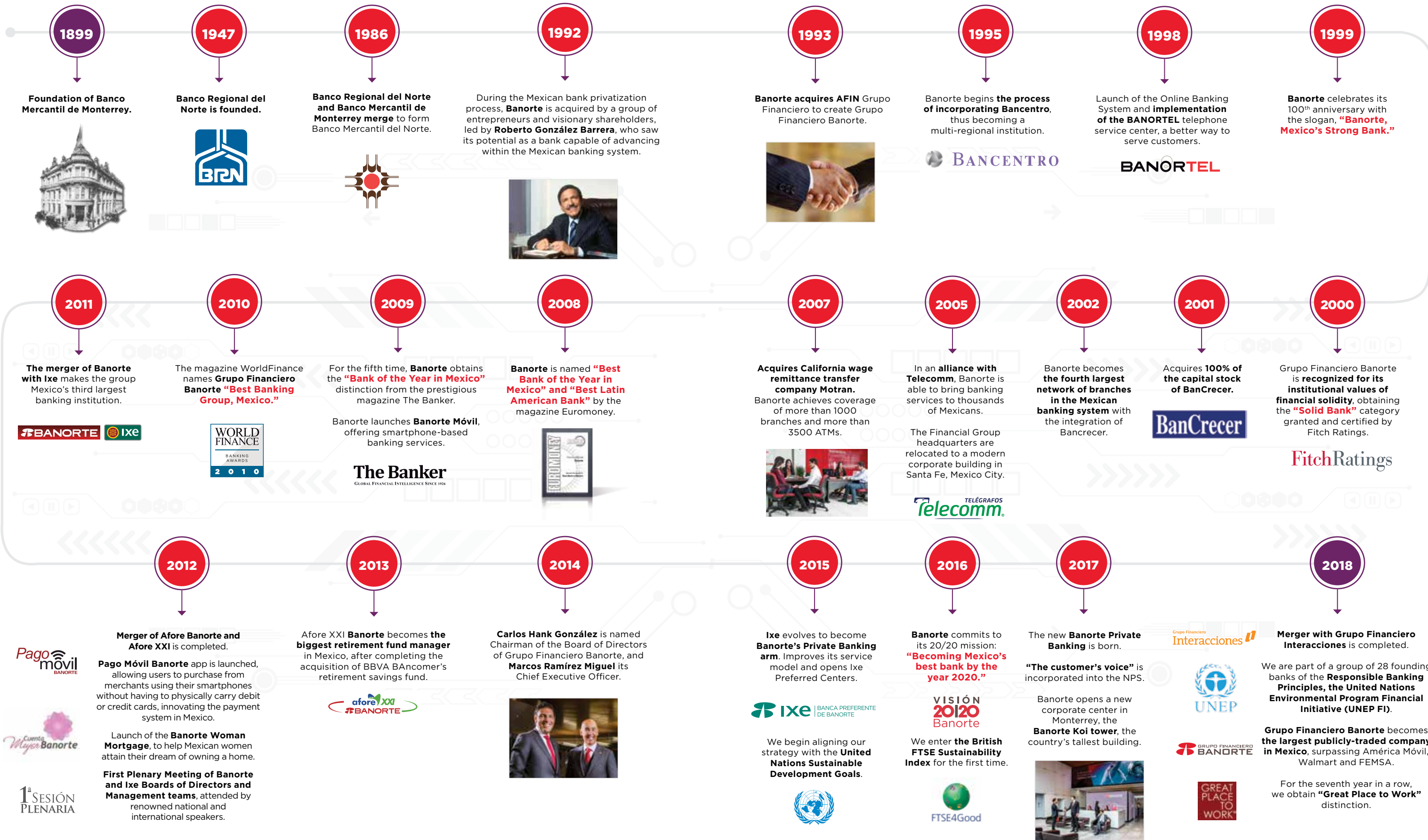


Driving
the Mexico of the
Future

Banorte Timeline





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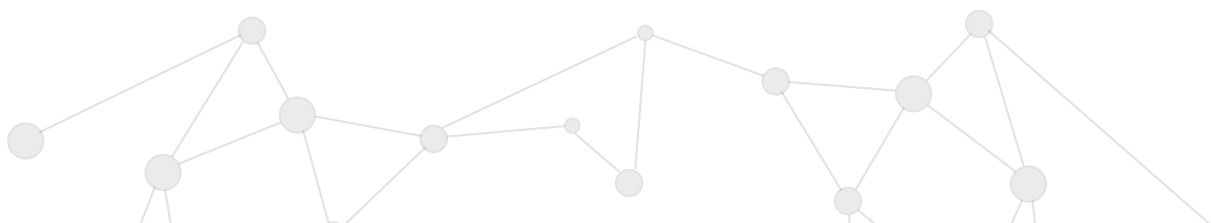
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In this report, we have devoted a section to each of the capitals that make up our business model, in order to share with stakeholders what **Grupo Financiero Banorte** has achieved and how we create value for each of them, in keeping with our firm commitment to continue driving the Mexico of the future.



Banorte at a glance

We operate under a universal banking model, offering a wide variety of products and services through our subsidiaries.

Our subsidiaries are engaged primarily in financial transactions like the provision of financial and banking services. We innovate on a daily basis, and through our online banking system we provide access to more than 50 different functions for our customers: interbank transfers, balance inquiries, service and credit card payments, cardless cash withdrawal, digital card payments, mobile tokens and others, providing the highest level of security and confidence in each.

In Private and Equity Banking, we offer products and services consistent with each client's investment profile, with a wide range of investment and financing options.

Our warehousing, leasing and factoring subsidiaries provide quality services to benefit and support companies with their core business needs.

Market share:



Afore XXI Banorte
Funds Managed:

22.4%

Banorte Annuities
Resolutions:

42.6%

Loans to government entities:

35.8%



Mortgage
lending:

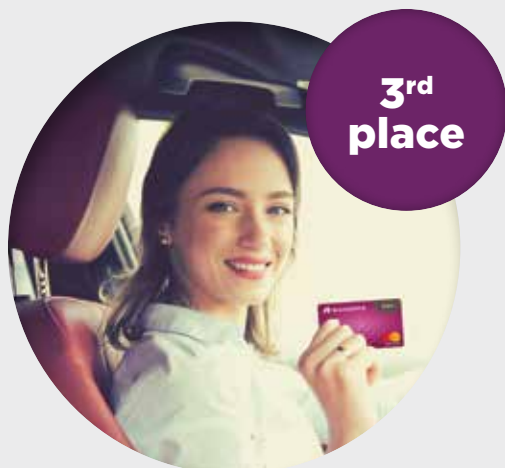
19.5%

Sources: Official Report by the National Banking and Securities Commission (CNBV) and the National Retirement Savings System (CONSAR).

Banorte is one of the six largest banks in Mexico, and among them the only commercial bank in the country managed entirely by Mexican Directors. Its decisions are made locally without the influence of a foreign parent company.

In our Long Term Savings Business, we have a wide range of insurance and annuities programs, so that our clients can enjoy the assurance of well-being and peace of mind in the short, medium and long term. We also operate the largest individual retirement fund in Mexico, Afore XXI Banorte.

Additionally, we operate the money transfer companies Motran and Uniteller, in California and New Jersey, respectively, as well as Banorte-Ixe Securities in New York.



Car
loans:
17.6%

Payroll
loans:
20.9%

Consumer
credit:
12.3%

Point-of-Sale
Terminals (POS):
14.7%



Company
loans:
10.8%

Credit
cards:
9.5%



Carlos Hank González

Chairman of the Board of Directors
of Grupo Financiero Banorte

Message from the Chairman of the Board

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

Dear shareholders, fellow board members and employees:

In 2018, despite a challenging climate for our country, Grupo Financiero Banorte achieved record results and became the second largest financial group in Mexico.

Over the course of the year, Banorte reiterated its confidence in the country and became a more socially committed, more inclusive bank...a bank allied with Mexico's future.

A merger of Mexicans, for Mexicans

To be a great ally for Mexico, during the past year we became a driving force in regional development and promoter of infrastructure that Mexico so greatly needs today, ably and efficiently completing the merger of Grupo Financiero Interacciones and Grupo Financiero Banorte.

Mexico is the world's 13th largest economy, but ranks 62nd in terms of infrastructure, which presents tremendous opportunities to our institution that can benefit both our clients and investors.

The best financial group for our clients

Being an ally to Mexico also means staying close to every one of our customers.

Through big-data analytics, we went from talking about clients as a group to talking about each client in particular. Today we know better than ever their specific needs, so we can offer them custom-designed products and services.

At the same time, Banorte Mobile, our smartphone app, has brought banking within closer reach for our clients, whenever and wherever they need it.

Beyond technology, people are still what's most important. With this in mind, we will continue transforming our service model to one of greater proximity to the client, providing a unique experience that builds long-term relations.

Our 20/20 Vision

Through efforts such as these, we continue to firmly pursue our 20/20 Vision: being the best financial group for our clients, employees and investors.

We grew in every region of the country and in every business indicator.

By the close of the year, we had supported 163,072 families with a loan for the purchase of their own home; we helped 174,213 people buy a car, and we extended loans to 43,531 small and mid-sized enterprises.

We repaid our investors amply for their confidence: at the close of the year, we reported a record growth of 34% in profits, totaling Ps. 31.96 billion in 2018; RoE increased from 17.0% to 20.3%, and RoA from 1.9% to 2.2%, while our cost to income ratio improved from 42.8% to 39.0%.

As part of our commitment to our people, we once again earned Great Place to Work certification, our 8th year in a row with this distinction. The workplace environment in this Group is one of the best in the country, and we have our values to thank for it, along with the importance we place on meritocracy and professional advancement within the institution.

We reported a record growth of

34%

in profits, totaling
Ps. 31.96 billion in 2018

Banorte social commitment

As an ally to Mexico, our purpose is to repay this country and our people for the trust they have placed in our institution.

Through our program Banorte Adopts a Community, this past year, we supported nine communities affected by the September 2017 earthquakes. We fulfilled our social commitment by rebuilding 282 damaged or destroyed homes (on the way to a total goal of 600), and brought more than 13,000 health, culture, nutrition and education initiatives to communities.

Also last year, the President of Mexico entrusted Banorte with the disbursement of his flagship social programs, and as part of our commitment to youth, we will be receiving apprentices in the Young People Building the Future program to train them and offer them further opportunities for development.

In the area of Sustainability, in 2018 we became the only Mexican bank to participate as founder of the Responsible Banking Principles, and we launched a global survey together with the United Nations Environmental Program Financial Initiative.



Message from
the Chairman
of the Board

Message from
the CEO

We are
Banorte

Banorte,
driving the
Mexico of
the Future

How do
we create
value?

Our
capitals

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These principles aim to align the world's banks with the social goals expressed in the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change.

We confirm our commitment to Mexico in promoting these principles in the country, consistent with this new phase in which we are living, to advance toward inclusive development in areas like quality education, economic growth, reduced inequalities, preservation of our natural resources and mitigation of climate change.

We also obtained Best Corporate Governance recognition from the Mexican Stock Exchange, a distinction awarded to companies with outstanding practices in this field, and we were ratified for inclusion in leading national and international sustainability indexes.

Finally, we continued our Sustainability Committee, which is a benchmark in Latin America, evaluating the environmental and social risks of the credit we extend.

I am convinced that sustainability is a day-to-day job, to make sure we leave to our children the best possible future, one of which we can feel proud of having built with our actions today.

Dear shareholders, fellow board members and employees

2018 was a year full of challenges for our country and for our institution. With the support of all of you, and the work of our whole team, we achieved record results.

With new challenges ahead for 2019, we must work for an increasingly profound understanding of the context in which we act, the new rules and ways decisions are made.

What is abundantly clear is that we have all that we need to move ahead, and continue growing.

We are confident and prepared to do so, because we have tremendous solidity, the best banking team, and because we have always been able to adapt to the challenges that arise.



We rebuilt 282 damaged or destroyed homes (on the way to a total goal of 600), and brought more than 13,000 health, culture, nutrition and education initiatives to communities.



The achievements I have just shared with you have strengthened our position today as the best ally for the future of Mexico, and for Mexicans.

We are Mexico's bank; we are the one who best knows Mexicans, their dreams, their aspirations, and every one of their needs.

All this growth, innovation, and results are increasingly meaningful in light of our social commitment.

We have everything we need to seize the opportunities presented to us, and today, we are proud to say that we are Mexico's banking ally, today and tomorrow.

Warmly,

Carlos Hank González

Chairman of the Board of Directors of
Grupo Financiero Banorte

A portrait of Marcos Ramírez Miguel, a middle-aged man with a shaved head, smiling. He is wearing a dark pinstriped suit jacket over a white shirt and a red patterned tie. The background is a blurred outdoor scene with trees.

Marcos Ramírez Miguel

Chief Executive Officer of
Grupo Financiero Banorte

Message from the Chief Executive Officer

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

The results of Grupo Financiero Banorte for 2018 once again displayed the strategy and solidity of a client-centered business model, aimed at strengthening Mobile Banking.

In 2018, the group continued to focus its efforts on digitalization, with a focus on customer service and satisfaction, and continued on the path toward fulfilling our 20/20 Vision strategic plan. Attention during the year was dominated by federal elections in Mexico, the largest process in our history in terms of the number of posts up for election. We were able to successfully face the challenges and uncertainty to capitalize on the opportunities, and I am pleased to inform you that thanks to the hard work and efforts of all our employees, we were able to generate record results and reach significant milestones, in a year in which the Financial Group and the Bank became the second largest in the Mexican financial system.

In our 20/20 Vision, we made substantial progress toward our goal of being the best financial group for Mexico and for Mexicans; as well as the best for our clients, investors, and employees. Our central focus is increasing the number of products per client, and this in turn should generate a higher return on equity. To this end, during the year we continued working on initiatives to ensure the highest service

and quality standards for our clients in mobile banking. We also advanced considerably in customer satisfaction with our products and services, measured through our Net Promoter Score (NPS).

During the year, and after receiving the corresponding regulatory approvals, we completed the acquisition and integration of Grupo Financiero Interacciones (GFI), in addition to two portfolios in the Pension business. In this annual report we will go over the most significant events and results of the year.

Macroeconomic Environment

Mexico's financial markets were highly volatile in 2018 due to the electoral process as well as two other phenomena whose repercussions were felt around the world: trade protectionism and monetary restriction.

On the question of trade protectionism, both the previous administration and a delegation of the incoming administration in Mexico formed a common front to negotiate a new trade

agreement with the United States and Canada, called the US-Mexico-Canada Agreement, or USMCA. Negotiations toward this treaty concluded on November 30 of last year, and legislative approvals by the three member countries are expected for 2019.

On the monetary side, after having implemented the most significant stimulus in history, the United States Federal Reserve Bank (Fed) began a process of interest rate “normalization” in December 2015. Although low inflationary pressures across the globe allowed the Fed to carry out this hiking process in a highly gradual manner, the magnitude of rate increases accelerated to double in 2018, raising the benchmark rate by 100 basis points. Amid an environment of heightened uncertainty over both global and local matters, the Board of Governors of Banco de México decided to replicate those hikes in its own market last year.

Fortunately, economic activity continued to grow, with GDP expanding by 2.0 percent in the year.

Results for the Group

For GFNorte, it was an exceptional year. Net income reached Ps. 31.96 billion, 34% more than the year before, reflecting strong performance in most of its subsidiaries: the Bank reported growth of 35%, the Mutual Fund business 23%, the Insurance division (excluding Pensions) 24%, and the Leasing and Factoring business 12%.

Net interest income grew 18%, and the net interest margin for the year was 5.6%, marking an annual expansion of 16 basis points thanks

to a more favorable portfolio mix and the appreciation of asset values due to interest rate increases in the market. Non-financial income grew 39%, particularly trading revenues, which advanced 59% due to the sale of derivative instruments to clients and intense dollar trading activity, also with clients.

With expenses under control and just 11% higher than the year before despite the incorporation of GFI, GFNorte's cost to income ratio was 39%, an improvement of 382pb resulting from operating efficiency, higher interest income and controlled funding costs aligned with market conditions. Special efforts and achievements were obtained in line with announcements prior to the merger with GFI.

Our loan portfolio grew by a substantial 26% in the year, the result of strategic efforts in the consumer portfolio, particularly mortgage loans (up 15%) and automotive loans (up 26%), as well as an expansion of commercial and corporate credit due to the incorporation of the GFI portfolio. This drove a 34% increase in corporate loans and 27% increase in commercial loans. The growth is the product of precise origination through analytic and risk management tools, which we have been fortifying in recent years through technological advances including artificial intelligence and process optimization.

Non-financial
income grew
39%



Our asset quality improved substantially: the non-performing loan ratio was reduced across all segments of our portfolio, and the aggregate NPL was just 1.7% at the end of the year.

Our credit card, commercial and corporate loan portfolios showed a substantial improvement in portfolio quality resulting from better selection and management of risk.

In June 2018, the group paid out dividends to its shareholders totaling Ps. 9.56 billion, equivalent to Ps. 3.4478 per share, corresponding to 40% of net profits for fiscal year 2017, as approved in the ordinary annual shareholders' meeting.

Return on Equity (RoE) for GFNorte in 2018 was 20.3%, 330 basis points higher than the year before, while Return on Assets (RoA) totaled 2.2%, an increase of 32 basis points, consolidating and strengthening our progress toward the goals of our 20/20 Vision.

All subsidiaries of the financial group are solvent and maintain capital sufficiency indicators above the established regulatory minimum. The bank's regulatory capital indicators remain strong: at the close of the year, its capitalization index was 17.2% while its Tier 1 capital index was 12.7%, well above the regulatory minimum.

Highlights of the Year

We achieved many milestones in 2018, among them the following:

- One of the most important events of the year was **the acquisition of Grupo Financiero Interacciones, S.A.B. de C.V.** As a result of this merger, the group incorporated a portfolio of government and infrastructure loans which positioned the Bank as the second largest in Mexico in terms of portfolio and deposits. It also made the financial group the second largest in the country.
- At the end of 2018, **our Annuities business purchased two pension portfolios** for a total of Ps. 19.39 billion, helping to strengthen this subsidiary so it can serve more clients.
- Banorte organized its **2018 Strategy Forum** with the keynote topic "Banorte, Ally of Mexico's Future," an unprecedented event that brought together the future Secretaries of State for the new incoming government and Mexican business leaders. The forum provided **a space for dialogue between the incoming administration and domestic entrepreneurs**, who were able to obtain a first-hand view of the new government in matters such as budget, infrastructure, telecommunications, educations, and Rule of Law.
- In November 2018, **Banorte was recognized by The Banker magazine as Bank of the Year 2018**, for its work in financial inclusiveness and commitment to Mexico's development. This publication recognizes outstanding financial institutions from around the world, this time placing special emphasis on those who are staying one step ahead in technologies that offer greater added value for their clients. The qualities considered for this recognition were: i) increase in bank coverage with products like Amazon Reloadable; ii) a system to increase the rate of credit card activation, and iii) infrastructure funding for state and municipal governments.
- **Afore XXI Banorte** was recognized by the World Finance Pension Fund Awards as **the best pension fund in Mexico**. This is the fourth recognition for Afore XXI Banorte in this category, which rewards companies who have shown an ability to innovate and adapt to the changing and complex environment in this industry while maintaining standards of excellence. Afore XXI Banorte was selected in recognition of the trajectory of its investment policy, in addition to its leadership in the industry, the development of innovative strategies and its track record of quality, adaptability and excellence, in addition to technological solutions that give it a more thorough knowledge of its clients' needs.



Banorte was recognized by
The Banker magazine as
Bank of the Year 2018.



- **GFNorte** was once again included in the **FTSE4Good Index Series**, ratifying its status as a company that meets the highest standards of sustainability dictated by the London Stock Exchange FTSE index.

I am convinced that all of these results attest to our being a solid, innovative financial group that continues to build for Mexico.

I express my deepest gratitude to our clients for the continuing loyalty to Banorte, to our more than four thousand investors for the confidence they have shown during the year despite volatility in the markets; to our

Board of Directors, local and regional Board Members, and to each and every one of the 30,000 employees who once again proved their dedication and commitment to the institution to which we all belong.

Cordially yours,

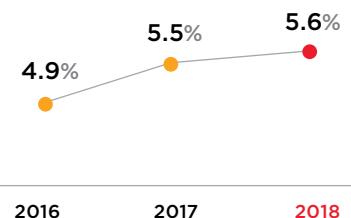
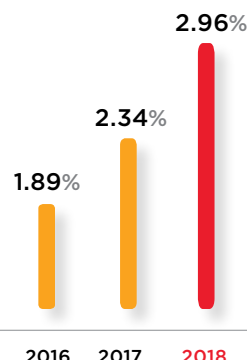
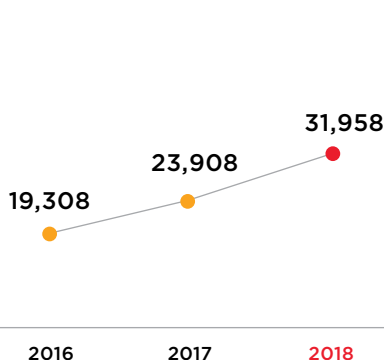
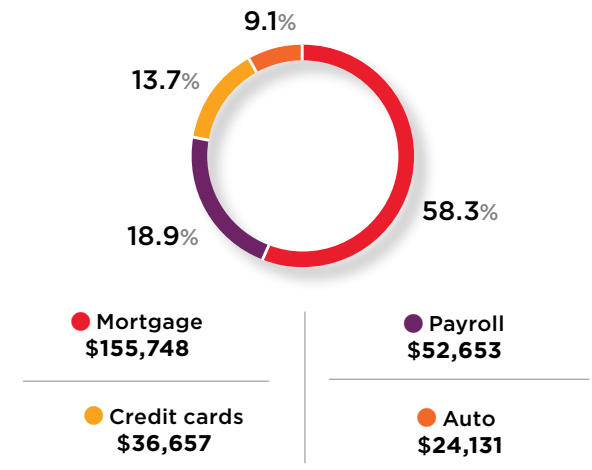
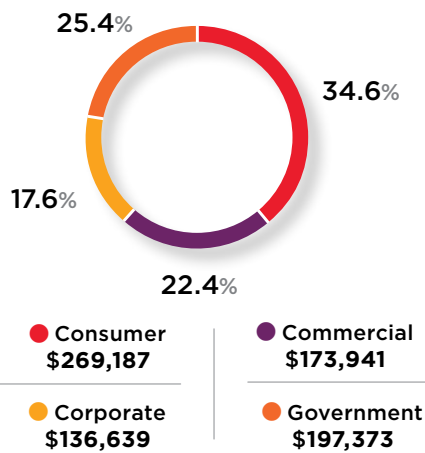
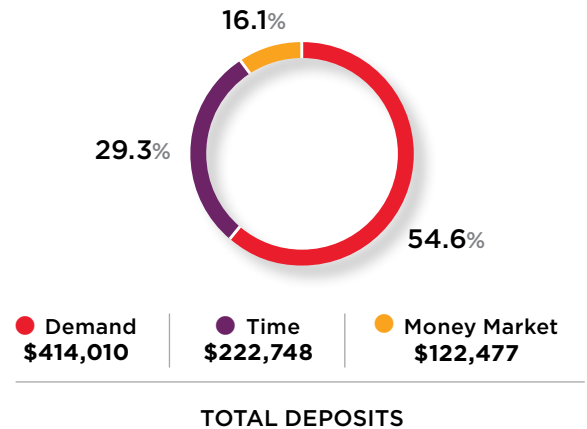
Marcos Ramírez Miguel

Chief Executive Officer of
Grupo Financiero Banorte

We are Banorte

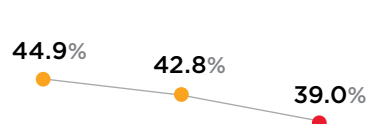
• SRS 102-1 • SRS 102-2 • SRS 102-5 • SRS 102-6 • SRS 102-7 • SRS 102-45 • SRS 102-48

Grupo Financiero Banorte (GFNorte; BMV: GFNORTEO; OTCQX: GBOOY; LATIBEX: XNOR) is a leading Mexican financial institution, the second largest Financial Group in the country and the most widely diversified in terms of its businesses.



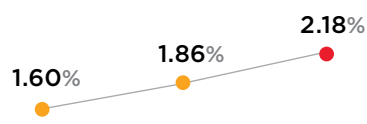
DATA HIGHLIGHTS

Grupo Financiero Banorte	2018	2017	2016
Assets under management (millions of pesos)	2,607,083	2,423,321	2,184,877
Total assets (millions of pesos)	1,620,470	1,354,147	1,268,119
Banorte brand value (millions of USD) ¹	1,418	1,441	1,619
Total Bank Deposits (millions of pesos)	759,235	648,622	575,755
Total loan portfolio (millions of pesos)	790,455	628,080	577,117
Shareholders' equity (millions of pesos)	174,464	147,583	142,701
Net income (by equity method) (millions of pesos)	31,958	23,908	19,308
Earnings per share (pesos)	11.083	8.619	6.961
Dividends per share (pesos)	3.45	8.73	2.61
Dividends paid	9,563	14,645	7,229
Book value per share (pesos)	59.75	52.55	50.74
Outstanding shares (millions)	2,843.58	2,749.03	2,754.03
Stock price (pesos)	95.78	107.83	102.30
Return on equity (ROE) (%) ²	20.28	16.98	13.91
Return on assets (ROA) (%) ³	2.18	1.86	1.58
Net interest margin (%) ⁴	5.63	5.47	4.87
Cost to income ratio (%) ⁵	39.03	41.94	44.94
NPL ratio (%)	1.68	1.99	1.79
Coverage ratio (%)	142.08	129.16	139.48
Capital adequacy index (%)	17.17	17.23	15.30

¹ Source: Brand Finance.² Non-interest expense / (net interest income + non-interest income).³ Non-interest expense / (net interest income + non-interest income).⁴ NIM = Net interest income in the quarter, annualized / Average productive assets.⁵ Non-interest expense in the quarter, annualized / Average Total Assets.

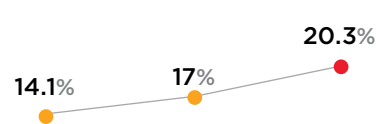
2016 2017 2018

COST TO INCOME RATIO



2016 2017 2018

RETURN ON ASSETS (ROA)



2016 2017 2018

RETURN ON EQUITY (ROE)

INFRASTRUCTURE

Territory	States	Branches		ATMs		Correspondents ¹		Disadvantaged population	
		2018	2017	2018	2017	2018	2017	Population density ²	Extreme and moderate poverty % ³
Mexico City South	Mexico City, Mexico State	156	155	918	850	1,985	1,833	1,008	37.1
Mexico City North	Mexico City, Mexico State	151	153	894	843	2,441	2,242	1,008	37.1
North	Durango, Nuevo León, Tamaulipas, Coahuila	210	212	1,874	1,754	5,408	5,130	29	34.9
Central	Aguascalientes, Guanajuato, Jalisco, Querétaro, San Luis Potosí, Tamaulipas, Zacatecas	149	148	1,190	1,135	3,611	3,315	68	43.2
Northwest	Baja California, Baja California Sur, Chihuahua, Sinaloa, Sonora	140	140	1,289	1,192	5,134	4,871	20	32.2
West	Colima, Guanajuato, Jalisco, Michoacán, Nayarit	126	124	793	763	3,088	2,844	94	44.1
South	Guerrero, Hidalgo, Morelos, Puebla, Oaxaca, Tlaxcala, Veracruz	116	116	739	675	3,716	3,382	106	57.8
Peninsula	Campeche, Chiapas, Oaxaca, Tabasco, Quintana Roo, Yucatán, Veracruz	102	100	726	699	2,844	2,514	56	52.8
Total Banorte		1,150	1,148	8,423	7,911	28,227	26,131	57	44.7

¹ Our correspondents network is made up of various retail stores and other businesses: Telecomm, 7-Eleven, Tiendas Extra, Soriana, Grupo Control, NetPay, Farmacias Guadalajara, Farmacias de Ahorro, OXXO and La Comer.

² Population density expressed in inhabitants/km². Source: cuentame.inegi.org.mx

³ Disadvantaged population refers to percentage of inhabitants living in extreme or moderate poverty in the state of each territory. Source: www.coneval.gob.mx

MEXICO



1,150
branches



8,423
ATMs



158,735
point of sale
terminals



28,227
correspondents

UNITED STATES

574

Uniteller agencies

2

Banorte Securities offices

MAJORITY NET INCOME BY SECTOR

	2018	2017	2016
Banking	24,337	18,012	13,804
Brokerage	1,070	972	832
Long Term Savings	5,508	4,941	4,434
Afore XXI Banorte (retirement funds)	1,256	1,284	1,248
Insurance	3,434	2,775	2,626
Annuities	818	882	561
Leasing and factoring	861	771	693
Warehousing	17	42	28
Sólida Administradora de Portafolios	-793	-963	-533
Ixe Servicios (Corporate Services)	-1	-2	-5
GF Banorte (Holding Company)	557	132	54
Total	31,958	23,908	19,308

Figures in millions of pesos.

MEANS OF DELIVERY

	2018	2017	2016
Branches Monetary transactions (millions)	1,150 119	1,148 130	1,175 170
ATMs Monetary transactions (millions)	8,423 345	7,911 349	7,756 340
Correspondents Monetary transactions (millions)	28,227 48	26,131 32	24,312 16
Internet - number of clients Monetary transactions (millions)	2,224,293 173	2,383,218 160	2,014,596 106
Mobile Banking - number of clients Monetary transactions (millions)	1,508,744 68	963,277 29	914,057 14
Point of Sale Terminals (POS) Monetary transactions (millions) Billing (millions of pesos)	158,735 417 299,627	165,441 320 244,918	151,948 260 200,163
Contact Center Calls received (millions)	83.6	81.5	69.7

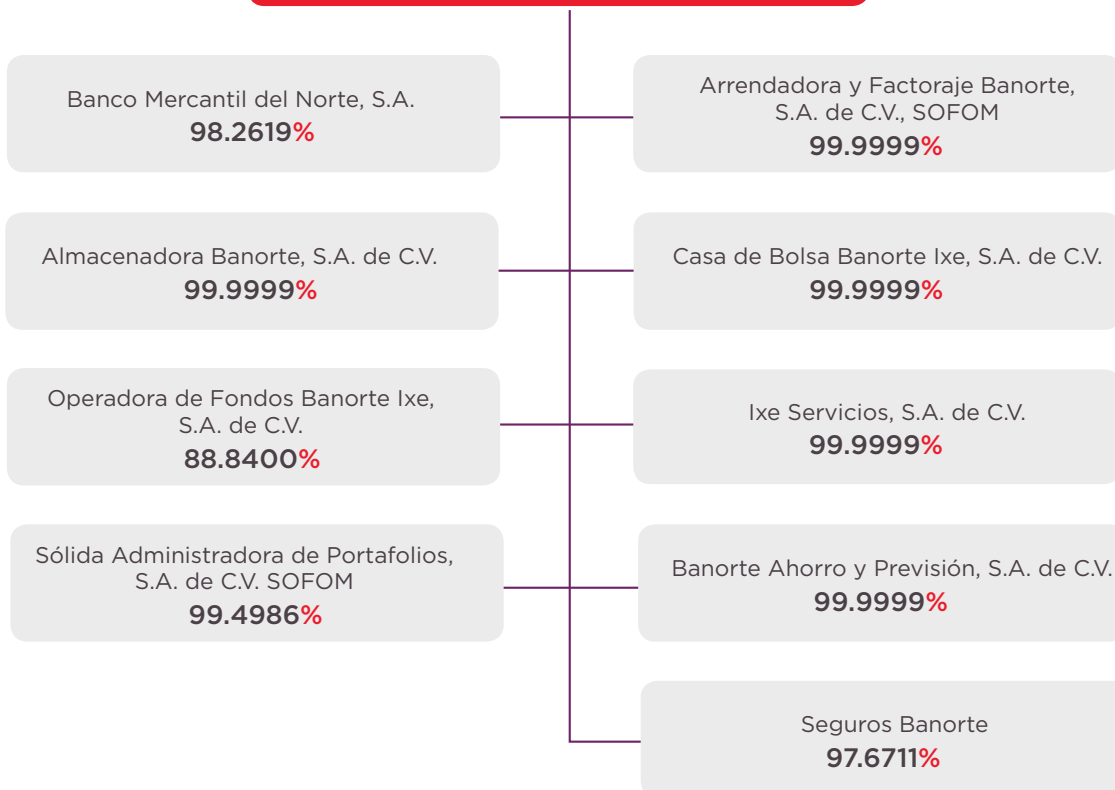


We serve more than 21 million clients through our traditional model, and we are continually incorporating innovative digital models to meet their needs.





GRUPO FINANCIERO BANORTE



Banorte: driving the Mexico

● SRS 102-15

Mexico continues to be a country full of opportunities to invest. Although the macroeconomic scenario is highly uncertain, both because of external factors and internal issues, macroeconomic stability—with an autonomous central bank, public finances and external accounts under control, and a well-capitalized banking system—makes Mexico an attractive country for investment within the universe of emerging economies. Nevertheless, our analysis points to a slowdown in the pace of growth from 2% in 2018 to 1.5% in 2019. Among other reasons, this will be the result of the temporary impact of some changes that took place in the early months of the year. But we expect a recovery toward the growth rates of 2.5% seen in recent years.

Domestic private spending

Private consumption has been one of the main drivers of the Mexican economy, thanks to rising employment and a healthy expansion of bank lending. We believe that private spending will remain a fundamental pillar of economic growth, particularly because of the new administration's programs to support young people and elderly adults.

Infrastructure

The need to provide this country with a modern, efficient infrastructure gives this sector significant potential, which in turn represents a tremendous opportunity for development. Unfortunately, because of pressures on public finances, the government has had to cut back spending on infrastructure projects in recent years. Nevertheless, the new administration has also proposed an ambitious infrastructure program for the years ahead, which will contribute to the expansion and modernization of this sector in the country.

Housing

Mexico continues to face a pressing need for new housing, despite a recovery in this industry in recent years.

Banking

The Mexican financial system is one of the most solid and well capitalized in the world. And although banking penetration remains relatively low—which could be explained by the high proportion of informality in the economy and the difficulty banks have had in recovering collateral—rapid technological advance and financial reform may spur on a process of increased use of banking services among the population. At Banorte, we are faced with a great opportunity to support growth projects in this country and help many Mexicans achieve their dreams, above all because we are a bank operated by Mexicans, for Mexicans.



of the future

Banorte
at a glance

Message from
the Chairman
of the Board

Message from
the CEO

We are
Banorte

Banorte,
driving the
Mexico of
the Future

How do
we create
value?

Our
capitals

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Energy

Although in the short term the downtrend in oil prices has dimmed the appeal of investment in this industry, the process of opening to private investment is still under way. For now, exploration and production projects have been assigned in which Pemex partners with a private company (called farmouts); other projects have also been carried out with investment exclusively from private companies. The process of opening the country's electrical sector is also ongoing, and we believe that, in the medium term, the evolution of the energy sector will be a key factor in improving competitiveness and increasing investment, besides helping to ease pressure on public finances.



Mexico faces an adverse climate of marked uncertainty, both for external and internal reasons. Nevertheless, we believe it is prepared to face adversity and **continue growing, with a solid macroeconomic environment and a very significant investment potential.**

How do we create value?

•SRS 102-15 •SRS 102-16

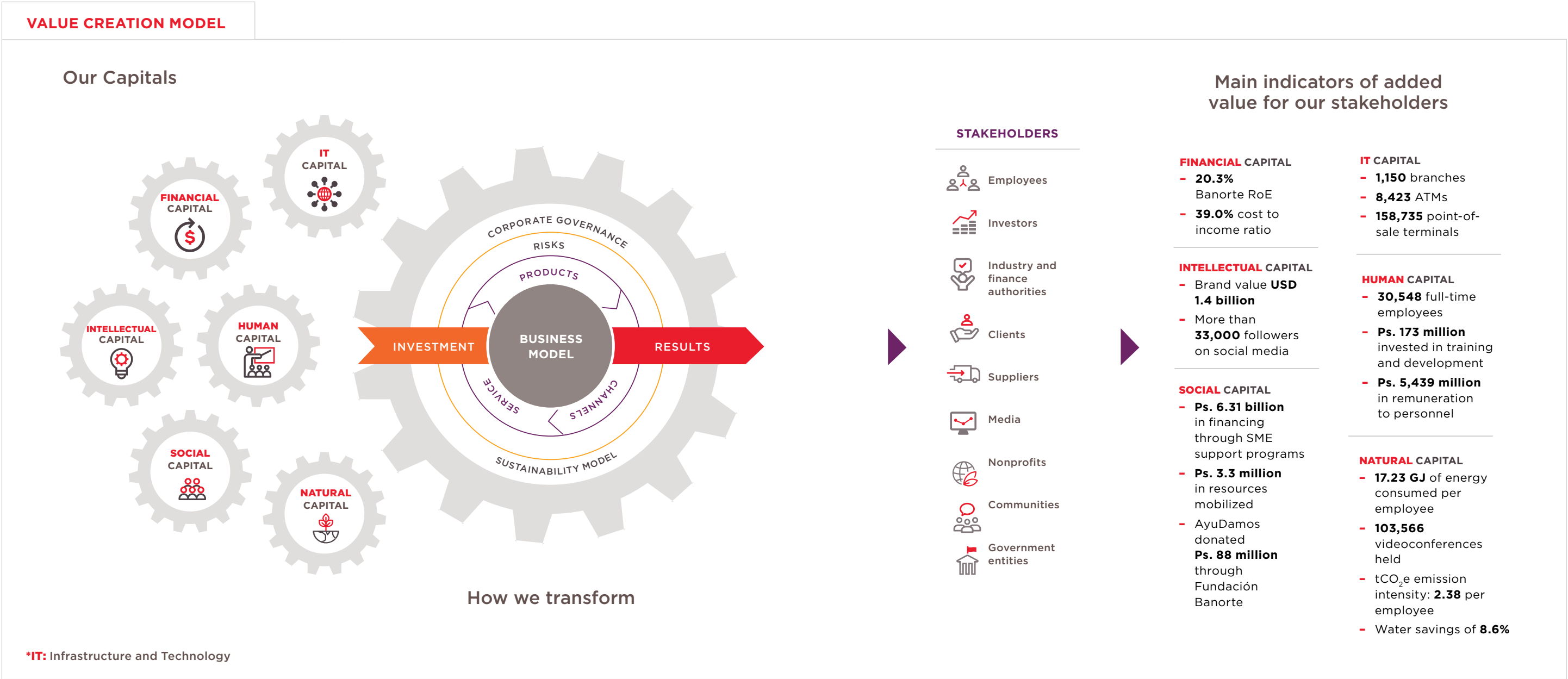
For GFNorte, generating value means growing our business, while helping to improve the social and environmental context of our country.

Our business model is centered around customer service. For this reason, we focused our 20/20 Vision strategic plan on becoming the best financial group in Mexico, and for Mexicans.

