

3Q19

Financial Results as of September 30th, 2019

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GFNORTE



OTC QX

GBOOY



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I. Executive Summary

GFNorte reports Net Income of Ps 8.86 billion during 3Q19, 13% higher than 3Q18. Net Income for 9M19 reached Ps 27.52 billion, 26% higher than 9M18.

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

The most relevant results for the period ended on September 30th, 2019, were:

- **Net income** for the **third quarter was Ps 8.85 billion**, up 1% sequentially, and **13%** higher vs. 3Q18. **Net interest income increased 3%**, while **total income** grew **6%** sequentially.
- Among the relevant financial indicators for the **quarter**, **NIM** increased 25bps from 5.5% in 2Q19 to **5.7%**; **ROE** gained 15bps from 19.5% to **19.6%**; **ROA** rose to **2.24%** from 2.20%, showing a 14bps annual increase. **Efficiency ratio** had a **slight decline**, ending the quarter at **40.2%** from 38.5%.
- During the **first nine months of the year** (9M19), the Group's net income totaled **Ps 27.52 billion, up 26% vs. 9M18**. Recurring net income was up **21%** due to solid growth from its **subsidiaries** vs. the same period in 2018: the **Bank** increased its recurring net income by **21%**, **Insurance 14%**, **Annuities 20%**, and **Afore 21%**.
- **Net Interest Income (NII)** grew **9%** vs. 9M18, **loan loss provisions** declined (**5%**), recurring **non-interest income** was up **17%**, while **non-interest expense** did so by **9%**. Altogether, recurring **net operating income before taxes** grew **19%** annually.
- Relevant financial indicators for **9M19**, and their changes vs. 9M18 were: **NIM** had the expected decline from 5.7% to **5.6%** resulting from the consolidation of Interacciones' loan portfolio a year ago; **recurring ROE** rose 88bps from 18.9% to **19.7%**, and **recurring ROA** reached **2.20%** from 2.03%. **Recurring efficiency ratio** improved from 40.0% to **39.4%**.
- **Consumer loans** were up **2%** during the quarter driven by **3%** growth in **credit cards**, and **2%** in both, **mortgages and auto loans**, while **payroll loans declined (1%)**. On an annual basis, the **consumer portfolio** expanded **8%**, with a **10%** increase in **mortgages**, **11%** in **auto loans**, **10%** in **credit cards**, and a **(4%)** decline in **payroll loans**.
- **Commercial loans** were up **3% vs. 3Q18**, while **corporate loans declined (3%)**, and **government loans (20%)**. Overall, total loan portfolio had a (5%) quarterly decline, and **(3%)** vs. 9M18.
- **Asset quality** remained under control during the quarter with an **NPL ratio** at **1.9%**, while **coverage ratio** remained stable reaching **126.6%**. **Cost of Risk** increased quarterly to **2.15%**, and for the nine-month period it reached **2.00%**, (42bps) below 9M18.
- **Total bank deposits** were up **3%** annually: **demand deposits declined (2%)**, and **time deposits** were up **11%**.
- The bank's **Capital Ratio** reached **20.3%**; **Core Equity Tier 1 (CET1)** stood at **13.26%**, while **leverage ratio** ended the quarter at **10.92%**.

Income Statement Highlights - GFNorte (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Interest Income	37,445	37,612	37,161	(1%)	(1%)	98,380	112,847	15%
Interest Expense	17,217	18,317	16,796	(8%)	(2%)	43,155	53,520	24%
Technical Results (Insurance & Annuities)	(1,167)	197	(251)	(228%)	(78%)	1	1,062	NA
Net Interest Income	19,061	19,492	20,114	3%	6%	55,226	60,390	9%
Net Service Fees	3,453	3,630	3,183	(12%)	(8%)	9,312	9,781	5%
Trading	877	963	2,303	139%	162%	2,964	4,417	49%
Other Operating Income (Expenses)	447	653	722	10%	61%	1,436	3,518	145%
Non Interest Income	4,778	5,246	6,208	18%	30%	13,712	17,716	29%
Total Income	23,839	24,738	26,322	6%	10%	68,937	78,106	13%
Non Interest Expense	9,461	9,525	10,578	11%	12%	27,597	30,106	9%
Provisions	4,060	3,728	4,118	10%	1%	12,144	11,582	(5%)
Operating Income	10,318	11,485	11,626	1%	13%	29,197	36,418	25%
Taxes	2,767	3,100	3,094	(0%)	12%	8,262	9,844	19%
Subsidiaries' Net Income	375	466	451	(3%)	20%	1,140	1,328	16%
Minority Interest	(110)	(123)	(125)	1%	13%	(300)	(383)	28%
Subsidiaries & Minority Interest	265	343	326	(5%)	23%	840	944	12%
Net Income	7,816	8,728	8,858	1%	13%	21,776	27,518	26%

Balance Sheet Highlights - GFNorte (Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Asset Under Management	2,752,489	2,763,574	2,815,927	2%	2%
Performing Loans (a)	751,735	768,183	732,726	(5%)	(3%)
Past Due Loans (b)	13,895	14,567	14,357	(1%)	3%
Total Loans (a+b)	765,630	782,750	747,084	(5%)	(2%)
Total Loans Net (d)	746,725	764,158	728,913	(5%)	(2%)
Acquired Collection Rights (e)	2,610	2,065	1,905	(8%)	(27%)
Total Credit Portfolio (d+e)	749,335	766,222	730,818	(5%)	(2%)
Total Assets	1,584,791	1,589,998	1,583,651	(0%)	(0%)
Total Deposits	737,033	734,568	722,039	(2%)	(2%)
Total Liabilities	1,413,330	1,411,630	1,395,973	(1%)	(1%)
Equity	171,461	178,368	187,678	5%	9%

Financial Ratios GFNorte	3Q18	2Q19	3Q19	9M18	9M19
Profitability:					
NIM (1)	5.7%	5.5%	5.7%	5.7%	5.6%
ROE (2)	19.7%	19.5%	19.6%	18.9%	20.5%
ROA (3)	2.1%	2.20%	2.24%	2.0%	2.3%
Operation:					
Efficiency Ratio (4)	39.7%	38.5%	40.2%	40.0%	38.5%
Operating Efficiency Ratio (5)	2.5%	2.4%	2.7%	2.6%	2.5%
CCL Banorte and SOFOM - Basel III (6)	107.6%	122.2%	140.7%	107.6%	140.7%
Asset Quality:					
Past Due Loan Ratio	1.8%	1.9%	1.9%	1.8%	1.9%
Coverage Ratio	136.1%	127.6%	126.6%	136.1%	126.6%
Cost of Risk (7)	2.29%	1.91%	2.15%	2.41%	2.00%
Market References					
Banxico Reference Rate	7.75%	8.25%	7.75%	7.75%	7.75%
TIE 28 days (Average)	8.11%	8.50%	8.35%	7.91%	8.47%
Exchange Rate Peso/Dolar	18.72	19.21	19.73	18.90	19.44

- 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)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Banco Mercantil del Norte	5,900	6,428	6,613	3%	12%	15,732	20,265	29%
Banorte- Ixe-Broker Dealer	238	137	245	78%	3%	637	593	(7%)
Operadora de Fondos Banorte-Ixe	97	95	100	5%	3%	258	289	12%
Retirement Funds - Afore XXI Banorte	342	425	415	(2%)	21%	1,034	1,249	21%
Insurance	689	824	739	(10%)	7%	2,789	3,174	14%
Annuities	230	223	263	18%	14%	629	758	20%
Leasing and Factoring	177	210	285	36%	61%	657	721	10%
Warehousing	1	11	8	(22%)	1124%	15	(8)	(154%)
Sólida Administradora de Portafolios	(147)	78	(68)	(187%)	(54%)	(577)	(99)	83%
Ixe Servicios	(0)	(0)	(0)	43%	(27%)	(1)	(1)	15%
G. F. Banorte (Holding)	96	297	259	(13%)	169%	393	579	47%
Total Net Income	7,816	8,728	8,858	1%	13%	21,776	27,518	26%

Share Data	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Earnings per share (Pesos)	2.711	3.027	3.072	1%	13%	7.552	9.543	26%
Earnings per share Basic (Pesos)	2.728	3.048	3.092	1%	13%	7.813	9.609	23%
Dividend per Share for the period (Pesos)	0.00	5.54	0.00	NA	NA	3.45	5.54	61%
Payout for the period	0.0%	50.0%	0.0%	NA	NA	40.0%	50.0%	25%
Book Value per Share (Pesos)	58.74	61.08	64.29	5%	9%	58.74	64.29	9%
Issued Shares (Million)	2,883.5	2,883.5	2,883.5	0%	0%	2,883.5	2,883.5	0%
Stock Price (Pesos)	135.30	111.36	106.07	(5%)	(22%)	135.30	106.07	(22%)
P/BV (Times)	2.30	1.82	1.65	(10%)	(28%)	2.30	1.65	(28%)
Market Capitalization (Million Dollars)	20,837	16,716	15,498	(7%)	(26%)	20,837	15,498	(26%)
Market Capitalization (Million Pesos)	390,132	321,102	305,848	(5%)	(22%)	390,132	305,848	(22%)

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)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Interest Income	33,921	35,588	34,354	(3%)	1%	90,526	105,357	16%
Interest Expense	16,944	18,038	16,512	(8%)	(3%)	42,387	52,676	24%
Loan Origination Fees	334	335	365	9%	9%	945	1,024	8%
Fees Paid	273	279	284	2%	4%	767	844	10%
NII excluding Insurance and Annuities Co.	17,038	17,607	17,923	2%	5%	48,316	52,862	9%
Premium Income (Net)	5,983	6,271	6,305	1%	5%	23,229	24,790	7%
Technical Reserves	2,458	1,228	1,922	57%	(22%)	10,248	9,917	(3%)
Damages, Claims and Other Obligations	4,692	4,846	4,634	(4%)	(1%)	12,981	13,812	6%
Technical Results	(1,167)	197	(251)	(228%)	(78%)	1	1,062	NA
Interest Income (Expenses) net	3,190	1,688	2,442	45%	(23%)	6,909	6,466	(6%)
Insurance and Annuities NII	2,023	1,885	2,191	16%	8%	6,910	7,528	9%
GFNORTE's NII	19,061	19,492	20,114	3%	6%	55,226	60,390	9%
Credit Provisions	4,060	3,728	4,118	10%	1%	12,144	11,582	(5%)
NII Adjusted for Credit Risk	15,001	15,764	15,996	1%	7%	43,082	48,808	13%
Average Earning Assets	1,342,962	1,426,372	1,408,741	(1%)	5%	1,291,096	1,433,932	11%
Net Interest Margin (1)	5.7%	5.5%	5.7%			5.7%	5.6%	
NIM after Provisions (2)	4.5%	4.4%	4.5%			4.4%	4.5%	
NIM adjusted w/o Insurance & Annuities	5.6%	5.5%	5.7%			5.5%	5.5%	
NIM from loan portfolio (3)	8.4%	8.0%	8.3%			8.4%	8.0%	

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 grew 2% during the quarter attributed to a (3%) decline in interest income, and to an (8%) decline in interest expense, explained by the benefits of Ps 596 million from lower cost of deposits, from a significant decline money market funds. The decline was also partially explained by the 25bps cut in the reference rate on August 15th, which benefited a portion of time deposits during September. Interest income was down (3%) during the quarter, on lower credit balances. As a result, the **NIM for the loan portfolio was 8.3%**, showing a relevant 38bps increase vs. the **8.0%** figure of the previous quarter; while **NIM excluding Insurance and Annuities** expanded 19bps, to **5.7%**.

Net interest income excluding Insurance and Annuities during 9M19 showed a **9%** increase vs. 9M18, resulting mainly from loan and deposit balances; **NIM for the loan portfolio reached 8.0%**, 35bps below its 8.4% level in 9M18, which still reflects the impact of the asset acquisition in 3Q18, as well as the increase in cost of funds that came with the merger.

NII from Insurance and Annuities, increased **16%** QoQ on higher annuities premiums, while technical reserves from the insurance business was up on new premium underwriting. **Technical results** declined QoQ on higher insurance reserves due to premium growth. Premium income from annuities was up 1%, and there was a Ps 680 million benefit in its investment portfolio driven by inflation mark-to-market valuation, explained by a lower UDI from lower inflation vs. the previous quarter, offset by a similar effect in technical reserves which are also registered in UDIs.

NII from Insurance and Annuities increased 9% annually, driven by 7% growth in net premium income. Growth in damages and claims was 6%, combining the effect of the two companies. Technical reserves declined (3%) mainly on lower inflation valuation which was compensated with a (6%) decrease in interest income from valuation effects.

Overall, GFNorte's **NII rose 3%** during the quarter highlighting increases in Banorte totaling Ps 295 million, Ps 209 million in Insurance, and Ps 118 million in the other business subsidiaries. Growth for the nine-month period totaled **9%**, driven by higher growth from the Bank following the merger in 3Q18. **NIM** for the quarter totaled **5.7%** showing a 25bps improvement vs. 2Q19 attributed to the reduction in interest-bearing liabilities, and a (9bp) decline vs. 9M18 related to the merger.

Loan Loss Provisions

Provisions were up 10% compared to the previous quarter, due to higher requirements from the corporate portfolio related to a write-off, while the commercial portfolio had an additional requirement related certain dollar denominated exposures. Furthermore, there was a provision release related to the government portfolio, on lower loan balances in the quarter, while the consumer book showed the expected provisions increase from growth across the various product categories.

During 9M19, provisions declined (5%) vs. 9M18, as the extraordinary provision from a corporate loan in 4Q17 booked in 1Q18 was no longer present, as well as from other events during the period such as a corporate loan charge-off during 3Q19, and provision releases in the government book.

Provisions represented 20.5% of net interest income in 3Q19, 135bps higher vs. the previous quarter, while in the **aggregate 9M19 figure**, they declined (281bps) ending at **19.2%**.

Cost of risk reached 2.15%, showing a 24bps increase due to higher provisions during the quarter. On a nine-month basis this indicator had a (42bp) decline vs. 9M18, closing at **2.00%**, positively impacted by the implementation of internal models, and lower loan growth during the period.

Non-Interest Income

Non-Interest Income (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Net Service Fees	3,453	3,630	3,183	(12%)	(8%)	9,312	9,781	5%
Trading	877	963	2,303	139%	162%	2,964	4,417	49%
Other Operating Income (Expenses)	447	653	722	10%	61%	1,436	3,518	145%
Non-Interest Income	4,778	5,246	6,208	18%	30%	13,712	17,716	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' dissolution, as part of the gains generated from the entity's dissolution.

There was a significant **18%** quarterly **increase** in **non-interest income**. Compared to the accumulated figure in 9M18, the increase was 29%, and using recurring figures it was **17%**, in both cases explained by higher trading income.

Service Fees

Service Fees (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Fund Transfers	418	399	444	11%	6%	1,204	1,209	0%
Account Management Fees	627	596	579	(3%)	(8%)	1,872	1,780	(5%)
Electronic Banking Services	2,007	2,285	2,363	3%	18%	5,906	6,776	15%
Basic Banking Services Fees	3,053	3,280	3,387	3%	11%	8,982	9,766	9%
For Commercial and Mortgage Loans	394	291	280	(4%)	(29%)	840	808	(4%)
For Consumer Loans	1,179	1,246	1,282	3%	9%	3,457	3,739	8%
Fiduciary	111	108	127	17%	14%	303	339	12%
Income from Real Estate Portfolios	15	220	1	(100%)	(92%)	76	269	253%
Mutual Funds	458	449	462	3%	1%	1,222	1,339	10%
Other Fees Charged (1)	288	238	259	9%	(10%)	853	801	(6%)
Fees Charged on Services	5,635	6,002	5,929	(1%)	5%	16,304	17,472	7%
Interchange Fees	961	1,077	1,168	8%	22%	2,827	3,326	18%
Insurance Fees	316	296	581	96%	84%	1,185	1,458	23%
Other Fees Paid	905	999	997	(0%)	10%	2,980	2,906	(2%)
Fees Paid on Services	2,182	2,372	2,746	16%	26%	6,992	7,691	10%
Net Service Fees	3,453	3,630	3,183	(12%)	(8%)	9,312	9,781	5%

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 declined (1%) quarterly, due to the Ps 216 million income from the sale of a real estate asset in the previous quarter, and to lower advisory and trading income; basic banking services fees were up 3% in the quarter.

Comparing nine-month aggregate figures, fees charged increased 7% vs. 9M18, mostly explained by higher basic banking services and consumer loan fees.

Fees paid were up **16%** sequentially, mostly explained by the Ps 283 million acquisition cost in insurance during the quarter. There was also an 8% increase in interchange fees from the acquiring business. Using nine-month figures, fees paid were up **10%** vs. 9M18 driven by higher commercial activity in the acquiring business and by increase in insurance fees.

Overall, **net service fees** were down (12%) vs. the previous quarter and up 5% when compared to 9M18.

