

GFNORTE REPORTS NET INCOME OF Ps 1.65 BILLION PESOS (0.82 PER SHARE +5% QoQ) WITH TOTAL INCOME OF Ps 8.24 BILLION PESOS

- Net Income grows 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, 7.8% higher with respect to the yearly profits of Ps 5.72 billion accumulated during 2009.
- Profitability ratios improve: ROE increases to 15.4% in 1H10 compared to 15.2% in 1H09.
- Results of the subsidiaries are as followed: 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).
- Non-Interest Income showed an increase of 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 compared to 1Q10.
 - ✓ 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%).
- The bank's fundamentals remain solid.
 - ✓ Regulatory capital was 16.7% at the end of 2Q10, one of the highest in the sector.
 - ✓ Asset quality continued to improve. The NPL ratio was 2.3% at the end of the quarter, 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 a 125%, but it increases to 142% when excluding US operations.
- Core deposits grew by 4% QoQ, mainly driven by demand and time deposits, which grew by 6% that period.
- The loan portfolio increased by 2% compared to 1Q10, growing in all items, except for credit card.
- 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).

Monterrey, N. L., July 22th, 2010. Grupo Financiero Banorte announced today its operating results as of June 2010. For the fourth consecutive quarter, GFNorte increased its net income, reaching Ps 1.65 billion, 26% higher YoY, and 5% more compared to 1Q10. During 1H10, GFNorte reported total Net Income of Ps. 3.2 billion, 16% higher compared to the Recurring Net Income in 1H09. EPS in 2Q10 was 0.82 pesos vs. 0.78 pesos during 1Q10 (+5%). The Return On Equity (ROE) was 15.6% and the Return on Assets (ROA) remained at 1.1%.

In 2Q10, Banorte continued with the efforts during the past year to strengthen its fundamentals and emerge from the economic crisis as a stronger institution in order to reactivate growth under a more favorable economic environment, where a progressive but gradual recovery is expected in financing due to the low credit penetration levels prevailing in Mexico.

RETAIL BANK

Operating Results (Million Pesos)	2Q09	1Q10	2Q10	Change		1H09	1H10	Change
				QoQ	YoY			YoY
Net Interest Income	5,578	5,348	5,281	(1%)	(5%)	11,543	10,629	(8%)
Non Interest Income	1,529	2,153	2,204	2%	44%	3,211	4,357	36%
Total Income	7,107	7,501	7,484	(0%)	5%	14,755	14,986	2%
Non Interest Expense	3,597	3,795	3,983	5%	11%	7,573	7,778	3%
Provisions	2,151	1,746	1,300	(26%)	(40%)	4,294	3,046	(29%)
Net Income	1,160	1,435	1,538	7%	33%	2,578	2,973	15%

Explanation of Results:

Accumulated Net Income for the Retail Bank (100%, including the AFORE by participation method) was Ps 1.53 billion in 2Q10, 7% higher compared to 1Q10, due to higher Non Interest Income and lower Provisions.

Net Interest Income decreased by (1%) QoQ due to an increase in the funding cost under an increasingly competitive environment for time deposits. Non Interest Income increased by 2% QoQ as a result of improved dynamics in almost all items, except recoveries of proprietary loans. The positive performance in Non-Interest Income offset the decline Net Interest Income, resulting in flat growth in Total Income which remained at Ps 7.5 billion of Total Income since the last quarter.

Non-Interest Expense increased by 5% in 1Q10, due to more Professional Fees and Administration & Promotional Expenses. Provisions for loan losses in 2Q10 declined by (26%) QoQ, as a result of fewer requirements in the credit card and corporate portfolios.

Main Indicators and Business Updates

- The bank has reached a market share of 13.9% in deposits and 13.0% in lending.
- The number of clients grows to 8.3 million (+2% QoQ).
- The ROE was 14.4% with average capital assigned of \$39.89 billion pesos.
- The loan portfolio was Ps 231.7 billion, increasing by 2% compared to 1Q10, driven by the commercial and consumer portfolios (excluding credit cards).
- The Banking Sector's Past Due Loan ratio was 2.3% including INB. Excluding the US operations, the PDL ratio declines to 2.1% which compares favorably to 2.2% in 1Q10.
- The investment portfolio reached Ps 237.9 billion, 6% more than in 1Q10 due to an increase in securities for trading.

