

4Q18

Financial Results as of December 31st, 2018

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GFNORTE



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I. Executive Summary

GFNorte reports Net Income of Ps 31.96 billion on December 31st, 2018

Recurring Net income totaled Ps 30.31 billion, +27% higher vs. 2017

2018 was a challenging year for Grupo Financiero Banorte, and one of the most important projects throughout the year was the acquisition and integration process with Grupo Financiero Interacciones. This merger took Banorte one step further into becoming one of Mexico's most profitable and efficient financial groups, with a business model that enables broader customer reach, and greater benefits. The most relevant results presented for the period ended on December 31, 2018, are the following:

Reported net income for the quarter was Ps 10.18 billion, which represents **30%** growth vs. the previous quarter. Such result includes an extraordinary income net of taxes of Ps 1.65 billion, generated from a sale and leaseback transaction of real estate assets owned by the bank. Net income per share totaled Ps 3.53.

Adjusting for the extraordinary income, **recurring net income for the quarter totaled Ps 8.54 billion, showing a +9% quarterly increase**, and **recurring EPS of Ps 2.96**.

Recurring accumulated net income for 2018 amounted to **Ps 30.31 billion**, showing a **+27%** increase which took **recurring EPS to Ps 10.51**. Reported accumulated net income reached Ps 31.96 billion representing a **+34%** annual growth. Reported EPS totaled Ps 11.08.

In terms of **profitability**, **NIM** reached **5.4%**, showing a decline vs. the previous quarter; however, accumulated recurring NIM for the year **increased +16 bps**, totaling **5.6%** as a result of natural loan growth, and the income contribution from the insurance and annuities businesses.

Recurring quarterly ROE was **20.1%** on strong results, while recurring annual ROE was **19.3%**. Meanwhile reported ROE for the group stood at 23.8% for the quarter, and 20.3% for the year. In both cases there is an improvement vs. their corresponding results in the previous year.

Recurring ROA totaled **2.1%**, flat vs. the previous quarter, +20bps annually. Reported ROA for the quarter was 2.5%, and 2.2% for the year.

Recurring efficiency ratio for the quarter and for the year reached **40.0%**. Reported efficiency showed a significant improvement during the quarter totaling **36.6%**, while the accumulated result also improved to **39.0%** from 42.8% in 2017.

Performing loans grew **+3%** quarterly, with corporate and commercial portfolios showing the largest growth rates of +7%, followed by consumer which increased by +2%.

Asset quality improves consecutively. **NPL ratio** totaled **1.68%**, a +14bps improvement vs. 1.81% in 3Q18. **Coverage ratio** improves +602 bps reaching **142.1%**.

The **total bank deposits** were up **+3%** during the quarter, and 17% annually, showing good results across the different deposit segments.

The bank's **Capital Ratio** reached **17.2%**; **Core Equity Tier 1 (CET1)** stood at **12.7%**, while **leverage ratio** ended the quarter at **8.4%**.

Income Statement Highlights - GFNorte (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Interest Income	29,580	37,445	39,203	5%	33%	110,509	137,583	24%
Interest Expense	11,727	17,217	17,600	2%	50%	44,635	60,754	36%
Technical Results (Insurance & Annuities)	(1,214)	(1,167)	(2,004)	(72%)	65%	(2,507)	(2,003)	20%
Net Interest Income	16,640	19,061	19,600	3%	18%	63,366	74,825	18%
Net Service Fees -	3,279	3,453	3,730	8%	14%	11,738	13,041	11%
Trading	331	877	1,263	44%	281%	2,657	4,228	59%
Other Operating Income (Expenses) ° *	699	452	2,795	518%	300%	1,077	4,259	296%
Non Interest Income	4,310	4,783	7,788	63%	81%	15,473	21,528	39%
Total Income	20,949	23,844	27,387	15%	31%	78,839	96,354	22%
Non Interest Expense - °	8,732	9,461	10,013	6%	15%	33,782	37,610	11%
Provisions	3,544	4,065	3,906	(4%)	10%	13,114	16,079	23%
Operating Income	8,674	10,318	13,468	31%	55%	31,943	42,665	34%
Taxes	2,476	2,767	3,375	22%	36%	9,048	11,637	29%
Subsidiaries & Minority Interest	283	265	89	(66%)	(69%)	924	929	1%
Discontinued Operations	2	-	-	N.A.	(100%)	89	-	(100%)
Net Income	6,482	7,816	10,182	30%	57%	23,908	31,958	34%

Balance Sheet Highlights - GFNorte (Million Pesos)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Asset Under Management	2,423,321	2,752,489	2,607,083	(5%)	8%
Performing Loans (a)	615,598	751,735	777,192	3%	26%
Past Due Loans (b)	12,482	13,895	13,263	(5%)	6%
Total Loans (a+b)	628,080	765,630	790,455	3%	26%
Total Loans Net (d)	611,958	746,725	771,611	3%	26%
Acquired Collection Rights (e)	2,477	2,610	2,417	(7%)	(2%)
Total Credit Portfolio (d+e)	614,435	749,335	774,028	3%	26%
Total Assets	1,354,147	1,584,791	1,620,470	2%	20%
Total Deposits	640,821	737,033	756,301	3%	18%
Total Liabilities	1,206,564	1,413,330	1,446,006	2%	20%
Equity	147,583	171,461	174,464	2%	18%

Financial Ratios GFNorte	4Q17	3Q18	4Q18	2017	2018
Profitability:					
NIM (1)	5.6%	5.7%	5.4%	5.5%	5.6%
ROE (2)	18.1%	19.7%	23.8%	17.0%	20.3%
ROA (3)	2.0%	2.1%	2.5%	1.9%	2.2%
Operation:					
Efficiency Ratio (4)	41.7%	39.7%	36.6%	42.8%	39.0%
Operating Efficiency Ratio (5)	2.6%	2.5%	2.5%	2.6%	2.6%
CCL Banorte and SOFOM - Basel III (6)	123.4%	107.6%	107.0%	123.4%	107.0%
Asset Quality:					
Past Due Loan Ratio	2.0%	1.8%	1.7%	2.0%	1.7%
Coverage Ratio	129.2%	136.1%	142.1%	129.2%	142.1%
Cost of Risk (7)	2.3%	2.3%	2.0%	2.2%	2.3%
Market References					
Banxico Reference Rate	7.25%	7.75%	8.25%	7.25%	8.25%
TIE 28 days (Average)	7.42%	8.11%	8.25%	7.05%	7.99%
Exchange Rate Peso/Dolar	19.66	18.72	19.65	18.67	19.08

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.

*As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

-As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid,

*As of 1Q18 and retroactively for 2017a component of Administrative *Expenses from the Leasing business was reclassified under Other Income.

Subsidiaries Net Income (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Banco Mercantil del Norte	4,763	5,900	8,645	47%	81%	18,012	24,377	35%
Banorte- Ixe-Broker Dealer	146	238	214	(10%)	47%	691	851	23%
Operadora de Fondos Banorte-Ixe	85	97	89	(8%)	5%	281	347	23%
Retirement Funds - Afore XXI Banorte	311	342	222	(35%)	(29%)	1,284	1,256	(2%)
Insurance	606	689	645	(6%)	6%	2,775	3,434	24%
Annuities	340	230	189	(18%)	(44%)	882	818	(7%)
BAP (Holding)	1	194	24	(1%)	30%	2	234	1063%
Leasing and Factoring	219	177	203	15%	(7%)	771	861	12%
Warehousing	13	1	2	253%	(82%)	42	17	(59%)
Sólida Administradora de Portafolios	(44)	(147)	(216)	(47%)	(391%)	(963)	(793)	18%
Ixe Servicios	(1)	(0)	(0)	(29%)	37%	(2)	(1)	33%
G. F. Banorte (Holding)	43	96	164	70%	279%	132	557	321%
Total Net Income	6,482	7,816	10,182	30%	57%	23,908	31,958	34%

Share Data	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Earnings per share (Pesos)	2.337	2.711	3.531	30%	51%	8.619	11.083	29%
Earnings per share Basic (Pesos)	2.354	2.728	3.557	30%	51%	8.684	11.389	31%
Dividend per Share for the period (Pesos)	0.00	0.00	0.00	NA	-	8.73	3.45	(60%)
Payout for the period	0.0%	0.0%	0.0%	NA	-	40.0%	0.0%	(100%)
Book Value per Share (Pesos)	52.55	58.74	59.75	2%	14%	52.55	59.75	14%
Issued Shares (Million)	2,773.7	2,883.5	2,883.5	0%	4%	2,773.7	2,883.5	4%
Stock Price (Pesos)	107.83	135.30	95.78	(29%)	(11%)	107.83	95.78	(11%)
P/BV (Times)	2.05	2.30	1.60	(30%)	(22%)	2.05	1.60	(22%)
Market Capitalization (Million Dollars)	15,211	20,837	14,054	(33%)	(8%)	15,211	14,054	(8%)
Market Capitalization (Million Pesos)	299,091	390,132	276,177	(29%)	(8%)	299,091	276,177	(8%)

Share performance



II. Management's Discussion & Analysis

Throughout this document there are references to reported and recurring figures, the latter are related to ongoing business activities, without the effect of the extraordinary asset sale & leaseback transaction.

For comparison effects, it is important to consider that GFNorte holds a 98.2619% ownership of the bank, therefore certain figures may vary between the Group and the bank.

Net Interest Income (NII) (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Interest Income	26,626	33,921	35,105	3%	32%	100,315	125,631	25%
Interest Expense	11,517	16,944	17,316	2%	50%	43,941	59,703	36%
Loan Origination Fees	297	334	338	1%	14%	1,171	1,283	10%
Fees Paid	210	273	284	4%	35%	695	1,052	51%
NII excluding Insurance and Annuities Co.	15,197	17,038	17,844	5%	17%	56,850	66,160	16%
Premium Income (Net)	5,596	5,983	5,838	(2%)	4%	25,043	29,067	16%
Technical Reserves	2,965	2,458	3,260	33%	10%	12,645	13,508	7%
Damages, Claims and Other Obligations	3,845	4,692	4,582	(2%)	19%	14,906	17,563	18%
Technical Results	(1,214)	(1,167)	(2,004)	(72%)	N.A.	(2,507)	(2,003)	20%
Interest Income (Expenses) net	2,657	3,190	3,760	18%	42%	9,024	10,669	18%
Insurance and Annuities NII	1,443	2,023	1,756	(13%)	22%	6,517	8,665	33%
GFNORTE's NII	16,640	19,061	19,600	3%	18%	63,366	74,825	18%
Credit Provisions *	3,544	4,065	3,906	(4%)	10%	13,114	16,079	23%
NII Adjusted for Credit Risk	13,096	14,996	15,693	5%	20%	50,252	58,746	17%
Average Earning Assets	1,194,474	1,342,962	1,456,619	8%	22%	1,157,638	1,329,316	15%
Net Interest Margin (1)	5.6%	5.7%	5.4%			5.5%	5.6%	
NIM after Provisions (2) *	4.4%	4.5%	4.3%			4.3%	4.4%	
NIM adjusted w/o Insurance & Annuities	5.6%	5.6%	5.4%			5.4%	5.5%	
NIM from loan portfolio (3)	8.6%	8.4%	7.8%			8.5%	8.3%	

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

* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses"

Net Interest Income (NII)

NII excluding Insurance and Annuities grew +5% as a result of good performance in credit origination (loan portfolio grew +3% vs. 3Q18), and had a slight contribution from the +25bps hike in the reference rate in November, while the latest hike in December had a mild impact on interest paid. **Loan portfolio NIM** stood at **7.8%**, showing a decline vs. the **8.4%** in the previous quarter, same behavior as **NIM without Insurance and Annuities** which totaled **5.4%**, as a result of the cumulative impact of the +8.5% growth in average earning assets from the recent asset acquisitions performed by the group, whose effects on income will be fully evident until the next quarter.

Regarding Insurance and Annuities' NII, there is a **(13%)** decline resulting from an increase in insurance reserves. During the quarter there were less reserves released, while there was a renewal of health insurance policies which generated additional reserves. On the other hand, Annuities had lower issuances during the quarter, following a seasonal effect during the first and last quarters of the year.

Overall GFNorte's **NII grew +3%** resulting from income from loan originations, repo transactions, and mark-to-market adjustments. **NIM** ended at **5.4%**, showing a decline due to high growth in earning assets at the end of the period. The accumulated result **increased +18%** as a result of significant revenue increases in Insurance and Annuities, and repos, as well as from ongoing loan growth. **NIM for the year totaled 5.6%**, showing a +16bp improvement vs. 2017.

During the year, there was a +16% increase in **interest income without Insurance and Annuities** as a consequence of strong loan growth, in addition to the impact from the +100bps total increase to the reference rate during the year, resulting in **loan portfolio NIM** of **8.3%**, below the 8.5% figure in 2017. This reduction is explained by the mathematical effect of incorporating the acquired loan book in the NIM formula.

Furthermore, accumulated **income from Insurance and Annuities** grew **+33%**, driven by growth in the Insurance business, mainly in life, damages and auto portfolios. The pensions business shows an increase from the incorporation of the acquired portfolios during the year.

Non-Interest Income

Non-Interest Income (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Net Service Fees ↘	3,279	3,453	3,730	8%	14%	11,738	13,041	11%
Trading	331	877	1,263	44%	281%	2,657	4,228	59%
Other Operating Income (Expenses) ° **	699	452	2,795	518%	300%	1,077	4,259	N.A.
Non-Interest Income	4,310	4,783	7,788	63%	81%	15,473	21,528	39%

↘ As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)", were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid, and a component of Administrative Expenses from the Leasing business was reclassified under Other Income.

There is a **+12%** increase on **quarterly recurring non-interest income**, and a **+24% annual growth** mainly driven by an increase in net service fees, and a significant increase in trading income resulting from derivatives sold to customers.

Regarding **reported non-interest income**, quarterly growth was **+63%**, and annual growth totaled 39%; in both cases, this result was mostly explained by the sale & lease back of bank assets for a gross amount of **Ps 2.41 billion**.

Service Fees

Service Fees (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Fund Transfers	380	418	430	3%	13%	1,489	1,634	10%
Account Management Fees	662	627	645	3%	(3%)	2,529	2,517	(0%)
Electronic Banking Services	1,902	2,007	2,362	18%	24%	6,903	8,268	20%
Basic Banking Services Fees	2,944	3,053	3,437	13%	17%	10,921	12,419	14%
For Commercial and Mortgage Loans	178	376	492	31%	177%	694	1,272	83%
For Consumer Loans	1,146	1,179	1,253	6%	9%	4,296	4,711	10%
Fiduciary	133	129	135	5%	2%	422	498	18%
Income from Real Estate Portfolios	40	15	113	671%	181%	107	189	76%
Mutual Funds	372	458	451	(1%)	21%	1,343	1,673	25%
Trading & Financial Advisory Fees	134	138	131	(5%)	(2%)	721	702	(3%)
Other Fees Charged (1)	306	288	250	(13%)	(18%)	1,038	1,103	6%
Fees Charged on Services	5,252	5,635	6,263	11%	19%	19,542	22,567	15%
Interchange Fees	875	961	1,173	22%	34%	3,099	4,000	29%
Insurance Fees	186	316	294	(7%)	59%	1,218	1,479	22%
Other Fees Paid	912	905	1,066	18%	17%	3,487	4,047	16%
Fees Paid on Services ↘	1,972	2,182	2,534	16%	28%	7,803	9,526	22%
Net Service Fees	3,279	3,453	3,730	8%	14%	11,738	13,041	11%

1) Includes fees from letters of credit, transactions with pension funds, warehousing services, financial advisory services and securities trading among others.

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid

Fees charged on services grew 11% during the quarter, attributed primarily to income from electronic banking services, to the increase in origination fees from commercial and mortgage loans, and to income from the sale of real estate portfolios. During 2018, the **accumulated result** increased **+15%** mainly explained by growth in electronic banking services, and fees from commercial, mortgage and consumer loan origination, resulting from higher customer activity.

On the other hand **fees paid increased +16%** in the quarter, with interchange fees showing the largest increase, as well as growth in other fees paid. On an annual basis, there is a **+22%** increase explained by higher interchange activity in the acquirer business, followed by Insurance fees paid, and other fees paid related to loan origination and debt, as well as by correspondent banking fees.

Trading

Trading Income (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Currency and Metals	(9)	(97)	(136)	(40%)	1448%	(153)	(119)	22%
Derivatives	387	(2)	1,184	N.A.	206%	493	1,979	301%
Negotiable Instruments	(639)	109	(266)	(343%)	(58%)	(709)	(135)	81%
Valuation	(260)	10	782	N.A.	N.A.	(370)	1,724	N.A.
Currency and Metals	452	638	509	(20%)	12%	1,729	2,113	22%
Derivatives	(189)	70	(63)	(190%)	(67%)	137	(71)	N.A.
Negotiable Instruments	328	160	35	(78%)	(89%)	1,161	461	(60%)
Trading	592	868	481	(45%)	(19%)	3,027	2,503	(17%)
Trading Income	331	877	1,263	44%	281%	2,657	4,228	59%

Trading Income **increased +44% for the quarter, and +59% annually** due to derivative contracts sold to customers totaling Ps 700 million, registered under derivatives valuation, and from increased activity in FX transactions with customers, which had higher transaction margins.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Loan Recovery*	5	2	2	(15%)	(60%)	13	9	(33%)
Loan Portfolios	64	69	56	(19%)	(14%)	190	227	19%
Income from Foreclosed Assets	156	188	(60)	(132%)	(139%)	159	275	73%
Provisions Release*	3	29	(29)	(199%)	N.A.	8	16	100%
Losses and Estimates	(583)	(650)	(391)	40%	(33%)	(1,636)	(2,310)	(41%)
Impairment of Assets	134	-	(7)	N.A.	(105%)	(493)	(180)	64%
Lease Income	125	121	114	(6%)	(8%)	447	465	4%
From Insurance	199	197	218	11%	10%	835	870	4%
Others	596	496	2,891	482%	385%	1,553	4,887	215%
Other Operating Income (Expenses)	699	452	2,795	518%	300%	1,077	4,259	296%

* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses"

Recurring other operating income (expenses) show a quarterly **(15%)** decline, totaling **Ps 385 million**, and a **+72%** increase annually, reaching **Ps 1.85 billion**, as a result of higher income from foreclosed assets, higher insurance and leasing income, and others.

The significant **increase** in reported other operating income (expenses), both during the quarter and for the year, is explained by the **Ps 2.41 billion non-recurring gross income**, totaling **Ps 2.79 billion** and Ps 4.25 billion respectively.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Personnel	3,445	3,721	3,915	5%	14%	13,447	15,022	12%
Professional Fees	875	772	1,090	41%	25%	2,926	3,330	14%
Administrative and Promotional - °	1,931	2,086	1,959	(6%)	1%	7,554	7,954	5%
Rents, Depreciation & Amortization	1,245	1,435	1,458	2%	17%	5,058	5,625	11%
Taxes other than income tax & non deductible expenses	453	481	615	28%	36%	1,772	2,075	17%
Contributions to IPAB	696	845	853	1%	23%	2,634	3,149	20%
Employee Profit Sharing (PTU)	88	120	123	2%	40%	391	455	16%
Non-Interest Expense	8,732	9,461	10,013	6%	15%	33,782	37,610	11%

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid, and also a component of Administrative Expenses from the Leasing business was reclassified under Other Income

The quarterly **+6% increase** in non-interest expense includes a one-time Ps 300 million advisory fee, Ps 150 million in one-time severance payments, and 300 million pesos related to managing the recently acquired business.

On the **annual** result, the **+11%** growth includes Ps 450 million in one-time advisory fees, and Ps 250 million from severance payments to employees. Additionally, there are Ps 765 million related to managing the recently acquired business.

The Recurring Efficiency ratio reached **40%** for both the quarter and the year, as a result of operating efficiency from lower administrative and operating expenses, and controlled cost of funds aligned with market conditions. Reported efficiency ratio for the quarter was 36.6% and 39% for the year.

Net Income

Net Income (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Operating Income	8,674	10,318	13,468	31%	55%	31,943	42,665	34%
Subsidiaries' Net Income	375	375	245	(35%)	(35%)	1,265	1,385	10%
Pre-Tax Income	9,049	10,693	13,713	28%	52%	33,208	44,050	33%
Taxes	2,476	2,767	3,375	22%	36%	9,048	11,637	29%
Discontinued Operations	2	-	-	N.A.	(100%)	89	-	(100%)
Minority Interest	(93)	(110)	(156)	42%	69%	(341)	(456)	(34%)
Net Income	6,482	7,816	10,182	30%	57%	23,908	31,958	34%

Recurring Net Income grows +7% in the quarter, and **+26%** in the **year**, both cases explained by good overall performance from the insurance business, mutual funds, and brokerage. Reported results show a **+31%** increase for the quarter and **+34%** for the year.

During the period, **recurring taxes** had a **(4%)** decline, and a **+21%** growth for the year, showing an effective tax rate of **23.5%** for the quarter and **26.2%** for the year. **Reported taxes** in the period grew **+22%**, and **+29%** for the year, driven by the tax generated by the asset sale & leaseback transaction posted in November.

Regarding **recurring net income for the quarter and full year**, they show growth rates of **+9%** and **+27%** respectively. Reported net income totaled **+30%** and **+34%** respectively. **Recurring EPS for the year is Ps 10.51** and **reported EPS is Ps 11.08**.

