

## **GFNORTE REPORTS NET INCOME OF PS 15.23 BILLION IN 2014 AND PS 3.82 BILLION IN 4Q14.**

- Accumulated ROE in 2014 was 13.2% and ROA 1.5%.
- In 2014 net income totaled Ps 15.23 billion, 13% higher vs. 2013.
- During 4Q14 core deposits grew 14% YoY or Ps 51.99 billion, from Ps 384.42 billion to Ps 436.41 billion.
- At the end of 4Q14, Performing Loans reported a YoY growth of 11%, increasing by Ps 46.73 billion, totaling Ps 471.77 billion.
- The Non-Performing Loan (NPL) Ratio for 4Q14 was 2.9% and the Coverage Ratio for 2014 was 107.0%.
- Banorte's Capitalization Ratio was 15.26% at the end of 4Q14.
- The Efficiency Ratio was 48.5% during 2014 and 53.2% in 4Q14.
- Last January 21, the Ordinary General Shareholders' Meeting approved the distribution of a cash dividend of Ps. 0.2435 per share.
- Banorte was recognized as the "Best Bank in Mexico and Latin America 2014" by LatinFinance and as the "Best Bank in Mexico 2014" by The Banker.

**Mexico D.F., January 22, 2015.** Grupo Financiero Banorte (GFNORTE) reported results for December 2014. GFNORTE reported annual profits of Ps 15.23 billion, 13% higher vs. 2013 due to positive operating leverage achieved from the 13% YoY growth in total income and only a 5% increase in operating expenses, effects that offset increases in provisions and taxes. Additionally, the Insurance and Annuities companies, Afore XXI Banorte and the Credit card SOFOM posted favorable business dynamics and profits. **Net income totaled Ps 3.82 billion in 4Q14**, (6%) lower vs. 3Q14 as a result of reduced non-interest income, mainly trading revenues and an increase in quarterly operating expenses; effects that were not fully offset by growth in NII, reduced provisions and tax payments.

**The Banking Sector's profits for 2014 totaled Ps 10.53 billion**, contributing 69% of GFNorte's earnings.

**ROE for 2014 was 13.2%**, a (99 bp) decrease vs. 2013 due to the dilution effect from the equity offering of July 2013, to the capital accumulation mainly in the Bank and an inferior growth in the portfolio than the one forecasted at the beginning of the year. **ROA was 1.5%**, an increase of 5 bp vs. 2013 due to growth in net income as a result of a better mix and return on assets.

- **Deposits and Net Interest Income**

**In 4Q14 Core Deposits grew 14% YoY** or Ps 51.99 billion, from Ps 384.42 billion to **Ps 436.41 billion**, driven primarily by efforts to promote Banorte and Ixe deposit products, as well as the significant increase in account balances of some clients since the end of 2013, mainly in Government banking. Annual growths were 18% for Demand deposits and 5% for Retail Time Deposits. During the quarter, Core Deposits increased 6% or Ps 25.52 billion vs. 3Q14 as a result of increases of 8% in demand deposits and 2% in Retail Time Deposits

**Net Interest Income for 2014 totaled Ps 44.10 billion**, 14% higher vs. 2013 due to better loan mix, lower cost of funds, higher loan origination fees and higher NII of the Insurance and Annuities companies. **Net Interest Income for 4Q14 totaled Ps 12.44 billion**, increasing 14% QoQ, as a result of the reasons already mentioned.

- **Loans**

**At the close of 4Q14, Performing Loans reported a YoY growth of 11%**, increasing by Ps 46.73 billion to close at Ps 471.77 billion. The Loan portfolio has recovered its pace of growth reaching levels not seen since the end of 2012 due to the gradual economic recovery, maintaining a higher growth rate than GDP. Corporate and middle market company portfolios continued to receive prepayments from customers, (approximately Ps 19 billion in 2014) which were offset by new loan placements in both segments during the last quarter, achieving annual growth. The portfolio registered a 6% QoQ increase as a result of growth in the Government, Commercial (reversing last quarter's decline), Corporate, Mortgage, Credit card and Payroll portfolios.

The Financial Group's **Past Due Loan Ratio was 2.9% at end of 4Q14**, (17 bp) vs. 4Q13 and (31 bp) lower vs. 3Q14. The annual reduction resulted in lower PDL Ratios in the Corporate, Credit card and Payroll segments; while the quarterly decline was the result of lower PDL Ratios in the Commercial, Corporate and Credit card segments.

