

1Q20

Financial Results
as of March 31st, 2020

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GFNORTE



OTC QX

GBOOY



XNOR

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I. Executive Summary

GFNorte reports Net Income of Ps 9.12 billion during 1Q20, 1% higher than 4Q19. Compared to 1Q19 it is 8% lower, and 4% higher with recurring results.

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

The most relevant results for the period ended on March 31st, 2020 were:

- This quarter-end was immersed in a national health emergency declared by the Federal Government on March 30th, 2020 in response to the COVID-19 pandemic, coupled with strong volatility in international markets due to this pandemic, together with pressures in the global oil industry.
- **Net income** for the **first quarter** of 2020 was **Ps 9.12 billion, up 1% sequentially**, and (8%) below the same period in 2019; however, excluding the non-recurring income reported in 1Q19, net income had a **4% annual increase**.
- **Net interest income rose 9%**, with **quarterly and annual increases in the NIM. Cost of Risk rose from 2.0% to 2.2%** during the quarter; **non-interest expense was down (1%)**, resulting in **3% higher net operating income**.
- Profitability indicators reflected stability: **ROE** shifted from 19.0% to **18.8%**, while **ROA** did so from 2.3% to **2.2%**. **Efficiency ratio improved**, from 40.6% to **38.9%**.
- **Consumer loans** were up **1%** during the quarter driven by **2%** growth in both **mortgages and auto loans**, **1%** increase in **payroll loans**, and a **(3%)** decline in **credit cards**. On an annual basis, the **consumer portfolio** expanded **7%**, with a **9%** increase in **mortgages**, **10%** in **auto loans**, **6%** in **credit cards**, and a **(2%)** decline in **payroll loans**.
- **Commercial and corporate loans** had a relevant sequential improvement, **up 6% and 13% respectively**, while **government loans had a (7%) contraction**. Overall, **total loan portfolio** had a **2%** quarterly and annual **increase**. Excluding government loans, the loan portfolio grew 5% quarterly and 6% annually.
- **Asset quality** showed stability, with **NPL ratio** at **1.7%**, while **coverage ratio** rose to **140.1%** from 137.7%.
- **Core Deposits rose 2%** during the quarter: **demand deposits grew 4%**, while **time deposits had a (1%) decline**. Compared to 1Q19 demand deposits were up 15%, and time deposits were down (1%), totaling 9% growth in Core Deposits.
- The bank's **Capital Ratio** reached **18.97%**; **Core Equity Tier 1 (CET1)** stood at **12.18%**, while **leverage ratio** ended the quarter at **10.88%**.

Income Statement Highlights - GFNorte (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Interest Income	38,075	37,667	37,008	(2%)	(3%)
Interest Expense	18,406	15,174	14,657	(3%)	(20%)
Technical Results (Insurance & Annuities)	1,116	(2,305)	(383)	83%	(134%)
Net Interest Income	20,784	20,188	21,968	9%	6%
Net Service Fees	2,967	4,230	3,455	(18%)	16%
Trading	1,152	872	1,166	34%	1%
Other Operating Income (Expenses)	2,143	746	327	(56%)	(85%)
Non Interest Income	6,262	5,847	4,949	(15%)	(21%)
Total Income	27,046	26,035	26,916	3%	(0%)
Non Interest Expense	10,004	10,572	10,466	(1%)	5%
Provisions	3,736	3,765	4,344	15%	16%
Operating Income	13,306	11,698	12,106	3%	(9%)
Taxes	3,650	2,951	3,228	9%	(12%)
Subsidiaries' Net Income	411	389	353	(9%)	(14%)
Minority Interest	(135)	(125)	(113)	(10%)	16%
Subsidiaries & Minority Interest	275	263	240	(9%)	(13%)
Net Income	9,932	9,010	9,118	1%	(8%)
Balance Sheet Highlights - GFNorte (Million Pesos)	1Q19	4Q19	1Q20	Change	
Asset Under Management	2,697,401	2,771,604	2,708,692	(2%)	0%
Performing Loans (a)	762,105	762,642	779,818	2%	2%
Past Due Loans (b)	13,488	12,806	13,212	3%	(2%)
Total Loans (a+b)	775,594	775,448	793,030	2%	2%
Total Loans Net (d)	757,265	757,809	774,525	2%	2%
Acquired Collection Rights (e)	2,217	1,601	1,500	(6%)	(32%)
Total Credit Portfolio (d+e)	759,482	759,410	776,025	2%	2%
Total Assets	1,594,607	1,580,010	1,729,280	9%	8%
Total Deposits	734,956	724,490	772,993	7%	5%
Total Liabilities	1,409,497	1,384,012	1,531,790	11%	9%
Equity	185,110	195,998	197,490	1%	7%

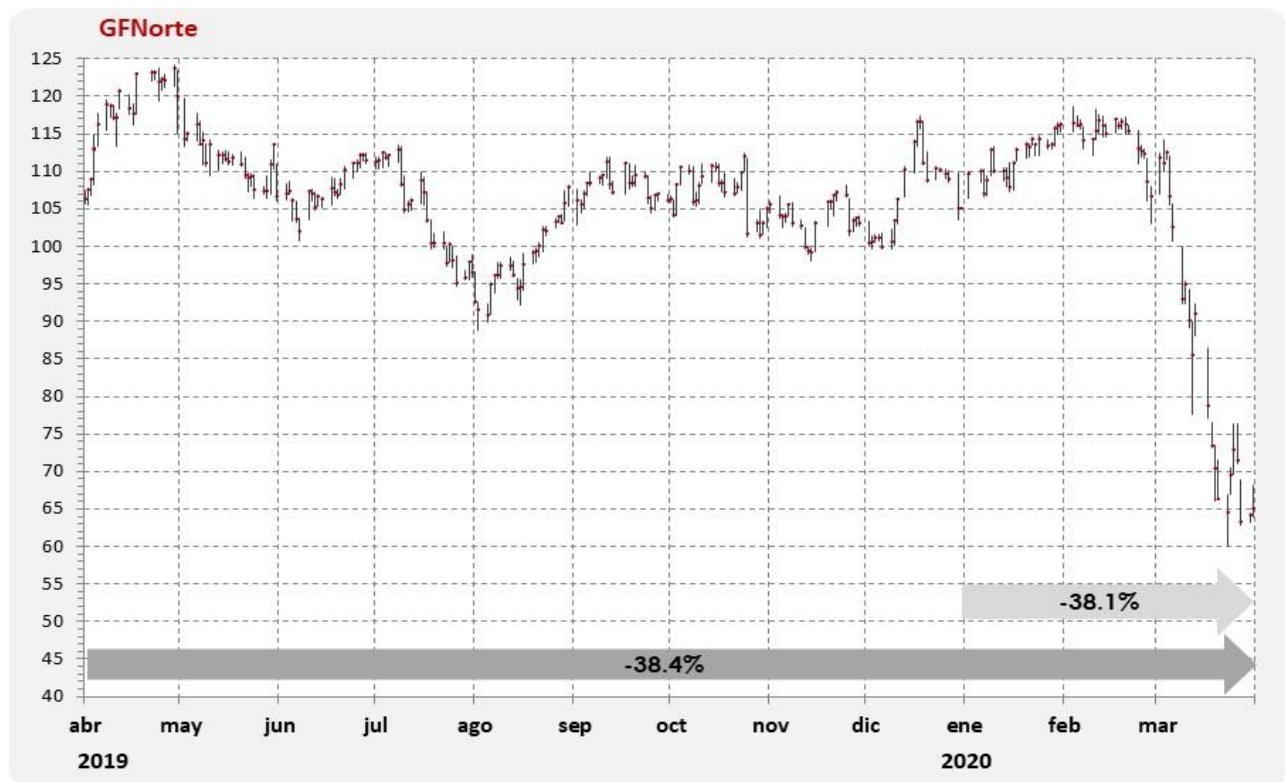
Financial Ratios GFNorte	1Q19	4Q19	1Q20
Profitability:			
NIM (1)	5.7%	5.7%	5.9%
ROE (2)	22.4%	19.0%	18.8%
ROA (3)	2.5%	2.28%	2.21%
Operation:			
Efficiency Ratio (4)	37.0%	40.6%	38.9%
Operating Efficiency Ratio (5)	2.5%	2.7%	2.5%
CCL Banorte and SOFOM - Basel III (6)	116.6%	133.5%	120.1%
Asset Quality:			
Past Due Loan Ratio	1.7%	1.7%	1.7%
Coverage Ratio	135.9%	137.7%	140.1%
Cost of Risk (7)	1.91%	1.98%	2.22%
Market References			
Banxico Reference Rate	8.25%	7.25%	6.50%
TIIE 28 days (Average)	8.56%	7.86%	7.36%
Exchange Rate Peso/Dolar	19.38	18.86	23.48

- 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 publication of Banco de Mexico's official calculations.
- 7) Cost of Risk = Annualized Provisions / Average Total Loans.

Subsidiaries Net Income (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Banco Mercantil del Norte	7,223	6,729	6,072	(10%)	(16%)
Banorte- Ixe-Broker Dealer	211	276	213	(23%)	1%
Operadora de Fondos Banorte-Ixe	94	101	100	(1%)	7%
Retirement Funds - Afore XXI Banorte	408	360	325	(10%)	(20%)
Insurance	1,610	744	1,703	129%	6%
Annuities	272	272	284	4%	4%
BAP (Holding)	(0)	2	14	739%	N.A.
Leasing and Factoring	226	236	203	(14%)	(10%)
Warehousing	(27)	11	10	(8%)	N.A.
Sólida Administradora de Portafolios	(109)	(74)	(145)	(98%)	(34%)
G. F. Banorte (Holding)	23	353	340	(4%)	1369%
Total Net Income	9,932	9,010	9,118	1%	(8%)

Share Data	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Earnings per share (Pesos)	3.444	3.125	3.162	1%	(8%)
Earnings per share Basic (Pesos)	3.469	3.138	3.180	1%	(8%)
Dividend per Share for the period (Pesos)	0.00	0.00	0.00	NA	NA
Payout for the period	0.0%	0.0%	0.0%	NA	NA
Book Value per Share (Pesos)	63.39	67.18	67.70	1%	7%
Issued Shares (Million)	2,883.5	2,883.5	2,883.5	0%	0%
Stock Price (Pesos)	105.54	105.00	65.00	(38%)	(38%)
P/BV (Times)	1.66	1.56	0.96	(39%)	(42%)
Market Capitalization (Million Dollars)	15,704	16,050	7,981	(50%)	(49%)
Market Capitalization (Million Pesos)	304,320	302,763	187,425	(38%)	(38%)

Share performance



II. Management's Discussion & Analysis

On this report there are references to recurring figures related to usual business activities without the effect of the non-recurring income presented in 1Q19 resulting from the dissolution of Banorte USA.

For comparison purposes, it is important to consider that GFNorte holds a 98.2619% ownership of the bank; therefore, some figures may vary as they refer to the group or the bank.

Net Interest Income (NII) (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Interest Income	35,415	33,395	32,662	(2%)	(8%)
Interest Expense	18,126	14,858	14,366	(3%)	(21%)
Loan Origination Fees	323	382	360	(6%)	11%
Fees Paid	281	316	291	(8%)	4%
NII excluding Insurance and Annuities Co.	17,332	18,604	18,365	(1%)	6%
Premium Income (Net)	12,214	7,747	12,155	57%	(0%)
Technical Reserves	6,766	5,086	7,946	56%	17%
Damages, Claims and Other Obligations	4,332	4,967	4,592	(8%)	6%
Technical Results	1,116	(2,305)	(383)	83%	(134%)
Interest Income (Expenses) net	2,337	3,889	3,986	2%	71%
Insurance and Annuities NII	3,453	1,584	3,603	127%	4%
GFNORTE's NII	20,784	20,188	21,968	9%	6%
Credit Provisions	3,736	3,765	4,344	15%	16%
NII Adjusted for Credit Risk	17,048	16,423	17,623	7%	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

Net Interest Income (NII)

NII excluding Insurance and Annuities was down (1%) during the quarter due to the combined effect of: a (3%) decline in interest expense attributable to lower cost of funds driven by 4% higher demand deposits, and (1%) lower time deposits; a (1%) decline in interest income from the loan portfolio; lower income from repurchase agreements and valuation adjustments totaling Ps 271 million; all this during a high rate volatility environment in which Banxico cut the reference rate by 75bps. Considering these factors together with a significant increase in the loan portfolio towards the end of the quarter, **NIM** for the **loan portfolio** had a 30bps decline, ending at **8.4%** from 8.7% in the previous quarter. The same pattern was followed by the **NIM excluding Insurance and Annuities**, which had a (31bps) decline, reaching **5.6%**.

Compared to 1Q19, **NII excluding Insurance and Annuities** rose **6%** as a result of loan growth, mainly coming from consumer loans, as well as lower wholesale cost of funds, and from improvements in the deposit mix. Regarding **NIM** of the **loan portfolio**, it was **up 66bps** reaching **8.4%** from 7.7%, despite the reference rate cuts. Similarly, **NIM excluding insurance and annuities** improved 30bps reaching **5.6%**.

NII from Insurance and Annuities had a 127% sequential growth mainly explained by the seasonality of the Insurance business related to premium renewals. **Technical result** from Insurance was up 180% and NII increased 147% due to the same seasonality. The Annuities business shows good quarterly results, with NII up 7% driven by a 16% increase in premiums, 7% in technical reserves and only 2% in claims.

In the annual comparison, **NII from Insurance and Annuities grew 4%**, mainly from 27% growth in income from annuities' premiums, offsetting a (9%) decline in income from insurance premiums; technical reserves grew 17% mainly driven by the UDIS valuation effect in the Annuities business. This increase is offset in the interest income for the business. Net claims for Insurance and Annuities were up 6%.

Altogether, GFNorte's **net interest income** grew **9%** during the quarter, and **6%** annually. **NIM** improved even during a low rate environment reaching **5.9%**, with a **24bps** increase vs. the previous quarter, and up **23bps** vs. 1Q19.

Loan Loss Provisions

Provisions grew 15% compared to the previous quarter, mainly due to the creation of provisions from loan growth in the commercial and corporate portfolios, which grew 6% and 13% respectively, as well as by a 3% increase in past-due loans. The consumer loan portfolio shows a Ps 292 million increase, of which Ps 226 million is related to credit cards due to recalibration and requirements inherent to portfolio growth, and Ps 76 million for mortgage loans. Provisions for the commercial portfolio rose Ps 242 million over the quarter with the following breakdown: a Ps 325 million provision increase for the corporate portfolio due to asset deterioration and FX valuation effect, and Ps 19 million for the commercial portfolio, while government and commercial portfolios show an aggregate (Ps 92 million) decline.

In sum, of the Ps 4.34 billion amount of provisions recorded in the quarter, 24% correspond to credit origination and the rest to impairments and portfolio variations.

Compared to 1Q19, provisions increased 16% mainly driven by the quarterly effects described above. There is a (Ps 496 million) decline related to the corporate portfolio, and Ps 187 million increase in government provisions. Provisions for consumer loans were up Ps 206 million due to higher loan origination in mortgages, credit cards and auto, while payroll and personal loans had lower requirements in line with lower origination in those portfolios.

Credit Provisions (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Commercial, Corporate & Government	248	666	908	36%	266%
Consumer	3,389	3,303	3,595	9%	6%
Charge offs and discounts	99	(204)	(159)	22%	(260%)
Credit Provisions	3,736	3,765	4,344	15%	16%

Provisions represented **19.8%** of **net interest income** in **1Q20**, 113bps higher than the previous quarter, and 180bps higher vs. **1Q19**.

As a result, **Cost of risk for the quarter reached 2.22%** showing a 24bps quarterly increase, and a 31bps annual increase, in both cases explained by higher provision requirements.

Non-Interest Income

Non-Interest Income (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Net Service Fees	2,967	4,230	3,455	(18%)	16%
Trading	1,152	872	1,166	34%	1%
Other Operating Income (Expenses)	2,143	746	327	(56%)	(85%)
Non-Interest Income	6,262	5,847	4,949	(15%)	(21%)

1) In 1Q19 there was an extraordinary income of Ps 1.66 billion due to the recognition of the conversion effect from Banorte USA' dissolution, as part of the gains generated from the entity's dissolution.

Non-interest income had a (15%) contraction in the quarter, reflecting lower fee income and a decline in other operating income; as well as an increase in trading income as a result of the prevailing market conditions.

Compared to 2019 reported figures, the contraction was (21%) mainly associated with the Ps 1.66 billion extraordinary gross income from the recognition of the conversion effect of Banorte USA; without this effect and using recurring figures, growth was **8%**, showing **16%** higher fee income from clients.

Service Fees

Service Fees (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Fund Transfers	367	427	400	(6%)	9%
Account Management Fees	604	587	578	(1%)	(4%)
Electronic Banking Services	2,128	2,656	2,336	(12%)	10%
Basic Banking Services Fees	3,099	3,669	3,315	(10%)	7%
For Commercial and Mortgage Loans *	238	509	495	(3%)	108%
For Consumer Loans	1,212	1,424	1,242	(13%)	3%
Fiduciary *	104	146	119	(19%)	14%
Income from Real Estate Portfolios	48	7	5	(22%)	(89%)
Mutual Funds	428	472	461	(2%)	8%
Trading & Financial Advisory Fees	108	102	147	44%	35%
Other Fees Charged (1)	304	261	331	27%	9%
Fees Charged on Services	5,540	6,591	6,115	(7%)	10%
Interchange Fees	1,082	1,349	1,226	(9%)	13%
Insurance Fees	581	(109)	473	N.A.	(19%)
Other Fees Paid	910	1,120	961	(14%)	6%
Fees Paid on Services	2,573	2,361	2,660	13%	3%
Net Service Fees	2,967	4,230	3,455	(18%)	16%

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

Fees charged on services were down (7%) quarterly, due to lower income from customer transactions in services such as electronic banking, and lower use of debit and credit cards which is a seasonal pattern during this period, in addition to the effect of two weeks of the COVID-19 health contingency. Compared to 1Q19 figures, fees charged increased **10% in the year**, mainly attributed to higher income from basic banking services, and to a Ps 257 million, or 108% increase in commercial and mortgage loans, as well as a 35% increase in trading and advisory fees, and 8% in mutual funds.

On the other hand, **fees paid on services rose 13%** compared to the previous quarter, as a result of a Ps 566 million increase in insurance fees, due to the seasonal effect of premium renewals during the quarter; there was also a decline in interchange fees driven both by seasonality, and by 2-weeks of the health contingency included during the quarter. Compared with 1Q19, there is a **3% increase** driven by greater commercial activity in the acquiring business.

Altogether, **net service fees** had an (18%) decline compared to the previous quarter, and grew 16% vs. 1Q19.

Trading

Trading Income (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Currency and Metals	(6)	36	1,235	3364%	N.A.
Derivatives	521	(79)	(1,238)	NA	(337%)
Negotiable Instruments	186	70	(166)	(337%)	(189%)
Valuation	702	26	(169)	(743%)	(124%)
Currency and Metals	101	342	(862)	(352%)	(957%)
Derivatives	82	(115)	1,742	N.A.	2020%
Negotiable Instruments	267	618	455	(26%)	70%
Trading	450	845	1,335	58%	197%
Trading Income	1,152	872	1,166	34%	1%

Due to market conditions with the highest volatilities seen in decades, both in the FX and in the capital and money markets, the net result between valuation and asset trading shows positive effects: Ps 373 million in currencies and metals, Ps 505 million in derivatives, and Ps 289 million in proprietary position securities.

With this, there was a 34% or Ps 295 million increase in trading income during the **quarter**, Ps 490 million from trading, and (Ps 195 million) due to valuation.

Compared to 1Q19, there was a **1% marginal growth** in trading income, mainly related to the (Ps 871 million) decline in the valuation result.

