

MORE

2019

A N N U A L
R E P O R T

THAN A
BANK

 GRUPO FINANCIERO
BANORTE

CONTENTS

Message from the Chairman of the Board and the CEO 02

Banorte at a Glance 04

2019 Highlights
Our values
Business Areas
Corporate Governance
Macroeconomic climate
Value Creation
Stakeholders
Materiality

Strategy and business model 20

Value proposition
Our achievements

Financial Capital 26

Key facts and figures
Results
Balance sheet
Fiscal transparency
Risk management
GFNorte stock price
Our shareholders

Infrastructure and Technology Capital 36

Information technologies
Infrastructure

Human Capital 44

Diversity and equal opportunities
Professional development
Ethics and integrity
Working environment and work culture
Compensation
Employee health and safety

Intellectual Capital 52

Innovation
Analytics
Customer relations
Marketing

Social Capital 62

Supports for SMEs
Our suppliers
Volunteering
Foundation

Sustainability 70

Sustainability Model
Sustainability Committee
Sustainability initiatives and indexes
Principles for Responsible Banking
Sustainable Development Goals
Sustainable Banorte
SEMS Results
Climate change
Responsible investment
Sustainable Finance
Renewable energies

Natural Capital 84

Environmental policy
Energy
Emissions
Waste Management
Water
Biodiversity

GRI Content Index 90

Independent Assurance Report 98

About this report 100

Contact 102



WE ARE PART OF YOUR HISTORY



Since our founding, we have always remained closely in touch with the needs of Mexican families, working to be a closer, more inclusive, solidary bank with greater social involvement. We continually transform ourselves to create an easier, more practical, safe and personalized relationship with our clients. That's why we can state with all conviction that we are more than a bank.

MORE THAN A BANK



Message from the Chairman of the Board and the CEO

Ladies and gentlemen,

We are pleased to share with you some reflections on what the past year meant for Banorte. The word that guided us throughout the year was “commitment”: to our clients, to our investors, our employees, and especially to the community.

I. 2019: A Year of Social Commitment

This past year, more than ever, we were closely in touch with the needs of Mexican families and we embodied our conviction in promoting a closer, more inclusive, solidary bank with greater **social involvement**.

To our communities: With Banorte Adopta, our program to rebuild properties damaged in the 2017 earthquake. We have delivered more than 630 homes and carried out 18,000 actions in favor of health, nutrition, education and culture, benefiting our nine adopted communities.

To the country: The best example of our conviction was the 2019 Banorte Forum, which this year had the title “The Social Challenge of Banking.” In it we asserted that, in light of the pressing challenges of poverty and exclusion, businesses must assume greater commitment to our people, to our communities and to our country.

To the world: We are proud to have been founding signers of the Responsible Banking Principles launched this year with the U.N., by which we commit to aligning our business with the Sustainable Development Goals and to support Mexico and meeting the climate change targets established in the Paris Agreement.

At the same time, we reiterate our commitment to the Women’s Empowerment Principles and the 10 Principles of the United Nations Global Compact, and are signatories of both.

II. Commitment to the client

Our clients are our center of gravity, our reason for being. Because of this, we are transforming not to become a digital financial group, but **to do banking in a digital world**. This process works to make our relationship with clients easier, more practical, more secure and personalized.



**We have delivered more than
630 homes
and carried out
18,000 actions
in favor of health, nutrition,
education and culture.**

We are combining banking and financial services with innovative technology and processes that allow us to be there right at the time and in the channel we're needed.

We measure customer satisfaction at Banorte through the Net Promoter Score, or NPS, in which our customers rate us highly, and the crossed sales rate is above two products per client. We remain firmly committed to being the best for our customers.

III. Commitment to our investors

We are in the final stretch of our **20/20 Vision** strategic plan, which we announced almost five years ago. We are proud to inform you that with a year still to go, we have already met many of the commitments we made to our shareholders.

The diversification of GFNorte's businesses through some major transactions in banking, insurance, pensions, annuities and stock brokerage was key to facing the challenges that arose during the year, and to achieving the results we present here.

The most emblematic of these achievements was our net profit of Ps. 36.53 billion, 14% higher than the year before, and our return on equity of 20.1%.

Both the group and its individual subsidiaries are highly solvent, and report healthy growth in all their businesses.

IV. Commitment to our employees

The employees of Banorte are our driving force, and for the eighth year in a row they named us one of the best places to work, according to the Great Place to Work Institute.

We are bent on offering them the best quality of life. We offer them options for personal and professional advancement. And besides standard benefits, we provide vaccination campaigns, nutritional and physical activity coaching and breastfeeding rooms, among others.

V. 2020 Goals

All of these achievements were produced by the confidence of our investors, the guidance of our board members and the efforts of our more than 29,000 employees.

Next year, our main goal is to achieve all of the targets of our 20/20 Vision plan. We are convinced that we must not be complacent: we must redouble our efforts and work as a team.

We say this with all our conviction: we have unshakeable confidence in Mexico. Our commitment is to Mexicans: we are the ones who best understand their aspirations and their needs.

We work as a strong, committed team, and even though there are challenges ahead, we have everything we need to seize the opportunities that present themselves.

We will continue providing good results for our shareholders, the best experience to our clients, and the best place to work for our employees, and we intend to remain close and committed to our communities and our country.

Our warmest thanks.

Carlos Hank González

Chairman of the Board of Directors
of Grupo Financiero Banorte

Marcos Ramírez Miguel

Chief Executive Officer of Grupo Financiero Banorte

BANORTE AT A GLANCE

102-4

2019 Highlights

Environmental

Banorte is a member of the founding group of the UN Principles for Responsible Banking; we are the only Mexican bank involved in the process of formulating these principles over an 18th-month period. This embodies our commitment to aligning Banorte operations and services with the Sustainable Development Goals.



CEMEFI granted Grupo Financiero Banorte its Socially Responsible Enterprise distinction for the ninth year in a row, and Seguros y Pensiones Banorte for the fifth year in a row. This distinction recognizes our commitment to the community, the environment and to employees, as part of our culture and business strategy.

We are part of the FTSE4Good Global Sustainability Index in recognition of our environmental, social and governance (ESG) practices.



Reforestamos México presented us with an award thanking us for our fourth participation in this nationwide reforestation effort. More than 650 Banorte volunteers took part in an effort to reforest seven hectares of woodlands.



Business

Doubly recognized as the best Mexican bank, by Global Finance Magazine and by Latin Finance magazine, both of them widely recognized publications in the financial world.



TOGETHER TOWARD 20/20

20/20
VISION
Banorte

We're the best Mexican bank!

Recognized by
Global Finance



Global Finance named Banorte Best Foreign Trade Bank in Mexico. This is the first time a bank managed by a Mexican team has earned this recognition.

Fitch Ratings gave Operadora de Fondos Banorte, our fund manager, a rating of EXCELLENT (MEX) with a Stable Outlook.

FitchRatings

Afore XXI Banorte was the first retirement fund manager in Mexico to adopt the CFA Institute's Asset Manager Code of Professional Conduct, an international benchmark for high ethical standards in investment.



Banorte Casa de Bolsa was the first Mexican institution to enter the new MILA agreement mechanism between Indeval and Chilean DCV. The first transaction took place successfully in February.

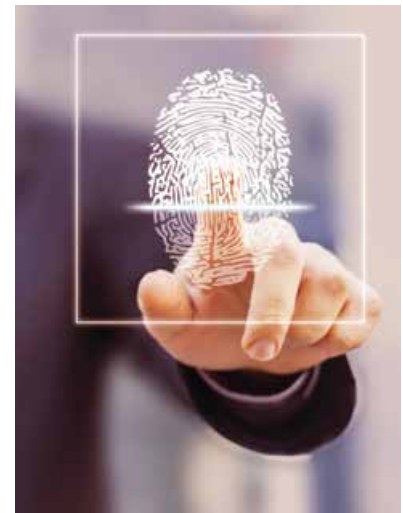
The digital platform of **UniTeller**, Banorte's remittance division, **was recognized by the RemTech awards in the category of best Payments Platform as a Service (PPS).**



Banorte was recognized by Medallia as one of the leading companies in customer experience transformation.

Medallia

Biometric verification is a reality at Banorte. This innovation benefits all of our more than 12 million customers.



We have the first fully digital, paperless process for credit card origination via mobile banking.

We are a SWIFT GPI (Global Payment Innovation) certified bank.



Our values

102-16

GFNorte's values

We must always act in accordance with the principles of integrity, trust and loyalty, with full respect and recognition of the intrinsic value of the human being. GFNorte forbids any form of discrimination on the basis of gender, age, religion, race, social or ethnic origin, physical disability, nationality, sexual preference, family responsibilities, marital status or any other condition that might provide a motive for discrimination. Any individual who feels their rights have been violated may bring their grievance to GFNorte through the channels we make available.

Vision

To be a great ally to grow strong with Mexico.

Mission

To inspire trust and generate financial strength for our clients.

Principles

SOLIDARITY



Mutual responsibility between two or more people that enables us to commit to others' causes in times of need.

INNOVATION



A powerful transformative force that has carried humanity to the highest levels of development and civilization.

LOYALTY



A sense of commitment to the well-being of others, with strong feelings of attachment, fidelity and respect inspired by the people or groups with whom we interact.

RESPECT



Being aware of our own innate value, and honoring the value of others; awareness of the inherent importance of human rights of individuals and society.

RESPONSIBILITY



The ability to own our actions, without being forced to act; a guarantee that we will keep the promises made, inspiring trust, reciprocity and peace of mind.

These principles sum up the conduct that GFNorte requires of its board members, executives and employees. Every one of these is responsible for being familiar with the Code of Conduct, and ignorance of this code does not exempt anyone from its terms.

Business Areas

102-2 / 102-6 / 413-1 / 103-1 / 103-2 / 103-3 / FS-2 / FS-3 / FS-4 / FS-5 / FS-10 / FS-11

Retail Banking

Our clients can obtain credit cards and invest in mutual funds and promissory notes from the **mobile banking app** in a matter of minutes.

Our recent launch, **PePer Banorte**, lets you send and receive money from your contacts without having to know their banking data.

The new **Banorte Go** lets you do your banking without leaving the social network; send money or make a transfer to a contact on the social network. Its most important feature is the convenience of a secure environment.

Digital debit and credit cards mean you can create a card instantly with a different verification code every time you generate it, and you can turn it off or on any time you need.

With **CoDi®**, you can make wire transfers in real time between individuals and companies using mobile devices.

A **Chatbot** supports our call center, handling more than 200,000 conversations a month with a high effectiveness rate.

Wholesale Banking

More than 2,000 clients with a total of Ps. 290 billion borrowed.

Led by the Real-Estate Services area with **16% of lending**.

Wealth Management Equity Banking administered record assets totaling almost **Ps. 350 billion**.

Fourth largest Asset Manager in Mexico with around Ps. 200 billion under management.

Transactional Banking **grew more than 10%** in Money Market and Cash Management Revenues.

International banking **almost more than tripled its foreign trade portfolio**.

More than 180K customers receive remittances in Banorte accounts.

New services and products: Swift GPI, trust services, Afore transmissions and cross-border service payments.

Investment and Structured Banking ranks **3rd in the domestic market**.



Grupo Financiero Banorte is a **leading Mexican financial institution**, with the broadest business diversification in the market. It operates as a universal bank and also provides a wide array of products and services through its subsidiaries.



Insurance

Seguros Banorte reported a **15% YoY growth in profits and 4% in premiums written.**

RoE was 51% in 2019.

5th in profits and 9th in premiums written in the insurance industry.

Reduced claims index by 10pb in the Auto insurance segment branch.

Introduced the Net Promoter Score to measure our customers' recommendation and satisfaction rates.

Introduced a Customer Service and Support Center to optimize interactions with clients and brokers.

Improved products focused on crossed sales and coverage.



Annuities

GFNorte's fourth largest profit generator, with **earnings of Ps. 1.03 billion.**

More than 135k pensioned customers.

Market leader with more than 40% of auctioned awards by social security institutes.

Launched a **mobile office for service executives**, offering integration and certification of the file by digital methods; strengthened identification through biometric techniques.

Most clients are registered with a **voice signature.**

Introduced the Net Promoter Score to measure our customers' recommendation and satisfaction rates.



Afore

Managed assets totaling more than Ps. 800 billion, 95% of which are pension products and 91% are individual accounts.

We have **more than 8 million clients**, close to 15% of which belong to the Preferred segment and account for almost half of the total amount managed.

The independent fund rating agency Morningstar **raised the rating for Afore XXI Banorte from neutral to BRONZE.**

Afore XXI Banorte was the first in the Mexican industry to adopt the **Responsible Investment Principles.**

Migrated the system from basic Siefores to **Generational Funds.** With this change the system moves to the forefront in world retirement fund models.

Retail Banking: Savings, investment and credit operations for individuals and small and mid-sized businesses, with financial products that meet their needs at the right time and through the channels they prefer.

Wholesale Banking: Directs and administers strategies relating to Brokerage Firm, Treasuries and Capital Market management for companies and governments, in addition to handling commercial planning for these entities' products.

Insurance: Protection and planning in the auto, major medical and life insurance branches, among others.

Annuities: Custody, investment and administration services for workers' savings, to protect their equity for retirement age.

Afore XXI: Retirement fund manager whose goal is to open, administer and operate individual accounts for workers, as well as receive, individualize and channel resources from the sub-accounts that make up individual funds according to the social security laws; and manage mutual funds.

Fundación Banorte: GFNorte's social and community engagement arm, through which we make social investments to improve quality of life for people in vulnerable situations and disadvantaged communities.

Subsidiary net income

	2017	2018	2019
Banco Mercantil del Norte	18,012	24,337	26,994
Casa de Bolsa Banorte	972	1,070	1,259
Operadora de Fondos Banorte	281	347	390
Ahorro y Previsión	4,941	5,508	6,556
Afore XXI Banorte	1,284	1,256	3,275
Seguros Banorte	2,775	3,434	5,526
Pensiones Banorte	882	818	1,030
Arrendadora y Factoraje Banorte	771	861	957
Almacenadora Banorte	42	17	3
Sólida Administradora de Portafolios	-963	-793	-172
GF Banorte (Holding company and Ixe Servicios)	130	556	314
Total net income	23,908	31,958	36,528

Figures in million pesos.

GFNorte Structure

Banco Mercantil del Norte, S.A.	98.26%
Almacenadora Banorte, S.A. de C.V.	99.99%
Operadora de Fondos Banorte-Ixe, S.A. de C.V.	88.84%
Sólida Administradora de Portafolios, S.A. de C.V. SOFOM	99.72%
Arrendadora y Factoraje Banorte, S.A. de C.V. SOFOM	99.98%
Casa de Bolsa Banorte, S.A. de C.V.	99.99%
Ixe Servicios, S.A. de C.V.	99.99%
Banorte Ahorro y Previsión, S.A. de C.V.	99.99%

Corporate Governance

102-18 / 102-20 / 102-22 / 102-23 / 102-24 / 102-26 / 102-27 / 102-28 / 102-29 / 102-30 / 102-35 / 102-36 / 405-1

Grupo Financiero Banorte is a global leader in best corporate governance and sustainability practices for financial institutions. This has earned us the recognition of Mexican and international organizations.

At GFNorte, managing corporate governance is the responsibility of the Board of Directors and the entire management team. Its purpose is to align our policies and governance bodies with best international practices, and ensure that they conform to existing laws and regulations and above all that their actions and decisions are consistent with our shareholders' interests.

The Board of Directors is the governing body of Grupo Financiero Banorte charged with taking the actions necessary to ensure sound corporate governance, while safeguarding the interests of shareholders, customers, employees, suppliers and communities.

At GFNorte we make sure to always stay one step ahead. In 2018, we approved a policy to promote equality between men and women within the Board of Directors. This policy is included in the Nominating Committee's operational and functional regulations, and includes provisions that promote dignity, equity, inclusion and diversity, to foster an inclusive working environment within the Board of Director based on respect and non-discrimination.

It should be noted that Board Member selection and compensation, as well as the conditions under which they perform their duties and activities, are determined exclusively according to criteria of merit and ability to fulfill the requirements of the position.



Grupo Financiero Banorte is a global leader in best corporate governance and sustainability practices for financial institutions. This has earned us the recognition of Mexican and international organizations.

To set the compensation for GFNorte Board Members, we hire an outside consulting firm specialized in this area, in order to align that compensation with international corporate practices.

The Internal Control System consists of a set of mechanisms and internal controls to ensure that GFNorte and its subsidiaries conform to applicable regulations, in addition to applying methodologies that make it possible verify their compliance. The Audit and Corporate Practice Committee keeps the Board informed of the status of this system at GFNorte and its financial subsidiaries as well as other corporations it controls, including any irregularities detected.

GFNorte pays special attention to internal control over its transactions, to the origination, processing and disclosure of accounting and financial information, to relationships with investors, customers and suppliers, and to compliance with applicable regulations.

GFNorte’s Code of Conduct establishes that members of the Board of Directors, officers and employees must ensure that their activities and businesses safeguard the natural resources of communities where they are present, and that environmental damage is repaired or mitigated to the extent possible when they become aware of a depletion of those resources.

The General Shareholders’ Meeting is the highest governing body of the Company, and its job is to review and, when appropriate, approve the Report of the Board of Directors and of the Chief Executive Officer each year, in accordance with the Law to Regulate Financial Groups. Furthermore, the latter report includes environmental and social aspects that are handled through the Sustainability Committee.

Board of Directors

The Board of Directors currently has 14 members, one of whom is a woman. Of the total number, 10 are independent, i.e. 71%, which is well above the regulatory minimum of 25% and the 60% recommended by international corporate best practices. Each regular member has an assigned alternate, as provided by Mexican law.

The Board of Directors meets on a quarterly basis and in exceptional cases, at the request of the Chairman of the Board, 25% of the proprietary owners, or the Chairpersons of the Audit and Corporate Practices Committee.

Average attendance for Board of Directors is **92.85%**

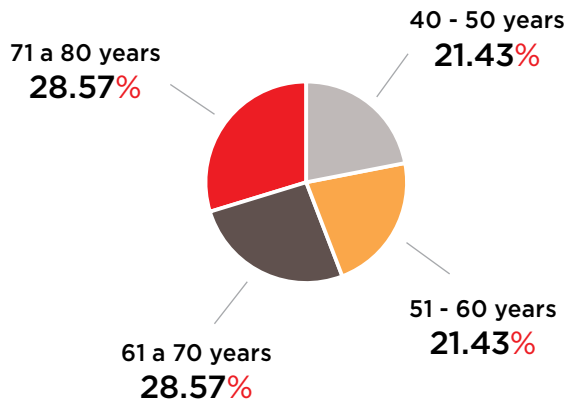
Board of Directors

	Regular Members		Board member since
1	Carlos Hank González	Related Chairman	October 2014
2	Juan Antonio González Moreno	Related	April 2004
3	David Juan Villarreal Montemayor	Related	October 1993
4	José Marcos Ramírez Miguel	Related	July 2011
5	Everardo Elizondo Almaguer	Independent	April 2010
6	Carmen Patricia Armendáriz Guerra	Independent	April 2009
7	Héctor Federico Reyes Retana y Dahl	Independent	July 2011
8	Eduardo Livas Cantú	Independent	April 1999
9	Alfredo Elías Ayub	Independent	April 2012
10	Adrián Sada Cueva	Independent	April 2013
11	David Peñaloza Alanís	Independent	Abril 2019
12	José Antonio Chedraui Eguía	Independent	April 2015
13	Alfonso de Angoitia Noriega	Independent	April 2015
14	Thomas Stanley Heather Rodríguez	Independent	April 2016

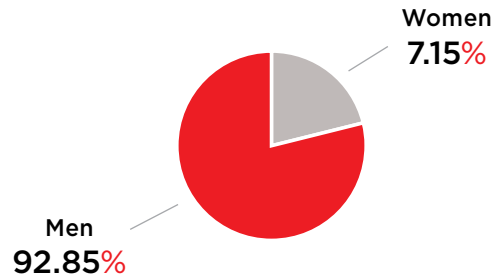


For more information, visit: <https://investors.banorte.com/en/governance/board-of-directors>

Breakdown of the Board of Directors by age range



Breakdown of the Board of Directors by gender



Board of Directors Support Committees

Among the duties of the Board of Directors is to establish rules regarding the structure, organization, composition, functions and authority, among other aspects, of internal committees as it seems necessary, and to appoint their members. Through these internal committees, and according to the sphere of responsibility of each, the Board of Directors keeps track of the main risks to which the Company and members of the financial group are exposed.

Accordingly, the Board has established support committees that are made up of independent members of the Board, and in some cases by executives of the institution itself, in keeping with the applicable regulations.

The Audit and Corporate Practices Committee meets 12 times a year, plus any extraordinary meetings that are necessary. The Risk Policies Committee also meets 12 times a year, plus one extraordinary meeting each year; the Human Resources Committee meets four times a year; and the Nominations Committee meets once a year, or when called by the Chairman.

Average attendance in each committee:

- Audit and Corporate Practices Committee: 89%
- Risk Policies Committee: 93.17%
- Human Resources Committee: 71.49%
- Nominations Committee: 100%



For more information, visit:

<https://investors.banorte.com/en/governance/support-committees-to-the-board-of-directors>

The Board of Directors is the governing body of Grupo Financiero Banorte charged with taking the actions necessary to ensure sound corporate governance, while safeguarding the interests of shareholders, customers, employees, suppliers and communities.

Grupo Financiero Banorte Senior Officers

Name	Title
José Marcos Ramírez Miguel	Managing Director, Financial Group
José Armando Rodal Espinosa	Managing Director, Wholesale Banking
Carlos Eduardo Martínez González	Managing Director, Retail Banking
Fernando Solís Soberón	Managing Director, Annuities and Pensions
José Francisco Martha González	Managing Director, Means of Payment, Digital Banking and Technology
Rafael Arana de la Garza	Managing Director, Finance and Operations
Carlos de la Isla Corry	Managing Director, Risk Management and Credit
Javier Beltrán Cantú	Managing Director, Administration and Human Resources
Héctor Ávila Flores	Managing Director, Legal and Trust
Isaías Velázquez González	Managing Director of Audit
Carlos Alberto Rojo Macedo	Managing Director, Office of the Chairman of the Board
Sergio García Robles Gil	Presidential Advisor Regional Boards

Compensation for senior management

Senior management encompasses the positions of Chief Executive Officer, the executives reporting directly to him, and the positions reporting directly to them, in other words, the top three levels of the organizational hierarchy. At GFNorte, we have a specific variable compensation plan for this group, subject to meeting certain financial metrics established as targets in our 20/20 Vision.

These financial metrics are quantifiable and measurable over time, and include aspects such as return on equity and efficiency ratio.

In general, the variable compensation plan establishes specific financial targets to be met annually through the year 2020. At GFNorte we do not publicly disclose the compensation policy, the executive compensation plan, or the individual compensation of members of our senior management.

The **variable compensation plan** establishes specific financial targets to be met annually through the year 2020.

Macroeconomic climate

Banorte as Mexico's strategic ally

For some time now, Mexico has been a significant magnet for capital investment and the development of vast industrial clusters, because of its strategic geographic location, human capital, long-term planning and relatively stable macroeconomic framework.

The states more deeply involved in this process are those that have seen the strongest rate of growth in recent years. This is crucial in a fast-changing world like our own. For example, last year was a landmark for the world's trade dynamic, possibly the most important since China entered the World Trade Organization in 2001, because of the chilling effect that trade tensions between that country and the United States had on investment, economic activity and expectations. This was one of the factors that also affected Mexico's growth in 2019. But it is also significant that Mexico saw a 7.8% increase in foreign direct investment as of the third quarter of 2019, compared to the same period of 2018. This advance was led by manufacturing, finance and retailing, which benefited from a dissipation of doubts about the negotiations toward a new North American Free Trade Agreement.

The recent ratification of the T-MEC by the US government inspired greater confidence in trade relations between Mexico, the United States and Canada in coming years. Although internationally speaking the road ahead looks rocky in economic, political and social terms, Mexico should be able to rise to the challenge and take advantage of opportunities in this new global overview.

Today the world is facing a dramatic paradigm shift, and we believe it is vital that we not only identify these changes, but act to meet them, promptly and strategically. The technological advances of what is called the Fourth Industrial Revolution has set off disruptive shocks in many industries and in daily interaction among people. This could become a challenge for banking, but also for most of the industries that make up Mexico’s GDP. At the same time, a massive demographic shift is taking place across the globe, with millennials (born between 1981 and 1996) and centennials (born from 1997 on) now making up 51% of the world’s population. This has altered political, social, and cultural systems, along with consumption patterns and customer experiences. We cannot overlook the resulting environmental and social changes, which represent a significant responsibility for all of us. Mexico must bet on a more strategic vision to face these paradigm changes and seize the opportunities they generate. It is in this scenario that GFNorte maintains its firm commitment to Mexico, to continue serving as a strategic ally.

Within this strategic vision we have recognized and assimilated the weak performance of the Mexican economy in 2019, attributed primarily to: (1) the moderation typical of the first year of a new presidential administration, which affects both public and private investment; (2) a series of temporary

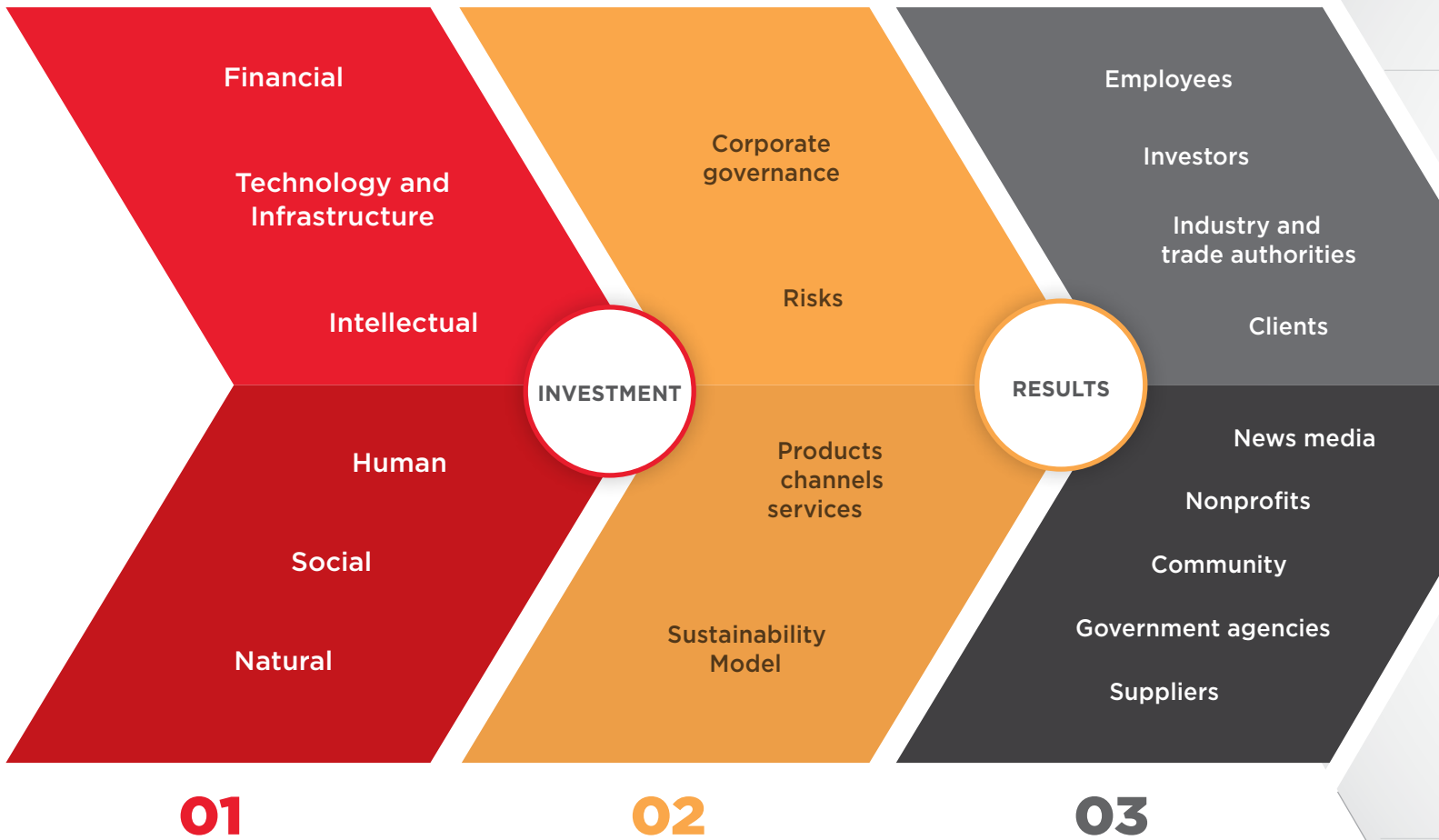
shocks—including an interruption in fuel supply, some strikes in our country and abroad, a blockage of rail lines in Michoacán and the suspension of construction projects in Mexico City; and (3) trade uncertainty, which hit the manufacturing industry particularly hard in a context of rising tension between the United States and China, the renewed threat of tariffs on Mexican goods in the United States, and difficulties in getting T-MEC approved by congress.

