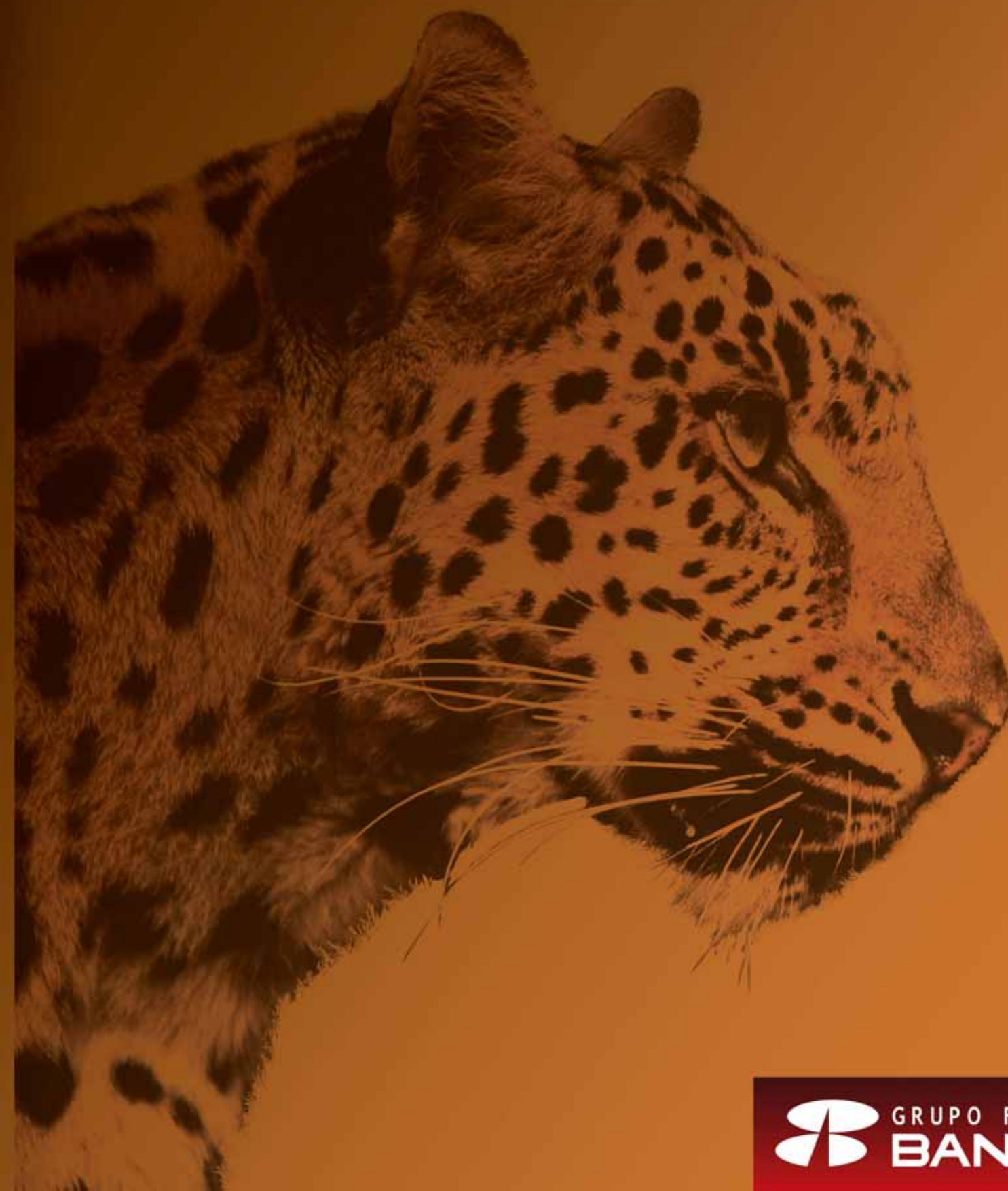


2005 ANNUAL REPORT



GRUPO FINANCIERO
BANORTE

MISSION

- Satisfy our customers' financial requirements through the most advanced distribution channels that ensure high-quality service provided with friendliness and efficiency.
- Maintain integrity and quality in all our operations, especially in handling the Group's deposits and capital.
- Focus on profitability and the generation of value to provide support to depositors and shareholders and constitute a reinvestment base for the Group.
- Be responsible, both as citizens and as an institution, seeking to achieve a position of leadership in the communities we serve by promoting their development.
- Be an institution that is a source of serious and fair employment, treating each of our employees with the highest degree of equality and impartiality.

A close-up photograph of a jaguar walking through shallow, rippling water. The jaguar's body is covered in a dense pattern of dark, irregular spots on a lighter orange-brown background. Its head is lowered, and its eyes are focused forward. The water is a murky, brownish-green color, and the jaguar's paws are visible as it moves through it.

DETERMINATION

2005 was the year when Grupo Financiero Banorte, having completed its integration process, concentrated its efforts on launching and strengthening products with tangible, differentiated and real benefits.

Banorte strengthened its leadership with respect to financial innovation, generating credibility and trust. It gave impetus to new offerings and better services for each product and increased its participation in the market with differentiated options, aimed at specific niches.

This year our annual report is tied to the image of a beautiful animal, the jaguar, a representation of our Mexican roots and of the strength, courage, foresight and perseverance Banorte has shown over another successful year.

Today, more than ever, Grupo Financiero Banorte demonstrates that it is a Mexican bank capable of setting the standard among world-class competitors and that this is why it is "The Strong Bank of Mexico" and of Mexicans.

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HIGHLIGHTS

GRUPO FINANCIERO BANORTE	2003	2004	2005
Total assets	231,349	181,346	190,186
Deposits ⁽¹⁾	176,285	131,876	136,854
Loan portfolio	165,491	107,147	116,341
Past due loan ratio	4.6	2.0	2.5
Reserve coverage	121.2	152.5	165.8
Stockholders' equity ⁽²⁾	14,617	15,946	20,496
Net income	2,407	2,697	5,719
ROE ⁽³⁾	17.5	17.5	30.8
ROA ⁽⁴⁾	1.1	1.2	3.1
Number of shares (thousands)	504,552	504,587	2,018,554
Book value per share (pesos) ⁽⁵⁾	7.7	7.9	10.2
Net income per share (pesos) ⁽⁵⁾	1.2	1.3	2.8
Dividends per share ⁽⁶⁾	0.7	1.0	0.3
Number of branches ⁽⁷⁾	1,029	960	968
Full-time employees	15,840	14,483	15,012
BANKING SECTOR	2003	2004	2005
Banco Mercantil del Norte			
Total assets	221,687	173,148	178,650
Stockholders' equity	10,196	10,768	14,537
Net income ⁽⁸⁾	1,089	1,908	4,743
Banco del Centro			
Total assets	5,173	5,625	6,946
Stockholders' equity	3,801	4,249	4,646
Net income ⁽⁹⁾	1,025	549	668
BROKERAGE SECTOR	2003	2004	2005
Casa de Bolsa (brokerage house)			
Total assets	590	654	903
Stockholders' equity	471	538	527
Net income	110	79	74

Millions of pesos as of December 2005.

With UDI's and subsidiaries.

(1) Without IPAB Note.

(2) Without minority interest.

(3) Average stockholders' equity, not including minority interest in pesos as of December 2005.

(4) Average total assets, not including minority interest in pesos as of December 2005.

(5) For comparison purposes, calculated with 2,018.6 million shares outstanding.

(6) Nominal pesos as of October 2003, October 2004 and October 2005.

(7) Includes bank modules and excludes agencies operating abroad.

(8) As of February 2000 Banpaís merged with Banorte and in March 2002 Bancrecre also merged with Banorte.

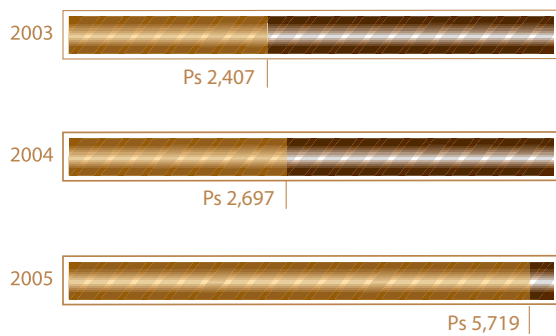
(9) As of 2000: includes Afore majority interest.

(10) As of 2004 Seguros Banorte Generali and Seguros Generali México merged.

