



Financial Results

2Q10

August 2010

BANORTE

 GRUPO FINANCIERO
BANORTE



Summary of Results

Financial Highlights 2Q10



- **Net Income grew by 5% QoQ and 11% YoY. Excluding the positive impact of an extraordinary gain during 1Q09 as a result of applying the accounting criteria for valuation of securitizations, recurring net income grew by 16% YoY.**
- **Total accumulated recurrent earnings during the last 12 months amounted to Ps 6.2 billion pesos, 8% higher with respect to the yearly profits of Ps 5.72 billion accumulated during 2009.**
- **Profitability ratios continue to improve: ROE increases to 15.4% in 1H10, 20 bp higher compared to 1H09, and ROA to 1.1%, 10 bp vs. a year ago.**
- **The bank (excluding the contribution by the Afore) generated net income of Ps 1.38 billion (+8% QoQ), 84% of total Group's profits; Broker Dealer of Ps 75 million pesos (-3%QoQ), Long Term Savings of Ps 86 million (-30% QoQ) and Leasing & Factoring of Ps 115 million pesos (+9%QoQ).**

Financial Highlights 2Q10



- **Growth in lending resumed during the quarter and deposits continue to show positive trends.**
 - **The loan portfolio increased by 2% compared to 1Q10 and 3% compared to 2Q09, growing in all segments except for credit cards.**
 - **Core deposits grew by 4% QoQ, mainly driven by demand deposits, which grew by 6% during that period. Deposits grow by 5% compared to 2Q09.**
 - **The loan portfolio mix improves, with consumer and mortgage loans growing faster than other segments. Funding mix also improves, with low interest bearing deposits representing more than 70% of total funding.**
 - **Banorte remains as the third largest bank measured by size of deposits and loans according to the information published by the Banking and Securities Commission (CNBV).**

Financial Highlights 2Q10



- **Net Interest Income declines marginally during the quarter. NII continues to be pressured by a low interest rate environment. Interest income increases by 3% QoQ, propelled by growth in lending.**
- **Non-Interest Income increased by 1% during 2Q10, as a result of higher service fees and recovery related revenues.**
- **Provisions for loan losses declined to Ps 1.34 billion, (25%) lower vs. 1Q10. The represented 2.2% of average loans during the quarter, and 2.6% in 1H10.**
 - **Provisions for consumer loans represented 68% of the total created during the quarter.**
 - **Charge offs for consumer loans represented 58% of the total during the quarter.**
 - **New past due loans from the consumer segment represented 70% of total new NPLs (credit card were 46%).**

Financial Highlights 2Q10



- **The bank's fundamentals remain solid.**
 - **Regulatory capital was 16.7% at the end of 2Q10, above the system's average.**
 - **Asset quality continued to improve. The NPL ratio was 2.3% in 2Q10, although it declines to 2.0% considering only loans originated in Mexico, lower than the 2.6% level of 2Q09.**
 - **Reserve coverage increased 2.2 pp QoQ, reaching 125%, but it increases to 142% when excluding US operations.**
 - **The liquidity ratio increased to 104% during the first six months of the year, considerably higher compared to the level of 63% in 1H09.**

Quarterly Summary



MILLION PESOS

	2Q09	1Q10	2Q10	Change	
				QoQ	YoY
Revenues	7,770	8,243	8,239	(0%)	6%
Credit Costs	2,188	1,772	1,337	(25%)	(39%)
Expenses	4,023	4,189	4,391	5%	9%
Reported Net Income	1,312	1,580	1,656	5%	26%
Reported EPS	0.65	0.78	0.82	5%	26%
Book Value per Share	19.3	20.8	21.2	2%	10%
ROE	13.5%	15.2%	15.6%	0.5 pp	2.2 pp
ROA	0.9%	1.1%	1.1%	--	0.2 pp
P/BV	1.66	2.62	2.37	(10%)	43%



Financial Performance

Income Statement



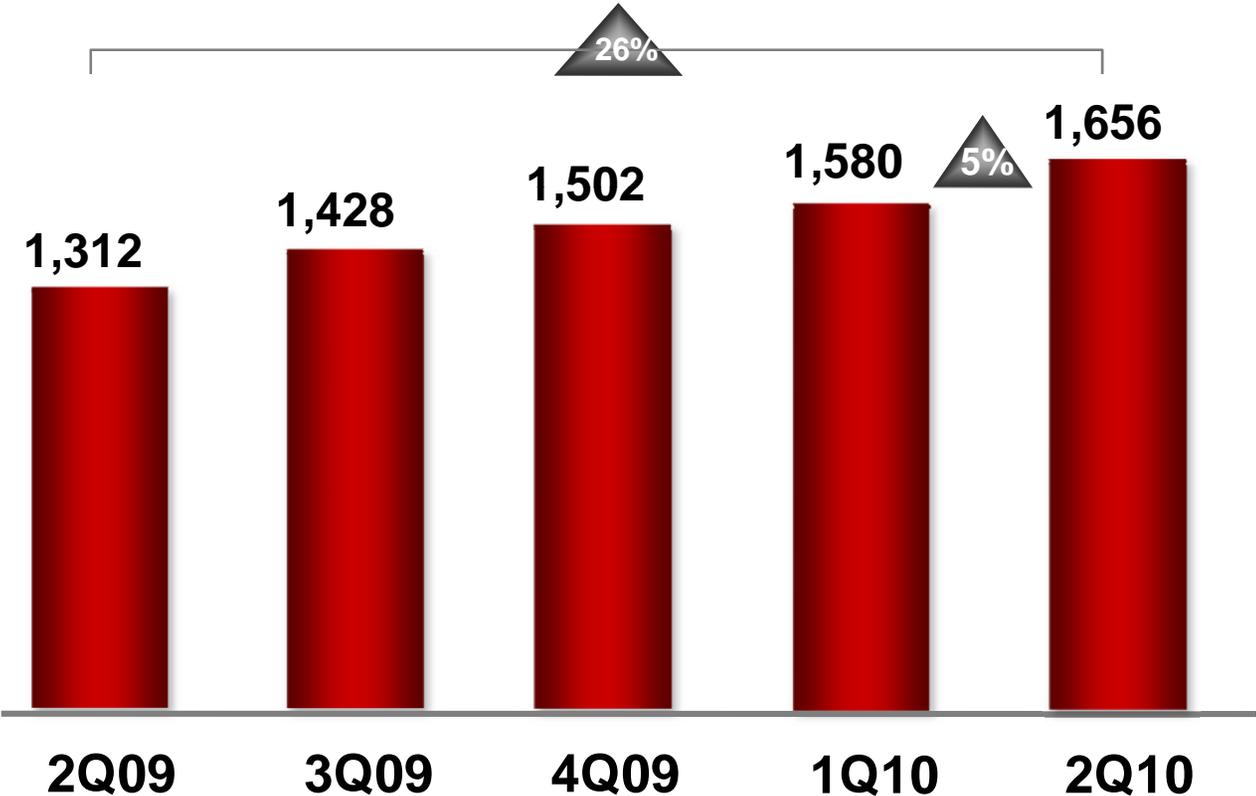
MILLION PESOS

	2Q09	1Q10	2Q10	Change	
				QoQ	YoY
Net Interest Income	5,838	5,562	5,533	(1%)	(5%)
Non Interest Income	1,932	2,681	2,706	1%	40%
<i>Service Fees</i>	1,447	1,614	1,625	1%	12%
<i>Recoveries</i>	319	481	501	4%	57%
<i>FX & Trading</i>	167	585	580	(1%)	248%
Total Income	7,770	8,243	8,239	(0%)	6%
Non Interest Expense	(4,023)	(4,189)	(4,391)	5%	9%
Net Operating Income	3,747	4,053	3,848	(5%)	3%
Provisions	(2,188)	(1,772)	(1,337)	(25%)	(39%)
Non Operating Income	168	18	21	19%	(87%)
Income Tax	(429)	(659)	(798)	21%	86%
Subs & Minority Interest	14	(61)	(77)	28%	(654%)
Net Income	1,312	1,580	1,656	5%	26%

