



Report to the Board of Directors

San Pedro Garza García, N.L., April 30, 2019

To the General Shareholders Meeting of Grupo Financiero Banorte, S.A.B. de C.V.

In compliance with the provisions of Article 39, Section IV of the Law to Regulate Financial Groups (LRAF), and Article 28, Section IV of the Securities Market Law (LMV), the following reports corresponding to fiscal year 2018 are submitted to the General Shareholders Meeting of Grupo Financiero Banorte, S.A.B. de C.V. (GFNorte):

- a) With respect to the reports referred to in Article 58 of the LRAF, 43 of the LMV and 34 of the CUAE, the Annual Report of the Audit and Corporate Practices Committee, dated March 21, 2019, is attached hereto.
- b) With respect to the report the Managing Director must prepare pursuant to the provisions of Article 59, Section X of the LRAF and Article 44, Section XI of the LMV, together with the external auditor opinion, the report on the functioning of the company, signed by Mr. Marcos Ramírez Miguel, corresponding to fiscal year 2018 is attached hereto, together with the opinion of Galaz, Yamazaki, Ruiz Urquiza, S.C. (a member of Deloitte Touche Tohmatsu), External Auditor of GFNorte.
- c) With respect to the opinion on the contents of the Report of the Managing Director of Grupo Financiero Banorte (GFNorte) on the functioning of the company, the fifth report of Mr. Marcos Ramírez Miguel corresponding to fiscal year 2018 was reviewed, as well as the audited financial statements of GFNorte and Subsidiaries as of December 31, 2018, and the opinion of the External Auditor and, in our opinion, the same includes an objective report of the national environment, which was marked by the electoral cycle, and of the international environment marked by the negotiation of the new trade agreement with the US and Canada named T-Mec, where the business were developed, the results as of December 31, 2018 and the profitability thereof, the outstanding achievements of the third annual period of the strategy "20/20, Perfect Vision", and any relevant events such as the acquisition and integration of Grupo Financiero Interacciones (GFI) and of two portfolios in the Pension business. Likewise, we hereby inform you that:
 - 1. The accounting and information policies and criteria followed are appropriate and comply with the regulations applicable to GFNorte and the financial entities forming it.
 - 2. According to the opinion of the External Auditor and reports of the Internal Audit reviews, such accounting policies and criteria were applied consistently with the financial information submitted by the Managing Director.
 - 3. As a result of that stated in the two paragraphs above, the information submitted by the Managing Director reasonably reflects the financial position and results of GFNorte and Subsidiaries.

- d) With respect to the report on the main accounting and information policies and criteria used in the preparation of the financial information of Grupo Financiero Banorte (GFNorte) and Subsidiaries, as required by Article 172, paragraph b of the General Law of Mercantile Companies, it is hereby informed that the Audit and Corporate Practices Committee reviewed, with the persons responsible for their preparation and review, the financial statements as of December 31, 2018 and the notes thereto, as well as the opinion of the External Auditor prior to the issuance thereof, which had no exceptions; therefore, it was recommended to the Board of Directors to authorize them.

Note 4 to the audited financial statements, "Main Accounting Policies", describes and explains the main accounting and information policies and criteria used in the preparation of the financial information of GFNorte and Subsidiaries, as well as the main changes to the accounting policies made during the fiscal year and the effects thereof on the financial information.

- e) In connection with the report on operations and activities in which the Board of Directors of Grupo Financiero Banorte (GFNorte) participated, pursuant to the provisions of the Securities Market Law and the Law to Regulate Financial Groups, during fiscal year 2018, after hearing, as the case may be, the prior opinion of the Audit and Corporate Practices Committee, the following authorizations are highlighted:

1. The operations with related parties were approved and, as of December 31, 2018, the amount of the credits extended through Banco Mercantil del Norte amounted to \$17,133 million, which amount is lower than the limit established by the corresponding regulations.
2. Changes to the second level of the organizational structure related to the incorporation of the new Infrastructure Projects, Credit, Management and Human Resources and Legal Management Offices were approved.
3. The annual review of the basic documents of internal control was performed, pointing out amendments in the Code of Conduct, the Purposes and Guidelines of Internal Control and the General Policies of Human Resources.
4. Financial statements as of December 31, 2018 and the quarterly financial statements for the same fiscal year were approved.
5. The firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (a member of Deloitte Touche Tohmatsu) was designated as External Auditor of GFNorte and Subsidiaries for fiscal year 2018.
6. Due to the incorporation of the activities related to the effectiveness of the Sole Circular Letter of External Auditors, changes to the by-laws of the Audit and Corporate Practices Committee were approved.
7. The provision of additional services by the External Auditor to review the sustainability report and some local taxes and transfer pricing in intercompany operations was approved.

Also to execute works associated with the Local Program for Placement as Recurring Issuer that Banco Mercantil del Norte plans to implement and for the issuance of capitalization instruments during 2019 and 2020.

Additionally, works related to the diagnosis and advisory on the implementation of the new accounting regulations included in the Financial Accounting Standards and Accounting Criteria projects of the CNBV were carried out.



In tax matters, their hiring was authorized to identify the tax effects which the possible spinoff of Banorte USA would have pursuant to the legislation of the United States of America (USA).

In technology matters, they were hired to provide better practices in the initiatives related to the establishment of the TRIAGE Protocol and the Assessment Process of Information Services and to participate as potential supplier to make system intrusion tests. Finally, their hiring was authorized for the analysis and opinion of payment proposals of M&G Polímeros for credit managed in Recovery Banking.

8. Among other relevant items, amendments to the Anticorruption policy and the Securities Operation of Directors and Employees Manual were approved.

Sincerely,

Lic. Héctor Ávila Flores

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

