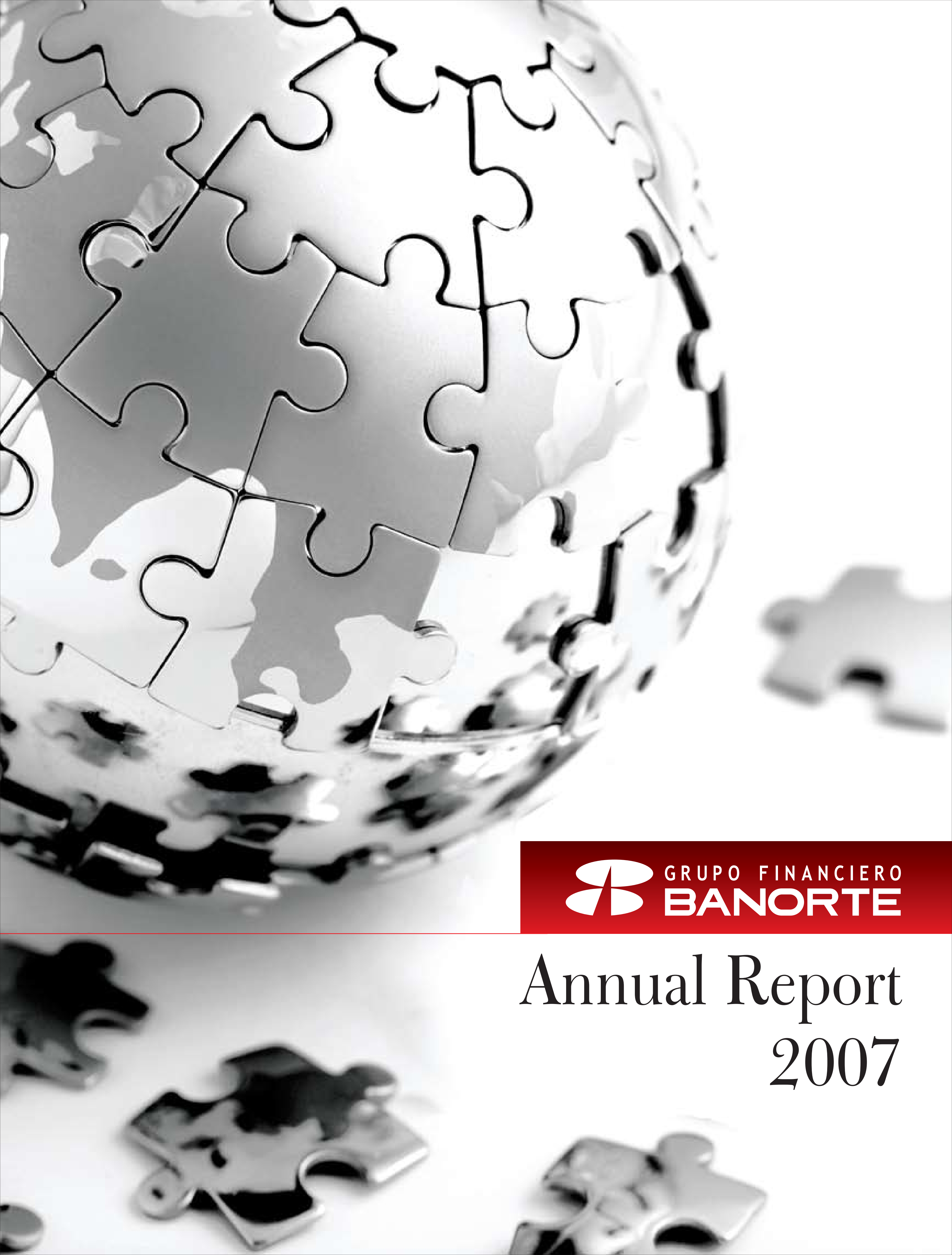

GRUPO FINANCIERO BANORTE

Annual Report 2007

GRUPO FINANCIERO
BANORTE

Consolidated Financial Statements

Audit and Corporate Practices Committee Annual Report

Mexico, D.F., March 31, 2008.

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

In compliance with Article 43 of the Stock Market Law (the "LMV"), the Audit and Corporate Practices' Committee submits its annual report for year 2007 to the Board of Directors with respect to the following activities:

I. Auditing:

a) Regarding the status of Grupo Financiero Banorte S.A.B. de C.V.'s ("GFNorte") Internal Control System ("SCI") and the entities that it controls, as well as the description of its deficiencies and deviations, this Committee defined a methodology to assess the SCI which considers the following aspects:

1) The determination, in accordance with the relevant financial, administrative and legal criteria defined by the New Stock Market Law,, that 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. AFORE; Sólida Administradora de Portafolios, S. A. de C. V. and Inter National Bank are relevant subsidiaries of GFNorte. This determination was submitted to the Board of Directors for its consideration and approval.

2) The review of the annual reports, developed by the respective managing directors, regarding the operation and status of the SCI in these subsidiaries, and the functions performed regarding this matter.

3) The reports of the internal control reviews carried out by the external auditor and the follow-up of corrective measures taken regarding the areas of opportunity identified in those reports; as well as the opinion, reviewed by this Committee, on GFNorte's financial statements and its subsidiaries..

4) The observations regarding control deficiencies or deviations in GFNorte and its subsidiaries, submitted regularly by the internal auditing area in this Committee's sessions, and the follow-up of corrective measures taken regarding these observations.

5) The reports generated during the inspections carried out by the competent supervisory authorities, which have been informed in a timely manner to the Board of Directors, and the follow-up to the implementation of the pertinent corrective measures.

6) The reports of the comptrollers in Banco Mercantil del Norte, S. A.; Casa de Bolsa Banorte, S. A. de C. V. and Créditos Pronegocio, S. A. de C. V.; as well as the reports of the normative comptrollers of Seguros Banorte Generali, S. A. de C. V. and Banorte Generali, S. A. AFORE.

Taking into consideration all the elements mentioned above, and as a result of this Committee's surveillance through the sessions carried out all year with the participation of the co-responsible parties involved in the SCI, such as the external auditor, internal auditor and comptroller, we can inform that the SCI and the internal auditing at GFNorte and subsidiaries are working properly as a corporate mechanism to enable acceptable efficacy and efficiency levels in order to achieve institutional objectives and to ensure a proper financial reporting process of GFNorte and its subsidiaries; no aspects of the SCI that could affect them significantly were detected.

b) Regarding possible significant non-compliance of the operation and accounting reporting policies, we can report that no instances were found, and that the areas of opportunity detected and their corresponding corrective measures have been reported to the responsible parties; a follow-up system has been implemented.

c) With respect to the assessment of the external auditor's performance, we can report that in the course of their activities and the relationship with management and this Committee, the quality and trustworthiness of the firm

Galaz, Yamazaki, Ruiz Urquiza, S. C. (member of Deloitte Touche Tohmatsu) and its auditor in charge has been confirmed. This firm has applied criteria and methodologies in accordance to the best international practices, which fully comply with the applicable regulation.

Furthermore, we consider that the content of their opinion and reports is valid and useful in supporting this Committee's activities, highlighting that their results and opinions show no discrepancies with those of the administration.

d) As to the description of services other than the external auditor's opinion of the financial statements, we hereby report that the following services were hired:

- Opinion of a limited assessment of the financial statements of Banco Mercantil del Norte, S.A. up to September 2007, in order to issue obligations and/or subordinated debentures in 2008.
- Ruling regarding the compliance of Seguros Banorte Generali, S. A. de C. V. and Comercial Banorte Generali, S. A. de C.V., with thir respective social security obligations (IMSS and INFONAVIT).

The hiring of those services were approved by the Board of Directors, upon the request of this Committee, once it was verified that no conflict of interest existed and that such services adequately met with expectations. No other independent services were hired.

e) The review of the financial statements for GFNorte and its subsidiaries for the year ending on December 31, 2007 was carried out, as well as the external auditor's opinion prior to being issued, with the participation of management, the external auditor, internal auditing and the comptroller. The revision found that the reports were done in accordance with the applicable regulations and accounting practices; therefore, we recommended to the Board of Directors the approval of the financial statements. Additionally, this Committee checks the financial statements periodically, on a quarterly basis.

f) Regarding the most important modifications to the policies and accounting standards adopted by GFNorte and its subsidiaries during 2007, we can inform that several modifications were adopted as a result of changes in the applicable dispositions. These changes are described extensively and in detail in Note 4 "Main Accounting Policies" of GFNorte's financial statements.

g) During the year, there were no relevant observations by shareholders, advisors, directors, employees or any third party regarding accounting, internal control or issues associated with internal or external auditing or derived from complaints about irregularities. We are able to report that, apart from other institutional processes that had been previously established, as of June 2007 management implemented an anonymous fraud-reporting system called "Ethicspoint", which constitutes a best international practice. The reports are referred to the members of this Committee and to other directors in the organization for their knowledge and attention. This Committee follows up on the resolution of these reports.

h) Regarding the agreements taken at Shareholders' Assemblies and the Board of Directors, neither asked this Committee to follow up any of these agreements.

II. Corporate Practices:

a) Regarding the observations on the performance of relevant directors, we can report that the administration has defined the relevant directors of GFNorte and its subsidiaries, which includes officers from various subsidiaries whose hiring must be informed to their respective authority, as per the specific regulations that apply to them. Concerning 2007, this Committee has no observations regarding the performance of any of these officers.

b) With respect to operations with related parties, this Committee verified that as of December 31, 2007, the loans granted to related parties amounted to Ps 5,041 million, which is considerably below the limits established by the corresponding regulation, and that such operations were approved by this Board of Directors, when required by the applicable dispositions. Transactions between companies of the Group were performed at market prices, which were verified by the external auditor in the revisions carried out on this matter.

Audit and Corporate Practices Committee Annual Report

c) On the subject of compensation packages for the relevant directors, we can report that management defined the policies applicable to designations and to the comprehensive compensation packages for relevant officer. Such packages include: (i) a fixed compensation; (ii) a bonus plan based mainly on reaching the targeted net income; and (iii) a long-term incentive plan through the purchase of stock options for some of the officers designated by the Assignment Committee.The Board of Directors approved, in the session carried out on October 25, 2007, that the Audit and Corporate Practices' Committee assumes the functions of the Assignment Committee.

d) Finally, we can report that during 2007, the Board of Directors did not grant any approval to advisors or relevant directors to take advantage of business opportunities.

Kindly,

Francisco J. Alcalá de León
Chairman of the Audit and Corporate Practices Committee of GFNorte

Independent Auditor's Report

Deloitte.

February 25, 2008.

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.

We have audited the accompanying consolidated balance sheets of Grupo Financiero Banorte, S.A.B. de C.V. (the "Financial Group") (formerly Grupo Financiero Banorte, S.A. de C.V.) as of December 31, 2007 and 2006, 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 consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It 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.

As explained in Notes 1 and 4 to the accompanying consolidated financial statements, the Commission regulates the operations of the Financial Group and its financial reporting requirements through accounting circulars and other applicable laws. Note 4 describes the main changes to the accounting principles that became effective as of January 1, 2007, which have been applied retrospectively in the 2006 financial statements in order to be comparative with those of 2007. Note 5 describes the 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 other non-regulated 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. as of December 31, 2007 and 2006, 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.

The accompanying consolidated financial statements have been translated into English for the convenience of users.

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

C.P.C. Carlos A. García Cardoso
Recorded in the General Administration
of Federal Fiscal Audit No. 04919

Consolidated Balance Sheets

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(In millions of Mexican pesos of purchasing power of December 31, 2007)

ASSETS	2007	2006
Cash and cash equivalents	**Ps.41,610**	**Ps.45,054**
Investments in securities		
Trading securities	7,754	17,396
Available for sale securities	10,948	7,091
Held to maturity securities	760	4,954
	19,462	**29,441**
Securities and derivative financial instruments		
Debtor balances under repurchase and resale agreements	58	26
Derivative financial instruments	2,302	2,168
	2,360	**2,194**
Current loan portfolio		
Commercial loans		
Business loans	98,091	80,946
Loans to financial institutions	13,158	2,464
Government loans	17,948	11,194
Consumer loans	27,225	21,505
Housing mortgage loans	37,216	28,857
Total current loan portfolio	**193,638**	**144,966**
Past-due loan portfolio		
Commercial loans		
Business loans	927	758
Consumer loans	1,109	632
Housing mortgage loans	858	748
Total past-due loan portfolio	**2,894**	**2,138**
Loan portfolio	**196,532**	**147,104**
(Minus) Allowance for loan losses	(3,786)	(3,140)
Loan portfolio, net	**192,746**	**143,964**
Acquired loan portfolios	**3,660**	**4,617**
Total loan portfolio, net	**196,406**	**148,581**
Other accounts receivable, net	**7,617**	**8,249**
Merchandise inventory	**7**	**84**
Foreclosed assets, net	**385**	**393**
Property, furniture and fixtures, net	**8,098**	**6,899**
Permanent stock investments	**2,590**	**2,544**
Deferred taxes, net	**214**	**-**
Other assets		
Other assets, deferred charges and intangible assets	**8,534**	**7,551**
TOTAL ASSETS	**Ps.287,283**	**Ps.250,990**

Ing. Luis Peña Kegel	Ing. Sergio García Robles Gil	C. P. Román Martínez Méndez	Lic. Jorge Eduardo Vega Camargo	C. P. C. Nora Elia Cantú Suárez
Chief Executive Officer	Managing Director - CFO	Managing Director - Audit	Executive Director Controller	Executive Director Accounting

LIABILITIES	2007	2006
Deposits		
Demand deposits	Ps.111,080	Ps.99,002
Time deposits		
General public	79,408	72,236
Money market	12,819	4,622
	203,307	**175,860**
Bank and other loans		
Demand loans	871	1,026
Short-term loans	11,056	6,127
Money market	10,796	10,337
	22,723	**17,490**
Overnight securities	**10**	**1,810**
Securities and derivative financial instruments		
Creditor balances under repurchase and resale agreements	515	244
Derivative financial instruments	2,435	3,689
	2,950	**3,933**
Other payables		
Income taxes and employee profit sharing	2,212	1,390
Sundry creditors and other payables	10,888	9,755
	13,100	**11,145**
Subordinated debentures	**10,210**	**11,761**
Deferred taxes, net	**-**	**338**
Deferred credits and advanced collections	**827**	**627**
TOTAL LIABILITIES	**253,127**	**222,964**
STOCKHOLDERS' EQUITY		
Paid-in capital		
Common stock	11,965	12,020
Additional paid-in capital	1,272	1,862
	13,237	**13,882**
Other capital		
Capital reserves	2,452	2,140
Retained earnings from prior years	21,379	16,417
Insufficiency in restated stockholders' equity	(6,380)	(6,380)
Effect of holding non-monetary assets	(5,009)	(5,734)
Net income	6,810	6,255
	19,252	**12,698**
Minority interest in stockholders' equity	**1,667**	**1,446**
TOTAL STOCKHOLDERS' EQUITY	**34,156**	**28,026**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps.287,283**	**Ps.250,990**

MEMORANDUM ACCOUNTS (Note 34)
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 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. 7,009 (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.

