
GFNORTE REPORTS NET INCOME OF PS 3.53 BILLION IN 3Q13; AN INCREASE OF 27% YOY.

- Core deposits rose by Ps 44.54 billion, from Ps 319.61 billion in 3Q12 to Ps 364.15 billion in 3Q13.
- As at the end of 3Q13, growth in performing loans was 6%, an increase of Ps 24.22 billion totaling Ps 413.94 billion.
- As at the end of 3Q13 the Non Performing Loan (NPL) Ratio was of 3.2%, 1.3 percentage points (pp) more than 3Q12.
- The Group's loan loss reserve coverage was 106% at the end of 3Q13.
- Banorte's Capitalization Ratio was 14.9% at the end of 3Q13.
- GFNORTE announces the total payment of the USD \$800 million dollars syndicated loan and Banco Mercantil del Norte announces the payment of the USD \$120 million Ixe's subordinated obligations.
- Grupo Financiero Banorte finalizes the acquisition of Assicurazioni Generali's minority interest in insurance and annuities.
- The magazine Institutional Investor ranked Alejandro Valenzuela as the number two CEO in Mexico and third in Latin America in its "Best Latin America Executive Team 2013" rankings.
- The Board of Directors authorized important organizational changes to focus the organization towards a client-centered business model.

Mexico City, October 24th, 2013. Grupo Financiero Banorte (GFNORTE) reported today its results at the closing of September, 2013. GFNORTE registered profits of Ps 9.89 billion for 9M13, 25% higher YoY as a result of the operating leverage obtained from increases in total revenues, as well as a slower pace of growth in operating expenses, which coupled with the inclusion of Afore Bancomer's profits in Subsidiaries' results and the use of tax credits in 2Q13, offset higher loan loss provisions. In 3Q13 net income totaled Ps 3.53 billion, 27% higher YoY driven by higher positive operating leverage and the inclusion of Afore Bancomer's profits in Subsidiaries' results, and is 9% above QoQ due to an increase in net interest income, a decrease in operating expenses and provisions, as well as the profits generated by the Holding Company given the positive FX effect of the dollar investments held in order to finalize Generali's acquisition and the interest earned in its investments. Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed with Ps 6.74 billion or 68% of GFNORTE's 9M13 earnings. In 3Q13, Banco Mercantil del Norte contributed with Ps 2.27 billion, or 64% of consolidated quarterly profits.

Return on Equity (ROE) was 14.3% in 9M13, 21 basis points more YoY; return on assets (ROA) was 1.4%, 16 basis points higher YoY.

- **Deposits and Net Interest Income**

Core deposits grew 14% YoY in 3Q13, driven mainly by efforts to promote Banorte and Ixe's deposit products. Demand deposits grew by 20% YoY and retail time deposits by 4%. As a result, core deposits rose by Ps 44.54 billion, from Ps 319.61 billion in 3Q12 to Ps 364.15 billion in 3Q13. Core deposits grew 6% for the quarter vs. 2Q13 on the back of 9% growth in demand deposits.

Net Interest Income totaled Ps 27.51 billion in 9M13, 14% higher YoY, due to a better loan mix. In 3Q13, net interest income amounted to Ps 9.64 billion, an increase of 20% YoY and 4% QoQ. Growth vs. 3Q12 can be attributed to higher loan volumes in segments that improve the loan mix (mainly consumer loans), more loan origination fees, higher income from currency valuation, the improvement in the net interest income of the Insurance and Annuities Companies, a lower cost of funding due to the growth in core deposits and the payment of Ixe's subordinated notes which paid a fixed annual rate of 9.75% in dollars; while growth vs. 2Q13 was likewise due to a better loan mix, higher income from currency valuation, a lower cost of funding due to the growth in core deposits and the payment of the syndicated loan and Ixe's Subordinated Notes, as well as to lower expenses for hedging transactions.

- **Loan Portfolio**

At the closing of 3Q13, Performing loans registered YoY growth of 6%, increasing by Ps 24.22 billion to Ps 413.94 billion. Lower yearly growth rates were mainly due to the economic slowdown in 2013. The loan portfolio grew 1% for the quarter, mostly as a result of growth in payroll loans, mortgage loans, credit card and commercial loans.