This model is based on six core capitals: Financial, Infrastructure and Information Technologies, Intellectual, Human, Social, and Natural; we invest in all of these to transform them and generate value for our clients.

We measure the contribution from each of these capitals to value generation in our business, and at the same time, we make sure they are responsibly managed. Just as we use and strengthen our financial, infrastructure, technological and intellectual capital, we are aware of our responsibility to develop and care for our human, social and natural capital.

In the chart below we show our main business lines, the associated risks, and the main results achieved in 2018. We also show the investment in each of the capitals, with their main impact indicators.



GFNORTE				ASSOCIATED RISKS						MAIN INDICATORS
BUSINESS LINES	DESCRIPTION	PRODUCTS AND SERVICES		CREDIT	MARKET	LIQUIDITY	OPERATIONAL	CONCENTRATION	REPUTATIONAL	
 Banking	Retail Banking	Offers a wide range of financial products and services to individuals, SMEs, Preferred Clients and state and municipal governments.	Deposits: Demand accounts, term savings accounts, funds, payroll Credit: Credit cards, auto loans, payroll loans, mortgage loans Channels: Banorte branches, ATMs, correspondents, point-of-sale terminals, mobile banking. SME banking: Financial products and services for small and mid-sized enterprises.	●	●	●	●	●	●	Banking sector: Net interest margin (NIM): 6.3% Return on equity (RoE): 25.7% Return on assets (ROA): 2.3% Cost to income ratio: 41.4%
	Wholesale Banking	Specializes in providing comprehensive financial services to business and corporate clients through various types of specialized financing.	Company and Corporate Banking: comprehensive financial solutions for business and corporate clients through various types of specialized financing, including structured loans, syndicated loans, financing for acquisitions and investment plans. Transactional Banking: Comprehensive service model for promotion, implementation and post-sale service of transactional solutions and services. Government Banking: Banking, financial and comprehensive advisory services to all levels of government: federal, state and municipal, for developing the major projects that will transform Mexico. International Banking: Services and products for corporate, business, institutional and SME clients with international and foreign trade needs, as well as correspondent services for foreign financial institutions.							
 Long term savings	Annuities and Pension	We provide a wide array of products to guarantee present and future peace of mind for our clients.	Afore XXI Banorte: Mexico's largest retirement fund manager, with advantages in terms of scale: lower operating costs and the potential to strengthen areas of operation, investment and service. Pensiones Banorte: A company that manages pensions derived from social security; a leader in the market. Insurance: A wide range of protection and planning services like life insurance, auto insurance, homeowner's insurance and medical insurance, among others.		●		●		●	Afore XXI Banorte: Net income: Ps. 2,558 Shareholders' equity: Ps. 24,541 Total assets: Ps. 26,437 Assets under management: Ps. 747,082 Return on equity (ROE): 10.7% Pensiones Banorte: Net income: Ps. 818 Shareholders' equity: Ps. 3,845 Total assets: Ps. 123,177 Return on equity (ROE): 23.8% Insurance: Net income: Ps. 4,059 Shareholders' equity: Ps. 23,096 Total assets: Ps. 51,478 Return on equity (ROE): 20.0%
 Brokerage	Securities Sector	We offer products and services consistent with each client's investment profile through Casa de Bolsa Banorte and Operadora de Fondos, with a broad range of financing options.	Securities Brokerage and Fund Management: Comprehensive products and services for individuals and corporations, including brokerage, financial advice, portfolios structuring and management, asset management, investing banking and sale of mutual funds, debt and equity instruments.		●	●	●		●	Securities Sector: Net income: Ps. 1,070 Shareholders' equity: Ps. 3,884 Assets Under Management: Ps. 878,033 Return on equity (ROE): 31.8%
 SOFOM and other Finance Companies	Non-bank banks and Auxiliary Credit Institutions	The companies that make up this sector are Arrendadora y Factoraje Banorte (leasing and factoring); Almacenadora Banorte (warehousing) and Sólida Administradora de Portafolios (collections).	Arrendadora y Factoraje: Leasing and factoring services Almacenadora Banorte: warehousing, inventory management, commercialization and logistics Sólida Administradora de Portafolios: The asset recovery arm of the Financial Group. Responsible for managing, collecting and recovering credits originated by the bank which have entered delinquent status.		●	●	●		●	Leasing and Factoring: Net income: Ps. 861 Shareholders' equity: Ps. 4,957 Total assets: Ps. 36,216 Return on equity (ROE): 17.0% Warehousing: Net income: Ps. 17 Shareholders' equity: Ps. 243 Total assets: Ps. 1,154 Return on equity (ROE): 7.2% Sólida: Net income: Ps. (797) Shareholders' equity: Ps. 3,178 Total assets: Ps. 9,515

Figures in millions of pesos.



Financial Capital



PISO 6

- GESTIÓN BANCA MAYORISTA
- CASH MANAGEMENT
- MERCADO DE DINERO

•SRS 102-5 •SRS 102-7 •SRS 102-48 •SRS 103-1 •SRS 103-3 •SRS 201-1



Committed to **creating**
value for our stakeholders.

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20/20 Vision.

We are continuing with our “20/20 Perfect Vision” strategy, and have now completed twelve out of the twenty quarters planned for in 2015, whose purpose is to transform Banorte by the year 2020 on the basis of three pillars: our investors, for whom we intend to generate more value and profitability, our clients, whom we intend to serve with increasing proximity, and our employees, to whom we want to offer the best conditions for their development. Within our strategic plan, we continue to work to be “the best Financial Group for our clients” and we are on track to meet the target metrics we established for ourselves: a cross sale index of 2.2 products per client, and an RoE of 20% at the Financial Group level.

At the close of 2018 we had achieved resounding improvements in every metric we set: cross sales, net income, efficiency and profitability. We never doubted that we could achieve these goals, and we are well on our way to doing it; currently the Financial Group is positioned as the second largest in the Mexican financial system, reflecting the success of various strategies, like a focus on customer satisfaction and constant innovation in digital systems.

The following table sums up our achievements in the main indicators at the close of fiscal year 2018, and we remain firmly committed to continuing to improve them in 2019.

INDICATOR	2018		2019
	GOAL	RESULT	GOAL
Portfolio growth	26% - 28%	26%	7% - 9%
MIN Expansion	-10pb - +10pb	+16pb	10pb - 15pb
Cost to income ratio	39.0% - 40.0%	39.0%	37.5% - 38.5%
Cost of Risk	2.2% - 2.4%	2.3%	2.0% - 2.3%
Tax Rate	27.0% - 29.0%	26.4%	27.0% - 29.0%
ROE	18.7% - 19.2%	20.3%	19.8% - 20.3%

Aligned with
the highest standards
of Corporate
Governance and
information disclosure



Net interest income

During the year, interest income advanced by 16% (excluding insurance and Annuities), which totaled Ps. 66.16 billion, which was primarily the result of a strong portfolio growth, combined with the positive impact of benchmark rate hikes during the year (100bp), bringing the NIM of the overall loan portfolio to 8.3%, because of the mathematical impact of integrating the portfolio of Grupo Financiero Interacciones into the NIM calculation formula.

The NII of the Insurance and annuities business totaled Ps. 8.66 billion, 33% more than the year before, due to a growth in the insurance business, primarily in life, casualty and auto insurance. As for the Annuity business, growth was fueled by the incorporation of the portfolios acquired during the year.

Net interest income for GFNorte rose 18% in 2018, totaling Ps. 74.82 billion due to significant growth in revenues both from Insurance and Annuities and from Repo trading, as well as natural portfolio growth. The net interest margin closed the year at 5.6%, a 16bp improvement over the year before.

Non-interest income

In 2018, non-interest income totaled Ps. 21.53 billion, 24% higher than in 2017, due to the growth in net service fees and a substantial growth in trading revenues due to the placement of derivative financial instruments with clients.



•SRS 201-1

Non-interest expense

In 2018, non-interest expense totaled Ps. 37.62 billion, an 11% annual increase, including Ps. 450 million pesos in one-time consulting fees as well as Ps. 250 million in personnel expenses relating to severance pay and Ps. 765 million relating to management of the recently acquired business.

Cost to income ratio

The cost to income ratio was 39%, reflecting the operating efficiency associated with lower administration and operating expenses, and funding costs under control and aligned with market conditions.

Net income

Net income was Ps. 31.96 billion for the year, 34% higher than in 2017. This growth was due to strong performance during the year, particularly in the operation of insurance, investment funds and trading activity.

Profitability

Return on equity (RoE) rose from 17% to 20.3%, while return on assets (RoA) was 2.2%. Return on tangible equity (RoTE) for 2018 was 32%.

Performing loan portfolio

The total loan portfolio expanded by 26% in 2018, led by a 46% growth in the government loan portfolio (25% of the total portfolio) resulting from the incorporation of GFI's portfolio, along with a substantial 34% increase in the corporate portfolio and 27% in the commercial portfolio.

The consumer credit portfolio grew 12%, outpacing the banking system at large as well as our chief competitors. The growth was fueled by a 26% increase in auto loans, a 15% growth in mortgage loans and an 8% expansion of the credit card portfolio, which keeps us in third position with a 14.9% market share—an improvement of 56pb over the previous year.

TOTAL PORTFOLIO	2018	2017	2016
Mortgage	155,748	135,334	114,718
Auto Loans	24,131	19,189	15,047
Credit cards	36,657	33,906	28,445
Payroll	52,653	52,469	44,838
Consumer	269,187	240,899	203,047
Commercial	173,941	137,501	125,377
Corporate	136,639	102,220	103,491
Government	197,373	134,905	134,798
Subtotal	777,140	615,525	566,713
Recovery banking	52	72	91
Total performing loans	777,192	615,598	566,804
Total Past Due Loans	13,263	12,482	10,312
NPL Ratio	1.7%	2.0%	1.8%

Figures in millions of pesos

Past Due Loans

NPL ratio was 1.7%, and past-due loans totaled Ps. 13.26 billion. The evolution of this indicator over the course of the year showed an improvement in all products: credit cards and payroll loans saw a significant gain in portfolio quality thanks to close tracking of origination of these loans through Analytics and risk management tools.



A 56 bp gain in market share in the consumer credit portfolio kept us in 3rd place in the system.

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Tax policy

The tax rate applicable to corporations in Mexico is 30%. GFNorte has a tax policy of keeping correct records of transactions in order to obtain all the tax benefits available to it by law, while promptly complying with its tax obligations. At GFNorte, we ensure that the interpretation and internal application of these laws do not represent high risks or future tax contingencies for the Financial Group or its subsidiaries. In 2018, the effect tax rate paid by GFNorte was as follows:

HISTORIC EFFECTIVE TAX RATE (%)

Year	Rate
2016	26.2
2017	27.2
2018	26.4

Deposits

Client deposits totaled Ps. 759.23 billion pesos, rising 8% over 2017. Time deposits-retail grew strongly, as did interest-bearing demand deposits, as the result of a solid strategy focused on increasing balances and closer client engagement.

DEPOSITS	2018	2017	2016
Non-Interest Bearing Demand deposits	303,340	300,910	231,394
Interest Bearing Demand deposits	110,670	95,742	152,367
Total Demand deposits	414,010	396,652	383,761
Time Deposits - Retail	222,748	193,617	167,652
Money Market	122,477	58,352	24,342
Total Bank Deposits	759,235	648,622	575,755
Total Deposits GFNorte	756,301	640,821	574,559
Third-Party Deposits	150,850	157,748	148,407
Total Assets Under Management	910,085	806,370	724,163

Figures in millions of pesos



Client deposits increased 8%
over the previous year.

INTERNATIONAL RATINGS - GFNORTE

Rating agency	Rated company	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	October 2018
		BBB+	Foreign currency credit counterparty - long term	
		BBB+	Local currency credit counterparty - long term	
		A-2	Foreign currency credit counterparty - short term	
		A-2	Local currency credit counterparty - short term	
		BBB	Senior debt securities	
		BB	Subordinated Junior Notes (from the merged Ixe Bank)	
Fitch	Grupo Financiero Banorte	Negative	Outlook/Observation	November 2018
		Negative	Risk Alert	
		bbb+	Viability	
		BBB+	Foreign currency debt - long term (IDR)	
		F2	Foreign currency debt - short term (IDR)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor-GFNorte	
	Banco Mercantil del Norte	Negative	Outlook /Risk Watch	
		bbb+	Viability	
		BBB+	Foreign currency debt - long term	
		F2	Foreign currency debt - short term	
		C	Individual - foreign currency	
		BBB-	Support rating floor	
		2	Support rating - Banco Mercantil del Norte	
		BB+ (EXP)	Long-term subordinated debt - foreign currency	
		BB	Subordinated Junior Notes (from the merged Ixe Bank)	
		Stable	Outlook	
Moody's	Banco Mercantil del Norte	baa2	Credit risk assessment	October 2017
		Stable	Outlook	
		A3	Long term deposits - local currency*	
		A3	Long term deposits - foreign currency	
		P-2	Short term deposits - local currency*	
		P-2	Short term deposits - foreign currency	
		A3	Senior long term debt - foreign currency*	
		Baa3	Subordinated long term debt - local currency	
		baa2	Adjusted baseline credit assessment	
		A2 (cr)	Long term counterparty risk assessment	
		Prime-1 (cr)	Short term counterparty risk assessment	
	Cayman	Ba1 (hyb)	Subordinated junior long term debt - local currency	October 2017
		Ba2 (hyb)	Subordinated junior long term debt - local currency	
		Ba2 (hyb)	Subordinated long term debt - foreign currency	
		A3	Unsecured senior notes	
	Arrendadora y Factoraje Banorte	Stable	Outlook	August 2018
		Baa2	Long-term issuer rating	
		(P)P-2	Short-term issuer rating - local currency	
		(P)P-2	Short-term senior debt - local currency	

LOCAL RATINGS - GFNORTE

Rating agency	Rated company	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	October 2018
		mxA-1+	National scale - short-term counterparty risk	
		mxAAA	National scale - long-term counterparty risk	
	Casa de Bolsa Banorte	Stable	Outlook	
		mxA-1+	National scale - short-term counterparty risk	
		mxAAA	National scale - long-term counterparty risk	
Fitch	Banco Mercantil del Norte	Negative	Outlook / Observation	November 2018
		AAA (mex)	National scale - long-term counterparty risk	
		AAA (mex)	Insurer financial strength	
		F1+ (mex)	National Scale - short-term counterparty risk	
		F1+ (mex)	Certificate of deposit and P.R.L.V. short term	
		AA+ (mex)	Certificate of deposit and P.R.L.V. - long term	
	Casa de Bolsa Banorte	Negative	Outlook / Observation	
		F1+ (mex)	National scale - short-term counterparty risk	
		AAA (mex)	National scale - long-term counterparty risk	
	Arrendadora y Factoraje Banorte	F1+ (mex)	National scale - short-term counterparty risk	
		AAA (mex)	National scale - long-term counterparty risk	
		F1+ (mex)	National scale -unsecured debt - short term	
		AAA (mex)	National scale -unsecured debt - long term	
	Almacenadora Banorte	F1+ (mex)	National scale - short-term counterparty risk	
		AAA (mex)	National scale - long-term counterparty risk	
	Pensiones Banorte	Negative	Outlook / Observation	
		AAA (mex)	National Scale	
	Seguros Banorte	Negative	Outlook / Observation	
		AAA (mex)	Insurer financial strength	
Moody's	Banco Mercantil del Norte	Stable	Outlook	October 2018
		Aaa.mx	National Scale - long term deposits	
		MX-1	National Scale - short term deposits	
		Aa3.mx	Subordinated debt - long term	
	Arrendadora y Factoraje Banorte	Stable	Outlook	October 2018
		MX-1	National Scale - short term issuer rating	August 2018
		Aa2.mx	National Scale - long term issuer rating	October 2017
		MX-1	National Scale - senior short term debt	August 2018
	Banco Mercantil del Norte	Stable	Outlook	November 2018
		HR+1	National Scale - short term issuer rating	
		HR AAA	National Scale - long term issuer rating	
HR Ratings	Arrendadora y Factoraje Banorte	Stable	Outlook	August 2018
		HR +1	National Scale - short term issuer rating	
		HR AAA	National Scale - long term issuer rating	

Our shareholders

As one of Mexico's most widely recognized publicly-traded companies, we are committed to applying the highest standards of corporate governance, information disclosure and communication with the investment community and our stakeholders.

Grupo Financiero Banorte has a globally diversified shareholder base made up of individual and institutional investors. Throughout the Group's process of institutionalization, we have developed various strategies to expand our shareholder base and remain an option for those seeking long- or short-term investment, or simply following our dividend policy.

We are a Financial Group that listens to and is concerned about its shareholders. One example of this is the modification of our corporate bylaws and changes to the Nominations Committee, which were done in keeping with the recommendations and concerns expressed by our minority shareholders.

We are particularly interested in constantly working for a closer relationship with the community, investors, analysts and rating agencies and expanding channels of communication. In 2018, we did this primarily through ongoing Innovation in our digital platform and greater detail in our disclosures, at a pace with the evolution of the Financial Group. We have also maintained our traditional channels: quarterly and annual reports, quarterly conference calls, roadshows, non-deal roadshows and participation in conferences by various international and Mexican brokerage firms.

In 2018, the Executive Department of Investor Relations, Sustainability and Financial Intelligence was active in a number of forums, as described below:

- Active participation in 19 national and international conferences, 4 non-deal roadshows (NDRs) and 69 investor visits to our corporate offices.

- Meetings with more than 65% of the total shareholder base of GFNorte, in which senior management was present for more than 50%.

On numerous occasions during the year, GFNorte was the most heavily traded issuer in the Mexican Stock Exchange Price and Quotations Index, as well as the highest-weighted issuer in that index in October, with a 12.9% share.

In terms of Sustainability, GFNorte has incorporated sustainability into its operations as a guiding principle to maximize profitability and growth, while protecting its financial, social and environmental capital at all times. We have developed a sustainability model based on three pillars:

- Responsible Business.
- Our People.
- Our Planet.

Through this model, we support initiatives aimed at achieving sustainable development, promoting social responsibility in pursuit of return on investment, transmitting an awareness of sustainable development and environmental protection in our daily operations.

With regard to our corporate governance, in 2018 we held two ordinary shareholders' meetings, attended by an average of 80% of our shareholder base. All the initiatives proposed were approved by shareholders during these meetings.

Banorte makes it a priority to continuously strengthen relations with our investors, improving the amount and availability of information we provide and optimizing corporate governance practices, because we are sure that constant, efficient communication and greater transparency are the right path to follow.

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Risks

The risks and uncertainties outlined below are not the only ones GFNorte faces, nor is the relevance we assign to them at present necessarily the same as what they may take on in the future. For more information, see section c) Risk Factors in the 2018 Annual Report - CNBV Unified Bulletin" available at:

<https://investors.banorte.com>

Risks relating to Mexico

Over the past ten years, the world economy has gone through periods of unprecedented crisis and volatility, with a widespread shortage of liquidity, loss of confidence in the financial sector, disruptions in credit markets, changes in the global geo-political climate and a slowdown in business transactions. These global crises have had a negative impact on the Mexican economy and we currently can offer no certainty as to when these conditions will improve.

Most of our operations and assets are located in Mexico, so our business, financial position and the results of our operations may be affected by general conditions in the Mexican economy, changes in GDP, per capita disposable income, unemployment, growth in formal employment, devaluation of the peso against the dollar, inflation, fluctuations in oil prices, interest rates, new regulations, social instability and other political, social and economic events that affect the country and over which we have no control.

The Mexican government exercises a significant influence over the Mexican economy. Its actions regarding the economy and regulation of certain industries, including the banking sector, may have a decisive impact on private enterprise in Mexico in general, and our subsidiaries in particular, as well as on conditions in the Mexican financial markets such as the price and yield on Mexican securities, including our own.

Because the Mexican government may make significant changes in the laws, public policy and/or regulations, the Mexican political and economic climate is subject to change, and this in turn could affect our business.

Risks relating to the business

One of the main risks that Banorte faces, as a lending institution, is credit risk. For this reason, the bank seeks to remain at the forefront of the industry by having the right tools and models for evaluating the impact of adverse scenarios on our portfolio. Banorte has made an effort to improve and strengthen its credit guidelines and policies to deal with possible risks associated with specific industries or clients.

Additionally, a significant portion of our revenues and EBITDA comes from the interest rates we charge our clients, so restrictions on these amounts or additional requirements for information could substantially affect the results of our operations and financial position. In Mexico, the Federal Law on the Protection and Defense of Financial Service Users currently places no limit on interest rates or fees that banks may charge, with certain exceptions.



Banorte has made an effort **to improve and strengthen its credit guidelines** and policies to deal with possible risks associated with specific industries or clients.



Nevertheless, the Law on Financial Service Order and Transparency gives Banco de México broad authority to determine whether competitive conditions in the market are reasonable, and to issue temporary regulations on credit and debit cards, checking, fund transfers and other payment means, in order to ensure competition, free access, non-discrimination, and protection of users' interests.

At present, Congress and regulators have proposed no specific limit on the interest rates we can charge. But there has recently been some interest expressed in the legislature in imposing some regulation on service fees currently charged by banking institutions. The impact on our business and operating results, if such regulations are in fact introduced, would depend on the specific characteristics imposed.

Risks relating to securities markets and stock ownership

Since 2018, with the integration of the Institutional Stock Exchange (called BIVA), the BMV is no longer the only stock market in Mexico. Banorte has been compelled to adapt to new regulations and changes in the way market information is reported. Despite this, we know that the Mexican market is less liquid, more volatile and has a smaller base

of institutional investors than international markets. These characteristics may affect shareholders' ability to sell or purchase stock in a certain amount of time, and this affects the price of our common shares.

The market price and liquidity of our common stock may be significantly affected by various factors, some of which are beyond our control and may not be directly related to our performance.

Furthermore, we cannot guarantee that we will always be able to pay or maintain cash dividends, given that the amount of cash available for dividend payments may be affected by various factors, including our operating results, financial position, future capital requirements, contractual restrictions or legal covenants contained in current or future financing agreements for the financial group or subsidiaries, and our capacity to obtain resources from our subsidiaries, among other variables, as well as our dividend policies, which are subject to change.

Finally, we are not controlled by a single group of majority shareholders, which could delay our ability to make strategic decisions if a majority of shareholders cannot reach an agreement in the General Annual Meeting.



Infrastructure and Technology Capital



•SRS 103-1 •SRS 103-2 •SRS 103-3



Our greatest challenge is finding the balance between personalized attention to our clients and working toward financial inclusion.

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At Banorte, our challenge is being a bank whose clients can connect and operate in a digital world.

A bank for a world that is already digital

Technology is not a competitive advantage per se; it's all in how it's used. The challenge is being prepared to be a bank whose clients can connect and operate in a digital world.

The digital movement isn't being driven by banks —it comes from society and trends. Today's new generations, and everyone who wants to sell to them, are migrating toward digitalization. But there are also clients that prefer traditional channels that provide one-on-one attention.

This in turn presents a challenge: finding the balance between this kind of personalized attention to our clients, and working for financial inclusion for all segments of society.

At Banorte, we don't want to be a digital bank, we want to develop our ability to do banking in a digital world. We are focusing technological processes to enable our clients to do their banking with a single click. We want to stay ahead of the trends, so we're working to develop projects focused on what clients need, when and where they need it, by using both digital and non-digital channels, whether on their own or with the assistance of our staff.

"Digital Transformation is not a question of technology; it's a question of customer relations." **Charlene Li, independent writer and graduate of the Harvard University Business School.**



Developing capacities for making banking digital

Over the course of 2018, we made great strides in the area of digital banking, introducing more than 60 new functions to reposition Banorte's mobile banking app, which resulted in a significant increase in our service volume and indicators. For example, the number of app users increased by 35% and the number of transactions rose by more than 80%, to 35 million. At the same time, our Net promoter Score (NPS) rose 2.5 points to a total score of 71.7, positioning us as leaders in the market.

In 2018 we set the following goals for the Technology area:

1. Asset protection: Information security efforts are on track to meet this goal.
2. Attract, retain and develop talent: have a highly trained, motivated staff with constantly increasing potential and skills.
3. Service resilience: design, develop and implement solutions to achieve uninterrupted service availability.
4. Alignment with the business: proactive management of needs and optimum management of demand.
5. Optimization of the use and management of technical, financial, human and physical resources.

Asset protection

Today, our clients prefer to operate through Mobile Banking. Over the course of the past year, we worked on maturing our information security processes and continuously training employees in cyber-security issues, while fostering greater confidence and enhancing protection.

A breach of Mexico's electronic payment system (SPEI) in the month of April 2018 affected the entire banking system and with it Banorte, which had a significant operating and reputational impact on the Bank. The incident convinced us even more of the need to expand our focus on incident attention to incorporate both preventive and reactive processes.

Before reconnecting with the SPEI, we executed a comprehensive process of remediation that included implementation of controls and security mechanisms in both our technological infrastructure and our applications, which was evaluated and authorized by regulatory agencies.

Also last year, we successfully completed plans for an internal security program in which various processes were improved. The result was the "armoring" of 40% of our applications with robust practices. The next steps, to be taken in Phase II, will involve a permanent strategic program for oversight and security protection in applications through a model of governance to monitor and adjust execution as necessary. This will require substantial investment over the next five years, but it underscores our commitment to protecting the institution's assets.

Talent

Our human IT team is made up of more than 500 employees who are deeply committed to the institution, which is reflected in a low turnover rate of 12%. To keep up with the fast-changing technological environment we provided around 5,700 hours of training and workshops for our staff. We continue to encourage a healthy life-work balance with initiatives like flex time and home office, involving around 33% of our employees.

Digital Hub

To enter and position ourselves in a climate that encourages innovation and attracts young talent, we participated as founding members of the Monterrey Digital Hub, a driving force for digital transformation in Mexico which brings together leading companies, academic institutions, and entrepreneurs in growth and digital talent, committed to revolutionizing organizations and communities through digital technology and models. Monterrey Digital Hub wants to create the first ecosystem in which training and workshops in digital skills, specialized mentoring and open and corporate innovation programs can build a community of knowledge transfer and experience.



Resilience

The Financial Group's transformation toward digital operation has implications and consequences, and in the area of Infrastructure we have seen a substantial increase in our transaction volumes. Offering our clients more options means more transactions, which means we need to grow our infrastructure as well. For example, overall transactional volume grew 16% last year, but the increase was even greater in some specific channels, particularly the digital ones.

The installation of components to handle new functionalities in our productive environment entailed more than 8,000 changes in 2018, almost 25 changes a day. Maintaining the highest level of service and standards in an environment of such constant change is a real challenge, and we made sure to take action to mitigate the risks involved.

The following are just some examples of our infrastructure growth:

- An 18% increase in processing capacity in the mainframe.
- High availability with infrastructure duplicated in some platforms.
- Production capacity more than tripled in operating systems, increasing service availability and stability.
- Redundant environments to permit 24/7 project execution.
- Technological upgrade of 4,715 devices and office tools.



We were able to increase the number of Mobile Banking clients by 35%, increasing the number of transactions by more than 80%, to over 35 million.



Among the highlights of our actions last year were:

Implementation of operating optimization tools, documenting best operating practices, introducing information security review policies and practices, and emergency response services.

To adapt our technological infrastructure and ensure that it is modern, agile and able to keep up with the pace of change demanded by digitalization, we are readying new Data Centers in Querétaro and Monterrey, which are expected to be open and operating in 2020, while upgrading technology in most of our technical components to ensure high availability, redundancy and short recovery times in the event of contingency situations.



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All our technology-related projects and efforts ultimately aim at giving our clients new ways to do their banking, releasing new functionalities that give value to our business as well as to our customers. We have done this through a 10% increase in work-hour production. We have increased our capacity by four times over, and released more than 1,900 value deliveries.

In 2019 we will work to stabilize the pace of work and prioritize the technological solutions we introduce. We will measure the success of our efforts by how efficiently we use our resources in carrying out strategic projects.

One of the most important projects last year was the technological and operating integration of Interacciones, which began in mid-2017 and concluded in the third quarter of 2018. This process, which involved migrating close to one million records, was executed without affecting operations for all those clients who became Banorte customers overnight.

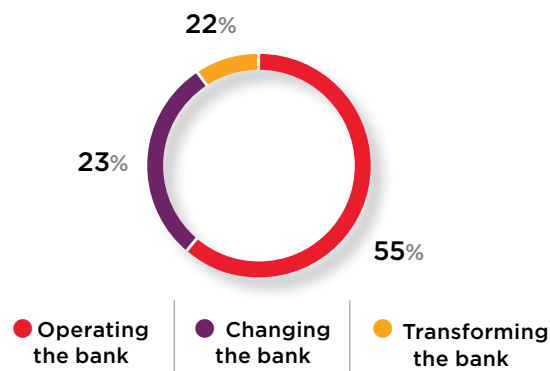
• SRS 102-48

Alignment with the business

Technology programs and projects are classified into the following categories: Operating, Changing and Transforming the bank. In 2018, productive capacities were assigned as follows:

- **Operating the Bank, 55%.** These projects enable us to meet regulatory and safety requirements and control technological and operating risk as well as to apply corrective and evolutionary maintenance to existing systems.
- **Changing the Bank, 23%.** These projects help us keep up to date in the way we manage and evolve our operations, through increasingly advanced technologies. For example, we automated all the processes of cash bonus and service inquiries from the channels through which we interact with clients, and also expedited client resolutions.
- **Transforming the Bank, 22%.** These projects are the result of our ongoing efforts to reinvent the Bank through digital technology solutions. Some of the most fundamental projects in this category have been:

- Infrastructure service outsourcing, to benefit our clients.
- Data program aimed at being able to use Big Knowledge to analyze data into our customer service knowledge base.
- Multi-channel capacity, to break the rigidity of legacy systems and connect to core systems that allow us to modernize and make the rules of those systems more flexible.
- A repository of scanned images so we can have a single unique file for each client.
- A system for managing usernames and passwords.
- BPM central processing capacity in order to create reusable components that connect to processes and accelerate the creation of new solutions.



FOCUS OF TECHNOLOGY PROJECTS





We increased the production of work hours by 10% and released more than 1,900 value deliveries, quadrupling our 2015 capacity.



- We will continue evolving digital banking by expanding our supply of services in a secure and innovative manner, while adding new functionalities that translate into better experiences for our users, making the systems less rigid and more open to interaction with our clients.
- Fintech companies will be integrated to operate the Group's products and services that will enrich the diversity of service offerings and expand our customer base through cross-sales.

Resource optimization

We created strategies to ensure a better and more efficient use of our budget:

- Alignment of purchasing platforms with Project Management and Budget Management
- Signing of multi-year agreements with key vendors
- Outsourcing of infrastructure services
- Collaborative tools to facilitate workplace logistics
- Outsourcing human resources with standardized vendors.

Looking ahead to 2019, and convinced that technology is key to the development of our business, GFNorte will continue to work on innovation and execution of new trends through our digital transformation strategy. Our focus this coming year will be on:

- Continuing the second phase of transformation of the contact center with new services for online banking customers, taking advantage of the artificial intelligence tool of Banorte's virtual assistant.
- Transforming the credit process. We will develop product origination platforms so that loan applications can be initiated in whatever channel the client requests, meaning fewer trips to the bank branch.

In this process of technological change, Banorte has always placed a high priority on meeting existing commitments, fostering a culture of cooperation and permanent service availability, and recognizing the emotional component of interaction with our clients.

The key to evolution lies in reimagining models, business processes and customer service, as well as the use information, always keeping the client at the center. The new challenge in the market is called personalization, and the trade or market name today is hyper-personalization; GFNorte is working to meet this challenge.

Analytics to better serve our clients

We have a vocation for continually exceeding our clients' expectations of the service we offer. At GFNorte we develop information-based solutions to provide them with an experience that fully satisfies their needs.

The Analytics team is in charge of knowing and understanding our customers, transforming this information into value both for them and for GFNorte. With this process of analysis, we pursue two purposes:

1. Expanding and deepening our relationship with clients.
2. Identifying opportunities to raise the Group's productivity through analytical process optimization.

In order to develop comprehensive solutions, Analytics works with most of the business areas, executing cross and vertical sales campaigns, along with projects aimed at reducing the cost of risk as well as operating and financial costs. In 2018, these solutions contributed significantly to creating value for GFNorte; specifically, the present value of associated direct profits in 2018 increased 46%.

This effort has allowed us to make significant improvements in processes that were already successful. Five examples of this are: i) cross sale of credit cards, which last year accounted for 27% of new cards purchased and activated; ii) payroll loans, which accelerated with the support of advertising campaigns, increasing 32%; iii) activation of credit cards with a first purchase got a substantial boost from the use of automated contact with clients, resulting in a 15.5 percentage point increase in the success rate; iv) clients' adoption of mutual funds, also strengthened through cross-selling efforts, which doubled the impact over the previous year; and v) the use of a statistical tool to reduce cost of risk saved the bank more than Ps. 1.7 billion, more than double what was achieved through these initiatives in 2017.

Analytics also enabled us to have a more positive impact on our clients, because they can now receive offers based on their needs, with better credit conditions and through non-intrusive channels. Some examples of this are credit cards placed through cross-selling to existing clients, exempting them from the payment of annual fees.



We build client loyalty by placing them **at the center of our operations.**





We introduced a transformation program that involves **more than 270 initiatives focused on customer service and self-service.**

In 2019, the Analytics team will work to continue increasing its contribution to value generation at GFNorte, through three overall efforts:

- Communicating pertinent offers to clients through automated, highly granular campaigns, addressing their specific needs to the greatest extent possible.
- Gaining a greater understanding of our clients by exploring alternatives important to them, experimenting with various contact channels, types of offering and ways to explain product characteristics to them.
- Perfecting our ability to predict how our clients will behave, so that through artificial intelligence tools and machine learning, we can offer them products that best suit their needs.

Customer experience

Today we have gone from the age of information to the age of focus on the client, a change that requires full concentration on their needs and expectations. But we also know that true, sustained business growth goes beyond satisfying clients' needs; we need to also earn their trust and loyalty. For this reason, one of the Group's strategic priorities is to improve customer experience, so we can continue to be the best financial group for Mexico and for Mexicans.

Client-centric

From the Client Experience area, we will build loyalty for every one of our clients by placing them at the center of our operations, for the purpose of designing and transforming our products and services to meet their financial needs.

In 2017 and 2018, we introduced tools for hearing and responding to our clients' voices in real time, so we can understand what they want, need or expect, in every one of their interactions with the bank. We want these interactions to generate emotions and memories that shape their future decisions and their loyalty.

Transformation Program

One of the main objectives of our Customer Experience effort is to implement a transformation program, a digital tool which, through quick and simple methodologies, involves client and employee together in a process of interaction.

The process begins at the moment the client's voice is heard; immediately their needs and expectations are analyzed, which triggers a number of internal processes to detect the gap. Once detected, that last phase involves making the improvements or designs necessary, aligning internal processes to ensure positive experiences.

This transformation program involves more than 270 initiatives focused on customer service and self-service.

Methodologies that place the client at the heart of the design

With the help of a series of methodologies, we place the client at the heart of the design and improvement of our processes.

NPS System

Toward the end of 2017, Banorte began the Customer Voice Management Program, which consists of a series of questionnaires applied to clients through digital channels, using the Net Promoter Score (NPS) methodology. This methodology tells us to what extent our clients would recommend us, and their level of satisfaction with our products, services and channels.

The NPS Score is based on one basic question: How willing would you be to recommend Banorte to others? On a scale of 0 to 10, 9 and 10 are service-supportive clients, 7 and 8 are passive clients, and 0 to 6 are unsatisfied clients, who would not be at all willing to recommend us.

Today, we have more than 2 million customer feedbacks from 40,000 points of interaction with Banorte. This information has enabled us to design and transform processes, products and services to improve the customer's experience.

In the words of some supportive clients:

"They attend to you quickly and then they ask you in a helpful tone if there's anything else you need, and I answered, that's all for today, thanks! And they respond, have a nice day. Imagine—they take care your money, attend to you quickly, and send you off with blessings... that's my bank!"

"Keep working efficiently. When we work with love and enthusiasm, we help build a world of harmony and security."



Customer Journey Map

By making a map of a customer's experience, we can identify points of difficulty in their interactions with the bank, which need to be transformed. We designed a methodology consisting of seven factors for measuring the degree of usability, simplicity and self-service of each process, application or interaction with the customer.

Through this methodology we succeeded in transforming more than 4,000 key moments in interactions with our customers.

Focus groups

In 2018, Banorte installed a "Customer Chamber," a specially designed Gesell chamber in which customers and employees can work together to design and improve processes.



We build client loyalty by **placing them at the center of our operations.**

Customer experience lab

We have a laboratory for guaranteeing the experience and quality of the functions, processes and services we develop, before they're released into production. This enables us to guarantee the customer's experience and involve both employees and clients in assessing new advances.

Some examples of this are biometric applications, processes for opening accounts through various channels, tools like the shift assignment module at branches, or new mobile banking apps and online banking options.

Client-centric culture

Service model

Our service model establishes the foundations of a client-centric culture, to provide them with personalized solutions and options, a better relationship and an opportunity to experience unique and memorable moments. In 2017 and 2018, we trained more than 10,000 employees throughout the country, which resulted in substantial improvement in our branch staff in areas like customer service, friendliness and knowledge. It also resulted in an improvement of between 68% and 80% in positive customer sentiment.

Multi-disciplinary teams

We have 160 multi-disciplinary teams called "Cells" which involve the entire organization in continuous improvement processes. These teams work according to a versatile methodology consisting of more than 290 high-customer-impact initiatives that build value in the short term.

The process of transformation within Banorte, and the use of methodologies, as well as a client-centric culture, has resulted in a significant improvement in the NPS of various channels, products and services.

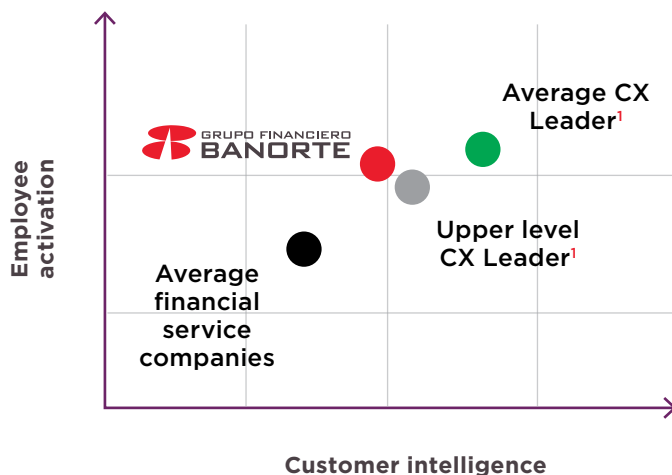
NPS IMPROVEMENT BY CHANNEL/SEGMENT

Channel/Segment	% Growth in NPS
Branches	18%
Preferred Segment	26%
Online banking	21%
Mobile banking	13%

Recent studies attest to Banorte's evolution and maturity in customer experience, ranking us within the average ranges of the world's leading companies.

