

1Q19

Financial Results as of March 31st, 2019

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GFNORTE



OTC **QX**

GBOOY



XNOR

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I. Executive Summary

GFNorte reports Net Income of Ps 9.93 billion during the first quarter of 2019

Recurring net income totaled Ps 8.75 billion, up 2% quarterly, and 29% annually

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

The most relevant results presented for the period ended on March 31, 2019, are the following:

- **Reported net income for the quarter was Ps 9.93 billion.** This result includes an extraordinary income net of taxes of Ps 1.18 billion, generated from the dissolution of Banorte USA and the reclassification of Ps 1.66 billion from "Results from Conversions" to "Retained Earnings".
- Adjusting for this extraordinary income, **recurring net income** for the quarter totaled **Ps 8.75 billion**, showing a **2%** quarterly increase, and **29%** vs. 1Q18's recurring income. **Recurring EPS** was **Ps 3.03**, a **24%** annual increase.
- Regarding the group's subsidiaries, recurring net income for the Bank increased **33%**; **Brokerage** business **30%**, **Insurance** **19%**, **Annuities** **30%**, and **Pensions** **24%**.
- In terms of **profitability**, **NIM** increased from 5.4% to **5.7%** during the quarter; **recurring ROE** had a slight decline from 20.1% to **19.9%**, and a 169 bps increase vs. 1Q18. **Recurring ROA** rose to **2.18%** from 2.13%, with a 20bps increase during the year. **Recurring efficiency ratio** strengthened, and reached **39.4%** during the quarter.
- **Net Interest Income (NII)** grew **14%** annually, **loan loss provisions** decreased (**12%**), recurring **non-interest income** was up **13%**, while **non-interest expense** grew **9%** vs. 1Q18. Overall, recurring **net operating income** before taxes grew **30%** during the year.
- **Performing loans** had a **22%** annual increase, and a (**2%**) quarterly decline due to an (8%) contraction in government loans. **Commercial loans** grew **24%** annually, while **corporate loans** did so by **34%**, and **government loans** **35%**.
- **Consumer loans** increased **1%** during the quarter driven by **2%** growth in **mortgages**, and **3%** in **auto loans**, while **credit cards** and **payrolls** remained flat. On an annual basis, the **consumer portfolio** expanded **10%** driven by a **13%** increase in **mortgages**, **20%** in **auto loans**, **8%** in **credit cards**, and a (**2%**) decline in **payroll loans**.
- **Asset quality** remained stable during the quarter with an **NPL ratio** of **1.7%**; (18bps) lower vs. that of 1Q18. **Coverage ratio** reached **135.9%**.
- **Total bank deposits** were up **13%** annually: **demand deposits** increased **1%** and **time deposits** did so by **16%**.
- The bank's **Capital Ratio** reached **18.1%**; **Core Equity Tier 1 (CET1)** stood at **13.8%**, while **leverage ratio** ended the quarter at **9.3%**.

Income Statement Highlights - GFNorte				Change	
(Million Pesos)	1Q18	4Q18	1Q19	4Q18	1Q18
Interest Income	30,248	39,203	38,075	(3%)	26%
Interest Expense	12,550	17,600	18,406	5%	47%
Technical Results (Insurance & Annuities)	607	(2,004)	1,116	N.A.	84%
Net Interest Income	18,305	19,600	20,784	6%	14%
Net Service Fees	2,604	3,730	2,967	(20%)	14%
Trading	866	1,263	1,152	(9%)	33%
Other Operating Income (Expenses)	611	2,795	2,168	(22%)	255%
Non Interest Income	4,082	7,788	6,287	(19%)	54%
Total Income	22,386	27,387	27,071	(1%)	21%
Non Interest Expense	9,153	10,013	10,004	(0%)	9%
Provisions	4,264	3,906	3,761	(4%)	(12%)
Operating Income	8,970	13,468	13,306	(1%)	48%
Taxes	2,472	3,375	3,650	8%	48%
Subsidiaries' Net Income	357	245	411	68%	15%
Minority Interest	(87)	(156)	(135)	(13%)	55%
Subsidiaries & Minority Interest	270	89	275	210%	2%
Net Income	6,768	10,182	9,932	(2%)	47%
Balance Sheet Highlights - GFNorte				Change	
(Million Pesos)	1Q18	4Q18	1Q19	4Q18	1Q18
Asset Under Management	2,428,274	2,607,083	2,697,401	3%	11%
Performing Loans (a)	622,695	777,192	762,105	(2%)	22%
Past Due Loans (b)	12,205	13,263	13,488	2%	11%
Total Loans (a+b)	634,900	790,455	775,594	(2%)	22%
Total Loans Net (d)	618,226	771,611	757,265	(2%)	22%
Acquired Collection Rights (e)	2,315	2,417	2,217	(8%)	(4%)
Total Credit Portfolio (d+e)	620,541	774,028	759,482	(2%)	22%
Total Assets	1,383,526	1,620,470	1,594,607	(2%)	15%
Total Deposits	642,579	756,301	734,956	(3%)	14%
Total Liabilities	1,229,446	1,446,006	1,409,497	(3%)	15%
Equity	154,081	174,464	185,110	6%	20%
Financial Ratios GFNorte					
	1Q18	4Q18	1Q19		
Profitability:					
NIM (1)	5.9%	5.4%	5.7%		
ROE (2)	18.2%	23.8%	22.4%		
ROA (3)	2.0%	2.5%	2.5%		
Operation:					
Efficiency Ratio (4)	40.9%	36.6%	37.0%		
Operating Efficiency Ratio (5)	2.7%	2.5%	2.5%		
CCL Banorte and SOFOM - Basel III (6)	118.4%	107.0%	116.6%		
Asset Quality:					
Past Due Loan Ratio	1.9%	1.7%	1.7%		
Coverage Ratio	136.6%	142.1%	135.9%		
Cost of Risk (7)	2.70%	2.01%	1.92%		
Market References					
Banxico Reference Rate	7.50%	8.25%	8.25%		
TIIE 28 days (Average)	7.75%	8.25%	8.56%		
Exchange Rate Peso/Dolar	18.27	19.65	19.38		

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

2) Annualized earnings as a percentage of average quarterly equity over the period, minus minority interest, for the same period.

3) Annualized earnings as a percentage of average quarterly assets over the period, minus minority interest, for the same period.

4) Non-Interest Expense / Total Income

5) Annualized Non-Interest Expense / Average Total Assets.

6) Preliminary CCL calculation. To be updated upon Banco de Mexico's official indicators.

7) Cost of Risk = Annualized Provisions / Average Total Loans.

Subsidiaries Net Income (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Banco Mercantil del Norte	4,536	8,645	7,223	(16%)	59%
Banorte- Ixe-Broker Dealer	158	214	211	(1%)	33%
Operadora de Fondos Banorte-Ixe	77	89	94	6%	23%
Retirement Funds - Afore XXI Banorte	329	222	408	84%	24%
Insurance	1,349	645	1,610	150%	19%
Annuities	210	189	272	44%	30%
Leasing and Factoring	191	203	226	11%	18%
Warehousing	9	2	(27)	N.A.	N.A.
Sólida Administradora de Portafolios	(277)	(216)	(109)	50%	61%
Ixe Servicios	(0)	(0)	(0)	35%	4%
G. F. Banorte (Holding)	180	164	23	(86%)	(87%)
Total Net Income	6,768	10,182	9,932	(2%)	47%

Share Data	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Earnings per share (Pesos)	2.440	3.531	3.444	(2%)	41%
Earnings per share Basic (Pesos)	2.463	3.557	3.469	(2%)	41%
Dividend per Share for the period (Pesos)	0.00	0.00	0.00	N.A.	NA
Payout for the period	0.0%	0.0%	0.0%	N.A.	NA
Book Value per Share (Pesos)	54.86	59.75	63.39	6%	16%
Issued Shares (Million)	2,773.7	2,883.5	2,883.5	0%	4%
Stock Price (Pesos)	111.13	95.78	105.54	10%	(5%)
P/BV (Times)	2.03	1.60	1.66	4%	(18%)
Market Capitalization (Million Dollars)	16,871	14,054	15,704	12%	(7%)
Market Capitalization (Million Pesos)	308,245	276,177	304,320	10%	(1%)

Share performance



II. Management's Discussion & Analysis

During the Board Meeting held on January 25th, 2018, Banorte's Board of Directors approved the dissolution of Banorte USA, to be executed upon the completion of the spinoff of Banorte USA. The dissolution was formalized on January 14th, 2019, upon reception of the proper Certificate of Dissolution issued by the State of Delaware, United States of America. As a result of Banorte USA's dissolution, Banorte received the amount of US\$131,346.00 equivalent to Ps 2.5 million pesos at an exchange rate of \$18.90 pesos per US Dollar, thus divesting the permanent investment held by Banorte in Banorte USA. Furthermore, the accumulated amount registered under Results from Conversions in Banorte's equity was reclassified under Retained Earnings for a total amount of Ps 1.632 billion, which was part of the gain generated by the dissolution of Banorte USA, pursuant to NIF B-15 regulation entitled "Foreign Operations Conversion".

Throughout this document there are references to reported and recurring figures, the latter are related to ongoing business activities, without the effect of extraordinary transactions: in 4Q18, those related to the asset sale and leaseback transaction, and in 1Q19, the non-recurring income related to the dissolution of Banorte USA.

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

Net Interest Income (NII) (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Interest Income	27,420	35,105	35,415	1%	29%
Interest Expense	12,311	17,316	18,126	5%	47%
Loan Origination Fees	290	338	323	(4%)	11%
Fees Paid	239	284	281	(1%)	17%
NII excluding Insurance and Annuities Co.	15,160	17,844	17,332	(3%)	14%
Premium Income (Net)	11,632	5,838	12,214	109%	5%
Technical Reserves	6,976	3,260	6,766	108%	(3%)
Damages, Claims and Other Obligations	4,049	4,582	4,332	(5%)	7%
Technical Results	607	(2,004)	1,116	N.A.	84%
Interest Income (Expenses) net	2,538	3,760	2,337	(38%)	(8%)
Insurance and Annuities NII	3,144	1,756	3,453	97%	10%
GFNORTE's NII	18,305	19,600	20,784	6%	14%
Credit Provisions	4,264	3,906	3,761	(4%)	(12%)
NII Adjusted for Credit Risk	14,041	15,693	17,023	8%	21%
Average Earning Assets	1,239,231	1,456,619	1,459,124	0%	18%
Net Interest Margin (1)	5.9%	5.4%	5.7%		
NIM after Provisions (2)	4.5%	4.3%	4.7%		
NIM adjusted w/o Insurance & Annuities	5.4%	5.4%	5.3%		
NIM from loan portfolio (3)	8.5%	7.8%	7.7%		

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

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

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

Net Interest Income (NII)

NII excluding Insurance and Annuities declined (3%) during the quarter as a result of a lower spread on repurchase agreements, and foreign currency mark-to-market adjustments. NII from the loan portfolio remained unchanged as the portfolio still does not fully incorporate the effect of the last two interest rate hikes from the central bank, while the deposit base already incorporates these effects. As a result, **NIM for the loan portfolio totaled 7.7%**, showing a slight decline vs. the **7.8%** reported in the previous quarter. **NIM without Insurance and Annuities totaled 5.3%**, following the same behavior.

On an annual basis, **interest income excluding Insurance and Annuities** showed a **14%** increase resulting from strong loan growth, in addition to the positive impact of interest rate hikes during 2018 (100 bps); therefore, **NIM for the loan portfolio reached 7.7%**, below the 8.5% level in 1Q18 due to the mathematical effect of incorporating the GFI portfolio into the NIM calculation.

NII from Insurance and Annuities showed a strong **97%** increase mainly resulting from the seasonal premium renewal activity of the **insurance business** during the quarter. **Technical results** were boosted by the seasonal effect of premium renewals in life, property and casualty, and auto portfolios. Furthermore, technical reserves from insurance grew roughly in the same proportion, while there were lower claims and damages reported during the quarter. The **annuities** business reported lower income from its investment portfolio, as lower inflation from the quarter was incorporated into its valuation; however, this was offset by a 21% increase in premium income.

On an annual basis, there was a **10% increase in Insurance and Annuities' NII**, driven by a 5% growth in premium income and a reduction in technical reserves.

Overall, GFNorte's **NII grew 6%** quarterly, and **14%** annually. **NIM** for the quarter totaled **5.7%**, showing a 32bps improvement vs. 4Q18, and a slight (21bps) contraction vs. 1Q18.

Non-Interest Income

Non-Interest Income (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Net Service Fees	2,604	3,730	2,967	(20%)	14%
Trading	866	1,263	1,152	(9%)	33%
Other Operating Income (Expenses)	611	2,795	2,168	(22%)	255%
Non-Interest Income	4,082	7,788	6,287	(19%)	54%

1) In 4Q18 there was an extraordinary gain of Ps 2.41 billion for the sale of real estate assets in a sale and lease back transaction with the bank.

2) In 1Q19 there was an extraordinary gain of Ps 1.66 billion due to the Banorte USA' dissolution

Excluding extraordinary income, there was a **(14%) quarterly decline in recurring non-interest income**, mainly attributable to lower net service fees, and lower trading fees. On an annual basis, there was a **13% growth** driven by higher net service fees, as well as by higher trading income resulting from derivative sales to customers.

Reported **non-interest income** shows a **(19%)** quarterly decline, while having a 54% annual increase, mostly explained by the non-recurring income during the quarter.

Service Fees

Service Fees (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Fund Transfers	363	430	367	(15%)	1%
Account Management Fees	618	645	604	(6%)	(2%)
Electronic Banking Services	1,880	2,362	2,128	(10%)	13%
Basic Banking Services Fees	2,861	3,437	3,099	(10%)	8%
For Commercial and Mortgage Loans	135	492	223	(55%)	65%
For Consumer Loans	1,120	1,253	1,212	(3%)	8%
Fiduciary	108	135	119	(12%)	10%
Income from Real Estate Portfolios	36	113	48	(58%)	34%
Mutual Funds	374	451	428	(5%)	15%
Other Fees Charged (1)	286	250	304	21%	6%
Fees Charged on Services	5,121	6,263	5,540	(12%)	8%
Fees Paid on Services	2,516	2,534	2,573	2%	2%
Net Service Fees	2,604	3,730	2,967	(20%)	14%

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

Fees charged on services had a (12%) quarterly decline, primarily attributed to seasonality in banking services fees, and to the sale of real estate portfolios. When compared to 1Q18, there was an **8% increase** spearheaded by growth in electronic banking service fees, loan origination fees, and income from mutual funds.

Fees paid were **up 2%**, both quarterly and annually. The quarterly increase comes from higher insurance fees, as a result of seasonal premium renewal activity. The annual result shows higher interchange fees from greater activity in the acquiring business.

Trading

Trading Income (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Currency and Metals	(123)	(136)	(6)	96%	(95%)
Derivatives	195	1,184	521	(56%)	168%
Negotiable Instruments	(55)	(266)	186	N.A.	N.A.
Valuation	17	782	702	(10%)	4133%
Currency and Metals	613	509	101	(80%)	(84%)
Derivatives	39	(63)	82	N.A.	113%
Negotiable Instruments	198	35	267	660%	35%
Trading	850	481	450	(6%)	(47%)
Trading Income	866	1,263	1,152	(9%)	33%

Trading Income **was (9%) lower during the quarter**, on lower derivative valuations from client operations, and lower foreign currency trading activity. Compared to 1Q18, there was a **33% increase** from positive valuation results in addition to higher trading activity in derivatives and other securities.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Loan Recovery	3	2	2	9%	(19%)
Loan Portfolios	44	56	59	6%	34%
Income from Foreclosed Assets	80	(60)	88	N.A.	10%
Provisions Release	14	(29)	23	N.A.	58%
Losses and Estimates	(913)	(391)	(513)	(31%)	(44%)
Impairment of Assets	(173)	(7)	(132)	N.A.	(23%)
Lease Income	123	114	91	(20%)	(26%)
From Insurance	200	218	263	20%	31%
Others	1,233	2,891	2,287	(21%)	85%
Other Operating Income (Expenses)	611	2,795	2,168	(22%)	255%

1) In 4Q18 there was an extraordinary income of Ps 2.46 billion from the sale and leaseback transaction of real estate assets from the bank.

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

Excluding extraordinary income, **recurring other operating income** was up **32%** during the quarter, totaling **Ps 507 million** vs. Ps 385 million reported in 4Q18. The main factors that contributed to this increase were revenue from insurance and others, offsetting higher losses and estimates during the period. On an annual basis, there is a **(17%)** decline vs. 1Q18 mainly due to lower lease income and others.

Reported other operating income (expenses) show a quarterly (22%) decline due to a higher **Ps 2.41 billion non-recurring income** in 4Q18 from the sale and leaseback transaction vs. the **Ps 1.66 billion non-recurring income** from the conversion effect of Banorte USA registered during the present quarter.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Personnel	3,535	3,915	3,932	0%	11%
Professional Fees	714	1,090	738	(32%)	3%
Administrative and Promotional	1,938	1,959	2,135	9%	10%
Rents, Depreciation & Amortization	1,347	1,458	1,676	15%	24%
Taxes other than income tax & non deductible expenses	788	615	561	(9%)	(29%)
Contributions to IPAB	725	853	839	(2%)	16%
Employee Profit Sharing (PTU)	106	123	123	0%	16%
Non-Interest Expense	9,153	10,013	10,004	(0%)	9%

Non-interest expense remained unchanged vs. the previous quarter, while showing a **9% annual increase**: Ps 300 million are related to personnel and administrative expenses from the team that was incorporated after the merger with GFI, Ps 86 million from rent payments related to the sale and leaseback agreement in 4Q18, and the remaining Ps 465 million were related to the business' day-to-day operation.