Profitability

	4Q17	3Q18	4Q18
ROE	18.1%	19.7%	23.8%
Goodwill & Intangibles (billion pesos)	28	42	45
Average Tangible Equity (billion pesos)	115	122	123
ROTE	22.3%	25.4%	32.0%

Recurring ROE was **20.1%** in the **quarter** and **19.3%** for the **full year**; meanwhile **reported ROE** was **23.8%** and **20.3%** respectively.

During the period, reported **ROTE** totaled **32%**, while the **recurring** figure was **27%**; both numbers above their respective 2017 results.

	4Q17	3Q18	4Q18
ROA	2.0%	2.1%	2.5%
Average Risk Weighted Assets (billion pesos)	621	662	692
RRWA	3.9%	4.3%	4.6%

The Goodwill increase vs. the previous period was attributed to the initial recognition of overvalued assets and liabilities from GFI, which were not registered. During the quarter, there were Ps 486 million assets recognized, and Ps 1.22 billion liabilities which were not recognized, in addition to a Ps 18 million valuation increase related to goodwill from Uniteller (NIF B7 norm specifies a 1-year timeframe to register such adjustments).

Recurring ROA stays flat at **2.1%** for both the quarter and full year periods. Reported ROA in the period is **2.5%**, and **2.2%** for the year.

Regulatory Capital (Banco Mercantil del Norte)

Banorte has fully adopted the capitalization requirements established to date by Mexican authorities and international standards, so-called Basel III, which came into effect in January 2013.

In July 2018, Banorte was confirmed as Level II - Domestic Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 bps, to be constituted progressively in up to four years, starting on December 2016. Therefore, starting on December 2017, the **minimum Capitalization 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)	4Q17	3Q18	4TQ18	Change	
				3Q18	4Q17
Core Tier 1 Capital	75,220	89,977	94,970	5.5%	26.3%
Tier 1 Capital	95,323	109,074	113,835	4.4%	19.4%
Tier 2 Capital	13,286	13,903	14,472	4.1%	8.9%
Net Capital	108,609	122,977	128,307	4.3%	18.1%
Credit Risk Assets	507,721	618,134	627,037	1.4%	23.5%
Net Capital / Credit Risk Assets	21.39%	19.9%	20.46%	0.6 pp	(0.9 pp)
Total Risk Assets	626,976	742,240	747,352	0.7%	19.2%
Core Tier 1	12.00%	12.12%	12.71%	0.6 pp	0.7 pp
Tier 1	15.20%	14.70%	15.23%	0.5 pp	0.0 pp
Tier 2	2.12%	1.87%	1.94%	0.1 pp	(0.2 pp)
Capitalization Ratio	17.32%	16.57%	17.17%	0.6 pp	(0.2 pp)

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

At the end of 4Q18 the estimated Capitalization Ratio (CR) for Banorte was 17.17% considering credit, market and operational risk; and, 20.46% considering only credit risks. Moreover, Total Tier 1 Capital reached 12.71% as of 4Q18.

The **Capitalization Ratio** increased **+0.60 bps** vs. 3Q18 due to the following effects:

1. Net income growth for 4Q18	+ 1.18 pp
2. Other Capital Effects*	+ 0.30 pp
3. Permanent Investments & Intangibles	- 0.03 pp
4. Interest paid on Tier 1 capital notes	- 0.04 pp
5. Change in Risk Assets	- 0.11 pp
6. Capital Notes efficiency loss	- 0.14 pp
7. Goodwill**	-0.19 pp
8. Securities' (mark-to-market)	-0.37 pp

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

** Initial fair market value valuation of Assets & Liabilities related to the merger

The **Capitalization Ratio** decreased **-0.16 bps** vs. 4Q17, as follows:

1.	Profit growth for 4Q18	+ 3.32 pp
2.	Other Capital effects*	+ 0.11 pp
3.	Capital Notes	- 0.14 pp
4.	Interest paid on Tier 1 Capital Notes	- 0.16 pp
5.	Goodwill**	- 0.19 pp
6.	Permanent Investments and Intangibles	- 0.38 pp
7.	Securities' (mark-to-market)	- 0.33 pp
8.	Growth in Risk Assets	- 0.88 pp
9.	Merger Effect	- 1.51 pp

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

** Initial fair market value valuation 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)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Tier 1 Capital	95,323	109,074	113,835	4.4%	19.4%
Adjusted Assets	1,133,176	1,317,442	1,353,919	2.8%	19.5%
Leverage Ratio	8.41%	8.28%	8.41%	0.1 pp	(0.0 pp)

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

Deposits

Deposits (Million Pesos)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Non-Interest Bearing Demand Deposits	300,910	283,036	303,340	7%	1%
Interest Bearing Demand Deposits	95,742	125,289	110,670	(12%)	16%
Total Demand Deposits*	396,652	408,325	414,010	1%	4%
Time Deposits – Retail	193,617	211,890	222,748	5%	15%
Core Deposits	590,270	620,215	636,758	3%	8%
Money Market	58,352	120,383	122,477	2%	110%
Total Bank Deposits	648,622	740,598	759,235	3%	17%
GFNorte's Total Deposits	640,821	737,033	756,301	3%	18%
Third Party Deposits	157,748	175,253	150,850	(14%)	(4%)
Total Assets Under Management	806,370	915,851	910,085	(1%)	13%

* Starting on 1Q18 and retroactively for 2017, accounts that were previously registered under Interest Bearing Demand Deposits will now be registered under Non-interest Bearing Demand Deposits, according to their particular situation.

Banorte's total deposits increased +3% during the quarter and **+8%** during the year. The quarterly increase is mainly explained by higher time deposits in line with seasonality effects for the period, while **demand deposits** had a slight **+1%** growth, together with an increase in demand deposits which had a higher cost. On the annual comparison, time deposits, as well as interest-bearing demand deposits show a significant increase as a consequence of a strong strategy towards increasing average account balances and client loyalty.

Trading desk operations show a **+2%** quarterly growth, and **+110%** annually, in line with the strategy to fund the acquired assets at lower costs. Overall, **total bank deposits grew +3%**, and **+17%** respectively.

Loans

Performing Loan Portfolio (Million Pesos)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Mortgages	135,334	150,462	155,748	4%	15%
Auto Loans	19,189	23,260	24,131	4%	26%
Credit Card	33,906	35,590	36,657	3%	8%
Payroll	52,469	54,102	52,653	(3%)	0%
Consumer	240,899	263,414	269,187	2%	12%
Commercial	137,501	163,218	173,941	7%	27%
Corporate	102,220	127,409	136,639	7%	34%
Government	134,905	197,636	197,373	(0%)	46%
Recovery Bank	72	58	52	(10%)	(28%)
Total	615,598	751,735	777,192	3%	26%

Total Performing Loans increased by Ps 25.46 billion, +3% quarterly, highlighting **corporate** loan growth of **Ps 9.23 billion, up +7%**; **commercial** loans, + **Ps 10.72 billion, up +7%**, followed by **consumer** loans which grew **Ps 5.77 billion, up +2%** quarterly driven by a **+4%** growth in **mortgage** loans, a **+Ps 5.29 billion** asset increase.

For **the full year**, total performing loans **grew +26%**, driven by a **+46% growth** in **government loans** as a result of the incorporation of GFI's portfolio (government loans account for 25% of the total loan book), followed by a significant **+34%** increase in **corporate** loans, and a **+27%** in the **commercial** portfolio.

Consumer Portfolio

The consumer portfolio shows excellent growth rates in mortgages, auto loans and credit cards; however, there is a **3% slowdown in payroll loans**, which is in line with a strategy to improve asset quality in this particular product, and a more restrictive risk policy.

For the full year, **consumer** loans shows a **+12%** growth rate, above that of the system's and main peers'. Growth in **auto loans** is noteworthy, showing a **+26%** increase, followed by **mortgages +15%**, and credit cards +8%, thus keeping Banorte in 3rd place among the top players.

Market share position (CNBV records as of November 2018):

- **Mortgages.** Banorte shows annual growth rates considerably above market rates, (+15.6% compared to +9.9%), and a market share of 19.5% consolidating its **second place within the banking system**.
- **Auto Loans.** Solid annual growth driven by loan origination through exclusivity agreements with auto dealerships. Banorte holds a 17.7% market share, gaining +182bps in the year, thus **leading loan growth among the main banking players**.
- **Credit Cards.** Moderate +8% origination growth in order to preserve asset quality, but **led growth among top players**, ranking 4th in the market.
- **Payroll Loans.** Shows a decline as a result of a more moderate loan origination strategy aimed at preserving asset quality. Banorte holds a 21.2% market share, and **ranks third in the market**.
- **Commercial.** Shows a +7% expansion in the quarter, and +27% annual growth. Market share (including corporate loans, according to the regulator's methodology), stood at 11.1%, ranking fourth in the banking system.

GFNorte's **SME** performing shows a slight **+Ps 102 million increase** vs. the previous period, and a **+1% increase** vs. the previous year. NPL ratio totaled 5.5%, showing an improvement vs. 6.0% during the previous quarter.

SME's Loans (Million Pesos)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Performing Portfolio	33,447	33,533	33,635	0%	1%
% of Performing Commercial Portfolio	24.3%	20.5%	19.3%	(121bp)	(499 bp)
% of Total Performing Portfolio	5.4%	4.5%	4.3%	(13 bp)	(111 bp)
NPL Ratio	5.3%	6.0%	5.5%	(52 bp)	18 bp

- **Corporate Loans.** The portfolio reached an ending balance of **Ps 136.64 billion** representing a +7% sequential and +34% annual increase, showing good credit demand in this segment. GFNorte's corporate loan book is well diversified by industry and regions, and showed low concentration risk. Its 20 main corporate borrowers accounted for 23.8% of the group's total portfolio. The group's largest corporate exposure represented 3% of the total portfolio; whereas number 20 represented 0.6% of it. 75% of GFNorte's main corporate borrowers have an A1 rating, 5% are A2, 10% are B1, 5% are B2 and the rest have B3 rating.

As of December 31, 2018 GFNorte's loan exposure to home builders was Ps 1.94 billion 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., (0.4%) lower than the previous quarter. This exposure represented 0.2% of the total loan portfolio, lower than the previous quarter. Total portfolio was 100% guaranteed, without changes vs. the previous quarter. For Corporación GEO and Desarrolladora Homex, loan exposure is fully guaranteed. Loan Loss Reserve coverage for these companies was 37.9% as of 4Q18. Solida held a balance of Ps 2.68 billion in investment projects from these companies, (52%) lower vs. 3Q18 related to a change in the accounting methodology to value these assets. The valuation loss was registered in Retained Earnings.

- **Government Book.** Loan book is slightly down vs. the previous quarter, with a total balance of **Ps 197.37 billion**. Annual portfolio growth is attributed to the incorporation of GFI's portfolio. GFNorte's government portfolio is diversified by regions, and shows adequate concentration risk given that 29.3% of the loans are granted to Federal Government entities. 82.3% of loans to states and municipalities are backed by a fiduciary guarantee, (consisting of Federal budget transfers and local revenues such as payroll tax), while short term loans (with no guarantee) account for 17.7% of the portfolio. As a result, as of November 2018, market share was of 34.2%, **ranking first in the system**.
- **Infrastructure:** As a result of the merger, the group incorporated a portfolio of infrastructure loans as follows:

Infrastructure Loans (Million Pesos)	Sep-18	Dic-18	Change Sep-18
Performing Portfolio	44,461	44,061	(1%)
% of Total Performing Portfolio	5.9%	5.7%	(25 bp)
NPL Ratio	0.0%	0.0%	0 bp

Past Due Loans

(Million Pesos)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Past Due Loans	12,482	13,895	13,263	(5%)	6%
Loan Loss Reserves	16,122	18,906	18,844	(0%)	17%
Acquired Rights	2,477	2,610	2,417	(7%)	(2%)

At the end of the period, **Past Due Loans showed a (5%) decline** due to an overall improvement in asset quality. However, auto loans, mortgages and corporate loans showed a slight deterioration. On the contrary, accumulated 2018 results show a **+6%** increase explained by deterioration in corporate, mortgage and commercial loans. Further detail by product is presented below:

Past Due Loans (Million Pesos)	4Q17	3Q18	4Q18	Change	
				3Q18	4Q17
Credit Cards	2,188	2,281	2,151	(130)	(36)
Payroll	2,020	2,287	1,995	(291)	(24)
Auto Loans	233	249	261	12	28
Mortgages	1,323	1,448	1,464	16	141
Commercial	3,239	3,750	3,300	(450)	61
Corporate	3,481	3,864	4,087	223	606
Government	-	16	4	(12)	4
Total	12,482	13,895	13,263	(632)	780

NPL ratio stood at **1.68%**, showing a +137bps improvement across most products vs. the previous quarter, except for auto, SMEs and corporate loans which remained flat.

The NPL ratios for the **year** represent **an overall improvement across most products**. Credit Card and Payroll portfolios show a significant improvement as a result of diligent loan origination supported by analytics tools and adequate risk management.

Past Due Loans Ratios	4Q17	1Q18	2Q18	3Q18	4Q18
Credit Cards	6.1%	6.1%	6.3%	6.0%	5.5%
Payroll	3.7%	2.9%	3.3%	4.1%	3.7%
Auto Loans	1.2%	0.9%	1.1%	1.1%	1.1%
Mortgages	1.0%	0.9%	0.9%	1.0%	0.9%
Commercial	2.3%	2.5%	2.5%	2.2%	1.9%
SMEs	5.3%	5.6%	5.5%	6.0%	5.5%
Commercial	1.3%	1.4%	1.5%	1.2%	0.9%
Corporate	3.3%	3.2%	3.0%	2.9%	2.9%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.0%	1.9%	2.0%	1.8%	1.7%

The expected loss for Banco Mercantil del Norte, the group's largest subsidiary, was 1.9% and the unexpected loss was 4.2%, both with respect to the total portfolio as of 4Q18. These ratios were 2.0% and 4.2%, respectively during 3Q18, and 2.2% and 4.1% in 4Q17.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs was 2.1%; (5bps) lower vs. 3Q18.

Quarterly changes in accounts that affect Non Performing Loans' balances for the Financial Group were:

Past Due Loan Variations	
<i>(Million Pesos)</i>	
Balance as of September '18	13,895
Transfer from Performing Loans to Past Due Loans	6,716
Portfolio Purchase	-
Renewals	(144)
Cash Collections	(901)
Discounts	(160)
Charge Offs	(4,027)
Foreclosures	(45)
Transfer from Past Due Loans to Performing Loans	(2,148)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	77
Fair Value Ixe	-
Balance as of December '18	13,263

Of the total loan book, 85% was rated A Risk, 9% B Risk, and 6% as Risk C, D and E combined.

Risk Rating of Performing Loans as of 4Q18 - GFNorte
(Million Pesos)

CATEGORY	LOANS	LOAN LOSS RESERVES					
		COMMERCIAL			CONSUMER	MORTGAGES	TOTAL
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES			
A1	645,066	1,280	664	104	740	192	2,980
A2	66,442	371	210	6	331	30	948
B1	32,289	115	24	4	802	19	963
B2	14,387	83	64	5	278	27	458
B3	25,555	158	433	10	520	20	1,141
C1	21,195	120	724	0	458	72	1,374
C2	8,311	78	-	-	1,090	135	1,302
D	13,298	2,956	0	0	1,559	398	4,913
E	5,954	790	-	-	3,300	65	4,155
Total	832,496	5,951	2,118	129	9,077	957	18,233
Not Classified	(2,225)						
Exempt	-						
Total	830,271	5,951	2,118	129	9,077	957	18,233
Reserves							18,844
Preventive Reserves							611

Notes:

- Figures for reserve creation and grading are as of September 30, 2018.
- The loan portfolio is graded following rules issued by the Ministry of Finance and Public Credit (SHCP), and the methodology established by the CNBV. The Institution uses regulatory methodologies to grade all credit portfolios. For the revolving consumer portfolio, as of January 2018, the bank will use the internal methodology authorized by CNBV. 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, Title Section of such regulation.
- Additional loan loss reserves follow the rules applicable to banks and 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	8,681
Total Loans	830,271
Distressed Portfolio / Total Loans	1.0%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves (Million Pesos)	4Q18
Previous Period Ending Balance	18,906
Provisions charged to results	4,415
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	(365)
Consumer Loans	(3,752)
Mortgage Loans	(410)
Foreclosed assets	0
	(4,527)
Cost of debtor support programs	(2)
Valorization and Others	52
Adjustments	0
Loan Loss Reserves at Period End	18,844

Loan Loss Reserves in 4Q18 totaled **Ps 18.84 billion**, Ps 62 million lower versus the previous quarter. **Charge-offs** during the quarter declined by (4%) vs. the previous quarter. Of this amount, 83% are related to the consumer portfolio, 9% to mortgages and 8% to commercial.

Loan loss reserve coverage was **142.1%** in the quarter, greater than 136.1% in 3Q18 and 129.2% at the end of 2017.

Capital

Reported **shareholders' equity** totaled **Ps 174.46 billion**, up **2%** and **+18%** vs. the previous quarter and previous year respectively.

The quarter was impacted by the following transactions:

- i) a Ps 10.18 billion increase in Net Income.
- ii) a (Ps 4.33 billion) loss registered in Retained Earnings related to the change in valuation methodology of investment projects and other assets. Since this is an accounting policy change, the initial effect of the implementation was registered against Retained Earnings based on NIF B-1 norm.
- iii) a Ps 3.46 billion reclassification related to losses in securities held for sale related to the homebuilders' shares. The reclassification movement happened from the account Valuation Results from Securities Held For Sale to the Retained Earnings account, as per CNBV authorization in document No. 320-1/15576/2018 dated October 3rd, 2018 and detailed in section V. Anex, Accounting and Regulatory Changes. This reclassification had no effect on the balance of shareholders' equity.
- iv) a (Ps 1.40 billion) mark-to-market loss on securities held for sale during the quarter, resulting from asset price volatility during the period.
- v) a (Ps 1.33 billion) mark-to-market loss on cash flow hedging instruments, for the same reason as the item above.
- vi) (Ps 308 million) from interest paid on capital notes during the quarter, registered under Retained Earnings.
- vii) a Ps 350 million benefit resulting from calculations related to resolutions on defined employee benefits.

During the year, shareholders' equity is impacted by the following transactions:

- i) a Ps 31.95 billion increase in Net Income.
- ii) a dividend payment in the amount of Ps 9.56 billion.
- iii) a Ps 12.78 billion increase in share subscription premiums, resulting from the shares issued to pay for Grupo Financiero Interacciones' acquisition.
- iv) a (Ps 4.33 billion) loss posted in Retained Earnings related to changes in the valuation methodology for investment projects and other assets. Since this is an accounting policy change, the initial effect of the implementation of the new methodology was posted against retained earnings based on NIF B-1 norm.
- v) a (Ps 3.21 billion) mark-to-market loss on securities held for sale, resulting from asset price volatility.
- vi) a Ps 219 million mark-to-market gain on cash flow hedging instruments.
- vii) (Ps 1.22 billion) from interest paid on capital notes during the year, posted under Prior Period Retained Earnings.
- viii) a Ps 350 million benefit resulting from calculations related to resolutions on defined employee benefits.

Recent Events

1. APPOINTMENT OF NEW GENERAL MANAGER FOR AFORE XXI BANORTE

On December 10th, 2018, the board of directors of Afore XXI Banorte approved the appointment of Felipe Duarte Olvera as its new General Manager. Prior to the appointment, Mr. Duarte Olvera served as Associate General Manager of Infrastructure and Energy at Grupo Financiero Banorte since January 2016. From 2013 to 2015, he was Associate General Manager of Customer Experience, also at Grupo Financiero Banorte.

2. BANORTE: BANK OF THE YEAR ON 2018

On November 30th 2018, Banorte received the 2018 Bank of the Year award from The Banker magazine. Banorte was recognized for its efforts towards financial inclusion and its commitment with Mexico's development. The Banker recognizes institutions which stand out globally, and this time they focused on those companies who went above and beyond in consumer trends and those who implemented innovative technologies to provide value added solutions for their clients.

The main attributes considered for this nomination were:

- Increased banking penetration with products such as Amazon Rechargeable card issued by Banorte.
- Increased credit card activation rate, thanks to the use of analytics.
- Infrastructure lending for states and municipalities.

