

Financial Results

1Q14

May 2014

Summary of Results

Financial Highlights

- GFNORTE registered profits of Ps 3.63 billion, 16% higher YoY vs. 1Q13 due to the operating leverage obtained from the 2% YoY growth in total income and the decrease in operating expenses which offset the increase in provisions and taxes; additionally, the YoY growth is also due to the decrease in minority interest resulting from the purchase of Generali's participation in the insurance and annuities companies, coupled with their favorable business dynamics. Net income increased by Ps 5.5 million, + 0.2% vs. 4Q13 mainly as a result of higher non-interest income and lower operating expenses. Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed with 58% of GFNORTE's profits, or Ps 2.11 billion.
- During 1Q14, ROE was 13.3%, a YoY decrease of (179) bp vs. 1Q13 (due to the dilution effect of the equity offering in July 2013), and a QoQ increase of 43 bp vs. 4Q13.
- Return on Tangible Equity (ROTE) was 16.8% during 1Q14, (249) bp lower YoY vs. 1Q13 and (76) bp below 4Q13 .
- In 1Q14, ROA was 1.4%, 7 bp higher YoY vs. 1Q13 and (4) bp lower QoQ vs. 4Q13.

Financial Highlights

- The profits of the Banking Sector (Banco Mercantil del Norte, Banorte - Ixe Tarjetas and Banorte USA) for 1Q14 totaled Ps 2.49 billion, contributing with 69% of GFNorte's net income. ROE was 14.0%, a YoY decrease of (1.8 pp) vs. 1Q13 and (3.3 pp) vs. 4Q13, both as consequence of the increase in Banco Mercantil del Norte's equity as part of the equity injection used for the acquisition of Afore Bancomer, the mergers with Ixe Banco and Fincasa Hipotecaria and the spin-off of Solida Administradora de Portafolios. ROA was 1.4%, a YoY decrease of (0.1 pp) vs. 1Q13 and (0.3 pp) lower vs. 4Q13.
- During 1Q14, Long Term Savings Sector, (Afore XXI Banorte, Insurance and Annuities companies), reported Ps 815 million in earnings, 62% higher YoY vs. 1Q13 and 22% higher QoQ vs. 4Q13. YoY growth was due to better business dynamics in the insurance and annuities companies and the reduction in minority interest resulting from the purchase of Generali's 49% participation in the Insurance and Annuities companies in October 2013. QoQ growth was attributed to the increased net income of Afore XXI Banorte and the Insurance Company.

Financial Highlights

- **Banorte Ixe Tarjetas** reported profits of Ps 376 million during 1Q14, 43% higher YoY vs. 1Q13 and 12% above QoQ vs. 4Q13. The YoY increase was mainly due to an improvement in revenues due to higher loan volumes, whereas the QoQ growth derived from higher revenues and lower operating expenses.
- **The Brokerage Sector** (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe), reported profits of Ps 203 million during 1Q14, a YoY decrease of (17%) vs. 1Q13 derived from lower net fees and trading revenues derived from lower net fees and trading revenues that were not offset by a higher net interest income from repo operations and a lower level of non-interest expenses. On a QoQ basis, profits increased 32% driven by higher net interest income and trading revenues, which offset a decline in net fees, higher non-interest expense and taxes.
- **Sofom and Other Finance Companies**, (Arrendadora y Factor Banorte, Almacenadora Banorte and Solida Administradora de Portafolios), recorded profits in 1Q14 of Ps 142 million.

Financial Highlights

- Core deposits grew 16% YoY in 1Q14, driven mainly by efforts to promote Banorte-Ixe's deposit products, as well as the significant increase registered in client account balances since the end of 2013, mainly in Government banking. A YoY increase of 24% in Demand Deposits and 4% in Retail Time Deposits was registered. During the quarter, core deposits remained at the same level as in 4Q13 due to seasonal effects registered at the beginning of each year, although this effect was of lesser magnitude than in previous years.
- Total Performing Loans had a YoY growth of 6%. The loan portfolio registered lower growth rates YoY mainly due to the economic slowdown, as well as to prepayments received from corporate. Nonetheless, the performing loan portfolio keeps growing at a faster pace than the economy. During the quarter, total Performing Loans increased 1% QoQ, as a result of growth in Government, Payroll, Mortgage and Car loan portfolios.
- During 1Q14 GFNorte's fundamentals remained solid:
 - The Past Due Loan Ratio was 3.0%, 0.9 pp above YoY and (0.1 pp) lower QoQ.
 - The Coverage Ratio stood at 105.8%, (31.7 pp) lower YoY and 1.1pp higher QoQ vs. 4Q13.
 - The Liquidity Ratio was 147.5%, 12.2 pp and 10.2 pp above YoY and QoQ, respectively.
 - Banorte's Capitalization Ratio was 15.24%, decreasing (0.4 pp) YoY and increasing 0.1 pp QoQ.

Financial Highlights

- During 1Q14, Net Interest Income amounted to Ps 9.53 billion, 11% higher YoY due to better loan mix, higher loan origination fees and lower funding costs, which offset the decline in net interest income of the insurance and annuities companies. Net Interest Income decreased (1%) QoQ vs. 4Q13 mainly due to seasonal effects and to the decrease in NII for the insurance and annuities companies.
- During 1Q14, the Non- Interest Income amounted to Ps 4.59 billion, decreasing (12%) YoY, but growing 21% QoQ. The YoY decline was due to a decrease in Other Operating Income (Expense), lower Real Estate Portfolio Recoveries and Trading revenues, which was not offset by the increase in Service Fees. The QoQ growth was due to higher Trading revenues, Other Operating Income (Expense) and Service Fees, which offset the decline in Real Estate Portfolio Recoveries.

Financial Highlights

- During 1Q14 Provisions totaled Ps 2.38 billion, a YoY increase of 15% vs. 1Q13 and 30% vs. 4Q13. The YoY increase is explained mainly by higher requirements in Payroll, Mortgage, Commercial (mainly SME) and Government portfolios; in almost all items (except Government), the increase is explained mainly by the negative impact of the economic slowdown. The QoQ increase is mostly due to higher provisions in the SME, Middle market companies, Mortgage, Payroll and Government loan portfolios, derived from seasonal effects and also due to the economic slowdown that persisted during the first months of the year.
- Non-Interest Expenses in 1Q14 totaled Ps 6.85 billion, (8%) lower YoY mainly due to a decrease in Personnel Expenses, which offset the growth in other items. On a QoQ basis, Non-Interest Expenses declined (3%) due to a decrease in almost all items.
- The Efficiency Ratio was 48.5%, improving vs. previous quarters, (5.4 pp) below YoY and (4.3 pp) lower QoQ vs. 4Q13 due to the positive operating leverage obtained in the period.

