

## GFNorte reports Net Income of Ps 21.77 billion in 9M18, +25% higher than the prior year

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

On July 13<sup>th</sup>, 2018, Grupo Financiero Banorte, S.A.B. de C.V. completed the merger with Grupo Financiero Interacciones (GFI) and its subsidiaries. Therefore, in the financial results presented for the period ended on September 30, 2018, the following information is highlighted:

- The profit & loss statement and net profit include the revenues and expenses of GFI as of the date of the merger; therefore, they do not include the entire quarter. The balance sheet includes all the corresponding accounting records. In some paragraphs of this report, the relevant information that GFI reported in past quarters is added as a **proforma exercise** to show more appropriate comparisons **[these proforma comparisons are shown in brackets]**. It is also noted that the financial information of GFNorte prior to 3Q18 has not been restated to incorporate GFI.
- **Earnings per Share** for 3Q18 grew **+4.5% sequentially** and +20.9% YoY supported by strong results driven by diligent **control in the cost of funds and non-interest expenses**.
- **Net Income reached Ps 7.82 billion, showing strong sequential growth of +8.7%, and +25.7% vs. 3Q17**. Net Interest Income (NII) without Insurance and Annuities grew +5.7%, with similar growth in Loan Loss Provisions [proforma +4.0%]; Non-interest expense increased +5.3%, [proforma -4.0%], and Earnings before taxes +4.1% sequentially.
- The relevant key indicators for the quarter include: a stable Net Interest Margin (NIM) at 5.7% [proforma +62bp], Return on Equity (ROE) of **19.7%**, +54bp [proforma +117 bp]; Return on Assets (ROA) of **2.1%**, up +3bp [proforma +20 bp]; stable **Efficiency Ratio** at **39.7%** from 39.5% in the previous quarter; a sequential decline in **Non-Performing Loans ratio (NPL)** to **1.81%** from 1.97%, that is (16pb) [proforma +13 bp].
- **During the first nine months of the year, the Group's Net Income totaled Ps 21.77 billion**, underpinned by strong results across all subsidiaries **vs. 9M17: Banco Banorte +19%, Leasing and Factoring +19%, Mutual Funds +31%, Broker Dealer +17%, and Long Term Savings division +26%**.
- Key indicators for the **first nine months** showed great improvement vs. 9M17: **NIM** grew from 5.5% to **5.7%**, **Efficiency Ratio** improved 325bp to **40.0%**, **ROE** up +222bp to **18.9%** and **ROA** grew +20bp reaching **2.0%**.
- Net Interest Income (NII) grew **+18.2% vs. 9M17**. Non-Interest Income up +23.2% while **Non-Interest Expenses increased +10.2% vs. 9M17**. **Net Operating Profit before taxes** improved **+25.5%** during the period.
- **Performing loans** were up **+17.3% sequentially**, while in the proforma comparison they decreased [-0.4%] during the quarter. **Government portfolio**, showed the strongest positive impact from the merger, by growing +51.9% [proforma -5.5% sequentially]. **Commercial** was up **+14.0%** [proforma +1.2%]. **Corporate +15.2%** [proforma +0.8% QoQ], and **consumer grew +2.6 sequentially, and +12.9% YoY**. **Consumer products are the primary driver for loan growth, auto loans** were up **+29.6%**, **mortgages +15.7%**, **credit cards +7.7%**, and **payroll +3.6% YoY**.
- **Asset quality behaved in accordance with the expected seasonality, resulting in an NPL ratio of 1.81%**, declining (16 bp) as a result of the incorporation of the GFI portfolio; with comparable proforma figures it increased [+13 bp].
- **Total deposits during the quarter** increased **+18.4% YoY**, **demand deposits +8%**, **time deposits +10%**, while **money market up +121% driven by the merger**.
- The bank's **Capital Ratio** is slightly reduced, as expected, by effects of the merger to **16.6%** during **3Q18**, with Core Equity Tier 1 (CET1) at 12.1%, while the **leverage ratio** stood at **8.3%**.

**Mexico City, October 18, 2018. Grupo Financiero Banorte (GFNorte)** as an ally of Mexican families and the country's development, reported a **+25%** increase in its performing loan book during 3Q18 vs. 2Q18, reaching a total balance of Ps 751.7 billion.

Such growth is mainly driven by **consumer loans**, which showed a **+13%** increase vs. 3Q17, totaling Ps 263.4 billion. Mortgages and auto loans were the fastest growing product lines within the consumer book.

**Auto loans** reported a **+30%** increase, totaling **Ps 23.26 billion** during the quarter, leading growth among peers in the industry. Similarly, **mortgages** totaled **Ps 150.46 billion**, showing a **+16%** increase during the quarter, consolidating its second place in the system.

These increases had an impact on more than **16,000 families**, who benefited from mortgages during the first nine months of the year, and more than **52,000 people** who had access to auto loans during this period.

