



# **GFNORTE**

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## **Conference Call: 2Q18 Results**

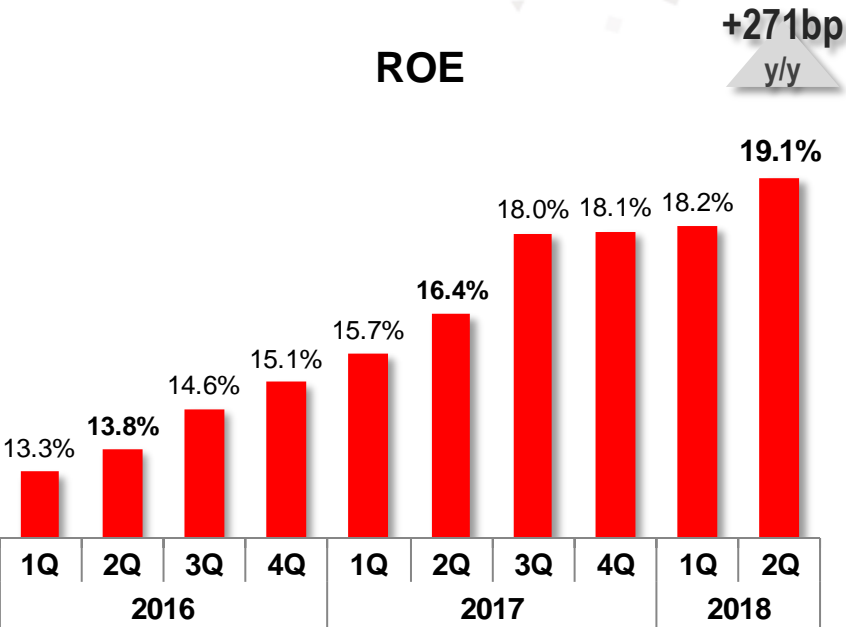
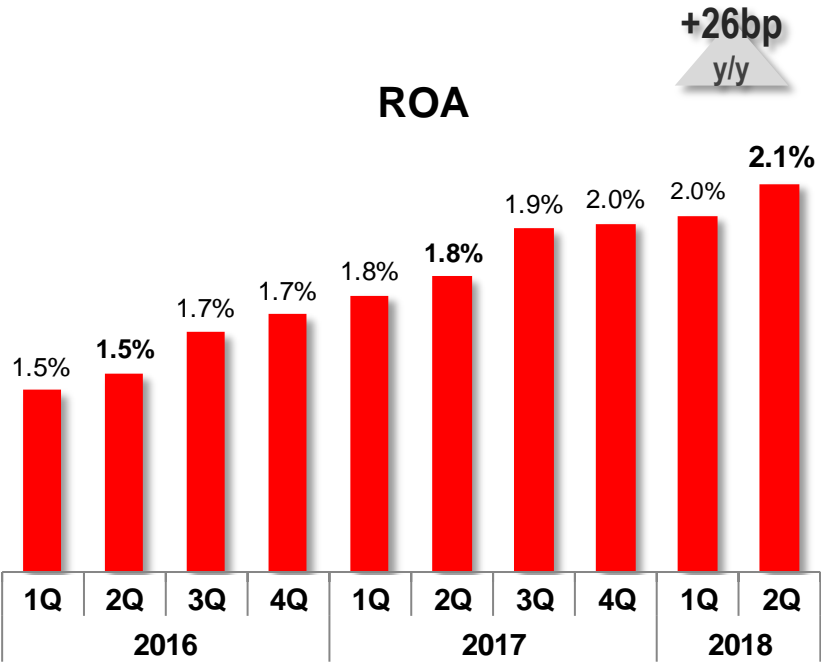
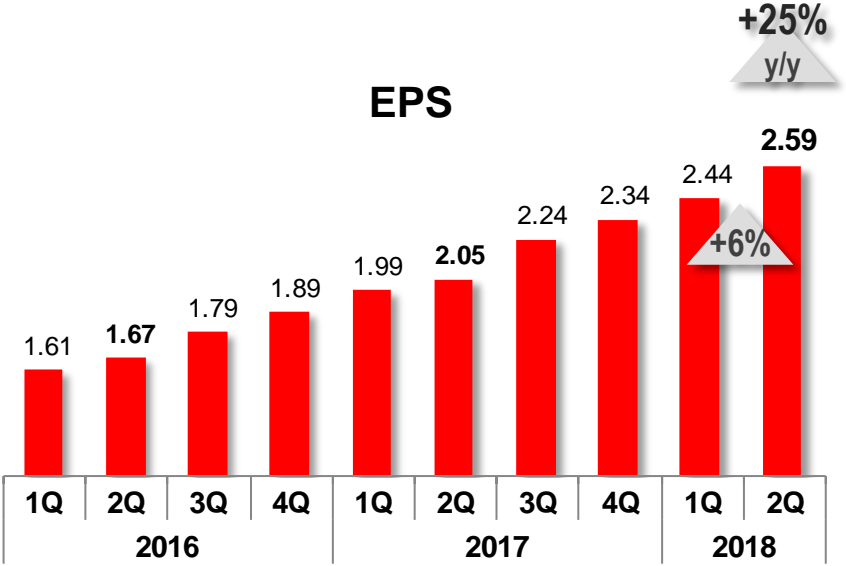
July 27, 2018

