

# **GFNORTE**

## **3Q14 Results**

**Conference Call**  
October 24, 2014.

# Material Events

## ● Shareholders' Assembly

GFNorte held an Ordinary General Shareholders' Meeting on October 22<sup>nd</sup>. The company's capital that was represented in the meeting by total subscribed and paid shares was 87.52%. The resolutions approved by the Assembly were:

- ✓ Appointment of Carlos Hank Gonzalez as Proprietary Member of the Board; substituting Graciela Gonzalez Moreno, who was appointed Alternate Member of the Board substituting Alejandro Hank Gonzalez. The former is relieved from all legal responsibility for the performance of his position.
- ✓ Distribution of a cash dividend of Ps. 0.2435 per share from the Retained Earnings of Prior Years, to be paid on October 31<sup>st</sup>. This dividend is the first of four payments to be made for a total amount of Ps. 0.9740 per share. This amount was approved by the Group's Board of Directors last July 24<sup>th</sup>. It will be proposed in subsequent Shareholders' Assemblies to decree additional dividends for a total amount of Ps. 0.7305 per share, to be paid in three installments of Ps. 0.2435 in January, April and July 2015, respectively.
- ✓ Authorization of an incentive Plan for employees of GFNorte and its Subsidiaries according to articles 57, 366 and 367 of the Securities Market Law.

# Material Events

## GFNorte is included in the Dow Jones Emerging Markets Sustainability Index

In September GFNorte was included in the Dow Jones Emerging Markets Sustainability Index (DJSI Emerging Markets), becoming the first Mexican financial institution to be considered. This Index is integrated by 86 members from 37 industries and 12 countries, which outperform their peers in numerous sustainability metrics.



Dow Jones  
Sustainability Indexes

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

In September, the firm Millward Brown published the ranking of the top 30 most valuable companies in Mexico through the report BrandZ, in which Banorte was ranked as one of the top ten most valuable companies in the country; and, the most valuable in the financial industry.



## Institutional Investor

### “The 2014 Latin America Executive Team”

- In August, Institutional Investor magazine announced the “Best Latin America Executive Team 2014” rankings, which were based on a survey to 409 buy-side fund managers and 372 sell-side analysts. For the fifth consecutive year, GFNorte’s Management and Investor Relations team were chosen among top Mexican companies and Latin American banks.

| Category              | Position      |           |          |           |
|-----------------------|---------------|-----------|----------|-----------|
|                       | Latin America |           | Mexico   |           |
|                       | Buy-Side      | Sell-Side | Buy-Side | Sell-Side |
| Best CEO              | 3°/17         | 3°/18     | 1°/54    | 1°/48     |
| Best CFO              | 2°/18         | 1°/16     | 1°/51    | 1°/45     |
| Best IR Professional* | 3°/42         | 7°/28     | 2°/58    | 12°/60    |
| Best IRTeam           | 3°/32         | 2°/27     | 2°/76    | 3°/60     |

\*Residual Voting from the CFO category, since as of that date, the new IR team was not designated

# Material Events

## Fitch assigns "High Standards (mex)" Rating to Operadora de Fondos Banorte Ixe as Asset Manager

On September 22<sup>nd</sup>, Fitch Ratings assigned "High Standards (mex)" Rating to Operadora de Fondos Banorte Ixe, S.A. de C.V. ("OBI") as Asset Manager. The outlook is stable.

The rating factors were:

- ✓ The strength of its investment platform and operational framework compared to the standards applied by institutional investors in Mexico.
- ✓ The broad level of experience of Operadora's management team.
- ✓ The suitability of the investment process.
- ✓ The importance of OBI as subsidiary of GFNorte.

# Yearly Recap GFNorte

Million Pesos

|                        | 9M13  |        | 9M14   |
|------------------------|-------|--------|--------|
| Net Income             | 9,886 | ▲ 15%  | 11,409 |
| ROE                    | 14.3% |        | 13.4%  |
| ROA                    | 1.4%  |        | 1.5%   |
| Efficiency             | 51.8% |        | 46.7%  |
| Net Interest Margin    | 4.4%  |        | 4.5%   |
| Performing Loan Growth | 6.2%  |        | 7.5%   |
| Past Due Loan Ratio    | 3.2%  |        | 3.3%   |
| Stock Price (pesos)    | 81.73 | ▲ 5%   | 85.78  |
| Book Value per Share   | 44.24 | ▼ (3%) | 42.88  |
| P/BV                   | 1.85  |        | 2.00   |
| Earnings per Share     | 4.05  |        | 4.11   |