Recurring Efficiency ratio reached **39%**, an improvement vs. the previous quarter resulting from stability in non-financial expenses, while reported numbers totaled 37%, slightly up vs. 4Q18.

Net Income

Net Income (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Operating Income	8,970	13,468	13,306	(1%)	48%
Subsidiaries' Net Income	357	245	411	68%	15%
Pre-Tax Income	9,327	13,713	13,717	0%	47%
Taxes	2,472	3,375	3,650	8%	48%
Discontinued Operations	-	-	-	N.A.	N.A.
Minority Interest	(87)	(156)	(135)	(13%)	55%
Net Income	6,768	10,182	9,932	(2%)	47%

Recurring operating income had a **5% quarterly increase**, and a **30%** annual increase, both explained by good seasonal performance from the insurance business, which records a high number of premium renewals during the quarter. **Reported figures** show a (1%) quarterly decline, and a **48%** annual increase from the recognition of Ps 1.66 billion non-recurring conversion effect of Banorte USA's dissolution.

During the period, **recurring taxes** were up **20%** and 29% annually, closing the quarter with an effective tax rate of **26.5%**. **Reported taxes** grew **8% during the quarter**, and **47%** for the year, on higher taxes from the aforementioned non-recurring income related to Banorte USA.

Recurring net income was up **2%** vs. the previous quarter, and **29%** vs. the same period in 2018. **Reported net income** shows a (2%) quarterly decline, and a 47% increase when compared to 1Q18.

Recurring EPS for the quarter was **Ps 3.03** and **reported EPS** was **Ps 3.44**.

Profitability

	1Q18	4Q18	1Q19
ROE	18.2%	23.8%	22.4%
Goodwill & Intangibles (billion pesos)	27	45	48
Average Tangible Equity (billion pesos)	121	123	131
ROTE	22.3%	32.0%	30.3%

Recurring ROE totaled **19.9%** for the **quarter** while **reported ROE** was **22.4%**, both figures were down vs. the previous quarter.

During the period, recurrent **ROTE** remained stable at **27%**; however, on an annual basis, it shows a significant improvement. Reported ROTE stood at **30%**, showing a decline vs. the previous quarter.

	1Q18	4Q18	1Q19
ROA	2.0%	2.5%	2.5%
Average Risk Weighted Assets (billion pesos)	623	692	724
RRWA	4.0%	4.6%	4.8%

Recurring ROA reaches **2.2%**, a 5bps increase vs. the previous quarter, and 20bps increase vs. 1Q18. Reported ROA for the period remained unchanged at 2.5%, but the annual comparison shows a 49bps improvement.

Regulatory Capital (Banco Mercantil del Norte)

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

In July 2018, Banorte was confirmed as Level II - Domestic Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 bps, to be constituted progressively in up to four years, starting on December 2016. Therefore, starting on December 2018, the **minimum Capitalization Ratio required for Banorte amounts to 11.175%** (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

Capitalization (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Core Tier 1 Capital	79,218	94,970	104,654	10.2%	32.1%
Tier 1 Capital	97,855	113,835	123,257	8.3%	26.0%
Tier 2 Capital	12,795	14,472	13,967	(3.5%)	9.2%
Net Capital	110,650	128,307	137,224	6.9%	24.0%
Credit Risk Assets	520,534	627,037	624,895	(0.3%)	20.0%
Net Capital / Credit Risk Assets	21.26%	20.5%	21.96%	1.5 pp	0.7 pp
Total Risk Assets (1)	629,234	747,352	757,758	1.4%	20.4%
Core Tier 1	12.59%	12.71%	13.81%	1.1 pp	1.2 pp
Tier 1	15.55%	15.23%	16.27%	1.0 pp	0.7 pp
Tier 2	2.03%	1.94%	1.84%	(0.1 pp)	(0.2 pp)
Capitalization Ratio	17.58%	17.17%	18.11%	0.9 pp	0.5 pp

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

At the end of 1Q19 the estimated **Capitalization Ratio (CR)** for Banorte was **18.11%** considering credit, market and operational risk; and 21.96% considering only credit risks. Moreover, Total Tier 1 Capital reached 13.81% as of 1Q19.

The **Capitalization Ratio** increased **0.94 pp** vs. 4Q18 due to the following effects:

1. Net income growth for 1Q19	+ 0.97 pp
2. Securities' (mark-to-market)	+ 0.48 pp
3. Interest paid on Tier 1 capital notes	- 0.04 pp
4. Capital Notes*	- 0.05 pp
5. Other Capital Effects	- 0.07 pp
6. Permanent Investments and Intangibles	- 0.12 pp
7. Growth in Risk Assets	-0.23 pp

* Including the mark-to-market valuation effect on Capital Notes

The **Capitalization Ratio** decreased **0.52 pp** vs. 1Q18, as follows:

1. Profit growth for 4Q18	+ 3.64 pp
2. Securities' (mark-to-market)	+ 0.19 pp
3. Capital Notes*	+ 0.08 pp
4. Other Capital Effects	- 0.06 pp
5. Interest paid on Tier 1 Capital Notes	- 0.16 pp
6. Goodwill**	- 0.19 pp
7. Permanent Investments and Intangibles	- 0.39 pp
8. Growth in Risk Assets	- 1.08 pp
9. Merger Effect	- 1.51 pp

* Including the mark-to-market valuation effect on Capital Notes

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

Leverage Ratio (Banco Mercantil del Norte)

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

Leverage (Millones de Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Tier 1 Capital	97,855	113,835	123,257	8.3%	26.0%
Adjusted Assets	1,133,135	1,353,919	1,320,185	(2.5%)	16.5%
Leverage Ratio	8.64%	8.41%	9.34%	0.93 pp	0.7 pp

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

Deposits

Deposits (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Non-Interest Bearing Demand Deposits	287,671	303,340	285,407	(6%)	(1%)
Interest Bearing Demand Deposits	103,332	110,670	108,251	(2%)	5%
Total Demand Deposits	391,003	414,010	393,658	(5%)	1%
Time Deposits – Retail	197,073	219,797	228,857	4%	16%
Core Deposits	588,076	633,806	622,515	(2%)	6%
Money Market	63,951	125,429	114,712	(9%)	79%
Total Bank Deposits	652,027	759,235	737,227	(3%)	13%
GFNorte's Total Deposits	642,579	756,301	734,956	(3%)	14%
Third Party Deposits	157,768	150,850	191,502	27%	21%
Total Assets Under Management	809,795	910,085	928,729	2%	15%

Banorte's core deposits had a (2%) decline during the quarter, and a **6%** increase when compared to 1Q18. The quarterly increase is mainly explained by 4% higher **time deposits**, while **demand deposits** had a (5%) decline, in line with typical seasonality during the quarter. Compared to 1Q18, time deposits had a significant 16% improvement, while well as interest-bearing demand deposits grew 5%, resulting from strategies focused towards increasing deposit balances and strengthening customer loyalty.

Trading desk operations show a **(9%)** quarterly decline, and a **79%** annual growth due to the merger with GFI in 2Q18, and in line with the strategy to fund the acquired assets at lower costs. Overall, **total bank deposits** were down **(3%)** quarterly, and increased **13%** annually.

Loans

Performing Loan Portfolio (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Mortgages	139,779	155,798	158,605	2%	13%
Auto Loans	20,727	24,132	24,811	3%	20%
Credit Card	33,872	36,657	36,543	(0%)	8%
Payroll	53,878	52,653	52,732	0%	(2%)
Consumer	248,256	269,239	272,691	1%	10%
Commercial	139,543	173,941	173,173	(0%)	24%
Corporate	100,880	136,639	134,772	(1%)	34%
Government	134,017	197,373	181,470	(8%)	35%
Total	622,695	777,192	762,105	(2%)	22%

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

Total Performing Loans declined **Ps 15.08 billion, (2%)** quarterly, in line with expected seasonal effects during the period, and particularly because of a Ps 15.90 billion reduction in the **government portfolio**, and a Ps 1.87 billion reduction in **corporate loans**. **Commercial loans** were basically unchanged, while **consumer loans** had a **Ps 3.45 billion** increase, up **1%** vs. the previous quarter, mainly driven by **2%** growth in **mortgage** loans, and a **3%** increase in the **auto** portfolio.

During the year, total performing loans **were up 22%**, primarily driven by a **35% growth** in **government loans** from the merger with GFI's portfolio, followed by a significant **34%** increase in **corporate loans**, and **24%** in the **commercial portfolio**.

Consumer Portfolio

The **consumer portfolio** shows excellent growth rates in mortgages, and auto loans, and seasonal prudence in credit cards and payroll loans, in accordance with a more restrictive risk policy aimed at improving asset quality in those portfolios.

On an annual basis, **consumer** loans show a **10% growth** rate, above that of the banking system and main peers. **20%** growth in **auto loans** is noteworthy, followed **by 13% in mortgages**, and **8% in credit cards**, thus keeping a 14.9% market share, ranking 3rd among the top players, and outgrowing them by 3-4pp.

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

- **Mortgages:** Banorte holds annual growth rates considerably above market rates, (14.7% vs. 10.1%), and a 19.5% market share, consolidating its **second place within the banking system**.
- **Auto Loans:** Solid annual growth underpinned by loan origination through exclusivity agreements with auto dealerships. Banorte holds a 17.7% market share, gaining 89bps in one year, thus **leading loan growth among the main banking players**.
- **Credit Cards:** Moderate origination growth aimed at preserving asset quality. Portfolio **increased 7.7%**, **spearheading growth in the banking system**, which grew 4.7% during the year.
- **Payroll Loans:** Decelerated as a result of a more moderate loan origination strategy aimed at preserving asset quality. Banorte holds a 20.5% market share, and **ranks third in the market**.
- **Commercial:** Showed 29% annual growth. Market share (including corporate loans, according to the regulator's methodology), stood at 10.8%, ranking fourth in the banking system.

SME's performing loan portfolio had a slight **reduction of (Ps 466 million)** vs. the previous period, and a **(2%)** reduction vs. the previous year. NPL ratio rose to 5.9% from 5.5% during the previous quarter.

SME's Loans (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Performing Portfolio	33,793	33,635	33,168	(1%)	(2%)
% of Performing Commercial Portfolio	24.2%	19.3%	19.2%	(18 bp)	(506 bp)
% of Total Performing Portfolio	5.4%	4.3%	4.4%	2 bp	(108 bp)
NPL Ratio	5.6%	5.5%	5.9%	37 bp	24 bp

- **Corporate Loans:** The portfolio reached an ending balance of **Ps 134.77 billion**, a (1%) sequential reduction and a 34% annual increase, showing moderate credit demand in this segment. GFNorte's corporate loan book is well diversified by industry and regions, and shows low concentration risk. The 20 main corporate borrowers accounted for 10.1% of the group's total portfolio. The group's largest corporate exposure represented 0.9% of the total performing portfolio, whereas number 20 represented 0.3% of it. 100% of GFNorte's top 20 corporate borrowers have an A1 rating.

As of March 31, 2019 GFNorte's **loan exposure to home builders was Ps 1.93 billion** among Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V., and Desarrolladora Homex, S.A.B. de C.V., (0.8%) lower than that of the previous quarter. This exposure represents 0.2% of the total loan portfolio. Total **portfolio was 100% guaranteed**, with no changes vs. the previous quarter. Loan Loss Reserve coverage for these companies was 42.5% as of 1Q19. Solida held a balance of Ps 2.72 billion in investment projects of these three companies.

- **Government Book:** Loan portfolio had a slight quarterly decline reaching an ending balance of **Ps 181.47 billion**. When compared to the same period of last year, growth is primarily attributed to the incorporation of GFI's portfolio. GFNorte's government portfolio is diversified among regions, and shows adequate concentration risk given that 26.2% of the loans are granted to Federal Government entities. Also, 85.4% of loans to states and municipalities are backed by a fiduciary guarantee, (consisting of Federal budget transfers and local revenues such as payroll tax), while short term loans (with no guarantee) account for 14.6% of the portfolio. As a result, as of February 2019, market share was of 34.3%, **ranking first in the system**.
- **Infrastructure:** As a result of the merger, the group incorporated a portfolio of infrastructure loans as follows:

Infrastructure Loans (Million Pesos)	Jul-18	4Q18	1Q19	Change	
				4Q18	Jul-18
Performing Portfolio	42,739	44,061	44,060	(0%)	3%
% of Total Performing Portfolio	5.7%	5.7%	5.8%	11 bp	9 bp
NPL Ratio	0.0%	0.0%	0.0%	3 bp	3 bp

Past Due Loans

(Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Past Due Loans	12,205	13,263	13,488	2%	11%
Loan Loss Reserves	16,674	18,844	18,329	(3%)	10%
Acquired Rights	2,315	2,417	2,217	(8%)	(4%)

At the end of the period, **Past Due Loans showed a 2%** quarterly increase, and an **11% annual increase** due to deterioration in commercial loans and credit cards portfolio quality. Further detail by product is shown below:

Past Due Loans (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Credit Cards	2,186	2,151	2,304	152	117
Payroll	1,601	1,995	1,643	(353)	42
Auto Loans	189	261	236	(25)	47
Mortgages	1,315	1,464	1,557	93	242
Commercial	3,564	3,300	3,694	394	130
Corporate	3,350	4,087	4,050	(37)	700
Government	-	4	4	1	4
Total	12,205	13,263	13,488	226	1,284

NPL ratio stood at **1.7%**, showing a 6bps increase due to deterioration in credit card, commercial and SME loans during the quarter.

The NPL ratios for the **year** represent **an overall improvement across most product lines**, except for payroll and SME portfolios. Commercial loans and credit card show a significant improvement as a result of diligent loan origination supported by analytics tools and adequate risk management.

Past Due Loans Ratios	1Q18	2Q18	3Q18	4Q18	1Q19
Credit Cards	6.1%	6.3%	6.0%	5.5%	5.9%
Payroll	2.9%	3.3%	4.1%	3.7%	3.0%
Auto Loans	0.9%	1.1%	1.1%	1.1%	0.9%
Mortgages	0.9%	0.9%	1.0%	0.9%	1.0%
Commercial	2.5%	2.5%	2.2%	1.9%	2.1%
SMEs	5.6%	5.5%	6.0%	5.5%	5.9%
Commercial	1.4%	1.5%	1.2%	0.9%	1.1%
Corporate	3.2%	3.0%	2.9%	2.9%	2.9%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.9%	2.0%	1.8%	1.7%	1.7%

Expected loss for Banco Mercantil del Norte, the group's largest subsidiary, **was 1.9% and the unexpected loss was 3.7%**, both with respect to the total portfolio as of 1Q19. These ratios were 1.9% and 4.2%, respectively during 4Q18, and 2.2% and 4.1% twelve months ago.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs was **2.1%**; (3bps) lower vs. 4Q18.

Quarterly changes in accounts that affect Non Performing Loans' balances for the Financial Group were:

Past Due Loan Variations (Million Pesos)	
Balance as of December '18	13,263
Transfer from Performing Loans to Past Due Loans	6,471
Portfolio Purchase	-
Renewals	(65)
Cash Collections	(693)
Discounts	(169)
Charge Offs	(3,710)
Foreclosures	(16)
Transfer from Past Due Loans to Performing Loans	(1,567)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(21)
Fair Value Ixe	-
Balance as of March '19	13,492

Of the **total loan book**, 85% was rated A Risk, 9% B Risk, and 6% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 1Q19 - GFNorte

(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	641,768	892	548	104	561	199	2,304
A2	49,909	160	227	5	275	38	704
B1	36,963	64	81	0	1,017	22	1,184
B2	13,537	64	48	4	288	29	433
B3	28,243	136	431	3	890	16	1,476
C1	16,311	126	586	15	269	80	1,076
C2	7,983	91	-	-	846	133	1,070
D	16,167	3,064	0	2	2,204	408	5,678
E	5,348	465	-	-	3,125	68	3,658
Total	816,228	5,062	1,921	133	9,475	994	17,584
Not Classified	(2,032)						
Exempt	-						
Total	814,197	5,062	1,921	133	9,475	994	17,584
Reserves							18,329
Preventive Reserves							745

Notes:

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

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

(Million Pesos)	Total
Distressed Portfolio	8,646
Total Loans	814,197
Distressed Portfolio / Total Loans	1.1%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	1Q19
Previous Period Ending Balance	18,844
Provisions charged to results	4,201
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(890)
Consumer Loans	(3,436)
Mortgage Loans	(370)
Foreclosed assets	0
	(4,697)
Cost of debtor support programs	(1)
Valorization and Others	(18)
Adjustments	0
Loan Loss Reserves at Period End	18,329

Loan Loss Reserves in 1Q19 totaled **Ps 18.32 billion**, Ps 515 million lower versus the previous quarter. **Charge-offs** during the quarter declined by **(4%)** vs. the previous quarter. Of this amount, 73% are related to the consumer portfolio, 8% to mortgages and 19% to commercial.