BROKER DEALER

Results - Broker Dealer (Million Pesos)	2Q09	1Q10	2Q10	Change \$		Change %	
				QoQ	YoY	vs 1T10	vs 2T09
Total Revenues	174	224	221	(2)	47	(1)%	27%
Non Interest Expense	146	116	110	(7)	(37)	(6)%	(25)%
Net Income	32	78	75	(3)	43	(3)%	133%

Explanation of Results:

The Broker Dealer reported Net Income of Ps 75 million during 2Q10, 3% lower compared to 1Q10, as a result of lower revenues from financial advisory services.

Main Indicators and Business Updates

- Deposits by retail clients grew by 11% YoY and institutional clients by 10% annually. Of total deposits, 32% comes from retail clients and 68% from institutional.
- Assets managed by fixed income and equity funds reached Ps 32.8 billion during 2Q10. Banorte's market share in mutual funds is currently 3%.
- Assets under custody reached \$148.6 billion pesos, (2%) lower compared to 1Q10.
- The Broker Dealer's ROE was 19.5% with average capital assigned of Ps 1.57 billion.

Leasing and Factoring

Results - Leasing and Factoring (Million Pesos)	2Q09	1Q10	2Q10	Change \$		Change %	
				QoQ	YoY	QoQ	YoY
Total Revenues	148	142	149	6	1	4%	1%
Non Interest Expense	48	44	56	12	8	27%	17%
Net Income	106	102	103	1	(3)	1%	(2)%

Explanation of Results:

Leasing and Factoring generated profits of Ps \$103 million in 2Q10, 1% higher than in 1Q10, due to the impact of higher reserve requirements resulting from changes in the loan portfolio rating methodology.

Main Indicators and Business Updates

- The loan portfolio grew by 3% compared to 1Q10, reaching a balance of Ps 13.56 billion pesos at the end of the quarter.
- At closing of 2Q10, the PDL ratio closed at 1%, while the Capitalization Ratio was 13%, considering average risk assets of Ps 13.51 billion.
- "Arrendadora and Factor Banorte" ranked 2nd in terms of portfolio size among the 44 companies of this sector according to the latest publicly available information.
- ROE for the quarter was 25.2%, 1.5 percentage points (pp) lower compared to 1Q10.

WAREHOUSING

Results - Warehousing (Million Pesos)				Change \$		Change %	
	2Q09	1Q10	2Q10	QoQ	YoY	QoQ	YoY
Total Revenues	15	9	9	(0)	(5)	(3)%	(37)%
Non Interest Expense	12	6	7	1	(6)	14%	(45)%
Net Income	7	3	12	8	5	237%	75%

Explanation of Results:

Net income for 2Q10 was Ps 12 million, growing by 237% QoQ due to a greater level of inventory commercialization

Main Indicators and Business Updates

- The level of inventories grew by 68% compared to 1Q10; reaching a Ps. 35 million pesos balance.
- At closing of 2Q10, the Capitalization Ratio was 10.9% considering Ps 1.49 billion in total risk certificates in circulation.
- “Almacenadora Banorte” ranked 4th among the 20 Warehousing Companies in terms of the generated profits.
- ROE was 29.8% during the quarter, 20 percentage points (pp) higher compared to 1Q10.

AFORE

Results - Afore (Million Pesos)				Change \$		Change %	
	2Q09	1Q10	2Q10	QoQ	YoY	QoQ	YoY
Total Revenues	259	292	300	8	41	3%	16%
Non Interest Expense	202	183	201	18	(1)	10%	(1)%
Net Income	42	102	79	(23)	37	(22)%	87%

Explanation of Results:

In 2Q10, the AFORE reported net income of Ps 79 million, representing a (22%) decline compared to 1Q10, due to a reduction in financial products derived from market declines.

Main Indicators and Business Updates

- At closing of 2Q10, the AFORE’s AUMs grew by 4% QoQ, reaching Ps 78.75 billion.
- Banorte has a 6.1% market share in AUM’s, ranking 7th in the market at closing of June 2010.

- At closing of 1Q10, the AFORE had 3,899,615 affiliates, with a 10% share of total affiliates in the system and as well as in certified accounts.
- ROE was 21.5% during the quarter, (7.9) percentage points (pp) lower compared to 1Q10.

ANNUITIES

Results - Annuities (Millon Pesos)	2Q09	1Q10	2Q10	Change \$		Change %	
				QoQ	YoY	QoQ	YoY
Ingresos Totales	247	312	325	13	78	4%	32%
Gastos no Financieros	258	298	338	40	80	13%	31%
Utilidad Neta	-8	10	-9	(19)	(1)	(193)%	5%

Explanation of Results:

In a quarterly basis, Annuities reported a (Ps. 9) net income, as a result of increased annuities' payments, administration and sales costs, as well as a reduction in financial products.

