

# Financial Results

**1Q12**

**April 2012**



# Summary of Results

# Financial Highlights

- **GFNORTE's Net Income reached Ps 2.46 billion, 36% higher compared to the same quarter of 2011 and 2% lower than in 4Q11 due to the quarterly seasonal impact on revenues and to extraordinary events. Ixe and its subsidiaries contributed with Ps 131 million.**
- **The Banking Sector (excluding its participation in Afore XXI Banorte) contributed with 87% of the profits reaching Ps 2.14 billion.**
- **During 1Q12, ROE was 13.7% and 16.8% for the banking sector.**
- **Core Deposits increased by 30% annually, amounting to Ps 304.1 billion, driven mainly by the merger with Ixe and the efforts to promote Banorte's products. Demand deposits grew by 28% and Retail Time Deposits increased by 32%.**
- **Total Performing Loans grew by 33% compared to the same quarter from last year. Especially growing, Payroll loans by 51%, Government loans by 47%, Commercial loans by 39%, Credit card loans by 34%, Corporate Loans by 30% and Mortgage loans by 15%.**

# Financial Highlights

- **The Brokerage Sector (Ixe Casa de Bolsa and Ixe Fondos) reported profits of Ps 111 million, 14% higher than in 1Q11.**
- **Other Finance companies (Arrendadora and Factor Banorte, Warehousing & Ixe Automotriz) reported profits of Ps 142 million, remaining at a similar level compared to the same period last year.**
- **The profit contribution from the Long Term Savings Sector (Insurance and Annuities companies, and Afore XXI Banorte) was Ps 254 million in 1Q12, 99% higher than in 1Q11.**
- **During 1Q12, the bank's fundamentals remain solid:**
  - **Regulatory capital was 13.8% higher compared to the level at closing of 4Q11.**
  - **The NPL Ratio was 1.8%, one of the lowest in the financial system.**
  - **The reserve coverage was 158.1%, 19.1 pp higher than in 1Q11.**
  - **The bank has a very solid liquidity ratio of 103% during 1Q12, higher compared to the level of 96% in 1Q11.**

# Financial Highlights

- **During 1Q12, Net Interest Income totaled Ps 7.92 billion, increasing by +26% vs. 1Q11 and +8% vs. 4Q11, driven by higher loan volumes, the merger with Ixe and, on a quarterly basis, by the consolidation of Ixe Tarjetas (Credit Cards).**
- **Non Interest Income totaled Ps 3.87 billion in 1Q12, a 48% YoY increase, driven by growth in all items as a result of integrating Ixe's operations and better business dynamics. Compared to 4Q11, there was a (16%) reduction in Non Interest Income caused by the impact of accounting Afore XXI Banorte's revenues in Banco Mercantil del Norte under the equity participation method as of this quarter.**
- **In 1Q12 Provisions totaled Ps 1.47 billion, 10% higher compared to 1Q11 and 30% more compared to 4Q11. The annual increase is due to integrating Ixe and greater requirements in the Payroll portfolio. The increase vs. 4Q11 is due to the reversal during 4Q11 of Ps 425 million in provisions that were created during 3Q11 to reserve Coahuila's loan, and also to an increase in provisions for Payroll and Mortgage loans; which were not completely offset by lower provisions in the Corporate, Commercial, Credit card and Car loan portfolios**

# Financial Highlights

- In 1Q12, Non Interest Expense totaled Ps 6.56 billion, a 42% YoY increase as a result of integrating Ixe's expenses, merger related costs, and growth in the business areas. The (6%) QoQ decline vs. 4Q11 was mainly due to lower personnel, administration and promotional expenses, as a result of the synergies obtained during the merger process and seasonal effects that result in greater expenses during the last quarter of each year. The Efficiency Ratio was 55.6% during the quarter, 3.5 pp than in 1Q11.

# Quarterly Summary

MILLION PESOS

	1Q11	4Q11	1Q12	Change	
				QoQ	YoY
Revenues	8,888	11,978	11,794	(2%)	33%
Credit Costs	1,338	1,133	1,467	30%	10%
Expenses	4,631	6,999	6,558	(6%)	42%
<b>Reported Net Income</b>	<b>1,815</b>	<b>2,513</b>	<b>2,463</b>	<b>(2%)</b>	<b>36%</b>
EPS <sup>(1)</sup>	0.90	1.08	1.06	(2%)	18%
Book Value per Share <sup>(1)</sup>	23.61	30.45	31.40	3%	33%
ROE	15.5%	14.4%	13.7%	(0.7 pp)	(1.8 pp)
ROA	1.2%	1.2%	1.2%	0.0 pp	0.0pp
P/BV <sup>(2)</sup>	2.37	1.39	1.81	31%	(23%)

(1) Pesos

(2) Times



# Material Events

- **The Shareholders' Assembly approved to distribute the second payment of the decreed dividend last October, which was paid February 29, for the total amount of Ps. \$0.17 per share. The third and final payment will be made in May of this year, in order to reach the equivalent to Ps. \$0.52 per share or Ps. 1.21 billion, the payout was equivalent to 18% of earnings. The remaining 82% was reinvested in order to continue to grow loan activity.**
- **The Mexican Banking and Securities Commission (CNBV) approved the model of stability of funding for Banco Mercantil del Norte, which proved that there is greater stability in the bank's deposits. This allowed the bank to assign its deposits into higher bands, thus reducing the risk weighted assets and releasing 40 basis points of TIER 1 capital.**
- **Fitch ratified its viability ratings of Grupo Financiero Banorte and Banco Mercantil del Norte at "BBB" and "BB" for Ixe Banco. It also ratified the long and short term Issuer Default Ratings, for the Group, Banorte and Ixe at "BBB" and "F2". The national scale ratings of both banks and some subsidiaries of the Group were ratified at "AA + (mex)" and "F1 + (mex)". The outlook is "stable" in all cases.**



# Material Events

- **Since April 2012 the company "Banorte-Ixe Tarjetas" was established, which integrates Banorte and Ixe's Credit Card businesses. The creation of this new company and the consolidation of both businesses will have no impact on the operation, use and service to our customers, but rather will optimize the business platform and achieve greater profitability.**
- **In February, the Banker magazine published its ranking for the 500 most valuable banking brands in the world. Banorte was ranked at number 180, with a brand value of US\$ 608 million and a rating of A +.**
- **The Great Place to Work recognized Banorte in its rankings as number 6 in the Best "Companies with over 5000 employees" to work in Mexico, moving up four spaces in relation to the rankings of 2010. Banorte was the second best ranked bank in Mexico.**