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# Earnings and Returns acceleration

	2Q18	q/q	1H18	y/y
Net Income	7,191	6%	13,960	25%
NIM	5.7%	(22)bp	5.8%	37bp
ROE	19.1%	97bp	18.8%	265bp
ROA	2.07%	9bp	2.0%	24bp

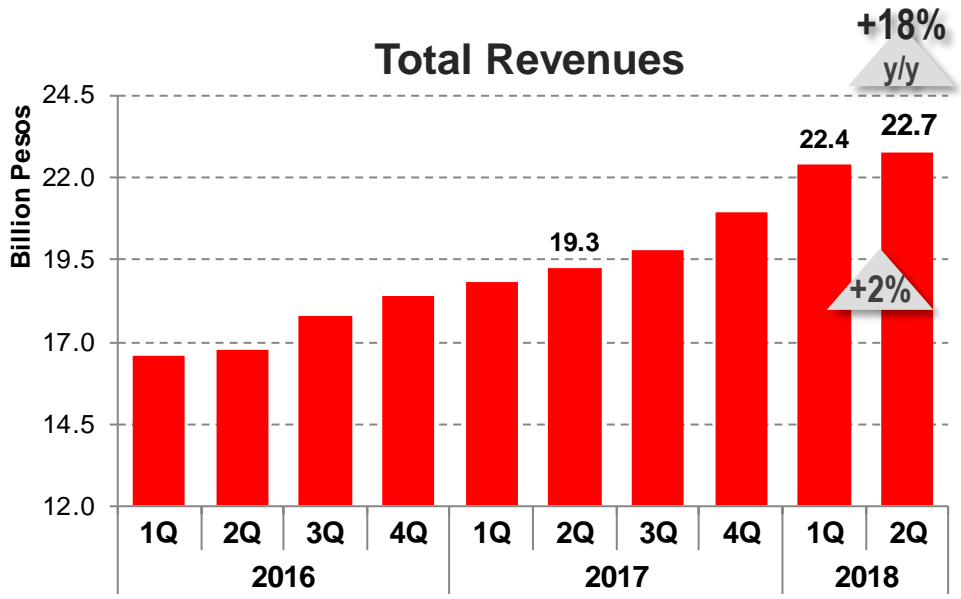


# Historical Record in Revenues

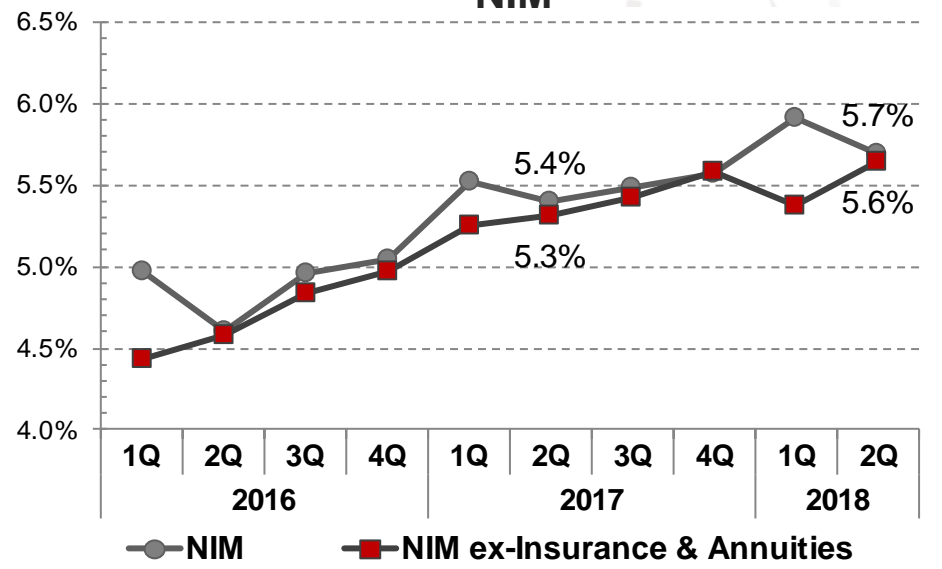
- Total NIM expansion of +37bp y/y, improved by rates, portfolio mix, better cost of deposits & insurance business.
- Quarterly NII negative impacted by seasonality in insurance.
- Insurance business also impacted but positively to Net Fees, as seasonal fees were paid in 1Q.
- Good results in trading & treasury.

