2009 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 April 27th, 2005

INDEX

I. MANAGEMENT ANALYSIS AND COMMENTS

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

- ✓ *The figures for 2007 and 2008 are not totally comparable with those of 2009 due to changes in the accounting criteria published by CNBV on April 27th and May 28th, 2009 applicable to credit institutions and controlling companies of financial groups. Effects from the reclassifications resulting from the retroactive application of these accounting changes are presented in Annex 4 of the Audited Financial Statements.*
- ✓ *The arithmetic operations were carried out in pesos, while in the following tables they are in million pesos. Thus, it appears that some totals have minimal errors, but this is not the case, as it is matter of rounding off figures.*
- ✓ *In accordance with the established accounting norms, the re-expression of financial statements as of January 2008 is not necessary, and previous years' financials remain expressed in pesos of the December 2007.*

A) OPERATING RESULTS

SELECTED FINANCIAL INFORMATION

	2009	2008	2007
Net Income Grupo Financiero Banorte (GFNorte) (*)	$5,854	$7,014	$6,810
Total Assets GFNorte (*)	$567,138	$577,025	$287,283
Total Liabilities GFNorte (*)	$522,164	$537,279	$253,127
Stockholders' equity GFNorte (*)	$44,974	$39,746	$34,156
Stockholders' equity GFNorte excluding minority interest(*)	$41,366	$37,802	$32,489
INFORMATION PER SHARE			
Net income per share (pesos)	$2.90	$3.48	$3.37
Dividends per share (pesos) (1)	$0.52	$0.47	$0.45
Book value per share (pesos) (excluding minority interest)	$20.50	$18.77	$16.42
Shares outstanding (millions)	2,017.8	2,014.0	2,018.3
INFRASTRUCTURE AND EMPLOYEES			
Bank branches (2)	1,089	1,118	1,054
ATMs (automated teller machines)	4,478	4,136	3,674
Full-time employees	19,311	19,997	17,348
Full-time employees and professional services	19,327	20,008	17,361
PROFITABILITY RATIOS (3)			
NIM before REPOMO	4.3%	6.8%	7.6%
NIM adjusted for credit risks	2.8%	4.7%	6.3%
Return on Assets (ROA)	1.0%	1.9%	2.6%
Return on Equity (ROE)	14.9%	19.7%	22.7%
OPERATIONS			
Efficiency Ratio (4)	52.6%	51.2%	56.3%
Operating Efficiency Ratio (5)	3.0%	4.3%	5.4%
Liquidity Ratio	63.2%	47.1%	49.0%
ASSET QUALITY RATIOS			
Past due loan ratio	2.5%	2.0%	1.5%
Reserve coverage	122.4%	135.2%	130.9%
CAPITALIZATION RATIO (BANKING SECTOR) (6)	**16.8%**	**15.0%**	**13.8%**

(*) Million pesos.
(1) The Shareholders' Assembly approved a dividend of Ps 0.52 per share to be paid in three installments. The first payment of Ps 0.18 per share was made in October 2009. The second and third payments of Ps 0.17 per share will be paid in February and May of 2010 respectively.
(2) Includes bank modules and excludes agencies abroad.
(3) The 2008 NIM and ROA indicators are not totally comparable versus previous periods due to the reclassification of repos as securities held to maturity.
(4) Non-interest expense / (Total Revenues - REPOMO Margin + Provisions).
(5) Non-interest expense / Average Total Assets.
(6) The capitalization ratio at closing of 2008 is higher compared to the one published in the previous report, due to an adjustment in the computation of subordinated obligations as Tier 2 Capital.

MANAGEMENT ANALYSIS AND COMMENTS

In 2009 GFNorte obtained revenues of Ps 5.85 billion, (17%) less than in 2008 and (14%) less than in 2007. In this period, Banking Sector revenues (through a 92.72% participation) reached Ps 4.78 billion, (24%) less than in the previous year and contributed 82% of the Group's profits. The Brokerage Sector reported Ps 203 million in profits, 11% more than in 2008, Other Finance Companies obtained Ps 425 million, 27% more than in 2008 and the Long Term Savings Sector reported a profit of Ps 380 million, 8% more than in 2008.

Grupo Financiero Banorte

Consolidated Income Statement of the Group

	2009	2008	2007
NII before REPOMO	$23,183	$22,585	$17,747
+ REPOMO-Margin	-	-	(363)
= NII before credit risks	**23,183**	**22,585**	**17,384**
- Preventive provisions for Loan Losses	8,286	6,896	2,646
- Loan Loss Sharing Provisions Fobaproa	-	-	-
= NII adjusted for credit risks	**14,897**	**15,689**	**14,738**
+ Non interest income	9,177	8,284	7,899
= Total Net Income	**24,074**	**23,973**	**22,637**
- Non Interest Expense (1)	17,024	15,807	14,432
= Total Operating Income	**7,050**	**8,166**	**8,205**
- Other products and expenses, net (2)	872	2,346	1,867
= Pre-tax Income	**7,922**	**10,511**	**10,072**
- Income Tax and Profit Sharing(1)	2,581	3,645	3,780
- Tax on Assets	-	-	-
- Deferred Income Tax and Profit Sharing	(536)	(245)	(487)
= Net Income before Subsidiaries	**5,877**	**7,111**	**6,779**
+ Subsidiaries' Net Income	313	276	357
= Net Income from continuous operations	**6,190**	**7,387**	**7,136**
+ Extraordinary items, net	-	-	-
- Minority interest	336	373	326
= Total Net Income	**$5,854**	**$7,014**	**$6,810**

Million pesos.

(1) As a result of the application of new accounting criteria in April 2009, caused and deferred PTU were registered as non interest expenses.

(2) As a result of the new accounting criteria effective as of April 2009, recoveries of previously written-off loans were registered as non interest income in "Other Revenues (Expenses) ".

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

Net Interest Income

	2009	2008 [(1)]	2007
Interest Income	$44,873	$49,864	$40,336
Interest Expenses	22,235	27,789	22,838
Origination Fees Charged	578	510	248
Fees paid	33	-	-
Net Interest Income before REPOMO	**$23,183**	**$22,585**	**$17,747**
Average Productive Assets	$537,603	$332,942	$233,746
% Net Interest Income (NIM) [(2)]	**4.3%**	**6.8%**	**7.6%**

Million pesos.

