

# Financial Results

**4Q12**

**January 2013**

# Summary of Results

# Financial Highlights

- GFNORTE reported a Ps 10.89 billion profit, a 28% YoY increase vs. 2011 on the back of a favorable performance in all the business lines, a lower growth in expenses and the integration of Ixe and Afore XXI Banorte's results. Profit for the quarter amounted to Ps 3.01 billion, 20% higher YoY vs. 4Q11, driven by the integration of Afore XXI Banorte and a reduction in Non Interest Expense, increasing by 8% QoQ vs. 3Q12 due to positive operating leverage.
- During 2012, Return on Equity (ROE) was 14.3% in 2012, 25 basis points higher YoY vs. 2011.
- In 2012, Return on Assets (ROA) was 1.3%, a 12 basis points YoY increase vs. 2011.
- The Return on Tangible Equity (ROTE) was 19.1% for 4Q12, 177 basis points above YoY vs. 4Q11 and flat QoQ vs. 3Q12.

# Financial Highlights

- The Banking Sector's <sup>(1)</sup> Net Income amounted to Ps 8.92 billion, accounting for 82% of GFNorte's total profits, a YoY increase of 36% vs. 2011. The registered ROE of this sector was 16.9% in 2012. In 4Q12, this sector's income was Ps 2.5 billion, increasing 15% vs. 3Q12 and 47% vs. 4Q11.
- During 4Q12, the Long-term Savings Sector (Insurance, Annuities and Afore XXI Banorte) contribution was Ps 228 million, 26% higher YoY vs. 4Q11 and (15%) below QoQ vs. 3Q12. During 2012, contributed Ps 1.05 billion, a YoY increase of 84%.
- The Brokerage Sector (Casa de Bolsa Banorte Ixe and Ixe Fondos), reported a 4Q12 profit of Ps 267 million, representing increases of 84% YoY vs. 4Q11 and of 92% QoQ vs. 3Q12. In 2012 registered a profit of Ps 681 million, +63% YoY.
- The SOFOM and Other Finance Companies (Arrendadora y Factor Banorte, Almacенadora Banorte, Ixe Automotriz and Fincasa Hipotecaria), recorded a 2012 loss amounting to (Ps 434) million owing to losses at Fincasa Hipotecaria that were not offset by a \$604 million profit at Arrendadora y Factor Banorte.

<sup>(1)</sup> Banking Sector. Comprised by Banco Mercantil del Norte, Ixe Banco and Banorte- Ixe Tarjetas.

# Financial Highlights

- Core deposits were up by 10% YoY in 4Q12, mainly driven by promotion of Banorte-Ixe's deposit products. Demand deposits rose 11% YoY and time deposits by 7%. Core deposits were up by 5% QoQ vs. 3Q12.
- Performing loans grew 15% YoY in 4Q12. For an eleventh straight quarter, the loan portfolio registered sustained growth in all segments. The loan portfolio grew 3% QoQ, driven by solid performance from the government, mortgage, credit card and payroll loan segments.
- During 4Q12 the bank's fundamentals remain solid:
  - Capitalization Ratio closed 4Q12 at 14.7%, decreasing by (0.2) percentage points QoQ vs. 3Q12 and increasing by 1.7 percentage points YoY vs. 4Q11.
  - The Past due Loan Ratio was 2.1%, one of the lowest in the Mexican financial system.
  - The loan loss reserve coverage stood at 138%, decreasing (4.8pp) YoY.
  - The liquidity ratio was 128%, increasing by 26.6 pp vs. 4Q11 and by 9.8 pp vs. 3Q12.

# Financial Highlights

- During 4Q12, Net Interest Income amounted to Ps 8.59 billion, increasing by 17% vs. 4Q11 and 7% QoQ vs. 3Q12, due to higher loan volumes with a better mix, a stable cost of funding and the increase of the income of Insurance and Annuities. During 2012 Net Interest Income totaled Ps 32.81 billion in 2012, a YoY increase of 16% vs. 2011.
- In 4Q12, Non Interest Income totaled Ps 3.86 billion for the quarter, a QoQ increase of 12% vs. 3Q12, driven by higher Service Fees, Other Operating Income and Trading; however, decreased (16%) YoY vs. 4Q11 due to the consolidation of Afore XXI Banorte's results in Banco Mercantil del Norte as of 1Q12 using the equity participation method. During 2012 Non Interest Income amounted to Ps 14.51 billion in 2012, a YoY increase of 5%.

# Financial Highlights

- In 4Q12, Provisions amounted to Ps 1.99 billion in 4Q12, a YoY increase of 76% vs. 4Q11, partly because the loan loss provisions created in 3Q11 related to the State of Coahuila were freed in the last quarter of 2011, for the quarter they rose 31% QoQ vs. 3Q12. During 2012 Provisions amounted to Ps 6.17 billion in 2012, +13% vs. 2011. All of the increases were due to greater commercial, corporate and payroll loan provisions (associated mainly with new loan loss reserve requirements in accordance with expected losses), as well as Fincasa's asset impairments, deterioration in exposures to some tourist developments in Mexico's northwest and growth in consumer loans which require higher initial provisions.
- In 4Q12 Non Interest Expenses amounted to Ps 6.29 billion, a YoY decrease of (10%) vs. 4Q11, due to lower Personnel Expenses and Administrative & Promotional Expenses, stemming from Ixe merger-related synergies. Compared with 3Q12 rose 1% QoQ due to higher Personnel Expenses, Other Taxes and Non-deductible Expenses as well as Professional Fees Paid that were not offset by the decrease of (38%) in Administrative & Promotional Expenses. In 2012 Non Interest Expense amounted to Ps 25.54 billion, 9% more YoY vs. 2011.
- The Efficiency Ratio was 50.5% for the quarter, (7.9 pp) vs. 4Q11 and (3.7pp) vs. 3Q12, respectively. In 2012, it was 54.0%, (1.8 pp) vs. 2011.

