

GFNORTE reports net income of Ps 3.14 billion, an increase of 27% YoY vs. 1Q12.

- GFNorte reported a Ps 3.14 billion profit for 1Q13, a 27% YoY increase vs. 1Q12 and 4% higher QoQ vs. 4Q12.
- Core deposits increased 10% YoY or Ps 29.04 billion, from Ps 301.84 billion in 1Q12 to Ps 330.88 billion in 1Q13.
- As at the end of 1Q13, growth in performing loans was 12% YoY, an increase of Ps 43.95 billion totaling Ps 404.59 billion. The loan portfolio continues to reflect favorable growth dynamics.
- As at the end of 1Q13 the Non Performing Loan (NPL) Ratio was 2.1%, consolidating as one of the lowest of the Mexican financial system.
- The Group's loan loss reserve coverage was 137.4% at the end of March 2013.
- Banorte's Capitalization Ratio was 15.7% as at the close of 1Q13.
- On February 22nd, GFNorte announced it obtained a US 800 million syndicated loan.
- GFNorte and IBM announced 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 levels and profitability.
- GFNorte purchases de IFC's investment in Banco Mercantil del Norte.
- During the quarter, Banorte-Ixe were awarded with diverse recognitions, some of them were: 3rd place of the "Best Managed Companies in Latin America 2013" by Euromoney considering only companies of the banking sector, Fund Pro awarded Banorte among the best investment funds in Mexico during 2012 and MiFon was the winner of "ConnectBanking" in the beyondBanking awards by the Inter-American Development Bank.

Mexico D.F. April 23rd, 2013. Grupo Financiero Banorte (GFNORTE) released its operating results as of the end of March, 2013. GFNORTE reported a profit of Ps 3.14 billion, 27% higher 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.

In 1Q13, ROE was 15.1%, 141 points YoY above 1Q12 while ROA was 1.3%, a 15 basis YoY increase vs. 1Q12.

• **Deposits and Net Interest Income**

Core deposits rose 10% YoY in 1Q13, mainly on the back of efforts to promote Banorte and Ixe's deposit products. Demand deposits grew 10% YoY and time retail deposits 8%. As a result core deposits increased Ps 29.04 billion, going from Ps 301.84 billion in 1Q12 to Ps 330.88 billion in 1Q13. During the quarter core deposits decreased (1%) compared to 4Q12, due to the effects of seasonality which impacted demand deposits, although time deposits grew 1% for the same period

Net interest income amounted to Ps 8.59 billion in the first quarter of 2013, 8% above QoQ 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, the decrease in the net interest income of the Insurance and Annuities companies, and, to a lesser extent, the impact of a 50 basis points cut in the benchmark interest rate in March.

- **Loan Portfolio**

Performing loans registered growth of 12% YoY at the end of 1Q13, increasing by Ps 43.95 billion to Ps 404.59 billion. 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.

Commercial loans totaled Ps 130.07 billion, YoY growth of 6%, derived mainly from more business loans, leasing and factoring and YoY growth of 20% in SME loans; commercial loans decreased (1%) for the quarter on softer demand related to seasonality. **Corporate** loans totaled Ps 62.27 billion, a YoY increase of 8% on the back of efforts by the corporate area to boost lending; they decreased (2%) QoQ vs. 4Q12 owing to seasonality. **Government** loans totaled Ps 89.58 billion as of the end of March, a YoY increase of 19% and 1% QoQ, driven by efforts to continue meeting demand for credit in this segment at all government levels.

Consumer loans, including mortgage loans, were up 17% YoY. **Mortgage** loans continued their rising trend to end the quarter at Ps 74.13 billion, 13% above 1Q12 and 2% above 4Q12, making Banorte one of the banks with the highest growth in loan placement in this segment. **Payroll** loans totaled Ps 20.02 billion, 40% and 10% above 1Q12 and 4Q12, respectively, fueled by growth in the number of Banorte-Ixe payroll deposit accountholders, product marketing campaigns and the strategy to boost cross sales through various channels. **Car** loans grew 9% YoY and 2% QoQ reaching Ps10.57 billion at the end of 1Q13, due to more lending derived from favorable car sale dynamics in the country. **Credit card** loans totaled Ps 17.72 billion at the end of 1Q13, registering YoY growth of 21% and QoQ growth of 1%, both due to loan portfolio management strategies, marketing campaigns for Banorte-Ixe products and more cross sales to clients.