(1) In accordance with the accounting criteria B-3 "Repos" issued on October 14, 2007 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 2009 *Net Interest Income before REPOMO* was Ps 23.18 billion a 3% YoY increase, resulting from a reduction in the cost of funding due to a 9% annual expansion in core deposits. Lower funding costs, coupled with a strong decline in market interest rates, reduced interest expenses by (20%) YoY, which offset the (10%) decline in interest revenues as a result of lower interest rates and reduced loan activity. The average annual NIM fell from 6.8% to 4.3% between 2008 and 2009 affected by the (2.2) percentage points drop in average market interest rates, as well as by an increase in the asset base at the end of 2008 as a result of accounting criteria issued by CNBV for repos' reclassification. On a comparable basis, the average annual NIM was 6.9% for 2009, (0.8) percentage points less than the 7.7% of 2008.

Non Interest Income

	2009	2008	2007
+ Fund transfers	$248	$222	$229
+ Account Management Fees	946	998	976
+ Fiduciary	254	295	270
+ Revenues from Real Estate Portfolios	818	734	575
+ Electronic banking services	1,030	1,009	944
+ Credit Card Fees	2,310	2,533	2,132
+ Fees from IPAB (1)	1	1	4
+ Fees charged by Afore	1,070	989	993
+ Other Fees Charged (2)	1,613	1,671	1,571
Fees charged on Services	**8,291**	**8,452**	**7,693**
+ Fund Transfers	21	19	17
+ Other Fees Paid	1,317	1,189	1,069
+ Acquired Portfolio Expenses	-	-	-
Fees paid on Services	**1,339**	**1,208**	**1,086**
= Net Fees	**6,953**	**7,244**	**6,607**
+ Foreign Exchange	875	779	506
+ Trading	522	276	459
+ Securities – Unrealized Gains	(153)	(15)	327
= Trading Revenues	**1,244**	**1,040**	**1,292**
Other operating revenues and expenses	**980**	**-**	**-**
= Non Interest Income	**$9,177**	**$8,284**	**$7,899**

Million 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:

	2009	2008	2007
Services	$6,134	$6,509	$6,028
Recovery	819	735	580
Trading	1,244	1,040	1,292
Other operating revenues and expenses	980	-	-
Non Interest Income	**$9,177**	**$8,284**	**$7,899**

Million pesos.

Non interest income for 2009 totaled Ps 9.17 billion, an 11% YoY increase, driven by the positive impact of the reclassification of revenues from recoveries of proprietary loans under the item "Other Operating Revenues (Expenses)" in accordance with the new accounting criteria and also by an increase in trading revenues:

- Service Fees: during 2009, they totaled Ps 6.13 billion, a (6%) YoY decline due to a (9%) reduction in credit card fees and a (5%) decline in account management fees as a result of lower volumes due to an adverse economic environment and regulation requiring the elimination of some fees. Fiduciary fees also declined by (14%).

- Recovery: accumulated revenues during 2009 were Ps 819 million, 11% higher YoY driven by a 17% increase in revenues related to investment project, especially during the second half of the year as a consequence of an improvement in the economic environment.

- Trading: revenues reached Ps 1.24 billion, a 20% YoY increase, mainly due to favorable dynamics in FX revenues as a consequence of volatility in the exchange rate during this period and to a lesser degree, to securities trading.

Non Interest Expenses

	2009	2008	2007
Personnel Expenses	$6,763	$6,156	$5,723
Professional Fees	1,465	1,192	944
Administrative and Promotional Expenses	4,452	4,941	4,742
Rents, Depreciations and Amortizations	1,727	1,687	1,636
Other taxes	865	894	613
Contributions to IPAB	1,073	938	774
Employee Profit Sharing PTU (1)	679	-	-
Non Interest Expenses	**$17,024**	**$15,807**	**$14,432**

Million pesos.

(1) Changes in accounting criteria as of April 2009 resulted in caused and deferred PTU being registered as non interest expenses.

During 2009, *Non Interest Expenses totaled* Ps 17.02 billion, an 8% YoY growth, driven mainly by the reclassification of Employee Profit Sharing (PTU) caused and deferred as a result of the new accounting criteria effective as of April 2009, as well as by a 10% growth in Personnel Expenses as a result of the branch expansion program, an increase of the sales force in certain areas of the business and the reinforcement of back and middle office structures. Expenses also increased due to a 23% growth in Professional Fees Paid from increased advisory services linked to the business, booking of micro-lending expenses as part of the merger of this unit with the bank, growth in employees hired under this regime, and a larger volume of professional fees for recovery of extra-judicial portfolios. IPAB contributions increased 14% YoY as a result of growth in deposits during the last 12 months, while rents, depreciations and amortizations increased 2% YoY due to the merger of real estate companies and the Pronegocio micro-lending unit, rents related to business activities, the impact of inflation on network leasing and software rentals. Administrative and promotional expenses declined by (10%) during 2009 mainly as a result of deferring expenses linked to loan product placement and lower costs related to credit card sales. On a comparable basis, non interest expenses grew only by 2% when profit sharing is added to expenses of 2008.

The efficiency ratio was 52.6% for 2009, 1.4 percentage points higher than the 51.2% registered in 2008, mainly affected by the reclassification of profit sharing as non interest expense. When excluding the impact of this reclassification, the efficiency ratio was 50.5% for 2009.

Other Products and Expenses

	2009	2008	2007
+ Other Revenues	$939	$1,367	$800
+ Foreign Exchange	-	-	-
+ Recoveries	525	1,806	1,857
+ REPOMO – Other Revenues	-	-	18
+ Warehousing	975	617	160
= Other Products	**2,438**	**3,789**	**2,835**
- Other Expenses	(608)	(833)	(413)
- Foreign Exchange	-	-	-
- REPOMO – Other Expenses	-	-	(396)
- Warehousing	(958)	(611)	(160)
= Other Expenses	**(1,566)**	**(1,444)**	**(968)**
= Non Operating Income (Expense), net	**$872**	**$2,346**	**$1,867**

Million pesos.

Non Operating Income for 2009 was Ps 872 million, a (63%) YoY decline, due to non-recurring income from the sale of VISA and INDEVAL shares which were registered in 2008, as well as the reclassification of recoveries from proprietary loans as “Other Operating Income (Expense)” in Non Interest Income resulting from changes in the accounting criteria that became effective as of April 2009; and to income tax recoveries registered in 2008, resulting from a change in accounting criteria for the deduction of loan portfolios and the accumulation of loan origination fees, as well as lower liberation of reserves in various items.

