

# Financial Results

**1Q13**

**May 2013**

# Summary of Results

# Financial Highlights

- GFNORTE reported a Ps 3.14 billion profit, an increase of 27% YoY vs. 1Q12 driven by favorable performance across business lines and lower growth in expenses, which translated into a positive operating leverage. As of this quarter, the results of Afore Bancomer are included in Afore XXI Banorte. Net income was 4% higher QoQ vs. 4Q12, due mainly to higher non interest income which offset one-time expenses during the quarter. Banco Mercantil del Norte (excluding its percentage stake in Afore XXI Banorte) contributed 65% to GFNORTE's accumulated profit, totaling Ps 2.04 billion, while Ixe Banco recorded a profit of Ps 81 million for the same period.
- ROE stood at 15.1% in 1Q13, an increase of 141 basis points YoY vs. 1Q12 and 8 basis points QoQ vs. 4Q12.
- In 1Q13, Return on Assets (ROA) was 1.3%, unchanged vs. 4Q12 and 15 bp above QoQ vs. 1Q12.
- The Return on Tangible Equity (ROTE) was 19.3% in 1Q13, 150 bp above YoY vs. 1Q12 and 22 bp above QoQ vs. 4Q12.

# Financial Highlights

- The Banking Sector's <sup>(1)</sup> Net Income amounted Ps 2.39 billion in 1Q13, accounting for 76% of GFNorte's total profits. The registered ROE of this sector was 15.7%, 107 basis points below YoY vs. 1Q12 due to a lower contribution of Banorte and the capital increase of this subsidiary as part of the strategy to strengthen the entity's capitalization ratios after the acquisition of Afore Bancomer. This sector's ROA was 1.5%, a YoY increase of 17 basis points.
- During 1Q13 the Long-Term Savings Sector (Insurance, Annuities and Afore XXI Banorte) contribution was Ps 504 million, 98% higher YoY.
- The Brokerage Sector, (Casa de Bolsa Banorte Ixe and Ixe Fondos), reported a 1Q13 profit of Ps 245 million, representing an increase of 120% YoY.
- Banorte Ixe Tarjetas reported a Ps 263 million profit during 1Q13.
- Other Finance Companies (Arrendadora y Factor Banorte, Almacenadora Banorte, Ixe Automotriz and Fincasa Hipotecaria) reported a Ps 131 million profit in 1Q13.

<sup>(1)</sup> The Banking Sector is comprised by Banco Mercantil del Norte, Ixe Banco and Banorte- Ixe Tarjetas.

# Financial Highlights

- Core deposits were up by 10% YoY in 1Q13, mainly driven by the promotion of Banorte - Ixe's deposit products. Demand deposits grew 10% YoY and time deposits by 8%.
- Performing loans grew 12% YoY in 1Q13. The loan portfolio continues to display favorable growth dynamics on the back of bank strategies to drive lending as well as a favorable economic environment characterized by greater industry-wide demand for credit. The loan portfolio grew 1% for the quarter, mainly due to growth in payroll, mortgage, car, credit card and government loans.
- During 1Q13 GFNorte's fundamentals remained solid:
  - The Past Due Loan Ratio was 2.1%, one of the lowest in the Mexican financial system.
  - The Coverage Ratio stood at 137.4%.
  - The Liquidity Ratio was 135.4%.
  - Banorte's Capitalization Ratio was 15.67%.

# Financial Highlights

- During 1Q13, Net Interest Income amounted Ps 8.59 billion, increasing by 8% YoY vs. 1Q12 due to higher loan volumes with a better mix and a stable cost of funding. Net Interest Income remained unchanged QoQ compared to 4Q12, due mainly to seasonality effects, which negatively impacted the cost of funding, derived from less retail deposits as well as the servicing of GFNorte's US 800 million syndicated loan and the decrease in the net interest income of the Insurance and Annuities companies.
- Non Interest Income totaled Ps 5.21 billion in 1Q13, YoY and QoQ increases of 35%. YoY growth was due to higher Trading Income, Other Operating Income and Service Fees, while QoQ growth derived from higher Trading income and Other Operating Income, which offset a seasonal decrease in Service Fees and Recoveries.

# Financial Highlights

- Provisions amounted to Ps 2.07 billion in 1Q13, an increase of 41% YoY vs. 1Q12 and 4% QoQ vs. 4Q12. All of the increases can be traced to greater commercial and corporate loan provisions related to exposures to tourist developments in Mexico's northwest and housing developers, as well as to the growth in consumer loans, which require higher initial provisions as a result of the expected losses methodology adopted in recent years (especially in payroll and credit card loans), and an increase in credit card past due loans as a result of the maturing of loan vintages.
- In 1Q13 Non Interest Expense totaled Ps 7.43 billion, an increase of 13% YoY vs. 1Q12 and 18% QoQ vs. 4Q12, due to the costs incurred during 1Q13 as part of a headcount efficiency program, as well as the initial provisions for bonuses and incentives linked to 2013 results; this was not offset by a reduction in Other Taxes and Non Deductible Expenses, Statutory Employee Profit Sharing and Professional Fees Paid.
- The Efficiency Ratio was 53.8% for 1Q13, (1.8pp) YoY vs. 1Q12 as a result of positive operating leverage over the previous 12 months; nevertheless, it rose 3.3pp QoQ vs. 4Q12 due to extraordinary expenses recorded in the quarter.



# Quarterly Summary

Million Pesos

	1Q12	4Q12	1Q13	Change	
				QoQ	YoY
Revenues	11,794	12,445	13,804	11%	17%
Credit Costs	1,467	1,996	2,073	4%	41%
Expenses	6,558	6,288	7,431	18%	13%
	2,463	3,010	3,140	4%	27%
EPS <sup>(1)</sup>	1.06	1.29	1.35	4%	27%
Book Value per Share <sup>(1)</sup>	31.40	35.20	36.28	3%	16%
ROE	13.7%	15.0%	15.1%	0.1 pp	1.4 pp
ROA	1.2%	1.3%	1.3%	0.0 pp	0.2 pp
P/BV <sup>(2)</sup>	1.81	2.37	2.72	15%	50%

(1) Pesos

(2) Times



# Material Events

- **Purchase of IFC's Investment in Banorte**

During March, Grupo Financiero Banorte signed an agreement with the IFC in order to finalize the capital investment made in Banco Mercantil del Norte in November 2009. The 5 year investment contemplated a cash payment to cover the investment plus capital gains, or convert the shares of Banco Mercantil del Norte into shares of Grupo Financiero Banorte. Given that exchange period ends in November 2014, GFNorte made an initial cash payment of Ps 2.135 billion, which was funded through dividends paid by its subsidiaries. Therefore, Grupo Financiero's stake in Banco Mercantil del Norte increases to 97.2%.