Million pesos	2Q18	q/q	1H18	y/y
NII Loans	13,798	3%	27,214	12%
NII Repos	2,174	18%	4,009	22%
NII Valorization Adjust	147	N.A.	56	N.A.
NII Insurance & Annuities	1,742	(45%)	4,886	39%
<b>NII</b>	<b>17,860</b>	<b>(2%)</b>	<b>36,165</b>	<b>17%</b>
Net Service Fees	3,256	25%	5,863	8%
Trading Income	1,221	41%	2,087	23%
Other Income	401	(34%)	1,012	N.A.
<b>Total Revenues</b>	<b>22,738</b>	<b>2%</b>	<b>45,127</b>	<b>18%</b>

## Total Revenues



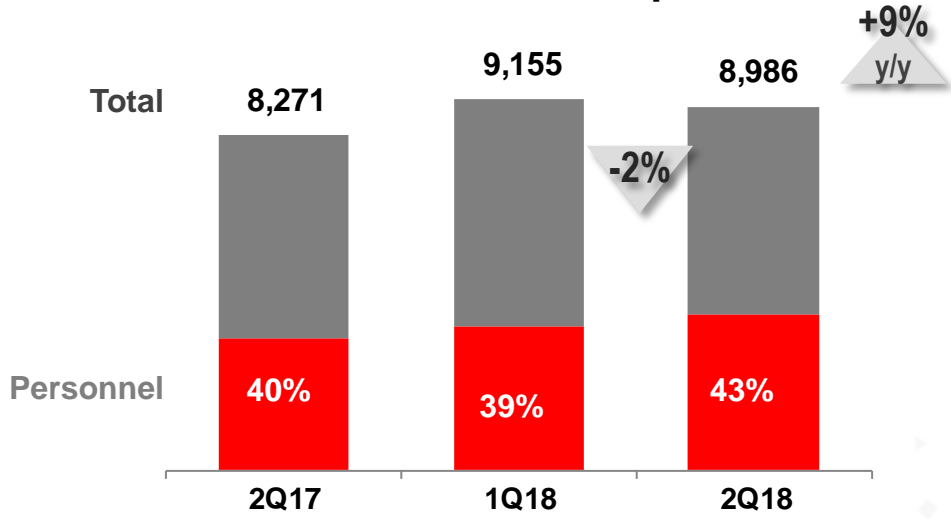
## NIM



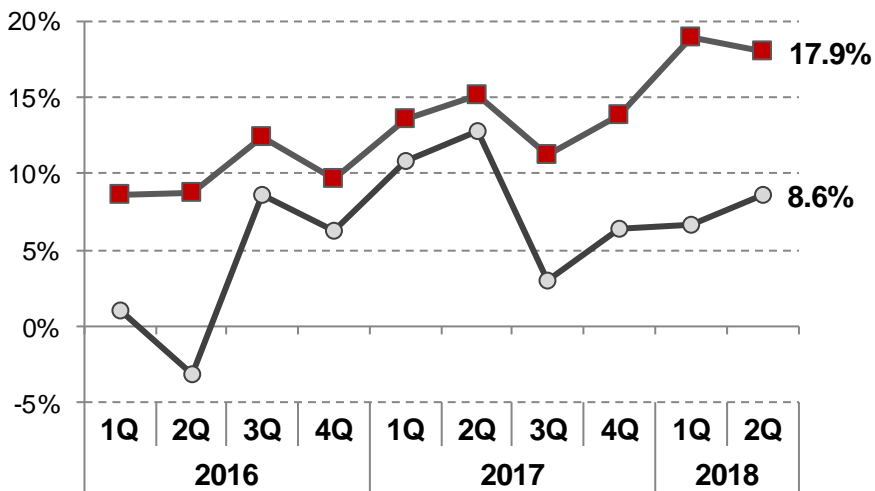
# Improving Efficiency

- Non-interest Expenses -2% QoQ, 1H18 +8% y/y in line with guidance,
- Cost to Income for 2Q18 was 40.9%, -472bp y/y.
- Ongoing positive operating leverage.
- Cost to Income Ratio slightly modified on accounting changes in accounting of loan recoveries.

