the main accounting and information policies and criteria are declared and explained, followed in the preparation of the financial information as of December 31, 2019, in accordance with the provisions of the subsection b) Article 172 of the General Law of Mercantile Companies.

**III.** The Annual Report of the Board of Directors on the operations and activities in which it intervened was approved.

**IV.** The Annual Report on the Activities of the Audit and Corporate Practices Committee is approved.

**V.** All the operations carried out by the Company during the year ended December 31, 2019 is approved and the acts carried out by the Board of Directors, the Chief Executive Officer and the Audit and Corporate Practices Committee are ratified during the same period.

**VI.** From the financial statements of Grupo Financiero Banorte, S.A.B. de CV, it appears that the company obtained profits in the fiscal year of 2019 in the amount of \$ 36,527'973,356.61 (thirty-six thousand five hundred twenty-seven million nine hundred seventy-three thousand three hundred and fifty-six pesos 61/100 national currency), which will be distributed as follows:

**a)** The amount of \$ 5'671,366.40 (five million six hundred seventy-one thousand three hundred sixty-six pesos 40/100 national currency), will be applied to the "Legal Reserve".

**b)** The amount of \$ 36,522'301,990.21 (thirty-six thousand five hundred twenty-two million three hundred one thousand nine hundred and ninety pesos 21/100 national currency), will be applied to the "Result of Previous Years" account.

Regarding the third point of the Agenda, no resolution is taken in this regard, it is only stated that, in compliance with the provisions of section XIX of article 76 of the Income Tax Law, it was distributed among those attending the Shareholders' Meeting and the External Auditor's Report on the Company's fiscal situation as of December 31, 2018, was read, adding a copy of it to the record of the minutes.

**VII.** It is approved that for the financial year 2020, that the Board of Directors of the Company be made up of 14 Proprietary members and their respective Alternates, qualifying the independence of the directors who have said character, since they are not within the restrictions indicated in the Securities Market Law and the Law to Regulate Financial Groups.

Grupo Financiero Banorte			
PROPIETARY		SUBSTITUTES	
Carlos Hank González	Chairman	Graciela González Moreno	
Juan Antonio González Moreno		Juan Antonio González Marcos	
David Juan Villareal Montemayor		Alberto Halabe Hamui	Independent
José Marcos Ramírez Miguel		Gerardo Salazar Viezca	
Carlos de la Isla Corry		Alberto Pérez Jacome Friscione	
Everardo Elizondo Almaguer	Independent	Diego Martínez Rueda-Chapital	Independent
Carmen Patricia Armendáriz Guerra	Independent	Roberto Khelleher Vales	Independent
Héctor Federico Reyes-Retana y Dahl	Independent	Clemente Ismael Reyes Retana Valdés	Independent
Alfredo Elías Ayub	Independent	Isaac Becker Kabacnik	Independent
Adrián Sada Cueva	Independent	José María Garza Treviño	Independent
David Peñaloza Alanís	Independent	Carlos Césarman Koltenuik	Independent
José Antonio Chedreai Eguía	Independent	Huberto Tafolla Nuñez	Independent
Alfonso de Angoitia Noriega	Independent	Guadalupe Phillips Margain	Independent
Thomas Stanley Heather Rodríguez	Independent	Ricardo Maldonado Yáñez	Independent

**VIII.** Lic. Héctor Ávila Flores is appointed as Secretary of the Board of Directors, who will not form part of the Board of Directors.

**IX.** Based on Article Forty-Ninth of the Company's bylaws, the Directors of the Company are exempt from the obligation to guarantee the performance of their duties.

**X.** They are determined as emoluments to be paid to the Proprietary and Alternate Directors, as the case may be, for each session they attend, a net amount of taxes equivalent to two coins of fifty gold pesos, commonly called "centenarians", at the listing price of the date of each session.

**XI.** Don Héctor Federico Reyes Retana y Dahl is appointed as Chairman of the Audit and Corporate Practices Committee.

**XII.** The Report of the Board of Directors on the operations of purchase and sale of own shares during the 2019 fiscal year is approved.

**XIII.** It is approved to allocate the amount of up to \$ 7,500'000,000.00 (seven thousand five hundred million pesos 00/100 national currency), equivalent to 2.5% of the capitalization value of the Financial Group at the end of 2019, charged to Stockholders' Equity, for the purchase of own shares of the Company, during the fiscal year of 2020 and will include those operations that are carried out during the year 2020 and until the month of April of the year 2021, subject to the Policy for the Acquisition and Placement of Own Shares.

**XIV.** The Certification of the Bylaws of Grupo Financiero Banorte, S.A.B. is approved. de C.V., in the terms of the document that is added to the file of this act.

**XV.** Delegates are appointed to carry out all the acts that may be necessary to comply with and formalize the resolutions made in the Assembly.

## Bank

Income Statement and Balance Sheet (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Net Interest Income	16,853	17,517	<b>17,421</b>	(1%)	3%	33,784	<b>34,938</b>	3%
Non-Interest Income	4,631	4,726	<b>5,268</b>	11%	14%	10,736	<b>9,994</b>	(7%)
<b>Total Income</b>	<b>21,483</b>	<b>22,243</b>	<b>22,690</b>	2%	6%	44,520	<b>44,933</b>	1%
Non-Interest Expense	8,931	9,718	<b>9,579</b>	(1%)	7%	18,272	<b>19,297</b>	6%
Provisions *	3,657	4,262	<b>8,527</b>	100%	133%	7,357	<b>12,789</b>	74%
<b>Operating Income</b>	<b>8,895</b>	<b>8,263</b>	<b>4,584</b>	(45%)	(48%)	18,891	<b>12,847</b>	(32%)
Taxes	2,382	2,112	<b>934</b>	(56%)	(61%)	5,029	<b>3,046</b>	(39%)
Discontinued Operations	-	-	-	-	-	-	-	-
Subsidiaries & Minority Interest	39	29	<b>19</b>	(33%)	N.A.	53	<b>49</b>	N.A.
<b>Net Income</b>	<b>6,553</b>	<b>6,180</b>	<b>3,669</b>	(41%)	(44%)	13,914	<b>9,849</b>	(29%)
<b>Balance Sheet</b>								
Performing Loans (a)	750,052	763,091	<b>778,548</b>	2%	4%	750,052	<b>778,548</b>	4%
Past Due Loans (b)	14,170	12,827	<b>8,885</b>	(31%)	(37%)	14,170	<b>8,885</b>	(37%)
<b>Total Loans (a+b)</b>	<b>764,222</b>	<b>775,918</b>	<b>787,433</b>	1%	3%	764,222	<b>787,433</b>	3%
Total Loans Net (d)	746,152	757,986	<b>769,358</b>	2%	3%	746,152	<b>769,358</b>	3%
Acquired Collection Rights ( e)	1,720	1,261	<b>1,438</b>	14%	(16%)	1,720	<b>1,438</b>	(16%)
<b>Total Loans (d+e)</b>	<b>747,872</b>	<b>759,247</b>	<b>770,796</b>	2%	3%	747,872	<b>770,796</b>	3%
<b>Total Assets</b>	<b>1,160,329</b>	<b>1,293,647</b>	<b>1,348,628</b>	4%	16%	1,160,329	<b>1,348,628</b>	16%
Total Deposits	738,028	791,870	<b>821,721</b>	4%	11%	738,028	<b>821,721</b>	11%
Demand Deposits	394,308	451,842	<b>479,142</b>	6%	22%	394,308	<b>479,142</b>	22%
Time Deposits	343,720	340,028	<b>342,579</b>	1%	(0%)	343,720	<b>342,579</b>	(0%)
<b>Total Liabilities</b>	<b>1,046,845</b>	<b>1,179,984</b>	<b>1,226,044</b>	4%	17%	1,046,845	<b>1,226,044</b>	17%
<b>Equity</b>	<b>113,484</b>	<b>113,663</b>	<b>122,583</b>	8%	8%	113,484	<b>122,583</b>	8%
<b>Financial Ratios - Bank</b>								
	<b>2Q19</b>	<b>1Q20</b>	<b>2Q20</b>			<b>1H19</b>	<b>1H20</b>	
<b>Profitability:</b>								
NIM (1)	6.3%	6.3%	<b>5.8%</b>			6.2%	<b>6.0%</b>	
NIM after Provisions (2)	4.9%	4.7%	<b>3.0%</b>			4.9%	<b>3.8%</b>	
ROE (3)	22.8%	21.7%	<b>12.4%</b>			24.7%	<b>16.9%</b>	
ROA (4)	2.2%	2.0%	<b>1.1%</b>			2.4%	<b>1.6%</b>	
<b>Operation:</b>								
Efficiency Ratio (5)	41.6%	43.7%	<b>42.2%</b>			41.0%	<b>42.9%</b>	
Operating Efficiency Ratio (6)	3.1%	3.2%	<b>2.9%</b>			3.1%	<b>3.1%</b>	
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	122.2%	120.1%	<b>150.8%</b>			122.2%	<b>150.8%</b>	
<b>Asset Quality:</b>								
Past Due Loan Ratio	1.9%	1.7%	<b>1.1%</b>			1.9%	<b>1.1%</b>	
Coverage Ratio	127.5%	139.8%	<b>203.4%</b>			127.5%	<b>203.4%</b>	
<b>Capitalization:</b>								
Net Capital/ Credit Risk Assets	24.8%	24.1%	<b>25.2%</b>			24.8%	<b>25.2%</b>	
Total Capitalization Ratio	19.9%	19.0%	<b>19.7%</b>			19.9%	<b>19.7%</b>	
<b>Leverage</b>								
Basic Capital/ Adjusted Assets	11.0%	10.9%	<b>11.0%</b>			11.0%	<b>11.0%</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)** was down (1%) in the quarter, with a (3%) decline in net interest income from the loan portfolio. These declines have been partially offset by better funding costs following the sharp cuts in benchmark rates. With this, **NIM stood at 5.8%**, down (48bps) sequentially, following a strong 8% growth in productive assets in the quarter.

**Non-interest income increased 11%** mainly due to Ps 354 million higher trading income due to market volatility, and higher other income. **Fees charged** were down (12%) following the lower commercial activity resulting from the lockdown. Similarly, **fees paid** were down (9%) due to lower interchange fees. In sum, **Net fees** have a **(13%) decline**.

The **trading income was up 34%** in the quarter, due to an increase in derivative and currency operations with clients, as well as to a favorable valuation effect. **Other operating income (expense)** grew Ps 656 million, of which Ps 300 million correspond to tax recovery and the rest to other recoveries and the cancellation of provisions of 2019.

**Non-interest expense** declined (1%), due to a significant drop in administrative and promotional expenses due to lower transactions from merchants that use POS terminals, as well as lower advertising and promotional expenses, and travel expenses. Consequently, **efficiency ratio** closed at **42.2%** from **43.7%** in the previous quarter, a **(141bps) improvement**.

Given the current conditions derived from the COVID-19 health contingency, **provisions grew 95%** in the quarter, as a result of the early-recognition of additional Ps 4.9 billion in recurring provisions, of which Ps 3.0 billion correspond to additional general provisions, and Ps 1.9 billion correspond to early write-offs in the commercial and SME portfolios that were fully reserved. In addition to the above, the commercial portfolio shows a Ps 1.6 billion increase, of which Ps 1.0 billion is related to the corporate portfolio and Ps 730 million to the commercial and SME portfolio. The consumer loan portfolio presented lower requirements totaling Ps 724 million, from moderate loan origination and the containment of delinquency levels of the portfolio under the special CNBV accounting criteria for asset deterioration. **NIM after provisions** stood at **3.0%**, (178bps) lower when compared to **4.7%** of the previous quarter.

Altogether, **net income** was down **(41%)**, ROE contracted (927bps) reaching **12.4%**, and **ROA fell (91bps) ending the quarter at 1.1%**. These results were impacted by the one-time provision recognition and early charge-offs implemented as a measure to address the health contingency.

## Accumulated changes vs. the previous year (2019)

**Net interest income grew 3%** compared to 1H19, as a result of 3% growth of the total loan portfolio and the funding cost improvement strategy. Net interest income from portfolio and deposits grew 4%, while income from repurchase agreements remained unchanged. **NIM went from 6.2% to 6.0%** a (20bps) contraction compared to 1H19, considering that productive assets grew 17% in the period.

**Recurring non-interest income increased 10% compared to 1H19** associated primarily with higher trading income, a decline in losses and estimates, while other operating income and expenses were down due to the recognition of the extraordinary income from the liquidation of Banorte USA during 1Q19. As for **reported non-interest income**, they were down (7%).

**Fees charged for 1H20 were up 1%**, due to higher income from fund transfer services and commercial and mortgage fees. **Fees paid increased 3%** associated with greater activity of the acquiring business. In sum, **net fees declined (1%)**. **Trading income was up 38%** as a result of greater activity in securities trading given the current market conditions.

Regarding, reported **other operating income (expenses)**, it was down (48%) because of the recognition of extraordinary income during 1Q19. With **recurring figures**, the effect is positive, showing **66% growth** due to a significant decline in losses and estimates.

**Non-interest expense increased 5.6%** vs. 1H19, reflecting a Ps 305 million increase in personnel expenses, and Ps 682 million in rents, depreciation and amortization, attributable to capitalizable projects as well as depreciation on their historical value. Additionally, there was an increase in the software and infrastructure projects portfolio. Altogether, **efficiency ratio** rose 31bps standing at **42.9%**.

**Provisions were up 71%** vs. 1H19 due to the aforementioned anticipated provisions which impact the growth of Ps 3.0 billion in the commercial portfolio, of which Ps 1.0 billion correspond to the corporate portfolio, Ps 880 million to the mid-size company portfolio, and Ps 677 million to the commercial and SME portfolio. On the contrary, the consumer portfolio shows an aggregate Ps 442 million decline with larger requirements across all products: Ps 269 million correspond to the mortgage portfolio, Ps 156 million to credit cards, and Ps 39 million to autos. These increases are

offset by lower requirements in the payroll and personal loan portfolios that together add up to Ps 907 million. **NIM after provisions** stood at **3.8%**, down (105bps) vs. the 4.9% in 1H19.

**Net income reached Ps 9.8 billion**, down (29%). In terms of profitability, **ROE** stood at **16.9%**, **(783bps)** below 1H19, while **ROA fell (111bps)** to **1.6%**, as a result of the one-time impact of the early recognition of provisions and write-offs.

## Capital

**Shareholders' equity** totaled **Ps 122.5 billion**, an increase of 7% compared to the previous quarter. The main changes vs. the previous quarter were: a net income increase of Ps 3.6 billion; a Ps 210 million increase in share sale premiums, and Ps 859 million increase in interest paid on subordinated obligations; a capital gain of Ps 3.4 billion for the valuation of available-for-sale securities and Ps 2.5 billion for the valuation of cash flow hedging instruments as a result of the volatility in the markets and its effect on assets.

## 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 June 2020, 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)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
Core Tier 1 Capital	101,311	100,589	117,627	16.9%	16.1%
Tier 1 Capital	140,881	147,558	163,806	11.0%	16.3%
Tier 2 Capital	13,881	9,194	11,646	26.7%	(16.1%)
Net Capital	154,761	156,752	175,452	11.9%	13.4%
Credit Risk Assets	624,073	650,260	697,213	7.2%	11.7%
Net Capital / Credit Risk Assets	24.80%	24.11%	25.16%	1.1 pp	0.4 pp
Total Risk Assets	776,420	827,030	891,465	7.8%	14.8%
Core Tier 1	13.05%	12.16%	13.19%	1.0 pp	0.1 pp
Tier 1	18.14%	17.84%	18.37%	0.5 pp	0.2 pp
Tier 2	1.79%	1.11%	1.31%	0.2 pp	(0.5 pp)
<b>Capitalization Ratio</b>	<b>19.93%</b>	<b>18.95%</b>	<b>19.68%</b>	<b>0.7 pp</b>	<b>(0.3 pp)</b>

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

**At the end of 2Q20 the estimated Capital Adequacy Ratio (CAR)** for Banorte was **19.68%** considering credit, market, and operational risk; and 25.16% considering only credit risks. Moreover, Total Tier 1 Capital reached 13.19% as of 2Q20. Without considering the additional reserves affect, the 2Q20 CAR would have been 19.78% and Total Tier 1 Capital 13.54%.

**CAR rose 0.73 pp** vs. 1Q20 considering the additional reserves effects, but without considering the reserves the CAR would reflect a 0.10 pp additional benefit reaching 19.78% due to the following effects

	With Additional Reserves	Without Additional Reserves
1. Permanent Investments, Intangibles, and Other Capital Effects	+ 1.16 pp	+ 0.92 pp
2. Securities' mark-to-market valuation and Hedging Derivatives*	+ 0.72 pp	+0.72 pp
3. Net Income Growth in 2Q20	+ 0.79 pp	+ 0.79 pp
4. Additional loan loss provisions	- 0.38 pp	0.00 pp
5. Capital Notes	- 0.20 pp	- 0.20 pp
6. Growth in Risk Assets	- 1.37 pp	- 1.41 pp

\* Includes derivatives for hedging fixed rate portfolios

**CAR** declined **(0.25 pp)** vs. 2Q19 when considering the additional reserves effect, but excluding this effect, CAR would reflect a 0.10 pp additional benefit due to the following effects:

	With Additional Reserves	Without Additional Reserves
1. Net Income Growth	+ 3.01 pp	+ 3.01 pp
2. Permanent Investments, Intangibles, and Other Capital Effects	+ 1.01 pp	+ 0.77 pp
3. Securities' mark-to-market valuation and Hedging Instruments*	+0.23 pp	+ 0.23 pp
4. Additional Loan Loss Provisions	- 0.38 pp	0.00 pp
5. Capital Notes **	- 0.14 pp	- 0.14 pp
6. Dividend Payments between 3Q19 and 4Q19	- 1.40 pp	- 1.40 pp
7. Growth in Risk Assets	- 2.57 pp	- 2.61 pp

\* Includes derivatives for hedging fixed rate portfolios

\*\* Including the mark-to-market valuation effect on Capital Notes, and the buyback effect (BINTER: Mar'20 / Tender Offer Oct'19 y Dec'19)

Had Special Accounting Criteria not be considered, as authorized by the CNBV for the COVID-19 contingency, total Capital Adequacy Ratio would have totaled 19.63%, with Core Equity Tier 1 at 13.14%.

