

## **THE BANORTE – IXE MERGER PROVIDES RESULTS. GFNORTE'S NET INCOME INCREASE, GROWING BY 15% YoY.**

- Grupo Financiero Banorte reported today its operating results at closing of June 2011, integrating Ixe's subsidiaries for the first time.
- For the eighth consecutive quarter, GFNORTE has increased its profits, reaching Ps 2.05 billion during 1Q11, an increase of 24% compared to 2T10.
- Core deposits grew by 23% YoY, mainly driven by demand and retail time deposits, as well as the merger with Ixe.
- The loan portfolio increased by 29% annually, driven by the merger with Ixe. The most relevant growth rates were 47% YoY in payroll loans, 34% in government loans, 31% in corporate loans and 15% in mortgage loans.
- Non Performing Loan ratio was 2.4% at closing of 2Q11, one of the lowest in the financial system.
- Reserve coverage increased from 125% to 135% compared to the same period last year.
- Banorte's Capitalization Ratio (IC) at closing of 2Q11 was 15.6%, one of the highest in the industry, showing Banorte's financial strength.
- Changes in the Board of Directors, an Advisory Board and 5 Regional Boards were created.
- Banorte launches new mortgage product offering with differentiated products for each market segment.
- Banorte Generali starts selling Insurance through Ixe's network.
- Banorte-Ixe received awards from Euromoney and World Finance.

**Mexico D.F. July 25<sup>th</sup>, 2011.** Grupo Financiero Banorte (GFNORTE) reported today its operating results at closing of June 2011, integrating for the first time Ixe's subsidiaries, as a result of the merger that materialized in April 2011. For the eighth consecutive quarter, GFNORTE has increased its profits, reaching Ps 2.05 billion during 1Q11, an increase of 24% compared to the same quarter of 2010. Banco Mercantil del Norte contributed with 75% of these profits, reaching Ps 1.54 billion, while Ixe Banco contributed with 6%, reaching Ps 119 million. During 1H11, net income was Ps 3.86 billion, a 19% increase from 1H10.

There was a 57% increase in equity this year mainly due to the merger with Ixe, while the return on assets (ROA) was 1.1%, maintaining the same level compared to the same period of the previous year.

### **Deposits and Net Interest Income**

Deposits grew by 23% YoY, as a result of the merger with Ixe and mainly driven by growth in demand deposits and retail time deposits, increasing from Ps 221 billion in 2Q10 to Ps 272 billion in 2Q11.

During 2Q11, Net Interest Income was Ps 7.37 billion, an increase of 33% YoY. In 1H11, Net Interest Income was Ps 13.65 billion, a 23% YoY increase vs. 1H10 and 8% higher on a comparable basis when excluding the revenues from the Insurance and Annuities companies and the Net Interest Income generated by Ixe.

### **Loan Portfolio**

At closing of 2Q11, Performing Loans increased by 29% YoY and 15% QoQ, reaching a balance of Ps 311.93 billion. For the fifth consecutive quarter, the loan portfolio shows continuous growth in most segments (except for Credit cards) as a result of the bank's strategies to reactivate loan originations, the merger with Ixe, and greater demand in the industry. We expect continued favorable trends in credit growth in the banking industry.

**Commercial loans** totaled Ps 113.88 billion, a 38% YoY and 30% QoQ growth, mainly due to the merger with Ixe, as well as an increase in middle market company loans' sales, leasing and factoring and the reactivation of the Crediactivo (fixed asset loan) product. The **Corporate** portfolio was Ps 51.36 billion, a 31% YoY and 12% QoQ increase due to the reactivation of loans in this sector and the merger with Ixe. **Government** loans totaled Ps 55.42 billion, increasing by 34% YoY and 8% QoQ; turning this sector into one of the most dynamic in terms of loan placement for the Financial Group in the last few months.

**Consumer** loans, including mortgages, increased by 16% YoY. It is important to emphasize that Mortgages maintained favorable trends, finishing the quarter with a balance of Ps 60.32 billion, a 15% YoY increase, making Banorte one of the banks with the highest growth in loan volumes this segment. Payroll loans registered a balance of Ps 10.91 billion, an increase of 47% YoY, as a result of campaigns to promote the payroll loan product and the growth in the number of payroll deposit accounts in Banorte-Ixe. Car loans increased by 14% YoY, as a result of promotional campaigns for this product and a recovery in car sales in the country. Credit cards declined to Ps 10.87 billion at closing of 2Q11, as a result of write-offs applied to this portfolio and more payments from clients.