Performing Loan Portfolio

	2009	2008	2007
Commercial	$84,118	$92,521	$74,538
Consumer	74,932	74,868	63,320
Corporate	40,245	45,127	36,686
Government	38,993	26,989	17,948
Subtotal	**238,288**	**239,505**	**192,491**
Recovery Banking	666	794	1,147
Total Performing Loans	**$238,954**	**$240,299**	**$193,638**
Fobaproa / IPAB Portfolio	-	-	-
Past due loans	6,154	4,948	2,893
% Past Due Loan Ratio	**2.5%**	**2.0%**	**1.5%**

Million pesos.

Performing Consumer Loan Portfolio

	2009	2008	2007
Mortgages	$49,221	$45,499	$36,096
Car Loans	7,424	7,594	7,229
Credit cards	11,801	15,067	13,882
Payroll	6,487	6,707	6,113
Total Performing Consumer Loan Portfolio	**$74,932**	**$74,868**	**$63,320**

Million pesos.

The Performing Loan portfolio declined slightly YoY, from Ps 239.5 billion to Ps 238.3 billion (excluding loan portfolios managed by Recovery Banking). This decline is due to a reduction in the Commercial, Corporate and Credit card portfolios, but was offset by growth in the Government portfolio.

The decline in the loan portfolio balance during the year was due to pre-payments received from corporate and commercial clients and reduced loan demand as a consequence of the difficult economic situation, as well as more restrictive placement policies implemented by most of the financial institutions.

Banorte is seeking to offset these industry-wide lower loan volumes with greater penetration into sectors that show high risk adjusted profitability and lower capital consumption, such as government and mortgages. The bank also took advantage of market opportunities in various segments as a result of less competition.

At closing of 2009, past due loans registered a YoY growth of 24%, as a result of deterioration in the consumer, commercial and mortgage portfolios. At the end of 2009, the PDL ratio was 2.5%, 0.5 percentage points higher than 2008; the PDL Ratio for credit cards was 12.0%, which compares favorably against 12.4% for 2008, an improvement in spite of the contraction in the balance of the total portfolio during the year. On the other hand, at closing of 2009, the PDL Ratio for car loans was 2.0% (vs. 2.2% in 2008), Payroll 2.8% (vs. 2.8% in 2008), Mortgages 2.0% (vs. 1.6% in 2008), Commercial 4.1% (vs. 2.0% in 2008), and Corporate 0.1% (vs. 0% in 2008) while Government remained at 0% for the entire year. In spite of the annual deterioration in the PDL Ratio, during the last months of 2009, all the portfolio segments stabilized or improved, except the commercial segment due to the deterioration in the quality of loans at the US subsidiary.

Deposits

	2009	2008	2007
Non Interest Bearing Demand Deposits	$61,611	$57,876	$43,803
Interest Bearing Demand Deposits (1)	75,977	70,481	67,303
Total Demand Deposits (2)	**137,588**	**128,357**	**111,106**
Time Deposits – Retail	84,808	75,085	63,639
Core Deposits	**222,396**	**203,442**	**174,745**
Money Market (3)	52,646	57,454	28,780
Total Bank Deposits	**$275,042**	**$260,896**	**$203,525**
GFNorte's Total Deposits (4)	**$274,888**	**$260,755**	**$203,298**
Third Party Deposits	156,864	144,916	136,988
Total Assets Under Management	**$431,906**	**$405,812**	**$340,513**

Million 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 2007, 2008 and 2009 were Ps 9 million, Ps 14 million and Ps 20 million respectively.
(3) Includes bank bonds. Comprised of clients and financial intermediaries.
(4) Includes eliminations between subsidiaries. Balances of said eliminations for 2007,2008 and 2009 were Ps 227 million, Ps 142 million and Ps 154 million respectively.

At closing of 2009, Total Deposits were Ps 274.8 billion, a 5% YoY increase driven mainly by 7% growth in Demand Deposits, and 13% growth in retail time deposits.

1. Banking Sector

In 2009 the Banking Sector (100%, including AFORE through the equity participation method) had a Net Income of Ps 5.11 billion, a (22%) YoY decline, due to an increase in loan loss provisions and in non interest expenses resulting from the reclassification of profit sharing as an expense, coupled with reduced growth in net interest income resulting from lower market interest rates.

Net Income of the Banking Sector declined from Ps 6.15 billion in 2007 to Ps 5.11 billion in 2009, a (17%) reduction.

Consolidated Income Statement – Banking Sector

	2009	2008	2007
NII before REPOMO	$22,307	$21,662	$17,152
+ REPOMO-margin	-	-	(265)
= NII before credit risks	**22,307**	**21,662**	**16,888**
- Preventive Provisions for Loan Losses	8,164	6,722	2,588
- Loan Loss Sharing Provisions Fobaproa	-	-	-
= NII adjusted for Credit Risk	**14,143**	**14,940**	**14,300**
+ Non Interest Income	7,181	6,512	5,929
= Total Operating Income	**21,323**	**21,452**	**20,228**
- Non Interest Expenses	15,412	14,191	12,945
= Net Operating Income	**5,912**	**7,261**	**7,284**
- Other Revenues (Expenses) net	852	2,487	1,903
= Pre-Tax Income	**6,763**	**9,748**	**9,187**
- Income Tax and Profit Sharing	2,350	3,428	3,509
- Tax on Assets	-	-	-
- Deferred Income Tax and Profit Sharing	(543)	(198)	(450)
= Net Income before Subsidiaries	**4,956**	**6,518**	**6,129**
+ Subsidiaries' Net Income	161	113	87
= Net Income for Continuous Operations	**5,117**	**6,631**	**6,216**
+ Extraordinary items, net	-	-	-
- Minority Interest	-	88	64
= Net Income	**$5,117**	**$6,543**	**$6,151**

Million pesos.
Does not include Afore results, which are included in Subsidiaries' Revenues through the participation method.
Figures in the Banking Sector's Net Income Statement do not include Pronegocio numbers from January to August of 2009, which are consolidated in GFNorte, as its merger with Banco Mercantil del Norte had not yet been realized.