## Evolution of Risk 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 June 2020 reached Ps 891.5 billion, up Ps 64.4 billion vs. the end of March 2020, and Ps 115.0 billion vs. June 2019.

The evolution of Risk Assets is presented below:

Risk Assets (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
<b>Total Credit</b>	<b>624,073</b>	<b>650,260</b>	<b>697,213</b>	<b>7.22%</b>	<b>11.72%</b>
Credit (Loan Portfolio)	532,353	539,000	552,969	2.59%	3.87%
Credit (Others)	91,720	111,260	144,244	29.65%	57.27%
<b>Total Market</b>	<b>93,584</b>	<b>110,888</b>	<b>126,432</b>	<b>14.02%</b>	<b>35.10%</b>
<b>Total Operational</b>	<b>58,763</b>	<b>65,882</b>	<b>67,820</b>	<b>2.94%</b>	<b>15.41%</b>
<b>Total</b>	<b>776,420</b>	<b>827,030</b>	<b>891,465</b>	<b>7.79%</b>	<b>14.82%</b>

Main quarterly changes regarding RWA:

- Increase in Assets Subject to Credit Risk (Loan Portfolio) driven by growth in the mortgage and payroll loan portfolios, as well as by growth in Corporate and Commercial portfolios.
- Increase in Assets Subject to Credit Risk (Others) driven by the Credit Valuation Adjustment requirement for derivative transactions, driven by the evolution in market rates in these positions as the derivative rate curve had significant declines in terms of up to 7 years (142 bps), 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 mainly due to variations in FX positions and changes in balance sheet structure.

Main annual changes in RWA:

- Increase in Assets Subject to Credit Risk (Loan Portfolio) in line with total loan portfolio growth for the bank, highlighting the decline in the government portfolio associated to the strategy to improve the profitability of this portfolio during 2019, offset by growth in mortgage, corporate and commercial portfolios.
- Increase in Assets Subject to Credit Risk (Others) driven by the Credit Valuation Adjustment requirement for derivative transactions, which due to the decline in derivative rate curves during the year (266 bps on average across the curve), 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 mainly due to variations in FX positions and changes in balance sheet structure.

## Leverage Ratio (Banco Mercantil del Norte)

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

Leverage (Million Pesos)	2Q19	1Q20	2Q20	Change	
				1Q20	2Q19
Tier 1 Capital	140,881	147,558	163,806	11.0%	16.3%
Adjusted Assets	1,285,664	1,358,673	1,482,849	9.1%	15.3%
<b>Leverage Ratio</b>	<b>10.96%</b>	<b>10.86%</b>	<b>11.05%</b>	19 pb	9 pb

*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)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
<b>Interest Income (Net)</b>	464	517	<b>643</b>	25%	39%	907	<b>1,160</b>	28%
Premium Income (Net)	3,765	8,815	<b>5,772</b>	(35%)	53%	13,477	<b>14,587</b>	8%
Net Increase in Technical Reserves	(664)	3,304	<b>765</b>	(77%)	N.A.	3,555	<b>4,070</b>	14%
Damages, Claims and Other Obligations	3,158	2,767	<b>3,674</b>	33%	16%	5,857	<b>6,441</b>	10%
<b>Technical Results</b>	1,271	2,744	<b>1,332</b>	(51%)	5%	4,065	<b>4,077</b>	0%
<b>Net Interest Income (NII)</b>	<b>1,735</b>	<b>3,261</b>	<b>1,976</b>	<b>(39%)</b>	<b>14%</b>	<b>4,973</b>	<b>5,237</b>	<b>5%</b>
Other Fees (acquisition costs)	(534)	(706)	<b>(519)</b>	(26%)	(3%)	(1,351)	<b>(1,225)</b>	9%
Securities-Realized Gains	18	50	<b>58</b>	16%	215%	33	<b>108</b>	227%
Other Operating Income (Expenses)	297	200	<b>160</b>	(20%)	(46%)	499	<b>360</b>	(28%)
<b>Total Operating Income</b>	<b>1,517</b>	<b>2,805</b>	<b>1,675</b>	<b>(40%)</b>	<b>10%</b>	<b>4,154</b>	<b>4,480</b>	<b>8%</b>
Non Interest Expense	333	368	<b>351</b>	(5%)	6%	667	720	8%
<b>Operating Income</b>	<b>1,184</b>	<b>2,436</b>	<b>1,324</b>	<b>(46%)</b>	<b>12%</b>	<b>3,487</b>	<b>3,760</b>	<b>8%</b>
Taxes	358	732	<b>395</b>	(46%)	10%	1,049	1,127	7%
Subsidiaries' Net Income	434	332	<b>630</b>	90%	45%	849	961	13%
Minority Interest	(10)	(7)	<b>(13)</b>	(81%)	(36%)	(19)	<b>(21)</b>	(6%)
<b>Net Income</b>	<b>1,250</b>	<b>2,029</b>	<b>1,545</b>	<b>(24%)</b>	<b>24%</b>	<b>3,268</b>	<b>3,573</b>	<b>9%</b>
Shareholder's Equity	22,943	24,746	<b>26,184</b>	6%	14%	22,943	<b>26,184</b>	14%
Total Assets	57,148	59,723	<b>65,256</b>	9%	14%	57,148	<b>65,256</b>	14%
Technical Reserves	27,986	28,696	<b>31,526</b>	10%	13%	27,986	<b>31,526</b>	13%
Premiums sold	4,582	10,364	<b>7,171</b>	(31%)	56%	17,188	<b>17,535</b>	2%
Coverage ratio of technical reserves	1.20	1.24	<b>1.25</b>	0.01 pp	0.04 pp	1.2	<b>1.3</b>	0.1 pp
Solvency capital requirement coverage ratio	5.0	8.7	<b>9.7</b>	1.0 pp	4.7 pp	5.0	<b>9.7</b>	4.7 pp
Coverage ratio of minimum capital	212.3	229.1	<b>236.0</b>	6.9 pp	23.7 pp	212.3	<b>236.0</b>	23.7 pp
Claims ratio	72%	51%	<b>74%</b>	23.0 pp	2.0 pp	59%	62%	2.8 pp
Combined ratio	85%	59%	<b>84%</b>	24.5 pp	(0.9 pp)	68%	71%	2.9 pp
ROE	21.1%	34.8%	<b>24.6%</b>	(10.2 pp)	3.5 pp	28.0%	<b>29.6%</b>	1.6 pp
ROE ex-Afore	38.4%	90.0%	<b>41.0%</b>	(49.1 pp)	2.6 pp	59.4%	<b>64.2%</b>	4.8 pp

**Interest income** grew 25% **sequentially** and **28% annually** explained by mark-to-market asset valuation. Compared to the previous quarter, retained premiums were down **(35%)** due to seasonal renewals. Technical reserves declined significantly in the quarter due to the relationship between reserves and the seasonality of retained premiums and reserves accrual.

During the quarter, there was a 33% increase in claims mainly attributed to reserve creation for claims.

At the end of 2Q20, Seguros Banorte **technical result** totaled **Ps 1.3 billion**, a **(51%)** quarterly drop explained by lower premium income due to seasonality of the business, and an increase in claims vs. the previous quarter.

Compared to 2Q19, the **technical result increased 5%**. Premium income rose 8% and technical reserves were also up due to a 10% increase in claims in the P&C and Health portfolios.

**Acquisition Costs** were down (26%) in the period, totaling **Ps 519 million**, and compared to 1H19 they were **up 9%**. The **quarterly variation** is due to seasonal variations in premium issuance.

**Net Operating Income** amounted to **Ps 1.32 billion**, down **(46%)** vs. the previous quarter driven partially by the seasonal increase in claims but offset by increases in interest income and lower reserve generation.

**Net Income** for the quarter was **Ps 1.54 billion**, down **(24%)** vs. **1Q20**, and **24%** increase vs. 2Q19.

**Net Income** for the quarter for Seguros Banorte, excluding its subsidiary Afore XXI Banorte, totaled **Ps 1.54 billion**, accounting for 14% of GFNorte's net income on 2Q20.

**ROE** for the **Insurance business (including subsidiaries)** increased annually reaching **24.6%**.

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 2Q20 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
  - *In 2Q20 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 2Q20*
- iv. Transfer of risks through reinsurance and bonding contracts
  - *In the Damages and Life book, risks were transferred to reinsurers, for the most part to foreign reinsurers under which there were 7 relevant businesses: 4 related to services, 2 to the transformation industry and 1 related to government.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
  - *There were no relevant issues related to non-compliance during 2Q20.*

## Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Net Income	866	663	<b>1,259</b>	90%	45%	1,697	<b>1,921</b>	13%
Shareholder's Equity	23,888	23,040	<b>23,824</b>	3%	(0%)	23,888	<b>23,824</b>	(0%)
Total Assets	25,776	25,301	<b>26,061</b>	3%	1%	25,776	<b>26,061</b>	1%
AUM (SIEFORE)	829,331	865,906	<b>945,717</b>	9%	14%	829,331	<b>945,717</b>	14%
ROE	14.8%	10.9%	<b>21.5%</b>	10.6 pp	6.7 pp	14.3%	<b>15.9%</b>	1.7 pp

During 2Q20, Afore XXI Banorte reported **net income** of **Ps 1.26 billion**, up **90%** vs. 1Q20. Compared to 1H19, net income for the first half of the year also had a 13% increase mainly explained by capital gains in the special reserve of the Afore in its different risk portfolios (SIEFORES).

**ROE** in 2Q20 reached **21.5%**, increasing **10.6pp** during the quarter, and up 1.7pp vs. 2Q19. Excluding goodwill, **Return on Tangible Equity (ROTE)** rose to **52.3%**, showing a **40.1pp** increase.

Afore XXI Banorte represented 9.5% of the Financial Group's net income during 2Q20.

Afore XXI Banorte's **assets under management** of as of May 2020 totaled **Ps 922.63 billion**, up 7% vs. 2Q19.

## Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
<b>Interest Income (Net)</b>	1,224	3,469	<b>337</b>	(90%)	(73%)	3,117	<b>3,806</b>	22%
Premium Income (Net)	2,776	3,489	<b>2,494</b>	(29%)	(10%)	5,513	<b>5,983</b>	9%
Net Increase in Technical Reserves	1,892	4,642	<b>451</b>	(90%)	(76%)	4,440	<b>5,092</b>	15%
Claims and Other Obligations	1,689	1,826	<b>1,939</b>	6%	15%	3,321	<b>3,764</b>	13%
<b>Technical Results</b>	(804)	(2,978)	<b>105</b>	NA	NA.	(2,248)	<b>(2,874)</b>	(28%)
<b>Net Interest Income (NI)</b>	<b>420</b>	<b>491</b>	<b>441</b>	<b>(10%)</b>	<b>5%</b>	<b>870</b>	<b>932</b>	<b>7%</b>
Net Fees	-	-	<b>(1)</b>	N.A.	N.A.	-	<b>(1)</b>	N.A.
Securities-Realized Gains	16	11	<b>110</b>	903%	581%	23	<b>121</b>	437%
Other Operating Income (Expenses)	(19)	(1)	<b>148</b>	N.A.	N.A.	2	<b>147</b>	6840%
<b>Total Operating Income</b>	<b>417</b>	<b>501</b>	<b>699</b>	<b>39%</b>	<b>67%</b>	<b>894</b>	<b>1,200</b>	<b>34%</b>
Non Interest Expense	105	97	<b>94</b>	(2%)	(10%)	201	191	(5%)
<b>Operating Income</b>	<b>312</b>	<b>405</b>	<b>604</b>	<b>49%</b>	<b>94%</b>	<b>693</b>	<b>1,009</b>	<b>46%</b>
Taxes	91	122	<b>182</b>	49%	100%	202	304	50%
Subsidiaries' Net Income	2	1	<b>2</b>	24%	(8%)	4	3	(25%)
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
<b>Net Income</b>	<b>223</b>	<b>284</b>	<b>424</b>	<b>49%</b>	<b>90%</b>	<b>495</b>	<b>708</b>	<b>43%</b>
Shareholder's Equity	4,344	5,150	<b>5,602</b>	9%	29%	4,344	<b>5,602</b>	29%
Total Assets	128,417	141,415	<b>156,112</b>	10%	22%	128,417	<b>156,112</b>	22%
Technical Reserves	122,485	134,008	<b>148,321</b>	11%	21%	122,485	<b>148,321</b>	21%
Premiums sold	2,776	3,489	<b>2,494</b>	(29%)	(10%)	5,513	<b>5,983</b>	9%
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	32.7	26.3	<b>26.3</b>	(0.0 pp)	(6.4 pp)	32.7	<b>26.3</b>	(6.4 pp)
ROE	21.1%	22.7%	<b>31.6%</b>	8.9 pp	10.5 pp	24.1%	<b>27.2%</b>	3.1 pp

During 2Q20, **net interest income** reached Ps 337 million, down (90%) vs. the previous quarter due to UDIs valuation effect during the quarter totaling (Ps 3.1 billion). Compared to 2Q19 it was up 22% primarily driven by the valuation effect, and to a lower extent by the increase in interest income.

**Technical results were up** during the quarter due to a combined effect of lower premium income, offset by the negative change in technical reserves from lower inflation, as well as by a 6% increase in claims. Compared to 1H19, there was a (28%) decline in technical result driven by a Ps 652 million increase in reserves, 13% increase in claims totaling Ps 443 million, and offset by Ps 470 million growth from higher premium issuance.

**Net Income** from Pensiones Banorte **increased 49% over the quarter**, driven by Ps 148 million in Other Operating Income resulting from the acquisition of SURA's annuities portfolio. Compared to 1H19, net income rose 43% driven by a decline in the technical result and an increase in other operating income.

**Net income** during 2Q20 represented 6.5% of the Financial Group's net income.

**ROE** for the quarter totaled **31.6%**, up vs. 22.7% of the previous quarter.

During May, Pensiones Banorte acquired the entire annuity portfolio of Pensiones SURA S.A. de C.V. The operation included the acquisition of more than 15 thousand policies for an approximate value of Ps 14.0 billion.

## Brokerage

Brokerage Sector (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
Net Income	233	313	<b>467</b>	49%	100%	538	<b>779</b>	45%
Shareholder's Equity	4,349	4,998	<b>5,446</b>	9%	25%	4,349	<b>5,446</b>	25%
Assets Under Custody	924,615	813,377	<b>861,219</b>	6%	(7%)	924,615	<b>861,219</b>	(7%)
Total Assets	193,169	186,199	<b>170,942</b>	(8%)	(12%)	193,169	<b>170,942</b>	(12%)
ROE	21.8%	26.0%	<b>35.7%</b>	9.8 pp	13.9 pp	26.0%	<b>31.0%</b>	5.0 pp
Net Capital (1)	3,349	3,640	<b>3,996</b>	10%	19%	3,349	<b>3,996</b>	19%

1) Net capital structure: Tier 1 = Ps 3.99 billion, Tier 2 = Ps 0 million.

The Brokerage business (Casa de Bolsa Banorte and Operadora de Fondos) reported **net income of Ps 467 million**, a **49%** quarterly increase resulting from 60% higher margin, 5% increase in mutual fund fees, a strong rise in trading income due to market volatility, and a (5%) decline in expenses.

Compared to 1H19, net income increased 45% related to 154% increase of the margin, 50% more fees for transactions, 8% on fees related to mutual funds, and (32%) lower trading income.

Net income from the brokerage business in 2Q20 accounted for 7.2% of the group's net income.

### Assets Under Management

At the end of 2Q20, AUMs totaled **Ps 861 billion, up 6%** during the quarter, and down (7%) annually.

**Mutual fund assets totaled Ps 219 billion, up 10%** during the year. Assets held in **fixed income funds** totaled **Ps 201 billion, 5%** higher during the quarter, and 10% higher vs. 2Q20; assets held in **equity funds** amounted to **Ps 18.6 billion**, up 13% in the quarter and 19% higher in the year. As of 2Q20, Banorte held an 8.5% share of the mutual fund market: 10.29% of fixed income funds, and 2.9% of equity funds.

## SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	2Q19	1Q20	2Q20	Change		1H19	1H20	Change 1H19
				1Q20	2Q19			
<b>Leasing and Factoring</b>								
Net Income	210	203	<b>245</b>	21%	17%	436	<b>447</b>	3%
Shareholder's Equity	5,394	6,111	<b>6,356</b>	4%	18%	5,394	<b>6,356</b>	18%
Loan Portfolio (1)	34,750	36,150	<b>33,053</b>	(9%)	(5%)	34,750	<b>33,053</b>	(5%)
Past Due Loans	315	352	<b>369</b>	5%	17%	315	<b>369</b>	17%
Loan Loss Reserves	368	473	<b>479</b>	1%	30%	368	<b>479</b>	30%
Total Assets	35,333	36,373	<b>33,814</b>	(7%)	(4%)	35,333	<b>33,814</b>	(4%)
ROE	15.9%	13.5%	<b>15.7%</b>	2.2 pp	(0.2 pp)	16.8%	<b>14.6%</b>	(2.2 pp)
<b>Warehousing</b>								
Net Income	11	10	<b>9</b>	(9%)	(16%)	(16)	<b>19</b>	N.A.
Shareholder's Equity	227	255	<b>264</b>	3%	16%	227	<b>264</b>	16%
Inventories	912	758	<b>1,299</b>	71%	42%	912	<b>1,299</b>	42%
Total Assets	1,091	937	<b>1,526</b>	63%	40%	1,091	<b>1,526</b>	40%
ROE	19.1%	15.6%	<b>13.6%</b>	(2.0 pp)	(5.5 pp)	(14.2%)	<b>14.6%</b>	28.8 pp
<b>Sólida Administradora de Portafolios</b>								
Net Income	78	(146)	<b>(11)</b>	93%	(114%)	(31)	<b>(157)</b>	(406%)
Shareholder's Equity	3,150	2,867	<b>2,855</b>	(0%)	(9%)	3,150	<b>2,855</b>	(9%)
Loan Portfolio	1,941	1,457	<b>0</b>	(100%)	(100%)	1,941	<b>0</b>	(100%)
Past Due Loans	82	33	<b>0</b>	(100%)	(100%)	82	<b>0</b>	(100%)
Loan Loss Reserves	154	100	<b>-</b>	(100%)	(100%)	154	<b>-</b>	(100%)
Total Assets	8,940	8,803	<b>7,165</b>	(19%)	(20%)	8,940	<b>7,165</b>	(20%)
<b>Ixe Servicios</b>								
Net Income	(0.3)	(0.2)	<b>(0.5)</b>	(120%)	53%	(0.5)	<b>(0.7)</b>	(35%)
Shareholder's Equity	137	137	<b>136</b>	(0%)	(1%)	137	<b>136</b>	(1%)
Total Assets	137	137	<b>136</b>	(0%)	(1%)	137	<b>136</b>	(1%)
ROE	(0.9%)	(0.7%)	<b>(1.5%)</b>	(0.8 pp)	(0.5 pp)	(0.8%)	<b>(1.1%)</b>	(0.3 pp)

1) Includes operating lease portfolio of Ps 2.64 billion, and fixed assets of Ps 921 million, both registered in property, furniture, and equipment (net).

### Leasing and Factoring

**Net income** during 2Q20 totaled **Ps 245 million, up 21% during the quarter** due to higher other income.

**Past due loans ratio reached 1.3%**, up 2bp vs. 1Q20. Coverage ratio totaled 129.9%, down 4.5bps vs. the previous quarter. The **capital ratio for 2Q20** totaled 16.7%, considering total risk weighted assets of Ps 32.2 billion.

In 2Q20, Net Income from Leasing and Factoring represented 3.8% of the group's total results.

Leasing and Factoring Banorte continues to rank 2nd in terms of portfolio size among the 59 companies in this sector, according to the Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. (AMSOFAC).

### Warehouse

In 2Q20, the Warehouse reported net income of Ps 9 million (18%) lower than in 2Q19 result, mainly derived from the provision of income taxes reported in this period. ROE reached 13.6%, and the Capital ratio totaled 183% considering a net capital of Ps 220 million, and negotiable certificates of deposit issued in active warehouses totaling Ps 2.4 billion.

Almacenadora Banorte ranked in 6<sup>th</sup> place among the warehousing businesses in the sector in terms of certificates of deposit as of December 2019.

### **Sólida Administradora de Portafolios**

The business reported net loss of **Ps (11) million** for the quarter, up 93% vs. 1Q20, explained by higher Other Operating Income and lower expenses. Compared to 2Q19, net income was down (114%).

**Capitalization ratio** in 2Q20 reached **32.0%, 9.1pp above last quarter, and 7.2 pp vs. 2Q19.**

Leverage ratios as of March and June 2020 were 25.40% and 31.87%, respectively; considering risk adjusted assets of Ps 8.55 billion and Ps 6.32 billion, respectively.

## 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
Actinver	Enrique Mendoza	Buy	16-abr-20
Barclays	Gilberto García	Buy	23-mar-20
Bradesco	Alain Nicolau	Buy	13-mar-19
Brasil Plural	Eduardo Nishio	Buy	24-abr-20
BTG Pactual	Eduardo Rosman	Buy	23-abr-20
Citi	Jorg Friedman	Buy	28-jun-20
GBM	Natalia Zamora	Buy	9-dic-19
Goldman Sachs	Tito Labarta	Buy	17-jun-20
HSBC	Carlos Gómez	Buy	28-jun-20
Intercom	Sofía Robles	Buy	23-ene-20
Invex	Montserrat Antón	Buy	4-may-20
Itaú BBA	Arturo Langa	Buy	30-mar-20
JP Morgan	Domingos Falavina	Buy	2-abr-20
Monex	Verónica Uribe	Buy	23-abr-20
Santander	Claudia Benavente	Buy	28-abr-20
Scotia	Jason Mollin	Buy	29-jun-20
UBS	Philip Finch	Buy	10-jun-20
Vector	Marco Montañez	Buy	9-jun-20
BBVA	Rodrigo Ortega	Hold	12-abr-20
BOFA - Merrill Lynch	Mario Piery	Hold	29-jun-20
Credit Suisse	Marcelo Telles	Sell	17-jun-20
Morgan Stanley	Jorge Kuri	Sell	29-jun-20

### Capital Structure

#### Holding Company Capital Structure

Number of Shares (Million)	SERIES O As of June 2020
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

<b>Income Statement -GFNorte</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
Interest Income	37,751	37,276	36,796	37,285	36,648	32,338
Interest Expense	18,126	18,038	16,512	14,858	14,366	13,019
Charged Fees	323	335	365	382	360	346
Fees Paid	281	279	284	316	291	270
<b>Net Interest Income from interest &amp; fees (NII)</b>	<b>19,668</b>	<b>19,295</b>	<b>20,365</b>	<b>22,493</b>	<b>22,351</b>	<b>19,395</b>
Premium Income (Net)	12,214	6,271	6,305	7,747	12,155	8,118
Net Increase in Technical Reserves	6,766	1,228	1,922	5,086	7,946	1,216
Damages, Claims and Other Obligations	4,332	4,846	4,634	4,967	4,592	5,613
<b>Net Interest Income (NII)</b>	<b>20,784</b>	<b>19,492</b>	<b>20,114</b>	<b>20,188</b>	<b>21,968</b>	<b>20,683</b>
Preventive Provisions for Loan Losses	3,736	3,728	4,118	3,765	4,344	8,456
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>17,048</b>	<b>15,764</b>	<b>15,996</b>	<b>16,423</b>	<b>17,623</b>	<b>12,227</b>
For Commercial and Mortgage Loans	238	291	280	509	495	394
For Consumer and Credit Card Loans	1,212	1,246	1,282	1,424	1,242	1,049
Fiduciary	104	108	127	146	119	102
Income from Real Estate Portfolios	48	220	1	7	5	11
Trading & Financial Advising Fees	108	171	131	102	147	126
Other Fees Charged	304	238	259	261	331	226
<b>Fees Charged on Services</b>	<b>5,540</b>	<b>6,002</b>	<b>5,929</b>	<b>6,591</b>	<b>6,115</b>	<b>5,406</b>
Interchange Fees	1,082	1,077	1,168	1,349	1,226	1,018
Insurance Fees	581	296	581	(109)	473	353
Other Fees Paid	910	999	997	1,120	961	966
<b>Fees Paid on Services</b>	<b>2,573</b>	<b>2,372</b>	<b>2,746</b>	<b>2,361</b>	<b>2,660</b>	<b>2,337</b>
<b>Net Service Fees</b>	<b>2,967</b>	<b>3,630</b>	<b>3,183</b>	<b>4,230</b>	<b>3,455</b>	<b>3,069</b>
Currency and Metals	(6)	(26)	(13)	36	1,235	(51)
Derivatives	521	176	(1,473)	(79)	(1,238)	1,139
Negotiable Instruments	186	29	155	70	(166)	(111)
<b>Valuation</b>	<b>702</b>	<b>179</b>	<b>(1,330)</b>	<b>26</b>	<b>(169)</b>	<b>527</b>
Currency and Metals	101	206	471	342	(862)	774
Derivatives	82	121	2,270	(115)	1,742	(323)
Negotiable Instruments	267	456	892	618	455	724
<b>Trading</b>	<b>450</b>	<b>783</b>	<b>3,633</b>	<b>845</b>	<b>1,335</b>	<b>1,175</b>
<b>Trading Income</b>	<b>1,152</b>	<b>963</b>	<b>2,303</b>	<b>872</b>	<b>1,166</b>	<b>1,703</b>
Loan Recovery	-	-	-	-	-	-
Loan Portfolios	59	85	86	57	80	63
Income from foreclosed assets	88	74	177	206	88	132
Provisions Release	-	-	-	-	-	-
Impairment of Assets	(132)	-	-	-	(55)	-
Lease Income	91	92	119	114	100	77
From Insurance	263	255	240	246	211	322
Securitization Operation Valuation Result	27	48	37	(7)	31	6
Other Operating Expense	1,747	100	61	130	(128)	541
<b>Total Other Operating Income (Expense)</b>	<b>2,143</b>	<b>653</b>	<b>722</b>	<b>746</b>	<b>327</b>	<b>1,140</b>
<b>Total Non Interest Income</b>	<b>6,262</b>	<b>5,246</b>	<b>6,208</b>	<b>5,847</b>	<b>4,949</b>	<b>5,911</b>
<b>Total Operating Income</b>	<b>23,310</b>	<b>21,010</b>	<b>22,204</b>	<b>22,270</b>	<b>22,572</b>	<b>18,139</b>
Personnel	3,932	3,567	4,258	4,105	3,930	3,891
Employee Profit Sharing (PTU)	123	123	122	136	133	133
Professional Fees	738	796	941	625	748	801
Administrative and Promotional Expenses	2,135	2,002	2,180	2,377	2,382	2,032
Rents, Depreciation & Amortization	1,676	1,635	1,772	1,919	1,946	2,047
Taxes other than income tax & non deductible expenses	561	573	484	602	498	483
Contributions to IPAB/Fobaproa	839	829	821	809	828	919
<b>Total Non Interest Expense</b>	<b>10,004</b>	<b>9,525</b>	<b>10,578</b>	<b>10,572</b>	<b>10,466</b>	<b>10,307</b>
<b>Operating Income</b>	<b>13,306</b>	<b>11,485</b>	<b>11,626</b>	<b>11,698</b>	<b>12,106</b>	<b>7,832</b>
Subsidiaries' Net Income	411	466	451	389	353	648
<b>Pre-Tax Income</b>	<b>13,717</b>	<b>11,951</b>	<b>12,077</b>	<b>12,086</b>	<b>12,459</b>	<b>8,480</b>
Income Tax	3,062	2,472	3,088	1,903	3,555	947
Tax on Assets	-	-	-	-	-	-
Deferred Income Tax	588	628	6	1,049	(328)	939
<b>Taxes</b>	<b>3,650</b>	<b>3,100</b>	<b>3,094</b>	<b>2,951</b>	<b>3,228</b>	<b>1,886</b>
<b>Net Income from Continuous Operations</b>	<b>10,067</b>	<b>8,851</b>	<b>8,983</b>	<b>9,135</b>	<b>9,231</b>	<b>6,593</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	(135)	(123)	(125)	(125)	(113)	(75)
<b>Net Income</b>	<b>9,932</b>	<b>8,728</b>	<b>8,858</b>	<b>9,010</b>	<b>9,118</b>	<b>6,518</b>



<b>GFNorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
<b>ASSETS</b>						
<b>Cash and Due from Banks</b>	<b>72,135</b>	<b>54,543</b>	<b>56,121</b>	<b>62,797</b>	<b>90,877</b>	<b>106,047</b>
<b>Margin Accounts</b>	<b>3,508</b>	<b>4,408</b>	<b>6,245</b>	<b>5,926</b>	<b>9,701</b>	<b>18,353</b>
Negotiable Instruments	250,541	223,499	225,565	233,832	238,956	243,834
Securities Available for Sale	196,009	212,927	213,131	202,685	204,963	231,114
Securities Held to Maturity	131,202	131,481	146,657	150,606	156,631	169,514
<b>Investment in Securities</b>	<b>577,752</b>	<b>567,907</b>	<b>585,353</b>	<b>587,123</b>	<b>600,550</b>	<b>644,463</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-
<b>Debtor Balance in Repo Trans, net</b>	<b>253</b>	<b>556</b>	<b>162</b>	<b>3,070</b>	<b>2,810</b>	<b>1,928</b>
<b>Securities Lending</b>	-	-	-	-	-	-
For trading purposes	23,793	25,473	26,398	22,295	48,940	61,705
For hedging purposes	15	29	29	162	1,292	2,384
Operations w/Derivatives & Securities						
<b>Transactions with Derivatives</b>	<b>23,807</b>	<b>25,502</b>	<b>26,427</b>	<b>22,457</b>	<b>50,232</b>	<b>64,089</b>
<b>Operations w/Derivatives &amp; Securities</b>	<b>24,061</b>	<b>26,059</b>	<b>26,590</b>	<b>25,527</b>	<b>53,042</b>	<b>66,017</b>
<b>Valuation adjustments for Asset Coverage</b>	<b>80</b>	<b>77</b>	<b>73</b>	<b>69</b>	<b>65</b>	<b>62</b>
Commercial Loans	298,561	294,591	285,822	293,499	318,439	326,535
Financial Intermediaries' Loans	9,384	7,942	5,784	7,389	9,067	9,502
Consumer Loans	114,086	115,577	117,013	117,680	117,537	115,601
Mortgage Loans	158,605	162,619	166,286	170,086	173,226	177,282
Medium and Residential	155,134	159,294	162,995	166,921	170,143	174,331
low income housing	13	12	10	9	8	5
Loans acquired from INFONAVIT or FOVISSSTE	3,457	3,314	3,280	3,156	3,075	2,946
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-
Government Entities' Loans	181,470	187,454	157,821	173,988	161,549	162,717
<b>Performing Loans</b>	<b>762,105</b>	<b>768,183</b>	<b>732,726</b>	<b>762,642</b>	<b>779,818</b>	<b>791,637</b>
Commercial PDL's	7,740	8,146	7,965	6,511	7,047	2,604
Financial Intermediaries PDL's	4	4	4	4	4	-
Consumer PDL's	4,183	4,716	4,577	4,314	4,052	4,229
Mortgage PDL's	1,557	1,696	1,807	1,973	2,070	2,305
Medium and Residential	1,417	1,526	1,634	1,785	1,834	2,025
low income housing	0	0	0	0	0	1
Loans acquired from INFONAVIT or FOVISSSTE	139	170	172	187	235	279
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-
Government Entities PDL's	4	4	4	4	40	115
<b>Past Due Loans</b>	<b>13,488</b>	<b>14,567</b>	<b>14,357</b>	<b>12,806</b>	<b>13,212</b>	<b>9,254</b>
<b>Gross Loan Portfolio</b>	<b>775,594</b>	<b>782,750</b>	<b>747,084</b>	<b>775,448</b>	<b>793,030</b>	<b>800,891</b>
Preventive Loan Loss Reserves	18,329	18,592	18,171	17,639	18,504	18,555
<b>Net Loan Portfolio</b>	<b>757,265</b>	<b>764,158</b>	<b>728,913</b>	<b>757,809</b>	<b>774,525</b>	<b>782,337</b>
Acquired Collection Rights	2,217	2,065	1,905	1,601	1,500	1,438
<b>Total Credit Portfolio</b>	<b>759,482</b>	<b>766,222</b>	<b>730,818</b>	<b>759,410</b>	<b>776,025</b>	<b>783,774</b>
Account Receivables from Insurance and Annuities	1,763	1,945	2,112	2,279	2,205	2,432
Premium Debtors (Net)	11,246	9,125	6,429	4,474	8,003	9,196
Account Receivables from Reinsurance	11,532	10,884	10,920	7,787	8,162	8,872
Benef. receivab. securization transactions	85	125	158	139	161	156
Sundry Debtors & Other Accs Rec, Net	49,472	62,040	67,824	31,203	85,131	50,981
Inventories	765	912	555	677	758	1,299
Foreclosed Assets, Net	988	830	919	1,154	1,096	1,075
Real Estate, Furniture & Equipment, Net	17,338	17,782	18,018	18,764	19,833	31,151
Investment in Subsidiaries	13,278	13,701	14,192	14,554	13,489	13,894
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	2,632	2,481	1,964	626	3,742	201
Goodwill and Intangibles	48,117	50,598	50,546	52,115	51,139	40,257
Other Assets Short and Long Term	375	362	4,813	5,388	5,300	5,351
Other Assets						
	157,589	170,783	178,452	139,157	199,020	164,866
<b>TOTAL ASSETS</b>	<b>1,594,607</b>	<b>1,589,998</b>	<b>1,583,651</b>	<b>1,580,010</b>	<b>1,729,280</b>	<b>1,783,581</b>

