2008 Annual Report

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V.
Av. Revolución 3000, Col. Primavera
C. P. 64830
Monterrey, N. L., Mexico

This Annual Report was prepared in accordance with regulations applicable to companies issuing securities as well as other participants in the market with information for the fiscal year ending December 31, 2008.

The 2,018,347,548 "O" series shares of Grupo Financiero Banorte, S.A.B. de C.V. in circulation as of December 31, 2008 were traded in the BMV under the symbol "GFNORTEO."

Issuing companies with registered securities, must display in the prospectus, supplement or informative pamphlet, a legend that explicitly states that such registration does not imply a certification of the attractiveness of those securities, solvency of the issuer or the accuracy or truthfulness of the information contained in the prospectus, nor does it authenticate acts that, if the case, have been conducted in breach of these laws.

This report is also available on the Internet at:
http://www.banorte.com/portal/banorte.portal?_nfpb=true&_pageLabel=pagePersonal&productId=309&sectionId=1190

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1. GENERAL INFORMATION

a) GLOSSARY OF TERMS AND DEFINITIONS

ABM:	Asociación de Bancos de México, A. C. (Mexican Bankers Association)
ADE:	Acuerdo de Apoyo Inmediato a Deudores (Agreement for Immediate Debtor Support)
Bancen:	Banco del Centro, S. A. (Banco del Centro, S. A.)
Bancrecer:	Bancrecer, S. A. (Bancrecer, S. A.)
Banorte:	Banco Mercantil del Norte, S. A. (Banco Mercantil del Norte, S. A.)
Banorte USA:	Banorte USA Corp., subsidiary of Banco Mercantil del Norte, S. A.
Banxico:	Bank of Mexico (Mexican Central Bank)
BMV:	Bolsa Mexicana de Valores, S. A. de C. V. (Mexican Stock Exchange)
Call Center:	Call center for Banortel clients
Cetes:	Mexican Federal Treasury Certificates
CNBV:	Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission)
Emisnet:	Electronic Communications System with Securities Issuers
EUA:	United States of America
FINAPE:	Agricultural and Fishing Sector Financing Agreement
FOBAPROA:	Fondo Bancario de Protección al Ahorro (Deposit Insurance Fund)
FOPYME:	Financial and Promotional Support Agreement for Micro, Small and Medium Businesses
Forward:	Non-standardized private contract to buy or sell a specific asset at a certain price level whose liquidation will be carried out at a future date.
Generali:	Assicurazioni Generali, company of Italian origin
GFNorte:	Grupo Financiero Banorte, S. A. B. de C. V.
Holding:	Holding company
ICV:	Past due loan ratio
INB:	Inter National Bank, INB Financial Corp.
Indeval	Institute of Securities Deposit
IPAB:	Institute of Deposit Insurance
ISR:	Income Tax
LIC:	Credit Institutions Law
M.E.:	Moneda extranjera (Foreign currency)
MF:	Margin Financiero (Net interest income)
MIN:	Margen de interés neto (Net interest margin)
M.N.:	Moneda nacional (Local currency, Mexican pesos)
Motran:	Motran Services Incorporated (remittance company based en Los Angeles, California)
pp:	Percentage points
POS:	Point Of Sale Terminal
PTU:	Employee Profit Sharing Agreement
PyMES:	Small and Medium Sized Enterprises
REPOMO:	Resultado de posición monetaria (Result of monetary position)
ROA:	Return on Average Assets
ROE:	Return on Average Equity
Bank Sector:	Banorte and subsidiaries and the Afore by the participation method
SHCP:	Ministry of Finance and Public Credit
SIEFORE:	Sociedad de Inversión Especializada de Fondos para el Retiro (Specialized Retirement Savings Fund)
SOFOL:	Sociedad Financiera de Objeto Limitado (Restricted Non Banking Financial Institution)

SOFOM:	Sociedad Financiera de Objeto Múltiple (Multi-purpose Non Banking Financial Institution)
Sólida:	Sólida Administradora de Portafolios, S. A. de C. V. Recovery Banking Unit
Swap:	Private contract that establishes the bilateral obligation to exchange one stream of cash flow for another for a set period of time on pre-established dates. Swaps can be used to hedge certain risks such as interest rate risk, or to speculate on changes in the expected direction of underlying prices.
Tier 1:	Basic capital
Tier 2:	Complementary capital
TIIE:	Tasa de Interés Interbancaria de Equilibrio (Inter-bank Equilibrium Interest Rate)
UDIS:	Units of account indexed to inflation
UniTeller:	UniTeller Holdings, Inc. (remittance company based in New Jersey).
USD:	US dollars

b) EXECUTIVE SUMMARY

IMPORTANT: When analyzing the information contained in this report, it is important to consider the following:

- ✓ The figures for 2006 are not completely comparable with other periods because of the new accounting regulations and criteria published by CNBV in 2006 that came into effect in January 2007, and which are explained in detail in *Note 4*. *Principal Accounting Policies* of point 7. ANNEXES.
- ✓ Operations were conducted in Mexican pesos; in the following charts they are shown in millions of pesos and although it may seem that some totals have minimal errors, the difference is due to rounding up figures.
- ✓ Only figures for 2006 are expressed in pesos of December 2007. According to the established accounting norms, the re-expression of financial statements as of January 2008 is not necessary.

RESULTS

In 2008 GFNorte earned net income of Ps 7.014 billion, 3% greater than in 2007 and 13% higher than in 2006. GFNorte's annualized Return on Equity was 19.7% for the period and Return on Assets was 1.9%.

During this period, the Banking Sector profits (by the participation method of 97.06%) amounted to $6,257 million, 6% higher than the previous year, contributing with 89% of the Group's net income. The broker dealer reported profits of $183 million pesos, 36% lower compared to 2007, while Other Finance Companies reported net income of $336 million, 24% more than in 2007 and the Long Term Savings Sector posted profits of $354 million pesos, 9% less than the previous year.

Net Income per Sector	2008	2007
Bank Sector [1]	**$6,257**	**$5,889**
Broker Dealer (Casa de Bolsa)	**183**	**288**
Long Term Savings Sector	**354**	**388**
Afore	94	82
Insurance	243	170
Annuities	17	136
Other Finance Companies	**336**	**271**
Leasing and Factoring [2]	313	247
Warehousing	23	15
Bonding Company [3]	-	9
MicroLending	**(120)**	**(30)**
Holding	**5**	**4**
GFNorte	**$7,014**	**$6,810**

Majority participation in millions of pesos

(1) Taking into account a participation of 97.06%.

(2) The leasing and factoring companies were merged as of February 2008.

(3) On March 30, 2007 GFNorte announced the spin-off of the bonding company, Fianzas Banorte, prior to its sale.

DEPOSITS

At year end, the deposits' balance amounted to Ps 260.755 billion, 28% higher YoY, driven mainly by a 16% growth in demand deposits that includes an important 32% increase in non-interest bearing demand deposits from new Enlace Persona Moral checking accounts. The main drivers of growth in deposits during this period were institutional clients' deposits, particularly Governments and SMEs, as well as increased sales of branch-level promissory notes, as well as the placement of Mutual Funds.

LOANS

Performing loans increased 24% YoY from Ps 192,491 million to Ps 239,505 million, excluding the portfolio managed by the Recovery Bank.

ASSET QUALITY

At the end of 2008, past due loans grew by 71% YoY due to the deterioration in the consumer portfolio, especially credit cards, and to a lesser degree in the commercial portfolio. At year end, the past due loan ratio was at 2.0%, 0.5 percentage points higher than in 2007. The increase of past due loans in the credit card segment is driven by the maturation of the 2006 and 2007 vintages, together with more adverse economic and employment conditions. Also during the last quarter of 2008, there was contraction in the overall portfolio for the first time in several years, negatively impacting the denominator of the past due loan ratio.

EFFICIENCY

During 2008, non-interest expenses reached Ps 15.807 billion, a 10% YoY increase mainly due to an 8% rise in personnel expenses related to the branch expansion program, adjustments in provisions for indemnities and scheduled dismissals, an increase in liabilities related to retirement and seniority premiums and higher employee medical service expenses due to greater number of beneficiaries and an increase in the average cost per beneficiary.

CAPITALIZATION

At the end of 2008, the Capitalization Ratio stood at 14.3% considering credit and market risks, and 21.1% considering only credit risks. Tier 1 ratio was 9.4% while Tier 2 was 4.9%. On an annual basis, the Capitalization Ratio increased by 0.55 pp despite the 24% growth in Total Risk Assets, the implementation of operational risk, the impact of the new rules for securitizations and the dividend payment. These elements were offset by the reinvestment of profits and the issuance of subordinated debt during the first half of 2008.

RELEVANT EVENTS IN 2008

Alejandro Valenzuela appointed CEO of GFNorte On April 14, 2008 the Board of Directors of GFNorte accepted the resignation of former CEO, Luis Peña Kegel. That same day, the Board of Directors appointed Alejandro Valenzuela del Rio as Interim CEO of GFNorte, and on July 24, 2008 ratified him as CEO of GFNorte.

Agreement with American Express On July 30, 2008 an agreement was signed in which American Express (Mexico) became the issuer of corporate credit cards for Banorte. Through this alliance, Banorte's corporate clients will have access to American Express products and services that will represent savings and expense control, and will provide financing and exclusive user benefits.

Credit card payment campaign In response to the liquidity problems some clients were experiencing as a result of the difficult economic situation, a massive campaign was launched in December 2008 called "50/48" (50% discount on interest rate and up to 48 months to pay-off the debt). The campaign offers an alternative for clients seeking to restructure their debt and to improve their credit profile. Given its success, client benefits were extended from January 12th to February 16th, 2009, increasing the term to 60 months.

Factoring and Leasing Merger During GFNorte's General Extraordinary Meeting held October 3, 2007, the merger was approved between Arrendadora y Factor Banorte S. A. de C. V., a Multipurpose Financial Company, with Arrendadora Banorte S. A. de C. V., subsisting corporation. The merger became effective as of January 31st, 2008 under the name of Arrendadora y Factor Banorte, S. A. de C. V., Multipurpose Financial Company, regulated entity, Grupo Financiero Banorte, prior authorization by the Ministry of Finance and Public Credit (SHCP).

Issuance of Ps 5 billion in subordinated debt during 1Q08 This issuance was made up of two tranches: the first tranche (BANORTE 08) amounted Ps 3 billion, had a 10 year term and paid an interest rate of 28 day TIIE plus 60 basis points. The second tranche (BANORTE 08U) was for the equivalent in UDIS of approximately Ps 2 billion with a 20 year term, paying a fixed real rate of 4.95% every 182 days. The two issuances were rated Aaa.mx by Moody's. The objective of issuing these securities is to reinforce the bank's growth capacity in light of Banorte's current and future rhythm of expansion.

Issuance of Ps 2.75 billion of subordinated debt On June 30, 2008, GFNorte, through its banking subsidiary, successfully issued subordinated debt in the local market which contributed to strengthening the bank's capital. The securities were non-convertible Subordinated Preferred Obligations (BANORTE 08-2) amounting to Ps 2.75 billion with a 10 year term and an interest rate of 28 day TIIE plus 0.77%. The securities were rated Aaa.mx by Moody's.

Payment of cash dividend The General Ordinary Meeting of GFNorte held on October 6, 2008 decreed the payment of a cash dividend of Ps 0.47 per share, an increase of 4% on the dividend paid the previous year, equivalent to a payout of 15% of the net recurring net income of 2007. The dividend was paid on October 17.

Recognitions On July 10h, 2008 Banorte was distinguished by the publication *Euromoney* as "Best Bank of the Year in Mexico" and "Best Bank of the Year in Latin America" of 2008. Likewise, Interbrand ranked Banorte 16th among the 50 most valuable brands in Latin America with a value of US $846 million, ranking over other prestigious banks in Mexico. Also, on November 26h, 2008 the Financial Times Group, recognized Banorte as the "Bank of the Year in Mexico 2008", in their specialized publication "The Banker", a distinction also obtained in 2000, 2005 and 2006.

1Q09 RELEVANT EVENTS

Purchase of remaining INB shares On April 1, 2009, GFNorte announced the purchase of the remaining 30% of INB Financial Corp. shares, controlling company of Inter National Bank with corporate offices in Texas, USA.

Issuance of Ps 2.2 billion in preferred non-convertible subordinated obligations The non-convertible Subordinated Preferred Obligations (BANORTE 09) amounted to Ps 2.2 billion with a 10 year term and interest rate of 28 day TIIE plus 2%. The securities were rated Aaa.mx by Moody's and AA (mex) by Fitch. They were issued in order to strengthen Banorte's regulatory capital.

Prepayment of Non-Convertible Subordinated Obligations issued in 2004 On February 17, 2009 Banorte pre-paid the non-convertible subordinated obligations registered in the Luxemburg stock exchange. This subordinated debt was issued in February 2004 for an amount of $300 million dollars with maturity in 2014 and a pre-payment option in year 5.

Agreement of international cooperation with the China Development Bank On February 10, 2009, the China Development Bank and Grupo Financiero Banorte signed an important cooperation agreement, establishing the foundation through which both institutions can mutually serve their respective clientele mainly in China, Mexico and the United States by taking advantage of the business platforms of both institutions.

Campaign to Restructure SME Loans On March 24, 2009 Banorte launched a program to restructure loans for its Crediactivo clients, which will allow them to meet their obligations, granting them a term of up to 7 years to pay their loans and a lower interest rate for timely payments.

Launching of Banorte Movil On March 5, 2009, the "Banorte Movil" application was introduced to electronic banking clients. This innovative channel operates via cellular telephones and mobile devices using the Internet.

Launching of "Dollar Debit Card" The new "Dollar Debit Card" was launched on March 30, 2009 as well as the new savings product, “Enlace dollars without checkbook”, directed at individuals who reside in the border area and need to make transactions and purchases in dollars and pesos.

Recognition as “Best Financial Group 2009 in Mexico" by World Finance For the first time, GFNorte was awarded “Best Financial Group 2009 in Mexico” by World Finance magazine. This is the first time that a Mexican bank has received this award from the prestigious London based "World News Media" publication group.

STOCK PERFORMANCE

The performance of GFNORTEO shares in the last 6 months is shown as follows:

Date	Maximum	Minimum	Close	P/BV*	P/E**	Volume
10/31/2008	25.44	23.01	24.81	1.34	6.20	6,461,400
11/28/2008	21.70	20.45	21.41	1.16	5.35	2,641,700
12/31/2008	25.00	24.28	24.88	1.33	9.87	508,300
01/30/2009	19.93	18.70	18.93	1.01	7.51	17,104,400
02/27/2009	17.00	15.99	16.09	0.86	6.38	6,192,400
03/31/2009	19.05	18.65	18.83	0.98	4.80	11,767,400

*P/VL = Price/Book Value
**P/U = Price/Earnings

c) RISK FACTORS

RISKS RELATED TO MEXICO

Macro-economic Situation

To a large extent, GFNorte’s main activities are conducted in Mexico and depend on the performance of the Mexican economy. Historically, Mexico has had recurring economic crises characterized by high inflation rates, volatility and devaluation in the exchange rate, high interest rates, reduced consumer demand as well as credit availability, an increase in the unemployment rate and a loss of investors’ confidence, among other things. GFNorte cannot guarantee that such events will not happen again in the future and that situations resulting from such events will not affect the financial situation, businesses or operating results of the Group.

Economic Growth

Any reduction in Mexico’s economic growth rate, periods of negative growth and/or increased inflation and/or interest rates could create a reduction in the demand for the Group’s products and services, a reduction of prices for such products and services, or a demand for products and services with lower margins. Because many of its costs and expenses are fixed, GFNorte would find it difficult to adjust these costs and expenses to face any events which could negatively affect profit margins.

Significant depreciation and/or devaluation of the peso in face of other currencies

Despite the fact that the peso has been relatively stable in the last few years vis a vis the US dollar and other currencies, (except for the last months of 2008 and first months of 2009), if a significant devaluation of the peso were to happen with respect to the dollar or other currencies, the Mexican economy would be negatively affected and would therefore have to restrict transfers or conversions of pesos into dollars and other foreign currencies.

Inflation

Inflation in Mexico, measured by the increase in the National Consumer Price Index was 6.5% in 2008. If inflation increases in a greater proportion than wages, the result would adversely affect the purchasing power of individuals and companies with loans, and therefore their payment capacity.

Interest rates

In the last few years, interest rates in Mexico have been one digit . Adverse situations in the national economy could result in substantial increases in market interest rates, which in turn would affect the payment capacity of clients holding loans from the Bank, with adverse effects in the Bank's business, financial situation and operating results.

Employment Level

In the case that changes in the economic, political or social situations result in a loss of employment in the country, the payment capacity of individuals and companies with loans would be adversely affected by the loss of their source of income, which in turn could cause a decrease in the Group's receivables and therefore an increase in delinquencies.

Changes in governmental dispositions

Any change in the law or in governmental policies and strategies related to the services and financial products offered by banking institutions could affect the operation and the legal system of Banorte, thereby its business, financial situation or operating results.

Political Situation

As a result of the federal elections which took place in July 2006, no party has a majority in the number of legislators that allows them to control any of the Chambers (Deputy and Senate) that make up the Congress of the Union. This situation will continue until at least the next election of federal deputies in 2009 and could result in the impossibility of adopting the structural reforms needed by the country.

GFNorte cannot ensure that political events in Mexico, over which it has no control, will not have an unfavorable effect in its financial situation or results.

RISKS RELATED TO MULTIPLE BANKING INSTITUTIONS

Competition in financial services

Banorte faces strong competition from other Mexican financial institutions that cater the same corporate and individual segments, as well as global financial institutions. Banorte is constantly facing strong competition from institutions recently authorized to begin operations by the Ministry of Finance which, in some way, cater or seek to penetrate the same corporate and individual segments as Banorte, as well as non-regulated entities, commonly known as SOFOMES, whose main activity is originating loans.

Changes in governmental regulations

Credit institutions are subject to regulations regarding their organization, operation, capitalization, transactions with related parties, reserves for credit losses, diversification of investments, liquidity ratio levels, loan origination policies, interest rates charged and accounting criteria, among other aspects. This regulation has undergone changes in recent years causing changes in Banorte's financial statements. Should the applicable regulations be modified again in the future, their effects could have an unfavorable impact in the business, financial situation or the operating results of Banorte.

Foreclosures

Foreclosures are conducted through legal procedures which, on occasion, can become lengthy or hindered. Delays or impediments in foreclosures can adversely affect the value of the items given in guarantee and the business, financial situation or operating results of Banorte.

Credit risk reserves

Banking regulations for loans establish that multiple banking institutions must rate their portfolios based on the estimated level of risk according to qualitative and quantitative factors to establish the corresponding loan reserves. Banorte meets the current requirements for portfolio rating and considers that the preventive estimate for credit risks is enough to cover expected or non expected losses in its loan portfolio. The policy it follows is to create reserves at the maximum levels allowed by the law.Also, the aim of this policy is to have a sound contingency structure in the face of any eventuality in its portfolio. Should an increase in reserves be considered necessary, or if regulations for rating loan portfolios are modified and require increased reserves, this could adversely affect the operating results and the capitalization level of the bank.

It is important to mention that on August 22, 2008, the Ministry of Finance published in the Daily Offiical Gazette a resolution that modifies the dispositions applicable to credit institutions. Section II of Article 91 establishes a progressive chart so that credit institutions rate the portfolio, constitute and register preventive reserves for revolving consumer credit portfolios in their accounting. In accordance with the Second Transitory Article of this resolution, credit institutions must adhere to the chart of Section II of Article 91 by the last day of October 2008 at the very latest. In this regard, Banorte has met this requirement and already reflects the changes in regulations in its 2008 financial statements.

Liquidity

Deposits made by clients constitute a source of financing for Banorte. The short term nature of this source of income can represent a liquidity risk for Banorte if the deposits are not made in the estimated volumes or if these deposits are withdrawn in an unexpected manner.

Foreign currency operations

In accordance with Banxico’s regulations, Banorte’s foreign currency liabilities are subject to a liquidity coefficient which must not exceed a determined level with respect to its regulatory capital. Although Banorte meets the applicable dispositions and follows procedures for the administration of risk positions in connection with its bank and treasury activities and movements, it cannot ensure that it won't be subject to losses with regards to futures positions in the event of volatile exchange rates or interest rates, which could have an adverse effect on the business, the financial situation or operating results of Banorte.

Possible Increase in the Past Due Loan Portfolio

The current global financial crisis has resulted in greater volatility in both the international as well as the local markets. This crisis has led to exchange rate devaluations, higher interest rates, a strong reduction in consumer demand, increased unemployment ratios, reduction in credit availability and lowered confidence by investors on a global scale, among others. The afore-mentioned could result in an increase of Banorte’s past due loans, since the probability of delinquency has increased. Although Banorte has diverse policies and controls regarding loan placements and collection of payments, these policies and controls cannot prevent an increase in the past due loan portfolio in adverse situations that at present, reign in the national and international economies.

RISKS RELATED TO BANORTE

Foreseen risks in financial statement notes

Banorte is subject to a series of risks including market risk, credit, liquidity, operating, technological and legal risks. The consolidated financial statement notes for Banorte, included as annexes to this report, contain a description of these risks. Any updating of these risks could adversely affect the business, financial situation or operating results of Banorte.

Repeal of authorization

In accordance with the LIC (Credit Institutions Law), some of the reasons for which the CNBV could revoke Banorte's authorization for to operate as a banking institution are if the bank: (i) doesn't carry out the corrective measures required by the CNBV; (ii) doesn't implement the established capitalization requirements according to applicable legal dispositions; (iii) in certain cases, does not fulfill its debt obligations or its obligations derived from compensation processes or those with its depositors; and (iv) repeatedly conducts operations that are prohibited or sanctioned according to the LIC (see "Applicable Legislation and Tax Situation").

Market Risk

Banorte is exposed to market risks from different risk factors associated to the positions that it maintains in a wide range of financial products, including maturing instruments, derivatives and private debt certificates. Measuring the market risk quantifies the potential change in value of the positions assumed as consequence of changes in the risk factors associated with these positions. These changes can affect the operating results and the financial position of Banorte.

An integral risk administration assures an appropriate control through a group of management, measurement and information policies, as well as established limits for market risk factors. Global risk measurement is made through a combination of methodologies applied to negotiated portfolios and the structural balance sheet.

In a timely fashion, Banorte fulfills the dispositions and requirements of authorities, continuously implementing improvements according to healthy and better market practices with respect to risk administration.

For more information, see Notes 31. Risk Administration and 32. Unit for Integral Risk Administration (UAIR), point 7. ANNEXES.

d) OTHER SECURITIES

GFNorte has fulfilled its obligations in reporting outstanding events through the Emisnet system of the BMV, as well as with the periodical financial and legal information that is must present in accordance with the law.

e) SIGNIFICANT CHANGES TO REGISTERED SECURITIES' RIGHTS

GFNorte does not have any debt securities issued for terms longer than 1 year.

f) DESTINATION OF FUNDS

Not applicable.

g) PUBLIC DOCUMENTS

The Investor Relations Department, in charge of David Ricardo Suarez Cortazar, is the area responsible for attending analysts and investors. It is located at:

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This report is available to the general public at: www.banorte.com/ri Select "Annual Reports" in the Financial Information section and then the document entitled “CNBV 2008." “Circular Única CNBV 2008”.

2. THE COMPANY

a) DEVELOPMENT AND HISTORY OF THE ISSUER

GFNorte operates under the commercial name of "Banorte" and was constituted on July 21, 1992 in Mexico City for an indefinite period of time.

The main offices are located located at:

MEXICO CITY, D. F.
Ave. Prolongacion Reforma 1230, Col. Cruz Manca Santa Fe, Delegación Cuajimalpa
C. P. 05300, Mexico, D. F. (0155) 1103-4000

MONTERREY, N. L.
Ave. Revolucion 3000, Col. Primavera
C. P. 64830 Monterrey, N. L., Mexico (0181) 8319-6500

GFNORTE'S MOST IMPORTANT HISTORICAL EVENTS

GFNorte's roots go back to the founding of Banco Mercantil de Monterrey in 1899 and the Banco Regional del Norte in 1947, both with headquarters in Monterrey, Nuevo Leon, Mexico. These banks were merged in January 1986 under the name of Banco Mercantil del Norte, Sociedad Nacional de Crédito. In May of 1987 the bank began the private placement of its equity participation certificates, which marked the beginning of its privatization and also of its expansion; as of 1990 leasing services were offered and one year later factoring and warehousing services were also available. In 1993 "Afin Casa de Bolsa" was incorporated which today is the "Casa de Bolsa Banorte", completing the current Grupo Financiero Banorte. In 1997 GFNorte acquired Bancen and Banpaís, strengthening its position and achieving the objective of becoming an institution with nation wide presence. All the necessary corporate acts were successfully conducted for the accounting and fiscal merger of Banpaís with Banorte, as of March 1, 2000 the latter subsists. On September 30, 1997 a joint-investment contract with Assicurazioni Generali S.P.A. was signed, entitling the Italian institution to 49% of Afore Banorte, Seguros Banorte and Pensiones Banorte, officially integrating this partner into the Long Term Savings division. Later on, Banorte acquired Bancrecer and on January 8, 2002 took over its management, thus initiating the integration process. The Ministry of Finance authorized the merger, changing the name of the merged entity to "Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte". On August 28, 2006 Bancen also merged with Banorte through a resolution of their respective Extraordinary General Shareholder Meetings held on August 16 and 17, 2006, in this way concluding the last phase of integration of this bank. As part of a developmental strategy in the US, on November 16[t] 2006 GFNorte acquired 70% of INB shares. INB had 14 branches when acquired and its headquarters were located in McAllen, Texas. On January 18, 2007 the purchase of 100% of Uniteller, a New Jersey based remittance company was formalized; and in the following December 100% of Motran Services, Inc., another remittance company based in L.A., California was acquired - strengthening Banorte's presence in the remittance sector.

On March 30, 2007, the Bonding Company was spun-off from Grupo Financiero and as of January 31, 2008 the factoring and leasing companies were merged. Finally, on April 1, the remaining 30% of INB Financial Corp. shares were purchased.

RELEVANT EVENTS IN 2008

Alejandro Valenzuela appointed CEO of GFNorte On April 14, 2008 the Board of Directors of GFNorte accepted the resignation of former CEO, Luis Peña Kegel. That same day, the Board of Directors appointed Alejandro Valenzuela del Rio as Interim CEO of GFNorte, and on July 24, 2008 ratified him as CEO of GFNorte, eliminating the temporary position of Acting CEO which he had assumed in April. Dr. Valenzuela has a 20 year professional trajectory in the private and public financial sectors where he has held important positions such as: Director of External and International Relations of the Bank of Mexico; Economic Spokesperson for the Federal Government; General Director of International Financial Affairs; Director of Public Debt and Director of Foreign Investment and External Trade in the Ministry of Finance, among others. In GFNorte, Dr. Valenzuela also acted as Managing Director of Treasury, Capital Markets and Investor Relations, and previously as Managing Director of Institutional and Investor Relations.

Agreement with American Express: Banorte and American Express (Mexico) signed an agreement on July 30, 2008 by which American Express will issue Banorte's corporate credit cards. Through this alliance, Banorte's corporate clients will be able to access the range of products and services offered by American Express which include benefits such as savings, expense control, financing options and exclusive benefits for users.

Credit card payment campaign: In response to the liquidity problems some clients were experiencing as a result of the difficult economic situation, Banorte decided to adopt a series of measures to support their clients to face in these times of adversity. A massive campaign was launched in December 2008 called "50/48" (50% discount on interest rate and up to a 48 month term to pay) providing an alternative for clients seeking to restructure their debt and to improve their credit profile. The client's debt is amortized with a fixed payment schedule without the possibility of using the available balance. Given the success the first phase of this campaign had, as of January 12, 2009 this benefit was extended to clients, increasing the term to up to 60 months. This new offer was extended to February 16, 2009 and was also available to clients who had restructured their debt with the previous offer.

Mortgages with maturities of over 20 years: in spite of the tight market conditions for mortgage lending, Banorte continues offering 20 and 30 year mortgages. However, given the new risk and liquidity conditions in the market, adjustments were made in December to the mortgage rates charged; a 20-year mortgage is now at 13.2% and a 30-year at 13.5%. The benefit of a reduction in the interest rate for timely payments continues, having the possibility of a reduction to 10.50% in either case. Through these features, Banorte's mortgage products with maturities of over 20 years consolidate as a competitive alternative to satisfy the long-term financing needs of clients.

Merger of Factoring and Leasing Companies: GFNorte's General Extraordinary Shareholders Meeting held on October 3, 2007 approved the merger of Arrendadora y Factor Banorte S. A. de C. V., Sociedad Financiera de Objeto Multiple, as the merged entity and Arrendadora Banorte S. A. de C. V., as the subsisting entity. This merger was motivated by regulatory changes that allow the creation of multi-purpose non-banking financial institutions. The benefits of consolidating these two businesses under one denomination are: taking advantage of operating efficiencies, more leverage capacity due to a consolidation of capital, maintain high ratings with rating agencies and improve the terms and conditions of funding lines with other financial institutions. Having obtained the prior authorization of the Ministry of Finance, the merged entity commenced operations on January 31, 2008 under the name of Arrendadora y Factor Banorte, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte

Merger of Banorte's Real Estate companies: On June 16, 2008 Banorte's General Extraordinary Shareholders' Meeting approved the merger of Inmobiliaria Bancrecer, S.A. de C.V., Inmobiliaria Innova, S.A. de C.V., Inmobiliaria Banormex, S.A. de C.V., Inmuebles de Tijuana, S.A. de C.V., Inmobiliaria Banorte, S.A. de C.V., Constructora Primero, S.A. de C.V., Inmuebles de Occidente, S.A., Inmobiliaria Finsa, S.A. de C.V., and Inmobiliaria Bra, S.A. de C.V. Also, the merger agreement was approved in order to formalize the resolutions passed by the Assembly, and it was established that Banorte's Balance Sheet of May 31, 2008 will serve as the reference for this merger.

Increase in the Fixed Portion of the Warehousing Company's Equity:
On January 2, 2009 Document UBVA/153/2008 of November 28, 2008, was published in the Daily Official Gazette through which the Ministry of Finance modified the authorization for Almacenadora Banorte to be constituted and operate as a General Deposit Warehouse, by virtue of an increase in the fixed part of its total equity in the amount of Ps 31, 780,651. This capital increase was approved by the General Extraordinary Shareholders' Meeting held on October 1, 2008.

Issuance of Ps 5 billion in subordinated debt debentures during the 1Q08: In 1Q08, Banorte simultaneously issued two tranches of subordinated debentures that strengthened its capitalization levels. The first issuance, which was non-preferred and non-convertible subordinated obligations (BANORTE 08) amounted to Ps 3 billion, had a 10 year maturity and will pay an interest rate of 28 day TIIE plus 60 basis points; the second issuance was a20 year subordinated preferred non-convertible obligations (BANORTE 08U) which amounted to the equivalent of Ps 2 billion in UDIS and will pay a fixed real rate of 4.95% every 182 days. The two tranches were rated Aaa.mx by Moody's. With these transactions, Banorte begins an innovative 5 year program of up to Ps 15 billion in subordinated preferred and non-preferred non-convertible obligations that compute as regulatory capital. The objective is to reinforce the growth capacity that Banorte's current and future expansion rhythm demands.

Issuance of Ps 2.75 billion in subordinated obligations: On June 30, 2008, Banorte successfully completed the issuance of subordinated debt in the local market which contributed to strengthen the bank's regulatory capitalization levels. The issuance of Ps 2.75 billion in 10 year subordinated preferred non-convertible obligations (BANORTE 08-2) will pay an interest rate of 28 day TIIE plus 0.77%. The securities were rated Aaa.mx by Moody's.

Payment of Cash Dividend: GFNorte's General Ordinary Shareholders' Meeting held on October 6, 2008 decreed the payment of a cash dividend of Ps 0.47 pesos per share, an 4% increase over the previous year's dividend and equivalent to a payout ratio of 15% of 2007's recurring net income. The dividend was paid on October 17, 2008. It is worth noting that the current dividend policy was approved in the Shareholders' Meeting of April 29, 2003, and establishes a "payout ratio" of 15% of GFNorte's recurring net profit. The payment of the dividend is subject to the inexistence of legal impediments and also to market conditions and the Group's financial situation allowing it. Because none of these limitations materialized, in the Board's session held on July 24, 2008, it was approved to propose the payment of the dividend corresponding to the 2007 fiscal year at the Shareholders' Meeting. Payment of this dividend had no relevant impact on the capitalization ratio, since it was offset by other elements that strengthen the capitalization, such as retained earnings and profits of the current fiscal year as well as capital movements with positive impacts.

***Euromoney* awards Banorte "Best Bank in the year in Mexico" and "Best Bank of the Year in Latin America":** On July 10, 2008 Banorte was informed that it had been awarded "Best Bank of the Year in Mexico" and "Best Bank of the Year in Latin America 2008" by the publication *Euromoney*. This award, one of the most prestigious in the financial world, is awarded after a thorough selection process by a team of editors highly specialized in banking and finance. The process involves the most important financial institutions in Mexico and Latin America.

Banorte ranked 16th among the 50 most important brands of Latin America: this study was based on a worldwide methodology of financial valuation applied by Interbrand to develop its global ranking. It consists of analyzing the amount of prospective future cash flows of a company that are attributable to intangible assets related to the brand. According to this methodology, Banorte is ranked 16th in Latin America, with a value of US $846 million, surpassing other prestigious banks in Mexico.

Banorte named "Bank of the Year in Mexico" by *The Banker* magazine: On November 26th, 2008 the Financial Times Group recognized Banorte as "Bank of the Year in Mexico 2008", a distinction that it had also received in 2000, 2005 and 2006. Banorte was distinguished for its innovation, client services, prudence in risk taking and appropriate management.

RELEVANT EVENTS OF 1Q09

Purchase of remaining 30% of INB shares: On April 21, 2009 GFNorte announced the purchase of the remaining 30% of INB Financial Corp. shares, controlling company of Inter National Bank with corporate offices in the state of Texas, USA. This acquisition marks the completion of the original strategy outlined in January 2006, when the acquisition of 70% of Inter National Bank shares was announced. Banorte paid a total of $146.6 million dollars to acquire this remaining stake. This transaction did not have any impact on the capitalization ratio of Banorte, as the full impact of the transaction was registered in 2006.

Issuance of Ps 2.2 billion in preferred non-convertible subordinated obligations: the non-convertible Subordinated Preferred Obligations (BANORTE 09) amounted to Ps 2.2 billion with a 10 year term and interest rate of 28 day TIIE plus 2%. The securities were rated Aaa.mx by Moody's and AA (mex) by Fitch. They were issued in order to strengthen Banorte's regulatory capital.

Prepayment of Subordinated Non-convertible Obligations issued in 2004: On January 14, 2009, Banorte announced that in February 2009, would exercise the prepayment option on the $300 million dollars of subordinated non-convertible obligations issued in 2004 maturing in 2014, and registered in the Luxemburg stock exchange. These securities included a prepayment option as of year 5 which was exercised on February

17, 2009. The main reasons for prepaying these obligations were: i) the capital base was reinforced with recent issuance of subordinated debt in the local markets; ii) to maintain Banorte's credibility as an issuer in the international capital markets; iii) to pay debt obligations that will gradually compute less as regulatory capital in accordance with rules established by the CNBV.

Agreement with China Development Bank: On February 10, 2009, the China Development Bank and GFNorte signed an important cooperation agreement that sets the foundation through which both institutions can reciprocally assist their respective clientele mainly in China, Mexico and the United States, by taking advantage of their respective business platforms.

Campaign to Restructure SME Loans: Banorte maintains its commitment to support and propel Mexican SMEs, even in these difficult economic times. For that reason, on March 24, 2009 it launched an aggressive program to restructure loans for their Crediactivo clients, allowing them to meet their commitments, by lengthening the maturity of their loans up to 7 years and reducing the interest rate for timely payments.

Launching of Banorte Movil: On March 5, 2009 the "Banorte Movil" application became available to electronic banking clients. This novel electronic banking service operates via cellular telephones and mobile devices using the Internet, and is accessible from anywhere in the country using a cellular telephone, regardless of the type of equipment or the phone service provider. During the first weeks of operation, a total of 15,000 electronic banking clients downloaded this application to their cellular telephones.

Launching of the "Dollar Debit Card": On March 30, 2009 Banorte launched the "Dollar Debit Card" and a new savings product "Enlace Dollars without a Checkbook", directed at individuals residing in the border area of the country and who make purchases and transactions in dollars and pesos. With this instrument, users can obtain dollars 24 hours a day from ATMs in Mexico or from Inter National Bank ATMs in Texas, without having to pay commissions or be affected by FX variations, as usually happens with purchases made with credit cards in pesos. Accounts can be opened with a minimum of 100 US dollars.

Named "Best Financial Group 2009 in Mexico" by *World Finance*: GFNorte was awarded for the first time, the distinction of "Best Financial Group 2009" granted by World Finance. This is also the first time that a Mexican bank has been honored with this award by this prestigious publication which is part of the London-based *World News Media* Group. Banorte was recognized for its constant innovation, originality, the quality of its products and services, the continuous development of markets, its growing market share in all segments and excellence in customer service, among other things.

b) BUSINESS DESCRIPTION

i. MAIN ACTIVITIES

GFNorte was authorized by the Ministry of Finance and Public Credit (SHCP) to operate as a holding company of those companies mentioned later in this report (item ix. Corporate Structure), according to the guidelines and terms established by the Law to Regulate Financial Groups and general regulations issued by the CNBV.

Its main activity is to acquire and manage shares representing equity of financial entities and societies that provide them with complementary or auxiliary services as well as other types of societies determined by the SHCP.

GFNorte offers:

- Banking Sector: all universal banking services in Mexico and - through INB - in the state of Texas, USA.
- Long-term Savings: retirement savings funds (Afore), insurance and annuities.
- Other finance companies: leasing & factoring and warehousing services.
- Broker Dealer: capital market services and products.

- Pronegocio (Microlending): in GFNorte's Board of Directors session held on January 29, 2009, the merger of Créditos Pronegocio, S.A. de C.V. to the banking subsidiary Banorte was approved; and as of that date, all Pronegocio operations are controlled by the bank.

The main activity of the Banking Sector is to offer all the universal banking products and services through the following business lines:

- **Consumer Bank:** specializing in individuals and small businesses providing them through our distribution channel with products and banking services that are not specialized. Among the products and services offered are: checking and savings accounts; credit cards; mortgages, car loans, payroll and personal loans.

- **Corporate Bank**: this segment specializes in credit products for small and medium sized companies. Main products are loans and lines of credit, cash management, fiduciary and payroll payment services. Comprehensive financial solutions are also offered to our corporate (Mexican corporations and large foreign multi-national corporations) clients through several specialized types of financing.

- **Government Banking:** federal, local and state governments in Mexico and other entities such as social security institutions, etc. are served through this unit. Products and services offered include checking accounts, loans, cash management, payroll services and insurance products, among others.

- **Recovery Bank:** through the Solida subsidiary, it is responsible for the management, collection and recovery of delinquent loans originated by the bank. It also conducts the management, collection of loan and real estate portfolios acquired through public and private auctions.

ii. DISTRIBUTION CHANNELS

Banorte has one of the largest distribution networks in the country comprised of 1,118 branches and over 4,000 ATMs through which it offers quality service to clients. Banorte also has one of the most modern and secure Internet services to conduct financial transactions as well as a world class Call Center with the support of a strong technological platform.

Branch network

Banorte strengthened its presence in mature and consolidated markets, at the same time extending its branch network into new markets by opening offices and making strategic relocations. These efforts were especially relevant in Mexico City, where 32% of the branch movements were registered.

In the course of 2008, 67 new offices were inaugurated and 3 were closed; 19 relocations and 5 refurbishments were carried out; at year-end the branch network totalled 1,118. Considering these results, 2008 has been the year with the most branch openings in the last three fiscal years.

In 2009, Banorte will continue to expand its branch network considering the economic situation, seeking to increase penetration in highly bancarized markets, emphasizing efforts in Mexico City North and Mexico City South territories. At the same time, and because of the difficult economic situation expected in 2009, Banorte will merge some branches to obtain efficiencies without affecting the quality of service that our clients require.

ATMs

The strategy to increase our client base also implies an increase in the number of ATMs that support their transactions, especially Banorte payroll users. At the end of 2008 Banorte's ATMs network was comprised of 4,136 units, an increase of more than 450 during the last year. Additionally, in accordance with the technological upgrading program, a large number of ATMs were modernized with more advanced equipment, improving the level of service and strengthening this channel that accounts for 45% of total bank transactions.

Acquired Business (Point of Sales – POS)

Through this medium we can offer clients efficient service with terminals using the Internet; enabling merchants to make sales with a credit card on-site (national and international, Visa, MasterCard or American Express) using mobile terminals or even through the Internet with e-commerce solutions. Currently there are 35,000 affiliated merchants, through which 56 million annual transactions are made, representing a total billing of Ps 37,710 million in 2008.

Banortel Call Center

During 2008, 30.5 million Banorte clients' calls were answered, using a new model that differentiates our service from the competition by achieving a tangible benefit for clients through specialized attention according to the product. During this period, part of the Call Center's technological platform was upgraded with modern equipment, enabling us to provide better service to our clients.

Banorte through the Internet

Banking through the Internet offers clients the opportunity to conduct more than 50 different types of transactions without having to visit a branch. Currently there are almost 300,000 active clients using this medium, conducting 156 million transactions a year with an average monthly value of Ps 468 billion.

With the development of the new host-to-host communication system (Connexion Banorte) the administrative system of the company (ERP) is connected directly to the bank's operations center, enabling a massive execution of bank transactions in less time, without human intervention and with the high standard of security that distinguishes Banorte. This product seeks to provide needed services to large corporations, as well as government entities that require handling large volumes of transactions with a high level of service and security.

Innovation in mediums

Due to the importance of having tools that help our clients to avoid the ever growing number of fraudulent transactions committed through electronic commerce, and according to the current norms on a national level that establish that these disputes be absorbed by the affiliated trades, Banorte implemented 3D Secure (3DS).

3DS is a new service that provides additional security for purchases conducted through the Internet; using a password associated to the consumer's card (electronic signature). For accepted VISA and MasterCard credit cards, the basic 3DS concept is to ensure the validity of the transaction by means of an on-line authentication (confirmation), protecting the cardholder from future fraud as well as the business from charges arising from fraudulent transactions.

The main feature of this service is the change in responsibility. If a business has 3DS, the responsibility for the charge is transferred to the issuing bank and not to the business, irrespective if the customer's credit card is not registered with Verified by Visa or MasterCard Secure Code, thereby greatly diminishing possible charge disputes that the company may receive.

With this new service, we can ensure greater security and certainty to our clients, both from the buyer's point of view (businesses with a transfer of responsibility) and from the issuer's point of view.

iii. PATENTS, LICENSES, BRANDS AND OTHER CONTRACTS

The main registered trademark is BANORTE, since it represents the distinctive sign of GFNorte and its subsidiaries, being in use for 10 years since 2000. We also have the registered trademark of GRUPO FINANCIERO BANORTE since 1994, which is valid until 2014.

Banorte also owns the trademarks of SUMA, IMANORTE, CRÉDITO HIPOTECARIO BANORTE Y AUTOESTRENE BANORTE, which are significant within their sectors since they support the main financial products offered to the public. The trademarks are valid for 10 years starting from 2002, 2000, 2001 and 2005, respectively.

Additionally we have the trademarks for ENLACE TRADICIONAL, ENLACE DINÁMICA, ENLACE INTELIGENTE, FLEXPLAN and PUNTOS X DIVERSIÓN, which also support important financial products offered by Banorte to the public, for 10 years as from 2002. And the most recent trademarks are MUJER BANORTE and AGROPECUARIO BANORTE, for 10 years as of 2005 and 2006, respectively.

On the other hand, Banorte has registered commercial slogans, among others:

BANORTE, EL BANCO FUERTE DE MÉXICO (BANORTE, THE STRONG BANK OF MEXICO)
MÉXICO PIENSA EN GRANDE (MEXICO THINKS BIG)
MÉXICO PIENSA EN GRANDE, BANORTE EL BANCO FUERTE DE MÉXICO (MEXICO THINKS BIG, BANORTE THE STRONG BANK OF MEXICO)

These slogans are significant since they form part of an institutional campaign that promotes the solvency, stability and strength of this credit institution, which is one of the most representative subsidiaries of GFNorte, They are valid for 10 years starting from 1999. The most recent commercial slogans are SIEMPRE TE DA MÁS (YOU ALWAYS GET MORE) and MUJER BANORTE, DETRÁS DE UNA GRAN MUJER HAY UN GRAN BANCO, (BANORTE WOMAN, BEHIND EVERY GREAT WOMAN IS A GREAT BANK) with duration of 10 years as of 2003 and 2005, respectively.