# Material Events

- **Irrevocable Trust of Administration and Payment.** During the exchange of shares done in April 2011 in relation to the merger with Ixe, a total of 7,590,133 shares were deposited in a trust to cover any contingencies identified during the due diligence process, if they materialized. The trust established that if: i) a contingency materialized, the trust would proceed to sell, through the BMV, the number of shares that may be necessary to cover the contingency, or ii) if no contingencies occurred, all or any remaining shares would be delivered to the former Ixe's shareholders at the end of the term provided in the Trust (April 15, 2012). During the quarter, shares equivalent to Ps. \$310 million were sold, providing GFNorte with the resources to cover contingencies materialized in some of Ixe's assets that required capital increases for Fincasa Hipotecaria. Other expenses paid by the Trust were covered by previous sales of shares. As a result, the 7,590,133 shares delivered to the trust by GFNorte have been sold entirely, and the trust will be extinguished.



# Financial Performance

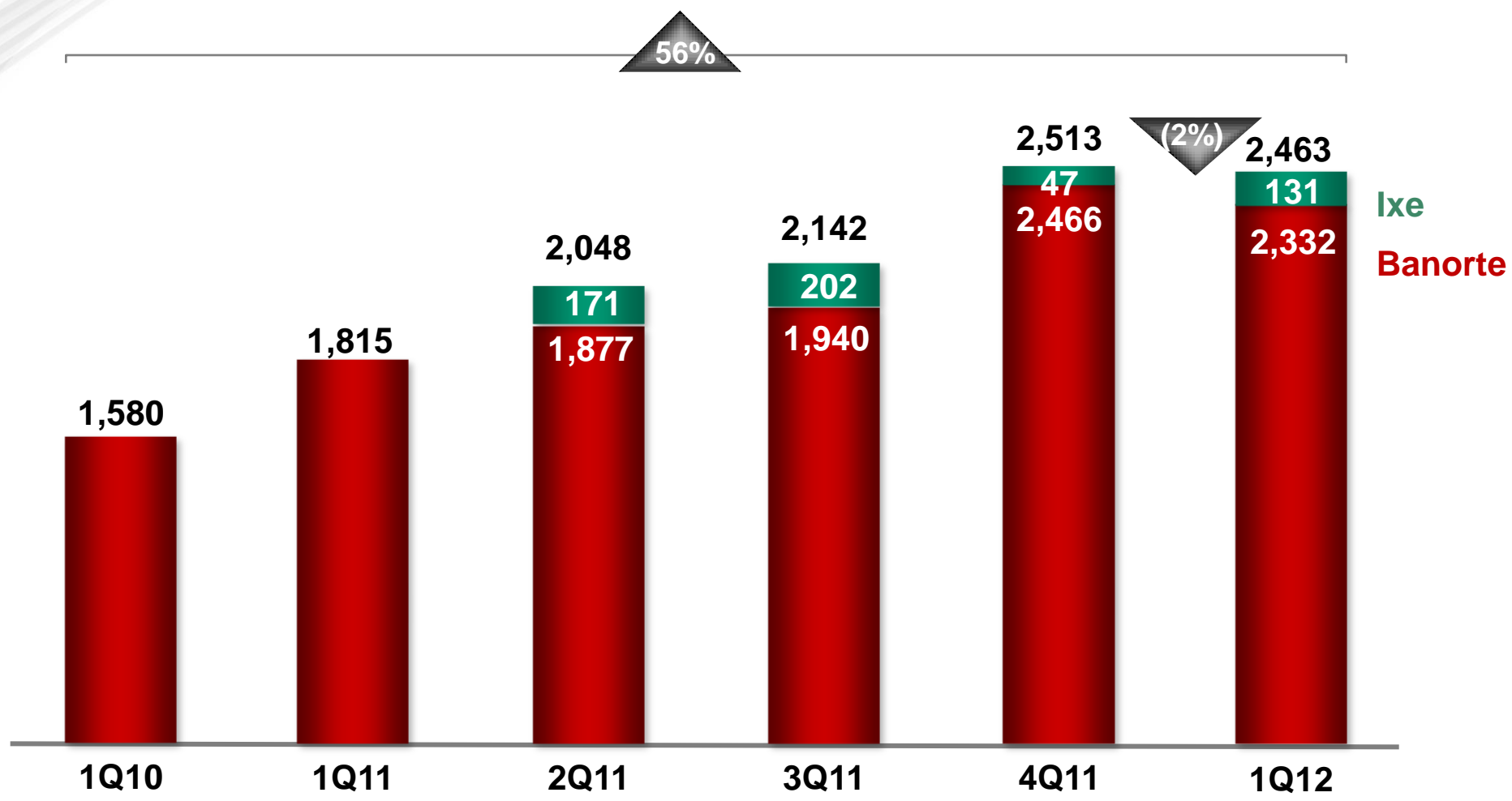
# Income Statement

Million pesos

	1Q11	4Q11	1Q12	Change	
				QoQ	YoY
Net Interest Income	6,277	7,364	7,923	8%	26%
Non Interest Income	2,611	4,614	3,871	(16%)	48%
<i>Service Fees</i>	1,469	2,053	1,550	(24%)	6%
<i>Recoveries</i>	220	353	359	2%	63%
<i>FX &amp; Trading</i>	517	1,184	1,182	-%	129%
<i>Other Income (expenses)</i>	405	1,025	780	(24%)	92%
<b>Total Income</b>	<b>8,888</b>	<b>11,978</b>	<b>11,794</b>	<b>(2%)</b>	<b>33%</b>
Non Interest Expense	4,631	6,999	6,558	(6%)	42%
<b>Net Operating Income</b>	<b>4,257</b>	<b>4,979</b>	<b>5,236</b>	<b>5%</b>	<b>23%</b>
Provisions	1,338	1,133	1,467	30%	10%
Income Tax	847	1,007	1,140	13%	35%
Subs & Minority Interest	(257)	(326)	(166)	(49%)	(36%)
<b>Net Income</b>	<b>1,815</b>	<b>2,513</b>	<b>2,463</b>	<b>(2%)</b>	<b>36%</b>