The following is a breakdown of the most important items of the P&L:

Net Interest Income

	2009	2008	2007
Interest Income	$43,286	$48,027	$38,707
Interest Expenses	21,517	26,857	21,793
Loan Fees Charged	571	493	239
Fees Paid	33	-	-
Net Income before REPOMO	**$22,307**	**$21,662**	**$17,152**
Average Earnings Assets	$525,686	$324,109	$226,505
% Net Interest Income (NIM) (1)	**4.2%**	**6.7%**	**7.6%**

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

During 2009, Net Interest Income before Repomo was Ps 22.30 billion, a 3% YoY increase, resulting from reduced interest expenses due to 9% YoY growth in demand deposits.

Non Interest Income

	2009	2008	2007
+ Fund Transfers	$248	$222	$229
+ Account Management Fees	946	998	976
+ Fiduciary	254	295	270
+ Income from Acquired Portfolios	818	734	575
+ Electronic Banking Services	1,030	1,009	944
+ Credit Card Fees	2,310	2,533	2,132
+ Fobaproa Fees (1)	1	1	4
+ Other Fees Charged	868	993	911
Fees Charged on Services	**6,476**	**6,785**	**6,041**
+ Fund Transfers	21	19	17
+ Other Fees Paid	1,215	1,132	993
+ Expenses from Acquired Portfolios	-	-	-
Fees Paid on Services	**1,237**	**1,151**	**1,010**
= Net Fees	**5,239**	**5,634**	**5,031**
+ Foreign Exchange	875	779	506
+ Securities – Realized Gains	237	114	67
+ Securities - Unrealized Gains	(158)	(16)	325
= Trading Income	**953**	**878**	**898**
Other Operating Revenues (Expenses)	**987**	**-**	**-**
= Non Interest Income	**$7,181**	**$6,512**	**$5,929**

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

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

	2009	2008	2007
Services	$4,423	$4,899	$4,451
Recovery	818	735	580
Trading	953	878	898
Other Operating Revenues (Expenses)	987	-	-
Non Interest Income	**$7,181**	**$6,512**	**$5,929**

Million pesos.

Non-Interest Income for 2009 reached Ps 7.18 billion, 10% higher YoY, driven by increased revenues from trading and the reclassification of revenues from previously written-off loans to "Other Operating Revenues (Expenses)" in accordance with the new accounting criteria which came into effect in April 2009:

- Service Fees: reached Ps 4.42 billion in 2009, a (10%) YoY decline due to a contraction in diverse items as a result of an adverse economic environment and new regulatory dispositions.

- Recoveries: revenues in this item totaled Ps 818 million, an 11% YoY growth due to favorable dynamics in revenues from investment projects and the accounting reclassification of recoveries of previously written-off loans as non interest income.

- Trading: revenues under this item totaled Ps 953 million, a 9% YoY increase, mainly due to the favorable dynamics in FX transactions as consequence of the higher volatility of this period and, to a lesser degree, to securities' trading.

Non Interest Expenses

	2009	2008	2007
Personnel Expenses	$6,156	$5,812	$5,581
Professional Fees	1,425	1,163	908
Administrative and Promotional Expenses	4,005	4,213	3,903
Rents, Depreciations and Amortizations	1,329	1,285	1,286
Other Taxes	756	780	493
Contributions to IPAB	1,073	938	774
Employee Profit Sharing PTU (1)	668	-	-
Non Interest Expenses	**$15,412**	**$14,191**	**$12,945**

Million pesos.

(1) Changes in accounting criteria as of April 2009 resulted in caused and deferred PTU being registered as non interest expenses.

Non interest expenses for 2009 grew by 9% YoY, mainly due to the new accounting criteria in effect which resulted in the reclassification of PTU as an expense as of April 2009, as well as to increases in personnel expenses, professional fees and contributions to IPAB.

Non Operating Income and Expense

	2009	2008	2007
+ Other Revenues	$950	$1,404	$830
+ Foreign Exchange	-	-	-
+ Recoveries	509	1,786	1,826
+ REPOMO - Other Revenues	-	-	3
= Non Operating Income	1,459	3,190	2,659
- Other Expenses	(607)	(703)	(374)
- Foreign Exchange	-	-	-
- REPOMO - Other Expenses	-	-	(383)
= Non Operating Expenses	(607)	(703)	(756)
= Non Operating Income (Expenses)	**$852**	**$2,487**	**$1,903**

Million pesos.

The amount reported for 2009 was Ps 852 million, a (66%) YoY reduction, due to the booking in 2008 of non-recurring income from the sale of VISA and INDEVAL shares which were registered in 2008, as well as the reclassification of recoveries from proprietary loans as "Other Operating Income (Expense)" in Non Interest Income resulting from changes in the accounting criteria that became effective in April 2009; and to income tax recoveries registered in 2008, resulting from a change in accounting criteria for the deduction of loan portfolios and the accumulation of loan origination fees, as well as lower liberation of reserves in various items.

Performing Loan Portfolio

	2009	2008	2007
Commercial	$72,219	$80,170	$63,448
Consumer	74,924	74,863	63,315
Corporate	42,037	48,597	39,681
Government	38,982	26,977	17,948
Subtotal	**228,162**	**230,607**	**184,391**
Recovery Bank	666	794	1,147

Total Performing Loans	$228,828	$231,401	$185,538
Fobaproa / IPAB Portfolio	-	-	-
Past Due Loans	6,051	4,836	2,744
% Past Due Loans	**2.6%**	**2.0%**	**1.5%**

Million pesos.

Performing Consumer Loan Portfolio

	2009	2008	2007
Mortgages	$49,221	$45,499	$36,096
Car Loans	7,424	7,589	7,224
Credit cards	11,801	15,067	13,882
Payroll	6,479	6,707	6,113
Total Performing Consumer Loan Portfolio	**$74,924**	**$74,863**	**$63,315**

Million pesos.

Total Performing loans declined slightly YoY, from Ps 230.6 billion in 2008 to Ps 228.2 billion; excluding the loan portfolio managed by the Recovery Bank. This decline was reflected mainly in the Commercial, Corporate and Credit card portfolios, and was offset by growth in the Government portfolio.

At closing of 2009, past due loans grew by 25% YoY, resulting from deterioration in the Consumer, Commercial and Mortgage portfolios. At the end of 2009, the past due loan ratio was 2.6%, 0.6 percentage points higher than in 2008.