Each one of these property rights is protected by their respective authorities.

Relevant contracts:

Banorte has celebrated diverse contracts outside of its core business, among the most relevant:

- The agreement with American Express Company (Mexico), S.A. de C.V. to share Points of Sale Terminals, celebrated on December 2, 2006 for an indefinite length of time.

- Agreements with IBM Mexico, Comercialización y Servicios, S.A. de C.V., (i) for the acquisition of products (equipment or software licenses) and services, and (ii) leasing of technological equipment. The first contract was signed on December 5th, 2005 and the leasing contract was signed on May 7, 2004; with the understanding that both contracts are for indefinite periods of time.

- The agreement celebrated on May 1, 2006 with Sertres del Norte, S.A. de C.V., for preventive maintenance and corrective services to the infrastructure equipment of the institution, as well as other contracts for the installation of mechanisms and/or infrastructure of uninterrupted energy in order to protect Banorte from the possible risk of interrupted transactions. The first agreement mentioned expired on April 30, 2009, but was renewed and will expire in June 2012; and the other agreements were celebrated in accordance with the needs of the institution, with the intention that they will expire as soon as the service or commended task is concluded.

- The agreement with NCR de México, S. de R. L. de C. V., for preventive maintenance and corrective services for ATMs was celebrated on March 1, 2007. It expired on February 28, 2009 but was extended to May 31st, 2009. The renewal is currently under negotiation and the contract is in the signing process for a period of 3 years.

- The agreement with Diebold de México S. A. de C.V., for preventive maintenance and corrective services for ATMs, was celebrated on March t, 2008, and expires on February 28, 2010.

- The contract with Winston Data, S.A. de C.V., for printing services and inserting account statements into envelopes with account statements, was celebrated on July 15, 2008 for an indefinite period of time.

- The agreement with Azertia Tecnologías de la Información México, S. A. de C. V., for printing services and inserting account statements into envelopes, was celebrated on July 15, 2008 for an indefinite period of time.

- The contract with Satélites Mexicanos S. A. de C. V., for satellite signal services was celebrated on July 31, 2007, expiring on June 30, 2009 and is currently under negotiation to be renewed for 3 additional years, expiring on July 31, 2012.

- The agreement with Libros Foráneos S. A. de C. V., providing satellite linking services for ATMs was celebrated on October 1, 2006, and will expire on September 1, 2009.

With respect to the afore-mentioned contracts, there is no risk involved if the renewals are affected.

iv. MAIN CLIENTS

By March 31, 2009 Banorte had an ample and diversified portfolio of clients; the largest one representing only 2.0% of the total portfolio.

Also, GFNorte's transactions are adequately distributed among the different productive sectors of the economy, with no important concentration in any specific sector and, for the same reason, no cyclical relevance.

v. APPLICABLE LEGISLATION AND TAX SITUATION

GFNorte has SHCP's authorization to be constituted and to function as a financial group in accordance with the guidelines and terms established by the Law to Regulate Financial Groups, falling under the inspection and surveillance of CNBV. Its transactions consist of acquiring and managing shares with voting rights issued by members of the Group, as well as of societies that lend complementary or auxiliary services to one or more financial entities of the Group or to itself, and to other societies authorized by the SHCP through general dispositions. Its operations are regulated by the CNBV, the Law to Regulate the Financial Groups, the Stock Market Law, the mercantile legislation, mercantile uses and practices, the Civil Code for the Distrito Federal (Mexico City) and the Federal Tax Code, for the effects of notifications and legal actions referred to in Article 27 of the Law to Regulate Financial Groups; each member of the financial group will be governed by the respective laws that are applicable to them.

As part of the CNBV's faculties in its capacity as regulator of financial groups, it must conduct revisions of financial information and require necessary modifications and if applicable, determine sanctions for non-compliance with the established norms.

GFNorte has signed an agreement of responsibilities in accordance with the Law to Regulate Financial Groups, through which it must respond fully, with the obligations of the Group's financial entities that are their responsibility in accordance with the applicable regulations, even those that were assumed by those financial entities prior to their integration into the Group. GFNorte will also respond in an unlimited way for the losses of all and each one of these entities. In the event that the capital of the Society is not enough to cover the responsibilities of the Group's financial entities, such responsibilities will be covered first by Banco Mercantil del Norte, S. A., and later proportionately with respect to the other entities of the group until the Society's capital is depleted. To that effect, the relationship between the percentages that each one represents in the total equity of these financial entities will be taken into consideration.

The Group will only be able to assume direct or contingent liabilities and use its properties as guarantee according to the agreement of responsibilities referred to in Article 28 of the Law to Regulate the Financial Groups, as well as in operations with the IPAB and with the Bank of Mexico's authorization, to issue subordinated obligations with mandatory conversion to equity securities and to obtain short term loans, until the placement of shares for the incorporation or merger referred to in Article 10 of the referred law.

The Society will be prohibited: (i) to grant loans, except for those which are part of labor benefits; (ii) to process or carry out any arrangement related to the operations of its controlled financial entities, and (iii) to provide information on its operations or those of other entities of the Group, except to the authorities in accordance with the legal framework, this limitation being extended to its Board of Directors, commissaries, officials, employees and in general to anyone who can commit the Society with their signature.

The By-laws of the Society, the Agreement of Responsibilities, as well as any modification to these documents must be submitted for the approval of SHCP who will grant or deny it after hearing the opinion of Banxico and CNBV. Any conflict arising from the interpretation, execution or non-fulfillment of the by-laws will submitted to the legal tribunals of Mexico City, Distrito Federal.

During the 2008 audited fiscal year, the Institution did not enjoy any special tax benefits, subsidies or exemptions granted by tax authorities.

vi. HUMAN RESOURCES

GFNorte had 20,008 full-time and professional fee-based employees at the end of the year 2008, of which the Banking Sector makes up 76%.

Sector	2008	2007	2006
Bank	15,109	14,211	13,362
Long term savings	3,837	2,106	1,822
Other Finance Companies and Microlending	742	710	562
Broker Dealer	195	188	183
Remittance companies	114	133	0
Total full-time employees	**19,997**	**17,348**	**15,929**
Total full-time employees & salaries	**20,008**	**17,361**	**15,940**

63% of GFNorte's Banking Sector employees are non-unionized and the rest are union members.

Historically the relationship between Banorte's union and the Institution has been cordial and respectful, without any conflict. There have been no strikes, threats of work disruption or collective conflicts.

vii. ENVIRONMENTAL PERFORMANCE

Since Banorte is a service company, it does not have an environmental protection policy.

viii. MARKET INFORMATION

The evolution of GFNorte's financial entities' market participation has been the following:

Financial Entity	Concept	2008	2007	2006
Bank Sector	Public deposits*	12.6%	12.0%	12.0%
Broker	Variable Income Operations	6.4%	7.2%	9.3%
Afore (retirement fund)	Affiliations	9.7%	10.3%	11.1%
Insurance	Issued premiums	4.2%	4.7%	4.6%
Annuities	Annuities	52.0%	40.0%	21.1%
Warehousing	Certifications	4.6%	4.6%	4.4%
Factoring	Total Portfolio	N.A.	23.0%	31.0%
Leasing	Total Portfolio	17.3%	12.0%	12.0%
Bond Sector	Issued premiums	N.A.	N.A.	5.6%

*Source: ABM. Sample: Banamex, BBVA Bancomer, Santander Serfin, Banorte, HSBC, Scotiabank, Banregio and Bajio.
N.A.: Not applicable since the Bonding company was spun-off from GFNorte on March 31st, 2007. Factoring and Leasing merged as of February 2008.

GFNorte's attributes are its strength, service and experience, market knowledge and wide range of products and services.

Our main competitors are: Grupo Financiero Banamex, Grupo Financiero BBVA Bancomer, Grupo Financiero Santander, Grupo Financiero Scotiabank and Grupo Financiero HSBC as well as Banregio and Banco del Bajio in some regions of the country. In 2006 and 2007 operations of new banking institutions were authorized; although these new banks are not main competitors of Banorte, they could become a competitor in the future, depending on the business strategies they follow.

ix. CORPORATE STRUCTURE

GFNorte is made up of seven financial entities and it holds the following percentages of their equity:

Financial Entity	Total Equity
Banco Mercantil del Norte, S. A., multiple banking institution, Grupo Financiero Banorte. • Credit Institution authorized to conduct financial operations. • Conducts banking and lending operations.	97.06%
Arrendadora y Factor Banorte, Sociedad Anónima de Capital Variable, Sociedad Financiera de Objeto Múltiple, regulated entity, Grupo Financiero Banorte • Acquires goods and/or real estate for financial leasing • Obtains loans and financing from credit and insurance institutions to cover liquidity needs. • Celebrates leasing and factoring contracts.	99.99%
Almacenadora Banorte, S. A. de C. V., Organización Auxiliar del Crédito, Grupo Financiero Banorte. • Storage services, keeps and conserves goods and merchandise. • Issues deposit certificates and pledged bonuses. • Transforms deposited goods in order to increase their value	99.99%
Seguros Banorte Generali, S. A. de C. V., Grupo Financiero Banorte. • Institution that insures and re-insures individuals and corporations.	51.00%
Pensiones Banorte Generali, S. A. de C. V., Grupo Financiero Banorte • Acts as an insurance institution whose objective is to exclusively manage insurance annuities derived from Social security laws.	51.00%
Casa de Bolsa Banorte, S. A. de C. V., Grupo Financiero Banorte • Acts as intermediary authorized to operate in the stock market, conducting transactions for the sale and purchase of securities, advising in placement of securities and operations with securities and investment societies.	99.99%
Créditos Pronegocio, S. A. de C. V., Sociedad Financiera de Objeto Limitado, Grupo Financiero Banorte • Grants loans to small and medium-sized companies.	99.99%

For more information on the main business relationships with subsidiaries, see Number 4, item b) Operations with Related Parties and Conflict of Interest.

x. DESCRIPTION OF MAIN ASSETS

Below are the most important real estate properties of GFNorte and its subsidiaries:

Location	Construction m^2	Net book value (thousands of Ps)
Mexico-Toluca highway, Col. Cruzmanca Mexico D. F.	43,761	$686,466
Av. Revolucion no. 3000, Monterrey, N. L.	40,222	345,860
Paseo de la Reforma no. 281 corner of Rio Sena 110 Mexico, D.F.	1,192	107,733
Calle Padre Mier Oriente no. 227, Monterrey, N. L.	5,810	65,993
Ave. Chapultepec corner or Paz #. 278, Guadalajara, Jalisco.	6,695	53,969

These properties are insured against damages and are not pledged as guarantee in credit operations.

xi. ADMINISTRATIVE, ARBITRATION AND JUDICIAL PROCESSES

For information on Commitments and Contingencies, see Note 34 Commitments and 35 Contingencies of Point 7. ANNEXES.

xii. REPRESENTATIVE SHARES OF COMPANY'S EQUITY

The total subscribed and paid equity is Ps 7,064,216,418.00, represented by 252,157,233 ordinary nominative shares, Series "O", Class I, and 1,766,190,315 ordinary, nominative shares Series "O", Class II, all with a face value of Ps 3.50.

Shares that represent the total equity are classified as Class I shares and represent the fixed equity and Class II shares represent the variable portion of the equity.

The variable portion of equity cannot exceed 10 times the fixed portion, and is not subject to withdrawal according to legal and statutory regulations.

Total equity will be composed of common equity and could also include additional equity.

The total common equity is made up of Series "O" shares.

Additional equity will be represented by Series "L" shares that can be issued up to an amount equivalent to forty percent of the ordinary capital, with the previous authorization of the CNBV.

Shares of the Series "O" and "L" will be available to the general public.

In the General Ordinary Shareholders' Meeting held on October 6, 2005, an increase in the variable portion of the total equity was approved, in the amount of Ps 5,298,162,313.50, through capitalizing the "Retained Earnings" account with an equivalent to that amount,issuing 1,513' 760,661 ordinary, nominative shares, Series "O", Class II and giving shareholders 3 new shares for each share in circulation.

See Note 27. Equity of Point 7. ANNEXES.

xiii. DIVIDENDS

The company has decreed the following cash dividends for the last 6 fiscal years as follows:

a) October 16, 2003 Ps 0.70 per share.
b) October 04, 2004 Ps1.00 per share.
c) October 06, 2005 Ps1.25 per share.
d) October 12, 2006 Ps 0.3748 per share.
e) October 03, 2007 Ps 0.45 per share.
f) October 06, 2008 Ps 0.47 per share.

In its session of April 30, 2003 the Board of Directors approved a dividend payment policy stating that the Board will propose to the General Ordinary Shareholders' Assembly, the payment of a dividend of at least 15% of the net recurrent profit of the Group, provided there are no legal impediments and that market conditions and its own financial situation allow it.

3. FINANCIAL INFORMATION

When analyzing the information of this report it is important to consider the following:

- ✓ *Figures for 2006 are not fully comparable with other periods because of the new accounting regulations and criteria published by CNBV in 2006 that came into effect in January 2007, and which are explained in detail in Note 4. Principal Accounting Policies of point 7. ANNEXES.*
- ✓ *Operations were conducted in Mexican pesos; in the following charts figures are shown in millions of pesos and although it may seem that some totals have minimal errors, the difference is due to rounding off.*
- ✓ *Only figures for 2006 are expressed in pesos of December 2007. According to the established accounting norms, the re-expression of financial statements as of January 2008 is no longer necessary.*

a) SELECTED FINANCIAL INFORMATION

	2008	2007	2006
Grupo Financiero Banorte net income (GFNorte) (*)	$7,014	$6,810	$6,185
Total Assets of GFNorte (*)	$577,025	$287,283	$243,345
Total Liabilities of GFNorte (*)	$537,279	$253,127	$214,796
GFNorte equity (*) (1)	$39,746	$34,156	$27,089
INFORMATION PER SHARE			
Earnings per share (pesos)	$3.48	$3.37	$3.06
Decreed dividend per share (pesos)	$0.47	$0.45	$0.375
Book value per share (pesos) (1)	$18.77	$16.42	$13.42
Shares in circulation (millions)	2,018.3	2,018.3	2,018.3
DISTRIBUTION NETWORK AND EMPLOYEES			
Bank branches (2)	1,118	1,054	994
ATMs	4,136	3,674	3,140
Full-time employees	19,997	17,348	15,929
Full-time employees and professional services	20,008	17,361	15,940
PROFITABILITY RATIOS			
NIM before REPOMO	6.8%	7.6%	7.7%
NIM adjusted for credit risks	4.7%	6.3%	6.8%
Return on assets (ROA)	1.9%	2.6%	2.8%
Return on equity (ROE)	19.7%	22.7%	24.9%
OPERATIONS			
Efficiency ratio (3)	51.0%	56.3%	55.0%
Operating efficiency ratio (4)	4.3%	5.4%	5.9%
Liquidity ratio	47.1%	49.0%	63.2%
ASSET QUALITY INDICATORS			
Past due loan ratio	2.0%	1.5%	1.4%
Reserve coverage for past due loans	135.2%	130.9%	171.6%
CAPITALIZATION RATIO (BANKING SECTOR)	**15.0%**	**13.8%**	**17.4%**

(*)Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).
(1) Minority interest excluded.
(2) Includes bank modules and excludes agencies abroad.
(3) Non interest expenses / (total Revenues - REPOMO Margin + credit provisions).
(4) Non interest expenses / Total Average Assets.

b) FINANCIAL INFORMATION PER BUSINESS LINE, GEOGRAPHICAL REGION AND EXPORT SALES

a. Deposits

Per Line of Business

	2008	2007	2006
Commercial	$292,252	$260,418	$235,318
Corporate	12,058	9,349	9,212
Government	81,021	86,091	67,070
Consumer	22,594	19,822	15,116
Financial Intermediaries	31,945	19,224	15,042

Average balances in millions of current pesos (except 2006 which is expressed in pesos of Dec-07). Includes bank bonds.

Per Geographic Region

	2008	2007	2006
Mexico City South	$85,514	$94,680	$66,291
Mexico City North	56,582	45,017	42,278
North	87,977	81,084	75,163
Central	52,020	46,276	41,475
Northwest	36,872	29,603	27,176
West	30,108	28,040	27,353
South	22,190	18,844	18,850
Peninsular	17,113	16,339	12,538
Centralized Treasury	32,429	19,703	15,338
Foreign	19,065	15,318	15,295

Average balances in millions of current pesos (except 2006 which is expressed in pesos of Dec-07). Includes bank bonds.

b. Total Loan Portfolio

Per Business Line

	2008	2007	2006
Commercial	$75,163	$55,043	$40,412
Corporate	44,988	36,769	23,737
Government	527	518	920
Consumer	51,059	39,560	32,867
Recovery Bank	131	111	116
Affiliates	6,163	5,050	4,508
Mortgage	43,991	35,707	29,493
Fobaproa	0	91	146
Credit card	17,831	14,710	10,303

Average balances in millions of current pesos (except 2006 which is expressed in pesos of Dec-07). Includes bank bonds.

Per Geographic Region

	2008	2007	2006
Mexico City South	$37,898	$32,784	$19,652
Mexico City North	23,536	15,190	11,197
North	56,196	43,880	34,965
Central	26,828	22,059	17,351
Northwest	29,978	20,827	15,170
West	18,917	15,667	13,939
South	11,300	9,589	8,400
Peninsular	14,687	12,645	8,859
Centralized Treasury	4,660	4,058	4,041
Abroad	15,850	10,858	8,927

Average balances in millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

c) REPORT OF RELEVANT LOANS

Financing obtained from public investors until December 31, 2008 are:

Obligations:

a) Step-Up Subordinated Callable Notes Due 2014 Rule 144A/Reg S (Subordinated Preferred Obligations in US dollars):
Date Issued: February 17, 2004
Maturity date: February 17, 2014
Amount Issued: US $300 million dollars
Coupon Rate: 5.875% during the first 5 years of the issuance; for the next 5 years the rate will be equivalent to the 5 year US Treasury rate plus 431.25 basis points.

b) Subordinated Non cumulative & Non-preferred Obligations, in US dollars Notes Due 2021 ("Tier 1 Notice"):
Date Issued: October 13, 2006
Maturity date: October 13, 2021
Amount Issued: US $200 million dollars
Coupon rate: 6.862%.

c) Subordinated Cumulative & Preferred Obligations, in US dollars, Notes Due 2016 (“Tier 2 Notes”):
Date Issued: October 17, 2014
Maturity date: October 13, 2016
Amount Issued: US $400 million dollars
Coupon Rate: 6.135%

d) Subordinated Preferred Non-convertible Obligations, in UDIS (Tier 2):
Date Issued: March 11, 2008
Maturity date: February 15, 2028
Amount Issued: UDIS 447 million
Coupon Rate: 4.95%

e) Subordinated Non-preferred, Non-convertible Obligations (Tier 1):
Date Issued: March 11, 2008
Maturity date: February 27, 2018
Amount Issued: Ps 3 billion
Coupon Rate: TIIE + 0.60%

f) Subordinated Preferred Non-convertible Obligations in Mexican pesos (Tier 2):
Date Issued: June 27, 2008.

Maturity date: June 15, 2018
Amount Issued: Ps 2.75 billion
Coupon Rate: TIIE + 0.77%.

Banorte is current in interest and/or capital payments of all its financed liabilities.

Banorte liabilities financed in foreign currency

	December 2008	
CONCEPT IN FOREIGN CURRENCY	**Capital (Average)**	**Cost**
Core deposits	1,507,784	0.57%
Non-traditional deposits	900,000	6.21%
Total interbank loans	342,908	3.78%
Total Deposits in Foreign Currency	**2,750,692**	**2.72%**
Fobaproa Checkbook	-	-
Total Resources in Foreign Currency	**USD $2,750,692**	**2.72%**

Thousands of US dollars

INB liabilities financed in foreign currency

	December 2008	
CONCEPT IN FOREIGN CURRENCY	**Capital (Average)**	**Cost**
Core deposits	1,369,634	2.84%
Total interbank loans	212,716	1.09%
Total Resources in Foreign Currency	**USD $1,582,350**	**2.61%**

Thousands of US dollars

d) MANAGEMENT ANALYSIS AND COMMENTS ON OPERATING RESULTS AND THE COMPANY'S FINANCIAL SITUATION

Regarding the items in the Financial Statements that were re-expressed using ratios different from the Consumer Price Index, refer to the item "Recognizing the effects of inflation on financial information" in *Note 4. Principal accounting policies* of Point 7. ANNEXES.

Relevant transactions not registered in the Balance Sheet or Profit and Loss Statement, do not exist.

i. OPERATING RESULTS

In 2008 GFNorte obtained profits of Ps 7.014 billion, 3% more than in 2007 and 13% more than in 2006. During this period, Banking Sector profits (97.06% through equity participation method) reached Ps 6.257 billion, 6% more than in the previous year and contributed 89% of the Group's profits. The Brokerage Sector reported Ps 183 million in profits, 36% less than in 2007, Other Finance Companies obtained a net income of Ps 336 million, 24% more than in 2007 and the Long Term Savings Sector reported a profit of Ps 354 million, a 9% decrease from the previous year.

Consolidated Income Statement of the Group

	2008	2007	2006
NII before REPOMO	$22,627	$17,747	$15,418
+ REPOMO -Margin	-	(363)	(349)
= NII before credit risks	**22,627**	**17,384**	**15,069**
- Preventive provisions for credit risks	6,896	2,646	1,555
- Preventive provisions for Fobaproa risks	-	-	33
= NII adjusted for credit risks	**15,731**	**14,738**	**13,481**
+ Non interest income	8,367	7,899	8,072
= Total Income	**24,098**	**22,637**	**21,553**
- Non interest expense	15,807	14,432	12,931
= Net Result of the Operation	**8,291**	**8,205**	**8,622**
- Other products and expenses, net	2,220	1,867	208
= Net Income before ISR and PTU	**10,511**	**10,072**	**8,830**
- ISR and PTU	3,645	3,780	3,033
- Deferred ISR and PTU	(245)	(487)	222
= Income before subsidiaries	**7,111**	**6,779**	**5,575**
+ Revenues from subsidiaries	276	357	827
=Profit from continuous operations	**7,387**	**7,136**	**6,402**
+ Extraordinary items, net	-	-	-
- Minority interest	373	326	217
= Total Net Income	**$7,014**	**$6,810**	**$6,185**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

The following is a breakdown of the most important items that comprise the Income Statement:

Net Interest Income	**2008 (1)**	**2007**	**2006**
Interest Revenues	$49,883	$40,336	$36,064
Interest Expenses	27,789	22,838	21,238
Loan Fees	533	248	764
Fees Paid	-	-	172
Net Interest Income before REPOMO	**$22,627**	**$17,747**	**$15,418**
Average Productive Assets	$332,828	$233,746	$199,496
% Net Interest Income (NIM) (2)	**6.8%**	**7.6%**	**7.7%**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

(1) In accordance with the accounting criteria B-3 “Repos” issued last October 14, as well as the authorization given by the Banking and Securities Commission (CNBV), credit institutions were allowed to classify debt instruments, regardless of their category, as Investments in Securities considering that: i) the guidelines relative to the reclassification of the instruments will be equally applicable to proprietary repos transactions and securities’ lending, given that investment in securities is equally done through these operations; ii) the value of the instruments to be received in repos and securities’ lending transactions may be adjusted to the market value (closing price) of such instruments corresponding to October 1, 2008 in the same manner as was stipulated for the book value adjustment of proprietary investments in securities; iii) once the book value of the instruments to be received in repos and securities’ lending operations has been adjusted, such instruments can be reclassified to any category of investments in securities according with the institutions’ intentionality for those instruments, and they will be later valued according to the valuation standards for each category established in the accounting criteria; iv) the reclassification of investments in securities, as well as the adjustment to the valuation of the repos to be received and securities’ lending transactions, will be done in only one occasion on the date that each institution determines during the last quarter of 2008.

(2) Net Interest Income before REPOMO divided by the average productive assets of the period.

In 2008 *Net Interest Margin before REPOMO* was Ps 22.627 billion, an increase of 27% YoY, driven by growth in the loan portfolio and core deposits, as well as favorable market interest rates. During 2008, the TIIE averaged 8.2740% vs. 7.6575% in 2007. The NIM fell from 7.6% to 6.8% between 2007 and 2008 as a consequence of the new repo accounting regulations. On a comparable basis, it was 7.7%, 0.1 pp greater than in 2007, driven by growth in net interest income as a result of the positive impact on variable rate loans from the increase in the TIIE rate during the last 12 months of TIIE.

Non Interest Income

	2008	2007	2006
+ Transfer of Funds	$222	$229	$241
+ Account Management Fees	998	976	1,001
+ Fiduciary	295	270	274
+ Income from Acquired Real Estate Portfolios	734	575	1,710
+ Electronic Banking Services	1,009	944	837
+ Credit Card Fees	2,533	2,132	1,561
+ Fobaproa Fees (1)	1	4	26
+ Afore Fees	989	993	1,044
+ Other Fees Charged (2)	1,754	1,571	1,182
Fees Charged for Services	**8,535**	**7,693**	**7,876**
+ Transfer of Funds	19	17	16
+ Other Fees Paid	1,189	1,069	733
+ Expenses for Acquired Real Estate Portfolio	-	-	837
Fees Paid for Services	**1,208**	**1,086**	**1,586**
= Net Fees	**7,327**	**6,607**	**6,290**
+ Foreign Exchange	779	506	443
+ Securities – Trading	276	459	1,443
+ Securities - Unrealized Gains	(15)	327	(104)
= Trading income	**1,040**	**1,292**	**1,782**
= Non Interest Income	**$8,367**	**$7,899**	**$8,072**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).
(1) Includes fees received by Recovery Banking and by the Bank.
(2) Includes commissions for letters of credit, for operations with annuity funds, storage services, financial advisory services and trading by the Brokerage House, among others.

The following table is a breakdown of the non-interest income by origin:

	2008	2007	2006
Services	$6,592	$6,028	$5,391
Recovery	735	580	900
Foreign Exchange	779	506	443
Trading	261	786	1,339
Non Interest Income	**$8,367**	**$7,899**	**$8,072**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

Non-interest income for 2008 reached Ps 8.36 billion, a 6% YoY increase, driven by growth in the majority of items as detailed below:

- <u>Service Fees:</u> rose in 2008 to total Ps 6.592 billion, an increase of 9% YoY due to credit card, fiduciary and electronic banking services.

- <u>Portfolio Recovery:</u> accumulated income totaled Ps 735 million, 27% higher than in 2007, driven by growth in revenues from investment projects, which generated fees on the unamortized balance of these investments.

The amount invested at closing of 2008 in these investment projects was Ps 3.08 billion, the portfolio of projects has an adequate geographical diversification, as well as by partners and by industries.

- Foreign Exchange: income in this sector reached Ps 779 million, a 54% YoY increase driven by adequate management in order to take advantage of a volatile market.

- Trading: income in this sector totaled Ps 261 million for 2008, a 67% YoY drop due to the negative impact in the securities portfolio of the financial market volatility throughout the year. In Banorte's case, most of the money market and treasury investments during the year were in floating rate government instruments purchased for repo operations with clients. The spreads on these securities were pressured due to the constant increase in inflationary expectations as well as liquidity problems in the markets. Also, the negative annual variation in trading reflects the loss associated with positions on Lehman Brothers' senior unsecured debt securities, which were fully offset by income of Ps 312 million generated by the sale of 80% of the bank's position in VISA shares (Banorte still holds 132,300 shares booked at $1 USD per share). It is important to emphasize that the initial recognition of shares received by VISA in 1Q08 was as instruments available for sale at US 1 dollar per share. At each end of month, the market valuation of these shares is recorded (assets and equity – in the accounts for valuation of securities available for sale). When 80% of the shares were monetized, the corresponding valuation was cancelled in both the asset and equity accounts and the profits, equivalent to the difference between the sale price and the cost of US 1 dollar recorded for each share, were recognized as trading income.

Non Interest Expenses

	2008	2007	2006
Personnel Expenses	$6,156	$5,723	$4,967
Professional Fees	1,192	944	858
Administration and promotional expenses	4,941	4,742	4,061
Rents, Depreciations and Amortizations	1,687	1,636	1,760
Other taxes	894	613	602
Contributions to IPAB	938	774	684
Non interest expenses	**$15,807**	**$14,432**	**$12,931**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

During 2008, non interest expense was Ps15.807 billion, 10% higher YoY due mainly to an 8% increase in personnel expenses related to the branch expansion program, the adjustment in provisions for indemnities and scheduled dismissals, adjustment in liabilities related to retirement and seniority premiums according to actuarial studies and higher employee medical service expenses due to a greater number of beneficiaries and an increase in the average cost per beneficiary. Professional fees paid increased due to higher legal expenses associated with more loan recoveries and other credit reports, as well as an increase in IT related projects. Other Taxes increased 46% due to higher disbursements of Value Added Tax (VAT) and an update in the fiscal treatment of loan portfolios acquired during 2004-2005.

Other Income and Expenses

	2008	2007	2006
+ Other Income	$1,367	$800	$402
+ Exchange Rate Results	-	-	-
+ Recoveries	1,806	1,857	513
+ REPOMO - Other income	-	18	18
+ Warehousing	617	160	194
= Other Income	**3,789**	**2,835**	**1,127**
- Other expenses	(958)	(413)	(355)
- Exchange Rate Results	-	-	-

- REPOMO – Other expenses	-	(396)	(371)
- Warehousing	(611)	(160)	(194)
= Other Expense	**(1,569)**	**(968)**	**(920)**
= Other Income (expenses), net	**$2,220**	**$1,867**	**$208**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

The amount reported for 2008 totaled Ps 2.22 billion, 19% higher than the amount registered in 2007, as a result of the following factors:

- Other Revenues
  Non-recurring pre-tax gain of Ps 394 million from the sale of VISA shares during 1Q08 (868,138 shares at a net price of USD 42.768 converted at an exchange rate of Ps 10.62) and Ps 7 million during 2Q08, as well as a non-recurring pre-tax gain during 2Q08 of Ps 91 million corresponding to the sale of INDEVAL shares owned by the bank. These revenues also benefited from the sale of real state for Ps 113 million, as well as reserves liberated from the sale of property for Ps 85 million.

- Other Expenses
  The elimination of the REPOMO charges due to implementation of accounting standard NIFB-10 "Inflation Effects".

Performing Loan Portfolio

	2008	2007	2006
Commercial	$92,521	$74,538	$60,790
Consumer	74,868	63,320	49,010
Corporate	45,127	36,686	24,988
Government	26,989	17,948	11,192
Subtotal	**239,505**	**192,491**	**145,982**
Recovery Banking	794	1,147	1,377
Total Performing Loans	**$240,299**	**$193,638**	**$147,360**
Fobaproa / IPAB Portfolio	-	-	-
Past due loans	4,948	2,893	2,138
% Past due loans	**2.0%**	**1.5%**	**1.4%**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

Performing Consumer Loan Portfolio

	2008	2007	2006
Mortgage	$45,499	$36,096	$27,510
Car Loans	7,594	7,229	6,580
Credit cards	15,067	13,882	9,842
Payroll	6,707	6,113	5,080
Total Performing Consumer Loan Portfolio	**$74,868**	**$63,320**	**$49,010**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

Performing loans increased by 24% this year, from Ps 192.491 billion to Ps 239.505 billion; excluding the portfolio managed by Recovery Banking.

At the close of 2008, past-due loans increased 71% YoY, given the deterioration in the consumer loan portfolio, especially credit cards, and to a lesser extent in commercial loans. The PDL ratio at the end of 2008 was 2.0%, which is 0.5 pp higher than in 2007. The increase in the PDL ratio during 4Q08 was mainly due to the deterioration of the credit card portfolio, with PDL's of 12.4% which compares unfavorably to the 5.6% of 2007. Increased delinquencies in the credit card portfolio were driven by the seasoning of 2006 and 2007 vintages, coupled with adverse economic and employment conditions. Also, during 4Q08, the total credit card portfolio contracted for the first time in several years, having a negative impact on the denominator of the PDL ratio. Despite a higher-than-expected deterioration in the credit card portfolio, it is important to note that Banorte's exposure to this segment is only 6% of total loans, much lower compared to the exposures of our main competitors for this type of product. On the other hand, other segments of the loan portfolio have not shown significant deterioration. At year end, the PDL ratio for Car Loans was 2.2%, Payroll Loans 2.8%, Mortgage Loans 1.6%, Commercial Loans 2.0%, and Government and Corporate 0%.

Deposits

	2008	2007	2006
Demand Deposits – non interest bearing	$57,876	$43,803	$37,278
Demand Deposits – interest bearing (1)	70,481	67,303	61,227
Demand Deposits(2)	**128,357**	**111,106**	**98,504**
Time deposits – Retail	75,085	63,639	55,967
Branch Deposits	**203,442**	**174,745**	**154,471**
Money Market (3)	57,454	28,780	21,029
Bank Deposits	**$260,896**	**$203,525**	**$175,500**
GFNorte Deposits(4)	**$260,755**	**$203,298**	**$175,434**
Third Party Deposits	144,916	136,988	138,386
Total Assets under Management	**$405,812**	**$340,513**	**$313,886**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).
(1) Includes debit cards
(2) As of 2004, excludes IPAB checking accounts in which collections of managed portfolios of Banpaís and Bancen are deposited in cash, retroactively for comparison. The balances of these accounts for 2006, 2007 and 2008 were Ps 546 million, Ps 9 million and Ps 14 million, respectively.
(3) Includes bank bonds. Comprised of clients and financial intermediaries.
(4) Includes eliminations between subsidiaries. Balances of these eliminations for 2006, 2007 and 2008 were Ps 66 million, Ps 227 million and Ps 142 million, respectively.

At year end, Total Deposits amounted to Ps 260.755 billion, a 28% YoY increase driven by 16% growth in Core Deposits, which includes a substantial 32% increase in Non-Interest Bearing Demand Deposits given an increase in Enlace checking accounts. The main drivers of deposit growth during this period were corporate SME and government sectors as well as more placements of promissory notes through the branch network. Banorte was able to increase peso denominated deposits above the market average as a result of an expansion in the distribution network which added 64 new branches over the last 12 months.This helped to attract greater payroll accounts from our government and corporate clients.

1. Banking Sector

In 2008 the Banking Sector (100%, including AFORE through the equity participation method) reported net income of Ps 6,543 million, a 6% YoY increase, driven mainly by greater financial revenues and non-operating income.

Net profits for the Banking Sector grew consistantly from Ps 5.383 billion in 2006 to Ps 6.543 billion in 2008, a 22% increase.

Consolidated Income Statement – Banking Sector

	2008	2007	2006
RESULTS			
NII before credit risks	$21,704	$16,888	$14,596
Provisions for loans and IPAB	6,722	2,588	1,569

Non interest income	6,595	5,929	6,253
Non interest expense	14,191	12,945	11,333
Other income and expenses, net	2,362	1,903	229
Profits before ISR and PTU	9,748	9,187	8,176
Net income	6,543	6,151	5,383
BALANCE SHEET			
Loan portfolio	236,237	188,282	143,993
Deposits	260,911	203,534	176,046

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

The Afore is not consolidated. Net results are included in Subsidiary Income by the participation method.

During 2008 Net Interest Income before Repomo increased 27% with respect to figures for 2007, driven by higher market interest rates, a 24% growth in the credit portfolio, an increase in fees charged for loan originations and an important growth in demand deposits. The bank's NIM was 6.7% at closing of 2008.

Financial Indicators – Banking Sector

	ACUMMULATED		
	2008	**2007**	**2006**
Profitability			
NIM (1)	6.7%	7.6%	7.7%
ROA (2)	1.8%	2.4%	2.5%
ROE (3)	19.6%	22.4%	24.1%
Operations			
Efficiency Ratio (4)	50.1%	56.1%	53.7%
Operating Efficiency Ratio (5)	4.0%	5.1%	5.4%
Liquidity Ratio(6)	48.9%	50.7%	64.6%
Asset Quality			
% PDL - without Fobaproa/ IPAB	2.0%	1.5%	1.4%
PDL coverage ratio	136.1%	135.1%	175.7%
Growth (7)			
Performing loans (8)	25.0%	31.2%	19.9%
Demand Deposits	16.0%	13.1%	23.7%
Deposits	28.0%	16.0%	18.5%
Capitalization			
Net Capital / assets subject to credit risk (9)	22.1%	19.4%	24.0%
Net Capital / assets subject to credit and market risk (9)	15.0%	13.8%	17.4%

(1) NII for the quarter before annualized REPOMO / Average performing assets
(2) Net income for the annualized period as a percentage of the quarter's total asset average (without minority interest) for the same period.
(3) Net income for the annualized period as a percentage of the quarter's average total equity (without minority interest) for the same period.
(4) Non Interest bearing Expenses / (Total Net Income – REPOMO margin + loan provisions).
(5) Non Interest bearing Expenses / Total Asset Average.
(6) Liquid Assets / Liquid Liabilities (Liquid Assets = cash and due from banks +negotiable instruments + titles available for sale, Liquid securities available for sale. Liquid Liabilities = demand deposits + immediate redemption loans from banks and other entities.
(7) Growth comparisons for the same period of the previous year.
(8) Does not include Fobaproa / IPAB or the portfolio managed by Recovery Banking.
(9) Banking sector ratio is included solely for information purposes.

2. Brokerage Sector

	2008	2007	2006
Broker Dealer			
Net income	$183	$288	$191
Stockholders' Equity	1,143	1,020	736
Assets	1,662	1,333	971
Portfolio / Assets under Management	119,286	180,972	169,373

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

Net income for the **Brokerage** sector during 2008 was Ps 183 million, 36% lower than 2007, affected mainly by compensations made to mitigate losses on some trading contracts, as well as by lower income from money and capital markets positions. In 2008 Assets under Management totaled Ps 119.3 billion, a 34% YoY decline, as a result of a reduction in assets under management of mutual funds and reduced portfolios due to tighter market liquidity and higher risk aversion.

3. Long Term Savings

	2008	2007	2006
Afore			
Net income	$189	$165	$104
Total Equity	1,052	963	1,016
Assets	1,218	1,102	1,092
AUM	56,186	58,131	52,266
Insurance			
Net income	$476	$334	$330
Total Equity	2,130	1,827	1,612
Assets	11,306	10,864	8,235
Annuities			
Net income	$33	$266	$633
Total Equity	985	1,121	979
Assets	14,833	11,083	8,866

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

The **AFORE** reported an accumulated Net Income of Ps 189 million in 2008 (51% correspond to Banorte), 14% higher YoY, due to greater operating income, lower operating expenses and real estate costs, as well as lower taxes. At the end of 2008, the AFORE had a total of 3,232,131 affiliates with an 8.29% participation of the total affiliates in the system, and a 9.66% participation of certified accounts. In terms of AUM, it ranked 7th with a 6.4% market share at the end of December 2008.

Insurance profits for 2008 amounted to Ps 476 million (51% correspond to GFNorte), 42% greater YoY, as a result of a 14% increase in accrued premiums and an increase in financial products and other income, as well as the containment of claims' costs.

Net Income for **Annuities** in 2008 was Ps 33 million, (51% correspond toGFNorte), 87% lower YoY, as a result of lower accrued premiums, lower trading income and valuations, higher sales, greater management and promotional costs and greater payments to retirees.

4. Other Finance Companies

	2008	2007	2006
Leasing and Factoring (1)			
Net Income	$313	$247	$214
Equity	1,184	991	866
Total Portfolio (2)	13,913	12,222	7,708
Past Due Loans	74	37	41
Assets	14,001	12,447	7,855
Warehousing			
Net Income	$23	$15	$11
Equity	124	101	123
Inventory	165	7	84
Assets	321	140	174
Bonding Company(3)			
Net Income	-	$9	$30
Equity	-	-	144
Assets	-	-	516

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).
(1) The merger of Leasing and Factoring became effective as of January 31, 2008
(2) Includes the portfolio of pure leased goods registered in Properties, machinery and equipment.
(3) On March 30th, 2007 GFNorte announced the separation of Fianzas Banorte, the bonding company, prior to its sale. Profits for 2007 correspond to the first three months of the year when this company was still part of the Group. On February 2008, the leasing and factoring companies merged under a regulated Multi-purpose financial corporation (SOFOM). This merger enables, among other things, to optimize the use of capital, improve leverage capacity and create the possibility of achieving higher credit ratings for the merged entity. Results of both companies, as of 1Q08 are presented on a consolidated basis under the denomination "Arrendadora y Factor Banorte, S.A. de C.V."

Leasing and Factoring generated profits of Ps 313 million in 2008, 27% higher YoY, driven mainly by a 14% annual loan growth and revenues from pure leasing contracts. At closing of 2008, the Past-Due Loan Ratio was 0.53%, while the Capitalization Ratio was 8.82%, with average risks assets for Ps 13,428 million.

Last November 28, the Ministry of Finance (SHCP) modified the authorization given to Almacenadora Banorte to constitute and operate as a General Deposit Warehouse, given the increase in the fixed portion of its stockholders' equity, which totaled Ps 31,780,651 pesos. This was agreed in the Extraordinary Stockholders' Meeting held on October 1, 2008.

Warehousing profits stood at Ps 23 million in 2008, 55% higher than in 2007. This growth was due to an increase in inventories and warehousing services, such as the fitting of warehouses, which has opened the possibility for Banorte to issue certificates of deposit that are used as guarantees in secured loans and as loans to other financial institutions. At the end of 2008, the Capitalization Ratio was 4.1% considering Ps 3.006 billion in total assets-at-risk certificates. On September 30, 2009 Almacenadora Banorte was ranked 2nd among the 20 Warehousing Companies in terms of Net Income.

5. Micro Lending SOFOL

	2008	2007	2006
Pronegocio			
Net Income	($120)	($30)	$23
Equity	48	51	81
Total Portfolio	269	585	635
Past Due Loans	38	112	60
Assets	433	653	678

Millions of current pesos (except 2006 which is expressed in pesos ofDec-07).

Pronegocio reported a loss of Ps 120 million in 2008, greater than the Ps 30 million loss of 2007. The results of 2008 were affected mainly by a reduction in Net Interest Income due to lower performing loans, greater write-offs on past-due loans and expenses generated by the redefinition of the business model. Past due loans closed at Ps 38 million for 2008, 66% lower than in 2007. The reserve coverage ratio was 76%.

SOFOL Pronegocio is in the process of being merged with the bank.

ii. FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

In 2007 and 2008, GFNorte undertook diverse business strategies in order to continue demonstrating strength and to offer more competitive products in the banking sector. Extraordinary events and situations are mentioned below:

a. Economic environment

The difficult economic environment on a global scale resulted in the insolvency and in some cases the bankruptcy of diverse participants in the financial sector world wide. In Mexico, various companies reported losses related with derivatives' operations, including bankruptcy filings, causing certain nervousness in local markets. This is one of the reasons why GFNorte disclosed the risk exposure that its subsidiary Banorte had with each one of the affected companies and recognized these risks in its financial results in accordance with paragraphs f) and g) mentioned later on. In spite of recognizing these impacts, Banorte has reported record profits for 2008 which demonstrates the bank's ample liquidity, healthy capitalization levels and sufficient reserves to cover PDLs, as well as being a profitable investment for shareholders.

b. Issuance of subordinated obligations

Banorte issued three tranches of subordinated obligations in the Mexcian Stock Exchange (BMV) for a total of Ps 7.525 billion. These transactions involved the simultaneous placement of two tranches of subordinated debt in March and an additional one in June, all of which contributed to strengthen Banorte's regulatory capitalization levels. The first tranche of Ps 3 billion, in 10 year subordinated obligations (BANORTE 08), will pay an interest rate of 28 day TIIE plus 60 basis points; the second tranche in UDIS for an amount equivalent to Ps 1.775 billion of 20 year subordinated preferred non-convertible obligations (BANORTE 08U) will pay a fixed real rate of 4.95% every 182 days; and the third tranche of Ps 2.750 billion in 10 year subordinated preferred non-convertible obligations (BANORTE 08-2) will pay an interest rate of 28 TIIE plus 77 basis points. These placements are part of a 5 year program approved in the General Extraordinary Shareholders' Meeting of February 22 2008 to issue subordinated non-convertible preferred and non-preferred obligations for an amount of up to Ps 15 billion, in order to strengthen Banorte's regulatory capital.

c. Effects of the reorganization of VISA Inc.

