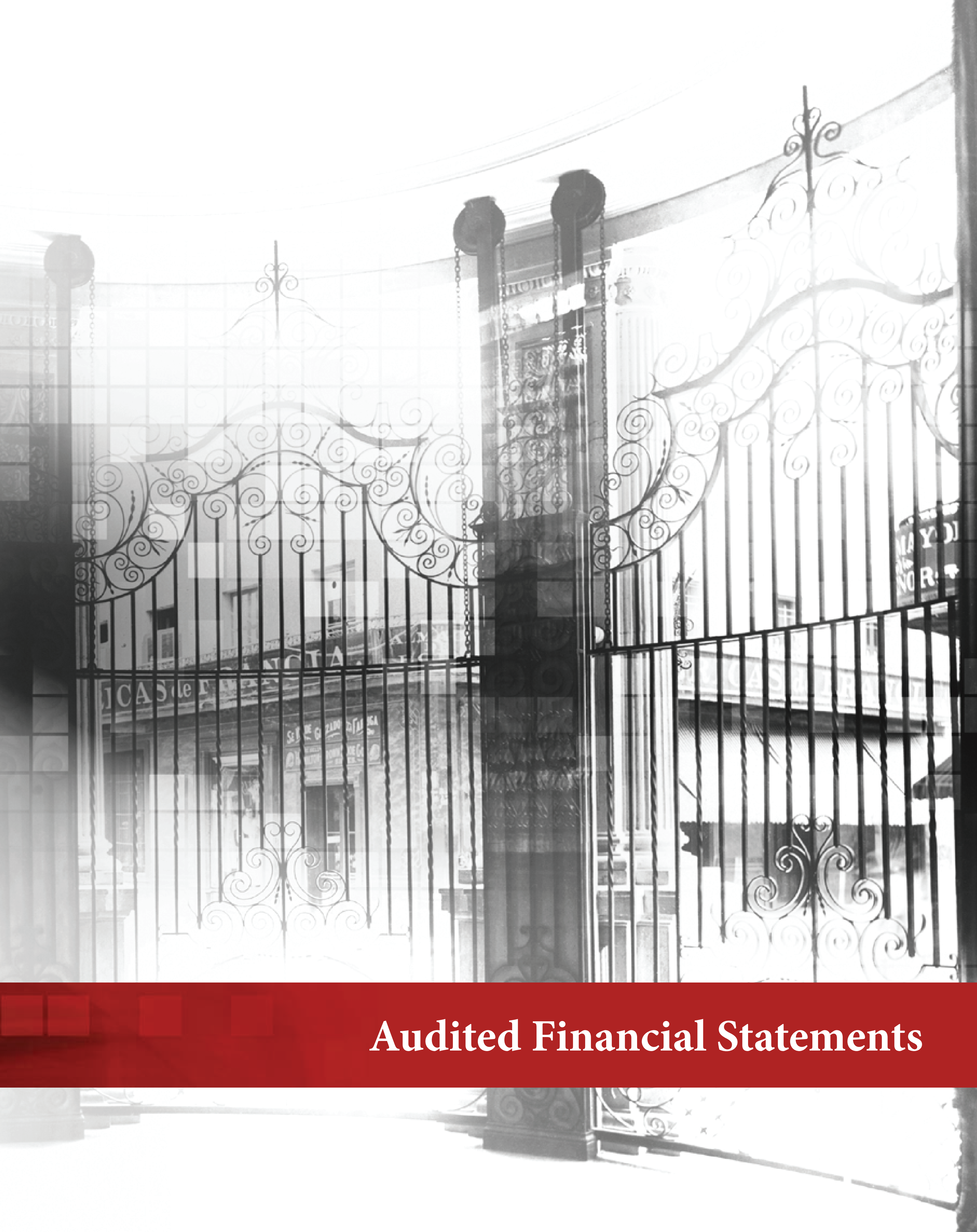
Audited Financial Statements

GRUPO FINANCIERO BANORTE



Audited Financial Statements

Audit and Corporate Practices'
Committee Report

Monterrey, N. L., March 26th, 2010.
To the Board of Directors of Grupo Financiero Banorte,
S. A. B. de C. V.

In accordance with Article 43 of the Stock Market Law (LMV), the Audit and Corporate Practices' Committee presents its annual report of activities carried out during the fiscal year of 2009.

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

I. Regarding Audit:

a) On the state of the Internal Control System (SCI) and Internal Audit of GFNorte and its relevant entities, and the description of their deficiencies and deviations, this Committee took into consideration the following elements:

    1. Revision of annual Internal Control reports about activities of the afore-mentioned relevant entities, prepared by their respective Managing Directors.

    2. This Committee reviewed the reports on the revision of the Internal Accounting Control of Banco Mercantil del Norte, S. A., Casa de Bolsa Banorte, S. A. de C. V., and Banorte Generali, S. A. de C. V. AFORE, Internal Control observation reports prepared by the External Auditor, and the follow-up of corrective measures taken with regard to areas of opportunity detected and identified in these reports; as well as the opinion of the financial statements of GFNorte and its subsidiaries.

    3. Observations on control deficiencies or deviations of GFNorte and its subsidiaries, presented by Internal Audit in the sessions of this Committee, including the relevant entities and the follow-up of corrective measures taken.

    4. Reports of inspection visits by competent supervising authorities, and the follow-up on the implementation of pertinent corrective measures.

    5. Controllership reports of Banco Mercantil del Norte, S. A. and Casa de Bolsa Banorte, S. A. de C. V.; as well as reports of the Controllerships of Seguros Banorte Generali, S. A. de C. V., and Banorte Generali, S. A. de C. V. AFORE.

    An important event to emphasize was the signing of a Formal Agreement with the Office of the Comptroller of Currency (OCC), INB's regulator, through which commitments were assumed to strengthen INB's loan portfolio's management processes, management of critical assets and revision of loans, as well as the establishment of a program to ensure adequate reserves for leases and loans, and the formulation of a strategic plan. The authorities' requirements were fulfilled within the established guidelines and they have been assigned a permanent follow-up. It will take several quarters before the effects of these measures are reflected in an improvement in INB.

    Taking the afore-mentioned into consideration, and as a result of the surveillance carried out by this Committee in sessions throughout the year with the participation of SCI third parties such as the External Auditor, Internal Audit and the Controllership, we can report that the SCI of GFNorte and its subsidiaries and the Internal Audit work appropriately, providing a reasonable degree of security regarding the achievement of objectives related to effectiveness and efficiency of operations, reliability of financial information issued and fulfillment of applicable norms, and that deficiencies or deviations were not detected that could significantly affect them.

b) In relation to possible significant nonfulfillment of operations and accounting registration policies, we can report that none were detected; and that the identified areas of opportunity have been reported to those responsible, and measures have been taken to correct these, as well as implement them in the follow-up system.

c) Regarding the performance evaluation of the individual providing the external audit services, we can report that in the pursuit of his activities and in his relationship with the administration and the Committee, the firm of Galaz, Yamazaki, Ruiz Urquiza, S. C (member of Deloitte Touche Tohmatsu) was verified to have provided quality performance; as well as the Auditor in charge, who has applied work methodologies according to the international best practices that adequately fulfill the applicable regulation properly.

   We also consider that the content of their reports and findings are of quality and useful in supporting the activities of this Committee, pointing out that their results and opinions do not present discrepancies with management.

d) On the description of services provided by the External Auditor in addition to the auditing of financial statements, we can inform that at the beginning of the fiscal year, they were hired to make a diagnosis on the execution of applicable norms and best practices with regards to corporate governance including the different organisms of GFNorte and subsidiaries.

   The Board of Directors approved the proposal of this Committee to hire these services, after verifying that no conflict of interest existed; and the services were conducted throughout 2009. The services of other independent experts were hired to evaluate the quality of Banorte's most important borrowers that form the loan portfolio and to evaluate the reach of Internal Audit revisions on aspects of Information Technology.

e) Revision of the financial statements of GFNorte and its subsidiaries for the year ending December 31st, 2009 were carried out; as well as the External Auditor's findings before their publication; with the participation of management, the External Auditor, the Commissary, Internal Audit and the Controllership, having found that they were prepared in accordance with the regulations and applicable accounting practices, and therefore, we recommend that the Board of Directors approve these financial statements. Additionally, this Committee conducts a periodic revision of the intermediate financial statements on a quarterly basis.

f) On the main modifications to accounting policies and criteria adopted by GFNorte and its subsidiaries during the 2009 fiscal year, various modifications were carried out as a consequence of changes in the applicable regulations and the criteria for charge offs in the commercial portfolio, which are described thoroughly in Note 4 "Main Accounting Policies" of GFNorte's financial statements in which a detailed explanation of these modifications can be found.

g) There were no relevant observations in the actions exercised by shareholders, consultants, directors, employees or a third party regarding the accounting, internal control or topics related to the internal or external audits, or from accusations on irregularities. We can report that according to international best practices, one of the institutional channels of communication is anonymous accusations done through EthicsPoint. Reports received through this tool are directed to the members of this Committee and to diverse directors of the organization, for their knowledge and attention. This Committee follows up on the resolution of the accusations.

h) With regards to the resolutions approved by the Shareholders' Meetings and the Board of Directors, none of these organisms requested that this Committee follow-up on the adopted resolutions.

i) Among other activities carried out by the Committee is the revision of results of independent experts' recommendations hired to evaluate the quality of the loan portfolio's main clients and the coverage of Internal Audit's works on critical aspects of information technology. The Committee also reviewed the methodologies used by branches to self-evaluate operational risk and its compliance, the individual rating of the loan portfolio and Internal Audit of specific loans. Attention was also given to the recommendations resulting from the diagnosis of corporate governance practices.

II. Regarding Corporate Practices:

a) With respect to observations regarding the performance of relevant managers, we can report that management has defined relevant Directors of GFNorte and its subsidiaries to be those officials that the bank must inform the respective authorities when they are hired because of the specific regulation that applies to them.

With regard to the performance of relevant management during the 2009 fiscal year, this Committee reports that there were no cases in which managers acted outside of the established policies and procedures.

b) With respect to operations with related parties, this Committee verified that as of December 31st, 2009, the amount of the loans granted to related parties was Ps 7.36 billion which is lower than the limits established by the corresponding regulation, and that these transactions were approved by the Board of Directors for those cases where approval was required in accordance with the applicable regulations. Inter-company transactions were conducted at market prices, which were verified by the External Auditor in the revisions that it conducted.

We can also report that during the 2009 fiscal year, there were no unusual non recurring operations, or that due to the importance of their amount required approval from the Board of Directors.

c) With regard to the compensation of relevant directors, we can report that management defined the appointment policies and the comprehensive retribution packages for relevant officers which include: (i) a fixed compensation; (ii) a bonus plan based mainly on the fulfillment of the profits estimated; and (iii) a long term incentive plan providing some Directors an option to purchase shares in accordance with programs approved by this Committee.

d) Finally, we can report that during the 2009 fiscal year, the Board of Directors did not grant waivers to board members or top managers to take advantage of business opportunities.

Sincerely,

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

February 19, 2010.

Deloitte.

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Financiero Banorte, S. A. B. de C. V. and Subsidiaries.

We have audited the accompanying consolidated balance sheets of Grupo Financiero Banorte, S. A. B. de C. V. and Subsidiaries (the Financial Group) as of December 31, 2009 and 2008, and the related consolidated statements of income and changes in stockholders' equity for the years then ended, of cash flows for the year ended December 31, 2009 and of changes in the financial position for the year ended December 31, 2008. These consolidated financial statements are the responsibility of the Financial Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

Note 1 to the financial statements describes the Financial Group's operations. Note 4 describes the accounting criteria established by the Commission in the "General Provisions Applicable to Banking Institutions", which the Financial Group adheres to for the preparation of its financial information, as well as the modifications to such accounting criteria that became effective during 2009 some of which were applied prospectively, affecting the comparability with the 2008 figures. Note 5 describes the main differences between the accounting practices prescribed by the Commission and Mexican Financial Reporting Standards commonly applied in the preparation of financial statements for other types of unregulated entities in Mexico.

As explained in Note 12 in August 2009 the Commission issued modifications to the consumer loan rating methodology allowing institutions to record, with a charge to equity, the initial cumulative financial effect derived from applying the corresponding loan rating methodology to credit card transactions or constitute, in a 24-month period, the total accumulated amount. The Financial Group recorded the effect of the change in methodology by a charge to the results of prior years in shareholders' equity, which totaled Ps. 683 million, net of deferred taxes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Financiero Banorte, S. A. B. de C. V. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and changes in their stockholders' equity for the years then ended, their cash flows for the year ended December 31, 2009 and changes in their financial position for the year ended December 31, 2008, in conformity with the accounting practices prescribed by the Commission.

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

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

Consolidated Balance Sheets

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008
(In million of Mexican pesos)

ASSETS	2009	2008
CASH AND CASH EQUIVALENTS	**Ps. 59,268**	**Ps. 54,396**
MARGIN SECURITIES	**18**	**6**
INVESTMENTS IN SECURITIES		
Trading securities	24,459	6,076
Available for sale securities	11,701	11,480
Held to maturity securities	190,332	221,617
	226,492	**239,173**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**4**	**149**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	4,824	5,325
For hedging purposes	1,056	2,843
	5,880	**8,168**
PERFORMING LOAN PORTFOLIO		
Commercial loans		
Business loans	117,237	126,798
Financial Institutions' Loans	7,131	10,860
Government loans	38,993	26,989
Consumer loans	25,712	29,369
Mortgage loans	49,881	46,282
TOTAL PERFORMING LOAN PORTFOLIO	**238,954**	**240,298**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	3,163	1,703
Consumer loans	1,942	2,499
Mortgage loans	1,049	746
TOTAL PAST-DUE LOAN PORTFOLIO	**6,154**	**4,948**
LOAN PORTFOLIO	**245,108**	**245,246**
(Minus) Allowance for loan losses	(7,535)	(6,690)
LOAN PORTFOLIO, net	**237,573**	**238,556**
ACQUIRED COLLECTION RIGHTS	**2,548**	**3,049**
TOTAL LOAN PORTFOLIO, net	**240,121**	**241,605**
RECEIVABLES GENERATED BY SECURITIZATIONS	**432**	**796**
OTHER ACCOUNTS RECEIVABLE, net	**11,324**	**9,514**
MERCHANDISE INVENTORY	**119**	**165**
FORECLOSED ASSETS, net	**928**	**863**
PROPERTY, FURNITURE AND FIXTURES, net	**8,622**	**8,429**
PERMANENT STOCK INVESTMENTS	**3,036**	**2,559**
DEFERRED TAXES, net	**1,411**	**471**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	9,483	10,731
TOTAL ASSETS	**Ps. 567,138**	**Ps. 577,025**

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 susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the balance sheet dates above. The stockholders' equity amounts to Ps. 7,000 (nominal value).
The accompanying Consolidated Balance Sheets have been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached notes are an integral part of these consolidated balance sheets.

LIABILITIES	2009	2008
DEPOSITS		
Demand deposits	Ps. 137,581	Ps. 128,350
Time deposits		
General public	134,141	118,740
Money market	3,186	13,679
	274,908	**260,769**
INTERBANK AND OTHER LOANS		
Demand loans	21	1,245
Short-term loans	13,385	24,803
Long-term loans	7,562	10,635
	20,968	**36,683**
ASSIGNED SECURITIES PENDING SETTLEMENT	**159**	**-**
CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**185,480**	**192,727**
COLLATERAL SOLD OR PLEDGED		
Repurchase or resale agreements (creditor balance)	**2**	**2**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	4,553	5,269
For hedging purposes	3,822	5,477
	8,375	**10,746**
OTHER ACCOUNTS PAYABLE		
Income tax	617	374
Employee profit sharing	676	898
Creditors from settlements of transactions	2,224	2,405
Sundry debtors and other payables	8,968	10,716
	12,485	**14,393**
SUBORDINATED DEBENTURES	**18,168**	**20,613**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**1,619**	**1,346**
TOTAL LIABILITIES	**522,164**	**537,279**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	11,956	11,941
Additional paid-in capital	1,525	1,468
	13,481	**13,409**
OTHER CAPITAL		
Capital reserves	3,154	2,720
Retained earnings from prior years	20,681	16,935
Result from valuation of securities available for sale	206	(550)
Result from valuation of instruments for cash flow hedging	(1,369)	-
Cumulative foreign currency translation adjustment	(641)	1,095
Effect of holding non-monetary assets	-	(2,821)
Net income	5,854	7,014
	27,885	**24,393**
NONCONTROLLING INTEREST	**3,608**	**1,944**
TOTAL STOCKHOLDERS' EQUITY	**44,974**	**39,746**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 567,138**	**Ps. 577,025**

Dr. Alejandro Valenzuela del Río
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Executive Director Controller

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

Consolidated Statements of Income

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In million of Mexican pesos)

	2009	2008
Interest income	Ps. 45,451	Ps. 50,417
Interest expense	(22,268)	(27,789)
NET INTEREST INCOME	**23,183**	**22,628**
Provision for loan losses	(8,286)	(6,896)
NET INTEREST INCOME AFTER ALLOWANCE FOR LOAN LOSSES	**14,897**	**15,732**
Commission and fee income	8,291	8,535
Commission and fee expense	(1,338)	(1,208)
Brokerage revenues	1,244	1,039
Other revenues	980	746
	9,177	**9,112**
NET OPERATING REVENUES	**24,074**	**24,844**
Administrative and promotional expenses	(17,024)	(16,687)
OPERATING INCOME	**7,050**	**8,157**
Other income	2,438	2,997
Other expenses	(1,566)	(1,523)
	872	**1,474**
INCOME BEFORE INCOME TAX	**7,922**	**9,631**
Current income tax	(2,581)	(2,765)
Deferred income taxes, net	536	245
	(2,045)	**(2,520)**
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	**5,877**	**7,111**
Equity in earnings of unconsolidated subsidiaries and associated companies	313	276
INCOME BEFORE NONCONTROLLING INTEREST	**6,190**	**7,387**
Noncontrolling interest	(336)	(373)
NET INCOME	**Ps. 5,854**	**Ps. 7,014**

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

The accompanying Consolidated Statements of Income 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 income.

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and Tax

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 ENDED DECEMBER 31, 2009 AND 2008
(In million of Mexican pesos)

	PAID-IN CAPITAL	
	Common stock	**Additional paid-in capital**
Balances, January 1, 2008	**Ps. 11,965**	**Ps. 1,272**
TRANSACTIONS APPROVED BY STOCKHOLDERS		
Issuance (repurchase) of shares	(24)	199
Transfer of prior year's result	-	-
Creation of reserves as per General Stockholders' meeting on April 29, 2008	-	-
Dividend declared at the General Stockholders' meeting on October 6, 2008	-	-
Total transactions approved by stockholders	**(24)**	**199**
COMPREHENSIVE INCOME		
Net income	-	-
Effect of subsidiaries	-	(3)
Result from valuation of cash flow hedging instruments	-	-
Changes in accounting principles (NIF B-10)	-	-
Total comprehensive income	**-**	**(3)**
Noncontrolling interest	-	-
Balances, December 31, 2008	**11,941**	**1,468**
TRANSACTIONS APPROVED BY STOCKHOLDERS		
Issuance (repurchase) of shares	15	(328)
Transfer of prior year's result	-	-
Creation of reserves as per General Stockholders' meeting on April 30, 2009	-	-
Dividend declared at the General Stockholders' meeting on October 5, 2009	-	-
Total transactions approved by stockholders	**15**	**(328)**
COMPREHENSIVE INCOME		
Net income	-	-
Result from valuation of available for sale securities	-	-
Effect of subsidiaries, affiliates and mutual funds	-	(5)
Effect of the acquisition of the remaining 30% of the subsidiary INB	-	-
Result from valuation of cash flow hedging instruments	-	-
Application of the effect of holding non-monetary assets	-	(4)
Change in credit card loan rating methodology (net of deferred taxes)	-	-
Total comprehensive income	**-**	**(9)**
Noncontrolling interest	-	394
Balances, December 31, 2009	**Ps. 11,956**	**Ps. 1,525**

These statements of changes in stockholder's equity, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above. These consolidated statements of changes in stockholder's equity were approved by the Board of Directors in accordance with the responsibility assigned to them.
The attached notes are an integral part of these consolidated statements of changes in stockholders' equity.

