



GRUPO FINANCIERO
BANORTE

2008 Annual Report

Grupo Financiero Banorte, S. A. B. de C. V.

In accordance with regulations applicable to financial information of controlling corporations of financial groups subject to supervision by the National Banking and Securities Commission (CNBV) published in the Official Gazette of the Federation on

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I. MANAGEMENT ANALYSIS AND COMMENTS

When analyzing the information herein it is important to take the following into consideration:

The figures for 2006 are not totally comparable with the others as a consequence of the new regulation and accounting criteria published by the CNBV in 2006 which went into effect January 2007.

The arithmetic operations were carried out in pesos, while the information in the boxes is presented in millions of pesos. It may appear that some totals have minimal errors, but this is not the case, since it is matter of rounding off figures.

The figures for 2006 are expressed only in pesos of December 2007 in accordance with the established accounting norms. As of January 2008 the re-expression of financial statements is no longer necessary.

a) OPERATING RESULTS

SELECTED FINANCIAL INFORMATION

	2008	2007	2006
Net Income Grupo Financiero Banorte (GFNorte) (*)	\$7,014	\$6,810	\$6,185
Total Assets GFNorte (*)	\$577,025	\$287,283	\$243,345
Total Liabilities GFNorte (*)	\$537,279	\$253,127	\$214,796
Stockholders' equity GFNorte (*)	\$39,746	\$34,156	\$28,550
Stockholders' equity GFNorte excluding minority interest(*)	\$37,802	\$32,489	\$27,089
INFORMATION PER SHARE			
Net income per share (pesos)	\$3.48	\$3.37	\$3.06
Dividends per share (pesos)	\$0.47	\$0.45	\$0.375
Book value per share (pesos) (excluding minority interest)	\$18.77	\$16.42	\$13.42
Shares outstanding (millions)	2,018.3	2,018.3	2,018.3
INFRASTRUCTURE AND EMPLOYEES			
Bank branches ⁽¹⁾	1,118	1,054	994
ATMs (automated teller machines)	4,136	3,674	3,140
Full-time employees	19,997	17,348	15,929
Full-time employees and professional services	20,008	17,361	15,940
PROFITABILITY RATIOS ⁽²⁾			
NIM before REPOMO	6.8%	7.6%	7.7%
NIM adjusted for credit risks	4.7%	6.3%	6.8%
Return on Assets (ROA)	1.9%	2.6%	2.8%
Return on Equity (ROE)	19.7%	22.7%	24.9%
OPERATIONS			
Efficiency Index ⁽³⁾	51.0%	56.3%	55.0%
Operating Efficiency Index ⁽⁴⁾	4.3%	5.4%	5.9%
Liquidity Index	47.1%	49.0%	63.2%
ASSET QUALITY INDICATORS			
Past due loan ratio	2.0%	1.5%	1.4%
Reserve coverage	135.2%	130.9%	171.6%
CAPITALIZATION INDEX (BANKINGSECTOR)	14.3%	13.8%	17.4%

(*) Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos..)

(1) Includes bank modules and excludes agencies abroad.

(2) 4Q08 NIM and ROA indicators are not totally comparable against previous periods due to the reclassification of repos as securities held to maturity.

(3) Non-financial expense / (Total Revenues - REPOMO Margin + Provisions).

(4) Non-financial expense / Average Total Assets.

MANAGEMENT ANALYSIS AND COMMENTS

In 2008 GFNorte's Net Income was Ps 7,014 million, 3% more than in 2007 and 13% more than in 2006. In this period, the Banking Sector Net Income (97.06% through equity participation method) reached Ps 6,257 million, 6% more than in the previous year and contributed with 89% of the Group's profits. The Brokerage Sector reported Ps 183 million in profits, 36% less than in 2007, Other Finance Companies obtained Ps 336 million, 24% more than in 2007 and the Long Term Savings Sector reported a profit of Ps 354 million.

Grupo Financiero Banorte

Consolidated Income Statement of the Group

	2008	2007	2006
NII before REPOMO	\$22,627	\$17,747	\$15,418
+ REPOMO –Margin	-	(363)	(349)
= NII before credit risks	22,627	17,384	15,069
- Preventive Provisions for Loan Losses	6,896	2,646	1,555
- Loan Loss Sharing Provisions Fobaproa	-	-	33
= NII adjusted for credit risks	15,731	14,738	13,481
+ Non Interest Income	8,367	7,899	8,072
= Total Net Income	24,098	22,637	21,553
- Non Interest Expense	15,807	14,432	12,931
= Total Operating Income	8,291	8,205	8,622
- Other products and expenses, net	2,220	1,867	208
= Pre-tax Income	10,511	10,072	8,830
- Income Tax and Profit Sharing	3,645	3,780	3,033
- Tax on Assets	-	-	-
- Deferred Income Tax and Profit Sharing	(245)	(487)	222
= Net Income before Subsidiaries	7,111	6,779	5,575
+ Subsidiaries' Net Income	276	357	827
= Net Income from continuous operations	7,387	7,136	6,402
+ Extraordinary items, net	-	-	-
- Minority interest	373	326	217
= Total Net Income	\$7,014	\$6,810	\$6,185

Million pesos in nominal terms (except 2006 figures, which are expressed in pesos of Dec-07).

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

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

- (1) In accordance with the accounting criteria B-3 "Repos" issued last October 14, as well as the authorization given by the Banking and Securities Commission (CNBV), credit institutions were allowed to classify debt instruments, regardless of their category, as Investments in Securities considering that: i) the guidelines relative to the reclassification of the instruments will be equally applicable to proprietary repos transactions and securities' lending, given that investment in securities is equally done through these operations; ii) the value of the securities to be received in repos and securities' lending transactions may be adjusted to the market value (closing price) of such instruments corresponding to October 1, 2008 in the same manner as was stipulated for the book value adjustment of proprietary investments in securities; iii) once the book value of the instruments to be received in repos and securities' lending operations has been adjusted,

such instruments can be reclassified to any category of investments in securities according with the institutions' intentionality for those instruments, and they will be later valued according to the valuation standards for each category established in the accounting criteria; iv) the reclassification of investments in securities, as well as the adjustment to the valuation of the repos to be received and securities' lending transactions, will be done in only one occasion on the date that each institution determines during the last quarter of 2008.