Banorte recognized 1,545,128 ordinary shares of Visa Inc. Class C (Series I) shares (VISA) assigned after VISA's reorganization in March 2008, through which VISA indirectly acquired VISA LAC, in which Banorte participated as a member authorized to use this trademark. VISA's objective in reorganizing was to become a publicly traded company with shares listed in the New York Stock Exchange. A total of 868,138 shares were sold by Banorte at the moment of the assignment, recognizing a pre-tax income of Ps 394 million in the line "Other Income"; Banorte also booked the remaining 676,990 VISA shares that were not sold in the public offering as "Securities Available for Sale". During 3Q08, an additional 544,690 shares were sold for Ps 312 million. The remaining 132,300 VISA shares were marked to market, recognizing the impact in the line "Valuation of Securities Available for Sale".

d. Effects of the reorganization of the Mexican Stock Exchange (BMV)

As a result of the BMV's reorganization to convert into a publicly traded company, in 2Q08 Banorte sold the Indeval shares that it had booked in the line "Permanent Investments in Shares", realizing a pre-tax profit of Ps 91 million in the line "Other Income." Also, Casa de Bolsa Banorte S. A. de C. V. registered income from the sale of shares in the line "Valuation of Securities Available for Sale" within the Balance Sheet for Ps 144 million and in the line "Other Income" in the Profit and Loss Statement for Ps 40 million. The corporate and equity reorganization consisted mainly of the sale or exchange of shares of BMV, Asigna, Mexder, Contraparte Central de Valores de México and Indeval, each one treated separately. In the case of Indeval, the most representative the sale of the total shares was divided in two parts. The first part worth 75% of the transaction's value, corresponding to the future benefits of the shares owned by Casa de Bolsa for Ps 40 million which were booked in the line "Other Income". The second part for the remaining 25% corresponds to the payment of those shares. Since regulations restrict such transactions, they cannot be carried out until the Stock Market Law is modified.

e. Merger of subsidiaries

The General Extraordinary Shareholders' Meeting held on October 3, 2007, authorized the merger of Arrendadora y Factor Banorte, S. A. de C. V., a multi-purpose non banking financial institution and regulated entity, Grupo Financiero Banorte (previously Factor Banorte, S.A. de C.V.), to Arrendadora Banorte, S. A. de C. V., a multi-purpose non banking financial institution and regulated entity, Grupo Financiero Banorte. This merged company commenced operations on January 31st, 2008. In the General Extraordinary Shareholders' Meeting of June 16, 2008, the merger of Banorte's real estate subsidiaries was approved: Bancrecer, S. A. de C. V., Inmobiliaria Innova, S. A. de C. V., Inmobiliaria Banormex, S. A. de C. V., Inmuebles de Tijuana, S. A. de C. V., Inmobiliaria Banorte, S.A. de C. V., Constructora Primero, S. A. de C. V., Inmuebles de Occidente, S. A., Inmobiliaria Finsa, S. A. de C. V., and Inmobiliaria Bra, S. A. de C. V., in their character as merged entities. The merged entity will begin reporting in the Balance Sheet of May 31, 2008 and will come into effect once it is registered in the Public Registry of Commerce in accordance with the agreements or basis approved for the merger and with the authorization of the SHCP.

f. Lehman Brothers Securities

In September 2008, Banorte reported a Ps 295 million loss in the line item "Intermediation Results" related to the permanent deterioration and the loss generated from the sale of securities of this issuer. The loss is comprised of US $24 million dollars in senior debt notes and US $1 million dollars in derivatives financial instruments.

g. Deterioration of COMERCI's credit quality

As a result of the difficult economic environment and exposures to financial derivatives instruments which resulted in Controladora Comercial Mexicana S. A. B. de C. V. (COMERCI) filing for bankruptcy. Banorte acknowledged credit risk exposure to COMERCI in the amount of Ps 1.03 billion, through an unsecured loan with maturity in March 2009. This risk exposure represented 0.18% of Banorte's total assets, 0.4% of the total loan portfolio and 2.8% of the total equity reported on December 31, 2008. At the time of the loan origination, and in the periodic revisions, COMERCI never disclosed the derivatives' positions that resulted in their current situation. In 2009, Banorte will begin to restructure and negotiate the partial or total recovery of the loan. On December 31, 2008, Management constituted sufficient credit reserves, in accordance with the corresponding methodology.

h. Credit card payment campaign

In response to the liquidity problems that some clients faced due to the difficult economic situation, which was reflected in the deterioration of asset quality in the credit card portfolio, Banorte decided to adopt a series of measures to support their clients in these times of adversity. In 2008, a massive campaign was launched with the objective of offering an alternative to clients seeking to extend terms and improve their payment profile. The client's debt was frozen during the conventional term and amortized in fixed payments. The amount of restructured loans to December 31, 2008 through this campaign was Ps 703 million.

ASSET QUALITY AND CAPITALIZATION

Asset Quality

	2008	2007	2006
PDLs	$4,836	$2,744	$2,037
Total portfolio (includes Fobaproa / IPAB)	$236,237	$188,282	$143,993
% PDL	2.0%	1.5%	1.4%

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

At the end of 2008, the past due loan ratio was 2.0%, a 1.5% YoY increase; and PDLs increased by 76% YoY.

GFNorte Equity (*)

	2008	2007	2006
Paid-in Capital	11,941	11,965	12,020
Premium of Subscribed & Issued Shares	1,468	1,272	1,863
Subscribed Capital	**$13,409**	**$13,237**	**$13,882**
Capital Reserves	2,720	2,452	2,140
Retained earnings	16,935	21,379	16,417
Surplus (Deficit) from Valuation of Securities Available for Sale	(550)	-	-
Results from Conversions of Foreign Operations	1,095	-	-
Surplus (Deficit) in Capital Restatement	-	(6,380)	(6,380)
Results of Non Monetary Fixed Assets	-	-	-
Permanent Share Investments	(2,821)	(5,009)	(5,156)
Accumulated effect of deferred taxes	-	-	-
Net Income	7,014	6,810	6,185
Earned Capital	**$24,393**	**$19,252**	**$13,206**
Minority Interest	1,944	1,667	1,461
Total Equity	**$39,746**	**$34,156**	**$28,550**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07). (*) Does not include Afore.

The total equity of the controlling company of the Group (Holding) increased from Ps 33.135 billion in 2007 to Ps 38.256 billion at closing of 2008, mainly due to the following factors:

1) Profits generated in the last 12 months of Ps 7.014 billion.
2) Larger capital reserves.
3) Results from foreign exchange transactions.
4) Less impact on capital from non-monetary shares derived from permanent share investments.

And it diminishes mainly due to dividend payments of Ps 948 million in the 4Q08, and the valuation results of securities available for sale.

Banking Sector Capitalization Ratio

	Dec-08	Dec-07	Dec-06
Tier 1 Capital	28,300	24,942	22,338
Tier 2 Capital	17,076	8,767	9,357
Net Capital	**$45,376**	**$33,710**	**$31,695**
Credit Risk Assets	204,884	173,505	131,803
Net Capital / Credit Risk Assets	22.1%	19.4%	24.0%
Total Risk Assets (1)	**$302,279**	**$244,310**	**$182,681**
Capitalization Ratio			
Tier 1	9.4%	10.2%	12.2%
Tier 2	5.6%	3.6%	5.1%
Total Capitalization Ratio	**15.0.%**	**13.8%**	**17.4%**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).
(1) Includes Market and Operational risks, without eliminating intercompany risks.

At closing of 2008 the Capitalization Ratio stood at 15.0% considering credit and market risks, and 21.1% considering only credit risks. The Tier 1 ratio was 9.4% while Tier 2 was 5.6%. On an annual basis, despite a 24% growth in Total Risk Assets, the implementation of operational risk, the impact arising from the new rules for securitizations and the dividend payment, the capitalization ratio for December 2008 increased 1.2 pp from the level of December 2007 as a result of the reinvestment of profits and the issuance of subordinated debt during the first half of 2008.

CASH FLOW STATEMENT FOR GFNORTE

The cash flow statement shows the institution's liquidity at any point in time which enables it to meet loan obligations. The cash flow statement breaks down the cash generated per operation and the use of resources for net financing and investment. Available cash in December 2008 was Ps 54.402 billion, a 31% YoY increase from the Ps 41.61 billion registered in December 2007.

	2008	2007	VAR $
OPERATING ACTIVITIES:			
Net Income	**$7,014**	**$6,810**	**$204**
Items charged to results that do not generate or require use of resources:			
Results of valuation at reasonable value	(268)	(192)	(76)
Provisions for loan losses	6,896	2,646	4,250
Depreciation and amortization	1,099	980	119
Deferred Taxes	(245)	(487)	242
Provision for diverse obligations	24	2,433	(2,409)
Minority Interest	373	326	47
Undistributed earnings of subsidiaries	(276)	(357)	81
	$14,617	**$12,159**	**$2,458**
Change in items related to operations:			
Increase in Deposits	57,462	27,447	30,015
Increase in loan portfolio	(52,095)	(51,124)	(971)
(Increase) decrease in Treasury operations (investment in securities)	(220,239)	10,171	(230,410)
Decrease (increase) in operations with securities and derivatives	194,558	(2,370)	196,928
Increase in loans from Banks and other institutions	13,960	5,233	8,727
Increase in deferred taxes	(12)	(65)	53
Net cash generated from operations	**$8,251**	**$1,451**	**$6,800**
FINANCING ACTIVITIES:			
Issued subordinated debentures outstanding	10,403	(1,551)	11,954
Repurchase of shares	103	(639)	742
Increase (decrease) in other payable accounts	1,269	(418)	1,687
Dividends	(949)	(917)	(32)
Net cash generated or used from financing activities	**$10,826**	**($3,525)**	**$14,351**
INVESTMENT ACTIVITIES:			
Acquisition of property and fixed assets, net	(1,308)	(1,961)	653
(Increase) decrease in permanent investments in shares	(644)	353	(997)
Increase in deferred charges and loans	(1,958)	(388)	(1,570)
Increase in foreclosed assets	(478)	(6)	(472)
(Increase) decrease in other accounts receivable	(1,897)	632	(2,529)
Net cash used in investment activities	**($6,285)**	**($1,370)**	**($4,915)**
Increase (decrease) in cash and equivalents	**$12,792**	**($3,444)**	**$16,236**
Cash and equivalents at the beginning of the period	**41,610**	**45,054**	**(3,444)**
Cash and equivalents at the end of the period	**$54,402**	**$41,610**	**$12,792**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

GFNorte General Balance Sheet (consolidated with subsidiaries)

ASSETS	2008	2007	2006
Cash and equivalents	**$54,402**	**$41,610**	**$45,053**
Investments in Securities			
Negotiable Instruments	6,630	7,754	15,586
Securities Available for Sale	11,722	10,948	6,492
Securities Held to Maturity	221,617	760	4,570
	239,969	**19,462**	**26,648**
Repo Transactions	**149**	**58**	**26**
Securities and Derivatives	**8,168**	**2,302**	**20**
Performing Loan Portfolio			
Commercial Loans			
Corporate or Commercial	126,798	98,091	83,344
Financial Entities	10,860	13,158	2,464
Government	26,989	17,948	11,194
Consumer loans	29,369	27,225	21,506
Mortgage	46,282	37,216	28,855
Total Performing Loans	**240,298**	**193,638**	**147,361**
PDL Portfolio			
Commercial Loans			
Corporate or Commercial	1,703	927	758
Consumer loans	2,499	1,109	632
Mortgage	746	858	748
Total PDLs	**4,948**	**2,894**	**2,138**
Total loan portfolio	**245,246**	**196,532**	**149,498**
(-) Preventive provisions for Loan Losses	6,690	3,786	3,668
Net Loan Portfolio	**238,556**	**192,746**	**145,831**
Acquired Collection Rights	3,049	3,660	3,755
Total Credit Portfolio	**241,605**	**196,406**	**149,586**
Other Accounts Receivable, net	9,514	7,617	5,853
Inventories	165	7	84
Foreclosed Assets, net	863	385	328
Real Estate, Furniture and Equipment, net	8,429	8,098	6,898
Investments in Subsidiaries	2,559	2,590	3,285
Net Deferred Taxes	471	214	-
Other assets, deferred charges and intangibles	10,371	8,534	5,564
TOTAL ASSETS	**$577,025**	**$287,283**	**$243,345**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

LIABILITIES	2008	2007	2006
Core Deposits			
Demand Deposits	$128,350	$111,080	$99,026
Time Deposits	132,419	92,227	76,954
	260,769	**203,307**	**175,980**
Interbank loans & Other loans			
Immediate Redemption	1,245	871	1,025
Short Term	24,803	11,056	6,128
Long Term	10,635	10,796	10,337
	36,683	**22,723**	**17,490**
Repo Creditor Transactions	192,727	515	244
Securities assigned for settlement	-	10	-
Collateral sold or pledged as guarantee	2	-	-
Operations with securities and derivatives	10,746	2,435	2
Other Accounts Payable			
Income tax and employee profit sharing	1,272	2,212	1,325
Other creditors and accounts payable	13,121	10,888	7,732
	14,393	**13,100**	**9,058**
Subordinated Obligations in Circulation	20,613	10,210	11,798
Deferred Taxes	-	-	150
Deferred Loans	1,346	827	74
TOTAL LIABILITIES	**$537,279**	**$253,127**	**$214,796**

TOTAL EQUITY			
Contributed Capital			
Paid-in Capital	$11,941	$11,965	$12,020
Premium of Subscribed & Issued Shares	1,468	1,272	1,863
	13,409	**13,237**	**13,882**
Earned Capital			
Capital Reserves	2,720	2,452	2,140
Retained Earnings	16,935	21,379	16,417
Surplus (Deficit) from Valuation of Securities Available for Sale	(550)	-	-
Results from Conversions of Foreign Operations	(1,095)	-	-
Surplus (Deficit) in Capital Restatement	-	(6,380)	(6,380)
Results of Non Monetary Fixed Assets	(2,821)	(5,009)	(5,156)
Net Income	7,014	6,810	6,185
	24,393	**19,252**	**13,206**
Minority interest	1,944	1,667	1,461
TOTAL EQUITY	**$39,746**	**$34,156**	**$28,550**
TOTAL EQUITY AND LIABILITIES	**$577,025**	**$287,283**	**$243,345**

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

TREASURY POLICIES

Banorte's Treasury is the central unit responsible for balancing GFNorte's resource needs, monitoring and managing the levels of regulatory reserves, converting interest rate risk from placing loans with fixed rates by using hedging and implementing arbitrage strategies, all in strict adherence to regulations established by the authorities.

The cash currencies and securities' investments are in Mexican pesos and US dollars.

Regulatory Framework

1. All operations carried out by the Treasury will be executed in strict accordance to regulations set by the authorities that supervise Banking Institutions such as Central Bank (BANXICO), National Banking and Securities Commission (CNBV), Ministry of Finance and Public Credit (SHCP), as well as to those established in the Ley de Instituciones de Credito (Law of Credit Institutions).

2. The Treasury is subject to the policies regarding thresholds and management of liquidity risks set by the Risk Policies Committee in the manual of Risk Administration.

Treasury Management

In order to maintain a prudent strategy in asset and liability management through stable funding sources, and to constitute and maintain liquid assets at optimum levels, the Treasurer will monitor the following limits to maintain an appropriate level of liquidity:

1. Diversification of funding sources. Access to several markets in order to diversity the funding sources.

2. Structure liabilities in such a way so as to avoid the accumulation of maturities that significantly influence the administration and control of the resources that the Treasury operates.

3. Ensure liquidity in adverse times by tapping long term liabilities.

4. Maintain a balanced ratio of liquid assets to total assets.

5. Maintain a highly liquid inventory of assets to ensure the immediate availability of resources.

6. The Treasury will have the exclusive faculty to determine and propose to the Risk Policies' Committee the transfer costs of assets and liabilities.

7. On a daily basis, the International Treasury will monitor liquidity coefficient limits to ensure they meet those established by the Risk Policies' Committee and regulatory authorities.

iii. INTERNAL CONTROL

The companies that comprise GFNorte have an internal control system "Sistema de Control Interno" (SCI), that was structured in accordance with the limits established by its Board of Directors and which meets the requirements set by the regulatory authorities.

The internal control system's mission is to cooperate in the function of appropriate internal controls in operations and in information generation and registration. It is comprised of:

A. The Board of Directors with the support of the Risk Policies' Committee and the Audit and Corporate Practices' Committee.

B. General Management and the areas that support it in regards to control are: the integral risk management (Unidad de Administración Integral de Riesgos (UAIR), Legal and Controllership departments which are responsible for maintaining appropriate levels of control and risk in the Group's operations.

C. Internal Audit, External Audit and Commissary (as of 4Q06, the commissary only applies to GFNorte's subsidiaries) as entities providing additional support to monitor the internal control system's operations and to provide reasonable assurance of the reliability of the information generated.

D. Documents that establish the general control criteria which must be followed in the operation and registration of transactions, in the use of human resources, materials and technology; in the use, security, opportunity and dependability of the information; and in the due execution of the external and internal norms, as well as a Code of Conduct that establishes the conduct of all consultants, officials or employees of the Group in the realization of their duties.

E. Policy and procedure manuals that establish the norms for operations carried out by the Institution and outlines the control points that must be observed, as well as those responsible for its execution.

During 2008, activities related to the strengthening of controls, risk evaluation and managment, the establishment and monitoring of controls, and the assurance of quality information continued to be developed. Some of the more important include:

A. The Internal Control System is regulated by Corporate Governance's basic documents: Objectives and Limits of Internal Control, the Code of Conduct, and the General Policies for the use of Human Resources and Materials; which in accordance with external regulation, were reviewed and presented to the Audit and Corporate Practices' Committee and later on to the Board of Directors for their ratification.

B. The different Corporate Governance Committees have received the necessary financial, economic and accounting and/or legal information corresponding to each case, to make the appropriate decisions.

C. The Business Continuity Plan (BCP) was consolidated and reinforced, highlighting among other activities, the renewal of equipment for alternate operation centers "Centros de Operación Alterno" (COAs) as well as an increase in the number of effectiveness tests developed throughout the year in the different channels and applications.

D. Steps to reinforce technological systems for the analysis and prevention of fraud involving credit and/or debit cards and electronic transactions have been developed.

E. Tools that monitor business activity were implemented to analyze the behavior of the service systems, at each operational level, allowing early detection of deviations and automatic corrective action.

F. Manuals of policies and procedures have been kept updated regarding changes in external regulation, new products and changes to institutional procedures or improvements in internal controls. Additionally, the follow-up of improvements regarding observations made by different SCI members was also maintained.

G. Requirements made by the Supervising Authorities were fulfilled, as well as the delivery of information required by external regulations.

H. Internal control in the preparation of financial information is focused on the detection and prevention of errors or irregularities in the normal course of transactions related with the preparation of the financial statements of December 31, 2008, which is valid in accordance with the testified report from our Independent Auditors.

e) CRITICAL ACCOUNTING ESTIMATES

Do not apply, as critical accounting estimates do not exist.

4. ADMINISTRATION

a) EXTERNAL AUDITORS

External auditors are appointed with the Board of Directors' approval which is based on the recommendation that the Audit and Corporate Practices Committee presents to them.

As of the 2005 fiscal year, the firm of Galaz, Yamazaki, Ruiz Urquiza, S. C. audited the financial statements and for the last 3 exercises previous to 2005 audits were done by the firm of PricewaterhouseCoopers, S. C. Neither office has issued a negative opinion or opinion with exception, nor have they abstained from issuing an opinion about the Financial Statements of GFNorte.

In the fiscal year for 2008, GFNorte hired a firm of external auditors for a total cost of Ps 223,000 with 100% of this cost corresponding to the auditing services for the financial statements.

b) OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

Transactions between the issuer and related parties are explained in detail in *Note 24. Transactions and balances with subsidiary companies and associates of Point 7. ANNEXES.*

In GFNorte's Banking Sector, the total portfolio of performing loans under Article 73 of the Law of Credit Institutions does not surpass the established limit of 50% of the basic part of the net capital.

	GFNorte		
	Dec'08	**Dec'07**	**Dec'06**
Portfolio Art. 73	$8,216	$5,041	$5,833
Portfolio Art. 73 / 50% of Basic Capital*	53.8%	26.7%	34.3%

Millions of current pesos (except 2006 which is expressed in pesos of Dec-07).

- In 2008 it is expressed on 50% of the basic capital, while in 2007 and 2006 on 75% of the basic capital.

On **March 31, 2009**, the total portfolio of performing loans under Article 73 of the Law of Credit Institutions, was Ps 8.99 billion (including Ps 737 million in loan obligations, which are registered in memorandum accounts), representing 4.1% of the total loan obligations (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related party loans, Ps 5.427 billion were loans granted to clients linked to members of the Board of Directors and Ps 3.563 billion were linked to companies related to GFNorte.

The related loans were granted and rated in accordance with the same policies, procedures and qualification systems that apply to the rest of GFNorte's loan portfolio, based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by the CNBV and the internal methodology authorized by CNBV, to qualify the Debtor in the commercial loan portfolio. 93.6% of related loans are rated as Category "A" and 6.4% as Category "B", the majority of these loans are classified as commercial loans.

In accordance with Article 73 of the Law of Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at closing of March 2009 was 63.5% of the limit set by Banco de Mexico (Central bank), which is the equivalent of 50% of the basic part of net capital.

On December 31, 2008, the total portfolio of related party loans under Article 73 of the Law of Credit Institutions, was Ps 8.216 billion (including Ps 649 million in loan obligations, which are registered in memorandum accounts), representing 3.7% of the total loan obligation (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related loans, Ps 5.250 billion were loans granted to clients linked to members of the Board of Directors, and Ps 2.966 billion were linked to companies related to GFNorte.

Related parties loans have been granted and qualified in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by

CNBV, to rate borrowers in the commercial loan portfolio. 94.4% of the related party loans were rated in Category "A", 5.6% in Category "B"; the majority of these loans were classified as commercial loans.

In accordance with Article 73 of the Law of Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at closing of December 2008 was 53.8% of the limit set by Banco de Mexico which was the equivalent of 50% of the basic part of net capital.

BUSINESS RELATIONS / MAIN TRANSACTIONS AND INTERGROUP EXPOSURES

GFNorte maintains the practice of identifying balances and operations that it carries out with its subsidiaries. All balances and transactions with consolidated subsidiaries that are shown below have been eliminated in the consolidation process. These transactions are also set using studies of transfer pricing.

In accordance with the Article 73 of the Law of Credit Institutions, loans granted by Banorte to related parties (belonging or not to the financial sector), cannot exceed 50% and 75% of the basic part of their net capital. On December 31 of 2008, 2007 and 2006, loans granted to related parties were Ps 8.216, Ps 5.041 and Ps 5.833 billion respectively, showing percentages that represent 54%, 27% and 34% respectively, of the limits established in the Law of Credit Institutions.

On December 31 of 2008, 2007 and 2006, the Holding Company's participation in the equity of its consolidated subsidiaries, is as follows:

Banco Mercantil del Norte, S. A. y Subsidiarias	97.06%
Casa de Bolsa Banorte, S. A. de C. V.	99.99%
Arrendadora y Factor Banorte, S. A. de C. V.	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%
Créditos Pronegocio, S. A. de C. V.	99.99%

Balances and transactions with subsidiary companies not consolidated and other associated companies are integrated as follows:

	Income			Accounts Receivable		
Institution	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Seguros Banorte Generali, S. A. de C. V.	$613	$587	$510	$19	$22	$14
Total	**$613**	**$587**	**$510**	**$19**	**$22**	**$14**

Millions of pesos.

	Expenses			Accounts Payable		
Institution	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Seguros Banorte Generali, S. A. de C. V.	$300	$310	$232	$24	$8	$13
Total	**$300**	**$310**	**$232**	**$24**	**$8**	**$13**

Millions of pesos.

Sale of portfolios among related parties (nominal values)

In February of 2003 Banorte sold Ps 1.925 billion from its proprietary portfolio (with interest) to the Sólida subsidiary for Ps 378 million. Of this transaction, Ps 1.891 billion correspond to past due loans and Ps 64 million to performing loans. The operation was carried out based on August 2002 figures, which is why the final amount, which affected the general balance of February 2003, was Ps 1.856 billion, taking into consideration collections carried out as from August 2002. As well as the portfolio sold, a total of Ps 1.577 billion in credit reserves related to the same were transferred.

In Document 601-II-323110 of November 5, 2003, the Commission expressed the accounting criteria that must be monitored in the accounting and financial treatment of this operation and it issued a series of resolutions through which Banorte must explain in detail the performance of this operation as long as it subsists, and also consider that this operation was a unique exception and not a permanent procedure of portfolio transfer.

Based on the afore-mentioned, the following table shows the performance of the loan portfolio sold to Sólida as of August 2002 and for 2007 and 2008:

	Pesos			Foreign currency in Ps			Total		
Type of Portfolio	**Aug 02**	**Dec 07**	**Dec 08**	**Aug 02**	**Dec 07**	**Dec 08**	**Aug 02**	**Dec 07**	**Dec 08**
Performing Loans									
Commercial	$5	$-	$-	$5	$-	$-	$10	$-	$-
Mortgages	54	77	34	-	-	-	54	77	34
Total	**59**	**77**	**34**	**5**	**-**	**-**	**64**	**77**	**34**
Past Due Loans									
Commercial	405	375	367	293	112	116	698	487	483
Consumer	81	73	72	-	-	-	81	73	72
Mortgage	1,112	458	393	-	-	-	1,112	458	393
Total	**1,598**	**906**	**832**	**293**	**112**	**116**	**1,891**	**1,018**	**948**
Total Portfolio	**$1,657**	**$983**	**$866**	**$298**	**$112**	**$116**	**$1,955**	**$1,095**	**$982**
Credit Reserves (1)									
Commercial	326	363	355	246	112	116	572	475	471
Consumer	77	73	72	-	-	-	77	73	72
Mortgage	669	433	369	-	-	-	669	433	369
Reserve Totals	**$1,072**	**$869**	**$796**	**$246**	**$112**	**$116**	**$1,318**	**$981**	**$912**

Millions of pesos.
(1) Constituted reserves in accordance with the rating methodology used in Banorte which maintained a participation percentage of 99.99% of Sólida's equity in 2008 and 2007.

On December 31t, 2008 and 2007, the integration of Banorte's loan portfolio without subsidiaries, including the loan portfolio sold to Solid, was as follows:

	Pesos		Foreign currency in Ps		Total	
Type of Portfolio	**Dec 08**	**Dec 07**	**Dec 08**	**Dec 07**	**Dec 08**	**Dec 07**
Commercial Loans	$129,995	$99,311	$15,377	$21,791	$145,372	$121,102
Consumer Loans	29,116	27,045	-	175	29,116	27,220
Mortgages	43,784	35,602	-	1,691	43,784	37,293
Performing Loans	**202,895**	**161,958**	**15,377**	**23,657**	**218,272**	**185,615**
Commercial Loans	1,738	1,060	153	204	1,891	1,264
Consumer Loans	2,570	1,182	-	-	2,570	1,182
Mortgages	1,098	1,299	-	16	1,098	1,315
Past Due Loans	**5,406**	**3,541**	**153**	**220**	**5,559**	**3,761**
Total Portfolio	**208,301**	**165,499**	**15,530**	**23,877**	**223,831**	**189,376**
Credit Reserves	6,950	4,319	285	369	7,235	4,688
Net Portfolio	**$201,351**	**$161,180**	**$15,245**	**$23,508**	**$216,596**	**$184,688**
PDL Reserves					**130.15%**	**124.64%**
% of PDL					**2.48%**	**1.98%**

Millions of pesos.

c) MANAGERS AND SHAREHOLDERS

Board of Directors

The Board of Directors of Grupo Financiero Banorte, S. A. B. de C. V (GFNorte) is comprised of 15 Proprietary Shareholders and their respective alternates.

The Board of Directors named for the fiscal year 2009 by the Annual General Ordinary Shareholders' Meeting of April 30, 2009 is as follows:

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND	RELATIONSHIP
Don Roberto González Barrera	President Shareholder	October 1993	• President of the Board of Directors of Grupo Maseca. • President of the Board of Directors of Banco Mercantil del Norte, S. A.	Father of Bertha González Moreno, Juan González Moreno and Roberto González Moreno
Don Rodolfo Barrera Villarreal	Vice-president Shareholder	October 1993	• Vicepresident of the Board of Directors of Banco Mercantil del Norte, S. A. • President of the Board of Directors of Grupo Quimmco, S. A. de C. V.	Father of Jesús L. Barrera Lozano
Doña Bertha González Moreno	Shareholder	April 1999	• CEO of Patronato de Cerralvo A. B. P.	Daughter of Roberto González Barrera and sister of Juan González Moreno and Roberto González Moreno.
Don José G. Garza Montemayor	Shareholder	October 1993	• CEO of Productos Laminados de Monterrey, S. A. de C. V.	
NAME	POSITION	WITH THE	PROFESSIONAL BACKGROUND	RELATIONSHIP

		COMPANY SINCE		
Don David Villarreal Montemayor	Shareholder	October 1993	Owner of Artefactos Laminados, S. A.	
Doña Magdalena García de Martínez Chavarría	Shareholder l	April 2003	President of the Board of Directors of Grupo Transregio, S. A.	Aunt of Carlos Chavarría Garza
Don Francisco Alcalá de León	Independent	April 2001	President of Frajal Consultores, S. C.	
Don Eduardo Livas Cantú	Shareholder Related	April 1999	Independent Advisor	Brother of Don Alfredo Livas Cantú
Don Eugenio Clariond Reyes-Retana	Independent	April 2001	• President of Ejecutivo de Grupo IMSA, S. A. de C. V.	Brother of Don Benjamín Clariond Reyes-Retana
Don Herminio Blanco Mendoza	Independent	April 2005	• President and CEO of Soluciones Estratégicas. • Member of the Board of Directors of Banco Latinoamericano de Exportaciones, Bladex. • Member of the Board of Directors of Cydsa, S. A. • Advisor to Mr. Lakshimi Mittal (President of the Board of Directors and CEO of Mittal Steel).	
Don Manuel Sescosse Varela	Shareholder Related	April 2002	• Managing Director of Government Banking Banco Mercantil del Norte, S.A. • Managing Director of Commercial Banco Mercantil del Norte, S.A.	
Don Manuel Aznar Nicolín	Independent	March 2007	• Partner at the offices of Kuri Breña, Sanchez Ugarte, Corcuera y Aznar, S. C.	
Don Jacobo Zaidenweber Cvilich	Independent	October 1993	• President of the bilateral Committee Mexico-USA of C.E.M.A.I. Member of the Board of Directors of C.O.E.C.E President of the bilateral Committee Mexico-USA of C.E.M.A.I. • Member of the Board of Directors of C.O.E.C.E	
Don Alejandro Valenzuela Del Río	Shareholder Related	October 2007	• CEO of Grupo Financiero Banorte, S. A. B. de C.V. • Managing Director of Treasury of Grupo Financiero Banorte, S. A. B. de C. V. • Managing Director of Casa de Bolsa Banorte Banorte, S. A. de C. V. (Brokerage House) • Managing Director of Investor Relations of Grupo Financiero Banorte, S. A. B. de C. V.	
Don Isaac Hamui Mussali	Shareholder Independent	April 2009	• CEO of Inmobiliaria IHM, S. A. de C.V.	
Don Roberto González Moreno	Alternate Patrimonial	April 2004	President of the Board of Directors and CEO of Corporación Noble, S.A. de C.V.	Son of Don Roberto González Barrera and brother of Doña Bertha González Moreno and Don Juan González Moreno
Don Jesús L. Barrera Lozano	Alternate Patrimonial	April 2002	• CEO of Grupo Quimmco, S. A. de C. V.	Son of Don Rodolfo Barrera Villarreal
Don Juan González Moreno	Alternate Patrimonial	April 2004	• Director of Special Projects of Mission Food (Grupo Maseca).	Son of Don Roberto González Barrera and brother of Doña

				Bertha González Moreno and Don Juan González Moreno
NAME	**POSITION**	**WITH THE COMPANY SINCE**	**PROFESSIONAL BACKGROUND**	**RELATIONSHIP**
Don Javier Martínez Abrego	Alternate Shareholder	October 1993	• Founder and President of Grupo Motomex, S.A. de C.V. • Founder and CEO of Kawasaki de México, S.A. de C.V. • President of the Board of Directors of Motocicletas y Equipos, S. A. de C. V.	
Don Javier Márquez Diez Canedo	Alternate Independent	April 2002	• Director of Risk Management of Banorte, S.A.	
Don Carlos Chavarría Garza	Alternate Shareholder	April 2003	• CEO of Corporativo de Grupo Transregio, S.A.	Nephew of Doña Magdalena García de Martínez Cavaría
Don Luis Manuel Merino Villasante	Alternate Independent	April 2009	• CEO of Cocreacion, Consultores y Editores, S. A de C. V	
Don Alfredo Livas Cantu	Alternate Related	April 2006	• President of Praxis Financiera, S. C.	Brother of Don Eduardo Livas Cantú
Don Benjamín Clariond Reyes Retana	Alternate Independent	April 2005	• Director of the IMSATEL Division of Grupo IMSA, S. A. de C. V. • CEO of Buró Inmobiliario Nacional, S. A. de C.V.	Brother of Don Eugenio Clariond Reyes-Retana
Don Simón Nizri Cohen	Alternate Independent	October 1993	• Founding member of the Board of Directors of Textiles Unidos, TISAMEX, Industrias Eureka, Bordados Fénix, Alto Acabado, S. A. de C. V. • Founding member of the Board of Directors of Hilados Mary, Organización Kadima, Terpel, Diseños Logar, S.A. de C.V.	
Don Jesus O. Garza Martinez	Alternate Related	April 2009	• Managing Director of Retail and Commercial Banking, Banorte, S. A.	
Don César Verdes Quevedo	Alternate Independent	April 2004	• Financial Advisor to Casa de Bolsa Banorte, S. A. de C. V. (Brokerage House) • CEO of Operadora Cever, S. A. • CEO of Grupo Automotriz Cever, S. A.	•
Don Isaac Becker Kabacnik	Alternate Independent	April 2002	• President of Becker e Hijos, S. A. de C.V. and of Becktel, S. A. de C. V.	
Don Sergio García Robles Gil	Alternate Related	April 2006	• Chief Financial Officer of Grupo Financiero Banorte S. A. B. de C. V.	
Doña Patricia Armendáriz Guerra	Alternate Independent	April 2009	• CEO of CrediPyme, S.A. de C.V. • Management and Administration of Consultoría Internacional de PRESIDENTE (International Consultant)	

In accordance with Article Thirty-three of the Corporate By-laws, the functions and faculties of the Board of Directors are:

I. To establish general strategies to guide the Group and the individuals who control it.

II. To monitor the management and direction of the Groups and the individuals who control it, taking into consideration their relevance in the financial, administrative and legal situation of the Group, as well as the performance of the relevant directors.

III. To approve, with the prior opinion of the Audit and Corporate Practices Committee:

A) Policies and limitations for the use or enjoyment of the Group's net worth and for the individuals who control it on behalf of related parties.

B) Each individual transaction with related parties that the Group or individuals with control carry out. The following transactions do not require the approval of the Board of Directors as long as they adhere to the policies and limits established by the Board: 1. Transactions in amounts with insignificant relevance for the Group and the individuals who control it, 2. Transactions carried out by the Society and the companies that it controls or over which it has significant influence, or among them, only when: i) they are ordinary or normal business transactions; ii) they are undertaken at market prices or supported by ratings qualified by external specialists. 3. Transactions with employees, only if carried out under the same conditions as with any client or as a result of general labor benefits.

C) Unusual or non-recurring transactions executed in the course of a fiscal year by the Group or individuals in control, either simultaneously or successively and considered to be, by their characteristics, a single operation or, the amount represents, based on figures corresponding to the closing of the previous quarter in any of the following cases: 1. The acquisition or alienation of goods with a value equal or superior to 5% of the consolidated assets of the Group. 2. The acquisition of guarantees or assumption of liabilities for an amount equal or superior to 5% of the Group's consolidated assets. Investments in debt or bank investments are exempted when they are carried out in accordance with the policies established by Board of Directors. Transaction waivers for amounts less than that mentioned in this paragraph can be delegated to the Audit and Corporate Practices Committee.

D) The appointment, election and if the case, dismissal of the Group's CEO and his remuneration, as well as the policies for the appointment and remuneration of the other relevant officers.

E) Policies for granting mutuals, loans or any type of credit or guarantees to related parties.

F) Exemptions, enabling a Board member, relevant officer or individual with control to take advantage of business opportunities for themselves or on behalf of a third party that correspond to the Group or individuals with control or those with significant influence. Exemptions for transactions for amounts less than the one mentioned in paragraph C) of this section, can be delegated to one of the Group's committees in charge of audits or corporate practices which is included in the Stock Market Law.

G) Limitations with regards to internal control and internal audit of the Group and controlling individuals.

H) Accounting policies of the Group, adjusted to known accounting principles or those issued by the Comisión Nacional Bancaria (National Banking and Securities Commission) of general character.

I) Financial statements of the Group.

J) The hiring of individuals to conduct external audits and if the case, additional or complementary services.

When the Board of Directors' resolutions are not in agreement with the opinions of the corresponding Committee, such Committee must instruct the CEO to disclose this situation to investors through the stock exchange in which shares of the Group are traded, and adapting itself to the terms and conditions of the internal regulations established by that stock exchange.

IV. To present the following at the General Shareholders' Meeting held at the end of each fiscal year: A) the annual report on the activities of the Audit and Corporate Practices Committee. B) The report prepared by the CEO in accordance with the law, accompanied by an external auditor's finding. C) The Board of Directors' opinion on the content of the CEO's report referred to in the previous parenthesis. D) The report referred to in Article 172, paragraph b) of the General Law of Mercantile Societies establishing the main policies and accounting and information principles to follow in the preparation of financial information. E) The report on those activities and operations in which there could have been intervention in accordance to that foreseen in the applicable legislation.

V. Following up on the main risks that the Group and its controlling individuals are exposed to, based on the information presented by the Committees, the CEO and external auditors, as well as accounting systems, internal control and internal audit, registration, filing or information, all of which can be carried out by the Audit and Corporate Practices' Committee.

VI. Approve communication and information policies with shareholders and the market, as well as with the Board of Directors and Relevant Officers, to comply with legal regulations.

VII. To determine the necessary actions in order to correct any identified irregularities and to implement the corresponding corrective measures.

VIII. Establish the terms and conditions to which the Chief Executive Officer must adhere in exercising of his power in acts of dominion.

IX. To order the Chief Executive Officer to publicly disclose any relevant events to his knowledge.

X. Represent the Group with corporations and individuals, as well as administrative and legal authorities or authorities of any other nature, whether municipal, state or federal, as well as local or federal labor authorities, the different Secretaries of State, Federal Tax Tribunal, Mexican Institute of Public Health, regional offices and other dependents of the same Institute and referees or arbitrators, with the authority to deal with cases and collections, conferred with the most ample general abilities referred to in the first paragraph of Article 2554 of the Civil Code for the Federal District, and with the special abilities that require special mention in accordance with the sections I, II, III, IV, V, VI VII and VIII of Article 2587 of the aforementioned legal document, by which, in an unlimited manner, they will be able to:

a) To settle and to commit to in arbitration;
b) To come between and to desist in all types of trials and resources;
c) To initiate Habeas Corpus trials or desist from them.
d) To present and ratify arraignments and penal quarrels and to meet their requirements; and to desist them;
e) To be co-council for the Federal or local District Attorney;
f) Grant pardons in penal procedures;
g) Explain or absolve positions in all types of trials, including labour trials, with the understanding however, that only those individuals designated by the Board of Directors have the ability to absolve them in accordance with the terms of Section X of this Article, which completely excludes them from the Rights enjoyed by other officials or directors of the Group;
h) Obtain awards of goods, surrender goods, present bids at auactions, challenge, and receive payments.

XI. To appear before any labor authority whether administrative or jurisdictional, local or federal; acting within the procedural policies or corresponding legal procedures, from the reconciliation stage to final execution; and to celebrate all types of agreements within the terms of Articles 11, 787 and 876 of the Federal Labor Law;

XII. Management of businesses and corporate assets with the most ample general authority within the terms of Article 2554, paragraph two of the aforementioned Civil Code for the Distrito Federal (Mexico City).

XIII. To issue, subscribe to, grant, accept, endorse or guarantee by endorsement loan securities within the terms of Article 9 of the General Law of Securities and Loan Operations;

XIV. Open and close bank accounts in name of the Group, as well as make deposits and draw against them, and to appoint people with signing authority;

XV. To exercise acts of disposition and domain regarding the Group's goods, or of its real or personal rights, under the terms of paragraph three of Article 2554 of the aforementioned Civil Code and with the special abilities pointed out in sections I, II and V of Article 2587 of the legal classification referred to;

XVI. Grant general or special powers, always reserving the use of said authority, as well as revoking the powers granted.

XVII. Establish rules for structure, organization, integration, functions and abilities of the Board of Directors' Executive Commission, Regional Councils, Internal Committees and the necessary work commissions; to appoint members; and set their remuneration.

XVIII. Formulate internal work code;

XIX. Granting the necessary powers to the officials indicated in the previous section or to any other people, and revoking said granted powers; while observing all the applicable laws, delegate its powers and in the CEO, or some powers to one or several of the Board Members, or to the Alternates that it designates, so that they exercise those powers in the business or businesses and under the terms and conditions that the Board of Directors sets;

XX. Delegate the Group's legal representation to the person or persons considered suitable, granting signing power and conferring them with ample general powers for disputes and collections, as referred to in the first paragraph of Article 2554 of the Civil Code and with the special Powers that require expressed mention according to Sections III, IV, VI, VII and VIII of Article 2587 of the legal body so that they can:

a) Present themselves as the Group's legal representatives in any administrative, labor, judicial procedure or process, or any other and make all types of instances, and especifically; articulate or absolve positions on behalf of the Group, converge in the conciliatory period, before the reconciliation meetings and arbitration; intervene in the respective diligences; and to celebrate all types of agreements with employees;
b) Carry out all the other legal acts referred to in Section I of this Article;
c) Substitute powers and faculties without reducing their own, and to grant and revoke mandates;

XXI. Resolve acquisition related situations, liens or transmissions of shares owned by the Group and issued by other societies.

XXII. In general, to have all the necessary faculties to carry out the management entrusted and consequently undertake all the acts and operations, legal and material, directly or indirectly, related to the social objective defined in the Article Three and the complementary activities established in the Fourth Article of these By-Laws, without limitation. The references of this Article to the precepts of the Civil Code for the Distrito Federal are understood to correlate with the Civil Codes of the entities in which the mandate is exercised.

The Board of Directors will be responsible to monitor the execution of the agreements of the Shareholders' Meetings, which could be carried out through the Audit Committee that conducts the audits which this Law refers to.

Shareholders

Don Roberto González Barrier exercises control over the Group.

Shareholder participation of the Board Members and main officials in the Group with over 1% participation is distributed as follows, according to the shareholder listings prepared for Annual Ordinary General Shareholders' Meeting held on April 30, 2009.

BOARD MEMBERS	No. of SHARES
Roberto González Barrera*	343'757,788
José Gpe. Garza Montemayor together with Irma Graciela Montemayor de Garza	45'728,000
David Villarreal Montemayor, representing Alicia Montemayor de Villarreal	44'870,000
Magdalena García Garza	20'762,716
Javier Martínez-Abrego	32'000,000

*Includes the participation of their children Doña Bertha Gonzalez Moreno, Don Juan Antonio Gonzalez Moreno and Roberto Gonzalez Moreno, with 89,337,868; 36,067,216 and 137,824 shares, respectively.

The names of the 10 main shareholders of GFNorte, according to the shareholder listings prepared for Annual Ordinary General Shareholders' Meeting held on April 30, 2009 are:

ROBERTO GONZALEZ BARRERA
BERTHA ALICIA GONZALEZ MORENO
JUAN ANTONIO GONZÁLEZ MORENO
GRUMA S. A. B DE C. V.
IRMA GRACIELA MONTEMAYOR DE GARZA
ALICIA REBECA MONTEMAYOR DE VILLARREAL
MAGDALENA GARCIA GARZA
JAVIER MARTINEZ-ABREGO
SSB OM01 CLIENT OMNIBUS A (on behalf of third parties)
JPM CHASE BANK TREATY A/C (on behalf of third parties)

The participation of Gruma, S.A.B. de C.V., registered for the GFNorte's General Ordinary Shareholders' Meeting held on April 30, 2009 was 8.79%.

Support committees for GFNorte's Board of Directors

The established support Committees for the Board of Directors of GFNorte are Management Committee, the Audit and Corporate Practices' Committee and the Risk Policies' Committee, and are composed of Board members, with officers of the Group involved in some of them. It is the Board's responsibility to authorize the by-laws of the committees and to evaluate their management on an annual basis.

MANAGEMENT COMMITTEE

Objective: to make decisions on strategic matters for the Institution and to follow up on the general state of the Institution and its most revelant matters.

