

# **GFNORTE**

## **3Q11 Results**

**Conference Call**  
October 28, 2011.

# Material Events

- On October 17th, the Extraordinary and Ordinary Shareholders' Meetings were held. The most important resolutions adopted were:
  - ✓ Changes to the Dividend Policy, with a payout of the recurring net income as follows:
    - 16% if it grows between 0% and 10%.
    - 18% if it grows between 11% and 20%.
    - 20% if it grows more than 21%.
  - ✓ Payment of a cash dividend of Ps. 0.17 per share, being the first of three payments for a total of Ps. 0.52 per share, which was paid on October 24.
  - ✓ The increase of the amount of the Share Repurchase Fund to Ps. 1.85 billion.

# Material Events

- In October, GFNorte informed about its participation in the debt refinancing of the states of Coahuila, Aguascalientes and Sonora. The total amount of the refinanced debt with these three States amounts to Ps. \$13.21 billion pesos, which represents 4% of the total Loan Portfolio of 3Q11. The main goal to refinance these liabilities was to provide the States with better terms and financial conditions, which will provide them with flexibility in the management of their fiscal resources.
- The CNBV modified the methodology to rate federal and municipal entities' loans. This methodology rates and reserves the portfolio based on expected losses.
  - ✓ GFNorte applied the new methodology for Banorte's Loan portfolio as of September 30th 2011, resulting in a release of loan loss reserves amounting to Ps 87 million pre-tax.

# Material Events

- On October 20, Banco Mercantil del Norte signed a purchase agreement to acquire Prudential's shareholdings in Afore XXI, as a result of the agreement held between GFNorte and the Mexican Social Security Institute (IMSS) to merge their respective Afores. This purchase agreement is still subject to meeting certain conditions and the customary regulatory approvals.
- In October, Banco Mercantil del Norte, exercised its option to redeem its Non Convertible Subordinated Notes issued in 2006, due in 2016, in a principal amount of US \$400 million dollars, which were paid on October 13th, 2011. This prepayment demonstrates Banorte's financial strength in spite of recent weakness in other banking systems and the volatile conditions in the international financial markets.
- In September, Banorte signed a collaboration agreement with Banco Nacional del Ejército Fuerza Aérea y Armada (Banjercito) that will allow its staff to have access to Banorte's infrastructure and several financial products.
- Sergio García Robles Gil was appointed Corporate Managing Director, in charge of the Regional Boards, and Rafael Arana de la Garza was appointed Chief Financial Officer in his place.

# Results 3Q11

# Yearly Recap GFNorte

Million Pesos

	3Q10		3Q11	
Net Income	1,711	▲ 25%	2,142	Banorte: 1,940 Ixe: 202
ROE	15.8%		12.6%	
ROA	1.2%		1.1%	
Efficiency	49.9%		53.9%	
Net Interest Margin	4.1%		4.0%	
Performing Loan Growth	8.0%		28.0%	→ W/out Ixe: 15%
Past Due Loan Ratio	2.2%		2.4%	
Stock Price (pesos)	47.71	▼ (14%)	41.16	
Book Value per Share	21.75	▲ 36%	29.61	
P/BV	2.19		1.39	

