

# Financial Results

**3Q12**

**October 2012**

# Summary of Results

# Financial Highlights

- GFNORTE reported a Ps 7.88 billion profit for the first nine months of the year, an increase of 31% vs. 9M11 derived from the integration of the results of Ixe and Afore XXI Banorte and lower loan loss provisions, and a profit of Ps 2.78 billion for the quarter, 30% above 3Q11 due to the integration of Afore XXI Banorte and lower recurring loan loss provision requirements.
- 9M12 return on equity (ROE) was 14.1%, 12 basis points above the same year-earlier period; return on assets (ROA) was 1.2%, an increase of 13 basis points vs. 9M11. Return on Tangible Equity (ROTE) was 19.0% in 3Q12, 245 basis points above 3Q11 and 44 basis points higher than in 2Q12.
- Banco Mercantil del Norte (excluding its participation in Afore XXI Banorte) accounted for 70% of GFNORTE's first nine month profit, contributing Ps 5.55 billion. This sector's ROE was 16.6% for the same period.

# Financial Highlights

- During 3Q12 , the Long Term Savings Sector comprised of Insurance, Annuities and Afore XXI Banorte, contributed Ps 268 million, a 90% increase on 3Q11, but (11%) below 2Q12. The solid yearly growth rate is due to the inclusion of Afore XXI and better business dynamics at the Insurance Company. The decrease vs. 2Q12 was on the back of lower sales levels at the Insurance company and a higher technical reserve requirement in the annuities company. For the first nine months of 2012 reports Ps 825 million, 110% more than in 9M11.
- Other Finance Companies, comprised of Arrendadora y Factor Banorte (Leasing and Factoring), Warehousing, Ixe Automotriz and Fincasa Hipotecaria, recorded a 3Q12 profit of Ps 217 million, driven by Arrendadora y Factoraje and smaller losses at Fincasa Hipotecaria; in 9M12 profit totaled of Ps 295 million, a YoY decrease of (46%).
- The Brokerage Sector, comprised of Casa de Bolsa Banorte Ixe and Ixe Fondos, reported a third quarter profit of a Ps 139 million profit for the quarter, an increase of 72% on 3Q11 but a decrease of (15%) on 2Q12; in 9M12 reported a profit of Ps 414 million, an increase of 52%.

# Financial Highlights

- Core deposits rose by 12% year-on-year in 3Q12, mainly driven by promotional efforts in relation to Banorte's and Ixe's deposit products. Demand deposits were up by 15% year-on-year while time deposits grew 7%. Core deposits rose 3% QoQ vs. 2Q12.
- As at the close of 3Q12, growth in performing loans was 19% YoY. The loan portfolio registered sustained growth in almost all segments for a tenth straight quarter with the exception of government loans. Total Performing Loans rose 3% QoQ versus 2Q12.
- During 3Q12, the bank's fundamentals remain solid:
  - Regulatory capital was 14.8%, 0.2 pp higher compared to the level at closing of 2Q12.
  - The NPL Ratio was 1.9%, one of the lowest in the financial system.
  - The reserve coverage was 140%, 6.8 pp higher than 3Q11.
  - The liquidity ratio was 119%, (2.6) pp lower compared to the level of 2Q12 and 13.7 pp higher than in 3Q11.

# Financial Highlights

- During 3Q12 Net Interest Income totaled Ps 8.05 billion, an increase of 11% vs. 3Q11, but a decrease of (2%) vs. 2Q12. Year-on-year growth can be attributed to higher loan volumes, a stable cost of funding and the acquisition of Chase's 50% stake in Ixe Tarjetas (Credit Cards), the QoQ decrease stemmed mainly from higher technical reserves at the Annuities Company, as a consequence of a slight increase in damages at the Insurance Company. In 9M12 totaled Ps 24.22 billion, YoY increase of 16% vs. 9M11.
- As of 3Q12 Non Interest Income amounted to Ps 3.44 billion, an increase of 3% vs. 2Q12 favored by higher Other Operating Income and Trading and a decrease in Other Operating Expenses.
- In 3Q12 Provisions amounted to Ps 1.52 billion, a decrease of (8%) vs. 3Q11 but an increase of 28% vs. 2Q12. The decrease vs. 3Q11 can be attributed to lower commercial, corporate and credit card loan loss provision requirements due to a lower expected loss as well as provisions booked in 3Q11 related to State of Coahuila's debt restructuring. For the first nine months of the year totaled Ps 4.18 billion, (3%) below 9M11.

# Financial Highlights

- **Non Interest Expense** amounted to Ps 6.23 billion in 3Q12, increasing 7% vs. 3Q11, but decreasing (3%) vs. 2Q12, a reduction in this heading for a third straight quarter, driven by lower **Personnel Expenses** and **Employee Profit-Sharing** as a result of merger related synergies, as well as a reduction in **Other Taxes** and **Non-deductible Expenses**. In 9M12 amounted to Ps 19.25 billion, increasing 17% YoY .
- The 3Q12 **Efficiency Ratio** was 54.2%, a reduction of (1.5 pp) vs. 2Q12 stemming from positive operating leverage generated during the quarter. As of 9M12 was 55.2%, a 0.5 pp increase on 9M11.



# Quarterly Summary

Million Pesos

	3Q11	2Q12	3Q12	Change	
				QoQ	YoY
Revenues	10,795	11,589	11,491	(1%)	6%
Credit Costs	1,650	1,186	1,524	28%	(8%)
Expenses	5,814	6,457	6,232	(3%)	7%
Reported Net Income	2,142	2,635	2,780	6%	30%
EPS <sup>(1)</sup>	0.92	1.13	1.19	6%	30%
Book Value per Share <sup>(1)</sup>	29.61	32.36	33.62	4%	14%
ROE	12.6%	14.2%	14.5%	0.3 pp	1.8 pp
ROA	1.1%	1.2%	1.3%	0.0 pp	0.2 pp
P/BV <sup>(2)</sup>	1.39	2.14	2.16	1%	56%

(1) Pesos

(2) Times



# Material Events

## Passing away of Roberto González Barrera.

- GFNORTE informed about the passing away of its largest shareholder and Chairman Emeritus, Don Roberto Gonzalez Barrera on August 25th.
- Mr. Roberto's succession remains as the main shareholder with 14.83% of the Group's shares, while the float is currently 81.44%, distributed among more than 3,500 investors.
- Mr. Gonzalez' succession plan was designed with careful planning and full anticipation, showing a responsible and institutional vision, setting an example for top Corporate Governance standards for the main Mexican and Latin American Companies.
- With full anticipation and opportunity, Mr. Gonzalez Barrera implemented the necessary mechanisms to ensure continuity in exercising the patrimonial and corporate rights of his shares after passing away, guaranteeing certainty and strategic continuity in the Financial Group.