BANORTE

Consolidated Statement of Income

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In millions of Mexican pesos of purchasing power of December 31, 2007)

	2007	2006
Interest income	Ps.40,585	Ps.36,120
Interest expense	(22,838)	(21,256)
Monetary position loss, net	(363)	(350)
Financial margin	**17,384**	**14,514**
Provision for loan losses	(2,646)	(1,530)
Financial margin after provision for loan losses	**14,738**	**12,984**
Commission and fee income	7,693	6,324
Commission and fee expense	(1,086)	(920)
Brokerage revenues	1,292	1,781
	7,899	**7,185**
Net operating revenues	**22,637**	**20,169**
Administrative and promotional expenses	(14,432)	(13,157)
Operating income	**8,205**	**7,012**
Other income	2,835	3,192
Other expenses	(968)	(905)
	1,867	**2,287**
Income before income taxes and employee profit sharing	**10,072**	**9,299**
Current income taxes and employee profit sharing	(3,780)	(3,098)
Deferred Income taxes and employee profit sharing	487	(355)
	(3,293)	**(3,453)**
Income before equity in earnings of subsidiaries and associated companies	**6,779**	**5,846**
Equity in earnings of subsidiaries and associated companies	357	628
Net earnings before minority interest	**7,136**	**6,474**
Minority interest	(326)	(219)
NET INCOME	**Ps.6,810**	**Ps.6,255**

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.

Ing. Luis Peña Kegel Chief Executive Officer	Ing. Sergio García Robles Gil Managing Director - CFO	C. P. Román Martínez Méndez Managing Director - Audit	Lic. Jorge Eduardo Vega Camargo Executive Director Controller	C. P. C. Nora Elia Cantú Suárez Executive Director Accounting

Consolidated Statements of Changes in Financial Position

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In millions of Mexican pesos of purchasing power of December 31, 2007)

	2007	2006
Operating activities:		
Net income	**Ps.6,810**	**Ps.6,255**
Items not requiring (generating) resources:		
Fair value adjustments of financial instruments	(192)	176
Allowance for loan losses	2,646	1,530
Depreciation and amortization	980	923
Deferred taxes	(487)	355
Provisions for other obligations	2,433	(107)
Minority interest	326	219
Equity in earnings of subsidiaries and associated companies	(357)	(628)
	12,159	**8,723**
Increase or decrease in operating accounts:		
Increase in deposits	27,447	27,260
Increase in loan portfolio	(51,124)	(24,143)
Decrease (increase) from treasury transactions (investment securities)	10,171	(6,444)
(Increase) decrease in transactions with securities and derivative financial instruments	(2,370)	3,380
Increase (decrease) from bank and other loans	5,233	(3,668)
(Increase) decrease of deferred taxes	(65)	419
Net resources generated by operating activities	**1,451**	**5,527**
Financing activities:		
Subordinated debentures	(1,551)	6,837
(Repurchase) issuance of shares	(639)	31
Dividends declared	(917)	(792)
(Decrease) increase in other payables	(418)	4,443
Net resources (used in) generated by financing activities	**(3,525)**	**10,519**
Investing activities:		
Acquisition of property, furniture and fixtures, net	(1,961)	(1,378)
Decrease (increase) in permanent stock investments	353	(416)
Increase in deferred charges and credits	(388)	(5,987)
(Increase) decrease in foreclosed assets	(6)	89
Decrease (increase) in other accounts receivables	632	(5,239)
Net resources used in investing activities	**(1,370)**	**(12,931)**
Net (decrease) increase in cash and cash equivalents	(3,444)	3,115
Cash and cash equivalents at the beginning of the year	45,054	41,939
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**Ps.41,610**	**Ps.45,054**

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 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.

Ing. Luis Peña Kegel	Ing. Sergio García Robles Gil	C. P. Román Martínez Méndez	Lic. Jorge Eduardo Vega Camargo	C. P. C. Nora Elia Cantú Suárez
Chief Executive Officer	Managing Director - CFO	Managing Director - Audit	Executive Director Controller	Executive Director Accounting

BANORTE

Consolidated Statements of Changes in Stockholders' Equity

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDING ON DECEMBER 31, 2007 AND 2006
(Cifras en millones de pesos con poder adquisitivo del 31 de diciembre de 2007)

	PAID-IN CAPITAL	
	Common stock	Additional paid-in capital
BALANCES, JANUARY 1, 2006	**Ps.12,021**	**Ps.1,858**
Transactions approved by stockholders		
Issuance (repurchase of shares)	(1)	4
Transfer of prior years' result	-	-
Creation of reserves as per General Stockholders' meeting on April 28, 2006	-	-
Dividends declared at the General Stockholders' meeting on October 6, 2006	-	-
Total transactions approved by stockholders	**(1)**	**4**
Comprehensive income:		
Net income	-	-
Effect of holding non-monetary assets	-	-
Total comprehensive income	**-**	**-**
Minority interest	-	-
BALANCES, DECEMBER 31, 2006	**12,020**	**1,862**
Changes in accounting principles		
BALANCES, DECEMBER 31, 2006 AFTER RETROACTIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	**12,020**	**1,862**
Transactions approved by stockholders		
Issuance (repurchase of shares)	(55)	(590)
Transfer of prior years' result	-	-
Creation of reserves as per General Stockholders' meeting on March 30, 2007	-	-
Dividends declared at the General Stockholders' meeting on October 3, 2007	-	-
Total transactions approved by stockholders	**(55)**	**(590)**
Comprehensive income		
Net income	-	-
Effect of holding non-monetary assets	-	-
Changes in accounting principles	-	-
Total comprehensive income	**-**	**-**
Minority interest	-	-
BALANCES, DECEMBER 31, 2007	**Ps.11,965**	**Ps.1,272**

Ing. Luis Peña Kegel
Chief Executive Officer

Ing. Sergio García Robles Gil
Managing Director - CFO

C. P. Román Martínez Méndez
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Executive Director Controller

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

OTHER CAPITAL

Capital reserves	Retained earnings from prior years	Insufficiency in restated stockholders' equity	Effect of holding non-monetary assets	Net income	Total majority interest	Total minority interest	Total stockholders' equity
Ps.1,807	**Ps.11,331**	**(Ps.6,380)**	**(Ps.4,660)**	**Ps.6,183**	**Ps.22,160**	**Ps.1,059**	**Ps.23,219**
28	-	-	-	-	31	-	31
-	6,183	-	-	(6,183)	-	-	-
305		(305)-	-	-	-	-	-
-	(792)	-	-	-	(792)	-	(792)
333	**5,086**	**-**	**-**	**(6,183)**	**(761)**	**-**	**(761)**
-	-	-	-	6,185	6,185	-	6,185
-	-	-	(496)	-	(496)	-	(496)
-	**-**	**-**	**(496)**	**6,185**	**5,689**	**-**	**5,689**
-	-	-	-	-	-	402	402
2,140	**16,417**	**(6,380)**	**(5,156)**	**6,185**	**27,088**	**1,461**	**28,549**
			(578)	70	(508)	(15)	(523)
2,140	**16,417**	**(6,380)**	**(5,734)**	**6,255**	**26,580**	**1,446**	**28,026**
6	-	-	-	-	(639)	-	(639)
-	6,255	-	-	(6,255)	-	-	-
306	(306)	-	-	-	-	-	-
-	(917)	-	-	-	(917)	-	(917)
312	**5,032**	**-**	**-**	**(6,255)**	**(1,556)**	**-**	**(1,556)**
-	-	-	-	6,810	6,810	-	6,810
-	-	-	147	-	147	-	147
-	(70)	-	578	-	508	15	523
-	**(70)**	**-**	**725**	**6,810**	**7,465**	**15**	**7,480**
-	-	-	-	-	-	206	206
Ps.2,452	**Ps.21,379**	**(Ps.6,380)**	**(Ps.5,009)**	**Ps.6,810**	**Ps.32,489**	**Ps.1,667**	**Ps.34,156**

These statements of changes in shareholder's 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 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.

Notes to Consolidated Financial Statements

GRUPO FINANCIERO BANORTE

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In millions of Mexican pesos of purchasing power of December 31, 2007)

1 – ACTIVITY AND REGULATORY ENVIRONMENT

Grupo Financiero Banorte, S.A.B. de C.V. (the "Financial Group") (previously Grupo Financiero Banorte, S.A. de C.V.) 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 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, the purchase and sale of uncollected invoices and notes, rendering of general warehousing services and providing life insurance and casualty insurance.

Per legal requirements, the Financial 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 regulators of the Financial Group and its subsidiaries include reviewing the financial information and requesting modifications to such information.

At the Extraordinary Stockholders' Meeting held on December 13, 2006, it was resolved, among other things, to reform the Financial Group's bylaws in order to adjust them to the new provisions of the Mexican Stock Market Law. This new law establishes that business corporations with representative shares of their stockholders' equity registered in the National Securities Register will, as of the law's effective date, become securities business corporations. Consequently, the Financial Group's name was modified to add "Securities Business Corporation of Variable Capital" or its abbreviation in Spanish, S.A.B. de C.V. The corresponding authorization by the SHCP was obtained by means of official document UBA/DGABM/1293/2007 dated September 4, 2007. The modifications to the bylaws are recorded in Public Document 58,046 dated August 27, 2007, which is inscribed in the Public Registry of Property and Commerce under electronic mercantile folio 40197*9 dated October 1, 2007.

The Financial Group's consolidated financial statements have been approved by the Board of Directors at their January 31, 2008 meeting in accordance with the responsibility assigned to them.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Acquisition of Uniteller Holdings, Inc.

In January 2007, Banco Mercantil del Norte, S.A. ("Banorte"), through its subsidiary Banorte USA Corporation ("Banorte USA") a company constituted in the United States of America, completed the acquisition of 100% of the outstanding shares of Uniteller Holdings, Inc. (Uniteller), which is a remittances company based in the United States of America. The acquisition was completed after receiving the approval of the SHCP in Mexico and U.S. authorities that regulate the money transfer industry in that country.

To close this acquisition, Banorte USA received a total of USD 19 million as a capital contribution from Banorte, USD 18.3 million of which covered the purchase price of all of Uniteller's shares and the rest was used as a capital contribution of USD 700 thousand. In addition, as part of the purchase agreement, Banorte USA contributed an additional USD 650 thousand to

Uniteller that was used to pay its previous shareholders' loans. This payment was capitalized in June 2007.

The initial purchase price allocation assigned goodwill of USD 17 million and other intangible assets of USD 375 thousand, which are included as "Other assets, deferred charges and intangibles" in the consolidated balance sheet. The goodwill was calculated as follows:

	Millions of USD
Purchase price	18.30
Plus:	
Acquisition expenses	2.50
Less:	
Fair value of the net assets acquired	(3.38)
Intangible assets acquired	(0.38)
Goodwill	**17.04**

b. Bond securitization

In keeping with a modification in its investment strategy, Banorte, during the first quarter of 2007, reclassified Ps. 3,434 of its PEMEX bonds from "Held to maturity securities" to "Available for sale securities". As a result of this reclassification, a gain of Ps. 26 was recognized in stockholders' equity resulting from the fair market valuation as required by the Commission's Accounting Circular B-2, "Investments in Securities".

Due to the transfer of securities between the aforementioned categories, a corresponding reclassification was made for its derivative financial instruments that hedged those positions, comprised of cross currency swaps that exchanged the Financial Group's variable exposure with interest rates denominated in Mexican pesos to a fixed rate in US dollars. The reclassification consisted of a change of category from "Hedge of securities held to maturity" to "Hedge of available for sale securities".

Subsequently, Banorte sold part of its position in UMS, PEMEX, CFE and BANCOMEXT bonds of Ps. 2,027 to a trust created for this specific purpose, which subsequently issued stock certificates that were placed through a public offering on the Mexican Stock Exchange. Banorte recorded a loss of Ps. 43 on the sale, as a result of canceling the fair market value effects recorded in stockholders' equity and recognized the effects of the sale in the consolidated income statement.

Banorte kept its position in its cross currency swaps and entered into four swaps transactions with the Trust so that the latter could cover the exchange exposition and interest generated by the bonds it acquired. The transaction generated a Ps. 79 gain that was recognized in the consolidated income statement.

Banorte purchased a majority of the stock certificates issued by the trust and subsequently entered into repurchase agreements with third parties. Banorte continued to account for the transaction as a sale in accordance with the accounting practices established by the Commission, which requires that the stock certificates purchased by Banorte be resold through repurchase agreement transactions. If the stock certificates had not been placed in securities repurchase agreements, the transaction would have been considered to be a secured borrowing with collateral.

c. State and municipal government portfolio securitization

In November 2007, Banorte securitized its state and municipal government portfolio of Ps. 5,599, transferring such loans to a trust created specifically for the purpose of this transaction. The trust then issued Series A stock certificates for Ps. 5,263 and Series B for Ps. 112 in the Mexican Stock Market. The guaranteed rate of return for the Series A shareholders is TIIE 28 + 18 bp and TIIE 28 + 65 bp for the Series B shareholders. Banorte received Ps. 5,375 in cash and a stock certificate valued which gives it rights over the trust's remaining cash flows after its shareholders are all paid off. This retained interest was recorded at its fair value within "Trading Securities". The securitization was recorded as a sale and generated a gain of Ps. 14, resulting from the difference between the fair value of the assets received and the carrying value of the transferred assets.

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d. Acquisition of Motran Services, Inc.

In December 2007, Banorte, through its subsidiary Banorte USA, acquired 100% of the outstanding shares of Motran Services, Inc. ("Motran"), a remittances company located in the United States of America. The acquisition was completed after receiving the approval of the SHCP in Mexico and the U.S. authorities that regulate the money transfer industry in that country.

Banorte USA received a capital contribution of USD 3 million from Banorte, of which USD 1.94 million was used to cover the entire purchase price of Motran's shares and USD 117 thousand was used to pay Motran's debt to its previous shareholder. The remainder of the funds will be paid as a bonus to the previous shareholder, who continues to be in charge of running Motran's money transfer business. This bonus will be paid to the shareholder in the first two years of operations subsequent to the purchase date. Consequently, beginning in January 2008 a monthly provision will be recorded for the payments that will be made over the next two years.

The preliminary purchase price allocation assigned goodwill of USD 1.54 million and USD 61 thousand to other intangible assets, which are included as "Other assets, deferred charges and intangibles" in the consolidated balance sheet. The goodwill was calculated as follows:

	Millions of dollars
Purchase price	1.94
Plus:	
Acquisition expenses	0.23
Less:	
Fair value of the net assets acquired	(0.57)
Intangible assets acquired	(0.06)
Goodwill	**1.54**

e. Early payment of subordinated debentures

On November 28, 2002 Banorte authorized the issuance of publicly traded (in Mexico) non-preferred, non-convertible subordinated debentures (BANORTE 02D) up to a total amount of Ps. 1,500 (nominal value) with a 10-year term and principal due at maturity.