OTHER CAPITAL

Capital reserves	Retained earnings from prior years	Result from valuation of available for sale securities	Result from valuation of cash flow hedging instruments	Cumulative foreign currency translation adjustment	Insufficiency in restated stockholders' equity	Effect of holding non-monetary assets	Net income	Total majority interest	Noncontrolling interest	Total stockholders' equity
Ps. 2,452	**Ps. 21,279**	**Ps. -**	**Ps. -**	**Ps. -**	**(Ps. 6,380)**	**(Ps. 5,009)**	**Ps. 6,810**	**Ps. 32,389**	**Ps. 1,667**	**Ps. 34,056**
(72)	-	-	-	-	-	-	-	103	-	103
-	6,810	-	-	-	-	-	(6,810)	-	-	-
340	(340)	-	-	-	-	-	-	-	-	-
-	(949)	-	-	-	-	-	-	(949)	-	(949)
268	**5,521**	**-**	**-**	**-**	**-**	**-**	**(6,810)**	**(846)**	**-**	**(846)**
-	-	-	-	-	-	-	7,014	7,014	-	7,014
-	(30)	(550)	-	1,095	-	-	-	512	-	512
-	-	-	-	-	-	(1,267)	-	(1,267)	-	(1,267)
-	(9,835)	-	-	-	6,380	3,455	-	-	-	-
-	**(9,865)**	**(550)**	**-**	**1,095**	**6,380**	**2,188**	**7,014**	**6,259**	**-**	**6,259**
-	-	-	-	-	-	-	-	-	277	277
2,720	**16,935**	**(550)**	**-**	**1,095**	**-**	**(2,821)**	**7,014**	**37,802**	**1,944**	**39,746**
83	-	(221)	-	-	-	-	-	(451)	-	(451)
-	7,014	-	-	-	-	-	(7,014)	-	-	-
351	(351)	-	-	-	-	-	-	-	-	-
-	(364)	-	-	-	-	-	-	(364)	-	(364)
434	**6,299**	**(221)**	**-**	**-**	**-**	**-**	**(7,014)**	**(815)**	**-**	**(815)**
-	-	-	-	-	-	-	5,854	5,854	-	5,854
-	-	592	-	-	-	-	-	592	-	592
-	(47)	-	-	(54)	-	-	-	(106)	-	(106)
-	-	-	-	(1,698)	-	-	-	(1,698)	-	(1,698)
-	-	-	209	-	-	-	-	209	-	209
-	(1,640)	385	(1,578)	16	-	2,821	-	-	-	-
-	(683)	-	-	-	-	-	-	(683)	-	(683)
-	**(2,370)**	**977**	**(1,369)**	**(1,736)**	**-**	**2,821**	**5,854**	**4,168**	**-**	**4,168**
-	(183)	-	-	-	-	-	-	211	1,664	1,875
Ps. 3,154	**Ps. 20,681**	**Ps. 206**	**(Ps. 1,369)**	**(Ps. 641)**	**Ps. -**	**Ps. -**	**Ps. 5,854**	**Ps. 41,366**	**Ps. 3,608**	**Ps. 44,974**

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Consolidated Cash Flow Statement

GRUPO FINANCIERO BANORTE, S. A. B. DE C. V. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009
(In million of Mexican pesos)

	2009
Net Income	**Ps. 5,854**
Items not requiring (generating) resources:	
Provision for loan losses	8,286
Provision for uncollectible or doubtful accounts receivable	182
Depreciation and amortization	954
Other provisions	(1,786)
Current and deferred income tax	2,045
Equity in earnings of unconsolidated subsidiaries and associated companies	(313)
	15,222
OPERATING ACTIVITIES:	
Changes in margin securities	(11)
Changes in investments in securities	12,312
Changes in debtor balances under repurchase and resale agreements	144
Changes in asset position of derivatives financial instrument	501
Change in loan portfolio	(8,167)
Changes in acquired loan portfolios	502
Changes in securitization transaction receivables	364
Change in foreclosed assets	(94)
Change in other operating assets	(969)
Change in deposits	15,344
Change in interbank and other loans	(15,644)
Change in creditor balances under repurchase and sale agreements	(7,088)
Change in liability position of derivatives financial instrument	(717)
Change in subordinated debentures	(2,481)
Change in other operating liabilities	(2,365)
Change in hedging instruments related to operations	133
Net operating activity cash flows	**6,986**
INVESTMENT ACTIVITIES:	
Proceeds on disposal of property, furniture and fixtures	259
Acquisition of property, furniture and fixtures	(1,447)
Acquisition of subsidiaries and associated companies	(183)
Sale of other permanent investments	1
Acquisition of other permanent investments	(1)
Dividends received	135
Net investing activity cash flows	**(1,236)**
FINANCING ACTIVITIES:	
Dividends paid	(364)
Repurchase of shares	(451)
Net financing activity cash flows	**(815)**
Net increase in cash and cash equivalents	4,935
Adjustments to cash flows from variation in the foreign exchange rate	(63)
Cash and cash equivalents at the beginning of the year	54,396
Cash and cash equivalents at the end of the year	**Ps. 59,268**

This statement of cash flows, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, was prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above. The accompanying Consolidated Statement of Cash Flows has been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached notes are an integral part of this consolidated statement of cash flows.

Dr. Alejandro Valenzuela del Río 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 and Tax

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

	2008
OPERATING ACTIVITIES:	
Net Income	**Ps. 7,014**
Items not requiring (generating) resources:	
Fair value adjustments of financial instruments	(268)
Provision for loan losses	6,896
Depreciation and amortization	1,099
Deferred taxes	(245)
Provisions for other obligations	24
Noncontrolling interest	373
Equity in earnings of subsidiaries and associated companies	(276)
	14,617
Changes in operating accounts:	
Increase in deposits	57,462
Increase in loan portfolio	(52,095)
Increase from treasury transactions	(220,239)
Decrease in transactions with securities or derivatives financial instruments	194,552
Increase in bank and other loans	13,960
Increase in deferred taxes	(12)
Net resources generated by operating activities	**8,245**
FINANCING ACTIVITIES:	
Increase in subordinated debentures	10,403
Issuance of shares	103
Increase in other payables	1,269
Dividends paid	(949)
Net resources generated by financing activities	**10,826**
INVESTMENT ACTIVITIES:	
Acquisition of property, furniture and fixtures, net	(1,308)
Increase in permanent stock investments	(644)
Increase in deferred charges and credits	(1,958)
Increase in foreclosed assets	(478)
Increase in other accounts receivable	(1,897)
Net resources used in investment activities	**(6,285)**
Net increase in cash and cash equivalents	12,786
Cash and cash equivalents available at the beginning of the year	41,610
Cash and cash equivalents available at the end of the year	**Ps. 54,396**

This statement of changes in financial position, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, was prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above.
The accompanying Consolidated Statement of Changes in Financial Position has been approved by the Board of Directors in accordance with the responsibility assigned to them.
The attached notes are an integral part of this consolidated statement of changes in financial position.

Dr. Alejandro Valenzuela del Río 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 and Tax

1 – ACTIVITY AND REGULATORY ENVIRONMENT

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

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

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

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

The Financial Group's consolidated financial statements have been approved by the Board of Directors at their January 28, 2010 meeting in accordance with the responsibility assigned to them.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Prepayment of subordinated debentures

On February 17, 2009 Banco Mercantil del Norte, S. A. (Banorte) exercised the prepayment option on its USD 300 million non-convertible subordinated debentures issued in 2004 scheduled to mature in 2014, which were registered on the Luxembourg Stock Exchange. This subordinated debt was issued in February 2004 with a 10-year term and included a prepayment option as of the fifth year.

b. Merger of Créditos Pronegocio, S. A. de C. V. (Pronegocio)

At the Extraordinary Stockholders' Meeting held on April 30, 2009, the merger of Banorte, as the merging entity, and Pronegocio (subsidiary of the Financial Group), as the merged entity, was approved. The final merger agreement was executed on August 31, 2009, after having received the corresponding authorizations by the regulating authorities. Said merger was completed in September 2009.

c. Acquisition of the remaining 30% of INB

On April 1, 2009, Banorte announced the completion of the purchase transaction of the remaining 30% of the shares of INB Financial Corp. ("INB"), holding company of "Inter National Bank" based in Texas in the United States of America. This acquisition concludes the original plan established in January 2006, when Banorte acquired 70% of Inter National Bank's shares through its subsidiary Banorte USA Corporation, which held that percentage from December 31, 2008 until April 1, 2009. The cost of acquiring the remaining 30% was USD 146.6 million, which Banorte covered using its own resources. This acquisition did not impact Banorte's regulatory capitalization ratio. The effect on Banorte was reflected as an increase in the investment in its subsidiary Banorte USA Corporation.

d. Issuance of subordinated debentures

In March 2009, Banorte issued subordinated debentures to strengthen its regulatory capital. The issuance of Ps. 2,200 in preferred non-convertible subordinated debentures (BANORTE 09) with a 10-year maturity will pay an interest rate equivalent to the 28-day Interbank Equilibrium Interest Rate (TIIE) + 2%. Moody's rated the securities with Aaa.mx and Fitch with AA (mex).

e. International Finance Corporation's (IFC) Investment in Banorte

Banorte's Extraordinary Stockholders' Meeting held on October 23, 2009 approved both an increase in its ordinary stockholders' equity and a modification to its corporate bylaws to complete the IFC's investment of up to USD 150 million in Banorte's capital. The investment was finalized in November 2009 by providing the IFC 3,370,657,357 ordinary nominative "O" Series shares with a nominal value of Ps. 0.10 (ten cents). The IFC settled this operation with USD 82.3 million in cash and the capitalization of a credit of USD 67.7 million. Banorte, the IFC and the Financial Group celebrated a series of agreements that obligate the IFC to maintain its participation in Banorte for at least five years. After five years the IFC could sell its participation to the Financial Group, which would be obligated to purchase it either by exchanging it with shares of the Financial Group or paying it in cash, depending on the Financial Group's choice and convenience.

f. Afore Banorte Generali, S. A. de C. V. asset acquisitions (AFORE Banorte)

In June 2009, AFORE Banorte acquired the retirement fund management and investment business from AFORE IXE for Ps. 258. This transaction involved transferring a portfolio of 312,489 clients, which represents Ps. 5,447 in managed assets.

Furthermore, in August 2009, AFORE Banorte acquired AFORE Ahorra Ahora's management rights over a portfolio of 367,660 clients, which represents Ps. 1,138 in managed assets. The amount paid for this operation was Ps. 19.

Additionally, in December 2009, AFORE Banorte acquired AFORE Argos' management rights over a portfolio of over 22 thousand clients, which represents managed assets of approximately Ps. 600. The acquisition cost was Ps. 17.

These operations were approved by the respective Boards of Directors, Government Board of the Mexican National Commission for the Retirement Savings System and the Federal Competition Commission.

These acquisitions position AFORE Banorte as the fourth largest Afore in Mexico, in terms of number of affiliates.

3 – BASIS OF PRESENTATION

Monetary unit of the financial statements

The financial statements and notes as of December 31, 2009 and 2008 and for the years then ended include balances and transactions in Mexican pesos of purchasing power of such dates.

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, 2009 and 2008, the Financial Group's consolidated subsidiaries and its equity ownership is as follows:

	2009	2008
Banco Mercantil del Norte, S. A. and Subsidiaries	92.72%	97.06%
Casa de Bolsa Banorte, S. A. de C. V.	99.99%	99.99%
Arrendadora y Factor Banorte, S. A. de C. V.	99.99%	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%	99.99%

Conversion of financial statements of Banorte USA, Corporation and Subsidiaries (indirect foreign subsidiary)

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

Foreign operations whose recording and functional currency are one and the same convert their financial statements using the following exchange rates: a) year-end rate for assets and liabilities, b) historical rate for stockholders' equity, and c) weighted average rate of the period for income, costs and expenses. The conversion effects are presented in Banorte's stockholders' equity.

Comprehensive income

This is the change in stockholders' equity during the year, for items 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 2009 and 2008, comprehensive income includes the net income of the year, the result from valuation of available for sale securities, the effect of subsidiaries, the effect of acquiring the remaining 30% of INB, the result from valuation of cash flow hedging instruments and the change in credit card loan rating methodology.

4 – SIGNIFICANT ACCOUNTING POLICIES

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

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

Changes in accounting policies

On September 1, 2008, the Commission issued a resolution that modifies the "General Provisions Applicable to Banking Institutions" thereby replacing accounting Circular C-1, "Recording and Cancellation of Financial Assets", and C-2, "Securitization Operations", and adding accounting Circular C-5, "Consolidation of Special Purpose Entities." These provisions went into effect on January 1, 2009.

Additionally, on April 27, 2009, the Commission issued a resolution that modifies the "General Provisions Applicable to Banking Institutions" thereby updating all accounting criteria. These provisions went into effect on April 28, 2009.

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

- Circular B-2, "Investments in securities", introduces the concept of amortized cost for the valuation of held to maturity securities; it considers the loss of value due to the deterioration of securities available for sale and held to maturity; such loss must be recorded in the results of operations. It allows reclassifying held to maturity securities as available for sale, provided there is no intention or capability of holding them to maturity. The Commission's expressed authorization is required to reclassify to securities held to maturity or from trading to securities available for sale. The result of selling the securities is recorded as the result of a purchase and sale agreement instead of a valuation result. Furthermore, the transaction costs of acquiring securities will be recorded according to the category; in the case of securities for trading they will be recorded in the results of operations, and in the cases of securities available for sale and held to maturity, they will be recognized as part of the investment cost.

- Circular B-5, "Derivatives and hedging transactions", establishes the recognition of purchase and sale transaction agreements as embedded derivatives. Assets and liabilities valued at their fair value through results may be considered hedging items. Tests of effectiveness are required for hedging in all cases, with the ineffective portion of the hedge recorded in the results of operations. The presentation of these items in the balance sheet is modified. Furthermore, the transaction costs associated with the acquisition of derivatives financial instruments must be recorded directly in the results of the period in which they were incurred.

- Circular B-6, "Loan portfolio", indicates that the annual credit card fees charged by banking institutions, the fees for unused credit lines, as well as their associated costs and expenses, must all be amortized during a 12 month period. Costs and expenses associated with the initial granting of the credit are recorded as a deferred expense to be amortized as interest expense over the same period in which the fee income is recorded. This applies only to those costs and expenses that are considered incremental. These changes will be applied prospectively given the practical impossibility of their determination for prior years.

- According to Circular C-2, "Securitization transactions," as of January 1, 2009, securitizations must meet the requirements set forth in Circular C-1, "Recognition and derecognition of financial assets", in order to be considered as a sale. Otherwise, the securitized assets shall remain on the balance sheet, and the resulting liability must be recorded. On the other hand, an entity shall consolidate a special purpose entity (EPE) created on or after January 1, 2009, when the economic substance of the relationship indicates that the EPE is controlled by the entity.

- A cash flow statement must be presented prospectively instead of a statement of changes in financial position; as a result, a statement of cash flows and a statement of changes in financial position for the years ended December 31, 2009 and 2008, respectively, are presented. Employee profit sharing (PTU) should be recorded in 2009 as part of operating expenses and not as part of income taxes. In general, the financial statement structure is changed, and there are more disclosure requirements in various concepts, mainly concerning derivatives financial instruments and related parties.

- On August 12, 2009, the Commission issued a resolution modifying the "General Provisions applicable to Banking Institutions", which modifies the consumer loan rating methodology to show the expected loss in these operations based on the current environment.

  This new methodology requires separating the consumer loan portfolio into two groups: those that refer to credit card operations and those that do not. The consumer loan portfolio that does not include credit card operations will consider the number of unpaid billing periods established by the Financial Group as well as the probability of nonpayment and the severity of the loss according to percentages established by the Commission. If this portfolio has collateral or means of payment in favor of the Financial Group, the covered balance will be considered to have zero unpaid periods for provisioning purposes.

  Regarding credit card related consumer loans, such portfolio shall be provisioned and rated on a loan-by-loan basis taking into consideration the probability of nonpayment, the severity of the loss and the exposure to nonpayment. If there are less than 10 consecutive delinquent payments at the calculation date, the severity of the loss will be considered as 75%; if there are 10 or more, it will be 100%. Exposure to nonpayment is determined by applying a formula that considers both the total balance of the creditor's debt and the credit limit. In the case of inactive accounts, a provision equivalent to 2.68% of the credit limit must be constituted.

The resulting effect of applying the revised consumer loan rating method for credit card operations is shown in Note 12.

Retrospective application of the changes in accounting principles

As a result of the accounting changes described above, the 2008 financial statements reflect the effects of the reclassifications derived from such changes in order to make them comparable to the 2009 financial statements.

The 2008 items that have been retrospectively reclassified and their effects are:

ITEMS OF THE CONSOLIDATED BALANCE SHEET	As reported	As adjusted	Change
ASSETS			
CASH AND CASH EQUIVALENTS	Ps.54,402	Ps.54,396	(Ps.6)
MARGIN SECURITIES	-	6	6
INVESTMENTS IN SECURITIES	239,969	239,173	(796)
RECEIVABLES GENERATED BY SECURITIZATIONS	-	796	796
TOTAL ASSETS	**577,025**	**577,025**	**-**
LIABILITIES			
OTHERS ACCOUNT PAYABLE:			
Income tax	1,272	374	(898)
Employee profit sharing	-	898	898
Creditors from settlements of transactions	-	2,405	2,405
Sundry debtors and other payables	13,121	10,716	(2,405)
TOTAL OTHER ACCOUNTS PAYABLE	**Ps.14,393**	**Ps.14,393**	**Ps.-**

ITEMS OF THE CONSOLIDATED STATEMENTS OF INCOME	As reported	As adjusted	Change
Interest income	Ps.50,416	Ps.50,417	Ps.1
Brokerage revenues	1,040	1,039	(1)
Other revenues	-	746	746
Administrative and promotional expenses	(15,807)	(16,687)	(880)
Other income	3,789	2,997	(792)
Other expenses	(1,569)	(1,523)	46
Current income tax	(3,645)	(2,765)	880
NET INCOME	**Ps.7,014**	**Ps.7,014**	**Ps.-**

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

Recognition of the effects of inflation in financial information

Inflation recognition is done pursuant to NIF B-10, "Inflation Effects," which considers two types of economic environments: a) inflationary; when the accumulated inflation of the three previous years is 26% or over, in which case the inflation effects must be acknowledged; b) non-inflationary; when in the same period inflation is less than 26%; in this case the effects of inflation should not be recorded in the financial statements.

The cumulative Mexican inflation over the three years prior to 2009 and 2008 was 15.03% and 11.26%, respectively. Therefore, the Mexican economy is considered as non-inflationary according to the NIF B-10 definition. As of January 1, 2008, the Financial Group is no longer adjusting for the effects of inflation. However, assets, liabilities and stockholders' equity as of December 31, 2009 and 2008 include the restatement effects recorded up until December 31, 2007.

Until December 31, 2007, such recording resulted mainly in inflationary gains or losses on non-monetary and monetary items, which are shown in the financial statements under "Insufficiency in Restated Stockholders' Equity" and "Effect of Holding Non-Monetary Assets".