Frecuency of sessions: the President of the Board of Directors calls the sessions.
Comprised of:

Roberto Gonzalez Barrera	President of the Board of Directors	President
Alejandro Valenzuela del Rio	CEO of GFNorte Managing Director Corporate Affairs	Coordinator
Jesus O. Garza Martínez	Managing Director Commercial and Retail Banking	
Manuel Sescosse Varela	Managing Director Government Banking	
Sergio García Robles Gil	Chief Financial Officer	

Quorum: four members must be present always including the President of the Board of Directors and the Chief Executive Officer of GFNorte.

Decisions are adopted with unanimous votes of those present.

AUDIT AND CORPORATE PRACTICES' COMMITTEE

Objective:

To support GFNorte's Board of Directors in monitoring, management, performance and execution of the Group's businesses and of their controlling individuals, considering the relevance that these have in the financial, administrative, and legal situation of the Group; as well as in the execution of the agreements approved in the Shareholder Meetings.

Integration and Meetings:

The Audit and Corporate Practices' Committee is comprised exclusively of independent members, with a minimum of three and not more than five members of the Board of Directos, appointed by the Board of Directors, at the proposal of the President.

The President of the Audit and Corporate Practices' Committee is appointed to/or removed from his position exclusively by the General Shareholders' Assembly and cannot be the President of the Board of Directors. The Secretary of the Committee is appointed by the same committee.

Sessions of the Audit and Corporate Practices' Committee are valid with a majority participation of its members, provided that the President is present or whoever has been designated, from among the Committee members, to take his place in his absence. The proposals put forth will be approved with the majority of votes of those members present, with the President's vote being the swing vote in the event of a tie.

Francisco Alcala de Leon	Independent Shareholder Board Member	President
Herminio Blanco Mendoza	Independent Shareholder Board Member	Member
Manuel Aznar Nicolin	Independent Shareholder Board Member	Member
Patricia Armendariz Guerra	Independent Alternate Board Member	Member
Isaias Velazquez Gonzalez	Secretary without vote	

The Audit and Corporate Practices' Committee will hold sessions as many times as necessary, being able to summon the President of the Board of Directors, 25% of the Board Members, the Chief Executive Officer, or the President of its own Committee.

The Committee records its sessions, and the records of each session are signed by those individuals acting as President of the session and Secretary of the Committee.

Functions:

I. Regarding Corporate Practices:

a) To provide the Board of Directors with an opinion on matters of concern in accordance with the applicable legislation.

b) To require the opinion of independent experts for cases it considers fit, in order to perform appropriately or when acting in accordance to applicable legislation.

c) To convene Shareholders' Meetings and request the inclusion of topics considered important in the agenda of those Meetings.

d) To support the Board of Directors in the elaboration of reports to be presented at the Shareholders' Meetings.

e) To monitor and ensure that the Group's performance lies within the limits established by law and the Group's Corporate By-Laws.

f) To define and update the structure of share incentive plans for the institution's executives.

II. Regarding Audit:

a) To give the Board of Directors an opinion on matters of concern in accordance to the applicable legislation.

b) To evaluate the performance of corporations providing external audit services, such as analyzing the findings, opinions and reports prepared by the external auditor. To do so, the Committee may require the presence of the afore-mentioned auditor whenever considered convenient, without prejudice of meeting at least once a year.

c) To discuss the Group's financial statements with the individuals responsible of their elaboration and revision, and based on that, to recommend or oppose their approval to the Board of Directors.

d) To inform the Board of Directors of the state of the internal control and internal audit systems of the Group or corporations that control them, including any detected irregularities, if the case.

e) To prepare an opinion on the CEO's report and submit it to the Board of Directors for its consideration and later presentation to the Shareholders' Meeting, based on the external auditor's findings, among other factors. This opinion should at least point out:

    1. If the accounting and information policies and criteria followed by the Group were appropriate and sufficient, taking into consideration the particular circumstances of the situation.

    2. If these policies and criteria were applied in the information presented by the CEO.

    3. If, as a consequence of numbers 1 and 2, the information presented by the CEO reasonably reflects the financial situation and results of the Group.

f) To support the Board of Directors in the preparation of the reports to be presented to the Shareholders' Meeting.

g) To check that operations referred to in Number 3 of Article 33 of the Corporate By-Laws, as well as those indicated by the applicable legislation, are carried out according to the law and By-Laws.

h) To request the opinion of independent experts in such cases where it is judged to be convenient, for the appropriate performace or when in accordance with the applicable legislation.

i) To require relevant officers and other employees of the Group or corporations that it controls, to report relative to the elaboration of financial and of any other type of information that it considers necessary for the execution of their duties.

j) To investigate the possible non-fulfillment of duties by those with knowledge of operations, operational limitations and policies, internal control, internal audit and accounting registration system, either of the Group or of controlled corporations through an examination of documentation, registrations and other proof or evidence, to the extent necessary to fulfill this supervision.

k) To receive observations expressed by shareholders, Board Members, relevant officers, employees and, by any third party in general, regarding matters referred to in the previous paragraph, as well as to carry out actions that are reasonable in their opinion in connection with such observations.

l) To request periodic meetings with the relevant officers, as well as the delivery of any type of information related to the internal control and internal audit of the Group or its corporations.

m) To inform the Board of Directors of any important irregularities detected related to the execution of their duties and if the case, of the corrective measures taken or proposed.

n) To convene a Shareholders' Meeting and request that pertinent topics be inserted into the agenda.

o) To monitor that the CEO executes the adopted resolutions of the Shareholder Meetings and of the Group's Board of Directors according to the instructions dictated by Shareholders' Meeting or the Board of Directors.

p) To supervise the establishment of mechanisms and internal controls that allow verification that the acts and operations of the Group and its corporations, adhere to the applicable norms, as well as to implement methodologies that facilitate the revision of the above-mentioned execution.

q) To supervise that all activities adhere to the corporate by-laws and established laws.

Responsabilities:

The President of the Audit and Corporate Practices Committee must prepare an annual report on the activities that correspond to this Committee and must present it to GFNorte's Board of Directors. This report must consider the following points:

I. Regarding Corporate Practices:

a) Observations regarding the performance of relevant officers.

b) Operations with related parties, during the fiscal year reports detailing the specifics of significant operations.

c) Integral compensation or remuneration packages for individuals referred to in Article 28, Section III, paragraph d) of the Stock Market Law (LMV).

d) Waivers granted by the Board of Directors in terms stipulated in Article 28, Section III, paragraph f) of the LMV.

e) Responsibilities related to the share incentive plan for executives of the Banco Mercantil del Norte:

1. To name officers eligible for the incentive plan (beneficiaries).
2. To establish the participation granted to the beneficiaries, terms and form of payment of the incentive plan.
3. To authorize the number of shares allotted to the incentive plan to be purchased by the Trust.
4. To interpret, manage, modify and if the case, to propose the termination of the incentive plan to the Board of Directors of Banorte.
5. Take any necessary action for the efficient and timely execution of the incentive plan.
6. To inform the Board of Directors on relevant matters concerning the institution's incentive plan.

II. Regarding Audit:

a) The state of the internal control and internal audit system of the Group and its corporations and the description of any deficiencies and deviations, if the case, as well as aspects that require improvement, taking into account the opinions, reports, official statements and finding of the external audit, as well as the reports issued by the independent experts that extended their services during the period covered by the report.

b) The mention and follow-up of preventive and corrective measures implemented based on the results of investigations related to not adhering to the guidelines, operation and accounting registration policies by either the Group or its corporations.

c) Evaluation of the corporation's performance in providing the external audit service as well as the external auditor in charge of it.

d) The description and assessment of any additional or complementary services provided by the corporation conducting the external audit, as well as those provided by independent experts.

e) The main results of revisions to the financial statements of the Group and of its corporations.

f) The description and effects of the modifications to accounting policies approved during the period covered in the report.

g) The measures taken because of observations considered significant, by shareholders, Board Members, relevant officers, employees or any third party, regarding accounting, internal controls and topics related to internal or external audits, or, arising from accusations of management irregularities.

h) Follow-up on the resolutions adopted by the Shareholder' Meetings and the Board of Directors.

To prepare the reports referred to by this legal precept, as well as that of the opinions pointed out in Article 42 of the LMV, the Audit and Corporate Practices Committee should listen to the relevant officers; in the event that there is a difference of opinion, such differences will be reported in those mentioned reports and opinions.

RISK POLICIES' COMMITTEE

Objective: to manage the risks that the Institution is exposed to and oversee that operations are adjusted to meet objectives, policies and procedures for the Integral Management of Risks, as well as to the global limitations of risk exposure approved by the Board.

Functions:

1. To propose for the Board of Directors' approval:

    A. Objectives, limitations and policies for the integral management of risks, as well as modifications to the same.
    B. Global limitations for the different types of risk considering consolidated risk, broken down by business unit or risk factor, taking into account what is established in Articles 79 to 85 of the applicable regulations of general character for credit institutions, published by the Daily Official Gazzette (second section) on December 2, 2005.
    C. Mechanisms for the implementation of corrective measures.
    D. Special cases or circumstances in which specific or global limitations could be exceeded.

2. To Approve:

    A. Specific limitations for discretionary risks, as well as tolerance levels for non-discretionary risks.
    B. Methodology and procedures to identify, measure, monitor, limit, control, inform and disclose the different types of risk, as well as their modifications.
    C. Models, parameters and scenarios to carry out the rating, measurement and control of risks that the unit for Integral Risk Management proposes.
    D. Methodologies for the identification, rating, measurement and control of risks for new operations, products and services that the Group seeks to offer on the market.
    E. Corrective measures proposed by the unit of Integral Risk Management.
    F. The technical evaluation of the aspects of the Integral Risk Management's unit referred to in Article 77 of the applicable regulations of general character for credit institutions, published by the Daily Official Gazzette (second section) on December 2, 2005, for presentation to the Board of Directors and the CNBV, as well as the report resulting from the technical evaluation.
    G. The manuals for the Integral Risk Management unit, in accordance with the objectives, limitations and policies established by the Board of Diectors referred to in the last paragraph of Article 78 of the applicable regulations of general character for credit institutions, published by the Daily Official Gazzette (second section) on December 2, 2005.
    H. The appointment or removal of the executive responsible for the Integral Risk Management unit, which must be ratified by the Board of Directors.

3. Inform the Board of Directors about:

A. On a quarterly basis, the risk exposure assumed by the Group and the possible negative impact, non-observance of established exposure limits and risk tolerance levels.
B. The corrective measures implemented in accordance with the Integral Risk Management unit's proposal.

4. Review at least once a year:

A. The specific limits for discretionary risks, as well as the tolerance levels for non-discretionary risks.
B. Methodologies and procedures to identify, measure, monitor, limit, control, inform and disclose the different types of risk, as well as their modifications.
C. Models, parameters and scenarios that will be used to carry out the rating, measurement and control of risks that the Integral Risk Management unit proposes.

The Risk Policies' Committee should at all times, ensure the knowledge of all personnel involved in risk taking, the global and specific limits for discretionary risks, as well as the tolerance levels for non-discretionary risks.

Frequency of the sessions: should hold monthly sessions. All sessions and resolutions should be properly recorded and signed by all those in attendance.

Comprised of:

Eduardo Livas Cantú (President)	Board Member Shareholder
Francisco Alcalá de León	Board Member Shareholder
Manuel Aznar Nicolín	Board Member Shareholder
Alejandro Valenzuela del Río	CEO of GFNorte
Fernando Solís Soberón (BAP)	Managing Director Long Term Savings
Ricardo Acevedo de Garay	Managing Director Brokerage House
Arturo Guerra Anzaldua (Créditos Pronegocio)	Executive Director Pronegocio (Micro Lending)
Javier Márquez Diez Canedo (Secretary)	Managing Director Risk Management
Aurora Cervantes Martínez (Invited) (without vote)	Managing Director Legal
Jesus O. Garza Martínez (Invited) (without vote)	Managing Director of Commercial and Retail Banking
Antonio Ortiz Cobos (Invited) (without vote)	Managing Director Corporate Banking
Sergio García Robles Gil (Invited) (without vote)	CFO
Luis Fernando Orozco Mancera (Invited) (without vote)	Managing Director Recovery Banking
	Managing Director of Corporate Affairs
Manuel Sescosse Varela (Invited) (without vote)	Managing Director Government Banking
Román Martínez Méndez (Invited) (without vote)	Managing Director Audit

Quorum: two Shareholder Board Members, the CEO of GFNorte aand the Committee Secretary.

Decisions will be adopted by the unanimous vote of those present.

Support Committees to GFNorte's General Management

There are several committees which support GFNorte General Management's work, which know, propose and resolve within their abilities, diverse aspects related with the progress of the business. The Managing Directors of areas that report directly to the CEO sit on these Committees, as well as other officials responsible for specific areas. These Committees are detailed as follows:

OPERATIONS COMMITTEE

Mission: to be the highest ranking committee in the institution to make strategic decisions related to the critical variables of GFNorte's business.

Scope: the scope of the Operations Committee extends to all of GFNorte's companies.

Functions:

1. To establish strategies for new financial products and services.
2. Based on the Viability Analysis' recommendation: it analyzes and evaluates the business concept of strategic projects and if warranted, requests their evaluation by the Evaluation Group.
3. Makes any other strategic decision related with critical variables of the business.

Faculties:

1. To approve the viability of initiatives for new products and services.

Frequency of sessions: it should hold session every two weeks.

Comprised of:

Alejandro Valenzuela del Río (President)	CEO of GFNorte
Sergio García Robles Gil (Coordinator)	CFO of GFNorte
Ursula Wilhelm Nieto (Secretary)	Executive Director of Strategic Planning
	Managing l Director of Corporate Affairs
Jesus Oswaldo Garza Martinez	Managing Director of Commercial and Retail Banking
Manuel Sescosse Varela	Managing Director of Government Banking
Alejandro Garay Espinosa	Managing Director of Administration
Carla Juan Chelala	Managing Director of Marketing

Quorum: five members must be present and the President of the Committee must always be present.

- The Committee coordinator will be responsible of convening sessions, coordinate the topics to be addressed and record the minutes of the topics and resolutions of each session.
- All the members of this Committee have a voice and a vote in the topics addressed.
- Sponsors of projects or any other officers, who present a topic, especially at the request of the Committee, will be invited to participate with a voice and vote.
- Resolutions will be adopted by a majority of votes of those present, while the President of this Committee will hold the deciding vote in the event of tie as well as the right to veto.

TECHNOLOGY AND INVESTMENT COMMITTEE

Mission: To be GFNorte's highest organ in charge of approving and prioritizing the portfolios of investment projects, as well as their budgetary assignments.

Reach: the Technology Committe's scope of action is all the companies that form GFNorte.

Functions:

1. Follow up on the projects of the annual investment program authorized by the Board of Directors.
2. Manage the investment program authorized by the Board of Directors.
3. Analyze, and if necessary authorize the initiatives and projects that have been approved by the Operations Committee, and that have been previously evaluated by the Evaluation Group.
4. Modify, suspend or cancel projects previously approved that present critical deviations, considering the recommendations by the Evaluation Group.
5. Follow up on the results and general benefits of the investment projects' portfolio.
6. Follow up on the implementation of the authorized investment budget.

Faculties:

1. Approve, modify and cancel projects.
2. Assign the budget.

3. Prioritize the portfolio.

Frequency of the sessions: must sanction on a bimonthly basis, the third Thursday of the corresponding month.

Integration:

Alejandro Valenzuela del Río (President)	CEO of GFNorte
Sergio García Robles Gil (Coordinator)	CFO
Ursula Wilhelm Nieto (Secretary)	Executive Director of Strategic Planning
	Managing Director of Corporate Affairs
Jesús Oswaldo Garza Martínez	Managing Director Commercial and Retail Banking
Alejandro Garay Espinosa	Managing Director Administration
Prudencio Frigolet Gómez	Managing Director Technology
Javier Beltrán Cantú	Executive Director of Material Resources

Quorum: five Board members and the President of the Committe must always be present.

- The roll call for the meeting, the coordination of the topics to be discussed and the ellaboration of the minutes with the agreements of each sesión will be responsibility of the Secretary of the Committe.
- All the members of this committee have voice and vote in the topics under discussion.
- The sponsors of projects or any other officer that presents a special petition in the Committee can de invited with voice but without vote.
- The members can name a substitute to represent them in case of not being able to attend, nonetheless the substitute has voice and no vote, and does not count as part of the quorum.
- The decisions will be adopted by majority of votes of those present, the President of this Committe will have quality vote in case of a tie and right to veto.

SECURITY COMMITTEE

Objective: propose improvements and seek solutions to physical security problems that affect the institutional assets or pose risks of embezzelment by employees or third parties, through changes to processes and procedures, as well as sanction whoever is responsable for unhealthy practices in their financial function and services at the Financial Group.

Frequency of the sessions: the meetings will take place whenever issues need to be discussed according to the criteria of the Coordinator, or else the Secretary of the Committee.

CENTRAL CREDIT COMMITTEE

This Committee has the functions of resolving the credit applications presented by the clientele through the banking areas, based on the experience and knowledge of GFNorte's officers regarding the situation of the different sectors, regional economies and specific clients, with a focus on business profitability and measurement of institutional risk.

The Central Credit Committee is supported by various committees with different geogrpahical coverage and amounts that can be granted using special faculties. Normativity also exists so that under a scheme of individual or joint faculties, GFNorte officers can authorize transactions to special clientssporadically.

The Central Credit Committee convenes every fifteen days. The Credit Committees supporting it convene with the same frequency, or if needed, on a weekly basis.

CENTRAL CREDIT RECOVERY COMMITTEE

Functions:

Resolve clients' recovery proposals that are under management of the Asset Recovery Business, as well as borrowers from traditional banking that propose cash settlements, restructurings and payments in kind or conversions of debt to equity, that could imply or not debt cancellations or removals.

Additionally, the Recovery Committees are in charge of resolving foreclosed asset proposals, based on the following:

1. Analyze the selling values of the foreclosed assets, based on financial reasoning in first instance, considering the criteria of present value and funding costs.
2. Propose to the Risk Policies Committee, adjustments to the sale policies of foreclosed assets.
3. Analyze, and if the case, authorize all the proposals for the sale of foreclosed real estate assets.
4. Analyze the quarterly operations' report of the Director of Management and Sale of Assets.
5. Monitor advances and compliance in the sale of foreclosed assets, as well as the adequate coordination among the areas involved.
6. Decide the hiring of brokers and/or specialized bureaus for the sale of real estate; in case of urgency, this decisión can be taken by 3 of its members, having to inform it (and record in the minutes) of the Committee's next session.
7. Attend any matter related to the sale of foreclosed assets not contemplated in this policy.

ASSETS AND LIABILITIES COMMITTEE

Functions:

1. Maintain and increase the productivity of the Bank through managing the financial margin.
2. Review, validate and if necessary homologate the tariff and price policies of various products and services oferred by the bank.
3. Analyze, evaluate and determine the parameters and/or conditions to launch new programs, products and services and/or modifications to existing ones, required by the Operations Committee and/or the Evaluation Group.
4. Analyze the evolution of financial margins of the bank and other subsidiaries.
5. Monitor the evolution of the bank's balance sheet.
6. Monitor the impact of interest rate variations on the balance sheet.
7. Establish productivity parameters for the business areas.
8. Monitor the adequate utilization of the Group's capital.
9. Review that the intermediation activies (pesos and dollars) of the bank are according to the global strategies.

Frequency of the sessions: the meetings will be held at least once a month; the sessions's agenda and roll call is coordinated by the Secretary.

Integration:

Alejandro Valenzuela del RIo	CEO of GFNorte	With veto power
Carlos Arciniega Navarro	Executive Director of Treasury	Coordinator & Secretary
	Managing Director of Corporate Affairs	
Jesús O. Garza Martínez	Managing Director of Commercial and Retail Banking	
Antonio Ortiz Cobos	Managing Director Corporate Banking	
Sergio García Robles Gil	Chief Financial Officer	
Alejandro Garay Espinosa	Managing Director Administration	
Javier Marquez Diez Canedo	Managing Director Risk Management	
Ricardo Acevedo de Garay	Managing Director Brokerage House	

Adán Peña Guerrero	Executive Director Market Risk Managment	
Representative of Audit		(without vote)

Quorum: four voting members of which at least two must be from a business area.

- In case of the Coordinator's absence, any of the members with vote and voice will be designated under that role with the agreement of those present.
- In the absence of any other member, a substitute can be named to replace them; nonetheless this replacement has voice but no vote, and is not counted as part of the quorum.
- The decisions will be adopted by the majority of those attending.

MONEY MARKET AND TREASURY COMMITTEE

Functions:

1. Analysis of the national and international environment.
2. Definition of the portfolio's investment strategy within the authorized parameters by the Board of Directors, or by the corresponding Risk Policies' Committeee.
3. Review and evaluate the portfolios.
4. Approval of the investment strategies and buy-sale of financial instruments.
5. Intervention in abnormal risk circumstances.
6. Revision of financial instruments' liquidity parameters.

Frequency of sessions: must be held on a weekly basis and the agenda and roll call is coordinated by the Secretary of the Committee.

Integration:

Carlos Arciniega Navarro	Executive Director of Treasury	Coordinator
Ricardo Acevedo de Garay	Managing Director Brokerage House	
Fernando Solís Soberón	Managing Director of Long Term Savings	
Juan Carlos Cadena Arias	Executive Director Money Market	
Ignacio Saldaña Paz	Exective Director of Investments Long Term Savings	
Bruno Grebe Martínez	Executive Director of Capital Markets	
David Treviño Martínez	Director Foreign Exchange	
Andrea Crisanz	Managing Director of Insurance and Annuities	
Andrea Battini	Technical Director of Individuals Long Term Savings	
Adán Jorge Peña Guerrero	Executive Director Market Risk	(without vote)
Heleodoro Ruíz Santos	Executive Director Credit Risk	(without vote)
José Salce Zambrano	Director Long Term Savings Risks	(without vote)
Alfonso García Martínez	Normative Comptroller Long Term Savings	(without vote)
Benjamín Vidargas Rojas	Executive Director Control & Prevention	(without vote)
Arturo Monroy Ballesteros	Executive Director Investment Banking	(without vote)
Representante de Auditoría		(without vote)
Jacaranda Nava Villarreal	Director of Structured and Derivatives Products	Secretary

Quorum: four members with voting power.

- Approval: by majority of votes.
- Reach: investments in the bank's and broker dealer's proprietary portfolios.

- In absence of the Coordinator, any of the members with voice and vote must be designated as such with agreement of those present.
- In the absence of any other member, an alternate can be named; nonetheless this representative has voice but no vote and does not count as part of the quorum.
- In case of the quorum not being fulfilled, the session must be for information purposes only.
- Decisions must be adopted by the majority of those attending.

COMMUNICATIONS AND CONTROL COMMITTEE

Functions:

1. Submit for approval of the Audit Committee of the entity involved, the policies for client identification and knowledge, as well as those that it must develop for identification of users, including the criteria, measures and procedures that must be developed for proper compliance, as well as any modification to them.

   In case the Institution does not have an Audit Committee, this Committee will approve the policies, critera, measurement and procedures mentioned in this fraction.

2. Act as the instance to learn the results obtained by the internal audit area of the entity with respect to judging the efficancy of the policies, criteria, measures and procedures mentioned in the previous fraction, in order to adopt the necessary actions to correct the failures, deficiencies and omissions.

   In this fraction, it will be understood that the reference to internal audit relates to its equivalent in the different types of entities.

3. Learn about account openings and contracts whose characteristics could generate high risk to Banco Mercantil del Norte, S. A., according to the reports presented to the Compliance Officer and, if the case, formulate the recommendations that proceed,.

4. Establish and promote the criteria for Client classification, according to their degree of risk.

5. Promote among the personnel responsable of applying the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, the officially recognized lists that are issued by international organisms and authorities of other countries related to persons linked to terrorism or its financing, or other ilegal activities.

6. Dictaminate the operations that must be reported to the Ministry, through the Commission, as unusual or worrisome, in the terms established in the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions.

7. Approve the training programs for the personnel of Banco Mercantil del Norte, S. A., related to prevention, detection and reporting of conducts directed to favor, help or cooperate with any terrorist financing activities, or that could be under the supposition of being transactions from illegal origin.

8. Inform the Institution's competent area about the conducts carried out by directors, officers, employees or representatives that infinge the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, or in the cases that such directors, officers, employees or representatives contravene the established policies, criteria, measures and procedures for the correct compliance with the generally applicable dispositions referred in Article 115 of the Law of Credit Institutions, with the objective of imposing the corresponding disciplinary measures.

9. Resolve other matters submitted to its consideration, related to the application of these dispositions.

Frequency of the sessions: the Committee sessions will be every 28 days, on every fourth Thursday.

Integration:

Members		Alternates
Jorge Eduardo Vega Camargo (President)	ED Comptroller	Fernando Castrejón Hernández
Arturo Valdés Villaseñor	ED Commercial Promotion	Concepción Borjón Shears
Jesús Valdés Fernández	MD Risk Management	Javier Márquez Diez-Canedo
Aurora Cervantes Martínez	MD Legal	Octavio Ruiz Chapa
Carlos Ávila López	ED Operations	Manuel Anglés Hernández
Alberto Raúl Guerra Rodríguez (1)	ED Development in USA	Normando Rojas Morgan (1)
Enrique Alvarado Cruz (2)	UnderDirector Operations	Gerardo Zamora Nuñez (2)
Andrés Aymes Ansoleaga (3)	ED Pronegocio	Luis Gerardo Moreno Santos (3)
Rodrigo Ruiz Treviño (4)	ED Sólida	Roxana Gutierrez (4)
José Luis Garza González (Invitado permanente)	ED Audit (no vote)	César A. Garza Escareño
José Salvador Lozano Arizpe (Secretario)	Director of Normative Compliance	Mario A. Moreno Rostro

(1) Banco Mercantil del Norte, S. A.
(2) Arrendadora y Factor Banorte, S. A. de C. V.
(3) Créditos Pronegocio, S. A. de C. V.
(4) Sólida Administradora de Portafolios, S. A. de C. V.

Quorum: four members with vote.

- Special guest: Benjamín Vidargas Rojas.
- In case members cannot attend, they can name a substitute to replace them.
- The decisions will be adopted with the unanimous votes of those present.

FIDUCARY BUSINESS COMMITTEE

Faculties:

1. Accept high risk fiduciary business representing assets up to an amount of 48 million UDIS or its equivalent in local currency.
2. Determination of the matters that according to their risk do not require attention by this Committee.
3. Decision making in matters with a contingency that does not exceed $20 million pesos.
4. In case of exceeding these limits, the signature of Grupo Financiero Banorte's CEO is required.
5. Condone up to 100% of delinquent fiduciary business' fees and/or moratory interest and/or conventional penalties.
6. Authorize the formalization of new businesses that, according to the authorization policies of this Committee, are classified according to the following: médium risk, high risk, restricted risk; in case of discrepancy or doubt about the classification of risk, the highest risk must be used as the reference.

Frequency of sessions: the committe will convene on a monthly basis, with the possibility of extraordinary sessions upon request of any member.

Integration:

Members		Alternates
Aurora Cervantes Martínez (Coordinatorr)	MD Legal	José Luis Lozano Aguilar (without vote)
Javier Márquez Diez-Canedo	DG Risk Management	Jesús Valdés Fernández (without vote)
Jesús O. Garza Martínez	MD Commercial and Retail Banking	Arturo Valdés Villaseñor (without vote)
Manuel Sescosse Varela	MD Government Banking	David Alberto Salazar Vite (without vote)
Antonio Emilio Ortíz Cobos	MD Corporate Banking	Armando Rodal Espinosa (without vote)

José Luis Garza González	ED Audit	Silvia Lázaro Lázaro (without vote)
Luis Gerardo Mtz. González	ED Fiducary	
Pablo de la Garza Dávila (Secretary)	Techincal Director Fiduciary	

Quorum: in medium risk business, three members, with the signatures of the MD of Business and the ED of Fiducary or the MD of Legal being always needed.
In high risk business, three proprietary members with the signature of the MD of Business and the MD of Risk Management always being needed.
In restricted risk business, four proprietary members with the signature of the MD of Business, the MD of Risk Management and the MD of Legal being always needed.

- The decisions must be adopted unanimously by those present.
- The alternates will only act in case of absence of their respective proprietary member and will have a vote in these cases, with the exception of the alteranate from Audit, who will have no vote.

INVESTMENT PROJECTS' COMMITTEE

Reach: the objectives, functions, members and frequency of the investment projects committee's sessions are generally applicable to GFNorte and subsidiaries.

Objective: analyze the viability of every proposal related to: 1) acquistion of loan portfolios, 2) acquisition of real estate portfolios, and 3) investment in housing, commercial real estate, infraestructure and tourism projects, which must be authorized in adherence to GFNorte's strategies.

Functions:

1. Analyze and approve different business transactions presented to this Committee, such as:
   a. Acquisition of loan portfolios.
   b. Acquistion of real estate portfolios.
   c. Investment in housing, real estate, infrastructure and tourism projects.
   d. Extensions and changes to authorizations.
2. Monitor and review advances in the business transactions being executed, through a presentation by those responsable for each business.
3. Ensure that every business transaction presented to the Committee adheres to the minimum profitability and risk criteria established in GFNorte and/or the Board of Sólida Administradora de Portafolios.
4. Recommend that additional funds be requested to the corresponding instances in order to advance in the initiatives or projects under development that require the disbursement of additional resources.
5. Respect all the norms emmanated from the Risk Policies Committee (CPR) that impact its areas of influence.
6. The Committee will be able to request a review of analysis presented to it by an expert in the subject, as well as by personnel of the specialist areas.

Frequency of the sessions: upon request by the Coordinator and/or Secretary of the Committee.

Integration:

Alejandro Valenzuela del Río (President)	CEO GFNorte
Luis Fernando Orozco Mancera (Coordinator)	MD Recovery Banking
Sergio García Robles Gil (Coordinator)	MD Finance and Planning
Javier Marquez Diez-Canedo	MD Risk Management
	MD Corporate Affairs
Aurora Cervantes Martínez	MD Legal
Antonio Ortiz Cobos	MD Corporate Banking
Rafael Hinojosa Cardenas	ED Investment Projects

Rafael Flores Birrichaga	ED Legal of Recovery Banking
Jesús Martínez Celis Saldaña (Secretary / without vote)	ED Planning
Representative of Audit (without vote)	

Quorum: three members with vote, with the President of the Committee being one of them.

- The Committee's decisions must be unanimous by the members that constitute the quorum.
- The opinion of the specialized areas of insurance and mortgage are needed in cases where applicable.

INTEGRITY COMMITTEE

Reach: the objectives, functions, members and frequency of the Integrity Committee's sessions are generally applicable to GFNorte and subsidiaries.

Objective: align the security and control efforts of the information under a preventive approach, defining new strategies, policies, processes and procedures and seeking to solve security problems that affect the Institution's assets or represent risks of embezzelment by third parties or employees, ensuring the integrity, reliability and opportunity of the information.

Functions:

1. Define an integral strategy for the security of information
2. Identify threats and vulnerabilities, and assess their impact
3. Evaluate the risk of system and critical information loss
4. Establish objectives, define policies and procedures
5. Foster a culture of information security
6. Monitor, measure and report the risks that affect the security of information
7. Create special committees in order to follow up and attend special risk situations or problems related to information security matters.

These functions are directed towards technological mitigation or preventionmeasures, as well as to decide about the programs and projects destined to safeward the integrity of information security.

Frequency of the sessions: the meetings are carried out quarterly, with the possibility of extraordinary meetings at the request of any proprietary member.

Integration:

Javier Marquez Diez-Canedo (Coordinator)	MD Risk Management
Prudencio Frigolet Gómez	MD Technology
Jesús O. Garza Martínez	MD Commercial and Retail Banking
José Luis Lozano Aguilar	ED Legal
Jorge Vega Camargo	ED Comptroller
Carlos Petersen y Vom Bauer	ED Human Resources
Héctor Abrego Pérez	Director Electronic Channels
Francisco García Dayo (without vote)	Director of IT Audit
Alberto Vega Balderas (permanently invited)	Underdirector Risk Management BAP
Rafael Antillón Cantú (permanently invited)	Underdirector of IT Security
Jesús Valdés Fernández (Secretary)	Director of Operational Risk

Quorum: four members.

- Members that cannot attend a session will not send alternates unless they must present a specific topic. In this case, the alternate will only remain in the session during the time of his presentation.
- With the exception of those permanently invited, any other invited person must be convened as required and will remain in the sessions during the time of his presentation.

- The sessions and agreements must be recorded, and these records must be detailed and signed by each of the participants.

COMMITTEE OF INVESTMENTS IN FINANCIAL INSTRUMENTS

Functions:

1. Analysis of the national and international economic environment.
2. Definition of the investment portfolio strategy within the parameters authorized by the Board of Directors or the corresponding Risk Policies' Committee.
3. Review and evaluate the portfolios.
4. Approval of the investment strategies and the purchase and sale of financial instruments.
5. Intervention in abnormal risk situations.
6. Review of financial instruments' liquidity paramenters according to the characteristics of each product and portfolio.

Frequency of the sessions: the meetings will be held on a weekly basis, and the agenda and roll call will be coordinated by the Committee's Secretary.

Integration:

Ricardo Acevedo de Garay (Coordinator)	MD Brokerage House
Fernando Solís Soberón	MD Long Term Savings
Ricardo Gómez Dena	ED Mutual Funds
José Dayan Abadi	ED Equity Mutual Funds
Carlos Arciniega Navarro	ED Treasury
Ignacio Saldaña Paz	Director of Investments LT Savings
David Treviño Martínez	Director FX
Marcelo Guajardo Vizcaya (without vote)	ED Private Banking
Adán Jorge Peña Guerrero (without vote)	ED Market Risk
Heleodoro Ruíz Santos (without vote)	ED Credit Risk
José Salce (without vote)	Director Risk LT Savings
Claudia Anaya (without vote)	Director Portfolio Management Equities
Benjamín Vidargas (without vote)	ED Prevention and Control
Audit Representative (without vote)	
Manuel González Graff (Secretary) (without vote)	Director Debt Portfolio Management

Quorum: four members with vote.

- In case of the Coordinator's absence, one of the members with voice and vote must be designated as such by agreement of those present.
- In the absence of any other member, an alternate can be named as replacement; nonetheless this alternate will have voice but no vote, and does not count as part of the quorum.
- In case of not completing the quorum, the session will only be for information purposes.
- The decisions must be adopted by the majority of those attending.

Main Officers

Name	Years with the company	Current Position	Age	Education	Other companies where he/she collaborated as an officer
Alejandro Valenzuela del Rio	5.5	CEO of GFNorte	47	PhD in Economics	EADS

Jesus Oswaldo Garza Martinez	9.8	Managing Director of Commercial and Retail Banking	52	Masters in Financial Administration	BBV, Casa de Bolsa Probursa and Valores Finamex
Manuel Fernando Sescosse Varela	16.2	Managing Director Government Banking	56	Degree in Business Administration	Bancen Multiva, Casa de Bolsa Probursa, Impresiones Sesvar and Sesscose Hnos. Constructores
Antonio Emilio Ortiz Cobos	12.1	Managing Director Corporate Banking	57	Masters in Economy	Bancomext and Citibank
Luis Fernando Orozco Mancera	5.3	Managing Director of Recovery Banking	54	Masters in Business Administration	Citibank Mexico
Fernando Solis Sobeoón	1.8	Managing Director of Long Term Savings	47	Masters and Doctorate in Economy	Grupo Nacional Provincial, Grupo Bal, CONSAR, Comision Nacional de Seguros y Fianzas
Carlos I. Garza*	2.1	Managing Director of Banorte USA	51	Public Accountant and Auditor	Texas State Bank, McAllen State Bank, City of McAllen, McAllen – Hidalgo Bridge Board and Anzalduas Bridge Board
Sergio Garcia Robles Gil	14.6	CFO	48	Masters in Business Administration	Fina Consultores
Ricardo Acevedo de Garay	20.5	Managing Director of Brokerage	52	Public Accountant	Afin Casa de Bolsa
Alejandro Garay Espinosa	0.2	Managing Director of Administration	46	Attorney at Law	Banco de Mexico
Name	**Years with the company**	**Current Position**	**Age**	**Education**	**Other companies where he/she collaborated as an officer**
Prudencio Frigolet Gomez	21.3	Managing Director of IT	49	MBA	Banca Quadrum, Hidelbrando, BBV Probursa, Probursa Brokerage and Culliet Mexicana
Aurora Cervantes Martinez	12.9	Managing Director Legal	44	Attorney at Law and Degree in Social Sciences	Attorney General's Office
Carla Juan Chelala	1.5	Managing Director Marketing	39	Masters in Marketing and Advertising	Grupo Financiero HSBC
Roman Martinez Mendez	14	Managing Director Audit	71	Public Accountant and Auditor	Gruma
Javier Marquez Diez Canedo	0.2	Managing Director of Risk Management	68	Doctorate in Math Sciences	Fobaproa, Ixe/Fimsa Casa de Bolsa, ITAM, Operadora de Bolsa
Sergio Deschamps Ebergenyi	11.4	Director of North Territory	55	Degree in Business Administration	Banca Serfin
Carlos Eduardo Martinez Gonzalez	10.0	Director of Mexico South Territory	45	Degree in Business Administration	Grupo Financiero Serfin, Operadora de Bolsa, S. A., Casa de Bolsa Banorte
Juan Carlos Cuellar Sanchez	24.0	Director of Mexico North Territory	46	MBA	
Juan Manuel Faci Casillas	10.1	Director of Occident Territory	43	Degree in Business Administration	Banco Santander Mexicano
Alfonso Paez Martinez	11.2	Director of Central Territory	43	MBA	Casa de Bolsa Abaco and Casa de Bolsa Probursa

Juan A. de la Fuente Arredondo	20.8	Director of Northwest Territory	60	Public Accountant	Banca Confía and Banamex
Alberto Salvador Lopez	7.0	Director of Peninsular Territory	45	Degree in Actuary	Seguros Bancomer, S. A., Banca Promex, Banco del Atlántico
Jorge Luis Molina Robles	15.0	Director South Territory	52.4	Civil Engineer	Government of the State of Chiapas

* Carlos I. Garza is an employee of INB since 1995.

At the close of December 2008:

- Miguel Javier Huller served as Managing Director of Consumer Banking.
- Joaquín López Dóriga López Ostolaza served as Managing Director of Corporate Affairs, position still vacant.
- Alma Rosa Moreno served as Managing Director of Administration, position currently held by Alejandro Garay Espinosa.
- Gerardo Coindreau Farías served as Managing Director of Risk Management, position currently held by Javier Márquez Diez Canedo.
- Marcelo A. Guajardo Vizcaya served as Director of Mexico City South Territory, position currently held by Carlos Eduardo Martínez González.

Compensation and benefits

The total amount of compensation and benefits provided in 2008 for the Board of Directors and main officials of GFNorte was approximately Ps 151 million.

Compensations and benefits are as follows:

• **Fixed Compensation:** Salary.

• **Annual Bonus Plan for 2008:**
The Bonus Plan for each business area evaluates estimated profit for that particular business, as well as evaluation of individual performance, which takes into account the achievement of each participant's goals and objectives. The bonus is also adjusted according to operational risk evaluations carried out by Internal Audit Department.

The eligible personnel of staff areas are evaluated according to the fulfillment of the estimated profit for the Group, as well as the individual performance based on the achievement of each candidate’s goals and objectives.

In case the budget estimates are 100% fulfilled, the annual bonus for business areas executives’ (Underdirectors and Managerial levels), is equivalent to 5.2 months’ salary; and for eligible staff personnel (Underdirector and Managerial levels) it is the equivalent to 4.4 months’ salary. For executive personnel of business areas (Director Level) full compliance with annual bonus objective is equivalent to 5.8 months’ salary, while for eligible staff personnel (Director Level) it is the equivalent of 4.7 months’ salary.

• **Long-Term Incentive Plans:**
The long term outline for incentives, which is designated by the Compensation Committee, consists of assigning Directors a stock options package through a trust with a vesting period of 3 years. Participants will be entitled to exercise one third of the package each year; purchasing the shares at the price with which they were originally acquired by the Trust, and their right to acquire those shares expires after 6 years.

The gains for the executive will be calculated by the difference between the strike price originally determined by the trust and the share’s exercise price at the moment of excersing the rights.

The share plans currently in effect are those dated April 2003 and September 2007.

• **Vacations:** From 10 to 30 working days depending on years of service.

• **Legally Mandated Christmas Bonus:** Equivalent to 42 days of salary.

• **Savings Fund:** The Corporation matches the amount of the employee's contribution, up to a maximum of 13% of their monthly salary with the legal limits in accordance to those established in the IncomeTax Law.

• **Medical Service:** Banorte provides medical services through renowned specialized institutions, obtaining efficiency in cost and service.

• **Life Insurance**: In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months of salary (as of November 1, 2005). In the event of accidental death, the compensation would double, prior verification by the insurance company.

• **Pension and Retirement:** The institution has two types of plans: i) defined benefits (Traditional and Special), and ii) defined contribution (Ensure Your Future)**.**

• **Ensure Your Future:** Established as of January 1, 2001. This is a defined contribution plan, whereby a percentage of individual contributions by the employee and GFNorte is deposited in a fund for withdrawal by each employee upon termination of their labor relationship. This plan has an "initial individual contribution"(only for employees hired prior to January 1, 2001) that are pension benefits for past services accumulated to date. The maximum monthly contribution is 10% of the gross nominal wage (5% employee and 5% company).

The total amount accumulated by GFNorte for pension, retirement or similar plans for principal officers is Ps 46 million.

d) BY-LAWS AND OTHER AGREEMENTS

During 2006 the by-laws were modified in order to adapt them with the dispositions of the new Stock Market Law to incorporate the articles related to the integration, organization and functioning of the social organs. The functions of the Board of Directors were redefined as the organ in charge of strategy and monitoring, and the CEO to be responsible for conducting and managing the company. Also, the commissary figure was eliminated and its functions were redistributed to the Board of Directors, the Audit and Corporate Practices' Committee and the Independent External Auditor. The objective of the Audit and Corporate Practices' Committee is to monitor all the accounting processes of the company, having the following general functions: evaluate the performance of the external independent auditor, elaborate an opinion regarding the financial statements prior to presenting them to the Board, inform the Board about the internal control systems and monitor that the generally accepted accounting principles and procedures are followed, among others. The objective of the Corporate Practices' Committee is to reduce the potential risk that transactions are carried out in disadvantageous conditions for the company's net worth or give privileges to a determined group of shareholders. Its general functions include: approve the policies for the use of the company's net worth, authorize transactions with related parties, among others.

Also, the by-laws and the Unique Responsabilities Agreement were reformed with respect to the responsibility of the holding company for the losses of the entities that form the group, so that in case that the equity of the holding was not enough to cover the losses of the Group's members, the losses corresponding to the credit institution will be first covered, and later on a pro rata basis with respect to the other entities until the holding's equity is depleted.

Recently, Banco del Centro, S,A. was disincorporated from Grupo Financiero Banorte due to its merger with Banco Mercantil del Norte, S. A., as well as Fianzas Banorte, S. A. de C. V., as a result of selling all the shares that represented its equity, thus modifying the second article of the by-laws to eliminate the reference of these companies as entities that integrate the financial group.

Additionally, Arrendadora Banorte, S. A. de C. V. merged Arrendadora y Factor Banorte, S. A. de C. V. and changed its denomination to remain as Arrendadora y Factor Banorte, S. A. de C. V., Multipurpose Financial Company, Regulated Entity, Grupo Financiero Banorte.

It is important to note that both the Law to Regulate Financial Groups and the Stock Market Law establish the following requisites for the acquisition and transmission of the company's shares:

- The individuals that acquire or transfer series "O" shares representing more than 2% of the company's equity must inform the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) within 3 business days of such acquisition or transfer.

- Any individual or company can acquire through one or various simultaneous transactions, the control of series "O" shares of the company, in the understanding that such transactions must be previously approved by the Ministry of Finance and Publi Credit (Secretaría de Hacienda y Crédito Público), hearing the opinion of the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), when they exceed more than 5% (five percent) of such equity.

- The authorization of the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) is required so that any group of persons acquires, directly or indirectly, through one or various simultaneous or successive transactions of any nature, the control of the company, which is understood as acquiring more tan 30% (thirty percent) or more of the shares representing paid in capital, having control of the Shareholders' Assembly, be in a position to name the majority of the Board of Directors' members or to control the company through any other means.

- The person or group of persons that acquire, directly or indirectly, within or outside the stock Exchange, through one or various simultaneous or successive transactions of any nature, series "O" shares that result in holdings equal to or greater than 10% (ten percent) and lower tan 30% (thirty percent) of such shares, must inform the public of this situation the next business day at the latest, through the corresponding stock exchange, following the terms and conditions established by the Exchange. If it is a group of persons, the individual holdings of each member of the group must be disclosed. Also, the individual or group of persons must inform their intention or not of acquiring a significant influence in the company.

