



# **GFNORTE**

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## **Conference Call: 3Q15 Results**

October 23, 2015

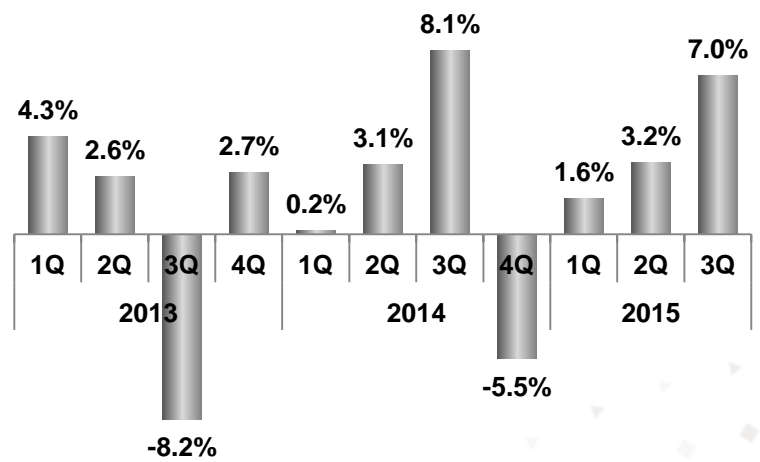
# Summary

## Acceleration on EPS

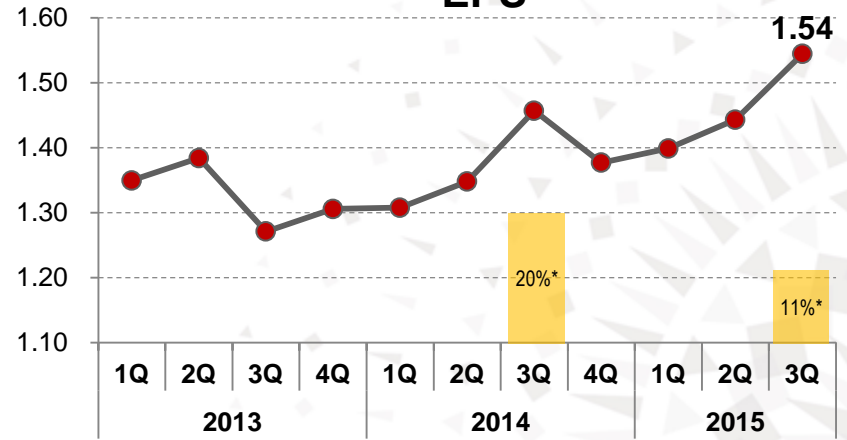
- Net Income growth of 7% QoQ.
- Increasing EPS to \$1.54 pesos and constant positive growth.
- ROE at 13.2%, 56pp above 2Q15 .
- Adequate growth in recurring revenues on the back of loan & deposit growth and fee income.

Million pesos	3Q15	QoQ	YoY
Net Income	4,284	7%	6%
NII	11,840	2%	9%
Service Fees	2,488	0%	22%
Loans	500,208	3%	12%
Deposits	474,892	3%	16%
ROE	13.2%	0.56pp	(0.64)pp

