



# **GFNORTE**

---

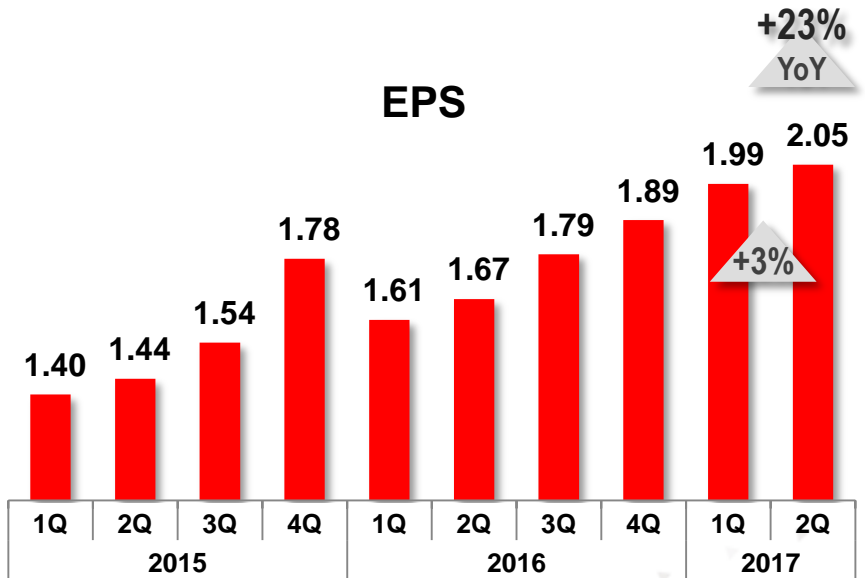
## **Conference Call: 2Q17 Results**

July 21, 2017

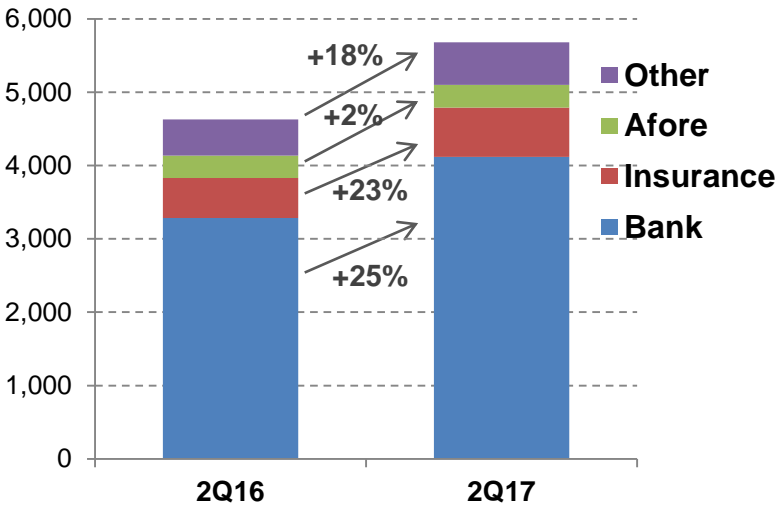
# Net Income Progress

- Earnings growth was again the result of strong performance across subsidiaries.
- Balance sheet repricing continues flowing to the P&L.
- Discipline in cost management.