# Quarterly Summary

Million Pesos

	4Q11	3Q12	4Q12	Change	
				QoQ	YoY
Revenues	11,978	11,491	12,445	8%	4%
Credit Costs	1,133	1,524	1,996	31%	76%
Expenses	6,999	6,232	6,288	1%	(10%)
	2,513	2,780	3,010	8%	20%
EPS <sup>(1)</sup>	1.08	1.19	1.29	8%	20%
Book Value per Share <sup>(1)</sup>	30.45	33.70	35.20	4%	16%
ROE	14.4%	14.5%	15.0%	0.6 pp	0.6 pp
ROA	1.2%	1.3%	1.3%	0.1 pp	0.1 pp
P/BV <sup>(2)</sup>	1.39	2.16	2.37	10%	71%

(1) Pesos

(2) Times

# Material Events

**GFNORTE signed an agreement with Grupo BBVA and acquires Afore Bancomer through Afore XXI Banorte.**

- **GFNORTE reached an agreement on November 27th with Grupo BBVA to acquire Afore Bancomer through Afore XXI Banorte. On January 9th, the acquisition of Afore Bancomer totaling US 1.73 billion was finalized, of which US 1.6 billion corresponds to the price paid by Afore XXI Banorte and US 135 million to excess capital of Afore Bancomer.**
- **Banorte contributed with 50% of the price paid by Afore XXI Banorte and the Mexican Social Security Institute (“IMSS”) with the remaining 50%. The amount contributed by Banorte through Afore XXI Banorte to pay Grupo BBVA was Ps. \$10.25 billion, which does not include the excess capital of Afore Bancomer, and Banorte used its available liquid resources to make this payment.**
- **When integrated to Afore XXI Banorte’s operations, the managed funds will amount to Ps. \$522.2 billion and accounts will total 11.75 million, thus becoming the largest retirement savings manager in Mexico.**
- **This acquisition, which becomes the most relevant to date in the retirement savings fund system, is another example of GFNORTE’s continuous growth strategy through acquisitions, which will generate more value to shareholders, clients and will benefit all the workers integrating the retirement savings system.**

# Material Events

## Banco Mercantil del Norte's Credit Ratings

- After announcing the acquisition of Afore Bancomer by Afore XXI Banorte, the rating agencies published the following ratings actions of Banco Mercantil del Norte (“Banorte”):
  - HR Ratings placed the ratings under special review.
  - Standard and Poor’s placed the ratings in CreditWatch with negative implications.
  - Moody's affirmed the ratings, changing the outlook to Negative from Stable.
- In all the cases, their main concern is the impact that the acquisition may have on the capitalization ratios if the transaction is funded with Banorte's existing capital.
- In the case of Fitch, the rating agency ratified GFNORTE's and Banorte's ratings with a Stable outlook, given the strategic benefits of this acquisition, as well as its gradual positive impact on the Group’s revenue diversification and overall risk profile.

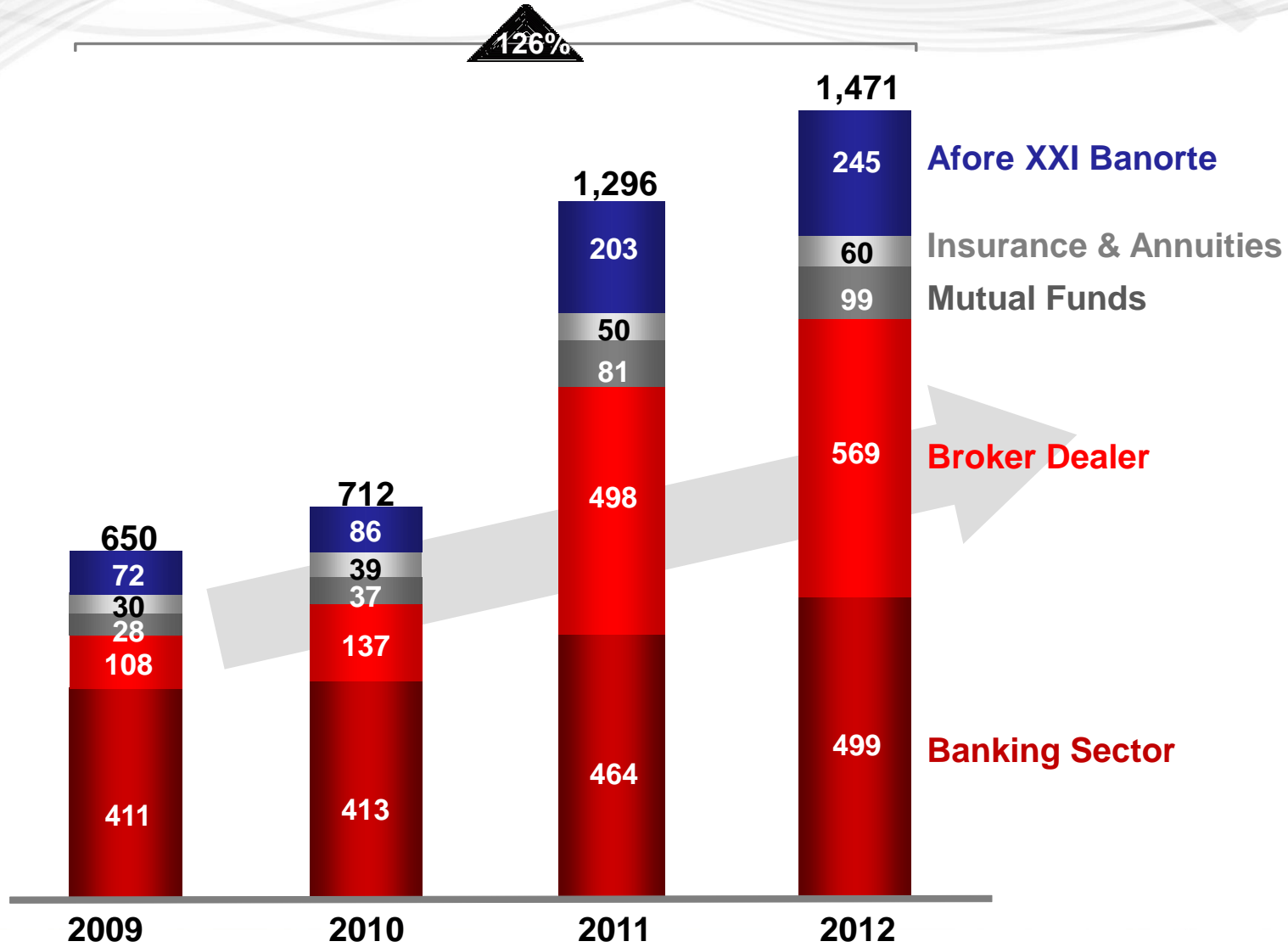
### "LatinFinance Bank of the Year 2012"

- Banorte was elected as the best bank in Mexico considering aspects such as:
  - ✓ Size, growth, financial strength, profitability, soundness and prudence.
  - ✓ Growth in the credit card segment, government and SMEs financing.
- Growth in its market share during the last year:
  - ✓ 12% to 13% in Deposits.
  - ✓ 13% to 14% in Loans.
- One of the lowest delinquency ratios in the Mexican financial system.