## EPS Growth (QoQ)



## EPS

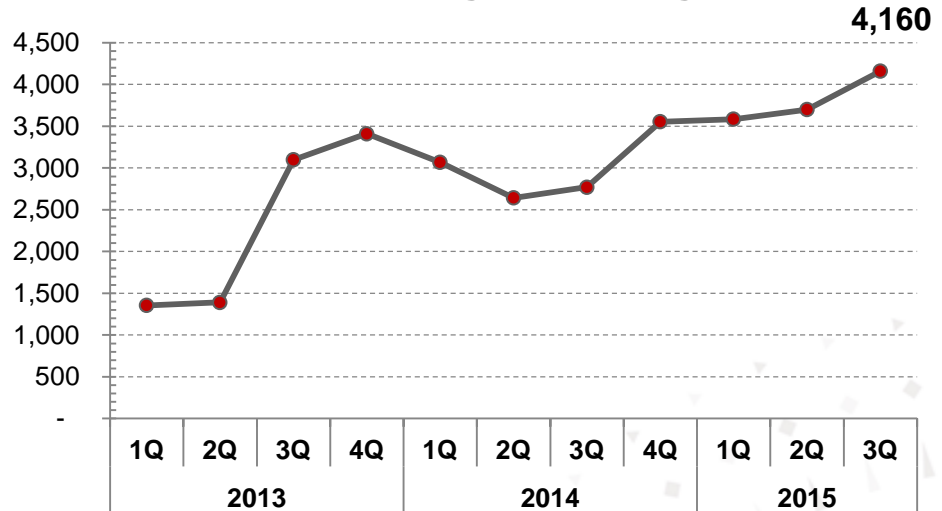


\* Percent of income from Trading and Other Income

# Revenue Mix

- Strong business focus on growing Recurring Operating Profit.

### Recurring Operating Profit

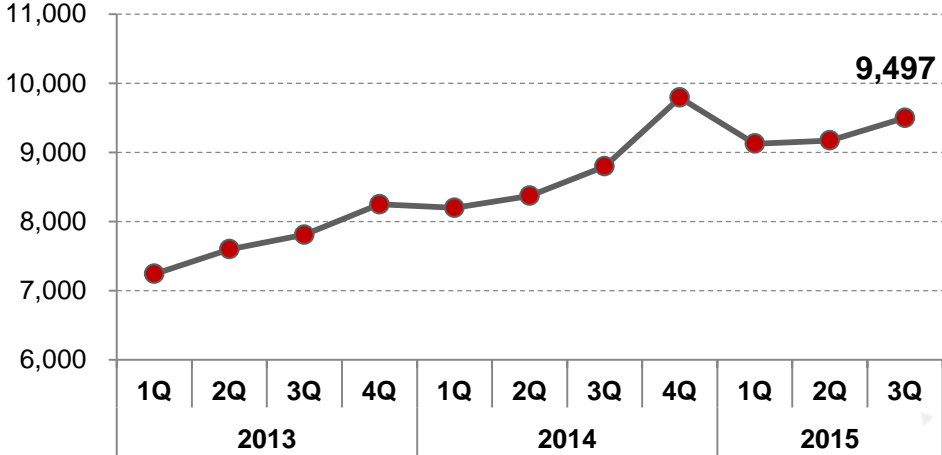


Recurring Revenues: (NII + net fees excluding portfolio recoveries - Operating Expenses – Provisions)

# Net Interest Income

- NII from loan book aligned with loan growth.
- NII from repo ops positive as interest rate gap closed.
- Quarterly decline in Insurance & Annuities NII, explained by 170m charge in Insurance claims, related to one time adjustment to IBNR reserve (which is accounted in Claims as per regulator).

NII Loans



Million pesos	3Q15	QoQ	YoY
NII Loans	9,497	4%	8%
NII Repos	1,018	3%	16%
NII Valorization Adjustments*	84	34%	57%
NII Insurance & Pensions	1,241	-8%	8%
<b>NII Before LLP</b>	<b>11,840</b>	<b>2%</b>	<b>9%</b>

\* Includes valorization of Financial Assets & Liabilities for FX or inflation, as appropriate.

# Non Interest Income

Continued strong core banking revenue growth

- Service Fees are flat in the quarter on lower wholesale related client fees.
- But of these, core banking fees continue to post a strong 5% quarterly growth rate.
- Quarterly Trading Income below 800m guidance due to high volatility in August, but all components of the result are positive.

## Trading Income

	3Q15	QoQ	YoY
FX Gains	354	201%	57%
Trading Gains	173	-42%	-79%
Mark to Market Gains	132	-67%	-58%
<b>Total</b>	<b>659</b>	<b>-19%</b>	<b>-52%</b>

## Non Interest Income

	3Q15	QoQ	YoY
Service Fees	2,488	0%	22%
Trading Income	659	-19%	-52%
Other Income	828	54%	-25%
<b>Total</b>	<b>3,976</b>	<b>4%</b>	<b>-12%</b>

## Core Banking Fees

	3Q15	QoQ	YoY
Fund Transfers	234	20%	45%
Account Management Fees	529	1%	40%
Electronic Banking Services	1,287	4%	14%
<b>Total</b>	<b>2,050</b>	<b>5%</b>	<b>23%</b>