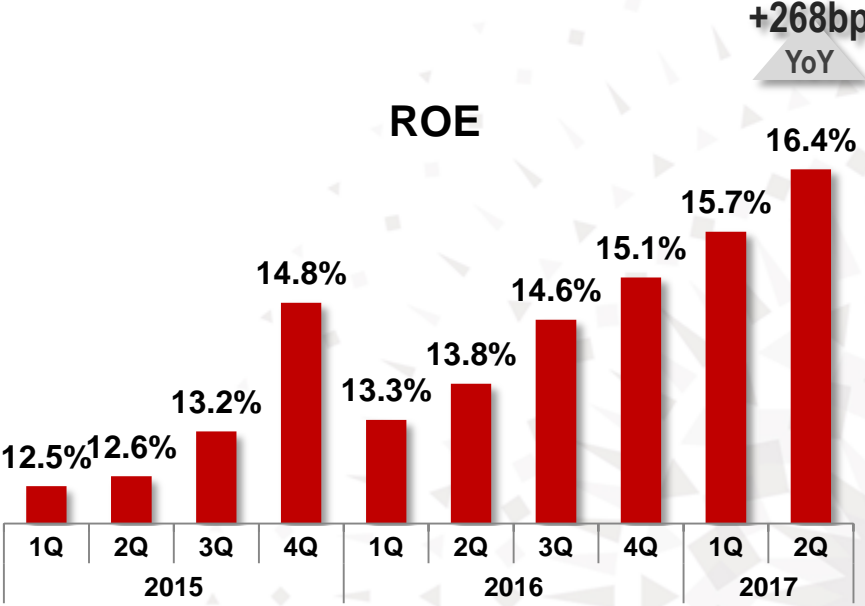
## EPS



## Subsidiaries Net Income

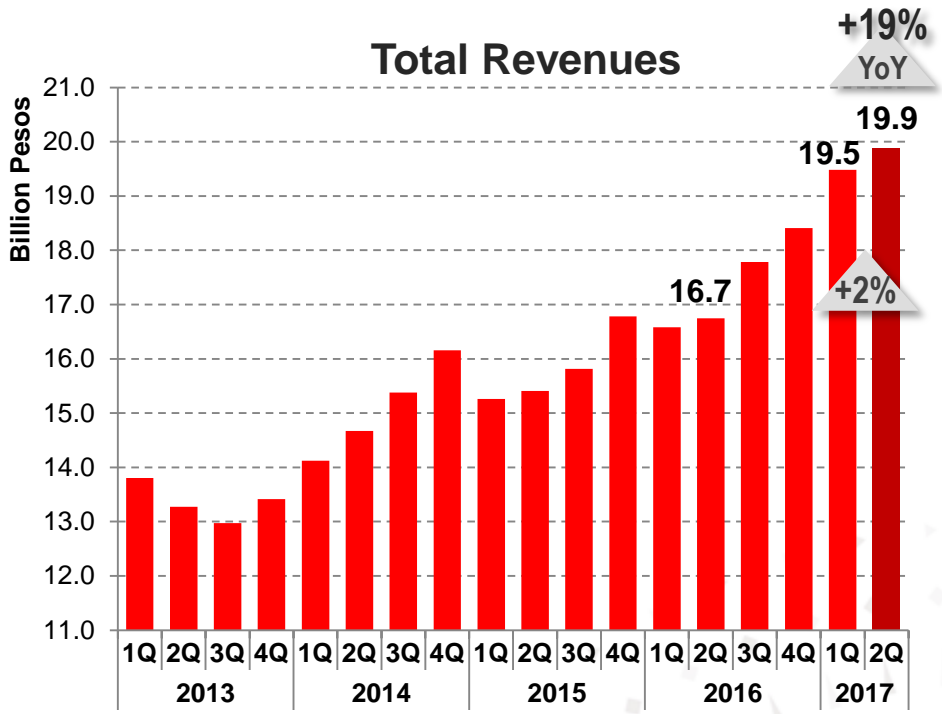


## ROE



# Historical Record in Revenues

- Quarterly NII temporarily impacted by lower contribution from repos and lower insurance premium growth.
- Net fees showed strong quarterly and yearly growth in all business lines.
- Trading income above estimate of 700 m per quarter.