Quarterly Summary

Million Pesos

	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
Revenues	13,807	13,413	14,122	5%	2%
Credit Costs	2,073	1,833	2,380	30%	15%
Expenses	7,434	7,084	6,845	(3%)	(8%)
Net Income	3,140	3,622	3,628	0%	16%
EPS ⁽¹⁾	1.35	1.31	1.31	0%	(3%)
Book Value per Share ⁽¹⁾	36.28	38.45	40.14	4%	11%
ROE	15.1%	12.9%	13.3%	0.4 pp	(1.8 pp)
ROA	1.3%	1.5%	1.4%	(0.04 pp)	0.1 pp
P/BV ⁽²⁾	2.72	2.38	2.19	(8%)	(20%)

(1) Pesos. As of 4Q13 EPS calculations consider the new number of shares resulting from the increase in GFNorte's equity following the Public Offering, therefore are not comparable with previous periods.

(2) Times.

Material Events

GFNorte reached an agreement with Corporación GEO to restructure its liabilities.

- **On March 20, 2014 Corporación GEO announced a general agreement with a group of 6 banks, including GFNorte, to restructure its liabilities. As a result, GEO filed for “bankruptcy with previous restructuring” to achieve a financial restructuring and enable the company to continue operating. As part of the agreement, funding lines available to the company may be reactivated if it complies with the terms and conditions of the restructuring agreement.**
- **As of March 31, 2014 GFNorte's loan exposure to the three troubled home developers (Urbi Desarrollos Urbanos, Corporación Geo and Desarrolladora Homex) amounted to Ps 6.88 billion, 21.0% below the previous quarter mainly due to the settlement of a past due loan. This exposure represents 1.6% of our total loan portfolio compared to 2.0% in December 2013. Of these loans, Ps 5.73 billion are past due, a decrease of Ps. 1.27 billion in 1Q14.**

Material Events

Prepayment of Subordinated Obligations.

- On April 21, Banorte paid Ps 2.2 billion in Preferred and Non-Convertible Subordinated Obligations. These 10 year obligations were issued in March 2009, maturing in March 2019, and paid TIE + 2.0%. This prepayment, will reduce Banorte's servicing cost as well as improve its equity profile. The payment was made using proceeds from the equity offering of 2013.

Material Events

Fitch upgraded GFNorte's, Banorte's and its subsidiaries' international and national long-term ratings with Stable outlook.

- **On March 21, 2014 Fitch Ratings upgraded GFNorte's and its subsidiaries' international and national long-term ratings from BBB to BBB +, maintaining a stable outlook.**
- **The upgrade considered the consolidating franchises, the improved business profile after recent acquisitions and the elimination of double leverage after the public offering. For the bank the upgrade was driven by material improvements in its capital structure, strengthening business, growing competitive position, adequate financial performance and revenue diversification.**
- **Ratings for Arrendadora y Factor Banorte, Almacенadora Banorte and Casa de Bolsa Banorte Ixe improved given their core standing in GFNorte's strategy and business profile.**

Material Events

"Del Sol" and "Woolworth" became part of our third party correspondents network.

- In March "Del Sol" and "Woolworth" became part of Banorte's correspondent network. Our clients and credit card holders will be able to pay in real time their Banorte and Ixe credit cards 365 days of the year in more than 70 stores located in 18 different states of the country.

Woolworth.
Es para ti



Recognitions.

- In February, Operadora de Fondos Banorte Ixe was recognized as the Best Aggressive-Mixed Fund in Mexico 2014 by Morningstar.



Material Events

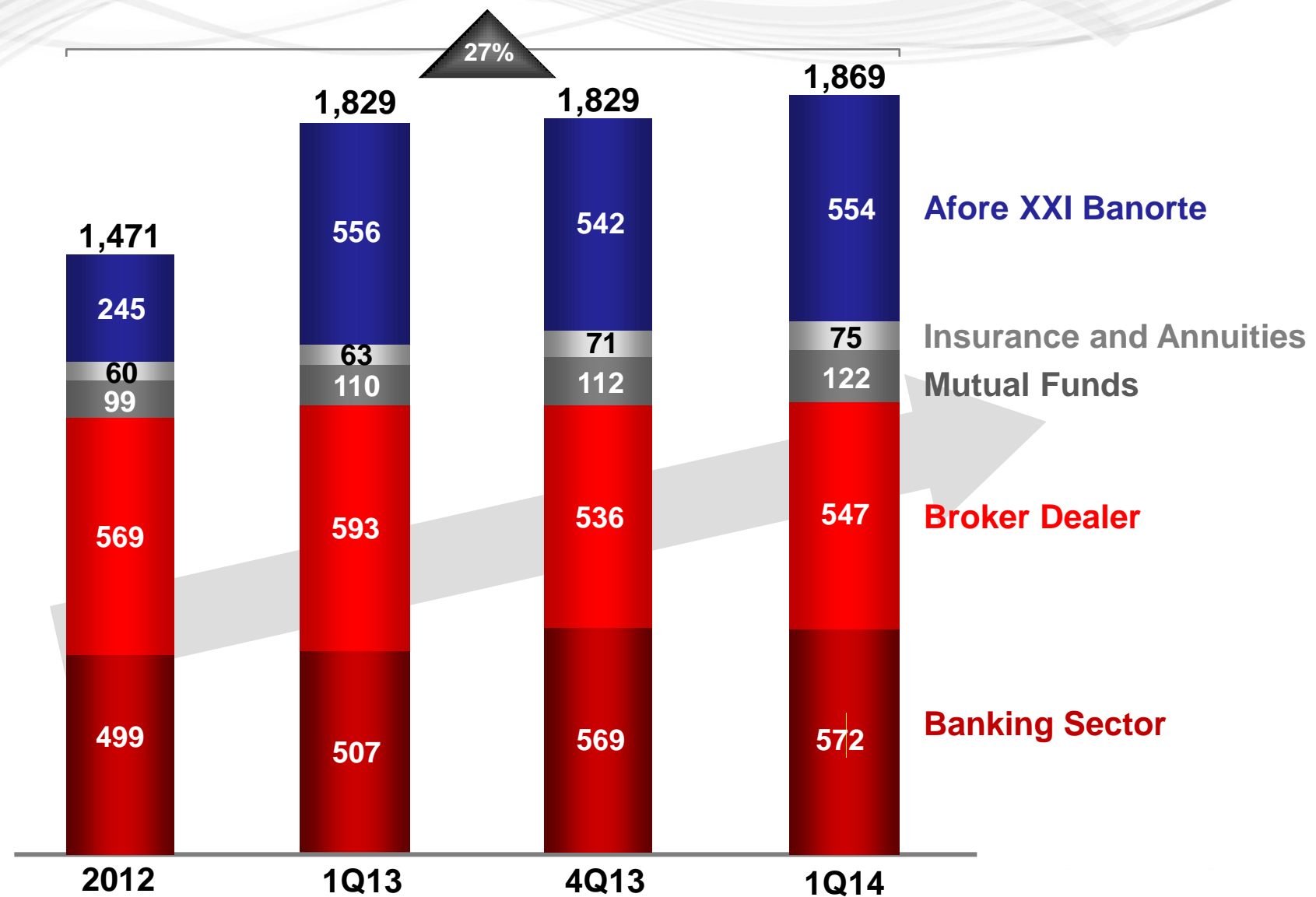
Organizational Changes.