Trading

Trading Income (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Currency and Metals	(97)	(26)	(13)	51%	(87%)	17	(44)	(365%)
Derivatives	(2)	176	(1,473)	(936%)	NA	795	(775)	(198%)
Negotiable Instruments	109	29	155	439%	42%	131	370	183%
Valuation	10	179	(1,330)	(842%)	NA	942	(449)	(148%)
Currency and Metals	638	206	471	129%	(26%)	1,605	778	(52%)
Derivatives	70	121	2,270	1773%	NA	(8)	2,473	N.A.
Negotiable Instruments	160	456	892	96%	459%	426	1,616	279%
Trading	868	783	3,633	364%	319%	2,022	4,866	141%
Trading Income	877	963	2,303	139%	162%	2,964	4,417	49%

When compared to the previous quarter, trading income was up 139%, of which a relevant portion came from transactions with clients. In the quarter, there was a Ps 400 million gain from the correct positioning in fixed income in a highly volatile quarter. There was also a Ps 155 million gain on the sale of available-for-sale securities, and treasury operations generated gains of Ps 760 million. Some of these results have their counterpart in the valuation accounts, according to established accounting criteria.

Aggregate figures for 9M19 show a **49% increase** in trading income, resulting from derivative and securities trading. FX and metals trading operations were down during the period, and so were derivative valuations; however, securities valuation had a positive result due to a higher holding position.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Loan Recovery*	-	-	-	-	-	-	-	-
Loan Portfolios	69	85	86	2%	25%	171	230	34%
Income from Foreclosed Assets	188	74	177	138%	(6%)	336	339	1%
Provisions Release*	-	-	-	-	-	-	-	-
From Insurance	197	255	240	(6%)	22%	651	758	16%
Securitization Operation Valuation Result	28	48	37	(23%)	33%	225	113	(50%)
Others	(155)	100	61	(39%)	N.A.	(126)	1,908	NA
Other Operating Income (Expenses)	447	653	722	10%	61%	1,436	3,518	145%

*The concepts of Sólida and Lease and Factor previously registered in "Other income (expenses) of the operation" were reclassified in 3Q19 towards "Provisions for Credit": a) "Recovery of Credit Portfolio" and, b) "Release of Provisions"; for comparison purposes they are reclassified retroactively for 2018 and 1H19.

Other Operating Income (Expenses) were up 10% vs. the previous quarter totaling **Ps 722 million**, driven by a significant increase in income from the sale of foreclosed assets. For the nine-month period, results were up 145% vs. 9M18. For comparison purposes, **recurring growth** was **29%**, resulting from higher revenue from loan portfolios, insurance and other recoveries.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Personnel	3,721	3,567	4,258	19%	14%	11,107	11,757	6%
Professional Fees	772	796	941	18%	22%	2,241	2,475	10%
Administrative and Promotional	2,086	2,002	2,180	9%	5%	5,995	6,316	5%
Rents, Depreciation & Amortization	1,435	1,635	1,772	8%	24%	4,168	5,083	22%
Taxes other than income tax & non deductible expenses	481	573	484	(16%)	1%	1,460	1,618	11%
Contributions to IPAB	845	829	821	(1%)	(3%)	2,296	2,489	8%
Employee Profit Sharing (PTU)	120	123	122	(1%)	1%	332	368	11%
Non-Interest Expense	9,461	9,525	10,578	11%	12%	27,597	30,106	9%

Non-interest expenses grew 11% vs. the previous quarter, mostly driven by a 19% increase in personnel expenses (salaries and provisions) because of a lower comparative base in these line items during 2Q19. Growth was also explained by 9% higher administrative and promotional expenses, campaign services expenses, rents, and operating expenses related to the cards business, as well as by an 18% increase in advisory fees, and ongoing business growth. In the insurance business, expense growth was explained by the acquisition cost of reinsurance coverage fees.

Aggregate figures show **9% growth** vs. 9M18, primarily explained by the leasing expenses from the offices under the sale and lease back agreement from December 2018, followed by personnel, administrative and promotional expenses linked to the natural operation of the business, and by expenses associated with Interacciones' operating cost.

The **efficiency ratio** stood at **40.2% QoQ**, showing a 168bps **increase** vs. the 38.5% ratio in 2Q19, while the **accumulated** result reached 38.5%; using recurring figures, it totaled **39.4%**, down (65bps) vs. the 40.0% figure reported in 9M18, because of an adequate expense control.

Net Income

Net Income (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Operating Income	10,318	11,485	11,626	1%	13%	29,197	36,418	25%
Subsidiaries' Net Income	375	466	451	(3%)	20%	1,140	1,328	16%
Pre-Tax Income	10,693	11,951	12,077	1%	13%	30,337	37,746	24%
Taxes	2,767	3,100	3,094	(0%)	12%	8,262	9,844	19%
Minority Interest	(110)	(123)	(125)	1%	13%	(300)	(383)	(28%)
Net Income	7,816	8,728	8,858	1%	13%	21,776	27,518	26%

Net operating income rose 1% in the quarter, resulting from a combination of higher margin and higher trading income vs. the previous period, as well as by higher provisions and non-interest expenses. 9M19 results were **up 25%** vs. the previous year, and **up 19%** using **recurring** figures, favored by good performance in the Bank and Insurance operations, as well as by the positive trading income result.

Taxes remained flat in the quarter, resulting in an effective tax rate of 25.6% (using recurring results), (3bps) lower than the reported rate in the previous quarter. Accumulated tax expenses grew 14%, resulting in a **26.0% effective tax rate**, down (120bps) vs. 9M18.

Net income for the quarter totaled Ps 8.86 billion, up 1% vs. the previous quarter. **Accumulated net income as of September**, showed **21% recurring growth** when compared to 9M18, and **up 26% with reported figures**.

Reported EPS for the quarter was **Ps 3.07**, and the recurring 9M19 figure was **Ps 9.13**.

Profitability

	3Q18	2Q19	3Q19	9M18	9M19
ROE	19.7%	19.5%	19.6%	18.9%	20.5%
Goodwill & Intangibles (billion pesos)	42	51	51	42	51
Average Tangible Equity (billion pesos)	122	129	131	122	131
ROTE	25.4%	26.8%	27.2%	23.8%	28.1%

ROE for the quarter totaled **19.6%**, adding 15bps to the previous quarter's result, in line with the stability shown in net income results. **9M19 ROE** reached 20.5% while the recurring ratio was 19.7%, adding 88bps to last year's results, on overall good business performance.

During the quarter, **ROTE** reached **27.2%**, up 38bps vs. 2Q18 driven by net income stability, and by a marginal increase in average tangible equity; using recurring aggregate 9M19 figures, ROTE showed a 335bps improvement compared to 9M18.

	3Q18	2Q19	3Q19	9M18	9M19
ROA	2.1%	2.2%	2.2%	2.0%	2.3%
Average Risk Weighted Assets (billion pesos)	662	756	765	662	765
RRWA	4.3%	4.8%	4.9%	4.3%	4.9%

ROA was **stable** at **2.2%**, adding 4pbs to the previous quarter's result. Aggregate figures totaled 2.3%, a 27bp increase vs. 9M18. Accumulated reported figures reached **2.2%**, a **17bp improvement** vs. 9M18, including Interacciones merger.

Regulatory Capital (Banco Mercantil del Norte)

Banorte has fully adopted the capital 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 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, starting on December 2018, the minimum Capital Adequacy 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)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Core Tier 1 Capital	89,977	101,311	103,152	1.8%	14.6%
Tier 1 Capital	109,074	140,881	143,805	2.1%	31.8%
Tier 2 Capital	13,903	13,881	14,141	1.9%	1.7%
Net Capital	122,977	154,761	157,946	2.1%	28.4%
Credit Risk Assets	618,134	624,073	620,837	-0.5%	0.4%
Net Capital / Credit Risk Assets	19.89%	24.8%	25.44%	0.6 pp	5.5 pp
Total Risk Assets (1)	742,240	776,420	778,120	0.2%	4.8%
Core Tier 1	12.12%	13.05%	13.26%	0.2 pp	1.1 pp
Tier 1	14.70%	18.14%	18.48%	0.3 pp	3.8 pp
Tier 2	1.87%	1.79%	1.82%	0.0 pp	(0.1 pp)
Capitalization Ratio	16.57%	19.93%	20.30%	0.4 pp	3.7 pp

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

At the end of 3Q19 the estimated **Capital Adequacy Ratio (CAR)** for Banorte was **20.30%** considering credit, market and operational risk; and 25.44% considering only credit risks. Moreover, Total Tier 1 Capital reached 13.26% as of 3Q19.

The **CAR** increased **0.37 pp** vs. 2Q19 due to the following effects:

1. Net income growth for 3Q19	+ 0.86 pp
2. Capital Notes*	+ 0.09 pp
3. Securities' mark-to-market valuation	+ 0.17 pp
4. Permanent Investments and Intangibles	+ 0.10 pp
5. Other Capital Effects	- 0.03 pp
6. Growth in Risk Assets	-0.04 pp
7. Dividend Payments	-0.77 pp

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

The **CAR** increased **3.73 pp** vs. 3Q18, due to the following effects:

1. Net income growth	+ 3.79 pp
2. Capital Notes*	+ 2.64 pp
3. Securities' mark-to-market valuation*	+ 0.50 pp
4. Other Capital Effects	+ 0.01 pp
5. Goodwill***	- 0.19 pp
6. Permanent Investments and Intangibles	- 0.22 pp
7. Growth in Risk Assets	- 0.76 pp
8. Dividend Payments	- 2.04 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)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Tier 1 Capital	109,074	140,881	143,805	2.1%	31.8%
Adjusted Assets	1,317,442	1,285,664	1,317,442	2.5%	0.0%
Leverage Ratio	8.28%	10.96%	10.92%	(0.0 pp)	2.6 pp

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

Deposits

Deposits (Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Non-Interest Bearing Demand Deposits	283,036	280,638	266,731	(5%)	(6%)
Interest Bearing Demand Deposits	125,289	115,525	134,652	17%	7%
Total Demand Deposits	408,325	396,164	401,383	1%	(2%)
Time Deposits – Retail	211,890	236,263	235,703	(0%)	11%
Core Deposits	620,215	632,427	637,086	1%	3%
Money Market	120,383	105,602	89,334	(15%)	(26%)
Total Bank Deposits	740,598	738,028	726,420	(2%)	(2%)
GFNorte's Total Deposits	737,033	734,568	722,039	(2%)	(2%)
Third Party Deposits	175,253	189,588	184,906	(2%)	6%
Total Assets Under Management	915,851	927,616	911,325	(2%)	(0%)

Banorte's core deposits were up 1% during the quarter, with stable time deposits, while demand deposits grew 1%. On an annual basis, time deposits had an 11% improvement, while demand deposits were down (2%), resulting from 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 and notes issued showed a (15%) quarterly decline, and a (26%) annual decline, as part of these funds were substituted with regular deposits. Overall, total deposits were down (2%) in the quarter, and (2%) in the year.

Loans

Performing Loan Portfolio (Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Mortgages	150,517	162,619	166,286	2%	10%
Auto Loans	23,261	25,478	25,889	2%	11%
Credit Card	35,590	37,733	39,028	3%	10%
Payroll	54,103	52,366	52,096	(1%)	(4%)
Consumer	263,472	278,195	283,298	2%	8%
Commercial	163,218	171,029	167,839	(2%)	3%
Corporate	127,409	131,504	123,767	(6%)	(3%)
Government	197,636	187,454	157,821	(16%)	(20%)
Total	751,735	768,183	732,726	(5%)	(3%)

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

Performing loans were down (5%) in the quarter, driven by a contraction in **corporate and government portfolios**, which were affected by prepayments from certain companies, as well as from some states and the federal government.

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

Total loans **decreased (3%) annually**, due to **3% growth** in commercial loans, (3%) decline in corporate and (20%) decline in government. Excluding government loans, performing loans grew 4% annually.

On an annual basis, **consumer loans** were up **8%**, outpacing both the banking system and peers. Growth in **auto loans** was up **11%**, followed by **10% growth** in both **mortgages** and **credit cards**, thus holding a steady 14.9% market share in consumer and mortgage.

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

- **Mortgages:** Banorte showed an annual growth of **11.0%**, like that of the banking system, holding a 19.3% market share, and consolidating its **second place within the industry**.
- **Auto Loans:** Solid annual growth underpinned by loan origination through exclusivity agreements with auto dealerships. Banorte holds a 17.9% market share, **ranking 2nd** in the market and **growing 12.2%** annually, above the banking system at **10.2%**.
- **Credit Cards:** Moderate growth aimed at preserving asset quality. **Leading growth** 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:** After a strict risk selection period aimed at preserving high asset quality for this portfolio, loan origination has been resumed, although this is not yet captured in the quarterly results. Banorte holds 19.6% share and **ranks third in the market**.
- **Commercial:** The portfolio was up 3.4% annually. Market share (according to the regulator's methodology), stood at 9.9%, ranking fourth in the banking system.

SME's performing loan portfolio had a slight (**Ps 32 million**) decline vs. the previous period, and a **(3%)** decline vs. the previous year, as a result of a rigorous risk selection policy. NPL ratio was relatively stable at 6.6%, up 21bps vs. the previous quarter, mainly resulting from lower loan origination.

SME's Loans (Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Performing Portfolio	33,533	32,524	32,492	(0%)	(3%)
% of Performing Commercial Portfolio	20.5%	19.0%	19.4%	34 bp	(119 bp)
% of Total Performing Portfolio	4.5%	4.2%	4.4%	20 bp	(3 bp)
NPL Ratio	6.0%	6.4%	6.6%	21 bp	58 bp

- **Corporate Loans:** The portfolio reached an ending balance of **Ps 123.77 billion**, a (6%) sequential contraction, and a (3%) annual decline, resulting from prepayments during the quarter and moderate loan demand in this segment. GFNorte's corporate loan book is well diversified by industry and regions, showing low concentration risk. The 20 main corporate borrowers accounted for 10.2% of the group's total portfolio. The group's largest corporate exposure represented 1.0% of the total performing book, whereas number 20 represented 0.4% of it. Additionally, out of these 20 borrowers, 18 companies have an A1 rating, 1 has an A2 rating, and 1 company a B1 rating.

As of September 2019, GFNorte's **loan exposure to home builders was Ps 1.43 billion**, down Ps 497 million vs. the previous quarter, 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. This exposure accounts for 0.2% of the total loan portfolio. Total **portfolio was 100% guaranteed** and had no changes when compared to the previous quarter's reports. Loan

Loss Reserve coverage for these companies was 42.6%. Sólida, held a Ps 2.63 billion balance in investment projects, down (3.4%) vs. 2Q19.

- **Government Book:** Loan portfolio had a (16%) quarterly decline totaling **Ps 157.82 billion**, down (20%) vs. 3Q18, in line with a strategic decline in the Interacciones book, which was merged a year ago. GFNorte's government portfolio is well diversified by regions, showing adequate concentration risk given that 32.6% of the portfolio is Federal Government risk; moreover, 90.3% of regional government loans are backed by fiduciary guarantees. Market share as of September 2019 for this segment was 33.5%, **ranking first in the system**.
- **Infrastructure:** The evolution of this portfolio is shown below. The decline in this book is explained by its natural amortization, as well as by low financing demand in this segment:

Infrastructure Loans (Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Performing Portfolio	44,461	43,129	41,649	(3%)	(6%)
% of Total Performing Portfolio	5.7%	5.6%	5.7%	7 bp	(1 bp)
NPL Ratio	0.0%	0.0%	0.1%	4 bp	7 bp

Past Due Loans

(Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Past Due Loans	13,895	14,567	14,357	(1%)	3%
Loan Loss Reserves	18,906	18,592	18,171	(2%)	(4%)
Acquired Rights	2,610	2,065	1,905	(8%)	(27%)

Past Due Loans ended the quarter **down (1%)** vs. 2Q19, primarily explained by a Ps 423 million charge-off in the corporate portfolio, and by lower past due loan growth in the payroll book. The **3% annual increase** is attributed to larger volumes in consumer portfolios, and some one-off cases in the commercial book. The deterioration in the commercial book is temporary, while that of the payroll portfolio follows the anticipated seasonal behavior typical of this time of the year. Further detail by product is shown below:

Past Due Loans (Million Pesos)	3Q18	2Q19	3Q19	Change	
				2Q19	3Q18
Credit Cards	2,281	2,386	2,473	87	192
Payroll	2,287	2,063	1,834	(229)	(453)
Auto Loans	249	267	270	3	21
Mortgages	1,448	1,696	1,807	110	359
Commercial	3,750	4,117	4,392	275	641
Corporate	3,864	4,033	3,578	(455)	(286)
Government	16	4	4	-	(12)
Total	13,895	14,567	14,357	(209)	462

NPL ratio stood at **1.9%**, with a slight 6bps increase from deterioration in certain companies.

On an **annual basis**, the NPL ratio showed an (11bps) decline, with a 65bps improvement in payroll, and 13bps in corporate, but a (30bps) deterioration in commercial. SME ratios deteriorated from the mathematical effect of having a lower denominator due to lower origination volumes, which followed an adequate risk management policy.