For 2020, we estimate a growth of 0.8%, with more balanced risks. We believe the improvement over the past year will be supported by a number of factors, among them less uncertainty—particularly on the trade front, now that T-MEC has been ratified in the United States—which would bolster business confidence. We also believe the first phase of the federal infrastructure plan will help revive private investment. And the slowdown that generally occurs in the first year of a new administration will be behind us, which should be good news in terms of public infrastructure spending—including the start of construction of some key projects. We expect consumption to accelerate modestly (1.2% AaA), supported by higher wages—including a 20% hike in the minimum wage—controlled inflation, and the consolidation of some social programs as the main drivers. Finally, we believe monetary and fiscal policies will be less restrictive overall.



VALUE CREATION

102-4



This model is based on six key capitals: Financial, Infrastructure and Technology, Intellectual, Human, Social and Natural which we invest to transform ourselves and generate value for our clients.

We measure the contribution of each of these capitals to value generation by our business and, at the same time, we make sure to manage them responsibly. Furthermore, we use and strengthen our financial, infrastructure, technology and intellectual capital, and we are aware of our responsibility to develop and protect our human, social and natural capital.

Main indicators of value added for our stakeholders:

Ps. 236 mn
invested in training
and development

Ps. 2 mn
in funds mobilized
for Ayudamos

20.1%
Banorte RoE

39.06%
Efficiency ratio

Ps. 51 mn
in donations by
Fundación Banorte

Ps. 6.04 bn
in employee
compensation

More than
138K
followers in
social media

1,182
branches
8,919
ATMs

17.98 GJ
of energy consumed
per employee

Brand value
USD 1.74 billion
dollars

166,505
point-of-sale
terminals

104,566
videoconferences
held

Ps. 583.58 bn
in financing and support
programs for SMEs

30,167
full-time
employees

Co₂e intensity
(metric tons per
employee):

8.36%
water saving

2.39

Stakeholder dialogue

102-40 / 102-42 / 102-43 / 102-46



Employees

Professional development (ongoing technical training as a model for empowering skills and leadership among our employees), job practices and talent retention.

- Intranet
- E-mail
- Banorte support line
- Banorte TV
- Ethic Points hotline
- Human resources development
- Organizational climate survey
- Union magazine

Human Resources



Investors

Corporate governance: business ethics, coverage and expansion; financial information, risk management and sustainability aspects (socio-environmental impacts and contributions)

- Regulatory Annual Report
- Integrated Annual Report
- Quarterly reports
- Shareholders' meetings
- Newsletters
- Banortel
- E-mail
- Webpage

Investor Relations, Corporate Governance



Authorities and industry representatives

Access, dissemination and transparency of information on the Group; prompt and broad media coverage; consistent, seamless flow of internal and external message.

- Phone
- E-mail
- Webpage
- Social media
- Meetings and visits

Communications and Public Affairs



Customers

Accessible financial products and services, clear information on these, and monitoring of satisfaction and service quality (personal attention and consulting).

- Banorte Móvil Branches
- Banortel
- Specialized inquiry and claims unit
- Webpage
- Social networks
- Satisfaction surveys
- Media advertising

Commercial Area, Marketing, Specialized Inquiry and Claims Unit



Community

Social responsibility management, natural resource management, business ethics, cooperation with communities where we operate, stronger social relationships and opportunities for progress to rebuild the social fabric.

- Phone
- Volunteer work
- E-mail
- Webpage
- Social network
- Visits to communities
- Meetings

Sustainability and Responsible Investment and Fundación Banorte



Media

Access, dissemination and transparency of information on the Group; prompt and broad media coverage; consistent, seamless flow of internal and external message.

- Phone
- E-mail
- Webpage
- Social media
- Meetings and visits

Communications and Investor relations



Government agencies

Regulatory compliance, collective bargaining agreement with unions, environmental management (in areas like water and waste, biodiversity impact and atmospheric emissions), programs with a social impact.

- Committees
- Participation in forums
- Meetings
- Phone
- E-mail
- Webpage

Sustainability and Responsible Investment and Fundación Banorte



Nonprofits

Impact on climate change and natural capital, human rights, economic or product support, strategic alliances and participation in work groups.

- Phone
- E-mail
- Webpage
- Social network

Sustainability and Responsible Investment and Fundación Banorte



Suppliers

Requirements and standards, sourcing, value creation, environmental and social policies adopted by the institution.

- Phone
- E-mail
- Calls for bids
- Meetings

Acquisitions and Expense Control

● Constant

Frequency of stakeholder interaction: ● Regular (weekly, monthly, quarterly, bi-yearly or several times a year)

● Annual

Materiality matrix

102-47

At Banorte, we are concerned with assessing our own capacity to create value and minimize impacts. To this end, in an effort to support continuous improvement, we updated our materiality exercise in 2018 to involve key agents that are among our stakeholders.

A materiality analysis is a strategic tool for understanding the evolution of sustainability in our industry. In this exercise, we consulted with employees, clients and leaders in the field through surveys and interviews that were prepared based on the Banorte value creation model.

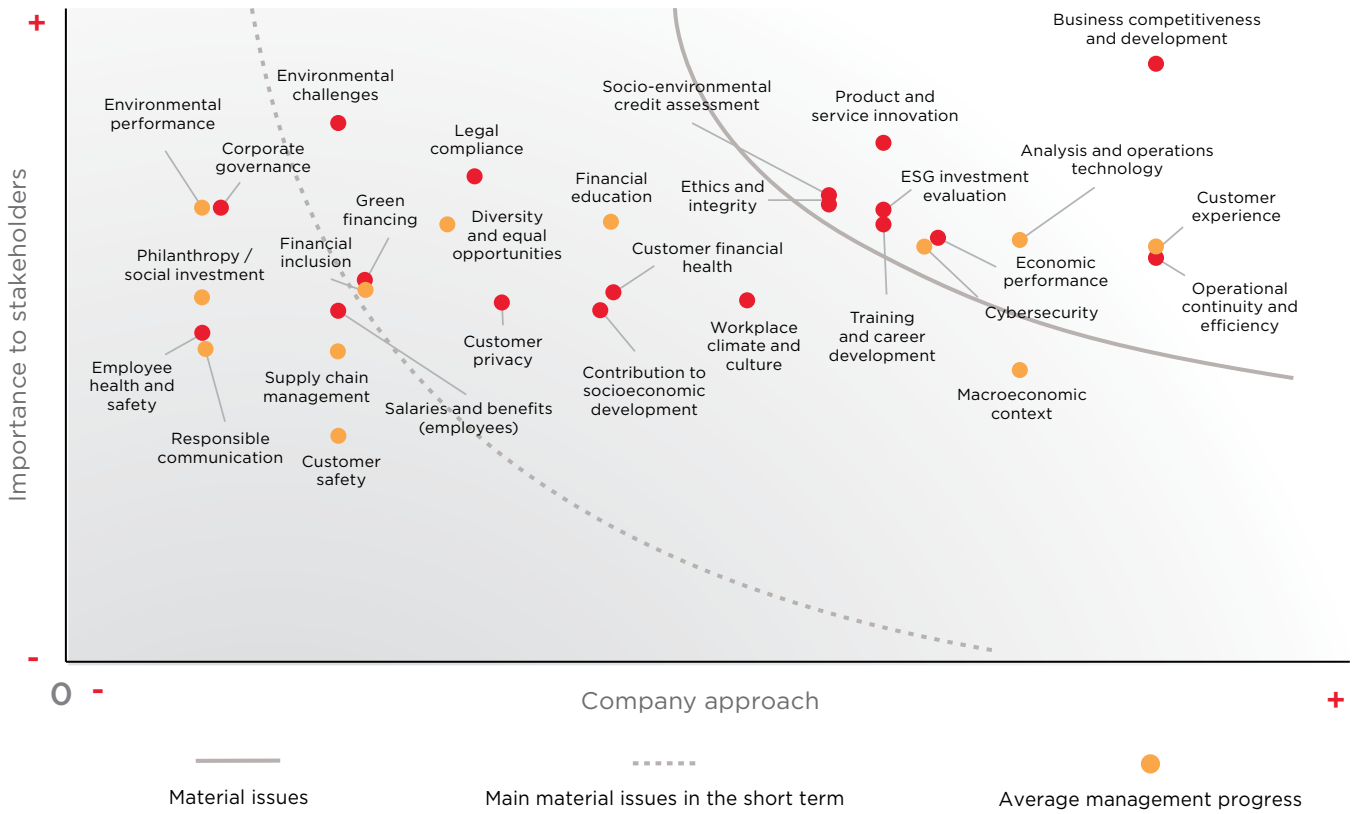
We also analyzed industry documents to obtain an overview of the financial industry, the issues identified by our peers, our mentions in the press, and the priorities for Mexico contained in the 2030 Agenda.

The extensive analysis conducted in keeping with recommendations for identifying and prioritizing issues suggested by the Global Reporting Initiative (GRI) yielded 30 material issues, which we addressed in this document through information on actions, initiatives and projects carried out in each of them, as well as the way in which they align with the United Nations Sustainable Development Goals and the Principles for Responsible Banking.

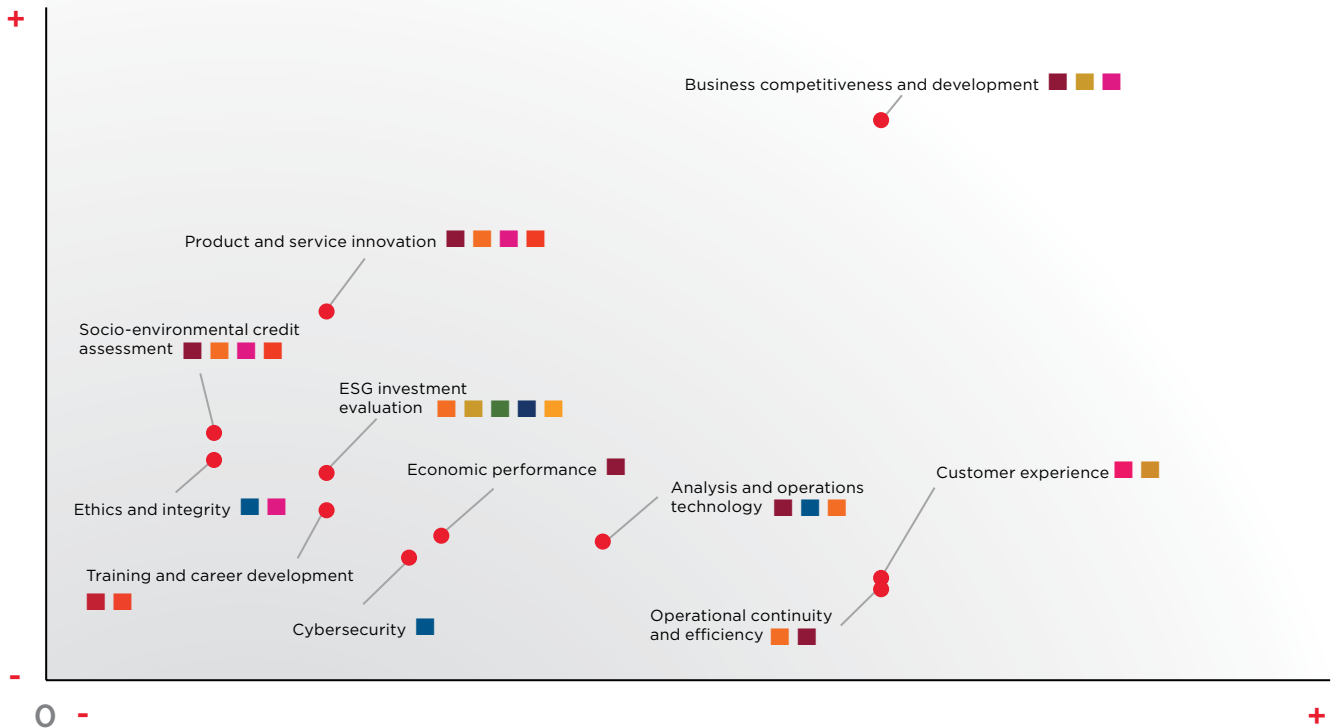


Through a **materiality exercise** we assessed our own capacity to create value and minimize impacts.

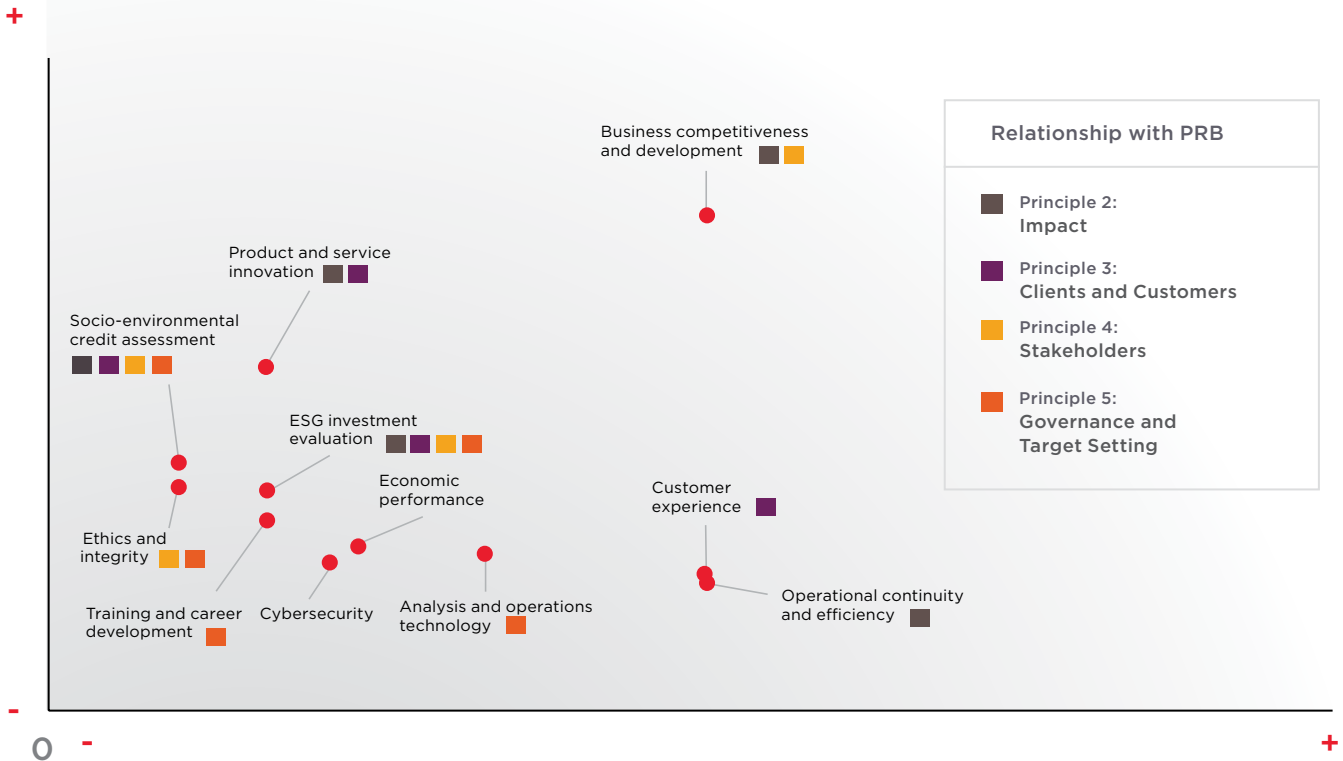
Banorte Materiality matrix



Relationship of materiality with Sustainable Objective Goals



Relationship between Material issues and Sustainable Development Goals



The Financial Group's Contribution to the Sustainable Development Goals



STRATEGY AND BUSINESS MODEL

Value proposition

102-2 / 102-6 / 102-7 / 416-1

The way we view digital banking and means of payment has changed dramatically in the past decade, and the explosion of smartphone use has been a fundamental factor in this transformation.

Amid the dizzying speed of technological change today, clients are much less easily impressed and demand increasingly high levels of service, so banks have had to work constantly on innovating and offering very competitive solutions to meet these high expectations.

Banorte is aware that its clients have very specific needs, so we work hard on evaluating technological

and market trends and bringing them a variety of solutions that create an agile, natural experience in using them.

Clearly, the new generations are both a challenge and an opportunity to continue applying our inventiveness to productive evolution. This does not mean neglecting clients who prefer a more traditional style of banking, however. We at GFNorte want our clients to feel that they have solutions available for meeting their financial and payment needs, regardless of age, gender or consumer preferences.

With the core objective of satisfying our customers, our frame of reference is composed of four basic elements:

1

Security

Trust is fundamental to the relationship between GFNorte and its clients. By providing an ecosystem of secure products and channels, we strengthen that relationship.

3

Knowing our customers

We listen to our clients, study their preferences and learn about their needs so we can take action to meet their expectations.

2

Value proposition

Understanding our clients' needs and desires inspires us to deliver differentiated and highly useful proposals.

4

Market share

By providing a service grounded in trust and our clients' priorities, we aspire to be the best option for an increasing number of people in the market.

Our main achievements in the year can be summed up as follows.

Our achievements

Market share in means of payment

New technologies mean a more diverse array of payment methods. Banorte is constantly innovating to extend these benefits to our clients.



3rd place

Acquirer 16%

Market share of affiliated merchants



4th place

Credit cards 10%

Market share in credit cards



4th place

Deposits 13%

Market share in total balance

Source: National Banking and Securities Commission.

Our portfolio

Product security

Card security

To protect our clients' money, we have introduced a PIN number as a new authentication factor in the use of credit and debit cards in point-of-sale terminals (POS), to replace the use of the physical signature. During the year we enabled more than 10,000 cards with PIN security and reduced fraud by more than Ps. 60 mn.

Anti-fraud strategy

Grupo Financiero Banorte is a leader in the promotion of e-commerce payments in Mexico.

With a fraud rate of less than 1% in physical card transactions, we continue to monitor, adjust and reduce fraudulent activities in e-commerce, with the latest artificial intelligence and machine learning tools and platforms.

These efforts have improved our clients' experiences at the point of sale, making them more confident about the constant use of their Banorte credit card. We achieved a year-over-year growth of more than 5% in transactions and supported a year-over-year growth of more than 30% in e-commerce spending, which we see

as the path for Banorte credit cards to be the favorite payment method of its clients in coming years.

Our value proposition

Online banking and Banorte Móvil

Adopting new technologies and offering self-service tools is a priority for addressing constant change and the needs of our clients. This past year we developed digital bank functions with an emphasis on mobile apps. We provided self-service tools to more than 4 million digital clients and offer innovative digital services like the ability to acquire new investment and credit products, and the use of payment methods like digital cards.

We strengthened our app with new options like:

▶ **Card delivery status and activation**

We added the ability to active a new card with just one click. The impact of this benefit, together with multi-channel communication strategies, is reflected in the volume of activations performed using digital banking.



125% more activations



► **PIN Generation**

To make it easier for clients to select a PIN to use in their credit and debit card purchases, we made it possible them to create a PIN for their card using digital banking.

Ready! Secure purchases with your PIN.

► **Cash advance on credit cards**



Through this app, clients can draw on their credit line and deposit directly into their bank account simply, quickly and securely. Since the launch of this function this year, more than 70,000 withdrawals have been made through digital banking, and close to a third of these were migrated from teller's window transactions.

With this implementation, and other efforts like increasing the number of Banorte ATMs and PIN adoption campaigns, we were able to reduce withdrawals at bank branches.

15% withdrawals migrated from branch visits to Mobile Banking.

► **Deferred installment payments (with or without interest)**



We saw a growth in both the volume and size of transactions, with more than 90,000 unique clients.

More than 40% of total payment deferrals through Digital Banking.

► **Disputed charges**



We introduced improvements that allow us to respond immediately to disputed charge claims, which can be resolved without additional documentation, and those regarding charges made with dual authentication factors.

We received around 20,000 disputed charge claims associated with our debit and credit cards, more than 80% of which were resolved immediately.

More than 80% were resolved immediately.

► **Portfolio programs**



We promoted the growth of portfolio campaigns. In 2018 we were only offering credit line increases through digital banking, this year we added other campaigns, like balance transfers and convenience checks. Acceptance of credit line increases

through digital channels accounted for more than 60% of the total. In acceptance of campaigns involving a monetary impact, close to 20% took place in supermarket channels.

► **Digital card**



In 2013, we became the first bank to offer a payment method designed for use in e-commerce, with the "Mobile Payment" tool. We continue to innovate in payment methods to keep cardless digital transactions secure, by strengthening our e-commerce payment tool, generating the digital card with a one-time password as a dual authentication factor. By generating a new value that changes with every transaction and can only be used once, this helps mitigate fraud risk.

5 times more transactions with digital cards.

► **Placement through digital channels**

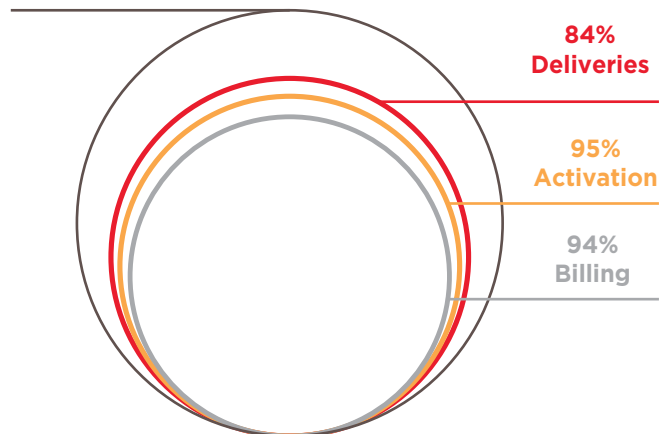


We continued our strategy of diversifying alternative credit card placement channels for Banorte clients, prioritizing the client experience, by deploying digital banking functions (Online Banking and Banorte Móvil) that create paperless placement and total self-service.

We placed more than 20,000 new accounts through digital channels.

More than 80% of which were by Banorte Móvil and almost 20% by Online Banking

More than 20,000 new accounts



Placing new accounts via digital methods reduces account opening costs by more than 70% compared to an in-branch process, and we can transfer these savings to clients as a benefit integrated into the commercial offering.



▶ **New prospect account placements**

We added a new function to our webpage where prospects interested in Banorte can become bank clients by acquiring a credit card. In contrast to what is available in the rest of the industry, our tool is very simple and competitive, and the applicant receives a response in real time.



▶ **Additional card placements**

In the last quarter, we began offering credit card clients the option of acquiring an additional card through Online Banking or Banorte Móvil.

All these functions we offer to our clients represent a new path for meeting their needs, so we remain firmly convinced of the need to increase the penetration of digital payments and services among our client base. We are prepared to adopt new technologies that exist in other markets, while safeguarding the security and confidentiality of our clients' data.

Knowing our customers

Personalized offers

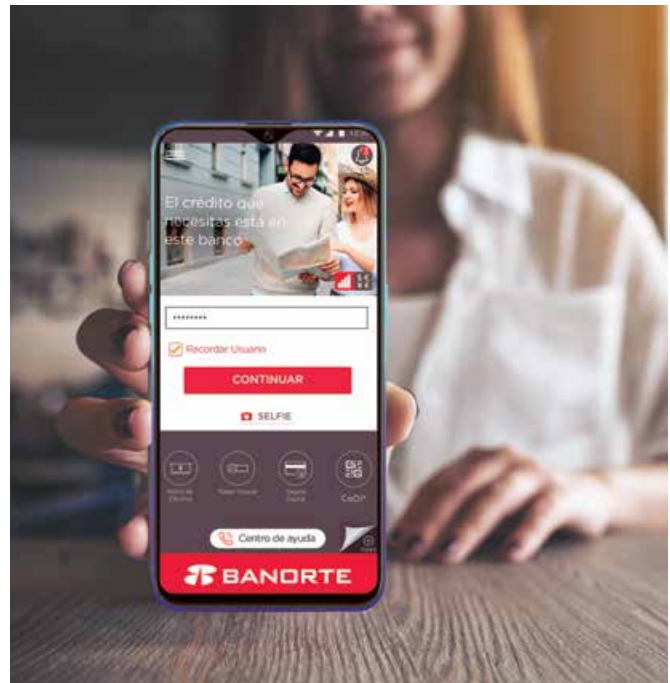
We study the transactionality, timing and preferences of our clients' use of their banking services, so we can bring them personalized offers that are significant to them and allow them to optimize the benefits of their account and make it their top choice as payment method.

▶ **E-commerce**

In recent years, e-commerce has begun to outpace traditional retailing because it enables merchants to reach an increasing percentage of the population with less investment and more profit. We have made a concerted effort to learn more about our clients' preferences and needs regarding this channel. Today, more than 40% of our billing clients have made at least one purchase online.

▶ **Behavioral experimentation**

We applied the principles of "behavioral economics" or "the economics of behavior" through experiences seeking to identify the factors that play in to our clients' decisions. These lessons will enable us to develop more effective strategies for better serving them.



▶ **Multiwaving**

To increase the delivery and first use of cards, we developed segmentation and client propensity models, offering them a variety of options. The purpose is to create a better experience from the start of their relationship with Banorte.

With these models, first use of credit cards rose by more than 10% compared to the control group in the first 90 days after opening the credit card account. In the case of debit cards, the increase was less than 5% compared to the control group.



We have made a concerted effort to learn more about our clients' preferences and needs regarding e-commerce.

Added value - loyalty program

Because we want to recognize our clients' loyalty, we continue to promote the Banorte Total Reward program, a strategic axis in our credit card business and a tool with tremendous potential to differentiate us in the market.

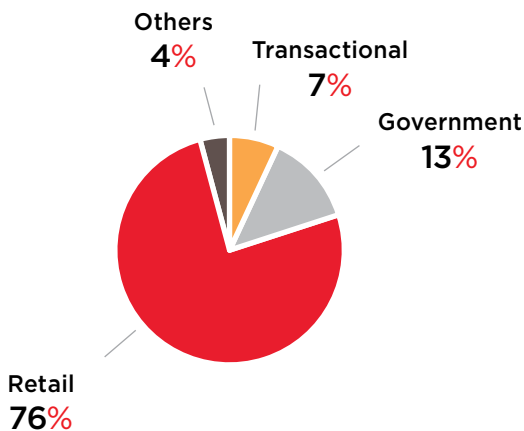
For the first time at Banorte, starting in September we will make it possible for clients to pay for their purchase with credit card loyalty points directly at the point-of-sale terminal in selected merchants (instant award).

