

# **GFNORTE 1Q11 Results**

**Conference Call**  
April 29, 2011.

# Material Events

- **Merger between GFNorte and Ixe.** During the quarter, we obtained authorization to carry out the merger with Ixe by the National Banking and Securities Commission (CNBV), the Shareholders' Assemblies, the Ministry of Finance and Public Credit (SHCP) and the Antitrust Commission (COFECO). The merger became effective on 15 April after the approval and merger agreements were registered in the Public Registry of Commerce in Monterrey, Nuevo León. In order to carry out the capital stock increase and share exchange: GFNorte increased the variable portion of its capital stock by issuing 308,010,234 shares considering an exchange ratio of 0.3889943074 GFNorte shares per Ixe share. Also, GFNorte replaced all of its outstanding shares in circulation with new securities representing the total shares issued by GFNorte and carried out the exchange of Ixe's shares for GFNorte's shares.
- **Standard & Poor's ratified Banorte's rating.** On March 22nd, 2011 the rating agency Standard and Poor's ("S&P") affirmed its rating for Banco Mercantil del Norte S.A with a "Stable" outlook, and affirmed the BBB- / A-3 global scale counterparty credit and certificate of deposit ratings. It also affirmed the BBB- rating of Banorte's Senior Unsecured Debt. This report was the result of an analysis made by the rating agency on the current performance of the Bank and its business perspectives after the merger of GFNorte with Ixe. In relation to the merger with Ixe, S&P estimates that Banorte's above-average business profile and its increasing market position with a penetration strategy, will provide the merged bank with more geographical and customer diversification.

# Material Events

- **Fitch confirmed its rating for GFNorte and upgrades ratings of Ixe Grupo Financiero.** In April, Fitch confirmed GFNorte's with a "Stable" outlook ratifying the rating of "BBB". This confirmation reflects Fitch's opinion that there will be a moderate effect on GFNorte's financial profile, since the merger with Ixe was completed under a shares exchange mechanism, and because it did not involve any cash disbursement, there will be no negative impact to GFNorte's liquidity and capitalization profiles. Fitch also upgraded Ixe GF's national scale rating from "A-(mex) to AA+" and those of its subsidiaries to align them with the GFNorte's ratings. Fitch withdrew Ixe GF's ratings in the moment that the merger became effective on April 15th.
- **GNorte's Board of Directors.** On February 18<sup>th</sup>, the Shareholders' Assembly approved by a majority of 86% to appoint Roberto Gonzalez Barrera as Chairman Emeritus of the Group and Guillermo Ortiz Martinez as Chairman and Related Proprietary Member of the Board of Directors.
- **Banorte formalizes strategic alliance with Cardtronics.** On March 30th, Banorte and Cardtronics reached an agreement in order to integrate 2,000 ATMs into GFNorte's existing network. With this strategic alliance, and the merger of Ixe in GFNorte, it will have one of the largest ATM networks in Mexico, offering clients from Banorte and Ixe access to more than 7,000 ATMs free of service fees, by yearend.

# Material Events

- **Sale of Gruma's Stock in GFNorte.** On February 14th, GFNorte announced the sale of 161.4 mm shares, excluding the over-allotment option, at a price of Ps \$ 52.0 per common share through an international offering and a public offering in Mexico by the selling shareholder Gruma. GFNorte also informed that the Mexican and International underwriters decided to exercise the over-allotment option fully on February 11th, 2011, as a result of this, all of the shares included in the Global Offering were settled on February 15th, 2011. Consequently, the total proceeds from the Offering of 177.5 mm shares were delivered to the selling shareholder Gruma. After this offering Gruma no longer owns any of GFNorte's share capital.
- **Payment of a cash dividend corresponding to the 2009 fiscal year.** The Ordinary General Shareholders' Meeting held on February 18th approved to distribute a cash dividend of Ps \$ 0.17 pesos per share paid on February 28<sup>th</sup> 2011. In the Annual General Shareholders' Meeting to be held on April 29th, a proposal will be presented to distribute a cash dividend of Ps \$ 0.18 pesos per share to be paid in May 2011. These two payments correspond to the second and third payments in order to cover the total of Ps \$ 0.52 per share, which was the total amount of the dividend corresponding to profits for 2009 decreed by the Shareholders' Assembly in October 2010.

# Changes in Accounting Criteria

- On October 25th, 2010, the Mexican National Banking and Securities Commission (CNBV) published a resolution that modifies the Methodology for rating non-revolving Consumer and Mortgage loans, so that preventive provisions for loan risk will be calculated based on the expected loss instead of the incurred loss. This change went into effect on March 1st, 2011.
  - ✓ On March 31st, 2011, the Financial Group recognized in Shareholders' Equity (results of previous fiscal years), the initial accumulated financial effect.
  - ✓ The full pre-tax impact was Ps 628 million, or Ps 582 million considering the percentage of Banorte owned by the Group.
- In January 2011 the CNBV issued a series of regulations to modify the accounting criteria of the following:
  - I. **Controlling Companies**
    - ✓ “Application of particular norms”. (Criteria A-2). As of February 1st, consolidating Permanent Investments in Insurance or Annuities companies must be consolidated with the financial statements of the controlling companies. As a consequence, the consolidation of “Seguros y Pensiones Banorte Generali” (the Insurance and Annuities companies) has initiated.

# Changes in Accounting Criteria

## II. Credit Institutions:

- **“Loan Portfolio” (Criteria B-6).** Charged Fees for restructured loans must be deferred, amortizing them in the Income Statement as interest income during the new term of the loan, among other changes.
- **“Income Statement” (Criteria D-2).** The Income Statement is modified, mainly eliminating the items of "Non Operating Income (Expenses), net " and the accounts that were previously registered there will now be registered under "Other Operating Income (Expenses)" in the Income Statement.
- **“Investments in Securities” (Criteria B-2).** Securities held to maturity and Negotiable instruments as Securities available for Sale can be reclassified under extraordinary circumstances (the lack of market liquidity, no active market for the reclassification, etc), with prior evaluation and validation by the CNBV.
- **“Derivatives and hedging transactions”.** (Criteria B-5). Embedded derivatives are no longer valued in currencies commonly used in trading contracts for unfinanced items in the economic environment in which the transaction is carried out.