The Mexican inflation rates for the years ended December 31, 2009 and 2008, were 3.72% and 6.39%, respectively.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value, except for coined precious metals, which are stated at fair value at the end of the period. Funds available in foreign currency are valued at the exchange rate published by Banco de México at the balance sheet date.

Trading securities

Trading securities are those owned by the Financial Group, acquired with the intention of selling them for a profit derived from price differences in short-term purchase and sale operations made by the Financial Group as a market participant.

At acquisition they are initially recorded at fair value, which may include either a discount or premium.

These securities (including both capital and accrued interest) are stated at fair value, which is determined by the price vendor used by the Financial Group.

The trading securities' valuation result is recorded in the results of the period.

Available for sale securities

Securities Available for sale are debt or equity securities that are neither classified as trading nor held to maturity, therefore they represent a residual category, that is, they are purchased with an intention different from that of the trading or held to maturity securities.

They are valued in the same way as trading securities, but with unrealized gains and losses recognized in other comprehensive income within stockholders' equity.

In an inflationary environment, the result of monetary position corresponding to the valuation result of securities available for sale is recorded in other comprehensive income in stockholders' equity.

Held-to-maturity securities

Securities held to maturity consist of debt instruments whose payments are fixed or can be determined with a set maturity, which are acquired with the intent and capability to hold them to maturity.

They are initially recorded at fair value and valued at amortized cost, which means that the amortization of the premium or discount (included in the fair value at which they were initially recorded), is part of the earned interest.

General valuation standards

Upon the sale of trading securities, the valuation result previously recorded in the year's results is reclassified as part of the gain or loss on the sale. Similarly, upon the sale of available for sale securities, the cumulative valuation result recorded in other comprehensive income in stockholders' equity is reclassified as part of the gain or loss on the sale.

Accrued interest on debt instruments is determined using the effective interest method and is recorded in the corresponding category of investments in securities and in the year's results.

Dividends on equity instruments are recorded in the corresponding category of investments in securities and in the year's results when the right to receive such dividends is established.

The foreign exchange gain or loss on investments in securities denominated in foreign currency is recorded in the year's results.

Reclassifications of securities held to maturity to available for sale are allowed, provided there is no intention or capability of holding them to maturity. The Commission's expressed authorization is required to reclassify securities to held to maturity, or from trading to securities available for sale.

If securities held to maturity are reclassified as available for sale, the corresponding valuation result on the reclassification date is recorded in other comprehensive income within stockholders' equity.

An impairment loss on a security is recorded against the year's results if there is objective evidence of such impairment as a result of one or more events, occurring after the initial recording of the security, that have had an impact on the estimated future cash flows that can be reliably determined. The effect of recording the impairment of securities is shown in Note 7.

A previously recorded impairment loss is reversed against the year's results if, in a later period, the amount of the loss decreases and such decrease is objectively associated with an event occurring after the impairment was recorded.

Customer repurchase agreements (repos)

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

Repurchase transactions are recorded according to their economic substance, which is financing with collateral, by which the Financial Group, acting as the purchaser, provides cash as financing in exchange for financial assets that serve as guarantee in the event of noncompliance.

On the repurchase agreement transaction contract date, the Financial Group, acting as the seller, records the cash income, or else a settlement debtor account as well as a payable account at its fair value, initially at the agreed price, which represents the obligation to reimburse the cash to the purchaser. The account payable is subsequently valued over the term of the repurchase agreement at amortized cost by recognizing the interest from the repurchase agreement in the year's results using the effective interest method. As to the collateral granted, the Financial Group reclassifies the financial asset in its balance sheet as restricted and values it according to the criteria mentioned earlier in this note until the maturity of the repurchase agreement.

The Financial Group, acting as the purchaser, on the repurchase transaction contract date records cash and cash equivalents or a creditor settlement account, with an account receivable at its fair value, initially at the agreed price, which represents the right to recover the cash that was delivered. The receivable is subsequently valued over the life of the repurchase agreement at amortized cost by recognizing the repurchase agreement interest in the year's results using the effective interest method. As to the collateral received, the Financial Group records it in off balance sheet memorandum accounts until the repurchase agreement's maturity, following the guidelines of Circular B-9, "Asset Custody and Management", issued by the Commission.

Derivatives financial instruments

The Institution is authorized to perform two types of transactions involving derivatives financial instruments:

Transactions to hedge the Financial Group's opened risk position: Such transactions involve purchasing or selling derivatives financial instruments to mitigate the risk resulting from one or a group of given transactions.

Transactions 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 derivatives financial instruments are presented in assets or liabilities, as applicable, under the heading "Derivatives financial instruments", separating derivatives for trading purposes from those for hedging purposes.

When entering into transactions involving derivatives financial instruments, the Financial Group's internal policies and norms require an assessment and if necessary determination of different risk exposures for each counterparty in the financial system that have been authorized by the Banco de México to enter into these types of transactions. Regarding corporate customers, a preauthorized credit line by the National Credit Committee must be granted or liquid guarantees must be given through a securitized collateral contract before entering into these types of transactions. Medium and small sized companies and individuals must provide liquid guarantees established in securitized collateral contracts with this type of transactions.

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

Forward and futures contracts

Forward and futures contracts with trading purposes establish an obligation to buy or sell a financial asset or an underlying at a future date in the quantity, quality and prices pre-established in the contract.

Futures contracts are recorded initially by the Financial Group in the balance sheet as an asset and a liability at fair value, which represents the price agreed in the contract in order to acknowledge the right and obligation to receive and/or deliver the underlying, as well as the right and obligation to receive and/or deliver the cash equivalent to the underlying, object of the contract.

The derivatives are presented in a specific item in assets or liabilities depending on whether their fair value (as a consequence of the rights and/or obligations it establishes) corresponds to a debtor balance or a creditor balance, respectively. Such debtor or creditor balances in the balance sheet are offset if the Financial Group has the contractual right to offset the stated amount, the intention to settle the net amount or realize the asset and cancel the liability simultaneously.

In the case of trading transactions, their balance represents the difference between the fair value of the contract and the established "forward" price.

Options contracts

Through paying a premium, options contracts grant, the right but not the obligation to buy or sell a financial asset or underlying instrument at a given price within an established term.

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

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

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

The holder of a call option has the right, but not the obligation, to purchase from the issuer a certain financial asset or underlying instrument at a fixed price (transaction price) within a certain term.

The holder of a put option has the right, but not the obligation, to sell a certain financial asset or underlying instrument at a fixed price (transaction price) within a certain term.

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

Swaps

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

They are recorded at fair value which corresponds to the net amount between the asset and liability portion for the rights and obligations agreed upon; they are subsequently valued at fair value using the present value of the future flows to be received or granted according to the estimated future applicable rates, discounting the market rate on the valuation date with yield curves given by the price provider. The result of such valuation is recorded in the year's results.

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

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

The Financial Group documents hedging transactions from the moment the derivatives instruments are designated as hedging transactions. A file for each transaction is created in order to have documented proof as per Circular B-5 paragraph 71, which establishes conditions for using hedging accounting.

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

- A cash flow hedging transaction is recorded as follows:

  a. The effective portion of the hedging instrument's gain or loss is recorded as a component of other comprehensive income in stockholders' equity using as a counter-account an asset or liability account called "derivatives financial instruments". The portion determined as ineffective is measured through retrospective tests, and when they result in over-hedging, they are immediately recognized in current earnings.

  b. The effective hedging instrument component stated in stockholders' equity associated with the hedged item is adjusted to equal the lower (in absolute terms) of these items:
     i. The accumulated gain or loss of the hedging instrument from its inception.
     ii. The accumulated change in the fair value (present value) of the expected future cash flows of the item hedged from the beginning of the transaction.

Valuation method

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

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

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

Operation strategies

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

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

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

Hedging transactions comply with the applicable standard set forth in Circular B-5 of the CNBV. This implies, among other things, that the hedge's effectiveness is evaluated both prior to its arrangement (prospective) and thereafter (retrospective). These tests are performed on a monthly basis.

Embedded derivatives

Identified embedded derivatives are separated from the host contract for valuation purposes and are treated as derivatives when they meet the features set forth in Circular B-5 paragraph 22. The main embedded derivatives recognized by the Financial Group are from service and leasing contracts established in US dollars.

Loan portfolio

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

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

- Loans with bullet payment of principal and interest at maturity: 30 calendar days after being overdue.
- Loans involving a single principal payment at maturity, but with periodic interest payments: total principal and interest payments 30 and 90 calendar days after being overdue, 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 when they are 60 or more days overdue.
- Overdrawn customer checking accounts are considered as part of the past-due portfolio when such situations arise.

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

The fees charged for the initial granting of loans will be recorded as a deferred credit, which will be amortized as interest income using the straight-line method over the loan's contractual term, except those originating from revolving loans, which are amortized over a 12-month period.

Annual credit card fees, whether the first or renewal, are recorded as a deferred credit and amortized over a 12-month period against the year's results in the commission and fee income line item.

The costs and expenses associated with the initial granting of the credit are stated as a deferred charge, which is amortized against the year's earnings as interest expense for the duration of the loan, except those originating from revolving loans and credit cards that are amortized over a 12-month period.

Restructured past-due loans are not considered in the performing 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 payment is obtained.

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

Allowance for loan losses

Application of portfolio rating provisions

The loan portfolio is rated 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 rating the loan portfolio as issued by the Commission on August 12, 2009 and December 2, 2005, respectively. The Financial Group uses the internal methodology authorized by the Commission for classifying commercial loans.

Such provisions also establish general methodologies for the rating 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.

Since June 2001, the Financial Group has the Commission's approval to apply its own methodology, called Internal Risk Rating (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. This methodology is explained below.

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

The commercial loan portfolio rating procedure requires credit institutions to 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 months following each quarterly close, financial institutions must apply to any loan the respective rating used at the close of the immediately preceding quarter, based on the outstanding balance on the last day of the aforementioned months. The allowances 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 results. Additionally, recoveries on previously written-off loan portfolio are recorded in the period's results.

Derived from the acquisition of INB in 2006, Banorte applied the loan rating methodologies established by the Commission to INB's loans, homologating the risk degrees and adjusting the allowance for loan losses derived from applying such methodologies.

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

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

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

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

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

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

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

CIR Banorte	Risk level description	Commission classification equivalent
1	Substantially risk free	A1
2	Below minimal risk	A2
3	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 and loans under 900 thousand UDIS to state and municipal governments and their decentralized agencies, mortgage loans and consumer loans, the Financial Group applied the general provisions applicable to credit institutions for classifying the loan portfolio as issued by the Commission.

Acquired loan portfolios

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

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

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

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

For its portfolios valued using the interest method, the Financial Group 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 Group 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 flows actually collected by the sum of the expected cash flows is between 0.8 and 1.25 when such effectiveness is evaluated.

Securitizations involving transfer of ownership

Using securitization transactions involving the transfer of ownership in mortgage and government loans, the Financial Group transfers those financial assets through a trust so that said trust may issue publically available securities through an intermediary. The securities represent the right to the yield on the securitized portfolio and, as compensation the Financial Group receives cash and a receipt, which grants it the right over the trust's cash flow remnants after paying the holders for their certificates. This receipt is recorded at its fair value under "Receivables generated by securitizations."

The Financial Group provides management services for the transferred financial assets and records the revenue thereof in the period's earning when accrued. Such revenues are included in "Other income".

Other accounts receivable and payable

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

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

Merchandise inventory

This is comprised mainly of finished goods and prior to 2008 was restated to the lower of replacement cost or market. Cost of sales, included in "Other expenses", is restated using the replacement cost at the time of the sale prior to 2008.

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

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

Foreclosed assets, net

Foreclosed property or property received as payments in kind are recorded at the lower of their cost or fair value reduced by the strictly necessary costs and expenses disbursed in the foreclosure. Cost is determined as the forced-sale value established by the judge upon foreclosure or, in the case of payments in kind, the price agreed between the parties involved.

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net estimates, is higher than that of the foreclosed property, the difference is recorded in the period's results under "Other revenues".

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net estimates, is lower than that of the foreclosed property, its value is adjusted to the net asset value.

The carrying value is only modified when there is evidence that the fair value is lower than the recorded carrying value. Reductions in the carrying value of the loan are recorded in the current earnings as they occur.

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 personal 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, 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 estate property, provisions must be created as follows:

Real estate 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 awarded value of the property based on the accounting criteria. Furthermore, when problems are identified regarding the realization of the value of the foreclosed property, the Financial Group records additional reserves based on management's best estimates. On December 31, 2009, there are no reserves in addition to those created by the percentage applied based on the accounting criteria that could indicate realization problems with the values of the foreclosed properties.

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

Property, furniture and fixtures

Property, furniture and fixtures are recorded at acquisition cost. The balances of acquisitions made until December 31, 2007, were restated using factors derived from the value of the UDI of that date.

Depreciation is calculated using the straight-line method based on the useful lives of the assets as estimated by independent appraisers.

Permanent stock investments

The Financial Group recognizes its investments in associated companies using the equity method, based on the book values shown in the most recent financial statements of such entities.

Income Taxes (ISR), Business Flat Tax (IETU) and Employee Statutory Profit Sharing (PTU)

The provisions for ISR, IETU and PTU are recorded in the results of the year in which they are incurred. Deferred taxes are recognized if, based on financial projections, the Financial Group expects to incur ISR or IETU, and records the deferred tax it will pay. The Financial Group will record deferred ISR or IETU, corresponding to 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" line.

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. The amortizable amount of the intangible asset is assigned on a systematic basis during its estimated useful life. Intangible assets with indefinite lives are not amortized, and their value is subject to annual impairment tests.

Goodwill

The Financial Group records goodwill when the total fair value of the acquisition cost and the noncontrolling interest is greater than the fair value of the net assets of the acquired business, pursuant to NIF B-7 "Business acquisitions". As goodwill is considered an intangible asset with an indefinite life, it is subject to impairment tests at least annually according to NIF C-15, "Impairment in the value of long-lived assets and their disposal". No indicators of impairment of goodwill have been identified as of December 31, 2009.

Deposits

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

Interbank and other loans

These loans are recorded based on the contractual value, recognizing the interest in the year's earnings as accrued. The Financial Group records the direct national and foreign bank loans obtained by loan bids with Banco de México and development fund financing. Furthermore, this includes discounted portfolio loans from funds provided by banks specializing in financing economic, productive or development activities.

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 plan

The Financial Group records liabilities for seniority premiums, pensions and post-retirement medical services as incurred, based on calculations by independent actuaries using the projected unit credit method at nominal interest rates. Accordingly, this recognizes the liability whose present value will cover the obligation from the benefits projected to the estimated retirement date of the Company's overall employees, as well as the obligation related to retired personnel.

The balance at the beginning of each period of actuarial gains and losses derived from pension plans exceeding 10% of the greater amount between the defined benefits obligation and plan assets are amortized in future periods against the period's results.

The Financial Group applies the provision of NIF D-3, "Employee benefits", related to the recognition of the liability for severance payments for reasons other than restructuring, which is recorded using the projected unit credit method based on calculations by independent actuaries.

Defined contribution plan

In January 2001 the Financial Group provided a voluntary defined contribution pension plan to participating employees who were hired before such date. The participating employees are those hired as of this date as well as those hired prior to such date who enrolled voluntarily. This pension plan is invested in a diversified mutual fund, which is included in "Other assets".

The employees who were hired before January 1, 2001 and decided to enroll voluntarily in the defined contribution pension plan received a contribution from the Financial Group for prior services equivalent to the actuarial benefit accrued in their previous defined benefit plan that was cancelled. The initial contribution was made from the plan assets that had been established for the original defined benefit plan and participants were immediately assigned 50% of such amount with the remaining 50% to be assigned over 10 years.

The initial payment to the defined contribution plan for past services was financed with funds established originally for the defined benefit plan that was extinguished early and recognized in accordance with the requirements of NIF D-3.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan's participants.

Foreign currency conversion

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 at the close of each period.

The exchange rate used to establish Mexican peso equivalents is the FIX exchange rate published by Banco de México. Exchange fluctuations are recorded in the results of operations.

Interest on outstanding subordinated debentures

Accrued interest on 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

The Financial Group may act as the assignor o assignee, as applicable, in this type of transactions. Moreover, the Financial Group evaluates whether or not to retain the risks and benefits associated with the asset property to determine whether or not there was a transfer of property in a transaction. In transactions involving the transfer of ownership in financial assets, the assignor yields control and substantially transfers all the risks and benefits over such assets. Therefore, the assignor derecognizes such assets and records the consideration received in the transaction. Conversely, the assignee recognizes such financial assets and the transfer of consideration in its accounting records.

Share-based payments

The Financial Group grants stock options to key officers through different payment schemes based on stocks. The Financial Group has established trusts to manage the plans and contributes the necessary funds so that shares can be purchased directly from the market at the initiation of each plan.

The Financial Group records its stock option plans according to the guidelines of NIF D-8, "Share-based payments". The compensation expense is recorded at fair value as of the date the stock options are granted. The NIF D-8 guidelines stipulate that the fair value determined at the beginning is not revalued at a later date.

The fair value of each share is estimated as of the date granted using the Black-Scholes option pricing model or the forwards valuation model, depending on the plans' features.

5 – MAIN DIFFERENCES WITH MEXICAN FINANCIAL REPORTING STANDARDS (MFRS)

The consolidated financial statements have been prepared in conformity with the accounting practices prescribed by the Commission, which, in the following instances, differ from MFRS commonly applied in the preparation of financial statements for other types of unregulated entities:

- The consolidated financial statements do not include the insurance and annuities sector subsidiaries. MFRS require that all controlled subsidiaries be consolidated, regardless of the sector to which they belong.

- The costs associated with credit originations until April 2009 were recorded in the income statement as incurred. According to MFRS, the costs should be identified with the income they generate in the same period regardless of the date they are incurred.

- Sundry debtors not collected within the contract term (under 60 days in the case of unidentified debtors, and 90 calendar days in the case of identified debtors, other than collection rights, items associated with the loan portfolio and loans to employees), must be fully reserved with the effects recognized in current earnings, regardless of whether the Financial Group may recover them, as established by MFRS.

- The contribution or managed margin accounts (delivered and received) with financial derivatives instruments listed in liquid markets (stock exchanges) or traded over the counter are presented under the heading of "Margin Securities" instead of presenting them under the heading of "Derivatives financial instruments", as established by MFRS.

- When loans are classified as past-due, interest is not recorded, and the related accrued interest is reflected in memorandum accounts. When such interest is collected, it is recognized directly in the period's results. MFRS require recording the accrued interest and recognizing the corresponding reserve.

- The cumulative effect of applying the consumer loan rating methodology for credit card operations was charged against retained earnings from prior years with the Commission's expressed authorization. MFRS require that they be charged against the period's result.

- Only trading securities may be transferred to another category with the Commission's expressed authorization. MFRS allow transfers if the financial instrument is in a non-liquid market and certain requirements are met.

- The new accounting standards associated with the consolidation of special purpose entities and securitization transactions in effect as of January 1, 2009, as well as the recognition and cancellation of financial assets in effect as of October 14, 2008, are applied prospectively, and the effects of previous operations are not modified as required by MFRS.

6 – CASH AND CASH EQUIVALENTS

As of December 31, 2009 and 2008, this line item was composed as follows:

	2009	2008
Cash	Ps. 9,415	Ps. 8,419
Banks	45,949	40,004
Other deposits and available funds	3,904	5,973
	Ps. 59,268	**Ps. 54,396**

On December 31, 2009, "Other deposits and available funds" include Ps. 1,598 for funds due to be received in 24 and 48 hours, and Ps. 35 in gold and silver coins. In 2008, it included Ps. 2,441 for funds due to be received in 24 and 48 hours, and Ps. 25 in gold and silver coins.