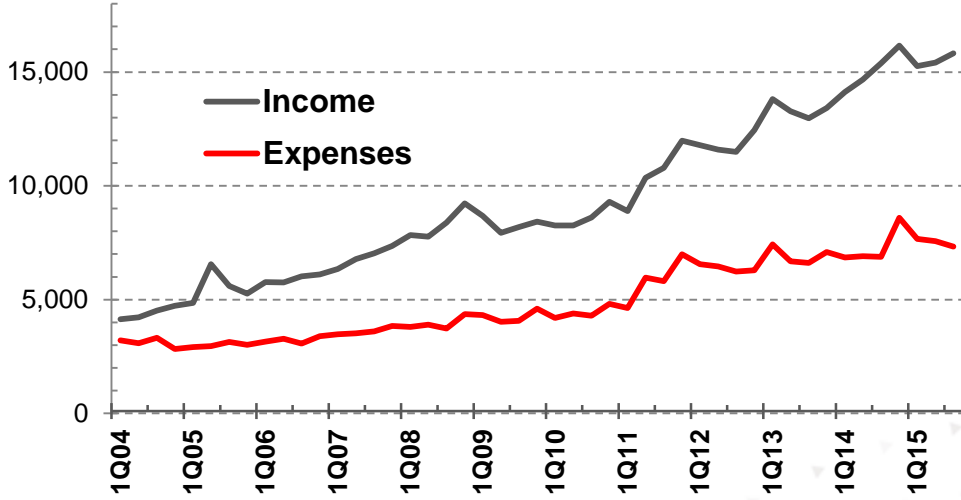
Million pesos

# Expenses and Efficiency

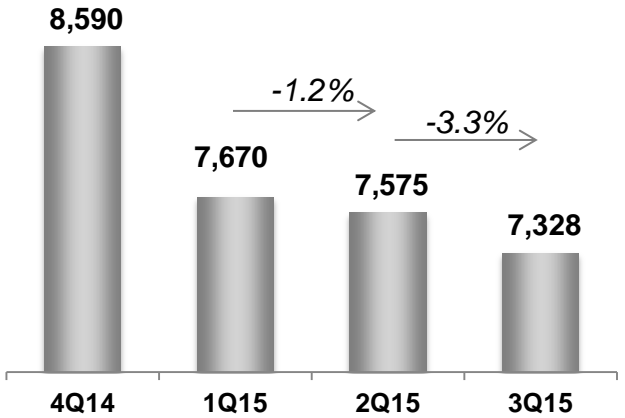
## Working Efficiency Program

- Efficiency ratio on a downward trend with excellent behavior on both components:
  - Higher income
  - Lower expenses
- We expect lower expenses for the 4<sup>th</sup> quarter and maintain 47% target on efficiency for full year.