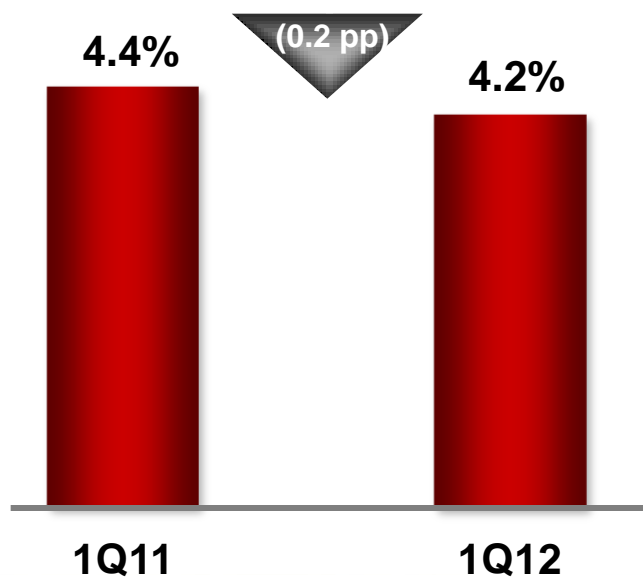
# Quarterly Net Income

Million Pesos

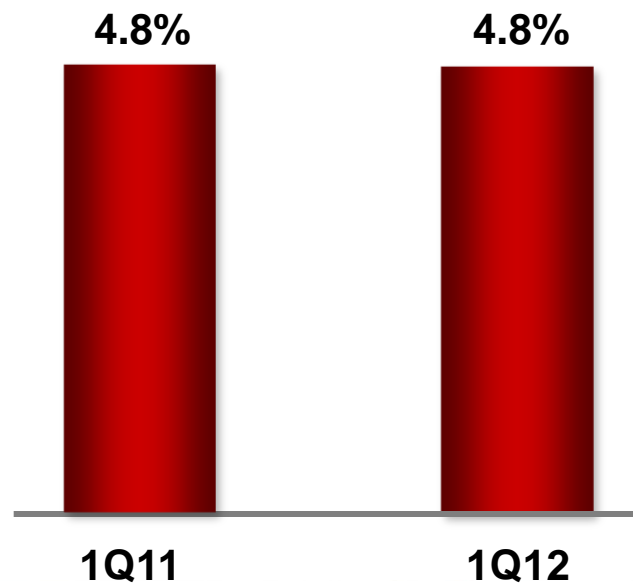


# Net Interest Margin

Average  
NIM



Average  
TIIE

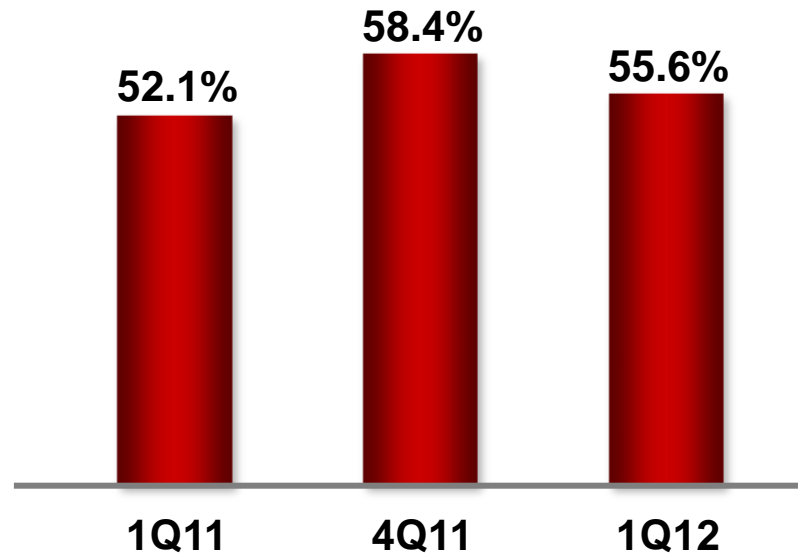


# Non Interest Expense

Billion Pesos

	1Q11	4Q11	1Q12	QoQ	YoY
Total Expense	4.6	7.0	6.6	(6%)	42%

## Efficiency Ratio





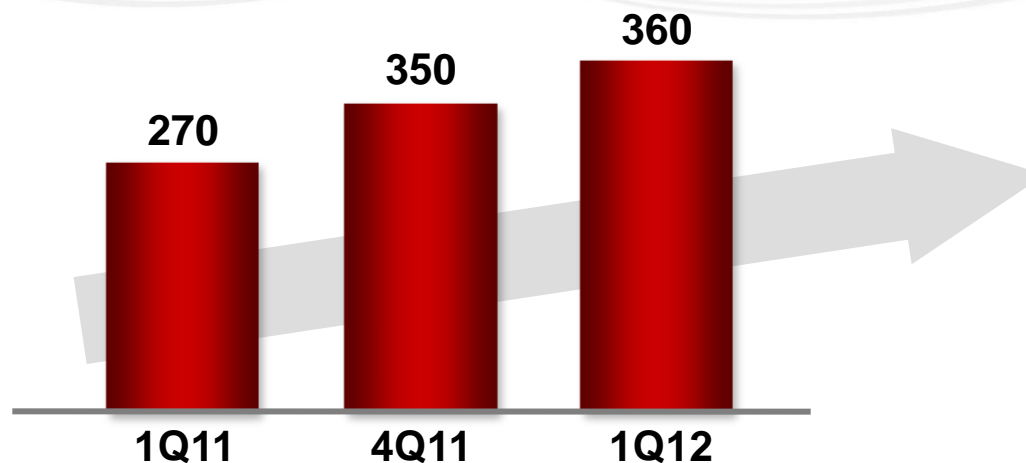
# Deposits

Billion Pesos

Deposits	1Q10		1Q11		1Q12
Demand	126	▲ 15%	145	▲ 28%	186
Time	86	▲ 4%	90	▲ 32%	119
<b>Core Deposits</b>	<b>212</b>	<b>▲ 10%</b>	<b>234</b>	<b>▲ 30%</b>	<b>304</b>
<b>Mix</b>					
Demand	59%		62%		61%
Time	41%		38%		39%
	100%		100%		100%