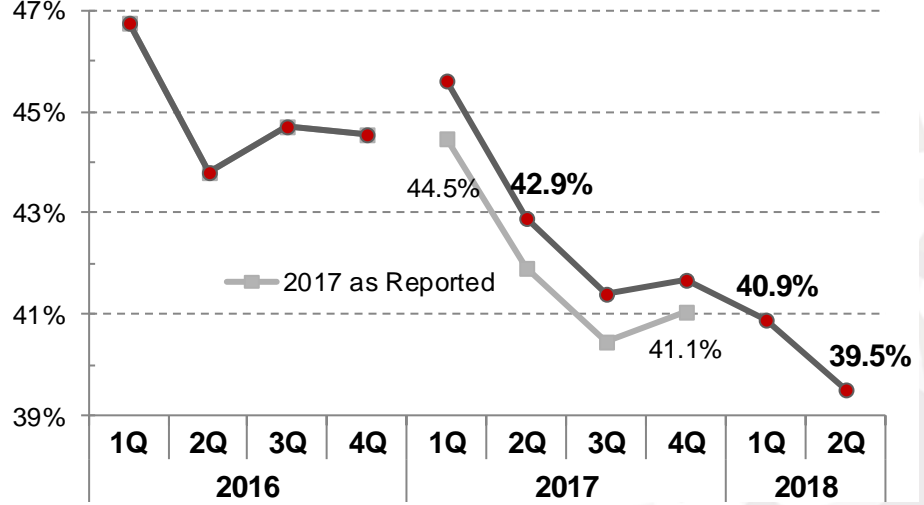
## Non-Interest Expense



■ y/y Revenues    ○ y/y Expenses



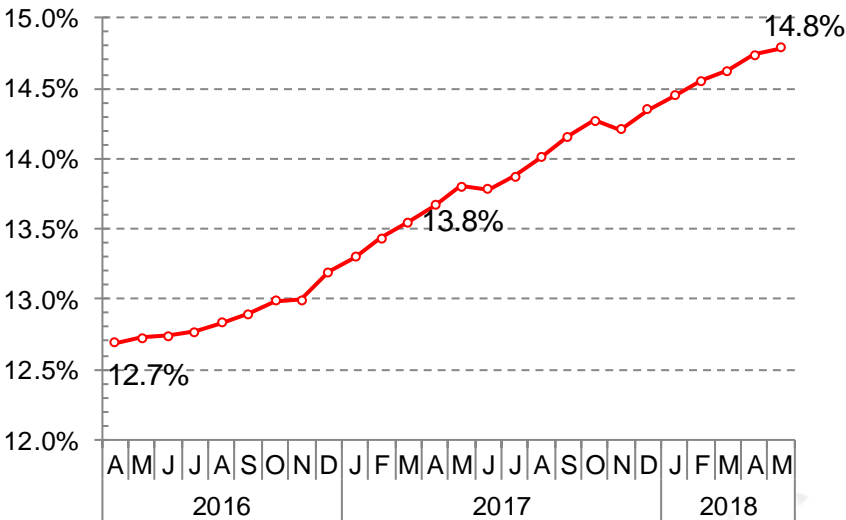
## Cost to Income Ratio



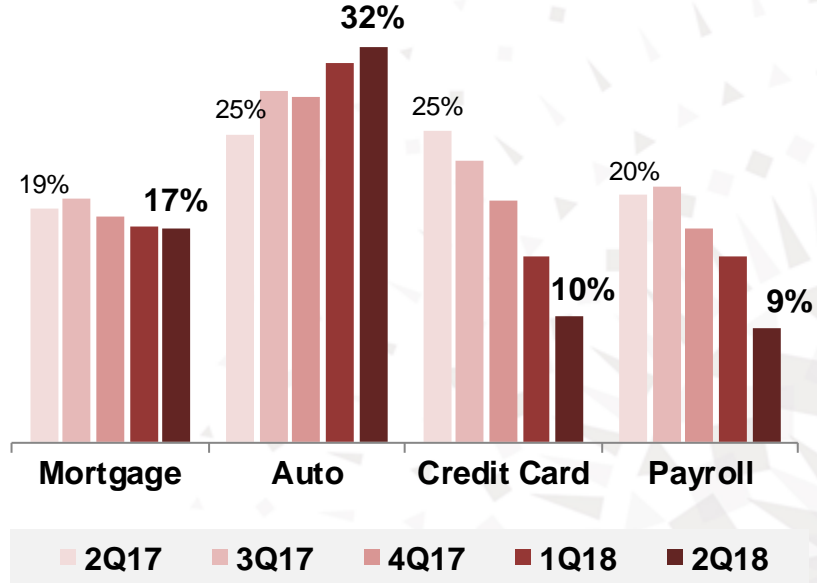
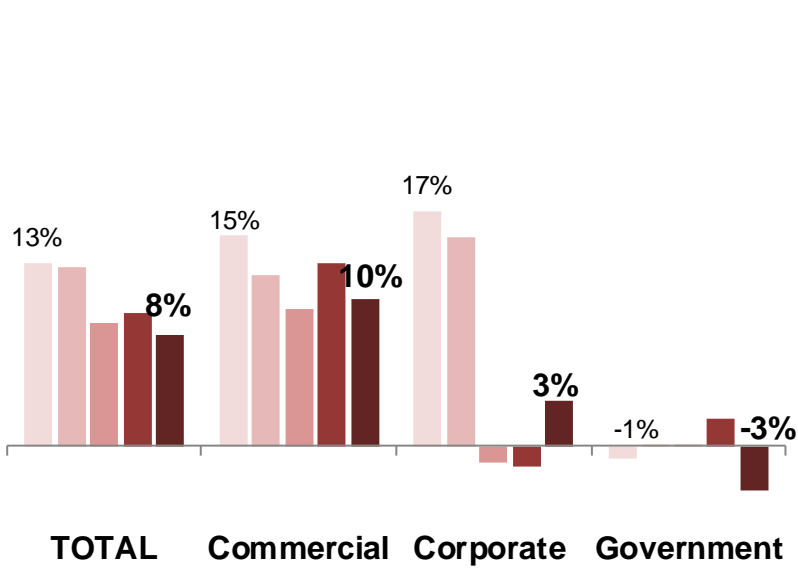
# Loan Growth

- Strategic deceleration in unsecured consumer but market share continuously improving.
- Moderate Commercial growth.
- Excellent growth in Corporate loans +10% q/q, but only +3% y/y on a slower 1Q.