<b>GFNorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
<b>LIABILITIES</b>						
Demand Deposits	389,657	391,720	395,959	416,548	433,849	469,861
Time Deposits-Retail	280,204	267,318	262,679	260,828	274,681	265,100
Time Deposits-Money Market	51,019	49,515	33,999	18,122	26,894	28,433
Global Account of deposits w without movements	1,803	1,856	1,919	2,085	2,213	2,368
Senior Unsecured Debt	12,272	24,159	27,483	26,907	35,355	35,386
<b>Deposits</b>	<b>734,956</b>	<b>734,568</b>	<b>722,039</b>	<b>724,490</b>	<b>772,993</b>	<b>801,148</b>
Demand Loans	0	900	7,851	500	5,000	0
Short Term Loans	18,743	20,434	19,236	22,287	20,824	47,365
Long Term Loans	33,310	33,477	14,675	14,275	11,675	14,452
<b>Due to Banks &amp; Correspondents</b>	<b>52,052</b>	<b>54,811</b>	<b>41,762</b>	<b>37,061</b>	<b>37,499</b>	<b>61,817</b>
Technical Reserves	150,637	150,742	152,486	154,487	162,887	179,930
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	350,667	339,751	341,709	345,959	354,238	353,211
Secs to be received in Repo Trans, Net	-	0	0	0	-	-
Repos (Credit Balance)	9	4	4	105	16	8
Securities' Loans	-	2	19	0	-	-
Transactions w ith Derivatives	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-
<b>Total Collateral sold</b>	<b>9</b>	<b>6</b>	<b>23</b>	<b>106</b>	<b>16</b>	<b>8</b>
For trading purposes	18,872	20,367	24,226	20,752	50,574	58,754
For hedging purposes	9,313	8,763	5,079	4,221	10,487	7,682
Operations w / Derivatives & Securities						
<b>Transactions with Derivatives</b>	<b>28,184</b>	<b>29,130</b>	<b>29,305</b>	<b>24,973</b>	<b>61,062</b>	<b>66,436</b>
<b>Total Operations w / Derivatives &amp; Securities</b>	<b>378,860</b>	<b>368,887</b>	<b>371,037</b>	<b>371,038</b>	<b>415,316</b>	<b>419,655</b>
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-
Payable Accountsfor Reinsurance	2,615	2,347	2,071	1,505	2,311	3,159
Income Tax Payable	2,248	2,629	3,501	3,588	3,538	2,718
Profit Sharing Payable	606	256	374	508	639	280
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Creditors for settlement of transactions	11,939	7,730	9,925	9,972	31,188	4,621
Margin Accounts Payable	-	-	-	-	-	-
Other Creditors & Accounts Payable	41,667	35,100	36,665	32,696	46,614	44,126
<b>Other Payable Accounts</b>	<b>56,460</b>	<b>45,715</b>	<b>50,464</b>	<b>46,764</b>	<b>81,979</b>	<b>51,745</b>
Subordinated Non Convertible Debt	33,327	53,953	55,515	48,050	58,423	57,321
Deferred Taxes, Net	(0)	0	0	(0)	(0)	0
Deferred Credits	592	606	598	617	382	462
<b>TOTAL LIABILITIES</b>	<b>1,409,497</b>	<b>1,411,630</b>	<b>1,395,973</b>	<b>1,384,012</b>	<b>1,531,790</b>	<b>1,575,237</b>
<b>EQUITY</b>						
Paid-in Capital	14,967	14,968	14,982	14,992	14,944	14,901
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Share Subscription Premiums	48,081	48,244	47,973	47,979	48,091	48,316
Subordinated Convertible Debentures	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>63,048</b>	<b>63,212</b>	<b>62,955</b>	<b>62,971</b>	<b>63,034</b>	<b>63,217</b>
Capital Reserves	5,333	5,779	6,206	6,486	5,418	8,746
Retained Earnings	108,191	91,470	90,775	90,084	125,934	120,910
Surplus (Deficit) of Secs Available for Sale	(80)	638	1,471	1,763	(2,851)	574
Results from Valuation of Hedging Secs	(3,027)	(2,861)	(2,629)	(2,246)	(3,895)	(1,398)
Result in the valuation reserve for unexpired risks variations in rates	(7)	(57)	(81)	(85)	1	(184)
Results from Conversions	105	97	126	77	348	326
Remeasurements defined benefits for employees	(708)	(830)	(952)	(1,861)	(1,894)	(1,927)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	9,932	18,660	27,518	36,528	9,118	15,636
<b>Earned Capital</b>	<b>119,738</b>	<b>112,896</b>	<b>122,434</b>	<b>130,747</b>	<b>132,179</b>	<b>142,684</b>
Minority Interest	2,323	2,260	2,289	2,281	2,277	2,443
<b>Total Equity</b>	<b>185,110</b>	<b>178,368</b>	<b>187,678</b>	<b>195,998</b>	<b>197,490</b>	<b>208,344</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,594,607</b>	<b>1,589,998</b>	<b>1,583,651</b>	<b>1,580,010</b>	<b>1,729,280</b>	<b>1,783,581</b>

<b>GFNorte - Memorandum Accounts</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q20</b>	<b>1Q20</b>	<b>2Q20</b>
<b>On behalf of Third Parties</b>						
Customer's Banks	34	35	35	56	85	24
Dividends Receivable from Customers	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-
Settlement of Customer Transactions	32	(136)	136	143	208	(270)
Customer Premiums	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-
<b>Customers' Current Account</b>	<b>66</b>	<b>(101)</b>	<b>170</b>	<b>199</b>	<b>293</b>	<b>(245)</b>
Client Securities Received in Custody	709,242	726,007	744,672	716,128	605,481	641,824
Securities and Documents Received in Guarantee	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-
<b>Clients' Securities</b>	<b>709,242</b>	<b>726,007</b>	<b>744,672</b>	<b>716,128</b>	<b>605,481</b>	<b>641,824</b>
Clients' Repurchase Operations	184,937	187,339	184,220	184,063	179,276	163,653
Clients' Repo Transactions w / Securities	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	184,939	187,340	184,239	184,063	179,276	163,653
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	89,878	86,428	88,900	83,298	1,036	1,054
<b>Transactions On Behalf of Clients</b>	<b>459,754</b>	<b>461,107</b>	<b>457,359</b>	<b>451,424</b>	<b>359,588</b>	<b>328,360</b>
<b>Investment Bank Trans. on behalf of Third</b>	<b>82,947</b>	<b>101,587</b>	<b>104,928</b>	<b>96,100</b>	<b>87,728</b>	<b>88,149</b>
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>1,252,008</b>	<b>1,288,600</b>	<b>1,307,129</b>	<b>1,263,851</b>	<b>1,053,090</b>	<b>1,058,087</b>
<b>Endorsement Guarantees Granted</b>	-	-	-	-	-	-
Loan Obligations	316,687	284,174	275,096	286,019	294,733	293,470
Trusts	445,853	456,152	457,200	452,406	422,525	319,659
Mandates	1,344	8,039	7,964	7,615	7,326	7,645
<b>Properties in Trusts and Warrant</b>	<b>447,197</b>	<b>464,191</b>	<b>465,164</b>	<b>460,021</b>	<b>429,851</b>	<b>327,304</b>
Properties in Custody or Management	687,330	693,335	694,066	631,539	660,642	669,104
Collateral Received	230,687	184,929	233,652	213,885	163,758	240,920
Collateral Received or sold or delivered	327,444	287,246	322,840	304,448	247,107	307,649
Drafts in Transit	-	-	-	-	-	-
Assets' Deposit	2,658	2,318	1,764	3,107	2,766	2,867
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	54	64	39	50	79	79
Uncollected Accrued Interest from Past Due Loans	633	318	323	299	295	289
Investments of Retirement Savings Funds	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-
Miscellaneous accounts	266,235	272,258	278,650	280,016	292,976	289,983
<b>Proprietary Transactions</b>	<b>2,278,926</b>	<b>2,188,832</b>	<b>2,271,594</b>	<b>2,179,383</b>	<b>2,092,207</b>	<b>2,131,665</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>2,278,926</b>	<b>2,188,832</b>	<b>2,271,594</b>	<b>2,179,383</b>	<b>2,092,207</b>	<b>2,131,665</b>

**GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW****JANUARY 1, 2020 – JUNE 30, 2020***(Million Pesos)*

<b>Net Income</b>	<b>15,636</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	1,102
Technical Reserves	9,162
Provisions	68
Income taxes and deferred	5,114
Minority Interest	(812)
	<b>14,634</b>
	<b>30,270</b>
<b>Change in items related to operations</b>	
Change in Margin Accounts	(12,426)
Change in Investment in Securities	(57,340)
Change in repo debtors	1,141
Change in derivatives (assets)	(39,403)
Change in Loan Portfolio (net)	(24,528)
Change in purchased receivables (net)	163
Change in accounts receivable insurance and bonding institutions (net)	(153)
Change in debtor premiums (net)	(4,722)
Change in Reinsurance (net)	(1,085)
Change in benefits to receive from securitizations	(18)
Change in foreclosed assets (net)	79
Change in other operating assets (net)	(20,160)
Change in core deposits	76,658
Change in interbank loans and other entities	24,756
Change in repo creditors	7,252
Change in collateral pledged sold	(98)
Change in derivatives (liability)	38,002
Change in Technical Reserves (net)	16,281
Change in Reinsurance (net) (liability)	1,655
Change in subordinated debt with characteristics of liabilities	9,271
Change in other operating liabilities	5,998
Change in hedging instruments (the related hedged transaction activities)	1,239
Income Tax Payments	(5,570)
<b>Net cash generated or used from operations</b>	<b>47,262</b>
<b>Investment Activities</b>	
Charges for disposal of property, furniture and equipment	424
Payments for acquisition of property, furniture and equipment	(2,594)
Subsidiaries and associated acquisitions payment	(73)
Charges for cash dividends	1,814
<b>Net cash generated or used from investment activities</b>	<b>(429)</b>
<b>Financing Activities</b>	
Payments associated with the repurchase of proprietary shares	(2,146)
Payments of interests of subordinated debentures	(1,599)
<b>Net cash flows from financing activities</b>	<b>(3,745)</b>
<b>Net Cash Increase (decrease) and equivalents value</b>	<b>43,088</b>
<b>Effects for changes in cash and equivalents value</b>	<b>162</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>62,797</b>
<b>Cash and cash equivalents at end of period</b>	<b>106,047</b>

## GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2020 – JUNE 30, 2020

(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, 2019	14,992	47,979	6,486	90,084	1,763	(2,246)	(85)	77	(1,861)	36,528	2,281	195,998
<b>Changes stemming from stockholders' decisions</b>												
Repurchase of payment plan based on shares payable in equity instruments	(91)	334	(1,910)		25							(1,642)
Capitalization of profits				36,528						(36,528)		0
Creation of Reserves according to Ordinary Annual General Shareholder's Meeting of April 24, 2020			6	(6)								0
Reserve creation for share repurchase			4,164	(4,164)								0
<b>Total</b>	<b>(91)</b>	<b>334</b>	<b>2,260</b>	<b>32,358</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(36,528)</b>	<b>0</b>	<b>(1,642)</b>
<b>Changes stemming from profits</b>												
<b>Total profits:</b>												
Net Income										15,636		15,636
Result from valuation of securities available for sale					(1,214)							(1,214)
Effect of subsidiaries, associates and mutual funds		3		67				249				319
Result from valuation of instruments of cash flow hedges						849						849
Result in valuation of current risk reserve due to changes in rates							(99)					(99)
Remeasurements defined benefits for employees									(66)			(66)
Interest of subordinated debentures				(1,599)								(1,599)
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>(1,532)</b>	<b>(1,214)</b>	<b>849</b>	<b>(99)</b>	<b>249</b>	<b>(66)</b>	<b>15,636</b>	<b>0</b>	<b>13,826</b>
<b>Recognition of minority interest</b>											<b>162</b>	<b>162</b>
Balance as of June 30, 2020	14,901	48,316	8,746	120,910	574	(1,397)	(184)	326	(1,927)	15,636	2,443	208,344

## Bank

<b>Income Statement - Bank</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
Interest Income	32,320	32,094	30,964	30,425	29,620	28,504
Interest Expense	15,432	15,299	13,896	12,837	12,171	11,160
Charged Fees	323	335	365	382	358	346
Fees Paid	280	278	283	315	291	270
<b>Net Interest Income (NII)</b>	<b>16,931</b>	<b>16,853</b>	<b>17,150</b>	<b>17,654</b>	<b>17,517</b>	<b>17,421</b>
Preventive Provisions for Loan Losses	3,700	3,657	4,034	3,713	4,262	8,527
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>13,231</b>	<b>13,196</b>	<b>13,116</b>	<b>13,941</b>	<b>13,254</b>	<b>8,895</b>
Fund Transfers	367	399	444	427	400	476
Account Management Fees	623	614	598	604	598	526
Electronic Banking Services	2,128	2,285	2,363	2,656	2,336	2,027
For Commercial and Mortgage Loans	238	289	269	506	495	394
For Consumer Loans	1,210	1,244	1,280	1,423	1,241	1,048
Fiduciary	104	108	126	146	118	102
Income from Real Estate Portfolios	1	0	5	2	2	3
Trading & Financial Advising Fees	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	0	0	0
Other Fees Charged	632	599	609	606	592	540
<b>Fees Charged on Services</b>	<b>5,303</b>	<b>5,539</b>	<b>5,695</b>	<b>6,370</b>	<b>5,782</b>	<b>5,116</b>
Interchange Fees	1,082	1,077	1,168	1,349	1,226	1,018
Insurance Fees	-	-	-	-	-	-
Other Fees Paid	869	940	951	1,080	909	918
<b>Fees Paid on Services</b>	<b>1,951</b>	<b>2,016</b>	<b>2,119</b>	<b>2,430</b>	<b>2,135</b>	<b>1,936</b>
<b>Net Fees</b>	<b>3,351</b>	<b>3,523</b>	<b>3,576</b>	<b>3,940</b>	<b>3,647</b>	<b>3,180</b>
Foreign Exchange	(5)	(25)	(14)	39	1,219	(500)
Derivatives	521	176	(1,473)	(79)	(1,238)	1,139
Negotiable Instruments	68	13	97	43	(119)	(75)
Valuation	585	164	(1,390)	2	(137)	565
Currency and Metals	101	206	471	342	(862)	774
Derivatives	82	121	2,270	(115)	1,742	(323)
Negotiable Instruments	166	344	778	432	305	385
Trading	349	671	3,519	659	1,185	836
<b>Trading Income</b>	<b>934</b>	<b>835</b>	<b>2,129</b>	<b>662</b>	<b>1,048</b>	<b>1,402</b>
Loan Recovery	-	-	-	-	-	-
Loan Portfolios	45	60	52	45	67	52
Income from foreclosed assets	88	57	163	203	92	121
Provisions Release	-	-	-	-	-	-
Losses and Estimates	(447)	(877)	(263)	(237)	(319)	(162)
Impairment of Assets	(132)	-	-	-	-	-
Lease Income	19	19	25	23	18	19
From Insurance	-	-	-	-	-	-
Other Operating Expense	2,248	1,014	251	269	173	658
<b>Total Other Operating Income (Expenses)</b>	<b>1,820</b>	<b>273</b>	<b>228</b>	<b>304</b>	<b>31</b>	<b>687</b>
<b>Total Non-Interest Income</b>	<b>6,105</b>	<b>4,631</b>	<b>5,932</b>	<b>4,906</b>	<b>4,726</b>	<b>5,268</b>
<b>Total Operating Income</b>	<b>19,336</b>	<b>17,826</b>	<b>19,048</b>	<b>18,846</b>	<b>17,980</b>	<b>14,163</b>
Personnel	3,765	3,390	4,074	3,933	3,755	3,704
Employee Profit Sharing (PTU)	121	121	120	134	131	131
Professional Fees	610	655	778	485	624	650
Administrative and Promotional Expenses	1,926	1,882	2,045	2,158	2,091	1,789
Rents, Depreciation & Amortization	1,595	1,552	1,691	1,837	1,862	1,967
Taxes other than income tax & non-deductible expenses	485	503	418	520	428	419
Contributions to IPAB/Fobaproa	839	829	821	809	828	919
<b>Total Non-Interest Expense</b>	<b>9,341</b>	<b>8,931</b>	<b>9,947</b>	<b>9,875</b>	<b>9,718</b>	<b>9,579</b>
<b>Operating Income</b>	<b>9,996</b>	<b>8,895</b>	<b>9,101</b>	<b>8,971</b>	<b>8,263</b>	<b>4,584</b>
Subsidiaries' Net Income	14	39	31	44	29	19
<b>Pre-Tax Income</b>	<b>10,009</b>	<b>8,934</b>	<b>9,132</b>	<b>9,015</b>	<b>8,292</b>	<b>4,603</b>
Income Tax	2,176	1,941	2,550	1,355	2,576	317
Tax on Assets	-	-	-	-	-	-
Deferred Income Tax	472	441	(149)	812	(465)	617
<b>Taxes</b>	<b>2,647</b>	<b>2,382</b>	<b>2,401</b>	<b>2,167</b>	<b>2,112</b>	<b>934</b>
<b>Net Income from Continuous Operations</b>	<b>7,362</b>	<b>6,553</b>	<b>6,730</b>	<b>6,848</b>	<b>6,180</b>	<b>3,669</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)
<b>Net Income</b>	<b>7,362</b>	<b>6,553</b>	<b>6,730</b>	<b>6,848</b>	<b>6,180</b>	<b>3,669</b>