BANORTE'S MATURITY IN OECM* VS. LEADERS

Banorte is now at the "CX Leader" level, having attained it more rapidly than most companies.



- Banorte is today a CX Leader in both "employee activation" and "customer intelligence."
- Banorte attained these results in 16 months of work with Medallia, a process that took similar companies around three years.
- Banorte is now more mature than the average FS company.

Source: Medallia® Copyright 2018

*Organizational Customer Experience Management

¹ Customer Experience

2018 Projects

These are some of the transformation projects that have been most valued by Banorte customers:

Banorte Virtual Assistant: At the end of 2018, we released an interactive chat and virtual assistant service based on Artificial Intelligence (AI): through this, our clients can perform monetary transactions and receive a quick answer to their questions, in a language familiar to them.

Mobile Banking: In the last nine months, the mobile banking cell has redesigned more than 60 services, designed 15 new functions and 25 improvements. This enabled us to move up three positions in the competitive ranking of Mexico's financial industry, and increase the number of monetary transactions and inquiries through mobile banking by 210%.

- **Biometric authentication.** Banorte's mobile banking app provides customers with two options for accessing mobile banking: authentication by facial recognition or by fingerprint, both of which customers find very useful.
- **Mobile engagement.** Allows customers to schedule a cell phone call securely, defining the day and time they want to receive a call from Banorte to deal with some problem or request.

Thanks to technological transformation, our new clients are **100% digital**, and our online origination and the products and services offered through these channels, are a clear sign of Banorte's vocation for the digital experience.



- **Cardless cash at ATMs.** This innovative function —unique in the market— allows clients to enter a code generated on the Banorte mobile app to withdraw cash at automatic teller machines without having to use their debit card.
- **Digital card.** The Banorte digital card lets customers make secure purchases with online merchants. The client sets a daily spending limit and can shop without having to provide card numbers or other information when making online purchases or payments.

In-branch customer origination: We have a platform at our branches for fully digital client activation. The efficiency of this system has made it easier for us to offer products to customers and improved their satisfaction, increasing the number of products per client from 1.4 to 3.5.

Online banking (web)

- **Homepage redesign:** One of the most notable changes of the more than 20 online banking designs is the header function, which allows users to browse menus quickly and practically. These changes have improved the bank's online usability and improved customer satisfaction indicators by 21%.

Automatic Tellers

- **No more printed ticket on balance inquiries.** The ATM no longer prints an inquiry ticket when clients check their balance; instead, a receipt for the transaction is sent digitally, which saves money —and the environment— by avoiding the printing of 285 million tickets. It also led to a 10% increase in the NPS of our ATMs.





Digital banking

Banorte has a flexible, multi-channel technological architecture that creates unique experiences in every point of contact with the bank. These guarantee value for our clients, because they are intuitive, highly usable, self-service processes. Based on client information and data, we can pinpoint campaigns and offers, significantly increasing acceptance levels.

Thanks to technological transformation, our new clients are 100% digital, and our online

origination and the products and services offered through these channels, are a clear sign of Banorte's vocation for the digital experience.

As a result of all these digital transformation strategies, the customer effort index went from 2% in 2016 to -22% in 2018, meaning that Banorte offers its customers increasingly efficient, easy-to-use channels to do their banking.

Inquiries

We have a system for quickly and clearly answering questions and resolving inquiries.

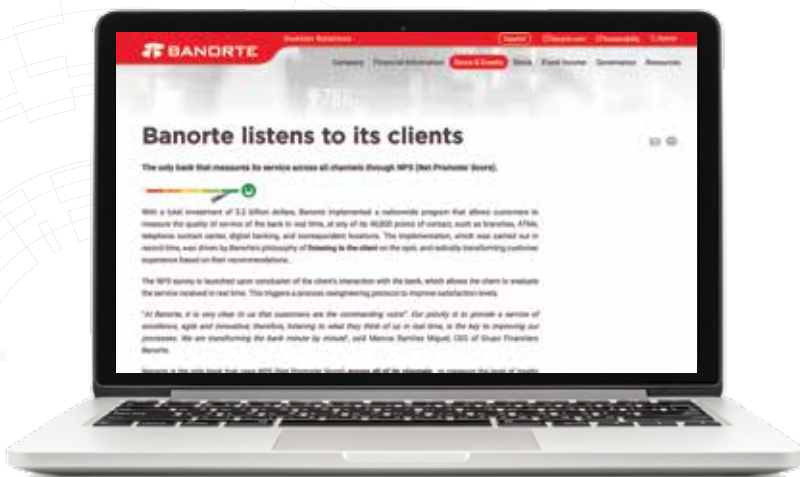
Our NPS in customer inquiries improved by 200% thanks to improved customer response and attention times. In 2018, we completed 97% of pending claims and resolved 80% of inquiries within 72 hours.

Contact Center

By installing cutting-edge technology in Banorte's call center, we were able to reduce call duration by 20% and improve average wait times.

The new mobile service menu provides personalized attention to customers from the moment the call begins, with better navigation and improved self-service. This change resulted in an 18% improvement in the NPS of first-contact resolution (FCR).

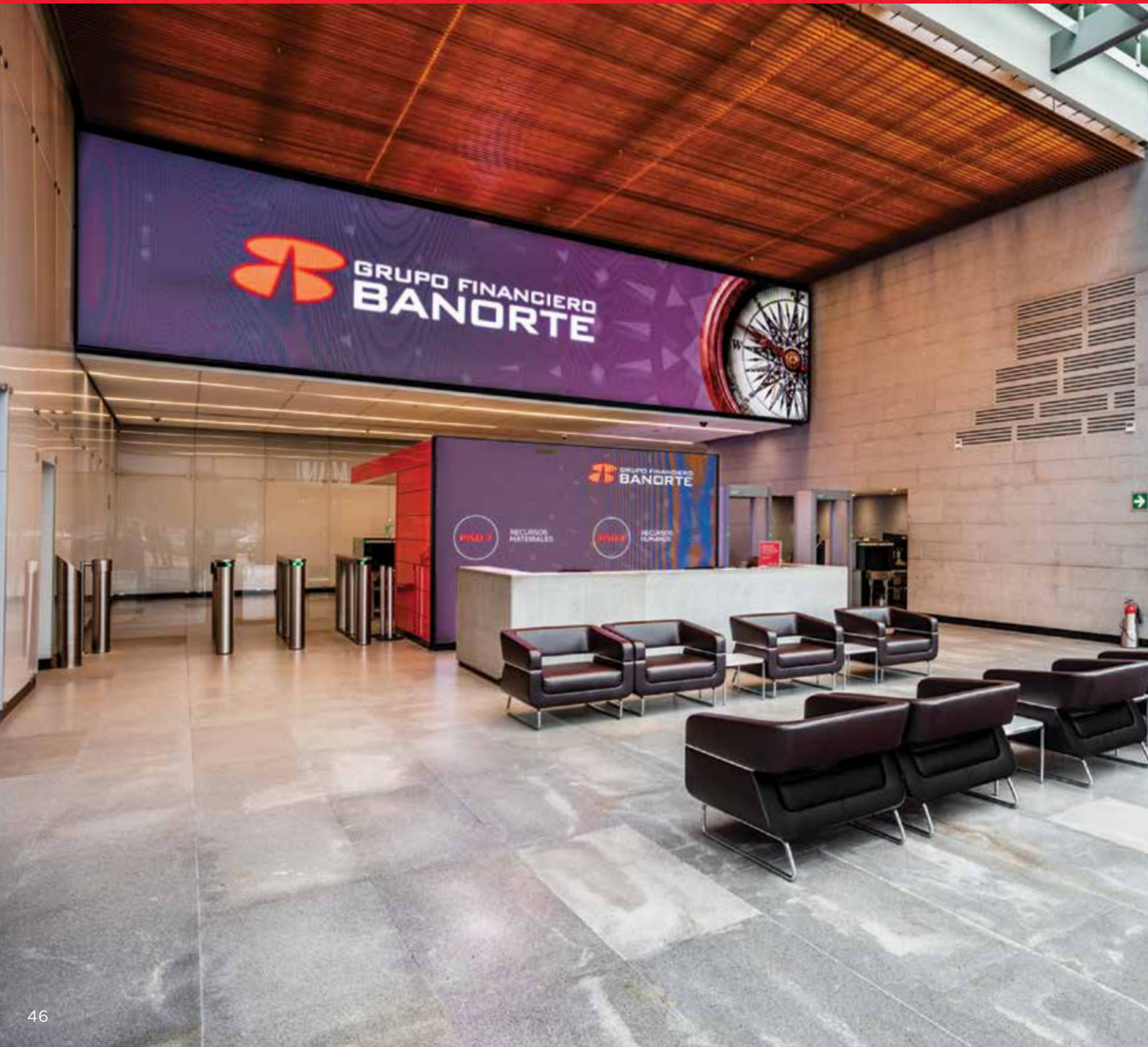
Currently, our contact center is focusing on projects that will make us one of the modern, efficient call centers in Mexico.



Based on **Customer Experience**, we are working on personalizing and co-designing experiences, working to be the best bank in terms of attention and service.



Intellectual Capital



• SRS 103-3



The office of the **Associate Director for Innovation** develops disruptive and transformational initiatives that can impact our value proposal and business model.

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We prioritize customer satisfaction and experience, along with operating efficiency.

Innovation

At GFBanorte, innovation is essential to the way we do business. We prioritize customer satisfaction and experience as well as operating efficiency. We develop disruptive, transformational initiatives that can impact our value proposition and business model, in order to continue the bank's digital evolution. To this end, we focus on initiatives that have a direct impact on our customers and our business.

Our innovation goals extend to our internal control programs, where we are working to bolster systems and tools for identifying, measuring and controlling risks. To this end, in recent years we overhauled our systems for calculating expected and unexpected loss; our infrastructure for developing, executing and monitoring our internal provisioning and capital models; our system for managing credit lines and limits; our loan assignment scorings; and our money-laundering prevention models.

We are currently working on incorporating unconventional data and artificial intelligence tools in order to manage risk with increasing efficiency, to the benefit of our shareholders and customers. For example, we pilot tested new decision-making tools for evaluating credit and fraud risk, which use nontraditional mechanisms like online psychometric scores, validation of e-mail addresses with an e-mail research agency, machine learning techniques for loan approval models, and graph analytics for transactions.

We've also begun the process of obtaining certification from the National Banking and Securities Commission (CNBV) for our in-house provisioning and capital models.



Innovation

is an essential part
of our business

We have a controlled analytics infrastructure for developing, executing and tracking these models in keeping with regulatory requirements.

To face the challenges involved in our 20/20 Vision program, we are redesigning our mass-market loan approval process, both for consumer loan customers and SMEs, in order to fine-tune risk assessment while adding new functions to the system that guarantee a swift, personalized response to each customer. The redesign includes multi-product sales through a simulator that customers can use to configure their own package of products, a broader base for cross-sale campaigns, and a personalized rate system, and other advantages.

Cross-selling is strengthened by our multi-channel sales platform, which gives customers the option of acquiring and operating a range of Banorte products and services on a self-service basis, through digital channels that are easy to use, quick, and secure, 24 hours a day, 365 days a year, regardless of where they are or what type of device they're using.



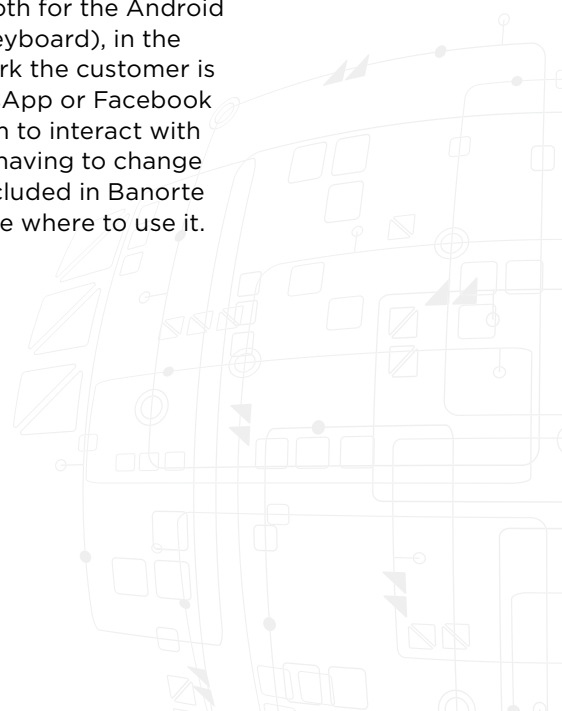
We have developed **tools for banking transactions**, both for the Android system and iOS (Banorte keyboard), in the context of any social network the customer is currently using.

This platform operates according to different technical components and business rules that functions to be reused in order to standardize operation through an omnichannel architecture. With this, customers are able to begin a process in one channel and complete it in another—a unique and seamless experience—regardless of the channel. Multi-channel sales also place us at the forefront of our market, ensuring excellence in the client experience.

We have also strengthened the engine for calculating portfolio risk indicators, achieving a more detailed segmentation of our clients, calculating personalized interest rates and re-designing strategies based on a better risk-return combination.

Among the improvements to the bank's control infrastructure are the startup of a new system for managing credit lines and internal and regulatory limits, which will provide information on overall exposure by client, so the bank can regularly monitor this exposure, approve new lines and conduct online tracking of all withdrawals against existing wholesale lines of credit.

In mobile solutions, we have developed tools for banking transactions, both for the Android system and iOS (Banorte keyboard), in the context of any social network the customer is currently using —like WhatsApp or Facebook Messenger. This allows them to interact with the bank instantly, without having to change app to do so. This app is included in Banorte Móvil, and clients can decide where to use it.



Among our main areas of innovation are recently-developed virtual assistant tools, such as:

- Banorte Virtual Assistant, an applicable available in online banking, and soon in the mobile application, which uses artificial intelligence to help clients answer questions and resolve issues with our services. The Assistant can also answer questions about various banking products, like how to acquire and use them.
- Cognitive Skills Center, a platform for developing a strategic overview of artificial intelligence within Banorte, currently in the concept and pilot testing phase, which will include:
 - A customer call analyzer to increase the sale of our products.
 - A knowledge base for employees, together with Human Resources.
 - Information on policies, procedures and review of documentation for official authorization.

To generate exponential growth and create value for our clients, we have launched NBA, multichannel and multi-wave campaigns. Our Next Best Action (NBA) platform, developed in previous years, continues to grow, offering clients an increasing range of services and more channels to access them, directly from whatever channel they are already using.

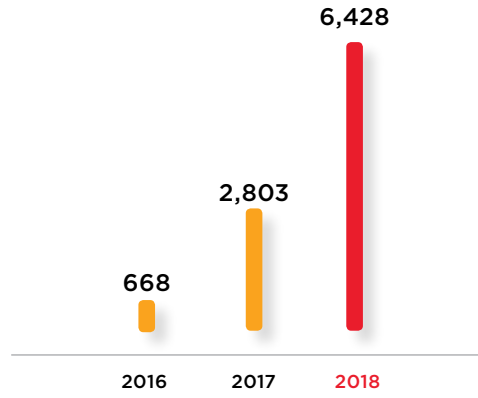
- Combined use of NBA channels in campaigns.
- Authorization of products for direct closure.
- Campaign automation based on landmarks (multi-wave).
- Expansion of prospects for campaigns.

Our future priorities:

- Maximize exposure in the most effective NBA channels (adjusted functionality).
- Increased direct closures: client and product universes.
- Extend multi-wave coverage in terms of products and client lifecycle.



We are adopting an open banking strategy to remain competitive and relevant in the digital economy.



DIRECT EARNINGS

Millions of pesos

Net present value (@12.5%) of placements by NBA campaigns during the year

* Information from DGA Analytics

We innovate jointly with the Mexican financial system (open banking)

Open banking changes the paradigms of traditional banking by opening and operating in a world where the value chain is increasingly fragmented, and the competitive climate more intense. Under this service model, clients are given power over their data, with the ability to share them with others outside of the banking sector in order to receive value-added services.

At GFNorte, we are adopting an open banking strategy to remain competitive and relevant in the digital economy, staying one step ahead of the digital transformation. We recognize this as an opportunity to create new sources of revenues, to offer non-traditional services and reduce time-to-market.

The success of open banking requires that we align strategies —corporate, digital and regulatory. This is not just a compliance issue, but an opportunity to improve banking services and products through an open, standardized Application Programming Interface (API).

In 2019 we will be launching our API development and administration platform to the community of external developers, making it possible for banking services to be opened and used by our own applications, or by others, always guaranteeing that the necessary security measures are in place to access and use them.

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With this in mind, we are creating more accessible, useful solutions that meet client expectations, saving them time and money. APIs have become the foundation for the fast-moving digital economy.

To pave the way for further innovation, we developed a Collaborative Research Center with new tools and innovation trends, applicable to different industries, and have been able to work across traditional financial businesses to benefit the final customer, offering them digital solution ecosystems: An innovation hub.

We promote innovation within our company

In July 2018, we introduced an institutional program called *Ingenio*, aimed at Banorte's employee base. The program involved workshops intended to identify the best path for inculcating a culture of innovation.

In this exercise, we invited millennials from all areas of the Group and all territories of Mexico to define innovation. Their response: "generating value services by identifying client needs, facilitating their access to financial products quickly and easily."

The result of these workshops was the co-creation of a new dynamic within Banorte, which we call Ingenio Innovation Day. We invited 40 employees from all levels and bank branches in Mexico to work with a methodology of innovation, to address two of the main challenges proposed by the General Director of Retail Banking. Grouped into teams, participants generated more than 30 ideas and created seven actionable concepts that can help improve and resolve challenges.



To fortify the path to innovation, we developed a Collaborative Research Center with new tools and innovation trends, applicable to different industries, and have been able to work across traditional financial businesses to benefit the final customer.



Communication and Public Relations

Because Grupo Financiero Banorte is a publicly-owned corporation, it must effectively manage its behavior, discourse and image in society, aware of the impact these variables have on its corporate reputation.

Its efficacy in this task depends in turn on the alignment of business goals and institutional values from a comprehensive perspective, taking into account the group's impact in all dimensions —as an economic agent, a member of society, a corporate citizen, and a responsible inhabitant of our planet.

Amid a challenging social and political climate, during which time Mexico underwent a true regime change, 2018 required Banorte to take an informed public position in this new context: a company that communicates openly with its stakeholders, and capable of projecting the Group's natural commitment to the priorities, sentiments and aspirations expressed by the Mexican people in the July election.

Banorte Forum 2018:

Banorte, an ally for Mexico's future

We were born here, we live here, and this is where we'll stay. This is the basic sentiment underpinning a new comprehensive strategy of communications and public relations for the **Banorte Forum 2018**, held in August, which provided the **first space for dialogue between entrepreneurs and officials of the incoming federal administration**.

As a core concept that would transmit the Group's commitment to Mexico and this new phase in the country, we proposed the phrase: Banorte, an ally for Mexico's future. The concept was translated in the forum's identity, messages by spokespersons and external and internal communication. The results exceeded those of any previous forum: Ps. 68 million in return on investment in unpaid media coverage, eight newspaper headlines, 20 front pages and 226 million hits in social media, in addition to a live streaming link with 5,500 students of 29 universities.



This public impact was made possible by our successful strategy of reaching out to the newly elected administration in July 2018: six members of the new cabinet were given an opportunity in the forum to present their view of the country and exchange viewpoints with the audience and executives.

Banorte-Interacciones:

The rationale for a successful merger

The success of a merger depends largely on its ability to offer all stakeholders timely, sufficient information on the process.

The merger of Grupo Financiero Interacciones with Banorte posed a challenge not only in the sheer size of the operation, but also in its communications: the public needed hard facts, at the right time, consistent with existing regulations, but also needed to hear about the reasons for the deal. What did Interacciones bring investors, employees and clients? What did it contribute to the country in general? We designed a strategy which, consistent with current laws and regulations, made the transaction transparent and explained it to all audiences: in a country like Mexico, with huge areas of opportunity in terms of infrastructure,

The results of the Banorte Forum 2018 exceeded those of any previous forum:

Ps. 68 million in return on investment in unpaid media coverage, eight newspaper headlines, 20 front pages and 226 million hits in social media.



FORO
ESTRATEGIA
BANORTE 2018



Banorte Aliado del Futuro de México

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the value of Interacciones' expertise in financing to this sector —particularly at the state and municipal level— represented a unique added value to Banorte.

We designed various communication tools to achieve this goal, developing a solid narrative grounded in international statistics; press releases closely coordinated with the Investor Relations team, info-graphics and an internal website to explain the process to employees, which in turn would be displayed in posters in elevators and individual postings on social media.

With more than 80% of employees informed of the rationale for the merger, and an extensive coverage in the media, communication on the merger fulfilled its purpose.

Banorte Adopts a Community: A financial group close to our communities

Banorte is a highly responsible organization, committed to this country. In 2018, we demonstrated this commitment through the successful implementation of the Banorte Adopts a Community program, an initiative to help the country rebuild following the September 2017 earthquakes.

This is a comprehensive three-year program focused on nine affected communities in seven states of Mexico, where a budget of Ps. 170 million has been allocated. Thanks to our work with allies from the social sector, like Cinemóvil Toto, Fundación Helvex, FUCAM, Maseca, the San Carlos National Museum and Videxport, 282 homes were delivered, 82 more than originally promised. There were also visits to communities to carry out health, culture, nutrition and education activities, through which we generated more than 13,600 impacts on the nine adopted communities.



Communication for the business

The future of banking is digital. The financial sector competes aggressively to provide the best digital products and services to clients, and Banorte has focused all its resources on offering customers the best digital experience in the market.

At the start of 2018, however, a singular challenge arose: many Banorte employees still had not accessed the Banorte Mobile App, creating an insuperable barrier to access for many clients who were seeking a full digital experience.

This gave rise to the design and development of a new communication strategy focused on incorporating more than 90% of our employees to the app, making them true digital advisors. Through a process of constant, high-impact, multi-channel communication, together with



Banorte Adopts a Community

is a comprehensive three-year program focused on nine affected communities in seven states of Mexico, where a budget of **Ps. 170 million has been allocated.**



One of our basic operational principles is to safeguard the group's reputation through **prudent but transparent communication**.

the development of digital tutorials and an ongoing training process, the app was finally installed and active in nine out of every ten employees' cell phones, and all of those who received training will also have the informational tools needed to become advisors to our clients.

Clearly, the growth in the number of customers who adopted this digital tool during the year was made possible by the solution of various technical issues, but also largely by the digital know-how of Banorte's team members.

The shield of Banorte's reputation

Reputational management means projecting the symbolic capital of the organization, and protecting it in a challenging context.

In 2018 we worked actively to manage crises that had the potential to seriously affect the Group's reputation, as when services within the national wire transfer system (SPEI) were disrupted in May, or other external events, like cancelation of the New Mexico City Airport project, the debate over bank fees, and proposed initiatives that would impact the retirement savings system.

In all these cases, one of our basic operational principles has been to safeguard the group's reputation through prudent but transparent communication, to avoid rumors or the generation of voids that might be filled with incorrect information. Faced with these momentary challenges, Banorte chose to distribute appropriate information on these events through internal and external media and social networks, contributing to our stewardship of the group's intangible capital.

2019, a year to be even closer to Mexico

Mexico has embarked on a new phase. As the newly elected administration has pointed out, this regime change places a greater emphasis on ourselves as a nation, beyond individuality: an accent on integrity, with a mandate for transparency; a pursuit of inclusiveness, while still working for growth; and support for development in the global context, but staying aware of our roots, that which makes us unique.

This new vision requires Banorte to be even closer to every Mexican. It is time to show why we are Mexico's household bank, and what our role is in this "us" made up of citizens and companies.

In 2019, we are faced with the challenge of projecting both pride in being Mexican—a unique characteristic of our institution—and our position as an ally to every Mexican, their dreams and their efforts, in a new phase in which Banorte intends to become—as expressed in its 20/20 Vision—Mexico's best financial group.



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Marketing

Over the course of 2018, we continued the process of strengthening our brand positioning, an effort begun in 2017 with the “Strong Mexicans” campaign, in which we re-focused Banorte’s image and underscored elements of innovation, “Mexicanness” and strength.

In terms of communication, 2018 brought great challenges relating to the impact of the high-impact electoral process Mexico experienced. During this period, we kept our messages and communications relevant, reaffirming our belief in the country and its organizations, and being careful in how we held our clients’ attention and obtained results from the business.

We also contributed to the discourse regarding Mexico’s solidity and development, focusing messages on the new capacities and functions of Banorte Mobile, promoting deposits, the merger with Interacciones and the Bank’s new status as the second largest financial group in Mexico.

QUE TU NEGOCIO CREZCA ES TU SUEÑO, Y EL DE TU BANCO.

Crediaactivo

- Montos hasta 24 millones de pesos
- Flexibilidad en la evaluación
- Agil disposición

#BanorteTuBanco

BANORTE
EL BANCO FUERTE DE MÉXICO

UNA CUENTA QUE TE DA MÁS.

Cuenta Enlace Personal

Hasta **100%** de CETES con inversión a la vista.

Comisión 0 con tu Banorte Móvil y al usar tu tarjeta de débito.

#BanorteTuBanco

BANORTE
EL BANCO FUERTE DE MÉXICO

TU BANCO EN UN ABRIR Y CERRAR DE APP.

Banorte Móvil

Ya no necesitas ir a sucursal para tener **tu banco en tus manos**

Solo descarga la App **Actívala desde tu celular** **¡Y úsalas!**

#BanorteTuBanco

BANORTE
EL BANCO FUERTE DE MÉXICO

All of this, together with the operating excellence for which we are known, led Brand Finance to name Banorte Mexico's most valuable banking brand, worth USD 1.42 billion. This made us the 163rd most valuable brand in the world, three notches higher than in 2017.

This recognition inspired us to redouble our efforts to develop the brand in terms of proximity to our clients, and technologies that respond to their financial needs, as well as to communicate at the right time and through the channels to which customers are most receptive, to achieve continuous, efficient communication.

Expectations are very high in Mexico at the moment, and we cannot risk sending the wrong message. We will continue to work to attract clients and encourage their loyalty in a new digital age, offering communication on many levels and through many platforms that serve all our audiences.

Banorte was named **Mexico's most valuable banking brand** by Brand Finance.



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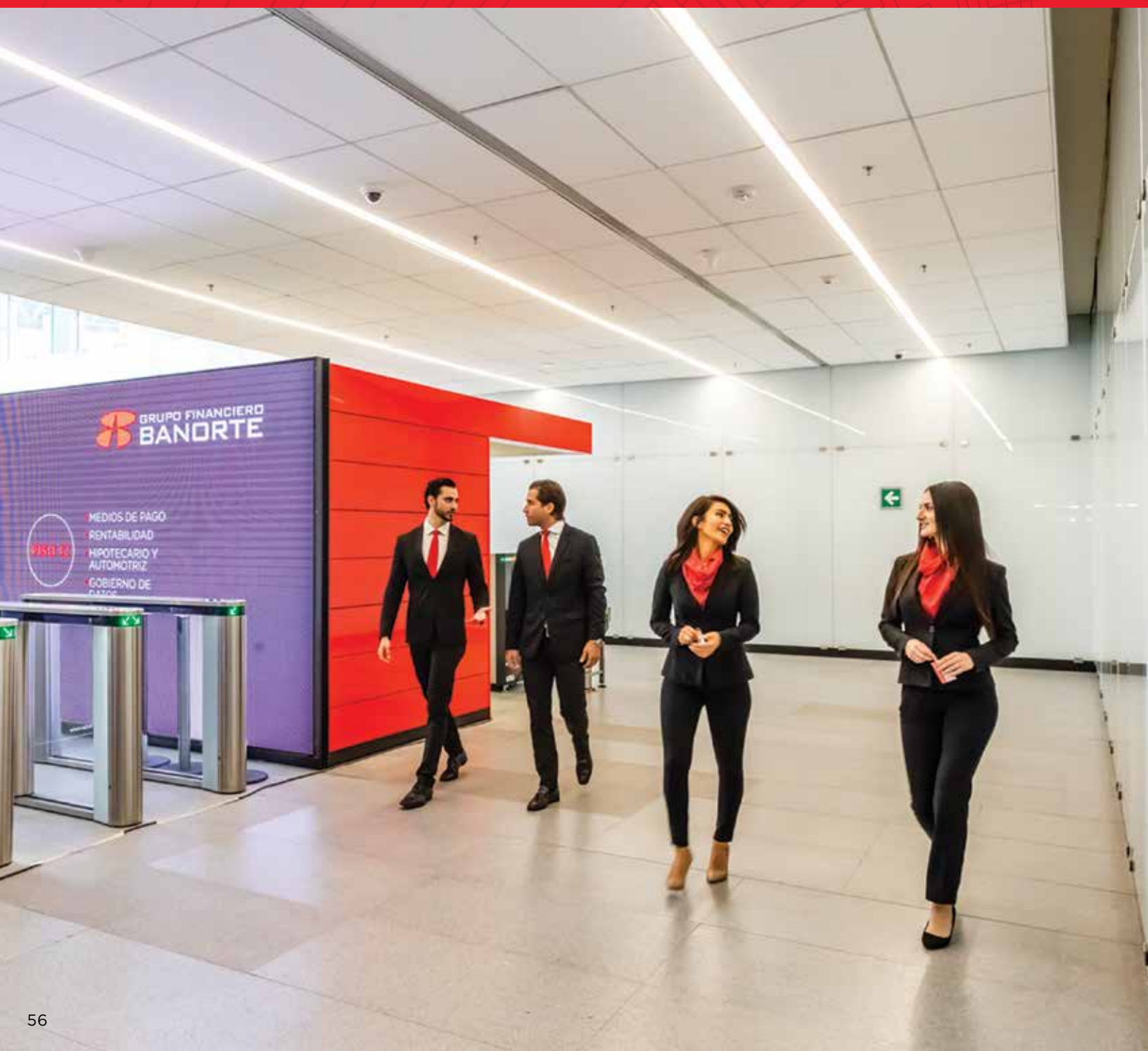
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Human Capital



•SRS 102-7 •SRS 102-8 •SRS 102-48 •SRS 103-1 •SRS 103-2 •SRS 103-3 •SRS 405-1



Values like **integrity, trust, respect and loyalty** are fundamental pillars to continue expanding on our successes, aligned with our vision.

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Human talent development is the key to fulfilling our business strategy.

In Human Resources, the challenge is maintaining an efficient organizational culture, focused on business results and headed by the leaders of the institution. That's why values like integrity, trust, respect and loyalty are fundamental pillars to continue expanding on our successes, aligned with our vision of being "a great ally to grow strong with Mexico."

Our employee development has been crucial in the results Banorte has achieved today. The pursuit of a balance between results-oriented culture and generating a value proposition

that meets the personal and professional expectations of our employees has become one of our strategic goals.

The value of our human capital

We have more than 30,000 employees, balanced evenly by gender: 50.4% are men and 49.6% are women.

**We began participating
in the social program
Youth Building
the Future**



GRUPO FINANCIERO BANORTE
NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2018

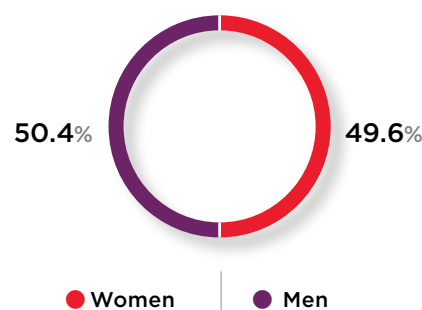
Company	Permanent		Independent		Total	
	2018	2017	2018	2017	2018	2017
Banking sector	23,137	21,875	3	3	23,140	21,878
-Bank	20,155	19,250	3	3	20,158	19,253
-Warehousing	46	52	0	0	46	52
Leasing and Factoring	149	110	0	0	149	110
Aspe	2,787	2,463	0	0	2,787	2,463
Companies in the US	184	174	0	0	184	174
-Uniteller	162	152	0	0	162	152
-Banorte Securities	22	22	0	0	22	22
Savings and Annuities	7,217	7,854	7	9	7,224	7,863
-AFORE	5,220	5,823	1	5	5,221	5,828
-Insurance	1,843	1,831	6	4	1,849	1,835
-Annuities	154	200	0	0	154	200
Total	30,538	29,903	10	12	30,548	29,915

Data on permanent employees in the Annuities and Pension Sector includes outsourcing employees.

WORK FORCE BY AGE RANGE AND GENDER

Gender	Age range	2018	2017	2016	% Chg. 2018 vs. 2017 %
Women	< 30 years	5,744	5,371	4,909	6.9
	31 - 50 years	5,059	4,790	4,721	5.6
	> 51 years	750	678	626	10.6
Total Women		11,553	10,839	10,256	6.6
Men	< 30 years	5,570	5,325	5,007	4.6
	31 - 50 years	4,737	4,532	4,521	4.5
	> 51 years	1,280	1,182	1,183	8.3
Total Men		11,587	11,039	10,711	5.0
Total		23,140	21,878	20,967	5.8

Data corresponds to Banking Sector.



**BREAKDOWN OF
THE WORKFORCE
by gender**



We have more than 30,000 employees distributed evenly by gender: 50.4% men and 49.6% women.

WORKFORCE BY EMPLOYMENT CATEGORY AND GENDER

General employment category	Women		Men	
	Employees	%	Employees	%
Directors	131	0.7	491	2.1
Middle Management	2,527	9.9	3,419	14.8
Operating	8,895	39.0	7,677	33.5
Total	11,553	49.6	11,587	50.4

Data corresponds to Banking Sector.

In Insurance and Annuities, we also have a balanced workforce: 55.4% men and 44.6% women.

WORK FORCE BY EMPLOYMENT CATEGORY AND GENDER

General employment category	Women		Men	
	Employees	%	Employees	%
Directors	3	0.2	31	1.6
Middle Management	209	10.7	341	17.4
Operating	663	33.8	714	36.4
Total	875	44.6	1,086	55.4

Data correspond to Insurance and Annuities sector.

•SRS 201-3 •SRS 401-1 •SRS 401-2 •SRS 405-2 •SRS 404-1

Talent development

One of the biggest challenges on the Human Resources agenda in 2018 was the integration of Grupo Financiero Interacciones. Nevertheless, we were able to integrate personnel from that group into critical and functional roles, according to structure of our organizational model.

We continued to use the Success Factors platform, managing talent through four modules:

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

Succession planning

Aware that safeguarding the institution's competitive future means having the right leaders to develop and apply business strategies, we succeeded in identifying talent with the qualities need to occupy top management positions. This is an ongoing process that involves following up closely with each executive in order to strengthen skills and overcome development gaps identified in performance evaluations.

New retention plan

We created a new long-term incentive plan to strength compensation, continuing our strategy of attracting and retaining key executives.



Talent attraction and retention

We activated a Development Opportunities Model to keep our employees informed of vacancies within the company so they could apply for those that best fit their qualifications and experience. With this, we provide a platform for developing internal talent and promote meritocracy.

We worked on designing a process for onboarding new employees, creating an experience that allowed us to rapidly integrate new talent to their duties and the institutional culture, shortening the learning curve.

Last year we began participating in one of the new government's flagship programs, "Youth Building the Future," under which youth signed up for this program can come to our offices and be trained in aspects of financial education, while providing support for administrative and branch activities. Our goal is to bring in 500 young people in 2019. We are confident that this program will give Mexican youth an opportunity to develop better skills and knowledge, and strengthen talent attraction in our industry.

For GFNorte, a key factor in hiring new talent is knowing the skills, ability and know-how of each applicant, always on a fair and equitable basis, avoiding any kind of discrimination.

EMPLOYEE COMPENSATION

	2018	2017	% Chge.
Executives	3,327,008,319	2,858,419,708	16.4
Employees	2,112,854,501	1,927,512,137	9.6
Total	5,439,862,820	4,785,931,845	13.7

Banking sector; amounts expressed in pesos.

In keeping with general parameters in our industry, we are continually working to offer employees a comprehensive and competitive salary and benefits package.

For our senior management, whose responsibilities are associated with market, credit or regulatory risk, we pay out annual bonuses and have a retention plan whose characteristics vary. The annual bonus is subject to fulfillment of certain goals and performance of risk and human resources metrics, which include regulatory compliance. Forty percent of the bonus is variable, and it is paid out over a three-year period. This compensation scheme motivates our top executives to make decisions based on profitability, vision, and the creation of long-term value.

AVERAGE SALARY BY EMPLOYMENT CATEGORY AND GENDER

General employment category	Average salary						Difference between average salary for men and women			
	Women			Men			Amount	Ratio %		% Chge.
	2018	2017	% Chge.	2018	2017	% Chge.		2018	2017	
Directors	122,871	115,178	6.7	137,142	125,743	9.1	14,271	89.6	91.6	-2.2
Middle Management	32,127	30,429	5.6	35,212	33,087	6.4	3,086	91.2	92.0	-0.8
Operating	13,188	12,598	4.7	13,317	12,664	5.2	\$129	99.0	99.5	-0.4

Banking sector; amounts expressed in pesos

AVERAGE SALARY BY EMPLOYMENT CATEGORY AND GENDER

General employment category	Average salary						Difference between average salary for men and women			
	Women			Men			Amount	Ratio %		% Chge.
	2018	2017	% Chge.	2018	2017	% Chge.		2018	2017	
Directors	167,745	185,443	-9.5	185,671	178,097	4.3	17,926	90	104	-14
Middle Management	35,629	34,507	3.3	36,471	36,166	0.8	842	98	95	2
Operating	13,534	12,728	6.3	13,447	12,696	5.9	- 87	101	100	0

Insurance and Annuities sector; amounts expressed in pesos

•SRS 401-1

Training

For the tenth year in a row, we successfully implemented the Product Certification program throughout our branch network, ensuring that executives offer comprehensive solutions to our clients.

In 2018, more than 600 GFNorte executives attended leadership training and skill development programs at prestigious domestic and international institutions.

Institutional regulatory training programs were a priority in 2018, as they are every year, and we intensified training on the topic of data security and supported the roll-out of key transformation projects for GFNorte.

INVESTMENT IN TRAINING AND DEVELOPMENT

	2018	2017	% Chge.
Scholarships	9.9	9.8	1.0
Travel expenses for training	41.7	33.2	25.6
Courses and conferences	121.4	108.6	11.8
Total	173.0	151.6	14.1

Banking sector; amount expressed in millions of pesos.

AVERAGE HOURS OF TRAINING BY GENDER

Gender	2018	2017	2016	% Chge.
Women	31	37	30	-16
Men	32	33	29	-3
Average	32	35	29	-8

Data correspond to Banking sector.

AVERAGE HOURS OF TRAINING BY EMPLOYMENT CATEGORY

Employment category	2018	2017	2016	% Chge.
Director	45	34	29	32.4
Subdirector	32	40	30	-20.0
Manager	28	37	28	-24.3
Administrative	19	31	23	-38.7

Data correspond to Banking sector.

AVERAGE HOURS OF TRAINING BY GENDER

Gender	2018	2017	% Chge.
Women	14	14	0
Men	17	13	31
Average	16	14	14

Data correspond to Insurance and Annuities sector.

