

# annual report 2006



GRUPO FINANCIERO  
**BANORTE**



Over the course of the past few years, Banorte has met the challenges of the Mexican financial market based on its courage, creativity and experience. The bank has led the field in generating campaigns, products and services that reach an ever-growing number of customers. In 2006, Banorte was named Bank of the Year in Mexico, for the second year in a row by the prestigious British magazine, "The Banker" highlighting the efficiency and soundness of its performance. Our endeavors have been many and varied but the results achieved have made it evident that they have all been worth the effort.

Now is the time to seek new horizons and establish renewed goals. Banorte has expanded its commitment in the U.S. market by purchasing 70% of Inter National Bank (INB), and the acquisition of UniTeller Holdings, Inc. These actions entail new challenges and efforts in which the principal objective is to bridge gaps and expand horizons.

This year Banorte has been inspired by the concept of building bridges and what these structures represent for the institution: in soundness, foundations, strength, scope and service, among others.

Thus, Banorte strives daily to provide a wider range of options that support the financial needs of each and every customer in Mexico and abroad.





# mission

- Satisfy our customers' financial needs through modern means of delivery that ensure high-quality service provided with friendliness and efficiency.
- Preserve the integrity and quality in all our operations, especially through the adequate management of the Group's deposits and capital.
- Adopt profitability and value creation as a working philosophy to support our depositors and shareholders, and to 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 that we serve by promoting their development.
- Become an institution that is a fair source of employment, treating each of our employees with the highest degree of equality and impartiality.

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# highlights

<b>Grupo Financiero Banorte</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total assets	188,889	198,103	234,437
Deposits <sup>(1)</sup>	137,362	143,159	169,537
Loan portfolio	111,605	121,184	144,026
Past due loan ratio	2.0	1.6	1.4
Reserve coverage	152.5	165.8	171.6
Stockholders' equity <sup>(2)</sup>	16,610	21,349	26,097
Net income	2,810	5,957	5,959
ROE	17.5	30.8	24.9
ROA	1.2	3.1	2.8
Number of shares (thousands)	504,587	2,018,554	2,018,348
Book value per share (pesos)	8.2	10.6	12.9
Net income per share (pesos)	1.4	3.0	3.0
Dividends per share	0.3	0.3	0.4
Number of branches <sup>(3)</sup>	960	968	994
Full-time employees	14,483	15,012	15,603
<b>Banking Sector</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Banco Mercantil del Norte</b>			
Total assets	180,351	186,087	225,830
Stockholders' equity	11,216	15,142	24,265
Net income <sup>(4)</sup>	1,987	4,941	5,185
<b>Banco del Centro</b>			
Total assets	5,859	7,235	8,397
Stockholders' equity	4,425	4,839	5,830
Net income <sup>(5)</sup>	572	696	932
<b>Brokerage Sector</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Casa de Bolsa (brokerage house)</b>			
Total assets	681	940	935
Stockholders' equity	561	549	709
Net income	82	77	184
<b>Long Term Savings Sector</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Afore Banorte Generali (pension funds management)</b>			
Total assets	1,141	972	1,052
Stockholders' equity	1,020	878	979
Net income	244	280	100
<b>Pensiones Banorte Generali (annuities)</b>			
Total assets	6,308	7,060	8,541
Stockholders' equity	241	333	943
Net income	30	94	610
<b>Seguros Banorte Generali<sup>(6)</sup> (insurance)</b>			
Total assets	4,447	5,534	7,934
Stockholders' equity	805	1,227	1,553
Net income	225	423	318

Millions of pesos as of December 2006.

With UDIs and subsidiaries.

(1) Without IPAB checking accounts.

(2) Without minority interest.

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

(4) Includes Banco del Centro's merge as of August of 2006. Includes Afore and Banorte USA majority interest.

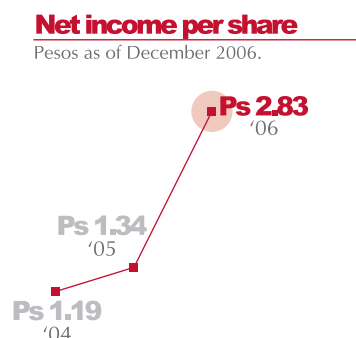
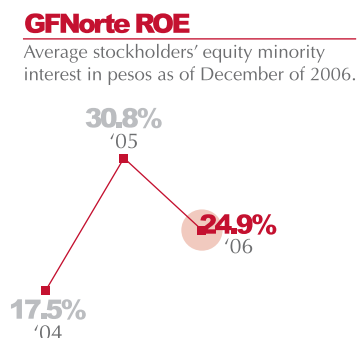
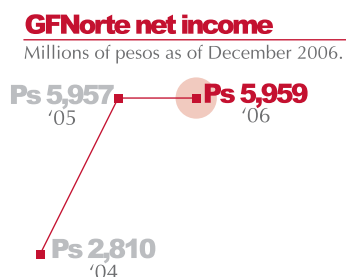
(5) As of August of 2006 merged with Banorte.

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



<b>Auxiliary Organizations Sector</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Arrendadora Banorte (leasing)</b>			
Total assets	2,366	2,874	3,283
Stockholders' equity	205	288	406
Net income	44	83	118
<b>Factor Banorte (factoring)</b>			
Total assets	3,276	3,977	4,286
Stockholders' equity	271	340	429
Net income	44	70	89
<b>Almacenadora Banorte (warehousing)</b>			
Total assets	261	401	167
Stockholders' equity	98	110	118
Net income	18	14	11
<b>Fianzas Banorte (bonding)</b>			
Total assets	305	423	498
Stockholders' equity	86	110	139
Net income	17	24	29
<b>Microcredit Sofol - Pronegocio</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total assets		366	653
Stockholder's equity		56	78
Net income		(19)	22

Millions of pesos as of December 2006.  
With UDIs and subsidiaries.



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	<b>Majority net income 2006</b>	<b>GFNorte ownership in subsidiaries</b>
<b>Banking Sector</b>	<b>4,991</b>	
Banorte	4,122	97%
Bancentro	868	100%
<b>Brokerage Sector</b>	<b>184</b>	<b>100%</b>
<b>Long Term Savings Sector</b>	<b>525</b>	
Afore <sup>(1)</sup> (pension funds management)	51	51%
Seguros (insurance)	162	51%
Pensiones (annuities)	311	51%
<b>Auxiliary Organizations Sector</b>	<b>246</b>	
Factor (factoring)	89	100%
Arrendadora (leasing)	118	100%
Almacenadora (warehousing)	11	100%
Fianzas (bonding)	29	100%
<b>Pronegocio</b>	<b>22</b>	<b>100%</b>
<b>Holding</b>	<b>(8)</b>	<b>100%</b>
<b>Total</b>	<b>Ps 5,959</b>	

Majority share expressed in millions of pesos.  
(1) Subsidiary of Banorte (Banco Mercantil del Norte).



**resoluteness**



Roberto González Barrera  
Chairman of the Board of Directors

## message FROM THE CHAIRMAN

The year 2006 was characterized with constant economic and political challenges, many of which persist today. The world we live in is characterized by an increasingly complex geopolitical environment, with ever-shifting balances of power and changes of every kind. Some of the situations that must be taken into account are the growing complications evident in the Middle East, North Korea and other Asian countries, as well as the changes in Latin American governments. All these factors significantly impact our business environment, ranging from higher prices of energy and other commodities, to the constant threats of terrorism.

From an economic viewpoint, developed nations have focused their attention on the underlying inflationary risks in the United States and Europe, derived from vigorous economic growth and high oil prices, which have resulted from the geopolitical tensions cited above and problems with production and supply.

As a consequence, the world's leading central banks raised their reference rates during the year. Despite increased monetary restrictions in the industrialized countries, the world economy grew nearly 5% in 2006. This important growth rate was driven primarily by the continued dynamism of U.S. consumption, the increase in exports of some European Union countries - Germany in particular - and the strong, expansion of nearly 7% shown by emerging economies, mainly China and India.

