

GFNorte reports Net Income of Ps 13.96 billion in 1H18, +25% higher than 1H17

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

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ending on June 30, 2018, highlighting:

- **In 2Q18 Net Income reached Ps 7.19 billion, showing strong sequential growth of +6.3%, and +26.6% vs. 2Q17.** Net Interest Income (NII) without Insurance and Annuities grew +6.3%, Loan Loss Reserves decreased (9.8%), Non-Interest Expense declined by (1.9%), and Earnings Before Taxes improved +10.6% sequentially.
- Key indicators for the quarter were: Return on Equity (ROE) of **19.1%**, up +97bp; Return on Assets (ROA) of **2.1%**, up +9bp; **Efficiency Ratio** strengthened to **39.5%** from 40.9% in the previous quarter, and **Non-Performing Loans ratio (NPL)** stable at **1.97%** from 1.92% sequentially.
- **During the first half of the year, the Group's Net Income totaled Ps 13.96 billion**, underpinned by strong results across all subsidiaries **vs. 1H17: Banco Banorte +18%, Leasing and Factoring +34%, Mutual Funds +31%, and Long Term Savings division +23%.**
- Key indicators for the **first semester** showed great progress vs. 1H17: **NIM** grew from 5.4% to **5.8%**, **Efficiency Ratio** improved 404bp to **40.2%**, **ROE** up +265bp to **18.8%** and **ROA** grew +24bp reaching **2.03%**.
- Net Interest Income (NII) grew **+17.3% vs. 1H17**. Non-Interest Income up **+23.3%** while **Non-Interest Expenses only increased +7.6%** vs. 1H17. **Net Operating Profit before taxes** improved **+25.5%** during the period.
- **Performing loans** were up **+7.9% YoY**. **Consumer** grew **+15.3%**, **commercial** was up **+10.3%**, **corporate +3.2%** and **government** declined **(3.2%)**.
- **Consumer products** are the primary driver for loan growth, **auto loans** were up **+31.5%**, **mortgages +17.1%**, **credit cards +10.0%**, and **payroll +9.1%**.
- Asset quality behaved according to summer seasonality, resulting in an **NPL ratio of 1.97%**.
- **Total customer deposits** increased **+7.7% YoY**, **demand deposits +9.6%**, **time deposits +13.7%** while **money market** declined **(20.9%)**.
- The bank's **Capital Ratio** reached **17.8%** during **2Q18**, while the **leverage ratio** remained stable at **8.9%**.

Mexico City, July 26, 2018. As a result of its strategy to support Mexican families, **Grupo Financiero Banorte (GFNorte)** reported a **+15%** increase in consumer loans during 2Q18 vs. 2Q17, reaching a total balance of **Ps 256.8 billion**.

Car loans reported a **+32%** increase, totaling **Ps 22.11 billion** during the quarter, leading growth among peers in the industry. Similarly, **mortgages'** balance totaled **Ps 145.30 billion**, showing a **+17%** increase during the quarter, more than twofold growth vs. the Mexican banking system for this product.

These increases had an impact on more than **10,500 families**, who benefited from mortgages during the first half of the year, and more than **35,100 people** who had access to car loans during this period.

Credit card balances totaled **Ps 34.71 billion**, showing a **+10%** increase vs. 2Q17, as a result of a more cautious origination strategy aimed at maintaining asset quality. **Payroll loans** were up **+9%** YoY, totaling **Ps 54.64 billion**.