- The individuals related to the company that directly or indirectly increase or reduce in 5% (five percent) their holdings of the company, through one or various simultaneous or succesive transactions, must inform the public of this situation in the next business day at the latest, through the corresponding stock exchange, following the terms and conditions established by the Exchange. Also, they must express their intention or not of acquiring a significant influence or increasing it in the terms outlined in the previous paragraph.

- The individual or group of persons that directly or indirectly own 10% (ten percent) or more of the shares representing the company's equity, as well as the members of the Board of Directors and relevant officers of the company, must inform the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) and the public in the cases established by generally applicable dispositions issued by the Commission, of the acquisition or disposal of these securities within the stated timeframe established by the Commission in such dispositions..

Also, the current by-laws contemplate mechanisms to protect the interests of minority shareholders, which generally consist of:

- Approval by the Board of Directors so that any shareholder or group of shareholders related to each other or to third parties can acquire 5% (five percent) or more of GFNORTE's shares. This also applies when the holdings are close to reaching or already exceed through public oferring or not, the following percentages 10%, 15%, 20%, 25% and up to 30% minus one share of the total shares outstanding representing the company's equity.

  In case the abovementioned is not followed, whoever acquires these shares, will not be able to excercise the corporate rights inherent to those shares and will not be taken into consideration to determine quorum during Shareholders' Assemblies.

- The Board of Directors will be the only organ with faculties to deny or approve that a potential acquirer, either through public oferring or not, carries out a "Due Diligence" of the company, and in case it is approved, the potential acquirer must suscribe the contracts and confidentiality agreements that establish the obligations deemed convenient by the Board.

- Anyone pretending to acquire holdings that represent 30% or more of the company's equity, wmust make a public bid for 100% of the shares, and only in the case that after the bid for 100% of the shares they retain a percentage equal to or less tan 50% of the shares, they must seek approval by the Board to exercise the corporate rights of such shares.

- Additionaly, whoever becomes holder of the shares representing the following percentages (or exceed them), must notify the company within 30 business days after purchasing, reaching or exceeding the limit in their holdings of 4%, 8%, 16% and 24% respectively. In this case, corporate rights are not lost for not notifying, nonetheless it will be taken into consideration for granting or denying permission by the Board to acquire the percentages previously mentioned.

With the purpose of protecting minority shareholders, the following rights are established:

- Shareholders that represent at least 5% of equity can directly exercise civil responsibility action against managers in the terms established by applicable legislation.

- Shareholders with voting rights, including limited or restricted rights, which individually or jointly hold 10% (ten percent) of the company's equity, will have the right to designate or revoke in the General Shareholders' Assembly a member to the Board of Directors. Such designation can only be revoked by the remaining shareholders when the nomination of all other proposed shareholders is also revoked, in which case the substituted persons cannot be nominated for that role in the 12 months following the date of being revoked.

- Shareholders with voting rights, including limited or restricted rights, which individually or jointly hold 10% (ten percent) of the company's equity will have the right to request the President of the Board or Presidents of the Committees that carry out corporate practices and audit functions, to covene a General Shareholders' Assembly at any moment, without having to follow the percentage stipulated in article 184 of the Law of Mercantile Societies.

- Shareholders with voting rights, including limited or restricted rights , having at least 10% (ten percent) of shares represented in an Assembly can request the postponement of voting of any matter which they consider not being properly informed about, under the terms and conditions indicated in the applicable legislation, and

- Shareholders with voting rights, including limited or restricted rights , that represent at least 20% (twenty percent) of equity, will be able to judicially oppose the resolutions of the General Assemblies in which they have voting rights, under the terms and conditions indicated in the applicable legislation.

In the by-laws the company's faculties to purchase its shares are stipulated in the terms of the Mexican Stock Market Law.

The shares representing the company's equity will be constituted by an ordinary portion and also an additional part.

Both series "O" and "L" will be of free suscription; the latter will be issued for an amount of up to forty percent of ordinary equity with prior authorization by the CNBV, and will have limited voting and other corporate rights.

Foreign entities that exercise authority functions cannot participate in any form in the company's equity. Also, domestic financial entities cannot participate, including those that are part of the group, unless when acting as institutional investors in the terms established in the Law to Regulate Financial Groups.

In order to install and vote the resolutions of special Assemblies to resolve specific matters corresponding to series "L" shares, the dispositions related to General Ordinary Shareholders' Assemblies established in the Law of Mercantile Societies will apply.

To install and vote the resolutions of the General Assemblies, either ordinary or extraordinary, the dispositions established in the Law of Mercantile Societies for this type of assemblies will apply.

Since GFNorte is a financial group, the integration, organization and functioning of the social organs, including those related to administration and monitoring, will be governed by the dispositions of the Stock Market Law, as established in fraction IV, article 22 of this legislation.

5. STOCK MARKET

a) SHARE STRUCTURE

GFNorte does not have convertible obligations or Ordinary Participation Certificates (CPO´s) of shares. The information of representative shares of equity can be found in section 2. The Company, item b. Description of the Business, section xii. Representative Shares of Equity of this document.

b) PERFORMANCE OF SHARES IN THE STOCK MARKET

The series “O” shares of GFNorte are traded in the Mexican Stock Exchange (BMV) under the ticker “GFNORTEO”.

These prices include stock divident payment made in November 24, 2005 of 3 new shares for each one of the previous shares.

Performance of the stock at closing of the last 5 fiscal years:

Date	Maximum	Minimum	Close	P/BV*	P/E**	Volume
12/31/2004	17.88	17.75	17.53	2.22	13.50	210,186
12/30/2005	22.50	21.80	22.28	2.19	7.86	785,800
12/29/2006	42.37	42.20	42.25	3.15	14.31	1,508,000
12/31/2007	46.16	44.70	45.08	2.75	13.36	391,100
12/31/2008	25.00	24.28	24.88	1.33	9.87	508,300

Quarterly performance of the stock for the last 2 fiscal years:

Date	Maximum	Minimum	Close	P/BV*	P/E**	Volume
03/30/2007	52.49	49.41	52.30	3.83	16.26	5,391,700
06/29/2007	50.57	49.58	49.58	3.43	14.94	2,500,900
09/28/2007	43.66	42.59	42.92	2.73	12.65	3,791,900
12/31/2007	46.16	44.70	45.08	2.75	13.36	391,100
03/31/2008	46.29	44.59	46.14	2.75	12.01	6,964,300
06/30/2008	48.81	47.66	48.47	2.67	13.62	3,540,300
09/30/2008	35.16	34.50	34.92	1.89	8.73	6,031,700
12/31/2008	25.00	24.28	24.88	1.33	9.87	508,300
03/31/2009	19.05	18.65	18.83	0.98	4.80	11,767,400

Monthly performance of shares during the last 6 months:

Date	Maximum	Minimum	Close	P/BV*	P/E**	Volume
10/31/2008	25.44	23.01	24.81	1.34	6.20	6,461,400
11/28/2008	21.70	20.45	21.41	1.16	5.35	2,641,700
12/31/2008	25.00	24.28	24.88	1.33	9.87	508,300
01/30/2009	19.93	18.70	18.93	1.01	7.51	17,104,400
02/27/2009	17.00	15.99	16.09	0.86	6.38	6,192,400
03/31/2009	19.05	18.65	18.83	0.98	4.80	11,767,400

*P/BV = Price to Book Value Multiple.
**P/EU = Price to Earnings Multiple.
Source: Casa de Bolsa Banorte (Banorte’s Broker Dealer). Ratios were calculated using figures from the date of this report.

c) MARKET MAKER

Does not apply to GFNorte, because it is not a market maker for neither the Equity Market nor Derivatives Instruments.

6. RESPONSIBLE OFFICERS

The undersigned hereby declare that within the scope of our respective functions, we have truthfully prepared the information contained in this annual report related to Grupo Financiero Banorte, which to the best of our knowledge and understanding reasonably reflects the situation.

We also declare that we do not have knowledge of any relevant information that has been omitted or falsified in this annual report or that it contains information that could mislead investors.

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Dr. Alejandro Valenzuela del Rio
Chief Executive Officer of Grupo Financiero Banorte, S. A. B. de C. V.

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Ing. Sergio Garcia Robles Gil
Chief Financial Officer

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Lic. Aurora Cervantes Martinez
Managing Director of Legal Affairs

The undersigned hereby solemnly swears that the financial statements contained in the present annual report were audited with accepted audit norms. I also declare that, within the scope of the work undertaken, I have no knowledge of relevant financial information that has been either omitted or falsified in this annual report or that it contains information that could mislead investors.

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C. P. C. Carlos A. Garcia Cardoso
External Auditor

7. ANNEXES

a) AUDIT AND CORPORATE PRACTICES' COMMITTEE REPORT

Mexico, D. F., March 27, 2009.

To the Board of Directors of Grupo Financiero Banorte S.A.B.de C.V.

In accordance with Article 43 of the Stock Market Law, (LMV) the Audit and Corporate Practices' Committee presents its annual report of activities carried out during the 2008 fiscal year.

The contents of this document refer to Grupo Financiero Banorte (GFNorte) and, in some sections, to its relevant entities; companies designated by this Board of Directors based on the relevant criteria that these have in the financial, administrative and legal situation of GFNorte. These entities are: Banco Mercantil del Norte, S.A.; Casa de Bolsa Banorte, S.A. de C.V.; Arrendadora y Factor Banorte, S.A. de C.V.; Créditos Pronegocio S.A. de C.V.; Seguros Banorte Generali, S.A. de C.V.; Banorte Generali, S.A. de C.V. AFORE; Sólida Administradora de Portafolios, S.A. de C.V. and Inter National Bank.

I. With regard to audit:

a) Concerning GFNorte's and its relevant entities Internal Control System (SCI) status; and the description of its deficiencies and deviations, this Committee took into consideration the following elements:

- Revision of annual reports on activities regarding Internal Control of the aforementioned relevant entities, prepared by their respective CEO's.

- The final audit reports of Internal Accounting Controls of Banco Mercantil del Norte, S.A., Casa de Bolsa Banorte, S.A. de C.V. and Banorte Generali, S. A. de C.V. AFORE and the Internal Control reports of revisions made by the External Auditor, as well as follow-up to corrective measures undertaken derived from areas of opportunity detected and identified in these reports; as well as the verdict of the financial statements of GFNorte and its subsidiaries, reviewed by this Committee.

- Observations regarding GFNorte's control deficiencies or deviations and those of its subsidiaries, presented on a regular basis by Internal Audit during this Committee's sessions, including the relevant entities, and follow-up of the corrective measures undertaken.

- Inspection visit reports by qualified supervisors and follow-up on the implementation of the pertinent corrective measures.

- Comptroller's reports of Banco Mercantil del Norte, S.A.; of Casa de Bolsa Banorte S.A. de C.V. and of Creditos Pronegocio S.A. de C.V.; as well as the Comptrollers' reports of of Seguros Banorte Generali S.A. de C.V., and Banorte Generali, S.A. AFORE.

- The report of the Institute of Internal Auditors with the conclusions of the second independent quality evaluation of Internal Audit functions, in which it gave its highest qualification by stating that GFNorte's Internal Audit "generally fulfills" the International Norms for the Professional Exercise of Internal Audit.

Taking the previous elements into consideration, and as a result of the surveillance work carried out by this Committee in sessions throughout the year with the participation of the equally responsible SCI entities, such as External Audit, Internal Audit and Comptrollership, we are able to state that the SCI of GFNorte and its subsidiaries, and the Internal Audit function, work appropriately and provide a reasonable degree of assurance regarding the achievement of objectives related to the effectiveness and efficiency of operations, dependability of financial information released, execution of applicable norms, and that no deficiencies or deviations were detected that could significantly affect them.

b) It can be reported that no possible significant non-fulfillment of operation policies and accounting registrations were detected; and that identified areas of opportunity have been reported to the responsible persons/entities who have taken corrective measures, which have been incorporated into a follow-up system.

c) Regarding the performance evaluation of the corporation providing external audit services, it can be reported that the firm of Galaz, Yamazaki, Ruiz Urquiza, S. C. (member of Deloitte Touche Tohmatsu) has provided the highest caliber of service in the execution of its duties and in its relationship with management and the Committee, as well as the Auditor responsible by applying focus points and work methodologies in accordance with the best international practices that adequately fulfill the applicable regulations.

   It is also our consideration that their conclusions and reports are valuable and useful in supporting the activities of this Committee, and it should be noted that their results and opinions do not present discrepancies with management.

d) With respect to the additional services for the audit of financial statements, performed by the External Auditor, we can inform that these services were hired during the fiscal year to prepare a diagnosis of the execution of applicable norms and better practices related to corporate governance encompassing the different government bodies of GFNorte and its subsidiaries.

   The Board of Directors approved this Committee's proposal to hire these services, after verifying that no conflict of interest existed; and the same will apply during 2009. No other services of independent experts were hired.

e) A revision of the financial statements of GFNorte and its subsidiaries for the fiscal year ending December 31, 2008 was carried out; as well as the External Auditor's final report before its release; with the participation of management, the External Auditor, Internal Audit and the Comptrollership, having found that they were prepared in accordance with regulations and the applicable accounting practices. Therefore, we recommend that the Board of Directors approve these financial statements. Additionally, this Committee conducts a periodic revision of quarterly financial statements.

f) The main changes to policies and accounting criteria adopted by GFNorte and their subsidiaries during the 2008 fiscal year, were diverse modifications that resulted as a consequence of changes in the applicable regulations, which are detailed in Note 4 "Main Accounting Policies" of GFNorte's financial statements, which contain a detailed explanation of these changes.

g) There were no relevant observations for the fiscal year from shareholders, members of the Board of Directors, managers, employees or any third parties, regarding accounting, internal controls or topics related with either the internal or external audits, or from accusations of irregularities. In accordance with the best international practices, one of the institutional channels of communication is the system of anonymous accusations denominated “Ethics Point”. Reports received through this channel are directed to the members of this Committee and diverse managers of the organization for their attention. This Committee follows up on the resolution of such accusations.

h) Neither the Shareholders' Assemblies nor the Board of Directors' Assemblies request from this Committee a follow-up to the agreements adopted by them.

II. With regard to Corporate Practices:

a) With respect to observations regarding the performance of relevant managers, we can report that management has defined the relevant managers of GFNorte and its subsidiaries which include those officials of diverse subsidiaries that by specific regulation applicable to them, requires that the respective authority must be informed of their recruitment. With regard to the performance of relevant managers during the 2008 fiscal year, there were some cases which fell outside of established policies and procedures, with management taking the necessary actions to mitigate the generated risks and applying the corresponding sanctions.

b) For operations with related parties, this Committee verified that as of December 31, 2008, the amount of loans granted to related individuals or entities was Ps $8.216 billion, less than the limit set by the corresponding regulation, and that these operations were approved by the Board of Directors in those cases requiring approval in accordance with the applicable regulation. Inter-company operations were carried out at market prices, which were verified by the External Auditor in the revisions conducted.

c) With regard to compensation of relevant Directors; management has defined the appointment policies and integral retribution packages for relevant officials which include: (i) a fixed compensation; (ii) a bonus plan based primarily on reaching the estimated profit of that business; and (iii) a long term incentive plan consisting of stock options available to some Directors in accordance with programs approved by this Committee.

d) Finally, we can report that during the 2008 fiscal year, the Board of Directors did not grant preferential treatment to members of the Board or relevant directors or managers to take advantage of business opportunities.

Yours truly,

Francisco J. Alcalá de León
President of the Audit & Corporate Practices' Committee of GFNorte

b) COMMISSARY REPORT

In GFNorte’s Ordinary Annual General Assembly of Shareholders held April 28, 2006 Ernesto de Jesús González Dávila and Carlos Alberto García Cardoso were named as Commissary Shareholder and Alternate respectively, for the 2006 fiscal year.

Later on, in GFNorte’s General Ordinary Shareholders’ Meeting held December 13, 2006 the appointments of the Commissaries Proprietor and Alternate of the Society, were revoked by virtue of the elimination of such position in the terms of the Stock Market Law.

c) AUDITED FINANCIAL STATEMENTS

Galaz, Yamazaki, Ruiz Urquiza, S. C.
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES:

February 26, 2009.

We have audited the accompanying consolidated balance sheets of Grupo Financiero Banorte, S.A.B. de C.V. (the Financial Group) and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Financial Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with the accounting practices prescribed by the Mexican National Banking and Securities Commission (the "Commission"). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Notes 1 and 2 to the financial statements describes the Financial Group's operations and the current economic conditions brought on the by the global financial crisis affecting such operations. Notes 4 and 37 describe the accounting criteria established by the Commission through new accounting standards issued to address current economic conditions and by other applicable laws which the Financial Group adheres to for the preparation of its financial information, as well as the modifications to such accounting criteria that became effective during 2008 and others that will become effective as of January 1, 2009. Therefore, the financial statements are not comparable. Note 5 describes the main differences between the accounting practices prescribed by the Commission and Mexican Financial Reporting Standards, commonly applied in the preparation of financial statements for other types of unregulated entities in Mexico.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Financiero Banorte, S.A.B. de C.V. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended in conformity with the accounting practices prescribed by the Commission.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu

CPC Carlos A. García Cardoso
Recorded in the General Administration
of Federal Tax Audit Number 4919

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2008 AND 2007
(In millions of Mexican pesos)

ASSETS	**2008**	**2007**
CASH AND CASH EQUIVALENTS	**Ps. 54,402**	**Ps. 41,610**
INVESTMENTS IN SECURITIES		
Trading securities	6,630	7,754
Available for sale securities	11,722	10,948
Held to maturity securities	221,617	760
	239,969	**19,462**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**149**	**58**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**8,168**	**2,302**
CURRENT LOAN PORTFOLIO		
Commercial loans		
Business loans	126,798	98,091
Loans to financial institutions	10,860	13,158
Government loans	26,989	17,948
Consumer loans	29,369	27,225
Housing mortgage loans	46,282	37,216
TOTAL CURRENT LOAN PORTFOLIO	**240,298**	**193,638**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	1,703	927
Consumer loans	2,499	1,109
Housing mortgage loans	746	858
TOTAL PAST-DUE LOAN PORTFOLIO	**4,948**	**2,894**
LOAN PORTFOLIO	**245,246**	**196,532**
(Minus) Allowance for loan losses	(6,690)	(3,786)
LOAN PORTFOLIO, net	**238,556**	**192,746**
ACQUIRED LOAN PORTFOLIOS	**3,049**	**3,660**
TOTAL LOAN PORTFOLIO, net	**241,605**	**196,406**
OTHER ACCOUNTS RECEIVABLE, net	**9,514**	**7,617**
MERCHANDISE INVENTORY	**165**	**7**
FORECLOSED ASSETS, net	**863**	**385**
PROPERTY, FURNITURE AND FIXTURES, net	**8,429**	**8,098**
PERMANENT STOCK INVESTMENTS	**2,559**	**2,590**
DEFERRED TAXES, net	**471**	**214**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	**10,731**	**8,534**
TOTAL ASSETS	**Ps. 577,025**	**Ps. 287,283**

MEMORANDUM ACCOUNTS (Note 33)

These balance sheets, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, were prepared according to Accounting Principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the balance sheet dates above.

The stockholders' equity amounts to Ps. 6,986 (nominal value).

The accompanying Consolidated Balance Sheets have been approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of these consolidated balance sheets.

LIABILITIES	2008	2007
DEPOSITS		
Demand deposits	Ps. 128,350	Ps. 111,080
Time deposits		
General public	118,740	79,408
Money market	13,679	12,819
	260,769	**203,307**
INTERBANK AND OTHER LOANS		
Demand loans	1,245	871
Short-term loans	24,803	11,056
Long-term loans	10,635	10,796
	36,683	**22,723**
CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**192,727**	**515**
OVERNIGHT SECURITIES	**-**	**10**
COLLATERAL SOLD OR PLEDGED		
Repurchase or Resale Agreements	**2**	**-**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**10,746**	**2,435**
OTHER PAYABLES		
Income taxes and employee profit sharing	1,272	2,212
Sundry creditors and other payables	13,121	10,888
	14,393	**13,100**
SUBORDINATED DEBENTURES	**20,613**	**10,210**
DEFFERED CREDITS AND ADVANCED COLLECTIONS	**1,346**	**827**
TOTAL LIABILITIES	**537,279**	**253,127**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	11,941	11,965
Additional paid-in capital	1,468	1,272
	13,409	**13,237**
OTHER CAPITAL		
Capital reserves	2,720	2,452
Retained earnings from prior years	16,935	21,379
Result from valuation of available for sale securities	(550)	-
Cumulative foreign currency translation adjustment	1,095	-
Insufficiency in restated stockholders' equity	-	(6,380)
Effect of holding non-monetary assets	(2,821)	(5,009)
Net income	7,014	6,810
	24,393	**19,252**
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	**1,944**	**1,667**
TOTAL STOCKHOLDERS' EQUITY	**39,746**	**34,156**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 577,025**	**Ps. 287,283**

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C.P.C. Nora Elia Cantú Suárez
Executive Director Accounting

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In millions of Mexican pesos)

	2008	2007
Interest income	Ps. 50,416	Ps. 40,585
Interest expense	(27,789)	(22,838)
Monetary position loss, net	-	(363)
FINANCIAL MARGIN	**22,627**	**17,384**
Provision for loan losses	(6,896)	(2,646)
FINANCIAL MARGIN AFTER ALLOWANCE FOR LOAN LOSSES	**15,731**	**14,738**
Commission and fee income	8,535	7,693
Commission and fee expense	(1,208)	(1,086)
Brokerage revenues	1,040	1,292
	8,367	**7,899**
NET OPERATING REVENUES	**24,098**	**22,637**
Administrative and promotional expenses	(15,807)	(14,432)
OPERATING INCOME	**8,291**	**8,205**
Other income	3,789	2,835
Other expenses	(1,569)	(968)
	2,220	**1,867**
INCOME BEFORE INCOME TAXES AND EMPLOYEE PROFIT SHARING	**10,511**	**10,072**
Current income taxes and employee profit sharing	(3,645)	(3,780)
Deferred income taxes and employee profit sharing	245	487
	(3,400)	**(3,293)**
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	**7,111**	**6,779**
Equity in earnings of unconsolidated subsidiaries and associated companies	276	357
NET EARNINGS BEFORE MINORITY INTEREST	**7,387**	**7,136**
Minority interest	(373)	(326)
NET INCOME	**Ps. 7,014**	**Ps. 6,810**

These income statements, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, were prepared according to Accounting Principles applicable to Financial Service Holding Companies issued by the National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the income statement dates above.
The accompanying Consolidated Income Statements have been approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of these consolidated income statements.

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GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In millions of Mexican pesos)

	PAID-IN CAPITAL		OTHER CAPITAL			
	Common stock	Additional paid-in capital	Capital reserves	Retained earnings from prior years	Result from valuation of available for sale securities	Cumulative foreign currency translation adjustment
Balances, January 1, 2007	**Ps. 12,020**	**Ps. 1,862**	**Ps. 2,140**	**Ps. 16,417**	**Ps. -**	**Ps. -**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	(55)	(590)	6	-	-	-
Transfer of prior year's result	-	-	-	6,255	-	-
Creation of reserves as per General Stockholders' meeting on March 30, 2007	-	-	306	(306)	-	-
Dividend declared at the General Stockholders' meeting on October 3, 2007	-	-	-	(917)	-	-
Total transactions approved by stockholders	**(55)**	**(590)**	**312**	**5,032**	**-**	**-**
COMPREHENSIVE INCOME						
Net income	-	-	-	-	-	-
Effect of holding non-monetary assets	-	-	-	-	-	-
Changes in accounting principles	-	-	-	(70)	-	-
Total comprehensive income	**-**	**-**	**-**	**(70)**	**-**	**-**
Minority interest	-	-	-	-	-	-
Balances, December 31, 2007 previously reported	**11,965**	**1,272**	**2,452**	**21,379**	**-**	**-**
Change in credit card loan rating criterion	-	-	-	(100)	-	-
Balances, January 1, 2008	**11,965**	**1,272**	**2,452**	**21,279**	**-**	**-**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	(24)	199	(72)	-	-	-
Transfer of prior year's result	-	-	-	6,810	-	-
Creation of reserves as per General Stockholders' meeting on April 29, 2008	-	-	340	(340)	-	-
Dividends declared at the General Stockholders' meeting on October 6, 2008	-	-	-	(949)	-	-
Total transactions approved by stockholders	**(24)**	**199**	**268**	**5,521**	**-**	**-**
COMPREHENSIVE INCOME						
Net income	-	-	-	-	-	-
Effects of subsidiaries	-	(3)	-	(30)	(550)	1,095
Unrealized gain on valuation of cash flow hedge instruments	-	-	-	-	-	-
Changes in accounting principles (NIF B-10)	-	-	-	(9,835)	-	-
Total comprehensive income	**-**	**(3)**	**-**	**(9,865)**	**(550)**	**1,095**
Minority interest	-	-	-	-	-	-
Balances, December 31, 2008	**Ps. 11,941**	**Ps. 1,468**	**Ps. 2,720**	**Ps. 16,935**	**(Ps. 550)**	**Ps. 1,095**

These statements of changes in stockholders' equity, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, were prepared according to Accounting Principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above.

The accompanying Consolidated Statements of Changes in Stockholders' Equity have been approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of these consolidated statements of changes in stockholders' equity.

	OTHER CAPITAL					
	Insufficiency in restated stockholders' equity	Effect of holding non-monetary assets	Net income	Total majority interest	Total minority interest	Total stockhol-ders' equity
Balances, January 1, 2007	**(Ps. 6,380)**	**(Ps. 5,734)**	**Ps. 6,255**	**Ps. 26,580**	**Ps. 1,446**	**Ps. 28,026**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	-	-	-	(639)	-	(639)
Transfer of prior year's result	-	-	(6,255)	-	-	-
Creation of reserves as per General Stockholders' meeting on March 30, 2007	-	-	-	-	-	-
Dividend declared at the General Stockholders' meeting on October 3, 2007	-	-	-	(917)	-	(917)
Total transactions approved by stockholders	**-**	**-**	**(6,255)**	**(1,556)**	**-**	**(1,556)**
COMPREHENSIVE INCOME						
Net income	-	-	6,810	6,810	-	6,810
Effect of holding non-monetary assets	-	147	-	147	-	147
Changes in accounting principles	-	578	-	508	15	523
Total comprehensive income	**-**	**725**	**6,810**	**7,465**	**15**	**7,480**
Minority interest	-	-	-	-	206	206
Balances, December 31, 2007 previously reported	**(6,380)**	**(5,009)**	**6,810**	**32,489**	**1,667**	**34,156**
Change in credit card loan rating criterion	-	-	-	(100)	-	(100)
Balances, January 1, 2008	**(6,380)**	**(5,009)**	**6,810**	**32,389**	**1,667**	**34,056**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	-	-	-	103	-	103
Transfer of prior year's result	-	-	(6,810)	-	-	-
Creation of reserves as per General Stockholders' meeting on April 29, 2008	-	-	-	-	-	-
Dividends declared at the General Stockholders' meeting on October 6, 2008	-	-	-	(949)	-	(949)
Total transactions approved by stockholders	**-**	**-**	**(6,810)**	**(846)**	**-**	**(846)**
COMPREHENSIVE INCOME						
Net income	-	-	7,014	7,014	-	7,014
Effects of subsidiaries	-	-	-	512	-	512
Unrealized loss on valuation of cash flow hedge instruments	-	(1,267)	-	(1,267)	-	(1,267)
Changes in accounting principles (NIF B-10)	6,380	3,455	-	-	-	-
Total comprehensive income	**6,380**	**2,188**	**7,014**	**6,259**	**-**	**6,259**
Minority interest	-	-	-	-	277	277
Balances, December 31, 2008	**Ps. -**	**(Ps. 2,821)**	**Ps. 7,014**	**Ps. 37,802**	**Ps. 1,944**	**Ps. 39,746**

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GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In millions of Mexican pesos)

	2008	**2007**
OPERATING ACTIVITIES:		
Net income	**Ps. 7,014**	**Ps. 6,810**
Items not requiring (generating) resources:		
Fair value adjustments of financial instruments	(268)	(192)
Allowance for loan losses	6,896	2,646
Depreciation and amortization	1,099	980
Deferred taxes	(245)	(487)
Provisions for other obligations	24	2,433
Minority interest	373	326
Equity in earnings of subsidiaries and associated companies	(276)	(357)
	14,617	**12,159**
Increase or decrease in operating accounts:		
Increase in deposits	57,462	27,447
Increase in loan portfolio	(52,095)	(51,124)
(Increase) reduction from treasury transactions (investment securities)	(220,239)	10,171
Reduction (increase) in transactions with securities and derivative financial instruments	194,558	(2,370)
Increase from bank and other loans	13,960	5,233
Increase of deferred taxes	(12)	(65)
Net resources generated by operating activities	**8,251**	**1,451**
FINANCING ACTIVITIES:		
Increase (reduction) in subordinated debentures	10,403	(1,551)
Issuance (repurchase) of shares	103	(639)
Increase (decrease) in other payables	1,269	(418)
Dividends paid	(949)	(917)
Net resources generated by (used in) financing activities	**10,826**	**(3,525)**
INVESTING ACTIVITIES:		
Acquisition of property, furniture and fixtures, net	(1,308)	(1,961)
(Increase) decrease in permanent stock investments	(644)	353
Increase in deferred charges and credits	(1,958)	(388)
Increase in foreclosed assets	(478)	(6)
(Increase) decrease in other accounts receivable	(1,897)	632
Net resources used in investing activities	**(6,285)**	**(1,370)**
Net increase (decrease) in cash and equivalents	12,792	(3,444)
Cash and cash equivalents available at the beginning of the year	41,610	45,054
Cash and cash equivalents available at the end of the year	**Ps. 54,402**	**Ps. 41,610**

These statements of changes in financial position, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, were prepared according to Accounting Principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above.

The accompanying Consolidated Statements of Changes in Financial Position have been approved by the Board of Directors in accordance with the responsibility assigned to them.
The attached notes are an integral part of these consolidated statements of changes in financial position.

Dr. Alejandro Valenzuela del Río
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1 – ACTIVITY AND REGULATORY ENVIRONMENT

Grupo Financiero Banorte, S.A.B. de C.V. (the “Financial Group”) is authorized by the Mexican Treasury Department (SHCP) to operate as a financial group under the form and terms established by the Mexican Financial Group Law, subject to the supervision and monitoring of the Mexican National Banking and Securities Commission (the “Commission”). Its main activities consist of acquiring and managing entities engaged in the financial services industry and supervising their activities, as defined in the above-mentioned Law. The Financial Group and its subsidiaries are regulated, depending on their activities, by the Commission, the Mexican National Insurance and Bond Commission, the Mexican National Retirement Savings Systems Commission (the Commissions), the Mexican Central Bank (Banco de México) and other applicable laws and regulations.

The main activity of the Financial Group’s subsidiaries is to carry out financial transactions that include the rendering of full-banking services, securities brokerage activities, management of retirement funds, leasing, the purchase and sale of uncollected invoices and notes, rendering of general warehousing services, annuities (pensions) and providing life insurance and casualty insurance.

Per legal requirements, the Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.

The powers of the Commission in their capacity as regulator of the Financial Group and its subsidiaries include reviewing the financial information and requesting modifications to such information.

The Financial Group’s consolidated financial statements have been approved by the Board of Directors at their January 29, 2009 meeting in accordance with the responsibility assigned to them.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Economic situation

The difficult worldwide economic situation has rendered several financial sector participants bankrupt. In Mexico, several companies have reported losses derived from transactions involving derivative financial instruments, including applications to file for bankruptcy, caused by the concern in the local markets. The Financial Group has declared the risk exposure of its subsidiary, Banco Mercantil del Norte, S.A. (Banorte) with each of the affected companies, and has acknowledged such risks in the earnings as per subsections f) and g) of this Note. Even though such effects were reported, Banorte has been able to reach a record accumulated profit as of December 31, 2008, which shows it has ample liquidity, strong levels of capitalization and sufficient reserves for its past-due loans, as well as to continue to be a profitable investment for its shareholders.

b. Issue of subordinated debentures

Banorte listed three issues of subordinated debentures on the Mexican Stock Exchange for a total of Ps. 7,525. The transactions included the simultaneous placement of two issues of subordinated debentures, one in March and another in June, which due to their features, helped strengthen Banorte’s capital. The first issue of non-preferred and non-convertible subordinated debentures (BANORTE 08) was for Ps. 3,000 with a 10-year term and a 28-day TIIE rate plus 60 basis points; the second issue of non-preferred non-convertible debentures (BANORTE 08U) was made in Units of Investment (UDIS) for an amount equivalent to Ps. 1,775 with a 20-year term and a fixed rate of 4.95% payable every 182 days; the third issue of non-preferred non-convertible subordinated debentures (BANORTE08-2) was for Ps. 2,750 with a 10-year term and a 28-day TIIE rate plus 77 basis points. These placements are part of a preferred and non-preferred non-convertible subordinated debenture program that is calculated as regulatory capital for a sum of up to Ps. 15,000 over a five-year period, approved at the Extraordinary General Stockholders' Meeting held on February 22, 2008.

c. Effects of the VISA Inc. reorganization

Banorte recorded 1,545,128 ordinary class C (series I) shares of Visa Inc. (VISA) that were assigned to it as a consequence of VISA's reorganization in March 2008, through which VISA indirectly acquired VISA LAC, in which Banorte has a share as a member authorized to use its trademark. The purpose of reorganizing VISA was to go public and place shares on the New York Stock Exchange. A total of 868,138 shares were sold at the time of the assignment, recording an income before taxes of Ps. 394 in "Other income". Furthermore, Banorte recorded the remaining 676,990 shares received by VISA that were not put up for trading as investments in securities under the category "Available for sale securities." During the third quarter of the year, 544,690 shares were sold, recording a gain of Ps. 312. The remaining 132,300 VISA shares in possession of Banorte are recorded at market value, with the valuation effect presented under "Valuation of available for sale securities" in stockholders' equity.

d. Effects of the Mexican Stock Exchange Reorganization

As a result of the Mexican Stock Exchange's reorganization to become a public company during the second quarter of 2008, Banorte sold the shares of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. (S.D. Indeval) that it had recorded under "Permanent Investments in Shares", thereby recording a Ps. 91 profit before taxes in "Other income".

Moreover, Casa de Bolsa Banorte, S.A. de C.V. (Brokerage House) generated revenues from selling the shares it had that were recorded under "Earnings from available for sale securities valuation" in the Balance Sheet for Ps. 144 and under "Other income" in the income statement for Ps. 40. The share and corporate restructuring consisted mainly of the sale or swap of shares of the Mexican Stock Exchange, Asigna, Mexder, Contraparte Central de Valores de México and S.D. Indeval, for which a specific treatment was applied in each case. In the case of S.D. Indeval, such treatment consisted of selling the total number of shares in two parts. The first was for 75% of the transaction value that corresponds to the future benefits of the share in the Brokerage House for Ps. 40 million recorded under "Other income". The remaining 25% corresponded to payment of the shares, because they cannot be realized until the Stock Market Law that restricts this operation is modified.

e. Merger of subsidiaries

At the Extraordinary Stockholders' Meetings held on October 3, 2007, the merger of "Arrendadora y Factor Banorte, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte" (previously Factor Banorte, S.A. de C.V.) with "Arrendadora Banorte, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte" was authorized, whereby the former was the merged entity and the latter the merging entity that took on the merged entity's name. The merger became effective as of January 31, 2008.

At the Extraordinary Stockholders' Meetings held on June 16, 2008, the merger of Banorte, as the merging entity, with its subsidiaries Inmobiliaria Bancrecer, S.A. de C.V., Inmobiliaria Innova, S.A. de C.V., Inmobiliaria Banormex, S.A. de C.V., Inmuebles de Tijuana, S.A. de C.V., Inmobiliaria Banorte, S.A. de C.V., Constructora Primero, S.A. de C.V., Inmuebles de Occidente, S.A., Inmobiliaria Finsa, S.A. de C.V., and Inmobiliaria Bra, S.A. de C.V., as the merged entities was authorized, using the May 31, 2008 balance sheets as a basis for the merger. The merger will become effective when the approved agreements or basis for the merger are inscribed in the Public Registry of Commerce and when the Mexican Treasury Department's (SHCP) gives its authorization.

f. Lehman Brothers' securities

During September 2008, Banorte recorded under "Brokerage revenues" a loss of Ps. 295 associated with the permanent impairment and loss generated by the sale of these securities. The loss is made up of USD 24 million in senior debt notes and USD 1 million in derivative financial instruments.

g. COMERCI's credit quality impairment

As a result of the difficult economic situation and its participation in transactions involving derivative financial instruments and given the request submitted by Controladora Commercial Mexicana, S.A.B. de C.V. (COMERCI) to file for bankruptcy, Banorte acknowledged a loan loss exposure from COMERCI in the amount of Ps. 1,030 created an unsecured loan maturing in March 2009. Such exposure represents 0.18% of Banorte's total assets, 0.4% of the overall loan portfolio, and 2.8% of the stockholders' equity reported by December 31, 2008. COMERCI never revealed its derivative position that could lead it to the current situation when the loan was originated nor during the periodic revisions. Banorte is waiting for COMERCI's request to file for bankruptcy to be resolved in order to start the restructuring process and negotiate the partial or total recovery of the loan.

As of December 31, 2008, Management has created sufficient loan reserves according to the corresponding methodology.

h. Credit card payment campaign

Given the liquidity problems some customers are having in the current difficult economic situation, as reflected in the impairment of credit card loan asset quality, Banorte decided to take a series of measures to help its customers face these difficult times. During 2008, a massive campaign was launched to offer an option to customers who wanted to defer their debt repayment and improve their payment profile, under which the customer's debt was frozen for the agreed term and amortized in fixed payments. As of December 31, 2008, the total amount of the loans under this campaign was Ps. 703.

3 – BASIS OF PRESENTATION

Monetary unit of the financial statements

The financial statements and notes as of December 31, 2008 and for the year then ended include balances and transactions in Mexican pesos of a different purchasing power. The financial statements and notes as of December 31, 2007 and for the year then ended include balances and transactions in Mexican pesos of purchasing power of December 31, 2007.

Consolidation of financial statements

The accompanying consolidated financial statements include those of the Financial Group and its subsidiaries mentioned below. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 2008 and 2007, the Financial Group's consolidated subsidiaries and its ownership percentage are as follows:

Banco Mercantil del Norte, S.A. and subsidiaries	97.06%
Casa de Bolsa Banorte, S.A. de C.V.	99.99%
Arrendadora y Factor Banorte, S.A. de C.V.	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Créditos Pronegocio, S.A. de C.V.	99.99%

Consolidation of financial statements of Banorte USA, Corporation and subsidiaries (indirect foreign subsidiary)

In order to consolidate the financial statements of Banorte USA, they are first adjusted in the recording currency (U.S. dollar) to conform to the accounting criteria established by the Commission. The financial statements are then converted to Mexican pesos according to the following methodology:

As of 2008, foreign operations whose recording and functional currency are one and the same convert their financial statements using the following exchange rates: a) year-end rate for assets and liabilities, b) historical rate for stockholders' equity, and c) weighted average rate of the period for income, costs and expenses. Up until 2007, conforming to the accounting criteria established by the Commission included recording the inflation effects of the foreign country and then converting them at the year-end exchange rate for all assets, liabilities income, costs and expenses, and the historical exchange rate was used for paid-in capital. In 2008 and 2007 the conversion effects are presented in stockholders' equity.

Comprehensive income

This is the change in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income, in accordance with the accounting practices established by the Commission. In 2008 and 2007, comprehensive income includes the net income of the year, the result from valuation of available for sale securities, the unrealized gain or loss on valuation from cash flow hedge instruments, and the conversion effects of foreign operations.

4 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Financial Group are in conformity with practices prescribed by the Commission through issued accounting standards and other applicable laws, which require Management to make certain estimates and use certain assumptions to determine the valuation of certain items included in the consolidated financial statements and make the required disclosures therein. Even though they may differ in their final effect, the Management considers the estimates and assumptions were adequate under the current circumstances.

Pursuant to accounting Circular A-1, “Basic Scheme of the Set of Accounting Criteria Applicable to Banking Institutions", prescribed by the Commission, the institutions' accounting will adhere to the Financial Reporting Standards (NIF), defined by the Mexican Board for Research and Development of Financial Reporting Standards (CINIF), except when the Commission deems it necessary to apply a specific accounting standard or Circular, considering the fact that the institutions perform specialized operations.

Changes in accounting principles

On September 1, 2008, the Commission issued a resolution that modifies the “General Provisions Applicable to Banking Institutions” thereby replacing accounting Circular C-1, “Recording and Cancellation of Financial Assets”, and C-2, “Securitization Operations”, and adding accounting Circular C-5 “Consolidation of Special Purpose Entities.” These provisions will become effective as of January 1, 2009, except for C-1, which according to the following paragraph, should be applied as of October 14, 2008.

Moreover on October 13, 2008, the Commission issued another resolution that modifies the “General Provisions Applicable to Banking Institutions” thereby replacing accounting Circular B-3, “Repurchase or Resale Agreements”, B-4, “Securities Loans”, and C-1, “Recording and Cancellation of Financial Assets,” as well as Circular D-1, “Balance Sheet”, D-2, “Income Statements”, and D-4, “Statement of Changes in the Financial Position.” This resolution became effective as of October 14, 2008, for which Banorte certified that it had the necessary systems to implement the aforementioned accounting criteria. If it hadn't, been able to it would have had to use the criteria in effect until this Resolution became effective. As Banorte certified the above, it applied these criteria as of October 1, 2008. The application of Circular B-3 was made “prospectively” pursuant to NIF B-1, “Accounting Changes and Corrections of Errors”, and therefore transactions previously recorded were not reevaluated.

Additionally, on October 16 and November 10, 2008, by means of official documents 100-035/2008 and 100-042/2008, respectively, the Commission authorized Banorte to transfer the investment in securities it held in the category of “Trading securities” to the category of “Available for sale securities” or “Securities held to maturity”, at the last book value recorded in the balance sheet at the time of the reclassification without reversing the valuation recorded in income on the transfer date. Furthermore, it enabled Banorte to transfer debt instruments from “Available for sale securities” to “Securities held to maturity” at the last book value recorded in the balance sheet at the time of the reclassification without reversing the valuation recorded in stockholders’ equity at the transfer date, which will be amortized in the year’s earnings based on the security’s remaining life. These provisions were applied equally to securities to receive in repurchase agreement operations. The Commission allowed this accounting criteria to be applied only once on the value date of October 1, 2008 and during the last quarter of 2008.

Given the above, during October 2008 Banorte reclassified from “Trading securities” to “Securities held to maturity” a total of 6,035,947,400 securities with an accounting value of Ps. 12,803 on the reclassification date. Additionally, it reclassified from “Available for sale securities” to “Securities held to maturity” a total of 560,523,193 instruments with an accounting value of USD 553 million and EUR 20 million.

The aforementioned reclassifications were driven by the value loss in trading securities when stated at fair value, caused by the volatility and uncertainty of the financial markets during the last quarter of 2008. According to the analyses made by the Management as of December 31, 2008, the securities held to maturity position has not shown any indication of permanent impairment.

If the Financial Group had not made this reclassification, as of October 31, 2008 it would have recorded a loss in the year's earnings equivalent to Ps. 20 and Ps. 710 in stockholders' equity, for “Trading securities” and “Available for sale securities”, respectively.

The principle changes in the accounting policies that apply to the Financial Group are explained below:

- Repurchase or resale transactions pursuant to Circular B-3, “Repurchase or Resale Agreements”, are recorded according to the economic substance of the transaction, which is financing with collateral, by which the purchaser gives cash as financing in exchange for financial assets as guarantee in case of non-compliance. The financial assets pledged as collateral are still recorded in the balance sheet as it retains the risks, benefits and control over them.

  On the repurchasing agreement operation contract date, the cash income or outlay should be recorded, or a liquidating account as well as receivable or payable account at its fair value, initially at the agreed price, which represents the right or the obligation of restoring the cash to the counterparty.

- Circular C-1, “Recording and Cancellation of Financial Assets”, states that in order for an entity to cancel a financial asset, it must transfer all the contract rights to receive the cash flows from the financial asset or retain the contract rights to receive the cash flows from the financial asset and, at the same time, assume the contract obligation of paying such cash flows to a third party who meets certain requirements. Moreover, the substantial transfer of risks and benefits is considered a prerequisite for cancelling an asset as a sale. This modification impacts the accounting recording of repurchase agreements and securities loans, as well as securitization transactions as mentioned below.