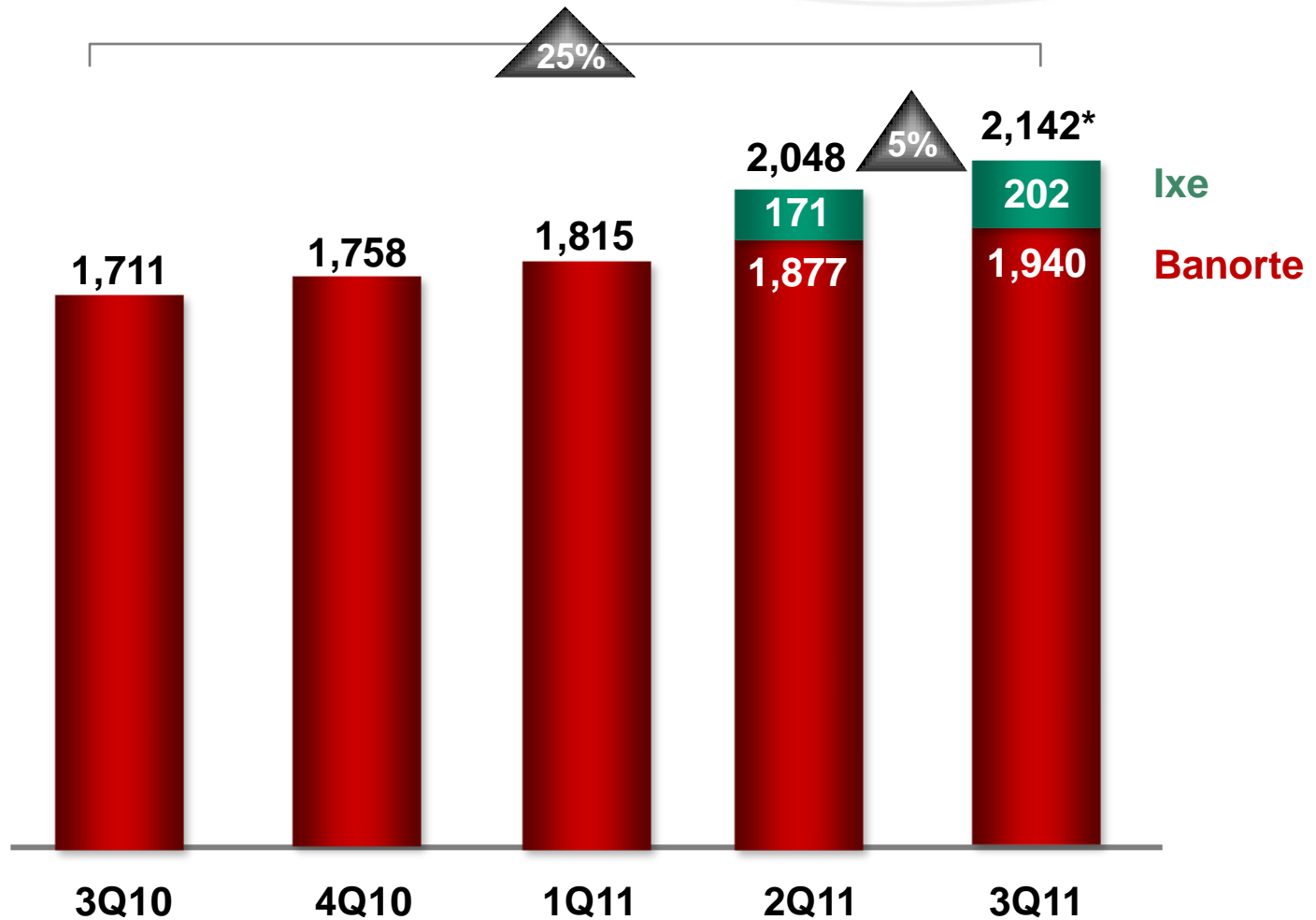
# Income Statement

Million Pesos

	3Q10	2Q11	3Q11	Change	
				QoQ	YoY
Net Interest Income	5,661	7,369	7,232	(2%)	28%
Non Interest Income	2,949	2,979	3,564	20%	21%
<i>Service Fees</i>	1,717	1,741	1,796	3%	5%
<i>Recoveries</i>	260	284	260	(8%)	0%
<i>FX &amp; Trading</i>	331	219	859	291%	160%
<i>Other Income (expenses)</i>	642	734	649	(12%)	1%
<b>Total Income</b>	<b>8,610</b>	<b>10,348</b>	<b>10,795</b>	<b>4%</b>	<b>25%</b>
Non Interest Expense	(4,296)	(5,965)	(5,814)	(3%)	35%
Net Operating Income	4,314	4,382	4,981	14%	15%
Provisions	(1,905)	(1,318)	(1,650)	25%	(13%)
Income Tax	(628)	(810)	(888)	10%	41%
Subs & Minority Interest	(70)	(207)	(302)	46%	329%
<b>Net Income</b>	<b>1,711</b>	<b>2,048</b>	<b>2,142</b>	<b>5%</b>	<b>25%</b>

# Quarterly Net Income

Million Pesos



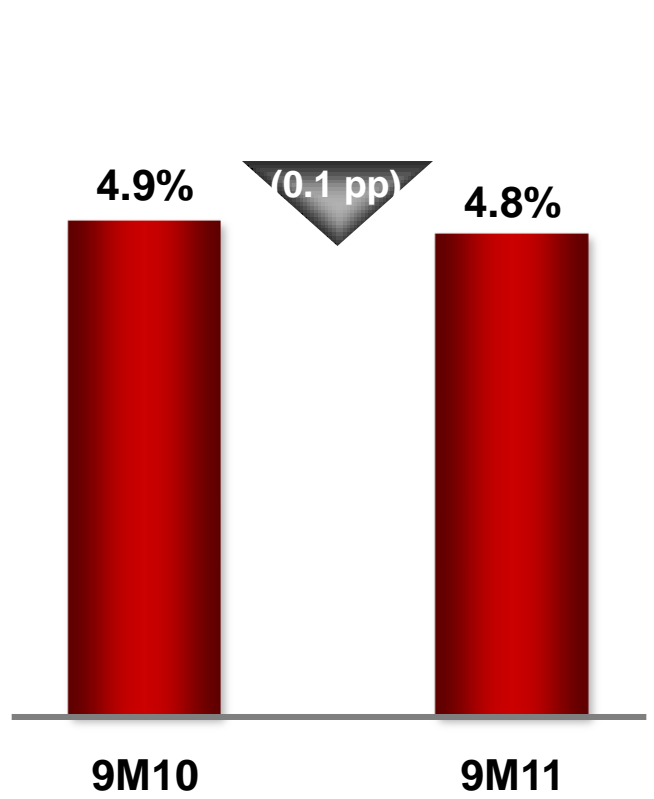
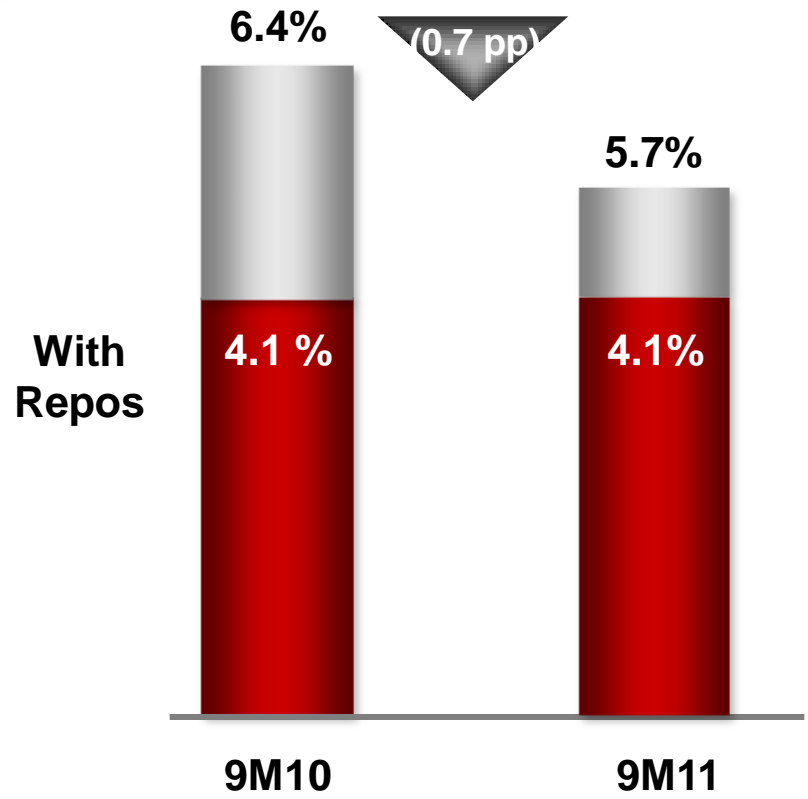
\*Net Income without restructuring charges was Ps 2.2 in 3Q11 and Ps 6.3 for 9M11.