- **Alliance between Banorte and IBM**

GFNorte and IBM announced on March 11<sup>th</sup> the formalization of a 10-year strategic agreement that will allow Banorte to create a new customer-centric banking model, while substantially improving its efficiency to achieve levels close to 40% and return on equity above 20%. Banorte-Ixe's goal is to deeply understand their clients' needs and offer a superior customer service to its more than 20 million users through business analytics solutions. Most importantly, to develop and offer personalized products and services better suited for each customer's unique condition.

# Material Events

## ● Capital Strengthening Initiatives

On February 22nd measures to strengthen Banorte's capitalization ratios were adopted to neutralize the short-term impact on Banorte's Capitalization ratio which decreased to approximately 13.3% forecasted at closing of January 2013 due to the acquisition of Afore Bancomer.

In order to offset this decline in the capitalization ratios, the Shareholders' Meeting of Banorte resolved on February 14th to authorize a capital increase of Ps. \$10.2 billion of this subsidiary of GFNorte. This capital increase was subscribed by GFNorte with the resources obtained from a loan granted by a syndicate consisting of Morgan Stanley Senior Funding, Merrill Lynch, Pierce, Fenner & Smith, J.P. Morgan Securities and The Bank of Tokyo-Mitsubishi UFJ.

Additionally, in February Afore XXI Banorte decreed a Ps. 950 million dividend payment and a capital decrease of Ps. 2.0 billion. As a result of the capital regeneration initiatives formerly described, Banorte's preliminary Capitalization ratio at closing of January 2013 was approximately 16.3%, and currently is 15.7%.

# Material Events

- **Changes in Ratings of GFNorte and its subsidiaries**

On January 22nd, 2013 Fitch Ratings ratified GFNorte's, and its main subsidiary, Banorte's viability ratings (VR) of 'bbb' and long & short-term Issuer Default Ratings (IDRs) of 'BBB' and 'F2', respectively. The Ixe Banco's VR improved to 'bb+' from 'bb'. The national scale ratings of both banks, as well as the ratings of certain non-banking subsidiaries of 'AA+(mex)' and 'F1+(mex)' were ratified derived from the support granted by GFNorte . The outlook of all long-term ratings of these entities remains Stable.

On March 13th, Moody's de México ratified credit ratings of Banorte and maintained a negative outlook. The C- standalone bank financial strength rating and the A3 long-term global local currency deposit rating were ratified. Moody's also affirmed the Baa3 long-term subordinated debt and Ba1 junior subordinated debt ratings. The outlook on all of these ratings remains negative. At the same time, Moody's affirmed the A3 global local currency issuer ratings of Arrendadora y Factor Banorte, as well as the A3 issuer rating of Casa de Bolsa Banorte Ixe. The outlook on these ratings is negative.

# Material Events

## ● GFNorte's Exposure to Home Developers

Banorte has been a very active bank in the home development sector, maintaining business relations of up to 15 years with companies of this sector through loans and joint equity investments, among others. The bank is aware that the sector has been facing a challenging financial situation, leading to a proactive management of the risk related to these; exposures, by increasing provisions and guarantees to cover most of the expected losses.

Given the strategic importance of the sector to the economy and to employment creation, Banorte considers that it has viability in the medium and long-term, and will keep being one of the main banks present in the homebuilding sector; nonetheless, Banorte recognizes that the risk profile of its borrowers has deteriorated in the short-term. As of March 2013, Banorte's exposure to the main homebuilders was 2.5% of the total loan portfolio, all of the loans are performing and the lowest internal rating on these loans is B2 (loan that represents 0.8% of total loan portfolio). Considering the leasing & factoring (SOFOM) and financial instruments exposures to these companies, GFNorte's total exposure amounts to 3% of the total portfolio, even though it is important to highlight that 0.4% of the total loan exposure is related to projects different from homebuilding, such as construction of jails.

# Material Events

## ● Recognitions

In March 2013, Fund Pro granted Ixe Fondos the “Platinum Performance Award 2012”, for being the best fund manager in 2012 in the “Flexible Funds” category; moreover, the Institution was awarded in the “Short-term Debt”, “North American Shares”. “Non-Taxable Mid-term Debt” and “International Flexible Aggressive”.

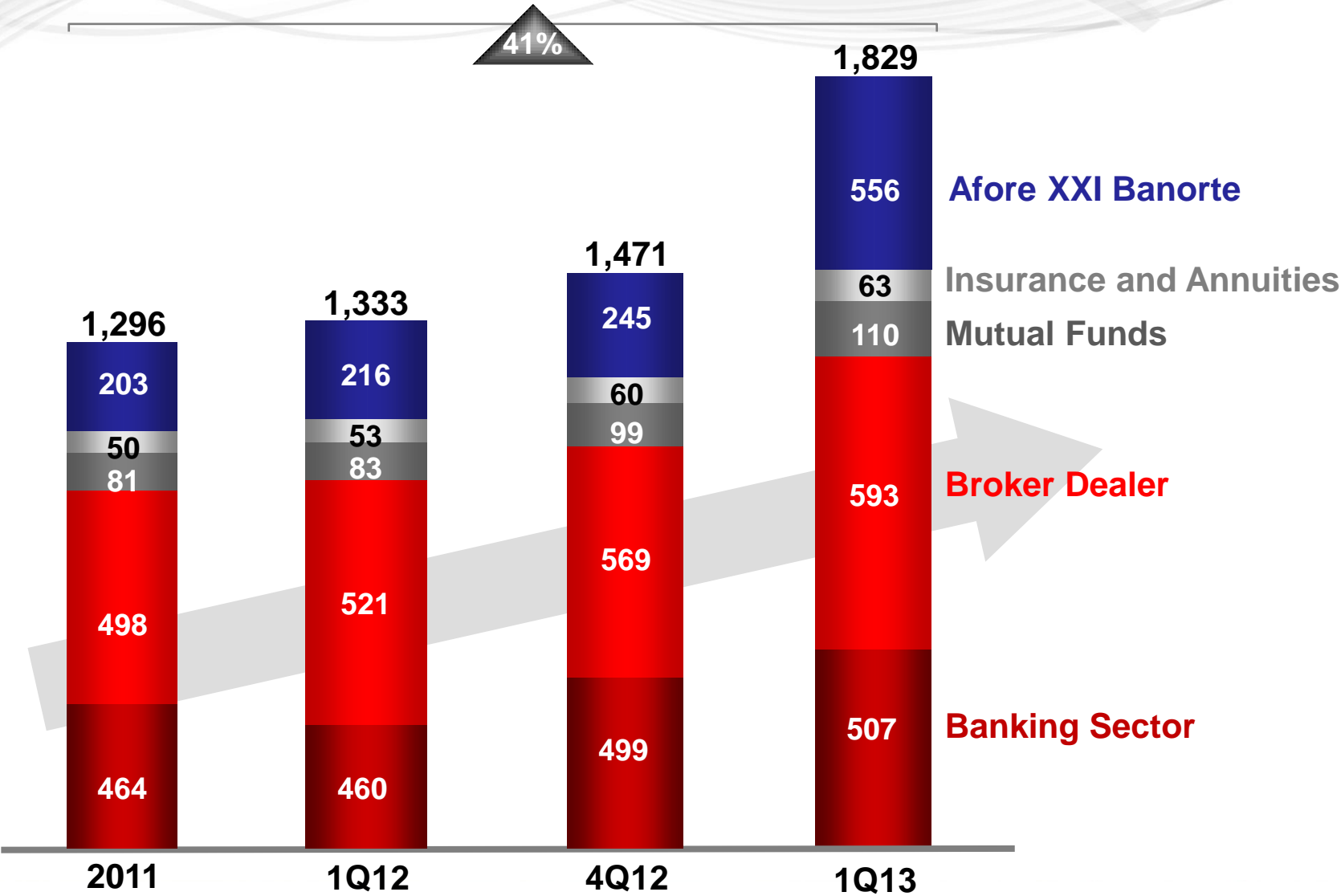
In March, Fondo Personal MiFon won the “ConnectBanking” of the beyondBanking awards by the Inter-American Development Bank for using information and communication technologies for financial inclusion purposes. The main objective of this product, is to be offered in market segments that still do not have access to traditional financial services, expanding infrastructure and services to every corner of Mexico.

