

# **GFNORTE**

# **1Q14 Results**

**Conference Call**  
April 25<sup>th</sup>, 2014.

# Material Events

**GFNorte reached an agreement with Corporación GEO to restructure its liabilities.**

- **On March 20, 2014 Corporación GEO announced it had reached a general agreement with a group of 6 banks, including GFNorte, in order to restructure its liabilities. As a result of this agreement, GEO filed for “bankruptcy with previous restructuring” in order to achieve a financial restructuring to enable the company to continue operating. As part of the agreements among GEO and the creditor banks, the funding lines available to the company may be reactivated if it complies with the terms and conditions of the restructuring agreement.**
- **In this regard, as of March 31, 2014 the GFNorte's loan exposure to the three troubled home developers (Urbi Desarrollos Urbanos, Corporación Geo and Desarrolladora Homex) amounted to Ps 6.88 billion, 21.0% below the previous quarter mainly due to the settlement of a past due loan. The three companies represent 1.6% of our total loan portfolio compared to the 2.0% these represented in December 2013. Of these loans, Ps 5.73 billion are past due, decreasing by Ps. 1.27 billion in 1Q14.**

# Material Events

## Prepayment of of Subordinated Obligations.

- **As part of the use of proceeds from the Public Offering carried out in July 2013, on April 21, Banorte settled the Preferred and Non-Convertible Subordinated Obligations for an amount of Ps. 2.2 billion. These 10 year term obligations were issued in March, 2009, maturing in March, 2019, and paid TIIE + 2.0%. The prepayment of these obligations, will reduce Banorte's servicing cost as well as improve the equity profile of the Institution, as these instruments have lost effectiveness to compute as regulatory capital, and were replaced by better quality capital.**

# Material Events

**Fitch upgraded GFNorte's, Banorte's and other subsidiaries' international and national long-term ratings with Stable outlook.**

- On March 21, 2014 Fitch Ratings upgraded GFNorte's and other subsidiaries' international and national long-term ratings from BBB to BBB +, maintaining their stable outlook.**
- The upgrade in GFNorte's ratings considered its consolidating franchises, the improved business profile after recent acquisitions and the extinction of double leverage after the public offering. As Banorte, the upgrade was driven by the material improvement in the bank's capital structure, strengthening business, growing competitive position, adequate financial performance and revenue diversification.**
- Ratings for Arrendadora y Factor Banorte, Almacенadora Banorte and Casa de Bolsa Banorte Ixe were improved given their core role in GFNorte's strategy and business profile.**

# Material Events

"Del Sol" and "Woolworth" became part of our third party correspondents.

- After obtaining the CNBV authorization, in March "Del Sol" and "Woolworth" started to receive Banorte and Ixe credit card payments under the third party correspondent scheme. Banorte and Ixe clients and accountholders will be able to pay in real time their credit cards 365 days of the year in more than 70 stores located in 18 different states of the country.

**Woolworth.**  
Es para ti



Recognitions.

- In February, Operadora de Fondos Banorte Ixe was awarded as the Best Aggressive-Mixed Fund in Mexico 2014 by Morningstar.



# Material Events

## Organizational Changes.

- **Luis Fernando Orozco Mancera has been appointed as Chief Credit Officer reporting directly to the CEO. He will be responsible for credit planning, evaluation, management and follow-up.**
  
- **Juan Jesus Viteri Alvarez was appointed as Managing Director of Internal Communication, in charge of aligning and integrating the communication efforts among the different areas in the organization. This position reports directly to the Chief Operating Officer, Rafael Arana de la Garza.**

# Yearly Recap GFNorte

Million Pesos

	1Q13		1Q14
Net Income	3,140	▲ 16%	3,628
ROE	15.1%		13.3%
ROA	1.3%		1.4%
Efficiency	53.8%		48.5%
Net Interest Margin	4.0%		4.1%
Performing Loan Growth	12.2%		5.7%
Past Due Loan Ratio	2.1%		3.0%
Stock price (pesos)	98.68	▼ (11%)	87.83
Book Value per Share	36.28	▲ 11%	40.14
P/BV	2.72		2.19
Earnings per Share	1.35	▼ (3%)	1.31