# Results 1Q11

# Yearly Recap GFNorte

Million Pesos

	1Q10		1Q11
Net Income	1,580	▲ 15%	1,815
ROE	15.2%		15.5%
ROA	1.1%		1.2%
Efficiency	50.7%		52.2%
Net Interest Margin	4.2%	▲ 0.2	4.4%
Performing Loan Growth	0.5%		14.2%
Past Due Loan Ratio	2.5%		2.3%
Stock Price (pesos)	54.57	▲ 3%	55.98
Book Value Per Share	20.80	▲ 14%	23.61



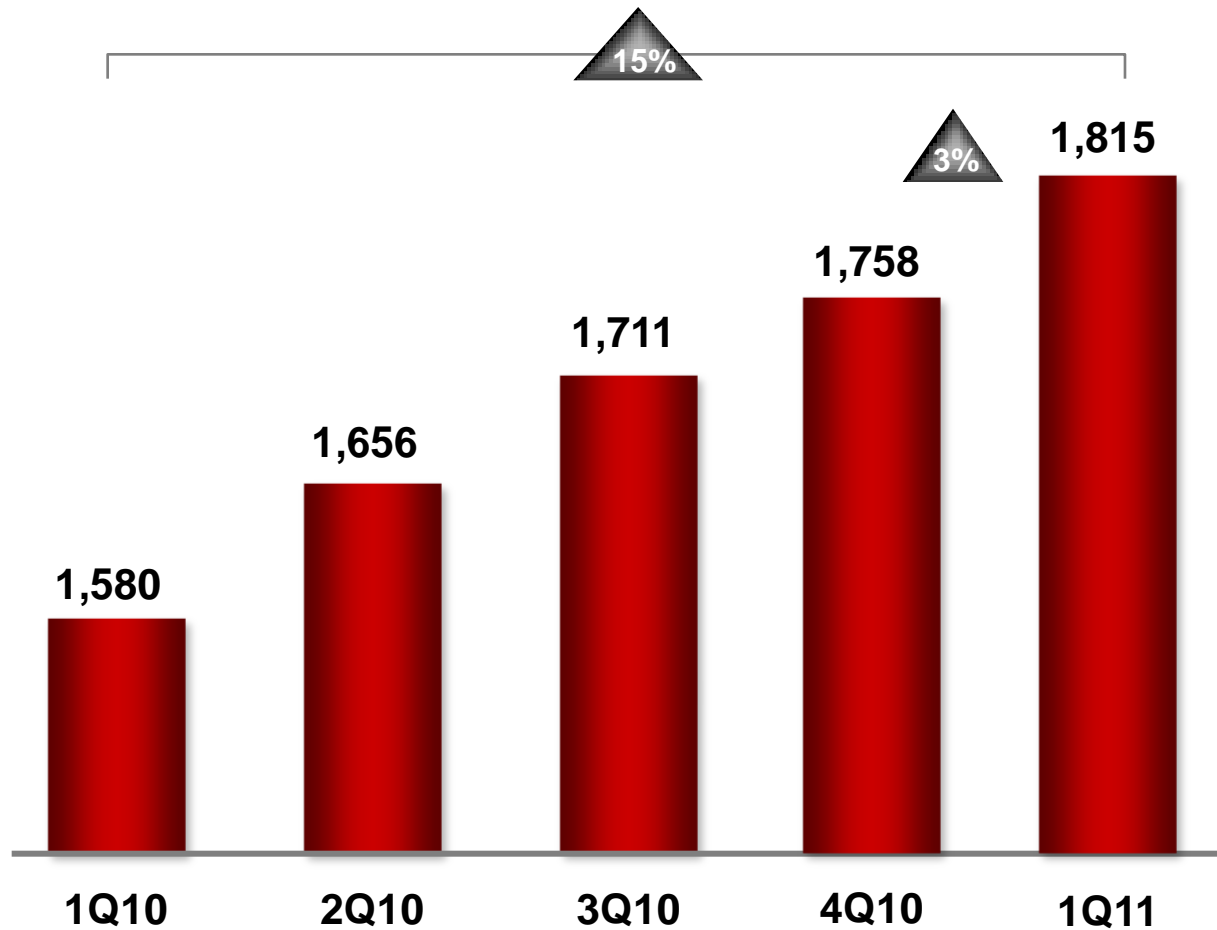
# Income Statement

Million Pesos

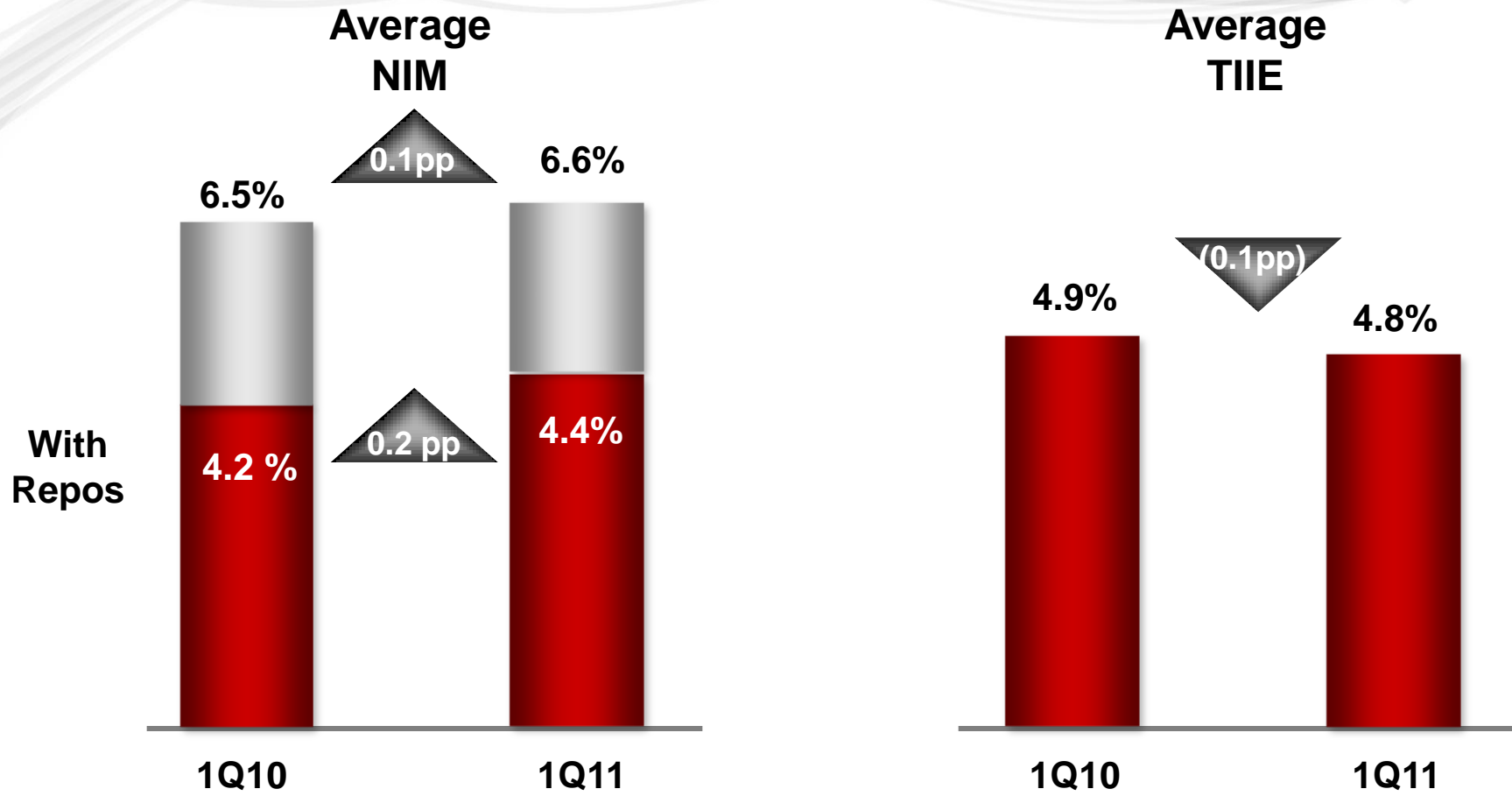
	1Q10	4Q10	1Q11	Change QoQ	YoY
Net Interest Income	5,562	5,976	6,277	5%	13%
Non Interest Income	2,698	3,321	2,632	(21%)	(2%)
<i>Service Fees</i>	1,614	1,824	1,469	(19%)	(9%)
<i>Recoveries</i>	195	227	220	(3%)	13%
<i>FX &amp; Trading</i>	585	193	517	167%	(12%)
<i>Other Income (expenses)</i>	304	1,076	427	(60%)	41%
Total Income	8,260	9,297	8,909	(4%)	8%
