



Financial Results

2Q10

August 2010





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



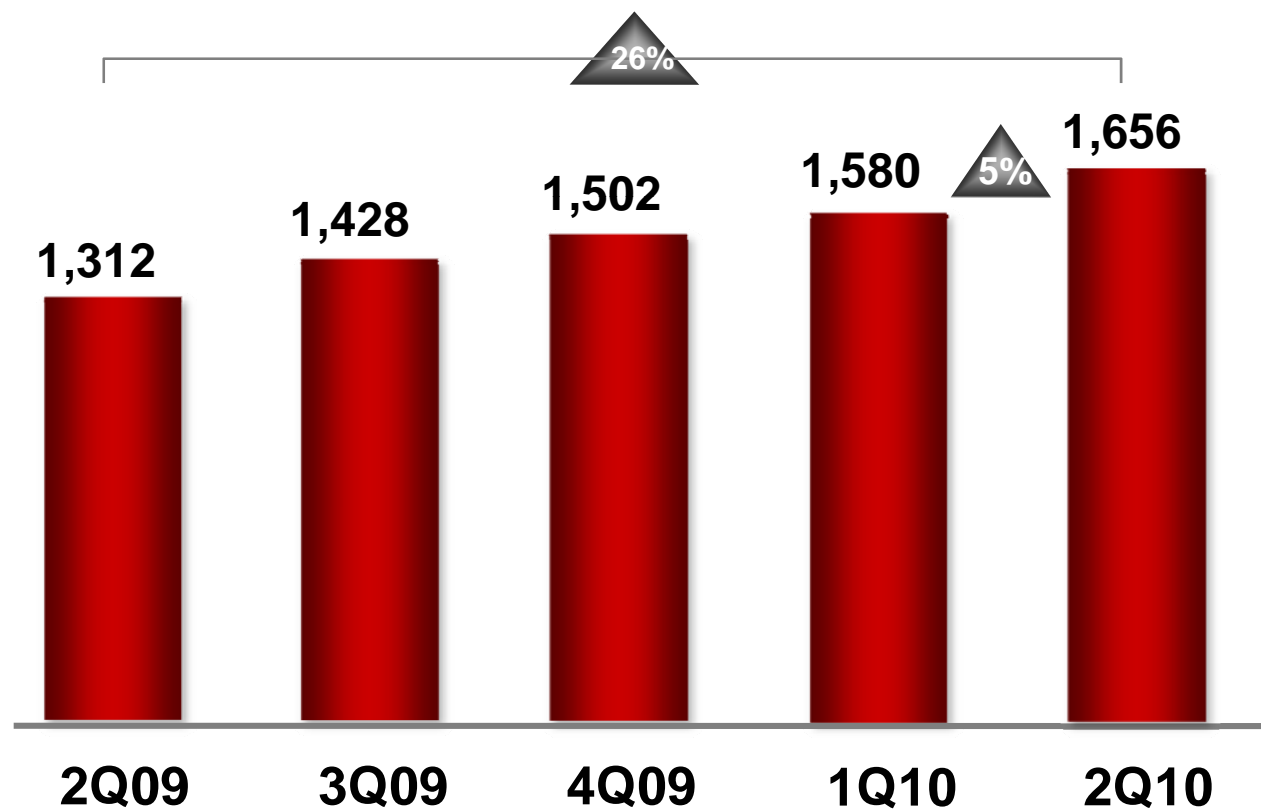
MILLION PESOS

| | 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% |

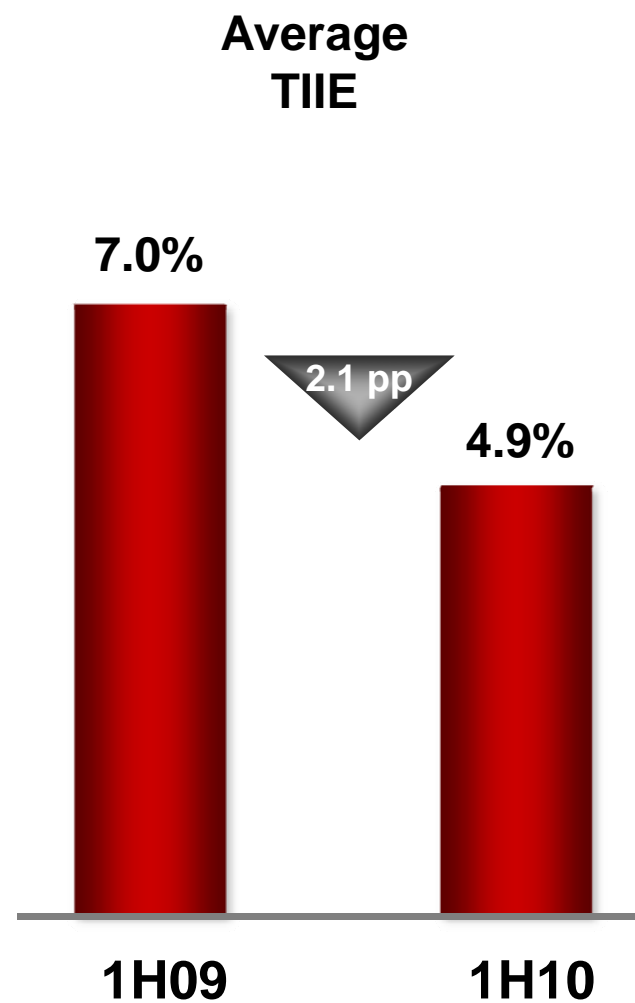
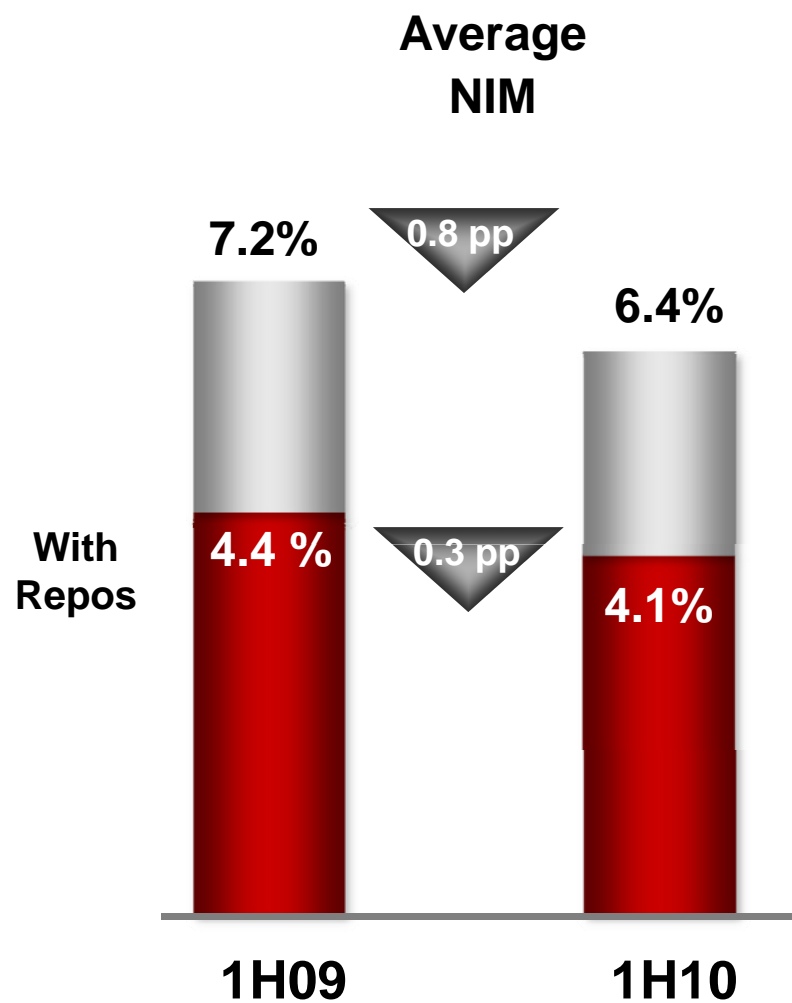
Quarterly Net Income