# Material Events

## Opening of "Roberto González Barrera" Call Center:

- Last September 4th, the Call Center named after Roberto González Barrera was opened in Monterrey, Nuevo León, as a permanent and deserved homage to Banorte's founder. This call center aims to consolidate 14 call centers throughout the country, obtaining important synergies. With a \$620 million investment and more than 131 thousand square feet, this Call Center will serve Banorte and Ixe's 11 million clients through 1,700 specialized officers.

## Galardón Pyme.

- On August 9th, the Ministry of Economy awarded Banorte the "Galardón PyME 2012" (SMEs Award 2012) for the third time, and for two years in a row.
- Banorte was the Financial Intermediary which granted more credits to SMEs in the country through government programs.

# Material Events

## Shareholders' Meeting.

- On October 11th, Grupo Financiero Banorte's Ordinary General Shareholders' Meeting was held, with an 89.80% representation of the total subscribed and paid shares of the Company's capital. Some of the agreements reached at the Meeting were:
  - ✓ Approval to distribute a cash dividend of Ps. \$ 0.183 per share, derived from the retained earnings of previous years, being paid on October 24<sup>th</sup>, 2012.
  - ✓ This dividend corresponds to the first of four payments that will be made for a total amount of Ps \$ 0.732 per share, which was approved by the Group's Board of Directors last July 26th, 2012.
  - ✓ The Board of Directors proposed additional dividends for a total amount of Ps. \$0.549 per share, to be covered in three installments of Ps. \$0.183 in January, April and July 2013, respectively.
  - ✓ The total amount of the dividend to be paid represents 20% of the recurring profits of 2011 and the payout was determined according the new dividend policy approved on October 2011, which establishes a payment of the 20% of recurring net income in the event that annual profit growth is greater than 20%.

# Material Events

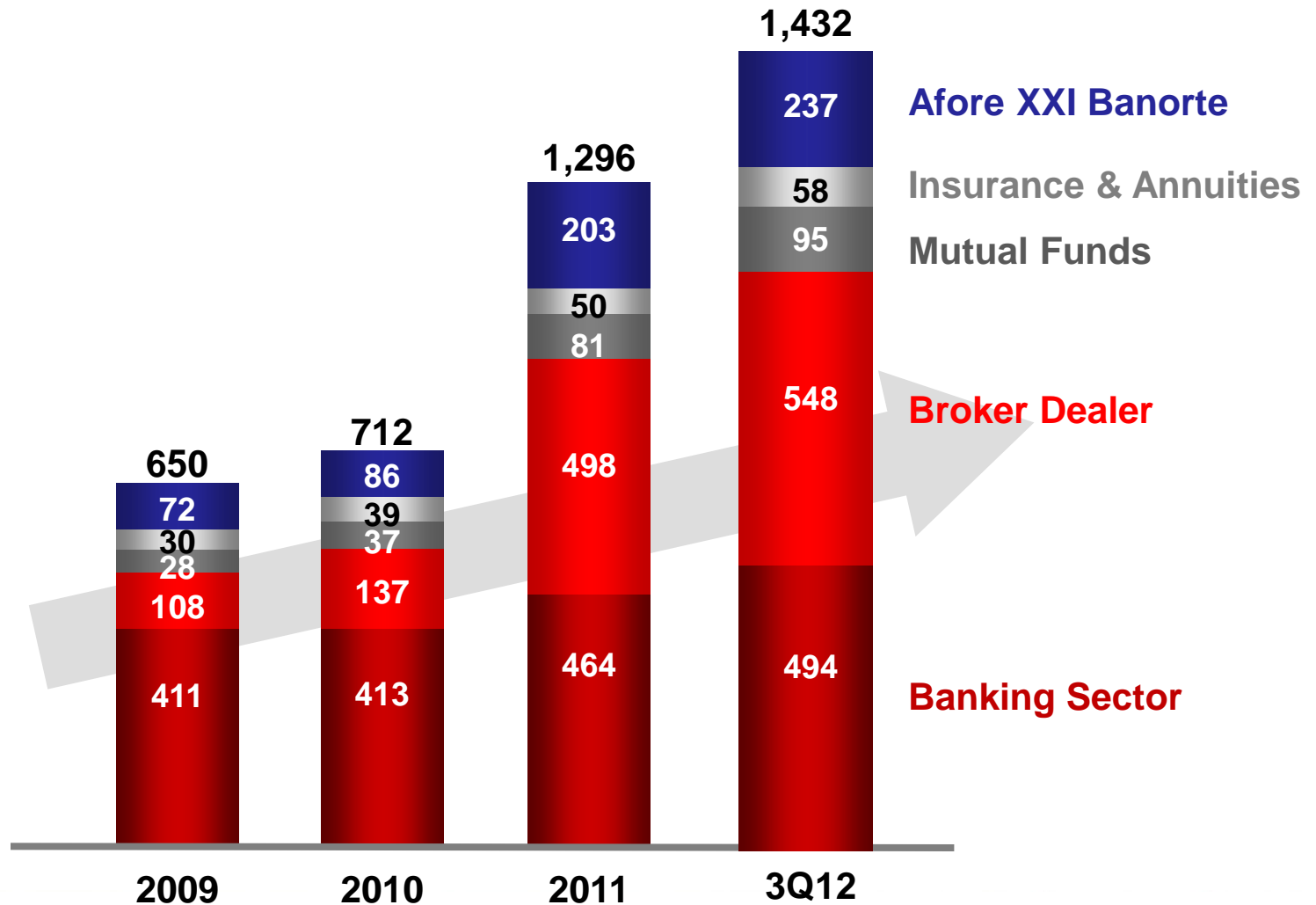
## Credit Ratings

- ***S&P changes Banco Mercantil del Norte's and Ixe Banco's outlook to "Positive" from "Stable".*** Last August 31st, GFNORTE informed that the rating agency changed Banco Mercantil del Norte's outlook to “Positive” from “Stable”. On the back of the strategic importance that Ixe Banco has within GFNORTE and the close correlation with Banco Mercantil del Norte, S&P also changed its outlook to “Positive” from “Stable”, and maintained IXE Automotriz' and Fincasa Hipotecaria's ratings unchanged with a “Stable” outlook.
- ***Moody's affirms the ratings for Banorte and Arrendadora & Factor (leasing and factoring); assigns ratings to Ixe Banco and Banorte-Ixe Broker Dealer.*** Last September 7th, 2012, GFNORTE informed that Moody's ratified all the ratings assigned to Banco Mercantil del Norte and Arrendadora & Factor with a “Stable” outlook. The rating agency assigned for the first time ratings to Ixe Banco and Casa de Bolsa Banorte Ixe, all of them with a "Stable" outlook.

