

**GFNorte reports Net Income of Ps 9.01 billion during 4Q19, 2% higher. Net Income for 2019 reached Ps 36.53 billion, 14% higher than 2018, and 17% higher with recurring results.**

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

The most relevant results for the period ended on December 31<sup>st</sup>, 2019 were:

- **Net income** for the **fourth quarter of 2019** was **Ps 9.01 billion, up 2% sequentially**, and (12%) lower vs. the same period in 2018. However, excluding the non-recurring income reported in 4Q18, net income had a **6% annual increase**.
- Compared to the previous quarter there are positive results in key concepts: **Net interest income** ex-Insurance and Annuities **rose 4%**, while **loan loss provisions declined (9%)**, **net service fees were up 33%**, and **non-interest expenses showed no major changes**.
- Among the relevant financial indicators for the **quarter, NIM** stood at **5.7%**, flat vs. 3Q19; **ROE** changed from 19.6% to **19.0%** due to positive capital accumulation; **ROA** rose to **2.28%** from 2.24%. **Efficiency ratio was practically unchanged**, ending the quarter at **40.6%** from 40.2%.
- In 2019, the Group's net income totaled **Ps 36.52 billion, up 14% vs. 2018**; with **recurring** figures the **increase was 17%** resulting from significant growth across its subsidiaries: The **Bank** increased its recurring net income by **14%**, **Insurance 14%**, **Annuities 26%**, **Afore 28%**, **Mutual Funds 12%**, and **Arrendadora 11%**.
- **Net Interest Income (NII)** grew **8%** vs. 2018, **loan loss provisions** declined (**4%**), recurring **non-interest income** was up **15%**, while **non-interest expense** did so by **8%**. Altogether, recurring **net operating income before taxes** grew **15%** annually.
- Relevant financial indicators for **2019**, and their changes vs. 2018 were: **NIM** was steady at **5.6%**; reported **ROE** closed at **20.1%**, while **recurring ROE** rose 28bps from 19.3% to **19.6%**; **recurring ROA** reached **2.22%** from 2.07%. **Recurring efficiency ratio** improved **34bps** from 40.0% to **39.7%**.
- **Consumer loans** were up **2%** during the quarter driven by **2%** growth in both **mortgages and credit cards**, and **3%** growth in **auto loans**. On an annual basis, the **consumer portfolio** expanded **7%**, with a **9%** increase in **mortgages**, **11%** in **auto loans**, **8%** in **credit cards**, and a (**3%**) decline in **payroll loans**.
- **Commercial loans** were up **3% vs. 3Q19**, **corporate 4%**, and **government loans 10%**. Overall, total loan portfolio had a **4% quarterly increase**, and a (**2%**) annual decline. Excluding government loans, the total loan portfolio grew 2% vs. 2018.
- **Asset quality** showed a good sequential trend, with **NPL ratio** improving (27bps) ending the quarter at **1.7%**; **coverage ratio** rose from 126.6% to **137.7%**. **Cost of Risk** totaled **1.98%** both for the quarter and the full year, **declining** (18bps) in the quarter, and (33bps) during the year.
- **The Bank's Core Deposits** were up **5%** quarterly: **demand deposits grew 9%**, while **time deposits were down (3%)**. On an annual basis, demand deposits were up 6%, and time deposits 4%, totaling 5% growth in Core Deposits.
- The bank's **Capital Ratio** reached **18.55%**; **Core Equity Tier 1 (CET1)** stood at **12.74%**, while **leverage ratio** ended the quarter at **10.84%**.

**Mexico City, January 23<sup>rd</sup>, 2020.**- In line with its commitment towards the well-being of Mexican families, **Grupo Financiero Banorte (GFNorte) grew its consumer loan portfolio by 7%** during the fourth quarter of 2019 vs. the same period in 2018, with mortgages and auto loans showing the best performance.

The **consumer loan** portfolio totaled **Ps 287.77 billion**, boosting the Group's **performing loan portfolio**, which totaled **Ps 762.64 billion**.

**Carlos Hank González**, Chairman of Grupo Financiero Banorte said "At Banorte, we closed 2019 strengthening our commitment to support Mexican families when they purchase either their home or a car. In 2020 we will continue our contribution towards fulfilling their dreams and driving their well-being".

### Continued growth in loans for Mexican families

With accumulated results for 2019, GFNorte supported **164,043** customers with a mortgage to purchase their home, and **173,483** individuals to acquire a vehicle.

The **mortgage** portfolio showed **9%** growth vs. 4Q18 totaling **Ps 170.09 billion**, and the **auto** portfolio was up **11%** reaching an ending balance of **Ps 26.67 billion**.

**Credit card** origination had an **8%** increase, reaching an ending balance of **Ps 39.70 billion**; **Payroll** loans totaled **Ps 51.31 billion**.

