



GRUPO FINANCIERO
BANORTE

Annual Report 2007

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To satisfy our customers' financial needs through modern means of delivery, ensuring high-quality service provided with friendliness and efficiency.

To preserve the integrity and quality in all our operations, especially through the adequate management of the Group's deposits and capital.

To adopt profitability and value creation as a working philosophy to support our depositors and shareholders, and to constitute a reinvestment base for the Group.

To 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.

To become an institution that is a fair source of employment, treating each of our employees with the highest degree of equality and impartiality.

Mission







Highlights



Highlights

Grupo Financiero Banorte

	2005	2006	2007
Total assets	205,631	250,990	287,283
Deposits ⁽¹⁾	148,599	175,314	203,298
Loan portfolio	125,789	147,104	196,532
Past due loan ratio	1.6	1.5	1.5
Reserve coverage	165.8	146.9	130.8
Stockholders' equity ⁽²⁾	22,161	26,580	32,489
Net income (according to participation)	6,183	6,255	6,810
ROE	30.8	24.9	22.6
ROA	3.1	2.8	2.6
Number of shares (thousands)	2,018,554	2,018,348	2,018,348
Book value per share (pesos)	11.0	13.4	16.4
Net income per share (pesos) ⁽³⁾	3.0	3.1	3.4
Dividends per share	0.32	0.38	0.45
Number of branches ⁽⁴⁾	968	994	1,051
Full-time employees	15,012	15,929	17,348

Banking Sector

	2005	2006	2007
BANCO MERCANTIL DEL NORTE			
Total assets	193,158	242,056	274,936
Stockholders' equity	15,717	24,675	30,912
Net income ⁽⁵⁾	5,129	5,466	6,151
BANCO DEL CENTRO			
Total assets	7,510	8,717	
Stockholders' equity	5,023	6,051	
Net income ⁽⁶⁾	722	967	

Brokerage Sector

	2005	2006	2007
CASA DE BOLSA (Brokerage House)			
Total assets	976	944	1,260
Stockholders' equity	570	735	1,016
Net income	80	191	284

Long Term Savings Sector

	2005	2006	2007
AFORE BANORTE GENERALI (Pension Funds)			
Total assets	1,009	1,092	1,102
Stockholders' equity	912	1,016	963
Net income	290	104	165
PENSIONES BANORTE GENERALI (Annuities)			
Total assets	7,328	8,862	11,083
Stockholders' equity	346	978	1,121
Net income	98	633	266
SEGUROS BANORTE GENERALI (Insurance)			
Total assets	5,744	8,232	10,864
Stockholders' equity	1,274	1,611	1,827
Net income	439	330	334



Auxiliary Organizations Sector

	2005	2006	2007
ARRENDADORA (Leasing)			
Total assets	2,983	3,407	4,821
Stockholders' equity	299	421	500
Net income	86	122	140
FACTOR (Factoring)			
Total assets	4,128	4,448	7,626
Stockholders' equity	353	445	491
Net income	72	92	107
ALMACENADORA (Warehousing)			
Total assets	416	172	140
Stockholders' equity	114	121	101
Net income	14	11	15
FIANZAS (Bonding)			
Total assets	439	517	-
Stockholders' equity	114	144	-
Net income	25	30	9
CRÉDITOS PRONEGOCIO			
Total assets	380	683	653
Stockholders' equity	58	70	51
Net income	(19)	11	(30)

Million December 2007 pesos.

With UDIs and subsidiaries.

The 2006 figures include the retrospective application of the changes in accounting criteria.

(1) Without IPAB checking accounts.

(2) Without minority interest.

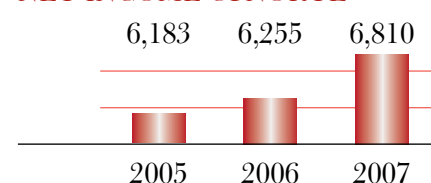
(3) EPS calculated over the weighted average of shares.

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

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

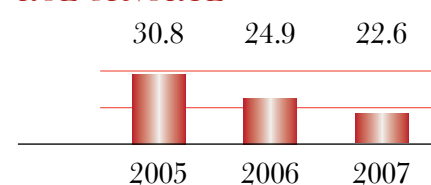
(6) Merged with Banorte, as of August.

NET INCOME GFNORTE



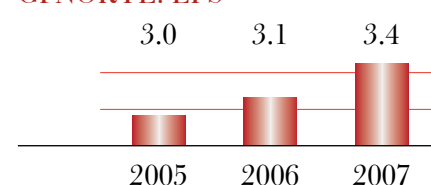
Million December 2007 pesos.