# Financial Performance

# Assets under Management

Billion Pesos



# Income Statement

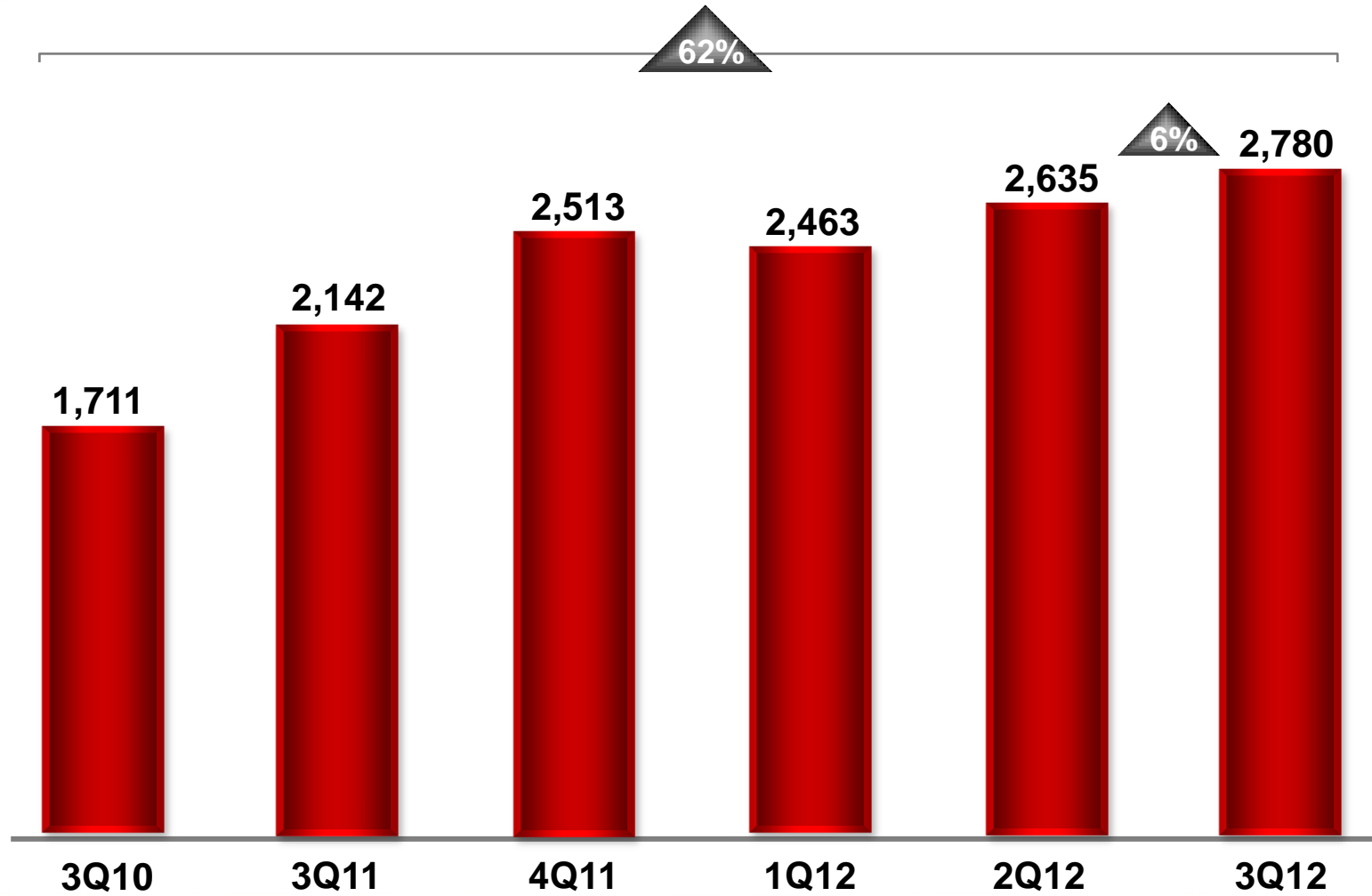
Million Pesos

	3Q11	2Q12	3Q12	Change QoQ	YoY
Net Interest Income	7,232	8,245	8,054	(2%)	11%
Non Interest Income	3,564	3,344	3,437	3%	(4%)
<i>Service Fees</i>	1,796	1,796	1,530	(15%)	(15%)
<i>Recoveries</i>	260	337	322	(5%)	24%
<i>FX &amp; Trading</i>	859	896	1,024	14%	19%
<i>Other Income (expenses)</i>	649	316	562	78%	(13%)
Total Income	10,795	11,589	11,491	(1%)	6%
Non Interest Expense	(5,814)	(6,457)	(6,232)	(3%)	7%
Net Operating Income	4,982	5,133	5,259	2%	6%
Provisions	(1,650)	(1,186)	(1,524)	28%	(8%)
Income Tax	(888)	(1,152)	(806)	(30%)	(9%)
Subs & Minority Interest	(302)	(160)	(150)	(6%)	(50%)
Net Income	2,142	2,635	2,780	6%	30%



# Quarterly Net Income

Million Pesos

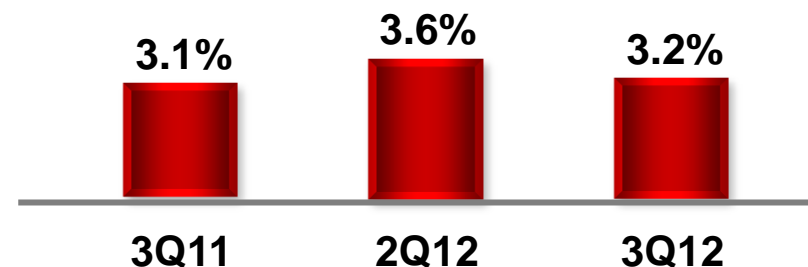


# Net Interest Income and Non Interest Expense

Billion Pesos

	3Q11	2Q12	3Q12	QoQ	YoY
Net Interest Income	7.2	8.2	8.1	(2%)	11%

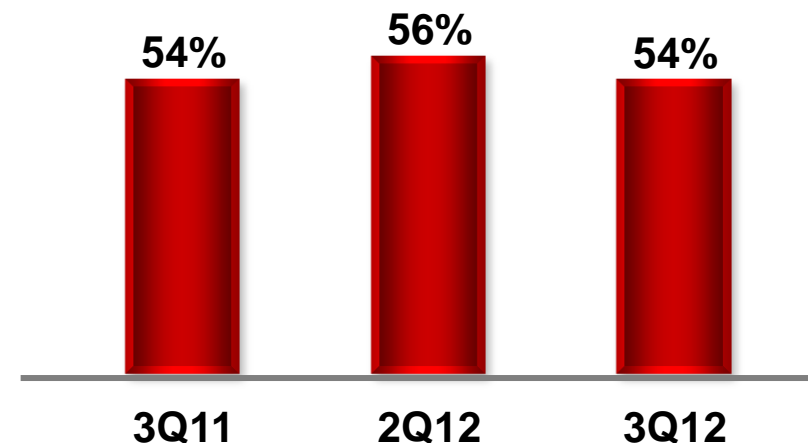
NIM  
(After Provisions)