Main Indicators and Business Updates

- At closing of 2Q10, the Annuities Company had a 26% QoQ expansion in premiums issued, which amounted \$1.64 billion pesos.
- Accumulated ROE was 0.1%, 2.9 percentage points (pp) lower compared to 1H09.

INSURANCE

Results - Insurance (Millon Pesos)	2Q09	1Q10	2Q10	Change \$		Change %	
				QoQ	YoY	QoQ	YoY
Total Revenues	1,606	1,554	1,531	(23)	(75)	(1)%	(5)%
Non Interest Expenses	1,478	1,360	1,341	(19)	(137)	(1)%	(9)%
Net Income	85	137	104	(33)	19	(24)%	23%

Explanation of Results:

On a quarterly basis, profits were Ps 104 million in 2Q10, (24%) less than in 1Q10, due to less operating revenues and financial products.

Main Indicators and Business Updates:

- Issued premiums declined by (12%) QoQ reaching Ps 1.68 billion, while accrued premiums increased to \$1.3 billion at closing of 2Q10, maintaining the same level as 1Q10; while technical reserves were Ps 8.7 billion, increasing by 13% QoQ.
- ROE was 16.2% during the quarter, 6 percentage points (pp) lower compared to 1Q10.

BANORTE USA

Results - Banorte USA- US GAAP (Million Dollars)	2Q09	1Q10	2Q10	Change \$		Change %	
				QoQ	YoY	QoQ	YoY
Total Revenues	18	19	19	0	1	4%	9%
Non Interest Expense	10	11	13	2	3	10%	29%
Net Income	-3	-2	0.1	2	3	103%	102%

Explanation of Results US GAAP;

Under US GAAP, Inter National Bank's (INB) reported a Net Income of US\$0.1 million in 2Q10, due to higher loan loss provisions created during this period that decreased in (35%).

Main Indicators and Business Updates

- INB has an investment portfolio concentrated mainly in mortgage backed securities (MBS), which declined (9%) QoQ. The underlying quality of the mortgages is rated AAA, In 2Q10, the portfolio has unrealized mark to market gains of US \$19 million dollars. The expected average weighted maturity of the portfolio is 4 years.
- Total deposits declined by (1%) QoQ; also Performing Loans declined (2%) QoQ, while Past Due Loans registered a (45%) fall QoQ. The Capitalization and Leverage ratios remained strong and above the minimum required.
- The capitalization ratio remained at 17.7%, as well as the Leverage Ratio with 9.2% both presenting raises QoQ.
- The Past-Due Loan Ratio decreased by (4.7) percentage points QoQ to 6.7% as a result of a considerable reduction in past due loans of US 58 million.
- ROE grew 2.2 pp QoQ to 0.1%; ROA also increased by 0.4 pp QoQ with a 0.01%.

Income Statement and Balance Sheet Highlights-GFNorte	2Q09	1Q10	2Q10	Change		1H09	1H10	Change
				QoQ	YoY			YoY
				(Million Pesos)				
Income Statement-GFNorte								
Net Interest Income	5,838	5,562	5,533	(1%)	(5%)	12,037	11,095	(8%)
Non Interest Income	1,932	2,681	2,706	1%	40%	3,998	5,387	35%
Total Income	7,770	8,243	8,239	(0%)	6%	16,035	16,482	3%
Non Interest Expense	4,023	4,189	4,391	5%	9%	8,347	8,581	3%
Provisions	2,188	1,772	1,337	(25%)	(39%)	4,350	3,109	(29%)
Operating Income	1,559	2,281	2,511	10%	61%	3,338	4,792	44%
Non Operating Income (Expense), net	168	18	21	19%	(87%)	582	39	(93%)
Net Income Before taxes	1,728	2,299	2,532	10%	47%	3,919	4,831	23%
Taxes	429	659	798	21%	86%	1,004	1,457	45%
Subsidiaries & Minority Interest	14	(61)	(77)	28%	(654%)	8	(138)	(1856%)
Net Income	1,312	1,580	1,656	5%	26%	2,923	3,236	11%
Balance Sheet								
Asset Under Management	608,399	666,598	664,659	(0%)	9%	608,399	664,659	9%
Total Assets	581,922	569,012	601,140	6%	3%	581,922	601,140	3%
Performing Loans (a)	235,342	237,210	241,948	2%	3%	235,342	241,948	3%
Past Due Loans (b)	6,299	6,128	5,630	(8%)	(11%)	6,299	5,630	(11%)
Total Loans (a+b)	241,641	243,337	247,578	2%	2%	241,641	247,578	2%
Total Loans Net (d)	235,216	235,840	240,566	2%	2%	235,216	240,566	2%
Acquired Collection Rights (e)	2,804	2,426	2,311	(5%)	(18%)	2,804	2,311	(18%)
Total Loans (d+e)	238,020	238,266	242,877	2%	2%	238,020	242,877	2%
Total Liabilities	541,330	523,356	554,662	6%	2%	541,330	554,662	2%
Demand Deposits	123,755	125,917	133,849	6%	8%	123,755	133,849	8%
Time Deposits	141,608	145,358	144,653	(0%)	2%	141,608	144,653	2%
Equity	40,592	45,655	46,479	2%	15%	40,592	46,479	15%

