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

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

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

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

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

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

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

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

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

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

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

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

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

The bank´s **Capital Ratio** reached **17.2%; Core Equity Tier 1 (CET1)** stood at **12.7%,** while **leverage ratio** ended the quarter at **8.41%.**

Mexico City, January 24th, 2019.- Banorte, the financial group which is closest to Mexicans, increased its performing loan portfolio by +26% during the fourth quarter of 2018, reaching an ending balance of Ps 777.19 billion.

GFNorte supported more than **163,072 families** providing mortgage loans so that they can afford a new home; helped more than **174,123** people purchase a car, and underwrote loans to more than **43,531 SMEs.**

Performing Loan Portfolio*	4Q17	4Q18	Change
Consumer	240,899	**269,187**	12%
Commercial	137,501	**173,941**	27%
Corporate	102,220	**136,639**	34%
Government	134,905	**197,373**	46%
Recovery Bank	72	**52**	-28%
Total	615,598	**777,192**	**26%**

*Million pesos

"As an ally during this new stage for our country, we are committed to keep working so that Mexicans have access to our products and financial services, and fulfill their dreams, such as buying a house, a car or funding their business", said **Carlos Hank González, Chairman of Grupo Financiero Banorte**.

Boost on consumer loans

Loan growth was mainly driven by a **+12%** increase on **consumer** loans vs. 4Q17, reaching an ending balance of **Ps 269.18 billion** as a result of **mortgage loans** increasing by **+15%** to **Ps 155.75 billion**, and **auto loans +26%,** closing the quarter at **Ps 24.13 billion**.
Credit card balances were up **+8%** reaching **Ps 36.66 billion**, while **payroll loans** totaled **Ps 52.65 billion**, in line with a strategy aimed at maintaining asset quality.

Consumer Loan Portfolio*	4Q17	4Q18	Change
Mortgages	135,334	**155,748**	15%
Auto Loans	19,189	**24,131**	26%
Credit Card	33,906	**36,657**	8%
Payroll	52,469	**52,653**	0%
Total	240,899	**269,187**	12%

*Millon pesos

Non-Performing Loans (NPL) had an ending balance of **Ps 13.26 billion** in 4Q18, which translated into an **NPL ratio** of **1.7%,** below the 2.0% during 4Q17 driven by an improvements across most loan segments.

Infrastructure for development

In line with its commitment with the country's development, Banorte's loan portfolio included **94 public infrastructre projects** during 2018.

Among the projects financed by Banorte, those related to the development of communication and transportation means for our country have been included; within these, Banorte financed more than **2,300 km** of highways under construction; **1,073 km** of power transmission lines, as well as other

projects within the same sector. On eduction, the bank has financed projects which will benefit more than **102,000** students.

"For Banorte, it is a priority to contribute to the country's development by boosting its infrastructure, in particular that which contributes towards the well-being of Mexicans, such as highways, schools and hospitals", said **Marcos Ramírez Miguel, CEO of Banorte.**

Regarding **core deposits**, they had an **+8%** increase vs. 4Q17, with **demand deposits** growing **+4%** and **time deposits 15%.**

Main financial indicators

Thanks to these results, the Group fulfilled its set goals during **4Q18**, reaching **recurring net income** of **Ps 8.53 billion** and **total net income** of **Ps 10.18 billion.**

Annual recurring net income for 2018 totaled **Ps 30.31 billion**, and **total annual net income** amounted to **Ps 31.96 billion**.

These results were evident in the main financial indicators for 2018: **Efficiency ratio** reached **39.0%, ROE** totaled **20.3%**, and **ROA 2.2%**.

Banco Mercantil del Norte's **Capital Ratio** reached **17.2%,** with **CET1 ratio** at **12.7%. Leverage ratio** totaled **8.4%**.

Recent Events

1. APPOINTMENT OF NEW GENERAL MANAGER FOR AFORE XXI BANORTE

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

2. BANORTE: BANK OF THE YEAR ON 2018

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

The main attributes considered for this nomination were:

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