Non Interest Expense	4,189	4,815	4,653	(3%)	11%
Net Operating Income	4,071	4,482	4,256	(5%)	5%
Provisions	1,772	1,876	1,338	(29%)	(25%)
Income Tax	659	720	847	18%	29%
Subs & Minority Interest	(61)	(128)	(257)	101%	324%
Net Income	1,580	1,758	1,815	3%	15%

# Quarterly Net Income

Million Pesos



# Net Interest Margin

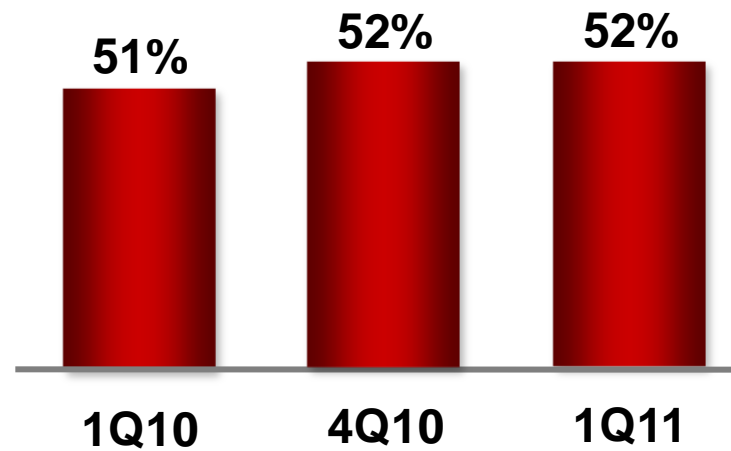


# Non Interest Expense

Billion Pesos

	1Q10		1Q11
Total Expense	4.2	▲ 11%	4.7*

## EFFICIENCY RATIO



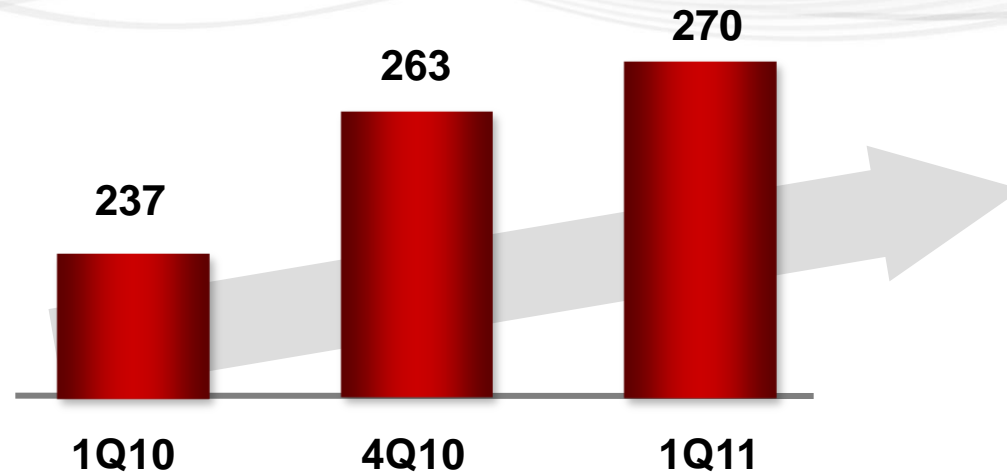
# Deposits

Billion Pesos

Deposits	1Q09		1Q10		1Q11
Demand	120	▲ 5%	126	▲ 15%	145
Time	82	▲ 5%	86	▲ 4%	90
<b>Core Deposits</b>	<b>203</b>	<b>▲ 5%</b>	<b>212</b>	<b>▲ 10%</b>	<b>234</b>
<b>Mix</b>					
Demand	59%		59%		62%
Time	41%		41%		38%
	100%		100%		100%