Loan loss reserve coverage was **135.9%** in the quarter, slightly lower than 142.1% in 4Q18 and 136.6% at the end of 2017.

Capital

Reported **shareholders' equity** totaled **Ps 185.11 billion**, up **6% quarterly**, and **20% annually**. The **quarter** was impacted by the following transactions:

- i) a Ps 9.93 billion increase in net income,
- ii) a Ps 126 million increase in capital reserves,
- iii) a Ps 291 million increase in share sale premiums,
- iv) a Ps 2.06 billion valuation increase in securities held for sale due to a lower asset base as well as volatility in asset prices during the quarter,
- v) a Ps 34 million mark-to-market increase on cash flow hedging instruments valuation, same explanation from bullet iv) above,
- vi) a (Ps 1.68) billion decline net of taxes, from reclassifying the accumulated conversion effect of Banorte USA into retained earnings, and a Ps 132 million benefits resulting from remeasurements on defined employee benefits.

Recent Events

1. **BANORTE IS RECOGNIZED AS THE BEST FOREIGN TRADE PRODUCTS AND SERVICES BANK IN MEXICO IN 2019**

In January 2019, Banorte was recognized as "Best Trade Finance Bank" in México in the "Best Trade Finance Provider 2019" awards category, granted by the prestigious Global Finance magazine. According to Global Finance, this award is granted *"based on input from industry analysts, corporate executives and technology experts. Among the criteria used for choosing the winners were: transaction volume, scope of global coverage, customer service, competitive pricing, innovative technologies as well as entry submissions from banks and other providers"*

Bank

Income Statement and Balance Sheet Highlights - Bank (Million Pesos)				Change	
	1Q18	4Q18	1Q19	4Q18	1Q18
Net Interest Income	14,744	17,442	16,931	(3%)	15%
Non-Interest Income	4,294	7,433	6,105	(18%)	42%
Total Income	19,038	24,875	23,036	(7%)	21%
Non-Interest Expense	8,582	9,286	9,341	1%	9%
Provisions *	4,149	3,809	3,700	(3%)	(11%)
Operating Income	6,307	11,780	9,996	(15%)	58%
Taxes	1,714	3,015	2,647	(12%)	54%
Discontinued Operations	-	-	-	-	-
Subsidiaries & Minority Interest	25	43	14	(68%)	N.A.
Net Income	4,618	8,808	7,362	(16%)	59%
Balance Sheet					
Performing Loans (a)	612,074	756,336	745,735	(1%)	22%
Past Due Loans (b)	11,914	12,840	13,095	2%	10%
Total Loans (a+b)	623,988	769,176	758,830	(1%)	22%
Total Loans Net (d)	607,880	750,912	741,008	(1%)	22%
Acquired Collection Rights (e)	1,794	2,001	1,864	(7%)	4%
Total Loans (d+e)	609,673	752,913	742,872	(1%)	22%
Total Assets	1,023,894	1,180,492	1,172,383	(1%)	15%
Total Deposits	652,027	759,235	737,227	(3%)	13%
Demand Deposits	389,330	412,118	391,855	(5%)	1%
Time Deposits	262,696	347,117	345,372	(1%)	31%
Total Liabilities	933,350	1,072,090	1,056,082	(1%)	13%
Equity	90,544	108,403	116,301	7%	28%

Financial Ratios - Bank			
	1Q18	4Q18	1Q19
Profitability:			
NIM (1)	6.0%	6.3%	6.2%
NIM after Provisions (2)	4.3%	5.0%	4.8%
ROE (3)	20.9%	33.3%	26.2%
ROA (4)	1.8%	3.0%	2.5%
Operation:			
Efficiency Ratio (5)	45.1%	37.3%	40.5%
Operating Efficiency Ratio (6)	3.3%	3.2%	3.2%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	118.4%	107.0%	116.6%
Asset Quality:			
Past Due Loan Ratio	1.9%	1.7%	1.7%
Coverage Ratio	135.2%	142.2%	136.1%
Past Due Loan Ratio w/o Banorte USA	1.9%	1.7%	1.7%
Coverage Ratio w/o Banorte USA	135.2%	142.2%	136.1%
Growth (8)			
Performing Loans (9)	9.2%	25.3%	21.8%
Core Deposits	8.5%	7.4%	5.9%
Total Deposits	12.8%	17.1%	13.1%
Capitalization:			
Net Capital/ Credit Risk Assets	21.3%	20.5%	22.0%
Total Capitalization Ratio	17.6%	17.2%	18.1%
Leverage			
Basic Capital/ Adjusted Assets	8.6%	8.4%	9.3%

- 1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.
- 2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.
- 3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.
- 4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.
- 5) Non-Interest Expenses / Total Income.
- 6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.
- 7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.
- 8) Growth compared to the same period of the previous year.
- 9) Excludes Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

Changes vs. the previous quarter

Net Interest Income (NII) had a **(3%)** decline, due to the period's own seasonality during which loan NII shows marginal declines, in addition to a decline in foreign currency's mark-to-market valuation. As a result, **NIM totaled 6.2%**, down from 6.3% during 4Q18, mainly explained by a marginal 0.4% increase in interest income from loans generated by higher credit origination towards the end of the quarter, which is not yet captured in the quarter's income.

Loan loss provisions were down (3%) as a result of lower reserves requirements from corporate and commercial portfolios, in addition to reserves releases in the government portfolio, as well as in most consumer portfolios except for auto loans. **Risk adjusted NIM** stood at **4.8%**, down from **5.0%** during the previous quarter.

Recurring non-interest income had a **(12%)** decline mainly explained by a seasonal Ps 234 million decline in electronic banking fees, a Ps 269 million decline in opening fees from loans, and Ps 214 million lower trading income from derivatives valuation and lower foreign currency trading operation with clients. **Reported** figures were down by **(18%)**.

Non-Interest Expense was slightly **up 1%**, driven by a 6% increase in administrative and promotional expenses, and 16% higher rent, depreciation and amortization expenses, while there were lower professional fees.

Recurring efficiency rate totaled **43.7%**, whereas the reported result totaled **40.5%**, both numbers reflecting an increase vs. their respective figures during the previous quarter.

Overall, **recurring net income** showed a **(14%) reduction** as a result of the period's own seasonality, while **reported net income** had a **(16%) decline**.

Recurring ROE and **ROA** totaled **22.2%** and **2.1%** respectively, in both cases showing a decline due to the quarter's seasonality. With **reported** figures, these ratios show a considerable improvement yielding **26.2%** and **2.5%** respectively.

Changes vs. the previous year

Net Interest Income grew 15%, resulting from good loan growth performance and mix, improved deposit base levels, as well as from the incorporation of GFI's portfolio. **NIM** showed improvement, reaching **6.2%** vs. 6.0% in 1Q18.

Loan Loss Provisions decreased (11%) due to a reduction in the commercial and corporate loan portfolios related to the recognition of a corporate client's charge-off, in addition to provisions releases in the government book. In the consumer book, there is a noteworthy decline in mortgage, payroll and personal loan portfolios. **Risk adjusted NIM** totaled **4.8%**, up from 4.3% in the previous year.

Recurring non-interest income was up **3%** resulting from a 13% increase in electronic banking fees, and a 16% increase in trading income. With reported figures, the annual increase amounts to 42%, primarily because of the recognition of Banorte USA's dissolution for a total amount of Ps 1.66 billion.

Non-financial expense rose 9% during the year, showing an adequate operating expense control, considering GFI's incorporation in July. This had a positive effect on the **recurring efficiency ratio** which totaled **43.7%**, while the reported ratio reached 40.5%.

Recurring net income totaled **Ps 6.16 billion**, a **33%** increase vs. 1Q18. **Reported net income** grew **59%**. Regarding profitability, there is a significant improvement in **recurring ROE** which reached **22.2%** and **ROA** at **2.1%**.

Non-Performing Loans (NPL) for the bank showed consistent improvement, reaching **1.7%** as a result of diligent loan origination and asset monitoring.

Capital

Reported shareholders' equity balance totaled **Ps 116.3 billion**, up **7%** vs. the previous quarter, and up **25% during the year**. It was impacted by the following transactions:

- i) a Ps 7.36 billion increase in net income,
- ii) a Ps 271 million premium on sale of shares,
- iii) a Ps 2.06 billion mark-to-market valuation gain on securities held for sale during the quarter, resulting from asset price volatility during the period,
- iv) a Ps 348 million mark-to-market valuation gain on cash flow hedging instruments; same explanation as above,
- v) a (Ps 1.66 billion) reduction due to the reclassification of accumulated Results from Conversions of Banorte USA into Retained Earnings,
- vi) a Ps 133 million increase from Remeasurements in Defined Employee Benefits, and
- vii) a (Ps 319 million) decrease from interest payments on subordinated liabilities.

Long Term Savings

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)			Change		
	1Q18	4Q18	1Q19	4Q18	1Q18
Interest Income (Net)	338	345	444	29%	31%
Premium Income (Net)	9,479	3,850	9,712	152%	2%
Net Increase in Technical Reserves	3,954	(450)	4,219	N.A.	7%
Damages, Claims and Other Obligations	2,912	3,026	2,699	(11%)	(7%)
Technical Results	2,613	1,274	2,794	119%	7%
Net Interest Income (NII)	2,951	1,619	3,238	100%	10%
Other Fees (acquisition costs)	(952)	(530)	(817)	(54%)	14%
Securities-Realized Gains	5	5	15	212%	172%
Other Operating Income (Expenses)	192	165	202	23%	5%
Total Operating Income	2,197	1,259	2,637	110%	20%
Non Interest Expense	303	372	334	(10%)	10%
Operating Income	1,895	887	2,303	160%	22%
Taxes	544	229	691	202%	27%
Subsidiaries' Net Income	335	216	416	92%	24%
Minority Interest	(8)	(7)	(10)	(43%)	(23%)
Net Income	1,677	867	2,018	133%	20%
Shareholder's Equity	24,657	23,096	25,112	9%	2%
Total Assets	61,795	51,478	61,233	19%	(1%)
Technical Reserves	29,468	22,688	29,792	31%	1%
Premiums sold	13,236	4,331	12,606	191%	(5%)
Coverage ratio of technical reserves	1.2	1.3	1.3	0.0 pp	0.0 pp
Solvency capital requirement coverage ratio	3.9	4.6	5.8	1.2 pp	1.9 pp
Coverage ratio of minimum capital	255.9	224.3	244.1	19.8 pp	(11.8 pp)
Claims ratio	53%	71%	48%	(22.7 pp)	(5.1 pp)
Combined ratio	61%	89%	56%	(32.7 pp)	(5.5 pp)
ROE	28.6%	14.8%	34.0%	19.2 pp	5.4 pp
ROE ex-Afore	65.5%	31.2%	77.4%	46.2 pp	11.9 pp

(*) The reported Solvency capital requirement coverage ratio of the period is preliminary.

At the end of 1Q19, technical results totaled Ps 2.79 billion, up **119%** during the quarter, mostly attributable to higher premium income from the quarter's seasonality and lower claims. On an annual basis there is a 7% increase, which is also explained by higher premium income from life portfolios.

Net interest Income increased **29%** and was explained by normal portfolio growth associated with the quarter's seasonality.

Acquisition Costs had a **54%** increase during the period, totaling **Ps 817 million** boosted by the period's seasonality and also benefited by reinsurance fee income.

Net Operating Income amounted to **Ps 2.3 billion**, **160%** higher than the previous quarter as a result of seasonality in premium growth during the period. On an annual basis, there was a relevant 22% increase, mainly driven by increases in life, auto and health portfolios.

Net Income for the quarter was **Ps 2.02 billion**, up **133%** vs. **4Q18**, primarily driven by the quarter's seasonality; when compared to 1Q18, it shows a significant 20% increase.

Net Income for Seguros Banorte excluding Afore XXI Banorte totaled **Ps 1.61 billion in 1Q19, up 150% quarterly**, and 19% annually, contributing to 16% of GFNorte's net income mainly due to the greater amount of retained premiums.

ROE for the **Insurance** business rose to **34%** as a result of higher net income; up 19.2pp quarterly, and 5.4pp annually.

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

- i. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
 - *No cancellations were registered during 1Q19 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
 - *In 1Q19 damage ratios remained under control, and reinsurers complied with their obligations.*
- iii. Costs generated from issuance of insurance policies and bonds.
 - *There were no relevant events to disclose in 1Q19*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life books, risks were transferred to reinsurers, for the most part to foreign reinsurers under which there were 5 relevant businesses: 4 related to government and 1 related to the transportation industry.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
 - *There were no relevant issues related to non-compliance during 1Q19.*

Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Net Income	670	452	831	84%	24%
Shareholder's Equity	22,653	24,541	23,022	(6%)	2%
Total Assets	24,451	26,437	24,892	(6%)	2%
AUM (SIEFORE)	737,173	747,082	795,847	7%	8%
ROE	11.4%	7.4%	14.0%	6.5 pp	2.6 pp

Afore XXI Banorte reported **net income** of **Ps 831 million** in 1Q19, showing an **84%** quarterly increase. When compared to 1Q18, results were 24% higher due to a reduction in operating costs and the effect of interest rates.

ROE during 1Q19 reached **14%**, improving 2.6pp during the quarter, and 6.5pp vs. 1Q18. Excluding goodwill, **Return on Tangible Equity (ROTE)** totaled **47.4%** for the quarter, showing a relevant **23.4pp increase**.

Afore XXI Banorte contributed with 4.1% of the Financial Group's net income during 1Q19.

Assets under management of Afore XXI Banorte as of March 2019 totaled **Ps 795.84 billion**, a **7%** increase during the quarter, and 8% vs. 1Q18.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)			Change		
	1Q18	4Q18	1Q19	4Q18	1Q18
Interest Income (Net)	2,199	3,415	1,893	(45%)	(14%)
Premium Income (Net)	2,350	2,259	2,737	21%	16%
Net Increase in Technical Reserves	3,023	3,709	2,547	(31%)	(16%)
Claims and Other Obligations	1,137	1,556	1,633	5%	44%
Technical Results	(1,810)	(3,006)	(1,443)	52%	20%
Net Interest Income (NII)	389	409	450	10%	15%
Net Fees	-	(30)	-	N.A.	N.A.
Securities-Realized Gains	(0)	5	6	42%	N.A.
Other Operating Income (Expenses)	(0)	6	21	236%	N.A.
Total Operating Income	389	390	477	22%	23%
Non Interest Expense	98	126	96	(24%)	(3%)
Operating Income	291	263	381	45%	31%
Taxes	82	77	111	44%	35%
Subsidiaries' Net Income	2	3	2	(24%)	28%
Minority Interest	-	-	-	N.A.	N.A.
Net Income	210	189	272	44%	30%
Shareholder's Equity	3,238	3,845	4,119	7%	27%
Total Assets	93,577	123,177	126,141	2%	35%
Technical Reserves	89,233	117,958	120,531	2%	35%
Premiums sold	2,350	2,259	2,737	21%	16%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp
Solvency capital requirement coverage ratio	28.9	28.8	28.8	(0.0 pp)	(0.1 pp)
Coverage ratio of minimum capital	20.8	23.1	24.8	1.7 pp	4.0 pp
ROE	26.8%	20.1%	27.3%	7.2 pp	0.6 pp

In 1Q19 **Net Interest Income** reached Ps 1.9 billion, (45%) lower than 4Q18 due to the mark-to-market valuation effect of UDIS of (Ps 1.5 billion) in the quarter. Compared to 1Q18 the reduction was (14%), and the mark-to-market valuation effect amounted to (Ps 610 million).

Net income from Pensiones Banorte was up **44%** during the quarter, as a result of a 21% increase in premium income from the normal flow of business, and a (16%) decline in reserves due to valuation adjustments from lower inflation during the period. There was also an increase in other income due to a decline in assets, as well as lower non-interest expense. On an annual basis, net income grew **30%**, primarily due to the acquired portfolios during 2018, a (31%) decrease in reserves from inflation valuation adjustments, as well as growth in pension holders' onboarding.

In 1Q19 **net income** represented 2.7% of the Financial Group's net income.

ROE for the quarter totaled **27.3%**; an improvement vs. 20.1% in the previous quarter, and 26.8% in 1Q18.

Brokerage

Brokerage Sector (Million Pesos)	1Q18	4Q18	1Q19	Change	
				4Q18	1Q18
Net Income	235	175	305	75%	30%
Shareholder's Equity	3,277	3,880	4,194	8%	28%
Assets Under Custody	820,639	878,033	894,173	2%	9%
Total Assets	171,784	214,123	190,279	(11%)	11%
ROE	29.7%	18.2%	30.3%	12.1 pp	0.6 pp
Net Capital (1)	2,512	3,035	3,252	7%	29%

1) Net capital structure: Tier 1 = Ps 3.02 billion, Tier 2 = Ps 0 million.

2) The reported figures of the Brokerage sector differ from those published in 4Q18 due to a change in the trading result for the brokerage business.

The Brokerage business (Casa de Bolsa Banorte and Operadora de Fondos) reported **net income of Ps 305 million**, a **75%** quarterly increase resulting from higher trading valuation. Annual growth totaled 30%, driven by a 15% increase in mutual funds as well as positive trading valuations.