Deposits

We worked on providing a complete value offering in keeping with the market's needs, encouraging more people and companies to place their trust in us by choosing one of the deposit instruments we have developed for them.

At the close of the year, we had more than Ps. 600 billion in deposits, and this inspires us to work harder to make our products and services the top choice for Mexican families.

Balance breakdown



For individuals, we have a very complete array of deposit products, like Enlace Personal, which provides access to all the banks' channels.

We continue to work on becoming the best digital bank, facilitating self-service for our clients, reducing costs and optimizing transactions.

Additionally, taking into account the empowerment and role of women in society, we have a comprehensive offering of products and services aimed specifically at them, like the **Banorte Mujer account**, which gives them additional benefits at no cost: home, medical and legal assistance as well as major medical and life insurance.

Committed to protecting our clients' information, we have campaigns to encourage users who still receive printed account statements to choose paperless delivery. This has meant a substantial reduction in costs and had a positive impact on the environment.

We also helped the government implement some of its new social programs by creating deposit accounts with generic debit cards so that it can transfer funds to program beneficiaries in an orderly and transparent manner. This opens access to financial services to more of the population, and helps making bank penetration an engine for economic development and migration to the formal sector in this country.

We optimize account opening times for corporations through the Portable Office platform, so that clients do not have to go to a branch to receive service.

Merchant Acquirer

Our Merchant Acquirer business provides merchants with tools to receive payments with credit cards involving comprehensive collection systems and also enables us to increase deposits by acquiring products from our portfolio.

Our infrastructure includes a proprietary payment engine that processes close to 50 million transactions a month. We have more than 100,000 affiliated merchants nationwide, with around 160,000 devices based on various technologies. Banorte ranks 12th in Latin America and third in Mexico, according to the “Largest Merchant Acquirers Latin America 2018” ranking published by The Nilson Report.

We have made substantial progress in developing the “Acquirer Business Transformation” program, which encompasses more than 10 projects that will increase operating efficiency and administration in this business.

At GFNorte, we are betting on proprietary technology to meet the needs of Mexican retailers. We are also developing new e-commerce functions and incorporating new payment methods like **CoDi®**.

In recent years, we have maintained and improved processes for creating partnerships with Fintechs of all sizes, both domestic and international, supporting the aggregator model in Mexico from its beginnings, which is why we are number one in total sales volume in the nation in this area.

We currently have more than 20 allied aggregators and 15 integrators, which together accounted for around 20% of the monthly sales volume of our Acquirer business portfolio, a growth of 80% over the previous year. Our strategic partnerships have increased our growth and positioning in the Mexican market, attracting and retaining new affiliates and expanding the number of integral services offered.



Our infrastructure includes a proprietary payment engine that processes close to 50 million transactions a month.



FINANCIAL CAPITAL

Key facts and figures



We continued to work toward the clear purpose of becoming the best financial group in Mexico and for Mexicans through our 20/20 Vision.


Net income
Ps. 36.5 bn
 +14% vs. 2018

 **Ps. 763 mn**
 Portfolio

 **Ps. 2.7 bn**
 assets under management

 **Ps. 724 mn**
 deposits

 **5.6%**
 NIM

 **18.5%**
 Capital Adequacy Index (Bank)

 **20.1%**
 RoE

Data Highlights

201-1

We continued to work toward the clear purpose of becoming the best financial group in Mexico and for Mexicans through our **20/20 Vision**. We have successfully completed four of the five years covered by this strategy, but we continue to focus on our stakeholders.

- **Our clients**, who we seek to serve more closely.
- **Our investors**, for whom we want to generate greater value.
- **Our suppliers**, to whom we want to offer the best conditions for development.
- **Our employees**, to be the best place to work.



**Banorte was named
Bank of the
Year 2019**
in Mexico by two respected
international magazines, in
recognition of its excellence
in retail, commercial and
investment services.

Data Highlights

	2017	2018	2019
BALANCE SHEET			
Assets under management	2,423,321	2,607,083	2,771,604
Total portfolio	628,080	790,455	775,448
Total assets	1,354,147	1,620,470	1,580,010
Total deposits	640,821	756,301	724,490
Shareholders' equity	147,583	174,464	195,998
Banorte capital adequacy (%)	17.23	17.17	18.55
Banorte brand value (USD million)	1,441	1,418	1,745
ASSET QUALITY			
Past Due Loan ratio (%)	1.99	1.68	1.65
Coverage ratio (%)	129.16	142.08	137.74
Cost of Risk (%)	2.18	2.31	1.98
NET INCOME	23,908	31,958	36,528
PROFITABILITY			
Return on equity (ROE) (%)	16.98	20.28	20.06
Return on assets (ROA) (%)	1.86	2.18	2.30
Net interest margin (%)	5.47	5.63	5.62
Efficiency ratio (%)	41.94	39.03	39.06

* Figures in millions of pesos

For more information see Auditor's Report 2019:



<https://investors.banorte.com/en/financial-information/grupofinanciero-banorte/2019>

Results

GFNorte continues to report record-high results in net income, based on a diversification of its businesses. At the close of the year, there was growth in every metric established in the financial indicators, and we reaffirmed our commitment to continuing improvement.

Net interest income

Net interest income, excluding the insurance and pension businesses, grew by 8% in the year, resulting from portfolio growth—primarily consumer credit—and a reduction in wholesale funding costs and a better mix of deposits. Our NIM excluding insurance and pensions was 5.6%, an increase of 8pb over the previous year, thanks to funding cost controls and despite a drop in the benchmark rate.

Net interest income for the insurance and pension businesses grew by 5%, primarily because there were more clients and revenues from premiums (net) and a slower growth in the claims index.

Non-interest income

Non-interest income grew by 10% over 2018. Stripping out extraordinary items from both periods, based on recurring figures, the growth was 15%, reflecting more operations and transactions and thus better revenues from client fees and commissions, as well as an improvement in trading revenues.

Non-interest expense

Non-interest expense rose by 8%, primarily due to the effect of a full year of results following the mid-2018 merger, as well as a growth in rental income which, beginning in 2019, includes the expense of leasing corporate buildings transferred under sale-and-leaseback arrangements in December 2018. The increase was also due to increased trading activity with clients, the natural rise in wages and the amortization of technology projects.

With this, the efficiency ratio closed the year at 39.06%, practically unchanged from 2018, but 34pb higher based on recurring figures.

Net income

Net income for the year totaled Ps. 36.53 bn, a 14% increase over 2018, measured in terms of recurring figures—a growth of 17% considering the extraordinary gross income of Ps. 1.66 bn from recognition of the conversion effects Banorte USA's spinoff, representing part of the gains from its liquidation. The growth was due to strong performance both in operation of the Bank and in Insurance, Pensions and Retirements Funds. On the credit side, there was a reduction in reserve requirements due to strong performance

in credit risk and the application of an in-house methodology for reserves and provisions in revolving consumer products and the commercial loan portfolio, which was authorized by the regulatory authority and was applied starting in 2019.

Profitability

ROE was 20.1%, or 19.6% based on recurring figures, 28bp higher than in 2018. ROA was 2.3%, higher than in 2018; with recurrent figures the growth would be 2.2%, with a 16bp growth in the year.

Balance sheet

Performing loans

The performing loan portfolio shrank by 2% in the year, and strong performance in the last quarter could not fully offset the negative effects of advance payments in the commercial, corporate and government loan portfolios in preceding quarters. Excluding the government portfolio, performing loans grew 2% in the year.

The consumer portfolio expanded by 7%, 11% in auto loans, 9% in mortgage loans and 8% in credit cards, which gives us a 14.8% share of the consumer and mortgage loan market.

The balance of performing loans to SMEs fell by 3% last year, reflecting a more rigorous selection of risk in a market climate of greater uncertainty.

Past due loans

The past due loan ratio was 1.7%, lower than the year before thanks to a reduction in delinquency in the consumer portfolio and a substantial reduction in the balance of past-due loans in the corporate portfolio.

GFNorte continues to report
record-high results
 in net income, based on a
 diversification of its businesses.



**Time deposits
grew 4%
while demand deposits
grew 6%**

Deposits

Time deposits grew 4% while demand deposits grew 6%, the result of strategies focused on increasing client account balances. Market preferences indicate that clients tend to favor interest-bearing deposits, given the prevailing level of real rates.

Reserve requirements and loan-loss reserves

At the close of the year, the balance of reserves to cover past due loans was reduced by the release of a substantial amount of reserves assigned to government and housing developer portfolios. Of total write-offs, loan forgiveness and reductions, 71% were in the consumer credit portfolio, 10% in mortgages and 19% in the commercial portfolio.

The reserves coverage ratio was 137.7%, 4.3 percentage points lower than the year before.

Capital

Shareholders' equity at the end of the year was 12.3% higher than in 2018. The most significant changes were:

- Dividend payout of 50% of 2018 net income.
- Interest payments on subordinated debentures.
- Defined remedies for employee benefits; 88% pertaining to the annual restatement for actuarial calculation of new group obligations.
- Increase in the valuation of securities available for sale, the result of volatile asset prices in the year.
- A higher valuation for cash flow hedge instruments, due to lower volatility in the period.

Note that the negative results from mark-to-market valuations the previous year were reversed at the end of the year, when we closed the year with a gain of Ps. 1.58 bn, of which Ps. 6.73 mn came from the valuation of cash flow hedges, and Ps. 1.04 bn from the valuation of titles available for sale.

The bank's capital adequacy ratio was 18.54% in 2019, with a tier 1 capital level of 12.73%. The leverage ratio was 10.84%.

Fiscal transparency

207-1 / 207-2 / 207-3

Committed to transparency in all of its tax obligations, GFNorte's fiscal strategy is embedded in our system of corporate governance, which establishes the policies, principles and values that guide us in his regard.

To verify compliance with the group's tax obligations, we have various tax risk control procedures, and our head tax counsel is in regular contact with government agencies to keep them informed on a timely basis of GFNorte's primary tax issues and measures adopted to manage tax risk.

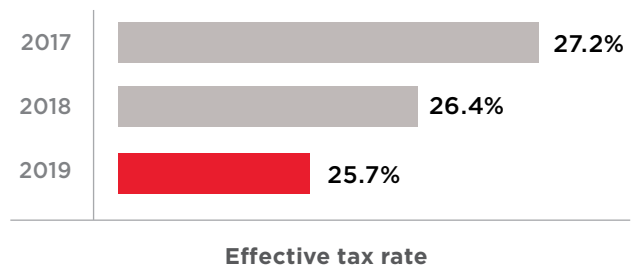
Our current tax strategy involves:

- Actively working to comply with tax obligations, in keeping with current regulations.
- Adapting to the new digital environment.
- Constant, clear and transparent communication on tax matters with our various stakeholders.

Income tax

According to the Mexican income tax law, our income tax rate for 2018, 2019 and subsequent years is 30%.

The reconciliation of the legal income tax rate and the effective rate expressed a percentage of profit before income tax is as follows:

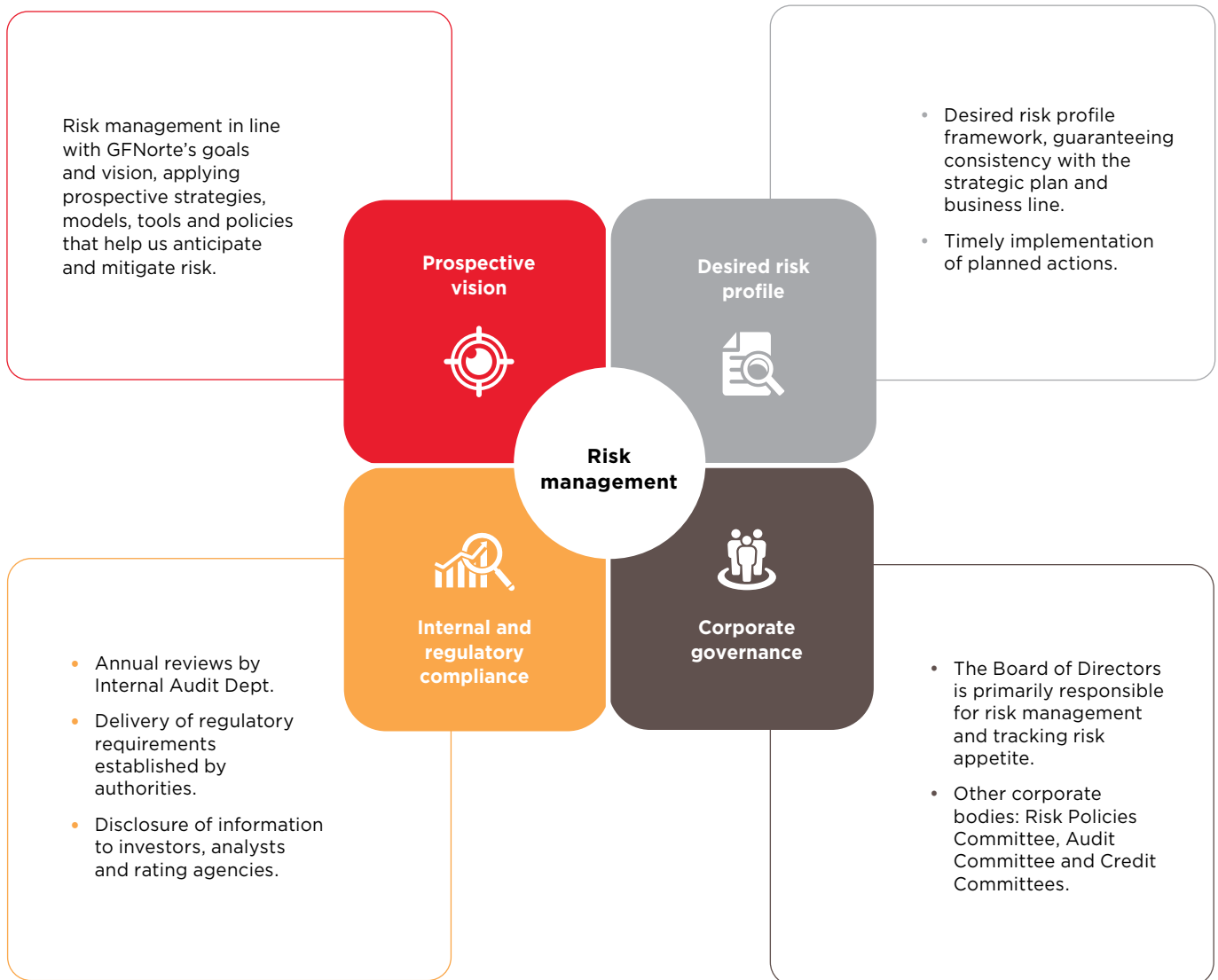


Risk management at GFNorte

Risk management is key to achieving strategic objectives in terms of profitability, asset quality, liquidity and solvency.

Risk management is based on early detection, to anticipate possible impacts and promptly take the corresponding mitigation actions, based on optimization of the risk/return balance through models, tools and policies that support value creation for clients, shareholders, employees and the community.

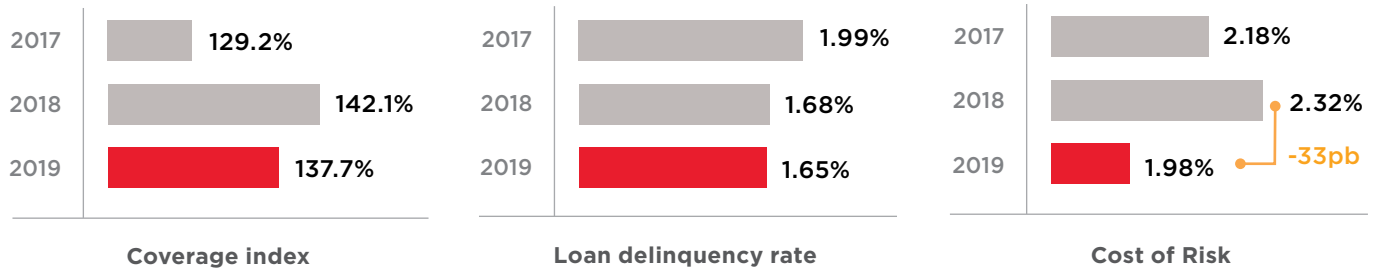
Comprehensive risk management approach



Main risks managed by Banorte

		Type of risk	How is it managed?
Quantifiable	Credit risk	Risk of losses due to income volatility, caused by the creation of reserves for asset impairment and potential losses for payment default by a borrower or counterparty.	The risk team defines strategies and procedures that cover origination, analysis, approval, administration, follow-up, recovery and collection. It is managed through policies, models and methodologies both for individual and for portfolio risk .
	Market risk	Risk associated with revenue volatility caused by changing market conditions, which affect the valuation of positions in lending or borrowing transactions or give rise to contingent liabilities, like interest rates, spreads, exchange rates, price indexes, etc.	Managed through fundamental pillars, which include the use of models and methodologies like potential loss, retrospective analysis, sensitivity analysis and stress tests.
	Liquidity and balance-sheet risk	<p>Liquidity Risk: Risk of losses from being unable to roll over liabilities or acquire new ones under normal conditions, because of the advance or forced sale of assets at unusual discounts to cover obligations.</p> <p>Balance-sheet risk: Risk resulting from impacts on net interest income, which is defined as the difference between revenues generated by interest and costs associated with liabilities and other financial costs. Depending on the balance sheet structure, changes in interest rates may have a positive or a negative impact under scenarios of rising or falling rates.</p>	<p>Liquidity risk: Managed through fundamental pillars including key indicators like the liquidity coverage coefficient, repricing gaps and liquidity ratios, as well as stress testing.</p> <p>Balance-sheet risk: Managed through a model of repricing gaps. The sensitivity of net interest income to interest rate changes over a 12 month horizon is also calculated.</p>
	Operational Risk	Risk of losses originating from a discrepancies or failures in processes, personnel, internal systems or external events. Includes technological risk and legal risk.	Managed through a system that records events classified into various types of associated risks. Also monitored across the entire organization, tracking compliance with defined acceptable levels of tolerance.
	Concentration risk	Risk of losses attributed to a high and disproportional exposure to specific risk factors within a same category or across various risk categories.	Managed through risk diversification policies, optimizing the risk-return balance.
	Socio-environmental risk	Risk of events or exposures that have an adverse impact on the natural environment and/or communities, as a result of human activities and nature itself. Socio-environmental risk can give rise to credit, market, legal, operational and reputational risk	The socio-environmental risks and impacts of corporate and business loans are analyzed through the Social and Environmental Risk Management System (SEMS), which identifies, categorizes, evaluates and tracks the financing over its life cycle.
	Non-quantifiable	Reputational risk	Risks associated with the potential loss from the development of an activity, caused by a worsening of perceptions by internal and external parties regarding the company's solvency and viability.

Main risks managed by Banorte

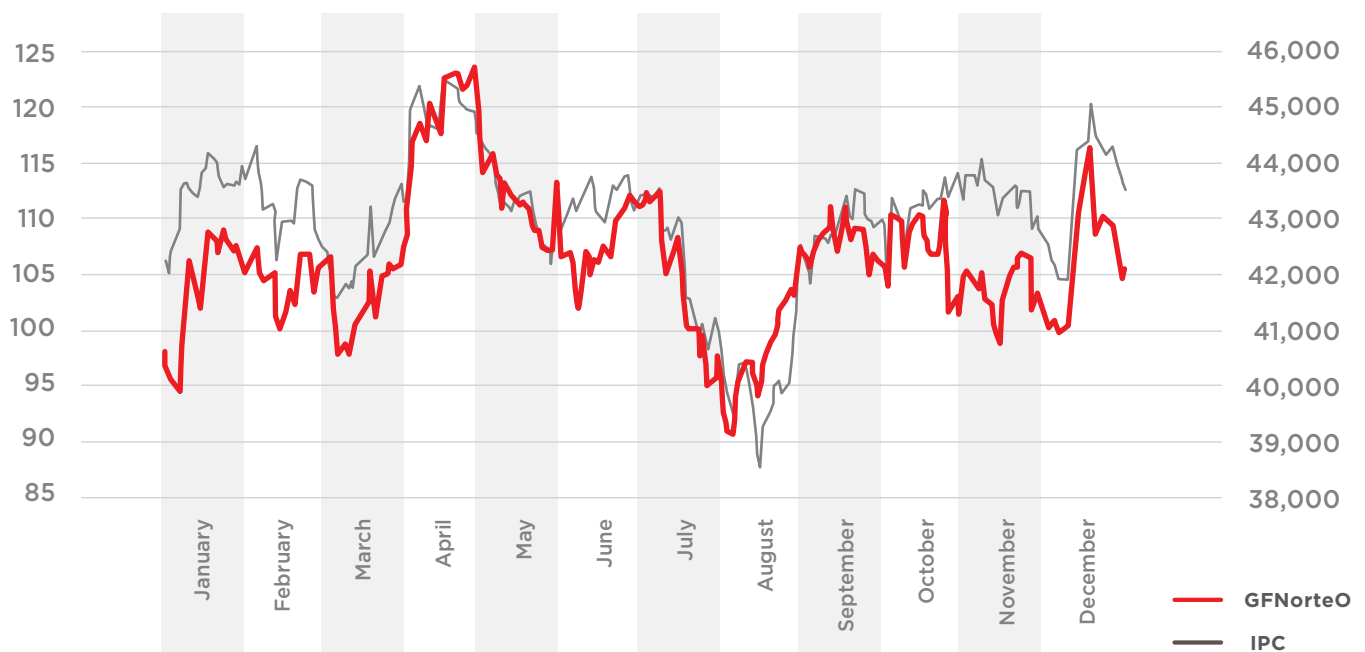


GFNorte stock price

Despite the uncertainty surrounding the first year in office of the new presidential administration in Mexico and tensions in international markets, GFNorte stock gained 10.30% on the market last year, well above the return on the benchmark IPC index, which was 4.56%.

The company's stock price closely tracked market trends for most of the year, declining from May to August, when the IPC reached a low of 38,574 points—its lowest since 2014—in response to a stagnation in global economic growth and uncertainty in world markets. The IPC gained 5.28% in the last quarter of the year.

Comparison of GFNORTEO and IPC in 2019



Our shareholders

102-12 / 103-1 / 103-2 / 103-3 / 201-1 / 201-2

As one of Mexico’s most widely recognized publicly-traded companies, we are committed to applying the highest standards of corporate governance, information disclosure and communication with the investment community and our stakeholders.

GFNorte has a globally diversified shareholder base made up of individual and institutional investors. Throughout the Group’s process of institutionalization,

we have developed various strategies to expand our shareholder base and remain an option for those seeking long- or short-term investment, or simply following our dividend policy.

As for shareholder compensation, on June 7, 2019 we paid out a dividend of Ps. 5.54 per share, after a change in the dividend policy was approved by shareholders in the May meeting, increasing the percentage of net income to be paid out from 40% to 50% of retained earnings from previous fiscal years.

Indicators

	2017	2018	2019
Shares outstanding at close of year (million)	2,773.73	2,883.46	2,883.46
Trading volume (shares)	6,344,430	7,477,514	6,909,501
Value traded	703.46	855.82	732.72
Highest quote ²	127.71	136.38	123.69
Lowest quote ³	94.23	83.63	90.83
Stock price ²	107.83	95.78	105.65
Book value per share ²	52.55	59.75	67.18
Diluted earnings per share ²	8.619	11.093	12.688
Market cap ¹	299,091	276,177	302,763
Dividends per share ²	5.28	3.45	5.54
Dividends paid ¹	14,645	9,563	15,979
Dividend yield	3.72%	3.60%	5.25%

Dividends per share in 2017 included: second payment on 2015 earnings totaling Ps. 1.23; 2016 earnings for Ps. 2.78; extraordinary dividend for the sale of INB, Ps. 1.26; and dividend payments of Ps. 3,421, Ps. 7,723 and Ps. 3,500, respectively.

¹ Figures in millions of pesos.

² Figures in pesos.

We have developed various strategies to **expand our shareholder base** and remain an option for those seeking long- or short-term investment, or simply following our dividend policy.

Continuing our program of GFNorte Level 1 American Depositary Receipts (ADRS) (GBOOY), where each ADR represents five shares, we closed the year with 4,739,384 ADRs outstanding; a 36% reduction from 2018.

We are a Financial Group that listens to and is concerned about its shareholders.

During the year, the Executive Department of Investor Relations, Sustainability and Financial Intelligence was active in a number of forums, as described below:

- More than 20 national and international conferences
- Three non-deal roadshows (NDRs)
- Two Deal Roadshows
- More than 40 investor visits to our corporate offices

During the year, GFNorte was the second most heavily traded issuer in the Mexican Stock Exchange. This was reflected in its accounting for 9.7% of total trading on the Mexican market—a proportion that on some days rose to more than 20% of total market activity.

In the area of sustainability, GFNorte is included in the following market indexes:

▶ **DJSI MILA
for the third year in a row**



▶ **FTSE4Good SI
for the fourth year in a row**



▶ **Bloomberg Gender Equality Index
since 2017**



MORE THAN A BANK

INFRASTRUCTURE AND TECHNOLOGY CAPITAL

Leading growth and generation value



This year more than ever, we were closely involved in meeting Mexicans' needs, because we believe in a more inclusive, solidary form of banking—what we call social commitment.

3.7 million
of Electronic Banking users



1,182
Branches
NPS 60



1.7 million
of mobile
banking clients



8,919
ATMs



Fully digital,
paperless process
for credit card origination

102-15 / 102-30 / 103-1 / 103-2 / 103-3

Information technologies

This year more than ever, we were closely involved in meeting Mexicans' needs, because we believe in a more inclusive, solidary form of banking—what we call **social commitment**.

To support this new bank we are becoming, we acquired administrative services for outsourcing the operation, support and modernization of technology infrastructure services. The project has moved forward on a number of fronts and we've been able to improve processes, launch high-availability and high-resilience initiatives, and implement tools, an operating management model and automation.

Our process evolution has enabled us to accelerate our capacity to continue handling the huge volume of change at the application function level and to bring in new technological solutions. Because of the maturity and continuous adaptation of our processes, we maintained and exceeded established service levels for our business areas and clients, which was successful owing to the update and implementation of more than 200 operation processes and procedures.

Some examples of the growth and availability models that have enabled us to incorporate clients to our channels under high standards are:

Furthermore, to be a more solidary bank, we launched various initiatives:

Apoyos Banorte, a product which is acquired on a mass-market, centralized basis at the request of government agencies.

Apoyos Banorte, a product which is acquired on a mass-market, centralized basis at the request of government agencies, not offered in branches. Enrollment is very simple—by registering their debit card, users become part of a community of people in social programs, in which they can chat, send and receive money.

In 2020, we underscored our social commitment further by continuing to support the federal government's social programs: beneficiaries have the option of downloading a mobile application to monitor their balance and activity and make transfers between other services.

A **120%**
growth in data
storage capacity.

**High
availability**
for duplicating capacity in
digital channels.

Around
30%
growth in the million-
instructions-per-minute
(MIP) capacity of our
mainframe.

A **56%**
growth in processing
capacity in our
virtualization
platforms.

A technical
renovation of
close to 10 PB
(petabytes=10¹⁵ bytes)
in various
storage systems.

As part of the social support program aimed at paying bimonthly benefits to 10 million Mexicans, we will develop a mobile self-service channel with lower operating costs and promote the use of digital channels that encourage a shift to cashless operation.

Likewise, we optimized receipt of deposits from the federal treasury account (CUT). As of the third quarter of the year, this type of account handled incoming deposits of Ps. 600 million.

