

# 2Q19

**Financial Results  
as of June 30<sup>th</sup>, 2019**

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GFNORTE



OTC **QX**

GBOOY



XNOR

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# I. Executive Summary

**GFNorte reports Net Income of Ps 18.66 billion during 1H19, 34% higher than 1H18, and 25% higher excluding extraordinary items.**

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

The most relevant results for the period ended on June 30, 2019, are the following:

- **Reported net income for the quarter was Ps 8.73 billion**, (12%) lower sequentially, and **21% higher vs. 2Q18**. Excluding the extraordinary income registered in 1Q19, **sequential net income was practically unchanged**. However, it's worth mentioning that recurring net income from the Bank, the Group's main subsidiary, **grew 6%** sequentially, and **net interest income excluding Insurance and Annuities** grew **2%**.
- Relevant financial indicators for the **quarter** include, **NIM** decreased from 5.7% to **5.5%** reported in 1Q19 related to the Insurance business' seasonality during the first quarter of the year; excluding Insurance and Annuities, **NIM increased 23 bps**. **Recurring ROE** had a slight quarterly decline from 19.9% to **19.6%**, but increased 44bps vs. 2Q18; **recurring ROA** rose to **2.20%** from 2.18%, a 13 bps annual increase. **Recurring efficiency ratio** strengthened during the quarter reaching **38.5%** from 39.4%.
- During the first half of the year, the Group's net income totaled **Ps 18.66 billion, showing a 34% increase vs. 1H18**. Recurring net income was up **25%** due to solid growth from **subsidiaries** vs. the same period in 2018: The **Bank** increased its recurring net income by **27%**, **Insurance 16%**, **Annuities 24%**, **Pensions 20%**, while the holding company grew 8%.
- **Net Interest Income (NII)** grew **11%** vs. 1H18, **loan loss provisions** declined (**8%**), recurring **non-interest income** were up **10%**, while **non-interest expense** did so by **8%**. Altogether, recurring **net operating income before taxes** grew **23%** in one year.
- Relevant financial indicators during the **first half** of the year and their changes vs. 1H18 were: **NIM** showed an expected decline from 5.8% to **5.6%** resulting from the consolidation of Interacciones' loan portfolio; **recurring ROE** rose 113 bps from 18.8% to **19.9%**, **recurring ROA** reached **2.19%** from 2.03%. **Recurring efficiency ratio** improved to **38.9%** from 40.2%.
- **Performing loans** had a **1%** quarterly increase, and 20% vs. 2Q18. **Commercial loans** grew 19% annually, **corporate loans 19%**, and **government loans 44%**.
- **Consumer loans** were up **2%** during the quarter driven by **3%** growth in **mortgages, auto loans, and credit cards**, while **payrolls declined (1%)**. On an annual basis, the **consumer portfolio** expanded **8%** driven by a **12%** increase in **mortgages, 15%** in **auto loans, 9%** in **credit cards**, and a (**4%**) decline in **payroll loans**.
- **Asset quality** remained stable during the quarter with an **NPL ratio** of **1.9%**, (11bps) lower vs. **1H18**, but 12bps higher vs. 1Q19, in line with the observed seasonality in previous years. **Coverage ratio** reached **127.6%**, while Cost of Risk remained at **1.92%** sequentially; (62bps) lower vs. 1H18.
- **Total bank deposits** were up **12%** annually: **demand deposits declined (2%)**, and **time deposits** grew **16%**.
- The bank's **Capital Ratio** reached **20.0%**; **Core Equity Tier 1 (CET1)** stood at **13.1%**, while **leverage ratio** ended the quarter at **11.0%**.

Income Statement Highlights - GFNorte (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Interest Income	30,687	38,062	<b>37,648</b>	(1%)	23%	60,935	<b>75,710</b>	24%
Interest Expense	13,388	18,394	<b>18,354</b>	(0%)	37%	25,938	<b>36,747</b>	42%
Technical Results (Insurance & Annuities)	561	1,116	<b>197</b>	(82%)	(65%)	1,168	<b>1,313</b>	12%
Net Interest Income	17,860	20,784	<b>19,492</b>	(6%)	9%	36,165	<b>40,276</b>	11%
Net Service Fees	3,254	2,967	<b>3,630</b>	22%	12%	5,858	<b>6,598</b>	13%
Trading	1,221	1,152	<b>963</b>	(16%)	(21%)	2,087	<b>2,114</b>	1%
Other Operating Income (Expenses)	401	2,168	<b>664</b>	(69%)	65%	1,012	<b>2,832</b>	180%
Non Interest Income	4,876	6,287	<b>5,257</b>	(16%)	8%	8,958	<b>11,543</b>	29%
Total Income	22,736	27,071	<b>24,748</b>	(9%)	9%	45,123	<b>51,819</b>	15%
Non Interest Expense	8,984	10,004	<b>9,525</b>	(5%)	6%	18,136	<b>19,528</b>	8%
Provisions	3,844	3,761	<b>3,738</b>	(1%)	(3%)	8,108	<b>7,499</b>	(8%)
Operating Income	9,908	13,306	<b>11,485</b>	(14%)	16%	18,879	<b>24,792</b>	31%
Taxes	3,023	3,650	<b>3,100</b>	(15%)	3%	5,495	<b>6,750</b>	23%
Subsidiaries & Minority Interest	306	275	<b>343</b>	24%	12%	576	<b>618</b>	7%
<b>Net Income</b>	<b>7,191</b>	<b>9,932</b>	<b>8,728</b>	(12%)	21%	<b>13,960</b>	<b>18,660</b>	34%

Balance Sheet Highlights - GFNorte (Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Asset Under Management	2,527,769	2,697,401	<b>2,763,574</b>	2%	9%
Performing Loans (a)	640,660	762,105	<b>768,183</b>	1%	20%
Past Due Loans (b)	12,888	13,488	<b>14,567</b>	8%	13%
Total Loans (a+b)	653,547	775,594	<b>782,750</b>	1%	20%
Total Loans Net (d)	636,386	757,265	<b>764,158</b>	1%	20%
Acquired Collection Rights (e)	2,781	2,217	<b>2,065</b>	(7%)	(26%)
Total Credit Portfolio (d+e)	639,168	759,482	<b>766,222</b>	1%	20%
Total Assets	1,400,644	1,594,607	<b>1,589,998</b>	(0%)	14%
Total Deposits	660,257	734,956	<b>734,568</b>	(0%)	11%
Total Liabilities	1,250,281	1,409,497	<b>1,411,630</b>	0%	13%
Equity	150,363	185,110	<b>178,368</b>	(4%)	19%

Financial Ratios GFNorte	2Q18	1Q19	2Q19	1H18	1H19
<b>Profitability:</b>					
NIM (1)	5.7%	5.7%	<b>5.5%</b>	5.8%	<b>5.6%</b>
ROE (2)	19.1%	22.4%	<b>19.5%</b>	18.8%	<b>21.1%</b>
ROA (3)	2.1%	2.47%	<b>2.20%</b>	2.0%	<b>2.3%</b>
<b>Operation:</b>					
Efficiency Ratio (4)	39.5%	37.0%	<b>38.5%</b>	40.2%	<b>37.7%</b>
Operating Efficiency Ratio (5)	2.6%	2.5%	<b>2.4%</b>	2.6%	<b>2.4%</b>
CCL Banorte and SOFOM - Basel III (6)	116.3%	116.6%	<b>122.2%</b>	116.3%	<b>122.2%</b>
<b>Asset Quality:</b>					
Past Due Loan Ratio	2.0%	1.7%	<b>1.9%</b>	2.0%	<b>1.9%</b>
Coverage Ratio	133.2%	135.9%	<b>127.6%</b>	133.2%	<b>127.6%</b>
Cost of Risk (7)	2.39%	1.92%	<b>1.92%</b>	2.54%	<b>1.92%</b>
<b>Market References</b>					
Banxico Reference Rate	7.75%	8.25%	<b>8.25%</b>	7.75%	<b>8.25%</b>
TIE 28 days (Average)	7.87%	8.56%	<b>8.50%</b>	7.81%	<b>8.53%</b>
Exchange Rate Peso/Dolar	19.69	19.38	<b>19.21</b>	18.98	<b>19.29</b>

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

Subsidiaries Net Income (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Banco Mercantil del Norte	5,296	7,223	<b>6,428</b>	(11%)	21%	9,832	<b>13,652</b>	39%
Banorte- Ixe-Broker Dealer	241	211	<b>137</b>	(35%)	(43%)	399	<b>348</b>	(13%)
Operadora de Fondos Banorte-Ixe	85	94	<b>95</b>	1%	12%	162	<b>189</b>	17%
Retirement Funds - Afore XXI Banorte	363	408	<b>425</b>	4%	17%	692	<b>833</b>	20%
Insurance	751	1,610	<b>824</b>	(49%)	10%	2,100	<b>2,434</b>	16%
Annuities	189	272	<b>223</b>	(18%)	18%	399	<b>495</b>	24%
Leasing and Factoring	289	226	<b>210</b>	(7%)	(27%)	481	<b>436</b>	(9%)
Warehousing	5	(27)	<b>11</b>	N.A.	131%	14	<b>(16)</b>	(215%)
Sólida Administradora de Portafolios	(153)	(109)	<b>78</b>	N.A.	N.A.	(430)	<b>(31)</b>	93%
Ixe Servicios	(0)	(0)	<b>(0)</b>	(53%)	(13%)	(1)	<b>(1)</b>	10%
G. F. Banorte (Holding)	117	23	<b>297</b>	1183%	155%	296	<b>320</b>	8%
<b>Total Net Income</b>	<b>7,191</b>	<b>9,932</b>	<b>8,728</b>	<b>(12%)</b>	<b>21%</b>	<b>13,960</b>	<b>18,660</b>	<b>34%</b>

Share Data	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Earnings per share (Pesos)	2.593	3.444	<b>3.027</b>	(12%)	17%	5.033	<b>6.471</b>	29%
Earnings per share Basic (Pesos)	2.617	3.469	<b>3.048</b>	(12%)	16%	5.080	<b>6.518</b>	28%
Dividend per Share for the period (Pesos)	3.45	0.00	<b>5.54</b>	N.A.	61%	3.45	<b>5.54</b>	61%
Payout for the period	40.0%	0.0%	<b>50.0%</b>	N.A.	25%	40.0%	<b>50.0%</b>	25%
Book Value per Share (Pesos)	53.50	63.39	<b>61.08</b>	(4%)	14%	53.50	<b>61.08</b>	14%
Issued Shares (Million)	2,773.7	2,883.5	<b>2,883.5</b>	0%	4%	2,773.7	<b>2,883.5</b>	4%
Stock Price (Pesos)	117.07	105.54	<b>111.36</b>	6%	(5%)	117.07	<b>111.36</b>	(5%)
P/BV (Times)	2.19	1.66	<b>1.82</b>	10%	(17%)	2.19	<b>1.82</b>	(17%)
Market Capitalization (Million Dollars)	16,491	15,704	<b>16,716</b>	6%	1%	16,491	<b>16,716</b>	1%
Market Capitalization (Million Pesos)	324,721	304,320	<b>321,102</b>	6%	(1%)	324,721	<b>321,102</b>	(1%)

### Share performance



## II. Management's Discussion & Analysis

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

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

Net Interest Income (NII) (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Interest Income	29,185	35,402	<b>35,625</b>	1%	22%	56,605	<b>71,027</b>	25%
Interest Expense	13,132	18,113	<b>18,075</b>	(0%)	38%	25,443	<b>36,188</b>	42%
Loan Origination Fees	321	323	<b>335</b>	4%	5%	611	<b>659</b>	8%
Fees Paid	255	281	<b>279</b>	(1%)	9%	495	<b>560</b>	13%
<b>NII excluding Insurance and Annuities Co.</b>	<b>16,118</b>	<b>17,332</b>	<b>17,607</b>	<b>2%</b>	<b>9%</b>	<b>31,278</b>	<b>34,939</b>	<b>12%</b>
Premium Income (Net)	5,614	12,214	<b>6,271</b>	(49%)	12%	17,247	<b>18,485</b>	7%
Technical Reserves	814	6,766	<b>1,228</b>	(82%)	51%	7,791	<b>7,994</b>	3%
Damages, Claims and Other Obligations	4,239	4,332	<b>4,846</b>	12%	14%	8,288	<b>9,178</b>	11%
<b>Technical Results</b>	<b>561</b>	<b>1,116</b>	<b>197</b>	(82%)	(65%)	<b>1,168</b>	<b>1,313</b>	12%
Interest Income (Expenses) net	1,181	2,337	1,688	(28%)	43%	3,719	4,025	8%
<b>Insurance and Annuities NII</b>	<b>1,742</b>	<b>3,453</b>	<b>1,885</b>	(45%)	8%	<b>4,887</b>	<b>5,337</b>	9%
<b>GFNORTE's NII</b>	<b>17,860</b>	<b>20,784</b>	<b>19,492</b>	(6%)	9%	<b>36,165</b>	<b>40,276</b>	11%
Credit Provisions	3,844	3,761	<b>3,738</b>	(1%)	(3%)	8,108	<b>7,499</b>	(8%)
<b>NII Adjusted for Credit Risk</b>	<b>14,016</b>	<b>17,023</b>	<b>15,753</b>	(7%)	12%	<b>28,057</b>	<b>32,776</b>	17%
Average Earning Assets	1,256,102	1,459,124	<b>1,426,372</b>	(2%)	14%	1,244,448	<b>1,444,980</b>	16%
<b>Net Interest Margin (1)</b>	5.7%	5.7%	<b>5.5%</b>			5.8%	<b>5.6%</b>	
<b>NIM after Provisions (2)</b>	4.5%	4.7%	<b>4.4%</b>			4.5%	<b>4.5%</b>	
<b>NIM adjusted w/o Insurance &amp; Annuities</b>	5.6%	5.3%	<b>5.5%</b>			5.5%	<b>5.4%</b>	
<b>NIM from loan portfolio (3)</b>	8.6%	7.7%	<b>8.0%</b>			8.5%	<b>7.8%</b>	

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

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

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

### Net Interest Income (NII)

**NII excluding Insurance and Annuities increased 2%** during the quarter attributable to the Bank's sound performance, where NII from the portfolio had a 2% increase. While deposits showed 1% growth during the period, interest expense remained flat compared to the previous quarter. As a result, **NIM** for the **loan portfolio** reached **8.0%**, showing a relevant 30bps increase vs. the **7.7%** figure reported in the previous quarter; **NIM without Insurance and Annuities** followed the same behavior, totaling **5.5%**, a 20 bps expansion.

During the first half of the year, **net interest income excluding Insurance and Annuities** showed a **12%** increase vs. 1H18, resulting mainly from loan growth, but also from growth in core deposits and other interest bearing funding sources; **NIM** for the **loan portfolio** reached **7.8%**, lower than the 8.5% level in 1H18 explained by the consolidation of Interacciones' loan portfolio, as well as by higher cost of funds.

**Regarding NII from Insurance and Annuities**, it showed a **(45%)** decline mainly resulting from the seasonal premium renewals at the insurer during the first quarter. **Technical results** and technical reserves from the Insurance business also declined due to the aforementioned seasonality, while damages and claims increased mainly in life insurance accounts. The **annuities** business reported a slight 1% growth in Premium Income and a Ps 635 million loss in its investment portfolio driven by inflation mark-to-market valuation, on lower UDI value as a result of lower inflation vs. the previous quarter, and a similar effect in technical reserves which are also registered in UDIs.

During the first half of the year, **NII from Insurance and Annuities** increased **9%**, driven by an 8% growth in interest income, 7% growth in premium income, 3% growth in technical reserves, and 11% increase in damages and claims. This increase is mainly in the annuities business, and is explained by the downward trend in inflation rates, as well as by an increase in paid annuities, which includes annuities payments from the two portfolios acquired during the second half of 2018.

Overall, GFNorte's **NII was down (6%)** during the quarter, but **grew 11%** annually. The quarterly decline was mainly explained by the seasonal effect in the insurance business, while on an annual basis, it was the result of growth in the insurance portfolios during the period. **NIM** for the quarter totaled **5.5%** showing a (23bps) decline vs. 1Q19, not attributable to the ongoing business operation, but to the insurance premium renewal seasonality. The (22bps) contraction vs. 1H18 was due to consolidation with Interacciones.

## Loan Loss Provisions

**Provisions were down (1%)** compared to the previous quarter due to lower provisions in the corporate portfolio, and provision releases in the government portfolio due to reduction in balances.

**During 1H19, provisions declined (8%)** with respect to 1H18, as a result of the normalization of provisions for the corporate portfolio; that is, without considering the effect of a Ps 619 million extraordinary provision requirement during 1Q18 linked to a non-performing loan booked in 4Q17. Moreover, there was a reserve release from the government portfolio; the benefit from incorporating internal models for reserve calculation; as well as. lower provision requirements from the payroll portfolio.

**Provisions** accounted for **19.2% of net interest income** in **2Q19**, 108bps higher vs. the previous quarter, while in the **aggregate figure from 1H19**, they showed a (380bps) decline ending at **18.6%**.

**Cost of risk remained stable** in the quarterly comparison, while on a six-month basis this indicator had a (62bp) decline vs. 1H18, ending the period in **1.9%**, benefiting from the implementation of internal models, and from provision releases from the government portfolio.

## Non-Interest Income

Non-Interest Income (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Net Service Fees	3,254	2,967	<b>3,630</b>	22%	12%	5,858	<b>6,598</b>	13%
Trading	1,221	1,152	<b>963</b>	(16%)	(21%)	2,087	<b>2,114</b>	1%
Other Operating Income (Expenses)	401	2,168	<b>664</b>	(69%)	65%	1,012	<b>2,832</b>	N.A.
<b>Non-Interest Income</b>	<b>4,876</b>	<b>6,287</b>	<b>5,257</b>	(16%)	8%	<b>8,958</b>	<b>11,543</b>	29%

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

With recurring results, there was a significant **14%** quarterly **increase** in **recurring non-interest income**, while reported figures decreased (16%) during the quarter as a result of the Ps 1.66 billion extraordinary income registered in 1Q19. During the first half of the year, recurring **growth** was **10%** higher than 1H18 as a result of higher net service fees.