Deposits

	2009	2008	2007
Non Interest Bearing Demand Deposits	$61,611	$57,876	$43,803
Interest Bearing Demand Deposits (1)	75,977	70,481	67,303
Demand Deposits (2)	**137,588**	**128,357**	**111,106**
Time Deposits - Retail	84,808	75,085	63,639
Core Deposits	**222,396**	**203,442**	**174,745**
Money Market (3)	52,646	57,454	28,780
Total Bank Deposits	**$275,042**	**$260,896**	**$203,525**
Third Party Deposits	156,864	144,916	136,988
Total Assets Under Management	**$431,906**	**$405,812**	**$340,513**

Million 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 2007, 2008 and 2009 were Ps 9 million, Ps 14 million and Ps 20 million respectively.
(3) Includes bank bonds. Comprised of clients and financial intermediaries.

At year end, Total Bank Deposits were Ps 275.0 billion, 5% more than in 2008, driven mainly by a 7% growth in Demand Deposits and 13% growth in Retail Time Deposits.

2. Broker Dealer

	2009	2008	2007
Brokerage House			
Net Income	$203	$183	$288
Stockholders' Equity	1,396	1,143	1,020
Assets	5,273	1,662	1,333

Assets Under Management	135,621	119,286	180,972

Million pesos.

The Broker-dealer reported a net profit of Ps 203 million in 2009, an 11% YoY increase as a result of greater income from private banking, investment banking, and also higher growth in revenues relative to expenses, which offset the negative impact on results from recognizing tax contingencies of previous fiscal years.

3. Long Term Savings

	2009	2008	2007
Afore			
Net Income	$288	$189	$165
Total Equity	1,340	1,052	963
Assets	1,557	1,218	1,102
AUM	71,616	56,186	58,131
Insurance			
Net Income	$438	$476	$334
Total Equity	2,370	2,130	1,827
Assets	12,257	11,306	10,864
Annuities			
Net Income	$31	$33	$266
Total Equity	1,016	985	1,121
Assets	18,212	14,833	11,083

Million pesos.

The **Afore** reported an accumulated Net Income of Ps 288 million (51% corresponds to Banorte), reflecting a 52% YoY increase, due to significant growth in financial products and containment of sales related expenses. At year end, the Afore had a total of 3,889,895 affiliates, representing 9.9% of the total affiliates in the system and 9.8% of certified accounts.

Insurance profits were Ps 438 million for 2009 (51% corresponds to GFNorte), an (8%) YoY decline, due to increased reserves for fiscal contingencies and lower deferred taxes.

Net Income for **Annuities** was Ps 31 million in 2009 (51% corresponds to GFNorte), a 7% YoY decline, as a result of less deductions from inflationary adjustments, as well as lower deferred taxes.

4. Other Finance Companies

	2009	2008	2007
Leasing and Factoring (1)			
Net Income	$403	$313	$247
Equity	1,486	1,184	991
Total Portfolio	13,461	13,874	12,222
Past Due Loans	103	74	37
Assets	13,434	14,001	12,447
Warehousing			
Net Income	$22	$23	$15
Equity	144	124	101

Inventories	119	165	7
Assets	211	321	140
Bonding Company (2)			
Net Income	-	-	$9
Equity	-	-	-
Assets	-	-	-

Million pesos.
(1) The Leasing and Factoring merger became effective as of February 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.

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

Leasing and Factoring reported profits of Ps 403 million in 2009, 27% higher YoY, due to an increase in financial margins. At closing of 2009, the Past-Due Loan Ratio was 0.8%, while the Capitalization Ratio was 11.06%.

On November 28th, 2008, 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 for Ps 31,780,651 which was approved by the Extraordinary Stockholders' Meeting held on October 1st, 2008.

Warehousing accumulated net income of Ps 22 million in 2009, a (2%) YoY decline, however, the profits of Ps 20.9 million for 2008 included a depreciation adjustment of Ps 2.1 million. On a comparable basis, the net income for 2009 reflects an 8% YoY increase, mainly from higher inventories and warehousing fitting services. At closing of 2009, the Capitalization Ratio was of 8.67% considering Ps 1.63 billion in total assets-at-risk certificates. Banorte's Warehouse ranked 4th among the 20 Warehousing Companies in terms of Net Income at closing of 2009.

5. Micro Lending

	2009	2008	2007
Pronegocio			
Net Income	$15	($120)	($30)
Equity	-	48	51
Total Portfolio	-	269	585
Past Due Loans	-	38	112
Assets	-	433	653

Million pesos.

The Board of Directors' Meeting held on January 29th, 2009, approved the merger of Banco Mercantil del Norte as the merging company, with Créditos **Pronegocio**, S.A. de C.V., as the merged entity. Since this resolution was approved, there has been a gradual transfer of expenses to the bank and the relocation of performing clientele of the SOFOM to other Banorte products. The final merger agreement was signed on August 31st, 2009, after receiving the necessary authorizations from the regulating authorities.

The merger process required a specific work plan to reduce the financial impact on Banorte's long term capitalization process of this company, as well as the absorption of recurring losses for several fiscal years.

The work plan concluded in December 2009 and included among its objectives the closing of all branches and the reduction of the financial impact. In accordance with this plan, all branches were closed at the end of

September 2009 and the financial impact has been reduced to almost Ps 265 million. This cost could decrease even further if the loan portfolio continues to be controlled and recovery of existing portfolio balances continues.

As of January 2010, the Asset Recovery unit will be in charge of monitoring the recovery of the remaining portfolio through third parties.

B) FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

NET INCOME AND PROFITABILITY INDEXES

GFNorte Equity (*)

	2009	2008	2007
Paid-in Capital	11,956	11,941	11,965
Premium of Subscribed & Issued Shares	1,526	1,468	1,272
Subscribed Capital	**$13,481**	**$13,409**	**$13,237**
Capital Reserves	3,154	2,720	2,452
Retained Earnings	20,681	16,935	21,379
Surplus (Deficit) from Valuation of Securities Available for Sale	206	(550)	-
Results from Valuation of Hedging Instruments	(1,369)	-	-
Results from Conversions of Foreign Operations	(641)	1,095	-
Surplus (Deficit) from valuation of equity	-	-	(6,380)
Results of Non Monetary Assets:			
Fixed Assets	-	-	-
Permanent Share Investments	-	(2,821)	(5,009)
Accumulated effect of deferred taxes	-	-	-
Net Income	5,854	7,014	6,810
Earned Capital	**$27,885**	**$24,393**	**$19,252**
Minority Interest	3,608	1,944	1,667
Total Stockholders' Equity	**$44,974**	**$39,746**	**$34,156**

Million pesos.
(*) Does not include Afore.