We also implemented the **CoDi**® system, a platform developed by Banco de México (Banxico) that allows individuals and companies to make wire transfers between their accounts in real time using mobile devices and through the current SPEI payment infrastructure. According to Banxico’s website, Banorte is the bank with the best response time, a sign of our extensive infrastructure and development quality.



Banorte is the bank with **the best response time**

In our Banorte 2018 Annual Report, we pledged to stabilize the pace of work and prioritize technological solutions. This is what we did in 2019, and the result was a more efficient use of resources through strategic projects.

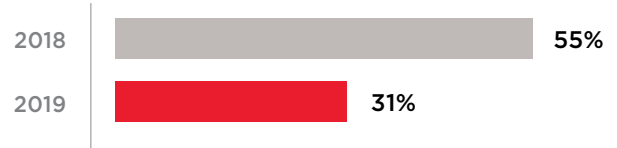
Investment allocation

We divided our portfolio of projects into three areas:

1.

Operating the bank:

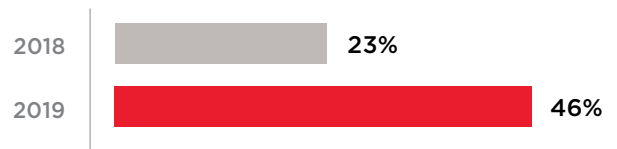
projects that allow us to meet regulatory, security, technological and operating risk requirements, and to perform corrective maintenance and upgrades of existing systems.



2.

Changing the bank:

projects that help keep us up to date in operating management and upgrades, through increasingly advanced technologies.



3.

Transforming the bank:

Projects that are part of our ongoing effort to reinvent the bank through digital technology solutions.





We strengthened our ties with other financial institutions and created a **cyber-intelligence** work group, recognized by the ABM.

We allocated more to change and transformation this year than in 2018, without sacrificing our pursuit of security goals, because we know that no company is immune to cyberattack. Because of this, we have developed information security programs that reinforce protection of our most critical assets.

The SPEI connection incident that affected the entire national financial system in 2018—a cyberattack on software used by banks to transfer money in real time—shed stark light on the need to bolster the regulatory framework governing cybersecurity. These regulatory changes were published on November 27, 2019 in the Unified Banking Circular (UBC).

At the same time, facing a rising number of cybersecurity incidents in the financial system, regulators have stepped up IT verification and audit requirements, and are more rigorous in their reviews. External auditors are focusing on controls in place for the bank to mitigate cybersecurity risks. At Banorte, we have people devoted to attending to external regulators and auditors, which helped us to obtain positive results in the reviews conducted. We have also focused on addressing every one of the requirements and observations received.

Our Information Security area is audited each year by internal and independent experts to guarantee that we meet all the regulatory requirements to which we are subject.

Additionally, every year we create a compliance plan that entails a proactive review of internal processes and controls in order to confirm the efficacy of these controls or pinpoint areas of improvement.

Through implementation of a three-year internal program, we worked to increase the coverage and maturity not only of technical controls that allow us to be more proactive in detecting attacks, but also of our processes and the way we respond to a variety of threats.

The program has three goals:



Maximize coverage of information assets protection (applications and infrastructure)



Mature and/or enable advanced event monitoring and incident response processes.



Mature and/or enable the continuous strategic application oversight and protection program, aligned with the business strategy and risks.

In an effort to improve the way we deal with critical incidents, we created a cyber-crisis management structure, made up of a team specializing in prompt corrective and/or preventive attention to high-risk problems:

- Mass and/or advanced attacks
- Financial fraud
- Digital intelligence and forensics

With this specialized team, we strengthened our ties with other financial institutions and created a cyber-intelligence work group, recognized by the Mexican Bankers' Association (ABM), for sharing information on cybernetic threats to the Mexican financial system.

In the event of a crisis, GFNorte has three lines of defense. These are:

1

Monitoring and analyzing, in the server network, bank databases and other systems, activities that might point to policy violations, incidents or a threat to our information security.

2

Generating an incident response plan that brings together all the areas involved; following up on execution of the activities defined in the plan and remaining in communication with the cyber-crisis team to prepare a recovery plan.

3

Implementing a critical or high-impact cybersecurity incident response and recovery plan, and communicating the incident and following up through the defined channels. Carry out preventive activities in order to identify possible incidents or attackers, recommending implementation and execution of security controls.

With an eye to bolstering our strategy for crisis management response, we began a crisis drill program and, as an additional preventive measures, we took out cybernetic risk insurance.

We continue our ongoing investment in improving our ability to monitor and identify unusual activity in our internal network; at the first sign of alert we take immediate action to mitigate the risk of impact to our clients or our services.

With our employees we are continually reinforcing training on cybersecurity and we provide them with channels for communicating any type of technological incident, whether related to service operations or cybersecurity issues. This enables us to diagnose and promptly address any matter reported.

As for the human factor, through our membership as founding partners of the Monterrey Digital Hub (MDH), the primary purpose of which is to build digital talent in the region, we have a facilitator for the development of digital skills and digital evolution in general, enabling our teams to participate in events that promote creativity and develop digital skills, and creating a community for transferring knowledge and experience.

The Monterrey Digital Hub gives us access to cutting-edge technological solutions and promotes Banorte's connections with Fintechs and entrepreneurs.



Modernizing our infrastructure has made us a digital bank that manages Big Data and Artificial Intelligence.

Infrastructure

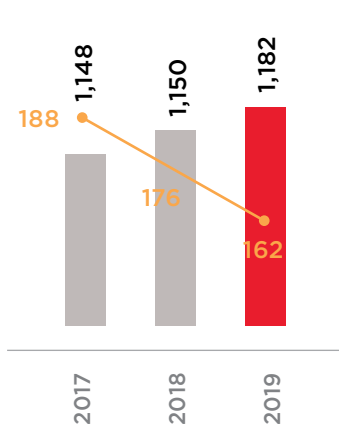
102-4 / 203-2 / FS-13 / FS-14

We serve more than 20 million clients through our business model, incorporating innovative digital models that allow us to continue meeting their needs.

Means of delivery have evolved considerably in the last three years, and there are now many more clients using online and mobile banking.

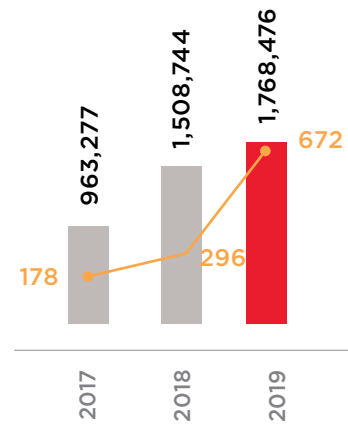
Means of delivery

	2017	2018	2019
Branches	1,148	1,150	1,182
Transactions (millions)	188	176	162
ATMs	7,911	8,423	8,919
Transactions (millions)	642	675	715
Correspondents	26,131	28,227	14,181
Transactions (millions)	33	49	32
Internet - number of clients	2,383,218	2,224,293	3,172,622
Transactions (millions)	1,377	1,385	1,175
Mobile banking-number of clients	963,277	1,508,744	1,768,476
Transactions (millions)	178	296	672
Point-of-sale terminals (POS)	165,441	158,735	166,505
Transactions (millions)	320	417	586
Billing (millions of pesos)	244,918	311,178	376,687
Contact center calls received (millions)	184	46	52



Number of branches

—●— Transactions (millions)



Number of mobile banking clients

—●— Transactions (millions)

We bring banking closer to clients in remote locations where access is limited, through a network of correspondents—retail chains independent of Banorte, with their own personnel and equipment—from which we offer a variety of services.

Correspondent banking has become a tremendous driver of financial inclusiveness for Mexico’s development.

Correspondents

Channel	Number of offices	Number of Mexican municipalities covered	Percentage of Mexican municipalities covered
Banorte branch network *	1,182	331	13.5%
Correspondent network *	14,171	1,612	65.6%
Correspondents located in municipalities where there is no Banorte branch presence	3,729	1,283	52.2%
Correspondents located in municipalities where there are no bank branches	1,257	711	28.90%



Total municipalities in México: 2,457. Source: www.inegi.gob.mx

Municipal coverage of banking infrastructure in the country. Source: www.cnbv.gob.mx/Paginas/PortafolioDeInformacion.aspx

* For more information visit: <https://www.banorte.com/wps/portal/banorte/Home/inicio-localizador/>



HUMAN CAPITAL

Reaffirming our work culture and values



We are confident in our capacity to support the comprehensive growth of our employees, and we provide them opportunities for ongoing personal and professional advancement in a healthy, safe and ethical working environment.

30,162 employees



50.2%
Women



49.8%
Men



98% of
our personnel
received training
in money-laundering
prevention



More than
Ps. 200 million
invested in training and
career development

102-8 / 405-1

The Human Resources area has transformed our model of employee interaction through collaborative work with leaders of the organization. Its purpose is to develop initiatives to help our employees identify their potential and improve their individual performance. These initiatives touch on various processes, like succession planning, performance evaluation, and development of new learning models, providing continuous feedback for enabling individual development and motivating employees to take on new challenges.

We are confident in our capacity to support the comprehensive growth of our employees, and we provide them opportunities for ongoing personal and professional advancement in a healthy, safe and ethical working environment.

Number of employees as of December 31, 2019

Company	Total	
	2018	2019
Banking sector	23,140	24,124
- Bank	20,158	21,119
- Warehousing	46	39
Leasing and Factoring	149	235
Aspe	2,787	2,731
Companies in the US	184	179
- Uniteller	162	153
- Banorte Securities	22	26
Savings and Annuities	7,224	5,864
- AFORE	5,221	4,180
- Insurance	1,849	1,556
- Annuities	154	128
Total	30,548	30,167

Data on permanent employees in the Afores, insurance and pensions include outsourcing employees as permanent employees.

Diversity and equal opportunities

Our human resource policies are based on equitability. We do not discriminate against anyone for any reason, and we offer the same development and growth opportunities to every one of our employees.

We have a diverse and balanced work force in terms of age and gender.

Work force by range and gender

Gender	Age Range	Total	
		2018	2019
Women	< 30 years	7,131	6,660
	30-50 years	7,107	7,297
	> 51 years	1,026	1,143
Total women		15,264	15,100
Men	< 30 years	6,828	6,285
	30-50 years	6,482	6,567
	> 51 years	1,485	1,697
Total men		14,795	14,549
Total		30,059	29,649

Not including outsourcing personnel

Work force by job category and gender

Category	2018		2019	
	Women	Men	Women	Men
Senior management	143	556	146	570
Middle management	2,813	3,904	2,999	4,112
Workers	12,308	10,335	11,955	9,867
Total	15,264	14,795	15,100	14,549

Not including outsourcing personnel

Professional development

404-1 / 404-2 / 404-3

Training and career development

We provide technical and leadership training to all our personnel in order to make sure we can meet specific detected needs.

Through our “Success Factors” technological platform, we introduced Training Needs Diagnosis technical training, which enables us to plan learning programs.

Average hours of training by job category

Category	GFNorte	
	2018	2019
Senior management	34	28
Junior management	29	29
Managers	26	35
Administrative	13	26
Average	26	30

Average hours of training by gender

Category	Bank	
	2018	2019
Women	16	33
Men	20	28
Average	18	30

Investment in training and development (Bank)

Item	2018	2019	Change 2019 vs. 2018
Scholarships	\$10	\$15	54.5
Travel expenses for training	\$42	\$35	-16.3
Courses and conferences	\$121	\$186	53.1
Total	\$173	\$236	36.5

Figures in millions of pesos

Leadership training

We provide leadership training programs for middle and senior management, aligned with the new model of competencies, covering more than 1,000 employees.

Based on our training needs, more than 3,000 employees received training, equivalent to more than 80,000 hours assigned to different programs.

Program	Total hours
Leadership skills	56,276
Technical (master's, doctorates, etc.)	25,348
Total hours	81,624

Almost all of our personnel received training in money-laundering prevention.

- A course entitled **Internal Work Regulation** and a quick guide to the **Internal Regulations and Code of Conduct** provided all new hires with training in human rights issues, along with 170 employees from the Department of Protection, Security and Intelligence.
- All of our employees received training in the Law on Protection of Personal Data.
- We defined the operating and governance model of the Corporate University; around 10 curricular design workshops were held in preparation of the first roll-out in 2020, and the first HR class graduated the program.

With regard to succession plans for senior management, we worked with an external consultant to evaluate and conduct guided interviews of more than 40 senior executives. We have ongoing mentoring programs for women and initiatives to encourage their growth in executive positions.

We created an internal mentoring program for women directors and assistant directors at Banorte to create a structured at network of assistance by which they can share experiences, transmit knowledge, and give and receive advice on issues close to their professional and personal needs and aspirations. Three workshops were held on management skills, executive image and gender equity context in the corporate world.



Leadership model and skills

We developed and communicated Banorte’s new leadership model, which incorporates competencies in the performance evaluation scheme, aligned with potential and educational offering metrics on this new reference framework.

Ethics and integrity

102-16 / 102-17 / 102-33 / 102-34

Our **Code of Conduct*** establishes the guidelines for conduct by GFNorte employees, inside and outside of the institution. Every year we ask our employees to sign a commitment to abide by the code.

GFNorte prohibits all forms of discrimination.

To report any conflict of interest, improper practice or violation of the standards, values and conduct promoted at GFNorte, we have an anonymous institutional tool open to all executives and employees. Complaints are fielded and researched by the Human Resource, Comptroller’s and Internal Audit areas. During the year more than 200 complaints were received, 85% relating to Human Resource issues and 15% relating to matters of Internal Control.



https://investors.banorte.com/-/media/Files/B/Banorte-IR/documents/policies-and-documents/en/Code%20of%20Conduct_NF_260219.pdf

Working environment and work culture

401-1

For GFNorte, the working environment incorporates relationships between the employees and the company, as well as all variables that affect teamwork and internal communications, along with talent attraction and retention.

The average employee turnover in the Bank was 19% for women and 22% for men, while in Insurance and Pensions it is about 13% for both genders.

Organizational climate model

We optimized the process of delivery and communication of results and improved the organizational climate intervention model with model 2.0 Banorte Escucha survey, and also conducted pilot surveys of the new model.

Working environment satisfaction survey

This is evaluated according to the model developed by the Great Place to Work (GPTW) Institute, which measures five dimensions:

- 1** **Credibility**
 Perception as to whether leaders provide appropriate information to employees, whether they are competent to lead the organization, and whether their actions are consistent.
- 2** **Respect**
 Employees’ perception of the support they receive from leaders, their willingness to collaborate with them and whether they feel valued as people, rather than simply workers.
- 3** **Impartiality**
 The perception that leaders treat people fairly and impartially and promote meritocracy instead of favoritism.
- 4** **Pride**
 Sense of satisfaction when people perceive their job to be significant and that they make a difference in the organization; joy in the achievements of their team and sense of appreciation for the company—its brand, products and services, and its philanthropic contributions.
- 5** **Camaraderie**
 Perception of having authentic relationships with coworkers; a climate in which they can have fun, celebrate events, both company and family, and see themselves as part of a great team, generating an excellent working environment.

The survey was conducted in September, with the following results:

- General result for the Bank in 2019: **81%**

Results by dimension

Dimension	%
Credibility	82
Respect	77
Impartiality	79
Pride	86
Camaraderie	84

At GFNorte, we know how important it is to encourage a positive working environment, and to generate and constantly strengthen our employees' commitment. With this in mind, and based on the GPTW evaluation for this year, we defined some key aspects to develop in 2020.

- Informing every CEO and his group of Associate CEOs of the results of the study, pointing out areas of opportunity and recommendations for drawing up an improvement plan if necessary.
- Promoting best practices in the organization and specifically in departments where some result was below the Bank's average.
- Encourage the participation of everyone who works at Banorte in maintaining a healthy working environment that contributes to our professional growth; this through a strategy of communication.
- In 2020, to begin conducting internal surveys in areas that are working on some improvement plan, considering the size of their commitment.

Value proposition for the employee

We communicate the central features of this proposition through digital media, we carry out profile segmentation and we launched and positioned "Banorte Vale." We also held on-site value proposition activations and explored synergies with Talent Attraction for assessing attributes and changing publications in social media.



We encourage a positive working environment, and to generate and constantly strengthen our employees' commitment.

Banorte Experiences

We redesigned institutional experiences and events to benefit our employees.

¡Hola! Onboarding program

A program to welcome new employees to Banorte.

Youth Building the Future

We participate in this federal government program, whose purpose is to provide job training to youth between 18 and 25 years of age. More than 300 youth entered internships at Banorte, and some of these were hired.

"Talento Fuerte" Program

A program that seeks out high-potential youth to meet Banorte's needs for talent by providing an accelerated development of experience, know-how and skills in various business areas.

Hackathon Monterrey and CDMX

Last year was the first time we participated in this technology event, organized by the Tec de Monterrey, benefiting more than 800 students and professionals. We were the only Mexican bank present, and we gathered 600 profiles from technology candidates. The members of the winning team were invited to join Banorte through its internship programs.

Talent Management Platform (Success Factors)

We completed the optimization of workflows for recruitment, selection and onboarding processes, expediting activities and ensuring greater traceability, measurement and efficiency for all participants in this process.

Promotion system

In coordination with Banorte’s workers’ union and the Commercial area, we created a new technological tool for filling vacancies in union positions in the branch network of the Northern Territory. This enables us to place the best talent in the Commercial network in positions of greater responsibility, through a standardized, transparent, agile and meritocracy-based process. Soon we will be rolling out this system and promotion process on a nationwide basis.

Banorte’s employee compensation strategy is designed to maintain a strong competitive position in the market in terms of total compensation, with an appropriate mix of fixed and variable compensation.

One mechanism for retaining talent in key positions is our executive stock plan, which gives employees more incentive to achieve the company’s financial goals. We have an annual bonus scheme and retention plan with differentiated features.

The annual bonus is paid out in keeping with certain goals and the performance of risk and human resource metrics, including compliance. Forty percent of the bonus is variable, and payment is deferred over a three-year period.

Percentage of unionized employees (Bank)

Company	Non-union employees	Union members	Total	Change 2019 vs. 2018
Banorte	14,675	6,718	21,393	31.4
Aspe	858	1,873	2,731	68.6
Total	15,533	8,591	24,124	35.6

Employee compensation (GFNorte)

	2018	2019	Change 2019 vs. 2018
Sr. Executives	\$3,346	\$3,750	12.07
Employees	\$2,139	\$2,291	7.11
Total	\$5,485	\$6,041	10.14

Figures in millions of pesos

Compensation

102-38 / 102-39 / 201-3 / 202-1 / 401-2 / 405-2

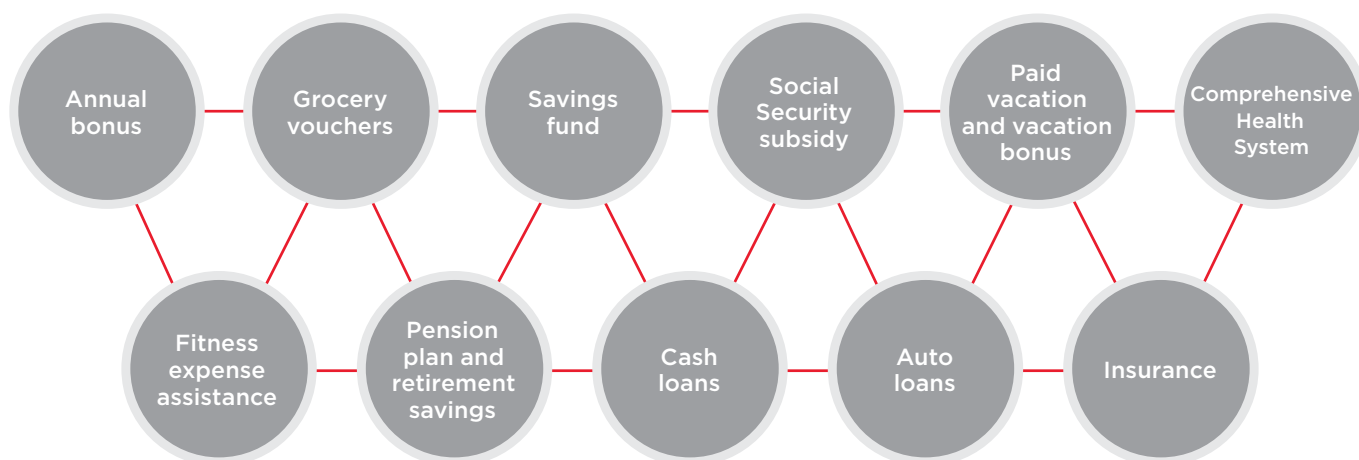
Employee benefits

We are continuously working to offer our employees a comprehensive package of pay and benefits that is competitive in our industry. Employee compensation includes a series of benefits all of which are equal to or above those required by law.

Average salary by job category and gender (GFNorte)

	Women		Men	
	2018	2019	2018	2019
Senior management	\$124,887	\$132,785	\$140,196	\$156,614
Middle management	\$32,915	\$35,027	\$35,904	\$39,157
Operations	\$10,470	\$11,269	\$10,506	\$11,389

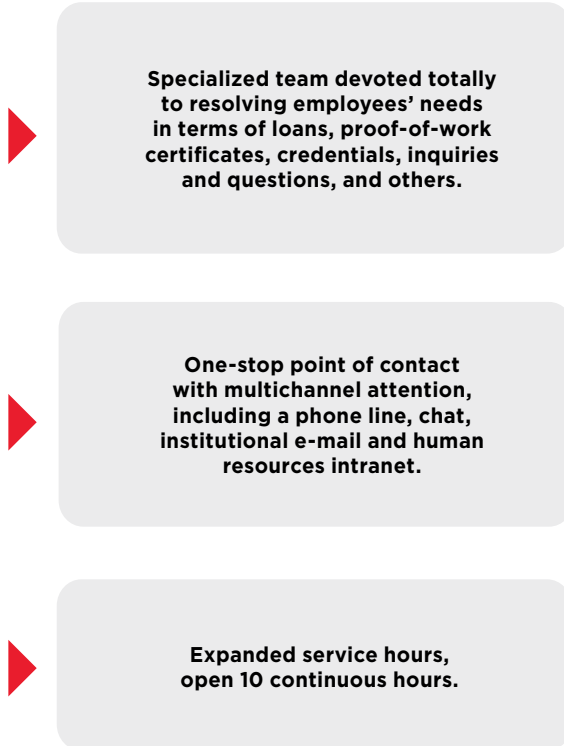
Figures in pesos



Employee Services Contact Center

As part of our transformation process in Human Resources, we introduced a new model of employee service in 2019 by creating a centralized area that will provide better service and experiences to Banorte employees in the use of their benefits.

The primary features of this contact center are the following:



Employee health and safety

401-3 / 403-3

Health and wellness

The goal of the Health and Wellness Program for employees and their dependents is to create a philosophy of health self-care, mitigating risk factors in order to create a balance between physical and psycho-social wellness.

To this end we have taken a number of actions, such as:

- 1. Program to detect cardio-metabolic risk**, applied to group employees in order to detect factors or health conditions relating to chronic degenerative diseases. This past year studies were taken of more than 6,000 corporate employees; the goal is to increase participation by 10% each year.

- 2. Health promotion program**, which relies on our first-contact family medicine physicians. One of the most important programs was the flu vaccine campaign, in which around 7,000 vaccines were applied, 6% more than the year before. And in order to protect employees over the age of 60, for the first time last year we held a pneumonia vaccination program, distributing close to 800 doses.

- 3. Cancer detection program**, where for the second year in a row we ran a campaign for detection of breast, colon, lung, prostate and cervical-uterine cancer, this time focused on our two main corporate offices, with more than 60% of our staff participating. The plan is to integrate all corporate offices into this program in a single event.

- 4. Balanced nutrition in corporate dining rooms and physical activations**, to complement the cardio-metabolic risk factor detection program. We introduced nutrition and physical activation programs into our corporate offices, in addition to the family medicine team. We are working to lower the overweight and obesity rate at GFNorte, currently at 60%, which is below the national average but remains a source of concern to our institution.

Program support

We have health tools designed by the Mayo Clinic, which enables users to self-evaluate their state of health. We have a hotline for employees experiencing emotional crises or seeking nutritional counseling, open 365 days a year.

During the year 440 employees applied for maternity leave, and another 359 for paternity leave. Out of the 440 women who requested this benefit, 435 came back to work at the end of their leave and had access to nursing rooms in some of the group's corporates.

The Safety and Health area will be incorporated into the Comprehensive Health System Department, in order to create a program to detect risk factors that threaten the physical and mental health of our employees and can affect the institution's productivity. This program also complies with the official standards of the Ministry of Labor and Social Planning.

A control module will be released based on indicators on absenteeism, disability, occupational risk and partial and permanent disability, which will enable us to measure the impact and benefits of our operating programs.

INTELLECTUAL CAPITAL

Developing cutting-edge products



We prioritize customer satisfaction and experience, along with operating efficiency.



Innovation culture:
Customer-centric
Associations and collaborations



Individuals:
training and development
Customer experience



AGILE methodology:
with multifunctional teams



Information technology architecture
based on services (API)

Innovation

103-1 / 103-2 / 103-3

We prioritize customer satisfaction and experience, along with operating efficiency.

This year we introduced a multichannel sales platform that allows clients to acquire and manage Banorte products and services on line under a quick, safe and secure self-service model. The service is available 24 hours a day, 365 days a year, regardless of where they are or what type of electronic device they are using.

The multichannel sales platform uses the most modern component architecture available, providing flexible banking operations and an omnichannel experience for the customer, who can start the opening or service process in one channel and complete it in another of their choice or convenience.

The following processes are currently available:

- Payroll loans
- Credit cards

We also introduced a Unified Customer File to manage the documentation the bank holds on its customers for all digital processes, making the account opening process easier.

We are continually seeking out innovative strategies to offer customers new business models. Through the Office of the General Director of Innovation, we created various strategic alliances, among them one with a startup accelerator and Silicone Valley Fintech, which gives us access to the global Fintech system to learn about and exploit new ideas and applied technology to benefit our clients.

We launched the first digital assistant in Mexican banking, which offers not just information but access to monetary transactions through an alternative form of web-based self-service and a new customer experience. We are continually improving this system based on interaction with customers.

In order to get to know our customers better, GFNorte has an AI-based tool for tracking companies on the web, which helps us identify business opportunities and be alert to any adverse circumstances.

In the area of artificial intelligence, we are currently focused on the following:

1.

Enabling cognitive capacity for listening to customers on the voice channel.

2.

Analyzing tone and emotions in customer calls.

3.

Extending use of the Virtual Assistant to internal clients, which will improve current customer service.



**The new
multichannel
sales platform
that allows clients to acquire
and manage Banorte
products and services online
using a quick and secure
self-service model.**





Furthermore, to offer new experiences through the use of artificial intelligence, we integrated two of the market's top virtual assistants as new media/channels for our customers to look up information and, soon, monetary transactions. This gives clients with web-enabled devices the ability to view information on their product and services using their voice, and reduces traffic in both our call center and in our physical branches, while enabling us to continue innovating customer service.

In our control areas we are also constantly exploring innovative technologies, calculation methodologies and the use of alternative information. For example, we developed approval and early alert models with machine learning techniques, tested delivery route optimization algorithms, and explored graph technology for money-laundering and fraud prevention, among other topics.

We are members of one of the world's largest blockchain consortiums, which gives us access to cutting-edge platforms that explore the implementation of business solutions based on blockchain technology—another way we innovate our service offering for customers.

We participated in global controlled-environment pilot testing together with more than 160 other institutions. These tests were to learn about functionalities for expediting and simplifying international commerce, both in credit cards, in open accounts and transactional banking. The intent is to give our customers more confidence in the security and traceability of their transactions.

We also participated in evaluating digital identity tools that promise to simplify customer identity management, given them control over their own identity in digital media.