## Service Fees

Service Fees (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Fund Transfers	422	367	<b>399</b>	9%	(6%)	786	<b>766</b>	(3%)
Account Management Fees	627	604	<b>596</b>	(1%)	(5%)	1,245	<b>1,200</b>	(4%)
Electronic Banking Services	2,019	2,128	<b>2,285</b>	7%	13%	3,899	<b>4,413</b>	13%
Basic Banking Services Fees	3,068	3,099	<b>3,280</b>	6%	7%	5,929	<b>6,379</b>	8%
For Commercial and Mortgage Loans	269	223	<b>278</b>	25%	4%	404	<b>501</b>	24%
For Consumer Loans	1,158	1,212	<b>1,246</b>	3%	8%	2,278	<b>2,457</b>	8%
Fiduciary	126	119	<b>121</b>	2%	(4%)	234	<b>239</b>	2%
Income from Real Estate Portfolios	26	48	<b>220</b>	362%	744%	62	<b>268</b>	335%
Mutual Funds	390	428	<b>449</b>	5%	15%	764	<b>877</b>	15%
Trading & Financial Advisory Fees	231	108	<b>171</b>	58%	(26%)	432	<b>279</b>	(35%)
Other Fees Charged (1)	279	304	<b>238</b>	(22%)	(15%)	565	<b>542</b>	(4%)
<b>Fees Charged on Services</b>	<b>5,547</b>	<b>5,540</b>	<b>6,002</b>	8%	8%	<b>10,668</b>	<b>11,542</b>	8%
Interchange Fees	986	1,082	<b>1,077</b>	(1%)	9%	1,866	<b>2,159</b>	16%
Insurance Fees	144	581	<b>296</b>	(49%)	106%	869	<b>877</b>	1%
Other Fees Paid	1,163	910	<b>999</b>	10%	(14%)	2,075	<b>1,909</b>	(8%)
<b>Fees Paid on Services</b>	<b>2,294</b>	<b>2,573</b>	<b>2,372</b>	(8%)	3%	<b>4,810</b>	<b>4,945</b>	3%
<b>Net Service Fees</b>	<b>3,254</b>	<b>2,967</b>	<b>3,630</b>	22%	12%	<b>5,858</b>	<b>6,598</b>	13%

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 an 8%** quarterly and annual **increase**, primarily attributed to higher basic banking services fees, higher advisory and trading services fees, and to the Ps 216 million gain in sale of a real estate asset.

**Fees paid were down (8%)** sequentially, due to lower insurance fees paid following a seasonal effect, in addition to lower fees paid to correspondents. During the first six months, there was a **3% increase in fees paid** primarily explained by higher interchange fees vs. 1H18, resulting from higher commercial activity in the acquiring business, as well as by fees paid on debt underwriting.

Overall, net service fees paid had a significant 22% increase vs. the previous quarter, and 13% when compared to 1H18 figures, mainly driven by higher basic banking services revenue, and by the sale of real estate portfolios.

## Trading

Trading Income (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Currency and Metals	237	(6)	(26)	(352%)	(111%)	114	(31)	(127%)
Derivatives	603	521	176	(66%)	(71%)	797	697	(13%)
Negotiable Instruments	76	186	29	(85%)	(62%)	21	215	912%
<b>Valuation</b>	<b>916</b>	<b>702</b>	<b>179</b>	<b>(74%)</b>	<b>(80%)</b>	<b>932</b>	<b>881</b>	<b>(6%)</b>
Currency and Metals	354	101	206	105%	(42%)	967	307	(68%)
Derivatives	(117)	82	121	47%	N.A.	(78)	203	N.A.
Negotiable Instruments	69	267	456	71%	565%	266	723	171%
<b>Trading</b>	<b>305</b>	<b>450</b>	<b>783</b>	<b>74%</b>	<b>157%</b>	<b>1,155</b>	<b>1,233</b>	<b>7%</b>
<b>Trading Income</b>	<b>1,221</b>	<b>1,152</b>	<b>963</b>	<b>(16%)</b>	<b>(21%)</b>	<b>2,087</b>	<b>2,114</b>	<b>1%</b>

**Trading Income** was **(16%) lower on a quarterly basis**, mainly on lower derivative valuation, driven by the mark-to-market valuation effect, while there was a significant increase in gains on securities trading. Compared to 1H18, there was a **1% increase** driven by lower currency, metals, and derivatives valuation, while negotiable instruments valuation had a positive effect. Regarding trading, it grew 74% in the quarter, on positive results across all its elements; for the six-month period, trading was up 7% vs. 1H18.

## Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Loan Recovery	2	2	1	(38%)	(44%)	5	3	(31%)
Loan Portfolios	58	59	85	44%	45%	102	143	40%
Income from Foreclosed Assets	68	88	74	(15%)	9%	148	162	10%
Provisions Release	1	23	5	(76%)	448%	15	28	83%
Impairment of Assets	-	(132)	-	N.A.	NA	(173)	(132)	23%
Lease Income	106	91	92	0%	(14%)	229	183	(20%)
From Insurance	254	263	255	(3%)	0%	455	518	14%
Securitization Operation Valuation Result	(9)	27	48	79%	N.A.	197	75	(62%)
Others	(81)	1,748	103	(94%)	N.A.	33	1,851	NA
<b>Other Operating Income (Expenses)</b>	<b>401</b>	<b>2,168</b>	<b>664</b>	<b>(69%)</b>	<b>65%</b>	<b>1,012</b>	<b>2,832</b>	<b>180%</b>

1) 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.

**Other Operating Income (Expenses) at Ps 664 million were down (69%)** vs. the previous quarter, including a one-off gain in 1Q19<sup>1</sup>. Recurring other income was Ps 507 million, up 31% during the quarter, driven by higher income from loan portfolios, and valuation results from securitization transactions during the quarter. On a separate note, there was a **16% recurring growth** vs. 1H18, coming from larger revenue from credit portfolios, insurance and other recoveries.



## Non-Interest Expense

Non-Interest Expense (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Personnel	3,850	3,932	<b>3,567</b>	(9%)	(7%)	7,385	<b>7,498</b>	2%
Professional Fees	754	738	<b>796</b>	8%	6%	1,468	<b>1,534</b>	4%
Administrative and Promotional	1,971	2,135	<b>2,002</b>	(6%)	2%	3,909	<b>4,137</b>	6%
Rents, Depreciation & Amortization	1,386	1,676	<b>1,635</b>	(2%)	18%	2,733	<b>3,311</b>	21%
Taxes other than income tax & non deductible expenses	191	561	<b>573</b>	2%	201%	978	<b>1,134</b>	16%
Contributions to IPAB	726	839	<b>829</b>	(1%)	14%	1,451	<b>1,668</b>	15%
Employee Profit Sharing (PTU)	106	123	<b>123</b>	(0%)	16%	212	<b>246</b>	16%
<b>Non-Interest Expense</b>	<b>8,984</b>	<b>10,004</b>	<b>9,525</b>	<b>(5%)</b>	<b>6%</b>	<b>18,136</b>	<b>19,528</b>	<b>8%</b>

**Non-interest expense declined (5%)** vs. the previous quarter; mainly due to lower personnel expenses which show lower variable compensation expenses during the quarter, as these are seasonally higher during the first quarter of the year. Additionally, there was a reduction in administrative and promotional expenses from the business' operation, while the annuities business presented higher operating expenses, as 1Q19 included non-recurring expense provisions releases.

Aggregate results show an **8% increase** vs. 1H18 driven by normal business operations, the incorporation of GFI, and the leasing expenses associated to the corporate buildings sold and leased back on December 2018.

**Efficiency ratio** reached **38.5%**, showing an (88 bps) **improvement** vs. the 39.4% recurring ratio in 1Q19. During **1H19**, efficiency reached 37.7%, and measured with recurrent results, it totaled **38.9%**, showing a (126bps) **decline** vs. the 40.2% figure reported in 1H18, as a result of an adequate cost control.

## Net Income

Net Income (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
<b>Operating Income</b>	<b>9,908</b>	<b>13,306</b>	<b>11,485</b>	<b>(14%)</b>	<b>16%</b>	<b>18,879</b>	<b>24,792</b>	<b>31%</b>
Subsidiaries' Net Income	409	411	<b>466</b>	13%	14%	765	<b>877</b>	15%
<b>Pre-Tax Income</b>	<b>10,317</b>	<b>13,717</b>	<b>11,951</b>	<b>(13%)</b>	<b>16%</b>	<b>19,644</b>	<b>25,668</b>	<b>31%</b>
Taxes	3,023	3,650	<b>3,100</b>	(15%)	3%	5,495	<b>6,750</b>	23%
Discontinued Operations	-	-	-	N.A.	N.A.	-	-	N.A.
Minority Interest	(102)	(135)	<b>(123)</b>	(9%)	20%	(190)	<b>(258)</b>	(36%)
<b>Net Income</b>	<b>7,191</b>	<b>9,932</b>	<b>8,728</b>	<b>(12%)</b>	<b>21%</b>	<b>13,960</b>	<b>18,660</b>	<b>34%</b>

**Recurring operating income** had a **(1%)** quarterly **decline** explained by lower income from the insurance business, due to seasonality, as well as by lower trading income than the previous quarter. Accumulated results for the year show **23% growth** driven by a sound performance of the Bank and Insurance businesses, and to the positive result of Sólida Administradora de Portafolio, related to the sale of a real estate asset.

During the period, **recurring taxes** were **down (3%)** as there was a Ps 457 million non-recurrent tax paid during 1Q19 associated with the extraordinary income reported during that quarter. The effective tax rate for the quarter was 25.9%, (55 bps) lower than the reported figure in the previous quarter. Accumulated tax expenses grew 15%, resulting in an **effective tax rate of 26.2%** at the end of the quarter, down (176 bps) vs. the previous year.

**Recurring net income for the quarter totaled Ps 8.73 billion, remaining flat** compared to the recurring result of the previous quarter that reached Ps 8.74 billion, but declined **(12%)** when measured with reported figures. **Accumulated net income as of June**, showed **25% recurring growth** compared to 1H18, and grew **34%** with **reported figures**.

**Reported EPS** for the quarter was **Ps 3.03**, and recurrent for 1H19 was **Ps 6.06**.

## Profitability

	2Q18	1Q19	2Q19	1H18	1H19
<b>ROE</b>	<b>19.1%</b>	<b>22.4%</b>	<b>19.5%</b>	<b>18.8%</b>	<b>21.1%</b>
Goodwill & Intangibles (billion pesos)	30	48	51	30	51
Average Tangible Equity (billion pesos)	120	131	129	120	129
<b>ROTE</b>	<b>23.6%</b>	<b>30.3%</b>	<b>26.8%</b>	<b>23.2%</b>	<b>28.9%</b>

**ROE** totaled **19.5%** for the **quarter**, declining (28bps) vs. the 19.9% recurring figure during the previous quarter, mainly explained by increase of the average equity even after the dividend payments. Compared to 1H18, ROE showed a 113 bps improvement, resulting from good overall performance of the business, and the consolidated operation of Interacciones.

During the quarter, recurrent **ROTE** remained stable at **27.1%** driven by net income stability; using 1H19 figures, it shows a 412 bps improvement compared to 1H18 explained by growth in net income.

	2Q18	1Q19	2Q19	1H18	1H19
<b>ROA</b>	<b>2.1%</b>	<b>2.5%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>2.3%</b>
Average Risk Weighted Assets (billion pesos)	633	725	756	633	756
<b>RRWA</b>	<b>4.2%</b>	<b>4.8%</b>	<b>4.9%</b>	<b>4.2%</b>	<b>4.9%</b>

**ROA** reached **2.2%**, a (28bps) quarterly decline, and with recurring figures it declines (2bp) due to the moderate expansion of the portfolio. Accumulated reported ROA reached 2.3%, a 31 bps improvement vs. 1H18, and with accumulated recurring figures, it reached **2.2%**, a **16 bps improvement** after the Interacciones loan portfolio consolidation.

## 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 May 2019, 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)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Core Tier 1 Capital	82,205	104,654	101,311	(3.2%)	23.2%
Tier 1 Capital	102,290	123,257	140,881	14.3%	37.7%
Tier 2 Capital	13,220	13,967	13,881	(0.6%)	5.0%
Net Capital	115,510	137,224	154,761	12.8%	34.0%
Credit Risk Assets	539,254	624,895	624,068	(0.1%)	15.7%
Net Capital / Credit Risk Assets	21.42%	22.0%	24.80%	2.8 pp	3.4 pp
Total Risk Assets (1)	650,436	758,021	775,464	2.3%	19.2%
Core Tier 1	12.64%	13.81%	13.06%	(0.7 pp)	0.4 pp
Tier 1	15.73%	16.26%	18.17%	1.9 pp	2.4 pp
Tier 2	2.03%	1.84%	1.79%	(0.1 pp)	(0.2 pp)
<b>Capitalization Ratio</b>	<b>17.76%</b>	<b>18.10%</b>	<b>19.96%</b>	<b>1.9 pp</b>	<b>2.2 pp</b>

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

At the end of 2Q19 the estimated **Capitalization Ratio (CR)** for Banorte was **19.96%** considering credit, market and operational risk; and 24.80% considering only credit risks. Moreover, Total Tier 1 Capital reached 13.06% as of 2Q19.

The bank placed USD 1,100 million of Additional Tier 1 Notes (AT1) in June 2019, which improved the Capital Adequacy Ratio in 2Q19.

The **Capitalization Ratio** increased **1.85 pp** vs. 1Q19 due to the following effects:

1.	Capital Notes*	+ 2.66 pp
2.	Net income growth for 2Q19	+ 0.85 pp
3.	Securities' (mark-to-market)	+ 0.13 pp
4.	Other Capital Effects	- 0.02 pp
5.	Permanent Investments and Intangibles	- 0.06 pp
6.	Growth in Risk Assets	-0.41 pp
7.	Dividend Payments	-1.28 pp

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

The **Capitalization Ratio** increased **2.66 pp** vs. 2Q18, as follows:

1.	Net income growth	+ 3.63 pp
2.	Capital Notes*	+ 2.39 pp
3.	Securities' (mark-to-market)	+ 0.45 pp
4.	Other Capital Effects	- 0.03 pp
5.	Goodwill**	- 0.19 pp
6.	Permanent Investments and Intangibles	- 0.35 pp
7.	Growth in Risk Assets	- 0.61 pp
8.	Dividend Payments	- 1.28 pp
9.	Merger Effect	- 1.51 pp

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

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

## Leverage Ratio (Banco Mercantil del Norte)

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

Leverage (Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Tier 1 Capital	102,290	123,257	140,881	14.3%	37.7%
Adjusted Assets	1,152,058	1,320,185	1,285,664	(2.6%)	11.6%
<b>Leverage Ratio</b>	<b>8.88%</b>	<b>9.34%</b>	<b>10.96%</b>	<b>1.6 pp</b>	<b>2.1 pp</b>

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

## Deposits

Deposits (Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Non-Interest Bearing Demand Deposits	292,129	285,407	<b>280,638</b>	(2%)	(4%)
Interest Bearing Demand Deposits	112,689	108,251	<b>115,525</b>	7%	3%
<b>Total Demand Deposits</b>	<b>404,818</b>	<b>393,658</b>	<b>396,164</b>	1%	(2%)
<b>Time Deposits – Retail</b>	<b>203,518</b>	<b>228,857</b>	<b>236,274</b>	3%	16%
<b>Core Deposits</b>	<b>608,336</b>	<b>622,515</b>	<b>632,438</b>	2%	4%
<b>Money Market</b>	<b>53,339</b>	<b>114,712</b>	<b>105,602</b>	(8%)	98%
<b>Total Bank Deposits</b>	<b>661,675</b>	<b>737,227</b>	<b>738,028</b>	0%	12%
<b>GFNorte's Total Deposits</b>	<b>660,257</b>	<b>734,956</b>	<b>734,568</b>	(0%)	11%
<b>Third Party Deposits</b>	<b>174,448</b>	<b>191,502</b>	<b>189,588</b>	(1%)	9%
<b>Total Assets Under Management</b>	<b>836,123</b>	<b>928,729</b>	<b>927,616</b>	(0%)	11%

**Banorte's core deposits were up 2%** during the quarter, with **3%** higher **time deposits**, while **demand deposits** grew **1%**. On an annual basis, time deposits had a significant 16% improvement, while demand deposits were down (2%), as a result of strategies implemented towards increasing deposit balances, new customer acquisition, as well as from a generalized preference from customers towards interest-bearing time deposits, given the prevailing rate cycle in the country.

**Money market funds** showed an **(8%)** quarterly decline, but a **98%** annual growth due to the merger with GFI during 3Q18, and aligned with the strategy of funding the acquired assets at lower costs. Overall, **total deposits** showed no major changes during the quarter, and increased **12%** annually.

## Debt issuance

During 2Q19, the bank placed a NC5 and NC10 Perpetual, Non-Preferred, Not Susceptible to Convert Tier 1 Capital Notes for an aggregate amount of US\$ 1.10 billion. (For further details, refer to the Recent Events section).

## Loans

Performing Loan Portfolio (Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Mortgages	145,351	158,605	<b>162,619</b>	3%	12%
Auto Loans	22,110	24,811	<b>25,478</b>	3%	15%
Credit Card	34,718	36,543	<b>37,733</b>	3%	9%
Payroll	54,643	52,732	<b>52,366</b>	(1%)	(4%)
<b>Consumer</b>	<b>256,823</b>	<b>272,691</b>	<b>278,195</b>	<b>2%</b>	<b>8%</b>
<b>Commercial</b>	<b>143,181</b>	<b>173,173</b>	<b>171,029</b>	<b>(1%)</b>	<b>19%</b>
<b>Corporate</b>	<b>110,569</b>	<b>134,772</b>	<b>131,504</b>	<b>(2%)</b>	<b>19%</b>
<b>Government</b>	<b>130,087</b>	<b>181,470</b>	<b>187,454</b>	<b>3%</b>	<b>44%</b>
<b>Total</b>	<b>640,660</b>	<b>762,105</b>	<b>768,183</b>	<b>1%</b>	<b>20%</b>

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

**Performing loans** grew **1%** during the quarter, primarily driven by the **3% growth in mortgage, auto, credit cards, and government portfolios**, which overall amounted to **Ps 11.85 billion**, offsetting the decline in payroll, commercial and corporate portfolios.

The **consumer portfolio** showed sound quarterly growth in mortgage, auto and credit cards, together with a moderate payroll loan origination, which is aligned with the strategy to maintain the health of the portfolios, and a more restrictive and selective risk policy.

Annually this portfolio grew **20%**, primarily driven by a **44% increase in government** from the merger with Interacciones, followed by **19% growth** in corporate and commercial portfolios, which were also positively affected by the merger. Excluding the aforementioned acquisition, performing loans grew 5.5% annually.