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

During 4Q08 *Net Interest Income before REPOMO* increased 28% YoY, driven by a 27% increase in interest revenues as a result of 24% annual growth in performing loans, an 85 basis points increase in the average reference rate given tighter monetary policy, coupled with a 16% increase in demand deposits. Net financial revenues were also driven by 64% growth in origination fees resulting from higher loan origination volumes and the amortization of the deferred fees from 2007 loans. Accumulated NII during 2008 was Ps 22.6 billion, 27% higher YoY driven mainly by growth in performing loans and core deposits, as well as a favorable interest rate environment. The average reference rate during 2008 (TIIE) averaged 8.2740% vs. 7.6575% in 2007.

Non Interest Income

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

(1) Includes fees received by the Recovery Bank and by the Bank.

(2) Includes fees from letters of credit, transactions with pension funds, warehouse services, financial advisory services and purchase/sale of securities by the Brokerage House, among others.

The following chart identifies the sources of Non Interest Income:

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

Non-Interest Income for 2008 totaled Ps 8,367 million, 6% more than in 2007, driven by growth in most of its components as shown below :

Service Fees

During 2008, service fees totaled Ps 6.6 billion, a 9% YoY increase as a result of higher credit card, fiduciary and electronic banking fees.

Recovery

Accumulated revenues during 2008 were Ps 735 million, a 27% YoY increase which was driven by an increase in revenues recognized over unamortized balances of investments in real estate projects. The total amount invested in real estate projects at the end of 4Q08 was Ps 3.1 billion. The portfolio continues to be diversified by region, partner and industry.

Foreign Exchange

FX income during 2008 was Ps 779 million, a 54% YoY increase driven by higher volumes and the bank's adequate risk management of its FX positions.

Trading

These revenues totaled Ps 261 million during 2008, a 67% YoY decline explained by a highly volatile market environment that affected prices of debt instruments along the local yield curve, including the spreads of floating rate government securities. Out of our total trading position, most of Banorte's money market and treasury positions were floating rate government securities, and their spreads were pressured by rising inflationary expectations and lower liquidity given more risk aversion. Out of our total trading position, 100% corresponds to securities used for repo transactions with clients, and most of these are floating rate instruments that normally have less sensitivity to a volatile interest rate environment, but were affected by the recent extreme market conditions. The annual drop in trading revenues also reflects a Ps 295 million loss associated with positions on Lehman Brothers' senior unsecured debt securities, which were fully offset by income of Ps 312 million generated by the sale of 80% of the bank's position in VISA shares (there are still 132,300 shares left registered at \$1 USD per share). In this respect, the initial recognition of shares received by VISA in 1Q08 was as instruments available for sale at US 1 dollar per share. At the end of each month, the market valuation of these shares is recorded (assets and equity – in the accounts for valuation of securities available for sale). When 80% of the shares were monetized in 3Q08, the corresponding valuation was cancelled in both the asset and equity accounts and the profits, equivalent to the difference between the sale price and the cost of US 1 dollar recorded for each share, were recognized as trading income during 3Q08.

Non Interest Expenses

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

Non Interest Expense

During 2008, Non Interest Expenses were Ps 15.8 billion, 10% higher YoY due mainly to an 8% increase in personnel expenses related to the branch expansion program, the adjustment in provisions for indemnities and scheduled dismissals, adjustment in liabilities related to retirement and seniority premiums according to actuarial studies and higher employee medical service expenses due to a greater number of beneficiaries and an increase in the average cost per beneficiary. Professional fees paid increased due to higher legal expenses associated with more loan recoveries and other credit reports, as well as a Ps 71 million increase in IT related projects. Other Taxes increased 46% due to higher disbursements of Value Added Tax (VAT) and an update in the fiscal treatment of loan portfolios acquired during 2004-2005. The efficiency ratio improved from 55% in 4Q07 to 49% in 4Q08, driven by higher revenues and the elimination of REPOMO costs since 1Q08. For the full year, the efficiency ratio was 51% in 2008 vs. 56% in 2007. Given the weaker economic and business

conditions expected for the coming months, Banorte is undertaking cost containment measures, including the merger of branches to obtain more efficiency.

It is important to mention that due to foreseen weak economic and business environment in the coming months, Banorte has initiated a series of measures to contain expenses, including the merger of branches to improve efficiency. The efficiency ratio for 2008 was 51.0%, compared to 56.3% in 2007.

Other Products and Expenses

	2008	2007	2006
+ Other Revenues	\$1,367	\$800	\$402
+ Foreign Exchange	-	-	-
+ Recoveries	1,806	1,857	513
+ REPOMO - Other Revenues	-	18	18
+ Warehousing	617	160	194
= Other products	3,789	2,835	1,127
- Other Expenses	(958)	(413)	(355)
- Foreign Exchange	-	-	-
- REPOMO – Other expenses	-	(396)	(371)
- Warehousing	(611)	(160)	(194)
= Other expenses	(1,569)	(968)	(920)
= Non Operating Income (Expense), net	\$2,220	\$1,867	\$208

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

The amount reported for 2008 totaled Ps 2,220 million, 19% higher than the amount registered for 2007, as a result of the following factors:

Other Revenues

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

Other Expenses

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

Performing Loan Portfolio

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

Performing Consumer Loan Portfolio

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

The Performing Loan portfolio increased by 24% YoY, from Ps 192,491 million to Ps 239,505 million (excluding loan portfolios managed by Recovery Banking).

Past Due Loans

At the close of 2008, past-due loans increased 71% YoY, given the deterioration in the consumer loan portfolio, especially credit cards, and to a lesser extent in commercial loans. The PDL ratio at the end of 4Q08 was 2.0%, which is 0.5 pp higher than in 4Q07 and 0.3 pp vs. 3Q08. The increase in the PDL ratio during 4Q08 was mainly due to the deterioration of the credit card portfolio, with PDL's of 12.4% in 4Q08 vs. 9% in 3Q08 and 5.6% 4Q07. The increase in delinquencies in the credit card portfolio were driven by the seasoning of 2006 and 2007 vintages, coupled with adverse economic and employment conditions. Also, during 4Q08, the total credit card portfolio contracted for the first time in several years, having a negative impact on the numerical calculation of the PDL ratio. Despite a higher-than-expected deterioration in the credit card portfolio, it is important to note that Banorte's exposure to this segment is only 6% of total loans, much lower compared to the exposures of our main competitors for this type of product. On the other hand, other loan portfolio segments have not shown significant deterioration. At the close of 4Q08, the PDL ratio for Car Loans was 2.2%, Payroll Loans 2.8%, Mortgage Loans 1.6%, Commercial Loans 2.0%, and Government and Corporate 0%.