Subsequently, at the General Extraordinary Shareholders' Meeting held on June 16, 2003, a reduction of the total amount of the issuance to Ps. 1,136 (nominal value) was approved.

Banorte's management decided to prepay the outstanding debt and on November 28, 2007 paid Ps. 1,236 of principal and Ps. 47 of accrued interest. There was no prepayment penalty as stipulated in clause eleven of the debenture.

f. Sale of Fianzas Banorte, S.A. de C.V.

On March 31, 2007, 100% of the shares of Fianzas Banorte, S.A. de C.V. ("Fianzas Banorte") were sold. This transaction was approved by the Board of Directors in its July 27, 2006 meeting. The Financial Group recorded a gain on sale of Ps. 19 as it received Ps. 154 in cash and the book value of its investment was Ps. 135 on the date of sale.

3 – BASIS OF PRESENTATION

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, 2007 and 2006, the Financial Group's consolidated subsidiaries and its ownership percentage is as follows:

	2007	2006
Banco Mercantil del Norte S. A. y Subsidiarias	97.06%	97.06%
Casa de Bolsa Banorte S. A. de C. V.	99.99%	99.99%
Arrendadora y Factor Banorte S. A. de C. V. (antes Factor Banorte, S. A. de C. V.)	99.99%	99.99%
Arrendadora Banorte S. A. de C. V.	99.99%	99.99%
Almacenadora Banorte S. A. de C. V.	99.99%	99.99%
Créditos Pronegocio S. A. de C. V.	99.99%	99.99%

4 – SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting principles

On September 15, 2006 the Official Gazette of the Federation published the changes in accounting criteria established by the Commission for financial institutions. Such changes became effective as of January 1, 2007, of which the most significant are listed below:

- The following pronouncements of Mexican Financial Reporting Standards ("MFRS"), as published or adopted by the Mexican Board for Research and Development of Financial Information Standards ("CINIF"), were adopted by the Commission: a) NIF B-1, "Accounting Changes and Error Corrections"; b) Bulletin B-7, "Business Acquisitions"; c) Bulletin C-10, "Derivative Financial Instruments and Hedging Activities"; d) Bulletin C-15, "Impairment of the Value of Long-lived Assets and their Disposal;" and e) Bulletin D-5, "Leases".

- All subsidiaries under the control of financial holding companies, except those in the insurance and pension sector, are required to be consolidated. The exception to consolidate only subsidiaries belonging to the financial sector was eliminated.

- The result of monetary position ("REPOMO") is now determined based on the beginning balances and not over the average balances.

- Foreclosed assets are now considered to be non-monetary assets.

- Cash dividends received from publicly traded securities are recorded in the balance sheet in the same period the fair value of the securities is affected.

- Transfers to or from trading securities were eliminated, allowing companies to only make transfers from held to maturity securities to available for sale securities, providing they will not be held to maturity.

- Changes in the fair value of derivative instruments designated as hedges are recognized as follows:

  a. For fair value hedges, changes in both the derivative instrument and the hedged item are recognized in current earnings.

  b. For cash flow hedges, changes in the effective portion are temporarily recognized as a component of other comprehensive income in stockholders' equity and subsequently reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings.

As stated below, the Financial Group applied these changes in accounting principles retroactively. The cumulative effect in 2007 resulting from accounting for its derivative instruments at fair value was decrease of Ps. 578 in stockholders' equity within "Results from the valuation of cash flow hedging ins

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truments", which in turn is included in the "effect of holding non-monetary assets", which is shown in the 2006 statement of changes in stockholders' equity for presentation purposes.

- Loans with financial entities, governments and the IPAB loans are considered to be commercial loans for presentation purposes.

- Fees charged in connection with the issuance of loans will be recorded as a deferred credit, which will be amortized into interest income over the loan's term.

- Reserves may be recorded in addition to those established by the Commission to cover risks that are not foreseen by the existing loan portfolio rating methodologies. Before doing so, the Financial Group must report the following to the Commission: a) the origin of the estimates; b) the methodology applied; c) the amount of the estimates; and d) the period over which they are considered to be necessary.

- Recoveries of previously written-off loans are recorded in the consolidated income statements within other income.

- Additional allowances for loan losses determined through the portfolio rating, must be cancelled with the effects recognized in the income statement (on a quarterly basis), as established by the Commission.

- Fees collected for granting guarantees are presented in commission and fee income within the consolidated income statement.

- On April 26, 2007 the Commission published in the Official Gazette of the Federation additional changes, among which the most important was Criterion B-11, "Collection Rights", which establishes how to account for acquired impaired loans. The amortization of the initial investment and the determination of the yield are recorded by applying one of the following three methods, depending on the specific features of the acquired loans packages: a) effective interest method, b) cash basis method, c) cost recovery method. The accounting policies previously used by the Financial Group through 2006 did not contemplate the cash basis method.

Retrospective application of the changes in accounting criteria

As a result of the accounting changes described above, the 2006 financial statements reflect the effect of such changes retrospectively in order for them to be comparative with the 2007 financial statements. The deferral of income for fees obtained was performed beginning with loans issued in 2006.

The following accounts have been adjusted retrospectively as a result of the changes noted above disclosing the previously presented balances, the adjusted balances and the variance between the two (in millions of Mexican pesos of purchasing power of December 31, 2007):

Consolidated balance sheets

Assets	2006 As originally presented	2006 As adjusted	Variance
Cash and cash equivalents	Ps.45,054	Ps.45,054	Ps.-
Investments in securities	26,646	29,441	2,795
Securities and derivative financial instruments:	46	2,194	2,148
Loan portfolio	**149,499**	**147,104**	**(2,395)**
(Less) allowance for loan losses	(3,667)	(3,140)	(527)
Loan portfolio, net	**145,832**	**143,964**	**(1,868)**
Acquired loan portfolios	3,755	4,617	862
Total loan portfolio, net	**149,587**	**148,581**	**(1,006)**
Other accounts receivable, net	5,853	8,249	2,396
Foreclosed assets, net	328	393	65
Property, furniture and fixtures, net	6,899	6,899	-
Permanent stock investments	3,284	2,544	(740)
Deferred taxes, net	-	-	-
Other assets	5,649	7,635	1,986
Total assets	**Ps.243,346**	**Ps.250,990**	**Ps.7,644**

Liabilities			
Deposits	175,980	175,860	(120)
Bank and other loans	17,490	17,490	-
Overnight securities	-	1,810	1,810
Securities and derivative financial instruments	246	3,933	3,687
Other payables	9,058	11,145	2,087
Subordinated debentures	11,799	11,761	(38)
Deferred taxes, net	149	338	189
Deferred credits and advanced collections	74	627	553
Total liabilities	**214,796**	**222,964**	**8,168**

Stockholders' equity			
Paid-in-capital	13,883	13,882	(1)
Other capital	13,206	12,698	(508)
Net income	6,185	6,255	(70)
Minority interest in stockholders' equity	1,461	1,446	(15)
Total stockholders' equity	**28,550**	**28,026**	**(524)**
Total liabilities and stockholders' equity	**Ps.243,346**	**Ps.250,990**	**Ps.7,644**

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Consolidated statements of income	2006 As originally presented	2006 As adjusted	Variance
Interest income	Ps.36,828	Ps.36,120	(Ps.708)
Interest expense	(21,409)	(21,256)	153
Monetary position loss, net	(349)	(350)	(1)
Financial margin	**15,070**	**14,514**	**(556)**
Allowance for loan losses	(1,588)	(1,530)	58
Financial margin after provision for loan losses	**13,482**	**12,984**	**(498)**
Commission and fee income	7,876	6,324	(1,552)
Commission and fee expense	(1,586)	(920)	666
Brokerage revenues	1,781	1,781	-
Net operating revenue	**21,553**	**20,169**	**(1,384)**
Administrative and promotional expenses	(12,931)	(13,157)	(226)
Operating income	**8,622**	**7,012**	**(1,610)**
Other income	1,127	3,192	2,065
Other expenses	(919)	(905)	14
Income taxes and employee profit sharing	**8,830**	**9,299**	**469**
Current income taxes and employee profit sharing	(3,034)	(3,098)	(64)
Deferred income taxes and employee profit sharing	(221)	(355)	(134)
Income before equity in earnings of subsidiaries and associated companies	**5,575**	**5,846**	**271**
Equity in earnings of subsidiaries and associated companies, net	827	628	(199)
Net earnings before minority interest	**6,402**	**6,474**	**72**
Minority interest	(217)	(219)	(2)
Net income	**Ps.6,185**	**Ps.6,255**	**Ps.70**

The significant accounting policies of the Financial Group are in conformity with practices prescribed by the Commission for Credit Institutions, Brokerage Houses and Money Management Companies, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Financial Group's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances.

In the absence of a specific accounting principle issued by the Commission or in the NIFs issued by the CINIF, the following supplemental guidance should be applied: International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and accounting principles generally accepted in the United States of America ("US GAAP") issued by the Financial Standards Board ("FASB").

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

Recognition of the effects of inflation in financial information

The Financial Group restates its consolidated financial statements to Mexican peso purchasing power as of the most recent balance sheet date presented thereby recognizing the effects of inflation in its financial information. Accordingly, the consolidated financial statements of the prior year, that are presented for comparative purposes, have also been restated to Mexican pesos of the same purchasing power and, therefore, differ from those originally reported in the prior year. Consequently, the prior year financial statements are comparable with the current year as they are all expressed in the same purchasing power.

To recognize the effects of inflation in terms of purchasing power of the most recent balance sheet presented, the following procedures are applied:

To the balance sheet accounts

Real estate property is restated based on a factor derived from the value of Investment Units ("UDIS"), taking values determined by independent appraisers as the basis for their valuation.

Furniture and fixtures are restated based on a factor derived from the value of the UDI from their acquisition date to the most recent balance sheet presented.

Foreclosed assets are considered to be non-monetary beginning on January 1, 2007, consequently the prior year amounts have been restated based on a factor derived from the value of the UDI.

Investments in shares are valued based on the equity method. The difference between the restatement of the balance at the beginning of the period using the restatement factor derived from the value of the UDI and the increase or decrease from the equity in earnings is reflected as a result from holding non-monetary assets.

Contributed capital and retained earnings, as well as other non-monetary items, are restated using a factor derived the value of the UDI from the date of contribution or when earned. Contributed and earned capital is restated taking May 1992 as the base month for restatement.

To the statement of income accounts

Revenues and expenses that affect or are derived from a monetary item (funds available, financial instruments, loan portfolio, deposits, etc.), and those derived from current operations (commissions, tariffs and administrative and promotional expenses) are restated from the month in which they occur to the most recent balance sheet presented, using a factor derived from the value of the UDI.

Depreciation for the year is calculated on restated values based on the estimated useful lives determined by independent appraisers.

Monetary position result, which represents the erosion of purchasing power of monetary items caused by inflation, is calculated by applying the inflation factor derived from the value of the UDI to the monthly net monetary liability (asset) average and is restated using the factor discussed above at the most recent balance sheet presented.

To the statement of changes in stockholders' equity accounts

The insufficiency in restating stockholders' equity is comprised by the accumulated REPOMO up to the first restatement.

RETANM is equal to the difference between the final permanent investments balance valued by the equity method and the amount resulting from applying the restatement factor of the period to the permanent investments at the beginning of such period plus the restated amount of the latest balance sheet.

To the statement of changes in financial position accounts

The statement of changes in financial position presents the changes in constant pesos, starting from the financial position of the previous balance sheet presented, restated to pesos as of the most recent balance sheet presented.

Comprehensive income

Represents 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 2007 and 2006, the comprehensive income is represented by the year's results, the translation effects of foreign subsidiaries, the unrealized gain/loss on available for sale securities and RETANM.

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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 most recent balance sheet date presented.

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, net of their monetary position result and reclassified to current earnings upon their sale. The monetary position result generated by the valuation of these securities is recorded in stockholders' equity.

Held to maturity securities

Held to maturity securities consist of debt instruments whose payments can be readily 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 fair 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.

As of January 1, 2007, transfers from this classification to "Available for sale securities" can only be made providing the related instruments will not be held to maturity.

Customer repurchase agreements

Customer repurchase agreements represent the temporary purchase or sale of certain financial instruments in exchange for an established premium with the obligation to resell or repurchase such securities in the future.

When the Financial Group acts as the vendor of securities, the net position represents the difference between the fair value of the securities covered by the repurchase agreement (asset position) which, in turn, represents the securities to be received through the transaction, valued according to the investment valuation methods established for trading securities, and the present value of the price at maturity (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.

The debit or credit balance resulting from transactions involving repurchase agreements is presented under assets or liabilities in the consolidated balance sheet under the heading "Securities and derivative financial instruments".

For repurchase transactions entered into for periods exceeding three business days, a guarantee must be provided to mitigate market and counterparty risks. Guarantees received for repurchase transactions not involving the transfer of ownership are recognized in memoranda accounts and are considered as restricted assets.

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 Bank of Mexico 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 Credit Risk 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

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. Asset and liability positions are individually offset; a resulting debit balance is presented as an asset under the "Derivative financial instruments" heading, while a credit balance is presented as a liability under the same heading.

Option contracts

The balance of these transactions entered into for trading purposes is stated at fair value and recorded as an asset or liability under the "Derivative financial instruments" heading.

Swaps

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 instruments are carried at fair value in the balance sheet.

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

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

- For fair value hedges, the transactions are recorded as follows:

  a. The fair value of the derivative instrument is recorded as an asset or liability in the consolidated balance sheet as "Securities and derivative financial instruments".

  b. Changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings.

- For cash flow hedges, the transactions are recorded as follows:

  a. The fair value of the derivative instrument is recorded as an asset or liability in the consolidated balance sheet as "Securities and derivative financial instruments". Changes in the effective portion are temporarily recognized as a component of other comprehensive income in stockholders' equity and subsequently reclassified to current earnings when affected by the hedged item. 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 com prehensive income associated with the primary position is restated at the lower value (absolute value) of:

     I. The accumulated profit or loss of the hedging instrument; and

     II. The accumulated change in the primary position's fair value from the beginning of the hedging transaction.

Loan portfolio

The loan portfolio represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest minus interest payments received. The allowance for loan losses resulting from credit risks is presented by deducting the balance from 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 upon 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 having 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 is recorded as a deferred credit and amortized as interest income, over 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 at least 25% of the original loan amount are considered past-due until evidence of sustained payments 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 December 2, 2005 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 internal 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 allowances are determined based on the rules set by the Commission. This methodology is explained further 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 utilized 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's current 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 its related the allowance for loan losses, derived from applying such methodologies.

As of December 14, 2006, the Commission issued Document No. 111-1/524348/2006, which renews for a two-year period, as of December 1, 2006, the authorization for such internal commercial 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 with the value of the guarantees or the value of the assets held 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 in accordance with the established trust agreements 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 applies the procedure established by the Commission.

