

## **GFNORTE REPORTS NET INCOME OF PS 13.51 BILLION; AN INCREASE OF 24% YOY VS. 2012.**

- In 4Q13 GFNORTE reported a Ps 3.62 billion profit, 3% above QoQ vs. 3Q13 and 20% higher YoY vs. 4Q12.
- Core deposits increased 15% YoY, from Ps 335.71 billion in 4Q12 to Ps 384.42 billion in 4Q13.
- As at the end of 4Q13, growth in performing loans was 6%, an increase of Ps 23.61 billion totaling Ps 425.04 billion.
- As at the end of 4Q13 the Non Performing Loan (NPL) Ratio was of 3.1%, 1 percentage point (pp) more than 4Q12, and 0.1 pp lower QoQ vs. 3Q13.
- The Group's loan loss reserve coverage was 105% at the end of 4Q13, 34 pp lower YoY vs. 2012 and 1 pp below vs. 3Q13.
- Banorte's Capitalization Ratio was 15.12% at the end of 4Q13.
- GFNORTE advanced the payment of ordinary dividends corresponding to the first semester of 2014.
- GFNORTE announced the total payment to the International Finance Corporation for its investment in Banorte in 2009.
- The Banker awards Banorte as the "Bank of the Year 2013 - Mexico" and the "Best Private Bank in Mexico 2013".
- Three new appointments were announced on the GFNORTE's structure: José Antonio Murillo Garza as Managing Director of Analytics, Felipe Duarte Olvera as Managing Director of Client Experience and Ajax Carranza Segura as Managing Director of Communications and Institutional Relations.

**Mexico City, January 30<sup>th</sup>, 2014** Grupo Financiero Banorte (GFNORTE) reported today its results at the closing of December, 2013. GFNORTE registered profits of Ps 13.51 billion, 24% higher YoY vs. 2012 as a result of the positive operating leverage obtained through a 13% YoY growth in total income, 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, offset higher loan loss provisions. The 4Q13 profits amounted to Ps 3.62 billion, 3% above the previous quarter and 20% higher YoY vs. 4Q12; both as a result of the reduction in provisions, the integration of Afore Bancomer's profits in Subsidiaries' results and a decrease in the minority interest derived from the acquisition of Generali's participation in the insurance and annuities companies, and on the quarterly comparison also due to higher Non Interest Income.

Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) contributed with Ps 9.36 billion, 69% of GFNORTE's profits, a 25% YoY increase. In 4Q13, Banco Mercantil del Norte contributed with Ps 2.62 billion, or 72% of consolidated quarterly earnings.

In 2013, Return on Equity (ROE) was 14.2%, 12 basis points lower YoY vs. 2012, while Return on Assets (ROA) was 1.4%, 15 basis points higher YoY.

- **Deposits and Net Interest Income**

In 4Q13 core deposits increased 15% YoY, driven mainly by efforts to promote Banorte and Ixe deposit products. Demand deposits grew by 21% YoY and retail time deposits by 4%. As a result, core deposits rose by Ps 48.71 billion, from Ps 335.71 billion in 4Q12 to Ps 384.42 billion in 4Q13. Core deposits grew 6% for the quarter vs. 3Q13 on the back of an 8% increase in demand deposits and 1% in retail time deposits.

Net Interest Income during 2013 totaled Ps 37.18 billion, 13% above YoY vs. 2012, due to a better loan mix and higher loan origination fees, offsetting the decrease in the Net Interest Income of the Insurance and Annuities companies and higher interest expenses from servicing GFNorte's USD 800 million syndicated loan disbursed in

February and paid on July 26th. During 4Q13, Net Interest Income totaled Ps 9.60 billion, a 12% YoY increase vs. 4Q12 and a (1%) QoQ decrease vs. 3Q13. The YoY growth vs. 4Q12 was on the back of higher loan volumes in segments with a better mix, a lower cost of funding due to growth in core deposits and the payment of Ixe's subordinated notes with a fixed annual rate of 9.75% in dollars. The QoQ decline vs. 3Q13 was on the back of a decrease in Net Interest Income of the Insurance and Annuities companies, lower income from money market transactions derived from the trend on benchmark interest rates and negative impacts on currency valuation; which was partially offset by the growth in core deposits.