ROE GFNORTE



Average Stockholders' Equity ex-Minority Interest in December 2007 pesos.

GFNORTE: EPS



December 2007 Pesos.

Majority net income 2007

GFNorte ownership in subsidiaries

BANKING	Ps.5,889	97%
BROKER-DEALER	Ps.284	100%
LONG-TERM SAVINGS	Ps.388	
Afore(1) (Retirement Pension Fund)	Ps.82	51%
Seguros Banorte Generali (Insurance)	Ps.170	51%
Pensiones (Annuities)	Ps.136	51%
OTHER FINANCE COMPANIES	Ps.241	
Factor (Factoring)	Ps.107	100%
Arrendadora (Leasing)	Ps.140	100%
Almacenadora (Warehousing)	Ps.15	100%
Fianzas (Bonding)	Ps.9	100%
Créditos Pronegocio (Microlending)	(Ps.30)	100%
HOLDING	Ps.8	100%
TOTAL	Ps.6,810b	

Majority stake expressed in millions of pesos.

(1) Subsidiary of Banco Mercantil del Norte.



Message from the Chairman of the Board

Roberto González Barrera

GRUPO FINANCIERO BANORTE



During 2007, we witnessed a significant increase in the major global challenges that arose in previous years, as well as the appearance of new issues that complicated the financial and political landscape worldwide.

Clearly, the most relevant topic of the year was the subprime mortgage crisis in the United States and other developed countries and its fallout, which generated volatility levels in the financial markets which were not seen since the tragic terrorist attacks of 2001.

The negative impact of the U.S. mortgage crisis went beyond the financial markets and the banking sector, negatively impacting economic growth in the U.S. during the last quarter of 2007 and increasingly in 2008. As a preventive measure to avoid a recession, the US authorities carried out drastic measures in order to stop any further deterioration of the economic conditions by reducing the Fed funds rate and authorizing a contingent fiscal stimulus package. Despite these measures, the risk of a recession in the U.S. has increased.

Another concern during the year was the continuous surge in oil and other commodities prices. A high degree of uncertainty prevails regarding the future of oil supplies, especially by the persisting violence in African countries, the reduction of daily production by OPEC member countries and the growing tension between the United States and oil producing countries such as Venezuela, Russia and Iran. Such events have generated more speculation in the oil markets, pushing prices over 100 dollars per barrel.

A third relevant issue during 2007 was the pronounced movement in the international foreign exchange markets. The dollar's continuous decline relative to the Euro and the British Pound forced many countries to recompose their international reserves and rethink their high exposure to U.S. Treasury Bonds. Also, the Chinese currency began appreciating relative to the U.S. dollar, a process that will surely have a considerable impact on capital and commercial flows between both countries in the medium term.

In the midst of this complex scenario, the global economy started to slow down towards the end of the year, especially the economies of the United States, Japan and other countries of the Euro Zone. The impact of this deceleration was partially

offset by the dynamism of economies such as China, India and Russia. Also, many Asian and Latin American countries contributed significantly to the expansion of the global economy.

In Mexico, despite the adverse global market conditions, the economy continued to be driven by the strong momentum of domestic demand, supported by growth in the service sector, expansion of consumer credit and a surge in investment. During the first year of the current administration, GDP growth was 3.3%, which compares favorably with the average growth rate of the last 6 years.

The year 2007 was challenging on the inflationary front, especially because we finished the year at the upper limit of the central bank's inflationary target. The higher pressures from agricultural and food prices, as well as the increasing deterioration in the inflationary expectations, forced Banco de Mexico to adopt a more restrictive monetary policy, increasing the funding rate by 25 basis points on two occasions during the year.

In the political arena, the new administration began its mandate in a very proactive mode, successfully negotiating with Congress the approval of two structural reforms which were much needed in order to propel economic development. At the beginning of the year, the legislature approved reforms to the pension system for public sector employees (ISSSTE); in the latter part of the year a fiscal reform was passed, which should provide more room to maneuver to the public sector.

Additionally, President Calderón announced the National Infrastructure Program, designed to modernize this sector. A record sum of over Ps 250 trillion will be invested in order to increase the country's competitiveness once again in this area.

Under this environment, the perspectives for lending activity in Mexico continue to be favorable in the coming years. Financial penetration remains very low, with total loans representing less than 25% of GDP. An additional trigger of credit will be the development of infrastructure, housing, SMEs, energy and agricultural projects.

Regarding Grupo Financiero Banorte, in spite a more competitive environment and a strong branch expansion program, we were able to once again meet the commitment made to our shareholders of delivering an ROE of at least 20%. I would



like to emphasize that we have experienced a temporary drop in the bank's profitability indicators as a result of these major investments. However, in the long run, these efforts will deliver increased revenues and a stronger competitive position.

