

GFNORTE REPORTS NET INCOME OF PS 3.22 BILLION IN 2Q13; AN INCREASE OF 22% YOY.

- Core deposits rose by Ps 32.64 billion, from Ps 311.69 billion in 2Q12 to Ps 344.33 billion in 2Q13.
- As at the end of 2Q13, growth in performing loans was 9%, an increase of Ps 33.35 billion totaling Ps 411.78 billion.
- As at the end of 2Q13 the Non Performing Loan (NPL) Ratio was of 2.2%, , 0.3 percentage points (pp) more than 2Q12.
- The Group's loan loss reserve coverage was 157.8% at the end of 2Q13.
- Banorte's Capitalization Ratio was 14.8% at the end of 2Q13.
- GFNORTE carries out a successful international follow-on offering, obtaining more than US 2.5 billion.
- The prestigious magazine The Banker ranked Banorte 9th among the Top 10 of Latin American banks measured by size of capital, being the best Mexican bank in this category.
- Banorte leads the Netmedia Research ranking "The 50 most innovative companies in Mexico" with Pago Móvil Banorte.

Mexico D.F. July 25th, 2013. Grupo Financiero Banorte (GFNORTE) reported today its results at closing of June 2013. GFNORTE registered profits for 1H13 of Ps 6.36 billion, 25% higher YoY vs. 1H12 derived from a positive operating leverage due to growth in Net Interest Income and Non Interest Income, as well as slower pace of growth in Operating Expenses, which coupled with the inclusion of Afore Bancomer's profits in Subsidiaries' results, offset the higher level of loan loss provisions. Quarterly net income reached Ps 3.22 billion, 3% higher vs. 1Q13 and 22% higher vs. 2Q12; the YoY growth is due to a higher positive operating leverage, while QoQ growth is the result of higher Net Interest Income, reduced Operating Expenses and a lower tax burden through the use of existing tax credits. Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed with 70% of GFNORTE's earnings for 1H13, reaching Ps 4.47 billion pesos, while in 2Q13, it contributed with 75% of quarterly consolidated profits, reaching Ps 2.43 billion.

Return on Equity (ROE) for 1H13, was 15.3%, 130 basis points more than the same period of the previous year, while Return on Assets (ROA) was 1.4%, 15 basis points higher than in 1H12.

• **Deposits and Net Interest Income**

Core deposits increased 10% YoY in 2Q13, driven by efforts to promote Banorte and Ixe's deposit products, resulting in a 14% increase in demand deposits. Core deposits increased by Ps 32.64 billion, from Ps 311.69 billion in 2Q12 to Ps 344.33 billion in 2Q13, During the quarter, core deposits increased 4% due to a 6% growth in Demand Deposits, while Retail Time Deposits increased 4%.

Net Interest Income in 1H13 totaled Ps 17.87 billion, an 11% YoY growth vs. 1H12, a QoQ increase of 8% vs. 1Q13 and YoY increase of 13% vs. 2Q12, reaching Ps 9.28 billion in 2Q13. The YoY increase is explained by higher loan volumes with a better mix and stable funding costs, which offset the decline in margins of the Insurance and Annuities companies and the debt servicing cost of GFNorte's US 800 million syndicated loan. The QoQ growth vs. 1Q13 and 2Q12 was due to increased loan volumes with a better mix, more loan origination fees and a lower cost of funding.

• **Loan Portfolio**

At closing of 2Q13, Performing Loans registered a YoY growth of 9%, increasing by Ps 33.35 billion to Ps 411.78 billion. The loan portfolio continues to show positive growth as a result of the Bank's strategies to grow loan volumes, mainly among existing clients. The loan portfolio increased by 2% vs. 1Q13 mainly as a result of growth in payroll loans, credit card, SMEs and mortgage portfolios.

Commercial loans reached Ps 108.50 billion, a YoY growth of 5% mainly due to increased placement of business loans, leasing and factoring and a 19% annual increase in the SME Performing Loan portfolio; on a quarterly basis, commercial loans present a 2% QoQ increase, driven by a 5% growth in SME loans as well as larger volumes in leasing and business loans. The **Corporate** portfolio totaled Ps 83.51 billion, the same level vs. 2Q12 and (3%) less vs. 1Q13, mainly due to the liquidation or classification of some loans related to housing developers as Past Due Loans. **Government** loans were Ps 90.59 billion at closing of 2Q13, an increase of 9% for the year and 1% QoQ, as a result of efforts to continue serving the demand for loans at all levels of Government.

