

GFNORTE REPORTS NET INCOME OF PS 11.41 BILLION IN 9M14 AND PS 4.04 BILLION IN 3Q14.

- In 3Q14 net income totaled Ps 4.04 billion, 15% higher vs. 3Q13 and 8% vs. 2Q14.
- Accumulated ROE was 13.4% and ROA 1.5%.
- During 3Q14 core deposits increased 13% YoY or Ps 46.77 billion, totaling Ps 410.92 billion.
- At the end of 3Q14, Performing Loans reported a YoY growth of 7%, an increase of Ps 31.01, billion totaling Ps 444.94 billion.
- As at the end of 3Q14 the Non-Performing Loan (NPL) Ratio was 3.3% and the Coverage Ratio was 104.0%.
- Banorte's Capitalization Ratio was 14.95% at the end of 3Q14.
- The Efficiency Ratio was 46.7% during 9M14 and 44.8% in 3Q14.
- It was approved in GFNorte's Ordinary General Shareholders' Meeting to appoint Carlos Hank Gonzalez as Proprietary Member of the Board of Directors, substituting Graciela Gonzalez Moreno.
- It was approved to distribute a cash dividend of Ps. 0.2435 per share, to be paid on October 31st. This dividend is the first of four payments to be made to cover a total amount of Ps. 0.9740 per share.
- GFNorte is included in the Dow Jones Emerging Markets Sustainability Index.
- Institutional Investor announced the ranking "Best Latin America Executive Team 2014", in which Alejandro Valenzuela, GFNorte's CEO, was ranked as the top CEO in Mexico out of 54 participants and the third in Latin America out of 18 participants. David Suarez, CFO, was also ranked in the top positions among the regional and Mexican CFOs.
- Banorte was ranked as one of the top ten most valuable companies in the country; and the most valuable in the financial industry, according to Millward Brown.

Mexico D.F., October 23, 2014. Grupo Financiero Banorte (GFNORTE) reported results ending September 2014. GFNORTE reported nine-month profits of Ps 11.41 billion, 15% higher vs. 9M13 due to the positive operating leverage achieved from the 10% YoY growth in total income and a (0.4%) decline in Operating Expenses, effects that offset increases in credit costs and tax payments. Additionally, accumulated annual growth was achieved by lower minority interest resulting from the acquisition of the IFC's stake in Banorte and Generali's participation in the Insurance and Annuities companies, which together with the Credit Card SOFOM, posted favorable business dynamics. **Net income totaled Ps 4.04 billion in 3Q14, 15% higher vs. 3Q13 and 8% vs. 2Q14.** Growth vs. 3Q13 came from positive operating leverage, lower minority interest from the purchase of Generali's participation in the Insurance and Annuities companies. These subsidiaries, together with the credit card SOFOM increased profitability as a result of favorable business dynamics. Offsetting these factors were higher loan loss provisions and taxes. QoQ growth vs. 2Q14 also resulted from positive operating leverage— total revenues grew 5%, while operating expenses decreased (0.4%), offsetting this result were the QoQ increase in loan loss provisions.

The Banking Sector's (Banco Mercantil del Norte, Banorte-Ixe Tarjetas and Banorte USA) profits for 9M14 totaled Ps 7.92 billion, contributing with 69% of GFNorte's earnings. The Banking Sector's net profits in 3Q14 contributed with Ps 2.75 billion or 68% of GFNorte's earnings, representing an increase of 8% YoY and 2% vs. 2Q14.

ROE for 9M14 was 13.4%, 87 bp lower vs. the same period of last year (due to the dilution effect from the equity offering of July 2013), and **ROA was 1.5%,** 9 bp higher vs. 9M13.

- **Deposits and Net Interest Income**

In 3Q14 Core Deposits grew 13% YoY or Ps 46.77 billion, from Ps 364.15 billion to **Ps 410.92 billion,** driven primarily by efforts to promote Banorte and Ixe deposit products, as well as the significant increase in the account

balances of some clients, mainly in the Government segment since the end of 2013. On a yearly basis, Demand deposits grew 18% and Retail Time Deposits grew 4%. During the quarter, Core Deposits increased 3% or Ps 11.44 billion vs. 2Q14 due to the 5% increase in Demand deposits, while Retail Time Deposits declined (1%).

Net Interest Income for 9M14 totaled Ps 31.65 billion, 12% higher vs. 9M13 due to a better loan mix as a result of growth in the Consumer portfolio; a lower cost of funding due to: i) growth in core deposits, ii) the 100 bp reduction in the reference rate, and iii) payment of two subordinated obligations (August 2013 and April 2014) and the syndicated loan (July 2013); as well as an increase in net interest income of the Insurance and Annuities companies. Net Interest Income for 3Q14 totaled Ps 10.88 billion, increasing 11% YoY and 4% QoQ, as a result of the reasons already described, as well as higher loan origination fees.