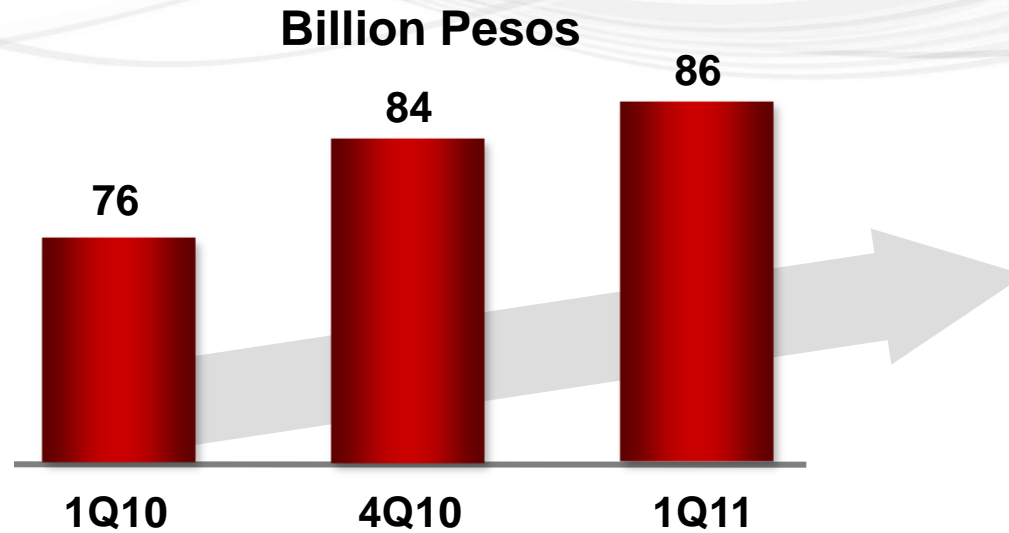
# Performing Loan Portfolio

Billion Pesos



	1Q10	4Q10	1Q11	Change	
				QoQ	YoY
Consumer	76	84	86	3%	13%
Commercial	80	88	87	(0%)	9%
Corporate	39	44	46	3%	17%
Government	41	48	51	8%	25%
<b>Total</b>	<b>237</b>	<b>263</b>	<b>270</b>	<b>3%</b>	<b>14%</b>

# Performing Consumer Loan Portfolio

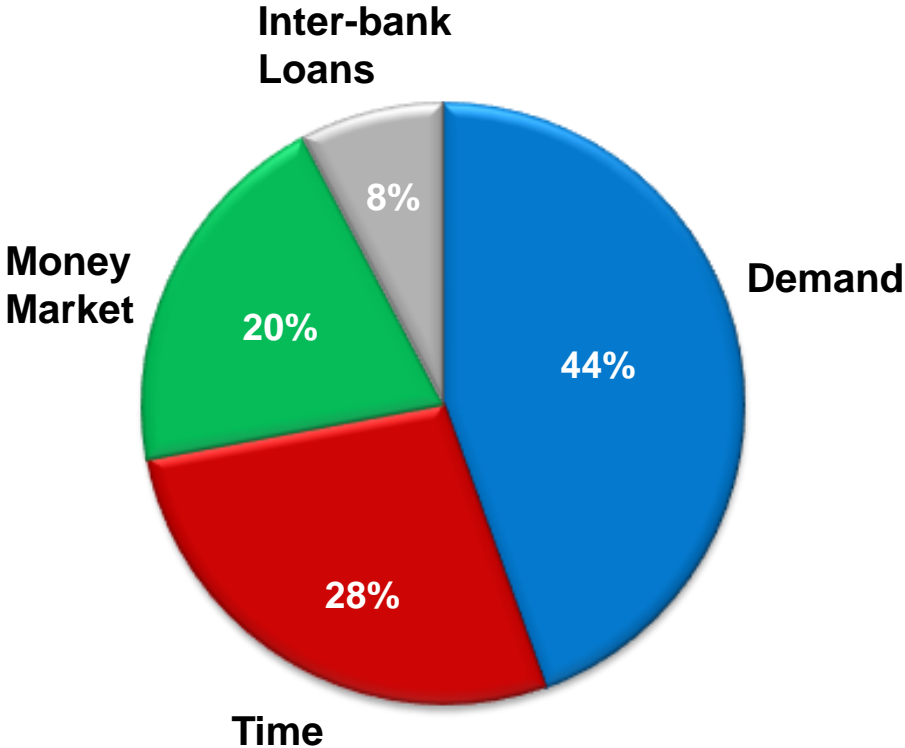


	1Q10	4Q10	1Q11	Change	
				QoQ	YoY
Mortgage	50	56	57	2%	13%
Car	8	8	8	3%	12%
Credit Card	11	11	11	(2%)	(3%)
Payroll	7	9	9	11%	36%
<b>Consumer</b>	<b>76</b>	<b>84</b>	<b>86</b>	<b>3%</b>	<b>13%</b>