## Consumer Market Share



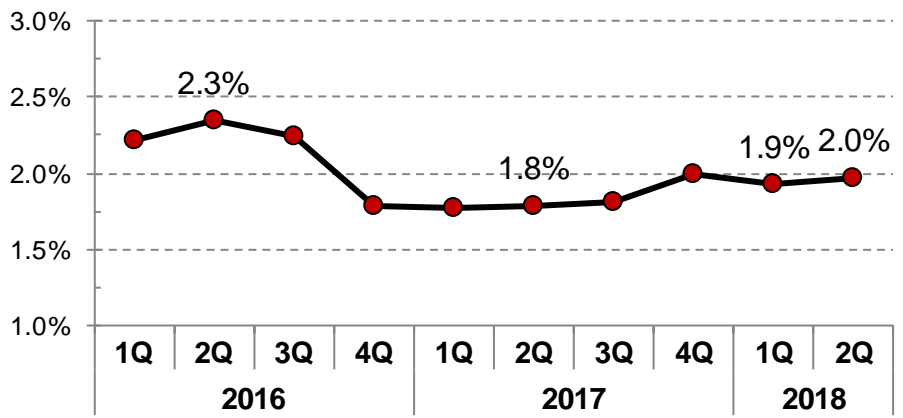
## Loan Portfolio y/y Growth



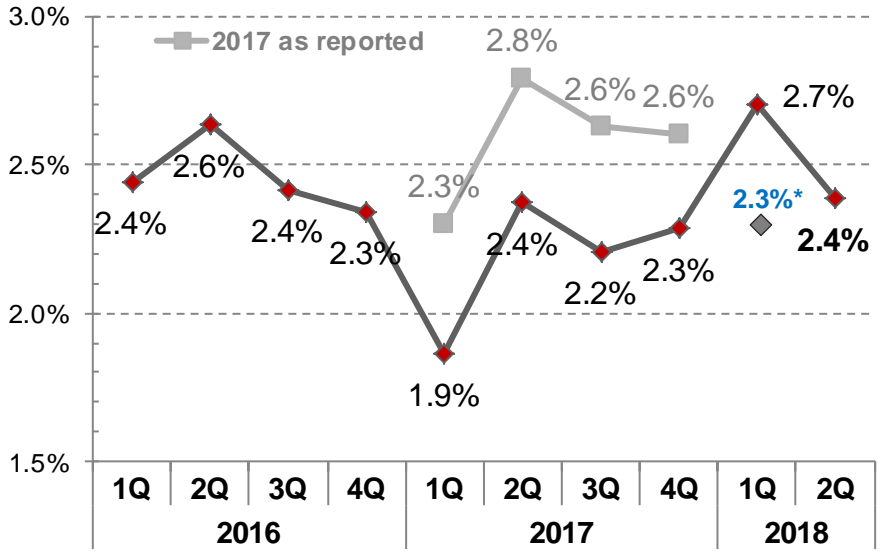
# Asset Quality

- Stable NPL ratio.
- Reasonable and stable cost of risk.
- Lower Charge-off rate.

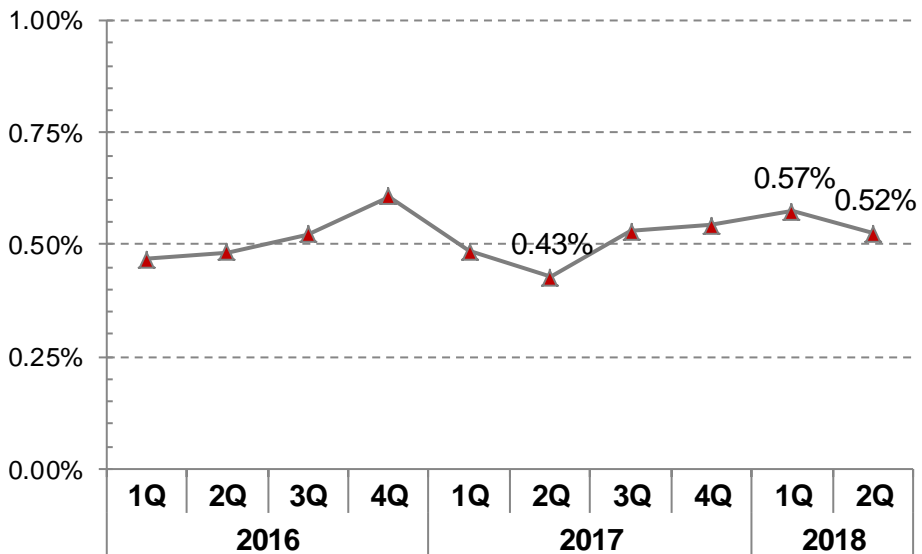
### NPL Ratio



### Cost of Risk



### Charge-Off Rate



\* Excluding extraordinary Provisions on Corporate exposure