MILLION PESOS



Net Interest Margin



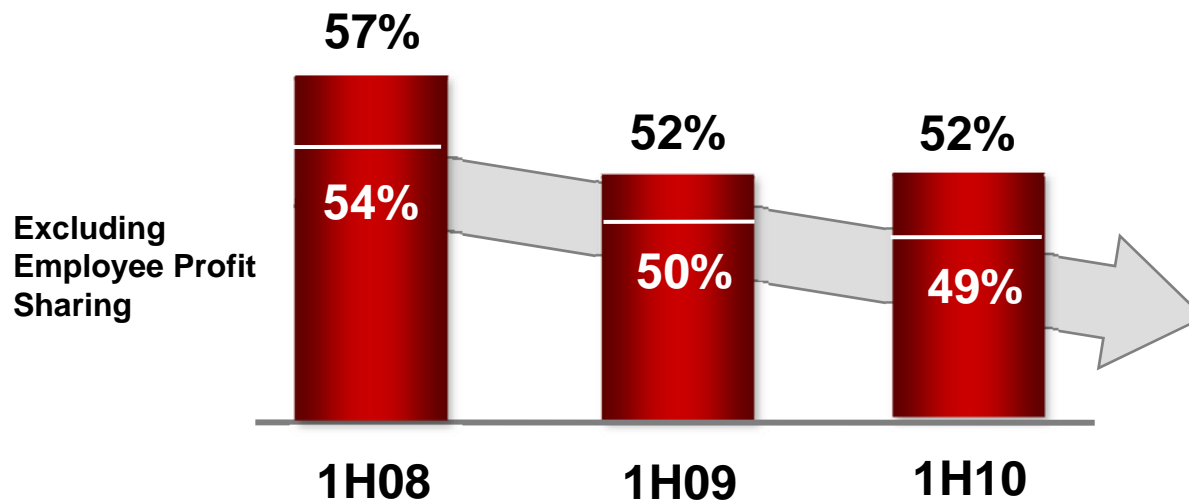
Non Interest Expense



BILLION PESOS

| | 1H09 | 1H10 |
|---------------|------|------|
| Total Expense | 8.3 | 8.6 |

EFFICIENCY RATIO



Deposits



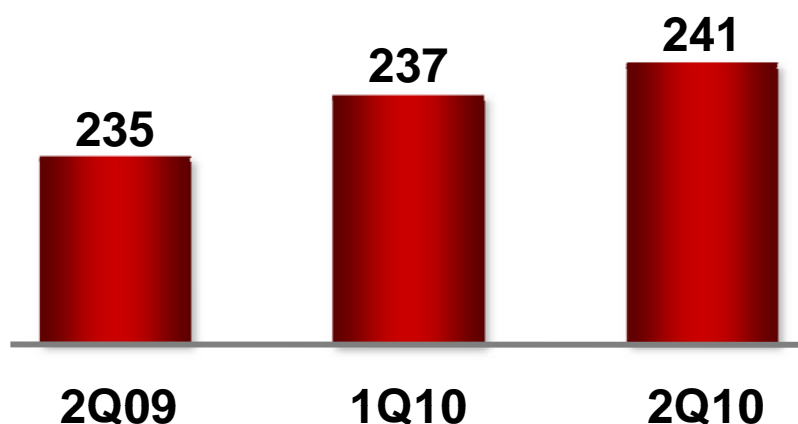
BILLION PESOS

| 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

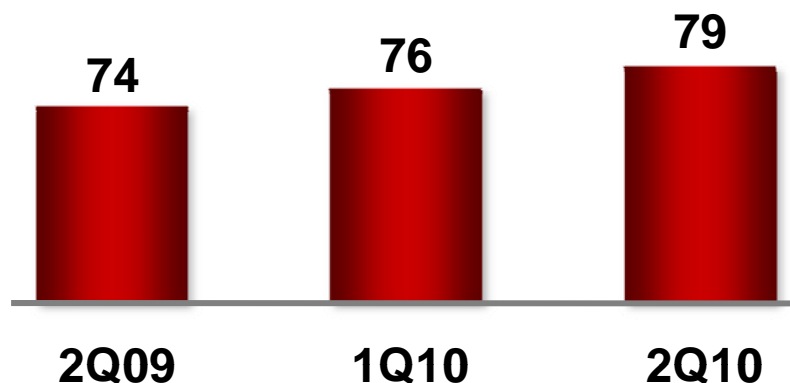


| | 2Q09 | 1Q10 | 2Q10 | Change QoQ | Change YoY |
|-----------------|------|------|------|---------------|---------------|
| Consumer | 74 | 76 | 79 | 3% | 7% |
| Commercial | 86 | 80 | 82 | 2% | (5%) |
| Corporate | 43 | 39 | 39 | 1% | (8%) |
| Government | 32 | 41 | 41 | 1% | 29% |
| Total | 235 |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

Performing Consumer Loan Portfolio



BILLION PESOS

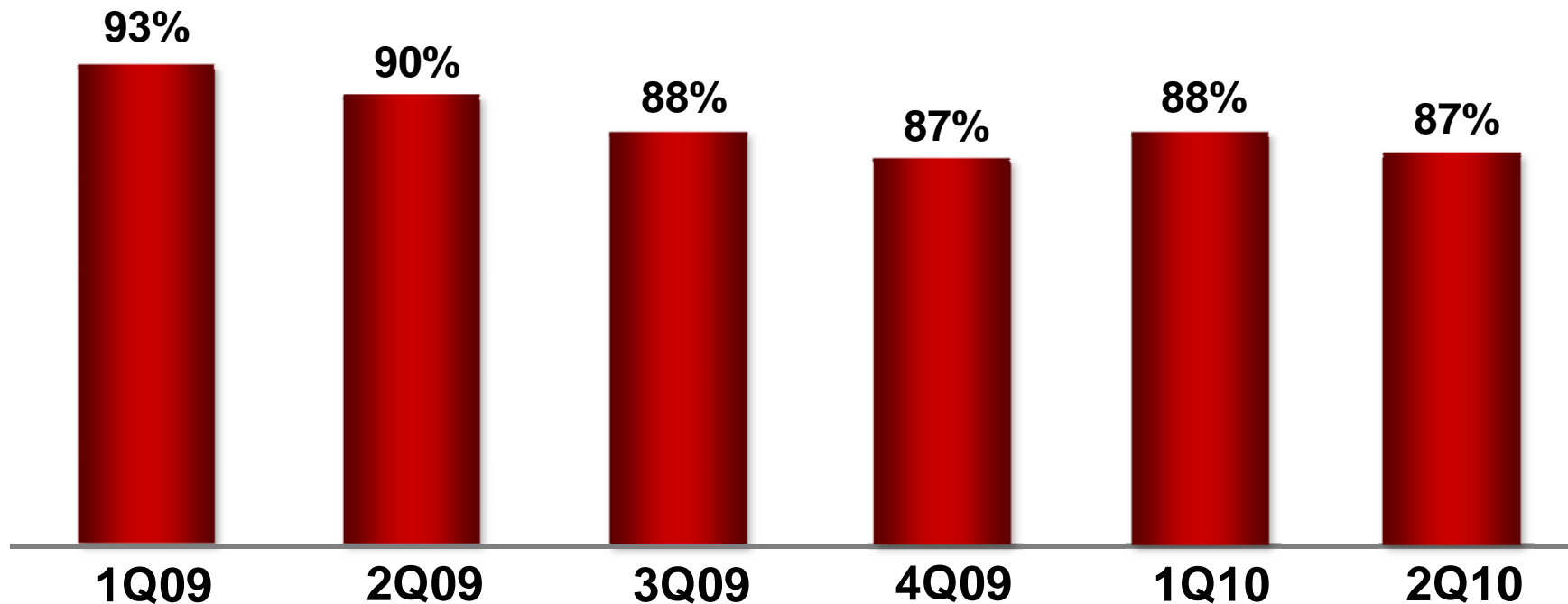


| | 2Q09 | 1Q10 | 2Q10 | Change | |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| | | | | QoQ | YoY |
| Mortgage | 47 | 50 | 52 | 4% | 11% |
| Car | 7 | 8 | 8 | 2% | 5% |
| Credit Card | 13 | 11 | 11 | (1%) | (14%) |
| Payroll | 6 | 7 | 7 | 7% | 17% |
| Consumer |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