The exchange rate used for the conversion of gold and silver coins (centenarios and Troy ounces, respectively) was Ps. 14,627.95 and Ps. 239.89, per unit, respectively, in 2009 and Ps. 12,296.12 and Ps. 173.46, per unit, respectively, in 2008.

"Banks" is represented by cash in Mexican pesos and US dollars converted at the exchange rate issued by Banco de México of Ps.13.0659 and Ps. 13.8325 as of December 31, 2009 and 2008, respectively and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2009	2008	2009	2008	2009	2008
Call money	Ps. 2,447	Ps. 3,184	Ps. 653	Ps. -	Ps. 3,100	Ps. 3,184
Deposits with foreign credit institutions	-	-	15,928	6,866	15,928	6,866
Domestic banks	370	503	-	-	370	503
Banco de México	26,510	29,405	41	46	26,551	29,451
	Ps. 29,327	**Ps. 33,092**	**Ps. 16,622**	**Ps. 6,912**	**Ps. 45,949**	**Ps. 40,004**

As of December 31, 2009 and 2008, the Financial Group had made monetary regulation deposits of Ps. 26,342 and Ps. 26,394, respectively.

As of December 31, 2009 and 2008, the total sum of restricted cash and cash equivalents is Ps. 33,289 and Ps. 35,476, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending settlement in 24 and 48 hours.

The interbank loans are documented and accrued at an average rate of return of 0.167% and 0.086% in USD and 4.5% and 8.25% in pesos, as of December 31, 2009 and 2008, respectively.

7 – INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2009 and 2008, trading securities are as follows:

	2009				2008
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
CETES	Ps. 925	Ps. -	Ps. 1	Ps. 926	Ps. -
Bonds	519	1	-	520	-
Development bonds	3,136	2	(2)	3,136	-
Savings protection bonds (BPAS)	9,472	27	(5)	9,494	102
Bank securities	9,990	-	4	9,994	5,847
Commercial paper	-	-	-	-	123
Securitization certificates	259	1	-	260	-
Treasury notes	65	-	-	65	-
Futures	-	-	-	-	4
Investment funds	64	-	-	64	-
	Ps. 24,430	**Ps. 31**	**(Ps. 2)**	**Ps. 24,459**	**Ps. 6,076**

During 2009 and 2008, the Financial Group recognized under “Brokerage revenues” a loss and a profit of (Ps. 17) and Ps. 109, respectively, for the fair value valuation of these instruments.

As of December 31, 2009, there are Ps. 19,310 in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2009, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	More than 2 years	Total
CETES	Ps. 925	Ps. -	Ps. 925
Bonds	519	-	519
Development bonds	3,136	-	3,136
Saving protection bonds (BPAS)	9,472	-	9,472
Bank securities	9,990	-	9,990
Securitization certificates	259	-	259
Treasury notes	-	65	65
Investment funds	64	-	64
	Ps. 24,365	**Ps. 65**	**Ps. 24,430**

b. Available for sale securities

As of December 31, 2009 and 2008, available for sale securities were as follows:

	2009				2008
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government bonds	Ps. 6,387	Ps. 26	Ps. 190	Ps. 6,603	Ps. 6,227
UMS	342	12	7	361	516
Bonds	2,624	34	60	2,718	3,708
VISA	-	-	-	-	96
MASTER CARD	-	-	35	35	21
BMV Shares	234	-	(15)	219	144
EUROBONDS	978	17	(54)	941	564
PEMEX bonds	781	8	35	824	204
	Ps. 11,346	**Ps. 97**	**Ps. 258**	**Ps. 11,701**	**Ps. 11,480**

As of December 31, 2009 and 2008 there are Ps. 2,489 and Ps. 4,001, respectively, in restricted trading securities.

As of December 31, 2009, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	More than 1 year	Total
US Government bonds	Ps. -	Ps. 6,387	Ps. 6,387
UMS	-	342	342
Bonds	2,624	-	2,624
Shares	-	234	234
EUROBONDS	-	978	978
PEMEX bonds	-	781	781
	Ps. 2,624	**Ps. 8,722**	**Ps. 11,346**

c. Held to maturity securities

As of December 31, 2009 and 2008, held to maturity securities are as follows:

Medium and long-term debt instruments:

	2009			2008
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 722	Ps. 3	Ps. 725	Ps. 690
Government bonds	604	27	631	655
Development bonds	33,078	49	33,127	33,062
Saving protection bonds (BPAS)	103,257	502	103,759	124,868
UMS	2,405	65	2,470	2,609
UDIBONOS	3	-	3	3
Separable securitization certificates	26	1	27	33
Bank securities	25,912	93	26,005	31,557
US Government bonds	12	-	12	13
PEMEX bonds	4,897	94	4,991	5,463
Private securitization certificates	18,509	73	18,582	21,770
CETES	-	-	-	3
Structured notes	-	-	-	520
Other debt instruments	-	-	-	349
Subordinated securities	-	-	-	22
	Ps. 189,425	**Ps. 907**	**Ps. 190,332**	**Ps. 221,617**

As of December 31, 2009 and 2008, there are Ps. 175,369 and Ps. 200,973, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2009, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	More than 2 years	Total
Government bonds- support program for Special Federal Treasury Certificates	Ps. -	Ps. 722	Ps. 722
Government bonds	-	604	604
Development bonds	33,078	-	33,078
Saving protection bonds (BPAS)	103,257	-	103,257
UMS	-	2,405	2,405
UDIBONOS	-	3	3
Separable securitization certificates	-	26	26
Bank securities	25,912	-	25,912
US Government bonds	-	12	12
PEMEX bonds	-	4,897	4,897
Private securitization certificates	18,509	-	18,509
	Ps. 180,756	**Ps. 8,669**	**Ps. 189,425**

Some of the investments in securities are given as collateral in derivatives transactions without any restriction. Therefore, the receiver has the right to trade them and offer them as collateral.

The fair value of the collateral given in derivatives transactions as of December 31, 2009 and 2008, is as follows:

		2009		
		Fair value in millions		
Type of collateral:	Instrument category	Pesos	USD	Euros
Cash	-	Ps. 102	164	-
CETES	Trading	120	-	-
UMS	Held to maturity	-	167	-
PEMEX bonds	Held to maturity	-	353	20
UMS	Available for sale	-	13	-
PEMEX bonds	Available for sale	-	56	-
Bank Bonds	Available for sale	-	116	-
		Ps. 222	**869**	**20**

		2008		
		Fair value in millions		
Type of collateral:	Instrument category	Pesos	USD	Euros
Cash	-	Ps. 160	238	-
ITS BPAS	Held to maturity	176	-	-
UMS	Held to maturity	-	189	-
PEMEX bonds	Held to maturity	-	366	20
UMS	Available for sale	-	22	-
Bank Bonds	Available for sale	-	299	-
		Ps. 336	**1,114**	**20**

As of December 31, 2009 and 2008, the Financial Group had no instruments received as collateral.

As of December 31, 2009 and 2008, interest income was Ps. 14,174 and Ps. 5,862, respectively.

As of December 31, 2009, accrued interest income from impaired instruments was Ps. 13.

The amount recorded for the impairment of available for sale and held to maturity securities as of December 31, 2009 and 2008 was:

Concept	2009	2008
Available for sale securities	Ps. 81	Ps. -
Held to maturity securities	59	-
	Ps. 140	**Ps. -**

8 – CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS

As of December 31, 2009 and 2008, the debtor and creditor balance in repurchase transactions consist of:

Acting as seller of securities

	2009	2008			
		Asset position	Liability position		
Instrument	Creditor repurchase agreement	Value of securities receivable	Creditor repurchase agreement	Debit difference	Credit difference
CETES	Ps. 697	Ps. -	Ps. 3	Ps. -	Ps. 3
Development bonds	36,159	3,987	37,085	-	33,098
Bonds 182	-	-	5	-	5
Bonds IPAB	654	-	351	-	351
Quarterly IPAB bonds	86,513	7,102	106,967	1	99,866
Semi-annual IPAB bonds	25,587	26,970	51,252	1	24,283
7-year bonds	-	-	2	-	2
10-year bonds	625	627	1,275	-	648
20-year bonds	491	-	5	-	5
UDIBONOS	1	-	-	-	-
10-year UDIBONDS	3	-	4	-	4
Government securities	**150,730**	**38,686**	**196,949**	**2**	**158,265**
Promissory notes	5,055	537	537	-	-
CEDES	9,035	716	10,985	-	10,269
CEBUR Bank	7,628	-	8,892	-	8,892
Bank securities	**21,718**	**1,253**	**20,414**	**-**	**19,161**
Private paper	9,114	-	11,428	-	11,428
CEBUR government short term	2,481	-	-	-	-
Mortgage certificates	212	-	-	-	-
CEBUR government	1,200	-	3,602	-	3,602
Securitization certificates	25	-	269	-	269
Private securities	**13,032**	**-**	**15,299**	**-**	**15,299**
	Ps. 185,480	**Ps. 39,939**	**Ps. 232,662**	**Ps. 2**	**Ps. 192,725**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations up to December 31, 2009 and 2008, total Ps. 13,434 and Ps. 18,320, respectively.

During 2009 and 2008, the period of repurchase transactions entered into by the Financial Group in its capacity as vendor ranged from 1 to 177 days.

Acting as securities purchaser

	2009				2008			
					Liability position	**Asset position**		
Instrument	Repurchase agreement from debtors	Received, sold collateral in repurchase	Debit difference	Credit difference	Value of securities deliverable	Re-purchase agreement from debtors	Debit difference	Credit difference
CETES	Ps. 400	Ps. 400	Ps. -	Ps. -	Ps. 1,667	Ps. 1,667	Ps. -	Ps. -
Development bonds	7,113	7,114	1	2	3,992	3,987	5	-
Quarterly IPAB bonds	1	-	1	-	6,014	5,992	22	-
Semi-annual IPAB bonds	390	390	-	-	25,865	25,751	115	1
7-year bonds	-	-	-	-	1,248	1,248	-	-
10-year bonds	221	219	2	-	1,193	1,194	2	3
20-year bonds	73	73	-	-	4,001	4,001	-	-
10-year UDIBONDS	1,120	1,120	-	-	-	-	-	-
Government securities	**9,318**	**9,316**	**4**	**2**	**43,980**	**43,840**	**144**	**4**
Promissory notes	1,785	1,785	-	-	-	-	-	-
CEDES	-	-	-	-	568	565	3	-
Bank securities	**1,785**	**1,785**	**-**	**-**	**568**	**565**	**3**	**-**
	Ps. 11,103	**Ps. 11,101**	**Ps. 4**	**Ps. 2**	**Ps. 44,548**	**Ps. 44,405**	**Ps. 147**	**Ps. 4**

With the Financial Group acting as the purchaser, accrued premiums were charged to the results of operations up to December 31, 2009 and 2008, total Ps. 2,173 and Ps. 2,521, respectively.

During 2009 and 2008, the period of repurchase transactions entered into by the Financial Group in its capacity as purchaser ranged from 1 to 21 days.

By December 31, 2009, the amount of goods corresponding to the guarantees given and received in repurchasing transactions that involved the transfer of property totaled Ps. 120 and Ps. 4, respectively, and by December 31, 2008, the totals were Ps. 179 in guarantees given and Ps. 14 in guarantees received.

9 – DERIVATIVES FINANCIAL INSTRUMENTS

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

As of December 31, 2009, the Financial Group has evaluated the effectiveness of derivatives' transactions for hedging purposes and has concluded that they are highly effective.

As of December 31, 2009 and 2008, the positions of the Financial Group's derivatives financial instruments held for trading purposes are as follows:

Asset position	2009 Nominal amount	2009 Asset position	2008 Nominal amount	2008 Asset position
Futures				
TIIE-rate futures	Ps. 600	Ps. -	Ps. 1,500	Ps. -
Forwards				
Foreign currency forwards	3,454	313	1,892	40
Options				
Foreign currency options	283	2	-	-
Interest rate options	8,485	126	9,683	76
Swaps				
Interest rate swaps	194,317	2,612	173,097	1,999
Exchange rate swaps	7,377	1,771	9,829	3,210
Total trading	**214,516**	**4,824**	**196,001**	**5,325**
Options				
Interest rate options	24,200	188	24,200	179
Swaps				
Interest rate swaps	27,648	8	19,298	10
Exchange rate swaps	9,996	860	10,474	2,654
Total hedging	**61,844**	**1,056**	**53,972**	**2,843**
Total position	**Ps. 276,360**	**Ps. 5,880**	**Ps. 249,973**	**Ps. 8,168**

Liability position	2009 Nominal amount	2009 Liability position	2008 Nominal amount	2008 Liability position
Futures				
TIIE-rate futures	Ps. 600	Ps. -	Ps. 1,500	Ps. -
Forwards				
Foreign currency forwards	2,825	88	129	46
Options				
Foreign currency options	287	2	67	2
Interest rate options	9,168	71	10,827	64
Swaps				
Interest rate swaps	194,340	2,713	173,114	2,024
Exchange rate swaps	7,322	1,679	9,774	3,133
Total trading	**214,542**	**4,553**	**195,411**	**5,269**
Swaps				
Interest rate swaps	27,650	980	19,298	663
Exchange rate swaps	4,146	2,842	7,479	4,814
Total hedging	**31,796**	**3,822**	**26,777**	**5,477**
Total position	**Ps. 246,338**	**Ps. 8,375**	**Ps. 222,188**	**Ps. 10,746**

The hedging instruments operated and main underlyings are as follows:

Forwards	Options	Swaps	Cross Currency Swaps (CCS)
Fx-USD	Fx-USD	TIIE 28	TIIE 28
	TIIE 28	TIIE 91	TIIE 91
		CETES 91	Libor
		Libor	

The risk management policies and internal control procedures for managing risks inherent to derivatives instruments transactions are described in Note 33.

Transactions for hedging purposes have maturities from 2010 to 2018 and are intended to mitigate the financial risk derived from long-term loans offered by the Financial Group at fixed nominal 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, 2009, is USD 704,841 thousand and EUR 20,255 thousand, and as of December 31, 2008 total USD 876,379 thousand and EUR 20,110 thousand. Futures transactions are made through recognized markets, and as of December 31, 2009 they represent 0.85% of the nominal amount of all the derivatives' operations contracts; the remaining 99.15% correspond to option and swap transactions in OTC markets.

As of December 31, 2009 and 2008, the collateral was comprised mainly of cash, CETES, ITS BPAS, PEMEX bonds, UMS bonds and bank bonds restricted under the categories of trading, held to maturity and available for sale securities. The restriction maturity date for this collateral is from 2010 to 2018. Their fair value is shown in Note 7 c).

As of December 31, 2009 and 2008, the Financial Group had no instruments received as collateral in derivatives transactions.

As of December 31, 2009 and 2008, the net income on financial assets and liabilities associated with derivatives was Ps. 200 and Ps. 256, respectively.

The net amount of estimated gains or losses originated by transactions or events that are recorded in cumulative other comprehensive income to date in the financial statements and that are expected to be reclassified to earnings within the next 12 months totals Ps. 4.

As of December 31, 2009 and 2008, the main positions hedged by the Financial Group and the derivatives designated to cover such positions are:

Cash flow hedging. The Financial Group has cash flow hedges as follows:

- Forecast funding using TIIE rate Caps and Swaps.
- Recorded liabilities in Mexican pesos using TIIE rate Swaps.
- Recorded liabilities in foreign currency using Cross Currency Swaps.
- Recorded assets in foreign currency using Cross Currency Swaps.

As of December 31, 2009, there are 25 files related to hedging transactions. Their effectiveness ranges between 85% and 100%, well within the range established by the accounting standards in effect (80% to 125%). Furthermore, there is no overhedging on any of the derivatives, so as of December 31, 2009, there are no ineffective portions that the Financial Group has to record in earnings.

The following are the Financial Group's hedged cash flows as of December 31, 2009, expected to occur and affect earnings:

Concept	Up to 3 months	More than 3 months and up to 1 year	More and 1 and up to 5 years	More than 5 years
Forecasted funding	Ps. 261	Ps. 837	Ps. 5,464	Ps. 483
Liabilities in Mexican pesos	90	309	1,389	19
Liabilities denominated in USD	-	240	4,160	-
Assets denominated in USD	278	1,991	4,368	9,328
Assets denominated in Euros	-	23	445	-
	Ps. 629	**Ps. 3,400**	**Ps. 15,826**	**Ps. 9,830**

As of December 31, 2009 and 2008, Ps. 1,404 and Ps. 1,746, respectively, were recognized in other comprehensive income in stockholders' equity. Furthermore, Ps. 127 and Ps. 51, respectively, were reclassified from stockholders' equity to results.

Trading and hedging derivatives: the loan risk is minimized by means of contractual compensation agreements, in which asset and liability derivatives with the same counterparty are settled for their net balance. Similarly, there may be other types of collateral such as credit lines, depending on the counterparty's solvency and the nature of the transaction.

10 – LOAN PORTFOLIO

As of December 31, 2009 and 2008, the loan portfolio by loan type is as follows:

	Performing portfolio		Past-due portfolio		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 90,189	Ps. 93,123	Ps. 2,325	Ps. 1,482	Ps. 92,514	Ps. 94,605
Rediscounted portfolio	4,831	6,129	-	-	4,831	6,129
Denominated in USD						
Commercial	21,471	27,041	838	221	22,309	27,262
Rediscounted portfolio	746	505	-	-	746	505
Total commercial loans	**117,237**	**126,798**	**3,163**	**1,703**	**120,400**	**128,501**
Loans to financial institutions	7,131	10,860	-	-	7,131	10,860
Consumer loans						
Credit card	11,801	15,067	1,610	2,140	13,411	17,207
Other consumer loans	13,911	14,302	332	359	14,243	14,661
Mortgage loans	49,881	46,282	1,049	746	50,930	47,028
Government loans	38,993	26,989	-	-	38,993	26,989
	121,717	**113,500**	**2,991**	**3,245**	**124,708**	**116,745**
Total loan portfolio	**Ps. 238,954**	**Ps. 240,298**	**Ps. 6,154**	**Ps. 4,948**	**Ps. 245,108**	**Ps. 245,246**

As of December 31, 2009, the deferred balance of fees is Ps. 1,521, and the amount recorded in results was Ps. 584. Furthermore, the deferred balance of costs and expenses associated with the initial loan origination is Ps. 167, and the amount recorded in results was Ps. 33. The average term over which the deferred fee balance and the costs and expenses will be recorded is equivalent to the average term of the portfolio balance.

The average terms of the portfolio's main balances are: a) commercial, 5.4 years; b) financial institutions, 3.8 years; c) mortgage, 17.7 years; d) government loans, 9.3 years; and e) consumer, 2.4 years.

During the periods ended on December 31, 2009 and 2008, the balance of fully reserved past-due loans that was written off was Ps. 8,278 and Ps. 3,400, respectively.

On December 31, 2009 and 2008, revenues from recoveries of previously written-off loan portfolios was Ps. 848 and Ps. 687, respectively.

The loan portfolio grouped into economic sectors as of December 31, 2009 and 2008, is shown below:

	2009		2008	
	Amount	Reserve percentage	Amount	Reserve percentage
Private (companies and individuals)	Ps. 120,400	49.12%	Ps. 128,501	52.40%
Financial institutions	7,131	2.91%	10,860	4.43%
Credit card and consumer	27,654	11.28%	31,868	12.99%
Mortgage	50,930	20.78%	47,028	19.18%
Government	38,993	15.91%	26,989	11.00%
	Ps. 245,108	**100%**	**Ps. 245,246**	**100%**

Loan support programs

Special accounting consideration of various support programs granted during the influenza outbreak

Given the negative impact of the decline in economic activity due to the actions taken by the federal and local authorities in the face of the influenza outbreak in Mexico during 2009, the Financial Group decided to support the affected economic entities and sectors with various programs carried out in two phases:

I. *Emergency SMEs support plan, consisting of:*

- 3-month deferment of principal payment for affected companies and businesses especially in Mexico City, State of Mexico and San Luis Potosi.
- 6-month principal deferment including 3-month interest deferment for the companies affected in the tourist regions of the Mayan Riviera, Nayarit, Jalisco and Baja California Sur.