# Financial Performance

# Assets under Management

Billion Pesos



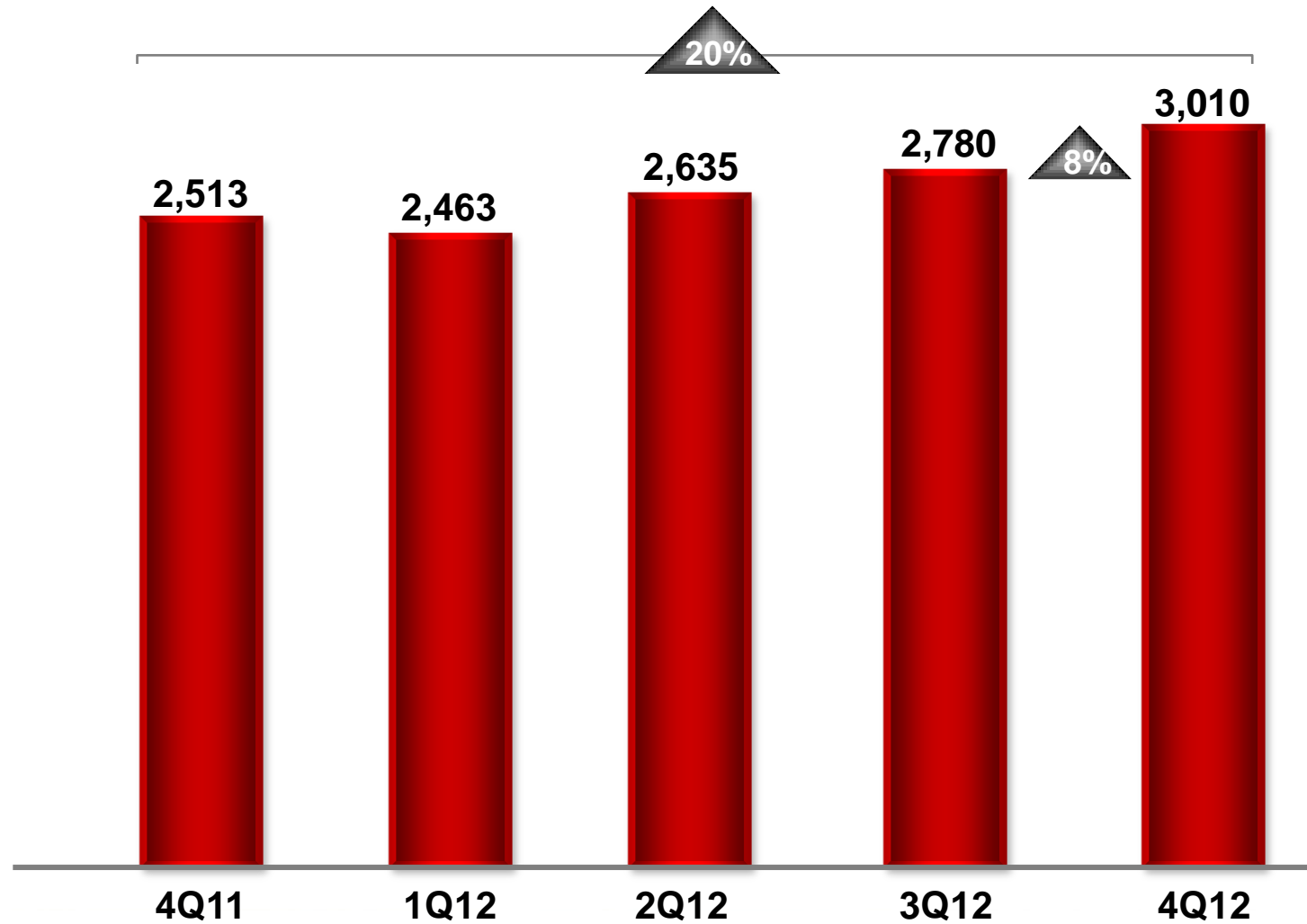
# Income Statement

Million Pesos

	4Q11	3Q12	4Q12	Change QoQ	YoY
Net Interest Income	7,364	8,054	8,588	7%	17%
Non Interest Income	4,614	3,437	3,858	12%	(16%)
<i>Service Fees</i>	2,053	1,530	1,876	23%	(9%)
<i>Recoveries</i>	353	322	290	(10%)	(18%)
<i>FX &amp; Trading</i>	1,184	1,024	1,050	3%	11%
<i>Other Income (expenses)</i>	1,025	562	642	14%	(37%)
Total Income	11,978	11,491	12,445	8%	4%
Non Interest Expense	(6,999)	(6,232)	(6,288)	1%	(10%)
Net Operating Income	4,979	5,259	6,158	17%	24%
Provisions	(1,133)	(1,524)	(1,996)	31%	76%
Income Tax	(1,007)	(806)	(1,030)	28%	2%
Subs & Minority Interest	(326)	(150)	(121)	(19%)	(63%)
Net Income	2,513	2,780	3,010	8%	20%

# Quarterly Net Income

Million Pesos

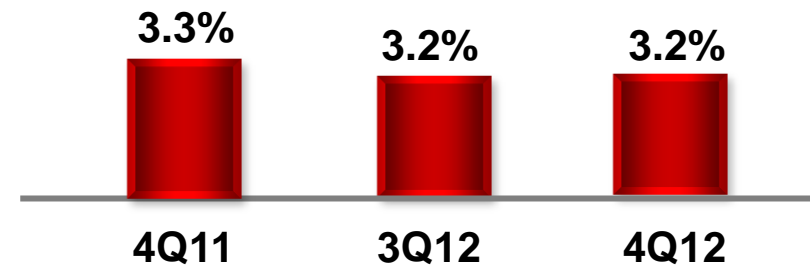


# Net Interest Income and Non Interest Expense

Billion Pesos

	4Q11	3Q12	4Q12	QoQ	YoY
Margen Financiero	7.4	8.1	8.6	7%	17%

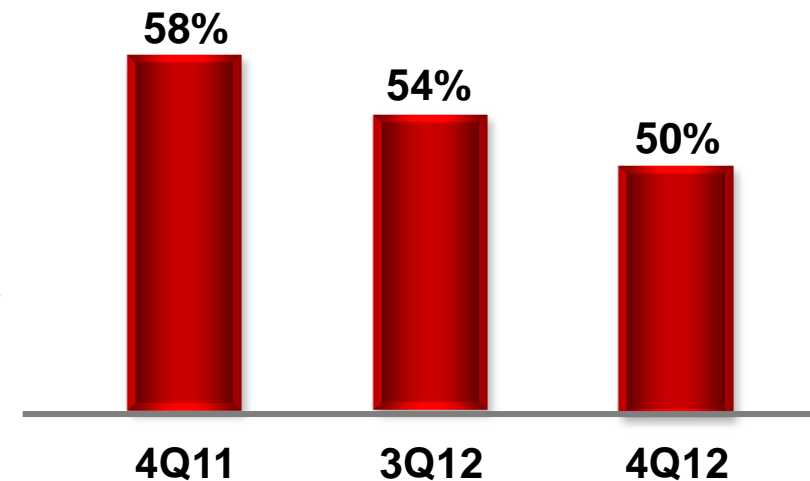
NIM  
(After Provisions)