# Performing Loan Portfolio

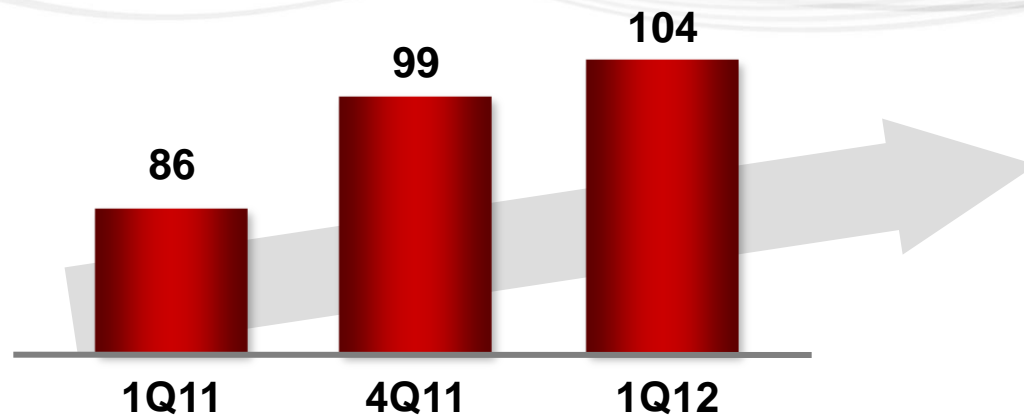
Billion Pesos



	1Q11	4Q11	1Q12	Change	
				QoQ	YoY
Consumer	86	99	104	6%	22%
Commercial	89	123	123	-%	39%
Corporate	44	57	58	1%	30%
Government	51	71	75	6%	47%
<b>Total</b>	<b>270</b>	<b>350</b>	<b>360</b>	<b>3%</b>	<b>33%</b>

# Performing Consumer Loan Portfolio

Billion Pesos



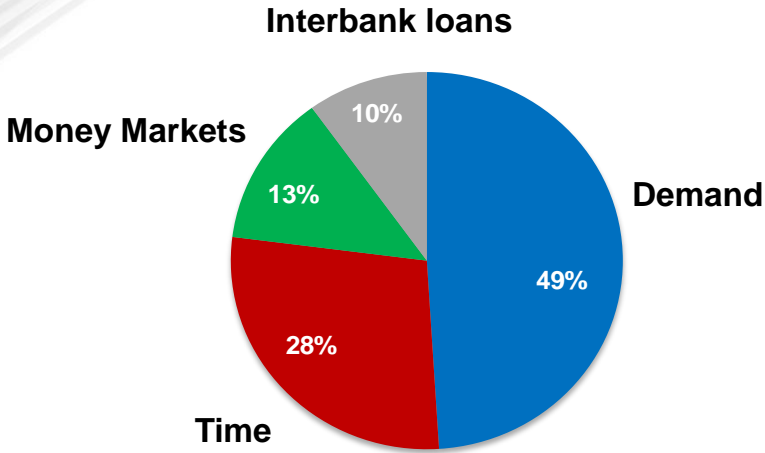
	1Q11	4Q11	1Q12	Change	
				QoQ	YoY
Mortgage	57	64	66	2%	15%
Car	8	9	10	4%	15%
Credit Cards*	11	11	15	28%	34%
Payroll	9	13	14	6%	51%
<b>Consumer</b>	<b>86</b>	<b>99</b>	<b>104</b>	<b>6%</b>	<b>22%</b>