# Funding and Loan Portfolio Structure

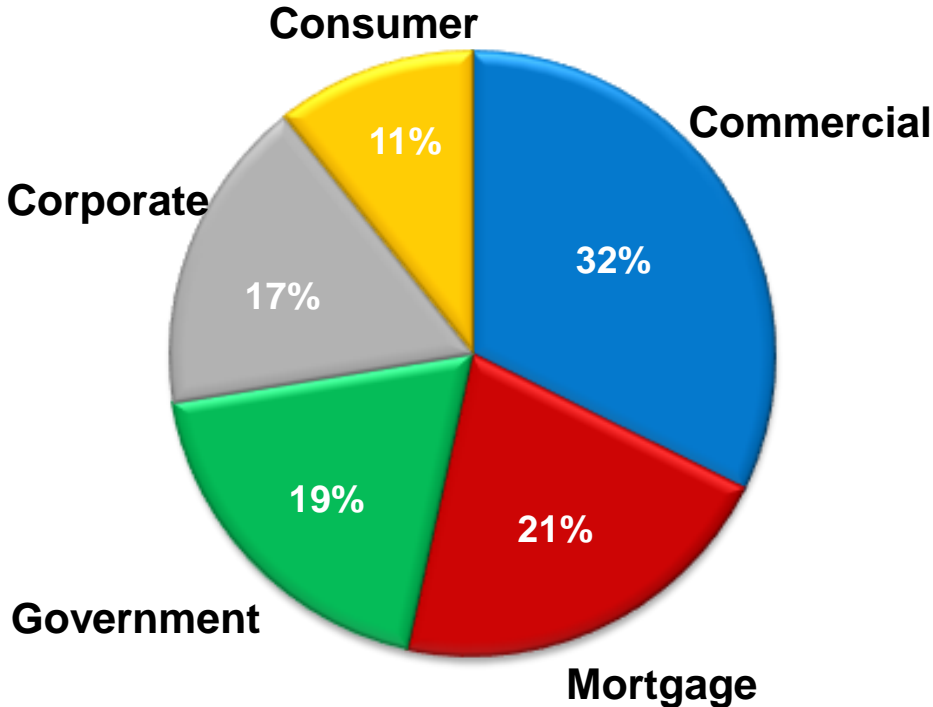
## FUNDING

\$325 Billion Pesos



## LOAN PORTFOLIO

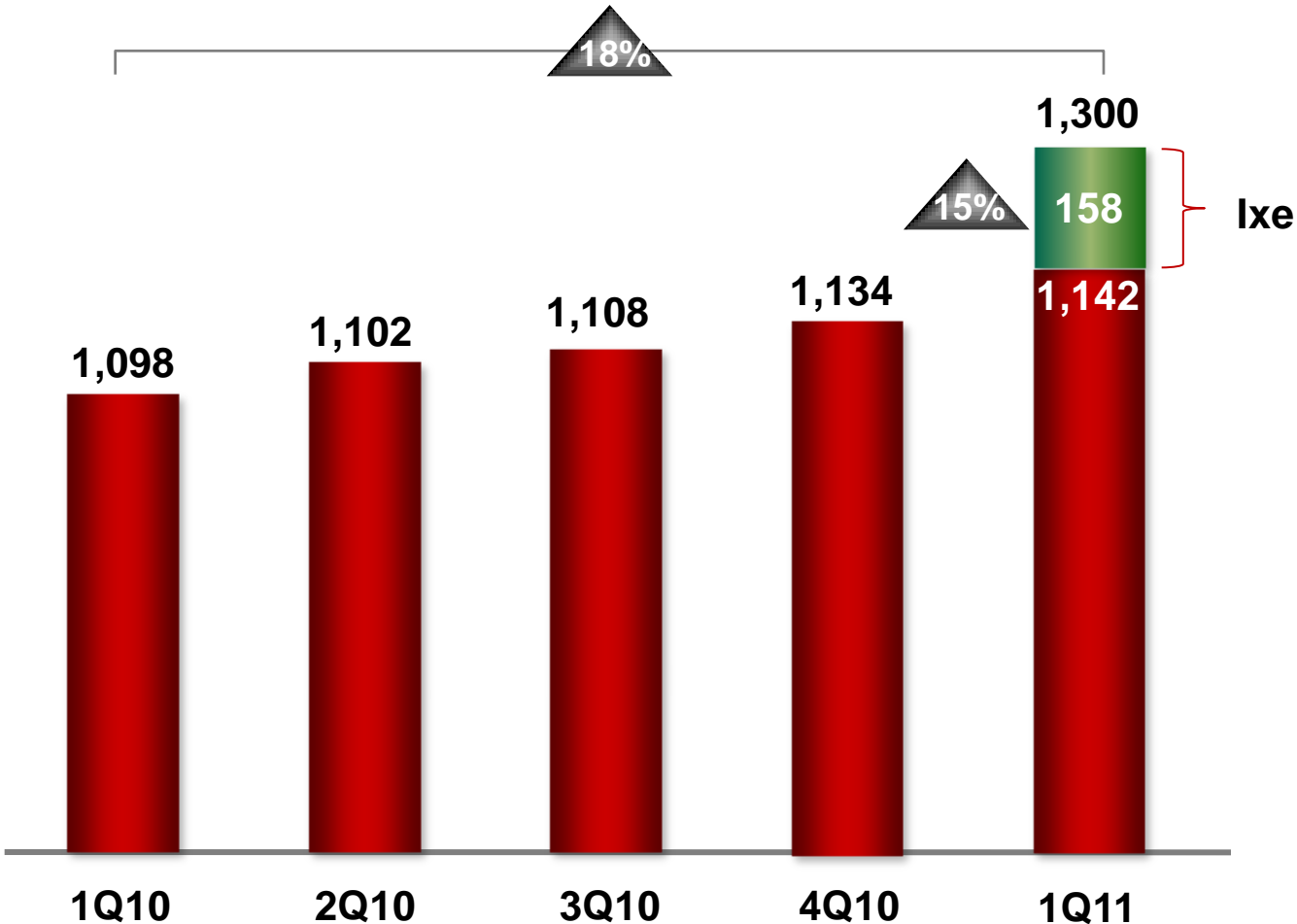
\$277 Billion Pesos





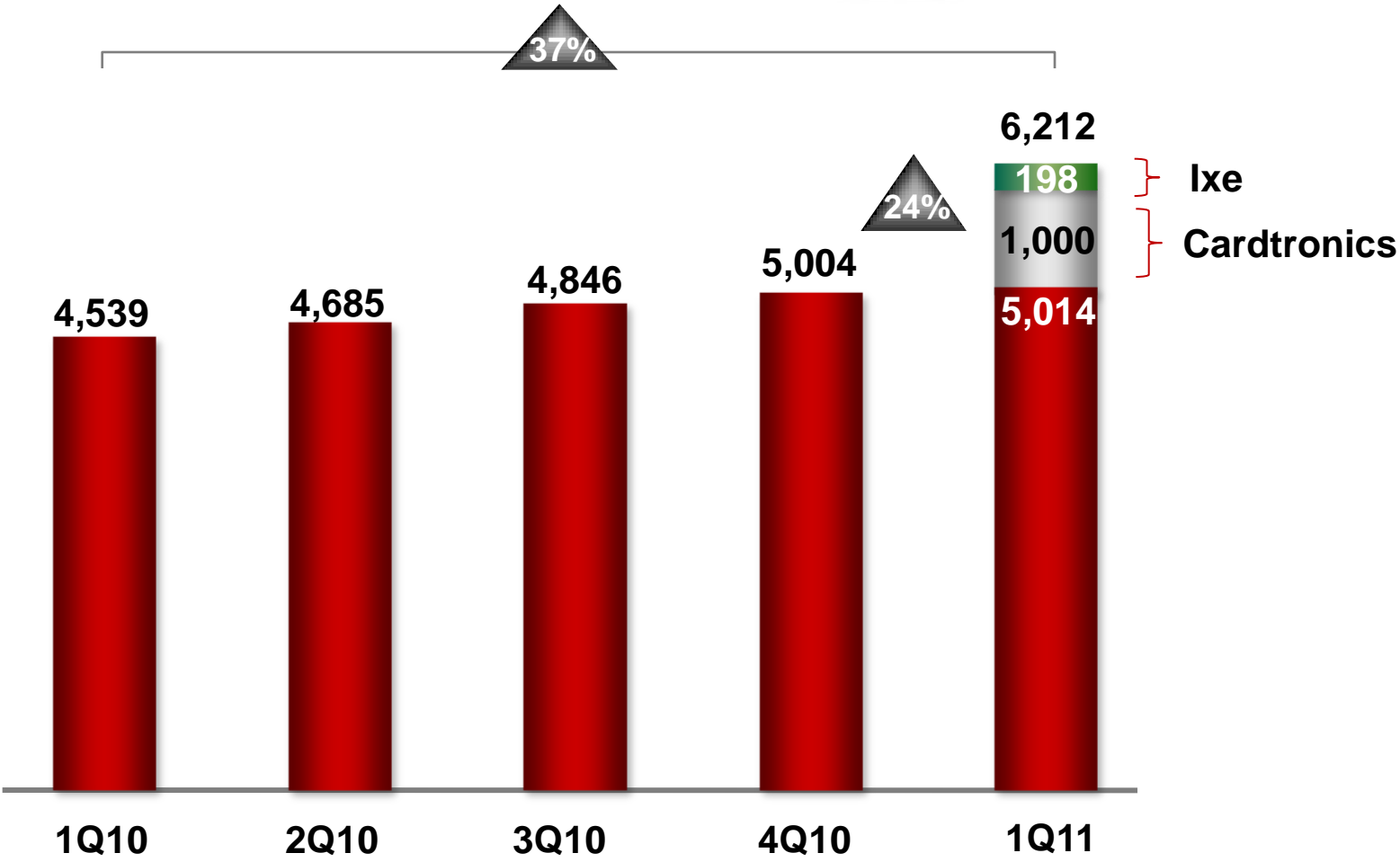
# Distribution Network

## Branches



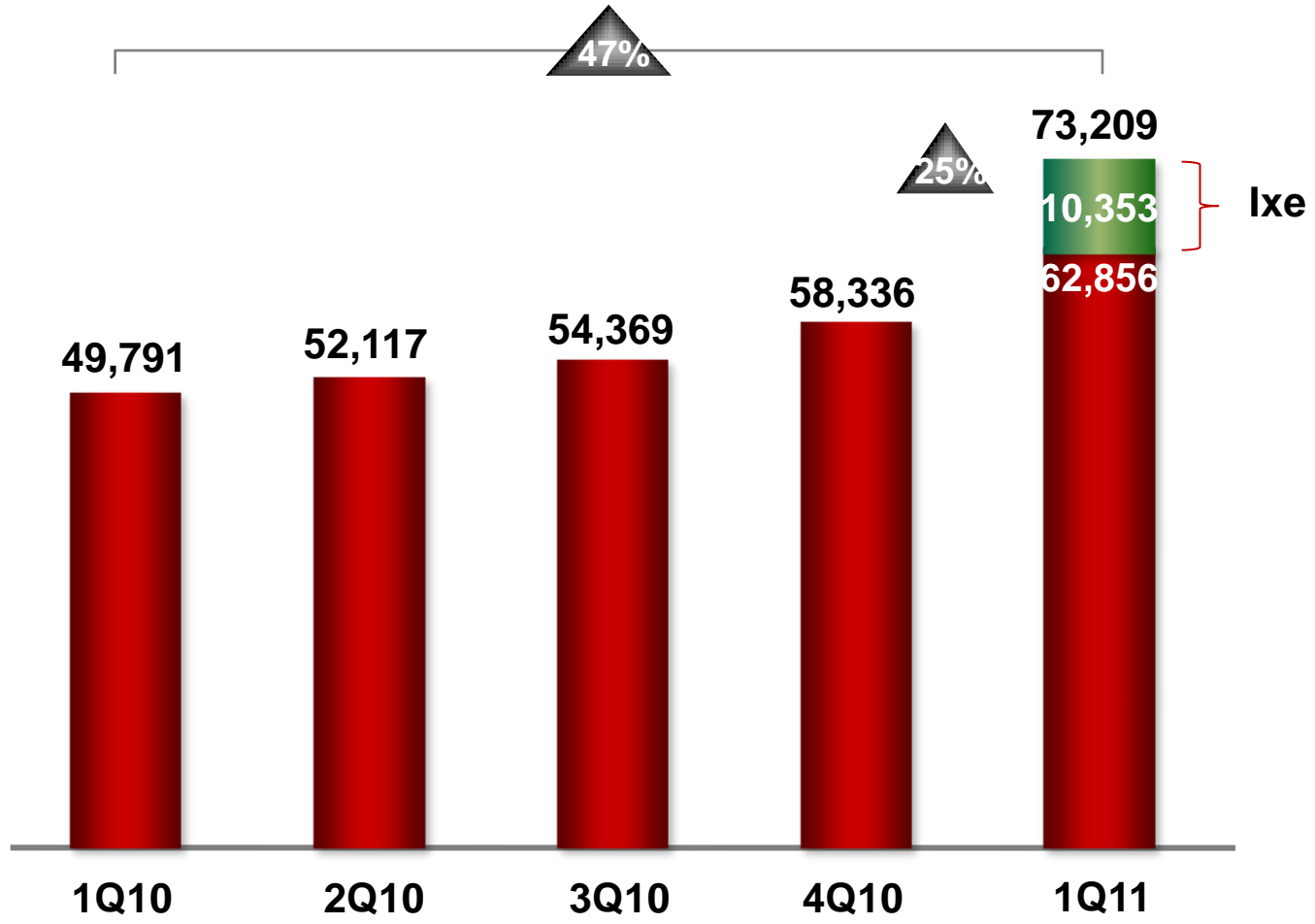
# Distribution Network

## Automated Teller Machines (ATM's)



# Distribution Network

## Point of Sale Terminals (POS's)

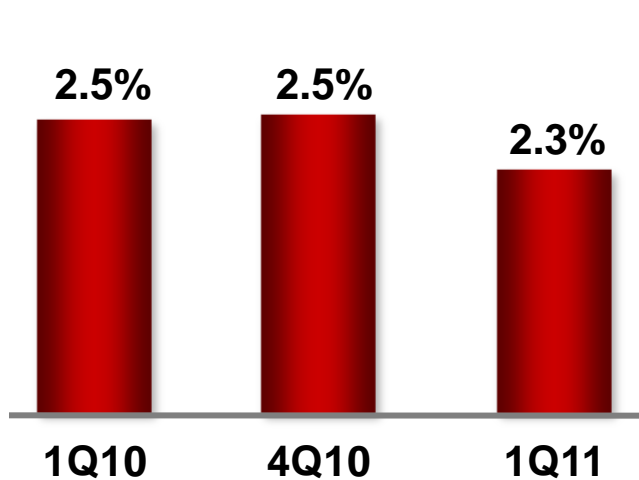