Past Due Loans Ratios	3Q18	4Q18	1Q19	2Q19	3Q19
Credit Cards	6.0%	5.5%	5.9%	5.9%	6.0%
Payroll	4.1%	3.7%	3.0%	3.8%	3.4%
Auto Loans	1.1%	1.1%	0.9%	1.0%	1.0%
Mortgages	1.0%	0.9%	1.0%	1.0%	1.1%
Commercial	2.2%	1.9%	2.1%	2.4%	2.5%
SMEs	6.0%	5.5%	5.9%	6.4%	6.5%
Commercial	1.2%	0.9%	1.1%	1.3%	1.6%
Corporate	2.9%	2.9%	2.9%	3.0%	2.8%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.8%	1.7%	1.7%	1.9%	1.9%

Expected loss for Banco Mercantil del Norte, the group's largest subsidiary, **was 2.1%**, and the **unexpected loss was 3.8%**, both with respect to the total portfolio as of 3Q19. These ratios were 1.9% and 3.7%, respectively during 2Q19, and 2.0% and 4.2% twelve months ago.

Banco Mercantil del Norte's **Net Credit Losses (NCL)** including write-offs were **2.1%**; 11bps higher vs. 2Q19.

Quarterly changes in accounts that affect Non-performing Loan balances for the Financial Group were:

Past Due Loan Variations	
<i>(Million Pesos)</i>	
Balance as of June' 19	14,567
Transfer from Performing Loans to Past Due Loans	7,191
Portfolio Purchase	-
Renewals	(182)
Cash Collections	(497)
Discounts	(680)
Charge Offs	(4,296)
Foreclosures	(40)
Transfer from Past Due Loans to Performing Loans	(1,748)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	44
Fair Value Ixe	-
Balance as of September' 19	14,357

Of the **total loan book**, 86% was rated A Risk, 9% B Risk, and 5% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 3Q19 - GFNorte
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	628,147	880	538	57	610	213	2,297
A2	40,336	159	125	9	308	30	630
B1	34,544	121	37	1	938	18	1,115
B2	14,763	57	76	1	325	27	486
B3	19,281	126	94	7	895	18	1,140
C1	10,217	85	247	4	240	86	662
C2	9,088	100	58	-	888	153	1,199
D	16,987	3,104	0	2	2,277	491	5,874
E	5,654	423	-	-	3,492	82	3,997
Total	779,017	5,055	1,175	80	9,973	1,118	17,401
Not Classified	(1,812)						
Exempt	-						
Total	777,205	5,055	1,175	80	9,973	1,118	17,401
Reserves							18,171
Preventive Reserves							770

Notes:

- Figures for reserve creation and rating are as of September 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	8,526
Total Loans	777,205
Distressed Portfolio / Total Loans	1.1%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	3Q19
Previous Period Ending Balance	18,591
Provisions charged to results	4,628
Cargos a utilidades retenidas	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(1,023)
Consumer Loans	(3,585)
Mortgage Loans	(463)
Foreclosed assets	0
	(5,071)
Cost of debtor support programs	(2)
Valorization and Others	26
Adjustments	0
Loan Loss Reserves at Period End	18,171

Loan Loss Reserves in 3Q19 totaled **Ps 18.17 billion**, down Ps 420 million vs. the previous quarter. **Charge-offs and Discounts** during the quarter increased **28%** vs. the previous quarter because of expected specific credit events. The charge-off breakdown is as follows: 71% from consumer portfolio, 9% from mortgages, and 20% from commercial.

Loan loss reserve coverage was **126.6%** in the quarter, similar to the 127.6% in 2Q19, and slightly lower than the **136.1%** in 9M18.

Capital

Shareholders' equity totaled **Ps 187.67 billion**, up 5% quarterly, and **9% annually**.

The main changes to the Capital accounts during the quarter were: an Ps 8.86 billion increase in net income, Ps 684 million in interest payment from subordinated liabilities, Ps 828 million from valuation of securities available for sale, resulting from volatility in asset prices during the quarter, and a Ps 232 million increase in mark-to-market valuation of cash flow hedging instruments on lower volatility during the period.

Recent Events

1. **BANORTE SIGNS THE UNITED NATIONS PRINCIPLES OF RESPONSIBLE BANKING**

On September 22nd, Banorte became Founding Signatory of the Principles of Responsible Banking of the United Nations. These principles are a guideline so that whenever a decision is made, its social, environmental and ethical impact is taken into consideration.

The ceremony was held at the UN headquarters in New York City. Carlos Hank González, Chairman of the Board of Directors, and Marcos Ramírez Miguel, CEO, participated in the event. We are proud to be the only Mexican bank that along with a group of 30 founding banks, participated for more than 18 months in the creation of these principles.

2. **AFORE XXI BANORTE IS RECOGNIZED AS THE BEST PENSION FUND IN MEXICO DURING 2019**

On July 4th, and for the fourth consecutive time, Afore XXI Banorte was recognized by The World Finance Pension Fund Awards, as the best pension fund in Mexico. This award is granted to companies which have demonstrated their ability to innovate and adapt to an ever-changing and complex environment while maintaining a standard of excellence. Afore XXI Banorte was selected for its investment policy trajectory, as well as for its industry leadership in developing innovative technological solutions that enable it to learn more about its clients' needs.

3. **GFNORTE WAS INCLUDED FOR FOURTH CONSECUTIVE YEAR IN THE FTSE4GOOD EMERGING MARKET SUSTAINABILITY INDEX**

In June, GFNorte was reconsidered once again in the FTSE4Good Index Series, thus ratified as a company that meets the highest sustainability standards dictated by the London FTSE exchange.

This index is composed of 538 companies, of which 23 are Mexican companies. Companies were evaluated on matters such as climate change, biodiversity, labor standards, health and safety, as well as risk management and corporate governance.

GFNorte ranks 7th place by market capitalization in the "Emerging Latin America" division.

4. **BANORTE, FIRST BANK THAT ALLOWS CREDIT CARD HIRING DIRECTLY FROM THE CELL PHONE**

On October 7th, aligned with its innovation trajectory, Banorte launched its "Hire at Banorte Móvil" functionality, becoming the first bank to enable its customers to fully request and hire a new credit card directly through their mobile phones. Banorte offers this functionality to all its customers, through Banorte's mobile app. Customers will now be able to request and hire a credit card, whenever they want, and wherever they are located, through a quick and easy process.

5. **BANORTE WAS RECOGNIZED AS THE BEST BANK IN MEXICO BY GLOBAL FINANCE MAGAZINE**

On October 10th, Global Finance presented its 26th annual list of best banks in the world, in the region, and in 149 countries, in which Banco Mercantil del Norte was recognized as the Best Bank in Mexico. Winners were selected taking into consideration the previous' years financial performance, together with other criteria such as reputation, managerial excellence, and leadership in digital transformation.

Bank

Income Statement and Balance Sheet (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Net Interest Income	16,700	16,853	17,150	2%	3%	47,072	50,934	8%
Non-Interest Income	4,208	4,631	5,932	28%	41%	12,764	16,668	31%
Total Income	20,907	21,483	23,082	7%	10%	59,836	67,602	13%
Non-Interest Expense	8,820	8,931	9,947	11%	13%	25,794	28,220	9%
Provisions *	3,919	3,657	4,034	10%	3%	11,826	11,391	(4%)
Operating Income	8,169	8,895	9,101	2%	11%	22,216	27,991	26%
Taxes	2,198	2,382	2,401	1%	9%	6,310	7,430	18%
Subsidiaries & Minority Interest	44	39	31	(22%)	N.A.	119	84	N.A.
Net Income	6,015	6,553	6,730	3%	12%	16,025	20,645	29%
Balance Sheet								
Performing Loans (a)	739,555	750,052	715,617	(5%)	(3%)	739,555	715,617	(3%)
Past Due Loans (b)	13,612	14,170	13,925	(2%)	2%	13,612	13,925	2%
Total Loans (a+b)	753,167	764,222	729,542	(5%)	(3%)	753,167	729,542	(3%)
Total Loans Net (d)	734,834	746,152	711,925	(5%)	(3%)	734,834	711,925	(3%)
Acquired Collection Rights (e)	2,149	1,720	1,560	(9%)	(27%)	2,149	1,560	(27%)
Total Loans (d+e)	736,983	747,872	713,485	(5%)	(3%)	736,983	713,485	(3%)
Total Assets	1,168,439	1,160,329	1,157,433	(0%)	(1%)	1,168,439	1,157,433	(1%)
Total Deposits	740,598	738,028	726,420	(2%)	(2%)	740,598	726,420	(2%)
Demand Deposits	406,557	394,308	399,464	1%	(2%)	406,557	399,464	(2%)
Time Deposits	334,042	343,720	326,956	(5%)	(2%)	334,042	326,956	(2%)
Total Liabilities	1,065,405	1,046,845	1,042,747	(0%)	(2%)	1,065,405	1,042,747	(2%)
Equity	103,034	113,484	114,686	1%	11%	103,034	114,686	11%

Financial Ratios - Bank	3Q18	2Q19	3Q19	9M18	9M19
Profitability:					
NIM (1)	6.5%	6.3%	6.5%	6.2%	6.3%
NIM after Provisions (2)	5.0%	4.9%	5.0%	4.7%	4.9%
ROE (3)	24.3%	22.8%	23.6%	22.8%	24.3%
ROA (4)	2.2%	2.2%	2.3%	2.0%	2.4%
Operation:					
Efficiency Ratio (5)	42.2%	41.6%	43.1%	43.1%	41.7%
Operating Efficiency Ratio (6)	3.2%	3.1%	3.4%	3.2%	3.2%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	107.6%	122.2%	140.7%	107.6%	140.7%
Asset Quality:					
Past Due Loan Ratio	1.8%	1.9%	1.9%	1.8%	1.9%
Coverage Ratio	134.7%	127.5%	126.5%	134.7%	126.5%
Capitalization:					
Net Capital/ Credit Risk Assets	19.9%	24.8%	25.4%	19.9%	25.4%
Total Capitalization Ratio	16.6%	19.9%	20.3%	16.6%	20.3%
Leverage					
Basic Capital/ Adjusted Assets	8.3%	11.0%	10.9%	8.3%	10.9%

- 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.

Changes vs. the previous quarter

Net Interest Income (NII) increased **2%** during the quarter, due to a (6%) decline in interest deposits associated with strategies to reduce funding costs, as well as to the partial impact of interest rate cuts. Additionally, there was a benefit from mark-to-market valuation on foreign currencies and UDIS accounts. Therefore, **NIM reached 6.5%**, up 23bps vs. 2Q19.

Non-interest income grew **28%**, partially explained by a 3% increase in electronic banking fees, and consumer loan opening fees, as well as by trading income which was up Ps 1.29 billion, associated with significant derivative and FX trading transactions.

Non-interest expense was up 11%, because of an increase in personnel expenses (wages and provisions), in addition to a 9% increase from normal business operations. Thus, **efficiency ratio** totaled **43.1%**, higher than the 41.6% reported in the last quarter.

Loan loss provisions were up **10%** because of higher reserve requirements from the consumer portfolio, as well as from a higher comparative base, which included a relevant amount of recoveries. **Risk adjusted NIM** stood at **5.0%**, 6bps higher than the **4.9%** figure reported in the previous quarter.

Altogether, **net income grew 3%**, while **ROE rose 78bps to 23.6%**, and **ROE gained 8bps, reaching 2.3%**.

Changes vs. the previous year (9M18)

Net Interest Income grew 8%, driven by strategies to improve funding cost, by good performance of the loan portfolio, and improvements in asset mix. **NIM rose 6bps** vs. 9M18, reaching **6.3%**.

Recurring non-interest income was up 18%, associated to derivative and FX trading transactions, together with a 15% increase in electronic banking services, and 8% growth in consumer loan opening fees.

Non-interest expense rose 9% vs. 9M18, showing a 23% increase in rents, depreciation and amortization, related to the sale and leaseback transaction booked in December 2018, as well as an 8% increase in contributions to IPAB. Altogether, there was a 31bps improvement in the **recurring efficiency ratio for 9M19**, reaching **42.8%**.

Loan Loss Provisions were down (4%) due to a significant decline in the commercial portfolio, explained by a Ps 500 million penalty booked in March 2018, in addition to larger reserves releases in the government portfolio. In the consumer book, there was a decline in payroll provision requirements, which showed better performance, and had lower loan origination during the period. **Risk adjusted NIM** totaled **4.9%**, up 23bps from 4.7% in 9M18.

Recurring accumulated net income totaled **Ps 19.44 billion**, up **21%** vs. 9M18, including GFI's incorporation during the second half of 2018. Regarding profitability, there was a significant improvement, with **recurring ROE** for 9M19 reaching **23.2%**, up **34bps** vs. 9M18, while **ROA rose 24bps to 2.2%**.

Capital

Reported shareholders' equity totaled **Ps 114.69 billion**, up **1%** vs. the previous quarter, and 11% vs. 3Q18.

The main changes during the quarter were: a Ps 6.73 billion increase from net income; a (Ps 6.00) billion decline in retained earnings associated with the dividend payment to the Group in June; a (Ps 696) million decline from interest payments from subordinated obligations; an Ps 817 million increase from valuation gains on securities available for sale; and a Ps 237 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)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Interest Income (Net)	379	464	464	0%	22%	1,076	1,372	27%
Premium Income (Net)	3,037	3,765	3,586	(5%)	18%	15,746	17,063	8%
Net Increase in Technical Reserves	(1,424)	(664)	(790)	(19%)	(45%)	1,611	2,765	72%
Damages, Claims and Other Obligations	3,199	3,158	2,896	(8%)	(9%)	9,133	8,753	(4%)
Technical Results	1,263	1,271	1,480	16%	17%	5,002	5,545	11%
Net Interest Income (NII)	1,642	1,735	1,944	12%	18%	6,078	6,917	14%
Other Fees (acquisition costs)	(557)	(534)	(817)	53%	47%	(1,878)	(2,168)	(15%)
Securities-Realized Gains	20	18	14	(22%)	(27%)	25	47	92%
Other Operating Income (Expenses)	191	297	228	(23%)	19%	635	727	14%
Total Operating Income	1,296	1,517	1,369	(10%)	6%	4,860	5,523	14%
Non Interest Expense	346	333	365	10%	5%	966	1,032	7%
Operating Income	950	1,184	1,004	(15%)	6%	3,894	4,491	15%
Taxes	260	358	263	(26%)	1%	1,100	1,312	19%
Subsidiaries' Net Income	348	434	423	(2%)	21%	1,053	1,273	21%
Minority Interest	(8)	(10)	(10)	2%	(19%)	(25)	(29)	(18%)
Net Income	1,031	1,250	1,154	(8%)	12%	3,823	4,422	16%
Shareholder's Equity	24,415	22,943	23,017	0%	(6%)	24,415	23,017	(6%)
Total Assets	56,270	57,148	56,296	(1%)	0%	56,270	56,296	0%
Technical Reserves	24,838	27,986	27,003	(4%)	9%	24,838	27,003	9%
Premiums sold	3,728	4,582	3,978	(13%)	7%	21,284	21,166	(1%)
Coverage ratio of technical reserves	1.3	1.2	1.2	(0.0 pp)	(0.1 pp)	1.3	1.2	(0.1 pp)
Solvency capital requirement coverage ratio	4.5	5.0	3.5	(1.6 pp)	(1.1 pp)	4.5	3.5	(1.1 pp)
Coverage ratio of minimum capital	237.4	212.3	212.9	0.6 pp	(24.5 pp)	237.4	212.9	(24.5 pp)
Claims ratio	72%	72%	67%	(5.1 pp)	(5.6 pp)	65%	61%	(3.9 pp)
Combined ratio	92%	85%	91%	6.5 pp	(0.9 pp)	76%	73%	(2.6 pp)
ROE	17.4%	21.1%	20.4%	(0.7 pp)	3.0 pp	21.6%	25.4%	3.8 pp
ROE ex-Afore	31.4%	38.4%	38.6%	0.2 pp	7.2 pp	43.4%	52.8%	9.4 pp

Net interest income remained stable when compared to the previous **quarter** and **grew 27% in the nine-month aggregate comparison**, primarily explained by growth in the overall investment book, and gains in fixed income investments.

At the end of 3Q19, **technical results** from Seguros Banorte totaled **Ps 1.48 billion**, up **16%** in the quarter, driven by the seasonal reserves release effect, and by lower claims.

Compared to 9M18, **technical results** were up **11%**, primarily on net premium income from normal business operations, despite a reduction in damages premiums which were not renewed in 2019. This was offset by higher technical reserves from normal business operations, as well as by a decline in claims, of which Ps 149 million corresponded to catastrophic reserves released in March 2019.

Acquisition Costs had a **53%** increase during the period, totaling **Ps 817 million**; using accumulated figures as of **9M19**, acquisition costs were **up 15%** vs. 9M18 due to growth in the business, the change in portfolio mix which consisted on increasing retained premiums and reducing share in the Damage business, higher reinsurance fee income, and due to the cost increase of reinsurance.

Net Operating Income amounted to **Ps 1.00 billion**, down **(15%)** vs. previous quarter due to the seasonality effect during the quarter, and to increases in other fees. The 9M19 accumulated figure was up 15% vs. 9M18, reflecting a solid annual growth driven by the Auto and Life portfolios.

Net Income for the quarter was **Ps 1.15 billion**, down **(8%)** vs. **2Q19**, explained by the seasonality of the business; however, the nine-month aggregate result had a relevant **16%** increase vs. 9M18.