Another source of concern in 2006 was the contraction of the U.S. housing market. The year's lower housing demand, together with an excess of supply due to the accelerated pace of construction in recent years, led to falling prices in important residential markets. As a result, there has been a significant increase in past due loans of subprime mortgages, which could contaminate consumers' confidence, as well as the stability of global financial markets, if not properly dealt with. Consequently, we have recently observed in global financial markets an increase in volatility, which had reached historically low levels.





# direction

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The country itself underwent a very challenging year, in which the nation experienced the most contested presidential election in history. The strength of institutions that Mexicans have built over various decades, enabled the country to overcome this period of uncertainty. Moreover, the stability of the past ten years shielded the economy against negative impacts throughout the course of this process.

The disciplined management of the macro economy allowed our public finances to remain in balance during the year. However, tax revenues continue below most Latin American countries and the OECD. Furthermore, public finances still depend largely on oil income, which comprises nearly 40% of the Federal Government's total revenues. These two structural weaknesses of Mexico's public finances need to be addressed with top priority to ensure the sustainability of the recently achieved balanced budget.

Annual inflation was slightly above the 4% tolerance ceiling established by Banco de México. This figure represents a decrease from the historically low 3.3% rate of the prior year, which is mostly explained by the adjustment in prices of goods and services, principally raw materials, as a result of the international environment. Higher inflation was not demand driven or induced by inadequate monetary policies or the change of economic players' inflationary expectations.

Regarding the external sector, Mexico has maintained a satisfactory performance on its foreign accounts and has gained greater confidence from the international investment community. The country risk, measured by the EMBI, was under 100 points for several months, reaching historically low levels. The current account registered a surplus for the first time in many years and the levels of incoming direct foreign investment remained strong for the country.

The favorable results in our external accounts was mainly due to high oil revenues, a steady flow of foreign currency from tourism and, also notably, from the increase in cash remittances sent by Mexicans from the United States. These remittances reached a historic high of USD 23,000 million, nearly 3% of the GDP. Nevertheless, the growth rate decelerated in the final months of the year, due to the contraction in the U.S. housing market.

In 2006, lending activity continued showing a positive trend. The banking sector's loan portfolio registered a 25% real growth rate for the second straight year, driven by consumer, mortgage and commercial loans.

These results validate our view that the Mexican credit market has an enormous potential. Banking penetration as a percentage of GDP is only 12%, while countries such as Brazil, have achieved over 30% and Chile nearly 70%. We are convinced that the high growth rates achieved in bank lending will enable us to exceed 20% of the GDP over the next 6 years and even approach 30%, if the economic growth rate surpasses expectations.

The outlook for 2007 is encouraging, in view of the initial actions undertaken by President Calderón and the Mexican Congress in the first months of his administration. These actions include modifying the Public Sector Pension System, the first major structural change carried out in the past 10 years; and the head-on fight against drug trafficking and crime. If Mexico continues in this path, the future looks promising.

In this context, Banorte remains committed to raising the levels of bancarization by Mexicans both inside our borders and abroad. In light of this, we have started operating in the United States with the acquisition of Inter National Bank in Texas and Uniteller, a remittances company, with an initial investment of over USD 300 million.

In order to offer more products and better services to a greater number of Mexicans, as well as to preserve and expand our market position against growing pressures from the competition, Banorte continues with its ambitious investment program to expand its infrastructure. We began with the first part of this already announced three-year Ps 1,100 million program in 2006, by investing over Ps 250 million to expand our branch and ATM network in Mexico. We also intensified our work in developing our human capital, updating our technological infrastructure and positioning our brand. We are convinced that these endeavors are necessary, since the environment in which we operate is increasingly competitive, characterized by the entry of a significant number of new players, which has forced us to step up the pace of our efforts.

Although we are in an expansion stage and are operating in a more highly competitive environment, the bank was able to improve its efficiency levels, by rationalizing the use of resources and increasing our income base. We intend to continue optimizing these resources, despite the investments to be made in other areas in upcoming years, while realizing that, on the short term, we may see a temporary adjustment in the group's efficiency and profitability indicators. However, Banorte has always maintained a consistent long-term outlook in achieving our goals, which has proven to be the best strategy.

Finally, as always, I would like to express my gratitude to our customers for their on-going support and to congratulate our shareholders, advisors, directors and employees for another outstanding year. I urge you to continue consolidating Banorte as "The Strong Bank of Mexico."



Roberto González Barrera

Chairman of the Board of Directors



**soundness**



## message FROM THE CHIEF EXECUTIVE OFFICER



Luis Peña Kegel  
Chief Executive Officer of Grupo Financiero Banorte

The year 2006 was a positive one for the Mexican financial sector. Although the political and economic climate was unstable at the beginning of the year, the solid economic growth achieved, supported by lower interest rates, as well as the successful completion of the highly contested presidential elections of July 2, were fundamental elements for the continued expansion in lending activity. Loans to Mexican families and businesses continued growing, allowing us to offer more products under better conditions.

In this context, for the third consecutive year, Banorte met the commitment made to our shareholders of providing at least a 20% return on investments. This was achieved while at the same time we continued to invest in order to position the bank to take advantage of the growth opportunities in the Mexican financial sector and thus contribute to a higher level of banking penetration in Mexico by offering more products and better service.

Once again, Banorte proved to be a leading Mexican banking institution in product and service innovation. One of the most relevant initiatives undertaken, was the first 30 year fixed interest rate mortgage with no prepayment penalty, which will enable our customers to purchase higher-priced homes, while earning the same income, or dedicate a lesser amount of their disposable income to pay their mortgage. We were also the first Mexican bank to securitize part of its mortgage portfolio on the stock market, successfully placing Ps 2,047 million, equivalent to 8% of our mortgage portfolio. This transaction was recognized by "Latin Finance" as one of the most important bond operations in Latin America and the Caribbean in 2006.

Moreover, several initiatives were implemented last year which are intended to ensure the future growth of our institution:

1. The Banorte USA project became a reality with the acquisition of the Inter National Bank and Uniteller, a remittance company, institutions that constitute our gateway into the important U.S. Hispanic market.



2. We continued expanding our distribution network by opening 33 new branches, relocating 19 branches and refurbishing 8 more, in addition to opening 40 new Pronegocio branches, adding 358 ATMs and 21,452 POS terminals. A large proportion of this effort was oriented to enhancing our infrastructure in Mexico City.
3. We successfully placed a subordinate debt issue of USD 600 million in the international financial markets; USD 200 million correspond to Tier 1 capital and USD 400 million to Tier 2 capital, with an average maturity of 10 years and at a cost of 6.3% in USD terms. This strengthening of our capital enables us to continue growing, as well as engage in new lines of business.

As a result of these important efforts, Banorte was named, for second year in a row, Bank of the Year in Mexico by the important British magazine "The Banker." In addition to being recognized for its efficiency, profitability, financial soundness, technology and innovations, Banorte stood out internationally for its long-term development strategy and its commitment to better serve its customers.

Grupo Financiero Banorte's 2006 profitability was largely due to the significant growth in its loan portfolio, driven by consumer, mortgage and commercial loans. The net interest income (NII) grew by 5% in real terms to Ps 14,517 million, driven by a 20% growth in the performing loan portfolio, as well as an improved credit mix with more profitable assets - over 70% of the loan portfolio is now commercial and consumer loans - and a 24% increase in core deposits. All of these factors mitigated the impact of a 200 basis points drop in market interest rates.

Despite the vigorous 20% expansion in the consumer portfolio, its growth was limited by the prepayment made by FOVISSSTE and the securitization of part of the mortgage portfolio on the stock market. Nevertheless, excluding these events and the effect of the incorporation of the INB portfolio, consumer loans grew 29% for the year, with increases of 46% in credit cards, 36% in payroll and personal loans, 31% in mortgages and 3% in car loans.

This significant growth in our loan portfolio was achieved with an improvement in our asset quality. The Group's past due loans were brought down from 1.6% at the end of 2005 to 1.4% by December 2006, while reserves coverage rose from 166% to 172%. Moreover, the bank followed a satisfactory write-off policy, that led to reducing net loan losses in the year and improving the risk profile of our loan portfolio.