AVERAGE HOURS OF TRAINING BY EMPLOYMENT CATEGORY

Employment category	2018	2017	2016	% Chge.
Director	42	23	12	83
Subdirector	49	33	13	48
Manager	27	13	30	107
Administrative	12	13	9	-8

Data correspond to Insurance and Annuities sector.



In 2018, **more than 600 GFNorte** executives attended leadership training and skill development programs at prestigious domestic and international institutions.

Employee benefits

We are continually working to offer comprehensive salary and benefit packages to our employees that are competitive in our industry. The compensation we pay our employees includes benefits, most of which are above the minimum required by law.



In September 2018 the **Banorte Medical Unit** opened its doors to our employees in the city of Monterrey.

MAIN BENEFITS

 Annual bonus	 Grocery vouchers
 Savings fund	 Social Security subsidy
 Paid vacation and vacation bonus	 Comprehensive Health System
 Cash loans	 Insurance
 Auto loans	 Loans for sports facilities
 Mortgage loans	 Pension plan and retirement savings



Quality medical service

We expanded the functions of our telephone service center to provide control, tracking and evaluation of employee hospitalizations covered by the major medical insurance policy provided by Seguros Banorte.

In September 2018, the Banorte Medical Unit (UMB) formally opened its doors to employees in the city of Monterrey, incorporating the specialties of Family Medicine, Geriatrics, Pediatrics and Gynecology. It is open from Monday to Friday, 8:00 a.m. to 8:00 p.m., and Saturdays from 8:00 a.m. to 2:00 p.m.

- In the first phase, we closed three external primary care units, generating expense savings.
- The evaluation of services provided has been 90% favorable (between excellent and good).
- The UMB has the capacity to handle 21,000 appointments a year in its four specialties.
 - A system was introduced for evaluating external medical services nationwide, providing information on user satisfaction both with the performance of both physicians and pharmacies. The result was a complaint ratio of less than 1% (0.55%) of all services provided (346,829) in 2018.

We signed agreements with nine hospitals in the cities of Guadalajara, Puebla, Tijuana, Tampico, León, Villahermosa and Campeche, improving the quality of care and security for our employees and their beneficiaries.

We established and applied a protocol for dealing with an unexpected outbreak of tonsillitis in the city of Monterrey (61 cases in three office buildings), introducing prevention and control mechanisms and keeping the illness from spreading to other cities and workplaces.



A flu vaccine campaign was carried out, with 7,000 doses applied to employees and their family members across the nation.

Personnel in our corporate offices were trained the Life Medical Support program, and units were installed for dealing with situations of cardiac arrest (DEAS).

Health and wellness

A total of 8,899 medical appointments were given in corporate offices in Mexico City, Monterrey and Guadalajara, 5,444 of which were nutritional consultations, 1,072 were medical checkups and 2,482 were physical activations.

We pilot tested the National Program for Emotional Wellness in the Workplace (Pronabet), which was joined voluntarily. We were the first financial institution to join the program, which is based on the Ministry of Labor and Social Planning Official Standard 035.



A total of **8,899 medical appointments** were given in corporate offices in Mexico City, Monterrey and Guadalajara.

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We began the first phase of a cancer screening program; its purpose is to promote early detection of breast, lung, prostate, cervical-uterine and colon cancers. The program was carried out in corporate offices (the KOI building in Monterrey).

During this exercise, four cases were detected among 816 participants, and were promptly treated.

Cardio-metabolic scans were also conducted in 13 corporate offices (4,019 employees), obtaining a global health rating of 7.8 on a scale of 1 to 10.

On the basis of these results, a follow-up program was designed for high-risk employees, and by the close of the year, 51% of these cases had been addressed.

In corporate dining rooms a program called “Green Trays” was introduced, which aims to improve the quality of our employees’ diet.

Banorte was recognized by the Mexican Workplace Wellness Council as a Responsibly Healthy Organization, and obtained level 4 out of 7 in the category of Behavior Modeling.

Process improvement

Our technological platform was strengthened in order to improve operability, security and service levels.

Dining rooms

We offer cafeterias for employees —five in Mexico City and three in Monterrey, in addition to two executive dining rooms, where we provide a variety of menus that include healthy options, and offer a 45% subsidy on the cost of the food.

Each month we serve around 70,000 meals, the cost of which is deducted from the paychecks of employees who opt for this service.

All our dining rooms are certified with H Distinction from the Ministry of Tourism, which means they meet the highest standards of cleanliness and hygiene.

•SRS 102-41

Collective bargaining agreement

As stipulated by Federal Labor Law, and respecting workers’ right to free association, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, signed a collective bargaining agreement with the National Union of Banorte workers in 1992.

This union has been structurally autonomous since the time of its creation, and has a National Executive Committee whose members are elected by unionized workers.

Since the signing of this collective bargaining agreement, annual reviews are carried out during the National Congress, and are ratified in the presence of union delegates, then later presented to the Federal Conciliation and Arbitration Board.



Digital transformation and the identification of new work skills are one of the main challenges in Human Resources management.

•SRS 401-1

The collective bargaining contract incorporates the rights and obligations of 6,383 banking sector employees affiliated with the union, representing 31.4% of that sector's workforce.

Personnel turnover

AVERAGE EMPLOYEE TURNOVER BY AGE RANGE AND GENDER

Gender	Age range	2018	2017	2016	% Chge. 2018 vs. 2017
Women	< 30 years	13.3	15.8	10.7	-15.8
	31 - 50 years	6.8	7.0	6.5	-2.5
	> 51 years	0.8	1.7	0.4	-56.4
Total Women		20.9	24.5	17.6	-14.9
Men	< 30 years	15.8	13.5	13.1	17.1
	31 - 50 years	7.2	6.4	7.2	12.7
	> 51 years	1.6	0.7	0.9	140.3
Total Men		24.6	20.5	21.2	19.7
Total		22.7	22.5	19.5	0.7

Data correspond to Banking sector.

AVERAGE EMPLOYEE TURNOVER BY AGE RANGE AND GENDER

Gender	Age range	2018	2017	2016	% Chge. 2018 vs. 2017
Women	< 30 years	2.1	2.9	4.0	-27.6
	31 -50 years	0.2	0.4	5.5	-50.0
	> 51 years	3.8	3.7	0.4	2.7
Total Women		6.1	7.0	9.9	-12.9
Men	< 30 years	2.3	2.8	3.7	-17.9
	31 -50 years	1.0	0.9	6.0	11.1
	> 51 years	4.8	5.9	0.9	-18.6
Total Men		8.1	9.6	10.5	-15.6
Total		7.1	8.3	10.2	-14.5

Data correspond to Insurance and Annuities.

Human Capital Outlook for 2019

Responding to the demands of a highly competitive market, which has been transforming business models in traditional banking, our institution has positioned itself as the second largest bank in the Mexican financial industry. We are proud of this distinction, and it inspires us to continue working to achieve the goals this organization has set for itself.

For this reason, redesigning our value proposition for personnel has become critical, while the generational challenge is now a reality for our institution. The mix of three generations working together requires us to evolve every one of our processes, evaluating the experiences and moments that matter in the lives of every co-worker, and facilitate new mechanisms for attracting and retaining talent.

Digital transformation and the identification of new work skills are one of the main challenges in Human Resources management for coming years. In 2019, our efforts will focus on the following projects:

- Strengthening the "Success Factors" technological platform with the launch of an Onboarding module, to manage the incorporation of new hires. This will shorten the learning curve and improve the experience of their integration into Banorte.
- Equipping a learning experience platform that will contain online content for employees to develop their skills.
- A new webpage and mobile application where employees can view their total compensation in monetized form and maximize their value perception.
- Our process of echelons, which works to promote a meritocracy in the promotion of branch personnel.
- The Employee Experience model will help us to improve the experiences of our personnel.

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Transparency and gender equity

In 2018 we voluntarily filed a Report on Operations with a Gender Perspective to the Mexico delegation of UN Women, in order to communicate on the state of gender equity at Banorte. In this document we provide key figures on our human resource management, including matters such as wage parity, training hours, maternity and paternity leave, and breastfeeding rooms. We also report on our financial inclusiveness efforts through products like credit cards by gender, the “Mujer Banorte” product, receipt of wage remittances and social programs with a focus on women. Finally, we include Fundación Banorte’s strategy of promoting women who are educational leaders in Mexican preschools.

<https://investors.banorte.com/-/media/Files/B/Banorte-IR/financial-information/annual-reports/es/2017/ropg.PDF>

Mentoring program for Banorte women employees

As one of our gender equity and diversity initiatives, we promote women’s talent through a pilot internal mentoring program, the purpose of which is to create a network of mentors made up of Group Directors to support women employees at the managerial and sub-director level with more than five years of experience, helping them to strengthen their management skills. The program lasts for nine months and consists of the following phases:

1. **Training:** three-hour sessions to prepare mentors and mentees in order to empower their participation, align expectations and resolve logistical issues.
2. **Mentoring sessions:** Five individual sessions with mentors and mentees, to establish a relationship of trust in which the mentor guides and encourages the mentee according to her needs, to develop her talent. Over the course of these sessions, mentors will have access to personalized guidance from a consulting team allied with the group, and Banorte will provide them with a complete and detailed guide on the program’s implementation.
3. **Workshops:** once the mentoring sessions are complete, specialized workshops will be held for mentees on a variety of issues, depending on the areas that require strengthening:
 - a. **Leadership skills:** Helping participants to develop the eight skills needed to grow within the organization: communication, ambition, life balance, fear management, conflict management, delegation, career plan, and guilt-free leadership.
 - b. **Creating and managing high-yield teams:** empowering communication, alignment, decision-making and negotiation, and capacity for listening and empathy.



- c. **Personal branding:** provides techniques on personal branding and public speaking at various levels, in order to achieve brand coherence and engagement with the target audience.
- d. **Negotiation:** develops negotiating skills for mentees' career plan; learning to dominate cooperative negotiation and to negotiate in groups and individually.
- 4. **Evaluation:** At the end of each mentoring, a cross survey is taken to evaluate the process.

Race with a cause

In May, with the participation of employees from our contact center and their families, we held the first "race with a cause" focused on empowerment of women and girls. Before the race, we distributed a message to raise awareness about the inequalities faced by women and girls in Mexico and in the world through various activities, like a commitment wall, the "woman I admire" campaign, and a cash donation to "Hagamos la Diferencia," a nonprofit association committed to making a difference.



• 203-1

One of the biggest challenges facing the financial industry today is aligning with the goals of an increasingly demanding global society interested in companies whose operations incorporate the principle of sustainability.

For this reason, we at GFNorte are working to make sustainability a part of our strategies and operations, because we know that only by doing so can we fully achieve our "20/20 Vision": to be the best financial group in Mexico, for investors, employees and customers.

Among our achievements of 2018 in the area of sustainability were the launch of a new institutional sustainability program at GFNorte: Banorte Sustentable (Sustainable Banorte), the purpose of which is to communicate to our employees, investors and other stakeholders that sustainability is an integral part of all our operations, which will enable us to be the new bank that Mexico needs.

Sustainable Banorte is the foundation for all the initiatives we will take throughout the bank, organized into three pillars:

- **Sustainable business.** Ensuring value generation through the business and its permanence over time.
- **Environmental:** Reducing our environmental footprint and caring for and preserving natural resources.
- **Social:** Generating value for people inside the Group and the communities in all regions of Mexico.

To strengthen the Environmental pillar, we installed institutional signage in our office buildings to raise employee awareness about the importance of turning off lights and equipment when they are not in use; using only the water needed in kitchenettes and bathrooms; avoiding the use of disposable containers and using thermoses and mugs; reporting out-of-order bathroom equipment and separating waste according to the signage installed at recycling stations.



Social Capital



•SRS 102-48 •SRS 103-3



We bring **certainty** to government initiatives, creating synergies with the private sector.

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We offer financial liquidity and investment solutions for social infrastructure development.

Infrastructure and Development Banking

Grupo Financiero Banorte and Grupo Financiero Interacciones merged in July 2018 to strengthen the area of public sector financing. Today, we offer financial liquidity and investment solutions for social infrastructure development at all three levels of government— with direct financing to states and municipalities— as well as to contractors and suppliers.

We specialize in lending in which the repayment source will be public funds. Our products provide financial viability to infrastructure projects and government procurement, providing precise monitoring, and guaranteeing they are carried to completion.

We also lend certainty to government initiatives, creating synergies with the private sector.

As part of our high degree of specialization, we have a Market Intelligence Unit that conducts technical, economic, financial and political analysis of the sectors in which we participate in order to assertively promote our products and services and anticipate important business opportunities. This unit also supports the institutional relationship effort with current or potential customers.

GFNorte and
GFInteracciones merge
to **support** public
sector financing



We provide the following specialized products and services:

1. Direct financing (DIFI)

Financial solutions tailored to the needs of state and local governments that generate long term productive public investment to enable them manage temporary liquidity shortfalls — periods of under a year:

- Direct credit to states and municipalities
- Interest rate hedges

DIFI makes it possible for state and municipal governments to develop their communities through social impact projects; it also helps governments resolve seasonal fluctuations in revenue and expenditure. We provide legal and regulatory consulting based on our thorough knowledge of public finance market related legal and regulatory issues.

We have earned our customers' trust thanks to our prompt attention, high degree of technical specialization, and thorough knowledge of Mexico's Law on Financial Discipline to ensure healthy public finances.

In addition, we offer support and consulting services for reordering and strengthening finance at all three levels of government, at the same time as we support the development of basic and productive social infrastructure.

With our interest rate hedging products, we help shield state and municipal public finance from market volatility.

2. Contractor Financing (FICON)

We finance contractors engaged in public federal, state and municipal infrastructure projects in the form of:

- Public-private partnerships
- Financed public works
- Traditional public works
- Concessions

The FICON model guarantees the correct execution and completion of public works on time and in due form. We design unique structures for each project in order to mitigate a variety of risks in the construction and execution process, in providing services, and in operations and maintenance.

We have a highly specialized technical area (UASPI) for assuring control and oversight of project management from start to finish. When necessary we issue preventative risk alerts for risk mitigation purposes.

3. Supplier financing (FIPRO)

We offer timely liquidity to suppliers to all three levels of government so that they can continue to attend to public sector needs:



Through our interest rate hedging products, **we help shield the finances of states and municipalities** from market volatility.

- Financing to suppliers of goods and services to all three levels of government.

FIPRO offers benefits to governments and suppliers alike. It entails no liabilities or costs for governments and their agencies. It makes possible payment planning in keeping with budgetary availability by incorporating a timeline for contractual payments. For their part, suppliers access the resources necessary to meet their contractual commitments.

Social impact

The projects we finance have high social impact with significant benefits both for the public and private sectors. They address fundamental needs of communities by developing basic infrastructure.

Although Mexico's political and economic environment can undergo sudden changes, we have the capacity to remain public administration's natural ally for financial solutions, making us the main driver of their priority projects.

Portfolio and beneficiaries

1. DIRECT FINANCE

Accredited entities	Number	Amount (millions of pesos)
States	26	116,330
Municipalities	86	9,254
Others	13	7,266
Total	125	132,850



We finance **high social impact** projects, providing significant benefits to the public and private sectors.

2. CONTRACTOR FINANCING

Sector	Projects	Share (%)	Amount (millions of pesos)
Mobility	34	39.4%	19,326
Energy	23	29.4%	14,415
Urban complexes	15	12.9%	6,308
Security	8	6.1%	3,002
Water	7	5.7%	2,809
Education	5	5.3%	2,694
Others	5	0.7%	350
Health	2	0.3%	151
Total	99	100%	49,055

Types of projects:



Mobility: roads, paving, bridges, tunnels, international bridges and public transport.



Water: treatment plants, collectors, potable water distribution and sanitation infrastructure.



Urban complexes: administrative cities, integral public service centers and parking facilities.



Education: museums, sports complexes and school infrastructure.



Energy: electric power transmission and distribution lines, pipelines, luminaires, and infrastructure for petroleum extraction and clean electric power generation.



Health: hospitals (general and specialty).



Security: penitentiaries and barracks for those charged with maintaining public order.

3. SUPPLIER FINANCING

	Agencies/ States	Suppliers	Resources (millions of pesos)
Federal	13	74	11,724
Subnational	18	174	6,522
Commercial	1	1	3,668
Total	32	249	21,914

Support for SME Customers

We continue to support Mexico's small and mid-sized enterprises (SME), because we know entrepreneurship is the key to a nation's economic development.

That's one reason our relationship to our customers is so important to us—to learn about their financial needs and be on the alert for special circumstances that arise in the national and local markets.

In order to promote local development, last year we continued to provide special conditions for SMEs in industries or regions

of the country that were in need of special support. In 2018, the funding portfolio for these programs totaled 6.31 billion pesos¹, through 2,800 loans, with the addition of nine special industry support or economic reactivation programs to our shelf of support options for Mexican SMEs.

Additionally, and following the institutional line of support for entrepreneurship and social responsibility, in 2018 we began participating in Youth Credit programs, which offer financing for solar panel systems and individualized eco-credit loans.



We continue to support Mexico's small and mid-sized enterprises (SME), because we know **entrepreneurship is the key to a nation's economic development.**

¹Industry and emerging portfolio registered with Nafin/Bancomext in 2018.

2018 SME SUPPORT PROGRAMS

SME Woman	Crediactivo Commercial Construction Loan for Diana
Construction industry loans	Banorte Eco-Business Loans for individual energy efficiency
Crediactivo Commercial loans	Economic and jobs support in the state of Querétaro
"Ven a Comer" (Come and Eat) loans	Economic and jobs support in the state of Oaxaca
Economic and jobs support for the state of Nuevo Leon	My SME Support Southwest (Michoacán)
SME Loans for youth	Pemex Vendors
Natural Disaster Support Loans for Other States	Economic and jobs support in Mexico State
Crediactivo Tourist Industry Loans	Crediactivo Improve Your Hotel and Gastronomy
Crediactivo Loans to Entrepreneurs	Natural Disaster Support Loans in Puebla 2017
Crediactivo Loans for Large Companies	Crediactivo Commercial Loan for Tourist Industry
Economic and jobs support for the state of Sinaloa	My SME Support Southwest (Guerrero)
Leather and Footwear Industry Program	Economic and jobs support in the state of Sonora, Tourism Industry
Textile, Apparel and Fashion Industry	My SME Strengthening and Consolidation for businesses in state of Tamaulipas
My SME Support Southwest (Oaxaca)	Economic reactivation of Tabasco, phase II
Economic and jobs support in the state of Chihuahua	Economic support in border regions, state of Tamaulipas
Economic and jobs support in the state of Aguascalientes	My SME Support Southwest (Guerrero 2017)
SMEs in the Automotive Industry	Natural Disasters (Guerrero 2017)
Economic and jobs support in the state of Baja California	Economic support in border regions, state of Baja California
Economic and jobs support in the state of Durango	Economic reactivation in states of Guerrero, Oaxaca and Chiapas, new loans
SMEs in the Electric-Electronics industry	Natural Disaster Support Loans, Mexico City 2017
Crediactivo Loan for Exporters	Economic support in border regions, state of Quintana Roo
Economic and jobs support in the state of Zacatecas, phase II	Economic and jobs support in the state of Sinaloa
Crediactivo Loan for Large Tourism Companies	Economic and jobs support in the state of Aguascalientes, phase II
Economic and jobs support in the state of Hidalgo	2015 Natural Disasters, Hurricane Marty, Sonora
My SME Support Southwest (Campeche and Tabasco)	My SME Financing, National Crusade against Hunger and Violence
Crediactivo Loan for Foreign Trade	Financing to Support Strategic Industries, state of Guanajuato
Microsupport financing for small businesses (RIF)	Economic and jobs support in the state of Puebla
My SME Support Southwest (Chiapas)	Economic support in border regions, state of Coahuila
Grand Total Ps. 6,308,120,496	

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Correspondents

Ever closer to our customers

We bring banking closer to our customers in towns with limited access to banks. Through our network of correspondents —retail chains separate from Banorte, with their own staff and equipment— we provide our customers a range of services such as payments, deposits, withdrawals or checking your account balances in real time just as if they had conducted such business directly in one of our branches.

We promote financial inclusion in Mexico through Banorte correspondents for two reasons:

1. Many of our banking agents are present in areas where we have no branch offices, allowing us to bring our products and services to people far from our branches, without the need to invest in major infrastructure.
2. Correspondents bring our services closer to customers with no previous banking experience.

Correspondents are great drivers of financial inclusion for Mexican development.

CORRESPONDENTS

Channel	Number of offices	Number of municipalities in Mexico covered	Percentage of municipalities in Mexico covered
Banorte branch network	1,150	328	13.3
Agent network	28,227	1,433	58.2
Correspondents located in municipalities lacking Banorte branches	4,311	1,110	45.1
Correspondents located in municipalities lacking any bank branches	880	539	21.9

Number of municipalities in Mexico: 2,459. Source: www.inegi.gob.mx

Poverty index data taken from: www.coneval.gob.mx

Learn more about growth in bank agent infrastructure in the Our Coverage section.

Through our **banking agent network** we bring banking closer to our customers in towns with limited access.



SRS 102-9 • SRS 308-1

In support of Mexico's development, we incentivize relations with domestic suppliers through our value chain.

This year, 96% of our suppliers (1,681) were domestic, and 95% provided some type of service to the institution.

SUPPLIER INFORMATION

	2018	2017	Change %
Interaction with suppliers			
Number of suppliers	1,681	1,336	26
Supplier origin			
Foreign	77	49	57
Domestic	1,604	1,287	25
Total	1,681	1,336	26
Supplier class			
Purchases	144	12	1,100
Services	1,537	1,324	16
Total	1,681	1,336	26
Supplier type			
Definitive	1,219	949	28
Occasional	462	387	19
Total	1,681	1,336	26

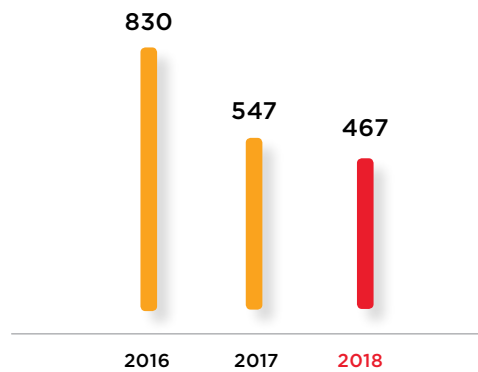


In support of Mexico's development, we **incentivize relations with domestic suppliers** through our value chain.



To ensure that integrity and sustainability permeate our entire operation, we disseminate healthy business practices through our value chain.

Since 2012, we have asked all our suppliers to sign contracts affirming that they are aware of and apply the 10 UN Global Compact Principles. We apply a questionnaire to new suppliers in keeping with the criteria laid out in the **Global Compact's Supply Chain Sustainability - A Practical Guide for Continuous Improvement** (2nd edition), which allows us to detect risks associated with failing to comply with applicable laws, as well as learning of their corporate sustainability and social responsibility initiatives.



CONTRACTS WITH SUPPLIERS WHO STATE THEIR KNOWLEDGE OF THE 10 PRINCIPLES OF THE GLOBAL COMPACT

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Fundación Banorte

Fundación Banorte embodies our sense of shared responsibility for this country and for its people. We want to play a part in Mexico's progress and ensure that the social investment of this Financial Group obtains the greatest possible return.

Accordingly, we have joined efforts with various allies, and allocated a substantial amount of funding to transform education for the 21st century through the "Banorte Educational Leaders" program, because we are convinced that this is the best tool for social mobility.

We have two other programs: 1,000 Dreams to Fulfill, through which we support the dreams of many young people; and Disaster Support, through which we help rebuild communities affected by natural disasters.

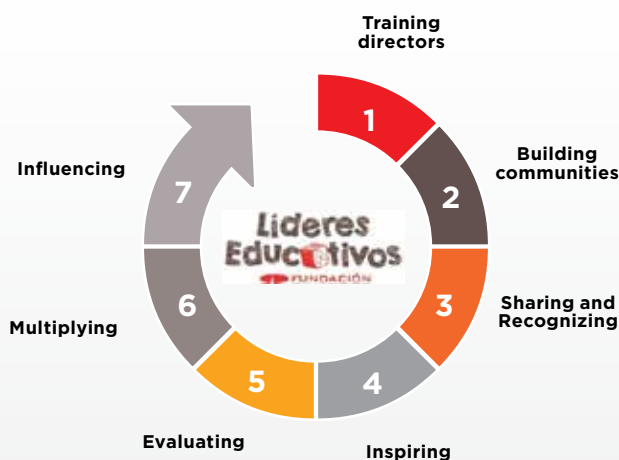
Social investment by Fundación Banorte in 2018 totaled Ps. 88 million, directly benefiting 359,417 Mexicans throughout the country. These results were made possible by the strategic alliances we have formed with non-profit organizations, academic and public institutions and authorities at all three levels of government.



Social investment by Fundación Banorte in 2018 totaled **Ps. 88 million**, directly benefiting 359,417 Mexicans throughout the country.

Banorte Educational Leaders

We transform preschool education in the 21st century through network of learning, continuing education, multiplication of good practices and mentoring of preschool educational leaders. With this, we strengthen their role as agents of change and support girls' and boys' right to learn.



1. We train public preschool directors in leadership and management to strengthen their role as agents of change in their school community; and support the formation of socio-emotional skills.
2. We created one of the largest learning communities in the country for preschool directors, to offer continuing education.
3. We launched the "Transform your School with Fundación Banoarte" Prize to recognize best leadership practices in schools.
4. We developed the first Preschool Leadership and Innovation Forum in Mexico for more than a thousand administrators from across the country.
5. We are continually evaluating the program with a specialized external consultant.
6. The Ministry of Public Education of Campeche state is handling replication of the program for other educational levels. Every two years, we expand the program to other states of Mexico.
7. We document the program and collect information to support our quality education recommendations to the authorities.

This program is currently active in Aguascalientes, Campeche, Hidalgo, Puebla, Sonora, Mexico City and Mexico State, and is held biyearly, in each semester of the school year. Out top achievements of 2018 were:

- We completed training for 1,171 public preschool directors and supervisors through the International Specialization Course for Transformative Educational Leaders.
- We held five graduation ceremonies in which 648 school directors and supervisors received their certifications.
- We obtained international certification from the University of Cambridge for 521 Banorte Educational Leaders.
- We developed the Virtual Learning Community (VLC), a resource center that offers continuing education for our graduates and a peer-to-peer learning network currently used by 1,583 educational leaders.
- We created content specializing in the development of socio-emotional skills, to support implementation of the Preschool Educational Model. We also created a series of 14 chapters on childhood development between 0 and 6 years, which will be disseminated through our VLC and educational television, benefiting 2,941 primary caretakers of children.
- We supported the formation of socio-emotional skills for 886 educational leaders through the “Educating in Balance” online course. We provided an introduction to the topic for 782 preschool directors through live workshops in six states of Mexico.
- We incorporated directors and community educators from Childhood Development Centers (CDCs) who provide preschool education services in disadvantaged communities of Mexico City and the metropolitan area, with which:
 - We strengthened leadership and management skills of 60 educational leaders belonging to 30 CDCs.
 - We helped 30 community educators obtain Standard EC0435 certification from the Ministry of Public Education’s National Council for Job Skill Standardization and Certification (CONOCER), which covers the provision of services for attending to, caring for and supporting comprehensive development of children in CDCs.
 - We promoted the academic advancement of 60 educational leaders from CDCs and provided training to 10 of them to help them pass their licensing exam with the National Higher Education Evaluation Center (CENEVAL) toward obtaining their undergraduate degree in Preschool Education.



- We organized the first Preschool Leadership and Innovation Forum, a space for inspiration and specialized learning at this educational level, which was attended by 1,232 professionals —directors, supervisors and educators— from 23 states of Mexico, who for two days had an opportunity to hone their skills, reflect, discuss with their peers and share national and international experiences.
- We created the Transform your School with Fundación Banorte prize, which is intended to recognize and strengthen school communities that develop effective leadership practices and innovation to improve the learning experience for students and strengthen ties with the community. The call for entries was sent to public preschools and CDCs, with a total of 119 entries received.
- We carried out an acceleration process for the 25 finalist educational leaders, in order to identify areas of opportunity and strengthen their practices, which will help empower and multiply them.
- We awarded outstanding practice awards to three public preschools and three CDCs; and provided assistance and counseling to the professionals responsible so that they could improve these practices and spread the word about them, to benefit their educational community.

ORGANIZATIONS SUPPORTED: 6

Amount: **Ps. 18,969,816**

Direct beneficiaries: **9,949 people**

Alliances: **21**

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1,000 Dreams to Fulfill

We support Mexican youth who show academic, artistic, and sports talent, as well as those receiving special education, helping them fulfill their dreams. We provided each student with a stipend for a three-year period and encouraged them to continue their studies and maintain a level of excellence in their activities. In 2018:

- We provided 1,575 scholarships to children of GFNorte employees.
- We selected 571 new scholarship recipients to receive support starting in January 2019. With this, we have helped make dreams come true for 2,146 young people.
- We reached out to secondary and undergraduate students from 31 states of Mexico and brought 964 young people into the B21 platform, an online resource center to complement their extracurricular education and strengthen the skills needed for the 21st century. These young people participated in 1,199 free courses.

SCHOLARSHIP TYPE	NUMBER OF RECIPIENTS
Academic excellence	1,428
Sports	85
Arts	27
Special education	35
Total	1,575



ORGANIZATIONS SUPPORTED: 1

Amount: **Ps. 17,900,000**

Direct beneficiaries: **2,146 people**

Disaster Aid

We coordinated an action plan to help rebuild homes and restore means of support in nine communities of seven states of Mexico that had been affected by the September 2017 earthquakes. This action plan is part of the comprehensive “Banorte Adopts a Community” program which will support these communities for three years. In 2018:

- We completed reconstruction of a crafts market and 370 homes in adopted communities, and continued work on rebuilding and repairing another 245 homes.
- Together with the United Nations Development Programme, we held four practical workshops on home reinforcement in earthquake-prone areas, which resulted in the creation of a Manual on Structural Reinforcement of Housing, with publication funded by Banorte.
- We strengthened do-it-yourself construction skills for beneficiaries and provided training in community organization, resilience, mutual assistance and learning a trade, to strengthen the social fabric of the community.
- We conducted 15 on-site visits to selected communities to oversee project progress, interview beneficiaries and identify opportunities for development of interventions in the second and third years.
- We participated in the comprehensive actions of the “Banorte Adopts a Community” program in seven communities visited during the year, which received particularly valuable support from the GFNorte corporate volunteer corps.

ORGANIZATIONS SUPPORTED: 4

Amount: **Ps. 37,528,800**

Direct beneficiaries: **2,800 people**

Other Philanthropic Support

We donate to philanthropic actions and counterpart funds to resolve issues affecting communities where we have a commercial or service presence, to those whose programs relate to Fundación Banorte’s strategies, or to the concerns of Group employees and senior management, as well as to union causes.

In 2018 we provided opportunities for educational access to poor and unprivileged youth and the homeless; we gave young people with intellectual disabilities opportunities for independent living; we supported access to educational and cultural institutions for more than 300,000 people and fostered dialogue with political candidates on the issues of infant and early childhood development and preschool education.

ORGANIZATIONS SUPPORTED: 9

Amount: **Ps. 13,632,116**

Direct beneficiaries: **344,522 people**

Special Projects

As we do every year, we provided advice and helped design and operate social assistance initiatives within GFNorte, raising awareness on matters of philanthropy and social commitment and encouraging participation by members of our own community.

AyuDamos (We Give Help)

- We helped design a call for entries and nomination form for social causes aimed at Group employees.
- We reviewed nominations and identified the most viable projects.
- We helped monitor and follow up on the selected projects.

Tarjeta 40 (credit card with support for social causes)

- We followed up on the application and verified the use of the donations made in 2017.
- We helped identify organizations participating in the Social Cause program to ensure that the nominated programs were viable and had a high community impact.

With all the actions taken over the course of the year, we were able:

- To maintain Fundación Banorte's leadership in developing 21st century education in Mexico, strengthening the role of educational leaders and empowering the work of teachers.
- To escalate the Banorte Educational Leaders program, replicate our good practices and work to position preschool education and one of the most important academic levels in a person's life.

In 2019, we intend to continue generating social value for Grupo Financiero Banorte through systematic, high-impact social investment in the communities where we operate and with which we coexist. In our philanthropic work, GFNorte will continue to act as a key investor in quality preschool education for the 21st century, promoting the talent of the Mexicans of today and the future. We will also redouble our efforts in solidarity with communities as they recover from natural disasters or emergencies, and we will fortify our social practices so we can continue meet the expectations of our customers and our investors.



We support Mexican youth who show academic, artistic, and sports talent, as well as those receiving special education, helping them fulfill their dreams through the program **1,000 Dreams to Fulfill**.

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AyuDamos (We Give Help) is Banorte's philanthropic trust, funded through voluntary donations by our employees, and to which Banorte Foundation makes a matching contribution for each peso donated.

It funds projects chosen by a selection committee comprised of volunteer employees that visit and review each and every one of the institutions. In this way we strengthen a culture of donation and social work among our employees.

In 2018, we decided to direct the trust's first invitation to institutions with which we have established an alliance for the Banorte Adopts a Community program with the aim of strengthen actions in communities affected by the earthquakes of September 2017.

In the second invitation, the trust appropriated Ps. 3,315,456.00 to 16 institutions that submitted projects. The funds were distributed as follows:

NUMBER	TERRITORY	ORGANIZATION	NAME PROJECT	AMOUNT
1	Peninsula	Échale a tu Casa*	We funded reconstruction efforts in San Francisco del Mar, Oaxaca.	Ps. 47,100.00
2	Peninsula	Habitat for Humanity*	We funded reconstruction efforts in Tonalá, Chiapas.	Ps. 97,911.00
3	Peninsula	Un Nuevo Amanecer en pro del Discapacitado, A.C.	We strengthened CAI Nuevo Amanecer's early care services for children with high risk factors or disabilities	Ps. 300,000.00
4	Peninsula	Hunab Proyecto de Vida A.C.	Donation for building the environmental library "Profa. Irene Juárez Uribe" in Mérida, Yucatán.	Ps. 300,000.00
5	South	Fundación Tosepan*	We funded reconstruction efforts in Santa Cruz Cuautumatitla, Puebla.	Ps. 300,000.00
6	South	Échale a tu Casa*	We funded reinforcing reconstruction efforts in Tlayacapan, Morelos.	Ps. 42,316.00
7	South	Fundación Hogares*	We funded reconstruction efforts in Jojutla, Morelos.	Ps. 131,380.00
8	Mexico State	Échale a tu Casa*	We funded reconstruction efforts in Ocuilan, State of Mexico.	Ps. 14,749.00
9	Mexico State	Échale a tu Casa	We repaired water lines for 22 families in the Reforma Agraria neighborhood in Ocuilan, State of Mexico.	Ps. 132,000.00
10	Mexico State	Hogares Infantiles, A.C.	Donation of educational materials for children who attend the center.	Ps. 250,000.00
11	Mexico State	Ministerio Vive, A.C.	Donation to contribute to the construction project "May your help change lives".	Ps. 300,000.00
12	State of Mexico	Alianza para la Integración Comunitaria Utopía A.C.	Donation to the "Life champions, forgers of peace" program through educational, sports and physio-social skills interventions, promoting their social development and inclusion.	Ps. 300,000.00
13	Mexico City	FUCAM, A.C.*	The women with a questionable diagnosis were transferred to clinics in the main cities to expand their diagnosis.	Ps. 100,000.00
14	Mexico City	Tejiendo Alianzas, A.C.*	We funded reinforcement of complementary actions in all nine communities.	Ps. 450,000.00
15	North	Instituto Nuevo Amanecer, A.B.P.	Donation to guarantee 1,142 physical therapies for those using the center.	Ps. 250,000.00
16	North	Asociación Regiomontana de Niños Autistas, A.B.P.	We strengthened the recreational and pre-labor area of the autistic adolescents program.	Ps. 300,000.00
Total= Ps. 3,315,456				

*Projects supported by the Banorte Adopts a Community program.

Yo Soy VOLUNTARIO BANORTE

In line with our sustainability model and the “Our People” pillar, this program is one part of the Bank’s community intervention effort, promoting activities that contribute to their development through actions with an enduring effect.

The volunteer work model is built on three axes:

- **Community:** Concentrate all intervention initiatives in communities where we operate through activities that contribute to community development. These initiatives are “Playing, Playing;” “Working for my community;” volunteer activities with natural disaster relief campaigns, Financial Education workshops provided in communities, as well as the visits our territorial ambassadors pay to Social Society Organizations that request donations from the AyuDamos trust.
- **Environment:** We conduct activities directed at lowering our environmental impact.
- **Experiencia Banorte:** Our volunteers are experts in various subjects and share their knowledge through workshops, conferences, classes or mentoring to diverse sectors of the public.



Community

Playing, Playing. This is our annual toy drive. Gifts are donated by Banorte employees from throughout the country, and costumed volunteers deliver them to community centers, civil society organizations and communities that are part of Banorte Adopts a Community program.

In 2018, we collected 30,825 presents consisting of school kits that contain professional notebooks, pencils, pens, and pencil cases as well as backpacks and toys.

This year we sent 501 school kits to communities affected by the 2017 earthquakes that also form part of the Banorte Adopts a Community program.

Number of volunteers nationwide that participated in the initiative	620
Hours of volunteer work on this initiative (assuming four hours per employee)	2,480

Working for my community. An initiative that promotes social organization by communities and employees in order to build community alliances, foster solidarity and encourage the active involvement of volunteers in community development and in actions with a lasting impact.

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In 2018, we entered into an alliance with Fundación Hogares, I.A.P. to promote four days of volunteer work:

1. **Hidalgo, Santa María Tecajete:** We helped rebuild the local market: We dignified the area by installing a fixed structure and counters from which local commerce can be conducted.
2. **Morelos, La Nopalera:** When a meeting of this community affected by the 2017 earthquake prioritized recovering public spaces, we installed a pocket park and painted the surrounding housing.
3. **Mexico City, Tlalpan:** For the second year, we went to this neighborhood to rehabilitate a walkway, on which we painted a street mural. We also helped clean surrounding streets.
4. **Mexico State, San Diego Linares:** We installed a lecture hall that can be used for informative gatherings, for conducting workshops or projecting movies. We also planted trees and did maintenance work on a neighboring park.

In each of these activities, our volunteers created bonds with the community and with Fundación Hogares personnel, and in that way helped raise awareness of social problems and community organization.



Number of volunteers that participated in the initiative	78
Hours of volunteer work on this initiative (assuming six hours per employee)	468

Volunteers from the Torre Sur corporate headquarters in Monterrey organized a drive to collect plastic bottle caps for the Alianza Anticáncer Infantil, A.B.P. center. They offered the children a workshop on cooking and movies, and delivered the bottle caps with which to purchase wheelchairs.