As a result of the above, the Commission issued a special accounting standard in document number 100/014/2009 on May 8, 2009, authorizing the Financial Group to not consider as restructured loans those in effect on March 31, 2009, whose principal and interest payments were deferred, as per Circular B-6 paragraph 24, "Loan Portfolio", and to keep them as performing loans for the term stated in the plan.

II. *Housing, car, credit card and consumer loan support consisting of:*

- Principal and interest payment deferment for up to 4 months for mortgage loans.
- Principal and interest payment deferment for up to 3 months for car and consumer loans.
- 3-month minimum payment deferment for credit card loans.

In that regard, the Commission issued a special accounting standard in document number 100/021/2009 on June 12, 2009, applicable as of the document date and up to the term according to the borrowers' support program for mortgage, car, credit card, personal and payroll loans whose payment source corresponds to the Mayan Riviera, Nayarit Riviera, Mazatlan and Los Cabos. This special standard authorizes the Financial Group to:

a. Loans subject to renewal be considered as performing when the renewal takes place without applying the requirement established in Circular B-6 paragraph 52 and 53, "Loan Portfolio", consisting on the need for the borrower to settle all the accrued interest as per the terms and conditions originally agreed and 25% of the original loan amount. The above is applicable to performing loans as of April 15, 2009, as per paragraph 8 of Circular B-6.

   The authorization is not applicable to loans participating in the Bank Debtor Support Programs set forth by the Federal Government and Banks.

b. Performing loans granted a principal and interest deferment will not be considered as restructured as per Circular B-6 paragraph 24 and can be maintained as performing loans for the deferment term. Therefore, those loans are considered performing loans in order to determine the allowance for loan losses.

If such special standards had not been authorized, the Financial Group would have presented the following loan amounts in the December 31, 2009 balance sheet:

PERFORMING LOAN PORTFOLIO	
Commercial loans	
Business loans	Ps. 116,589
Loans to financial institutions	7,131
Government loans	38,993
Consumer loans	25,711
Mortgage loans	49,881
TOTAL PERFORMING LOAN PORTFOLIO	**238,305**
PAST-DUE LOAN PORTFOLIO	
Commercial loans	
Business loans	3,867
Consumer loans	1,943
Mortgage loans	1,049
TOTAL PAST-DUE LOAN PORTFOLIO	**6,859**
LOAN PORTFOLIO	**245,164**
(Minus) Allowance for loan losses	7,750
LOAN PORTFOLIO, net	**237,414**
ACQUIRED COLLECTION RIGHTS	**2,548**
TOTAL LOAN PORTFOLIO, net	**Ps. 239,962**

Moreover, the period's net income would have been Ps. 5,597 as a result of an additional Ps. 215 in allowance for loan losses and a Ps. 42 reduction in interest income from the suspension of accrued interest derived from transferring loans to the past-due portfolio that would have been created without providing this support to borrowers.

As of December 31, 2009, the renewed commercial loans amounted to Ps. 704.

Policies and procedures for granting loans

The granting, control and recovery of loans is 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.

Pursuant to the Commission's Circular B-6, "Loan Portfolio", distressed portfolio is defined as the commercial loans which, based on the current information and facts as well as on the loan revision process, are very unlikely to be fully recovered (both principal and interest) pursuant to the original terms and conditions. The performing and past-due portfolios are susceptible to be identified as a distressed portfolio. The commercial loan rating D and E risk degrees are as follows:

	2009	2008
Distressed portfolio	Ps. 1,373	Ps. 1,774
Total rated portfolio	253,660	254,495
Distressed portfolio/total rated portfolio	0.54%	0.70%

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

11 – LOANS RESTRUCTURED IN UDIS

The loans restructured in UDIS correspond to mortgage loans. The balance on December 31, 2009 and 2008 is detailed below:

	2009	2008
Performing portfolio	Ps. 542	Ps. 622
Current accrued interest	2	2
Past-due portfolio	14	35
Past-due accrued interest	1	1
	Ps. 559	**Ps. 660**

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:

2009

		Required allowances for losses			
Risk category	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempt portfolio	Ps. 56	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	58,169	-	63	159	222
Risk A1	106,990	495	-	-	495
Risk A2	57,118	520	-	-	520
Risk B	6,269	-	102	184	286
Risk B1	5,700	74	266	-	340
Risk B2	8,249	84	509	-	593
Risk B3	2,579	269	-	-	269
Risk C	2,494	-	795	132	927
Risk C1	1,404	301	-	-	301
Risk C2	803	380	-	-	380
Risk D	2,592	245	1,356	264	1,865
Risk E	1,272	1,008	272	-	1,280
Unclassified	(35)	-	-	-	-
	Ps. 253,660*	**Ps. 3,376**	**Ps. 3,363**	**Ps. 739**	**Ps. 7,478**
Less: recorded allowance					**7,535**
Additional allowance					**Ps. 57**

2008

		Required allowances for losses			
Risk category	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempt portfolio	Ps. 76	Ps. -	Ps. -	Ps. -	Ps. -
Risk A	54,333	-	61	148	209
Risk A1	109,400	494	-	-	494
Risk A2	58,784	562	-	-	562
Risk B	5,800	-	107	168	275
Risk B1	17,034	49	353	-	402
Risk B2	1,834	58	183	-	241
Risk B3	1,277	140	-	-	140
Risk C	2,109	-	938	90	1,028
Risk C1	358	74	-	-	74
Risk C2	231	95	-	-	95
Risk D	1,738	204	835	190	1,229
Risk E	1,608	1,501	101	-	1,602
Unclassified	(87)	-	-	-	-
	Ps. 254,495*	**Ps. 3,177**	**Ps. 2,578**	**Ps. 596**	**Ps. 6,351**
Less: recorded allowance					**6,690**
Additional allowance					**Ps. 339**

* The sum of the rated loan portfolio includes Ps. 5,114 and Ps. 5,991 in loans granted to subsidiaries whose balance was eliminated in the consolidation process as of December 31, 2009 and 2008, respectively.

The total portfolio balance used as the basis for the classification above includes amounts related to credit commitments, which is recorded in memorandum accounts.

The additional allowances comply with the general provisions applicable to credit institution and the notices issued by the Commission to regulate debtor support programs, denominated in UDI trusts.

As of December 31, 2009 and 2008, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2009 and 2008, the allowance for loan losses includes a reserve for 100% of delinquent interest owed.

As of December 31, 2009 and 2008, the allowance for loan losses represents 122% and 135%, respectively, of the past-due portfolio.

The estimated allowance includes the classification of loans granted in foreign currency, which are evaluated at the exchange rate in effect as of December 31, 2009 and 2008.

Credit card rating

Modification of the credit card consumer loan rating methodology

On August 12, 2009 the Commission issued a resolution to the General Criteria for Banking Institutions modifying the applicable revolving consumer loan rating so that the allowance for loan loss parameters may reflect, based on the current situation, the expected 12-month loss from credit cards.

Consequently, the Financial Group decided to record the initial cumulative financial effect derived from applying the aforementioned criteria as per temporary article two section I against the results of previous periods. This effect was recorded in September 2009.

The Financial Group recorded the aforementioned effect with a charge of Ps. 1,102 to “Retained earnings from prior years” in stockholders’ equity and a credit for the same amount to the “Allowance for loan losses”. Furthermore, the corresponding deferred tax asset of Ps. 419 was also recorded through “Retained earnings from prior years” in stockholders’ equity.

If the aforementioned effect had been recorded in the results of 2009, the affected items and amounts that the Financial Group would have recorded in the balance sheet and statement of income would be:

Balance Sheet		Effect	Would be presented
Stockholders’ equity:			
Retained earnings from prior years	Ps. 20,681	Ps. 683	Ps. 21,364
Controlling interest net income	5,854	(683)	5,171
Total stockholders’ equity	**Ps. 44,974**	**Ps. -**	**Ps. 44,974**
Statements of Income			
Provision for loan losses	8,286	1,102	9,388
Financial margin after allowance for loan losses	14,897	(1,102)	13,795
Deferred income taxes (net)	(536)	(419)	(955)
Net income	**Ps. 5,854**	**(Ps. 683)**	**Ps. 5,171**

Rollforward of allowance for loan losses

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

	2009	2008
Balance at the beginning of the year	Ps. 6,690	Ps. 3,786
Increase charged to results	8,208	6,835
Reserve release	-	(16)
Debt forgiveness and write-offs	(8,464)	(4,085)
Valuation in foreign currencies and UDIS	(19)	108
Rebates granted to housing debtors	(46)	(74)
Created with profit margin (UDIS Trusts)	59	48
Benefits from FOPYME and FINAPE programs	-	(3)
Recognized against retained earnings from prior years	1,136	103
Other	(29)	(12)
Year-end balance	**Ps. 7,535**	**Ps. 6,690**

As of December 31, 2009, the net amount of preventive loan loss reserves charged to the income statement totals Ps. 8,282 and is comprised of Ps. 8,286 directly credited to the estimate and Ps. 4 charged to other operating expenses. As of December 31, 2008, the net amount of preventive loan loss reserves charged to the income statement totals Ps. 6,883 and is comprised of Ps. 6,896 directly credited to the estimate and Ps. 13 charged to other operating expenses.

13 – ACQUIRED PORTFOLIOS

As of December 31, 2009 and 2008, the acquired portfolios are comprised as follows:

	2009	2008	Valuation Method
Bancomer III	Ps. 125	Ps. 141	Cash Basis Method
Bancomer IV	456	561	Cash Basis Method
Bital I	171	229	Cash Basis Method
Bital II	72	82	Cash Basis Method
Banamex Mortgage	302	330	Cash Basis Method
GMAC Banorte	66	95	Cash Basis Method
Serfin Comercial I	92	127	Cash Basis Method
Serfin Comercial II	105	94	Interest Method
Serfin Mortgage	160	197	Cash Basis Method
Santander	70	73	Interest Method (Commercial); Cash Basis Method (Mortgage)
Banorte Mortgage	196	234	Interest Method
Meseta	-	47	Cash Basis Method
Vipesa	-	6	Cash Basis Method
Goldman Sachs	145	183	Cash Basis Method
Confia I	80	93	Cost Recovery Method
Banorte Sólida Commercial	35	40	Cost Recovery Method
Solida Mortgage	473	517	Interest Method
	Ps. 2,548	**Ps. 3,049**	

As of December 31, 2009, the Financial Group recognized income from credit asset portfolios of Ps. 718, together with the respective amortization of Ps. 448, the effects of which were recognized under the "Other income" heading in the consolidated statements of income. For the year ended December 31, 2008, the Financial Group recognized income of Ps. 1,156, together with the respective amortization of Ps. 546.

Since 2008, mortgage loans that are amortized under the interest method are evaluated jointly as a sector given the features that they commonly share. The loan grouping is made pursuant to the current regulations.

The Financial Group performs an analysis based on events or information to estimate the amount of expected cash flows to determine the estimated rate of return used in applying the valuation method for the amortization of the receivable. If the analysis demonstrates that the expected future cash flows will decrease, it will make an estimate for non-recoverability or difficult collection against the year's results for the amount that such expected cash flows are lower than the book value of the receivable.

Assets other than cash that the Financial Group has received as part of portfolio collection or recovery have been mainly in real property.

The main feature considered for segmenting acquired portfolios has been the type of loan.

14 – OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2009 and 2008, the other accounts receivable balance is as follows:

	2009	2008
Loans to officers and employees	Ps. 1,134	Ps. 1,162
Debtors from liquidation settlement	2,706	2,643
Real property portfolios	1,183	982
Fiduciary rights	4,104	3,083
Sundry debtors in Mexican pesos	1,182	1,284
Sundry debtors in foreign currency	928	86
Other	380	386
	11,617	**9,626**
Allowance for doubtful accounts	(293)	(112)
	Ps. 11,324	**Ps. 9,514**

The real property portfolios include Ps. 300 corresponding to the collection rights of the INVEX trust that is valued applying the interest method.

Loans to officers and employees mature in 2 to 30 years and accrue a 6% to 10% interest.

15 – FORECLOSED ASSETS, NET

As of December 31, 2009 and 2008, the foreclosed assets balance is as follows:

	2009	2008
Personal property	Ps. 67	Ps. 71
Real property	1,230	1,100
Goods pledged for sale	14	26
	1,311	**1,197**
Allowance for losses on foreclosed assets	(383)	(334)
	Ps. 928	**Ps. 863**

16 – PROPERTY, FURNITURE AND FIXTURES, NET

As of December 31, 2009 and 2008, the property, furniture and fixtures balance is as follows:

	2009	2008
Furniture and fixtures	Ps. 5,207	Ps. 4,902
Property intended for offices	5,272	5,396
Installation costs	2,750	2,407
	13,229	**12,705**
Less - Accumulated depreciation and amortization	(4,607)	(4,276)
	Ps. 8,622	**Ps. 8,429**

The depreciation recorded in the results of 2009 and 2008 was Ps. 997 and Ps. 945, respectively.

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

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

	Share %	2009	2008
Seguros Banorte Generali, S. A. de C. V.	51%	Ps. 1,209	Ps. 1,086
Fondo Solida Banorte Generali, S. A. de C. V., SIEFORE	99%	719	558
Pensiones Banorte Generali, S. A. de C. V.	51%	518	503
Banorte Investment funds	Various	121	114
Controladora Prosa, S. A. de C. V.	19.73%	49	60
Servicio Pan Americano de Protección, S. A. de C. V.	8.50%	115	97
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	45.33%	72	89
Fideicomiso Marhnos (Sólida)	100%	156	-
Others	Various	77	52
		Ps. 3,036	**Ps. 2,559**

The Financial Group exercises significant influence over its affiliates valued under the equity method by means of its representation on the board of directors or equivalent administrative body, as well as by means of significant intercompany transactions.

18 – DEFERRED TAXES, NET

The tax reported by the Financial Group is calculated based on the current tax result of the year and enacted tax regulations. However, due to temporary differences between accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of Ps.1,411 and Ps.471 as of December 31, 2009 and 2008, respectively, as detailed below:

	2009			2008		
	Temporary differences	Deferred effect		Temporary differences	Deferred effect	
		ISR	PTU		ISR	PTU
Temporary Differences - Assets						
Allowance for loan losses	Ps. 315	Ps. 110	Ps. -	Ps. 196	Ps. 68	Ps. -
Unrealized loss (gain) on securities available for sale	(190)	(67)	-	78	22	
Tax loss carryforwards	118	42	-	111	38	-
State tax on deferred assets	6	2	-	-	-	-
Surplus preventive allowances for credit risks over the net tax limit	4,757	1,332	476	936	262	94
Excess of tax over book value of foreclosed and fixed assets	1,132	308	52	1,160	317	69
PTU	775	232	77	896	252	90
Other assets	1,422	427	135	1,308	363	121
Total assets	**Ps. 8,335**	**Ps. 2,386**	**Ps. 740**	**Ps. 4,685**	**Ps. 1,322**	**Ps. 374**
Temporary Differences - Liabilities						
Excess of book over tax value of fixed assets and expected expenses	Ps.16	Ps.4	Ps.-	Ps.4	Ps.1	Ps.-
Unrealized capital gain from special allowance	125	38	-	87	24	-
ISR payable on UDI trusts	145	40	-	139	39	
Portfolios acquired	2,302	655	111	2,083	583	100
Capitalizable project expenses	528	159	53			
Reversal of sales costs	16	4	-	18	5	-
Contribution to pension fund	1,500	420	150	1,000	280	100
Other	260	81	-	302	93	-
Total liabilities	**Ps. 4,892**	**Ps. 1,401**	**Ps. 314**	**Ps. 3,633**	**Ps. 1,025**	**Ps. 200**
Net accumulated asset	**Ps. 3,443**	**Ps. 985**	**Ps. 426**	**Ps. 1,052**	**Ps. 297**	**Ps. 174**
Deferred tax, net			**Ps. 1,411**			**Ps. 471**

As discussed in Note 27, as of December 31, 2009, the applicable income tax rate was 28%, and it will be 30% for 2010 to 2012 and 29% for 2013. Pursuant to the provisions of NIF D-4, “Income Taxes”, and INIF 8, “Effects of the Business Flat Tax”, based on financial forecasts, the Administration adjusted their balances based on the rates likely to be in effect at the time of their recovery. Additionally, it made forecasts for the IETU and compared it to ISR, and concluded that the Financial Group and its subsidiaries will continue to pay ISR. Thus no change was made to the deferred tax calculations.

Derived from consolidating Banorte USA, a net amount of Ps. 2 million was added to deferred taxes determined at a rate of 35% as per the tax law of the USA. Banorte USA’s deferred tax assets and liabilities are determined using the liability method. According to this method, the net asset or liability of deferred taxes is determined based on the tax effects of temporary differences between the book and tax base of assets and liabilities.

19 – OTHER ASSETS

As of December 31, 2009 and 2008, other assets are as follows:

As of December 31, 2009, goodwill was Ps. 3,121 and was comprised of the following: Ps. 29 for the purchase of Banorte Generali, S. A. de C.

	2009	2008
Plan assets held for employee pension plans	Ps. 4,255	Ps. 3,482
Other amortizable expenses	2,200	2,352
Accumulated amortization of other expenses	(93)	(480)
Goodwill	3,121	5,377
	Ps. 9,483	**Ps. 10,731**

V., AFORE; Ps. 2,838 for the purchase of INB and Ps. 254 for the purchase of Uniteller. As of December 31, 2008, the goodwill was Ps. 5,377 and was comprised as follows: Ps. 32 for the purchase of Banorte Generali, S. A. de C. V., AFORE; Ps. 3,001 for the purchase of INB; Ps. 2,082 for the purchase option program for the remaining 30% of INB shares and Ps. 262 for the purchase of Uniteller. As mentioned in Note 4, goodwill is not amortized and is subject to annual impairment tests. No impairment to goodwill value was detected by December 31, 2009 and 2008.

As a result of the acquisition discussed in Note 2 c., Banorte recorded a reduction of goodwill and other accounts payable in the amount of Ps.2,082. This amount represented the value of the option agreement to purchase the remaining 30% of INB's shares, which was originally recorded as goodwill as authorized by the Commission. MFRS requires recording this type of transaction as the acquisition of a noncontrolling interest, which is a transaction among stockholders.

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 2009 and 2008 the Financial Group generated a liquidity requirement of USD 755,917 thousand and USD 412,843 thousand, respectively, and held investments in liquid assets of USD 1,230,740 thousand and USD 661,95 thousand, representing a surplus of USD 474,823 thousand and USD 249,116 thousand, respectively.

Deposits

The liabilities derived from traditional deposits are comprised as follows:

	2009	2008
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps. 59,334	Ps. 56,247
Checking accounts in US dollars for individual residents of the Mexican border	662	573
Demand deposits accounts	4,142	3,433
Checking accounts earning interest:		
Other bank checking deposit	35,395	35,471
Savings accounts	268	234
Checking accounts in US dollars for individual residents of the Mexican border	2,055	2,166
Demand deposits accounts	35,705	30,212
IPAB checking accounts	20	14
	Ps. 137,581	**Ps. 128,350**
Time deposits		
General public:		
Fixed-term deposits	25,711	20,681
Over-the-counter investments	49,156	43,436
Promissory note with interest payable at maturity (PRLV) primary market for individuals	57,819	53,270
PRLV primary market for business entities	1,195	1,056
Foreign resident deposits	83	78
Provision for interest	177	219
	134,141	**118,740**
Money market:		
Fixed-term deposits	459	188
Over the counter promissory notes	1,430	12,323
Provision for interest	1,297	1,168
	3,186	**13,679**
	137,327	**132,419**
	Ps. 274,908	**Ps. 260,769**

The funding rates which the Financial Group uses as reference are: a) for Mexican pesos, Interbank Interest Rate (TIIE), Average Cost of Funds (CCP) and; b) for foreign currency, the London Interbank Offered Rate (LIBOR).