The **credit card** loan book totaled Ps 35.6 billion, showing an **+8%** increase vs. 3Q17, leading growth among its peers as a result of a more cautious origination strategy aimed at maintaining asset quality. **Payroll loans** were up **+4%** YoY, totaling Ps 54.1 billion.

The aforementioned increase in performing loans was also driven by growth in **commercial** loans, which totaled **Ps 163.2 billion**, up **+25%** vs. 3Q17; **corporate** loans at Ps 127.4 billion, **+20%** above 3Q17, and **government** loans with an ending balance of Ps 197.6 billion, a **+50%** YoY increase. All these figures incorporate the effect of the merger with Grupo Financiero Interacciones.

GF Interacciones' loan book includes a total of **93 infrastructure projects** which favor the country's development. **28 of these projects** are focused in the **mobility sector** across 16 states, providing new highways, updating and maintaining 2,300 kms of them. It also includes projects to improve Mexico's public transportation infrastructure.

In the **energy sector**, there are **26 projects** across 24 states which provided financing for 1,073km of electrical power transmission lines, 30 substations, 530,104 utility meters, and 163,000 light posts.

There were also projects to finance public distribution of **drinking water**, as well as maintenance of sewage, drainage and water treatment systems in states and municipalities.

In the **education sector**, there were projects to finance the installation and maintenance of water fountains in more than 935 public schools, with 102,000 students across four states.

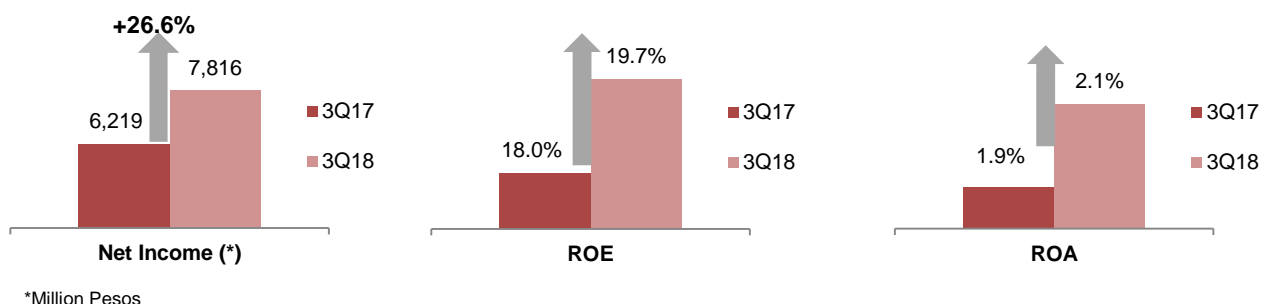
*"The increase in credit supply is the direct result of our commitment with the Mexican families, with their needs and dreams. To Banorte, growth means success, only if it is shared hand in hand with Mexicans across all regions in the country"* said **Marcos Martínez, CEO of Grupo Financiero Banorte.**

**Non-Performing Loans** totaled Ps 13.9 billion during 3Q18, resulting in an NPL ratio of **1.8%**.

**Core Deposits** increased **9%** during the quarter vs. 3Q17, reaching a total balance of Ps 620.2 billion. Demand deposits grew +8%, while time deposits +10%.

Thanks to all these results, the Group reported quarterly **Net Income** of **Ps 7.81 billion**, **+26%** higher than 3Q17. **Net income** for 9M18 totaled **Ps 21.77 billion**, a **+25%** increase vs. the prior year, driven by performance across all subsidiaries: the **Bank +19%**; **Leasing and Factoring +19%**, **Brokerage +17%**, **Mutual Funds +31%**, and **Long Term Savings +26%**.

GFNorte's profitability had significant growth:



**Net Interest Income** grew + 20% reaching Ps 19.06 billion during 3Q18. Profitability ratios also show a successful strategy execution at GFNorte: **Net Interest Margin (NIM)** reached **5.7%** from 5.5% in 3Q17; **Return on Equity (ROE)** totaled **19.7%** vs. 18.0%, while **Return on Assets (ROA)** stood at **2.1%**, from 1.9% in 3Q17.

GFNorte Key Numbers	3Q17	3Q18	Change	9M17	9M18	Change
<b>Net Income*</b>	6,219	<b>7,816</b>	26%	17,426	<b>21,776</b>	25%
<b>Net Interest Income*</b>	15,883	<b>19,061</b>	20%	46,727	<b>55,226</b>	18%
<b>Net Operating Income*</b>	8,227	<b>10,318</b>	25%	23,270	<b>29,197</b>	25%
<b>Performing Portfolio</b>				601,602	<b>751,735</b>	25%
<b>Efficiency</b>	41.4%	<b>39.7%</b>		43.3%	<b>40.0%</b>	
<b>ROE</b>	18.0%	<b>19.7%</b>		16.6%	<b>18.9%</b>	
<b>ROA</b>	1.9%	<b>2.1%</b>		1.8%	<b>2.0%</b>	

\*Million Pesos

Banco Mercantil del Norte reported a **Capital Adequacy Ratio (CAR)** of **16.6%**, with CET1 of 12.1%, while **Leverage Ratio** totaled **8.3%** in 3Q18.