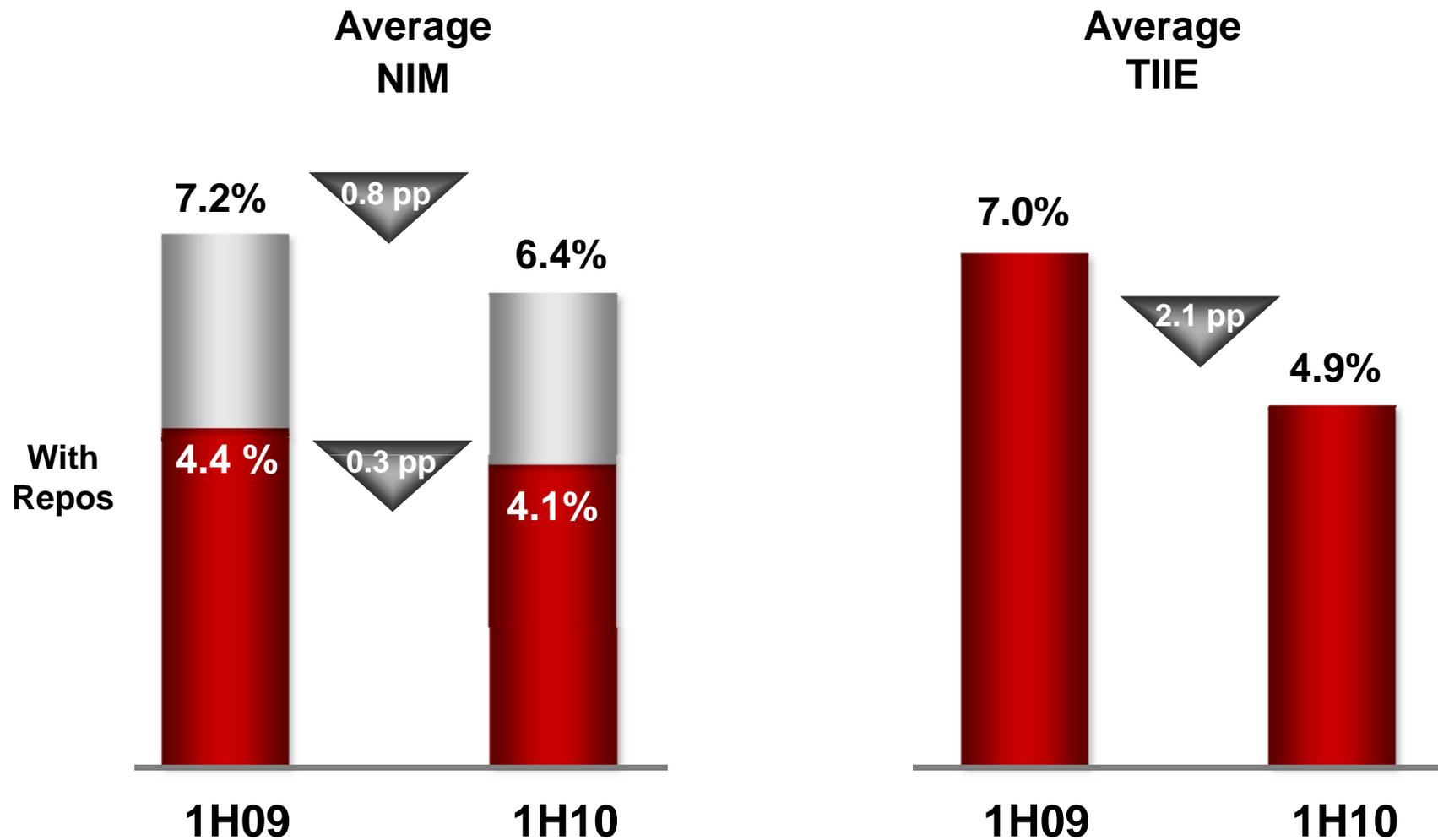
Quarterly Net Income



MILLION PESOS



Net Interest Margin



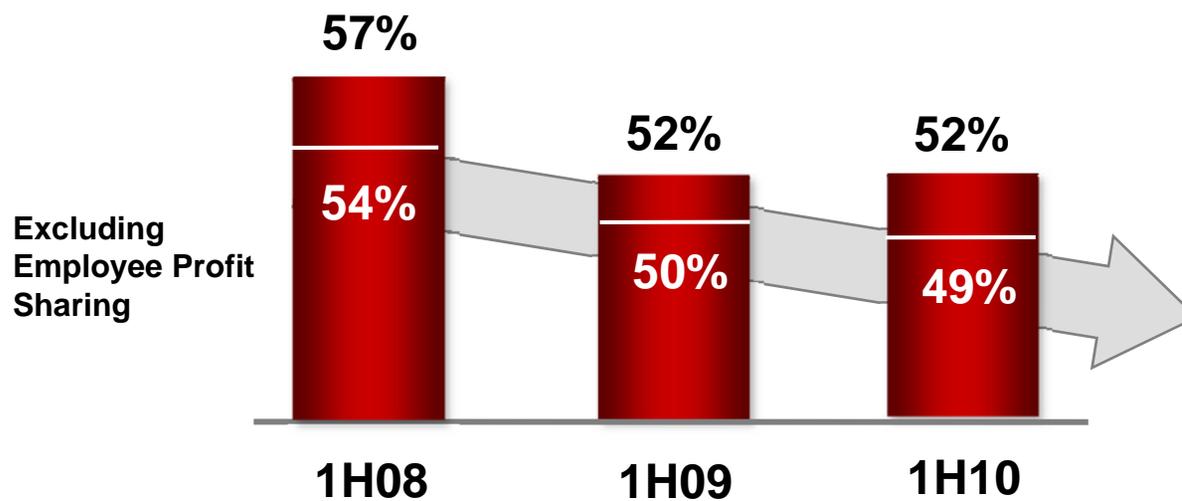
Non Interest Expense



BILLION PESOS

	1H09	1H10
Total Expense	8.3	8.6

EFFICIENCY RATIO



Deposits



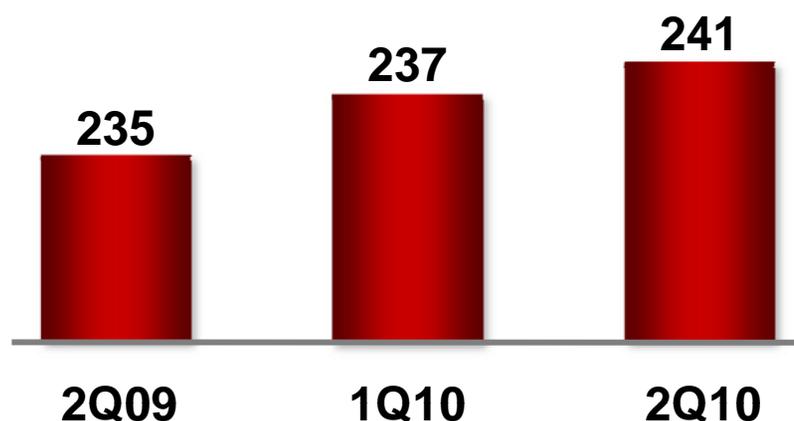
BILLION PESOS

Deposits	2Q08		2Q09		2Q10
Demand	107	▲ 16%	124	▲ 8%	134
Time	64	▲ 29%	83	▲ 5%	87
Core Deposits	171	▲ 21%	207	▲ 7%	221
Mix					
Demand	62%		60%		61%
Time	38%		40%		39%
	100%		100%		100%

Performing Loan Portfolio



BILLION PESOS

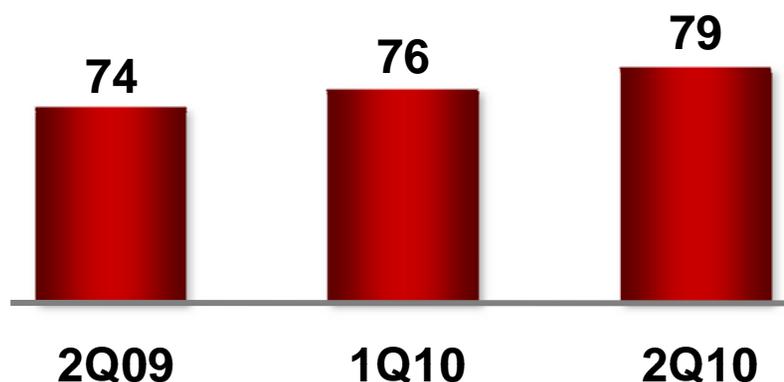


	2Q09	1Q10	2Q10	Change QoQ	Change YoY
Consumer	74	76	79	3%	7%
Commercial	86	80	82	2%	(5%)
Corporate	43	39	39	1%	(8%)
Government	32	41	41	1%	29%
Total	235	237	241	2%	3%

Performing Consumer Loan Portfolio



BILLION PESOS

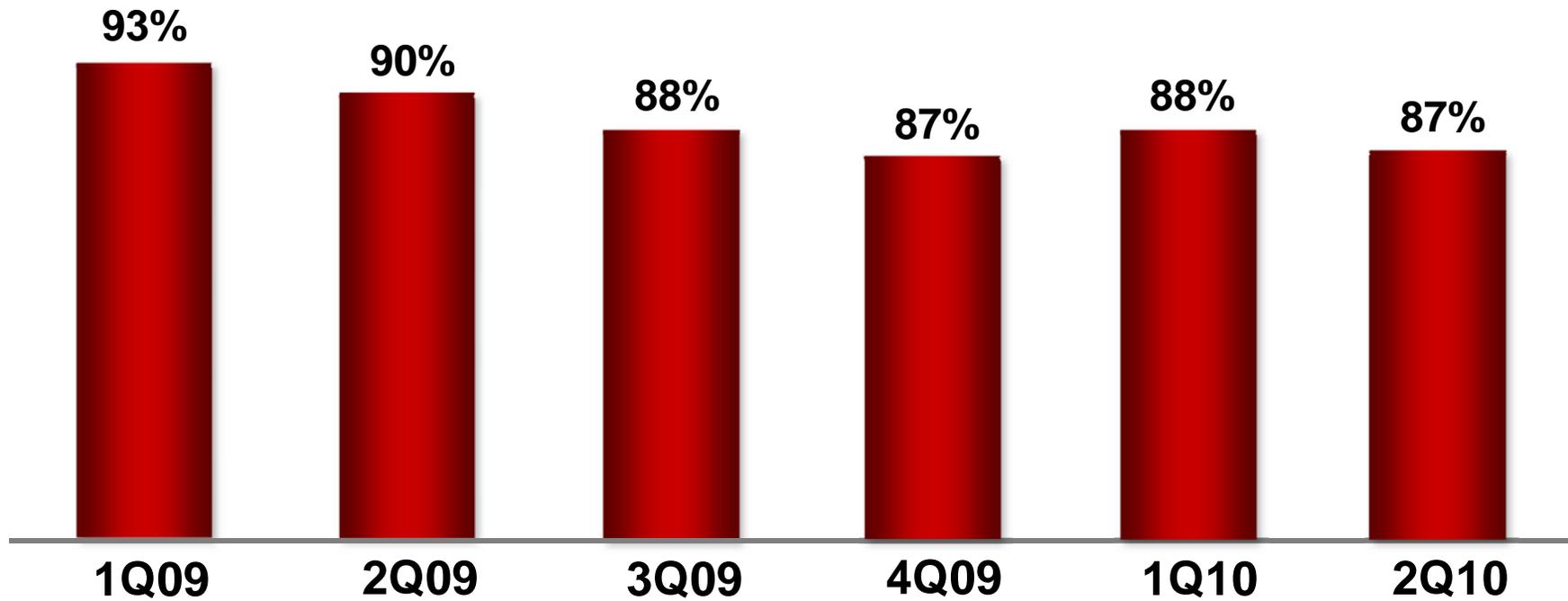


	2Q09	1Q10	2Q10	Change	
				QoQ	YoY
Mortgage	47	50	52	4%	11%
Car	7	8	8	2%	5%
Credit Card	13	11	11	(1%)	(14%)
Payroll	6	7	7	7%	17%
Consumer	74	76	79	3%	7%