- **Luis Fernando Orozco Mancera was appointed Chief Credit Officer reporting directly to the CEO. He will be responsible for credit planning, evaluation, management and follow-up.**
- **Juan Jesus Viteri Alvarez was appointed Managing Director of Internal Communication, in charge of aligning and integrating the communication efforts among the different areas in the organization. This position reports directly to the Chief Operating Officer.**

Financial Performance

Assets under Management

Billion Pesos



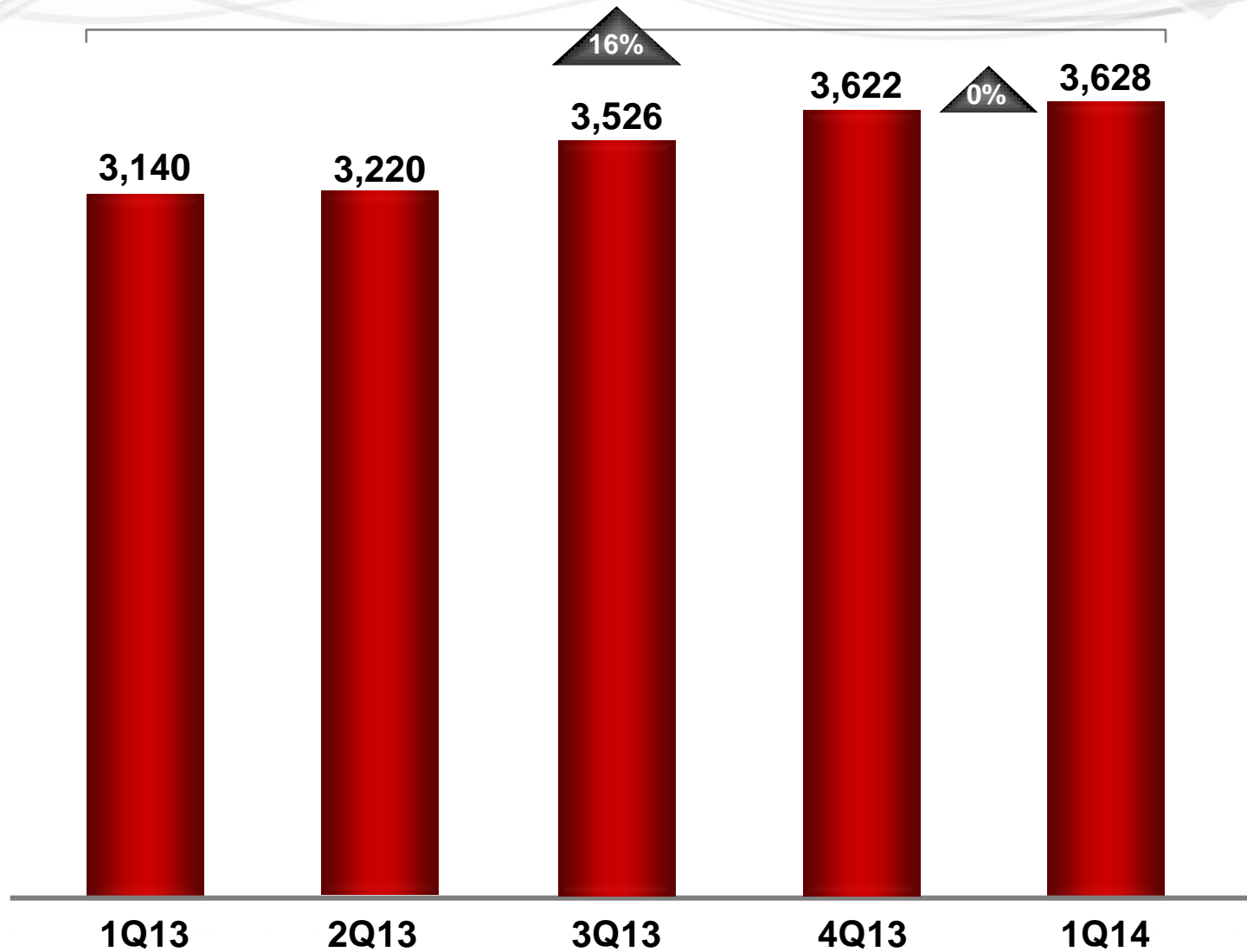
Income Statement

Million Pesos

	1Q13	4Q13	1Q14	Change QoQ	YoY
Net Interest Income	8,613	9,604	9,532	(1%)	11%
Non Interest Income	5,194	3,809	4,590	21%	(12%)
<i>Service Fees</i>	1,708	1,895	1,941	2%	14%
<i>Recoveries</i>	238	145	40	(72%)	(83%)
<i>FX & Trading</i>	2,132	1,405	1,936	38%	(9%)
<i>Other Income (expenses)</i>	1,116	364	673	85%	(40%)
Total Income	13,807	13,413	14,122	5%	2%
Non Interest Expense	(7,434)	(7,084)	(6,845)	(3%)	(8%)
Net Operating Income	6,373	6,329	7,277	15%	14%
Provisions	(2,073)	(1,833)	(2,380)	30%	15%
Income Tax	(1,230)	(1,075)	(1,500)	40%	22%
Subs & Minority Interest	70	201	230	15%	231%
Net Income	3,140	3,622	3,628	0%	16%

Quarterly Net Income

Million Pesos



Net Interest Income and Non Interest Expense

Billion Pesos

1Q13 4Q13 1Q14 QoQ YoY

Net Interest
Income

8.6

9.6

9.5

(1%)