# Net Interest Margin

Average NIM

Average TIIE

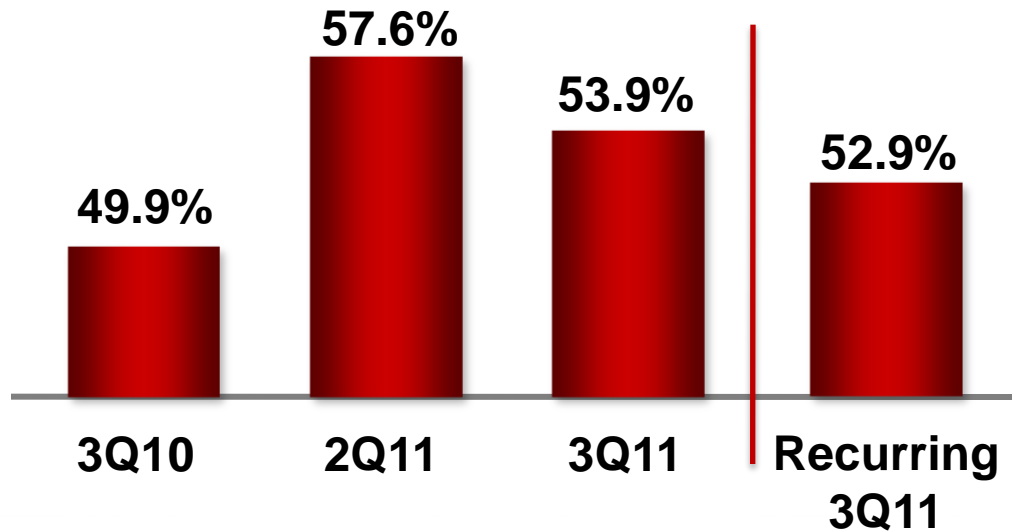


# Non Interest Expense

Billion Pesos

	3Q10	2Q11	3Q11	QoQ	YoY
Non Interest Expense	4.3	6.0	5.8	(3%)	35%
Recurring Non Interest Expense	4.3	5.7	5.7	(0.5%)	33%

## EFFICIENCY RATIO



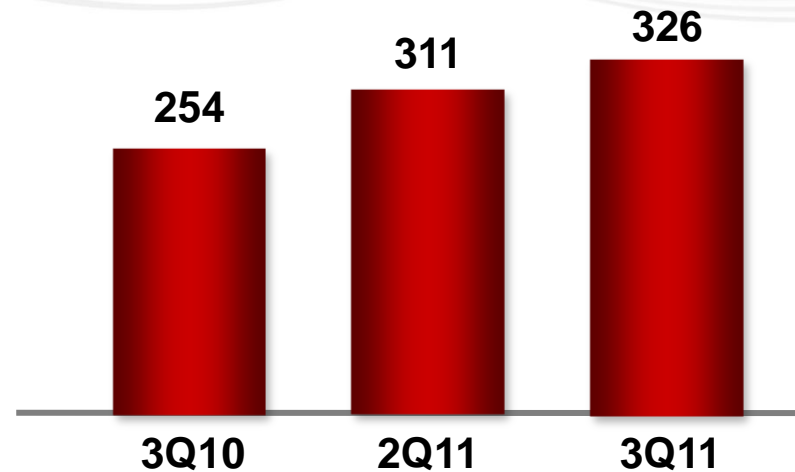
# Deposits

Billion Pesos

Deposits	3Q09		3Q10		3Q11
Demand	122	▲ 9%	134	▲ 28%	171
Time	84	▲ 6%	89	▲ 30%	115
<b>Core Deposits</b>	<b>206</b>	<b>▲ 8%</b>	<b>223</b>	<b>▲ 29%</b>	<b>286</b> → w/out lxe: +13%
<b>Mix</b>					
Demand	59%		60%		60%
Time	41%		40%		40%
	100%		100%		100%