Other Operating Income (Expenses)

Other Operating Income (Expenses) (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Loan Portfolios	59	57	80	41%	36%
Income from Foreclosed Assets	88	206	88	(57%)	0%
Impairment of Assets	(132)	-	(55)	N.A.	(58%)
Lease Income	91	114	100	(12%)	10%
From Insurance	263	246	211	(14%)	(20%)
Securitization Operation Valuation Result	27	(7)	31	N.A.	15%
Others	1,747	130	(128)	(198%)	(107%)
Other Operating Income (Expenses)	2,143	746	327	(56%)	(85%)

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

Other Operating Income (Expenses) were down (56%) vs. the previous quarter totaling **Ps 327 million**, due to the seasonal effect of lower sales of foreclosed assets, in addition to the lower valuation of investment projects of Sólida. In the Others item, during 4Q19 there was a Ps 132 million increase in Other Recoveries due to the gain from insurance reimbursements from tampered ATM claims, representing the main driver of the decline vs. 1Q20.

Compared to reported figures in 1Q19, it declined (85%) as a result of higher income from the recognition of Ps 1.66 billion from the effect of Banorte USA's conversion during 1Q19. For comparative purposes, using **recurring** figures, the drop is **(32%)** driven by lower recoveries and a liability clean-up.

Non-Interest Expense

Non-Interest Expense (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Personnel	3,932	4,105	3,930	(4%)	(0%)
Professional Fees	738	625	748	20%	1%
Administrative and Promotional	2,135	2,377	2,382	0%	12%
Rents, Depreciation & Amortization	1,676	1,919	1,946	1%	16%
Taxes other than income tax & non deductible expenses	561	602	498	(17%)	(11%)
Contributions to IPAB	839	809	828	2%	(1%)
Employee Profit Sharing (PTU)	123	136	133	(2%)	8%
Non-Interest Expense	10,004	10,572	10,466	(1%)	5%

Non-interest expense was down (1%) during the quarter driven by a (4%) decline in personnel expenses, in addition to a (Ps 104 million) reduction in other taxes and non-deductible expenses resulting from the variation between real and provisioned VAT payments; as well as from capitalized VAT in IT investment projects.

Compared to 1Q19, Non-interest expense had a **5% increase**, in line with expectations and driven by a good control of personnel expenses and fees, which offsets a 12% increase in sale and administrative expenses linked to higher transactionality in debit cards, to an increase in campaign expenses, and to a 16% increase in lease payments and depreciation, related to a higher amortization in capitalizable projects and depreciation from historical values.

Consequently, the **efficiency ratio** reached **38.9%**, showing a **significant (172bps) improvement** vs. the 40.6% ratio in the previous quarter, and a 190bps increase vs. the 37.0% reported in 1Q19. With **recurring figures**, there is a (52bp) **improvement** vs. the 39.4% ratio in 1Q19.

Net Income

Net Income (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Operating Income	13,306	11,698	12,106	3%	(9%)
Subsidiaries' Net Income	411	389	353	(9%)	(14%)
Pre-Tax Income	13,717	12,086	12,459	3%	(9%)
Taxes	3,650	2,951	3,228	9%	(12%)
Discontinued Operations	-	-	-	N.A.	N.A.
Minority Interest	(135)	(125)	(113)	(10%)	16%
Net Income	9,932	9,010	9,118	1%	(8%)

Net operating income grew 3% during the quarter, as a result of higher net interest income, favored by good performance in the Insurance operation, which due to seasonality, reflects a greater number of policy renewals, in addition to adequate non-interest expense control. Compared to reported results for 1Q19, it was down (9%) mainly due to the Ps 1.66 billion extraordinary income from the conversion effect of Banorte USA. With **recurring results, it increased 4% vs. 1Q19**, favored by the good performance of both the Bank and Insurance operations.

Taxes were up 9% in the quarter, down (12%) vs. the reported taxes of the previous year, and up 4% when measured vs. recurring figures, ending the quarter with a **25.9% effective tax rate**. The quarterly increase was due to a higher taxable income from the Ps 1.65 billion increase in the valuation of securities, which is non-deductible, in addition to the favorable effect from the Ps 1.33 billion deferred income tax resulting from the calculation of global preventive reserves, as well to capitalizable projects. The decline vs. 1Q19 is mainly associated to the recognition of non-cumulative income from the liquidation of Banorte USA.

Net income for the quarter totaled **Ps 9.12 billion, up 1%** vs. the previous quarter, and down (8%) vs. 1Q19, but showed **4% growth** using **recurring** results.

Regarding **profitability for the Holding company**, it is noteworthy to mention that the Ps 317 million accumulated annual increase is attributed to interest income from assets transferred by subsidiaries as dividends, and the fair value recognition of assets acquired in 2018.

Reported EPS for the quarter was **Ps 3.16**.

Profitability

	1Q19	4Q19	1Q20
ROE	22.4%	19.0%	18.8%
Goodwill & Intangibles (billion pesos)	48	52	51
Average Tangible Equity (billion pesos)	131	133	143
ROTE	30.3%	26.1%	25.5%

ROE totaled **18.8%** for the **quarter**, down (26bps) vs. the previous quarter, and down (100bps) from the **recurring 19.9%** result in 1Q19, driven by 4% growth in net income, but a 7% growth in equity.

During the quarter **ROTE** reached 25.5%, **down** (54bps) vs. 4Q19 driven by positive accumulation of average tangible equity during the quarter; using recurring results, ROTE declined (105 bps) vs. 1Q19.

	1Q19	4Q19	1Q20
ROA	2.5%	2.3%	2.2%
Average Risk Weighted Assets (billion pesos)	725	778	588
RRWA	4.8%	4.7%	6.1%

ROA reached **2.2%**, down (7bps) vs. the previous quarter, and (27bps) vs. 1Q19. Comparing to recurring 1Q19 figures, it **rose 3bps**.

Deposits

Deposits (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Non-Interest Bearing Demand Deposits	285,407	297,379	290,229	(2%)	2%
Interest Bearing Demand Deposits	108,251	140,158	163,825	17%	51%
Total Demand Deposits	393,658	437,537	454,055	4%	15%
Time Deposits – Retail	228,857	229,036	226,592	(1%)	(1%)
Core Deposits	622,515	666,573	680,647	2%	9%
Money Market	114,712	77,698	111,223	43%	(3%)
Total Bank Deposits	737,227	744,271	791,870	6%	7%
GFNorte's Total Deposits	734,956	724,490	772,993	7%	5%
Third Party Deposits	191,502	152,648	159,012	4%	(17%)
Total Assets Under Management	928,729	896,919	950,882	6%	2%

Banorte's core deposits were up 2% during the quarter, driven by a **(1%)** decline in **time deposits**, but a **4% increase** in **demand deposits**; these growth rates were favored by dollar deposits, which after being valued in pesos, reflect a near 25% depreciation of the Mexican peso. Compared to 1Q19, time deposits were down (1%), while demand deposits were up 15%, mainly in interest bearing demand deposits, as a result of strategies focused towards increasing customer balances, acknowledging the market preference towards interest bearing deposits given the prevailing level of real rates.

Money market funds and notes issued showed a relevant 43% quarterly increase, and a **(3%)** annual drop, partially because of dollar denominated deposits being valued in pesos, and also due to an overall increase in new deposits. Altogether, **total bank deposits** were up 6% during the quarter, and up **7%** annually.

Loans

Performing Loan Portfolio (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Mortgages	158,605	170,086	173,226	2%	9%
Auto Loans	24,811	26,669	27,188	2%	10%
Credit Card	36,543	39,700	38,707	(3%)	6%
Payroll	52,732	51,311	51,643	1%	(2%)
Consumer	272,691	287,766	290,763	1%	7%
Commercial	173,173	172,729	182,277	6%	5%
Corporate	134,772	128,159	145,229	13%	8%
Government	181,470	173,988	161,549	(7%)	(11%)
Total	762,105	762,642	779,818	2%	2%

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

The **performing loan portfolio** grew 2% quarterly, with a moderate increase in consumer loans and strong growth in commercial and corporate loans, with the latter mainly driven by the valuation effect of the dollar-denominated portfolios into pesos. The government portfolio showed the expected seasonal contraction.

In the **consumer portfolio**, quarterly growth rates were maintained in mortgages 2%, auto 2%, and payroll loans 1%, reverting the downward trend from previous periods, while credit cards showed a (3%) contraction, already reflecting a slowdown in its use as means of payment in light of the global situation brought by COVID-19.

Compared to 1Q19, **performing loans** show a moderate **2% growth**, given the conditions prevailing in the market, although mainly due to the (11%) contraction in the government portfolio.

On an annual basis, **consumer loans** were up **7%**, highlighting a 9% in **mortgages**, 10% in **auto loans**, and 6% in **credit cards**, keeping us with a 14.1% market share in the consumer and mortgage markets.

Market share position (CNBV records as of January 2020):

- **Mortgages:** Banorte showed a **9.1%** annual growth, slightly below that of the banking system, holding a 19.2% market share, keeping the **second place within the industry**.
- **Auto Loans:** Despite an industry-wide reduction in new car sales, Banorte holds its 18% market share, **ranking 2nd** in the market and **growing 10.4%** annually, above the banking system at **8.2%**.
- **Credit Cards:** Annual **7.6%** growth, which compared with the system's 5.0% keeps Banorte as the **market leader**, with 9.9% market share, gaining 9bps during the period.
- **Payroll Loans:** After a deceleration period which reached negative annual growth rates, the portfolio reverts its trend thus generating positive growth rates. Asset quality remains a priority and loan origination is resumed at a moderate 0.2%. Banorte **ranks third** in the market, with a 19.2% market share.
- **Commercial:** The portfolio shows a 6.6% increase, favored in part by the exchange rate at the end of the quarter. The market share in the commercial portfolio (including corporate and SMEs according to the CNBV classification) is 10.4%, gaining a 45bp share in the last 2 months and ranking fourth in the system.

SME's performing loan portfolio had a 1% increase, up **Ps 228 million** vs. the previous period. Compared to 1Q19, there is a slight **(1%)** decline as a result of a rigorous risk selection amidst an uncertain market. The NPL ratio rose 42bps in the quarter reaching 7.0%.

SME's Loans (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Performing Portfolio	33,168	32,735	32,963	1%	(1%)
% of Performing Commercial Portfolio	19.2%	19.0%	18.1%	(87 bp)	(107 bp)
% of Total Performing Portfolio	4.4%	4.3%	4.2%	(7 bp)	(13 bp)
NPL Ratio	5.9%	6.55%	6.97%	42 bp	108 bp

- Corporate Loans:** The portfolio reached an ending balance of **Ps 145.23 billion**, a relevant 13% sequential increase and 8% annual growth. The quarterly growth was supported by a 24.5% increase in the dollar-denominated loan portfolio when valued in pesos. GFNorte's corporate loan book is well diversified by industry and by regions, showing low concentration risk. The 20 main private sector corporate borrowers accounted for 11% of the group's total portfolio. The group's largest corporate exposure represented 1.2% of the total performing book, whereas number 20 represented 0.4% of it. Out of these 20 borrowers, 19 companies have an A1 rating, and 1 has a B1 rating.

As of March 2020, GFNorte's **loan exposure to home builders reached Ps 278 million** spread among Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V., and Desarrolladora Homex, S.A.B. de C.V. The remaining exposure to homebuilders accounts for 0.04% of the total loan portfolio. The total **portfolio is 100% guaranteed** and had no changes vs. the previous quarter report. Loan Loss Reserve coverage for these companies was 41.3% as of 1Q20.

- Government Book:** Loan portfolio declined Ps 12.44 billion, down (7%) vs. the previous quarter, totaling **Ps 161.55 billion**; down (11%) vs. 1Q19.

The annual (11%) decline in the government book follows a lower financing demand, as well as intense competition which drove margins significantly down. With this environment, management decided to prioritize profitability over volume. The quarterly decline is mainly explained by seasonal effects.

GFNorte's government portfolio is well diversified by regions, showing adequate concentration risk given that 31% of the portfolio is Federal Government risk. Additionally, regarding municipal and states loans, 86% of the loans are backed by fiduciary guarantees. GFNorte's market share as of January 2020 for this segment was 29.9%, **ranking first in the market**.

- Infrastructure:** This sector shows a relevant reactivation, reflected by a 13% quarterly increase, or Ps 5.43 billion in additional loans. On an annual basis, the portfolio had a 10% increase, explained by growing demand for financing in this segment.

Infrastructure Loans (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Performing Portfolio	44,060	42,869	48,306	13%	10%
% of Total Performing Portfolio	5.7%	5.6%	6.2%	57 bp	50 bp
NPL Ratio	0.0%	0.0%	0.1%	7 bp	11 bp

Past Due Loans

(Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Past Due Loans	13,488	12,806	13,212	3%	(2%)
Loan Loss Reserves	18,329	17,639	18,504	5%	1%
Acquired Rights	2,217	1,601	1,500	(6%)	(32%)

There was an increase in asset deterioration towards the end of the period, with **3% growth** in the **past due loan** balance, slightly above the 2% increase in the performing loan portfolio. Compared to the previous quarter, there is a significant growth in the corporate portfolio, which is mainly attributed to a Ps 366 million variation in the exchange rate. As for the commercial portfolio, the decline totaled Ps 174 million in SME accounts. Compared to 1Q19 past due loans

grew **(2%)**, primarily in the corporate portfolio totaling Ps 1.35 billion, of which Ps 1.15 billion correspond to portfolio sales and the write-off in homebuilder accounts during the previous quarter due to changes in the exchange rate, therefore, the impairment in the commercial portfolio corresponds to Ps 174 million in the SME portfolio; while in the annual comparison the past-due portfolio decreased **(2%)**. Further detail by product is shown below:

Past Due Loans (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Credit Cards	2,304	2,287	2,383	96	80
Payroll	1,643	1,758	1,423	(335)	(220)
Auto Loans	236	269	246	(24)	10
Mortgages	1,557	1,973	2,070	97	513
Commercial	3,694	4,164	4,349	186	655
Corporate	4,050	2,351	2,702	351	(1,348)
Government	4	4	40	35	35
Total	13,488	12,806	13,212	406	(276)

NPL ratio remains stable at **1.7% in the quarterly and annual comparison** due to the significant drop in the past-due loan balance from the corporate portfolio, to the lower exposure in homebuilders, as well as to the timely monitoring of loan origination through analytical and risk management tools.

Past Due Loans Ratios	1Q19	2Q19	3Q19	4Q19	1Q20
Credit Cards	5.9%	5.9%	6.0%	5.4%	5.8%
Payroll	3.0%	3.8%	3.4%	3.3%	2.7%
Auto Loans	0.9%	1.0%	1.0%	1.0%	0.9%
Mortgages	1.0%	1.0%	1.1%	1.1%	1.2%
Commercial	2.1%	2.4%	2.5%	2.4%	2.3%
SMEs	5.9%	6.4%	6.6%	6.6%	7.0%
Commercial	1.1%	1.3%	1.5%	1.3%	1.2%
Corporate	2.9%	3.0%	2.8%	1.8%	1.8%
Government	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.7%	1.9%	1.9%	1.7%	1.7%

Expected loss for Banco Mercantil del Norte, the group's largest subsidiary, **was 2.2%, and the unexpected loss was 4.3%**, both with respect to the total portfolio as of 1Q20. These ratios were 2.2% and 3.9%, respectively during 4Q19, and 1.9% and 3.7% twelve months ago.

Banco Mercantil del Norte's **Net Credit Losses (NCL)** including write-offs were **2.1%**, similar to 4Q19.

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

Past Due Loan Variations	
<i>(Million Pesos)</i>	
Balance as of December '19	12,806
Transfer from Performing Loans to Past Due Loans	6,407
Portfolio Purchase	-
Renewals	(110)
Cash Collections	(473)
Discounts	(270)
Charge Offs	(3,930)
Foreclosures	(5)
Transfer from Past Due Loans to Performing Loans	(1,607)
Loan Portfolio Sale	-
Foreign Exchange Adjustments	393
Fair Value Ixe	-
Balance as of March '20	13,212

Of the **total loan book**, 87% was rated A Risk, 8% B Risk, and 5% as Risk C, D and E combined.

**Risk Rating of Performing Loans as of 1Q20 - GFNorte
(Million Pesos)**

CATEGORY	LOANS	LOAN LOSS RESERVES						TOTAL
		COMMERCIAL			CONSUMER	MORTGAGES		
		MIDDLE MARKET COMPANIES	GOVERNMENT ENTITIES	FINANCIAL INTERMEDIARIES				
A1	669,587	1,015	450	70	708	223	2,466	
A2	48,604	150	228	5	273	29	685	
B1	24,541	53	8	2	735	18	815	
B2	16,898	42	13	6	561	27	650	
B3	24,153	115	440	5	563	15	1,138	
C1	12,327	161	74	2	598	84	920	
C2	9,605	99	126	-	822	167	1,214	
D	15,058	2,002	16	2	2,560	495	5,075	
E	6,758	1,980	-	-	2,932	96	5,008	
Total	827,533	5,617	1,355	92	9,752	1,153	17,970	
Not Classified	(1,783)							
Exempt	-							
Total	825,749	5,617	1,355	92	9,752	1,153	17,970	
Reserves							18,504	
Preventive Reserves							534	

Notes:

- Figures for reserve creation and rating are as of March 31, 2020.
- The loan portfolio is rated pursuant to rules issued by the CNBV, in Chapter V, Second Title of General Provisions Applicable to Credit Institutions, and it can also be rated according to internal methodologies authorized by this same regulator.

The Institution uses regulatory methodologies to grade all credit portfolios. The Institution uses internal methodologies authorized by the CNBV according to the following: for the revolving consumer portfolio from January 2018 onwards; and for the commercial portfolio, borrowers with sales or revenue greater than or equal to 14 million UDIS (not applicable to estate and municipal governments and financial institutions), from January 2019 onwards in the Banco Mercantil del Norte, and from February 2019 onwards for Arrendadora and Factor Banorte, and Sólida Administradora de Portafolios.

The Institution uses risk ratings: A1, A2, B1, B2, B3, C1, C2, D and E to classify provisions according to the portfolio segment and percentage of the provisions representing the outstanding balance of the loan, and which are set forth in Fifth Section of the "Reserve creation and their classification by degree of risk" contained in Chapter 5, Second Title of the aforementioned regulation.

- Complementary reserves constituted follow General Provisions Applicable to Credit Institutions.

Based on B6 Credit Portfolio criterion from the CNBV, **Distressed Portfolio** is defined as the pool of commercial loans unlikely to be recovered fully, including both principal and interest pursuant to terms and conditions originally agreed upon. Such determination is made based on actual information and data, and on the loan review process. **Performing loans and past-due loans** are susceptible of being identified as Distressed Portfolios. The D and E risk degrees of the commercial loan rating were as follows:

<i>(Million Pesos)</i>		1Q20
Distressed Portfolio		7,630
Total Loans		825,749
Distressed Portfolio / Total Loans		0.9%

Loan Loss Reserves and Loan Loss Provisions

Loan Loss Reserves	1Q20
<i>(Million Pesos)</i>	
Previous Period Ending Balance	17,639
Provisions charged to results	4,912
Provisions charged to retained earnings	0
Created with profitability margin	0
Reserve Portfolio Sold	0
Other items	0
<u>Charge offs and discounts:</u>	
Commercial Loans	(415)
Consumer Loans	(3,379)
Mortgage Loans	(549)
Foreclosed assets	0
	(4,342)
Cost of debtor support programs	(2)
Valorization and Others	298
Adjustments	0
Loan Loss Reserves at Period End	18,504

Loan Loss Reserves as of 1Q20 totaled **Ps 18.50 billion**, up Ps 865 million vs. the previous quarter, explained by the increase in provisions charged to results and due to the FX valuation effect during the quarter. **Charge-offs and Discounts** during the quarter were down **(4%)** vs. the previous quarter. Out of total charge-offs, 77% correspond to the consumer portfolio, 13% to mortgages, and 10% to commercial.