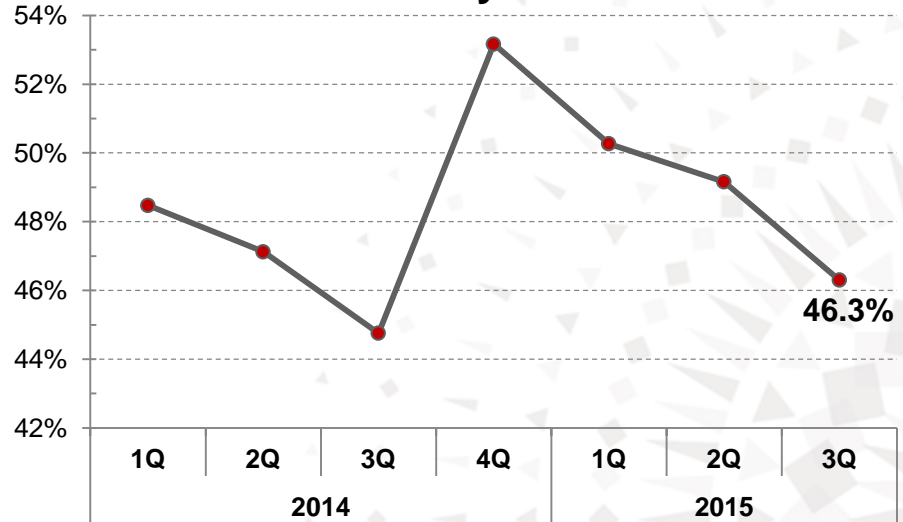
## Income - Expenses



## Expenses



## Efficiency Ratio

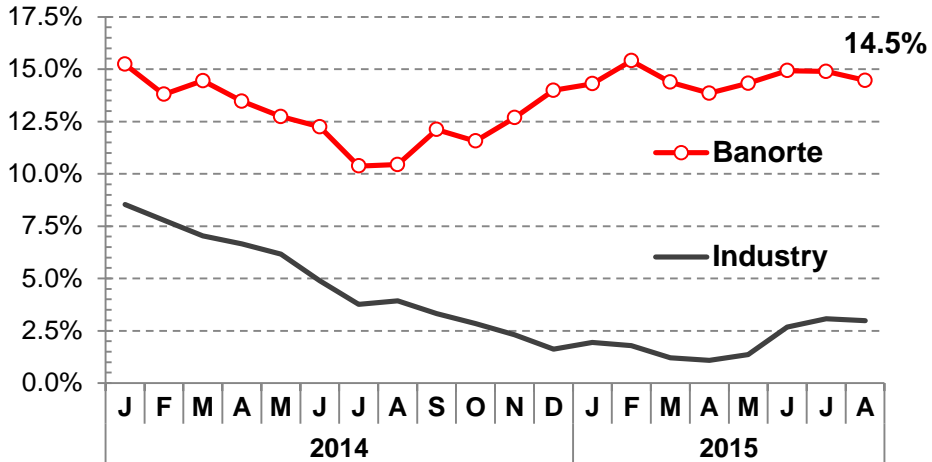


# Consumer Loan Portfolio

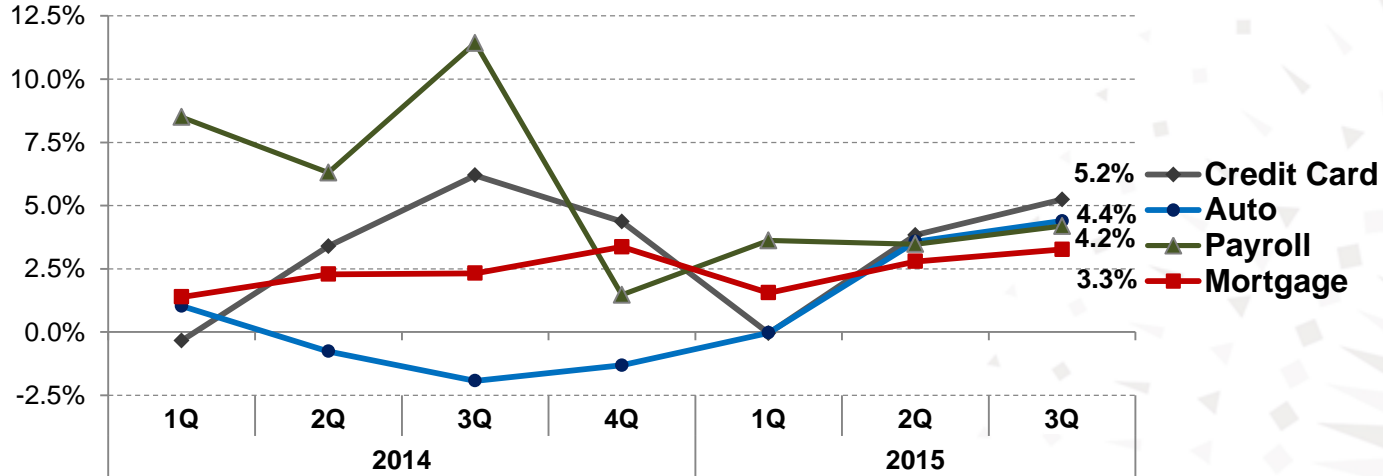
## Loan expansion with excellent mix

- Banorte's credit card book expands much faster than the industry.
- And higher quarterly growth rates for all the consumer books.