# Performing Loan Portfolio

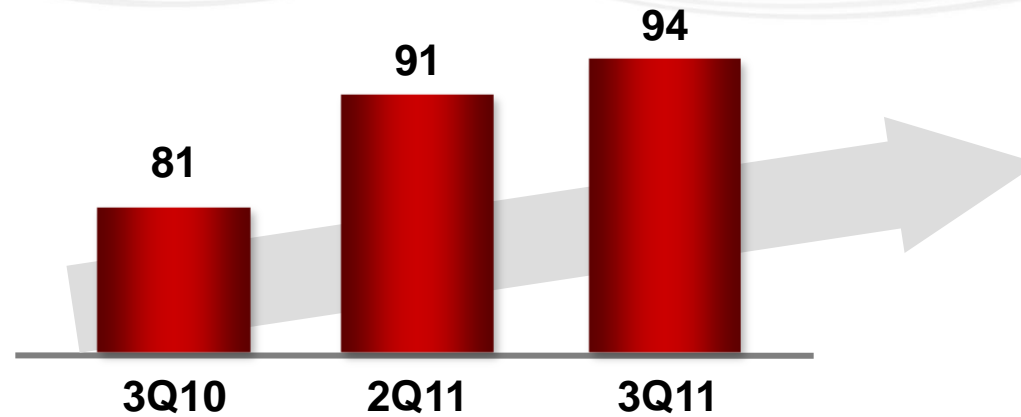
Billion Pesos



	3Q10	2Q11	3Q11	Change		W/out Ixe	
				QoQ	YoY	QoQ	YoY
Consumer	81	91	94	4 %	16%	4%	14%
Commercial	85	114	115	1%	35%	1%	7%
Corporate	44	51	54	4%	23%	2%	14%
Government	44	55	63	14%	42%	14%	34%
<b>Total</b>	<b>254</b>	<b>311</b>	<b>326</b>	<b>5 %</b>	<b>28%</b>	<b>5%</b>	<b>15%</b>

# Performing Consumer Loan Portfolio

Billion Pesos



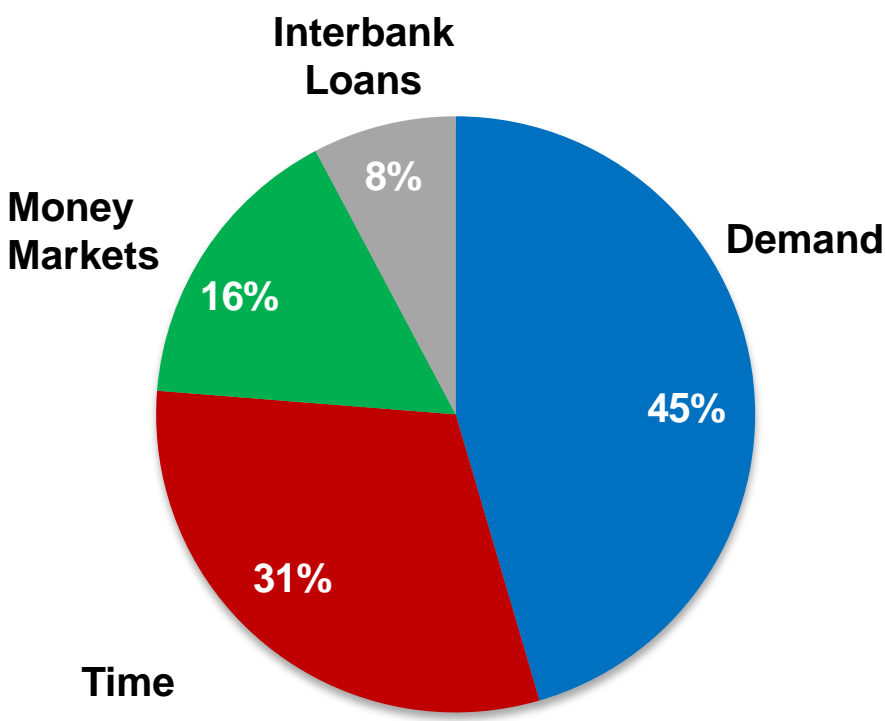
	3Q10	2Q11	3Q11	Change	
				QoQ	YoY
Mortgage	54	60	62	3%	15%
Card	8	9	9	3%	14%
Credit Card*	11	11	11	2%	(1%)
Payroll	8	11	12	11%	52%
<b>Consumer</b>	<b>81</b>	<b>91</b>	<b>94</b>	<b>4%</b>	<b>16%</b>