Number of volunteers that participated in the initiative	8
Hours of volunteer work on this initiative (assuming three hours per employee)	24

Natural disasters. The Banorte Adopts a Community program arose out of the 2017 earthquakes, and through it we have adopted nine communities in the states where homes needed to be rebuilt. The bank volunteers located near those communities undertook a series of activities that were to become part of the reconstruction program:

- San Francisco del Mar, Oaxaca: making ecoblocks and cleaning up three damaged homes.
- Tonalá, Chiapas: painting and applying final protective coats to two homes.
- Santa Cruz Cuautamatitla, Puebla: painting the walls of 10 rebuilt homes.
- Tlayacapan, Morelos: grounds work and cleaning of homes that were being prepared for their owners.
- Jojutla, Morelos: painting a mural inside the Juan Antonio Market, Tlaxcoapan; Civil Protection signage and fire extinguishers were installed.
- Ocuilan, State of Mexico: painting exterior walls of homes and landscaping.

Number of volunteers that participated in the initiative	165
Hours of volunteer work on this initiative (assuming 10 hours per employee)	1,650



Financial Education. As a financial institution, we are committed to providing the community sensitivity and awareness-raising workshops on financial culture. For that reason, we gave summer workshops to 90 children between the ages of 6 and 15 years in the offices of the Mexico City Ministry of Public Security in the municipalities of Cuajimalpa, Iztacalco and Cuauhtémoc. The workshops dealt with mutual funds, economic analysis, Afore retirement fund administrators, and family finances.

Number of volunteers that participated in the initiative	13
Hours of volunteer work on this initiative (assuming three hours per employee)	39

Additionally, in five communities from Banorte Adopts a Community program, a workshop on family finance was given to 310 people.

Number of volunteers that participated in the initiative	15
Hours of volunteer work on this initiative (assuming eight hours per employee)	120

Environment

We established an alliance with Reforestamos México to reforest two wooded areas closest to Banorte's two main corporate headquarters: Nevado de Toluca, in Mexico City, and Parque Nacional Cumbres, in Monterrey. Overall, we planted 2,600 trees over three hectares.

Number of volunteers that participated in the initiative	168
Hours of volunteer work on this initiative (assuming 10 hours per employee)	1,680

Banorte Experience

In the context of Mexico's National Financial Education Week, five bank volunteers gave the talks to 500 people on topics like "Better safe than sorry," "Mutual funds," "Bitcoin and cryptocurrencies," "Understanding saving and investment," and "Saving for retirement."

Total volunteers that participated in the initiative	5
Total hours of volunteer work on this initiative (assuming two hours per employee)	10

At present 1,072 employees participate in the Banorte Volunteer Corps. They have dedicated a combined 6,468 hours to volunteer work in support of the community, the environment and Financial Education for the public.





Natural Capital



• SRS 102-48 • SRS 103-3



Natural capital
is essential to the development
of our services and operations.

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Our environmental strategy is focused on the efficient, sustainable stewardship of resources.

Natural capital is essential to the development of our services and operations. Our impact on the environment comes mainly from the direct and indirect use of energy and our management of inputs and waste.

Environmental policy

We have a public environmental policy aligned with the regulatory framework, with national and international initiatives, and international standard ISO 14001, which encompasses the following aspects:

- Responsibilities.
- Identification and management of environmental indicators and their impacts.
- Compliance with applicable legislation.
- Execution of resource efficiency initiatives (energy, water, waste) including their responsible use and disposal.
- Integration of environmental criteria into procurement processes.

- Cooperation with stakeholders.
- Adhesion to environmental initiatives.
- Minimization of environmental impact in credit and investment activities.
- Transparent communication of our performance.

Through a matrix we use for identifying, evaluating and classifying environmental impacts, we support this policy and annually review business processes that show present and potential risks in the area of the environment. This table enables us to manage 128 environmental aspects that may have six possible environmental impacts, and identify current environmental laws that apply to us.

Natural capital
is essential to the
development of our
services and operations



Energy and emissions

TOTAL ENERGY CONSUMPTION AT GFNORTE

Indicators	2018	2017	2016	% Chge. 18/17
Natural gas*	n/a	16.10	174.29	-
Diesel **	2,064.83	1,060.11	536.40	94.72%
LP Gas	1,093.66	732.16	1,043.55	49.37%
Gasoline**	55,770.54	67,666.41	61,250.18	-17.58%
Electricity	467,537.15	467,998.50	438,727.96	-0.10%
Total energy consumption***	526,466.18	537,473.37	501,732.37	-2.05%
Energy / employee	17.23	17.97	18.23	-4.08%
Energy / Net income (GJ/millions of pesos)	16.47	22.48	25.99	-26.72%
Employee scope	100%	100%	100%	-
Factors used (CONUEE)	2019	2018	2015	-

Includes the acquisition of Grupo Financiero Interacciones.

Diesel includes consumption by utility vehicles and emergency power generators; LP gas include fork lifts and a kitchen; gasoline applies only to utility vehicles.

* In 2018, we vacated the building where natural gas was consumed so we no longer consume this fuel.

** The increase in diesel and reduction in gasoline was due to the segregation of fuel consumption by utility vehicles; previously we calculated these amounts assuming gasoline as the only fuel used in vehicles for the banking sector.

*** Does not include energy generated from solar panels.

Gasoline consumption by the Warehousing, Leasing and Factoring, and Insurance and Annuity sectors, as well as Banorte consumption of diesel from fixed sources, estimated based on spending and monthly average price of each fuel.

Our buildings and bank branches incorporate characteristics like double-insulating glass, natural lighting and low-energy equipment that enable them to operate efficiently. Features such as these earned the KOI Tower and Torre Mayor buildings gold and silver LEED certifications, respectively.

Our network of Banorte branches functions in accordance with the Comprehensive Energy Control System (CECS). This means they have high-efficiency equipment that regulate operation times for lighting and air conditioning. Two of the branches have solar panels installed, which we estimate saves a 14,054 kWh a year, avoiding the emission of 7.4 metric tons of CO₂e.

In 2018, we replaced 633 automatic teller machines—7.5% of the total—with more energy-efficient models.



Furthermore, in order to promote environmental awareness and improve our energy efficiency, we developed a program for automatically shutting down computer equipment during non-business hours. By monitoring equipment in the network of administrative buildings, we were able to introduce automatic shutoff systems and establish metrics for tracking their use (excluding equipment that must always remain on for operational reasons). More than 7,000 computers were connected to this initiative, which has saved an estimated 66,452 kWh in energy since it was begun in September 2018.

As for fuel consumption, only one of our nine cafeterias consumes LP gas; the rest run on electricity. During the year we moved out of the only building that used natural gas for heating, so we no longer use this fossil fuel in our operation.

In our vehicle fleet, we reduced total consumption by 5.8% for our subsidiaries. The vehicle leasing contract stipulates that cars be upgraded to newer models every four years.

For the second year in a row, we participated in the Energy Efficiency Excellence Labeling program created by the National Council for Energy Use Efficiency (CONUEE), which recognized the energy efficiency of two of our branches, based on the results of an evaluation algorithm that factors in building consumption and infrastructure.

We regularly report on emissions and energy consumption to the Mexican Ministry of the Environment and Natural Resources, through the Annual Operating Certificate, under the guidelines of the General Law on Climate Change in its regulation regarding the National Emissions Registry (RENE). Additionally, we participate voluntarily in Mexico's GhG program, and we publicize our strategy and performance with regard to climate change in the global initiative CDP Climate Change, in keeping with our commitment to transparency.

GFNORTE SCOPE 1 AND 2 EMISSIONS (tCO₂e)

Business Unit	2018			2017			2016			% Chge. 18/17 A1+A2
	A1	A2	A1+A2	A1	A2	A1+A2	A1	A2	A1+A2	
Afore XXI Banorte	198.54	1,969.06	2,167.60	236.48	2223.30	2459.79	209.98	1,647.16	1,857.14	-11.88%
Almacenadora Banorte	45.04	138.69	183.72	32.83	136.31	169.14	59.88	102.43	162.31	8.62%
Arrendadora y Factoraje Banorte	111.19	n/a	111.19	131.75	n/a	131.75	113.41	n/a	113.41	-15.61%
Banorte	1,667.83	64,475.44	66,143.26	1840.76	71185.85	73026.61	1614.43	52,415.51	54,029.94	-9.43%
Banorte-Ixe Securities International	n/a	15.23	15.23	n/a	25.88	25.88	n/a	26.02	26.02	-41.14%
Seguros y Pensiones Banorte	2,223.16	1,799.30	4,022.46	2764.73	2053.81	4818.53	2536.22	1,602.99	4,139.20	-16.52%
Grupo Financiero Banorte	4,245.75	68,397.71	72,643.46	5,006.55	75,625.15	80,631.70	4,533.92	55,794.11	60,328.03	-9.91%

Includes the acquisition of Grupo Financiero Interacciones

To calculate our scope 1 emissions, we used the factors published by the Ministry of the Environment in the Official Gazette of the Federation, which establishes the technical aspects and formulas for calculating the emission of greenhouse gases or compounds. For scope 2 emissions, derived from the consumption of electricity, we used the 2018 electrical emission factor, as estimated by the Energy Regulating Commission, with the exception of Banorte-IXE Securities, whose offices are located in New York (and where used the NYUP electrical emission factor of the U.S. Environmental Protection Agency (EPA)).

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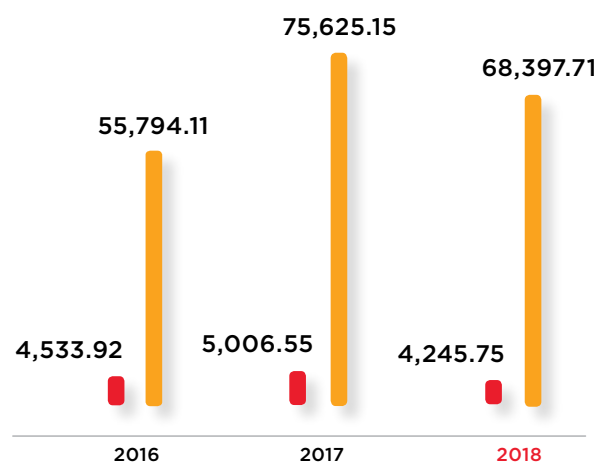
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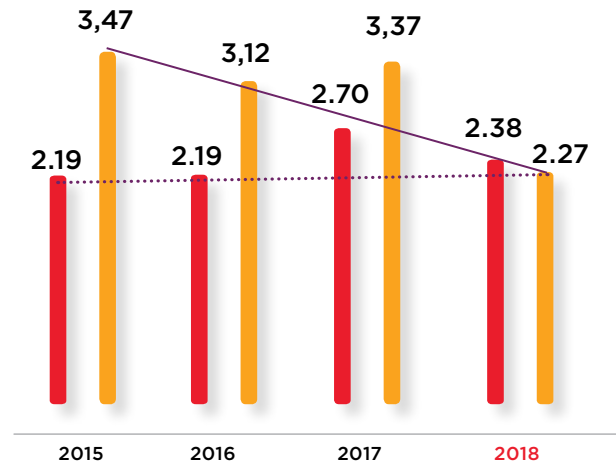
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We calculated our carbon footprint through a financial control approach that uses methodologies like the Corporate Accounting and Reporting Standard, the Greenhouse Gas Protocol, and national directives on the use of global warming potentials from the IPCC's Fifth

Assessment Report (AR5). The emissions inventory is also backed up by the verification of a third party accredited by the Mexican Accreditation Entity (EMA).



GFNORTE EMISSIONS
Scope 1 and 2 in tCO₂e



tCO₂e EMISSIONS INTENSITY
per employee and net income

To calculate emissions intensity, we assumed 30,548 employees, including permanent employees, independent professionals and other professional service providers, and net income totaling Ps. 31.96 billion.

Corporate travel

In 2018, employees of the financial group traveled a total of 18.3 million miles for corporate purposes, equivalent to 1,650 metric tons of CO₂e emitted into the atmosphere, 2% less than the year before.

BUSINESS UNIT	CORPORATE TRAVEL (KM)				EA3 EMISSIONS (tCO ₂ e)			
	2018	2017	2016	% Chge. 18/19	2018	2017	2016	% Chge. 18/17
Afore XXI	1,265,200.08	1,449,518.49	1,597,949.00	-12.69	114.12	151.77	167.31	-24.81
Almacenedora Banorte	818,034.00	n/a	n/a	-	73.24	n/a	n/a	-
Arrendadora y Factoraje Banorte	381,118.00	393,822.00	418,764.00	-19.22	33.65	41.23	43.85	-18.38
Banorte	13,462,018.70	13,946,203.46	11,131,466.81	-3.47	1,201.42	1,300.73	1,033.20	-7.63
Banorte Ixe Securities International	50,809.26	78,035.58	76,639.31	-34.88	4.76	8.17	8.02	-41.74
Seguros y Pensiones Banorte	2,486,297.77	2,837,781.00	3,509,159.83	-13.33	223.35	297.12	367.41	-24.83
Grupo Financiero Banorte	18,463,477.81	18,705,360.53	16,733,978.95	-1.29	1,650.54	1,799.02	1,619.80	-8.25

Emissions calculated according to distances traveled per trip and classified by domestic travel (short and long) multiplied by factors published by DEFRA.

Based on round trips between both locations; previously based on one-way trips.

To compensate for this impact, we encouraged our employees to use digital media for online meetings and videoconferencing. In 2018, we recorded 103,566 videoconferences, which is 10.8% more than the year before. Furthermore, we saved an estimated 257,000 kilometers of travel thanks to videoconferencing at Arrendadora y Factoraje Banorte and Banorte-Ixe Securities International, which represent a reduction of 35 metric tons of CO₂.

We introduced remote selling and self-service technology in our automatic tellers, which are equipped with functions like the sale and cancellation of insurance, opening new loans and renewing existing lines of credit, and data collection campaigns. We also have a network of 28,277 correspondents that handled more than 49 million transactions for us in 2018 (+51% compared to 2017). This means customers who need to perform certain transactions do not

have to travel to a bank branch, reducing the time, expense and impact of such trips.

We also promoted online banking and mobile banking channels through which our clients can do their banking from anywhere in the world. In 2018, more than 1.42 billion transactions were performed in online banking (+3% in the year) and 311 million by mobile banking (+75% in the year).

•SRS 305-6

Refrigerant gases

We account for emissions from the recharge of refrigerating equipment at the offices of Banorte and Afore XXI, which account for 93% of the Group's employees. Currently, recharges of the refrigerant gas R-410A—which does not affect the ozone layer—make up 49% of the total. Since 2015, Banorte has acquired no cooling equipment that uses R-22 gas.

RECHARGES BY TYPE OF REFRIGERANT (KG Y tCO₂e)

	2018				2017				2016	
	Banorte	Afore XXI	Total	tCO ₂ e	Banorte	Afore XXI	Total	tCO ₂ e	Banorte	tCO ₂ e
R-22	824.05	39.5	863.55	1,519.85	1,251.53	102.10	1,353.63	2,382.39	851.50	1,498.64
R-410A	815.15	5	820.15	1,577.56	772.85	0.00	772.85	1,486.58	695.00	1,336.83
R-134A	0.00	0.00	0.00	0.00	16.60	0.00	16.60	21.58	0.00	0.00
R-404A	0.00	0.00	0.00	0.00	3.50	0.00	3.50	16.80	0.00	0.00
Total	1,639.2	44.5	1,683.7	3,097.41	2,044.48	102.10	2,146.58	3,907.35	1,546.50	2,835.47

Calculations based on factors published by the Ministry of the Environment in the Official Gazette of the Federation for greenhouse gases or compounds which are grouped together for the purpose of emissions reporting, as well as their warming potentials.

Climate change

As one measure for dealing with possible environmental contingencies stemming from climate change, we have mobile Banorte units equipped with multi-purpose ATMs and a customer service area for acquiring products and services. These units have operating advantages because they can be brought to communities affected by natural disasters. Also, in Banorte's branches in coastal regions we installed anti-cyclone curtains and provide preventive maintenance against premature erosion of buildings from humidity.

Together with companies responsible for a large share of emissions in Mexico, we participated in the first simulation exercise of a carbon market in Mexico, organized by MÉXICO₂, the Ministry of the Environment, Grupo BMV and the Environmental Defense Fund. Although we are not included in the scope of this market, we believe it represents an opportunity to the bank to pay a role as intermediary in its functioning.

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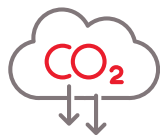
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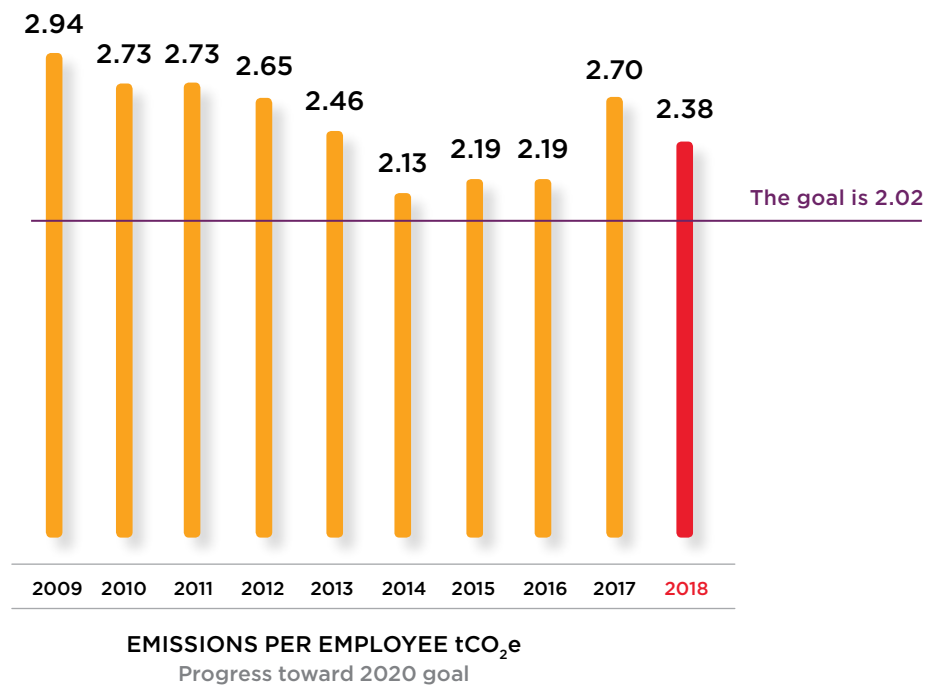
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Our commitment

We are committed to reducing our emissions. In line with a nationwide strategy implemented in Mexico, we will work toward a 30% reduction in emissions intensity per employee by the year 2020, using the year 2009 as baseline.



We will work toward a **30% reduction** in emissions intensity per employee by the year 2020.



Our 2020 emissions intensity reduction goal targets an indicator of 2.02 tCO₂e per employee; does not include scope 3 emissions.

Furthermore, since 2016 we have been signing members of the Science Based Targets (SBT) initiative for establishing medium- and long-term reduction goals, based on international scientific standards. Using the C-Fact methodology published by Autodesk, we have set targets for scopes 1 and 2, reporting our progress each year to the CDP. But because scope 3 is the most important for financial institutions and that there so far is no methodology for these emissions, the target has been validated unofficially.

Waste management

We estimated the amount of waste generated in our administrative buildings and branches according to the NMX-AA-22-1985 Standard, which gave us the result of 1,986 metric tons generated in our banking sector operations in 20108. This is an 18% reduction against the global estimate for the previous year. Furthermore, we calculate a total of 1,124 metric tons of paper waste generated in our operations.

• SRS 303-1 • SRS 304-1

GFNORTE PAPER CONSUMPTION (metric tons)

Consumption	2018	2017	2016	% Chge. 18/17
Total	1,124.46	1,090.53	1,221.44	3.11
Per employee	0.037	0.036	0.044	2.7
Per net income (t/ millions of pesos)	0.035	0.046	0.063	-23.91

Not including paper sent for recycling.

We continue to work on reducing the generation of solid urban waste and correctly disposing of special-handling waste.

At our Torre Mayor and Tlalpan offices, we sent more than 27 metric tons of waste for recycling. The economic resources recovered from this program are donated to schools for furniture maintenance. In addition, our recycling program was extended to include the Corporativo Santa Fe and Palo Alto buildings at the end of 2018.

Our recycling program focuses primarily on paper, which accounts for the majority of the waste the Group generates. In 2018, we sent 522 metric tons for recycling, 4.5% more than the previous year.

We also promote the efficient use of paper in our operations through the use of digital media and crossed sales, to reduce consumption.

Our strategies in this area include the Origina program, which optimizes loan contract forms, reducing the number of pages per contract. This initiative saved more than 7.5 million sheets of paper, or 34 metric tons in all.

In order to encourage responsible printing, we used the Papercut application to administer paper and toner in corporate buildings for the banking sector by controlling the number of pages printed per employee directly from the multifunctional printer. This program avoided the printing of 773,181 printed pages in 2018, a savings of 3.1 metric tons of paper.



Starting in September 2016, all Enlace Personal accounts are opened with paperless selected as the default method of account statement delivery. In 2018, more than 110,000 account holders who opened their account before the start of the Paperless program migrated to this system, representing approximately 46% of total Enlace Personal accounts, saving 7.5 metric tons of paper and Ps. 673,000.

We also encouraged the elimination of printed ATM tickets, reducing the number of printouts by 45,777 against 2017, equivalent to saving more than 17 metric tons of paper and Ps. 472,000.

With respect to toner consumption, we recycled the equivalent of 14% of the toner cartridges purchased by Banorte in 2018, which implied the recovery of 5.3 metric tons of components such as plastic, toner, cardboard, aluminum and other metals.



We encouraged the elimination of printed ATM tickets, **reducing the number of printouts by 45,777.**

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As part of our service digitalization effort, we encouraged customers to adopt the smartphone token method instead of physical tokens, which meant fewer of these devices had to be produced and later disposed of. In 2019, 29,490 users migrated from physical to smartphone tokens, and 1,281,860 smartphone tokens were assigned to new accounts, making a total of 1,311,350 users who have adopted this method (+148% in the year). We also received 32,181 expired physical tokens from our users, 5,656 of which were refurbished for reuse and 26,525 of which were sent for disposal and recovery of components for recycling.

Water

Our estimated water consumption in 2018 was 668,223 m³, encompassing 99% of the Group's operations. The water consumed in our facilities comes from local networks and waste is returned to those networks. To promote efficient water use, our corporate buildings have water-saving sinks, dry urinals and low-consumption toilets.

GFNORTE WATER CONSUMPTION				
Consumption	2018	2017	2016	% Chge. 18/17
m³ Water	668,223	616,421	623,181	8.4
m³ Water / employee	21.87	20.61	22.65	6.1

Biodiversity

We promote the sustainable occupation of urban spaces. Our main focus of action is the green roof located at the Roberto González Barrera Contact Center in Monterrey, Mexico. The roof has a landscaped surface area of 1,784 m², where we conserve 60 species of native Mexican plants, 13 of them mentioned in NOM-059-SEMARNAT-2010 environmental protection standard.

Additionally, in 2018 we participated in two reforestation events with Reforestamos México, restoring three hectares of the Cumbres Park in Monterrey and the Nevado de Toluca near Mexico City by planting 3,600 trees. With this we want to expand the environmental benefits of the forest zones; protect and conserve biodiversity, avoid soil erosion, improve water infiltration capacity to subsoil and clean the air. Furthermore, these species are estimated to capture 308 metric tons of carbon once they grow.

We also donated to the Reino Animal center for sustainable conservation of flora and fauna, a natural protected area covering 52 hectares of land that are home to more than 1,400 animals representing 130 species of mammals, reptiles, birds, fish and insects. The money is applied to various area of action, focused on environmental education and research, care and conservation of the area and the species that inhabit it.



The water consumed in our facilities comes from **local networks and waste is returned to those networks.**



Environmental Culture

As part of our campaign of environmental awareness, in 2018 we sent out communications regarding resource efficiency and environmental news through various channels of internal communication and social media. Also, 917 newly hired employees were trained in our online course “Paperless,” which encourages the responsible consumption of paper in daily activities.

Another initiative we supported was the global Planet Hour program, in which we participated by turning off non-essential lights in buildings at Banorte, Afore XXI and Seguros y Pensiones Banorte.

Communication with our stakeholders is a priority, as is transparency. For this reason, we have an electronic channel for receiving initiatives and suggestions regarding our environmental impacts. In 2018 we received 193 e-mails at medioambiente@banorte.com

Environmental expenses and investment

In 2018, we invested Ps. 16.97 million in upgrading air conditioning equipment to improve energy efficiency in our buildings. We also spent Ps. 13.7 million to build, renovate and maintain videoconferencing rooms, which have the purpose of reducing emissions created through corporate travel.

Additionally, Ps. 571,000 were invested in the Green Roof educational program and our environmental awareness-building campaign. This also includes verification of our GHG emissions inventory.

The conservation and restoration of habitats had a cost of Ps. 2.3 million, which includes our alliance and reforestation efforts with Reforestamos México, as well as funds donated for the conservation of flora and fauna at Reino Animal.

Corporate Governance

● SRS 102-15 ● SRS 102-16 ● SRS 102-18 ● SRS 102-20 ● SRS 102-22 ● SRS 102-26 ● SRS 102-28 ● SRS 102-34
● SRS 102-35 ● SRS 405-1

Grupo Financiero Banorte is The Strong Bank of Mexico, not just because of its reputation and excellence in financial services, but because it applies best corporate governance and sustainability practices, which has earned us the recognition of Mexican and international organizations.

We have a work team responsible for managing corporate governance for the entire Financial Group, in order to align our policies and governance bodies with best international practices, and ensure that they conform to existing laws and regulations and that their actions and decisions are consistent with our shareholders' interests.

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

At GFNorte we make sure to always stay one step ahead. This year, we approved a policy to promote equality between men and women in all parts of the organization. This policy is included in the Nominating Committee's operational and functional regulations, and includes provisions that promote dignity, equity, inclusion and diversity (on the basis of gender, race, nationality, culture, beliefs, language, marital status, ideology, political opinions and other personal, physical or social conditions), to foster an inclusive working environment within the Board of Director based on respect and non-discrimination.

It should be noted that Board member selection and compensation, as well as the conditions under which they perform their duties and activities, are determined exclusively according by criteria of merit and ability to fulfill the requirements of the position.

At GFNorte, we have a Board Member compensation policy, which we reviewed thoroughly in 2016 with the assistance of an external consulting firm, to align our compensation policy with international best practices. The new policy was applied beginning in fiscal year 2017. GFNorte does not publicly disclose this policy or the specific remuneration of each of the Board members.

The Internal Control System consists of a set of mechanisms and internal controls to ensure that GFNorte and its subsidiaries conform to applicable regulations, in addition to applying methodologies that make it possible verify their compliance. The Audit and Corporate Practice Committee keeps the Board informed of the status of this system at GFNorte and its financial subsidiaries as well as other corporations it controls, including any irregularities detected.

GFNorte pays special attention to internal control over its transactions, to the origination, processing and disclosure of accounting and financial information, to relationships with investors, customers and suppliers, and to compliance with applicable regulations.



Grupo Financiero Banorte's Code of Conduct establishes that members of the Board of Directors, officers and employees must ensure that the activities and businesses they conduct or direct do not have a negative impact on the natural resources of communities in which they participate, and to ensure environmental damage is repaired or mitigated to the extent possible when there is a reported depletion of those resources.

We are continually evaluating the framework of action of our Corporate Governance and comparing it against other publicly-traded Mexican and foreign corporations. This enables us to incorporate and manage elements we find to be areas of opportunity.

Board of Directors

The Board of Directors currently has 14 members, 10 of which are independent, i.e. 71%, which is well above the regulatory minimum of 25% and the 60% recommended by international corporate best practices. Each regular member has an assigned alternate.

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

Average attendance of Board of Directors and Committees

Average attendance of the Board of Directors: 96.61%

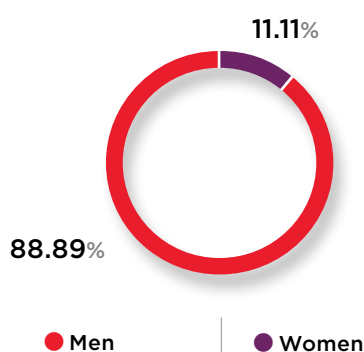
Board of Directors, Regular Members

Name	Type	Gender	Board member since
1. Carlos Hank González	Regular Related Chairman	M	October 2014
2. Juan Antonio González Moreno	Regular Related	M	April 2004
3. David Juan Villarreal Montemayor	Regular Related	M	October 1993
4. José Marcos Ramírez Miguel	Independent Regular	M	July 2011
5. Everardo Elizondo Almaguer	Independent Regular	M	April 2010
6. Carmen Patricia Armendáriz Guerra	Independent	F	April 2009
7. Héctor Federico Reyes Retana y Dahl	Independent	M	July 2011
8. Eduardo Livas Cantú	Independent	M	April 1999
9. Alfredo Elías Ayub	Independent	M	April 2013
10. Adrián Sada Cueva	Independent	M	April 2013
11. Alejandro Burillo Azcárraga	Independent	M	Abril 2013
12. José Antonio Chedraui Eguía	Independent	M	April 2015
13. Alfonso de Angoitia Noriega	Independent	M	April 2015
14. Thomas Stanley Heather Rodríguez	Independent	M	April 2016

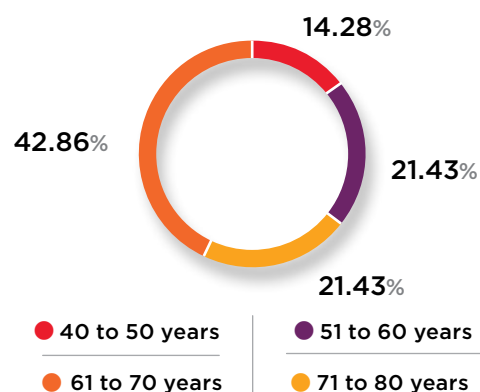
Board of Directors, Alternate Members

Name	Type	Gender	Board member since
1. Graciela González Moreno	Alternate	F	April 2013
2. Juan Antonio González Marcos	Alternate	M	April 2014
3. Carlos de la Isla Corry	Alternate	M	April 2016
4. Clemente Ismael Reyes Retana Valdés	Independent alternate	M	April 2017
5. Alberto Halabe Hamui	Independent alternate	M	April 2014
6. Roberto Kelleher Vales	Independent alternate	M	April 2014
7. Manuel Aznar Nicolás	Independent alternate	M	March 2007
8. Isaac Becker Kabacnik	Independent alternate	M	April 2002
9. José María Garza Treviño	Independent alternate	M	April 2014
10. Javier Braun Burillo	Independent alternate	M	April 2015
11. Humberto Tafolla Núñez	Independent alternate	M	April 2018
12. Guadalupe Phillips Margain	Independent alternate	F	April 2015
13. Ricardo Maldonado Yáñez	Independent alternate	M	April 2016

Héctor Ávila Flores	Secretary (non member)	M
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BREAKDOWN OF THE BOARD OF DIRECTORS
by gender



BREAKDOWN OF THE BOARD OF DIRECTORS
by age range

• SRS 102-34

Committees

The Board is supported in its work by a number of committees made up of independent members of the Board, and in some cases by executives of the institution itself, in keeping with the applicable regulations.

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

The Audit and Corporate Practices Committee meets 12 times a year, plus any extraordinary meetings that are necessary. The Risk Policies Committee also meets 12 times a year, plus one extraordinary meeting each year; the Human Resources Committee meets four times a year; and the Nominations Committee meets once a year, or when called by the Chairman.

Average attendance in each committee:

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

Audit and Corporate Practices Committee

Member	Type	Position	Seniority
1. Héctor Federico Reyes Retana y Dahl	Independent Regular	Chairman	July 2011
2. Carmen Patricia Armendáriz Guerra	Independent Regular	Member	July 2011
3. Thomas Stanley Heather Rodríguez	Independent Regular	Member	April 2016
4. Manuel Aznar Nicolás	Independent alternate	Member	April 2008
5. Clemente Ismael Reyes Retana Valdés	Independent alternate	Member	April 2017

Risk Policies Committee

Member	Type	Position	Seniority
1. Eduardo Livas Cantú	Independent Regular	Chairman	January 2002
2. Everardo Elizondo Almaguer	Independent Regular	Member	October 2010
3. Héctor Federico Reyes Retana y Dahl	Independent Regular	Member	April 2013
4. Thomas Stanley Heather Rodríguez	Independent Regular	Member	April 2016
5. Manuel Aznar Nicolás	Independent alternate	Member	April 2007
6. José Marcos Ramírez Miguel*	CEO, GFNorte	Member	November 2014
7. Guillermo Chávez Eckstein*	Chief Credit and Risk Officer	Member	July 2015

Human Resources Committee

Member	Type	Position	Seniority
1. Everardo Elizondo Almaguer	Independent Regular	Chairman	January 2011
2. Eduardo Livas Cantú	Independent Regular	Member	April 2015
3. Guillermo Chávez Eckstein*	Head of comprehensive risk management	Member	July 2015
4. Javier Beltrán Cantú*	Head of human resources	Member	April 2015
5. Rafael Arana de la Garza*	Head of financial planning	Member	April 2015
6. Isaías Velázquez González*	Internal auditor	Member with right to speak but not to vote	April 2015

Nominations Committee

Member	Type	Position	Seniority
1. Carlos Hank González	Regular Related Chairman	Chairman	November 2014
2. José Marcos Ramírez Miguel	Regular Related	Member	November 2014
3. Juan Antonio González Moreno	Regular Related	Member	November 2014
4. Everardo Elizondo Almaguer	Independent Regular	Member	March 2016
5. Alfonso de Angoitia Noriega	Independent Regular	Member	July 2016
6. José Antonio Chedraui Eguía	Independent Regular	Member	July 2016
7. Thomas Stanley Heather Rodríguez	Independent Regular	Member	July 2016

*Pursuant to article 168 Bis section 5 of the Unified Bank Circular, these officers must be committee members.

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Board Member Profiles

Carlos Hank González (47 years old) Chairman of the Board

Professional experience

Currently he is Chairman of GFNorte's Board of Directors, a position he has held since January 1st, 2015. At Gruma, a global leader in corn flour and tortilla production with operations in more than 100 countries, Carlos Hank González has played a key role since December 2012, when he became Vice Chairman of the Board of Directors and joined the Executive Committee to design a healthy and responsible financial strategy that generated value for the company.

In 1997, he was appointed as CEO of Interacciones Casa de Bolsa, in 1999 as CEO of Banco Interacciones and in 2000 as CEO of Grupo Financiero Interacciones (GFI). At the beginning of 2003, he was designated as Deputy CEO of Grupo Financiero Banorte (GFNorte) and by the end of the year, he returned to GFI as CEO to continue transforming it into a highly profitable financial group, specialized in state and municipal financing. He led a successful public offering in 2013 that consolidated GFI as a public company and improved the liquidity of its shares in the stock market. Additionally, he was appointed CEO of Grupo Industrial Hermes in 2008, a group founded in 1978, with different business lines in infrastructure, energy, automotive, transportation and, since 2013, in tourism.

Academic background

- Bachelor's Degree in Business Management with specialization in Finance from Universidad Iberoamericana.

Joined GFNorte's Board in October 2014.

Juan Antonio González Moreno (61 years old) Related Member

Professional experience

Chairman of the Board of Directors and CEO of Gruma and Gimsa. Has been Managing Director of Gruma Asia and Oceania and Senior Vice President of Special Projects at Gruma Corporation. Chairman of the Board of Directors and CEO of CarAmigo U.S.A., and Vice President of the Central and Eastern Regions of Mission Foods. President and Vice President for Sales at Azteca Milling.

Academic background

- He graduated in Business Management from Universidad Regiomontana and holds an MBA from University of San Diego.

Joined GFNorte's Board in April 2004.

David Juan Villarreal Montemayor (70 years old) Related Member

Professional experience

He is Chief Executive Officer and majority shareholder of Artefactos Laminados, S.A. de C.V. Currently, he is Chairman of the Board and Deputy Managing Director of Inmobiliaria Montevi, S.A. de C.V. and Inmobiliaria Monyor, S.A. de C.V. He is a regional Advisor of Banco Nacional de Mexico, S.A. (Citibanamex) and a Financial Advisor and Business Developer for SISMEEX, Sistemas Mexicanos, S.A. de C.V. Furthermore, he was Deputy Manager of Operations in Artefactos Laminados from 1972 to 1990.

Academic background

- Undergraduate degree in Mechanical and Electrical Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM); Master's Degree in Science in Automatic Control from the same Institution; participated in the Advanced Management program from Instituto Panamericano de Alta Dirección (IPADE).

Joined GFNorte's Board in October 1993.

José Marcos Ramírez Miguel (55 years old) Related Member

Professional experience

Chief Executive Officer of GFNorte and Banco Mercantil del Norte, S.A. since November 2014. Has held positions as Banorte's Chief Corporate Officer and Managing Director of Wholesale Banking. His professional experience is essentially in the banking industry. He began as interdisciplinary consultant at Peat Marwick Mexico, and subsequently entered to the Financial Engineering Area at Operadora de Bolsa. In 1989, he founded Finventia where he held an important role in the issuance of the first private Eurobond after the Mexican debt restructuring. He also worked at Banque Nationale de Paris and Banque Indosuez Mexico as trader in the Mexican market. From 1993 to 1999 he was with Nacional Financiera, S.N.C. in the Development Banking area, where he held various management positions. Later on, he worked at Grupo Financiero Santander for 11 years where he served CFO, Managing Director of Wholesale Banking, Managing Director of Santander Brokerage and Executive Vice President of the Group. Furthermore, in 2007, he was appointed Chairman of the Mexican Securities Industry Association (AMIB).

Academic background

- Holds a Bachelor's Degree in Actuarial Science from Universidad Anahuac, a Postgraduate Degree in Finance from Instituto Tecnológico Autonomo de Mexico (ITAM) and an MBA from E.S.A.D.E. in Barcelona.

Joined GFNorte's Board in July 2011.

Everardo Elizondo Almaguer (75 years old)

Independent Member

Professional experience

Professor of International Finance at EGADE, Business School, ITESM. He was Director of Economic Studies at Grupo Industrial Alfa (Alfa Group); founded the Consulting firm Agency Index, Economía Aplicada, S.A. and was Deputy Governor of the Mexican Central Bank (Banco de México). He founded and was the first Director of the Graduate School of the Faculty of Economics at the University of Nuevo León.

Academic Background

- He graduated in Economics from the Universidad Autónoma de Nuevo León and holds a Master's Degree and Ph.D. in Economics, both from the University of Wisconsin-Madison.

Joined GFNorte's Board in April 2010.