As of the end of 1Q13, the Group's loan portfolio showed good quality with a Past due loan ratio of 2.1%, 0.3 pp above YoY vs. 1Q12 and unchanged QoQ, being one of the lowest in the Mexican financial system. GFNorte closed 1Q13 with past due loans totaling Ps 8.63 billion, a 31% increase vs. 1Q12, mainly due to an increase in Payroll past due loans owing to the maturing process of loan vintages and in the case of Commercial loans, more past due loans from Fincasa, tourist developments in the northwest of the country and in the SME segment. There was a 2% QoQ increase vs. 4Q12 due to a rise in Credit Card past due loans derived from the maturing process of loan vintages, and in the case of Commercial loans, deterioration in the SME segment. The Group's reserve coverage ratio was 137.4% at the end of 1Q13, (20.6 pp) below the same year-earlier period and (0.9 pp) below 4Q12.

- **Efficiency**

The 2013 Efficiency Ratio was 53.8%, (1.8 pp) below YoY vs.1Q12, due to a positive operating leverage.

- **Capitalization**

Banco Mercantil del Norte's Capitalization ratio was 15.67% at the end of 1Q13, with a Tier 1 Ratio of 13.02% and a Core Tier 1 Ratio of 11.8%.

- **Other Subsidiaries**

In 1Q13 the **Long-term Savings Sector** comprising Insurance, Annuities and Afore XXI Banorte contributed with Ps 504 million to the Financial Group's profit, 98% more YoY vs. 1Q12 and 121% more QoQ vs. 4Q12. Both of these increases were derived from the inclusion of Afore Bancomer and more favorable business dynamics for Insurance and Annuities.

The **Brokerage Sector**, comprised of Casa de Bolsa Banorte Ixe and Ixe Fondos, reported a profit of Ps 245 million, YoY growth of 120% underpinned by more revenues from mutual funds, wealth and private banking, investment banking and structured financing.

In 2Q12 **Banorte - Ixe Tarjetas** acquired the Credit Card portfolio previously managed by Banco Mercantil del Norte. The SOFOM reported a profit of Ps 263 million during 1Q13.

Other Finance Companies comprised of Arrendadora and Factor Banorte (Leasing and Factoring), Almacenadora Banorte, Ixe Automotriz and Fincasa Hipotecaria posted Ps 131 million profit in 1Q13.

Recent Events

- **Advances in the Corporate Restructuring Process.**

On January 22nd, 2013, GFNorte's Extraordinary and Ordinary General Shareholders' Meetings approved changes to Article Second of the Corporate By-laws of the Company in order to (i) exclude Ixe Automotriz, as an integrated entity of GFNorte, as a result of its merger with Arrendadora y Factor Banorte, and ii) modify the legal denomination of Ixe Casa de Bolsa to Casa de Bolsa Banorte Ixe, and as a result, authorization to subscribe the new Agreement of Shared Responsibilities.

- **Payment of the last three disbursements of the dividend corresponding to 2011**

The Shareholders' Assembly held last January also approved to distribute a cash dividend of Ps. \$ 0.549 per share, derived from the retained earnings of previous years, which will be covered in three installments of Ps. \$0.183 per share, respectively, in January 31st, April 23rd and July 23rd, 2013.

- **Recently adopted measures to strengthen Banorte's capitalization ratios.**

On February 22nd, 2013, as a follow up to the material event published on January 9th by GFNorte regarding: i) the finalization of the US 1.73 billion acquisition of Afore Bancomer, of which US 1.6 billion corresponded to the price paid by Afore XXI Banorte, and US 135 million to the excess capital of Afore Bancomer; ii) the contribution by Banorte, which has a 50% equity stake on Afore XXI Banorte, of Ps. \$10.252 billion to finalize the acquisition with its available liquid resources; and iii) GFNorte's assertion that it counted with various capital regeneration mechanisms to neutralize the short-term impact on Banorte's Capitalization ratio due to the investment on this new subsidiary; GFNorte informed the investment public of the following developments:

1. After the payment on January 9th to finalize the acquisition of Afore Bancomer, Banorte's pro-forma Capitalization ratio according to the Basel III requirements decreased to approximately 13.3% forecasted at closing of January 2013. Even though these levels kept Banorte as an adequately capitalized bank according to the capitalization rules established by the CNBV (National Banking & Securities Commission), it has always been Banorte's practice to maintain sufficient capitalization levels to support the expected growth in business volumes.
2. 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 will be subscribed by GFNorte with the resources obtained from a loan granted by a syndicate of financial institutions, according to the Mexican Central Bank's (Banco de México) authorization through the official memorandum S33-001-8078 on February 14th, 2013. Meanwhile, the CNBV gave its favorable opinion on February 21st through the official memorandum 312-3/12635/2013 to reform Banorte's bylaws and implement the capital increase.
3. GFNorte disbursed the total amount of the loan for US \$800 million, which at the foreign exchange rate at that moment was equivalent to approximately Ps. \$10.2 billion, the same sum that Banorte contributed for Afore Bancomer's acquisition. The loan's term is 364 days and the outstanding balance accrues an interest rate of 3 month LIBOR plus 0.80% (equivalent to TIIE -0.02%, considering the benefit of the foreign exchange and interest rate hedging mechanisms contracted in order to cover risks arising from the loan). The resources to service the loan will come from dividend payments of GFNorte's subsidiaries, and in case there is a corporate event that contributes with additional resources, these will be used to pre-pay the loan. The loan is not guaranteed by GFNorte or any other of its subsidiaries and was obtained with a syndicate consisting of Morgan Stanley Senior Funding, Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; J.P. Morgan Securities, LLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd.
4. In addition to the above, during February Afore XXI Banorte decreed a Ps. 950 million dividend payment and a capital decrease of Ps. 2.0 billion. Both of these events had a favorable impact for Banorte, amounting to Ps \$1.475 billion since it owns 50% of the Afore, thus strengthening Banorte's capital ratios by reducing net capital deductions related to the investments in subsidiaries.

5. 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 it is currently 15.7%.

Finally, it is important to reiterate that the main source of capital regeneration of GFNorte and its subsidiaries is the reinvestment of earnings. Considering GFNorte's current dividend policy, the Group reinvests approximately 80% of the generated net income during the year, which in the past has enabled to regenerate sufficient capital to keep growing Banorte's assets, thus satisfying the credit needs of Mexican families and companies.

- **Strategic agreement between IBM and Grupo Financiero Banorte.**

GFNorte and IBM announced on March 11th the formalization of a 10-year strategic agreement that will allow the Mexican financial institution 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%. The agreement – based on the solid growth of GFNorte – seeks to create an expandable and sustainable platform to achieve world class efficiencies as well as high levels of customer service and segmentation, retention and contact with clients, through the existing channels and others to be developed. Additionally, this agreement establishes an unprecedented transformational relationship in the Latin American banking industry.

The partnership considers the establishment of a very solid Corporate Governance in which both companies participate, and depending on the progress achieved of the partnership itself, as well as the benefits generated, will drive the investment in new projects.

As a result of these efforts, Banorte - Ixe seeks to become the bank with the best customer service and experience not only in Mexico, but also around the world, leading its sector and setting an example of innovation through smarter use of advanced technologies.

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.

Banorte - Ixe will experience an outstanding transformation in its operations and service innovation in the mid-term. Transformational services will primarily focus on client interactions, getting a better knowledge of their needs and the adoption of better risk processes and technology. At the same time, operational services will be focused on improved processes, applications and technology adoption.

- **Fitch ratified the ratings of Grupo Financiero Banorte and 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. 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.

- **Moody's ratified ratings of Banco Mercantil del Norte, its subordinated debt and some ratings of Grupo Financiero's subsidiaries.**

On March 13th, 2013, Moody's de México ratified the credit ratings of Banco Mercantil del Norte and maintained a negative outlook. The C- standalone bank financial strength rating and the A3 long-term global local currency deposit rating were ratified. The C- standalone bank financial strength rating maps to a baa2 standalone baseline credit assessment. 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.

- **Purchase of the International Finance Corporation's (IFC) investment in Banco Mercantil del Norte.**

During March, Grupo Financiero Banorte signed an agreement with the IFC in order to finalize the capital investment made in Banco Mercantil del Norte last November 2009. The 5 year investment contemplated a cash payment to cover the investment plus capital gains, or convert Banco Mercantil del Norte's shares held by the IFC into shares of Grupo Financiero Banorte, in order to then sell them through an orderly process. In this sense, and given that the exchange period ends in November 2014, GFNorte made an initial cash payment of Ps 2.14 billion, which was funded through dividends paid by its subsidiaries. Moreover, stemming from the agreement with the IFC to finalize the totality of the investment before the exchange period ends, its stake will no longer be considered as minority interest in Banorte, increasing Grupo Financiero's stake in Banco Mercantil del Norte to 97.2%.

- **Clarification to the information recently published in the media.**

On April 5th, 2013 GFNORTE informed the investment public that given the information published in the media regarding a potential equity offering of the Financial Group, that GFNORTE had not presented nor a filing existed with the corresponding authorities to carry out a share offering, nor has a capital increase been subjected for the approval of the Shareholders' Meeting (prerequisites to make a public offering of shares), although the Financial Group constantly evaluates different alternatives to strengthen the institution's capital levels in order to have the necessary resources to take advantage of the growth.

