

## GFNorte reports Net Income of Ps 7.88 billion in 1H15

- Net Income grows 7% annually, in line with the total income.
- Service fees grew 20% annually, continued strong growth in core banking service fees as result of higher transaction volume.
- Net Income from insurance subsidiary grows strong at 39% annually in the first half.
- Good annual loan growth of 12%, consumer book increased similarly.
- Strong yearly deposit increase of 15%, driven by growth in all customer segments.
- Favorable evolution of asset quality, with the NPL ratio at 2.8%.
- Solid capitalization ratio of 15.27% and equity grows 11% YoY.
- Annualized ROE for the quarter of 12.5% in line with that of 1Q15.

**Mexico D.F., July 23, 2015.** Grupo Financiero Banorte (GFNorte) reported results for the first half of 2015, ending June 30, 2015. The Institution reported Net Income of Ps 7.88 billion in 1H15, growing 7% annually, in line with the growth of the Net Income of the first three months of 2015. In 2Q15 Net Income amounted to Ps 4.00 billion, 3% higher QoQ, comparing favorably vs. the 2% quarterly growth reported in 1Q15.

**Group's profitability presented an acceptable dynamism**, as in 2Q15 ROE was 12.6%, 12 bp higher vs 1Q15. Furthermore, financial strength reflected in the increase of **Banco Mercantil del Norte's Capitalization Ratio**, which was 15.27% at the end of 2Q15, record high in the last couple of years.

**Deposits maintain very favorable growth levels.** During 2Q15 core deposits grew 15% YoY reaching a balance of Ps 459.71 billion, driven mainly by efforts to promote Banorte deposit products, as well as higher account balances in all client segments, including the retail network.

**Loan book grows in spite of the environment.** Performing loans increased 12% YoY for an ending balance of Ps 486.02 billion in 2Q15, as a result of the favorable dynamics in all the segments, it is worth noting the increase of the government portfolio, which increased more than Ps 24 billion, and the 12% growth in the consumer book, which has continued during the last two quarters.

**Good asset quality.** In 2Q15, the **Past Due Loan (PDL) Ratio** was 2.8%, which improved vs. the 3.1% of the prior year; whereas it moderately increased 7 bp vs. 1Q15. The annual decrease in this ratio was result of, both, a reduction in past due loans and a 12% increase in performing loans. Moreover, at the end of 2Q15 **past due loans totaled Ps 14.00 billion**. When excluding the home developers exposure, the PDL Ratio would be 1.7%.

Furthermore, **GFNorte's loan loss coverage ratio** maintained an adequate level at 105.3% in 2Q15.

**During 1H15, GFNorte's Net Interest Income amounted to Ps 23.21 billion**, growing 12% YoY in spite of the 50 bp reduction in market rates in June 2014. The aforementioned growth as a result of a greater contribution from net interest income from loans, driven by the growth in the loan book and an improved mix - as high yielding consumer loans have gained share -; as well as due to a greater contribution from the Insurance and Annuities companies. **For the quarter, Net Interest Income amounted to Ps 11.58 billion**, practically unchanged vs. 1Q15.

**The Efficiency Ratio in 2Q15 was 49.2%, improving vs. the 50.3% in 1Q15.** During 1H15 this ratio was 49.7%.

### Contribution to GFNorte's Net Income

During 1H15 the **Banking Sector** (including Banco Mercantil del Norte, Banorte- Ixe Tarjetas and Banorte USA) contributed importantly with Ps 5.46 billion, 6% higher YoY, representing 69% of GFNorte's accumulated Net Income. In 2Q15 this sector totaled profits for Ps 2.73 billion, in line with those of the prior quarter.

In 1H15 **Long Term Savings Sector**, including Afore XXI Banorte and the Insurance and Annuities companies, reported profits of Ps 1.99 billion, increasing in 25% YoY and representing 25% of GFNorte's Net Income; whereas in 2Q15 profits amounted to Ps 1.02 billion, 6 % higher vs. 1Q15.

The remaining GFNorte's subsidiaries, including the Holding company, totaled profits for Ps 432 million, contributing 5% of GFNorte's net income; whereas during the quarter amounted to Ps 253 million, increasing 42% QoQ.

### **Recent Events**

- **Shareholders' Assembly.**

GFNorte's Annual General Shareholders' Meeting was held on April 24<sup>th</sup>, with a 64.07% representation of the total subscribed, paid and voting shares of the Company's capital. Some resolutions adopted by the Assembly were:

1. Approval of the Board of Directors' composition for the year 2015.
2. Designation of the Chairman of the Audit and Corporate Practices Committee.
3. Approval to distribute a cash dividend of Ps 0.4870 per share, derived from the fiscal net income as of December 31<sup>st</sup>, 2013, paid in two installments of Ps. 0.2435 on April 30<sup>th</sup> and July 31<sup>st</sup>, 2015.

- **Euromoney Awards for Excellence 2015.**

In July, Euromoney the specialized magazine in banking and capital markets published its 24<sup>th</sup> edition of the **Awards for Excellence**, one of the most recognized in the financial services industry, in which Banorte was awarded "**Best Bank in Mexico**". The methodology considers quantitative and qualitative data, recognizing leading institutions that offer the highest levels of service, innovation and expertise to their clients.

- **Credit Ratings.**

#### **HR Ratings ratified Banorte's Long and Short Term ratings and "BANORTE 12" Subordinated Debt**

On May 29, HR Ratings ratified Banco Mercantil del Norte, S.A.'s ("Banorte") HR AAA and HR+1 Long and Short term ratings, respectively, as well as BANORTE 12 Subordinated Debt with HR AA+, with a stable outlook. The main factors considered were: the adequate solvency and profitability metrics, solid corporate governance and an adequate revenue generation from the loan portfolio, which they considered as well distributed in terms of geographic location and customers.