# Income Statement

Million Pesos

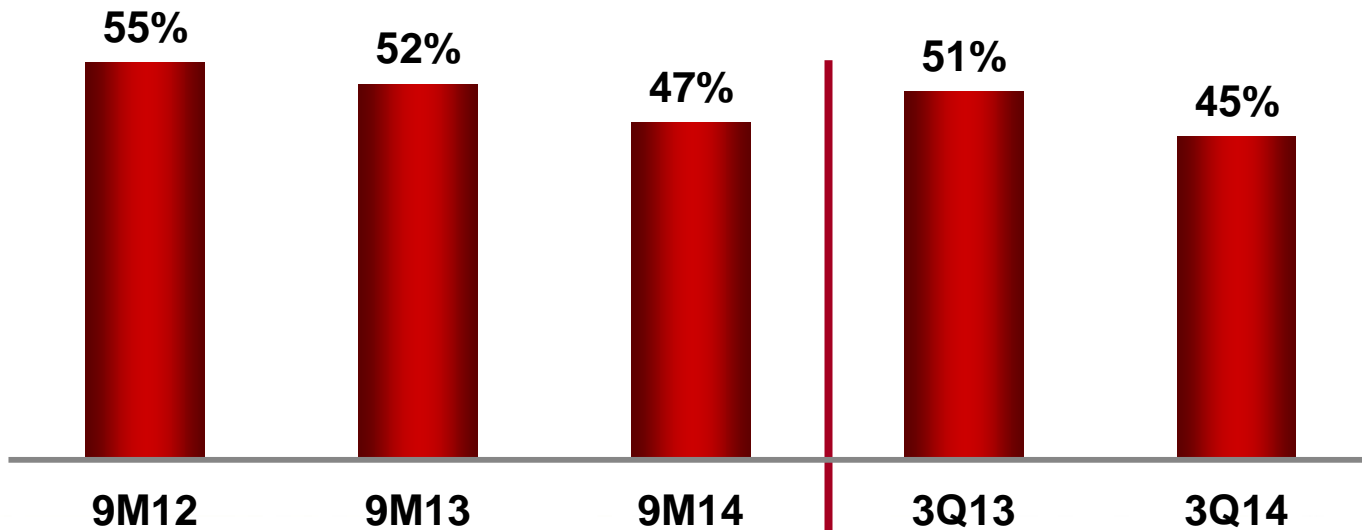
|                                | 3Q13          | 2Q14          | 3Q14          | Change     |            |
|--------------------------------|---------------|---------------|---------------|------------|------------|
|                                |               |               |               | QoQ        | YoY        |
| Net Interest Income            | 9,796         | 10,428        | 10,875        | 4%         | 11%        |
| Non Interest Income            | 3,177         | 4,241         | 4,506         | 6%         | 42%        |
| <i>Service Fees</i>            | 1,820         | 1,977         | 2,032         | 3%         | 12%        |
| <i>Real Estate Portfolios</i>  | 126           | 57            | 51            | (10%)      | (59%)      |
| <i>FX &amp; Trading</i>        | 478           | 1,563         | 1,366         | (13%)      | 186%       |
| <i>Other Income (expenses)</i> | 754           | 643           | 1,057         | 64%        | 40%        |
| <b>Total Income</b>            | <b>12,973</b> | <b>14,669</b> | <b>15,381</b> | <b>5%</b>  | <b>19%</b> |
| Non Interest Expense           | (6,613)       | (6,913)       | (6,884)       | (0%)       | 4%         |
| <b>Net Operating Income</b>    | <b>6,360</b>  | <b>7,756</b>  | <b>8,497</b>  | <b>10%</b> | <b>34%</b> |
| Provisions                     | (1,903)       | (2,851)       | (3,253)       | 14%        | 71%        |
| Income Tax                     | (1,084)       | (1,460)       | (1,397)       | (4%)       | 29%        |
| Subs & Minority Interest       | 153           | 293           | 195           | (34%)      | 27%        |
| <b>Net Income</b>              | <b>3,526</b>  | <b>3,739</b>  | <b>4,042</b>  | <b>8%</b>  | <b>15%</b> |

# Non Interest Expense

Billion Pesos

|               | 9M13 | 9M14 | 3Q13 | 3Q14 |
|---------------|------|------|------|------|
| Total Expense | 20.7 | 20.6 | 6.6  | 6.9  |