Bank

Income Statement and Balance Sheet Highlights - Bank (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Net Interest Income	14,856	16,700	17,442	4%	17%	55,648	64,513	16%
Non-Interest Income	3,729	4,208	7,433	77%	99%	14,415	20,197	40%
Total Income	18,585	20,907	24,875	19%	34%	70,063	84,711	21%
Non-Interest Expense	8,127	8,820	9,286	5%	14%	31,505	35,079	11%
Provisions *	3,450	3,919	3,809	(3%)	10%	12,883	15,635	21%
Operating Income	7,007	8,169	11,780	44%	68%	25,675	33,997	32%
Taxes	2,196	2,198	3,015	37%	37%	7,487	9,325	25%
Discontinued Operations	2	-	-	-	(100%)	89	-	(100%)
Subsidiaries & Minority Interest	37	44	43	(3%)	N.A.	62	162	N.A.
Net Income	4,850	6,015	8,808	46%	82%	18,339	24,834	35%
Balance Sheet								
Performing Loans (a)	603,522	739,555	756,336	2%	25%	603,522	756,336	25%
Past Due Loans (b)	12,192	13,612	12,840	(6%)	5%	12,192	12,840	5%
Total Loans (a+b)	615,714	753,167	769,176	2%	25%	615,714	769,176	25%
Total Loans Net (d)	600,163	734,834	750,912	2%	25%	600,163	750,912	25%
Acquired Collection Rights (e)	1,925	2,149	2,001	(7%)	4%	1,925	2,001	4%
Total Loans (d+e)	602,088	736,983	752,913	2%	25%	602,088	752,913	25%
Total Assets	1,056,423	1,168,439	1,180,492	1%	12%	1,056,423	1,180,492	12%
Total Deposits	648,622	740,598	759,235	3%	17%	648,622	759,235	17%
Total Liabilities	970,361	1,065,405	1,072,090	1%	10%	970,361	1,072,090	10%
Equity	86,062	103,034	108,403	5%	26%	86,062	108,403	26%

Financial Ratios - Bank	4Q17	3Q18	4Q18	2017	2018
Profitability:					
NIM (1)	6.0%	6.5%	6.3%	5.8%	6.3%
NIM after Provisions (2)	4.6%	5.0%	5.0%	4.5%	4.8%
ROE (3)	22.1%	24.3%	33.3%	20.3%	25.7%
ROA (4)	1.8%	2.2%	3.0%	1.8%	2.3%
Operation:					
Efficiency Ratio (5)	43.7%	42.2%	37.3%	45.0%	41.4%
Operating Efficiency Ratio (6)	3.1%	3.2%	3.2%	3.1%	3.2%
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	123.4%	107.6%	107.0%	123.4%	107.0%
Asset Quality:					
Past Due Loan Ratio	2.0%	1.8%	1.7%	2.0%	1.7%
Coverage Ratio	127.6%	134.7%	142.2%	127.6%	142.2%
Past Due Loan Ratio w/o Banorte USA	2.0%	1.8%	1.7%	2.0%	1.7%
Coverage Ratio w/o Banorte USA	127.6%	134.7%	142.2%	127.6%	142.2%
Growth (8)					
Performing Loans (9)	8.4%	24.9%	25.3%	8.4%	25.3%
Core Deposits	7.0%	8.5%	7.9%	7.0%	7.9%
Total Deposits	12.7%	18.4%	17.1%	12.7%	17.1%
Capitalization:					
Net Capital/ Credit Risk Assets	21.4%	19.9%	20.5%	21.4%	20.5%
Total Capitalization Ratio	17.3%	16.6%	17.2%	17.3%	17.2%
Leverage					
Basic Capital/ Adjusted Assets	8.4%	8.3%	8.4%	8.4%	8.4%

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.

8) Growth compared to the same period of the previous year.

9) Excludes Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

* As a result of changes to the B6 criterion Bank's Loan Book, starting on 1Q18 and retroactively for 2017, "Loan Recovery" and "Provisions Release" items previously under "Other Operating Income (Expenses)" were reclassified and now reconcile under "Preventive Provisions for Loan Losses".

° As of 1Q18 and retroactively for 2017, a component of Administrative Expenses from Banorte USA will now be reclassified under Fees Paid

Changes vs. the previous quarter

Net Interest Income increased +4%, above the **+2%** loan growth, mainly explained by the acquired portfolio during 3Q18.

Recurring Non-interest income show a **+19%** growth, while **reported** figures show a significant **+77%** increase, mostly explained by the extraordinary income related to the Ps 2.41 billion real estate asset sale & leaseback transaction, registered under other operating income (expenses). Services income grew +11% while trading income rose 61%. Overall, recurring **total income** showed a +7% growth.

NIM totaled 6.3%, below the 6.5% reported in 3Q18, impacted by the portfolio acquired during 3Q18, and by strong loan growth towards the end of the quarter.

Loan Loss Provisions declined (3%) on lower reserve requirements for the commercial loan book, and most consumer portfolios, except for mortgages. **Risk adjusted NIM remains stable at 5.0%**.

Non-Interest Expense was up 5.0%, driven by a **40%** increase in fees paid to business project advisors, and attorneys, among others. This was in addition to non-deductible items and taxes, which had a +20% increase on higher VAT taxes, a tax provision posted during the quarter, and an extraordinary expense related to the sale & leaseback transaction.

Recurring efficiency rate totaled **41.3%**, whereas the reported result shows a considerable **improvement** totaling **37.3%** from 42.2% in 3Q18.

Recurring taxes went up +4%, and reported were up +37%, driven by a larger taxable base and higher non-deductible items.

Net Income grew +46% on good operating performance, and the net extraordinary income of Ps 1.67 billion from the asset sale & leaseback transaction. Without this event, **recurrent Net Income totaled Ps 7.13 billion**, which translates into **+19%** recurrent growth.

Reported **shareholders' equity totaled Ps 108.40 billion, up +5% and +26%** vs. the previous quarter and previous year respectively.

The **quarter** was impacted by the following transactions:

- i) an Ps 8.80 billion increase in Net Income
- ii) a Ps 673 million balance reclassification related to a mark-to-market valuation loss in securities held for sale related to homebuilders originally booked under Valuation Result of Securities Held for Sale and now booked under Retained Earnings, as per CNBV authorization in document No. 320-1/15576/2018 dated October 3, 2018; this transaction has no effect on the balance of shareholders' equity.
- iii) a (Ps 1.31 billion) mark-to-market loss on Securities Held for Sale during the quarter, resulting from asset price volatility during the period
- iv) a (Ps 1.35 billion) loss mark-to-market loss on cash flow hedging instruments, for the same reason as the item above.
- v) (Ps 313 million) from interest paid on capital notes during the quarter, posted under Prior Period Retained Earnings
- vi) a Ps 343 million benefit resulting from calculations related to resolutions on defined employee benefits

Reported ROE and ROA for the quarter show a significant improvement, totaling **33.3%** and **3.0%** respectively, while recurring results totaled 27.2% and 2.4% respectively.

Changes vs. the previous year

Net Interest Income grew +16%, on good credit origination and funding results.

Recurring non-interest income was up **+23%** following a +12% increase in net fees, and an +81% increase in trading income. Reported non-interest income grew +40%, as a result of the asset sale & leaseback transaction during 4Q18, which explains the **+21% increase in total income**. **Accumulated NIM for 2018 totaled 6.3%**, a strong increase vs. the 5.8% result in the previous year.

Accumulated NIM for 2018 had a meaningful increase totaling **6.3%** compared to the 5.8% figure reported in 2017.

Loan Loss Provisions grew +21% due to two events which took place in previous quarters, as well as by growth in the commercial and corporate loan books (except for government and municipal loan portfolios). Within the consumer portfolio, mortgages and auto loans registered the highest growth. **Risk adjusted NIM totaled 4.8%**, a +4.5% increase vs. the previous year.

Non-financial expense rose 11% during the year, showing an adequate operating expenses control, which translates into an improvement in the **efficiency ratio** which totaled **42.6%**, down from 45% in 2017.

Recurring net income totaled **Ps 23.16 billion**, a **+26%** increase vs. 2017. **Reported net income** grew **+35%**, on good operating performance, and the extraordinary net income from the asset sale & leaseback transaction for Ps 1.67 billion. Regarding profitability, there is a significant improvement with **recurring ROE** totaling **24.1%** and **ROA 2.1%**.

Non-Performing Loans (NPL) for the bank shows a consistent improvement during the year, totaling **1.67%** as a result of diligent loan origination and asset monitoring.

During the year, shareholder's equity was impacted by the following transactions:

- i) a Ps 24.83 billion increase in Net Income.
- ii) a (Ps 1.99 billion) mark-to-market loss on securities held for sale during the quarter, resulting from asset price volatility during the period.
- iii) a Ps 224 million mark-to-market gain on cash flow hedging instruments.
- iv) (Ps 1.24 billion) from interest paid on capital notes during the year, posted under Retained Earnings.
- v) a Ps 343 million benefit resulting from calculations related to resolutions on defined employee benefits.

Long Term Savings

Seguros Banorte

Income Statement and Balance Sheet Highlights - Insurance - Seguros Banorte (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Interest Income (Net)	284	379	345	(9%)	21%	1,005	1,421	41%
Premium Income (Net)	3,581	3,037	3,850	27%	8%	17,206	19,596	14%
Net Increase in Technical Reserves	(389)	(1,424)	(450)	68%	N.A.	990	1,161	17%
Damages, Claims and Other Obligations	2,762	3,199	3,026	(5%)	10%	10,739	12,159	13%
Technical Results	1,209	1,263	1,274	1%	5%	5,476	6,276	15%
Net Interest Income (NII)	1,493	1,642	1,619	(1%)	8%	6,482	7,697	19%
Other Fees (acquisition costs)	(398)	(557)	(530)	5%	33%	(2,008)	(2,408)	(20%)
Securities-Realized Gains	19	20	5	(76%)	(75%)	42	29	(31%)
Other Operating Income (Expenses)	(5)	191	165	(14%)	N.A.	547	800	46%
Total Operating Income	1,110	1,296	1,259	(3%)	13%	5,063	6,119	21%
Non Interest Expense	332	346	372	7%	12%	1,206	1,338	11%
Operating Income	778	950	887	(7%)	14%	3,857	4,781	24%
Taxes	169	260	229	(12%)	36%	1,075	1,329	24%
Subsidiaries' Net Income	316	348	216	(38%)	(32%)	1,307	1,269	(3%)
Minority Interest	(8)	(8)	(7)	16%	(20%)	(31)	(31)	(3%)
Net Income	917	1,031	867	(16%)	(5%)	4,059	4,690	16%
Shareholder's Equity	22,967	24,415	23,096	(5%)	1%	22,967	23,096	1%
Total Assets	49,292	56,270	51,478	(9%)	4%	49,292	51,478	4%
Technical Reserves	21,426	24,838	22,688	(9%)	6%	21,426	22,688	6%
Premiums sold	4,046	3,728	4,331	16%	7%	21,711	25,616	18%
Coverage ratio of technical reserves	1.3	1.3	1.3	(0.0 pp)	(0.0 pp)	1.3	1.3	(0.0 pp)
Solvency capital requirement coverage ratio	3.7	4.5	3.8	(0.7 pp)	0.1 pp	3.7	3.8	0.1 pp
Coverage ratio of minimum capital	238.1	237.4	224.3	(13.2 pp)	(13.9 pp)	238.1	224.3	(13.9 pp)
Claims ratio	70%	72%	71%	(1.3 pp)	0.8 pp	67%	66%	(0.3 pp)
Combined ratio	89%	92%	89%	(3.5 pp)	(0.4 pp)	80%	78%	(1.2 pp)
ROE	16.4%	17.4%	14.8%	(2.6 pp)	(1.6 pp)	18.8%	20.0%	1.2 pp
ROE ex-Afore	31.7%	31.4%	31.2%	(0.2 pp)	(0.5 pp)	39.9%	41.1%	1.3 pp

(*) The reported Solvency capital requirement coverage ratio of the period is preliminary.

At the end of 4Q18, Technical results totaled Ps 1.27 billion, up **+1%** quarterly, showing a slight increase in net revenue from premiums related to the quarter's seasonality and lower claims.

Accumulated technical results reached Ps 6.27 billion, +15% annual growth. Such behavior is explained by a **+14%** annual increase in **Premium Income** due to good performance across life, damage and auto portfolios, as well as lower growth in claims (13%).

Net interest income during the quarter was negatively affected by an increase in reference rates, with an impact on valuation, while the accumulated results show an increase.

Acquisition Costs in 4Q18 show a **+5%** increase during the period, totaling **Ps 530 million** on higher reinsurance coverage, as well as higher reinsurance fee income. During 2018 acquisition costs increased 20% reaching **Ps 2.41 billion**.

Net Operating Income during 4Q18 amounted to **Ps 887 million, (7%)** below the previous quarter as a result of seasonality in premium growth during the period and their respective reserves. The accumulated result for 2018 showed a solid **+24%** increase reaching **Ps 4.78 billion**

Net Income for the quarter was **Ps 867 million, (16%)** lower than 3Q18, because of seasonality in premium growth during the period. **Accumulated net income** for Seguros Banorte (including Afore XXI Banorte) was **Ps 4.69 billion**, a **+16%** increase.

Net Income for Seguros Banorte **excluding Afore XXI Banorte** totaled **Ps 645 million in 4Q18**, contributing with 6.3% of GFNorte's net income, while the accumulated result reached **Ps 3.43 billion**, representing 10.7% of the group's results.

ROE for the **Insurance** business for 4Q18 declined to **14.8%**, as a result of lower net income, while the accumulated indicator reached **20.0%**, showing an improvement vs. the previous year. **ROE excluding the Afore** business declined to **31.2%** during the quarter, and totaled 41.1% for the year.

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 4Q18 that involved any technical risk.*
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
 - *In 4Q18 damage ratios remained under control, and reinsurers complied with their obligations.*
- iii. Costs derived from placement of insurance policies and bonds.
 - *There were no relevant events to disclose in 4Q18*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life, books, 4 important businesses were transferred to foreign reinsurers: 1 related to government, 1 related to retail business, 1 related to the manufacturing sector, and 1 to the services sector.*
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
 - *There were no relevant issues related to non-fulfillment during 4Q18.*

Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Net Income	633	697	452	(35%)	(29%)	2,614	2,558	(2%)
Shareholder's Equity	24,333	24,089	24,541	2%	1%	24,333	24,541	1%
Total Assets	26,056	26,092	26,437	1%	1%	26,056	26,437	1%
AUM (SIEFORE)	732,700	773,222	747,082	(3%)	2%	732,700	747,082	2%
ROE	10.5%	11.7%	7.4%	(4.3 pp)	(3.1 pp)	11.1%	10.7%	(0.4 pp)

Afore XXI Banorte posted **net income of Ps 452** million in 4Q18, showing a **(35%)** decline due to valuation reductions. On the annual result, it reached **Ps 2.56 billion**, a small decline vs. the previous year associated with market effects, and to a lower degree to higher subscription and transfer costs.

ROE during 4Q18 reached **7.4%**, while the accumulated result totaled **10.7%**. In both periods there is a decline vs. their respective periods in 2017 due to lower net income. Excluding good will, **Return on Tangible Equity (ROTE)** for the quarter totaled **23.9%**, showing a sharp **(160bps)** decline.

The Afore's net income contributed with 2.2% of the Financial Group's net income during 4Q18 and 3.9% of the annual result.

Assets under management as of December 2018 totaled **Ps 747.08 billion**, a **(3%)** decline during the quarter, and a **+2%** increase during the year.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Interest Income (Net)	2,373	2,810	3,415	22%	44%	8,019	9,247	15%
Premium Income (Net)	2,200	3,168	2,259	(29%)	3%	8,583	10,368	21%
Net Increase in Technical Reserves	3,354	3,882	3,709	(4%)	11%	11,655	12,346	6%
Claims and Other Obligations	1,084	1,494	1,556	4%	44%	4,167	5,403	30%
Technical Results	(2,237)	(2,207)	(3,006)	(36%)	34%	(7,238)	(7,382)	(2%)
Net Interest Income (NII)	135	603	409	(32%)	202%	781	1,865	139%
Net Fees	-	(138)	(30)	79%	N.A.	-	(269)	N.A.
Securities-Realized Gains	222	9	5	(51%)	(98%)	568	15	(97%)
Other Operating Income (Expenses)	(4)	(10)	6	N.A.	N.A.	(13)	(10)	25%
Total Operating Income	353	464	390	(16%)	10%	1,335	1,602	20%
Non Interest Expense	97	142	126	(11%)	30%	330	461	40%
Operating Income	256	322	263	(18%)	3%	1,005	1,141	14%
Taxes	(82)	94	77	(18%)	N.A.	130	331	155%
Subsidiaries' Net Income	2	2	3	50%	10%	7	8	13%
Minority Interest	-	-	-	N.A.	N.A.	-	-	N.A.
Net Income	340	230	189	(18%)	(44%)	882	818	(7%)
Shareholder's Equity	3,030	3,660	3,845	5%	27%	3,030	3,845	27%
Total Assets	90,333	115,486	123,177	7%	36%	90,333	123,177	36%
Technical Reserves	86,180	110,535	117,958	7%	37%	86,180	117,958	37%
Premiums sold	2,200	3,168	2,259	(29%)	3%	8,583	10,368	21%
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	28.6	28.8	0.0 pp	0.0 pp	28.6	28.8	0.2 pp
Coverage ratio of minimum capital	19.5	22.0	23.1	0.1 pp	0.2 pp	19.5	23.1	3.7 pp
ROE	47.5%	25.9%	20.1%	(5.8 pp)	(27.4 pp)	34.7%	23.8%	(10.9 pp)

Net income from Pensiones Banorte showed a quarterly decline of **(18%)** on lower (net) revenue from premiums, and from an increase in claims and other obligations. The annual result shows a **(7%)** decline derived from higher claims cost from pension payments from the portfolios acquired during the year, and from the acquisition costs of such portfolios. In addition to this, there was an increase in reserves requirements and update components.

Quarterly and annual **net income** numbers represented 1.9% and 2.6% of the Financial Group's net income, respectively.

The accumulated variation in the investment portfolio's revenue is explained in the quarterly comparison by the inflation increase, and the decline in premiums collected during 4Q18; on an annual basis, it is explained by growth in the investment base, as well as by the inflation decline in the year-end results. The charge from UDI mark-to-market valuation accounts –registered under Interest Income and whose counter-account is the Technical Reserve Increase – during 4Q18 totaled Ps 2.19 billion, higher than the Ps 1.66 billion in 3Q18. In the annual comparison, it totaled Ps 5.00 billion, which was higher than the Ps 4.52 billion during the previous year.

ROE for the quarter totaled **20.1%**, and 23.8% for the year.

At the end of 2018, the business recognizes the acquisition of pension portfolios for a total amount of Ps 19.39 billion. The company paid Ps 269 million for such portfolios.

Brokerage

Brokerage Sector (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Net Income	230	335	303	(9%)	32%	972	1,198	23%
Shareholder's Equity	3,060	3,821	3,884	2%	27%	3,060	3,884	27%
Assets Under Custody	824,291	984,794	878,033	(11%)	7%	824,291	878,033	7%
Total Assets	121,833	200,089	214,073	7%	76%	121,833	214,073	76%
ROE	30.7%	40.6%	31.5%	(9.2 pp)	0.8 pp	33.6%	35.7%	2.1 pp
Net Capital (1)	2,371	-	-	-	(100%)	2,371	-	(100%)

1) Net capital structure: Tier 1 =Ps 3.0 billion, Tier 2 = Ps 0 million.

The Brokerage Sector (Casa de Bolsa Banorte and Operadora de Fondos Banorte) reported net income of Ps 303 million, a (9%) decline resulting from (8%) lower net fees, and (17%) lower trading income resulting from high volatility in the markets during the quarter. The annual result was +23% higher due to +25% higher interest margins, +14% net fees, and +31% higher trading results.

Net income for the quarter represented 3.0% of the Financial Group's net income, while the accumulated result represented 3.7% of it.

Assets Under Management

At the end of 4Q18 AUMs totaled **Ps 878 billion**, decreasing (11%) QoQ, and growing +7% vs. YoY.

Mutual fund assets totaled Ps 179 billion, up +10% during the quarter, and 12% during the year. Assets held in **fixed income funds** totaled **Ps 164 billion**, showing a (9%) decline during the quarter and a +12% increase during the year; while equity funds held assets amounting to Ps 15 billion, down (12%) quarterly, but up +8.2% during the year. Banorte held an 7.9% share of the mutual fund market during 2018, of which 9.9% came from fixed income funds and 2.4% from equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	4Q17	3Q18	4Q18	Change		2017	2018	Change 2017
				3Q18	4Q17			
Leasing and Factoring								
Net Income	219	177	203	15%	(7%)	771	861	12%
Shareholder's Equity	5,149	4,757	4,957	4%	(4%)	5,149	4,957	(4%)
Loan Portfolio (1)	29,841	32,296	35,917	11%	20%	29,841	35,917	20%
Past Due Loans	154	170	321	89%	108%	154	321	108%
Loan Loss Reserves	302	368	393	7%	30%	302	393	30%
Total Assets	30,362	32,677	36,216	11%	19%	30,362	36,216	19%
ROE	17.4%	14.3%	16.8%	2.5 pp	(0.6 pp)	16.1%	17.0%	0.9 pp
Warehousing								
Net Income	13	1	2	253%	(82%)	42	17	(59%)
Shareholder's Equity	226	240	243	1%	8%	226	243	8%
Inventories	783	740	961	30%	23%	783	961	23%
Total Assets	955	925	1,154	25%	21%	955	1,154	21%
ROE	24.6%	1.1%	3.9%	2.8 pp	(20.7 pp)	20.5%	7.2%	(13.3 pp)
Sólida Administradora de Portafolios								
Net Income	(44)	(148)	(217)	47%	390%	(969)	(797)	18%
Shareholder's Equity	3,573	3,248	3,178	(2%)	(11%)	3,573	3,178	(11%)
Loan Portfolio	4,211	2,979	2,709	(9%)	(36%)	4,211	2,709	(36%)
Past Due Loans	137	113	101	(10%)	(26%)	137	101	(26%)
Loan Loss Reserves	270	205	187	(9%)	(31%)	270	187	(31%)
Total Assets	15,459	14,347	9,515	(34%)	(38%)	15,459	9,515	(38%)
Ixe Servicios								
Net Income	(0.5)	(0.3)	(0.3)	29%	(37%)	(1.8)	(1.2)	33%
Shareholder's Equity	139	138	138	(0%)	(1%)	139	138	(1%)
Total Assets	139	138	138	(0%)	(1%)	139	138	(1%)
ROE	(1.5%)	(0.7%)	(1.0%)	(0.2 pp)	0.5 pp	(1.3%)	(0.8%)	0.4 pp

1) Includes operating lease portfolio of Ps 3.33 billion, and fixed assets of Ps 91 million, both registered in property, furniture and equipment (net).