Quarterly **Net Income** for Seguros Banorte, excluding Afore XXI Banorte, totaled **Ps 739 million** in 2Q19, accounting for 8.3% of GFNorte's net income on 3Q19.

ROE for the **Insurance** business declined to **20.4%**, and during 9M19 it reached **25.4%** compared to 21.6% in 9M18.

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 3Q19 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
 - *In 3Q19 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 3Q19*
- 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 2 relevant businesses: 1 related to government, and 1 related to the transformation industry.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
 - *There were no relevant issues related to non-compliance during 3Q19.*

Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Net Income	697	866	845	(2%)	21%	2,106	2,543	21%
Shareholder's Equity	24,089	23,888	24,734	4%	3%	24,089	24,734	3%
Total Assets	26,092	25,776	26,835	4%	3%	26,092	26,835	3%
AUM (SIEFORE)	773,222	829,331	860,835	4%	11%	773,222	860,835	11%
ROE	11.7%	14.8%	13.9%	(0.9 pp)	2.2 pp	11.9%	14.1%	2.2 pp

During 3Q19, Afore XXI Banorte reported **net income** of **Ps 845 million**, down **(2%)** vs. 2Q19. Using nine-month aggregate results, net income was 21% higher vs. 9M18 due to growth in assets under management, and to the effect of rates on the valuation result.

ROE during 3Q19 reached **13.9%**, declining **(0.9pp)** during the quarter, and increasing 2.2pp vs. 3Q18. Excluding goodwill, **Return on Tangible Equity (ROTE)** totaled **44.82%** for the quarter, almost flat, with a slight **7.0pp** decline vs 2Q19.

Afore XXI Banorte represented 4.7% of the Financial Group's net income during 3Q19.

Afore XXI Banorte's **assets under management** of as of September 2019 totaled **Ps 860.84 billion**, an 11% increase vs. 3Q18.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Interest Income (Net)	2,810	1,224	1,977	62%	(30%)	5,833	5,095	(13%)
Premium Income (Net)	3,168	2,776	2,957	7%	(7%)	8,109	8,471	4%
Net Increase in Technical Reserves	3,882	1,892	2,713	43%	(30%)	8,637	7,152	(17%)
Claims and Other Obligations	1,494	1,689	1,738	3%	16%	3,848	5,059	31%
Technical Results	(2,207)	(804)	(1,493)	(86%)	32%	(4,376)	(3,740)	15%
Net Interest Income (NII)	603	420	485	15%	(20%)	1,457	1,354	(7%)
Net Fees	(138)	-	-	N.A.	N.A.	239	-	N.A.
Securities-Realized Gains	9	16	3	(82%)	(69%)	11	25	141%
Other Operating Income (Expenses)	(10)	(19)	(2)	87%	(77%)	(16)	(0)	99%
Total Operating Income	464	417	485	16%	5%	1,212	1,379	14%
Non Interest Expense	142	105	117	11%	(18%)	335	318	(5%)
Operating Income	322	312	368	18%	14%	877	1,061	21%
Taxes	94	91	107	18%	14%	254	309	22%
Subsidiaries' Net Income	2	2	2	9%	4%	5	6	10%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
Net Income	230	223	263	18%	14%	629	758	20%
Shareholder's Equity	3,660	4,344	4,608	6%	26%	3,660	4,608	26%
Total Assets	115,486	128,417	131,568	2%	14%	115,486	131,568	14%
Technical Reserves	110,535	122,485	125,261	2%	13%	110,535	125,261	13%
Premiums sold	3,168	2,776	2,957	7%	(7%)	8,109	8,471	4%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp	1.0	1.0	0.0 pp
Solvency capital requirement coverage ratio	28.6	32.7	31.9	(0.8 pp)	3.3 pp	28.6	31.9	3.3 pp
ROE	25.9%	21.1%	23.5%	2.4 pp	(2.5 pp)	25.1%	23.9%	(1.2 pp)

During 3Q19, **net interest income** reached Ps 1.97 billion, **62% above 2Q19** due to UDIs mark-to-market valuation during the quarter totaling (Ps 680 million). During 9M19 it was down (13%) vs. 9M18, due to the mark-to-market valuation effect, partially offset by higher interest income.

The **technical result** had a quarterly decline, due to an increase in reserves driven by mark-to-market valuation of inflation vs. the previous quarter, and due to loan growth. Net premium income showed stability, and claims had a slight increase. As of 9M19, there was a 15% increase vs. 9M18, explained by higher premium income, and lower reserves generation caused by inflation mark-to-market valuation.

Net Income from Pensiones Banorte **increased 18% quarterly**, because of the increase in interest income and premium income growth above that of reserves and claims. Compared to 9M18, profit increased 20% due to lower expenses than the previous year, which were primarily explained by the effect of acquired portfolios during 2018, to (7%) lower net interest income on lower inflation, as well as to higher claims.

Net income during 3Q19 represented 3.0% of the Financial Group's net income.

ROE for the quarter totaled **23.5%**, up vs. 21.1% in the previous quarter.

Brokerage

Brokerage Sector (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Net Income	335	233	345	48%	3%	895	883	(1%)
Shareholder's Equity	3,821	4,349	4,482	3%	17%	3,821	4,482	17%
Assets Under Custody	984,794	924,615	953,309	3%	(3%)	984,794	953,309	(3%)
Total Assets	200,089	193,169	190,323	(1%)	(5%)	200,089	190,323	(5%)
ROE	40.6%	21.8%	31.2%	9.4 pp	(9.4 pp)	37.0%	27.8%	(9.1 pp)

1) Net capital structure: Tier 1 = Ps 3.37 billion, Tier 2 = Ps 0 million.

The Brokerage business (Casa de Bolsa Banorte and Operadora de Fondos) reported **net income of Ps 345 million**, a **48%** quarterly increase resulting from higher trading valuation, and total trading results, while mutual fund fees show a 3% increase during the quarter.

Accumulated 9M19 results had a (1%) decline vs. 9M18, on (35%) lower advisory fees and slightly higher expenses, but a positive 10% increase in mutual fund income.

Net income from brokerage business in 3Q19 accounted for 3.9% of the group's net income.

Assets Under Management

At the end of 3Q19, AUMs totaled **Ps 953 billion, up 3%** during the quarter, and down (3%) annually.

Mutual fund assets totaled Ps 209 billion, up **5%** during both, the quarter and the year. Assets held in **fixed income funds** totaled **Ps 193 billion**, **6%** higher during the quarter, and 7% higher vs. 3Q18; assets held in **equity funds** amounted to **Ps 15 billion**, down (1%) quarterly and (11%) annually. As of 3Q19, Banorte held an 8.5% share of the mutual fund market: 10.3% in fixed income funds, and 2.6% in equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	3Q18	2Q19	3Q19	Change		9M18	9M19	Change 9M18
				2Q19	3Q18			
Leasing and Factoring								
Net Income	177	210	285	36%	61%	657	721	10%
Shareholder's Equity	4,757	5,394	5,679	5%	19%	4,757	5,679	19%
Loan Portfolio (1)	32,296	34,750	33,335	(4%)	3%	32,296	33,335	3%
Past Due Loans	170	315	345	9%	102%	170	345	102%
Loan Loss Reserves	368	368	402	9%	9%	368	402	9%
Total Assets	32,677	35,333	34,155	(3%)	5%	32,677	34,155	5%
ROE	14.3%	15.9%	20.6%	4.7 pp	6.3 pp	17.2%	18.1%	0.9 pp
Warehousing								
Net Income	1	11	8	(22%)	1124%	15	(8)	(154%)
Shareholder's Equity	240	227	235	4%	(2%)	240	235	(2%)
Inventories	740	912	555	(39%)	(25%)	740	555	(25%)
Total Assets	925	1,091	719	(34%)	(22%)	925	719	(22%)
ROE	1.1%	19.1%	14.3%	(4.8 pp)	13.2 pp	8.3%	-4.6%	(13.0 pp)
Sólida Administradora de Portafolios								
Net Income	(148)	78	(68)	(187%)	(54%)	(580)	(99)	83%
Shareholder's Equity	3,248	3,150	3,083	(2%)	(5%)	3,248	3,083	(5%)
Loan Portfolio	2,979	1,941	1,985	2%	(33%)	2,979	1,985	(33%)
Past Due Loans	113	82	88	7%	(22%)	113	88	(22%)
Loan Loss Reserves	205	154	151	(2%)	(26%)	205	151	(26%)
Total Assets	14,347	8,940	8,891	(1%)	(38%)	14,347	8,891	(38%)
Ixe Servicios								
Net Income	(0.3)	(0.3)	(0.2)	43%	(27%)	(0.8)	(0.7)	15%
Shareholder's Equity	138	137	137	(0%)	(1%)	138	137	(1%)
Total Assets	138	137	137	(0%)	(1%)	138	137	(1%)
ROE	(0.7%)	(0.9%)	(0.5%)	0.4 pp	0.2 pp	(0.8%)	(0.7%)	0.1 pp

1) Includes operating lease portfolio of Ps 2.72 billion, and fixed assets of Ps 56 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Net income during 3Q19 totaled **Ps 285 million**, a **36% quarterly increase** due to the increase in other income as a result of income generated from the sale of operating lease assets which reached end-of-lease. Compared to 3Q18, results were up 10% mostly explained by higher interest income from the loan portfolio, and lower expenses.

Past due loans ratio reached **1.1%**, 10bps higher vs. 2Q19, while **coverage ratio** totaled **116.8%**, mostly flat vs. the previous quarter. **Capital ratios** for 3Q19 totaled 16.3%, considering total risk weighted assets of Ps 34.44 billion.

Leverage ratio as of June and September 2019 were 13.75% and 14.60%, respectively, considering risk weighted assets of Ps 39.12 billion, and Ps 383 billion, respectively.

During 3Q19, Net Income from Leasing and Factoring accounted for 3.2% of the group's total results.

Warehouse

In 3Q19, the Warehouse reported net income of Ps 8 million, much higher when compared to 3Q18, due to higher service income from new clients. ROE reached 14.3%, and the capital ratio totaled 268% considering a net capital of Ps 193 million, and negotiable certificates of deposit issued in active warehouses totaling Ps 1.4 billion.

As of March, 2019, Almacenadora Banorte was ranked in 7th place among the warehousing businesses in the sector in terms of net income.

Sólida Administradora de Portafolios

The business reported net loss of **Ps (68) million** for the quarter, representing a (187%) quarterly decline, explained by the extraordinary income during the previous quarter. Accumulated net income was up 83%.

Past Due Loan Ratio was **4.4%** at the end of 3Q19, 20bps higher than that of 2Q19. **Coverage ratio** stood at **171.9%**, (1,590bps) lower than 2Q19.

Capitalization ratio in 3Q19 reached **24.2%**, (60bps) lower vs. last quarter, and 740bps higher vs. last year's.

Leverage ratios as of June and September 2019 were **28.95%** and **28.18%**, respectively; considering risk adjusted assets of Ps 8.38 billion and Ps 8.15 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	9-Aug-19
Bradesco	Alain Nicolau	Buy	13-Mar-19
Brasil Plural	Eduardo Nishio	Buy	24-Jan-19
BTG Pactual	Eduardo Rosman	Buy	31-Jul-19
Citi	Jorg Friedman	Buy	18-Sep-19
GBM	Jorge Benitez	Buy	24-Jan-19
Goldman Sachs	Carlos Macedo	Buy	28-Jan-19
Intercam	Sofía Robles	Buy	29-Nov-18
Monex	Verónica Uribe	Buy	2-Jul-19
Itaú BBA	Thiago Batista	Buy	24-Jan-19
JP Morgan	Domingos Falavina	Buy	2-Aug-19
Vector	Marco Montañez	Buy	2-Oct-19
UBS	Philip Finch	Buy	7-May-19
HSBC	Carlos Gómez	Buy	31-Jul-19
BBVA	Rodrigo Ortega	Buy	21-Aug-19
Santander	Claudia Benavente	Buy	24-Jul-19
Scotia	Jason Mollin	Buy	26-Jul-19
Invex	Marco Montañez	Buy	6-Aug-19
Actinver	Enrique Mendoza	Hold	2-Aug-19
BOFA - Merrill Lynch	Mario Pierry	Hold	22-Aug-19
Credit Suisse	Marcelo Telles	Hold	28-Apr-19
Morgan Stanley	Jorge Kuri	Sell	8-Mar-19

Capital Structure

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

IV. Financial Statements

Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Interest Income	29,958	30,366	37,111	38,865	37,751	37,276	36,796
Interest Expense	12,311	13,132	16,944	17,316	18,126	18,038	16,512
Charged Fees	290	321	334	338	323	335	365
Fees Paid	239	255	273	284	281	279	284
Net Interest Income from interest & fees (NII)	17,698	17,299	20,228	21,603	19,668	19,295	20,365
Premium Income (Net)	11,632	5,614	5,983	5,838	12,214	6,271	6,305
Net Increase in Technical Reserves	6,976	814	2,458	3,260	6,766	1,228	1,922
Damages, Claims and Other Obligations	4,049	4,239	4,692	4,582	4,332	4,846	4,634
Net Interest Income (NII)	18,305	17,860	19,061	19,600	20,784	19,492	20,114
Preventive Provisions for Loan Losses	4,245	3,838	4,060	3,902	3,736	3,728	4,118
Net Interest Income Adjusted for Credit Risk	14,059	14,022	15,001	15,698	17,048	15,764	15,996
For Commercial and Mortgage Loans	158	288	394	511	238	291	280
For Consumer and Credit Card Loans	1,120	1,158	1,179	1,253	1,212	1,246	1,282
Fiduciary	85	107	111	116	104	108	127
Income from Real Estate Portfolios	36	26	15	113	48	220	1
Trading & Financial Advising Fees	201	231	138	131	108	171	131
Other Fees Charged	286	279	288	250	304	238	259
Fees Charged on Services	5,121	5,547	5,635	6,263	5,540	6,002	5,929
Interchange Fees	880	986	961	1,173	1,082	1,077	1,168
Insurance Fees	725	144	316	294	581	296	581
Other Fees Paid	911	1,163	905	1,066	910	999	997
Fees Paid on Services	2,516	2,294	2,182	2,534	2,573	2,372	2,746
Net Service Fees	2,604	3,254	3,453	3,730	2,967	3,630	3,183
Currency and Metals	(123)	237	(97)	(136)	(6)	(26)	(13)
Derivatives	195	603	(2)	1,184	521	176	(1,473)
Negotiable Instruments	(55)	76	109	(266)	186	29	155
Valuation	17	916	10	782	702	179	(1,330)
Currency and Metals	613	354	638	509	101	206	471
Derivatives	39	(117)	70	(63)	82	121	2,270
Negotiable Instruments	198	69	160	35	267	456	892
Trading	850	305	868	481	450	783	3,633
Trading Income	866	1,221	877	1,263	1,152	963	2,303
Loan Recovery	-	-	-	-	-	-	-
Loan Portfolios	44	58	69	56	59	85	86
Income from foreclosed assets	80	68	188	(60)	88	74	177
Provisions Release	-	-	-	-	-	-	-
From Insurance	200	254	197	218	263	255	240
Securitization Operation Valuation Result	206	(9)	28	(80)	27	48	37
Other Operating Expense	113	(83)	(155)	2,549	1,747	100	61
Total Other Operating Income (Expense)	593	395	447	2,790	2,143	653	722
Total Non Interest Income	4,064	4,870	4,778	7,783	6,262	5,246	6,208
Total Operating Income	18,123	18,892	19,779	23,481	23,310	21,010	22,204
Personnel	3,535	3,850	3,721	3,915	3,932	3,567	4,258
Employee Profit Sharing (PTU)	106	106	120	123	123	123	122
Professional Fees	714	754	772	1,090	738	796	941
Administrative and Promotional Expenses	1,938	1,971	2,086	1,959	2,135	2,002	2,180
Rents, Depreciation & Amortization	1,347	1,386	1,435	1,458	1,676	1,635	1,772
Taxes other than income tax & non deductible expenses	788	191	481	615	561	573	484
Contributions to IPAB/Fobaproa	725	726	845	853	839	829	821
Total Non Interest Expense	9,153	8,984	9,461	10,013	10,004	9,525	10,578
Operating Income	8,970	9,908	10,318	13,468	13,306	11,485	11,626
Subsidiaries' Net Income	357	409	375	245	411	466	451
Pre-Tax Income	9,327	10,317	10,693	13,713	13,717	11,951	12,077
Income Tax	2,343	2,627	2,808	2,989	3,062	2,472	3,088
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	128	396	(41)	385	588	628	6
Taxes	2,472	3,023	2,767	3,375	3,650	3,100	3,094
Net Income from Continuous Operations	6,856	7,294	7,926	10,338	10,067	8,851	8,983
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	(87)	(102)	(110)	(156)	(135)	(123)	(125)
Net Income	6,769	7,192	7,816	10,182	9,932	8,728	8,858