On an annual basis, **consumer loans** had an **8% increase**, outpacing both, the banking system, and main peers. Growth in **auto loans** was noteworthy, up **15%**, followed by **12% growth in mortgages**, and **9%** in **credit cards**, thus holding a steady 14.9% market share.

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

- **Mortgages:** Banorte grew above market rates, **(12.6% vs. 10.8%)**, holding a 19.4% market share, further 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 17.8% market share, **ranking 2<sup>nd</sup>** in the market, and **leading loan growth** in the banking system at **17.0%**.
- **Credit Cards:** Moderate growth aimed at preserving asset quality. As **growth leaders** in the market, Banorte's portfolio **was up 8.7%** compared to 4.9% annual growth of the banking system. Banorte holds 9.7% market share, gaining 34 bps in one year.
- **Payroll Loans:** Decelerated as a result of a more moderate loan origination strategy aimed at preserving asset quality. Banorte holds 20% market share, and **ranks third in the market**.
- **Commercial:** Shows 22.9% annual growth. Market share (including corporate loans, according to the regulator's methodology), stood at 10.2%, ranking fourth in the banking system.

**SME's performing loan portfolio** had a slight **(Ps 644 million) reduction** vs. the previous period, and a **(5%)** decline vs. the previous year, as a result of a more rigorous risk selection policy. NPL ratio rose to 6.4% from 5.9% during the previous quarter, resulting from lower loan origination.

SME's Loans (Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Performing Portfolio	34,144	33,168	32,524	(2%)	(5%)
% of Performing Commercial Portfolio	23.8%	19.2%	19.0%	(14 bp)	(483 bp)
% of Total Performing Portfolio	5.3%	4.4%	4.2%	(12 bp)	(110 bp)
NPL Ratio	5.5%	5.9%	6.4%	52 bp	93 bp

- **Corporate Loans:** The portfolio reached an ending balance of **Ps 131.50 billion**, a (2%) sequential contraction, and a 19% annual increase, resulting from prepayments and 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 9.8% of the group's total portfolio. The group's largest corporate exposure represented 1.0% of the total performing book, whereas number 20 represented 0.3% of it. Additionally, out of these 20 borrowers, 19 companies have an A1 rating and 1 has an A2 rating.

As of June 2019 GFNorte's **loan exposure to home builders was Ps 1.93 billion** spread among Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V., and Desarrolladora Homex, S.A.B. de C.V., (0.1%) lower than a quarter ago. This exposure accounts for 0.2% of the total loan portfolio. Total **portfolio was 100% guaranteed**, and had no changes against the previous quarter regarding the reported portfolio amounts. Loan Loss Reserve coverage for these companies was 42.5%. The portfolio held a balance of Ps 2.72 billion in investment projects.

- **Government Book:** Loan portfolio had a 3% quarterly growth reaching an ending balance of **Ps 187.45 billion**, and 44% growth vs. 2Q18, which is primarily attributed to the incorporation of GFI's portfolio. GFNorte's government portfolio is well diversified among regions, and shows adequate concentration risk given that 32.8% of the loans represent Federal Government risk. Also, 87.7% of loans to regional governments are backed by fiduciary guarantees. Market share as of May 2019 on this segment was 34.6%, **ranking first in the system**.
- **Infrastructure:** Derived from the merger with Interacciones, GFNorte consolidated an infrastructure portfolio. Further detail is shown below:

Infrastructure Loans (Million Pesos)	Jul-18	1Q19	2Q19	Change	
				1Q19	Jul-18
Performing Portfolio	42,739	44,061	<b>43,142</b>	(2%)	1%
% of Total Performing Portfolio	5.7%	5.8%	<b>5.6%</b>	(17 bp)	(7 bp)
NPL Ratio	0.0%	0.0%	<b>0.0%</b>	3 bp	3 bp

## Past Due Loans

(Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Past Due Loans	12,888	13,488	<b>14,567</b>	8%	13%
Loan Loss Reserves	17,161	18,329	<b>18,592</b>	1%	8%
Acquired Rights	2,781	2,217	<b>2,065</b>	(7%)	(26%)

At the end of the period, Past Due Loans showed an **8%** quarterly **increase**, and a **13%** annual increase attributed to the seasonal deterioration of the payroll portfolio and some one-off cases in the commercial book. The deterioration in the commercial book is temporary, while that of the payroll portfolio is a result the anticipated seasonal behavior for this time of the year. Further detail by product is shown below:



Past Due Loans (Million Pesos)	2Q18	1Q19	2Q19	Change	
				1Q19	2Q18
Credit Cards	2,315	2,304	<b>2,386</b>	82	71
Payroll	1,868	1,643	<b>2,063</b>	420	196
Auto Loans	242	236	<b>267</b>	31	25
Mortgages	1,347	1,557	<b>1,696</b>	139	350
Commercial	3,691	3,694	<b>4,117</b>	423	426
Corporate	3,426	4,050	<b>4,033</b>	(17)	607
Government	-	4	<b>4</b>	-	4
<b>Total</b>	<b>12,888</b>	<b>13,488</b>	<b>14,567</b>	<b>1,078</b>	<b>1,679</b>

**NPL ratio** stood at **1.9%**, showing a 12 bps increase due to deterioration in payroll and commercial loans.

On an **annual** basis, NPL ratio shows an overall deterioration on most products, except for mortgage and credit card, which remained stable. It is worth mentioning that SME NPLs show a deeper deterioration which is explained by the denominator effect caused by a slower loan origination, in response to tighter and enhanced risk control.

Past Due Loans Ratios	2Q18	3Q18	4Q18	1Q19	2Q19
Credit Cards	6.3%	6.0%	5.5%	5.9%	<b>5.9%</b>
Payroll	3.3%	4.1%	3.7%	3.0%	<b>3.8%</b>
Auto Loans	1.1%	1.1%	1.1%	0.9%	<b>1.0%</b>
Mortgages	0.9%	1.0%	0.9%	1.0%	<b>1.0%</b>
Commercial	2.5%	2.2%	1.9%	2.1%	<b>2.4%</b>
SMEs	5.5%	6.0%	5.5%	5.9%	<b>6.4%</b>
Commercial	1.5%	1.2%	0.9%	1.1%	<b>1.3%</b>
Corporate	3.0%	2.9%	2.9%	2.9%	<b>3.0%</b>
Government	0.0%	0.0%	0.0%	0.0%	<b>0.0%</b>
<b>Total</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.9%</b>

**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 2Q19. These ratios were 1.9% and 3.7%, respectively during 1Q19, and 2.3% and 4.0% twelve months ago.

Banco Mercantil del Norte's **Net Credit Losses (NCL)** including write-offs were **2.0%**; (7bps) lower vs. 1Q19.

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

Past Due Loan Variations (Million Pesos)	
<b>Balance as of March '19</b>	<b>13,492</b>
Transfer from Performing Loans to Past Due Loans	7,430
Portfolio Purchase	-
Renewals	(128)
Cash Collections	(734)
Discounts	(207)
Charge Offs	(3,458)
Foreclosures	(79)
Transfer from Past Due Loans to Performing Loans	(1,736)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	(14)
Fair Value Ixe	-
<b>Balance as of June '19</b>	<b>14,567</b>

Of the **total loan book**, 85% was rated A Risk, 10% B Risk, and 5% as Risk C, D and E combined.

**Risk Rating of Performing Loans as of 2Q19 - GFNorte**  
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	656,649	887	658	61	601	210	2,417
A2	38,293	153	93	5	311	39	600
B1	38,909	91	102	17	962	18	1,190
B2	11,659	61	0	0	325	26	412
B3	27,252	143	321	5	875	15	1,359
C1	13,937	95	536	0	248	80	959
C2	7,821	50	7	-	808	155	1,020
D	16,001	3,175	0	2	2,085	443	5,705
E	5,842	566	-	-	3,502	74	4,143
<b>Total</b>	<b>816,363</b>	<b>5,220</b>	<b>1,717</b>	<b>90</b>	<b>9,717</b>	<b>1,060</b>	<b>17,804</b>
Not Classified	(1,930)						
Exempt	-						
<b>Total</b>	<b>814,433</b>	<b>5,220</b>	<b>1,717</b>	<b>90</b>	<b>9,717</b>	<b>1,060</b>	<b>17,804</b>
<b>Reserves</b>							<b>18,592</b>
<b>Preventive Reserves</b>							<b>788</b>

Notes:

- Figures for reserve creation and rating are as of June 30, 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	8,989
Total Loans	814,433
<b>Distressed Portfolio / Total Loans</b>	<b>1.1%</b>

## Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	2Q19
<b>Previous Period Ending Balance</b>	<b>18,329</b>
Provisions charged to results	4,219
Charges to Retained Earnings	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(313)
Consumer Loans	(3,196)
Mortgage Loans	(437)
Foreclosed assets	0
	(3,947)
Cost of debtor support programs	(2)
Valorization and Others	(8)
Adjustments	0
<b>Loan Loss Reserves at Period End</b>	<b>18,592</b>

**Loan Loss Reserves** in 2Q19 totaled **Ps 18.59 billion**, Ps 263 million higher versus the previous quarter. **Charge-offs and Discounts** during the quarter declined **(2.7%)** vs. the previous quarter. Out of total charge-offs, 81% are related to the consumer portfolio, 11% to mortgages, and 8% to commercial.

**Loan loss reserve coverage** was **127.6%** in the quarter, slightly lower than 135.9% in 1Q19, and 133.2% in 1H18, mainly driven by the increase in non-performing loans in payroll and specific cases in the commercial portfolio, as well as by a reserve reduction in state and municipal government loans, due to a decline in loan balances.

## Capital

**Shareholders' equity** totaled **Ps 178.36 billion**, down (4%) quarterly, and up **19% annually**.

The main changes to the Capital during the quarter were an Ps 8.73 billion increase in net income; a (Ps 16.72) billion decline in retained earnings as a result of a Ps 15.95 billion dividend payment in June, Ps 308 million in interest payment of subordinated liabilities, and a Ps 723 million valuation increase in securities held for sale due to a larger asset base as well as lower volatility in asset prices during the quarter, and an increase of Ps 166 million in mark-to-market valuation of cash flow hedging instruments as a result of lower volatility in the period.

## Recent Events

### 1. BANORTE WAS REAFFIRMED AS DOMESTIC SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION

On May 29<sup>th</sup>, Banorte was reaffirmed for the fourth time, as Level II - Domestic Systemically Important Financial Institution by the National Banking and Securities Commission ("CNBV"), which speaks to Banorte's relevance in the Mexican Financial System.

This is results from the annual review that the Board of the CNBV carries out based on Credit Institutions' information as of December 2018. Such designation implies that Banorte must maintain a capital buffer of 0.90 pp, in December 31<sup>st</sup>, 2019, in addition to the regulatory Capitalization Ratio ("CR") of 10.5%, this means that Banorte's minimum CR will amount to 11.4% by the end of 2019.

### 2. SHAREHOLDERS' MEETING

GFNorte's Annual Shareholders' Meeting was held on April 30<sup>th</sup>, having a 74.63% representation of the total 2,878,956,594 subscribed paid and voting shares of the company's capital, during which the following activities took place:

- I. It was approved, with prior opinion from the Board of Directors, the Annual Report from the CEO, which was prepared pursuant to the provisions set forth in Article 44, Section XI, of the Securities Market Law ("Ley del Mercado de Valores"), and Article 59, Section X of the Law to Regulate Financial Groups ("Ley para Regular a las Agrupaciones Financieras"), which includes, among other items: (i) the balance sheet; (ii) the income statement, (iii) the statement of changes in the shareholders' equity; and (iv) the statement of cash flows of the Company as of December 31<sup>st</sup>, 2018.
- II. The Annual Report of the Board of Directors was approved in which the main accounting and information policies and criteria are stated and explained, and followed during the preparation of financial information presented as of December 31<sup>st</sup>, 2018, pursuant to the provisions set forth in Article 172, paragraph b) of the General Law of Business Corporations ("Ley General de Sociedades Mercantiles").
- III. The Annual Report of the Board of Directors was approved, containing the operations and activities in which the Board participated.
- IV. The Annual Report on the Activities of the Audit and Corporate Practices Committee was approved.
- V. Approval of each and every operation performed by the Company during the fiscal year ended December 31<sup>st</sup> 2018, and the actions taken by the Board of Directors, the Director General and the Audit and Corporate Practices Committee during the same period were ratified.
- VI. The financial statements of Grupo Financiero Banorte S.A.B. de C.V., as of December 31<sup>st</sup>, 2018 show net income in the amount of \$31,957'754,497.84 (thirty-one billion nine hundred fifty-seven million, seven hundred fifty-four thousand, four hundred and ninety-seven pesos 84/100 Mexican currency) which will be allocated as follows:
  - a. The amount of \$61'715,854.20 (sixty-one million seven hundred fifteen thousand eight hundred and fifty-four pesos 20/100 Mexican currency) to the "Legal Reserve".
  - b. The amount of \$31,896'038,643.64 (thirty-one billion eight hundred ninety-six million thirty-eight thousand six hundred and forty-three pesos 64/100 Mexican currency) to "Retained earnings".
- VII. It was approved to amend the Dividend Payout Policy so that the payment of dividends be a percentage pursuant to the following: Between 16% and up to 50% of the net profit of the previous fiscal year.
- VIII. It was approved that the Board of Directors be comprised of 14 Proprietary members and their corresponding substitutes, with the independence of the directors being qualified, as they are not within the restrictions set forth by the Securities Market Law and the Law to Regulate Financial Groups.

Grupo Financiero Banorte			
PROPRIETARY		SUBSTITUTE	
Carlos Hank González	Chairman	Graciela González Moreno	
Juan Antonio González Moreno		Juan Antonio González Marcos	
David Juan Villarreal Montemayor		Alberto Halabe Hamui	Independent
José Marcos Ramírez Miguel		Carlos de la Isla Corry	Independent
Everardo Elizondo Almaguer	Independent	Diego Martínez Rueda-Chapital	Independent
Carmen Patricia Armendáriz Guerra	Independent	Gerardo Salazar Viezca	Independent
Héctor Federico Reyes-Retana y Dahl	Independent	Clemente Ismael Reyes Retana Valdés	Independent
Eduardo Livas Cantú	Independent	Roberto Kelleher Vales	Independent
Alfredo Elías Ayub	Independent	Isaac Becker Kabacnik	Independent
David Peñaloza Alanís	Independent	José María Garza Treviño	Independent
José Antonio Chedraui Eguía	Independent	Carlos Césarman Kolteniuk	Independent
Alfonso de Angoitia Noriega	Independent	Humberto Tafolla Nuñez	Independent
Thomas Stanley Heather Rodríguez	Independent	Guadalupe Phillips Margain	Independent

- IX. It was approved to designate Mr. Héctor Ávila Flores as Secretary of the Board of Directors; he will not be part of the Board of Directors.
- X. Approval of the Report of the Board of Directors regarding trading activities with proprietary shares during the 2018 fiscal year.
- XI. It was approved to earmark up to \$4,142,000,000.00 (four billion one hundred forty-two million pesos, 00/100 Mexican currency), equivalent to 1.5% of the market capitalization of Grupo Financiero as of the closing of 2018, charged against Shareholders' Equity, for the purchase of the Company's own shares, during fiscal year 2019, including any transactions made during 2019 and up to April 2020, adhering to the Company's Own Share Acquisition and Settlement Policy.
- XII. It was approved the designation of delegates to formalize and execute the resolutions passed by the Meeting.

Additionally, on May 30<sup>th</sup>, GFNorte's Ordinary General Shareholders' Meeting was held represented by 79.16% of a total of 2,878'956,594 subscribed paid and voting shares of the Company's capital. The following resolutions were approved:

- I. Approval to distribute a cash dividend in the amount of Ps \$15,978,877,248.92 (fifteen billion, nine hundred and seventy-eight million, eight hundred and seventy-seven thousand, two hundred and forty-eight pesos 92/100) or Ps 5.54157023974990 per outstanding share. This dividend was paid on June 7<sup>th</sup>, 2019 against the delivery of coupon number 1, and charged to retained earnings, which for purposes of the income tax law, this amount came from the Fiscal Net Income as of December 31st, 2013.

### 3. ISSUANCE OF TIER 1 CAPITAL NOTES IN THE AMOUNT OF US \$1.1 BILLION, AND EARLY PAYMENT OF SUBORDINATED OBLIGATIONS Q BANORTE

On June 27<sup>th</sup>, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") informed that it had successfully issued Perpetual Callable Subordinated Non-Preferred Non-Cumulative Non-Convertible Tier 1 Capital Notes in the amount of US \$1.1 billion in the international markets.

Tier 1 Capital Notes were issued in two series:

- NC5 Notes PERP in the amount of US \$600 million, callable on the fifth year, carrying a coupon rate of 6.75%.
- NC10 Notes PERP in the amount of US \$500 million, callable on the tenth year, carrying a coupon rate of 7.50%.

Both series were rated by Moody's and S&P at Ba2 and BB, respectively. The Capital Notes are Basel III compliant.

Proceeds from the issuance will be used for general corporate purposes as well as to strengthen the bank's regulatory capital.

### 4. BANORTE AND PAYCLIP LAUNCH PARTNERSHIP

On June 17<sup>th</sup>, Banco Mercantil del Norte, SA, Multiple Banking Institution, Grupo Financiero Banorte ("Banorte") and Payclip, Inc. ("Clip") formalized an alliance by which Banorte will hold an investment in Clip's equity, thus strengthening the existing commercial alliance between both entities, and the commitment towards continuity of its digital strategy and technological innovation.

**5. BANORTE AND WALMART FORMALIZE PARTNERSHIP**

On June 14<sup>th</sup>, Banorte and Walmart of México and Central America formalized an agreement that will allow Banorte's +12 million customers to withdraw up to Ps 4,000 per day, without fees, in more than 2,450 Walmart locations nationwide. With this arrangement, Banorte's clients, as well as beneficiaries of social programs with cards issued by Banorte, will be able to make cash withdrawals at the store, with a minimum purchase of Ps 15 at Walmart, Bodega Aurrera, Superama and Sam's Club stores.

**6. GFNORTE RECEIVES CORPORATE GOVERNANCE AWARD**

On June 14<sup>th</sup>, GFNorte received the award for being a publicly held company with the Best Corporate Governance, within the sustainability category, by the Mexican Stock Exchange. This was awarded due to Banorte's best practices towards protecting the interests of its shareholders, customers, employees, suppliers and communities.