11%

NIM
(After Provisions)

3.1%

3.4%

3.1%

1Q13

4Q13

1Q14

Efficiency Ratio

Billion Pesos

1Q13 4Q13 1Q14 QoQ YoY

Non Interest
Expense

7.4

7.1

6.8

(3%)

(8%)

54%

53%

48%

1Q13

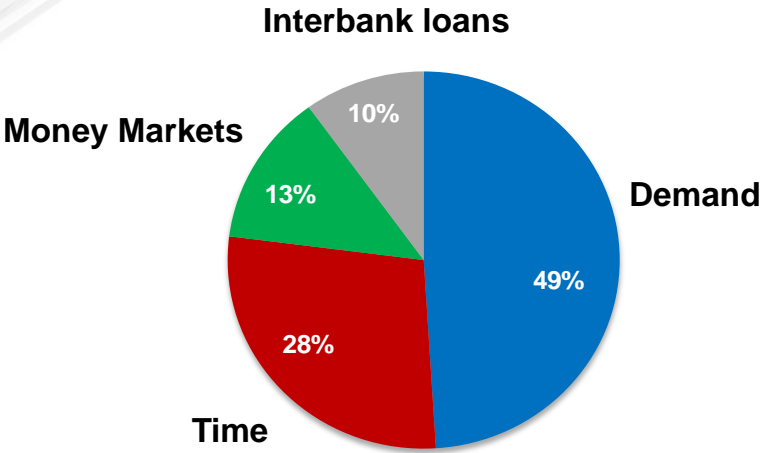
4Q13

1Q14

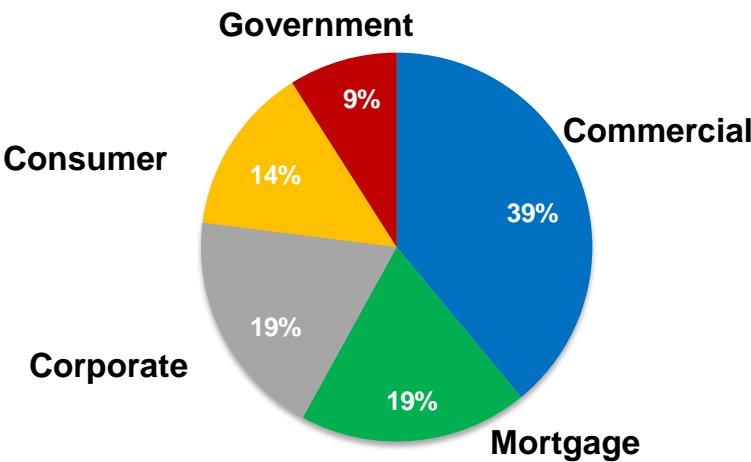
Funding and Loan Portfolio Structure

2007

Funding: \$226 Billion pesos

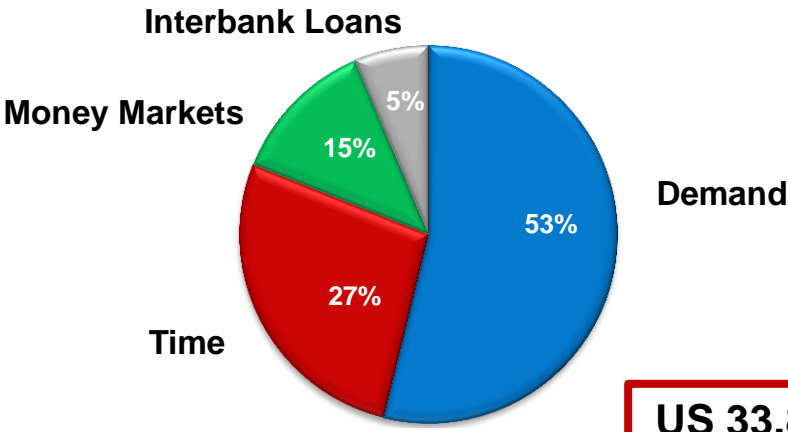


Loan Portfolio: \$194 Billion pesos



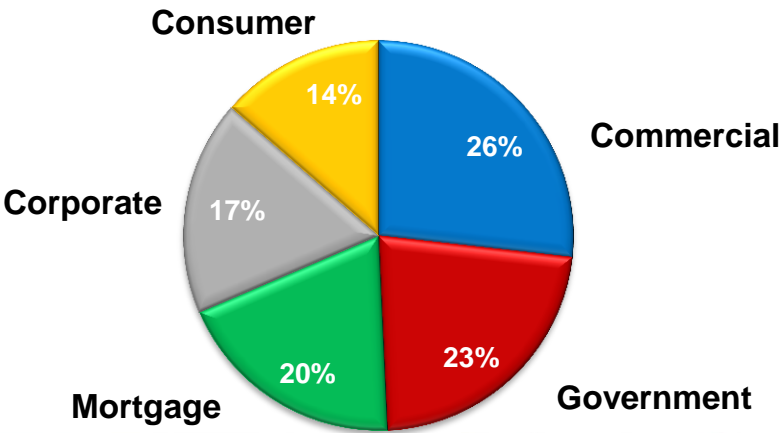
1Q14

Funding: \$482 Billion pesos



US 36.9 bn

Loan Portfolio: \$441 Billion Pesos



US 33.8 bn

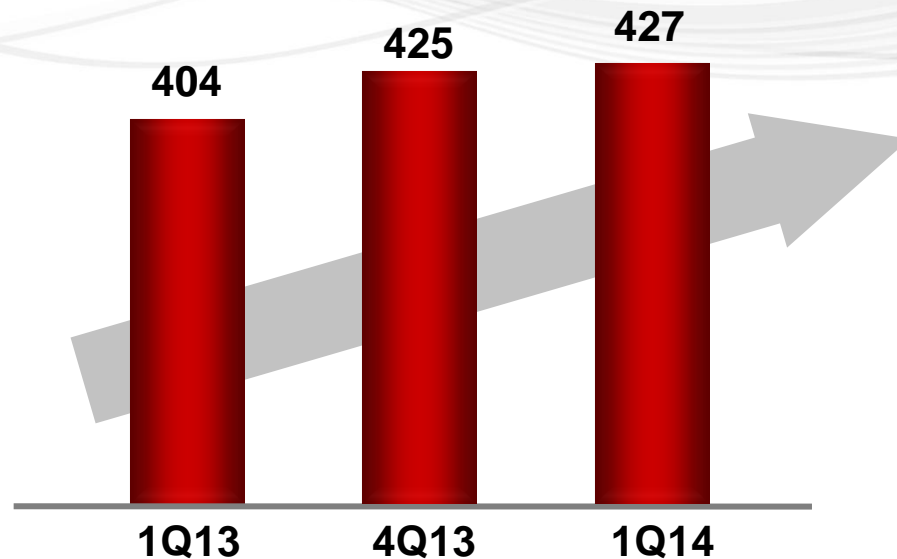
Deposits

Billion Pesos

Deposits	1Q12		1Q13		1Q14
Demand	186	▲ 10%	205	▲ 24%	254
Time	116	▲ 9%	126	▲ 4%	132
Core Deposits	302	▲ 10%	331	▲ 16%	386
Mix					
Demand	61%		62%		66%
Time	39%		38%		34%
	100%		100%		100%

