

## **GFNorte reports Net Income of Ps 12.17 billion in 9M15 and Ps 4.28 billion in 3Q15**

- **Net Income grows 7% sequentially and annually**
- **NII with sequential growth of 2% leads to an improved NIM of 4.4%**
- **Core banking fees post another quarter of strong growth at 5%**
- **Quarterly expenses were 3% lower leading to a low 46% cost to income ratio**
- **Sequential loan growth was 3% with positive growth in all the portfolios, and consumer leading the way**
- **Deposits continue flowing strongly maintaining a 16% annual growth**
- **Favorable evolution of asset quality, with the NPL ratio down at 2.7%**
- **Solid capitalization ratio of 14.87% and equity grows 11% YoY**
- **Annualized ROE for the quarter of 13.2% increasing 56 bps vs. 2Q15**

**Mexico D.F., October 22, 2015.** Grupo Financiero Banorte (GFNorte) reported results as of September 2015. The Institution reported Net Income of Ps 12.17 billion in 9M15, growing 7% annually, maintaining its growth rate along 2015.

In 3Q15 Net Income amounted Ps 4.28 billion, 7% higher QoQ, comparing positively to the 3% quarterly growth reported in 2Q15.

**Group's profitability presented good dynamism**, as in 3Q15 annualized ROE was 13.2%, 56 bp higher vs. 2Q15. Likewise ROA was 1.5%, increasing 10.2 bp vs. the 1.3% reported in 2Q15

**Deposits maintain very favorable growth levels.** During 3Q15 core deposits grew 16% YoY reaching a balance of Ps 474.89 billion, driven by promotional efforts as well as higher account balances in all client segments, including the retail network.

**Loan book growth.** Performing loans increased 12% YoY for an ending balance of Ps 500.21 billion in 3Q15. It stands out the significant YoY increase in the commercial book's growth rate; whereas the rest of the books maintain a similar growth rate vs. prior quarters.

**Good asset quality.** In 3Q15, the **Past Due Loan (PDL) Ratio was 2.7%**, comparing favorably to the 3.3% in 3Q14 and the 2.8% in 2Q15. At the end of 3Q15, **Past Due Loans were Ps 13.72 billion**, (8%) lower YoY.

Furthermore, **GFNorte's loan loss coverage ratio** maintained an adequate level at 109.4% in 3Q15, above the 105.3% in 2Q15 and the 104.0% in 3Q14.

**During 9M15, GFNorte's Net Interest Income amounted Ps 35.05 billion**, growing 11% YoY driven by higher Net Interest Income from loans, resulting from growth in the loan book, as well as due to a greater contribution from the Insurance and Annuities companies. **For the quarter NII totaled Ps 11.84 billion**, a 2% increase vs. 2Q15.

**The Efficiency Ratio showed a significant improvement and stood at 46.3% in 3Q15** vs. the 49.2% in 2Q15. **In 9M15 this ratio was 48.6%.**

### **Contribution to GFNorte's Net Income**

During 9M15 the **Banking Sector** (including Banco Mercantil del Norte, Banorte- Ixe Tarjetas and Banorte USA) contributed importantly with Ps 8.60 billion, 9% higher YoY, representing 71% of GFNorte's accumulated Net Income. In 3Q15 this sector totaled profits for Ps 3.14 billion, 15% higher vs. the prior quarter.

During the nine months of 2015, **Long Term Savings Sector**, including Afore XXI Banorte and the Insurance and Annuities companies, reported profits of Ps 2.86 billion, increasing in 24% YoY and representing 23% of GFNorte's Net Income; whereas in 3Q15 profits amounted Ps 869 million.

The remaining GFNorte's subsidiaries, including the Holding company, totaled profits for Ps 709 million, contributing 6% of GFNorte's net income; whereas during the quarter amounted to Ps 278 million, increasing 10% QoQ.

### **Recent Events**

- **Organizational Changes**

In August **Guillermo Chávez Eckstein** was appointed Managing Director of Credit and Risk Management reporting directly to the CEO. This position incorporates credit and risks management functions to achieve a comprehensive and efficient process to support Grupo Financiero Banorte ("GFNorte") sustainable growth in the lending business.

Guillermo has a solid career of more than 35 years in the financial sector, with experience in areas such as Corporate and Middle-market Banking, Investment Banking, Afores, Risk Management, Credit and Asset Recovery. Guillermo holds a Bachelor's Degree in Chemical Engineering from Universidad Iberoamericana and holds an MBA from IPADE.

- **Institutional Investor Magazine's Rankings**

In September, Institutional Investor magazine announced the "Best Latin America Executive Team 2015" rankings, which were based on a survey to 535 buy-side fund managers from more than 290 institutions and 345 sell-side analysts from almost 50 firms. This survey evaluates attributes such as accessibility of senior managements, quality and depth of answers to inquiries, transparency of financial reporting and disclosure, among others.