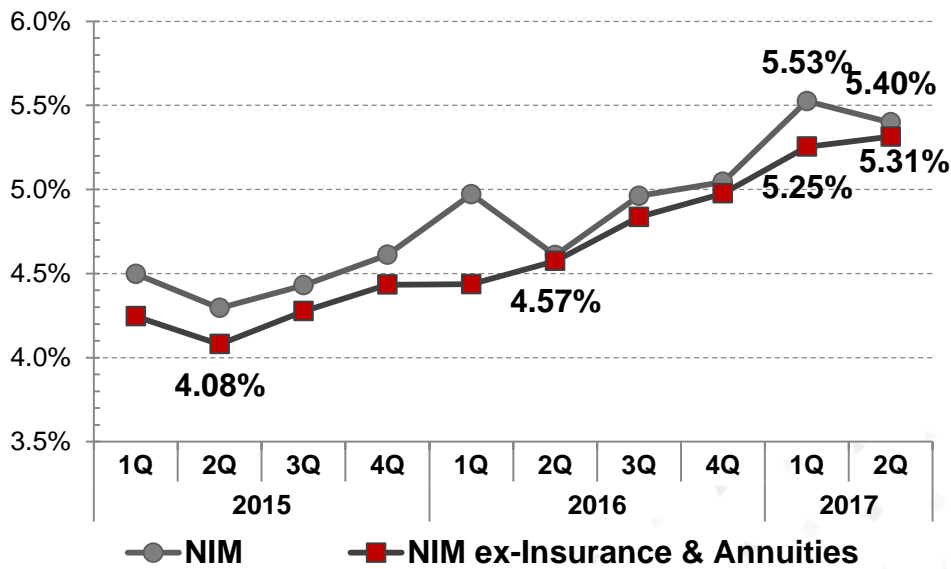


Million pesos	2Q17	q/q	1H17	y/y
NII Loans	12,395	4%	24,352	20%
NII Repos	1,414	-25%	3,296	64%
NII Valorization Adjust	-51	-80%	-310	-594%
NII Insurance & Pensions	1,532	-22%	3,505	3%
<b>NII</b>	<b>15,289</b>	<b>-2%</b>	<b>30,843</b>	<b>20%</b>
Net Service Fees	2,985	16%	5,556	15%
Trading Income	961	30%	1,698	41%
Other Income	653	6%	1,272	-16%
<b>Total Revenues</b>	<b>19,889</b>	<b>2%</b>	<b>39,370</b>	<b>18%</b>

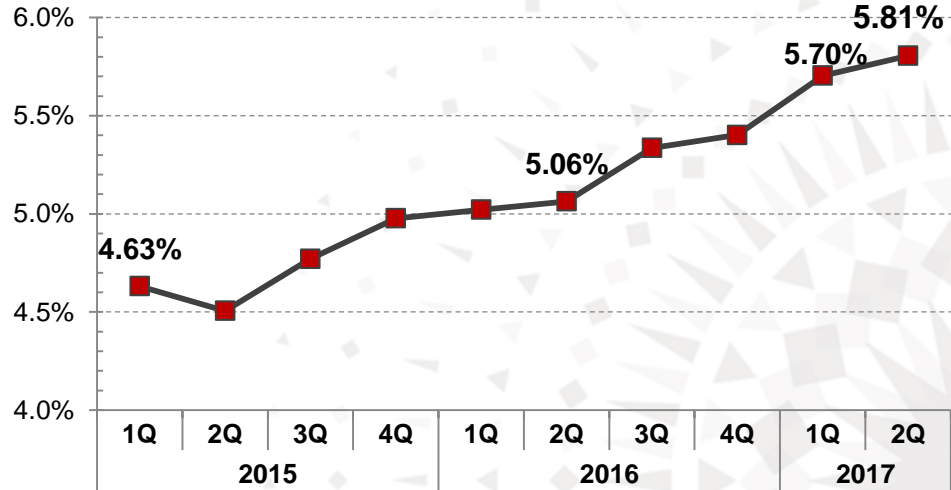
# Net Interest Margin

- Decline of 13bps in NIM explained mainly by seasonality of insurance premium growth.
- NIM ex insurance and annuities slightly impacted by re-pricing of repos to rate increase of May.
- NIM of Bank up 11 bps, on balance sheet re-pricing.

