

GFNorte reports first quarter Net Income of Ps 4.46 billion, up 15% from same period last year

(BMV: GFNORTEO; OTC: GBOOY; Latibex: XNOR)

- **Earnings Per Share** were up 15% to Ps 1.61 compared to Ps 1.40 in the same period a year ago.
- Strong annual net income growth in **Seguros Banorte, up by +56% and Pensiones Banorte +39%**, as a result of good business performance and changes to accounting rules for insurance companies.
- Key financial ratios improved substantially in the quarter: **NIM** at **5.0%** from 4.5%, **Efficiency** at **47.1%** from 50.3%, and **Return on Equity** at **13.1%** from 12.5%.
- Net Interest Income totaled Ps 13.60 billion, growing 17% versus the same period last year.
- Loan loss provisions increased 24% against the prior year as a result of new loan origination.
- **Revenues from core banking fees** increased **14%** on a yearly basis on higher transaction volume.
- Non-Interest Expenses grew a low 4% yearly, as a result of **strict expense management and efficiency efforts**.
- The **annual growth in the loan book was +11%**, highlighting the 11% increase in performing loans; while, non-performing loans declined (13%) yearly.
- **Asset Quality continues to evolve positively**, as the **NPL ratio** further declined to **2.16%** and the **reserves coverage ratio** was stronger at **119.3%** at the end of the quarter.
- Demand **deposits** increased **11%** and time deposits also grew a good +12% versus the same period of last year.
- Capital ratios remain solid, at 14.94% on equity growth of 8% and manageable growth in risk assets.

Mexico City, April 21st, 2016. Grupo Financiero Banorte (GFNorte) reported results as of March 2016. The Institution reported Net Income of Ps 4.46 billion in 1Q16, growing 15% on a yearly basis. This result affirms the substantial improvement of income, efficiency and profitability key financial ratios.

Earnings per share stood at Ps1.61 in 1Q16, up 15% compared to Ps 1.40 in the same period a year ago.

Group's profitability maintained a positive dynamism, as **Return on Equity (ROE) was 13.1%**, higher vs. the 12.5% in 1Q15. Furthermore, **Return on Assets (ROA)** went from 1.4% to **1.5%**.

Efficiency ratio improved sequentially from 50.3% to 47.1% between 1Q15 and 1Q16. **Net Interest Income** amounted to Ps 13.60 billion at the end of the first quarter.

GFNorte's Total Deposits maintained a high growth pace reaching a balance of Ps 559.09 billion in 1Q16, +9% YoY. Demand Deposits increased 11% and Time Deposits 12% vs. the same period last year.

Performing Loans presented a positive trend in all books, for an ending balance as of 1Q16 of Ps 533.44 billion, +11% annually. Outstanding annual growth rate in **Corporate** and **Commercial books**; +13% and +12%, respectively.

In the Consumer book, auto loans had a good performance, growing 16% yearly.

Regarding asset quality, GFNorte continues to evolve positively as the **Past Due Loan (PDL) Ratio** went from 2.73% to 2.16%, decreasing annually in practically all segments of the loan book.

The **Capitalization ratio (CR)** was 14.94% at the end of 1Q16.

Contribution to GFNorte's Net Income

GFNorte's financial results were supported by the Insurance company, the Brokerage House and the Pensions company.

Seguros Banorte achieved a 56% annual increase in profits at the end of 1Q16, reporting gains of Ps 916 million.

Casa de Bolsa Banorte Ixe reported profits of Ps 154 million in 1Q16, up +45% yearly.

Pensiones Banorte grew 39% versus the same period last year, amounting to Ps 122 million in 1Q16.

Recent Events

CREDIT RATINGS

Standard & Poor's and Fitch Ratings confirm ratings for GFNorte and Subsidiaries

On March 17th Standard & Poor's confirmed ratings for Banco Mercantil del Norte, S.A. ("Banorte") and Casa de Bolsa Banorte Ixe, S.A. de C.V. ("Casa de Bolsa Banorte Ixe, S.A. de C.V."), all with stable outlook.

The affirmation reflects the internal capital generation, business diversification and adequate risk management and asset quality.

Additionally, on March 18th and 22nd Fitch Ratings confirmed ratings for Grupo Financiero Banorte, S.A.B. de C.V. ("GFNorte"), Banorte, Arrendadora y Factor Banorte, S.A. de C.V., Almacenadora Banorte, S.A. de C.V., Casa de Bolsa Banorte Ixe, Seguros Banorte S.A de C.V. and Pensiones Banorte, S.A. de C.V., all the aforementioned with stable outlook.

GFNorte's ratings confirmation reflects the growth and diversification of the business achieved in recent years; while Banorte's ratings confirmation reflects its business position and market share, adequate and stable financial performance, improved capital position, reasonable level of reserves to absorb losses and improved asset quality. Furthermore, ratings of the nonbank subsidiaries consider GFNorte's support and the strategic importance of these entities in the Group's strategy.

Moody's reviews for downgrade several Banorte's ratings

El 4 de abril Moody's Investor Service placed on review for downgrade several Mexican banks' ratings, among them Banorte's:

- standalone baseline credit assessment (BCA) and adjusted BCA of baa1;
- long-term global local and foreign currency deposit ratings of A3;
- long-term global local currency (GLC) subordinated and junior subordinated debt ratings of Baa2 and Baa3 (hyb), respectively, and;
- long and short-term Counterparty Risk (CR) Assessments of A2(cr)/Prime-1(cr).

These rating actions followed Moody's decision to change the outlook of Mexico's A3 government bond rating to negative from stable on March 31st, and subsequently, to change Mexico's Macro Profile to Moderate +, from Strong.

Additionally, in the same date, the agency downgraded the rating of BNORTCB07 certificates from Baa1 (sf) to Baa2 (sf) (Global Scale, Local Currency) and from Aaa.mx (sf) to Aa1.mx (sf) (Mexican Scale). This action was driven by: the downgrade of PEMEX's ("Petróleos Mexicanos") ratings, as 18% of the underlying collateral is backed by PEMEX notes and the risks associated with the foreign currency and interest rate swap provided by Banorte.

GFNORTE WAS INCLUDED IN THE STOXX GLOBAL CLIMATE CHANGE LEADERS INDEX.

In February the list of issuer companies comprising the STOXX Global Climate Change Leaders Index was announced, in which GFNorte was included, thus becoming the only issuer in Latin America to be considered in it.

This index considers only the companies belonging to the “A List” of the CDP’s Carbon Performance Leadership Index, which are recognized for their commitment to reduce their carbon footprint.

The STOXX Global Climate Change Leaders Index is comprised by a select group of 105 institutions that outperform on a global basis for analyzing risks derived from the climate change in their daily operations.

In GFNorte we continue aiming the highest standards of quality and transparency on sustainability matters; likewise, we ensure providing those seeking long-term profitability the certainty that climate change risks and their potential implications are considered.