# Asset Quality and Capitalization

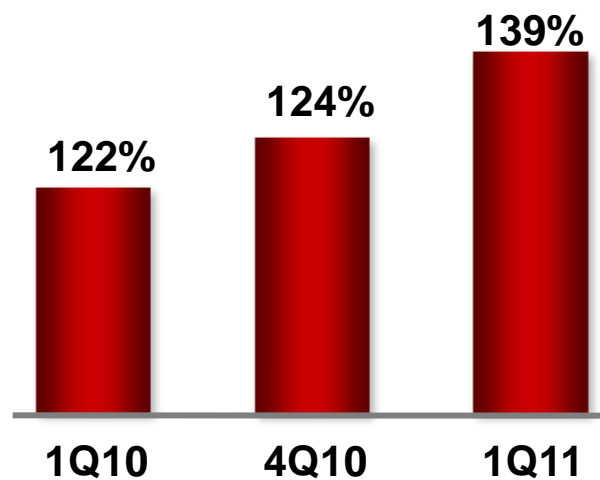
# Asset Quality

## PAST DUE LOAN RATIO



W/out INB 1Q11: 2.3%

## RESERVE COVERAGE RATIO



W/out INB 1Q11: 144%

# Past Due Loan Ratios

	1Q10	2Q10	3Q10	4Q10	1Q11
Credit Cards	10.5%	10.6%	9.3%	8.5%	9.1%
Payroll	2.1%	1.9%	1.9%	1.8%	1.5%
Car	1.4%	1.3%	1.4%	1.0%	0.8%
Mortgage	1.7%	1.7%	1.9%	1.7%	1.2%
Commercial	5.0%	4.1%	4.1%	3.9%	4.1%
Corporate	0.1%	0.2%	0.1%	2.5%	2.4%
Government	0%	0%	0%	0%	0%
	2.5%	2.3%	2.2%	2.5%	2.3%

# Capitalization

	1Q10	2Q10	3Q10	4Q10	1Q11