Commercial loans totaled Ps 109.74 billion, YoY growth of 3%, derived mainly from more business loans, leasing and the reactivation of the Creditactivo product for businesses; commercial loans posted a QoQ increase of 1% driven by growth in Crediactivo loans. **Corporate** loans totaled Ps 78.87 billion, (9%) and (6%) below YoY and QoQ, mainly derived from the payment or classification as past due of some loans related to housing developers, as well as pre-payments received from some clients that used the proceeds from capital markets' transactions to settle their liabilities. **Government** loans totaled Ps 90.53 billion at the end of September, a YoY increase of 10% as a result of the efforts to continue meeting the demand for loans at all levels of government, while QoQ they were mostly unchanged owing to the low demand currently experienced in this segment.

Consumer loans, including mortgage loans, registered YoY growth of 18%. **Mortgage loans** maintained their rising trend to close the quarter at Ps 79.21 billion, 14% higher YOY and a QoQ increase of 3%, which continues to position Banorte as one of the banks with higher growth in loan volumes in this segment despite a very competitive environment. **Payroll loans** totaled Ps 24.38 billion, above 40% YoY and 9% QoQ, respectively, due to 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 10% YoY and 3% QoQ reaching Ps 11.16 billion at the close of 3Q13 driven by more loan placements generated by promotional campaigns for the product through various channels, cross-selling with clients and alliances with car dealerships. The **Credit Card** portfolio totaled Ps 19.84 billion at the close of 3Q13, YoY growth of 21% and 6% QoQ; both growth rates were due to portfolio management strategies, promotional campaigns for Banorte – Ixe's products, and increased cross selling with clients.

The Group registered a Past Due Loan Ratio of 3.2% at the close of 3Q13, 1.3 percent points (pp) above 3Q12 and 1.1 pp higher than 2Q13. These increases can be mainly attributed to the past due loans of housing developers, and to a lesser extent, an increase in other headings. Excluding the past due loans for the three troubled housing developers, the NPL ratio would be 1.8%, almost 10 basis points below the year earlier level.

Grupo Financiero Banorte closed 3Q13 with past due loans of Ps 13.87 billion, a YoY growth of 83% and 53% QoQ, due to an increase in almost all headings, mainly related to more Corporate past due loans (especially housing developers) as well as in the Commercial portfolio due to more past due loans at Fincasa, tourist developments in the Northwest of the country and in the SME, Credit Card, Payroll and Mortgage Loan portfolios as a result of the maturing of vintages and the negative impact of slower economic growth. The Group's loan loss reserve coverage was 105.7% at the end of 3Q13, (41.6pp) below YoY and (52.1pp) below QoQ, owing to past due loans generated during the quarter from exposures to housing developers.

- **Efficiency**

The Efficiency Ratio was 51.8% for 9M13 and 51.0% for 3Q13, a reduction of (3.4 pp) vs. 9M12 and (3.3 pp) vs. 3Q12; both decreases can be traced to the positive operating leverage obtained; compared to 2Q13, the efficiency ratio rose 0.6pp, since the decline in Non Interest Income was greater than the expense control achieved in the quarter.

- **Capitalization**

Banco Mercantil del Norte's Capitalization ratio was 14.85% at the close of 3Q13 with a Total Tier 1 ratio of 12.41% and a Core Tier 1 ratio of 11.14%.

- **Other Subsidiaries**

Long Term Savings comprised of the Afore XXI Banorte, Insurance and Annuities, reported Ps 1.30 billion in earnings during 9M13, 57% higher YoY, and Ps 441 million during the quarter, 64% more YoY vs. 3Q12 and 26% more QoQ vs. 2Q13. The accumulated, YoY and QoQ increases can be attributed to the incorporation of Afore Bancomer and greater business dynamics in the Insurance and Annuities companies.

Banorte - Ixe Tarjetas reported profits of Ps 866 million for 9M13, 161% more YoY; this increase stems from the SOFOM's purchase of Banco Mercantil del Norte's credit card portfolio during 2Q12, and the consolidation of its results as of that quarter, as well as growth and management strategies of the portfolio. In 3Q13 profits were Ps 276 million, 12% higher YoY derived from the positive impact on margins and fees from loan growth, and (16%) below QoQ, due to the creation of additional reserves for the rewards program.