Carmen Patricia Armendáriz Guerra (63 years old)

Independent Member

Professional experience

She is Managing Director at Financiera Sustentable, a company engaged in microfinance, and is Partner - Director and Founder of Valores Financieros, company dedicated to consultancy for banking systems. She was advisor to the Mexican Ministry of Finance and Public Credit, a position in which she coordinated the negotiation of financial services within the North American Free Trade Agreement (NAFTA), and later served as Vice President for Supervision at the National Banking and Securities Commission, and Associate Director of the Bank for International Settlements, in charge of analyzing the impact of Basel II in emerging markets. She was advisor to GFNorte's Chairman Emeritus, Roberto González Barrera, and Director of Special Projects at the same Institution.

She has been international consultant in banking crises, Professor of Economics at Instituto Tecnológico Autónomo de México (ITAM) and author of several academic and specialized publications in Banking and Macroeconomics.

Educational background

- Undergraduate degree in Actuarial Mathematics from Universidad Nacional Autónoma de México (UNAM), a Master's Degree in Economics from the same institution and a Ph.D. in Economics from Columbia University in New York.

Joined GFNorte's Board in April 2009.

Héctor Federico Reyes-Retana y Dahl (72 years old)

Independent member

Professional experience

Independent Advisor and Consultant. He has held various positions in the public sector, in the Ministry of the Economy, he founded the organism "ProMéxico, Inversión y Comercio"; was CEO of the Exim Bank Banco Nacional de Comercio Exterior, S.N.C., CEO of Banca Confía and Director of International Operations of the Mexican Central Bank (Banco de México). In the private sector, he was CEO of Grupo Financiero Mifel and Banca Mifel. He was a Member of the Board of Banco del Ahorro Nacional (Bansefi).

Furthermore, he held positions as Vice President of the Mexican Banking Association and Vice President of the Mexican Bankers Association, among others.

Educational Background

- Undergraduate degree in Industrial Engineering from Universidad Iberoamericana, and MBA from Cornell University, New York.

Joined GFNorte's Board in July 2011.

Eduardo Livas Cantú (75 years old) Independent member

Professional Experience

Currently member of the Executive Committee of Gruma. Has been Chief Operating Officer of Gimsa from 1975 to 1978 and Managing Director of Central America from 1978 to 1982. He was CEO of Gruma Corp. (U.S.A. division) from 1982 to 1994 and Chief Corporate Officer of Gimsa and Gruma from 1994 to 1999. Additionally, he served as a corporate consultant from 1999 to 2014.

Academic background

- He holds an undergraduate degree in Law from the Universidad Autónoma de Nuevo León (UANL) and a Ph.D. in Economics from the University of Austin, Texas.

Joined GFNorte's Board in April 1999.

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Alfredo Elías Ayub (68 years old)
Independent member

Professional Experience

Currently Chairman of the Board of Promociones Metropolis, S.A. de C.V. and member of the Board of Iberdrola USA and Rotoplas. Formerly served as CEO of Mexico's Federal Electricity Commission (CFE), CEO of Airports and Auxiliary Services (ASA) and held various positions within the Ministry of Energy, Mining and State-Owned Enterprise.

He has been a member of the Harvard Business School Alumni Board, and the Board of Directors of Nacional Financiera, Multibanco Mercantil de Mexico and Banco Internacional. Furthermore, he was Chairman of the Board of the Instituto Mexicano de Investigaciones Electricas and of the Mexico Foundation at Harvard.

Academic Background

- Civil Engineering degree from Universidad Anahuac and an MBA from Harvard Business School.

Joined GFNorte's Board in April 2012.

Adrián Sada Cueva (43 years old)
Independent member

Professional Experience

Executive CEO of Vitro since March 2013 and member of the Board of Directors of Vitro, S.A.B. de C.V. since 2010. Has been CEO of Vitro Cristalglass (Spain), Managing Director of Vitro Automotive, Director of Internal Restructuring, Director of Administration and Finance and Managing Director of the Containers Business in Vitro. His also a member of the boards of Comegua, Club Industrial de Monterrey, Universidad de Monterrey, the Manufacturing Industry Chamber (CAINTRA).

Academic Background

- Bachelor's Degree in Business Administration from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and MBA from Stanford Business School.

Joined GFNorte's Board in April 2013.

Alejandro Burillo Azcárraga (67 years old)
Independent member

Professional Experience

He is Chairman of the Board of Directors of Grupo Pegaso, which has presence in the technology, telecom, media, real estate, sports, culture and philanthropy, agribusiness, tourism, services and aeronautics industries. He has participated as majority owner and strategic partner in different companies and financial institutions such as: Ixe Banco, Laredo National Bank, Telefonica Movistar, Atlante Football Club, among others.

Joined GFNorte's Board in April 2013.

Thomas Stanley Heather Rodríguez
(65 years old)
Independent member

Professional Experience

Currently partner at Ritch Mueller, Heather and Nicolau, S.C., specializing in external funding, restructurings and securities offerings. He is Legal Advisor to the Mexican Business Coordinating Council (CCE) and permanent member of the committee in charge of drafting the CCE's Code of Best Corporate Practices.

He has served as magistrate in the International Court of Arbitration and as Conciliator at the Federal Institute of Insolvency Specialists (IFECOM). Representative of the International Insolvency Institute at the United Nations Commission on International Trade Law (UNCITRAL) and member of the Mexican Bar. Previously, he co-founded Heather & Heather, S.C.—from 2010 until its merger in 2013 to form Ritch Mueller, Heather and Nicolau, S.C.—and White & Case, LLP, in the Mexico City offices from 2005 to 2009. Member of the Board of Directors and of the Audit and Corporate Practices Committee (CAPS) of Grupo Bimbo, S.A.B. de C.V.; Independent member and Chairman of the CAPS at Gruma, S.A.B. de C.V. and Grupo Industrial Maseca, S.A.B. de C.V. Has been independent board member at Grupo Modelo, S.A.B. de C.V. from 1997 to 2005, GSF Telecom Holdings, S.A.P.I. from 2012 to 2014 and Nikko Hotels until 2013. He was also independent board member of Grupo Financiero Scotiabank and subsidiaries from 2001 to 2016.

Academic Background

- Bachelor's Degree in Law from the Escuela Libre de Derecho and a Master's Degree in Comparative Jurisprudence - Financial Law from University of Texas at Austin. He also has several specialization certificates from Universidad Panamericana and New York University.

Joined GFNorte's Board in April 2016.

José Antonio Chedraui Eguía
(52 years old)

Independent member

Professional Experience

Currently CEO of Grupo Comercial Chedraui. Formerly Chief Sales Officer and later CEO of Comercial Las Galas. Active in the organizations Fundacion Chedraui, Young Presidents' Organization and Mexico Nuevo.

Academic Background

- Bachelor's Degree in Accounting and Finance from Universidad Anahuac.

Joined GFNorte's Board in April 2015.

Alfonso de Angoitia Noriega (56 years old)

Independent member

Professional Experience

Executive Co-President and Chairman of the Finance Committee at Grupo Televisa, S.A.B. de C.V. He has served on the Board and Executive Committee of the company since 1997. He is also member of the Board of Directors of Cablevision, S.A. de C.V., Innova, S. de R.L. de C.V. (Sky), Cablemas Telecomunicaciones, S.A. de C.V., Operbes, S.A. de C.V. (Bestel), International Television, Inc. de C.V., Grupo Axo, S.A.P.I. de C.V. and The Americas Society. Chairman of the Board of Kardias Foundation and member of the UNAM Foundation and the Mexican Health Foundation.

Before joining Grupo Televisa, he was cofounder of the law firm Mijares, Angoitia, Cortes y Fuentes, S.C. He served as Executive Vice President of Administration and Finance from 1999 to 2003 and was member of the Boards of Grupo Modelo, S.A.B. de C.V. from 2005 to 2013 and The American School Foundation from 2001 to 2010.

Academic Background

- Bachelor's Degree in Law from Universidad Nacional Autonoma de Mexico (UNAM).

Joined GFNorte's Board in April 2015.

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GRUPO FINANCIERO SENIOR OFFICERS

Name	Title
José Marcos Ramírez Miguel	Managing Director, Financial Group
José Armando Rodal Espinosa	Managing Director, Wholesale Banking
Carlos Eduardo Martínez González	Managing Director, Retail Banking
Fernando Solís Soberón	Managing Director, Annuities and Pensions
Manuel Antonio Romo Villafuerte	Managing Director, Means of Payment
Guillermo Chávez Eckstein	Managing Director, Risk Management
Rafael Arana de la Garza	Managing Director, Finance and Operations
Carlos de la Isla Corry	Managing Director, Credit
Javier Beltrán Cantú	Managing Director, Administration and Human Resources
Héctor Ávila Flores	Legal and Trust
Sergio García Robles Gil	Presidential Advisor Regional Boards
Isaías Velázquez González	Managing Director of Audit
Alfonso de Angoitia Noriega	Independent
Thomas Stanley Heather Rodríguez	Independent

Compensation for senior management

Senior management encompasses the positions of Chief Executive Officer, the executives reporting directly to him, and the positions reporting directly to them, in other words, the top three levels of the organizational hierarchy. At GFNorte, we have a specific variable compensation plan for this group, subject to meeting certain financial metrics established as targets in our 20/20 Vision.

These financial metrics are quantifiable and measurable over time, and include aspects such as return on equity and efficiency ratio.

In general, the variable compensation plan establishes specific financial targets to be met annually through the year 2020. At GFNorte we do not publicly disclose the compensation policy, the executive compensation plan, or the individual compensation of members of our senior management.

Regional Boards

At the start of 2018, in order to incorporate new and renowned members of the business community into Grupo Financiero Banorte's Regional Boards, and in keeping with the general guidelines on how these boards function, we carried out a nation-wide update. In this exercise 61 new members joined the boards and 43 were relieved of their duties, in order to start out the year with a total of 267 regional board members.

In their seventh year of operation, regional boards met 12 times in various parts of Mexico. Because this was an election year, renowned speakers, analysts and political commentators were invited to speak to members, including Carlos Elizondo Mayer-Serra, Federico Reyes Heróles, Luis Carlos Ugalde, Francisco Abundis Luna and Roy Campos Esquerro, as well as some candidates to public office, such as Alejandra Barrales and Mikel Arriola. We also had the honor of welcoming Diego Sinhue Rodríguez Vallejo, recently elected governor of the state of Guanajuato, who walked us through his program of government for 2018-2024.

Once again, Regional Board Members and their children were special guests at the biggest institutional event of the year, the Banorte Strategy Forum, held on August 21-22 in Mexico City. The theme of the event this year was "BANORTE, Ally for Mexico's Future," and it provided an opportunity for entrepreneurs throughout Mexico to converse with international speakers and members of the incoming administration on ways to work together toward the future we all want.

The 2018 Banorte Strategy Forum was attended by more than 600 guests, and brought together much of the transition team of the new federal administration: Alfonso Romo Garza, Gerardo Esquivel Hernández, Javier Jiménez Espriú, Abel Hibert Sánchez, Esteban Moctezuma Barragán and Olga Sánchez Cordero, who shared their vision of the new government and priority issues for

the country like infrastructure, connectivity, education and Rule of Law. Also participating in the forum were physician and futurist Michio Kaku and leading global strategist Parag Khanna. The opening speech at the welcome dinner was given by José Antonio González Anaya, Secretary of Finance and Public Credit. Four workshops were held on the first day, led by John Macomber, Luis Ernesto Derbez, Alejandro Ponce, Everardo Elizondo, Luis Miguel González, Andrés Roemer and Eduardo Salles.

With regard to the Local Boards, as was planned since the previous year, in 2018 a new Local Board was created for the Altos de

Jalisco region, bringing the total to 33 Boards and a total of 736 members. During the first two years of operation 131 meetings have been held involving 2,970 participants, 63% of which were members and 37% executives.

Our actions in 2019 will focus on encouraging interaction between board members and senior management, and inviting feedback on trends and opportunities in each of our regions, developing new businesses and promoting synergies between board members, primordial goals of both the regional and local councils.

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Central Regional Council October 29, 2018 Meeting

Left to right:
Sergio García Robles Gil
Marcos Ramírez Miguel
Diego Sinhue Rodríguez Vallejo
Carlos Hank González



2018 Banorte Strategy Forum Banorte: An Ally for Mexico's Future

Left to right:
Javier Jiménez Espriú
Alfonso Romo Garza
Olga Sánchez Cordero
Carlos Hank González



Carlos Hank González



Metropolitan Regional Council October 31, 2018 Meeting



Sustainability



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



The basis of our sustainability strategy is the **synergy** we generate with our stakeholders.

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We are convinced that sustainability is a crucial factor for the development of the financial industry and the prosperity of our country.

Sustainable management

GFNorte recognizes the role financial institutions must play in the transition toward a sustainable global economy. For this reason, we integrate sustainability into our business strategy as the guiding principle for achieving our goals, while protecting our natural and social capital.

We are convinced that sustainability is a crucial factor for the development of the financial industry and the prosperity of our country. Therefore, we intend to grow by helping to build a resilient future, creating value, avoiding risk, and working for a positive change in the world around us.

Sustainability Model

We strive to work with total responsibility and transparency, to innovate in the products and services we offer, to minimize our impact

on the environment, and together with the community, to migrate toward a model of growth that can contribute value for all our stakeholders. Accordingly, our sustainability strategy is sustained by three basic pillars:

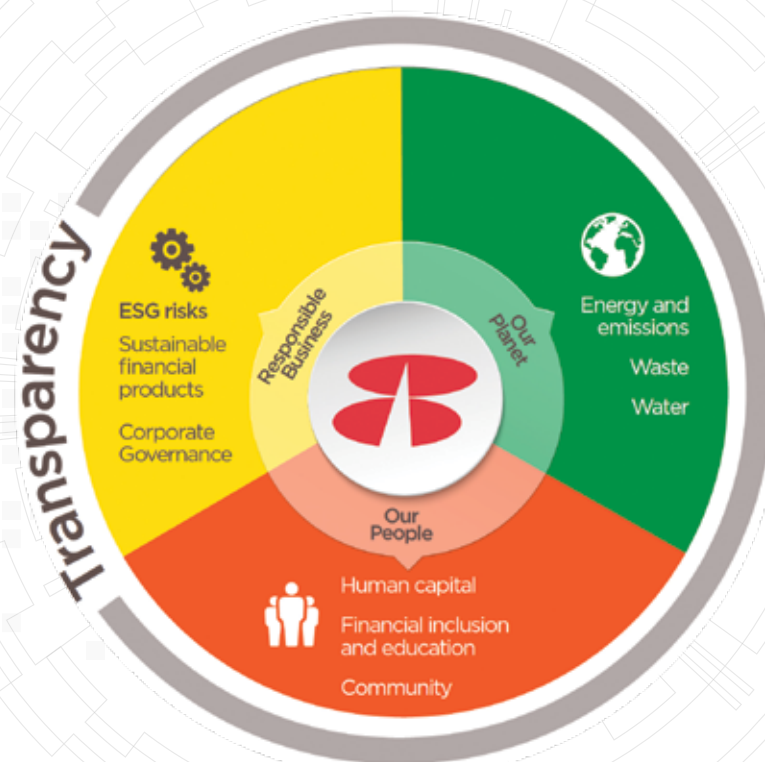
Responsible business

We incorporate environmental, social, and corporate governance (ESG) factors into our credit and investment portfolios; this enables us to manage the risks and impacts of our operations and identify potential business opportunities, as well as new products and services.

Our people

We promote social programs that involve our employees and the communities where we are present in applying practices that improve living conditions inside and outside of the institution.

We strive to work with total responsibility and transparency



Sustainability is a crucial factor in the development of the financial industry.

Our planet

We pursue initiatives to strengthen environmental culture within the institution, to measure and reduce our consumption of resources and our generation of waste.

As engines of economic development, we are responsible for focusing attention on issues that pose unprecedented challenges globally and for our country. For this reason, we reiterate our commitment to respect for human rights, mitigation and adaptation to climate change, and conservation of biodiversity.

Human rights. Mexico is one of the countries that has been visited by the most international observers in recent years due to the number of reported cases of human rights violation against vulnerable people and communities. Aware of this situation, Banorte has diagnosed, evaluated and ensured respect for human rights in our own operations, in line with the directives of the International Declaration on Human Rights.

Climate change. This is one of the most serious issues of the 21st century, and Mexico is one of the most vulnerable countries, because its territory, population and economy are particularly exposed to adverse effects. We therefore believe it is essential to involve ourselves in

mitigation and adaptation efforts, low carbon emission alternatives, and the generation of renewable energy.

Biodiversity. Although Mexico is the fourth most bio-diverse country in the world, more than half of its native species are categorized as endangered due to man-made causes. It is crucial that our activities and projects include efforts to protect animal and vegetable species, habitats and ecosystems, to be able to protect the balance and natural wealth of this country.

The area in charge of putting this sustainability strategy into practice in this Group is the Specialized Department on Sustainability and Responsible Investment, which reports to the Executive Department of Investor Relations, Sustainability and Financial Intelligence.

• SRS 102-40

Stakeholders

Our stakeholders are vital to the pursuit of our goals. We therefore maintain a constant and open dialogue with them to stay informed of their needs and expectations, encourage their involvement and meet mutual commitments. The frequency of these interactions depends on the channels established with each group, although our approach is always to meet their needs.

● SRS 102-40 ● SRS 102-42 ● SRS 102-43 ● SRS 102-46

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STAKEHOLDER DIALOGUE		
 EMPLOYEES Professional development (ongoing technical training as a model for empowering skills and leadership among our employees), job practices and talent retention. ● Intranet ● E-mail ● Banorte support line ● Banorte TV ● Ethic Points hotline ● Human resources development ● Organizational climate survey ● Union magazine → Human Resources	 INVESTORS Corporate governance: business ethics, coverage and expansion; financial information, risk management and sustainability aspects (socio-environmental impacts and contributions) ● Regulatory Annual Report ● Integrated Annual Report ● Quarterly reports ● Shareholders' meetings ● Newsletters ● Banortel ● E-mail ● Webpage → Investor Relations, Corporate Governance	 AUTHORITIES AND INDUSTRY REPRESENTATIVES Access, dissemination and transparency of information on the Group; prompt and broad media coverage; consistent, seamless flow of internal and external message. ● Phone ● E-mail ● Webpage ● Social media ● Meetings and visits → Communications and Public Affairs
 CUSTOMERS Accessible financial products and services, clear information on these, and monitoring of satisfaction and service quality (personal attention and consulting). ● Banorte Móvil Branches ● Banortel ● Specialized inquiry and claims unit ● Webpage ● Social networks ● Satisfaction surveys ● Media advertising → Commercial Area, Marketing, Specialized Inquiry and Claims Unit	 COMMUNITY Social responsibility management, natural resource management, business ethics, cooperation with communities where we operate, stronger social relationships and opportunities for progress to rebuild the social fabric. ● Phone ● Volunteer work ● E-mail ● Webpage ● Social network ● Visits to communities ● Meetings → Sustainability and Responsible Investment and Fundación Banorte	 MEDIA Access, dissemination and transparency of information on the Group; prompt and broad media coverage; consistent, seamless flow of internal and external message. ● Phone ● E-mail ● Webpage ● Social media ● Meetings and visits → Communications and Investor relations
 GOVERNMENT AGENCIES Regulatory compliance, collective bargaining agreement with unions, environmental management (in areas like water and waste, biodiversity impact and atmospheric emissions), programs with a social impact. ● Committees ● Participation in forums ● Meetings ● Phone ● E-mail ● Webpage → Sustainability and Responsible Investment and Fundación Banorte	 NONPROFITS Impact on climate change and natural capital, human rights, economic or product support, strategic alliances and participation in work groups. ● Phone ● E-mail ● Webpage ● Social media → Sustainability and Responsible Investment and Fundación Banorte	 SUPPLIERS Requirements and standards, sourcing, value creation, environmental and social policies adopted by the institution. ● Phone ● E-mail ● Calls for bids ● Meetings → Acquisitions and Expense Control
Frequency of stakeholder interaction: ● Constant ● Regular (weekly, monthly, quarterly, bi-yearly or several times a year) ● Annual		

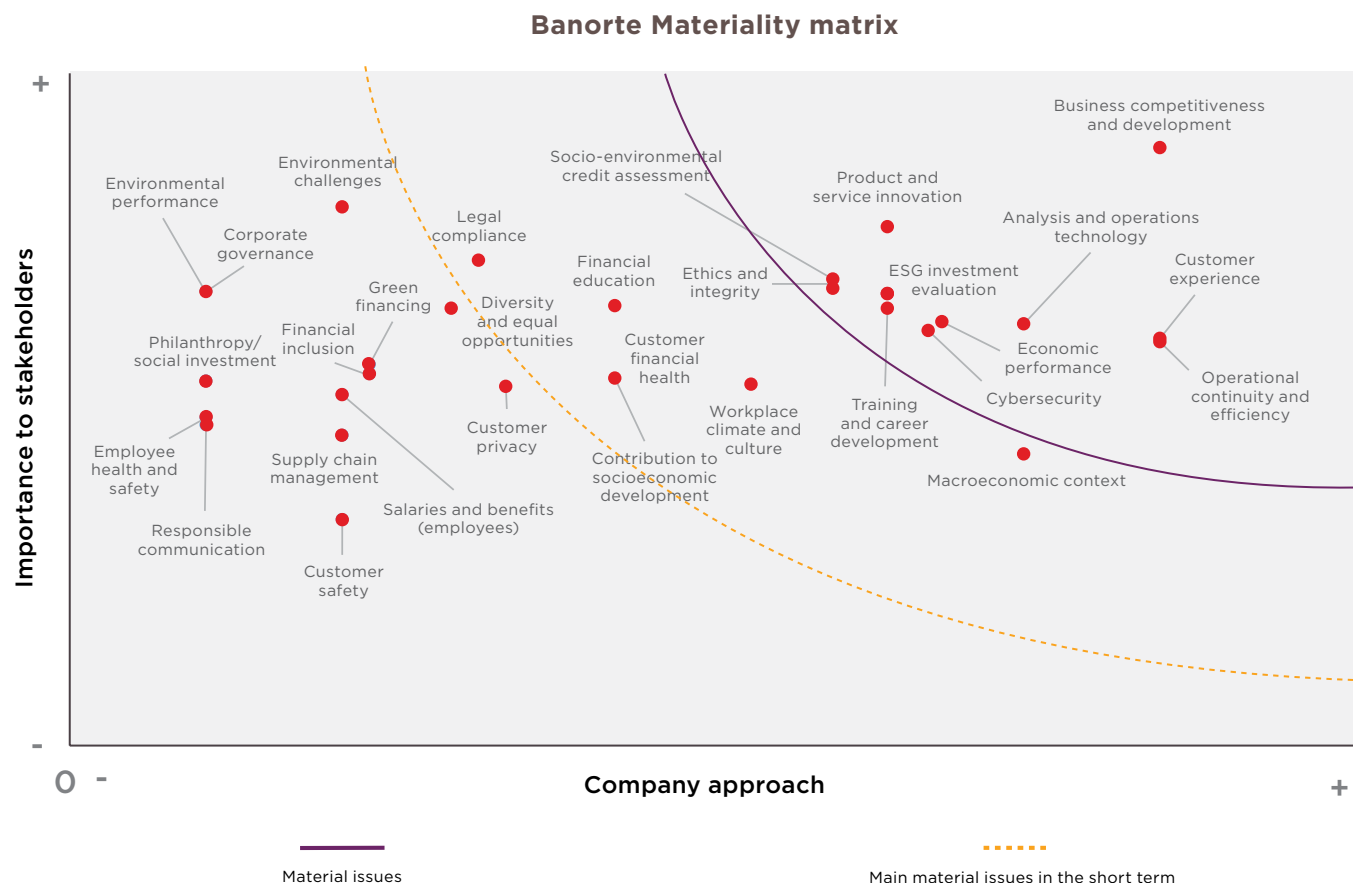
Materiality matrix

At Banorte, we are concerned with assessing our own capacity to create value and minimize impacts. To this end, in an effort to support continuous improvement, we updated our materiality exercise in 2018 to involve key agents that are among our stakeholders.

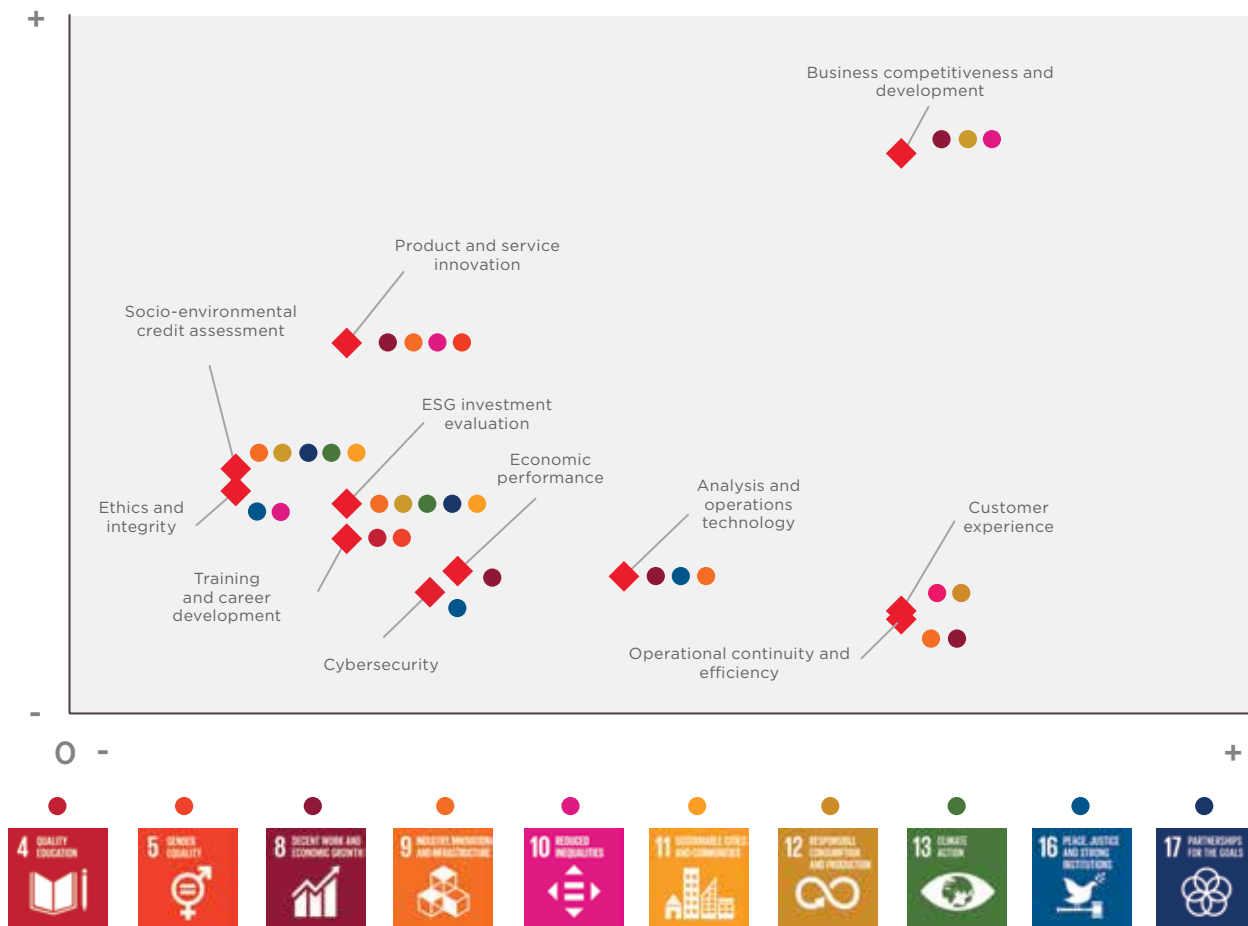
A materiality analysis is a strategic tool for understanding the evolution of sustainability in our industry. In this exercise, we consulted with employees, clients and leaders in the field through surveys and interviews that were prepared based on the Banorte value creation model.

We also analyzed industry documents to obtain an overview of the financial industry, the issues identified by our peers, our mentions in the press, and the priorities for Mexico contained in the 2030 Agenda.

The extensive analysis conducted in keeping with recommendations for identifying and prioritizing issues suggested by the Global Reporting Initiative (GRI) yielded 30 material issues, which we addressed in this document through information on actions, initiatives and projects carried out in each of them, as well as the way in which they align with the United Nations Sustainable Development Goals and the Principles for Responsible Banking.

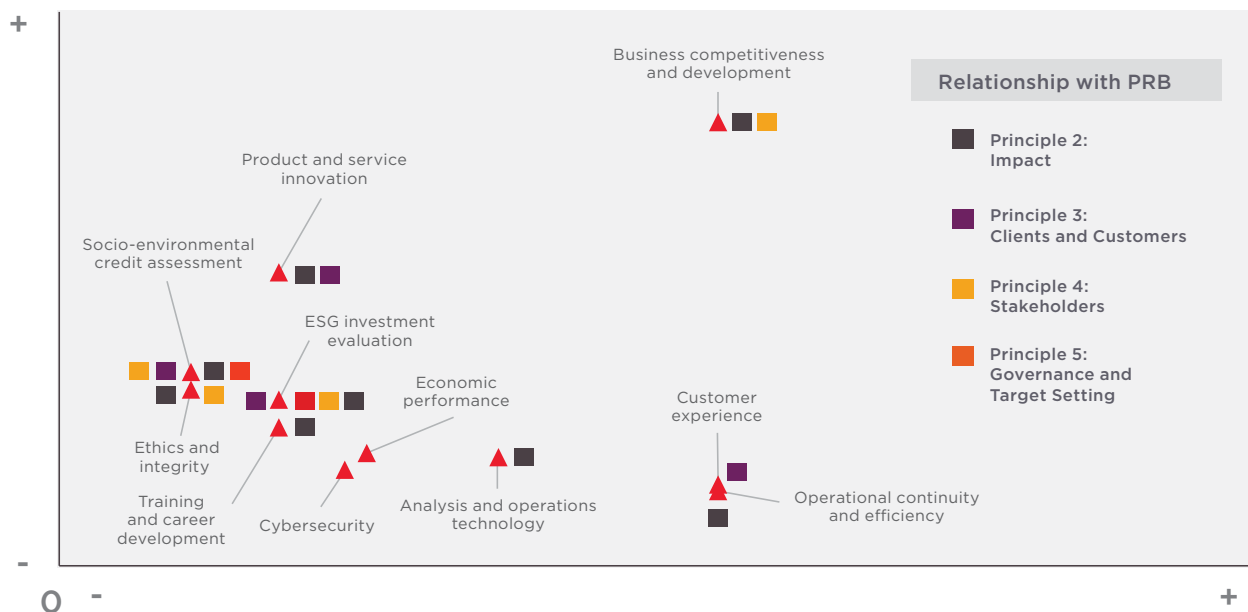


Relationship of materiality with Sustainable Objective Goals



Grupo Financiero's Contribution to the Sustainable Development Goals.

Relationship of materiality with Principles for Responsible Banking (PRB)



•SRS 102-12

Sustainable Development Goals

By aligning our operations, products and services with the Sustainable Development Goals (SDG) proposed by the United Nations Program for Development (UNPD), we seek to focus our attention on Mexico's social and environmental priorities toward the year 2030.

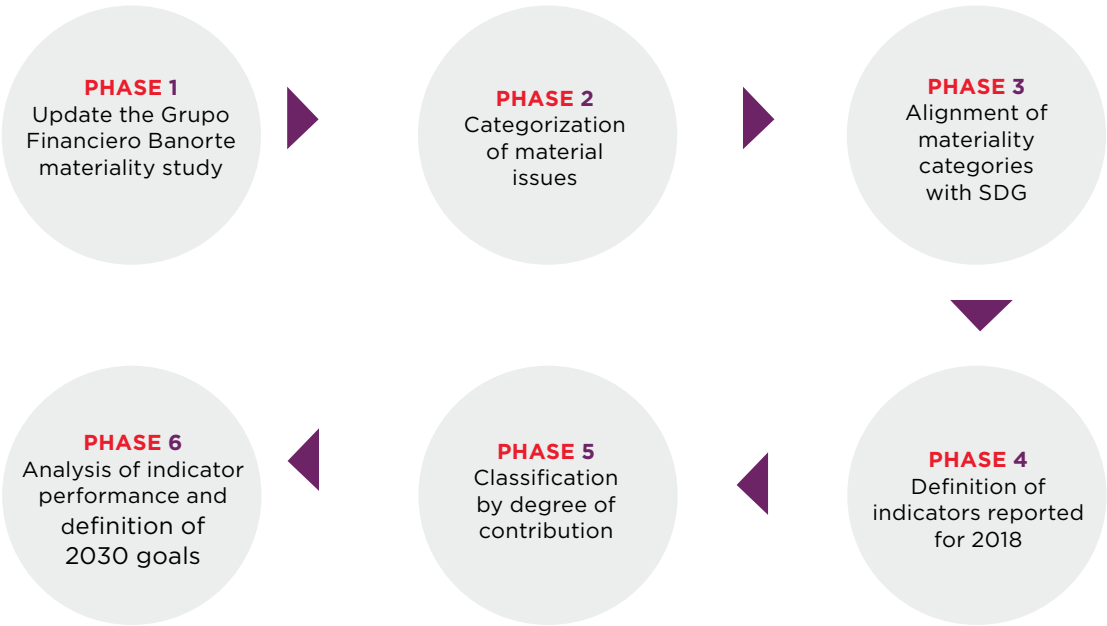
To form a basis on which to improve our actions in this regard, we conducted our first analysis of our contribution to the SDG, in terms of the group's materiality analysis and operational indicators.

Methodology

The methodology used to determine our contribution to the SDG is based on the following frameworks and tools:

- SASB Sustainability Accounting Standard (SASB Standard) for commercial banks.
- Business Reporting on the SDGs of the Global Reporting Initiative (GRI).
- SDG Accelerator and Bottleneck Assessment (ABA), of the UNPD.
- SDG Compass, of the Global Compact.

This methodology consist of six phases:



BANORTE CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS					
Degree of contribution	HIGH  LOW				
Material issues					
Competitiveness and Business Development	TARGET 10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	TARGET 8.4 Improve global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation.	TARGET 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	TARGET 12.5 Substantially reduce waste generation through policies on prevention, reduction, recycling and reuse.	TARGET 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
	Customer experience Our customers are our priority, and we try to provide the best service possible, so we have communication channels for hearing their opinions. We have received more than 2 million feedbacks about our service from customers, at 40,000 points of interaction with Banorte. Corporate volunteering Our human capital is sensitive and closely involved in social causes, which is why we have invested more than 6,468 hours of volunteer time to support the community. Financial education GFNorte is concerned about bringing financial knowledge to our customers, employees and community. In 2018 we gave summer workshops to 90 children between 6 and 15 years of age in the municipalities of Cuajimalapa, Iztacalco and Cuauhtémoc at the offices of the Mexico City Secretary for Pubic Safety. Furthermore, in the Banorte Adopts a Community program we held a family finance workshop for 310 people in 5 communities.	Sustainable business The true, sustainable growth of the business depends on its economic results, on environmental care, and on generation of social value. Our focus on these aspects has earned us inclusion in leading global sustainability indexes: the IPC Sustentable, Dow Jones MILA, FTSE4Good and Vigeo Eiris emerging markets, and the Bloomberg Gender Equity Index.	Reduced energy and emissions We seek to incorporate resource efficiency into our day to day operations and initiatives, in order to reduce our environmental impact. In 2018, we saved a total of 3 million kWh of energy, equivalent to 7,988 metric tons of CO₂ compared to the previous year. Our indicators reflect a constant pace of growth for our Group with less impact, between 2017 and 2018, energy use per employee was reduced by 2.1%, and energy use per net income by 26.7%.	Appropriate waste management For us, it is important to comprehensively manage the waste created in our daily operations. In 2018 we succeeded in sending 552 metric ton of waste for recycling and with our various paper reduction initiatives we reduced our sue by 62 metric tons, based on digital channels and operating efficiency. Furthermore, we have 1,311,350 customers who use a smartphone token, avoiding the production and use of physical tokens.	Reforestation We recognize the value of natural capital, ecosystems and the biodiversity they contain, which was our motive for helping to reforest 3 hectares of forest, planting a total of 2,700 trees in two forests near main Banorte buildings in Mexico City. With this we ensured the capture of 307 metric tons of CO₂ when the trees reach adult stage.

BANORTE CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS					
Degree of contribution	HIGH LOW				
Material issues					
Product and service innovation	 TARGET 8.5 Achieve full and productive employment and decent work for all women and men.	 TARGET 10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	 TARGET 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being.	 TARGET 5.A Give women access to financial services.	 TARGET 3.8 Achieve universal health coverage, including financial risk protection and access to quality essential health-care services.
	Payroll and SME loans As a Mexican company, we have a commitment to contributing to our country's economic development through financial offerings that encourage jobs creation. We maintain more than 8 million payroll loan accounts for 45,000 companies. At the same time, Banorte SME clients have reported the generation of 215,754 jobs.	Physical and digital infrastructure We strive to bring our services closer to all Mexicans, reducing geographic barriers through our physical and digital infrastructure. We have one of the largest physical infrastructure networks in Mexico, with 28,227 correspondents, 8,423 ATMs and 1,150 branches. Also through our digital channels, Banorte Móvil and Banorte Online, we served 3,733,037 clients who conducted 1.74 billion transactions in 2018.	Infrastructure and Development We have built an increasingly close relationship with all the states and municipalities of Mexico, supporting 484 investment projects in health, education, infrastructure, and all that brings well-being and prosperity to Mexico.	Gender-based financial products At Banorte, we try to provide opportunities and access to our financial services to women, to promote their economic empowerment and financial inclusion. In 2018, we found that 43% of our credit cards were held by women. Furthermore, 38.62% of our SME portfolio of individuals with business activity were women. We also have products designed exclusively for women, like Mujer Banorte, which has 88,000 credit card accounts and 20,000 debit cards.	Major medical insurance We offer insurance products that attend to our clients' basic health needs and protect their family equity. At Seguros Banorte, we have 620,731 customers with Major Medical Insurance policies; 5,210,471 individuals who hold Personal Accident Policies, and 5,316,111 life insurance clients.
Education and Development	 TARGET 8.5 Achieve full and productive employment and decent work for all women and men.	 TARGET 5.5 Ensure women's full and effective participation and equal opportunities.	 TARGET 4.C Substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries.	 TARGET 1.5 Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events.	 TARGET 2.3 Double the agricultural productivity and incomes of small-scale food producers, respecting the environment and biodiversity in each region. TARGET 2.A Increase investment, including through enhanced international cooperation.
	Salaries and benefits Our employees earn salaries and benefits above those required by law and we try to provide benefits that support their interests. These include health system, major medical insurance, mortgage loans, sports facility assistance, and others. Furthermore, aware of the pay gap between men and women, every year we report salary data broken down by gender, and we are working to gradually reduce the disparity. So far we have reduced the gender gap to 1% in administrative positions; 8.8% in middle management and 10.4% in executive positions, aware that the greater the wage parity between men and women, the stronger our country's economic growth will be.	Gender focus in employee training We believe education is the basis of progress in our cities, and it guarantees the success of businesses. We have therefore incorporated skill development programs for our employees, and work to strengthen equitable development of skills--of the total employees who received training in 2018, 51% were women and 49% were men.	Education and training We promote skill-strengthening for key agents in Mexico's primary school educational system through Fundación Banorte. This year we provided 217,591.9 hours of training to employees of public preschools, and contributed to the training of 1,171 school administrators and supervisors in public preschools, offering leadership and management training through the Internal Specialization Course for Transformative Educational Leaders. Furthermore, through the program 1,000 Dreams to Fulfill, we provided 1,575 scholarships to children of GFNorte employees.	Banorte Adopts a Community As a way to support Mexicans following the September 2019 earthquakes, we strengthened our "Banorte Adopts a Community" strategy, adopting nine communities damaged in the earthquakes in the states of Chiapas, Guerrero, Morelos, Mexico City, Puebla, Oaxaca, and Mexico State. In this first year we completed construction of a crafts market and 370 homes.	Agricultural Banking Banorte understands that the sustainable development of our world depends largely on eradicating poverty and hunger in our cities as well as rural areas. This year we extended financing through our Agricultural Banking division to livestock farmers (beef, lamb and pork) totaling around 1.2 million heads. We also ranks fourth in lending to the national agricultural market, financing 280,000 acres of crops and benefiting more than 80,000 producers.