- **Loan Portfolio**

At the close of 4Q13, Total Performing Loans increased 6% YoY, growing by Ps 23.61 billion to Ps 425.04 billion. The Loan portfolio registered lower YoY growth rates mainly due to the economic slowdown registered in 2013 and the prepayments made by corporate clients, which were not offset by the origination of new loans in this segment during the year. Total Performing Loans increased 3% QoQ, mostly as a result of the growth in government, commercial, mortgage and payroll loan portfolios.

**Commercial** loans totaled Ps 113.80 billion, a 7% YoY and 4% QoQ increase, both due to increased placement of business loans, leasing and the reactivation of the Crediactivo product for businesses. **Corporate** loans totaled Ps 75.69 billion, a decline of (14%) YoY and (4%) QoQ, mainly due to the payment or classification to past due of some loans related to home developers, as well as prepayments received from some clients that used the proceeds from capital markets' transactions to settle their liabilities. At the close of December, **Government** loans totaled Ps 95.64 billion, representing an increase of 8% YoY and 6% QoQ as a result of ongoing efforts to continue meeting the demand for loans in this segment, especially from the Federal Government.

**Consumer** loans, which include mortgage loans, grew by 18% YoY. **Mortgage** loans maintained their rising trend to close the quarter at Ps 81.83 billion, a 13% YoY increase vs. 4Q12 and a 3% QoQ increase, keeping Banorte positioned as one of the banks with higher growth in loan volumes in this segment, despite a very competitive environment. **Payroll** loans totaled Ps 26.11 billion, increasing by 44% YoY vs. 4Q12 and 7% QoQ vs. 3Q13, 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 increased by 10% YoY and 2% QoQ reaching Ps 11.41 billion at the close of 4Q13, 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 20.36 billion at the close of 4Q13, a growth of 16% YoY and 3% QoQ, due to portfolio management strategies, promotional campaigns for Banorte – Ixe's products, and increased cross selling with clients.

The Financial Group's Past Due Loan ratio was 3.1% at the close of 4Q13, 1.0 pp higher YoY vs. 2012 and (0.1 pp) lower QoQ vs. 3Q13. The YoY growth is mainly due to an increase of past due loans in all segments, except Commercial and Government. Excluding the past due loans for the three troubled home developers, the NPL ratio would be 1.5%, 60 basis points below YoY and 30 basis points lower QoQ vs. 3Q13.

GFNORTE closed 4Q13 with past due loans of Ps 13.66 billion, a 61% YoY growth, mainly due to the increase in past due Corporate loans - especially of home developers - SMEs, Credit card, Mortgage and Payroll loans, as a result of the negative impact of slower economic growth. The (2%) QoQ decline was due to the decrease of past due loans in the Commercial portfolio. The Group's loan loss coverage was 104.6% at the close of 4Q13, (33.7 pp) lower YoY vs. 2012 and (1.0 pp) below vs. 3Q13; the YoY and QoQ reductions were mainly due to past due loans generated by exposures to home developers.

- **Efficiency**

The Efficiency Ratio during 2013 was 52.0%, 193 basis points below YoY vs. 2012, due to the positive operating leverage obtained; in 4Q13 it was 52.8%, a YoY and a QoQ increase of 229 basis points and 184 basis points, respectively, on the back of higher operating expenses and in the QoQ comparison due to a decline in Net Interest Income.

- **Capitalization**

Banco Mercantil del Norte's Capitalization ratio was 15.12% at the close of 4Q13, with a Total Tier ratio of 12.73% and a Core Tier 1 ratio of 11.48%.

- **Other Subsidiaries**

**Long Term Savings** comprised of Afore XXI Banorte, Insurance and Annuities reported Ps 1.96 billion in earnings during 2013, an 86% YoY increase vs. 2012, and Ps 666 million in 4Q13, 193% above YoY vs. 4Q12 and 51% higher vs. 3Q13. The YoY increases vs. 2012 and 4Q12 were due to the incorporation of Afore Bancomer's results, improved business dynamics in the Insurance and Annuities companies and to a lesser extent, the decrease in minority interest as a result of acquiring Generali's 49% participation in the Insurance and Annuities companies in October.