The Group's net income was Ps 5,959 million pesos, which in recurring terms equals to a real 17% increase over the previous year. This profit led to a 25% ROE, close to the level of 26% registered in 2005, while the ROA remained at 2.8%.

Another factor that contributed to profitability was the favorable performance of non interest income. Despite the reduction at the beginning of the year in commission's unit costs, which was driven by competitive pressures, service income rose 11% over the prior year to reach Ps 5,194 million, mainly due to the significantly increased volume of transactions, particularly in credit cards, electronic banking services, cash transfers, fiduciary and other commissions. Non interest income was also driven by the strong results achieved by Recovery Banking and Foreign Exchange and Trading, that accumulated income of Ps 867 million (+32%) and Ps 1,716 million (+59%), respectively.

Operating expenses grew by 8% in 2006, due to the investment program that we are carrying out. Nonetheless, the investments that we have made in previous years have started to bear fruit and have enabled us to maintain positive operating leverage, thanks to an 11% increase in total income. Thus, the efficiency ratio decreased from 57% in 2005 to 55% in 2006.

Loan loss reserves amounted to Ps 1,530 million, 2% higher than in 2005. This level represents 1.2% of the average portfolio for the year. Although the figure is below the 1.4% registered in 2005, this decrease was driven by the incorporation of the INB loan portfolio in the last month of the year.

The Banking Sector contributed with 84% of the Group's net income, accumulating Ps 4,991 million in 2006, 12% higher than 2005, if the extraordinary items of the prior year are excluded. Recurring income from core banking continued growing due to the sound growth and improved asset mix, as well as higher commission income.

Sólida Administradora de Portafolios, our asset recovery business, contributed Ps 689 million to net income, 11.6% of the Group's total profits. At the end of the year, assets under management reached Ps 59 billion, 96% of which are its proprietary - more profitable in nature - and 4% are managed for the IPAB.

The Long Term Savings Sector contributed with 8.8% to the Group's net income, which is Ps 525 million, 29% above 2005. The Auxiliary Organizations Sector contributed 4.1% of total net income, Ps 246 million, a real annual increase of 30%, while the Brokerage Sector contributed Ps 184 million, 138% higher than the 2005 level.

Créditos Pronegocio, our micro credit subsidiary, reported net income of Ps 22 million, a very significant achievement considering that it is only in its second year of operations. It now has almost 80 branches, and its loan portfolio grew over 70%, to Ps 611 million.

Despite the intense use of capital over the year - mainly due to the growth in risk assets, the U.S. acquisitions, the dividends paid and the new regulatory requirements by the authorities - the Banking Sector's capitalization ratio stood at 17.4% at the end of 2006, 1.3 points higher than at the end of 2005. Important efforts were made to increase the bank's capital, such as issuing subordinated debt of USD 600 million and the reinvestment of 85% of the profits generated in 2005.

Regarding dividends, the Group Board of Directors authorized the payment of a cash dividend of Ps 0.375 per share. The payout ratio of 15% was in line with our minimum payout policy. The value generated to our shareholders in the year was reflected in an increase of over 90% in the Group's market capitalization value, that reached more than USD 7,800 million at the end of 2006. It is worth mentioning that in 2006, GFNORTE was the most profitable bank stock in Latin America.

I would like to reiterate my gratitude to all our customers, advisors and shareholders for all the support given and confidence shown this year. I would also like to congratulate the entire Banorte team for another year of great efforts and dedication. Good results encourage us to keep on working hard, so that more Mexicans can attest that Banorte is the "Strong Bank of Mexico."



Luis Peña Kegel

Chief Executive Officer of Grupo Financiero Banorte



Bridge: Ing. Antonio Dovalí J., Coatzacoalcos, México.  
Photographer: Enrique Nakagawa



**business and results**



## Banking Sector

### Results

The accumulated net income of the Banking Sector for 2006 (at 100%, including the Afore under the participation method) was Ps 5,185 million. Majority interest generated Ps 4,991 million, thus contributing 84% of Grupo Financiero Banorte's income.

A significant event was the merger of Banco del Centro with Banco Mercantil del Norte on August 28, 2006 through agreements of their respective General Extraordinary Shareholders' Meetings held on August 16-17, 2006. The integration of both banks was concluded, and as of that date, Bancen, as the merged company, ceased to exist. Bancen had been acquired in June 1997 and its traditional banking operation was merged with Banorte as of the third quarter of 2000.

Solid growth in core income was registered during the year due to traditional banking activities, an improvement in the asset mix, and higher fee income.



**Steady growth during the year in recurring income from traditional banking activities, was due to solid growth...**

Net interest income before loan loss provisions rose 6% over 2005, mainly due to the 20% growth in the performing loan portfolio (excluding IPAB) and the improved loan portfolio mix, despite lower interest rates.

Non interest income increased 23% over 2005 basically from higher income of trading, foreign exchange, recovery and services. Non interest expenses rose 7% above 2005 due to the increased volume of operations and the expense for expanding the branch network. However, the Banking Sector efficiency ratio improved as it decreased from 56% to 54% compared to the previous year.

Non operating income (expense) dropped 80% compared to the previous year, as a result of the extraordinary income from the VAT refund in the second quarter of 2005.

The capitalization ratio, considering credit and market risks, increased from 16.1% in 2005 to 17.4%. This indicator was positively influenced by the issuance of the non convertible subordinated debt of USD 600 million during the fourth quarter of 2006 as well as, the profits generated during the year. However, the ratio was affected by the new regulations issued by the Ministry of Finance (SHCP) on capital requirements, that entered into effect in January 2006, and by the purchase of 70% of INB for USD 259 million, during the fourth quarter of 2006.

### Deposits

Total deposits at the end of the year amounted to Ps 169,075 million, 19% higher than in 2005. Banorte USA contributed Ps 14,735 million as of the December balance.

Deposits in money market were replaced by the growth in low-cost deposits, especially in the “Enlace Global” account. In addition, there were lower funding requirements, as a result of the FOVISSSTE prepayment and the securitization of the mortgage portfolio in the last quarter of the year.

Traditional deposits grew 24%, driven by the 30% growth in time deposits and 21% in demand deposits, driven by the strong promotion of the “Banorte Fácil”, “Mujer Banorte” and “PagaMás” products.

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**Total deposits at the end of the year amounted to Ps 169,075 million, 19% higher than in 2005.**

<b>Deposits</b>	<b>Dec '05</b>	<b>Dec '06</b>	<b>Var %</b>
Demand deposits with no interest	29,807	35,913	20%
Demand deposits with interest	48,836	58,985	21%
Demand deposits <sup>(1)</sup>	78,643	94,898	21%
Time deposits	41,614	53,918	30%
Core deposits	120,257	148,816	24%
Money market deposits <sup>(2)</sup>	22,402	20,259	(10%)
<b>Total deposits</b>	<b>142,660</b>	<b>169,075</b>	<b>19%</b>
Off balance trading	106,220	133,320	26%
<b>Total assets under management</b>	<b>Ps 248,880</b>	<b>Ps 302,395</b>	<b>22%</b>

Millions of pesos as of December 2006.

(1) The IPAB checking accounts were excluded, with balances of Ps 608 in 2005 and Ps 526 million in 2006.

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

## Loan portfolio

The total performing portfolio, excluding the Recovery Banking's proprietary portfolio, increased 20%, rising from Ps 112,888 million to Ps 135,431 million. Banorte USA contributed Ps 8,505 million to the December 2006 balance.

The consumer loan portfolio grew 20% in the year, as a result of the following:

- The mortgage portfolio increased with the placement of 16,189 new loans in the last 12 months, closing the year with a balance of Ps 26,503 million. Nonetheless, it was negatively affected by the securitization of Ps 2,068 million of the total portfolio and the FOVISSSTE prepayment of Ps 2,677 million in the last quarter of 2006.
- The credit card portfolio was driven by the successful promotion programs to attract new customers (including the transfer balance program entitled "Ya bájale con Banorte") and by the increase in the use of balances by our clients.
- Credinómina (payroll loans) grew 39% with the origination of 237,805 new loans. As of the third quarter of 2005, Banorte began offering personal loans (grouped under the Credinómina loans) which ended the year with a balance of Ps 1,071 million and 24,345 new loans originated in 2006.
- Despite the strong competition from car manufacturing leasing companies, car loans rose 3% with the placement of 34,412 loans.