LONG TERM SAVINGS SECTOR	2003	2004	2005
Afore Banorte Generali (pension funds management)			
Total assets	1,376	1,096	933
Stockholders' equity	1,163	979	843
Net income	234	234	268
Pensiones Banorte Generali (annuities)			
Total assets	5,320	6,057	6,785
Stockholders' equity	202	231	320
Net income	60	29	90
Seguros Banorte Generali ⁽¹⁰⁾ (insurance)			
Total assets	2,845	4,270	5,318
Stockholders' equity	422	773	1,179
Net income	166	216	407
Seguros Generali México (insurance)			
Total assets	763		
Stockholders' equity	98		
Net income	4		
AUXILIARY ORGANIZATIONS SECTOR	2003	2004	2005
Arrendadora Banorte (leasing)			
Total assets	1,824	2,271	2,759
Stockholders' equity	215	197	277
Net income	30	42	79
Factor Banorte (factoring)			
Total assets	3,482	3,145	3,818
Stockholders' equity	229	260	327
Net income	38	42	67
Almacenadora Banorte (warehousing)			
Total assets	326	247	385
Stockholders' equity	82	94	105
Net income	22	17	13
Fianzas Banorte (bonding)			
Total assets	261	293	406
Stockholders' equity	104	83	105
Net income	9	16	23
MICROCREDIT SOFOL - PRONEGOCIO	2003	2004	2005
Total assets			352
Stockholders' equity			54
Net income			(18)



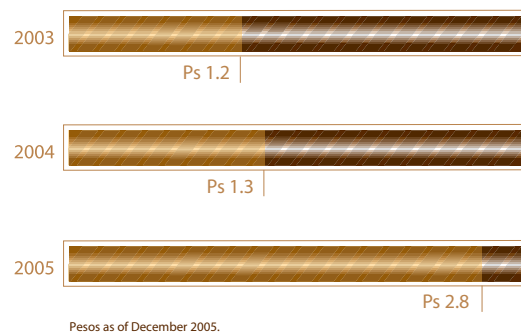
GFNorte net income



GFNorte ROE



Net income per share



	2005 Net income	GFNorte ownership in subsidiaries
BANKING SECTOR	5,090	
Banorte	4,559	96.11%
Bancentro	531	99.99%
BROKERAGE SECTOR	74	99.99%
LONG TERM SAVINGS SECTOR	390	
Afore ⁽¹⁾ (pensions funds management)	137	51.00%
Seguros (insurance)	207	51.00%
Pensiones (annuities)	46	51.00%
AUXILIARY ORGANIZATIONS SECTOR	182	
Factor (factoring)	67	99.99%
Arrendadora (leasing)	79	99.99%
Almacenadora (warehousing)	13	99.99%
Fianzas (bonding)	23	99.99%
PRONEGOCIO	(18)	99.99%
HOLDING	(0)	100.00%
TOTAL	Ps 5,719	

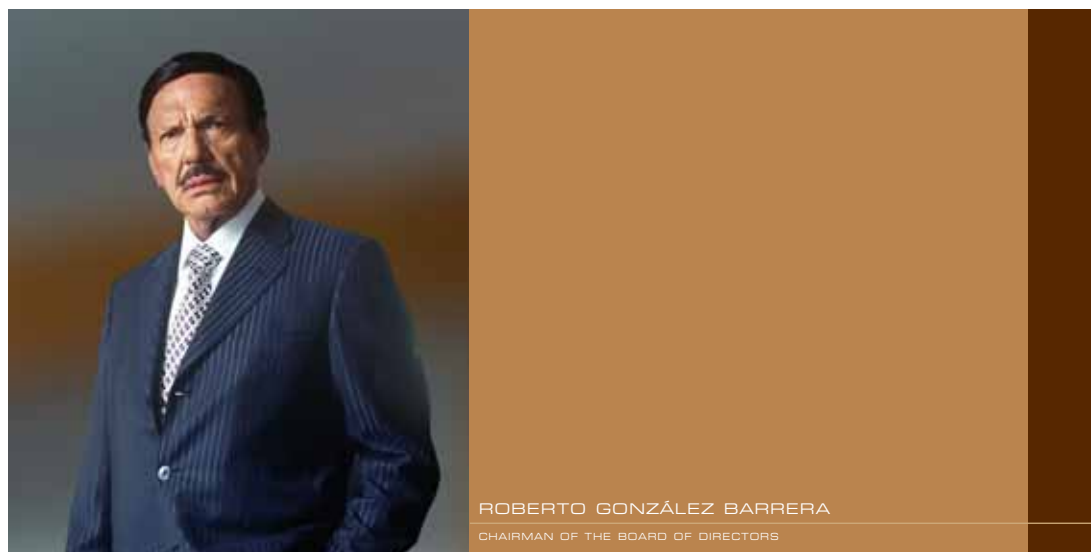
Majority share expressed in millions of pesos.

(1) Subsidiary of Banco del Centro.



STRENGTH





MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2005, the world economic environment was characterized by the reactivation of the European and Japanese economies along with another year of vigorous growth in the United States. The two main factors that fueled world economic growth were the dynamism of industrial production in emerging countries, particularly China, and the increased demand of U.S. consumers.

This dynamic intensified two matters that led to a disequilibrium that set off important periods of volatility in international financial markets. On the one hand, an historic balance of payments deficit was recorded in the United States, exceeding 6% of its GDP, and, on the other, the price of oil rose significantly, approaching USD 70 per barrel.

Despite the volatility that characterized the entire year, the Federal Reserve's handling of monetary policy translated into important price stability in the United States. This and the surplus liquidity resulting from high oil prices fueled the world's financial markets.

Mexico, in turn, continued to consolidate the macroeconomic stability built over the past decade. After many years of endeavor, public finances achieved a balanced budget, driven from more efficient tax collections, as well as by higher than estimated oil revenues. Inflation dropped to 3.3%, the lowest level in recent history.

In the world environment, the international community's confidence in Mexico continued increasing. The country-risk factor dropped to historic lows and the inflows of direct foreign investment remained dynamic at USD 17,800 million. Moreover, in the past few years, one factor that has gained relevance in strengthening our foreign accounts is the growing flow of remittances from Mexicans abroad to their families, which reached USD 20,000 million, that is to say 2.5% of the GDP.

The past year in Mexico was characterized by a reactivation of credit operations. The loan portfolio for the sector as a whole grew over 25% in real terms, driven mainly by mortgage and consumer loans.

We are convinced that the future holds enormous opportunities for Mexican banking. The levels of the public's use of bank are low compared to countries with a similar profile; despite the financial intermediation recovery over the last two years, it still represents less than 20% of the GDP, which remains far below the levels reached in the mid 90's.

Thus, Banorte continues to keep its commitment to attract a significant portion of our population, that has remained outside the financial system, into using bank services. To this end, we have allied with TELECOMM, the government telegraph company, to bring our products and services to the thousands of Mexicans who come to our offices everyday. Therefore, Banorte has virtually 1,554 more branches, a third of which are located in towns with no banks presence at all.

Although our Group achieved record levels of profitability this year and our shareholders had an average 20% return on their investment, the financial sector competitive environment continues to increase in intensity and we foresee that this trend will continue in the future. All this has obliged us to propose a more aggressive strategy for consolidating and even enhancing our market position.

The preceding, among other factors, calls for more investments and more spending. Therefore, we plan to carry out an ambitious growth plan for branches and automatic teller machines, requiring a Ps 1,100 million outlay over the next three years. Furthermore, we will continue to work harder on our people's training, on technological infrastructure and on marketing, to strengthen our brand, improve our positioning and the competitiveness of our products, as well as the quality of our customer service. On the short term, this effort will require a temporary adjustment of the Group's efficiency and profitability indicators, however, at Banorte we have always looked to the long-term in achieving our goals.

Finally, I would like to take advantage of this opportunity to thank our customers, to whom we are obliged, for their loyalty and to congratulate our shareholders, members of the board, management and employees for having made an excellent 2005 fiscal year possible. I invite them to join our efforts to continue keeping Banorte as the "Strong Bank of Mexico."



Roberto González Barrera
Chairman of the Board of Directors



ING. LUIS PEÑA KEGEL

CHIEF EXECUTIVE OFFICER OF GRUPO FINANCIERO BANORTE

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER OF GRUPO FINANCIERO BANORTE

In 2005, Grupo Financiero Banorte continued to bring about important accomplishments, reaping historic profits and consolidating its presence as one of the leading institutions in the Mexican financial system.