The Banking Sector (excluding Afore) contributed 87% of the Group's Net Income, reaching Ps 5,11 billion in 2009, (Pronegocio results for January to August 2009 are not included at the bank level, but as part of GFNorte), a (22%) YoY reduction.

Banking Sector Paid-in Capital (*)

	2009	2008	2007
Paid-in Capital	11,488	10,955	10,955
Premium of Subscribed & Issued Shares	2,490	853	856
Subscribed Capital	**$13,977**	**$11,808**	**$11,811**
Capital Reserves	4,659	4,005	3,390
Retained Earnings	18,339	13,426	10,536
Surplus (Deficit) from Valuation of Securities Available for Sale	315	(237)	396
Results on valuation of cash flow derivatives	(1,404)	(1,626)	(320)
Results from Conversions of Foreign Operations	(679)	1,123	15
Surplus (Deficit) from valuation of equity	-	-	(1,938)
Results of Non Monetary Assets:			
Fixed Assets	-	-	-
Permanent Share Investments	-	87	91
Accumulated effect of deferred taxes	-	-	-

Net Income	5,132	6,543	6,151
Earned Capital	**$26,361**	**$23,320**	**$18,319**
Minority Interest	10	397	310
Total Stockholders' Equity	**$40,348**	**$35,526**	**$30,440**

Million pesos.
(*)Does not include Afore.

Banking Sector Capitalization Ratio

	Dec-09	Dec-08(1)	Dec-07
Tier 1 Capital	35,380	28,300	24,942
Tier 2 Capital	14,277	17,076	8,767
Net Capital	**$49,657**	**$45,376**	**$33,710**
Credit Risk Assets	203,305	204,884	173,505
Credit Risk Ratio	24.4%	22.1%	19.4%
Total Risk Assets (2)	**$296,046**	**$302,279**	**$244,310**
Capitalization Ratio			
Tier 1	12.0%	9.4%	10.2%
Tier 2	4.8%	5.6%	3.6%
Total Capitalization Ratio	**16.8%**	**15.0%**	**13.8%**

Million pesos.
(1)The Capitalization Ratio reported at closing of 2008 was revised upwards due to an adjustment in the calculation of subordinated obligations as Tier 2.
(2) Includes Market and Operational Risks without inter-company eliminations.

At closing of 2009, the Capitalization Ratio was 16.8% taking into consideration credit and market risks, and 24.4% considering only credit risks. The Tier 1 ratio was 12.0% while Tier 2 was 4.8%. On an annual basis, the capitalization ratio for 2009 was higher than 2008 due to the reinvestment of profits, the IFC investment in Banco Mercantil del Norte's capital and a 2% reduction in Total Risk Assets, which offsets the amortization of subordinated obligations maturing in February 2009, and various impacts on the capital by regulatory and market effects.

Banorte Capitalization Ratio

	Dec-09	Dec-08(1)	Dec-07	Classif. to 31-Dec-09
Net Capital	**49,657**	**45,376**	**33,710**	
Credit Risk Assets	203,305	204,884	173,505	
Market & Operational Risk Assets	92,741	97,395	70,805	
Total Risk Assets	**$296,046**	**$302,279**	**$244,310**	
Net Capital / Credit Risk Assets	**24.4%**	**22.1%**	**19.4%**	
Net Capital / Total Risk Assets	**16.8%**	**15.0%**	**13.8%**	**Category I**

Million pesos.
(1) The Capitalization Ratio reported at closing of 2008 was revised upwards due to an adjustment in the calculation of subordinated obligations as Tier 2.

CASH FLOW STATEMENT

The cash flow statement reveals the institution's availability of cash at a certain point in time to meet its obligations with creditors. The structure of the cash flow statement provides details regarding the cash generated by the operations and uses of resources for net financing and the investment program. As of December 2009, Cash and Due from Banks amounted to Ps 59.2 billion, 9% higher compared to the Ps 54.3 billion registered in December 2008.

GFNorte Cash Flow Statement

	2009
Net Income	**$5,854**
Operations that do not generate or require resources:	
Provisions for credit risks	8,286
Provisions for loan losses	182
Depreciations and Amortizations	954
Provisions	(1,786)
Deferred Taxes	2,045
Undistributed earnings of subsidiaries	(313)
	$15,222
OPERATING ACTIVITIES:	
Change in Margin accounts	(11)
Change in Treasury operations (investments in securities)	12,312
Change in repo debtor balances	144
Change in Derivatives (assets)	501
Change in Loan Portfolio	(8,167)
Change in acquired collection rights	502
Change in benefits to be received from securitizations	364
Change in foreclosed assets	(94)
Change in other performing assets	(969)
Change in Deposits	15,344
Change in loans from banks and other institutions	(15,644)
Change in repo creditor repo balances	(7,088)
Change in Derivatives (liabilities)	(717)
Change in subordinated obligations	(2,481)
Change in other operating liabilities	(2,365)
Change in hedging instruments (related to operations)	133
Net cash generated from operations	**$6,986**
INVESTMENT ACTIVITIES:	
Receivables from acquisition of property and fixed assets	259
Payments for acquisition of property and fixed assets	(1,447)
Payments for acquisition of subsidiaries	(183)
Receivables from other permanent investments	1
Payments for acquisition of other permanent investments	(1)
Receivables from cash dividends	135
Net cash used for investment activities	**($1,236)**
FINANCING ACTIVITIES:	
Payment of cash dividends	(364)
Repurchase of shares	(451)
Net cash used for financing activities	**($815)**
Increase (decrease) in cash and equivalents	**$4,935**
Adjustments to cash flow for variations in exchange rates	**(63)**
Cash and equivalents at the beginning of the period	**54,396**
Cash and equivalents at the end of the period	**$59,268**

Million pesos.