The commercial loan portfolio increased 49% mainly due to the origination of new loans to Small and Medium Enterprises (SMEs) and to the significant contribution of the Banorte USA loans to this balance.

Corporate loans rose 13% thanks to the implementation of new strategies for placing loans linked to the cross-sale of products.

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The government loan portfolio dropped 32% due to the growing trend to replace bank debt with stock market liabilities, prepayments and the maturity of some important state government loans.

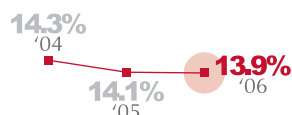
The IPAB notes were fully liquidated since the second quarter of 2006.

Despite the significant growth of the loan portfolio, past-due loans increased 6% over the prior year, so that by the end of the year, the balance was Ps 1,962 million, with a past-due loan ratio of 1.4%, compared to the higher 1.6% of the prior year.

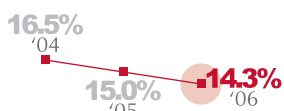
Loan portfolio	Dec '05	Dec '06	Var %
Mortgage	23,293	26,503	14%
Car loans	6,131	6,336	3%
Credit card	6,486	9,482	46%
Payroll	3,532	4,894	39%
Consumer	39,442	47,213	20%
Commercial	34,683	51,509	49%
Corporate	22,954	25,939	13%
Government	15,808	10,770	(32)%
Performing loan	112,888	135,431	20%
Recovery banking	1,527	1,327	(13)%
Past due loans	1,844	1,962	6%
<b>Total loan portfolio</b>	<b>116,259</b>	<b>138,720</b>	<b>19%</b>
Fobaproa loans / IPAB notes	168	0	(100)%
<b>Total loan portfolio with IPAB</b>	<b>Ps 116,427</b>	<b>Ps 138,720</b>	<b>19%</b>
<b>% Past due loans without Fobaproa / IPAB</b>	<b>1.6%</b>	<b>1.4%</b>	<b>(0.2)%</b>

Millions of pesos as of December 2006.

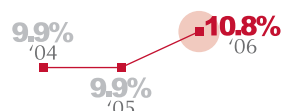
### Branches



### Demand deposits with no interest

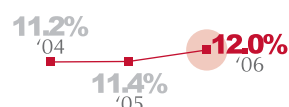


### Core deposits



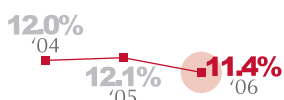
### Total public deposits

Excluding financial intermediaries.



### Performing loan portfolio

FOBAPROA and IPAB loan not included.

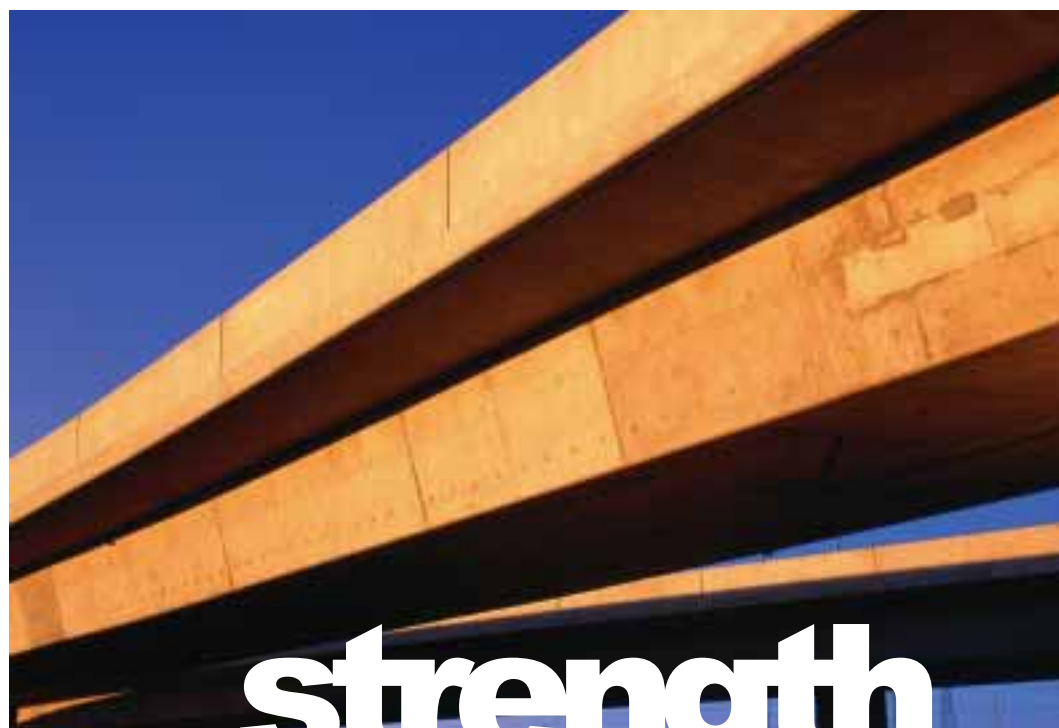


Source: A. B. M. (Mexican Banking Association)

### Market share

Banorte has maintained its market position, ranking fourth in the number of branches and demand deposits without interest. Moreover, in the last two years, it has increased its share of core deposits, rising from 9.9% to 10.8% and from 11.2% to 12.0% in total deposits.

The market share held by the current loan portfolio at year end was 11.4%, ranking fourth nationwide. This market share was impacted by 1% due to the FOVISSSTE prepayment and the placing of MBS (BORHI's) on the stock market.



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**Banorte's Recovery Asset Business has maintained its leadership position in the Mexican market in the area of portfolio management and acquisition of distressed loans**

### Recovery of Assets Business

Banorte's Asset Recovery Business has maintained its leadership in the area of the management and acquisition of distressed loans in the Mexican market. In 2006, eight portfolios were acquired for Ps 9,180 million. Through these purchases, Banorte achieved a 50% market share in assets auctioned in the market during the year.

In addition, this unit's investments in real estate development projects showed a significant increase, so that by year end, the investment reached Ps 1,195 million. In other words, an important step has been taken to diversify the sources of income in this business.

	2004	2005	2006
Traditional Banking income	2,156	4,228	5,270
Assets Recovery Business income	653	883	689
<b>GFNorte net income</b>	<b>2,809</b>	<b>5,111<sup>(1)</sup></b>	<b>5,959</b>
<b>% Recovery Business</b>	<b>23.2%</b>	<b>17.3%</b>	<b>11.6%</b>

(1) Extraordinary items excluded.

Millions of pesos as of December 2006.



By year end, assets under management reached Ps 58,593 million. A significant fact is that the composition of the same has changed, so that at the end of the year 96% was proprietary (compared to 74% in the prior year), which favors the profitability of the business.

Assets under management	2004		2005		2006	
Assets held by the Group	34,374	50%	49,537	74%	56,327	96%
IPAB assets	34,444	50%	17,528	26%	2,265	4%
Total assets	68,818		67,065		58,593	

Millions of pesos as of December 2006.