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When evaluating a debtor's credit quality with the CIR Banorte method, the following risks and payment type 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 homologated 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	Minimum 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 portfolios acquired by the Financial Group, that 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 portfolios' 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, providing 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 recoveries are recorded in current earnings.

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 as "highly effective" if the result of dividing the sum of the cash flows actually collected by the sum of the expected cash flows is between 80% and 125% when such effectiveness is evaluated.

The Financial Company periodically evaluates the expected cash flows of its purchased portfolios to determine, whether based on events or circumstances the expected cash flows will decrease. It will then make an estimate of non-recoverability or difficult collection and record the corresponding decrease in the portfolio balance equal to the difference between the carrying value and the revised estimated cash flows.

Other accounts receivable and payable

The Financial Group performs an internal analysis 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 balance of asset and liability settlement accounts represent transactions involving the sale and purchase of foreign currencies and securities, which are recorded when entered into and settled within 48 hours.

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. No impairment has been recorded in the consolidated financial statements.

Foreclosed property or property received as payments in kind, 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 the 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 fair value of the foreclosed property, the latter must be adjusted to equal the loan's carrying value.

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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.

When recognizing the effects of inflation in financial information, foreclosed property is considered to be a non-monetary item as of January 1, 2007 and is restated using a factor derived from the value of the UDI.

The provisions applicable to the new 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 payment 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 payment 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.

If appraisals subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of collection rights, securities, personal or real property, the reserve percentages contained in the preceding table may be applied to the adjusted value.

Property, furniture and fixtures

Property, furniture and fixtures are recorded at acquisition cost, restated as explained earlier in this note.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, which for the Financial Group's property is determined 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"), Tax on Assets ("IMPAC") and Employee Statutory Profit-Sharing ("PTU")

ISR and PTU are recorded in the results of the year in which they are incurred. Beginning October 2007, based on its financial projections, the Company must determine whether it will incur regular income tax ("ISR") or the new Business Flat Tax ("IETU") and, accordingly, recognizes deferred taxes based on the 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.

Asset tax paid that is expected to be recovered is recorded as an advance on income tax and is presented in the consolidated balance sheet under "Other receivables, net".

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 indefinite lives are amortized systematically over the period expected to receive benefits. The value of these assets 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. It is restated using the NCPI and at least once a year is subject to impairment tests. No impairment of goodwill was recorded in the consolidated financial statements.

Deposits

Liabilities derived from deposits, including promissory notes, are recorded at their procurement or placement cost plus accrued interest, which is determined according to the number of days elapsed at each monthly close and is 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.

Defined benefit plans

The Financial Group records a liability for seniority premiums, 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 net discount rates as established by Bulletin D-3 "Labor Obligations".

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 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.

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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.

Costs associated with the defined contribution plan are recorded based on 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 current earnings.

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 transferor 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 transferor and transferee account for the transfer as a secured borrowing with pledge of collateral.

Securitizations

Through this type of transaction, the Financial Group seeks to sell and transfer certain financial assets to a qualifying special purpose entity (ordinarily a trust), 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 transferor does not transfer ownership of the financial assets, i.e., if it effectively retains control over 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 transferor cannot derecognize such transferred assets from its financial statements and accounts for the transfer as a secured borrowing with pledge of collateral.

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 by other types of unregulated entities in Mexico:

- The Financial Group does not consolidate its subsidiaries in the insurance and annuities sectors. MFRS requires that all controlled subsidiaries be consolidated, regardless of the sector to which they belong.

- Repurchase and resale agreements are recorded as purchase and sale transactions or temporary transfer of securities that guarantee the operation, however they are not recognized based on the substance of the transaction (financing). They are, however, valued considering the current value of the securities' price upon maturity instead of the straight-line accrued premium.

- Fees received by Banorte Generali, S.A. de C.V. are recorded in current earnings when collected and not when they are earned.

- Costs associated with the issuance of loans are recorded in current earnings as incurred. According to MFRS, such costs should be recognized and matched against the corresponding interest income being generated by the related loans.

- 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 since the foreclosure. MFRS indicates that potential impairment be evaluated based on the net realizable value of the related foreclosed assets.

- Sundry debtors not collected within the contractual term, under 60 days in the case of unidentified debtors, 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 believes they may recover them.

- For securitization transactions, such transfers are recorded as a sale if the Financial Group effectively transfers control over them as established in the Commission's Circular C-1, "Transfer of financial assets". MFRS requires that substantially all the risks and rewards be transferred; if not, the transaction is recorded as a secured borrowing.

- The contribution or managed margin accounts (delivered and received) with financial derivative instruments listed in liquid markets (stock markets) or traded over the counter, are presented under the heading of "Funds available" and "Sundry creditors and other payables", respectively, instead of presenting them under the heading of "Derivative financial instruments", as established by MFRS.

- Purchased portfolios are valued using one of the following methods: cash basis method, interest method, and cost recovery method, established in the Commission's Circular B-11, "Collection Rights". There is no specific MFRS standard and as such US GAAP AICPA Statement of Position ("SOP") 03-3 is used as supplemental guidance. This SOP does not contemplate the cash basis method.

- In conjunction with its purchase of 70% of the shares INB, Banorte entered into an option to purchase the remaining 30% of the outstanding INB Financial Corporation shares from the minority interest subject to certain conditions. In addition, the minority interest has an option to sell the remaining 30% of the outstanding INB Financial Corporation subject to certain conditions. The fair value of the purchase option for the remaining 30% of INB's shares is valued at each reporting date by applying a formula agreed to by both parties in the acquisition documents. According to Bulletin B-7, "Business Acquisitions", this operation would be treated as a transaction among existing shareholders of the same entity with any changes in the fair value of the liability recorded in stockholders' equity. Any payment made in excess or below thereof should be considered as a distribution or contribution of capital.

- Current and deferred PTU is presented in the statements of income with income tax instead of as other expenses, as established by MFRS NIF B-3, "Income Statements".

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6 – NEW ACCOUNTING PRINCIPLES

According to the Commission's accounting Circular A-1, "Basic Framework of Accounting for Credit Institutions", the accounting by financial service institutions must be in accordance with MFRS established by the CINIF, except when the Commission considers it necessary to apply a specific standard or accounting criterion, taking into consideration that such institutions perform specialized operations.

The following are some of the principal changes derived from the new standards or modifications issued by the CINIF to go into effect as of January 1, 2008:

- NIF B-10, "Effects of Inflation". CINIF defines two economic environments: a) inflationary environment, when cumulative inflation of the three preceding years is 26% or more, in which case, the effects of inflation should be recognized using the comprehensive method; and b) non-inflationary environment, when cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements. Additionally, NIF B-10 eliminates the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and requires that the cumulative gain or loss from holding non-monetary assets be reclassified to retained earnings, if such gain or loss is realized; the gain or loss that is not realized will be maintained in stockholders' equity and charged to current earnings of the period in which the originating item is realized.

- Cumulative RETANM that has been realized as of the effective date of NIF B-10 should be reclassified to retained earnings. Cumulative RETANM that has not been realized should be separately stated in stockholders' equity and recognized in current earnings in the period the item that originated it is realized. For practical purposes, entities may reclassify the entire balance of cumulative RETANM, both realized or unrealized, to retained earnings as well as monetary position amount recorded in stockholders' equity.

- NIF D-3, "Employee Benefits". This NIF includes current and deferred PTU. Deferred PTU should be calculated using the same methodology established in NIF D-4. It also includes the career salary concept and the amortization period of most items is reduced to five years, as follows:

  Items will be amortized over a 5-year period, or less, if employees' remaining labor life is less than the:

  - Beginning balance of the transition liability for severance and retirement benefits
  - Beginning balance of past service cost and changes to the plan
  - Beginning balance of gains and losses from severance benefits, according to actuarial calculations, should be amortized against the results of 2008

- The initial balance of the actuarial profits and losses of severance benefits is amortized in 5 years (transition liability net) with the option to amortize it in the 2008 income statements.

- PTU is considered to be an expense associated with labor obligations instead of an income tax (NIF D-4, "Taxes on Income").

- IMPAC should be recognized to be tax credit and consequently, as a deferred tax asset only when there is high probability of recoverability (NIF D-4).

- The Business Flat Tax is considered to be an income tax as established by INIF 8, "Effects of the Business Flat Tax", which requires an entity determine if it will be an ISR or IETU payer in the future based on management's projections and to recognize deferred taxes based on the tax it will pay.mismo período (INIF 8).

7 – CASH AND CASH EQUIVALENTS

As of December 31, 2007 and 2006, this line item was composed as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2007	2006	2007	2006	2007	2006
Cash	Ps.7,033	Ps.6,803	Ps.798	Ps.740	Ps.7,831	Ps.7,543
Deposits with foreign credit institutions	-	-	5,309	7,065	5,309	7,065
Domestic banks	250	340	-	-	250	340
Banco de Mexico	25,782	26,750	37	7	25,819	26,757
Call money	-	382	109	-	109	382
Other deposits and available funds	2,292	2,967	-	-	2,292	2,967
	Ps.35,357	**Ps.37,242**	**Ps.6,253**	**Ps.7,812**	**Ps.41,610**	**Ps.45,054**

As of December 31, 2007 the “Other” item includes Ps. 1,456 for funds due to be received in 24 and 48 hours, and Ps. 28 in gold and silver coins. In 2006, it included Ps. 1,890 for funds to be received in 24 and 48 hours, and Ps. 30 in gold and silver coins. As of December 31, 2007 and 2006, the Financial Group had made monetary regulation deposits of Ps. 25,782 and Ps. 26,750, respectively. As of December 31, 2007 and 2006, the total sum of restricted cash and cash equivalents is Ps. 28,089 and Ps. 29,998, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending liquation in 24 and 48 hours.

8 – INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2007 and 2006, trading securities are as follows:

	2007				2006
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
Commercial paper	Ps.1,244	Ps.-	Ps.10	Ps.1,254	Ps.399
Cetes	517	2	(1)	518	366
Government bonds	100	13	-	113	11
Government CBIC	-	-	-	-	92
Treasury Bonds	-	-	-	-	56
BREMS	-	-	-	-	52
Bank securities	5,399	-	(4)	5,395	15,692
Securitization certificates	201	3	12	216	665
Shares listed in the (SIC) International Quotation System	2	-	-	2	2
Futures	4	-	-	4	1
Investment funds	11	-	-	11	59
Subordinated securities	236	-	5	241	1
	Ps.7,714	**Ps.18**	**Ps.22**	**Ps.7,754**	**Ps.17,396**

During 2007 and 2006, the Financial Group recognized a valuation effect for the net amount of Ps. 1 and Ps. 18, respectively, in results of operations related to its trading securities.

As of December 31, 2007, 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.1,228	Ps.-	Ps.16	Ps.1,244
Cetes	517	-	-	517
Government bonds	100	-	-	100
Bank securities	2,139	3,260	-	5,399
Securitization certificates	201	-	-	201
Shares listed in the International Quotation System (SIC)	2	-	-	2
Futures	4	-	-	4
Investment funds	11	-	-	11
Subordinated securities	-	-	236	236
	Ps.4,202	**Ps.3,260**	**Ps.252**	**Ps.7,714**

b. Available for sale securities

As of December 31, 2007 and 2006, available for-sale securities were as follows:

	2007				2006
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Gov. bonds	Ps.4,642	Ps.24	Ps.(32)	Ps.4,634	Ps.3,957
UMS	1,309	34	18	1,361	1,838
Treasury bonds	-	-	-	-	224
Bonds	273	2	10	285	70
EUROBONDS	380	9	(3)	386	-
Structured notes	-	-	-	-	112
PEMEX bonds	3,817	54	10	3,881	-
Subordinated securities	21	-	309	330	22
Bank securities	-	-	-	-	829
CYDSA shares	19	-	52	71	39
	Ps.10,461	**Ps.123**	**Ps.364**	**Ps.10,948**	**Ps.7,091**

c. Held to maturity securities

As of December 31, 2007 and 2006, the held to maturity securities are as follows:

Medium and long-term debt instruments:

	2007				2006
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps.644	Ps.7	Ps.-	Ps.651	Ps.636
Fiduciary rights	34	-	(26)	8	9
US Government bonds	10	-	-	10	11
PEMEX bonds	-	-	-	-	4,155
Strip and Myra bonds	13	1	-	14	61
Subordinated securities	77	-	-	77	82
	Ps.778	**Ps.8**	**(Ps.26)**	**Ps.760**	**Ps.4,954**

As of December 31, 2007, 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.644	Ps.644
Fiduciary rights	-	34	34
US Government bonds	-	10	10
Strip and Myra bonds	13	-	13
Subordinated securities	-	77	77
	Ps.13	**Ps.765**	**Ps.778**

9 – TRANSACTIONS INVOLVING SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2007 and 2006, transactions involving securities and derivative financial instruments were as follows:

a. Debtor and creditor balances derived from repurchase transactions

Acting as seller of securities

	2007				2006			
	Asset position	Liability position			Asset position	Liability position		
Instrument	Value of securities receivable	Creditor repurchase agreement	Debit difference	Credit difference	Value of securities receivable	Creditor repurchase agreement	Debit difference	Credit difference
Cetes	Ps.4,039	Ps.4,039	Ps.-	Ps.-	Ps.3,640	Ps.3,640	Ps.-	Ps.-
Development bonds	25,900	25,901	-	1	882	882	-	-
Bonds 182	929	929	-	-	111	111	-	-
Bonds IPAB	874	879	-	5	19,377	19,377	2	2
Quarterly IPAB bonds	119,370	119,739	18	387	125,076	125,169	12	105
Semi-annual IPAB bonds	13,767	13,808	4	45	555	556	-	1
BREMS	-	-	-	-	2,185	2,184	1	-
5-year bonds	-	-	-	-	3,287	3,287	-	-
7-year bonds	1,684	1,684	-	-	154	154	-	-
10-year bonds	4,067	4,069	1	3	4,214	4,222	1	9
20-year bonds	8,758	8,780	1	23	18,186	18,195	1	10
PICFARAC	-	-	-	-	311	311	-	-
UDIBONOS	102	102	-	-	384	384	-	-
10-year UDIBONDS	1,460	1,459	1	-	77	77	-	-
Government securities	**180,950**	**181,389**	**25**	**464**	**178,439**	**178,549**	**17**	**127**
Promissory Notes	4,001	4,001	-	-	4,979	4,980	-	1
CEDES	12,897	12,906	3	12	11,595	11,676	-	81
Bank acceptances	10	10	-	-	5	5	-	-
CEBUR Bank	2,449	2,450	-	1	2,470	2,472	-	2
Bank securities	**19,357**	**19,367**	**3**	**13**	**19,049**	**19,133**	**-**	**84**
Private paper	11,618	11,642	1	25	4,997	5,023	-	26
CEBUR government	4,027	4,026	4	3	3,134	3,133	1	-
Securitization certificates	281	284	-	3	290	290	-	-
Private securities	**15,926**	**15,952**	**5**	**31**	**8,421**	**8,446**	**1**	**26**
	Ps.216,233	**Ps.216,708**	**Ps.33**	**Ps.508**	**Ps.205,909**	**Ps.206,128**	**Ps.18**	**Ps.237**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations in the amount of Ps. 16,468 (Ps. 15,752 in 2006).