Tier 1	12.2%	12.0%	12.1%	12.1%	12.2%
Tier 2	4.6%	4.7%	4.5%	4.0%	3.9%
<b>TOTAL</b>	<b>16.8%</b>	<b>16.7%</b>	<b>16.6%</b>	<b>16.1%</b>	<b>16.1%</b>
% Tier 1	72%	72%	73%	75%	76%



# Subsidiaries



## Net Income in Million Pesos

	1Q10		1Q11
<b>Total</b>	180	▲ 4%	187

## AUM BILLION PESOS

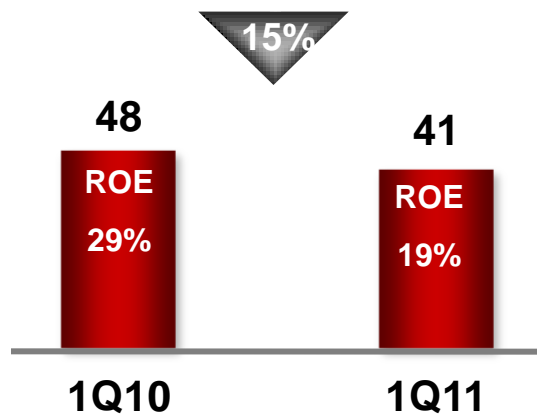
	1Q10	1Q11	Change YoY
Proprietary Assets	33.6	38.9	16%
Acquired Assets	29.2	28.6	(2%)
Assets "Su Casita"	0.0	7.2	N.A.
Investment Projects	4.4	5.5	25%
<b>Total</b>	<b>67.2</b>	<b>80.2</b>	<b>19%</b>