In acknowledgment of this performance, the prestigious British magazine "The Banker" awarded GFNorte as "Bank of the Year" in Mexico. This distinction makes us feel pride and obliges us to continue working diligently for our clientele and shareholders, who are the reason for our existence.

The Grupo Financiero Banorte's profitability in 2005 was driven by an important expansion of the loan portfolio, which was achieved by ongoing control over the asset quality. By year end, nearly two-thirds of the loan portfolio was comprised by commercial and consumer sector loans. Pronegocio, our microcredit company, showed a good start by placing loans of Ps 339 million and opening 39 branches in 21 cities in Mexico.

Operating expenses showed a real 3% reduction during the year. It worths mentioning the efforts of the Group's personnel to comply with the austerity and expense control policies.

With respect to results, the Group achieved a net income of Ps 5,719 million, 112% higher than the previous year. Excluding the extraordinary income, this figure was Ps 4,907 million, 69% more than 2004. The recurring return on equity for our shareholders increased from 19% to 26% between 2004 and 2005, and the return on assets rose from 1.2% to 2.7%, over the same period.

The Group's net interest income increased 30% in real terms, to Ps 13,394 million. This resulted from a 24% real annual growth in the current loan portfolio, as well as a better loan mix with more profitable assets and a nearly 2.5 percentage point increase in market interest rates. Furthermore, the asset quality improved, since the 2% past-due loan ratio at the 2004 year end dropped to 1.6% in December 2005, while the loan loss reserve coverage rose from 153% to 166%.

With respect to service income, despite the tougher competition, as well as the authorities' demand for reducing commissions charged by banks, this income remained practically at the same level as the prior year, accumulating at Ps 4,503 million.

Sólida Administradora de Portafolios, our assets recovery business, contributed net income of Ps 848 million, a 35% increase over the previous year in real terms. By year end closing, assets under management amounted to just over Ps 64 billion.

The Long Term Savings Sector contributed 7% of the Group's net income, equivalent to Ps 390 million, a real increase of 60%. The Auxiliary Organizations Sector generated Ps 182 million, a real annual increase of 56% and the Brokerage Sector generated Ps 74 million.

The Banking Sector's capitalization ratio was 16.1%, a similar level to that recorded at the previous year end closing.

Regarding dividends, the Group's Board of Directors authorized a cash dividend payment of Ps 1.25 per share. This level was higher than our minimum payment policy, since it represented 24% of the net income recorded in 2004. The Board also authorized a dividend payment in shares that granted 3 new shares for each outstanding share, without affecting our shareholders' real share of the equity. Thus, outstanding shares increased from 504 million to 2,018 million, which will evidently benefit our shares' level of liquidity and trading volumes. The value granted to our shareholders in the year was reflected in an over 30% increase of the market capitalization of the Group to over USD 4,200 million.

In 2006 we expect to materialize our project to expand to the United States through the acquisition of the International Bank (INB), based in McAllen, Texas, with a presence in the Rio Grande Valley and the city of El Paso. The approval of the Mexican and U.S. government authorities for this acquisition remains pending.

Finally, I would like to thank our clients, board members and shareholders for their support, as well as all our employees, for their great effort this year. It is thanks to all of them that we continue to consolidate Banorte as "The Strong Bank of Mexico".



Luis Peña Kegel

Chief Executive Officer of Grupo Financiero Banorte



FORESIGHT



BUSINESS DIVISIONS AND RESULTS



BANKING SECTOR

Results

The Banking Sector contributed Ps 5,090 million in 2005, representing 89% of the Group's income (not including Afore), up 125% and 74% (excluding extraordinary items) over 2004. The improvement in recurring income is ongoing, as are the benefits gained from the efficiency program implemented in the second half of 2004, which is reflected in decreased expenses.

In 2005, the net interest income was 30% higher than in 2004, with an NIM increase from 4.9% to 8.0%, mainly due to the 24% growth in performing loans and higher interest rates.

Non interest income increased 6% over the prior year, thanks to higher income from trading and recovery. Non interest expenses were 4% below 2004, due to lower personnel expenses, taxes and IPAB contributions.

It is important to stress that non operating income increased significantly from Ps 27 million in 2004 to Ps 1,065 million in 2005, basically due to the Ps 1,038 million VAT refund in the second quarter of the year, derived from the favorable ruling from the injunction filed by the Group's subsidiaries due to modifications in the VAT law.

The Banking Sector's efficiency ratio showed a strong improvement, going from 72% in 2004 to 56% in 2005.

At year end, the capitalization ratio was 16.1%, similar to 2004, due to the 21% increase in net capital, mainly derived from the net income generated over the past 12 months and from the 22% increase in risk assets over the same period.

Deposits

As of December 31, 2005, total deposits amounted Ps 136,962 million, 4% higher than in 2004. We also observed an 11% growth in core deposits and a 24% drop in money market deposits. The latter was due to a lower funding requirements, that resulted from the nearly Ps 13 billion in IPAB prepayments over the preceding 12 months.

Demand deposits went up 13% and time deposits showed a 9% increase due to the outstanding promotion of new deposit products, including: Mujer Banorte®, PagaMás® and Banorte Fácil®.

Off balance trading grew significantly (14%), to close 2005 with a total of assets under management of Ps 238,940 million, up 8% from 2004.

Deposits	Dec'04	Dec'05	Var %
Non interest bearing demand deposits	23,792	28,617	20%
Interest bearing demand deposits ⁽²⁾	43,219	46,866	8%
Total demand deposits ⁽¹⁾	67,012	75,502	13%
Time deposits	36,703	39,952	9%
Core deposits	103,714	115,454	11%
Money market deposits ⁽³⁾	28,371	21,508	(24%)
Total deposits	132,085	136,962	4%
Off balance trading	89,728	101,978	14%
Total assets under management	Ps 221,813	Ps 238,940	8%

Millions of pesos as of December 2005.

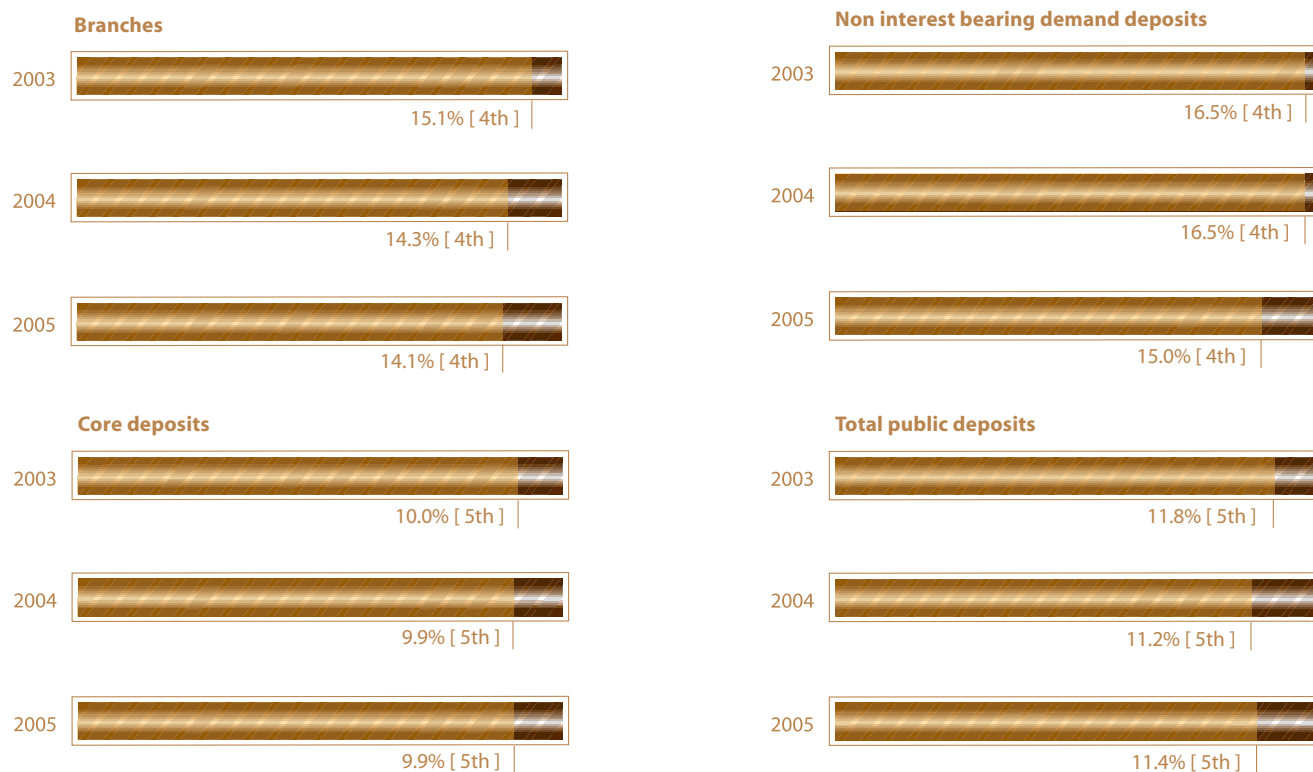
(1) Starting in 2004, the IPAB checking accounts were excluded, in which cash collections were deposited from the assets under management that proceeded from Banpaís and Bancen, with a retroactive effect for comparison purposes. The balances in these accounts as of 2004 and 2005 were Ps 258 million and Ps 584 million, respectively.