Billion Pesos

	4Q11	3Q12	4Q12	QoQ	YoY
Gasto total	7.0	6.2	6.3	1%	(10%)

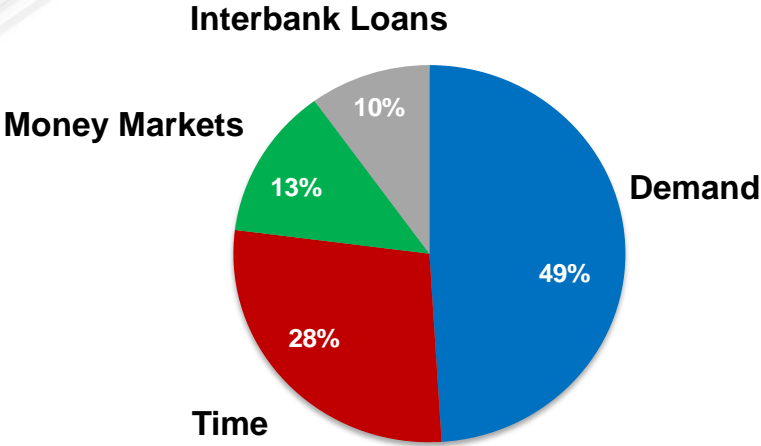
Efficiency Ratio



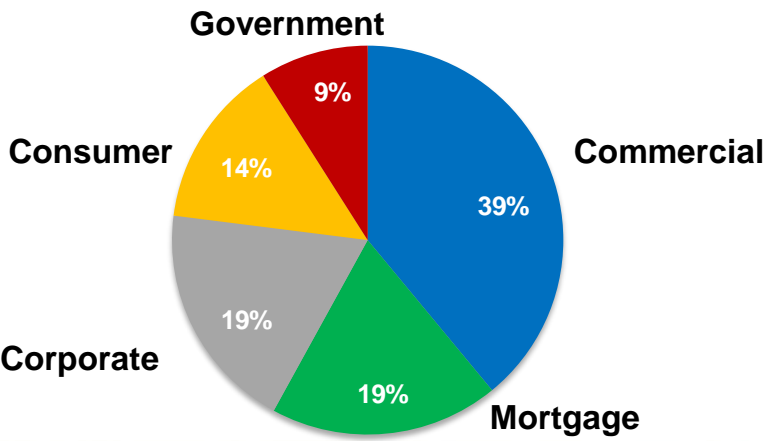
# Funding and Loan Portfolio Structure

2007

Funding: \$226 Billion pesos

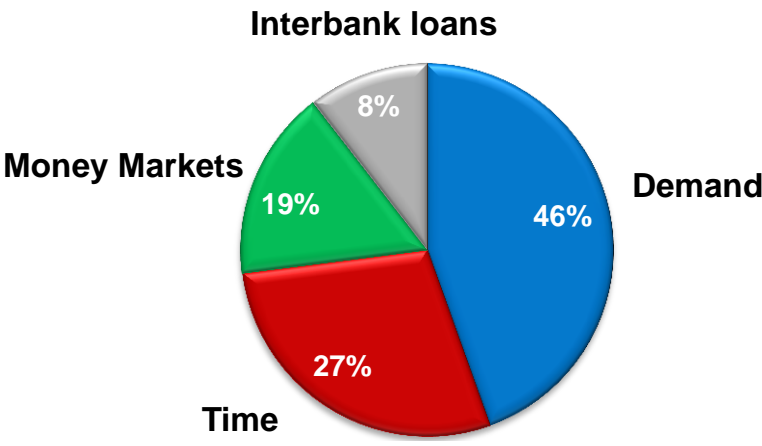


Loan Portfolio: \$194 Billion pesos

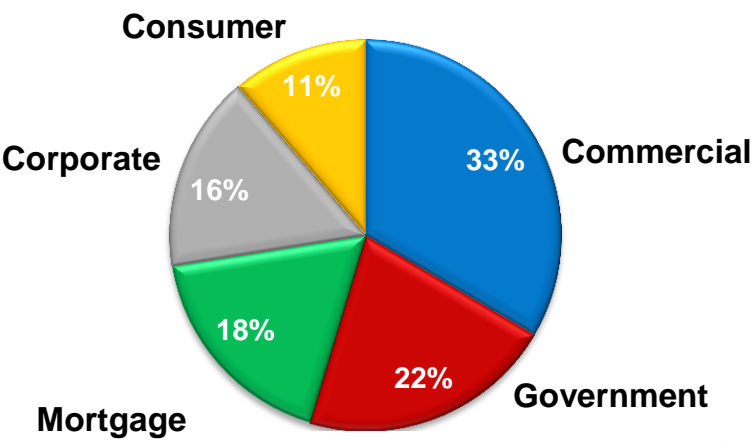


2012

Funding: \$460 Billion pesos



Loan Portfolio: \$410 Billion pesos



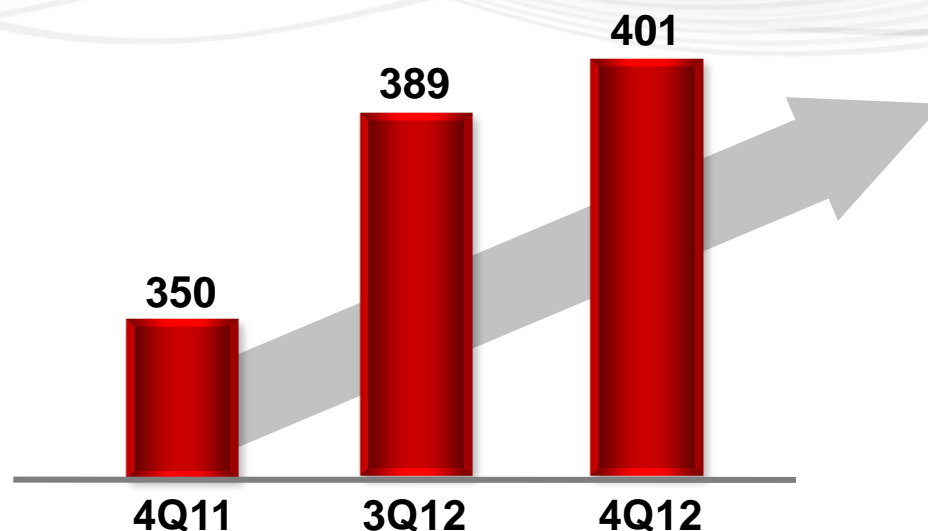
# Deposits

Billion Pesos

Deposits	4Q10		4Q11		4Q12
Demand	150	▲ 27%	190	▲ 11%	212
Time	89	▲ 30%	116	▲ 7%	124
Core Deposits	239	▲ 28%	306	▲ 10%	336
Mix					
Demand	63%		62%		63%
Time	37%		38%		37%
	100%		100%		100%