Deposits

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

(1) Includes debit cards

(2) As of 2004, IPAB checking accounts in which collections of managed portfolios of Banpaís and Bancen are deposited in cash are excluded, retroactively for comparison. The balances of these accounts for 2006, 2007 and 2008 were Ps 546 million, Ps 9 million and Ps 14 million, respectively.

(3) Includes bank bonds. Comprised of clients and financial intermediaries.

(4) Includes eliminations between subsidiaries. Balances of said eliminations for 2006, 2007 and 2008 were Ps 66 million, Ps 227 million and Ps 142 million, respectively

At the end of 4Q08, Total Deposits amounted to Ps 260.7 billion, a 28% YoY increase driven by 16% growth in Core Deposits, which includes a substantial 32% increase in Non-Interest Bearing Demand Deposits given an increase in Enlace checking accounts. The main drivers of deposit growth during this period were: the expansion of the distribution network which increased by 64 new branches over the last 12 months, greater payroll accounts from our government and corporate clients, and deposits gathered from our mutual fund clients.

1. Bank Sector

In 2008 the Banking Sector (100%, including AFORE through the equity participation method) obtained a Net Income of Ps 6,543 million, 6% more than in 2007, driven mainly by greater net interest income and non operating income. Net Income for the Banking Sector grew continuously from 2006 to 2008 surpassing the Ps 5,383 million of 2006 to Ps 6,543 million in 2008, a 22% rise.

Consolidated Income Statement – Banking Sector

	2008	2007	2006
NII before REPOMO	\$21,704	\$17,152	\$14,854
+ REPOMO - Margin	-	(265)	(259)
= NII before credit risks	21,704	16,888	14,596
- Preventive Provisions for Loan Losses	6,722	2,588	1,536
- Loan Loss Sharing Provisions Fobaproa	-	-	33
= NII adjusted for Credit Risk	14,982	14,300	13,027
+ Non Interest income	6,595	5,929	6,253
= Total Operating Income	21,577	20,228	19,280
- Non Interest Expenses	14,191	12,945	11,333
= Net Operating Income	7,386	7,284	7,947
- Non Operating Income (Expense), Net	2,362	1,903	229
= Pre-tax Income	9,748	9,187	8,176
- Income Tax and Profit Sharing	3,428	3,509	2,829
- Tax on Assets	-	-	-
- Deferred Income Tax and Profit Sharing	(198)	(450)	(236)
= Net Income before Subsidiaries	6,518	6,129	5,111
+ Subsidiaries' Net Income	113	87	279
= Net income from Continuous Operations	6,631	6,216	5,390
+ Extraordinary items, net	-	-	-
- Minority interest	88	64	7
= Net Income	\$6,543	\$6,151	\$5,383

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

Does not include the Afore, which are included in Subsidiaries' Revenues through the participation method.

The following shows the breakdown of the most important items that make up the P&L:

Net Interest Income

	2008	2007	2006
Interest Income	\$48,045	\$38,707	\$34,300
Interest Expenses	26,857	21,793	20,035
Loan fees Charged	516	239	741
Fees Paid	-	-	152
Net interest income before REPOMO	\$21,704	\$17,152	\$14,854
Average Earnings Assets	\$324,109	\$226,505	\$194,002
% Net Interest Income (NIM) ⁽¹⁾	6.7%	7.6%	7.7%

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

(1) Net interest income before REPOMO from the Productive Assets Average of the period.

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

Non Interest Income

	2008	2007	2006
+ Funds Transfers	\$222	\$229	\$241
+ Account Management Fees	998	976	1,001
+ Fiduciary	295	270	274
+ Income from Real Estate Portfolios	734	575	1,710
+ Electronic Banking Services	1,009	944	837
+ Credit Card Fees	2,533	2,132	1,561
+ Fobaproa Fees ⁽¹⁾	1	4	26
+ Other Fees Charged	1,076	911	601
Fees Charged on Services	6,868	6,041	6,251
+ Funds Transfers	19	17	16
+ Other Fees Paid	1,132	993	707
+ Expenses from Acquired Portfolios	-	-	837
Fees Paid on Services	1,151	1,010	1,560
= Net Fees	5,717	5,031	4,691
+ Foreign Exchange	779	506	530
+ Securities – Realized Gains	114	67	1,141
+ Securities - Unrealized Gains	(16)	325	(109)
= Trading income	878	898	1,561
= Non Interest Income	\$6,595	\$5,929	\$6,253

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

(1) (1) Includes fees received by Recovery Banking and by the Bank.

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

	2008	2007	2006
Services	\$4,982	\$4,451	\$3,791
Recovery	735	580	900
Foreign Exchange	779	506	530
Trading	99	392	1,032
Non-Interest Income	\$6,595	\$5,929	\$6,253

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

Non-Interest Income for 2008 reached Ps 6,595 million, 11% higher YoY, driven by an increase in the majority of items as detailed below:

- Service Fees: rose 12% YoY to total Ps 4,982 million by year end, driven by greater credit card, fiduciary and electronic banking fees.
- Recoveries: income accumulated in this sector totaled Ps 735 million, 27% higher than in 2007.
- Foreign Exchange: income in this sector reached Ps 779 million, 54% more than in 2007, driven by the bank's adequate risk management of its FX position in a highly volatile market.
- Trading: income in this sector totaled Ps 99 million for 2008, a 75% drop in the year. This decrease is due to the negative impact in debt securities arising from the highly volatile financial markets throughout the year.

Non Interest Expenses

	2008	2007	2006
Personnel Expenses	\$5,812	\$5,581	\$4,805
Professional Fees	1,163	908	757

Administrative and Promotional Expenses	4,213	3,903	3,160
Rents, Depreciations and Amortizations	1,285	1,286	1,451
Other taxes	780	493	476
Contributions to IPAB	938	774	684
Non Interest Expenses	\$14,191	\$12,945	\$11,333

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

Non Interest Expenses for 2008 increased by 10% compared to 2007, mainly due to an increase in personnel expenses related to the branch expansion program, the adjustment in provisions for indemnities and scheduled dismissals, adjustment in liabilities related to retirement and seniority premiums according to actuarial studies and higher employee medical service expenses due to a greater number of beneficiaries and an increase in the average cost per beneficiary. Professional fees paid increased due to higher legal expenses associated with IT projects and increase in fees associated with legal processes associated for portfolio recoveries. Other Taxes increased 58% due to higher disbursements of Value Added Tax (VAT) and an update in the fiscal treatment of loan portfolios acquired during 2004-2005.