Loans to Deposits Ratio



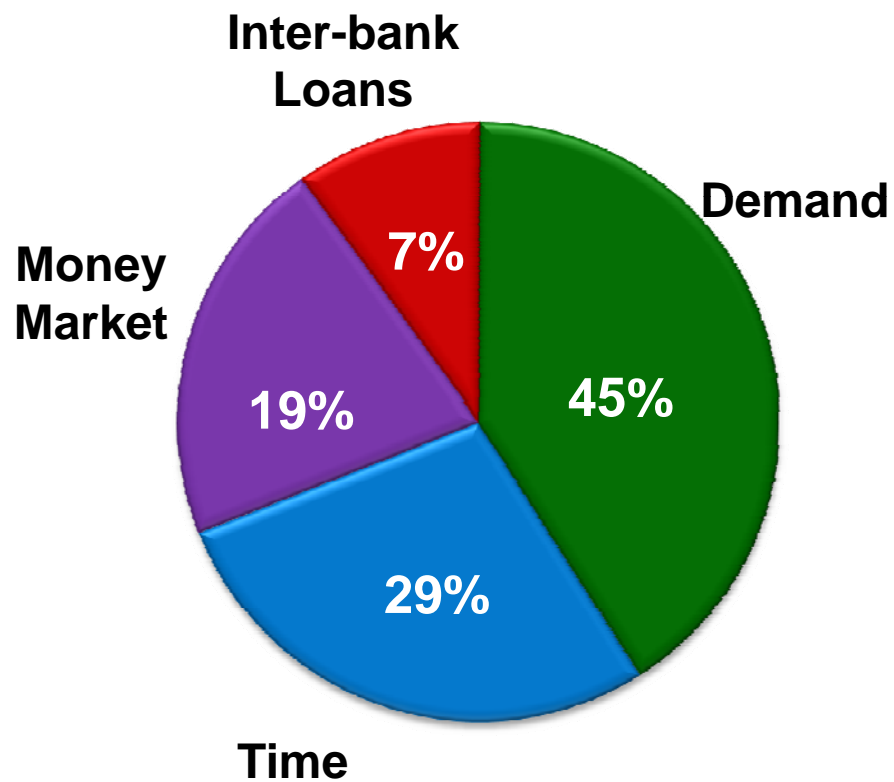
TOTAL LOANS / TOTAL DEPOSITS



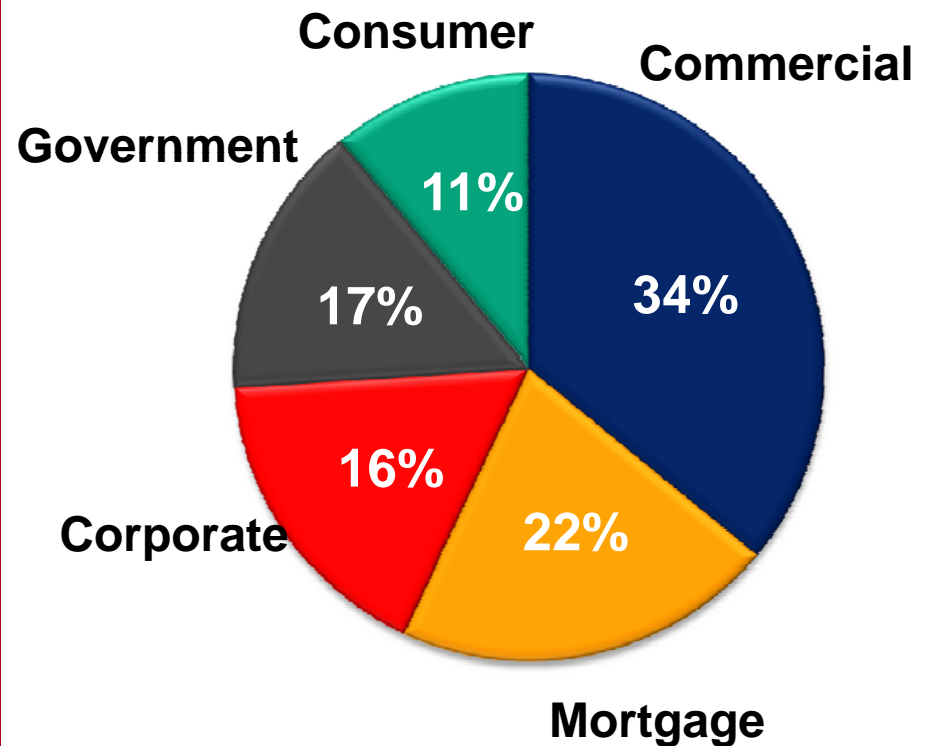
Funding and Loan Portfolio Structure



FUNDING
\$299 Billion Pesos



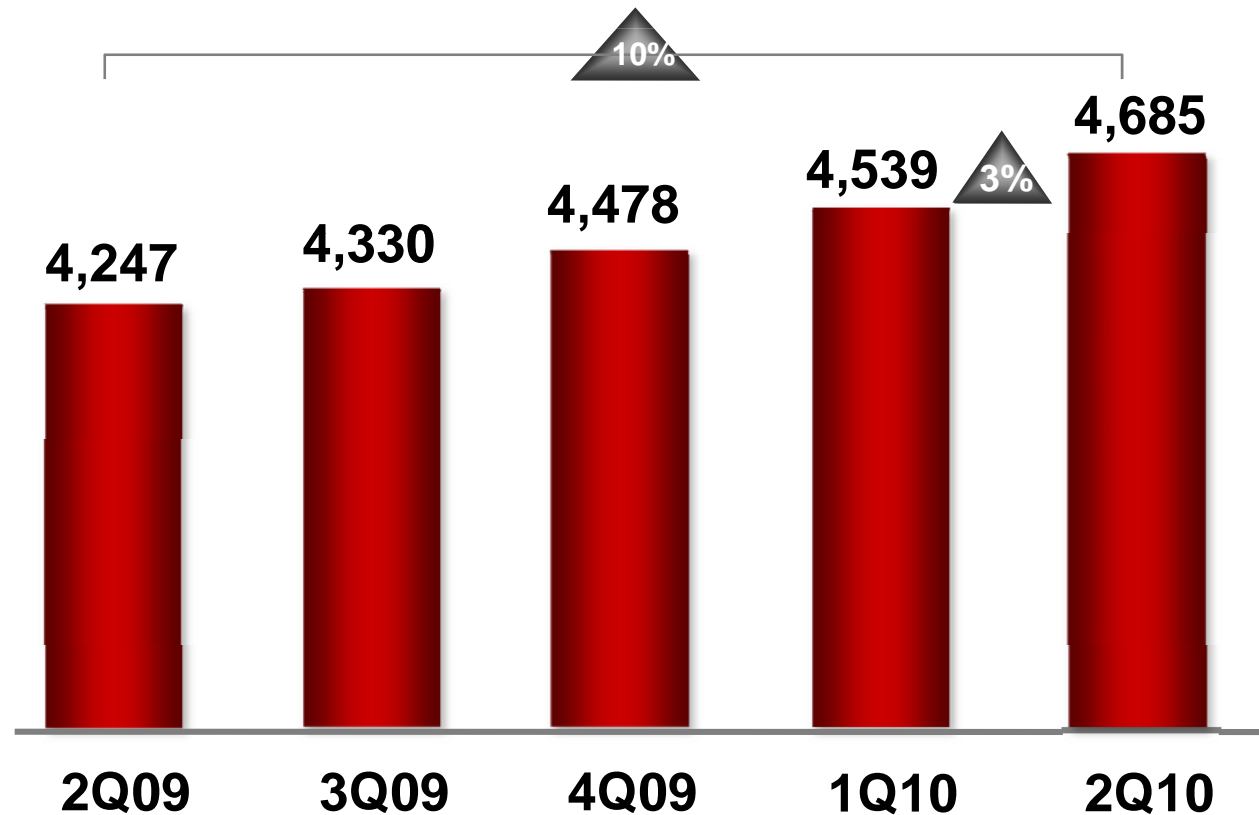
LOAN PORTFOLIO
\$248 Billion Pesos



Distribution Network



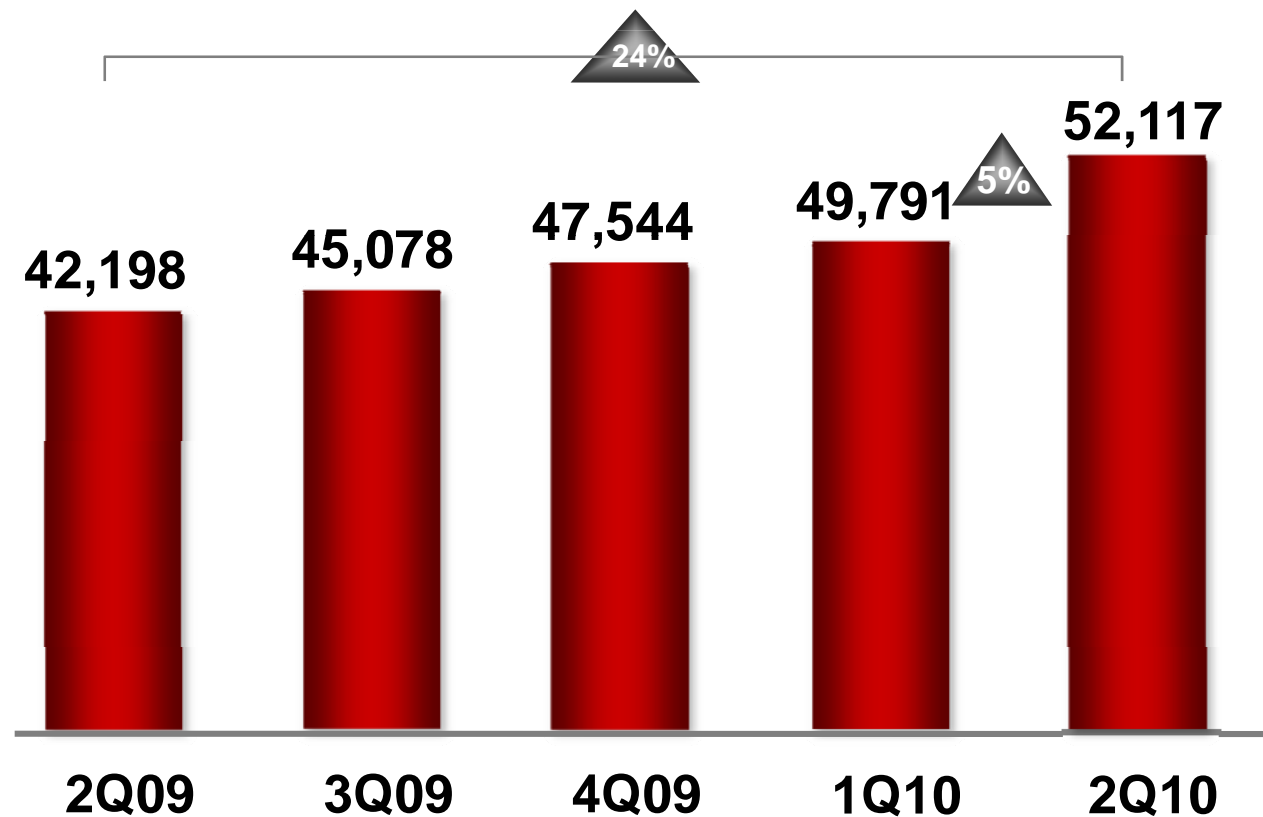
Automated Teller Machines (ATM's)