The **Brokerage Sector** comprised of Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe reported 9M13 profits of Ps 495 million, YoY growth of 20% as a result of an increase in assets managed in mutual funds, which represents more service fees, as well as more income from trading, private banking and wealth management, asset management and institutional sales. Profits amounted to Ps 110 million in 3Q13, a YoY decrease of (21%) vs. 3Q12 and QoQ decrease of (22%) vs. 2Q13 due to a valuation effect in the money market and equity positions originated by changes in market conditions during this period.

Other Finance Companies, comprised of Arrendadora y Factor Banorte, Almacenadora Banorte and Sólida Administradora de Portfolios (which was spun-off from Banco Mercantil del Norte to later merge with Ixe Soluciones) registered 9M13 profits of Ps 443 million, 414% higher YoY due to the merger of Fincasa with Banco Mercantil del Norte and Ixe Soluciones with Sólida Administradora de Portfolios during May 2013; while in 3Q13, they registered profits of Ps 214 million, improving QoQ due to the positive results of the Leasing and Factoring business.

Recent Events

- **Grupo Financiero Banorte announces the total payment of the USD \$800 million dollars syndicated loan; while Banco Mercantil del Norte announces the payment of the USD \$120 million non-preferred, non-cumulative callable perpetual subordinated obligations.**

Last August 30th, GFNORTE informed that as part of the use of proceeds from the Global Public Offering carried out in July 2013, through which 447'371,781 common shares of the Financial Group were sold for an equivalent of approximately USD \$2.5 billion dollars, it amortized on July 26th the syndicated loan granted by 4 financial institutions without any guarantee by the Financial Group or any of its subsidiaries and which was disbursed in February 2013 with a term of 364 days for a total amount of USD \$800 million dollars

Furthermore on August 28th it was informed that Banco Mercantil del Norte exercised the pre-payment option on August 26th to settle the USD \$120 million Non-Preferred, Non-Cumulative Callable Perpetual Subordinated Obligations which were registered at the Luxembourg Stock Exchange. This perpetual subordinated debt was issued on February 26th, 2007 by Ixe Banco S.A., Institución de Banca Múltiple ("Ixe Banco") and given the merger of Ixe Banco with Banorte in May of this year, Banorte assumed responsibility for each and every one of Ixe's obligations.

These payments are consistent with the information provided to the investment public during the equity offering carried out by GFNORTE this past July, as well as with the content of the transaction documents.

- **Grupo Financiero Banorte finalizes the acquisition of Assicurazioni Generali's minority interest in insurance and annuities.**

As part of the use of proceeds from the Public Offering, and as a follow up to the material event published on June 11th, 2013 by Grupo Financiero Banorte regarding the binding agreement under which GFNORTE would acquire the remaining 49% of the equity representative common shares of Seguros Banorte Generali, S.A. de C.V. ("Seguros Banorte Generali") and Pensiones Banorte Generali, S.A. de C.V. ("Pensiones Banorte Generali") held by Assicurazioni Generali S.p.A Generali Group ("Generali Group"), GFNORTE informed to the investment public on October 4th, that it has obtained the corresponding government authorizations in order to finalize the acquisition of the Generali Group's minority stake in the insurance and annuities companies: the Antitrust Commission (CFC) informed having no objection to the transaction through the communication No. SE-10-096-2013-483 issued in August 7th, 2013, while the Ministry of Finance and Public Credit notified its conformity with the acquisition of Generali's equity participation in both companies through the communication No. 366-III-574/13 issued on September 24th, 2013.

The transaction was finalized on October 4th. The total amount of the transaction was US 858 million, including excess capital: US 637 million for Seguros Banorte Generali and US 221 million for Pensiones Banorte Generali.

- **Shareholders' Meeting.**

Last October 14th, an Ordinary Shareholders' Meeting was held with 91.0% of the total subscribed and paid shares of the Company's capital represented, and it was approved to distribute a cash dividend of Ps. \$0.7852 per share, derived from the retained earnings of previous years, which will be paid in four installments of Ps \$0.1963 per share each, on October 23rd, 2013, January 23rd, 2014, April 23rd, 2014 and July 23rd, 2014, respectively against delivery of the corresponding coupons. This amount was approved by the Group's Board of Directors last July 25th, 2013. The total amount of the dividend to be paid of Ps. \$0.7852 represents 20% of the recurring profits of 2012 and the payout was determined according the dividend policy approved on October 2011, which establishes a payment of 20% of the recurring net income in the event that annual profit growth is greater than 20%.