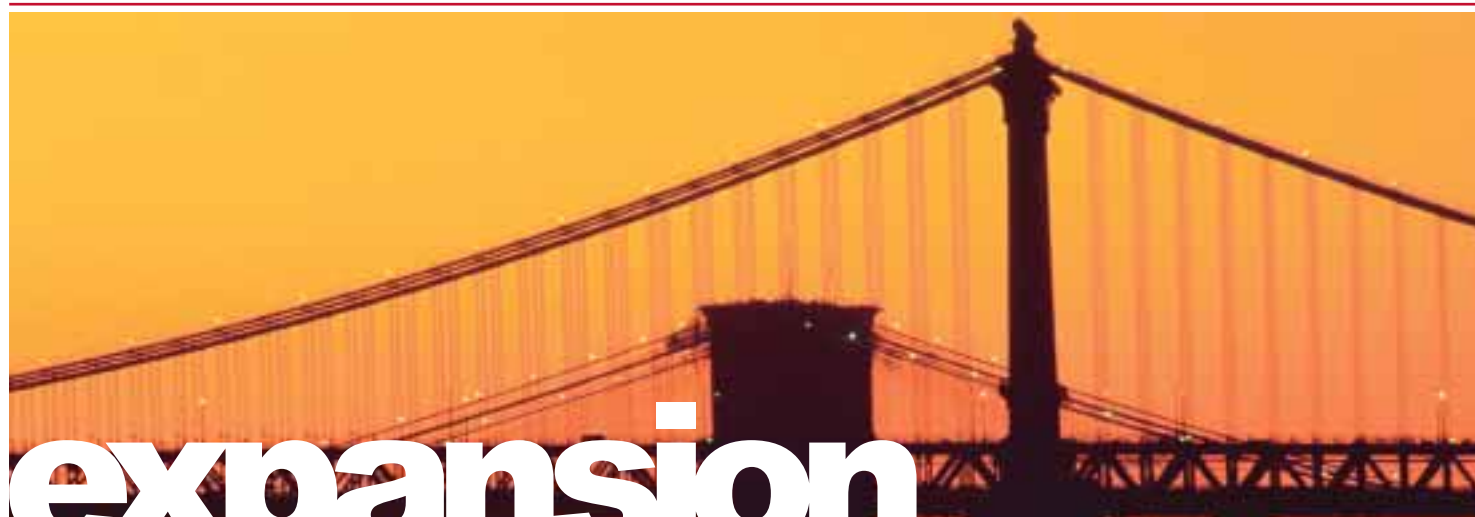
One of the most important achievements in this unit is the ratification of the AAFCI-(mex) rating, which is the highest one granted by Fitch Ratings to an Administrator of Financial Credit Assets. The ISO 9001:2000 certification was also ratified based on the positive results obtained in the audits carried out during the year.

The strategy followed by the Recovery Asset Business is to develop market strategies and expertise in order to identify potential sales of distressed assets. Furthermore, efforts will be made in order to increase the market share of investments in real estate and infrastructure projects. Both initiatives will ensure that this remains a successful and recurrent business, so that it continues making a significant contribution to the Group's profits.



**Assets under management reached Ps 58,593 million... 96% was proprietary.**





**Banorte offers new prospects to its customers in Mexico and the U.S. fulfilling its commitment to come closer to families and businesses on both sides of the border.**



### **Banorte USA**

In November 2006, Grupo Financiero Banorte became the first Mexican institution in the last 30 years to obtain the authorizations required by the Mexican and U.S. regulatory authorities to operate as a Financial and Banking Group in the USA, in order to increase the potential of bi-lateral business.

### **Banking Business in the U.S.**

During 2006, through Banorte USA Corporation, Banorte acquired 70% of the shares of Inter National Bank (INB) for USD 259 million in 2006.

Inter National Bank is a banking institution with a national license located in the Texas border zone, concentrated in Valle del Río Grande (McAllen) and El Paso. Through this acquisition, Banorte offers new prospects to its customers in Mexico and the U.S. fulfilling its commitment to come closer to families and businesses on both sides of the border.

This acquisition enables us to meet the financial needs of customers in the McAllen and El Paso regions in Texas, one of the fastest growing zones over the last ten years in the U.S. Furthermore, its location along the border, and its proximity to northern Mexico where Banorte has the leading market share, creates an opportunity for business synergies and growth.

Banorte and Inter National Bank customers may carry out the following operations:

- Transfers of funds with no charge, which are credited the same day among all Inter National Bank and Banorte checking and savings accounts.
- Cash withdrawals with no charge in Banorte ATM's through INB debit cards and vice versa.
- Binational mortgages for U.S. citizens seeking to purchase property in Mexico and for Mexican citizens wanting to invest in U.S. properties.
- Cost-free crediting of INB checks in the Banorte branches network and vice versa, with 24 hour availability of funds.



**EN BANORTE  
SEGUIMOS TRABAJANDO  
PARA BENEFICIAR  
A MÁS MEXICANOS.**

Ahora los clientes de Banorte e Inter National Bank  
podrán realizar **GRATIS** las siguientes operaciones:

- Transferencias de fondos entre todas las cuentas de cheques y de ahorro de Inter National Bank y Banorte.
- Disposición y consulta en Cajeros Automáticos de ambos bancos.
- Depósito de cheques con disposición de fondos en 24 horas.

Auf en Banorte reafirmamos nuestro  
compromiso de crecer con los mexicanos.

Para más información consulte en la sucursal Banorte o en Inter National Bank  
al 800 833 334 (túmbalo en el Correo electrónico: banorte@banorte.com)

**BANORTE**  
EL BANCO FUERTE DE MÉXICO

**INTER  
NATIONAL  
BANK**

### Family Remittances

Family remittances have become a very significant source of revenues for the Mexican economy. Banorte plays an increasingly important role in this industry.

In 2006, through its network of nearly 1,000 branches in the country, Banorte paid more than 4 million remittances to Mexicans, in an amount higher than USD 1.6 billion. This corresponds to a 7% market share of all the remittances received in Mexico throughout the year.

As part of a strategic plan to promote bancarization services among remittance users, Banorte signed an agreement with JP Morgan Chase to pay the remittances generated in its more than 2,600 branches in the U.S., as well as, alliances to distribute remittances for Wells Fargo and Bank of America, two leading institutions that have concentrated on the Hispanic market.

To enhance Banorte's market share in the value chain of family remittances, the announcement of the purchase of 100% of the shares of UniTeller Holdings, Inc., a money transfer company based in New Jersey, was made on April 2006.

With this acquisition, Banorte gains access to the remittances of Mexican customers originated in the U.S., directly capturing and paying them to the beneficiaries in Mexico.

UniTeller represents an excellent opportunity for us to better serve our customers, because it operates in 41 states in the U.S., where 97% of the Hispanic population lives and 96% of the remittances sent to Latin America are originated.

### Banorte Securities

To complement the range of services to our fellow Mexicans living in the United States and to meet the financial needs of the high income Hispanic community, GFNorte has developed, through its subsidiary Banorte Securities Inc., a portfolio of private banking financial products and services tailored to this market segment.

Banorte Securities now operates offices to serve this segment in the cities of New York, N.Y, McAllen and El Paso, Texas.

**To enhance  
Banorte's market  
share in the value  
chain of family  
remittances, the  
announcement of  
the purchase of  
100% of the stock  
of UniTeller  
Holdings, Inc. was  
made on April 2006.**





## Long Term Savings Sector

The total income of the Long Term Savings Sector, comprised by Afore Banorte Generali, Seguros Banorte Generali and Pensiones Banorte Generali, was Ps 1,028 million, 51% of which correspond to GFNorte. These profits grew by 29% compared to 2005 year closing. This result was mainly due to the extraordinary gains obtained by Annuities unit and the results achieved by the Insurance sector.

Regarding funds administered and technical reserves, the sector increased its level from Ps 49,287 million in 2005 to Ps 63,607 million at the end of 2006. Afore Banorte Generali manages 79% of this amount.

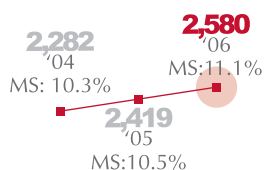
### Afore Banorte Generali (pension funds management)

Net income for 2006 was Ps 100 million (51% corresponds to GFNorte's share), which is 64% lower than 2005, due to the significant increase in the cost of new affiliates and the reduction in commissions charged as the result of aggressive competition, a phenomenon that has impacted the entire industry.

The annual equivalent commission charged by the Afore dropped from 3.30% to 2.36% for the year, which substantially reduced income generation. We have 3,282,539 affiliates and hold an 11.06% market share of certified accounts. Despite the intense competition, the assets managed by SIEFORE grew 24% over the prior year due to the increased number of affiliates and the strategy of attracting new higher end customers.

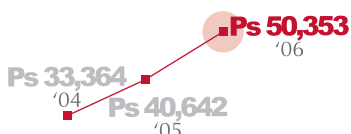
#### Number of certified affiliates

Thousands of affiliated workers.  
MS: Market share.



