

GFNORTE: Derivatives used for hedging have no impact in results and Derivatives for trading have positive impact in the P&L

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In order to comply with the requirements recently established by the National Banking and Securities Commission (CNBV) for all publicly listed companies in Mexico related to the disclosure of derivatives' exposures, Grupo Financiero Banorte (GFNORTE) delivered a detailed report to the authorities regarding the policies and procedures in place to operate these instruments, the methodologies used for risk analysis, internal control and valuation of these securities, as well as a sensitivity analysis of the positions that the bank holds for trading and hedging purposes at the end of September 2008.

The most relevant aspects about the report delivered to the authorities are:

BANORTE's proprietary derivatives' positions are plain-vanilla instruments to hedge interest rate and foreign exchange risk, essential to provide long term nominal fixed rate loans to its clientele, as well as to cover the bank's obligations denominated in foreign currency. The bank maintains positions in the asset and liability side of the balance sheet, thus reducing the potential impact of fluctuations in their value.

The derivatives used for hedging purposes are accounted at fair value, and their evolution is booked in the corresponding balance sheet item. BANORTE is required to inform about the performance of its derivatives' positions to the Central Bank (Banco de Mexico) on a daily basis. Also, the valuations of these positions are disclosed to the markets on our quarterly release.

The mark to market fluctuations in the value of derivatives used for hedging have a positive or negative impact in the bank's capital, depending on market conditions, which is reflected in the regulatory capitalization ratio published in Banorte's quarterly results. In this respect, the mark to market valuation of hedging derivatives that Banorte reported to the authorities is -256 million pesos at the end of September 2008. Since these derivatives are for hedging purposes, this negative valuation is fully offset with the gains of the instruments in the asset or liability side which are covered by these derivatives. The net effect of these positions in the Group's results is neutral, in accordance with the strategy followed by GFNorte.

With respect to Banorte's trading derivatives, their valuation had a positive impact of 33 million pesos in the bank's P&L at the end of September 2008, which was reflected in the trading and valuation results reported by the Group at the end of the quarter.

BANORTE is not counterparty in any derivatives' position of those Mexican corporates that have announced losses with this type of instruments. BANORTE is not a relevant player as counterparty to corporations in the market of derivatives' instruments.

Finally, GFNORTE would like to emphasize that it has always exercised a constant, timely and transparent communication with the financial markets. As part of this policy, the bank constantly informs, through its quarterly releases that are available through its web page, the evolution of its derivatives' transactions used for hedging and trading purposes.