Loan loss reserve coverage totaled **140%** in the quarter, slightly above the 138% in 4Q19, mainly explained by the additional reserves for an expired corporate loan. Compared to **136%** of 1Q19, it is up 4pp driven by the sale and write-off of a homebuilder loan portfolio, and by the decline of performing loans in the government book.

Capital

Shareholders' equity totaled **Ps 197.49 billion**, up 0.8% quarterly and 7% higher than in 1Q19. Changes during the **quarter** were: a Ps 9.12 billion increase in net income, a Ps 104 million increase in share sale premium, and a (Ps 1.06 billion) decline from stock repurchases for share-based compensation plans. In addition, as a result of asset volatility during the quarter, there was a (Ps 4.65 billion) decline from valuation of available-for-sale securities, and a (Ps 1.64 billion) decline in valuation of cash flow hedging instruments.

Recent Events

1. BANORTE SIGNS A SELF-SUPPLY ELECTRIC POWER CONTRACT WITH THERMION

On February 6th, 2020, as part of its commitment to the environment and society, GFNorte signed a contract with Thermion, which will allow that by 1Q21, 70% of the energy consumed by the group will come from wind-generated power. This energy will be generated at Delaro wind farm in Tamaulipas, and will reduce by more than half the amount of greenhouse gases emitted by Banorte today, which amounts to 45,000 tons of CO₂e (equivalent carbon dioxide). These emissions are equivalent to circling the globe 1,620 times using an average gasoline car, or to the carbon collection of 2.7 million trees. In addition, there are potential estimated savings of up to 44% for each kWh of electrical energy consumed.

2. BANORTE SIGNS AGREEMENT WITH DENMARK'S EXPORT CREDIT AGENCY

On February 12th, 2020, Banorte and the official Export Credit Agency of the government of Denmark, Eksport Kredit Fonden signed a bilateral "Framework Cooperation Agreement" to support Mexican companies in foreign trade activities. This agreement establishes the cooperation framework to support imports from Denmark, as well as energy and infrastructure projects in Mexico that involve Danish companies as providers of goods and services.

Bank

Income Statement and Balance Sheet (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Net Interest Income	16,931	17,654	17,517	(1%)	3%
Non-Interest Income	6,105	4,906	4,726	(4%)	(23%)
Total Income	23,036	22,559	22,243	(1%)	(3%)
Non-Interest Expense	9,341	9,875	9,718	(2%)	4%
Provisions *	3,700	3,713	4,262	15%	15%
Operating Income	9,996	8,971	8,263	(8%)	(17%)
Taxes	2,647	2,167	2,112	(3%)	(20%)
Discontinued Operations	-	-	-	-	-
Subsidiaries & Minority Interest	14	44	29	(34%)	N.A.
Net Income	7,362	6,848	6,180	(10%)	(16%)
Balance Sheet					
Performing Loans (a)	745,735	743,507	763,091	3%	2%
Past Due Loans (b)	13,095	12,392	12,827	4%	(2%)
Total Loans (a+b)	758,830	755,899	775,918	3%	2%
Total Loans Net (d)	741,008	738,816	757,986	3%	2%
Acquired Collection Rights (e)	1,864	1,359	1,261	(7%)	(32%)
Total Loans (d+e)	742,872	740,175	759,247	3%	2%
Total Assets	1,172,383	1,149,536	1,293,647	13%	10%
Total Deposits	737,227	744,271	791,870	6%	7%
Demand Deposits	391,855	435,453	451,842	4%	15%
Time Deposits	345,372	308,819	340,028	10%	(2%)
Total Liabilities	1,056,082	1,035,276	1,179,984	14%	12%
Equity	116,301	114,261	113,663	(1%)	(2%)
Financial Ratios - Bank					
	1Q19	4Q19	1Q20		
Profitability:					
NIM (1)	6.2%	6.6%	6.3%		
NIM after Provisions (2)	4.8%	5.2%	4.7%		
ROE (3)	26.2%	23.9%	21.7%		
ROA (4)	2.5%	2.4%	2.0%		
Operation:					
Efficiency Ratio (5)	40.5%	43.8%	43.7%		
Operating Efficiency Ratio (6)	3.2%	3.4%	3.2%		
Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7)	116.6%	133.5%	120.1%		
Asset Quality:					
Past Due Loan Ratio	1.7%	1.6%	1.7%		
Coverage Ratio	136.1%	137.9%	139.8%		
Capitalization:					
Net Capital/ Credit Risk Assets	22.0%	23.7%	24.1%		
Total Capitalization Ratio	18.1%	18.5%	19.0%		
Leverage					
Basic Capital/ Adjusted Assets	9.3%	10.8%	10.9%		

- 1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.
- 2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.
- 3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.
- 4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.
- 5) Non-Interest Expenses / Total Income.
- 6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.
- 7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.

Changes vs. the previous quarter

Net Interest Income (NII) declined (1%) during the quarter, net interest income from the loan portfolio remains at a similar level vs. the previous quarter, however there is a (Ps 129 million) loss from currency valuation effect, as well as (4%) lower interest income from repurchase agreements. With this, **NIM reached 6.3%**, down (38bps) vs. 4Q19 and up 10bps vs. 1Q19.

Non-interest income declined (4%), mainly due to seasonality with lower opening fees from loans and lower transactionality in the acquiring business, in addition to a (Ps 111 million) decline in foreclosed assets and an Ps 82 million increase in write-offs.

Regarding **fees charged**, they were down (9%) on lower income from electronic banking services and lower fees from consumer loans, while **fees paid** show a (12%) drop on lower interchange fees, and lower debt issuance fees. With this, **net fees** show a **7% decline**.

Trading results grew 58% in the quarter, on higher derivative and currency trading as a result of higher volatility in the financial markets. **Other operative income (expenses)** were down (90%), as a result of lower income from foreclosed assets, which in 4Q19 were particularly high, as well as an increase in write-offs.

Non-interest expense was down (2%), driven by lower personnel expenses as employee compensation benefits took place during the previous quarter, in addition to a decline in other taxes and non-deductible expenses resulting from the variation between real vs. provisioned VAT payments, as well as the registration of capitalized VAT in IT investment projects. In addition to this, there were lower administrative and promotional expenses derived from the deferral of mortgage loan origination expenses. Consequently, **efficiency ratio** closed at **43.7%**, showing a 9bps improvement vs. the previous quarter.

Loan loss provisions were up 15% during the quarter, considering moderate 3% growth in portfolio and a 4% increase in the past-due portfolio. The consumer loan portfolio had a Ps 296 million higher provision requirement, from a deterioration in the loan portfolio and moderate credit origination. Provisions for commercial loans were up by Ps 206 million, of which Ps 325 million correspond to FX valuation within the corporate portfolio, while the commercial book had a (Ps 102 million) decline. The **Risk adjusted NIM** stood at **4.7%**, (51bps) lower than the 5.2% from the previous quarter.

Altogether, **net income** declined (**10%**), **ROE** was down (224bps) reaching **21.7%**, and **ROA** dropped (**35bps**) reaching **2.0%**.

Changes vs. the previous year (2019)

Net interest income grew 3%, driven by 2% growth in the loan portfolio and the effects of a lower funding cost strategy; particularly net interest income from the loan portfolio and deposits grew 6%, while income from repurchase agreements was down (7%). **NIM grew** 10bps to **6.3%** compared to 1Q19.

Recurring non-interest income was up 6%, on higher income mainly from net service fees and trading, while other operating income (expenses) had a significant decline. As for **reported non-interest income**, the decline is mainly attributed to the recognition of Ps 1.66 billion in extraordinary income recorded during 1Q19 from the liquidation of Banorte USA.

Non-interest expense rose 4% vs. 1Q19, showing a Ps 267 million increase under rents, depreciation and amortization due to higher amortization of capitalized projects and depreciation from historical value, as well as Ps 165 million increase in administrative and promotional expenses due to higher transactions with debit cards, and an increase in the number of campaigns. In sum, **recurring efficiency ratio stood stable at 43.7%**.

Loan Loss Provisions grew 15% mainly from 2% growth in the performing loan portfolio, and a (2%) decline in the past due portfolio. Compared to 1Q19, there is a Ps 615 million increase in provisions for the commercial portfolio, of which Ps 187 million correspond to reserve releases made during 1Q19 in the government portfolio following a decline in their balance, a (Ps 496 million) reduction in the corporate portfolio mainly explained by the charge-off recognized in the previous quarter. Loan loss provisions for the consumer portfolio increased by Ps 226 million, related to loan origination in mortgages, credit cards and auto loans, while there was a lower requirement from payroll and personal loans, in line with lower origination in these products. **Risk adjusted NIM** stood at **4.7%**, with an (8bps) decline vs. 4.8% in 1Q19.

Recurring net income totaled **Ps 6.12 billion**, reflecting stability when compared to 1Q19. Regarding profitability, there was a slight contraction with **ROE** reaching **21.9%**, down (**28bps**) vs. 1Q19, while **ROA declined (7bps)** to **2.0%**.

Capital

Reported shareholders' equity totaled **Ps 113.66 billion**, a (1%) decline vs. the previous quarter. The main changes vs. the previous quarter were: a Ps 6.18 billion increase in net income; a (Ps 769 million) decline due to interest paid on subordinated debt; a Ps 211 million increase due to the cumulative conversion effect, in addition to a (Ps 4.71 billion) decline from the valuation of securities available-for-sale, a (Ps 1.67 billion) decline from valuation of cash flow hedging instruments resulting from the rate volatility and its effect on assets during the quarter.

Regulatory Capital (Banco Mercantil del Norte)

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

In May 2019, Banorte was confirmed as Level II - Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, **starting on December 2019, the minimum Capital Adequacy Ratio required for Banorte amounts to 11.40%** (corresponding to the regulatory minimum of 10.5% plus the 0.90 pp capital supplement).

Capitalization (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Core Tier 1	104,654	101,927	100,805	(1.1%)	(3.7%)
Tier 1 Capital	123,257	139,655	147,774	5.8%	19.9%
Tier 2 Capital	13,967	8,783	9,194	4.7%	(34.2%)
Net Capital	137,224	148,438	156,968	5.7%	14.4%
Credit Risk Assets	624,895	627,281	650,213	3.7%	4.1%
Net Capital / Credit Risk Assets	22.0%	23.7%	24.1%	0.5 pp	2.2 pp
Total Risk Assets	758,021	800,445	827,630	3.4%	9.2%
Core Tier 1	13.81%	12.73%	12.18%	(0.6 pp)	(1.6 pp)
Tier 1	16.26%	17.45%	17.86%	0.4 pp	1.6 pp
Tier 2	1.84%	1.10%	1.11%	0.0 pp	(0.7 pp)
Capitalization Ratio	18.10%	18.54%	18.97%	0.42 pp	0.86 pp

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

At the end of 1Q20 the estimated Capital Adequacy Ratio (CAR) for Banorte was **18.97%** considering credit, market, and operational risk; and 24.14% considering only credit risks. Moreover, Total Tier 1 Capital reached 12.18% as of 1Q20.

The **CAR** rose **0.42 pp** vs. 4Q19 due to the following effects:

1. Capital Notes*	+ 1.07 pp
2. Net Income Growth	+ 0.75 pp
3. Permanent Investments, Intangibles, and Other Capital Effects	- 0.02 pp
4. Growth in Risk Assets	- 0.61 pp
5. Securities' mark-to-market valuation	- 0.77 pp

* Including the mark-to-market valuation and buyback effect on Capital Notes (BINTER: Mar-20)

The **CAR** rose **0.86 pp** vs. 1Q19, due to the following effects:

1.	Net income growth	+ 3.18 pp
2.	Capital Notes*	+ 2.56 pp
3.	Permanent Investments, Intangibles, and Other Capital Effects	- 0.22 pp
4.	Securities' mark-to-market valuation*	- 0.41 pp
5.	Growth in Risk Assets	- 1.52 pp
6.	Dividend Payments between 2Q19 and 4Q19	- 2.71 pp

* Including the mark-to-market valuation effect on Capital Notes, Issuance of Additional Tier 1 Notes in June 2019, and the buyback effect (BINTER: Mar'20 / Tender Offer Oct'19 y Dec'19).

Evolution of Risk Weighted Assets

In compliance with the capitalization requirements established to date by the Mexican authorities and Basel Rules III International Standards, Banorte classifies its Risk Assets as Credit, Market, and Operational, which are actively managed by the Institution to monitor its quality.

The Total Risk Assets as of March 2020 reached Ps 827.6 billion, up Ps 27.2 billion vs. the end of December 2019, and Ps 69.6 billion vs. March 2019.

The evolution of Risk Assets is presented below:

Risk Assets (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Total Credit	624,895	627,281	650,213	3.66%	4.05%
Credit (Loan Portfolio)	535,731	528,848	539,000	1.92%	0.61%
Credit (Others)	89,165	98,433	111,213	12.98%	24.73%
Total Market	76,429	108,351	111,536	2.94%	45.93%
Total Operational	56,697	64,812	65,882	1.65%	16.20%
Total	758,021	800,445	827,630	3.40%	9.18%

Main quarterly changes RWA:

- Increase in Assets Subject to Credit Risk (Loan Portfolio) driven by growth in the mortgage portfolio, as well as by the currency exchange effect in the commercial book. There is a relevant compensation effect driven by the calibration of internal models and by the implementation of the internal model for the auto loan portfolio.
- Increase in Assets Subject to Credit Risk (Others) driven by the Credit Valuation Adjustment requirement for derivative transactions, driven by the evolution in market rates in these positions as the derivative rate curve had significant declines in terms of up to 7 years (86 bps), have increased their exposure in operations with clients who hedge interest rate risk, and consequently, their capital requirements.
- Increase in Assets Subject to Market Risk mainly due to variations in FX positions increasing the demand for currencies and the position in foreign currencies.

Main annual changes in RWA:

- Slight increase in Assets Subject to Credit Risk (Loan Portfolio) driven by the decline in the wholesale portfolio, highlighting the decline in the government portfolio associated to the strategy to improve the profitability of this portfolio during 2019. It was also impacted by the FX valuation effect in the commercial loan book, and the implementation in 2020 of the internal model for the auto loan portfolio.
- Increase in Assets Subject to Credit Risk (Others) driven by the Credit Valuation Adjustment requirement for derivative transactions, which due to the decline in derivative rate curves during the year (177 bps on average across the curve), have increased their exposure in operations with clients who hedge interest rate risk, and consequently, their capital requirements.
- Increase in Assets Subject to Market Risk mainly due to variations in FX positions increasing the demand for currencies and the position in foreign currencies.

Leverage Ratio

Leverage Ratio according to CNBV's regulation is presented below:

Leverage (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Tier 1 Capital	123,257	139,655	147,774	5.8%	19.9%
Adjusted Assets	1,320,185	1,288,446	1,358,673	5.5%	2.9%
Leverage Ratio	9.34%	10.84%	10.88%	0.0 pp	1.5 pp

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

Long Term Savings

Seguros Banorte

Income Statement and main figures/indicators- Insurance - Seguros Banorte (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Interest Income (Net)	444	340	517	52%	16%
Premium Income (Net)	9,712	4,928	8,815	79%	(9%)
Net Increase in Technical Reserves	4,219	767	3,304	331%	(22%)
Damages, Claims and Other Obligations	2,699	3,181	2,767	(13%)	2%
Technical Results	2,794	980	2,744	180%	(2%)
Net Interest Income (NII)	3,238	1,321	3,261	147%	1%
Other Fees (acquisition costs)	(817)	(140)	(706)	403%	(14%)
Securities-Realized Gains	15	55	50	(10%)	242%
Other Operating Income (Expenses)	202	216	200	(7%)	(1%)
Total Operating Income	2,637	1,451	2,805	93%	6%
Non Interest Expense	334	367	368	0%	10%
Operating Income	2,303	1,084	2,436	125%	6%
Taxes	691	323	732	127%	6%
Subsidiaries' Net Income	416	353	332	(6%)	(20%)
Minority Interest	(10)	(10)	(7)	30%	24%
Net Income	2,018	1,104	2,029	84%	1%
Shareholder's Equity	25,112	22,634	24,746	9%	(1%)
Total Assets	61,233	53,610	59,723	11%	(2%)
Technical Reserves	29,792	24,928	28,696	15%	(4%)
Premiums sold	12,606	5,384	10,364	92%	(18%)
Coverage ratio of technical reserves	1.3	1.2	1.2	0.0 pp	(0.0 pp)
Solvency capital requirement coverage ratio	4.9	5.4	8.7	3.3 pp	3.8 pp
Coverage ratio of minimum capital	244.1	209.3	229.1	19.8 pp	(15.0 pp)
Claims ratio	48%	77%	51%	(26.1 pp)	2.5 pp
Combined ratio	56%	83%	59%	(23.5 pp)	3.4 pp
ROE	34.0%	19.6%	34.8%	15.1 pp	0.8 pp
ROE ex-Afore	77.4%	42.8%	90.0%	47.2 pp	12.7 pp

Net interest income grew 52% during the **quarter**, and **16% annually**, in line with normal growth in the loan portfolios and its seasonal behavior.

Compared to the previous quarter, premiums were up **79%** on new premium underwriting and seasonal premium renewals. Growth in technical reserves during the quarter is explained by a 331% increase in premium issuances. During the quarter there was a (131%) decline in claims. During 4Q19 there was a 410 million increase in the IBNR reserve, in compliance with a new methodology in the life book which was authorized by the insurance regulator (Comisión Nacional de Seguros y Fianzas) during that quarter.

At the end the quarter, **technical results** for Seguros Banorte totaled **Ps 2.77 billion**, up 180% vs. 4Q19 derived from the growth in retained premiums, due to the seasonality of the business, and the reduction in claims.

Compared to 1Q19, **technical results were down (2%)**, in premium interest there is a (9%) decline on lower premium renewals, as well as a lower increase in technical reserves, with a 2% in claims.

Acquisition Costs grew **403%** in the period, totaling **Ps 706 million**, and compared to 1Q19 they were **down (14%)**. The **quarterly variation** is due to seasonal premium issuance level and to the release in 4Q19 of Ps 417 million in reinsurance coverage costs, which offset the Ps 410 million increase in reserves following the new Life book methodology mentioned above.

Net Operating Income amounted to **Ps 2.43 billion**, up **125%** vs. the previous quarter driven by the seasonal increase in premium origination and premium renewals, together with an increase in interest income.

Net Income for the quarter was **Ps 2.03 billion**, up **84%** vs. **4Q19**, and a moderate **1%** increase vs. 1Q19.

Net Income for the quarter for Seguros Banorte, excluding its subsidiary Afore XXI Banorte, totaled **Ps 1.70 billion**, accounting for 18.7% of GFNorte's net income on 1Q20 and growing 6% compared to 1Q19.

ROE for the **Insurance business (including subsidiaries)** increased annually reaching **34.8%**.

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 1Q20 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
 - *In 1Q20 damage ratios remained under control and reinsurers complied with their obligations.*
- iii. Costs generated from issuance of insurance policies and bonds.
 - *There were no relevant events to disclose in 1Q20*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Damages and Life book, risks were transferred to reinsurers, for the most part to foreign reinsurers under which there were 5 relevant businesses: 3 are related to government, and 2 are related to services.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
 - *There were no relevant issues related to non-compliance during 1Q20.*

Afore XXI Banorte

Afore XXI Banorte (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Net Income	831	733	663	(10%)	(20%)
Shareholder's Equity	23,022	25,466	23,040	(10%)	0%
Total Assets	24,892	27,820	25,301	(9%)	2%
AUM (SIEFORE)	795,847	882,314	865,906	(2%)	9%

During 1Q20, Afore XXI Banorte reported **net income** of **Ps 663 million**, down **(10%)** vs. 4Q19. Compared to 1Q19, net income dropped (20%), mainly from the market effects on financial returns following the negative valuation of the special reserve of the AFORE across its SIEFOREs, which did not offset the positive 9% growth in assets under management.