#### Assets under management

Millions of pesos as of December 2006.

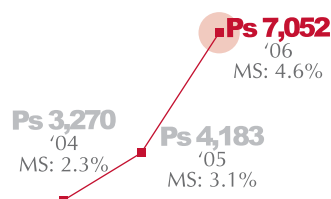






### Premiums sold

Millions of pesos as of December 2006.  
MS: Market share.



### Seguros Banorte Generali (insurance)

The Insurance Company reported a net income of Ps 318 million in 2006 (51% of which corresponds to GFNorte), 25% below 2005 in spite of the significant increase on the premiums sold. The decline in profits was driven by: a higher casualty rate, more competition in prices, the increase in technical reserves created from insuring major customers and the higher income tax, since the tax loss carry forwards were used in 2005.

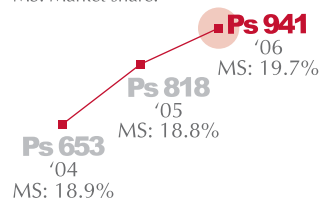
This year premiums exceeded the seven billion pesos mark, representing a 69% gain over 2005. This was achieved mainly by growth in bank assurance and to new customers.

Based on the AMIS rankings, with the net premiums issued in 2006, Seguros Banorte Generali improved its market position for the year, advancing from 8th to 6th place.

**This year premiums exceeded the seven billion pesos mark, representing a 69% gain over 2005.**

### Deposits received from IMSS

Millions of pesos as of December 2006.  
MS: Market share.

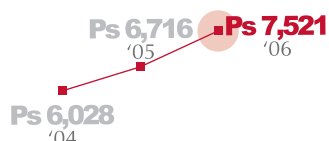


### Pensiones Banorte Generali (annuities)

Income from the Annuities unit was Ps 610 million (51% of which corresponds to GFNorte's share). The main factor that contributed to this extraordinary income were the extraordinary gains obtained from the sale of securities that were held to maturity and the price valuation per vector in the investment portfolio. Pensiones Banorte Generali ranked second in the industry with a market share of 21.1% in annuities and 19.7% in the amounts recorded as premiums.

### Technical reserves

Millions of pesos as of December 2006.



# perseverance



## Brokerage Sector

Banorte's Brokerage Sector is comprised by the Brokerage House and two affiliates: Banorte Securities International Ltd. (BSI) and Operadora de Fondos Banorte.

### Casa de Bolsa Banorte (brokerage house)

This company generated Ps 184 million during the year, 138% higher than the previous one, mainly due to a higher income from increased stock market operations, an increase in investment bank income from the public offer of debt certificates for State and Municipal governments (acting as the leading agent) and corporate placements, the appreciation in the value of securities held in the portfolio and the cost cutting program implemented at the same time.

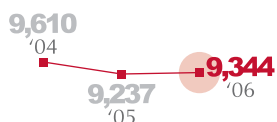
The customers' portfolio grew 31% in 2006 to end the year with a balance of Ps 163,172 million.

In 2006, Banorte reversed the negative trend of previous years in its market positioning among mutual funds by making a significant use of the bank's branch network to promote and sell these products. By year end, Operadora de Fondos had Ps 25,858 million in assets under management, 62% more than in 2005.

The assets are managed in 24 funds: 17 specialize in debt instruments and 7 in variable income securities. Three of the latter are invested in international securities, so that this range achieves a balance based on the customer's profile. The important increase in the value of the funds is due to the attractive yields, based on the location and market profile, where the funds are invested and by the strategic priority that Banorte continues to give to this product.

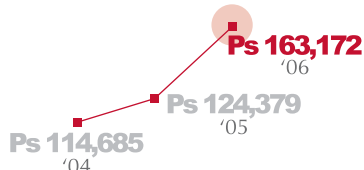
Moreover, Banorte Securities International, GFNorte's brokerage house based in New York, managed a portfolio of USD 1,096 million in 2006. BSI remains as an attractive diversification option for those customers who are seeking to invest in international markets.

### Number of customers



### Assets under management

Millions of pesos as of December 2006.



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## Auxiliary Organizations Sector

The companies comprising this sector are Arrendadora Banorte, Factor Banorte, Almacenadora Banorte and Fianzas Banorte, which jointly generated Ps 246 million, representing a 4% contribution to Grupo Financiero Banorte's income.

### Arrendadora Banorte (leasing)

This company generated an income of Ps 118 million in 2006, 42% higher than in 2005, mainly due to the 14% growth in its loan portfolio, the creation of smaller loan reserves (based on the quality of its loan portfolio) and on the income from the sale of equipment in pure leasing and recoveries. The ratio of past-due loans was 0.7% at the end of 2006, which has a reserve coverage of 191%. Arrendadora Banorte held 2nd place in loan portfolios among the 27 leasing companies operating in Mexico.

### Factor Banorte (factoring)

The factoring company generated Ps 89 million in income, 27% above 2005, as the result of the increase in the loan portfolio which by year end had a balance of Ps 4,132 million and the release of loan reserves upon collecting past-due loans. The past due loan portfolio amounted to Ps 18 million, with a past-due ratio of 0.4%, for which the reserve coverage was 156%. Based on its volume of operations, Factor Banorte ranks first in the industry among 10 factoring companies.

### Almacenadora Banorte (warehousing)

This company accumulated a net income of Ps 11 million for the year, 23% less than in 2005, caused by a reduction of sold inventories resulting from reduced operations by major customers. This was partly offset by offering more warehousing services, such as outfitting warehouses, which have enabled Banorte to issue receipts that serve as security interest; especially in the agricultural and livestock field, as well as by increasing the usage of its own warehouses. Almacenadora currently ranks 9th among 20 warehousing companies in certification volume.

Almacenadora Banorte is seeking new growth prospects through the promotion of external warehouses and through leases. More business should be generated by the construction, which started in 2006, of the second railway spur track in our property.

### Fianzas Banorte (bonding)

The bonding company's income for 2006 was Ps 29 million, 23% higher than in 2005, which resulted mainly from creating smaller technical reserves than in the previous year. The Extraordinary General Meeting of the Shareholders of Grupo Financiero held on December 13, 2006 approved the split-off of Fianzas Banorte, S. A. de C. V. from the Group, in order to proceed to its sale.





## Microcredit SOFOL - Pronegocio

The Créditos Pronegocio unit was incorporated as a Limited Purpose Financial Association or Non-Bank Bank (SOFOL in spanish) and started operating in the first quarter of 2005. In fiscal 2006, it reported net income of Ps 22 million, resulting from positive acceptance by customer's of these products, which generated significant growth in the loan portfolio.

The commercial portfolio was Ps 611 million, while the past due loan portfolio balance was Ps 58 million (a ratio of 9.5%) and the reserve coverage was 29% (which translates into 147%, since Nacional Financiera, a development bank, guarantees 80% of the loans).

The number of branches rose from 39 to 79 in the year. The plan for 2007 is to have over 100 branches, which will reinforce the unit's presence in 28 states in Mexico.

**CRÉDITOS**  
**PRO**  **NEGOCIO**



**The number of branches rose from 39 a 79 in the year. The plan for 2007 is to have over 100 branches, which will reinforce the unit's presence in 28 states in Mexico.**



A low-angle, upward-looking photograph of a concrete bridge structure. The bridge features large, rectangular concrete piers and horizontal beams. The sky is a clear, vibrant blue. The text "strategy" is written in white, and "implementation" is written in red, both in a bold, sans-serif font, positioned across the middle of the image.

# strategy implementation



## Image

The strategy to position Banorte as a sound and experienced bank has been maintained through communication and reinforced with the development of new products that are differentiated and offer added value. Thus, in 2006 Banorte was able to differentiate and consolidate as a secure and reliable bank, one that concerns about its customers, that is always forthright and, above all, a bank with a high sense of social responsibility based on its commitment to the growth of its customers and the society as a whole.