### Credit Card Balance Growth (YoY)



### Consumer Loan Balances Growth (QoQ)



# Deposits

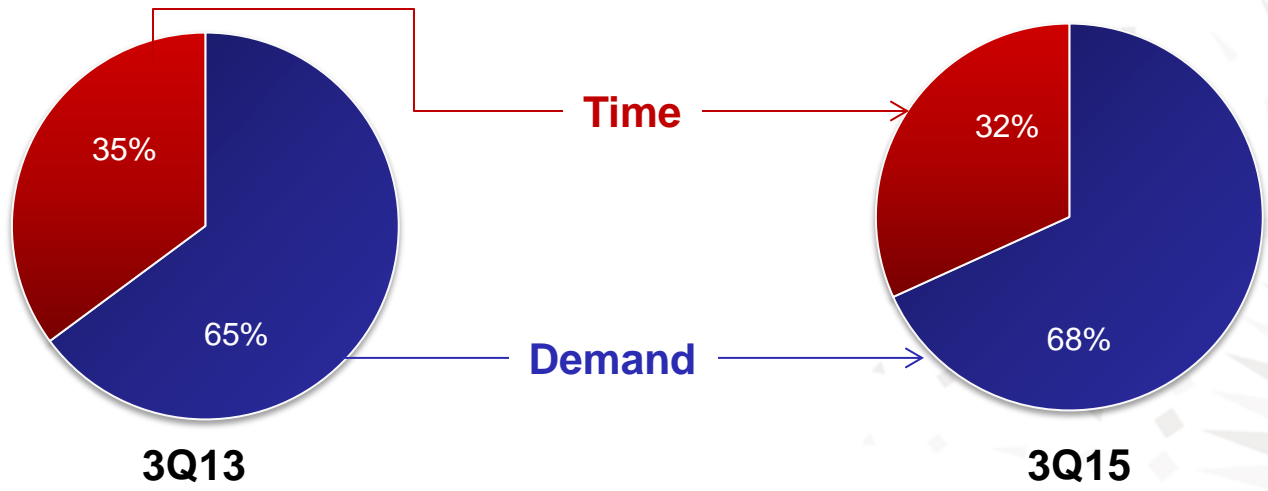
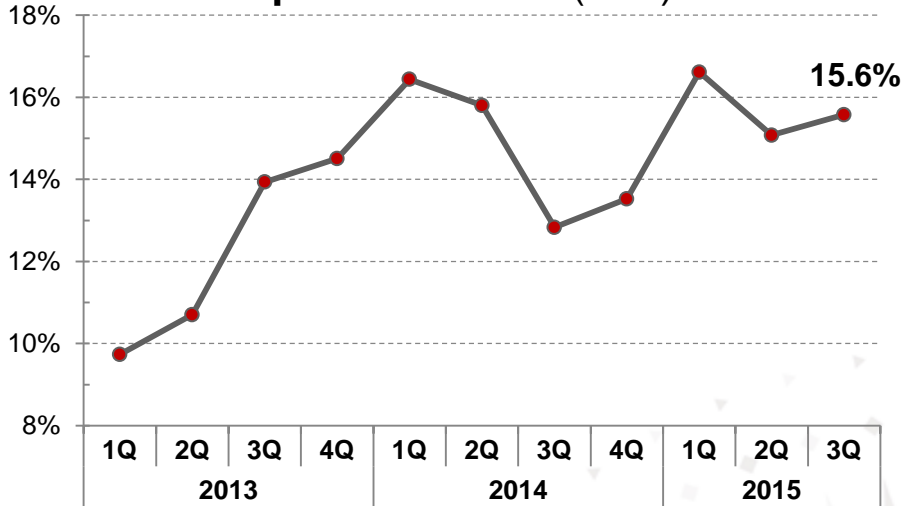
## Deposits Growing Faster