### NIM of Consolidated Group

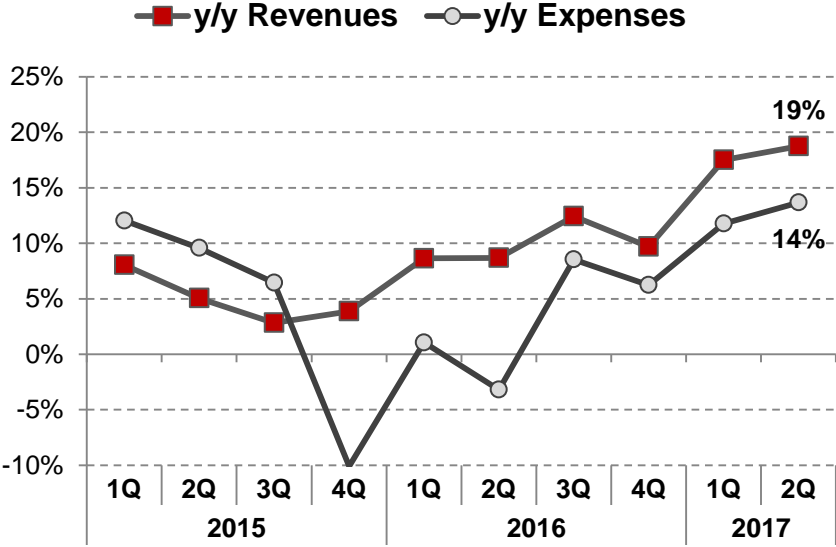


### NIM of Banorte Bank

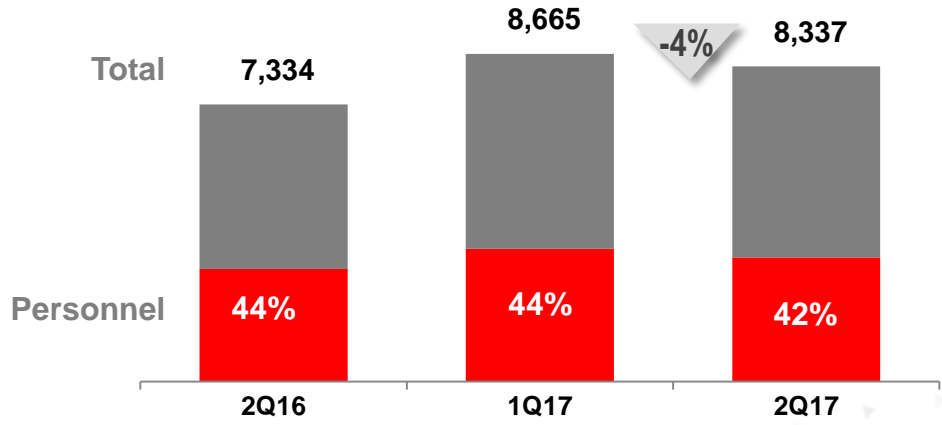


# Improving Efficiency

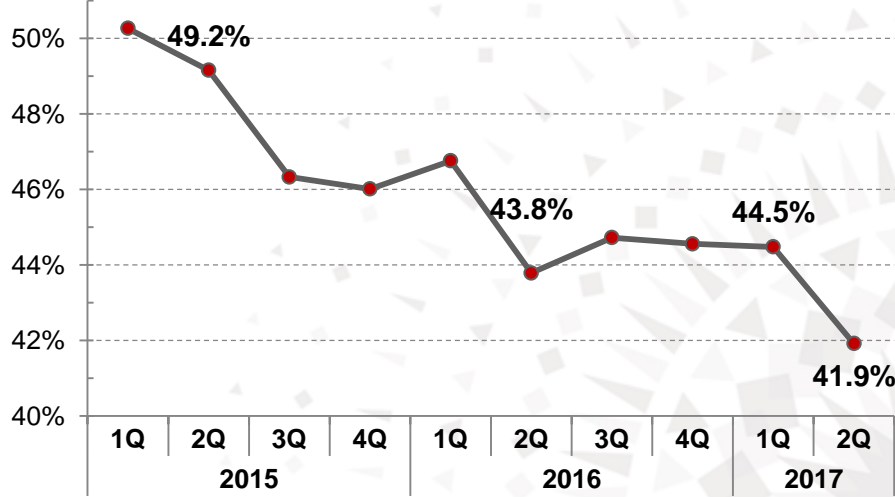
- Expenses down \$328 million pesos in the quarter.
- Improved efficiency supported by ongoing positive operating leverage.