In keeping with the Law to Regulate Financial Technology Institutions, GFNorte is moving forward with preparation of its API platform, to meet the requirement that financial institutions share open financial data, aggregate data and transactional data with third parties, while protecting the client's right to use their information as it best suits them, while applying security and control measures necessary for access and consumption of these data.

Also, we strengthened our innovation culture through the **"Banorte Ingenuity"** Program, which has been in place since 2010 and is an innovation platform close to our employees, inviting them to apply their ingenuity to resolve biyearly challenges with innovative ideas, which are later made into prototypes and tested to see how feasible they would be to implement.

We integrated two of the market's top virtual assistants as new media/channels for our customers to look up information and, soon, monetary transactions.



Banorte signed a collaboration agreement with the **Duke University Center for Advanced Hindsight**, aimed at extending knowledge of its customers.

Analytics

As part of our drive to incorporate technological innovations and update existing technology, we made considerable progress in the impact of analytics campaigns on customer development. This was leveraged by a quantitative and behavioral knowledge of clients gained through application of three basic tools:

- a. Artificial intelligence
- b. Champion-challenger experimental techniques
- c. Behavioral type tools

With this we achieved greater speed and impact in the development of digital channels for delivering offers to customers.

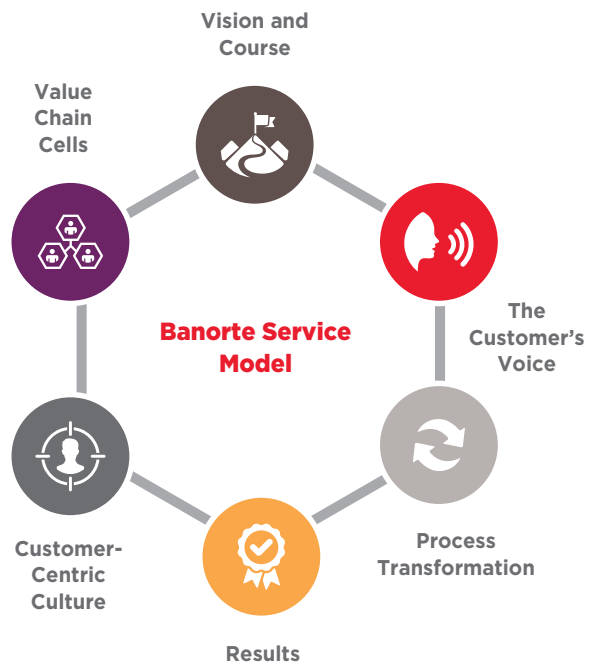
Artificial intelligence has made our product placement models more precise and enabled us to fine-tune customer communication. We have also begun to use it for assessing risks.

The adoption of experimental techniques to improve offers, communications and choice of channels meant a change toward a customer-centric culture of continuous improvement.

Customer relations
Customer experience

103-1 / 103-2 / 103-3

With our customer-centric service model, we join efforts to create solutions aligned with our strategy of being the best bank for service and attention, and we share our common commitment to creating memorable experiences for our customers.



Our **Banorte Service Model** rests on six pillars, with the customer at the center.

This model applies to the entire organization, and its goal is to transform everything from back office processes to personalized attention by executives in the front office.

Customer service
Our customers, our priority

The Customer's Voice

We are well aware that creating memorable experiences for our customers means first listening to them. That's why we strengthened our Customer's Voice in Real Time program, adding new listening channels at branches, ATMs, contact centers, digital channels, insurance offices and high-value customers, among others.

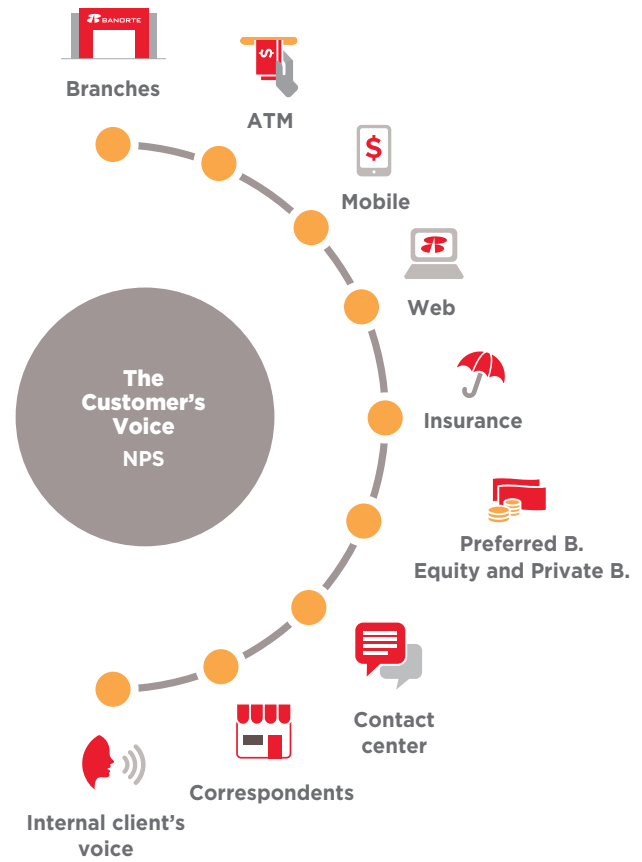
This program involves gathering opinions from customers in real-time surveys, applying NPS technology to determine how satisfied they are and how well they would recommend our products, services and channels.

The index is based on one fundamental question: how likely are you to recommend Banorte? On a scale of 0-10, where 9 and 10 are promoter customers, 7 and 8 are passive clients, and 0 to 6 are dissatisfied customers.

We received more than 6 million customer response on the service we provide. We responded to customer services through a value chain headed by more than 15,000 branch executives and contact centers.

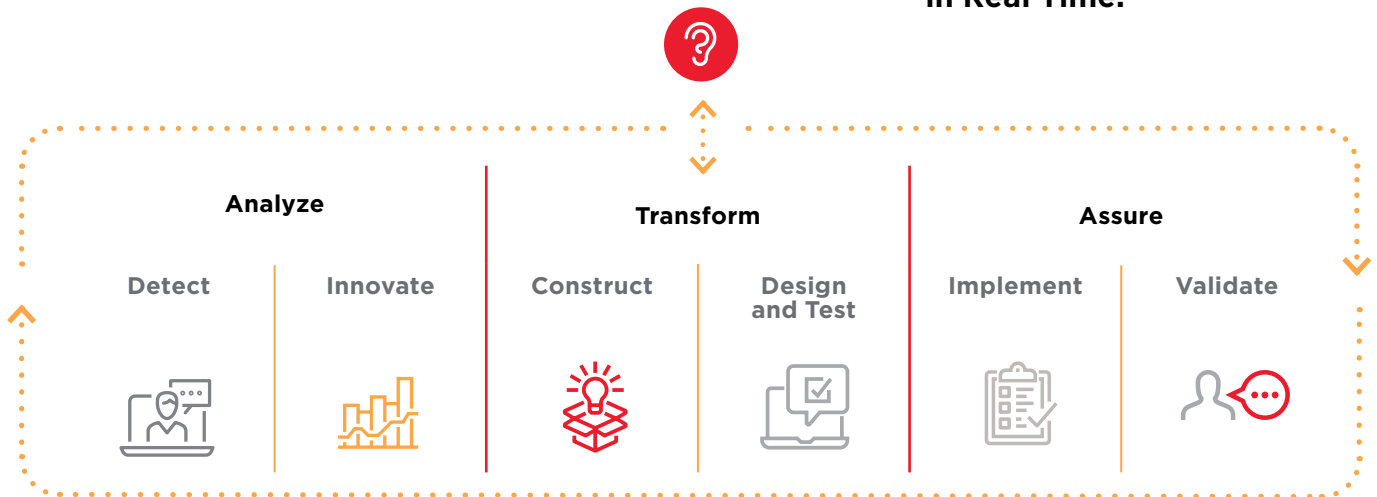
Transforming experiences

The voice of our customers and employees enables us to focus on process transformation and new experience design through a three-phase methodology: Analyze—detect and analyze the pain points in the experience; Transform—design and build the experiences; and Assure—implement and validate the new experiences with clients.



+

We strengthened our program, Customer's Voice in Real Time.



This methodology has enabled us to transform experiences and increase the number of promoter customers and index of products per customer, while reducing the number of detractor customers.



Promoters

2018 **68%** → 2019 **73%**



Detractors

2018 **15%** → 2019 **12%**



Multichannel

2018 **68%** → 2019 **72%**



Branches

2018 **15%** → 2019 **13%**

2018 **74%** → 2019 **79%**



Digital Channels

2018 **9%** → 2019 **6%**

Products per Customer
Promoters and Detractors



We are changing emotions

We went beyond the customer experience to connect with their emotions, move their senses and create unforgettable memories that will keep us top of mind in their future decisions to develop long-term businesses.

From the customer's perspective, this means taking into account what they most value: consistent and timely responses at key points of interaction, and based on our knowledge of them, specialized offers and services consistent with their profile.

New experience design

Co-design

Armed with the voice of the customer as our starting point and based on market research, best competitive practices and in-depth studies, we designed new experiences in workshops together with customers to sketch out the new experiences they expect from Banorte.

These studies enable us to continuously improve branches, ATMs, digital channels, credit cards, car loans, mortgages, payroll loans, contact centers and inquiries, among other services.

We integrate emotions into our co-design of experiences.

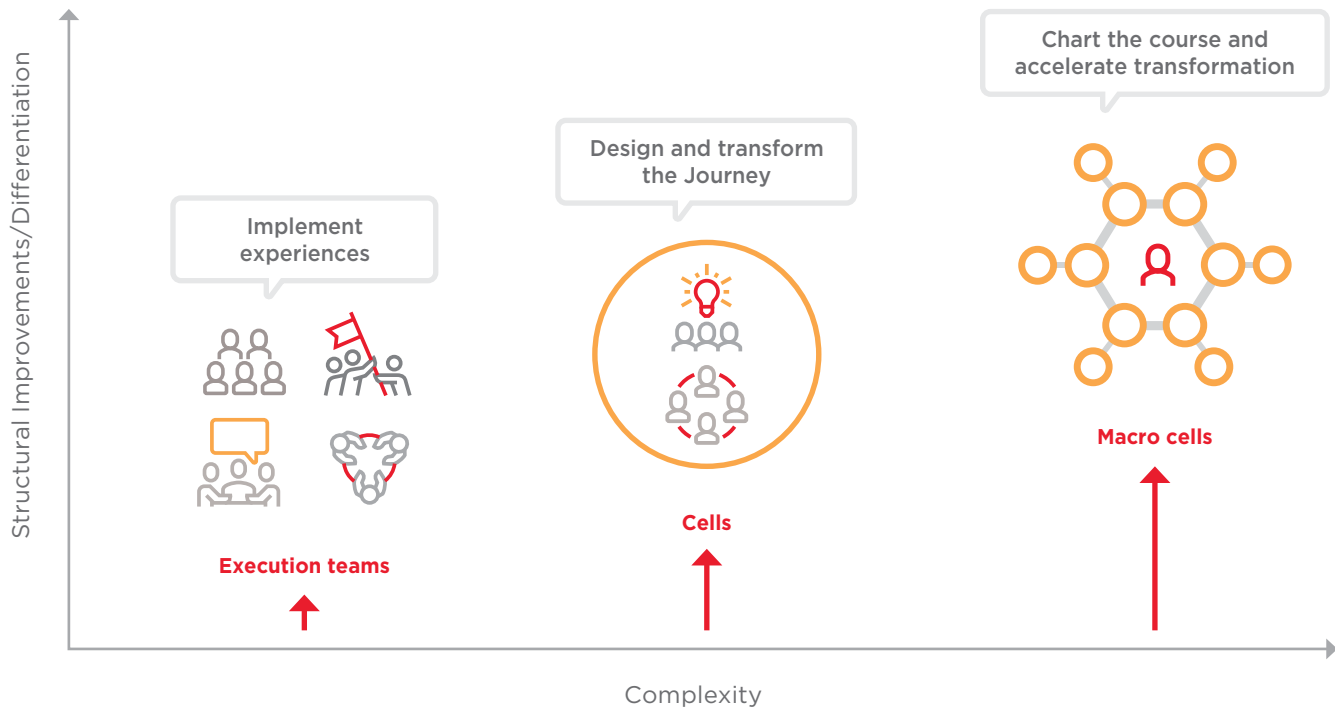
Cells: our multidisciplinary teams in action

To transform experiences and emotions, we bring together the entire organization and all our talent in multidisciplinary teams called Cells.

These Cells chart a course for the effort and transformation; most of the initiatives are focused on improving customer experiences.

To guide the Cells' efforts, we prioritize projects and initiatives that maximize benefits for customers and the business. The highest-impact experiences are recorded in digital banking, which is highly important because it is a self-service channel, which empowers the customer in their omnichannel experience.

At the institutional level, we received projects evaluated by our central project office, and 70% of the initiatives evaluated and prioritized had a direct impact on the customer.



Assurance

Once the Cells have completed their work, we guarantee the experience and quality of developments before applying them to the customer, and to assure it, we have a customer experience testing lab. During the year we tested more than 2,000 cases of various projects relating to branch processes, account origination, mobile banking redesign, biometrics, deposit and credit placements, and others.

Customer solutions

We offer customers a fully digital, paperless process of credit card origination in mobile and online banking, with a 92% activation success rate. We closed the year with more than 400,000 new digital card customers.



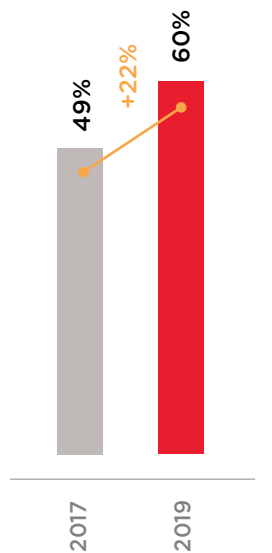
**Banorte,
the first totally
digital bank
in credit card origination.**

Self-Service

With just one click, our customers can perform account statement lookups, track delivery of their credit card, transfer payroll loan accounts, mutual funds, term investments, inquiries, cash transfer from credit card to checking account, **CoDi**[®], and others.

Automatic teller machines

To fortify customer service at ATMs, we offer them self-service and credit products consistent with their profile, and we continue to focus on discouraging the printout of tickets for account inquiries and withdrawals. Thanks to this initiative, the cleanliness and image of our ATMs received positive ratings from our customers.



NPS trend for branches

Branches

With the consolidation of our preferred service model, our high-value clients gave us an NPS score of 78 points.

Our branch network increased its recommendation rate by more than 20%, reaching a record high of 62 points in November.

We reinforced the branch service model through offline workshops and digital tools; during the year more than 14,000 employees across the country received training.

Queue Manager (QM)

Our Queue Manager (QM) makes the difference between attention and service. We are the only bank that can differentiate our customers and users by segment. We served more than 75 million turns. Speed



We transferred transactions from teller's windows to ATMs, successfully migrating

2.3 million cash deposit transactions.

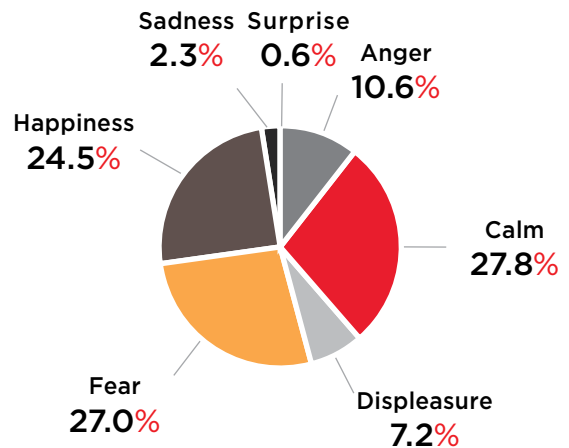
of attention is one of the most important aspects for customers, and we continue to optimize our branch service times.

We identify our customers' emotions

We have allied with leading artificial intelligence firms, sharing algorithms and experiences, and speeding up learning for our robots.

In Customer Experience, through artificial intelligence, we have been able to learn more about our customers' emotions, both in social networks and in the interactions or transactions they have with us. Identifying whether a customer is happy, sad, surprised, angry or calm, helps us define actions for boosting the positive emotions.

We identify our customers' emotions



Marketing

Strength is the freedom to live life fully and make the most of our time, which is our most valuable possession.

This has been our core message in communications with our clients and in our advertising campaigns in 2019, and it highlights Banorte's role as a facilitator in the lives of our clients.

At Banorte, as always, we reiterate our commitment to being there for Mexicans at the most important moments of their lives: buying a home or a car, or using their credit card to go on vacation with their family, or borrowing to grow their own businesses.

We know that going to the bank isn't necessarily their favorite activity, but it's at those times when—whether or not they see it—Banorte is there for them.

Our job is to be as close as possible to our clients, without them noticing; when they need us, we're there. This is the best service we can give to all Mexicans. It's the way we can make them stronger, either through Mobile Banking or through or more than 1,100 branches, 9,000 ATMs, 13,000 correspondents and more than 27,000 people working to serve them.

Our communication stresses the elements of proximity, attention and service, with the backing of our solidity and commitment to Mexico, and to every Mexican.

These efforts drove a 23% increase in our brand value and moved us up 26 notches in the ranking published by Brand Finance, reaching a total of USD 1.74 billion dollars—Mexico's most valuable banking brand.

We will continue to communicate Banorte's values and capabilities for serving and being in the lives of more Mexicans. Committed to their development, at every moment.



SOCIAL CAPITAL

Strengthening our social commitment



We launched “Impulso Banorte” to accelerate the development of high social profitability infrastructure in Mexico, ensuring the technical and financial viability of the projects.



More than
Ps. 12 bn in loans
granted to project finance



More than **30%**
of registered IBAs
are women
entrepreneurs

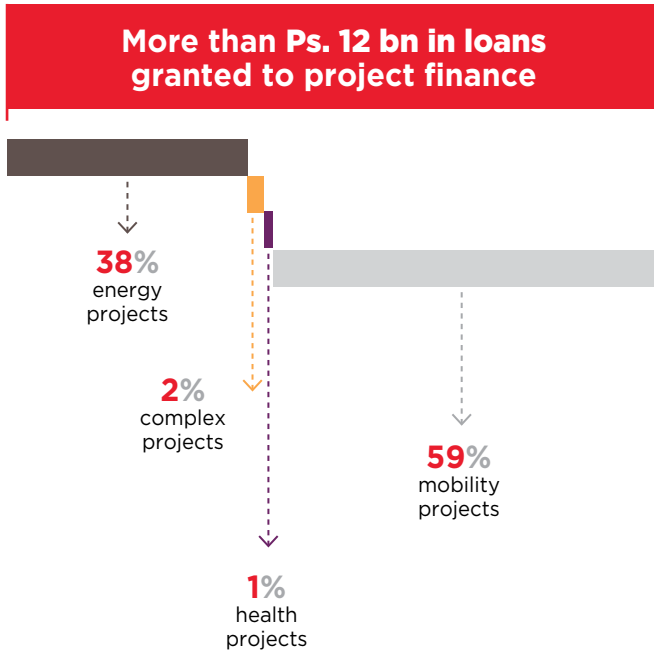


Close to
5,000
employees
participated in different
volunteer initiatives



More than
a thousand stipends
granted through the program
A Thousand Dreams to Fulfill

We launched “Impulso Banorte” to accelerate the development of high social profitability infrastructure in Mexico, ensuring the technical and financial viability of the projects.



The projects that we finance have a high social impact, with enormous benefits to both, the public and private sector.

Supports for SMEs

102-2 / 102-6 / 102-7 / FS-16

One of GFNorte’s core goals is to promote Mexico’s growth by offering financial products to SMEs—transactional, credit and investment—that companies need, when they need them. Through Retail Banking, we design and offer financial products and services to micro-sized, small and mid-sized businesses which are either formally incorporated (INC) or simply registered as individuals with business activities (IBA), as well as those established as tax incorporation regimes (TIR).

The results of the SME segment were as follows:

- More than 400,000 customers, with an average of 3.8 products per customer
- Almost half of total billing at point-of-sale (POS) terminals
- More than 5% increase in average credit drawn on SME lines.

- More than 30% of registered IBAs are women entrepreneurs.
- Our SME customers reported an increase of close to 20% in employment over 2018, from an average of 5 employees.

IBA-INC Customers

Customers	Segment	Employees
3,122	Corporate	297,632
13,971	Business	626,665
309	Financial Inst.	5,813
434,760	SMEs	1,877,508
377	Unions	17,109
1,768	Equity	6,971
3,199	Personal	0
13,641	Preferred	0
471,147	Total	2,831,698

- Continuing participation in business and regional support programs with the backing of Nacional Financiera (NAFIN), where under the new scheme we have a more than 20% market share of the Ps. 200 million in system-wide placement
- Service channels were strengthened with the national roll-out of the Multi-Segment App, where account executives can visualize information on their customer portfolio on a tablet and improve cross sales.
- National rollout of the mobile office, a tool by which account executives can open deposit accounts for corporations from their workplace or from a tablet.
- We were one of the first banks to work together with the development banks to increase the supply of “green loans” through eco-loan and energy efficiency loans with NAFIN.

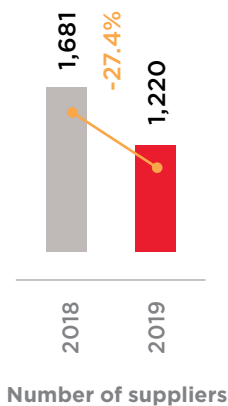
Together with the Channel Management team, we will begin planning and developing Mobile SME Digital Banking.

Our suppliers

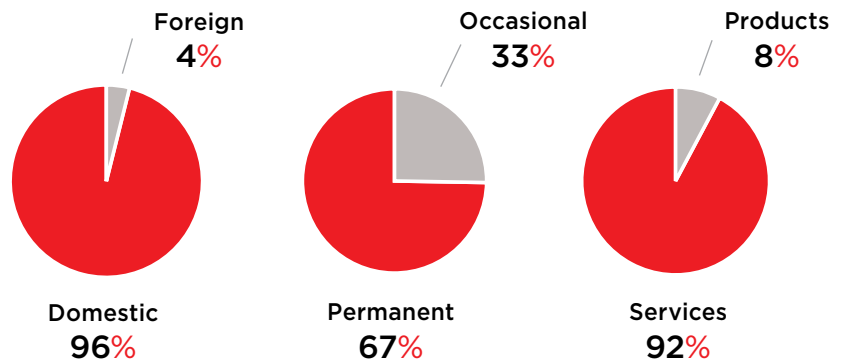
102-9 / 204-1 / 414-1

From our value chain, we work for closer relationships with our domestic suppliers and promote sound business practices. Since 2012, we have asked all our suppliers to sign contracts affirming that they are aware of and apply the 10 UN Global Compact Principles. We apply a questionnaire to new suppliers

in keeping with the criteria laid out in the Global Compact’s Supply Chain Sustainability – A Practical Guide for Continuous Improvement (2nd edition), which allows us to detect risks associated with failing to comply with applicable laws, as well as learning of their corporate sustainability and social responsibility initiatives.



Supplier origin, class and type



Volunteering

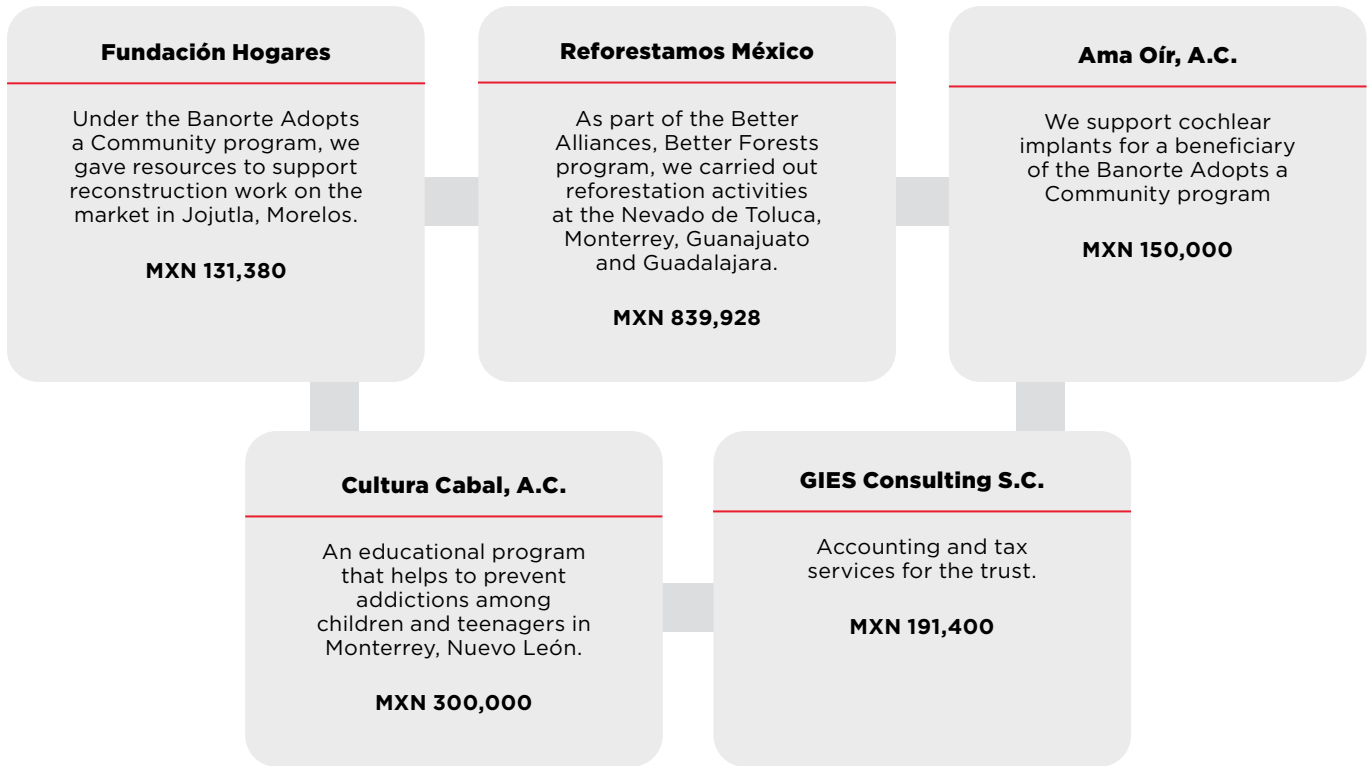
413-1



AyuDamos Trust

AyuDamos is our trust, funded by employee contributions, which we match on a one-for-one basis. The essence of the trust is support for various national social and environmental causes.

Contributions went to institutions relating to our Banorte Adopts a Community Program, as well as educational and environmental projects. Around Ps. 2 million were mobilized, which breaks down as follows:



Yo Soy
**VOLUNTARIO
BANORTE**

Yo Soy Voluntario Banorte Program



Yo Soy Voluntario Banorte is our corporate volunteer program, aligned with the sustainability model and the Our People pillar, through which we work to generate value in our communities.

Our volunteer model has three core lines of action:

- **Community:** brings together initiatives aimed at directly benefiting the community in activities like toy drives, restoration of public spaces, volunteering in disaster-stricken areas, and financial education workshops.
- **Environment:** volunteers devote their time to reducing our environmental impact and reforest woodland areas close to the cities where Banorte's main corporate offices are located.
- **Banorte Experience:** Our volunteers are experts in various subjects and share their knowledge through workshops, conferences, classes or mentoring to diverse sectors of the public.



Community

Playing, Playing. Every year we organize an annual toy drive. Gifts are donated by Banorte employees from across the country, and are delivered to various organizations. We collected close to 10,000 toys which were sent to more than 100 charitable organizations and communities belonging to the Banorte Adopts a Community program.