A very meaningful award for Banorte, since it is based on public opinion, was being ranked number one with the highest grade in the financial sector in the Mexican Index of Entrepreneurial Reputation, a survey carried out by Mexican Transparency and Mitofsky Consulting. This index measures, among other factors, customer service, commitment to Mexico's development, relationship with the community and the competition, and concern for the interests of shareholders, investors and partners. The aspects considered in determining this reputation are the following:

- Quality products and services.
- Public image / Advertising.
- Prestige / Professionalism, discipline, providing solutions.
- Customer satisfaction and relations.
- Relations and contribution to the community.
- Ethical behavior / Honesty.

**Banorte was able to differentiate and consolidate as a secure and reliable bank, one that concerns about its customers, one that is always forthright.**

We will shortly intensify our support to individuals, small and medium-sized enterprises, rural areas and the various sectors, thus reaffirming Banorte's commitment to the development of Mexico.



## Products and Services

### Deposits

In 2006, “The Strong Bank of Mexico” consolidated its position among competitors with its attractive integral demand deposit product, “Enlace Global®”. This successful product enabled Banorte to compete aggressively with major world banks in the families segment. “Enlace Global®” is a Mexican peso deposit account that may be used either with or without a checkbook. Depending on a customer's needs, two payment options are available: fixed payments or payment per transaction. Moreover, it offers attractive yields and immediate liquidity, since either option provides access to an investment at very competitive rates.

Banorte also stood out from the competition with its launch of the “Recompensa Total Banorte®” (full compensation program). This program surpasses the benefits offered by all the other bank loyalty programs in the market. Through this program, we grant benefits and exclusive compensations to all Banorte customers when they use any of our products and/or services, as an expression of gratitude for selecting our institution. This is the only program that rewards customers in EVERYTHING and for EVERYTHING, granting points for using such products as: a) Deposits: mutual funds, savings, checking, debit and term accounts; b) Loans: mortgages, payroll, personal and car loans; c) Billing: credit and debit cards and d) Services: at home and payments through internet or ATMs. Upon enrolling in this program, customers earn points for each operation carried out or service used, that may be exchanged for attractive prizes, ranging from movie tickets to plane tickets, with no restrictions.

Some other outstanding Banorte savings products were “Suma®” and “Suma Menores®”, which maintained excellent prices, image and functionality throughout the year, giving them an edge over the competition. The “Suma®” performance was very strong, with a 54% increase in the number of opened accounts compared to the previous year. In addition to the excellent characteristics of the product itself, the “Suma®” promotional campaign of “Double and Triple your Balance” continued, with weekly and biweekly raffles giving customers the chance of doubling or tripling the balance in their accounts. Regarding “Suma Menores®”, attractive promotional campaigns were carried out, involving innovative prizes, leading to a 177% increase in the number of opened accounts compared to 2005.

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**The creative and innovative design and delivery of products and services have helped to distinguish Banorte from other Financial Groups.**







# modernity

The “PagaMás®” campaign continued successfully, this gave Banorte a strong impetus to term investments, offering an additional yield bonus based on the time customers have held the account. Through this campaign, Banorte consolidated its position as the bank paying higher yields to its term investment customers, achieving the highest growth in the market for this type of investments.

Banorte gave a major push to debit cards, reaching a billing growth of 46% in stores, 3.3 times above the market rate. Another outstanding launch was the innovative gift card “Regalamás”. This is a prepaid debit card in which further deposits are not permitted. It may be used to purchase gifts in stores and to withdraw cash at: Banorte ATMs or any other banks’, cashier windows in Banorte bank branches and in stores affiliated to the Cash Back program. Customers may inquire about their card balances at Banorte ATMs or any worldwide bank’s ATMs.

## Loans

### Mortgages loans

In 2006, Banorte strengthened its market position in mortgages by placing 16,189 loans, a 36% increase over the 2005 placements, and doing this without neglecting the quality of the service provided to our customers, private citizens and housing developers alike. It is important to note that in 2006, Banorte was the first bank to offer a 30 year mortgage at a fixed peso rate.

The year 2007 will be one with many challenges and opportunities, in which our main objective is to maintain product growth and offer new financing plans.

### Car loans

Significant improvements were made to the “AutoEstrene®” car loans program, such as: extending the term to 60 months, offering financing for used cars up to four years old and introducing “AutoEstrene Nómina®”, a product with preferential conditions targeted to customers whose salaries are paid through the Banorte payroll system. Thus, 34,412 credits were placed, 5% above the prior year, retaining a 15% market share. In 2007, we will continue to improve our products to maintain a competitive position, emphasizing quality service and swift response to credit applications.



Un buen plan para tus planes.



#### Payroll and Personal loans

These loans have met customers' demands for cash, with a 39% growth in balances from the 262,150 loans placed.

The key to success has been improving the time and service responses, through the usage of modern tools that allow granting loans the same day they were requested and simplifying the renewal of loans through new attributes, such as additional cash withdrawals.

The strategy for 2007 will be based in enhancing response times in branches, with preauthorized credits that provide immediate availability of cash.

#### Credit card

The placement of cards in the credit card unit, registered an increase of 115% as compared to 2005. This behavior was supported by the excellent performance of the branches network and the diversification into new channels, which enabled the total portfolio to exceed in one million cards.

The "Ya Bájale" campaign related to the purchase of balances became a product attribute and was successful again, comprising an important factor in the 46% growth of the total portfolio that was at Ps 9,482 million at year end. This increase exceeded market levels and the past due portfolio ratio held at figures below industry levels, closing the year at 3.6%.

The "Recompensa Total Banorte" has fortified the "Puntos Banorte" loyalty program, in which credit card holders can more easily generate and redeem points, upon adding the points generated by its other Banorte products.

In addition, the promotion of "Gratis de por Vida" programs (Free for Life) has gained the loyalty of a significant number of credit card users in the portfolio, positioning Banorte as the only institution to offer this attribute.

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### Crediactivo

This Banorte product supports Small and Medium Enterprises (SMEs) and it is designed to handle working capital and fixed assets requirements, in which Nacional Financiera shares the risk. At the end of 2006, CrediActivo had 11,433 customers with 19,373 loans equivalent to Ps 9,540 million, up 29% over the previous year.

In July 2006, Banorte was honored by Nacional Financiera as the Leading Financial Intermediary in Operating SME Programs in 2005, an award that corroborates Banorte's commitment in this segment.

### Farming credit

Over the past few years Banorte has consolidated its leadership in supporting the development of Mexican farming areas, by increasing its operations year after year. In 2006 the unit was able to place Ps 21 billion; thanks to its knowledge of this sector's requirements, which has enabled it to do this work with quality and to maintain a past due loan ratio below 1%.

Banorte ranks second nationwide in using FIRA (Trusts Founded for Agriculture) discounts.

### Bancaseguros (bank insurance)

In 2006 the placement of free sale insurance registered a record, nearly 69,000 auto insurance policies were sold, 19% over 2005 sales. Life insurance rose 21% and home insurance increased 31%.

"Patrimonio Integral Banorte" (personal estate insurance) consolidated its position in 2006 at Ps 1,760 million, in which the attractive returns and interesting tax strategy were the keys for success in achieving this product's high level of acceptance.

## Banorte ranks second nationwide in using FIRA (Trust Founded for Agriculture) discounts.



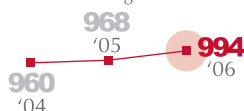


## Distribution channels

The steady growth in the branch network, the commercial alliances with TELECOMM and the recent entry into the U.S. financial market, have all permitted the continued strong positioning of the Banorte brand.

### Branches

Includes bank agencies.



### Branches

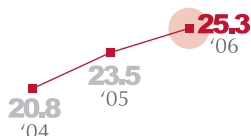
In 2005, Banorte began to implement its strategy to expand its network of branches, by strengthening our service and image in Mexico's leading financial markets, with particular emphasis on Mexico City.

In 2006, Banorte increased and optimized its branches coverage by opening 33 offices, moving 19 branches to more highly commercial locations and closing 3 bank offices.

For 2007 we plan to carry out at least 70 movements related to opening, relocating and expansion nationwide to close the year with an estimated 1,028 branches.

### Call Center Banorte

Millions of calls.