Leasing and Factoring

Net income for 4Q18 was Ps 203 million, up +15% on higher interest income from an increase in the factoring portfolio. The annual result totaled **Ps 861 million**, a +12% increase vs. the previous quarter, from +21% higher interest income from the leasing and factoring portfolio.

Past Due Loans Ratio was 1%, and **Coverage ratio totaled 122.4%**, below the quarterly and annual comparison. The **Capitalization ratio** as of 4Q18 was 13.2% considering total risk-weighted assets of Ps 37.40 billion.

The leverage ratio as of 3Q18 and 4Q18 was 13.48% and 12.49% respectively; considering adjusted assets of Ps 35.21 billion and Ps 39.59 billion in each case.

During 4Q18, Net Income from Leasing and Factoring accounted for 2% of the Group's total results, while the accumulated result represented 2.7% of them.

Warehouse

In 4Q18, the business posted profits of Ps 2 million, while the annual result was Ps 17 million; a (59%) decline vs. 2017 mainly driven by clients leaving the business and an increase in operating expenses. ROE for 4Q18 was 3.9%, +2.8pp vs. 3Q18. Almacenadora Banorte's annual profits accounted for 0.10% of the Financial Group's profits in 2018.

At the end of 4Q18, the Capitalization Ratio was 191% considering net capital of Ps 200 million, and deposit certificates issued of Ps 2.1 billion. Almacenadora Banorte ranked fourth among the 14 warehousing businesses in this sector in terms of profits.

Sólida Administradora de Portafolios

The business reported a Ps 217 million net loss during the quarter, while for the year, the loss amounted to Ps 797 million, in both cases due to lower income.

Past Due Loan Ratio was 3.7% at the end of 4Q18, (4bps) below 3Q18. Coverage ratio was 184.8%, (270 bps) lower vs. 4Q17.

Capitalization ratio in 4Q18 reached 22.8%, up +6.1bps QoQ, and (6.9bps) YoY.

Leverage ratio as of September 2018 and December 2018 was 19.27% and 27.54%, respectively; considering adjusted assets of Ps 13.97 billion and Ps 8.95 billion respectively.

During the period there was a Ps 2.80 billion balance reclassification related to a mark-to-market valuation decline in homebuilders' shares available for sale originally booked under Valuation Result of Securities Held for Sale and now booked under Prior Period Retained Earnings, as per CNBV authorization in document No. 320-1/15576/2018 dated October 3, 2018; this transaction has no effect on shareholders' equity balance.

Furthermore, during the period there was a (Ps 4.33 billion) loss posted to Prior Period Retained Earnings related to changes in the valuation methodology for investment projects and other assets. Since this is an accounting policy change, the initial effect of the implementation of the new methodology was posted against retained earnings based on NIF B-1 norm.

Recovery Banking

Income Statement Highlights - Recovery Banking (Million Pesos)	12M17	12M18	Var.
Net Interest Income	(18)	(6)	(66%)
Loan Loss Provisions	0	2	453%
Non Interest Income	2,816	3,053	8%
Non Interest Expense	(1,203)	(1,245)	4%
Pre-tax Income & Subsidiaries	1,596	1,803	13%
Income Tax and Profit Sharing	(460)	(513)	12%
Net Income	1,136	1,290	14%

Assets Under Management (Million Pesos)	4T18	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Banking Sector Portfolio- Banorte:	154,179	Banorte's Portfolio and Repossessed Assets	Net Interest Income and Other Revenues and Expenses
Loans purchased and managed:	28,312	Solida Asset Management and Banorte	Non Interest Income and Other Revenues and Expenses (Sólida / Banorte)
Investment Projects:	2,827	Solida Asset Management and Banorte	Non Interest Income
Total	185,318		

Net Income

Recovery Banking posted profits of **Ps 1.29 billion** at the end of December 2018, up **+14%** vs. 2017, on higher revenues from loan recoveries of Ps 132 million, and a +Ps 14 million increase in recovered portfolios.

Assets Under Management

- The **Recovery Bank** managed total assets of **Ps 154 billion** in 4Q18, of which 27% were mortgage loans, 21% credit cards, 21% payroll loans, 13% relate to Crediactivo, 6% auto loans, 6% foreclosed assets, 3% relate to commercial loans and 3% to other loans.

Gross revenues in 4Q18 amounted to **Ps 2.11 billion**, **+11%** higher YoY.

- During 4Q18, of the total **portfolio acquired and managed** by Recovery Banking, 49% corresponds to mortgage portfolio, 11% to commercial and SME, 11% is the managed portfolio for SHF, 13% foreclosed assets and payments, and 16% to real estate portfolios.

Gross income from these portfolios was **Ps 910 million** in 4Q18, **+7%** higher YoY.

III. General Information

Infrastructure

INFRASTRUCTURE	4Q17	3Q18	4Q18
Employees (1)	29,903	30,298	30,538
Branches	1,148	1,145	1,150
Correspondents	26,131	27,307	28,227
ATM's	7,911	8,148	8,423
POS's	165,441	159,260	158,735

1) Includes full time and third party employees from Banking and Afore

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
Actinver	Enrique Mendoza	Buy	14-Nov-18
Barclays	Gilberto García	Buy	18-Oct-18
Bradesco	Alain Nicolau	Buy	18-Oct-18
Brasil Plural	Eduardo Nishio	Buy	18-Oct-18
BTG Pactual	Eduardo Rosman	Buy	30-Nov-18
BX+	Marisol Huerta	Buy	27-Jul-18
Citi	Jorg Friedman	Buy	30-Nov-18
GBM	Jorge Benitez	Buy	18-Oct-18
Goldman Sachs	Carlos Macedo	Buy	29-Nov-18
Intercam	Sofía Robles	Buy	29-Nov-18
Itaú BBA	Thiago Batista	Buy	18-Oct-18
JP Morgan	Domingos Falavina	Buy	22-Oct-18
Morgan Stanley	Jorge Kuri	Buy	30-Nov-18
Nau	Iñigo Vega	Buy	7-Feb-18
UBS	Philip Finch	Buy	3-Dec-18
BBVA	Rodrigo Ortega	Hold	22-Nov-18
BOFA - Merrill Lynch	Mario Pierry	Hold	11-Nov-18
Credit Suisse	Marcelo Telles	Hold	9-Dec-18
Invex	Montserrat Antón	Hold	26-Nov-18
Santander	Claudia Benavente	Hold	15-Nov-18
Scotia	Jason Mollin	Hold	28-Nov-18
HSBC	Carlos Gómez	Hold	4-Nov-18

Ratings

International Ratings - GFNorte

Rating Agency	Rated Intitutions	Rating	Category	Date		
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	October, 2018		
		BBB+	Counterparty credit - Long term foreign currency			
		BBB+	Counterparty credit - Long term local currency			
		A-2	Counterparty credit - Short term foreign currency			
		A-2	Counterparty credit - Short term local currency			
		BBB	Senior Unsecured Notes			
		BB	Subordinated Junior Notes (from the merged Ixe Banco)			
Fitch	Grupo Financiero Banorte	Negative	Outlook / Risk Watch	November, 2018		
		Negative	Risk Watch			
		bbb+	Viability			
		BBB+	Long term foreign currency (IDR'S)			
		F2	Short term foreign currency (IDR'S)			
	5	Support Rating-GFNorte				
			NF (Not Floor)		Support Rating Floor - GFNorte	
	Banco Mercantil del Norte	Negative	Outlook / Risk Watch			
		bbb+	Viability			
		BBB+	Long term foreign currency			
F2		Short term foreign Currency				
C		Individual - Foreign Currency				
		BBB-	Support Rating Floor			
		2	Support Rating - Banco Mercantil del Norte			
		BB+ (EXP)	Long term foreign currency subordinated debt			
		BB	Subordinated Junior Notes (from the merged Ixe Banco)			
Moody's	Banco Mercantil del Norte	Stable	Outlook	October, 2018		
		baa2	Baseline Credit Assessment			
		Stable	Outlook			
		A3	Long term local currency deposits*			
		A3	Long term foreign currency deposits			
		P-2	Short term local currency deposits*			
		P-2	Short term foreign currency deposits			
		A3	Long term foreign currency senior debt*			
		Baa3	Long term local currency subordinated debt			
	baa2	Baseline Credit Adjusted Assessment				
	A2 (cr)	Long term counterparty risk assesment				
	Prime-1 (cr)	Short term counterparty risk assesment				
	Cayman	Ba1 (hyb)	Long term local currency junior subordinated debt	October, 2017		
		Ba2 (hyb)	Long term local currency junior subordinated debt			
		Ba2 (hyb)	Long term foreing currency subordinated debt			
		A3	Senior debt unsecured	June, 2018		
Arrendadora y Factor Banorte	Stable	Outlook	August, 2018			
	Baa2	Long-term issuer rating				
	(P)P-2	Short term local currency issuer				
	(P)P-2	Short term local currency senior debt				

Domestic Ratings - GFNorte

Rating Agency	Rated Institutions	Rating	Category	Date	
Standard & Poor's	Banco Mercantil del Norte	Stable	Outlook	October, 2018	
		mxA-1+	National Scale Counterparty credit - Short term		
	mxAAA	National Scale Counterparty - Long term			
	Casa de Bolsa Banorte	Stable	Outlook		
mxA-1+		National Scale Counterparty credit - Short term			
Fitch	Banco Mercantil del Norte	mxAAA	National Scale Counterparty credit - Long term	November, 2018	
		Stable	Outlook / Risk Watch		
		F1+ (mex)	National Scale Counterparty - Long term		
		F1+ (mex)	National Scale Counterparty - Short term		
	Casa de Bolsa Banorte	F1+ (mex)	Depo. Certi. y P.R.L.V. short Term		
		AA+ (mex)	Depo. Certi. y P.R.L.V. long term		
	Arrendadora y Factor Banorte	Negative	Outlook / Risk Watch		
		F1+ (mex)	National Scale - Short term		
		AAA (mex)	National Scale - Long term		
		F1+ (mex)	National Scale Counterparty - Short term		
	Almacenadora Banorte	AAA (mex)	National Scale Counterparty - Long term		
		F1+ (mex)	National Scale Counterparty - Long term		
Pensiones Banorte	F1+ (mex)	National Scale - Unsecured Debt - Short term			
	AAA (mex)	National Scale - Unsecured Debt - Long term			
Seguros Banorte	F1+ (mex)	National Scale Counterparty - Short term			
	AAA (mex)	National Scale Counterparty - Long term			
Moody's	Banco Mercantil del Norte	Negative	Outlook / Risk Watch	October, 2018	
		AAA (mex)	National Scale		
		AAA (mex)	Financial Strenght		
	Arrendadora y Factor Banorte	Stable	Outlook		October, 2017
		MX-1	National Scale - Short term issuer		
Arrendadora y Factor Banorte	Aa2.mx	National Scale - Long term senior debt*	October, 2017		
	MX-1	National Scale - Short term senior debt	August, 2018		
HR Ratings	Banco Mercantil del Norte	Stable	Outlook	November, 2018	
		HR AAA	National Scale - Short term issuer		
	HR+1	National Scale - Long term issuer			
	Arrendadora y Factor Banorte	Stable	Outlook		August, 2018
HR +1		National Scale - Short term issuer			
		HR AAA	National Scale - Long term issuer		

Ownership on Subsidiaries

GFNorte Ownership of Subsidiaries	4Q18
Banco Mercantil del Norte, S. A.	98.2619%
Arrendadora y Factor Banorte, S.A. de C.V., SOFOM	100.0000%
Almacenadora Banorte, S.A. de C.V.	100.0000%
Casa de Bolsa Banorte Ixe, S.A. de C.V.	100.0000%
Operadora de Fondos Banorte Ixe, S.A. de C.V.*	88.8400%
Ixe Servicios, S.A. de C.V.	100.0000%
Sólida Administradora de Portafolios, S.A. de C.V., SOFOM	99.4986%
Banorte Ahorro y Previsión, S.A. de C.V.	100.0000%

*In addition to this, there is an 11.1587% ownership of Operadora de Fondos in Banco Mercantil del Norte and 0.0012% in Casa de Bolsa Banorte

Holding Company Capital Structure

Holding Company Capital Structure

Number of Shares	SERIES O
	As of December 2018
Number of Issued Shares	2,883,456,594
Number of Shares Outstanding	2,883,456,594
Shares held in GFNorte's Treasury	0

Group's Main Officers

Group's Main Officers 4Q18	
Name	Current Position
José Marcos Ramírez Miguel	Chief Executive Officer, Grupo Financiero Banorte
BUSINESS UNITS	
Armando Rodal Espinosa	Managing Director – Wholesale Banking
Carlos Eduardo Martínez González	Managing Director – Retail Banking
Manuel Romo Villafuerte	Managing Director – Consumer Products
Fernando Solís Soberón	Managing Director – Long Term Savings
Carlos Alberto Rojo Macedo	Managing Director – Infrastructure Projects and Development
STAFF	
Rafael Arana de la Garza	Chief Operating Officer & Chief Financial Officer
Héctor Ávila Flores	Chief Legal Counsel
Javier Beltrán Cantú	Managing Director – Administration and Human Resources
Carlos de la Isla Corry	Chief Credit Officer
Isaías Velázquez González	Managing Director - Internal Audit
Guillermo Chávez Eckstein	Chief Risk Officer

Integration of the Board of Directors

Board of Directors for the fiscal year 2018, appointed and approved in the Annual General Shareholders' Meeting held on April 27th, 2018.

Grupo Financiero Banorte

PROPRIETARY

Carlos Hank González	Chairman
Juan Antonio González Moreno	
David Juan Villarreal Montemayor	
José Marcos Ramírez Miguel	
Everardo Elizondo Almaguer	Independent
Carmen Patricia Armendáriz Guerra	Independent
Héctor Federico Reyes-Retana y Dahl	Independent
Eduardo Livas Cantú	Independent
Alfredo Elías Ayub	Independent
Adrián Sada Cueva	Independent
Alejandro Burillo Azcárraga	Independent
José Antonio Chedraui Eguía	Independent
Alfonso de Angoitia Noriega	Independent
Thomas Stanley Heather Rodríguez	Independent

SUBSTITUTE

Graciela González Moreno	
Juan Antonio González Marcos	
Carlos de la Isla Corry	
Clemente Ismael Reyes Retana Valdés	Independent
Alberto Halabe Hamui	Independent
Manuel Aznar Nicolás	Independent
Roberto Kelleher Vales	Independent
Isaac Becker Kabacnik	Independent
José María Garza Treviño	Independent
Javier Braun Burillo	Independent
Humberto Tafolla Nuñez	Independent
Guadalupe Phillips Margain	Independent
Ricardo Maldonado Yáñez	Independent

IV. Financial Statements

Holding

Income Statement-Holding (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Income Subsidiaries	5,496	5,615	6,226	6,439	6,588	7,075	7,719	10,018
Interest Income	47	89	13	91	202	195	116	82
Interest Expense	-	-	-	-	-	-	-	-
Fund Transfers	-	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	1	1
Other Operating Income (Expenses)	0	0	0	0	0	-	0	14
Non-Interest Expense	27	25	28	39	25	26	32	27
Pre-Tax Income	5,516	5,678	6,212	6,491	6,765	7,244	7,804	10,087
Income Tax	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	(4)	(2)	(1)	15	4	59	9	(9)
Taxes	(4)	(2)	(1)	15	4	59	9	(9)
Net Income from Continuous Operations	5,520	5,680	6,213	6,475	6,762	7,185	7,795	10,096
Discontinued Operations	-	-	-	-	-	-	-	-
Net Income	5,520	5,680	6,213	6,475	6,762	7,185	7,795	10,096

Holding - Balance Sheet (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
ASSETS								
Cash and Due from Banks	21	40	48	6,081	6,263	0	395	0
Margin Accounts	-	-	-	-	-	-	-	-
Investment in Securities	-	-	-	-	-	-	38	48
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	1,451	611	3,613	4,915	4,816	5,667	6,016	2,872
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	1,451	611	3,613	4,915	4,816	5,667	6,016	2,872
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-	-
Performing Loans	-	-	-	-	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-	-
Gross Loan Portfolio	-	-	-	-	-	-	-	-
Preventive Loan Loss Reserves	-	-	-	-	-	-	-	-
Net Loan Portfolio	-	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-	-
Total Credit Portfolio	-	-	-	-	-	-	-	-
Benef.receiveab.securization transactions	-	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	0	0	0	0	0	0	139	28
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	-	-	-	-	-	-	-	-
Real Estate, furniture & equipment, Net	-	-	-	-	-	-	-	-
Investment in Subsidiaries	127,454	121,286	124,613	121,961	128,314	130,032	140,560	145,031
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	198	200	201	186	182	123	114	123
Goodwill and Intangibles	10,638	10,615	10,592	10,556	10,536	10,513	20,333	22,276
Other Assets Short and Long Term	-	-	-	-	-	-	-	-
Other Assets								
	138,291	132,101	135,407	132,704	139,032	140,669	161,146	167,458
TOTAL ASSETS	139,762	132,753	139,068	143,701	150,111	146,336	167,595	170,378

Holding - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
LIABILITIES								
Demand Deposits	-	-	-	-	-	-	-	-
Senior Unsecured Debt	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Banks & Correspondents	-	-	-	-	-	-	-	-
Total Collateral sold	-	-	-	-	-	-	-	-
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	1	1	1	0	0	0	7	2
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1	1	1	0	0	0	7	2
EQUITY								
Paid-in Capital	14,582	14,568	14,579	14,594	14,591	14,591	14,989	14,972
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	35,934	35,758	35,606	35,419	35,519	35,620	47,941	48,003
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	50,516	50,326	50,185	50,013	50,110	50,211	62,930	62,976
Capital Reserves	4,870	4,827	5,095	5,491	5,379	5,379	5,787	5,207
Retained Earnings	82,129	69,718	69,710	69,412	92,801	82,929	82,789	74,649
Surplus (Deficit) of Secs Available for Sale	(2,731)	(2,442)	(2,389)	(2,369)	(3,488)	(4,629)	(4,150)	(2,127)
Results from Valuation of Hedging Secs	(1,790)	(1,943)	(1,884)	(3,588)	(2,103)	(2,170)	(2,039)	(3,369)
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77	79	112	28
Results from Conversions	1,660	1,616	1,613	1,684	1,618	1,753	1,700	1,751
Remeasurements defined benefits for employees	(494)	(618)	(741)	(926)	(1,045)	(1,163)	(1,282)	(576)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	5,520	11,201	17,414	23,889	6,762	13,947	21,741	31,837
Earned Capital	89,245	82,426	88,881	93,688	100,002	96,126	104,658	107,400
Minority Interest	-	-	-	-	-	-	-	-
Total Equity	139,762	132,752	139,067	143,701	150,111	146,336	167,588	170,376
TOTAL LIABILITIES & EQUITY	139,762	132,753	139,068	143,701	150,111	146,336	167,595	170,378
Holding - Memorandum Accounts <i>(Million Pesos)</i>								
TOTAL ON BEHALF OF THIRD PARTIES	-	-	-	-	-	-	-	-
Properties in Custody or Management	3,716	35,685	36,535	36,535	36,535	36,535	51,040	51,040
Collateral Received	1,452	607	3,612	4,913	4,812	5,663	6,013	2,871
Proprietary Transactions	5,168	36,292	40,147	41,448	41,347	42,198	57,053	53,911
TOTAL PROPRIETARY	5,168	36,292	40,147	41,448	41,347	42,198	57,053	53,911

Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Interest Income	26,265	25,938	27,853	29,283	29,958	30,366	37,111	38,865
Interest Expense	9,783	10,984	11,657	11,517	12,311	13,132	16,944	17,316
Charged Fees	282	295	296	297	290	321	334	338
Fees Paid	144	167	174	210	239	255	273	284
Net Interest Income from interest & fees (NII)	16,620	15,082	16,319	17,854	17,698	17,299	20,228	21,603
Premium Income (Net)	7,784	6,507	5,156	5,596	11,632	5,614	5,983	5,838
Net Increase in Technical Reserves	5,544	2,654	1,482	2,965	6,976	814	2,458	3,260
Damages, Claims and Other Obligations	3,306	3,645	4,110	3,845	4,049	4,239	4,692	4,582
Net Interest Income (NII)	15,555	15,289	15,883	16,640	18,305	17,860	19,061	19,600
Preventive Provisions for Loan Losses	2,698	3,514	3,359	3,544	4,264	3,844	4,065	3,906
Net Interest Income Adjusted for Credit Risk	12,857	11,776	12,524	13,096	14,041	14,016	14,996	15,693
Fund Transfers	368	390	350	380	363	422	418	430
Account Management Fees	596	624	647	662	618	627	627	645
Electronic Banking Services	1,639	1,709	1,653	1,902	1,880	2,019	2,007	2,362
For Commercial and Mortgage Loans *	94	198	225	178	135	269	376	492
For Consumer and Credit Card Loans	999	1,055	1,096	1,146	1,120	1,158	1,179	1,253
Fiduciary	92	101	97	133	108	126	129	135
Income from Real Estate Portfolios	7	17	43	40	36	26	15	113
Mutual Funds	282	329	360	372	374	390	458	451
Trading & Financial Advising Fees	115	167	305	134	201	231	138	131
Other Fees Charged (1) *	264	205	263	306	286	279	288	250
Fees Charged on Services	4,455	4,795	5,040	5,252	5,121	5,547	5,635	6,263
Interchange Fees	722	762	739	875	880	986	961	1,173
Insurance Fees	379	269	384	186	725	144	316	294
Other Fees Paid	843	841	892	912	911	1,163	905	1,066
Fees Paid on Services -	1,944	1,872	2,016	1,972	2,516	2,294	2,182	2,534
Net Service Fees	2,512	2,923	3,025	3,279	2,604	3,254	3,453	3,730
Currency and Metals	(151)	(15)	22	(9)	(123)	237	(97)	(136)
Derivatives	(195)	(56)	357	387	195	603	(2)	1,184
Negotiable Instruments	27	56	(153)	(639)	(55)	76	109	(266)
Valuation	(319)	(15)	225	(260)	17	916	10	782
Currency and Metals	520	523	234	452	613	354	638	509
Derivatives	281	73	(28)	(189)	39	(117)	70	(63)
Negotiable Instruments	255	381	197	328	198	69	160	35
Trading	1,056	977	402	592	850	305	868	481
Trading Income	737	961	628	331	866	1,221	877	1,263
Loan Recovery	3	3	2	5	3	2	2	2
Loan Portfolios	42	46	38	64	44	58	69	56
Income from foreclosed assets	21	(273)	255	156	80	68	188	(60)
Provisions Release	4	0	1	3	14	1	29	(29)
Losses and Estimates	(295)	(423)	(335)	(583)	(913)	(355)	(650)	(391)
Impairment of Assets	(428)	(10)	(189)	134	(173)	-	-	(7)
Lease Income	111	105	106	125	123	106	121	114
From Insurance	234	213	189	199	200	254	197	218
Other Operating Expense	341	443	173	596	1,233	266	496	2,891
Total Other Operating Income (Expense)	33	105	240	699	611	401	452	2,795
Total Non Interest Income	3,282	3,989	3,892	4,310	4,082	4,876	4,783	7,788
Total Operating Income	16,138	15,765	16,416	17,406	18,123	18,892	19,779	23,481
Personnel	3,512	3,285	3,206	3,445	3,535	3,850	3,721	3,915
Employee Profit Sharing (PTU)	101	101	101	88	106	106	120	123
Professional Fees	567	712	771	875	714	754	772	1,090
Administrative and Promotional Expenses	1,947	1,888	1,787	1,931	1,938	1,971	2,086	1,959
Rents, Depreciation & Amortization	1,306	1,274	1,233	1,245	1,347	1,386	1,435	1,458
Taxes other than income tax & non deductible expenses	523	374	422	453	788	191	481	615
Contributions to IPAB/Fobaproa	634	636	668	696	725	726	845	853
Total Non Interest Expense	8,590	8,271	8,188	8,732	9,153	8,984	9,461	10,013
Operating Income	7,549	7,494	8,227	8,674	8,970	9,908	10,318	13,468
Subsidiaries' Net Income	263	335	291	375	357	409	375	245
Pre-Tax Income	7,812	7,828	8,519	9,049	9,327	10,317	10,693	13,713
Income Tax	2,070	2,015	2,184	2,200	2,343	2,627	2,808	2,989
Tax on Assets	-	-	-	-	-	-	-	-
Deferred Income Tax	210	59	34	276	128	396	(41)	385
Taxes	2,279	2,074	2,218	2,476	2,472	3,023	2,767	3,375
Net Income from Continuous Operations	5,532	5,754	6,300	6,573	6,856	7,294	7,926	10,338
Discontinued Operations	74	6	8	2	-	-	-	-
Minority Interest	(79)	(80)	(90)	(93)	(87)	(102)	(110)	(156)
Net Income	5,527	5,680	6,219	6,482	6,768	7,191	7,816	10,182

GFNorte - Balance Sheet	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
<i>(Million Pesos)</i>								
ASSETS								
Cash and Due from Banks	60,422	65,840	59,809	76,269	87,954	69,649	65,483	75,637
Margin Accounts	1,909	2,635	1,628	1,986	1,739	1,680	1,764	1,458
Negotiable Instruments	244,183	240,223	242,347	239,019	258,739	259,179	260,794	257,904
Securities Available for Sale	136,570	139,264	153,555	168,540	164,663	157,586	203,583	214,164
Securities Held to Maturity	85,347	87,127	91,188	95,310	97,981	98,689	120,494	128,038
Investment in Securities	466,100	466,614	487,090	502,870	521,382	515,454	584,871	600,106
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans, net	2	0	231	679	595	187	372	1,021
Securities Lending	-	-	-	-	-	-	-	-
For trading purposes	22,780	20,387	18,983	25,520	24,404	28,796	28,233	28,083
For hedging purposes	387	216	94	205	293	134	349	156
Operations w/Derivatives & Securities								
Transactions with Derivatives	23,167	20,603	19,077	25,725	24,697	28,931	28,582	28,239
Operations w/Derivatives & Securities	23,168	20,604	19,308	26,403	25,291	29,118	28,954	29,260
Valuation adjustments for Asset Coverage	110	106	102	99	95	91	88	84
Commercial Loans	220,656	231,284	231,954	233,777	234,847	248,783	283,315	302,845
Financial Intermediaries' Loans	5,237	5,607	4,882	5,944	5,576	4,967	7,312	7,734
Consumer Loans	92,394	98,478	103,222	105,567	108,477	111,471	112,954	113,441
Mortgage Loans	119,310	124,206	130,084	135,405	139,779	145,351	150,517	155,798
Medium and Residential	115,226	120,197	126,120	131,563	135,952	141,629	146,834	152,270
low income housing	37	33	29	26	23	20	19	16
Loans acquired from INFONAVIT or FOVISSSTE	4,048	3,975	3,934	3,816	3,804	3,702	3,665	3,511
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	131,551	134,423	131,460	134,905	134,017	130,087	197,636	197,373
Performing Loans	569,147	593,997	601,602	615,598	622,695	640,660	751,735	777,192
Commercial PDL's	5,893	5,739	5,731	6,719	6,913	7,116	7,614	7,387
Financial Intermediaries PDL's	344	0	0	0	1	0	0	0
Consumer PDL's	3,029	3,918	4,088	4,440	3,976	4,424	4,816	4,408
Mortgage PDL's	1,019	1,161	1,234	1,323	1,315	1,347	1,448	1,464
Medium and Residential	911	1,044	1,096	1,179	1,186	1,227	1,324	1,349
low income housing	1	1	1	1	1	1	2	2
Loans acquired from INFONAVIT or FOVISSSTE	106	117	137	143	128	119	123	113
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	16	4
Past Due Loans	10,284	10,818	11,053	12,482	12,205	12,888	13,895	13,263
Gross Loan Portfolio	579,432	604,815	612,656	628,080	634,900	653,547	765,630	790,455
Preventive Loan Loss Reserves	14,235	16,119	16,205	16,122	16,674	17,161	18,906	18,844
Net Loan Portfolio	565,197	588,696	596,451	611,958	618,226	636,386	746,725	771,611
Acquired Collection Rights	2,082	1,986	2,593	2,477	2,315	2,781	2,610	2,417
Total Credit Portfolio	567,279	590,682	599,044	614,435	620,541	639,168	749,335	774,028
Account Receivables from Insurance and Annuities	1,620	1,769	1,879	1,904	1,879	2,133	2,227	2,241
Premium Debtors (Net)	8,406	8,223	6,519	4,031	11,026	8,866	6,212	3,835
Account Receivables from Reinsurance	7,189	8,878	9,285	8,717	13,682	14,044	12,069	8,956
Benef. receivab. securization transactions	151	152	177	141	162	149	169	61
Sundry Debtors & Other Accs Rec, Net	46,084	36,699	46,338	51,834	36,942	54,191	52,911	42,008
Inventories	399	1,309	1,204	783	594	1,058	740	961
Foreclosed Assets, Net	1,569	1,149	1,121	1,100	1,131	1,011	1,088	895
Real Estate, Furniture & Equipment, Net	15,770	15,981	16,896	18,171	17,871	18,089	18,860	17,684
Investment in Subsidiaries	12,875	13,104	13,395	13,771	12,953	13,328	13,837	14,038
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	3,750	3,729	3,011	2,949	2,629	2,631	3,504	4,318
Goodwill and Intangibles	25,281	25,493	25,826	28,238	27,226	29,707	42,321	44,550
Other Assets Short and Long Term	3,253	2,709	2,488	448	431	275	360	350
Other Assets								
	126,347	119,194	128,140	132,085	126,524	145,484	154,297	139,898
TOTAL ASSETS	1,245,334	1,265,675	1,295,121	1,354,147	1,383,526	1,400,644	1,584,791	1,620,470

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
LIABILITIES								
Demand Deposits	365,031	366,429	375,201	393,308	387,601	401,870	404,405	410,375
Time Deposits-Retail	209,159	227,113	235,524	239,174	240,557	238,418	268,129	276,386
Time Deposits-Money Market	1,115	15,394	8,983	3,679	9,984	13,264	55,689	55,552
Global Account of deposits without movements	1,410	1,456	1,523	1,657	1,673	1,709	1,769	1,891
Senior Unsecured Debt	85	2,750	2,745	3,003	2,764	4,995	7,041	12,098
Deposits	576,800	613,142	623,976	640,821	642,579	660,257	737,033	756,301
Demand Loans	1,137	1,591	0	0	0	0	0	0
Short Term Loans	13,264	14,886	15,104	18,213	13,029	15,670	19,884	25,724
Long Term Loans	17,984	18,222	15,751	15,731	17,508	16,597	32,057	33,035
Due to Banks & Correspondents	32,385	34,698	30,856	33,944	30,537	32,267	51,941	58,759
Technical Reserves	97,016	100,982	103,550	107,794	118,660	119,065	135,585	140,879
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	314,163	307,161	299,573	301,665	311,829	323,057	369,793	369,457
Secs to be received in Repo Trans, Net	-	-	0	-	-	-	-	-
Repos (Credit Balance)	2	0	54	3	1	2	1	2
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	2	0	54	3	1	2	1	2
For trading purposes	22,092	19,445	17,958	24,608	21,195	25,966	24,956	23,605
For hedging purposes	6,555	6,552	7,104	12,401	8,180	9,646	7,797	10,963
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	28,647	25,997	25,062	37,009	29,374	35,612	32,753	34,568
Total Operations w/ Derivatives & Securities	342,812	333,158	324,690	338,677	341,204	358,671	402,547	404,027
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,526	3,348	3,185	1,255	4,075	3,507	3,030	1,325
Income Tax Payable	2,021	1,933	2,455	3,132	2,549	2,253	3,310	3,296
Profit Sharing Payable	494	222	320	405	127	216	367	485
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	6,609	6,956	10,616	16,047	28,512	5,488	7,176	4,469
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	23,072	20,612	21,812	31,615	30,270	35,573	39,587	42,326
Other Payable Accounts	32,196	29,722	35,203	51,198	61,458	43,530	50,441	50,576
Subordinated Non Convertible Debt	17,551	13,733	30,255	32,445	30,482	32,507	32,241	33,560
Deferred Taxes, Net	0	(0)	0	0	0	(0)	(0)	(0)
Deferred Credits	265	252	418	429	450	477	512	579
TOTAL LIABILITIES	1,101,552	1,129,036	1,152,133	1,206,564	1,229,446	1,250,281	1,413,330	1,446,006
EQUITY								
Paid-in Capital	14,578	14,564	14,576	14,591	14,588	14,588	14,979	14,962
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	36,098	35,932	35,780	35,592	35,692	35,793	47,849	47,904
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	50,676	50,496	50,355	50,183	50,280	50,381	62,828	62,866
Capital Reserves	4,870	4,827	5,095	5,491	5,379	5,379	5,787	5,207
Retained Earnings	84,011	71,600	71,592	71,294	94,702	84,830	84,690	76,550
Surplus (Deficit) of Secs Available for Sale	(2,754)	(2,471)	(2,428)	(2,390)	(3,513)	(4,659)	(4,198)	(2,136)
Results from Valuation of Hedging Secs	(1,790)	(1,943)	(1,884)	(3,588)	(2,103)	(2,170)	(2,039)	(3,369)
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77	79	112	28
Results from Conversions	1,660	1,616	1,613	1,684	1,618	1,753	1,700	1,751
Remeasurements defined benefits for employees	(494)	(618)	(741)	(926)	(1,045)	(1,163)	(1,282)	(576)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	5,527	11,207	17,426	23,908	6,768	13,960	21,776	31,958
Earned Capital	91,112	84,287	90,737	95,567	101,885	98,009	106,546	109,412
Minority Interest	1,994	1,856	1,896	1,832	1,916	1,973	2,088	2,185
Total Equity	143,782	136,639	142,988	147,583	154,081	150,363	171,461	174,464
TOTAL LIABILITIES & EQUITY	1,245,334	1,265,675	1,295,121	1,354,147	1,383,526	1,400,644	1,584,791	1,620,470

GFNorte - Memorandum Accounts	1Q17	2Q17	3Q17	4Q18	1Q18	2Q18	3Q18	4Q18
<i>(Million Pesos)</i>								
On behalf of Third Parties								
Customer's Banks	154	53	79	33	37	44	200	236
Dividends Receivable from Customers	-	-	-	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-	-	-	-
Settlement of Customer Transactions	(3)	5	48	(64)	182	86	126	(145)
Customer Premiums	-	-	-	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-	-	-	-
Other Current Accounts	-	-	-	-	-	-	-	-
Customers' Current Account	150	58	128	(32)	219	129	326	91
Client Securities Received in Custody	642,019	670,333	678,718	663,995	657,387	686,453	786,752	699,130
Securities and Documents Received in Guarantee	-	-	-	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-	-	-	-
Clients' Securities	642,019	670,333	678,718	663,995	657,387	686,453	786,752	699,130
Clients' Repurchase Operations	106,095	90,620	75,928	118,210	167,552	154,485	194,824	209,591
Clients' Repo Transactions w/ Securities	-	-	-	-	-	-	-	-
Collateral received in guarantee for customer accounts	106,060	90,585	75,949	118,175	167,518	154,451	194,825	209,595
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	108,323	113,681	103,775	112,960	104,431	101,779	100,614	91,152
Transactions On Behalf of Clients	320,478	294,885	255,652	349,346	439,500	410,715	490,263	510,338
Investment Bank Trans. on behalf of Third (Net)	90,367	77,102	85,844	87,333	89,601	90,056	71,600	68,035
TOTAL ON BEHALF OF THIRD PARTIES	1,053,014	1,042,379	1,020,341	1,100,642	1,186,708	1,187,353	1,348,941	1,277,594
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	326,160	259,402	236,364	252,516	269,875	290,268	320,465	305,418
Trusts	271,144	279,574	269,077	276,410	267,263	264,320	452,846	442,948
Mandates	2,712	13,148	14,482	14,339	14,628	16,625	16,500	15,847
Properties in Trusts and Warrant	273,856	292,722	283,559	290,749	281,891	280,945	469,346	458,795
Properties in Custody or Management	475,934	553,930	559,611	561,016	577,678	590,176	738,265	676,612
Collateral Received	164,657	101,105	110,142	145,077	187,966	181,148	230,558	245,892
Collateral Received or sold or delivered	203,465	123,597	111,691	184,011	273,284	250,217	326,695	372,881
Drafts in Transit	-	-	-	-	-	-	-	-
Assets' Deposit	2,368	2,415	1,802	3,068	2,498	1,545	1,382	2,781
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	63	73	111	100	119	131	166	193
Uncollected Accrued Interest from Past Due Loans	437	471	361	367	363	358	659	636
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-	255,021
Proprietary Transactions	1,446,941	1,333,715	1,303,640	1,436,905	1,593,673	1,594,788	2,087,536	2,318,227
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,446,941	1,333,715	1,303,640	1,436,905	1,593,673	1,594,788	2,087,536	2,318,227

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – DECEMBER 31, 2018***(Million Pesos)*

Net Income	31,958
Items charged to results that do not generate or require use of resources	
Depreciation	2,217
Technical Reserves	13,508
Provisions	2,314
Income taxes and deferred	11,636
Minority Interest	(929)
	28,746
	60,704
Change in items related to operations	
Change in Margin Accounts	528
Change in Investment in Securities	(90,564)
Change in repo debtors	(343)
Change in derivatives (assets)	(2,086)
Change in Loan Portfolio (net)	(49,629)
Change in purchased receivables (net)	60
Change in accounts receivable insurance and bonding institutions (net)	(335)
Change in debtor premiums (net)	209
Change in Reinsurance (net)	45
Change in benefits to receive from securitizations	80
Change in foreclosed assets (net)	205
Change in other operating assets (net)	(2,768)
Change in core deposits	20,524
Change in interbank loans and other entities	(1,212)
Change in repo creditors	67,793
Change in collateral pledged sold	(1)
Change in derivatives (liability)	(1,106)
Change in Technical Reserves (net)	19,041
Change in Reinsurance (net) (liability)	63
Change in subordinated debt with characteristics of liabilities	115
Change in other operating liabilities	(12,703)
Change in hedging instruments (the related hedged transaction activities)	(1,390)
Income Tax Payments	(11,774)
Net cash generated or used from operations	(4,544)
Investment Activities	
Charges for disposal of property, furniture and equipment	3,549
Payments for acquisition of property, furniture and equipment	(4,501)
Subsidiaries and associated acquisitions payment	(1)
Charges for cash dividends	1,255
Asset acquisition net of cash	15,254
Net cash generated or used from investment activities	15,556
Financing Activities	
Payments of cash dividends	(9,563)
Payments associated with the repurchase of proprietary shares	(855)
Payments of interests of subordinated debentures	(1,225)
Net cash flows from financing activities	(11,643)
Net Cash Increase (decrease) and equivalents value	(631)
Effects for changes in cash and equivalents value	(1)
Cash and cash equivalents at beginning of period	76,269
Cash and cash equivalents at end of period	75,637

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018 – DECEMBER 31, 2018

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL									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 in the val. reserve for unexpired risks variations in rates	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	
Balance as of December 31, 2017	14,591	35,592	5,491	71,294	(2,390)	(3,588)	96	1,684	(926)	23,908	1,832	147,584
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	(13)	(300)	(284)		12							(585)
Capitalization of profits				23,908						(23,908)		0
Dividends Declared by the Ordinary General Shareholders' Meeting on June 1, 2018				(9,563)								(9,563)
INB's Sale Accounting Effect				(179)								(179)
Grupo Financiero Interacciones Merger Effect	384	12,779										13,163
Total	371	12,479	(284)	14,166	12	0	0	0	0	(23,908)	0	2,836
Changes stemming from profits												
Total profits:												
Net Income										31,958		31,958
Result from valuation of securities available for sale					(3,236)							(3,236)
Effect of subsidiaries, associates and mutual funds		(167)		125					67			25
Result from valuation of instruments of cash flow hedges						219						219
Result in valuation of current risk reserve due to changes in rates								(68)				(68)
Remeasurements defined benefits for employees									350			350
Interest of subordinated debentures				(1,225)								(1,225)
Change of accounting rule in Investment Projects				(4,332)								(4,332)
Application of special accounting criteria				(3,478)	3,478							0
Total	0	(167)	0	(8,910)	242	219	(68)	67	350	31,958	0	23,691
Recognition of minority interest											353	353
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