GFNorte maintains good asset quality, with its NPL Ratio being one of the lowest in the financial system at 2.4%. At closing of 2Q11, Grupo Financiero Banorte had a past due loan balance of Ps 7.55 billion, 34% more than in 2Q10, driven by the integration of Ixe's PDL portfolio.

The Group's reserve coverage was 135% at closing of 2Q11, higher compared to the 125% of 2Q10.

#### **Efficiency**

The Efficiency Ratio for 1H11 was 55.2%, 3.3 pp higher than the level registered during the same period last year; mainly as a result of including Ixe Grupo Financiero's expenses and other costs related with the merger process.

#### **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 15.6% at closing of 2Q11, With a Tier 1 capital of 12.0%.

#### **Other Subsidiaries**

In 2Q11, the contribution to profits from the Long Term Savings sector, which includes the Afore, Insurance and Annuities' companies, reported profits of Ps 124 million in 2Q11, a 44% YoY increase. During 2Q11, Other Finance Companies comprised of Arrendadora and Factor Banorte (Factoring & Leasing) as well as Warehousing, Ixe Automotriz and Fincasa Hipotecaria registered profits of Ps 198 million, a 72% YoY. Also, Ixe Servicios registered profits of Ps 2 million, while Ixe Soluciones had a Ps 18 million loss during the quarter. The Brokerage Sector (Banorte's Broker Dealer and Ixe's Broker Dealer and Mutual Funds) was Ps 95 million, a 26% YoY.

#### **Relevant Events of the Quarter**

In 2Q11, Banorte continued its efforts to strengthen its fundamentals and emerge a more solid institution that will take advantage of growth opportunities under a more favorable economic environment despite growing competition. These efforts are reflected in the following events:

- **Changes in Corporate Governance.**

On July 21<sup>st</sup>, the Shareholders' Assembly formalized changes to the Board of Directors, designating 5 new Members, including highly recognized personalities in the business and financial sectors, as well as some former members of the Board of IXE Grupo Financiero. With these changes, GFNorte continues to adhere to the best international practices in Corporate Governance. Additionally, the Shareholders' Assembly approved the creation of an Advisory Board that will serve as an advisory body to the Chairman of the Board, on topics related to the bank's development, new business opportunities, among others. It was also approved to create five Regional Boards: at the Northwest, Monterrey, Jalisco, Mexico City Metropolitan area and Merida. These Boards will provide opinions and advisory to the Board of Directors on the trends and opportunities of each region.

- **New Mortgage Offering.**

During July, Banorte launched its new mortgage offering with the objective of being positioned as a specialized mortgage bank that offers various home acquisition options with excellent payment conditions, differentiated product offering and accessible interest rates for all needs. Through this concept, the market needs will be met appropriately through a competitive offering, defining differentiated products for each type of client.

- **Insurance Sales through Ixe's network.**

Since July, Seguros Banorte-Generali began offering its products through Ixe's branch network. Products were designed to meet the specific needs of Ixe's clients under the best service guarantee.

- **Euromoney and World Finance Recognitions.**

Banorte - IXE was recognized in July by EuroMoney magazine's 20<sup>th</sup> edition of its "Awards for Excellence" as the "Best Bank in Mexico 2011" and last May by World Finance magazine as the "Best Commercial Bank in Mexico 2011." These recognitions were given for the high level of service, innovation and specialization in attention to clients, as well as for the quality of our products and services, among other attributes.

- **Organizational Designations.**

In May, Hector Avila Flores and Armando Rivero Laing were appointed as Co- Managing Directors of the Legal Department of Grupo Financiero Banorte.

The Mexican banking system operates in a complex environment of low interest rates and stricter regulations that impacts in an important way the results of banks. Notwithstanding, the Mexican economy shows signs of recovery in a country that offers significant opportunities to the financial sector even with a low level of banking penetration compared to other countries. In this context, Banorte has evolved with agility and strength as a Mexican bank resolved to continue along the same path, maintaining a solid capital base, ensuring the quality of assets, service to families and Mexican companies and growing in importance as a financial intermediary in the market.