	Total volunteers participating	3,848
	Total volunteer hours (assuming 2 hours per volunteer)	7,696

Working for my community. An initiative encourages employees to participate in communities, creating a sense of solidarity, well-being, active intervention and development.



We allied with Fundación Hogares, I.A.P. in organizing six volunteer days.

	Total volunteers participating	86
	Total volunteer hours (assuming 5 hours per volunteer).	436

Banking industry volunteers. As part of a pledge we made to the Mexican Bankers' Association, in 2019 we joined the Banking Volunteer Corps, supporting five institutions that make up Fundacion Quiera.

	Total volunteers participating	52
	Total volunteer hours (assuming 5 hours per volunteer)	260

Banorte Adopts a Community Workshops
In the communities enrolled in the Banorte Adopts a Community Program, we held family finance workshops for more than 70 people in three communities.

	Total volunteers participating	6
	Total volunteer hours (assuming 2 hours per volunteer)	12



Financial Education

As a financial institution, we are committed to providing the community tools for building awareness about the importance of financial culture. To this end, we give family financial workshops in two areas:

Business area workshops

We gave workshops in Mexico City Ministry of Public Security offices in Durango and Tlaquepaque, cities where Banorte has operations.

	Total volunteers participating	6
	Total volunteer hours (assuming 2 hours per workshop)	16

Environment

Reaffirming our commitment to the environment, we conducted reforestation activities to help remediate ecosystems together with the governments of Colima and Merida, and Reforestamos México.



We conducted **reforestation activities** to help remediate ecosystems together with the governments of Colima and Merida, and Reforestamos México.



Ally Institution	Location	Number of volunteers	Number of trees planted	Total hours per activity
Reforestamos México, A.C.	Nevado de Toluca, Leon, Monterrey and Guadalajara	694	6,000	6,940
Ayuntamiento Merida	Merida	65	600	260
Ayuntamiento Colima	Colima	40	200	160



Banorte experience

National Financial Education Week

Every year, GFNorte participates in National Financial Education Week, in which government and private-sector institutions join efforts to strengthen financial culture for Mexican families.



The event was held in Mexico City’s historic Chapultepec Park. GFNorte’s stand had a dynamic game designed to build awareness about the importance of savings. Some of our senior management also gave talks on a variety of topics.

Speaker	Position	Topic	Attendees
Oliver Macías	Technical Director, Pensions	Pensions	100
Mauricio Hernández	Director, Deposit Products	Banking is all around, can you see it?	100
Gabriel Casillas	Vice President, Economic Analysis and Investor Relations	Investment Dynamics	100
Juan Pablo Newman	CEO Afore XX Banorte	Afores: Retirement savings and how to build a better future	100

	Total volunteers participating	4
	Total volunteer hours (assuming 2 hours per volunteer)	8



Banorte Lecture Series

In partnership with the National Autonomous University of Mexico (UNAM), we once again held a lecture series entitled Mexican Markets and Financial Instruments, the purpose of which is to help students understand financial issues from listening to our experts. It also helps strengthen our ties to the university.

	Total volunteers participating	10
	Total volunteer hours (assuming 2 hours per volunteer, except for one volunteer who gave 4 hours)	22

Banorte Retirees

In Mexico City, together with the Human Resources Area of the North Commercial Territory, we carried out a pilot program to get closer to our retirees. We organized activities led by volunteers, to generate added value for this group of around 50 people.

	Total volunteers participating	7
	Total volunteer hours (assuming 2 hours per volunteer)	14



Fundación Banorte
Investment in the Community

203-1

During the year, and in various social initiatives, we directly supported more than 50,000 children, young people, adults and senior citizens, in an alliance with 19 nonprofit organizations. Our work focused primarily on four programs: Banorte Educational Leaders, A Thousand Dreams to Fulfill, Banorte Adopts a Community, and Other Philanthropic Support.

Banorte Educational Leaders

We help improve preschool education in Mexico through training and continuous education of educational leaders, strengthening their role as agents of change in support of boys’ and girls’ right to learn.

The program was held in six states of Mexico: Aguascalientes, Campeche, Mexico State, Jalisco, Nuevo Leon and Yucatan.

Main results:

- More than 700 public preschool principals and supervisors earned an International Transformative Educational Leader Diploma, and also have an opportunity to acquire international certification with Cambridge University as Transformative Leaders
- Around 2,000 active users in the Virtual Learning Community who received continuing education.
- More than 10,000 primary caretakers of 0-6 year olds viewed a 14-week series called Learning to Educate Children for the 21st Century, funded by Fundación Banorte and transmitted on TV Educativa

Through the Pact for Early Childhood—an initiative made up of various social organizations we work with in supporting early childhood rights—we help influence administrative, regulatory and legal processes at the federal and state level, primarily through public consultations, advertising and civic participation campaigns, lobbying and interviews.

A Thousand Dreams to Fulfill

For the fifth year in a row, we helped Mexican high school and preparatory school students fulfill their dreams through stipends that encourage their performance and their academic, artistic or sports talent. We also recognized the efforts of children with disabilities, who received special education on scholarship.

The program was renewed to incorporate undergraduate students; the minimum grade point average to enter was raised, and two new scholarships were created: Continuity (to extend support for more than three years) and Excellence in higher Education, helping students to cover the cost of tuition or school supplies.

Key results:

- Close to 400 new students selected
- More than a thousand stipends granted
- Around 600 young people participated in a course on Targets and Achievements, and more than 100 former grant recipients answered the call for entries to the “English Challenge” course, both in the Bécalos Desafío B21 platform.



Banorte Adopts a Community

We coordinate housing reconstruction actions and help rebuild communities affected by a natural disaster or emergency.

This year we completed reconstruction of homes damaged in the September 2017 earthquakes in eight adopted communities; we began support actions for victims in Xochimilco and accompanied three Banorte Caravans to bring comprehensive support to adopted communities.

Main results:

- More than 600 homes rebuilt and restored, and one crafts market intervened

**We invested around
Ps. 50 mn
in our community.**

- Close to 20 follow-up field visits
- Around 90 homes in eight communities completed and evaluated for structural safety by the Puebla State University

Other Philanthropic Support

We helped provide development opportunities to youth with disabilities, at risk of school dropout, or living on the street. We brought health services and cultural programs to vulnerable communities and supported the protection one of Mexico’s most emblematic cultural archives, the National Museum of Anthropology.

Action Lines

Education	Mexican Youth
Banorte Educational Leaders	Other Philanthropic Support
Organizations supported: 2	Organizations supported: 12
Amount: Ps. 16,259,730	Amount: Ps. 14,627,060
Direct beneficiaries: 17,452	Direct beneficiaries: 31,829
Alliances: 22	GFNorte Program
Community	Natural Disasters
A Thousand Dreams to Fulfill	Banorte Adopts a Community
Organizations supported: 1	Organizations supported: 4
Amount: Ps. 9,850,000	Amount: Ps. 10,805,325
Direct beneficiaries: 1,907 (not counting new recipients, who will receive their grant in 2020).	Direct beneficiaries: 2,312
Alliances: 1	Alliances: 1

SUSTAINABILITY

Aligning our business with the SDG





As a responsible bank, we have developed a sustainability strategy that incorporates our environmental and social priorities into our business activities.



We identified the risks and potential impacts of **3,104 loans**



62.65% of the corporate portfolio
79.11% of the commercial portfolio



More than 1,800 employees training on Sustainability and socio environmental risk



in our first progress report to PRI



Analysis of Responsible Investment

89% of the AUM of Afore XXI and 95% of Operadora de Fondos



Ps. 9.8 bn on Sustainable Finance

Ps. 2.4 bn in green, social and sustainable bonds

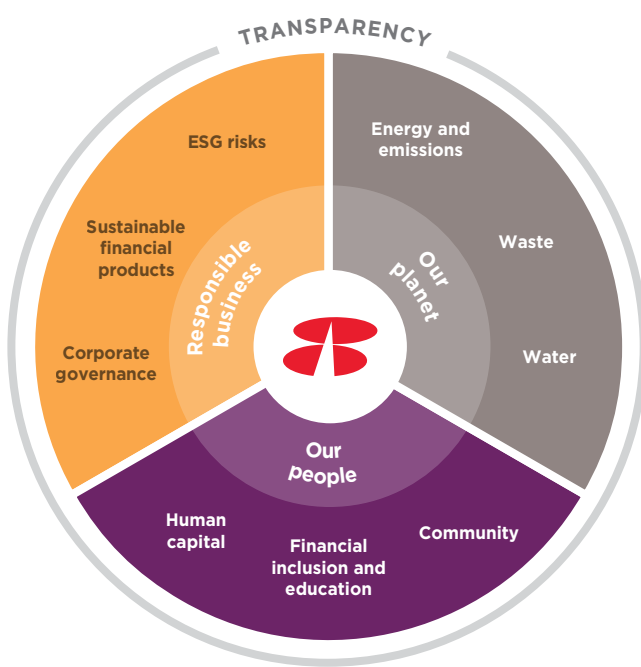
Banorte sustainability

102-13 / 102-19 / 102-20 / 102-21 / 102-29 / 102-30 / 102-46
102-47 / FS-8

At GFNorte, we want to contribute to achieving society’s goal of building a resilient future. For this reason, we are firmly committed to the United Nations Sustainable Development Objectives and the Paris Climate Agreement.

As a responsible bank, we have developed a sustainability strategy that incorporates our environmental and social priorities into our business activities, under a comprehensive transparency approach. This strategy is implemented by the Specialized Department of Sustainability and Responsible Investment, through the following model.

Sustainability Model



Responsible Business

We incorporate environmental, social, and corporate governance (ESG) factors into our credit and investment portfolios. This enables us to manage the risks and impacts of our operations and identify potential business opportunities.

Our people

We promote social programs that involve our employees and the communities where we are present in applying practices that improve living conditions inside and outside of the institution.

Our planet

We pursue initiatives to strengthen environmental culture within the institution, to measure and reduce our consumption of resources and our generation of waste.

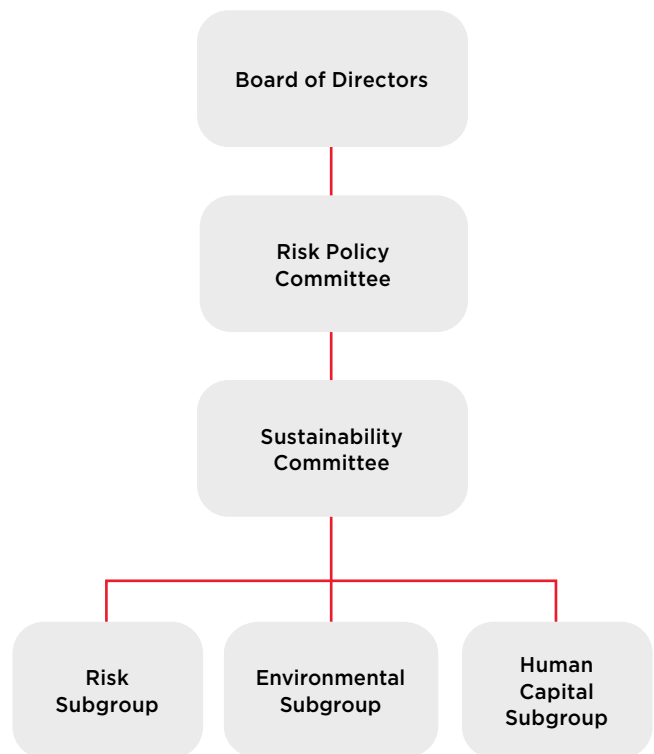
These three pillars intersect on the fundamental aspects of human rights, climate change, and natural capital.

Sustainability Committee

GFNorte is aware that solid corporate governance is built on principles, procedures, standards and good practices that incorporate all aspects of the business. Accordingly, in order to help the group to grow in terms of sustainability, we created a Sustainability Committee and strengthened our institutional policy framework.

The Sustainability Committee reports to Banorte’s Chief Executive Officer, and its goal is to empower our sustainability strategy, align it with the business vision and ensure that it permeates the entire organization. The Committee is made up of the directors of the Investor Relations and Financial Intelligence Risk, Credit, Human Resources, Communication, Legal, Comptroller, Audit and Sustainability departments. It operates through three sub-groups aligned with the pillars of our sustainability strategy, to promote new projects and involve all levels of the company.

Structure of GFNorte’s Sustainability Committee

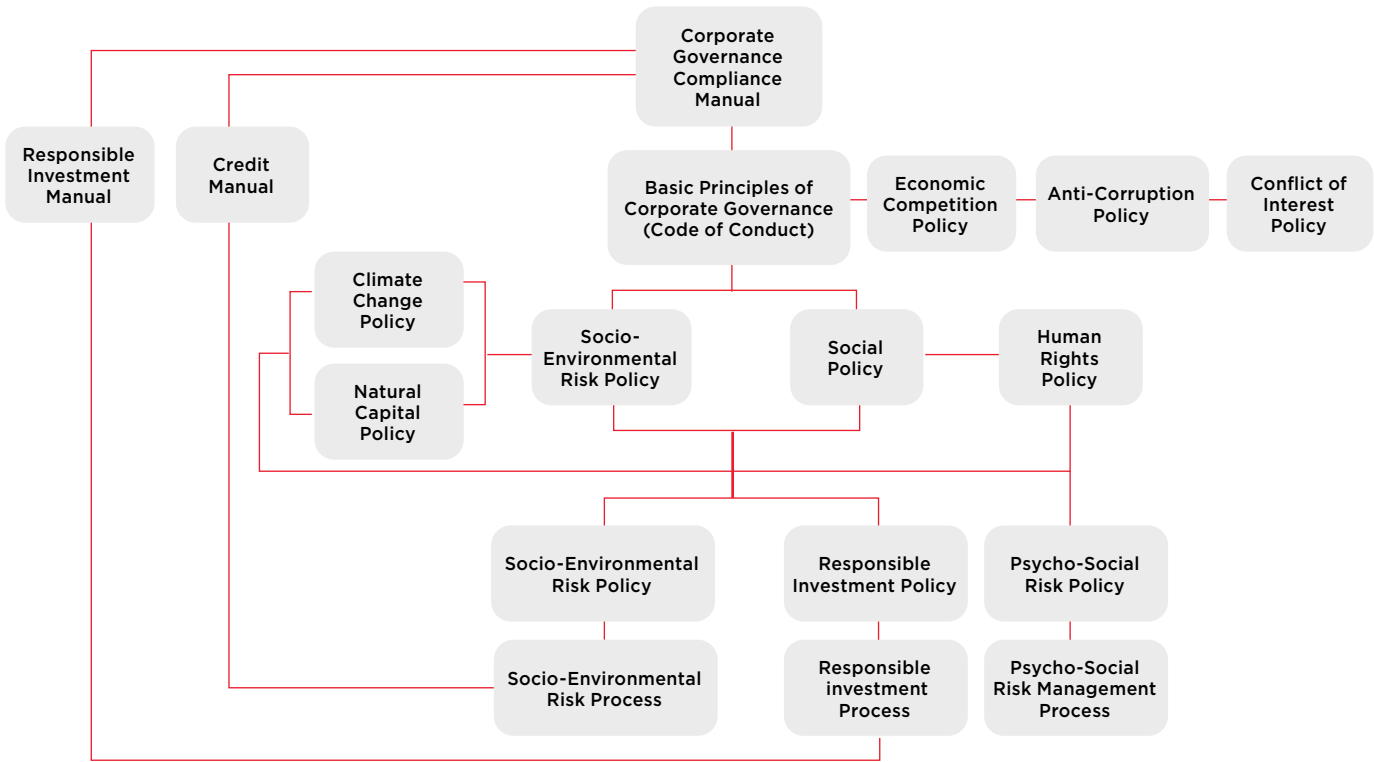


The first year of work with the Risks, Environmental and Human Capital subgroups evidenced the Bank's interest in sustainability issues and enabled us to accelerate the startup of important initiatives. We also detected areas of opportunity that will enable us to expand the involvement of members and bring about tangible results in the short term.

Policies

During the year, we also worked on complementing our institutional policies and bolstering the regulatory framework applicable to sustainability activities. These policies establish the commitments, references and guidelines that GFNorte must follow in the areas of the environment, society, socio-environmental risk, natural capital, human rights and climate change.

Regulatory framework applicable to Sustainability



Sustainability initiatives and indexes

Since 2009 we have participated in significant sustainability initiatives and indexes, nationally and internationally. These guide our performance

and offer us alternatives for meeting the demands of the global industry. We closely follow their directives and recommendations as part of our continuous improvement.



We believe the ratings we have earned appropriately reflect our efforts, and although they are a source of satisfaction to us, they also challenge us to demand more of ourselves year after year. Some of our results in 2018 and 2019 are shown below:

Evaluator	2019	2018	Membership in Index
SAM Corporate Sustainability Assessment (CSA)	61 / 100	65 / 100	Dow Jones Sustainability Index MILA
MSCI	A	A	MSCI Mexico ESG Select Focus Index (MXN)
FTSE Russell	3.9 / 5	3.6 / 5	FTSE4Good Emerging Markets Latam FTSE4Good BIVA
CDP	B	C	
Bloomberg	47.8	47.8	Bloomberg Gender Equality Index (GEI)

Principles for Responsible Banking

As founders and signing members of the Principles for Responsible Banking (PRB), we are committed to their implementation. Although we will not issue our first report until 2021, in 2019 we conducted an analysis of the status of our alignment with each of the six principles, in order to identify the areas where we can begin to work in 2020.

2020 PRB Work Plan

▶ **Principle 1. Alignment**

Our business strategy already incorporates a sustainability model, but we will be working to fortify it by incorporating the priority issues of the 2030 Agenda, the National Development Plan, internal economic projections and new materiality analyses.

▶ **Principle 2. Impact and targets**

As pioneers in the management of environmental and social risks, we will focus the first analysis of our contribution to the SDG on the areas of greatest financial impact for GFNorte. We will define meaningful indicators, develop methodologies for assessing positive impacts, and expand the scope of our socio-environmental risk analysis.

▶ **Principle 3. Clients and suppliers**

We are a bank whose priority is satisfying its clients and maintaining good relationships with suppliers. For this reason, we have increased our engagement with them to communicate the importance of good sustainability practices as a competitive strategy. We will develop initiatives together with our suppliers; we will increase our presence in regional meetings, and we will intensify our socio-environmental involvement with our clients.

▶ **Principle 4. Stakeholders**

We participate actively in various committees, boards and associations in the national and international financial industry, leading important sustainability initiatives for banking. In this area, we will work to strengthen our relationship with NGOs and government agencies in order to promote sustainable incentives.

▶ **Principle 5. Governance and culture**

By creating our Sustainability Committee, developing and updating policies, working with subgroups and formulating a comprehensive training plan, we will strengthen our corporate governance and responsible banking culture.

▶ **Principle 6. Transparency and accountability**

Our reporting practices are aligned with the methodologies of the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Global Compact. Furthermore, we follow the guidelines of the Equator Principles, the Responsible Investment Principles, and, starting in 2021, we will be reporting in accordance with PRB requirements.



Sustainable Development Goals


In 2018, we carried out our first exercise in aligning our operations, products and services with the Sustainable Development Goals. We are focusing on Mexico's social and environmental priorities toward the year 2030, as well as our own contribution to these as a financial group. To continue this exercise, last year we began to track the performance of the indicators reported.



Summary: Contribution to the SDG in 2019



Material Issues

<p>Competitiveness and Business Development</p>	 <p>Social and economic inclusion 14,903 hours of volunteer time 4,723 volunteers 6 Financial Education workshops</p>	 <p>Sustainable Business We are included in the world's foremost Sustainability Indexes</p>	 <p>Energy Consumption 17.98 GJ/employee 1.97 tCO₂e/mdp of net income 2.39 tCO₂e/employee Energy per net income Ps. 14,815 GJ/mdp</p>	 <p>Proper Waste Management 1,030 metric tons of paper consumed 516.5 metric tons recycled 51 metric tons of paper avoided through digital initiatives</p>	 <p>Reforestation 183.68 tCO₂e 7 ha 6,000 trees 23.38 CO₂e q 1 ha (Mg) over approximately five years in their adulthood</p>
<p>Product and service innovation</p>	 <p>Payroll and SMEs 7,706,311 payroll account 43,198 payroll companies 471,147 SMES 2,831,698 jobs generated</p>	 <p>Physical and Digital Infrastructure 14,182 correspondents 1,182 branches 8,919 ATMs 191,571 IB users 2,329,874 MB users</p>	 <p>Infrastructure Investment of Ps. 42,618 mdp in social development projects with a focus on water, urban complexes, education, energy, mobility, health and safety</p>	 <p>Financial products by gender 44% credit cards for women 37.82% SME loans to women 248,795 Mujer Banorte credit cards 30.93% remittance clients 131,500 Mujer Banorte debit cards</p>	 <p>Major Medical, Personal and Life Insurance 564,455 GMM policies 6,021,026 Personal Accident 5,183,083 Life insurance</p>
<p>Education and Development</p>	 <p>Salaries and benefits Reduction of the salary gap 1% gender gap - operational 10% gender gap - middle mgmt 10% gender gap - senior mgmt</p>	 <p>Employee Training by Gender 436,849 training hours men and 424,412 training hours women 36 hours average Investment Ps. 200 mdp</p>	 <p>Education and Training 14,000 training for preschool teachers 765 DILET directors 1,137 A Thousand Dreams to Fulfill stipends</p>	 <p>Banorte Adopts a Community 630 homes built</p>	 <p>Agricultural Finance and Banking 3rd in lending 208,454 Ha planted 46,860 small producers benefited</p>
<p>Socio-environmental assessment of transactions</p>	 <p>Environmental and Social Risk Management 3,104 loans analyzed (62.65% of corporate portfolio and 79.11% of commercial portfolio) 11 projects evaluated under Equator Principles 13 under Performance Standards and 2 under SEMS Assessment</p>	 <p>Home and Casualty Insurance 194,152 insured homes 16,002 insured offices 1,421 hotels insured for property loss</p>	 <p>Renewable Energy 1,314 MW total generated Ps. 6,211 mdp assigned to projects 12 renewable projects financed Ps. 2,809 mdp assigned to performing loans in SME Eco-Loan portfolio</p>	 <p>Emerging Risk Mitigation 12 internal reports on status of sargassum in the Caribbean 1 report on Mexico's single-use plastics ban</p>	
<p>Ethics and Integrity</p>	 <p>Internal Policies We encourage a culture of respect in our corporate offices and in attending to our clients  Link to Code of Conduct</p>	 <p>Corporate Governance We have solid corporate governance that guarantees ethical, responsible management of the business</p>	 <p>Integral Alliances We participate in initiatives that strengthen sustainability actions that support our business</p>	 For more information, see our Report on the Contribution to the SDG 2018 at: https://investors.banorte.com/-/media/Files/B/Banorte-IR/financial-information/annual-reports/en/2018/Informe%20ODS2018%20Inglis.pdf	

Sustainable Banorte

In 2018, we launched Sustainable Banorte, GFNorte's institutional program aimed at strengthening sustainability culture through assertive communication that addresses the core issues of sustainability. Continuing this program, we carried out various campaigns, initiatives and events to actively involve our employees.

Sustainability Ambassador Network

The Sustainability Ambassador Network was created in order to extend sustainability culture throughout the group, by appointing spokespersons on environmental, social, and responsible business issues. We currently have 515 ambassadors working in five administrative buildings in Mexico City and Monterrey, who server as liaisons for the Sustainability and Responsible Investment Department on topics such as:

- Environmental Education
- Proper separation of waste and responsible consumption
- Importance of natural capital in business
- Sustainable mobility (partnership with Waze Mexico)

Sustainability Week

Our first Sustainability Week was held to remind people about the sustainability pillars that govern our strategy, build awareness about how employees can contribute to sustainability in their activities, and generate individual commitments to sustainable development, as members of the organization and of society. Some of the activities were:

SDG Museum: The experience was designed to be similar to a museum visit, during which employees could learn through visual materials about the 2030 Agenda and the group's practices regarding the Sustainable Development Goals. This helped them to recognize their role as members of a global society, to analyze their consumption behavior, and to commit to change on an individual level.

Our Planet, Our Business: With the support of the World Wildlife Fund, we participated in the launch of this Netflix chapters, whose aim was to raise awareness in the private sector about the importance of biodiversity and natural resources for businesses.

Fair Trade Fair: We held a corporate sale of hand-crafted products from communities neighboring Banorte's corporate offices, as well as products whose sale had a positive social and environmental impact.

Management of Social and Environmental Risks in our Loan Portfolio

GFNorte believes that social, environmental and climate risks should be factored in to every business decision. We are seeing an increasing impact from these factors on economic growth, companies' financial health, the natural environment and population. Because we are aware of our responsibility in the industry, we want to make sure that our employees, clients and peers are all aware of their importance.

Since 2012 we have been signing members of the Equator Principles and we have a Social and Environmental Risk Management System (SEMS), developed to analyze the risks and impacts of our lending in the corporate and commercial banking segments. SEMS is an integral part of the Bank's lending process and it works based on the identification, categorization, evaluation and management of those risks.

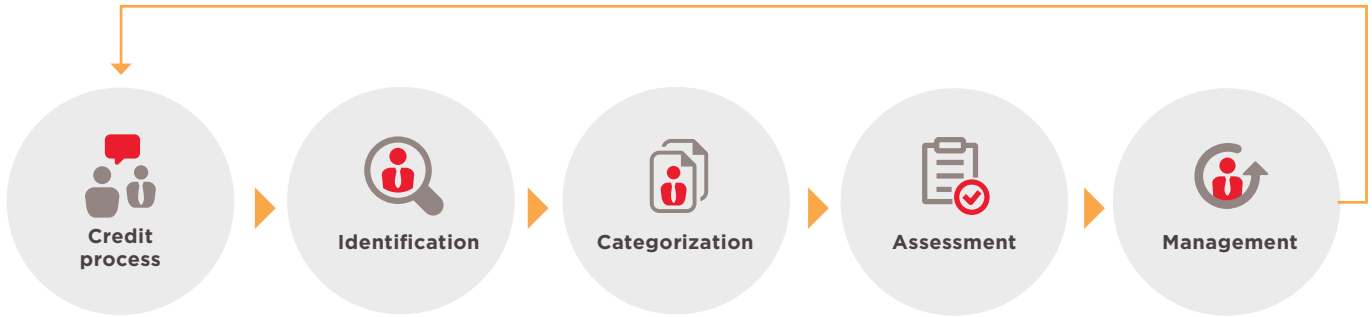
During this analysis, we identify the potential risks and impacts of our financing, and apply our exclusion list. We classify risks into categories: A for high risk, B for medium risk, and C for low risk, according to the magnitude of impact and possibilities for mitigation. We then evaluate the projects' compliance with the Equator Principles, the IFC Performance Standards and the domestic legal framework (SEMS Assessment). Finally, we regularly follow up on projects, providing advice and contributing value to our clients.

2019 was a crucial year for risk management at GFNorte, because thanks to growing synergies between the Specialized Department of Socio-Environmental Risk Department and Risk, Credit and Business Departments, our Risk Policies Committee approved this department's active participation as speaking member of the Central Credit Committee and National Credit Committee, demonstrating our commitment to sustainable economic development.