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

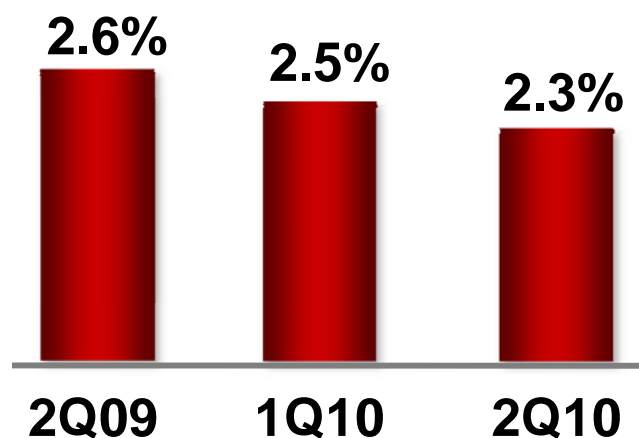
Asset Quality



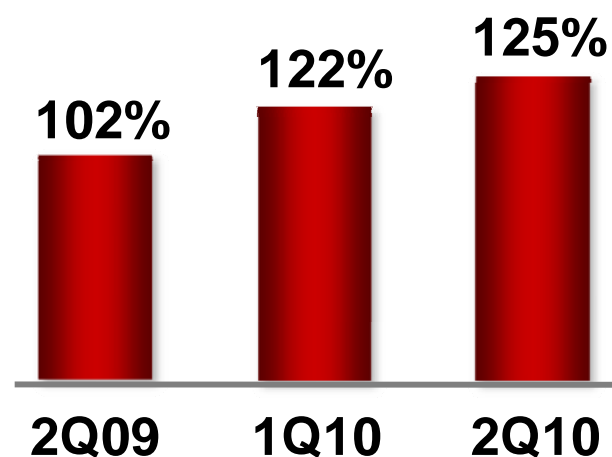
Billion pesos

| | 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



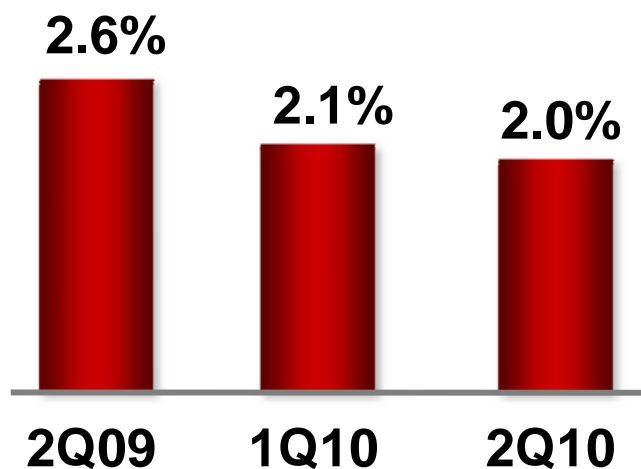
RESERVE
COVERAGE RATIO



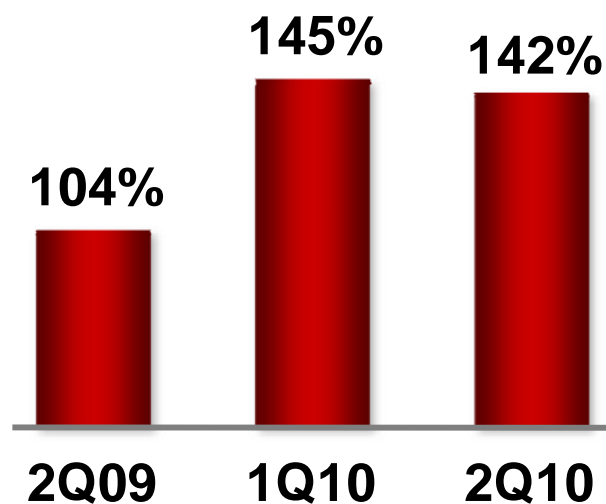
Asset Quality without INB



**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



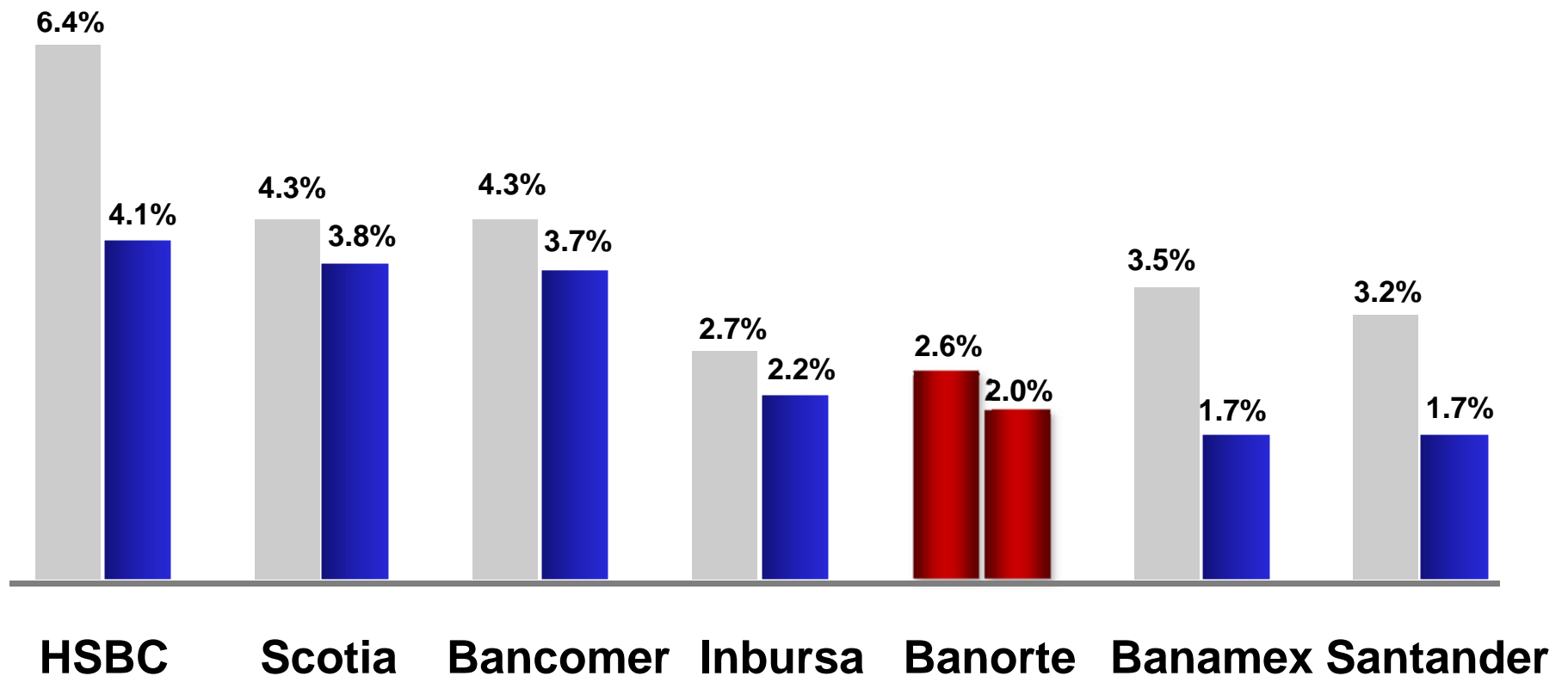
Million Pesos

| | 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



Source: CNBV. Banorte does not include INB. Data as of June 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% |



- 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.