Net income for 1Q19 accounted for 3.1% of the group's net income.

Assets Under Management

At the end of 1Q19, AUMs totaled **Ps 894 billion**, increasing **2%** during the quarter, and **9%** during the year.

Mutual fund assets totaled Ps 185 billion, up **3%** during the quarter, and 13% during the year. Assets held in **fixed income funds** totaled **Ps 169 billion**, up **3%** during the quarter and 14% during the year; assets held in **equity funds** amounted to **Ps 16 billion**, up 3% quarterly, and 9% annually. As of 1Q19, Banorte held a 7.9% share of the mutual fund market: 9.8% in fixed income funds and 2.5% in equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies	1Q18	4Q18	1Q19	Change	
(Million Pesos)				4Q18	1Q18
Leasing and Factoring					
Net Income	191	203	226	11%	18%
Shareholder's Equity	5,341	4,957	5,183	5%	(3%)
Loan Portfolio (1)	30,754	35,917	31,519	(12%)	2%
Past Due Loans	165	321	301	(6%)	83%
Loan Loss Reserves	311	393	333	(15%)	7%
Total Assets	31,295	36,216	32,038	(12%)	2%
ROE	14.6%	16.8%	17.8%	1.1 pp	3.2 pp
Warehousing					
Net Income	9	2	(27)	(1226%)	(383%)
Shareholder's Equity	235	243	216	(11%)	(8%)
Inventories	594	961	765	(20%)	29%
Total Assets	786	1,154	946	(18%)	20%
ROE	16.4%	3.9%	-46.7%	(50.6 pp)	(63.1 pp)
Sólida Administradora de Portafolios					
Net Income	(279)	(217)	(109)	(50%)	(61%)
Shareholder's Equity	3,205	3,178	3,073	(3%)	(4%)
Loan Portfolio	3,647	2,709	2,068	(24%)	(43%)
Past Due Loans	126	101	92	(9%)	(27%)
Loan Loss Reserves	254	187	174	(7%)	(32%)
Total Assets	14,774	9,515	9,314	(2%)	(37%)
Ixe Servicios					
Net Income	(0.2)	(0.3)	(0.2)	(35%)	(4%)
Shareholder's Equity	139	138	138	(0%)	(1%)
Total Assets	139	138	138	(0%)	(1%)
ROE	(0.6%)	(1.0%)	(0.6%)	0.3 pp	0.0 pp

1) Includes operating lease portfolio of Ps 2.87 billion, and fixed assets of Ps 85 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Net income in 1Q19 was Ps 226 million, an **11%** quarterly increase, driven by higher asset remarketing gains from end-of-lease assets, and lower operating expenses.

Past due loans ratio was **1.1%**, and **coverage ratio totaled 110.6%**, lower on a quarterly and annual basis. **Capital ratios** for 1Q19 totaled 15.4%, including total risk weighted assets of Ps 33.65 billion.

During 1Q19, Net Income from Leasing and Factoring accounted for 2.3% of the group's total results.

Warehouse

In 1Q19, the business posted a **net loss of (Ps 27 million)**, below 2018 results due to a Ps 29 million contingency reserve. **ROE** for 1Q19 was **(46.7%)**.

At the end of 1Q19, **capitalization ratio** was **157%** considering net capital of Ps 174 million, and negotiable deposit certificates issued in active warehouses totaling Ps 2.2 billion. Almacenedora Banorte ranked fourth among the 14 warehousing businesses in this sector in terms of profits.

Sólida Administradora de Portafolios

The business reported a **(Ps 109 million)** net loss during the quarter, on lower income and lower fees and tariffs.

Past Due Loan Ratio was **4.5%** at the end of 1Q19, 8 bps higher than 4Q18. **Coverage ratio** was **188.4%**, 360 bps higher than 4Q18.

Capitalization ratio in 1Q19 reached **24.0%**, up 1.1 pp during the quarter, and 9.2 pp annually.

Leverage ratio as of December 2018 and March 2019 was **27.54%** and **29.73%**, respectively; considering risk adjusted assets of Ps 8.94 billion and Ps 7.87 billion respectively.

Recovery Banking

Income Statement Highlights - Recovery Banking (Million Pesos)	1Q18	1Q19	Var.
Net Interest Income	(2)	(1)	(2%)
Loan Loss Provisions	1	0	(72%)
Non Interest Income	670	736	10%
Non Interest Expense	(277)	(290)	5%
Pre-tax Income & Subsidiaries	392	445	13%
Income Tax and Profit Sharing	(116)	(119)	2%
Net Income	276	326	18%

Assets Under Management (Million Pesos)	1Q19	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	153,616	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	27,823	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	2,761	Solida Asset Management and Banorte	Non Interest Income
Total	184,201		

Net Income

Recovery Banking closed the quarter with profits of Ps 326 million, up 18% vs. 1Q18. This was driven by higher revenues from loan recoveries of Ps 32 million, and a (Ps 19 million) reduction in recovered acquired portfolios (net of taxes).

Assets Under Management

- Out of the **total assets originated by Banorte** totaling **Ps 154 billion** in 1Q19, 26% were mortgage loans, 22% credit cards, 13% crediactivo, 20% payroll loans, 6% foreclosed assets, 7% auto loans, 3% commercial loans, and the remaining 3% were other loans.

Gross income in 1Q19 amounted to Ps 558 million, up 18% annually.

- During 1Q19, of the total portfolio acquired and managed by Recovery Banking, 49% is related to the mortgage portfolio, 11% to commercial and SME, 11% is the managed portfolio for SHF, 13% to foreclosed assets and assets received in lieu of payment, and 16% to real estate portfolios.

Gross income from these portfolios was **Ps 168 million** in 1Q19, (21%) lower annually.

III. General Information

Infrastructure

INFRASTRUCTURE	1Q18	4Q18	1Q19
Employees (1)	29,792	30,538	29,425
Branches	1,152	1,150	1,149
ATM's	7,937	8,423	8,453
POS's	169,405	158,735	158,533

1) Includes full time and third party employees from Banking and Afore

GFNORTE's Analyst Coverage

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

BROKER	ANALYST	RECOMMENDATION	DATE
Barclays	Gilberto García	Buy	24-Jan-19
Bradesco	Alain Nicolau	Buy	13-Mar-19
Brasil Plural	Eduardo Nishio	Buy	24-Jan-19
BTG Pactual	Eduardo Rosman	Buy	30-Nov-18
Citi	Jorg Friedman	Buy	21-Mar-19
GBM	Jorge Benitez	Buy	24-Jan-19
Goldman Sachs	Carlos Macedo	Buy	28-Jan-19
Intercam	Sofía Robles	Buy	29-Nov-18
Itaú BBA	Thiago Batista	Buy	24-Jan-19
JP Morgan	Domingos Falavina	Buy	24-Jan-19
UBS	Philip Finch	Buy	13-Nov-18
HSBC	Carlos Gómez	Buy	28-Jan-19
BBVA	Rodrigo Ortega	Buy	31-Mar-19
Santander	Claudia Benavente	Buy	14-Feb-19
Scotia	Jason Mollin	Buy	12-Mar-19
Actinver	Enrique Mendoza	Hold	14-Nov-18
BOFA - Merrill Lynch	Mario Pierry	Hold	11-Nov-18
Credit Suisse	Marcelo Telles	Hold	9-Dec-18
Invex	Montserrat Antón	Hold	6-Feb-19
Morgan Stanley	Jorge Kuri	Sell	8-Mar-19

Ratings

International Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Negative	Outlook	October, 2018
		BBB+	Counterparty credit - Long term foreign currency	
		BBB+	Counterparty credit - Long term local currency	
		A-2	Counterparty credit - Short term foreign currency	
		A-2	Counterparty credit - Short term local currency	
		BBB	Senior Unsecured Notes	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
Fitch	Grupo Financiero Banorte	Negative	Outlook / Risk Watch	November, 2018
		Negative	Risk Watch	
		bbb+	Viability	
		BBB+	Long term foreign currency (IDR'S)	
		F2	Short term foreign currency (IDR'S)	
		5	Support Rating-GFNorte	
		NF (Not Floor)	Support Rating Floor - GFNorte	
	Banco Mercantil del Norte	Negative	Outlook / Risk Watch	
		bbb+	Viability	
		BBB+	Long term foreign currency	
		F2	Short term foreign Currency	
		C	Individual - Foreign Currency	
		BBB-	Support Rating Floor	
Moody's	Banco Mercantil del Norte	2	Support Rating - Banco Mercantil del Norte	April, 2019
		BB+ (EXP)	Long term foreign currency subordinated debt	
		BB	Subordinated Junior Notes (from the merged Ixe Banco)	
		Stable	Outlook	
		baa2	Baseline Credit Assessment	
		Stable	Outlook	
		A3	Long term local currency deposits*	
		A3	Long term foreign currency deposits	
		P-2	Short term local currency deposits*	
		P-2	Short term foreign currency deposits	
	Cayman	A3	Long term foreign currency senior debt*	October, 2017
		Baa3	Long term local currency subordinated debt	
		baa2	Baseline Credit Adjusted Assessment	
		A3 (cr)	Long term counterparty risk assesment	
	Arrendadora y Factor Banorte	Prime-2 (cr)	Short term counterparty risk assesment	April, 2018
		Ba1 (hyb)	Long term local currency junior subordinated debt	
		Ba2 (hyb)	Long term local currency junior subordinated debt	
		Ba2 (hyb)	Long term foreing currency subordinated debt	
		A3	Senior debt unsecured	August, 2018
		Stable	Outlook	
		Baa2	Long-term issuer rating	
		(P)P-2	Short term local currency issuer	
		(P)P-2	Short term local currency senior debt	

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date
Standard & Poor's	Banco Mercantil del Norte	Negative	Outlook	October, 2018
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty - Long term	
	Casa de Bolsa Banorte	Stable	Outlook	
		mxA-1+	National Scale Counterparty credit - Short term	
		mxAAA	National Scale Counterparty credit - Long term	
Fitch	Banco Mercantil del Norte	Negative	Outlook / Risk Watch	November, 2018
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale Counterparty - Short term	
		F1+ (mex)	Depo. Certi. y P.R.L.V. short Term	
		AA+ (mex)	Depo. Certi. y P.R.L.V. long term	
	Casa de Bolsa Banorte	Negative	Outlook / Risk Watch	
		F1+ (mex)	National Scale - Short term	
		AAA (mex)	National Scale - Long term	
	Arrendadora y Factor Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
		F1+ (mex)	National Scale - Unsecured Debt - Short term	
		AAA (mex)	National Scale - Unsecured Debt - Long term	
	Almacenadora Banorte	F1+ (mex)	National Scale Counterparty - Short term	
		AAA (mex)	National Scale Counterparty - Long term	
	Pensiones Banorte	Negative	Outlook / Risk Watch	
		AAA (mex)	National Scale	
	Seguros Banorte	Negative	Outlook / Risk Watch	
		AAA (mex)	Financial Strenght	
Moody's	Banco Mercantil del Norte	Stable	Outlook	October, 2018
		Aaa.mx	National Scale - Long term deposits	
		MX-1	National Scale - Short term deposits	
	Arrendadora y Factor Banorte	Aa3.mx	Subordinated debt - Long term	
		Stable	Outlook	October, 2017
HR Ratings	Banco Mercantil del Norte	MX-1	National Scale - Short term issuer	August, 2018
		Aa2.mx	National Scale - Long term senior debt*	October, 2017
		MX-1	National Scale - Short term senior debt	August, 2018
	Arrendadora y Factor Banorte	Stable	Outlook	November, 2018
		HR AAA	National Scale - Short term issuer	
		HR+1	National Scale - Long term issuer	
		Stable	Outlook	August, 2018
		HR +1	National Scale - Short term issuer	
		HR AAA	National Scale - Long term issuer	

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	1Q19
Banco Mercantil del Norte, S. A.	98.2619%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	100.0000%
Almacenadora Banorte, S.A. de C.V.	100.0000%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	100.0000%
Operadora de Fondos Banorte Ixe, S.A. de C.V.*	88.8400%
Ixe Servicios, S.A. de C.V.	100.0000%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.7167%
Banorte Ahorro y Previsión, S.A. de C.V.	100.0000%
Seguros Banorte	97.6711%

*In addition to this, there is an 11.1587% ownership of Operadora de Fondos in Banco Mercantil del Norte and 0.0012% in Casa de Bolsa Banorte

Holding Company Capital Structure

Holding Company Capital Structure

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

Group's Main Officers

Group's Main Officers 1Q19	
Name	Current Position
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Fernando Solís Soberón	Managing Director – Long Term Savings
Carlos Alberto Rojo Macedo	Managing Director – Infrastructure Projects and Development
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Héctor Ávila Flores	Chief Legal Counsel
Javier Beltrán Cantú	Managing Director – Administration and Human Resources
Carlos de la Isla Corry	Chief Credit and Risk Officer
Isaías Velázquez González	Managing Director - Internal Audit

Integration of the Board of Directors

Board of Directors for the fiscal year 2018, appointed and approved in the Annual General Shareholders' Meeting held on April 27, 2018.

Grupo Financiero Banorte

PROPRIETARY

Carlos Hank González	Chairman
Juan Antonio González Moreno	
David Juan Villarreal Montemayor	
José Marcos Ramírez Miguel	
Everardo Elizondo Almaguer	Independent
Carmen Patricia Armendáriz Guerra	Independent
Héctor Federico Reyes-Retana y Dahl	Independent
Eduardo Livas Cantú	Independent
Alfredo Elías Ayub	Independent
Adrián Sada Cueva	Independent
Alejandro Burillo Azcárraga	Independent
José Antonio Chedraui Eguía	Independent
Alfonso de Angoitia Noriega	Independent
Thomas Stanley Heather Rodríguez	Independent

SUBSTITUTE

Graciela González Moreno	
Juan Antonio González Marcos	
Carlos de la Isla Corry	
Clemente Ismael Reyes Retana Valdés	Independent
Alberto Halabe Hamui	Independent
Manuel Aznar Nicolás	Independent
Roberto Kelleher Vales	Independent
Isaac Becker Kabacnik	Independent
José María Garza Treviño	Independent
Javier Braun Burillo	Independent
Humberto Tafolla Nuñez	Independent
Guadalupe Phillips Margain	Independent
Ricardo Maldonado Yáñez	Independent

IV. Financial Statements

Holding

Income Statement-Holding <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
Income Subsidiaries	6,588	7,075	7,719	10,018	9,909
Interest Income	202	195	116	82	59
Interest Expense	-	-	-	-	-
Fund Transfers	-	-	-	-	-
Trading Income	-	-	1	1	1
Other Operating Income (Expenses)	0	-	0	14	0
Non-Interest Expense	25	26	32	27	26
Pre-Tax Income	6,765	7,244	7,804	10,087	9,943
Income Tax	-	-	-	-	-
Tax on Assets	-	-	-	-	-
Deferred Income Tax	4	59	9	(9)	1
Taxes	4	59	9	(9)	1
Net Income from Continuous Operations	6,762	7,185	7,795	10,096	9,941
Discontinued Operations	-	-	-	-	-
Net Income	6,762	7,185	7,795	10,096	9,941

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
ASSETS					
Cash and Due from Banks	6,263	0	395	0	0
Margin Accounts	-	-	-	-	-
Investment in Securities	-	-	38	48	49
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans,net	4,816	5,667	6,016	2,872	2,928
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	4,816	5,667	6,016	2,872	2,928
Valuation adjustments for Asset Coverage	-	-	-	-	-
Performing Loans	-	-	-	-	-
Past Due Loans	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-
Benef.receivab.securization transactions	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	0	139	28	28
Inventories	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-
Investment in Subsidiaries	128,314	130,032	140,560	145,031	155,472
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	182	123	114	123	122
Goodwill and Intangibles	10,536	10,513	20,333	22,276	22,277
Other Assets Short and Long Term	-	-	-	-	-
Other Assets					
	139,032	140,669	161,146	167,458	177,898
TOTAL ASSETS	150,111	146,336	167,595	170,378	180,876

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
LIABILITIES					
Demand Deposits	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-
Deposits	-	-	-	-	-
Due to Banks & Correspondents	-	-	-	-	-
Total Collateral sold	-	-	-	-	-
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	0	0	7	2	3
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	-	-	-	-	-
TOTAL LIABILITIES	0	0	7	2	3
EQUITY					
Paid-in Capital	14,591	14,591	14,989	14,972	14,976
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	35,519	35,620	47,941	48,003	48,151
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,110	50,211	62,930	62,976	63,127
Capital Reserves	5,379	5,379	5,787	5,207	5,333
Retained Earnings	92,801	82,929	82,789	74,649	106,169
Surplus (Deficit) of Secs Available for Sale	(3,488)	(4,629)	(4,150)	(2,127)	(60)
Results from Valuation of Hedging Secs	(2,103)	(2,170)	(2,039)	(3,369)	(3,027)
Result in the valuation reserve for unexpired risks variations in rates	77	79	112	28	(7)
Results from Conversions	1,618	1,753	1,700	1,751	105
Remeasurements defined benefits for employees	(1,045)	(1,163)	(1,282)	(576)	(708)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	6,762	13,947	21,741	31,837	9,941
Earned Capital	100,002	96,126	104,658	107,400	117,746
Minority Interest	-	-	-	-	-
Total Equity	150,111	146,336	167,588	170,376	180,873
TOTAL LIABILITIES & EQUITY	150,111	146,336	167,595	170,378	180,876
Holding - Memorandum Accounts <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-
Properties in Custody or Management	36,535	36,535	51,040	51,040	51,040
Collateral Received	4,812	5,663	6,013	2,871	2,926
Proprietary Transactions	41,347	42,198	57,053	53,911	53,967
TOTAL PROPRIETARY	41,347	42,198	57,053	53,911	53,967

