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## **GFNORTE REPORTS NET INCOME OF 2.78 BILLION IN 3Q12; AN INCREASE OF 30% YOY**

- As of September 2012, GFNorte reported a Ps 7.88 billion profit for the first nine months of the year, an increase of 31% on 9M11.
- Core deposits rose by Ps 33.43 billion, from Ps 286.24 billion in 3Q11 to Ps 319.67 billion on 3Q12.
- As at the end of 3Q12, growth in performing loans was 19%, an increase of Ps 63.53 billion totaling Ps 389.76 billion. The loan portfolio registered sustained growth across almost all segments, for a tenth straight quarter.
- As at the end of 3Q12 the Non Performing Loan (NPL) Ratio was 1.9%, consolidating as one of the lowest of the Mexican financial system.
- The Group's loan loss reserve coverage was 139.5% at the end of 3Q12.
- Banorte's Capitalization Ratio was 14.8% as at the close of 3Q12.
- On October, the distribution of a cash dividend of Ps. \$ 0.183 per share was approved, corresponding to the first of four payments that will be made to cover the dividend corresponding to the profits of 2011 amounting Ps \$ 0.732 per share.
- S&P changes Banco Mercantil del Norte's and Ixe Banco's outlook to "Positive" from "Stable"
- The Ministry of Economy awarded Banorte the "Galardón PyME 2012" (SMEs Award 2012) for the third time, and for two years in a row.
- For a third year in a row, Banorte's Executive and Investor Relations Team were ranked in the first places among Mexican companies and Latin American banks at the Institutional Investor rankings.
- According to "The Banker", Banorte ranked #271 by Tier 1 Capital and #65 by the Earnings to Tier 1 ratio in its "Top 1,000 World Banks Rankings 2012".

**Mexico D.F. October 25th, 2012.** Grupo Financiero Banorte (GFNORTE) released its operating results as at the end of September 2012. GFNORTE reported a Ps 7.88 billion profit for the first nine months of the year, an increase of 31% vs. 9M11 derived from the integration of the results of Ixe and Afore XXI Banorte and lower loan loss provisions, and a profit of Ps 2.78 billion for the quarter, 30% above 3Q11 due to the integration of Afore XXI Banorte and lower recurring loan loss provision requirements; profit for the quarter increases by 6% on 2Q12 due to less operating expenses. Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) accounted for 70% of GFNORTE's first nine month profit, contributing Ps 5.55 billion, while Ixe Banco and the former IXE entities contributed Ps 490 million for the same period. Banco Mercantil del Norte contributed 67% or Ps 1.85 billion of 3Q12 consolidated profit, while Ixe Banco and the former IXE entities reported Ps 177 million.

9M12 return on equity (ROE) was 14.1%, 12 basis points above the same year-earlier period; return on assets (ROA) was 1.2%, an increase of 13 basis points vs. 9M11.

- **Deposits and Net Interest Income**

Core deposits rose by 12% year-on-year in 3Q12, mainly driven by promotional efforts in relation to Banorte's and Ixe's deposit products. Demand deposits were up by 15% year-on-year while time deposits grew 7%. As a result, core deposits grew Ps 33.43 billion, from Ps 286.24 billion in 3Q11 to Ps 319.67 billion in 3Q12. Core deposits rose 3% QoQ on the back of growth in both demand and time deposits.

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9M12 net interest income totaled Ps 24.22 billion, 16% more than for the same year-earlier period. 3Q12 net interest income amounted to Ps 8.05 billion, an increase of 11% vs. 3Q11, but a decrease of (2%) vs. 2Q12 owing to more technical reserves at the Annuities business.

- **Loan Portfolio**

As at the close of 3Q12, growth in performing loans was 19% YoY, an increase of Ps 63.53 billion totaling Ps 389.76 billion. The loan portfolio registered sustained growth in almost all segments for a tenth straight quarter with the exception of government loans, as a result of bank strategies aimed at boosting loan volumes and stronger industry-wide demand for credit. The loan portfolio increased 3% for the quarter driven by robust growth rates in payroll loans and credit cards.