Loans to Deposits Ratio



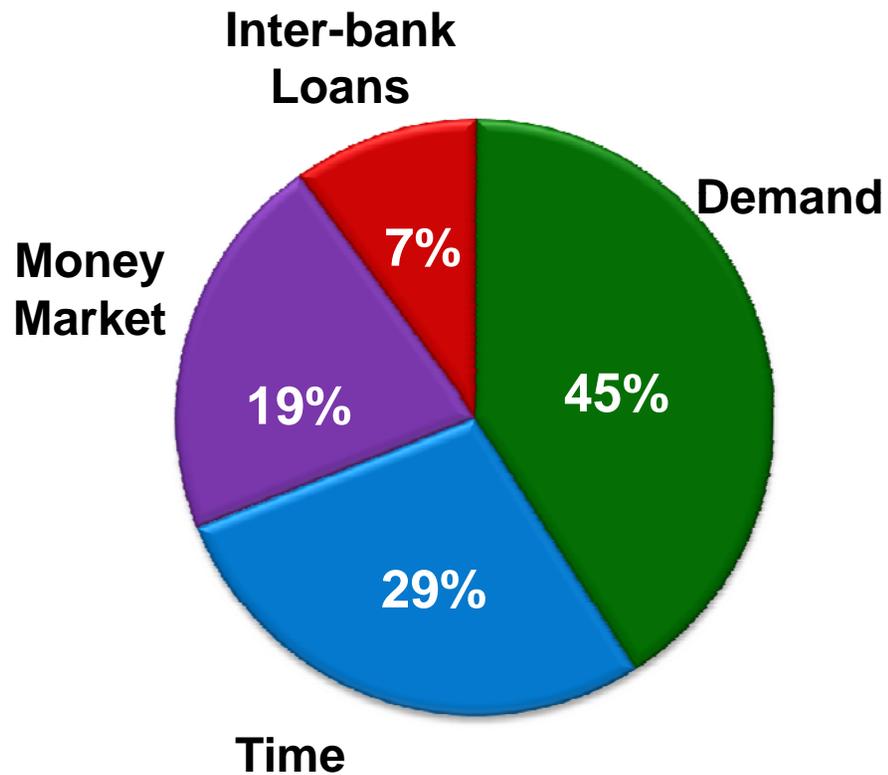
TOTAL LOANS / TOTAL DEPOSITS



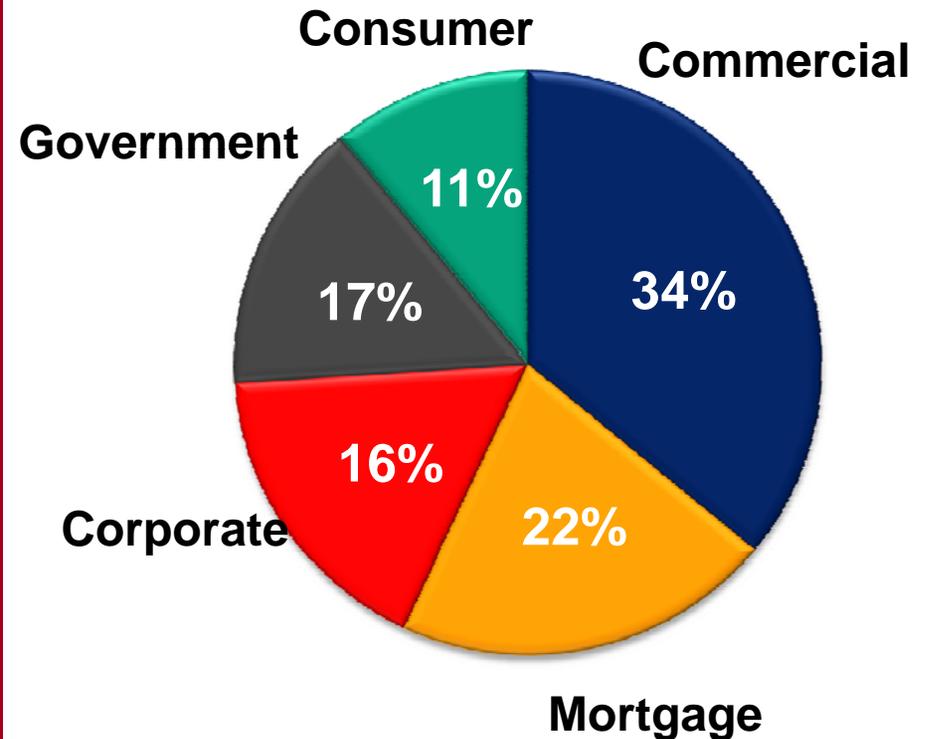
Funding and Loan Portfolio Structure



FUNDING
\$299 Billion Pesos



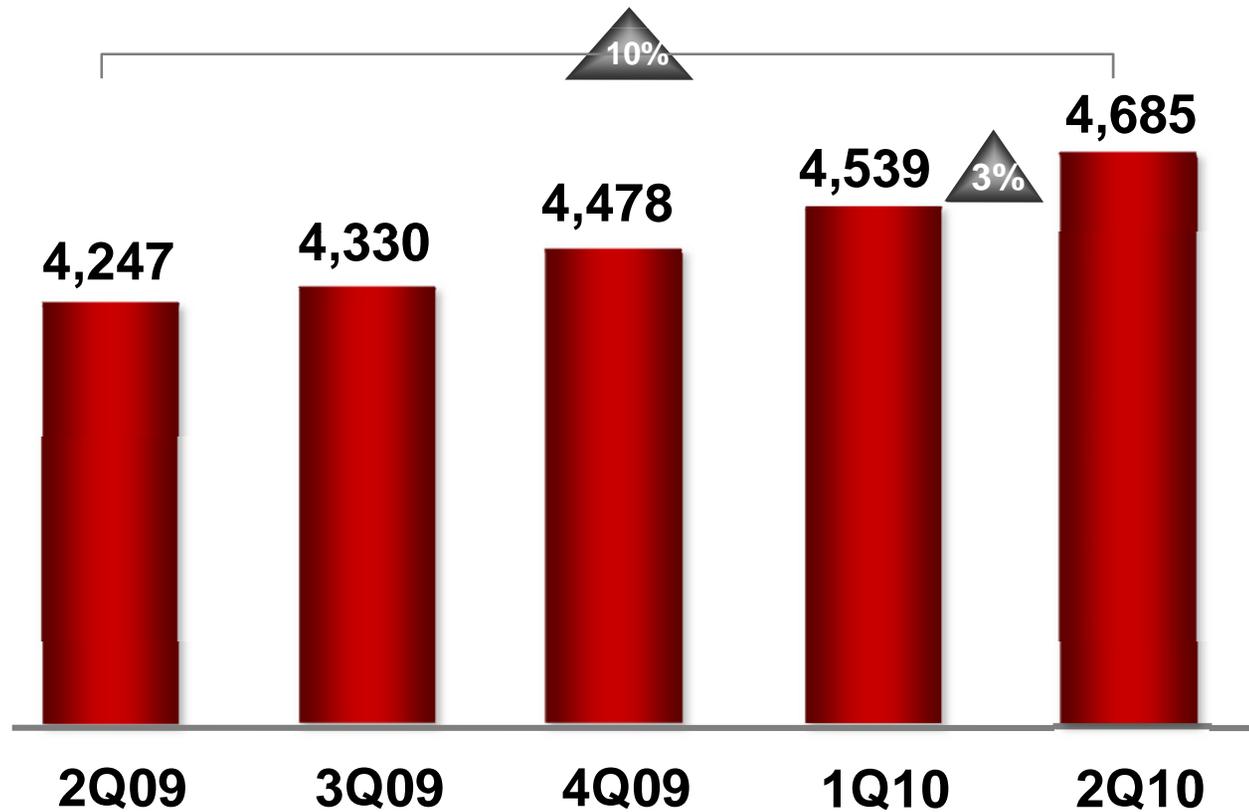
LOAN PORTFOLIO
\$248 Billion Pesos



Distribution Network



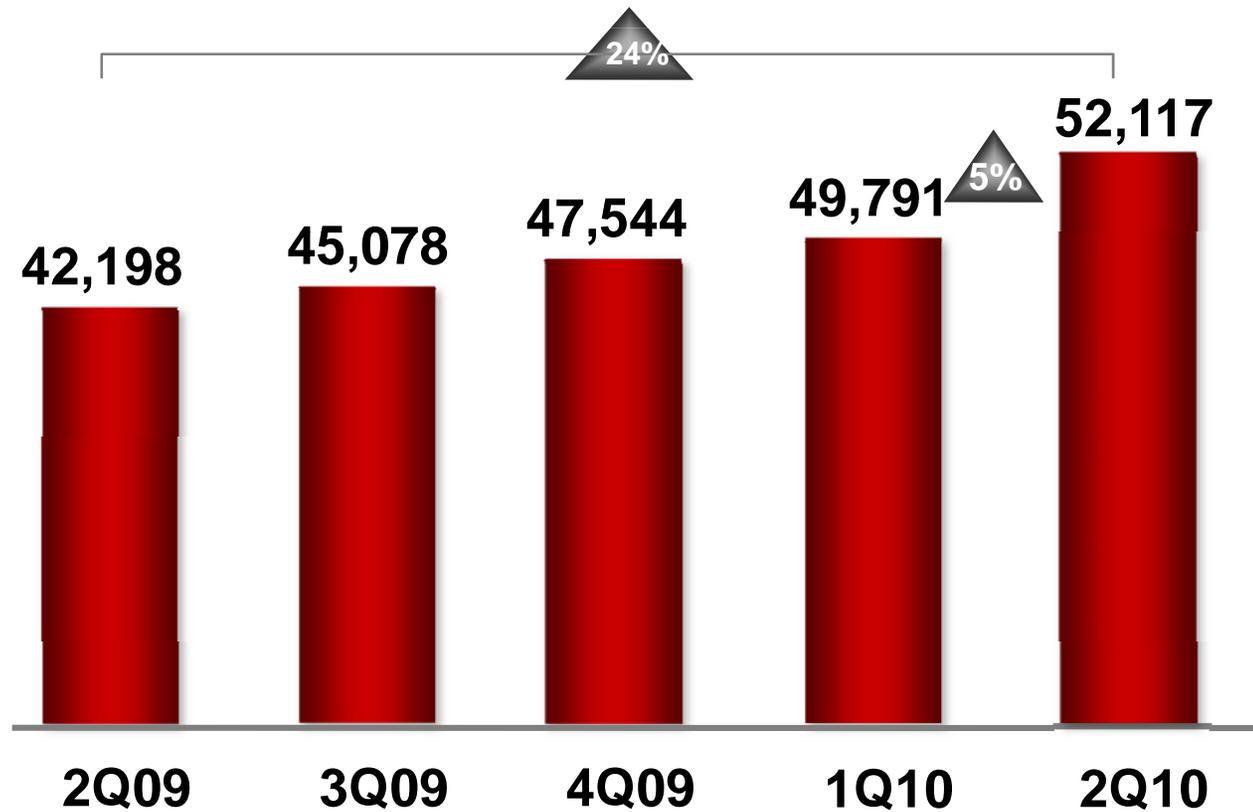
Automated Teller Machines (ATM's)