<b>Bank - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
<b>ASSETS</b>						
<b>Cash and Due from Banks</b>	<b>71,563</b>	<b>53,955</b>	<b>55,470</b>	<b>62,282</b>	<b>88,668</b>	<b>105,537</b>
<b>Margin Accounts</b>	<b>3,508</b>	<b>4,408</b>	<b>6,245</b>	<b>5,926</b>	<b>9,701</b>	<b>18,353</b>
Negotiable Instruments	100,271	71,098	75,687	75,169	79,968	95,379
Securities Available for Sale	138,523	154,921	155,394	152,630	157,021	184,050
Securities Held to Maturity	8,456	7,886	19,755	19,593	19,711	19,497
<b>Investment in Securities</b>	<b>247,250</b>	<b>233,906</b>	<b>250,836</b>	<b>247,392</b>	<b>256,700</b>	<b>298,926</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-
<b>Debtor Balance in Repo Trans,net</b>	<b>3</b>	<b>11</b>	<b>162</b>	<b>2,016</b>	<b>1,930</b>	<b>1,928</b>
<b>Securities Lending</b>	-	-	-	-	-	-
For trading purposes	23,793	25,473	26,398	22,295	48,940	61,705
For hedging purposes	15	29	29	162	1,292	2,384
Operations w/Derivatives & Securities	-	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>23,807</b>	<b>25,502</b>	<b>26,427</b>	<b>22,457</b>	<b>50,232</b>	<b>64,089</b>
<b>Operations w/Derivatives &amp; Securities</b>	<b>23,810</b>	<b>25,513</b>	<b>26,590</b>	<b>24,473</b>	<b>52,162</b>	<b>66,017</b>
<b>Valuation adjustments for Asset Coverage</b>	<b>80</b>	<b>77</b>	<b>73</b>	<b>69</b>	<b>65</b>	<b>62</b>
Commercial Loans	272,884	268,146	258,389	266,442	288,409	300,483
Financial Intermediaries´ Loans	22,708	20,351	18,287	20,595	24,011	23,733
Consumer Loans	112,105	113,803	115,413	116,228	116,200	115,593
Mortgage Loans	158,605	162,619	166,286	170,086	173,226	177,282
Medium and Residential	155,134	159,294	162,995	166,921	170,143	174,331
low income housing	13	12	10	9	8	5
Loans acquired from INFONAVIT or FOVISSSTE	3,457	3,314	3,280	3,156	3,075	2,946
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-
Government Entities´ Loans	179,434	185,133	157,242	170,155	161,246	161,457
Loans granted as Federal Agent	-	-	-	-	-	-
<b>Performing Loans</b>	<b>745,735</b>	<b>750,052</b>	<b>715,617</b>	<b>743,507</b>	<b>763,091</b>	<b>778,548</b>
Commercial PDL´s	7,418	7,810	7,600	6,147	6,700	2,240
Financial Intermediaries PDL´s	4	4	4	4	4	-
Consumer PDL´s	4,115	4,659	4,514	4,268	4,018	4,229
Mortgage PDL´s	1,557	1,696	1,807	1,973	2,070	2,305
Medium and Residential	1,417	1,526	1,634	1,785	1,834	2,025
low income housing	0	0	0	0	0	1
Loans acquired from INFONAVIT or FOVISSSTE	139	170	172	187	235	279
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-
Government Entities PDL´s	0	0	0	0	35	111
<b>Past Due Loans</b>	<b>13,095</b>	<b>14,170</b>	<b>13,925</b>	<b>12,392</b>	<b>12,827</b>	<b>8,885</b>
<b>Gross Loan Portfolio</b>	<b>758,830</b>	<b>764,222</b>	<b>729,542</b>	<b>755,899</b>	<b>775,918</b>	<b>787,433</b>
Preventive Loan Loss Reserves	17,822	18,070	17,617	17,083	17,932	18,075
<b>Net Loan Portfolio</b>	<b>741,008</b>	<b>746,152</b>	<b>711,925</b>	<b>738,816</b>	<b>757,986</b>	<b>769,358</b>
Acquired Collection Rights	1,864	1,720	1,560	1,359	1,261	1,438
<b>Total Credit Portfolio</b>	<b>742,872</b>	<b>747,872</b>	<b>713,485</b>	<b>740,175</b>	<b>759,247</b>	<b>770,796</b>
Benef. receivab. securization transactions	85	125	158	139	161	156
Sundry Debtors & Other Accs Rec, Net	43,371	55,248	65,982	29,410	83,264	48,306
Inventories	-	-	-	-	-	-
Foreclosed Assets, Net	770	606	701	860	818	800
Real Estate, Furniture & Equipment, Net	13,667	14,010	14,360	15,088	15,167	26,482
Investment in Subsidiaries	362	422	413	418	468	491
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	3,328	2,572	2,215	1,104	4,351	1,126
Goodwill and Intangibles	21,490	21,409	20,677	21,979	22,727	11,470
Other Assets Short and Long Term	226	209	228	223	146	106
	83,299	94,599	104,734	69,220	127,103	88,937
<b>TOTAL ASSETS</b>	<b>1,172,383</b>	<b>1,160,329</b>	<b>1,157,433</b>	<b>1,149,536</b>	<b>1,293,647</b>	<b>1,348,628</b>

<b>Bank - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
<b>LIABILITIES</b>						
Demand Deposits	391,855	394,308	399,464	435,453	451,842	479,142
Time Deposits-Retail	280,277	268,190	263,555	261,705	275,566	265,347
Time Deposits-Money Market	51,019	49,515	33,999	18,122	26,894	28,433
Global Account of deposits w ithout movements	1,803	1,856	1,919	2,085	2,213	2,368
Senior Unsecured Debt	12,272	24,159	27,483	26,907	35,355	46,430
<b>Deposits</b>	<b>737,227</b>	<b>738,028</b>	<b>726,420</b>	<b>744,271</b>	<b>791,870</b>	<b>821,721</b>
Demand Loans	0	900	7,851	500	5,000	0
Short Term Loans	11,864	9,737	9,996	9,276	8,332	40,754
Long Term Loans	21,767	22,169	3,940	4,854	4,197	4,156
<b>Due to Banks &amp; Correspondents</b>	<b>33,631</b>	<b>32,806</b>	<b>21,787</b>	<b>14,630</b>	<b>17,529</b>	<b>44,910</b>
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	172,118	152,642	165,120	162,684	175,685	190,404
Secs to be received in Repo Trans, Net	-	-	-	-	-	-
Repos (Credit Balance)	9	4	4	105	16	8
Securities' Loans	-	-	-	-	-	-
Transactions w ith Derivatives	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-
<b>Total Collateral sold</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>105</b>	<b>16</b>	<b>8</b>
For trading purposes	18,872	20,367	24,226	20,752	50,574	58,754
For hedging purposes	9,313	8,763	5,079	4,221	10,487	7,682
Operations w / Derivatives & Securities	-	-	-	-	-	-
<b>Transactions with Derivatives</b>	<b>28,184</b>	<b>29,130</b>	<b>29,305</b>	<b>24,973</b>	<b>61,062</b>	<b>66,436</b>
<b>Total Operations w / Derivatives &amp; Securities</b>	<b>200,311</b>	<b>181,775</b>	<b>194,428</b>	<b>187,763</b>	<b>236,763</b>	<b>256,847</b>
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-
Income Tax Payable	1,341	1,331	1,792	1,513	2,402	1,204
Profit Sharing Payable	606	256	374	508	639	280
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-
Creditors for settlement of transactions	11,561	7,014	9,281	9,397	29,983	3,524
Margin Accounts Payable	-	-	-	-	-	-
Other Creditors & Accounts Payable	37,575	31,206	32,689	28,758	42,155	39,933
<b>Other Payable Accounts</b>	<b>51,082</b>	<b>39,808</b>	<b>44,137</b>	<b>40,176</b>	<b>75,179</b>	<b>44,941</b>
Subordinated Non Convertible Debt	33,327	53,953	55,515	48,050	58,423	57,321
Deferred Taxes, Net	-	-	-	-	-	-
Deferred Credits	505	475	460	385	221	304
<b>TOTAL LIABILITIES</b>	<b>1,056,082</b>	<b>1,046,845</b>	<b>1,042,747</b>	<b>1,035,276</b>	<b>1,179,984</b>	<b>1,226,044</b>
<b>EQUITY</b>						
Paid-in Capital	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	1,455	1,612	1,931	2,123	2,336	2,546
Subordinated Convertible Debentures	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>20,250</b>	<b>20,406</b>	<b>20,726</b>	<b>20,917</b>	<b>21,131</b>	<b>21,340</b>
Capital Reserves	14,847	17,330	17,330	17,330	17,330	18,959
Retained Earnings	77,622	64,882	58,082	50,883	77,595	75,094
Surplus (Deficit) of Secs Available for Sale	65	755	1,572	1,885	(2,824)	597
Results from Valuation of Hedging Secs	(3,082)	(2,912)	(2,676)	(2,287)	(3,965)	(1,423)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-
Results from Conversions	(13)	(18)	4	(34)	177	160
Remeasurements defined benefits for employees	(752)	(875)	(999)	(1,930)	(1,963)	(1,997)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	7,362	13,914	20,645	27,493	6,180	9,849
<b>Earned Capital</b>	<b>96,049</b>	<b>93,075</b>	<b>93,958</b>	<b>93,341</b>	<b>92,529</b>	<b>101,240</b>
Minority Interest	3	3	3	3	3	3
<b>Total Equity</b>	<b>116,301</b>	<b>113,484</b>	<b>114,686</b>	<b>114,261</b>	<b>113,663</b>	<b>122,583</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,172,383</b>	<b>1,160,329</b>	<b>1,157,433</b>	<b>1,149,536</b>	<b>1,293,647</b>	<b>1,348,628</b>

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<b>Bank - Memorandum Accounts</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
Investment Banking transactions for third parties, net	82,947	101,587	104,928	96,100	87,728	88,149
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>82,947</b>	<b>101,587</b>	<b>104,928</b>	<b>96,100</b>	<b>87,728</b>	<b>88,149</b>
<b>Proprietary Transactions</b>						
Endorsement Guarantees Granted	-	-	-	-	-	-
Loan Obligations	275,296	244,506	231,715	243,391	254,795	251,928
Trusts	445,853	456,152	457,200	452,406	422,525	319,659
Mandates	1,344	8,039	7,964	7,615	7,326	7,645
Properties in Trusts and Warrant	447,197	464,191	465,164	460,021	429,851	327,304
Properties in Custody or Management	451,005	443,311	433,982	376,241	401,255	398,204
Collateral Received	212,316	184,124	222,048	207,870	160,559	217,035
Collateral Received or sold	130,919	99,906	134,590	116,266	66,285	120,962
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	54	64	39	50	79	79
Uncollected Accrued Interest from Past Due Loans	632	317	322	298	294	289
Investments of Retirement Savings Funds	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-
Miscellaneous accounts	240,660	244,880	250,215	249,298	265,946	265,147
<b>Proprietary Transactions</b>	<b>1,758,077</b>	<b>1,681,299</b>	<b>1,738,075</b>	<b>1,653,435</b>	<b>1,579,063</b>	<b>1,580,948</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>1,758,077</b>	<b>1,681,299</b>	<b>1,738,075</b>	<b>1,653,435</b>	<b>1,579,063</b>	<b>1,580,948</b>

**BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**

JANUARY 1, 2020 – JUNE 30, 2020

*(Million Pesos)*

<b>Net Income</b>	<b>9,849</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	1,015
Provisions	95
Income taxes and deferred	3,046
Minority Interest	(49)
	<b>4,107</b>
	<b>13,956</b>
<b>Change in items related to operations</b>	
Change in Margin Accounts	(12,426)
Change in Investment in Securities	(52,823)
Change in repo debtors	87
Change in derivatives (assets)	(39,403)
Change in Loan Portfolio (net)	(30,542)
Change in purchased receivables (net)	(79)
Change in benefits to receive from securitizations	(18)
Change in foreclosed assets (net)	60
Change in other operating assets (net)	(19,416)
Change in core deposits	77,450
Change in interbank loans and other entities	30,281
Change in repo creditors	27,719
Change in collateral pledged sold	(98)
Change in derivatives (liability)	38,002
Change in subordinated debt with characteristics of liabilities	9,271
Change in other operating liabilities	5,114
Change in hedging instruments (the related hedged transaction activities)	2,103
Income Tax Payments	(3,387)
<b>Net cash generated or used from operations</b>	<b>45,851</b>
<b>Investment Activities</b>	
Charges for disposal of property, furniture and equipment	180
Payments for acquisition of property, furniture and equipment	(1,269)
Payments for Subsidiaries and associated Dispositions	(73)
Charges for cash dividends	32
<b>Net cash generated or used from investment activities</b>	<b>(1,130)</b>
<b>Financing Activities</b>	
Payments of interests of subordinated debentures	(1,628)
<b>Net cash flows from financing activities</b>	<b>(1,628)</b>
<b>Net Cash Increase (decrease) and equivalents value</b>	<b>43,093</b>
<b>Effects for changes in cash and equivalents value</b>	<b>162</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>62,282</b>
<b>Cash and cash equivalents at end of period</b>	<b>105,537</b>

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

JANUARY 1, 2020– JUNE 30, 2020

(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	
Balance as of December 31, 2019	18,794	2,123	17,330	50,883	1,885	(2,287)	(34)	(1,930)	27,493	3	114,260
<b>Changes stemming from stockholders' decisions</b>											
Capitalization of profits				27,493					(27,493)		0
Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 24, 2020.			1,629	(1,629)							0
Payment plan based on equity-settle shares in equity instruments		423									423
<b>Total</b>	<b>0</b>	<b>423</b>	<b>1,629</b>	<b>25,864</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(27,493)</b>	<b>0</b>	<b>423</b>
<b>Changes stemming from profits</b>											
<b>Total profits:</b>											
Net Income									9,849		9,849
Result from valuation of securities available for sale					(1,288)						(1,288)
Effect of subsidiaries, associates and mutual funds				(7)							(7)
Conversion accumulated effect							194				194
Result from valuation of instruments of cash flow hedges						864					864
Remeasurements defined benefits for employees				(18)				(67)			(85)
Interest of subordinated debentures				(1,628)							(1,628)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,653)</b>	<b>(1,288)</b>	<b>864</b>	<b>194</b>	<b>(67)</b>	<b>9,849</b>	<b>0</b>	<b>7,899</b>
Recognition of minority interest										1	1
Balance as of June 30, 2020	18,794	2,546	18,959	75,094	597	(1,423)	160	(1,997)	9,849	4	122,583

## Seguros Banorte

<b>Income Statement - Insurance - Seguros Banorte</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
Interest Income	444	464	464	340	517	643
Interest Expense	-	-	-	-	-	-
Premium Income (Net)	9,712	3,765	3,586	4,928	8,815	5,772
Net Increase in Technical Reserves	4,219	(664)	(790)	767	3,304	765
Damages, Claims and Other Obligations	2,699	3,158	2,896	3,181	2,767	3,674
<b>Net Interest Income</b>	<b>3,238</b>	<b>1,735</b>	<b>1,944</b>	<b>1,321</b>	<b>3,261</b>	<b>1,976</b>
<b>Fees Charged on Services</b>	-	-	-	-	-	-
<b>Fees Paid on Services</b>	<b>817</b>	<b>534</b>	<b>817</b>	<b>140</b>	<b>706</b>	<b>519</b>
Securities-Valuation Gains	-	-	-	-	-	-
Securities Trading	15	18	14	55	50	58
<b>Trading Income</b>	<b>15</b>	<b>18</b>	<b>14</b>	<b>55</b>	<b>50</b>	<b>58</b>
From Insurance	232	262	232	237	203	167
Losses and Estimates	(34)	31	(8)	(25)	(6)	(10)
Other Operating Income (Expense)	4	4	4	4	3	3
<b>Total Other Operating Income (Expenses)</b>	<b>202</b>	<b>297</b>	<b>228</b>	<b>216</b>	<b>200</b>	<b>160</b>
<b>Total Non-Interest Income</b>	<b>(600)</b>	<b>(218)</b>	<b>(575)</b>	<b>131</b>	<b>(456)</b>	<b>(301)</b>
<b>Total Operating Income</b>	<b>2,637</b>	<b>1,517</b>	<b>1,369</b>	<b>1,451</b>	<b>2,805</b>	<b>1,675</b>
Personnel	100	108	111	103	105	112
Employee Profit Sharing (PTU)	1	1	1	1	1	1
Professional Fees	58	76	98	64	78	70
Administrative and Promotional Expenses	103	78	86	124	117	96
Rents, Depreciation & Amortization	44	43	45	45	45	44
Taxes other than income tax & non-deductible expenses	28	26	25	29	22	27
Contributions to IPAB/Fobaproa	-	-	-	-	-	-
<b>Total Non-Interest Expense</b>	<b>334</b>	<b>333</b>	<b>365</b>	<b>367</b>	<b>368</b>	<b>351</b>
<b>Operating Income</b>	<b>2,303</b>	<b>1,184</b>	<b>1,004</b>	<b>1,084</b>	<b>2,436</b>	<b>1,324</b>
Subsidiaries' Net Income	416	434	423	353	332	630
<b>Pre-Tax Income</b>	<b>2,719</b>	<b>1,618</b>	<b>1,427</b>	<b>1,438</b>	<b>2,768</b>	<b>1,953</b>
Income Tax	695	362	314	327	736	399
Deferred Income Tax	(4)	(4)	(51)	(4)	(4)	(4)
<b>Taxes</b>	<b>691</b>	<b>358</b>	<b>263</b>	<b>323</b>	<b>732</b>	<b>395</b>
<b>Net Income from Continuous Operations</b>	<b>2,028</b>	<b>1,260</b>	<b>1,164</b>	<b>1,114</b>	<b>2,036</b>	<b>1,558</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	(10)	(10)	(10)	(10)	(7)	(13)
<b>Net Income</b>	<b>2,018</b>	<b>1,250</b>	<b>1,154</b>	<b>1,104</b>	<b>2,029</b>	<b>1,545</b>

<b>Insurance - Seguros Banorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
<b>ASSETS</b>						
<b>Cash and Due from Banks</b>	<b>63</b>	<b>423</b>	<b>965</b>	<b>303</b>	<b>1,765</b>	<b>2,861</b>
<b>Margin Accounts</b>	-	-	-	-	-	-
Negotiable Instruments	19,031	19,624	20,118	21,105	24,424	26,497
Securities Available for Sale	861	552	562	560	554	596
Securities Held to Maturity	(0)	(0)	(0)	(0)	(0)	(0)
<b>Investment in Securities</b>	<b>19,893</b>	<b>20,176</b>	<b>20,680</b>	<b>21,664</b>	<b>24,978</b>	<b>27,094</b>
Debtor Balance in Repo Trans,net	3,200	545	491	1,892	1,654	851
Securities Lending	-	-	-	-	-	-
Transactions w ith Derivatives	-	-	-	-	-	-
<b>Operations w /Derivatives &amp; Securities</b>	<b>3,200</b>	<b>545</b>	<b>491</b>	<b>1,892</b>	<b>1,654</b>	<b>851</b>
<b>Valuation adjustments for Asset Coverage</b>	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-
Account Receivables	164	281	355	443	289	346
Premium Debtors (Net)	10,970	8,611	5,972	4,059	7,581	8,937
Account Receivables from Reinsurance	11,532	10,884	10,920	7,787	8,162	8,872
Benef .receivab.securization transactions	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	371	365	357	356	346	342
Investment in Subsidiaries	12,840	13,273	13,696	14,062	12,849	13,241
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	250	250	297	298	298	298
Goodw ill and Intangibles	1,858	2,253	2,472	2,655	1,710	2,322
Other Assets Short and Long Term	91	87	90	91	91	93
<b>TOTAL ASSETS</b>	<b>61,233</b>	<b>57,148</b>	<b>56,296</b>	<b>53,610</b>	<b>59,723</b>	<b>65,256</b>