- **Credit Ratings.**

Moody's ratified the ratings of Banco Mercantil del Norte, Arrendadora y Factor Banorte and Casa de Bolsa Banorte Ixe; the outlook was changed from negative to stable.

On September 10th, Moody's de México and Moody's Investors Service ratified the global and national-scale ratings of Banco Mercantil del Norte, Arrendadora y Factor Banorte and Casa de Bolsa Banorte Ixe with a stable outlook. This follows GNORTE's Primary Public Offering, which will enable the Group to finance its recent acquisitions and pay down debt, including the payment of some of Banorte's subordinated debt.

Fitch Ratings gives its opinion of the upcoming fund mergers of Operadora de Fondos Banorte Ixe.

In September of this year, following the announcement by Operadora de Fondos Banorte Ixe of its intention to merger 16 funds of the 43 mutual funds comprising its current range of funds (which is expected to be completed in December 2013 at the latest), the rating agency informed that it does not expect any changes in their ratings, as the funds have similar characteristics in terms of rating, investment strategy, horizon and share purchasing policy, besides a solid organizational structure that includes directors with many years of experience in the financial sector.

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

In August 2013, Institutional Investor magazine announced the "Best Latin America Executive Team 2013" rankings, which was based on a survey of 395 buy-side fund managers and 417 sell-side analysts. For a fourth consecutive year, GFNORTE's Management and Investor Relations team figured among the top Mexican companies and Latin American banks. Alejandro Valenzuela, Grupo Financiero Banorte's CEO, was ranked as the number two CEO in Mexico and third in Latin America, based on the opinions of both sell-side and buy-side analysts. Likewise, in the regional survey Rafael Arana, GFNorte's CFO, came as number one ranked based on sell-side opinions (he was ranked fifth last year) and second based on buy-side opinions (he was ranked seventh last year); in the Mexican ranking he was placed fourth by both buy and sell-side. David Suárez, Head of IR at GFNorte, was ranked as the best IR Professional in Latin America in the opinion of sell-side analysts and third in Latin American according to the buy-side. In Mexico, David Suárez was ranked top by the buy-side and second by the sell-side. The Investor Relations Department was ranked second in Latin America by the sell-side and third by the buy-side; in the national ranking both groups ranked this department in second place. At the regional level, the group was placed ahead of institutions like Santander Chile and Brazil, BTG, Bradesco, Bancolombia, Banco Do Brasil, Credicorp, among more than 30 banks. In Mexico it ranked ahead of América Móvil, Wal-Mart, FEMSA, Cemex, Bimbo, Banregio, Compartamos, Santander México, among more than 60 companies.

- **Planet Payment and Banorte announced "MICROS Payment Gateway".**

In October Planet Payment, one of the main international payment processing and multi-currency payment providers, and Banorte announced the initial implementation of "MICROS Payment Gateway" integrated in the "Pague en su Moneda" Service (*Pay in your Currency*), which enables international consumers and users to pay for purchases and accommodation expenses in their own currency, while at the same time lowering transaction processing costs for businesses or service providers

- **Banorte launches green platform for Micro, Small and Medium Sized Enterprises (MiSME)**

Within the framework of the “Green Businesses Summit 2013” organized by the Global Institute for Sustainability at the Tecnológico de Monterrey, Banorte presented the eco-efficiency platform for MiSMEs, which seeks to achieve a more sustainable production chain to make SMEs that are bank clients and service providers more competitive. Banorte’s initial commitment is to finance projects with the most potential to develop green markets.

- **Organizational Changes.**

As part of ongoing efforts to focus the organization towards a client-centered business model, the following appointments and organizational adjustments were made:

- I. Areas that report directly to the Board of Directors

On August 3rd, **Martha Elena Navarrete Villarreal** was appointed Managing Director of Internal Audit, an area that will report directly to the Audit and Corporate Practices’ Committee, body of the Board of Directors. Since joining the Group in 2010, Martha Elena has held the positions of Deputy Managing Director of Audit and Executive Director of Internal Audit Management, having fostered best practices for the Internal Control System and Corporate Governance of the Financial Group. Martha has a degree in Management from ITAM and a Masters in Business Administration (MBA) from Nottingham University. She has many years of experience working for the National Banking and Securities Commission (CNBV).