## Non-Interest Expense



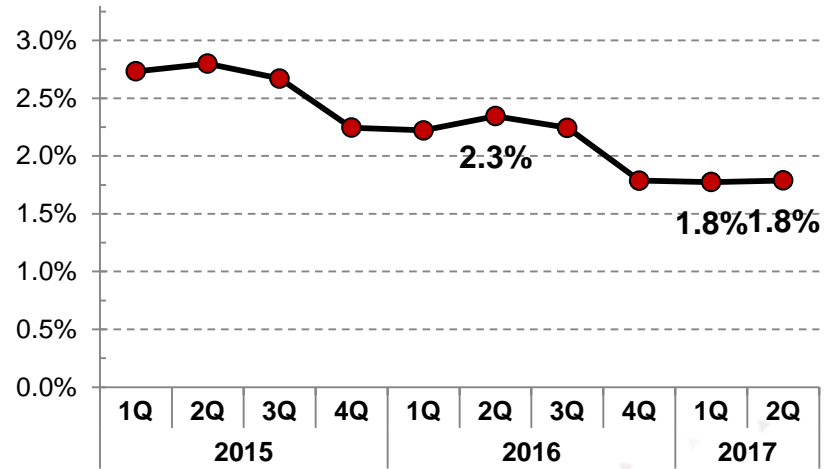
## Cost to Income Ratio



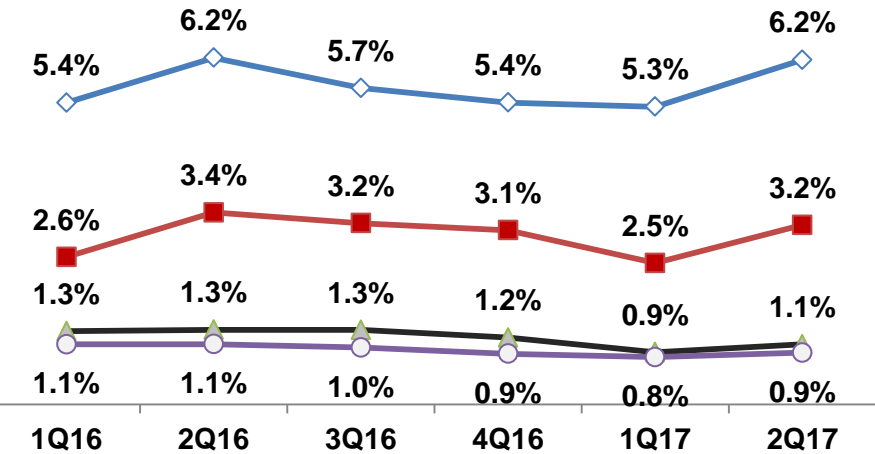
# Asset Quality

- Stable overall NPL ratio.
- Seasonally higher NPL ratios in consumer.
- Improving NPL ratios in wholesale books.