**Commercial** loans amounted to Ps 130.41 billion, or YoY growth of 12%, driven mainly by an increase in middle market company loans, leasing and factoring and a 30% YoY increase in the SME loan portfolio; commercial loans grew 3% for the quarter driven by 7% growth in SME loans, as well as higher leasing and middle market company loan volumes. **Corporate** loans totaled Ps 63.14 billion, a YoY increase of 21% and 5% QoQ, derived from stronger demand for credit in this sector. **Government** loans totaled Ps 82.29 billion as at the end of September, an increase of 30% for the year fueled by more demand for credit, but a QoQ decrease of (1%) due to a slowdown in activity as a result of changes in some government administrations, including the federal.

**Consumer** loans, including Mortgages were up 21% YoY. **Mortgage** loans maintained a rising trend, closing the quarter at Ps 69.68 billion, a 12% increase on 3Q11 and 3% vs. 2Q12, underscoring Banorte's market position as one of the banks with the highest growth in mortgage loans. **Payroll** loans totaled Ps 17.44 billion, increases of 44% and 10% on 3Q11 and 2Q12, respectively, driven by growth in the number of Banorte-Ixe payroll deposit clients, product marketing campaigns and efforts to boost cross selling across various channels. **Car** loans were up 12% YoY and 2% QoQ totaling Ps 10.19 billion as at the end of 3Q12 on the back of more loan placements and favorable dynamics in Mexican car sales. The **Credit Card** portfolio totaled Ps 16.36 billion as at the close of 3Q12, including as of 1Q12 100% of the Ixe Credit Card business which partially explains the 47% increase YoY, though the yearly growth, as well as the 8% increase QoQ, is mainly explained by portfolio management strategies, product marketing campaigns and cross selling to clients.

As at the end of 3Q12, the Group maintained good asset quality with a Non Performing Loan (NPL) Ratio of 1.9%, (0.5) percentage points (pp) below the 2011 year-earlier period and 10 basis points above the previous quarter, effectively consolidating it as one of the lowest ratios in the Mexican financial system. Grupo Financiero Banorte closed 3Q12 with past due loans of Ps 7.59 billion, (5%) below 3Q11 due to decreases in almost all headings (mainly mortgages and government loans) but a 7% increase vs. 2Q12 due mainly to an increase in Commercial, Payroll and Mortgage past due loans. The Group's 3Q12 loan loss reserve coverage was 139.5%, 6.8 pp above the same year-earlier quarter and 7.3 pp below 2Q12's.

- **Efficiency**

The 9M12 Efficiency Ratio was 55.2%, 54 basis points above 9M11; it was 54.2% for the quarter, 38 basis points above 3Q11's and 148 basis points below 2Q12's. The 2Q12 accounting effect related to

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consumer loan purchases among GFNorte subsidiaries was reversed this quarter, which at the time impacted non interest income and was offset by an increase of the same magnitude in loan loss provisions.

- **Capitalization**

Banco Mercantil del Norte's 3Q12 Capitalization Ratio was 14.8% with a Tier 1 Ratio of 11.9%; the overall Capitalization Ratio increased 0.2 percentage points vs. 2Q12 and decreased 0.7 percentage points vs. 3Q11. This level of capitalization positions Banorte adequately to meet the new Basel III regulations in all of their components when applied.

- **Other Subsidiaries**

For the first nine months of 2012 the **Long-Term Savings Sector** comprised of Insurance, Annuities and Afore XXI Banorte contributed Ps 825 million to the Financial Group's profits, 110% more than for the same year-earlier period, while the 3Q12 contribution was Ps 238 million, a 90% increase on 3Q11, but (11%) below 2Q12. The solid yearly growth rates were both due to the inclusion of Afore XXI and better business dynamics at the Insurance Company. The decrease vs. 2Q12 was on the back of on the back of lower sales levels at the Insurance company and a higher technical reserve requirement in the annuities company.