# Income Statement

Million Pesos

	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
Net Interest Income	8,613	9,604	9,532	(1%)	11%
Non Interest Income	5,194	3,809	4,590	21%	(12%)
<i>Service Fees</i>	1,708	1,895	1,941	2%	14%
<i>Recoveries</i>	238	145	40	(72%)	(83%)
<i>FX &amp; Trading</i>	2,132	1,405	1,936	38%	(9%)
<i>Other Income (expenses)</i>	1,116	364	673	85%	(40%)
Total Income	13,807	13,413	14,122	5%	2%
Non Interest Expense	(7,434)	(7,084)	(6,845)	(3%)	(8%)
Net Operating Income	6,373	6,329	7,277	15%	14%
Provisions	(2,073)	(1,833)	(2,380)	30%	15%
Income Tax	(1,230)	(1,075)	(1,500)	40%	22%
Subs & Minority Interest	70	201	230	15%	231%
Net Income	3,140	3,622	3,628	0%	16%

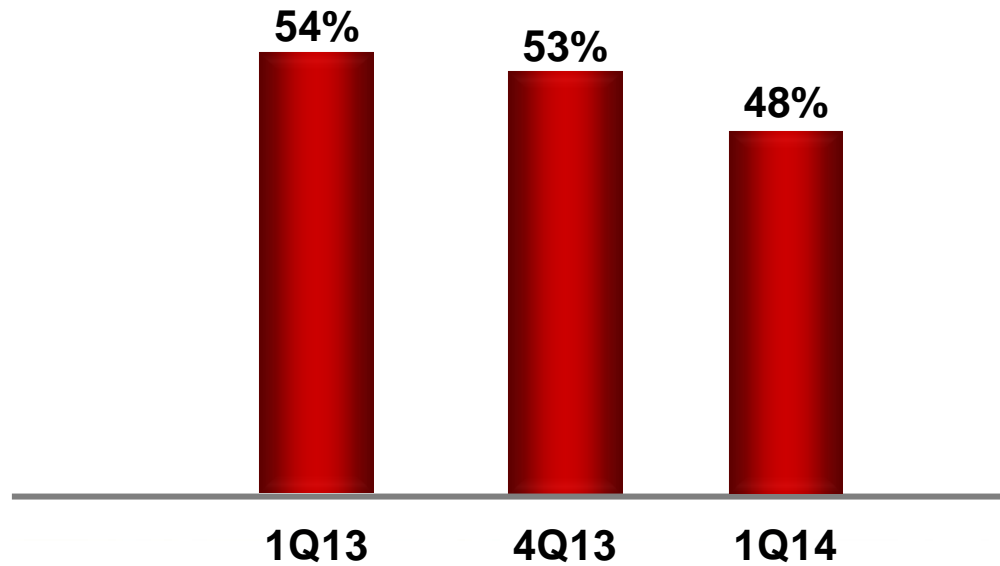


# Non Interest Expense

Billion Pesos

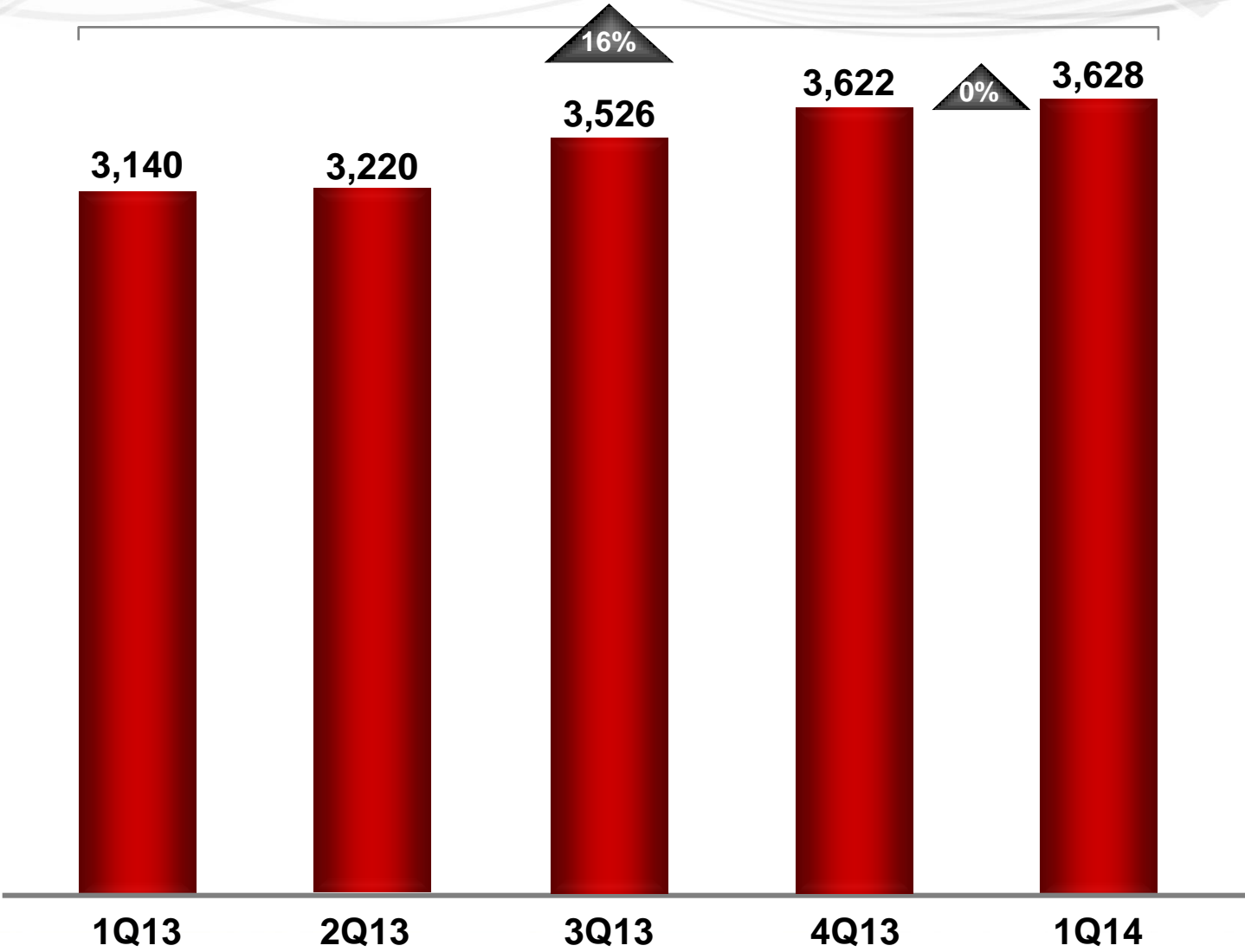
	1Q13		1Q14
Total Expense	7.4	(8%)	6.8

## Efficiency Ratio



# Quarterly Net Income

Million Pesos



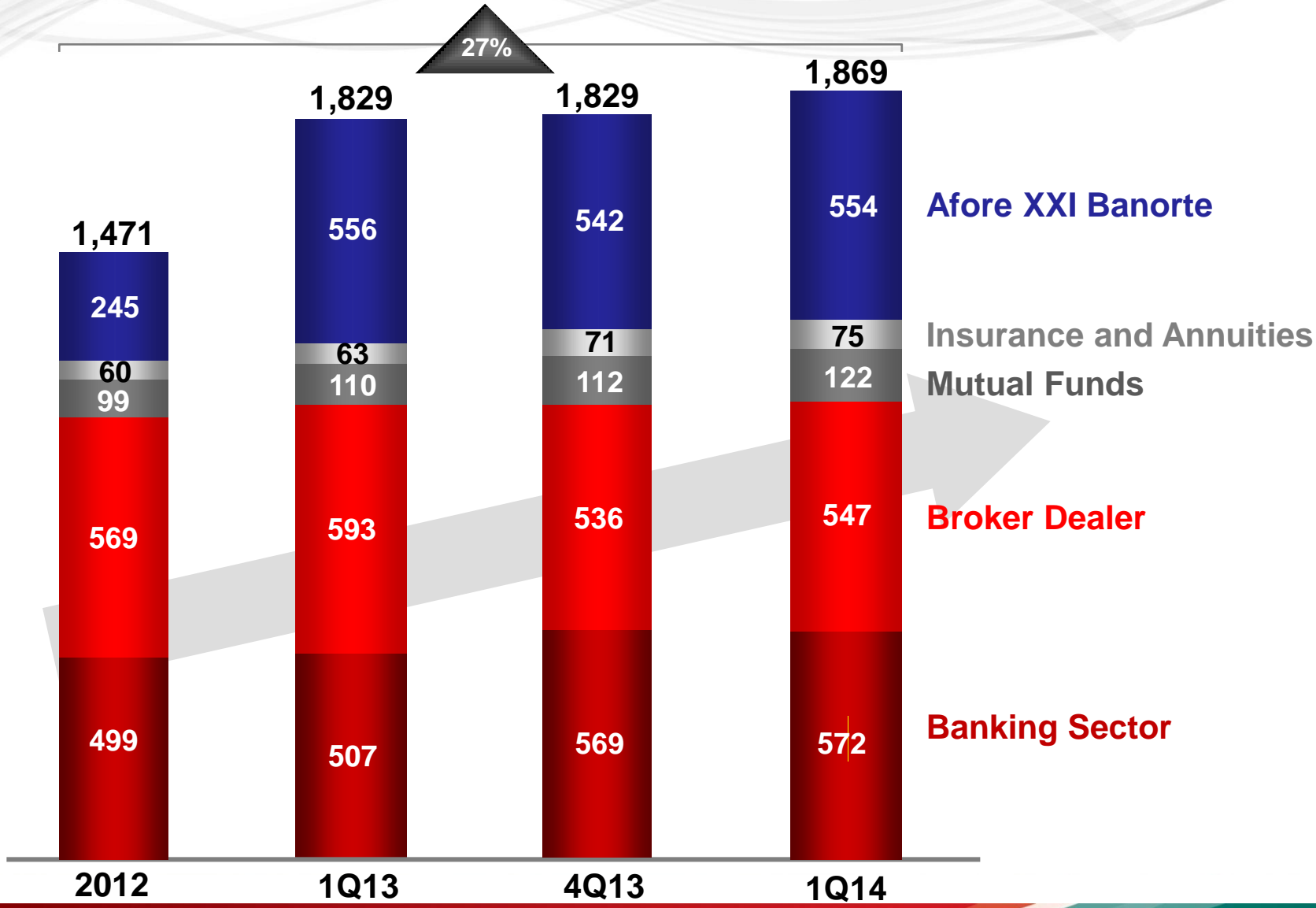
# ROTE and Return on Risk Weighted Assets