<b>Insurance - Seguros Banorte - Balance Sheet</b> <i>(Million Pesos)</i>	<b>1Q19</b>	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>
<b>LIABILITIES</b>						
Technical Reserves	29,792	27,986	27,003	24,928	28,696	31,526
<b>Total Operations w/ Derivatives &amp; Securities</b>	-	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,615	2,347	2,071	1,505	2,311	3,159
Income Tax Payable	699	1,044	1,358	1,685	754	1,146
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	2,582	2,397	2,422	2,440	2,800	2,834
<b>Other Payable Accounts</b>	<b>3,282</b>	<b>3,441</b>	<b>3,779</b>	<b>4,125</b>	<b>3,554</b>	<b>3,980</b>
Subordinated Non Convertible Debt	-	-	-	-	-	-
Deferred Taxes, Net	368	365	361	358	354	351
Deferred Credits	65	67	63	60	61	56
<b>TOTAL LIABILITIES</b>	<b>36,121</b>	<b>34,205</b>	<b>33,278</b>	<b>30,975</b>	<b>34,977</b>	<b>39,072</b>
<b>EQUITY</b>						
Paid-in Capital	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>13,928</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>	<b>13,928</b>
Capital Reserves	2,247	2,716	2,716	2,716	2,716	3,268
Retained Earnings	6,500	2,651	1,574	74	5,600	5,047
Surplus (Deficit) of Secs Available for Sale	74	99	111	116	107	172
Results from Valuation of Hedging Secs	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(5)	(55)	(79)	(83)	2	(182)
Results from Conversions	-	-	-	0	0	0
Remeasurements defined benefits for employees	8	8	7	12	12	12
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-
Net Income	2,018	3,268	4,422	5,526	2,029	3,573
<b>Earned Capital</b>	<b>10,842</b>	<b>8,686</b>	<b>8,751</b>	<b>8,361</b>	<b>10,466</b>	<b>11,890</b>
Minority Interest	343	329	338	345	352	366
<b>Total Equity</b>	<b>25,112</b>	<b>22,943</b>	<b>23,017</b>	<b>22,634</b>	<b>24,746</b>	<b>26,184</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>61,233</b>	<b>57,148</b>	<b>56,296</b>	<b>53,610</b>	<b>59,723</b>	<b>65,256</b>

## Information by Segments

### GFNorte - Income Statement as of June 30 '20

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	462	58,829	4,998	1,306	40	6,995
Premium Income (Net)	-	-	20,553	-	-	-
Interest Expense	-	23,891	-	820	0	6,413
Net Increase in Technical Reserves	-	-	9,162	-	-	-
Damages, Claims and Other Obligations	-	-	10,205	-	-	-
<b>Net Interest Income (NII)</b>	<b>462</b>	<b>34,938</b>	<b>6,184</b>	<b>487</b>	<b>40</b>	<b>582</b>
Preventive Provisions for Loan Losses	-	12,789	-	56	-	-
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>462</b>	<b>22,149</b>	<b>6,184</b>	<b>431</b>	<b>40</b>	<b>582</b>
Loan Origination Fees	-	10,898	-	100	-	614
Fees Paid	-	4,071	1,231	43	0	56
Trading Income	-	2,449	229	-	-	177
Other Operating Income (Expenses)	0	718	508	232	10	17
<b>Non Interest Income</b>	<b>0</b>	<b>20,238</b>	<b>2,578</b>	<b>374</b>	<b>10</b>	<b>1,174</b>
<b>Total Operating Income</b>	<b>462</b>	<b>42,387</b>	<b>8,762</b>	<b>804</b>	<b>50</b>	<b>1,756</b>
Administrative and Promotional Expenses	52	19,297	894	122	24	536
<b>Operating Income</b>	<b>410</b>	<b>12,847</b>	<b>4,795</b>	<b>598</b>	<b>26</b>	<b>797</b>
Subsidiaries' Net Income	15,262	49	961	-	-	(0)
<b>Pre-Tax Income</b>	<b>15,672</b>	<b>12,895</b>	<b>5,756</b>	<b>598</b>	<b>26</b>	<b>797</b>
Income Tax	-	2,893	1,140	141	6	244
Deferred Income Tax	72	153	295	10	1	(19)
<b>Net Income from Continuous Operations</b>	<b>15,600</b>	<b>9,849</b>	<b>4,321</b>	<b>447</b>	<b>19</b>	<b>572</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(89)	-	-	(0)
<b>Net Income</b>	<b>15,600</b>	<b>9,849</b>	<b>4,233</b>	<b>447</b>	<b>19</b>	<b>572</b>

### GFNorte - Income Statement as of June 30 '20

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	30	1	124	72,787	3,510	415	69,692
Premium Income (Net)	-	-	-	20,553	280	-	20,273
Interest Expense	-	-	227	31,351	-	3,405	27,947
Net Increase in Technical Reserves	-	-	-	9,162	-	-	9,162
Damages, Claims and Other Obligations	-	-	-	10,205	-	-	10,205
<b>Net Interest Income (NII)</b>	<b>30</b>	<b>1</b>	<b>(103)</b>	<b>42,621</b>	<b>-</b>	<b>-</b>	<b>42,651</b>
Preventive Provisions for Loan Losses	-	-	40	12,886	-	86	12,800
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>30</b>	<b>1</b>	<b>(144)</b>	<b>29,735</b>	<b>-</b>	<b>(86)</b>	<b>29,851</b>
Loan Origination Fees	948	-	27	12,587	1,066	-	11,521
Fees Paid	673	-	0	6,076	-	1,079	4,997
Trading Income	-	-	14	2,869	-	-	2,869
Other Operating Income (Expenses)	2	-	95	1,582	162	48	1,467
<b>Non Interest Income</b>	<b>1,623</b>	<b>-</b>	<b>(236)</b>	<b>25,761</b>	<b>1,228</b>	<b>1,136</b>	<b>23,511</b>
<b>Total Operating Income</b>	<b>1,653</b>	<b>1</b>	<b>(380)</b>	<b>55,496</b>	<b>1,228</b>	<b>1,051</b>	<b>53,362</b>
Administrative and Promotional Expenses	25	2	137	21,088	402	717	20,774
<b>Operating Income</b>	<b>282</b>	<b>(1)</b>	<b>(144)</b>	<b>19,609</b>	<b>-</b>	<b>-</b>	<b>19,938</b>
Subsidiaries' Net Income	4	-	(13)	16,263	15,305	43	1,001
<b>Pre-Tax Income</b>	<b>286</b>	<b>(1)</b>	<b>(157)</b>	<b>35,872</b>	<b>-</b>	<b>-</b>	<b>20,939</b>
Income Tax	79	0	-	4,503	-	-	4,503
Deferred Income Tax	(0)	-	-	511	100	-	611
<b>Net Income from Continuous Operations</b>	<b>207</b>	<b>(1)</b>	<b>(157)</b>	<b>30,859</b>	<b>-</b>	<b>-</b>	<b>15,825</b>
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(89)	171	71	(189)
<b>Net Income</b>	<b>207</b>	<b>(1)</b>	<b>(157)</b>	<b>30,770</b>	<b>20,896</b>	<b>5,319</b>	<b>15,636</b>

## GFNorte - Balance Sheet as of June 30 '20

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Cash and Due from Banks	1,838	105,537	3,905	712	8	2,394
Margin Accounts	-	18,353	-	-	-	-
Investment in Securities	11,044	298,926	180,728	-	-	165,233
Negotiable Instruments	-	95,379	30,460	-	-	117,995
Securities Available for Sale	-	184,050	697	-	-	46,445
Securities Held to Maturity	11,044	19,497	149,571	-	-	793
Debtor Balance in Repo Trans, net	-	1,928	851	-	-	-
Transactions with Derivatives For trading purposes	-	61,705	-	-	-	-
Transactions with Derivatives For hedging purposes	-	2,384	-	-	-	-
Valuation adjustments for Asset Coverage	-	62	-	-	-	-
Gross Loan Portfolio	-	770,796	-	29,013	-	-
Net Loan Portfolio	-	769,358	-	29,013	-	-
Performing Loans	-	778,548	-	29,124	-	-
Commercial Loans	-	300,483	-	25,770	-	-
Financial Intermediaries' Loans	-	23,733	-	632	-	-
Government Entities' Loans	-	161,457	-	2,714	-	-
Consumer Loans	-	115,593	-	8	-	-
Mortgage Loans	-	177,282	-	-	-	-
Medium and Residential	-	174,331	-	-	-	-
Low income housing	-	5	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	2,946	-	-	-	-
Past Due Loans	-	8,885	-	369	-	-
Commercial PDL's	-	2,240	-	364	-	-
Financial Intermediaries PDL's	-	-	-	-	-	-
Government Entities PDL's	-	111	-	4	-	-
Consumer PDL's	-	4,229	-	1	-	-
Mortgage PDL's	-	2,305	-	-	-	-
Medium and Residential	-	2,025	-	-	-	-
Low income housing	-	1	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	279	-	-	-	-
Preventive Loan Loss Reserves	-	18,075	-	479	-	-
Acquired Collection Rights	-	1,438	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	2,432	-	-	-
Premium Debtors (Net)	-	-	9,196	-	-	-
Account Receivables from Reinsurance	-	-	8,872	-	-	-
Benef. receivab. securization transactions	-	156	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	28	48,306	0	405	139	1,740
Inventories	-	-	-	-	1,299	-
Foreclosed Assets, Net	-	800	-	18	-	-
Real Estate, Furniture & Equipment, Net	-	26,482	355	3,560	58	120
Investment in Subsidiaries	166,749	491	13,241	-	-	2
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	267	1,126	-	36	4	-
Total other Assets	25,982	11,576	2,705	71	18	205
Goodwill	25,329	1,453	-	-	-	-
Intangible	653	10,016	2,611	71	3	26
Other Assets	-	106	94	-	15	179
<b>TOTAL ASSETS</b>	<b>205,908</b>	<b>1,348,628</b>	<b>222,285</b>	<b>33,814</b>	<b>1,526</b>	<b>169,694</b>



## GFNorte - Balance Sheet as of June 30 '20

(Million Pesos)

ASSETS	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Cash and Due from Banks	994	39	30	115,458	119	9,529	106,047
Margin Accounts	-	-	-	18,353	-	-	18,353
Investment in Securities	-	-	-	655,931	-	11,469	644,463
Negotiable Instruments	-	-	-	243,834	-	-	243,834
Securities Available for Sale	-	-	-	231,192	-	78	231,114
Securities Held to Maturity	-	-	-	180,905	-	11,391	169,514
Debtor Balance in Repo Trans, net	-	-	-	2,779	-	851	1,928
Transactions with Derivatives For trading purposes	-	-	-	61,705	-	-	61,705
Transactions with Derivatives For hedging purposes	-	-	-	2,384	-	-	2,384
Valuation adjustments for Asset Coverage	-	-	-	62	-	-	62
<b>Gross Loan Portfolio</b>	-	-	0	799,809	2,266	18,300	783,774
<b>Net Loan Portfolio</b>	-	-	0	798,371	2,266	18,300	782,337
<b>Performing Loans</b>	-	-	-	807,672	2,266	18,300	791,637
Commercial Loans	-	-	-	326,253	604	322	326,535
Financial Intermediaries' Loans	-	-	-	24,365	-	14,863	9,502
Government Entities' Loans	-	-	-	164,171	1,661	3,115	162,717
Consumer Loans	-	-	-	115,601	-	-	115,601
Mortgage Loans	-	-	-	177,282	-	-	177,282
Medium and Residential	-	-	-	174,331	-	-	174,331
Low income housing	-	-	-	5	-	-	5
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	2,946	-	-	2,946
<b>Past Due Loans</b>	-	-	0	9,254	-	-	9,254
Commercial PDL's	-	-	0	2,604	-	-	2,604
Financial Intermediaries PDL's	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	115	-	-	115
Consumer PDL's	-	-	-	4,229	-	-	4,229
Mortgage PDL's	-	-	-	2,305	-	-	2,305
Medium and Residential	-	-	-	2,025	-	-	2,025
Low income housing	-	-	-	1	-	-	1
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	279	-	-	279
<b>Preventive Loan Loss Reserves</b>	-	-	-	18,555	-	-	18,555
<b>Acquired Collection Rights</b>	-	-	-	1,438	-	-	1,438
<b>Account Receivables from Insurance and Annuities</b>	-	-	-	2,432	-	-	2,432
Premium Debtors (Net)	-	-	-	9,196	-	-	9,196
Account Receivables from Reinsurance	-	-	-	8,872	-	-	8,872
Benef. receivab. securization transactions	-	-	-	156	-	-	156
<b>Sundry Debtors &amp; Other Accs Rec, Net</b>	190	4	372	51,184	-	203	50,981
<b>Inventories</b>	-	-	-	1,299	-	-	1,299
<b>Foreclosed Assets, Net</b>	-	-	257	1,075	-	-	1,075
<b>Real Estate, Furniture &amp; Equipment, Net</b>	0	91	195	30,861	334	44	31,151
<b>Investment in Subsidiaries</b>	115	-	45	180,643	2,901	169,650	13,894
<b>Long-term assets held for sale</b>	-	-	-	-	-	-	-
<b>Deferred Taxes, Net</b>	0	-	1,007	2,440	-	2,239	201
<b>Total other Assets</b>	4	1	5,259	45,822	-	214	45,608
Goodwill	-	-	-	26,782	-	-	26,782
Intangible	0	1	242	13,624	-	149	13,475
Other Assets	4	-	5,017	5,416	-	65	5,351
<b>TOTAL ASSETS</b>	<b>1,303</b>	<b>136</b>	<b>7,165</b>	<b>1,990,460</b>	<b>5,619</b>	<b>212,498</b>	<b>1,783,581</b>

## GFNorte - Balance Sheet as of June 30 '20

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
<b>Deposits</b>	-	<b>821,721</b>	-	-	-	-
<b>Demand Deposits</b>	-	<b>479,142</b>	-	-	-	-
<b>Time Deposits</b>	-	<b>293,781</b>	-	-	-	-
Time Deposits-Retail	-	265,347	-	-	-	-
Time Deposits-Money Market	-	28,433	-	-	-	-
<b>Senior Unsecured Debt</b>	-	<b>46,430</b>	-	-	-	-
Cuenta global de captación sin movimientos	-	2,368	-	-	-	-
<b>Due to Banks &amp; Correspondents</b>	-	<b>44,910</b>	-	<b>26,300</b>	<b>1,241</b>	-
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	40,754	-	16,004	1,241	-
Long Term Loans	-	4,156	-	10,296	-	-
<b>Technical Reserves</b>	-	-	<b>179,847</b>	-	-	-
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	<b>190,404</b>	-	-	-	<b>163,658</b>
Collateral sold or pledged as collateral	-	8	-	-	-	0
Transactions with Derivatives for trading purposes	-	58,754	-	-	-	-
Transactions with Derivatives for hedging purposes	-	7,682	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	<b>3,159</b>	-	-	-
<b>Other Payable Accounts</b>	<b>0</b>	<b>44,941</b>	<b>4,210</b>	<b>1,064</b>	<b>21</b>	<b>1,588</b>
Income Tax Payable	-	1,204	1,148	215	5	147
Profit Sharing Payable	-	280	-	-	-	-
Creditors for settlement of transactions	0	3,524	-	-	-	1,107
Creditors for collateral received in cash	-	9,928	-	-	-	-
Other Creditors & Accounts Payable	0	30,005	3,062	849	16	335
<b>Subordinated Non Convertible Debt</b>	-	<b>57,321</b>	-	-	-	-
<b>Deferred Taxes, Net</b>	-	-	<b>2,099</b>	-	-	<b>139</b>
<b>Deferred Credits</b>	-	<b>304</b>	<b>56</b>	<b>95</b>	-	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>1,226,044</b>	<b>189,371</b>	<b>27,459</b>	<b>1,262</b>	<b>165,387</b>
<b>EQUITY</b>						
<b>Subscribed Capital</b>	<b>63,230</b>	<b>21,340</b>	<b>21,370</b>	<b>526</b>	<b>87</b>	<b>2,059</b>
Paid-in Capital	14,907	18,794	15,776	526	87	1,985
Share Subscription Premiums	48,323	2,546	5,594	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
<b>Earned Capital</b>	<b>142,678</b>	<b>101,240</b>	<b>11,242</b>	<b>5,830</b>	<b>177</b>	<b>2,248</b>
Capital Reserves	8,746	18,959	916	526	56	296
Retained Earnings	120,946	75,094	6,174	4,857	102	1,215
Surplus (Deficit) of Secs Available for Sale	568	597	91	-	-	(5)
Results from Valuation of Hedging Secs	(1,398)	(1,423)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(184)	-	(183)	-	-	-
Results from Conversions	326	160	-	-	-	169
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(1,927)	(1,997)	12	-	-	-
Net Income	15,600	9,849	4,233	447	19	572
Capital Mayoritario	205,908	122,580	32,612	6,356	264	4,307
Minority Interest	-	3	301	-	0	0
<b>Total Equity</b>	<b>205,908</b>	<b>122,583</b>	<b>32,914</b>	<b>6,356</b>	<b>264</b>	<b>4,307</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>205,908</b>	<b>1,348,628</b>	<b>222,285</b>	<b>33,814</b>	<b>1,526</b>	<b>169,694</b>