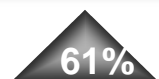


Subsidiaries



MILLION PESOS

| | 1H09 | 1H10 |
|--------------|------------|------------|
| Total | 219 | 353 |



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% |



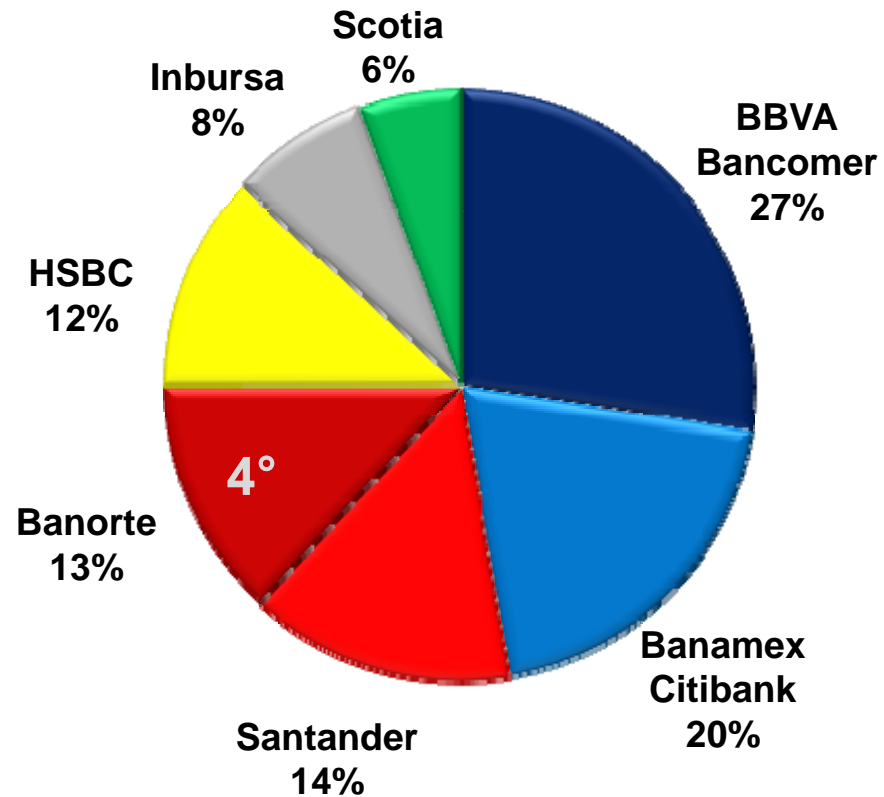
Industry Trends

Market Share

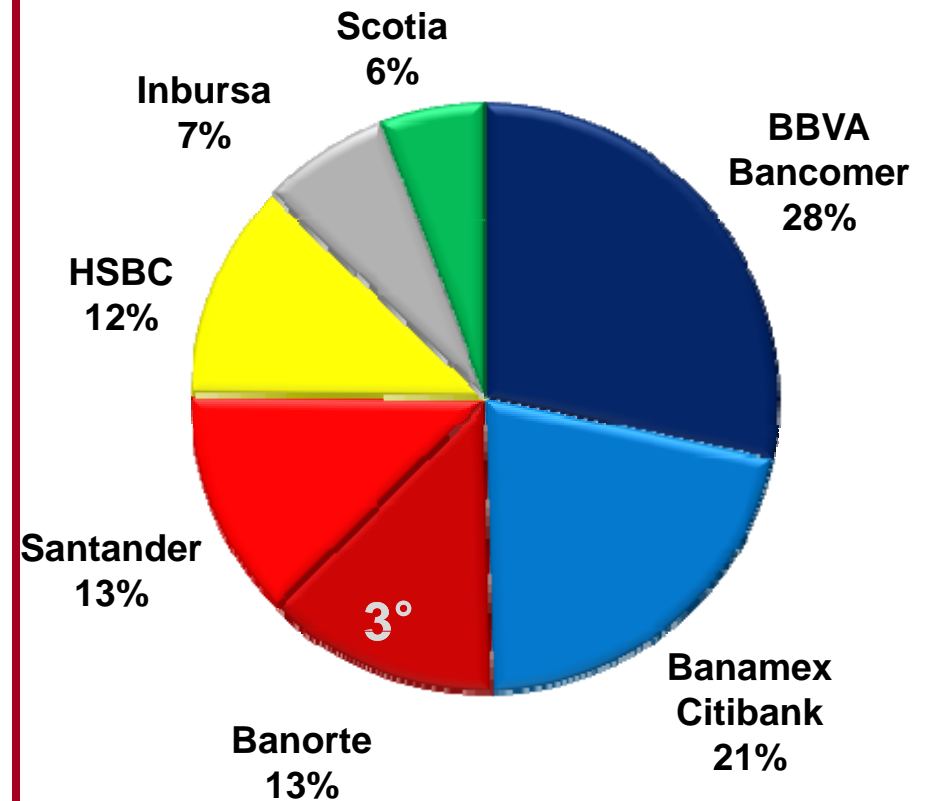