During 2007 and 2006, the period of repurchase transactions entered into by the Financial Group in its capacity as vendor ranged from 3 to 91 days.

Acting as securities purchaser

	2007				2006			
	Asset position	Liability position			Asset position	Liability position		
Instrument	Value of securities receivable a entregar	Creditor repurchase agreement	Debit difference	Credit difference	Value of securities receivable a entregar	Creditor repurchase agreement	Debit difference	Credit difference
Cetes	Ps.300	Ps.300	Ps.-	Ps.-	Ps.1,503	Ps.1,503	Ps.-	Ps.-
Development bonds	3,233	3,233	-	-	882	882	-	-
Bonds 182	928	928	-	-	-	-	-	-
Bonds IPAB	878	873	5	-	519	519	-	-
Quarterly IPAB bonds	7,558	7,543	18	3	6,875	6,874	6	5
BREMS	-	-	-	-	2,153	2,154	-	1
5-year bonds	-	-	-	-	3,280	3,281	-	1
7-year bonds	350	350	-	-	151	151	-	-
10-year bonds	1,092	1,093	-	1	6	6	-	-
20-year bonds	1,126	1,125	2	1	547	547	-	-
UDIBONOS	102	102	-	-	384	384	-	-
10-year UDIBONDS	501	501	-	-	-	-	-	-
PICFARAC	-	-	-	-	311	311	-	-
Government securities	**16,068**	**16,048**	**25**	**5**	**16,611**	**16,612**	**6**	**7**
Promissory Notes	3,011	3,011	-	-	2,621	2,621	-	-
CEDES	1,773	1,773	-	-	794	792	2	-
Bank securities	**4,784**	**4,784**	**-**	**-**	**3,415**	**3,413**	**2**	**-**
Private paper	-	-	-	-	-	-	-	-
CEBUR government	650	652	-	2	235	235	-	-
Private securities	**650**	**652**	**-**	**2**	**235**	**235**	**-**	**-**
	Ps.21,502	**Ps.21,484**	**Ps.25**	**Ps.7**	**Ps.20,261**	**Ps.20,260**	**Ps.8**	**Ps.7**

With the Financial Group acting as the purchaser, accrued premiums were charged to the results of operations in the amount of Ps. 2,345 (Ps. 2,585 in 2006).

During 2007 and 2006, the period of repurchase transactions entered into by the Financial Group in its capacity as purchaser ranged from 3 to 28 days.

b. Derivative financial instruments

The transactions entered into by the Financial Group involving derivative financial instruments correspond mainly to futures, swaps and option contracts. These transactions are entered into to hedge various risks and for trading purposes.

As of December 31, 2007, 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, 2007 and 2006, the positions of the Financial Group's derivative financial instrument are as follows:

Concept		2007	
Futures	**Receivable flows**	**Deliverable flows**	**Net flows**
Over National Consumer Price Index	10	10	-
Individual compensation	**Asset position**	**Liability position**	**Net**
	-	-	-
Foreign currency forwards contracts	**Purchase**	**Sale**	**Net**
Market value	3,068	3,165	6,233
Contract price	(3,111)	(3,126)	(6,237)
Net position	**(43)**	**39**	**(4)**
Individual compensation	**Asset position**	**Liability position**	**Net**
	42	(46)	(4)
Swaps for trading purposes	**Receivable flows**	**Deliverable flows**	**Net flows**
Interest rate	49,227	(49,182)	45
Individual compensation	**Asset position**	**Liability position**	**Net**
	1,550	(1,505)	45
Swaps designated as hedging			
Interest rate	16,440	(16,869)	(429)
Individual compensation	**Asset position**	**Liability position**	**Net**
	415	(844)	(429)
Trading call options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	852	(633)	219
Swaptions	6	(30)	(24)
Net position	**858**	**(663)**	**195**
Individual compensation	**Asset position**	**Liability position**	**Net**
	195	-	195
Hedging call options			
Interest rate	138	(38)	100
Net position	**138**	**(38)**	**100**
Individual compensation	**Asset position**	**Liability position**	**Net**
	100	-	100
Net asset position	**996**	**(701)**	**295**
Put options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	(691)	661	(30)
Swaptions	(12)	2	(10)
Net position	**(703)**	**663**	**(40)**
Individual compensation	**Asset position**	**Liability position**	**Net**
	-	(40)	(40)
Net liability position	**(703)**	**663**	**(40)**
Total Asset and Liability Position	**Ps.2,302**	**(Ps.2,435)**	**(Ps.133)**

Concept		2006	
Futures	Receivable flows	Deliverable flows	Net flows
Over National Consumer Price Index	3	3	-
Individual compensation	**Asset position**	**Liability position**	**Net**
	-	-	-
Foreign currency forwards contracts for trading purposes	**Purchase**	**Sale**	**Net**
Market value	285	341	626
Contract price	(292)	(333)	(625)
Net position	**(7)**	**8**	**1**
Individual compensation	**Asset position**	**Liability position**	**Net**
	8	(7)	1
Foreign currency forwards contracts designated as hedging			
Market value	2,907	(2,859)	48
Contract price	2,907	(2,907)	-
Net position	**-**	**48**	**48**
Individual compensation	**Asset position**	**Liability position**	**Net**
	48	-	48
Swaps for trading purposes	**Receivable flows**	**Deliverable flows**	**Net flows**
Interest rate	6,606	(6,600)	6
Individual compensation	**Asset position**	**Liability position**	**Net**
	1,657	(1,651)	6
Swaps designated as hedging			
Interest rate	19,008	(20,595)	(1,587)
Individual compensation	**Asset position**	**Liability position**	**Net**
	442	(2,029)	(1,587)
Trading call options	**Initial Premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	9	-	9
Swaptions	1	3	4
Net position	**10**	**3**	**13**
Individual compensation	**Asset position**	**Liability position**	**Net**
	13	-	13
Hedging call options			
Interest rate	-	-	-
Net position	**-**	**-**	**-**
Individual compensation	**Asset position**	**Liability position**	**Net**
	-	-	-
Net asset position	**10**	**3**	**13**
Put options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	(16)	14	(2)
Net position	**(16)**	**14**	**(2)**
Individual compensation	**Asset position**	**Liability position**	**Net**
	-	(2)	(2)
Net liability position	**(16)**	**14**	**(2)**
Total Asset and Liability Position	**Ps.2,168**	**(Ps.3,689)**	**(Ps.1,521)**

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Transactions entered into for hedging purposes have maturities from 2007 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, 2007, is USD 413,350 (thousand) and EUR 21,406 (thousand).

10 – LOAN PORTFOLIO

As of December 31, 2007 and 2006, the loan portfolio by loan type is as follows:

	Current portfolio		Past-due portfolio		Total	
	2007	2006	2007	2006	2007	2006
Commercial loans						
Denominated in domestic currency						
Commercial	Ps.77,312	Ps.53,564	Ps.900	Ps.632	Ps.78,212	Ps.54,196
Rediscounted portfolio	6,646	8,425	-	-	6,646	8,425
Denominated in USD						
Commercial	13,975	18,949	27	126	14,002	19,075
Rediscounted portfolio	158	8	-	-	158	8
Total Commercial Loans	**98,091**	**80,946**	**927**	**758**	**99,018**	**81,704**
Loans to financial institutions	13,158	2,464	-	-	13,158	2,464
Consumer loans						
Credit card	13,881	9,842	829	372	14,710	10,214
Other consumer loans	13,344	11,663	280	260	13,624	11,923
Housing mortgage loans	37,216	28,857	858	748	38,074	29,605
Government loans	17,948	11,194	-	-	17,948	11,194
	95,547	**64,020**	**1,967**	**1,380**	**97,514**	**65,400**
Total loan portfolio:	**Ps.193,638**	**Ps.144,966**	**Ps.2,894**	**Ps.2,138**	**Ps.196,532**	**Ps.147,104**

On December 31, 2007 and 2006, revenues from recoveries of previously written-off or eliminated loan portfolios was Ps. 604 and Ps. 479, respectively.

The loans granted grouped into economic sectors as of December 31, 2007 and 2006 are shown below:

	2007		2006	
	Amount	Concentration percentage	Amount	Concentration percentage
Private (companies and individuals)	Ps.99,018	50.38%	Ps.81,704	55.53%
Financial institutions	13,158	6.53%	2,464	1.67%
Credit card and consumption	28,334	14.41%	22,137	15.04%
Housing	38,074	19.37%	29,605	20.12%
Federal government loans	17,948	9.31%	11,194	7.64%
	Ps.196,532	**100.00%**	**Ps.147,104**	**100.00%**

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 Benefit 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, 1996 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.

In the case of borrowers participating in the above restructured UDIS 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.

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As of December 31, 2007 and 2006, the balances of the respective trust balances are made up as follows:

	2007	2006
Banks	Ps.10	Ps.14
Government securities	3	3
Current loan portfolio:	737	903
Past-due loan portfolio	314	321
Accrued interest on loans	3	6
Past-due accrued interest	12	12
Allowance for loan losses	(582)	(569)
Total assets	**497**	**690**
Investment in trusts assets	460	654
Deferred tax liabilities	37	36
Total liabilities	**Ps.497**	**Ps.690**

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 Managements (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.

The Financial Group's Treasury Department is the central unit responsible for balancing resource requirements and eliminating the interest rate risk derived from transactions entered into at fixed rates through the use of hedging and arbitrage strategies.

11 – LOANS RESTRUCTURED IN UDIS

As of December 31, 2007 and 2006 the total amount of the loan portfolio restructured in UDIS is as follows:

	2007	2006
Current portfolio	Ps.737	Ps.903
Current accrued interest	3	6
Past-due portfolio	314	321
Past-due accrued interest	12	12
	Ps.1,066	**Ps.1,242**

12 – 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. (The loan portfolio includes loans between subsidiaries that were eliminated for the purpose of consolidating the financial statements):

	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**

	2006				
		Required allowances for losses			
	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempt portfolio	Ps.400	Ps.-	Ps.-	Ps.-	Ps.-
Risk A	46,297	-	98	93	191
Risk A1	53,792	250	-	-	250
Risk A2	36,713	335	-	-	335
Risk B	3,748	-	123	80	203
Risk B1	8,296	140	-	-	140
Risk B2	1,905	97	-	-	97
Risk B3	859	91	-	-	91
Risk C	629	-	217	48	265
Risk C1	323	73	-	-	73
Risk C2	87	35	-	-	35
Risk D	861	38	409	164	611
Risk E	528	247	59	221	527
Unclassified	(15)	-	-	-	-
	Ps.154,423	**Ps.1,306**	**Ps.906**	**Ps.606**	**Ps.2,818**
Recorded allowance					**Ps.3,140**
Additional allowance					**Ps.322**

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 institutions and the notices issued by the Commission to regulate debtor support programs, denominated in UDI trusts.

As of December 31, 2007 and 2006, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2007 and 2006, the allowance for loan losses includes a reserve for 100% of delinquent interest owed.

As of December 31, 2007 and 2006, the allowance for loan losses represents 131% and 147%, respectively, of the past-due portfolio.

The allowance includes reserves for loans granted in foreign currency, which are evaluated at the exchange rate in effect as of December 31, 2007 and 2006.

Rollforward of Allowance for Loan Losses

A rollforward of the allowance for loan losses is detailed below:

	2007	2006
Balance at the beginning of the year	Ps.3,140	Ps.3,316
Changes in accounting principles	527	-
Increase charged to results	2,571	1,435
Reserve release	(36)	(20)
Debt forgiveness and write-offs	(2,194)	(1,601)
Valuation in foreign currencies and UDIS	31	34
Rebates granted to housing debtors	(72)	(106)
Created with profit margin (UDI Trusts)	27	23
FOPYME and FINAPE programs	-	(1)
Acquisition of INB Financial Corp.	-	206
Other	(74)	(13)
Restatement effects	(134)	(133)
Year-end balance	**Ps.3,786**	**Ps.3,140**

As of December 31, 2007, the total amount of the allowance for loan losses charged to current earnings totaled Ps. 2,646. This sum is made up of Ps. 2,571 credited directly to the allowance, Ps. 27 from the UDI trusts and Ps. 48 from inflation effects. As of December 31, 2006, the total amount of allowance for loan losses charged to current earnings totaled Ps. 1,530. This sum is made up of Ps. 1,435 credited directly to the allowance, Ps. 23 from the UDI trusts, Ps. 41 from inflation effects and Ps. 31 from recognizing shared losses with the IPAB, derived from its financial restoration program.

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13 – ACQUIRED PORTFOLIOS

As of December 31, 2007 and 2006, the acquired portfolios are comprised as follows:

	2007	2006	Valuation Method
Bancrecer I	Ps.180	Ps.286	Interest Method
Bancomer III	164	181	Cash Basis Method
Bancomer IV	679	747	Cash Basis Method
Bital I	292	323	Cash Basis Method
Bital II	103	147	Cash Basis Method
Banamex Hipotecario	367	426	Cash Basis Method
Confia III	84	106	Interest Method
GMAC Banorte	144	243	Cash Basis Method
Serfin Comercial I	177	251	Cash Basis Method
Serfin Comercial II	88	161	Interest Method
Serfin Mortgage	247	283	Cash Basis Method
Santander	84	160	Interest Method (Commercial); Cash Basis Method (Mortgage)
Bancomer II	-	1	Cost Recovery Method
Meseta	70	90	Cash Basis Method
Vipesa	10	16	Cash Basis Method
Bancrecer II	-	4	Cost Recovery Method
Goldman Sach's	226	253	Cash Basis Method
Cremi	62	72	Interest Method
Banorte-Sólida	186	200	Interest Method
Bancrecer III	-	6	Cost Recovery Method
BBVA Bancomer	166	191	Interest Method
Banco Unión	87	111	Interest Method
Confia I	107	198	Interest Method
Confia II	137	161	Interest Method
	Ps.3,660	Ps.4,617	

For the years ended December 31, 2007 and 2006, the Financial Group recognized income related to its purchased portfolios of Ps. 1,326 and Ps. 1,650, together with the corresponding decrease in the value of the purchased portfolios of Ps. 555 and Ps. 621, respectively, the effects of which were recognized in "Other income" in the consolidated statements of income. Assets other than cash that the Financial Group has received as collections on its purchased portfolios have been real property.

The Financial Group performs an analysis based on existing events and available information to estimate the amount of expected future cash flows in order to determine the rate of return used in the valuation method and income recognition of the receivable. If the analysis demonstrates that the expected future cash flows will decrease, it will make an estimate of non-recoverability or difficult collection against the outstanding balance for the amount that such expected cash flows are less than the book value of the receivable.