Due to the weak economic and business environment in next few months, Banorte has initiated a series of cost containment measures, including the merger of some branches to improve efficiency. In 2008, the efficiency ratio was 50.1%, compared to 56.1% in 2007.

Non Operating Income and Expense

	2008	2007	2006
+ Other Revenues	\$1,404	\$830	\$461
+ Foreign exchange	-	-	-
+ Recoveries	1,786	1,826	480
+ REPOMO – Other Revenues	-	3	4
= Non operating income	3,190	2,659	945
- Other Expenses	(828)	(374)	(352)
- Foreign Exchange	-	-	-
- REPOMO – Other Expenses	-	(383)	(365)
= Non Operating Expense	(828)	(756)	(717)
= Non Operating Income (Expense)	\$2,362	\$1,903	\$229

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

Totals for 2008 were for Ps 2,362 million, 24% higher than figures for 2007, as a result of the following factors:

- **Other Revenues:** non-recurring pre-tax gain of Ps 394 million from the sale of VISA shares during 1Q08 and 2Q08, as well as the sale of INDEVAL shares owned by the bank during 2Q08. These revenues also benefited from the sale of real estate, as well as the liberation of corresponding reserves.
- **Other Expenses:** The elimination of the REPOMO charges due to implementation of accounting standard NIFB-10 "Inflation Effects".

Performing Loan Portfolio

	2008	2007	2006
Commercial	\$80,170	\$63,448	\$53,466
Consumer	74,863	63,315	49,007
Corporate	48,597	39,681	26,925
Government	26,977	17,948	11,179
Subtotal	230,607	184,391	140,577
Recovery Bank	794	1,147	1,377
Total Performing Loans	\$231,401	\$185,538	\$141,955

Fobaproa / IPAB Portfolio	-	-	-
Past due loans	4,836	2,744	2,037
% Past due loans	2.0%	1.5%	1.4%

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

Performing Consumer Loan Portfolio

	2008	2007	2006
Mortgages	\$45,499	\$36,096	\$27,510
Car Loans	7,589	7,224	6,577
Credit cards	15,067	13,882	9,842
Payroll	6,707	6,113	5,080
Total Performing Consumer Loan Portfolio	\$74,863	\$63,315	\$49,007

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

Total Performing loans grew by 25% YoY, from Ps 185,538 million to Ps 231,401 million in 2008 and registered the same growth rate when excluding the loan portfolio managed by the Recovery Banking.

At the end of 2008, the past due loans ratio was 2.0%, slightly higher than the 1.5% at close of 2007. Past due loans increased by 76% during 2008.

Deposits

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

(1) Includes debit cards.

(2) Excludes IPAB cash management checking accounts for loan portfolios managed from Banpais and Bancen as of 2004, effective retroactively for comparison. Balances of these accounts for 2006, 2007 and 2008 were Ps 546 million, Ps 9 million and Ps 14 million, respectively

(3) Includes Bank Bonds, clients and financial intermediaries.

At year end, Total Bank Deposits were Ps 260,896 million, 28% more than 2007, driven mainly by the 16% growth of Core Deposits.

2. Brokerage

	2008	2007	2006
Brokerage House			
Net income	\$183	\$288	\$191
Stockholders' Equity	1,143	1,020	736
Assets	1,662	1,333	971
Assets Under Management	119,286	180,972	169,373

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

Net income during 2008 was Ps 183 million, 36% lower than 2007. During 4Q08, the Broker-dealer reported a net loss of Ps 89 million vs. a Ps 90 million profit during 4Q07 and a Ps 58 million gain in 3Q08. The loss was

affected mainly by compensations made to mitigate losses on some trading contracts, as well as by lower income from money and capital markets positions. During 4Q08, a complicated operating environment prevailed due to a squeeze in market liquidity and risk aversion.

Mutual Funds

At yearend 2008, mutual funds' AUM dropped 42% YoY given the migration of customers' funds to checking accounts and other deposit products, as a result of decreased returns on mutual funds. At the end of 4Q08, fixed income mutual funds fell 42%, while equity mutual funds dropped 43%.

Assets Under Management

At the end of 4Q08, AUM totaled Ps 119.3 billion, a 34% reduction YoY, given the decrease in mutual funds and also in clients' securities under custody.

3. Long Term Savings

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

Afore

The AFORE reported an accumulated Net Income of Ps 189 million in 2008, 14% higher YoY, due to greater operating income, lower operating expenses and services, as well as lower taxes. At the end of 2008, the AFORE's assets under management, dropped 3% annually, due to market losses on its portfolio valuations. However, during December, AUM increased by Ps 3.5 billion due to the reduction in market interest rates. At year end, the AFORE had 3,232,131 affiliates, representing 8.29% of total affiliates in the system and 9.66% in certified accounts. In terms of AUM market share, it ranked 7th with a 6.4% market share at the end of December 2008.

Insurance

Profits for 2008 amounted to Ps 476 million (51% for GFNorte), 42% greater YoY, as a result of a 14% increase in accrued premiums and a 2% increase in financial products and other income, as well as the containment of claims' costs.

Annuities

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

4. Other Finance Companies

	2008	2007	2006
Leasing and Factoring ⁽¹⁾			
Net Income	\$313	\$247	\$214
Equity	1,184	991	866
Total Portfolio	13,874	12,222	7,708
Past Due Loans	74	37	41
Assets	14,001	12,447	7,855
Warehousing			
Net Income	\$23	\$15	\$11
Equity	124	101	123
Inventories	165	7	84
Assets	321	140	174
Bonding Company ⁽²⁾			
Net Income	-	\$9	\$30
Equity	-	-	144
Assets	-	-	516

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos.

⁽¹⁾ The merger of Leasing and Factoring became effective as of January 31, 2008

⁽²⁾ On March 30th, 2007 GFNorte announced the separation of Fianzas Banorte, the bonding company, prior to its sale. Profits for 2007 correspond to the first three months of the year that this company was still part of the Group.