## Recent Events

### 1. MERGER WITH GRUPO FINANCIERO INTERACCIONES (GFI)

As of July 13, 2018 the mergers between Grupo Financiero Banorte ("GFNorte"), and Grupo Financiero Interacciones ("GFInter") and their corresponding subsidiaries, took place in accordance with the applicable law, and in accordance with the merger agreements from their respective shareholder's assemblies, and the authorizations from the financial authorities; therefore, the mergers have been duly registered in the Public Registries of Commerce.

On July 10, 2018, GFNorte and GFInter received the necessary authorizations from the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) - considering the opinion of the Central Bank (Banco de México), the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), and the National Insurance and Bonding Commission (Comisión Nacional de Seguros y Fianzas) respectively- to carry out the merger of: (i) GFInter, as the merged company, with GFNorte, as the merging company; (ii) Banco Interacciones, S.A., as the merged company, with Banco Mercantil del Norte, S.A., as the merging company; (iii) Interacciones Casa de Bolsa, S.A. de C.V., as the merged company, with Casa de Bolsa Banorte, S.A. de C.V., as the merging company; (iv) Aseguradora Interacciones, S.A. de C.V., as the merged company, with Seguros Banorte, S.A. de C.V., as the merging company; and (v) Interacciones Sociedad Operadora de Fondos de Inversión, S.A. de C.V., as the merged company, with Operadora de Fondos Banorte, S.A. de C.V., as the merging company (the "Mergers").

### 2. 2018 BANORTE FORUM (FORO BANORTE 2018)

On August 22<sup>nd</sup> and 23<sup>rd</sup>, Banorte hosted its 2018 Strategy Forum (Foro Estrategia Banorte 2018), with the main subject being "Banorte as an ally of Mexico's future". This was an unprecedented event that brought together the main appointees to the incoming government's ministries, and leading business men from Mexico. This forum was a place for open dialogue between the next administration and the country's main business groups who were able to obtain first-hand, a vision of the next government's plans on budgeting strategy, infrastructure, telecommunications education, and rule of law.

During its seventh edition, Foro Banorte had direct impact on 16,000 employees, and approximately 6,000 students and teachers from 29 universities across the country via live streaming, and 226 million Twitter accounts. There were more than 20,000 visits to ForoBanorte's online portal, in which 27 notes and 12 videos were uploaded, and where more than 880 mentions were generated both in traditional and digital means.

**3. AFORE XXI BANORTE IS RECOGNIZED AS THE BEST PENSION FUND IN MEXICO IN 2018.**

On July 31, and for the third consecutive time, Afore XXI Banorte was recognized by The World Finance Pension Fund Awards, as the best pension fund in Mexico. This is the fourth award obtained by Afore XXI Banorte in this category, which recognizes companies which have demonstrated an ability to innovate and adapt to the ever-changing and complex sector environment, while maintaining a standard of excellence. Afore XXI Banorte was awarded for its investment policy's track record, its industry leadership on developing innovative strategies, as well as for showing superior quality, adaptability, excellence and technological solutions that enable it to learn more about its clients' needs.

**4. GFNORTE WAS INCLUDED FOR THE THIRD CONSECUTIVE YEAR IN THE FTSE4GOOD EMERGING MARKET SUSTAINABILITY INDEX.**

In September, GFNorte was once again included in the FTSE4Good Index Series, which consolidates it as a company that meets the highest sustainability standards set forth by the FTSE stock exchange in London.

This index is made up of 499 companies, 24 of which are Mexican. These companies were evaluated on climate change, biodiversity, labor standards, health and security, as well as risk management and corporate governance. GFNorte ranked 5<sup>th</sup> on market cap in the "Emerging Latin America" division.

**5. GFNORTE IS RECOGNIZED BY INSTITUTIONAL INVESTOR MAGAZINE**

In August, Institutional Investor magazine published its annual rankings on "Best Executive Team in Latin America in 2018", which are awarded through a survey of 924 fund managers, and market analysts from 2015 institutions.

The attributes measured were: upper management's accessibility, how well informed is the team, timely and proper financial information, turnaround speed on questions and concerns, transparency and financial information disclosure, constructive conference calls, deep and relevant information on Social, Environmental and Governance (ESG) issues, as well as Socially Responsible Investment (SRI).

For the eighth consecutive year, GFNorte's executive team ranked within the first positions among Latin American banks and companies highlighting:

1<sup>st</sup> place as best IRO

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