On July 25th, the Board of Directors decided that the Head of Corporate Affairs, **Sergio Garcia Robles Gil**, and the Director of Social Responsibility, **Mayra Hernandez González**, would report directly to the Board.

- II. Business Areas

On July 25th 2013, the Board of Directors approved a new organizational structure in order to achieve a business model based on products, segments and channels, in order to focus the strategy towards client service. As a result, **Manuel Antonio Romo Villafuerte** was appointed Managing Director of Consumer Products and **Jesús Garza Martínez** was appointed Managing Director of Retail Banking, in charge of segments and channels. Both of them report directly to GFNORTE’s CEO.

- III. Staff Areas

In order to consolidate the staff and support areas and improve the organization’s internal service levels, on October 24, GFNORTE’s Board of Directors appointed **Rafael Arana de la Garza** as Chief Operating Officer (COO), who in turn will report to GFNORTE’s CEO. The areas of Corporate Services, Finance and Investor Relations, Strategic Planning and Value Creation, Customer Experience, Marketing, Legal, Technology and Operations, Institutional Relations and Communications, and the Project Sumando (IBM Alliance) will all report to the COO.

As part of these changes, **David Ricardo Suárez Cortazar** was appointed as Chief Financial Officer (CFO); **Fausto Hernández Pintado** was appointed as Chief Strategic Planning and Value Creation Officer and **Concepción Guadalupe Borjon Shears** was appointed as Leader of Sumando.

Rafael Arana was previously GFNORTE’s CFO and was ranked as the best CFO in Latin American financial institutions in the 2013 Institutional Investor survey; furthermore, he has more than 20 years of experience in the financial sector. His previous positions include Deputy Managing Director of Personal Financial Services for Latin America and the Caribbean at HSBC and Deputy Managing Director of HSBC México. He is a professor at the Instituto Panamericano de Alta Dirección de Empresas (IPADE), holds a Masters in Engineering and Operations from the University of Michigan, and a degree in Mechanical-Electrical Engineering from Universidad Iberoamericana.

Concepción Guadalupe Borjon Shears has been Deputy Managing Director of Branches and Clients for 6 years; in this position she was responsible for defining and supervising branch processes, the generation of follow-up information for Banking business units, measuring the performance of branch executives, implementing sales and communication strategies with the branch Network and being responsible for the Banorte Valuation Unit. She has worked at Banorte for more than 20 years; she joined the group in 1993 as part of an executive development program and furthered her career in areas such as Credit, Consumer and Commercial Banking. Concepción Borjón has a

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degree in Public Accounting, a Master's in Business Administration from UANL; she has also taken courses at The Graduate School of Banking LSU, and at the IPADE.

David Suárez was Head of Investor Relations and has worked at GFNORTE for more than 8 years. For the last 4 years, Institutional Investor has ranked him as one of the best IR officers in Mexico and Latin America. For 12 years he held various positions at the Mexican Social Security Institute, the International Finance Corporation (IFC) and the Ministry of Finance and Public Credit (SHCP). He holds a Business and Finance degree from the Universidad Panamericana and a Master's in Economic Policy Management from the Columbia University in New York; he is also a certified Project Management Professional by the PMI Institute.

Fausto Hernández was previously Head of Strategic Planning and Projects and has worked at the Financial Group for more than 4 years. He was previously Vice President of Strategy for Latin America and Credit Derivatives at Goldman Sachs in New York from 2005 to 2009; he has also held various positions at AON Re, PEMEX, Visa International, Barclays Bank, and SHCP. He holds a degree in Economics from the ITAM and a Master's in Finance from the London Business School.

The Board ratified the following executives in their positions: Alejandro Garay Espinoza as Managing Director of Corporate Services, Hector Avila Flores as Managing Director of Legal, Ignacio Aldonza as Managing Director of Technology and Operations and Carla Juan Chelala as Managing Director of Marketing. The positions of Managing Director of Communication and Institutional Relations and Managing Director of Client Experience are currently vacant.

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