Excluding the PDL of the three troubled home developers companies, **the PDL Ratio would be 1.8%, 30 bp higher vs. 2013 and 30 bp lower than the PDL Ratio for 3Q14.**

At the end of 4Q14, **Past Due Loans totaled Ps 14.29 billion**, 5% higher YoY vs. 4Q13 as a result of growth in PDLs for some Commercial (including SMEs), Mortgage, Payroll, Credit Card and Car loan portfolios, which were not offset by the significant reduction in the Corporate PDL portfolio. The (4%) QoQ decrease was due to a reduction in the Commercial, Corporate and Credit card PDL portfolios. **The Group's coverage ratio was 107.0%** at the end of 4Q14, increasing by 2.3 pp YoY and 2.9 pp QoQ.

- **Efficiency**

**The Efficiency Ratio for 2014 was 48.5%**, (3.6 pp) lower YoY due to positive operating leverage achieved in the period. **In 4Q14, the Efficiency Ratio was 53.2%**, 8.4 pp higher vs. 3Q14 due to the combination of a faster rate of growth in operating expenses and a reduction in the quarterly non-interest income.

- **Capitalization**

Banco Mercantil del Norte's Capitalization Ratio was 15.26% at the end of 4Q14, with a Tier 1 ratio of 13.70% and a Core Tier 1 ratio of 12.70%.

- **Other Subsidiaries**

In 2014, **Long Term Savings**, including Afore XXI Banorte and the Insurance and Annuities companies, contributed Ps 3.22 billion to the Financial Group's earnings, 64% higher vs. 2013; contribution to earnings in 4Q14 were Ps 907 million, a 28% YoY increase vs. 3Q14. The annual growth was due to better dynamics in the companies that make up this sector, especially Seguros Banorte, as well as the reduction in minority interest resulting from the October 2013 purchase of Generali's 49% stake in the Insurance and Annuities companies, (if GFNorte's stake in these companies was considered at 100%, annual growth would have been 60% for the Insurance company and 55% for the Annuities company). The quarterly result vs. 3Q14 was due to the good performance of Afore XXI Banorte and Seguros Banorte.

**Banorte - Ixe Tarjetas**, subsidiary of Banco Mercantil del Norte, reported profits of Ps 1.81 billion, 50% higher YoY, while profits for 4Q14 totaled Ps 389 million, (26%) lower QoQ. Annual growth came from increased revenues from growth in credit volume (which grew 14% YoY) and higher billing. The quarterly decline was due to a decrease in other operating income (expenses), as a result of 3Q14 cancellations of provisions for expenses, as well as growth in non-interest expenses (mainly expenses related to seasonal promotions and advertisements), these effects offset greater interest income incurred by the 4% growth in the portfolio, as well as more billings.

**The Brokerage Sector** (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe), reported profits for 2014 of Ps 931 million, a 43% increase vs. 2013, driven by higher net interest income, non-interest income (mainly trading) and lower non-interest expenses, which offset higher tax payments; contributions to earnings for the quarter totaled Ps 175 million, declining by (41%) vs. 3Q14, as a result of the reduction in trading revenues and growth in non-interest expenses, which offset growth in net interest income and net fees.

**Sofom and Other Finance Companies**, comprised of Arrendadora y Factor Banorte, Almacenadora Banorte and Solida Administradora de Portfolios, recorded profits for 2014 of Ps 573 million, 58% higher YoY mainly to growth in Arrendadora y Factor Banorte. Quarterly profits of Ps 161 million were posted, (23%) lower vs. 3Q14 due to Solida's results.

### Recent Events

- **Shareholders' Assembly**

GFNorte held an Ordinary General Shareholders' Meeting on January 21<sup>st</sup>. The company's capital that was represented in the meeting by total subscribed and paid shares was 84.52%. The resolutions approved by the Assembly were:

- I. Distribute a cash dividend of Ps. 0.2435 per share, derived from the Retained Earnings of Prior Years. This dividend, to be paid on January 30, corresponds to the second of four payments that will be made for a total amount of Ps. 0.9740 per share, amount approved by the Group's Board of Directors July 24, 2014, thereby, it will be proposed in subsequent Shareholders' Assemblies to decree additional dividends for a total amount of Ps. 0.4870 per share, to be covered in two installments of Ps. 0.2435 in April and July 2015, respectively.

The total amount of the dividend to be paid represents 20% of the recurring profits of 2013 and the payout ratio was determined according to the dividend policy approved in October 2011, which establishes a payment of 20% of recurring net income in the event that annual profit growth is greater than 20%.

- II. Designation of delegate(s) to formalize and execute the resolutions passed by the Assembly.