BANORTE CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS				
Degree of contribution		HIGH LOW		
Material issues				
Socio-environmental assessment of lending and investment activities	TARGET 11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage.	TARGET 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	TARGET 7.B By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries.	TARGET 14.A Increase scientific knowledge in order to improve ocean health and to enhance the contribution of marine biodiversity.
	Management of environmental and social risks For GFNorte, it is essential that the development projects we finance are executed in a socially and environmentally sustainable manner. In 2018, we identified and categorized the social and environmental risks of 3,462 loans, finding that our loan portfolio represented an overall low risk. We also evaluated 31 new projects under international standards such as the Equator Principles and the Performance Standards of the International Finance Corporation (IFC). This year we financed Ps. 3.96 billion in sustainable projects.	Homeowners' and casualty insurance GFNorte works together with public and private institutions in building safe and resilient economies and communities. In an effort to give our customers peace of mind about their property and their own safety in natural disasters, Seguros Banorte has insured 202,743 homes, 9,572 offices and 586 hotels.	Renewable energies We want to be part of the transition to a low-carbon economy that brings a better future for all. This year we contributed to the generation of 1,190 MW of renewable energy, assigning 479 million dollar to 11 projects. Also, through our new SME eco-credit product we provided Ps. 564,750 pesos in financing to an energy efficiency project.	Emerging risk mitigation Concerned about mitigating the risks associated with climate change and productive activity, we developed a best practices guide for preventing the spread of and managing Sargasso to support the tourist and agricultural industries.
Ethics and integrity	TARGET 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.	TARGET 16.6 Develop effective, accountable and transparent institutions at all levels.	TARGET 17.9 Enhance support for national plans to implement all the Sustainable Development Goals.	 
	Code of Conduct GFNorte encourages a culture of respect and tolerance in our corporate offices and in dealings with our customers. The Banorte Code of Conduct prohibits any discrimination on the basis of gender, age, religion, race, social or ethnic origin, physical disability, nationality, sexual preference, family responsibilities, marital status or any other condition that might lead to discrimination.	Corporate Governance GFNorte has a solid system of corporate government based on a set of policies, procedures and other instruments that make up the institutional regulatory framework, guaranteeing that our business is managed and developed in an ethical, responsible fashion, in line with our values, mission and vision.	Comprehensive alliances We participate in frameworks and initiatives that strengthen our work in various areas of sustainability that support our business. We participate actively in national and international initiatives such as: • The United Nations Global Compact • UN Women • The Association of Mexican Bankers (ABM) • The Mexican Alliance for Biodiversity and Business (AMEBIN) • The Natural Capital Declaration • The Equator Principles • The United Nations Environmental Program Financial Initiative (UNEP FI) • Principles for Responsible Investment • Principles for Responsible Banking	

Banorte at a glance

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Principles for Responsible Banking

In 2018, 28 banks of the world took the initiative, together with the United Nations Environmental Program for Financial Initiatives (UNEP FI) to develop what are called the Principles for Responsible Banking. Banorte is the only Mexican bank, and one of only three Latin American banks, in this founding group. These Principles were the subject of a global consultation in November 2018, and seek to define banks' role in society and economies of the 21st century. The document will be signed by all the world's banks in September 2019 at the United Nations headquarters in New York.

These Principles seek to align banks with the goals of society, as expressed in the United Nations Sustainable Development Objectives and the Paris Agreement. They establish a baseline for what it means to be a responsible bank, and provide a guide to action on how to achieve it. They promote the ambition and issue a challenge to banks to continually contribute to building a sustainable future. The Principles will help banks to take advantage of opportunities present in the changing society and economies of the 21st century by creating value for society and stakeholders, bolstering the confidence of clients, investors, employees and society at large.

The Principles for Responsible Banking provide a unique framework for the banking industry that incorporates sustainability at the strategic, portfolio and transactional level, and throughout all business areas. The key to these Principles lies in their establishment and publication of targets aligned with the goals of society and relevant national frameworks, in areas where they have the greatest positive impact. We will be reporting publicly on our impacts and contributions to these global targets, and how we involve our stakeholders.

For more information about these Principles, visit: <https://www.unepfi.org/banking/bankingprinciples/>

Responsible investment

We understand the importance that matters of the environment, social involvement and corporate governance (ESG) have acquired for the investing public in recent years, as part of the development of a sustainable financial system. Accordingly, their inclusion in processes and decision-making is indispensable for generating long-term value, preventing material risks and protecting the interests of our clients, beneficiaries and investors.

Administradora de Activos Banorte

As signatories of the Principles for Responsible Investment (PRI), in 2018, together with the Sustainability Area, we developed an internal policy to establish a frame of reference, guidelines, commitments and methodology for incorporating ESG issues into our investment operations.

Furthermore, we defined an investment strategy based on the analysis of ESG factors and involvement with issuers whose purpose is to actively manage risks and opportunities, working together with the companies in our portfolios.

Responsible investment strategy

ESG aspect
analysis



Involvement



Signatory of:



•SRS 102-11 •SRS 102-12 •FS-2 •FS-3 •FS-4 •FS-5 •FS-10 •FS-11

Promotion and dissemination

In line with the principle of promotion, effort and cooperation for acceptance and implementation of the PRI within the Mexican financial industry, in 2018 Administradora de Activos Banorte, Afore XXI Banorte and the Investor Relations, Sustainability and Financial Intelligence area, expressed their interest in and commitment to the PRI, participating in various forums:

- Investment committee
- Promotional events for the investment industry
- Annual PRI Meeting in San Francisco

Afore XXI Banorte

At Afore XXI Banorte, we see ESG risks and opportunities as externalities which while not included in traditional financial analysis, have an increasing influence on the return of various asset classes. We understand that because these are variables that can affect companies' cash flow and financial stability, they must be evaluated and incorporated into the investment process.

For this reason, and recognizing its fiduciary duty, Afore XXI Banorte has pledged to incorporate ESG factors into our investment analysis and decision-making process, and to promote the dissemination of ESG information among the investing public and in the various financial markets.

We implemented a comprehensive ASG evaluation model based on PRI and an internationally renowned data platform to complement our analysis. We were therefore able to generate quantitative and qualitative information to support the estimation of financial risks for the investment in which we participate.

Our first exercise to analyze our local investment portfolio focused on 125 domestic issuers and fund administrators (fixed-income, equity, structured and FIBRAS) as well as the agents through which approximately 8% of AUM¹.

Social and Environmental Risk Management System (SEMS)

GFNorte recognizes the importance of environmental and social aspects for the global financial industry in terms of risk. We understand that economic growth depends on natural and social capital and that prevention, mitigation, restoration and/or compensation of the impacts we have is a determining factor in countering climate change, resource scarcity and social inequality.

Our Social and Environmental Risk Management System (SEMS) analyzes the environmental and social risks involved in the activities we finance, through a process of identifying, categorizing, assessing and managing these risks. The SEMS operates in parallel to our usual credit procedures and currently applies to the Corporate and Business Banking portfolio.



We use a comprehensive ESG **assessment methodology** based on the PRI and an internationally renowned data platform to complement our analysis.

¹ AUM: Assets under management, which according to public information from CONSAR as of December 31, 2018, totaled Ps. 744.4 billion.

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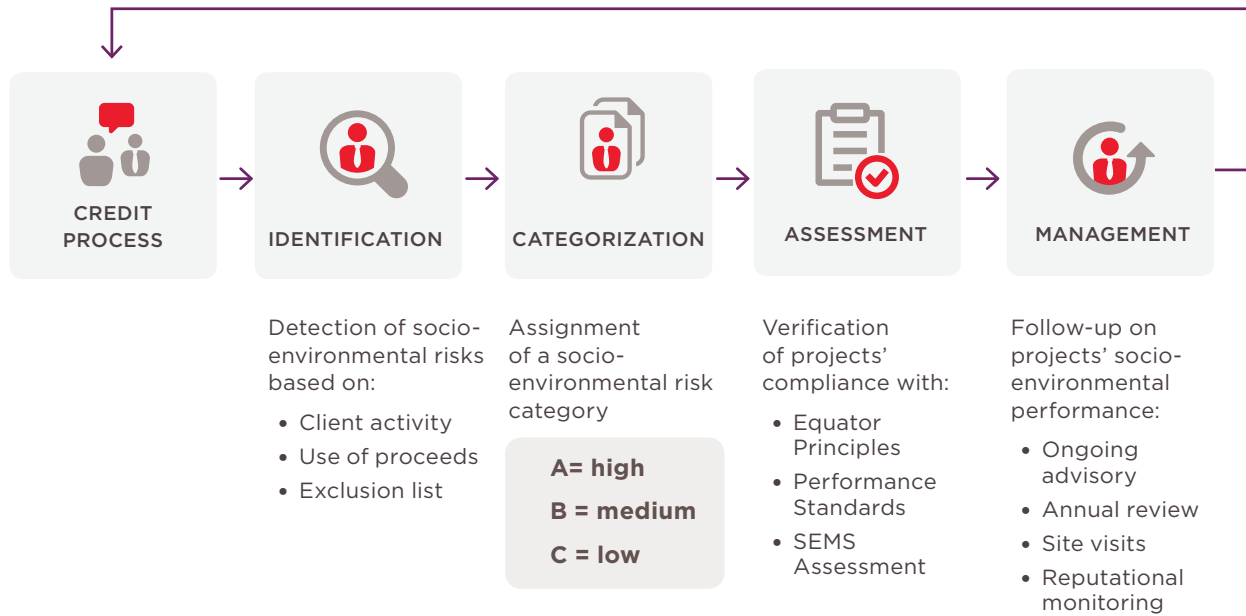
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Social and Environmental Risk Analysis Process



Based on the Equator Principles and IFC Performance Standards, we verify that the projects we finance appropriately manage priority environmental and social issues.

The SEMS is handled by the Socio-Environmental Risk Area (SERA), made up of professionals with training and experience in environmental and social issues. Furthermore, the system is supported by the Sustainability Champions, a group of employees from the Credit and Business Area that serve as a liaison between the SERA and the regional areas of the Bank to promote the appropriate management of non-financial risks in the Group.

To serve our stakeholders, SERA invites e-mails at: sems@banorte.com

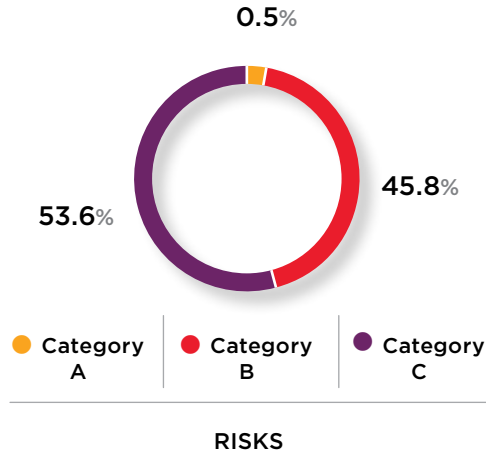
ENVIRONMENTAL ISSUES	SOCIAL ISSUES
• Use of natural resources • Prevention of pollution • Conservation of biodiversity	• Workplace and community health and safety • Land acquisition • Indigenous peoples • Cultural heritage



•FS-8

2018 Results

We identified and categorized risks for 3,462 loans.



We evaluated 31 new projects under due diligence procedure.

Equator Principles: 7 projects
Performance Standards: 15 projects
SEMS Assessment: 9 projects

Most of our evaluations were conducted in the construction, agriculture and forestry sectors.

Additionally, we analyzed 464 lesser-impact projects that were managed through recommendations of the IFC Industry-specific Environmental, Health and Safety Guidelines.

We conducted 17 visits to tourist and wind farming projects.

Our site visits in 2018 confirmed the interest of the Credit and Business areas in managing non-financial risks, as well as our strong relationship with clients and their commitment to applying best practices for their respective industries.

We helped face emerging risks.

In 2018, the arrival of an explosion of Sargasso seaweed on Mexican's Caribbean beaches raised a nationwide alert about the environmental, economic and health hazards this imbalance represents.

Concerned about responding to this issue, Banorte developed practical guidelines for preventing and managing the spread of Sargasso, which it made available to clients in the tourism and agricultural industries.

The guidelines were distributed through the immediate action of our Peninsula Credit Department, the Specialized Tourism Area and the Socio-Environmental Risk Area.

We trained 12,095 employees in environmental and social issues.

PROJECTS EVALUATED IN 2018

	Category A	Category B	Category C
Equator Principles	1	3	3
Performance Standards	3	11	1
SEMS Assessment	2	7	0

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 In person	120 employees	Risk Directors Credit and Business Executives	3 times a year 1 hour	Issues • Sustainability in the Financial Sector • Environmental and social risks and impacts • Sustainable and responsible clients • Reputational risk • Sensitive sectors and areas • How SEMS works • Key environmental and social risk cases
 Virtual	11,610 employees	All of GFNorte Sustainability Champions	Biweekly publications	
 Phone	365 employees	Credit and Business Executives	Weekly calls	

Awareness-raising and skill development for our employees, primarily in the Credit, Risk and Business areas, is a primordial part of our culture of managing environmental and social risks at Banorte.

Sustainable Finance

As part of our goal of promoting the creation of sustainable markets, empowering people, and improving the impact our operations have on the environment, in 2018 we incorporate important financial instruments and products that confirm our commitment as a responsible business.

Clean energy financing

We participate in financing projects to generate electrical energy from renewable sources. Since 2012, we have financed 11 projects with a total capacity of 1,190 MW, which represented an investment of 1.09 billion dollars —479 million of it from Banorte.

Wind energy
647 MW



Solar energy
433 MW



Natural Gas Cogeneration
110 MW



Sustainable bonds

Our planet today urgently requires an infrastructure that can support a shift toward a cleaner, more intelligent future. This creates many opportunities for financial market participants, and one of the brightest points on the horizon is the market for green, social and sustainable bonds, which give investors greater confidence to invest in climate change related projects.

Throughout 2018 GFNorte participated as underwriter for the issuance of AGUA 17-2X sustainable bonds (reopening) totaling one billion pesos (out of a total issue amount of Ps. 2.4 million, which obtained a national-scale rating of “mxAA-/AA(mex)” from Standard & Poor’s Global Ratings and Fitch Ratings, respectively. The proceeds of this issue will be invested primarily in developing countries (80%) to which the company provides services, and the rest in the United States and Canada (20%). Water and wastewater treatment projects will take up 78.1% of the investment, and the remaining 13.7% will go to clean water supply solutions.

Furthermore, our Corporate Debt Analysis Area published a document called “Green Bonds Tutorial - A New Era for the Bond Market,” which explained to market participants the salient features of green bonds. It also described the evolution of this type of instruments internationally, and the efforts made so far in the domestic market, including the benefits and opportunities for issuers and investors. In this way, we contributed to building a national market for green bonds on the Mexican Stock Exchange.

Operadora de Fondos and Afore XXI Banorte had Ps. 1.13 billion pesos in assets under administration in sustainable, green and social bonds.

The proceeds of these issues will be applied largely to projects that help improve environmental conditions, and to projects that drive the country’s social development. Some examples are:

- Basic infrastructure to benefit people who are disadvantaged or suffering from extreme poverty.
- Utility infrastructure.
- Natural disaster recovery.
- Sustainable transport.
- Renewable energy projects.

- Projects that reduce energy consumption or improve energy efficiency.
- Water and wastewater management.
- Pollution prevention and control.

Support for SME clients

Beginning on July 5, 2018, Banorte joined the Green SME Programs created by Nacional Financiera (the national development bank) to promote financing to small and mid-sized enterprises who want to operate with energy efficiency and renewable energy. We were one of the first banks to join in the government initiative through Eco-Credits for Energy Efficiency and Interconnected Solar Energy system projects.

The Eco-Credit program to support Energy Efficiency finances overall energy efficiency projects as well the acquisition or replacement of old equipment for newer and more efficient models (lighting, refrigerators, air conditioning, boilers).

The program to support Interconnected Solar Energy Systems is intended to finance the acquisition and installation of solar systems under the distributed clean energy scheme.

At the end of 2018, we placed the first Eco-Credit, for Ps. 564,750, which for us was a big step forward toward consolidating our sustainable financing activities.



Beginning on July 5, 2018, **Banorte joined the Green SME Programs created by Nacional Financiera.**

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Participation in initiatives

As part of our commitment to participate in various initiatives, we also work to promote good practices for the financial industry and projects involving priority issues, while remaining abreast of national and international priority issues.

National initiatives

- **Association of Mexican Bankers (ABM):** we sit on the Social Responsibility and Sustainability committees and are signatories of the ABM Sustainability Protocol. As part of these commitments, we regularly attend meetings on financial education, risk management systems and green bonds, among other topics.
- **Mexican Alliance for Biodiversity and Business (AMEBIN):** this initiative was created in 2016 within the framework of the COP-13 conference on Biodiversity. Since then, we have been working together with other private sector companies concerned about conserving biodiversity.

International Initiatives

- **Global Reporting Initiative (2009):** an international standard created for reporting and communicating sustainability actions by organizations based on economic, environmental and social issues.
- **The United Nations Global Compact (2011):** an initiative that promotes the implementation of 10 universally accepted principles for disseminating and applying Corporate Social Responsibility (CSR).
- **Natural Capital Declaration (2012):** an voluntary initiative by the financial industry, created during the Rio +20 Earth Summit, recognizing the role of natural resources in the economy through integration of these criteria into financial products and services.
- **Equator Principles (2012):** the financial sector standard for defining, assessing and managing environmental and social risks of financing.
- **UNEP FI (2013):** the financial initiative of the United Nations Environmental Program (UNEP), whose goal is to identify, promote and encourage adoption of best sustainability practices at all levels for financial institutions.
- **Sustainable Development Goals (2015):** a global initiative that groups together 17 priority goals for eliminating the problems we face today in environmental, social and governance matters, with the goal of ensuring prosperity for all through sustainable development.
- **Principles for Responsible Investment (2017):** an initiative that establishes six principles for improving institutions' capacity to meet their commitment to beneficiaries and better align their investment activities with ESG issues.
- **Principles for Responsible Banking (2018):** an initiative by 28 leading banks from around the world and UNEP FI, whose purpose is to align banking with the SDG and the Paris Agreement, to confront the challenges of climate change and sustainable development.



Inclusion in national and international indexes

The depth and scope of execution, like the dissemination of our practices, has positioned us as a leading company in the area of sustainability, distinguished with numerous recognitions and inclusion in various national and international indexes.

- **Mexican Stock Exchange IPC Sustentable Index (2011):** made up of 30 Mexican companies, in which Banorte was ranked first in its industry and second in the nation.
- **Euronext Vigeo-Eiris Emerging Markets Index (2016):** a leading European trading firm that recognizes 70 emerging market companies (four Mexicans) with the most advanced practices in the area of sustainability.
- **London Stock Exchange Emerging Markets FTSE4Good Indexes:** made up of 508 companies (24 Mexican), this index takes into account actions regarding climate change, labor standards and risk management, among others.
- **The New York Stock Exchange Dow Jones Integrated Market Pacific Alliance Index (2017):** includes 42 companies from Chile, Colombia, Mexico and Peru (eight Mexican) with the highest ratings on environmental, social and corporate governance aspects.
- **New York Stock Exchange Bloomberg Gender Equity Index (2017):** made up of 54 companies from North and South America (two Mexican), analyzing their commitment to gender equity in the workplace.

Recognitions

In 2018 we earned the following distinctions:

- Best Investor Relations Team in Latin America, Institutional Investor Magazine.
- Best ESG Metrics (second place ESG/SRI metrics), Institutional Investor Magazine.
- Sustainability Leaders, IndexAmericas.
- Most valuable banking brands in the world (ranked 139th), Brand Finance Banking 500 ranking.
- Excellent Rating for Operadora de Fodos Banorte, Fitch.
- Socially Responsible Company, Mexican Center for Philanthropy (CEMEFI).
- GHG2 Recognition from the Mexican Environmental Ministry's GHG Mexico program.

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102-1		12	Name of the organization.	We are Banorte.
102-2		12	Activities, brands, products, and services	We are Banorte.
102-3		148	Location of the organization's headquarters	Contact.
102-4		14	Number of countries operating	We are Banorte.
102-5		25, 148	Nature of ownership and legal form	Financial Capital. Contact.
102-6		12	Markets served	Banorte at a Glance.
102-7		12, 25, 57	Scale of the reporting organization	Banorte at a Glance, Financial Capital, Human Capital.
102-8		57	Information on employees and other workers	Human Capital. Banorte will not report all the 102-8. indicator requirements. The company's strategy does not manage information based on the GRI Standards methodology; the information reported is based on the materiality issues of Banorte.
102-9	✓	75	Supply chain	Social Capital
102-10		4, 8	Significant changes to the organization and its supply chain	Message from the Chairman of the Board of Directors, Message from the Chief Executive Officer.
102-11		117-118	Precautionary Principle or approach	We have no studies on environmental risks and impacts of new investments or products; however, measures were taken in the construction of new branches to mitigate the impact on the environment, such as: • Separation of solid waste • Use of treated water • Reuse of water • Rainwater capture • Use of ecological toilets • Use of materials made from recycled substances • Use of lead-free vinyl paint • Automatic shutoff of lighting and air-conditioning control systems. • Installation of energy efficient lighting.
102-12	✓	66, 86, 110-117	External initiatives	Human Capital, Natural Capital, Sustainable Development Goals, Principles for Responsible Banking.
102-13		—	Memberships in associations	GFNorte has an active presence in different associations, through its respective business units: • Association of Banks of Mexico. • Mexican Association of Afores. • Mexican Association of Insurance Institutions. • Mexican Association of Financial Leasing. • Companies Credit and Factoring. AFORE XXI Banorte is a member of: • National Commission for the Retirement Savings System. • Mexican Association for Human Resources Management. • Mexican Association of AFORES.

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102-14		4, 8, 105	Statement from senior decision-maker.	Message from the Chairman of the Board of Directors, Message from the Chief Executive Officer, Sustainability.
102-15		4, 8, 18, 20, 94, 105	Key impacts, risks, and opportunities.	Message from the Chairman of the Board of Directors, Message from the Chief Executive Officer, How we create value, Corporate Governance, Sustainability.
102-16		20, 94	Values, principles, standards, and norms of behavior.	How we Create Value, Corporate Governance. To learn more about our Code of Conduct, visit: https://investors.banorte.com/-/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/code-of-conduct-2017.pdf
102-17	✓	-	Mechanisms for advice and concerns about ethics.	All employees have access to Ethic Points, an internal and external hotline for reporting irregularities, which provides transparency on issues of ethics and legality. To learn more about our Code of Conduct, visit: https://investors.banorte.com/-/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/code-of-conduct-2017.pdf
102-18	✓	94	Governance structure.	Corporate Governance. The Board of Directors is the principal governing body of GFNorte, as well as the entity that decides on the actions necessary to ensure sound corporate governance, thus safeguarding the interests of shareholders, customers, employees, suppliers and the communities it serves. GFNorte has committees that support the Board of Directors: Audit and Corporate Practices Committee, the Risk Policy Committee, the Human Resources Committee and the Nominating Committee, which include independent members of the Board of Directors and, in some of them, officers of the institution, in accordance with the applicable regulations.
102-19		85, 105	Delegation of authority.	Sustainability.
102-20		94, 105	Executive-level responsibility for economic, environmental and social topics.	Corporate Governance, Sustainability.
102-21		105	Consulting stakeholders on economic, environmental, and social topics.	Sustainability. Each Department head leads the relationship and dialogue with the different stakeholders, as often as the natural relationship requires. In case of an issue that, because of its importance, should be submitted to the Board of Directors, it is brought to the Board's attention.
102-22		94	Composition of the highest governance body and its committees.	Corporate Governance.
102-23		-	Chair of the highest governance body.	Mr. Carlos Hank Gonzalez does not occupy any position as a GFNorte officer with operational responsibilities.
102-24		-	Nomination and selection the highest governance body.	Visit: https://investors.banorte.com/en/governance/shareholders-meetings

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102-25	✓	-	Conflicts of interest	Extract from the Code of Conduct: https://investors.banorte.com/-/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/code-of-conduct-2017.pdf Board members, officers and employees should at all times avoid actions that counteract or seem to counteract the legitimate interests of GFNorte. They should be especially careful in assessing the likelihood of a conflict of interest in business or personal relationships with customers, suppliers, associates, employees or competitors (including Board Members, officers and employees) of GFNorte. Any GFNorte Board member, officer or employee who has direct or indirect knowledge of an irregular act, conflict of interest or non-compliance with regulations that may constitute or lead to damage or destruction to GFNorte, or constitute non-compliance with any of the principles of this Code of Conduct, must report it with all due discretion, to the Deputy General Comptroller, and/or to the Executive Department of Audit, Bank and Subsidiary Operations or through the Ethic Points system and /or electronic channels established in the institution. A set of rules were established to facilitate a better understanding of the objective, scope, assessment and mandatory compliance which can be found at: https://investors.banorte.com/-/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/code-of-conduct-2017.pdf In addition to the foregoing, and in accordance with Articles 64, 64 Bis and 64 Bis 1 and the General Rules for Financial Groups and their financial entities, financial institutions must avoid conflicts of interest between them and their respective business units. The Audit and Corporate Practices Committee of the financial institutions, where appropriate, shall implement a system to prevent conflicts of interest and shall ensure at all times that functions in a manner consistent with the strategies and goals of these financial institutions, taking preventive and corrective measures to remedy any deficiency detected within a reasonable time, addressing the characteristics of such measures.
102-26		94	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance . The functions of the Board of Directors seek to promote social responsibility through changes in the mission, vision, values, goals, strategies, policies and objectives of the institution. The above is reflected in GFNorte's Code of Conduct, same that was approved by the Board of Directors and which can be found at: https://investors.banorte.com/-/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/code-of-conduct-2017.pdf
102-27		105	Collective knowledge of highest governance body	Sustainability.
102-28		94	Evaluating the highest governance body's performance	Corporate Governance. The evaluation process is internal and confidential.
102-29		105	Identifying and managing economic, environmental, and social impacts	Sustainability. One of the functions of the Board of Directors is to ensure the establishment of mechanisms for the identification, analysis, management, control and disclosure of risks and operational risk related to the business. To fulfill this function, the Board of Directors relies on the Audit and Corporate Practices and Risk Policy Committees; these in turn verify that the mechanisms for the control of risks are established and review of operations is carried out. In turn, the CEO, through a quarterly report, reports the situation of each of the identified risks to the Board of Directors. On an ongoing basis, the Board of Directors receives relevant information on corporate governance, economic, political and social issues, and other relevant issues that enable them to increase their knowledge and keep updated on current events.

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102-30		105	Effectiveness of risk management processes	Sustainability. One of the functions of the Board of Directors is to ensure the establishment of mechanisms for the identification, analysis, management, control and disclosure of risks to business operations. To fulfill this function, the Board of Directors relies on the Audit and Corporate Practices and Risk Policy Committees; these in turn verify that risk control mechanisms for the control of risks are established and review of operations is carried out. In turn, the CEO, through a quarterly report, reports the situation of each of the identified risks to the Board of Directors. On an ongoing basis, the Board of Directors receives relevant information on corporate governance, economic, political and social issues, and other significant issues that enables Board Members to expand their knowledge and remain up to date on current events.
102-31		-	Review of economic, environmental, and social impacts	During the various meetings of the Board of Directors, subject to availability in the agenda, a space is assigned to review and manage economic, social and environmental impacts, risks and opportunities.
102-32		-	Highest governance body's role in sustainability reporting.	The Executive Department of Investor Relations has approved the 2018 Annual Report of Grupo Financiero Banorte.
102-33	✓	4, 8	Communicating critical concerns.	Message from the Chairman of the Board of Directors. Message from the CEO. Grupo Financiero Banorte SAB de CV is publicly-traded financial institution listed on the Bolsa Mexicana de Valores, as well as in various international exchanges. By virtue of this listing, shareholders or interested third parties must be notified of all critical events. GFNorte has established a procedure to notify these institutions of relevant events related to the same. For more information visit: https://investors.banorte.com/en/governance/shareholders-meetings
102-34		94	Nature and total number of critical concerns.	Corporate Governance. Among the faculties of the Board of Directors are to establish general strategies for the financial group, as well as specific strategies for managing, conducting and executing the business of the Company, its financial subsidiaries and any sub-holdings; as well as monitor, through the Corporate Practices Committee, the management and direction of the Company, its financial subsidiaries and any sub-holdings in which the institution owns a controlling position, considering the relevance that the latter has in the legal, administrative and financial situation of the financial group as a whole, as well as the performance of relevant managers, under the terms established in Articles 56 to 58 of the Law to Regulate Financial Groups. The Board of Directors created the following support committees that allow the analysis of critical issues that will be later be presented to the Board: • Audit and Corporate Practices Committee. • Risk Policy Committee. • Human Resources Committee. • Nominating Committee. These committees are comprised of members of the Board of Directors, with the participation of officers of the institution in some of them.
102-35		-	Remuneration policies	In accordance with Article 44 of the Corporate Bylaws, the Nominating Committee must submit a proposal on the corresponding remuneration in accordance with the position to be filled at the same time as it submits its proposal for appointment of members of the Board of Director for approval by the General Ordinary General Shareholders' Meeting.

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102-36		-	Process for determining remuneration	Corporate Governance. Remunerations for members of the Board of Directors of GFNorte are established by the Shareholders' Meeting in its ordinary annual meeting, which usually takes place each year in April.
102-37	✓	-	Stakeholders' involvement in remuneration	In keeping with its faculties, the Nominations Committee hired a specialized firm to conduct a study of the compensation paid to board members in Mexico and internationally, and within the financial services industry, to be used in determining the proposal on GFNorte board member compensation proposal, which will be presented to the General Ordinary Shareholders' Meeting for its approval.
102-38		-	Annual total compensation ratio	On average, the salary paid to management personnel is 8.21 times the base salary. The methodology in grouping together the various levels of management and determining their average compensation, then grouping together the rest of the levels in the organization to obtain and average for their compensation. We then divide the management average by that of the rest of the employees.
102-39		-	Percentage increase in annual total compensation ratio	In 2018 the percentage increase in salaries paid was as follows: • Senior management 5%. • Middle management 5%. • Employees 6%.
102-40	✓	107	List of stakeholder groups.	Stakeholders.
102-41		64	Collective bargaining agreements.	Human Capital.
102-42	✓	107	Identifying and selecting stakeholders.	Stakeholders.
102-43	✓	107	Approach to stakeholder engagement.	Stakeholders.
102-44	✓	105	Key topics and concerns raised.	Stakeholders.
102-45	✓	12, 140-145	Entities included in the consolidated financial statements.	We are Banorte, Financial Statements.
102-46	✓	105, 107	Defining report content and topic Boundaries.	Sustainability. Materiality and sustainability context are found in our sustainability model. Inclusion of stakeholders: through this report we respond to material topics to every stakeholder group. Comprehensiveness: the scope of this report includes all of GFNorte.
102-47	✓	105	List of material topics	Sustainability.
102-48		12, 25, 38, 57, 69, 85	Restatements of information.	We are Banorte. In 2010, we completed a merger with Interacciones, and this process required restatement of information in the following sections: • Financial Capital. • Infrastructure and IT Capital. • Human Capital. • Social Capital. • Natural Capital.
102-49		86, 105, 108	Changes in reporting with respect to the periods covered by prior reports in the list of material issues and coverage of those issues	Natural Capital, Sustainability.
102-50		-	Reporting Period	This 2018 Annual Report of Grupo Financiero Banorte includes the period from January 1 st to December 31 st , 2018.
102-51		-	Date of most recent report	The edition immediately previous to the present edition was the 2017 Annual Report of Grupo Financiero Banorte.

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102-52		-	Reporting cycle	Annual.
102-53		148	Contact point for questions regarding the report.	Contact.
102-54		146-147	Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the Comprehensive compliance option of the GRI Standards. We also provide content relating to the GRI Financial Sector supplement. In addition, we are committed to continue working on strengthening compliance with report preparation principles, continue with the materiality exercise and follow up on the material topics during the course of the year.
102-55	✓	124-133	GRI content index.	GRI content index.
102-56		134-135	External assurance.	Attached is a letter from the independent assurance from Galaz Yamazaki, Ruiz Urquiza, S.C. To learn more about our external assurance process, refer to the statement.
103-1		25, 35, 57, 105	Explanation of material issues and their coverage.	Financial Capital, Human Capital, Infrastructure and IT Capital, Sustainability. Through our Specialized Department of Sustainability and Responsible Investment, we establish structures, principles and guidelines for the planning, organizing, executing, monitoring, controlling and continuously improving social initiatives intended to meet sustainable development goals, in which various stakeholders actively participate. For this reason, our social and environmental policies are part of established corporate regulations for acting in an ethical, equitable and impartial manner in circumstances involving sustainability issues so as to inspire confidence among stakeholders involved with Grupo Financiero Banorte and its operations, thus improving business performance, products and services while positioning the company as an institution committed to Mexico.
103-2	✓	35, 57, 105	The management approach and its components	Infrastructure and TI Capital, Human Capital, Sustainability.
103-3		25, 35, 57, 69, 47, 85, 105	Evaluation of the management approach	At GFNorte we aim to publicize initiatives that respond to our material issues, as well as our assessment of management, following the International Integrated Reporting Council, IIRC guidelines. These initiatives can be seen in the following sections of the report: • Financial Capital. • Infrastructure and IT Capital. • Intellectual Capital. • Human Capital. • Social Capital. • Natural Capital. • Sustainability.
201-1	✓	25	Direct economic value generated or distributed.	Financial Capital. The retained economic value is not material to this GFNorte report. For more information, refer to the 2018 audited financial statements at: https://investors.banorte.com/en/financial-information/financial-statements/grupo-financiero-banorte/2018
201-3		59	Coverage of the organization's defined benefit plan obligations.	Human Capital.
201-4		-	Financial assistance received from government.	In 2018 Banorte did not receive any aid from the Government in the form of tax rebates or credits, grants, royalties, or any other form of tax exemption or incentive.
202-1	✓	-	Ratios of standard entry level wage by gender compared to local minimum wage.	In 2018, our employees received salaries that were 50% higher than the minimum wage established in Mexico City.
203-1		14, 16, 66, 67, 72, 74, 76	Infrastructure investments and services supported.	We are Banorte, Human Capital, Social Capital.

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203-2		4,8	Significant indirect economic impacts, including the extent of impacts	Message from the Chairman of the Board of Directors, Message from the CEO. According to the National Banking and Securities Commission, GFNorte is an institution of systemic importance for the stability of the Mexican financial system. For more details, visit: https://www.gob.mx/cnbv/acciones-y-programas/bancos-de-importancia-sistemica
205-1		-	Operations assessed for risks related to corruption	At GFNorte, we have an anonymous whistleblower system called Ethic Points, which enables the financial group to receive complaints from any of its 16 units: GFNorte, Northern Territories, Southern Mexico, Northern Mexico, West, Central, Northwest, Peninsular, South, Consumer, Business, Banorte USA, Banorte-Ixe Securities, Casa de Bolsa, Almacénadora, Arrendadora, Factoraje, Seguros, Pensiones, Afore, Asistencia and Solida. Allegations are classified by topics as related to Internal Control or Human Resources.
205-2	✓	-	Communication and training about anti-corruption policies and procedures	We updated the Money-Laundering Prevention Clause in our Code of Conduct in order to strengthen our commitment against financing and investing in illicit activities. This update was communicated through internal mail and the company intranet to all our employees, who acknowledged receipt with their electronic signatures. In addition, we have a strong policy framework and a Money Laundering and Terrorism Financing Prevention Manual available on our institutional regulations webpage. Our anticorruption unit works to prevent acts of corruption in the doing business and conducting transactions by the financial entities that make up GFNorte, and to ensure that our Corporate Governance bodies function properly. We also have a whistleblowers' hotline called Ethic Points through which directors, officers or employees with direct or indirect knowledge of any compliance failures can anonymously report them through our intranet or by logging into the supplier's page on the online system. Depending on the nature of the information provided, it is reviewed by the departments of Control, Human Resources or Auditing, the latter being the department that manages the tool. Every six months the audit department informs the Audit Committee of the reports received and the actions taken to address them. The Ethic Points system is designed to ensure that users can report illegal or unethical activities in a secure and honest manner, while at the same time maintaining anonymity and confidentiality. Our Ethic Points provider is Safe Harbor, certified through the United States Department of Commerce as having the security necessary to comply with European Union privacy initiatives and privacy regulations elsewhere in the world. Through our online training we have provided money-laundering prevention training to 22,904 employees, or 72% of GFNorte's workforce. (Does not include Government agencies). In 2018, 269 complaints were received, 82% related to Human Resources and 18% to Internal Control issues and the resolutions implemented for the cases attended were: • No action taken due to lack of fundamental information: 58% • Unfair: 7 % • Relocation of the condemned: 4% • Reprimand of condemned: 13% • Suspension without pay: 2% • Termination of employment: 7% • In research: 7% • Others: 1% • In research: 7%
205-3		-	Confirmed incidents of corruption and actions taken	There were no instances of corruption reported in 2018.
301-1	✓	90	Materials used by weight or volume.	Natural Capital.
302-1	✓	86	Energy consumption within the organization.	Natural Capital.
302-3	✓	86	Energy intensity.	Natural Capital
302-4	✓	86	Reduction of energy consumption.	Natural Capital.
303-1		91	Water extraction by source.	Natural Capital.
304-1		91	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Natural Capital.