Grupo Financiero Banorte

Income Statement -GFNorte <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
Interest Income	29,958	30,366	37,111	38,865	37,751
Interest Expense	12,311	13,132	16,944	17,316	18,126
Charged Fees	290	321	334	338	323
Fees Paid	239	255	273	284	281
Net Interest Income from interest & fees (NII)	17,698	17,299	20,228	21,603	19,668
Premium Income (Net)	11,632	5,614	5,983	5,838	12,214
Net Increase in Technical Reserves	6,976	814	2,458	3,260	6,766
Damages, Claims and Other Obligations	4,049	4,239	4,692	4,582	4,332
Net Interest Income (NII)	18,305	17,860	19,061	19,600	20,784
Preventive Provisions for Loan Losses	4,264	3,844	4,065	3,906	3,761
Net Interest Income Adjusted for Credit Risk	14,041	14,016	14,996	15,693	17,023
For Commercial and Mortgage Loans	135	269	376	492	223
For Consumer and Credit Card Loans	1,120	1,158	1,179	1,253	1,212
Fiduciary	108	126	129	135	119
Income from Real Estate Portfolios	36	26	15	113	48
Trading & Financial Advising Fees	201	231	138	131	108
Other Fees Charged	286	279	288	250	304
Fees Charged on Services	5,121	5,547	5,635	6,263	5,540
Interchange Fees	880	986	961	1,173	1,082
Insurance Fees	725	144	316	294	581
Other Fees Paid	911	1,163	905	1,066	910
Fees Paid on Services	2,516	2,294	2,182	2,534	2,573
Net Service Fees	2,604	3,254	3,453	3,730	2,967
Currency and Metals	(123)	237	(97)	(136)	(6)
Derivatives	195	603	(2)	1,184	521
Negotiable Instruments	(55)	76	109	(266)	186
Valuation	17	916	10	782	702
Currency and Metals	613	354	638	509	101
Derivatives	39	(117)	70	(63)	82
Negotiable Instruments	198	69	160	35	267
Trading	850	305	868	481	450
Trading Income	866	1,221	877	1,263	1,152
Loan Recovery	3	2	2	2	2
Loan Portfolios	44	58	69	56	59
Income from foreclosed assets	80	68	188	(60)	88
Provisions Release	14	1	29	(29)	23
From Insurance	200	254	197	218	263
Other Operating Expense	1,233	266	496	2,891	2,287
Total Other Operating Income (Expense)	611	401	452	2,795	2,168
Total Non Interest Income	4,082	4,876	4,783	7,788	6,287
Total Operating Income	18,123	18,892	19,779	23,481	23,310
Personnel	3,535	3,850	3,721	3,915	3,932
Employee Profit Sharing (PTU)	106	106	120	123	123
Professional Fees	714	754	772	1,090	738
Administrative and Promotional Expenses	1,938	1,971	2,086	1,959	2,135
Rents, Depreciation & Amortization	1,347	1,386	1,435	1,458	1,676
Taxes other than income tax & non deductible expenses	788	191	481	615	561
Contributions to IPAB/Fobaproa	725	726	845	853	839
Total Non Interest Expense	9,153	8,984	9,461	10,013	10,004
Operating Income	8,970	9,908	10,318	13,468	13,306
Subsidiaries' Net Income	357	409	375	245	411
Pre-Tax Income	9,327	10,317	10,693	13,713	13,717
Income Tax	2,343	2,627	2,808	2,989	3,062
Tax on Assets	-	-	-	-	-
Deferred Income Tax	128	396	(41)	385	588
Taxes	2,472	3,023	2,767	3,375	3,650
Net Income from Continuous Operations	6,856	7,294	7,926	10,338	10,067
Discontinued Operations	-	-	-	-	-
Minority Interest	(87)	(102)	(110)	(156)	(135)
Net Income	6,768	7,191	7,816	10,182	9,932

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
ASSETS					
Cash and Due from Banks	87,954	69,649	65,483	75,637	72,135
Margin Accounts	1,739	1,680	1,764	1,458	3,508
Negotiable Instruments	258,739	259,179	260,794	257,904	250,541
Securities Available for Sale	164,663	157,586	203,583	214,164	196,009
Securities Held to Maturity	97,981	98,689	120,494	128,038	131,202
Investment in Securities	521,382	515,454	584,871	600,106	577,752
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans, net	595	187	372	1,021	253
Securities Lending	-	-	-	-	-
For trading purposes	24,404	28,796	28,233	28,083	23,793
For hedging purposes	293	134	349	156	15
Operations w/Derivatives & Securities					
Transactions with Derivatives	24,697	28,931	28,582	28,239	23,807
Operations w/Derivatives & Securities	25,291	29,118	28,954	29,260	24,061
Valuation adjustments for Asset Coverage	95	91	88	84	80
Commercial Loans	234,847	248,783	283,315	302,845	298,561
Financial Intermediaries' Loans	5,576	4,967	7,312	7,734	9,384
Consumer Loans	108,477	111,471	112,954	113,441	114,086
Mortgage Loans	139,779	145,351	150,517	155,798	158,605
Medium and Residential	135,952	141,629	146,834	152,270	155,134
low income housing	23	20	19	16	13
Loans acquired from INFONAVIT or FOVISSSTE	3,804	3,702	3,665	3,511	3,457
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities' Loans	134,017	130,087	197,636	197,373	181,470
Performing Loans	622,695	640,660	751,735	777,192	762,105
Commercial PDL's	6,913	7,116	7,614	7,387	7,740
Financial Intermediaries PDL's	1	0	0	0	4
Consumer PDL's	3,976	4,424	4,816	4,408	4,183
Mortgage PDL's	1,315	1,347	1,448	1,464	1,557
Medium and Residential	1,186	1,227	1,324	1,349	1,417
low income housing	1	1	2	2	0
Loans acquired from INFONAVIT or FOVISSSTE	128	119	123	113	139
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	-	-	16	4	4
Past Due Loans	12,205	12,888	13,895	13,263	13,488
Gross Loan Portfolio	634,900	653,547	765,630	790,455	775,594
Preventive Loan Loss Reserves	16,674	17,161	18,906	18,844	18,329
Net Loan Portfolio	618,226	636,386	746,725	771,611	757,265
Acquired Collection Rights	2,315	2,781	2,610	2,417	2,217
Total Credit Portfolio	620,541	639,168	749,335	774,028	759,482
Account Receivables from Insurance and Annuities	1,879	2,133	2,227	2,241	1,763
Premium Debtors (Net)	11,026	8,866	6,212	3,835	11,246
Account Receivables from Reinsurance	13,682	14,044	12,069	8,956	11,532
Benef. receivab. securization transactions	162	149	169	61	85
Sundry Debtors & Other Accs Rec, Net	36,942	54,191	52,911	42,008	49,472
Inventories	594	1,058	740	961	765
Foreclosed Assets, Net	1,131	1,011	1,088	895	988
Real Estate, Furniture & Equipment, Net	17,871	18,089	18,860	17,684	17,338
Investment in Subsidiaries	12,953	13,328	13,837	14,038	13,278
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	2,629	2,631	3,504	4,318	2,632
Goodwill and Intangibles	27,226	29,707	42,321	44,550	48,117
Other Assets Short and Long Term	431	275	360	350	375
Other Assets					
	126,524	145,484	154,297	139,898	157,589
TOTAL ASSETS	1,383,526	1,400,644	1,584,791	1,620,470	1,594,607

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
LIABILITIES					
Demand Deposits	387,601	401,870	404,405	410,375	389,657
Time Deposits-Retail	240,557	238,418	268,129	276,386	280,204
Time Deposits-Money Market	9,984	13,264	55,689	55,552	51,019
Global Account of deposits without movements	1,673	1,709	1,769	1,891	1,803
Senior Unsecured Debt	2,764	4,995	7,041	12,098	12,272
Deposits	642,579	660,257	737,033	756,301	734,956
Demand Loans	0	0	0	0	0
Short Term Loans	13,029	15,670	19,884	25,724	18,743
Long Term Loans	17,508	16,597	32,057	33,035	33,310
Due to Banks & Correspondents	30,537	32,267	51,941	58,759	52,052
Technical Reserves	118,660	119,065	135,585	140,879	150,637
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	311,829	323,057	369,793	369,457	350,667
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	1	2	1	2	9
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	1	2	1	2	9
For trading purposes	21,195	25,966	24,956	23,605	18,872
For hedging purposes	8,180	9,646	7,797	10,963	9,313
Operations w/ Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	29,374	35,612	32,753	34,568	28,184
Total Operations w/ Derivatives & Securities	341,204	358,671	402,547	404,027	378,860
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accountsfor Reinsurance	4,075	3,507	3,030	1,325	2,615
Income Tax Payable	2,549	2,253	3,310	3,296	2,248
Profit Sharing Payable	127	216	367	485	606
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	28,512	5,488	7,176	4,469	11,939
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	30,270	35,573	39,587	42,326	41,667
Other Payable Accounts	61,458	43,530	50,441	50,576	56,460
Subordinated Non Convertible Debt	30,482	32,507	32,241	33,560	33,327
Deferred Taxes, Net	0	(0)	(0)	-	(0)
Deferred Credits	450	477	512	579	592
TOTAL LIABILITIES	1,229,446	1,250,281	1,413,330	1,446,006	1,409,497
EQUITY					
Paid-in Capital	14,588	14,588	14,979	14,962	14,967
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	35,692	35,793	47,849	47,904	48,081
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	50,280	50,381	62,828	62,866	63,048
Capital Reserves	5,379	5,379	5,787	5,207	5,333
Retained Earnings	94,702	84,830	84,690	76,550	108,191
Surplus (Deficit) of Secs Available for Sale	(3,513)	(4,659)	(4,198)	(2,136)	(80)
Results from Valuation of Hedging Secs	(2,103)	(2,170)	(2,039)	(3,369)	(3,027)
Result in the valuation reserve for unexpired risks variations in rates	77	79	112	28	(7)
Results from Conversions	1,618	1,753	1,700	1,751	105
Remeasurements defined benefits for employees	(1,045)	(1,163)	(1,282)	(576)	(708)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	6,768	13,960	21,776	31,958	9,932
Earned Capital	101,885	98,009	106,546	109,412	119,738
Minority Interest	1,916	1,973	2,088	2,185	2,323
Total Equity	154,081	150,363	171,461	174,464	185,110
TOTAL LIABILITIES & EQUITY	1,383,526	1,400,644	1,584,791	1,620,470	1,594,607

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
On behalf of Third Parties					
Customer's Banks	37	44	200	236	34
Dividends Receivable from Customers	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-
Settlement of Customer Transactions	182	86	126	(145)	32
Customer Premiums	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-
Other Current Accounts	-	-	-	-	-
Customers' Current Account	219	129	326	91	66
Client Securities Received in Custody	657,387	686,453	786,752	699,130	709,242
Securities and Documents Received in Guarantee	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-
Clients' Securities	657,387	686,453	786,752	699,130	709,242
Clients' Repurchase Operations	167,552	154,485	194,824	209,591	184,937
Clients' Repo Transactions w/ Securities	-	-	-	-	-
Collateral received in guarantee for customer accounts	167,518	154,451	194,825	209,595	184,939
Purchase of Futures & Forward Contracts, national	-	-	-	-	-
Sale of Futures and Forward Contracts, national	-	-	-	-	-
Clients' Option Purchase Operations	-	-	-	-	-
Clients' Option Sales Operations	-	-	-	-	-
Purchase Operations of derivatives	-	-	-	-	-
Clients' Sales Operations of derivatives	-	-	-	-	-
Trusts under Management	104,431	101,779	100,614	91,152	89,878
Transactions On Behalf of Clients	439,500	410,715	490,263	510,338	459,754
Investment Bank Trans. on behalf of Third (Net)	89,601	90,056	71,600	68,035	82,947
TOTAL ON BEHALF OF THIRD PARTIES	1,186,708	1,187,353	1,348,941	1,277,594	1,252,008
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	269,875	290,268	320,465	305,418	316,687
Trusts	267,263	264,320	452,846	442,948	445,853
Mandates	14,628	16,625	16,500	15,847	1,344
Properties in Trusts and Warrant	281,891	280,945	469,346	458,795	447,197
Properties in Custody or Management	577,678	590,176	738,265	676,612	687,330
Collateral Received	187,966	181,148	230,558	245,892	230,687
Collateral Received or sold or delivered	273,284	250,217	326,695	372,881	327,444
Drafts in Transit	-	-	-	-	-
Assets' Deposit	2,498	1,545	1,382	2,781	2,658
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-
Contingent assets & Liabilities	119	131	166	193	54
Uncollected Accrued Interest from Past Due Loans	363	358	659	636	633
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	255,021	266,235
Proprietary Transactions	1,593,673	1,594,788	2,087,536	2,318,227	2,278,926
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	1,593,673	1,594,788	2,087,536	2,318,227	2,278,926

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

Net Income	9,932
Items charged to results that do not generate or require use of resources	
Depreciation	415
Technical Reserves	6,766
Provisions	2,544
Income taxes and deferred	3,650
Minority Interest	(276)
	13,099
	23,031
Change in items related to operations	
Change in Margin Accounts	(2,051)
Change in Investment in Securities	22,354
Change in repo debtors	768
Change in derivatives (assets)	4,294
Change in Loan Portfolio (net)	14,346
Change in purchased receivables (net)	200
Change in accounts receivable insurance and bonding institutions (net)	478
Change in debtor premiums (net)	(7,411)
Change in Reinsurance (net)	(2,576)
Change in benefits to receive from securitizations	(24)
Change in foreclosed assets (net)	(92)
Change in other operating assets (net)	(10,259)
Change in core deposits	(21,346)
Change in interbank loans and other entities	(6,706)
Change in repo creditors	(18,790)
Change in collateral pledged sold	6
Change in derivatives (liability)	(4,733)
Change in Technical Reserves (net)	2,992
Change in Reinsurance (net) (liability)	1,290
Change in subordinated debt with characteristics of liabilities	(234)
Change in other operating liabilities	4,705
Change in hedging instruments (the related hedged transaction activities)	(1,509)
Income Tax Payments	(3,019)
Net cash generated or used from operations	(4,286)
Investment Activities	
Charges for disposal of property, furniture and equipment	764
Payments for acquisition of property, furniture and equipment	(834)
Subsidiaries and associated acquisitions payment	3
Charges for cash dividends	1,175
Net cash generated or used from investment activities	1,108
Financing Activities	
Payments of interests of subordinated debentures	(313)
Net cash flows from financing activities	(313)
Net Cash Increase (decrease) and equivalents value	(3,491)
Effects for changes in cash and equivalents value	(11)
Cash and cash equivalents at beginning of period	75,637
Cash and cash equivalents at end of period	72,135

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 – MARCH 31, 2019

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
Balance as of December 31, 2018	14,962	47,904	5,207	76,550	(2,136)	(3,369)	28	1,751	(576)	31,958	2,185	174,464
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	5	170	126		(10)							291
Capitalization of profits				31,958						(31,958)		0
Banorte USA subsidiary's Sale Accounting Effect								(1,632)				(1,632)
Total	5	170	126	31,958	(10)	0	0	(1,632)	0	(31,958)	0	(1,341)
Changes stemming from profits												
Total profits:												
Net Income										9,932		9,932
Result from valuation of securities available for sale					2,066							2,066
Effect of subsidiaries, associates and mutual funds		7		(4)				(14)				(11)
Result from valuation of instruments of cash flow hedges						342						342
Result in valuation of current risk reserve due to changes in							(35)					(35)
Remeasurements defined benefits for employees									(132)			(132)
Interest of subordinated debentures				(313)								(313)
Total	0	7	0	(317)	2,066	342	(35)	(14)	(132)	9,932	0	11,849
Recognition of minority interest											138	138
Balance as of March 31, 2019	14,967	48,081	5,333	108,191	(80)	(3,027)	(7)	105	(708)	9,932	2,323	185,110