**7. BANORTE ANNOUNCES AN AGREEMENT WITH CORRESPONDENT MANAGER YASTÁS**

As part of its commitment to promote financial inclusion, Banorte and Yastás, the largest banking correspondent in the country, and subsidiary of Gentera, signed an agreement that will allow Banorte to bring its financial services to 297 municipalities where the banking infrastructure is insufficient or non-existent, broadening Banorte's territorial footprint by 24% and covering more than 1,557 municipalities throughout Mexico. During its initial phase, this alliance will add 3,500 mom & pop stores, pharmacies and other small merchants to the existing network of 9,827 Banorte correspondents, where basic transactions such as deposits, credit card payments, cash withdrawals, and service payments, among others, can be made.

**8. GFNORTE IS RECOGNIZED BY INSTITUTIONAL INVESTOR MAGAZINE**

In June, the Institutional Investor magazine published its annual ranking results for the "Best Management Team in Latin America in 2019", determined through a survey of 1,000 fund managers and market analysts from 369 institutions.

The performance attributes evaluated were: senior management access; a well informed and empowered/authoritative IR team; timely and appropriate financial disclosures; quick and thorough responses to requests; constructive conference calls; in-depth and relevant information on Social Environmental Issues and Governance (ASG) as well as Socially Responsible Investment (SRI).

For the ninth year in a row, GFNorte's Executive Team was ranked among the top positions among Latin American banks and Mexican companies, highlighting:

- 1st place as best CFO
- 2nd place as best IR team
- 2nd place as best IR Professional
- 2nd place as best IR program
- 2nd place as the best ESG program
- 2nd place as the best website

**9. BANORTE RECEIVES AWARD AS PIONEER IN ARTIFICIAL INTELLIGENCE FROM IBM**

On June 11<sup>th</sup>, IBM announced the top list of female leaders in the world and pioneers in Artificial Intelligence (AI) for companies, in which Claudia Ignacio Cruz, Director of customer experience at Grupo Financiero Banorte, was listed. The list recognizes and celebrates the use of AI for development inside their companies in matters such as innovation, growth and transformation.

**10. BANORTE RECEIVES CIO100 AWARD IN THE MOBILITY CATEGORY**

On June 21<sup>st</sup>, the CIO Mexico publication of the International Data Group (IDG), recognized Banorte in the awards given to the 100 best CIOs in seven categories. Banorte was awarded in the Mobility category, and the award was received by Guillermo Güemez Sarre, Director of Innovation, in recognition for the work and vision of the managers who have stood out for the developing projects, which already provide measurable benefits to their business and users.

## Bank

Income Statement and Balance Sheet Highlights - Bank (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change
				1Q19	2Q18			1H18
Net Interest Income	15,628	16,931	<b>16,853</b>	(0%)	8%	30,372	<b>33,784</b>	11%
Non-Interest Income	4,263	6,105	<b>4,631</b>	(24%)	9%	8,557	<b>10,736</b>	25%
Total Income	19,891	23,036	<b>21,483</b>	(7%)	8%	38,929	<b>44,520</b>	14%
Non-Interest Expense	8,392	9,341	<b>8,931</b>	(4%)	6%	16,974	<b>18,272</b>	8%
Provisions *	3,759	3,700	<b>3,657</b>	(1%)	(3%)	7,907	<b>7,357</b>	(7%)
Operating Income	7,740	9,996	<b>8,895</b>	(11%)	15%	14,047	<b>18,891</b>	34%
Taxes	2,397	2,647	<b>2,382</b>	(10%)	(1%)	4,112	<b>5,029</b>	22%
Subsidiaries & Minority Interest	49	14	<b>39</b>	191%	N.A.	75	<b>53</b>	N.A.
<b>Net Income</b>	<b>5,392</b>	<b>7,362</b>	<b>6,553</b>	(11%)	22%	10,010	<b>13,914</b>	39%
<b>Balance Sheet</b>								
Performing Loans (a)	629,576	745,735	<b>750,052</b>	1%	19%	629,576	<b>750,052</b>	19%
Past Due Loans (b)	12,619	13,095	<b>14,170</b>	8%	12%	12,619	<b>14,170</b>	12%
Total Loans (a+b)	642,196	758,830	<b>764,222</b>	1%	19%	642,196	<b>764,222</b>	19%
Total Loans Net (d)	625,556	741,008	<b>746,152</b>	1%	19%	625,556	<b>746,152</b>	19%
Acquired Collection Rights (e)	2,298	1,864	<b>1,720</b>	(8%)	(25%)	2,298	<b>1,720</b>	(25%)
Total Loans (d+e)	627,855	742,872	<b>747,872</b>	1%	19%	627,855	<b>747,872</b>	19%
<b>Total Assets</b>	<b>1,052,365</b>	<b>1,172,383</b>	<b>1,160,329</b>	(1%)	10%	1,052,365	<b>1,160,329</b>	10%
Total Deposits	661,675	737,227	<b>738,028</b>	0%	12%	661,675	<b>738,028</b>	12%
Demand Deposits	403,109	391,855	<b>394,308</b>	1%	(2%)	403,109	<b>394,308</b>	(2%)
Time Deposits	258,566	345,372	<b>343,720</b>	(0%)	33%	258,566	<b>343,720</b>	33%
<b>Total Liabilities</b>	<b>957,644</b>	<b>1,056,082</b>	<b>1,046,845</b>	(1%)	9%	957,644	<b>1,046,845</b>	9%
<b>Equity</b>	<b>94,721</b>	<b>116,301</b>	<b>113,484</b>	(2%)	20%	94,721	<b>113,484</b>	20%
<b>Financial Ratios - Bank</b>	<b>2Q18</b>	<b>1Q19</b>	<b>2Q19</b>			<b>1H18</b>	<b>1H19</b>	
<b>Profitability:</b>								
NIM (1)	6.4%	6.2%	<b>6.3%</b>			6.2%	<b>6.2%</b>	
NIM after Provisions (2)	4.9%	4.8%	<b>4.9%</b>			4.6%	<b>4.9%</b>	
ROE (3)	23.3%	26.2%	<b>22.8%</b>			22.1%	<b>24.7%</b>	
ROA (4)	2.1%	2.5%	<b>2.2%</b>			1.9%	<b>2.4%</b>	
<b>Operation:</b>								
Efficiency Ratio (5)	42.2%	40.5%	<b>41.6%</b>			43.6%	<b>41.0%</b>	
Operating Efficiency Ratio (6)	3.2%	3.2%	<b>3.1%</b>			3.3%	<b>3.1%</b>	
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	116.3%	116.6%	<b>122.2%</b>			116.3%	<b>122.2%</b>	
<b>Asset Quality:</b>								
Past Due Loan Ratio	2.0%	1.7%	<b>1.9%</b>			2.0%	<b>1.9%</b>	
Coverage Ratio	131.9%	136.1%	<b>127.5%</b>			131.9%	<b>127.5%</b>	
<b>Growth (8)</b>								
Performing Loans (9)	7.8%	21.8%	<b>19.1%</b>			7.8%	<b>19.1%</b>	
Core Deposits	10.4%	5.9%	<b>4.0%</b>			10.4%	<b>4.0%</b>	
Total Deposits	7.7%	13.1%	<b>11.5%</b>			7.7%	<b>11.5%</b>	
<b>Capitalization:</b>								
Net Capital/ Credit Risk Assets	21.4%	22.0%	<b>24.8%</b>			21.4%	<b>24.8%</b>	
Total Capitalization Ratio	17.8%	18.1%	<b>20.0%</b>			17.8%	<b>20.0%</b>	
<b>Leverage</b>								
Basic Capital/ Adjusted Assets	8.9%	9.3%	<b>11.0%</b>			8.9%	<b>11.0%</b>	

- 1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.
- 2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.
- 3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.
- 4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.
- 5) Non-Interest Expenses / Total Income.
- 6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.
- 7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.
- 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 slight **(0.5%)** decline, on lower margin on hedging transactions, and mark-to-market valuation on foreign currencies and UDIS accounts. However, **NIM reached 6.3%**, 10 bps higher than 1Q19.

**Recurring non-interest income** was **up 4%** from a Ps 157 million increase in electronic banking services fees, Ps 88 million in loan origination fees, and Ps 114 million in other items. Moreover, fees paid were up 3% related to debt issuance transactions, while trading income declined (11%).

**Non-interest expense** saw a **(4%) decline**, with a relevant decline in personnel expenses on lower variable compensation expenses which are typically higher during the first quarter, in addition to overall expenses stability, in line with normal business dynamics. **Efficiency rate** totaled **41.6%**, lower than the 43.7% seen last quarter, reflecting an adequate expense control.

**Loan loss provisions** were down **(1%)** as a result of lower reserves requirements for the corporate portfolio, and reserves releases in the government portfolio. Within the consumer portfolio, most consumer products demanded greater reserves requirements. **Risk adjusted NIM** stood at **4.9%**, 9 bps higher than the **4.8%** reported in the previous quarter.

Altogether, **net income grew 6%**, and **ROE and ROA** reached **23.1% and 2.3%** respectively, both cases reflecting an improvement due to the sound performance of the Bank.

## Changes vs. the previous year

**Net Interest Income grew 11%**, on good loan performance and mix, as well as from the incorporation of GFI's portfolio. **NIM** showed no changes vs. 1H18, reaching **6.2%**, despite the incorporation of the low-margin portfolio from Interacciones.

**Recurring non-interest income was up 6%** primarily from 8% growth in net fees, highlighting a 13% increase in electronic banking fees, and from 11% growth in loan opening fees.

**Non-interest expense rose 8%** vs. 1H18, showing an increase in other taxes and non-deductible expenses, followed by an increase in rents, depreciation and amortization, related to the sale and leaseback transaction booked in December 2018, as well as an increase in contributions to IPAB. As a result, **recurring efficiency ratio** totaled **42.6%** for 1H19.

**Loan Loss Provisions were down (7%)** due to a significant decline in the commercial portfolio derived from a Ps 500 million penalty booked in March 2018, in addition to a greater reserves release in the government portfolio. In the consumer book, there was a decline in payroll portfolio provisions following a better performance of the book, as well as from lower origination during the period. **Risk adjusted NIM** totaled **4.9%**, up from 4.6% in 1H18.

**Recurring accumulated net income** totaled **Ps 12.71 billion**, a **27%** increase vs. 1H18 when taking into account GFI's incorporation during the second half on 2018. In terms of profitability there was a significant improvement, with **ROE** reaching **22.8%** in 1H19, and **ROA 2.2%**.

## Capital

**Reported shareholders' equity** totaled **Ps 113.48 billion**, down **(2%)** vs. the previous quarter, and up **20%** annually.

The main changes during the quarter were a Ps 6.55 billion increase from net income; a (Ps 9.89) billion decline in retained earnings associated with the dividend payment in June; a (Ps 313) million decline from interest payments from subordinated obligations; a Ps 690 million increase from valuation gains on securities available for sale; and a Ps 169 million gain from valuation of cash hedging instruments as a result of lower volatility in asset prices during the quarter.

## Long Term Savings

### Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)								
	2Q18	1Q19	2Q19	Change		1H18	1H19	Change
				1Q19	2Q18			1H18
<b>Interest Income (Net)</b>	359	444	<b>464</b>	4%	29%	697	<b>907</b>	30%
Premium Income (Net)	3,230	9,712	<b>3,765</b>	(61%)	17%	12,709	<b>13,477</b>	6%
Net Increase in Technical Reserves	(918)	4,219	<b>(664)</b>	(116%)	(28%)	3,035	<b>3,555</b>	17%
Damages, Claims and Other Obligations	3,022	2,699	<b>3,158</b>	17%	4%	5,934	<b>5,857</b>	(1%)
<b>Technical Results</b>	1,126	2,794	<b>1,271</b>	(54%)	13%	3,739	<b>4,065</b>	9%
<b>Net Interest Income (NII)</b>	<b>1,485</b>	<b>3,238</b>	<b>1,735</b>	<b>(46%)</b>	<b>17%</b>	<b>4,436</b>	<b>4,973</b>	<b>12%</b>
Other Fees (acquisition costs)	(370)	(817)	<b>(534)</b>	(35%)	44%	(1,321)	<b>(1,351)</b>	(2%)
Securities-Realized Gains	(0)	15	<b>18</b>	26%	N.A.	5	<b>33</b>	558%
Other Operating Income (Expenses)	252	202	<b>297</b>	47%	18%	444	<b>499</b>	12%
<b>Total Operating Income</b>	<b>1,367</b>	<b>2,637</b>	<b>1,517</b>	<b>(42%)</b>	<b>11%</b>	<b>3,564</b>	<b>4,154</b>	<b>17%</b>
Non Interest Expense	317	334	<b>333</b>	(0%)	5%	620	667	8%
<b>Operating Income</b>	<b>1,049</b>	<b>2,303</b>	<b>1,184</b>	<b>(49%)</b>	<b>13%</b>	<b>2,944</b>	<b>3,487</b>	<b>18%</b>
Taxes	296	691	<b>358</b>	(48%)	21%	840	1,049	25%
Subsidiaries' Net Income	370	416	<b>434</b>	4%	17%	704	849	21%
Minority Interest	(9)	(10)	<b>(10)</b>	(1%)	(12%)	(17)	<b>(19)</b>	(17%)
<b>Net Income</b>	<b>1,115</b>	<b>2,018</b>	<b>1,250</b>	<b>(38%)</b>	<b>12%</b>	<b>2,792</b>	<b>3,268</b>	<b>17%</b>
Shareholder's Equity	23,549	25,112	<b>22,943</b>	(9%)	(3%)	23,549	<b>22,943</b>	(3%)
Total Assets	58,928	61,233	<b>57,148</b>	(7%)	(3%)	58,928	<b>57,148</b>	(3%)
Technical Reserves	28,058	29,792	<b>27,986</b>	(6%)	(0%)	28,058	<b>27,986</b>	(0%)
Premiums sold	4,320	12,606	<b>4,582</b>	(64%)	6%	17,556	<b>17,188</b>	(2%)
Coverage ratio of technical reserves	1.2	1.3	<b>1.2</b>	(0.0 pp)	(0.0 pp)	1.2	<b>1.2</b>	(0.0 pp)
Solvency capital requirement coverage ratio	3.9	4.9	<b>3.6</b>	(1.2 pp)	(0.3 pp)	3.9	<b>3.6</b>	(0.3 pp)
Coverage ratio of minimum capital	229.0	244.1	<b>212.3</b>	(31.8 pp)	(16.7 pp)	229.0	<b>212.3</b>	(16.7 pp)
Claims ratio	73%	48%	<b>72%</b>	23.5 pp	(1.7 pp)	62%	59%	(3.0 pp)
Combined ratio	84%	56%	<b>85%</b>	28.9 pp	0.6 pp	71%	68%	(2.7 pp)
ROE	18.7%	34.0%	<b>21.1%</b>	(12.9 pp)	2.4 pp	23.9%	<b>28.0%</b>	4.1 pp
ROE ex-Afore	33.7%	77.4%	<b>38.4%</b>	(39.0 pp)	4.7 pp	49.9%	<b>59.4%</b>	9.5 pp

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

**Net interest income** had a **4% quarterly** growth, and **30% annual** driven by normal reserve growth, and the current interest rate level.

At the end of 2Q19, **technical results totaled Ps 1.27 billion**, down **(54%)** in the quarter attributable to the seasonality effect during the first quarter. Reserves have a sharp decline also driven by the aforementioned seasonal effect, and also by reserves release. During the quarter, there was an increase in claims from the life portfolio.

Compared to 1H18, **technical results** were up **9%** primarily on net premium income, from normal business operations, in spite of the reduction of premium income in the damages segment that were not renovated in 2019, as well as by higher technical reserves from normal business operations; moreover, there was a slight decline in claims from a Ps 149 million catastrophic reserve release in March, 2019.

**Acquisition Costs** had a **(35%)** decline during the period, totaling **Ps 534 million** explained by the business seasonality during the quarter. Using accumulated figures as of 1H19, acquisition costs were up 2% due to the business growth.

**Net Operating Income** amounted to **Ps 1.18 billion**, down **(49%)** vs. previous quarter due to the seasonality during 1Q19, and for the accumulated period, it was up 18% vs. 1H18, reflecting a solid annual growth driven by auto and damages portfolios.

**Net Income** for the quarter was **Ps 1.25 billion**, down **(38%)** vs. **1Q19**, driven by the business seasonality; however, compared to 1H18, it shows a significant **17%** growth.

Quarterly **Net Income** for Seguros Banorte excluding Afore XXI Banorte totaled **Ps 824 million** in 2Q19, accounting for 9.4% of GFNorte's net income on 2Q19.

**ROE** for the **Insurance** business declined to **21.1%**, and during 1H19 it reached 28% vs. 24% in 1H18.

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 2Q19 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
  - *In 2Q19 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 2Q19*
- iv. Transfer of risks through reinsurance and bonding contracts
  - *In the Damages book, risks were transferred to reinsurers, for the most part to foreign reinsurers under which there were 8 relevant businesses: 4 related to government, 3 related to tourism, and 1 related to the financial services industry.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
  - *There were no relevant issues related to non-compliance during 2Q19.*

### Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Net Income	739	831	<b>866</b>	4%	17%	1,409	<b>1,697</b>	20%
Shareholder's Equity	23,392	23,022	<b>23,888</b>	4%	2%	23,392	<b>23,888</b>	2%
Total Assets	25,235	24,892	<b>25,776</b>	4%	2%	25,235	<b>25,776</b>	2%
AUM (SIEFORE)	753,281	795,847	<b>829,331</b>	4%	10%	753,281	<b>829,331</b>	10%
ROE	12.8%	14.0%	<b>14.8%</b>	0.8 pp	1.9 pp	12.0%	<b>14.3%</b>	2.2 pp

Afore XXI Banorte reported **net income** of **Ps 866 million** during 2Q19, up **4%** vs 1Q19. When compared to 2Q18, results were 20% higher due to a reduction in operating costs, and the effect of interest rates on the invested capital valuation result.

**ROE** during 2Q19 reached **14.8%**, improving 0.8pp during the quarter, and 1.9pp vs. 2Q18. Excluding goodwill, **Return on Tangible Equity (ROTE)** totaled **51.8%** for the quarter, having a relevant **4.4pp** increase.

Afore XXI Banorte contributed with 4.9% of the Financial Group's net income during 2Q19.

