

GFNorte reports Net Income of Ps 3.88 billion in 1Q15, 7% higher vs. 1Q14

- Good sequential and annual loan growth of 2% and 12%, across consumer and non-consumer balances.
- Strong deposit growth of 3% and 17% for the period.
- Favorable evolution of asset quality, with NPL ratio improving to 2.7% Strong capitalization ratio of 15.20% and equity growth of 13% YoY.
- Annualized ROE for the quarter of 12.5% in line with 4Q14 result.
- Net income of Ps 3.88 billion growing 7% YoY impacted by normalized trading gains.
- Net Interest Margin strong at 4.5%.
- Core banking service fees increased 22% annually.

Mexico D.F., April 23, 2015. Grupo Financiero Banorte (GFNorte) reported results for March 2015. GFNorte reported Net Income of Ps 3.88 billion, higher in 7% and 2% YoY and QoQ respectively, offsetting favorably with the results presented in the previous quarter where profits grew 5% annually and decrease 6% quarterly.

The acceleration in profits growth responded mainly to three factors:

1. Higher contribution of the banking business;
2. Good performance of the insurance and annuities companies;
3. Strong growth in service fees.

Efficiency improvements, measured by the cost to income ratio, show an improving trend versus the prior quarter. In 1Q15, Efficiency was 50.3%, which compares favorably vs. 53.2% in 4Q14.

The Groups profitability remains solid, with ROA at 1.4% and a ROE of 12.5%, both in line with 4Q14.

GFNorte posted positive results in 1Q15 despite a challenging environment and intense competition in the financial sector.

- **Banking Sector**

The Banking Sector's profits for 1Q15 totaled Ps 2.73 billion, contributing importantly with 70% of GFNorte's earnings., Banking Sector's net income increased 10% YoY, comparing favorably to the 12% reduction in 4Q14.

Deposits and Net Interest Income

In 1Q15 Core Deposits grew 17% YoY, from Ps 385.60 billion to Ps 449.65 billion, driven mainly by efforts to promote Banorte deposit products, reflected in a significant increase in account balances of clients in all segments. The QoQ increase was 3%.

During 1Q15, GFNorte's Net Interest Income grew 12% YoY from Ps 10.35 billion to Ps 11.64 billion driven by the contribution in the Net Interest Income from the loan portfolio, derived from a better loan mix, as well as higher contribution from the insurance and annuities companies.

Loans

Performing Loans reported a YoY growth of 12% in 1Q15, increasing by Ps 52.26 billion totaling Ps 479.81 billion. This means higher growth rate vs. the 11% in the prior quarter. The good performance of the loan book was favored by the dynamics showed in the consumer and government books.

In 1Q15, the Past Due Loan Ratio was 2.7%, (25 bp) lower vs. 1Q14 and (21 bp) lower vs. 4Q14. The favorable evolution of this ratio vs. 4Q14 was due to the performance of the commercial, car, mortgage and payroll segments.

During 1Q15, Past Due Loans were Ps 13.47 billion, a (6%) reduction vs 4Q14.

The loan loss coverage ratio was adequate at 108.1% in 1Q15, increasing 2.4 pp YoY and 1.2 pp QoQ.

Capitalization

At the end of 1Q15 the **Capitalization Ratio (CR) for Banorte** was 15.20%, with a Tier 1 ratio of 13.64% and a Core Tier 1 ratio of 12.79%.

- **Other Subsidiaries**

During 1Q15, **Long Term Savings**, including Afore XXI Banorte and the Insurance and Annuities companies, contributed Ps 968 million to the Financial Group's earnings, increasing in 19% and 7% YoY and QoQ respectively.

Banorte - Ixe Tarjetas, subsidiary of Banco Mercantil del Norte, reported profits of Ps 407 million in 1Q15, increasing in 8% and 4% YoY and QoQ respectively.

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte-Ixe) reported profits of Ps 163 million in 1Q15, (20%) lower vs. 1Q14.

SOFOM and Other Finance Companies, comprised of Arrendadora y Factor Banorte, Almacenadora Banorte, Sólida Administradora de Portfolios and Ixe Servicios, recorded profits in 1Q15 of Ps 36 million, 75% lower YoY mainly to Sólida Administradora de Portafolios' results. Quarterly profits decrease (78%).

Recent Events

- **Credit Ratings**

Standard & Poor's confirms ratings for Banco Mercantil del Norte and Casa de Bolsa Banorte Ixe

On April 16, 2015, Standard & Poor's confirmed ratings for Banco Mercantil del Norte and Casa de Bolsa Banorte Ixe, all with stable Outlook.

The rating confirmation reflects the strong internal capital generation, business diversification and its strategic direction.

Fitch Ratings confirms ratings for Grupo Financiero Banorte and subsidiaries

On March 20, 2015, Fitch Ratings confirmed ratings for GFNorte, Banorte, Arrendadora y Factor Banorte, Almacenadora Banorte and Casa de Bolsa Banorte Ixe, 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 strengthening, stability, clear and effective strategy of organic growth, income diversification, an adequate financial performance and its capital strength - allowing the entity to position as one of the largest banks in the Mexican banking system -. On the other hand, ratings of the nonbank subsidiaries consider GFNorte's support and the strategic importance of these entities in the group's strategy.

- **Brand Finance – Banking 500**

In February, the independent intangible asset valuation consultancy, Brand Finance, published the results of the tenth edition of the "Banking 500" study, which assesses the 500 most valuable banking brands in the world. This year Banorte ranked in the 138 position, increasing 8 places vs. 2013, and its value amounted to USD \$14,339 million.

- **Recognitions**

In February, Operadora de Fondos Banorte Ixe received the award for the second time in a row of Best Aggressive-Mixed Fund in Mexico 2015 by Morningstar.

- **Grupo Financiero Banorte, a leader in climate change transparency**

For second year in a row, GFNorte was included in the Latin American *Climate Disclosure Leadership Index 2014*. Obtaining the second highest score in transparency in Mexico and the Latin American financial sector. This index awards the leading companies in transparency of climate change as they exhaustively disclose high quality information on measurement, verification and management of their carbon footprint, climate change mitigation strategy, as well as risk management process and results.