Bank

Income Statement - Bank <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
Interest Income	25,945	26,729	31,437	32,587	32,320
Interest Expense	11,254	11,168	14,799	15,201	15,432
Charged Fees	290	320	333	338	323
Fees Paid	237	253	271	283	280
Net Interest Income (NII)	14,744	15,628	16,700	17,442	16,931
Preventive Provisions for Loan Losses	4,149	3,759	3,919	3,809	3,700
Net Interest Income Adjusted for Credit Risk	10,596	11,869	12,781	13,633	13,231
Fund Transfers	363	422	418	430	367
Account Management Fees	639	650	650	662	623
Electronic Banking Services	1,880	2,019	2,007	2,362	2,128
For Commercial and Mortgage Loans	135	269	376	492	223
For Consumer Loans	1,117	1,155	1,176	1,251	1,210
Fiduciary	107	126	129	134	118
Income from Real Estate Portfolios	20	7	3	16	1
Trading & Financial Advising Fees	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1
Other Fees Charged	577	585	618	580	632
Fees Charged on Services	4,840	5,233	5,377	5,929	5,303
Interchange Fees	880	986	961	1,173	1,082
Insurance Fees	-	-	-	-	-
Other Fees Paid	864	999	975	1,011	869
Fees Paid on Services	1,744	1,985	1,936	2,185	1,951
Net Fees	3,096	3,248	3,441	3,744	3,351
Foreign Exchange	(116)	231	(93)	(140)	(5)
Derivatives	199	605	(1)	1,185	521
Negotiable Instruments	(31)	41	45	(138)	68
Valuation	52	877	(50)	907	585
Currency and Metals	613	354	638	509	101
Derivatives	39	(117)	70	(63)	82
Negotiable Instruments	103	17	55	(205)	166
Trading	755	254	763	241	349
Trading Income	807	1,131	713	1,148	934
Loan Recovery	-	-	-	-	-
Loan Portfolios	29	36	42	35	45
Income from foreclosed assets	70	87	176	116	88
Provisions Release	-	-	-	-	-
Losses and Estimates	(715)	(337)	(616)	(313)	(447)
Impairment of Assets	-	-	-	(7)	(132)
Lease Income	15	3	20	18	19
From Insurance	-	-	-	-	-
Other Operating Expense	993	95	431	2,693	2,248
Total Other Operating Income (Expenses)	391	(116)	53	2,541	1,820
Total Non-Interest Income	4,294	4,263	4,208	7,433	6,105
Total Operating Income	14,889	16,132	16,989	21,066	19,336
Personnel	3,370	3,679	3,534	3,728	3,765
Employee Profit Sharing (PTU)	104	104	118	118	121
Professional Fees	606	621	621	870	610
Administrative and Promotional Expenses	1,782	1,824	1,915	1,822	1,926
Rents, Depreciation & Amortization	1,272	1,311	1,356	1,380	1,595
Taxes other than income tax & non-deductible expenses	724	126	430	514	485
Contributions to IPAB/Fobaproa	725	726	845	853	839
Total Non-Interest Expense	8,582	8,392	8,820	9,286	9,341
Operating Income	6,307	7,740	8,169	11,780	9,996
Subsidiaries' Net Income	25	49	44	43	14
Pre-Tax Income	6,332	7,790	8,213	11,823	10,009
Income Tax	1,591	2,112	2,324	2,539	2,176
Deferred Income Tax	123	285	(126)	476	472
Taxes	1,714	2,397	2,198	3,015	2,647
Net Income from Continuous Operations	4,618	5,392	6,015	8,808	7,362
Discontinued Operations	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)
Net Income	4,618	5,392	6,015	8,808	7,362

Bank - Balance Sheet (Million Pesos)	1Q18	2Q18	3Q18	4Q18	1Q19
ASSETS					
Cash and Due from Banks	87,771	69,226	65,084	75,233	71,563
Margin Accounts	1,739	1,680	1,764	1,458	3,508
Negotiable Instruments	85,206	95,500	84,122	92,418	100,271
Securities Available for Sale	150,133	145,572	162,694	147,986	138,523
Securities Held to Maturity	6,836	6,770	8,888	8,492	8,456
Investment in Securities	242,175	247,842	255,704	248,896	247,250
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans,net	1	0	1	405	3
Securities Lending	-	-	-	-	-
For trading purposes	24,399	28,794	28,231	28,083	23,793
For hedging purposes	293	134	349	156	15
Operations w/Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	24,692	28,929	28,581	28,239	23,807
Operations w/Derivatives & Securities	24,693	28,929	28,582	28,643	23,810
Valuation adjustments for Asset Coverage	95	91	88	84	80
Commercial Loans	211,079	224,216	258,347	275,979	272,884
Financial Intermediaries' Loans	24,843	22,887	26,114	21,088	22,708
Consumer Loans	105,358	108,725	110,491	111,237	112,105
Mortgage Loans	139,779	145,351	150,517	155,798	158,605
Medium and Residential	135,952	141,629	146,834	152,270	155,134
low income housing	23	20	19	16	13
Loans acquired from INFONAVIT or FOVISSSTE	3,804	3,702	3,665	3,511	3,457
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities' Loans	131,014	128,397	194,085	192,234	179,434
Loans granted as Federal Agent	-	-	-	-	-
Performing Loans	612,074	629,576	739,555	756,336	745,735
Commercial PDL's	6,723	6,930	7,422	7,044	7,418
Financial Intermediaries PDL's	1	0	0	0	4
Consumer PDL's	3,875	4,342	4,729	4,331	4,115
Mortgage PDL's	1,315	1,347	1,448	1,464	1,557
Medium and Residential	1,186	1,227	1,324	1,349	1,417
low income housing	1	1	2	2	0
Loans acquired from INFONAVIT or FOVISSSTE	128	119	123	113	139
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	-	-	13	0	0
Past Due Loans	11,914	12,619	13,612	12,840	13,095
Gross Loan Portfolio	623,988	642,196	753,167	769,176	758,830
Preventive Loan Loss Reserves	16,108	16,639	18,333	18,264	17,822
Net Loan Portfolio	607,880	625,556	734,834	750,912	741,008
Acquired Collection Rights	1,794	2,298	2,149	2,001	1,864
Total Credit Portfolio	609,673	627,855	736,983	752,913	742,872
Benef. receivab. securization transactions	162	149	169	61	85
Sundry Debtors & Other Accs Rec, Net	27,055	43,581	42,559	36,083	43,371
Inventories	-	-	-	-	-
Foreclosed Assets, Net	754	704	768	738	770
Real Estate, Furniture & Equipment, Net	13,720	13,893	14,753	13,547	13,667
Investment in Subsidiaries	175	192	347	342	362
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	3,189	3,302	4,174	4,839	3,328
Goodwill and Intangibles	12,639	14,870	17,160	17,422	21,490
Other Assets Short and Long Term	57	53	306	235	226
	57,750	76,743	80,235	73,265	83,299
TOTAL ASSETS	1,023,894	1,052,365	1,168,439	1,180,492	1,172,383

Bank - Balance Sheet (Million Pesos)	1Q18	2Q18	3Q18	4Q18	1Q19
LIABILITIES					
Demand Deposits	389,330	403,109	406,557	412,118	391,855
Time Deposits-Retail	248,275	238,597	269,543	277,576	280,277
Time Deposits-Money Market	9,984	13,264	55,689	55,552	51,019
Global Account of deposits without movements	1,673	1,709	1,769	1,891	1,803
Senior Unsecured Debt	2,764	4,995	7,041	12,098	12,272
Deposits	652,027	661,675	740,598	759,235	737,227
Demand Loans	0	0	0	0	0
Short Term Loans	6,971	7,528	12,675	13,523	11,864
Long Term Loans	6,520	6,489	21,372	22,199	21,767
Due to Banks & Correspondents	13,491	14,017	34,047	35,722	33,631
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	150,684	175,344	181,148	163,507	172,118
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	1	2	1	2	9
Securities' Loans	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	1	2	1	2	9
For trading purposes	21,195	25,966	24,956	23,605	18,872
For hedging purposes	8,180	9,646	7,797	10,963	9,313
Operations w/ Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	29,374	35,612	32,753	34,568	28,184
Total Operations w/ Derivatives & Securities	180,059	210,958	213,902	198,077	200,311
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Income Tax Payable	1,794	1,121	1,929	1,696	1,341
Profit Sharing Payable	127	216	356	485	606
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	28,150	4,856	6,972	4,402	11,561
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	26,757	31,837	34,876	38,378	37,575
Other Payable Accounts	56,828	38,031	44,133	44,960	51,082
Subordinated Non Convertible Debt	30,482	32,507	32,241	33,560	33,327
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	464	456	484	535	505
TOTAL LIABILITIES	933,350	957,644	1,065,405	1,072,090	1,056,082
EQUITY					
Paid-in Capital	18,105	18,105	18,794	18,794	18,794
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	750	852	954	1,184	1,455
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	18,855	18,957	19,748	19,979	20,250
Capital Reserves	13,013	14,847	14,847	14,847	14,847
Retained Earnings	56,788	54,641	55,548	53,133	77,622
Surplus (Deficit) of Secs Available for Sale	(1,068)	(2,002)	(1,355)	(1,994)	65
Results from Valuation of Hedging Secs	(2,141)	(2,209)	(2,076)	(3,430)	(3,082)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-
Results from Conversions	1,542	1,661	1,623	1,659	(13)
Remeasurements defined benefits for employees	(1,063)	(1,184)	(1,328)	(628)	(752)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	4,618	10,010	16,025	24,834	7,362
Earned Capital	71,689	75,764	83,284	88,422	96,049
Minority Interest	0	0	2	2	3
Total Equity	90,544	94,721	103,034	108,403	116,301
TOTAL LIABILITIES & EQUITY	1,023,894	1,052,365	1,168,439	1,180,492	1,172,383

Bank - Memorandum Accounts <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
Investment Banking transactions for third parties, net	89,601	90,056	71,600	68,035	82,947
TOTAL ON BEHALF OF THIRD PARTIES	89,601	90,056	71,600	68,035	82,947
Proprietary Transactions					
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	230,194	252,633	280,011	269,658	275,296
Trusts	267,263	264,320	452,846	442,948	445,853
Mandates	14,628	16,625	16,500	15,847	1,344
Properties in Trusts and Warrant	281,891	280,945	469,346	458,795	447,197
Properties in Custody or Management	377,497	376,146	488,495	446,162	451,005
Collateral Received	174,273	167,571	223,700	237,642	212,316
Collateral Received or sold	99,167	89,256	131,673	159,301	130,919
Drafts in Transit	-	-	-	-	-
Deposits of assets	-	-	-	-	-
Letters of Credit to the Corporation as Guarantee	-	-	-	-	-
Securities to the Corporation for Custody	-	-	-	-	-
Government Secs of the Corp under Custody	-	-	-	-	-
Securities of the Corp given as Guarantee	-	-	-	-	-
Securities of the Corp Abroad	-	-	-	-	-
Settlement with FX of the Corp Abroad	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-
Contingent assets & liabilities	119	131	166	193	54
Uncollected Accrued Interest from Past Due Loans	361	357	657	634	632
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	226,303	240,660
Proprietary Transactions	1,163,501	1,167,038	1,594,048	1,798,688	1,758,077
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	1,163,501	1,167,038	1,594,048	1,798,688	1,758,077

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – MARCH 31, 2019***(Million Pesos)*

Net Income	7,362
Items charged to results that do not generate or require use of resources	
Depreciation	369
Provisions	2,550
Income taxes and deferred	2,648
Minority Interest	(14)
	5,553
	12,915
Change in items related to operations	
Change in Margin Accounts	(2,050)
Change in Investment in Securities	3,706
Change in repo debtors	402
Change in derivatives (assets)	4,294
Change in Loan Portfolio (net)	9,904
Change in purchased receivables (net)	136
Change in benefits to receive from securitizations	(24)
Change in foreclosed assets (net)	(32)
Change in other operating assets (net)	(11,358)
Change in core deposits	(22,008)
Change in interbank loans and other entities	(2,090)
Change in repo creditors	8,611
Change in collateral pledged sold	6
Change in derivatives (liability)	(4,734)
Change in subordinated debt with characteristics of liabilities	(234)
Change in other operating liabilities	2,365
Change in hedging instruments (the related hedged transaction activities)	(1,161)
Income Tax Payments	(1,499)
Net cash generated or used from operations	(2,851)
Investment Activities	
Charges for disposal of property, furniture and equipment	101
Payments for acquisition of property, furniture and equipment	(593)
Charges for Subsidiaries and associated Dispositions	3
Net cash generated or used from investment activities	(489)
Financing Activities	
Payments of interests of subordinated debentures	(319)
Net cash flows from financing activities	(319)
Net Cash Increase (decrease) and equivalents value	(3,659)
Effects for changes in cash and equivalents value	(11)
Cash and cash equivalents at beginning of period	75,233
Cash and cash equivalents at end of period	71,563

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018– MARCH 31, 2019

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									Total Stockholders' Equity
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest		
Balance as of December 31, 2018	18,794	1,184	14,847	53,133	(1,994)	(3,430)	1,659	(628)	24,834	3		108,402
Changes stemming from stockholders' decisions												
Capitalization of profits				24,834					(24,834)			0
Payment plan based on equity-settle shares in equity instruments		271										271
Fair Value effect form Merger with GFI				(18)								(18)
Banorte USA subsidiary's Sale Accounting Effect							(1,661)					(1,661)
Total	0	271	0	24,816	0	0	(1,661)	0	(24,834)	0		(1,408)
Changes stemming from profits												
Total profits:												
Net Income									7,362			7,362
Result from valuation of securities available for sale					2,059							2,059
Effect of subsidiaries, associates and mutual funds				1								1
Conversion accumulated effect							(11)					(11)
Result from valuation of instruments of cash flow hedges						348						348
Remeasurements defined benefits for employees				(9)				(124)				(133)
Interest of subordinated debentures				(319)								(319)
Total	0	0	0	(327)	2,059	348	(11)	(124)	7,362	0		9,307
Balance as of March 31, 2019	18,794	1,455	14,847	77,622	65	(3,082)	(13)	(752)	7,362	3		116,301

Seguros Banorte

Income Statement - Insurance - Seguros Banorte <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
Interest Income	338	359	379	345	444
Interest Expense	-	-	-	-	-
Premium Income (Net)	9,479	3,230	3,037	3,850	9,712
Net Increase in Technical Reserves	3,954	(918)	(1,424)	(450)	4,219
Damages, Claims and Other Obligations	2,912	3,022	3,199	3,026	2,699
Net Interest Income	2,951	1,485	1,642	1,619	3,238
Fees Charged on Services	-	-	-	-	-
Fees Paid on Services	952	370	557	530	817
Securities-Valuation Gains	-	-	-	-	-
Securities Trading	5	(0)	20	5	15
Trading Income	5	(0)	20	5	15
From Insurance	194	250	199	205	232
Losses and Estimates	(6)	(2)	(13)	(44)	(34)
Other Operating Income (Expense)	5	3	6	4	4
Total Other Operating Income (Expenses)	192	252	191	165	202
Total Non-Interest Income	(754)	(118)	(346)	(360)	(600)
Total Operating Income	2,197	1,367	1,296	1,259	2,637
Personnel	93	97	113	115	100
Employee Profit Sharing (PTU)	1	1	1	4	1
Professional Fees	57	67	76	102	58
Administrative and Promotional Expenses	84	90	89	87	103
Rents, Depreciation & Amortization	41	41	44	41	44
Taxes other than income tax & non-deductible expenses	27	21	24	23	28
Contributions to IPAB/Fobaproa	-	-	-	-	-
Total Non-Interest Expense	303	317	346	372	334
Operating Income	1,895	1,049	950	887	2,303
Subsidiaries' Net Income	335	370	348	216	416
Pre-Tax Income	2,229	1,419	1,298	1,103	2,719
Income Tax	590	299	263	258	695
Deferred Income Tax	(46)	(4)	(4)	(29)	(4)
Taxes	544	296	260	229	691
Net Income from Continuous Operations	1,685	1,123	1,039	874	2,028
Discontinued Operations	-	-	-	-	-
Minority Interest	(8)	(9)	(8)	(7)	(10)
Net Income	1,677	1,115	1,031	867	2,018

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
ASSETS					
Cash and Due from Banks	81	105	96	64	63
Margin Accounts	-	-	-	-	-
Negotiable Instruments	17,777	17,140	19,409	19,205	19,031
Securities Available for Sale	1,188	906	864	842	861
Securities Held to Maturity	(0)	-	-	(0)	(0)
Investment in Securities	18,965	18,046	20,274	20,046	19,893
Debtor Balance in Repo Trans,net	2,261	1,354	609	1,226	3,200
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	2,261	1,354	609	1,226	3,200
Valuation adjustments for Asset Coverage	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-
Account Receivables	500	710	745	710	164
Premium Debtors (Net)	10,913	8,666	6,002	3,578	10,970
Account Receivables from Reinsurance	13,682	14,044	12,069	8,956	11,532
Benef.receiveab.securization transactions	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-
Inventories	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	353	363	364	379	371
Investment in Subsidiaries	12,655	13,024	13,374	13,600	12,840
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	169	169	225	250	250
Goodwill and Intangibles	2,121	2,354	2,423	2,582	1,858
Other Assets Short and Long Term	94	92	90	89	91
	40,488	39,423	35,291	30,142	38,078
TOTAL ASSETS	61,795	58,928	56,270	51,478	61,233