In April, Euromoney, announced the results of its study Best Managed Companies in Latin America 2013, in which Banorte ranked 6th among 261 nominated companies, and third considering only companies of the banking and finance sector. Banorte was the second Best Managed Company in Mexico among 59 companies, and the only of the finance sector ranking in the first six positions. Banorte was also recognized as the Best Local Bank in Mexico in the Private Banking & Wealth Management Annual Survey and 5th in the Annual Real Estate Survey.

# Financial Performance

# Assets under Management

Billion Pesos





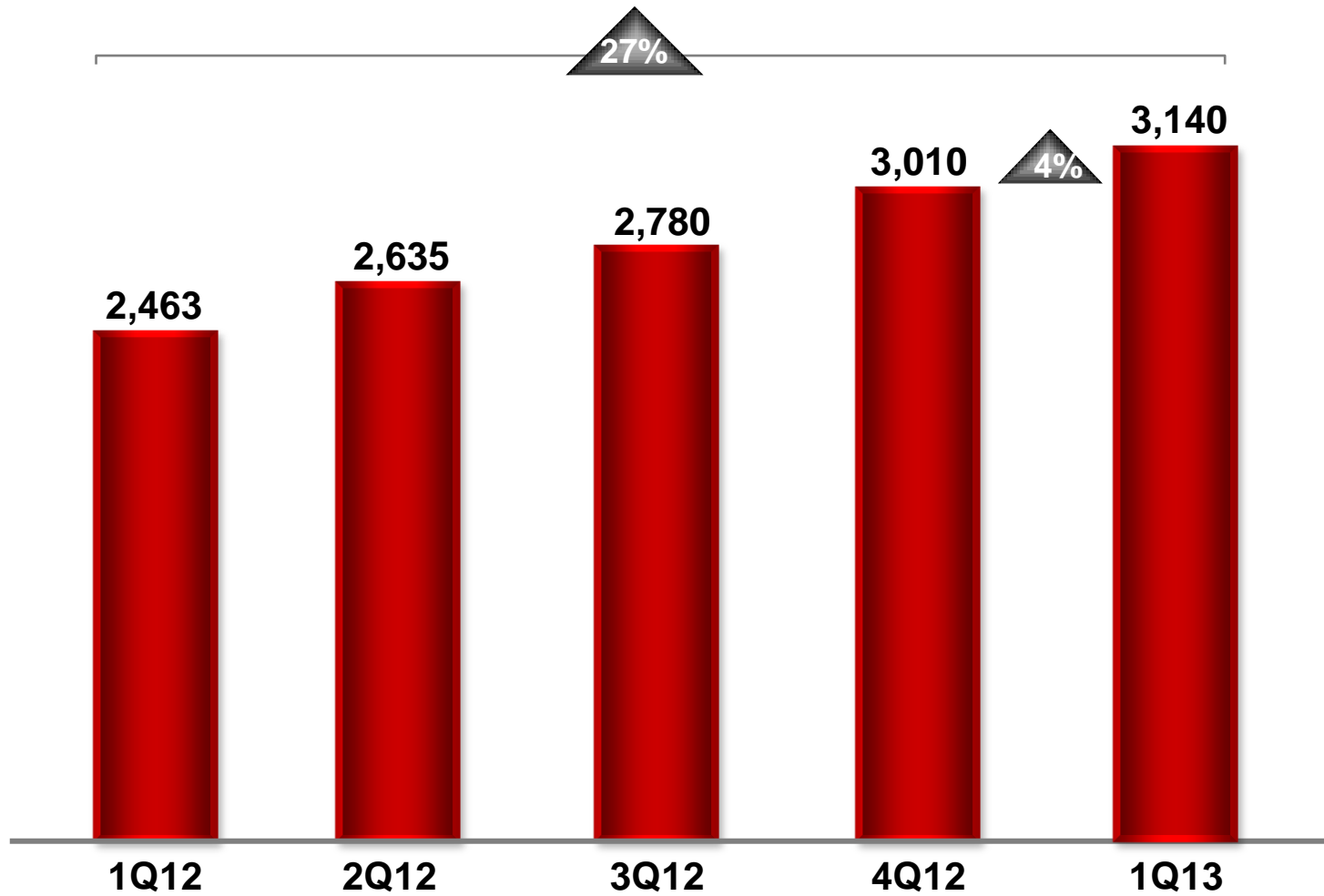
# Income Statement

Million pesos

	1Q12	4Q12	1Q13	Change QoQ	YoY
Net Interest Income	7,923	8,588	8,589	0%	8%
Non Interest Income	3,871	3,858	5,214	35%	35%
<i>Service Fees</i>	1,550	1,876	1,730	(8%)	12%
<i>Recoveries</i>	359	290	238	(18%)	(34%)
<i>FX &amp; Trading</i>	1,182	1,050	2,132	103%	80%
<i>Other Income (expenses)</i>	780	642	1,114	73%	43%
Total Income	11,794	12,445	13,804	11%	17%
Non Interest Expense	(6,558)	(6,288)	(7,431)	18%	13%
Net Operating Income	5,236	6,158	6,373	3%	22%
Provisions	(1,467)	(1,996)	(2,073)	4%	41%
Income Tax	(1,140)	(1,030)	(1,230)	19%	8%
Subs & Minority Interest	(166)	(121)	70	(157%)	(142%)
Net Income	2,463	3,010	3,140	4%	27%

# Quarterly Net Income

Million Pesos



# Net Interest Income and Non Interest Expense

Billion Pesos

1Q12 4Q12 1Q13 QoQ YoY

Net Interest Inc.