DEPOSITS

June 2009



June 2010

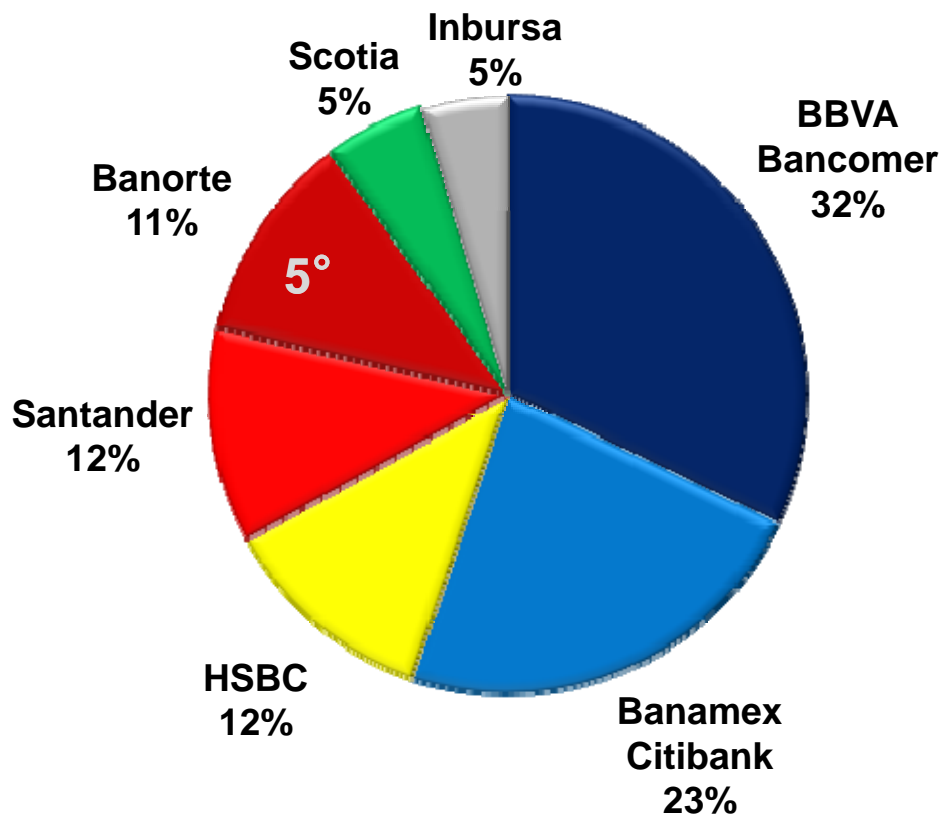


Market Share

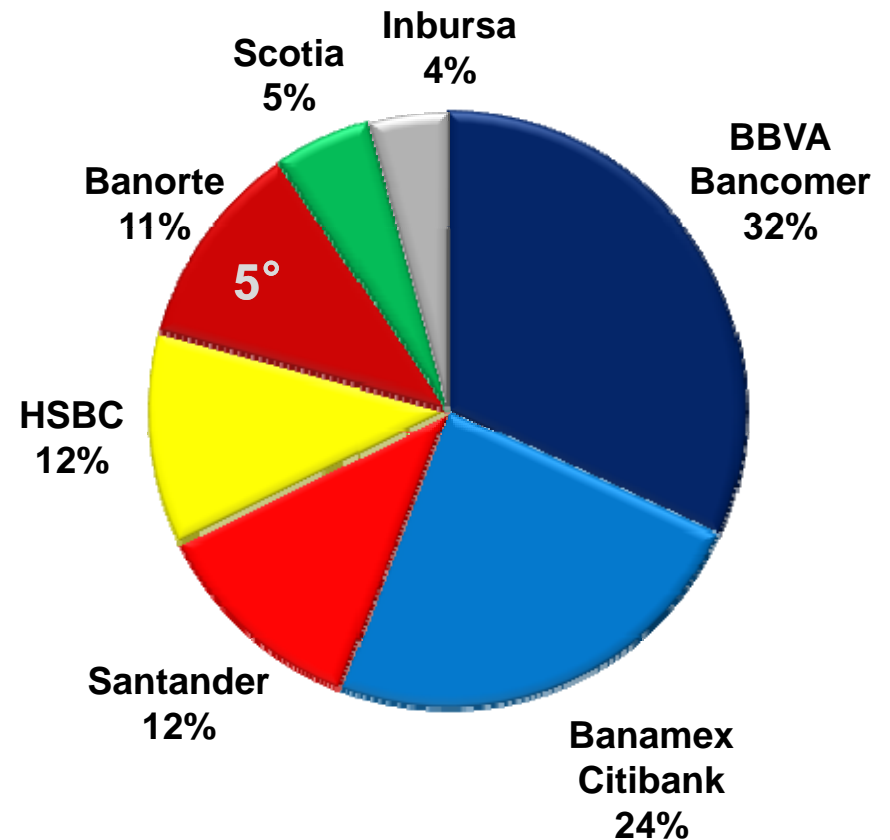


DEMAND DEPOSITS

June 2009



June 2010

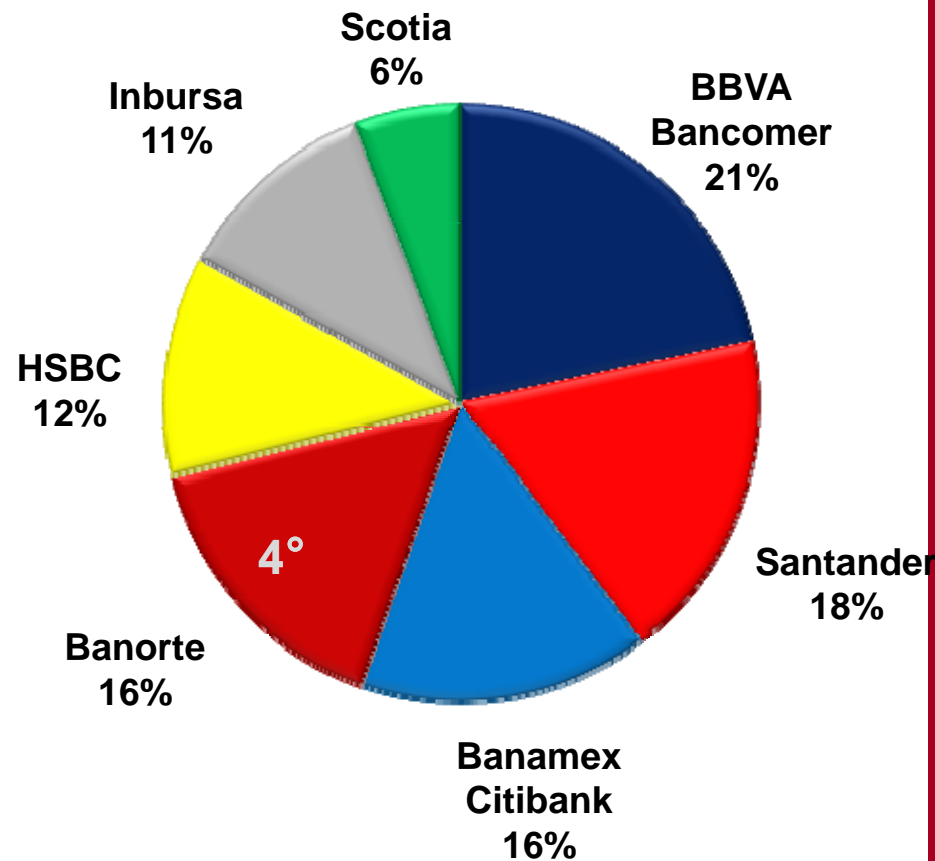


Market Share

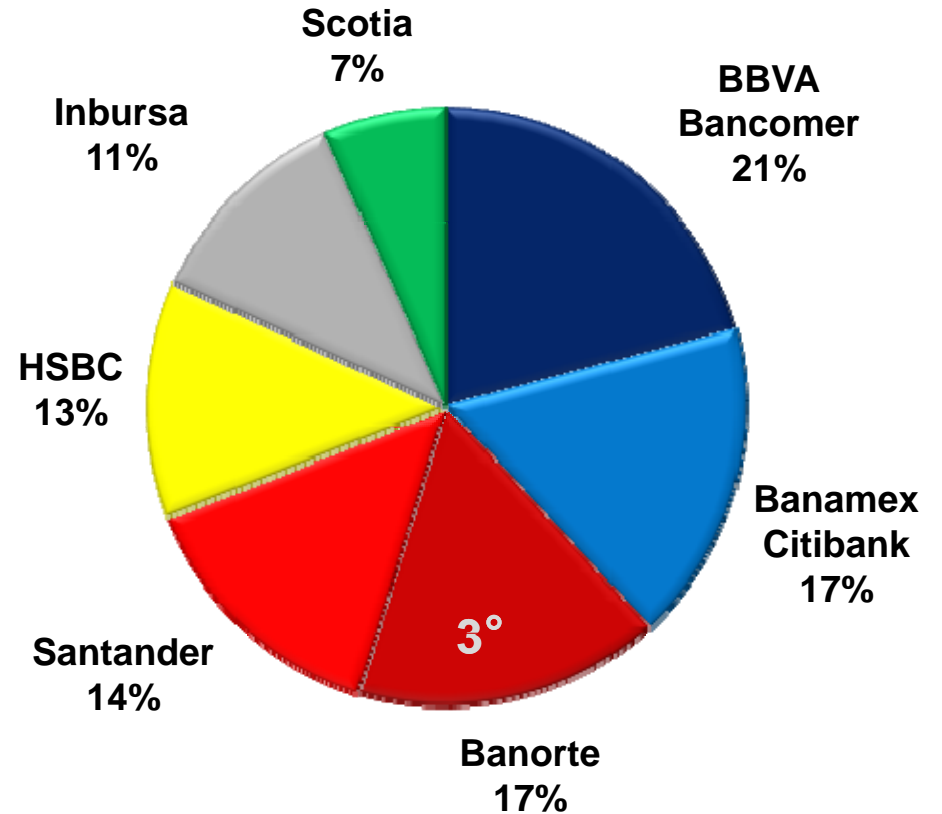


TIME DEPOSITS

June 2009



June 2010