**Assets under management** of Afore XXI Banorte as of June 2019 totaled **Ps 829.33 billion**, a 6% increase vs. 2Q18.

## Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
<b>Interest Income (Net)</b>	823	1,893	<b>1,224</b>	(35%)	49%	3,022	<b>3,117</b>	3%
Premium Income (Net)	2,591	2,737	<b>2,776</b>	1%	7%	4,941	<b>5,513</b>	12%
Net Increase in Technical Reserves	1,732	2,547	<b>1,892</b>	(26%)	9%	4,755	<b>4,440</b>	(7%)
Claims and Other Obligations	1,217	1,633	<b>1,689</b>	3%	39%	2,354	<b>3,321</b>	41%
<b>Technical Results</b>	(359)	(1,443)	<b>(804)</b>	44%	(124%)	(2,168)	<b>(2,248)</b>	(4%)
<b>Net Interest Income (NII)</b>	<b>464</b>	<b>450</b>	<b>420</b>	<b>(7%)</b>	<b>(10%)</b>	<b>854</b>	<b>870</b>	<b>2%</b>
Net Fees	(101)	-	-	N.A.	N.A.	101	-	N.A.
Securities-Realized Gains	2	6	<b>16</b>	152%	960%	1	<b>23</b>	1605%
Other Operating Income (Expenses)	(5)	21	<b>(19)</b>	(190%)	248%	(6)	<b>2</b>	N.A.
<b>Total Operating Income</b>	<b>359</b>	<b>477</b>	<b>417</b>	<b>(12%)</b>	<b>16%</b>	<b>748</b>	<b>894</b>	<b>19%</b>
Non Interest Expense	95	96	<b>105</b>	10%	11%	193	201	4%
<b>Operating Income</b>	<b>265</b>	<b>381</b>	<b>312</b>	<b>(18%)</b>	<b>18%</b>	<b>555</b>	<b>693</b>	<b>25%</b>
Taxes	77	111	<b>91</b>	(18%)	18%	160	202	27%
Subsidiaries' Net Income	2	2	<b>2</b>	(17%)	(1%)	3	4	13%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
<b>Net Income</b>	<b>189</b>	<b>272</b>	<b>223</b>	<b>(18%)</b>	<b>18%</b>	<b>399</b>	<b>495</b>	<b>24%</b>
Shareholder's Equity	3,430	4,119	<b>4,344</b>	5%	27%	3,430	<b>4,344</b>	27%
Total Assets	95,732	126,141	<b>128,417</b>	2%	34%	95,732	<b>128,417</b>	34%
Technical Reserves	91,022	120,531	<b>122,485</b>	2%	35%	91,022	<b>122,485</b>	35%
Premiums sold	2,591	2,737	<b>2,776</b>	1%	7%	4,941	<b>5,513</b>	12%
Coverage ratio of technical reserves	1.0	1.0	<b>1.0</b>	0.0 pp	0.0 pp	1.0	<b>1.0</b>	0.0 pp
Solvency capital requirement coverage ratio	26.9	28.8	<b>28.6</b>	(0.1 pp)	1.7 pp	26.9	<b>28.6</b>	1.7 pp
ROE	22.7%	27.3%	<b>21.1%</b>	(6.3 pp)	(1.6 pp)	24.7%	<b>24.1%</b>	(0.6 pp)

During 2Q19, **Net interest income** reached Ps 1.22 billion, (35%) below 1Q19 due to the UDIs mark-to-market valuation effect totaling (Ps 691 million) during the quarter. For the first six months of the year, it was up 3% vs. 1H18, which includes a mark-to-market valuation effect of (Ps 610 million) offset by higher interest income.

The **technical result** had a quarterly increase due to a significant reduction in reserves driven by valuation of inflation against the previous quarter, while net premium income shows stability, and claims have a slight increase. As of 1H19, there is a (4%) decline vs. 1H18, explained higher premium income; a decline in reserves from the combined effect of higher premium issuance, and a reduction due to inflation mark-to-market valuation, and an increase in claims from the acquired portfolios in 2018.

**Net income** from Pensiones Banorte was down **(18%)** during the quarter as a result of a combination between the 1% increase in premium income derived from the normal operation of the quarter and a decrease of (26%) in reserves due to the valuation of inflation, the reduction in interest income due to the effect of inflation, a slight increase in non-financial expenses, and an increase in other income. In the comparison against 1H18, it increases 24%, the growth is mostly explained by the effect of the portfolios acquired during 2018, a decrease of (7%) in reserves due to the inflation update effect, in addition to the growth of pensioners.

**Net income** during 2Q19 accounted for 2.6% of the Financial Group's net income.

**ROE** for the quarter totaled **21.1%**, down vs. 27.3% in the previous quarter, also down vs. 22.7% in 2Q18.

## Brokerage

Brokerage Sector (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change 1H18
				1Q19	2Q18			
Net Income	326	305	<b>233</b>	(24%)	(29%)	561	<b>538</b>	(4%)
Shareholder's Equity	2,764	4,194	<b>4,349</b>	4%	57%	2,764	<b>4,349</b>	57%
Assets Under Custody	863,277	894,173	<b>924,615</b>	3%	7%	863,277	<b>924,615</b>	7%
Total Assets	158,421	190,279	<b>193,169</b>	2%	22%	158,421	<b>193,169</b>	22%
ROE	43.1%	30.3%	<b>21.8%</b>	(8.5 pp)	(21.3 pp)	37.0%	<b>26.0%</b>	(11.0 pp)
Net Capital (1)	2,181	3,252	<b>3,349</b>	3%	54%	2,181	<b>3,349</b>	54%

1) Net capital structure: Tier 1 = Ps 3.35 billion, Tier 2 = Ps 0 million.

The Brokerage business (Casa de Bolsa Banorte and Operadora de Fondos) reported **net income of Ps 233 million**, a **(24%)** quarterly decline resulting from lower trading valuation, and an overall decline in total trading results. Advisory fees were up 125% explained by a very low base in 1Q19, while mutual fund fees show a 5% increase during the quarter.

Accumulated 1H19 results show a (4%) decline vs. 1H18, on (44%) lower advisory fees during 1Q19, a (13%) decline in securities trading, but a positive 15% increase in mutual funds.

Net income from the trading business in 2Q19 accounted for 2.7% of the group's net income.

### Assets Under Management

At the end of 2Q19, AUMs totaled **Ps 924 billion**, up **3%** during the quarter, and **7%** annually.

**Mutual fund assets totaled Ps 199 billion**, up **7%** during the quarter, and 12% during the year. Assets held in **fixed income funds** totaled **Ps 183 billion**, were **8%** higher during the quarter and 13% higher vs. 2Q18; assets held in **equity funds** amounted to **Ps 16 billion**, up 3% annually, and with no change during the quarter. As of 2Q19, Banorte held an 8.2% share of the mutual fund market: 10.5% in fixed income funds, and 2.5% in equity funds.

## SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	2Q18	1Q19	2Q19	Change		1H18	1H19	Change
				1Q19	2Q18			1H18
<b>Leasing and Factoring</b>								
Net Income	289	226	<b>210</b>	(7%)	(27%)	481	<b>436</b>	(9%)
Shareholder's Equity	5,131	5,183	<b>5,394</b>	4%	5%	5,131	<b>5,394</b>	5%
Loan Portfolio (1)	30,221	31,519	<b>34,750</b>	10%	15%	30,221	<b>34,750</b>	15%
Past Due Loans	161	301	<b>315</b>	5%	96%	161	<b>315</b>	96%
Loan Loss Reserves	295	333	<b>368</b>	11%	25%	295	<b>368</b>	25%
Total Assets	30,736	32,038	<b>35,333</b>	10%	15%	30,736	<b>35,333</b>	15%
ROE	22.1%	17.8%	<b>15.9%</b>	(1.9 pp)	(6.2 pp)	18.5%	<b>16.8%</b>	(1.6 pp)
<b>Warehousing</b>								
Net Income	5	(27)	<b>11</b>	(140%)	131%	14	<b>(16)</b>	(215%)
Shareholder's Equity	240	216	<b>227</b>	5%	(5%)	240	<b>227</b>	(5%)
Inventories	1,058	765	<b>912</b>	19%	(14%)	1,058	<b>912</b>	(14%)
Total Assets	1,250	946	<b>1,091</b>	15%	(13%)	1,250	<b>1,091</b>	(13%)
ROE	7.7%	-46.7%	<b>19.1%</b>	65.8 pp	11.4 pp	12.0%	<b>-14.2%</b>	(26.2 pp)
<b>Sólida Administradora de Portafolios</b>								
Net Income	(153)	(109)	<b>78</b>	(172%)	(151%)	(432)	<b>(31)</b>	93%
Shareholder's Equity	2,823	3,073	<b>3,150</b>	3%	12%	2,823	<b>3,150</b>	12%
Loan Portfolio	3,256	2,068	<b>1,941</b>	(6%)	(40%)	3,256	<b>1,941</b>	(40%)
Past Due Loans	107	92	<b>82</b>	(11%)	(24%)	107	<b>82</b>	(24%)
Loan Loss Reserves	226	174	<b>154</b>	(11%)	(32%)	226	<b>154</b>	(32%)
Total Assets	14,383	9,314	<b>8,940</b>	(4%)	(38%)	14,383	<b>8,940</b>	(38%)
<b>Ixe Servicios</b>								
Net Income	(0.4)	(0.2)	<b>(0.3)</b>	53%	(13%)	(0.6)	<b>(0.5)</b>	10%
Shareholder's Equity	138	138	<b>137</b>	(0%)	(1%)	138	<b>137</b>	(1%)
Total Assets	139	138	<b>137</b>	(0%)	(1%)	139	<b>137</b>	(1%)
ROE	(1.1%)	(0.6%)	<b>(0.9%)</b>	(0.3 pp)	0.1 pp	(0.9%)	<b>(0.8%)</b>	0.1 pp

1) Includes operating lease portfolio of Ps 2.81 billion, and fixed assets of Ps 73 million, both registered in property, furniture and equipment (net).

### Leasing and Factoring

**Net income during 2Q19 totaled Ps 210 million, a (7%) quarterly decline, and (9%) down on an annual basis mostly explained by lower interest income from the portfolio, and higher loan loss reserves.**

**Past due loans ratio** reached **1.0%**, (7 bps) lower vs. 1Q19, while **coverage ratio** totaled **116.8%**, mostly stable vs. the previous quarter. **Capital ratios** for 2Q19 totaled 15.3%, including total risk weighted assets of Ps 35.21 billion.

Leverage ratio as of March and June 2019 are 14.36% and 13.75%, respectively, considering risk weighted assets of Ps 35,994 and Ps 39,116, respectively.

During 2Q19, Net Income from Leasing and Factoring accounted for 2.4% of the group's total results.

## Warehouse

In 2Q19, the business reported net income of Ps 11 million, 131% higher vs. 2Q18 due to higher service income from new clients. ROE reached 19.1%, and capital ratio totaled 195% considering a net capital of Ps 185 million, and negotiable deposit certificates issued in active warehouses totaling Ps 1.9 billion.

As of December 2018, Almacenadora Banorte was ranked in 5<sup>th</sup> place among the warehousing businesses in the sector in terms of profits.

## Sólida Administradora de Portafolios

The business reported net income of **Ps 78 million** for the quarter, explained by Ps 216 million gain from the sale of real estate asset. Accumulated net income was (93%) lower vs. 1H18.

**Past Due Loan Ratio** was **4.2%** at the end of 2Q19, (24bps) lower than that of 1Q19. **Coverage ratio** was **187.8%**, (59bps) lower vs. 1Q19.

**Capitalization ratio** in 2Q19 reached **24.8%**, up 80 bps during the quarter, and 107 bps annually.

**Leverage ratio** as of March and June 2019 are **29.73%** and **28.95%**, respectively; considering risk adjusted assets of Ps 7.87 billion and Ps 8.38 billion respectively.



## III. General Information

### GFNORTE's Analyst Coverage

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

BROKER	ANALYST	RECOMMENDATION	DATE
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	17-May-19
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	30-Apr-19
Invex	Montserrat Antón	Buy	17-Jun-19
Actinver	Enrique Mendoza	Hold	8-Apr-19
BOFA - Merrill Lynch	Mario Pierry	Hold	11-Nov-18
Credit Suisse	Marcelo Telles	Hold	28-Apr-19
Morgan Stanley	Jorge Kuri	Sell	8-Mar-19

### Capital Structure

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

## IV. Financial Statements

### Grupo Financiero Banorte

<b>Income Statement - GFNorte</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>
Interest Income	29,958	30,366	37,111	38,865	37,739	37,313
Interest Expense	12,311	13,132	16,944	17,316	18,113	18,075
Charged Fees	290	321	334	338	323	335
Fees Paid	239	255	273	284	281	279
<b>Net Interest Income from interest &amp; fees (NII)</b>	<b>17,698</b>	<b>17,299</b>	<b>20,228</b>	<b>21,603</b>	<b>19,668</b>	<b>19,295</b>
Premium Income (Net)	11,632	5,614	5,983	5,838	12,214	6,271
Net Increase in Technical Reserves	6,976	814	2,458	3,260	6,766	1,228
Damages, Claims and Other Obligations	4,049	4,239	4,692	4,582	4,332	4,846
<b>Net Interest Income (NII)</b>	<b>18,305</b>	<b>17,860</b>	<b>19,061</b>	<b>19,600</b>	<b>20,784</b>	<b>19,492</b>
Preventive Provisions for Loan Losses	4,264	3,844	4,065	3,906	3,761	3,738
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>14,041</b>	<b>14,016</b>	<b>14,996</b>	<b>15,693</b>	<b>17,023</b>	<b>15,753</b>
For Commercial and Mortgage Loans	135	269	376	492	223	278
For Consumer and Credit Card Loans	1,120	1,158	1,179	1,253	1,212	1,246
Fiduciary	108	126	129	135	119	121
Income from Real Estate Portfolios	36	26	15	113	48	220
Trading & Financial Advising Fees	201	231	138	131	108	171
Other Fees Charged	286	279	288	250	304	238
<b>Fees Charged on Services</b>	<b>5,121</b>	<b>5,547</b>	<b>5,635</b>	<b>6,263</b>	<b>5,540</b>	<b>6,002</b>
Interchange Fees	880	986	961	1,173	1,082	1,077
Insurance Fees	725	144	316	294	581	296
Other Fees Paid	911	1,163	905	1,066	910	999
<b>Fees Paid on Services</b>	<b>2,516</b>	<b>2,294</b>	<b>2,182</b>	<b>2,534</b>	<b>2,573</b>	<b>2,372</b>
<b>Net Service Fees</b>	<b>2,604</b>	<b>3,254</b>	<b>3,453</b>	<b>3,730</b>	<b>2,967</b>	<b>3,630</b>
Currency and Metals	(123)	237	(97)	(136)	(6)	(26)
Derivatives	195	603	(2)	1,184	521	176
Negotiable Instruments	(55)	76	109	(266)	186	29
<b>Valuation</b>	<b>17</b>	<b>916</b>	<b>10</b>	<b>782</b>	<b>702</b>	<b>179</b>
Currency and Metals	613	354	638	509	101	206
Derivatives	39	(117)	70	(63)	82	121
Negotiable Instruments	198	69	160	35	267	456
<b>Trading</b>	<b>850</b>	<b>305</b>	<b>868</b>	<b>481</b>	<b>450</b>	<b>783</b>
<b>Trading Income</b>	<b>866</b>	<b>1,221</b>	<b>877</b>	<b>1,263</b>	<b>1,152</b>	<b>963</b>
Loan Recovery	3	2	2	2	2	1
Loan Portfolios	44	58	69	56	59	85
Income from foreclosed assets	80	68	188	(60)	88	74
Provisions Release	14	1	29	(29)	23	5
Impairment of Assets	(173)	-	-	(7)	(132)	-
Lease Income	123	106	121	114	91	92
From Insurance	200	254	197	218	263	255
Securitization Operation Valuation Result	206	(9)	28	(80)	27	48
Other Operating Expense	114	(81)	(182)	2,581	1,748	103
<b>Total Other Operating Income (Expense)</b>	<b>611</b>	<b>401</b>	<b>452</b>	<b>2,795</b>	<b>2,168</b>	<b>664</b>
<b>Total Non Interest Income</b>	<b>4,082</b>	<b>4,876</b>	<b>4,783</b>	<b>7,788</b>	<b>6,287</b>	<b>5,257</b>
<b>Total Operating Income</b>	<b>18,123</b>	<b>18,892</b>	<b>19,779</b>	<b>23,481</b>	<b>23,310</b>	<b>21,010</b>
Personnel	3,535	3,850	3,721	3,915	3,932	3,567
Employee Profit Sharing (PTU)	106	106	120	123	123	123
Professional Fees	714	754	772	1,090	738	796
Administrative and Promotional Expenses	1,938	1,971	2,086	1,959	2,135	2,002
Rents, Depreciation & Amortization	1,347	1,386	1,435	1,458	1,676	1,635
Taxes other than income tax & non deductible expenses	788	191	481	615	561	573
Contributions to IPAB/Fobaproa	725	726	845	853	839	829
<b>Total Non Interest Expense</b>	<b>9,153</b>	<b>8,984</b>	<b>9,461</b>	<b>10,013</b>	<b>10,004</b>	<b>9,525</b>
<b>Operating Income</b>	<b>8,970</b>	<b>9,908</b>	<b>10,318</b>	<b>13,468</b>	<b>13,306</b>	<b>11,485</b>
Subsidiaries' Net Income	357	409	375	245	411	466
<b>Pre-Tax Income</b>	<b>9,327</b>	<b>10,317</b>	<b>10,693</b>	<b>13,713</b>	<b>13,717</b>	<b>11,951</b>
Income Tax	2,343	2,627	2,808	2,989	3,062	2,472
Tax on Assets	-	-	-	-	-	-
Deferred Income Tax	128	396	(41)	385	588	628
<b>Taxes</b>	<b>2,472</b>	<b>3,023</b>	<b>2,767</b>	<b>3,375</b>	<b>3,650</b>	<b>3,100</b>
<b>Net Income from Continuous Operations</b>	<b>6,856</b>	<b>7,294</b>	<b>7,926</b>	<b>10,338</b>	<b>10,067</b>	<b>8,851</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	(87)	(102)	(110)	(156)	(135)	(123)
<b>Net Income</b>	<b>6,768</b>	<b>7,191</b>	<b>7,816</b>	<b>10,182</b>	<b>9,932</b>	<b>8,728</b>