These liabilities incur interest depending on the type of instrument and average balance held in the investments. The average interest rates and their currency of reference are shown below:

Immediately due and payable deposits:

	2009				2008			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIs	0.99%	0.73%	0.60%	0.59%	0.90%	0.96%	1.04%	1.13%
Foreign currency	0.05%	0.04%	0.03%	0.03%	0.38%	0.27%	0.26%	0.04%
Banorte USA								
Demand deposits accounts	0.19%	0.09%	0.12%	0.13%	0.43%	0.28%	0.25%	0.19%
Money market	1.47%	1.30%	1.06%	1.04%	2.79%	1.88%	2.06%	1.66%

Time deposits:

Foreign exchange	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q
General public								
Mexican pesos and UDIs	5.68%	4.45%	3.55%	3.50%	5.34%	5.32%	5.82%	6.16%
Foreign currency	0.91%	0.79%	0.90%	0.79%	2.35%	1.48%	1.75%	2.42%
Money market	8.59%	7.54%	5.72%	6.61%	8.05%	7.89%	8.39%	8.81%
Banorte USA	3.84%	3.56%	3.19%	2.95%	4.82%	4.53%	4.36%	4.07%

As of December 31, 2009 and 2008, the terms at which these deposits are traded are as follows:

2009

	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public:				
Fixed-term deposits	Ps. 15,740	Ps. 6,972	Ps. 2,999	Ps. 25,711
Over the counter investments	49,105	51	-	49,156
PRLV primary market for individuals	57,337	418	64	57,819
PRLV primary market for business entities	1,170	25	-	1,195
Foreign resident deposits	20	20	43	83
Provision for interest	162	13	2	177
	123,534	**7,499**	**3,108**	**134,141**
Money market:				
Fixed-term deposits	-	-	459	459
Over the counter promissory notes	-	-	1,430	1,430
Provision for interest	-	11	1,286	1,297
	-	**11**	**3,175**	**3,186**
	Ps. 123,534	**Ps. 7,510**	**Ps. 6,283**	**Ps. 137,327**

2008

	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public:				
Fixed-term deposits	Ps. 12,643	Ps. 4,400	Ps. 3,638	Ps. 20,681
Over the counter investments	43,361	75	-	43,436
PRLV primary market for individuals	52,902	330	38	53,270
PRLV primary market for business entities	1,021	26	9	1,056
Foreign resident deposits	29	28	21	78
Provision for interest	201	18	-	219
	110,157	**4,877**	**3,706**	**118,740**
Money market:				
Fixed-term deposits	-	-	188	188
Over the counter promissory notes	7,972	3,000	1,351	12,323
Provision for interest	32	48	1,088	1,168
	8,004	**3,048**	**2,627**	**13,679**
	Ps. 118,161	**Ps. 7,925**	**Ps. 6,333**	**Ps. 132,419**

21 – INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2009 and 2008 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2009	2008	2009	2008	2009	2008
Immediately due:						
Domestic banks (Call money)	Ps. 21	Ps. -	Ps. -	Ps. 1,245	Ps. 21	Ps. 1,245
	21	**-**	**-**	**1,245**	**21**	**1,245**
Short-term:						
Banco de México	-	11,123	1,964	-	1,964	11,123
Commercial banking	204	350	220	1,670	424	2,020
Development banking	6,233	4,755	1,593	2,421	7,826	7,176
Public trusts	2,801	3,602	314	514	3,115	4,116
Other agencies	-	-	-	121	-	121
Provision for interest	54	228	2	19	56	247
	9,292	**20,058**	**4,093**	**4,745**	**13,385**	**24,803**
Long-term:						
Commercial banking	895	1,081	1,439	3,533	2,334	4,614
Development banking	1,553	1,335	319	7	1,872	1,342
Public trusts	3,236	3,664	116	139	3,352	3,803
Other agencies	-	-	-	876	-	876
Provision for interest	-	-	4	-	4	-
	5,684	**6,080**	**1,878**	**4,555**	**7,562**	**10,635**
	Ps. 14,997	**Ps. 26,138**	**Ps. 5,971**	**Ps. 10,545**	**Ps. 20,968**	**Ps. 36,683**

These liabilities incur interest depending on the type of instrument and average balance of the loans.

The average interest rates are shown below:

	2009				2008			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Call money								
Mexican pesos and UDIS	7.52%	5.53%	4.53%	4.46%	7.44%	7.48%	7.99%	8.17%
Other bank loans								
Mexican pesos and UDIS	7.61%	6.51%	5.66%	5.48%	7.25%	7.17%	7.17%	8.41%
Foreign currency	3.00%	2.04%	1.30%	0.92%	5.33%	4.52%	4.51%	6.62%

Banorte USA liabilities accrue interest at an average rate of 4.49% and 1.43% as of December 31, 2009 and 2008, respectively. Moreover, the Arrendadora y Factor Banorte, S. A. de C. V. loans accrue an average interest rate of 6.46% and 9.21% in Mexican pesos and 2.86% and 4.44% in U.S. dollars by December 31, 2009 and 2008, respectively.

22 – SUNDRY CREDITORS AND OTHER PAYABLES

As of December 31, 2009 and 2008, the balance of sundry creditors and other payables is as follows:

	2009	2008
Cashier and certified checks and other negotiable instruments	Ps. 796	Ps. 830
Provision for employee retirement obligations	2,773	2,505
Provisions for sundry obligations	2,291	4,510
Other	3,108	2,871
	Ps. 8,968	**Ps. 10,716**

23 – EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes the liabilities for pension plans and seniority premium using the projected unit credit method, which considers the benefits accrued at the balance sheet date and the benefits generated during the year.

The amount of current and projected benefits as of December 31, 2009 and 2008, related to the defined benefit pension plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

2009	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	(Ps. 725)	(Ps. 149)	(Ps. 1,633)	(Ps. 2,507)
Fund market value	1,125	269	1,749	3,143
Funded status	**400**	**120**	**116**	**636**
Transition asset (obligation)	22	(10)	246	258
Unrecognized prior service cost	2	(3)	-	(1)
Unrecognized actuarial losses	217	4	488	709
Net projected asset (liability)	**Ps. 641**	**Ps. 111**	**Ps. 850**	**Ps. 1,602**

2008	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	(Ps. 728)	(Ps. 136)	(Ps. 1,318)	(Ps. 2,182)
Fund market value	947	226	1,357	2,530
Funded status	**219**	**90**	**39**	**348**
Transition asset (obligation)	32	(13)	328	347
Unrecognized prior service cost	2	(3)	-	(1)
Unrecognized actuarial losses	207	2	203	412
Net projected asset (liability)	**Ps. 460**	**Ps. 76**	**Ps. 570**	**Ps. 1,106**

The Financial Group has a net prepayment (net prepaid asset) of Ps. 4 generated by transferring personnel from Sólida Administradora de Portafolios, S. A. de C. V. (Sólida) to Banorte. Moreover, as of December 31, 2009, a separate fund amounting to Ps. 3,143, (Ps. 2,530 in 2008) has been set aside to meet the above-mentioned obligations, in accordance with NIF D-3 and is recorded under “Other assets”.

For the years ended December 31, 2009 and 2008, the net periodic pension cost is as follows:

	2009	2008
Service cost	Ps. 95	Ps. 81
Interest cost	197	181
Expected return on plan assets	(274)	(216)
Amortizations of unrecognized items:		
Transition obligation	86	87
Effects of curtailment and reduction of obligations	-	1
Variations in assumptions	27	25
Net periodic pension cost	**Ps. 131**	**Ps. 159**

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2009 and 2008, are shown below:

Concept	2009 nominal	2008 nominal
Discount rate	9.25%	9.25%
Rate of wage increase	4.50%	4.50%
Rate of increase in costs and expenses of other postretirement benefits	5.57%	5.57%
Long-term inflation rate	3.50%	3.50%
Expected long-term rate of return on plan assets of the Banorte Brokerage House	10.25%	10.25%
Expected long-term rate of return on plan assets	10.0%	9.75%

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

Concept	2009	2008
Defined and projected benefit obligations	(Ps. 158)	(Ps. 156)
Funded status	**(158)**	**(156)**
Transition obligation	62	83
Net projected liability	**(Ps. 96)**	**(Ps. 73)**

For the years ended December 31, 2009 and 2008, the net periodic pension cost is as follows:

Concept	2009	2008
Service cost	Ps. 27	Ps. 25
Interest cost	12	11
Transition obligation	21	21
Variations in assumptions	8	(2)
Net periodic pension cost	**Ps. 68**	**Ps. 55**

The balance of the employee retirement obligations presented in this note refer to the Financial Group's defined benefit pension plan for those employees who remain enrolled.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan. Moreover, this pension plan maintains a fund as of December 31, 2009 and 2008, equivalent to Ps. 1,140 and Ps. 958, respectively, which is recorded under "Other assets" and is equivalent to the recorded plan liability.

24 – SUBORDINATED DEBENTURES

As of December 31, 2009 and 2008, the subordinated debentures in circulation are as follows:

	2009	2008
Senior subordinated, nonconvertible debentures, maturing in January 2014, denominated in US dollars, at an interest rate of 5.875%, payable semiannually with a final principal payment at maturity (10-year term).	Ps. -	Ps. 4,150
Preferred subordinated, nonconvertible debentures, maturing in April 2016, denominated in US dollars, at an interest rate of 6.135%, payable semiannually with a final principal payment at maturity (10-year term).	5,226	5,533
Nonpreferred subordinated nonconvertible debentures (Q BANORTE 08 debentures), maturing in February 2018, interest at the 28-day TIIE rate plus 0.60%.	3,000	3,000
Preferred subordinated nonconvertible debentures (Q BANORTE 08-2), maturing in June 2018, interest at the 28-day TIIE rate plus 0.77%.	2,750	2,750
Preferred subordinated nonconvertible debentures, BANORTE 09 debentures maturing in March 2019, interest at the 28-day TIIE rate plus 2%, payable in 130 periods of 28 days each.	2,200	-
Nonpreferred subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semiannually with a final principal payment at maturity (15-year term).	2,613	2,766
Preferred subordinated nonconvertible debentures, Q BANORTE 08-U maturing in February 2028, interest at a 4.95% annual rate.	1,941	1,871
Subordinated debentures, maturing in June 2034, denominated in US dollars, at an interest rate of 2.75%.	135	143
Preferred subordinated debentures maturing in April 2034, denominated in US dollars, at an interest rate of 2.72%.	135	143
Accrued interest.	168	257
	Ps. 18,168	**Ps. 20,613**

The costs related to these debentures are amortized using the straight-line method over the term of the debt. The amortization charged to results was Ps. 8 and Ps. 15 in 2009 and 2008, respectively.

25 – TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2009 and 2008, are as follows:

	Revenues		Accounts receivable	
Institution	**2009**	**2008**	**2009**	**2008**
Seguros Banorte Generali, S. A. de C. V.	Ps. 598	Ps. 613	Ps. 9	Ps. 19

	Expenses		Accounts payable	
Institution	**2009**	**2008**	**2009**	**2008**
Seguros Banorte Generali, S. A. de C. V.	Ps. 101	Ps. 300	Ps. 5	Ps. 24

All balances and transactions with the subsidiaries indicated in Note 3 have been eliminated in consolidation.

Pursuant to article 73 of the LIC (Credit Institutions Law), the loans granted by Banorte to any related party cannot exceed 50% of the basic portion of their net capital. For the years ended December 31, 2009 and 2008, the amount of the loans granted to related parties is Ps. 7,362 and Ps. 8,216, respectively, representing 46.2% and 54%, respectively, of the limit established by the LIC.

Loan portfolio sales

Sale of loan portfolio packages between related parties (nominal values)

In February 2003 Banorte sold Ps. 1,925 of its own portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378. Of this transaction, Ps. 1,891 related to past-due amounts and Ps. 64 to the current portfolio. The transaction was recorded based on figures as of August 2002, for which reason the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. In conjunction with the loan portfolio sold, Ps. 1,577 of the associated allowance for loan losses was transferred as well.

In official letter 601-II-323110 dated November 5, 2003, the Commission established the accounting criteria to be applied to this transaction and issued a series of rulings whereby Banorte must provide detailed information on the activities of this transaction throughout its duration, in the understanding that this transaction was a one-time event and not a recurring portfolio transfer procedure.

Pursuant to the foregoing, below is a summary of the activity of the loan portfolio sold to Sólida since August 2002 and for the years of 2008 and 2009:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	**Aug 02**	**Dec 08**	**Dec 09**	**Aug 02**	**Dec 08**	**Dec 09**	**Aug 02**	**Dec 08**	**Dec 09**
Performing portfolio									
Commercial	Ps.5	Ps.-	Ps.-	Ps.5	Ps.-	Ps.-	Ps.10	Ps.-	Ps.-
Mortgage	54	34	27	-	-	-	54	34	27
Total	**59**	**34**	**27**	**5**	**-**	**-**	**64**	**34**	**27**
Past-due portfolio									
Commercial	405	367	361	293	116	110	698	483	471
Consumer	81	72	72	-	-	-	81	72	72
Mortgage	1,112	393	350	-	-	-	1,112	393	350
Total	**1,598**	**832**	**783**	**293**	**116**	**110**	**1,891**	**948**	**893**
Total portfolio	**Ps.1,657**	**Ps.866**	**Ps.810**	**Ps.298**	**Ps.116**	**Ps.110**	**Ps.1,955**	**Ps.982**	**Ps.920**
Allowance for loan losses [1]									
Commercial	326	355	349	246	116	110	572	471	459
Consumer	77	72	72	-	-	-	77	72	72
Mortgage	669	369	336	-	-	-	669	369	336
Total allowance for loan losses	**Ps.1,072**	**Ps.796**	**Ps.757**	**Ps.246**	**Ps.116**	**Ps.110**	**Ps.1,318**	**Ps.912**	**Ps.867**

(1) Allowances required based on the classification methodology applied in Banorte that maintained a 99.99% equity interest in Sólida during 2009 and 2008.

As of December 31, 2009 and 2008, the composition of the Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign currency		Total	
Type of portfolio	**Dec 09**	**Dec 08**	**Dec 09**	**Dec 08**	**Dec 09**	**Dec 08**
Comercial loans	Ps. 133,823	Ps. 129,995	Ps. 11,316	Ps.15,377	Ps. 145,139	Ps. 145,372
Consumer loans	25,525	29,116	-	-	25,525	29,116
Mortgage loans	47,378	43,784	-	-	47,378	43,784
Performing portfolio	**206,726**	**202,895**	**11,316**	**15,377**	**218,042**	**218,272**
Comercial loans	2,583	1,738	150	153	2,733	1,891
Consumer loans	2,014	2,570	-	-	2,014	2,570
Mortgage loans	1,151	1,098	-	-	1,151	1,098
Past-due portfolio	**5,748**	**5,406**	**150**	**153**	**5,898**	**5,559**
Total portfolio	**212,474**	**208,301**	**11,466**	**15,530**	**223,940**	**223,831**
Allowance for loan losses	7,425	6,950	384	285	7,809	7,235
Net portfolio	**Ps. 205,049**	**Ps. 201,351**	**Ps. 11,082**	**Ps. 15,245**	**Ps. 216,131**	**Ps. 216,596**
Allowance for loan losses					**132.40%**	**130.15%**
% of past-due portfolio					**2.63%**	**2.48%**

26 – INFORMATION BY SEGMENT

To analyze the financial information of the Financial Group, the data of the most representative segments as of December 31, 2009 and 2008 is presented.

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

	2009	2008
Banking Sector:		
Net income	Ps. 5,132	Ps. 6,543
Stockholders' equity	40,348	35,526
Total portfolio	234,878	236,236
Past-due portfolio	6,051	4,836
Allowance for loan losses	(7,358)	(6,582)
Total net assets	548,560	562,433
Brokerage Sector:		
Net income	203	183
Stockholders' equity	1,396	1,143
Portfolio balance	135,621	119,286
Total net assets	5,273	1,662
Long Term Savings Sector:		
Net income	772	579
Stockholders' equity	4,727	4,216
Total net assets	32,026	27,789
Other Finance Companies Sector:		
Net income	425	336
Stockholders' equity	1,631	1,308
Total portfolio	13,461	13,913
Past-due portfolio	103	74
Allowance for loan losses	(177)	(79)
Total net assets	Ps. 13,645	Ps. 14,322

b. The trading results for the years ended December 31, 2009 and 2008, are as follows:

	2009	2008
Valuation results		
Trading securities	(Ps. 17)	Ps. 109
Repurchase or resale agreement	(156)	49
Derivatives financial instruments	20	(172)
Total valuation results	**(153)**	**(14)**
Purchase-sale results		
Trading securities	318	25
Available for sale securities	23	(178)
Derivatives financial instruments	180	428
Total securities purchase sale	**521**	**275**
Spot foreign currency	731	712
Foreign currency forwards	154	48
Foreign currency futures	(1)	1
Foreign currency valuation	(20)	6
Minted metals purchase and sales	4	5
Minted metals valuation	8	6
Total foreign currency purchase and sale	**876**	**778**
Total purchase and sale results	**1,397**	**1,053**
Total trading results	**Ps. 1,244**	**Ps. 1,039**

c. The performing loan portfolio, grouped by economic sector and geographical location, is as follows:

	2009				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps. 2,314	Ps. 1,167	Ps. 581	Ps. 732	Ps. 4,794
Mining	347	18	14	13	392
Manufacturing	7,872	4,725	1,661	688	14,946
Construction	6,042	6,236	546	1,828	14,652
Public utilities	43	252	2	1	298
Commerce	10,543	7,241	3,307	6,031	27,122
Transportation	1,308	6,173	105	269	7,855
Financial services	8,975	11,280	130	1,473	21,858
Communal social services	2,524	4,242	1,514	369	8,649
Business groups	12	457	2	6	477
Public administration and services	21,403	12,938	2,070	2,516	38,927
INB	-	-	-	-	14,100
Credit card	-	-	-	-	11,801
Consumer	-	-	-	-	13,726
Mortgage	-	-	-	-	47,351
Other	-	-	-	-	54
Arrendadora y Factor Banorte	-	-	-	-	11,952
Performing loan portfolio	**Ps. 61,383**	**Ps. 54,729**	**Ps. 9,932**	**Ps. 13,926**	**Ps. 238,954**

	2008				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps. 2,576	Ps. 1,317	Ps. 571	Ps. 737	Ps. 5,201
Mining	58	20	11	30	119
Manufacturing	8,502	5,159	1,879	874	16,414
Construction	6,819	6,215	870	971	14,875
Public utilities	48	154	2	1	205
Commerce	13,870	9,345	3,477	6,359	33,051
Transportation	1,464	6,724	126	201	8,515
Financial services	9,319	13,385	242	1,713	24,659
Communal social services	2,904	3,728	1,651	822	9,105
Business groups	22	56	2	23	103
Public administration and services	14,668	8,382	1,626	2,413	27,089
International organization services	1	-	-	-	1
INB	-	-	-	-	15,618
Credit card	-	-	-	-	15,067
Consumer	-	-	-	-	14,053
Mortgage	-	-	-	-	43,750
Other	-	-	-	-	47
Arrendadora y Factor Banorte	-	-	-	-	12,194
Créditos Pronegocio	-	-	-	-	232
Performing loan portfolio	**Ps. 60,251**	**Ps. 54,485**	**Ps. 10,457**	**Ps. 14,144**	**Ps. 240,298**