Bank

Income Statement - Bank (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Interest Income	21,747	23,165	24,448	25,181	25,945	26,729	31,437	32,587
Interest Expense	8,614	9,831	10,515	10,415	11,254	11,168	14,799	15,201
Charged Fees	282	294	296	297	290	320	333	338
Fees Paid	143	165	171	207	237	253	271	283
Net Interest Income (NII)	13,272	13,463	14,057	14,856	14,744	15,628	16,700	17,442
Preventive Provisions for Loan Losses	2,658	3,433	3,343	3,450	4,149	3,759	3,919	3,809
Net Interest Income Adjusted for Credit Risk	10,614	10,030	10,715	11,406	10,596	11,869	12,781	13,633
Fund Transfers	368	390	350	380	363	422	418	430
Account Management Fees	614	639	662	681	639	650	650	662
Electronic Banking Services	1,639	1,709	1,653	1,902	1,880	2,019	2,007	2,362
For Commercial and Mortgage Loans	94	193	225	178	135	269	376	492
For Consumer Loans	997	1,052	1,093	1,143	1,117	1,155	1,176	1,251
Fiduciary	91	101	96	132	107	126	129	134
Income from Real Estate Portfolios	5	9	10	13	20	7	3	16
Trading & Financial Advising Fees	-	-	-	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	1	1	1	1	1
Other Fees Charged (1) *	473	464	521	557	577	585	618	580
Fees Charged on Services	4,282	4,557	4,611	4,986	4,840	5,233	5,377	5,929
Interchange Fees	722	762	739	875	880	986	961	1,173
Insurance Fees	-	-	-	-	-	-	-	-
Other Fees Paid	802	779	836	871	864	999	975	1,011
Fees Paid on Services	1,524	1,541	1,576	1,746	1,744	1,985	1,936	2,185
Net Fees	2,758	3,016	3,036	3,240	3,096	3,248	3,441	3,744
Foreign Exchange	(124)	(11)	22	(16)	(116)	231	(93)	(140)
Derivatives	16	(49)	368	402	199	605	(1)	1,185
Negotiable Instruments	(63)	26	(130)	(554)	(31)	41	45	(138)
Valuation	(172)	(34)	260	(168)	52	877	(50)	907
Currency and Metals	520	523	234	452	613	354	638	509
Derivatives	281	73	(28)	(189)	39	(117)	70	(63)
Negotiable Instruments	64	149	87	50	103	17	55	(205)
Trading	865	745	292	314	755	254	763	241
Trading Income	693	711	552	145	807	1,131	713	1,148
Loan Recovery	-	-	-	-	-	-	-	-
Loan Portfolios	30	30	25	47	29	36	42	35
Income from foreclosed assets	12	(266)	229	151	70	87	176	116
Provisions Release	-	-	-	-	-	-	-	-
Losses and Estimates	(280)	(325)	(267)	(361)	(715)	(337)	(616)	(313)
Impairment of Assets	(58)	(9)	(9)	(8)	-	-	-	(7)
Lease Income	8	8	19	13	15	3	20	18
From Insurance	-	-	-	-	-	-	-	-
Other Operating Expense	285	333	158	502	993	95	431	2,693
Total Other Operating Income (Expenses)	(3)	(230)	155	344	391	(116)	53	2,541
Total Non-Interest Income	3,448	3,496	3,743	3,729	4,294	4,263	4,208	7,433
Total Operating Income	14,062	13,526	14,457	15,135	14,889	16,132	16,989	21,066
Personnel	3,361	3,127	3,048	3,272	3,370	3,679	3,534	3,728
Employee Profit Sharing (PTU)	99	99	99	85	104	104	118	118
Professional Fees	463	612	655	726	606	621	621	870
Administrative and Promotional Expenses	1,749	1,765	1,649	1,797	1,782	1,824	1,915	1,822
Rents, Depreciation & Amortization	1,219	1,184	1,155	1,158	1,272	1,311	1,356	1,380
Taxes other than income tax & non-deductible expenses	458	337	358	394	724	126	430	514
Contributions to IPAB/Fobaproa	634	636	668	696	725	726	845	853
Total Non-Interest Expense	7,984	7,760	7,634	8,127	8,582	8,392	8,820	9,286
Operating Income	6,078	5,766	6,823	7,007	6,307	7,740	8,169	11,780
Subsidiaries' Net Income	14	17	(6)	37	25	49	44	43
Pre-Tax Income	6,092	5,783	6,817	7,044	6,332	7,790	8,213	11,823
Income Tax	1,541	1,509	1,755	1,977	1,591	2,112	2,324	2,539
Deferred Income Tax	320	89	78	219	123	285	(126)	476
Taxes	1,861	1,597	1,833	2,196	1,714	2,397	2,198	3,015
Net Income from Continuous Operations	4,232	4,185	4,985	4,848	4,618	5,392	6,015	8,808
Discontinued Operations	74	6	8	2	-	-	-	-
Minority Interest	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	4,305	4,191	4,993	4,850	4,618	5,392	6,015	8,808

Bank - Balance Sheet (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
ASSETS								
Cash and Due from Banks	60,405	65,822	59,618	76,063	87,771	69,226	65,084	75,233
Margin Accounts	1,909	2,635	1,628	1,986	1,739	1,680	1,764	1,458
Negotiable Instruments	150,913	159,894	174,661	122,065	85,206	95,500	84,122	92,418
Securities Available for Sale	106,886	110,750	126,881	152,910	150,133	145,572	162,694	147,986
Securities Held to Maturity	6,245	6,202	6,849	6,834	6,836	6,770	8,888	8,492
Investment in Securities	264,044	276,846	308,392	281,810	242,175	247,842	255,704	248,896
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Debtor Balance in Repo Trans,net	2	0	20	5	1	0	1	405
Securities Lending	-	-	-	-	-	-	-	-
For trading purposes	22,738	20,352	18,959	25,511	24,399	28,794	28,231	28,083
For hedging purposes	387	216	94	205	293	134	349	156
Operations w/Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	23,125	20,568	19,053	25,716	24,692	28,929	28,581	28,239
Operations w/Derivatives & Securities	23,126	20,568	19,073	25,721	24,693	28,929	28,582	28,643
Valuation adjustments for Asset Coverage	110	106	102	99	95	91	88	84
Commercial Loans	199,150	208,717	209,711	210,431	211,079	224,216	258,347	275,979
Financial Intermediaries' Loans	21,122	23,538	22,517	22,875	24,843	22,887	26,114	21,088
Consumer Loans	90,824	93,999	99,186	101,995	105,358	108,725	110,491	111,237
Mortgage Loans	119,310	124,206	130,084	135,405	139,779	145,351	150,517	155,798
Medium and Residential	115,226	120,197	126,120	131,563	135,952	141,629	146,834	152,270
low income housing	37	33	29	26	23	20	19	16
Loans acquired from INFONAVIT or FOVISSSTE	4,048	3,975	3,934	3,816	3,804	3,702	3,665	3,511
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities' Loans	130,183	133,394	130,617	132,816	131,014	128,397	194,085	192,234
Loans granted as Federal Agent	-	-	-	-	-	-	-	-
Performing Loans	560,589	583,853	592,114	603,522	612,074	629,576	739,555	756,336
Commercial PDL's	5,677	5,570	5,566	6,540	6,723	6,930	7,422	7,044
Financial Intermediaries PDL's	344	0	0	0	1	0	0	0
Consumer PDL's	2,993	3,867	3,987	4,329	3,875	4,342	4,729	4,331
Mortgage PDL's	1,019	1,161	1,234	1,323	1,315	1,347	1,448	1,464
Medium and Residential	911	1,044	1,096	1,179	1,186	1,227	1,324	1,349
low income housing	1	1	1	1	1	1	2	2
Loans acquired from INFONAVIT or FOVISSSTE	106	117	137	143	128	119	123	113
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-	-	-	-
Government Entities PDL's	-	-	-	-	-	-	13	0
Past Due Loans	10,034	10,598	10,788	12,192	11,914	12,619	13,612	12,840
Gross Loan Portfolio	570,622	594,452	602,902	615,714	623,988	642,196	753,167	769,176
Preventive Loan Loss Reserves	13,805	15,499	15,628	15,551	16,108	16,639	18,333	18,264
Net Loan Portfolio	556,818	578,953	587,274	600,163	607,880	625,556	734,834	750,912
Acquired Collection Rights	1,477	1,394	2,021	1,925	1,794	2,298	2,149	2,001
Total Credit Portfolio	558,294	580,347	589,295	602,088	609,673	627,855	736,983	752,913
Benef. receivab. securization transactions	151	152	177	141	162	149	169	61
Sundry Debtors & Other Accs Rec, Net	36,363	26,519	35,953	37,492	27,055	43,581	42,559	36,083
Inventories	-	-	-	-	-	-	-	-
Foreclosed Assets, Net	1,182	791	755	752	754	704	768	738
Real Estate, Furniture & Equipment, Net	12,120	12,306	12,777	13,474	13,720	13,893	14,753	13,547
Investment in Subsidiaries	199	119	113	150	175	192	347	342
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	3,602	3,651	3,146	3,517	3,189	3,302	4,174	4,839
Goodwill and Intangibles	10,775	10,805	10,918	13,051	12,639	14,870	17,160	17,422
Other Assets Short and Long Term	2,914	2,364	2,137	81	57	53	306	235
	67,306	56,707	65,977	68,658	57,750	76,743	80,235	73,265
TOTAL ASSETS	975,193	1,003,031	1,044,085	1,056,423	1,023,894	1,052,365	1,168,439	1,180,492

Bank - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
LIABILITIES								
Demand Deposits	366,454	367,839	376,822	394,995	389,330	403,109	406,557	412,118
Time Deposits-Retail	209,212	227,186	235,605	245,288	248,275	238,597	269,543	277,576
Time Deposits-Money Market	1,115	15,394	8,983	3,679	9,984	13,264	55,689	55,552
Global Account of deposits without movements	1,410	1,456	1,523	1,657	1,673	1,709	1,769	1,891
Senior Unsecured Debt	-	2,750	2,745	3,003	2,764	4,995	7,041	12,098
Deposits	578,191	614,625	625,678	648,622	652,027	661,675	740,598	759,235
Demand Loans	1,137	1,591	0	0	0	0	0	0
Short Term Loans	7,204	7,557	7,610	8,441	6,971	7,528	12,675	13,523
Long Term Loans	8,702	8,495	6,520	6,797	6,520	6,489	21,372	22,199
Due to Banks & Correspondents	17,043	17,642	14,130	15,238	13,491	14,017	34,047	35,722
Non-assigned Securities for Settlement	-	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	210,936	218,158	228,696	190,363	150,684	175,344	181,148	163,507
Secs to be received in Repo Trans, Net	-	-	-	-	-	-	-	-
Repos (Credit Balance)	2	0	0	3	1	2	1	2
Securities' Loans	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Other sold collateral	-	-	-	-	-	-	-	-
Total Collateral sold	2	0	0	3	1	2	1	2
For trading purposes	22,092	19,445	17,958	24,608	21,195	25,966	24,956	23,605
For hedging purposes	6,555	6,552	7,104	12,401	8,180	9,646	7,797	10,963
Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Transactions with Derivatives	28,647	25,997	25,062	37,009	29,374	35,612	32,753	34,568
Total Operations w/ Derivatives & Securities	239,585	244,155	253,758	227,375	180,059	210,958	213,902	198,077
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Income Tax Payable	1,477	1,143	1,351	1,940	1,794	1,121	1,929	1,696
Profit Sharing Payable	494	222	320	405	127	216	356	485
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Creditors for settlement of transactions	6,516	6,828	9,904	15,871	28,150	4,856	6,972	4,402
Margin Accounts Payable	-	-	-	-	-	-	-	-
Other Creditors & Accounts Payable	19,290	17,026	18,544	27,981	26,757	31,837	34,876	38,378
Other Payable Accounts	27,777	25,218	30,119	46,196	56,828	38,031	44,133	44,960
Subordinated Non Convertible Debt	17,551	13,733	30,255	32,445	30,482	32,507	32,241	33,560
Deferred Taxes, Net	-	-	-	-	-	-	-	-
Deferred Credits	142	107	258	485	464	456	484	535
TOTAL LIABILITIES	880,289	915,480	954,198	970,361	933,350	957,644	1,065,405	1,072,090
EQUITY								
Paid-in Capital	18,105	18,105	18,105	18,105	18,105	18,105	18,794	18,794
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-	-	-	-
Share Subscription Premiums	180	294	420	648	750	852	954	1,184
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	18,285	18,399	18,525	18,753	18,855	18,957	19,748	19,979
Capital Reserves	11,509	13,013	13,013	13,013	13,013	14,847	14,847	14,847
Retained Earnings	62,685	49,462	46,400	38,959	56,788	54,641	55,548	53,133
Surplus (Deficit) of Secs Available for Sale	(1,139)	(752)	(402)	4	(1,068)	(2,002)	(1,355)	(1,994)
Results from Valuation of Hedging Secs	(1,827)	(1,982)	(1,923)	(3,653)	(2,141)	(2,209)	(2,076)	(3,430)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-	-	-	-
Results from Conversions	1,579	1,544	1,540	1,591	1,542	1,661	1,623	1,659
Remeasurements defined benefits for employees	(503)	(629)	(755)	(943)	(1,063)	(1,184)	(1,328)	(628)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	4,305	8,496	13,489	18,339	4,618	10,010	16,025	24,834
Earned Capital	76,609	69,152	71,362	67,309	71,689	75,764	83,284	88,422
Minority Interest	10	0	0	0	0	0	2	2
Total Equity	94,904	87,551	89,887	86,062	90,544	94,721	103,034	108,403
TOTAL LIABILITIES & EQUITY	975,193	1,003,031	1,044,085	1,056,423	1,023,894	1,052,365	1,168,439	1,180,492

Bank - Memorandum Accounts (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Investment Banking transactions for third parties, net	90,367	77,102	85,844	87,333	89,601	90,056	71,600	68,035
TOTAL ON BEHALF OF THIRD PARTIES	90,367	77,102	85,844	87,333	89,601	90,056	71,600	68,035
Proprietary Transactions								
Endorsement Guarantees Granted	-	-	-	-	-	-	-	-
Loan Obligations	287,187	217,510	194,370	213,098	230,194	252,633	280,011	269,658
Trusts	271,144	279,574	269,077	276,410	267,263	264,320	452,846	442,948
Mandates	2,712	13,148	14,482	14,339	14,628	16,625	16,500	15,847
Properties in Trusts and Warrant	273,856	292,722	283,559	290,749	281,891	280,945	469,346	458,795
Properties in Custody or Management	321,987	359,766	360,273	363,730	377,497	376,146	488,495	446,162
Collateral Received	158,596	97,317	101,413	133,904	174,273	167,571	223,700	237,642
Collateral Received or sold	94,204	30,833	32,285	62,240	99,167	89,256	131,673	159,301
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	63	73	111	100	119	131	166	193
Uncollected Accrued Interest from Past Due Loans	436	470	359	365	361	357	657	634
Investments of Retirement Savings Funds	-	-	-	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-	-	-	-
Amounts Contracted in Derivatives	-	-	-	-	-	-	-	226,303
Proprietary Transactions	1,136,328	998,692	972,371	1,064,187	1,163,501	1,167,038	1,594,048	1,798,688
Repo Securities to be Received	-	-	-	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
Repo Debtors	-	-	-	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-	-	-	-
TOTAL PROPRIETARY	1,136,328	998,692	972,371	1,064,187	1,163,501	1,167,038	1,594,048	1,798,688

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW**JANUARY 1, 2018 – DECEMBER 31, 2018***(Million Pesos)*

Net Income	24,834
Items charged to results that do not generate or require use of resources	
Depreciation	2,055
Provisions	2,239
Income taxes and deferred	9,324
Minority Interest	(161)
	13,457
	38,291
Change in items related to operations	
Change in Margin Accounts	528
Change in Investment in Securities	36,611
Change in repo debtors	(399)
Change in derivatives (assets)	(2,095)
Change in Loan Portfolio (net)	(40,682)
Change in purchased receivables (net)	(76)
Change in benefits to receive from securitizations	80
Change in foreclosed assets (net)	14
Change in other operating assets (net)	(2,536)
Change in core deposits	14,577
Change in interbank loans and other entities	(5,542)
Change in repo creditors	(26,856)
Change in collateral pledged sold	(1)
Change in derivatives (liability)	(1,106)
Change in subordinated debt with characteristics of liabilities	114
Change in other operating liabilities	(13,163)
Change in hedging instruments (the related hedged transaction activities)	(1,166)
Income Tax Payments	(9,907)
Net cash generated or used from operations	(13,314)
Investment Activities	
Charges for disposal of property, furniture and equipment	1,981
Payments for acquisition of property, furniture and equipment	(3,454)
Subsidiaries and associated acquisitions payment	(1)
Charges for cash dividends	80
Asset acquisition net of cash	15,126
Net cash generated or used from investment activities	13,732
Financing Activities	
Payments of interests of subordinated debentures	(1,247)
Net cash flows from financing activities	(1,247)
Net Cash Increase (decrease) and equivalents value	(829)
Effects for changes in cash and equivalents value	(1)
Cash and cash equivalents at beginning of period	76,063
Cash and cash equivalents at end of period	75,233

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2018– DECEMBER 31, 2018

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL								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	Minority Interest	
Balance as of December 31, 2017	18,105	648	13,013	38,959	4	(3,653)	1,590	(943)	18,339	0	86,062
Changes stemming from stockholders' decisions											
Capitalization of profits				18,339					(18,339)		
Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 27, 2018.			1,834	(1,834)							
Payment plan based on equity-settle shares in equity instruments		536									536
INB's Sale Accounting Effect				(183)							(183)
Banco Interacciones Merger Effect	689			(154)	165			(23)			677
Total	689	536	1,834	16,168	165	0	0	(23)	(18,339)	0	1,030
Changes stemming from profits											
Total profits:											
Net Income									24,834		24,834
Result from valuation of securities available for sale					(2,836)						(2,836)
Effect of subsidiaries, associates and mutual funds				(37)				(5)			(42)
Conversion accumulated effect							69				69
Result from valuation of instruments of cash flow hedges						223					223
Remeasurements defined benefits for employees				(37)				343			306
Interest of subordinated debentures				(1,247)							(1,247)
Application of special accounting criteria				(673)	673						0
Total	0	0	0	(1,994)	(2,163)	223	69	338	24,834	0	21,307
Recognition of minority interest										3	3
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

Seguros Banorte

Income Statement - Insurance - Seguros Banorte (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Interest Income	179	252	290	284	338	359	379	345
Interest Expense	5	(2)	(3)	-	-	-	-	-
Premium Income (Net)	5,986	4,336	3,302	3,581	9,479	3,230	3,037	3,850
Net Increase in Technical Reserves	1,920	463	(1,004)	(389)	3,954	(918)	(1,424)	(450)
Damages, Claims and Other Obligations	2,325	2,602	3,051	2,762	2,912	3,022	3,199	3,026
Net Interest Income	1,916	1,524	1,548	1,493	2,951	1,485	1,642	1,619
Fees Charged on Services	-	-	-	-	-	-	-	-
Fees Paid on Services	564	469	577	398	952	370	557	530
Securities-Valuation Gains	-	-	-	-	-	-	-	-
Securities Trading	12	(5)	16	19	5	(0)	20	5
Trading Income	12	(5)	16	19	5	(0)	20	5
From Insurance	232	213	188	199	194	250	199	205
Losses and Estimates	(7)	(43)	(39)	(209)	(6)	(2)	(13)	(44)
Other Operating Income (Expense)	3	2	2	5	5	3	6	4
Total Other Operating Income (Expenses)	228	172	152	(5)	192	252	191	165
Total Non-Interest Income	(324)	(302)	(409)	(384)	(754)	(118)	(346)	(360)
Total Operating Income	1,592	1,222	1,139	1,110	2,197	1,367	1,296	1,259
Personnel	84	90	96	106	93	97	113	115
Employee Profit Sharing (PTU)	1	1	1	2	1	1	1	4
Professional Fees	60	56	59	62	57	67	76	102
Administrative and Promotional Expenses	101	66	84	97	84	90	89	87
Rents, Depreciation & Amortization	38	38	39	41	41	41	44	41
Taxes other than income tax & non-deductible expenses	38	(0)	21	24	27	21	24	23
Contributions to IPAB/Fobaproa	-	-	-	-	-	-	-	-
Total Non-Interest Expense	322	252	300	332	303	317	346	372
Operating Income	1,270	970	839	778	1,895	1,049	950	887
Subsidiaries' Net Income	369	316	306	316	335	370	348	216
Pre-Tax Income	1,639	1,287	1,145	1,094	2,229	1,419	1,298	1,103
Income Tax	387	298	256	141	590	299	263	258
Deferred Income Tax	(4)	(4)	(28)	27	(46)	(4)	(4)	(29)
Taxes	384	295	228	169	544	296	260	229
Net Income from Continuous Operations	1,255	992	917	925	1,685	1,123	1,039	874
Discontinued Operations	-	-	-	-	-	-	-	-
Minority Interest	(8)	(7)	(7)	(8)	(8)	(9)	(8)	(7)
Net Income	1,247	985	910	917	1,677	1,115	1,031	867

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
ASSETS								
Cash and Due from Banks	55	37	58	69	81	105	96	64
Margin Accounts	-	-	-	-	-	-	-	-
Negotiable Instruments	11,834	13,264	13,996	15,509	17,777	17,140	19,409	19,205
Securities Available for Sale	2,232	2,093	2,103	1,505	1,188	906	864	842
Securities Held to Maturity	(0)	-	-	(0)	(0)	-	-	(0)
Investment in Securities	14,066	15,356	16,099	17,013	18,965	18,046	20,274	20,046
Debtor Balance in Repo Trans,net	1,150	927	1,153	2,235	2,261	1,354	609	1,226
Securities Lending	-	-	-	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-	-	-	-
Operations w/Derivatives & Securities	1,150	927	1,153	2,235	2,261	1,354	609	1,226
Valuation adjustments for Asset Coverage	-	-	-	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-	-	-	-
Account Receivables	360	480	562	558	500	710	745	710
Premium Debtors (Net)	8,319	8,105	6,401	3,916	10,913	8,666	6,002	3,578
Account Receivables from Reinsurance	7,189	8,878	9,285	8,717	13,682	14,044	12,069	8,956
Benef.receiveab.securization transactions	-	-	-	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	337	330	331	363	353	363	364	379
Investment in Subsidiaries	12,551	12,867	13,173	13,495	12,655	13,024	13,374	13,600
Long-term assets held for sale	-	-	-	-	-	-	-	-
Deferred Taxes, Net	134	134	158	127	169	169	225	250
Goodwill and Intangibles	1,891	2,152	2,386	2,706	2,121	2,354	2,423	2,582
Other Assets Short and Long Term	85	86	87	93	94	92	90	89
	30,866	33,033	32,384	29,975	40,488	39,423	35,291	30,142
TOTAL ASSETS	46,137	49,353	49,694	49,292	61,795	58,928	56,270	51,478