Distribution Network



Point of Sale Terminals (POS's)





Correspondent Banking



- **Banorte and 7-Eleven were authorized on July 15 to provide basic financial services as third party correspondents.**
 - ◆ **Constitutes the legal framework for the alliance.**
 - ◆ **Paperwork continues to be able to initiate operations.**
- **7-Eleven has more than 1,100 stores in the States of Nuevo León, Tamaulipas, Coahuila, Baja California, Jalisco, D.F. and Estado de Mexico.**
- **The initial services that will be provided electronically are:**
 - ◆ **Cash deposits.**
 - ◆ **Service payments.**
 - ◆ **Banorte credit card payments.**
- **Operations will begin in 3Q10.**



Asset Quality, Capitalization and Funding

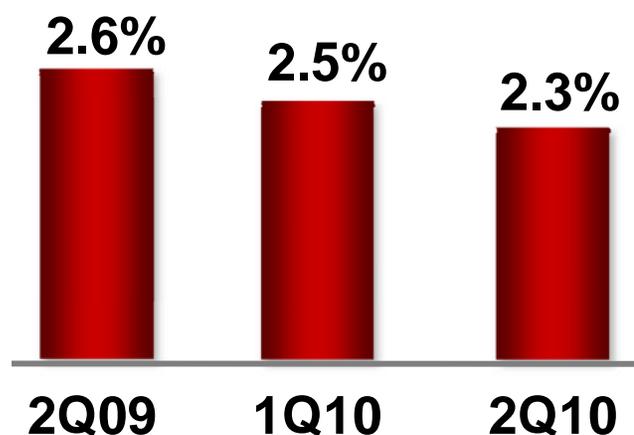
Asset Quality



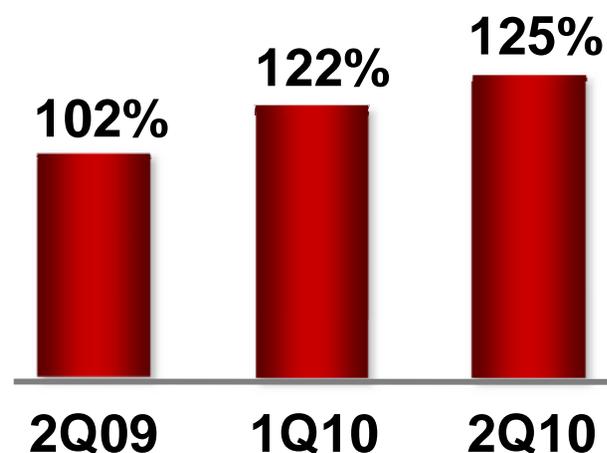
Billion pesos

	2Q09	1Q10	2Q10
Total Loan Portfolio	238	238	243
Past Due Loans	6.3	6.1	5.6
Loan Loss Reserves	6.4	7.5	7.0

PAST DUE LOAN RATIO



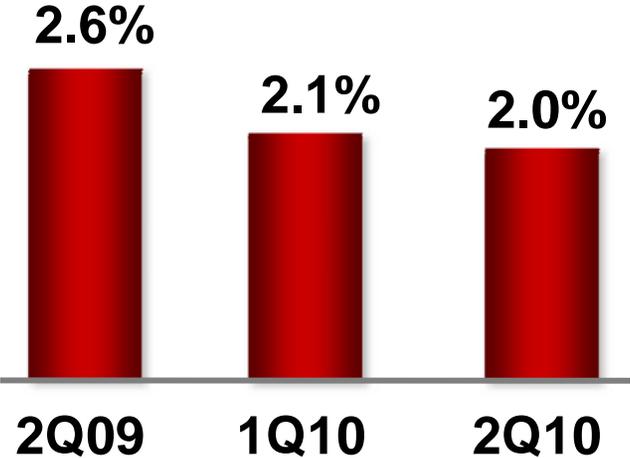
RESERVE COVERAGE RATIO



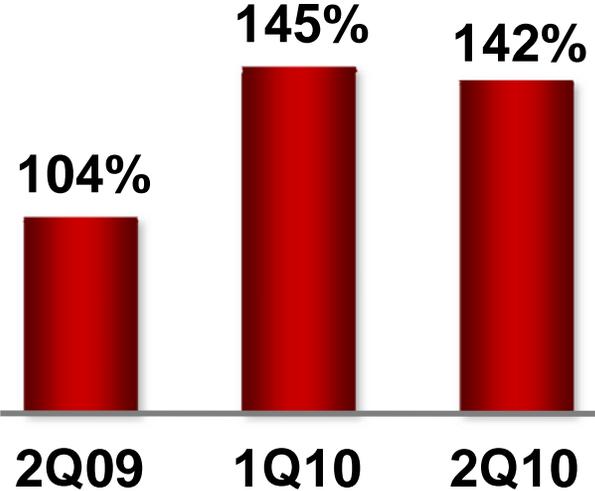
Asset Quality without INB



PAST DUE LOAN RATIO



RESERVE COVERAGE RATIO



Past Due Loan Ratios



	2Q09	3Q09	4Q09	1Q10	2Q10	
Credit Cards	14.4%	12.7%	12.0%	10.5%	10.6%	↑
Payroll	3.0%	2.8%	2.8%	2.1%	1.9%	↓
Car	3.0%	2.7%	2.0%	1.4%	1.3%	↓
Mortgage	1.9%	2.0%	2.1%	1.7%	1.7%	▬
Commercial	3.4%	3.6%	4.0%	5.0%	4.1%	↓
Corporate	0.1%	0.1%	0.1%	0.1%	0.2%	↑
Government	0%	0%	0%	0%	0%	▬
	2.6%	2.5%	2.5%	2.5%	2.3%	

Past Due Loans



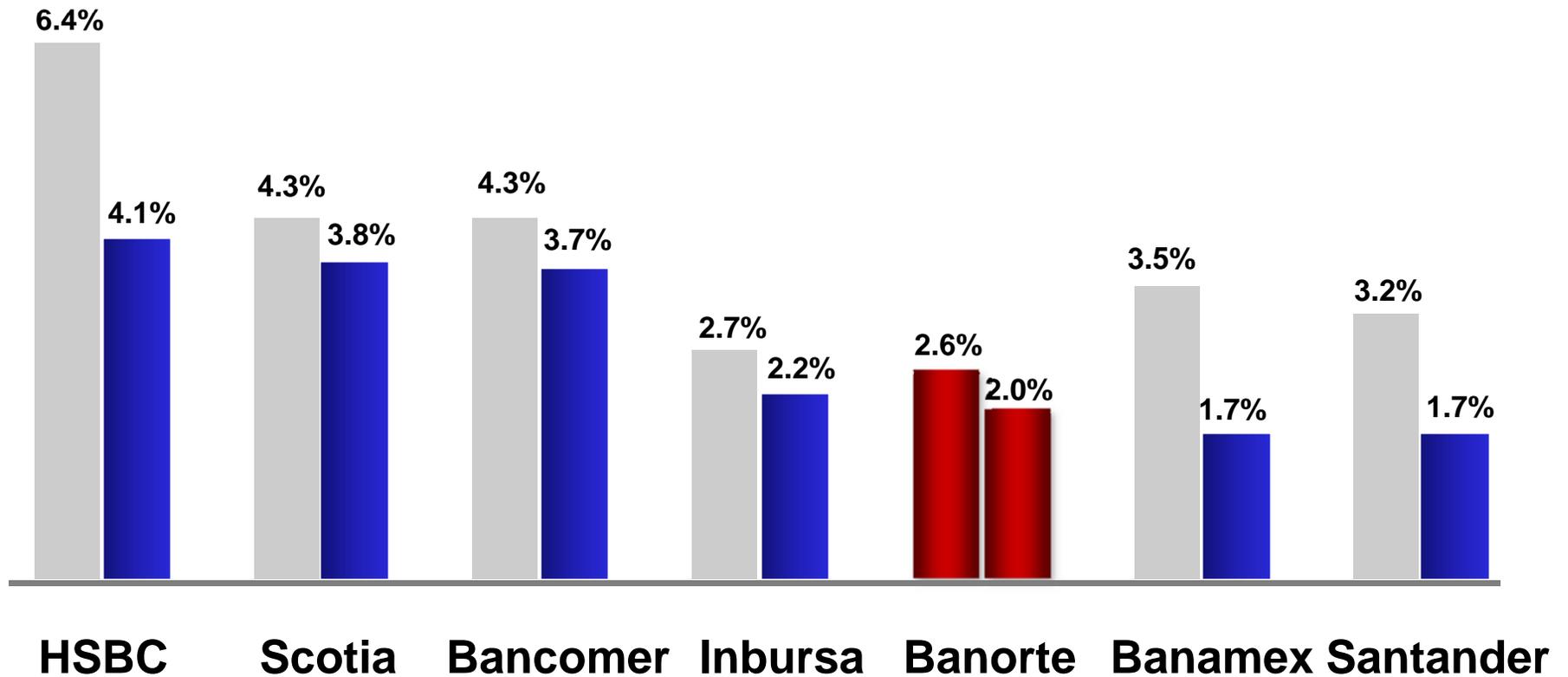
Million Pesos

	2Q09	3Q09	4Q09	1Q10	2Q10
Credit Cards	2,173	1,805	1,610	1,319	1,308
Payroll	199	189	189	147	139
Car	278	242	179	126	127
Mortgage	919	994	1,049	860	894
Commercial	2,679	2,835	3,087	3,637	3,076
Corporate	45	32	32	32	79
Government	6	6	8	7	7
	6,299	6,103	6,154	6,128	5,630

Industry NPL Ratios



■ June 2009 ■ May 2010



Capitalization



	2Q09	3Q09	4Q09	1Q10	2Q10
Tier 1	10.7%	10.9%	12.0%	12.1%	12.0%
Tier 2	4.9%	5.2%	4.8%	4.7%	4.7%
TOTAL	15.6%	16.1%	16.8%	16.8%	16.7%
% Tier 1	69%	68%	71%	72%	72%

Senior Debt Issuance



- On July 15, Banorte issued Senior Unsecured Debt in the International Financial Markets.
 - ◆ Amount: US \$300 million dollars.
 - ◆ Maturity: 5 years.
 - ◆ Rate: 4.43% (5 year UST + 262 basis points).
 - ◆ Ratings: A3 by Moody's and BBB- by S&P.