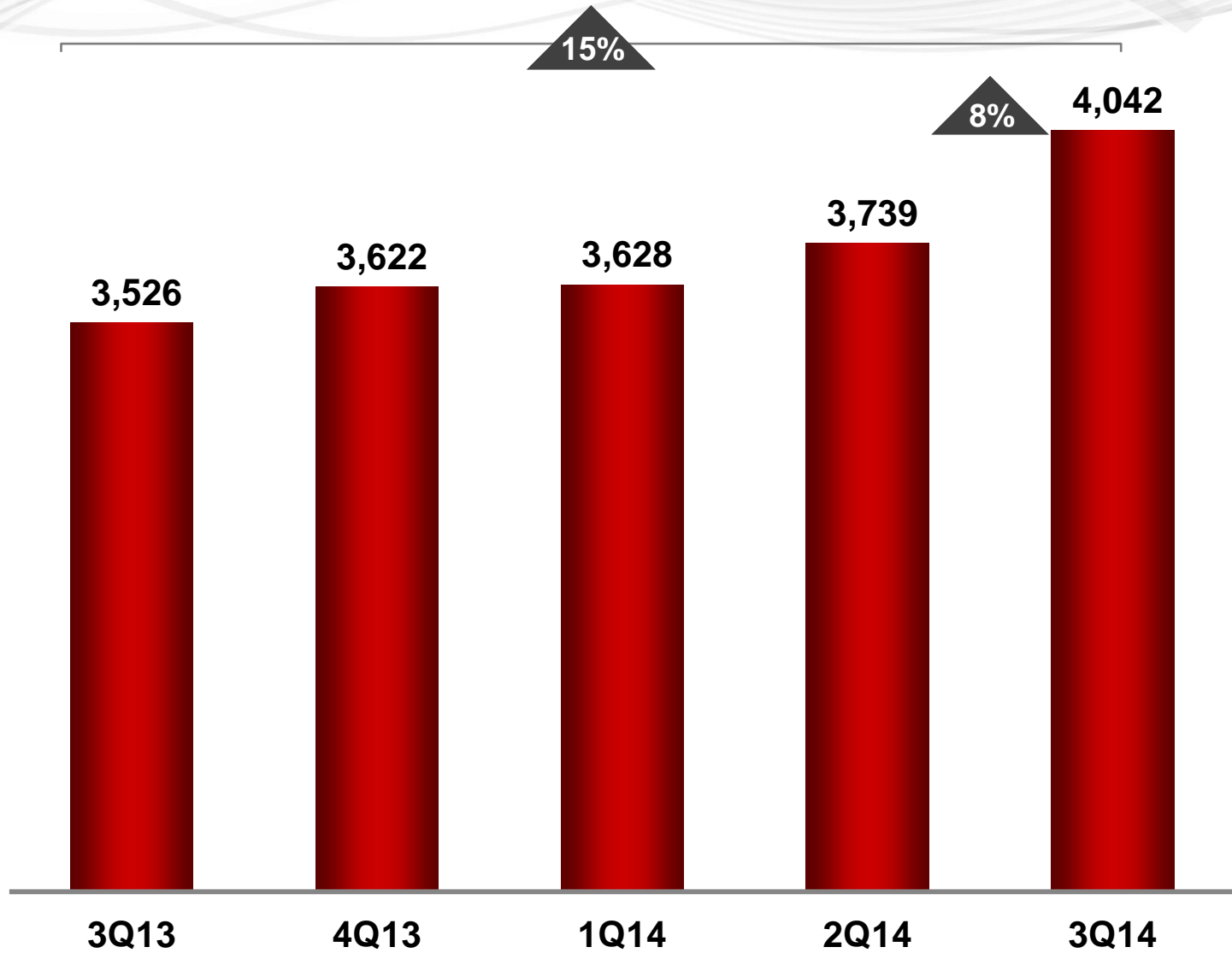
## Efficiency Ratio





# Quarterly Net Income

Million Pesos



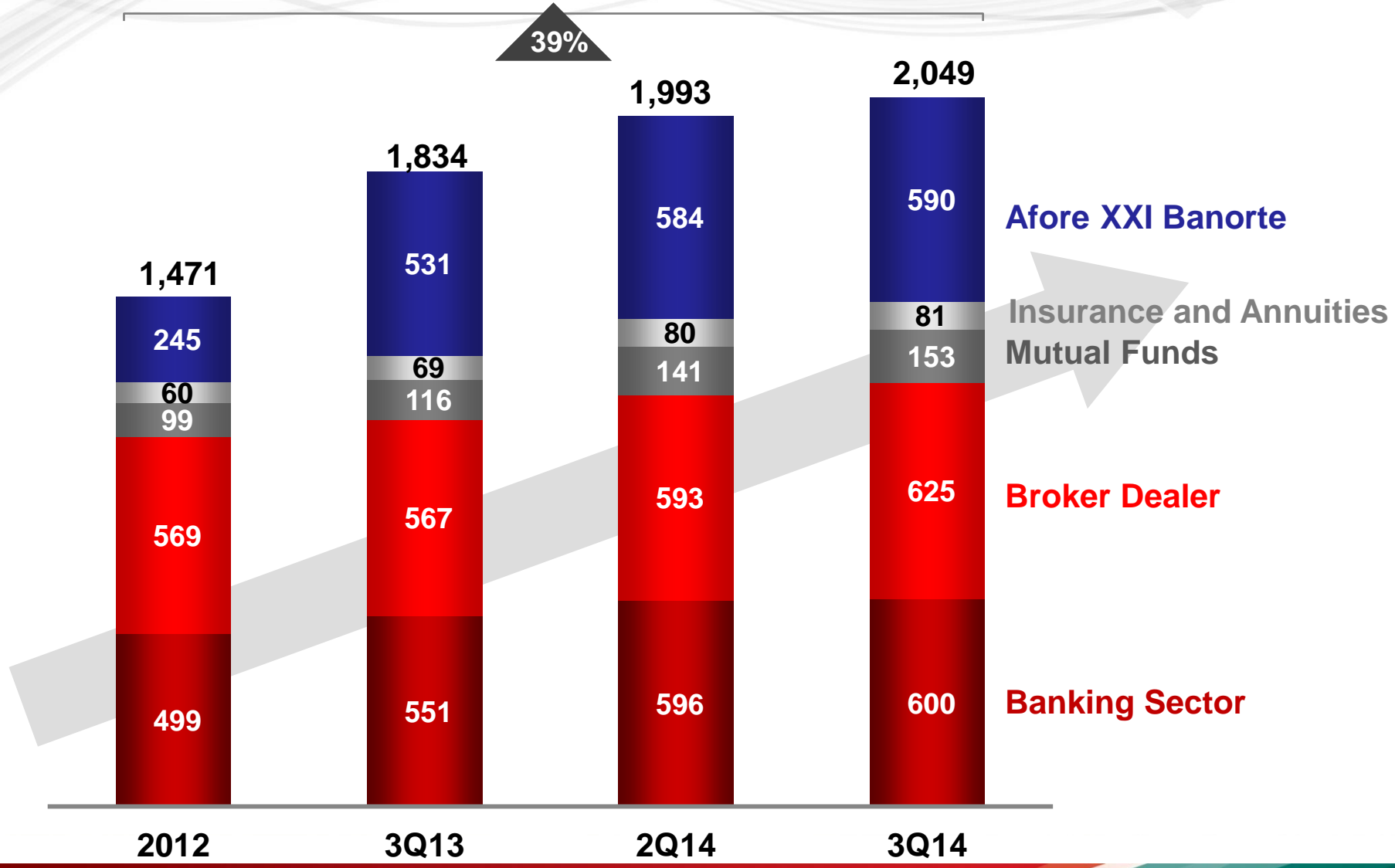
# ROTE and Return on Risk Weighted Assets