- Up until 2007 securitization transactions were not reported in the balance sheet, as the transferred assets met the requirements of a sale and, consequently, the transferred asset, the liability corresponding to issues made and the effects in earnings based on this Circular were not recorded. As of October 14, 2008, securitization operations must meet the requirements established in accounting Circular C-1 to be considered as a sale. Otherwise, the assets, debt issues made on the same and the effects on earning based on this Circular should remain in the balance sheet. On the other hand, the prerequisite of “control” is established in order to consolidate the specific purpose entities (e.g. securitization trusts), regardless of the equity holding percentage. Therefore, unless it is proven that the special purpose entity is not controlled by the asset "assigning" entity, it must be consolidated.

Note 37 describes the effects that would have been recorded if the new accounting Circulars C-1, C-2 and C-5 had been applied retrospectively.

The following are some of the principal changes derived from the new NIF's and interpretations (INIF's) issued or modified by CINIF that went into effect as of January 1, 2008:

- NIF B-10, "Effects of Inflation", considers two economic environments: a) inflationary; when the cumulative inflation of the three previous annual periods is 26% or more, in which case the inflation effects must be recognized; b) non-inflationary; when in the same period cumulative inflation is less than 26%; in this case the effects of inflation may not be recorded in the financial statements. Furthermore, it eliminates the replacement cost valuation and specific indexing methods and requires that the equity monetary position and the result of holding non-monetary assets holding (RETANM) be reclassified to retained earnings, except the RETANM identified as unrealized at the date this standard becomes effective, which will be kept in stockholders' equity to be applied to the earnings of the year when such assets are realized.

  The Financial Group reclassified Ps. 6,380 to retained earnings from prior years, which corresponds to the cancellation of the initial balance of the "Insufficiency in Restated Stockholders' Equity".

  The cumulative inflation over the previous three years was 11.26%. Therefore, the Mexican economy qualifies as non-inflationary. As of January 1, 2008, the Financial Group discontinued recording the inflation effects in the financial statements. However, assets, liabilities and stockholders' equity of December 31, 2008 and 2007 include the restatement effects recorded up until December 31, 2007.

- NIF B-15, "Conversion of Foreign Currencies", eliminates the classifications of integrated foreign operation and foreign entity as it incorporates the concepts of currency of recording, functional and reporting currencies. It sets forth the procedures for converting financial information of foreign operations: i) from the recording currency to the functional currency; and ii) from the functional to the reporting currency.

- NIF D-3, "Employee Benefits", incorporates current and deferred PTU as part of its scope and establishes that deferred PTU should be determined with the same asset and liability methodology as NIF D-4, "Income Taxes." It includes the concept of career salary, and the amortization period of most of the items is reduced to the lower of the remaining labor life or five years, as follows:

    - The initial balance of the severance and retirement benefits liability transition
    - The initial balance of previous services and plan modifications.
    - The initial balance of the actuarial gains and losses of severance benefits is amortized in 2008 income statements.
    - The initial balance of the actuarial gains and losses of severance benefits is amortized in five years (net transition liability) with the option to amortize it in the 2008 income statement.

- NIF D-4, "Income Taxes", eliminates the term "permanent difference" and incorporates some definitions. It also requires that the line item called "Initial Cumulative Effect of Deferred Income Taxes" be reclassified to retained earnings, unless it is identified with any items of other comprehensive income that have not yet been applied to earnings.

- INIF 5, "Recording the Additional Compensation Agreed at the Beginning of the Derivative Financial Instrument to Adjust to its Fair Value", establishes an additional compensation agreed at the beginning of the derived financial instrument equivalent to its fair value and, therefore, should be part of the instrument's initial fair value instead of being subject to amortization as per Bulletin C-10.

- INIF 8, "Effects of the Business Flat Tax", establishes that the Business Flat Tax (IETU) should be considered as a tax on profit and provides the accounting guidelines to record it as a deferred tax when it is expected to be greater than the ISR (income tax) of the same period. To date the Financial Group has not incurred IETU.

The significant accounting policies followed by the Financial Group are described below:

Recognition of the effects of inflation in financial information

As mentioned above, as of January 1, 2008, the Financial Group discontinued recording the effects of inflation. Up until December 31, 2007, such recording resulted mainly in inflationary gains or losses on non-monetary and monetary items, which are shown in the financial statements under “Insufficiency in Restated Stockholders' Equity", "Effect of Holding Non-Monetary Assets" and “Monetary Position Gains and Losses”.

The inflation rates for the periods ending on December 31, 2008 and 2007 were 6.39% and 3.80%, respectively.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value plus accrued yields, which are recognized in results as they accrue. Funds available in foreign currency are valued at the exchange rate published by Banco de México at the balance sheet date.

Trading securities

Trading securities represent debt instruments and equity securities owned by the Financial Group, from which it intends to obtain profits by actively trading in the market. They are stated at fair value, which is determined by the price vendor contracted by the Financial Group, in conformity with the following guidelines:

Debt securities

- Applying market values
- If the market value cannot be obtained from a reliable source or it is not representative, the market prices of similar instruments or prices calculated based on formal valuation techniques will be used.
- When the fair value of the securities cannot be determined, these will be stated at the last fair value determined or at the acquisition cost, plus accrued interest.

Equity securities

- Applying market values
- If the market value cannot be obtained from a reliable source or it is not representative, the fair value will be determined based on the equity method described in Bulletin B-8, “Consolidated and Combined Financial Statements and Permanent Stock Investments”, of MFRS or, in rare cases, based on the acquisition cost restated by a factor derived for the value of the UDI.
- When the fair value of the securities cannot be determined, these will be stated at the last fair value determined or at the acquisition cost, which should be adjusted to it net trading value.

The increase or decrease in the fair value of these securities is recognized in the results of operations.

Available for sale securities

Available for sale securities are debt or equity securities that are classified neither as trading nor held to maturity. They are valued in the same way as trading securities, but with unrealized gains and losses recognized in stockholders’ equity.

Held to maturity securities

Held to maturity securities consist of debt instruments whose payments can be determined and with known maturities exceeding 90 days, which are acquired with the intent to hold them to maturity. They are initially recorded at acquisition cost and are subsequently carried at amortized cost.

If sufficient evidence exists that a security represents a high credit risk and/or its estimated value decreases, the book value could be modified based on the net realizable value determined by using formal valuation techniques, with a charge to results recorded in the year of the write-down.

Transfers from this item to “Available for sale securities” can only be made providing the related instruments will not be held to maturity.

Customer repurchase agreements

This is a transaction by which the purchaser acquires ownership of credit titles for a sum of money and is obliged to transfer titles of the same kind to the seller of the securities within the agreed term and in exchange for the same price plus a premium. The purchaser keeps the premium unless otherwise agreed.

Until September 30, 2008, when the Financial Group acted as the seller, the repurchase agreement transactions were recorded net and represented the difference between the fair value of the securities given under the repurchase agreement (asset position), which represented the securities to receive in the operation pursuant to the trading securities valuation criteria, and the current value of the maturity price (liability position). When the Financial Group acts as the purchaser of securities, the net position represents the difference between the present value of the price at maturity (asset position) and the fair value of the securities received under the repurchase agreement (liability position), which are valued according to the method discussed in the preceding paragraph.

Since October 1, 2008, repurchase transactions are recorded as follows:

Repurchase transactions are recorded according to their economic substance, which is financing with collateral, by which the Financial Group, acting as the purchaser, gives cash as financing in exchange for financial assets as guarantee in case of non-compliance.

On the repurchase agreement transaction contract date, the Financial Group acting as the seller, records the cash income or outlay, or a liquidating debtor account as well as receivable or payable account at its fair value, initially at the agreed price, which represents the obligation of restoring the cash to the purchaser. The payable account will be valued subsequently throughout the life of the repurchase agreement at its fair value by recognizing the repurchase agreement interest in the earnings of the year according to the effective interest method.

As to the collateral, the Financial Group classifies the financial asset in its balance sheet as restricted, valuing it according to the criteria mentioned above in this note through the repurchase agreement's maturity.

The Financial Group, acting as the purchaser, on the repurchase transaction contract date cash and cash equivalents are recorded or a creditor liquidating account, recording an account receivable at its fair value, initially at the agreed price, which represents the right to recover the cash that was given. The receivable account will be valued subsequently throughout the life of the repurchase agreement at its fair value by recognizing the repurchase agreement interest in the earnings of the year according to the effective interest method.

As to the collateral received, the Financial Group records it in memorandum accounts through the repurchase agreement's maturity, following the guidelines of Circular B-9, "Asset Custody and Management", issued by the Commission.

Derivative financial instruments

The Financial Group is authorized to perform two types of transactions involving derivative financial instruments:

Transactions to hedge the Financial Group’s exposed position: Such transactions involve purchasing or selling derivative financial instruments to mitigate the risk resulting from a given transaction or group thereof.

Transactions entered into for trading purposes: The Financial Group enters into such transactions as a market participant for reasons other than to hedge its exposed position.

Transactions with derivative financial instruments are presented in assets or liabilities, as applicable, under the heading “Securities and derivative financial instruments”.

When entering into transactions involving derivative financial instruments, the Financial Group's internal policies and procedures require an assessment and risk exposure regarding the financial institution acting as the counterparty to the transaction and that it be authorized by the Banco de México to enter into this type of transaction. Before entering into these types of transactions with corporate customers, a precautionary credit line must be granted by the National Credit Committee or liquid guarantees given through a securitized collateral contract. Transactions entered into with medium and small sized companies and individuals provide for liquid guarantees established in securitized collateral contracts.

The recognition or cancellation of assets and/or liabilities derived from transactions involving derivative financial instruments occurs when these transactions are entered into to, regardless of the respective settlement or delivery date of the goods.

Forward and futures contracts

Forward and futures contracts for trading purposes establish an obligation to buy or sell an underlying at a future date in the quantity, quality and prices pre-established in the contract. Futures contracts are recorded initially by the Financial Group in the balance sheet as an asset and a liability at fair value, which represents the price agreed in the contract in order to acknowledge the right and obligation of receiving and/delivering the underlying, as well as the right and obligation of receiving and/or delivering the cash equivalent to the underlying, object of the contract.

For the purpose of financial statement presentation, for derivative financial instruments that incorporate both rights and obligations, such as futures and forwards, the asset and liability positions are netted individually. If the net is a debit balance, the difference is presented in the asset under "Derivative financial instruments". If it is a credit balance, it is presented in the liability of the same line item.

The balance of these transactions entered into for trading purposes represents the difference between the fair value of the contract and the established "forward" price.

Option contracts

Options are contracts that, by paying a premium, grant the right but not the obligation to buy or sell a specific number of underlying instruments at a given price within an established term.

Options are divided into: buy options (calls) and sell options (puts). Both can be used as trading or hedging instruments.

Options can be executed on a specific date or within a certain period of time. The price is agreed in the option and may be exercised at the discretion of the buyer. The instrument to which the price is linked is the reference or underlying value.

The premium is the price the holder pays the issuer for the option rights.

The holder of a call/put option has the right, but not the obligation, to purchase/sell from/to the issuer a certain number of underlying instruments at a fixed price (transaction price) within a certain term.

The Financial Group records the option premium as an asset or liability at the transaction date. The fluctuations of the option's premium market valuation are recorded in the income statement under "Trading" thereby affecting the corresponding account's balance.

Option contracts for trading purposes are recorded in memorandum accounts at their current price, multiplied by the number of securities, and distinguishing the options that are negotiable in the stock market from those that are not in order to control risk exposure.

All valuation results recorded before the option is exercised or expires are unrealized and not susceptible to capitalization or distribution among their shareholders until they are realized in cash.

Swaps

These are two-party contracts by which a bilateral obligation is established to exchange a series of cash flows for a certain period of time on pre-set dates at a nominal or reference value.

The Financial Group records the asset and liability portion for the rights and obligations agreed upon, valuing the future flows to receive or give at the current value according to the forecast of future applicable rates, discounting the market rate on the valuation date with curves provided by the price provider and verified by the market risk area.

The balance of these transactions entered into for trading purposes represents the difference between the fair value of the asset and liability positions. Balances are presented as assets or liabilities under the "Derivative financial instruments" heading.

Trading transactions are valued at market price, and the result of each valuation is recorded in the year's results.

Management's policy with regards to hedge contracts is to protect the Financial Group's individual balances and stockholders' equity by anticipating interest rate and exchange rate fluctuations.

For hedging derivative financial instruments, the Financial Group applies in all cases the cash flow hedging method and the accumulated compensation method to measure effectiveness. Both methods are approved by current accounting standards. The results of ineffective hedging are recorded in the year's results.

The Financial Group documents hedging transactions from the moment the derivative instruments are designated as hedging transactions. A file is drawn up for each transaction in order to have documented proof as per Bulletin C-10 paragraph 51.

Accordingly, the Financial Group documents its hedging transactions based on the following guidelines:

- A fair value hedging transaction is recorded as follows:

    a. The gain or loss from valuing the hedging instrument at its fair value is recognized immediately in the period's income statement; and
    b. The gain or loss from valuing the hedging instrument's primary position attributable to the hedged risk should be restated to such position's book value and recognized immediately in the period's income statement.

- A cash flow hedging transaction is recorded as follows:

    a. The effective portion of the hedging instrument's gain or loss is recorded as a component of other comprehensive income in stockholders' equity using an asset or liability account called "securities and derivative financial instruments" as a counter-account. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings.
    b. The stockholders' equity balance that is part of other comprehensive income associated with the primary position is restated at the lower value (absolute value) of:
        I. The accumulated gain or loss on the hedging instrument; and
        II. The accumulated change in the primary position cash flow fair value from the beginning of the hedging transaction.

Valuation methods

As the derivative products transacted are considered conventional ("Plain Vanilla"), the standard valuation models contained in the derivative transaction systems and the Financial Group's risk management are used.

All the valuation methods that the Financial Group uses result in the fair value of the transactions and are periodically adjusted. Furthermore, they are audited by internal and external auditors, as well as by the financial authorities.

Valuation of the positions is done on a daily basis and a price provider generates the input used by the transaction and risk management systems. The price provider generates these valuations based on daily market conditions.

Operating strategies

Trading
The Financial Group participates in the derivative instruments market for trading purposes, and the risk exposures generated are computed within its overall VaR limit.

The trading strategy is submitted on a weekly basis to the Financial Group's Treasury Committee, which analyzes the current risks and makes a decision.

Hedging
The hedging strategy is determined annually and each time the market conditions so require. Hedging strategies are submitted to the Risk Policies Committee.

Hedging transactions comply with the applicable standard set forth in Circular C-10 of the CNBV. This implies, among other things, that the hedge's effectiveness is evaluated both prior to its arrangement (prospective) and thereafter (retrospective). These tests are performed on a monthly basis.

Loan portfolio

The loan portfolio represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest minus prepaid interest received. The allowance for loan losses from credit risks is presented as a reduction of the loan portfolio.

The unpaid loan balance is classified in the past-due portfolio as follows:

- Single payment loans upon the maturity of principal and interest, 30 calendar days after maturity.

- Loans involving a single principal payment at maturity, but with periodic interest payments, total principal and interest payments 30 and 90 calendar days after maturity, respectively.

- Loans for which the payment of principal and interest is agreed based on partial periodic payments, 90 calendar days after the first payment is due.

- In the case of revolving loans, whenever payment is outstanding for two billing periods or 60 or more days have elapsed following maturity.

- Overdrawn customer checking accounts are considered as part of the past-due portfolio when such situations arise.

Interest is recognized and accrued into income as it is earned. The accrual of interest income is suspended when loans are transferred to the past-due portfolio.

The fees charged for the initial granting of loans will be recorded as a differed credit, which will be amortized as interest income, as per the straight line method during the loan's contractual term.

Restructured past-due loans are not considered in the current portfolio until evidence of sustained payment is obtained; this occurs when credit institutions receive three timely consecutive payments, or a payment is received for periods exceeding 60 days.

Renewed loans in which the borrower has not paid on time or when the accrued interest balance equals least 25% of the original loan amount are considered past-due until evidence of sustained payment is obtained.

Accrued interest during the period in which the loan was included in the past-due portfolio is recognized as income when collected.

Allowance for loan losses

Application of new portfolio classification provisions

The loan portfolio is classified according to the rules issued by the SHCP and the methodology established by the Commission. Internal methodologies may be used providing they are authorized by the Commission.

In the case of consumer and mortgage loans, the Financial Group applies the general provisions applicable to credit institutions in classifying the loan portfolio as issued by the Commission on August 22, 2005 and December 2, 2008 and the internal methodology authorized by the Commission for classifying commercial loans.

Such provisions also establish general methodologies for the classification and calculation of allowances for each type of loan, while also permitting credit institutions to classify and calculate allowances based on internal methodologies, when previously approved by the Commission.

As of June 2001, the Financial Group has the Commission's approval to apply its own methodology, called Internal Risk Classification (CIR Banorte) to commercial loans. CIR Banorte applies to commercial loans with outstanding balances equal to or greater than 4 million UDIS or its equivalent in Mexican pesos. Loan classification and reserve allowance are determined based on the rules set by the Commission. This methodology is explained later in this note.

The commercial loan portfolio classification procedure requires that credit institutions apply the established methodology (general or internal) based on quarterly information for the periods ending in March, June, September and December of each year, while also recording the allowances determined at the close of each period in their financial statements. Furthermore, during the month following each quarterly close, financial institutions must apply the respective classification to any loan at the close of the immediately preceding quarter, based on the outstanding balance in effect on the last day of the aforementioned months. The preventive estimates for loan risks that have exceeded the amount required to rate the loan will be cancelled on the date of the following quarterly rating against the period earnings. Additionally, the previously written-off loan portfolio recoveries are applied against the ending balance sheet.

Through its subsidiary Banorte USA, the Financial Group acquired Inter National Bank (INB) in 2006 and continues to apply INB's loan classification methodologies by adjusting the allowance for loan losses, derived from applying such methodologies.

As of November 27, 2008, the Commission issued Document 111-2/26121/2008, which renews for a two-year period, as of December 1, 2008, the authorization for such internal loan classification methodology.

Commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos are classified according to the following criteria:

- Debtor's credit quality
- The loans, in relation to the value of the guarantees or the value of the assets in trusts or in "structured" programs, as applicable.

The commercial loan segment includes loans granted to business groups and corporations, state and municipal governments and their decentralized agencies, as well as financing to companies of the financial services sector.

The Financial Group applied the internal risk classification methodology, CIR Banorte, authorized by the Commission to rate the debtor, except in financing granted to state and municipal governments and their decentralized agencies, loans intended for investment projects with their own source of payment and financing granted to trustees that act under trusts and "structured" loan programs in which the affected assets allow for an individual risk evaluation associated with the type of loan, for which the Financial Group applied the procedure established by the Commission.

When evaluating a debtor’s credit quality with the CIR Banorte method, the following risks and payment experiences are classified specifically and independently:

Risk criteria	Risk factors
1. Financial risk	1. Financial structure and payment capability
	2. Financing sources
	3. Management and decision-making
	4. Quality and timeliness of financial information
2. Industry risk	5. Positioning and market in which debtor participates
	- Target markets
	- Risk acceptance criteria
3. Borrower's experience	6. Borrower's experience
4. Country risk	7. Country risk

Each of the risk factors is analyzed using descriptive evaluation tables, the result of which indicates the borrower’s rating. This, in turn, is standardized with the risk degrees established by the Commission.

CIR Banorte	Risk level description	Commission classification equivalent
1	Substantially risk free	A1
2	Below minimal risk	A2
3	Minimal risk	A2
4	Low risk	B1
5	Moderate risk	B2
6	Average risk	B3
7	Risk requiring management attention	C1
8	Potential partial loss	C2
9	High loss percentage	D
10	Total loss	E

For commercial loans under 4 million UDIS or its equivalent in Mexican pesos, loans under 900 thousand UDIS to state and municipal governments and their decentralized agencies, mortgage loans and consumer loans, the Financial Group applied the general provisions applicable to credit institutions for classifying the loan portfolio as issued by the Commission.

Acquired loan portfolios

This balance is represented by the acquisition cost of the various loan asset packages acquired by the Financial Group, which are subsequently valued by applying one of the three following methods:

Cost recovery method – Payments received are applied against the acquisition cost of the loan portfolio until the balance equals zero. Recoveries in excess of the acquisition cost are recognized in current earnings.

Interest method - The result of multiplying the acquired portfolio's outstanding balance by the estimated yield is recorded in current earnings. Differences between the Financial Group's collection estimates and actual collections are reflected prospectively in the estimated yield.

Cash basis method - The amount resulting from multiplying the estimated yield times the amount actually collected is recorded in the income statement, provided it is not greater than the amount obtained by the interest method. The difference between the recorded amount and the amount collected reduces the outstanding portfolio balance, once the entire initial investment has been amortized. Any subsequent recovery is recorded in the income statement.

For its portfolios valued using the interest method, the Financial Company evaluates twice a year to verify if the cash flow estimate of its collection rights is consistent with actual recoveries and therefore considered to be effective. The Financial Company uses the cost recovery method on those collection rights in which the expected cash flow estimate is not effective. The expected cash flow estimate is considered "highly effective" if the result of dividing the sum of the flows actually collected by the sum of the expected cash flows is between 0.8 and 1.25 when such effectiveness is evaluated.

Other accounts receivable and payable

The Financial Group performs a study to quantify the different future events that could affect the amount in accounts receivable over 90 days and thus determine their percentage of non-recoverability to calculate its allowance for doubtful accounts. The remainder of the accounts receivable balances are reserved at 90 calendar days from their initial recognition.

The balances of asset and liability settlement accounts represent transactions involving the sale and purchase of currency and securities, which are recorded when entered into and settled within 48 hours.

Merchandise inventory

This is comprised mainly of finished goods and prior to 2008 was restated at its replacement or market cost, whichever is lower. In 2008 finished good are stated at the lower of cost or their net realizable value. The cost of sales, recorded under "Other expenses", is restated using the replacement cost at the time of the sale prior to 2008.

Impairment of the value of long-lived assets and their disposal

The Financial Group has established guidelines to identify and, if applicable, record losses derived from the impairment or decrease in value of long-lived, tangible or intangible assets, including goodwill.

Foreclosed assets, net

Foreclosed property or property received as payments in kind are recorded at the lower of their net realizable value or cost. Cost is determined as the forced-sales value determined by a judge upon foreclosure or, in the case of payments in kind, the price agreed between the parties involved.

If the book value of the loan exceeds that of the foreclosed property, the difference is recognized by canceling the allowance for loan losses when such assets are awarded. If the carrying value of the loan is lower than the value of the foreclosed property, the latter must be adjusted to match the loan's carrying value.

The carrying value is only modified when there is evidence that the net realizable value is lower than the recorded carrying value. Reductions in the carrying value of the loan are recorded in current earnings as they occur.

The provisions applicable to the valuation methodology for the allowance for loan losses mentioned above define the valuation methodology for reserves related to either foreclosed property or those assets received as payment in kind, establishing that additional quarterly provisions must be created to recognize the potential decrease in value over time of property awarded under legal proceedings, out-of-court or received as payment in kind and the investments in securities received as foreclosed goods or payment in kind, based on the following guidelines:

I. In the case of collection rights and real property, the provisions referred to by the preceding paragraph must be treated as follows:

Personal property reserves	
Time elapsed as of award date or receipt as payments in kind (months)	**Reserve percentage**
Up to 6	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the value of collection rights or foreclosed property, received as payment in kind or awarded in a court proceeding.

II. Investments in securities must be valued in accordance with the provisions of the Commission's accounting Circular B-2, "Investments in Securities", using annual audited financial statements and monthly financial information of the investee.

Following the valuation of foreclosed assets or those received as payment in kind, the reserves resulting from applying the percentages established in the table of Section I above to the estimated value, must be created.

III. In the case of real property, provisions must be created as follows:

Real property reserves	
Time elapsed as of award date or receipt as payments in kind (months)	**Reserve percentage**
Up to 12	0%
More than 12 and up to 24	10%
More than 24 and up to 30	15%
More than 30 and up to 36	25%
More than 36 and up to 42	30%
More than 42 and up to 48	35%
More than 48 and up to 54	40%
More than 54 and up to 60	50%
More than 60	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the awarding value of the property based on the accounting criteria. Furthermore, when problems are identified regarding the realization of the value of the foreclosed property, the Financial Group records additional reserves based on management's best estimates. On December 31, 2008 there are no reserves in addition to those created by the percentage applied based on the accounting criteria that could indicate realization problems on the values of the foreclosed properties.

If appraisals subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of the collection rights, securities, personal or real property, the reserve percentages contained in the preceding table can be applied to the adjusted value.

Property, furniture and fixtures

Property, furniture and fixtures are recorded at acquisition cost. The balances of acquisitions made up to December 31, 2007 are restated using factors derived from the value of the UDI of that date.

Depreciation is calculated using the straight-line method based on the useful lives of the assets as estimated by independent appraisers.

Permanent stock investments

The Financial Group recognizes its investments in associated companies using the equity method, based on the book values shown in the most recent financial statements of such entities.

Income Taxes ("ISR"), Business Flat Tax ("IETU") and Employee Statutory Profit Sharing ("PTU")

The provisions for ISR, IETU and PTU are recorded in the results of the year in which they are incurred. Deferred taxes are recognized if, based on financial projections the Financial Group expects to incur ISR or IETU, and records the deferred tax it will pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

The net effect of the aforementioned items is presented in the consolidated balance sheet under the "Deferred taxes, net" heading.

Intangible assets

Intangible assets are recognized in the consolidated balance sheet provided they are identifiable and generate future economic benefits that are controlled by the Financial Group. Intangible assets with definite lives are amortized systematically over the period expected to receive benefits. The value of the intangible assets with indefinite lives is subject to annual impairment tests.

Goodwill

Goodwill represents the excess of cost over the fair value of subsidiary shares, as of the date of acquisition. At least once a year is subject to impairment tests following the provisions of NIF C-15, "Impairment of long-life asset value and their disposal". No impairment was detected as of December 31, 2008.

Deposits

Liabilities derived from deposits, including promissory notes, are recorded at their procurement or placement cost plus accrued interest, determined according to the number of days elapsed at each monthly close and charged to results as incurred.

Provisions

Provisions are recognized when the Financial Group has a current obligation that results from a past event and are likely to result in the use of economic resources and can be reasonably estimated.

Employee retirement obligations

According to Mexican Federal Labor Law, the Financial Group has obligations derived from severance payments and seniority premiums payable to employees that cease to render their services under certain circumstances.

<u>Defined benefit plans</u>

The Financial Group records a liability for seniority premiums and medical services after retirement and severance payments for reasons other than restructuring, which are recognized as costs over employee years of service and are calculated by independent actuaries using the projected unit credit method at nominal interest rates in 2008 and actual interest rates in 2007. Accordingly, the liability is being accrued which, at present value, will cover the obligation from benefits projected to the estimated retirement date of the Company's current employees, as well as the obligation related to retired personnel.

The Financial Group applies the provision of NIF D-3 related to the recognition of the liability for severance payments at the end of the work relationship for reasons other than restructuring, which is recorded using the projected unit credit method based on calculations by independent actuaries.

Defined contribution plan

In January 2001 the Financial Group provided a voluntary defined contribution pension plan to participating employees who were hired before such date. This pension plan is invested in a diversified mutual fund, which is included in "Other assets".

The employees who were hired before January 1, 2001 and decided to enroll voluntarily in the defined contribution pension plan received a contribution from the Financial Group for prior services equivalent to the actuarial benefit accrued in their previous defined benefit plan that was cancelled. The initial contribution was made from the plan assets that had been established for the original defined benefit plan and participants were immediately assigned 50% of such amount with the remaining 50% to be assigned over 10 years.

The initial payment to the defined contribution plan for past services was financed with funds established originally for the defined benefit plan that was early extinguished and recognized in accordance with the requirements of NIF D-3.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan's participants.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate published by Banco de México in effect at the balance sheet date. Exchange fluctuations are recorded in the results of operations.

Interest from outstanding subordinated debentures

Accrued interest from outstanding subordinated debentures is recognized as it is accrued and translated according to the exchange rate in effect at each monthly close.

Transfer of financial assets

A transfer of financial assets in which the Financial Group surrenders control over those financial assets is accounted for as a sale, with the related effects subsequently recognized in the financial statements. If a transfer of financial assets in exchange for cash or other consideration does not meet the criteria for a sale, the Financial Group accounts for the transfer as a secured borrowing.

Securitizations

Through this type of transaction, the Financial Group seeks to sell and transfer certain financial assets to a securitization vehicle, which in turn issues securities for sale to public investors representing rights to the yields or proceeds derived from the sale of the transferred assets. The Financial Group as the transferor can receive cash, securities or derivative financial instruments as payment.

However, if the Financial Group does not transfer ownership of the financial assets, i.e., if it retains the direct risk associated with such assets, the transaction is considered to be a financing securitization, whereby the payment made to the transfer is guaranteed by assets for which the latter assumes the related risk. Accordingly, the Financial Group cannot derecognize such transferred assets from its financial statements and accounts for the transfer as a secured borrowing with pledge of collateral.

Share-based payments

Banorte grants stock options to key officers who would like to acquire shares in the Financial Group. Banorte has established trusts to manage the plans and contributes the necessary funds so that shares can be purchased directly from the market at the initiation of each plan.

At the subsidiary level, Banorte reports the shares held by the trusts as available for sale securities and as of December 31, 2008 reclassifies such amounts in the Financial Group's consolidation process with an effect of Ps. 63 in "Common stock" and Ps. 392 in "Additional paid in capital".

Banorte records its stock option plans according to the guidelines of IFRS 2, "Share Based Payments", which through 2008 is supplementally applied as there is no applicable standard in the Commission's accounting criteria. According to the above and given the features of Banorte's share-based payment plans, the related compensation expense is recorded at fair value as of the date the stock options are granted and adjusted during the required service period established in the stock option agreement.

The fair value of each share is estimated as of the date of grant using the Black-Scholes option pricing model. The changes in the assumptions used may result in substantial differences in the fair value estimates. However, such assumptions are restated (updated) at the close of the reporting period.

As of December 31, 2008, the market value of the shares was below the option price, and consequently no compensation expense was recorded.

5 - MAIN DIFFERENCES WITH MEXICAN FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in conformity with the accounting practices prescribed by the Commission, which, in the following instances, differ from MFRS commonly applied in the preparation of financial statements for other types of unregulated entities:

- Up until September 30, 2008, repurchase and resale agreements were recorded as purchase and sale transactions or temporary transfer of securities that guarantee the operation; however, they were not recognized based on the substance of the transaction (financing). They were, however, valued considering the current value of the securities' price upon maturity instead of the straight-line accrued premium as stipulated by MFRS.

- The effects of the applying the change to the credit card reserves mentioned in Note 11 were recorded as an adjustment to the accumulated net income (profit). MFRS require that the change be applied retrospectively to the financial statements pursuant to NIF B-1, "Accounting Changes and Corrections of Errors".

- The loan support programs estimates were canceled during the first quarter of 2007 and additional estimates for the UDIS Trusts were made as per the Commission circulars. According to MFRS, additional estimates for the loan support programs are required and must be made; whereas the UDI Trusts additional estimates should be canceled.

- The consolidated financial statements do not include the insurance and annuities sector subsidiaries. MFRS require that all controlled subsidiaries be consolidated, regardless of the sector to which they belong.

- The Commission requires that the changes in the financial situation be submitted as part of the basic financial statements. Beginning in 2008, MFRS require that a cash flow statement should be submitted instead.

- The costs associated with credit placement are recorded in the earnings statement as incurred. According to MFRS, the costs should be identified with the income they generate in the same period regardless of the date they are incurred.

- The Commission's accounting criteria establish that the reserve for foreclosed assets should be recorded according to the nature of the assets and the number of months transpired since the foreclosure. Additionally, MFRS indicate that the impairment potential of these assets should be assessed and recorded if necessary.

- Sundry debtors not collected within the contract term, under 60 days in the case of unidentified debtors, and 90 calendar days in the case of identified debtors, other than collection rights, items associated with the loan portfolio and loans to employees are fully reserved with the effects recognized in current earnings, regardless of whether the Financial Group may recover them.

- The contribution or managed margin accounts (delivered and received) with financial derivative instruments listed in liquid markets (stock exchanges) or traded over the counter are presented under the heading of "Funds available" and "Sundry creditors and other payable", respectively, instead of presenting them under the heading of "Derivative financial instruments", as established by MFRS.

- The gain or loss from valuing a hedging instrument at fair value is recognized in the balance sheet and the earnings statement under "Derivative financial instruments" and "Trading", respectively. The primary position's valuation is recognized under "Trading", which differs from NIF C-10, which requires that both the primary position and hedge valuations be presented under the same line item according the nature of the primary position.

- When loans are classified as past-due, interest is not recorded, and the related accrued interest is reflected in memorandum accounts. When such interest is collected, it is recognized directly in the period's results. MFRS require recording the accrued interest and recognizing the corresponding reserve.

- Credit asset packages are valued using one of the following methods: i) Cash Basis Method, ii) interest method, and iii) cost recovery method, established in the Commission's Circular B-11, "Collection Rights". According to MFRS, there is no specific standard, and therefore the US GAAP "Statement of Position 03-3" is used instead. This principle does not contemplate the Cash Basis Method.

- The contractual acquisition value of the remaining 30% of the INB Financial Corp. shares was recognized in goodwill for a value of 20 times the average net profit of the two years prior to the purchase. According to NIF B-7, "Business Acquisitions", this operation should be recorded as an acquisition of the minority interest at its fair value, that is, as a transaction among shareholders of the same entity that should not generate goodwill. Any payment made in excess or below thereof should be considered as a distribution or contribution of capital.

- The PTU generated and deferred is presented in the earnings statement along with the ISR after Other Expenses and Revenues instead of as an other expense, as established by MFRS.

- The Financial Group recognizes revenue from investment premiums and discounts in available for sale securities and securities held to maturity based on the straight-line method. MFRS require that these be registered based on the interest method.

- Pursuant to the Commission's criteria, the Financial Group is not obliged to separate the embedded derivatives associated with the service contracts and purchase-sale transaction contracts that originated them, nor to recognize them at fair value. MFRS require that they be separated from the contract and recorded at their fair value.

6 - CASH AND CASH EQUIVALENTS

As of December 31, 2008 and 2007, this line item was composed as follows:

	2008	**2007**
Cash	Ps. 8,419	Ps. 7,831
Banks	40,004	31,487
Other deposits and available funds	5,979	2,292
	Ps. 54,402	**Ps. 41,610**

On December 31, 2008, the “Other” item includes Ps. 5,738 for funds due to be received in 24 and 48 hours, and Ps. 25 in gold and silver coins. In 2007, it included Ps. 1,456 for funds to be received in 24 and 48 hours, and Ps. 28 in gold and silver coins.

The "Banks" item is represented by cash in Mexican pesos and USD converted at the exchange rate issued by Banco de México at Ps. 13.8325 and Ps. 10.9157 for 2008 and 2007, respectively, and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2008	2007	2008	2007	2008	2007
Call money	Ps. 3,184	Ps. -	Ps. -	Ps. 109	Ps. 3,184	Ps. 109
Deposits with foreign credit institutions	-	-	6,866	5,309	6,866	5,309
Domestic banks	503	250	-	-	503	250
Banco de México	29,405	25,782	46	37	29,451	25,819
	Ps. 33,092	**Ps. 26,032**	**Ps. 6,912**	**Ps. 5,455**	**Ps. 40,004**	**Ps. 31,487**

As of December 31, 2008 and 2007, the Financial Group had made monetary regulation deposits of Ps. 26,394 and Ps. 25,782, respectively.

As of December 31, 2008 and 2007, the total sum of restricted cash and cash equivalents is Ps. 35,476 and Ps. 28,089, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending liquidation in 24 and 48 hours.

7 - INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2008 and 2007, trading securities are as follows:

	2008				2007
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
Commercial paper	Ps. 114	Ps. -	Ps. 9	Ps. 123	Ps. 1,254
CETES	-	-	-	-	518
Government bonds	-	-	-	-	113
Saving Protection Bonds (BPAS)	101	1	-	102	-
Bank securities	5,824	23	-	5,847	5,395
Securitization certificates	-	-	-	-	216
Shares listed in the International Quotation System (SIC)	-	-	-	-	2
Futures	4	-	-	4	4
Investment funds	-	-	-	-	11
Subordinated securities	236	-	318	554	241
	Ps 6,279	**Ps 24**	**Ps 327**	**Ps 6,630**	**Ps 7,754**

During 2008 and 2007, the Financial Group recognized a valuation effect for the net amount of Ps. 109 and Ps. 1, respectively, in the results of operations related to its trading securities.

As of December 31, 2008, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	From 6 to 12 months	More than 2 years	Total at acquisition cost
Commercial paper	Ps. 98	Ps. 16	Ps. -	Ps. 114
Saving Protection Bonds (BPAS)	101	-	-	101
Bank securities	5,824	-	-	5,824
Futures	4	-	-	4
Subordinated securities	-	-	236	236
	Ps. 6,027	**Ps. 16**	**Ps. 236**	**Ps. 6,279**

b. Available for sale securities

As of December 31, 2008 and 2007, available for sale securities were as follows:

	2008				2007
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government Bonds	Ps. 6,153	Ps. 26	Ps. 48	Ps. 6,227	Ps. 4,634
UMS	502	13	1	516	1,361
Bonds	4,086	56	(434)	3,708	285
VISA	2	-	94	96	-
MASTER CARD	-	-	21	21	-
BMV Shares	234	-	(90)	144	-
EUROBONDS	553	12	(1)	564	386
PEMEX bonds	212	2	(10)	204	3,881
Subordinated securities	21	-	221	242	330
CYDSA shares	-	-	-	-	71
	Ps. 11,763	**Ps. 109**	**(Ps. 150)**	**Ps. 11,722**	**Ps. 10,948**

As of December 31, 2008, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total at acquisition cost
US Government Bonds	Ps. 6	Ps. 39	Ps. 6,108	Ps. 6,153
UMS	-	-	502	502
Bonds	-	-	4,086	4,086
VISA	-	-	2	2
BMV Shares	-	-	234	234
EUROBONDS	-	-	553	553
PEMEX bonds	-	-	212	212
Subordinated securities	-	-	21	21
	Ps. 6	**Ps. 39**	**Ps. 11,718**	**Ps. 11,763**

c. Held to maturity securities

As of December 31, 2008 and 2007, held to maturity securities are as follows:

Medium and long-term debt instruments:

	2008			2007
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 684	Ps. 6	Ps. 690	Ps. 651
Fiduciary rights	-	-	-	8
CETES	3	-	3	-
Government bonds	653	2	655	-
Bonds	33,062	-	33,062	-
Saving Protection Bonds (BPAS)	124,691	177	124,868	-
UMS	2,541	68	2,609	-
UDIBONOS	3	-	3	-
Separable securitization certificates	24	9	33	-
Bank securities	31,494	63	31,557	-
US Government Bonds	13	-	13	10
PEMEX bonds	5,361	102	5,463	-
Private securitization certificates	21,722	48	21,770	-
Strip and Myra bonds	-	-	-	14
Structured notes	520	-	520	-
Other debt titles	349	-	349	-
Subordinated securities	22	-	22	77
	Ps. 221,142	**Ps. 475**	**Ps. 221,617**	**Ps. 760**

As of December 31, 2008, there is Ps 192,726 in restricted securities from the Financial Groups repurchasing operations.

As of December 31, 2008, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	More than 2 years	Total at acquisition cost
Government bonds- support program for Special Federal Treasury Certificates	Ps. -	Ps. 684	Ps. 684
CETES	-	3	3
Government bonds	-	653	653
Bonds	-	33,062	33,062
SAVING PROTECTION BONDS (BPAS)	124,691	-	124,691
UMS	-	2,541	2,541
UDIBONOS	-	3	3
Separable securitization certificates	-	24	24
Bank securities	31,494	-	31,494
US Government Bonds	-	13	13
PEMEX bonds	-	5,361	5,361
Private securitization certificates	-	21,722	21,722
Structured notes	-	520	520
Other debt titles	-	349	349
Subordinated securities	-	22	22
	Ps. 156,185	**Ps. 64,957**	**Ps. 221,142**

8 - TRANSACTIONS INVOLVING SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2008 and 2007, transactions involving securities and derivative financial instruments were as follows:

a. Debtor and creditor balances derived from repurchase transactions
Acting as seller of securities

Instrument	2008				2007			
	Asset position	Liability position			Asset position	Liability position		
	Value of securities receivable	Creditor repurchase agreement	Debit difference	Credit difference	Value of securities receivable	Creditor repurchase agreement	Debit difference	Credit difference
CETES	Ps. -	Ps. 3	Ps. -	Ps. 3	Ps. 4,039	Ps. 4,039	Ps. -	Ps. -
Development Bonds	3,987	37,085	-	33,098	25,900	25,901	-	1
Bonds 182	-	5	-	5	929	929	-	-
Bonds IPAB	-	351	-	351	874	879	-	5
Quarterly IPAB bonds	7,102	106,967	1	99,866	119,370	119,739	18	387
Semiannual IPAB bonds	26,970	51,252	1	24,283	13,767	13,808	4	45
7-year bonds	-	2	-	2	1,684	1,684	-	-
10-year bonds	627	1,275	-	648	4,067	4,069	1	3
20-year bonds	-	5	-	5	8,758	8,780	1	23
UDIBONOS	-	-	-	-	102	102	-	-
10-year UDIBONDS	-	4	-	4	1,460	1,459	1	-
Government securities	**38,686**	**196,949**	**2**	**158,265**	**180,950**	**181,389**	**25**	**464**
Promissory Notes	537	537	-	-	4,001	4,001	-	-
CEDES	716	10,985	-	10,269	12,897	12,906	3	12
Bank acceptances	-	-	-	-	10	10	-	-
CEBUR Bank	-	8,892	-	8,892	2,449	2,450	-	1
Bank securities	**1,253**	**20,414**	**-**	**19,161**	**19,357**	**19,367**	**3**	**13**
Private paper	-	11,428	-	11,428	11,618	11,642	1	25
CEBUR government	-	3,602	-	3,602	4,027	4,026	4	3
Securitization certificates	-	269	-	269	281	284	-	3
Private securities	**-**	**15,299**	**-**	**15,299**	**15,926**	**15,952**	**5**	**31**
	Ps. 39,939	**Ps. 232,662**	**Ps. 2**	**Ps. 192,725**	**Ps. 216,233**	**Ps. 216,708**	**Ps. 33**	**Ps. 508**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations up to December 31, 2008 in the amount of Ps. 18,320 (Ps. 16,468 in 2007).

During 2008 and 2007, the period of repurchase transactions entered into by the Financial Group in its capacity as vendor ranged from 1 to 177 days.

Acting as purchaser of securities

Instrument	2008				2007			
	Liability position	Asset position			Liability position	Asset position		
	Value of securities deliverable	Repurchase agreement from debtors	Debit difference	Credit difference	Value of securities deliverable	Repurchase agreement from debtors	Debit difference	Credit difference
CETES	Ps. 1,667	Ps. 1,667	Ps. -	Ps. -	Ps. 300	Ps. 300	Ps. -	Ps. -
Development Bonds	3,992	3,987	5	-	3,233	3,233	-	-
Bonds 182	-	-	-	-	928	928	-	-
Bonds IPAB	-	-	-	-	878	873	5	-
Quarterly IPAB bonds	6,014	5,992	22	-	7,558	7,543	18	3
Semiannual IPAB bonds	25,865	25,751	115	1	-	-	-	-
7-year bonds	1,248	1,248	-	-	350	350	-	-
10-year bonds	1,193	1,194	2	3	1,092	1,093	-	1
20-year bonds	4,001	4,001	-	-	1,126	1,125	2	1
UDIBONOS	-	-	-	-	102	102	-	-
10-year UDIBONDS	-	-	-	-	501	501	-	-
Government securities	**43,980**	**43,840**	**144**	**4**	**16,068**	**16,048**	**25**	**5**
Promissory Notes	-	-	-	-	3,011	3,011	-	-
CEDES	568	565	3	-	1,773	1,773	-	-
Bank securities	**568**	**565**	**3**	**-**	**4,784**	**4,784**	**-**	**-**
CEBUR government	-	-	-	-	650	652	-	2
Private securities	**-**	**-**	**-**	**-**	**650**	**652**	**-**	**2**
	Ps. 44,548	**Ps. 44,405**	**Ps. 147**	**Ps. 4**	**Ps. 21,502**	**Ps. 21,484**	**Ps. 25**	**Ps. 7**

With the Financial Group acting as the purchaser, accrued premiums were charged to the results of operations up to December 31, 2008 in the amount of Ps. 2,521 (Ps. 2,345 in 2007).