Performing Loan Portfolio

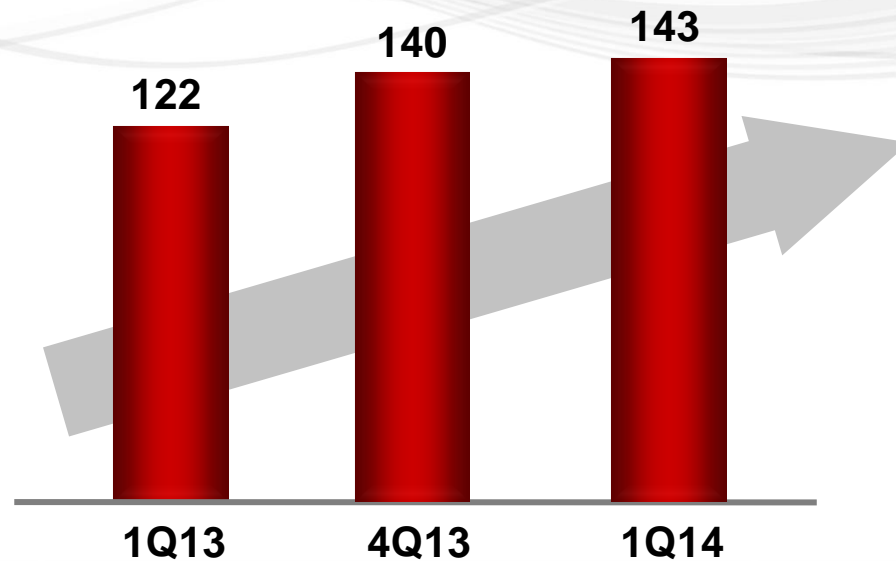
Billion Pesos



	1Q13	4Q13	1Q14	Change	
	1Q13	4Q13	1Q14	QoQ	YoY
Consumer	122	140	143	2%	17%
Commercial	106	114	112	(1%)	6%
Corporate	86	76	73	(3%)	(15%)
Government	90	96	99	3%	10%
Total	404	425	427	1%	6%

Performing Consumer Loan Portfolio

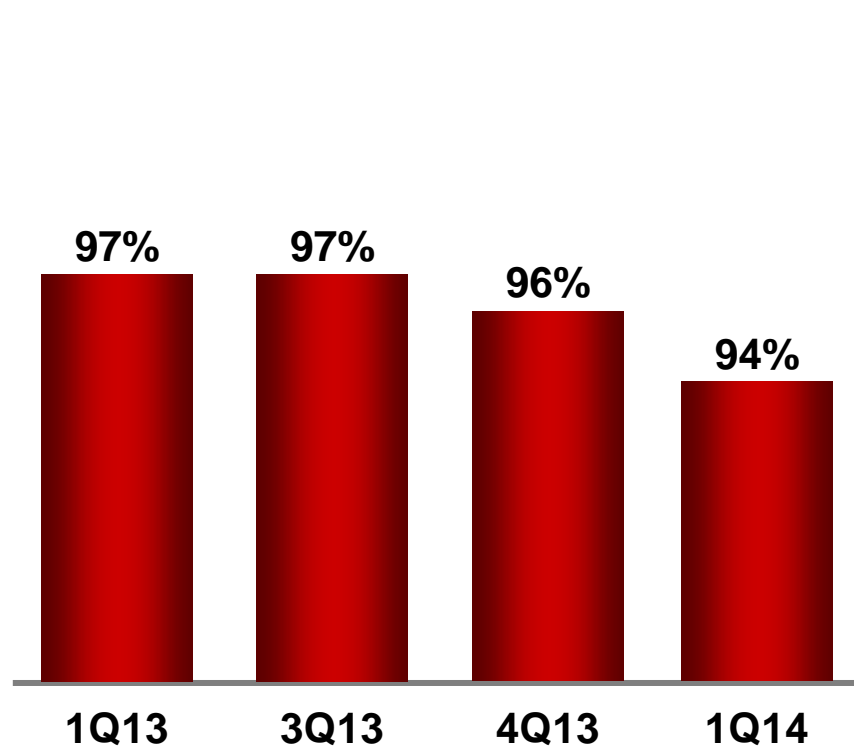
Billion Pesos



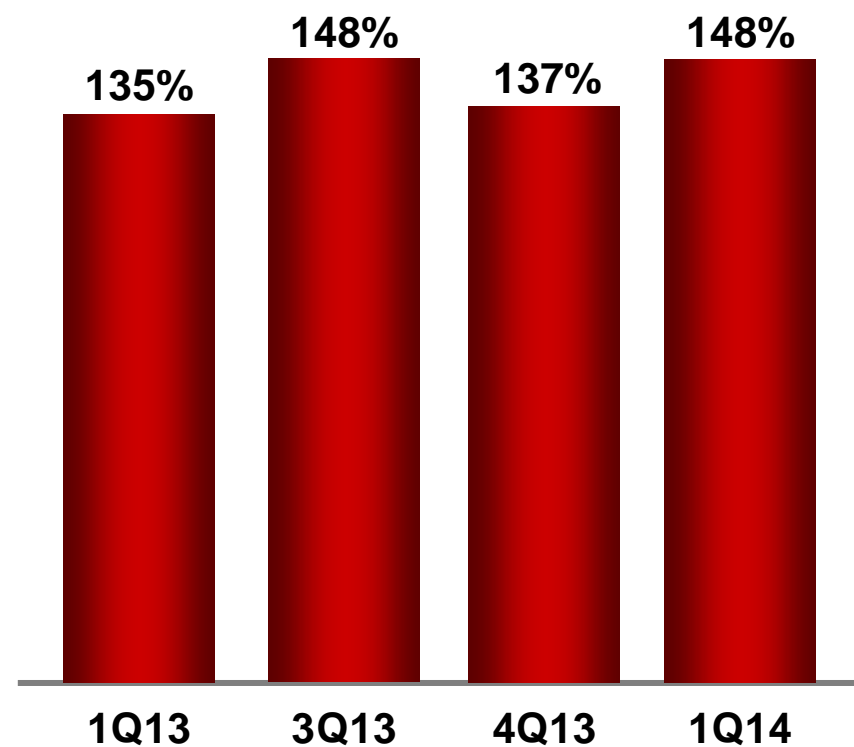
	1Q13	4Q13	1Q14	Change	
	1Q13	4Q13	1Q14	QoQ	YoY
Mortgage	74	82	83	1%	12%
Car	11	11	12	1%	9%
Credit Cards	18	20	20	0%	14%
Payroll	20	26	28	8%	42%
Consumer	122	140	143	2%	17%