Leasing and Factoring

On February 2008, the leasing and factoring companies merged under a regulated Multi-purpose financial corporation (SOFOM). This merger enables, among other things, to optimize the use of capital, improve leverage capacity and create the possibility of achieving higher credit ratings for the merged entity. Results of both companies, as of 1Q08 are presented on a consolidated basis under the denomination "Arrendadora y Factor Banorte, S.A. de C.V."

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

Warehousing

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

Profits stood at Ps 23 million in 2008, 55% higher than in 2007. This growth was due to an increase in inventories and warehousing services, such as the fitting of warehouses, which has opened the possibility for Banorte to issue certificates of deposit that are used as guarantees in secured loans and as loans to other financial institutions. At the end of 4Q08, the Capitalization Ratio was 4.1% considering Ps 3.0 billion in total assets-at-risk certificates. It currently ranks 2nd among the 20 Warehousing Companies in terms of Net Income.

5. Microlending

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

Pronegocio reported a Ps 120 million loss in 2008, 302% higher YoY. The results of 2008 were mainly affected by lower Net Interest Margin due to lower performing loans, greater write-offs on past-due loans and expenses. The past due loan ratio closed at 14.1% during 4Q08, lower than the 23.6% registered in 3Q08 and the 19.1% reached in 4Q07. During 4Q08, the reserve coverage ratio was 76%. Pronegocio is in the process of being merged with the bank.

b) FINANCIAL SITUATION, LIQUIDITY AND CAPITAL REOURCES

NET INCOME AND PROFITABILITY INDEXES

GFNorte Equity (*)

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos).

(*) Does not include Afore.

The Banking Sector (excluding Afore) contributed with 89% of the Group's Net Income, reaching Ps 6,543 million in 2006, 6% more than in 2007.

Banking Sector Paid-in Capital (*)

	2008	2007	2006
Paid-in Capital	10,955	10,955	10,745

Premium of Subscribed & Issued Shares	853	856	1,153
Subscribed Capital	\$11,808	\$11,811	\$11,899
Capital Reserves	4,005	3,390	3,616
Retained Earnings	13,426	10,536	7,197
Surplus (Deficit) from Valuation of Securities Available for Sale	(237)	396	(31)
Results on valuation of cash flow derivatives	(1,626)	(320)	-
Results from Conversions of Foreign Operations	1,123	15	37
Surplus (Deficit) in Capital Restatement	-	(1,938)	(2,783)
Results of Non Monetary Fixed Assets	-	-	13
Permanent Share Investments	87	91	(561)
Accumulated effect of deferred taxes	-	-	(325)
Net Income	6,543	6,151	5,383
Earned Capital	\$23,320	\$18,319	\$12,546
Minority Interest	397	310	245
Total Stockholders' Equity	\$35,526	\$30,440	\$24,690

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos .(*) Does not include Afore.

Banking Sector Capitalization Ratio

	Dec-08	Dec-07	Dec-06
Tier 1 Capital	28,300	24,942	22,338
Tier 2 Capital	14,948	8,767	9,357
Net Capital	\$43,248	\$33,710	\$31,695
Credit Risk Assets	204,884	173,505	131,803
Net Capital / Credit Risk Assets	21.1%	19.4%	24.0%
Total Risk Assets⁽¹⁾	\$302,279	\$244,310	\$182,681

Capitalization Ratio

Tier 1	9.4%	10.2%	12.2%
Tier 2	4.9%	3.6%	5.1%
Total Capitalization Ratio	14.3%	13.8%	17.4%

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos. (1) Includes Market and Operational Risks without inter-company eliminations.

At the end of 4Q08, the Capitalization Ratio stood at 14.3% considering credit and market risks, and 21.1% considering only credit risks. The Tier 1 ratio was 9.4% while Tier 2 was 4.9%. On an annual basis, despite a 24% growth in Total Risk Assets, the implementation of operational risk, the impact arising from the new rules for securitizations and the dividend payment, the capitalization ratio for December 2008 increased 0.5pp from the level of December 2007 as a result of the reinvestment of profits and the issuance of subordinated debt during the first half of 2008.

Banorte Capitalization Ratio

	Dec-08	Dec-07	Dec-06	Classif. to 31-Dec-08
Net Capital	43,248	33,710	31,695	

Credit Risk Assets	204,884	173,505	131,803	
Market & Operational Risk Assets	97,395	70,805	50,878	
Total Risk Assets	\$302,279	\$244,310	\$182,681	
Net Capital / Credit Risk Assets	21.1%	19.4%	24.0%	
Net Capital / Total Risk Assets	14.3%	13.8%	17.4%	Category I

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos..

CASH FLOW STATEMENT

The cash flow statement reveals the availability of cash that the institution has at a certain point in time which will permit it to face its obligations with creditors. The structure of the cash flow statement provides details regarding the cash generated by the operation and uses of resources for net financing and the investment program. As of December 2008, Cash and Due from Banks amounted to Ps 54,402 million, 31% higher than the Ps 41,610 million registered in December 2007.

GFNorte Cash Flow Statement

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos .

DIVIDENDS

During the April 30, 2003 session, the Board of Directors approved a dividend payment policy consisting of a minimum payout ratio of 15% of GFNorte's previous year recurring net income. Dividend payments will only be possible if no legal limitations exist and also if market conditions and the financial standing of the institution allow it

POLICIES THAT GOVERN TREASURY ACTIVITIES OF THE BANK (MAIN SUBSIDIARY OF THE FINANCIAL GROUP)

Regulatory Framework

1. All operations carried out by the Treasury will be executed in strict accordance to regulations set by the regulatory authorities of the Banking Institutions such as Central Bank (BANXICO), National Banking and Securities Commission (CNBV), Ministry of Finance and Public Credit (SHCP), as well as to those established in the Ley de Instituciones de Credito (Law of Credit Institutions).
2. The Treasury is subject to the policies regarding thresholds and management of liquidity risks set by the Risk Policies Committee in the manual of Risk Administration.

Treasury Management

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

1. Diversification of funding sources. Access several markets in order to diversity the funding sources.
2. Try to structure liabilities in such a way so as to avoid the accumulation of maturities that significantly influence the administration and control of the resources that the Treasury operates.
3. Ensure liquidity in adverse times by tapping long term liabilities..