During 2008 and 2007, the period of repurchase transactions entered into by the Financial Group in its capacity as purchaser ranged from 1 to 21 days.

As of December 31, 2008, the amount of goods corresponding to the guarantees given and received in repurchase transactions that involved the transfer of property totaled Ps. 179 and Ps. 14, respectively, and as of December 31, 2007, the totals were Ps. 137 of guarantees given and Ps. 12 of guarantees received.

b. Derivative financial instruments

The transactions entered into by the Financial Group involving derivative financial instruments correspond mainly to futures, swaps and options contracts. These transactions are entered into to hedge various risks and for trading purposes.

As of December 31, 2008, the Financial Group has evaluated the effectiveness of transactions entered into involving derivative financial instruments for hedging purposes and has concluded that they are highly effective.

As of December 31, 2008 and 2007, the positions of the Financial Group's derivative financial instrument held for trading purposes are as follows:

	2008	2007
Assets		
Derivative financial instruments	Ps. 8,168	Ps. 2,302
Liabilities		
Derivative financial instruments	Ps. 10,746	Ps. 2,435

	2008		2007	
Asset position	**Nominal amount**	**Asset position**	**Nominal amount**	**Asset position**
Futures				
TIIE-rate futures	Ps. 1,500	Ps. -	Ps. 980	Ps. -
Forwards				
Foreign currency forwards	1,892	40	571	42
Options				
Rate options	9,683	76	6,929	195
Swaps				
Rate swaps	173,097	1,999	97,357	873
Exchange rate swaps	9,829	3,210	10,107	677
Total negotiation	**196,001**	**5,325**	**115,944**	**1,787**
Options				
Rate options	24,200	179	16,250	100
Swaps				
Rate swaps	19,298	10	12,391	59
Exchange rate swaps	10,474	2,654	5,847	356
Total hedge	**53,972**	**2,843**	**34,488**	**515**
Total position	**Ps. 249,973**	**Ps. 8,168**	**Ps. 150,432**	**Ps. 2,302**

	2008		2007	
Liability position	**Nominal amount**	**Liability position**	**Nominal amount**	**Liability position**
Futures				
TIIE-rate futures	Ps. 1,500	Ps. -	Ps. 980	Ps. -
Forwards				
Foreign currency forwards	129	46	571	46
Options				
Foreign currency options	67	2	16	-
Rate options	10,827	64	3,300	40
Swaps				
Rate swaps	173,114	2,024	97,359	842
Exchange rate swaps	9,774	3,133	9,794	663
Total negotiation	**195,411**	**5,269**	**112,020**	**1,591**
Swaps				
Rate swaps	19,298	663	12,391	261
Exchange rate swaps	7,479	4,814	8,160	583
Total hedge	**26,777**	**5,477**	**20,551**	**844**
Total position	**Ps. 222,188**	**Ps. 10,746**	**Ps. 132,571**	**Ps. 2,435**

The operated products and main underlying instruments are as follows:

Forwards	Options	Swaps	CCS
Fx-USD	Fx-USD	TIIE 28	TIIE 28
	TIIE 28	TIIE 91	TIIE 91
		CETES 91	Libor
		Libor	

The risk management policies and internal control procedures for managing risks inherent to derivative instrument operations are described in Note 32.

Transactions entered into for hedging purposes have maturities from 2008 to 2018 and are intended to mitigate the financial risk derived from long-term loans offered by the Financial Group at fixed rates, as well as the exchange rate risk generated by market instruments in the Financial Group's portfolio.

The book value of collateral used to ensure compliance with obligations derived from currency swap contracts as of December 31, 2008, is USD 876,379 thousand and EUR 20,110 thousand and as of December 31, 2007 the book value is USD 413,350 thousand and EUR 21,406 thousand. Futures transactions are made through recognized markets, and as of December 31, 2008 they represent 0.60% of the nominal amount of all the derivative operation contracts; the remaining 99.32% correspond to options and swaps transactions in OTC markets.

As mentioned in Note 2 f), during the first quarter of 2008, one of our counterparts failed to comply with its obligations. Therefore, steps were taken pursuant to clause VII (bankruptcy) of the ISDA Master Agreement, and the current derivative operations with this counterparty were offset using market quotations to value them. The sum of the valuation of the derivative operations with the counterparty represents a net loss for the Financial Group in the amount mentioned in Note 2 f).

Furthermore, as a result of Lehman Brothers noncompliance, cash flow hedging was ineffective, bringing about a negative impact in the amount of USD 530 thousand.

The net amount of estimated gains or losses originated by transactions or events that are recorded in cumulative other comprehensive income as of December 31, 2008 and that are expected to be reclassified to earnings within the next 12 months totals Ps. 2.

9 - LOAN PORTFOLIO

As of December 31, 2008 and 2007, the loan portfolio by loan type is as follows:

	Current portfolio		Past-due portfolio		Total	
	2008	2007	2008	2007	2008	2007
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 93,123	Ps. 77,312	Ps. 1,482	Ps. 900	Ps. 94,605	Ps. 78,212
Rediscounted portfolio	6,129	6,646	-	-	6,129	6,646
Denominated in USD						
Commercial	27,041	13,975	221	27	27,262	14,002
Rediscounted portfolio	505	158	-	-	505	158
Total commercial loans	**126,798**	**98,091**	**1,703**	**927**	**128,501**	**99,018**
Loans to financial institutions	10,860	13,158	-	-	10,860	13,158
Consumer loans						
Credit card	15,067	13,881	2,140	829	17,207	14,710
Other consumer loans	14,302	13,344	359	280	14,661	13,624
Housing mortgage loans	46,282	37,216	746	858	47,028	38,074
Government loans	26,989	17,948	-	-	26,989	17,948
	113,500	**95,547**	**3,245**	**1,967**	**116,745**	**97,514**
Total loan portfolio:	**Ps. 240,298**	**Ps. 193,638**	**Ps. 4,948**	**Ps. 2,894**	**Ps. 245,246**	**Ps. 196,532**

On December 31, 2008 and 2007, revenues from recoveries of previously written-off loan portfolios was Ps. 687 and Ps. 604, respectively.

The average terms of the portfolio's main balances are: commercial, 2.8 years; b) financial institutions, 3.6 years; c) mortgage, 17.4 years; and d) government, 4.7 years.

The loans granted grouped into economic sectors as of December 31, 2008 and 2007, are shown below:

	2008		2007	
	Amount	Concentration percentage	Amount	Concentration percentage
Private (companies and individuals)	Ps. 128,501	52.40%	Ps. 99,018	50.38%
Financial institutions	10,860	4.43%	13,158	6.70%
Credit card and consumer	31,868	12.99%	28,334	14.42%
Housing	47,028	19.18%	38,074	19.37%
Government loans	26,989	11.00%	17,948	9.13%
	Ps. 245,246	**100%**	**Ps. 196,532**	**100%**

Loan support programs

The Financial Group participates in different loan support programs established by the Federal Government and Mexican Bankers’ Association, as detailed below:

a) Support Program for Housing Loan Debtors and the Agreement on Benefits for Housing Loan Debtors

b) Agreement on Agrarian and Fishery Sector Financing (FINAPE)

c) Agreement on the Financial Support and Promotion of Micro, Small and Medium Companies (FOPYME)

d) Additional Benefits Program for Housing Loan Debtors - FOVI-type Housing Loans

Furthermore, in December 1998, the Federal Government and Banking Sector published a new and definitive debtor support plan known as “Punto Final”, which, as of 1999, replaced the benefits formerly granted by Housing Loan Debtor support programs. In the case of FOPYME and FINAPE, these support plans were replaced in 1999 and 2000, respectively, and beginning in 2001 the benefits established by original support programs continued to be applied.

The “Punto Final” plan defines housing loan discounts, which are determined based on the outstanding loan balance recorded at November 30, 1998, without considering late payment charges. In the case of FOPYME and FINAPE loans, the discount is applied to payments and the discount percentage is determined based on the recorded loan balance at July 31 and June 30, 1996, respectively, regardless of whether the balance has been subsequently modified.

The Support Program for Business Loan Debtors (FOPYME) concluded on October 1, 2006, as established in Commission document 112-6/524549/2006.

The Additional Benefits Program for Housing Loan Debtors – FOVI-type housing loans expired on December 31, 2007, as per Commission Circular 1461.

In the case of borrowers participating in the above restructured UDI programs, the amount of principal and accrued interest denominated in pesos is converted to the initial UDI value; interest is then set at an agreed-upon reference rate.

The trusts administering each of the aforementioned UDI programs issued long-term fiduciary securities to the Federal Government with fixed and variable interest rates depending on the characteristics of each trust (this interest rate must be less than that collected from borrowers). Similarly, the Financial Group received federal bonds known as "Special Cetes" from the Federal Government, which are tied to the Cetes interest rate.

These federal bonds will mature based on the fiduciary securities issued by the trust to the Federal Government. Loan payments received by the trust are used to pay the principal and interest of the fiduciary securities; at the same time, the Federal Government executes a transaction for the same amount to pay the principal and accrued interest on the Special Cetes.

In the event of noncompliance with the payment obligations established for the restructured loans under the UDI trusts, a portion of the fiduciary securities and Special Cetes will generate interest at a rate equivalent to the UDI value. This characteristic was included in October 2002 to reflect the fact that the UDI programs were created to support debtors in compliance with their agreements. The Financial Group continues to manage and evaluate the risk derived from any possible credit loss related to the programs. If a particular loan is fully reserved, fiduciary securities will continue to generate interest at regular rates.

Commission regulations require that the Financial Group consolidate the balances of trusts holding restructured loans in UDIS, so as to reflect the operating fund, which consists of an interest rate swap contracted with the Federal Government.

As of December 31, 2008 and 2007, the balances of the respective trust balances are made up as follows:

	2008	2007
Banks	Ps. 7	Ps. 10
Government securities	2	3
Current loan portfolio:	622	737
Past-due loan portfolio	35	314
Accrued interest on loans	2	3
Past-due accrued interest	1	12
Allowance for loan losses	(329)	(582)
Total assets	**340**	**497**
Investment in trust assets	301	460
Deferred tax liabilities	39	37
Total liabilities	**Ps. 340**	**Ps. 497**

Policies and procedures for granting loans

The granting, control and recovery of loans are regulated by the Financial Group's Credit Manual, which has been authorized by the Board of Directors. Accordingly, administrative portfolio control is performed in the following areas:

I. Business Management (includes corporate, commercial, business, governmental and consumer banking), primarily through the branch network
II. Operations Management
III. General Comprehensive Risk Management
IV. Recovery Management

Similarly, the Financial Group has manuals establishing the policies and procedures to be utilized for credit risk management purposes.

The structure of the credit management process is based on the following stages:

a) Product design
b) Promotion
c) Evaluation
d) Formalization
e) Operation
f) Administration
g) Recovery

Procedures have also been implemented to ensure that amounts related to the past-due portfolio are timely transferred and recorded in the books and records and those loans with recovery problems are properly and promptly identified.

Pursuant to Commission Circular B6, “Loan Portfolio”, distressed portfolio is defined as the commercial loans which, based on the current information and facts as well as on the loan revision process, are very unlikely to be fully recovered (both principal and interest) pursuant to the original terms and conditions. The current and past-due portfolios are susceptible to be identified as a distressed portfolio. The commercial loans with D and E risk degree ratings are as follows:

	2008	2007
Distressed portfolio	Ps. 1,774	Ps. 304
Total rated portfolio	254,496	202,956
Distressed portfolio/total rated portfolio	0.70%	0.15%

The Financial Group’s Treasury Department is the central unit responsible for balancing resource requirement and eliminating the interest rate risk derived from transactions entered into at fixed rates through the use of hedging and arbitrage strategies.

10 - LOANS RESTRUCTURED IN UDIS

The loans restructured in UDIS correspond to mortgage loans. The balance on December 31, 2008 and 2007, is detailed below:

	2008	2007
Current portfolio	Ps. 622	Ps. 737
Current accrued interest	2	3
Past-due portfolio	35	314
Past-due accrued interest	1	12
	Ps. 660	**Ps. 1,066**

11 - ALLOWANCE FOR LOAN LOSSES

The Financial Group's portfolio classification, which serves as the basis for recording the allowance for loan losses, is detailed below:

	2008				
		Required allowances for losses			
	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempt portfolio	Ps. 76	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	54,333	-	61	148	209
Risk A1	109,400	494	-	-	494
Risk A2	58,784	562	-	-	562
Risk B	5,800	-	107	168	275
Risk B1	17,034	49	353	-	402
Risk B2	1,834	58	183	-	241
Risk B3	1,277	140	-	-	140
Risk C	2,109	-	938	90	1,028
Risk C1	358	74	-	-	74
Risk C2	231	95	-	-	95
Risk D	1,738	204	835	190	1,229
Risk E	1,608	1,501	101	-	1,602
Unclassified	(87)	-	-	-	-
	Ps. 254,495*	**Ps. 3,177**	**Ps. 2,578**	**Ps. 596**	**Ps. 6,351**
Recorded allowance					**6,690**
Additional allowance					**Ps. 339**

The sum of the rated loan portfolio includes Ps. 5,991 in loans granted to subsidiaries whose balance was eliminated in the consolidation process.

	2007				
		Required allowances for losses			
	Loan portfolio	**Commercial portfolio**	**Consumer portfolio**	**Mortgage portfolio**	**Total**
Exempt portfolio	Ps. 97	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	58,639	-	123	119	242
Risk A1	77,767	354	-	-	354
Risk A2	51,158	485	-	-	485
Risk B	5,441	-	164	142	306
Risk B1	5,890	118	-	-	118
Risk B2	409	22	-	-	22
Risk B3	748	84	-	-	84
Risk C	857	-	283	72	355
Risk C1	146	31	-	-	31
Risk C2	101	41	-	-	41
Risk D	1,236	50	653	187	890
Risk E	556	235	90	227	552
Unclassified	(90)	-	-	-	-
	Ps. 202,955*	**Ps. 1,420**	**Ps. 1,313**	**Ps. 747**	**Ps. 3,480**
Recorded allowance					**3,786**
Additional allowance					**Ps. 306**

The sum of the rated loan portfolio includes Ps. 5,381 in loans granted to subsidiaries whose balance was eliminated in the consolidation process.

The total portfolio balance used as the basis for the classification above includes amounts related to guarantees granted and credit commitments, which are recorded in memorandum accounts.

The additional allowances comply with the general provisions applicable to credit institution and the notices issued by the Commission to regulate debtor support programs, denominated in UDI trusts.

As of December 31, 2008 and 2007, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2008 and 2007, the allowance for loan losses includes a reserve for 100% of delinquent interest owed.

On August 22, 2008, the Commission published in the Official Gazette of the Federation (DOF) a change in the reserve percentage for non-delinquent credit card loans. According to the second temporary article that provides the possibility of making the corresponding adjustments no later than October 2008, the impact of this change was gradually realized by Banorte. Therefore the reserve percentage applied to non-delinquent loans in September 2008 was 1.72%. October closed with a 2.5% percentage for non-delinquent loans. The effects of applying the above change to credit card loan loss reserves led to the creation of preventive loan loss reserves in Banorte in the amount of Ps. 341, of which Ps. 103 was recognized as restated accumulated revenue in stockholders' equity. The remaining Ps. 238 was charged to the period’s results.

As of December 31, 2008 and 2007, the allowance for loan losses represents 135% and 131%, respectively, of the past-due portfolio.

The estimated allowance includes the classification of loans granted in foreign currency, which are evaluated at the exchange rate in effect as of December 31, 2008 and 2007.

Rollforward of allowance for loan losses

A rollforward of the allowance for loan losses is detailed below:

	2008	2007
Balance at the beginning of the year	Ps. 3,786	Ps. 3,140
Changes in accounting policies 2007	-	527
Increase charged to results	6,835	2,571
Reserve release	(16)	(36)
Debt forgiveness and write-offs	(4,085)	(2,194)
Valuation in foreign currencies and UDIS	108	31
Rebates granted to housing debtors	(74)	(72)
Created with profit margin (UDIS Trusts)	48	27
Advantages from FOPYME and FINAPE programs	(3)	-
Other*	91	(74)
Restatement effects	-	(134)
Year-end balance	**Ps. 6,690**	**Ps. 3,786**

*In 2008, it includes Ps. 103 in credit card allowances recognized against the retained earnings in stockholders' equity.

As of December 31, 2008, the total amount of preventive loan loss reserves charged to the income statement totals Ps. 6,896 and Ps. 13 in other revenues. Such amount is made up of Ps. 6,835 credited directly to the estimate and Ps. 48 from UDIS trusts. As of December 31, 2007, the total amount of preventive loan loss reserves charged to the earnings statement totals Ps. 2,646. Such amount is made up of Ps. 2,571 credited directly to the estimate, Ps. 27 from UDIS trusts and Ps. 48 from the restatement.

12 - ACQUIRED PORTFOLIOS

As of December 31, 2008 and 2007, the acquired portfolios are as follows:

	2008	2007	Valuation Method
Bancomer III	Ps. 141	Ps. 164	Cash Basis Method
Bancomer IV	561	679	Cash Basis Method
Bital I	229	292	Cash Basis Method
Bital II	82	103	Cash Basis Method
Banamex Mortgage	330	367	Cash Basis Method
GMAC Banorte	95	144	Cash Basis Method
Serfin Commercial I	127	177	Cash Basis Method
Serfin Commercial II	94	88	Interest Method
Serfin Mortgage	197	247	Cash Basis Method
Santander	73	84	Interest Method (Commercial); Cash Basis Method (Mortgage)
Banorte Mortgage	234	264	Interest Method
Meseta	47	70	Cash Basis Method
Vipesa	6	10	Cash Basis Method
Goldman Sach's	183	226	Cash Basis Method
Confia I	93	107	Interest Method
Banorte Sólida Commercial	40	59	Cost Recovery Method
Solida Mortgage	517	579	Interest Method
	Ps. 3,049	**Ps. 3,660**	

As of December 31, 2008, the Financial Group recognized income from credit asset portfolios of Ps. 1,156, together with the respective amortization of Ps. 546, the effects of which were recognized under the “Other income” heading in the consolidated statement of income. For the year ended December 31, 2007, the Financial Group recognized income of Ps. 1,326, together with the respective amortization of Ps. 555.

As of this year, mortgage loans that are amortized under the interest method are evaluated jointly as a sector given the feature they have in common. The loan grouping is made pursuant to the current regulations.

The Financial Group performs an analysis based on events or information to estimate the amount of expected cash flows to determine the estimated rate of return used in applying the valuation method for the amortization of the receivable. If the analysis demonstrates that the expected future cash flows will decrease, it will make an estimate for non-recoverability or difficult collection against the year’s outstanding balance for the amount that such expected cash flows are lower than the book value of the receivable.

Assets other than cash that the Financial Group has received as part of portfolio collection or recovery have been mainly real property.

The main feature considered for segmenting acquired portfolios has been the type of loan.

13 - OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2008 and 2007, the other accounts receivable balance is as follows:

	2008	**2007**
Loans to officers and employees	Ps. 1,162	Ps. 1,122
Debtors from liquidation settlement	2,643	1,382
Real property portfolios	982	1,025
Fiduciary rights	3,083	2,486
Sundry debtors	1,382	1,494
Taxes receivable	171	20
Other	203	107
	9,626	**7,636**
Allowance for doubtful accounts	(112)	(19)
	Ps. 9,514	**Ps. 7,617**

14 - FORECLOSED ASSETS, NET

As of December 31, 2008 and 2007, the foreclosed asset balance is as follows:

	2008	**2007**
Personal property	Ps. 71	Ps. 68
Real property	1,100	597
Goods pledged for sale	26	44
	1,197	**709**
Allowance for losses on foreclosed assets	(334)	(324)
	Ps. 863	**Ps. 385**

15 - PROPERTY, FURNITURE AND FIXTURES, NET

As of December 31, 2008 and 2007, the property, furniture and fixtures balance is as follows:

	2008	2007
Furniture and equipment	Ps. 4,902	Ps. 4,481
Property intended for offices	5,396	5,039
Installation costs	2,407	2,360
	12,705	**11,880**
Less – Accumulated depreciation and amortization	(4,276)	(3,782)
	Ps. 8,429	**Ps. 8,098**

The average estimated useful lives of the Financial Group's assets subject to depreciation are listed below:

	Useful Life
Transportation equipment	4 years
Computer equipment	4.7 years
Furniture and fixtures	10 years
Real estate	From 4 to 99 years

16 - PERMANENT STOCK INVESTMENTS

Investment in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	Share %	2008	2007
Seguros Banorte Generali, S. A. de C. V.	51.00%	Ps. 1,086	Ps. 932
Fondo Solida Banorte Generali, S. A. de C. V., SIEFORE (one and two)	99.00%	558	669
Pensiones Banorte Generali, S. A. de C. V.	51.00%	503	572
Banorte Investment funds	Various	114	112
Controladora PROSA, S. A. de C. V.	19.73%	60	50
Bolsa Mexicana de Valores, S. A. de C. V.	Various	-	45
Servicio Pan Americano de Protección, S. A. de C. V.	8.50%	97	29
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	45.33%	89	112
Other	Various	52	69
		Ps. 2,559	**Ps. 2,590**

17 - DEFERRED TAXES, NET

The tax reported by the Financial Group is calculated based on the current tax result of the year and enacted tax regulations. However, due to temporary differences between accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of Ps. 471 and Ps. 214 as of December 31, 2008 and 2007, as detailed below:

	2008			2007		
	Temporary differences	Deferred effect		Temporary differences	Deferred effect	
	Base	ISR	PTU	Base	ISR	PTU
Temporary Differences – Assets						
Allowance for loan losses	Ps. 196	Ps. 68	Ps. -	Ps. 174	Ps. 55	Ps. -
Tax loss carryforwards	78	22	-	5	2	-
Tax loss carryforwards of Uniteller and Banorte USA	111	38	-	37	13	-
Recoverable asset tax (IMPAC)	-	-	-	2	2	-
State tax on deferred assets	-	-	-	5	2	-
Unrealized loss in available for sale securities	-	-	-	29	10	-
Surplus preventive allowances for credit risks over the net tax limit	936	262	94	-	-	-
Excess of tax over book value of foreclosed and fixed assets	1,160	317	69	802	224	48
PTU	896	252	90	842	236	84
Other	1,308	363	121	1,809	507	169
Total assets	**Ps. 4,685**	**Ps. 1,322**	**Ps. 374**	**Ps. 3,705**	**Ps. 1,051**	**Ps. 301**
Temporary Differences - Liabilities						
Excess of book over tax value of fixed assets and expected expenses	Ps. 4	Ps. 1	Ps. -	Ps. 591	Ps. 166	Ps. 37
Unrealized capital gain from investments in SIEFORES	87	24	-	146	41	-
ISR payable on UDI trusts	139	39		131	37	-
Portfolios acquired	2,083	583	100	1,751	490	70
Reversal of sales costs	18	5	-	39	11	-
Contribution to pension fund	1,000	280	100	500	140	50
Other	302	93	-	284	96	-
Total liabilities	**Ps. 3,633**	**Ps. 1,025**	**Ps. 200**	**Ps. 3,442**	**Ps. 981**	**Ps. 157**
Net accumulated asset	**Ps. 1,052**	**Ps. 297**	**Ps. 174**	**Ps. 263**	**Ps. 70**	**Ps. 144**
Deferred taxes, net			**Ps. 471**			**Ps. 214**

As discussed in Note 27, as of January 1, 2005, Article 10 and Temporary Article 2 of the Mexican Income Tax Law were amended, whereby the income tax rate was gradually reduced from 30% in 2005 to 29% in 2006 and 28% as of 2007 and thereafter. Pursuant to the provisions of NIF D-4, “Incomes Taxes”, and INIF 8, “Effects of the Business Flat Tax”, based on financial forecasts the Administration adjusted their balances based on the rates likely to be in effect at the time of their recovery. Additionally, it made forecasts for the IETU and compared it to ISR, and concluded that the Financial Group and its subsidiaries will continue to pay ISR. Thus no change was made to the deferred tax calculations.

Derived from consolidating Banorte USA, a net amount of Ps. 18 million was added to deferred taxes determined at a rate of 35% as per the tax law of the USA. Banorte USA's deferred tax assets and liabilities are determined using the liability method, under which the net asset or liability for deferred taxes is determined based on the tax effects of temporary differences between the book and tax base of assets and liabilities.

18 - OTHER ASSETS

As of December 31, 2008 and 2007, other assets are as follows:

	2008	2007
Plan assets held for employee pension plans	Ps. 3,482	Ps. 2,727
Other amortizable expenses	2,352	2,642
Accumulated amortization of other expenses	(480)	(969)
Goodwill	5,377	4,134
	Ps. 10,731	**Ps. 8,534**

As of December 31, 2008, goodwill was Ps. 5,377 and was comprised of the following: Ps. 32 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 3,001 for the purchase of INB; Ps. 2,082 for the purchase option program for the remaining 30% of INB shares and Ps. 262 for the purchase of Uniteller. As of December 31, 2007, goodwill was Ps. 4,134 and was comprised as follows: Ps. 34 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,368 for the purchase of INB; Ps. 1,525 for the purchase option program for the remaining 30% of INB shares and Ps. 207 for the purchase of Uniteller. As mentioned in Note 4, goodwill is not amortized and is subject to annual impairment tests. No impairment to goodwill value was recorded as of December 31, 2008 or 2007.

19 - DEPOSITS

Liquidity coefficient

The "Investment regime for transactions in foreign currency and conditions to be fulfilled during the term of transactions in such currency", designed for credit institutions by Banco de México, establishes the mechanism for determining the liquidity coefficient of liabilities denominated in foreign currency.

In accordance with such regime, during 2008 and 2007 the Financial Group generated a liquidity requirement of USD 412,843 thousand and USD 303,221 thousand, respectively, and held investments in liquid assets of USD 661,959 thousand and USD 490,577 thousand, representing a surplus of USD 249,116 thousand and USD 187,356 thousand, respectively.

DEPOSITS

The liabilities derived from traditional deposits are as follows:

	2008	2007
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps. 56,247	Ps. 45,518
Checking accounts in US dollars for individual residents of the Mexican border	573	475
Demand deposits accounts	3,433	2,865
Checking accounts earning interest:		
Other bank checking deposit	35,471	33,918
Savings accounts	234	167
Checking accounts in US dollars for individual residents of the Mexican border	2,166	1,931
Demand deposits accounts	30,212	26,197
Tax payments	-	-
IPAB checking accounts	14	9
	128,350	**111,080**
Time deposits		
General public:		
Fixed-term deposits	20,681	17,462
Over-the-counter investments	43,436	15,604
PRLV primary market for individuals	53,270	44,735
PRLV primary market for business entities	1,056	1,389
Foreign residents deposits	78	54
Provision for interest	219	164
	118,740	**79,408**
Money market:		
Fixed-term deposits	188	1,860
Over the counter promissory notes	12,323	9,881
Provision for interest	1,168	1,078
	13,679	**12,819**
	132,419	**92,227**
	Ps. 260,769	**Ps. 203,307**

The funding rates which the Financial Group uses as reference are: a) for Mexican pesos, Interbank Interest Rate (TIIE), Average Cost of Funds (CCP) and; b) for foreign currency, the London Interbank Offered Rate (LIBOR).

These liabilities incur interest depending on the type of instrument and average balance held in the investments. The average interest rates and their currency of reference are shown below:

Immediately due and payable deposits

	2008				2007			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIS	0.90%	0.96%	1.04%	1.13%	0.88%	0.87%	0.86%	0.86%
Foreign Currency	0.38%	0.27%	0.26%	0.04%	0.97%	0.92%	0.85%	0.74%
Banorte USA								
Demand, NOW and Savings	0.43%	0.28%	0.25%	0.19%	0.43%	0.65%	0.67%	0.50%
Money Market	2.79%	1.88%	2.06%	1.66%	4.60%	4.36%	4.23%	3.64%

Time deposits

Foreign exchange	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2007 1Q	2007 2Q	2007 3Q	2007 4Q
General public								
Mexican pesos and UDIS	5.34%	5.32%	5.82%	6.16%	5.32%	5.43%	5.53%	5.19%
Foreign Currency	2.35%	1.48%	1.75%	2.42%	2.88%	2.86%	3.00%	2.94%
Money market	8.05%	7.89%	8.39%	8.81%	9.66%	8.69%	7.79%	8.48%
Banorte USA	4.82%	4.53%	4.36%	4.07%	5.04%	5.11%	5.17%	5.12%

As of December 31, 2008 and 2007, the terms at which these deposits are traded are as follows:

	2008			
	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps. 12,643	Ps. 4,400	Ps. 3,638	Ps. 20,681
Over the counter investments	43,361	75	-	43,436
PRLV primary market for individuals	52,902	330	38	53,270
PRLV primary market for business entities	1,021	26	9	1,056
Foreign residents deposits	29	28	21	78
Provision for interest	201	18	-	219
	110,157	**4,877**	**3,706**	**118,740**
Money market:				
Fixed-term deposits	-	-	188	188
Money desk promissory notes	7,972	3,000	1,351	12,323
Provision for interest	32	48	1,088	1,168
	8,004	**3,048**	**2,627**	**13,679**
	Ps. 118,161	**Ps. 7,925**	**Ps. 6,333**	**Ps. 132,419**

	2007			
	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps. 11,746	Ps. 2,735	Ps. 2,981	Ps. 17,462
Over the counter investments	15,593	11	-	15,604
PRLV primary market for individuals	44,405	301	29	44,735
PRLV primary market for business entities	1,366	19	4	1,389
Foreign residents deposits	27	4	23	54
Provision for interest	143	21	-	164
	73,280	**3,091**	**3,037**	**79,408**
Money market:				
Fixed term deposits	-	-	1,860	1,860
Money desk promissory notes	8,652	-	1,229	9,881
Provision for interest	18	23	1,037	1,078
	8,670	**23**	**4,126**	**12,819**
	Ps. 81,950	**Ps. 3,114**	**Ps. 7,163**	**Ps. 92,227**

20 - INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2008 and 2007 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Immediately due						
Domestic banks (Call money)	Ps. -	Ps. 871	Ps. 1,245	Ps. -	Ps. 1,245	Ps. 871
	-	**871**	**1,245**	**-**	**1,245**	**871**
Short-term						
Banco de México	11,123	3	-	-	11,123	3
Commercial banking	350	211	1,670	1,537	2,020	1,748
Development banking	4,755	3,869	2,421	1,754	7,176	5,623
Public trusts	3,602	3,447	514	76	4,116	3,523
Other agencies	-	-	121	48	121	48
Provision for interest	228	85	19	26	247	111
	20,058	**7,615**	**4,745**	**3,441**	**24,803**	**11,056**
Long-term						
Commercial banking	1,081	1,084	3,533	2,661	4,614	3,745
Development banking	1,335	1,381	7	7	1,342	1,388
Public trusts	3,664	4,747	139	81	3,803	4,828
Other agencies	-	-	876	835	876	835
	6,080	**7,212**	**4,555**	**3,584**	**10,635**	**10,796**
	Ps. 26,138	**Ps. 15,698**	**Ps. 10,545**	**Ps. 7,025**	**Ps. 36,683**	**Ps. 22,723**

These liabilities incur interest depending on the type of instrument and average balance of the loans. The average interest rates are shown below:

	2008				2007			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Call money								
Mexican pesos and UDIS	7.44%	7.48%	7.99%	8.17%	7.02%	7.19%	7.21%	7.40%
Other bank loans								
Mexican pesos and UDIS	7.25%	7.17%	7.17%	8.41%	7.47%	7.41%	7.26%	7.94%
Foreign currency	5.33%	4.52%	4.51%	6.62%	5.90%	5.76%	5.95%	5.71%

Banorte USA liabilities accrue interest at an average rate of 1.43% and 4.55% as of December 31, 2008 and 2007, respectively. Moreover, the Arrendadora y Factor Banorte, S.A. de C.V. loans accrue an average interest rate of 9.21% and 8.91% in Mexican pesos and 4.44% and 5.58% in USD by December 31, 2008 and 2007, respectively.

21 - SUNDRY CREDITORS AND OTHER PAYABLES

As of December 31, 2008 and 2007, the other accounts receivable balance is as follows:

	2008	**2007**
Cashier and certified checks and other negotiable instruments	Ps. 2,750	Ps. 2,302
Creditors from liquidation settlement	2,405	1,756
Provision for employee retirement obligations	2,505	2,181
Provisions for sundry obligations	4,510	3,742
Others	951	907
	Ps. 13,121	**Ps. 10,888**

22 - EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes the liabilities for pension plans and seniority premium by using the projected unit credit method, which considers the benefits accrued at the balance sheet date and the benefits generated during the year.

The amount of current and projected benefits as of December 31, 2008 and 2007, related to the defined benefit pension plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

	2008			
	Pension plan	**Seniority premiums**	**Medical services**	**Total**
Projected benefit obligation (PBO)	(Ps. 728)	(Ps. 136)	(Ps. 1,318)	(Ps. 2,182)
Fund market value	947	226	1,357	2,530
Funded status	**219**	**90**	**39**	**348**
Transition asset (obligation)	32	(13)	328	347
Unrecognized prior service cost	2	(3)	-	(1)
Unrecognized actuarial losses	207	2	203	412
Net projected asset (liability)	**Ps. 460**	**Ps. 76**	**Ps. 570**	**Ps. 1,106**

	2007			
	Pension plan	**Seniority premiums**	**Medical services**	**Total**
Projected benefit obligation (PBO)	(Ps. 706)	(Ps. 122)	(Ps. 1,284)	(Ps. 2,112)
Fund market value	740	176	1,016	1,932
Funded status	**34**	**54**	**(268)**	**(180)**
Transition asset (obligation)	76	(15)	411	472
Unrecognized prior service cost	(31)	(4)	-	(35)
Unrecognized actuarial losses	167	4	190	361
Net projected asset	**Ps. 246**	**Ps. 39**	**Ps. 333**	**Ps. 618**
Accumulated benefit obligations (ABO)	**Ps. 669**	**Ps. 105**	**Ps. -**	**Ps. 774**

The Financial Group has a net accounting provision (net prepaid asset) of Ps. 4 generated by transferring personnel from Solida Administradora de Portafolios, S.A. de C.V. (Solida) to Banorte. Moreover, as of December 31, 2008, a separate fund amounting to Ps. 2,530, (Ps. 1,932 in 2007) has been set aside to meet the above-mentioned obligations, in accordance with NIF D-3 and is recorded under “Other assets”.

For the years ended December 31, 2008 and 2007, the net periodic pension cost is as follows:

	2008	**2007**
Service cost	Ps. 81	Ps. 68
Interest cost	181	100
Expected return on plan assets	(216)	(82)
Amortization of unrecognized items		
Transition obligation	87	32
Plan amendments	-	(2)
Effects of curtailment and reduction of obligations	1	-
Variation in assumptions recognized in “Other income or expenses"	4	-
Variations in assumptions recognized in 2008	14	-
Variations in assumptions	7	2
Actuarial losses	-	3
Net periodic pension cost	**Ps. 159**	**Ps. 121**

In January 2008 the Financial Group recognized an effect of the curtailment and reduction of the obligations derived from the transfer of personnel under the defined benefit plan to the defined contribution plan, originating a cost of Ps. 2.

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2008 and 2007 are shown below:

	2008 Nominal	**2007 Nominal**	**2007 Actual**
Discount rate	9.25%	8.75%	5.00%
Rate of wage increase	4.50%	4.50%	1.00%
Rate of increase in costs and expenses of other postretirement benefits	5.57%	5.57%	2.00%
Long-term inflation rate	3.50%	3.50%	-%
Expected long-term rate of return on plan assets	9.75%	9.75%	6.00%

The liability for severance indemnities due to causes other than organization restructuring, which was also determined by independent actuaries, is comprised as follows:

	2008	**2007**
Defined and projected benefit obligations	(Ps. 156)	(Ps. 155)
Funded status	**(156)**	**(155)**
Transition obligation	83	105
Unrecognized actuarial gains	-	(3)
Net projected liability	**(Ps. 73)**	**(Ps. 53)**

For the years ended December 31, 2008 and 2007, the net periodic pension cost is as follows:

	2008	**2007**
Service cost	Ps. 25	Ps. 24
Interest cost	11	7
Transition obligation	21	15
Variation in assumptions recognized in “Other income or expenses"	(2)	-
Variations in assumptions recognized in 2008	-	-
Net periodic pension cost	**Ps. 55**	**Ps. 46**

The balance of the employee retirement obligations presented in this note refer to the Financial Group’s defined benefit pension plan for those employees who decided to remain enrolled.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group’s contributions made to the plan. Moreover, as of December 31, 2008 this pension plan maintains a fund equivalent to Ps. 958, which is recorded under “Other assets” and is equivalent to the recorded plan liability.

23 - SUBORDINATED DEBENTURES

	2008	2007
Preferred subordinated debentures, maturing in April 2009, denominated in US dollars, at an interest rate of 2.72%	Ps. 143	Ps. 113
Senior subordinated, nonconvertible debentures, maturing in January 2014, denominated in US dollars, at an interest rate of 5.875%, payable semiannually with a final principal payment at maturity (10-year term)	4,150	3,275
Preferred subordinated, nonconvertible debentures, maturing in April 2016, denominated in US dollars, at an interest rate of 6.135%, payable semiannually with a final principal payment at maturity (10-year term)	5,533	4,366
Non preferred subordinated nonconvertible debentures (Q BANORTE 08 debentures), maturing in February 2018, at the 28-day TIIE rate plus 0.60%	3,000	-
Preferred subordinated nonconvertible debentures (Q BANORTE 08-2), maturing in June 2018, at the 28-day TIIE rate plus 0.77%	2,750	-
Non preferred subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semiannually with a final principal payment at maturity (15-year term)	2,766	2,183
Preferred subordinated nonconvertible debentures (Q BANORTE 08-U), maturing in February 2028, at a 4.95% annual rate	1,871	-
Subordinated debentures, maturing in June 2034, denominated in US dollars, at an interest rate of 2.75%	143	113
Accrued interest	257	160
	Ps. 20,613	**Ps. 10,210**

The costs related to these debentures are amortized using the straight-line method over the term of the debt. The amortization charged to results was Ps. 15 and Ps. 13 in 2008 and 2007, respectively.

24 - TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2008 and 2007 are as follows:

	Revenues		Accounts receivable	
Institution	**2008**	**2007**	**2008**	**2007**
Seguros Banorte Generali, S. A. de C. V.	Ps. 613	Ps. 587	Ps. 19	Ps. 22
Total	**Ps. 613**	**Ps. 587**	**Ps. 19**	**Ps. 22**

	Expenses		Accounts payable	
Institution	**2008**	**2007**	**2008**	**2007**
Seguros Banorte Generali, S. A. de C. V.	Ps. 300	Ps. 310	Ps. 24	Ps. 8
Total	**Ps. 300**	**Ps. 310**	**Ps. 24**	**Ps. 8**

All the balances and transactions with the subsidiaries indicated in Note 3 have been eliminated in consolidation.

Pursuant to article 73 of the LIC (Credit Institutions Law), loans granted by Banorte to any related party may not exceed 50% and 75% of the basic portion of their net capital for the years ended December 31, 2008 and 2007, respectively. For the years ended December 31, 2008 and 2007, the amount of the loans granted to related parties is Ps. 8,216 and Ps. 5,041, respectively, representing 54% and 27%, respectively, of the limit established by the LIC.

Loan portfolio sales

Sale of loan portfolio packages between related parties (nominal values)

In February 2003 Banorte sold Ps. 1,925 of its own portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378. Of this transaction, Ps. 1,891 related to past-due amounts and Ps. 64 to the current portfolio. The transaction was recorded based on figures as of August 2002, for which reason the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. In conjunction with the sold loan portfolio, Ps. 1,577 of the associated allowance for loan losses was transferred as well.

In official letter 601-II-323110 dated November 5, 2003, the Commission set forth the accounting criteria to be applied to this transaction and issued a series of rulings whereby Banorte must provide detailed information on the activities of this transaction throughout its duration, in the understanding that this transaction was a one-time event and not a recurring portfolio transfer procedure.

Pursuant to the foregoing, below is a summary of the activity of the loan portfolio sold to Sólida since August 2002 and for the years of 2007 and 2008:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	**Aug 02**	**Dec 07**	**Dec 08**	**Aug 02**	**Dec 07**	**Dec 08**	**Aug 02**	**Dec 07**	**Dec 08**
Current portfolio									
Commercial	Ps. 5	Ps. -	Ps. -	Ps. 5	Ps. -	Ps. -	Ps. 10	Ps. -	Ps. -
Housing mortgage	54	77	34	-	-	-	54	77	34
Total	**59**	**77**	**34**	**5**	**-**	**-**	**64**	**77**	**34**
Past-due portfolio									
Commercial	405	375	367	293	112	116	698	487	483
Consumer	81	73	72	-	-	-	81	73	72
Housing mortgage	1,112	458	393	-	-	-	1,112	458	393
Total	**1,598**	**906**	**832**	**293**	**112**	**116**	**1,891**	**1,018**	**948**
Total portfolio	**Ps. 1,657**	**Ps. 983**	**Ps. 866**	**Ps. 298**	**Ps. 112**	**Ps. 116**	**Ps. 1,955**	**Ps. 1,095**	**Ps. 982**
Allowance for loan losses [1]									
Commercial	326	363	355	246	112	116	572	475	471
Consumer	77	73	72	-	-	-	77	73	72
Housing mortgage	669	433	369	-	-	-	669	433	369
Total allowance for loan losses	**Ps. 1,072**	**Ps. 869**	**Ps. 796**	**Ps. 246**	**Ps. 112**	**Ps. 116**	**Ps. 1,318**	**Ps. 981**	**Ps. 912**

[1] Allowances required based on the classification methodology applied in Banorte that held 99.99% of the stockholders' equity of Sólida during 2008 and 2007.