Return on Tangible Common Equity (ROTE) & Return on Risk Weighted Assets (RRWA)

|                              | 3Q13      | 2Q14      | 3Q14      |
|------------------------------|-----------|-----------|-----------|
| Reported ROE                 | 14.0%     | 13.2%     | 13.8%     |
| Goodwill & Intangibles       | \$21,734  | \$22,740  | \$23,030  |
| Average Tangible Equity      | \$71,068  | \$90,767  | \$90,627  |
| ROTE                         | 18.1%     | 16.0%     | 16.6%     |
|                              |           |           |           |
| Reported ROA                 | 1.5%      | 1.4%      | 1.6%      |
| Average Risk Weighted Assets | \$428,015 | \$471,675 | \$484,986 |
| RRWA                         | 3.0%      | 3.1%      | 3.1%      |

# Assets under Management

Billion Pesos



# Deposits

Billion Pesos

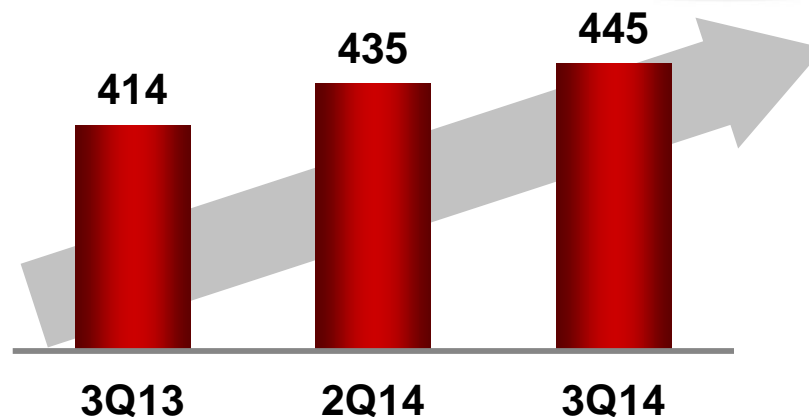
| Deposits             | 3Q12       |              | 3Q13       |              | 3Q14       |
|----------------------|------------|--------------|------------|--------------|------------|
| Demand               | 196        | ▲ 20%        | 236        | ▲ 18%        | 278        |
| Time                 | 123        | ▲ 4%         | 128        | ▲ 4%         | 133        |
| <b>Core Deposits</b> | <b>320</b> | <b>▲ 14%</b> | <b>364</b> | <b>▲ 13%</b> | <b>411</b> |

## Mix

|        |      |      |      |
|--------|------|------|------|
| Demand | 61%  | 65%  | 68%  |
| Time   | 39%  | 35%  | 32%  |
|        | 100% | 100% | 100% |