Insurance - Seguros Banorte - Balance Sheet (Million Pesos)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
LIABILITIES								
Technical Reserves	18,623	20,346	20,426	21,426	29,468	28,058	24,838	22,688
Total Operations w/ Derivatives & Securities	-	-	-	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	2,526	3,348	3,185	1,255	4,075	3,507	3,030	1,325
Income Tax Payable	409	702	952	1,087	630	923	1,180	1,406
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	2,770	2,413	2,172	2,111	2,518	2,446	2,369	2,530
Other Payable Accounts	3,179	3,115	3,124	3,198	3,147	3,369	3,548	3,936
Subordinated Non Convertible Debt	-	-	-	-	-	-	-	-
Deferred Taxes, Net	397	394	390	386	383	379	376	372
Deferred Credits	66	60	58	60	65	65	63	61
TOTAL LIABILITIES	24,791	27,262	27,183	26,326	37,138	35,379	31,855	28,382
EQUITY								
Paid-in Capital	13,766	13,766	13,766	13,766	13,766	13,766	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	13,766	13,766	13,766	13,766	13,928	13,928
Capital Reserves	1,499	1,789	1,789	1,789	1,789	2,195	2,247	2,247
Retained Earnings	4,419	3,879	3,379	2,889	6,948	4,332	3,917	1,800
Surplus (Deficit) of Secs Available for Sale	31	52	58	45	68	68	61	50
Results from Valuation of Hedging Secs	-	-	-	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	82	68	65	96	77	79	114	30
Results from Conversions	-	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	-	-	-	0	18
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-	-	-	-
Net Income	1,247	2,232	3,142	4,059	1,677	2,792	3,823	4,690
Earned Capital	7,278	8,020	8,433	8,878	10,560	9,465	10,162	8,835
Minority Interest	302	305	312	323	330	318	326	333
Total Equity	21,346	22,091	22,511	22,967	24,657	23,549	24,415	23,096
TOTAL LIABILITIES & EQUITY	46,137	49,353	49,694	49,292	61,795	58,928	56,270	51,478

Information by Segments

GFNorte - Income Statement as of December 31 '18

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	594	117,979	10,691	2,471	53	13,752
Premium Income (Net)	-	-	29,930	-	-	-
Interest Expense	-	53,466	-	1,571	0	13,325
Net Increase in Technical Reserves	-	-	13,508	-	-	-
Damages, Claims and Other Obligations	-	-	17,563	-	-	-
Net Interest Income (NII)	594	64,513	9,550	901	53	428
Preventive Provisions for Loan Losses	-	15,635	-	158	-	-
Net Interest Income Adjusted for Credit Risk	594	48,879	9,550	743	53	428
Loan Origination Fees	-	21,379	-	22	-	1,375
Fees Paid	-	7,850	2,412	67	0	135
Trading Income	1	3,799	44	(0)	-	407
Other Operating Income (Expenses)	14	2,869	791	758	35	36
Non Interest Income	15	37,998	3,857	845	35	2,262
Total Operating Income	609	86,877	13,407	1,587	88	2,690
Administrative and Promotional Expenses	109	35,079	1,722	248	67	923
Operating Income	500	33,997	6,250	1,208	22	1,186
Subsidiaries' Net Income	31,401	162	1,269	-	0	(5)
Pre-Tax Income	31,901	34,158	7,520	1,208	22	1,182
Income Tax	-	8,565	1,413	324	7	328
Deferred Income Tax	64	759	341	22	(2)	3
Net Income from Continuos Operations	31,837	24,834	5,765	862	17	851
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(68)	(1)	-	(0)
Net Income	31,837	24,834	5,697	861	17	851

GFNorte - Income Statement as of December 31 '18

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	27	3	599	146,170	8,587	-	137,583
Premium Income (Net)	-	-	-	29,930	862	-	29,067
Interest Expense	-	-	940	69,301	-	8,547	60,754
Net Increase in Technical Reserves	-	-	-	13,508	-	-	13,508
Damages, Claims and Other Obligations	-	-	-	17,563	-	-	17,563
Net Interest Income (NII)	27	3	(340)	75,728	-	-	74,825
Preventive Provisions for Loan Losses	-	-	286	16,079	-	-	16,079
Net Interest Income Adjusted for Credit Risk	27	3	(627)	59,649	-	-	58,746
Loan Origination Fees	1,673	-	203	24,652	2,085	-	22,567
Fees Paid	1,182	-	0	11,646	-	2,120	9,526
Trading Income	-	-	(24)	4,228	-	-	4,228
Other Operating Income (Expenses)	(1)	0	(287)	4,214	57	102	4,259
Non Interest Income	2,855	0	(481)	47,386	2,141	2,232	43,237
Total Operating Income	2,882	3	(1,107)	107,035	2,141	2,232	101,983
Administrative and Promotional Expenses	42	4	332	38,526	763	1,679	37,610
Operating Income	476	(1)	(1,066)	42,571	-	-	42,665
Subsidiaries' Net Income	5	-	(26)	32,807	31,422	-	1,385
Pre-Tax Income	481	(1)	(1,092)	75,378	-	-	44,050
Income Tax	131	-	-	10,768	-	-	10,768
Deferred Income Tax	2	-	(295)	895	-	26	868
Net Income from Continuos Operations	348	(1)	(797)	63,715	-	-	32,414
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(69)	453	65	(456)
Net Income	348	(1)	(797)	63,646	44,228	12,513	31,958

GFNorte - Balance Sheet as of December 31 '18

(Million Pesos)

ASSETS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Cash and Due from Banks	0	75,233	1,212	22	0	1,360
Margin Accounts	-	1,458	-	-	-	-
Investment in Securities	48	248,896	140,206	-	-	211,079
Negotiable Instruments	48	92,418	20,454	-	-	144,984
Securities Available for Sale	-	147,986	918	-	-	65,354
Securities Held to Maturity	-	8,492	118,834	-	-	740
Debtor Balance in Repo Trans, net	2,872	405	1,373	-	-	-
Transactions with Derivatives For trading purposes	-	28,083	-	-	-	-
Transactions with Derivatives For hedging purposes	-	156	-	-	-	-
Valuation adjustments for Asset Coverage	-	84	-	-	-	-
Gross Loan Portfolio	-	752,913	-	32,117	-	-
Net Loan Portfolio	-	750,912	-	32,117	-	-
Performing Loans	-	756,336	-	32,189	-	-
Commercial Loans	-	275,979	-	26,500	-	-
Financial Intermediaries' Loans	-	21,088	-	544	-	-
Government Entities' Loans	-	192,234	-	5,139	-	-
Consumer Loans	-	111,237	-	5	-	-
Mortgage Loans	-	155,798	-	-	-	-
Medium and Residential	-	152,270	-	-	-	-
Low income housing	-	16	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	3,511	-	-	-	-
Past Due Loans	-	12,840	-	321	-	-
Commercial PDL's	-	7,044	-	317	-	-
Financial Intermediaries PDL's	-	0	-	-	-	-
Government Entities PDL's	-	0	-	4	-	-
Consumer PDL's	-	4,331	-	0	-	-
Mortgage PDL's	-	1,464	-	-	-	-
Medium and Residential	-	1,349	-	-	-	-
Low income housing	-	2	-	-	-	-
Loans acquired from INFONAVIT or FOVISSSTE	-	113	-	-	-	-
Preventive Loan Loss Reserves	-	18,264	-	393	-	-
Acquired Collection Rights	-	2,001	-	-	-	-
Account Receivables from Insurance and Annuities	-	-	2,241	-	-	-
Premium Debtors (Net)	-	-	3,835	-	-	-
Account Receivables from Reinsurance	-	-	8,956	-	-	-
Benef. receivab. securization transactions	-	61	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	28	36,083	0	488	110	543
Inventories	-	-	-	-	961	-
Foreclosed Assets, Net	-	738	-	15	-	-
Real Estate, Furniture & Equipment, Net	-	13,547	400	3,408	64	169
Investment in Subsidiaries	145,031	342	13,600	-	0	1
Long-term assets held for sale	-	-	-	-	-	-
Deferred Taxes, Net	123	4,839	-	-	5	-
Total other Assets	22,276	17,656	2,980	168	14	250
Goodwill	21,490	1,387	-	-	-	-
Intangible	786	16,035	2,891	168	0	60
Other Assets	-	235	89	-	14	190
TOTAL ASSETS	170,378	1,180,492	174,804	36,216	1,154	213,402

GFNorte - Balance Sheet as of December 31 '18

(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	381	36	84	78,329	252	2,944	75,637
Margin Accounts	-	-	-	1,458	-	-	1,458
Investment in Securities	-	-	(0)	600,229	208	331	600,106
Negotiable Instruments	-	-	-	257,904	-	-	257,904
Securities Available for Sale	-	-	(0)	214,258	-	93	214,164
Securities Held to Maturity	-	-	-	128,067	208	237	128,038
Debtor Balance in Repo Trans, net	-	-	21	4,671	-	3,649	1,021
Transactions with Derivatives For trading purposes	-	-	(0)	28,083	-	-	28,083
Transactions with Derivatives For hedging purposes	-	-	-	156	-	-	156
Valuation adjustments for Asset Coverage	-	-	-	84	-	-	84
Gross Loan Portfolio	-	-	2,938	787,968	-	13,940	774,028
Net Loan Portfolio	-	-	2,522	785,551	-	13,940	771,611
Performing Loans	-	-	2,608	791,132	-	13,940	777,192
Commercial Loans	-	-	409	302,888	-	43	302,845
Financial Intermediaries' Loans	-	-	-	21,631	-	13,897	7,734
Government Entities' Loans	-	-	-	197,373	-	-	197,373
Consumer Loans	-	-	2,199	113,441	-	-	113,441
Mortgage Loans	-	-	-	155,798	-	-	155,798
Medium and Residential	-	-	-	152,270	-	-	152,270
Low income housing	-	-	-	16	-	-	16
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	3,511	-	-	3,511
Past Due Loans	-	-	101	13,263	-	-	13,263
Commercial PDL's	-	-	25	7,387	-	-	7,387
Financial Intermediaries PDL's	-	-	-	0	-	-	0
Government Entities PDL's	-	-	-	4	-	-	4
Consumer PDL's	-	-	76	4,408	-	-	4,408
Mortgage PDL's	-	-	-	1,464	-	-	1,464
Medium and Residential	-	-	-	1,349	-	-	1,349
Low income housing	-	-	-	2	-	-	2
Loans acquired from INFONAVIT or FOVISSSTE	-	-	-	113	-	-	113
Preventive Loan Loss Reserves	-	-	187	18,844	-	-	18,844
Acquired Collection Rights	-	-	416	2,417	-	-	2,417
Account Receivables from Insurance and Annuities	-	-	-	2,241	-	-	2,241
Premium Debtors (Net)	-	-	-	3,835	-	-	3,835
Account Receivables from Reinsurance	-	-	-	8,956	-	-	8,956
Benef. receivab. securization transactions	-	-	-	61	-	-	61
Sundry Debtors & Other Accs Rec, Net	170	4	4,959	42,385	70	448	42,008
Inventories	-	-	-	961	-	-	961
Foreclosed Assets, Net	-	-	143	895	201	201	895
Real Estate, Furniture & Equipment, Net	0	96	-	17,684	212	212	17,684
Investment in Subsidiaries	169	-	89	159,233	767	145,961	14,038
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	1,005	5,972	471	2,124	4,318
Total other Assets	8	1	276	43,629	2,453	1,181	44,901
Goodwill	-	-	-	22,877	2,453	876	24,453
Intangible	0	1	276	20,217	-	119	20,097
Other Assets	8	-	-	535	-	185	350
TOTAL ASSETS	728	138	9,515	1,786,828	4,634	170,991	1,620,470

GFNorte - Balance Sheet as of December 31 '18

(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Deposits	-	759,235	-	-	-	-
Demand Deposits	-	412,118	-	-	-	-
Time Deposits	-	333,128	-	-	-	-
Time Deposits-Retail	-	277,576	-	-	-	-
Time Deposits-Money Market	-	55,552	-	-	-	-
Senior Unsecured Debt	-	12,098	-	-	-	-
Cuenta global de captación sin movimientos	-	1,891	-	-	-	-
Due to Banks & Correspondents	-	35,722	-	29,817	896	43
Immediate Redemption Loans	-	0	-	-	-	-
Short Term Loans	-	13,523	-	18,982	896	-
Long Term Loans	-	22,199	-	10,836	-	43
Technical Reserves	-	-	140,646	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	163,507	-	-	-	209,600
Collateral sold or pledged as collateral	-	2	-	-	-	0
Transactions with Derivatives for trading purposes	-	23,605	-	-	-	-
Transactions with Derivatives for hedging purposes	-	10,963	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	1,325	-	-	-
Other Payable Accounts	2	44,960	4,076	1,344	15	433
Income Tax Payable	-	1,696	1,408	181	0	-
Profit Sharing Payable	-	485	-	-	-	-
Creditors for settlement of transactions	(0)	4,402	-	-	-	207
Creditors for collateral received in cash	-	14,319	-	-	-	-
Other Creditors & Accounts Payable	2	24,059	2,668	1,163	15	226
Subordinated Non Convertible Debt	-	33,560	-	-	-	-
Deferred Taxes, Net	-	-	1,450	2	-	23
Deferred Credits	-	535	61	95	-	0
TOTAL LIABILITIES	2	1,072,090	147,558	31,259	911	210,099
EQUITY						
Subscribed Capital	62,976	19,979	20,781	526	87	2,059
Paid-in Capital	14,972	18,794	15,740	526	87	1,985
Share Subscription Premiums	48,003	1,184	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	107,400	88,422	5,657	4,426	156	1,244
Capital Reserves	5,207	14,847	309	526	54	216
Retained Earnings	74,649	53,133	(342)	3,039	85	66
Surplus (Deficit) of Secs Available for Sale	(2,127)	(1,994)	(49)	-	-	(10)
Results from Valuation of Hedging Secs	(3,369)	(3,430)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	28	-	25	-	-	-
Results from Conversions	1,751	1,659	-	-	-	122
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(576)	(628)	17	-	-	-
Net Income	31,837	24,834	5,697	861	17	851
Capital Mayoritario	170,376	108,400	26,438	4,951	243	3,304
Minority Interest	-	2	808	5	0	0
Total Equity	170,376	108,403	27,246	4,957	243	3,304
TOTAL LIABILITIES & EQUITY	170,378	1,180,492	174,804	36,216	1,154	213,402

GFNorte - Balance Sheet as of December 31 '18

(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	759,235	2,934	-	756,301
Demand Deposits	-	-	-	412,118	1,743	-	410,375
Time Deposits	-	-	-	333,128	1,190	-	331,938
Time Deposits-Retail	-	-	-	277,576	1,190	-	276,386
Time Deposits-Money Market	-	-	-	55,552	-	-	55,552
Senior Unsecured Debt	-	-	-	12,098	-	-	12,098
Cuenta global de captación sin movimientos	-	-	-	1,891	-	-	1,891
Due to Banks & Correspondents	-	-	6,221	72,698	13,940	-	58,759
Immediate Redemption Loans	-	-	-	0	-	-	0
Short Term Loans	-	-	6,221	39,621	13,897	-	25,724
Long Term Loans	-	-	-	33,078	43	-	33,035
Technical Reserves	-	-	-	140,646	-	233	140,879
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	373,107	3,649	-	369,457
Collateral sold or pledged as collateral	-	-	-	2	-	-	2
Transactions with Derivatives for trading purposes	-	-	-	23,605	-	-	23,605
Transactions with Derivatives for hedging purposes	-	-	-	10,963	-	-	10,963
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	1,325	-	-	1,325
Other Payable Accounts	148	0	110	51,089	531	18	50,576
Income Tax Payable	10	0	-	3,296	-	-	3,296
Profit Sharing Payable	-	-	-	485	-	-	485
Creditors for settlement of transactions	-	-	-	4,609	140	-	4,469
Creditors for collateral received in cash	-	-	-	14,319	-	-	14,319
Other Creditors & Accounts Payable	138	0	110	28,381	391	18	28,008
Subordinated Non Convertible Debt	-	-	-	33,560	-	-	33,560
Deferred Taxes, Net	(0)	-	-	1,475	1,475	-	-
Deferred Credits	-	-	6	698	119	-	579
TOTAL LIABILITIES	148	0	6,336	1,468,403	22,649	252	1,446,006
EQUITY							
Subscribed Capital	170	144	11,768	118,490	55,946	322	62,866
Paid-in Capital	170	144	6,698	59,116	44,154	-	14,962
Share Subscription Premiums	-	-	1	54,304	6,721	322	47,904
Contributions for future capital increases agreed by the governing body	-	-	5,070	5,070	5,070	-	-
Earned Capital	410	(6)	(8,590)	199,119	93,130	3,423	109,412
Capital Reserves	23	2	117	21,301	16,095	-	5,207
Retained Earnings	40	(7)	(7,910)	122,752	49,505	3,303	76,550
Surplus (Deficit) of Secs Available for Sale	-	-	(0)	(4,181)	(2,044)	-	(2,136)
Results from Valuation of Hedging Secs	-	-	(0)	(6,799)	(3,430)	-	(3,369)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	53	25	-	28
Results from Conversions	-	-	-	3,532	1,781	-	1,751
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(1,186)	(611)	-	(576)
Net Income	348	(1)	(797)	63,646	31,809	121	31,958
Capital Mayoritario	580	138	3,178	317,609	149,075	3,745	172,279
Minority Interest	-	-	-	816	595	1,965	2,185
Total Equity	580	138	3,178	318,424	149,670	5,710	174,464
TOTAL LIABILITIES & EQUITY	728	138	9,515	1,786,828	172,319	5,961	1,620,470

V. Appendix

Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

Changes to the rating methodologies for non-revolving consumer and mortgage portfolios

On January 6th, 2017, the CNBV issued a resolution modifying the provisions regarding the rating methodologies for non-revolving consumer and mortgage portfolios which continue to have an expected loss approach and incorporate more recent information of the industry performance to the new variables incorporated. The main change in both methodologies is that, in addition to analyzing the credit history of the borrower with the current lender, it also requires analysis of the credit behavior of the borrower with other Institutions according to information from Sociedades de Información Crediticia. This new methodologies came into effect on June 1st, 2017.

The financial effect applied to Banorte at the end of June 2017 was Ps 1.054 billion and derived from the new provision methodologies minus the provisions of the previous methodologies. The accounting record of this financial effect was an increase in the estimated credit risk of Ps 1.054 billion (liabilities), a deferred tax increase of Ps 316 million (assets) and a decrease in prior years' income of Ps 725 million (stockholders' equity).

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 4Q18
Corporate bonds	\$183.0	\$36.6	\$109.8

- 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 4Q18
Corporate bonds	\$2,728.7	\$545.7	\$1,637.2

The 20% annual application is registered proportionally each month in 2018.

The amounts that would have been registered and presented in the balance sheet as of December 31th, 2018, if the aforementioned option in the affected lines had not been implemented are:

Other short and long term assets ⁽¹⁾	(814)
Total assets	1,619,301
Results from prior years	76,477
Measurements of defined benefits for employees	(1,667)
Total equity	173,299
Total liabilities plus equity	1,619,301

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 December 31, 2018, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 545 million, with maturities between 2022 and 2027.

Early adoption of changes to criterion B-6 "Bank Loan portfolio"

The Resolution that modifies the general provisions applicable to Credit Institutions published by the CNBV on December 27, 2017, includes modifications to criterion B-6 Credit Portfolio, which require that the following items be recorded by decreasing "Preventive Estimation for Credit Risks" item, instead of registering it under "Other Income (Expenses) of the Operation":

- Surplus of Credit Reserves,
- Recovered Credits

The above mentioned modifications will be effective as of January 1, 2019; however, Credit Institutions have an option to adopt them in advance, that is one day after they were published. In this regard Banorte decided to follow this early adoption.

As of December 31, 2018, Banorte has posted Ps 502 million under Preventive Provisions for Loan Losses, and Ps 1,853 million related to excess loan reserves and loan recoveries, which as of December 2017 were posted under Other Operating Income (Expenses).

For comparison purposes, the accounting change was applied to the quarterly information for 2017, as follows:

	1Q17	2Q17	3Q17	4Q17
Other Operating Income(Expenses)				
Original Balance	619	653	820	1,119
Reclassified Balance	49	109	252	701
	570	544	568	418
Preventive Reserves for Credit Risks				
Original Balance	3,268	4,058	3,927	3,961
Reclassified Balance	2,698	3,514	3,359	3,544
	570	544	568	418

Special Accounting Criterion Application

Derived from the corporate restructuring project currently under implementation by the Financial Group, the CNBV pursuant to article 175 of general provisions applicable to loan institutions, and article 72, fraction IX of general principles applicable to deposit warehousing institutions, currency exchange bureaus, credit unions and regulated SOFOMs (Multiple Purpose Financial Institutions), granted authorization to Banco Mercantil del Norte, S.A., Sólida Administradora de Portafolios, S.A. de C.V. and Arrendadora y Factor Banorte, S.A. de C.V., to apply a special accounting criterion through document No. 320-1/15576/2018 in order to ensure their proper solvency and stability.