Billion Pesos

	3Q11	2Q12	3Q12	QoQ	YoY
Non Interest Expense	5.8	6.5	6.2	(3%)	7%

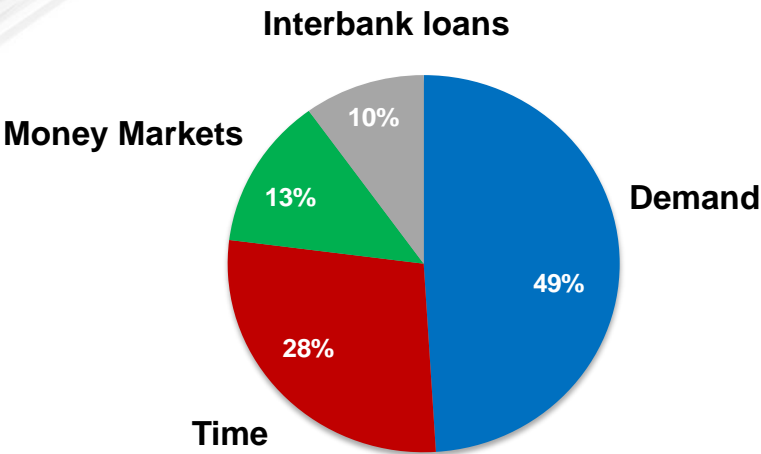
Efficiency Ratio



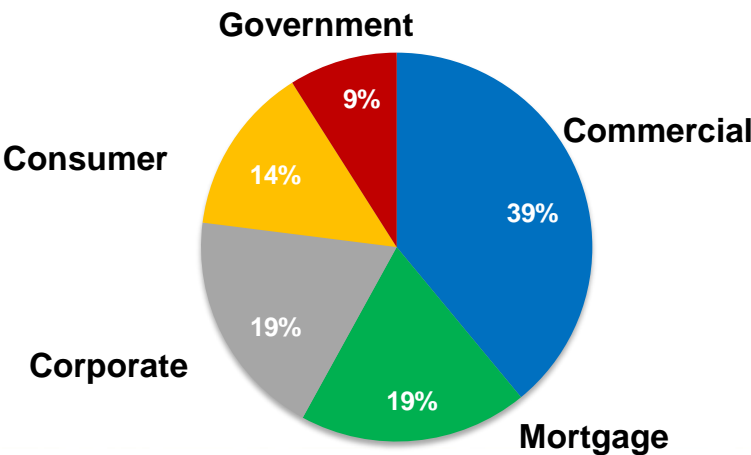
# Funding and Loan Portfolio Structure

2007

Funding: \$226 Billion pesos

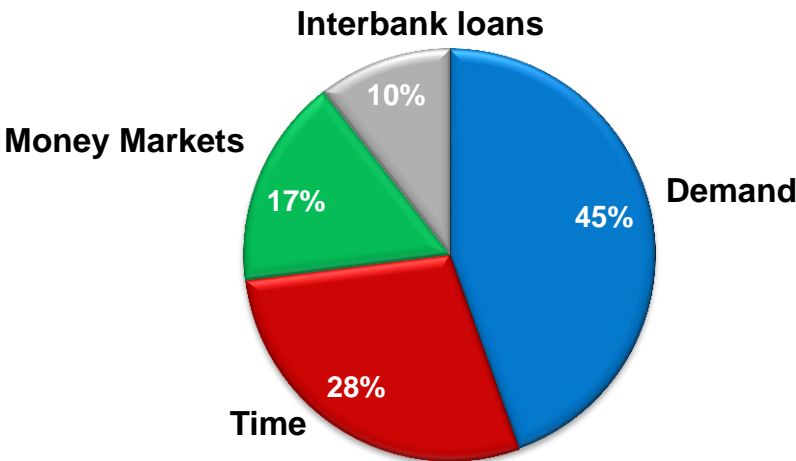


Loan Portfolio: \$194 Billion pesos

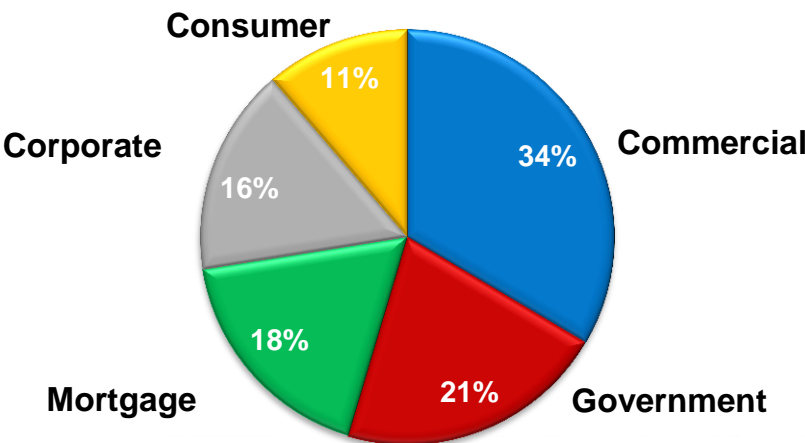


3Q12

Funding: \$436 Billion pesos



Loan Portfolio: \$397 Billion pesos

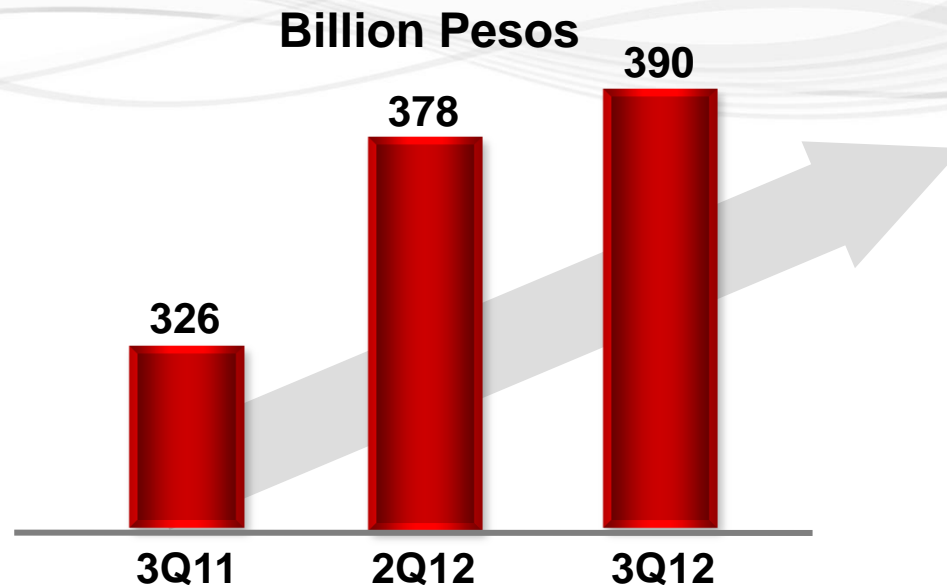


# Deposits

Billion Pesos

Deposits	3Q10		3Q11		3Q12
Demand	134	▲ 28%	171	▲ 15%	197
Time	89	▲ 30%	115	▲ 7%	123
Core Deposits	223	▲ 29%	286	▲ 12%	320
Mix					
Demand	60%		60%		61%
Time	40%		40%		39%
	100%		100%		100%