7.9

8.6

8.6

0%

8%

NIM  
(After Provisions)

3.4%

3.2%

3.1%

1Q12

4Q12

1Q13

Billion Pesos

1Q12 4Q12 1Q13 QoQ YoY

Non Interest Exp.

6.6

6.3

7.4

18%

13%

Efficiency Ratio

55.6%

50.5%

53.8%

1Q12

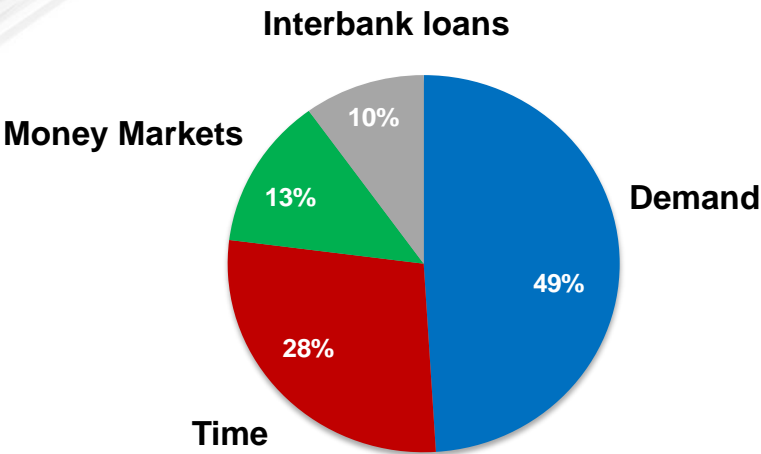
4Q12

1Q13

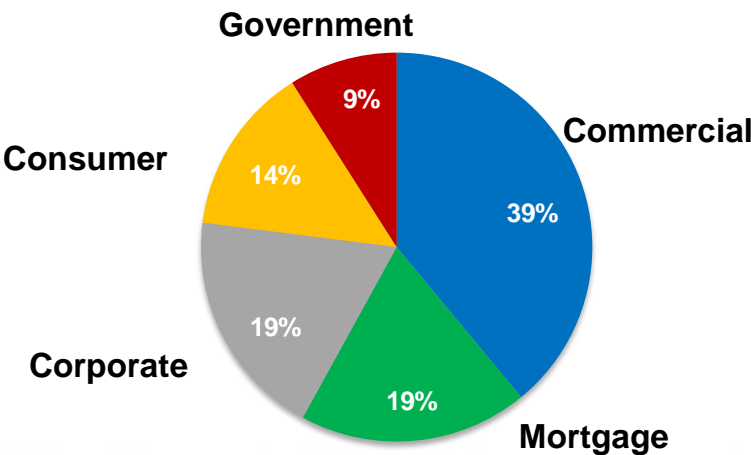
# Funding and Loan Portfolio Structure

2007

Funding: \$226 Billion pesos

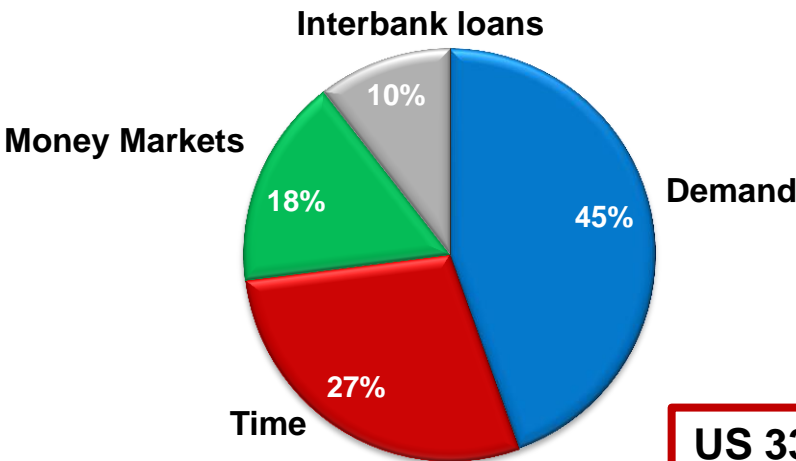


Loan Portfolio: \$194 Billion pesos



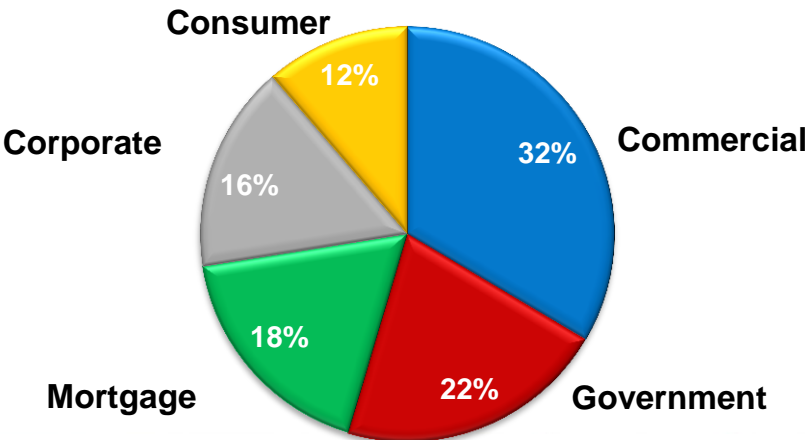
1Q13

Funding: \$ 461 Billion pesos



US 37 bn

Loan Portfolio: \$413 Billion pesos



US 33 bn

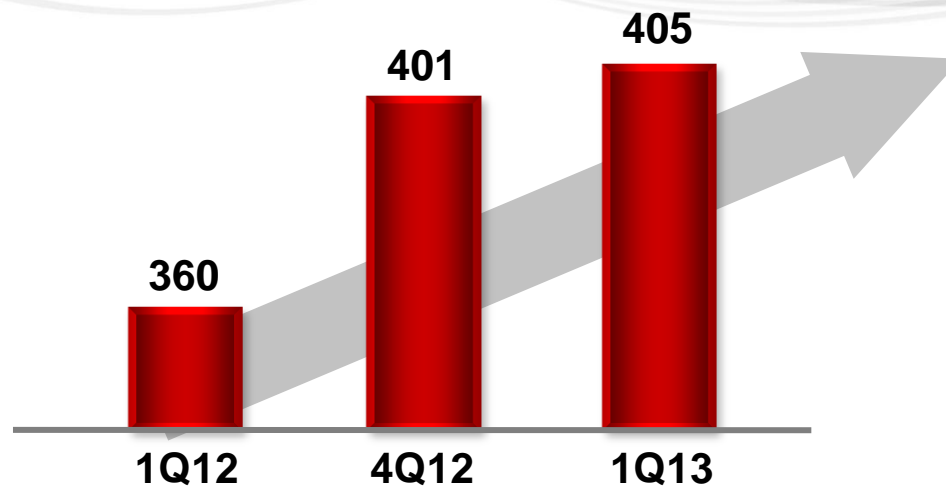
# Deposits

Billion Pesos

Deposits	1Q11		1Q12		1Q13
Demand	145	▲ 28%	186	▲ 10%	205
Time	90	▲ 30%	116	▲ 8%	126
Core Deposits	234	▲ 29%	302	▲ 10%	331
Mix					
Demand	62%		61%		62%
Time	38%		39%		38%
	100%		100%		100%