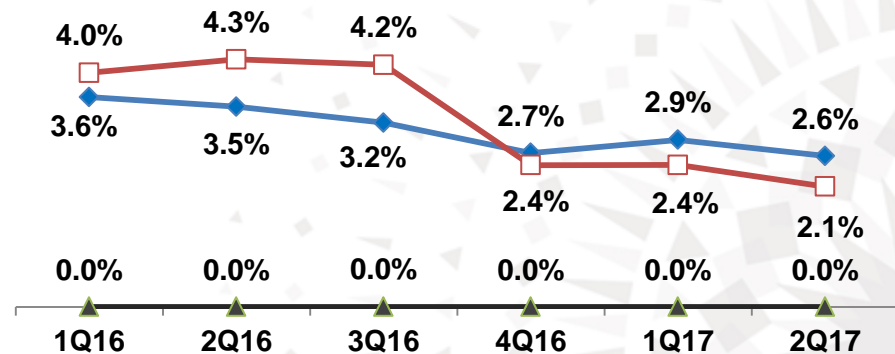
## NPL Ratio



◆ Credit Cards ■ Payroll ▲ Car Loans ○ Mortgage



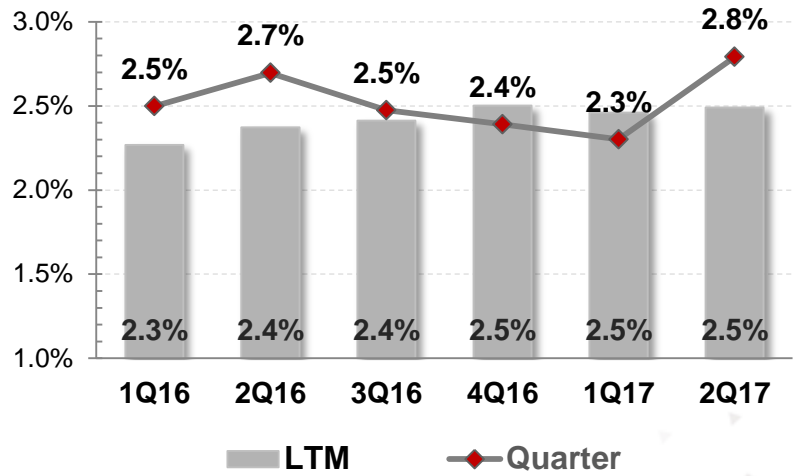
◆ Commercial □ Corporate ▲ Government



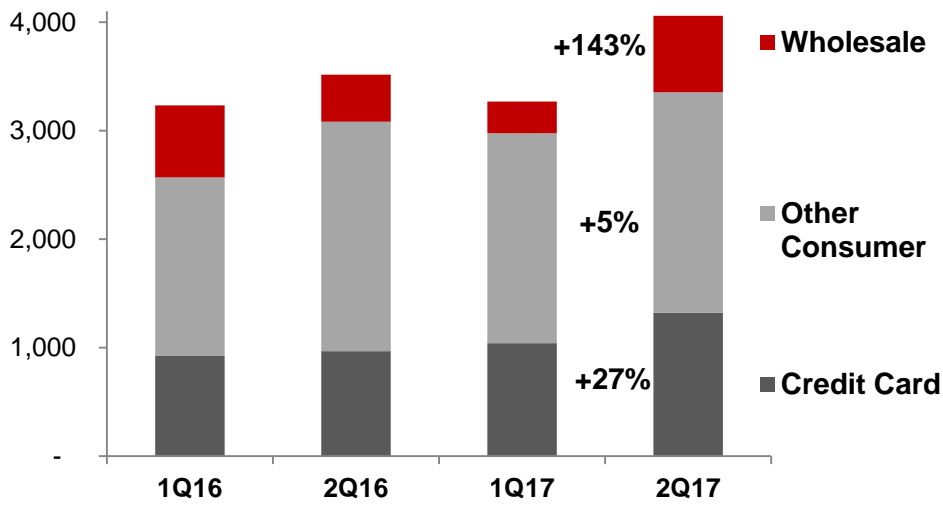
# Asset Quality

- Seasonal increase in the cost of risk.
- Higher provisions to offset seasonal deterioration in consumer books.
- New provisions of 270 million for wholesale books.
- Declining charge-offs.