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
ASSETS							
Cash and Due from Banks	87,954	69,649	65,483	75,637	72,135	54,543	56,121
Margin Accounts	1,739	1,680	1,764	1,458	3,508	4,408	6,245
Negotiable Instruments	258,739	259,179	260,794	257,904	250,541	223,499	225,565
Securities Available for Sale	164,663	157,586	203,583	214,164	196,009	212,927	213,131
Securities Held to Maturity	97,981	98,689	120,494	128,038	131,202	131,481	146,657
Investment in Securities	521,382	515,454	584,871	600,106	577,752	567,907	585,353
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Debtor Balance in Repo Trans, net	595	187	372	1,021	253	556	162
Securities Lending	-	-	-	-	-	-	-
For trading purposes	24,404	28,796	28,233	28,083	23,793	25,473	26,398
For hedging purposes	293	134	349	156	15	29	29
Operations w/Derivatives & Securities							
Transactions with Derivatives	24,697	28,931	28,582	28,239	23,807	25,502	26,427
Operations w/Derivatives & Securities	25,291	29,118	28,954	29,260	24,061	26,059	26,590
Valuation adjustments for Asset Coverage	95	91	88	84	80	77	73
Commercial Loans	234,847	248,783	283,315	302,845	298,561	294,591	285,822
Financial Intermediaries' Loans	5,576	4,967	7,312	7,734	9,384	7,942	5,784
Consumer Loans	108,477	111,471	112,954	113,441	114,086	115,577	117,013
Mortgage Loans	139,779	145,351	150,517	155,798	158,605	162,619	166,286
Medium and Residential	135,952	141,629	146,834	152,270	155,134	159,294	162,995
low income housing	23	20	19	16	13	12	10
Loans acquired from INFONAVIT or FOVISSSTE	3,804	3,702	3,665	3,511	3,457	3,314	3,280
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	157,821
Performing Loans	622,695	640,660	751,735	777,192	762,105	768,183	732,726
Commercial PDL's	6,913	7,116	7,614	7,387	7,740	8,146	7,965
Financial Intermediaries PDL's	1	0	0	0	4	4	4
Consumer PDL's	3,976	4,424	4,816	4,408	4,183	4,716	4,577
Mortgage PDL's	1,315	1,347	1,448	1,464	1,557	1,696	1,807
Medium and Residential	1,186	1,227	1,324	1,349	1,417	1,526	1,634
low income housing	1	1	2	2	0	0	0
Loans acquired from INFONAVIT or FOVISSSTE	128	119	123	113	139	170	172
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities PDL's	-	-	16	4	4	4	4
Past Due Loans	12,205	12,888	13,895	13,263	13,488	14,567	14,357
Gross Loan Portfolio	634,900	653,547	765,630	790,455	775,594	782,750	747,084
Preventive Loan Loss Reserves	16,674	17,161	18,906	18,844	18,329	18,592	18,171
Net Loan Portfolio	618,226	636,386	746,725	771,611	757,265	764,158	728,913
Acquired Collection Rights	2,315	2,781	2,610	2,417	2,217	2,065	1,905
Total Credit Portfolio	620,541	639,168	749,335	774,028	759,482	766,222	730,818
Account Receivables from Insurance and Annuities	1,879	2,133	2,227	2,241	1,763	1,945	2,112
Premium Debtors (Net)	11,026	8,866	6,212	3,835	11,246	9,125	6,429
Account Receivables from Reinsurance	13,682	14,044	12,069	8,956	11,532	10,884	10,920
Benef. receivab. securization transactions	162	149	169	61	85	125	158
Sundry Debtors & Other Accs Rec, Net	36,942	54,191	52,911	42,008	49,472	62,040	67,824
Inventories	594	1,058	740	961	765	912	555
Foreclosed Assets, Net	1,131	1,011	1,088	895	988	830	919
Real Estate, Furniture & Equipment, Net	17,871	18,089	18,860	17,684	17,338	17,782	18,018
Investment in Subsidiaries	12,953	13,328	13,837	14,038	13,278	13,701	14,192
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	2,629	2,631	3,504	4,318	2,632	2,481	1,964
Goodwill and Intangibles	27,226	29,707	42,321	44,550	48,117	50,598	50,546
Other Assets Short and Long Term	431	275	360	350	375	362	4,813
Other Assets							
	126,524	145,484	154,297	139,898	157,589	170,783	178,452
TOTAL ASSETS	1,383,526	1,400,644	1,584,791	1,620,470	1,594,607	1,589,998	1,583,651

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
LIABILITIES							
Demand Deposits	387,601	401,870	404,405	410,375	389,657	391,720	395,959
Time Deposits-Retail	240,557	238,418	268,129	276,386	280,204	267,318	262,679
Time Deposits-Money Market	9,984	13,264	55,689	55,552	51,019	49,515	33,999
Global Account of deposits w without movements	1,673	1,709	1,769	1,891	1,803	1,856	1,919
Senior Unsecured Debt	2,764	4,995	7,041	12,098	12,272	24,159	27,483
Deposits	642,579	660,257	737,033	756,301	734,956	734,568	722,039
Demand Loans	0	0	0	0	0	900	7,851
Short Term Loans	13,029	15,670	19,884	25,724	18,743	20,434	19,236
Long Term Loans	17,508	16,597	32,057	33,035	33,310	33,477	14,675
Due to Banks & Correspondents	30,537	32,267	51,941	58,759	52,052	54,811	41,762
Technical Reserves	118,660	119,065	135,585	140,879	150,637	150,742	152,486
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	311,829	323,057	369,793	369,457	350,667	339,751	341,709
Secs to be received in Repo Trans, Net	-	-	-	-	-	0	0
Repos (Credit Balance)	1	2	1	2	9	4	4
Securities' Loans	-	-	-	-	-	2	19
Transactions with Derivatives	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-
Total Collateral sold	1	2	1	2	9	6	23
For trading purposes	21,195	25,966	24,956	23,605	18,872	20,367	24,226
For hedging purposes	8,180	9,646	7,797	10,963	9,313	8,763	5,079
Operations w/ Derivatives & Securities							
Transactions with Derivatives	29,374	35,612	32,753	34,568	28,184	29,130	29,305
Total Operations w/ Derivatives & Securities	341,204	358,671	402,547	404,027	378,860	368,887	371,037
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	2,071
Income Tax Payable	2,549	2,253	3,310	3,296	2,248	2,629	3,501
Profit Sharing Payable	127	216	367	485	606	256	374
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	9,925
Margin Accounts Payable	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	30,270	35,573	39,587	42,326	41,667	35,100	36,665
Other Payable Accounts	61,458	43,530	50,441	50,576	56,460	45,715	50,464
Subordinated Non Convertible Debt	30,482	32,507	32,241	33,560	33,327	53,953	55,515
Deferred Taxes, Net	0	(0)	(0)	-	(0)	0	0
Deferred Credits	450	477	512	579	592	606	598
TOTAL LIABILITIES	1,229,446	1,250,281	1,413,330	1,446,006	1,409,497	1,411,630	1,395,973
EQUITY							
Paid-in Capital	14,588	14,588	14,979	14,962	14,967	14,968	14,982
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	47,973
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	50,280	50,381	62,828	62,866	63,048	63,212	62,955
Capital Reserves	5,379	5,379	5,787	5,207	5,333	5,779	6,206
Retained Earnings	94,702	84,830	84,690	76,550	108,191	91,470	90,775
Surplus (Deficit) of Secs Available for Sale	(3,513)	(4,659)	(4,198)	(2,136)	(80)	638	1,471
Results from Valuation of Hedging Secs	(2,103)	(2,170)	(2,039)	(3,369)	(3,027)	(2,861)	(2,629)
Result in the valuation reserve for unexpired risks variations in rates	77	79	112	28	(7)	(57)	(81)
Results from Conversions	1,618	1,753	1,700	1,751	105	97	126
Remeasurements defined benefits for employees	(1,045)	(1,163)	(1,282)	(576)	(708)	(830)	(952)
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	27,518
Earned Capital	101,885	98,009	106,546	109,412	119,738	112,896	122,434
Minority Interest	1,916	1,973	2,088	2,185	2,323	2,260	2,289
Total Equity	154,081	150,363	171,461	174,464	185,110	178,368	187,678
TOTAL LIABILITIES & EQUITY	1,383,526	1,400,644	1,584,791	1,620,470	1,594,607	1,589,998	1,583,651

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q19	1Q19	2Q19	3Q19
On behalf of Third Parties							
Customer's Banks	37	44	200	236	34	35	35
Dividends Receivable from Customers	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-
Settlement of Customer Transactions	182	86	126	(145)	32	(136)	136
Customer Premiums	-	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-	-
Customers' Current Account	219	129	326	91	66	(101)	170
Client Securities Received in Custody	657,387	686,453	786,752	699,130	709,242	726,007	744,672
Securities and Documents Received in Guarantee	-	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-	-
Clients' Securities	657,387	686,453	786,752	699,130	709,242	726,007	744,672
Clients' Repurchase Operations	167,552	154,485	194,824	209,591	184,937	187,339	184,220
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	167,518	154,451	194,825	209,595	184,939	187,340	184,239
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	88,900
Transactions On Behalf of Clients	439,500	410,715	490,263	510,338	459,754	461,107	457,359
Investment Bank Trans. on behalf of Third	89,601	90,056	71,600	68,035	82,947	101,587	104,928
TOTAL ON BEHALF OF THIRD PARTIES	1,186,708	1,187,353	1,348,941	1,277,594	1,252,008	1,288,600	1,307,129
Endorsement Guarantees Granted	-	-	-	-	-	-	-
Loan Obligations	269,875	290,268	320,465	305,418	316,687	284,174	275,096
Trusts	267,263	264,320	452,846	442,948	445,853	456,152	457,200
Mandates	14,628	16,625	16,500	15,847	1,344	8,039	7,964
Properties in Trusts and Warrant	281,891	280,945	469,346	458,795	447,197	464,191	465,164
Properties in Custody or Management	577,678	590,176	738,265	676,612	687,330	693,335	694,066
Collateral Received	187,966	181,148	230,558	245,892	230,687	184,929	233,652
Collateral Received or sold or delivered	273,284	250,217	326,695	372,881	327,444	287,246	322,840
Drafts in Transit	-	-	-	-	-	-	-
Assets' Deposit	2,498	1,545	1,382	2,781	2,658	2,318	1,764
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	39
Uncollected Accrued Interest from Past Due Loans	363	358	659	636	633	318	323
Investments of Retirement Savings Funds	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-
Miscellaneous accounts	-	-	-	255,021	266,235	272,258	278,650
Proprietary Transactions	1,593,673	1,594,788	2,087,536	2,318,227	2,278,926	2,188,832	2,271,594
Repo Securities to be Received	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,593,673	1,594,788	2,087,536	2,318,227	2,278,926	2,188,832	2,271,594

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

Net Income	27,518
Items charged to results that do not generate or require use of resources	
Depreciation	1,546
Technical Reserves	9,917
Provisions	1,534
Income taxes and deferred	9,844
Minority Interest	(945)
	21,896
	49,414
Change in items related to operations	
Change in Margin Accounts	(4,788)
Change in Investment in Securities	14,754
Change in repo debtors	859
Change in derivatives (assets)	1,695
Change in Loan Portfolio (net)	42,698
Change in purchased receivables (net)	512
Change in accounts receivable insurance and bonding institutions (net)	129
Change in debtor premiums (net)	(2,594)
Change in Reinsurance (net)	(1,964)
Change in benefits to receive from securitizations	(97)
Change in foreclosed assets (net)	(23)
Change in other operating assets (net)	(33,936)
Change in core deposits	(34,262)
Change in interbank loans and other entities	(16,996)
Change in repo creditors	(27,748)
Change in collateral pledged sold	21
Change in derivatives (liability)	621
Change in Technical Reserves (net)	1,690
Change in Reinsurance (net) (liability)	746
Change in subordinated debt with characteristics of liabilities	21,955
Change in other operating liabilities	(1,221)
Change in hedging instruments (the related hedged transaction activities)	(5,756)
Income Tax Payments	(7,268)
Net cash generated or used from operations	(1,559)
Investment Activities	
Charges for disposal of property, furniture and equipment	813
Payments for acquisition of property, furniture and equipment	(2,692)
Charges for disposal of subsidiaries, associated and agreements with mutual control	68
Subsidiaries and associated acquisitions payment	(101)
Charges for cash dividends	1,212
Net cash generated or used from investment activities	(700)
Financing Activities	
Payments of cash dividends	(15,954)
Payments of interests of subordinated debentures	(1,305)
Net cash flows from financing activities	(17,259)
Net Cash Increase (decrease) and equivalents value	(19,518)
Effects for changes in cash and equivalents value	2
Cash and cash equivalents at beginning of period	75,637
Cash and cash equivalents at end of period	56,121

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 – SEPTEMBER 30, 2019

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									
	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	Total Stockholders' Equity
Balance as of December 31, 2018	14,962	47,904	5,207	76,550	(2,136)	(3,369)	28	1,751	(576)	31,958	2,185	174,464
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	20	70	553		(10)							633
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)								
Total	20	70	999	15,558	(10)	0	0	(1,632)	0	(31,958)	0	(16,953)
Changes stemming from profits												
Total profits:												
Net Income										27,518		27,518
Result from valuation of securities available for sale					3,617							3,617
Effect of subsidiaries, associates and mutual funds		(1)		(28)				7				(22)
Result from valuation of instruments of cash flow hedges						740						740
Result in valuation of current risk reserve due to changes in rates								(109)				(109)
Remeasurements defined benefits for employees									(376)			(376)
Interest of subordinated debentures				(1,305)								(1,305)
Total	0	(1)	0	(1,333)	3,617	740	(109)	7	(376)	27,518	0	30,063
Recognition of minority interest											104	104
Balance as of September 30, 2019	14,982	47,973	6,206	90,775	1,471	(2,629)	(81)	126	(952)	27,518	2,289	187,678

Bank

Income Statement - Bank (Million Pesos)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Interest Income	25,945	26,729	31,437	32,587	32,320	32,094	30,964
Interest Expense	11,254	11,168	14,799	15,201	15,432	15,299	13,896
Charged Fees	290	320	333	338	323	335	365
Fees Paid	237	253	271	283	280	278	283
Net Interest Income (NII)	14,744	15,628	16,700	17,442	16,931	16,853	17,150
Preventive Provisions for Loan Losses	4,149	3,759	3,919	3,809	3,700	3,657	4,034
Net Interest Income Adjusted for Credit Risk	10,596	11,869	12,781	13,633	13,231	13,196	13,116
Fund Transfers	363	422	418	430	367	399	444
Account Management Fees	639	650	650	662	623	614	598
Electronic Banking Services	1,880	2,019	2,007	2,362	2,128	2,285	2,363
For Commercial and Mortgage Loans	158	288	394	511	238	289	269
For Consumer Loans	1,117	1,155	1,176	1,251	1,210	1,244	1,280
Fiduciary	84	107	111	115	104	108	126
Income from Real Estate Portfolios	20	7	3	16	1	0	5
Trading & Financial Advising Fees	-	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1	1	1
Other Fees Charged	577	585	618	580	632	599	609
Fees Charged on Services	4,840	5,233	5,377	5,929	5,303	5,539	5,695
Interchange Fees	880	986	961	1,173	1,082	1,077	1,168
Insurance Fees	-	-	-	-	-	-	-
Other Fees Paid	864	999	975	1,011	869	940	951
Fees Paid on Services	1,744	1,985	1,936	2,185	1,951	2,016	2,119
Net Fees	3,096	3,248	3,441	3,744	3,351	3,523	3,576
Foreign Exchange	(116)	231	(93)	(140)	(5)	(25)	(14)
Derivatives	199	605	(1)	1,185	521	176	(1,473)
Negotiable Instruments	(31)	41	45	(138)	68	13	97
Valuation	52	877	(50)	907	585	164	(1,390)
Currency and Metals	613	354	638	509	101	206	471
Derivatives	39	(117)	70	(63)	82	121	2,270
Negotiable Instruments	103	17	55	(205)	166	344	778
Trading	755	254	763	241	349	671	3,519
Trading Income	807	1,131	713	1,148	934	835	2,129
Loan Recovery	-	-	-	-	-	-	-
Loan Portfolios	29	36	42	35	45	60	52
Income from foreclosed assets	70	87	176	116	88	57	163
Provisions Release	-	-	-	-	-	-	-
Losses and Estimates	(715)	(337)	(616)	(313)	(447)	(877)	(263)
Impairment of Assets	-	-	-	(7)	(132)	-	-
Lease Income	15	3	20	18	19	19	25
From Insurance	-	-	-	-	-	-	-
Other Operating Expense	993	95	431	2,693	2,248	1,014	251
Total Other Operating Income (Expenses)	391	(116)	53	2,541	1,820	273	228
Total Non-Interest Income	4,294	4,263	4,208	7,433	6,105	4,631	5,932
Total Operating Income	14,889	16,132	16,989	21,066	19,336	17,826	19,048
Personnel	3,370	3,679	3,534	3,728	3,765	3,390	4,074
Employee Profit Sharing (PTU)	104	104	118	118	121	121	120
Professional Fees	606	621	621	870	610	655	778
Administrative and Promotional Expenses	1,782	1,824	1,915	1,822	1,926	1,882	2,045
Rents, Depreciation & Amortization	1,272	1,311	1,356	1,380	1,595	1,552	1,691
Taxes other than income tax & non-deductible expenses	724	126	430	514	485	503	418
Contributions to IPAB/Fobaproa	725	726	845	853	839	829	821
Total Non-Interest Expense	8,582	8,392	8,820	9,286	9,341	8,931	9,947
Operating Income	6,307	7,740	8,169	11,780	9,996	8,895	9,101
Subsidiaries' Net Income	25	49	44	43	14	39	31
Pre-Tax Income	6,332	7,790	8,213	11,823	10,009	8,934	9,132
Income Tax	1,591	2,112	2,324	2,539	2,176	1,941	2,550
Tax on Assets	-	-	-	-	-	-	-
Deferred Income Tax	123	285	(126)	476	472	441	(149)
Taxes	1,714	2,397	2,198	3,015	2,647	2,382	2,401
Net Income from Continuous Operations	4,618	5,392	6,015	8,808	7,362	6,553	6,730
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	4,618	5,392	6,015	8,808	7,362	6,553	6,730

