

GFNORTE REPORTS NET INCOME OF PS 2.64 BILLION IN 2Q12, AN INCREASE OF 29% YoY

- As of June 2012, GFNorte reported a Ps 5.1 billion profit for the first six months of the year, an increase of 32% on 1H11.
- Core deposits rose by Ps 41.59 billion, from Ps 272.34 billion in 2Q11 to Ps 313.92 billion in 2Q12.
- As at the end of 2Q12, growth in performing loans was 21%, an increase of Ps 66.54 billion totaling Ps 378.47 billion. The loan portfolio registered sustained growth across all segments for a ninth straight quarter.
- As at the end of 2Q12 the Non Performing Loan (NPL) Ratio was of 1.8%, consolidating as one of the lowest of the Mexican financial system.
- The Group's loan loss reserve coverage was 146.8% at the end of 2Q12.
- Banorte's Capitalization Ratio was 14.7% at the end of 2Q12
- Banorte issued the fifth Preferred Subordinated Notes, amounting to Ps 3.2 billion.
- Banorte – Ixe was given the “Best Bank in Mexico 2012” award from the prestigious British magazine World Finance.
- Marcos Ramírez was appointed Managing Director of Casa de Bolsa Banorte Ixe and Gabriel Casillas was appointed Managing Director of the Economic Research Division, among other changes in organizational structure.
- “Special Unit for Enquiries and Complaints” (UNE) was created in order to improve attention to clients.

Mexico D.F. July 26th, 2012. Grupo Financiero Banorte (GFNORTE) released its operating results as at the end of June 2012 today. GFNORTE reported a Ps 5.1 billion profit for the first six months of the year, an increase of 32% on 1H11 derived from the integration of the results of Ixe and Afore XXI Banorte, and a profit of Ps 2.64 billion for the quarter, 7% above 1Q12 and 29% higher than in 2Q11, due to more positive operating leverage as well as less recurring provision requirements. Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed 73% of GFNORTE's first half profits, reaching Ps 3.7 billion, while Ixe Banco and the former Ixe entities contributed Ps 313 million for the same period; Banco Mercantil del Norte contributed 68% of 2Q12 consolidated profit, reaching Ps 1.79 billion, while Ixe Banco and the former Ixe entities reported Ps 112 million.

In 1H12 return on equity (ROE) was 14%, 94 basis points above the same year-earlier period; return on assets (ROA) was 1.2%, 10 bp more than in 1H11.

- **Deposits and Net Interest Income**

Core deposits rose by 15% year-on-year in 2Q12, mainly driven by promotional efforts in relation to Banorte-Ixe's deposit products. Demand deposits were up 19% while time deposits were up 10%. As a result, core deposits rose by Ps 41.59 billion, from Ps 272.34 billion in 2Q11

Press Release

to Ps 313.92 billion in 2Q12. Core deposits rose 3% for the quarter on the back of both demand and time deposits.

Net interest income totaled Ps 16.17 billion in 1H12, 18% more than for the same year-earlier period. 2Q12 net interest income amounted to Ps 8.25 billion, an increase of 12% on 2Q11 and 4% on 1Q12.

- **Loan Portfolio**

As at the end of 2Q12, YoY growth in performing loans was 21%, an increase of Ps 66.54 billion totaling Ps 378.47 billion. The loan portfolio registered sustained growth across all segments for a ninth straight quarter due to the bank strategies aimed at boosting loan volumes and more industry-wide demand for credit. The loan portfolio grew 5% for the quarter driven by solid performance in all of its components, in particular from the payroll, government, credit card and corporate segments.

