

GFNORTE REPORTS NET INCOME OF P\$ 1.7 BILLION (P\$ 0.85 PER SHARE +3% QoQ) WITH TOTAL INCOME OF P\$ 8.22 BILLION

- On a quarterly basis Net Income grows 3% QoQ and 20% 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 17% YoY. Total accumulated recurrent earnings during the last 12 months amounted to P\$ 6.5 billion pesos, 12.8% higher with respect to the yearly profits of P\$ 5.72 billion accumulated during 2009.
- Profitability ratios improve: ROE increases to 15.5% in 9M10 compared to 14.9% in 9M09.
- On a quarterly basis results of the subsidiaries are as follows: The bank (excluding the contribution by the Afore) generated net income of P\$ 1.39 billion (maintaining a same level as in 2Q10), 81% of total Group's profits; Broker Dealer of P\$ 66 million (-12% QoQ), Long Term Savings of P\$ 131 million (+53% QoQ) and Leasing & Factoring of P\$ 152 million (+32% QoQ).
- Non-Interest Income decreased by 6% during 3Q10, mainly due to a decline in intermediation revenues.
- Provisions for loan losses were P\$ 1.9 billion, 42% higher compared to 2Q10, as a result of the provisions related to Mexicana de Aviacion.
 - ✓ Provisions for consumer loans represented 41% of the total created during the quarter.
 - ✓ Charge offs for consumer loans represented 82% of the total during the quarter.
 - ✓ New past due loans from the consumer segment represented 79% of total new NPLs (credit card were 45%).
- The bank's fundamentals remain solid:
 - ✓ Regulatory capital was 16.6% at the end of 3Q10, comparing favorably to the industry, showing the bank's financial strength.
 - ✓ Asset quality continued to improve. The NPL ratio was 2.2% at the end of the quarter, although it declines to 1.9% considering only loans originated in Mexico, lower than the 2.4% level of 3Q09.
 - ✓ Reserve coverage increased 11.6 pp QoQ, reaching 136%, but it increases to 154% when excluding the US operations.
- Core deposits grew by 1% QoQ, mainly driven by Retail Time deposits -, which grew by 2% during that period.
- The loan portfolio increased by 5% compared to 2Q10, growing in all items.
- Banorte remains as the third largest bank measured by size of deposits and loans according to the information published by the Mexican National Banking and Securities Commission (CNBV).

Monterrey, N. L., October 26th, 2010. **Grupo Financiero Banorte** announced today its operating results as of September 2010. For the fifth consecutive quarter, GFNorte increased its Net Income, reaching P\$ 1.7 billion, 20% higher YoY, and 3% more compared to 2Q10. During 9M10, GFNorte reported total Net Income of P\$ 4.95 billion, 17% higher compared to the Recurring Net Income in 9M09. EPS in 3Q10 was P\$ 0.85 vs. P\$ 0.82 during 2Q10 (+3%). The quarterly Return On Equity (ROE) was 15.8% and the Return on Assets (ROA) was 1.2%.

In 3Q10, Banorte continued with its efforts carried out over the past year to strengthen its fundamentals during the economic crisis, and emerge as a more solid institution in order to take advantage of growth opportunities in a more favorable economic environment, in spite of growing competition.

Retail Bank

Operating Results (Million Pesos)	3Q09	2Q10	3Q10	Change		9M09	9M10	Change 9M09
				QoQ	YoY			
Net Interest Income	5,375	5,281	5,390	2%	0%	16,919	16,019	(5%)
Non Interest Income	1,955	2,204	1,998	(9%)	2%	5,167	6,355	23%
Total Income	7,330	7,484	7,388	(1%)	1%	22,085	22,374	1%
Non Interest Expense	3,633	3,983	3,887	(2%)	7%	11,207	11,665	4%
Provisions	2,113	1,300	1,892	45%	(10%)	6,407	4,938	(23%)
Operating Income	1,584	2,201	1,609	(27%)	2%	4,471	5,771	29%
Net Income	1,274	1,538	1,571	2%	23%	3,851	4,545	18%

Explanation of Results:

Net Income for the Retail Bank (100%, including the AFORE by participation method) was Ps. 1.57 billion in 3Q10, 2% higher compared to 2Q10, as a result of more Net Interest Income, a decline in Non Interest Expenses and a lower Taxes during the quarter.

The quarterly Net Interest Income totaled Ps. 5.4 billion, 2% higher QoQ vs. 2Q10, resulting from a 4% growth in the loan portfolio. Non Interest Income totaled Ps. 1.99 billion, showing a (9%) QoQ decrease as a result of lower intermediation revenues. Total Income was Ps. 7.4 billion, presenting a slight decline of (1%) QoQ.