● Good rate of growth and mix for deposits

● Demand 17% YoY

● Time 13% YoY

### Deposits Growth (YoY)



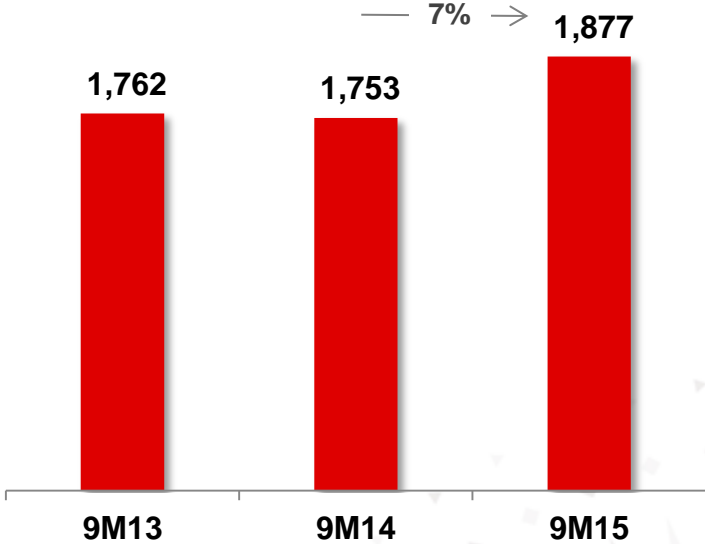


# Afore

## Consolidating our Afore business

- 9M15 net income increased 7% YoY despite higher affiliation costs in the quarter.
- AUM growth of 4% YoY

## Net Income



## Fee %

	Dec'13	Dec'14	Dec'15
XXI Banorte	1.10	1.07	1.04
Industry	1.28	1.19	1.11

Million pesos	3Q15	QoQ	YoY
Net Income	575	-18%	16%
Equity	23,659	2%	-1%
Assets	24,932	3%	-1%
AUM	615,180	-1%	4%
ROE*	9.8%	(2.6)pp	1.5pp

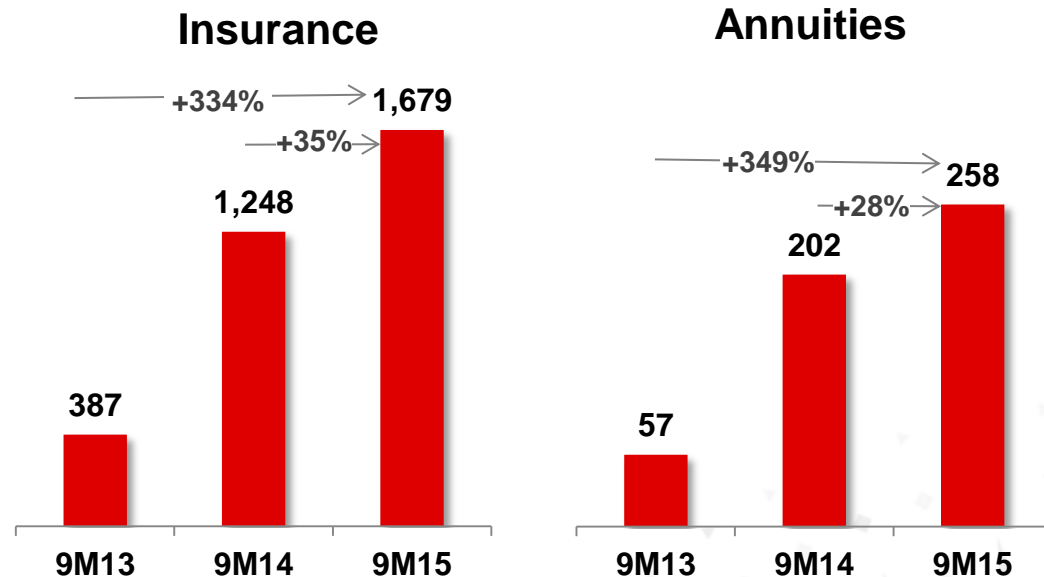
\* Excluding goodwill 40.8%

# Insurance & Annuities

## Net Income

### Adequate operating trends

- 9M15 net income increased 35% & 28% YoY on Insurance & Annuities Books.
- ROE slightly lower on Insurance YoY but stronger on Annuities.