**Other Finance Companies**, comprised of Arrendadora y Factor Banorte (Leasing and Factoring), Warehousing, Ixe Automotriz and Fincasa Hipotecaria, recorded a 9M12 profit of Ps 295 million, a YoY decrease of (46%) owing to losses recorded by Fincasa Hipotecaria, which was offset by a Ps 474 million profit at Arrendadora y Factor Banorte, while profit for the quarter was Ps 217 million, driven by Arrendadora y Factoraje and smaller losses at Fincasa Hipotecaria.

The **Brokerage Sector**, comprised of Casa de Bolsa Banorte Ixe and Ixe Fondos, reported a first-nine-month profit of Ps 414 million, or YoY growth of 52%, and a Ps 139 million profit for the quarter, an increase of 72% on 3Q11 but a decrease of (15%) on 2Q12.

In 2Q12, Banorte - Ixe Tarjetas acquired the Credit Card portfolio that was previously managed by Banco Mercantil del Norte; the consolidated profits of the SOFOM for the first nine month are Ps 332 million and Ps 246 million for the quarter.

### Recent Events

- **Passing away of Roberto González Barrera.**

GFNORTE informed about the passing away of its largest shareholder and Chairman Emeritus, Don Roberto Gonzalez Barrera on August 25<sup>th</sup>. Mr. Gonzalez, who acquired Banco Mercantil del Norte during the banking privatization of 1992 with a group of investors from Monterrey, was the architect of the leading institution that Grupo Financiero Banorte has become. As a result of his leadership, Banorte transformed from a regional bank into the third most important Financial Group in Mexico

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Mr. Roberto's succession remains as the main shareholder of GFNORTE with 14.83% of the Group's shares, while the float is currently 81.44%, distributed among more than 3,500 investors. Mr. Gonzalez' succession plan was designed with careful planning and full anticipation, showing a responsible and institutional vision, setting an example for top Corporate Governance standards for the main Mexican and Latin American Companies. With full anticipation and opportunity, Mr. Gonzalez Barrera implemented the necessary mechanisms to ensure continuity in exercising the patrimonial and corporate rights of his shares after passing away, guaranteeing certainty and strategic continuity in the Financial Group.

- **Inauguration of Roberto González Barrera's Call Center**

Last September 4th, the Call Center named after Roberto González Barrera was opened in Monterrey, Nuevo León, as a permanent and deserved homage to GFNorte's founder. This call center aims to consolidate 14 call centers throughout the country, obtaining important synergies. With a \$620 million investment and more than 131 thousand square feet, this Call Center will serve Banorte and Ixe's 11 million clients through 1,700 specialized officers, mainly college students, through innovative technological platforms and security systems; moreover, this building reflects Banorte's environmental concern, aiming to operate with maximum energetic efficiency and water consumption savings.

- **Grupo Financiero Banorte and the United Nations Global Compact**

Recently the document "Our Commitment to the United Nations Global Compact" was published, which is an international initiative that aims to integrate ten principles, in the areas of Human Rights, Labor, Environment and Anti-Corruption into organizational business strategy and operations.

Along the Annual Report, this declaration serves as the first official Communication on Progress (CoP). Both efforts come along the sustainable philosophy on which GFNORTE develops: ensure at all times, a balanced development between the financial, economic, social and environmental aspects inherent to the operations. This document can be consulted on the following website:

<http://www.banorte.com/portal/personas/informacion.web?grupo=14&elemento=67&fullSite=true>

- **"Galardón PyME 2012"**

On August 9<sup>th</sup>, the Ministry of Economy awarded Banorte the "Galardón PyME 2012" (SMEs Award 2012) for the third time, and for two years in a row, for being the financial intermediary which granted more credits to SMEs in the country through government programs. Banorte channeled resources to SMEs throughout the Guarantee Program "Mexico Emprende", reaching a loan portfolio of \$24 billion pesos. The federal entity considered Banorte's active participation in sectorial programs such as "Apoyo a la Industria de la Construcción" (Support to the Construction Industry) and "Nuevos Emprendedores" (New Entrepreneurs), as well as the support granted to tourism and employment, in which Banorte offered competitive interest rates, while also being a key player in implementing of emerging programs to economically reactivate companies affected by natural disasters.