# Performing Loan Portfolio

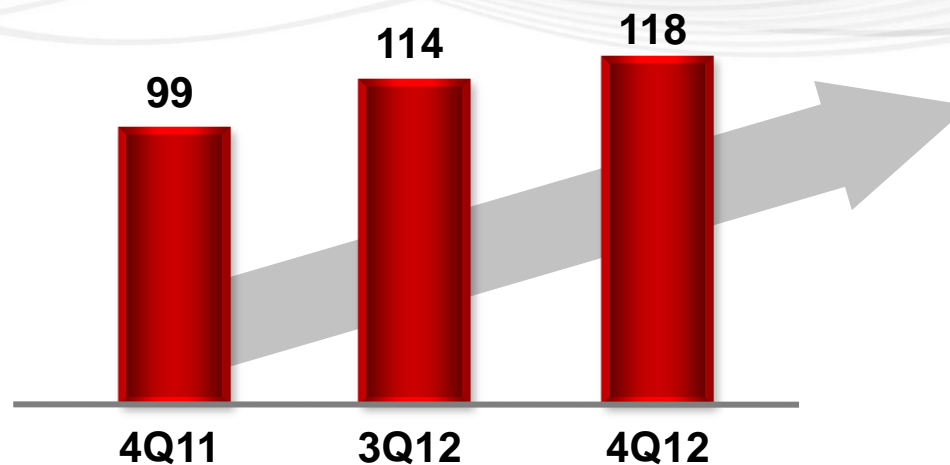
Billion Pesos



	4Q11	3Q12	4Q12	Change	
				QoQ	YoY
Consumer	99	114	118	4%	20%
Commercial	123	130	131	0%	6%
Corporate	57	63	64	1%	11%
Government	71	82	88	7%	24%
<b>Total</b>	<b>350</b>	<b>389</b>	<b>401</b>	<b>3%</b>	<b>15%</b>

# Performing Consumer Loan Portfolio

Billion Pesos

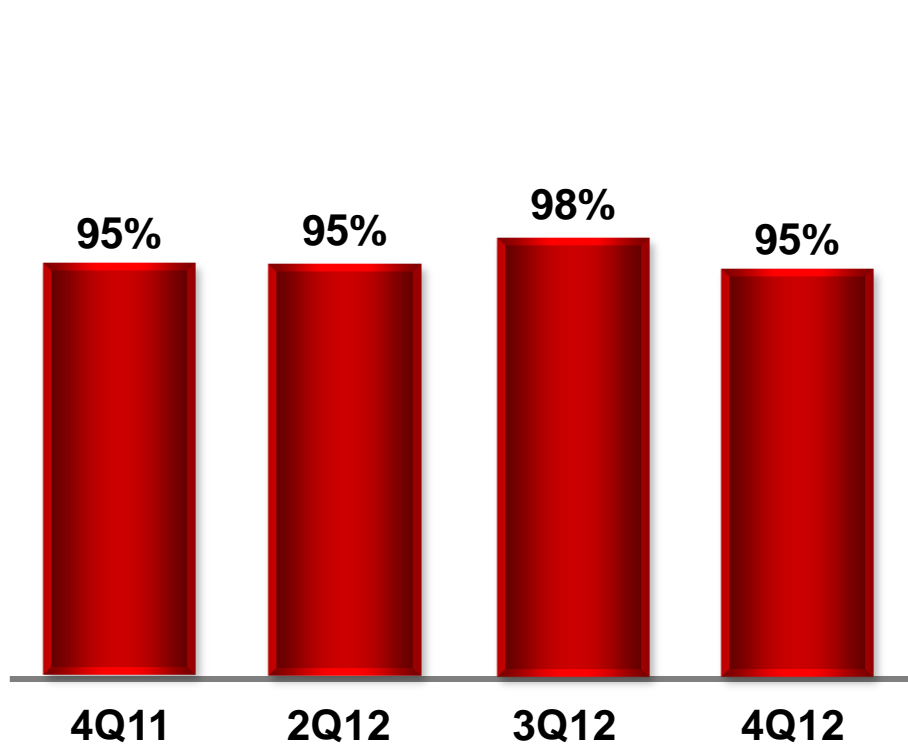


	4Q11	3Q12	4Q12	Change QoQ	YoY
Mortgage	64	70	72	4%	13%
Car	9	10	10	1%	10%
Credit Cards*	11	16	18	7%	53%
Payroll	13	17	18	4%	35%
<b>Consumer</b>	<b>99</b>	<b>114</b>	<b>118</b>	<b>4%</b>	<b>20%</b>

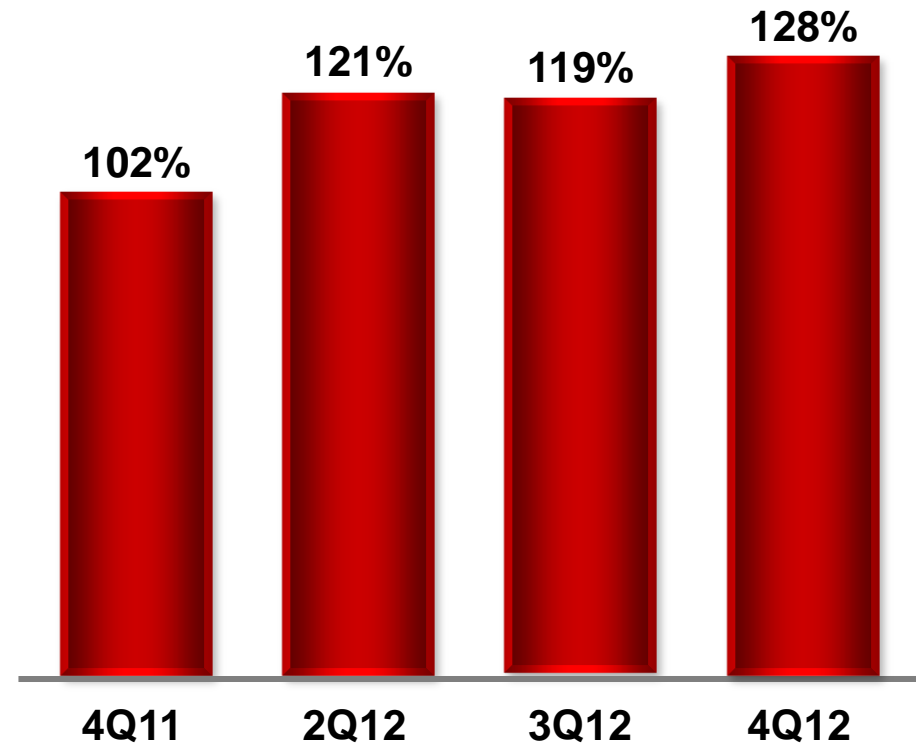
\*Includes the credit card SOFOM Ixe Tarjeta's portfolio since 1Q12