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19
LIABILITIES					
Technical Reserves	29,468	28,058	24,838	22,688	29,792
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accountsfor Reinsurance	4,075	3,507	3,030	1,325	2,615
Income Tax Payable	630	923	1,180	1,406	699
Profit Sharing Payable	-	-	-	-	-
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	2,518	2,446	2,369	2,530	2,582
Other Payable Accounts	3,147	3,369	3,548	3,936	3,282
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	383	379	376	372	368
Deferred Credits	65	65	63	61	65
TOTAL LIABILITIES	37,138	35,379	31,855	28,382	36,121
EQUITY					
Paid-in Capital	13,766	13,766	13,928	13,928	13,928
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	13,766	13,766	13,928	13,928	13,928
Capital Reserves	1,789	2,195	2,247	2,247	2,247
Retained Earnings	6,948	4,332	3,917	1,800	6,500
Surplus (Deficit) of Secs Available for Sale	68	68	61	50	74
Results from Valuation of Hedging Secs	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	77	79	114	30	(5)
Results from Conversions	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	0	18	8
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	1,677	2,792	3,823	4,690	2,018
Earned Capital	10,560	9,465	10,162	8,835	10,842
Minority Interest	330	318	326	333	343
Total Equity	24,657	23,549	24,415	23,096	25,112
TOTAL LIABILITIES & EQUITY	61,795	58,928	56,270	51,478	61,233

Information by Segments

GFNorte - Income Statement as of March 31 '19

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	59	32,643	2,339	681	18	4,429
Premium Income (Net)	-	-	12,440	-	-	-
Interest Expense	-	15,711	-	432	1	4,326
Net Increase in Technical Reserves	-	-	6,766	-	-	-
Damages, Claims and Other Obligations	-	-	4,332	-	-	-
Net Interest Income (NII)	59	16,931	3,681	249	17	103
Preventive Provisions for Loan Losses	-	3,700	-	4	-	-
Net Interest Income Adjusted for Credit Risk	59	13,231	3,681	245	17	103
Loan Origination Fees	-	5,303	-	3	-	278
Fees Paid	-	1,951	820	18	0	23
Trading Income	1	934	21	-	-	197
Other Operating Income (Expenses)	0	1,820	223	153	(28)	7
Non Interest Income	1	12,109	1,674	172	(28)	816
Total Operating Income	60	25,341	5,355	417	(11)	919
Administrative and Promotional Expenses	26	9,341	421	69	15	269
Operating Income	34	9,996	2,684	314	(25)	293
Subsidiaries' Net Income	9,909	14	416	-	(0)	0
Pre-Tax Income	9,943	10,009	3,100	314	(25)	293
Income Tax	-	2,176	696	100	1	53
Deferred Income Tax	1	472	107	(11)	0	30
Net Income from Continuous Operations	9,941	7,362	2,298	226	(27)	211
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(55)	(0)	-	0
Net Income	9,941	7,362	2,243	226	(27)	211

GFNorte - Income Statement as of March 31 '19

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	9	1	113	40,292	2,218	-	38,075
Premium Income (Net)	-	-	-	12,440	225	-	12,214
Interest Expense	0	-	144	20,614	-	2,207	18,406
Net Increase in Technical Reserves	-	-	-	6,766	-	-	6,766
Damages, Claims and Other Obligations	-	-	-	4,332	-	-	4,332
Net Interest Income (NII)	9	1	(31)	21,020	-	-	20,784
Preventive Provisions for Loan Losses	-	-	57	3,761	-	-	3,761
Net Interest Income Adjusted for Credit Risk	9	1	(88)	17,259	-	-	17,023
Loan Origination Fees	428	-	63	6,075	535	-	5,540
Fees Paid	303	-	0	3,116	-	542	2,573
Trading Income	-	-	(1)	1,152	-	-	1,152
Other Operating Income (Expenses)	1	0	22	2,198	32	1	2,168
Non Interest Income	732	0	(289)	15,188	567	554	14,091
Total Operating Income	742	1	(377)	32,448	567	554	31,114
Administrative and Promotional Expenses	10	1	94	10,246	233	475	10,004
Operating Income	125	(0)	(98)	13,323	-	-	13,306
Subsidiaries' Net Income	5	-	(14)	10,330	9,919	-	411
Pre-Tax Income	131	(0)	(112)	23,653	-	-	13,717
Income Tax	36	-	-	3,062	-	-	3,062
Deferred Income Tax	0	-	(3)	595	-	7	588
Net Income from Continuous Operations	94	(0)	(109)	19,996	-	-	10,067
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(55)	138	58	(135)
Net Income	94	(0)	(109)	19,941	13,300	3,284	9,932

GFNorte - Balance Sheet as of March 31 '19

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Cash and Due from Banks	0	71,563	94	126	0	1,666
Margin Accounts	-	3,508	-	-	-	-
Investment in Securities	49	247,250	143,977	-	-	186,609
Negotiable Instruments	49	100,271	21,009	-	-	129,213
Securities Available for Sale	-	138,523	941	-	-	56,648
Securities Held to Maturity	-	8,456	122,027	-	-	748
Debtor Balance in Repo Trans, net	2,928	3	3,422	-	-	-
Transactions with Derivatives For trading purposes	-	23,793	-	-	-	-
Transactions with Derivatives For hedging purposes	-	15	-	-	-	-
Valuation adjustments for Asset Coverage	-	80	-	-	-	-
Gross Loan Portfolio	-	742,872	-	28,231	-	-
Net Loan Portfolio	-	741,008	-	28,231	-	-
Performing Loans	-	745,735	-	28,263	-	-
Commercial Loans	-	272,884	-	25,720	-	-
Financial Intermediaries' Loans	-	22,708	-	501	-	-
Government Entities' Loans	-	179,434	-	2,036	-	-
Consumer Loans	-	112,105	-	5	-	-
Mortgage Loans	-	158,605	-	-	-	-
Medium and Residential	-	155,134	-	-	-	-
Low income housing	-	13	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,457	-	-	-	-
Past Due Loans	-	13,095	-	301	-	-
Commercial PDL's	-	7,418	-	297	-	-
Financial Intermediaries PDL's	-	4	-	-	-	-
Government Entities PDL's	-	0	-	4	-	-
Consumer PDL's	-	4,115	-	0	-	-
Mortgage PDL's	-	1,557	-	-	-	-
Medium and Residential	-	1,417	-	-	-	-
Low income housing	-	0	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	139	-	-	-	-
Preventive Loan Loss Reserves	-	17,822	-	333	-	-
Acquired Collection Rights	-	1,864	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,763	-	-	-
Premium Debtors (Net)	-	-	11,246	-	-	-
Account Receivables from Reinsurance	-	-	11,532	-	-	-
Benef. receivab. securization transactions	-	85	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	28	43,371	0	537	99	668
Inventories	-	-	-	-	765	-
Foreclosed Assets, Net	-	770	-	22	-	-
Real Estate, Furniture & Equipment, Net	-	13,667	392	2,955	62	166
Investment in Subsidiaries	155,472	362	12,840	-	(0)	2
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	122	3,328	-	9	5	-
Total other Assets	22,277	21,717	2,255	158	14	399
Goodwill	21,513	1,381	-	-	-	-
Intangible	764	20,109	2,163	158	0	194
Other Assets	-	226	92	-	14	206
TOTAL ASSETS	180,876	1,172,383	187,521	32,038	946	189,509

GFNorte - Balance Sheet as of March 31 '19

(Million Pesos)

ASSETS	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Cash and Due from Banks	463	37	89	74,040	366	2,271	72,135
Margin Accounts	-	-	-	3,508	-	-	3,508
Investment in Securities	-	-	(0)	577,885	208	340	577,752
Negotiable Instruments	-	-	-	250,541	-	-	250,541
Securities Available for Sale	-	-	(0)	196,112	-	103	196,009
Securities Held to Maturity	-	-	-	131,232	208	237	131,202
Debtor Balance in Repo Trans, net	-	-	439	6,792	-	6,539	253
Transactions with Derivatives For trading purposes	-	-	(0)	23,793	-	-	23,793
Transactions with Derivatives For hedging purposes	-	-	-	15	-	-	15
Valuation adjustments for Asset Coverage	-	-	-	80	-	-	80
Gross Loan Portfolio	-	-	2,247	773,350	-	13,868	759,482
Net Loan Portfolio	-	-	1,894	771,133	-	13,868	757,265
Performing Loans	-	-	1,976	775,973	-	13,868	762,105
Commercial Loans	-	-	-	298,604	-	43	298,561
Financial Intermediaries' Loans	-	-	-	23,209	-	13,825	9,384
Government Entities' Loans	-	-	-	181,470	-	-	181,470
Consumer Loans	-	-	1,976	114,086	-	-	114,086
Mortgage Loans	-	-	-	158,605	-	-	158,605
Medium and Residential	-	-	-	155,134	-	-	155,134
Low income housing	-	-	-	13	-	-	13
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,457	-	-	3,457
Past Due Loans	-	-	92	13,488	-	-	13,488
Commercial PDL's	-	-	25	7,740	-	-	7,740
Financial Intermediaries PDL's	-	-	-	4	-	-	4
Government Entities PDL's	-	-	-	4	-	-	4
Consumer PDL's	-	-	67	4,183	-	-	4,183
Mortgage PDL's	-	-	-	1,557	-	-	1,557
Medium and Residential	-	-	-	1,417	-	-	1,417
Low income housing	-	-	-	0	-	-	0
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	139	-	-	139
Preventive Loan Loss Reserves	-	-	174	18,329	-	-	18,329
Acquired Collection Rights	-	-	353	2,217	-	-	2,217
Account Receivables from Insurance and Annuities	-	-	-	1,763	-	-	1,763
Premium Debtors (Net)	-	-	-	11,246	-	-	11,246
Account Receivables from Reinsurance	-	-	-	11,532	-	-	11,532
Benef.receivab.securization transactions	-	-	-	85	-	-	85
Sundry Debtors & Other Accs Rec, Net	176	4	4,923	49,806	61	394	49,472
Inventories	-	-	-	765	-	-	765
Foreclosed Assets, Net	-	-	196	988	201	201	988
Real Estate, Furniture & Equipment, Net	0	96	-	17,338	212	212	17,338
Investment in Subsidiaries	176	-	72	168,923	767	156,412	13,278
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	1,007	4,471	477	2,317	2,632
Total other Assets	11	1	340	47,172	2,453	1,133	48,492
Goodwill	-	-	-	22,894	2,453	876	24,471
Intangible	3	1	340	23,732	-	86	23,646
Other Assets	8	-	-	546	-	171	375
TOTAL ASSETS	827	138	9,314	1,773,550	4,745	183,688	1,594,607

GFNorte - Balance Sheet as of March 31 '19

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Deposits	-	737,227	-	-	-	-
Demand Deposits	-	391,855	-	-	-	-
Time Deposits	-	331,297	-	-	-	-
Time Deposits-Retail	-	280,277	-	-	-	-
Time Deposits-Money Market	-	51,019	-	-	-	-
Senior Unsecured Debt	-	12,272	-	-	-	-
Cuenta global de captación sin movimientos	-	1,803	-	-	-	-
Due to Banks & Correspondents	-	33,631	-	25,436	685	43
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	11,864	-	13,893	685	-
Long Term Loans	-	21,767	-	11,543	-	43
Technical Reserves	-	-	150,323	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	172,118	-	-	-	185,088
Collateral sold or pledged as collateral	-	9	-	-	-	0
Transactions with Derivatives for trading purposes	-	18,872	-	-	-	-
Transactions with Derivatives for hedging purposes	-	9,313	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	2,615	-	-	-
Other Payable Accounts	3	51,082	3,428	1,312	45	747
Income Tax Payable	-	1,341	702	204	0	-
Profit Sharing Payable	-	606	-	-	-	-
Creditors for settlement of transactions	(0)	11,561	-	-	-	483
Creditors for collateral received in cash	-	9,076	-	-	-	-
Other Creditors & Accounts Payable	3	28,499	2,726	1,108	45	264
Subordinated Non Convertible Debt	-	33,327	-	-	-	-
Deferred Taxes, Net	-	-	1,557	-	-	111
Deferred Credits	-	505	65	107	-	0
TOTAL LIABILITIES	3	1,056,082	157,988	26,855	730	185,989
EQUITY						
Subscribed Capital	63,127	20,250	20,781	526	87	2,059
Paid-in Capital	14,976	18,794	15,740	526	87	1,985
Share Subscription Premiums	48,151	1,455	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	117,746	96,049	7,890	4,651	129	1,461
Capital Reserves	5,333	14,847	309	526	54	216
Retained Earnings	106,169	77,622	5,365	3,900	102	908
Surplus (Deficit) of Secs Available for Sale	(60)	65	(25)	-	-	7
Results from Valuation of Hedging Secs	(3,027)	(3,082)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(7)	-	(10)	-	-	-
Results from Conversions	105	(13)	-	-	-	118
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(708)	(752)	7	-	-	-
Net Income	9,941	7,362	2,243	226	(27)	211
Capital Mayoritario	180,873	116,299	28,671	5,177	216	3,520
Minority Interest	-	3	862	6	0	0
Total Equity	180,873	116,301	29,533	5,183	216	3,520
TOTAL LIABILITIES & EQUITY	180,876	1,172,383	187,521	32,038	946	189,509

GFNorte - Balance Sheet as of March 31 '19

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	737,227	2,271	-	734,956
Demand Deposits	-	-	-	391,855	2,198	-	389,657
Time Deposits	-	-	-	331,297	73	-	331,224
Time Deposits-Retail	-	-	-	280,277	73	-	280,204
Time Deposits-Money Market	-	-	-	51,019	-	-	51,019
Senior Unsecured Debt	-	-	-	12,272	-	-	12,272
Cuenta global de captación sin movimientos	-	-	-	1,803	-	-	1,803
Due to Banks & Correspondents	-	-	6,120	65,915	13,863	-	52,052
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	6,120	32,562	13,820	-	18,743
Long Term Loans	-	-	-	33,353	43	-	33,310
Technical Reserves	-	-	-	150,323	-	314	150,637
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	357,206	6,539	-	350,667
Collateral sold or pledged as collateral	-	-	-	9	-	-	9
Transactions with Derivatives for trading purposes	-	-	-	18,872	-	-	18,872
Transactions with Derivatives for hedging purposes	-	-	-	9,313	-	-	9,313
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	2,615	-	-	2,615
Other Payable Accounts	152	0	121	56,890	478	47	56,460
Income Tax Payable	0	0	-	2,248	-	-	2,248
Profit Sharing Payable	-	-	-	606	-	-	606
Creditors for settlement of transactions	-	-	-	12,043	105	-	11,939
Creditors for collateral received in cash	-	-	-	9,076	-	-	9,076
Other Creditors & Accounts Payable	152	0	121	32,917	373	47	32,591
Subordinated Non Convertible Debt	-	-	-	33,327	-	-	33,327
Deferred Taxes, Net	(0)	-	-	1,667	1,667	-	-
Deferred Credits	-	-	1	678	86	-	592
TOTAL LIABILITIES	152	0	6,241	1,434,040	24,904	361	1,409,497
EQUITY							
Subscribed Capital	170	144	11,773	118,917	56,207	338	63,048
Paid-in Capital	170	144	11,768	64,191	49,223	-	14,967
Share Subscription Premiums	-	-	5	54,727	6,984	338	48,081
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
Earned Capital	504	(7)	(8,701)	219,723	103,414	3,430	119,738
Capital Reserves	23	2	117	21,427	16,095	-	5,333
Retained Earnings	387	(9)	(8,709)	185,736	80,968	3,423	108,191
Surplus (Deficit) of Secs Available for Sale	-	-	(0)	(13)	67	-	(80)
Results from Valuation of Hedging Secs	-	-	0	(6,109)	(3,082)	-	(3,027)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	(17)	(10)	-	(7)
Results from Conversions	-	-	-	210	105	-	105
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(1,452)	(744)	-	(708)
Net Income	94	(0)	(109)	19,941	10,016	7	9,932
Capital Mayoritario	674	138	3,073	338,640	159,622	3,768	182,786
Minority Interest	-	-	-	870	652	2,105	2,323
Total Equity	674	138	3,073	339,510	160,274	5,873	185,110
TOTAL LIABILITIES & EQUITY	827	138	9,314	1,773,550	185,177	6,234	1,594,607

V. Appendix

Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 1Q19
Corporate bonds	\$183.0	\$36.6	\$118.9

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 1Q19
Corporate bonds	\$2,728.7	\$545.7	\$1,773.6

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

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

Other short and long term assets ⁽¹⁾	(644)
Total assets	1,593,588
Results from prior years	108,127
Measurements of defined benefits for employees	(1,663)
Total equity	184,091
Total liabilities plus equity	1,593,588

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

Early termination of support programs for mortgage loan debtors

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

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

As of December 31, 2018, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 545 million, with maturities between 2022 and 2027.

New Financial Reporting Standards

In accordance with the modification resolution published in November 15, 2018 which modifies the applicable general provisions to credit institutions (CUB), published in November 27, 2017, the Normas de Información Financiera (NIF) issued by the Mexican Council for Research and Development of Financial Reporting Standards (CINIF), referred to in the paragraph 3 of Criteria A-2 "Aplicación de normas particulares" of modified Annex 33, which will be applicable until January 1, 2020.

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

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

The NIFs issued and coming into force in January 1st 2020 are:

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

Loan Portfolio Sales to Sólida

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

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

(Million of Nominal Pesos)	Local Currency			Foreign Currency (USD)			Total		
	ago-02	dic-18	mar-19	ago-02	dic-18	mar-19	ago-02	dic-18	mar-19
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	5	5	0	0	0	54	5	5
Performing Loans	59	5	5	5	0	0	64	5	5
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	202	198	0	0	0	1,112	202	198
Non Performing Loans	1,598	457	453	293	1	1	1,891	458	454
TOTAL LOANS	1,657	461	458	298	1	1	1,955	463	459
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	202	198	0	0	0	669	202	198
Loan Loss Reserves (1)	1,072	457	453	246	1	1	1,318	458	454

(1) Reserve requirements according to the banking sector's rating methodology (*) There was a reserve difference of Ps \$22 million as of March 2019.