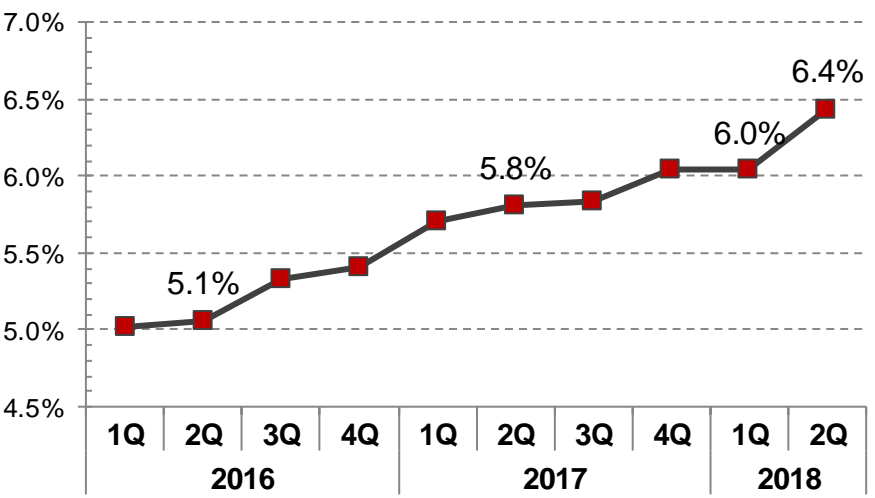
# Relevant Subsidiaries

- NIM of Bank up +40bp y/y, improved by rates & funding cost.
- Cyclical reduction in Insurance but annual premium growth of +23% y/y.
- Afore posted a strong quarter, earnings +10% q/q.
- On track to deliver better than expected 2018 targets.