Funding and Liquidity

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



**Liquidity
(%)**



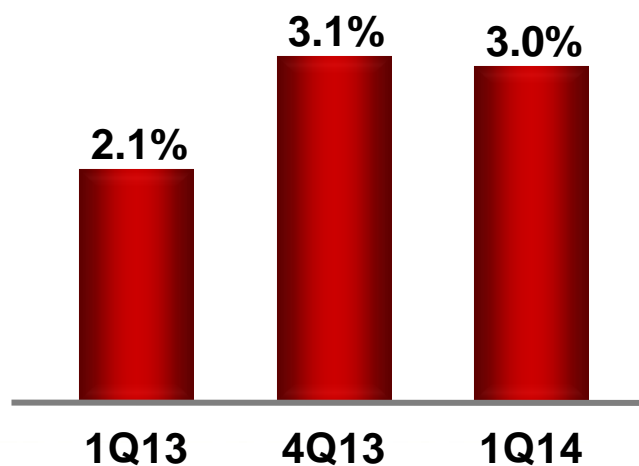
Asset Quality and Capitalization

Asset Quality

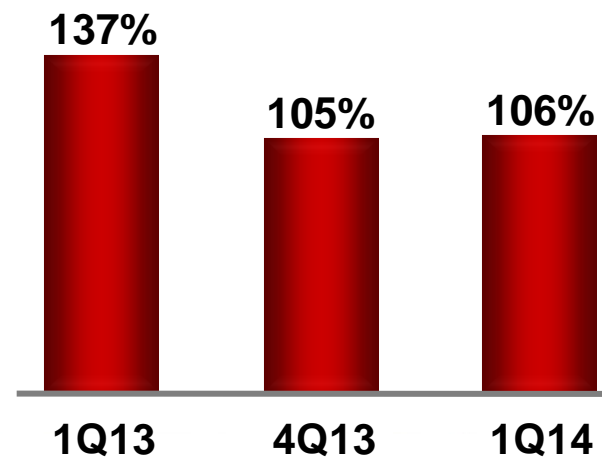
Billion Pesos

	1Q13	4Q13	1Q14
Total Loan Portfolio	413	439	441
Past Due Loans	8.6	13.7	13.2
Loan Loss Reserves	11.9	14.3	13.9

PAST DUE LOAN RATIO



RESERVE COVERAGE RATIO



Past Due Loan Ratios

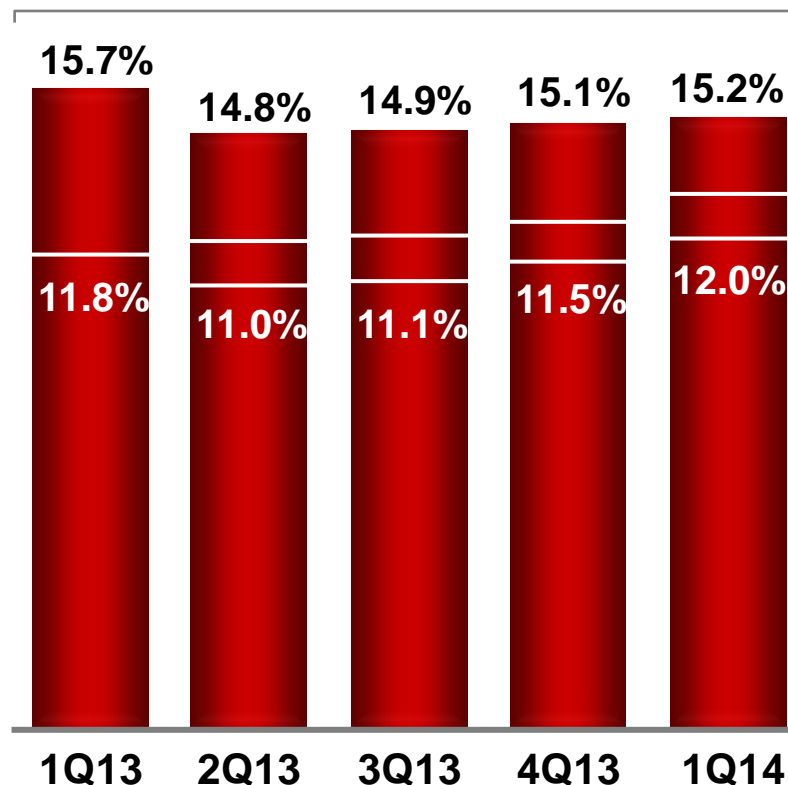
	1Q13	2Q13	3Q13	4Q13	1Q14
Credit Cards	5.7%	6.0%	6.0%	5.9%	6.2%
Payroll	2.2%	2.4%	2.3%	2.3%	2.0%
Car Loans	1.1%	1.4%	1.6%	1.6%	1.3%
Mortgage	1.1%	1.2%	1.3%	1.3%	1.3%
Commercial	4.3%	3.5%	3.9%	2.9%	3.6%
Corporate	1.6%	2.6%	7.5%	8.6%	7.3%
Government	0.0%	0.1%	0.0%	0.0%	0.0%
Total NPL Ratio	2.1%	2.2%	3.2%	3.1%	3.0%

* The NPL ratio is 1.7% excluding the past due loans related to home developers.