# Funding and Liquidity

**Total Loans / Total Deposits  
(%)**



**Liquidity  
(%)**



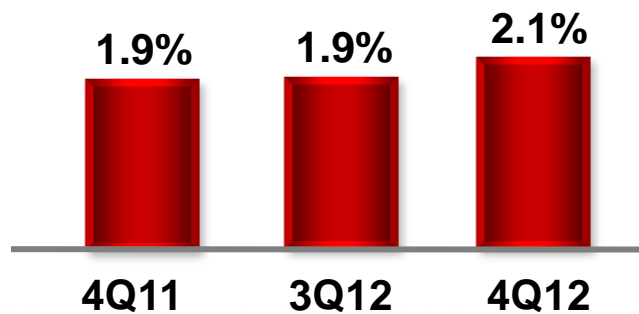
# Asset Quality and Capitalization

# Asset Quality

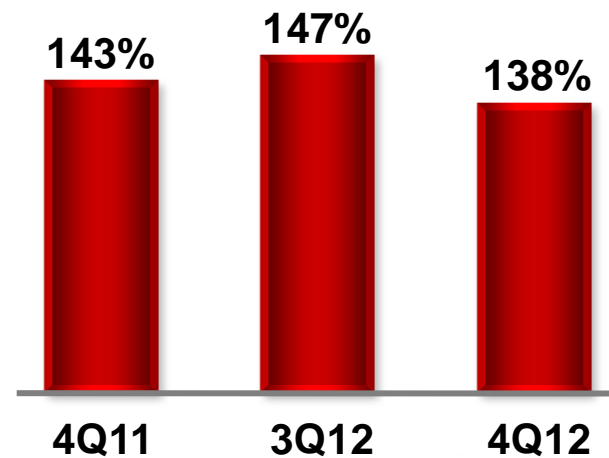
Billion Pesos

	4Q11	3Q12	4Q12
Total Loan Portfolio	358	397	410
Past Due Loans	6.9	7.6	8.5
Loan Loss Reserves	9.9	11.2	11.7

## PAST DUE LOAN RATIO



## RESERVE COVERAGE RATIO



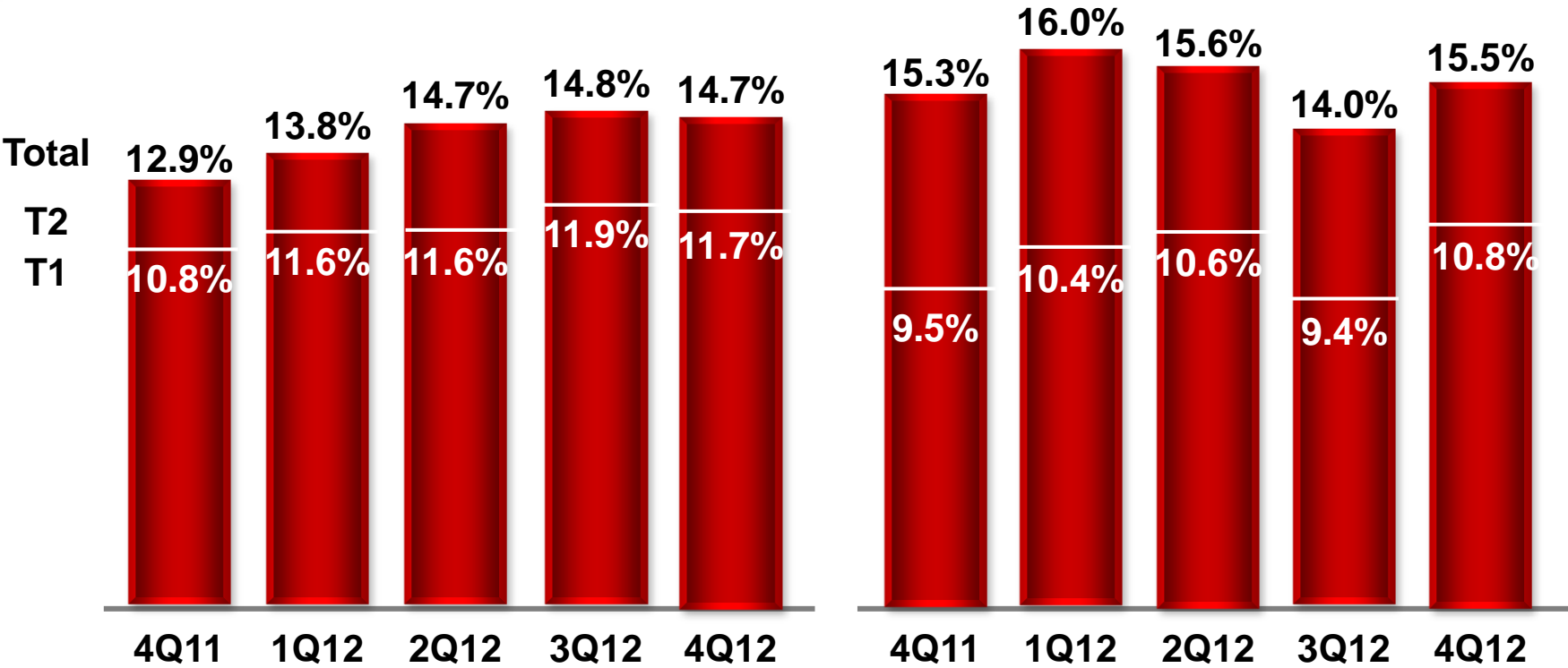
# Past Due Loan Ratios

	4Q11	1Q12	2Q12	3Q12	4Q12
Credit Cards	7.3%	6.3%	6.8%	5.3%	5.0%
Payroll	1.7%	1.6%	1.8%	1.9%	2.2%
Car Loans	1.6%	1.4%	1.5%	1.4%	1.3%
Mortgage	1.5%	1.3%	1.1%	1.2%	1.1%
Commercial	2.7%	2.5%	2.7%	3.0%	3.5%
Corporate	2.2%	2.2%	2.1%	2.0%	2.2%
Government	0.0%	0.0%	0.0%	0.1%	0.1%
<b>Total NPL Ratio</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>2.1%</b>

# Capitalization

Banorte  
(%)

Ixe  
(%)



↑ RWA \*+20%    +13%    +8%    +6%    +1%

\*RWA= Risk Weighted Assets

# Investment Grade by all Major Rating Agencies

Agency	Rating	Outlook	Date
Standard & Poor's	BBB-	Positive	Aug-12
Fitch	BBB	Stable	Dec-12
HR Ratings	Aaa	Stable	May-12
Moody's	Baa1	Negative	Dec-12