Bank - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
ASSETS							
Cash and Due from Banks	87,771	69,226	65,084	75,233	71,563	53,955	55,470
Margin Accounts	1,739	1,680	1,764	1,458	3,508	4,408	6,245
Negotiable Instruments	85,206	95,500	84,122	92,418	100,271	71,098	75,687
Securities Available for Sale	150,133	145,572	162,694	147,986	138,523	154,921	155,394
Securities Held to Maturity	6,836	6,770	8,888	8,492	8,456	7,886	19,755
Investment in Securities	242,175	247,842	255,704	248,896	247,250	233,906	250,836
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	1	0	1	405	3	11	162
Securities Lending	-	-	-	-	-	-	-
For trading purposes	24,399	28,794	28,231	28,083	23,793	25,473	26,398
For hedging purposes	293	134	349	156	15	29	29
Operations w/Derivatives & Securities	-	-	-	-	-	-	-
Transactions with Derivatives	24,692	28,929	28,581	28,239	23,807	25,502	26,427
Operations w/Derivatives & Securities	24,693	28,929	28,582	28,643	23,810	25,513	26,590
Valuation adjustments for Asset Coverage	95	91	88	84	80	77	73
Commercial Loans	211,079	224,216	258,347	275,979	272,884	268,146	258,389
Financial Intermediaries' Loans	24,843	22,887	26,114	21,088	22,708	20,351	18,287
Consumer Loans	105,358	108,725	110,491	111,237	112,105	113,803	115,413
Mortgage Loans	139,779	145,351	150,517	155,798	158,605	162,619	166,286
Medium and Residential	135,952	141,629	146,834	152,270	155,134	159,294	162,995
low income housing	23	20	19	16	13	12	10
Loans acquired from INFONAVIT or FOVISSSTE	3,804	3,702	3,665	3,511	3,457	3,314	3,280
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	157,242
Loans granted as Federal Agent	-	-	-	-	-	-	-
Performing Loans	612,074	629,576	739,555	756,336	745,735	750,052	715,617
Commercial PDL's	6,723	6,930	7,422	7,044	7,418	7,810	7,600
Financial Intermediaries PDL's	1	0	0	0	4	4	4
Consumer PDL's	3,875	4,342	4,729	4,331	4,115	4,659	4,514
Mortgage PDL's	1,315	1,347	1,448	1,464	1,557	1,696	1,807
Medium and Residential	1,186	1,227	1,324	1,349	1,417	1,526	1,634
low income housing	1	1	2	2	0	0	0
Loans acquired from INFONAVIT or FOVISSSTE	128	119	123	113	139	170	172
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-
Government Entities PDL's	-	-	13	0	0	0	0
Past Due Loans	11,914	12,619	13,612	12,840	13,095	14,170	13,925
Gross Loan Portfolio	623,988	642,196	753,167	769,176	758,830	764,222	729,542
Preventive Loan Loss Reserves	16,108	16,639	18,333	18,264	17,822	18,070	17,617
Net Loan Portfolio	607,880	625,556	734,834	750,912	741,008	746,152	711,925
Acquired Collection Rights	1,794	2,298	2,149	2,001	1,864	1,720	1,560
Total Credit Portfolio	609,673	627,855	736,983	752,913	742,872	747,872	713,485
Benef. receivab. securization transactions	162	149	169	61	85	125	158
Sundry Debtors & Other Accs Rec, Net	27,055	43,581	42,559	36,083	43,371	55,248	65,982
Inventories	-	-	-	-	-	-	-
Foreclosed Assets, Net	754	704	768	738	770	606	701
Real Estate, Furniture & Equipment, Net	13,720	13,893	14,753	13,547	13,667	14,010	14,360
Investment in Subsidiaries	175	192	347	342	362	422	413
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	3,189	3,302	4,174	4,839	3,328	2,572	2,215
Goodwill and Intangibles	12,639	14,870	17,160	17,422	21,490	21,409	20,677
Other Assets Short and Long Term	57	53	306	235	226	209	228
	57,750	76,743	80,235	73,265	83,299	94,599	104,734
TOTAL ASSETS	1,023,894	1,052,365	1,168,439	1,180,492	1,172,383	1,160,329	1,157,433

Bank - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
LIABILITIES							
Demand Deposits	389,330	403,109	406,557	412,118	391,855	394,308	399,464
Time Deposits-Retail	248,275	238,597	269,543	277,576	280,277	268,190	263,555
Time Deposits-Money Market	9,984	13,264	55,689	55,552	51,019	49,515	33,999
Global Account of deposits without movements	1,673	1,709	1,769	1,891	1,803	1,856	1,919
Senior Unsecured Debt	2,764	4,995	7,041	12,098	12,272	24,159	27,483
Deposits	652,027	661,675	740,598	759,235	737,227	738,028	726,420
Demand Loans	0	0	0	0	0	900	7,851
Short Term Loans	6,971	7,528	12,675	13,523	11,864	9,737	9,996
Long Term Loans	6,520	6,489	21,372	22,199	21,767	22,169	3,940
Due to Banks & Correspondents	13,491	14,017	34,047	35,722	33,631	32,806	21,787
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	150,684	175,344	181,148	163,507	172,118	152,642	165,120
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-
Repos (Credit Balance)	1	2	1	2	9	4	4
Securities' Loans	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-
Total Collateral sold	1	2	1	2	9	4	4
For trading purposes	21,195	25,966	24,956	23,605	18,872	20,367	24,226
For hedging purposes	8,180	9,646	7,797	10,963	9,313	8,763	5,079
Operations w / Derivatives & Securities	-	-	-	-	-	-	-
Transactions with Derivatives	29,374	35,612	32,753	34,568	28,184	29,130	29,305
Total Operations w/ Derivatives & Securities	180,059	210,958	213,902	198,077	200,311	181,775	194,428
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	1,792
Profit Sharing Payable	127	216	356	485	606	256	374
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	9,281
Margin Accounts Payable	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	26,757	31,837	34,876	38,378	37,575	31,206	32,689
Other Payable Accounts	56,828	38,031	44,133	44,960	51,082	39,808	44,137
Subordinated Non Convertible Debt	30,482	32,507	32,241	33,560	33,327	53,953	55,515
Deferred Taxes, Net	-	-	-	-	-	-	-
Deferred Credits	464	456	484	535	505	475	460
TOTAL LIABILITIES	933,350	957,644	1,065,405	1,072,090	1,056,082	1,046,845	1,042,747
EQUITY							
Paid-in Capital	18,105	18,105	18,794	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	1,931
Subordinated Convertible Debentures	-	-	-	-	-	-	-
Subscribed Capital	18,855	18,957	19,748	19,979	20,250	20,406	20,726
Capital Reserves	13,013	14,847	14,847	14,847	14,847	17,330	17,330
Retained Earnings	56,788	54,641	55,548	53,133	77,622	64,882	58,082
Surplus (Deficit) of Secs Available for Sale	(1,068)	(2,002)	(1,355)	(1,994)	65	755	1,572
Results from Valuation of Hedging Secs	(2,141)	(2,209)	(2,076)	(3,430)	(3,082)	(2,912)	(2,676)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-	-
Results from Conversions	1,542	1,661	1,623	1,659	(13)	(18)	4
Remeasurements defined benefits for employees	(1,063)	(1,184)	(1,328)	(628)	(752)	(875)	(999)
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	20,645
Earned Capital	71,689	75,764	83,284	88,422	96,049	93,075	93,958
Minority Interest	0	0	2	2	3	3	3
Total Equity	90,544	94,721	103,034	108,403	116,301	113,484	114,686
TOTAL LIABILITIES & EQUITY	1,023,894	1,052,365	1,168,439	1,180,492	1,172,383	1,160,329	1,157,433

Bank - Memorandum Accounts <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Investment Banking transactions for third parties, net	89,601	90,056	71,600	68,035	82,947	101,587	104,928
TOTAL ON BEHALF OF THIRD PARTIES	89,601	90,056	71,600	68,035	82,947	101,587	104,928
Proprietary Transactions							
Endorsement Guarantees Granted	-	-	-	-	-	-	-
Loan Obligations	230,194	252,633	280,011	269,658	275,296	244,506	231,715
Trusts	267,263	264,320	452,846	442,948	445,853	456,152	457,200
Mandates	14,628	16,625	16,500	15,847	1,344	8,039	7,964
Properties in Trusts and Warrant	281,891	280,945	469,346	458,795	447,197	464,191	465,164
Properties in Custody or Management	377,497	376,146	488,495	446,162	451,005	443,311	433,982
Collateral Received	174,273	167,571	223,700	237,642	212,316	184,124	222,048
Collateral Received or sold	99,167	89,256	131,673	159,301	130,919	99,906	134,590
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	39
Uncollected Accrued Interest from Past Due Loans	361	357	657	634	632	317	322
Investments of Retirement Savings Funds	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-
Miscellaneous accounts	-	-	-	226,303	240,660	244,880	250,215
Proprietary Transactions	1,163,501	1,167,038	1,594,048	1,798,688	1,758,077	1,681,299	1,738,075
Repo Securities to be Received	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,163,501	1,167,038	1,594,048	1,798,688	1,758,077	1,681,299	1,738,075

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

Net Income	20,645
Items charged to results that do not generate or require use of resources	
Depreciation	1,406
Provisions	1,585
Income taxes and deferred	7,430
Minority Interest	(84)
	10,337
	30,982
Change in items related to operations	
Change in Margin Accounts	(4,788)
Change in Investment in Securities	1,627
Change in repo debtors	242
Change in derivatives (assets)	1,695
Change in Loan Portfolio (net)	38,987
Change in purchased receivables (net)	441
Change in benefits to receive from securitizations	(97)
Change in foreclosed assets (net)	37
Change in other operating assets (net)	(33,144)
Change in core deposits	(32,815)
Change in interbank loans and other entities	(13,934)
Change in repo creditors	1,613
Change in collateral pledged sold	1
Change in derivatives (liability)	620
Change in subordinated debt with characteristics of liabilities	21,955
Change in other operating liabilities	(4,212)
Change in hedging instruments (the related hedged transaction activities)	(5,003)
Income Tax Payments	(4,692)
Net cash generated or used from operations	(485)
Investment Activities	
Charges for disposal of property, furniture and equipment	1
Payments for acquisition of property, furniture and equipment	(2,219)
Charges for disposal of subsidiaries, associated and agreements with mutual control	228
Payments for Subsidiaries and associated Dispositions	(101)
Charges for cash dividends	37
Net cash generated or used from investment activities	(2,054)
Financing Activities	
Payments of cash dividends	(15,898)
Payments of interests of subordinated debentures	(1,328)
Net cash flows from financing activities	(17,226)
Net Cash Increase (decrease) and equivalents value	(19,765)
Effects for changes in cash and equivalents value	2
Cash and cash equivalents at beginning of period	75,233
Cash and cash equivalents at end of period	55,470

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 - SEPTEMBER 30, 2019

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL								Minority Interest	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			
Balance as of December 31, 2018	18,794	1,184	14,847	53,133	(1,994)	(3,430)	1,659	(628)	24,834	3	108,402	
Changes stemming from stockholders' decisions												
Capitalization of profits				24,834					(24,834)		0	
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 and August 20, 2019				(15,898)							(15,898)	
Payment plan based on equity-settle shares in equity instruments		603									603	
Fair Value effect form Merger with GFI				(145)							(145)	
Banorte USA subsidiary's Sale Accounting Effect							(1,661)				(1,661)	
Sale of shares of Operadora de Fondos Banorte		144									144	
Total	0	747	2,483	6,308	0	0	(1,661)	0	(24,834)	0	(16,957)	
Changes stemming from profits												
Total profits:												
Net Income									20,645		20,645	
Result from valuation of securities available for sale					3,566						3,566	
Effect of subsidiaries, associates and mutual funds				(3)							(3)	
Conversion accumulated effect								6			6	
Result from valuation of instruments of cash flow hedges						754					754	
Remeasurements defined benefits for employees				(28)				(371)			(399)	
Interest of subordinated debentures				(1,328)							(1,328)	
Total	0	0	0	(1,359)	3,566	754	6	(371)	20,645	0	23,241	
Balance as of September 30, 2019	18,794	1,931	17,330	58,082	1,572	(2,676)	4	(999)	20,645	3	114,686	

Seguros Banorte

Income Statement - Insurance - Seguros Banorte <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Interest Income	338	359	379	345	444	464	464
Interest Expense	-	-	-	-	-	-	-
Premium Income (Net)	9,479	3,230	3,037	3,850	9,712	3,765	3,586
Net Increase in Technical Reserves	3,954	(918)	(1,424)	(450)	4,219	(664)	(790)
Damages, Claims and Other Obligations	2,912	3,022	3,199	3,026	2,699	3,158	2,896
Net Interest Income	2,951	1,485	1,642	1,619	3,238	1,735	1,944
Fees Charged on Services	-	-	-	-	-	-	-
Fees Paid on Services	952	370	557	530	817	534	817
Securities-Valuation Gains	-	-	-	-	-	-	-
Securities Trading	5	(0)	20	5	15	18	14
Trading Income	5	(0)	20	5	15	18	14
From Insurance	194	250	199	205	232	262	232
Losses and Estimates	(6)	(2)	(13)	(44)	(34)	31	(8)
Other Operating Income (Expense)	5	3	6	4	4	4	4
Total Other Operating Income (Expenses)	192	252	191	165	202	297	228
Total Non-Interest Income	(754)	(118)	(346)	(360)	(600)	(218)	(575)
Total Operating Income	2,197	1,367	1,296	1,259	2,637	1,517	1,369
Personnel	93	97	113	115	100	108	111
Employee Profit Sharing (PTU)	1	1	1	4	1	1	1
Professional Fees	57	67	76	102	58	76	98
Administrative and Promotional Expenses	84	90	89	87	103	78	86
Rents, Depreciation & Amortization	41	41	44	41	44	43	45
Taxes other than income tax & non-deductible expenses	27	21	24	23	28	26	25
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-
Total Non-Interest Expense	303	317	346	372	334	333	365
Operating Income	1,895	1,049	950	887	2,303	1,184	1,004
Subsidiaries' Net Income	335	370	348	216	416	434	423
Pre-Tax Income	2,229	1,419	1,298	1,103	2,719	1,618	1,427
Income Tax	590	299	263	258	695	362	314
Deferred Income Tax	(46)	(4)	(4)	(29)	(4)	(4)	(51)
Taxes	544	296	260	229	691	358	263
Net Income from Continuous Operations	1,685	1,123	1,039	874	2,028	1,260	1,164
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	(8)	(9)	(8)	(7)	(10)	(10)	(10)
Net Income	1,677	1,115	1,031	867	2,018	1,250	1,154

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
ASSETS							
Cash and Due from Banks	81	105	96	64	63	423	965
Margin Accounts	-	-	-	-	-	-	-
Negotiable Instruments	17,777	17,140	19,409	19,205	19,031	19,624	20,118
Securities Available for Sale	1,188	906	864	842	861	552	562
Securities Held to Maturity	(0)	-	-	(0)	(0)	(0)	(0)
Investment in Securities	18,965	18,046	20,274	20,046	19,893	20,176	20,680
Debtor Balance in Repo Trans.,net	2,261	1,354	609	1,226	3,200	545	491
Securities Lending	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	2,261	1,354	609	1,226	3,200	545	491
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-
Account Receivables	500	710	745	710	164	281	355
Premium Debtors (Net)	10,913	8,666	6,002	3,578	10,970	8,611	5,972
Account Receivables from Reinsurance	13,682	14,044	12,069	8,956	11,532	10,884	10,920
Benef. receivab. securization transactions	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	353	363	364	379	371	365	357
Investment in Subsidiaries	12,655	13,024	13,374	13,600	12,840	13,273	13,696
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	169	169	225	250	250	250	297
Goodwill and Intangibles	2,121	2,354	2,423	2,582	1,858	2,253	2,472
Other Assets Short and Long Term	94	92	90	89	91	87	90
	40,488	39,423	35,291	30,142	38,078	36,004	34,159
TOTAL ASSETS	61,795	58,928	56,270	51,478	61,233	57,148	56,296