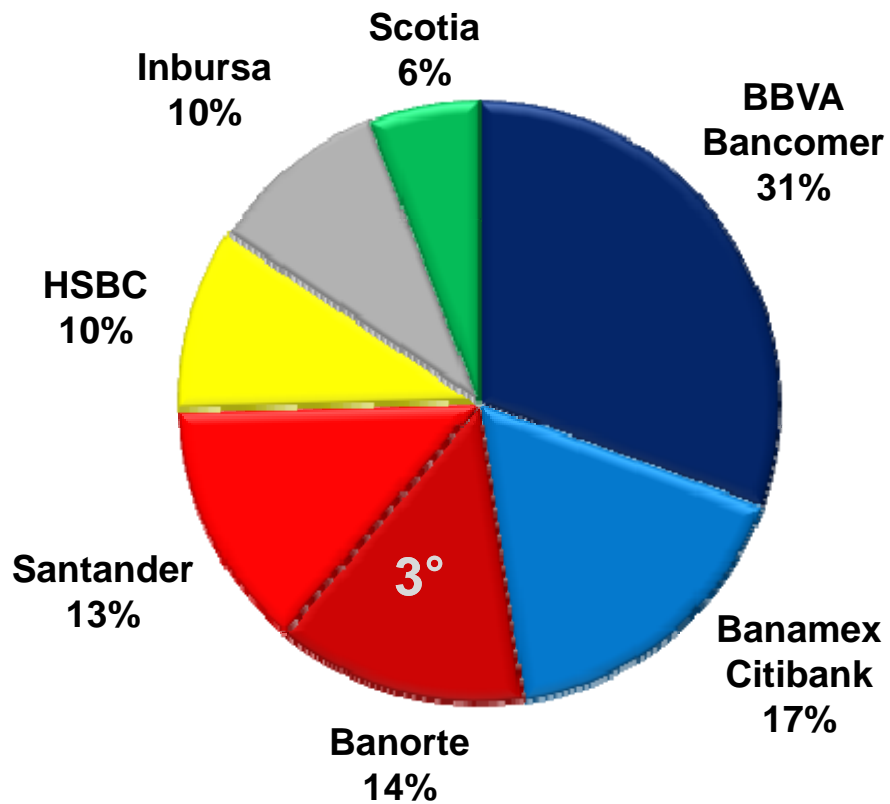


Market Share

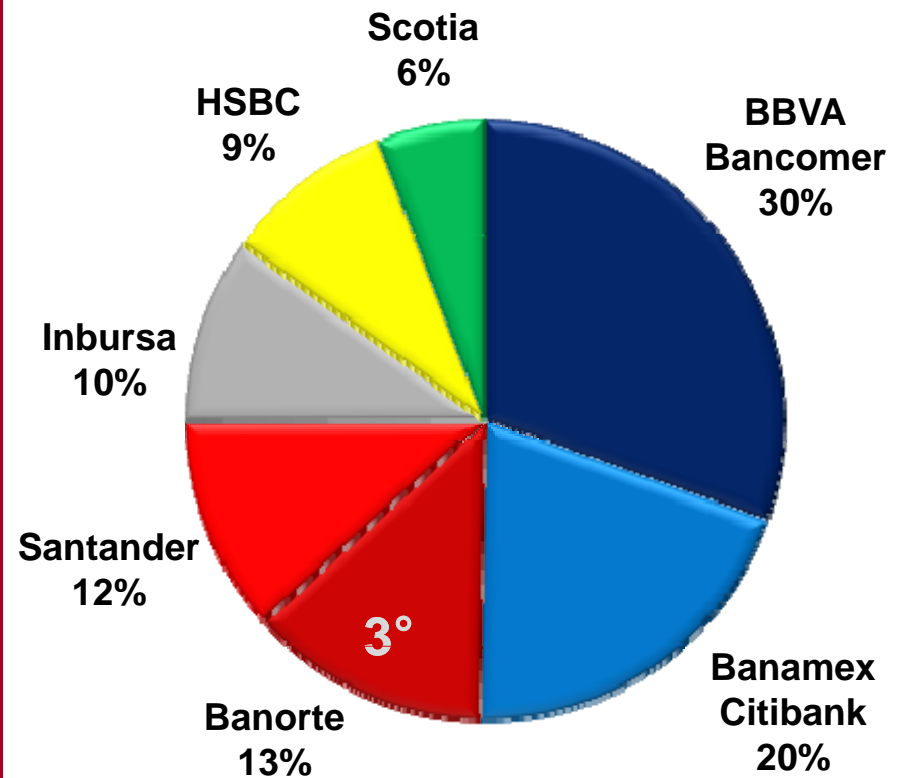


LOANS

June 2009



June 2010

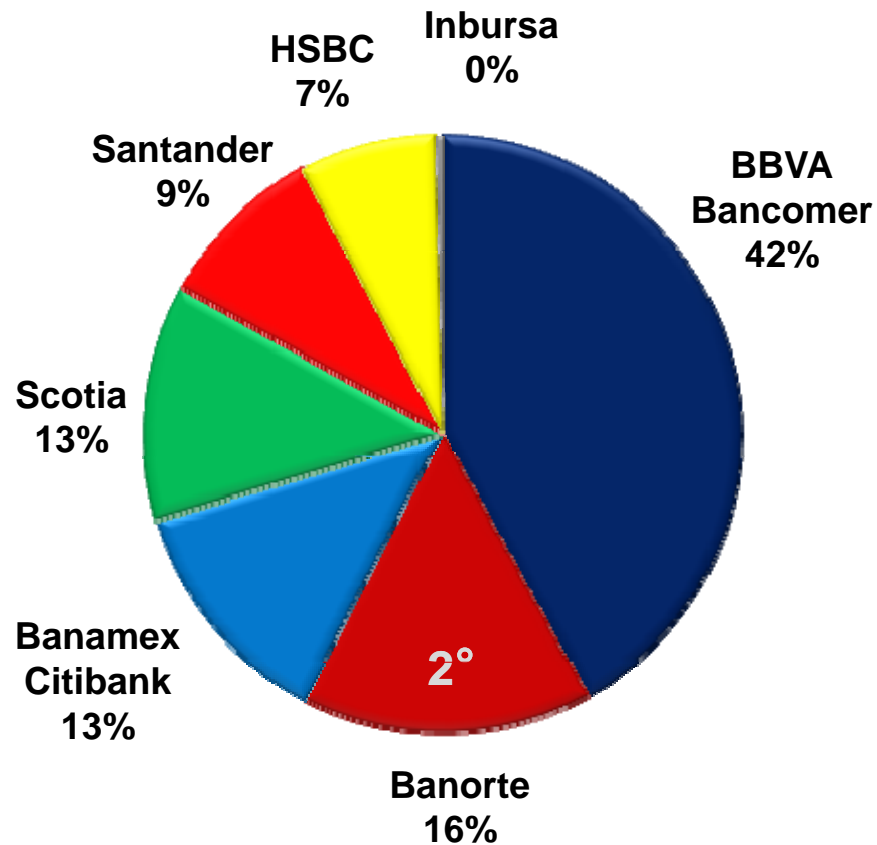


Market Share

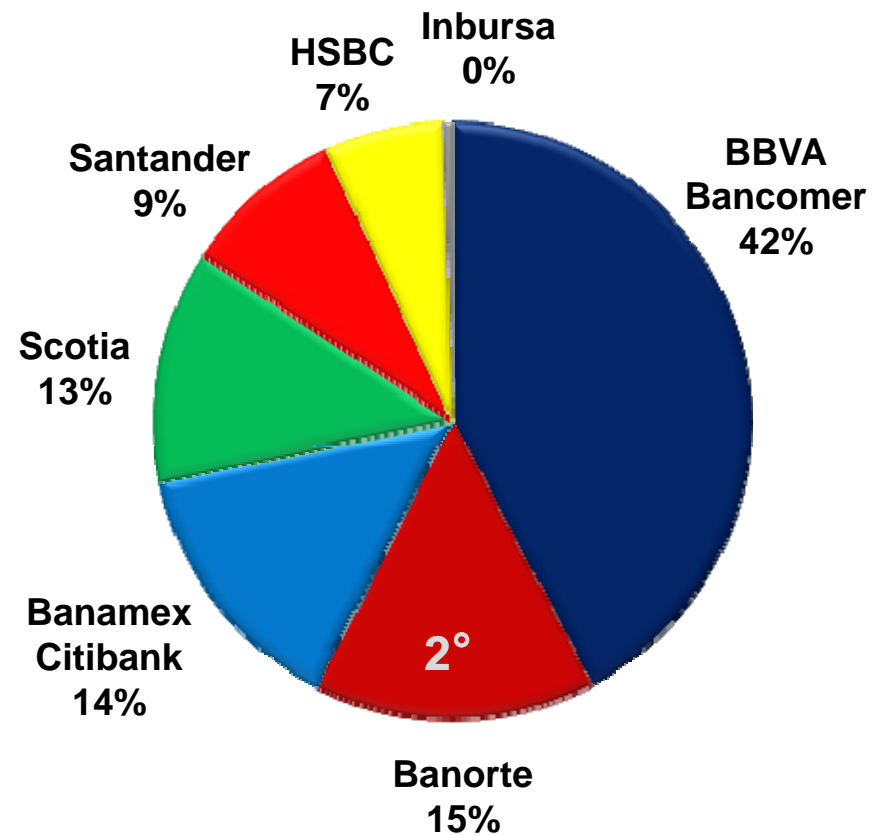


MORTGAGE LOANS

June 2009



June 2010

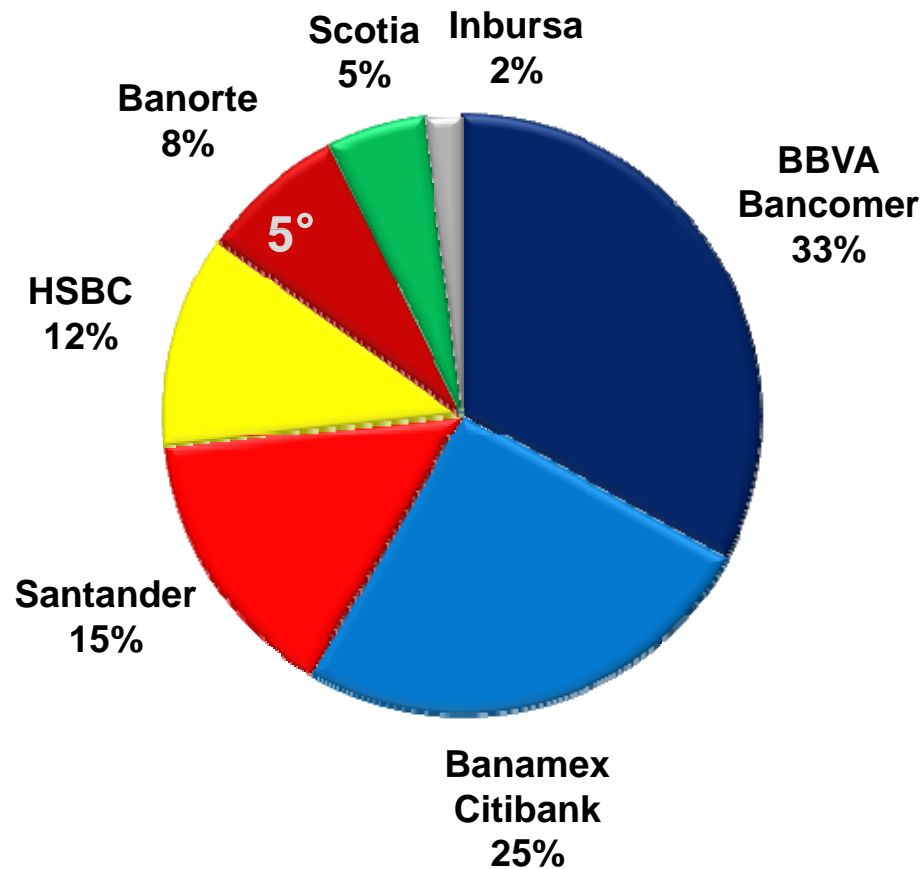


Market Share