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

	1Q13	4Q13	1Q14
Reported ROE	15.1%	12.9%	13.3%
Goodwill & Intangibles	\$20,380	\$22,366	\$21,893
Average Tangible Equity	\$59,886	\$76,851	\$83,209
<b>ROTE</b>	19.3%	17.6%	16.8%
Reported ROA	1.3%	1.5%	1.4%
Average Risk Weighted Assets	\$392,775	\$444,462	\$461,027
<b>RRWA</b>	2.9%	3.0%	3.0%

# Assets under Management

Billion Pesos



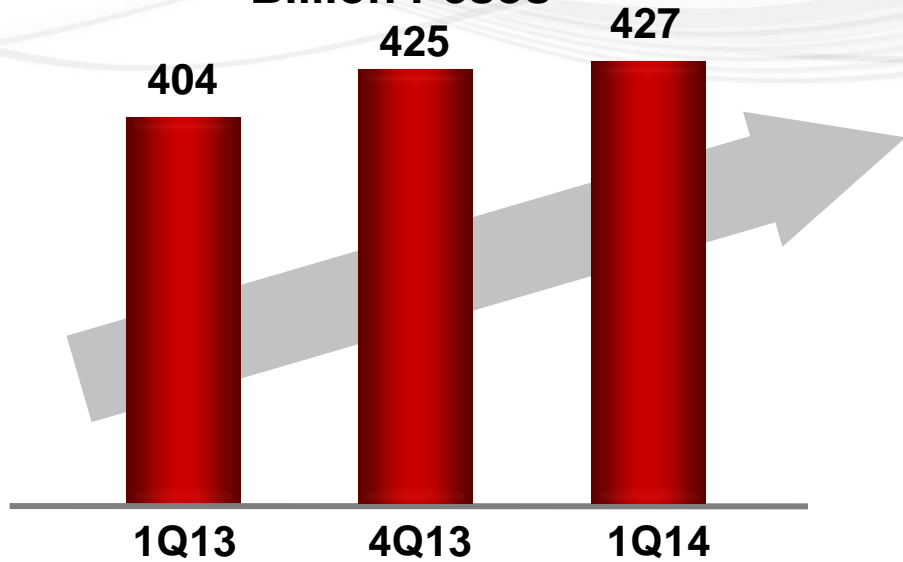
# Deposits

Billion Pesos

Deposits	1Q12		1Q13		1Q14
Demand	186	▲ 10%	205	▲ 24%	254
Time	116	▲ 9%	126	▲ 4%	132
<b>Core Deposits</b>	<b>302</b>	<b>▲ 10%</b>	<b>331</b>	<b>▲ 16%</b>	<b>386</b>
<b>Mix</b>					
Demand	61%		62%		66%
Time	39%		38%		34%
	100%		100%		100%