# Long Term Savings

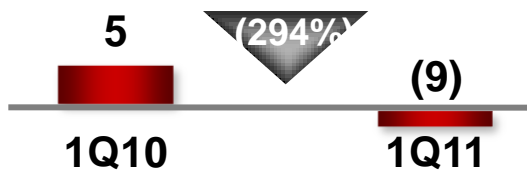
## Net Income in Million Pesos

	1Q10		1Q11
Total	123	▲ 4%	128

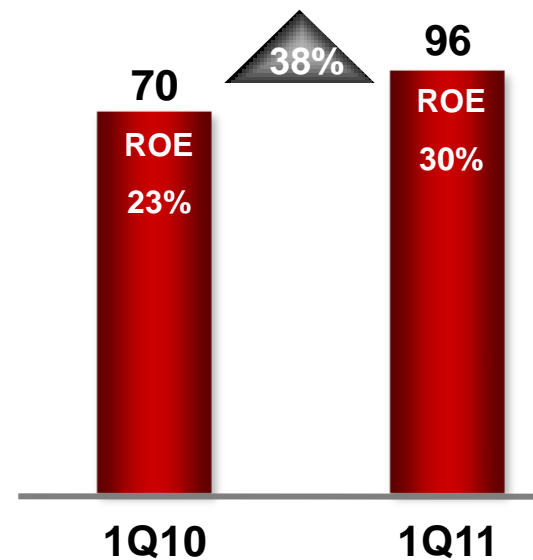
### AFORE



### ANNUITIES



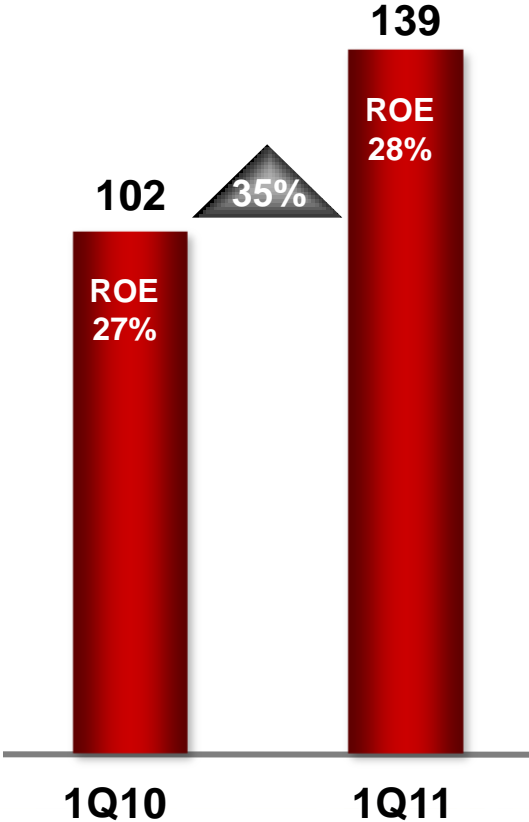
### INSURANCE



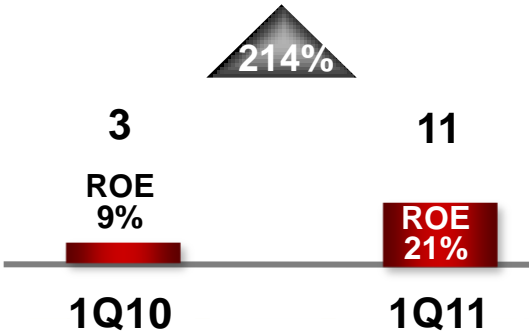
# Subsidiaries

Net Income in Million Pesos

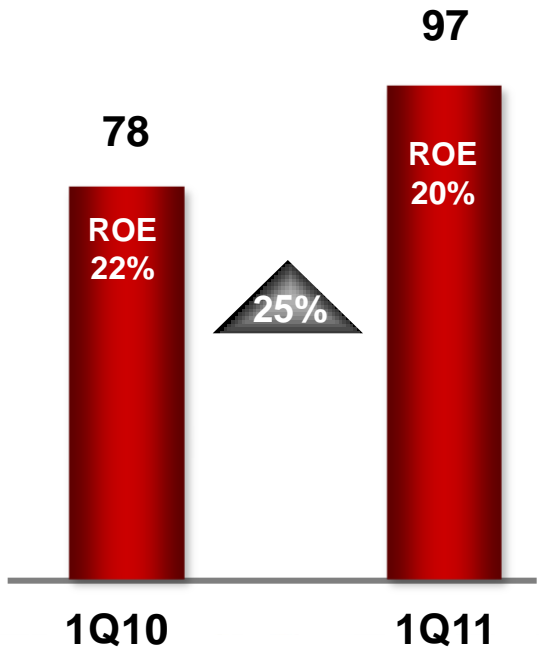
## LEASING AND FACTORING



## WAREHOUSING



## BROKER DEALER



# Inter National Bank

Million Dollars

	1Q10		1Q11
Net Income	(2.1)		(3.0)
NIM	3.4%		3.1%
ROE	(2.1%)		(3.1%)
ROA	(0.4%)		(0.5%)
Efficiency	61.9%		67.6%
Total Deposits	1,731	▲ 10%	1,903
Performing Loans	1,009	▼ 16%	849
PDL Ratio USGAAP	11.4%		4.5%
Coverage Ratio USGAAP	21.4%		60.0%



 **BANORTE**  
EL BANCO FUERTE DE MEXICO

 **BANORTE**