\* Excludes the SOFOM's portfolio

# Funding and Loan Portfolio Structure

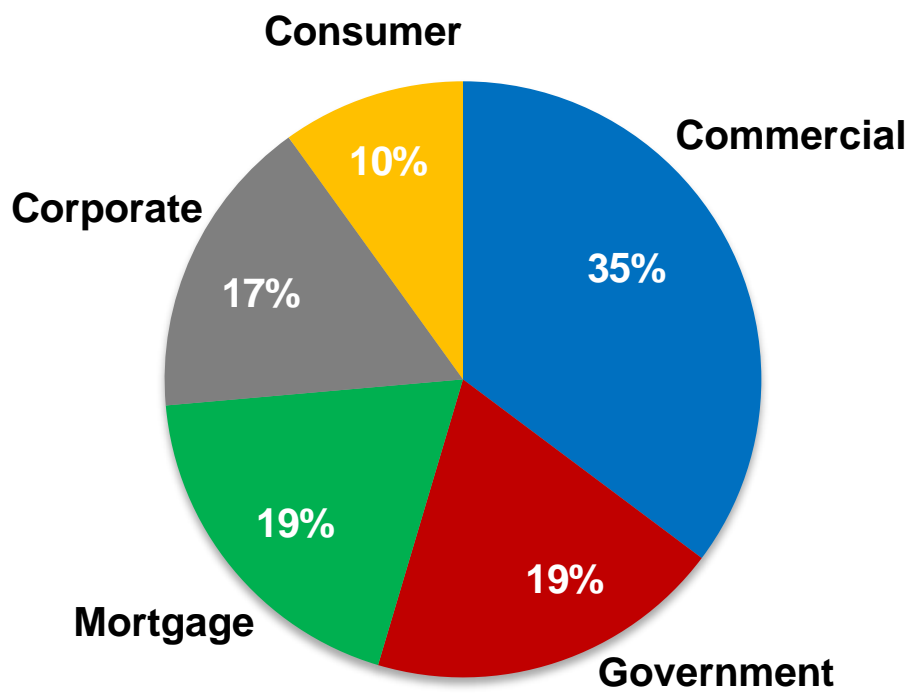
## FUNDING

\$377 Billion Pesos



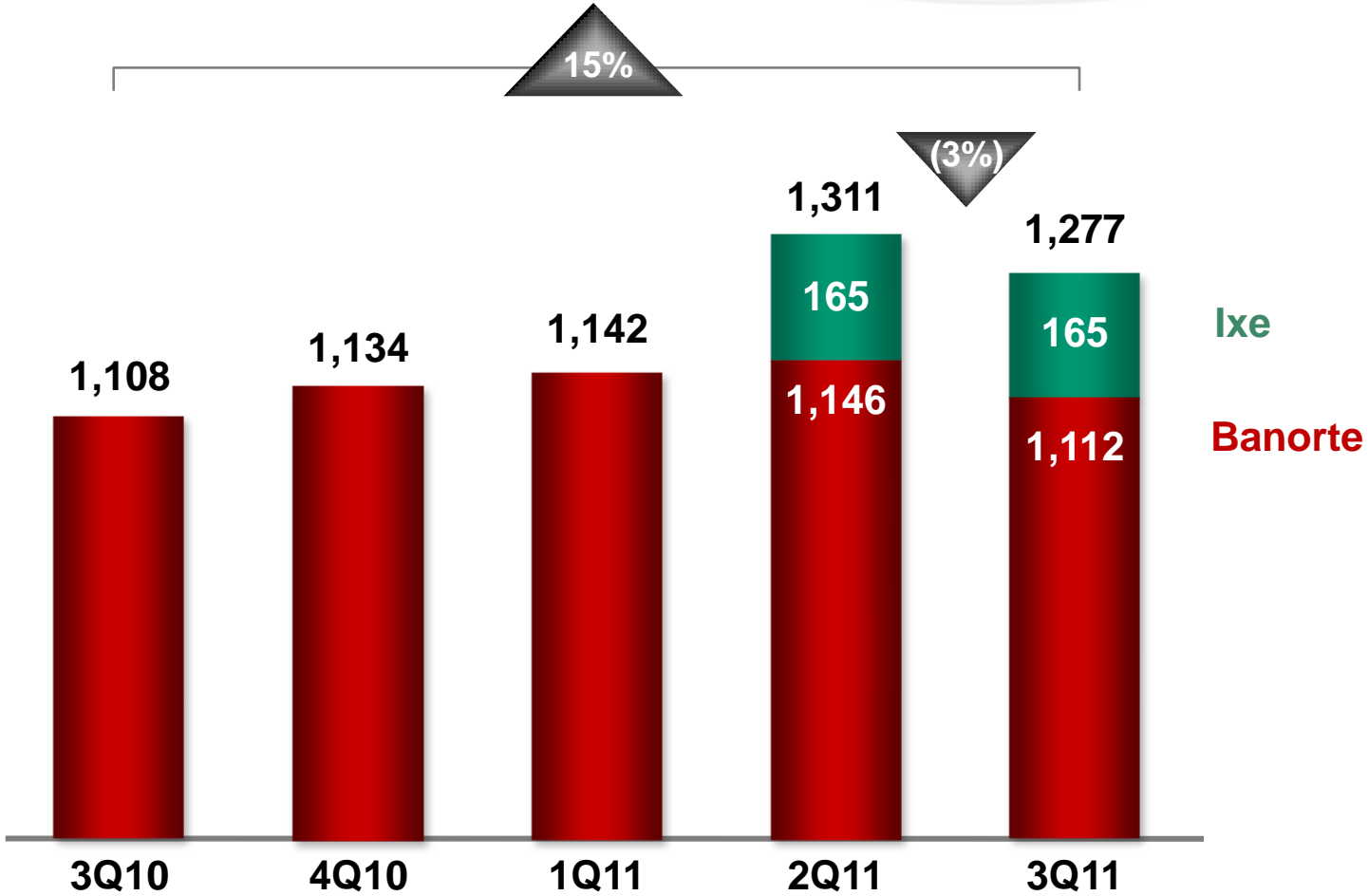
## LOAN PORTFOLIO

\$ 334 Billion Pesos