### Seguros Banorte (Insurance)

Million pesos	3Q15	QoQ	YoY
Net Income	490	-19%	25%
Equity	6,278	8%	38%
Assets	25,597	-4%	17%
Written Premiums	3,476	-6%	26%
ROE	32.6%	(9.7)pp	(1.2)pp

### Pensiones Banorte (Annuities)

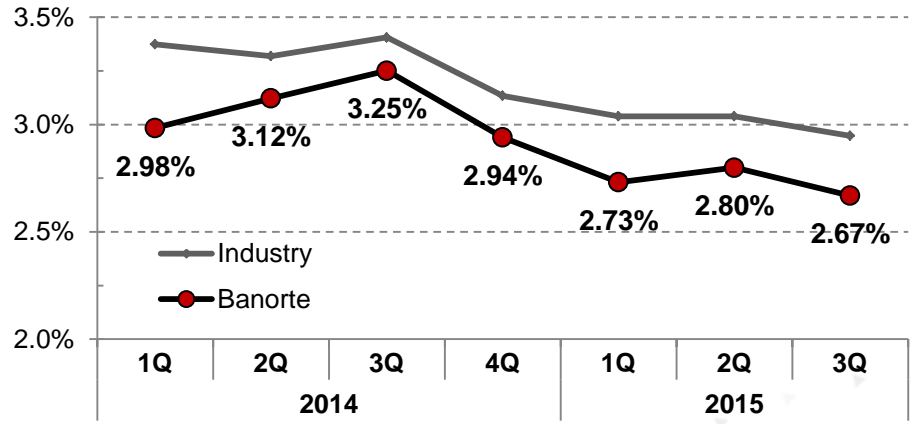
Million pesos	3Q15	QoQ	YoY
Net Income	97	34%	25%
Equity	1,534	7%	6%
Assets	66,977	3%	13%
Written Premiums	1,654	-16%	-26%
ROE	26.2%	6.2pp	4.2pp

# Asset Quality

Trends moving in the right direction

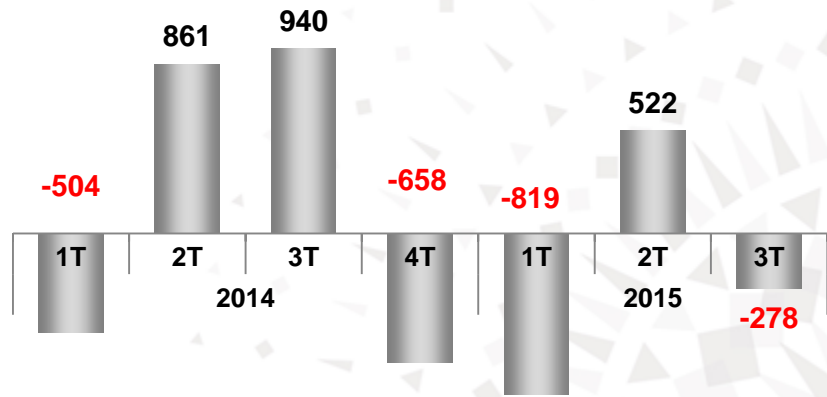
- Lowest NPL ratio in two years.
- New NPL formation much better than the prior year.
- Stronger Asset Quality trends than the Industry.

## NPL Ratio



Industry 3Q15 as of Aug'15

## NPL Formation



# Asset Quality Trends

## Stable Asset Quality

- Improvements in all books except payroll and SME.
- Corporate NPL is 0.1% excluding homebuilders.
- Government loans clean.

	NPL Ratio				
	2Q14	3Q14	4Q14	1Q15	2Q15
Credit Cards	5.9%	5.5%	5.5%	5.9%	<b>5.5%</b>
Payroll	2.2%	2.3%	2.2%	2.5%	<b>2.6%</b>
Car Loans	1.9%	2.0%	1.5%	1.9%	<b>1.7%</b>
Mortgages	1.4%	1.4%	1.3%	1.2%	<b>1.1%</b>
Commercial	5.0%	4.4%	3.8%	3.9%	<b>3.6%</b>
<i>SMEs</i>	9.8%	10.0%	8.8%	9.5%	<b>9.5%</b>
<i>Commercial ex-SMEs</i>	3.1%	2.2%	2.1%	2.1%	<b>1.8%</b>
Corporate	6.8%	6.3%	6.4%	6.5%	<b>6.4%</b>
<b>Total</b>	<b>3.3%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.7%</b>



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