\* Includes the credit card SOFOM Ixe Tarjeta's portfolio since 1Q12

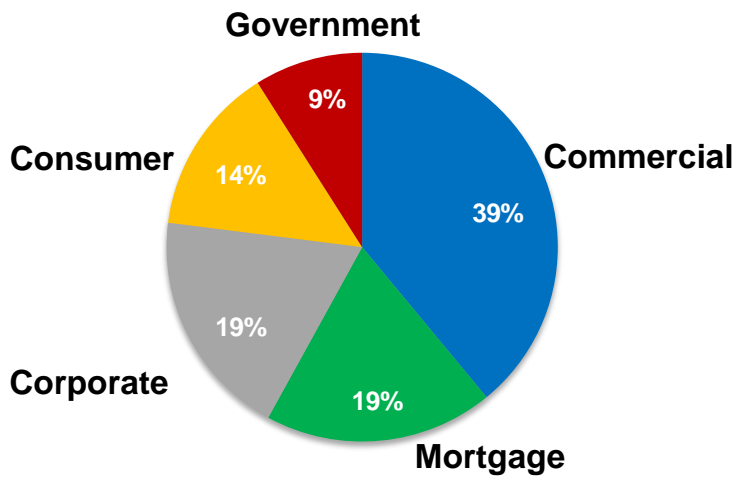
# Funding and Loan Portfolio Structure

**2007**

**Funding: \$226 Billion pesos**

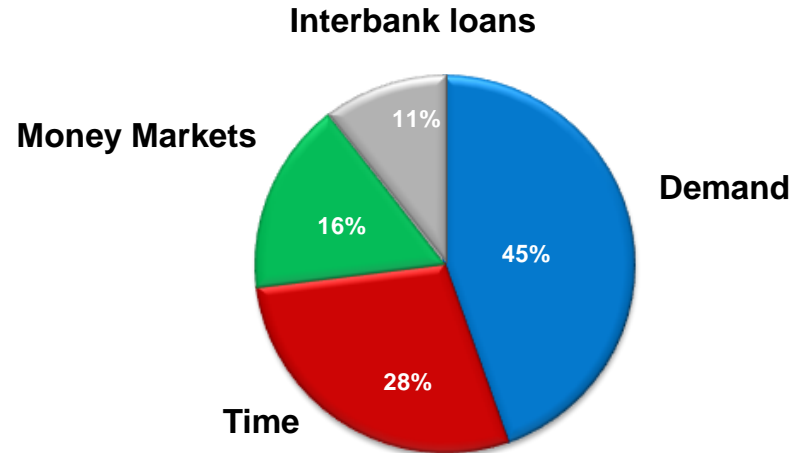


**Loan Portfolio: \$194 Billion pesos**

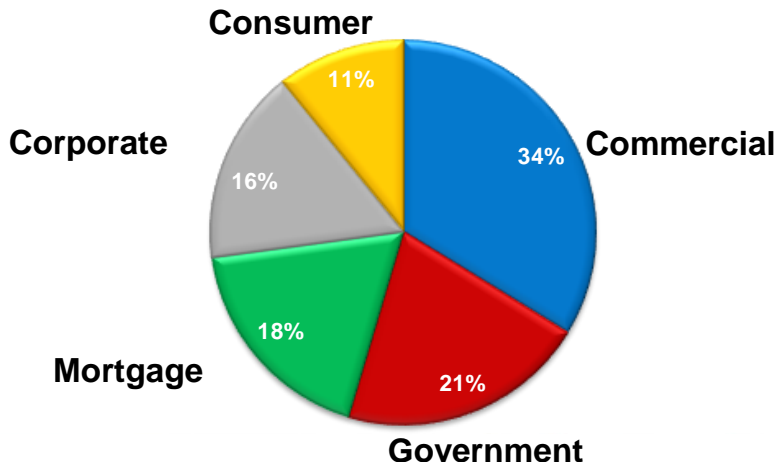