For the sixth consecutive year, GFNorte's Management and Investor Relations team were chosen among top Mexican companies and Latin American banks.

- José Marcos Ramírez Miguel, CEO, was ranked second in Mexico and third in Latin America according to the sell-side; whereas the buy-side classified him fourth, both in the regional and domestic rankings.
- Rafael Arana de la Garza, Chief Operating and Chief Financial Officer, ranked as the best CFO in Latam according to sell-side and second by the buy-side; likewise, he obtained the second position in the Mexican ranking according to the buy-and sell side.
- Ursula Wilhelm Nieto, Executive Director of Investor Relations and Financial Intelligence took the second position in the Latin American and Mexican IRO ranking according to the sell-side and ranked third in both buy-side comparative studies.
- Moreover, the Investor Relations department was ranked second in Latin America by the sell-side and third by the buy-side; whereas in the Mexican ranking was selected the best by the sell-side and was placed second by the buy-side.
- Furthermore, for the first time Institutional Investor publish the Best Analyst-Investor Days ranking in which Banorte was ranked top by the sell-side and third by the buy-side.

Category	Position			
	Latin America		Mexico	
	Buy-Side	Sell-Side	Buy-Side	Sell-Side
Best CEO	4/24	3/18	4/54	2/45
Best CFO	2/19	1/18	2/50	2/48
Best IR Professional	3/34	2/32	3/54	2/56
Best IR Team	3/32	2/28	2/71	1/60

- **GFNorte was included in the Dow Jones Emerging Markets Sustainability Index for the second year in a row**

In September, the Dow Jones Sustainability Indices ("DJSI") announced the inclusion of GFNorte in the Dow Jones Sustainability Index Emerging Markets (DJSI Emerging Markets) for the second year in a row, awarding

outperforming companies in the sustainability field. GFNorte is the first and only Mexican financial institution to be included in this index.

This milestone is the result of a solid Social Responsibility and Sustainability program which has enabled GFNorte to include a wide array of initiatives that contribute to generate value and drive Mexico's well-being.

The DJSI methodology – established jointly by S&P Dow Jones Indices and RobecoSAM – assesses companies' performance in economic, social and environmental terms, besides it serves as reference in sustainability matters for global investors. Likewise, it is also a participation platform for those companies which aim to adopt best sustainability practices.

The 2015 edition of Dow Jones Sustainability Index Emerging Markets is integrated by 92 members from 21 industries and 14 countries, considering that 810 companies were invited to participate.

This award contributes to the consolidation of GFNorte as a strong, profitable and permanently committed environment institution, which is also translated into value for its shareholders.

- **Banorte, the most valuable brand in the Mexican financial industry, according to Millward Brown**

In September, the firm Millward Brown published the BrandZ ranking of the top 30 most valuable companies in Mexico, in which Banorte held the 10<sup>th</sup> place for the second year in a row, being the most valuable brand in the Mexican financial industry valued in US 2,207 million.

- **Modification to Banorte's and Sofoms' average Liquidity Coverage Ratio of the second quarter of 2015**

On August 24<sup>th</sup> GFNorte re-published the Report of the Financial Results of the second quarter of 2015 as a result of the modification to Banco Mercantil del Norte S.A.'s ("Banorte") and Sofoms' average Liquidity Coverage Ratio ("LCR") for this period.

		Banorte and Sofoms	
		Former	Revised
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO (average)</b>	<b>85%*</b>	<b>85.61%</b>

\*The LCR table appearing in the quarterly report published on July 23<sup>rd</sup> was 85%, figure which expressed in hundredths amounted to 84.74%.

This change obeys to the revision carried out by the National Banking and Securities Commission ("CNBV") on the interpretation and calculation of the LCR, set forth in the General Provisions for Liquidity Requirements of Banks. The methodology to disclose this ratio sets that the calculation must be computed with the simple average of the LCR reported by the Institution the immediate prior quarter.

It is worth mentioning that this was the only change to the content published on July 23<sup>rd</sup>, 2015.

- **Banorte selects Phoenix software to build its omnichannel strategy**

In August Banorte selected Phoenix, a Diebold company, as the new software provider for its entire ATM network. As part of Banorte's strategy to expand its omnichannel capabilities and integrate key back-end systems with its growing ATM infrastructure Banorte added Phoenix's Vista™ and Commander™ software platforms. The software suite provides support for both the multi-vendor ATM infrastructure, and the in-branch solutions; while allowing the bank to be more self-sufficient at developing the tools that improve its efficiency and functionality.

- **Redemption of Banorte 2015 Unsecured Bond**

On July 20, 2015 the Banorte 2015 Unsecured Bond, listed on the Stock Exchange of Luxembourg (ISIN USP14008AA79) for an amount of USD 300 million, was fully amortized. It was issued on July 19, 2010 under the 144A / RegS format and paid an annual fixed rate of 4.375%. Raised funds at the time were used for debt refinancing and general corporate purposes.