

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 **mortgages and auto loans**, while **payrolls 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%**.

Mexico City, October 24th, 2019.- As part of its commitment to support the well-being of Mexican families and the development of the country, Grupo Financiero Banorte registered **8% growth in its consumer loan portfolio** during the third quarter of 2019, compared to the same period in 2018, driven by strength in its mortgage and auto portfolios.

As of September of this year, the group's performing loan portfolio totaled **732.7 billion pesos**, boosted by the consumer portfolio, which generates a greater impact on the welfare of Mexican families and businesses.

"Mexicans are always first: their families, their ventures and the well-being of their community. We continue to expand the portfolio responsibly, and make dreams come true", said **Carlos Hank González, President of Grupo Financiero Banorte** (GFNorte).

Credit to Mexican families is strengthened

Cumulatively, as of September of this year, GFNorte has supported **163,178 clients** with a loan to purchase a house, and **170,050 individuals** to purchase a car.

The **mortgage** portfolio showed **10%** growth, amounting to **166.2 billion pesos**, and the **auto** portfolio increased **11%**, with an ending balance of **25.9 billion pesos**.

Credit card loan origination increased **10%**, reaching **39.0 billion pesos**, while the **payroll loan** balance amounted to **52.0 billion pesos**.

Consumer Loan Portfolio*	3Q18	3Q19	Change
Mortgages	150,517	166,286	10%
Auto Loans	23,261	25,889	11%
Credit Card	35,590	39,028	10%
Payroll	54,103	52,096	(4%)
Total	263,472	283,298	8%

*Millon pesos

GFNorte's commitment to support the development of states and municipalities in the country, was materialized with an **infrastructure** loan portfolio that amounted to **41.6 billion pesos**.

GFNorte's loan portfolio maintained its quality; during the period, **Past Due Loan ratio** stood at **1.9%**, stable compared to previous quarters.

Additionally, **Core Deposits** reported a 3% increase over the same period in the previous year. Regarding **Demand Deposits**, they declined **(2%)**, while **Time Deposits** grew **11%**.

Main financial results

In the third quarter of the year, earnings per share for the Group were \$ 3.07 pesos, **ROE** stood at 19.6%, **ROA** at 2.24%, and efficiency ratio at 40.2%.

Banco Mercantil del Norte's **capitalization ratio** was 20.3%, with CET1 ratio at 13.3%. Leverage ratio stood at 10.9%.

Banorte: committed to society

In this quarter, Banorte became one of the Founding Signatories, and the only Mexican bank that participated in the creation of **the Principles of Responsible Banking of the United Nations**, committing to strategically align its business with the Sustainable Development Goals, and with the Paris Agreement on Climate Change.

Marcos Ramírez Miguel, CEO of Grupo Financiero Banorte, said: "The Principles of Responsible Banking are a guide so that every time banks make a decision, we consider their environmental and social impacts. At Banorte, every time we provide financing, we pay close attention to respecting the environment and the communities in which we work."

Banorte's commitment to society was also materialized through the completion of its reconstruction program "**Banorte Adopts a Community**". Two years after the earthquakes of September 2017, Banorte delivered **630 houses, thus exceeding the goal set for the first stage of its program**, in addition to benefiting more than 18 thousand people with different health, nutritional, and financial education activities.

Regarding its commitment to banking penetration, during the third quarter of this year Banorte launched **Contrata**, based on its Banorte Móvil app, which enables customers to request and hire a credit card, whenever they need to, wherever they are located, becoming the **only bank** that offers this service to all its clients.

Furthermore, Banorte incorporated **CoDi** (Digital Collection) functionality into Banorte Móvil, in line with the initiative from Banco de México, which enables digital payments and collections using QR codes from a cell phone.

Banorte also presented its **web browsing solution for people with visual, motor, language or hearing disabilities**.

Recent Events

1. BANORTE SIGNED THE UNITED NATIONS PRINCIPLES OF RESPONSIBLE BANKING

On September 22, 2019 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 social 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 4, 2019 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 2019, 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, 2019 and 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, 2019, 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.