**1Q12**

**Funding: \$417 Billion pesos**

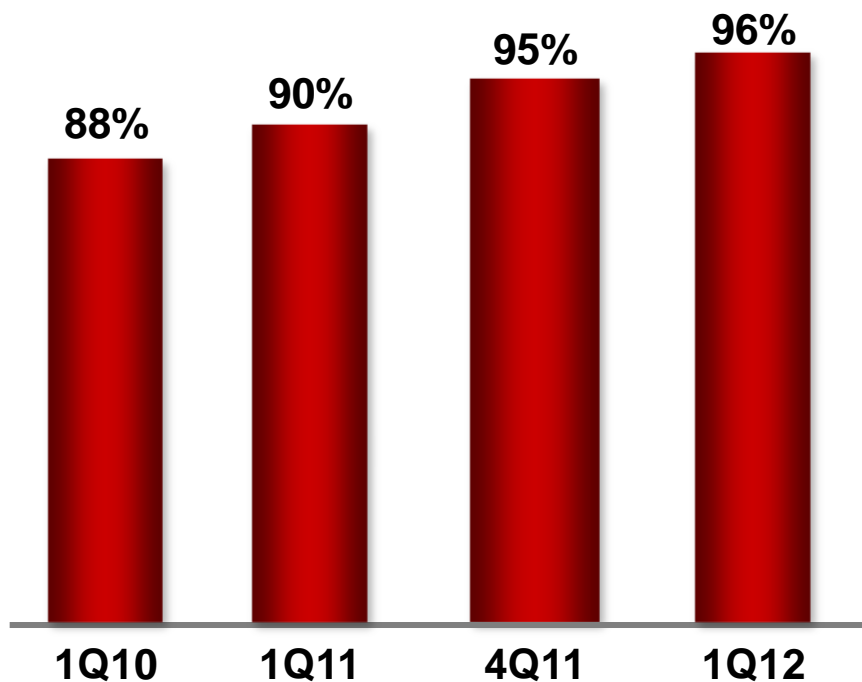


**Loan Portfolio: \$367 Billion pesos**

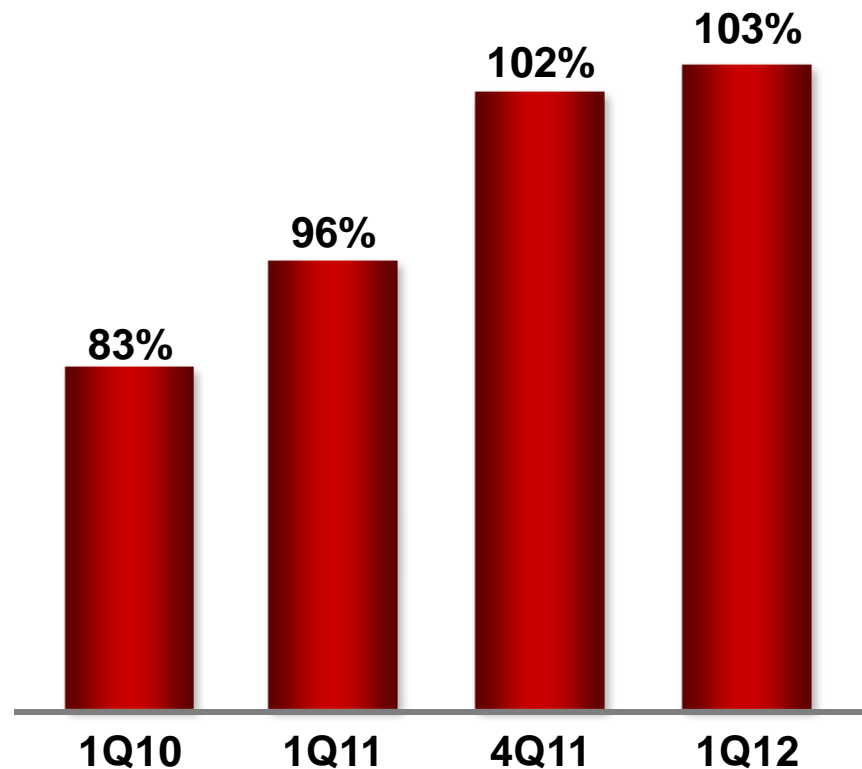


# Funding and Liquidity

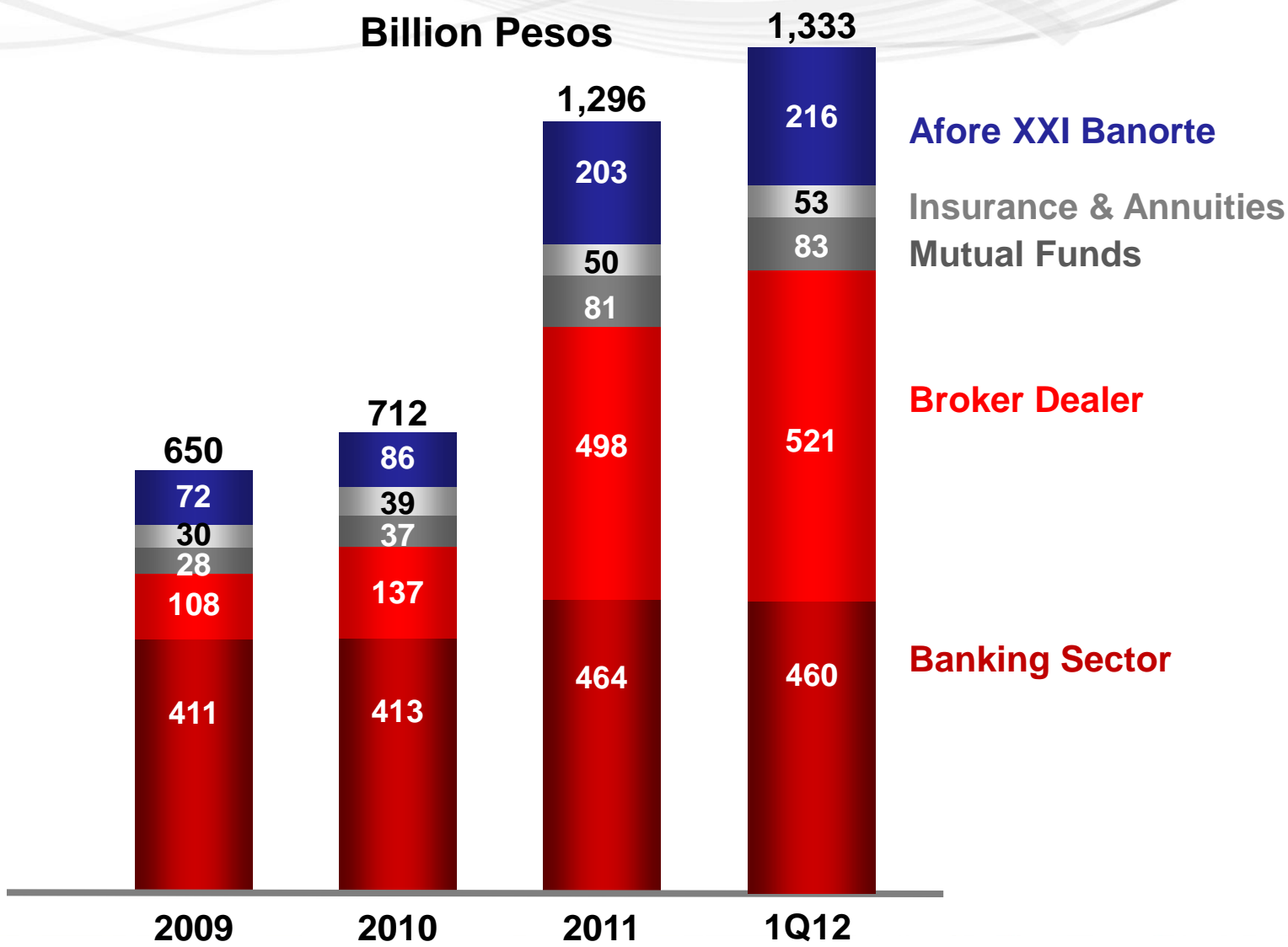
## Total Loans / Total Deposits (%)