- **Loans**

At the end of 3Q14, **Performing Loans reported a YoY growth of 7%**, increasing Ps 31.01 billion totaling Ps 444.94 billion. The Loan portfolio is showing positive growth thanks in part to the gradual recovery of the economy, maintaining a higher growth rate than GDP. Corporate and middle market companies' portfolios (included in the Commercial portfolio) remain subdued by prepayments from customers, which were only partially offset by new loan origination. In 3Q14, the portfolio increased 2% mainly as a result of growth in the Government, Payroll, Corporate, Mortgage and Credit Card loan portfolios.

The Financial Group's **Past Due Loan Ratio was 3.3% at the end of 3Q14**, 1 bp higher vs. 3Q13 and 13 bp higher vs. 2Q14. The YoY increase came from higher Past Due Loan Ratio in the Commercial, Car and Mortgage segments; while the quarterly increase resulted from a higher Past Due Loan Ratio in the Commercial and Mortgage segments.

Excluding Past Due Loans from home developers, the **PDL Ratio was 2.1%** in 3Q14, 30 bp above YoY and 30 bp higher vs. 2Q14.

At the end of 3Q14, **Past Due Loans totaled Ps 14.95 billion**, 8% higher YoY vs. 3Q13 mainly as a result of growth in past due loans for some Commercial (including SMEs), Payroll, Mortgage, Credit Card and Car loan portfolios, driven by the negative impact of the economic slowdown, among other factors. The 7% QoQ growth vs. 2Q14 was due to an increase in the Past Due Loans of some Commercial, SME and Mortgage loans. **The Group's coverage ratio was 104.0%** at the close of 3Q14, decreasing by (1.7 pp) YoY and (0.5 pp) QoQ.

- **Efficiency**

The Efficiency Ratio for 9M14 was 46.7%, (5.0 pp) lower YoY due to the positive operating leverage achieved in the period. **In 3Q14, the Efficiency Ratio was 44.8%**, (6.2 pp) lower vs. 3Q13 and (2.4 pp) vs. 2Q14 due to tighter management of recurring expenses.

- **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 14.95% at the end of 3Q14, with a Tier 1 ratio of 13.38% and a Core Tier 1 ratio of 12.37%.

- **Other Subsidiaries**

During 9M14, **Long Term Savings**, including Afore XXI Banorte and the Insurance and Annuities companies, contributed with Ps 2.31 billion to the Financial Group's earnings, 78% higher vs. 9M13; contribution to earnings in 3Q14 were Ps 711 million, a 61% YoY increase vs. 3Q13 and a (9%) decline vs. 2Q14. YoY growth (vs. 9M13 and 3Q13) was due to better dynamics in the insurance and annuities companies. Additionally, YoY growth came from the reduction in minority interest resulting from the purchase of Generali's participation in the Insurance and Annuities companies. If GFNorte's stake in these companies was considered at 100%, annual growth would have been 64% for the Insurance company and 79% for the Annuities company. The QoQ decline vs. 2Q14 was due to a reduction in the Afore XXI Banorte's net income as a result of a negative operating leverage and the impact on financial products from valuation losses in its investments.

Banorte - Ixe Tarjetas, a subsidiary of Banco Mercantil del Norte, reported profits for 9M14 of Ps 1.42 billion, 63% higher YoY, while profits for 3Q14 totaled Ps 528 million, 91% higher YoY and 3% QoQ. Growth vs. 9M13 was mainly due to higher revenues as a result of a larger loan portfolio, higher transactions from clients and lower operating expenses. QoQ growth resulted from higher interest revenues coming from the 6% increase of the loan portfolio and higher transactions.

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe), reported profits for 9M14 of Ps 756 million, a 53% increase vs. 9M13, driven by higher net interest income, non-interest income (mainly in trading) and lower non-interest expenses, which offset higher tax payments; contributions to earnings for the quarter totaled Ps 297 million, increasing 170% YoY and 16% QoQ. YoY growth is due to higher trading revenues and a tighter operating expense management, which offset reductions in net interest income, net fees and higher tax payments. QoQ performance vs. 2Q14 is explained by higher trading revenues and net fees and lower operating expenses, which offset the decrease in net interest income.

Sofom and Other Finance Companies, comprised of Arrendadora y Factor Banorte, Almacenadora Banorte and Solida Administradora de Portafolios, recorded profits for 9M14 of Ps 411 million; in 3Q14 reported profits of Ps 211 million.