Liquid Assets. Maintain a balanced liquid assets-total assets ratio.

4. Additional Liquidity. Maintain a highly liquid inventory of assets to assure the immediate availability of resources.
5. Transfer Prices. The Treasury will have the exclusive faculty to determine and propose to the Risk Policies' Committee the transfer costs of assets and liabilities. .

Sources of Financing/International Treasury

Sources of financing for the International Treasury should be classified in a monthly report indicating the sources of available resources, their use and concentration:

1. Public:
 - Checking accounts (via the network of branches and corporations).
2. Market:
 - Commercial paper.
 - Cross Currency Swaps
 - Syndicated Loans.
 - Securitizations
 - Deposit Certificates.
3. National banks and Development Funds:
 - National banks.
 - Funds.

4. Correspondent Banks
 - Foreign banks.
5. Available lines of credit: (not available)
 - Commercial paper.
 - Correspondent Banks.
- a. Through diverse Long Term Financing Programs, proposals will be studied, analyzed and implemented, in order to consolidate an adequate debt profile.
- b. Send simultaneously the liquidity stress tests results to the authorities and the Head of Risk Control so it can be monitored.
- c. The International Treasury will review daily the liquidity ratio limits set by the Risk Policies Committee and the authorities.
- d. The International Treasury, in coordination with the Head of Risk Control, will monitor the results of its daily calculations of liquidity coefficients.

PAID AND DEFERRED TAXES

Concept	To December 31st, 2008
Income Tax	2,764
Profit Sharing	881
Asset Tax	0
Update in Paid Taxes	0
Deferred Income Tax and Profit Sharing	(245)
Update in Deferred taxes	0
Total	\$3,400

Million pesos.

Temporary Asset Differences	ISR	PTU	Net
Fiscal losses to be amortized	22	0	22
Provisions for possible loan losses	68	0	68
Operational loss Uniteller and Banorte USA Corp.	38	0	38
Non deductible provisions and cumulative income	352	121	473
Excess book value over fiscal value of repossessed and fixed assets	314	69	383
Reducible Profit Sharing	251	90	341
Excess of preventive reserves for credit risks on fiscal limit	262	94	356
Commissions charged in advance	3	0	3
Others	23	0	23
Total Assets	\$1,333	\$374	\$1,707

Temporary Liability Differences	ISR	PTU	Net
Pension Fund Contributions	(280)	(100)	(380)
Loan Portfolio Acquisitions	(583)	(100)	(683)

Income tax to pay on UDIS Trust funds	(39)	0	(39)
Federal Home Loan Bank Dividends	(2)	0	(2)
Intangibles' amortizations	(38)	0	(38)
Effects of other accounts	(65)	0	(65)
Reversal of Sale Costs	(5)	0	(5)
Unrealized capital gain from Special Reserve	(24)	0	(24)
Total Liabilities	(\$1,036)	(\$200)	(\$1,236)
Assets (Liabilities) Accumulated Net	\$297	\$174	\$471

Million pesos.

Banorte recognizes the effect of deferred taxes determined under the method of assets and liabilities, in accordance with NIF D-4 "Accounting treatment of income tax (ISR), asset tax (IA), and workers' profit sharing (PTU)", and INIF-8 "Effects of the Corporate Tax at a Basic Rate (IETU)", through the comparison of their book and fiscal values. From this comparison, a temporary difference arises to which the corresponding tax rate is applied.

On the other hand, workers' profit sharing is calculated taking into consideration the temporary differences that arose during the year to which the corresponding fiscal rate is applied, which will create a liability or benefit in the future, likewise, projections were made calculating Flat Rate (IETU) and comparing it with Income Tax (ISR), determining that Banorte and its Subsidiaries would continue paying Income Tax (ISR), which is why no adjustments were made to the calculation of deferred taxes.

The net effect of all the aforementioned operations are shown in the General Balance Sheet under assets entitled "Deferred Taxes".

The following are deferred taxes for each subsidiary up to December 31st, 2008:

Deferred Taxes	As of December 31st, 2008
Banco Mercantil del Norte, S. A.	481
Casa de Bolsa, S. A. de C. V.	(39)
Almacenedora Banorte, S. A. de C. V.	(10)
Pronegocio Banorte, S. A. de C. V.	34
Grupo Financiero Banorte, S. A. B. de C. V.	5
Total	\$471

Million pesos.

TAX CREDITS OR DEBTS

Tax credits listed below are currently in litigation:

As of December 31st, 2008

BANORTE	\$32
IMSS fees, various occupations	19
INFONAVIT fees, various occupations	13
AFORE BANORTE	\$61
Fiscal year 1999 (330-SAT-11278)	19
Fiscal year 2000 (330-SAT-11277)	25
Fiscal year 2003 (330-SAT-17738)	6
Fiscal year (330-SAT-VIII-6-11775)	11
BROKERAGE	\$107
Fiscal year 2000 (document 330-SAT-20847)	28
Fiscal year 2001 (document 330-SAT-2690)	57
Fiscal year 2003 (document 900 06 05-2008-11006)	20
Fiscal year 2003 (document 900 06 05-2008-11087)	2
MUTUAL FUNDS (OPERADORA DE FONDOS BANORTE, S. A. DE C. V.)	\$14
Fiscal year 2003 (document 330-SAT-VIII-5-041254)	9
Fiscal year 2004 (document 900 06-02-2008-15698)	5

Million pesos.

c) INTERNAL CONTROL

The companies that comprise GFNorte have an Internal Control System (ICS) that has been structured in accordance with guidelines set by its Board of Directors and meets the authorities' requirements.

The ICS's mission is to support in the operation appropriate internal controls in transactions, generation and recording of information. It is comprised of several elements:

- A. The Board of Directors with the support of the Risk Policies Committee and the Audit and Corporate Practices Committee (CAPS).
- B. The CEO and its support areas, comprised of the Unit of Integral Risk Administration (UAIR), Legal and Compliance, who are responsible to ensure that the appropriate levels of control and risk in the Group's operations are maintained.
- C. Internal Audit, External Audit and the Commissary (the Commissary only applies to subsidiaries of GFNorte) provide additional support to watch over ICS operations and provide reasonable assurance on the dependability of the information generated.
- D. Top Management is responsible to ensure that the ICS operates in accordance with the functions and responsibilities that were assigned to it, as well as promoting compliance with regulations established for the Institution and the strategies defined by the CEO.
- E. Documents that establish the general criteria of control that should be followed in the operation and registration of transactions, in the use of human resources, materials and technologies; in the use, security, opportunity and reliability of information; and in the due execution of external and internal norms. The Code of Conduct establishes the behavior that all consultants, officials or employees of the Group should assume in the realization of their activities.
- F. Manuals of policies and procedures that standardize documentation, registration and liquidation operations carried out by the Institution and establish control points that should be observed, assuring the segregation of functions, the clear assignment of responsibilities, the back-up of information and the prevention of illicit acts.