## Liquidity (%)



# Assets under Management



# Distribution Network

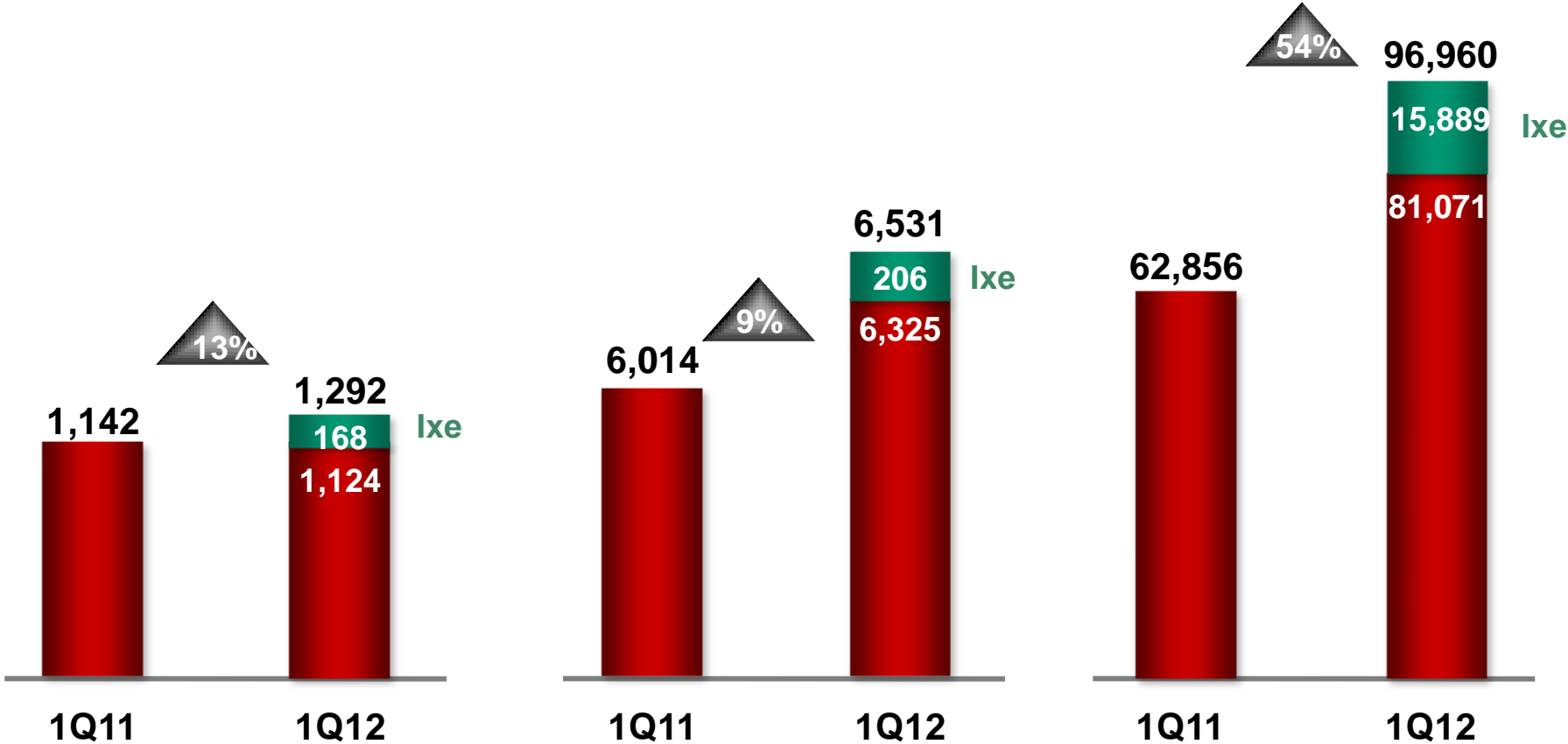


# Distribution Network

## Branches

## ATM's

## POS's



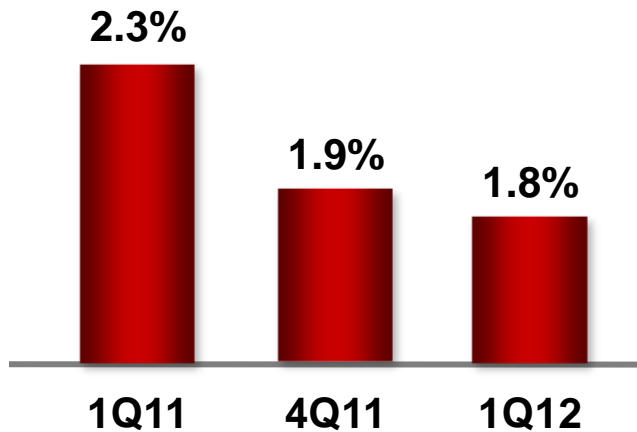
# Asset Quality and Capitalization

# Asset Quality

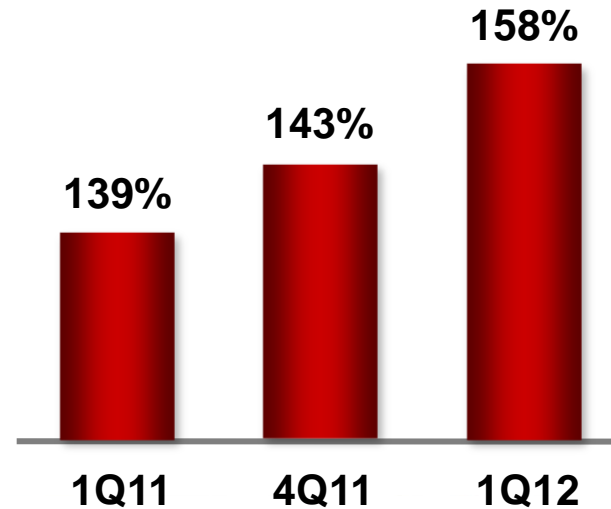
Billion Pesos

	1Q11	4Q11	1Q12
Total Loan Portfolio	277	358	367
Past Due Loans	6.5	6.9	6.6
Loan Loss Reserves	9.0	9.9	10.4

## PAST DUE LOAN RATIO



## RESERVE COVERAGE RATIO



# Past Due Loan Ratios

	1Q11	2Q11	3Q11	4Q11	1Q12	
Credit Cards	9.1%	9.4%	8.2%	7.3%	6.3%	↓
Payroll	1.5%	1.8%	1.8%	1.7%	1.6%	↓
Car Loans	0.8%	1.8%	1.8%	1.6%	1.4%	↓
Mortgage	1.2%	1.8%	2.0%	1.5%	1.3%	↓
Commercial	3.5%	3.1%	2.9%	2.7%	2.5%	↓
Corporate	2.8%	2.5%	2.4%	2.2%	2.2%	↓
Government	0.0%	0.0%	0.8%	0.0%	0.0%	↓
<b>GFNorte's NPL Ratio</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>1.9%</b>	<b>1.8%</b>	

# Banorte's Capitalization

	1Q11	2Q11	3Q11	4Q11	1Q12
Tier 1	12.2%	11.9%	11.7%	10.8%	11.6%
Tier 2	3.9%	3.6%	3.9%	2.1%	2.2%
<b>TOTAL</b>	<b>16.1%</b>	<b>15.5%</b>	<b>15.6%</b>	<b>12.9%</b>	<b>13.8%</b>
% Tier 1	76%	77%	75%	84%	84%

# Investment Grade by all Major Rating Agencies

<b>Rating Agency</b>	<b>Rating</b>	<b>Outlook</b>	<b>Date</b>
<b>Standard &amp; Poor's</b>	<b>BBB-</b>	<b>Stable</b>	<b>Dec-11</b>
<b>Fitch</b>	<b>BBB</b>	<b>Stable</b>	<b>Mar-12</b>
<b>Moody's</b>	<b>Baa1</b>	<b>Stable</b>	<b>Nov-11</b>

# Subsidiaries



# Subsidiaries Net Income

Million Pesos

	1Q11	4Q11	1Q12	Change	
				QoQ	YoY
Banking Sector	1,459	1,725	2,140	24%	47%
Broker Dealer	97	145	111	(23%)	14%
Long Term Savings	128	180	254	41%	99%
Other Finance Companies	150	164	(3)	(102%)	(102%)
Other Companies Ixe	-	(53)	(73)	38%	-
GF Banorte (Holding)	(20)	352	33	(91%)	<100%
<b>Total</b>	<b>1,815</b>	<b>2,513</b>	<b>2,463</b>	<b>(2%)</b>	<b>36%</b>

## Net Income in Million Pesos

	1Q11		1Q12
<b>Total</b>	<b>107</b>	<b>▲ 24%</b>	<b>133</b>

## AUM BILLION PESOS\*

	1Q11	1Q12	Change YoY
<b>Proprietary Assets</b>	<b>38.9</b>	<b>40.6</b>	<b>4%</b>
<b>Acquired Assets</b>	<b>28.6</b>	<b>27.3</b>	<b>(5%)</b>
<b>Managed Assets "Su Casita"</b>	<b>6.7</b>	<b>6.7</b>	<b>0%</b>
<b>Ixe Assets</b>	<b>-</b>	<b>5.7</b>	<b>-</b>
<b>Total</b>	<b>74.2</b>	<b>80.3</b>	<b>8%</b>

## Million Dollars

	1Q11		1Q12
Pre-Tax Net Income*	5.9		6.0
Provisions	10.8		0.2
Net Income	(3.1)		3.9
NIM	3.1%		3.2%
ROE	(3.1%)		3.7%
ROA	(0.5%)		0.7%
Efficiency	198.6%		66.8%
Total Deposits	1,903	(9%)	1,738
Performing Loans	849	(14%)	733
PDL Ratio USGAAP	4.5%		2.3%
Coverage Ratio USGAAP	60.0%		110.5%
Classified Assets to Capital	60.2%		38.9%

\* Income before Taxes and Provisions.