### Banortel Call Center

During the year, 25 million calls were processed, mainly due to the natural growth of the customer base and our commercial strategies. The design of the new Customer Service Model was completed, which will be implemented in 2007, and will allow us to strengthen our service and enhance the value of Banortel in the Institution, since it is a new model focussed on improving the efficiency of processes through a new technological infrastructure.

One of the achievements of 2006 was the integration of credit card commercial strategies through Banortel; which will be included in the "Ya Bájale" campaign in 2007 to maximize the use of this channel.





## ATMs

Banorte's strategy to expand the branch network goes hand in hand with the growth in the number of ATMs. At the end of 2006 we had 3,169 ATMs (an average of 3.2 per bank branch) and by the 2007 year closing we will have 3,669 (an average of 3.6 per bank branch). Thus we will advance in strengthening this channel through which 42% of bank transactions are carried out.

## Internet banking

The Internet is one of the fastest growing channels and Banorte currently has 312,000 customers using this channel, carrying out 112 million operations per year. The average monthly value of these operations is Ps 388 billion.

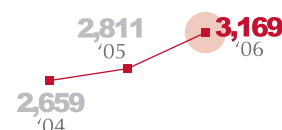
Because Banorte is very concerned about providing security to its customers, it is the first bank in Mexico to offer security through the use of the token\* for individuals. This means that 100% of our customers can make transactions through the Internet with the maximum security level.

## Other channels

Banorte has also developed new channels to create significant growth in customer service. Within the framework of the alliance with TELECOMM, cash may be withdrawn in more than 1,550 Telégrafos de México offices (telegraph office). The "Cash Back" service offers the withdrawal of cash at major self-service stores with national coverage.

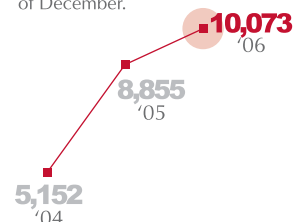
### ATMs

ATMs in operation.



### Banorte internet transactions

Thousands of transactions in the month of December.



\*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.

## Service

### Human team

In 2006, we continued concentrating on achieving sustained and orderly growth, looking to the future in which our people will have the opportunities they need for personal and professional development. Banorte's penetration abroad clearly expands the range of possibilities even more.

To optimize the efficiency of our Institutional incorporation process the "seeding" concept was created. Through this the right personnel will be available when new job opportunities are created.

We are also providing training to ensure that our people have the knowledge required to offer our customers the quality service they expect, stressing legal certifications in the development of executives and operating personnel and the strengthening of sales attributes in products and services.

At Banorte we are concerned with recognizing our personnel's performance through compensations, focused on profitability, in line with our business objectives. Therefore, we have a system that allows us to ascertain the contribution made by each individual, based on achievement, performance and compliance with regulations.

Full-time employees	2004	2005	2006
Banking Sector <sup>(1)</sup>	12,296	12,683	13,362
Long Term Savings Sector	1,742	1,793	1,822
Brokerage Sector	337	140	131
Auxiliary Organizations Sector	108	96	104
Pronegocio	0	300	510
<b>GFNorte</b>	<b>14,483</b>	<b>15,012</b>	<b>15,929</b>

(1) In 2005 includes 169 positions of the Patrimonial area that were transferred of the Brokerage Sector and in 2006 it includes 326 employees of INB.



**As of 2006, Banorte has an alternative computer center... The technological solution is unique in the industry on an international level, since no information is lost and service may be restored in under 8 hours.**

### Technology

To support the challenges Grupo Financiero faces and to stay competitive with the major world banks, 47 projects were completed in 2006 to strengthen GFNorte's portfolio of products and services. Among these, the most outstanding

products are the 30 Year Mortgage and the Recompensa Total Banorte. Our operations were expanded through alternative networks that facilitated the distribution and operation of our services, some of the most important became compatible with national and international platforms such as TELECOMM, Inter National Bank and the alliances for receiving remittances with Wells Fargo, JPMorgan Chase and Bank of America.

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To take advantage of the purchase of INB abroad, a series of services and processes were put in place to allow making electronic transfers and using ATMs with no cost, thus expanding the services coverage for our customers.

In relation to the levels of service related to the availability of operations in all our channels, we achieved a 98.27% availability with a total of 585 million operations during the year.

Regarding control, measures were implemented to provide enhanced follow-up of our international operations: a system to monitor transactions was made operational to prevent money laundering and the use of the token in the BXI was implemented. All of these are intended to contribute to compliance with regulations and control operational risks.

As to strengthening infrastructure, the installed computer base was updated with a 20% increase in capacity, as well as the reinforcement of the thermal and electrical infrastructure in the Tlalpan (neighborhood of Mexico City) computer center. All this contributed to achieve a 99.999% availability factor, that places the institution among the most reliable computer centers in Mexico.

As of 2006, Banorte has an alternative computer center located in the Interlomas area of Mexico City that allows it to fully recover its services in the case of a disaster in downtown Tlalpan. The technological solution is unique in the industry on an international level, since no information is lost and service may be restored in under 8 hours.

To continue supporting the availability of our channels, in 2006, technological infrastructure was installed in 27 new Banorte branches, 46 Pronegocio branches and in 20 others that were relocated.



# 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
Jesús Oswaldo Garza Martínez	Managing Director - Consumer
Antonio Emilio Ortiz Cobos	Managing Director - Corporate and Entrepreneurial
Alejandro Valenzuela del Río	Managing Director - Treasury, Brokerage House and Investor Relations
Luis Fernando Orozco Mancera	Managing Director - Assets Recovery
Enrique Castellón Vega	Managing Director - Long Term Savings
Carlos Garza	Managing Director - Banorte USA

#### Staff

Alma Rosa Moreno Razo	Managing Director - Administration
Sergio García Robles Gil	Managing Director - CFO
Cecilia Miller Suárez	Managing Director - Marketing
Joaquín López Dóriga López Ostolaza	Managing Director - Corporate Affairs
Prudencio Frigolet Gómez	Managing Director - Technology and Operations
Gerardo Coindreau Farías	Managing Director - Risk Management
Aurora Cervantes Martínez	Managing Director - Legal
Román Martínez Méndez	Managing Director - Audit

### TERRITORIAL DIRECTORS

Sergio Deschamps Ebergenyi	North
Marcelo Guajardo Vizcaya	Mexico City South
Juan Carlos Cuéllar Sánchez	Mexico City North
José Antonio Alonso Mendivil	West
Carlos Eduardo Martínez González	Central
Juan Antonio de la Fuente Arredondo	Northwest
Jorge Luis Molina Robles	Peninsular
Juan Manuel Faci Casillas	South

## MEMBERS OF THE BOARD OF DIRECTORS

Roberto González Barrera	Chairman
Rodolfo Barrera Villarreal	Vice-Chairman
Aurora Cervantes Martínez	Secretary
Napoleón García Cantú	Alternate Secretary

## REGULAR MEMBERS

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

## ALTERNATE MEMBERS

Roberto González Moreno	Patrimonial
Jesús L. Barrera Lozano	Patrimonial
Juan González Moreno	Patrimonial
Javier Martínez Abrego	Patrimonial
Manuel Sescosse Varela	Related
Carlos Chavarría Garza	Patrimonial
Germán Francisco Moreno Pérez	Independent
Alfredo Livas Cantú	Related
Benjamín Clariond Reyes-Retana	Independent
Simón Nizri Cohen	Independent
Isaac Hamui Mussali	Independent
César Verdes Quevedo	Independent
Isaac Becker Kabacnik	Independent
Jorge Vélez Bautista	Independent
Sergio García Robles Gil	Related

## COMISARIOS

Ernesto de Jesús González Dávila	Regular
Carlos Alberto García Cardoso	Alternate

At the General Ordinary Stockholders' Meeting of Grupo Financiero Banorte, S. A. de C. V. held on April 20, 2006, the aforementioned persons were designated as Patrimonial and Alternate Examiners. Subsequently, at the General Ordinary Shareholders' Meeting of Grupo Financiero Banorte, S. A. de C. V. held on December 13, 2006, the designation of the Company's Patrimonial and Alternate Examiners was revoked, due to the elimination of this legal concept under the terms of the Securities Market Law.