During 2008 activities were continuously being developed aimed at strengthening the control environment, evaluating and managing risks, establishing and monitoring controls, and ensuring the quality of the information; placing special emphasis on:

- A. The Outstanding Entities of GFNorte (Bank, Brokerage House, Leasing and Factoring, Pronegocio, INB, Insurance, Afore and the Recovery Bank Unit Sólida, Portfolio Administrator) presented to the CAPS their annual report, which contains the operation and situation of their Internal Control system as well as their functions performance related with this matter. The CAPS used these reports to inform the situation that ICS keeps of the Holding Company to the Board of Directors, as stated in the Stock Market Law.
- B. The Board of Directors ratified its authorization of the basic SCI documents: Code of Conduct, Objectives and Limits of Internal Control and General Policies for the use of Human Resources and Materials, according to that specified in the external regulation.
- C. The different Corporate Government Committees have received the necessary financial, economic and accounting and/or legal information corresponding to each case, to make the appropriate decisions.
- D. Manuals of policies and procedures have been kept updated in regards to changes in external regulation, new products, and changes to institutional procedures or improvements in internal controls. Additionally, the follow-up of improvements regarding observations made by different SCI members was also maintained.
- E. The requirements made by the Supervising Authorities were attended and the delivery of information required by external regulations was fulfilled.

II. MAIN TRANSACTIONS AND INTERGROUP EXPOSURES

OPERATIONS WITH RELATED PERSONS AND CONFLICTS OF INTEREST

In GFNorte, the loans to related individuals and companies does not exceed the limit of 50% of basic capital.

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

Current Million Pesos (except for 2006, figures, are expressed in Dec-07 pesos..

On December 31, 2008, the total portfolio of performing loans under Article 73 of the Law of Credit Institutions, was Ps 8,216 million (including Ps 649 million in loan obligations, which are registered in memorandum accounts), representing 3.7% of the total loan obligation (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related loans, Ps 5,250 million were loans granted to clients linked to members of the Board of Directors and Ps 2,966 million were linked to companies related to GFNorte.

The related loans were granted and qualified in accordance with the same policies, procedures and qualification systems that apply to the rest of GFNorte's loan portfolio, based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by the CNBV and the internal methodology authorized by CNBV, to qualify the Debtor in the commercial loan portfolio. 94.4% of related loans are rated as Category "A" and 5.6% as Category "B", the majority of these loans are classified as commercial loans.

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

On December 31, 2007, the total portfolio of related parties loans under Article 73 of the Law of Credit Institutions, was Ps 5,041 million (including Ps 367 million in loan obligations, which are registered in memorandum accounts), representing 2.8% of the total loan obligation (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related loans, Ps 1,224 million were loans granted to clients linked to members of the Board of Directors, Ps 1,005 million to clients linked to shareholders and Ps 2,812 million linked to companies related to GFNorte.

Related parties loans have been granted and qualified in accordance with the policies, procedures and qualification systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV, to qualify the Debtor in the commercial loan portfolio. 97.1% of the related loans were rated in Category "A", 0.7% in Category "B" and 2.2% in Category "C", the majority of these loans were classified as commercial loans.

In accordance with Article 73 of the Law of Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at closing of December 2007 was 26.7% of the limit set by Banco de Mexico which was at that time equal to 75% of the basic part of net capital.

III. BOARD OF DIRECTORS

The Board of Directors of Grupo Financiero Banorte, S. A. B. de C. V (GFNorte) is comprised of 14 members of which 5 (35.71%) are independent. Alternate Members can only replace their respective shareholders, in the event of a temporary vacancy, with the understanding that Alternates of Independent Board Members must have this same capacity.

Frequency of sessions: The Board meets every quarter. The Board also meets for extraordinary circumstances, upon request of the Board's Chairman, 25% of the members/proprietors, or of the Presidents of the Committees of Audit and Corporate Practices.

Quorum: 51% of the Board Members with the inclusion of at least one independent.

- All proprietary members of the Board have a voice and vote in the sessions.
- In the absence of a proprietary member, their alternate is entitled to vote and whose presence will be considered part of the required quorum.
- When the proprietary member is present, their alternate is not entitled to vote and his/her presence will not be taken into consideration for the required quorum.
- Decisions are taken by the majority of votes of those present.

The Board of Directors named for the fiscal year 2008 by the Annual General Ordinary Shareholders' Meeting of April 29th, 2008 is as follows:

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Don Roberto González Barrera	President Shareholder Patrimonial	October 1993	- President of the Board of Directors of Grupo Maseca. - President of the Board of Directors of Banco Mercantil del Norte, S. A.
Don Rodolfo Barrera Villarreal	Vice-president Shareholder Patrimonial	October 1993	- Vice-president of the Board of Directors of Banco Mercantil del Norte, S. A. - President of the Board of Directors of Grupo Quimmco, S. A. de C. V.
Doña Bertha Gonzalez Moreno	Shareholder Patrimonial	April 1999	- CEO of Patronato de Cerralvo A. B. P.
Don José G. Garza Montemayor	Shareholder Patrimonial	October 1993	- CEO of Productos Laminados de Monterrey, S. A. de C. V.
Don David Villarreal Montemayor	Shareholder Patrimonial	October 1993	- Proprietor of Artefactos Laminados, S. A.
Doña Magdalena García de Martínez Chavarría	Shareholder Patrimonial	April 2003	- President of the Board of Directors of Grupo Transregio, S. A.
Don Francisco Alcalá de León	Shareholder Independent	April 2001	- President of Frajal Consultores, S. C.
Don Eduardo Livas Cantú	Shareholder Related	April 1999	- Independent Advisor
Don Eugenio Clariond Reyes-Retana	Shareholder Independent	April 2001	- President of the Board of Directors of Verzatec, S. de R. L. de C. V.
Don Herminio Blanco Mendoza	Shareholder Independent	April 2005	- President and CEO of Soluciones Estratégicas. Member of the Board of Directors of Banco Latinoamericano de Exportaciones, Bladex. - Member of the Board of Directors of Cydsa, S. A. - Advisor to Mr. Lakshmi Mittal (President of the Board of Directors and CEO of Mittal Steel).
Don Manuel Sescosse Varela	Shareholder Related	April 2002	- Managing Director of Government, Grupo Financiero Banorte, S. A. B. de C. V.
Don Manuel Aznar Nicolin	Shareholder Independent	March 2007	- Partner at the offices of Kuri Breña, Sanchez Ugarte, Corcuera y Aznar, S. C.
NAME		WITH THE	