# Performing Loan Portfolio

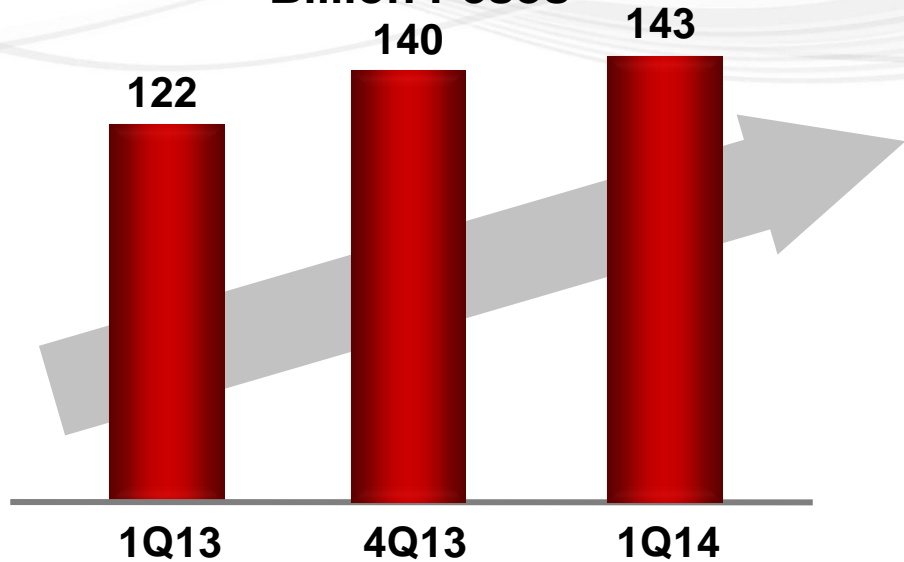
Billion Pesos



	1Q13	4Q13	1Q14	Change	
				QoQ	YoY
Consumer	122	140	143	2%	17%
Commercial	106	114	112	(1%)	6%
Corporate	86	76	73	(3%)	(15%)
Government	90	96	99	3%	10%
<b>Total</b>	<b>404</b>	<b>425</b>	<b>427</b>	<b>1%</b>	<b>6%</b>

# Performing Consumer Loan Portfolio

Billion Pesos



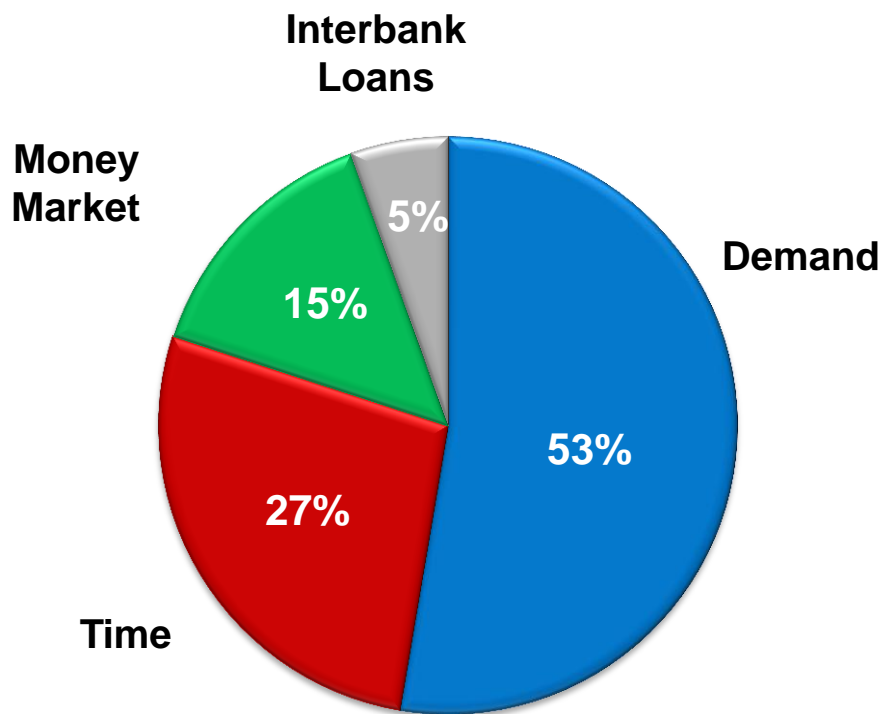
	1Q13	4Q13	1Q14	Change	
	1Q13	4Q13	1Q14	QoQ	YoY
Mortgage	74	82	83	1%	12%
Car	11	11	12	1%	9%
Credit Cards	18	20	20	0%	14%
Pay Roll	20	26	28	8%	42%
<b>Consumer</b>	<b>122</b>	<b>140</b>	<b>143</b>	<b>2%</b>	<b>17%</b>