- Use of proceeds:
 - ◆ Refinance short term liabilities.
 - ◆ Improve the funding profile.
 - ◆ Support dollar denominated lending.



Subsidiaries



MILLION PESOS

	1H09	1H10
Total	219	353

▲ 61%

AUM BILLION PESOS

	2Q09	2Q10	Change YoY
Proprietary Assets	29	35	23%
Acquired Assets	32	29	(9%)
Investment Projects	3	4	36%
IPAB	2	0.4	(76%)
Total	66	68	3%



ASSETS UNDER MANAGEMENT Billion pesos

	2Q09	1Q10	2Q10	Change YoY
AFORE	62.8	75.6	78.7	25%
Insurance	12.2	12.3	13.4	10%
Annuities	16.3	19.8	21.3	31%
Total	91.2	107.7	113.4	24%

Subsidiaries Net Income



MILLION PESOS

	2Q09	1Q10	2Q10	Change	
				QoQ	YoY
Banking Sector	1,104	1,283	1,388	8%	26%
Broker Dealer	32	78	75	(3%)	133%
Long Term Savings	60	123	86	(30%)	44%
Other Finance Co.	113	106	115	9%	2%
G. F. Banorte (Holding)	(3)	(9)	(8)	(15%)	186%
Total Net Income	1,312	1,580	1,656	5%	26%



MILLION DOLLARS

	2Q09	1Q10	2Q10	Change	
				QoQ	YoY
Earnings before loan loss provisions	8	7	7	(5%)	(16%)
Loan Loss Reserves	13	10	7	(35%)	(47%)
Net Income	(3)	(2)	0.1	103%	102%
MIN	3.3%	3.4%	3.4%	(0.1) pp	0.1 pp
ROE	(4.6%)	(2.1%)	0.1%	2.2 pp	4.6 pp
ROA	(0.6%)	(0.4%)	0.01%	0.4 pp	0.6 pp
Efficiency	55.2%	61.9%	65.3%	3.4 pp	10.1 pp
Total Deposits	1,694	1,731	1,720	(1%)	2%
Performing Loans	1,086	1,009	991	(2%)	(9%)
PDL Ratio	4.9%	11.4%	6.7%	(4.7) pp	1.8 pp
Coverage Ratio	37.4%	21.4%	40.8%	19.3 pp	3.4 pp



	2Q09	3Q09	4Q09	1Q10	2Q10
Leverage	7.8%	9.4%	9.3%	9.0%	9.2%
Capitalization Ratios					
Tier 1	12.5%	15.8%	15.9%	16.1%	16.4%
Tier 2	1.3%	1.3%	1.3%	1.3%	1.3%
Total	13.7%	17.1%	17.1%	17.4%	17.7%
% Tier 1	90.9%	92.6%	92.6%	92.7%	92.8%



Industry Trends

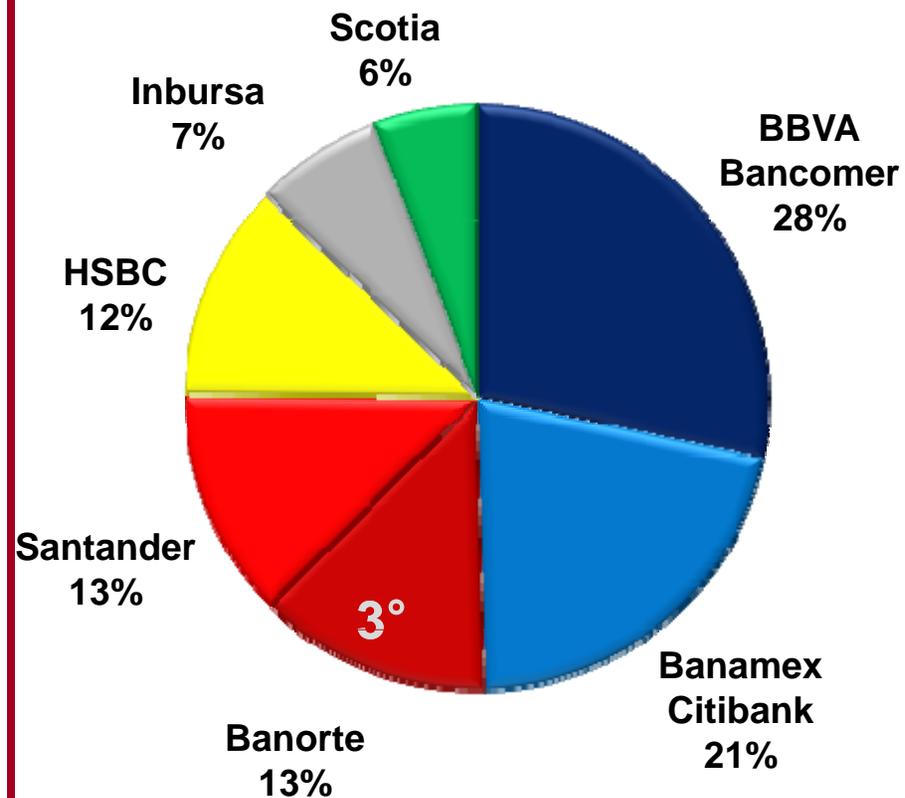
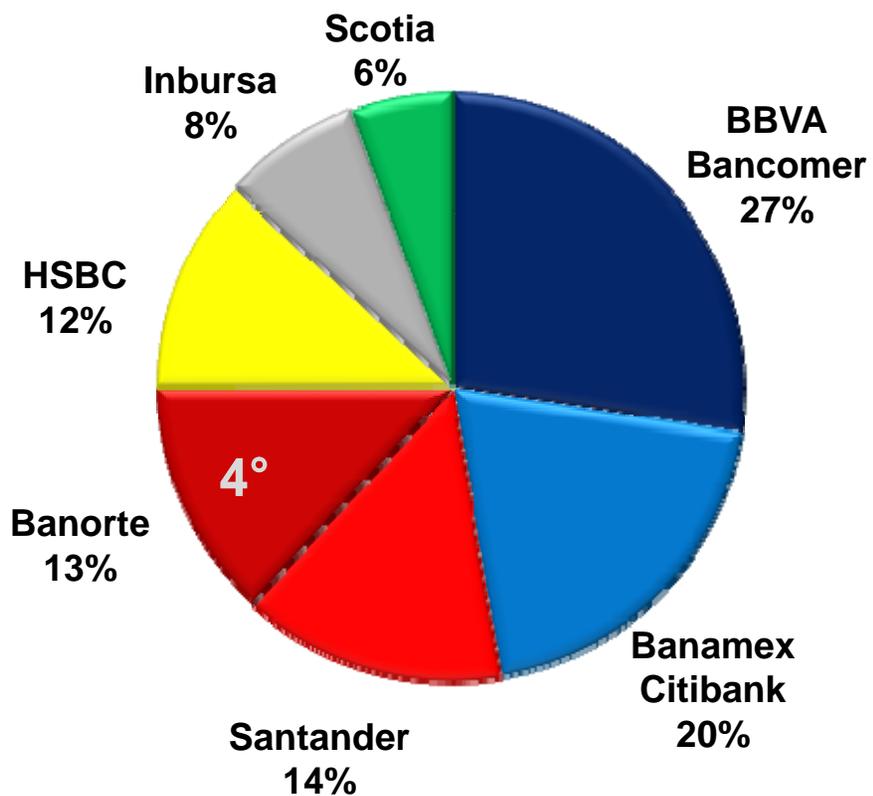
Market Share