(2) Includes debit cards.

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

Banorte has maintained its market position and in 2005 improved its share of total deposits, up from 11.2% to 11.4%.

Market share



Source: ABM (Mexican Banking Association)

Loan Portfolio

In 2005, the total loan portfolio, excluding the IPAB notes, maintained its upward trend, achieving a 23% growth over the previous year.

Thanks to the placement efforts carried out in every segment, the Banking Sector performing loan portfolio increased 25%, from Ps 86,877 to Ps 108,379 million.

This growth, considering the type of account, was as follows:

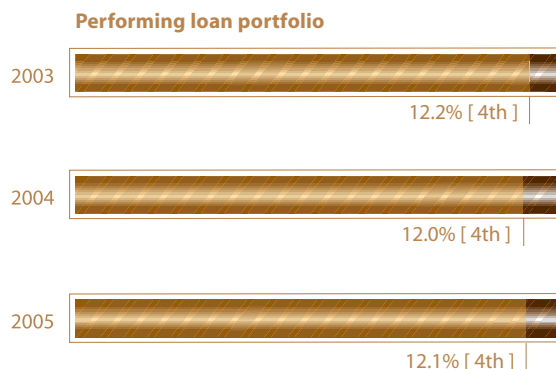
- Consumer loans increased 30%, with a 28% growth in mortgages from the placement of 11,868 new credits over the past 12 months. Credit cards rose 61% due both to the promotional programs to attract new clients (including the balance transfer program), as well as our customers' increased use of the same; payroll credits grew 68% from the granting of 224,457 new credits, while automobile loans went up 1% with the placement of 32,776 new credits. Starting the third quarter, Banorte began granting personal credits, closing the period with a balance of Ps 439 million. This type of credit is classified with payroll credits.
- Commercial loans went up 12%, from the granting of new credits to small and medium-sized businesses.
- Corporate loans rose 54%, thanks to the implementation of new strategies in the placement of new credits.
- Government loans grew 12% from the promotion of new credits, particularly to State Governments.
- IPAB notes dropped 99%, from the nearly Ps 13 billion in prepayments received over the past 12 months. This portfolio now represents less than 1% of total loans and will be completely amortized by June 2006.

Past due loans remained at a level similar to that of 2004, despite the 23% growth in the loan portfolio. The year closed with a balance of Ps 1,770 million that allowed improving the Banking Sector's past due loan portfolio ratio from 2.0% in 2004 to 1.6%.

Loan portfolio	Dec'04	Dec'05	Var %
Mortgage	17,473	22,363	28%
Automobile	5,849	5,886	1%
Credit card	3,868	6,227	61%
Payroll credit	2,013	3,391	68%
Consumer	29,204	37,867	30%
Commercial	29,803	33,298	12%
Corporate	14,354	22,037	54%
Government	13,516	15,177	12%
Performing loans	86,877	108,379	25%
Recovery Banking	1,711	1,466	(14%)
Past due loans	1,817	1,770	(3%)
Total loan portfolio	90,405	111,615	23%
Fobaproa loans/IPAB notes	12,749	161	(99%)
Total loan portfolio with IPAB	Ps 103,154	Ps 111,776	8%

Millions of pesos as of December 2005.

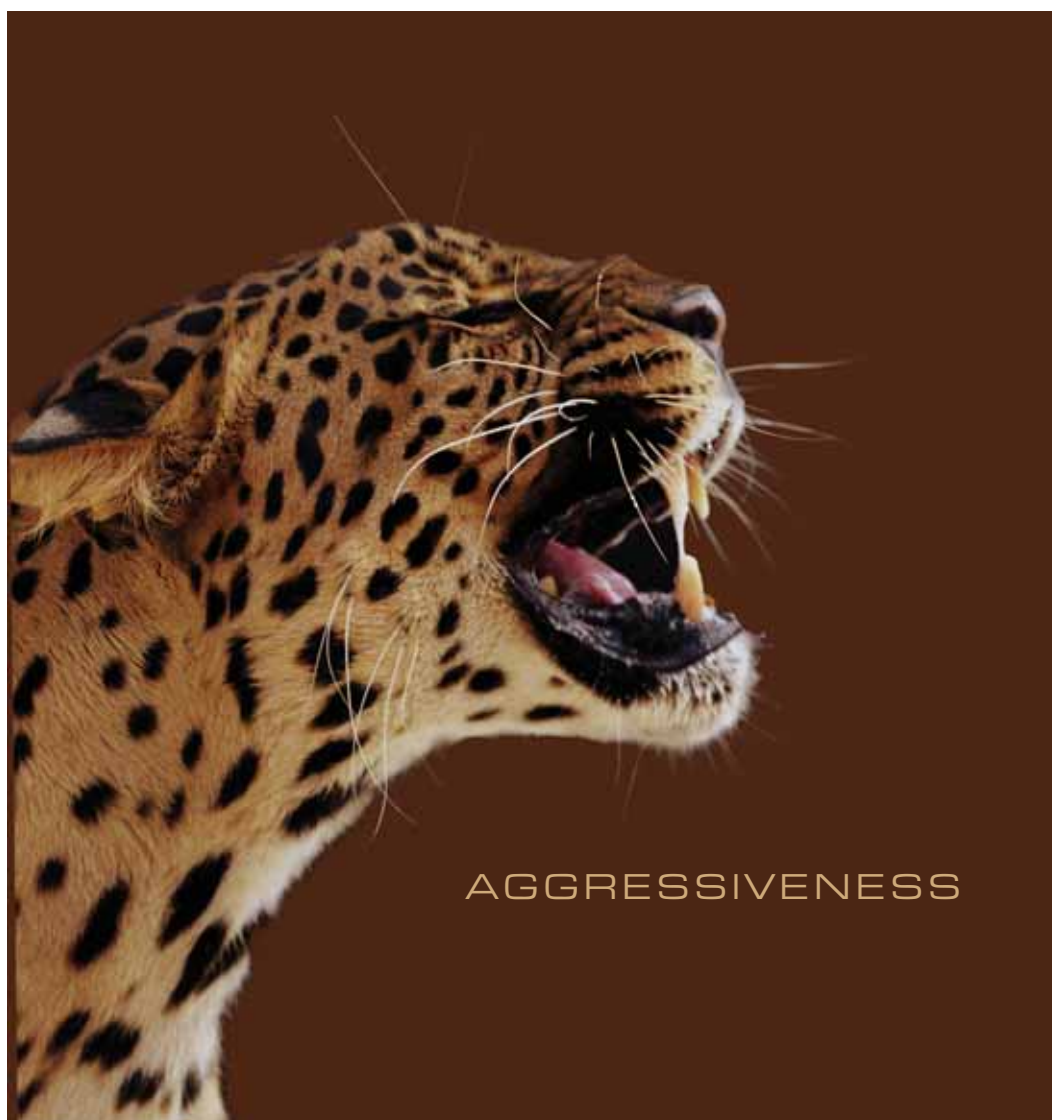
Market share



Source: ABM (Mexican Banking Association)

STRATEGY





ASSETS RECOVERY BUSINESS

Banorte's Assets Recovery Business is the most successful company in the Mexican market engaged in the recovery of loan portfolios and the administration of assets.

This business unit has distinguished itself for maintaining important levels of contributions to the Banking Sector of Grupo Financiero Banorte, so that in 2005 it delivered Ps 848 million, equivalent to 17% of the total net income.

	2004	2005
Traditional Banking income	2,070	4,059
Recovery Business income	627	848
Banking Sector net income ⁽¹⁾	Ps 2,697	Ps 4,907
% Recovery Business	23%	17%

Millions of pesos as of December 2005.
 (1) 2005 income before extraordinary items.