Banorte counts with more than 1,700 specialized officers in the SME segment distributed throughout the country, working in the branch network and in exclusive offices dedicated to serve these Mexican enterprise's needs in a timely manner. With an expertise of 15 years attending SMEs, the "Galardón

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PyME 2012” reinforces Banorte’s commitment to consolidate a long term relationship with its customers, consolidating itself as the leading SME bank in Mexico

- **The Banker. “Top 1,000 World Banks Ranking 2012”.**

In August, The Banker published the Top 1,000 World Banks Rankings, in which Banorte was ranked: #271 by Tier 1 Capital; #65 by the Earnings to Tier 1 ratio; #218 by assets; #264 by ROA and #799 by Leverage.

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

On September 27th, 2012, Institutional Investor magazine announced the rankings of the “Best Latin America Executive Team 2012”, which were determined through a survey applied to 700 sell-side analysts and buy-side analysts & portfolio managers. For a third year in a row, Banorte's Executive and Investor Relations Team were ranked in the first places among Mexican companies and Latin American banks. Alejandro Valenzuela, Grupo Financiero Banorte's CEO, was ranked as number one in Mexico by sell-side analysts; number two by the buy-side and the third in Latin America. Rafael Arana, GFNorte's CFO, was ranked fifth by sell-side and seventh by buy-side in the regional survey, with less than one year working at the institution. David Suarez, Head of IR at GFNorte, was ranked as the best IR Professional in Latam and Mexico by the sell-side, first by the buy-side in Mexico and second in Latin America. The analysts considered the Investor Relations Team as the number two ranked in Latin America by sell-side; and first place in Mexico by the buy and sell-side. Regionally, the study considers approximately 30 financial institutions such as Itaú, Bradesco, Banco Do Brasil, Santander Brasil, Santander Chile, Banco de Crédito de Perú, among others. In Mexico, the survey includes more than 60 issuers.

- **Shareholders' Meeting**

On October 11<sup>th</sup>, Grupo Financiero Banorte's Ordinary General Shareholders’ Meeting was held, with an 89.80% representation of the total subscribed and paid shares of the Company’s capital. Some of the agreements reached at the Meeting were:

- ✓ Approval to distribute a cash dividend of Ps. \$ 0.183 per share, against delivery of coupon No. 5, derived from the retained earnings of previous years, being paid on October 24<sup>th</sup>, 2012. This dividend corresponds to the first of four payments that will be made for a total amount of Ps \$ 0.732 per share, which was approved by the Group's Board of Directors last July 26th, 2012. The Board of Directors proposed additional dividends for a total amount of Ps. \$0.549 per share, to be covered in three installments of Ps. \$0.183 in January, April and July 2013, respectively. The total amount of the dividend to be paid represents 20% of the recurring profits of 2011 and the payout was determined according the new dividend policy approved on October 2011, which establishes a payment of the 20% of recurring net income in the event that annual profit growth is greater than 20%.

- **Grupo Financiero Banorte continues to evaluate growth options to consolidate its leading position in the Mexican Financial System.**

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Last September 4th, GFNORTE informed to the investment public that it is analyzing different strategic alternatives to strengthen its leading position as one of the most important institutions in the Mexican Financial System. In 2011, GFNORTE merged with Ixe Grupo Financiero and Afore XXI, enabling the Financial Group to become one of the leading institutions in premium & wholesale banking, and one of the most important managers of retirement funds in Mexico. In this regard, GFNORTE continues to explore alternatives to generate greater scale in the Afore and Annuities sectors. If a sale of BBVA Bancomer's assets occurs in these segments, as was announced publicly by BBVA Group, GFNORTE would be interested in evaluating an acquisition of these businesses, as long as it is carried out at an adequate price that generates value to Grupo Financiero Banorte's shareholders.