To serve our stakeholders, invites e-mails at: sems@banorte.com

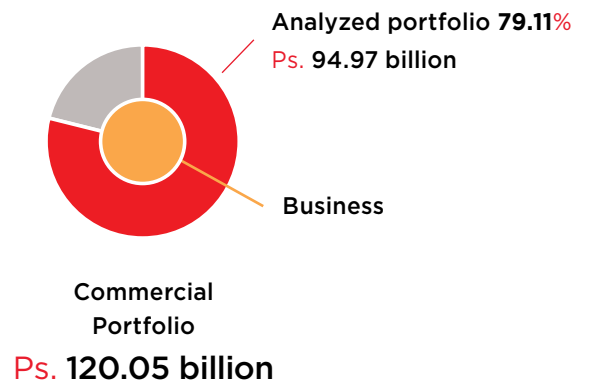
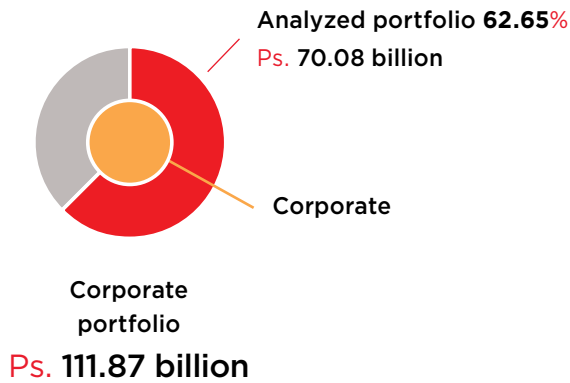
Social and Environmental Risk Analysis Process



SEMS 2019 Results

Identification

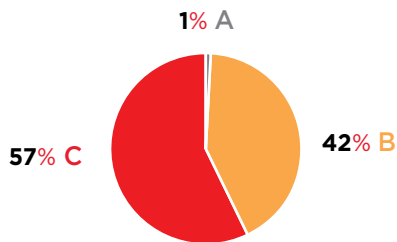
We identified the risks and potential impacts of 3,104 loans, representing the analysis of 62.65% of the corporate portfolio and 79.11% of the commercial portfolio.



Figures reported exclude Infrastructure Banking.

Categorization

Most of our portfolio shows no risks of this type, or risks that can be mitigated,



These credits are classified as high (A), medium (B) or low (C) risk, according to the magnitude of impact and possibilities for mitigation.

Assessment

We assessed 26 new projects, primarily in the manufacturing, **construction and tourism industries.**

Projects assessed in 2019

Assessment framework	Category A	Category B	Category C	Total
Equator Principles	3	8	0	11
Performance standards	0	10	3	13
SEMS Assessment	1	1	0	2
Total	4	19	3	26



GFNorte believes that social, environmental and climate risks should be factored in to every business decision.

Additionally, we analyzed 415 lesser-impact projects that were managed through recommendations of the IFC Industry-Specific Environmental, Health and Safety Guidelines.

Management

We visited seven projects in the manufacturing, infrastructure, tourism and agriculture industries. We conducted an annual follow-up on 49 projects evaluated in preceding years through document reviews and reputational monitoring.



Manufacturing company



Infrastructure Project



Agricultural Project

Training on socio-environmental risks

Training in the Credit and Business departments is a priority objective for strengthening a culture of socio-environmental risk management at GFNorte. We are confident that a stronger awareness and skill

development can help prevent and mitigate risks. For this reason, we expanded the scope of our annual online and classroom training program, reaching more than 1,800 employees.

Training on socio-environmental risks in 2019

	320 hours	Lecture/workshop on socio-environmental risks in infrastructure projects, given by an independent expert	Sustainability Champions and allies in the Credit, Risk and Business Departments
Classroom	86 hours	Onboarding course on Banorte's Social and Environmental Risk Management System	New hires in the Credit Department
	1,436 hours	E-learning about socio-environmental risk management at Banorte	Risk, Credit and Business Departments
Online	52 hours	Advice on identifying socio-environmental risks in loans, and follow-up on projects evaluated by SEMS	Credit and Business Departments
	By phone		

Additionally, we increased the socialization of issues that impact the business, through communiqués published continually in our internal social media. Climate risks, like the massive propagation of sargassum seaweed in the Mexican Caribbean, transition risks like the new plastics law, and industry case studies, are just some examples of the topics directed at our close to 12,000 group employees.

Climate change

This past year was marked by a series of events that offered stark testimony of the climate change crisis facing the world. Hurricanes, forest fires and species extinction are just some of the events we've seen affecting economic dynamics. In GFNorte, we are confident that banks can contribute to mitigation and adaptation to climate change through focused and concerted action together with our stakeholders.

We promote reduced emissions and energy efficiency in our operations

- By 2021, 70% of the energy we consume each day will come from renewable sources, avoiding more than half the CO₂e emissions we generate today.

- We have a Comprehensive Energy Control System in our branch network.
- Two branches are equipped with solar panels, avoiding the emission of 4.6 metric tons of CO₂e.
- We developed a program to automatically shut down desktops outside of working hours, which includes 7,000 computers.

PRI compel us to align our business with the SDGs and climate change goals.

We offer sustainable products and services

- We promote financing for SMEs interested in renewable energies and energy efficiency through Eco-Loans.
- We have a Specialized Infrastructure and Energy Department, which promotes financing for renewable energy generation projects.
- Operadora de Fondos and Afore XXI Banorte invest in assets relating to green bonds, social bonds and sustainable bonds.
- We have catastrophic insurance to cover us in the event of hydro-meteorological phenomena, associated in part with the effects of climate change (frosts, floods, hurricanes, etc.)

We incorporate climate risk into our socio-environmental risk management

- Our Sustainable Taxonomy includes Sectorial Climate Activity Codes.
- The first climate risk we studied was the mass explosion of sargassum seaweed, which we monitored monthly on the beaches of Quintana Roo and sent monthly reports to our Tourism and Business areas.
- We developed guidelines on good practices for clients in the tourism and agricultural industries on managing and preventing Sargasso.
- We developed a report on Mexico’s ban on single-use plastics, which we included under transition risks.
- We calculated our Scope 3 (indirect) emissions from the equity portfolio of our fund manager, Operadora de Fondos.

In line with TCFD recommendations

- Our corporate governance incorporates an awareness of the risks and opportunities inherent to climate change through the Risk subgroup of our Sustainability Committee.
- Our strategy is to identify climate risks and opportunities in the business, focusing initially on sectors where financing and/or vulnerability is highest.

- Our socio-environmental risk management strategy incorporates climate risks under the SEMS process, emphasizing the most vulnerable sectors.
- Our current targets and metrics relate to calculation of our operational carbon footprint (scopes 1 and 2) through a financial control approach ¹ and the calculation of our scope 3 (indirect) emissions for the fund manager (Operadora) portfolio.

Responsible investment

103-1 / 103-2 / 103-3

We are convinced that by managing ESG factors when making investment decisions, we can generate long-term value for companies and markets, and prevent risks and detect opportunities in our portfolios.

With this in mind, in March 2017 we became the first financial group in Mexico to join in supporting the Principles for Responsible Investment (PRI), by which we made a commitment to integrate ASG factors into our portfolio analysis, to promote the initiative among our stakeholders, and to report on our performance.

In a similar vein, in 2019 we issued our first progress report, for which we earned an A+ rating in the strategy and governance module, positioning us as a leader in this field and ranking above the average for the Latin American market.

We issued our first progress report, for which we earned an A+ rating in the strategy and governance module.

¹ See Chapter on Natural Capital.

Operadora de Fondos

Our fund manager has a Responsible Investment Policy that provides a frame of reference for the order, commitments and strategy for incorporating ESG factors into our investment processes.

Given the current outlook for the Mexican market, we developed an internal methodology based on a transparency analysis of each securities issuer's ESG factors as well as the disputes they are exposed to, which enables us to rate their level of reputational risk. During the year, the 30 most representative issuers in our portfolio (94.7% of the AUM in our equity portfolio) were assessed by both of these methodologies.

Additionally, among the products managed by Operadora de Fondos Banorte is an relative-value equity fund whose investment strategy is determined by a quantitative model which, among other factors, includes ESG factors in a positive screening process.

Furthermore, according to the GHG Protocol methodology for calculating scope 3 emissions, meaning those associated with investments, we calculate a total of 89,473.10 metric tons of CO₂e, corresponding to 84.9% of investment in equity assets. These emissions correspond to public information as of fiscal year 2018, and include those issuers' scope 1 and 2 emissions.

Finally, in conjunction with the 2 Degrees Investing Initiative (2Dii), Operadora de Fondos prepared an analysis of climate scenarios following the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations in order to determine the portfolio's exposure to transition risks, based on current and future estimated exposure to carbon-related activities. The analysis focused on assets in climate-sensitive sectors like fossil fuels, energy, automotive, aviation and mining.

Afore XXI Banorte

In September of this year, the National Retirement Savings System Council (CONSAR) ordered retirement fund managers (Afores) to incorporate ESG factors into their equity investment analysis and strategies.

Our response was the development of an ESG Awareness strategy approved by our governance bodies, whose purpose is to classify the full universe of issuers in our investment portfolio using the internal ESG methodology. This methodology includes an analysis of risks in the management of the financed company or investment project, the risks and international trends in the industry, as well as its strengths and weaknesses.

Some of the issues incorporated into the ESG analysis are:

- **Environmental:** Climate change (carbon emissions, vulnerability and adaptation, and risks and opportunities), implementation of eco-technologies and clean energy generation.
- **Social:** Management and development of personnel, including compensation plans, employee turnover, working conditions and benefits, quality supervision of products and/or services and responsible marketing.
- **Corporate governance:** members of the Board of Directors, number of independent board members and compensation policies.

This analysis is complemented by information supplied by our ESG services supplier (an internationally prestigious firm), which takes into account transparency and feedback from the issuers themselves.

The scope of implementation encompasses 182 domestic issuers and fund managers (fixed-income, equity, structured and FIBRAs), accounting for approximately 89% of the fund manager's AUM.

Furthermore, as part of our increased engagement with issuers, we have held a number of meetings to establish commitments and specific actions to incorporate sustainability guidelines into their processes. We were able to establish channels of communication with around 31% of issuers and managers.

Afore XXI Banorte corporate governance

To sustain our commitment to responsible investment, the duties of the Afore XXI Banorte Investment Committee include the following:

- Incorporate an analysis of the characteristics and risks of each issuer, and of ESG factors in each investment or investment proposal that make up the retirement fund portfolio (SIEFORE).
- To validate the ESG ranking, the committee should provide annual follow-up and prepare opinions on issuers whose ratings represent a risk to the portfolio.

Last year Afore XXI Banorte became the first Mexican retirement fund manager to adopt the CFA Institute Asset Manager Code, which expresses the commitment, ethical and professional responsibilities the Afore will adopt in managing the equity and protecting its clients' interests.

ESG Team

We have assigned a number of staff members to address the matter of incorporating ESG factors into investment analysis and decision-making processes:

- Six analysts responsible for evaluating ESG risks (qualitative and quantitative analysis).
- Four portfolio managers and six fundamental analysts.

We are also working to develop our team’s skills and know-how in this field. Among the courses given during the year were the following:

Course	Institution
ESG Scores	RobecoSam
PRI, Fundamentals PRI	PRI
ESG: Trends, Opportunities, Solutions	Blackrock
The Alpha and Beta of ESG Investing	AMUNDI
Incorporating ESG factors into investment decisions	CCFV
ESG Ethics Course	Chartered Financial Analyst (CFA)

Proxy Voting

As part of this activity, we participate in annual shareholders’ meetings for equity issuers where we own more than 10% of the capital stock, as well as in certain fixed-income issuers.

Some of the issues we address with these issuers are business plan management and content, comments on and analysis of financial results reported to the Mexican Stock Exchange, regulatory changes, and corporate governance issues.

Promotion and Dissemination

GFNorte has been vocal in its support of ESG issues through various forums, events and workshops, including the following:

Event	Ally
ESG in Credit Risk and Ratings	UN-PRI
Educational Workshop Focused on ESG/responsible investment in private markets investing	Partners Group
ESG Day Blackrock	Blackrock
Regional PRI event for LatAm 2019	UN-PRI
Workshop ESG	RobecoSam
Climate change: Portfolio decarbonization for top management and investors	CDP
MX Sustainable Finance	CCFV

At the end of the year, we joined the PRI Advisory Committee for Latin America, whose goal is to support events and workshops in the region to educate and provide tools for strengthening responsible investment practices, representing PRI in local events, and learning about the strategy and work program.



We are also signing members of the Investor Declaration on Disclosure of Financial, Social and Corporate Governance Information, since it was launched in late 2018.

Sustainable Finance

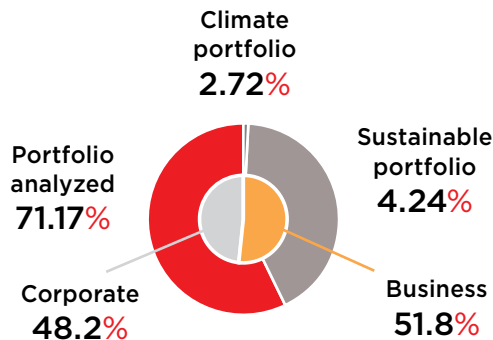
At GFNorte, we want to extend financing to economic activities that contribute to sustainable development. We are convinced that there are tremendous opportunities for the capital markets in projects that preserve the environment and improve people's quality of life.

We know that identifying and classifying financial support is fundamental to future economic trends, so we try to anticipate the risks and take advantage of the opportunities. In 2018 we created what we call our Sustainable Taxonomy, which establishes codes for 91 sustainable activities.

At the close of the year, the value of our sustainable portfolio in corporate and commercial loans was estimated at Ps. 9.82 billion, which was invested in various projects.

- Construction of wind and solar farms
- Cogeneration of energy from natural gas
- Capture, pumping, treatment and distribution of fresh water
- Sustainable agriculture
- Collection, recycling and disposal of metal waste

Our climate portfolio, which (for now) includes only renewable energy financing, totals Ps. 6.21 billion.



In line with global trends, the Mexican Bankers' Association is promoting a project to create a Sustainable Taxonomy for all of the Mexican banking industry, and invited members of the Sustainability Committee to participate in this effort. GFNorte has joined in the pilot testing and shared our experiences, hoping to obtain feedback for our practices and help increase this type of financing.

Renewable energies

We recognize the importance of clean energy as a primordial way to transition toward a low-carbon economy. We have complete confidence in the potential of Mexico's renewable resources, which is why we continue to support financing for wind generation of electrical energy.

During the year, we closed on the financing of a 117 MW wind farm in northern Tamaulipas, a state with some of the strongest winds in Mexico and in Latin America. Another 117 wind power plant opened in the same state, bringing the total to four wind farms in that state, with a total capacity of 270 MW.

With this we now have 13 projects that generate 881 MW of wind energy, and 433 MW of solar energy.

SME Eco-Loans

In 2018, Banorte was one of the first banks to sign up with NAFIN's Green SME programs to provide loans to small businesses looking to improve energy efficiency in their operations, or to use renewable energy. In total, these programs amount to Ps. 2.81 billion in performing loans, which is a substantial advance in consolidating our sustainable financing in the SME segment.

Green, social and sustainable bonds

GFNorte is committed to sustainable investment and to supporting the transition toward a low-carbon economy. With this approach in mind it has been an active investor in the relatively young market for local green bonds and/or social bonds.

Afore XXI Banorte and Operadora de Fondos have a total of Ps. 2.39 million in assets under management in the green and/or social bond market, more than double the amount invested the year before in this type of asset (+111.21%).

NATURAL CAPITAL

Focused on using resources responsibly





Our environmental strategy focuses on offering our services while making sustainable use of resources in our operations.



17.98
GJ/employee



59.8% progress
against emissions
intensity goal



2.39
tCO₂/employee



23.7 m³
of water/employee



516.5 Metric tons
of waste sent to recycling
(22.6% of buildings managed)

Our environmental strategy is focused on the sustainable use of resources in our operations, and on offering services through energy efficiency, comprehensive waste management, water savings and sustainable mobility initiatives.

Environmental policy

We have a public environmental policy aligned with current laws and regulations, national and international initiatives, and the ISO 14000 international standard, which encompasses the following aspects:

- Responsibilities
- Identification and management of environmental indicators and their impacts
- Compliance with applicable legislation
- Execution of initiatives for efficient, responsible management, use and consumption of resources (energy, water, waste)

- Incorporation of environmental criteria into the procurement process
- Collaboration with stakeholders
- Membership in international initiatives
- Minimization of environmental impact in credit and investment activities
- Transparent communication of our performance

Through our environmental impact identification, assessment and classification matrix, we provide support for our policies and annually review the business processes that may be exposed to current or potential material risk in terms of the environment. With this, we manage 128 aspects that involve six possible environmental impacts, and identified the current legislation applicable to us in these areas.

Energy

302-1 / 302-3 / 302-4 / 302-5

GFNorte total energy consumption

Indicators	2017	2018	2019	% chge. 19/18
Energy use	[GJ]	[GJ]	[GJ]	
Natural gas	16.10	n/a	154.29	n/a
Diesel	1,060.11	3,191.15	2,221.49	-30.39
LP Gas	732.16	1,093.66	1,193.93	9.17
Gasoline	67,666.41	55,136.27	54,912.79	-0.41
Electricity	467,998.50	467,537.15	484,045.70	3.53
Grupo Financiero Banorte	537,473.37	526,466.18	542,373.91	2.9
GJ per employee	17.97	17.23	17.98	4.35
GJ per MXNmn of net income	22.48	16.47	14.85	-9.84
Employee scope	100%	100%	100%	
Factors used (CONUEE)	2018	2019	2020	

Diesel calculation includes consumption by utility vehicles and backup power generators; LP gas includes forklifts and a kitchen; gasoline includes only utility vehicles.

Gasoline consumption in utility vehicles at Arrendadora y Factoraje (through September) and Almacenadora, as well as diesel consumption from fixed sources at Banorte, were estimated based on expenses and average monthly prices indicated by the Energy Regulation Commission (CRE) for each fuel.

Emission intensity calculated based on 30,167 employees, including full-time employees, independent contractors and other professional service suppliers, and net income of Ps. 36.53 billion.

Our building and branch infrastructure is equipped with features that enable them to operate efficiently, like double-pane insulating glass, sunlight optimization and low-consumption equipment. Thanks to these measures, Torre KOI and Torre Mayor have LEED gold and silver certifications, respectively.

Our network of Banorte branches functions according to the Comprehensive Energy Control System. They have high-efficiency equipment that regulate the operating hours of light fixtures and air conditioning. Also, two of them have solar panels, which generated 9,000 kWh in the year, by our estimates, avoiding the emission of 4.6 metric tons of CO₂e.

Having identified branches with a high consumption of electricity, we executed four energy efficiency pilot tests, with measures that ranged from metering and monitoring indicators in real time to adjusting equipment setpoints. With these initiatives, we reduced consumption by 74,000 kWh per year, equivalent to 37 metric tons of CO₂.

Additionally, by monitoring equipment in the network of administered buildings, we ran a program to automatically shut down computers outside of working hours, saving 726,000 kWh of electricity, equivalent to 367 metric tons of CO₂.

Emissions

305-1 / 305-2 / 305-3 / 305-4 / 305-5 / 305-6

GFNorte Scope 1 and 2 emissions (metric tons of CO₂e)

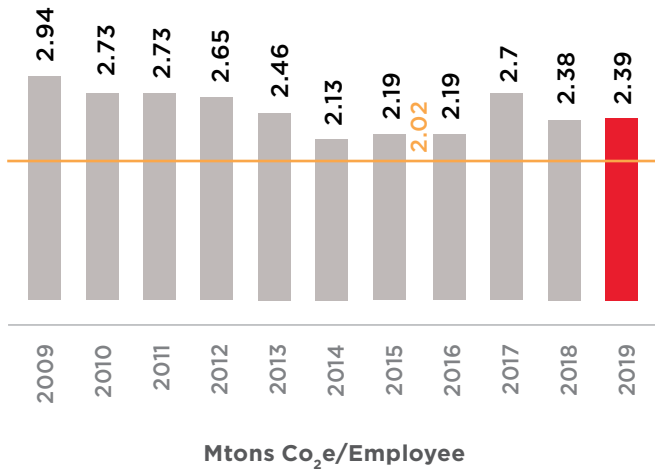
Business unit	2017			2018			2019			% chge. 19/18
	A1	A2	A1 + A2	A1	A2	A1+A2	A1	A2	A1+A2	
Afore XXI Banorte	236.48	2,223.30	2,459.79	198.54	1,969.06	2,167.60	184.57	1,893.99	2,078.56	-4.11
Almacenadora Banorte	32.83	136.31	169.14	44.89	138.69	183.58	102.00	101.31	203.31	10.75
Arrendadora y Factoraje Banorte	131.75	n/a	131.75	108.67	n/a	108.67	86.93	n/a	86.93	-20.01
Banorte	1,840.76	71,185.85	73,026.61	1667.11	64,475.44	66,142.55	1,752.67	64,137.23	65,889.90	-0.38
Banorte-Ixe Securities International	n/a	25.88	25.88	n/a	15.23	15.23	n/a	15.78	15.78	3.59
Seguros y Pensiones Banorte	2764.73	2,053.81	4,818.53	2,183.28	1,799.30	3,982.58	2,084.61	1,709.01	3,793.62	-4.74
Grupo Financiero Banorte	5,006.55	75,625.15	80,631.70	4,202.51	68,397.71	72,600.21	4,210.78	67,857.31	72,068.08	-0.73
tCO ₂ per employee		2.70			2.38			2.39		0.04
tCO ₂ per Ps. mn net income		3.37			2.27			1.97		-13.21
Employee scope		100%			100%			100%		

Emission intensity calculated based on 30,167 employees, including full-time employees, independent contractors and other professional service suppliers, and net income of Ps. 36.53 billion.

To calculate scope 1 emissions, we used factors published by the Ministry of the Environment in the Official Gazette of the Federation, in the agreement to establish technical specificities and formulas for application of methodologies to calculate greenhouse gas or compound emissions. For scope 2 emissions, which includes emissions from the consumption of electricity, we used the 2019 electrical emission factor estimated by the Energy Regulation Commission (CRE).

In line with the commitments assumed by Mexico under the Paris Agreement, our goal is to achieve a 30% reduction in emissions intensity by 2020, using 2009 as a baseline. We have currently reached 59.8% of that target.

**Emissions intensity
(Metric tons CO₂e per employee),
progress toward 2020 goal**



Furthermore, since 2016 we have been a member of the Science Based Targets (SBT) initiative to establish medium- and long-term reduction targets, based on international scientific standards. Applying the C-Fact methodology published by Autodesk, we set absolute and intensity targets, and report on our progress annually in the CDP questionnaire.

Scope 3 emissions

Corporate travel

Our executives traveled a total of 20,568,287 kilometers by air in 2019, representing 1,995.12 metric tons of CO₂ emitted into the atmosphere, 11% more than the year before. To offset this impact, we encourage employees to connect digitally to online meetings and videoconferences. We registered 104,028 videoconferences, close to a thousand more than the year before. The scope of these indicators includes all group employees.

Employee commuting

To encourage ride-sharing, we established an agreement with Waze Mexico, in which more than 300 employees in Mexico City and Monterrey are currently active. In four months we were able to avoid almost 145,000 kilometers of travel and reduce CO₂e emissions by 25.237 kilograms.

Refrigerant gases

Emissions from refrigerant recharges totaled 5,274.5 metric tons of CO₂e, 49% of which came from R-410 gas (which does not affect the ozone layer) and the rest from R22 gas. The scope of this calculation includes the facilities of Banorte and Afore XXI - 94% of employees. Furthermore, since 2015 Banorte has acquired no equipment that uses R22 gas.

Emissions in the investment portfolio

According to the GHG Protocol for Scope 3 emissions associated with investments, we calculate 89,473.10 metric tons of CO₂e, corresponding to 84.9% of the equity assets of the portfolios of our fund managers (Operadora de Fondos and Administradora de Portafolios de Inversión). These emissions correspond to information published by the respective issuers for fiscal year 2018, and include scope 1 and 2 emissions.

Waste Management

301-1 / 306-2

Based on the results of the waste separation program introduced at our Santa Fe Corporate Offices, we estimated waste based on the kilograms/employee indicator, which represent a scope of 43.2% of the total employees, which we extrapolated to the rest of our administrative buildings. This gave us a total generation of 245.44 metric tons of waste. The program began in April and the calculation encompasses various types of waste, both recyclable and non-recyclable.

We continue to work on reducing the generation of solid urban waste and on correctly disposing of special-handling waste. Through our waste separation program, we channeled 516.5 metric tons to recycling (449.7 tons were from dead file) and collected 10.8 metric tons for donation to various charitable causes, such as maintenance and restoration of school furniture and cancer treatments.

Furthermore, we promoted the efficient use of paper in our operations through the use of digital media and cross selling to reduce consumption.

One of the strategies implemented is our Origina program, which optimizes contract formats and reduces the number of pages in each contract. This initiative eliminated the printing of approximately 8,880,564 sheets, equivalent to 40.14 metric tons of paper.

Together with this, we applied technological changes in the regulations to reduce paper consumption by eliminating account statements in credit card applications. It is no longer necessary to attach account statements for credit card and payroll paperwork—this is now done through a system that uses clients’ historic balances as a reference.

Also, through an application called Papercut we were able to efficiently administer 500 multifunctional printers in banking industry corporate buildings by controlling the number of printouts per user. The scope included 9,197 users, with which we avoided 860,560 printouts, or 3.4 metric tons of paper saved.

We also encouraged clients to skip the printout of their vouchers at ATMs. With this initiative, we were able to reduce the number of paper rolls supplied to the ATMs by more than 30%, equivalent to more than 117 tons of paper and a saving of Ps. 2.9 million.

Water

303-1

GFNorte water consumption

Consumption	2017	2018	2019	% chge. 19/18
Water m ³	616,431	668,223	714,835	6.97
Water m ³ /employee	20.61	21.87	23.70	8.36
Employee scope	99%	99%	100%	1.01

Based on our water bills and the average price for each state, we estimate water consumption of 714,835 m³. The water we use comes from the public water supply and is channeled to the local sewer systems where we operate. To ensure a more efficient use of this vital resource, our corporate buildings have water-saving devices installed in its sinks, and dry, odorless low-consumption urinals.

Furthermore we have rainwater capture systems installed on our rooftops, along with conventional gutters, creating a network of conduits for carrying the rainwater toward a cistern. The water is then run through a deep-bed filter for reuse.

Biodiversity

304-1 / 304-4

We encourage the sustainable use of urban spaces. Our primary axis of action is our green rooftop project, located in the Roberto González Barrera Contact Center in Monterrey, Nuevo León. The rooftop has 1,784 m² of landscaped area, which holds 60 species of Mexican plants, 13 of them classified under environmental protection standard NOM-059-SEMARNAT-2010.

In October, the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) created a green rooftop project where students from various engineering programs evaluated its environmental services and submitted proposals to amplify the services it provides.


We participated in the fourth Flowers and Garden Festival in Polanco, Mexico City. We participated in the restoration of the Lincoln Vegetable Garden in Parque Lincoln, helping to build awareness of sustainability issues in the general public through workshops for children, tours, and various activities relating to land biomes. We also decorated three of our branches with flowers during the Flowers and Garden Festival, and later donated the flowers to a university for research purposes. The remaining plants were donated to Fundación Hogares to create a neighborhood garden.

In partnership with Reforestamos México and in coordination with local communities, 614 volunteers participated in four reforestation events, in which 6.5 hectares were restored with 5,600 trees. With this, we hope to propagate environmental benefits in these woodland areas, protect and preserve biodiversity, avoid soil erosion, improve water infiltration capacity in the subsoil and clean the air. Upon reaching maturity, these species can capture an estimated 183.68 metric tons of carbon.


We donated to the Reino Animal sustainable flora and fauna conservation center, located in a protected natural area covering 52 hectares, home to more than 1,440 examples of 130 species of mammals, reptiles, birds, fish and insects. Its various lines of action are focused on environmental education and research and care and conservation of the area and the species that live there. We took part in the release of two red-tailed hawks in the protected natural area of Cerro Gordo in Teotihuacán. These species were channeled to this conservation center by the Federal Environmental Protection Agency and the Ministry of the Environment, and were rehabilitated so they could re-adapt to the natural ecosystem. Banorte contributed devices for monitoring these species.