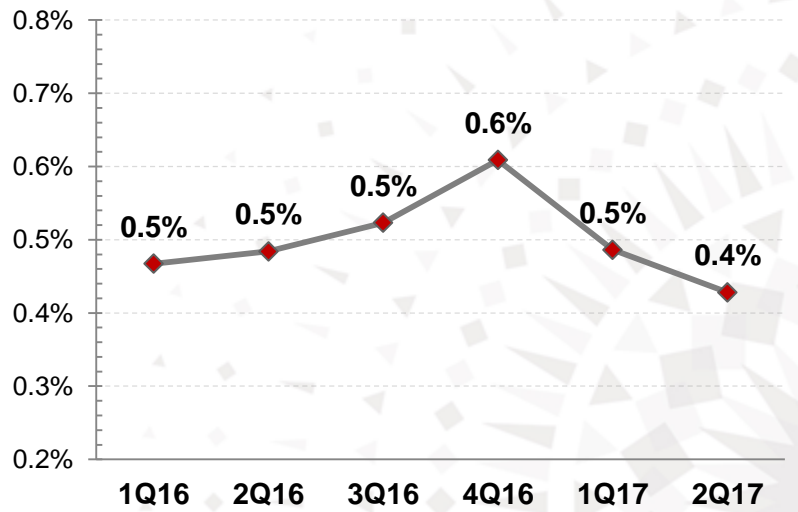
## Cost of Risk



## Provisions



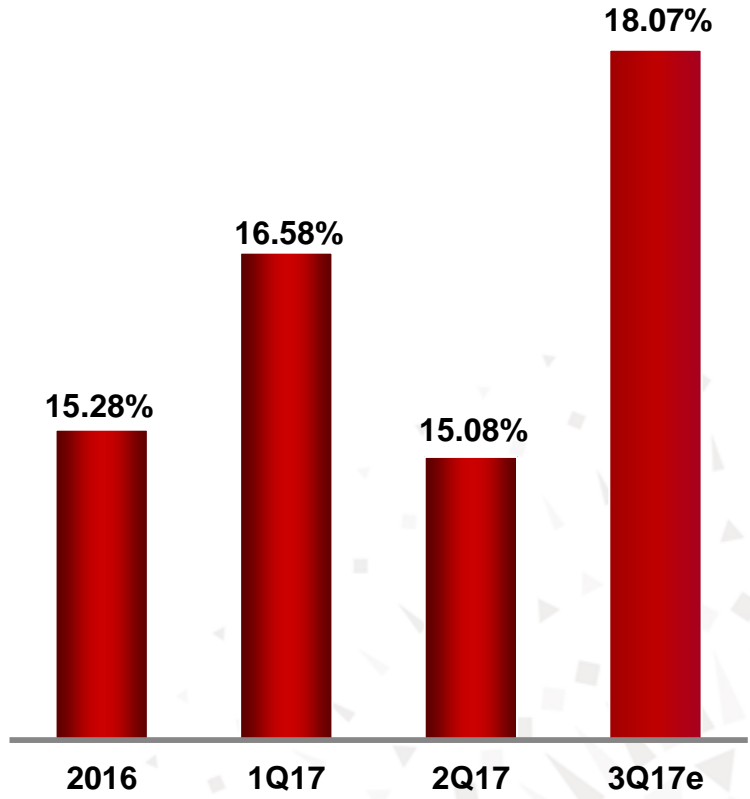
## Charge-off Rate



# Strong Capital Position

- Quarterly decline in CAR explained by dividend payment.
- CAR estimate includes AT1 Capital Note.

### Capital Adequacy Ratio





# Guidance

	2017 Actual	2017 Revised	
Loan Growth	9% - 11%	10% - 13%	↑
NIM Expansion	30 - 60 bp	30 - 60 bp	
Expense Growth	6.0% - 7.5%	6.0% - 7.5%	
Efficiency	43% - 45%	42% - 44%	↓
Provisions to Average Loans	2.3% - 2.6%	2.3% - 2.6%	
Tax Rate	26% - 28%	27% - 29%	↑
<b>Net Income</b>	22.3 - 23.0	22.7 - 23.5	↑
ROE	14.8% - 16.0%	15.5% - 16.2%	↑



# **GFNORTE**

---

## **Conference Call: 2Q17 Results**

July 21, 2017