Such criterion consists on recognizing the valuation result recognized in shareholders' equity as of the date of issuance of the aforementioned document, of shares from GEO, URBI and HOMEX, classified as securities held for sale, directly against "Retained Earnings", and not against "Net Income" from the period pursuant to paragraph 46 from B-2 criterion "Investments in securities", included in Annex 33 of the aforementioned provisions.

Had this criterion not been applied, the amounts that would have been presented on the balance sheet and income statement as of December 31, 2018 would be:

Balance Sheet	Figures without Special Accounting Criterion	Figures with Special Accounting Criterion	Difference
Retained Earnings	\$80,028	\$76,550	(\$3,478)
Net Income	28,480	31,958	3,478
Total Equity	174,464	174,464	-
Total Liabilities & Equity	\$1,620,470	\$1,620,470	\$-

Income Statement	Figures without Special Accounting Criterion	Figures with Special Accounting Criterion	Difference
Trading Income	\$750	\$4,228	\$3,478
Operating Income	39,187	42,665	3,478
Net Income	\$28,480	\$31,958	\$3,478

Internal policy change regarding Investment Project deterioration

In November, a new policy was adopted, which identifies and values the financial deterioration of investment projects.

The net present value methodology utilized as per the new policy, applies at the project or portfolio level, and represents the position recovery at a particular date, estimating the expected cash flow from the sale of a potential household inventory that belongs to Solida, and discounting such cash flows to present value using a discount rate.

The input variables used to determine cash flows for this new methodology consider among other information: a) proprietary market research, b) adjustments in projects' land share, c) information according to each partner's business plan, d) parametric analysis for projects which have not yet initiated, e) number of potential households to be developed, f) average household price, g) sale speed estimation vs. market speed, h) potential start dates for purchase-related paper work.

The initial effect of this new investment project deterioration methodology's was Ps 4.33 billion, and was applied pursuant to NIF B-1 "Accounting Changes and Error Corrections", against Retained Earnings, since this is related to an accounting policy change.

The accounting record for the initial application of this new methodology is reflected as an increase in reserves for investment project deterioration (asset memorandum account), and a decline in Retained Earnings (Shareholders' Equity).

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"

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	sep-18	dic-18	ago-02	sep-18	dic-18	ago-02	sep-18	dic-18
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	5	5	0	0	0	54	5	5
Performing Loans	59	5	5	5	0	0	64	5	5
Commercial	405	184	184	293	1	1	698	185	185
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	206	202	0	0	0	1,112	206	202
Non Performing Loans	1,598	461	457	293	1	1	1,891	462	458
TOTAL LOANS	1,657	466	461	298	1	1	1,955	467	463
Commercial	326	184	184	246	1	1	572	185	185
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	206	202	0	0	0	669	206	202
Loan Loss Reserves (1)	1,072	461	457	246	1	1	1,318	462	458

(1) Reserve requirements according to the banking sector's rating methodology (*) There was a reserve difference of Ps \$29 million as of December 2018.

(*) 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 4Q18 the Loan portfolio showed changes of Ps 0.3 million due to charge offs and discounts, and Ps 0.6 million for foreclosed assets; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 3.7 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.

(Million of Nominal Pesos)	Local Currency (1)		Foreign Currency (USD) (2)		Total	
	sep-18	dic-18	sep-18	dic-18	sep-18	dic-18
Performing Loans						
Commercial	422,519	427,274	56,272	62,283	478,791	489,557
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	110,491	111,237	0	0	110,491	111,237
Mortgage	150,522	155,803	0	0	150,522	155,803
Performing Loans	683,533	694,315	56,272	62,283	739,805	756,598
Non Performing Loans						
Commercial	6,071	5,602	1,549	1,628	7,620	7,230
Consumer	4,800	4,402	0	0	4,800	4,402
Mortgage	1,654	1,666	0	0	1,654	1,666
Non Performing Loans	12,525	11,670	1,549	1,628	14,074	13,298
TOTAL LOANS	696,058	705,985	57,820	63,911	753,879	769,896
Loan Loss Reserves	17,751	17,592	1,044	1,130	18,795	18,722
Net Loan Portfolio	678,308	688,393	56,776	62,781	735,084	751,174
Loan Loss Reserves					133.54%	140.79%
% Past Due Loans					1.87%	1.73%

1. Includes UDIS.

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

Derivatives

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q18

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	213,887	2,427	92	216,406
Unrestricted	14,022	384	43	14,450
BONDES D	-	-	-	-
BONDES M	(318)	1	(14)	(332)
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	105	0	1	106
Municipalities Securities	0	0	0	1
UDI Securities	-	-	-	-
CETES	11,084	377	(25)	11,435
CETES (Special)	-	-	-	-
Government Eurobonds	11	0	(0)	11
Udibonds	3,141	6	82	3,230
Restricted	199,864	2,042	49	201,956
BONDES D	23,629	92	1	23,722
BONDES M	1,121	1	2	1,124
BPA	161,499	1,911	76	163,486
BREMS	-	-	-	-
Government Securities	7,438	29	(15)	7,453
Municipalities Securities	123	5	(0)	127
UDI Securities	0	0	(0)	0
CETES	2,919	-	(0)	2,919
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	3,135	4	(15)	3,124
	-	-	-	-
Banking Securities	37,149	85	(1)	37,232
Unrestricted	9,702	0	(0)	9,702
Bank Acceptances	4	-	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	(6)	0	(0)	(6)
Bank Securities	23	0	0	23
Deposit Certificates	152	0	(0)	152
Structured Notes	-	-	-	-
Other Banking Securities	262	0	(0)	262
Promissory Notes	9,268	(0)	(0)	9,267
Restricted	27,447	84	(1)	27,530
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	3,268	10	(1)	3,277
Bank Securities	13,612	41	0	13,653
Deposit Certificates	10,151	31	(0)	10,182
Structured Notes	-	-	-	-
Other Banking Securities	415	2	0	417
Promissory Notes	-	-	-	-
	-	-	-	-
Private Securities	3,808	7	451	4,266
Unrestricted	3,383	5	451	3,840
Shares	408	-	320	728
Investment Company Shares	1,602	-	33	1,634
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,323	5	101	1,429
Trust Stock Certificates	-	-	-	-
Private Eurobonds	51	0	(3)	49
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	424	2	0	426
Shares	9	-	0	9
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	416	2	0	417
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
Total	254,843	2,518	543	257,904

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q18

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	184,472	2,453	(2,145)	184,780
Unrestricted	33,785	460	(744)	33,501
BONDES D	-	-	-	-
BONDES M	369	1	(39)	331
BPA	-	-	-	-
BREMS	7,778	7	-	7,785
Government Securities	623	4	10	637
Municipalities Securities	263	5	36	304
UDI Securities	-	-	-	-
CETES	1,607	-	(0)	1,607
CETES (Special)	-	-	-	-
Government Eurobonds	23,145	442	(751)	22,836
Udibonds	-	-	-	-
Restricted	150,687	1,993	(1,401)	151,279
BONDES D	26,096	142	0	26,238
BONDES M	-	-	-	-
BPA	89,867	1,432	(16)	91,283
BREMS	-	-	-	-
Government Securities	5,319	26	(6)	5,339
Municipalities Securities	2,429	3	(2)	2,430
UDI Securities	-	-	-	-
CETES	15	-	(0)	15
CETES (Special)	-	-	-	-
Government Eurobonds	26,961	390	(1,377)	25,974
Udibonds	-	-	-	-
Banking Securities	4,349	17	(22)	4,344
Unrestricted	4,349	17	(22)	4,344
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	538	2	0	540
Bank Securities	1,294	5	32	1,331
Deposit Certificates	2,060	9	(11)	2,059
Structured Notes	457	-	(43)	413
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	25,734	397	(1,091)	25,040
Unrestricted	24,116	355	(921)	23,550
Shares	287	-	238	525
Investment Company Shares	3,643	-	325	3,968
ADRs	-	-	-	-
Stock Certificates BORHIS	109	0	(81)	28
Corporate Stock Certificates	7,074	38	(566)	6,546
Trust Stock Certificates	-	-	-	-
Private Eurobonds	13,003	317	(836)	12,484
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,618	42	(170)	1,490
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,618	42	(170)	1,490
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
Total	214,555	2,867	(3,258)	214,164

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 4Q18

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	120,292	296	-	120,588
Unrestricted	116,789	279	-	117,068
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,709	23	-	1,732
Municipalities Securities	2,128	43	-	2,171
UDI Securities	230	2	-	232
CETES	-	-	-	-
CETES (Special)	545	-	-	545
Government Eurobonds	-	-	-	-
Udibonds	112,177	211	-	112,388
Restricted	3,503	17	-	3,520
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	3,358	16	-	3,374
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	145	0	-	146
-	-	-	-	-
Banking Securities	1,238	770	-	2,007
Unrestricted	1,238	770	-	2,007
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	758	15	-	773
Deposit Certificates	300	611	-	911
Structured Notes	180	143	-	323
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	4,810	662	-	5,472
Unrestricted	2,783	655	-	3,439
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,406	655	-	2,062
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,375	-	-	1,375
CP	-	-	-	-
Restricted	2,027	7	-	2,034
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	2,027	7	-	2,034
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(29)	-	-	(29)
Total	126,311	1,727	-	128,038

REPURCHASE AGREEMENT OPERATIONS 4Q18*(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	154,762	153,743	1,021	2	337,208
Banking securities	7,665	7,665	-	0	24,257
Private Securities	1,458	1,458	-	0	7,992
Total	163,885	162,866	1,021	2	369,457

DERIVATIVES 4Q18*(Million Pesos)*

Creditor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	-
Fx Forward	87
Options	-
Rate options	961
Fx options	518
Warrants	-
Swaps	-
Rate swap	22,439
Fx swap	4,078
Negotiable Total	28,083
Options	
Rate Options	3
Fx options	-
Swaps	-
Rate swap	153
Fx swap	-
Hedging total	156
Position total	28,239

DERIVATIVES 4Q18

(Million Pesos)

Debtor Balance	
Instrument	Fair Value
Futures	
TIIE 28 Futures	-
Forward	
Fx Forward	416
Options	
Rate options	796
Fx options	284
Swaps	
Rate swap	18,132
Fx swap	3,978
Negotiable Total	23,605
Swaps	
Rate swap	253
Fx swap	10,710
Hedging total	10,963
Position total	34,568

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 4Q18 - Banorte
(Million Pesos)

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	22,294	45
FX Forwards	Sales	Exchange Rate (USD/MXN)	8,276	49
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/MXN)	0	0
FX Options	Purchases	Exchange Rate (Dollar)	7,684	9
FX Options	Sales	Exchange Rate (Dollar)	8,273	9
Interest Rate Options	Purchases	TIIE	56,734	128
Interest Rate Options	Sales	TIIE	50,203	576
Interest Rate Options	Purchases	LIBOR	5,797	31
Interest Rate Options	Sales	LIBOR	5,817	30
Interest Rate Swaps	USD LIBOR	LIBOR	325,594	2,568
Interest Rate Swaps	MXN TIIE	TIIE	1,627,136	3,864
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	163	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	70,326	88
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	21,731	49
Interest Rate and FX Swaps	CS UDI	UDI	10,295	2
Interest Rate and FX Swaps	CS CHF MXN	FIX/VARIABLE	2,040	1
Interest Rate and FX Swaps	CS EUR MXN	FIX/FIX	8,251	64
Interest Rate and FX Swaps	CS GBP MXN	FIX/FIX	2,900	12

LOAN PORTFOLIO								
<i>(Million Pesos)</i>								
	Local Currency		UDIS		Foreign Currency		Total	
	4Q17	4Q18	4Q17	4Q18	4Q17	4Q18	4Q17	4Q18
Performing Loans								
Commercial Loans	188,814	240,860	0	-	44,963	61,985	233,777	302,845
Financial Intermediaries' Loans	5,944	7,734	0	-	0	0	5,944	7,734
Consumer Loans	105,567	113,441	0	-	0	-	105,567	113,441
Mortgage Loans	135,250	155,671	155	127	0	-	135,405	155,798
Government Entities' Loans	127,537	183,636	3,008	6,793	4,360	6,943	134,905	197,373
Total	563,112	701,343	3,163	6,920	49,323	68,929	615,598	777,192
Past Due Loans								
Commercial Loans	5,110	5,760	0	0	1,609	1,627	6,719	7,387
Financial Intermediaries' Loans	0	0	0	-	0	-	0	0
Consumer Loans	4,440	4,408	0	-	0	-	4,440	4,408
Mortgage Loans	1,303	1,448	21	16	0	0	1,323	1,464
Government Entities' Loans	-	4	-	-	-	-	-	4
Total	10,853	11,620	21	16	1,609	1,627	12,482	13,263
Total Proprietary Loans	573,965	712,963	3,183	6,936	50,932	70,555	628,080	790,455

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 4Q18- GFNorte**

	<i>(Million Pesos)</i>	
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	7.0	0.0
Mortgage FOVI	-	-
	7.0	0.0

DEFERRED TAXES 4Q18

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,479	5,479
Non deductible provisions and cumulative income	1,369	1,369
Excess of accounting value over fiscal value on Repossessed Assets	1,258	1,258
Diminishable profit sharing	141	141
Fees received in advance	1,117	1,117
Effects from valuation of instruments	1,161	1,161
Tax losses pending amortization	1,221	1,221
Provisions for possible loss in loans	580	580
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	4	4
Total Assets	12,331	12,331
LIABILITIES		
Pension Funds Contribution	(225)	(225)
Loan Portfolio Acquisitions	(413)	(413)
Projects to be capitalized	(4,569)	(4,569)
Intangibles' amortizations	(1)	(1)
Effects from valuation of instruments	(2,235)	(2,235)
Intangibles' amortizations	(564)	(564)
Unrealized Loss on Securities held for Sale	(6)	(6)
Total Liabilities	(8,013)	(8,013)
Assets (Liabilities) Accumulated Net	4,318	4,318

LONG TERM DEBT AS OF DEC 31, 2018 - 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	2,784	20 years	4.950%	15-feb-28	182 days
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020)	USD	14-oct-10	120	1,484	2,358	10 years	9.250%	14-oct-20	180 days
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	9,826	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	6,725	6,878	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	10,568	10,808	Perpetual	7.625%	NA	Quarterly
Public Swiss Franc Fixed Rate Senior Unsecured Debt 2018 (BANO589)	CHF	14-jun-18	100	1,983	1,997	3.5 years	0.875%	14-dic-21	Biannual
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	2,097	2,273	10 years	4.970%	01-oct-26	Biannual
Certificates 94 BANORTE 19	MXN	29-nov-18	1,870	1,870	1,870	728 días	TIE+0.23%	26-nov-20	28 days
Certificates 94 BANORTE 18-3	MXN	29-nov-18	2,663	2,663	2,663	1,456 días	TIE+0.28%	24-nov-22	28 days
Certificates 99 BANORTE 1-19	MXN	21-dic-18	250	250	250	367días	11.350%	23-dic-19	28 days

BANK AND OTHER ENTITIES LOANS' AS OF 4Q18*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	15,858	15,858
Loans from Development Banks	14,673	8,394	23,067
Loans from Public Funds	11,057	968	12,025
Call Money & Loans from Banks	20,991	-	20,991
Loans from Fiduciary Funds	84	-	84
Provisions for Interest	675	-	675
	47,479	25,220	72,699
Eliminations			(13,940)
Total			58,759

CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS - INTEREST RATES 4Q18**CORE DEPOSITS (BANORTE)****Demand Deposits**

Local Currency and UDIs	1.13%
Foreign Currency	0.07%

Time Deposits - Retail

Local Currency and UDIs	6.42%
Foreign Currency	0.29%

Time Deposits - Money Market

Local Currency and UDIs	7.87%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	9.63%
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Public Funds and Development Banks

Local Currency and UDIs	11.04%
Foreign Currency	0.69%

MAIN CREDIT LINES RECEIVED 4Q18 (BANORTE)*Million pesos*

	4Q17	3Q18	4Q18	Change vs. 4Q17	Change vs. 4Q18
Banxico (Monetary Regulation Deposits)	33,441	37,458	37,458	12%	0%
Banxico (Repos with the System of Payments)	56,874	54,900	57,841	2%	5%
Call Money	90,478	119,301	119,301	32%	0%
TOTAL	180,794	211,659	214,601	19%	1%

TRADING INCOME 4Q18*Million Pesos*

Trading income	Consolidated
Securities - Unrealized gains	1,917
Negotiable instruments	(48)
Derivative instruments - Negotiation	1,980
Derivative instruments - Hedging	(15)
Impairment loss or revaluation increase	(73)
Result from foreign exchange valuation	(119)
Result from valuation of precious metals	(1)
Result from purchase/sale of securities and derivatives	390
Negotiable instruments	368
Securities held for sale	93
Securities held to maturity	0
Derivative instruments - Hedging	(71)
Result from purchase/sale of foreign exchange	2,109
Result from purchase/sale of precious metals	4
Total	4,228

Internal Control

The companies comprising GFNorte have an Internal Control System (SCI) structured according to the guidelines set forth by their Board of Directors, which establishes a general internal control framework, as well as the environment in which it must operate in order to provide reasonable security regarding the effective and efficient performance of operations, reliability of financial statements and compliance of regulation and legal framework.

The SCI's mission is to help running an adequate internal control in the operations and in data generating and recording. The system is made up of various elements:

- A. The Board of Directors with the support of the Advisory Board, Risk Policies Committee (CPR), Audit and Corporate Practices Committee (CAPS) and Human Resources Committee.
- B. GFNorte's CEO and the departments which support him: Risk Management Unit (RMU), Legal Department and the Comptroller, responsible for ensuring that adequate control levels, operational risks and compliance with regulation are maintained.
- C. Internal Audit, External Audit and the Commissary (The Commissary applies only to GFNorte subsidiaries) as additional support structures to check how the Internal Control System functions and provide reasonable assurance regarding the reliability of the generated data. The Internal Audit Department reports to the Audit and Corporate Practices Committee (CAPS) and maintains full independence from the administrative areas.
- D. The Executive Group as main responsible persons for SCI assurance according to the functions and responsibilities assigned to them. In addition to promoting the enforcement of the regulations established for the Institution and the strategies set forth by the GFNorte's CEO.
- E. Documents that establish the general control criteria that should be followed in the operation and reporting of transactions; in optimizing human, material and technological resources; in the use, security, timeliness and reliability of the information; and in the due compliance with the external and internal regulations. Within these documents, the Code of Conduct stands out as it regulates the behavior that each Board member, officer or employee of the Group should maintain while performing their activities.
- F. Policy and procedure manuals that regulate documentation, recording and liquidation of operations that the Institution carries out and establish the control points that should be observed, assuring the separation of functions, clear assigning of responsibilities, safekeeping of information and prevention of unlawful acts.

During the fourth quarter of 2018, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; 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. Corporate Governance documents related with Internal Audit were revised and updated, and were presented by the Audit and Corporate Practices Committee to the Board of Directors for final approval.
- C. Throughout the merger with Interacciones, several cross-functional teams were concluded to ensure an adequate operating, technological, legal and accounting process integration. The internal control tracking and monitoring models of Banorte are applied to the new business incorporated.
- D. 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.
- E. 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.
- F. 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.
- G. According to the work plan established at the beginning of the year, there was progress in several activities related to internal accounting control.
- H. Effectiveness tests related to the Business Continuity Plan were executed
- 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. Regular inspection visits were carried out.

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

Dividend Policy

GFNorte's Ordinary General Shareholders' Meeting held on November 19th, 2015, approved to modify the Dividend Policy, which was effective since October 2011.

As of November 2015, the Policy establishes that the dividend payment can be between 16% and up to 40% of the net income of the prior year.

- For reference, the former Policy which decreed dividends established a payment between 16% and 20% of the recurring net income depending on its annual growth.

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 December 31 and September 30, 2018, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Dec-2018	% Basic Equity	Sept -2018	% Basic Equity
Banorte	Ps 17.13	15.7%	Ps 18.13	17.7%

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

Banorte

As of **December 31, 2018**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 17.13 billion (including Ps 6.71 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 2.2% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 14.28 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.64 billion were granted to clients linked to shareholders and Ps 1.21 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 2018 was 15.7% 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. 95% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

Banorte

As of **September 30, 2018**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 18.13 billion (including Ps 7.13 billion in — Letters of Credit “CC”, which are registered in memorandum accounts), representing 2.4% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 14.81 billion were loans granted to clients linked to members of the Board of Directors; Ps 2.08 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 September 2018 was 17.7% 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. 95% 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 December 31, 2018
BANORTE	\$-
IMSS fees	-
INFONAVIT fees	-
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$8
Philippines 2007 - 2008	8
PENSIONES BANORTE	\$172
Financial year 2014	172
IXE BANCO	\$-
Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment	-
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 Lopez Lopez
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.

Bano Mercantil del Norte (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, June 24 and 27, January, 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 December 22, 2015, June 2016, July 7 and 29, August 1, September 19, September 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, respectively.

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.