# Performing Loan Portfolio

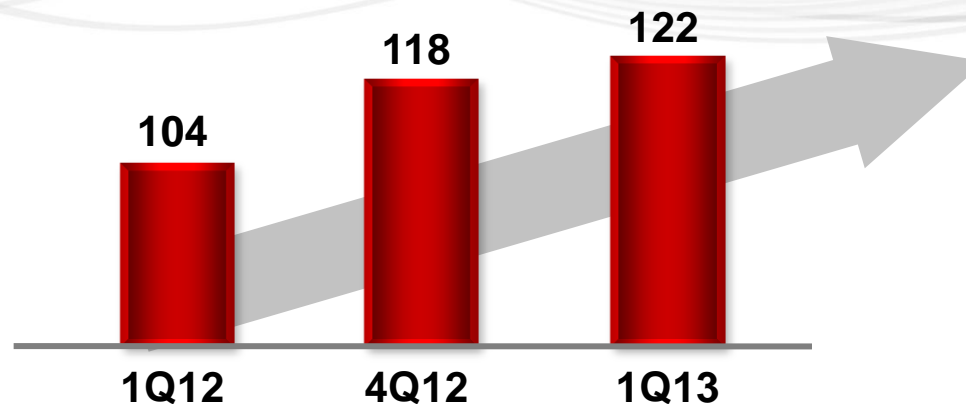
Billion Pesos



	1Q12	4Q12	1Q13	Change QoQ	YoY
Consumer	104	118	122	3%	17%
Commercial	123	131	130	(1%)	6%
Corporate	58	64	62	(2%)	8%
Government	75	88	90	1%	19%
Total	360	401	405	1%	12%

# Performing Consumer Loan Portfolio

Billion Pesos



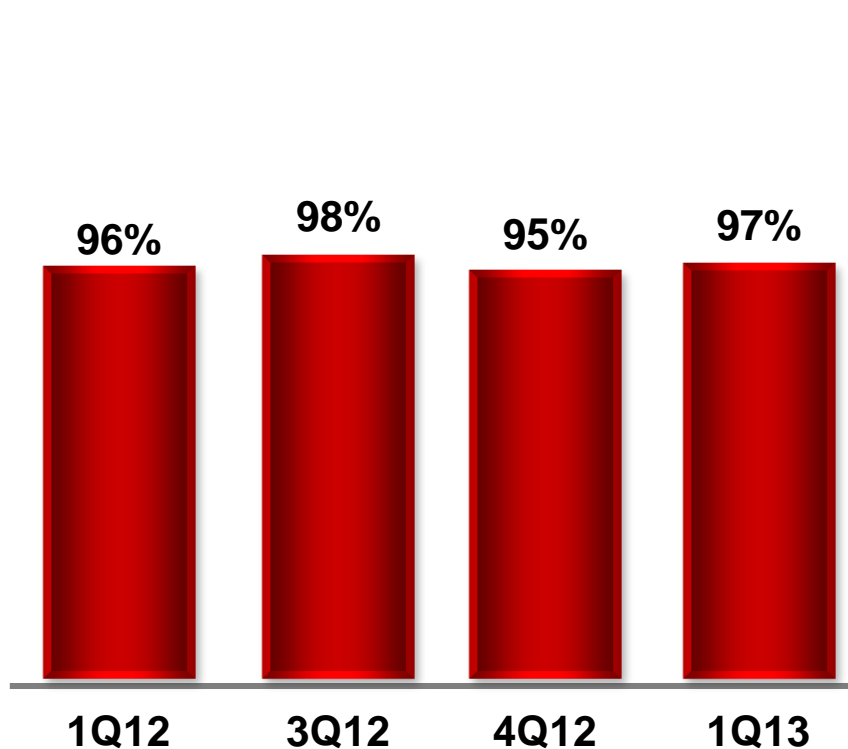
	1Q12	4Q12	1Q13	Change QoQ	YoY
Mortgage	66	72	74	2%	13%
Car	10	10	11	2%	9%
Credit Cards*	15	18	18	1%	21%
Payroll	14	18	20	10%	40%
<b>Consumer</b>	<b>104</b>	<b>118</b>	<b>122</b>	<b>3%</b>	<b>17%</b>