DEPOSITS

June 2009

June 2010

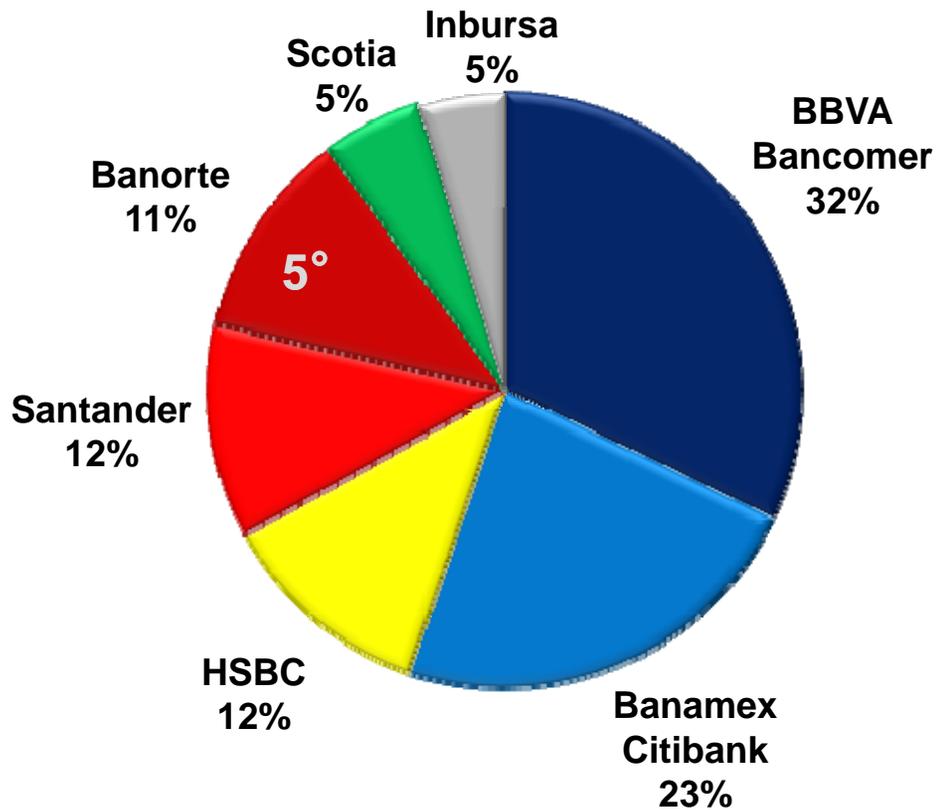


Market Share

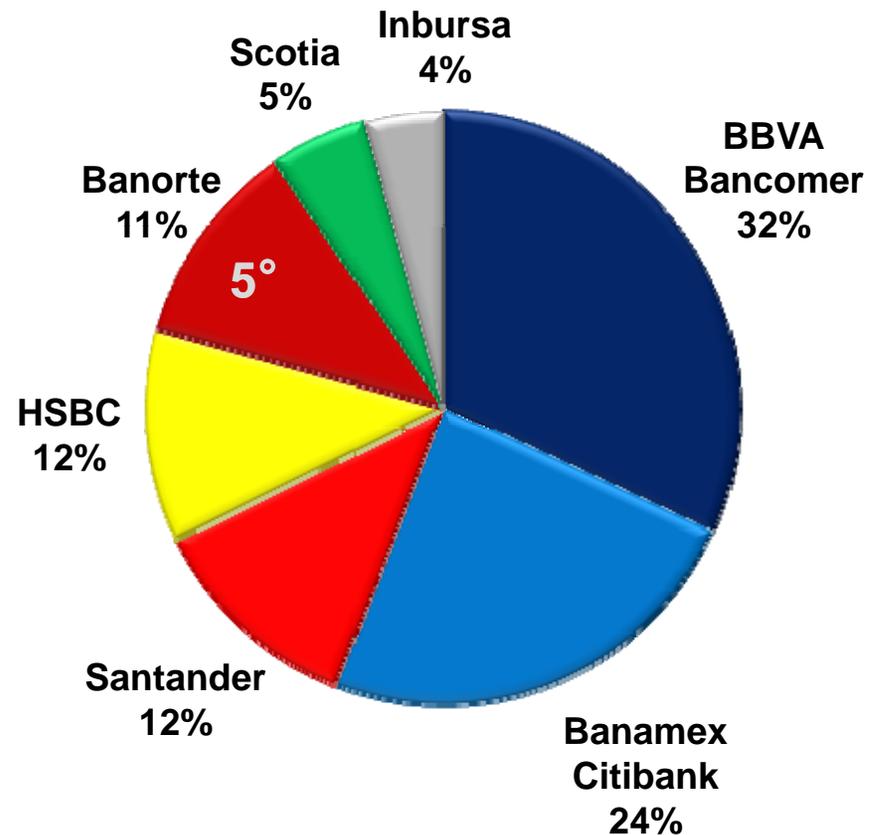


DEMAND DEPOSITS

June 2009



June 2010



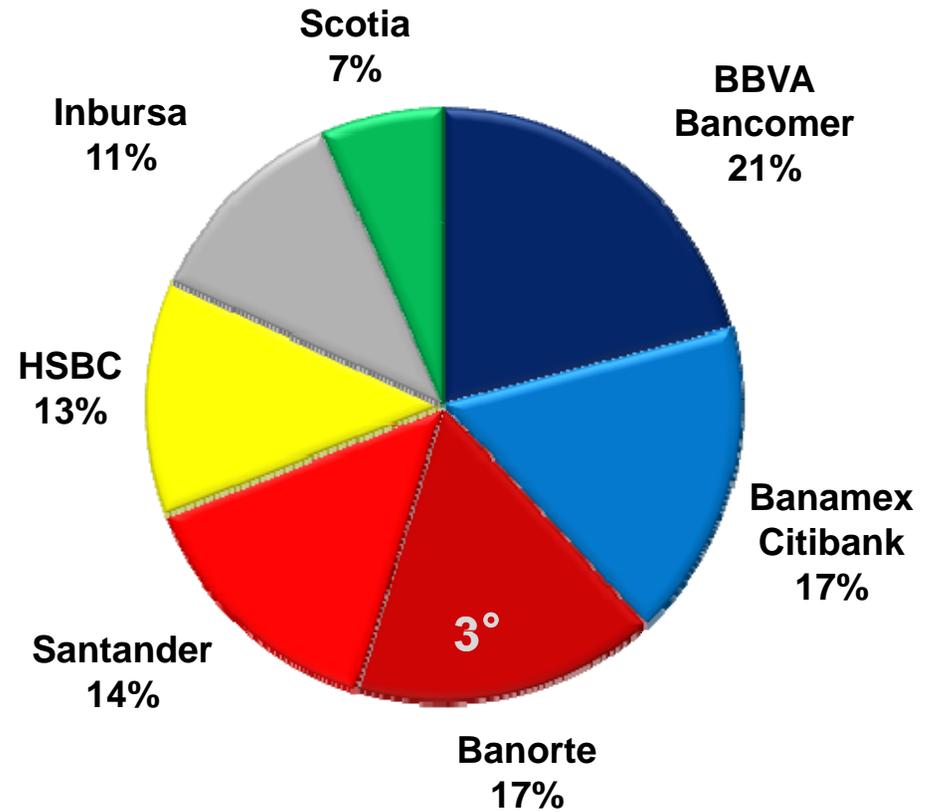
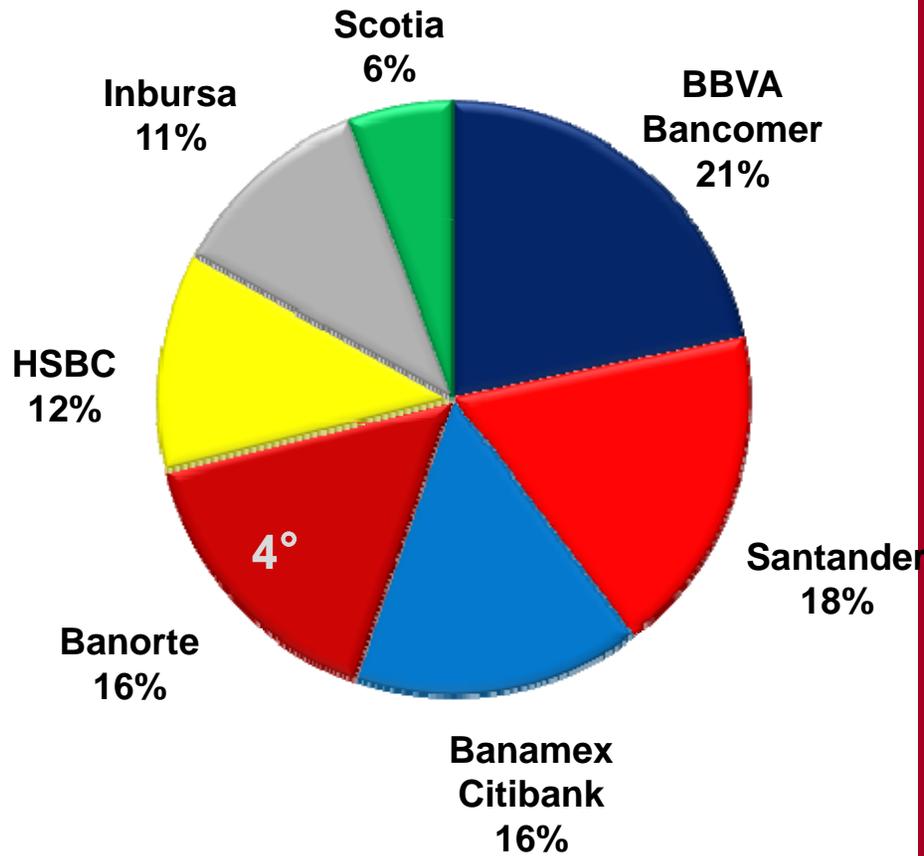
Market Share