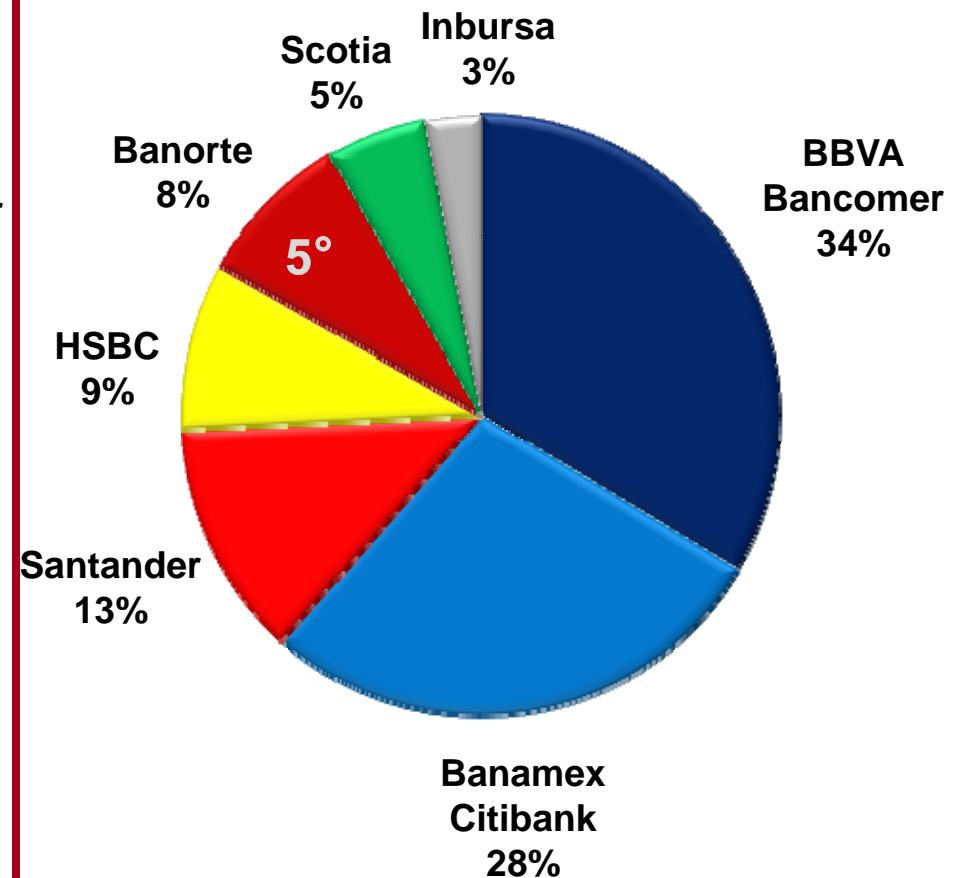


CONSUMER LOANS

June 2009



June 2010



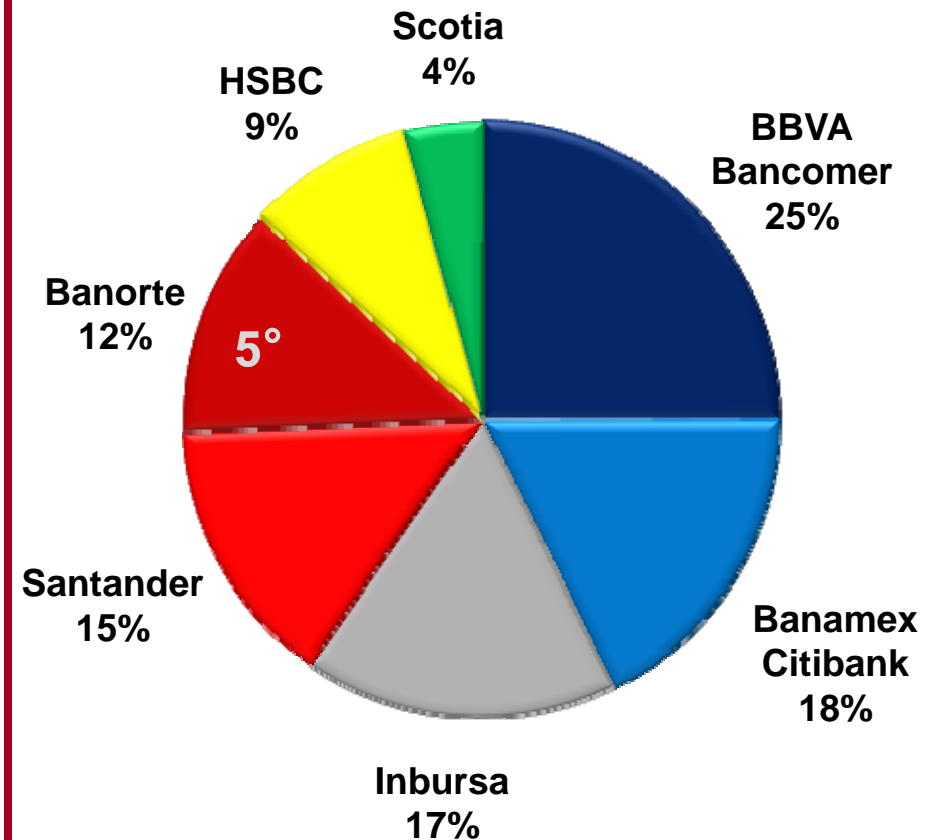
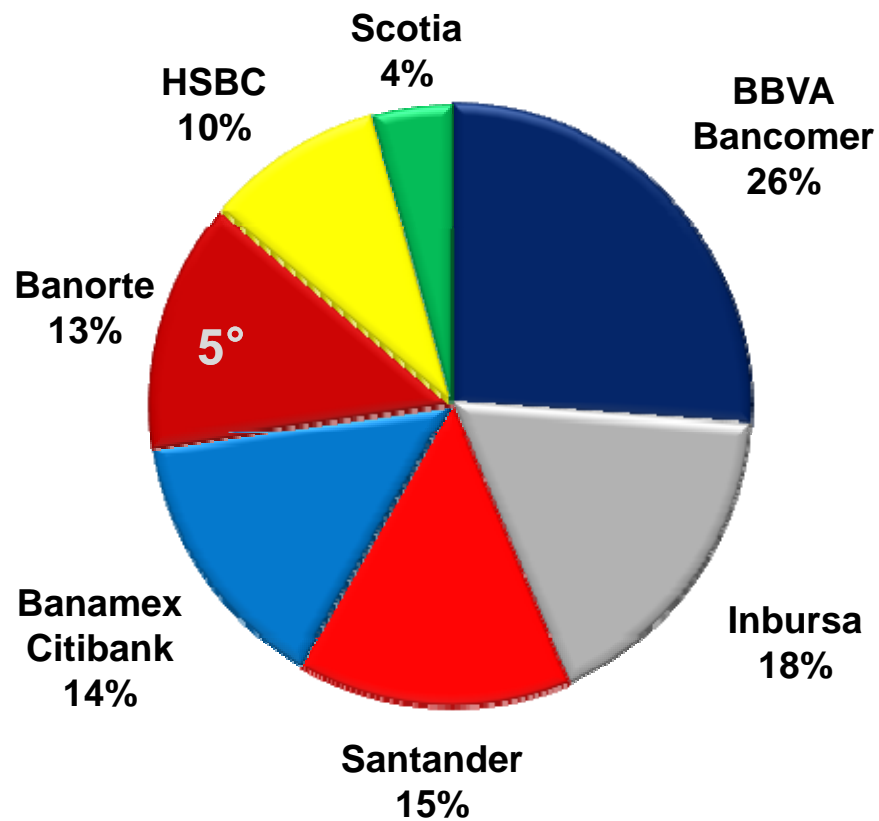
Market Share



COMMERCIAL LOANS

June 2009

June 2010

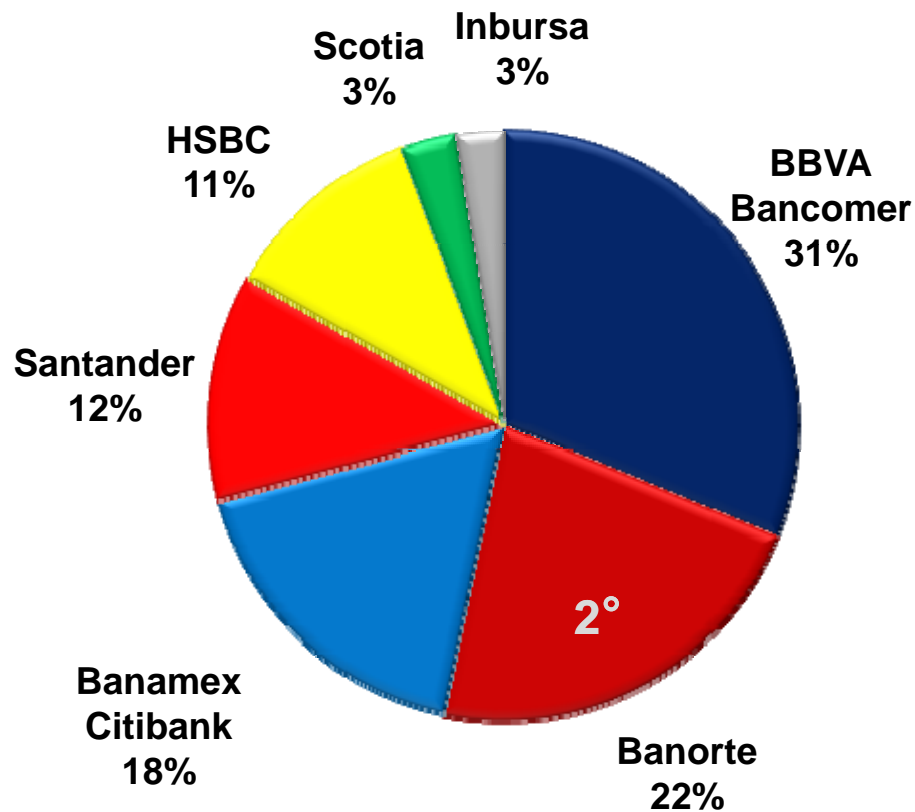


Market Share



GOVERNMENT LOANS

June 2009



June 2010