ROE in 1Q20 reached **10.9%**, declining **(0.7pp)** during the quarter, while dropping (3.0pp) vs. 1Q19. Excluding goodwill, **Return on Tangible Equity (ROTE)** rose to **35.4%**, showing a **23bp** increase.

Afore XXI Banorte represented 3.6% of the Financial Group's net income during 1Q20.

Afore XXI Banorte's **assets under management** of as of March 2020 totaled **Ps 865.90 billion**, a 9% **increase** vs. 1Q19.

Pensiones Banorte

Income Statement and Balance Sheet Highlights - Annuities - Pensiones Banorte (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Interest Income (Net)	1,893	3,549	3,469	(2%)	83%
Premium Income (Net)	2,737	3,014	3,489	16%	27%
Net Increase in Technical Reserves	2,547	4,319	4,642	7%	82%
Claims and Other Obligations	1,633	1,786	1,826	2%	12%
Technical Results	(1,443)	(3,091)	(2,978)	4%	(106%)
Net Interest Income (NII)	450	458	491	7%	9%
Net Fees	-	-	-	N.A.	N.A.
Securities-Realized Gains	6	21	11	(47%)	71%
Other Operating Income (Expenses)	21	2	(1)	(136%)	(104%)
Total Operating Income	477	481	501	4%	5%
Non Interest Expense	96	102	97	(6%)	1%
Operating Income	381	379	405	7%	6%
Taxes	111	111	122	10%	10%
Subsidiaries' Net Income	2	4	1	(68%)	(39%)
Minority Interest	-	-	-	N.A.	N.A.
Net Income	272	272	284	4%	4%
Shareholder's Equity	4,119	4,870	5,150	6%	25%
Total Assets	126,141	136,092	141,415	4%	12%
Technical Reserves	120,531	129,319	134,008	4%	11%
Premiums sold	2,737	3,014	3,489	16%	27%
Coverage ratio of technical reserves	1.0	1.0	1.0	0.0 pp	0.0 pp
Solvency capital requirement coverage ratio	28.8	29.4	26.3	(3.1 pp)	(2.4 pp)
ROE	27.3%	23.0%	22.7%	(0.3 pp)	(4.7 pp)

During 1Q20, **net interest income** reached Ps 3.47 billion, down (2%) vs. the previous quarter due to UDIs valuation effect during the quarter totaling (Ps 102 million). Compared to 1Q19 it had a relevant 83% increase primarily driven by the valuation effect, and on a lower level by the increase in interest income.

Technical results rose during the quarter due to the combined effect of the increase in net premium income in 16%, an increase of Ps 323 million in reserves, of which Ps 445 million are derived from the natural issuance of the business and a decrease of (Ps 121 million) from the effect of inflation with respect to the previous quarter, and an increase in claims of 2%. Compared to 1Q19, a decrease of (106%) is observed, due to the increase in reserves of Ps 2.01 billion, of which Ps 736 million are associated with the growth in issuance and Ps 1.28 billion due to the effect of the inflation update.

Net Income from Pensiones Banorte **increased 4% quarterly**, driven by the increase in the technical result and lower non-interest expenses. Compared to 1Q19, net income rose 4.4%, on a larger variation in the integral result of financing vs. the decline in the technical result.

Net income during 1Q20 represented 3.1% of the Financial Group's net income.

ROE for the quarter totaled **22.7%**, slightly down vs. 23% of the previous quarter.

On November 29th, 2019 Grupo Financiero Banorte informed the investor community that Pensiones Banorte had reached an agreement with Pensiones SURA S.A de C.V. in which SURA transfers its Life Annuity business portfolio. This transaction is still subject to approvals by the insurance and pension regulator (Comisión Nacional de Seguros y Fianzas), as well as by the antitrust regulator (Comisión Federal de Competencia Económica) during the coming months. The transaction only includes the Life Annuity business, which SURA Asset Management had stopped commercializing since 2018. The transaction price will be set upon execution of the contract and will be informed to the market once the closing conditions are met.

Brokerage

Brokerage Sector (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Net Income	305	377	313	(17%)	2%
Shareholder's Equity	4,194	4,634	4,998	8%	19%
Assets Under Custody	894,173	919,985	813,377	(12%)	(9%)
Total Assets	190,279	189,972	186,199	(2%)	(2%)
ROE	30.3%	33.1%	26.0%	(7.1 pp)	(4.3 pp)
Net Capital (1)	3,252	3,445	3,640	6%	12%

1) Net capital structure: Tier 1 = Ps 3.64 billion, Tier 2 = Ps 0 million.

The Brokerage business (Casa de Bolsa Banorte and Operadora de Fondos) reported **net income of Ps 313 million**, a **(17%)** quarterly decline resulting from a much lower currencies and metals valuation, together with lower trading dynamics and lower interest income. Mutual fund fees had a (2%) drop during the quarter.

Compared to 1Q19, net income increased 2% related to an increase in the sale of securities, as well as an increase in other operating income.

Net income from the brokerage business in 1Q20 accounted for 3.4% of the group's net income.

Assets Under Management

At the end of 1Q20, AUMs totaled **Ps 813 billion, down (12%)** during the quarter, and up 5% annually.

Mutual fund assets totaled Ps 208 billion, up 2% during the year. Assets held in **fixed income funds** totaled **Ps 191 billion, (3%)** lower during the quarter, and 13% higher vs. 1Q20; assets held in **equity funds** amounted to **Ps 16.5 billion**, up 5% in the quarter and in the year. As of 1Q20, Banorte held an 8.3% share of the mutual fund market: 10.12% of fixed income funds, and 2.8% of equity funds.

SOFOM and other Finance Companies

SOFOM & Other Finance Companies (Million Pesos)	1Q19	4Q19	1Q20	Change	
				4Q19	1Q19
Leasing and Factoring					
Net Income	226	236	203	(14%)	(10%)
Shareholder's Equity	5,183	5,908	6,111	3%	18%
Loan Portfolio (1)	31,519	35,954	36,150	1%	15%
Past Due Loans	301	344	352	2%	17%
Loan Loss Reserves	333	424	473	11%	42%
Total Assets	32,038	36,977	36,373	(2%)	14%
ROE	17.8%	16.3%	13.5%	(2.8 pp)	(4.3 pp)
Warehousing					
Net Income	(27)	11	10	(8%)	N.A.
Shareholder's Equity	216	245	255	4%	18%
Inventories	765	677	758	12%	(1%)
Total Assets	946	852	937	10%	(1%)
ROE	-46.7%	17.6%	15.6%	(2.0 pp)	62.3 pp
Sólida Administradora de Portafolios					
Net Income	(109)	(74)	(146)	(98%)	34%
Shareholder's Equity	3,073	3,009	2,867	(5%)	(7%)
Loan Portfolio	2,068	1,723	1,457	(15%)	(30%)
Past Due Loans	92	71	33	(53%)	(64%)
Loan Loss Reserves	174	132	100	(25%)	(43%)
Total Assets	9,314	9,221	8,803	(5%)	(5%)
Ixe Servicios					
Net Income	(0.2)	(0.2)	(0.2)	(32%)	7%
Shareholder's Equity	138	137	137	(0%)	(1%)
Total Assets	138	137	137	(0%)	(1%)
ROE	(0.6%)	(0.5%)	(0.7%)	(0.2 pp)	(0.0 pp)

1) Includes operating lease portfolio of Ps 2.75 billion, and fixed assets of Ps 52 million, both registered in property, furniture, and equipment (net).

Leasing and Factoring

Net income during 1Q20 totaled **Ps 203 million, down (14%) during the quarter** on higher loan loss reserve generation from the portfolio's rating.

Past due loans ratio reached 1.1%, up 1bp vs. 4Q19. Coverage ratio totaled 134.4%, up 11bps vs. the previous quarter. Capital ratios for 1Q20 totaled 14.2%, considering total risk weighted assets of Ps 36.07 billion.

During 1Q20, Net Income from Leasing and Factoring represented 2.2% of the group's total results.

Leasing and Factoring Banorte continues to rank 2nd in terms of portfolio size among the 58 companies in this sector, according to the Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. (AMSOFAC).

Warehouse

In 1Q20, the Warehouse reported net income of Ps 10 million, far above the 1Q19 result, mainly derived from not affecting reserves from missing merchandise. ROE reached 15.6%, and the capital ratio totaled 211% considering a net capital of Ps 211 million, and negotiable certificates of deposit issued in active warehouses totaling Ps 1.99 billion.

Almacenadora Banorte ranked in 9th place among the warehousing businesses in the sector in terms of certificates of deposit as of September 2019.

Sólida Administradora de Portafolios

The business reported net income of **Ps (146) million** for the quarter, down (98%) vs. 4Q19, explained by higher expenses and a contraction of the loan portfolio. Net income increased 34% during the year.

Capitalization ratio in 1Q20 reached **22.9%**, (0.6 pp) lower vs. last quarter, and 01.1 pp below 1Q19.

Leverage ratios as of December 2019 and March 2020 were **25.40%** and **24.69%**, respectively; considering risk adjusted assets of Ps 8.55 billion and Ps 7.98 billion, respectively.

III. General Information

GFNORTE's Analyst Coverage

In compliance with requirements from BOLSA MEXICANA DE VALORES, S.A.B. DE C.V, the list of brokers who provide analysis coverage to Ticker GFNORTEO are:

BROKER	ANALYST	RECOMMENDATION	DATE
Barclays	Gilberto García	Buy	23-Mar-20
Bradesco	Alain Nicolau	Buy	13-Mar-19
Brasil Plural	Eduardo Nishio	Buy	24-Jan-20
BTG Pactual	Eduardo Rosman	Buy	13-Nov-19
Citi	Jorg Friedman	Buy	28-Oct-19
GBM	Natalia Zamora	Buy	9-Dec-19
Intercom	Sofía Robles	Buy	23-Jan-20
Monex	Verónica Uribe	Buy	28-Oct-19
Itaú BBA	Arturo Langa	Buy	30-Mar-20
Vector	Marco Montañez	Buy	9-Jan-20
UBS	Philip Finch	Buy	24-Jan-20
HSBC	Carlos Gómez	Buy	30-Mar-20
Scotia	Jason Mollin	Buy	27-Mar-20
Actinver	Enrique Mendoza	Buy	16-Apr-20
JP Morgan	Marco Montañez	Buy	2-Apr-20
BBVA	Rodrigo Ortega	Hold	12-Apr-20
BOFA - Merill Lynch	Mario Pierry	Hold	7-Apr-20
Credit Suisse	Marcelo Telles	Hold	24-Oct-19
Invex	Montserrat Antón	Hold	25-Nov-19
Santander	Claudia Benavente	Hold	24-Jul-19
Morgan Stanley	Jorge Kuri	Sell	6-Apr-20

Capital Structure

Number of Shares (Million)	SERIES O As of March 2020
Number of Issued Shares	2,867,806,382
Number of Shares Outstanding	2,883,456,594
Shares held in GFNorte's Treasury	0

IV. Financial Statements

Grupo Financiero Banorte

Income Statement -GFNorte (Million Pesos)	1Q19	2Q19	3Q19	4Q19	1Q20
Interest Income	37,751	37,276	36,796	37,285	36,648
Interest Expense	18,126	18,038	16,512	14,858	14,366
Charged Fees	323	335	365	382	360
Fees Paid	281	279	284	316	291
Net Interest Income from interest & fees (NII)	19,668	19,295	20,365	22,493	22,351
Premium Income (Net)	12,214	6,271	6,305	7,747	12,155
Net Increase in Technical Reserves	6,766	1,228	1,922	5,086	7,946
Damages, Claims and Other Obligations	4,332	4,846	4,634	4,967	4,592
Net Interest Income (NII)	20,784	19,492	20,114	20,188	21,968
Preventive Provisions for Loan Losses	3,736	3,728	4,118	3,765	4,344
Net Interest Income Adjusted for Credit Risk	17,048	15,764	15,996	16,423	17,623
For Commercial and Mortgage Loans	238	291	280	509	495
For Consumer and Credit Card Loans	1,212	1,246	1,282	1,424	1,242
Fiduciary	104	108	127	146	119
Income from Real Estate Portfolios	48	220	1	7	5
Trading & Financial Advising Fees	108	171	131	102	147
Other Fees Charged	304	238	259	261	331
Fees Charged on Services	5,540	6,002	5,929	6,591	6,115
Interchange Fees	1,082	1,077	1,168	1,349	1,226
Insurance Fees	581	296	581	(109)	473
Other Fees Paid	910	999	997	1,120	961
Fees Paid on Services	2,573	2,372	2,746	2,361	2,660
Net Service Fees	2,967	3,630	3,183	4,230	3,455
Currency and Metals	(6)	(26)	(13)	36	1,235
Derivatives	521	176	(1,473)	(79)	(1,238)
Negotiable Instruments	186	29	155	70	(166)
Valuation	702	179	(1,330)	26	(169)
Currency and Metals	101	206	471	342	(862)
Derivatives	82	121	2,270	(115)	1,742
Negotiable Instruments	267	456	892	618	455
Trading	450	783	3,633	845	1,335
Trading Income	1,152	963	2,303	872	1,166
Loan Recovery	-	-	-	-	-
Loan Portfolios	59	85	86	57	80
Income from foreclosed assets	88	74	177	206	88
Provisions Release	-	-	-	-	-
Impairment of Assets	(132)	-	-	-	(55)
Lease Income	91	92	119	114	100
From Insurance	263	255	240	246	211
Securitization Operation Valuation Result	27	48	37	(7)	31
Other Operating Expense	1,747	100	61	130	(128)
Total Other Operating Income (Expense)	2,143	653	722	746	327
Total Non Interest Income	6,262	5,246	6,208	5,847	4,949
Total Operating Income	23,310	21,010	22,204	22,270	22,572
Personnel	3,932	3,567	4,258	4,105	3,930
Employee Profit Sharing (PTU)	123	123	122	136	133
Professional Fees	738	796	941	625	748
Administrative and Promotional Expenses	2,135	2,002	2,180	2,377	2,382
Rents, Depreciation & Amortization	1,676	1,635	1,772	1,919	1,946
Taxes other than income tax & non deductible expenses	561	573	484	602	498
Contributions to IPAB/Fobaproa	839	829	821	809	828
Total Non Interest Expense	10,004	9,525	10,578	10,572	10,466
Operating Income	13,306	11,485	11,626	11,698	12,106
Subsidiaries' Net Income	411	466	451	389	353
Pre-Tax Income	13,717	11,951	12,077	12,086	12,459
Income Tax	3,062	2,472	3,088	1,903	3,555
Tax on Assets	-	-	-	-	-
Deferred Income Tax	588	628	6	1,049	(328)
Taxes	3,650	3,100	3,094	2,951	3,228
Net Income from Continuous Operations	10,067	8,851	8,983	9,135	9,231
Discontinued Operations	-	-	-	-	-
Minority Interest	(135)	(123)	(125)	(125)	(113)
Net Income	9,932	8,728	8,858	9,010	9,118

GFNorte - Balance Sheet	1Q19	2Q19	3Q19	4Q19	1Q20
<i>(Million Pesos)</i>					
ASSETS					
Cash and Due from Banks	72,135	54,543	56,121	62,797	90,877
Margin Accounts	3,508	4,408	6,245	5,926	9,701
Negotiable Instruments	250,541	223,499	225,565	233,832	238,956
Securities Available for Sale	196,009	212,927	213,131	202,685	204,963
Securities Held to Maturity	131,202	131,481	146,657	150,606	156,631
Investment in Securities	577,752	567,907	585,353	587,123	600,550
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans, net	253	556	162	3,070	2,810
Securities Lending	-	-	-	-	-
For trading purposes	23,793	25,473	26,398	22,295	48,940
For hedging purposes	15	29	29	162	1,292
Operations w/Derivatives & Securities					
Transactions with Derivatives	23,807	25,502	26,427	22,457	50,232
Operations w/Derivatives & Securities	24,061	26,059	26,590	25,527	53,042
Valuation adjustments for Asset Coverage	80	77	73	69	65
Commercial Loans	298,561	294,591	285,822	293,499	318,439
Financial Intermediaries' Loans	9,384	7,942	5,784	7,389	9,067
Consumer Loans	114,086	115,577	117,013	117,680	117,537
Mortgage Loans	158,605	162,619	166,286	170,086	173,226
Medium and Residential	155,134	159,294	162,995	166,921	170,143
low income housing	13	12	10	9	8
Loans acquired from INFONAVIT or FOVISSSTE	3,457	3,314	3,280	3,156	3,075
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities' Loans	181,470	187,454	157,821	173,988	161,549
Performing Loans	762,105	768,183	732,726	762,642	779,818
Commercial PDL's	7,740	8,146	7,965	6,511	7,047
Financial Intermediaries PDL's	4	4	4	4	4
Consumer PDL's	4,183	4,716	4,577	4,314	4,052
Mortgage PDL's	1,557	1,696	1,807	1,973	2,070
Medium and Residential	1,417	1,526	1,634	1,785	1,834
low income housing	0	0	0	0	0
Loans acquired from INFONAVIT or FOVISSSTE	139	170	172	187	235
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	4	4	4	4	40
Past Due Loans	13,488	14,567	14,357	12,806	13,212
Gross Loan Portfolio	775,594	782,750	747,084	775,448	793,030
Preventive Loan Loss Reserves	18,329	18,592	18,171	17,639	18,504
Net Loan Portfolio	757,265	764,158	728,913	757,809	774,525
Acquired Collection Rights	2,217	2,065	1,905	1,601	1,500
Total Credit Portfolio	759,482	766,222	730,818	759,410	776,025
Account Receivables from Insurance and Annuities	1,763	1,945	2,112	2,279	2,205
Premium Debtors (Net)	11,246	9,125	6,429	4,474	8,003
Account Receivables from Reinsurance	11,532	10,884	10,920	7,787	8,162
Benef. receivab. securization transactions	85	125	158	139	161
Sundry Debtors & Other Accs Rec, Net	49,472	62,040	67,824	31,203	85,131
Inventories	765	912	555	677	758
Foreclosed Assets, Net	988	830	919	1,154	1,096
Real Estate, Furniture & Equipment, Net	17,338	17,782	18,018	18,764	19,833
Investment in Subsidiaries	13,278	13,701	14,192	14,554	13,489
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	2,632	2,481	1,964	626	3,742
Goodwill and Intangibles	48,117	50,598	50,546	52,115	51,139
Other Assets Short and Long Term	375	362	4,813	5,388	5,300
Other Assets					
	157,589	170,783	178,452	139,157	199,020
TOTAL ASSETS	1,594,607	1,589,998	1,583,651	1,580,010	1,729,280