# Distribution Network

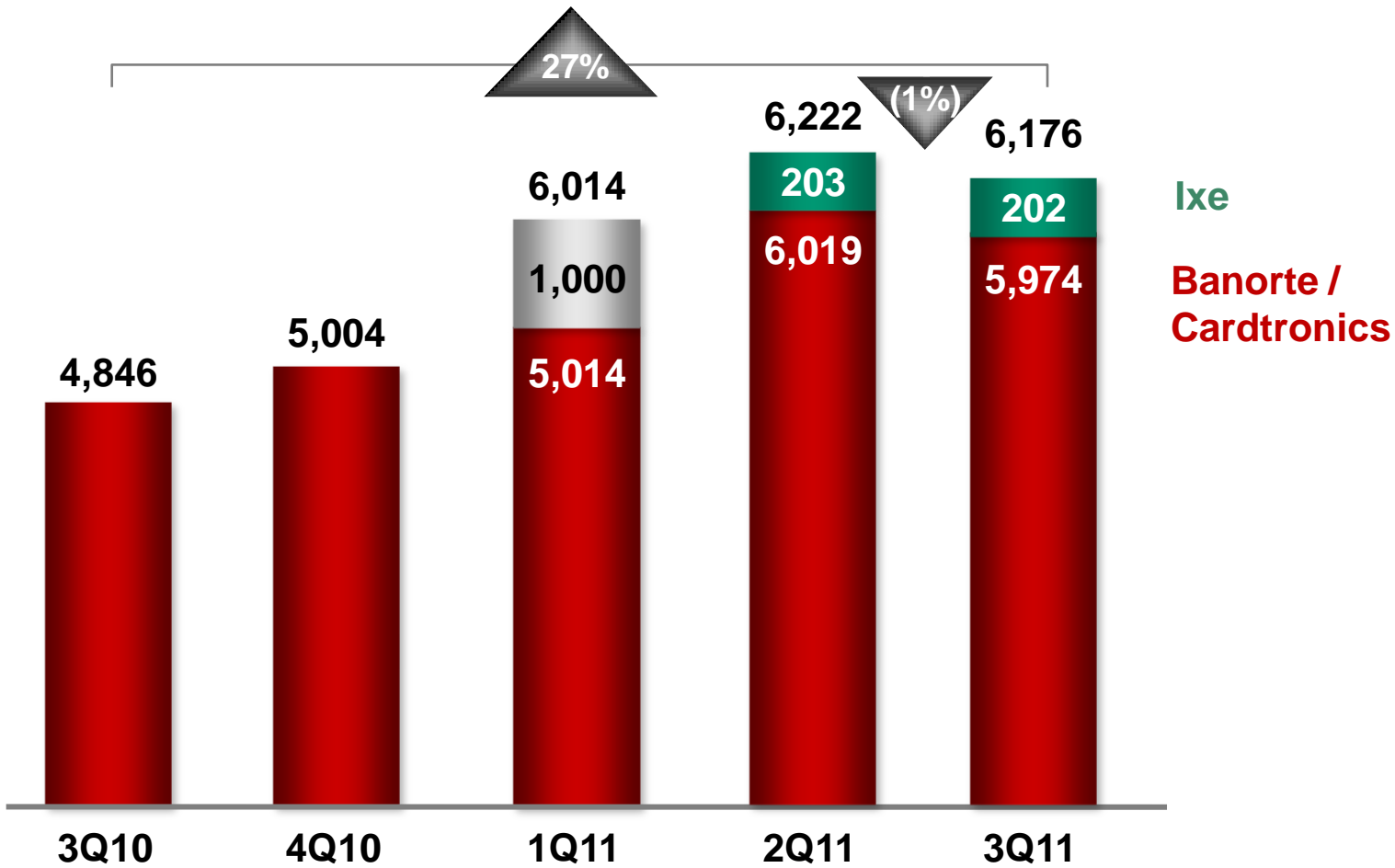
## Branches



As part of the institutional efficiency strategy, 42 branches were merged during the quarter, but 8 new branches were opened.