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

	2009				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps. 77	Ps. 129	Ps. 33	Ps. 20	Ps. 259
Mining	2	3	1	7	13
Manufacturing	121	175	73	46	415
Construction	89	105	12	27	233
Commerce	363	298	147	195	1,003
Transportation	41	27	13	19	100
Financial services	8	15	1	6	30
Communal social services	74	49	47	37	207
Business groups	1	-	-	-	1
INB	-	-	-	-	1,047
Credit card	-	-	-	-	1,610
Consumer	-	-	-	-	332
Mortgage	-	-	-	-	801
Arrendadora y Factor Banorte	-	-	-	-	103
Past-due loan portfolio	**Ps. 776**	**Ps. 801**	**Ps. 327**	**Ps. 357**	**Ps. 6,154**

	2008				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps. 30	Ps. 80	Ps. 16	Ps. 19	Ps. 145
Mining	4	2	1	6	13
Manufacturing	72	129	57	43	301
Construction	24	73	4	23	124
Commerce	214	206	95	122	637
Transportation	19	14	9	10	52
Financial services	2	11	-	3	16
Communal social services	39	31	13	33	116
Business groups	-	1	-	-	1
INB	-	-	-	-	225
Credit card	-	-	-	-	2,140
Consumer	-	-	-	-	359
Mortgage	-	-	-	-	705
Other	-	-	-	-	2
Arrendadora y Factor Banorte	-	-	-	-	74
Créditos Pronegocio	-	-	-	-	38
Past-due loan portfolio	**Ps. 404**	**Ps. 547**	**Ps. 195**	**Ps. 259**	**Ps. 4,948**

e. Deposit accounts grouped by product and geographical location are as follows:

	2009							
	Geographical location							
Product	Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps.13,209	Ps.19,770	Ps.5,845	Ps.7,773	Ps.7,963	Ps.70	Ps.-	Ps.54,630
Interest-bearing checking accounts	6,417	23,033	4,041	6,192	8,039	162	-	47,884
Savings accounts	1	1	-	-	-	-	-	2
Current account in pesos and preestablished	3,449	5,232	1,492	2,733	2,556	122	-	15,584
Non-interest bearing demand deposits, USD	834	848	199	1,085	221	-	3,694	6,881
Interest bearing demand deposits, USD	2,454	1,570	577	2,463	238	-	5,012	12,314
Savings accounts in USD	-	-	-	-	-	-	265	265
Over the counter promissory notes	11,362	25,040	6,358	7,245	9,009	1,474	-	60,488
Time deposits, USD	3,328	4,095	1,775	2,255	897	17	13,427	25,794
Money desk customers	19,366	14,858	6,953	4,588	2,877	127	-	48,769
Financial intermediaries	-	-	-	-	-	2,277	-	2,277
FOBAPROA checking accounts bearing interest	20	-	-	-	-	-	-	20
Total deposits	**Ps. 60,440**	**Ps. 94,447**	**Ps. 27,240**	**Ps. 34,334**	**Ps. 31,800**	**Ps. 4,249**	**Ps. 22,398**	**Ps. 274,908**

	2008							
	Geographical location							
Product	Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 14,364	Ps. 18,134	Ps. 5,506	Ps. 6,334	Ps. 7,625	Ps. 72	Ps.-	Ps. 52,035
Interest-bearing checking accounts	7,550	21,108	2,546	6,157	7,554	145	-	45,060
Savings accounts	1	1	-	-	1	-	-	3
Current account in pesos and preestablished	3,392	4,275	1,328	2,236	2,247	149	-	13,627
Non-interest bearing demand deposits, USD	585	480	69	957	227	1	3,507	5,826
Interest bearing demand deposits, USD	2,390	1,634	359	2,136	242	-	4,792	11,553
Savings accounts in USD	-	-	-	-	-	-	231	231
Over the counter promissory notes	11,852	22,783	5,671	5,570	8,450	1,387	-	55,713
Time deposits, USD	2,199	3,804	1,677	1,595	931	18	10,535	20,759
Money desk customers	14,949	15,738	4,987	3,531	3,918	23	-	43,146
Financial intermediaries	-	-	-	-	-	12,802	-	12,802
FOBAPROA checking accounts bearing interest	14	-	-	-	-	-	-	14
Total deposits	**Ps. 57,296**	**Ps. 87,957**	**Ps. 22,143**	**Ps. 28,516**	**Ps. 31,195**	**Ps. 14,597**	**Ps. 19,065**	**Ps. 260,769**

27 – TAX ENVIRONMENT

The Financial Group was subject to ISR and IETU in 2009 and in 2008.

Income tax

Income tax (ISR) is calculated considering as taxable or deductible certain inflation effects; up until December 31, 2009 the ISR rate was 28%. On December 7, 2009 the decree was published reforming, adding and repealing various provisions of the Income Tax Law that went into effect on January 1, 2010. Temporary provisions were established by which the income tax rate from 2010 to 2012 will be 30%; 29% for 2013 and 28% for 2014.

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 nondeductible amount of the allowance for loan losses that was over 2.5% of the average loan portfolio and the valuation of financial instruments.

PTU

The Financial Group determines employee statutory profit sharing based on the criteria established in the guidelines set forth by the Mexican Constitution.

Business Flat Tax

Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated for each period. The rate is 17.0% and 16.5% for 2009 and 2008, respectively, and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, assets taxes paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law. As of December 31, 2009, the Financial Group has no recoverable asset taxes.

28 – STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meetings held on April 30 and October 5, 2009, the following resolutions were adopted, among others:

- To transfer the profits from 2008 equal to Ps. 6,663 to earnings from prior years, and increase the legal reserve by Ps. 351.
- Declare cash dividends of Ps. 364, equivalent to Ps. 0.180045 Mexican pesos per share.

The Financial Group's shareholders' common stock as of December 31, 2009 and 2008 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50	
	2009	2008
"O" Series	2,017,847,548	2,013,997,548

	Historical Amounts	
	2009	2008
"O" Series	Ps. 7,000	Ps. 6,986
Restatement in Mexican pesos of December 2007	4,956	4,955
	Ps. 11,956	**Ps. 11,941**

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 share dividend. As of December 31, 2009, the legal reserve is Ps. 2,444 and represents 20% of paid-in capital.

Capitalization ratio (pertaining to Banorte, the Financial Group's main subsidiary)

The capitalization rules for financial institutions establish requirements for specific levels of net capital, as a percentage of assets subject to both market and credit risk.

The information for December 31, 2009 sent to Banco de México to review is shown below.

The capitalization ratio of Banorte as of December 31, 2009 was 16.77% of total risk (market and credit), and 24.42% of credit risk, which in both cases exceed the current regulatory requirements.

The amount of net capital, divided by basic and complementary capital, is detailed below (these figures may differ from those in the basic financial statements):

Net capital as of December 31	2009
Stockholders' equity	**Ps. 40,340**
Subordinated debentures and capitalization instruments	**4,615**
Deduction of investment in securitized instruments	161
Deduction of investments in shares of financial entities	6,235
Deduction of investments in shares of non-financial entities	2,941
Deduction of intangibles and deferred expenses or costs	237
Basic capital	**35,381**
Debentures and capitalization instruments	13,283
Allowance for loan losses	1,155
Deduction of investment in securitized instruments	161
Complementary capital	**14,277**
Net capital	**Ps. 49,658**

Characteristics of the subordinated debentures:

Concept	Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Complementary capital debentures 2006	Ps.5,297	13/10/2016	0%	100%
Basic capital debentures 2006	Ps.2,652	13/10/2021	100%	0%
Basic capital debentures 2008	Ps.3,008	27/02/2018	65%	35%
Complementary capital debentures 2008	Ps.1,971	15/02/2028	0%	100%
Complementary capital debentures 2008-2	Ps.2,759	15/06/2018	0%	100%
Complementary capital debentures 2009	Ps.2,211	18/03/2019	0%	100%

Assets subject to risk are detailed below:

Assets subject to market risk

Concept	Positions weighted by risk	Capital requirement
Transactions in Mexican pesos with nominal interest rate	Ps. 51,847	Ps. 4,148
Transactions with debt instruments in Mexican pesos with variable interest rates	10,879	870
Transactions in Mexican pesos with real interest rates or denominated in UDIS	1,985	159
Transactions in UDIS or with yields referenced to the National Consumer Price Index (INPC)	5	-
Transactions in Mexican pesos with nominal interest rates	3,294	263
Exchange transactions	1,607	129
Total	**Ps. 69,617**	**Ps. 5,569**

Assets subject to credit risk

Concept	Assets weighted by risk	Capital requirement
Group III (weighted at 10%)	Ps. 1	Ps. -
Group III (weighted at 20%)	6,336	507
Group III (weighted at 23%)	409	33
Group III (weighted at 50%)	2,261	181
Group III (weighted at 57.5%)	370	30
Group IV (weighted at 20%)	6,669	533
Group V (weighted at 10%)	14	1
Group V (weighted at 20%)	6,100	488
Group V (weighted at 50%)	3,813	305
Group V (weighted at 150%)	3,659	293
Group VI (weighted at 50%)	6,050	484
Group VI (weighted at 75%)	5,134	411
Group VI (weighted at 100%)	51,313	4,105
Group VII (weighted at 20%)	776	62
Group VII (weighted at 50%)	17	1
Group VII (weighted at 100%)	55,269	4,421
Group VII (weighted at 115%)	7,022	562
Group VII (weighted at 150%)	506	40
Group VIII (weighted at 125%)	2,070	166
Group IX (weighted at 100%)	31,849	2,548
Sum	**189,638**	**15,171**
For permanent shares, furniture and real property, and advance payments and deferred charges	13,667	1,093
Total	**Ps. 203,305**	**Ps. 16,264**

Assets subject to credit risk:

Concept	Assets weighted by risk	Capital requirement
Total	**Ps. 23,124**	**Ps. 1,850**

29 – FOREIGN CURRENCY POSITION

As of December 31, 2009 and 2008, the Financial Group holds certain assets and liabilities in foreign currency, mainly US dollars, converted to the exchange rate issued by Banco de México at Ps. 13.0659 and Ps. 13.8325 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2009	**2008**
Assets	5,497,623	5,179,560
Liabilities	5,166,587	4,894,904
Net asset position in US dollars	**331,036**	**284,656**
Net asset position in Mexican pesos	**Ps. 4,325**	**Ps. 3,938**

30 – POSITION IN UDIS

As of December 31, 2009 and 2008, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 4.340166 and Ps. 4.184316, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2009	2008
Assets	207,824	152,453
Liabilities	544,676	548,366
Net (liability) asset position in UDIS	**(336,852)**	**(395,913)**
Net asset (liability) position in Mexican pesos	**(Ps. 1,462)**	**(Ps. 1,657)**

31 – EARNINGS PER SHARE

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

Earnings per share for the years ended December 31, 2009 and 2008 are shown below:

	2009			2008
	Net Income	Weighted share average	Earnings per share	Earnings per share
Net income per share	Ps. 5,854	2,017,132,134	Ps. 2.9021	Ps. 3.4775

32 – MANAGEMENT RISK (unaudited)

Authorized bodies

To ensure adequate risk management of the Financial Group, as of 1997 the Financial Group's Board of Directors created the Risk Policy Committee (CPR), whose purpose is to manage the risks to which the Financial Group is exposed, and ensure that the performance of operations adheres to the established risk management objectives, guidelines, policies and procedures.

Furthermore, the CPR provides oversight on the global risk exposure limits approved by the Board of Directors, and also approves the specific risk limits for exposure to different types of risk.

The CPR is composed of regular members of the Board of Directors, the CEO of the Financial Group, the Managing of Comprehensive Risk Management, the Managing Director of Long Term Savings, and the Managing Director of the Brokerage House, as well as the Managing Director of Internal Audits, who has voice but not 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 and liquidity management;
- Operational 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:

Credit risk: volatility of revenues due to the creation of provisions for impairment of credits and potential credit losses due to nonpayment by a borrower or counterpart.

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

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.

Operational 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, issuers or counterparts will not comply with their payment obligations; therefore, adequate risk management is essential to maintain a high quality loan portfolio.

The Financial Group management credit risk objectives are as follows:

- Improve the quality, diversification and composition of the loan portfolio to optimize the risk-return ratio.
- Provide senior management with reliable and timely information to support decision-making in credit matters.
- Provide the business departments with clear and sufficient tools to support credit placement and follow up.
- Support the creation of economic value for shareholders by means of efficient credit risk management.
- Define and constantly update the regulatory framework for credit risk management.
- Comply with the credit risk management reporting requirements established by the relevant authorities.
- Perform risk management in accordance with best practices; implementing models, methodologies, procedures and systems based on the latest international advances.

Individual credit risk

The Financial Group segments the loan portfolio into two large groups: the consumer and corporate portfolios.

Individual credit risk for the consumer portfolio is identified, measured and controlled by means of a parametric system (scoring) which includes models for each of the consumer products: mortgage, automotive, payroll credit, personal and credit card.

Individual risk for the corporate portfolio is identified, measured and controlled by means of the Target Markets, the Risk Acceptance Criteria and the Banorte Internal Risk Rating (CIR Banorte).

The Target Markets and Risk Acceptance Criteria are tools which, together with the Internal Risk Rating CIR, form part of the credit strategy of the Financial Group and support the estimate of the credit risk level.

The Target Markets are activities selected by region and economic activity - supported by economic studies and portfolio behavior analyses- in which the Financial Group wishes to place credits.

The Risk Acceptance Criteria are parameters which describe the risks identified by industries, facilitating an estimate of the risk involved for the Financial Group in granting a credit to a customer depending on the economic activity which it performs The types of risks evaluated in the Risk Acceptance Criteria are the financial risk, operating risk, market risk, company lifecycle risk, legal and regulatory risk, credit history and quality of management.

Early Warnings are a set of criteria based on information and indicators of the borrowers and their environment that have been set forth for timely prevention and identification of likely impairment in the loan portfolio, in order to take credit risk mitigating preventive actions in a timely manner.

The CIR Banorte is in line with the “General Regulations Applicable to the Classification Methodology for the Loan Portfolio of Credit Institutions” issued by the Commission on December 2, 2005. The CIR Banorte has been certified by the Commission and by an international external auditor since 2001.

The CIR Banorte is applied to a commercial portfolio equal to or exceeding an amount equivalent in Mexican pesos to four million UDIS at the classification date.

Portfolio credit risk

The Financial Group has designed a portfolio credit risk methodology which, while also including the best and most current international practices with regard to identification, measurement, control and follow up, has been adapted to function within the context of the Mexican financial system.

The credit risk methodology identifies the exposure of all the loan portfolios of the Financial Group, overseeing risk concentration levels based on risk classifications, geographical regions, economic activities, currencies and type of product, for the purpose of ascertaining the portfolio profile and taking actions to diversify it and maximize profit with the lowest possible risk.

The calculation of loan exposure involves the generation of the cash flow from each of the loans, both in terms of principal and interest, for their subsequent discount. This exposure is sensitive to market changes, and facilitates the performance of calculations under different economic scenarios.

Apart from considering loan exposure, the methodology takes into account the probability of default, the recovery level associated with each customer and the sorting of the borrowers based on the Merton model. The probability of default is the probability that a borrower will not comply with its debt obligation to the Financial Group on the terms and conditions originally agreed. The probability of default is based on the transition matrixes which the Financial Group calculates as of the migration of the borrowers to different risk classification levels. The recovery level is the percentage of the total exposure that is expected to be recovered if the borrower defaults on its obligations. The sorting of the borrowers based on the Merton model is intended to tie the future behavior of the borrower to credit and market factors on which, using statistical techniques, the borrower's "credit health" depends.

The primary results obtained are the expected loss and unexpected loss over a one-year time horizon. The expected loss is the median of the distribution of losses of the loan portfolio, which enables a measurement of the average loss expected in the following year due to noncompliance or variations in the credit status of the borrowers. The unexpected loss is an indicator of the loss expected under extreme circumstances, and is measured as the difference between the maximum loss based on the distribution of losses, at a specific confidence level, which in the case of the Financial Group is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and portfolio diversification, in accordance with the global strategy of the Financial Group. The individual risk identification tools and the portfolio credit risk methodology are reviewed and updated periodically to incorporate new techniques that can support or strengthen them.

As of December 31, 2009, the total portfolio of the Financial Group is Ps. 223,019. The expected loss represents 2.4% and the unexpected loss represents 3.9% of the total operating portfolio. The average expected loss was 2.5% for the period between October and December 2009. As of December 31, 2008, the Financial Group's total operating portfolio is Ps. 222,849. The expected loss represents 2.6% and the unexpected loss represents 4.4% of the total operating portfolio. The average expected loss was 2.4% for the period between October and December 2008.

Credit risk of financial instruments

There are specific policies for the origination, analysis, authorization and management of financial instruments to identify, measure, keep track of and control credit risk.

The origination policies define the type of financial instruments to operate and how to evaluate the credit quality of different types of issuers and counterparts. Credit quality is assigned by means of a rating obtained by an internal methodology, external rating evaluations or a combination of both. Additionally, there are maximum operating parameters depending on the type of issuer or counterpart, rating and operation type.

Analysis policies include the type of information and variables considered to analyze operations with financial instruments when they're presented for their authorization by the corresponding committee, including information about the issuer or counterpart, financial instrument, operation destination and market information.

The Credit Committee is the body that authorizes operation lines with financial instruments according to the authorization policies. The authorization request is submitted by the business area and the areas involved in the operation with all the relevant information to be analyzed and, if applicable, authorized by the Committee.

The financial instrument operating lines management policy contemplates the procedures for registration, instrumentation, regulation compliance, revision, consumer monitoring, line management and responsibility of the areas and bodies involved in operating financial instruments.

Credit risk is measured by means of the rating associated with the issuer, issue or counterpart, which has an assigned degree of risk measured based on two elements:

1. The probability of delinquency by the issuer, issue or counterpart; expressed as a percentage between 0% and 100%. The higher the rating, the lower the probability of delinquency and vice versa.
2. The severity of the loss with respect to the operation's total in the event of noncompliance, expressed as a percentage between 0% and 100%. The better the sureties or credit structure, the lower the severity of the loss and vice versa.

As of December 31, 2009, the investment in securities exposure to credit risk is Ps. 213,274, of which 99.4% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 23% of the basic capital as of September 2009. Additionally, the investment exposure with the same issuer other than the Federal Government that represents a concentration greater than or equal to 5% of the net capital as of September 2009 has a rating of at least

AA+(mex) as is made up of (term and weighted average interest rate): 3-month Bancomer stock certificates for Ps. 14,001 at 4.8%; 5-month Pemex stock certificates and bonds for Ps. 8,445 at 6.2%; 3-month certificates of deposit of the Federal Mortgage Association for Ps. 5,012 at 4.8%; 27-year State and Municipal Governments securitized loan certificates for Ps. 4,321 at 5.3%; 4-month Banobras stock certificates and bonds for Ps. 4.043 at 4.8%; and 11-day Banco Inbursa promissory notes for Ps. 3,004 at 4.6%.

For derivatives, the exposure is (Ps. 2,669), of which 99.9% is rated at least A-(mex) on the local scale, which places them at an investment grade and the three main counterparts other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 5% of the basic capital as of September 2009.

As of December 31, 2008, the investment in securities exposure to credit risk is Ps. 236,192, of which 99.8% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 24% of the basic capital as of September 2008. Additionally, the investment exposure with the same issuer other than the Federal Government that represents a concentration greater than or equal to 5% of the net capital as of September 2008 has a rating of at least A+(mex) as is made up of: Bancomer Ps. 16,126; Pemex Ps. 8,977; Banco Inbursa Ps. 5,551; Sociedad Hipotecaria Federal Ps. 5,002; Banobras Ps. 4,707; Securitization of State and Municipal Governments Ps. 4,498, and HSBC Ps. 2,616.