As of December 31, 2008 and 2007, the composition of the Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign currency		Total	
Type of portfolio	**Dec 08**	**Dec 07**	**Dec 08**	**Dec 07**	**Dec 08**	**Dec 07**
Commercial loans	Ps. 129,995	Ps. 99,311	Ps. 15,377	Ps. 21,791	Ps. 145,372	Ps. 121,102
Consumer loans	29,116	27,045	-	175	29,116	27,220
Housing mortgage loans	43,784	35,602	-	1,691	43,784	37,293
Current portfolio	**202,895**	**161,958**	**15,377**	**23,657**	**218,272**	**185,615**
Commercial loans	1,738	1,060	153	204	1,891	1,264
Consumer loans	2,570	1,182	-	-	2,570	1,182
Housing mortgage loans	1,098	1,299	-	16	1,098	1,315
Past-due portfolio	**5,406**	**3,541**	**153**	**220**	**5,559**	**3,761**
Total portfolio	**208,301**	**165,499**	**15,530**	**23,877**	**223,831**	**189,376**
Allowance for loan losses	6,950	4,319	285	369	7,235	4,688
Net portfolio	**Ps. 201,351**	**Ps. 161,180**	**Ps. 15,245**	**Ps. 23,508**	**Ps. 216,596**	**Ps. 184,688**
Allowance for loan losses					**130.15%**	**124.64%**
% of past-due portfolio					**2.48%**	**1.98%**

25 - INFORMATION BY SEGMENT

To analyze the financial information of the Financial Group, the data of the most representative segments as of December 31, 2008 and 2007 is presented.

a. The balances by service sector of the Financial Group, without considering the eliminations relative to the consolidation of the financial statements, are as follows:

	2008	**2007**
Banking sector		
Net income	Ps. 6,543	Ps. 6,151
Stockholders' equity:	35,526	30,440
Total portfolio	236,236	188,235
Past-due portfolio	4,836	2,743
Allowance for loan losses	(6,582)	(3,707)
Total net assets	562,433	274,361
Brokerage sector		
Net income	183	288
Stockholders' equity:	1,143	1,020
Portfolio balance	119,286	180,972
Total net assets	1,662	1,333
Savings sector		
Net income	579	736
Stockholders' equity:	4,216	3,962
Total net assets	27,789	23,701
Auxiliary credit organizations sector		
Net income	336	271
Stockholders' equity:	1,308	1,092
Total portfolio	13,874	12,222
Past-due portfolio	74	37
Allowance for loan losses	(79)	(339)

Total net assets	Ps. 14,322	Ps. 12,587

b. The trading results for the years ended on December 31, 2008 and 2007, are as follows:

	2008	2007
Valuation results		
Trading securities	Ps. 109	Ps. 1
Securities repurchase agreement	49	82
Derivative financial instruments	(172)	234
Futures	(1)	1
Total valuation results	**(15)**	**318**
Dividends received	**1**	**-**
Purchase-sale results		
Trading securities	26	503
Available for sale securities	(178)	(36)
Derivative financial instruments	428	46
Total securities purchase sale	276	513
Spot foreign currency	712	454
Foreign currency forwards	48	-
Foreign currency futures	1	-
Foreign currency valuation	6	(15)
Minted metals purchase sales	5	1
Minted metals valuation	6	(2)
Total foreign currency purchase sale	778	438
Restatement	-	23
Total purchase-sale results	**1,054**	**974**
Total trading results	**Ps. 1,040**	**Ps. 1,292**

c. The current loan portfolio, grouped by economic sector and geographical location, is as follows

	2008				
	Geographical location				
Economic sector	**North**	**Central**	**West**	**South**	**Total**
Agriculture	Ps. 2,576	Ps. 1,317	Ps. 571	Ps. 737	Ps. 5,201
Mining	58	20	11	30	119
Manufacturing	8,502	5,159	1,879	874	16,414
Construction	6,819	6,215	870	971	14,875
Public utilities	48	154	2	1	205
Commerce	13,870	9,345	3,477	6,359	33,051
Transportation	1,464	6,724	126	201	8,515
Financial services	9,319	13,385	242	1,713	24,659
Communal, social services	2,904	3,728	1,651	822	9,105
Business groups	22	56	2	23	103
Public administration and services	14,668	8,382	1,626	2,413	27,089
International organization services	1	-	-	-	1
USA	-	-	-	-	15,618
Credit card	-	-	-	-	15,067
Consumer	-	-	-	-	14,053
Housing mortgage	-	-	-	-	43,750
Other	-	-	-	-	47
Arrendadora y Factor Banorte	-	-	-	-	12,194
Créditos Pronegocio	-	-	-	-	232
Current loan portfolio	**Ps. 60,251**	**Ps. 54,485**	**Ps. 10,457**	**Ps. 14,144**	**Ps. 240,298**

Economic sector	2007				
	Geographical location				
	North	Central	West	South	Total
Agriculture	Ps. 2,430	Ps. 1,260	Ps. 575	Ps. 681	Ps. 4,946
Mining	117	29	11	30	187
Manufacturing	5,822	4,506	1,660	819	12,807
Construction	4,537	3,366	459	361	8,723
Public utilities	41	4	1	1	47
Commerce	7,415	7,207	2,909	5,020	22,551
Transportation	1,164	5,085	110	205	6,564
Financial services	11,040	13,259	249	2,362	26,910
Communal, social services	2,128	3,757	1,724	621	8,230
Business groups	52	173	3	23	251
Public administration and services	7,195	4,606	1,589	4,461	17,851
International organization services	1	-	-	-	1
USA	-	-	-	-	10,776
Credit card	-	-	-	-	13,882
Consumer	-	-	-	-	13,169
Housing mortgage	-	-	-	-	35,525
Others	-	-	-	-	54
Arrendadora y Factor Banorte	-	-	-	-	10,692
Créditos Pronegocio	-	-	-	-	472
Current loan portfolio	**Ps. 41,942**	**Ps. 43,252**	**Ps. 9,290**	**Ps. 14,584**	**Ps. 193,638**

d. The past-due loan portfolio, grouped by economic sector and geographical location, is summarized as follows

Economic sector	2008				
	Geographical location				
	North	Central	West	South	Total
Agriculture	Ps. 30	Ps. 80	Ps. 16	Ps. 19	Ps. 145
Mining	4	2	1	6	13
Manufacturing	72	129	57	43	301
Construction	24	73	4	23	124
Commerce	214	206	95	122	637
Transportation	19	14	9	10	52
Financial services	2	11	-	3	16
Communal, social services	39	31	13	33	116
Business groups	-	1	-	-	1
USA	-	-	-	-	225
Credit card	-	-	-	-	2,140
Consumer	-	-	-	-	359
Housing mortgage	-	-	-	-	705
Other	-	-	-	-	2
Arrendadora y Factor Banorte	-	-	-	-	74
Créditos Pronegocio	-	-	-	-	38
Past-due loan portfolio	**Ps. 404**	**Ps. 547**	**Ps. 195**	**Ps. 259**	**Ps. 4,948**

Economic sector	2007 Geographical location North	Central	West	South	Total
Agriculture	Ps. 19	Ps. 56	Ps. 7	Ps. 6	Ps. 88
Mining	2	1	-	2	5
Manufacturing	23	100	42	10	175
Construction	7	56	1	13	77
Commerce	87	111	59	37	294
Transportation	4	6	6	3	19
Financial services	2	2	-	1	5
Communal, social services	27	14	2	4	47
USA	-	-	-	-	83
Credit card	-	-	-	-	829
Consumer	-	-	-	-	280
Housing mortgage	-	-	-	-	841
Other	-	-	-	-	1
Arrendadora y Factor Banorte	-	-	-	-	38
Créditos Pronegocio	-	-	-	-	112
Past-due loan portfolio	**Ps. 171**	**Ps. 346**	**Ps. 117**	**Ps. 76**	**Ps. 2,894**

e. Deposit accounts grouped by product and geographical location are as follows:

Product	2008 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 14,364	Ps. 18,134	Ps. 5,506	Ps. 6,334	Ps. 7,625	Ps. 72	Ps. -	Ps. 52,035
Interest-bearing checking accounts	7,550	21,108	2,546	6,157	7,554	145	-	45,060
Savings accounts	1	1	-	-	1	-	-	3
Current account in pesos and preestablished	3,392	4,275	1,328	2,236	2,247	149	-	13,627
Non-interest bearing demand deposits, USD	585	480	69	957	227	1	3,507	5,826
Interest bearing demand deposits, USD	2,390	1,634	359	2,136	242	-	4,792	11,553
Savings accounts in USD	-	-	-	-	-	-	231	231
Over the counter promissory notes	11,852	22,783	5,671	5,570	8,450	1,387	-	55,713
Time deposits, USD	2,199	3,804	1,677	1,595	931	18	10,535	20,759
Money desk customers	14,949	15,738	4,987	3,531	3,918	23	-	43,146
Financial intermediaries	-	-	-	-	-	12,802	-	12,802
FOBAPROA checking accounts bearing interest	14	-	-	-	-	-	-	14
Total deposits	**Ps. 57,296**	**Ps. 87,957**	**Ps. 22,143**	**Ps. 28,516**	**Ps. 31,195**	**Ps. 14,597**	**Ps. 19,065**	**Ps. 260,769**

	2007							
	Geographical location							
Product	**Monterrey**	**Mexico City**	**West**	**Northwest**	**Southeast**	**Treasury and other**	**Foreign**	**Total**
Non-interest bearing checking accounts	Ps. 11,579	Ps. 14,424	Ps. 4,359	Ps. 5,381	Ps. 5,988	Ps. 137	Ps. -	Ps. 41,868
Interest-bearing checking accounts	8,051	19,999	3,061	4,507	5,528	80	-	41,226
Savings accounts	2	1	-	-	-	-	-	3
Current account in pesos and preestablished	3,077	3,859	1,224	2,028	2,145	102	-	12,435
Non-interest bearing demand deposits, USD	442	349	73	797	262	(3)	3,106	5,026
Interest bearing demand deposits, USD	2,263	937	304	2,056	320	(1)	4,471	10,350
Savings accounts in USD							164	164
Over the counter promissory notes	10,741	18,845	4,743	4,830	6,962	1,243	-	47,364
Time deposits, USD	2,326	3,401	1,563	1,521	1,115	14	7,577	17,517
Money desk customers	5,516	5,131	1,806	1,392	1,217	-	-	15,062
Financial intermediaries	-	-	-	-	-	12,283	-	12,283
FOBAPROA checking accounts bearing interest	9	-	-	-	-	-	-	9
Total deposits	**Ps. 44,006**	**Ps. 66,946**	**Ps. 17,133**	**Ps. 22,512**	**Ps. 23,537**	**Ps. 13,855**	**Ps. 15,318**	**Ps. 203,307**

26 - TAX ENVIRONMENT

In 2008 the Financial Group is subject to ISR and IETU and in 2007 to ISR and IMPAC.

Income tax

Income tax (ISR) is calculated considering as taxable or deductible certain inflation effects. As of 2007 the ISR rate is 28%. The Financial Group obtained a tax credit in 2007 for Ps. 42, equivalent to 0.5% of the tax result as it complied with the requirements set forth the in the Federal Income Law.

Book to tax reconciliation

The principal items affecting the determination of the current tax expense of the Financial Group were the annual adjustment for inflation, the non-deductible amount of the allowance for loan losses that was over 2.5% of the average loan portfolio and the valuation of financial instruments.

PTU

The Financial Group determine employee statutory profit sharing based on the criteria established in the guidelines set forth by the Mexican Constitution.

Business Flat Tax

On October 1, 2007, the Business Flat Tax Law ("LIETU") was enacted and went into effect on January 1, 2008. In addition, the Tax Benefits Decree and the Third Omnibus Tax Bill were published on November 5 and December 31, 2007, respectively and on May 27, 2008 the Omnibus Tax Bill for 2008 went into effect, clarifying or expanding the transitory application of the law regarding transactions carried out in 2007 that will have an impact in 2008. IETU applies to the sale of goods, the provision of independent services and the granting of use or enjoyment of goods, according to the terms of the LIETU, less certain authorized deductions. IETU payable is calculated by subtracting certain tax credits from the tax determined. Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated beginning January 1, 2008. For the financial system, revenues subject to IETU include the financial trading margin which is composed of the net accrued interest. LIETU establishes that the IETU rate will be 16.5% in 2008, 17% in 2009, and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law.

Based on financial projections, pursuant to the provisions in INIF 8, the Financial Group has determined that it will essentially pay ISR and therefore only recognizes deferred ISR.

27 - STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meetings held on April 29 and October 6, 2008, the following resolutions were adopted, among others:

a) To transfer the profits from 2007 equal to Ps. 6,810 to earnings from prior years and increase the legal reserve by Ps. 340.

b) Declare cash dividends for Ps. 949, equivalent to Ps. 0.47 pesos per share.

The Financial Group's common stock as of December 31, 2008 and 2007, is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50	
	2008	**2007**
	Paid-in Capital	**Paid-in Capital**
"O" Series	2,013,997,548	2,002,718,738

	Historical amounts	
	2008	**2007**
	Paid-in Capital	**Paid-in Capital**
"O" Series	Ps. 6,986	Ps. 7,009
Restatement in Mexican pesos of December 2007	4,955	4,956
	11,941	Ps. 11,965

Restrictions on profits

Stockholders' equity distribution, except restated paid-in capital and tax retained earnings, will be subject to a tax payable by the Financial Group at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment against the year's tax and its partial payments.

The Financial Group's net profit is subject to the requirement that at least 5% of net income of each year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may not be distributed to the stockholders during the life of the Financial Group, except in the form of a stock dividend.

Capitalization ratio (regarding Banorte, the Financial Group's main subsidiary)

The capitalization rules for financial institutions establish requirements for specific levels of net capital, as a percentage of assets subject to both market and credit risk.

The information for December 31, 2008 submitted to Banco de México for review is shown below.

The capitalization ratio of Banorte as of December 31, 2008 was 14.31% of total risk (market and credit), and 21.11% of credit risk, which in both cases exceed the current regulatory requirements.

The amount of net capital, divided by basic and complementary capital, is detailed below (these figures may differ from those in the basic financial statements):

Net capital as of December 31	**2008**
Stockholders' equity	**Ps. 35,129**
Subordinated debentures and capitalization instruments	**3,691**
Deduction of investment in securitized instruments	371
Deduction of investments in shares of financial entities	7,690
Deduction of investments in shares of non-financial entities	2,074
Deduction of intangibles and expenses or deferred costs	385
Basic capital	**28,300**
Debentures and capitalization instruments	14,150
Allowance for loan losses reserves	1,169
Deduction of investment in securitized instruments	371
Complementary capital	**14,948**
Net capital	**Ps. 43,248**

Characteristics of the subordinated debentures:

Concept	**Issuance amount**	**Maturity**	**Basic capital proportion**	**Complementary capital proportion**
Complementary capital debentures 2004	Ps. 4,240	17/02/2014	0%	100%
Complementary capital debentures 2006	Ps. 5,606	13/10/2016	0%	100%
Basic capital debentures 2006	Ps. 2,807	13/10/2021	100%	0%
Basic capital debentures 2008	Ps. 3,012	27/02/2018	29%	71%
Complementary capital debentures 2008	Ps. 1,900	15/02/2028	0%	100%
Complementary capital debentures 2008-2	Ps. 276	15/06/2018	0%	100%

Assets subject to risk are detailed below:

Assets subject to market risk

Concept	Positions weighted by risk	Capital requirement
Transactions in Mexican pesos with nominal interest rate	Ps. 62,670	Ps. 5,014
Transactions with debt instruments in Mexican pesos with interest and reset rates	16,092	1,287
Transactions in Mexican pesos with real interest rates or in UDIS	1,352	108
Transactions in UDIS or with yields referenced to the National Consumer Price Index (INPC)	7	1
Transaction in Mexican pesos with nominal interest rates	4,080	326
Exchange transactions	1,288	103
Transactions involving shares	83	7
Total	**Ps. 85,572**	**Ps. 6,846**

Assets subject to credit risk

Concept	Assets weighted by risk	Capital requirement
Group III (weighted at 10%)	Ps. 58	Ps. 5
Group III (weighted at 20%)	8,066	645
Group III (weighted at 23%)	809	65
Group III (weighted at 50%)	2,235	179
Group IV (weighted at 20%)	6,735	539
Group V (weighted at 10%)	19	1
Group V (weighted at 20%)	759	61
Group V (weighted at 50%)	675	54
Group V (weighted at 150%)	2,762	221
Group VI (weighted at 50%)	6,027	482
Group VI (weighted at 75%)	5,103	408
Group VI (weighted at 100%)	52,176	4,174
Group VII (weighted at 20%)	895	72
Group VII (weighted at 50%)	47	4
Group VII (weighted at 100%)	58,386	4,671
Group VII (weighted at 115%)	7,044	563
Group VII (weighted at 150%)	648	52
Group VIII (weighted at 125%)	2,064	165
Group IX (weighted at 100%)	37,400	2,992
Subtotal	**191,908**	**15,353**
For permanent shares, furniture and real property, and advance payments and deferred charges	12,976	1,038
Total	**Ps. 204,884**	**Ps. 16,391**

Assets subject to credit risk:

Concept	Assets weighted by risk	Capital requirement
Total	**Ps. 8,669**	**Ps. 694**

28 - FOREIGN CURRENCY POSITION

As of December 31, 2008 and 2007, the Financial Group holds certain assets and liabilities in foreign currency, mainly USD, converted to the exchange rate issued by Banco de México of Ps. 13.8325 and Ps. 10.9157 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2008	2007
Assets	5,179,560	4,946,554
Liabilities	4,894,904	4,563,009
Net asset position in US dollars	**284,656**	**383,545**
Net asset position in Mexican pesos	**Ps. 3,938**	**Ps. 4,187**

29 - POSITION IN UDIS

As of December 31, 2008 and 2007, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 4.184316 and Ps. 3.932983, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2008	2007
Assets	152,453	171,932
Liabilities	548,366	94,163
Net (liability) asset position in UDIS	**(395,913)**	**77,769**
Net asset (liability) position in Mexican pesos	**(Ps. 1,657)**	**Ps. 306**

30 - EARNINGS PER SHARE

Earnings per share is the result of dividing the net income by the weighted average of the Financial Group's shares in circulation during the year.

Earnings per share for the years ended December 31, 2008 and 2007 are shown below:

	2008			2007
	Net Income	Weighted share average	Earnings per share	Earnings per share
Net income per share	Ps. 7,014	2,016,959,232	Ps. 3.4775	Ps. 3.3744

31 - MANAGEMENT RISK (unaudited)

Authorized bodies

To ensure adequate risk management of the Financial Group, as of 1997 the Financial Group's Board of Directors created the Risk Policy Committee (CPR), whose purpose is to manage the risks to which the Financial Group is exposed, and ensure that the performance of operations adheres to the established risk management objectives, guidelines, policies and procedures.

Furthermore, the CPR provides oversight on the global risk exposure limits approved by the Board of Directors, and also approves the specific risk limits for exposure to different types of risk.

The CPR is composed of regular members of the Board of Directors, the Managing Director of the Financial Group, the General Director of Comprehensive Risk Management, the General Director of Banking, Savings and Welfare, and the General Director of the Brokerage House, as well as the General Director of Internal Audits, who has the right to speak but not to vote.

To adequately carry out its duties, the CPR performs the following functions, among others:

1. Propose for the approval of the Board of Directors:

    - The objectives, guidelines and policies for comprehensive risk management
    - The global limits for risk exposure
    - The mechanisms for implementing corrective measures
    - The special cases or circumstances in which the global and specific limits may be exceeded

2. Approve and review at least once a year:

    - The specific limits for discretionary risks, as well as tolerance levels for nondiscretionary risks
    - The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different kinds of risks to which the Financial Group is exposed
    - The models, parameters and scenarios used to perform the valuation, measurement and control of risks proposed by the Comprehensive Risk Management Unit

3. Approve:

    - The methodologies for identification, valuation, measurement and control of risks of the new operations, products and services which the Financial Group intends to introduce into the market
    - The corrective measures proposed by the Comprehensive Risk Management Unit
    - The manuals for comprehensive risk management

4. Appoint and remove the person responsible for the Comprehensive Risk Management Unit, who is ratified by the Board of Directors.
5. Inform the Board, at least every quarter, of the exposure to risk and its possible negative effects, as well as follow up on limits and tolerance levels.
6. Inform the Board of the corrective measures implemented.

32 – COMPREHENSIVE RISK MANAGEMENT UNIT (UAIR) (unaudited, regarding Banorte, the Financial Group's main subsidiary)

The function of the UAIR is to identify, measure, oversee, limit, control, report and disclose the different kinds of risk to which the Financial Group is exposed, and it is the responsibility of the Office of Risk Management (DGAR).

The DGAR reports to the CPR in compliance with the requirements set forth in the Commission's circular, the "General Risk Management Rules Applicable to Credit Financial Groups", in relation to the independence of the different business areas.

The DGAR focuses Comprehensive Risk Management efforts through four different departments

- Credit Risk Management
- Market Risk Management
- Operating Risk Management, and
- Risk Policy Management

The Financial Group currently has methodologies for managing risk in its different phases, such as credit, market, liquidity and operating risk.

The primary objectives of the DGAR are summarized as follows:

- Provide the different business areas with clear rules that facilitate their understanding so as to minimize risks and ensure that they are within the parameters established and approved by the Board of Directors and the Risk Policy Committee.
- Establish mechanisms that provide for follow-up on risk-taking within the Financial Group, ensuring that they are preventive as much as possible, and supported by advanced systems and processes.
- Standardize risk measurement and control.
- Protect the Financial Group's capital against unexpected losses from market movements, credit losses and operating risks.
- Develop valuation methods for the different types of risks.
- Establish procedures for portfolio optimization and loan portfolio management.

The Financial Group has segmented risk assessment and management into the following headings:

<u>Credit Risk:</u> Volatility of revenues due to the creation of provisions for impairment of credits and potential credit losses due to nonpayment by a borrower or counterpart.

<u>Market Risk:</u> Volatility of revenues due to changes in the market, which affect the valuation of the positions from operations involving assets, liabilities or generating contingent liabilities, such as: interest rates, exchange rates, price indexes, etc.

<u>Liquidity Risk:</u> Potential loss derived from the impossibility of renewing debts or contracting others under normal conditions for the Financial Group, due to the anticipated or forced sale of assets at unusual discounts to meet its obligations.

<u>Operating Risk:</u> Loss resulting from lack of adaptation or failure in processes, personnel, internal systems or external events. This definition includes Technological Risk and Legal Risk. Technological Risk groups includes all potential losses from damage, interruption, alteration or failures derived from the use of or dependence on hardware, software, systems, applications, networks and any other information distribution channel, while Legal Risk involves the potential loss from penalties for noncompliance with legal and administrative regulations or the issuance of adverse final court rulings in relation to the operations performed by the Financial Group.

Credit risk

Credit Risk is the risk that the customers will not comply with their payment obligations; therefore, adequate risk management is essential to maintain a high quality loan portfolio.

The Financial Group’s management credit risk objectives are as follows:

- Improve the quality, diversification and composition of the loan portfolio to optimize the risk-return ratio.
- Provide senior management with reliable and timely information to support decision-making in credit matters.
- Provide the business departments with clear and sufficient tools to support credit placement and follow up.
- Support the creation of economic value for shareholders by means of efficient credit risk management.
- Define and constantly update the regulatory framework for credit risk management.
- Comply with the credit risk management reporting requirements established by the relevant authorities.
- Perform risk management in accordance with best practices; implementing models, methodologies, procedures and systems based on the latest international advances.

Individual credit risk

The Financial Group's banks segment the loan portfolio into two large groups: the consumer and corporate portfolios.

Individual credit risk for the consumer portfolio is identified, measured and controlled by means of a parametric system (scoring) which includes models for each of the consumer products: mortgage, automotive, payroll credit, personal and credit card.

Individual risk for the corporate portfolio is identified, measured and controlled by means of the Target Markets, the Risk Acceptance Criteria and the Banorte Internal Risk Classification (CIR Banorte).

The Target Markets and Risk Acceptance Criteria are tools which, together with the Internal Risk Rating CIR, form part of the credit strategy of the Financial Group and support the estimate of the credit risk level.

The Target Markets are activities selected by region and economic activity - supported by economic studies and portfolio behavior analyses - in which the Financial Group wishes to place credits.

The Risk Acceptance Criteria are parameters which describe the risks identified by industries, facilitating an estimate of the risk involved for the Financial Group in granting a credit to a customer depending on the economic activity which it performs The types of risks evaluated in the Risk Acceptance Criteria are the financial risk, operating risk, market risk, company lifecycle risk, legal and regulatory risk, credit history and quality of management.

Early Warnings are a set of criteria based on information and indicators of the borrowers and their environment that have been set forth for timely prevention and identification of likely impairment in the loan portfolio, in order to take credit risk mitigating preventive actions in a timely manner.

The CIR Banorte is in line with the "General Regulations Applicable to the Classification Methodology for the Loan Portfolio of Credit Institutions" issued by the Commission on December 2, 2005. The CIR Banorte has been certified by the Commission and by an international external auditor since 2001.

The CIR Banorte is applied to a commercial portfolio equal to or exceeding an amount equivalent in Mexican pesos to four million UDIS at the classification date.

Portfolio credit risk

The Financial Group has designed a portfolio credit risk methodology which, while also including the best and most current international practices with regard to identification, measurement, control and follow up, has been adapted to function within the context of the Mexican financial system.

The credit risk methodology identifies the exposure of all the loan portfolios of the Financial Group, overseeing risk concentration levels based on risk classifications, geographical regions, economic activities, currencies and type of product, for the purpose of ascertaining the portfolio profile and taking actions to diversify it and maximize profit with the lowest possible risk.

The calculation of loan exposure involves the generation of the cash flow from each of the loans, both in terms of principal and interest, for their subsequent discount. This exposure is sensitive to market changes, and facilitates the performance of calculations under different economic scenarios.

Apart from considering loan exposure, the methodology takes into account the probability of default, the recovery level associated with each customer and the sorting of the borrowers based on the Merton model. The probability of default is the probability that a borrower will not comply with its debt obligation to the Financial Group on the terms and conditions originally agreed. The probability of default is based on the transition matrixes which the Financial Group calculates as of the migration of the borrowers to different risk classification levels. The recovery level is the percentage of the total exposure that is expected to be recovered if the borrower defaults on its obligations. The sorting of the borrowers based on the Merton model is intended to tie the future behavior of the borrower to credit and market factors on which, using statistical techniques, the borrower's "credit health" depends.

The primary results obtained are the expected loss and unexpected loss over a one-year time horizon. The expected loss is the median of the distribution of losses of the loan portfolio, which enables a measurement of the average loss expected in the following year due to noncompliance or variations in the credit status of the borrowers. The unexpected loss is an indicator of the loss expected under extreme circumstances, and is measured as the difference between the maximum loss based on the distribution of losses, at a specific confidence level, which in the case of the Financial Group is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and portfolio diversification, in accordance with the global strategy of the Financial Group. The individual risk identification tools and the portfolio credit risk methodology are reviewed and updated periodically to incorporate new techniques that can support or strengthen them.

As of December 31, 2008, the total portfolio of Banorte is Ps. 222,849 million. The expected loss represents 2.6% and the unexpected loss represents 4.4% of the total operating portfolio. The average expected loss was 2.4% for the period between October and December 2008.

Risk Diversification

In December 2005, the CNBV issued the "General Rules for Risk Diversification in Performing Asset and Liability Transactions Applicable to Credit Institutions".

These regulations require that the Financial Group perform an analysis of the borrowers and/or loans they hold to determine the amount of their "Common Risk". Also, the Financial Group must have the necessary documentation to support that a person or group of persons represents a common risk in accordance with the assumptions established under such rules.

In compliance with the risk diversification rules for asset and liability transactions, the following information is provided below:

Basic capital as of September 30, 2008	**Ps. 30,538**
I. Financing whose individual amount represents more than 10% of basic capital:	
Credit transactions	
Number of financings	1
Amount of financings taken as a whole	Ps. 4,542
% in relation to basic capital	15%
Money market transactions	
Number of financings	1
Amount of financings taken as a whole	Ps. 3,491
% in relation to basic capital	11%
Overnight transactions	
Number of financings	1
Amount of financings taken as a whole	Ps. 6,294
% in relation to basic capital	21%
II. Maximum amount of financing with the 3 largest debtors and common risk groups	**Ps.31,710**

Market risk

Value at risk

The exposure to market risk is determined through the calculation of the Value at Risk ("VaR"). The meaning of the VaR under this method is the potential one day loss which could be generated in the valuation of the portfolios at a given date. This methodology is used both for the calculation of market risk and for the establishment and control of internal limits.

The Financial Group applies the nonparametric historical simulation method to calculate the VaR, considering for such purpose a 99% confidence level, using the 500 immediate historical scenarios, multiplying the result by a security factor that fluctuates between 3 and 4 depending on the annual Back Testing results calculated on the previous quarter, considering 10 days to dispose of the risk portfolio in question. These measures insure that unforeseen volatiles are considered in the main risk factors that affect such portfolios.

Such methodology is applied to all financial instrument portfolios within and beyond the scope of the Financial Group, including money market and treasury transactions, capital, foreign-exchange and derivatives held for trading and hedging purposes, which are exposed to variations in their value due to changes in the risk factors affecting their market valuation (domestic and foreign interest rates, exchange rates and indexes, among others).

The average VaR for financial instruments portfolio was Ps 2,430 for the last quarter 2008.

Millions of pesos	4Q07	1Q08	2Q08	3Q08	4Q08
VaR Banorte*	Ps. 2,168	Ps. 2,199	Ps. 2,269	Ps. 2,198	Ps. 2,430
Banorte net capital***	33,710	39,052	43,788	45,361	43,248
VaR / net capital Banorte	6.43%	5.63%	5.18%	4.85%	5.62%

* Quarterly Average
*** Sum of net capital at the close of the quarter

Also, the average of the VaR for the risk factor of the portfolio of instrument described for the Financial Group behaved as follows during the fourth quarter of 2008:

Risk factor	**VaR**
Domestic interest rate	Ps. 2,680
Foreign interest rate	167
Exchange rate	872
Capital	53
Foreign currency bond prices	357
Total VaR	Ps. 2,430

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables comprising each of such factors, maintaining constant the variables that affect the other risk factors shown. By the same token, the consolidated VaR for the Financial Group considers the correlations of all the risk factors influencing the valuation of the portfolios, for which reason the arithmetical sum of the VaR Factor does not match.

Retrospective analysis

To validate the effectiveness of the measurements of the calculation of the daily VaR as a measurement of market risk, the retrospective analysis is updated each week. This analysis makes it possible to compare the estimated results through the VaR with the actual results generated.

Sensitivity analysis and tests under extreme conditions

To improve analysis and obtain the impact of any movements in risk factors, sensitivity analyses and tests under extreme conditions are performed periodically. These analyses foresee potential situations in which the Financial Group might suffer extraordinary losses from the valuation of the financial instruments in which it holds positions.

Liquidity and balance sheet risk

In order to provide a measurement of liquidity risk in the Financial Group and provide follow-up consistently, the Financial Group relies on the use of financial ratios, which include the Liquidity Ratio (Current Assets/Liquid Liabilities), which consider among the liquid assets the cash and cash equivalents, trading securities and available for sale securities, whereas the liquid liabilities include immediate demand deposits, immediate demand interbank loans and short-term loans. The liquidity ratio at the end of the fourth quarter of 2008 is 49.2%, while the average during the quarter is 48.1%, as shown below:

	End of quarter				
	4Q07	**1Q08**	**2Q08**	**3Q08**	**4Q08**
Liquid assets	Ps. 59,540	Ps. 62,818	Ps. 66,756	Ps. 71,045	Ps. 72,557
Liquid liabilities	Ps. 116,879	Ps. 123,114	Ps. 116,697	Ps. 115,100	Ps. 147,498
Liquidity ratio	50.9%	51.0%	57.2%	61.7%	49.2%

	Average				
	4Q07	**1Q08**	**2Q08**	**3Q08**	**4Q08**
Liquid assets	Ps. 56,520	Ps. 59,777	Ps. 59,543	Ps. 61,285	Ps. 64,453
Liquid liabilities	Ps. 98,706	Ps. 108,939	Ps. 108,798	Ps. 105,771	Ps. 127,061
Liquidity ratio	57.3%	54.9%	54.7%	57.9%	48.1%

Average calculation considering the Liquidity Ratio's weekly estimates

To quantify and follow up on the liquidity risk for its dollar portfolio, the Financial Group uses the criteria established by Banco de México for the determination of the Liquidity Ratio. It facilitates an evaluation of the differences between the flows of assets and liabilities in different time periods. The above promotes a healthier distribution of terms for these assets.

Also, to prevent concentration risks in relation to payment terms and dates for the Financial Group, gap analysis is performed to match the resources with the funding sources, which detects any concentration in a timely fashion. These analyses are performed separately by currency (Mexican pesos, foreign currency and UDIS).

Furthermore, balance sheet simulation analyses are prepared for the Financial Group, which provides either a systematic or dynamic evaluation of the future behavior of the balance sheet. The base scenario is used to prepare sensitivity analyses for movements in domestic, foreign and real interest rates. Also, tests are performed under extreme conditions to evaluate the result of extreme changes in interest, funding and exchange rates.

As an evaluation measure of the effectiveness of the simulation model, the projections are periodically compared with actual data. Using these tests, the assumptions and methodology used can be evaluated and, if necessary, adjusted.

Operating risk

As of January 2003, the Financial Group established a formal operating risk department denominated "Operating Risk Management Department" as part of its Risk Management Strategy.

The Financial Group defines operating risk as the potential loss due to failures or deficiencies in internal controls because of operation processing and storing or in data transfer, and adverse administrative and judicial rulings, frauds or theft (this definition includes technology and legal risk).

Operating Risk Management's objectives are: a) to enable and support the organization to reach its institutional objectives through operating risk prevention and management; b) to insure that the existing operating risks and the required controls are duly identified, evaluated and aligned with the organization's risk strategy; and c) to insure that operating risks are duly quantified in order to assign the proper capital for operating risk.

Operating risk management's cornerstones

I. Policies, objectives and guidelines

The Financial Group has documented the operating risk policies, objectives, guidelines, methodologies and responsible areas.

The Operating Risk Department works closely with the Controllership Department to promote effective Internal Control that defines the proper procedures and controls to mitigate operating risk. The Internal Audit department follows up on compliance.

Regulations Control, as part of the Internal Control System, performs the following risk-mitigating activities: a) internal control validation; b) institutional regulations management and control; c) monitoring of operating process internal control by means of control indicator reports submitted by the process controllers in the various areas; d) money-laundering prevention process management; e) regulatory provisions controls and follow-up; and f) analysis and assessment of operating processes and projects with the participation of the directors in each process in order to insure proper internal control.

II. Quantitative and qualitative measuring tools

<u>Operating Losses Database</u>

To record operating loss events, a system has been developed internally known as the "Operating Loss and Events Capture System" (SCERO). This system enables the central information supplier areas to directly record such events online, which are classified by type of event in accordance with the following categories (in line with the Basle II Agreement proposals):

Types of events	**Description**
Internal fraud	Losses derived from actions intended to defraud, illegally seize ownership or evade the regulations, law or policies of the Institution (excluding diversity/discrimination events) involving at least one internal party.
External fraud	Losses derived from actions taken by third parties intended to defraud, illegally seize ownership or evade the law.
Labor relations and job safety	Losses derived from actions inconsistent with laws or employment, health or safety agreements, or which result in the payment of claims for damages to personnel or diversity/discrimination claims.
Customers, products and business practices	Losses derived from negligence or unintentional breaches which prevent compliance with professional obligations with customers (including trust and adaptation requirements or due to the nature or design of a product.
Natural disasters and other events	Losses due to damage or harm to physical assets due to natural disasters or other events.
Business incidences and system failures	Losses derived from incidences in the business and system failures.
Process execution, delivery and management	Losses derived from errors in transaction processing or in process management, as well as relations with counterparties and suppliers.

This historical database provides the statistics of the operating events experienced by the Financial Group in order to be able to determine the respective trends, frequency, impact and distribution. Furthermore, the database will serve to calculate capital requirements for advanced models in the future.

Legal and tax contingencies database

For the recording and follow-up of legal, administrative and tax issues that may arise from adverse unappealable ruling, an internal system called “Legal Risk Issues Monitoring System” (SMARL) was developed. This system enables the central data supplying areas to record such events directly and on-line, which are then classified by company, sector and legal issue, among others.

As part of the Financial Group’s legal risk management initiative, legal and tax contingencies are estimated by the attorneys that process the issues based on an internal methodology. This makes it possible to create the necessary book reserve to face such estimated contingencies.

Risk management model

The Financial Group and its subsidiaries have defined objectives, which are achieved through different plans, programs and projects. Compliance with such objectives may be adversely affected due to operating risks, for which reason a methodology must be in place to manage them within the organization. Consequently, operating risk management is now an institutional policy defined and supported by senior management.

To perform operating risk management, each of the operating risks involved in the processes must be identified in order to analyze them. In this regard, the risks identified by Regulations Control are recorded in a risk matrix and processed to eliminate or mitigate them (trying to reduce their severity or frequency) and to define the tolerance levels, as applicable. A new Operating Risk Management Model and the technology tool for its implementation are currently being developed.

III. Calculating capital requirement

On November 23, 2007, the Official Gazette of the Federation published the Operating Risk Capitalization Rules that set forth a basic model, which is calculated and reported periodically to the authorities.

IV. Information and reporting

The information generated by the databases and the Management Model is processed regularly in order to report the main operating events detected, trends, identified risks (risk matrix) and the mitigating strategies to the Risk Policy Committee and the Board of Directors. The status of the principal initiatives for operating risk mitigation implemented by the different areas of the organization is also reported.

Technology risk

It is defined as the potential loss due to damage, interruption, alteration or failures in the use of or dependence on hardware, software, IT systems, applications, networks and any other data distribution channel for rendering services to customers. Technology risk forms an inherent part of operating risk, for which reason its management is performed throughout the entire organization

To address operating risk associated with data integrity, the “Integrity Committee” was created. Its objectives include aligning data security and control efforts to a prevention approach, defining new strategies, policies, processes or procedures and solving data security issues that affect or may affect the Financial Group’s assets.

The Financial Group performs the functions for technology risk management set forth by the Commission under the guidelines established by the institutional regulations and the Integrity Committee.

To address the operating risk caused by high impact external events, the Financial Group has a Business Continuity Plan (BCP) and Business Recovery Plan (BRP) based on a same-time data replication system at an alternate computer site. This guarantees the back-up and recovery of critical applications in the event of an operating contingency.

Legal risk

Legal risk is defined as the potential loss due to noncompliance with applicable legal and administrative provisions, adverse administrative and judicial rulings, and imposed penalties.

The legal risk must be measured as an inherent part of operating risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operating losses in the SMARL system are recorded in the SCERO in accordance with a predetermined classification.

Based on the statistics of the current legal issues and real loss events, the Financial Group can identify specific legal or operating risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

33 - MEMORANDUM ACCOUNTS

	2008	2007
Banks customers (current accounts)	Ps. 74	Ps. 11
Settlement of customer transactions	35	58
Customer valuables received in custody	118,537	180,385
Customer repurchase agreements	35,688	21,803
Customer call options transactions	274	146
Managed trusts	2,378	3,048
	Ps. 156,986	**Ps. 205,451**
Other contingent assets and liabilities	Ps. 266	Ps. 279
Credit commitments	2,793	2,365
Deposits of assets	3,006	1,541
Financial Group securities delivered into custody	886	610
Financial Group government securities held in custody	101	147
Assets in trusts or under mandate	90,469	101,632
Managed assets in custody	131,886	117,167
Investment banking transactions on account of third parties (net=	84,615	91,329
Collateral received by the institution	31,567	-
Past-due loan portfolio accrued but not charged interest	137	102
	Ps. 345,726	**Ps. 315,172**
Securities to be received in repurchase agreements	Ps. 39,939	Ps. 216,233
Less: Creditor repurchase agreement	(40,176)	(216,708)
	(Ps. 237)	**(Ps. 475)**
Repurchase agreement from debtors	Ps. 35,054	Ps. 21,502
Less: Securities to be received in repurchase agreements	(34,908)	(21,484)
	Ps. 146	**Ps. 18**

34 - COMMITMENTS

As of December 31, 2008 and 2007, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 3,059 (Ps. 2,644 in 2007), which are recorded in memorandum accounts.

- Certain real property and operating equipment are leased. Total property lease payments for the periods ended December 31, 2008 and 2007, were Ps. 159 and Ps. 195, respectively.

35 - CONTINGENCIES

As of December 31, 2008, there are lawsuits filed against the Financial Group in civil and business court cases. However, the Financial Group’s attorneys consider that the claims filed are unsubstantiated and, in the event of an adverse ruling, they would not significantly impact the Financial Group's consolidated financial position. A reserve of Ps. 120 is recorded for such contentious matters.

Furthermore, contingencies may arise due to differences in taxes derived from a potential review of the tax returns filed by the Financial Group and differences in the interpretation of legal provisions between the Financial Group and the tax authorities.

36 - SAVINGS PREVENTIVE AND PROTECTION MECHANISM

The objective of the Institute for the Protection of Bank Savings (IPAB) is to protect the deposits of small customers and thereby contribute to maintaining the financial system’s stability and the proper functioning of the payments systems.

According to the Law of Bank Savings Protection (LPAB), the IPAB manages a bank savings protection system that guarantees the payment of bank deposits or loans or credits to Full Service Banking Institution up to an amount equivalent to 400 thousand UDIS per individual or business entity, regardless of the number or type of such obligations in the customer’s favor and charged to a single bank.

On July 30, 2007, general rules were issued for addressing joint accounts or those in which there is more than one account holder, referred to in art.14 of the LPAB, as well as the rules banks must observe for classifying information relative to transactions associated with guaranteed obligations.

The IPAB plays a major role in the implementation of the LPAB resolutions methods and the Law of Credit Institutions (LIC) as timely and adequate mechanisms for salvaging and liquidating Full Service Banking Institutions in financial trouble that may affect their solvency. The purpose is to provide maximum protection to the public while minimizing the negative impact that salvaging an institution may have on others in the banking system.

During 2008 and 2007, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 938 and Ps. 774, respectively.

37 – NEW ACCOUNTING PRINCIPLES

The following are some of the principal changes derived from the new standards or modifications issued by the Commission and the CINIF effective as of January 1, 2009:

- Circular C-2 “Securitization Transactions” states that in securitization transactions the assignor may or may not transfer the risks and benefits on the financial assets to the assignee, and may or may not transfer control over such assets.

  It also establishes that the benefits on the assignee’s remainder shall be recognized as “Benefits to receive in securitization transactions” and valuated at its fair value from the onset. Valuation adjustments are recognized in the year's results. This valuation shall be consistent with the accounting policies of the Special Purpose Entity (SPE), established as a securitizing vehicle.

If the assignor renders administration services of the transferred assets, an asset or liability for transferred asset administration should be recognized initially at its fair value, pursuant to Circular C-1 as follows:

a) An asset is recorded if the consideration exceeds the costs and expenses incurred in rendering the service, otherwise a liability is recorded.
b) Then such asset or liability will be valued at its fair value, recognized its valuation effects in the year's results.

The benefits on the securitization transactions' remnant and the transferred financial assets administration asset will be presented under "Benefits to receive in securitization transactions."

The valuation of the receivable benefits as well as of the administration asset or liability will be presented on "Other income" or "Other expenses", as applicable.

The effects of such Circular, if applied to securitizations in effect by December 31, 2008 are detailed below:

For realized securitization transactions, the financial assets were removed from the balance sheet based on the accounting criteria in effect at that date, C-1, "Transfer of Financial Assets", and C-2, "Securitizations". As the new accounting criteria that replaced the previous ones are prospectively applied, retroactive records will not be realized for transactions made before its application. Therefore, previously recognized transfers of financial assets don't have to be reevaluated.

However, according to these new accounting criteria, the securitized loans of the mortgage can state and municipal government loans that Banorte made during 2006 and 2007, respectively had not met the requirements of the new accounting criteria to be removed from the balance sheet, as in both transactions most of the inherent risks and/or benefits are substantially retained.

On December 31, 2008, the outstanding balance of the securitized loans of the mortgage and state and municipal government loans that were including in the balance sheet was Ps. 6,475. Moreover, the impact accumulated in their results that would have been recorded is (Ps. 103).

- Circular C-5, "Consolidation of Special Purpose Entities", defines the special standards relative to the consolidation of the SPE. It establishes that an entity should consolidate an SPE when the economic substance of the relationship between both entities indicates control over such SPE.

- NIF B-7, "Business Acquisitions", establishes the "purchase method" as the method for recognizing business acquisitions. It does not allow the recognition of earning in an acquisition process.

  The value of the net acquired assets should be adjusted to a value that is equal to the sum of the consideration and the value of the non-controlling share valued in proportion to this consideration.

  Goodwill should be recognized when the sum of the consideration paid in the acquisition and the non-controlling share valued at their fair value is greater than the amount of the net acquired assets valued at fair value according to this NIF.

- NIF B-8, "Consolidated and Combined Financial Statements", separates consolidation and permanent investment valuation.
  a) It requires that the noncontrolling interest be valued in the consolidated financial statements based on the fair value of the subsidiary's net assets and the goodwill determined with the purchase method at the time of the acquisition of such subsidiary.
  b) It states that at the purchase date of a subsidiary the purchase method should be applied, therefore the assets and liabilities are valued at their fair value at such date as per NIF B-7.
  c) The above causes adjustments to its book value, nevertheless it clarifies such adjustments should not be recognized in the subsidiary but instead in the controlling share as part of its permanent investment in the subsidiary.
  d) The consolidation process is defined in greater detail.

- The objective of issuing NIF C-7, “Investments in Associates and Other Permanent Investments”, separating the financial statements’ consolidation and permanent investments‘ valuation under the equity method, establishes the standards to recognize investments as associated, as well as the other permanent investments over which it has no control, joint control or significant influence.

- The new NIF C-8, “Intangible Assets”, define them as non-monetary identifiable assets, without physical substance that will generate future financial benefits controlled by the entity.

- According to NIF D-8, “Share-based Payments”, the entities that realize share-based payment transactions and grant share purchase options to employees, should recognize the cost or expense incurred, either in net income or as a capitalizable item, and the corresponding effect in the liability or asset. This NIF eliminates the use of the International Financial Reporting Standard 2 that has been applicable in Mexico on a supplementary basis in lieu of a Mexican standard that would cover share-based payments and share purchase options.

The Financial Group’s management is studying the possible effect these standards will have on its consolidated financial position and results of operations.

38 - SUBSEQUENT EVENTS

Prepayment of subordinated debentures

Banorte exercised the prepayment option of its non-convertible subordinated debentures issued in 2004 maturing in 2014 for USD 300 million, which were listed on the Luxemburg Stock Exchange. The settlement was made on February 17, 2009. This subordinated debt was issued in February 2004 with a 10-year term and included a prepayment option as of the fifth year. The main reasons for prepaying this debentures were: i) the actual capital base is strengthened based on recent local subordinated debenture issues; ii) maintain Banorte’s credibility as an international issuer in this type of market; iii) liquidate debentures whose effectiveness will gradually diminish for the purpose of being considered as regulatory capital pursuant to the Commission regulations; and iv) as part of Banorte's strategy to maintain proper regulatory capital levels.

Merger of Créditos Pronegocio, S.A. de C.V.

At the Board of Directors’ Meeting held on January 29, 2009, the merger of Banorte, as the merging entity, with Créditos Pronegocio, S.A. de C.V., as the merged entity, was approved.