Consumer loans, including Mortgages, increased 19% YoY. Mortgages maintained a growing trend to end the quarter with a balance of Ps 77.14 billion, 14% higher YoY and 4% higher QoQ, positioning Banorte as one of the banks with higher growth in loan placement in this sector. **Payroll** loans were Ps 22.30 billion at the end of the quarter, a 41% YoY and 11% QoQ increase as a result of growth in the number of Banorte-ixe payroll deposit accountholders, promotional campaigns for the product and a cross-selling strategy with clients using various channels. **Car loans** grew 9% YoY and 3% QoQ reaching Ps 10.87 billion at closing of 2Q13, due to greater loan volumes as a result of promotional campaigns for this product through various channels, cross-selling with clients and alliances with car dealerships. The **Credit Card** portfolio was Ps 18.67 billion at the end of 2Q13, an increase of 23% YoY and 5% QoQ, both due to portfolio management strategies, promotional campaigns for Banorte - Ixe products and increased cross-sales to clients.

The Group maintains adequate portfolio quality at closing of 2Q13, with a 2.2% Past Due Loan ratio, 0.3 percentage points (pp) more than 2Q12 and 0.1 pp more than in 1Q13, one of the lowest in the Mexican financial system. The past due loan of Mexicana de Aviación was written-off during the quarter.

Grupo Financiero Banorte's Past Due Loans were Ps 9.08 billion at closing of 2Q13, a 28% YoY increase vs. 2Q12 mainly as a result of the increase in Corporate Past Due Loans, mostly to housing developers, as well as in the Commercial portfolio due to higher PDL's in Fincasa, tourist developments in the Northwest of the country and in the SME segment, and more delinquencies in payroll loans as a result of the maturing of vintages. The 5% QoQ growth vs. 1Q13 is the result of an increase in Past Due Corporate loans to housing developers, and in Credit Card and Mortgage loans resulting from the maturing of vintages. The reserve coverage for Past Due loans of the Group was 157.8% at closing of 2Q13, 2.7 pp more than in 2Q12 and 20.4 pp more than 1Q13, mainly as a consequence of the reserves charged against equity resulting from implementing last June the expected loss methodology for commercial loans.

- **Efficiency**

The Efficiency Ratio for 1H13 was 52.2%, (3.5 pp) lower vs. 1H12 and 50.4% for 2Q13, (5.3 pp) less YoY vs. 2Q12 and (3.4 pp) vs. 1Q13 due to the positive operating leverage achieved in all cases.

- **Capitalization**

Banco Mercantil del Norte's Capitalization ratio was 14.81% at the end of 2Q13, with a Total Tier 1 Ratio of 12.26% and a Core Tier 1 Ratio of 10.98%.

- **Other Subsidiaries**

During 1H13, the contribution to earnings of the financial group by **Long Term Savings** comprised of the Afore XXI Banorte, Insurance and Annuities, was Ps 855 million, 54% higher than 1H12; while contributions to earnings for the quarter was Ps 351 million, 16% more vs. 2Q12 and (30%) less QoQ vs. 1Q13. The YoY increase is due to the incorporation of Afore Bancomer and greater business dynamics in the Insurance and Annuities companies, while the QOQ decline is mainly derived from the impact in the Afore's results of the valuation losses registered in its investment portfolios.

Banorte - Ixe Tarjetas reports accumulated profits of Ps 590 million, 581% higher than in 1H12, this increase is due to the purchase by the SOFOM of Banco Mercantil del Norte's credit card portfolio during 2Q12, and the consolidation of its results as from that quarter. During the quarter, reported profits were Ps 328 billion, 115% higher than in 2Q12 and a 25% QoQ increase vs. 1Q13 due to the growth in its loan portfolio and its positive impact on margins and fees.

Brokerage Sector comprised of Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe reported 1H13 profits of Ps 385 million, an annual growth of 40% as a result of an increase of clients' managed assets in mutual funds which represents more service fees, as well as higher income from markets, private banking and wealth management and institutional sales. In 2Q13 profits amounted to Ps 140 million, representing a decline of (14%) YoY vs. 2Q12 and (43%) vs. 1Q13, due to a valuation effect in the money market and equity positions, originated by changes in the market conditions, given during the same period.

Other Finance Companies, comprised of Arrendadora y Factor Banorte, Almacenadora Banorte, Ixe Automotriz (merged with Arrendadora y Factor Banorte as of May 2013), Fincasa Hipotecaria (merged with Banco Mercantil del Norte as of May 2013) and Solida Administradora de Portfolios (which was spun-off from Banco Mercantil del Norte to later merge with Ixe Soluciones) registered 1H13 profits of Ps 229 million, and 2Q13 profits of Ps116 million.

Recent Events

- **Grupo Financiero Banorte carries out an international follow-on offering.**

According to the authorizations granted by the Board of Directors and Shareholders' Meeting, last July 16th, Grupo Financiero Banorte, S.A.B. de C.V. ("GFNORTE") informed the investment public it had priced an international follow-on offering of common shares. The amount of subscribed common shares, subject to the offering was 389,018,940 at a price per share of Ps. 71.50, amounting to Ps. 27,814,854,210.00, approximately 2.18 billion U.S. dollars, without taking into account the exercise of the over-allotment options. Furthermore, on July 19th it was announced that the Mexican underwriters and international initial purchasers on July 17th, 2013 indicated their intention to exercise in full the over-allotment options granted to them by GFNORTE for the aggregate purchase of an additional 58,352,841 common shares.