- **Banorte and Ixe Credit Ratings.**

S&P changes Banco Mercantil del Norte's and Ixe Banco's outlook to "Positive" from "Stable".

Last August 31st, GFNORTE informed that Standard & Poor's changed Banco Mercantil del Norte's outlook to "Positive" from "Stable", ratifying at the same time the Long & Short Term Global Scale ratings at 'BBB-/A-3', and introducing the Long & Short Term National Scale ratings of 'mxAA+/ mxA-1+'. The outlook revision is a result of the improvement in Banco Mercantil del Norte's risk position, particularly in its loan portfolio to states and municipalities, as well as the expectation that the bank will continue improving its risk diversification and maintain adequate capitalization levels. S&P ratified the ratings for Banco Mercantil del Norte's Senior Unsecured Debt at 'BBB-' and Certificates of Deposit (CDs) at 'BBB-/A-3'.

On the back of the strategic importance that Ixe Banco S.A. has within Grupo Financiero Banorte and the close correlation with Banco Mercantil del Norte, S&P also changed its outlook to "Positive" from "Stable", ratifying the Long & Short Term Global Scale ratings at 'BBB-/A-3', Long & Short Term National Scale ratings at "mxAA+/mxA-1+" and Certificates of Deposit (CDs) ratings at 'BBB-/A-3'. S&P maintained IXE Automotriz' and Fincasa Hipotecaria's ratings unchanged with a "Stable" outlook.

Moody's affirms the ratings for Banorte and Arrendadora & Factor (leasing and factoring); assigns ratings to Ixe Banco and Banorte-Ixe Broker Dealer.

Last September 7<sup>th</sup>, 2012, GFNORTE informed that Moody's ratified all the ratings assigned to Banco Mercantil del Norte with a "Stable" outlook, also affirming the "C-" standalone Bank Financial Strength Rating (BFSR). The ratings consider the bank's franchise value, which has enabled Banorte to win market share in loans and deposits, while also achieving profitability, asset quality and adequate capitalization levels. The following ratings were ratified:

- i) On the Global Scale, the Long and Short Term local currency deposits and senior debt as "A3/Prime-2" and the Long and Short Term foreign currency deposits as "Baa1/Prime-2"; the local currency subordinated debt as "Baa1"; the foreign currency subordinated debt assigned to subordinated cumulative foreign currency debt as "Baa1"; the local currency rating assigned to junior cumulative subordinated debt as "Baa2" and the foreign currency non-cumulative subordinated debt as "Ba1".

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ii) On the National Scale, the Long and Short Term deposits and senior debt as "Aaa.mx/ MX-1", the subordinated debt as "Aaa.mx" and the junior subordinated debt as "Aa1.mx".

For Arrendadora and Factor Banorte S.A. (Leasing and Factoring Company) the ratings affirmed were: i) Global Scale, "A3 / Prime-2" Long and Short Term local currency issuer ratings; and "(P)A3" and "(P)Prime-2" Long and Short term local currency senior debt ratings; ii) National Scale, "Aaa.mx" and "MX-1" Long and Short Term issuer ratings; "Aaa.mx" and "MX-1" on the Long and Short Term senior debt. The outlook is "Stable".

Moody's assigned the following ratings to Ixe Banco S.A.: i) "D+" standalone Bank Financial Strength Rating; ii) Global Scale, "Baa1/Prime-2" Long and Short term local currency deposit ratings; "Baa1/Prime-2" Long and Short term foreign currency deposit ratings: iii) National Scale, "Aaa.mx/MX-1" Long and Short term foreign currency deposit ratings. The outlook of all the ratings is "Stable".

In the case of Casa de Bolsa Banorte Ixe S.A. (Broker Dealer), Moody's assigned Global Scale ratings of "Baa1/Prime-2" Long and Short term local currency issuer, and on a National Scale "of Aaa.mx/MX-1" Long and Short term issuer ratings. The ratings' outlook is "Stable".

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