# Performing Loan Portfolio\*

Billion Pesos

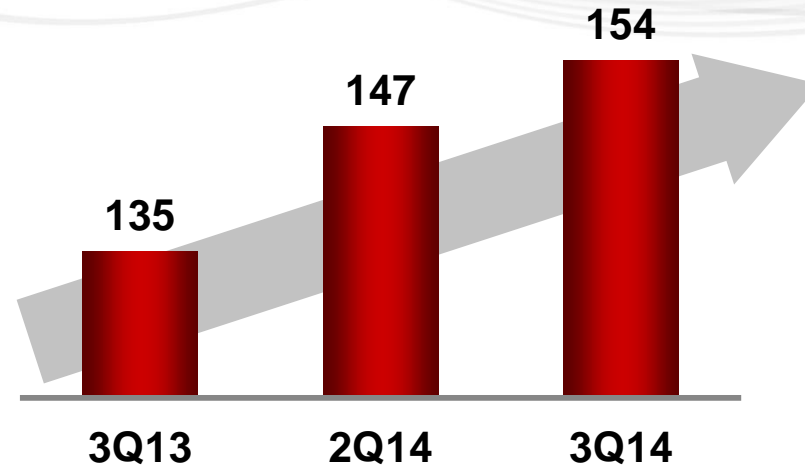


|              | 3Q13       | 2Q14       | 3Q14       | Change    |           |
|--------------|------------|------------|------------|-----------|-----------|
|              |            |            |            | QoQ       | YoY       |
| Consumer     | 135        | 147        | 154        | 4%        | 14%       |
| Commercial   | 110        | 113        | 110        | (3%)      | (0%)      |
| Corporate    | 79         | 74         | 76         | 3%        | (3%)      |
| Government   | 91         | 100        | 105        | 5%        | 16%       |
| <b>Total</b> | <b>414</b> | <b>435</b> | <b>445</b> | <b>2%</b> | <b>8%</b> |

\*Excludes Recovery Banking

# Performing Consumer Loan Portfolio

Billion Pesos

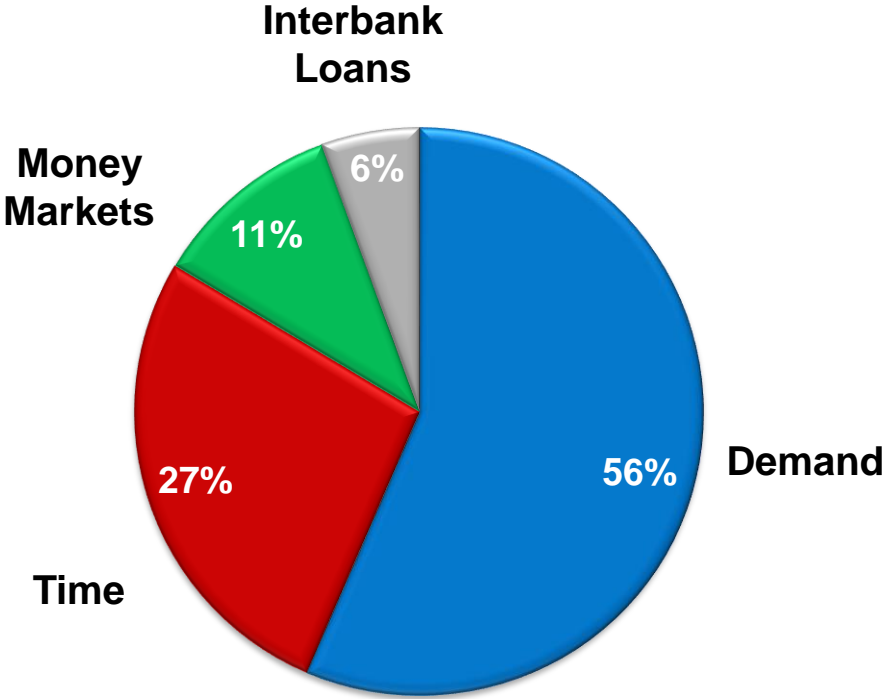


|                 | 3Q13       | 2Q14       | 3Q14       | Change    |            |
|-----------------|------------|------------|------------|-----------|------------|
|                 |            |            |            | QoQ       | YoY        |
| Mortgage        | 79         | 85         | 87         | 2%        | 10%        |
| Car             | 11         | 11         | 11         | (2%)      | 1%         |
| Credit Cards    | 20         | 21         | 22         | 6%        | 12%        |
| Payroll         | 24         | 30         | 34         | 11%       | 38%        |
| <b>Consumer</b> | <b>135</b> | <b>147</b> | <b>154</b> | <b>4%</b> | <b>14%</b> |