Subsidiaries Net Income <i>(Million Pesos)</i>	2Q09	1Q10	2Q10	Change		1H09	1H10	Change YoY
				QoQ	YoY			
Banking Sector	1,104	1,283	1,388	8%	26%	2,451	2,671	9%
Banco Mercantil del Norte (1)	1,104	1,283	1,388	8%	26%	2,451	2,671	9%
Broker Dealer	32	78	75	(3%)	133%	73	153	110%
Long Term Savings	60	123	86	(30%)	44%	179	209	17%
Retirement Funds (Afore)	21	48	38	(22%)	79%	51	86	70%
Insurance	43	70	53	(24%)	23%	121	123	2%
Annuities	(4)	5	(4)	(193%)	5%	8	0	(95%)
Other Finance Companies	113	106	115	9%	2%	214	221	3%
Leasing and Factoring (2)	106	102	103	1%	(2%)	200	206	3%
Warehousing	7	3	12	237%	75%	14	15	11%
Microlending-Pronegocio (3)	6	-	-	-	-	12	-	-
G. F. Banorte (Holding)	(3)	(9)	(8)	(15%)	186%	(4)	(18)	298%
Total Net Income	1,312	1,580	1,656	5%	26%	2,923	3,236	11%

Financial Ratios GFNorte	2Q09	1Q10	2Q10	Change		1H09	1H10	Change YoY
				QoQ	YoY			
Profitability:								
NIM (1)	4.3%	4.2%	4.1%	(0.1pp)	(0.2 pp)	4.4%	4.1%	(0.3 pp)
NIM after Provisions (2)	2.7%	2.9%	3.1%	0.2 pp	0.4 pp	2.8%	3.0%	0.1pp
ROE (3)	13.5%	15.2%	15.6%	0.5 pp	2.2 pp	15.2%	15.4%	0.2 pp
ROA (4)	0.9%	1.1%	1.1%	0.0 pp	0.2 pp	1.0%	1.1%	0.1pp
Operation:								
Efficiency Ratio (5)	51.8%	50.8%	53.3%	2.5 pp	15 pp	52.1%	52.1%	0.0 pp
Operating Efficiency Ratio (6)	2.8%	2.9%	3.0%	0.1pp	0.2 pp	2.9%	3.0%	0.1pp
Liquidity Ratio (7)	63.1%	83.1%	103.8%	20.7 pp	40.8 pp	63.1%	103.8%	40.8 pp
Asset Quality:								
Past Due Loan Ratio	2.6%	2.5%	2.3%	(0.2 pp)	(0.3 pp)	2.6%	2.3%	(0.3 pp)
Coverage Ratio	102.0%	122.4%	124.6%	2.2 pp	22.6 pp	102.0%	124.6%	22.6 pp
Past Due Loan Ratio w/o Banorte USA	2.6%	2.1%	2.0%	(0.1pp)	(0.6 pp)	2.6%	2.0%	(0.6 pp)
Coverage Ratio w/o Banorte USA	104.2%	145.4%	141.7%	(3.8 pp)	37.5 pp	104.2%	141.7%	37.5 pp

1) NIM= Annualized Net Interest Margin / Average Earnings Assets.

2) NIM= Annualized Net Interest Margin adjusted by Loan Loss Provisions / Average Earnings Assets.

3) Annualized earnings as a percentage of the average quarterly equity over the period.

4) Annualized earnings as a percentage of the average quarterly assets over the period.

5) Non Interest Expense / (Total Operating Income –Margin + Loan Loss Provisions)

6) Annualized Non Interest Expense / Average Total Assets.

7) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale) / (Liquid Liabilities = Demand Deposits + Loans from banks and other organizations with immediate call option + Short term loans from banks).