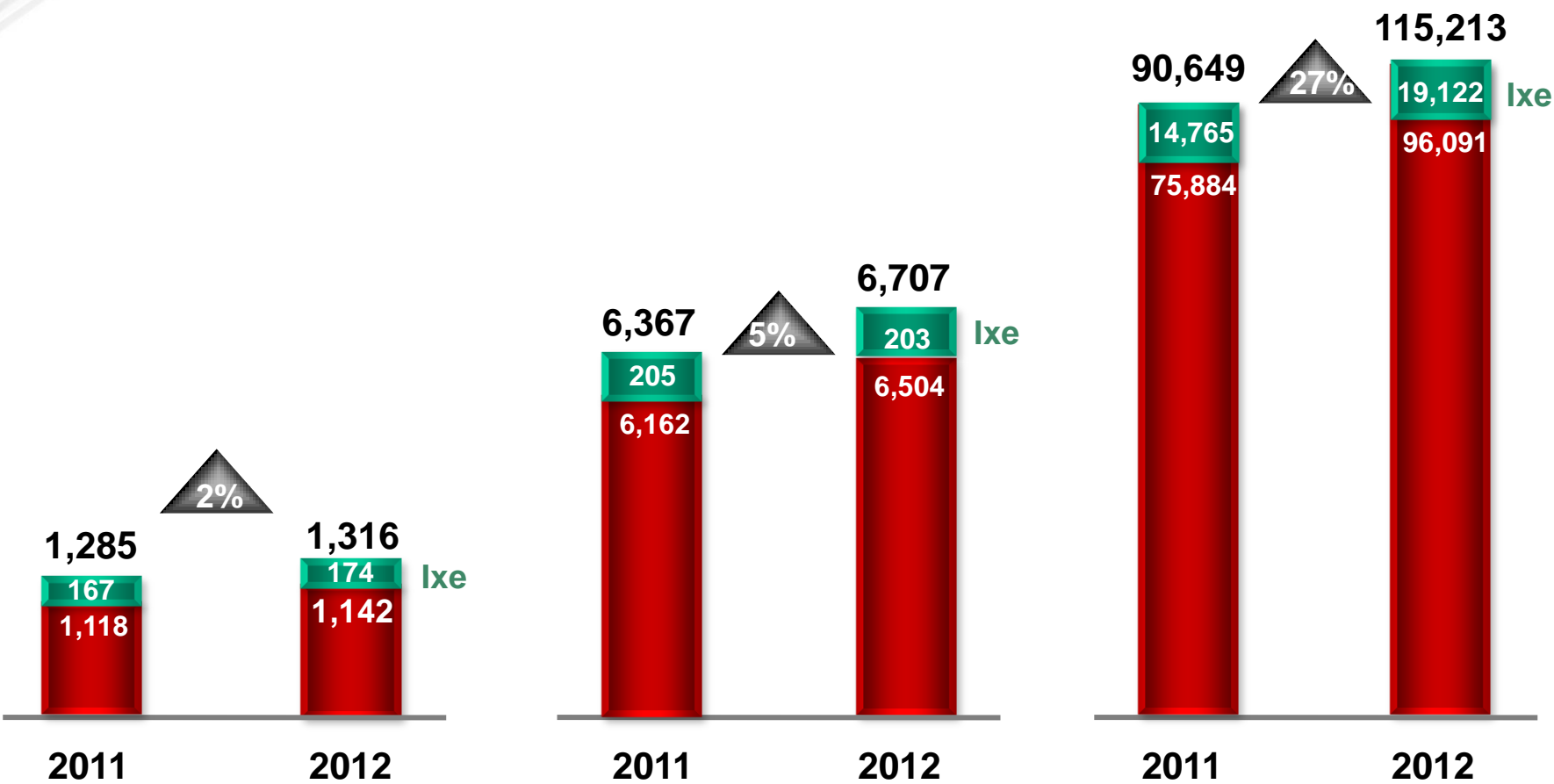
# Distribution Network

# Distribution Network

Branches

ATM's

POS's



# Subsidiaries

# Subsidiaries

**2012**  
**Million Pesos**

Company	Net Income	Change vs YoY	ROE
<b>Banking Sector</b>	<b>8,920</b>	<b>36%</b>	<b>16.9%</b>
Banco Mercantil del Norte	7,505	20%	
Ixe Banco	754	161%	
Banorte-Ixe Tarjetas	662	-	
<b>Broker Dealer</b>	<b>681</b>	<b>63%</b>	<b>27.7%</b>
<b>Long Term Savings</b>			
Afore	532	155%	39.4%
Aseguradora Banorte	471	39%	32.1%
Pensiones Banorte	49	93%	8.1%
<b>Other Finance Companies</b>			
Arrendadora y Factor Banorte	604	(2%)	22.4%
Almacenadora Banorte	43	8%	17.1%

## Net Income in Million Pesos

	2011	2012
Total	451	571

▲ 27%

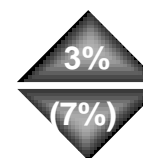
## AUM Billion Pesos

	2011	2012	Change YoY
Proprietary Assets	40.4	40.3	-
Acquired Assets	27.6	28.8	4%
Investment Projects	7.2	7.0	(3%)
Managed Assets "Su Casita"	6.4	6.4	(1%)
Ixe Assets	6.5	7.8	21%
Total	88.1	90.3	2%

# Inter National Bank

Million Dollars

	2011	2012
Pre-Tax Net Income *	28.0	22.1
Provisions	17.7	5.2
Net Income	7.1	11.4
NIM	3.2%	3.0%
ROE	1.8%	2.7%
ROA	0.3%	0.5%
Efficiency	64.1%	69.7%
Total Deposits	1,646	1,700
Performing Loans	753	697
PDL Ratio USGAAP	3.8%	1.1%
Coverage Ratio USGAAP	71.2%	174.1
Classified Assets to Capital	46%	23%