14 – OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2007 and 2006, other accounts receivable balance is as follows:

	2007	2006
Loans to officers and employees	Ps.1,122	Ps.1,151
Debtors from liquidation settlement	1,382	3,827
Real property portfolios	1,025	613
Fiduciary rights	2,486	1,778
Sundry debtors	1,494	881
Taxes receivable	20	54
Other	107	57
	7,636	**8,361**
Allowance for doubtful accounts	(19)	(112)
	Ps.7,617	**Ps.8,249**

15 – FORECLOSED ASSETS, NET

As of December 31, 2007 and 2006, the foreclosed assets balance is as follows:

	2007	2006
Personal property	Ps.68	Ps.123
Real property	597	627
Goods pledged for sale	44	50
	709	**800**
Allowance for losses on foreclosed assets	(324)	(407)
	Ps.385	**Ps.393**

16 – PROPERTY, FURNITURE AND FIXTURES, NET

As of December 31, 2007 and 2006, the property, furniture and fixtures balance is as follows:

	2007	2006
Furniture and equipment	Ps.4,481	Ps.3,758
Property intended for offices	5,039	5,195
Installation costs	2,360	1,555
	11,880	**10,508**
Less - Accumulated depreciation and amortization	(3,782)	(3,609)
	Ps.8,098	**Ps.6,899**

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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

17 – PERMANENT STOCK INVESTMENTS

Investments in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	2007	2006
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	Ps.112	Ps.116
Seguros Banorte Generali, S. A. de C. V.	932	822
Fondo Sólida Banorte Generali, S. A. de C. V., SIEFORE(one and two)	669	657
Pensiones Banorte Generali, S. A. de C. V.	572	499
Fianzas Banorte, S. A. de C. V.	-	144
Banorte Investment funds	112	109
Controladora PROSA, S. A. de C. V.	50	55
Bolsa Mexicana de Valores, S. A. de C. V.	45	39
Servicio Pan Americano de Protección, S. A. de C. V.	29	32
Other	69	71
	Ps.2,590	**Ps.2,544**

As of December 31, 2007 and 2006, the investment in shares of Servicio Pan Americano de Protección, S.A. de C.V. is presented net of an impairment reserve of Ps. 77.

18 – DEFERRED TAXES, NET

The income tax reported by the Financial Group is calculated based on the current tax result and the effects of deferred income taxes calculated based on enacted tax regulations. Due to temporary differences between accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of Ps. 214 (liability of Ps. 338 in 2006) as detailed below:

	2007			2006		
	Temporary Differences Base	Deferred Effect ISR	Deferred Effect PTU	Temporary Differences Base	Deferred Effect ISR	Deferred Effect PTU
Temporary Differences - Assets						
Allowance for loan losses	Ps.174	Ps.55	Ps.-	Ps.130	Ps.44	Ps.-
Tax loss carryforwards	5	2	-	315	88	
Tax loss carryforwards of Uniteller and Banorte USA	37	13	-	-	-	-
Recoverable asset tax (IMPAC)	2	2	-	2	2	-
State tax on deferred assets	5	2	-			
Unrealized loss on available for sale securities	29	10	-	83	29	-
Excess of tax over book value of foreclosed assets and fixed assets	802	224	48	714	199	71
PTU	842	236	84	634	178	-
Other	1,809	507	169	1,615	327	61
Total assets	**Ps.3,705**	**Ps.1,051**	**Ps.301**	**Ps.3,493**	**Ps.867**	**Ps.132**
Temporary Differences - Liabilities						
Excess of book over tax value of fixed assets	Ps.591	Ps.166	Ps.37	Ps.979	Ps.274	Ps.46
Unrealized capital gain from investments in SIEFORES	146	41	-	136	38	-
ISR payable on UDI trusts	131	37	-	131	36	-
Portfolios acquired	1,751	490	70	2,422	678	97
Reversal of sales costs	39	11	-	53	15	-
Other	784	236	50	458	147	6
Total liabilities	**Ps.3,442**	**Ps.981**	**Ps.157**	**Ps.4,179**	**Ps.1,188**	**Ps.149**
Net deferred tax asset (liability)	Ps.263	Ps.70	Ps.144	(Ps.686)	(Ps.321)	(Ps.17)
Deferred tax			**Ps.214**			**(Ps.338)**

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. In accordance with Bulletin D-4, "Accounting for Income Tax, Tax on Assets and Employee Statutory Profit-Sharing", and the stipulations of INIF 8, based on its financial projections the Financial Group determined that it will continue to incur ISR in the future, Therefore, the enactment of IETU did not have any effects on its consolidated financial information, and the Financial Group continues to only recognize deferred ISR.

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19 – OTHER ASSETS

As of December 31, 2007 and 2006, other assets are as follows:

	2007	2006
Plan assets held for employee pension plans	Ps.2,727	Ps.2,082
Other amortizable expenses	2,642	3,107
Accumulated amortization of other expenses	(969)	(1,546)
Goodwill	4,134	3,741
Guarantee deposits	-	104
Other	-	63
	Ps.8,534	**Ps.7,551**

As of December 31, 2007, goodwill was comprised of the following: Ps. 34 related to the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,368 related to the purchase of INB; Ps. 1,525 related to the purchase option representing the remaining 30% of INB's shares and Ps. 207 for the purchase of Uniteller. As of December 31, 2006, goodwill was comprised of the following: Ps. 37 related to the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,330 related to the purchase of INB; Ps. 1,367 relating to the purchase option representing the remaining 30% of INB's shares and Ps. 7 related to the purchase of Bancrecer, S.A.

20 – 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 2007 and 2006 the Financial Group generated a liquidity requirement of USD 303,221 thousand and USD 179,305 thousand, respectively, and held investments in liquid assets of USD 490,577 thousand and USD 339,067 thousand, holding a surplus of USD 187,356 thousand and USD 159,762 thousand in the same currency, respectively.

Deposits

The liabilities derived from traditional deposits as of December 31, 2007 and 2006 are made up as follows:

	2007	2006
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps.45,518	Ps.37,926
Checking accounts in US dollars for individual residents on the Mexican border	475	414
Demand deposit accounts	2,865	1,961
Checking accounts earning interest:		
Other bank checking deposit	33,918	30,195
Savings accounts	167	167
Checking accounts in US dollars for individual residents on the Mexican border	1,931	2,241
Demand deposit accounts	26,197	25,430
Tax payments	-	120
IPAB checking accounts	9	548
	111,080	**99,002**
Time deposits		
General public:		
Fixed term deposits	17,462	15,692
Over the counter investments	15,604	16,116
PRLV primary market for individuals	44,735	39,436
PRLV primary market for business entities	1,389	778
Foreign resident deposits	54	63
Provision for interest	164	151
	79,408	**72,236**
Money market:		
Fixed term deposits	1,860	356
Over the counter promissory notes	9,881	2,659
Provision for interest	1,078	1,607
	12,819	**4,622**
	92,227	**76,858**
	Ps.203,307	**Ps.175,860**

The funding rates that 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 earn 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

	2007				2006			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIS	0.88%	0.87%	0.86%	0.86%	0.99%	1.06%	0.99%	0.94%
Foreign currency	0.97%	0.92%	0.85%	0.74%	1.00%	1.11%	1.16%	1.07%
Banorte USA								
Demand, NOW and savings	0.43%	0.65%	0.67%	0.50%	-	-	-	0.29%
Money market	4.60%	4.36%	4.23%	3.64%	-	-	-	4.40%

Time deposits

	2007				2006			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
General public								
Mexican pesos and UDIS	5.32%	5.43%	5.53%	5.19%	5.95%	5.43%	5.40%	5.17%
Foreign currency	2.88%	2.86%	3.00%	2.94%	2.17%	2.73%	2.60%	2.84%
Money market	9.66%	8.69%	7.79%	8.48%	8.52%	8.15%	9.98%	10.19%
Banorte USA								
General public	5.04%	5.11%	5.17%	5.12%	-	-	-	4.94%

As of December 31, 2007 and 2006, the terms at which these deposits are traded are as follows:

	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 resident 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
Over the counter 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**

	2006			
	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps.11,207	Ps.2,859	Ps.1,626	Ps.15,692
Over the counter investments	16,104	12	-	16,116
PRLV primary market for individuals	39,151	258	27	39,436
PRLV primary market for business entities	762	16	-	778
Foreign resident deposits	34	6	23	63
Provision for interest	136	10	5	151
	67,394	**3,161**	**1,681**	**72,236**
Money market				
Fixed term deposits	-	-	356	356
Over the counter promissory notes	251	2,408	-	2,659
Provision for interest	-	16	1,591	1,607
	251	**2,424**	**1,947**	**4,622**
	Ps.67,645	**Ps.5,585**	**Ps.3,628**	**Ps.76,858**

21 – INTERBANK AND OTHER LOANS

Loans received from other banks as of December 31, 2007 and 2006 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2007	2006	2007	2006	2007	2006
Immediately due						
Domestic banks (Call money)	Ps.871	Ps.-	Ps.-	Ps.-	Ps.871	Ps.-
Development banking	-	8	-	-	-	8
Public trusts	-	976	-	3	-	979
Provision for interest	-	37	-	2	-	39
	871	**1,021**	**-**	**5**	**871**	**1,026**
Short-term						
Banco de Mexico	3	-	-	-	3	-
Commercial banking	211	(155)	1,537	282	1,748	127
Development banking	3,869	2,595	1,754	557	5,623	3,152
Public trusts	3,447	2,794	76	18	3,523	2,812
Other agencies	-	-	48	-	48	-
Provision for interest	85	31	26	5	111	36
	7,615	**5,265**	**3,441**	**862**	**11,056**	**6,127**
Long-term						
Commercial banking	1,084	640	2,661	1,805	3,745	2,445
Development banking	1,381	785	7	12	1,388	797
Public trusts	4,747	6,544	81	64	4,828	6,608
Other agencies	-	-	835	487	835	487
	7,212	**7,969**	**3,584**	**2,368**	**10,796**	**10,337**
	Ps.15,698	**Ps.14,255**	**Ps.7,025**	**Ps.3,235**	**Ps.22,723**	**Ps.17,490**

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These liabilities earn interest depending on the type of instrument and average balance of the loans. The average interest rates are shown below:

	2007				2006			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Call money								
Mexican pesos and UDIS	7.02%	7.19%	7.21%	7.40%	7.75%	7.40%	7.70%	6.89%
Other bank loans								
Mexican pesos and UDIS	7.47%	7.41%	7.26%	7.94%	8.43%	6.71%	6.74%	8.08%
Foreign currency	5.90%	5.76%	5.95%	5.71%	6.27%	6.62%	6.25%	6.01%

The liabilities contracted by Banorte USA accrue interest at an average rate of 4.55%.

22 – OVERNIGHT SECURITIES

As of December 31, 2007 and 2006, overnight securities are comprised as follows:

	2007			2006
	Acquisition cost	**Accrued interest**	**Book value**	**Book value**
Government bonds	Ps.70	Ps.-	Ps.70	Ps.771
CETES	(29)	(1)	(30)	194
Saving protection bonds (BPAS)	-	-	-	849
Government CBIC	(23)	(7)	(30)	(28)
UMS	-	-	-	24
	Ps.18	**(Ps.8)**	**Ps.10**	**Ps.1,810**

23 – EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes its liabilities for pension plans, seniority premiums and retiree medical benefits 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 accumulated and projected benefits as of December 31, 2007 and 2006, related to the Financial Group's employee retirement obligations as noted above determined by independent actuaries, is analyzed below:

	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 costs	(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**

	2006			
	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	(Ps.705)	(Ps.111)	(Ps.1,135)	(Ps.1,951)
Fund market value	711	152	514	1,377
Funded status	**6**	**41**	**(621)**	**(574)**
Transition asset (obligation)	86	(16)	440	510
Unrecognized prior service costs	(33)	(4)	-	(37)
Unrecognized actuarial losses	144	2	70	216
Net projected asset	**Ps.203**	**Ps.23**	**Ps.(111)**	**Ps.115**
Accumulated benefit obligations (ABO)	**Ps.547**	**Ps.78**	**Ps.-**	**Ps.625**

The Financial Group has a net accounting provision of Ps. 4 (net prepaid asset) as a result of transferring personnel from Sólida Administradora de Portafolios, S.A. de C.V. ("Sólida") to Banorte. Moreover, as of December 31, 2007, a separate fund amounting to Ps. 1,932, (Ps. 1,380 in 2006) has been set aside to meet the above mentioned obligations, in accordance with NIF D-3 and is presented within "Other assets".

For the years ended December 31, 2007 and 2006, the net periodic pension cost is as follows:

	2007	2006
Service cost	Ps.68	Ps.71
Interest cost	100	98
Expected return on plan assets	(82)	(93)
Amortization of unrecognized items:		
Transition obligation	32	35
Prior service costs	(2)	(2)
Variations in assumptions	2	18
Actuarial losses	3	-
Period pension cost	**Ps.121**	**Ps.127**

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The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2007 and 2006 are shown below:

	2007	2006
Discount rate	5.00%	5.50%
Rate of wage increase	1.00%	1.00%
Rate of increase in costs and expenses of other post-retirement benefits	2.00%	2.00%
Expected long-term rate of return on plan assets	6.00%	6.50%

The liability for severance indemnities due to causes other than organization restructuring, which was also determined by independent actuaries, is comprised as follows:

	2007	2006
Projected benefit obligation (PBO)	(Ps.155)	(Ps.221)
Fund market value	-	136
Funded status	**(155)**	**(85)**
Transition obligation	105	130
Unrecognized actuarial (gains) losses	(3)	31
Net projected liability	**(Ps.53)**	**Ps.76**

As of December 31, 2007 and 2006, the net periodic pension cost is as follows:

	2007	2006
Service cost	Ps.24	Ps.25
Interest cost	7	7
Transition obligation	15	15
Periodic pension cost	**Ps.46**	**Ps.47**

The balance of the employee retirement obligations presented in this note, refer to the Financial Group's defined benefit pension plans for those employees that decided to remain enrolled within it.

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.

24 – SUBORDINATED DEBENTURES

	2007	2006
Senior subordinated nonconvertible debentures, maturing in January 2014, denominated in US dollars, at an interest rate of 5.875%, payable semi-annually with a final principal payment upon maturity (10-year term)	Ps.3,346	Ps.3,439
Senior subordinated nonconvertible debentures (BANORTE 02D) maturing in November 2012, at an annual interest rate of 8.0% for the first 10 semi-annual periods and subject to review for the next 10 semi-annual periods, which will not be less than 8% nor greater than 10.0% a year	-	1,265
Senior subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semi-annually with a final principal payment upon maturity (15-year term)	2,215	2,277
Preferred subordinated nonconvertible debentures, maturing in April 2016, denominated in US dollars, at an interest rate of 6.135%, payable semi-annually with a final principal payment upon maturity (10-year term)	4,423	4,550
Preferred subordinated debentures maturing in April 2009, denominated in US dollars, at an interest rate of 2.72%	113	115
Preferred subordinated debentures maturing in June 2034, denominated in US dollars, at an interest rate of 2.75%	113	115
	Ps.10,210	**Ps.11,761**

The costs related to these debentures are amortized over the contractual term of the debt. Interest expense was Ps. 13 and Ps. 5 in 2007 and 2006, respectively.