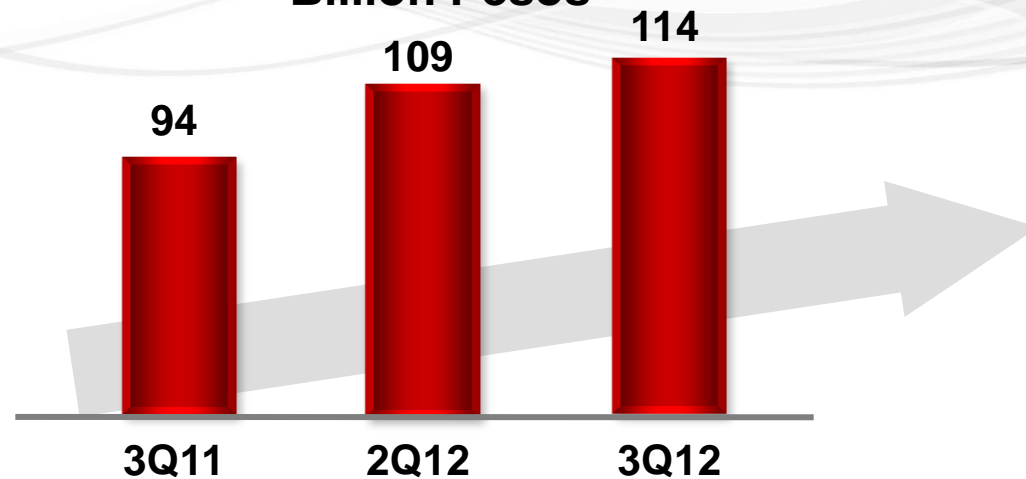
# Performing Loan Portfolio



	3Q11	2Q12	3Q12	Change	
				QoQ	YoY
Consumer	94	109	114	5%	21%
Commercial	116	127	130	3%	12%
Corporate	52	60	63	5%	21%
Government	63	83	82	(1%)	30%
Total	326	378	390	3%	20%

# Performing Consumer Loan Portfolio

Billion Pesos

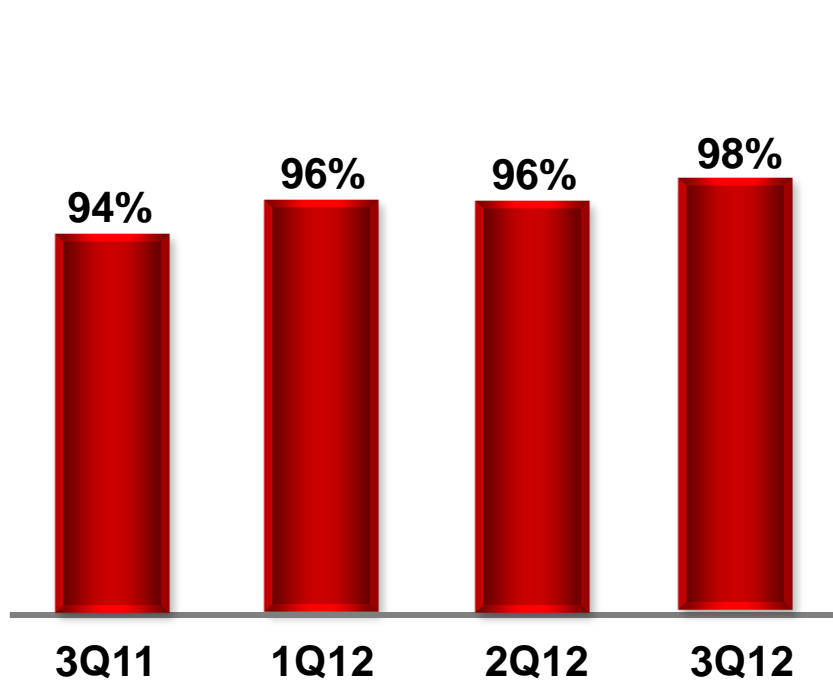


	3Q11	2Q12	3Q12	Change	
				QoQ	YoY
Mortgage	62	68	70	3%	12%
Car	9	10	10	2%	12%
Credit Cards*	11	15	16	8%	47%
Payroll	12	16	17	10%	44%
<b>Consumer</b>	<b>94</b>	<b>109</b>	<b>114</b>	<b>5%</b>	<b>21%</b>

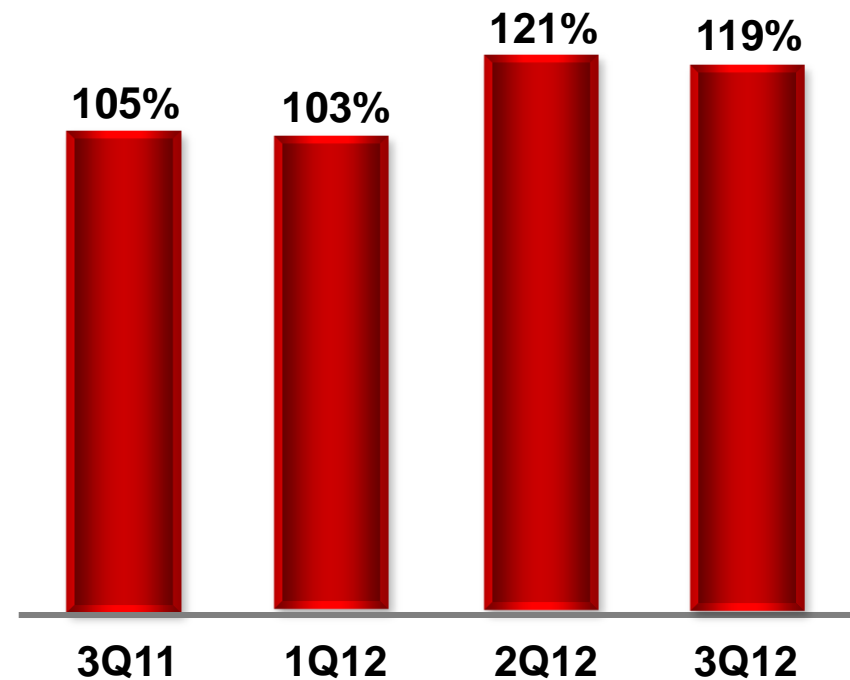
\*Includes the credit card SOFOM Ixe Tarjeta's portfolio since 1Q12