<b>Consumer Loan Portfolio*</b>	<b>4Q18</b>	<b>4Q19</b>	<b>Change</b>
<b>Mortgages</b>	155,798	<b>170,086</b>	<b>9%</b>
<b>Auto Loans</b>	24,132	<b>26,669</b>	<b>11%</b>
<b>Credit Card</b>	36,657	<b>39,700</b>	<b>8%</b>
<b>Payroll</b>	52,653	<b>51,311</b>	<b>(3%)</b>
<b>Total</b>	269,239	<b>287,766</b>	<b>7%</b>

\*Million pesos

In benefit of Mexican families, Banorte expanded its services footprint adding **180 municipalities**, now covering a total of 1,612 municipalities, 12.5% more than those in 2018 thanks to strategic partnerships with correspondent banks. This strategy has enabled Banorte to guarantee its presence across all the states of the country.

Thanks to strategic partnerships such as the one made with **Yastás**, **Banorte added 4,127 merchants to its correspondent network** – most of them located in communities without banking infrastructure-, totaling 14,181 locations.

GFNorte strengthened its support to the development of states and municipalities in the country, which was reflected in the **infrastructure loan performing loan portfolio**, which totaled **Ps 42.87 billion**.

GFNorte kept a solid and high-quality loan portfolio: during the period **NPL ratio** stood at **1.7%**, among the lowest in the banking system.

**Core deposits** had a **5%** increase vs. 4Q18; **demand deposits** rose **6%**, and **time deposits** **4%**.

### Main financial results

During the fourth quarter, **EPS** totaled **Ps 3.125**, **ROE** reached **19.0%**, **ROA** **2.28%**, and **Efficiency ratio** ended at **40.6%**.

Banco Mercantil del Norte's **Capital Adequacy Ratio (CAR)** was **18.6%**, with **CET1** at **12.74%**. **Leverage ratio** totaled **10.8%**.

### **Recent Events**

#### **1. LATIN FINANCE NAMES BANORTE AS BANK OF THE YEAR IN MEXICO**

On November 1<sup>st</sup>, 2019, GFNorte was named bank of the year in Mexico by Latin Finance. The LatinFinance Banks of the Year awards recognize financial institutions in Latin America and the Caribbean that demonstrated excellence in retail, commercial and investment services in the last year. These awards evaluate banks in their efforts between July 1<sup>st</sup>, 2018 and June 30<sup>th</sup>, 2019.

#### **2. FITCH RATED OPERADORA DE FONDOS BANORTE AS "EXCELLENT" WITH STABLE PERSEPECTIVE**

On November 15<sup>th</sup>, 2019, Fitch Ratings affirmed the 'Excellent (mex)' rating with a Stable Outlook for Operadora de Fondos Banorte, S.A. de CV, Investment Fund Operating Company, Grupo Financiero Banorte (OB), for having a robust investment platform and operating framework, exceeding the standards set by institutional managers in Mexico for the class and mix of strategies managed. Fitch also highlighted the good performance in corporate governance, as well as its strong organizational structure with segregation of functions, in addition to the fact that first and second level officials have extensive experience. Finally, they added that the key funds have shown consistent performance, in addition to having solid support from Grupo Financiero Banorte.

#### **3. PENSIONES BANORTE SIGNS AGREEMENT WITH PENSIONES SURA FOR THE ASSIGNMENT OF ITS LIFE ANNUITY INCOME BUSINESS**

On November 29<sup>th</sup>, 2019 Grupo Financiero Banorte informed the investing public that Pensiones Banorte had reached an agreement with Pensiones SURA S.A de C.V. by which SURA would transfer its Life Annuity portfolio. This transaction is still subject to approvals by the insurance and annuities regulator (Comisión Nacional de Seguros y Fianzas), as well as by the antitrust regulator (Comisión Federal de Competencia Económica) during the coming months. The transaction includes exclusively the Life Annuity business, which SURA Asset Management had stopped marketing since 2018. The transaction price will be set at the execution of the contract and will be informed to the market once the closing conditions be met.

#### **4. BANORTE RECEIVED THE 2019 ALAS20 INSTITUTION AWARD**

On December 2<sup>nd</sup>, 2019 Grupo Financiero Banorte won the ALAS 20 Institution Award, The ALAS20 Institution category is the most important category to which an investor in the 2020 Sustainable Leaders Agenda can aspire, since it is granted only to one investor, one who demonstrates leadership, consistency, and excellence in the public disclosure of its practices regarding responsible investments, corporate governance, and sustainability research. Awards are based on the results of each of the three winners in each of the three categories, weighting their scores according to the following criteria:

- Leading Institution in Responsible Investments: 40%
- Leading Institution in Corporate Governance: 35%
- Leading Institution in Sustainability Research: 25%

#### **5. BANORTE SIGNS COMMERCIAL AGREEMENT WITH SINOSURE**

On November 15<sup>th</sup>, 2019, Banorte became the first commercial bank in Mexico to sign a Bilateral Cooperation Framework Agreement with Sinosure, Export Credit Agency of the Government of China. This agreement will enable Banorte to provide short, medium and long-term financing to Mexican companies for imports from China, and Sinosure will grant insurance and credit guarantees to support and encourage exports from China to Mexico.