GFNorte - Balance Sheet <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
LIABILITIES					
Demand Deposits	389,657	391,720	395,959	416,548	433,849
Time Deposits-Retail	280,204	267,318	262,679	260,828	274,681
Time Deposits-Money Market	51,019	49,515	33,999	18,122	26,894
Global Account of deposits w/without movements	1,803	1,856	1,919	2,085	2,213
Senior Unsecured Debt	12,272	24,159	27,483	26,907	35,355
Deposits	734,956	734,568	722,039	724,490	772,993
Demand Loans	0	900	7,851	500	5,000
Short Term Loans	18,743	20,434	19,236	22,287	20,824
Long Term Loans	33,310	33,477	14,675	14,275	11,675
Due to Banks & Correspondents	52,052	54,811	41,762	37,061	37,499
Technical Reserves	150,637	150,742	152,486	154,487	162,887
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	350,667	339,751	341,709	345,959	354,238
Secs to be received in Repo Trans, Net	-	0	0	0	-
Repos (Credit Balance)	9	4	4	105	16
Securities' Loans	-	2	19	0	-
Transactions w/with Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	9	6	23	106	16
For trading purposes	18,872	20,367	24,226	20,752	50,574
For hedging purposes	9,313	8,763	5,079	4,221	10,487
Operations w/ Derivatives & Securities					
Transactions with Derivatives	28,184	29,130	29,305	24,973	61,062
Total Operations w/ Derivatives & Securities	378,860	368,887	371,037	371,038	415,316
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accountsfor Reinsurance	2,615	2,347	2,071	1,505	2,311
Income Tax Payable	2,248	2,629	3,501	3,588	3,538
Profit Sharing Payable	606	256	374	508	639
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	11,939	7,730	9,925	9,972	31,188
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	41,667	35,100	36,665	32,696	46,614
Other Payable Accounts	56,460	45,715	50,464	46,764	81,979
Subordinated Non Convertible Debt	33,327	53,953	55,515	48,050	58,423
Deferred Taxes, Net	(0)	0	0	(0)	(0)
Deferred Credits	592	606	598	617	382
TOTAL LIABILITIES	1,409,497	1,411,630	1,395,973	1,384,012	1,531,790
EQUITY					
Paid-in Capital	14,967	14,968	14,982	14,992	14,944
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	48,081	48,244	47,973	47,979	48,091
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	63,048	63,212	62,955	62,971	63,034
Capital Reserves	5,333	5,779	6,206	6,486	5,418
Retained Earnings	108,191	91,470	90,775	90,084	125,934
Surplus (Deficit) of Secs Available for Sale	(80)	638	1,471	1,763	(2,851)
Results from Valuation of Hedging Secs	(3,027)	(2,861)	(2,629)	(2,246)	(3,895)
Result in the valuation reserve for unexpired risks variations in rates	(7)	(57)	(81)	(85)	1
Results from Conversions	105	97	126	77	348
Remeasurements defined benefits for employees	(708)	(830)	(952)	(1,861)	(1,894)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	9,932	18,660	27,518	36,528	9,118
Earned Capital	119,738	112,896	122,434	130,747	132,179
Minority Interest	2,323	2,260	2,289	2,281	2,277
Total Equity	185,110	178,368	187,678	195,998	197,490
TOTAL LIABILITIES & EQUITY	1,594,607	1,589,998	1,583,651	1,580,010	1,729,280

GFNorte - Memorandum Accounts <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
On behalf of Third Parties					
Customer's Banks	34	35	35	56	85
Dividends Receivable from Customers	-	-	-	-	-
Interest Receivable from Customers	-	-	-	-	-
Settlement of Customer Transactions	32	(136)	136	143	208
Customer Premiums	-	-	-	-	-
Settlement with Clients' Foreign Currency	-	-	-	-	-
Margin Accounts in Futures' Operations	-	-	-	-	-
Other Current Accounts	-	-	-	-	-
Customers' Current Account	66	(101)	170	199	293
Client Securities Received in Custody	709,242	726,007	744,672	716,128	605,481
Securities and Documents Received in Guarantee	-	-	-	-	-
Client Securities Abroad	-	-	-	-	-
Clients' Securities	709,242	726,007	744,672	716,128	605,481
Clients' Repurchase Operations	184,937	187,339	184,220	184,063	179,276
Clients' Repo Transactions w / Securities	-	-	-	-	-
Collateral received in guarantee for customer accounts	184,939	187,340	184,239	184,063	179,276
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	89,878	86,428	88,900	83,298	1,036
Transactions On Behalf of Clients	459,754	461,107	457,359	451,424	359,588
Investment Bank Trans. on behalf of Third	82,947	101,587	104,928	96,100	87,728
TOTAL ON BEHALF OF THIRD PARTIES	1,252,008	1,288,600	1,307,129	1,263,851	1,053,090
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	316,687	284,174	275,096	286,019	294,733
Trusts	445,853	456,152	457,200	452,406	422,525
Mandates	1,344	8,039	7,964	7,615	7,326
Properties in Trusts and Warrant	447,197	464,191	465,164	460,021	429,851
Properties in Custody or Management	687,330	693,335	694,066	631,539	660,642
Collateral Received	230,687	184,929	233,652	213,885	163,758
Collateral Received or sold or delivered	327,444	287,246	322,840	304,448	247,107
Drafts in Transit	-	-	-	-	-
Assets' Deposit	2,658	2,318	1,764	3,107	2,766
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	54	64	39	50	79
Uncollected Accrued Interest from Past Due Loans	633	318	323	299	295
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Miscellaneous accounts	266,235	272,258	278,650	280,016	292,976
Proprietary Transactions	2,278,926	2,188,832	2,271,594	2,179,383	2,092,207
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	2,278,926	2,188,832	2,271,594	2,179,383	2,092,207

GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW
JANUARY 1, 2020 – MARCH 31, 2020
(Million Pesos)

Net Income	9,118
Items charged to results that do not generate or require use of resources	
Depreciation	429
Technical Reserves	7,946
Provisions	1,474
Income taxes and deferred	3,228
Minority Interest	(240)
	12,837
	21,955
Change in items related to operations	
Change in Margin Accounts	(3,775)
Change in Investment in Securities	(13,427)
Change in repo debtors	260
Change in derivatives (assets)	(26,642)
Change in Loan Portfolio (net)	(16,716)
Change in purchased receivables (net)	102
Change in accounts receivable insurance and bonding institutions (net)	75
Change in debtor premiums (net)	(3,530)
Change in Reinsurance (net)	(375)
Change in benefits to receive from securitizations	(23)
Change in foreclosed assets (net)	58
Change in other operating assets (net)	(59,093)
Change in core deposits	48,502
Change in interbank loans and other entities	437
Change in repo creditors	8,279
Change in collateral pledged sold	(90)
Change in derivatives (liability)	29,822
Change in Technical Reserves (net)	455
Change in Reinsurance (net) (liability)	807
Change in subordinated debt with characteristics of liabilities	10,373
Change in other operating liabilities	33,664
Change in hedging instruments (the related hedged transaction activities)	5,137
Income Tax Payments	(6,405)
Net cash generated or used from operations	29,850
Investment Activities	
Charges for disposal of property, furniture and equipment	325
Payments for acquisition of property, furniture and equipment	(1,788)
Subsidiaries and associated acquisitions payment	(38)
Charges for cash dividends	1,545
Net cash generated or used from investment activities	44
Financing Activities	
Payments associated with the repurchase of proprietary shares	(1,253)
Payments of interests of subordinated debentures	(756)
Net cash flows from financing activities	(2,009)
Net Cash Increase (decrease) and equivalents value	27,885
Effects for changes in cash and equivalents value	195
Cash and cash equivalents at beginning of period	62,797
Cash and cash equivalents at end of period	90,877

GFNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
JANUARY 1, 2020 – MARCH 31, 2020
(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, 2019	14,992	47,979	6,486	90,084	1,763	(2,246)	(85)	77	(1,861)	36,528	2,281	195,998
Changes stemming from stockholders' decisions												
Repurchase of payment plan based on shares payable in equity instruments	(48)	104	(1,067)		40							(971)
Capitalization of profits				36,528						(36,528)		0
Total	(48)	104	(1,067)	36,528	40	0	0	0	0	(36,528)	0	(971)
Changes stemming from profits												
Total profits:												
Net Income										9,118		9,118
Result from valuation of securities available for sale					(4,654)							(4,654)
Effect of subsidiaries, associates and mutual funds		8		78				270				356
Result from valuation of instruments of cash flow hedges						(1,649)						(1,649)
Result in valuation of current risk reserve due to changes in rates							86					86
Remeasurements defined benefits for employees									(33)			(33)
Interest of subordinated debentures				(756)								(756)
Total	0	8	0	(678)	(4,654)	(1,649)	86	270	(33)	9,118	0	2,468
Recognition of minority interest											(4)	(4)
Balance as of March 31, 2020	14,944	48,091	5,419	125,934	(2,851)	(3,895)	1	347	(1,894)	9,118	2,277	197,491

Bank

Income Statement - Bank <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
Interest Income	32,320	32,094	30,964	30,425	29,620
Interest Expense	15,432	15,299	13,896	12,837	12,171
Charged Fees	323	335	365	382	358
Fees Paid	280	278	283	315	291
Net Interest Income (NII)	16,931	16,853	17,150	17,654	17,517
Preventive Provisions for Loan Losses	3,700	3,657	4,034	3,713	4,262
Net Interest Income Adjusted for Credit Risk	13,231	13,196	13,116	13,941	13,254
Fund Transfers	367	399	444	427	400
Account Management Fees	623	614	598	604	598
Electronic Banking Services	2,128	2,285	2,363	2,656	2,336
For Commercial and Mortgage Loans	238	289	269	506	495
For Consumer Loans	1,210	1,244	1,280	1,423	1,241
Fiduciary	104	108	126	146	118
Income from Real Estate Portfolios	1	0	5	2	2
Trading & Financial Advising Fees	-	-	-	-	-
Trading & Financial Advising Fees	1	1	1	0	0
Other Fees Charged	632	599	609	606	592
Fees Charged on Services	5,303	5,539	5,695	6,370	5,782
Interchange Fees	1,082	1,077	1,168	1,349	1,226
Insurance Fees	-	-	-	-	-
Other Fees Paid	869	940	951	1,080	909
Fees Paid on Services	1,951	2,016	2,119	2,430	2,135
Net Fees	3,351	3,523	3,576	3,940	3,647
Foreign Exchange	(5)	(25)	(14)	39	1,219
Derivatives	521	176	(1,473)	(79)	(1,238)
Negotiable Instruments	68	13	97	43	(119)
Valuation	585	164	(1,390)	2	(137)
Currency and Metals	101	206	471	342	(862)
Derivatives	82	121	2,270	(115)	1,742
Negotiable Instruments	166	344	778	432	305
Trading	349	671	3,519	659	1,185
Trading Income	934	835	2,129	662	1,048
Loan Recovery	-	-	-	-	-
Loan Portfolios	45	60	52	45	67
Income from foreclosed assets	88	57	163	203	92
Provisions Release	-	-	-	-	-
Losses and Estimates	(447)	(877)	(263)	(237)	(319)
Impairment of Assets	(132)	-	-	-	-
Lease Income	19	19	25	23	18
From Insurance	-	-	-	-	-
Other Operating Expense	2,248	1,014	251	269	173
Total Other Operating Income (Expenses)	1,820	273	228	304	31
Total Non-Interest Income	6,105	4,631	5,932	4,906	4,726
Total Operating Income	19,336	17,826	19,048	18,846	17,980
Personnel	3,765	3,390	4,074	3,933	3,755
Employee Profit Sharing (PTU)	121	121	120	134	131
Professional Fees	610	655	778	485	624
Administrative and Promotional Expenses	1,926	1,882	2,045	2,158	2,091
Rents, Depreciation & Amortization	1,595	1,552	1,691	1,837	1,862
Taxes other than income tax & non-deductible expenses	485	503	418	520	428
Contributions to IPAB/Fobaproa	839	829	821	809	828
Total Non-Interest Expense	9,341	8,931	9,947	9,875	9,718
Operating Income	9,996	8,895	9,101	8,971	8,263
Subsidiaries' Net Income	14	39	31	44	29
Pre-Tax Income	10,009	8,934	9,132	9,015	8,292
Income Tax	2,176	1,941	2,550	1,355	2,576
Tax on Assets	-	-	-	-	-
Deferred Income Tax	472	441	(149)	812	(465)
Taxes	2,647	2,382	2,401	2,167	2,112
Net Income from Continuous Operations	7,362	6,553	6,730	6,848	6,180
Discontinued Operations	-	-	-	-	-
Minority Interest	(0)	(0)	(0)	(0)	(0)
Net Income	7,362	6,553	6,730	6,848	6,180

Bank - Balance Sheet <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
ASSETS					
Cash and Due from Banks	71,563	53,955	55,470	62,282	88,668
Margin Accounts	3,508	4,408	6,245	5,926	9,701
Negotiable Instruments	100,271	71,098	75,687	75,169	79,968
Securities Available for Sale	138,523	154,921	155,394	152,630	157,021
Securities Held to Maturity	8,456	7,886	19,755	19,593	19,711
Investment in Securities	247,250	233,906	250,836	247,392	256,700
Non-assigned Securities for Settlement	-	-	-	-	-
Debtor Balance in Repo Trans,net	3	11	162	2,016	1,930
Securities Lending	-	-	-	-	-
For trading purposes	23,793	25,473	26,398	22,295	48,940
For hedging purposes	15	29	29	162	1,292
Operations w/Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	23,807	25,502	26,427	22,457	50,232
Operations w/Derivatives & Securities	23,810	25,513	26,590	24,473	52,162
Valuation adjustments for Asset Coverage	80	77	73	69	65
Commercial Loans	272,884	268,146	258,389	266,442	288,409
Financial Intermediaries' Loans	22,708	20,351	18,287	20,595	24,011
Consumer Loans	112,105	113,803	115,413	116,228	116,200
Mortgage Loans	158,605	162,619	166,286	170,086	173,226
Medium and Residential	155,134	159,294	162,995	166,921	170,143
low income housing	13	12	10	9	8
Loans acquired from INFONAVIT or FOVISSSTE	3,457	3,314	3,280	3,156	3,075
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities' Loans	179,434	185,133	157,242	170,155	161,246
Loans granted as Federal Agent	-	-	-	-	-
Performing Loans	745,735	750,052	715,617	743,507	763,091
Commercial PDL's	7,418	7,810	7,600	6,147	6,700
Financial Intermediaries PDL's	4	4	4	4	4
Consumer PDL's	4,115	4,659	4,514	4,268	4,018
Mortgage PDL's	1,557	1,696	1,807	1,973	2,070
Medium and Residential	1,417	1,526	1,634	1,785	1,834
low income housing	0	0	0	0	0
Loans acquired from INFONAVIT or FOVISSSTE	139	170	172	187	235
Restructuring or improvement guaranteed by development banks or public trusts	-	-	-	-	-
Government Entities PDL's	0	0	0	0	35
Past Due Loans	13,095	14,170	13,925	12,392	12,827
Gross Loan Portfolio	758,830	764,222	729,542	755,899	775,918
Preventive Loan Loss Reserves	17,822	18,070	17,617	17,083	17,932
Net Loan Portfolio	741,008	746,152	711,925	738,816	757,986
Acquired Collection Rights	1,864	1,720	1,560	1,359	1,261
Total Credit Portfolio	742,872	747,872	713,485	740,175	759,247
Benef. receivab. securization transactions	85	125	158	139	161
Sundry Debtors & Other Accs Rec, Net	43,371	55,248	65,982	29,410	83,264
Inventories	-	-	-	-	-
Foreclosed Assets, Net	770	606	701	860	818
Real Estate, Furniture & Equipment, Net	13,667	14,010	14,360	15,088	15,167
Investment in Subsidiaries	362	422	413	418	468
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	3,328	2,572	2,215	1,104	4,351
Goodwill and Intangibles	21,490	21,409	20,677	21,979	22,727
Other Assets Short and Long Term	226	209	228	223	146
	83,299	94,599	104,734	69,220	127,103
TOTAL ASSETS	1,172,383	1,160,329	1,157,433	1,149,536	1,293,647

Bank - Balance Sheet <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
LIABILITIES					
Demand Deposits	391,855	394,308	399,464	435,453	451,842
Time Deposits-Retail	280,277	268,190	263,555	261,705	275,566
Time Deposits-Money Market	51,019	49,515	33,999	18,122	26,894
Global Account of deposits w without movements	1,803	1,856	1,919	2,085	2,213
Senior Unsecured Debt	12,272	24,159	27,483	26,907	35,355
Deposits	737,227	738,028	726,420	744,271	791,870
Demand Loans	0	900	7,851	500	5,000
Short Term Loans	11,864	9,737	9,996	9,276	8,332
Long Term Loans	21,767	22,169	3,940	4,854	4,197
Due to Banks & Correspondents	33,631	32,806	21,787	14,630	17,529
Non-assigned Securities for Settlement	-	-	-	-	-
Creditor Balance in Repo Trans, Net	172,118	152,642	165,120	162,684	175,685
Secs to be received in Repo Trans, Net	-	-	-	-	-
Repos (Credit Balance)	9	4	4	105	16
Securities' Loans	-	-	-	-	-
Transactions w ith Derivatives	-	-	-	-	-
Other sold collateral	-	-	-	-	-
Total Collateral sold	9	4	4	105	16
For trading purposes	18,872	20,367	24,226	20,752	50,574
For hedging purposes	9,313	8,763	5,079	4,221	10,487
Operations w / Derivatives & Securities	-	-	-	-	-
Transactions with Derivatives	28,184	29,130	29,305	24,973	61,062
Total Operations w/ Derivatives & Securities	200,311	181,775	194,428	187,763	236,763
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Income Tax Payable	1,341	1,331	1,792	1,513	2,402
Profit Sharing Payable	606	256	374	508	639
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Creditors for settlement of transactions	11,561	7,014	9,281	9,397	29,983
Margin Accounts Payable	-	-	-	-	-
Other Creditors & Accounts Payable	37,575	31,206	32,689	28,758	42,155
Other Payable Accounts	51,082	39,808	44,137	40,176	75,179
Subordinated Non Convertible Debt	33,327	53,953	55,515	48,050	58,423
Deferred Taxes, Net	-	-	-	-	-
Deferred Credits	505	475	460	385	221
TOTAL LIABILITIES	1,056,082	1,046,845	1,042,747	1,035,276	1,179,984
EQUITY					
Paid-in Capital	18,794	18,794	18,794	18,794	18,794
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	1,455	1,612	1,931	2,123	2,336
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	20,250	20,406	20,726	20,917	21,131
Capital Reserves	14,847	17,330	17,330	17,330	17,330
Retained Earnings	77,622	64,882	58,082	50,883	77,595
Surplus (Deficit) of Secs Available for Sale	65	755	1,572	1,885	(2,824)
Results from Valuation of Hedging Secs	(3,082)	(2,912)	(2,676)	(2,287)	(3,965)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	-	-
Results from Conversions	(13)	(18)	4	(34)	177
Remeasurements defined benefits for employees	(752)	(875)	(999)	(1,930)	(1,963)
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	7,362	13,914	20,645	27,493	6,180
Earned Capital	96,049	93,075	93,958	93,341	92,529
Minority Interest	3	3	3	3	3
Total Equity	116,301	113,484	114,686	114,261	113,663
TOTAL LIABILITIES & EQUITY	1,172,383	1,160,329	1,157,433	1,149,536	1,293,647

Bank - Memorandum Accounts <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
Investment Banking transactions for third parties, net	82,947	101,587	104,928	96,100	87,728
TOTAL ON BEHALF OF THIRD PARTIES	82,947	101,587	104,928	96,100	87,728
Proprietary Transactions					
Endorsement Guarantees Granted	-	-	-	-	-
Loan Obligations	275,296	244,506	231,715	243,391	254,795
Trusts	445,853	456,152	457,200	452,406	422,525
Mandates	1,344	8,039	7,964	7,615	7,326
Properties in Trusts and Warrant	447,197	464,191	465,164	460,021	429,851
Properties in Custody or Management	451,005	443,311	433,982	376,241	401,255
Collateral Received	212,316	184,124	222,048	207,870	160,559
Collateral Received or sold	130,919	99,906	134,590	116,266	66,285
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 w with FX of the Corp Abroad	-	-	-	-	-
Debts with the Contingency Fund	-	-	-	-	-
Contingent assets & liabilities	54	64	39	50	79
Uncollected Accrued Interest from Past Due Loans	632	317	322	298	294
Investments of Retirement Savings Funds	-	-	-	-	-
Integration of the Credit Portfolio	-	-	-	-	-
Miscellaneous accounts	240,660	244,880	250,215	249,298	265,946
Proprietary Transactions	1,758,077	1,681,299	1,738,075	1,653,435	1,579,063
Repo Securities to be Received	-	-	-	-	-
(Minus) Repo Creditors	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
Repo Debtors	-	-	-	-	-
(Minus) Repo Securities to be Delivered	-	-	-	-	-
Net Repo Transactions	-	-	-	-	-
TOTAL PROPRIETARY	1,758,077	1,681,299	1,738,075	1,653,435	1,579,063

BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW
JANUARY 1, 2020 – MARCH 31, 2020
(Million Pesos)

Net Income	6,180
Items charged to results that do not generate or require use of resources	
Depreciation	385
Provisions	1,496
Income taxes and deferred	2,111
Minority Interest	(29)
	3,963
	10,143
Change in items related to operations	
Change in Margin Accounts	(3,775)
Change in Investment in Securities	(14,018)
Change in repo debtors	85
Change in derivatives (assets)	(26,642)
Change in Loan Portfolio (net)	(19,170)
Change in purchased receivables (net)	97
Change in benefits to receive from securitizations	(23)
Change in foreclosed assets (net)	42
Change in other operating assets (net)	(54,367)
Change in core deposits	47,599
Change in interbank loans and other entities	2,899
Change in repo creditors	13,000
Change in collateral pledged sold	(89)
Change in derivatives (liability)	29,823
Change in subordinated debt with characteristics of liabilities	10,373
Change in other operating liabilities	32,471
Change in hedging instruments (the related hedged transaction activities)	3,459
Income Tax Payments	(4,481)
Net cash generated or used from operations	27,426
Investment Activities	
Charges for disposal of property, furniture and equipment	386
Payments for acquisition of property, furniture and equipment	(815)
Payments for Subsidiaries and associated Dispositions	(37)
Net cash generated or used from investment activities	(466)
Financing Activities	
Payments of interests of subordinated debentures	(769)
Net cash flows from financing activities	(769)
Net Cash Increase (decrease) and equivalents value	26,191
Effects for changes in cash and equivalents value	195
Cash and cash equivalents at beginning of period	62,282
Cash and cash equivalents at end of period	88,668

BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2020– MARCH 31, 2020

(Million Pesos)

	CONTRIBUTED CAPITAL		EARNED CAPITAL								
	Fixed Paid-in Capital	Premium from sale of securities	Capital Reserves	Retained Earnings	Valuation Effects of Securities Available for Sale	Results from val of instrum Cash flow hedges	Results from Conversions	Remeasurements defined benefits for employees	Net Income	Minority Interest	Total Stockholders' Equity
Balance as of December 31, 2019	18,794	2,123	17,330	50,883	1,885	(2,287)	(34)	(1,930)	27,493	3	114,260
<u>Changes stemming from stockholders' decisions</u>											
Capitalization of profits				27,493					(27,493)		0
Payment plan based on equity-settle shares in equity instruments		213									213
Total	0	213	0	27,493	0	0	0	0	(27,493)	0	213
<u>Changes stemming from profits</u>											
<u>Total profits:</u>											
Net Income									6,180		6,180
Result from valuation of securities available for sale					(4,709)						(4,709)
Effect of subsidiaries, associates and mutual funds				(3)							(3)
Conversion accumulated effect							211				211
Result from valuation of instruments of cash flow hedges						(1,678)					(1,678)
Remeasurements defined benefits for employees				(9)				(33)			(42)
Interest of subordinated debentures				(769)							(769)
Total	0	0	0	(781)	(4,709)	(1,678)	211	(33)	6,180	0	(810)
Balance as of March 31, 2020	18,794	2,336	17,330	77,595	(2,824)	(3,965)	177	(1,963)	6,180	3	113,663

Seguros Banorte

Income Statement - Insurance - Seguros Banorte <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
Interest Income	444	464	464	340	517
Interest Expense	-	-	-	-	-
Premium Income (Net)	9,712	3,765	3,586	4,928	8,815
Net Increase in Technical Reserves	4,219	(664)	(790)	767	3,304
Damages, Claims and Other Obligations	2,699	3,158	2,896	3,181	2,767
Net Interest Income	3,238	1,735	1,944	1,321	3,261
Fees Charged on Services	-	-	-	-	-
Fees Paid on Services	817	534	817	140	706
Securities-Valuation Gains	-	-	-	-	-
Securities Trading	15	18	14	55	50
Trading Income	15	18	14	55	50
From Insurance	232	262	232	237	203
Losses and Estimates	(34)	31	(8)	(25)	(6)
Other Operating Income (Expense)	4	4	4	4	3
Total Other Operating Income (Expenses)	202	297	228	216	200
Total Non-Interest Income	(600)	(218)	(575)	131	(456)
Total Operating Income	2,637	1,517	1,369	1,451	2,805
Personnel	100	108	111	103	105
Employee Profit Sharing (PTU)	1	1	1	1	1
Professional Fees	58	76	98	64	78
Administrative and Promotional Expenses	103	78	86	124	117
Rents, Depreciation & Amortization	44	43	45	45	45
Taxes other than income tax & non-deductible expenses	28	26	25	29	22
Contributions to IPAB/Fobaproa	-	-	-	-	-
Total Non-Interest Expense	334	333	365	367	368
Operating Income	2,303	1,184	1,004	1,084	2,436
Subsidiaries' Net Income	416	434	423	353	332
Pre-Tax Income	2,719	1,618	1,427	1,438	2,768
Income Tax	695	362	314	327	736
Deferred Income Tax	(4)	(4)	(51)	(4)	(4)
Taxes	691	358	263	323	732
Net Income from Continuous Operations	2,028	1,260	1,164	1,114	2,036
Discontinued Operations	-	-	-	-	-
Minority Interest	(10)	(10)	(10)	(10)	(7)
Net Income	2,018	1,250	1,154	1,104	2,029

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
ASSETS					
Cash and Due from Banks	63	423	965	303	1,765
Margin Accounts	-	-	-	-	-
Negotiable Instruments	19,031	19,624	20,118	21,105	24,424
Securities Available for Sale	861	552	562	560	554
Securities Held to Maturity	(0)	(0)	(0)	(0)	(0)
Investment in Securities	19,893	20,176	20,680	21,664	24,978
Debtor Balance in Repo Trans,net	3,200	545	491	1,892	1,654
Securities Lending	-	-	-	-	-
Transactions with Derivatives	-	-	-	-	-
Operations w/Derivatives & Securities	3,200	545	491	1,892	1,654
Valuation adjustments for Asset Coverage	-	-	-	-	-
Acquired Collection Rights	-	-	-	-	-
Account Receivables	164	281	355	443	289
Premium Debtors (Net)	10,970	8,611	5,972	4,059	7,581
Account Receivables from Reinsurance	11,532	10,884	10,920	7,787	8,162
Benef. receivab.securization transactions	-	-	-	-	-
Sundry Debtors & Other Accs Rec, Net	-	-	-	-	-
Inventories	-	-	-	-	-
Real Estate, Furniture & Equipment, Net	371	365	357	356	346
Investment in Subsidiaries	12,840	13,273	13,696	14,062	12,849
Long-term assets held for sale	-	-	-	-	-
Deferred Taxes, Net	250	250	297	298	298
Goodwill and Intangibles	1,858	2,253	2,472	2,655	1,710
Other Assets Short and Long Term	91	87	90	91	91
TOTAL ASSETS	61,233	57,148	56,296	53,610	59,723

Insurance - Seguros Banorte - Balance Sheet <i>(Million Pesos)</i>	1Q19	2Q19	3Q19	4Q19	1Q20
LIABILITIES					
Technical Reserves	29,792	27,986	27,003	24,928	28,696
Total Operations w/ Derivatives & Securities	-	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-
Obligations in securitization transactions	-	-	-	-	-
Payable Accounts for Reinsurance	2,615	2,347	2,071	1,505	2,311
Income Tax Payable	699	1,044	1,358	1,685	754
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	2,582	2,397	2,422	2,440	2,800
Other Payable Accounts	3,282	3,441	3,779	4,125	3,554
Subordinated Non Convertible Debt	-	-	-	-	-
Deferred Taxes, Net	368	365	361	358	354
Deferred Credits	65	67	63	60	61
TOTAL LIABILITIES	36,121	34,205	33,278	30,975	34,977
EQUITY					
Paid-in Capital	13,928	13,928	13,928	13,928	13,928
Provision for future capital increase not formalized by its governing entity	-	-	-	-	-
Share Subscription Premiums	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-
Subscribed Capital	13,928	13,928	13,928	13,928	13,928
Capital Reserves	2,247	2,716	2,716	2,716	2,716
Retained Earnings	6,500	2,651	1,574	74	5,600
Surplus (Deficit) of Secs Available for Sale	74	99	111	116	107
Results from Valuation of Hedging Secs	-	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	(5)	(55)	(79)	(83)	2
Results from Conversions	-	-	-	0	0
Remeasurements defined benefits for employees	8	8	7	12	12
Surplus (Deficit) in Capital Restatement	-	-	-	-	-
Adjustments in the Employee's Pensions	-	-	-	-	-
Accumulated Effect of Deferred Taxes	-	-	-	-	-
Net Income	2,018	3,268	4,422	5,526	2,029
Earned Capital	10,842	8,686	8,751	8,361	10,466
Minority Interest	343	329	338	345	352
Total Equity	25,112	22,943	23,017	22,634	24,746
TOTAL LIABILITIES & EQUITY	61,233	57,148	56,296	53,610	59,723

Information by Segments

GFNorte - Income Statement as of March 31 '20

(Million Pesos)

	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Interest Income	260	29,978	4,003	651	21	3,673
Premium Income (Net)	-	-	12,296	-	-	-
Interest Expense	-	12,462	-	448	0	3,453
Net Increase in Technical Reserves	-	-	7,946	-	-	-
Damages, Claims and Other Obligations	-	-	4,592	-	-	-
Net Interest Income (Nil)	260	17,517	3,761	203	21	220
Preventive Provisions for Loan Losses	-	4,262	-	49	-	-
Net Interest Income Adjusted for Credit Risk	260	13,254	3,761	154	21	220
Loan Origination Fees	-	5,782	-	96	-	316
Fees Paid	-	2,135	709	25	0	26
Trading Income	-	1,048	61	-	-	42
Other Operating Income (Expenses)	-	31	199	115	5	15
Non Interest Income	-	11,097	1,579	235	5	709
Total Operating Income	260	24,352	5,340	389	26	930
Administrative and Promotional Expenses	27	9,718	457	63	12	276
Operating Income	233	8,263	2,855	277	13	291
Subsidiaries' Net Income	8,896	29	332	-	-	0
Pre-Tax Income	9,129	8,292	3,187	277	13	291
Income Tax	-	2,576	737	102	4	97
Deferred Income Tax	16	(465)	117	(28)	(0)	(18)
Net Income from Continuous Operations	9,113	6,180	2,333	203	10	213
Discontinued Operations	-	-	-	-	-	-
Minority Interest	-	(0)	(53)	-	-	(0)
Net Income	9,113	6,180	2,279	203	10	213

GFNorte - Income Statement as of March 31 '20

(Million Pesos)

	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Interest Income	15	1	79	38,682	1,881	208	37,008
Premium Income (Net)	-	-	-	12,296	141	-	12,155
Interest Expense	-	-	127	16,490	-	1,832	14,657
Net Increase in Technical Reserves	-	-	-	7,946	-	-	7,946
Damages, Claims and Other Obligations	-	-	-	4,592	-	-	4,592
Net Interest Income (Nil)	15	1	(48)	21,949	-	-	21,968
Preventive Provisions for Loan Losses	-	-	33	4,344	-	-	4,344
Net Interest Income Adjusted for Credit Risk	15	1	(81)	17,605	-	-	17,623
Loan Origination Fees	461	-	14	6,669	554	-	6,115
Fees Paid	326	-	0	3,221	-	561	2,660
Trading Income	-	-	15	1,166	-	-	1,166
Other Operating Income (Expenses)	0	-	(30)	335	58	50	327
Non Interest Income	787	-	(374)	14,039	613	621	12,926
Total Operating Income	803	1	(455)	31,644	613	621	30,549
Administrative and Promotional Expenses	11	1	57	10,622	217	372	10,466
Operating Income	140	(0)	(139)	11,933	-	-	12,106
Subsidiaries' Net Income	(1)	-	(7)	9,249	8,896	-	353
Pre-Tax Income	140	(0)	(146)	21,182	-	-	12,459
Income Tax	39	-	-	3,555	-	-	3,555
Deferred Income Tax	(0)	-	-	(378)	50	-	(328)
Net Income from Continuous Operations	100	(0)	(146)	18,005	-	-	9,231
Discontinued Operations	-	-	-	-	-	-	-
Minority Interest	-	-	-	(53)	107	47	(113)
Net Income	100	(0)	(146)	17,951	11,854	2,863	9,118

GFNorte - Balance General al 31 de Marzo de 2020
(Millones de Pesos)

ACTIVOS	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Disponibilidades	13,576	88,668	3,596	87	13	2,619
Cuentas de Margen	-	9,701	-	-	-	-
Inversiones en Valores	-	256,700	163,126	-	-	181,134
Títulos para negociar	-	79,968	26,005	-	-	132,983
Títulos Disponibles para la venta	-	157,021	637	-	-	47,368
Títulos Conservados a vencimiento	-	19,711	136,484	-	-	783
Deudores por reporto (saldo deudor)	-	1,930	1,654	-	-	-
Derivados con fines de negociación	-	48,940	-	-	-	-
Derivados con fines de cobertura	-	1,292	-	-	-	-
Ajustes de valuación por cobertura de activos	-	65	-	-	-	-
Cartera de Crédito Total	-	759,247	-	31,977	-	-
Cartera de Crédito Neto	-	757,986	-	31,977	-	-
Cartera de Crédito Vigente	-	763,091	-	32,098	-	-
Créditos Comerciales	-	288,409	-	29,613	-	-
Créditos a Entidades Financieras	-	24,011	-	512	-	-
Créditos a Entidades Gubernamentales	-	161,246	-	1,964	-	-
Créditos al Consumo	-	116,200	-	9	-	-
Créditos a la Vivienda	-	173,226	-	-	-	-
Media y Residencial	-	170,143	-	-	-	-
De interés social	-	8	-	-	-	-
Créditos adquiridos al INFONAVIT o FOVISSSTE	-	3,075	-	-	-	-
Cartera de Crédito Vencida	-	12,827	-	352	-	-
Créditos Comerciales	-	6,700	-	347	-	-
Créditos a Entidades Financieras	-	4	-	-	-	-
Créditos a Entidades Gubernamentales	-	35	-	4	-	-
Créditos al Consumo	-	4,018	-	1	-	-
Créditos a la Vivienda	-	2,070	-	-	-	-
Media y Residencial	-	1,834	-	-	-	-
De interés social	-	0	-	-	-	-
Créditos adquiridos al INFONAVIT o FOVISSSTE	-	235	-	-	-	-
Prov. Prev. Riesgos Crediticios	-	17,932	-	473	-	-
Derechos de cobro adquiridos	-	1,261	-	-	-	-
Cuentas por cobrar de Instituciones de Seguros y Pensiones	-	-	2,205	-	-	-
Deudores por Prima (Neto)	-	-	8,003	-	-	-
Ctas por cobrar a reaseguradores y reafianzadores	-	-	8,162	-	-	-
Beneficios por recibir en operaciones de reporto	-	161	-	-	-	-
Otras Cuentas por cobrar, neto	28	83,264	0	454	87	980
Inventario de Mercancías	-	-	-	-	758	-
Bienes Adjudicados	-	818	-	21	-	-
Inmueb., Mobiliario y equipo, neto	-	15,167	360	3,700	58	118
Inversiones permanentes	155,270	468	12,849	-	-	2
Activos de larga duración disponibles para la venta	-	-	-	-	-	-
Impuestos diferidos, neto	373	4,351	-	73	5	-
Total Otros activos	26,004	22,873	2,094	60	15	208
Crédito Mercantil	25,329	1,461	-	-	-	-
Intangibles	675	21,266	2,003	60	0	37
Otros activos	-	146	92	-	15	171
TOTAL ACTIVOS	195,251	1,293,647	202,051	36,373	937	185,062

GFNorte - Balance Sheet as of March 31 '20
(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	881	39	57	109,535	222	18,880	90,877
Margin Accounts	-	-	-	9,701	-	-	9,701
Investment in Securities	-	-	-	600,960	-	410	600,550
Negotiable Instruments	-	-	-	238,956	-	-	238,956
Securities Available for Sale	-	-	-	205,027	-	63	204,963
Securities Held to Maturity	-	-	-	156,978	-	347	156,631
Debtor Balance in Repo Trans, net	-	-	-	3,584	-	774	2,810
Transactions with Derivatives For trading purposes	-	-	-	48,940	-	-	48,940
Transactions with Derivatives For hedging purposes	-	-	-	1,292	-	-	1,292
Valuation adjustments for Asset Coverage	-	-	-	65	-	-	65
Gross Loan Portfolio	-	-	1,595	792,820	2,058	18,853	776,025
Net Loan Portfolio	-	-	1,357	791,320	2,058	18,853	774,525
Performing Loans	-	-	1,423	796,612	2,058	18,853	779,818
Commercial Loans	-	-	94	318,117	604	282	318,439
Financial Intermediaries' Loans	-	-	-	24,523	-	15,456	9,067
Government Entities' Loans	-	-	-	163,210	1,454	3,115	161,549
Consumer Loans	-	-	1,329	117,537	-	-	117,537
Mortgage Loans	-	-	-	173,226	-	-	173,226
Medium and Residential	-	-	-	170,143	-	-	170,143
Low income housing	-	-	-	8	-	-	8
Loans acquired from INFONAVIT or FOMISSSTE	-	-	-	3,075	-	-	3,075
Past Due Loans	-	-	33	13,212	-	-	13,212
Commercial PDL's	-	-	0	7,047	-	-	7,047
Financial Intermediaries PDL's	-	-	-	4	-	-	4
Government Entities PDL's	-	-	-	40	-	-	40
Consumer PDL's	-	-	33	4,052	-	-	4,052
Mortgage PDL's	-	-	-	2,070	-	-	2,070
Medium and Residential	-	-	-	1,834	-	-	1,834
Low income housing	-	-	-	0	-	-	0
Loans acquired from INFONAVIT or FOMISSSTE	-	-	-	235	-	-	235
Preventive Loan Loss Reserves	-	-	100	18,504	-	-	18,504
Acquired Collection Rights	-	-	238	1,500	-	-	1,500
Account Receivables from Insurance and Annuities	-	-	-	2,205	-	-	2,205
Premium Debtors (Net)	-	-	-	8,003	-	-	8,003
Account Receivables from Reinsurance	-	-	-	8,162	-	-	8,162
Benef. receivab. securization transactions	-	-	-	161	-	-	161
Sundry Debtors & Other Accs Rec, Net	186	4	381	85,385	3	257	85,131
Inventories	-	-	-	758	-	-	758
Foreclosed Assets, Net	-	-	257	1,096	-	-	1,096
Real Estate, Furniture & Equipment, Net	0	92	195	19,692	185	44	19,833
Investment in Subsidiaries	119	-	52	168,759	2,858	158,128	13,489
Long-term assets held for sale	-	-	-	-	-	-	-
Deferred Taxes, Net	0	-	1,007	5,811	-	2,069	3,742
Total other Assets	6	1	5,259	56,521	-	82	56,439
Goodwill	-	-	-	26,790	-	-	26,790
Intangible	0	1	307	24,349	-	-	24,349
Other Assets	6	-	4,952	5,382	-	82	5,300
TOTAL ASSETS	1,191	137	8,803	1,923,451	5,325	199,496	1,729,280

GFNorte - Balance Sheet as of March 31 '20
(Million Pesos)