Commercial loans amounted to Ps 126.74 billion, up 10% YoY, mainly on the back of an increase in corporate loans, leasing and factoring and the reactivation of the Crediactivo product for businesses (the performing SME portfolio grew 29% YoY); on a quarterly basis commercial loans grew 3% driven by 6% growth in SME loans as well as more leasing and middle market loan volumes. **Corporate** loans amounted to Ps 60.03 billion, a 20% increase on 2Q11 and 4% above 1Q12 on the back of stronger demand for credit in this sector. **Government** loans amounted to Ps 82.85 billion as at the end of June, an increase of 49% year to date and 10% for the quarter driven by greater demand for loans and the purchase of a Ps 6.81 billion loan portfolio from SOFOM Dexia in 2Q12.

Consumer loans, including Mortgages, were up 19% YoY. **Mortgage** loans maintained a notable rising trend to end the quarter at Ps 67.66 billion, a 12% increase on 2Q11 and 3% QoQ, underpinning Banorte's position as one of the banks with the highest growth in mortgage loans. **Credinómina** loans totaled Ps 15.85 billion, 45% and 11% above 2Q11 and 1Q12, respectively, on the back of growth in the number of Banorte-Ixe payroll clients, product marketing campaigns and efforts to boost cross selling across various channels. **Car** loans rose 12% YoY and 3% QoQ to Ps 9.98 billion as at the end of 2Q12 on the back of more loan placements and favorable dynamics in Mexican car sales. The **Credit Card** portfolio totaled Ps 15.14 billion as at the close of 2Q12, which as of 1Q12 includes 100% of the Ixe Cards business, resulting in a 39% YoY increase, while 4% growth for the quarter stemmed from portfolio management strategies and to Banorte-Ixe product marketing campaigns.

As at the end of 2Q12 the Group maintained good asset quality with a Non Performing Loan (NPL) Ratio of 1.8%, 0.5 percentage points (pp) below 2Q11 and flat vs. the previous quarter, consolidating the group's NPL as one of the lowest of the Mexican financial system. Grupo Financiero Banorte closed 2Q12 with past due loans of Ps 7.09 billion, 6% below 2Q11's level,

Press Release

due to a decrease in almost all headings and an 8% increase vs. 1Q12 stemming mainly from an increase in Commercial and Credit Card past due loans. The Group's loan loss reserve coverage was 146.8% at the end of 2Q12, 11.7 bp above the same year-earlier quarter and 11.3 bp below 1Q12.

- **Efficiency**

The 1H12 Efficiency Ratio was 51.7%, 3.4 bp below 1H11; it was 48.2% for the quarter, (9.5 bp) below 2Q11 and (7.4 pp) below 1Q12. Excluding the accounting effect in Non Interest Income related to the acquisition of Banorte's Credit Card portfolio by SOFOM Banorte-Ixe Tarjetas and other consumer loans by Ixe Banco, as at 1H12 and 2Q12 the Efficiency Ratio would have been 55.7%.

- **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 14.7% at the end of 2Q12 with a Tier 1 Ratio of 11.6%, an increase of 0.9 percentage points on 1Q12 and a decrease of 0.8 pp on 2Q11. This level of capitalization adequately positions Banorte to meet the new Basel III regulations, when applied.

- **Other Subsidiaries**

During the first half of 2012, the **Long Term Savings Sector** comprised of Insurance, Annuities and Afore XXI Banorte, contributed Ps 556 million to the Financial Group's profits, 121% more than in 1H11, while the 2Q12 contribution was Ps 302 million, 145% more than in 2Q11 and 19% more than in 1Q12, driven on a QoQ and YoY basis by the merger with Afore XXI and better business dynamics at the Insurance company. **Other Finance Companies**, comprised of Arrendadora y Factor Banorte (Leasing and Factoring), Warehousing, Ixe Automotriz, and Fincasa Hipotecaria, recorded a 1H12 profit of Ps 78 million, a YoY decrease of (78%) owing to losses at Fincasa Hipotecaria which was offset by a profit of \$278 million by Arrendadora y Factor Banorte; while for the quarter it recorded a Ps 12 million profit driven by Arrendadora y Factoraje. The **Brokerage Sector** comprised of Ixe Casa de Bolsa and Ixe Fondos, reported a first half profit of Ps 275 million, 43% growth YoY, and Ps 164 million for the quarter, an increase of 73% on 2Q11 and 47% on 1Q12. In 2Q12 Banorte-Ixe Tarjetas acquired the Credit Card portfolio that was previously managed by Banco Mercantil del Norte; this SOFOM reported a Ps 87 million profit for the first half of the year and Ps 153 million for the quarter.