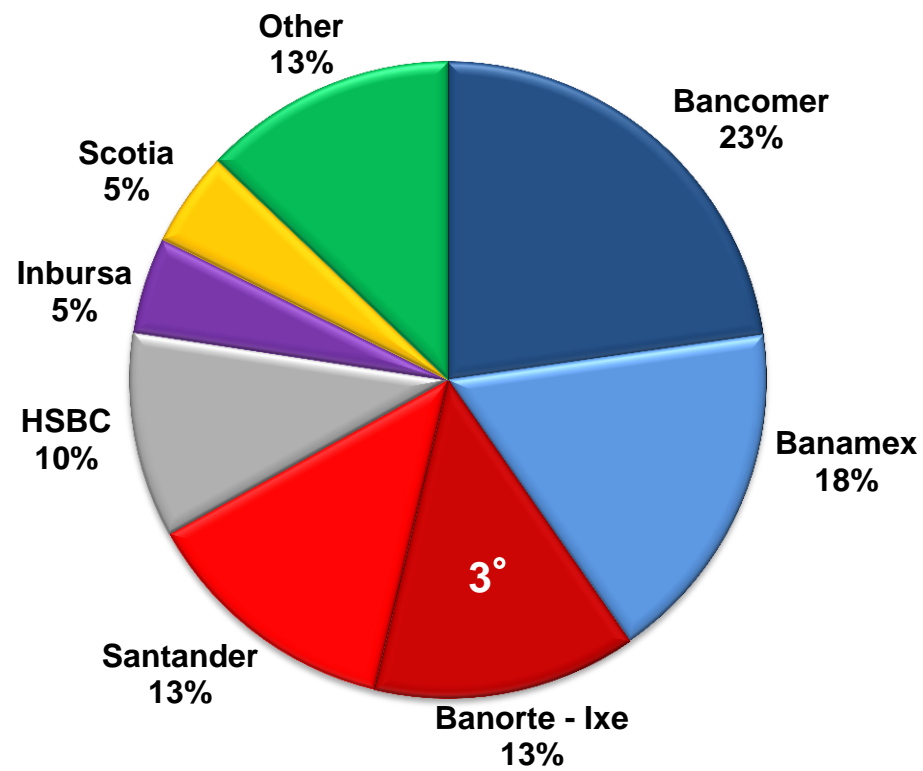
\* Before Provisions

# Industry Trends

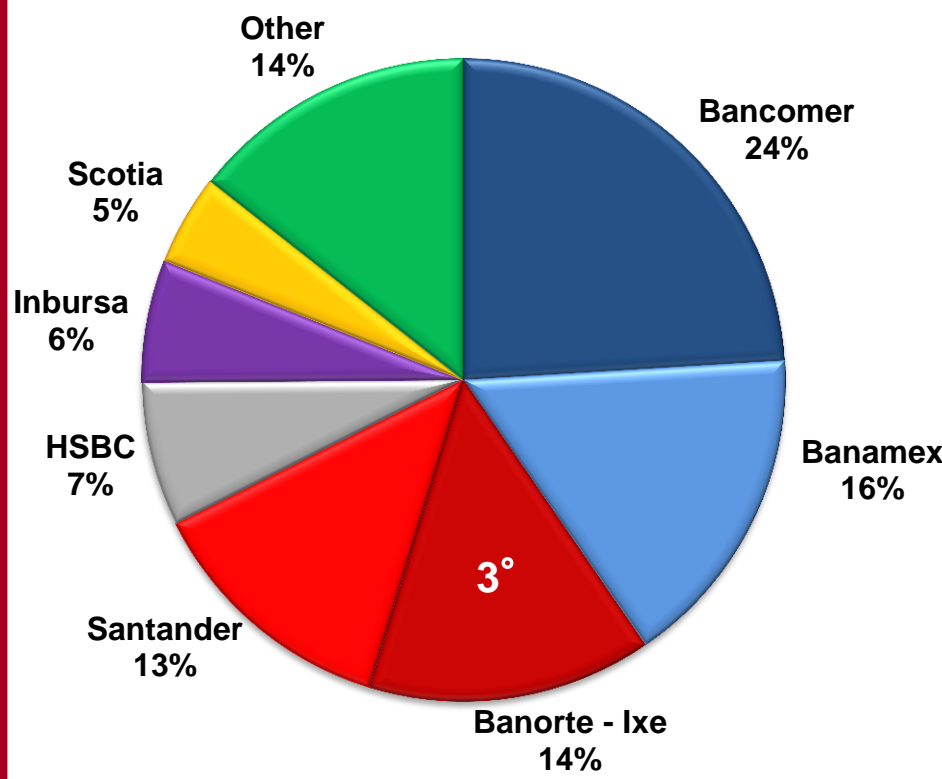
# Market Share

November 2012

## DEPOSITS



## LOANS



Source: CNBV.

# Market Share by Segment

	Consumer		C. Cards		Mortgage		Commercial		Government	
	Nov-11	Nov-12	Nov-11	Nov-12	Nov-11	Nov-12	Nov-11	Nov-12	Nov-11	Nov-12
Bancomer	26.4%	24.3%	35.6%	35.0%	35.4%	33.8%	19.0%	18.7%	25.3%	23.0%
Banamex	20.3%	21.1%	31.3%	30.3%	14.5%	15.0%	14.6%	14.4%	11.4%	11.0%
<b>Banorte- Ixe</b>	<b>9.0%</b>	<b>9.2%</b>	<b>5.8%</b>	<b>6.7%</b>	<b>15.5%</b>	<b>16.1%</b>	<b>13.5%</b>	<b>14.2%</b>	<b>20.5%</b>	<b>22.3%</b>
Santander	8.7%	8.3%	12.4%	13.9%	15.4%	15.5%	14.0%	14.0%	9.9%	9.3%
HSBC	5.8%	5.6%	6.9%	6.3%	4.6%	4.4%	9.1%	8.8%	6.7%	7.3%
Scotia	4.9%	4.7%	1.8%	1.6%	10.9%	11.0%	4.0%	3.9%	3.2%	1.4%
Inbursa	3.6%	1.7%	0.0%	0.0%	0.3%	0.3%	12.2%	11.2%	3.7%	3.7%
Other	21.3%	25.1%	6.1%	6.3%	3.3%	3.9%	13.5%	14.8%	19.2%	22.0%

Market Position	3°	4°	2°	3°	2°
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Source: CNBV.

# Retirement Savings Market Share

	Workers (Million)				Billion Pesos			
	Accounts		Market Share		Assets		Market Share	
	Nov-11	Nov-12	Nov-11	Nov-12	Nov-11	Nov-12	Nov-11	Nov-12
<b>XXI Banorte Proforma*</b>	<b>2.80</b>	<b>11.75</b>	<b>9.2%</b>	<b>27.2%</b>	<b>94</b>	<b>522</b>	<b>6.1%</b>	<b>28.0%</b>
Banamex	6.36	7.90	20.9%	18.3%	259	321	16.8%	17.2%
<b>XXI Banorte**</b>	<b>2.80</b>	<b>7.27</b>	<b>9.2%</b>	<b>16.8%</b>	<b>94</b>	<b>242</b>	<b>6.1%</b>	<b>13.0%</b>
Sura	3.97	6.20	13.1%	14.3%	209	253	13.6%	13.6%
Principal	2.43	3.91	8.0%	9.0%	105	126	6.8%	6.8%
Coppel	2.95	3.93	9.7%	9.1%	45	63	2.9%	3.4%
Profuturo GNP	2.66	3.05	8.8%	7.1%	167	216	10.8%	11.6%
Invercap	1.09	2.92	3.6%	6.8%	59	98	3.8%	5.2%
Other	4.51	3.55	14.8%	8.3%	372	263	24.3%	14.1%

Source: CONSAR. \*Considering Afore Bancomer. \*\*Data as of 2011 includes Banorte Generali and Afore XXI is in "Other."

## **Contact Information**

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