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
LIABILITIES							
Technical Reserves	29,468	28,058	24,838	22,688	29,792	27,986	27,003
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-
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	2,071
Income Tax Payable	630	923	1,180	1,406	699	1,044	1,358
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	2,422
Other Payable Accounts	3,147	3,369	3,548	3,936	3,282	3,441	3,779
Subordinated Non Convertible Debt	-	-	-	-	-	-	-
Deferred Taxes, Net	383	379	376	372	368	365	361
Deferred Credits	65	65	63	61	65	67	63
TOTAL LIABILITIES	37,138	35,379	31,855	28,382	36,121	34,205	33,278
EQUITY							
Paid-in Capital	13,766	13,766	13,928	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	-	-	-	-	-	-	-
Subscribed Capital	13,766	13,766	13,928	13,928	13,928	13,928	13,928
Capital Reserves	1,789	2,195	2,247	2,247	2,247	2,716	2,716
Retained Earnings	6,948	4,332	3,917	1,800	6,500	2,651	1,574
Surplus (Deficit) of Secs Available for Sale	68	68	61	50	74	99	111
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	77	79	114	30	(5)	(55)	(79)
Results from Conversions	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	0	18	8	8	7
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	4,422
Earned Capital	10,560	9,465	10,162	8,835	10,842	8,686	8,751
Minority Interest	330	318	326	333	343	329	338
Total Equity	24,657	23,549	24,415	23,096	25,112	22,943	23,017
TOTAL LIABILITIES & EQUITY	61,795	58,928	56,270	51,478	61,233	57,148	56,296

Information by Segments

GFNorte - Income Statement as of September 30 '19

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	169	96,402	6,473	2,058	52	12,907
Premium Income (Net)	-	-	25,503	-	-	-
Interest Expense	-	45,468	-	1,286	1	12,539
Net Increase in Technical Reserves	-	-	9,917	-	-	-
Damages, Claims and Other Obligations	-	-	13,812	-	-	-
Net Interest Income (Nil)	169	50,934	8,247	772	52	368
Preventive Provisions for Loan Losses	-	11,391	-	47	-	-
Net Interest Income Adjusted for Credit Risk	169	39,543	8,247	725	52	368
Loan Origination Fees	-	16,536	-	12	-	926
Fees Paid	-	6,086	2,176	55	0	91
Trading Income	1	3,898	73	-	-	414
Other Operating Income (Expenses)	2	2,320	727	492	(18)	(27)
Non Interest Income	3	30,942	3,586	557	(18)	1,714
Total Operating Income	172	70,485	11,833	1,282	34	2,082
Administrative and Promotional Expenses	79	28,220	1,321	203	41	768
Operating Income	93	27,991	5,550	971	(7)	822
Subsidiaries' Net Income	27,408	84	1,273	-	-	0
Pre-Tax Income	27,501	28,075	6,822	971	(7)	823
Income Tax	-	6,667	1,372	311	-	159
Deferred Income Tax	13	764	249	(62)	1	70
Net Income from Continuous Operations	27,488	20,645	5,202	722	(8)	593
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(126)	(1)	0	(0)
Net Income	27,488	20,645	5,075	721	(8)	593

GFNorte - Income Statement as of September 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	35	2	296	118,394	6,377	831	112,847
Premium Income (Net)	-	-	-	25,503	713	-	24,790
Interest Expense	0	-	411	59,705	-	6,185	53,520
Net Increase in Technical Reserves	-	-	-	9,917	-	-	9,917
Damages, Claims and Other Obligations	-	-	-	13,812	-	-	13,812
Net Interest Income (Nil)	35	2	(115)	60,463	-	-	60,390
Preventive Provisions for Loan Losses	-	-	145	11,582	-	-	11,582
Net Interest Income Adjusted for Credit Risk	35	2	(260)	48,882	-	-	48,808
Loan Origination Fees	1,339	-	311	19,125	1,653	-	17,472
Fees Paid	954	-	0	9,363	-	1,672	7,691
Trading Income	-	-	2	4,388	-	29	4,417
Other Operating Income (Expenses)	1	0	74	3,571	65	12	3,518
Non Interest Income	2,295	0	15	39,094	1,718	1,723	35,755
Total Operating Income	2,329	2	(245)	87,975	1,718	1,723	84,563
Administrative and Promotional Expenses	30	3	209	30,873	600	1,367	30,106
Operating Income	391	(1)	(82)	35,729	-	-	36,418
Subsidiaries' Net Income	12	-	(20)	28,757	27,429	-	1,328
Pre-Tax Income	403	(1)	(102)	64,486	-	-	37,746
Income Tax	113	-	-	8,622	-	-	8,622
Deferred Income Tax	(0)	-	(3)	1,032	210	20	1,222
Net Income from Continuous Operations	289	(1)	(99)	54,832	-	-	27,901
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(128)	358	103	(383)
Net Income	289	(1)	(99)	54,704	37,195	9,368	27,518

GFNorte - Balance Sheet as of September 30 '19

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Cash and Due from Banks	70	55,470	1,824	53	0	1,995
Margin Accounts	-	6,245	-	-	-	-
Investment in Securities	-	250,836	149,127	-	-	185,840
Negotiable Instruments	-	75,687	21,993	-	-	127,884
Securities Available for Sale	-	155,394	650	-	-	57,191
Securities Held to Maturity	-	19,755	126,484	-	-	765
Debtor Balance in Repo Trans, net	7,102	162	491	-	-	-
Transactions with Derivatives For trading purposes	-	26,398	-	-	-	-
Transactions with Derivatives For hedging purposes	-	29	-	-	-	-
Valuation adjustments for Asset Coverage	-	73	-	-	-	-
Gross Loan Portfolio	-	713,485	-	30,151	-	-
Net Loan Portfolio	-	711,925	-	30,151	-	-
Performing Loans	-	715,617	-	30,209	-	-
Commercial Loans	-	258,389	-	26,728	-	-
Financial Intermediaries' Loans	-	18,287	-	611	-	-
Government Entities' Loans	-	157,242	-	2,863	-	-
Consumer Loans	-	115,413	-	7	-	-
Mortgage Loans	-	166,286	-	-	-	-
Medium and Residential	-	162,995	-	-	-	-
Low income housing	-	10	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,280	-	-	-	-
Past Due Loans	-	13,925	-	345	-	-
Commercial PDL's	-	7,600	-	340	-	-
Financial Intermediaries PDL's	-	4	-	-	-	-
Government Entities PDL's	-	0	-	4	-	-
Consumer PDL's	-	4,514	-	0	-	-
Mortgage PDL's	-	1,807	-	-	-	-
Medium and Residential	-	1,634	-	-	-	-
Low income housing	-	0	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	172	-	-	-	-
Preventive Loan Loss Reserves	-	17,617	-	402	-	-
Acquired Collection Rights	-	1,560	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	2,112	-	-	-
Premium Debtors (Net)	-	-	6,429	-	-	-
Account Receivables from Reinsurance	-	-	10,920	-	-	-
Benef. receivab. securization transactions	-	158	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	28	65,982	0	441	84	1,066
Inventories	-	-	-	-	555	-
Foreclosed Assets, Net	-	701	-	22	-	-
Real Estate, Furniture & Equipment, Net	-	14,360	374	2,782	60	163
Investment in Subsidiaries	151,045	413	13,696	-	-	2
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	711	2,215	-	59	4	-
Total other Assets	24,472	20,904	2,861	646	15	327
Goodwill	23,752	1,388	-	-	-	-
Intangible	720	19,288	2,770	646	0	106
Other Assets	-	228	90	-	15	221
TOTAL ASSETS	183,426	1,157,433	187,833	34,155	719	189,394

GFNorte - Balance Sheet as of September 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	683	38	133	60,266	253	4,398	56,121
Margin Accounts	-	-	-	6,245	-	-	6,245
Investment in Securities	-	-	-	585,803	-	450	585,353
Negotiable Instruments	-	-	-	225,565	-	-	225,565
Securities Available for Sale	-	-	-	213,235	-	103	213,131
Securities Held to Maturity	-	-	-	147,004	-	347	146,657
Debtor Balance in Repo Trans, net	-	-	-	7,755	-	7,592	162
Transactions with Derivatives For trading purposes	-	-	-	26,398	-	-	26,398
Transactions with Derivatives For hedging purposes	-	-	-	29	-	-	29
Valuation adjustments for Asset Coverage	-	-	-	73	-	-	73
Gross Loan Portfolio	-	-	2,179	745,815	1,435	16,432	730,818
Net Loan Portfolio	-	-	1,834	743,910	1,435	16,432	728,913
Performing Loans	-	-	1,897	747,723	1,435	16,432	732,726
Commercial Loans	-	-	304	285,422	604	204	285,822
Financial Intermediaries' Loans	-	-	-	18,898	-	13,114	5,784
Government Entities' Loans	-	-	-	160,106	831	3,115	157,821
Consumer Loans	-	-	1,593	117,013	-	-	117,013
Mortgage Loans	-	-	-	166,286	-	-	166,286
Medium and Residential	-	-	-	162,995	-	-	162,995
Low income housing	-	-	-	10	-	-	10
Loans acquired from INFONAVIT or FOMSSSTE	-	-	-	3,280	-	-	3,280
Past Due Loans	-	-	88	14,357	-	-	14,357
Commercial PDL's	-	-	25	7,965	-	-	7,965
Financial Intermediaries PDL's	-	-	-	4	-	-	4
Government Entities PDL's	-	-	-	4	-	-	4
Consumer PDL's	-	-	63	4,577	-	-	4,577
Mortgage PDL's	-	-	-	1,807	-	-	1,807
Medium and Residential	-	-	-	1,634	-	-	1,634
Low income housing	-	-	-	0	-	-	0
Loans acquired from INFONAVIT or FOMSSSTE	-	-	-	172	-	-	172
Preventive Loan Loss Reserves	-	-	151	18,171	-	-	18,171
Acquired Collection Rights	-	-	345	1,905	-	-	1,905
Account Receivables from Insurance and Annuities	-	-	-	2,112	-	-	2,112
Premium Debtors (Net)	-	-	-	6,429	-	-	6,429
Account Receivables from Reinsurance	-	-	-	10,920	-	-	10,920
Benef.receiveab.securization transactions	-	-	-	158	-	-	158
Sundry Debtors & Other Accs Rec, Net	178	4	570	68,354	17	547	67,824
Inventories	-	-	-	555	-	-	555
Foreclosed Assets, Net	-	-	195	919	-	-	919
Real Estate, Furniture & Equipment, Net	0	94	-	17,833	185	-	18,018
Investment in Subsidiaries	114	-	66	165,336	3,625	154,768	14,192
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	1,007	3,997	491	2,523	1,964
Total other Assets	9	1	4,740	53,974	2,212	827	55,360
Goodwill	-	-	-	25,141	2,212	635	26,717
Intangible	0	1	326	23,858	-	28	23,829
Other Assets	9	-	4,414	4,976	-	163	4,813
TOTAL ASSETS	984	137	8,891	1,762,972	8,217	187,538	1,583,651

GFNorte - Balance Sheet as of September 30 '19

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Deposits	-	726,420	-	-	-	-
Demand Deposits	-	399,464	-	-	-	-
Time Deposits	-	297,554	-	-	-	-
Time Deposits-Retail	-	263,555	-	-	-	-
Time Deposits-Money Market	-	33,999	-	-	-	-
Senior Unsecured Debt	-	27,483	-	-	-	-
Cuenta global de captación sin movimientos	-	1,919	-	-	-	-
Due to Banks & Correspondents	-	21,787	-	26,925	440	42
Immediate Redemption Loans	-	7,851	-	-	-	-
Short Term Loans	-	9,996	-	16,190	440	-
Long Term Loans	-	3,940	-	10,735	-	42
Technical Reserves	-	-	152,264	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	165,120	-	-	-	184,181
Collateral sold or pledged as collateral	-	4	-	-	-	19
Transactions with Derivatives for trading purposes	-	24,226	-	-	-	-
Transactions with Derivatives for hedging purposes	-	5,079	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	2,071	-	-	-
Other Payable Accounts	0	44,137	3,934	1,448	45	1,331
Income Tax Payable	-	1,792	1,359	347	-	-
Profit Sharing Payable	-	374	-	-	-	-
Creditors for settlement of transactions	-	9,281	-	-	-	985
Creditors for collateral received in cash	-	2,387	-	-	-	-
Other Creditors & Accounts Payable	0	30,302	2,575	1,100	45	346
Subordinated Non Convertible Debt	-	55,515	-	-	-	-
Deferred Taxes, Net	-	-	1,699	-	-	166
Deferred Credits	-	460	63	103	-	1
TOTAL LIABILITIES	0	1,042,747	160,031	28,476	484	185,740
EQUITY						
Subscribed Capital	63,024	20,726	20,781	526	87	2,059
Paid-in Capital	14,991	18,794	15,740	526	87	1,985
Share Subscription Premiums	48,033	1,931	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	120,402	93,958	6,216	5,146	148	1,594
Capital Reserves	6,206	17,330	594	526	55	253
Retained Earnings	88,753	58,082	606	3,900	100	589
Surplus (Deficit) of Secs Available for Sale	1,491	1,572	16	-	-	36
Results from Valuation of Hedging Secs	(2,629)	(2,676)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(81)	-	(82)	-	-	-
Results from Conversions	126	4	-	-	-	123
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(952)	(999)	6	-	-	-
Net Income	27,488	20,645	5,075	721	(8)	593
Capital Mayoritario	183,426	114,684	26,997	5,672	235	3,653
Minority Interest	-	3	805	7	0	0
Total Equity	183,426	114,686	27,802	5,679	235	3,653
TOTAL LIABILITIES & EQUITY	183,426	1,157,433	187,833	34,155	719	189,394

GFNorte - Balance Sheet as of September 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
Deposits	-	-	-	726,420	4,381	-	722,039
Demand Deposits	-	-	-	399,464	3,505	-	395,959
Time Deposits	-	-	-	297,554	875	-	296,678
Time Deposits-Retail	-	-	-	263,555	875	-	262,679
Time Deposits-Money Market	-	-	-	33,999	-	-	33,999
Senior Unsecured Debt	-	-	-	27,483	-	-	27,483
Cuenta global de captación sin movimientos	-	-	-	1,919	-	-	1,919
Due to Banks & Correspondents	-	-	5,723	54,918	13,156	-	41,762
Immediate Redemption Loans	-	-	-	7,851	-	-	7,851
Short Term Loans	-	-	5,723	32,350	13,114	-	19,236
Long Term Loans	-	-	-	14,717	42	-	14,675
Technical Reserves	-	-	-	152,264	-	222	152,486
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	349,301	7,592	-	341,709
Collateral sold or pledged as collateral	-	-	-	23	-	-	23
Transactions with Derivatives for trading purposes	-	-	-	24,226	-	-	24,226
Transactions with Derivatives for hedging purposes	-	-	-	5,079	-	-	5,079
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	2,071	-	-	2,071
Other Payable Accounts	155	0	84	51,132	699	31	50,464
Income Tax Payable	3	0	-	3,501	-	-	3,501
Profit Sharing Payable	-	-	-	374	-	-	374
Creditors for settlement of transactions	-	-	-	10,267	342	-	9,925
Creditors for collateral received in cash	-	-	-	2,387	-	-	2,387
Other Creditors & Accounts Payable	152	0	84	34,604	357	31	34,278
Subordinated Non Convertible Debt	-	-	-	55,515	-	-	55,515
Deferred Taxes, Net	-	-	-	1,865	1,865	-	-
Deferred Credits	-	-	1	627	28	-	598
TOTAL LIABILITIES	155	0	5,808	1,423,441	27,721	253	1,395,973
EQUITY							
Subscribed Capital	170	144	11,773	119,290	56,675	340	62,955
Paid-in Capital	170	144	11,768	64,205	49,223	-	14,982
Share Subscription Premiums	-	-	5	55,085	7,452	340	47,973
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
Earned Capital	659	(7)	(8,691)	219,426	100,472	3,480	122,434
Capital Reserves	23	2	117	25,106	18,901	-	6,206
Retained Earnings	346	(9)	(8,709)	143,660	56,309	3,423	90,775
Surplus (Deficit) of Secs Available for Sale	-	-	-	3,115	1,644	-	1,471
Results from Valuation of Hedging Secs	-	-	(0)	(5,305)	(2,676)	-	(2,629)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	(162)	(82)	-	(81)
Results from Conversions	-	-	-	253	127	-	126
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(1,945)	(993)	-	(952)
Net Income	289	(1)	(99)	54,704	27,243	57	27,518
Capital Mayoritario	829	137	3,083	338,716	157,146	3,820	185,390
Minority Interest	-	-	-	815	528	2,002	2,289
Total Equity	829	137	3,083	339,530	157,674	5,822	187,678
TOTAL LIABILITIES & EQUITY	984	137	8,891	1,762,972	185,396	6,075	1,583,651

V. Appendix

Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

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

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

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

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

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

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

Discount rate	Total balance to be applied	20% annual application	Progressive recognition as of 3Q19
Corporate bonds	\$183.0	\$36.6	\$137.2

- 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	\$2,046.5

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 September 30th, 2019, had the aforementioned option in the affected lines not been implemented are:

Other creditors & accounts payable ⁽¹⁾	35,006
Total liabilities	1,396,701
Results from prior years	90,729
Measurements of defined benefits for employees	(1,634)
Total equity	186,950
Total liabilities plus equity	1,582,923

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 September 30, 2018, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 561 million, with maturities between 2022 and 2027.