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

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

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

**GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW****JANUARY 1, 2019 – JUNE 30, 2019***(Million Pesos)*

<b>Net Income</b>	<b>18,660</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	825
Technical Reserves	7,994
Provisions	1,392
Income taxes and deferred	6,750
Minority Interest	(618)
	<b>16,343</b>
	<b>35,003</b>
<b>Change in items related to operations</b>	
Change in Margin Accounts	(2,950)
Change in Investment in Securities	32,200
Change in repo debtors	465
Change in derivatives (assets)	2,617
Change in Loan Portfolio (net)	7,453
Change in purchased receivables (net)	353
Change in accounts receivable insurance and bonding institutions (net)	296
Change in debtor premiums (net)	(5,290)
Change in Reinsurance (net)	(1,928)
Change in benefits to receive from securitizations	(64)
Change in foreclosed assets (net)	64
Change in other operating assets (net)	(24,930)
Change in core deposits	(21,734)
Change in interbank loans and other entities	(3,947)
Change in repo creditors	(29,706)
Change in collateral pledged sold	4
Change in derivatives (liability)	(3,238)
Change in Technical Reserves (net)	1,869
Change in Reinsurance (net) (liability)	1,023
Change in subordinated debt with characteristics of liabilities	20,392
Change in other operating liabilities	(5,106)
Change in hedging instruments (the related hedged transaction activities)	(2,072)
Income Tax Payments	(5,561)
<b>Net cash generated or used from operations</b>	<b>(4,787)</b>
<b>Investment Activities</b>	
Charges for disposal of property, furniture and equipment	662
Payments for acquisition of property, furniture and equipment	(1,587)
Charges for disposal of subsidiaries, associated and agreements with mutual control	68
Subsidiaries and associated acquisitions payment	(71)
Charges for cash dividends	1,212
<b>Net cash generated or used from investment activities</b>	<b>284</b>
<b>Financing Activities</b>	
Payments of cash dividends	(15,954)
Payments of interests of subordinated debentures	(621)
<b>Net cash flows from financing activities</b>	<b>(16,575)</b>
<b>Net Cash Increase (decrease) and equivalents value</b>	<b>(21,078)</b>
<b>Effects for changes in cash and equivalents value</b>	<b>(16)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>75,637</b>
<b>Cash and cash equivalents at end of period</b>	<b>54,543</b>

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

JANUARY 1, 2018 – JUNE 30, 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
<b>Changes stemming from stockholders' decisions</b>												
Repurchase of payment plan based on shares payable in equity instruments	6	336	126		(15)							453
Capitalization of profits				31,958						(31,958)		0
Creation of Reserves according to Ordinary Annual General Shareholder's Meeting of April 30, 2019			62	(62)								0
Dividends Declared by the Ordinary General Shareholders' Meeting on May 30, 2019				(15,954)								(15,954)
Banorte USA subsidiary's Sale Accounting Effect								(1,632)				(1,632)
Reserve creation for share repurchase			384	(384)								0
<b>Total</b>	<b>6</b>	<b>336</b>	<b>572</b>	<b>15,558</b>	<b>(15)</b>	<b>0</b>	<b>0</b>	<b>(1,632)</b>	<b>0</b>	<b>(31,958)</b>	<b>0</b>	<b>(17,133)</b>
<b>Changes stemming from profits</b>												
<b>Total profits:</b>												
Net Income										18,660		18,660
Result from valuation of securities available for sale					2,789							2,789
Effect of subsidiaries, associates and mutual funds		4		(17)				(22)				(35)
Result from valuation of instruments of cash flow hedges						508						508
Result in valuation of current risk reserve due to changes in rates							(85)					(85)
Remeasurements defined benefits for employees									(254)			(254)
Interest of subordinated debentures				(621)								(621)
<b>Total</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>(638)</b>	<b>2,789</b>	<b>508</b>	<b>(85)</b>	<b>(22)</b>	<b>(254)</b>	<b>18,660</b>	<b>0</b>	<b>20,962</b>
Recognition of minority interest											75	75
Balance as of June 30, 2019	14,968	48,244	5,779	91,470	638	(2,861)	(57)	97	(830)	18,660	2,260	178,368



## Bank

<b>Income Statement - Bank</b> <i>(Million Pesos)</i>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>
Interest Income	25,945	26,729	31,437	32,587	32,307	32,131
Interest Expense	11,254	11,168	14,799	15,201	15,419	15,335
Charged Fees	290	320	333	338	323	335
Fees Paid	237	253	271	283	280	278
<b>Net Interest Income (NII)</b>	<b>14,744</b>	<b>15,628</b>	<b>16,700</b>	<b>17,442</b>	<b>16,931</b>	<b>16,853</b>
Preventive Provisions for Loan Losses	4,149	3,759	3,919	3,809	3,700	3,657
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>10,596</b>	<b>11,869</b>	<b>12,781</b>	<b>13,633</b>	<b>13,231</b>	<b>13,196</b>
Fund Transfers	363	422	418	430	367	399
Account Management Fees	639	650	650	662	623	614
Electronic Banking Services	1,880	2,019	2,007	2,362	2,128	2,285
For Commercial and Mortgage Loans	135	269	376	492	223	277
For Consumer Loans	1,117	1,155	1,176	1,251	1,210	1,244
Fiduciary	107	126	129	134	118	120
Income from Real Estate Portfolios	20	7	3	16	1	0
Trading & Financial Advising Fees	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1	1
Other Fees Charged	577	585	618	580	632	599
<b>Fees Charged on Services</b>	<b>4,840</b>	<b>5,233</b>	<b>5,377</b>	<b>5,929</b>	<b>5,303</b>	<b>5,539</b>
Interchange Fees	880	986	961	1,173	1,082	1,077
Insurance Fees	-	-	-	-	-	-
Other Fees Paid	864	999	975	1,011	869	940
<b>Fees Paid on Services</b>	<b>1,744</b>	<b>1,985</b>	<b>1,936</b>	<b>2,185</b>	<b>1,951</b>	<b>2,016</b>
<b>Net Fees</b>	<b>3,096</b>	<b>3,248</b>	<b>3,441</b>	<b>3,744</b>	<b>3,351</b>	<b>3,523</b>
Foreign Exchange	(116)	231	(93)	(140)	(5)	(25)
Derivatives	199	605	(1)	1,185	521	176
Negotiable Instruments	(31)	41	45	(138)	68	13
Valuation	52	877	(50)	907	585	164
Currency and Metals	613	354	638	509	101	206
Derivatives	39	(117)	70	(63)	82	121
Negotiable Instruments	103	17	55	(205)	166	344
Trading	755	254	763	241	349	671
<b>Trading Income</b>	<b>807</b>	<b>1,131</b>	<b>713</b>	<b>1,148</b>	<b>934</b>	<b>835</b>
Loan Recovery	-	-	-	-	-	-
Loan Portfolios	29	36	42	35	45	60
Income from foreclosed assets	70	87	176	116	88	57
Provisions Release	-	-	-	-	-	-
Losses and Estimates	(715)	(337)	(616)	(313)	(447)	(877)
Impairment of Assets	-	-	-	(7)	(132)	-
Lease Income	15	3	20	18	19	19
From Insurance	-	-	-	-	-	-
Other Operating Expense	993	95	431	2,693	2,248	1,014
<b>Total Other Operating Income (Expenses)</b>	<b>391</b>	<b>(116)</b>	<b>53</b>	<b>2,541</b>	<b>1,820</b>	<b>273</b>
<b>Total Non-Interest Income</b>	<b>4,294</b>	<b>4,263</b>	<b>4,208</b>	<b>7,433</b>	<b>6,105</b>	<b>4,631</b>
<b>Total Operating Income</b>	<b>14,889</b>	<b>16,132</b>	<b>16,989</b>	<b>21,066</b>	<b>19,336</b>	<b>17,826</b>
Personnel	3,370	3,679	3,534	3,728	3,765	3,390
Employee Profit Sharing (PTU)	104	104	118	118	121	121
Professional Fees	606	621	621	870	610	655
Administrative and Promotional Expenses	1,782	1,824	1,915	1,822	1,926	1,882
Rents, Depreciation & Amortization	1,272	1,311	1,356	1,380	1,595	1,552
Taxes other than income tax & non-deductible expenses	724	126	430	514	485	503
Contributions to IPAB/Fobaproa	725	726	845	853	839	829
<b>Total Non-Interest Expense</b>	<b>8,582</b>	<b>8,392</b>	<b>8,820</b>	<b>9,286</b>	<b>9,341</b>	<b>8,931</b>
<b>Operating Income</b>	<b>6,307</b>	<b>7,740</b>	<b>8,169</b>	<b>11,780</b>	<b>9,996</b>	<b>8,895</b>
Subsidiaries' Net Income	25	49	44	43	14	39
<b>Pre-Tax Income</b>	<b>6,332</b>	<b>7,790</b>	<b>8,213</b>	<b>11,823</b>	<b>10,009</b>	<b>8,934</b>
Income Tax	1,591	2,112	2,324	2,539	2,176	1,941
Tax on Assets	-	-	-	-	-	-
Deferred Income Tax	123	285	(126)	476	472	441
<b>Taxes</b>	<b>1,714</b>	<b>2,397</b>	<b>2,198</b>	<b>3,015</b>	<b>2,647</b>	<b>2,382</b>
<b>Net Income from Continuous Operations</b>	<b>4,618</b>	<b>5,392</b>	<b>6,015</b>	<b>8,808</b>	<b>7,362</b>	<b>6,553</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)
<b>Net Income</b>	<b>4,618</b>	<b>5,392</b>	<b>6,015</b>	<b>8,808</b>	<b>7,362</b>	<b>6,553</b>

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

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

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

**BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW****JANUARY 1, 2018 – JUNE 30, 2019***(Million Pesos)*

<b>Net Income</b>	<b>13,914</b>
<b>Items charged to results that do not generate or require use of resources</b>	
Depreciation	732
Provisions	1,406
Income taxes and deferred	5,029
Minority Interest	(53)
	<b>7,114</b>
	<b>21,028</b>
<b>Change in items related to operations</b>	
Change in Margin Accounts	(2,950)
Change in Investment in Securities	17,740
Change in repo debtors	393
Change in derivatives (assets)	2,617
Change in Loan Portfolio (net)	4,760
Change in purchased receivables (net)	281
Change in benefits to receive from securitizations	(64)
Change in foreclosed assets (net)	132
Change in other operating assets (net)	(23,142)
Change in core deposits	(21,207)
Change in interbank loans and other entities	(2,915)
Change in repo creditors	(10,865)
Change in collateral pledged sold	2
Change in derivatives (liability)	(3,238)
Change in subordinated debt with characteristics of liabilities	20,392
Change in other operating liabilities	(7,805)
Change in hedging instruments (the related hedged transaction activities)	(1,555)
Income Tax Payments	(3,108)
<b>Net cash generated or used from operations</b>	<b>(9,504)</b>
<b>Investment Activities</b>	
Charges for disposal of property, furniture and equipment	200
Payments for acquisition of property, furniture and equipment	(1,397)
Charges for disposal of subsidiaries, associated and agreements with mutual control	3
Payments for Subsidiaries and associated Dispositions	(71)
Charges for cash dividends	37
<b>Net cash generated or used from investment activities</b>	<b>(1,228)</b>
<b>Financing Activities</b>	
Payments of cash dividends	(9,898)
Payments of interests of subordinated debentures	(632)
<b>Net cash flows from financing activities</b>	<b>(10,530)</b>
<b>Net Cash Increase (decrease) and equivalents value</b>	<b>(21,262)</b>
<b>Effects for changes in cash and equivalents value</b>	<b>(16)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>75,233</b>
<b>Cash and cash equivalents at end of period</b>	<b>53,955</b>

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

JANUARY 1, 2018– JUNE 30, 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
<b>Changes stemming from stockholders' decisions</b>											
Capitalization of profits				24,834					(24,834)		0
Creation of Reserves according to Ordinary Annual General Shareholder's Meeting of April 30, 2019			2,483	(2,483)							0
Dividends declared by the General Assembly of Shareholders on May 23, 2019				(9,898)							(9,898)
Payment plan based on equity-settle shares in equity instruments		428									428
Fair Value effect form Merger with GFI				(52)							(52)
Banorte USA subsidiary's Sale Accounting Effect							(1,661)				(1,661)
<b>Total</b>	<b>0</b>	<b>428</b>	<b>2,483</b>	<b>12,401</b>	<b>0</b>	<b>0</b>	<b>(1,661)</b>	<b>0</b>	<b>(24,834)</b>	<b>0</b>	<b>(11,183)</b>
<b>Changes stemming from profits</b>											
<b>Total profits:</b>											
Net Income									13,914		13,914
Result from valuation of securities available for sale					2,749						2,749
Effect of subsidiaries, associates and mutual funds				(2)							(2)
Conversion accumulated effect							(16)				(16)
Result from valuation of instruments of cash flow hedges						517					517
Remeasurements defined benefits for employees				(18)				(247)			(265)
Interest of subordinated debentures				(632)							(632)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(652)</b>	<b>2,749</b>	<b>517</b>	<b>(16)</b>	<b>(247)</b>	<b>13,914</b>	<b>0</b>	<b>16,265</b>
Balance as of June 30, 2019	18,794	1,612	17,330	64,882	755	(2,913)	(18)	(875)	13,914	3	113,484

## Seguros Banorte

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

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



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

## Information by Segments

### GFNorte - Income Statement as of June 30 '19

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	123	65,096	4,030	1,352	36	8,657
Premium Income (Net)	-	-	18,972	-	-	-
Interest Expense	-	31,312	-	848	1	8,436
Net Increase in Technical Reserves	-	-	7,994	-	-	-
Damages, Claims and Other Obligations	-	-	9,178	-	-	-
<b>Net Interest Income (NII)</b>	<b>123</b>	<b>33,784</b>	<b>5,829</b>	<b>504</b>	<b>36</b>	<b>220</b>
Preventive Provisions for Loan Losses	-	7,357	-	37	-	-
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>123</b>	<b>26,427</b>	<b>5,829</b>	<b>467</b>	<b>36</b>	<b>220</b>
Loan Origination Fees	-	10,842	-	6	-	617
Fees Paid	-	3,968	1,356	36	0	66
Trading Income	1	1,769	56	-	-	259
Other Operating Income (Expenses)	0	2,092	502	302	(23)	(41)
<b>Non Interest Income</b>	<b>1</b>	<b>20,772</b>	<b>2,524</b>	<b>343</b>	<b>(23)</b>	<b>1,211</b>
<b>Total Operating Income</b>	<b>124</b>	<b>47,199</b>	<b>8,353</b>	<b>810</b>	<b>13</b>	<b>1,431</b>
Administrative and Promotional Expenses	53	18,272	850	138	28	505
<b>Operating Income</b>	<b>71</b>	<b>18,891</b>	<b>4,180</b>	<b>601</b>	<b>(15)</b>	<b>483</b>
Subsidiaries' Net Income	18,575	53	849	-	-	0
<b>Pre-Tax Income</b>	<b>18,646</b>	<b>18,944</b>	<b>5,029</b>	<b>601</b>	<b>(15)</b>	<b>483</b>
Income Tax	-	4,116	1,058	176	0	109
Deferred Income Tax	2	913	193	(11)	1	26
<b>Net Income from Continuous Operations</b>	<b>18,644</b>	<b>13,915</b>	<b>3,778</b>	<b>437</b>	<b>(16)</b>	<b>348</b>
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(92)	(1)	(0)	(0)
<b>Net Income</b>	<b>18,644</b>	<b>13,914</b>	<b>3,686</b>	<b>436</b>	<b>(16)</b>	<b>348</b>

### GFNorte - Income Statement as of June 30 '19

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	21	1	207	79,524	4,229	415	75,710
Premium Income (Net)	-	-	-	18,972	486	-	18,485
Interest Expense	0	-	277	40,874	-	4,127	36,747
Net Increase in Technical Reserves	-	-	-	7,994	-	-	7,994
Damages, Claims and Other Obligations	-	-	-	9,178	-	-	9,178
<b>Net Interest Income (NII)</b>	<b>21</b>	<b>1</b>	<b>(71)</b>	<b>40,448</b>	<b>-</b>	<b>-</b>	<b>40,276</b>
Preventive Provisions for Loan Losses	-	-	105	7,499	-	-	7,499
<b>Net Interest Income Adjusted for Credit Risk</b>	<b>21</b>	<b>1</b>	<b>(176)</b>	<b>32,949</b>	<b>-</b>	<b>-</b>	<b>32,776</b>
Loan Origination Fees	877	-	292	12,634	1,091	-	11,542
Fees Paid	623	-	0	6,049	-	1,105	4,945
Trading Income	-	-	0	2,085	-	29	2,114
Other Operating Income (Expenses)	1	0	44	2,877	56	11	2,832
<b>Non Interest Income</b>	<b>1,501</b>	<b>0</b>	<b>(36)</b>	<b>26,293</b>	<b>1,147</b>	<b>1,155</b>	<b>24,090</b>
<b>Total Operating Income</b>	<b>1,522</b>	<b>1</b>	<b>(212)</b>	<b>59,242</b>	<b>1,147</b>	<b>1,155</b>	<b>56,867</b>
Administrative and Promotional Expenses	20	2	182	20,050	418	940	19,528
<b>Operating Income</b>	<b>256</b>	<b>(1)</b>	<b>(21)</b>	<b>24,445</b>	<b>-</b>	<b>-</b>	<b>24,792</b>
Subsidiaries' Net Income	8	-	(13)	19,472	18,596	-	877
<b>Pre-Tax Income</b>	<b>264</b>	<b>(1)</b>	<b>(34)</b>	<b>43,917</b>	<b>-</b>	<b>-</b>	<b>25,668</b>
Income Tax	74	-	-	5,534	-	-	5,534
Deferred Income Tax	(0)	-	(3)	1,120	109	13	1,216
<b>Net Income from Continuous Operations</b>	<b>190</b>	<b>(1)</b>	<b>(31)</b>	<b>37,264</b>	<b>-</b>	<b>-</b>	<b>18,918</b>
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(93)	263	97	(258)
<b>Net Income</b>	<b>190</b>	<b>(1)</b>	<b>(31)</b>	<b>37,171</b>	<b>25,139</b>	<b>6,309</b>	<b>18,660</b>