Banorte's Assets Recovery Business has enabled it to maintain an important share of the assets portfolios auctioned off by the IPAB and other banks, with the acquisition of six portfolios in the amount of Ps 8,912 million with an investment of Ps 2,076 million in 2005, with which it remains the leader in the acquisition of foreclosed assets in Mexico.

At the end of 2005, Sólida Administradora de Portafolios, S. A. de C. V. gained the ISO-9001:2000 Standard certification of all its processes, thus ensuring the standardization of its procedures, giving priority to satisfying its customers' needs, following a policy of continuous improvement.

By the 2005 year end closing, the assets under management by this business unit amounted to Ps 64,387 million, comprised of the loan portfolio, foreclosed assets, investments, shares and securities, 77% of which are the property of Banorte, which allows maintaining a critical mass of assets under management that will allow an efficient and profitable operation for some years to come.

The cash amount recovered during the year was Ps 4,246 million, 81% of which was related to proprietary assets, while the remaining 19% corresponds to the administration of IPAB-owned assets.

	2005		
	Own	IPAB	Total
Accumulated recovery of the year			
Cash	3,393	853	4,246
Reposessed assets	258	17	275
Restructuring	631	128	759
Discounts	2,121	520	2,641
Total	Ps 6,403	Ps 1,518	Ps 7,921
Percentage	81%	19%	100%

Millions of pesos

The Assets Recovery Business has established the strategy to continue to making outstanding contributions to the Banking Sector on the short and long terms, to maintain a critical mass of assets under management to ensure an efficient and profitable operation. In addition, this strategy includes remaining in the real estate business and maintaining its culture of quality and ongoing improvement throughout every area and business process.

LONG TERM SAVINGS SECTOR

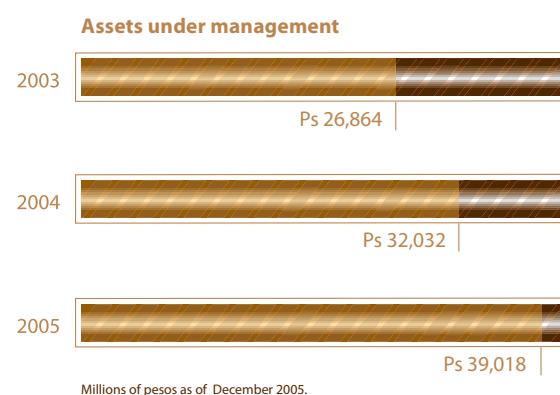
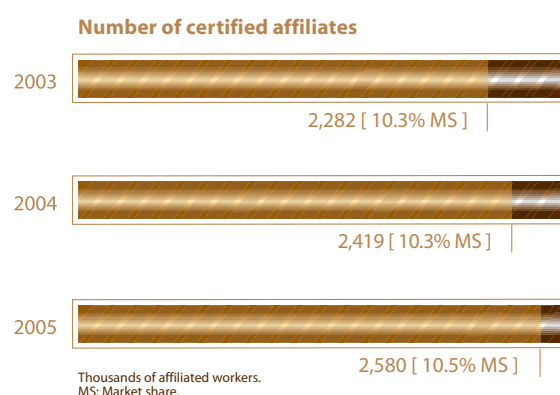
The Long Term Savings Sector maintains its place as the second largest contributor of income to the Group (7%). At the 2005 year end closing, accumulated income was Ps 390 million, 60% higher than in 2004. This sector is comprised of various companies: Afore Banorte Generali, Pensiones Banorte Generali and Seguros Banorte Generali.

Afore Banorte Generali (pension funds management)

In 2005, Afore had a net income of Ps 268 million (51% from Bancen), up 15% over the prior year, mainly due to higher income from new affiliates, the entry of higher income customers and an increase in interest income.

The total number of certified accounts was 2,579,534, which was 7% above last year; thus achieving a 10.5% market share, so that Banorte Generali maintains its fifth place ranking in the market, despite the fact that the companies comprising it now number 16 instead of the former 13.

The assets under management by the Siefore Banorte Generali at year end amounted to Ps 39,018 million, up 22% over the previous year, thanks to the growth in the number of affiliates and the strategy of attracting new higher-income customers.

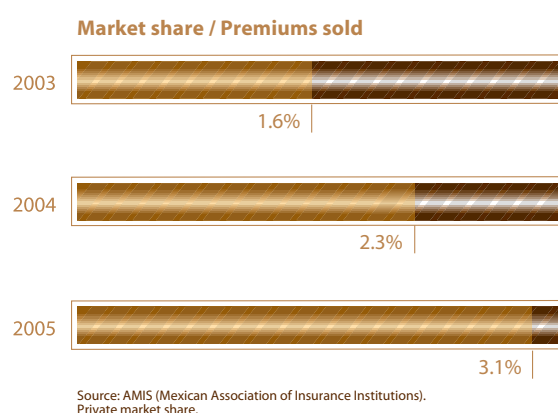
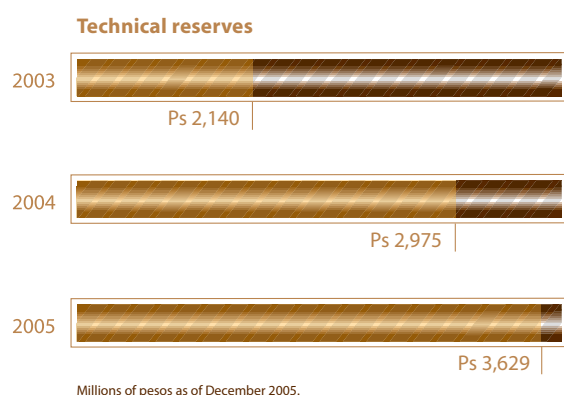


Seguros Banorte Generali (insurance)

The insurance company recorded an income of Ps 407 million in the year (51% for GFNorte), 89% higher than 2004, mainly due to the 80% increase in premiums sold and interest income derived from higher market interest rates.

The Ps 3,629 million in technical reserves are up 22% over the preceding year.

In 2005, Ps 4,105 million in premiums were sold, raising its market share from 2.3% last year to 3.1% and, based on an AMIS ranking, the insurance company rose from 12th to 8th place.

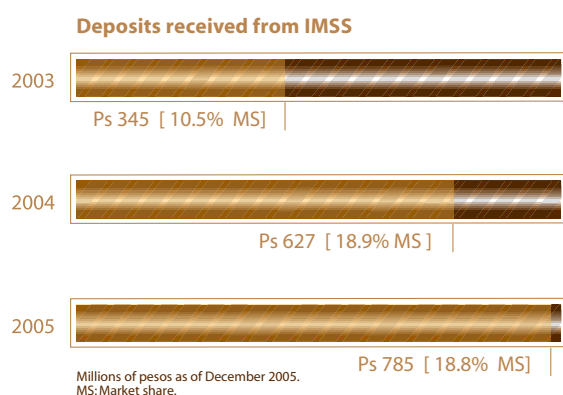
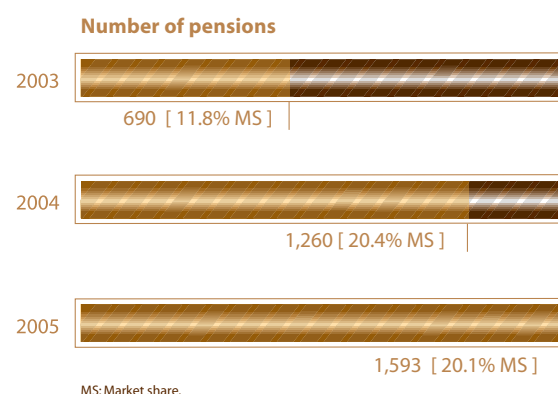


Pensiones Banorte Generali (annuities)

The annuities company had an accumulated income of Ps 90 million in the year (51% corresponding to GFNorte), 217% over 2004, mainly due to a reduction in the creation of reserves and to higher returns on investments.

This company's technical reserves reached Ps 6,448 million by year end, 11% higher than in 2004.

During the year Pensiones Banorte Generali maintained 20% market share in number of pensions placed and holds second place among the 13 companies on the market. Moreover, it ranks second in the industry for premiums sold.



BROKERAGE SECTOR

The Brokerage Sector is comprised of Casa de Bolsa Banorte, which has two important subsidiaries: Banorte Securities, Ltd. (BSI) and Operadora de Fondos Banorte.

Casa de Bolsa Banorte (brokerage house)

In fiscal year 2005, the Brokerage Sector generated a net income of Ps 74 million, a 14% ROE. Net income before taxes was 27% higher than the prior year, as a result of a stringent expense-cutting program. However, net income received the negative impact of higher tax and employee profit sharing payments.