GRI CONTENT INDEX

102-55


GRI Standards Content	Verification	Page	Description	2019 Statement
GRI 102: General Content				
1. Organizational Profile 2016				
102-1		100	Name of the organization	About this Report
102-2		7, 20, 64	Activities, brands, products, and services	Banorte at a Glance, Strategy and Business Model, Social Capital
102-3		102	Location of the organization's headquarters	Contact
102-4		4, 42	Number of countries operating	Banorte at a Glance, Technology and Infrastructure Capital
102-5		100	Nature of ownership and legal form	About this report
102-6		7, 20, 64	Markets served	Banorte at a Glance, Strategy and Business Model, Social Capital
102-7		20, 64	Scale of the reporting organization	Strategy and Business Model, Social Capital
102-8		46	Information on employees and other workers	Human Capital
102-9	●	65	Supply chain	Social Capital
102-10		2	Significant changes to the organization and its supply chain	Message from the Chairman of the Board and CEO
102-11		-	Precautionary Principle or approach	GRI Content Index. We have no studies on environmental risks and impacts of new investments or products; however, measures were taken in the construction of new branches to mitigate the impact on the environment, such as: <ul style="list-style-type: none"> • Separation of solid waste • Use of treated water • Reuse of water • Rainwater capture • Use of ecological toilets • Use of materials made from recycled substances • Use of lead-free vinyl paint • Automatic shutoff of lighting and air-conditioning control systems • Installation of energy efficient lighting
102-12	●	34	External initiatives	Financial Capital
102-13		72	Memberships in associations	Sustainability
2. Strategy 2016				
102-14		2	Statement from senior decision-maker	Message from the Chairman of the Board and CEO
102-15		2, 38	Key impacts, risks, and opportunities	Message from the Chairman of the Board and CEO, Technology and Infrastructure Capital
3. Ethics and Integrity 2016				
102-16		6, 48	Values, principles, standards, and norms of behavior	Banorte at a Glance, Human Capital For more about our Code of Conduct, visit:  https://investors.banorte.com/-/media/Files/B/Banorte-IR/documents/policies-and-documents/en/Code%20of%20Conduct_NF_260219.pdf
102-17	●	48	Mechanisms for advice and concerns about ethics	Human Capital
4. Governance 2016				
102-18	●	9	Governance structure	Banorte at a Glance
102-19		72	Delegation of authority	Sustainability
102-20		9, 72	Executive-level responsibility for economic, environmental and social topics.	Banorte at a Glance, Sustainability
102-21		72	Consulting stakeholders on economic, environmental, and social topics.	Banorte at a Glance, Sustainability
102-22		9	Composition of the highest governance body and its committees	Banorte at a Glance
102-23		9	Chair of the highest governance body	Banorte at a Glance


GRI Standards Content	Verification	Page	Description	2019 Statement
102-24		9	Nomination and selection the highest governance body	Banorte at a Glance See: https://investors.banorte.com/en/governance/shareholders-meetings
102-25	●	-	Conflicts of interest	<p>Extract from the Code of Conduct: https://investors.banorte.com/-/media/Files/B/Banorte-IR/documents/policies-and-documents/en/Code%20of%20Conduct_NF_260219.pdf</p> <p>Board members, officers and employees should at all times avoid actions that counteract or seem to counteract the legitimate interests of GFNorte. They should be especially careful in assessing the likelihood of a conflict of interest in business or personal relationships with customers, suppliers, associates, employees or competitors (including Board Members, officers and employees) of GFNorte. Any GFNorte Board member, officer or employee who has direct or indirect knowledge of an irregular act, conflict of interest or non-compliance with regulations that may constitute or lead to damage or destruction to GFNorte, or constitute non-compliance with any of the principles of this Code of Conduct, must report it with all due discretion, to the Deputy General Comptroller, and/or to the Executive Department of Audit, Bank and Subsidiary Operations or through the Ethic Points system and/or electronic channels established in the institution. A set of rules were established to facilitate a better understanding of the objective, scope, assessment and mandatory compliance which can be found at:</p> <p>https://investors.banorte.com/-/media/Files/B/Banorte-IR/documents/policies-and-documents/en/Code%20of%20Conduct_NF_260219.pdf</p> <p>In addition to the foregoing, and in accordance with Articles 64, 64 Bis and 64 Bis 1 and the General Rules for Financial Groups and their financial entities, financial institutions must avoid conflicts of interest between them and their respective business units. The Audit and Corporate Practices Committees of the financial institutions, where appropriate, shall implement a system to prevent conflicts of interest and shall ensure at all times that functions in a manner consistent with the strategies and goals of these financial institutions, taking preventive and corrective measures to remedy any deficiency detected within a reasonable time, addressing the characteristics of such measures. GFNorte limits itself to reporting on conflicts of interest; these are addressed internally.</p>
102-26		9	Role of highest governance body in setting purpose, values, and strategy.	Banorte at a Glance
102-27		9	Collective knowledge of highest governance body	Sustainability
102-28		9	Evaluating the highest governance body's performance	Banorte at a Glance
102-29		9, 72	Identifying and managing economic, environmental, and social impacts.	Banorte at a Glance, Sustainability
102-30		9, 38, 72	Effectiveness of risk management processes	Banorte at a Glance, Technology and Infrastructure Capital, Sustainability
102-31		-	Review of economic, environmental, and social impacts.	During the various meetings of the Board of Directors, subject to availability in the agenda, a space is assigned to review and manage economic, social and environmental impacts, risks and opportunities
102-32		-	Highest governance body's role in sustainability reporting	The Executive Department of Investor Relations have approved the 2019 Annual Report of Grupo Financiero Banorte



GRI Standards Content	Verification	Page	Description	2019 Statement
102-33	●	48	Communicating critical concerns	Human Capital Grupo Financiero Banorte S.A.B. de C.V. is publicly-traded financial institution listed on the Bolsa Mexicana de Valores, as well as in various international exchanges. By virtue of this listing, shareholders or interested third parties must be notified of all critical events. GFNorte has established a procedure to notify these institutions of relevant events related to the same. For more information visit:  https://investors.banorte.com/governance/shareholders-meetings?sc_lang=es%3F82
102-34		48	Nature and total number of critical concerns	Human Capital
102-35		9	Remuneration policies	Banorte at a Glance
102-36		9	Process for determining remuneration	Banorte at a Glance
102-37	●	-	Stakeholders' involvement in remuneration	In keeping with its faculties, the Nominations Committee hired a specialized firm to conduct a study of the compensation paid to board members in Mexico and internationally, and within the financial services industry, to be used in determining the proposal on GFNorte board member compensation proposal, which will be presented to the General Ordinary Shareholders' Meeting for its approval.
102-38		30	Annual total compensation ratio	Human Capital
102-39		30	Percentage increase in annual total compensation ratio	Human Capital
5. Stakeholder Engagement 2016				
102-40	●	16	List of stakeholder groups	Banorte at a Glance
102-41		-	Collective bargaining agreements	Our employees have freedom of assembling
102-42	●	16	Identifying and selecting stakeholders	Banorte at a Glance
102-43	●	16	Approach to stakeholder engagement	Banorte at a Glance
102-44	●	-	Key topics and concerns raised	Banorte at a Glance
6. Reporting Practices 2016				
102-45	●	100	Entities included in the consolidated financial statements	About this report
102-46	●	16, 72	Defining report content and topic Boundaries	Banorte at a Glance, Sustainability Materiality and sustainability context are found in our sustainability model. Inclusion of stakeholders: through this report we respond to material topics to every stakeholder group. Comprehensiveness: the scope of this report includes all of Grupo Financiero Banorte.
102-47	●	17, 72	List of material topics	Banorte at a Glance, Sustainability
102-48		100	Restatements of information	About this report As of this year, the information on Human Capital is presented with consolidated data for GFNorte. In previous years it was presented separately by Banking and Insurance and Pensions."
102-49	●	100	Changes in reporting with respect to the periods covered by prior reports in the list of material issues and coverage of those issues	About this report As of this year, the information on Human Capital is presented with consolidated data for GFNorte. In previous years it was presented separately by Banking and Insurance and Pensions.
102-50		100	Reporting Period	About this report
102-51		100	Date of most recent report	About this report
102-52		100	Reporting cycle	About this report
102-53		102	Contact point for questions regarding the report	Contact
102-54		100	Claims of reporting in accordance with the GRI Standards	About this report
102-55	●	90	GRI content index	GRI Content Index
102-56		100	External assurance	About this report

GRI Standards Content	Verification	Page	Description	2019 Statement
103-1	●	7, 34, 38, 54, 56, 80	Explanation of material issues and their coverage.	Banorte at a Glance, Financial Capital, Human Capital, Intellectual Capital, Technology and Infrastructure Capital, Sustainability. Through our Specialized Department of Sustainability and Responsible Investment, we establish structures, principles and guidelines for the planning, organizing, executing, monitoring, controlling and continuously improving social initiatives intended to meet sustainable development goals, in which various stakeholders actively participate. For this reason, our social and environmental policies are part of established corporate regulations for acting in an ethical, equitable and impartial manner in circumstances involving sustainability issues so as to inspire confidence among stakeholders involved with Grupo Financiero Banorte and its operations, thus improving business performance, products and services while positioning the company as an institution committed to Mexico.
103-2	●	7, 34, 38, 54, 56, 80	Management approach and its components	Banorte at a Glance, Financial Capital, Human Capital, Intellectual Capital, Technology and Infrastructure Capital, Sustainability
103-3		7, 34, 38, 54, 56, 80	Evaluation of management approach	At GFNorte we aim to publicize initiatives that respond to our material issues, as well as our assessment of management, following the International Integrated Reporting Council, IIRC guidelines. These initiatives can be seen in the following sections of the report: <ul style="list-style-type: none"> • Financial Capital • Human Capital; Intellectual Capital • Technology and Infrastructure Capital • Sustainability
GRI 200: Economic standards				
GRI 201 Economic Performance 2016				
201-1	●	28, 34	Direct economic value generated and distributed, including revenues, exploitation costs, employee compensation, donations and other investments in the community, undistributed benefits and benefits paid to capital suppliers and governments.	Financial Capital
201-2		34	Financial implications and other risks and opportunities	Financial Capital
201-3		30	Coverage of the organization's defined benefit and other retirement plan obligations	Human Capital
201-4		-	Financial assistance received from the government	In 2019 Banorte did not receive any assistance from the Government in the form of tax rebates or credits, grants, royalties, or any other form of tax exemption or incentive.
GRI 202 Market presence 2016				
202-1	●	30	Ratios of standard entry level wage by gender compared to local minimum wage	Human Capital For all legal purposes, the minimum wage in the company is determined based on wage tables starting from the general minimum wage, and adding 50%.
GRI 203 Indirect Economic Impacts 2016				
203-1		68	Infrastructure investments and services supported	Social Capital
203-2		42	Significant indirect economic impacts, including the extent of impacts	Technology and Infrastructure Capital
GRI 204 Procurement Practices 2016				
204-1		65	Proportion spent on local suppliers	Social Capital
GRI 205 Anti-Corruption 2016				
205-1		-	Operations assessed for risks related to corruption	In fiscal year 2019, reports were received from 17 areas and companies regarding violations of the GFNorte Code of Conduct and laws and provisions regulating the operation of our business.
205-2	●	-	Communication and training about anti-corruption policies and procedures	98% of personnel received training
205-3		-	Confirmed incidents of corruption and actions taken	There were no instances of corruption reported in 2019
GRI 207 Taxes 2019				
207-1		30	Tax approach	Financial Capital
207-2		30	Fiscal governance, control and risk management.	Financial Capital

GRI Standards Content	Verification	Page	Description	2019 Statement
207-3		30	Shareholder engagement and management of tax-related concerns	Financial Capital
GRI 300: Environmental standards				
GRI 301 Materials 2016				
301-1	●	88	Materials used by weight or volume	Natural Capital
GRI 302 Energy 2016				
302-1	●	86	Energy consumption within the organization	Natural Capital
302-3	●	86	Energy intensity	Natural Capital
302-4	●	86	Reduction of energy consumption	Natural Capital
302-5		86	Reductions in energy requirements of products and services	Natural Capital
GRI 303 Water 2016				
303-1		89	Water extraction by source	Natural Capital
GRI 304 Biodiversity 2016				
304-1		89	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural Capital
304-4		89	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Natural Capital
GRI 305 Emissions 2016				
305-1	●	87	Direct greenhouse gas (GHG) emissions (Scope 1)	Natural Capital
305-2	●	87	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Natural Capital
305-3	●	87	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Natural Capital
305-4	●	87	GHG emissions intensity	Natural Capital
305-5	●	87	Reduction of GHG emissions	Natural Capital
305-6	●	87	Emissions of ozone-depleting substances (ODS)	Natural Capital
GRI 306 Effluents and waste 2016				
306-2	●	88	Waste by type and disposal method	Natural Capital
GRI 307 Environmental Compliance 2016				
307-1	●	-	Non-compliance with environmental laws and regulations	GFNorte received no environmental fines in 2019
GRI 308 Supplier Environmental Assessment 2016				
308-1	●	-	New suppliers that were screened using environmental criteria	We have no investment agreements. We have contracts with 519 suppliers who have stated their acknowledgement of and commitment to the Global Compact Principles (without necessarily having signed them).
GRI 400: Social Standards				
GRI 401 Employment 2018				
401-1	●	48	New employee hires and employee turnover	Human Capital
401-2		50	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Capital
401-3		51	Parental Leave	Human Capital

GRI Standards Content	Verification	Page	Description	2019 Statement
GRI 403 Occupational Health and Safety 2016				
403-1		-	Representation of workers in formal health and safety committees	<p>Employee safety and health is very important to GFNorte. Accordingly, we have developed the following Policies and Practices, which formalize and provide a basis for the actions and processes that guarantee this objective.</p> <p>Internal Legal Framework and Current Policies:</p> <ul style="list-style-type: none"> • Internal Labor Regulations: (Chapter IV- Safety and Hygiene and Civil Defense on the job) • Collective Bargaining Contract: (Chapter VII – Safety and Hygiene and Internal Civil Defense Units) • Policy on the Brigade Training Program (Selection, Formation and Training of Brigades and Internal Civil Defense Units) • Policy on Preventing Psycho-Social Risks at Work (Occupational Illness, Standard O35-STPS) • Specific policies on epidemics and pandemics (Actions and procedures for preventing and attending to various phases of epidemiological contingency) <p>Sampling of programs, actions, dissemination and development actions taken at GFNorte in alignment with the policies:</p> <ul style="list-style-type: none"> • Annual Program of the Business Continuity Committee (Inclusion of pertinent activities, for measurement purposes and indicators) • Attachment Annual First Response and Continuity Program • Annual Program for Brigade Member Recruitment and Training • Banorte Support Hotline • Vive Sano Banorte Campaign • Program to Prevent Psycho-Social Risks at Work
403-2	●	-	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<ul style="list-style-type: none"> • No cases reported • No days lost for this reason • Absenteeism rate is zero • No fatal accidents
403-3		51	Workers with high incidence or high risk of diseases related to their occupation	Human Capital
GRI 404 Training and teaching 2016				
404-1	●	46	Average hours of training per year per employee	Human Capital
404-2	●	46	Programs for upgrading employee skills and transition assistance programs	Human Capital
404-3	●	46	Percentage of employees receiving regular performance and career development reviews	Human Capital
GRI 405 Diversity and Equal Opportunity 2016				
405-1	●	9, 46	Diversity of governance bodies and employees	<p>Banorte at a Glance, Human Capital</p> <p>For more about our Code of Conduct, visit:  https://investors.banorte.com/-/media/Files/B/Banorte-IR/documents/policies-and-documents/en/Code%20of%20Conduct_NF_260219.pdf</p>
405-2	●	50	Ratio of basic salary and remuneration of women to men	Human Capital
GRI 406 Non-discrimination 2016				
406-1		-	Incidents of discrimination and corrective actions taken	In 2019, 74 cases were registered, and 23% were analyzed and determined to involve issues that warranted actions such as reprimands, relocations or firings. The 77% of cases that were not analyzed did not contain enough information to conduct the investigation.
GRI 410 Security Practices 2016				
410-1		-	Security employee training on human rights policies or procedures	During the year 82% of our Security Personnel received training in Human Rights
GRI 411 Rights of Indigenous Peoples 2016				
411-1		-	Incidents of violations involving rights of indigenous peoples	No complaints of this type were registered in 2019

GRI Standards Content	Verification	Page	Description	2019 Statement
GRI 412 Human Rights Assessment 2016				
412-2	●	-	Employee training on human rights policies or procedures	During the year we gave courses on Internal Labor Regulations, Quick Guide to Internal Compliance and Code of Conduct, to train all new hires in Human Rights issues. On average, three hours of training.
412-3	●	-	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	We have no investment agreements that are subject to human rights evaluation criteria. As for our value chain, we have contracts with 519 suppliers who have stated their acknowledgement of and commitment to the Global Compact Principles (without necessarily having signed them).
GRI 413 Local Communities 2016				
413-1		7, 65	Operations with local community engagement, impact assessments, and development programs	Banorte at a Glance, Social Capital
413-2		-	Operations with significant actual and potential negative impacts on local communities	No complaints of this type were registered in 2019
GRI 414 Supplier Social Assessment 2016				
414-1	●	65	New suppliers that were screened using social criteria	Social Capital
GRI 416 Customer Health Safety 2016				
416-1		20	Assessment of the health and safety impacts of product and service categories	Strategy and Business Model
GRI 417 Marketing and Labeling 2016				
417-1	●	-	Requirements for product and service information and labeling	Grupo Financiero Banorte, S.A.B. de C.V. and its financial entities, a financial services provider, protects the personal data of its customers in compliance with Mexico's Federal Law on Protection of Personal Data Held by Individuals for the purpose of safeguard the integrity, privacy and protection of their personal data. For more information see, in Spanish:  https://www.banorte.com/wps/portal/gfb/Home/banorte-te-informa/aviso_de_privacidad/
417-2	●	-	Incidents of non-compliance concerning product and service information and labeling	During the year, 156 cases were recorded for a total of Ps 33 million in fines or municipal penalties for updating properties awarded to the Bank. Fines were levied by IMSS, INFONAVIT, CNBV, CONDUSEF, IPAB and Banco de México; they have all been paid.
417-3	●	-	Incidents of non-compliance concerning marketing communications	In 2019, GFNorte did not receive any fines regarding marketing, advertising, promotion or sponsorship issues.
GRI 418 Customer Privacy 2016				
418-1	●	-	Substantiated complaints regarding breaches of customer privacy and losses of customer data	No complaints of this type were registered in 2019

GRI Standards Content	Verification	Page	Description	2019 Statement
GRI 419 Socioeconomic Compliance 2016				
419-1	●	-	Non-compliance with laws and regulations in the social and economic area	During the year, 156 cases were recorded for a total of Ps 33 million in fines or municipal penalties for updating properties awarded to the Bank. Fines were levied by IMSS, INFONAVIT, CNBV, CONDUSEF, IPAB and Banco de México; they have all been paid.
FS-1	●	-	Policies with specific environmental and social components applied to business lines	See our policies:  https://investors.banorte.com/en/sustainability/resources/policies-and-procedures
FS-2	●	7	Procedures for the evaluation and selection of environmental and social risks in lines of business	Banorte at a Glance
FS-3	●	7	Processes to monitor implementation and compliance with environmental and social requirements included in agreements or transactions with customers	Banorte at a Glance
FS-4	●	7	Processes to improve personnel competence in implementing environmental and social policies and procedures applicable to lines of business	Banorte at a Glance Grupo Financiero Banorte has a Sustainability and Responsible Investment area, with an experienced staff responsible for training teams distributed across the territories in which we operate, and whose activities are related to the lending. For more information, visit:  https://investors.banorte.com/en/sustainability
FS-5	●	7	Interactions with customers in terms of environmental and social opportunities and risks	Banorte at a Glance
FS-8	●	72	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability
FS-10	●	7	Percentage and number of companies in the institution's portfolio with which interactions on environmental or social issues have been carried out	Banorte at a Glance
FS-11	●	7	Percentage of assets subject to social or environmental review, positive as well as negative	Banorte at a Glance
FS-13	●	42	Points of access in scarcely populated or economically disadvantaged areas described by type	Technology and Infrastructure Capital
FS-14	●	42	Initiatives to improve access to financial services for the disadvantaged	Technology and Infrastructure Capital
FS-15	●	-	Policies for the design and sale of financial products and services in a fair and reasonable manner	GFNorte has a policy on Evaluation and Approval of Initiatives and Projects for New Products and Services
FS-16	●	64	Initiatives to improve financial literacy and education by type of beneficiary	Social Capital

INDEPENDENT ASSURANCE REPORT

Deloitte.

Deloitte Asesoría en Riesgos, S.C.
Av. Paseo de la Reforma No. 505, Piso 28
Colonia Cuauhtémoc
06500 Ciudad de México,
México
Tel: + 52 (55) 5080 6000
Fax: + 52 (55) 5080 6001
www.deloitte.com/mx

Independent assurance report on the 2019 Annual Report to Grupo Financiero Banorte, S.A.B. de C.V., to the Management of Banorte.

Responsibilities of Banorte and independent reviewer

The Management of Banorte is responsible for the elaboration of the 2019 Annual Report (AR) for the period from January 1st to December 31st, 2019, as well as ensuring its content, definition, adaptation and maintenance of the management systems and internal control from which the information is obtained, and which is also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of Banorte in accordance with the terms of our agreement letter dated January 17th, 2020 therefore we do not assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of Banorte.

Scope of our work

The scope of our assurance was limited which is substantially lower than a reasonable assurance scope, therefore the assurance provided is also lower. This report in no case can be understood as an audit report.

We conducted the 2019 AR review under the following conditions and/or criteria:

- a) The review of the GRI Standards disclosures in accordance with the reporting requirements as specified in the GRI Content Index of the 2019 AR.
- b) The data consistency between the information included in the 2019 AR with supporting evidence provided by the Management.

We have complied with the independence and ethics requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Boards (IAASB) of International Federation of Accountants (IFAC).

Our review work included the formulation of questions to the Management as well as various departments of Banorte that have participated in the elaboration of the 2018 AR and the application of certain analytical and sample screening tests procedures that are described below:

- a) Meetings with staff of Banorte to learn the principles, systems and applied management approaches.
- b) Analysis of the process to collect, validate and consolidate the data presented in the 2019 AR.
- c) Analysis of scope, relevance and integrity of the information included in the 2019 AR in terms of the understanding of Banorte and of the requirements that stakeholders have identified as material aspects.
- d) Selected sample review from the evidence that supports the information included on the 2019 AR.
- e) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

The following table details the revised contents according with the Sustainability Reporting Standards Guideline:

102-12	102-44	201-1	305-3	404-1	417-2	FS 8
102-17	102-45	202-1	305-4	404-2	417-3	FS 10
102-18	102-46	205-2	305-5	404-3	418-1	FS 11
102-25	102-47	301-1	305-6	405-1	419-1	FS 13
102-33	102-49	302-1	306-2	405-2	FS 1	FS 14
102-37	102-55	302-3	307-1	412-2	FS 2	FS 15
102-40	102-9	302-4	308-1	412-3	FS 3	FS16
102-42	103-1	305-1	401-1	414-1	FS4	
102-43	103-2	305-2	403-2	417-1	FS 5	

¹ Only qualitative.

These indicators were selected for the independent review in accordance with the following criteria:

- a) Materiality of Banorte referred in the 2019 AR.
- b) Information provided during the meetings with the interviewed staff.
- c) Review of the evidence provided by Banorte staff of this project.

Conclusion

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the indicators and disclosures reviewed in the 2019 AR contain significant errors or have not been prepared in accordance with the reporting requirements established in the GRI Standards. For those GRI Standards disclosures and indicators of the Disclosure Sector where Banorte did not report in quantitative terms (numeric) the independent reviewer reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

Action alternatives

Deloitte has provided Banorte a report with the most significant action alternatives for future reporting, which do not modify the conclusions expressed in this independent review report.

Deloitte Asesoría en Riesgos, S.C.

Deloitte Touche Tohmatsu Limited affiliate Firm



Rocío Canal Garrido
 Partner for Deloitte Asesoría en Riesgos, S.C.
 March 31st, 2020

ABOUT THIS REPORT

102-1 / 102-5 / 102-48 / 102-49 / 102-50 / 102-51 / 102-52 / 102-54 / 102-56

In this document, we share with our investors, shareholders and other stakeholders the financial, technological, labor, social, environmental and corporate governance results that we obtained between January 1 and December 31, 2019.

The information presented is limited to the operations of Grupo Financiero Banorte (GFNorte; BMV: GFNORTEO; OTCQX; GBOOY; LATIBEX: XNOR), and thus does not include information on other entities.

For the eleventh year in a row, we have prepared this annual report in accordance with the following reporting standards:



Global Reporting Initiative (GRI)

We used the Global Reporting Initiative (GRI) standards as a guide for reporting our performance. We report the contents of the 102 Universal Standards (general content), as well as to the Specific Standards (the 200, 300 and 400 series) content relating to our material issues.



This report has been prepared in accordance with the GRI Comprehensive Standards option and has been verified by **Deloitte**.



Integrated Reporting Council (IIRC)

We incorporated the IIRC framework into our 2019 Annual Report in order to present integrated data on our operation and performance. This gives us a more complete approach to the factors that affect the ability of Grupo Financiero Banorte to create value over time.



Sustainable Development Goals (SDG)

This report discusses the various initiatives and directly or indirectly contribute to meeting the 17 goals established by the United Nations.



United Nations Global Compact

Since 2011 we have been signatory members of the United Nations Global Compact, an initiative that promotes 10 principles of action in the areas of human rights, labor, environment and anti-corruption. This report represents our communication on progress (CoP).

The Annual Report and Financial Statements of Grupo Financiero Banorte are available in the following formats:

PDF Annual Report



Spanish

 <https://investors.banorte.com/financial-information/annual-reports/es/2019/InformeAnualBANORTE2019.pdf>



English

 <https://investors.banorte.com/financial-information/annual-reports/en/2019/AnnualReportBANORTE2019.pdf>

Web Annual Report and Financial Statements



Spanish/English

 <https://www.banorte.com/informeinteractivo2019>

PDF Financial Statements



Spanish

 <https://investors.banorte.com/es/financial-information/grupo-financiero-banorte/2019>



English

 <https://investors.banorte.com/en/financial-information/grupo-financiero-banorte/2019>

CONTACT

102-3 / 102-53

Monterrey, N.L.

Edificio Torre Koi
Av. David Alfaro Siqueiros #106
Col. Valle Oriente
San Pedro Garza García, C.P. 66260
Phone: +52 (81) 8319 6500

Mexico City

Edificio Santa Fe
Prolongación Paseo de la Reforma #1230
Col. Cruz Manca Santa Fe, C.P. 05349
Phone: +52 (55) 1103 4000

Call Center

Ciudad de México: +52 (55) 5140 5600
Monterrey: +52 (81) 8156 9600
Guadalajara: +52 (33) 3669 9000
Rest of Mexico: 01 800 BANORTE (01 800 226 6783)

Investor Relations and Financial Intelligence

Ursula Wilhelm Nieto
Phone: +52 (55) 1103 4000 ext. 2256
investor@banorte.com

Sustainability and Responsible Investment

Mariuz Calvet Roquero
Phone: +52 (55) 1103 4000 ext. 1862
sustentabilidad@banorte.com



Ticker Symbol

Bolsa Mexicana de Valores: GFNORTEO
OTCQX : GBOOY
LATIBEX: XNOR

www.banorte.com