# Distribution Network

## Automated Teller Machines (ATM's)

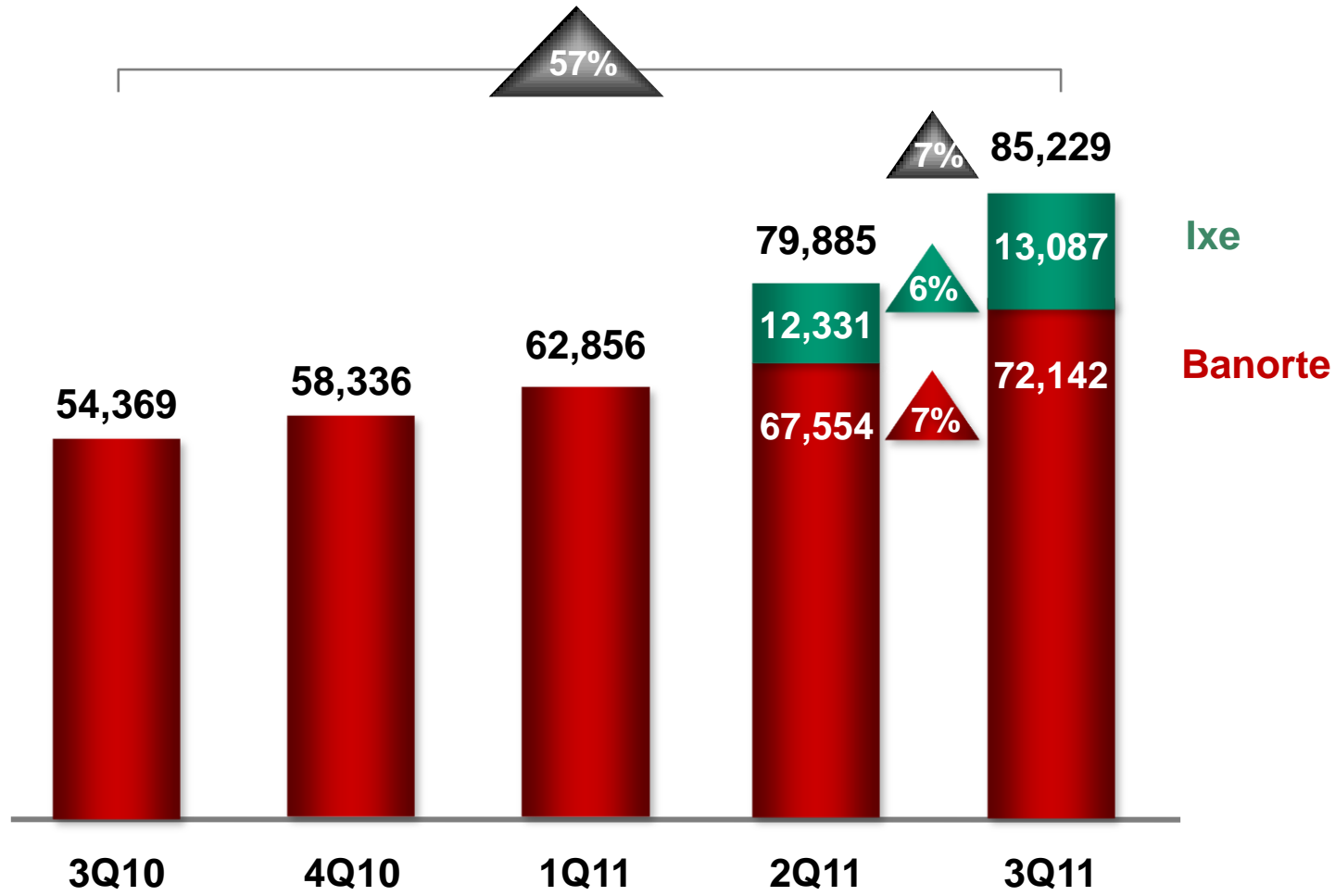


● The decrease of 46 ATMs during the quarter is mainly due to the merger of 42 branches. In spite of this, Banorte's market share increased to 17% in 3Q11, becoming the second largest network.



# Distribution Network

## Point of Sale Terminals (POS's)



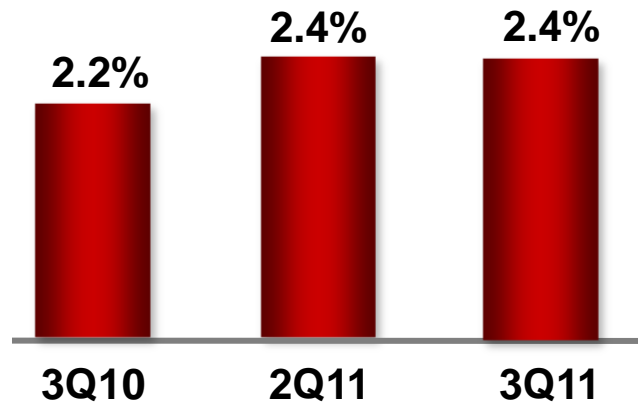
● Billing grows 28% YoY vs. 22% for the market.



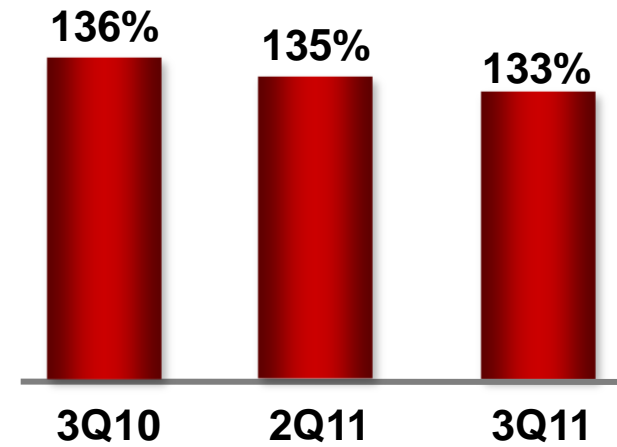
# Asset Quality and Capitalization

# Asset Quality

## PAST DUE LOAN RATIO



## COVERAGE RATIO



# Past Due Loan Ratio

	3Q10	4Q10	1Q11	2Q11	3Q11	
Credit Cards	9.3%	8.5%	9.1%	9.4%	8.2%	↓
Payroll	1.9%	1.8%	1.5%	1.8%	1.8%	▬
Car Loans	1.4%	1.0%	0.8%	1.0%	1.2%	↑
Mortgage	1.9%	1.7%	1.2%	1.4%	1.7%	↑
Commercial	4.1%	3.9%	4.1%	4.0%	3.7%	↓
Corporate	0.1%	2.5%	2.4%	2.4%	2.2%	↓
Government	0%	0%	0%	0%	0.8%	↑
<b>GFNorte's NPL Ratios</b>	<b>2.2%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.4%</b>	

\*Includes Ixe since 2Q11.

# Capitalization

	3Q10	4Q10	1Q11	2Q11	3Q11
Tier 1	12.1%	12.1%	12.2%	11.9%	11.7%
Tier 2	4.5%	4.0%	3.9%	3.6%	3.9%
<b>TOTAL</b>	<b>16.6%</b>	<b>16.1%</b>	<b>16.1%</b>	<b>15.5%</b>	<b>15.6%</b>
% Tier 1	73%	75%	76%	77%	75%

# Subsidiaries

## Net Income in Million Pesos \*

	9M10		9M11
<b>Total</b>	<b>534</b>	<b>▲ 14%</b>	<b>610</b>

## AUM BILLION PESOS

	3Q10	3Q11	YoY Change
<b>Proprietary Assets</b>	<b>36.9</b>	<b>40.7</b>	<b>10%</b>
<b>Aquired Assets</b>	<b>29.1</b>	<b>28.0</b>	<b>(4%)</b>
<b>Investment Projects</b>	<b>4.3</b>	<b>6.5</b>	<b>52%</b>
<b>Managed Assets "Su Casita"</b>	<b>-</b>	<b>6.5</b>	<b>-</b>
<b>Ixe Assests</b>	<b>-</b>	<b>6.3</b>	<b>-</b>
<b>Total</b>	<b>70.3</b>	<b>88.1</b>	<b>25%</b>

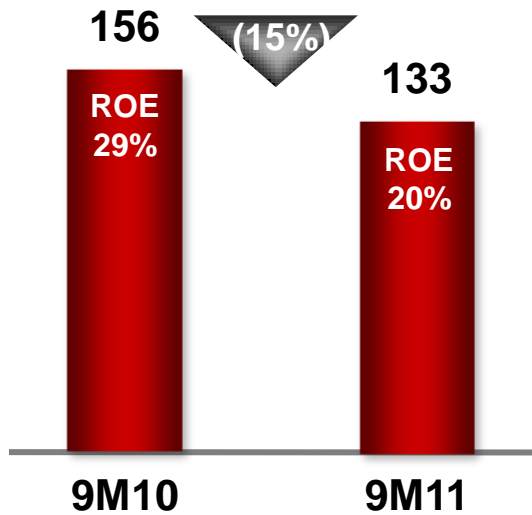
\* Since May 2011, the business related to investment projects are managed by Wholesale Banking.