Assets under management grew 8% in 2005 to end the year with a balance of nearly Ps 119,000 million, which represents 30% of the Group's assets under management.

Operadora de Fondos Banorte had a total of Ps 14,537 million in assets under management at the end of 2005. These resources were administered through 22 funds, 17 of which specialize in debt instruments and 5 in stock. During the year, the total value of the debt instruments mutual funds assets increased 40%, based on the attractiveness of their yields and the strategic importance GFNorte has given to this product in a market with a high development potential.

In 2005, BSI, GFNorte's brokerage house in New York, administered a loan portfolio of USD 873 million. Thus, BSI remains an attractive diversification option for those Banorte customers seeking to invest in international markets.





INTELLIGENCE

AUXILIARY ORGANIZATIONS SECTOR

GFNorte's Auxiliary Organizations Sector is comprised of various companies: Arrendadora Banorte (leasing), Factor Banorte (factoring), Almacенadora Banorte (warehousing) and Fianzas Banorte (bonding).

In 2005, this sector generated Ps 182 million in income, representing 3% of the Group's total income.

Arrendadora Banorte (leasing)

Arrendadora's accumulated income was Ps 79 million, 89% higher than 2004, as a result of the 25% growth in its loan portfolio. By year end, the past-due loan ratio was 1.2%, while reserves held at 128%. The company currently ranks second among the nation's 27 leasing companies, with a 12% market share in terms of loan portfolio. Arrendadora Banorte has distinguished itself for the flexibility of its services by having adapted strictly leasing and financial products to its customers' needs.

Factor Banorte (factoring)

The factoring company generated Ps 67 million in income during the year, a 60% increase over 2004, mainly as a result of the 22% growth in its loan portfolio, higher intermediary margins and lower operating expenses. By year end, past-due loans stood at Ps 34 million equivalents to a 0.9% ratio. The loan portfolio reserve coverage was 153%. Factor Banorte ranks as a leading company in the productive chains program.

Almacенadora Banorte (warehousing)

Net income for fiscal 2005 was Ps 13 million, 24% below that of the prior year, due to the lower sales of steel products resulting from the positive development of this industry. Almacенadora presently holds 16th place among 20 leasing companies in terms of certification volume.

In the leasing environment, Banorte has the advantage of belonging to a sound financial group that provides the required financial resources and that has earned a sound reputation in the market, as well as among government authorities for its formality, the quality of its processes and its innovative services.



Fianzas Banorte (bonding)

Fianzas accumulated an income of Ps 23 million for the year, 42% higher than in 2004, due to the 27% increase in premiums issued and lower operating expenses. The company increased its market share for premiums issued from 5.2% to 6.3%.

MICROCREDIT SOFOL - PRONEGOCIO

Créditos Pronegocio, S. A. de C. V. was founded as a special purpose financial company (SOFOL) and started operating in the first quarter of 2005. It specializes in serving the population segment that doesn't have access to banking services, by providing access to institutional financial services and fueling the growth of small family businesses by granting credits for working capital and fixed assets.

An aggressive growth plan was implemented that, by year end, had led to the existence of 39 specialized branches (independent of the bank branches) in 21 Mexican cities.

At the end of 2005, the loan portfolio showed a balance of Ps 339 million, with a 4.4% past due loan ratio and a 200% reserve, considering that Nacional Financiera holds 80% of the credit risk for this portfolio.

The company showed a loss of Ps 18 million in its first year, which is explained by its start-up of business operations costs and rapid expansion.

The strategy for 2006 will be centered on continued business growth by opening 50 more branches and maintaining the credit quality of the portfolio, as well as by developing new products for this market.

STRATEGY IMPLEMENTATION



EXPERIENCE



The image strategy implemented for 2005 was to provide continuity and sustain Banorte's position based on the characteristics of an ideal bank: "Soundness, Experience and Modernity;" to keep building on the foundation of a Mexican bank that believes in Mexicans and fuels our country's growth and development more than any other.

This strategy has enabled Banorte to build a solid and highly valued image. However, tangible aspects still need to be developed, that is, products and infrastructure, and this is a task that needs to be carried out in an innovative, differentiated manner, with clear added values.

Consumers remained expectant, waiting to see what Banorte had to offer, apart from its excellent image.

With this in mind, we concentrated on product innovation and a quest for added values, strengthening the positioning of certain products: Mujer Banorte® (Banorte Woman), aimed at a specific market niche, and Banorte Fácil® (Banorte Easy), designed to support the use of banking services in the country, by putting them within the reach of more Mexicans.

New niche concepts were also developed, such as Empuje Alianza PYMES® (Push from the Alliance for Small and Medium-Sized Businesses) involving alliances with leading companies to meet the principal needs of small and medium-sized companies, apart from and in addition to financing. The companies that joined us in this project are HP and SAP, for technology; the Tecnológico de Monterrey, for training; Grupo Imagen, for dissemination and advertising, and Grupo Integra, for tax and legal advice. By implementing this sort of concept, Banorte seeks to remain at the forefront in meeting customers' needs.



The entire Suma® portfolio was repositioned in the savings segment, including Suma for children and the payroll transaction products, while the new Enlace Global® (global network) checking account was launched under highly competitive conditions.

With respect to time deposits, we intensified the promotion of Pagaré 28 (note payable 28) by offering a bonus based on customers' tenure of the account, which significantly increased the deposits received through this instrument. In addition, the new investment funds portfolio Alternativas Banorte (Banorte alternatives) was launched.

We launched Crédito Personal (personal credit) and developed the communications strategy for all consumer credits, maintaining our differentiation by the "30 minute" response time, which let us capitalize on our service and efficiency attributes.

A promotional program was launched for Credit Card business, named "Ya Bájale" (lower the balance now), with a very clear and aggressive offering, including better conditions such as the lowest interest rate, 4 months without interest and a longer payment time.

All these actions enhanced Banorte's image and allowed it to advance from the territory of mere image to that of tangible factors, through a supply of products tailored to consumers' needs, such as niche products (Mujer Banorte®), products with aggressive and clear offering (Ya Bájale) and service and efficiency (30 minute response time).

This is how Banorte has continued to grow in the public's perception as a bank with a certain image, that believes in Mexico, that is an honest and socially responsible bank and that also offers more and better products to Mexicans, to thus consolidate itself as the second most valuable bank brand in our country.



SPEED



PRODUCTS AND SERVICES

Deposits

Since successfully developing such products as Mujer Banorte and Banorte Fácil®, “The Strong Bank of Mexico” continues to stand at the head of our competitors with the launch of its integral demand deposit product: Enlace Global®, designed to meet the needs of individuals whether or not they are engaged in business, who need to carry out transactions with full assurance that the rate they will be paying will remain stable, while also obtaining attractive yields and immediate liquidity.

Enlace Global® is a Mexican peso deposit account that may be used with or without a checkbook and is the only one offering two payment options, depending on the customer’s needs: a) Fixed payment - a plan with a monthly membership, not requiring a minimum balance in the account; all the checks are free, as are all balance inquiries and cash withdrawals in Banorte ATM’s and also Internet and Banortel; and b) Payment per transaction - a non-membership plan, not requiring a minimum balance in the account and in which the only services paid for are those that are used. Upon opening an Enlace Global® account, either plan offers access to the Inversión Enlace Global® (global network investment) that generates attractive yields on the funds deposited.

Moreover, in its concern to provide the best offerings in the savings segment, Banorte redesigned the Suma® product, greatly enhancing it with respect to price, image and functionality.

In addition to creating and enhancing these products, the “Duplica y Triplica su Saldo” (double and triple your balance) campaign was launched, in which daily and twice monthly drawings provide the opportunity for customers to double or triple the balance they participate with. Another highly successful campaign was PagaMás® through which Banorte offers an additional yield bonus for customers’ tenure in notes payable investments.

With respect to debit accounts, Banorte launched the following services: a) “Cash Back”, through which customers may access cash at certain establishments where they shop; b) the “Dinero Extra” (extra money) plan, under which the member stores reimburse a percentage of the purchases made through a debit card; and c) “Blindaje en Débito” (armored debit card), that provides protection for Banorte debit cards against fraud, theft or loss.



Loans

Mortgage Loans

In 2005 Banorte maintained an important presence in granting mortgages at highly competitive rates and commissions, with high standards of service and rapid response. Strategic alliances with housing developers were strengthened and a new product guaranteeing a fixed interest rate was promoted. Thus, Banorte placed 11,868 mortgages, a 20% increase over the prior year, a placement equivalent to 23% of all the mortgages granted by the Mexican banking system.