LIABILITIES & EQUITY	Holding	Banorte	Ahorro y Previsión	Arrendadora y Factor	Almacenadora	Casa de Bolsa Banorte
Deposits	-	791,870	-	-	-	-
Demand Deposits	-	451,842	-	-	-	-
Time Deposits	-	302,460	-	-	-	-
Time Deposits-Retail	-	275,566	-	-	-	-
Time Deposits-Money Market	-	26,894	-	-	-	-
Senior Unsecured Debt	-	35,355	-	-	-	-
Cuenta global de captación sin movimientos	-	2,213	-	-	-	-
Due to Banks & Correspondents	-	17,529	-	28,904	663	-
Immediate Redemption Loans	-	5,000	-	-	-	-
Short Term Loans	-	8,332	-	21,426	663	-
Long Term Loans	-	4,197	-	7,478	-	-
Technical Reserves	-	-	162,704	-	-	-
Non-assigned Securities for Settlement	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	175,685	-	-	-	179,327
Collateral sold or pledged as collateral	-	16	-	-	-	-
Transactions with Derivatives for trading purposes	-	50,574	-	-	-	-
Transactions with Derivatives for hedging purposes	-	10,487	-	-	-	-
Valuation adjustments for financial liability coverage	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	2,311	-	-	-
Other Payable Accounts	0	75,179	4,034	1,267	19	1,620
Income Tax Payable	-	2,402	755	322	3	54
Profit Sharing Payable	-	639	-	-	-	-
Creditors for settlement of transactions	0	29,983	-	-	-	1,225
Creditors for collateral received in cash	-	7,331	-	-	-	-
Other Creditors & Accounts Payable	0	34,824	3,279	945	16	340
Subordinated Non Convertible Debt	-	58,423	-	-	-	-
Deferred Taxes, Net	-	-	1,922	-	-	147
Deferred Credits	-	221	61	91	-	1
TOTAL LIABILITIES	0	1,179,984	171,033	30,262	682	181,094
EQUITY						
Subscribed Capital	63,076	21,131	20,781	526	87	2,059
Paid-in Capital	14,952	18,794	15,740	526	87	1,985
Share Subscription Premiums	48,124	2,336	5,041	-	-	75
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-
Earned Capital	132,175	92,529	9,379	5,585	168	1,908
Capital Reserves	5,418	17,330	594	526	55	253
Retained Earnings	125,956	77,595	6,495	4,857	103	1,259
Surplus (Deficit) of Secs Available for Sale	(2,871)	(2,824)	1	-	-	10
Results from Valuation of Hedging Secs	(3,895)	(3,965)	-	-	-	-
Result in the valuation reserve for unexpired risks variations in rates	1	-	(2)	-	-	-
Results from Conversions	348	177	-	-	-	175
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-
Remeasurements defined benefits for employees	(1,894)	(1,963)	12	-	-	-
Net Income	9,113	6,180	2,279	203	10	213
Capital Mayoritario	195,251	113,659	30,160	6,111	255	3,968
Minority Interest	-	3	858	-	0	0
Total Equity	195,251	113,663	31,018	6,111	255	3,968
TOTAL LIABILITIES & EQUITY	195,251	1,293,647	202,051	36,373	937	185,062

GFNorte - Balance Sheet as of March 31 '20
(Million Pesos)

LIABILITIES & EQUITY	Operadora de Fondos Banorte	IXE Servicios	Sólida Administradora de Portafolios	Total	Charges Intercompany Eliminations	Credits Intercompany Eliminations	Final Balance
Deposits	-	-	-	791,870	18,877	-	772,993
Demand Deposits	-	-	-	451,842	17,993	-	433,849
Time Deposits	-	-	-	302,460	885	-	301,575
Time Deposits-Retail	-	-	-	275,566	885	-	274,681
Time Deposits-Money Market	-	-	-	26,894	-	-	26,894
Senior Unsecured Debt	-	-	-	35,355	-	-	35,355
Cuenta global de captación sin movimientos	-	-	-	2,213	-	-	2,213
Due to Banks & Correspondents	-	-	5,859	52,955	15,456	-	37,499
Immediate Redemption Loans	-	-	-	5,000	-	-	5,000
Short Term Loans	-	-	5,859	36,279	15,456	-	20,824
Long Term Loans	-	-	-	11,675	-	-	11,675
Technical Reserves	-	-	-	162,704	-	183	162,887
Non-assigned Securities for Settlement	-	-	-	-	-	-	-
Creditor Balance in Repo Trans, Net	-	-	-	355,012	774	-	354,238
Collateral sold or pledged as collateral	-	-	-	16	-	-	16
Transactions with Derivatives for trading purposes	-	-	-	50,574	-	-	50,574
Transactions with Derivatives for hedging purposes	-	-	-	10,487	-	-	10,487
Valuation adjustments for financial liability coverage	-	-	-	-	-	-	-
Payable Accounts for Reinsurance	-	-	-	2,311	-	-	2,311
Other Payable Accounts	161	0	69	82,349	409	38	81,979
Income Tax Payable	2	0	-	3,538	-	-	3,538
Profit Sharing Payable	-	-	-	639	-	-	639
Creditors for settlement of transactions	-	-	-	31,208	20	-	31,188
Creditors for collateral received in cash	-	-	-	7,331	-	-	7,331
Other Creditors & Accounts Payable	159	0	69	39,633	389	38	39,283
Subordinated Non Convertible Debt	-	-	-	58,423	-	-	58,423
Deferred Taxes, Net	-	-	-	2,069	2,069	-	-
Deferred Credits	-	-	8	382	-	-	382
TOTAL LIABILITIES	161	0	5,937	1,569,153	37,585	222	1,531,790
EQUITY							
Subscribed Capital	170	144	11,785	119,758	57,046	322	63,034
Paid-in Capital	170	144	11,768	64,166	49,222	-	14,944
Share Subscription Premiums	-	-	17	55,593	7,824	322	48,091
Contributions for future capital increases agreed by the governing body	-	-	-	-	-	-	-
Earned Capital	860	(8)	(8,918)	233,679	101,849	349	132,179
Capital Reserves	23	2	117	24,319	18,901	-	5,418
Retained Earnings	737	(10)	(8,889)	208,102	82,468	300	125,934
Surplus (Deficit) of Secs Available for Sale	-	-	-	(5,685)	(2,834)	-	(2,851)
Results from Valuation of Hedging Secs	-	-	(0)	(7,861)	(3,965)	-	(3,895)
Result in the valuation reserve for unexpired risks variations in rates	-	-	-	(2)	(2)	-	1
Results from Conversions	-	-	-	699	351	-	348
Surplus (Deficit) in Capital Restatement	-	-	-	-	-	-	-
Remeasurements defined benefits for employees	-	-	-	(3,845)	(1,952)	-	(1,894)
Net Income	100	(0)	(146)	17,951	8,882	49	9,118
Capital Mayoritario	1,030	137	2,867	353,437	158,894	671	195,214
Minority Interest	-	-	-	861	568	1,984	2,277
Total Equity	1,030	137	2,867	354,299	159,463	2,654	197,490
TOTAL LIABILITIES & EQUITY	1,191	137	8,803	1,923,451	197,047	2,876	1,729,280

V. Appendix

Accounting & Regulatory Changes

Numbers in this section are stated in million pesos.

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

On December 31st, 2015, the CNBV issued a resolution amending provisions corresponding to the application of the "NIF D-3 Employee Benefits". This provision is intended to publicize transitory articles that identify the options that institutions must 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 1Q20
Corporate bonds	\$183.0	\$36.6	\$155.5

- 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 1Q20
Corporate bonds	\$2,427.8	\$485.5	\$2,244.1

The 20% annual application is registered proportionally each month in 2020.

The amounts that would have been registered and presented in the balance sheet as of March 31st, 2020, had the aforementioned option in the affected lines not been implemented are:

Other creditors & accounts payable ⁽¹⁾	39,494
Total liabilities	1,531,991
Results from prior years	125,907
Measurements of defined benefits for employees	(2,077)
Total equity	197,279
Total liabilities plus equity	1,729,059

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 30th, 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 March 31st, 2020, the remaining balance of CETES ESPECIALES which have not been repurchased by the Federal Government amounts to Ps 574 million, with maturities between 2022 and 2027.

Special accounting treatment of the support programs granted by the Institution derived from the COVID-19 Contingency

Given the negative impact generated in various activities of the economy derived from the SARS-CoV2 (COVID-19) virus epidemic in Mexico, the Institution has decided to support its clients by implementing various support programs that will be applicable to all customers who enroll into the program from March 25th through April 30th, 2020, according to the following:

Credit card:

- The support consists of voiding the monthly minimum payment of the card for 4 months, without affecting the individual's bureau record, nor charging collection expenses or late payment fees; this will be valid upon receipt of an e-mail confirmation of successful enrollment in the program.
- The normal payment requirement will be the month immediately after the end of the support period, that is, August 2020.
- The balance held in the account during the support period will accrue ordinary interest that will be calculated monthly, will be informed to the client, but not capitalized.
- Payments will be allowed at any time.
- The credit card enrolled in the support program remains available for purchases and cash withdrawals pursuant to the applicable credit policies and the current terms and conditions.

Payroll loans:

- Program consists on postponing payment of principal, interest, insurance, and fees equivalent to 4 months, depending on payment frequency.
- The deferral applies upon e-mail confirmation of successful enrollment in the program.
- At the end of the support period, payment requirements will be resumed in the same amount as before the program.
- The client will not pay additional interest during the program or the extension of the term.
- Advance payments are allowed at any time without penalties, if customers wish to conclude their loan payments on the original date.

Personal loans:

- Program consists on postponing payment of principal, interest, insurance, and fees equivalent to 4 months, depending on the frequency of payment.
- The deferral applies upon e-mail confirmation of successful enrollment in the program.
- At the end of the support period, payment requirements will be resumed in the same amount as before the program.
- The client will not pay additional interest during the program or the extension of the term.
- Advance payments are allowed at any time without penalties, if customers wish to conclude their loan payments on the original date.

Auto loans:

- Program consists on deferring principal and interest payment on the loan for the following 4 months after receiving email confirmation of successful enrollment in the program.
- The 4 monthly payments will be appended to the end of the original term.
- The normal payment will be resumed immediately after the end of the deferral period.
- Accrued interest during the 4-months period will not generate any additional interest or fees.
- Advance payments are allowed at any time without penalties, if customers wish to conclude their loan payments on the original date.

Mortgage loans:

- Program consists on deferring principal and interest payment on the loan for the following 4 months after receiving email confirmation of successful enrollment in the program.
- The 4 monthly payments will be appended to the end of the original term.
- The normal payment will be resumed immediately after the end of the deferral period.
- Accrued interest during the 4-months period will not generate any additional interest or fees.
- Advance payments are allowed at any time without penalties if customers wish to conclude their loan payments on the original date.

SME loans:

For term-loans:

- Support consists on not requiring monthly payment (principal and interest) for up to 4 months
- Deferred installment will be appended to the end of the original term.
- Loans close to the end of their term, will be extended for up to 4 months.

For revolving loans:

- Support consists on not requiring the monthly interest payment for up to 4 months and at the same time the credit term will be extended for up to 4 months.
- Interest is appended to end of the term.
- Making full or partial payment of the principal at the end of the original term or during the life of the loan, does not exempt the client from paying the deferred interest.
- The credits that are about to end will have an extension of the term according to the remaining months and the payment of the principal will be sent forward to the new end date.
- During the extension of the term, the corresponding interest payment must be covered according to the requirements set forth in the loan agreement.

As per the above, on March 27th, 2020 the banking regulator (Comisión Nacional Bancaria y de Valores, "CNBV"), issued Special Accounting Criteria, applicable to the Institution from February 28th, 2020 through June 27th 2020, by which it authorized that performing loans as of February 28th, 2020, in accordance with paragraph 12 of criterion B-6 "loan portfolio" (criterion B-6), to which principal and interest payments were deferred according to the program, will not be regarded as restructured loans in terms of paragraphs 79 and 80, likewise, that the requirements established in paragraphs 82 and 84 of Criterion B-6 not be applied to them, so that they remain as a performing loans during the term agreed in the program. Therefore, such loans are regarded as a current portfolio as it relates to preventive estimation.

Additionally, the loans for which payments will be deferred shall not be considered as restructured in accordance with the provisions set forth on paragraph 40 of Criterion B-6, nor shall they be reported as past due loans to the credit information entities.

The amounts that would have been recorded and presented both in the balance sheet and in the income statement by type of portfolio, had this special accounting criteria not been applied, as well as the details of the items and amounts by type of portfolio affected by accounting due to the application of the special accounting criteria as of March 31st, 2020, are considered non-material, since the enrollment to this program began as of March 25th, 2020.

New Financial Reporting Standards

Pursuant to the press release issued by the CNBV (Comisión Nacional Bancaria y de Valores) on April 8th, 2020, the initial enforcement of the Resolution published in the Official Gazette of the Federation (DOF) on March 13th, 2020, regarding the Financial Reporting Standards (NIF) issued by the Mexican Council of Financial Information Standards (CINIF), referred to in paragraph 3 of Criterion A-2 "Application of particular standards" of Annex 33, will enter into force on January 1st, 2022.

To date, we are in the process of analyzing the impact that such NIF may have on the financial statements.

NIFs issued and coming into force in January 1st 2022 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"
- NIF B-5 "Financial information by segments".
- NIF B-12 "Compensation of financial assets and financial liabilities".
- NIF C-2 "Investment in financial instruments".
- NIF C-10 "Derivative and hedging financial instruments".
- NIF C-13 "Related parties".
- NIF C-14 "Transfer and derecognition of financial assets".
- NIF C-22 "Cryptocurrencies"

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	dic-19	mar-20	ago-02	dic-19	mar-20	ago-02	dic-19	mar-20
Commercial	5	0	0	5	0	0	10	0	0
Consumer	0	0	0	0	0	0	0	0	0
Mortgage	54	4	4	0	0	0	54	4	4
Performing Loans	59	4	4	5	0	0	64	4	4
Commercial	405	184	183	293	1	2	698	185	184
Consumer	81	71	71	0	0	0	81	71	71
Mortgage	1,112	190	189	0	0	0	1,112	190	189
Non Performing Loans	1,598	445	443	293	1	2	1,891	446	445
TOTAL LOANS	1,657	449	447	298	1	2	1,955	450	448
Commercial	326	184	183	246	1	2	572	185	184
Consumer	77	71	71	0	0	0	77	71	71
Mortgage	669	192	191	0	0	0	669	192	191
Loan Loss Reserves (1)	1,072	447	445	246	1	2	1,318	448	446

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

(*) There was a reserve difference of Ps \$78 million as of March 2020.

(*) 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 1Q20 the Loan portfolio showed Ps 0.1 million of changes related to charge offs and discounts; foreclosed assets increased by Ps 0.1 million; during the quarter there were neither collections nor restructurings. In the Loan loss provisions, there were changes of Ps 1.8 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	
	dic-19	mar-20	dic-19	mar-20	dic-19	mar-20
Performing Loans						
Commercial	393,904	391,374	63,533	82,364	457,437	473,738
Financial Intermediaries' Loans	0	0	0	0	0	0
Consumer	116,228	116,200	0	0	116,228	116,200
Mortgage	170,090	173,229	0	0	170,090	173,229
Performing Loans	680,223	680,803	63,533	82,365	743,755	763,167
Non Performing Loans						
Commercial	4,750	4,925	1,585	1,999	6,336	6,924
Consumer	4,339	4,089	0	0	4,339	4,089
Mortgage	2,163	2,259	0	0	2,163	2,259
Non Performing Loans	11,253	11,272	1,585	1,999	12,838	13,271
TOTAL LOANS	691,476	692,075	65,118	84,364	756,594	776,439
Loan Loss Reserves	16,477	16,451	1,055	1,929	17,532	18,380
Net Loan Portfolio	674,998	675,623	64,063	82,435	739,061	758,059
Loan Loss Reserves					136.56%	138.49%
% Past Due Loans					1.70%	1.71%

1. Includes UDIS.

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

Notes to Financial Statements

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1Q20

(Million Pesos)

Negotiable Instruments	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	176,913	1,332	284	178,529
Unrestricted	14,923	201	101	15,225
BONDES D	(40)	-	0	(40)
BONDES M	(54)	0	(1)	(54)
BPA	(716)	-	0	(716)
BREMS	-	-	-	-
Government Securities	101	0	2	103
Municipalities Securities	0	0	0	0
UDI Securities	-	-	-	-
CETES	13,185	179	64	13,428
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	2,446	21	36	2,503
Treasury Notes	-	-	-	-
Restricted	161,990	1,130	183	163,304
BONDES D	30,550	108	4	30,662
BONDES M	427	7	(4)	431
BPA	127,191	998	178	128,368
BREMS	-	-	-	-
Government Securities	2,348	4	2	2,354
Municipalities Securities	119	2	0	121
UDI Securities	0	0	(0)	0
CETES	1,150	10	1	1,162
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	205	1	0	207
Banking Securities	52,288	112	39	52,438
Unrestricted	2,179	0	0	2,180
Bank Acceptances	4	-	-	4
Bank Bonds	-	-	-	-
Development Bank Securities	3	0	(0)	3
Bank Securities	101	0	0	102
Deposit Certificates	437	0	0	437
Structured Notes	-	-	-	-
Other Banking Securities	179	0	0	180
Promissory Notes	1,455	-	0	1,455
Restricted	50,109	111	38	50,258
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	2,770	6	0	2,776
Bank Securities	18,240	50	33	18,323
Deposit Certificates	26,257	55	4	26,316
Structured Notes	-	-	-	-
Other Banking Securities	1,022	0	1	1,023
Promissory Notes	1,820	-	(0)	1,820
Private Securities	7,250	7	732	7,988
Unrestricted	5,986	4	748	6,737
Shares	47	-	351	398
Investment Company Shares	4,652	-	272	4,924
ADRs	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,286	4	125	1,415
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,264	2	(16)	1,251
Shares	564	-	(16)	548
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	700	2	1	703
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment Ixe Bank Acq	-	-	-	-
Total	236,451	1,450	1,054	238,956

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1 Q20

(Million Pesos)

Securities Held for Sale	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	177,411	1,564	(1,508)	177,467
Unrestricted	38,900	429	(1,049)	38,279
BONDES D	-	-	-	-
BONDES M	-	-	-	-
BPA	(100)	-	0	(100)
BREMS	7,778	17	-	7,795
Government Securities	466	2	9	477
Municipalities Securities	183	2	14	199
UDI Securities	-	-	-	-
CETES	575	-	0	575
CETES (Special)	-	-	-	-
Government Eurobonds	29,997	409	(1,073)	29,333
Udibonds	-	-	-	-
Treasury Notes	-	-	-	-
Restricted	138,511	1,135	(459)	139,187
BONDES D	-	-	-	-
BONDES M	2,498	57	(153)	2,402
BPA	91,391	829	155	92,374
BREMS	-	-	-	-
Government Securities	4,798	19	(27)	4,790
Municipalities Securities	2,427	3	8	2,439
UDI Securities	-	-	-	-
CETES	3	-	0	3
CETES (Special)	-	-	-	-
Government Eurobonds	34,490	204	(427)	34,266
Udibonds	2,905	23	(14)	2,913
Banking Securities	6,262	35	118	6,415
Unrestricted	6,262	35	118	6,415
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	1,679	23	38	1,741
Bank Securities	1,673	6	54	1,733
Deposit Certificates	1,281	6	(0)	1,286
Structured Notes	501	-	22	523
Other Banking Securities	1,128	1	3	1,131
Promissory Notes	-	-	-	-
Restricted	-	-	-	-
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	-	-	-	-
Deposit Certificates	-	-	-	-
Structured Notes	-	-	-	-
Other Banking Securities	-	-	-	-
Promissory Notes	-	-	-	-
Private Securities	23,797	235	(2,950)	21,082
Unrestricted	21,948	170	(2,441)	19,677
Shares	34	-	37	71
Investment Company Shares	4,284	-	98	4,382
ADRs	-	-	-	-
Stock Certificates BORHIS	99	0	(80)	19
Corporate Stock Certificates	7,065	29	(415)	6,679
Trust Stock Certificates	-	-	-	-
Private Eurobonds	10,466	141	(2,081)	8,526
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	-	-	-	-
CP	-	-	-	-
Restricted	1,849	65	(509)	1,405
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	-	-	-	-
Trust Stock Certificates	-	-	-	-
Private Eurobonds	1,849	65	(509)	1,405
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	-	-	-	-
Total	207,470	1,835	(4,341)	204,963

FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 1 Q20

(Million Pesos)

Securities Held to Maturity	Book Value	Interest	Unrealized gain (loss)	Market Value
Government Securities	147,747	1,751	-	149,498
Unrestricted	131,687	1,499	-	133,186
BONDES D	-	-	-	-
BONDES M	243	4	-	247
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	1,647	3	-	1,650
Municipalities Securities	2,152	17	-	2,169
UDI Securities	230	4	-	234
CETES	-	-	-	-
CETES (Special)	573	-	-	573
Government Eurobonds	-	-	-	-
Udibonds	126,841	1,471	-	128,312
Treasury Notes	-	-	-	-
Restricted	16,060	252	-	16,312
BONDES D	-	-	-	-
BONDES M	12,561	239	-	12,800
BPA	-	-	-	-
BREMS	-	-	-	-
Government Securities	-	-	-	-
Municipalities Securities	2,918	7	-	2,925
UDI Securities	0	0	-	0
CETES	-	-	-	-
CETES (Special)	-	-	-	-
Government Eurobonds	-	-	-	-
Udibonds	581	5	-	586
Banking Securities	1,271	870	-	2,141
Unrestricted	1,271	870	-	2,141
Bank Acceptances	-	-	-	-
Bank Bonds	-	-	-	-
Development Bank Securities	-	-	-	-
Bank Securities	791	7	-	798
Deposit Certificates	300	692	-	992
Structured Notes	180	171	-	351
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	4,568	771	-	5,340
Unrestricted	2,690	766	-	3,456
Shares	-	-	-	-
Investment Company Shares	-	-	-	-
ADRs	-	-	-	-
Stock Certificates BORHIS	2	0	-	2
Corporate Stock Certificates	1,376	766	-	2,143
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Infrastructure and Real Estate Trusts	-	-	-	-
Subordinated Debt	-	-	-	-
Other Banking Securities	1,312	-	-	1,312
CP	-	-	-	-
Restricted	1,878	5	-	1,883
Shares	-	-	-	-
Stock Certificates BORHIS	-	-	-	-
Corporate Stock Certificates	1,878	5	-	1,883
Trust Stock Certificates	-	-	-	-
Private Eurobonds	-	-	-	-
Other Banking Securities	-	-	-	-
Reasonable value adjustment lxe Bank Acq	(347)	-	-	(347)
Total	153,239	3,392	-	156,631

REPURCHASE AGREEMENT OPERATIONS 1Q20
(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	38,709	35,936	2,790	16	300,974
Banking securities	25,095	25,095	0	-	45,671
Private Securities	6,927	6,907	21	-	7,593
Total	70,732	67,938	2,810	16	354,238

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q20**
(Million Pesos)

Creditor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	
Fx Forward	306
Options	
Rate options	251
Fx options	2,390
Warrants	-
Swaps	
Rate swap	31,505
Fx swap	13,695
Credit swap	792
Negotiable Total	48,940
Options	
Rate Options	-
Fx options	-
Swaps	
Rate swap	47
Fx swap	1,245
Credit swap	-
Hedging total	1,292
Position total	50,232

**DERIVATES FINANCIAL INSTRUMENTS
OPERATIONS 1Q20
(Million Pesos)**

Debtor Balance	
Instrument	Fair Value
Futures	
TIE 28 Futures	-
Forward	
Fx Forward	408
Options	
Rate options	229
Fx options	2,765
Swaps	
Rate swap	26,829
Fx swap	20,344
Credit swap	-
Negotiable Total	50,574
Options	
Rate Options	-
Fx options	1,223
Swaps	
Rate swap	446
Fx swap	8,818
Credit swap	-
Hedging total	10,487
Position total	61,062

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q20 - Banorte
(Million Pesos)**

PRODUCT	TYPE	UNDERLYING	NOTIONAL	OPERATIONS
FX Forwards	Purchases	Exchange Rate (USD/MXN)	698	79
FX Forwards	Sales	Exchange Rate (USD/MXN)	11,378	108
FX Forwards	Purchases	Exchange Rate (CAD/MXN)	0	0
FX Forwards	Sales	Exchange Rate (SEK/MXN)	0	0
FX Forwards	Purchases	Exchange Rate (EUR/USD)	0	0
FX Forwards	Sales	Exchange Rate (EUR/USD)	0	0
FX Options	Purchases	Exchange Rate (Dollar)	33,165	20
FX Options	Sales	Exchange Rate (Dollar)	40,622	19
Interest Rate Options	Purchases	TIE	34,887	81
Interest Rate Options	Sales	TIE	43,972	373
Interest Rate Options	Purchases	LIBOR	6,743	26
Interest Rate Options	Sales	LIBOR	6,390	22
Interest Rate Swaps	USD LIBOR	LIBOR	419,602	3,029
Interest Rate Swaps	MXN TIE	TIE	1,008,632	3,428
Interest Rate and FX Swaps	CS USDMXN	FIX/VARIABLE	163	2
Interest Rate and FX Swaps	CS USDMXN	VARIABLE/VARIABLE	111,938	124
Interest Rate and FX Swaps	CS USDMXN	FIX/FIX	22,798	41
Interest Rate and FX Swaps	CS CHF MXN	FIX/FIX	9,185	3
Interest Rate and FX Swaps	CS CHF MXN	FIX/VARIABLE	5,152	2
Interest Rate and FX Swaps	CS EUR MXN	FIX/FIX	13,788	66
Interest Rate and FX Swaps	CS GBPMXN	FIX/FIX	2,900	12
Credit Derivatives	CDS USD	D2_PEMEX_150927	2,724	9

LOAN PORTFOLIO								
<i>(Million Pesos)</i>								
	Local Currency		UDIS		Foreign Currency		Total	
	1Q19	1Q20	1Q19	1Q20	1Q19	1Q20	1Q19	1Q20
Performing Loans								
Commercial Loans	237,882	238,974	0	-	60,679	79,465	298,561	318,439
Financial Intermediaries' Loans	9,384	9,067	0	-	0	(0)	9,384	9,067
Consumer Loans	114,086	117,537	0	-	0	-	114,086	117,537
Mortgage Loans	158,482	173,125	123	100	0	-	158,605	173,226
Government Entities' Loans	167,588	150,716	6,660	2,599	7,223	8,234	181,470	161,549
Total	687,421	689,420	6,782	2,699	67,902	87,698	762,105	779,818
Past Due Loans								
Commercial Loans	6,059	5,050	0	0	1,681	1,998	7,740	7,047
Financial Intermediaries' Loans	4	4	0	-	0	-	4	4
Consumer Loans	4,183	4,052	0	-	0	-	4,183	4,052
Mortgage Loans	1,544	2,059	14	11	0	0	1,557	2,070
Government Entities' Loans	4	40	-	-	-	-	4	40
Total	11,793	11,203	14	11	1,681	1,998	13,488	13,212
Total Proprietary Loans	699,215	700,623	6,796	2,710	69,583	89,696	775,594	793,030

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 1Q20- GFNorte**

	<i>(Million Pesos)</i>	
	PERIOD COST	TOTAL BALANCE OF LOAN PORTFOLIO
FINAPE	-	-
FOPYME	-	-
Mortgage UDIS	-4.8	0.0
Mortgage FOVI	-	-
	-4.8	0.0

DEFERRED TAXES 1Q20

(Million Pesos)

ASSETS	INCOME TAX	NET
Global Loss Reserves Loan Portfolio	5,380	5,380
Non deductible provisions and cumulative income	1,428	1,428
Excess of accounting value over fiscal value on Repossessed Assets	526	526
Diminishable profit sharing	189	189
Fees received in advance	792	792
Effects from valuation of instruments	-	-
Tax losses pending amortization	1,288	1,288
Provisions for possible loss in loans	399	399
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	338	338
Total Assets	10,339	10,339
LIABILITIES		
Pension Funds Contribution	(145)	(145)
Loan Portfolio Acquisitions	(353)	(353)
Projects to be capitalized	(5,686)	(5,686)
Intangibles' amortizations	-	-
Effects from valuation of instruments	(33)	(33)
Intangibles' amortizations	(364)	(364)
Unrealized Loss on Securities held for Sale	(15)	(15)
Total Liabilities	(6,597)	(6,597)
Assets (Liabilities) Accumulated Net	3,742	3,742

LONG TERM DEBT AS OF MARCH 31, 2020 - 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	CALL DATE
Non Convertible Subordinated Bonds Q Banorte 08U	UDIS	11-mar-08	495	1,749	1,800	20 years	4.950%	15-feb-28	182 days	-
Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (XEGB40 141020)	USD	14-oct-10	120	1,489	2,818	10 years	9.25%	14-oct-20	180 days	-
Non Convertible Subordinated Bonds 2016 (BANOC36 311004)	USD	04-oct-16	500	9,607	6,910	15 years	5.750%	04-oct-31	180 days	04-oct-26
Perpetual 5-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 6 7/8 PERP)	USD	06-jul-17	350	6,413	8,220	Perpetual	6.875%	NA	Quarterly	06-jul-22
Perpetual 10-Year Callable Subordinated Non-Preferred Non-Cumulative Tier 1 Capital Notes (BANORT 7 5/8 PERP)	USD	06-jul-17	550	10,077	12,917	Perpetual	7.625%	NA	Quarterly	10-ene-28
Eurobond (Swiss francs) 2018 (BANO589)	CHF	14-jun-18	100	1,983	2,428	1,279 dias	0.88%	14-dic-21	Annual	-
Stock certificates 94 BINTER 16U	UDIS	13-oct-16	365	2,000	2,374	10 years	4.97%	01-oct-26	Biannual	-
Stock certificates 94 BANORTE 18	MXN	29-nov-18	1,870	1,870	1,870	728 dias	TIIE+0.23%	26-nov-20	28 days	-
Stock certificates 94 BANORTE 18-2	MXN	29-nov-18	2,663	2,663	2,663	1,456 dias	TIIE+0.28%	24-nov-22	28 days	-
Stock certificates 94 BANORTE 19	MXN	17-may-19	5,400	5,400	5,400	1,092 dias	TIIE +0.13%	13-may-22	28 days	-
Stock certificates 94 BANORTE 19-2	MXN	17-may-19	1,500	1,500	1,500	1,820 dias	TIIE +0.17%	10-may-24	28 days	-
Eurobond (Swiss francs) 2019 (BANO397)	CHF	11-abr-19	250	4,694	6,070	1,279 dias	1.55%	11-oct-22	Annual	-
Non Convertible Subordinated Bonds 2019 (BANO A64_999999)	USD	27-jun-19	600	11,501	14,091	Perpetual	6.750%	NA	Quarterly	27-sep-24
Non Convertible Subordinated Bonds 2019 (BANO B48_999999)	USD	27-jun-19	500	9,584	11,742	Perpetual	7.500%	NA	Quarterly	27-jun-29
Eurobond (Swiss francs) 2019 (BANO43)	CHF	18-sep-19	160	3,112	3,885	1,552 dias	0.45%	18-dic-23	Annual	-

BANK AND OTHER ENTITIES LOANS' AS OF 1Q20*(Million Pesos)*

	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
Loans from Foreign Banks generated from foreign country	-	-	-
Loans from Development Banks	11,473	5,181	16,654
Loans from Public Funds	7,180	1,129	8,309
Call Money & Loans from Banks	26,924	-	26,924
Loans from Fiduciary Funds	64	-	64
Provisions for Interest	1,004	-	1,004
	46,645	6,310	52,955
Eliminations			(15,456)
Total			37,499

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -
INTEREST RATES 1Q20****CORE DEPOSITS (BANORTE)****Demand Deposits**

Local Currency and UDIs	1.25%
Foreign Currency	0.09%

Time Deposits - Retail

Local Currency and UDIs	5.59%
Foreign Currency	0.31%

Time Deposits - Money Market

Local Currency and UDIs	7.20%
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DUE TO BANKS & CORRESPONDENTS (BANORTE)**Immediate Redemption Loans**

Local Currency and UDIs	7.55%
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Public Funds and Development Banks

Local Currency and UDIs	8.37%
Foreign Currency	2.60%

MAIN CREDIT LINES RECEIVED 1Q20 (BANORTE)*Million pesos*

	1Q19	4Q19	1Q20	Change vs. 1Q19	Change vs. 4Q19
Banxico (Monetary Regulation Deposits)	37,458	37,458	37,458	0%	0%
Banxico (Repos with the System of Payments)	59,836	64,217	65,003	9%	1%
Banxico Green and Red facilities (Ventanilla Verde y Roja)	-	-	130,309	0%	0%
Call Money	173,173	173,323	177,366	2%	2%
TOTAL	270,467	274,999	410,137	52%	49%

TRADING INCOME 1 Q20

Million Pesos

Trading income	Consolidated
Securities - Unrealized gains	(1,404)
Negotiable instruments	(166)
Derivative instruments - Negotiation	(1,234)
Derivative instruments - Hedging	(4)
Impairment loss or revaluation increase	0
Result from foreign exchange valuation	1,221
Result from valuation of precious metals	14
Result from purchase/sale of securities and derivatives	2,197
Negotiable instruments	(169)
Securities held for sale	624
Securities held to maturity	0
Derivative instruments - Hedging	1,742
Result from purchase/sale of foreign exchange	(865)
Result from purchase/sale of precious metals	3
Total	1,166

Internal Control

For Grupo Financiero Banorte, S.A.B. de C.V. (GFNORTE), internal control is a shared responsibility among all its constituents; therefore, the Board of Directors, other Corporate Governance entities, senior management as well as each and every one of its executives and employees are part of the Internal Control System (ICS).

ICS is the general framework set forth by the Board of Directors with the objective of reaching institutional objectives through policies, and control and monitoring activities and procedures, which have a positive impact on risk management, on the trustworthiness of financial information being generated, and on regulatory compliance.

ICS establishes the objectives and general guidelines which provide a framework to activities and responsibilities applicable to all the personnel in charge of origination, operational processing, and execution. Such activities are monitored by teams specialized in risk monitoring, and in mitigating controls.

ICS is structured around three defense lines:

- A. **First.** The owners of support and business processes, who are ultimately responsible for the primary internal control function in their activities.
- B. **Second.** Risk, Credit, Legal and Comptroller departments, which provide permanent control and monitoring support, and
- C. **Third.** Internal Audit, with the independence granted by its direct line of report to the Internal Audit and Corporate Practices Committee, supervises all activities and the adequate development of all functions across all areas.

At GNORTE we are convinced that having an adequate control environment is yet another competitive advantage that drives our growth and solid presence in the domestic financial market. This is why all executives and employees alike perform their daily activities with discipline, with strict adherence to the norm, and following a philosophy of getting things done right the first time, without having to rely on reviews that might be carried out by other areas.

During the first quarter of 2020, there was continuous development of activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and quality of information assurance, highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The 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.
- C. 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.
- D. 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 appropriately.
- E. According to the work plan established at the beginning of the year, work was performed on the activities related to internal accounting control.
- F. Effectiveness tests related to the Business Continuity Plan were executed; in this matter, regarding the global contingency represented by COVID 19, the Continuity Plan was activated under its Pandemic section in the last week of February. The actions implemented have responded to the considerations of each moment and are consistent with the assessment of an incremental risk.
- G. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- H. The Information Security Officer (CISO) carried out its functions based on the Master Plan, reporting the findings found and the details of the activities carried out to the General Director of GFNorte and the Committees of Corresponding Corporate Governance, maintaining a matrix coordination with the Comptroller as part of the SCI.
- I. The requirements of the Supervisory Authorities were answered, and the obligations to inform required by the external regulation were fulfilled.

Financial Situation and Liquidity

Internal and External Liquidity Sources

The internal liquidity sources, in local and foreign currency, come from the various deposit products that the institution offers to customers. That is, it collects through checking accounts and time deposits from customers.

Regarding external sources of liquidity, it has diverse mechanisms to access the debt and capital markets. The Institution obtains resources through the issuance of debt securities, loans from other institutions - including the Central Bank and international organisms -, as well as from the issuance of subordinated debt. Also considered is the liquidity that the Institution obtains through its proprietary repos' securities that qualify for such transactions. It also has the alternative of obtaining resources through the issuance of shares representing equity.

Currently, the Institution has diverse sources of liquidity. Deposits, including interest bearing and non-interest-bearing demand and time deposits, are the bank's main source of liquidity. Negotiable and short-term instruments, such as government securities and deposits in the Central Bank and other banks, are liquid assets that generate interest. Liquid assets also include deposits in foreign banks, which are denominated mainly in US dollars.

Detailed information related to liquidity sources is reported in different headings of the GFNorte's Balance Sheet in this report.

Related Parties Loans

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions cannot exceed the established limit of 35% of the basic portion of net capital.

In the case of GFNorte as of March 31, 2020, and December 31, 2019, the amount of loans granted to third parties is as follows (billion pesos):

Lender	Mar-2020	% Basic Equity	Dec-2019	% Basic Equity
Banorte	Ps 11.96	8.6%	Ps11.31	7.9%

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

Banorte

As of **March 31st, 2020**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 11.96 billion (including Ps 1.59 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.5% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 10.30 billion were loans granted to clients linked to members of the Board of Directors; Ps 762 million were granted to clients linked to shareholders and Ps 908 million 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 March 2020 was 8.6% 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 98% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

Banorte

As of **December 31st, 2019**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 11.31 billion (including Ps 680 million in — Letters of Credit "CC", which are registered in memorandum accounts), representing 1.5% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 9.51 billion were loans granted to clients linked to members of the Board of Directors; Ps 768 million were granted to clients linked to shareholders and Ps 1.03 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 December 2019 was 7.9% 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 98% 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 March 31, 2020
AFORE XXI BANORTE	\$2
Loan # 4429309391 Payroll Tax of the state of Coahuila	2
UNITELLER	\$9
Philippines 2007 - 2008	9
PENSIONES BANORTE	\$321
Financial year 2014	321
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.

Sector Bancario (Banorte). Issues the financial statements in consolidated form with its Subsidiaries in accordance with the General Provisions Applicable to the financial information of the Credit Institutions (the Provisions) published in the Official Gazette of the Federation on December 2, 2005, modified by means of published Resolutions in the aforementioned Official Gazette on March 3 and 28, September 15, December 6 and 8, 2006, January 12, March 23, April 26, November 5, 2007, March 10, August 22, September 19, October 14, December 4, 2008, April 27, May 28, June 11, August 12, October 16, November 9, December 1 and 24, 2009, January 27, February 10, April 9 and 15, May 17, June 28, July 29, August 19, September 9 and 28, October 25, November 26 and December 20, 2010, January 24 and 27, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, and December 28, 2011, June 19, July 5, October 23, November 28 and December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2 and December 24, 2013, January 7 and 31, March 26, May 12 and 19, July 3 and 31, September 24, October 30, December 8 and 31, 2014, January 9, 5 February, April 30, May 27 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, April 7 and 28 and June 22, 2016, July 7 and 29, August 1, September 19 and 28, 2016, and December 27, 2016, January 6, April 4 and 27, May 31, June 26, 4 and 24 July, August 29, October 6 and 25, December 18, 26 and 27, 2017, January 22, March 14, April 26, May 11, June 26, July 23, August 29, September 4, October 5, November 15 and 27, 2018, and April 15, July 5, October 1, and November 4 and 25, 2019, and March 13, 2020.

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.