All of the common shares subject to offering were settled on July 22, 2013, the proceeds from the offering of 447,371,781 common shares equivalent to Ps. 31.99 billion or approximately 2.5 billion U.S. dollars, were fully delivered to GFNORTE, deducting the expenses from the offering itself. As it was informed in the prospectus, which may be found in the Bolsa Mexicana de Valores' and our Company's websites, the net proceeds obtained from the public offering will be used to (i) repay a syndicated loan obtained in February 2013, (ii) purchase from Grupo Generali the capital stock it owns in GFNorte's insurance and annuities companies, (iii) purchase the capital stock of Banco Mercantil del Norte ("Banorte") owned by the International Finance Corporation ("IFC"), (iv) strengthen the regulatory capital of Banorte and (v) for general corporate purposes.

As a result of GFNORTE's promotional efforts in the Mexican and international markets, a 3.4 times over subscription was achieved, representing a demand of more than 8.5 billion U.S. dollars. The share allocation was 63% among international investors and 37% among local investors. In this offering 10,126 Mexican retail investors, 22 Mexican institutional funds (including 4 of the most important Afores) and 160 global institutional funds participated. This primary follow-on offering is the largest in Mexico's history, the greatest from a locally controlled Mexican financial institution, the second most important public offering in the country's history and the ninth most important carried out by a Latin American financial institution. Furthermore, it is the most important executed by a Mexican bank, measured in terms of the amount placed among local investors.

- **Changes to the GFNORTE's Corporate Structure.**

During the quarter, the mergers of Ixe Banco and Fincasa into Banorte were authorized, with Banorte remaining as the surviving entity. As part of this corporate restructuring process Banorte's shareholders held an Extraordinary General Shareholders' Meeting, in which it was approved to divest Banorte's interest in Sólida through a spin-off and subsequent merger with and into Ixe Soluciones in order to consolidate our recovery banking operations. Afterwards, Ixe Soluciones was named Sólida. This spin-off and merger took effect on May 24, 2013. Similarly, on May 7, 2013, as part of our continuing corporate integration of the Ixe subsidiaries, the merger of Ixe Automotriz with and into Arrendadora y Factor Banorte became effective.

- **Signing of a binding agreement between Grupo Financiero Banorte and Assicurazioni Generali.**

On July 11th, GFNORTE and Assicurazioni Generali S.p.A, through its affiliates or subsidiaries ("Generali Group") signed a binding agreement under which GFNORTE, or any of its subsidiaries and/or affiliates, will acquire 100% of the equity representative common shares of Seguros Banorte Generali, S.A. de C.V.'s ("Seguros Banorte Generali") and Pensiones Banorte Generali, S.A. de C.V.'s ("Pensiones Banorte Generali"), held by Generali Group due to the strategic decision of GFNORTE to operate and fully control these businesses since the minority stakes limited their full growth potential. Generali Group currently holds 49% of Seguros Banorte Generali's and Pensiones Banorte Generali's shares.

The amount that GFNORTE will pay for Generali Group's minority equity interest in Seguros Banorte Generali amounts to US 637 million, while the payment of the Pensiones Banorte Generali minority equity interest amounts to US 220.5 million. As a result, the total payment amounts to US 857.5 million, including the payment for excess capital recorded by both companies at the end of April, equivalent to US 48.4 million and US 31.1 million, respectively.

- **Formalization of an agreement between Banco Mercantil del Norte and Western Union.**

On April 24th, 2013, Banorte and Western Union, a leader in global payment services, announced today a five-year agreement that will allow Banorte to offer Western Union® global money transfer services. In the first stage, Western Union services will be offered at most of Banorte branches, followed by a nationwide rollout.

- **The Banker – Top 1000 World Banks.**

In July, the prestigious magazine The Banker, published the 2013 Top 1000 World Banks ranking, in which Banorte ranked 9th among the Top 10 of Latin American banks measured by size of capital, being the best Mexican bank in this category and was placed 242th in the world ranking (previous position # 271).

- **Banorte leads the Netmedia Research ranking “ The 50 most innovative companies in Mexico”**

Netmedia Research, a company dedicated to the analysis of IT the adoption, announced in June, the list of companies that occupied a place in the prestigious ranking of "The 50 Most Innovative Companies" by Information Week Mexico, which were chosen from over 90 companies' projects of the private sector.

Banorte won the first place in the list with the project Banorte Pagomóvil, that enables bank customers to pay in electronic and physical stores through mobile phone via virtual card without the need of a plastic.

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