# Funding and Liquidity

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



**Liquidity  
(%)**





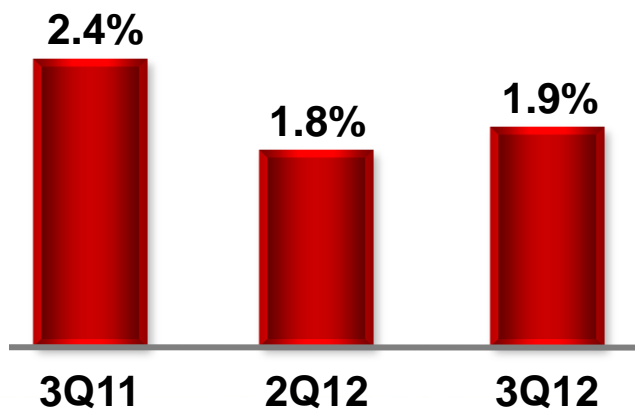
# Asset Quality and Capitalization

# Asset Quality

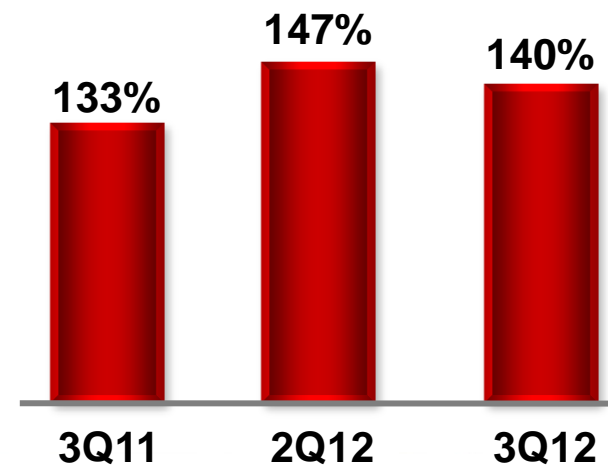
Billion Pesos

	3Q11	2Q12	3Q12
Total Loan Portfolio	334	386	397
Past Due Loans	8.0	7.1	7.6
Loan Loss Reserves	10.5	10.4	10.6

## PAST DUE LOAN RATIO



## RESERVE COVERAGE RATIO



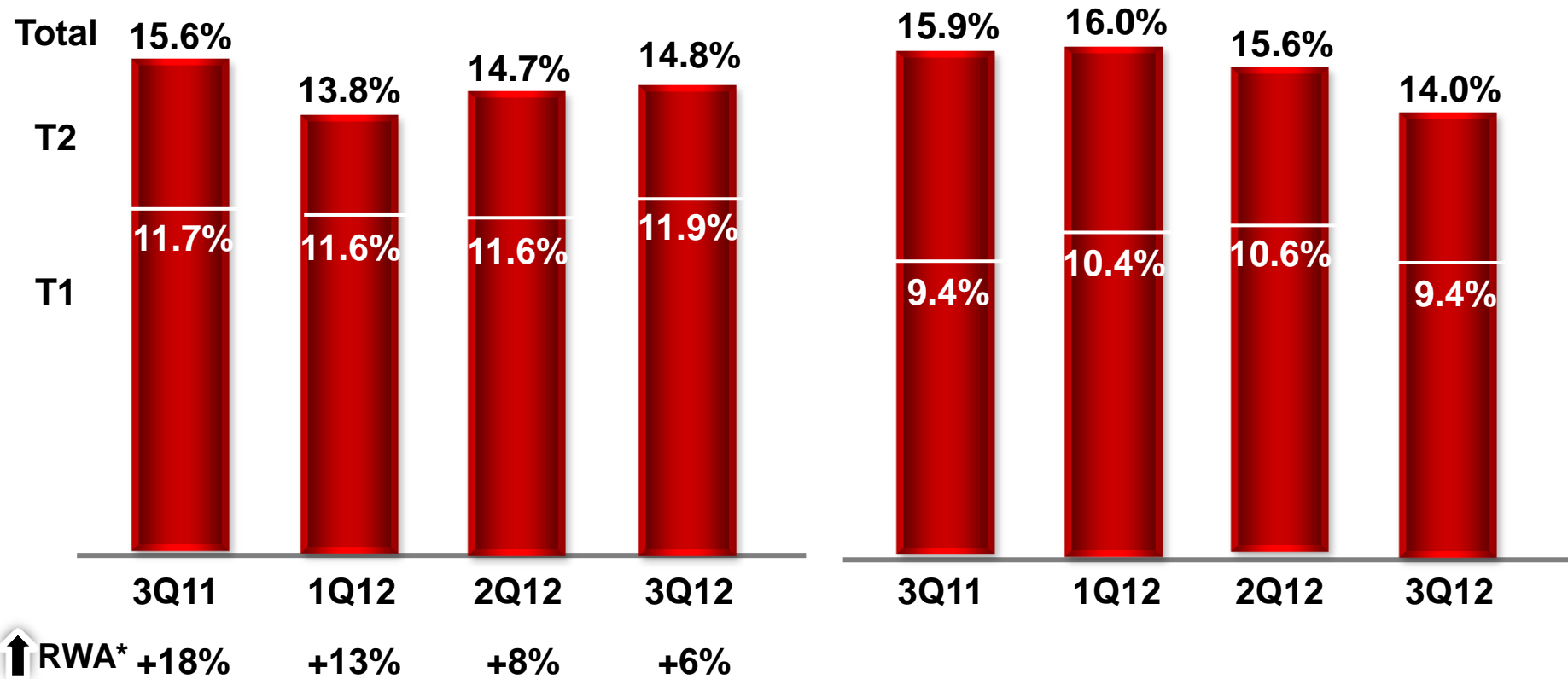
# Past Due Loan Ratios

	3Q11	4Q11	1Q12	2Q12	3Q12
Credit Cards	8.2%	7.3%	6.3%	6.8%	5.3%
Payroll	1.8%	1.7%	1.6%	1.8%	1.9%
Car Loans	1.8%	1.6%	1.4%	1.5%	1.4%
Mortgage	2.0%	1.5%	1.3%	1.1%	1.2%
Commercial	2.9%	2.7%	2.5%	2.7%	3.0%
Corporate	2.4%	2.2%	2.2%	2.1%	2.0%
Government	0.8%	0.0%	0.0%	0.0%	0.1%
<b>Total NPL Ratio</b>	<b>2.4%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.9%</b>

# Capitalization

**Banorte**  
(%)

**Ixe**  
(%)



\*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	Mar-12
Moody's	Baa1	Stable	Sep-12
HR Ratings	Aaa	Stable	May-12