For derivatives, the exposure is (Ps. 2,835), of which 98.9% is rated at least A-(mex) on the local scale, which places them at an investment grade and the three main counterparts represent 8% of the basic capital as of September 2008.

Risk diversification

In December 2005, the CNBV issued the “General Rules for Risk Diversification in Performing Asset and Liability Transactions Applicable to Credit Institutions”.

These regulations require that the Financial Group perform an analysis of the borrowers and/or loans they hold to determine the amount of their “Common Risk”. Also, the Financial Group must have the necessary documentation to support that a person or group of persons represents a common risk in accordance with the assumptions established under such rules.

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

Basic capital as of September 30, 2009	Ps. 31,844
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	4,532
% in relation to basic capital	14%
Money market transactions	
Number of financings	1
Amount of financings taken as a whole	4,321
% in relation to basic capital	14%
Overnight transactions	
Number of financings	1
Amount of financings taken as a whole	5,618
% in relation to basic capital	18%
II. Maximum amount of financing with the three largest debtors and common risk groups	**Ps. 15,945**

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 day loss that could be generated in the valuation of the portfolios at a given date. This methodology is used both for the calculation of market risk and for the establishment and control of internal limits.

The Financial Group applies the nonparametric historical simulation method to calculate the VaR, considering for such purpose a 99% confidence level, using the 500 immediate historical scenarios, multiplying the result by a security factor that fluctuates between 3 and 4 depending on the annual Back Testing results calculated on the previous quarter, considering 10 days to dispose of the risk portfolio in question. These measures insure that unforeseen volatiles are considered in the main risk factors that affect such portfolios.

Such methodology is applied to all financial instrument portfolios within and beyond the scope of the Financial Group, including money market and treasury transactions, capital, foreign-exchange and derivatives held for trading and hedging purposes, which are exposed to variations in their value due to changes in the risk factors affecting their market valuation (domestic and foreign interest rates, exchange rates and indexes, among others).

The average VaR for the portfolio of financial instruments was Ps. 2,584 for the last quarter 2009.

	4Q08	1Q09	2Q09	3Q09	4Q09
VaR Banorte*	Ps. 2,430	Ps. 2,357	Ps. 2,861	Ps. 3,123	Ps. 2,584
Banorte net capital***	43,248	44,198	45,949	46,898	49,679
VaR / net capital Banorte	5.62%	5.33%	6.23%	6.66%	5.20%

* Quarterly average
*** Sum of net capital at the close of the quarter.

Also, the average of the VaR per risk factor for the Financial Group's portfolio of securities behaved as follows during the fourth quarter of 2009:

Risk factor	VaR
Domestic interest rate	Ps. 2,582
Foreign interest rate	648
Exchange rate	122
Capital	131
Total VaR	Ps. 2,584

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.

Operations with derivatives products

The one-day individual VaR that the Financial Group has for each type of trading and hedging derivatives for the fourth quarter of 2009 was:

Trading derivatives	4Q08	4Q09
Futures		
MEXDER rate futures	Ps. -	Ps. -
Exchange rate derivatives		
Forwards	2	15
Options	1	-
Interest Rate options	6	4
Swap options	-	2
Swaps		
TIIE swaps	19	12
LIBOR swaps	-	2
Cross currency exchange rate swaps	212	207
Total trading derivatives	**Ps. 240**	**Ps. 242**

Hedging derivatives	4Q08	4Q09
Swaps		
Cross currency exchange rate swaps for portfolio hedging in USD	Ps. 10	Ps. 8
Cross currency exchange rate swaps for obligations hedging in USD	179	145
Cross currency exchange rate swaps for bonds hedging in USD	305	304
TIIE swaps for obligations hedging in Mexican pesos	30	63
TIIE swaps for promissory note hedging in Mexican pesos	139	265
Rate operations for portfolio hedging at a fixed rate	40	59
Total hedging derivatives	**Ps. 703**	**Ps. 844**

To calculate the VaR for each of the derivatives listed, the non-parametric historic simulation method is applied to a 99% level of confidence and a one-day horizon. For instance, the Value at Risk for TIIE Swaps is Ps. 21. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps. 21 in one day.

The trading and hedging derivatives totals are the arithmetic sum of the VaR of each without considering any correlation among them.

Investments in securities

The one-day individual VaR that the Financial Group has for each type of securities for the fourth quarter of 2009 was:

Trading securities	4Q08	4Q09
Variable rate government bonds	Ps. -	Ps. 7
Fixed rate government bonds	-	2
Bank bonds	2	3
Securitization certificates	36	37
Capital	8	13
US treasury bonds	-	3
PEMEX Eurobonds	5	28
UMS	12	12
Bank eurobonds	110	107
Private company eurobonds	18	11
Total	**Ps. 191**	**Ps. 223**

Securities at maturity	4Q08	4Q09
Variable rate government bonds	Ps. 108	Ps. 92
Fixed rate government bonds	2	4
Securitization certificates	40	42
CEDES	1	4
Bank bonds	3	-
PEMEX eurobonds	140	157
UMS	52	89
Zero coupon bank bonds	11	11
Private company eurobonds	3	4
Total	**Ps. 360**	**Ps. 403**

To calculate the VaR for each of the types of securities listed, the non-parametric historic simulation method is applied to a 99% level of confidence and a one-day horizon. For instance, the Value at Risk for trading UMS is Ps. 12. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps. 12 in one day.

The trading and hedging derivatives totals are the arithmetic sum of the VaR of each without considering any correlation among them.

Backtesting analysis

To validate the effectiveness of the measurements of the calculation of the daily VaR as a measurement of market risk, the Backtesting analysis is updated each week. This analysis makes it possible to compare the estimated results through the VaR with the actual results generated.

As a result of Backtesting during 2009, the following three events showed losses that exceeded the one-day VaR calculations:

Event date	Affected risk factor
February 19, 2009	Interest rate increase
February 20, 2009	Interest rate increase
February 26, 2009	Interest rate increase

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.

Sensitivity for derivatives transactions

Sensitivity analysis on derivative transactions is carried out as follows:

- Estimate gain or loss of the securities valuation in the event of:
  - A parallel change of +100 basis points of domestic interest rates.
  - A parallel change of +100 basis points of foreign interest rates.
  - A 5% devaluation in the MXP/USD and MXP/EUR exchange rate.

The results may be gains or losses depending on the nature of the derivative.

Trading derivatives	+ 100 BP domestic rates	+ 100 BP foreign rates	+ 5% exchange rate
Futures			
MEXDER rate futures	(Ps. 1)	Ps. -	Ps. -
Exchange rate derivatives			
Forwards	(1)	1	(26)
Interest Rate options	(22)	-	-
Swap options	(2)	-	-
Swaps			
TIIE swaps	30	-	-
LIBOR swaps	-	-	1
Cross currency exchange rate swaps	(146)	194	(270)
Total trading derivatives	**(Ps. 142)**	**Ps. 195**	**(Ps. 295)**

Hedging derivatives	+100 BP domestic rates	+100 BP foreign rates	+5% exchange rate
Swaps			
Cross currency exchange rate swaps for portfolio hedging in USD	(Ps. 1)	Ps. 2	(Ps. 13)
Cross currency exchange rate swaps for obligations hedging in USD	51	(71)	252
TIIE swaps for obligations hedging in Mexican pesos	162	-	-
TIIE swaps for promissory note hedging in Mexican pesos	562	-	-
Rate operations for portfolio hedging at a fixed rate	64	-	-
Total hedging derivatives	**Ps. 838**	**(Ps. 69)**	**Ps. 239**

In the event of any of above scenarios, the losses or gains of the trading securities will directly impact the Financial Group's statements of income and capital hedging derivatives.

Based on the above analysis, it can be concluded that the trading derivatives portfolio is exposed mainly to increases in domestic interest rates and exchange rate devaluations. However, the hedging derivatives portfolio is exposed to foreign interest rate increases without considering the gain of the hedged liability.

Sensitivity for securities transactions

Sensitivity analysis on securities transactions is carried out as follows:

- Estimate gain or loss of the securities valuation in the event of:
    - A parallel change of +100 basis points of domestic interest rates.
    - A parallel change of +100 basis points of foreign interest rates.
    - A 5% devaluation in the MXP/USD and MXP/EUR exchange rate.
    - A change of +5 basis points in government bond surcharges.
    - A change of +50 basis points in sovereign risk.

The results may be gains or losses depending on the nature of the instrument.

Trading securities	+100 BP domestic rates	+100 BP foreign rates	+5% exchange rate	+5 BP surcharges	+50 BP sovereign risk
Variable rate government bonds	(Ps. 13)	Ps. -	Ps. -	(Ps. 14)	Ps. -
Fixed rate government bonds	(8)	-	-	-	-
Securitization certificates	(7)	-	-	-	-
Promissory note payable upon maturity	(4)	-	-	-	-
US treasury bonds	-	(8)	6	-	-
PEMEX eurobonds	-	(33)	48	-	(19)
UMS	-	(7)	21	-	(3)
Bank eurobonds	-	(126)	195	-	-
Private company eurobonds	-	(6)	19	-	-
Total	**(Ps. 32)**	**(Ps. 180)**	**Ps. 289**	**(Ps. 14)**	**(Ps. 22)**

Securities at maturity	+100 BP domestic rates	+100 BP foreign rates	+5% exchange rate	+5 BP surcharges	+50 BP sovereign risk
Variable rate government bonds	(Ps. 170)	Ps. -	Ps. -	(Ps. 154)	Ps. -
Fixed rate government bonds	(16)	-	-	-	-
Securitization certificates	(32)	-	-	-	-
Zero coupon government bonds	(1)	-	-	-	-
Promissory note payable upon maturity	(4)	-	-	-	-
CEDES	(1)	-	-	-	-
PEMEX eurobonds	-	(214)	280	-	(109)
UMS	-	(132)	154	-	(67)
Zero coupon bank bonds	(1)	(44)	-	-	-
Private company eurobonds	-	(3)	2	-	-
Total	**(Ps. 225)**	**(Ps. 393)**	**Ps. 436**	**(Ps. 154)**	**(Ps. 176)**

In the event of any of above scenarios, the losses or gains of the operations with trading securities and securities at maturity will directly impact the Financial Group's results.

In conclusion, trading securities and securities at maturity are exposed to domestic interest rate increases, foreign rate increases, surcharges and deterioration of the sovereign risk.

Liquidity and balance sheet risk

In order to provide a measurement of liquidity risk in the Financial Group and provide follow-up consistently, the Financial Group relies on the use of financial ratios, which include the liquidity ratio (current assets/liquid liabilities). Liquid assets include cash and cash equivalents, trading securities and available for sale securities. By the same token, 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 2009 is 63.9%, while the average during the quarter is 71.0%, as shown below:

	End of quarter				
	4Q08	**1Q09**	**2Q09**	**3Q09**	**4Q09**
Liquid assets	Ps. 72,557	Ps. 73,101	Ps. 90,359	Ps. 85,221	Ps. 91,931
Liquid liabilities	147,498	143,671	142,566	136,930	143,834
Liquidity ratio	49.2%	50.9%	63.4%	62.2%	63.9%

	Average				
	4Q08	**1Q09**	**2Q09**	**3Q09**	**4Q09**
Liquid assets	Ps. 64,453	Ps. 60,386	Ps. 74,492	Ps. 83,046	Ps. 92,729
Liquid liabilities	127,061	125,844	129,632	127,571	130,575
Liquidity ratio	50.7%	48.0%	57.5%	65.1%	71.0%

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.

The operation with derivatives allows leveling the differentials between assets and liabilities in different maturity gaps, minimizing the liquidity risk. Considering only the contractual obligations of the different types of hedging and trading swaps that the Financial Group operates, a maturity analysis is found below:

	Net position		
Gap	**Asset position**	**Liability position**	**Net**
1 month	Ps. 271	(Ps. 289)	(Ps. 18)
3 months	3	-	3
6 months	2	(12)	(10)
1 year	5	(247)	(242)
2 years	655	(70)	585
3 years	1	(40)	(39)
4 years	166	(259)	(93)
5 years	460	(411)	49
7 years	361	(709)	(348)
10 years	4	(1,051)	(1,047)
15 years	6	-	6
20 years	8	(12)	(4)
> 20 years	3	(13)	(10)
Total	**Ps. 1,945**	**(Ps. 3,113)**	**(Ps. 1,168)**

Operational risk

As of January 2003, the Financial Group established a formal operational risk department denominated “Operational Risk Management Department” as part of its Risk Management Strategy.

The Financial Group defines operational 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 operational risk prevention and management; b) to insure that the existing operational risks and the required controls are duly identified, evaluated and aligned with the organization's risk strategy; and c) to insure that operational risks are duly quantified in order to assign the proper capital for operational risk.

Operational risk management's cornerstones

I. Policies, objectives and guidelines

The Financial Group has documented the operational risk policies, objectives, guidelines, methodologies and responsible areas.

The Operational Risk Department works closely with the Controllership Department to promote effective Internal Control that defines the proper procedures and controls to mitigate operational 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	Losses derived from actions intended to defraud, illegally seize ownership or evade the regulations, law or policies of the Institution (excluding diversity/discrimination events) involving at least one internal party.
External fraud	Losses derived from actions taken by third parties intended to defraud, illegally seize ownership or evade the law.
Labor relations and job safety	Losses derived from actions inconsistent with laws or employment, health or safety agreements, or which result in the payment of claims for damages to personnel or diversity/discrimination claims.
Customers, products and business practices	Losses derived from negligence or unintentional breaches which prevent compliance with professional obligations with customers (including trust and adaptation requirements or due to the nature or design of a product.
Natural disasters and other events	Losses due to damage or harm to physical assets due to natural disasters or other events.
Business incidences and system failures	Losses derived from incidences in the business and system failures.
Process execution, delivery and management	Losses derived from errors in transaction processing or in process management, as well as relations with counterparties and suppliers.

This historical database provides the statistics of the operating events experienced by the Financial Group in order to be able to determine the respective trends, frequency, impact and distribution. Furthermore, the database will serve to calculate capital requirements for advanced models in the future.

Legal and tax contingencies database

For the recording and follow-up of legal, administrative and tax issues that may arise from adverse unappealable ruling, an internal system called "Legal Risk Issues Monitoring System" (SMARL) was developed. This system enables the central data supplying areas to record such events directly and on-line, which are then classified by company, sector and legal issue, among others.

As part of the Financial Group's legal risk management initiative, legal and tax contingencies are estimated by the attorneys that process the issues based on an internal methodology. This makes it possible to create the necessary book reserve to face such estimated contingencies.

Risk management model

The Financial Group and its subsidiaries have defined objectives, which are achieved through different plans, programs and projects. Compliance with such objectives may be adversely affected due to operating risks, for which reason a methodology must be in place to manage them within the organization. Consequently, operating risk management is now an institutional policy defined and supported by senior management.

To perform operating risk management, each of the operating risks involved in the processes must be identified in order to analyze them. In this regard, the risks identified by Regulations Control are recorded in a risk matrix and processed to eliminate or mitigate them (trying to reduce their severity or frequency) and to define the tolerance levels, as applicable. A new Operating Risk Management Model and the technology tool for its implementation are currently being developed.

III. Calculating capital requirement

On November 23, 2007, the Official Gazette of the Federation published the operating risk capitalization rules that set forth a basic model, which is calculated and reported periodically to the authorities.

IV. Information and reporting

The information generated by the databases and the Management Model is processed regularly in order to report the main operating events detected, trends, identified risks (risk matrix) and the mitigating strategies to the Risk Policy Committee and the Board of Directors. The status of the principal initiatives for operating risk mitigation implemented by the different areas of the organization is also reported.

Technology risk

It is defined as the potential loss due to damage, interruption, alteration or failures in the use of or dependence on hardware, software, IT systems, applications, networks and any other data distribution channel for rendering services to customers. Technology risk forms an inherent part of operating risk, for which reason its management is performed throughout the entire organization.

To address operating risk associated with data integrity, the "Integrity Committee" was created. Its objectives include aligning data security and control efforts to a prevention approach, defining new strategies, policies, processes or procedures and solving data security issues that affect or may affect the Financial Group's assets.

The Financial Group performs the functions for technology risk management set forth by the Commission under the guidelines established by the institutional regulations and the Integrity Committee.

To address the operating risk caused by high impact external events, the Financial Group has a Business Continuity Plan (BCP) and Business Recovery Plan (BRP) based on a same-time data replication system at an alternate computer site. This guarantees the back-up and recovery of critical applications in the event of an operating contingency.

Legal risk

Legal risk is defined as the potential loss due to noncompliance with applicable legal and administrative provisions, adverse administrative and judicial rulings, and imposed penalties.

The legal risk must be measured as an inherent part of operating risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operating losses in the SMARL system are recorded in the SCERO in accordance with a predetermined classification.

Based on the statistics of the current legal issues and real loss events, the Financial Group can identify specific legal or operating risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

34 – MEMORANDUM ACCOUNTS

	2009	2008
Bank customers (current accounts)	Ps. 4	Ps. 74
Settlement of customer transactions	(80)	35
Customer valuables received in custody	134,480	118,537
Customer repurchase agreements	35,680	35,688
Customer call options transactions	-	274
Managed trusts	4,641	2,378
	Ps. 174,725	**Ps. 156,986**
Other contingent assets and liabilities	Ps.273	Ps.266
Credit commitments	2,272	2,793
Deposits of assets	1,632	3,006
Financial Group securities delivered into custody	-	886
Financial Group government securities held in custody	-	101
Assets in trusts or under mandate	112,942	90,469
Managed assets in custody	158,547	131,886
Investment banking transactions on account of third parties (net)	74,646	84,615
Collateral received by the institution	33,464	31,567
Collateral received and sold or given as a pledge by the entity	43,165	-
Past-due loan portfolio accrued and uncollected interest	198	137
	Ps. 427,139	**Ps. 345,726**
Securities to be received in repurchase agreements	Ps.-	Ps.39,939
Less: Creditor repurchase and resale agreement	-	(40,176)
	Ps.-	**(Ps.237)**
Repurchase agreement from debtors	Ps.-	Ps.35,054
Less: Securities to be received in repurchase agreements	-	(34,908)
	Ps. -	**Ps. 146**

35 – COMMITMENTS

As of December 31, 2009 and 2008, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 2,545 (Ps. 3,059 in 2008), which are recorded in memorandum accounts.
- Certain real property and operating equipment are leased. Total property lease payments for the periods ended December 31, 2009 and 2008, were Ps. 197 and Ps. 159, respectively.

36 – CONTINGENCIES

As of December 31, 2009, 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. 77 is recorded for such contentious matters.

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 art.14 of the LPAB, as well as the rules banks must observe for classifying information relative to transactions associated with guaranteed obligations.

The IPAB plays a major role in the implementation of the LPAB resolutions methods and the Law of Credit Institutions (LIC) as timely and adequate mechanisms for salvaging and liquidating Full Service Banking Institutions in financial trouble that may affect their solvency. The purpose is to provide maximum protection to the public while minimizing the negative impact that salvaging an institution may have on others in the banking system.

During 2009 and 2008, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 1,073 and Ps. 938, respectively.

"The challenge for Mexicans is to keep our identity and national sovereignty, and to get most out of this new world context; become the protagonists of change and not allowing ourselves to be dragged because of ignorance or incapacity".

"Banorte encourages Mexicans to think big, work, save and invest. If we can do that and win the war against poverty, propel education, science, technology and the environment, the XXIst Century will be one of prosperity for Mexico".

Roberto González Barrera
Chairman of the Board of Directors
of Grupo Financiero Banorte

GRUPO FINANCIERO BANORTE

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