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

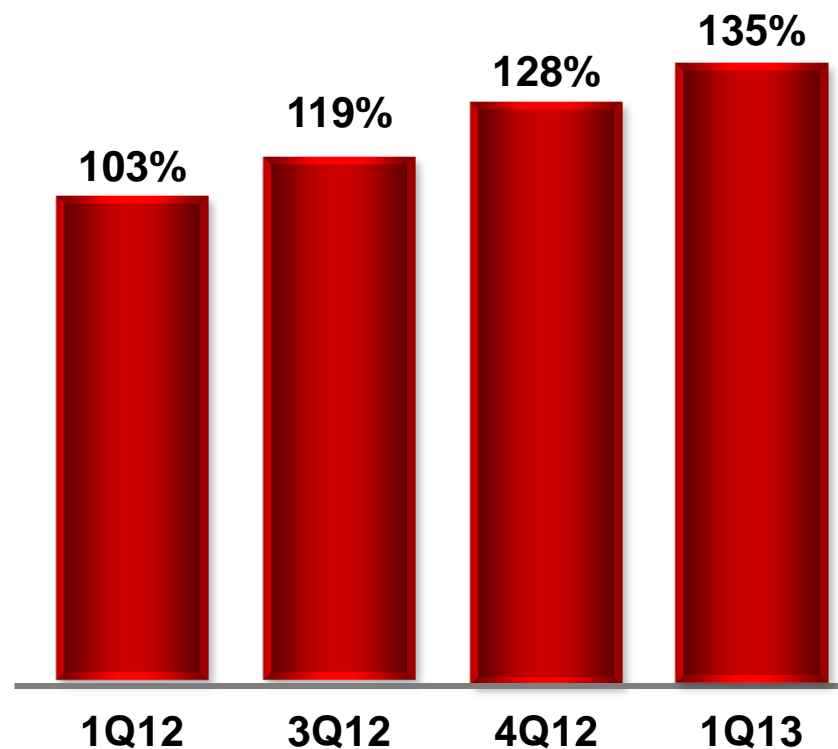


# Funding and Liquidity

**Total Loans / Total Deposits  
(%)**



**Liquidity  
(%)**



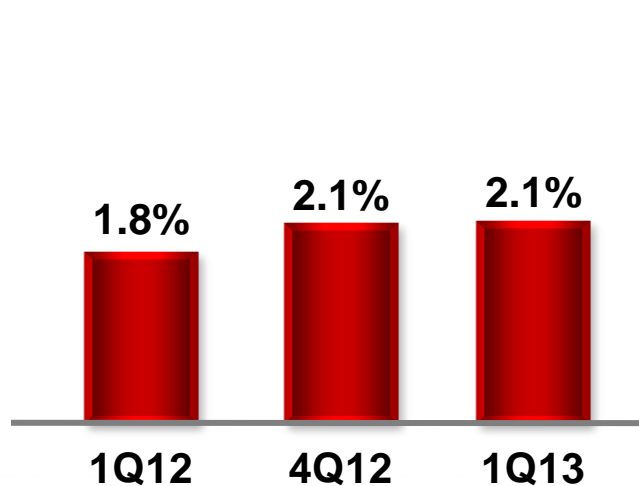
# Asset Quality and Capitalization

# Asset Quality

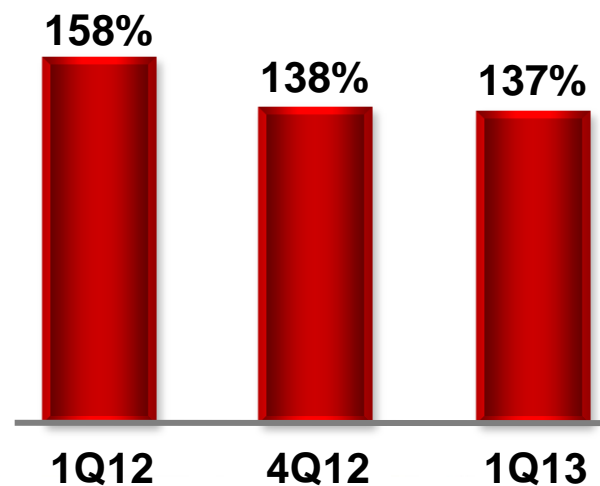
Billion Pesos

	1Q12	4Q12	1Q13
Total Loan Portfolio	367	410	413
Past Due Loans	6.6	8.5	8.6
Loan Loss Reserves	10.4	11.7	11.9

## PAST DUE LOAN RATIO



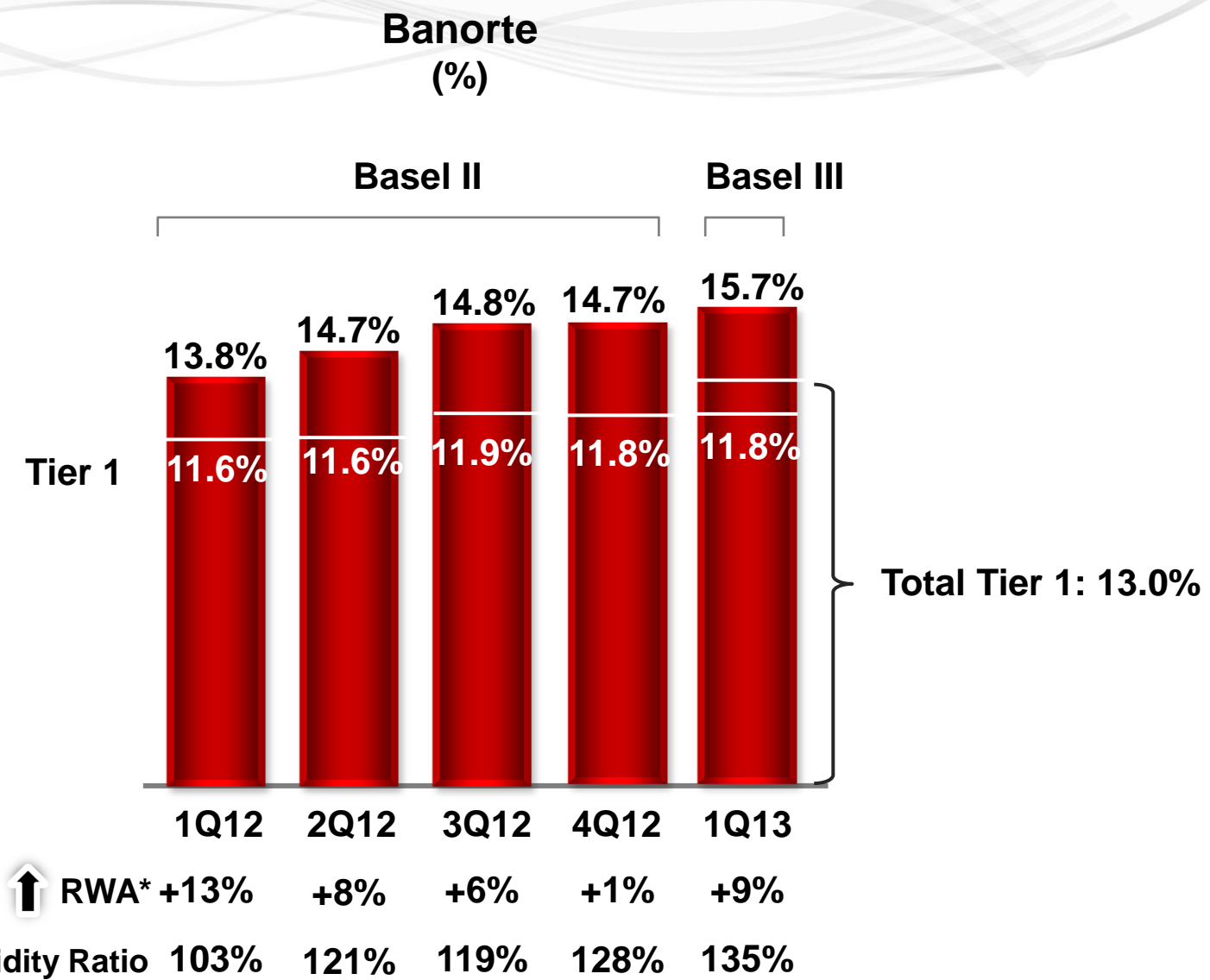
## RESERVE COVERAGE RATIO



# Past Due Loan Ratios

	1Q12	2Q12	3Q12	4Q12	1Q13
Credit Cards	6.3%	6.8%	5.3%	5.0%	5.7%
Payroll	1.6%	1.8%	1.9%	2.2%	2.2%
Car Loans	1.4%	1.5%	1.4%	1.3%	1.1%
Mortgage	1.3%	1.1%	1.2%	1.1%	1.1%
Commercial	2.5%	2.7%	3.0%	3.5%	3.6%
Corporate	2.2%	2.1%	2.0%	2.2%	2.0%
Government	0.0%	0.0%	0.1%	0.1%	0.0%
<b>GFNorte's NPL Ratio</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.1%</b>

# Capitalization and liquidity



\*RWA= Risk Weighted Assets

# Investment Grade by all Major Rating Agencies

Agency	Rating	Outlook	Date
Standard & Poor's	BBB-	Positive	Mar-13
Fitch	BBB	Stable	Mar-13
HR Ratings	AAA	Stable	Feb-13
Moody's	Baa1	Negative	Dec-12