Capitalization and Liquidity

Banorte
(%)

Basel III



Total Tier 1: 13.1%

↑ RWA*

Liquidity Ratio

+9%	+19%	+18%	+17%	+16%
135%	137%	148%	137%	148%

*RWA= Risk Weighted Assets

Investment Grade by all Major Rating Agencies

Agency	Rating	Outlook	Date
Standard & Poor's	BBB	Stable	Dec-13
Fitch	BBB+	Stable	Apr-14
HR Ratings	AAA	Stable	May-13
Moody's	Baa1	Stable	Feb-14

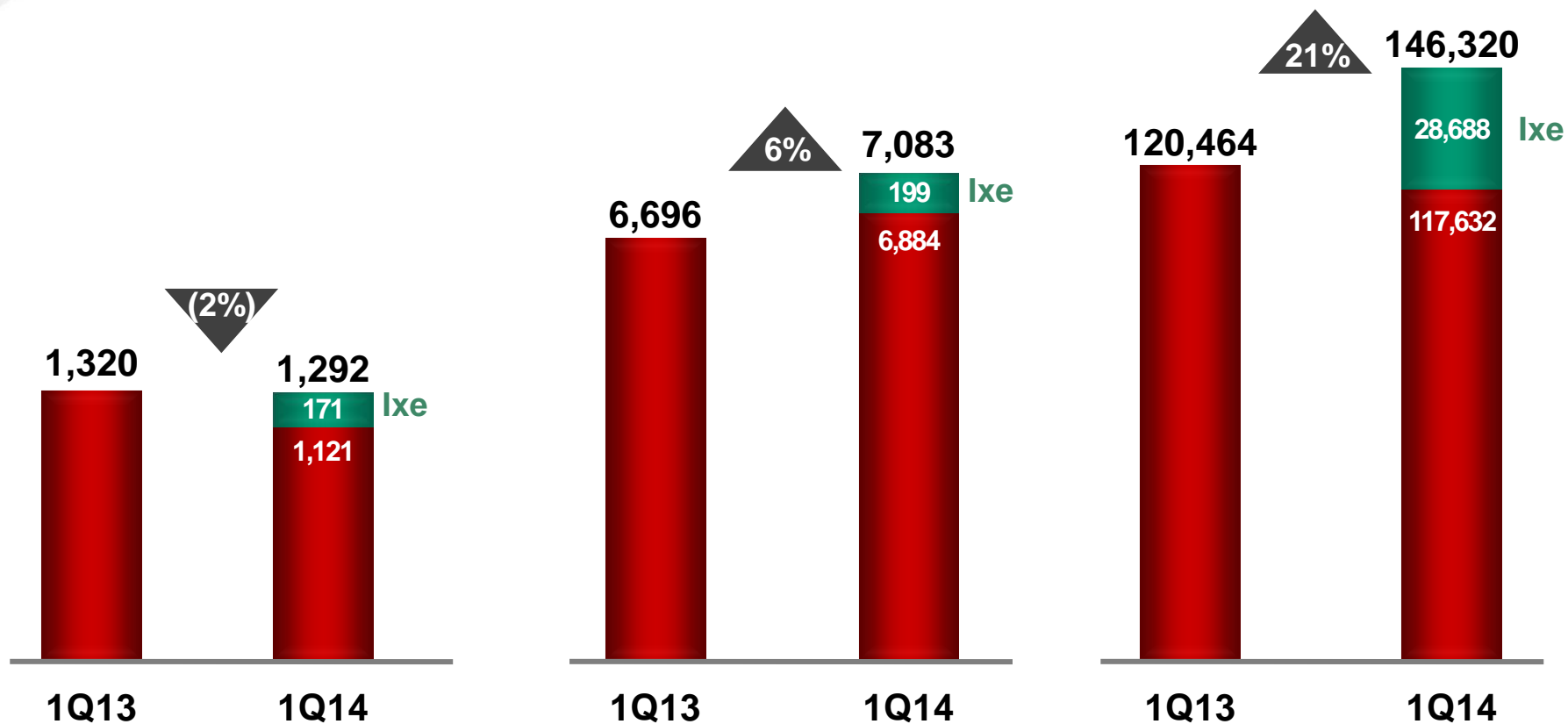
Distribution Network

Distribution Network

Branches

ATM's

POS's



Subsidiaries

Subsidiaries

1Q14
Million Pesos

Company	Net Income 1Q14	% Cont. GFNORTE	Change vs. 1Q13	ROE
Banking Sector	2,485		4%	14.0%
Banco Mercantil del Norte ¹⁾	2,109	58%	3%	
Banorte –Ixe Tarjetas	376	10%	43%	
Broker Dealer	203	6%	(17%)	30.4%
Long Term Savings				
Retirement Savings	282	8%	(16%)	9.4% ³⁾
Insurance	478	13%	232%	47.0%
Annuities	55	2%	123%	17.3%
Other Finance Companies				
Leasing and Factoring ²⁾	171	5%	30%	20.8%
Warehousing	9	0%	(32%)	13.2%
Other ⁴⁾	(56)	(2%)	56%	

¹⁾ Includes: Ixe Banco and Fincasa due to its merger in May 2013.

²⁾ Includes: Ixe Automotriz due to merger in May 2013.

³⁾ Without Goodwill: 29.2%.

⁴⁾ Includes: Solida Administradora de Portafolios, Ixe Servicios and Holding Co.

Net Income in Million Pesos

	1Q13	1Q14
Total	348	151

(57%)

AUM BILLION PESOS

	1Q13	1Q14	Change YoY
Proprietary Assets	38.5	51.4	34%
Acquired Assets	27.5	27.1	(1%)
Managed Assets "Su Casita"	7.3	7.2	(2%)
Ixe Assets	7.2	0	N.A.
Total	80.5	85.8	6%

Inter National Bank

Million Dollars

	1Q13	1Q14
Pre-Tax Net Income*	5.0	6.6
Provisions	(0.1)	0.4
Net Income	3.5	4.3
NIM	2.6%	3.3%
ROE	3.3%	4.1%
ROA	0.7%	0.9%
Efficiency	72.3%	61.8%
Total Deposits	1,699	(14%) 1,463
Performing Loans	696	22% 846
PDL Ratio USGAAP	0.8%	0.7%
Coverage Ratio USGAAP	258.3%	254.5%
Leverage Ratio	10.4%	12.8%
Classified Assets to Capital	21%	12%