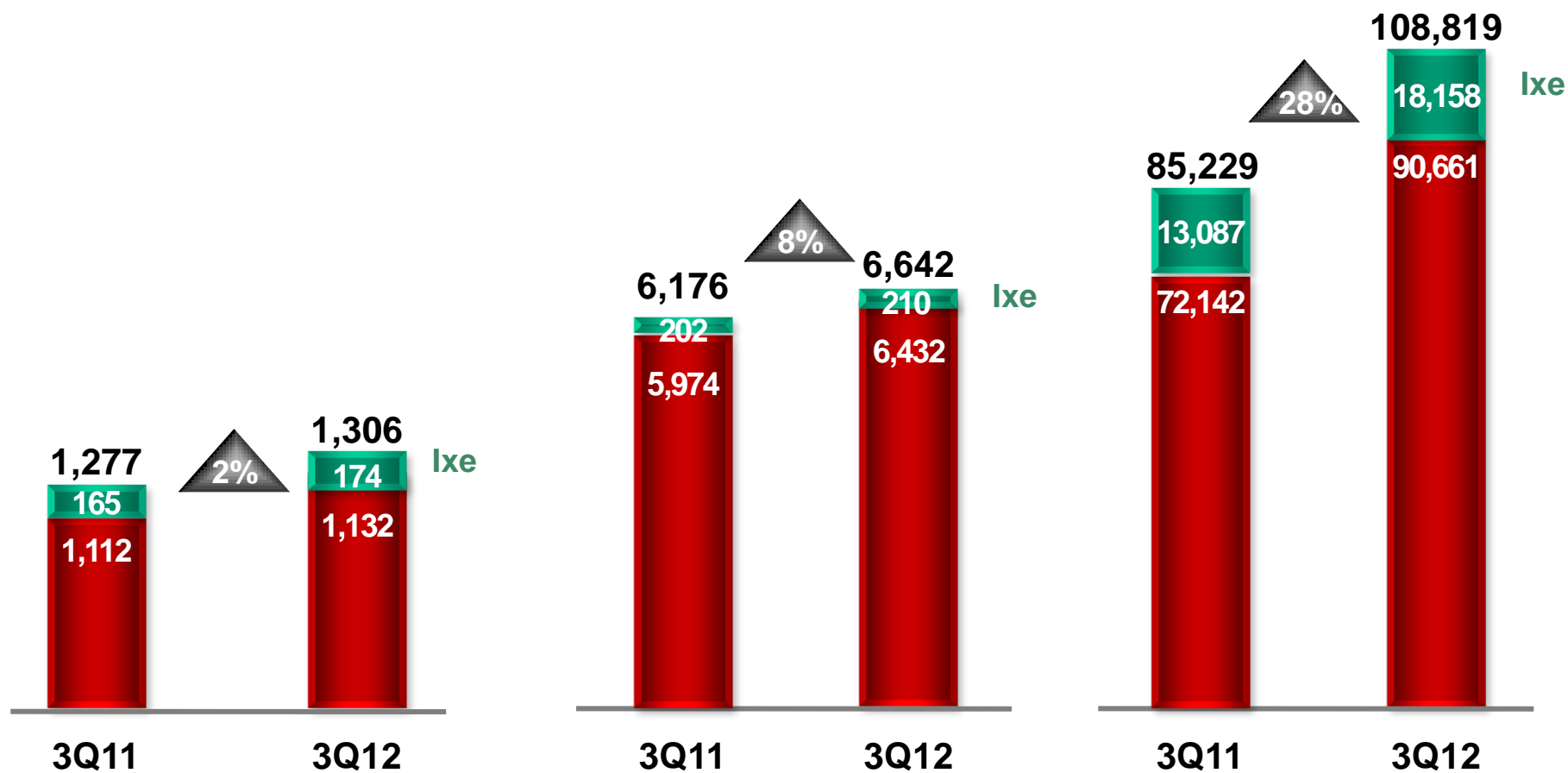
# Distribution Network

# Distribution Network

Branches

ATM's

POS's





# Subsidiaries

# Subsidiaries

**9M12**  
**Million Pesos**

Company	Net Income	Change vs YoY
<b>Banking Sector</b>	<b>6,381</b>	<b>32%</b>
Banco Mercantil del Norte	5,552	22%
Ixe Banco	497	83%
Banorte –Ixe Tarjetas	332	100%
<b>Broker Dealer</b>	<b>414</b>	<b>52%</b>
<b>Long Term Savings</b>		
Retirement Savings	402	202%
Insurance	383	54 %
Annuities	40	261%
<b>Other Finance Companies</b>		
Leasing and Factoring	474	2%
Warehousing	33	5%
<b>Other *</b>	<b>(249)</b>	

\* Includes Ixe Automotriz, Fincasa Hipotecaria, Ixe Soluciones, Ixe Servicios and the Holding Company

## Net Income in Million Pesos

	9M11	9M12
<b>Total</b>	<b>323</b>	<b>431</b>

▲ 33%

## AUM\* Billion Pesos

	3Q11	3Q12	Change YoY
<b>Proprietary Assets</b>	<b>40.7</b>	<b>36.5</b>	<b>(10%)</b>
<b>Acquired Assets</b>	<b>28.0</b>	<b>26.1</b>	<b>(7%)</b>
<b>Investment Projects</b>	<b>6.5</b>	<b>7.4</b>	<b>14%</b>
<b>Managed Assets "Su Casita"</b>	<b>6.7</b>	<b>6.4</b>	<b>(4%)</b>
<b>Ixe Assets</b>	<b>5.9</b>	<b>7.5</b>	<b>28%</b>
<b>Total</b>	<b>87.8</b>	<b>83.9</b>	<b>(4%)</b>

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

## Million Dollars

	9M11		9M12
Pre-Tax Net Income *	23.2		17.4
Provisions	14.6		5.0
Net Income	5.9		8.2
NIM	3.2%		3.1%
ROE	2.0%		2.6%
ROA	0.4%		0.5%
Efficiency	61.5%		68.6%
Total Deposits	1,701	2%	1,741
Performing Loans	759	(7%)	707
PDL Ratio USGAAP	4.5%		2.0%
Coverage Ratio USGAAP	61.7%		96.7%
Classified Assets to Capital	51.7%		26.8%