# Distribution Network

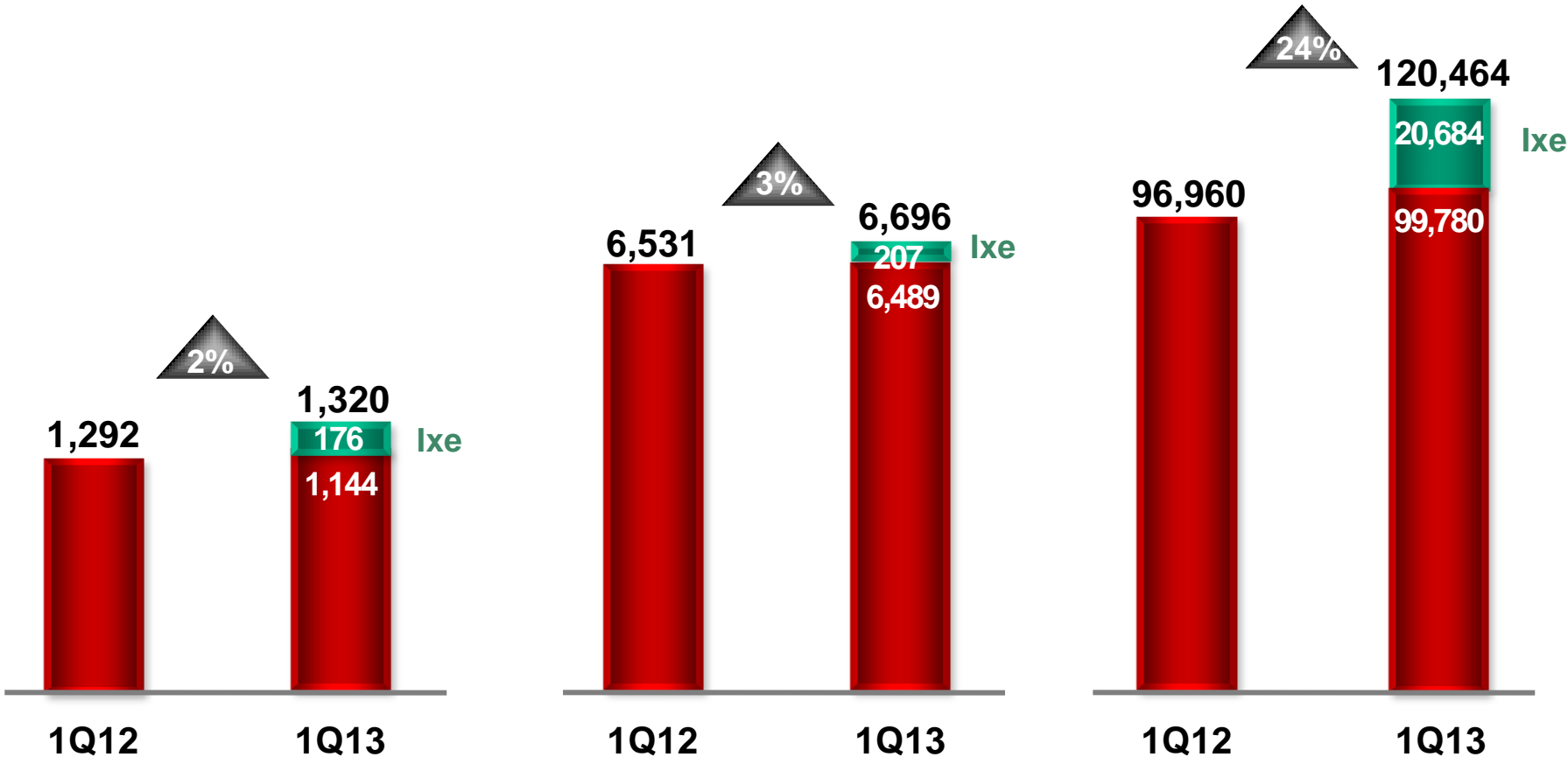


# Distribution Network

Branches

ATM's

POS's



# Subsidiaries

# Subsidiaries

1Q13  
Million Pesos

Company	Net Income	Change vs YoY	ROE
<b>Banking Sector</b>	<b>2,386</b>	<b>15%</b>	<b>15.7%</b>
Banco Mercantil del Norte	2,042	7%	
Ixe Banco	81	(65%)	
Banorte –Ixe Tarjetas	263	N.A	
<b>Broker Dealer</b>	<b>245</b>	<b>120%</b>	<b>33.9%</b>
<b>Long Term Savings</b>			
Retirement Savings	335	191%	19.4%
Insurance	144	18%	36.2%
Annuities	25	51%	16.3%
<b>Other Finance Companies</b>			
Leasing and Factoring	131	4%	17.2%
Warehousing	13	69%	19.6%
<b>Other *</b>	<b>(139)</b>		

\* Includes Ixe Automotriz, Fincasa Hipotecaria, Ixe Soluciones, Ixe Servicios and the Holding Company

## Net Income in Million Pesos\*

	1Q12	1Q13
<b>Total</b>	<b>132</b>	<b>348</b>

163%

## AUM BILLION PESOS\*

	1Q12	1Q13	Change YoY
<b>Proprietary Assets</b>	<b>40.6</b>	<b>38.5</b>	<b>(5%)</b>
<b>Aquired Assets</b>	<b>27.3</b>	<b>27.5</b>	<b>1%</b>
<b>Investment Projects</b>	<b>7.1</b>	<b>7.0</b>	<b>(1%)</b>
<b>Managed Assets "Su Casita"</b>	<b>6.7</b>	<b>7.3</b>	<b>10%</b>
<b>Ixe Assests</b>	<b>5.7</b>	<b>7.2</b>	<b>26%</b>
<b>Total</b>	<b>87.5</b>	<b>87.6</b>	<b>-</b>

\*Since May 2011, the business related to investment projects is managed by Wholesale Banking.