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304-4		-	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Natural Capital
305-1	✓	86	Direct greenhouse gas (GHG) emissions (Scope 1).	Natural Capital.
305-2	✓	86	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	Natural Capital.
305-3	✓	86	Other indirect greenhouse gas (GHG) emissions (Scope 3).	Natural Capital.
305-4	✓	86	Other indirect greenhouse gas (GHG) emissions (Scope 3)+E111.	Natural Capital.
305-5	✓	86	Reduction of GHG emissions.	Natural Capital.
305-6	✓	89	Emissions of ozone-depleting substances (ODS).	Natural Capital.
306-2	✓	90	Waste by type and disposal method.	Natural Capital.
307-1	✓	-	Monetary value of significant fines and number of non-monetary fines for Non-compliance with environmental laws and regulations.	GFNorte received no environmental fines in 2018.
308-1	✓	75	New suppliers that were screened using environmental criteria.	Social Capital. We have no investment agreements. We have contracts with 467 suppliers (28% of the total who have stated their acknowledgement of and commitment to the Global Compact Principles) (without necessarily having signed them).
401-1	✓	59	New employee hires and employee turnover.	Human Capital.
401-2		59	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Human Capital.
403-1		-	Representation of workers in formal health and safety committees.	During 2018, we trained 7,625 company employees or 35% of the total, to act as brigadiers in GFNorte offices and branch locations in matters such as: 1.- Civil Protection Brigades Workers who are members of Civil Protection Brigades at branches: 3,650 (3 per branch; 1,152 x 3= 3,650) Workers who are members of Civil Protection Brigades in 16 corporate Buildings: 1,592 (10% del Personal; 1,592) Staff Area Workers that form part of Regional Contingency Committees: 85 (17x5=85). 2.- Health and Safety Commissions: - Workers participating in Health and Safety. Commissions at the branch level: 2,250 (3 per branch; 750 x 3= 2,250). - Workers who are members of Health and Safety Commissions in Buildings: 48 (16 per Building; 16 x 3= 48). 3.- Sustainability and Energy Saving: Through Protection and Technological Security systems, we apply the energy saving program in 1,147 branch offices and 2 corporate buildings. As a result the Company achieved a 23% energy savings each month (by controlling and managing air conditioning units, lighting, electrical outlets and using external canopies). These employees are given training in the following manners: a) On-site training (theory and practice) where they study the following Civil Protection issues: - First aid. - Evacuation and crisis management. - Controlling and fighting fires. b) e-Learning training: (82% of Bank personnel participated through this format). - Civil Protection Induction - Health and Safety - Fire Prevention and Protection - First Aid.

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403-2		-	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The absenteeism rate for both male and females employees was 0.0019 days during 2018. The number of days lost to absenteeism for both male and females employees was 0.003 days during 2018.
404-1	✓	59	Average hours of training per year per employee	Human Capital.
404-2		-	Programs for upgrading employee skills and transition assistance programs	Human Capital. Information is available on our intranet regarding the Defined Contribution and Defined Benefit pension plans that our employees can use to manage their retirement plans.
404-3	✓	-	Percentage of employees receiving regular performance and career development reviews.	19,143 employees (9,687 or 50% men, and 9,456 or 50% women) received regular performance evaluations, incorporating professional development, technical training, and skill strengthening.
405-1	✓	57, 94	Diversity of governance bodies and employees.	Human Capital, Corporate Governance.
405-2	✓	59	Ratio of basic salary and remuneration of women to men.	Human Capital.
406-1		-	Incidents of discrimination and corrective actions taken.	In 2018, 80 cases were registered and analyzed; the complaints received referred to labor or sexual involved workplace or sexual harassment, and 30% involved issues that warranted actions such as reprimands or firings.
410-1		-	Security personnel trained in human rights policies or procedures.	In 2018 64% of security employees were trained in human rights issues.
411-1		-	Incidents of violations involving rights of indigenous peoples.	No human rights complaints were registered in 2018.
412-2	✓	-	Employee training on human rights policies or procedures.	In 2018, we conducted 47,687 hours of training activities in human rights matters, which means 93% of our Bank employees have been trained in the subject.
412-3	✓	-	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	We have no investment agreements that are subject to human rights evaluation criteria. As for our value chain, we have contracts with 467 suppliers (28% of the total who have stated their acknowledgement of and commitment to the Global Compact Principles (without necessarily having signed them).
413-2		-	Operations with significant actual and potential negative impacts on local communities.	No complaints of this type were registered in 2018.
414-1		-	New suppliers that were screened using social criteria.	We have no procedure for analyzing suppliers based on social criteria, but since the second half of 2012, we have encouraged our suppliers to maintain healthy human-rights, labor, environmental and anti-corruption practices, by incorporating a clause in new and renewed contracts, in which they declare their commitment to abide by the principles of the Global Compact (although they many not have signed it).
417-1	✓	-	Requirements for product and service information and labeling.	Grupo Financiero Banorte S.A.B. de C.V. and its financial entities, a financial services provider, protects the personal data of its customers in compliance with Mexico's Federal Law on Protection of Personal Data Held by Individuals for the purpose of safeguard the integrity, privacy and protection of their personal data. For more information see, in Spanish: https://www.banorte.com/wps/portal/gfb/Home/banorte-te-informa/aviso-de-privacidad/
417-2	✓	-	Incidents of non-compliance concerning product and service information and labeling.	During the year, 137 cases were recorded for a total of Ps. 8.9 million in fines or municipal penalties for updating properties awarded to the Bank. Fines were levied by the Tax Authority (SAT), INFONAVIT, CNBV, CONDUSEF and Banco de México; they have all been paid.

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417-3	✓	-	Incidents of non-compliance concerning marketing communications.	During 2018, GFNorte was not fined in relation to any of its Marketing, Publicity, Promotional or Sponsorship activities.
418-1	✓	-	Substantiated complaints regarding breaches of customer privacy and losses of customer data.	There were no claims of this type reported in 2018.
419-1	✓	-	Non-compliance with laws and regulations in the social and economic area.	During the year, 137 cases were recorded for a total of Ps. 8.9 million in fines or municipal penalties for updating properties awarded to the Bank. Fines were levied by the Tax Authority (SAT), INFONAVIT, CNBV, CONDUSEF and Banco de México; they have all been paid.
FS1	✓	-	Policies with specific environmental and social components applied to business lines.	Natural Capital Consult our policies at: https://investors.banorte.com/en/sustainability/resources/policies-and-procedures
FS2	✓	117	Procedures for the evaluation and selection of environmental and social risks in lines of business.	Sustainability.
FS3	✓	117	Processes to monitor implementation and compliance with environmental and social requirements included in agreements or transactions with customers.	Sustainability.
FS4	✓	117	Processes to improve personnel competence in implementing environmental and social policies and procedures applicable to lines of business.	Sustainability. Grupo Financiero Banorte has a Sustainability and Responsible Investment area with an experienced staff responsible for training teams distributed across the territories in which we operate, and whose activities are related to the lending. For more information, visit: https://investors.banorte.com/en/sustainability
FS5	✓	117	Interactions with customers in terms of environmental and social opportunities and risks.	Sustainability.
FS8	✓	119	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Sustainability.
FS10	✓	117	Percentage and number of companies in the institution's portfolio with which interactions on environmental or social issues have been carried out.	Sustainability.
FS11	✓	117	Percentage of assets subject to social or environmental review, positive as well as negative.	Sustainability.
FS13	✓	74	Points of access in scarcely populated or economically disadvantaged areas described by type.	Social Capital.
FS14	✓	74	Initiatives to improve access to financial services for the disadvantaged.	Social Capital.
FS15	✓	-	Policies for the design and sale of financial products and services in a fair and reasonable manner.	GFNorte has a policy on Evaluation and Approval of Initiatives and Projects for New Products and Services.
FS16	✓	72	Initiatives to improve financial literacy and education by type of beneficiary.	Social Capital.

Message from
the Chairman
of the Board

Message from
the CEO

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Independent assurance report on the 2018 Annual Report to Grupo Financiero Banorte, S.A.B. de C.V., to the Management of Banorte.

Responsibilities of Banorte and independent reviewer

The Management of Banorte is responsible for the elaboration of the 2018 Annual Report (AR) for the period from January 1st to December 31st, 2018, as well as ensuring its content, definition, adaptation and maintenance of the management systems and internal control from which the information is obtained, and which is also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of Banorte in accordance with the terms of our agreement letter dated August 28th, 2018, therefore we do not assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of Banorte.

Scope of our work

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

We conducted the 2018 AR review under the following conditions and/or criteria:

- a) The review of the GRI Standards disclosures in accordance with the reporting requirements as specified in the GRI Content Index of the 2018 AR.
- b) The data consistency between the information included in the 2018 AR with supporting evidence provided by the Management.

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

Assurance standards and procedures

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

Our review work included the formulation of questions to the Management as well as various departments of Banorte that have participated in the elaboration of the 2018 AR and the application of certain analytical and sample screening tests procedures that are described below:

- a) Meetings with staff of Banorte to learn the principles, systems and applied management approaches.
- b) Analysis of the process to collect, validate and consolidate the data presented in the 2018 AR.
- c) Analysis of scope, relevance and integrity of the information included in the 2018 AR in terms of the understanding of Banorte and of the requirements that stakeholders have identified as material aspects.
- d) Selected sample review from the evidence that supports the information included on the 2018 AR.
- e) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

Report

The following table details the revised contents according with the Sustainability Reporting Standards Guideline:

102-12	102-45	205-2	305-6	412-2	FS 3
102-17	102-46	301-1	306-2	412-3	FS 4
102-18	102-47	302-1	307-1	414-1	FS 5
102-25	102-49	302-3	308-1	417-1	FS 8
102-33	102-55	302-4	401-1	417-2	FS 10¹
102-37	102-9	305-1	404-1	417-3	FS 11
102-40	103-1	305-2	404-2	418-1	FS 13
102-42	103-2	305-3	404-3	419-1	FS 14
102-43	201-1	305-4	405-1	FS 1	FS 15
102-44	202-1	305-5	405-2	FS 2	FS 16

¹ Only qualitative.

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

- Materiality of Banorte referred in the 2018 AR.
- Information provided during the meetings with the interviewed staff.
- Review of the evidence provided by Banorte staff of this project.

Conclusion

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the indicators and disclosures reviewed in the 2018 AR contain significant errors or have not been prepared in accordance with the reporting requirements established in the GRI Standards. For those GRI Standards disclosures and indicators of the Disclosure Sector where Banorte did not report in quantitative terms (numeric) the independent reviewer reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

Action alternatives

Deloitte has provided Banorte a report with the most significant action alternatives for future reporting, which do not modify the conclusions expressed in this independent review report.

Deloitte Asesoría en Riesgos, S.C.

Deloitte Touche Tohmatsu Limited affiliate Firm

Rocío Canal Garrido
Director of Deloitte Asesoría en Riesgos, S.C.
April 4th, 2019

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Banorte
at a glance

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the Chairman
of the Board

Message from
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Annual Report of the Audit and Corporate Practices Committee

Mexico City, March 21, 2019

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

In accordance with the provisions of Articles 58 of the Law to Regulate Financial Groups, 43 of the Securities Market Law, and 34 of the Unified External Auditors' Bulletin, the following is the annual report by the Audit and Corporate Practices Committee (the Committee) for fiscal year 2018.

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

I. As regards our audit:

a) Regarding the status of the Internal Control System (ICS) and Internal Audit of GFNorte and its relevant entities, and any deficiencies and deviations detected therein, we took into account the following elements:

1. The annual reports on Internal Control activities by the relevant entities, prepared by their Managing Directors.
2. The reports of the Internal Comptrollers of the relevant entities of GFNorte in Mexico, along with their opinion on the operation of the ICS.
3. The opinion of Internal Auditor regarding the condition of the ICS at the relevant entities.
4. The reports on relevant deficiencies and observations regarding GFNorte and its Subsidiaries presented by Internal Audit, and follow-up in the form of corrective measures.
5. Auditor's opinion on the financial statements of GFNorte and its subsidiaries.
6. The reports of the inspection visits by the competent authorities.
7. The opinions of the Statutory Auditors of the relevant entities of GFNorte.
8. The reports of other Audit Committees on any relevant events and the minutes of their meetings.
9. Internal Audit management reports and report on compliance with the work program.

On the basis of these elements, we report that the ICS of GFNorte and its relevant entities functions appropriately, and that any deficiencies or deviations that were found have been remedied or are in process of being remedied.

With respect to the operation of the Internal Audit, the area has remained independent, and performed its work program reasonably according to best practices, and efficiently oversaw the implementation of actions to correct observations and areas of opportunity.

b) No significant breaches of operating or accounting criteria or policies by GFNorte and its relevant entities were observed. The parties responsible were informed of the areas of opportunity identified, and measures were taken to address them, using the corresponding monitoring system to ensure their proper implementation.

- c) Concerning our assessment of the independence required of the legal entity that provides external audit services, we report that the external auditor meets the necessary requirement of independence to undertake these duties.

Additionally, the contents of its opinions, communications, and reports were found to be of good quality and useful in supporting the Committee, with special mention of the fact that these results and opinions do not reflect any differences with those of Management. During the audit exercise the independent auditor did not issue any relevant observations that required further action.

Concerning the evaluation of the performance of the external auditor, we report that in the development of its activities and in its relationship with Management and this Committee, the firm Galaz, Yamazaki, Ruiz Uriquiza, S.C. (a member of Deloitte Touche Tohmatsu) has proven its quality.

- d) With regard to the description and assessment of any additional or supplementary services provided by the external auditor, during fiscal year 2018 the services of the firm were engaged for the purpose of reviewing the sustainability report and some local taxes, as well as transfer prices in intercompany transactions.

It was also engaged to carry out work relating to diagnosis and consulting on implementation of new accounting regulations contained in the Financial Reporting Standards and drafts of the new CNBV Accounting Criteria.

In tax matters, the firm was hired to identify the tax effects that legislation in the United States (US) would have on the eventual spinoff of Banorte USA.

In the area of technology, the same firm was engaged to contribute best practices in initiatives relating to establishment of the TRIAGE Protocol and Information Services Assessment Process, and participate as a possible supplier for conducting intrusion testing in those systems. Finally, its engagement was authorized for the purpose of analyzing and providing an opinion on the proposed payments by M&G Polímeros through administered credit in Recovery Banking.

With respect to the assessment of these additional services, this committee is of the opinion that they were supplied in accordance with the requested objectives and scope, the resources applied to carrying them out were sufficient, the participating teams possessed the professional skill and experience needed to execute them, that they were provided within the required time period, and that those responsible for carrying out these activities maintained effective communication.

- e) We reviewed the financial statements of GFNorte and Subsidiaries as of December 31, 2018, and accompanying External Auditor's opinion and confirmed that these were prepared, in all material aspects, in accordance with the applicable accounting criteria, and their approval was recommended to the Board of Directors. The Committee also reviewed on a quarterly basis the interim financial statements for the fiscal year.
- f) With respect to the main modifications to accounting policies and criteria applied during the fiscal year, these were made in keeping with changes in the applicable provisions described in Note 4 to the financial statements, "Main Accounting Policies," which includes a detailed explanation of these modifications and their effects.

During the fiscal year, the Board of Directors approved changes to the methodology for valuation of investment projects and obtained an official document from the CNBV authorizing it to apply a special book entry to recognize the result from mark-to-market valuation of housing development companies.

- g) No relevant observations were received during the fiscal year from shareholders, directors, senior officers, employees or any third party, with respect to accounting, internal controls or internal and external audit, or reports of any irregular event. Pursuant to best practices, there is an anonymous reporting system in the place, and the Committee monitors appropriate follow-up on all matters reported through that system.
- h) With respect to follow-up on of the resolutions of the Shareholders' Meeting and of the Board of Directors, these bodies did not request that the Committee monitor any resolution in particular.
- i) During the fiscal year, oversight visits were made by CNBV, CNSF, CONDUSEF, IPAB, Banco de México and the Mexican Stock Exchange (the latter to the Brokerage Firm); it should be noted that that the CNBV requested that the Board of Directors be informed of some aspects detected in its review.

In the months of December and January, the Authorities were presented with written responses on their observations, in some cases contributing additional information in order to address the issue, and in others indicating the corrective plan already being applied, and still other informing them that the corresponding analysis will be carried out to begin correction programs. The main findings were reported to the Board of Directors in its January 24, 2019 meeting.

- j) Other relevant activities conducted within the responsibilities of the Committee included following up on the progress of the merger with Grupo Financiero Interacciones and approval of modifications to the Internal Audit Work Program for the second half of 2018, which entailed new processes and companies that resulted from the merger.

The Committee approved the materiality criteria that the internal Auditor must use in reporting on the findings of its review of the financial statements of GFNorte and its subsidiaries, and the proposed policies and limits on the engagement of additional services by the External Auditor.

With regard to the Unified Bulletin on External Auditors, which took effect in August 2018, the Committee met in extraordinary session with the External Auditor, Internal Comptroller, Internal Audit department and management in order to identify the responsibilities of each and identify the deliverables to be received and issued in order to comply with this Bulletin.

Regarding the Trust area, the Committee followed up on the results of the audit in fiscal year 2017, phase II, corresponding to the work plan for the SIFE Trust System, progress toward obtaining a legal opinion on the files, and finally, a review of progress in addressing the observations identified by the Internal Audit department.

In matters of Technology (IT), the Committee followed up on the incident involving a breach of the Interbank Electronic Payment System (SPEI) that occurred in April 2018, evaluating the corresponding remediation plan; reviewed the report on Data Security, which included an evaluation of GFNorte's level of maturity with respect to its competitors, and details of the Quantum 2020 program, whose purpose is to maximize the scope of GFNorte's data asset protection.

In the Credit area, the Committee verified the results of the fiscal year 2018 Loan Review applicable to Banco Mercantil del Norte and Arrendadora y Factor Banorte, as well as the internal credit models.

Additionally, the Committee reviewed actions to strength the segregation of application functions, and followed up on the results and corrective measures of the forensic analysis of the fraud that occurred at Casa de Bolsa Banorte in May 2017.

Before concluding this we report, we would like to recognize the past contributions of Manuel Aznar Nicolás and Robert Chandler Edwards , former members of this Committee and Board Members of GFNorte, who played an active role in making this strengthening our institution.

II. Concerning Corporate Practices:

- a) In relation to observations on the performance of relevant senior executives, the Secretary of the Human Resources Committee informed that no cases were registered of senior officers acting in breach of the established policies during the fiscal year.
- b) Transactions with related parties approved by the Board of Directors as of December 31, 2018, the credits extended by Banco Mercantil del Norte to related parties in the same fiscal year, totaled Ps. 17.13 billion, which is below the limit established by the corresponding regulations. Intercompany transactions were carried out at market prices; these were verified by the External Auditor, who reported no findings.

During 2018, the Committee monitored the implementation of GFNorte's Conflict of Interest Prevention System, relying upon the Internal Audit and Controllershship management reports.
- c) Regarding the benefit packages of the CEO and relevant senior officers, there is a Compensation System approved by the Board of Directors, which divides their compensation into ordinary and extraordinary, and rules on deferral the latter, depending on established risk indicators and compliance with policies; this system was consistently applied during the fiscal year, taking into consideration the result of the review carried out by Internal Audit area and the reports of the Human Resources Committee and Risk Policy Committee to the Board of Directors.
- d) During the fiscal year, the Board of Directors did not grant any dispensation to any directors or relevant senior officers to take advantage of any business opportunities.

Sincerely,

Héctor Reyes Retana y Dahl

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

Consolidated Balance Sheet

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in millions of Mexican pesos)

ASSETS	2018	2017
CASH AND CASH EQUIVALENTS	\$ 75,637	\$ 76,269
MARGIN SECURITIES	1,458	1,986
INVESTMENT IN SECURITIES		
Trading securities	257,904	239,019
Securities available for sale	214,164	168,540
Securities held to maturity	128,038	95,310
	600,106	502,869
RECEIVABLES UNDER REPURCHASE AND RESALE AGREEMENTS	1,021	678
DERIVATIVE FINANCIAL INSTRUMENTS		
For trading purposes	28,083	25,520
For hedging purposes	156	205
	28,239	25,725
MARK-TO-MARKET ADJUSTMENTS FOR ASSET HEDGING	84	99
PERFORMING LOAN PORTFOLIO		
Commercial loans		
Business loans	302,845	233,777
Loans to financial institutions	7,735	5,944
Loans to government	197,373	134,905
Consumer credit	113,441	105,567
Mortgage loans		
Middle-income and residential	152,271	131,563
Affordable entry-level housing	16	26
Loans acquired from INFONAVIT or FOVISSSTE	3,511	3,816
TOTAL PERFORMING LOAN PORTFOLIO	777,192	615,598
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	7,387	6,719
Loans to financial institutions	4	-
Loans to government	4,408	4,440
Consumer credit		
Mortgage loans	1,349	1,179
Middle-income and residential	2	1
Loans acquired from INFONAVIT or FOVISSSTE	113	143
TOTAL PAST-DUE LOAN PORTFOLIO	13,263	12,482
LOAN PORTFOLIO	790,455	628,080
LOAN PORTFOLIO, net	(18,844)	(16,122)
LOAN PORTFOLIO, net	771,611	611,958
ACQUIRED COLLECTION RIGHTS	2,417	2,477
TOTAL LOAN PORTFOLIO, net	774,028	614,435
ACCOUNTS RECEIVABLE FROM INSURANCE AND ANNUITIES, net	2,241	1,904
PREMIUM RECEIVABLES, net	3,835	4,031
ACCOUNTS RECEIVABLE FROM REINSURANCE, net	8,956	8,717
RECEIVABLES GENERATED BY SECURITIZATIONS	61	141
OTHER ACCOUNTS RECEIVABLE, net	42,008	51,834
MERCHANDISE INVENTORY	961	783
FORECLOSED ASSETS, net	895	1,100
PROPERTY, PLANT AND EQUIPMENT, net	17,684	18,170
PERMANENT STOCK INVESTMENTS	14,038	13,771
LONG-TERM ASSETS AVAILABLE FOR SALE	4,318	2,949
OTHER ASSETS		
Deferred charges, advance payments and intangibles	44,551	28,238
Other short-term and long-term assets	350	448
TOTAL ASSETS	\$ 1,620,470	\$ 1,354,147

MEMORANDUM ACCOUNTS (Note 36)

This balance sheet, consolidated with those of the financial entities and other companies that form part of the Financial Group and are subject to consolidation, were prepared according to Accounting Principles applicable to Financial Service Holding Companies, issued by the Mexican National Banking and Securities Commission, pursuant to article 30 of the Law on Financial Institutions. These principles have been consistently applied in the financial statements, which are presented in accordance with sound practices and applicable legal and administrative provisions and reflect all the operations of the Financial Group, its financial service subsidiaries and other companies that make up the Financial Group and are consolidated into the balance sheets as of the above dates.

As of December 31, 2018, shareholders' equity totaled Ps. 10.01 billion.

This Consolidated Balance Sheet has been approved by the Board of Directors, under the responsibility of the Directors who have signed them.

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	2018	2017
TRADITIONAL DEPOSITS		
Demand deposits	\$ 410,375	\$ 393,308
Time deposits		
General public	276,386	239,174
Money market	55,552	3,679
Senior debt issued	12,098	3,003
Global account of deposits without movements	1,891	1,657
	756,302	640,821
INTERBANK AND OTHER LOANS		
Short-term loans	25,724	18,213
Long-term loans	33,035	15,730
	58,759	33,943
TECHNICAL RESERVES	140,879	107,794
ACCOUNTS PAYABLE UNDER REPURCHASE AND RESALE AGREEMENTS	369,457	301,665
COLLATERAL SOLD OR PLEDGED		
Repurchase or resale agreements (payable balance)	2	3
DERIVATIVE FINANCIAL INSTRUMENTS		
For trading purposes	23,605	24,608
For hedging purposes	10,963	12,401
	34,568	37,009
ACCOUNTS PAYABLE TO REINSURERS, net	1,325	1,255
OTHER ACCOUNTS PAYABLE		
Income tax	3,296	3,132
Employee profit-sharing	485	405
Transaction settlements	4,469	16,047
From collateral received in cash	14,319	11,083
Sundry creditors and other payables	28,007	20,532
	50,576	51,199
OUTSTANDING SUBORDINATED DEBENTURES	33,560	32,445
DEFERRED CREDITS AND ADVANCE COLLECTIONS	578	429
TOTAL LIABILITIES	1,446,006	1,206,563
SHAREHOLDERS' EQUITY		
PAID-IN EQUITY		
Capital stock	14,962	14,591
Additional paid-in equity	47,904	35,592
	62,866	50,183
EARNED EQUITY		
Capital reserves	5,207	5,491
Retained earnings from prior fiscal years	76,550	71,294
Result from mark-to-market valuation of securities available for sale	(2,136)	(2,390)
Result from mark-to-market valuation of cash flow hedge securities	(3,369)	(3,588)
Result from mark-to-market valuation of reserve for current rate fluctuation risks	28	96
Result of conversions	1,751	1,684
Defined remedies for employee benefits	(576)	(926)
Net income	31,958	23,908
	109,413	95,569
MINORITY INTEREST	2,185	1,832
TOTAL SHAREHOLDERS' EQUITY	174,464	147,584
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,620,470	\$ 1,354,147

José Marcos Ramírez Miguel
Chief Executive Officer

Isaías Velázquez González, CPA
Managing Director - Internal Audit

Jorge Eduardo Vega Camargo
Deputy Managing Director - Controller

Rafael Arana de la Garza
Managing Director -
Chief Financial and Operating Officer

Mayra Nelly López López, CPA
Executive Director - Accounting

Consolidated Income Statement

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in millions of Mexican pesos)

	2018	2017
Interest income	\$ 137,583	\$ 110,509
Premium revenue, net	29,067	25,043
Interest expense	(60,754)	(44,635)
Increase in technical reserves	(13,508)	(12,645)
Casualty rate, claims and other contractual obligations, net	(17,563)	(14,906)
NET INTEREST INCOME	74,825	63,366
Allowance for loan losses	(16,079)	(15,213)
NET INCOME AFTER ALLOWANCE FOR LOAN LOSSES	58,746	48,153
Commission and fee income	22,567	19,542
Commission and fee expense	(9,526)	(7,558)
Brokerage revenues	4,228	2,657
Other operating income (expense)	4,259	3,211
Administration and sales expense	(37,609)	(34,061)
OPERATING INCOME	42,665	31,944
Equity in earnings of unconsolidated subsidiaries and associated companies	1,385	1,264
PRETAX INCOME	44,050	33,208
Current income tax	(10,768)	(8,469)
Deferred income tax, net	(868)	(579)
	(11,636)	(9,048)
INCOME BEFORE DISCONTINUED OPERATIONS	32,414	24,160
Discontinued operations	-	89
INCOME BEFORE MINORITY INTEREST	32,414	24,249
Minority interest	(456)	(341)
NET INCOME	\$ 31,958	\$ 23,908

This income statement, consolidated with those of the financial entities and other companies that form part of the Financial Group and are subject to consolidation, were prepared according to Accounting Principles applicable to Financial Service Holding Companies, issued by the Mexican National Banking and Securities Commission, pursuant to article 30 of the Law on Financial Institutions. These principles have been consistently applied in the financial statements, which are presented in accordance with sound practices and applicable legal and administrative provisions and reflect all the operations of the Financial Group, its financial service subsidiaries and other companies that make up the Financial Group and are consolidated into the balance sheets as of the above dates.

This income statement has been approved by the Board of Directors, under the responsibility of the Directors who have signed them.

The accompanying notes are an integral part of these consolidated financial statements.

José Marcos Ramírez Miguel
Chief Executive Officer

Rafael Arana de la Garza
Managing Director -
Chief Financial and Operating Officer

Isaías Velázquez González, CPA
Managing Director - Internal Audit

Jorge Eduardo Vega Camargo
Deputy Managing Director - Controller

Mayra Nelly López López, CPA
Executive Director - Accounting

Consolidated Statement of Cash Flows

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES, FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in millions of Mexican pesos)

	2018	2017
	\$	\$
Net income	31,958	23,908
Items not requiring (generating) resources:		
Depreciation and amortization	2,217	1,688
Technical reserves	13,508	12,645
Other provisions	2,314	(260)
Current and deferred income tax	11,636	9,048
Discontinued Operations	-	89
Equity in earnings of unconsolidated subsidiaries and associated companies	(929)	(923)
	60,704	46,195
OPERATING ACTIVITIES:		
Change in margin accounts	528	200
Change in investment in securities	(90,564)	(44,085)
Change in receivables under repurchase and resale agreements	(343)	(679)
Change in asset position, derivatives	(2,086)	15,628
Change in loan portfolio	(49,629)	(49,202)
Change in acquired collection rights	60	(452)
Change in accounts receivable from insurance and annuities, net	(335)	5
Change in premiums owed (net)	209	214
Change in reinsurance and surety agencies (net) (asset)	45	(1,550)
Change in receivables generated by securitizations	80	15
Change in foreclosed assets	205	510
Change in other operating assets	(2,768)	(3,828)
Change in deposits	20,524	66,262
Change in interbank and other loans	(1,212)	(4,691)
Change in receivables under repurchase and resale agreements	67,793	(7,112)
Collateral sold or pledged	(1)	3
Change in liability position, derivatives	(1,106)	(15,796)
Change in technical reserves (net)	19,041	4,780
Change in reinsurance and surety agencies (net) (liability)	63	(492)
Change in subordinated debentures	115	10,952
Change in other operating liabilities	(12,703)	12,826
Change in hedging instruments related to operations	(1,390)	3,566
Cash flow from Discontinued operations	-	(8,069)
Income tax	(11,774)	(184)
Net cash flows (used in) generated by operating activity	(4,544)	25,016
INVESTMENT ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	3,549	742
Payments for acquisition of property, plant and equipment	(4,501)	(4,780)
Proceeds from disposal of subsidiaries and associates and joint ventures	-	3,195
Payments for disposal of subsidiaries and associates and joint ventures	(1)	-
Discontinued operations	1,255	2,364
Cash dividends	15,254	-
Net cash flows (used in) generated by investment activities	15,556	1,521
FINANCING ACTIVITIES:		
Dividends paid	(9,563)	(14,645)
Repurchase of shares	(855)	(1,181)
Interest paid on subordinated debentures	(1,225)	(301)
Net cash flow (used in) generated by investment activities	(11,643)	(16,127)
Net (decrease) increase in cash and cash equivalents	(631)	10,410
Effects from changes in value of cash and cash equivalents	(1)	(27)
Cash and cash equivalents at start of year	76,269	65,886
Cash and cash equivalents at end of year	\$ 75,637	\$ 76,269

This Statement of Cash Flows, consolidated with those of the financial entities and other companies that make up the Financial Group and are subject to consolidation, were prepared in accordance with accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and securities Commission pursuant to article 30 of the Law on Financial Institutions. These principles have been consistently applied in the consolidated financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect cash income and outlays derived from the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that make up the Financial Group and are consolidated into the balance sheets as of the above dates. This income statement has been approved by the Board of Directors, under the responsibility of the Directors who have signed them. The accompanying notes are an integral part of these consolidated financial statements.

José Marcos Ramírez Miguel
Chief Executive Officer

Rafael Arana de la Garza
Managing Director -
Chief Financial and Operating Officer

Isaías Velázquez González, CPA
Managing Director - Internal Audit

Jorge Eduardo Vega Camargo
Deputy Managing Director - Controller

Mayra Nelly López López, CPA
Executive Director - Accounting

Statement of Changes in Consolidated Shareholders' Equity

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in millions of Mexican pesos)

	PAID-IN EQUITY					
	Common Stock	Additional paid-in capital	Capital reserves	Retained earnings from prior years	Result from valuation of securities available for sale	
Balance as of January 1, 2017	\$ 14,574	\$ 36,427	\$ 4,825	\$ 68,492	\$ (2,592)	
MOVEMENTS APPROVED BY SHAREHOLDERS:						
Repurchase of shares for executive stock plan	17	(823)	211	-	(5)	
Transfer of earnings from previous fiscal year	-	-	-	19,308	-	
Dividends declared at General Shareholders Meetings on February 24 and June 20, 2017	-	-	-	(14,645)	-	
Book effect of INB Sale	-	-	-	(357)	-	
Creation of stock repurchase reserve	-	-	455	(455)	-	
Total movements approved by shareholders	17	(823)	666	3,851	(5)	
COMPREHENSIVE INCOME:						
Net income	-	-	-	-	-	
Result from mark-to-market valuation of securities available for sale	-	-	-	-	207	
Effect from subsidiaries, affiliate and mutual funds	-	(12)	-	(23)	-	
Result from mark-to-market valuation of cash flow hedge securities	-	-	-	-	-	
Result from mark-to-market valuation of reserve for current rate fluctuation risks	-	-	-	-	-	
Defined remedies for employee benefits	-	-	-	-	-	
Effect of change in regulation on rating consumer credit portfolio	-	-	-	(725)	-	
Interest on subordinated debentures	-	-	-	(301)	-	
Total comprehensive income	-	(12)	-	(1,049)	207	
Minority interest	-	-	-	-	-	
Balance as of December 31, 2017	14,591	35,592	5,491	71,294	(2,390)	
MOVEMENTS APPROVED BY SHAREHOLDERS:						
Repurchase of shares for executive stock plan	(13)	(300)	(284)	-	12	
Transfer of earnings from previous fiscal year	-	-	-	23,908	-	
Dividends declared at General Shareholders Meeting on June 1, 2018	-	-	-	(9,563)	-	
Book effect of INB Sale	-	-	-	(179)	-	
Effect of merger with GFInter	384	12,779	-	-	-	
Total movements approved by shareholders	371	12,479	(284)	14,166	12	
COMPREHENSIVE INCOME						
Net income	-	-	-	-	-	
Result from mark-to-market valuation of securities available for sale	-	-	-	-	(3,236)	
Effect from subsidiaries, affiliate and mutual funds	-	(167)	-	125	-	
Result from mark-to-market valuation of cash flow hedge securities	-	-	-	-	-	
Result from mark-to-market valuation of reserve for current rate fluctuation risks	-	-	-	-	-	
Defined remedies for employee benefits	-	-	-	-	-	
Effect of change in regulation on rating consumer credit portfolio	-	-	-	(1,225)	-	
Change in accounting policy on investment projects	-	-	-	(4,332)	-	
Special CNBV accounting criterion	-	-	-	(3,478)	3,478	
Total comprehensive income	-	(167)	-	(8,910)	242	
Minority interest	-	-	-	-	-	
Balance as of December 31, 2018	\$ 14,962	\$ 47,904	\$ 5,207	\$ 76,550	\$ (2,136)	

This Statement of Changes in Shareholders' Equity, consolidated with those of the financial entities and other companies that make up the Financial Group and are subject to consolidation, were prepared in accordance with accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and securities Commission pursuant to article 30 of the Law on Financial Institutions. These principles have been consistently applied in the consolidated financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect cash income and outlays derived from the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that make up the Financial Group and are consolidated into the balance sheets as of the above dates. This income statement has been approved by the Board of Directors, under the responsibility of the Directors who have signed them. The accompanying notes are an integral part of these consolidated financial statements.

EARNED CAPITAL

	Result from mark-to-market valuation of cash flow hedge securities	Result from mark-to-market valuation of reserve for current rate fluctuation risks	Cumulative foreign currency translation adjustment	Defined remedies for employees benefits	Net income	Total majority interest	Total minority interest	Total stockholders' equity
	\$ (2,089)	\$ 87	\$ 2,084	\$ (370)	\$ 19,308	\$ 140,746	\$ 1,955	\$ 142,701
	-	-	-	-	-	(600)	-	(600)
	-	-	-	-	(19,308)	-	-	-
	-	-	-	-	-	(14,645)	-	(14,645)
	-	-	-	-	-	(357)	-	(357)
	-	-	-	-	-	-	-	-
	-	-	-	-	(19,308)	(15,602)	-	(15,602)
	-	-	-	-	23,908	23,908	-	23,908
	-	-	-	-	-	207	-	207
	-	-	(400)	-	-	(435)	-	(435)
	(1,499)	-	-	-	-	(1,499)	-	-
	-	9	-	-	-	9	-	(1,499)
	-	-	-	(556)	-	(566)	-	9
	-	-	-	-	-	(725)	-	(566)
	-	-	-	-	-	(301)	-	(725)
	(1,499)	9	(400)	(556)	23,908	20,608	-	20,608
	-	-	-	-	-	-	(123)	(123)
	(3,588)	96	1,684	(926)	23,908	145,752	1,832	147,584
	-	-	-	-	-	(585)	-	(585)
	-	-	-	-	(23,908)	-	-	-
	-	-	-	-	-	(9,563)	-	(9,563)
	-	-	-	-	-	(179)	-	(179)
	-	-	-	-	-	13,163	-	13,163
	-	-	-	-	-	2,836	-	2,836
	-	-	-	-	31,958	31,958	-	31,958
	-	-	-	-	-	(3,236)	-	(3,236)
	-	-	67	-	-	25	-	25
	219	-	-	-	-	219	-	219
	-	(68)	-	-	-	(68)	-	(68)
	-	-	-	350	-	350	-	350
	-	-	-	-	-	(1,225)	-	(1,225)
	-	-	-	-	-	(4,332)	-	(4,332)
	-	-	-	-	-	-	-	-
	219	(68)	67	350	31,958	23,691	-	23,691
	-	-	-	-	-	-	353	353
	\$ (3,369)	\$ 28	\$ 1,751	\$ (576)	\$ 31,958	\$ 172,279	\$ 2,185	\$ 174,464

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Chief Executive Officer

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Managing Director - Internal Audit

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Mayra Nelly López López, CPA
Executive Director - Accounting

About this report

The Annual Report and Financial Statements of Grupo Financiero Banorte are available in the following formats:



PDF Annual Report

Spanish

<https://investors.banorte.com/es/financial-information/annual-reports/2018>

English

<https://investors.banorte.com/en/financial-information/annual-reports/2018>



WEB

Spanish / English

<https://investors.banorte.com/es>



PDF Financial Statements

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English

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•SRS 102-54

Methodology

In this document, we share with our stakeholders the actions carried out by Grupo Financiero Banorte in 2018 in the financial, labor, social, environmental corporate governance areas, guided by an assessment of intangible aspects and the future vision of our most important operations.

For the tenth year in a row, we present our 2018 Annual Report under the following reporting frameworks:



We used the Global Reporting Initiative (GRI) standards as a guide for reporting our performance. We report the contents of the 102 Universal Standards (general content), as well as to the Specific Standards (the 200, 300 and 400 series) content relating to our material issues.



This report has been prepared in accordance with the GRI Comprehensive Standards option and has been verified by Deloitte.



We incorporated the IIRC framework into our 2018 Annual Report in order to present integrated data on our operation and performance, as well as to improve the quality of information. This gives us a more complete approach to the factors that affect the ability of Grupo Financiero Banorte to create value over time.



Since its inclusion in the UN Development Program in 2015, these 17 goals seek prosperity and sustainable development at a global level. This report reflects our commitment through various initiatives that we undertake in the achievement of established goals.



Since 2011 we have been signatory members of the United Nations Global Compact, an initiative that promotes 10 principles of action in the areas of human rights, labor, environment and anti-corruption. This report represents our communication on progress (CoP).

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Ticker symbol

Mexican Stock Exchange: GFNORTEO
OTCQX : GBOOY
LATIBEX: XNOR



www.banorte.com