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

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

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

In 1Q19 the Loan portfolio showed no changes due to charge offs and discounts, nor for foreclosed assets; during the quarter there were neither collections nor restructurings. In loan loss provisions, there were changes of Ps 0.4 million. There were no transfers to performing loans nor to past due loans.

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

	Local Currency (1)		Foreign Currency (USD) (2)		Total	
(Million of Nominal Pesos)	dic-18	mar-19	dic-18	mar-19	dic-18	mar-19
Performing Loans						
Commercial	427,274	413,295	62,283	61,991	489,557	475,286
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	111,237	112,105	0	0	111,237	112,105
Mortgage	155,803	158,609	0	0	155,803	158,609
Performing Loans	694,315	684,010	62,283	61,991	756,598	746,001
Non Performing Loans						
Commercial	5,602	5,925	1,628	1,683	7,230	7,607
Consumer	4,402	4,186	0	0	4,402	4,186
Mortgage	1,666	1,756	0	0	1,666	1,756
Non Performing Loans	11,670	11,867	1,628	1,683	13,298	13,549
TOTAL LOANS	705,985	695,876	63,911	63,674	769,896	759,550
Loan Loss Reserves	17,592	15,903	1,130	954	18,722	16,857
Net Loan Portfolio	688,393	679,973	62,781	62,720	751,174	742,693
Loan Loss Reserves					140.79%	124.41%
% Past Due Loans					1.73%	1.78%

1. Includes UDIS.

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

Notes to Financial Statements

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q19

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	199,408	1,526	153	201,088
Unrestricted	12,863	345	70	13,278
BONDES D	(1,206)	-	0	(1,206)
BONDES M	(489)	0	1	(488)
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	104	0	1	106
Municipalities Securities	0	0	0	0
UDI Securities	-	-	-	-
CETES	11,923	320	4	12,246
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	2,531	24	64	2,619
Restricted	186,545	1,181	83	187,809
BONDES D	38,808	111	17	38,937
BONDES M	2,218	41	(8)	2,251
BPA	140,418	1,008	87	141,513
BREMS	-	-	-	-
Government Securities	4,591	15	(10)	4,596
Municipalities Securities	122	2	(0)	124
UDI Securities	0	0	(0)	0
CETES	6	-	0	6
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	381	4	(3)	382
Banking Securities	44,443	110	14	44,567
Unrestricted	3,903	2	(0)	3,905
Bank Acceptances	4	0	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	(0)	3
Bank Securities	33	0	(0)	33
Deposit Certificates	143	0	(0)	143
Structured Notes	-	-	-	-
Other Banking Securities	127	0	(0)	127
Promissory Notes	3,593	2	(0)	3,595
Restricted	40,540	108	14	40,662
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	3,258	12	(1)	3,270
Bank Securities	13,673	40	14	13,726
Deposit Certificates	20,058	56	0	20,113
Structured Notes	-	-	-	-
Other Banking Securities	415	1	0	416
Promissory Notes	3,136	-	0	3,137
Private Securities	4,253	8	626	4,886
Unrestricted	3,783	7	625	4,415
Shares	467	-	454	921
Investment Company Shares	1,930	-	73	2,002
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,336	6	101	1,443
Trust Stock Certificates	-	-	-	-
Private Eurobonds	50	1	(2)	49
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	469	1	0	471
Shares	38	-	0	38
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	431	1	0	433
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	248,104	1,644	793	250,541

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q19

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	163,275	1,348	(12)	164,610
Unrestricted	30,057	179	42	30,278
BONDES D	-	-	-	-
BONDES M	367	7	(30)	344
BPA	-	-	-	-
BREMS	7,778	18	2	7,798
Government Securities	358	1	10	369
Municipalities Securities	264	4	49	316
UDI Securities	-	-	-	-
CETES	368	-	0	368
CETES (Special)	-	-	-	-
Government Eurobonds	20,923	149	12	21,083
Udibonds	-	-	-	-
Restricted	133,217	1,169	(54)	134,332
BONDES D	5,211	4	4	5,218
BONDES M	-	-	-	-
BPA	94,205	980	30	95,215
BREMS	-	-	-	-
Government Securities	4,727	17	(23)	4,722
Municipalities Securities	2,428	4	(2)	2,430
UDI Securities	-	-	-	-
CETES	131	-	0	131
CETES (Special)	-	-	-	-
Government Eurobonds	26,515	165	(64)	26,616
Udibonds	-	-	-	-
Banking Securities	3,349	15	(3)	3,360
Unrestricted	3,349	15	(3)	3,360
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	833	3	35	871
Deposit Certificates	2,051	12	(6)	2,056
Structured Notes	465	-	(32)	433
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	28,053	244	(259)	28,038
Unrestricted	26,488	189	(191)	26,486
Shares	287	-	341	628
Investment Company Shares	3,720	-	329	4,049
ADRs	-	-	-	-
Stock Certificates BORHIS	106	0	(81)	26
Corporate Stock Certificates	6,997	35	(529)	6,502
Trust Stock Certificates	-	-	-	-
Private Eurobonds	15,377	154	(250)	15,281
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,566	55	(68)	1,553
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,566	55	(68)	1,553
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	194,677	1,607	(274)	196,009

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q19

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	122,436	1,333	-	123,769
Unrestricted	119,077	1,317	-	120,394
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,684	3	-	1,687
Municipalities Securities	2,139	17	-	2,156
UDI Securities	232	4	-	236
CETES	-	-	-	-
CETES (Special)	550	-	-	550
Government Eurobonds	-	-	-	-
Udibonds	114,473	1,293	-	115,766
Restricted	3,360	15	-	3,375
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	3,360	15	-	3,375
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
Banking Securities	1,242	779	-	2,021
Unrestricted	1,242	779	-	2,021
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	762	7	-	768
Deposit Certificates	300	624	-	924
Structured Notes	180	148	-	328
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	4,755	688	-	5,442
Unrestricted	2,756	680	-	3,436
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,410	680	-	2,090
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,344	-	-	1,344
CP	-	-	-	-
Restricted	1,999	8	-	2,006
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,999	8	-	2,006
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(29)	-	-	(29)
Total	128,403	2,799	-	131,202

REPURCHASE AGREEMENT OPERATIONS 1Q19*(Million Pesos)*

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Government securities	133,815	133,571	253	9	305,246
Banking securities	2,830	2,830	0	0	37,412
Private Securities	6,167	6,167	0	0	8,008
Total	142,813	142,569	253	9	350,667

DERIVATES FINANCIAL INSTRUMENTS**OPERATIONS 1Q19***(Million Pesos)*

Creditor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	63
Options	
Rate options	635
Fx options	419
Warrants	-
Swaps	
Rate swap	19,247
Fx swap	3,428
Negotiable Total	23,793
Options	
Rate Options	1
Fx options	-
Swaps	
Rate swap	4
Fx swap	10
Hedging total	15
Position total	23,807

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q19
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	26
Options	
Rate options	456
Fx options	171
Swaps	
Rate swap	14,899
Fx swap	3,320
Negotiable Total	18,872
Swaps	
Rate swap	745
Fx swap	8,568
Hedging total	9,313
Position total	28,184

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q19 - Banorte
(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	16,575	45
FX Forwards	Sales	Exchange Rate (USD/MXN)	1,770	35
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/MXN)	0	0
FX Forwards	Sales	Exchange Rate (EUR/MXN)	0	0
FX Options	Purchases	Exchange Rate (Dollar)	11,134	22
FX Options	Sales	Exchange Rate (Dollar)	10,911	16
Interest Rate Options	Purchases	TIIE	50,639	120
Interest Rate Options	Sales	TIIE	46,230	551
Interest Rate Options	Purchases	LIBOR	5,626	30
Interest Rate Options	Sales	LIBOR	5,645	29
Interest Rate Swaps	USD LIBOR	LIBOR	349,017	2,568
Interest Rate Swaps	MXN TIIE	TIIE	2,250,969	4,364
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	163	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	75,224	93
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	21,731	49
Interest Rate and FX Swaps	CS UDI	UDI	10,295	2
Interest Rate and FX Swaps	CS CHF MXN	FIX/VARIABLE	2,040	1
Interest Rate and FX Swaps	CS EUR MXN	FIX/FIX	8,251	64
Interest Rate and FX Swaps	CS GBP MXN	FIX/FIX	2,900	12

LOAN PORTFOLIO (Million Pesos)								
	Local Currency		UDIS		Foreign Currency		Total	
	1Q18	1Q19	1Q18	1Q19	1Q18	1Q19	1Q18	1Q19
Performing Loans								
Commercial Loans	190,060	237,882	0	-	44,787	60,679	234,847	298,561
Financial Intermediaries' Loans	5,575	9,384	0	-	1	0	5,576	9,384
Consumer Loans	108,477	114,086	0	-	0	-	108,477	114,086
Mortgage Loans	139,627	158,482	152	123	0	-	139,779	158,605
Government Entities' Loans	127,302	167,588	2,966	6,660	3,748	7,223	134,017	181,470
Total	571,041	687,421	3,119	6,782	48,536	67,902	622,695	762,105
Past Due Loans								
Commercial Loans	5,419	6,059	0	0	1,494	1,681	6,913	7,740
Financial Intermediaries' Loans	1	4	0	-	0	-	1	4
Consumer Loans	3,976	4,183	0	-	0	-	3,976	4,183
Mortgage Loans	1,300	1,544	15	14	0	0	1,315	1,557
Government Entities' Loans	-	4	-	-	-	-	-	4
Total	10,695	11,793	15	14	1,494	1,681	12,205	13,488
Total Proprietary Loans	581,736	699,215	3,134	6,796	50,030	69,583	634,900	775,594

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q19- GFNorte**

<i>(Million Pesos)</i>		
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	-5.5	0.0
Mortgage FOVI	-	-
	-5.5	0.0

DEFERRED TAXES 1Q19*(Million Pesos)*

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,347	5,347
Non deductible provisions and cumulative income	1,625	1,625
Excess of accounting value over fiscal value on Repossessed Assets	1,177	1,177
Diminishable profit sharing	177	177
Fees received in advance	907	907
Effects from valuation of instruments	135	135
Tax losses pending amortization	1,222	1,222
Provisions for possible loss in loans	472	472
Loss on sale of foreclosed assets and credits	-	-
State Tax on Assets Deferred	-	-
Loss on sale of foreclosed assets and credits	-	-
Loss on sale of foreclosed assets and credits	3	3
Total Assets	11,066	11,066
LIABILITIES		
Pension Funds Contribution	(204)	(204)
Loan Portfolio Acquisitions	(321)	(321)
Projects to be capitalized	(4,905)	(4,905)
Intangibles' amortizations	-	-
Effects from valuation of instruments	(2,437)	(2,437)
Intangibles' amortizations	(553)	(553)
Unrealized Loss on Securities held for Sale	(14)	(14)
Total Liabilities	(8,434)	(8,434)
Assets (Liabilities) Accumulated Net	2,632	2,632

LONG TERM DEBT AS OF MARCH 31 2019 - BANCO MERCANTIL DEL NORTE*(Million Pesos)*

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds Q Banorte 08U	UDIS	11-mar-08	447	1,749	2,799	20 years	4.950%	15-feb-28	182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,326	10 years	9.250%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,690	15 years	5.750%	04-oct-31	180 days
Perpetual 5-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 6 7/8 PERP)	USD	06-jul-17	350	6,725	6,783	Perpetual	6.875%	NA	Quarterly
Perpetual 10-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 7 5/8 PERP)	USD	06-jul-17	550	10,568	10,659	Perpetual	7.625%	NA	Quarterly
Public Swiss Franc Fixed Rate Senior Unsecured Debt 2018 (BANOS89)	CHF	14-jun-18	100	1,983	1,946	3.5 years	0.875%	14-dic-21	Biannual
Non Convertible Subordinated Bonds Q Binter 15	MXN	26-feb-15	1,000	1,000	1,000	10 years	TIE+2.50%	13-feb-25	28 days
Certificates 94 BINTER 16U	UDIS	13-oct-16	365	2,097	2,285	10 years	4.970%	01-oct-26	Biannual
Stock certificates 94 BANORTE 18	MXN	29-nov-18	1,870	1,870	1,870	728 days	TIE+0.23%	26-nov-20	28 days
Certificates 94 BINTER 16U	MXN	29-nov-18	2,663	2,663	2,663	1,456 days	TIE+0.28%	24-nov-22	28 days
Stock certificates 94 BANORTE 18-2	MXN	21-dic-18	250	250	250	367days	11.350%	23-dic-19	28 days
Structured Bank Bonds 99 BANORTE 1-18	MXN	19-mar-19	250	250	250	365 days	10.400%	18-mar-20	28 days

BANK AND OTHER ENTITIES LOANS' AS OF 1Q19*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	15,505	15,505
Loans from Development Banks	11,642	6,786	18,429
Loans from Public Funds	9,997	889	10,885
Call Money & Loans from Banks	20,191	-	20,191
Loans from Fiduciary Funds	78	-	78
Provisions for Interest	828	-	828
	42,735	23,180	65,915
Eliminations			(13,863)
Total			52,052

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST
RATES 1Q19**

CORE DEPOSITS (BANORTE)	
Demand Deposits	
Local Currency and UDIs	1.08%
Foreign Currency	0.08%
Time Deposits - Retail	
Local Currency and UDIs	6.66%
Foreign Currency	0.32%
Time Deposits - Money Market	
Local Currency and UDIs	8.19%
DUE TO BANKS & CORRESPONDENTS (BANORTE)	
Immediate Redemption Loans	
Local Currency and UDIs	9.82%
Public Funds and Development Banks	
Local Currency and UDIs	10.87%
Foreign Currency	3.28%

MAIN CREDIT LINES RECEIVED 1Q19 (BANORTE)*Million pesos*

	1Q18	4Q18	1Q19	Change vs. 1Q18	Change vs.1Q19
Banxico (Monetary Regulation Deposits)	33,449	37,458	37,458	12%	0%
Banxico (Repos with the System of Payments)	57,349	57,841	59,836	4%	3%
Call Money	119,301	119,301	173,173	45%	45%
TOTAL	210,099	214,601	270,467	29%	26%

TRADING INCOME 1Q19*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	707
Negotiable instruments	186
Derivative instruments - Negotiation	516
Derivative instruments - Hedging	5
Impairment loss or revaluation increase	0
Result from foreign exchange valuation	(7)
Result from valuation of precious metals	1
Result from purchase/sale of securities and derivatives	350
Negotiable instruments	213
Securities held for sale	54
Securities held to maturity	0
Derivative instruments - Hedging	82
Result from purchase/sale of foreign exchange	98
Result from purchase/sale of precious metals	2
Total	1,152

Internal Control

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

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

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

ICS is structured around three defense lines:

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

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

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

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies and procedures manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- C. The requests from different internal areas regarding internal control matters were addressed, both in support of the development of new institutional projects, as well as those that derive from regulatory changes. GFNORTE's business and operating support processes are constantly monitored through the Business Process and Management Comptrollers. They issue periodic compliance reports and identify areas of opportunity so that they can be remediated in a timely manner.
- D. GFNORTE's business and operating support processes are constantly monitored through the Business Process and Management Comptrollers. They issue periodic compliance reports and identify areas of opportunity so that they can be remediated in a timely manner.
- E. According to the work plan established at the beginning of the year, there was progress in several activities related to internal accounting control.
- F. Effectiveness tests related to the Business Continuity Plan were executed
- G. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.

The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted.

Internal and External Liquidity Sources

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

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

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

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

Dividend Policy

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

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

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

Related Parties Loans

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

In the case of GFNorte as of March 31, 2019, and December 31, 2018, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Mar-2019	% Basic Equity	Dec -2018	% Basic Equity
Banorte	Ps 16.59	14.6%	Ps 17.13	15.7%

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

Banorte

As of March 31, 2019, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 16.59 billion (including Ps 6.52 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 2.2% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 14.13 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.23 billion were granted to clients linked to shareholders and Ps 1.23 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of March 2019 was 14.6% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 97% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

Banorte

As of December 31, 2018, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 17.13 billion (including Ps 6.71 billion in Letters of Credit "LOCs", which are registered in memorandum accounts), representing 2.2% of Banorte's total loan portfolio (excluding the balance of LOCs). Of the total related loans balance, Ps 14.28 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.64 billion were granted to clients linked to shareholders and Ps 1.21 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of June 2018 was 15.7% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 95% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

Loan or tax liabilities

The tax credits listed below are currently in litigation:

	As of March 31, 2019
BANORTE	\$-
IMSS fees	-
INFONAVIT fees	-
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$8
Philippines 2007 - 2008	8
PENSIONES BANORTE	\$306
Financial year 2014	306
IXE BANCO	\$-
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	-
Million pesos	

People in Charge

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation. Furthermore, we express that we are no aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors.

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

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

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

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

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

Basis for submitting and presenting Financial Statements

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

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

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

The information contained in this document is based on unaudited financial information of each of the entities to which it refers.