Recent Events

- **Shareholders' Assembly**

GFNorte held an Ordinary General Shareholders' Meeting on October 22nd. The company's capital that was represented in the meeting by total subscribed and paid shares was 87.52%. The resolutions approved by the Assembly were:

- I. Appointment of Carlos Hank Gonzalez as Proprietary Member of the Board; substituting Graciela Gonzalez Moreno, who was appointed Alternate Member of the Board substituting Alejandro Hank Gonzalez. The former is relieved from all legal responsibility for the performance of his position.
- II. Distribution of a cash dividend of Ps. 0.2435 per share from the Retained Earnings of Prior Years, to be paid on October 31st. This dividend is the first of four payments to be made for a total amount of Ps. 0.9740 per share. This amount was approved by the Group's Board of Directors last July 24th. It will be proposed in subsequent Shareholders' Assemblies to decree additional dividends for a total amount of Ps. 0.7305 per share, to be paid in three installments of Ps. 0.2435 in January, April and July 2015, respectively. The total amount of the dividend to be paid represents 20% of the recurring profits of 2013 and the payout was determined according to the dividend policy approved in October 2011, which establishes a payment of 20% of recurring net income if annual profit growth is greater than 20%.
- III. Authorization of an incentive Plan (the "Plan") for employees of GFNorte and its Subsidiaries to be paid through representative shares of GFNorte's equity according to articles 57, 366 and 367 of the Securities Market Law. The objective of this Plan is to continue aligning the incentives between management of the Financial Group and its shareholders, by granting stock plans to executives as part of their total compensation to promote the achievement of the institutions' strategic goals. To operate the Plan, it is required to allocate funds for the acquisition of representative shares of the GFNorte's equity. This may be operated through the share repurchase fund. Additionally it was approved to delegate to the Human Resources Committee, acting through the Assignations' Committee, the faculty to establish the terms and conditions of the Plan. Furthermore, certain resolutions taken previously by the Board of Directors related to the implementation of the Plan were ratified.

- **GFNorte is included in the Dow Jones Emerging Markets Sustainability Index**

On September 11th, the Dow Jones Sustainability Indices ("DJSI") announced that GFNorte was included in the Dow Jones Sustainability Index Emerging Markets (DJSI Emerging Markets). This is the first time GFNorte is included and it is the first Mexican financial institution to be considered.

The DJSI methodology – established jointly by S&P Dow Jones Indices and RobecoSAM - aims to include companies across the world that outperform their peers in numerous sustainability metrics; therefore, the annual review involves an integrated assessment of economic, environmental and social criteria with a strong focus on shareholder value.

The 2014 edition of Dow Jones Sustainability Index Emerging Markets is integrated by 86 members from 37 industries and 12 countries, considering that 800 companies were invited to participate. With this award, GFNorte reaffirms its strong commitment to continue working towards strengthening Mexico.

- **Institutional Investor Magazine’s Rankings.**

In August, Institutional Investor magazine announced the “Best Latin America Executive Team 2014” rankings, which were based on a survey to 409 buy-side fund managers and 372 sell-side analysts. For the fifth consecutive year, GFNorte’s Management and Investor Relations team were chosen among top Mexican companies and Latin American banks.

Category	Position			
	Latin America		Mexico	
	Buy-Side	Sell-Side	Buy-Side	Sell-Side
Best CEO	3°/17	3°/18	1°/54	1°/48
Best CFO	2°/18	1°/16	1°/51	1°/45
Best IR Professional*	3°/42	7°/28	2°/58	12°/60
Best IR Team	3°/32	2°/27	2°/76	3°/60

*Residual Voting from the CFO category, since as of that date, the new IR team was not designated

- **Banorte, the most valuable brand in the Mexican financial industry, according to Millward Brown**

In September, the firm Millward Brown published the ranking of the top 30 most valuable companies in Mexico through the report BrandZ, in which Banorte was ranked as one of the top ten most valuable companies in the country; and the most valuable in the financial industry.

- **Credit Ratings**

Fitch assigns "High Standards (mex)" Rating to Operadora de Fondos Banorte Ixe as Asset Manager

On September 22nd, Fitch Ratings assigned "High Standards (mex)" Rating to Operadora de Fondos Banorte Ixe, S.A. de C.V. (“OBI”) as Asset Manager. The outlook is stable.

The rating factors were:

- the strength of its investment platform and operational framework compared to the standards applied by institutional investors in Mexico,
- the broad level of experience of Operadora's management team
- the suitability of the investment process, and
- the importance of OBI as subsidiary of GFNorte.