TIME DEPOSITS

June 2009

June 2010

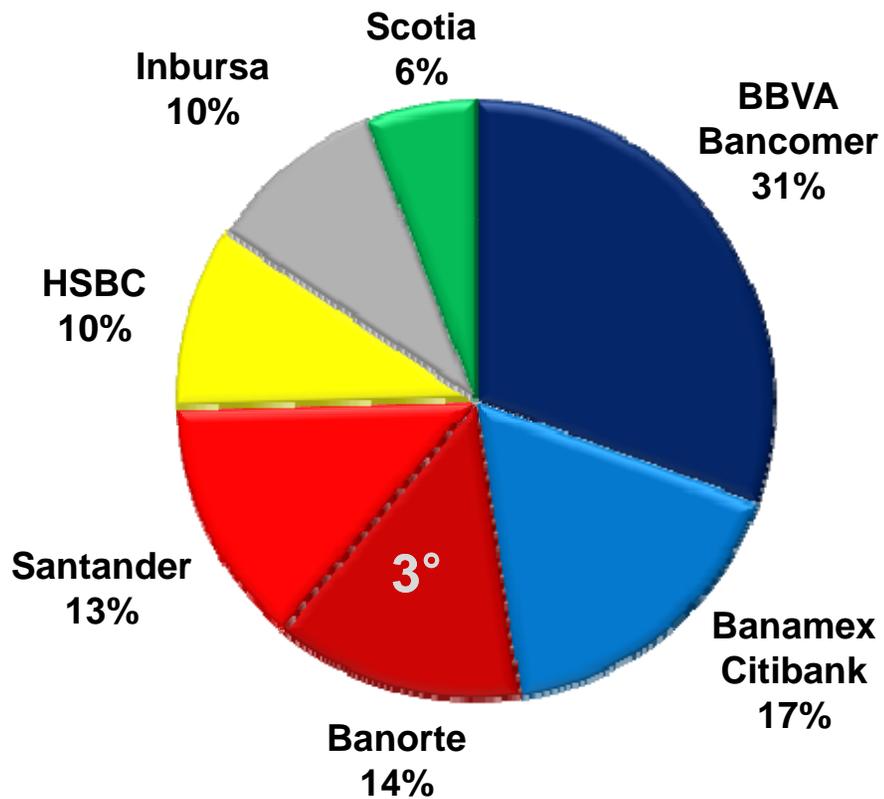


Market Share

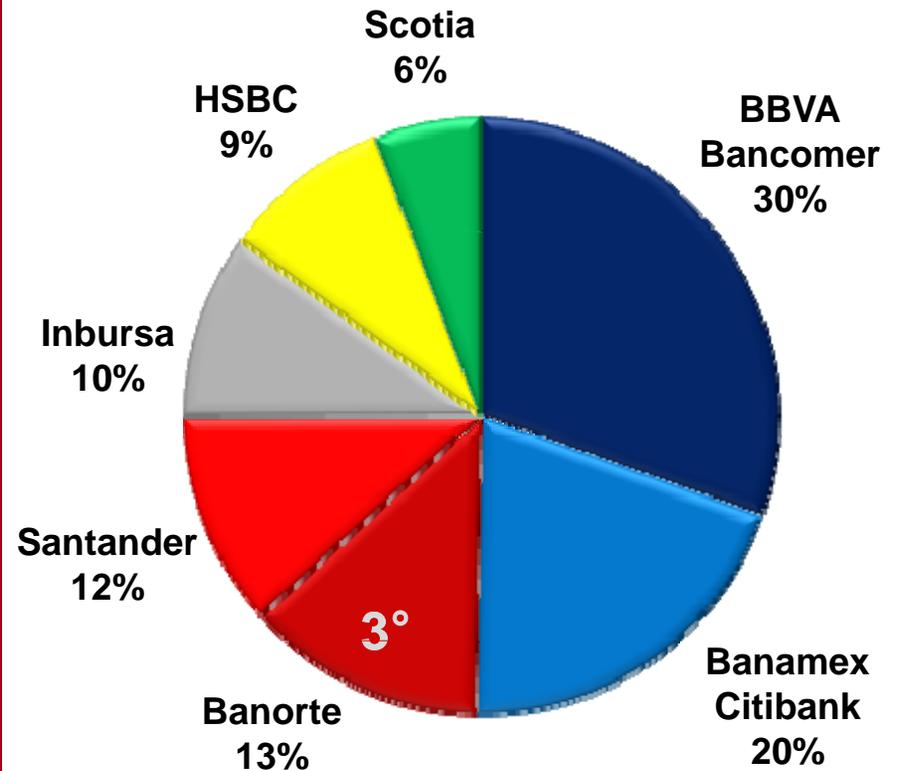


LOANS

June 2009



June 2010

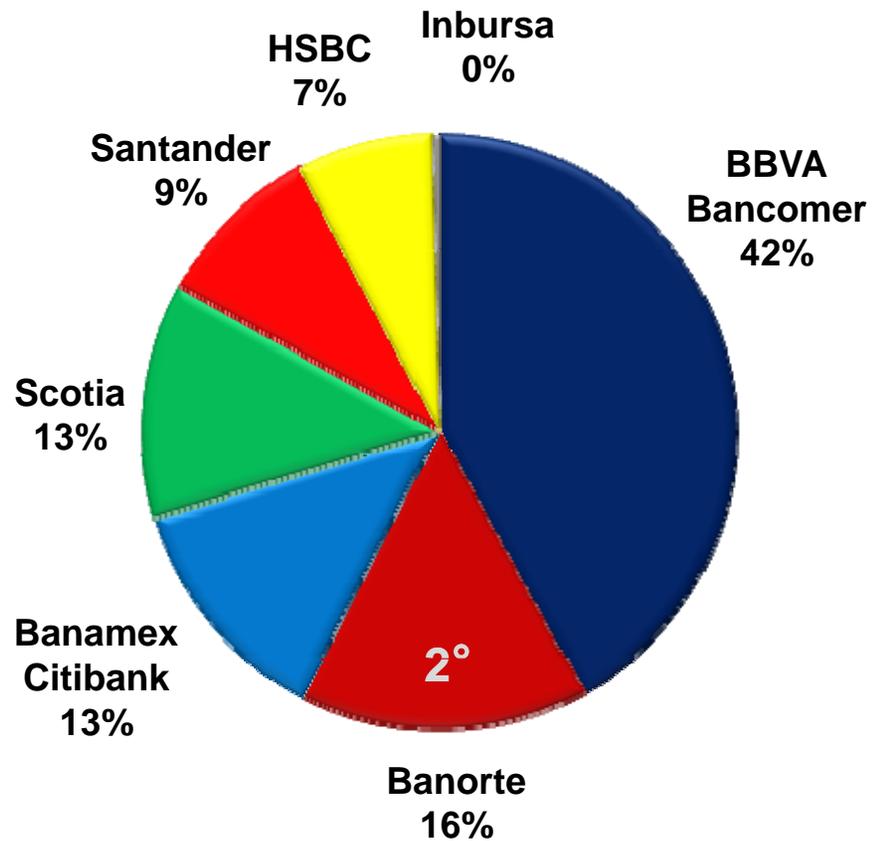


Market Share

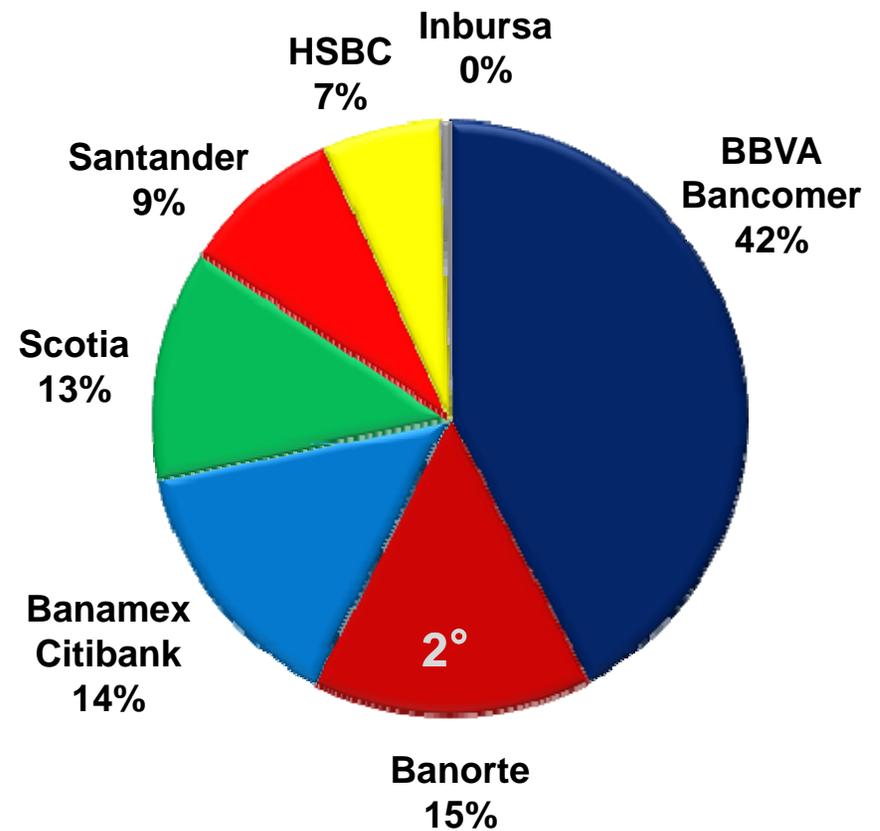


MORTGAGE LOANS

June 2009



June 2010

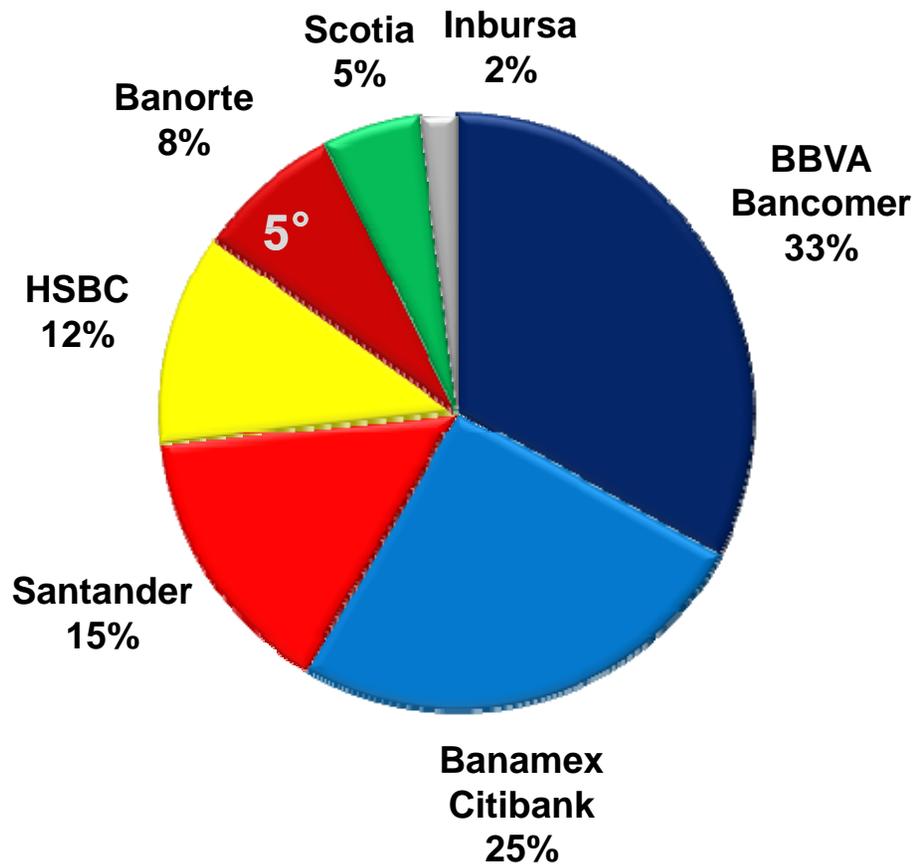