25 – TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2007 and 2006 are as follows:

	Revenues		Accounts receivable	
Institution	**2007**	**2006**	**2007**	**2006**
Arrendadora Banorte, S. A. de C. V.	Ps.118	Ps.99	Ps.1,475	Ps.1,311
Casa de Bolsa Banorte, S. A. de C. V.	379	491	-	-
Almacenadora Banorte, S. A. de C. V.	7	10	-	-
Arrendadora y Factor Banorte, S. A. de C. V. (previously Factor Banorte, S. A. de C. V.)	78	67	1,026	359
Sólida Administradora de Portafolios, S. A. de C. V.	224	213	2,399	2,446
Créditos Pronegocio, S. A. de C. V.	63	47	563	546
Banorte USA	1	-	3	95
Total	**Ps.870**	**Ps.927**	**Ps.5,466**	**Ps.4,757**

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	Expenses		Accounts payable	
Institution	2007	2006	2007	2006
Grupo Financiero Banorte, S. A. B. de C. V.	Ps.15	Ps.5	Ps.187	Ps.43
Arrendadora Banorte, S. A. de C. V.	110	131	4	9
Casa de Bolsa Banorte, S. A. de C. V.	1,587	1,366	1	-
Banorte Generali, S. A. de C. V., AFORE	-	-	1	5
Almacenadora Banorte, S. A. de C. V.	2	4	7	6
Arrendadora y Factor Banorte, S. A. de C. V. (previously Factor Banorte, S. A. de C. V.)	-	-	38	17
Inmobiliaria Banorte, S. A. de C. V.	60	71	106	144
Constructora Primero, S. A. de C. V.	26	24	91	138
Inmobiliaria Bancrecer, S. A. de C. V.	57	52	54	65
Inmobiliaria Innova, S. A. de C. V.	27	28	70	103
Inmobiliaria Banormex, S. A. de C. V.	3	4	6	4
Inmobiliaria Finsa, S. A. de C. V.	7	7	22	19
Inmobiliaria Bra, S. A. de C. V.	12	11	4	3
Inmuebles de Occidente, S. A. de C. V.	5	4	17	15
Inmuebles de Tijuana, S. A. de C. V.	-	-	3	3
Sólida Administradora de Portafolios, S. A. de C. V.	3	2	44	94
Créditos Pronegocio, S. A. de C. V.	-	-	2	1
Administradora de Servicios Profesionales Especializados, S. A. de C. V.	193	154	57	29
Banorte USA	1	-	-	-
Total	**Ps.2,108**	**Ps.1,863**	**Ps.714**	**Ps.698**

All the balances and transactions with the subsidiaries indicated in Note 3 have been eliminated in consolidation. Furthermore these transactions are supported by transfer pricing studies.

Pursuant to article 73 of the Credit Institutions Law ("LIC"), the loans granted by Banorte to related parties (belonging to the financial sector or not) cannot exceed 75% of the basic portion of their net capital. As of December 31, 2007 and 2006, the amount of the loans granted to related parties is Ps. 5,041 and Ps. 5,833, respectively, representing 27% and 34%, respectively, of the limit established by the LIC.

Loan portfolio sales

Sale of loan portfolio packages between related parties

In February 2003 Banorte sold Ps. 1,925 (nominal value) of its own portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378 (nominal value). Of this transaction, Ps. 1,891 (nominal value) related to past-due amounts and Ps. 64 (nominal value) 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 (nominal value), considering the collections made since August 2002. In conjunction with the sold loan portfolio, Ps. 1,577 (nominal value) 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 (at nominal value) and for the year ending December 31, 2006 (at nominal value) and 2007:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	**Aug 02**	**Dec 06**	**Dec 07**	**Aug 02**	**Dec 06**	**Dec 07**	**Aug 02**	**Dec 06**	**Dec 07**
Current portfolio									
Commercial	Ps.5	Ps.1	Ps.-	Ps.5	Ps.-	Ps.-	Ps.10	Ps.1	Ps.-
Housing mortgage	54	92	77	-	-	-	54	92	77
Total	**59**	**93**	**77**	**5**	**-**	**-**	**64**	**93**	**77**
Past-due portfolio									
Commercial	405	400	375	293	131	112	698	531	487
Consumer	81	77	73	-	-	-	81	77	73
Housing mortgage	1,112	523	458	-	-	-	1,112	523	458
Total	**1,598**	**1,000**	**906**	**293**	**131**	**112**	**1,891**	**1,131**	**1,018**
Total portfolio	**Ps.1,657**	**Ps.1,093**	**Ps.983**	**Ps.298**	**Ps.131**	**Ps.112**	**Ps.1,955**	**Ps.1,224**	**Ps.1,095**
Allowance for loan losses (1)									
Commercial	326	382	363	246	125	112	572	507	475
Consumer	77	77	73	-	-	-	77	77	73
Housing mortgage	669	486	433	-	-	-	669	486	433
Total allowance for loan loss	**Ps.1,072**	**Ps.945**	**Ps.869**	**Ps.246**	**Ps.125**	**Ps.112**	**Ps.1,318**	**Ps.1,070**	**Ps.981**

(1) Allowances required based on the classification methodology applied in Banorte.

As of December 31, 2007 and 2006, the composition of Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign currency		Total	
Type of portfolio	**Dec 07**	**Dec 06**	**Dec 07**	**Dec 06**	**Dec 07**	**Dec 06**
Commercial loans	Ps.99,311	Ps.72,579	Ps.21,791	Ps.18,976	Ps.121,102	Ps.91,555
Consumer loans	27,045	21,352	175	151	27,220	21,503
Housing mortgage loans	35,602	28,159	1,691	789	37,293	28,948
Current portfolio	**161,958**	**122,090**	**23,657**	**19,916**	**185,615**	**142,006**
Commercial loans	1,060	1,023	204	208	1,264	1,231
Consumer loans	1,182	708	-	1	1,182	709
Housing mortgage loans	1,299	1,267	16	4	1,315	1,271
Past-due portfolio	**3,541**	**2,998**	**220**	**213**	**3,761**	**3,211**
Total portfolio	**165,499**	**125,088**	**23,877**	**20,129**	**189,376**	**145,217**
Allowance for loan losses	4,319	4,008	369	639	4,688	4,647
Net portfolio	**Ps.161,180**	**Ps.121,080**	**Ps.23,508**	**Ps.19,490**	**Ps.184,688**	**Ps.140,570**
Allowance for loan losses					124.64%	144.72%
% of past-due portfolio					1.98%	2.21%

26 – INFORMATION BY SEGMENTS

To analyze the financial information of the Financial Group, the data of the most representative segments as of December 31, 2007 and 2006 is presented.

a. The balances by service line of the Financial Group, without considering the eliminations relative to the consolidation of the financial statements, are as follows:

Banking sector	2007	2006
Net income	Ps.6,151	Ps.5,382
Stockholders' equity	30,440	24,690
Total portfolio	188,235	143,992
Past-due portfolio	2,743	2,037
Allowance for loan losses	(3,707)	(3,578)
Total net assets	274,361	189,546
Brokerage sector		
Net income	288	191
Stockholders' equity	1,020	736
Portfolio balance	180,972	168,949
Total net assets	1,333	971
Savings sector		
Net income	736	1,067
Stockholders' equity:	3,962	3,607
Total net assets	23,701	18,193
Auxiliary credit organizations sector		
Net income	271	256
Stockholders' equity	1,092	1,133
Total portfolio	12,222	7,708
Past-due portfolio	37	42
Allowance for loan losses	(339)	(73)
Total net assets	Ps.12,587	Ps.8,547

b. The current loan portfolio, grouped by economic sector and geographical location, is as follows

	2007				
	Geographical location				
Economic sector	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
Other	-	-	-	-	54
Arrendadora Banorte	-	-	-	-	3,153
Arrendadora y Factor Banorte	-	-	-	-	7,539
Créditos Pronegocio	-	-	-	-	472
Current loan portfolio	**Ps.41,942**	**Ps.43,252**	**Ps.9,290**	**Ps.14,584**	**Ps.193,638**

	2006				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps.2,216	Ps.1,349	Ps.615	Ps.468	Ps.4,648
Mining	97	24	12	23	156
Manufacturing	5,775	3,307	1,535	542	11,159
Construction	2,967	2,140	184	296	5,587
Public utilities	48	11	1	1	61
Commerce	4,095	4,603	2,475	3,407	14,580
Transportation	2,731	719	84	99	3,633
Financial services	6,607	6,709	226	1,755	15,297
Communal, social services	4,623	6,105	1,766	587	13,081
Business groups	91	225	3	10	329
Public administration services	3,429	3,298	1,294	2,437	10,458
International organization services	1	-	1	-	2
USA	-	-	-	-	8,827
Credit card	-	-	-	-	9,842
Consumer	-	-	-	-	11,524
Housing mortgage	-	-	-	-	28,065
Other	-	-	-	-	87
Arrendadora Banorte	-	-	-	-	2,784
Arrendadora y Factor Banorte	-	-	-	-	4,270
Créditos Pronegocio	-	-	-	-	576
Current loan portfolio	**Ps.32,680**	**Ps.28,490**	**Ps.8,196**	**Ps.9,625**	**Ps.144,966**

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c. The past-due loan portfolio, grouped by economic sector and geographical location, is summarized as follows

	2007				
	Geographical location				
Economic sector	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 past-due loans	-	-	-	-	1
Arrendadora Banorte	-	-	-	-	13
Arrendadora y Factor Banorte	-	-	-	-	25
Créditos Pronegocio	-	-	-	-	112
Past-due loan portfolio	**Ps.171**	**Ps.346**	**Ps.117**	**Ps.76**	**Ps.2,894**

	2006				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps.14	Ps.35	Ps.7	Ps.3	Ps.59
Mining	2	2	-	-	4
Manufacturing	27	64	46	6	143
Construction	6	36	3	3	48
Commerce	77	94	54	20	245
Transportation	3	10	5	-	18
Financial services	2	6	-	-	8
Communal, social services	12	14	2	2	30
USA	-	-	-	-	100
Credit card	-	-	-	-	372
Consumer	-	-	-	-	258
Housing mortgage	-	-	-	-	744
Other past-due loans	-	-	-	-	7
Arrendadora Banorte	-	-	-	-	23
Arrendadora y Factor Banorte	-	-	-	-	19
Créditos Pronegocio	-	-	-	-	60
Past-due loan portfolio	**Ps.143**	**Ps.261**	**Ps.117**	**Ps.34**	**Ps.2,138**

d. Deposits account grouped by product and geographical location are as follows:

	2007							
	Geographical location							
Product	Monterrey	México	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**

	2006							
	Geographical location							
Product	Monterrey	México	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps.10,186	Ps.12,348	Ps.3,772	Ps.4,732	Ps.5,080	Ps.98	Ps.-	Ps.36,216
Interest bearing checking accounts	7,343	15,896	2,890	4,287	4,834	91	-	35,341
Savings accounts	2	1	-	-	-	-	-	3
Current account in pesos and preestablished	2,722	3,439	1,098	1,812	1,907	67	-	11,045
Non-interest bearing demand deposits, USD	230	254	99	683	129	-	3,023	4,418
Interest bearing demand deposits, USD	2,339	1,036	415	2,272	208	(2)	4,482	10,750
Savings accounts in USD	-	-	-	-	-	-	164	164
Over the counter promissory notes	9,298	16,743	4,181	4,023	5,966	-	-	40,211
Time deposits, USD	2,005	2,783	1,326	1,235	765	15	7,626	15,755
Money desk customers	5,382	6,162	1,866	1,311	1,303	-	-	16,024
Financial intermediaries	-	-	-	-	-	3,628	-	3,628
FOBAPROA checking accounts bearing interest	546	-	-	-	-	1,759	-	2,305
Total deposits	**Ps.40,053**	**Ps.58,662**	**Ps.15,647**	**Ps.20,355**	**Ps.20,192**	**Ps.5,656**	**Ps.15,295**	**Ps.175,860**

27 – TAX ENVIRONMENT

Income tax and asset tax regime

In accordance with Mexican tax law, the Financial Group and its subsidiaries are subject to ISR, and through 2007, to IMPAC. ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position. As of 2007, the tax rate is 28% and in 2006 it was 29%. Due to changes in the tax legislation, effective January 1, 2007, taxpayers who file tax reports and meet certain requirements may obtain a tax credit equivalent to 0.5% or 0.25% of taxable income

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In 2007, IMPAC was calculated by applying 1.25% to the value of the assets of the year, without deducting any debt amounts. Through 2006, IMPAC was calculated by applying 1.8% on the net average of the majority of restated assets less certain liabilities, including liabilities payable to banks and foreign entities. IMPAC is payable only to the extent that it exceeded ISR payable for the same period.

Any payment made can be recovered against the amount by which ISR exceeds IMPAC over the next ten fiscal years. In 2007 and 2006, the Financial Group incurred and paid ISR.

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 deduction of the allowance for loan losses, up to 2.5% of the average loan portfolio and the valuation of financial instruments.

PTU

The Financial Group determines 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, 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. 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. In addition, as opposed to ISR, a parent and its subsidiaries will incur IETU on an individual basis.

28 – STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meetings held on March 30, 2007 and October 3, 2007, the following resolutions were adopted, among others:

a) To transfer the profits from 2006 equal to Ps. 6,185 (nominal value) to earnings from prior years, and increase the legal reserve by Ps. 306 equivalent to 5% of net income for the year.

b) Declare cash dividends for Ps. 917.

The Financial Group's stockholders' equity as of December 31, 2007 and 2006 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50	
	2007	2006
	Paid-in Capital	Paid-in Capital
"O" Series	2,002,718,738	2,018,347,548

	Historical Amounts	
	2007	2006
	Paid-in Capital	Paid-in Capital
"O" Series	Ps.7,009	Ps.7,064
Restatement in pesos as of December 31, 2007	4,956	4,956
	Ps.11,965	**Ps.12,020**

As mentioned in Note 4 to the consolidated financial statements, the result of retroactively incorporating the effects of the changes in the accounting criteria to the 2006 figures led to a Ps. 70 increase in 2006 net income, a Ps. 578 decrease in RETANM mainly due to the fair value adjustment related to derivative instruments held by Banorte, and a Ps. 15 decrease in minority interest, which were stated under "Changes in accounting principles" in the Consolidated Statement of Changes in Stockholders' Equity for 2006.

Such effects are included only for purposes of comparability and to avoid any distortion in the information related to changes in the 2007 stockholders' equity balances, the Financial Group's accounting records reflected the change in accounting principles in 2007.

Restrictions on profits

Stockholders' equity distributions, 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.

Share based payments

Banorte offers share option plans to key officers so they may acquire shares in the Financial Group. Banorte set up trusts to manage such plans and contributes the necessary funds so that shares can be purchased from the market when each plan is established.

The Commission issued official letter 601-II-9477 instructing Banorte to record its contributions to the trusts as a deferred asset. In 2007 the Financial Group reclassified the shares held by the trusts to treasury shares, which resulted in a net reduction of Ps. 55 to capital stock and Ps. 590 to additional paid-in capital.