**Banorte - Ixe Tarjetas** reported profits of Ps 1.20 billion, 81% higher YoY vs. 2012, due to 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 portfolio management strategies. In 4Q13 profits were Ps 335 million, 2% higher YoY vs. 4Q12 and 21% above QoQ vs. 3Q13, due to the positive impact on margins and fees from loan growth, as well as a lower level of operating expenses.

The **Brokerage Sector** comprised of Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe, reported profits during 2013 of Ps 649 million, (5%) below YoY as a result of a decrease in operating income, and increases in operating expenses and income tax. 4Q13 earnings were Ps 154 million, (42%) lower YoY and 41% higher QoQ. The YoY decrease was due to lower interest income from repo operations caused by the negative impact of reduced market rates on the investment portfolio, as well as lower income from securities and derivatives trading as a result of changes in the market conditions.

**Other Finance Companies** comprised of Arrendadora y Factor Banorte, Almacenadora Banorte and Solida Administradora de Portfolios (which was spun-off from Banco Mercantil del Norte to later merge with Ixe Soluciones in May 2013), recorded profits of Ps 362 million in 2013.

### **Recent Events**

- **Grupo Financiero Banorte advanced the payment of ordinary dividends corresponding to the first semester of 2014.**

As was timely announced, the Ordinary General Shareholders' Meeting ("OGM") of Grupo Financiero Banorte, S.A.B. de C.V. ("GFNORTE") held on October 14<sup>th</sup>, 2013, approved the distribution of a cash dividend of Ps 0.7852 per outstanding share, to be paid in four installments of Ps \$0.1963 per share each, of which the first payment was made on October 23<sup>rd</sup>. Subsequently, in the OGM held on December 20<sup>th</sup>, 2013 it was approved, with representation of 88.25% of the total subscribed and paid shares of the Company's capital, to anticipate the payment to December 31<sup>st</sup>, 2013 of the dividends that would be disbursed on January 23<sup>rd</sup> and April 23<sup>rd</sup>, amounting to Ps 0.1983 per share, respectively. The fourth and last disbursement programmed for the second semester of 2014 remains unchanged and will be distributed on July 23<sup>rd</sup>, 2014, as agreed in the aforementioned Shareholders' Meeting of October.

- **GFNORTE announced the total payment to the International Finance Corporation for its investment in Banorte in 2009.**

Regarding the use of proceeds from the Global Public Offering carried out in July 2013, GFNORTE informed that as of December 6<sup>th</sup> the International Finance Corporation ("IFC") received the payment in order to finalize its participation in GFNORTE, equivalent to 54,364,887 shares of the Group; this participation derived from the IFC's investment in Banco Mercantil del Norte, S.A. ("Banorte") since 2009. With this payment, the IFC does not longer have any patrimonial interest on GFNORTE or its subsidiaries.

This payment was consistent with the information provided to the investment public during the equity offering carried out by GFNORTE, as well as with the content of the transaction documents.

- **The Banker awards Banorte as the "Bank of the Year 2013 - Mexico" and the "Best Private Bank in Mexico 2013".**

In December 2013, for the 6th time in the last 9 years, Banorte was awarded as the "Bank of the Year 2013 - Mexico" and the "Best Private Banking in Mexico 2013" through the Financial Times' specialized publication –The Banker– which recognizes and promotes excellence in the banking industry on a global standard.

The "Best Bank of the Year 2013 - Mexico" award considers factors such as growth of core capital, assets, the level of profits achieved by Banorte, and improvements in ROE and Efficiency during the past 12 months. The Group's growth strategy was another factor that the Financial Times considered in this award. Also, Afore Bancomer's acquisition finalized at the beginning of this year, the successful stock offering carried by GFNORTE in July of US 2.5 billion dollars (the largest offering made through the Mexican Stock Exchange - Bolsa Mexicana de Valores), the acquisition of Generali's stake in the Insurance and Annuities companies, as well as the strategic alliance with IBM to generate higher value propositions to customers, were important factors considered to give Banorte the award.