In this respect, in case GFNORTE decides at some point to raise capital through a share offering, informed it will use the proceeds to generate more value to shareholders, as has been the case in previous occasions. It is worth remembering that the earnings per share were \$3.32 pesos in 2010 prior to the mergers with Ixe Financial Group and Afore XXI, while it stood at \$4.68 pesos at the end of 2012, growth of more than 40% in spite of an increase of 15% in the number of shares outstanding. On the other hand, ROE has increased from 12.4% at its lowest point after the merger with Ixe to 15% in the last quarter of 2012, an increase of 260 basis points and stood at 15.1% at closing of 1Q13. Finally, GFNORTE reiterates that the main source of capital generation for GFNORTE and its subsidiaries is the reinvestment of profits. Considering GFNORTE's current dividend policy, the Group reinvests approximately 80% of the profits generated throughout the year, which in the past has enabled to regenerate sufficient capital to continue the organic growth of Banorte's assets. As of March 2012, the capitalization levels according to the Basel III requirements stands at 15.67%, while Tier 1 at 13.02%. It has been a continuous practice of GFNORTE to seek the best alternatives to capitalize the Financial Group and its subsidiaries, focusing at every moment in creating value to its shareholders and it will only use the alternative of raising capital through a share offering when it detects opportunities with higher profitability than the one currently being delivered to our investors.

- **Current situation of GFNorte's exposures to the main homebuilders.**

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.

- **Banorte-Ixe recognized by Euromoney in several categories.**

On April 1st, 2013, the magazine specialized in banking and capital markets, Euromoney, announced the results of its study of the Best Managed Companies in Latin America 2013, in which Banorte ranked 6th among 261 nominated companies. In the first ten places appear multinational companies of the telecom, food, transportation and agro-industry sectors, among others. Considering only companies of the banking and financial sector, Banorte ranked as the third Best Managed Company in Latin America.

Furthermore, in the assessment of the companies that have most improved its performance in the region, Banorte had the highest score among 116 nominated firms, therefore the prestigious magazine ranked the Mexican institution in the first place of this category.

In Latin America, Banorte was the second institution with the highest corporate governance standards, among 132 nominated companies, and the third among 165 with the most accessible management.

In the analysis carried out by the British magazine, Banorte was the second Best Managed Company in Mexico, among 59 companies of the telecom, food, construction and oil & gas sector, and the only of the financial sector ranking in the first six positions.

Euromoney also ranked Banorte 5th in 2012, among the most important banks in Latin America, in the Annual Real Estate Survey conducted with real estate developers, investment advisors, banks and corporate end-users.

Moreover, Euromoney recently recognized Banorte as the Best Local Bank in Mexico 2012 in the Private Banking and Wealth Management annual survey conducted among the participants of this industry.

- **Fund Pro awarded Banorte among the best investment funds in Mexico during 2012.**

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”. This evidences Banorte -Ixe’s commitment to its clients by offering the best products and services.

- **Fondo Personal MiFon winner of “ConnectBanking” in the beyondBanking awards by the Inter-American Development Bank. (IDB)**

The beyondBanking awards by the IDB recognize the best sustainability, environmental, social and corporate governance initiatives and projects carried out by Financial Intermediaries in Latin America and the Caribbean. In March, **Fondo Personal MiFon** won the “ConnectBanking” category for using information and communication technologies for financial inclusion. 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. These awards are a great incentive to continue with the firm commitment to bring financial services closer and increase the development opportunities to more Mexicans.

- **Launch of Co-branded Credit Card with United Airlines**

On April 9th, Banorte Ixe Tarjetas launched two credit card products (Platinum and Universe – Infinite) co-branded with United Airlines, one of the largest airlines in the world with more destinations and routes in Mexico. Some of the benefits for credit card holders will be credit cards offering competitive rates for the traveling segment, mileage accumulation derived from welcome bonuses, usage of credit card and transaction bonuses, mileage usage with United, Aeromar and Star Alliance, exclusive treatment, boarding priority and passes for United and Visa VIP lounges, among others. Thus, Banorte Ixe Tarjetas seeks to have the most competitive products and services platform in Mexico.

- **Organizational Changes**

On April 16th, Ignacio Aldonza Goicochea was designated as Managing Director of Technology of Grupo Financiero Banorte. Before entering GFNorte, Ignacio worked during 25 years in BBVA as Corporate Director of Channels and Transformation with international responsibility in Retail Banking, Corporate & Investment Banking, Asset Management and Private Banking in Spain, Mexico and South America. Ignacio is an Industrial Engineer in the Specialty of Organization and Business Administration of Bilbao’s School of Engineering, and holds a Masters in Economy and Business Management, PDD and PDG by the IESE.

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