

# Refinancing of GFNorte's exposure to States and Municipal Governments and Results of New Methodology

**18 Oct 2011**

**Monterrey, N.L., October 19th, 2011.** As a follow up to the material event published on September 30th, 2011 informing about the participation of Grupo Financiero Banorte, S.A.B. de C.V. ("GFNORTE") (BMV: GFNORTEO) in the debt refinancing of Coahuila, GFNORTE informs that it has also recently participated in the debt refinancing of the States of Aguascalientes and Sonora. The total amount of the refinanced debt with these three States amounts to Ps. \$13.21 billion pesos, which represents 4% of GFNORTE's total Loan Portfolio at closing of September 2011.

The main goal to refinance these liabilities was to provide the States with better terms and financial conditions, which will provide them with flexibility in the management of their fiscal resources. The maturities of the new loans range from 20 to 27 years 4 months, they have adequate coverage and in all cases the Federal Transfers (Participaciones Federales) are the main repayment source.

It is also worth noting that in no case any of the loans were delinquent or past due, nor chargeoffs or discounts were offered as part of these refinancings. Banorte's NPLs in the State and Municipal Loan Portfolio remains at 0% at closing of September 2011.

On the other hand, GFNORTE informs that after applying the new methodology for the creation of Loan Loss Reserves for States and Municipalities according to expected losses, the impact on Banorte was a decrease in reserves of Ps. \$357 million. This is due to the following strengths in Banorte's Loan Portfolio:

- 87% of the loans are secured by a Trust Guarantee and have Federal Transfers or Other local source of income as a payment source.
- 79% have interest rate hedging during the term of the loan.
- 92% of the total loan portfolio are long-term loans and only 8% of the loans are unsecured short term loans.
- All loans have high coverage ratios of at least 2 to 1 times the debt service.
- The long-term loans are registered in the Public Debt Registry of the Ministry of Finance and Public Credit (SHCP).

Finally, GFNORTE informs that it will participate in future debt refinancing of other States and Municipalities as part of its strategy to provide comprehensive solutions to its customers and maintain the leadership that has characterized Banorte for financing in this sector. GFNORTE reiterates its commitment to the financial community and investors to maintain modern and transparent in information disclosure, strictly in compliance with Mexico's "Ley de Mercado de Valores" (Securities Market Law).