The Banker also awarded Banorte-Ixe as the "Best Private Bank in Mexico in 2013". The magazine considered Banorte-Ixe's success in integrating the two platforms of private banking, incorporating the best features of the two groups; asset management, investment processes and above all, a service culture characterized by the added value offered to clients through a comprehensive products offering, as well as their vision for the future, and innovation in new investment products and platforms.

- **Merger of Mutual Funds at Operadora de Fondos Banorte Ixe.**

During November and December 2013, 16 of the 43 mutual funds of Operadora de Fondos Banorte Ixe were merged, resulting in a range of 35 mutual funds.

Date of Merger	Merging Fund	Merged Fund
November 11th	"Ixe Fondo Patrimonial", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda	"Nortemm", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda.
November 11th	"Ixe Fondos Divisas 2", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda	"Ntecob", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda
November 27th	"Ixe Fondo de Mediano Plazo", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda	"Nteaño", S.A. de C.V. Sociedad de Inversión en Instrumentos de Deuda
November 27th	"Ixe Fondo de Corto Plazo", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda	"Ntemes", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda
November 27th	"Ixe Gub", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda	"Ntebono", S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda
December 5th	"Ixe Fondo Común", S.A. de C.V., Sociedad de Inversión de Renta Variable	"Norteacc", S.A. de C.V., Sociedad de Inversión en Instrumentos de Renta Variable
December 5th	"Ixe Fondo Estrategia 1" S.A. de C.V., Sociedad de Inversión de Renta Variable	"Nortecon", S.A. de C.V., Sociedad de Inversión de Renta Variable
December 5th	"Ixe Fondo Estrategia 2" S.A. de C.V., Sociedad de Inversión de Renta Variable	"Norteequilibrado", S.A. de C.V., Sociedad de Inversión de Renta Variable

- **Banorte-Ixe Securities complies with terms and conditions of the Letter of Acceptance Waiver and Consent issued by FINRA.**

On January 28<sup>th</sup>, 2014. GFNorte informed that Banorte-Ixe Securities ("BSI") had accepted the terms and conditions of the Letter of Acceptance Waiver and Consent ("AWC") issued by the Financial Industry Regulatory Authority

("FINRA") in the U.S., in which the aforementioned observed two primary regulatory deficiencies in some of BSI's policies and processes; imposing a fine of US 475,000 dollars, which was paid in full by BSI.

GFNorte's management is permanently committed to complying with the applicable regulations in all the jurisdictions where its affiliates operate. Thus corrective actions to internal policies and procedures have been implemented in order to comply with the regulatory requirements of U.S. authorities, which have increasingly scrutinized the businesses of financial institutions in Latin American. GFNorte acknowledges that any deficiency is unacceptable, and therefore has enhanced its systems in order to correct the areas cited by the regulator.

GFNorte and BSI remain committed to providing their Mexican clients with world class services and products that satisfy their particular financial needs in the U.S. markets, but always under the premise of comprehensively complying with the applicable regulations in the U.S. and in cooperation with its authorities.

- **New York Banorte Day.**

Last November 25<sup>th</sup>, Grupo Financiero Banorte's top management, carried out a new edition of *Banorte Day* in New York City, a meeting with more than 100 national and international analysts and investors, in which the institution's current ability to generate value after recent acquisitions was demonstrated, as well as the business transformation strategy, the new model of retail banking and the advances in technology.

Besides Alejandro Valenzuela (CEO) and Guillermo Ortiz (Chairman of the Board), the following executives participated during *New York Banorte Day*: Gabriel Casillas, Managing Director of Economic Analysis; Rafael Arana, Chief Operating Officer; David Suárez, CFO and Head of IR; Fernando Solís, Managing Director of Long-term Savings, Concepción Borjón, leader of Sumando project; Javier Salgado, Deputy Managing Director of Branch Management; Ignacio Aldonza, Managing Director of Technology and Operations; Andrés Aymes, Territorial Director for Southern Mexico; Jesús Garza, Managing Director of Commercial Banking; Manuel Romo, Managing Director of Consumer Products, and Marcos Ramírez, Managing Director of Wholesale Banking.