For 2006, the objective is to continue growing in placement by incorporating new product attributes.

Automobile Loans

The AutoEstrene® credit offers a 30 minute response time for credit applications, with a fixed rate and terms of up to 48 months, as well as various special financial plans negotiated with the assembly plants or auto dealers. In 2005 Banorte placed 32,776 credits, ranking fourth among all the banks, with a 15% market share.

In 2006, we will continue to offer short response times and will enhance our product supply in collaboration with car dealers, as well as a differentiated product.

Payroll and Personal Credits

One of the greatest demands of our customers and the public in general is for credits that enable them to have liquidity. This need had been successfully covered by the Payroll Credit and now, starting in 2005, with Personal Credits as well.

By the 2005 year end closing, these products achieved a record placement of 233,086 credits in the amount of Ps 4,351 million, for an accumulated balance of Ps 3,448 million. The key to this success has been the design of an increasingly efficient contracting process and innovative functions, such as automatic renewal, that allows customers to easily access additional credit amounts.

For 2006, the strategy will be based on enhancing the quality of service and response times on a branch level, as well as differentiating these credits by simplifying the renovation of the credit and the launch of new products.



Un buen plan para tus planes.



Credit Card

The Credit Card campaign to purchase balances, designated as “Ya Bájale” allowed the acquisition of Ps 1,250 million, which contributed significantly to the total loan portfolio, that ended the year at Ps 6,440 million, 59% higher than the prior year. Moreover, some initiatives in handling the 2004 portfolio had a positive impact on the past due loans portfolio that dropped 91 base points compared to last year, from 4.2% to 3.1%.

Creditactivo

Banorte has distinguished itself for its support to PYMES (small and medium-sized businesses) since 1995 with the Crediactivo® product, designed to meet working capital and fixed assets requirements, sharing the risk with Nacional Financiera. At the end of 2005, Banorte had 9,698 customers with 13,931 credits in the amount of Ps 7,439 million, 28% higher than in 2004.

In July 2005, Banorte launched a plan designated as Empuje Alianza PYMES® to provide integral support to small and medium-sized businesses with financial products and strategic alliances, through leading private sector companies: Banorte, SAP, HP, Grupo Imagen, Tecnológico de Monterrey y Grupo Integra.

Agricultural and Livestock Credit

Banorte financed around 482 thousand hectares of land in 2005, benefiting over 162,000 producers. The credits for the year reached Ps 14 billion, of which Ps 9.5 billion were granted with the backing of Fideicomisos Instituidos en Relación con la Agricultura or FIRA (Trusts Founded for Agriculture). Thus, Banorte placed second nationally in using FIRA discounts.

Bancaseguros (bank insurance)

Once again in 2005 Bancaseguros insurance products have consolidated their market position, with a very significant increase in sales.

The Seguros Fórmula line (auto, life and home insurance) sold a total of 317,329 policies, a 24% advance over 2004.

Business insurance also performed well, with premiums going up from Ps 19 million in 2004 to Ps 60 million in 2005.

The launch of the Integral Insurance for Personal Estates Investments in May complemented the portfolio of products in the different markets and segments that our customers need and closed the year with Ps 47 million in premiums. This product will strengthen Banorte's position as a leader in bank insurance.

Hispanic Market in the United States

In 2005, Banorte continued its efforts to strengthen its presence in the U.S. Hispanic market.

This strategy included signing an agreement to pay remittances with Bank of America (BoFA), one of the most important financial institutions in the U.S. Through this agreement, Banorte added nearly 6,000 BoFA branches to its collections network for cash remittances sent from the neighboring country. The agreement complements the Banorte network there, that by year end already totaled 40,000 points in the 50 states.

Banorte paid over 3.1 million family remittances through its branch network, making nearly USD 1,100 million available to Mexican beneficiaries. This volume was 70% higher than that of the prior year.

Knowing the importance of swift collections procedures for the recipients, Banorte placed over 35,000 Enlace Express® accounts in 2005, a savings account that charges no commissions for receiving remittances and furthermore, requires no minimum balance. This account is part of Banorte's efforts to transform the remittance business into a simple process, eliminating the use of cash, while simultaneously promoting the custom of using banking services among Mexicans.

Banorte is aware of the great opportunity the U.S. Hispanic market represents for it but, above all, it continues to believe in the great value it can add to the same as a Mexican institution.

Therefore, our strategy for this segment remains focused on strengthening the supply of products and services to Mexicans on both sides of the border, and consequently at Banorte we will continue developing a series of initiatives aimed at directly entering the U.S. banking and financial market.



DISTRIBUTIONS CHANNELS

Distributions channels are fundamental in enabling Banorte to offer its customers quality service.

Just over 55% of our bank transaction volume was handled via ATM's and the Internet, while the Call Center handled over 23 million calls last year.

Furthermore, at the end of 2005 a new branch expansion program got underway that will last for three years, with special emphasis on the Mexico City metropolitan area, which will allow us to enhance our position and coverage of the market.

Branches

Banorte closed 2005 with a branch network of 968 offices, as a result of opening 15 bank offices, closing 7 branches and relocating 16 points of sale throughout the national territory.

A commercial alliance was entered into with Telecomunicaciones de México (TELECOMM) last year, that increased our presence by an additional 1,554 service locations nationwide, which makes us the most important payments network in Mexico upon covering 475 towns that have no banking services.

The strategy for 2006 will be to continue consolidating the branch network infrastructure, by implementing 75 operations to open, enlarge and relocate in the nation's major cities, with special emphasis on coverage for the Federal District and greater metropolitan area.

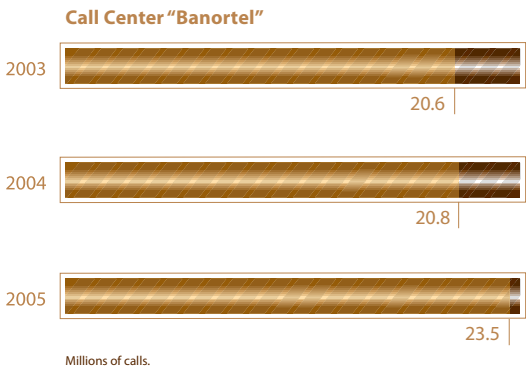
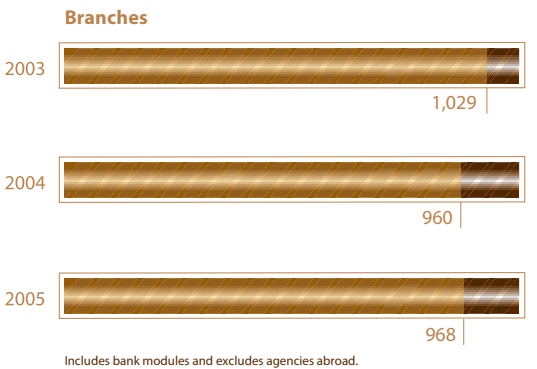
Call Center "Banortel"

Three million more calls were handled in 2005 than in 2004 and we closed the year with a total of 23.5 million calls, resulting from the natural growth of our clientele, as well as the institution's business and service strategies.

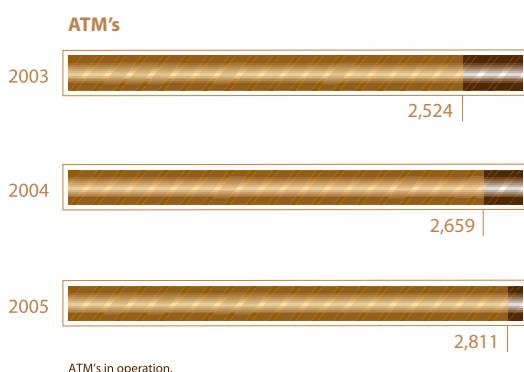
It is important to point out that during this period we implemented the Service Center for the Hispanic Market segment, a key aspect of the Group's strategy.

Endeavoring to differentiate our service from the competition, last year we redesigned our services and image, thus achieving a tangible benefit for customers by orienting this new concept towards the simplicity and practicality of using our channel.

Our mission for 2006 will be to achieve excellence in customer service by continuing with procedures differentiated from the competition, thus establishing the foundations for a new service model that in itself will constitute a factor in the purchase decision and the creation of loyalty.



ATM's



The ATM network continues to be a fundamental delivery medium, since nearly 40% of the bank's operations are carried out through it. In 2005 over 185 million transactions were recorded and an average of 2.87 million customers were handled per month. Our ATM network is also an important generator of income, which totaled Ps 171 million in this period.