GFNorte Cash Flow Statement

	2008
OPERATING ACTIVITIES:	
Net Income	**$7,014**
Items charged to results that do not generate or require use of resources:	
Results of valuation at reasonable value	(268)
Provisions for loan losses	6,896
Depreciation and Amortization	1,099
Deferred Taxes	(245)
Provision for various obligations	24
Minority Interest	373
Undistributed earnings of subsidiaries	(276)
	$14,617
Change in items related to operations:	
Increase in Deposits	57,462
Increase in Loan Portfolio	(52,095)
Increase in Treasury operations (investment in securities)	(220,239)
Decrease (increase) in operations with securities and derivatives	194,552
Increase in loans from Banks and other institutions	13,960
Increase in deferred taxes	(12)
Net cash generated from operations	**$8,245**
FINANCING ACTIVITIES:	
Subordinated debentures outstanding	10,403
Repurchase of shares	103
Increase in other accounts payable	1,269
Approved Dividends	(949)
Net cash generated from financing activities	**$10,826**
INVESTMENT ACTIVITIES:	
Acquisition of property and fixed assets, net	(1,308)
(Increase) decrease in permanent investments in shares	(644)
Increase in deferred charges and credits	(1,958)
Increase in foreclosed assets	(478)
(Increase) decrease in other accounts receivable	(1,897)
Net cash used in investment activities	**($6,285)**
Increase in cash and equivalents	**$12,786**
Cash and equivalents at the beginning of the period	**41,610**
Cash and equivalents at the end of the period	**$54,396**

Million pesos.

DIVIDENDS

The Annual Ordinary General Shareholders Meeting, held on April 29th, 2003, approved a dividend payment policy in which the Board of Directors annually proposes to the General Ordinary Shareholders' Meeting the payment of a dividend of least 15% of the net recurring income, provided that there is no legal impediment and that market conditions and the company's financial situation allows 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, accessing several markets in order to diversify funding sources.

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

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

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

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

6. 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 the liquidity stress tests results to the authorities and the Head of Risk Control simultaneously, so it can be monitored.

c. The International Treasury will review the liquidity ratio limits set by the Risk Policies Committee and the authorities on a daily basis.

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, 2009**
Income Tax (ISR)	2,581
Profit Sharing (PTU)	677
Asset Tax	0
Update in Paid Taxes	0
Deferred Income Tax and Profit Sharing	(536)
Update in Deferred taxes	0
Total	**$2,722**

Million pesos.

Temporary Asset Differences	**ISR**	**PTU**	**Net**
Provisions for possible loan losses	110	0	110
Operational loss Uniteller and Banorte USA Corp.	42	0	42
Non deductable provisions and cumulative income	427	135	562
Excess book value over fiscal value of repossessed and fixed assets	308	52	360
Reducible Profit Sharing	232	77	309
Excess of preventive reserves for credit risks on fiscal limit	1,332	476	1,808
Others	2	0	2
Total Assets	**$2,453**	**$740**	**$3,193**

Temporary Liability Differences	**ISR**	**PTU**	**Net**
Pension Fund Contributions	(420)	(150)	(570)
Loan Portfolio Acquisitions	(656)	(111)	(766)
Income tax to pay on UDIS Trust funds	(40)	0	(40)
Federal Home Loan Bank Dividends	(2)	0	(2)
Intangibles' amortizations	(159)	(53)	(212)
Effects of other accounts	(149)	0	(149)
Reversal of Sale Costs	(4)	0	(4)
Unrealized capital gain from Special Reserve	(38)	0	(38)
Total Liabilities	**($1,468)**	**($314)**	**($1,782)**

Assets (Liabilities) Accumulated Net	$985	$426	$1,411

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 will 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 deferred taxes for each subsidiary to December 31st, 2009 are as follows:

Deferred Taxes	To December 31st, 2009
Banco Mercantil del Norte, S. A.	1,466
Casa de Bolsa, S. A. de C. V.	(47)
Almacenadora Banorte, S. A. de C. V.	(9)
Grupo Financiero Banorte, S. A. B. de C. V.	1
Total	**$1,411**

Million pesos.

TAX CREDITS OR DEBTS

The tax credits listed below are currently in litigation:

	To December 31st, 2009
BANORTE	**$230**
Derivatives' financial operations	205
IMSS fees, various occupations	11
INFONAVIT fees, various occupations	14
AFORE BANORTE	**$18**
Fiscal year 1999 (330-SAT-11278)	6

Fiscal year 2004 (330-SAT-VIII-6-11775)	13
BROKERAGE	**$81**
Fiscal year 2001 (document 330-SAT-2690)	58
Fiscal year 2003 (document 900 06 05-2008-11006)	23
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)	6

Million pesos.

C) INTERNAL CONTROL

At Grupo Financiero Banorte, we recognize that internal control is the responsibility of each member of the Institution and therefore, it is implicit in their daily performance, in order to permanently spread and promote it at all levels within the Institution.

The Internal Control System (ICS) of Grupo Financiero Banorte, S. A. B. de C.V., has been structured in accordance with guidelines set by its Board of Directors and establishes the general internal control framework for the companies that comprise GFNorte, as well as how the internal workings should be operated, in order to provide reasonable security with regard to effectiveness and efficiency of operations, dependability of financial information and the fulfillment of regulations and the legal framework.

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 his support groups, comprised of the Unit of Integral Risk Administration (UAIR), Legal and Compliance, 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 2009 activities were continuously being developed to strengthen the control environment, evaluate and manage risks, establish and monitor controls, and ensure 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 and performance related with this matter. These reports, together with the audited financial statements issued by the External Auditors and the reports and observations carried out by Internal Audit and the Comptroller, are taken as a basis so that CAPS can inform the Board of Directors on the ICS situation.

B. The Board of Directors analyzed and at the request of CAPS, ratified its authorization of the basic ICS 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 Governance 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 regarding the 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 ICS 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 INTRAGROUP EXPOSURES

OPERATIONS WITH RELATED PERSONS AND CONFLICTS OF INTEREST

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

	GFNorte		
	Dec-09	**Dec-08**	**Dec-07**
Portfolio Art. 73	$7,362	$8,216	$5,041
Portfolio Art. 73 / 50% of Basic Capital	46.2%	53.8%	26.7%(1)

(1) Represents Portfolio Article 73 regarding 75% of the basic capital in accordance with regulations in effect on December 31st, 2007.

On **December 31, 2009,** the total portfolio of performing loans under Article 73 of the Law of Credit Institutions, was Ps 7.36 billion (including Ps 596 million in loan obligations, which are registered in memorandum accounts), representing 3.3% of total loans (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related party loans, Ps 2.50 billion correspond to loans of clients linked to members of the Board of Directors, Ps 1.22 billion of clients linked to shareholders, and Ps 3.63 billion to companies related to GFNorte.