Non-Interest Expense in 3Q10 was Ps. 3.89 billion, a (2%) QoQ decline, due to lower Personnel Expenses, Professional Fees Paid, Administration & Promotional Expenses and Employee Profit Sharing.

Provisions for loan losses amounted to Ps. 1.89 billion, 45% higher when compared to 2Q10, as a result of greater requirements for the corporate portfolio related to the exposure to Mexicana de Aviacion.

Main Indicators and Business Updates

- The bank has reached a market share of 13.5% in Deposits and 13.1% in Lending (when compared to the 7 most important banks in Mexico. Source: CNBV).
- The number of clients grows to 8.5 million (+1.9% QoQ).
- The loan portfolio was Ps. 241.9 billion, increasing by 4% compared to 2Q10, growing in all items.
- The Banking Sector's Past Due Loan ratio was 2.2% including INB; which compares favorably with respect to the rest of the industry and also the 2.3% level of 2Q10 and 2.6% of 3Q09. Excluding the US operations, the PDL ratio declines to 2.0%.
- The investment portfolio reached Ps 209.1 billion, (12%) lower QoQ, due to lower trading volumes of Trading Instruments and Securities Held to Maturity.
- In the quarter, ROE was 14.7% with average Capital assigned of Ps. 41.1 billion.

Broker Dealer

Results - Broker Dealer (Million Pesos)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	178	221	214	-8	36	(3)%	20%
Non Interest Expense	116	110	117	8	1	7%	1%
Net Income	42	75	66	-9	24	(12)%	56%

Explanation of Results:

The Broker Dealer reported Net Income of Ps 66 million during 3Q10, (12%) lower compared to 2Q10, as a result of lower revenues from risk money market trading positions and higher expenses.

Main Indicators and Business Updates

- Deposits by retail clients and institutional clients grew by 9% annually in both cases. Of total deposits, 32% originated from retail clients and 68% from institutional clients.
- Assets managed by fixed income and equity funds reached Ps 37.4 billion during 3Q10 (+14% QoQ). Banorte's market share in mutual funds is currently 3.1%.
- Assets under custody reached Ps. 160.6 billion, +8% higher compared to 2Q10, driven by more deposits from private banking clients in mutual funds, money market and Banorte Securities.
- In 3Q10, the Broker Dealer's ROE was 16.3% with average Capital assigned of Ps 1.65 billion. (5% higher QoQ).

Leasing and Factoring

Results - Leasing and Factoring (Million Pesos)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	146	149	156	8	10	5%	7%
Non Interest Expense	58	56	40	-16	-19	(29)%	(32)%
Net Income	91	103	127	24	36	23%	39%

Explanation of Results:

Leasing and Factoring generated profits of Ps \$127 million in 3Q10, 23% higher than in 2Q10, derived from greater factoring volumes, lower reserves requirements and the renegotiation of funding lines that reduced interest payments.

Main Indicators and Business Updates

- The loan portfolio reached a balance of Ps 15.97 billion, representing an 18% growth compared to 2Q10.

- Arrendadora and Factor Banorte ranked 2nd in terms of portfolio size among the 44 companies of this sector according to the information available to date.
- At closing of 3Q10, the PDL ratio closed at 0.8%, while the Capitalization Ratio was 11.9%, considering total risk weighted assets of Ps 16.03 billion.
- ROE for the quarter was 29.0%, 3.8 percentage points (pp) higher compared to 2Q10.

Warehousing

Results - Warehousing (Millon Pesos)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	4	9	45	36	42	393%	1,189%
Non Interest Expense	-1	7	7	0	8	2%	(848)%
Net Income	6	12	24	13	19	107%	322%

Explanation of Results:

Net income for 3Q10 was Ps 24 million, growing by 107% QoQ due to a greater level of storage services.

Main Indicators and Business Updates

- Almacenadora Banorte ranked 3rd among the 20 Warehouse Companies in terms of the profitability. The level of inventories reached Ps. 39 million, increasing 11% QoQ.
- At closing of 3Q10, the Capitalization Ratio was 14.9% considering total certificates at risk issued of Ps 1.18 billion.
- ROE was 57.5% during the quarter, 28 percentage points (pp) higher compared to 2Q10.

AFORE

Results - Afore (Millon Pesos)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	282	292	330	38	48	13%	17%
Non Interest Expense	211	204	173	-31	-38	(15)%	(18)%
Net Income	77	79	147	68	70	85%	92%

Explanation of Results:

In 3Q10, the AFORE reported Net Income of Ps 147 million (51% corresponds to Banorte), representing a 85% increase compared to 2Q10, due to higher operating income and financial revenues, and to an important improvement in the efficiency resulting in lower operating expenses and sales costs.