# Funding and Loan Portfolio Structure

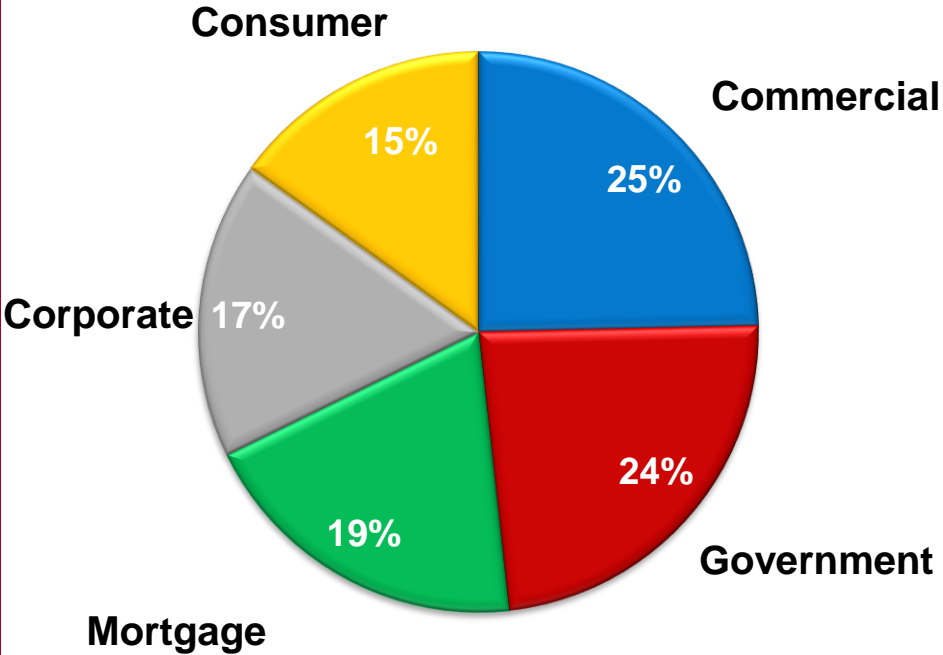
## FUNDING

\$491 Billion Pesos



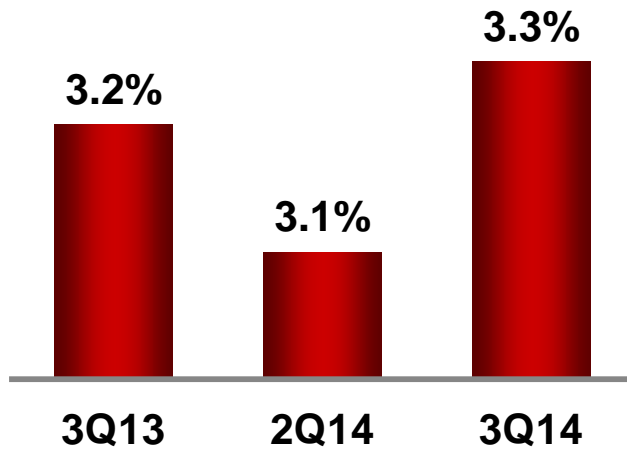
## LOAN PORTFOLIO

\$460 Billion Pesos

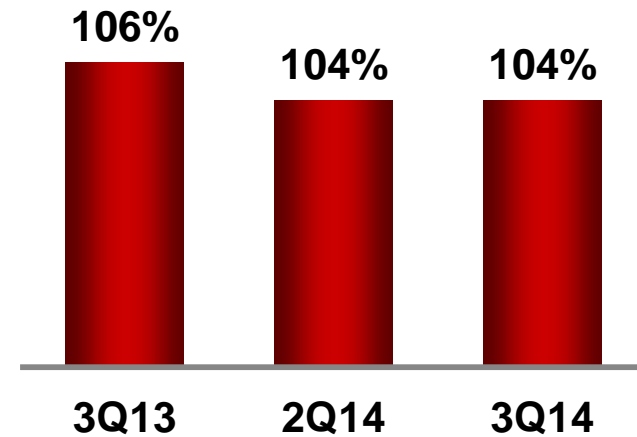


# Asset Quality

## Past Due Loan Ratio



## Coverage Ratio

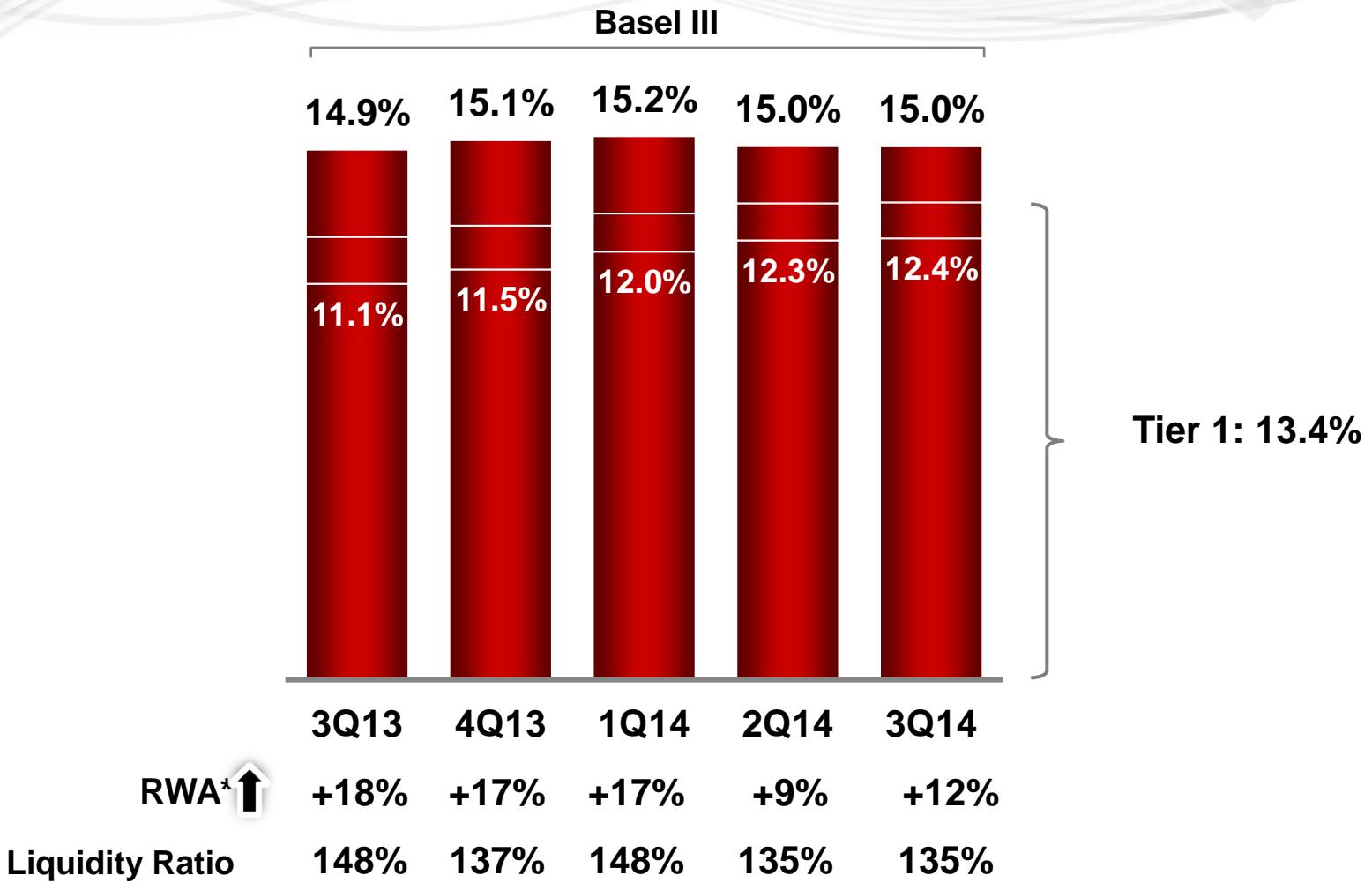




# Past Due Loan Ratios

|                            | 3Q13        | 4Q13        | 1Q14        | 2Q14        | 3Q14        |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Credit Cards               | 6.0%        | 5.9%        | 6.2%        | 6.3%        | 5.9%        |
| Payroll                    | 2.3%        | 2.3%        | 2.0%        | 2.5%        | 2.2%        |
| Car Loans                  | 1.6%        | 1.6%        | 1.3%        | 1.9%        | 1.9%        |
| Mortgage                   | 1.3%        | 1.3%        | 1.3%        | 1.3%        | 1.4%        |
| Commercial                 | 3.9%        | 2.9%        | 3.6%        | 3.9%        | 5.0%        |
| Corporate                  | 7.5%        | 8.6%        | 7.3%        | 7.3%        | 6.8%        |
| Government                 | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
| <b>GFNorte's NPL Ratio</b> | <b>3.2%</b> | <b>3.1%</b> | <b>3.0%</b> | <b>3.1%</b> | <b>3.3%</b> |