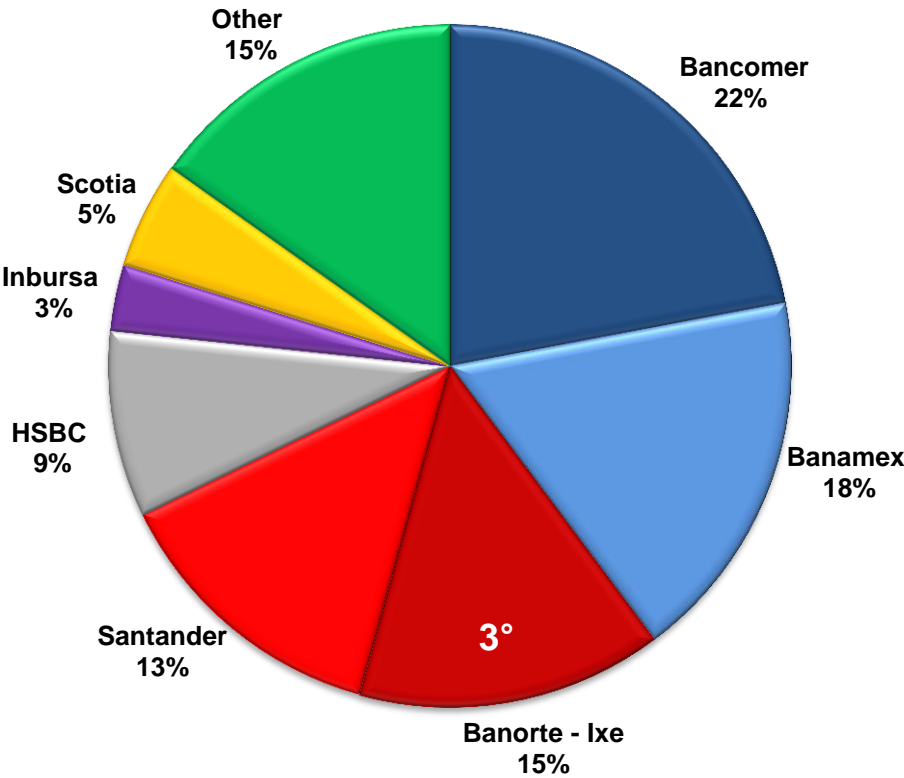
* Before Taxes and Provisions.

Industry Trends

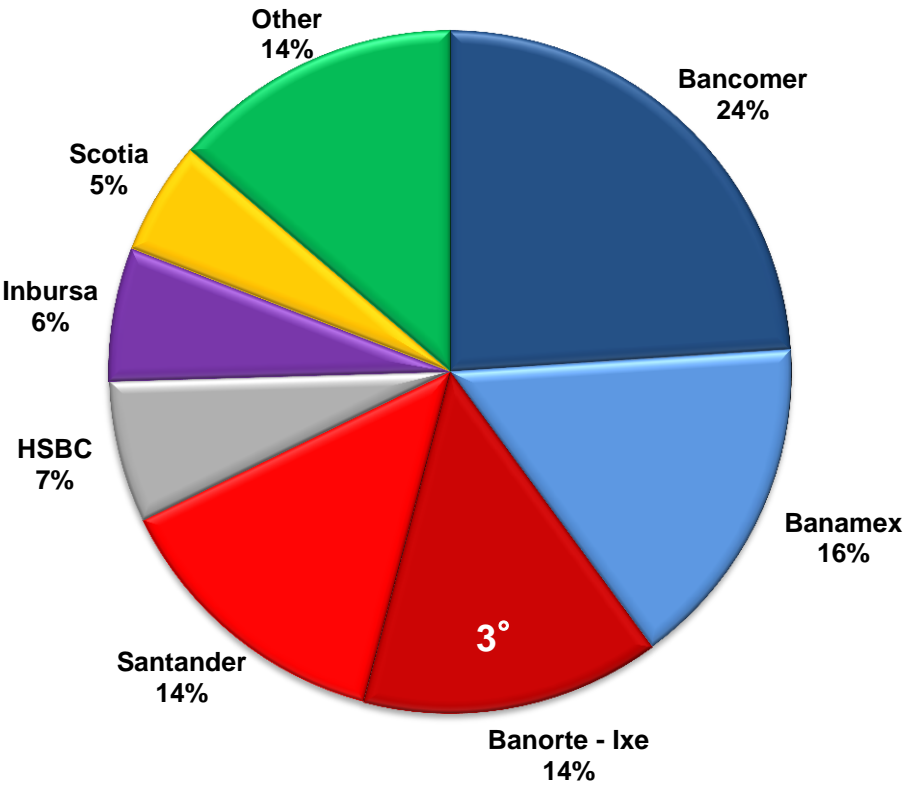
Market Share

March 2014

DEPOSITS



LOANS



Source: CNBV.

Market Share by Segment



	Consumer		C. Cards		Mortgage		Commercial		Government	
	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14
Bancomer	23.0%	24.6%	34.4%	32.9%	32.9%	29.2%	18.4%	19.6%	22.3%	22.6%
Banamex	19.7%	18.3%	31.4%	31.4%	15.5%	15.4%	14.6%	13.6%	11.0%	9.7%
Banorte- Ixe	9.5%	11.1%	6.7%	7.2%	16.2%	16.1%	14.1%	12.4%	22.4%	23.7%
Santander	8.1%	7.8%	13.6%	13.8%	15.7%	18.1%	13.8%	14.2%	9.6%	10.5%
HSBC	5.9%	5.3%	6.1%	6.2%	4.4%	4.8%	8.8%	8.2%	6.8%	4.6%
Scotia	5.8%	6.0%	1.5%	1.7%	10.8%	11.1%	4.0%	5.0%	1.1%	0.7%
Inbursa	4.2%	4.4%	0.0%	0.0%	0.3%	0.2%	10.8%	10.0%	4.7%	6.7%
Other	24.0%	22.4%	6.3%	6.8%	4.2%	5.1%	15.6%	17.0%	22.1%	21.4%

Market Position



Source: CNBV. * Commercial banks' figures consolidated with SOFOMs, for applying entities.

Afore Market Share

	WORKERS (MILLION)				BILLION PESOS			
	Accounts		Market Share		Assets		Market Share	
	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14
XXI Banorte*	11.68	11.43	26.9%	25.7% 	559	554	27.7%	26.1% 
Banamex	7.81	7.64	18.0%	17.2%	347	360	17.2%	17.0%
Sura	6.14	6.04	14.2%	13.6%	274	303	13.6%	14.3%
Principal	3.87	3.78	8.9%	8.5%	137	140	6.8%	6.6%
Coppel	4.23	5.33	9.7%	12.0%	70	87	3.5%	4.1%
Profuturo GNP	3.03	3.11	7.0%	7.0%	235	258	11.7%	12.2%
Invercap	2.99	3.10	6.9%	7.0%	113	133	5.6%	6.3%
Other	3.65	4.10	8.4%	9.2%	281	286	14.0%	13.5%

Source: CONSAR.

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