# Long Term Savings

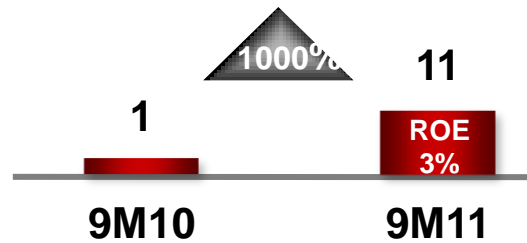
## Net Income in Million Pesos

	9M10		9M11
Total	341	▲ 15%	393

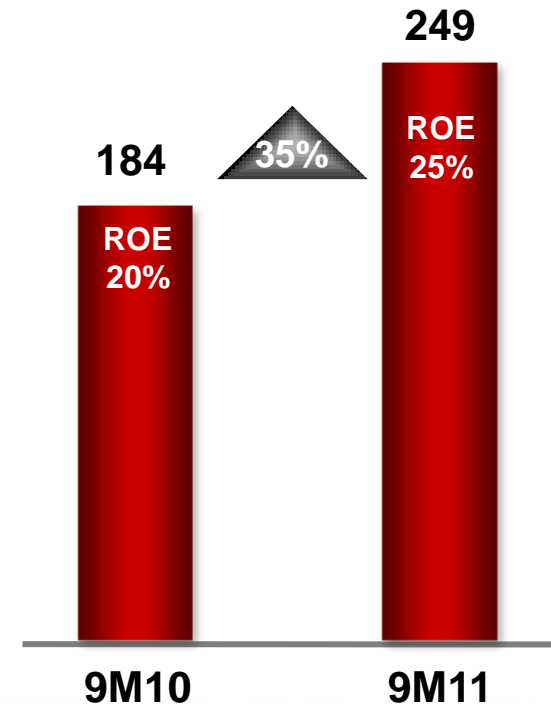
### AFORE



### ANNUITIES



### INSURANCE

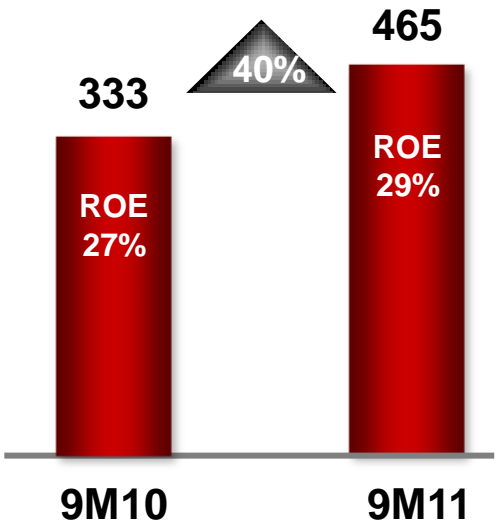




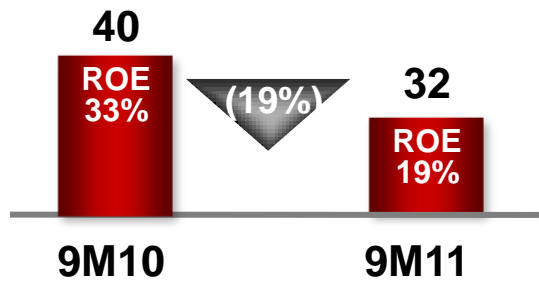
# Subsidiaries - Banorte

Net Income in Million Pesos

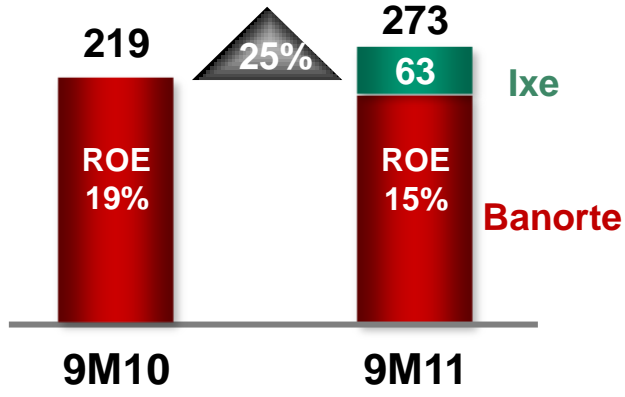
## LEASING AND FACTORING



## WAREHOUSING



## BROKER DEALER



## Million Dollars

	9M10		9M11
Pre-Tax Net Income*	18.1		23.2
Provisions	19.8		14.6
Net Income	(0.8)		5.9
NIM	3.4%		3.2%
ROE	(0.3%)		2.0%
ROA	(0.1%)		0.4%
Efficiency	67.6%		61.5%
Total Deposits	1,702	0.1%	1,701
Performing Loans	915	(17%)	759
PDL Ratio USGAAP	8.2%		4.5%
Coverage Ratio USGAAP	35.1%		61.7%

\* Income before Taxes and Provisions.



 **BANORTE**  
EL BANCO FUERTE DE MEXICO

 **BANORTE**