## GFNorte - Balance Sheet as of June 30 '19

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Cash and Due from Banks	0	53,955	1,293	16	0	1,676
Margin Accounts	-	4,408	-	-	-	-
Investment in Securities	-	233,906	145,495	-	-	188,961
Negotiable Instruments	-	71,098	21,675	-	-	130,725
Securities Available for Sale	-	154,921	635	-	-	57,478
Securities Held to Maturity	-	7,886	123,184	-	-	758
Debtor Balance in Repo Trans, net	258	11	545	-	-	-
Transactions with Derivatives For trading purposes	-	25,473	-	-	-	-
Transactions with Derivatives For hedging purposes	-	29	-	-	-	-
Valuation adjustments for Asset Coverage	-	77	-	-	-	-
Gross Loan Portfolio	-	747,872	-	31,500	-	-
Net Loan Portfolio	-	746,152	-	31,500	-	-
Performing Loans	-	750,052	-	31,553	-	-
Commercial Loans	-	268,146	-	25,874	-	-
Financial Intermediaries' Loans	-	20,351	-	654	-	-
Government Entities' Loans	-	185,133	-	5,021	-	-
Consumer Loans	-	113,803	-	5	-	-
Mortgage Loans	-	162,619	-	-	-	-
Medium and Residential	-	159,294	-	-	-	-
Low income housing	-	12	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,314	-	-	-	-
Past Due Loans	-	14,170	-	315	-	-
Commercial PDL's	-	7,810	-	311	-	-
Financial Intermediaries PDL's	-	4	-	-	-	-
Government Entities PDL's	-	0	-	4	-	-
Consumer PDL's	-	4,659	-	0	-	-
Mortgage PDL's	-	1,696	-	-	-	-
Medium and Residential	-	1,526	-	-	-	-
Low income housing	-	0	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	170	-	-	-	-
Preventive Loan Loss Reserves	-	18,070	-	368	-	-
Acquired Collection Rights	-	1,720	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	1,945	-	-	-
Premium Debtors (Net)	-	-	9,125	-	-	-
Account Receivables from Reinsurance	-	-	10,884	-	-	-
Benef. receivab. securization transactions	-	125	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	28	55,248	0	471	98	1,259
Inventories	-	-	-	-	912	-
Foreclosed Assets, Net	-	606	-	22	-	-
Real Estate, Furniture & Equipment, Net	-	14,010	384	2,881	61	166
Investment in Subsidiaries	148,761	422	13,273	-	-	2
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	822	2,572	-	9	5	-
Total other Assets	24,297	21,617	2,643	433	15	275
Goodwill	23,555	1,378	-	-	-	-
Intangible	742	20,030	2,554	433	0	63
Other Assets	-	209	88	-	14	212
<b>TOTAL ASSETS</b>	<b>174,166</b>	<b>1,160,329</b>	<b>185,586</b>	<b>35,333</b>	<b>1,091</b>	<b>192,338</b>

## GFNorte - Balance Sheet as of June 30 '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	587	37	110	57,674	330	3,461	54,543
Margin Accounts	-	-	-	4,408	-	-	4,408
Investment in Securities	-	-	(0)	568,362	237	693	567,907
Negotiable Instruments	-	-	-	223,499	-	-	223,499
Securities Available for Sale	-	-	(0)	213,035	-	108	212,927
Securities Held to Maturity	-	-	-	131,828	237	584	131,481
Debtor Balance in Repo Trans, net	-	-	-	815	-	258	556
Transactions with Derivatives For trading purposes	-	-	(0)	25,473	-	-	25,473
Transactions with Derivatives For hedging purposes	-	-	-	29	-	-	29
Valuation adjustments for Asset Coverage	-	-	-	77	-	-	77
Gross Loan Portfolio	-	-	2,132	781,504	1,020	16,302	766,222
Net Loan Portfolio	-	-	1,787	779,440	1,020	16,302	764,158
Performing Loans	-	-	1,859	783,465	1,020	16,302	768,183
Commercial Loans	-	-	90	294,110	604	124	294,591
Financial Intermediaries' Loans	-	-	-	21,005	-	13,063	7,942
Government Entities' Loans	-	-	-	190,154	415	3,115	187,454
Consumer Loans	-	-	1,769	115,577	-	-	115,577
Mortgage Loans	-	-	-	162,619	-	-	162,619
Medium and Residential	-	-	-	159,294	-	-	159,294
Low income housing	-	-	-	12	-	-	12
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,314	-	-	3,314
Past Due Loans	-	-	82	14,567	-	-	14,567
Commercial PDL's	-	-	25	8,146	-	-	8,146
Financial Intermediaries PDL's	-	-	-	4	-	-	4
Government Entities PDL's	-	-	-	4	-	-	4
Consumer PDL's	-	-	57	4,716	-	-	4,716
Mortgage PDL's	-	-	-	1,696	-	-	1,696
Medium and Residential	-	-	-	1,526	-	-	1,526
Low income housing	-	-	-	0	-	-	0
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	170	-	-	170
Preventive Loan Loss Reserves	-	-	154	18,592	-	-	18,592
Acquired Collection Rights	-	-	345	2,065	-	-	2,065
Account Receivables from Insurance and Annuities	-	-	-	1,945	-	-	1,945
Premium Debtors (Net)	-	-	-	9,125	-	-	9,125
Account Receivables from Reinsurance	-	-	-	10,884	-	-	10,884
Benef. receivab. securization transactions	-	-	-	125	-	-	125
Sundry Debtors & Other Accs Rec, Net	174	4	5,098	62,380	68	409	62,040
Inventories	-	-	-	912	-	-	912
Foreclosed Assets, Net	-	-	203	830	201	201	830
Real Estate, Furniture & Equipment, Net	0	95	-	17,597	397	212	17,782
Investment in Subsidiaries	111	-	73	162,642	3,625	152,566	13,701
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	1,007	4,415	484	2,418	2,481
Total other Assets	12	1	316	49,609	2,453	1,103	50,959
Goodwill	-	-	-	24,933	2,453	876	26,509
Intangible	3	1	316	24,144	-	56	24,088
Other Assets	9	-	-	532	-	170	362
<b>TOTAL ASSETS</b>	<b>885</b>	<b>137</b>	<b>8,940</b>	<b>1,758,806</b>	<b>8,814</b>	<b>177,622</b>	<b>1,589,998</b>

## GFNorte - Balance Sheet as of June 30 '19

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
<b>Deposits</b>	-	<b>738,028</b>	-	-	-	-
<b>Demand Deposits</b>	-	<b>394,308</b>	-	-	-	-
<b>Time Deposits</b>	-	<b>317,705</b>	-	-	-	-
Time Deposits-Retail	-	268,190	-	-	-	-
Time Deposits-Money Market	-	49,515	-	-	-	-
<b>Senior Unsecured Debt</b>	-	<b>24,159</b>	-	-	-	-
<b>Cuenta global de captación sin movimientos</b>	-	<b>1,856</b>	-	-	-	-
<b>Due to Banks &amp; Correspondents</b>	-	<b>32,806</b>	-	<b>28,570</b>	<b>819</b>	<b>43</b>
Immediate Redemption Loans	-	900	-	-	-	-
Short Term Loans	-	9,737	-	17,262	819	-
Long Term Loans	-	22,169	-	11,308	-	43
<b>Technical Reserves</b>	-	-	<b>150,470</b>	-	-	-
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	<b>152,642</b>	-	-	-	<b>187,368</b>
<b>Collateral sold or pledged as collateral</b>	-	<b>4</b>	-	-	-	<b>2</b>
<b>Transactions with Derivatives for trading purposes</b>	-	<b>20,367</b>	-	-	-	-
<b>Transactions with Derivatives for hedging purposes</b>	-	<b>8,763</b>	-	-	-	-
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	<b>2,347</b>	-	-	-
<b>Other Payable Accounts</b>	<b>2</b>	<b>39,808</b>	<b>3,593</b>	<b>1,250</b>	<b>45</b>	<b>1,190</b>
Income Tax Payable	-	1,331	1,045	251	-	-
Profit Sharing Payable	-	256	-	-	-	-
Creditors for settlement of transactions	(0)	7,014	-	-	-	847
Creditors for collateral received in cash	-	7,145	-	-	-	-
Other Creditors & Accounts Payable	2	24,061	2,547	998	45	343
<b>Subordinated Non Convertible Debt</b>	-	<b>53,953</b>	-	-	-	-
<b>Deferred Taxes, Net</b>	-	-	<b>1,643</b>	-	-	<b>117</b>
<b>Deferred Credits</b>	-	<b>475</b>	<b>67</b>	<b>119</b>	-	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>2</b>	<b>1,046,845</b>	<b>158,120</b>	<b>29,939</b>	<b>864</b>	<b>188,720</b>
<b>EQUITY</b>						
<b>Subscribed Capital</b>	<b>63,281</b>	<b>20,406</b>	<b>20,781</b>	<b>526</b>	<b>87</b>	<b>2,059</b>
Paid-in Capital	14,976	18,794	15,740	526	87	1,985
Share Subscription Premiums	48,305	1,612	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
<b>Earned Capital</b>	<b>110,883</b>	<b>93,075</b>	<b>5,890</b>	<b>4,861</b>	<b>139</b>	<b>1,559</b>
Capital Reserves	5,779	17,330	594	526	55	253
Retained Earnings	89,449	64,882	1,659	3,900	100	817
Surplus (Deficit) of Secs Available for Sale	663	755	2	-	-	25
Results from Valuation of Hedging Secs	(2,861)	(2,912)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(57)	-	(59)	-	-	-
Results from Conversions	97	(18)	-	-	-	116
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(830)	(875)	7	-	-	-
Net Income	18,644	13,914	3,686	436	(16)	348
Capital Mayoritario	174,164	113,482	26,671	5,387	227	3,618
Minority Interest	-	3	796	6	0	0
<b>Total Equity</b>	<b>174,164</b>	<b>113,484</b>	<b>27,466</b>	<b>5,394</b>	<b>227</b>	<b>3,618</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>174,166</b>	<b>1,160,329</b>	<b>185,586</b>	<b>35,333</b>	<b>1,091</b>	<b>192,338</b>

## GFNorte - Balance Sheet as of June 30 '19

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
<b>Deposits</b>	-	-	-	<b>738,028</b>	<b>3,461</b>	-	<b>734,568</b>
Demand Deposits	-	-	-	394,308	2,588	-	391,720
Time Deposits	-	-	-	317,705	872	-	316,833
Time Deposits-Retail	-	-	-	268,190	872	-	267,318
Time Deposits-Money Market	-	-	-	49,515	-	-	49,515
Senior Unsecured Debt	-	-	-	24,159	-	-	24,159
Cuenta global de captación sin movimientos	-	-	-	1,856	-	-	1,856
<b>Due to Banks &amp; Correspondents</b>	-	-	<b>5,674</b>	<b>67,913</b>	<b>13,102</b>	-	<b>54,811</b>
Immediate Redemption Loans	-	-	-	900	-	-	900
Short Term Loans	-	-	5,674	33,493	13,059	-	20,434
Long Term Loans	-	-	-	33,520	43	-	33,477
<b>Technical Reserves</b>	-	-	-	<b>150,470</b>	-	<b>272</b>	<b>150,742</b>
<b>Non-assigned Securities for Settlement</b>	-	-	-	-	-	-	-
<b>Creditor Balance in Repo Trans, Net</b>	-	-	-	<b>340,010</b>	<b>258</b>	-	<b>339,751</b>
<b>Collateral sold or pledged as collateral</b>	-	-	-	<b>6</b>	-	-	<b>6</b>
<b>Transactions with Derivatives for trading purposes</b>	-	-	-	<b>20,367</b>	-	-	<b>20,367</b>
<b>Transactions with Derivatives for hedging purposes</b>	-	-	-	<b>8,763</b>	-	-	<b>8,763</b>
<b>Valuation adjustments for financial liability coverage</b>	-	-	-	-	-	-	-
<b>Payable Accounts for Reinsurance</b>	-	-	-	<b>2,347</b>	-	-	<b>2,347</b>
<b>Other Payable Accounts</b>	<b>154</b>	<b>0</b>	<b>114</b>	<b>46,154</b>	<b>492</b>	<b>53</b>	<b>45,715</b>
Income Tax Payable	2	0	-	2,629	-	-	2,629
Profit Sharing Payable	-	-	-	256	-	-	256
Creditors for settlement of transactions	-	-	-	7,861	131	-	7,730
Creditors for collateral received in cash	-	-	-	7,145	-	-	7,145
Other Creditors & Accounts Payable	152	0	114	28,263	361	53	27,955
<b>Subordinated Non Convertible Debt</b>	-	-	-	<b>53,953</b>	-	-	<b>53,953</b>
<b>Deferred Taxes, Net</b>	-	-	-	<b>1,760</b>	<b>1,760</b>	-	-
<b>Deferred Credits</b>	-	-	<b>1</b>	<b>662</b>	<b>56</b>	-	<b>606</b>
<b>TOTAL LIABILITIES</b>	<b>154</b>	<b>0</b>	<b>5,789</b>	<b>1,430,434</b>	<b>19,129</b>	<b>325</b>	<b>1,411,630</b>
<b>EQUITY</b>							
<b>Subscribed Capital</b>	<b>170</b>	<b>144</b>	<b>11,773</b>	<b>119,228</b>	<b>56,363</b>	<b>347</b>	<b>63,212</b>
Paid-in Capital	170	144	11,768	64,191	49,223	-	14,968
Share Subscription Premiums	-	-	5	55,037	7,140	347	48,244
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
<b>Earned Capital</b>	<b>561</b>	<b>(7)</b>	<b>(8,623)</b>	<b>208,339</b>	<b>98,916</b>	<b>3,474</b>	<b>112,896</b>
Capital Reserves	23	2	117	24,679	18,901	-	5,779
Retained Earnings	348	(9)	(8,709)	152,437	64,390	3,423	91,470
Surplus (Deficit) of Secs Available for Sale	-	-	(0)	1,445	807	-	638
Results from Valuation of Hedging Secs	-	-	(0)	(5,773)	(2,912)	-	(2,861)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	(115)	(59)	-	(57)
Results from Conversions	-	-	-	194	97	-	97
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(1,699)	(869)	-	(830)
Net Income	190	(1)	(31)	37,171	18,561	50	18,660
Capital Mayoritario	731	137	3,150	327,567	155,280	3,821	176,108
Minority Interest	-	-	-	805	608	2,063	2,260
<b>Total Equity</b>	<b>731</b>	<b>137</b>	<b>3,150</b>	<b>328,372</b>	<b>155,888</b>	<b>5,884</b>	<b>178,368</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>885</b>	<b>137</b>	<b>8,940</b>	<b>1,758,806</b>	<b>175,017</b>	<b>6,209</b>	<b>1,589,998</b>

## V. Appendix

### Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 2Q19
Corporate bonds	\$183.0	\$36.6	\$128.1

- 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 2Q19
Corporate bonds	\$2,728.7	\$545.7	\$1,910.1

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 June 30<sup>th</sup>, 2019, had the aforementioned option in the affected lines not been implemented are:

Other short and long term assets <sup>(1)</sup>	(512)
<b>Total assets</b>	<b>1,589,125</b>
Results from prior years	91,415
Measurements of defined benefits for employees	(1,649)
<b>Total equity</b>	<b>177,494</b>
<b>Total liabilities plus equity</b>	<b>1,589,125</b>

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

## Early termination of support programs for mortgage loan debtors

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

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

As of December 31, 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 1<sup>st</sup> 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	mar-19	jun-19	ago-02	mar-19	jun-19	ago-02	mar-19	jun-19
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	5	4	0	0	0	54	5	4
<b>Performing Loans</b>	<b>59</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>5</b>	<b>4</b>
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	198	194	0	0	0	1,112	198	194
<b>Non Performing Loans</b>	<b>1,598</b>	<b>453</b>	<b>448</b>	<b>293</b>	<b>1</b>	<b>1</b>	<b>1,891</b>	<b>454</b>	<b>450</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>458</b>	<b>453</b>	<b>298</b>	<b>1</b>	<b>1</b>	<b>1,955</b>	<b>459</b>	<b>454</b>
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	198	196	0	0	0	669	198	196
<b>Loan Loss Reserves (1)</b>	<b>1,072</b>	<b>453</b>	<b>450</b>	<b>246</b>	<b>1</b>	<b>1</b>	<b>1,318</b>	<b>454</b>	<b>452</b>

(1) Reserve requirements according to the banking sector's rating methodology (\*) There was a reserve difference of Ps \$22 million as of June 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 2Q19 the Loan portfolio showed no changes due to charge offs and discounts, nor for foreclosed assets; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 2.8 million. No transfers to performing loans or to past due loans were made.