- **GFNorte Investor Day**

On December 1, GFNorte, held its Investor Day in New York City. The event was led by the Chairman of the Board of Directors and the top management of the Group. During the annual meeting, attended by more than 100 financial experts both Mexican and international, the Group's organizational changes were presented; moreover, Banorte's management team presented results of the bank's Transformation Program, which was launched over a year ago. Management also addressed the Group's performance expectations for 2015.

While offering his welcoming remarks, Carlos Hank González, Chairman of the Board, stressed that the best for Banorte is at the threshold of a new stage of solid, profitable and sustainable growth, and mentioned to be convinced that the Group will become an international benchmark of good corporate governance.

Marcos Ramirez assured that he will work firmly to make Banorte the best financial institution in Mexico and thus generate value for customers, employees and shareholders; additionally, he was very clear on that he will continue working with the same management team and with the same transformation strategy to achieve the objectives set.

Carlos Hank González, Marcos Ramirez and the management team, stated their vision on the development and the challenges that the Group will face in the upcoming years, they also expressed their commitment and dedication towards creating value for the different stakeholders.

- **Banorte is recognized as the "Best Bank in Mexico and Latin America 2014" by LatinFinance and as the "Best Bank in Mexico 2014" by The Banker.**

Banorte was recognized by **LatinFinance**, the specialized in banking and capital markets magazine as the "**Best Bank in Mexico and Latin America**", and by The Banker through the Financial Times' publication for the second time in a row and the 7<sup>th</sup> since 2005 as the "**Best Bank in Mexico**".

Both appointments considered quantitative and qualitative factors such as security, soundness and prudence shown by the institution. They recognized in Banorte its capacity to grow throughout several acquisition and mergers such as the purchase of the remaining Generali's stakes in the Annuities and Insurance companies and its successful mergers with Ixe and Afore BBVA Bancomer, which gave the Group the possibility to increase its market share and meet the financial needs of new customers. They mentioned as well GFNorte's increasing presence in the equities market.

An additional factor for the assessment was the confidence that investors showed by acquiring the issued shares in the Public Offering, which allowed GFNorte to obtain fresh capital for its expansion in mid-2013, stressing that this capital increase was achieved in a context of greater volatility in international markets and economic growth in Mexico below expectations.

- **Organizational changes**

As part of ongoing efforts to focus the organization towards a client-centered business model and continuing with the best international practices, the following appointments and organizational adjustments were made.

On November 20th, an extraordinary meeting of the Board of Directors was held. As part of the agreements, the Board of Directors accepted the resignation of **Guillermo Ortiz Martinez** as Chairman of this governing body. His resignation is effective as of December 31st, 2014. The Board approved the substitution of Dr. Ortiz with **Carlos Hank Gonzalez** as Chairman of the Board of Directors, effective as of January 1st, 2015. Carlos Hank Gonzalez's appointment is subject to ratification by Shareholders' Assembly, for which this governing body will be called.

The Board of Directors, considering the opinion of the Audit and Corporate Practices Committee (CAPS) approved the resignation of **Alejandro Valenzuela del Rio** as the Financial Group's CEO. Similarly, the Board, hearing the opinion of the CAPS and the Designation's Committee, appointed **Marcos Ramirez** to become CEO of the Financial Group, starting November 20th, 2014. Consistent with the above, Alejandro Valenzuela resigned as member of GFNORTE's Board of Directors.

Marcos Ramirez has 25 years of experience in the financial sector, holding the following positions: Treasurer at Nacional Financiera, various executive positions at Grupo Financiero Santander, and prior to this appointment was Grupo Financiero Banorte's Managing Director of Wholesale Banking. He holds a Bachelor's Degree in Actuarial Science from Universidad Anahuac and is specialized in Finance by Instituto Tecnológico Autonomo de Mexico (ITAM) and is MBA from ESADE in Barcelona, Spain.

Likewise, as of December 1st, 2014, **David Suarez Cortazar**, Chief Financial Officer, left the organization, **Rafael Arana de la Garza**, Chief Operating Officer (COO), will continue having oversight over the finance function of the Group and **Ursula Wilhelm**, Deputy Managing Director of Investor Relations and Financial Intelligence, will maintain responsibility for Investor Relations.

**Armando Rodal** has been appointed Managing Director of Wholesale Banking, reporting directly to the Group's CEO. He has worked at GFNorte for over 21 years. Armando is a Chemical Engineer from Instituto Tecnológico y de Estudios Superiores de Monterrey, MBA from EGADE and has postgraduate degrees from IPADE and Louisiana State University.