New Financial Reporting Standards

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

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

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

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

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

On September 23, 2019, the Modifying Resolution of the "Resolution amending the general provisions applicable to credit institutions" was published on the website of the National Regulatory Improvement Commission (CONAMER), published in the Official Gazette of the Federation (DOF) on December 27, 2017, whereby the term for its application is extended until January 1, 2021, is expected to be published in the Official Gazette of the Federation during the month of October 2019.

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	jun-19	sep-19	ago-02	jun-19	sep-19	ago-02	jun-19	sep-19
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	4	4	0	0	0	54	4	4
Performing Loans	59	4	4	5	0	0	64	4	4
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	194	193	0	0	0	1,112	194	193
Non Performing Loans	1,598	448	447	293	1	1	1,891	450	449
TOTAL LOANS	1,657	453	451	298	1	1	1,955	454	453
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	196	195	0	0	0	669	196	195
Loan Loss Reserves (1)	1,072	450	449	246	1	1	1,318	452	451

(1) Reserve requirements according to the banking sector's rating methodology

(*) There was a reserve difference of Ps \$28 million as of September 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 3Q19 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 2.0 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)	jun-19	sep-19	jun-19	sep-19	jun-19	sep-19
Performing Loans						
Commercial	412,924	375,331	60,957	58,835	473,881	434,165
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	113,803	115,413	0	0	113,803	115,413
Mortgage	162,623	166,290	0	0	162,623	166,290
Performing Loans	689,350	657,034	60,958	58,835	750,308	715,868
Non Performing Loans						
Commercial	6,358	6,131	1,641	1,658	7,999	7,789
Consumer	4,730	4,585	0	0	4,730	4,585
Mortgage	1,890	1,999	0	0	1,890	1,999
Non Performing Loans	12,978	12,715	1,641	1,658	14,619	14,374
TOTAL LOANS	702,328	669,749	62,599	60,493	764,927	730,242
Loan Loss Reserves	17,582	17,094	939	975	18,521	18,069
Net Loan Portfolio	684,746	652,655	61,660	59,517	746,406	712,173
Loan Loss Reserves					126.69%	125.71%
% Past Due Loans					1.91%	1.97%

1. Includes UDIS.

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

Notes to Financial Statements

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q19

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	173,401	1,772	311	175,484
Unrestricted	13,403	393	129	13,925
BONDES D	-	-	-	-
BONDES M	(830)	0	0	(830)
BPA	(386)	-	0	(386)
BREMS	-	-	-	-
Government Securities	50	0	1	51
Municipalities Securities	(7)	0	(0)	(7)
UDI Securities	-	-	-	-
CETES	11,416	364	41	11,821
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	3,160	28	86	3,275
Treasury Notes	-	-	-	-
Restricted	159,998	1,379	181	161,559
BONDES D	9,172	41	4	9,217
BONDES M	1,999	24	15	2,038
BPA	143,712	1,303	165	145,180
BREMS	-	-	-	-
Government Securities	2,308	9	0	2,317
Municipalities Securities	126	2	0	128
UDI Securities	0	0	(0)	0
CETES	2,507	-	0	2,508
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	173	0	(3)	170
Banking Securities	42,468	130	33	42,631
Unrestricted	3,871	0	0	3,871
Bank Acceptances	4	-	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	(0)	3
Bank Securities	40	0	0	40
Deposit Certificates	384	0	0	384
Structured Notes	-	-	-	-
Other Banking Securities	90	0	0	90
Promissory Notes	3,350	0	(0)	3,350
Restricted	38,597	130	33	38,759
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	2,750	5	1	2,756
Bank Securities	16,238	50	29	16,317
Deposit Certificates	19,258	74	2	19,334
Structured Notes	-	-	-	-
Other Banking Securities	351	1	1	353
Promissory Notes	-	-	-	-
Private Securities	6,709	13	729	7,450
Unrestricted	6,061	12	728	6,801
Shares	198	-	393	591
Investment Company Shares	2,762	-	145	2,907
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,295	4	128	1,428
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,806	8	62	1,875
Infrastructure and Real Estate Trusts	(1)	-	0	(1)
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	648	1	1	650
Shares	217	-	0	217
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	431	1	1	432
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	222,577	1,915	1,072	225,565

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q19

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	177,913	1,726	1,969	181,609
Unrestricted	35,064	481	840	36,385
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	7,778	43	-	7,821
Government Securities	470	3	10	483
Municipalities Securities	180	2	20	201
UDI Securities	-	-	-	-
CETES	658	-	1	659
CETES (Special)	-	-	-	-
Government Eurobonds	25,978	433	809	27,221
Udibonds	-	-	-	-
Treasury Notes	-	-	-	-
Restricted	142,850	1,245	1,129	145,223
BONDES D	5,479	22	6	5,507
BONDES M	1,057	24	18	1,099
BPA	100,341	1,056	150	101,547
BREMS	-	-	-	-
Government Securities	6,496	16	(26)	6,486
Municipalities Securities	2,428	3	1	2,432
UDI Securities	-	-	-	-
CETES	65	-	0	65
CETES (Special)	-	-	-	-
Government Eurobonds	26,984	123	981	28,087
Udibonds	-	-	-	-
Banking Securities	6,473	43	105	6,621
Unrestricted	6,473	43	105	6,621
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	1,679	25	60	1,764
Bank Securities	1,466	6	52	1,524
Deposit Certificates	1,668	8	(0)	1,675
Structured Notes	483	-	(12)	471
Other Banking Securities	1,177	3	5	1,186
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	24,786	245	(129)	24,902
Unrestricted	23,240	219	(101)	23,358
Shares	150	-	160	310
Investment Company Shares	4,032	-	190	4,222
ADRs	-	-	-	-
Stock Certificates BORHIS	103	0	(81)	22
Corporate Stock Certificates	7,058	30	(442)	6,647
Trust Stock Certificates	-	-	-	-
Private Eurobonds	11,897	189	72	12,157
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,546	26	(27)	1,545
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,546	26	(27)	1,545
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	209,172	2,014	1,945	213,131

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 3Q19

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	137,984	1,613	-	139,597
Unrestricted	122,506	1,371	-	123,877
BONDES D	-	-	-	-
BONDES M	243	4	-	247
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,643	3	-	1,645
Municipalities Securities	2,085	17	-	2,101
UDI Securities	228	4	-	232
CETES	-	-	-	-
CETES (Special)	561	-	-	561
Government Eurobonds	-	-	-	-
Udibonds	117,747	1,343	-	119,090
Treasury Notes	-	-	-	-
Restricted	15,478	242	-	15,720
BONDES D	-	-	-	-
BONDES M	12,566	235	-	12,800
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,912	7	-	2,920
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	-	-	-	-
Banking Securities	1,245	811	-	2,056
Unrestricted	1,245	811	-	2,056
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	765	7	-	772
Deposit Certificates	300	645	-	945
Structured Notes	180	159	-	339
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	4,637	713	-	5,350
Unrestricted	2,697	707	-	3,404
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,385	707	-	2,092
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,311	-	-	1,311
CP	-	-	-	-
Restricted	1,941	6	-	1,946
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,941	6	-	1,946
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	(347)	-	-	(347)
Total	143,520	3,137	-	146,657

REPURCHASE AGREEMENT OPERATIONS 3Q19
(Million Pesos)

	Repo Debtors			Repo Creditors	
	MV Repo Debtors	VM Collateral received sold in Repo Trans	Debtor Balance	Creditor Balance	MV Repo Creditors
Government securities	113,257	113,098	162	4	298,250
Banking securities	21,479	21,479	-	0	36,012
Private Securities	3,862	3,862	0	-	7,448
Total	138,598	138,439	162	4	341,709

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q19**
(Million Pesos)

Creditor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	
Fx Forward	123
Options	
Rate options	325
Fx options	407
Warrants	-
Swaps	
Rate swap	20,248
Fx swap	5,028
Credit swap	267
Negotiable Total	26,398
Options	
Rate Options	-
Fx options	-
Swaps	
Rate swap	-
Fx swap	29
Credit swap	-
Hedging total	29
Position total	26,427

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 3Q19
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	48
Options	
Rate options	211
Fx options	764
Swaps	
Rate swap	15,522
Fx swap	7,681
Credit swap	-
Negotiable Total	24,226
Swaps	
Rate swap	385
Fx swap	4,694
Credit swap	-
Hedging total	5,079
Position total	29,305

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 3Q19 - Banorte
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	19,409	63
FX Forwards	Sales	Exchange Rate (USD/MXN)	3,400	68
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/USD)	847	1
FX Options	Purchases	Exchange Rate (Dollar)	9,321	17
FX Options	Sales	Exchange Rate (Dollar)	25,792	16
Interest Rate Options	Purchases	TIIE	41,160	95
Interest Rate Options	Sales	TIIE	45,958	439
Interest Rate Options	Purchases	LIBOR	6,882	30
Interest Rate Options	Sales	LIBOR	6,783	30
Interest Rate Swaps	USD LIBOR	LIBOR	310,288	2,718
Interest Rate Swaps	MXN TIIE	TIIE	1,371,586	3,734
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	163	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	80,503	117
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	33,571	50
Interest Rate and FX Swaps	CS UDI	UDI	9,977	2
Interest Rate and FX Swaps	CS CHFMXN	FIX/VARIABLE	9,847	4
Interest Rate and FX Swaps	CS EURMXN	FIX/FIX	13,788	66
Interest Rate and FX Swaps	CS GBPMXN	FIX/FIX	2,900	12

LOAN PORTFOLIO								
<i>(Million Pesos)</i>								
	Local Currency		UDIS		Foreign Currency		Total	
	3Q18	3Q19	3Q18	3Q19	3Q18	3Q19	3Q18	3Q19
Performing Loans								
Commercial Loans	229,394	225,367	0	-	53,921	60,455	283,315	285,822
Financial Intermediaries' Loans	7,312	5,784	0	-	0	-	7,312	5,784
Consumer Loans	112,954	117,013	0	-	0	-	112,954	117,013
Mortgage Loans	150,382	166,178	135	108	0	-	150,517	166,286
Government Entities' Loans	183,252	146,009	6,800	6,378	7,585	5,434	197,636	157,821
Total	683,295	660,351	6,935	6,486	61,506	65,889	751,735	732,726
Past Due Loans								
Commercial Loans	6,067	6,308	0	0	1,547	1,657	7,614	7,965
Financial Intermediaries' Loans	0	4	0	-	0	-	0	4
Consumer Loans	4,816	4,577	0	-	0	-	4,816	4,577
Mortgage Loans	1,434	1,793	14	14	0	0	1,448	1,807
Government Entities' Loans	16	4	-	-	-	-	16	4
Total	12,333	12,686	14	14	1,547	1,657	13,895	14,357
Total Proprietary Loans	695,628	673,037	6,949	6,500	63,054	67,546	765,630	747,084

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 3Q19- GFNorte**

<i>(Million Pesos)</i>		
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	(1.9)	0.0
Mortgage FOVI	-	-
	(1.9)	0.0

DEFERRED TAXES 3Q19

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,285	5,285
Non deductible provisions and cumulative income	1,538	1,538
Excess of accounting value over fiscal value on Repossessed Assets	842	842
Diminishable profit sharing	160	160
Fees received in advance	919	919
Effects from valuation of instruments	-	-
Tax losses pending amortization	1,293	1,293
Provisions for possible loss in loans	385	385
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	683	683
Total Assets	11,105	11,105
LIABILITIES		
Pension Funds Contribution	(162)	(162)
Loan Portfolio Acquisitions	(350)	(350)
Projects to be capitalized	(5,307)	(5,307)
Intangibles' amortizations	-	-
Effects from valuation of instruments	(2,757)	(2,757)
Intangibles' amortizations	(540)	(540)
Unrealized Loss on Securities held for Sale	(24)	(24)
Total Liabilities	(9,141)	(9,141)
Assets (Liabilities) Accumulated Net	1,964	1,964

LONG TERM DEBT AS OF SEPTEMBER 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	2,813	20 years	4.950%	15-feb-28	182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (XEGB40 141020)	USD	14-oct-10	120	1,489	2,368	10 years	9.250%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,867	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	6,413	6,907	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	10,077	10,854	Perpetual	7.625%	NA	Quarterly
Eurobond (Swiss francs) 2018 (BANO589)	CHF	14-jun-18	100	1,983	1,979	3.5 years	0.875%	14-dic-21	Annual
Non Convertible Subordinated Bonds Q Binter 15	MXN	26-feb-15	1,000	1,000	1,000	10 years	TIE+2.50%	13-feb-25	28 days
Certificates 94 BINTER 16U	UDIS	13-oct-16	365	2,000	2,298	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	TIE+0.23%	26-nov-20	28 days
Certificates 94 BANORTE 18-2	MXN	29-nov-18	2,663	2,663	2,663	1,456 días	TIE+0.28%	24-nov-22	28 days
Stock certificates 94 BANORTE 19	MXN	17-may-19	5,400	5,400	5,400	1092 días	TIE +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	TIE +0.17%	10-may-24	28 days
Eurobond (Swiss francs) 2019 (BANO397)	CHF	11-abr-19	250	4,694	4,947	1279 días	1.550%	11-oct-22	Annual
Non Convertible Subordinated Bonds 2019 (BANO64_999999)	USD	27-jun-19	600	11,501	11,841	Perpetual	6.750%	NA	Quarterly
Non Convertible Subordinated Bonds 2019 (BANOB48_999999)	USD	27-jun-19	500	9,584	9,867	Perpetual	7.500%	NA	Quarterly
Eurobond (Swiss francs) 2019 (BANO43)	CHF	18-sep-19	160	3,112	3,166	1552 días	0.450%	18-dic-23	Annual

BANK AND OTHER ENTITIES LOANS' AS OF 3Q19*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	-	-
Loans from Development Banks	10,901	5,322	16,223
Loans from Public Funds	8,380	563	8,943
Call Money & Loans from Banks	28,579	-	28,579
Loans from Fiduciary Funds	70	-	70
Provisions for Interest	1,104	-	1,104
	49,034	5,884	54,918
Eliminations			(13,156)
Total			41,762

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 3Q19****CORE DEPOSITS (BANORTE)****Demand Deposits**

Local Currency and UDIs	1.22%
Foreign Currency	0.09%

Time Deposits - Retail

Local Currency and UDIs	6.71%
Foreign Currency	0.35%

Time Deposits - Money Market

Local Currency and UDIs	8.25%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	9.57%
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Public Funds and Development Banks

Local Currency and UDIs	10.51%
Foreign Currency	3.07%

MAIN CREDIT LINES RECEIVED 3Q19 (BANORTE)*Million pesos*

	3Q18	2Q19	3Q19	Change vs. 3Q18	Change vs.3Q19
Banxico (Monetary Regulation Deposits)	37,458	37,458	36,846	(2%)	(2%)
Banxico (Repos with the System of Payments)	54,900	60,365	63,426	16%	5%
Call Money	119,301	173,025	174,085	46%	1%
TOTAL	211,659	270,848	274,356	30%	1%

TRADING INCOME 3Q19

Million Pesos

Trading income	Consolidated
Securities - Unrealized gains	(405)
Negotiable instruments	370
Derivative instruments - Negotiation	(778)
Derivative instruments - Hedging	3
Impairment loss or revaluation increase	0
Result from foreign exchange valuation	(51)
Result from valuation of precious metals	7
Result from purchase/sale of securities and derivatives	4,088
Negotiable instruments	1,123
Securities held for sale	513
Securities held to maturity	(21)
Derivative instruments - Hedging	2,473
Result from purchase/sale of foreign exchange	772
Result from purchase/sale of precious metals	5
Total	4,417

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 third 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 Corporate Governance documents related to Internal Control were reviewed and updated, which were presented through the CAPS to the Board of Directors for authorization.
- C. 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.
- D. 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.
- E. 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.
- F. According to the work plan established at the beginning of the year, there was progress in several activities related to internal accounting control.
- G. Effectiveness tests related to the Business Continuity Plan were executed.
- H. The structure and the functions of the Information Security Officer (CISO) were established and developed based on the Master Plan. The CISO reports directly to the General Director of GFNorte and coordinates with the Comptroller to be incorporated into the Internal Control System.
- I. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- J. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted; ordinary inspection visits were also attended.

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 September 30 and June 30, 2019, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Jun-2019	% Basic Equity	Mar -2019	% Basic Equity
Banorte	Ps 9.42	6.7%	Ps 11.03	9.0%

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

Banorte

As of September 30, 2019, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 9.42 billion (including Ps 304 million in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.3% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 8.10 billion were loans granted to clients linked to members of the Board of Directors; Ps 170 million were granted to clients linked to shareholders and Ps 1.15 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 6.7% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV 91% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

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.

Loan or tax liabilities

The tax credits listed below are currently in litigation:

	As of September 30, 2019
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$8
Philippines 2007 - 2008	8
PENSIONES BANORTE	\$312
Financial year 2014	312
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 López López
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, July 5, October 2019, 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.