

## **GFNorte reports Net Income of Ps 6.77 billion in 1Q18, +22.5% higher than 1Q17**

(BMV: GFNORTEO; OTCQX: GBOOY; Latibex: XNOR)

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ending March 31, 2018 highlighting:

- **1Q18 Net Income of Ps 6.77 billion, showing strong sequential growth of +4.4%, and +22.5% vs. 1Q17.** Net Interest Income grows +10.0%, and Earnings Before Taxes are up +3.1% sequentially.
- **Net Income from Long Term Savings** sector grows **+33%** vs. 1Q17; Insurance +52%, Annuities +21%.
- Key indicators show significant growth for the quarter: **NIM** grows from 5.6% to **5.9%**; profitability keeps improving with **Return on Equity (ROE)** of **18.2%**, **+10%bp** during the quarter and +252bp vs. 1Q17. **Return on Assets (ROA)** of **1.98%**, with a +22bp increase vs. 1Q17.
- **Stronger Efficiency Ratio now at 40.9%**, while **Non-Performing Loans** improving to **1.9%**. **Coverage Ratio** increased +7.5pp during the quarter reaching **137%**.
- **Net Interest Income (NII)** grows **+17.7%** YoY; **Non-Interest Income** grows **+24.3%**, while **Non-Interest Expense** grows **+6.5%** vs. 1Q17, resulting in **Net Operating Profit** before taxes growing **+18.8%** vs. 1Q17.
- **Performing Loans** grew **+1.2%** QoQ and **+9.4%** YoY. Excellent **+12.9%** growth in **commercial loans** YoY, **consumer +17.3%**, while **government +1.9%**, and **corporate loans** decreased (**1.4%**).
- **Consumer** products led portfolio growth, with **mortgage loans** growing **+17.2%**, **auto loans +30.2%**, **credit cards +14.8%**, and **payroll loans +14.7%**.
- **Non-Performing Loans (NPL)** grow **+18.7%**, in line with the strong growth in consumer loans.
- **Total customer deposits** up **+13%** in the year: **demand deposits +6%** and **time deposits and money market +24%**.
- **The bank's Capital Ratio** stood at a strong **17.6%** while **leverage ratio** stood at **8.6%**.

**Mexico City, April 26, 2018.** Grupo Financiero Banorte (GFNorte) reported **Net Income of Ps 6.77 billion for the first quarter of 2018**, showing very strong YoY growth of **+22.5%** vs. 1Q17, supported by the subsidiaries' performance and credit activity.

During the first three months of 2018 GFNorte's Net Income grew significantly in all its subsidiaries, for instance **Long Term Savings** increased **+33%** vs. 1Q17, mainly result of the performance of **Insurance +52% and Annuities +21%**; the Bank continued being the key business increasing its Net Income by +7%.

The Financial Group's Results were driven as well by the loan portfolio performance, mainly by the household financing activity. **Performing Loans** grew **+9% in the 1Q18**, totaling **Ps 622.70 billion**.

**Consumer loans** had a **+17%** increase totaling **Ps 248.19 billion**. By segment, **auto loans** had an outstanding increase of **+30%** totaling **Ps 20.73 billion**; moreover, **mortgage portfolio** increased **+17%** to **Ps 139.72 billion**, almost twice the growth of the banking system.

This performance reflects on **4,800 families** benefiting from a mortgage loan, worth mentioning half of these credits offer a single digit interest rate, and **17,600 people** with a car loan.

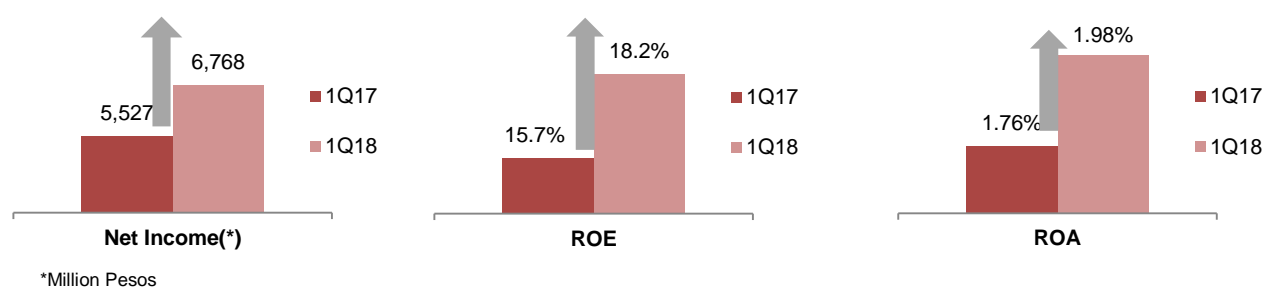
**Credit card** portfolio reported **Ps 33.87 billion** and **payroll loans Ps 53.88 billion**, **+15%** YoY, respectively.

Furthermore, **commercial loans** reported a **Ps 139.54 billion** balance (**+13%**), **government loans** ended at **Ps 134.02 billion (+2%)** and corporate **Ps 100.88 billion**.