Main Indicators and Business Updates

- The AFORE's AUMs amounted to Ps 85 million, registering an 8% QoQ increase.
- Banorte has a 6.2% market share in managed funds, ranking 7th in the market at closing of September 2010.
- At closing of 3Q10, the AFORE had a total of 3.9 million affiliates, with a 9.6% share of total affiliates in the system and 9.4% in certified accounts.
- ROE was 37.0% during the quarter, 15.5 percentage points (pp) higher compared to 2Q10.

Annuities

Results - Annuities (Million Pesos)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	282	325	365	40	83	12%	29%
Non Interest Expense	266	338	363	25	97	7%	36%
Net Income	14	-9	1	10	-13	113%	(92)%

Explanation of Results:

On a quarterly basis, Annuities reported Net Income of Ps 1 million, 113% higher QoQ, as a result of increased operational and financial revenues. Net Income was \$40 million if the write offs in securities of mortgage Sofoles are excluded.

Main Indicators and Business Updates

- At closing of 3Q10, the Annuities Company had a 15% QoQ expansion in premiums issued, which amounted to Ps 1.89 billion.
- ROE was 0.5% during 3Q10, 3.9 percentage points (pp) higher QoQ.

Insurance

Results - Insurance (Million Pesos)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	1,509	1,531	1,575	44	66	3%	4%
Non Interest Expense	1,384	1,341	1,366	25	-18	2%	(1)%
Net Income	84	104	120	16	36	15%	43%

Explanation of Results:

On a quarterly basis, Net Income was Ps 120 million in 3Q10 (51% corresponds to GFNorte), representing a 15% QoQ growth, due to more operating income and financial revenues, which offset a slight increase in expenses.

Main Indicators and Business Updates:

- Issued Premiums increased by 9% QoQ reaching Ps 1.83 billion, while Accrued Premiums increased to \$1.37 billion at closing of 3Q10, showing a slight 1% QoQ increase. Technical Reserves were Ps 8.5 billion, declining by (2%) QoQ.
- ROE was 19.5% during the quarter, 3.3 percentage points (pp) higher compared to 2Q10.

BANORTE USA

Results - International Bank (Million USD)	3Q09	2Q10	3Q10	Change \$		Change %	
				vs 2Q10	vs 3Q09	vs 2Q10	vs 3Q09
Total Income	19	19	18	-1	-1	(6)%	(6)%
Non Interest Expense	9	13	14	1	5	9%	49%
Provisions	3	7	3	-4	0	(62)%	(16)%
Net Income	5	0	1	1	-4	2,074%	(73)%

Explanation of Results US GAAP;

INB's Net Income was US\$1.3 million in 3Q10, higher QoQ due to lower loan loss provisions created during the quarter.

Main Indicators and Business Updates

- INB has an investment portfolio concentrated mainly in mortgage backed securities (MBS), which increased 12% QoQ, reaching US\$599 million. The underlying quality of these securities' mortgages is rated AAA; and at 3Q10, the portfolio had unrealized mark to market gains of \$15 million US dollars. The expected average weighted maturity of the portfolio is 4.6 years.
- Total deposits declined by (1%) QoQ, as a result of a reduction of balances in government and wholesale clients.
- Performing Loans declined (8%) QoQ, while Past Due Loans registered a 15% growth QoQ. The PDL Ratio increased 1.5 pp QoQ, reaching 8.2%.
- The Capitalization Ratio remains at 18.2% and the Leverage Ratio is 9.4%, registering a QoQ increase. These ratios continue to strengthen and are well above the regulatory minimums.
- ROE grew 1.2 pp QoQ to 1.2%; ROA also increased by 0.2 pp QoQ with a 0.2%.