## GFNorte - Balance Sheet as of June 30 '20

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
<b>Deposits</b>	-	-	-	<b>821,721</b>	<b>20,573</b>	-	<b>801,148</b>
<b>Demand Deposits</b>	-	-	-	<b>479,142</b>	<b>9,282</b>	-	<b>469,861</b>
<b>Time Deposits</b>	-	-	-	<b>293,781</b>	<b>248</b>	-	<b>293,533</b>
Time Deposits-Retail	-	-	-	265,347	248	-	265,100
Time Deposits-Money Market	-	-	-	28,433	-	-	28,433
<b>Senior Unsecured Debt</b>	-	-	-	<b>46,430</b>	<b>11,044</b>	-	<b>35,386</b>
<b>Cuenta global de captación sin movimientos</b>	-	-	-	<b>2,368</b>	-	-	<b>2,368</b>
<b>Due to Banks &amp; Correspondents</b>	-	-	<b>4,229</b>	<b>76,680</b>	<b>14,863</b>	-	<b>61,817</b>
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	4,229	62,229	14,863	-	47,365
Long Term Loans	-	-	-	14,452	-	-	14,452
<b>Technical Reserves</b>	-	-	-	<b>179,847</b>	-	<b>82</b>	<b>179,930</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	-	-	<b>354,062</b>	<b>851</b>	-	<b>353,211</b>
<b>Collateral sold or pledged as collateral</b>	-	-	-	<b>8</b>	-	-	<b>8</b>
<b>Transactions with Derivatives for trading purposes</b>	-	-	-	<b>58,754</b>	-	-	<b>58,754</b>
<b>Transactions with Derivatives for hedging purposes</b>	-	-	-	<b>7,682</b>	-	-	<b>7,682</b>
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	-	<b>3,159</b>	-	-	<b>3,159</b>
<b>Other Payable Accounts</b>	<b>165</b>	<b>0</b>	<b>74</b>	<b>52,063</b>	<b>355</b>	<b>36</b>	<b>51,745</b>
Income Tax Payable	0	0	-	2,718	-	-	2,718
Profit Sharing Payable	-	-	-	280	-	-	280
Creditors for settlement of transactions	-	-	-	4,631	10	-	4,621
Creditors for collateral received in cash	-	-	-	9,928	-	-	9,928
Other Creditors & Accounts Payable	164	-	74	34,506	345	36	34,198
<b>Subordinated Non Convertible Debt</b>	-	-	-	<b>57,321</b>	-	-	<b>57,321</b>
<b>Deferred Taxes, Net</b>	-	-	-	<b>2,239</b>	<b>2,239</b>	-	-
<b>Deferred Credits</b>	-	-	<b>7</b>	<b>462</b>	-	-	<b>462</b>
<b>TOTAL LIABILITIES</b>	<b>165</b>	<b>0</b>	<b>4,310</b>	<b>1,613,998</b>	<b>38,881</b>	<b>119</b>	<b>1,575,237</b>
<b>EQUITY</b>							
<b>Subscribed Capital</b>	<b>170</b>	<b>144</b>	<b>11,784</b>	<b>120,711</b>	<b>57,815</b>	<b>322</b>	<b>63,217</b>
Paid-in Capital	170	144	11,768	64,158	49,257	-	14,901
Share Subscription Premiums	-	-	16	56,553	8,559	322	48,316
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
<b>Earned Capital</b>	<b>969</b>	<b>(8)</b>	<b>(8,929)</b>	<b>255,446</b>	<b>113,143</b>	<b>380</b>	<b>142,684</b>
Capital Reserves	34	2	117	29,652	20,905	-	8,746
Retained Earnings	728	(10)	(8,889)	200,218	79,608	300	120,910
Surplus (Deficit) of Secs Available for Sale	-	-	-	1,252	678	-	574
Results from Valuation of Hedging Secs	-	-	-	(2,821)	(1,423)	-	(1,398)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	(368)	(183)	-	(184)
Results from Conversions	-	-	-	655	329	-	326
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(3,912)	(1,985)	-	(1,927)
Net Income	207	(1)	(157)	30,770	15,214	80	15,636
Capital Mayoritario	1,139	136	2,855	376,157	170,958	702	205,901
Minority Interest	-	-	-	305	-	2,139	2,443
<b>Total Equity</b>	<b>1,139</b>	<b>136</b>	<b>2,855</b>	<b>376,462</b>	<b>170,958</b>	<b>2,840</b>	<b>208,344</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,303</b>	<b>136</b>	<b>7,165</b>	<b>1,990,460</b>	<b>209,839</b>	<b>2,959</b>	<b>1,783,581</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 must 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 2Q20
Corporate bonds	\$183.0	\$36.6	\$164.7

- 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 2Q20
Corporate bonds	\$2,427.8	\$485.5	\$2,305.4

The 20% annual application is registered proportionally each month in 2020.

The amounts that would have been registered and presented in the balance sheet as of June 30<sup>th</sup>, 2020, had the aforementioned option in the affected lines not been implemented are:

Other creditors & accounts payable <sup>(1)</sup>	34,339
<b>Total liabilities</b>	<b>1,575,377</b>
Results from prior years	120,892
Measurements of defined benefits for employees	(2,049)
<b>Total equity</b>	<b>208,204</b>
<b>Total liabilities plus equity</b>	<b>1,783,440</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<sup>th</sup>, 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 June 30<sup>th</sup>, 2020, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 579 million, with maturities between 2022 and 2027.

## Special accounting treatment of the support programs granted by the Institution derived from the COVID-19 Contingency

Given the negative impact generated in various activities of the economy derived from the SARS-CoV2 (COVID-19) virus epidemic in Mexico, the Institution has decided to support its clients by implementing various support programs that will be applicable to all customers who enroll into the program from March 25<sup>th</sup> through June 31<sup>st</sup>, 2020, according to the following:

### Credit card:

- The support consists of voiding the monthly minimum payment of the card for 4 months, without affecting the individual's bureau record, nor charging collection expenses or late payment fees; this will be valid upon receipt of an e-mail confirmation of successful enrollment in the program.
- The normal payment requirement will be the month immediately after the end of the support period, that is, August 2020.
- The balance held in the account during the support period will accrue ordinary interest that will be calculated monthly, will be informed to the client, but not capitalized.
- Payments will be allowed at any time.
- The credit card enrolled in the support program remains available for purchases and cash withdrawals pursuant to the applicable credit policies and the current terms and conditions.

### Payroll loans:

- Program consists on postponing payment of principal, interest, insurance, and fees equivalent to 4 months, depending on payment frequency.
- The deferral applies upon e-mail confirmation of successful enrollment in the program.
- At the end of the support period, payment requirements will be resumed in the same amount as before the program.
- The client will not pay additional interest during the program or the extension of the term.
- Advance payments are allowed at any time without penalties, if customers wish to conclude their loan payments on the original date.

### Personal loans:

- Program consists on postponing payment of principal, interest, insurance, and fees equivalent to 4 months, depending on the frequency of payment.
- The deferral applies upon e-mail confirmation of successful enrollment in the program.
- At the end of the support period, payment requirements will be resumed in the same amount as before the program.
- The client will not pay additional interest during the program or the extension of the term.
- Advance payments are allowed at any time without penalties, if customers wish to conclude their loan payments on the original date.

Auto loans:

- Program consists on deferring principal and interest payment on the loan for the following 4 months after receiving email confirmation of successful enrollment in the program.
- The 4 monthly payments will be appended to the end of the original term.
- The normal payment will be resumed immediately after the end of the deferral period.
- Accrued interest during the 4-months period will not generate any additional interest or fees.
- Advance payments are allowed at any time without penalties, if customers wish to conclude their loan payments on the original date.

Mortgage loans:

- Program consists on deferring principal and interest payment on the loan for the following 4 months after receiving email confirmation of successful enrollment in the program.
- The 4 monthly payments will be appended to the end of the original term.
- The normal payment will be resumed immediately after the end of the deferral period.
- Accrued interest during the 4-months period will not generate any additional interest or fees.
- Advance payments are allowed at any time without penalties if customers wish to conclude their loan payments on the original date.

SME loans:

For term-loans:

- Support consists on not requiring monthly payment (principal and interest) for up to 4 months
- Deferred installment will be appended to the end of the original term.
- Loans close to the end of their term, will be extended for up to 4 months.

For revolving loans:

- Support consists on not requiring the monthly interest payment for up to 4 months and at the same time the credit term will be extended for up to 4 months.
- Interest is appended to end of the term.
- Making full or partial payment of the principal at the end of the original term or during the life of the loan, does not exempt the client from paying the deferred interest.
- The credits that are about to end will have an extension of the term according to the remaining months and the payment of the principal will be sent forward to the new end date.
- During the extension of the term, the corresponding interest payment must be covered according to the requirements set forth in the loan agreement.

As per the above, on March 27<sup>th</sup>, 2020 the banking regulator (Comisión Nacional Bancaria y de Valores, "CNBV"), issued Special Accounting Criteria, applicable to the Institution from February 28<sup>th</sup>, 2020 through June 27<sup>th</sup> 2020, by which it authorized that performing loans as of February 28<sup>th</sup>, 2020, in accordance with paragraph 12 of criterion B-6 "loan portfolio" (criterion B-6), to which principal and interest payments were deferred according to the program, will not be regarded as restructured loans in terms of paragraphs 79 and 80, likewise, that the requirements established in paragraphs 82 and 84 of Criterion B-6 not be applied to them, so that they remain as a performing loans during the term agreed in the program. Therefore, such loans are regarded as a current portfolio as it relates to preventive estimation.

Additionally, the loans for which payments will be deferred shall not be considered as restructured in accordance with the provisions set forth on paragraph 40 of Criterion B-6, nor shall they be reported as past due loans to the credit information entities.

The amounts that would have been recorded and presented both in the balance sheet and in the income statement by type of portfolio, had this special accounting criteria not been applied, as well as the details of the items and amounts by type of portfolio affected by accounting due to the application of the special accounting criteria as of June 30<sup>th</sup>, 2020, are:

Concept	Balances with COVID support	Estimated effects in portfolio	Balances without COVID support
<b>PERFORMING LOAN PORTFOLIO</b>			
Commercial Loans	\$498,754	\$ -	\$498,754
Consumer Loans	115,601	(143)	115,458
Mortgage Loans	177,282	(271)	177,011
<b>TOTAL PERFORMING LOAN PORTFOLIO</b>	<b>791,637</b>	<b>(355)</b>	<b>791,222</b>
<b>PAST DUE LOAN PORTFOLIO</b>			
Commercial Loans	2,720	-	2,720
Consumer Loans	4,229	143	4,372
Mortgage Loans	2,305	271	2,576
<b>TOTAL PAST DUE LOAN PORTFOLIO</b>	<b>9,254</b>	<b>415</b>	<b>9,669</b>
<b>TOTAL LOAN PORTFOLIO</b>	<b>800,891</b>	<b>-</b>	<b>800,891</b>
(Less) LOAN RESERVES	(18,555)	(860)	(19,415)
<b>LOAN PORTFOLIO, (NET)</b>	<b>782,336</b>	<b>(860)</b>	<b>781,476</b>
<b>TOTAL ASSETS</b>	<b>1,783,581</b>	<b>(860)</b>	<b>1,782,721</b>
Provision for loan losses (Results)	12,800	860	13,660
<b>NET RESULT</b>	<b>15,636</b>	<b>(860)</b>	<b>14,776</b>
<b>TOTAL EQUITY</b>	<b>208,344</b>	<b>(860)</b>	<b>207,484</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,783,581</b>	<b>(\$860)</b>	<b>1,782,721</b>

- During the extension of the term, the corresponding interest payment must be covered according to the obligations of the credit agreement.

As of June 30<sup>th</sup>, 2020, the amount of loans subject to program support is PS 131.9 billion.

## New Financial Reporting Standards

Pursuant to the press release issued by the CNBV (Comisión Nacional Bancaria y de Valores) on April 8<sup>th</sup>, 2020, the initial enforcement of the Resolution published in the Official Gazette of the Federation (DOF) on March 13<sup>th</sup>, 2020, regarding the Financial Reporting Standards (NIF) issued by the Mexican Council of Financial Information Standards (CINIF), referred to in paragraph 3 of Criterion A-2 "Application of particular standards" of Annex 33, will enter into force on January 1<sup>st</sup>, 2022.

To date, we are in the process of analyzing the impact that such NIF may have on the financial statements.

NIFs issued and coming into force in January 1<sup>st</sup>, 2022 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".
- NIF B-5 "Financial information by segments".
- NIF B-12 "Compensation of financial assets and financial liabilities".
- NIF C-2 "Investment in financial assets".
- NIF C-10 "Derivative and hedging financial instruments".
- NIF C-13 "Related parties".
- NIF C-14 "Transfer and derecognition of financial assets".
- NIF C-22 "Cryptocurrencies".

## 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	mar-20	jun-20	ago-02	mar-20	jun-20	ago-02	mar-20	jun-20
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	4	3	0	0	0	54	4	3
<b>Performing Loans</b>	<b>59</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>4</b>	<b>3</b>
Commercial	405	183	183	293	2	2	698	184	184
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	189	189	0	0	0	1,112	189	189
<b>Non Performing Loans</b>	<b>1,598</b>	<b>443</b>	<b>443</b>	<b>293</b>	<b>2</b>	<b>2</b>	<b>1,891</b>	<b>445</b>	<b>444</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>447</b>	<b>446</b>	<b>298</b>	<b>2</b>	<b>2</b>	<b>1,955</b>	<b>448</b>	<b>448</b>
Commercial	326	183	183	246	2	2	572	184	184
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	191	191	0	0	0	669	191	191
<b>Loan Loss Reserves (1)</b>	<b>1,072</b>	<b>445</b>	<b>444</b>	<b>246</b>	<b>2</b>	<b>2</b>	<b>1,318</b>	<b>446</b>	<b>446</b>

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

(\*) There was a reserve difference of Ps \$72 million as of June 2020.

(\*) 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 2Q20 the Loan portfolio showed no changes related to charge offs and discounts; foreclosed assets decreased by (Ps 0.1) million; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 0.3 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.

(Millones de Pesos Nominales)	Moneda Nacional (1)		Moneda Extranjera (USD) (2)		Total	
	mar-20	jun-20	mar-20	jun-20	mar-20	jun-20
<b>Cartera Vigente</b>						
Créditos Comerciales	391,374	403,465	82,364	82,274	473,738	485,739
Créditos a Entidades Financieras	0	0	0	0	0	0
Créditos al Consumo	116,200	115,593	0	0	116,200	115,593
Créditos a la Vivienda	173,229	177,286	0	0	173,229	177,286
<b>Cartera Vigente</b>	<b>680,803</b>	<b>696,344</b>	<b>82,365</b>	<b>82,274</b>	<b>763,167</b>	<b>778,618</b>
<b>Cartera Vencida</b>						
Créditos Comerciales	4,925	2,529	1,999	6	6,924	2,535
Créditos al Consumo	4,089	4,300	0	0	4,089	4,300
Créditos a la Vivienda	2,259	2,494	0	0	2,259	2,494
<b>Total Cartera Vencida</b>	<b>11,272</b>	<b>9,323</b>	<b>1,999</b>	<b>6</b>	<b>13,271</b>	<b>9,329</b>
<b>CARTERA TOTAL</b>	<b>692,075</b>	<b>705,667</b>	<b>84,364</b>	<b>82,280</b>	<b>776,439</b>	<b>787,947</b>
<b>Reservas Crediticias</b>	<b>16,451</b>	<b>18,198</b>	<b>1,929</b>	<b>325</b>	<b>18,380</b>	<b>18,523</b>
<b>Cartera Neta</b>	<b>675,623</b>	<b>687,469</b>	<b>82,435</b>	<b>81,955</b>	<b>758,059</b>	<b>769,424</b>
<b>Reservas a Cartera</b>					<b>138.49%</b>	<b>198.55%</b>
<b>% Cartera Vencida</b>					<b>1.71%</b>	<b>1.18%</b>

1. Includes UDIS.

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

## Notes to Financial Statements

### FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q20

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>191,351</b>	<b>1,665</b>	<b>321</b>	<b>193,337</b>
<b>Unrestricted</b>	<b>18,762</b>	<b>420</b>	<b>261</b>	<b>19,443</b>
BONDES D	-	-	-	-
BONDES M	(1,832)	1	(1)	(1,833)
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	13	0	2	15
Municipalities Securities	0	0	0	0
UDI Securities	-	-	-	-
CETES	15,877	413	141	16,430
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	4,704	7	119	4,830
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>172,589</b>	<b>1,245</b>	<b>60</b>	<b>173,894</b>
BONDES D	34,895	81	(52)	34,924
BONDES M	2,826	13	37	2,876
BPA	128,075	1,141	55	129,272
BREMS	-	-	-	-
Government Securities	2,068	5	(4)	2,069
Municipalities Securities	119	4	0	123
UDI Securities	0	0	(0)	0
CETES	4,040	-	15	4,055
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	566	1	9	575
<b>Banking Securities</b>	<b>40,655</b>	<b>94</b>	<b>(5)</b>	<b>40,743</b>
<b>Unrestricted</b>	<b>2,244</b>	<b>0</b>	<b>0</b>	<b>2,244</b>
Bank Acceptances	4	-	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	0	3
Bank Securities	41	0	0	41
Deposit Certificates	429	0	0	429
Structured Notes	-	-	-	-
Other Banking Securities	213	0	0	213
Promissory Notes	1,554	-	(0)	1,554
<b>Restricted</b>	<b>38,411</b>	<b>94</b>	<b>(5)</b>	<b>38,500</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	2,143	6	(0)	2,149
Bank Securities	16,705	40	(9)	16,736
Deposit Certificates	18,546	47	3	18,596
Structured Notes	-	-	-	-
Other Banking Securities	889	1	1	891
Promissory Notes	128	-	0	128
<b>Private Securities</b>	<b>8,868</b>	<b>31</b>	<b>855</b>	<b>9,754</b>
<b>Unrestricted</b>	<b>8,105</b>	<b>28</b>	<b>882</b>	<b>9,015</b>
Shares	467	-	506	973
Investment Company Shares	5,192	-	304	5,496
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,291	4	94	1,388
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,156	24	(22)	1,158
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
<b>Restricted</b>	<b>763</b>	<b>3</b>	<b>(27)</b>	<b>739</b>
Shares	92	-	(13)	79
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	671	3	(14)	660
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixø Bank Acq	-	-	-	-
<b>Total</b>	<b>240,874</b>	<b>1,789</b>	<b>1,171</b>	<b>243,834</b>

