

**GFNorte reported 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<sup>th</sup>, 2019, were:

- **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%**.

**Mexico City, July 25<sup>th</sup>, 2019.-** Banorte, as the financial group allied to families and businesses in Mexico, ended the second quarter of the year with a **20% increase in its performing loan portfolio**, compared to the same period in 2018, totaling **Ps 768.18 billion**.

“At Banorte, we are proud of providing continued support to the dreams and aspirations of Mexicans. We want to be present in every significant moment of their lives, either through a mortgage loan to buy their home, or through a loan to buy their first car, or grow their business and generate more jobs. We are the trusted financial group for Mexican households”, said **Carlos Hank González, Chairman of Grupo Financiero Banorte (GFNorte)**.

#### **Increased loans for Mexican families**

During the first six months of the year, GFNorte has supported **162,107 customers** with a mortgage loan to purchase their home, and **167,395 individuals** to purchase a car.

<b>Performing Loan Portfolio*</b>	<b>2Q18</b>	<b>2Q19</b>	<b>Change</b>
<b>Consumer</b>	256,823	<b>278,195</b>	8%
<b>Commercial</b>	143,181	<b>171,029</b>	19%
<b>Corporate</b>	110,569	<b>131,504</b>	19%
<b>Government</b>	130,087	<b>187,454</b>	44%
<b>Total</b>	640,660	<b>768,183</b>	20%

\*Million pesos

The consumer loan portfolio showed an **8%** annual increase, totaling **Ps 278.2 billion**. This growth was driven by **12%** growth in the **mortgage book** which totaled **Ps 162.6 billion**, and **15%** growth in **auto loans**, with an ending balance of **Ps 25.5 billion**.

**Credit card** loans were up **9%** reaching **Ps 37.7 billion**, while **payroll loans** totaled **Ps 52.4 billion** during the period.

<b>Consumer Loan Portfolio*</b>	<b>2Q18</b>	<b>2Q19</b>	<b>Change</b>
<b>Mortgages</b>	145,351	<b>162,619</b>	12%
<b>Auto Loans</b>	22,110	<b>25,478</b>	15%
<b>Credit Card</b>	34,718	<b>37,733</b>	9%
<b>Payroll</b>	54,643	<b>52,366</b>	(4%)
<b>Total</b>	256,823	<b>278,195</b>	8%

\*Million pesos

The loan portfolio showed improvements both on growth rates and quality: during the period, **NPL ratio** declined from 2.0% to **1.9%**, driven by improvements across most loan products.

**Core deposits** were up **4%** while **Total Bank Deposits** increased **12%** vs. 2Q18. **Demand deposits** declined (**2%**), and **time deposits** grew **16%**.

## Main financial results

The aforementioned results translated into the following financial indicators during the second quarter: **Earnings per share** for the group totaled **Ps 3.03**, **ROE** reached **19.5%**, **ROA** was **2.2%**, and **Efficiency Ratio** stood at **38.5%**.

**Marcos Ramírez Miguel, CEO of GFNorte** said "Achievements during this quarter resulted from the effort of each and every member of the great Banorte family. In line with our vision of becoming the best bank of the country for clients, investors, and employees, we will continue working towards strengthening Mexico".

**Banco Mercantil del Norte** closed the quarter with a **total capital ratio** of **20.0%**, with **CET1** at **13.1%**. **Leverage ratio** totaled **11.0%**.

## 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. 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:

1. NC5 Notes PERP in the amount of US \$600 million, callable on the fifth year, carrying a coupon rate of 6.75%.
2. 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.

### 3. 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.

#### **4. 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.

#### **5. 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.

#### **6. 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.

#### **7. GFNORTE WAS 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

**8. 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.

**9. 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 under 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.