## Net Income

Million pesos	2Q18	q/q	1H18	y/y
Bank	5,296	17%	9,832	18%
Brokerage Sector	289	51%	561	7%
Insurance	751	(44%)	2,100	35%
Annuities	189	(10%)	399	10%
Afore	363	10%	692	3%
Leasing & Factoring	289	51%	481	34%

## NIM of Bank



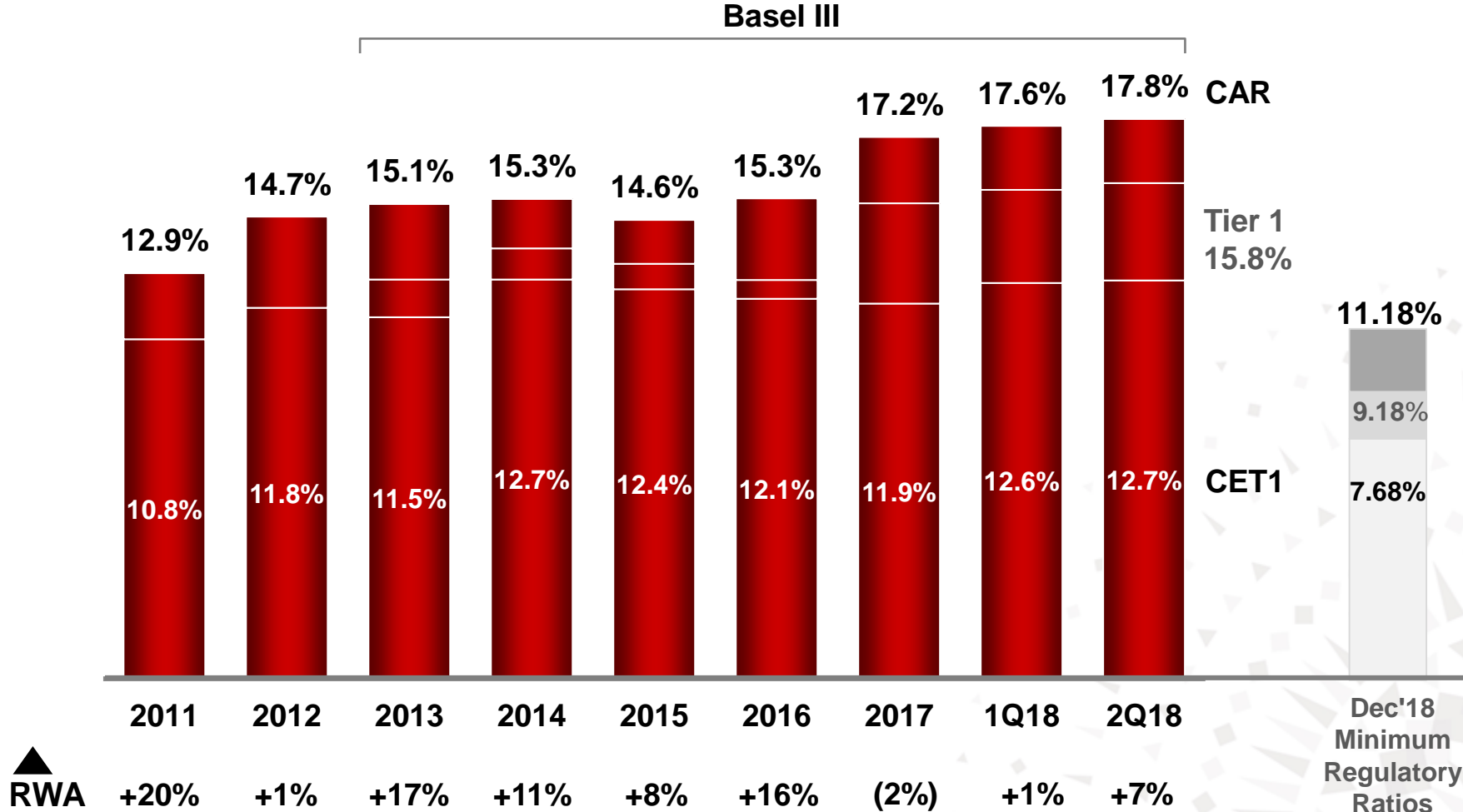
## Insurance Premiums





# Regulatory Capital Ratios

## Capital Adequacy Ratio (CAR)

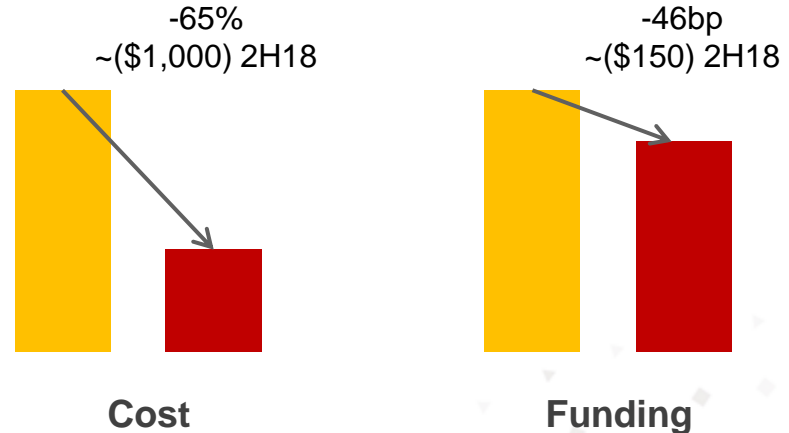


\*RWA= Risk Weighted Assets annual growth

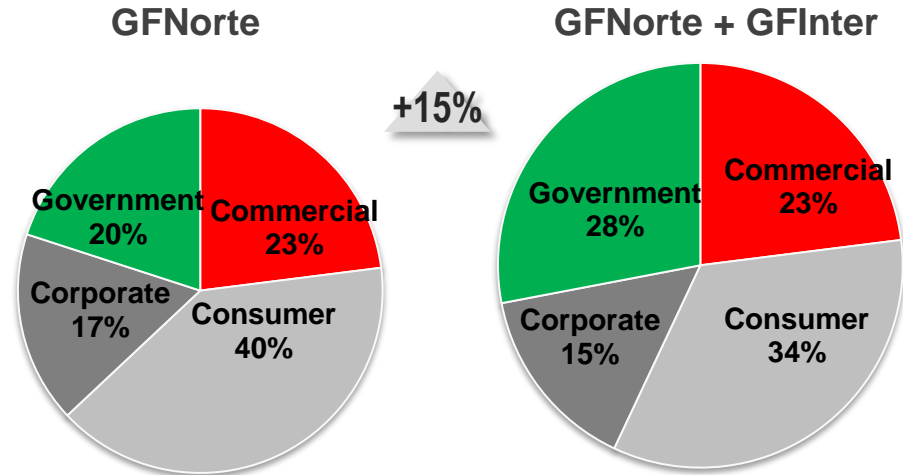
# GF Interacciones Acquisition

- Transaction concluded for total Ps 26.5 billion. 50% paid in cash, the rest with 109,727,031 GFNorte shares at a 0.4065 exchange factor.
- Integration process is already running.
- Infrastructure group will become a product unit within Banorte's wholesale banking division.
- Consolidated financial Information as of Jul 13th.

## Synergies



## Loan Portfolio



## GF Interacciones 2018

Estimated Earnings	1.7 – 1.9
Estimated Accretion	3% – 4%

	Actual	GFNorte + GFInter
Loan Growth	8% – 10%	<b>26% – 28%</b>
NIM Expansion	20 – 30pb	<b>(10) – 10pb</b>
Expense Growth	8% – 9%	<b>10% – 12%</b>
Efficiency	39% – 40%	<b>39% – 40%</b>
Cost of Risk	2.6% – 2.8%	<b>2.2% – 2.4%</b>
Tax Rate	27% – 29%	<b>27% – 29%</b>
<b>Net Income</b>	<b>27.5 – 28.5</b>	<b>30.3 – 31.1</b>
Accretion		<b>2% – 4%</b>
ROE	18.0% – 18.6%	<b>18.7% – 19.2%</b>



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