"Working for Mexican families so they can benefit with more mortgage and car loans as well as enhanced saving and insurance services is the way to grow altogether. As Mexican banking system champions, we walk side by side our clients, employees and all the Mexicans towards the country we aim to see" highlighted Marcos Ramírez Miguel, Grupo Financiero Banorte's CEO.

**Total core deposits** increased **+13%** in 1Q18, from Ps 578.19 billion to **Ps 652.03 billion**. Demand deposits grew **+6%**, Time deposits **+14%** and Money Market **+70%**.

**GFNorte's profitability** improved significantly:



**Net Interest Income** rose **+18%** to reach **Ps 18.30 billion** in 1Q18. Profitability ratios also demonstrate the success of the strategy in the YoY comparison: **NIM at 5.9%** from 5.5%, **ROE at 18.2%** from 15.7% and **ROA to 2.0%** from 1.8%.

<b>GFNorte Key Numbers</b>	<b>1Q17*</b>	<b>1Q18*</b>	<b>Change</b>
<b>Net Income</b>	5,527	<b>6,768</b>	22%
<b>Net Interest Income</b>	15,555	<b>18,305</b>	18%
<b>Net Operating Income</b>	7,549	<b>8,970</b>	19%
<b>Performing Portfolio</b>	569,147	<b>622,695</b>	9%
<b>Efficiency</b>	45.6%	<b>40.9%</b>	
<b>ROE</b>	15.7%	<b>18.2%</b>	
<b>ROA</b>	1.8%	<b>2.0%</b>	

\*Million Pesos

The aforementioned resulted in **Banco Mercantil del Norte's Capitalization solid ratio at 17.6%**, driven by an adequate equity management and sound growth in profitability and risk assets.

## Recent Events

### 1. FITCH RATINGS AFFIRMS “AAA” RATING WITH NEGATIVE WATCH FOR SEGUROS BANORTE AND PENSIONES BANORTE.

In March 2018, Fitch Ratings affirmed the financial strength of Seguros Banorte, and considered it as one of the most important subsidiaries of Grupo Financiero Banorte (GFNORTE). The agency highlighted that the strong support provided by the group is an important factor for the rating, together with the company's adequate leverage levels, positive profitability trend, and reasonable liquidity levels.

The rating agency mentioned that the IT implementation during the integration with GF Interacciones (GFINTER) could add some pressure to the business, keeping its negative watch for the company.

Regarding Pensiones Banorte, the agency equally affirmed its AAA rating with negative watch, as it values the group's support behind the company, and regards the annuities business as a strategic subsidiary for the group.

There are no expected changes to the financial profile of the company derived from the merger with GFINTER. The agency highlights the company's strong market positioning, its positive earnings trend, and its conservative asset management strategy, consistent with Mexican regulation. On the other hand, the agency considered that the company's leverage ratio has some room for improvement.

### 2. GFNORTE JOINS BLOOMBERG'S 2018 GENDER EQUALITY INDEX

In January 2018, GFNorte was added to the recently created Bloomberg Gender Equality Index (GEI), constituted by 104 companies in the communications, consumer products, energy, finance, materials, and technology sectors across 24 countries.

This Index measures gender equality from internally generated statistics from all rated companies. It also evaluates employee policies, support and participation of external communities, and focus on gender-specific product offerings.

It is noteworthy that companies within the GEI index scored at or above the global limit set by Bloomberg to publish the accomplishment or adoption of the best policies and statistics. Banorte was the only Mexican company in the financial sector that reached an international standard for its internal policies, and product offering focused in empowering women.

### **3. INDEXAMERICAS RECOGNIZES GFNORTE AS SUSTAINABILITY LEADER**

IndexAmericas sustainability index, part of the Inter-American Development Bank (IDB), and the Inter-American Investment Corporation (CII), recognized several publicly traded companies across Latin America and the Caribbean for their outstanding performance in four main areas: environmental, society, corporate governance and development (ESGD).

IndexAmericas evaluated more than 400 metrics of over 6,000 companies included in Thomson Reuter's ESG database, from which only 30 companies were selected, including Banorte, to join the Multilatin Index.

### **4. BANORTE RECOGNIZED IN THE BRAND FINANCE BANKING 500 REPORT**

In February 2018, Brand Finance consulting published its annual report of the 500 most valuable brands in the global banking sector. This ranking considers long term macroeconomic perspectives, historic performance, financial projections, as well as overall brand strength relative to its direct competitors.

In the report's 2018 edition, Banorte escalated three notches ranking #139, being the best ranked Mexican bank and the fifth best ranked in Latin America.

### **5. BANORTE AND MASTERCARD LAUNCHED AMAZON RECHARGEABLE AND SOCIO 7 CARDS**

In March 2018, Banorte, Mastercard and 7-Eleven launched Socio 7 debit card, in an effort to offer financial products across the broad network of more than 26,000 correspondent banking establishments in Mexico. In March 2018, also in partnership with Mastercard, Banorte and Amazon launched Amazon Rechargeable debit card. With this product, Banorte seeks to boost e-commerce and digital services subscriptions.