# Funding and Loan Portfolio Structure

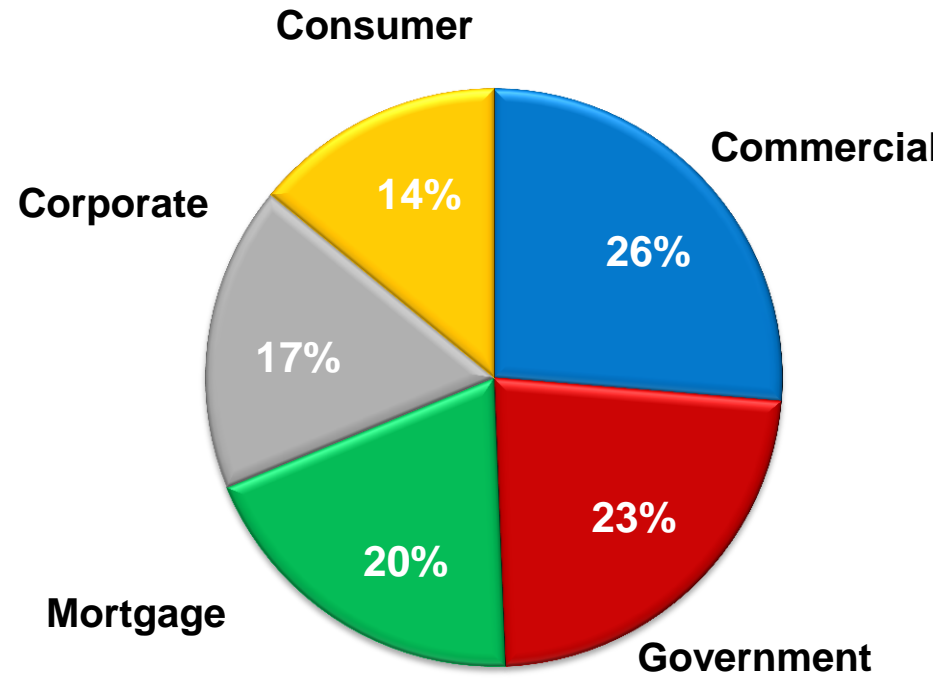
## FUNDING

\$482 Billion Pesos



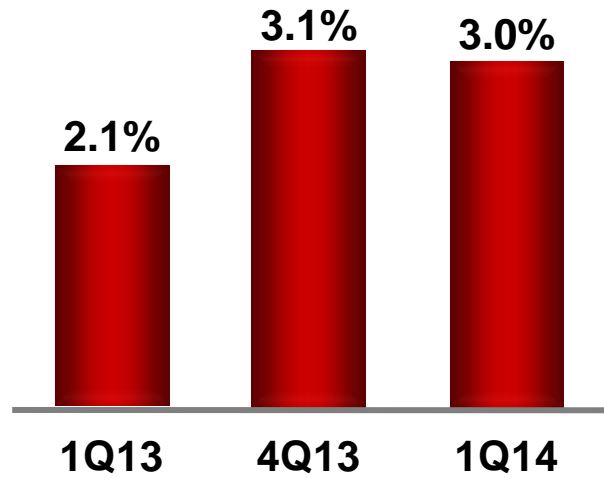
## LOAN PORTFOLIO

\$ 441 Billion Pesos

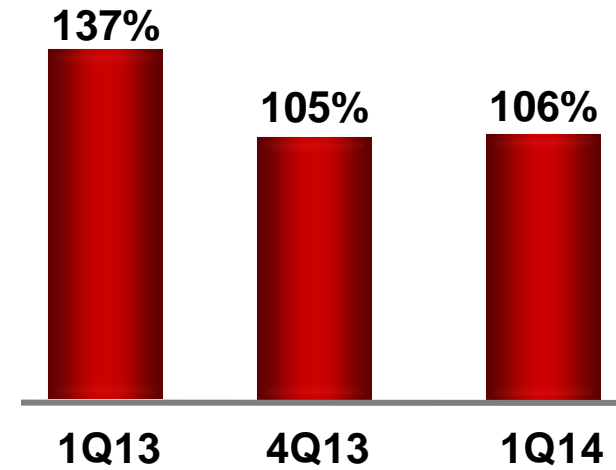


# Asset Quality

## PAST DUE LOAN RATIO



## COVERAGE RATIO



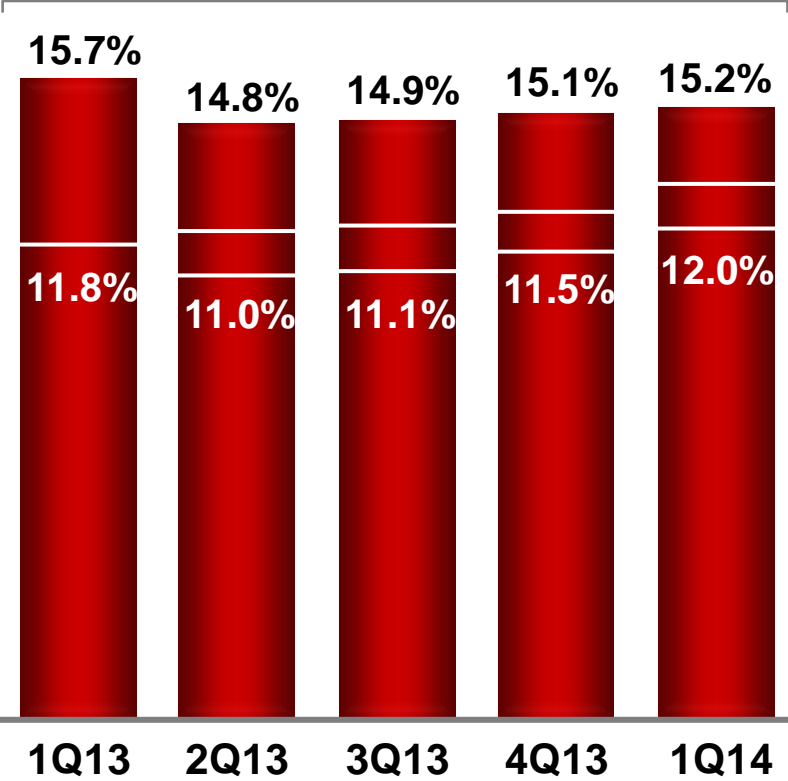
# Past Due Loan Ratios

	1Q13	2Q13	3Q13	4Q13	1Q14
Credit Cards	5.7%	6.0%	6.0%	5.9%	6.2%
Payrol	2.2%	2.4%	2.3%	2.3%	2.0%
Car Loans	1.1%	1.4%	1.6%	1.6%	1.3%
Mortgage	1.1%	1.2%	1.3%	1.3%	1.3%
Commercial	4.3%	3.5%	3.9%	2.9%	3.6%
Corporate	1.6%	2.6%	7.5%	8.6%	7.3%
Government	0.0%	0.1%	0.0%	0.0%	0.0%
<b>Total NPL Ratio</b>	<b>2.1%</b>	<b>2.2%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>3.0%</b>

# Capitalization and Liquidity

Banorte  
(%)

Basel III



Total Tier 1: 13.1%

↑ RWA\*

	1Q13	2Q13	3Q13	4Q13	1Q14
RWA*	+9%	+19%	+18%	+17%	+16%
Liquidity Ratio	135%	137%	148%	137%	148%