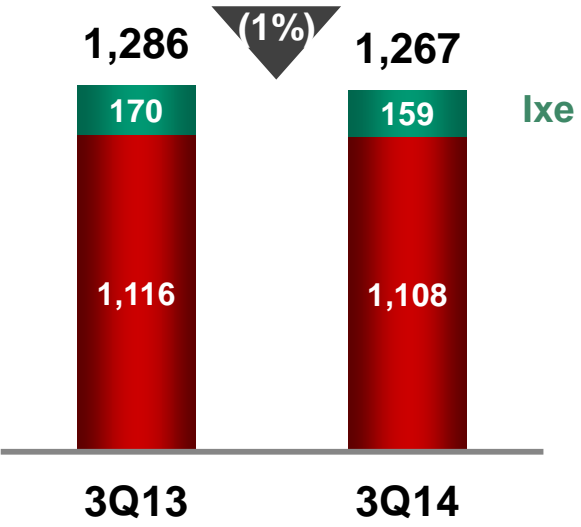
# Capitalization and liquidity



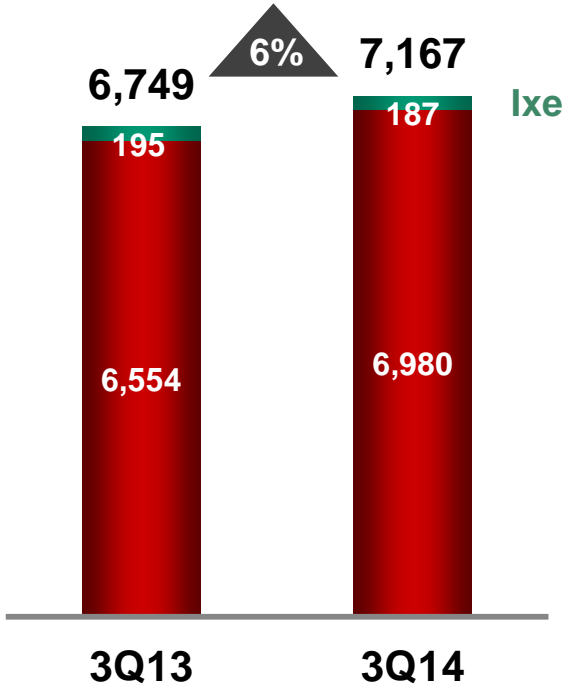
\*RWA= Risk Weighted Assets

# Distribution Network

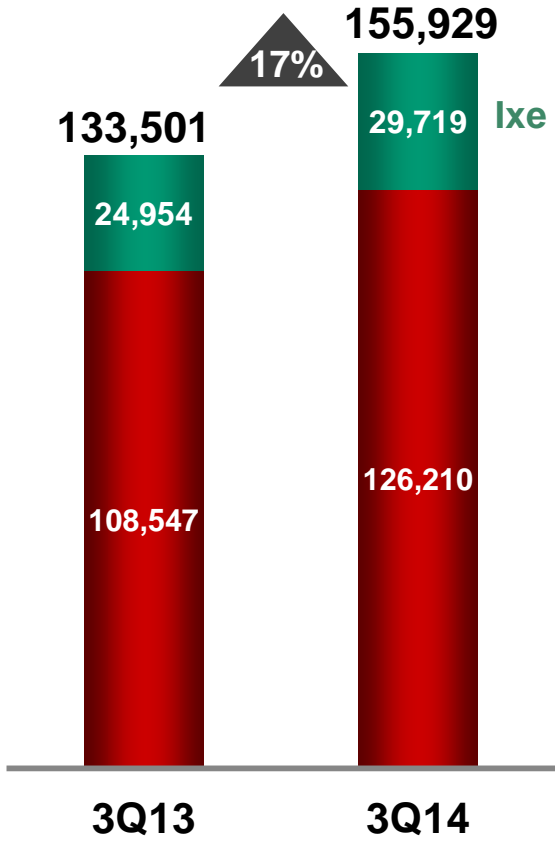
## Branches



## ATM's



## POS's



# Subsidiaries

9M14  
Million Pesos

| Company                        | Net Income   | Change vs. 9M13 | ROE                |
|--------------------------------|--------------|-----------------|--------------------|
| <b>Banking Sector</b>          | <b>7,917</b> | <b>2%</b>       | <b>14.0%</b>       |
| Banco Mercantil del Norte      | 6,501        | (4%)            |                    |
| Banorte –Ixe Tarjetas          | 1,415        | 63%             |                    |
| <b>Brokerage</b>               | <b>756</b>   | <b>53%</b>      | <b>37.0%</b>       |
| <b>Long Term Savings</b>       |              |                 |                    |
| Retirement Savings             | 859          | 1%              | 9.7% <sup>1)</sup> |
| Insurance                      | 1,248        | 222%*           | 38.4%              |
| Annuities                      | 202          | 251%*           | 20.0%              |
| <b>Other Finance Companies</b> |              |                 |                    |
| Leasing and Factoring          | 491          | 16%             | 19.0%              |
| Warehousing                    | 23           | (42%)           | 10.8%              |

\*The growth of the Insurance and Annuities companies considering 100% of the net income for 2013 was 64% and 79%, respectively.

<sup>1)</sup> Without Goodwill: 31.6%.

## Net Income in Million Pesos

|              | 9M13       |              | 9M14       |
|--------------|------------|--------------|------------|
| <b>Total</b> | <b>641</b> | <b>(39%)</b> | <b>392</b> |

## AUM Billion Pesos

|                                   | 3Q13        | 3Q14        | Change YoY    |
|-----------------------------------|-------------|-------------|---------------|
| <b>Proprietary Assets</b>         | <b>45.1</b> | <b>59.1</b> | <b>31%</b>    |
| <b>Acquired Assets</b>            | <b>28.4</b> | <b>24.2</b> | <b>(15%)</b>  |
| <b>Managed Assets "Su Casita"</b> | <b>7.3</b>  | <b>6.9</b>  | <b>(5%)</b>   |
| <b>Ixe Assets</b>                 | <b>1.4</b>  | <b>0.0</b>  | <b>(100%)</b> |
| <b>Total</b>                      | <b>82.1</b> | <b>90.3</b> | <b>10%</b>    |

Million Dollars

|                                     | <b>9M13</b>   |             | <b>9M14</b>   |
|-------------------------------------|---------------|-------------|---------------|
| <b>Net Income</b>                   | <b>10.1</b>   |             | <b>11.0</b>   |
| <b>NIM</b>                          | <b>2.9%</b>   |             | <b>3.4%</b>   |
| <b>ROE</b>                          | <b>3.2%</b>   |             | <b>3.5%</b>   |
| <b>ROA</b>                          | <b>0.7%</b>   |             | <b>0.8%</b>   |
| <b>Cost to Income</b>               | <b>71.4%</b>  |             | <b>65.3%</b>  |
| <b>Total Deposits</b>               | <b>1,438</b>  | <b>(3%)</b> | <b>1,398</b>  |
| <b>Performing Loans</b>             | <b>700</b>    | <b>22%</b>  | <b>854</b>    |
| <b>PDL Ratio USGAAP</b>             | <b>0.9%</b>   |             | <b>0.9%</b>   |
| <b>Coverage Ratio USGAAP</b>        | <b>221.2%</b> |             | <b>201.7%</b> |
| <b>Leverage Ratio</b>               | <b>12.1%</b>  |             | <b>13.4%</b>  |
| <b>Classified Assets to Capital</b> | <b>19.9%</b>  |             | <b>8.5%</b>   |



 **BANORTE**  
EL BANCO FUERTE DE MEXICO

 **BANORTE**