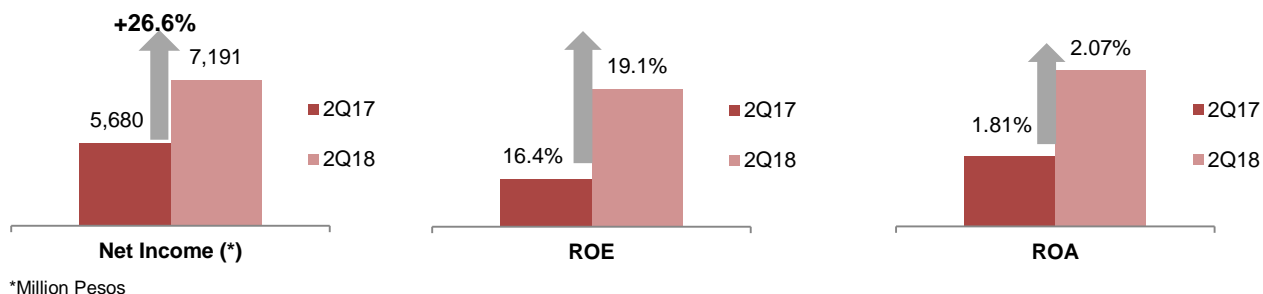
Commercial loans reached a balance of **Ps 143.18 billion**, growing **+10%** vs. 2Q17; **corporate** loans totaled **Ps 110.57 billion**, a **+3%** increase vs. 2Q17, and **government** loans reached **Ps 130.09 billion**, showing a **(3%) decline YoY**.

Total Performing loans increased **+8%** during the quarter vs. 2Q17, totaling **Ps 640.66 billion**, mainly driven by consumer loans to families, and by a better understanding of our customers' needs.

"As an ally of the future Mexico, Banorte grows together with all Mexicans. We have supported individuals, families and companies by helping them reach their dreams with new homes, cars and financing. Now, as the engine of regional development, we will push the infrastructure that Mexico needs to build the country that we all want" said **Marcos Ramírez Miguel**, CEO of Grupo Financiero Banorte.

Non-Performing Loans totaled Ps 12.88 billion in 2Q18, which represented an **NPL ratio of 1.97%**. **Total Customer Deposits** during 2Q18 increased **+8%** vs. 2Q17, totaling **Ps 261.67 billion**. **Demand Deposits** increased **+10%**, while **Time Deposits** did so by **+14%**. Derived from these results, the Group reached **Net Income of Ps 7.19 billion** during **2Q18**, up **+27%** vs. 2Q17.

Net Income for the **first half of the year** totaled **Ps 13.96 billion**, a **+25%** increase vs. 1H17, driven by good performance across its subsidiaries: **Bank +18%**, **Leasing and Factoring +34%**; **Mutual Funds +31%**, and **Long Term Savings +23%**. GFNorte's **profitability** had considerable growth during the period:



Net Interest Income rose **+17%** to reach **Ps 17.86 billion** in 2Q18. Profitability ratios also demonstrate GFNorte's successful strategy in the YoY comparison: **NIM at 5.7%** from 5.4% YoY, **ROE at 19.1%** from 16.4% in 2Q17, and **ROA to 2.1%** from 1.8% during the same period.

GFNorte Key Numbers	2Q17*	2Q18*	Change.	1H17	1H18	Change
Net Income	5,680	7,191	27%	11,207	13,960	25%
Net Interest Income	15,289	17,860	17%	30,844	36,165	17%
Net Operating Income	7,494	9,908	32%	15,042	18,879	26%
Performing Portfolio				593,997	640,660	8%
Efficiency	42.9%	39.5%		44.2%	40.2%	
ROE	16.4%	19.1%		16.1%	18.8%	
ROA	1.81%	2.07%		1.78%	2.03%	

*Million Pesos

Banco Mercantil del Norte maintained a solid **Capital Adequacy Ratio (CAR)** of **17.8%**, thanks to an appropriate capital management and a healthy growth in profitability and risk weighted assets.

Recent Events

1. THE ANTITRUST REGULATOR (“COFECE”), AND THE MINISTRY OF FINANCE AND PUBLIC CREDIT (“SHCP”) GRANTED ALL THE NECESSARY AUTHORIZATIONS TO CARRY OUT THE MERGER OF GFNORTE-GFINTER.

On June 28, 2018, the Mexican Antitrust regulator (“COFECE”) granted its unconditional approval to carry out the merger between Grupo Financiero Banorte (“GFNorte”), and Grupo Financiero Interacciones (“GFInter”). Similarly, the Ministry of Finance and Public Credit (“SHCP”) provided the legal document to proceed with the corporate and administrative acts related to the mergers. All parties agreed that the merger would be formalized no later than July 31, 2018.