	POSITION	COMPANY SINCE	PROFESSIONAL BACKGROUND
Don Jacobo Zaidenweber Cvilich	Shareholder Independent	October 1993	– President of the bilateral Committee Mexico-USA of C.E.M.A.I. – Member of the Board of Directors of C.O.E.C.E.
Don Alejandro Valenzuela del Río	Shareholder Related	October 2003	– CEO of Grupo Financiero Banorte, S. A. B. de C.V. – Managing Director of Treasury, of Grupo Financiero Banorte, S. A. B. de C. V. – Managing Director of Casa de Bolsa Banorte Banorte, S. A. . de C. V. (Brokerage House) – Managing Director of Investor Relations of Grupo Financiero Banorte, S. A. B. de C. V.
Don Roberto González Moreno	Alternate Patrimonial	April 2004	– President of the Board of Directors and CEO of Corporación Noble, S. A. de C. V.
Don Jesús L. Barrera Lozano	Alternate Patrimonial	April 2002	– CEO of Grupo Quimmco, S. A. de C. V.
Don Juan González Moreno	Alternate Patrimonial	April 2004	– Director of Special Projects of Mission Food (Grupo Maseca).
Don Javier Martínez Abrego	Alternate Patrimonial	October 1993	– President of the Board of Directors of Motocicletas y Equipos, S. A. de C. V. – President of the Board of Directors of Industria Mexicana de Repuestos, S. A.
Don Isaac Hamui Mussali	Alternate Independent	April 2002	– CEO of Inmobiliaria IHM, S. A. de C. V.
Don Carlos Chavarría Garza	Alternate Patrimonial	April 2003	– CEO of Corporativo de Grupo Transregio, S.A.
Don Germán Francisco Moreno Pérez	Alternate Independent	April 2002	– CEO of Inmobiliaria GFMORENO, S. A.
Don Alfredo Livas Cantú	Alternate Related	April 2006	– President of Praxis Financiera, S. C.
Don Benjamín Clariond Reyes-Retana	Alternate Independent	April 2005	– CEO of Buró Inmobiliario Nacional, S. A. de C.V.
Don Simon Nizri Cohen	Alternate Independent	October 1993	– Founder and member of the Board of Directors of Textiles Unidos, TISAMEX, Industrias Eureka, Bordados Fénix, Alto Acabado, S.A. de C. V. – Founder and member of the Board of Directors of Hilados Mary, Organización Kadima, Terpel, Diseños Logar, S.A. de C.V.
Doña Alma Rosa Moreno Razo	Alternate Related	April 2008	– Mexican Ambassador to Great Britain – Visiting Researcher of the Research Center and Economics Tutoring(CIDE). – President of Mexican Tributary System Administration (SAT) – Coordinator of Income Policies and Fiscal Coordination
Don César Verdes Quevedo	Alternate Independent	April 2004	– Financial Advisor to Casa de Bolsa Banorte, S. A. de C. V. (Brokerage House) – CEO of Operadora Cever, S. A. – CEO of Grupo Automotriz Cever, S. A.
Don Isaac Becker Kabacnik	Alternate Independent	April 2002	– President of Becker e Hijos, S. A. de C.V. and of Becketl, S. A. de C. V.
Don Sergio García Robles Gil	Alternate Related	April 2006	Chief Financial Officer of Grupo Financiero Banorte S. A. B. de C. V.

IV. REMUNERATION AND BENEFITS

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

Compensations and benefits are as follows:

- **Fixed Compensation:** Salary.
- **Annual Bonus Plan for 2008:**

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

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

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

- **Long-Term Incentive Plans:**

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

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

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

- **Vacations:** From 10 to 30 working days depending on years of service.
- **Legally Mandated Christmas Bonus:** Equivalent to 42 days of salary.
- **Savings Fund:** The Corporation matches the amount of the employee's contribution, up to a maximum of 13% of their monthly salary with the legal limits in accordance to those established in the Income Tax Law.
- **Medical Service:** Banorte provides medical services through renowned specialized institutions, obtaining efficiency in cost and service.
- **Life Insurance:** In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months of salary (as of November 1st, 2005). In the event of accidental death, the compensation would double, prior verification by the insurance company.
- **Pension and Retirement:** The institution has two types of plans: i) defined benefits (Traditional and Special), and ii) defined contribution (Ensure Your Future).
- **Ensure Your Future:** Established as of January 1st, 2001. This is a defined contribution plan, whereby a percentage of individual contributions by the employee and GFNorte is deposited in a fund for withdrawal by each employee upon termination of their labor relationship. This plan has an "initial individual contribution"

(only for employees hired prior to January 1st, 2001) that are pension benefits for past services accumulated to date. The maximum monthly contribution is 10% of the gross nominal wage (5% employee and 5% company).

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

V. RESPONSIBLE OFFICIALS

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

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

Sergio Garcia Robles Gil
Chief Financial Officer

Jorge Eduardo Vega Camargo
Executive Director Comptroller

C. P. Roman Martinez Mendez
Managing Director of Audit

C. P. C. Nora Elia Cantu Suarez
Executive Director Accounting and Fiscal

VI. BASIC AUDITED FINANCIAL STATEMENTS

The "2008 Audited Information" is available in the "2008 Financial Statement - Fourth Quarter" section in the following link:

http://www.banorte.com/portal/banorte.portal?_nfpb=true&_pageLabel=pageKnow&elementId=221

This report is also available in this same link, in the "Annual Reports" section under the title: "2008 Annual Report".