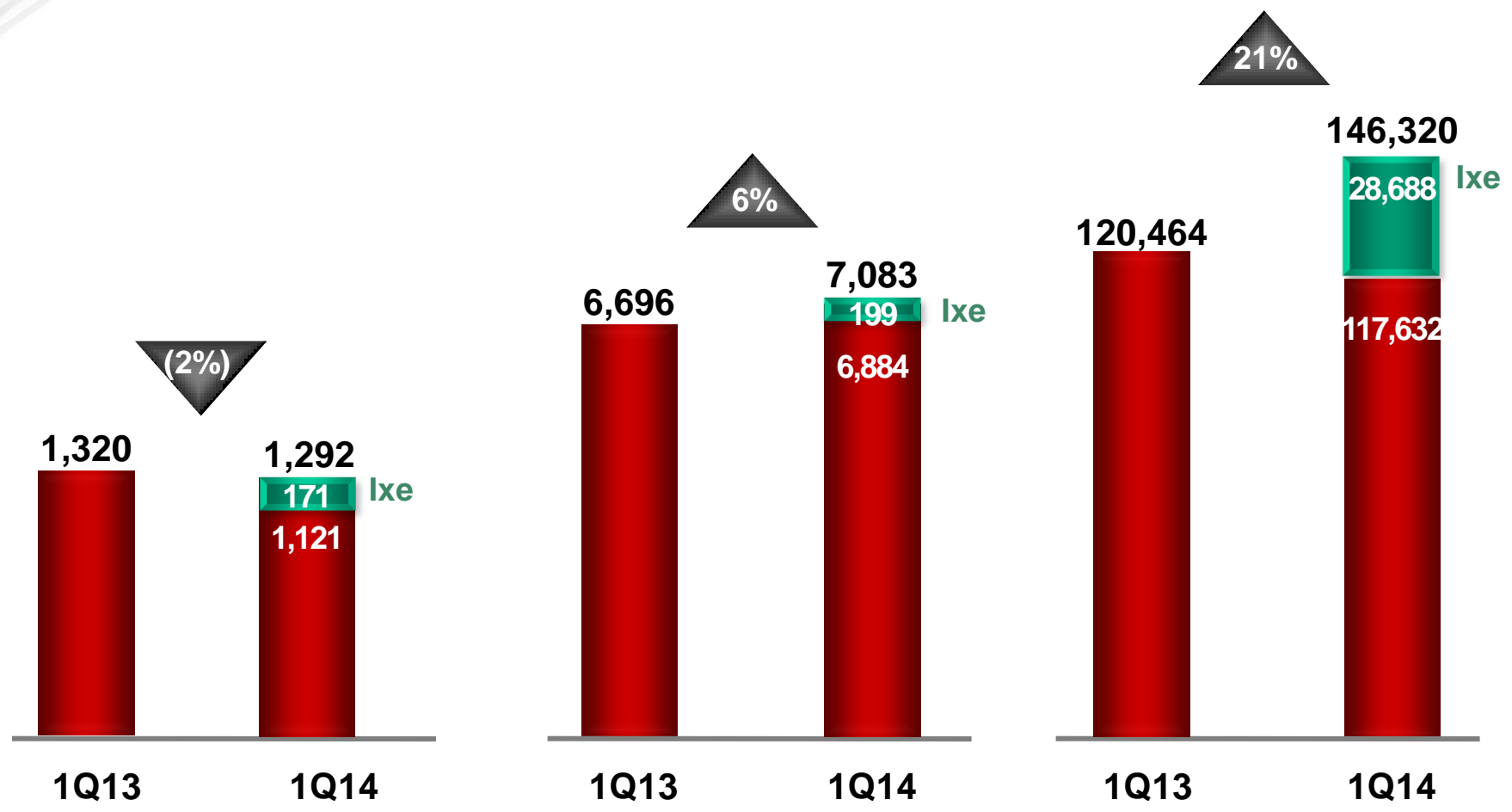
\*RWA= Risk Weighted Assets

# Distribution Network

## Branches

## ATM's

## POS's



# Subsidiaries

March 2014

Million Pesos

Company	Net Income 1Q14	Change vs. 1Q13	ROE
<b>Banking Sector</b>	<b>2,485</b>	<b>4%</b>	<b>14.0%</b>
Banco Mercantil del Norte <sup>1)</sup>	2,109	3%	
Banorte – Ixe Tarjetas	376	43%	
<b>Broker Dealer</b>	<b>203</b>	<b>(17%)</b>	<b>30.4%</b>
<b>Long Term Savings</b>			
Retirement Savings	282	(16%)	9.4% <sup>3)</sup>
Insurance	478	232%	47.0%
Annuities	55	123%	17.3%
<b>Other Finance Companies</b>			
Leasing and Factoring <sup>2)</sup>	171	30%	20.8%
Warehousing	9	(32%)	13.2%

<sup>1)</sup> Includes Ixe Banco and Fincasa due to its merger in May 2013.

<sup>2)</sup> Includes Ixe Automotriz due to its merger in May 2013.

<sup>3)</sup> Without Goodwill: **29.2%**.

## Net Income in Million Pesos

	1Q13		1Q14
<b>Total</b>	<b>348</b>	<b>(57%)</b>	<b>151</b>

## AUM BILLION PESOS

	1Q13	1Q14	Change YoY
<b>Proprietary Assets</b>	<b>38.5</b>	<b>51.4</b>	<b>34%</b>
<b>Acquired Assets</b>	<b>27.5</b>	<b>27.1</b>	<b>(1%)</b>
<b>Managed Assets "Su Casita"</b>	<b>7.3</b>	<b>7.2</b>	<b>(2%)</b>
<b>Ixe Assets</b>	<b>7.2</b>	<b>0</b>	<b>N.A.</b>
<b>Total</b>	<b>80.5</b>	<b>85.8</b>	<b>6%</b>



Million Dollars

	1Q13		1Q14
Pre-Tax Net Income*	5.0		6.6
Provisions	(0.1)		0.4
Net Income	3.5		4.3
NIM	2.6%		3.3%
ROE	3.3%		4.1%
ROA	0.7%		0.9%
Efficiency	72.3%		61.8%
Total Deposits	1,699	(14%)	1,463
Performing Loans	696	22%	846
PDL Ratio USGAAP	0.8%		0.7%
Coverage Ratio USGAAP	258.3%		254.5%
Leverage Ratio	10.4%		12.8%
Classified Assets to Capital	21%		12%

\* Before Provisions



 **BANORTE**  
EL BANCO FUERTE DE MEXICO