- **Establishment of China Desk.**

In December, Banorte-Ixe announced the creation of "China Desk", covering all the Mexican territory, formed by a team of Chinese and Mexican executives, highly specialized in providing services to Chinese companies established in Mexico or interested in developing business relations in our country.

The "China Desk" offers comprehensive financial solutions that facilitate the establishment of business relationships for Mexican companies with the Asian country and encourages direct investment from China in our country by offering a broad range of financial products and services in Commercial Banking, SME banking, Business and Corporate Banking, Transactional Banking, International Trade, Leasing and Factoring, Investment Banking, among others.

- **Soriana, joins the network of third party correspondents**

As of January 2014, Banorte's clients and accountholders may pay their credit card, online and in real time, all year round in more than 600 Soriana stores. Banorte expands its correspondent network from 4,147 - at the end of December 2013 - to 4,763 currently.

- **Banorte Móvil is awarded as the best financial application.**

In November, Banorte Mobile was awarded the best of e-business in 2013 during the third edition of the CNN Expansion Awards for the Pago Móvil service, which enables users to pay with their cell phone at retail and online establishments without using a physical card. More than 193 small, medium and large companies, entrepreneurs and educational and government institutions were postulated to 11 categories.

- **Credit Ratings.**

Standard & Poor's increases the ratings for Banorte and Casa de Bolsa Banorte Ixe

## Press Release

Derived from the upgrade in the foreign and domestic long-term sovereign ratings of Mexico to “BBB+” and “A”, respectively, last December 20<sup>th</sup>, Standard & Poor’s Ratings Services raised Banorte’s global scale ratings from BBB-/A-3 with positive outlook to BBB/A2 with stable outlook.

Furthermore, S&P increased Banorte’s and Casa de Bolsa Banorte Ixe’s national scale ratings, from mxAA+/mxA-1+ with positive outlook to mxAAA/mxA-1+ with stable outlook, respectively.

- **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, all of them reporting directly to Rafael Arana de la Garza (COO):

**José Antonio Murillo Garza** as Managing Director of Analytics, responsible for management and trend analysis of institutional information in order to generate better value propositions to clients, **Ayax Carranza Segura** was appointed as Managing Director of Communications and Institutional Relations, in charge of relations with media and other external agents and **Felipe Duarte Olvera**, was appointed as Managing Director of Client Experience, in charge of ensuring quality in the interaction processes with clients and their continuous improvement.

- José Antonio Murillo was previously Advisor to the Chairman of the GFNorte’s Board of Directors. Formerly, had a long career at the Mexican Central Bank (Banco de México), in his last position he was Director of Price, Regional Economies and Information Analysis and was Advisor to the International Monetary Fund. He has been professor at ITAM, El Colegio de México and Rice University and has published several articles in specialized economic magazines; he holds a degree in Economics from ITAM and a Ph.D in Economics from Rice University.
- Ayax Carranza was previously Executive Director of Communication and Institutional Relations. He has been Deputy Managing Director of the National Council for Normalization and Certification of Competences, Managing Director of Social Communication at the Education Ministry (SEP) and Deputy Director of Corporative Communication and Image at Gruma, among others. Ayax has a degree in Economics from Universidad Tecnológica de México (UNITEC) and a Master’s degree in Business Administration from Instituto Politécnico Nacional.
- Felipe Duarte Olvera was previously Advisor to the Financial Group’s CEO. Between 2006 and 2012, he was Deputy Minister of Transport at the Ministry of Communication and Transport, Deputy Minister of Competitiveness and Normativity at the Ministry of the Economy, and Technical Secretary of the previous administration’s Economic Cabinet. He previously worked at McKinsey and Co. and at the Office of the Presidency for Public Policies. He holds a degree in Management and Public Accounting from ITAM and a Master’s in Business Administration (MBA) from Harvard Business School.

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