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q20

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>174,436</b>	<b>1,714</b>	<b>1,790</b>	<b>177,941</b>
<b>Unrestricted</b>	<b>9,467</b>	<b>64</b>	<b>205</b>	<b>9,737</b>
BONDES D	-	-	-	-
BONDES M	(11)	-	(0)	(11)
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	3,131	5	12	3,148
Municipalities Securities	182	5	46	233
UDI Securities	-	-	-	-
CETES	899	-	1	900
CETES (Special)	-	-	-	-
Government Eurobonds	5,715	55	147	5,916
Udibonds	(449)	-	0	(449)
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>164,969</b>	<b>1,650</b>	<b>1,585</b>	<b>168,204</b>
BONDES D	-	-	-	-
BONDES M	557	2	(0)	559
BPA	93,453	963	76	94,492
BREMS	7,778	22	-	7,800
Government Securities	4,083	19	(63)	4,039
Municipalities Securities	2,427	2	18	2,447
UDI Securities	-	-	-	-
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	54,358	634	1,509	56,502
Udibonds	2,312	8	45	2,365
<b>Banking Securities</b>	<b>33,696</b>	<b>113</b>	<b>170</b>	<b>33,979</b>
<b>Unrestricted</b>	<b>33,696</b>	<b>113</b>	<b>170</b>	<b>33,979</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	1,840	18	54	1,912
Bank Securities	2,485	5	64	2,553
Deposit Certificates	22,600	89	8	22,696
Structured Notes	511	-	41	551
Other Banking Securities	1,260	2	3	1,265
Promissory Notes	5,001	-	1	5,002
<b>Restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>20,339</b>	<b>224</b>	<b>(1,369)</b>	<b>19,194</b>
<b>Unrestricted</b>	<b>18,480</b>	<b>210</b>	<b>(1,124)</b>	<b>17,565</b>
Shares	34	-	50	83
Investment Company Shares	902	-	8	910
ADRs	-	-	-	-
Stock Certificates BORHIS	87	0	(80)	7
Corporate Stock Certificates	7,065	32	(311)	6,786
Trust Stock Certificates	-	-	-	-
Private Eurobonds	10,391	178	(791)	9,779
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
<b>Restricted</b>	<b>1,859</b>	<b>14</b>	<b>(244)</b>	<b>1,629</b>
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,859	14	(244)	1,629
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
<b>Total</b>	<b>228,471</b>	<b>2,051</b>	<b>592</b>	<b>231,114</b>

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q20

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>162,378</b>	<b>450</b>	-	<b>162,828</b>
<b>Unrestricted</b>	<b>146,905</b>	<b>350</b>	-	<b>147,254</b>
BONDES D	-	-	-	-
BONDES M	243	2	-	245
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,618	23	-	1,641
Municipalities Securities	2,133	43	-	2,176
UDI Securities	223	2	-	225
CETES	-	-	-	-
CETES (Special)	578	-	-	578
Government Eurobonds	-	-	-	-
Udibonds	142,109	281	-	142,389
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>15,474</b>	<b>100</b>	-	<b>15,574</b>
BONDES D	-	-	-	-
BONDES M	12,559	87	-	12,647
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,915	12	-	2,927
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
<b>Banking Securities</b>	<b>1,264</b>	<b>884</b>	-	<b>2,148</b>
<b>Unrestricted</b>	<b>1,264</b>	<b>884</b>	-	<b>2,148</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	784	16	-	800
Deposit Certificates	300	692	-	992
Structured Notes	180	177	-	357
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>4,121</b>	<b>764</b>	-	<b>4,885</b>
<b>Unrestricted</b>	<b>2,275</b>	<b>759</b>	-	<b>3,034</b>
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	993	759	-	1,752
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,280	-	-	1,280
CP	-	-	-	-
<b>Restricted</b>	<b>1,847</b>	<b>4</b>	-	<b>1,851</b>
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,847	4	-	1,851
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	(347)	-	-	(347)
<b>Total</b>	<b>167,417</b>	<b>2,098</b>	-	<b>169,514</b>

**REPURCHASE AGREEMENT OPERATIONS 2Q20**
*(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	116,928	115,008	1,928	8	309,252
Banking securities	23,540	23,540	-	0	36,361
Private Securities	5,272	5,272	-	-	7,598
<b>Total</b>	<b>145,741</b>	<b>143,820</b>	<b>1,928</b>	<b>8</b>	<b>353,211</b>

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 2Q20**
*(Million Pesos)*

Creditor Balance	
Instrument	Fair Value
<b>Futures</b>	
TIE 28 Futures	-
<b>Forward</b>	
Fx Forward	181
<b>Options</b>	
Rate options	345
Fx options	1,713
Warrants	-
<b>Swaps</b>	
Rate swap	47,044
Fx swap	12,128
Credit swap	294
<b>Negotiable Total</b>	<b>61,705</b>
<b>Options</b>	
Rate Options	-
Fx options	-
<b>Swaps</b>	
Rate swap	1,385
Fx swap	999
Credit swap	-
<b>Hedging total</b>	<b>2,384</b>
<b>Position total</b>	<b>64,089</b>

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 2Q20  
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
<b>Futures</b>	
TIE 28 Futures	-
<b>Forward</b>	
Fx Forward	106
<b>Options</b>	
Rate options	250
Fx options	1,189
<b>Swaps</b>	
Rate swap	41,949
Fx swap	15,260
Credit swap	-
<b>Negotiable Total</b>	<b>58,754</b>
<b>Options</b>	
Rate Options	-
Fx options	-
<b>Swaps</b>	
Rate swap	-
Fx swap	7,682
Credit swap	-
<b>Hedging total</b>	<b>7,682</b>
<b>Position total</b>	<b>66,436</b>

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2Q20 - Banorte  
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
<b>FX Forwards</b>	Purchases	Exchange Rate (USD/MXN)	5,545	73
<b>FX Forwards</b>	Sales	Exchange Rate (USD/MXN)	7,953	84
<b>FX Options</b>	Purchases	Exchange Rate (Dollar)	27,524	35
<b>FX Options</b>	Sales	Exchange Rate (Dollar)	27,586	17
<b>Interest Rate Options</b>	Purchases	TIE	25,728	68
<b>Interest Rate Options</b>	Sales	TIE	36,075	335
<b>Interest Rate Options</b>	Purchases	LIBOR	6,488	23
<b>Interest Rate Options</b>	Sales	LIBOR	6,321	22
<b>Interest Rate Swaps</b>	USD LIBOR	LIBOR	409,282	3,270
<b>Interest Rate Swaps</b>	MXN TIE	TIE	1,008,905	3,338
<b>Interest Rate and FX Swaps</b>	CS USDMXN	FIX/VARIABLE	163	2
<b>Interest Rate and FX Swaps</b>	CS USDMXN	VARIABLE/VARIABLE	108,945	123
<b>Interest Rate and FX Swaps</b>	CS USDMXN	FIX/FIX	22,736	40
<b>Interest Rate and FX Swaps</b>	CS CHF MXN	FIX/FIX	9,185	3
<b>Interest Rate and FX Swaps</b>	CS CHF MXN	FIX/VARIABLE	5,152	2
<b>Interest Rate and FX Swaps</b>	CS EUR MXN	FIX/FIX	13,788	66
<b>Interest Rate and FX Swaps</b>	CS GB PMXN	FIX/FIX	2,900	12
<b>Credit Derivatives</b>	CDS USD	D2_PEMEX_150927	1,247	5

LOAN PORTFOLIO								
<i>(Million Pesos)</i>								
	Local Currency		UDIS		Foreign Currency		Total	
	2Q19	2Q20	2Q19	2Q20	2Q19	2Q20	2Q19	2Q20
<b>Performing Loans</b>								
Commercial Loans	235,143	250,379	0	-	59,448	76,156	294,591	326,535
Financial Intermediaries' Loans	7,942	9,364	0	-	0	138	7,942	9,502
Consumer Loans	115,577	115,601	0	-	0	-	115,577	115,601
Mortgage Loans	162,507	177,191	112	91	0	-	162,619	177,282
Government Entities' Loans	171,162	149,063	6,508	2,506	9,784	11,148	187,454	162,717
<b>Total</b>	<b>692,331</b>	<b>701,598</b>	<b>6,620</b>	<b>2,597</b>	<b>69,232</b>	<b>87,442</b>	<b>768,183</b>	<b>791,637</b>
<b>Past Due Loans</b>								
Commercial Loans	6,506	2,600	0	0	1,640	4	8,146	2,604
Financial Intermediaries' Loans	4	0	0	-	0	-	4	-
Consumer Loans	4,716	4,229	0	-	0	-	4,716	4,229
Mortgage Loans	1,680	2,291	17	14	0	0	1,696	2,305
Government Entities' Loans	4	115	-	-	-	-	4	115
<b>Total</b>	<b>12,911</b>	<b>9,236</b>	<b>17</b>	<b>14</b>	<b>1,640</b>	<b>4</b>	<b>14,567</b>	<b>9,254</b>
<b>Total Proprietary Loans</b>	<b>705,242</b>	<b>710,834</b>	<b>6,637</b>	<b>2,611</b>	<b>70,871</b>	<b>87,447</b>	<b>782,750</b>	<b>800,891</b>

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND  
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 2Q20- GFNorte**

	<i>(Million Pesos)</i>	
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	(4.8%)	0.0
Mortgage FOVI	-	-
	<b>(4.8%)</b>	<b>0.0</b>



**DEFERRED TAXES 2Q20***(Million Pesos)*

<b>ASSETS</b>	<b>INCOME TAX</b>	<b>NET</b>
Global Loss Reserves Loan Portfolio	5,430	<b>5,430</b>
Non deductible provisions and cumulative income	1,478	<b>1,478</b>
Excess of accounting value over fiscal value on Repossessed Assets	303	<b>303</b>
Diminishable profit sharing	192	<b>192</b>
Fees received in advance	774	<b>774</b>
Effects from valuation of instruments	-	-
Tax losses pending amortization	976	<b>976</b>
Provisions for possible loss in loans	401	<b>401</b>
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	332	<b>332</b>
<b>Total Assets</b>	<b>9,886</b>	<b>9,886</b>
<b>LIABILITIES</b>		
Pension Funds Contribution	(122)	<b>(122)</b>
Loan Portfolio Acquisitions	(416)	<b>(416)</b>
Projects to be capitalized	(5,843)	<b>(5,843)</b>
Intangibles' amortizations	-	-
Effects from valuation of instruments	(2,934)	<b>(2,934)</b>
Intangibles' amortizations	(360)	<b>(360)</b>
Unrealized Loss on Securities held for Sale	(9)	<b>(9)</b>
<b>Total Liabilities</b>	<b>(9,684)</b>	<b>(9,684)</b>
Assets (Liabilities) Accumulated Net	201	<b>201</b>

## LONG TERM DEBT AS OF JUNE 30 2020 - 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	495	1,749	1,785	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	2,771	10 years	9.250%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	6,793	15 years	5.750%	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	8,081	Perpetual	6.875%	Perpetual	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	12,699	Perpetual	7.625%	Perpetual	Quarterly
Eurobond (Swiss francs) 2018 (BANO589)	CHF	14-jun-18	100	1,983	2,437	1,279 days	0.875%	14-dic-21	Annual
Certificates 94 BINTER 16U	UDIS	13-oct-16	365	2,000	2,353	10 years	4.970%	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
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	1,092 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	1,820 days	TIIE +0.17%	10-may-24	28 days
Eurobond (Swiss francs) 2019 (BANO397)	CHF	11-abr-19	250	4,694	6,092	1,279 days	1.550%	11-oct-22	Annual
Non Convertible Subordinated Bonds 2019 (BANO64_999999)	USD	27-jun-19	600	11,501	13,854	Perpetual	6.750%	Perpetual	Quarterly
Non Convertible Subordinated Bonds 2019 (BANO48_999999)	USD	27-jun-19	500	9,584	11,545	Perpetual	7.500%	Perpetual	Quarterly
Eurobond (Swiss francs) 2019 (BANO43)	CHF	18-sep-19	160	3,112	3,899	1,552 days	0.450%	18-dic-23	Annual
Eurobond (Swiss francs) 2020 (BANO664)	CHF	06-mar-20	225	4,826	5,483	1,736 days	0.500%	06-dic-24	Annual
Stock certificates 94 BANORTE 20	MXN	08-may-20	11,000	11,000	11,000	367 days	TIIE +0 %	10-may-21	28 days

## BANK AND OTHER ENTITIES LOANS' AS OF 2Q20

*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	30,593	30,593
Loans from Development Banks	12,275	5,729	18,004
Loans from Public Funds	8,284	2,030	10,313
Call Money & Loans from Banks	16,590	-	16,590
Loans from Fiduciary Funds	60	-	60
Provisions for Interest	1,119	-	1,119
	<b>38,328</b>	<b>38,352</b>	<b>76,680</b>
Eliminations			(14,863)
<b>Total</b>			<b>61,817</b>

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -  
INTEREST RATES 2Q20**

<b>CORE DEPOSITS (BANORTE)</b>	
<b>Demand Deposits</b>	
Local Currency and UDIs	1.38%
Foreign Currency	0.04%
<b>Time Deposits - Retail</b>	
Local Currency and UDIs	4.71%
Foreign Currency	0.30%
<b>Time Deposits - Money Market</b>	
Local Currency and UDIs	6.00%
<b>DUE TO BANKS &amp; CORRESPONDENTS (BANORTE)</b>	
<b>Immediate Redemption Loans</b>	
Local Currency and UDIs	7.25%
<b>Public Funds and Development Banks</b>	
Local Currency and UDIs	10.22%
Foreign Currency	0.11%

**MAIN CREDIT LINES RECEIVED 2Q20 (BANORTE)**

*Million pesos*

	<b>2Q19</b>	<b>1Q19</b>	<b>2Q20</b>	<b>Change vs. 2Q19</b>	<b>Change vs.2Q20</b>
Banxico (Monetary Regulation Deposits)	37,458	37,458	32,814	(12%)	(12%)
Banxico (Repos with the System of Payments)	60,365	59,836	79,886	32%	34%
Banxico (Red and Green facilities)	-	-	184,969	0%	0%
Banxico USD Credit Auction	-	-	63,496	0%	0%
Call Money	173,025	173,173	177,020	2%	2%
<b>TOTAL</b>	<b>270,848</b>	<b>270,467</b>	<b>538,186</b>	99%	99%

## TRADING INCOME 2Q20

*Million Pesos*

<b>Trading income</b>	<b>Consolidated</b>
<b>Securities - Unrealized gains</b>	<b>(376)</b>
Negotiable instruments	<b>(277)</b>
Derivative instruments - Negotiation	<b>(91)</b>
Derivative instruments - Hedging	<b>(7)</b>
<b>Impairment loss or revaluation increase</b>	<b>0</b>
<b>Result from foreign exchange valuation</b>	<b>715</b>
<b>Result from valuation of precious metals</b>	<b>19</b>
<b>Result from purchase/sale of securities and derivatives</b>	<b>2,599</b>
Negotiable instruments	<b>341</b>
Securities held for sale	<b>838</b>
Derivative instruments - Hedging	<b>1,420</b>
<b>Result from purchase/sale of foreign exchange</b>	<b>(92)</b>
<b>Result from purchase/sale of precious metals</b>	<b>5</b>
<b>Total</b>	<b>2,869</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 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. Therefore, 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 second quarter of 2020, 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, client support programs, 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. Various activities regarding internal accounting control were established, in accordance with the work plan established at the beginning of the year.
- F. Effectiveness tests related to the Business Continuity Plan were carried out. In this matter, regarding the global contingency represented by COVID 19, the Continuity Plan was activated under its Pandemic section. The actions implemented have responded to the considerations of each moment and are consistent with the assessment of an incremental risk.
- 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. That is, it collects through checking accounts and time deposits from 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 June 30, 2020, and March 31, 2019, the amount of loans granted to third parties is as follows (billion pesos):

<b>Lender</b>	<b>Jun-2020</b>	<b>% Basic Equity</b>	<b>Mar-2019</b>	<b>% Basic Equity</b>
Banorte	Ps 13.39	9.1%	Ps11.96	8.6%
	<b>Ps 13.39</b>		<b>Ps11.96</b>	

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

#### Banorte

As of **June 30<sup>th</sup>, 2020**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 13.39 billion (including Ps 1.61 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.7% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 10.30 billion were loans granted to clients linked to members of the Board of Directors; Ps 2.2 billion were granted to clients linked to shareholders and Ps 867 million 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 June 2020 was 9.1% 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 **March 31<sup>st</sup>, 2020**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 11.96 billion (including Ps 1.59 billion 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 10.30 billion were loans granted to clients linked to members of the Board of Directors; Ps 762 million were granted to clients linked to shareholders and Ps 908 million 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 March 2020 was 8.6% 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.

## Loan or tax liabilities

The tax credits listed below are currently in litigation:

	<b>As of June 30, 2020</b>
<b>AFORE XXI BANORTE</b>	<b>\$2</b>
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
<b>PENSIONES BANORTE</b>	<b>\$320</b>
Financial year 2014	320
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, March 13, April 9, and June 9, 2020, respectively.

**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 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.