Income Statement and Balance Sheet Highlights-GFNorte	3Q09	2Q10	3Q10	Change		9M09	9M10	Change 9M09
				QoQ	YoY			
				(Million Pesos)				
Income Statement-GFNorte								
Net Interest Income	5,592	5,533	5,661	2%	1%	17,629	16,756	(5%)
Non Interest Income	2,460	2,706	2,554	(6%)	4%	6,458	7,940	23%
Total Income	8,052	8,239	8,215	(0%)	2%	24,087	24,696	3%
Non Interest Expense	4,073	4,391	4,296	(2%)	5%	12,420	12,876	4%
Provisions	2,154	1,337	1,905	42%	(12%)	6,504	5,014	(23%)
Operating Income	1,825	2,511	2,014	(20%)	10%	5,163	6,806	32%
Non Operating Income (Expense), net	138	21	395	1753%	186%	720	435	(40%)
Net Income Before taxes	1,964	2,532	2,410	(5%)	23%	5,883	7,241	23%
Taxes	545	798	628	(21%)	15%	1,549	2,086	35%
Subsidiaries & Minority Interest	10	(77)	(70)	(9%)	(821%)	18	(209)	(1282%)
Net Income	1,428	1,656	1,711	3%	20%	4,352	4,947	14%
Balance Sheet								
Asset Under Management	635,060	664,659	703,299	6%	11%	635,060	703,299	11%
Total Assets	570,347	601,140	589,783	(2%)	3%	570,347	589,783	3%
Performing Loans (a)	235,429	241,948	254,280	5%	8%	235,429	254,280	8%
Past Due Loans (b)	6,103	5,630	5,609	(0%)	(8%)	6,103	5,609	(8%)
Total Loans (a+b)	241,532	247,578	259,889	5%	8%	241,532	259,889	8%
Total Loans Net (d)	233,985	240,566	252,252	5%	8%	233,985	252,252	8%
Acquired Collection Rights (e)	2,705	2,311	2,183	(6%)	(19%)	2,705	2,183	(19%)
Total Loans (d+e)	236,690	242,877	254,435	5%	7%	236,690	254,435	7%
Total Liabilities	528,559	554,662	542,001	(2%)	3%	528,559	542,001	3%
Demand Deposits	122,312	133,849	133,824	(0%)	9%	122,312	133,824	9%
Time Deposits	147,447	144,653	153,688	6%	4%	147,447	153,688	4%
Equity	41,789	46,479	47,783	3%	14%	41,789	47,783	14%

Subsidiaries Net Income (Million Pesos)	3Q09	2Q10	3Q10	Change		9M09	9M10	Change 9M09
				QoQ	YoY			
Banking Sector	1,199	1,388	1,387	(0%)	16%	3,649	4,058	11%
Banco Mercantil del Norte (1)	1,199	1,388	1,387	(0%)	16%	3,649	4,058	11%
Broker Dealer	42	75	66	(12%)	56%	115	219	91%
Long Term Savings	88	86	131	53%	49%	267	341	28%
Retirement Funds (Afore)	38	38	70	85%	83%	89	156	75%
Insurance	43	53	61	15%	43%	163	184	13%
Annuities	7	(4)	0.59	(113%)	(92%)	15	1	(94%)
Other Finance Companies	97	115	152	32%	56%	311	372	20%
Leasing and Factoring (2)	91	103	127	23%	39%	291	333	14%
Warehousing	6	12	24	107%	322%	20	40	103%
Microlending-Pronegocio (3)	3	-	-	-	-	15	-	-
G. F. Banorte (Holding)	(1)	(8)	(26)	216%	3052%	(5)	(43)	726%
Total Net Income	1,428	1,656	1,711	3%	20%	4,352	4,947	14%

Financial Ratios GFNorte	3Q09	2Q10	3Q10	Change		9M09	9M10	Change 9M09
				QoQ	YoY			
Profitability:								
NIM (1)	4.2%	4.1%	4.1%	0.0 pp	(0.1 pp)	4.4%	4.1%	(0.2 pp)
NIM after Provisions (2)	2.6%	3.1%	2.7%	(0.4 pp)	0.2 pp	2.8%	2.9%	0.1 pp
ROE (3)	14.5%	15.6%	15.8%	0.2 pp	1.3 pp	14.9%	15.5%	0.6 pp
ROA (4)	1.0%	1.1%	1.2%	0.0 pp	0.2 pp	1.0%	1.1%	0.1 pp
Operation:								
Efficiency Ratio (5)	50.6%	53.3%	52.3%	(1.0 pp)	1.7 pp	51.6%	52.1%	0.6 pp
Operating Efficiency Ratio (6)	2.8%	3.0%	2.9%	(0.1 pp)	0.1 pp	2.9%	3.0%	0.1 pp
Liquidity Ratio (7)	60.4%	103.8%	91.7%	(12.1 pp)	31.3 pp	60.4%	91.7%	31.3 pp
Asset Quality:								
Past Due Loan Ratio	2.5%	2.3%	2.2%	(0.1 pp)	(0.4 pp)	2.5%	2.2%	(0.4 pp)
Coverage Ratio	123.7%	124.6%	136.2%	11.6 pp	12.5 pp	123.7%	136.2%	12.5 pp
Past Due Loan Ratio w/o Banorte USA	2.4%	2.0%	1.9%	(0.1 pp)	(0.5 pp)	2.4%	1.9%	(0.5 pp)
Coverage Ratio w/o Banorte USA	129.5%	141.7%	153.6%	11.9 pp	24.1 pp	129.5%	153.6%	24.1 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).