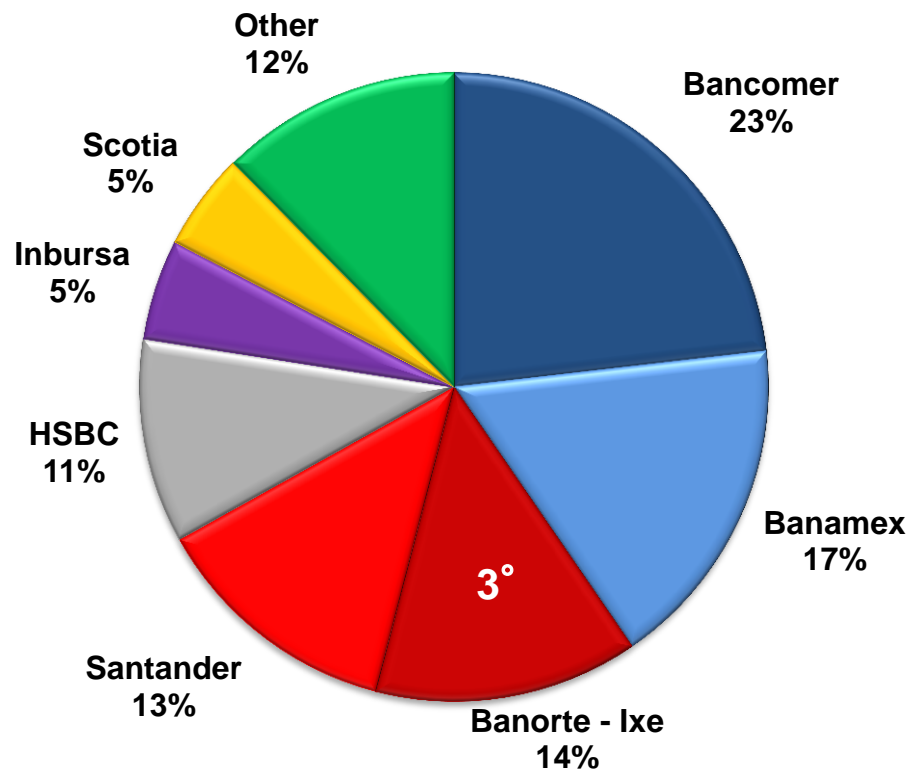
\* Before Provisions

# Industry Trends

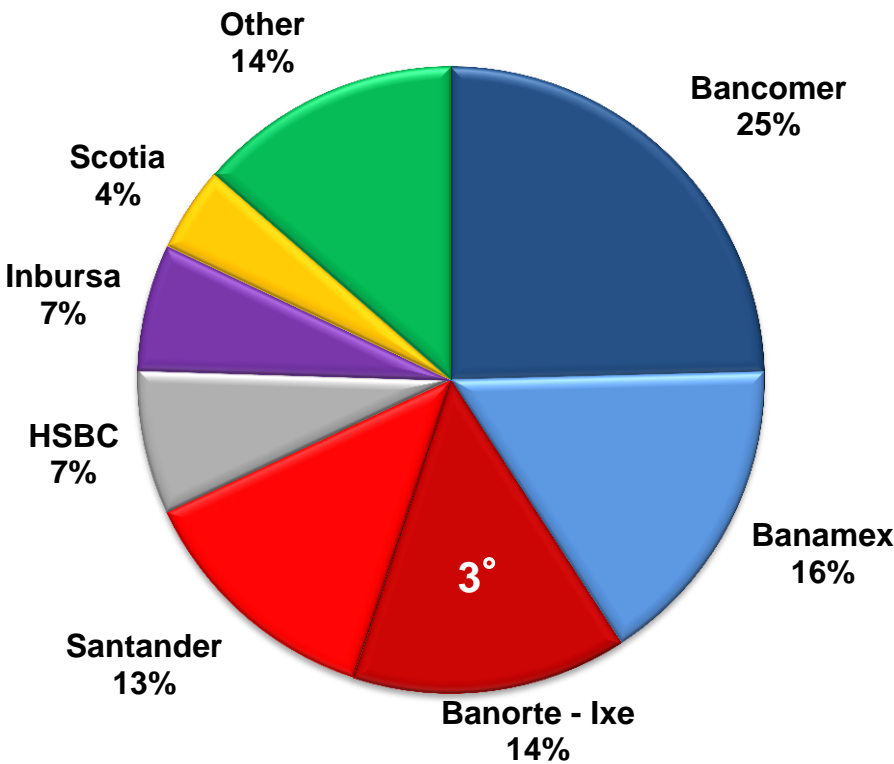
# Market Share

August 2012

## DEPOSITS



## LOANS



Source: CNBV.

# Market Share by Segment

	Consumer		C. Cards		Mortgage		Commercial		Government	
	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12
Bancomer	26.3%	25.2%	35.9%	35.2%	36.0%	34.3%	19.3%	18.9%	26.7%	24.9%
Banamex	19.1%	21.4%	30.5%	30.2%	14.2%	15.0%	14.3%	14.1%	11.1%	11.2%
<b>Banorte- Ixe</b>	<b>9.2%</b>	<b>9.2%</b>	<b>5.9%</b>	<b>6.5%</b>	<b>15.4%</b>	<b>15.9%</b>	<b>13.5 %</b>	<b>14.1%</b>	<b>18.3%</b>	<b>21.8%</b>
Santander	9.0%	8.8%	12.4%	13.8%	15.2%	15.4%	14.4%	14.0%	10.1%	9.7%
HSBC	6.0%	5.8%	7.5%	6.5%	4.7%	4.4%	9.7%	9.0%	7.9%	7.6%
Scotia	5.2%	4.5%	1.8%	1.6%	10.9%	10.9%	4.0%	3.6%	3.3%	1.5%
Inbursa	3.7%	2.1%	0.0%	0.0%	0.3%	0.3%	11.5%	11.8%	3.6%	3.8%
Other	21.5%	23.1%	6.1%	6.2%	3.3%	3.7%	13.2%	14.5%	19.1%	19.5%
Market Position	3°		5°		2°		2°		2°	

Source: CNBV.



# Retirement Savings Market Share

	Workers (Million)				Billion Pesos			
	Accounts		Market Share		Assets		Market Share	
	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12
Banamex	6.32	7.93	21.1%	18.5%	257	313	16.8%	17.3%
<b>XXI Banorte*</b>	<b>2.77</b>	<b>7.26</b>	<b>9.2%</b>	<b>16.9%</b>	<b>95</b>	<b>223</b>	<b>6.2%</b>	<b>12.9%</b>
Sura	3.95	6.23	13.2%	14.5%	210	247	13.7%	13.6%
Bancomer	3.64	4.51	12.1%	10.5%	230	274	15.0%	15.1%
Principal	1.45	3.94	4.8%	9.2%	66	121	4.3%	6.7%
Coppel	2.72	3.65	9.1%	8.5%	43	58	2.8%	3.2%
Profuturo GNP	2.66	3.08	8.9%	7.2%	163	211	10.7%	11.7%
Invercap	1.02	2.87	3.4%	6.7%	57	90	3.7%	5.0%
Other	5.48	3.48	18.3%	8.1%	305	262	26.8%	14.5%

Market Share



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

## **Contact Information**

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