Market Share

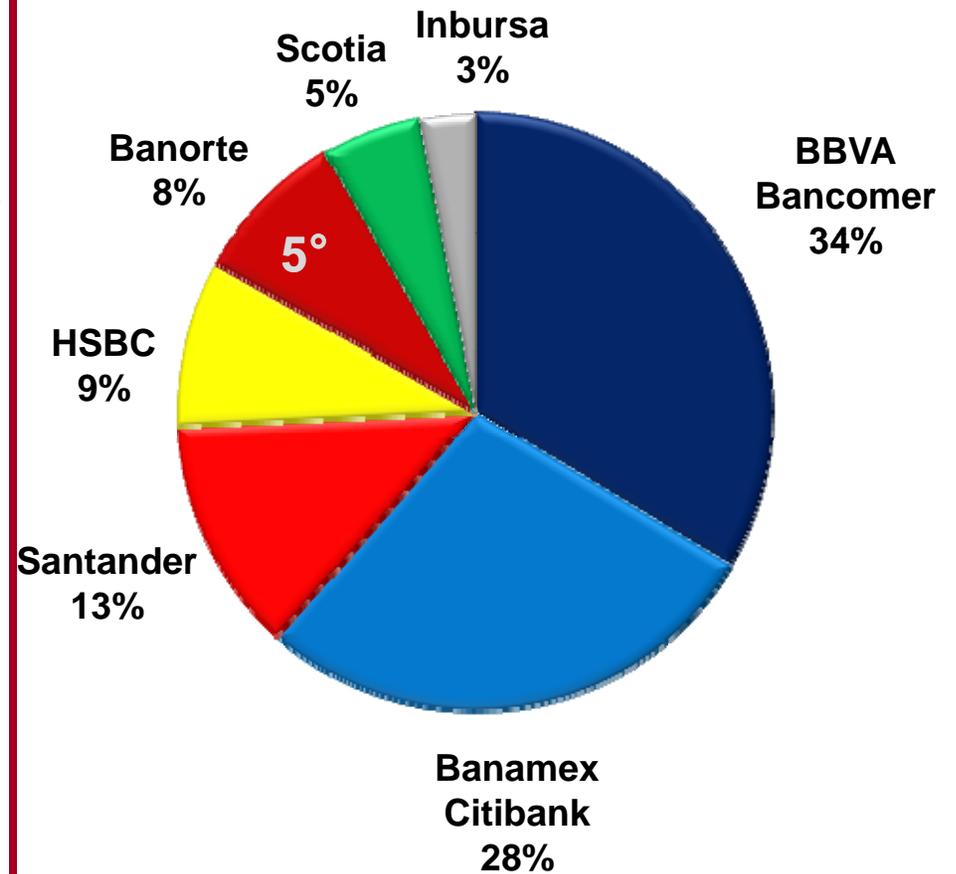


CONSUMER LOANS

June 2009



June 2010



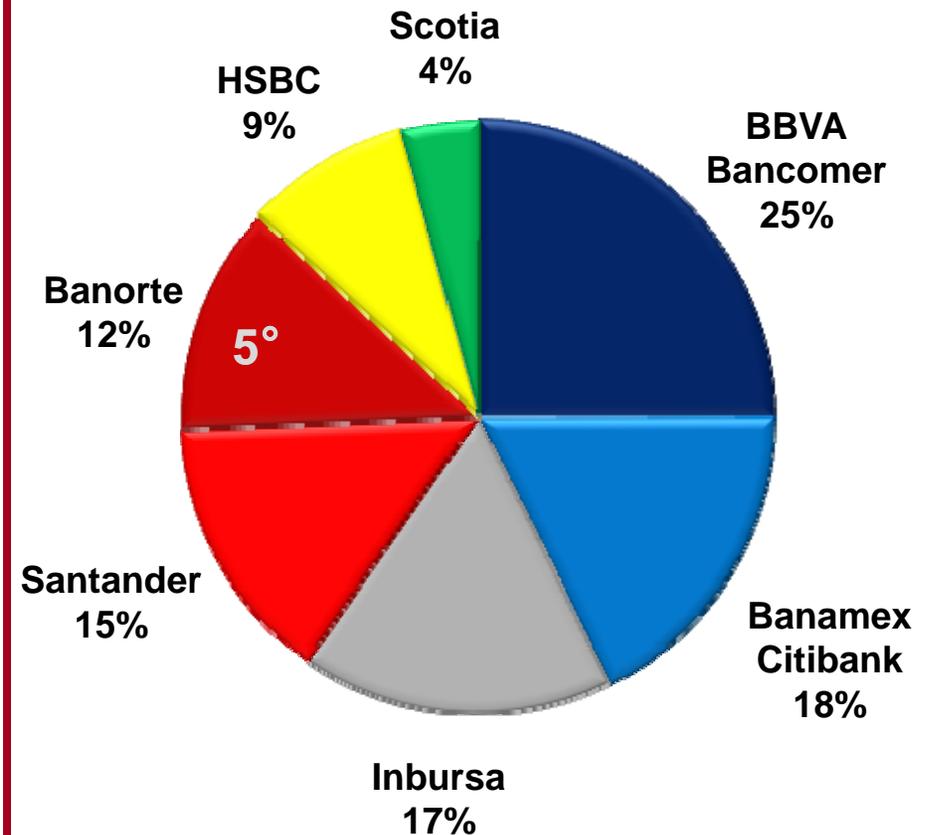
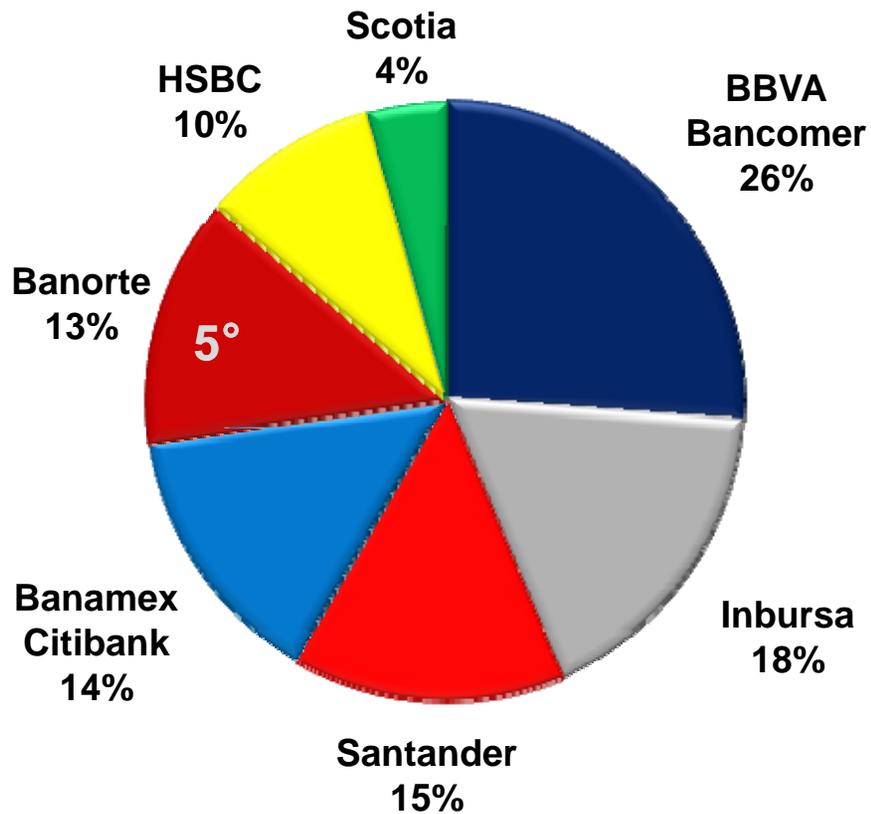
Market Share



COMMERCIAL LOANS

June 2009

June 2010

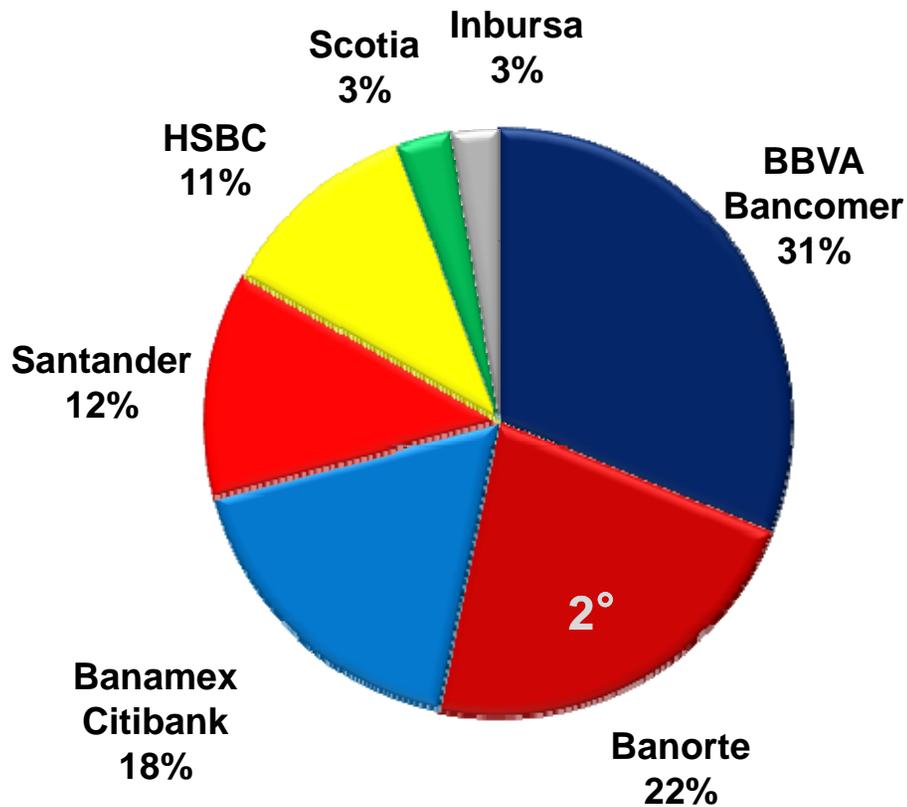


Market Share



GOVERNMENT LOANS

June 2009



June 2010