The related party loans were originated and rated in accordance with the same policies, procedures and rating systems that apply to the rest of GFNorte's loan portfolio, based on the general dispositions applicable to credit institutions for rating loan portfolios issued by the CNBV and the internal methodology authorized by CNBV to rate commercial loans. 94.4% of related party 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 related party loan portfolio for individuals and corporations at closing of December 2009 was 46.2% of the limit set by Banco de Mexico (50% of the basic part of the net capital).

On December 31, 2008, the total portfolio of related parties loans under Article 73 of the Law of Credit Institutions, was Ps 8.21 billion (including Ps 649 million in loan obligations, which are registered in memorandum accounts), representing 3.7% of total loans (excluding the balance of CC, ADE, FOPYME and FINAPE). Of the total related party loans, Ps 5.25 billion were loans of clients linked to members of the Board of Directors, Ps 2.96 billion of clients linked to companies related to GFNorte.

Related party loans have been originated and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions for rating of loan portfolios issued by CNBV and the internal methodology authorized by CNBV to rate commercial loans. 94% of the related loans were rated in Category "A", and 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 related party loan portfolio for individuals and corporations at closing of December 2008 was 53.8% of the limit set by Banco de Mexico (50% of the basic part of the net capital).

III. BOARD OF DIRECTORS

The Board of Directors of Grupo Financiero Banorte, S. A. B. de C. V (GFNorte) is comprised of 15 members of which 6 (40%) 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 regularly and on an extraordinary basis by 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 voice and vote in the sessions.
- In the absence of a proprietary member, the alternate is entitled to vote and his/her presence is considered part of the required quorum.
- When a proprietary member is present, the alternate is not entitled to vote and his/her presence is not considered part of the required quorum.
- Decisions are taken by the majority of votes of those present.

The Board of Directors named for the fiscal year 2009 by the Annual General Ordinary Shareholders' Meeting of April 30th, 2009 is composed of the following members:

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 González 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. Lakshimi Mittal (President of the Board of Directors and CEO of Mittal Steel).
Don Manuel Sescosse Varela	Shareholder Related	April 2002	– Managing Director of Government Banking, 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	**POSITION**	**WITH THE 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 Rio	Shareholder Related	October 2007	– CEO of Grupo Financiero Banorte, S. A. B. de C.V.

			– Managing Director of Treasury and Investor Relations of Grupo Financiero Banorte, S. A. B. de C. V. – Managing Director of Corporate Relations of Grupo Financiero Banorte, S. A. B. de C. V.
Don Isaac Hamui Mussali	Shareholder Independent	April 2002	– CEO of Inmobiliaria IHM, 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	April 2005	– 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 Javier Márquez Diez Canedo	Alternate Related	April 2009	– Managing Director of Risk Administration of Banco Mercantil del Norte, S. A.
Don Carlos Chavarría Garza	Alternate Patrimonial	April 2003	– CEO of Corporativo de Grupo Transregio, S. A.
Don Luis Manuel Merino de Villasante	Alternate Independent	April 2009	– CEO of Cocreación, Consultores y Editores, S. A de C. V.
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 Simón 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.
Don Jesús O. Garza Martínez	Alternate Related	April 2009	– Managing Director Commercial of Banco Mercantil del Norte, S. A.
Don César Verdes Quevedo	Alternate Independent	April 2004	– Financial Advisor to Casa de Bolsa Banorte, S. A. de C. V. (Brokerage House) – CEO of Operadora Cever, S. A. – CEO of Grupo Automotriz Cever, S. A
Don Isaac Becker Kabacnik	Alternate Independent	April 2002	– President of Becker e Hijos, S. A. de C.V. and of Becktel, S. A. de C. V.
Don Sergio García Robles Gil	Alternate Related	April 2006	– Chief Financial Officer of Grupo Financiero Banorte S. A. B. de C. V.
Doña Patricia Armendáriz Guerra	Alternate Independent	April 2009	– CEO of CrediPyme, S. A. de C. V. – PRESIDENT (International Consultancy)

IV. RENUMERATION AND BENEFITS

The total amount of compensations and benefits provided in 2009 for the Board of Directors and main officials of GFNorte was approximately Ps 154 million.

Compensations and benefits are as follows:

- **Fixed Compensation:** Salary.

- **Annual Bonus Plan for 2009:**

  The Bonus Plan for each business area considers the 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.

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

  In cases where budget estimates are reached 100%, the annual bonus for business area 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 equivalent to 4.4 months’ salary. For executive personnel of business areas (Director Level) total fulfillment with the annual bonus objective is equivalent to 5.8 months’ salary, and for eligible staff personnel (Director Level) it is the equivalent of 4.7 months’ salary.

- **Long Term Incentive Plans:**

  Stock Options:

  The long term outline for incentives, consists of assigning Directors designated by the Compensation Committee 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. Their right to acquire those shares expires after 6 years.

  The gains for the executive will be the difference between the strike price, the price originally determined by the trust, and the share’s exercise price at the time of exercising their rights.

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

  Restricted Stock:

  The long term outline for incentives under this heading, consists of assigning Directors designated by the Compensation Committee, a stock package through a trust with a vesting period of 2 or 3 years, depending on the conditions when the stock is assigned. Participants will be entitled to exercise a portion of the package each year (equal portions for each year); receiving a bonus to purchase the shares at the price with which they were originally acquired by the trust. These contracts are celebrated on established dates as they are only in effective for the same 2 or 3 years corresponding to the assignment instructions.

  The share plans currently in effect are those dated March 2009 and July 2009.

- **Vacations:** From 10 to 30 working days depending on the number of 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' salary. In the event of an accidental death, the compensation would be double, with prior verification by the insurance company.

- **Pension and Retirement:** The institution has two types of plans: one with defined benefits (Traditional and Special), and a second with defined contribution (Ensure Your Future)**.**

  Ensure Your Future: was established on 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 that employee upon termination of the 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 of liabilities accumulated by GFNorte for pension, retirement or similar plans for principal officers is Ps 51 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 "2009 Audited Information" is available in the "2009 Financial Statement - Fourth Quarter" section in the following link:

http://www.banorte.com/portal/banorte.portal?_nfpb=true&_pageLabel=pagePersonal&productId=338

This same report is also available in this same link, in the "Annual Reports" section under the title: “2009 Annual Report”.