2. FITCH RATINGS AFFIRMS “EXCELLENT (MEX)” INVESTMENT QUALITY RATING TO OPERADORA DE FONDOS BANORTE.

On May 16, Fitch Ratings assigned “Excellent (MEX)” – the highest rating – to Operadora de Fondos Banorte, for its solid investment process, which is supported by adequate risk criteria and analysis, investment policies, risk models and management, good corporate governance, solid organizational structure with appropriate duty segregation, complementary work and supervision teams, (Risks, Middle and Back Office, Comptroller and Audit), appropriate technology platform, good security and recovery systems.

3. BANORTE WAS REAFFIRMED AS A BANKING INSTITUTION WITH DOMESTIC SYSTEMIC IMPORTANCE

On April 27, Banorte was reaffirmed for the third time, as a Banking Institution with Level II Domestic Systemic Importance (“Institución de Banca Múltiple de Importancia Sistémica Local de Grado II”) by the National Banking and Securities Commission (“CNBV”), which speaks to Banorte’s relevance within the Mexican financial system.

The above is the result of the annual evaluation performed by the Government Meeting of the CNBV, with information as of year end 2017 from credit institutions. Such designation requires that Banorte keep a capital conservation buffer of 0.90 pp, which shall be constituted progressively during a maximum of a four-year period – that is on December 31, 2019-, this is in addition to the regulatory Capital Ratio of 10.5%, therefore Banorte’s Capital Adequacy Ratio will amount to 11.4% at the end of 2019.

4. BANORTE AS ONE OF THE BEST PLACES TO WORK ACCORDING TO GREAT PLACE TO WORK AND EXPANSION MAGAZINE.

On April 25, Banorte ranked #9 among companies with more than 5,000 employees in the 2018 Great Place to Work edition. Moreover, in the 2018 edition of “Super Empresas Expansion”, Banorte jumped from #7 to #4 in the category of more than 3,000 employees.

5. BANORTE PARTICIPATES IN THE BASIC SUSTAINABILITY BANKING PRINCIPLES FROM THE UN ORGANIZATION.

Banorte is the only Mexican bank participating in the United Nations Organization’s initiative to create basic sustainability principles in banking activities. Banorte will participate with other 26 leading global banking institutions

in the writing and establishment of the “Sustainability Banking Principles”, a project developed by the UNEP FI (United Nations Environmental Program - Finance Initiative). This initiative seeks to redefine the purpose and the commercial model of banks, and align them with the Sustainable Development Objectives and the Paris Agreement on climate change.

6. GFNORTE RECEIVES AWARDS FOR ENVIRONMENTAL AND CORPORATE GOVERNANCE PRACTICES

On June 6, GFNorte received the award for the Financial Institution with Best Corporate Governance, in the Sustainability category, for its best practices towards protecting its shareholders, clients, employees, providers, and communities’ interests. The award was based on the results of sustainability evaluations that Universidad Anahuac conducts on companies that are part of the Sustainable IPC index of the Mexican Stock Exchange, an index of which Banorte has been a member for 8 years.

In May, GFNorte was awarded, for the eighth consecutive year, the Socially Responsible Company Award, granted by the CEMEFI and AliaRSE. Banorte obtained the Outstanding rating in all five areas under evaluation: CSR at the company, quality of life at the company, community involvement, environmental care and preservation, and company ethics.

Moreover, VigeoEiris Ratings ratified Banorte for the fifth consecutive year, in the “Best Emerging Market ESG Performers ranking”, as one of the 100 best sustainable companies in emerging markets.

7. BANORTE WAS RECOGNIZED BY GTR LEADERS IN TRADE 2018.

On April 26, Banorte became the first bank in Mexico and Latin-America to be recognized as finalist in the “Best Foreign Commerce Bank in Latin-America 2018” category of the Global Trade Review Awards. Banorte ranked as a finalist thanks to its domestic growth, to the increase in business flows from other countries, and to the product diversification and specialized solutions for this segment.