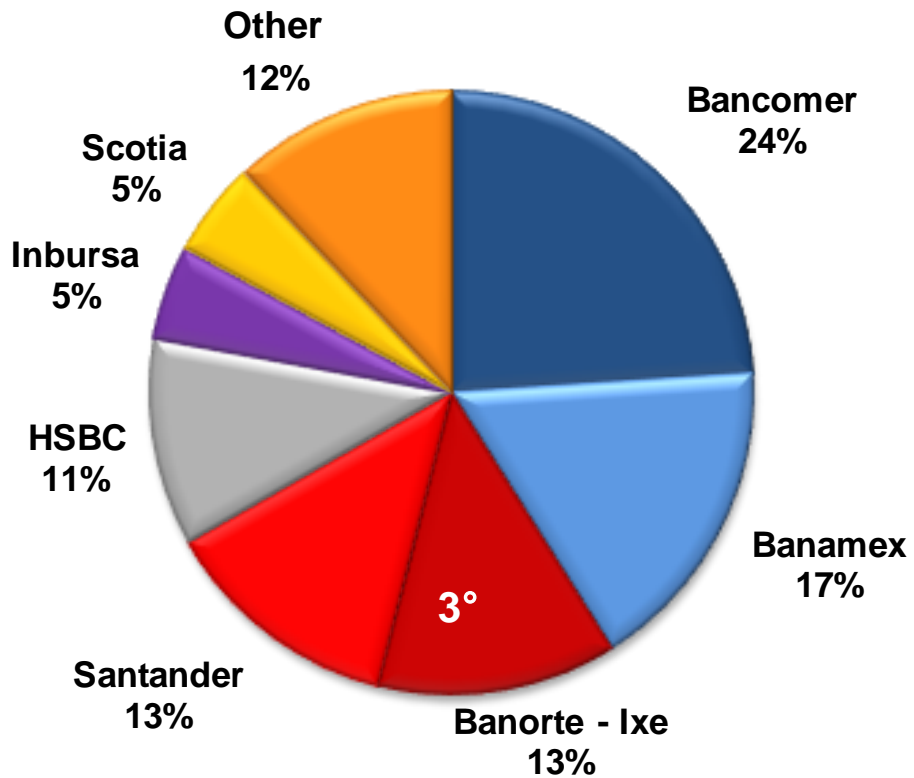


# Industry Trends

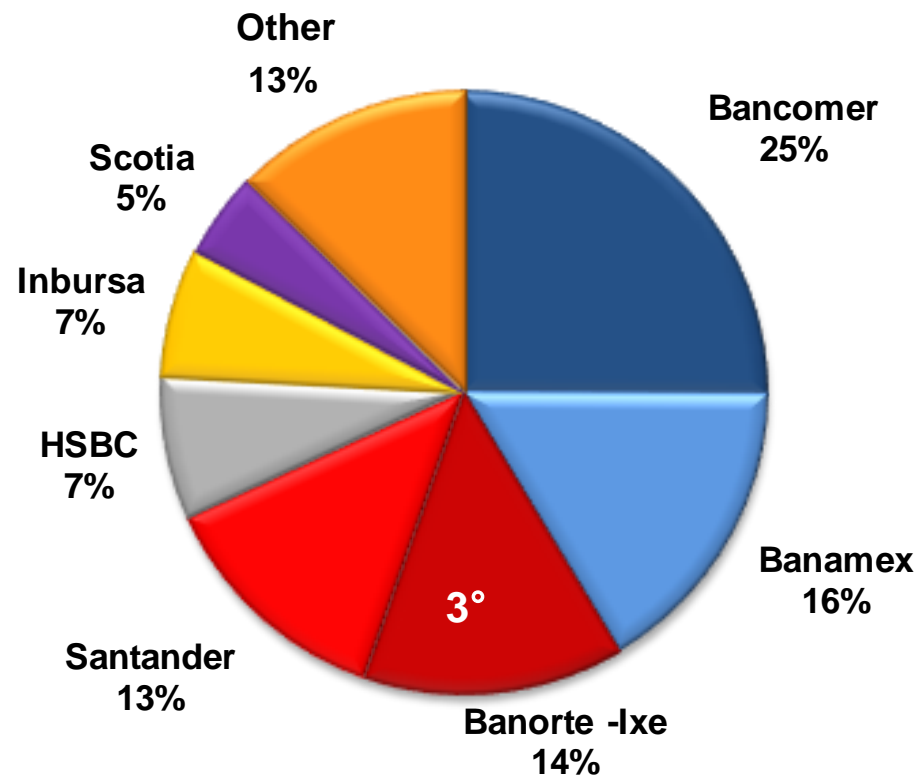
# Market Share

February 2012

## DEPOSITS



## LOANS



Source: CNBV.

# Market Share by Segment

	Consumer		C. Cards		Mortgage		Commercial		Government	
	Feb-11	Feb-12	Feb-11	Feb-12	Feb-11	Feb-12	Feb-11	Feb-12	Feb-11	Feb-12
Bancomer	26.8%	26.6%	35.4%	35.4%	38.8%	35.4%	21.3%	18.6%	28.0%	27.2%
Banamex	17.2%	21.1%	29.8%	30.5%	14.7%	14.9%	13.4%	14.2%	11.9%	12.1%
<b>Banorte- Ixe</b>	<b>9.1%</b>	<b>8.9%</b>	<b>5.5%</b>	<b>6.4%</b>	<b>15.7%</b>	<b>15.6%</b>	<b>10.9%</b>	<b>14.0%</b>	<b>15.6%</b>	<b>20.6%</b>
Santander	8.7%	8.8%	11.6%	12.6%	10.1%	15.2%	14.0%	13.9%	5.5%	9.4%
HSBC	5.7%	5.8%	8.0%	6.6%	5.0%	4.5%	9.5%	9.4%	8.9%	7.6%
Scotia	6.3%	5.0%	1.9%	1.7%	11.6%	10.8%	3.5%	4.0%	3.7%	1.6%
Inbursa	4.5%	2.9%	1.0%	0.8%	0.3%	0.3%	12.8%	12.0%	8.2%	3.9%
Other	21.7%	20.8%	6.8%	6.0%	3.7%	3.4%	14.5%	14.0%	18.2%	17.6%
<b>Market Position</b>	<b>3°</b>		<b>5°</b>		<b>2°</b>		<b>3°</b>		<b>2°</b>	

Source: CNBV.

## Contact Information

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