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 the year ended December 31, 2007 sent to Banco de Mexico for review is shown below.

The capitalization ratio of Banorte as of December 31, 2007 was 13.80% of total risk (market and credit), and 19.43% of credit risk, which in both cases exceeded 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	2007
Stockholders' equity	**Ps.30,130**
Subordinated debentures and capitalization instruments	2,215
Deduction of investment in subordinated instruments	257
Deduction of investments in shares of financial entities	5,664
Deduction of investments in shares of non-financial entities	1,143
Deduction of intangibles and expenses or deferred costs	338
Basic capital	**24,943**
Debentures and capitalization instruments	7,769
Allowance for loan losses	998
Complementary capital	**8,767**
Net capital	**Ps.33,710**

Characteristics of the subordinated debentures:

Concept	Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Complementary capital debentures 2004	Ps.3,346	17/02/2014	0%	100%
Complementary capital debentures 2006	4,424	13/10/2016	0%	100%
Basic capital debentures 2006	2,215	13/10/2021	100%	0%

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 rates	Ps.49,599	Ps.3,968
Transactions with debt instruments in Mexican pesos with interest and reset rates	13,896	1,112
Transactions in Mexican pesos with real interest rates or in UDIS	1,741	139
Transactions in UDIS or with yields referenced to the National Consumer Price Index	12	1
Transaction in foreign currency with nominal interest rates	1,930	155
Exchange transactions	1,003	80
Transactions involving shares	328	26
Total	**Ps.68,509**	**Ps.5,481**

Assets subject to credit risk

Concept	Assets weighted by risk	Capital requirement
Group II (weighted at 20%)	Ps.12,582	Ps.1,006
Group II Other (weighted at 10%)	23	2
Group III (weighted at 100%)	145,910	11,673
Group III Other (weighted at 11.5%)	42	3
Group III Other (weighted at 50%)	539	43
Group III Other (weighted at 115%)	3,488	279
Group III Other (weighted at 150%)	3,059	245
Sum	**165,643**	**13,251**
For permanent shares, furniture and real property, and advance payments and deferred charges	7,862	629
Total	**Ps.173,505**	**Ps.13,880**

29 – FOREIGN CURRENCY POSITION

As of December 31, 2007 and 2006, the Financial Group holds certain assets and liabilities in foreign currency, mainly in US dollars, converted at the exchange rate issued by Banco de México of Ps. 10.9157 and Ps. 10.8116 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2007	**2006**
Assets	4,946,554	4,287,773
Liabilities	4,563,009	3,995,056
Net asset position in US dollars	**383,545**	**292,717**
Net asset position in Mexican pesos	**Ps.4,187**	**Ps.3,165**

30 – POSITION IN UDIS

As of December 31, 2007 and 2006, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 3.932983 and Ps. 3.788954, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2007	2006
Assets	171,932	146,081
Liabilities	94,163	103,296
Net asset position in UDIS	**77,769**	**42,785**
Net asset position in Mexican pesos	**Ps.306**	**Ps.162**

31 – EARNINGS PER SHARE

Earnings per share is the result of dividing net income by the weighted average of the Financial Group's shares in circulation.

The results for the years ended December 31, 2007 and 2006 are shown below:

	2007			2006
	Net income	Weighted average shares	Earnings per share	Earnings per share
Net income per share	Ps.6,810	2,018,167,791	Ps.3.3744	Ps.3.0981

32 – RISK MANAGEMENT (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 Corporative Director, 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 Audit, 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.

33 – 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:

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Credit Risk: Volatility of income due to the creation of allowances for impairment of credits and potential credit losses due to nonpayment by a borrower or counterpart.

Market Risk: Volatility of revenues due to changes in the market affect the valuation of the positions from operations involving assets, liabilities or generating contingent liabilities, such as: interest rates, exchange rates, price indexes, etc.

Liquidity Risk: 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.

Operating Risk: 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 credit risk management 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: 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.

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 4 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, 2007, the total portfolio of Banorte is Ps. 179,724. The expected loss represents 1.8% and the unexpected loss represents 3.3% of the total operating portfolio. The average expected loss was 1.8% for the period between October and December 2007.

Risk Diversification

In December 2005, the Commission 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.

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In compliance with the risk diversification rules for asset and liability transactions, the following information is provided below:

Basic capital as of September 30, 2007	**Ps.25,150**
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.3,756
% in relation to basic capital	15%
Money market transactions	
Number of financings	2
Amount of financings taken as a whole	Ps.8,961
% in relation to basic capital	36%
II. Maximum amount of financing with the 3 largest debtors and common risk groups	**Ps.17,290**

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, capit al, 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. 2,168 for the last quarter of 2007.

Millions of Mexican pesos	4Q06	1Q07	2Q07	3Q07	4Q07
VaR Banorte*	Ps.1,480	Ps.1,773	Ps.2,072	Ps.2,050	Ps.2,168
Banorte net capital**	30,535	30,363	31,627	34,086	33,710
VaR / net capital Banorte	4.85%	5.84%	6.55%	6.01%	6.43%

** 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 2007:

Risk factor	VaR
Domestic interest rate	Ps.2,088
Foreign interest rate	134
Exchange rate	80
Capital	20
Foreign currency bond prices	84
Total VaR	Ps.2,168

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 (Cur 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 2007 is 50.9%, while the average during the quarter is 57.3%, as shown below:

	End of quarter				
	4Q06	1Q07	2Q07	3Q07	4Q07
Liquid assets	Ps.64,013	Ps.58,475	Ps.61,668	Ps.58,549	Ps.59,540
Liquid liabilities	Ps.98,883	Ps.96,210	Ps.108,975	Ps.101,628	Ps.116,879
Liquidity ratio	64.7%	60.8%	56.6%	57.6%	50.9%

	Average				
	4Q06	1Q07	2Q07	3Q07	4Q07
Liquid assets	Ps.58,764	Ps.55,854	Ps.51,814	Ps.51,177	Ps.56,520
Liquid liabilities	Ps.87,371	Ps.89,740	Ps.90,388	Ps.93,613	Ps.98,706
Liquidity ratio	67.3%	62.2%	57.3%	54.7%	57.3%

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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" (ARO) 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

Operating Losses Database

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	Actions intended to defraud, illegally seize ownership or evade the regulations, law or policies of the Institution involving at least one internal party.
External fraud	Actions taken by third parties intended to defraud, illegally seize ownership or evade the law.
Labor relations	Actions inconsistent with laws or employment, health or safety agreements, or which result in the payment of claims for damages to personnel or discrimination claims.
Practices with customers	Negligence or unintentional breaches which prevent compliance with professional obligations with customers or due to the nature or design of a product or service.
Damage to assets	Damage or loss to physical assets due to natural disasters or other events.
System failure	Interruption in business activities due to information systems failures.
Execution, delivery and processes	Failures in processing of transactions or in process management and in relations with counter-parties and supplier.

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 irreversible 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.

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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 (applicable to banking in Mexico as of January 2008). The Financial Group is currently applying this new methodology to calculate Operating Risk Capital Requirements.

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.

On the other hand, an internal methodology is in place that estimates the operating losses (based on the average of historical losses over the last 36 months that affected the Financial Group). Based on this methodology, the Financial Group's Operating Risk consequences and losses is estimated at Ps. 17 a month (for the next 3 months).

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.

34 – MEMORANDUM ACCOUNTS

	2007	2006
Bank customers (current accounts)	Ps.11	Ps.11
Settlement of customer transactions	58	436
Customer valuables received in custody	180,385	168,950
Customer repurchase agreements	21,803	22,864
Customer call options transactions	146	-
Managed trusts	3,048	2,873
	Ps.205,451	**Ps.195,134**
Other contingent assets and liabilities	Ps.279	Ps.272
Credit commitments	2,365	2,368
Deposits of assets	1,541	1,231
Financial Group securities delivered into custody	610	212
Financial Group government securities held in custody	147	303
Assets in trusts or under mandate	101,632	87,560
Managed assets in custody	117,167	94,210
Investment banking transactions on account of third parties (net)	91,329	96,246
Past-due loan portfolio accrued but not collected interest	102	51
	Ps.315,172	**Ps.282,453**
Securities to be received in repurchase agreements	Ps.216,233	Ps.205,909
Less: Creditor repurchase agreement	(216,708)	(206,128)
	(Ps.475)	**(Ps.219)**
Repurchase agreement from debtors	Ps.21,502	Ps.20,261
Less: Securities to be received in repurchase agreements	(21,484)	(20,260)
	Ps.18	**Ps.1**

35 – COMMITMENTS

As of December 31, 2007 and 2006, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations totaling Ps. 2,644 (Ps. 2,640 in 2006), which are recorded in memorandum accounts.

- Certain real property and operating equipment are leased. The leases establish periodic rental adjustments based on changes in different future economic factors. Total property lease payments for the periods ended December 31, 2007 and 2006, were Ps. 171 and Ps. 167, respectively. Total operating equipment rental payments for the periods ended December 31, 2007 and 2006, were Ps. 24 and Ps. 61, respectively.

36 – CONTIGENCIES

As of December 31, 2007, 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. 119 is recorded to cover 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.

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37 - 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 article 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 other in the banking system.

During 2007 and 2006, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 774 and Ps. 684, respectively.

38 - MERGER OF SUBSIDIARIES

At the Financial Group's Extraordinary Stockholders' meeting held on October 3, 2007 it was authorized to merge Arrendadora y Factor Banorte, S.A. de C.V. with Arrendadora Banorte, S.A. de C.V., whereby the former was the merged entity and the latter the merging entity that took on the merged entity's name. The merger will become effective as of January 31, 2008 and was driven by the following benefits: maximized operating efficiencies; enhanced capital consolidating leverage; sustaining high ratings by rating agencies; and improved lines of credit with financial institutions.

39 – ISSUANCE OF SUBORDINATED DEBENTURES

At the Banorte General Extraordinary Stockholders' meeting, held on February 22, 2008, it was approved, pending the corresponding authorizations and inscriptions, to subsequently issue subordinated debentures in a public offerings up to Ps. 15,000.

The subordinated debentures may be preferred or non-preferred and, in both cases, nonconvertible.

The funds generated by issuing the subordinated securities will be used for general corporate purposes.

The program will be effective for 5 years once the Commission authorizes it. Each issue made under such program will have its own interest rate, term, and dates of payment, among other features.

40 - STRATEGIC ALLIANCE

Grupo Financiero Banorte, S.A.B. de C.V. and Controladora Comercial Mexicana, S.A.B. de C.V. (CCM) announced that CCM and Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte) have signed a letter of intent dated February 25, 2008 to establish a strategic alliance to provide financial services to customers of the following stores: Mega, Comercial Mexicana, Bodega Comercial Mexicana, Sumesa, Alprecio and City Market.

This alliance is subject to the conclusion of the current alliance between CCM and Cetelem and to the authorization of the SHCP and other corresponding authorities.

CCM and Banorte intend to create a new company as a Full Service Regulated Financial Corporation, (SOFOM). CCM will hold 51% of the SOFOM's stockholders' equity while Banorte will have the remaining 49%. The SOFOM will have a capital of up to Ps. 1,300. Operations are scheduled to begin in the second half of 2008.

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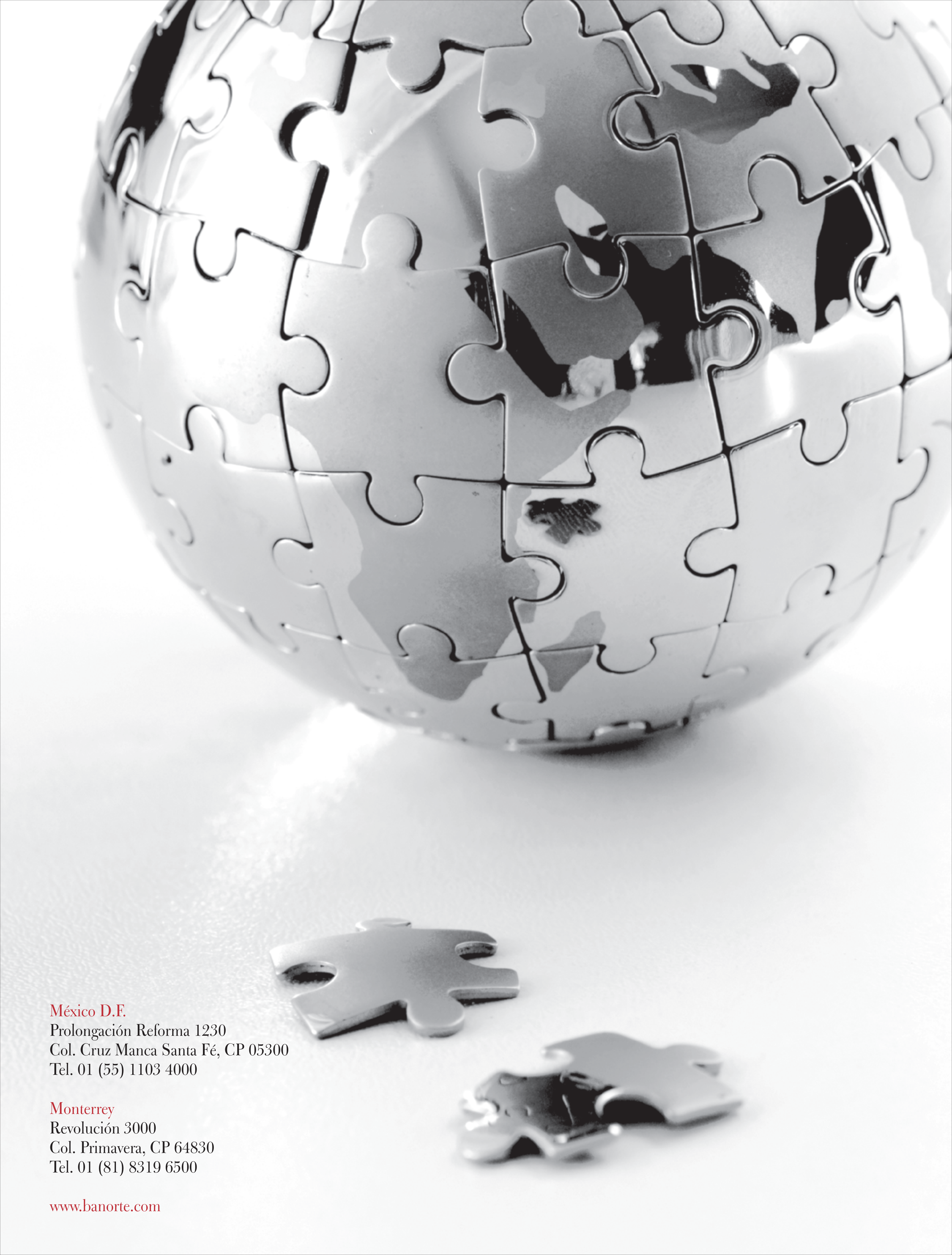

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