Recent Events

1. **Subordinated Debt Issuance.** On June 8th. Banorte issued the fifth Preferred and Non-Convertible Subordinated Notes (BANORTE 12) in the local market amounting to Ps 3.2 billion. The issuance has a 10-year maturity, is pre-payable at the fifth and pays a coupon of 28 day TIE plus 1.50%. The issuance was rated Aaa.mx by Moody's and AA+ by HR Ratings. The aim of the program was to strengthen the growth capacity required by Banorte's current and future rate of expansion.
- 2.
3. **Credit Ratings. On May 12th,** HR Ratings assigned a long-term initial credit rating of "HR AAA" and a short-term rating of "HR+1" to Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte. HR Ratings' analysis includes an evaluation of both qualitative and quantitative factors as well as projected financial statements under a scenario of economic stress. The outlook is Stable. Factors that influenced the rating were a loan portfolio that is diversified among different market sectors, solid past due loan recovery and loan loss processes channeled through a specialized area, low concentration among 10 main clients, good profitability at the Bank, an acceptable capitalization ratio, Bank management's conservative approach to risk using derivative instruments mainly to hedge Balance Sheet interest rate risks, solid management team with an average experience of 7.1 years and 326 accumulated years with the Bank, high strategic importance within the Mexican financial system and adequate liquidity gaps considering the Bank's funding profile.
4. **Recognition from World Finance.** In June "Banorte – Ixe" was given the "Best Commercial Bank in Mexico 2012" award from the prestigious British magazine World Finance, in recognition of the growth achieved by the bank in recent months through mergers as well as the expansion of its branch network, ATMs and POS terminals. During the period that World Finance took into account when making the award, Banorte achieved two of the biggest deals in the Mexican financial sector: the merger with Ixe Grupo Financiero, making it the third largest bank controlled by Mexican shareholders, and the merger with Afore XXI, which gave rise to Afore XXI Banorte, the system's largest Retirement Fund Management Company. The magazine also highlighted the growth of its bank network, "Banorte – Ixe"'s assets under management for the last 12 months and leadership in business segments such as Leasing and Factoring, Short-term Debt Placement, Banca Premium, Funding for Homebuilders and Loan Portfolio Recovery.
5. **Changes in Organizational Structure.** As a result of the creation of the Brokerage Firm Casa de Bolsa Banorte Ixe on January 1st, on May 25th, Marcos Ramírez was appointed Managing Director of Casa de Bolsa Banorte Ixe and is its legal representative before the Regulator. Likewise, as part of the reorganization of Wholesale Banking, on June 4th the Economic Research Division was created which

Press Release

reports to the Head of Wholesale Banking and Gabriel Casillas was appointed Managing Director. Gabriel was Chief Economist for Mexico at J.P. Morgan Chase & Co. Furthermore, Luis Pietrini was appointed Managing Director of Wealth Management and Private Banking, René Pimentel is the new Managing Director of Asset Management and Business Development and Alejandro Aguilar becomes Managing Director of the mutual funds, Operadora de Fondos Banorte.

6. **Creation of Special Unit for Enquiries and Complaints.** In May a “Special Unit for Enquiries and Complaints” (UNE) was created in order to improve attention to client claims and complaints as well as to mitigate the risk of fines and sanctions from The National Commission for the Protection and Defense of Financial Services Users in compliance with the Law for the Protection and Defense of Financial Service Users. As a result Ernesto Treviño was appointed Director of this unit.

— — —