In addition, we have developed new channels that led to major growth in our customer service. The framework of the alliance with TELECOMM provides access to cash in the more than 1,550 Telégrafos de México offices, as well as the "Cash Back" service that provides for cash withdrawals in self-service stores, such as Gigante and Comercial Mexicana; the latter channel will undergo aggressive development over the coming years.

By the end of 2005, Banorte had over 2,800 ATM's, 13% of the national market.

Internet Banking



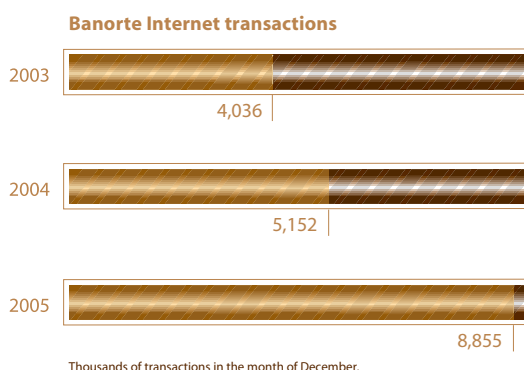
We closed the year with just over 249,000 customers, some 40 thousand more than 2004. These customers carried out a total of 79.5 million operations in 2005, 35% more than the prior year, which signifies an expansion of electronic operations.

Our customers are carrying out more transactions and moving more money over the Internet. The monthly average of all these operations is Ps 474 billion, up 31% over last year. It should be noted that the money transferred via the Internet represents 45% of the monetary value of the entirety of transactions carried out through all our channels.

The Internet has also become an important source of income for the bank. In 2005, income from charges and commissions totaled Ps 136 million, a 20% increase over 2004.

Because security is primordial for this channel, a series of actions were carried out during the year to strengthen this aspect, however, the most important is the February 2006 launch of the token* for individuals, a device that we have been using with tremendous success for over five years to protect the business segment that uses the Internet channel. With the implementation of token we are the first bank in Mexico to grant this type of security.

*Token. A physical device that generates random numerical codes that change every 60 seconds and are synchronized with Banorte's central server and function as a password for customers in order to carry out monetary operations over the Internet.



The Human Team

One of the pillars that enables Banorte to stand firm among the challenges in the financial environment is unquestionably its personnel. To keep a competitive, motivated and highly leadership-oriented team is one of our main advantages, which we will continue to develop. This is why we are always concerned with designing programs that allow us to offer an environment of development, attuned to the needs of our personnel and business.

The complexity of the financial market and our conviction in keeping ourselves at the forefront in our supply of products and services, calls for great dynamism in the training provided to our personnel, which also results in excellent opportunities for development and growth. Furthermore, we remain concerned with providing our employees the tools to continue improving the quality of our customer service, by means of conferences and workshops.

Another of our major challenges is the stable and ordered growth of our institution, to which end we have worked on strengthening our control systems and reaffirming our principles of internal ethics and honor. Thus, mass attendance events were held in the major cities, to make each and every one of our collaborators more aware of the importance of these concepts at Banorte.

We continue to have a modern integral variable compensation system, which, on the one hand, ensures that the personnel as a whole will focus on results and, on the other, will keep us competitive in the market and thus achieve adequate percentages in the retention of our key people.

We modernized our evaluation programs making them computerized nationwide. Therefore, we enriched the bank with information on our human capital for making correct and timely decisions.

Banorte is its people, we will continue to look to the future with the conviction of taking care of our most valuable asset.



Full-time personnel	2003	2004	2005
Banking Sector ⁽¹⁾	13,336	12,296	12,683
Long Term Savings Sector	2,015	1,742	1,793
Brokerage Sector	359	337	140
Auxiliary Organizations Sector	130	108	96
Pronegocio	0	0	300
GFNORTE	15,840	14,483	15,012

(1) In 2005, 169 positions in the Personal Estate Area are included that were transferred from the Brokerage Sector.

Technology to facilitate innovation and service

In 2005, the process of developing innovative projects was completed that strengthens GFNorte's product portfolio and represents important technological challenges, such as a new supply of deposit products for individual people, including a new family of investment associations, the alliance with TELECOMM and a longer business day in the branches.

With respect to new channels, some of the most important are the acceptance of dollars and deferred payments in the Point of Sale Terminals, longer business days for Internet Banking services and the development of a channel dedicated to receiving cash remittances for families.

The redesign of the bank's operating processes got underway with the point to point concept, seeking to enhance efficiency, quality in customer service and reduce operating costs by using such methodologies as Lean Banking and Six Sigma.

Our supply of products and services, together with normal business growth, is reflected in a 40 million increase in the number of transactions compared to last year, up from 430 million to 477 million transactions a year. This volume of operations requires a sound and robust infrastructure that ensures the availability of our channels and central applications, which we have achieved, surpassing the expected levels of already established service.

We continue to apply programs to rationalize the use of technology, achieving efficiency in telecommunications and software licensing.



SOCIAL RESPONSIBILITY

This year Banorte met its stated commitment of *“Believing in Mexicans”* and promoted the development of its fellow citizens mainly by endeavoring to position itself as a socially responsible bank.

Social support plans were developed through such new products as Mujer Banorte®, that includes a support program for women without resources for education, health and well-being.

It also helped the victims of various natural disasters, such as the Tsunami (through UNICEF) and hurricanes Stan and Wilma, with its support to the states of Oaxaca, Chiapas, Quintana Roo and Veracruz.

Health was supported through the Mexican Red Cross and the Hospital Infantil de México, as was education with contributions to various schools and universities, such as Universidad Autónoma de Nuevo León.

In 2006, we will continue to design products and services that integrate our nation's social impetus and will maintain our support to various educational and health institutions through our Banorte Foundation.





GROUP'S OFFICERS AND MEMBERS OF THE BOARD OF DIRECTORS

GROUP'S OFFICERS

Luis Peña Kegel Chief Executive Officer

Line

Manuel Sescosse Varela	Managing Director - Comercial
Enrique Catalán Guzmán	Managing Director - Entrepreneurial
Alejandro Valenzuela del Río	Managing Director - Treasury, Brokerage and Investor Relations
Luis Fernando Orozco Mancera	Managing Director - Assets Recovery
Enrique Castellón Vega	Managing Director - Long Term Savings
Antonio Emilio Ortiz Cobos	Managing Director - U.S. Development
Jesús Oswaldo Garza Martínez	Managing Director - Consumer

Staff

Juan Manuel Quiroga Garza	Managing Director - Corporate Affairs
Sergio García Robles Gil	Managing Director - CFO
Cecilia Miller Suárez	Managing Director - Marketing
Prudencio Frigolet Gómez	Managing Director - Technology and Operations
Alma Rosa Moreno Razo	Managing Director - Administration
Gerardo Coindreau Farías	Managing Director - Risk Management
Aurora Cervantes Martínez	Managing Director - Legal
Román Martínez Méndez	Managing Director - Audit
Eduardo Sastré de la Riva	Managing Director - Institutional Relations

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Juan Antonio de la Fuente Arredondo	Northwest
Jorge Luis Molina Robles	Peninsular
Juan Manuel Faci Casillas	South

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Napoleón García Cantú	Alternate Secretary

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Rodolfo Barrera Villarreal	Patrimonial
Bertha González Moreno	Patrimonial
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Eduardo Livas Cantú	Independent
José G. Garza Montemayor	Patrimonial
David Villarreal Montemayor	Patrimonial
Eugenio Clariond Reyes-Retana	Independent
Magdalena García de Martínez Chavarría	Patrimonial
Herminio Blanco Mendoza	Independent
Ricardo Martín Bringas	Independent
Antonio Chedraui Obeso	Independent
Jacobo Zaidenweber Cvilich	Independent
Javier Vélez Bautista	Independent
Luis Peña Kegel	Related

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Juan González Moreno	Patrimonial
Germán Francisco Moreno Pérez	Independent
Juan Diez-Canedo Ruiz	Independent
Javier Martínez Abrego	Patrimonial
Manuel Sescosse Varela	Related
Benjamín Clariond Reyes-Retana	Independent
Carlos Chavarría Garza	Patrimonial
Simón Nizri Cohen	Independent
Isaac Hamui Musali	Independent
César Verdes Quevedo	Independent
Isaac Becker Kabacnic	Independent
Alejandro Álvarez Figueroa	Independent
Juan Manuel Quiroga Garza	Related