# Inter National Bank

Million Dollars

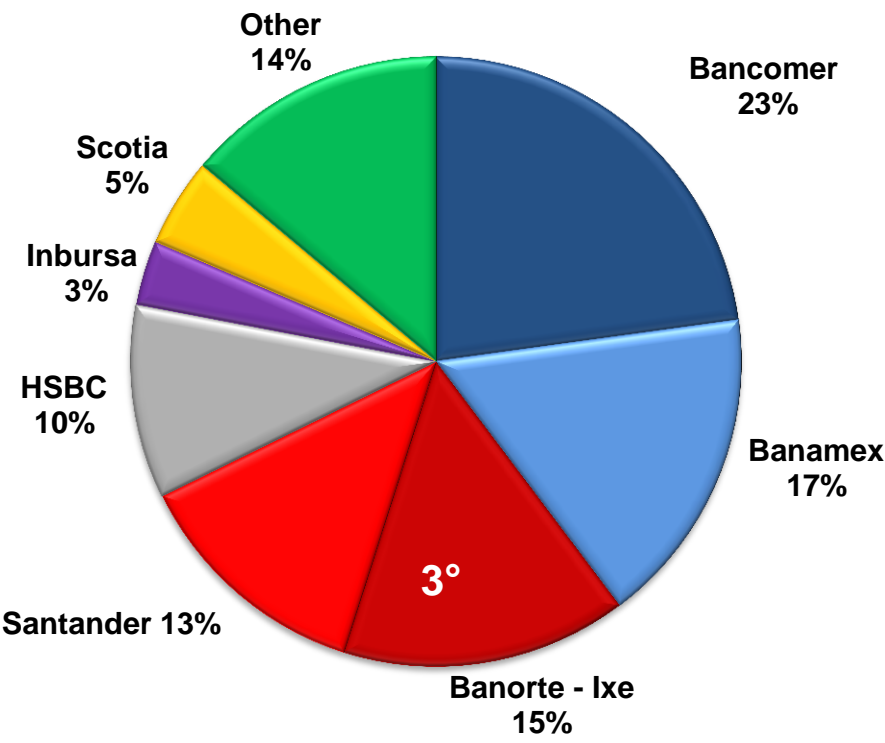
	1Q12	1Q13
Pre-Tax Net Income	6.0	5.0
Provisions	0.2	(0.1)
Net Income	3.9	3.5
NIM	3.2%	2.6%
ROE	3.7%	3.3%
ROA	0.7%	0.7%
Efficiency	66.8%	72.3%
Total Deposits	1,738	(2%) 1,699
Performing Loans	733	(5%) 696
PDL Ratio USGAAP	2.3%	0.8%
Coverage Ratio USGAAP	110.5%	258.3%
Classified Assets to Capital	38.9%	21.2%

# Industry Trends

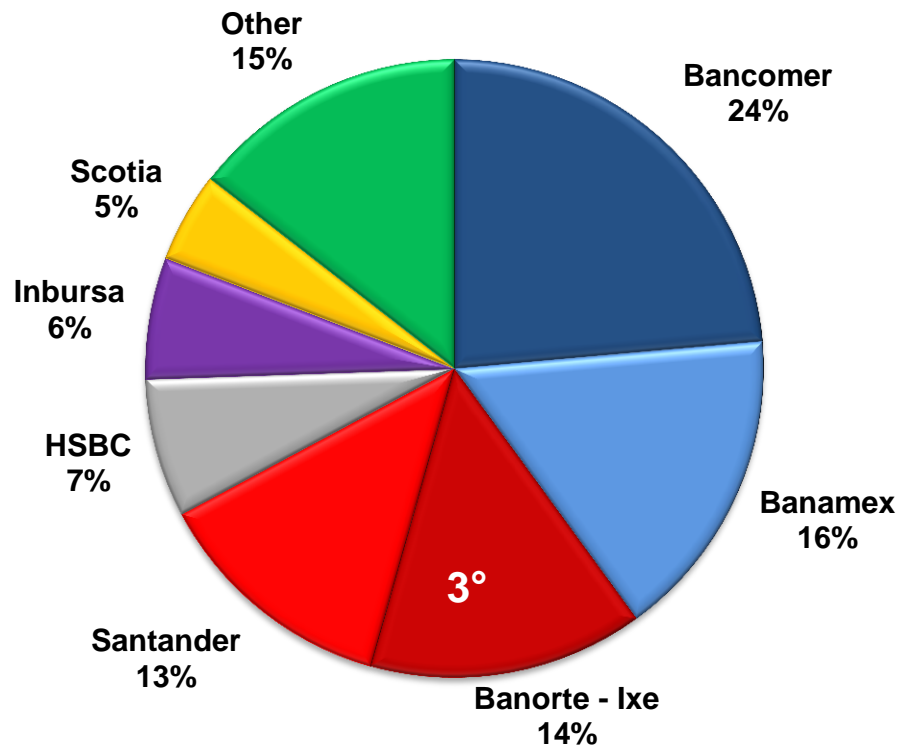
# Market Share

February 2013

## DEPOSITS



## LOANS



Source : CNBV.



# Market Share by Segment



	Consumer		C. Cards		Mortgage		Commercial		Government	
	Feb-12	Feb-13	Feb-12	Feb-13	Feb-12	Feb-13	Feb-12	Feb-13	Feb-12	Feb-13
Bancomer	26.6%	24.0%	35.9%	34.8%	35.4%	33.2%	18.6%	18.3%	27.2%	22.2%
Banamex	21.1%	20.2%	30.9%	30.8%	14.9%	15.5%	14.2%	14.5%	12.1%	11.1%
<b>Banorte- Ixe</b>	8.9%	9.5%	5.8%	6.7%	15.6%	16.1%	14.0%	14.0%	20.6%	22.7%
Santander	8.8%	8.3%	12.8%	13.7%	15.2%	15.6%	13.9%	13.8%	9.4%	9.7%
HSBC	5.8%	5.9%	6.7%	6.2%	4.5%	4.4%	9.4%	8.9%	7.6%	7.1%
Scotia	5.0%	5.9%	1.7%	1.6%	10.8%	10.9%	4.0%	4.0%	1.6%	1.2%
Inbursa	2.9%	1.5%	0.0%	0.0%	0.3%	0.3%	12.0%	11.4%	3.9%	4.7%
Other	20.8%	24.8%	6.1%	6.3%	3.4%	4.1%	14.0%	15.2%	17.6%	21.4%

Market Position



Source : CNBV.

# Afore Market Share

	Workers (Million)				Billion Pesos			
	Accounts		Market Share		Assets		Market Share	
	Feb-12	Feb-13	Feb-12	Feb-13	Feb-12	Feb-13	Feb-12	Feb-13
<b>XXI Banorte*</b>	<b>7.23</b>	<b>11.71</b>	<b>17.0%</b>	<b>27.0%</b> 	<b>212</b>	<b>550</b>	<b>13.0%</b>	<b>27.8%</b> 
Bancomer	4.54	-	10.7%	-	248	-	15.2%	-
Banamex	7.92	7.84	18.7%	18.1%	280	340	17.1%	17.2%
Sura	6.27	6.16	14.8%	14.2%	227	268	13.9%	13.6%
Principal	4.00	3.87	9.4%	8.9%	108	133	6.6%	6.7%
Coppel	3.12	4.13	7.4%	9.5%	48	68	3.0%	3.4%
Profuturo GNP	3.13	3.03	7.4%	7.0%	177	230	10.8%	11.7%
Invercap	2.77	2.97	6.5%	6.9%	72	108	4.4%	5.4%
Other	3.46	3.58	8.1%	8.4%	264	279	16.0%	14.2%

Source : CONSAR. \*data as of 2012 includes only to Afore XXI Banorte, Afore Bancomer is reported separately in this period.

## Contact Information

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