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

	Local Currency (1)		Foreign Currency (USD) (2)		Total	
(Million of Nominal Pesos)	mar-19	jun-19	mar-19	jun-19	mar-19	jun-19
<b>Performing Loans</b>						
Commercial	413,295	412,924	61,991	60,957	475,286	473,881
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	112,105	113,803	0	0	112,105	113,803
Mortgage	158,609	162,623	0	0	158,609	162,623
<b>Performing Loans</b>	<b>684,010</b>	<b>689,350</b>	<b>61,991</b>	<b>60,958</b>	<b>746,001</b>	<b>750,308</b>
<b>Non Performing Loans</b>						
Commercial	5,925	6,358	1,683	1,641	7,607	7,999
Consumer	4,186	4,730	0	0	4,186	4,730
Mortgage	1,756	1,890	0	0	1,756	1,890
<b>Non Performing Loans</b>	<b>11,867</b>	<b>12,978</b>	<b>1,683</b>	<b>1,641</b>	<b>13,549</b>	<b>14,619</b>
<b>TOTAL LOANS</b>	<b>695,876</b>	<b>702,328</b>	<b>63,674</b>	<b>62,599</b>	<b>759,550</b>	<b>764,927</b>
<b>Loan Loss Reserves</b>	<b>15,903</b>	<b>17,582</b>	<b>954</b>	<b>939</b>	<b>16,857</b>	<b>18,521</b>
<b>Net Loan Portfolio</b>	<b>679,973</b>	<b>684,746</b>	<b>62,720</b>	<b>61,660</b>	<b>742,693</b>	<b>746,406</b>
<b>Loan Loss Reserves</b>					<b>124.41%</b>	<b>126.69%</b>
<b>% Past Due Loans</b>					<b>1.78%</b>	<b>1.91%</b>

1. Includes UDIS.

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

## Notes to Financial Statements

### FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q19

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>176,232</b>	<b>1,698</b>	<b>209</b>	<b>178,138</b>
<b>Unrestricted</b>	<b>12,790</b>	<b>248</b>	<b>41</b>	<b>13,079</b>
BONDES D	-	-	-	-
BONDES M	(1,002)	0	(5)	(1,007)
BPA	(700)	-	0	(700)
BREMS	-	-	-	-
Government Securities	94	1	1	96
Municipalities Securities	0	0	0	1
UDI Securities	-	-	-	-
CETES	11,183	243	20	11,446
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	3,021	4	19	3,044
Treasury Notes	<b>193</b>	<b>1</b>	<b>5</b>	<b>199</b>
<b>Restricted</b>	<b>163,442</b>	<b>1,450</b>	<b>168</b>	<b>165,059</b>
BONDES D	21,971	58	18	22,046
BONDES M	2,933	8	7	2,948
BPA	131,211	1,373	117	132,701
BREMS	-	-	-	-
Government Securities	2,889	6	(2)	2,893
Municipalities Securities	122	5	(0)	127
UDI Securities	0	0	(0)	0
CETES	3,731	-	5	3,737
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	584	1	23	607
<b>Banking Securities</b>	<b>39,908</b>	<b>122</b>	<b>8</b>	<b>40,038</b>
<b>Unrestricted</b>	<b>3,792</b>	<b>2</b>	<b>(0)</b>	<b>3,794</b>
Bank Acceptances	4	0	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	(0)	3
Bank Securities	6	0	(0)	7
Deposit Certificates	467	0	(0)	467
Structured Notes	-	-	-	-
Other Banking Securities	91	0	0	91
Promissory Notes	3,220	1	(0)	3,221
<b>Restricted</b>	<b>36,116</b>	<b>120</b>	<b>8</b>	<b>36,245</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	2,750	8	0	2,759
Bank Securities	15,731	61	7	15,799
Deposit Certificates	17,220	50	0	17,270
Structured Notes	-	-	-	-
Other Banking Securities	415	1	0	417
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>4,725</b>	<b>7</b>	<b>591</b>	<b>5,323</b>
<b>Unrestricted</b>	<b>4,044</b>	<b>5</b>	<b>590</b>	<b>4,639</b>
Shares	304	-	377	681
Investment Company Shares	2,547	-	96	2,643
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,169	4	118	1,292
Trust Stock Certificates	-	-	-	-
Private Eurobonds	25	0	(2)	23
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
<b>Restricted</b>	<b>681</b>	<b>2</b>	<b>1</b>	<b>684</b>
Shares	101	-	0	101
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	580	2	1	583
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
<b>Total</b>	<b>220,865</b>	<b>1,827</b>	<b>807</b>	<b>223,499</b>

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q19

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>173,479</b>	<b>2,046</b>	<b>1,106</b>	<b>176,631</b>
<b>Unrestricted</b>	<b>35,420</b>	<b>377</b>	<b>411</b>	<b>36,209</b>
BONDES D	2,988	17	(0)	3,005
BONDES M	366	1	(24)	343
BPA	-	-	-	-
BREMS	7,778	30	2	7,810
Government Securities	473	2	11	486
Municipalities Securities	185	5	17	207
UDI Securities	-	-	-	-
CETES	471	-	(0)	471
CETES (Special)	-	-	-	-
Government Eurobonds	23,158	322	406	23,886
Udibonds	-	-	-	-
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>138,059</b>	<b>1,668</b>	<b>695</b>	<b>140,422</b>
BONDES D	6,144	14	8	6,167
BONDES M	-	-	-	-
BPA	95,986	1,278	85	97,350
BREMS	-	-	-	-
Government Securities	7,133	36	(20)	7,149
Municipalities Securities	2,429	3	(2)	2,429
UDI Securities	-	-	-	-
CETES	24	-	0	24
CETES (Special)	-	-	-	-
Government Eurobonds	26,342	337	624	27,303
Udibonds	-	-	-	-
<b>Banking Securities</b>	<b>7,218</b>	<b>35</b>	<b>51</b>	<b>7,303</b>
<b>Unrestricted</b>	<b>7,218</b>	<b>35</b>	<b>51</b>	<b>7,303</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	1,539	5	17	1,560
Bank Securities	1,919	16	60	1,995
Deposit Certificates	3,232	13	(3)	3,242
Structured Notes	474	-	(23)	451
Other Banking Securities	55	0	0	55
Promissory Notes	-	-	-	-
<b>Restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>29,257</b>	<b>221</b>	<b>(485)</b>	<b>28,993</b>
<b>Unrestricted</b>	<b>27,684</b>	<b>209</b>	<b>(388)</b>	<b>27,506</b>
Shares	287	-	292	579
Investment Company Shares	3,922	-	212	4,134
ADRs	-	-	-	-
Stock Certificates BORHIS	104	0	(81)	24
Corporate Stock Certificates	7,138	37	(499)	6,677
Trust Stock Certificates	-	-	-	-
Private Eurobonds	16,233	172	(312)	16,093
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
<b>Restricted</b>	<b>1,573</b>	<b>12</b>	<b>(98)</b>	<b>1,487</b>
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,573	12	(98)	1,487
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
<b>Total</b>	<b>209,954</b>	<b>2,301</b>	<b>671</b>	<b>212,927</b>

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q19

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
<b>Government Securities</b>	<b>124,134</b>	<b>287</b>	-	<b>124,421</b>
<b>Unrestricted</b>	<b>121,212</b>	<b>272</b>	-	<b>121,485</b>
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,671	23	-	1,694
Municipalities Securities	2,138	42	-	2,180
UDI Securities	227	2	-	229
CETES	1,127	-	-	1,127
CETES (Special)	555	-	-	555
Government Eurobonds	-	-	-	-
Udibonds	115,495	205	-	115,701
Treasury Notes	-	-	-	-
<b>Restricted</b>	<b>2,922</b>	<b>14</b>	-	<b>2,936</b>
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,922	14	-	2,936
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
<b>Banking Securities</b>	<b>1,242</b>	<b>801</b>	-	<b>2,042</b>
<b>Unrestricted</b>	<b>1,242</b>	<b>801</b>	-	<b>2,042</b>
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	761	15	-	777
Deposit Certificates	300	632	-	932
Structured Notes	180	154	-	334
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Restricted</b>	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
<b>Private Securities</b>	<b>4,677</b>	<b>688</b>	-	<b>5,365</b>
<b>Unrestricted</b>	<b>2,707</b>	<b>682</b>	-	<b>3,389</b>
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,381	682	-	2,063
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,324	-	-	1,324
CP	-	-	-	-
<b>Restricted</b>	<b>1,970</b>	<b>6</b>	-	<b>1,976</b>
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,970	6	-	1,976
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(347)	-	-	(347)
<b>Total</b>	<b>129,705</b>	<b>1,776</b>	-	<b>131,481</b>

**REPURCHASE AGREEMENT OPERATIONS 2Q19***(Million Pesos)*

	<b>Repo Debtors</b>			<b>Repo Creditors</b>	
	<b>MV Repo Debtors</b>	<b>VM Collateral received sold in Repo Trans</b>	<b>Debtor Balance</b>	<b>Creditor Balance</b>	<b>MV Repo Creditors</b>
Government securities	82,706	82,153	556	4	298,800
Banking securities	14,262	14,262	0	0	33,463
Private Securities	3,507	3,507	0	0	7,488
<b>Total</b>	<b>100,474</b>	<b>99,921</b>	<b>556</b>	<b>4</b>	<b>339,751</b>

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 2Q19***(Million Pesos)*

<b>Creditor Balance</b>	
<b>Instrument</b>	<b>Fair Value</b>
<b>Futures</b>	
TIIE 28 Futures	-
<b>Forward</b>	
Fx Forward	173
<b>Options</b>	
Rate options	484
Fx options	760
Warrants	-
<b>Swaps</b>	
Rate swap	20,064
Fx swap	3,991
<b>Negotiable Total</b>	<b>25,473</b>
<b>Options</b>	
Rate Options	-
Fx options	-
<b>Swaps</b>	
Rate swap	-
Fx swap	29
<b>Hedging total</b>	<b>29</b>
<b>Position total</b>	<b>25,502</b>

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 2Q19  
(Million Pesos)**

<b>Debtor Balance</b>	
<b>Instrument</b>	<b>Fair Value</b>
<b>Futures</b>	
TIIE 28 Futures	-
<b>Forward</b>	
Fx Forward	50
<b>Options</b>	
Rate options	326
Fx options	565
<b>Swaps</b>	
Rate swap	15,805
Fx swap	3,622
<b>Negotiable Total</b>	<b>20,367</b>
<b>Swaps</b>	
Rate swap	541
Fx swap	8,222
<b>Hedging total</b>	<b>8,763</b>
<b>Position total</b>	<b>29,130</b>

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2Q18 - Banorte  
(Million Pesos)**

<b>PRODUCT</b>	<b>TYPE</b>	<b>UNDERLYING</b>	<b>NOTIONAL</b>	<b>OPERATIONS</b>
FX Forwards	Purchases	Exchange Rate (USD/MXN)	40,058	78
FX Forwards	Sales	Exchange Rate (USD/MXN)	4,211	62
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)	16,143	26
FX Options	Sales	Exchange Rate (Dollar)	20,938	13
Interest Rate Options	Purchases	TIIE	45,800	109
Interest Rate Options	Sales	TIIE	40,044	460
Interest Rate Options	Purchases	LIBOR	6,905	31
Interest Rate Options	Sales	LIBOR	6,924	31
Interest Rate Swaps	USD LIBOR	LIBOR	360,448	3,302
Interest Rate Swaps	MXN TIIE	TIIE	2,014,678	4,672
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	163	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	87,868	114
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	27,621	49
Interest Rate and FX Swaps	CS UDI	UDI	10,295	2
Interest Rate and FX Swaps	CS CHF MXN	FIX/VARIABLE	6,734	3
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	
	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19
<b>Performing Loans</b>								
Commercial Loans	197,903	235,143	0	-	50,880	59,448	248,783	294,591
Financial Intermediaries' Loans	4,967	7,942	0	-	0	0	4,967	7,942
Consumer Loans	111,471	115,577	0	-	0	-	111,471	115,577
Mortgage Loans	145,208	162,507	144	112	0	-	145,351	162,619
Government Entities' Loans	123,904	171,162	2,901	6,508	3,282	9,784	130,087	187,454
<b>Total</b>	<b>583,452</b>	<b>692,331</b>	<b>3,045</b>	<b>6,620</b>	<b>54,162</b>	<b>69,232</b>	<b>640,660</b>	<b>768,183</b>
<b>Past Due Loans</b>								
Commercial Loans	5,507	6,506	0	0	1,609	1,640	7,116	8,146
Financial Intermediaries' Loans	0	4	0	-	0	-	0	4
Consumer Loans	4,424	4,716	0	-	0	-	4,424	4,716
Mortgage Loans	1,333	1,680	14	17	0	0	1,347	1,696
Government Entities' Loans	-	4	-	-	-	-	-	4
<b>Total</b>	<b>11,264</b>	<b>12,911</b>	<b>14</b>	<b>17</b>	<b>1,609</b>	<b>1,640</b>	<b>12,888</b>	<b>14,567</b>
<b>Total Proprietary Loans</b>	<b>594,717</b>	<b>705,242</b>	<b>3,059</b>	<b>6,637</b>	<b>55,771</b>	<b>70,871</b>	<b>653,547</b>	<b>782,750</b>

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND  
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 2Q19- GFNorte**

(Million Pesos)		
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	(3.8)	0.0
Mortgage FOVI	-	-
	<b>(3.8)</b>	<b>0.0</b>



**DEFERRED TAXES 2Q19***(Million Pesos)*

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,421	<b>5,421</b>
Non deductible provisions and cumulative income	1,506	<b>1,506</b>
Excess of accounting value over fiscal value on Repossessed Assets	1,138	<b>1,138</b>
Diminishable profit sharing	176	<b>176</b>
Fees received in advance	914	<b>914</b>
Effects from valuation of instruments	-	-
Tax losses pending amortization	1,127	<b>1,127</b>
Provisions for possible loss in loans	467	<b>467</b>
Loss on sale of foreclosed assets and credits	-	-
State Tax on Assets Deferred	-	-
Loss on sale of foreclosed assets and credits	-	-
Loss on sale of foreclosed assets and credits	705	<b>705</b>
<b>Total Assets</b>	<b>11,454</b>	<b>11,454</b>
LIABILITIES		
Pension Funds Contribution	(183)	<b>(183)</b>
Loan Portfolio Acquisitions	(326)	<b>(326)</b>
Projects to be capitalized	(5,221)	<b>(5,221)</b>
Intangibles' amortizations	-	-
Effects from valuation of instruments	(2,670)	<b>(2,670)</b>
Intangibles' amortizations	(551)	<b>(551)</b>
Unrealized Loss on Securities held for Sale	(22)	<b>(22)</b>
<b>Total Liabilities</b>	<b>(8,973)</b>	<b>(8,973)</b>
Assets (Liabilities) Accumulated Net	2,481	<b>2,481</b>

**LONG TERM DEBT AS OF JUNE 30, 2019 - BANCO MERCANTIL DEL NORTE***(Million Pesos)*

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	ORIGINAL AMOUNT	ORIGINAL AMOUNT (VALUED)	CURRENT AMOUNT	TERM	RATE	MATURITY	INTEREST PAYMENT
Non Convertible Subordinated Bonds Q Banorte 08U	UDIS	11-mar-08	447	1,749	2,798	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	2,305	10 years	9.25%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,604	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	6,723	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	10,565	Perpetual	7.625%	NA	Quarterly
Eurobond (Swiss francs) 2018 (BANO589)	CHF	14-jun-18	100	1,983	1,970	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	TIIE+2.50%	13-feb-25	28 days
Stock certificates 94 BINTER 16U	UDIS	13-oct-16	365	2,097	2,284	10 years	4.970%	01-oct-26	Biannual
Stock certificates 94 BANORTE 18	MXN	29-nov-18	1,870	1,870	1,870	728 días	TIIE+0.23%	26-nov-20	28 days
Stock certificates 94 BANORTE 18-2	MXN	29-nov-18	2,663	2,663	2,663	1,456 días	TIIE+0.28%	24-nov-22	28 days
Stock certificates 94 BANORTE 19	MXN	17-may-19	5,400	5,400	5,400	1092 días	TIIE +0.13%	13-may-22	28 days
Stock certificates 94 BANORTE 19-2	MXN	17-may-19	1,500	1,500	1,500	1820 días	TIIE +0.17%	10-may-24	28 days
Eurobond (Swiss francs) 2019 (BANO397)	CHF	11-apr-19	250	4,693	4,924	1279 días	1.550%	11-oct-22	Annual
Non Convertible Subordinated Bonds 2019 (BANO64_999999)	USD	27-jun-19	600	11,501	11,525	Perpetual	6.750%	NA	Quarterly
Non Convertible Subordinated Bonds 2019 (BANOB48_999999)	USD	27-jun-19	500	9,584	9,604	Perpetual	7.500%	NA	Quarterly

**BANK AND OTHER ENTITIES LOANS' AS OF 2Q19***(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	15,405	15,405
Loans from Development Banks	12,157	9,343	21,500
Loans from Public Funds	9,147	604	9,751
Call Money & Loans from Banks	20,189	-	20,189
Loans from Fiduciary Funds	73	-	73
Provisions for Interest	995	-	995
	<b>42,560</b>	<b>25,352</b>	<b>67,912</b>
Eliminations			(13,101)
<b>Total</b>			<b>54,811</b>

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST  
RATES 2Q19**

CORE DEPOSITS (BANORTE)	
<b>Demand Deposits</b>	
Local Currency and UDIs	1.15%
Foreign Currency	0.08%
<b>Time Deposits - Retail</b>	
Local Currency and UDIs	6.80%
Foreign Currency	0.38%
<b>Time Deposits - Money Market</b>	
Local Currency and UDIs	8.31%
DUE TO BANKS & CORRESPONDENTS (BANORTE)	
<b>Immediate Redemption Loans</b>	
Local Currency and UDIs	14.95%
<b>Public Funds and Development Banks</b>	
Local Currency and UDIs	11.03%
Foreign Currency	3.28%

**MAIN CREDIT LINES RECEIVED 2Q19 (BANORTE)***Million pesos*

	2Q18	1Q19	2Q19	Change vs. 2Q18	Change vs.2Q19
Banxico (Monetary Regulation Deposits)	33,449	37,458	37,458	12%	0%
Banxico (Repos with the System of Payments)	57,637	59,836	60,365	5%	1%
Call Money	119,301	173,173	173,025	45%	(0%)
<b>TOTAL</b>	<b>210,387</b>	<b>270,467</b>	<b>270,848</b>	<b>29%</b>	<b>0%</b>

**TRADING INCOME 2Q19***Million Pesos*

<b>Trading income</b>	<b>Consolidated</b>
<b>Securities - Unrealized gains</b>	<b>912</b>
Negotiable instruments	215
Derivative instruments - Negotiation	691
Derivative instruments - Hedging	7
<b>Impairment loss or revaluation increase</b>	<b>0</b>
<b>Result from foreign exchange valuation</b>	<b>(35)</b>
<b>Result from valuation of precious metals</b>	<b>4</b>
<b>Result from purchase/sale of securities and derivatives</b>	<b>927</b>
Negotiable instruments	601
Securities held for sale	143
Securities held to maturity	(21)
Derivative instruments - Negotiation	0
Derivative instruments - Hedging	203
<b>Result from purchase/sale of foreign exchange</b>	<b>302</b>
<b>Result from purchase/sale of precious metals</b>	<b>5</b>
<b>Total</b>	<b>2,114</b>

## Internal Control

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

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

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

ICS is structured around three defense lines:

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

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

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

## Financial Situation and Liquidity

### Internal and External Liquidity Sources

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

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

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

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

### Related Parties Loans

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

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

<b>Lender</b>	<b>Jun-2019</b>	<b>% Basic Equity</b>	<b>Mar -2019</b>	<b>% Basic Equity</b>
Banorte	Ps 11.03	9.0%	Ps 16.59	14.6%

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

#### Banorte

As of June 30, 2019, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 11.03 billion (including Ps 552 million in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.4% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 8.55 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.24 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 June 2019 was 9.0% 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. 93% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

#### Banorte

As of March 31, 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.

## Loan or tax liabilities

The tax credits listed below are currently in litigation:

	As of June 30, 2019
<b>BANORTE</b>	<b>\$-</b>
IMSS fees	-
INFONAVIT fees	-
<b>AFORE XXI BANORTE</b>	<b>\$2</b>
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
<b>UNITELLER</b>	<b>\$7</b>
Philippines 2007 - 2008	7
<b>PENSIONES BANORTE</b>	<b>\$311</b>
Financial year 2014	311
<b>IXE BANCO</b>	<b>\$-</b>
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 not aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors.

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

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

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

Lic. Jorge Eduardo Vega Camargo  
Deputy Managing Director of Comptrollership

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

## Basis for submitting and presenting Financial Statements

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

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

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

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