In this respect, the bank has invested since 2006 a considerable amount of resources to enhance its branch network, ATM's and POS terminals, placing special emphasis in Mexico City. During 2007, we opened 57 new branches nationwide, a figure considerably higher than originally planned. By year end, we had a total of 1,051 branches and 3,674 ATM's.

Substantial investments were also carried out in IT platform modernization and HR development. This is part of the long-term vision we have at Grupo Financiero Banorte in order to properly satisfy our customers' needs by providing quality service and innovative products.

We are encouraged by the 32% annual increase in the bank's performing loan portfolio and the 13% growth in core deposits. Both grew above the industry's average, resulting in market share gains in these important items. For the year, the Net Interest Margin was 7.6%, showing consistent improvements every quarter. The Efficiency Ratio was 56%, a similar level compared with the previous year, despite the negative effects from changes in accounting standards for income and expenses. Moreover, we were able to grow our portfolio with adequate asset quality. The past-due loan ratio of 1.5% was one of the lowest in the industry.

Finally, like every year, I would like to thank our customers for their trust and loyalty, as well as our shareholders, board members, executives and over 17,000 employees for their efforts in order to reach record results. I am certain that 2008 will be a year of many achievements for Banorte "El Banco Fuerte de México".

Roberto González Barrera
Chairman of the Board





Results by Business Unit

Banking



The year 2007 was an important and positive year for Banorte. Based on its experience and knowledge of the Mexican market, it has developed products and services to successfully satisfy its clients' financial needs, as the following results show.

The Bank's accumulated Profits (100%, including the Afore, through the equity participation method) amounted to Ps 6,151 million, 14% higher than last year. These outstanding results were driven mainly by higher Net-Interest Income and an increase in Non-Operating income.

The Net-Interest Margin before Loan-Loss Provisions rose 16% YoY, driven by a 31% increase in Total Performing Loans and a 13% expansion in Core Deposits. This growth was achieved in spite of the negative impact on commissions charged for loan originations stemming from new accounting standards which require that the recognition of loan origination commissions in the P&L must be deferred throughout the life of the loan.

Non-Interest Income declined 5% YoY due to a 36% reduction in Recovery Banking Fees resulting from the reclassification of recovery income from acquired and proprietary loan portfolios to the Non-Operating Income line as required by the new accounting standards that came into effect in January 2007.

Non-Interest Expense increased 14% versus 2006 due to higher Personnel, Promotional and Advertising Expenses, resulting from the branch expansion program, extended service hours in some branches, an increase in transactions and the efforts to place a larger number of products.

Loan-loss Provisions grew 65% YoY, as a result of the growth in the loan portfolio and the related increase in past due loans in consumer loans, especially credit cards. As a result, the bank's Past Due Loan Ratio rose from 1.4% in 2006 to 1.5% in 2007.

At the end of 2007, the Capitalization Ratio was 13.8% considering credit and market risks, and 19.4%, considering only credit risks. It's important to point out that, on a yearly basis, capitalization dropped 360 basis points to 13.8% in 2007 from 17.4% in 2006 due to an increase in Total Risk Assets as a result



of accelerated loan growth, and to the pre-payment of pending non-convertible subordinated obligations.

DEPOSITS

Banorte's wide array of deposit products has been increasingly accepted. At the end of the year, Total Deposits amounted to Ps 203,525 million, 16% higher than in 2006. This growth was mainly driven by a better product offering for individuals; new products for business clients and the expansion of our network, which increased by 57 new branches, 8 refurbishments and 10 relocations over the last 12 months; most of these actions took place in Mexico City, where Banorte is seeking to increase its market share.

During 2007, Core Deposits grew 13% YoY, resulting in an increase in Banorte's market share to 11.5% from 10.8% in 2006.

These growth rates can be attributed to the continuous promotional campaigns of the Bank's product offering, especially the Enlace checking account, Sumanómina payroll account, Suma Ahorro savings account and Pagamás term deposits.

Money Market Deposits increased 37% YoY, driven by greater business volumes from our corporate and government clients, offsetting a decline in deposits from individuals that have migrated to other products. During the year, Banorte moved up one notch to fourth place in the Total Deposits ranking, ending the year with a market share of 12%.

Deposits	Dec' 06	Dec' 07	% Change
Non-interest bearing demand deposits	37,278	43,803	18%
Interest bearing demand deposits ⁽¹⁾	61,227	67,303	10%
Total Demand deposits	98,504	111,106	13%
Time deposits - Retail	55,967	63,639	14%
Core deposits	154,471	174,745	13%
Money market ⁽²⁾	21,029	28,780	37%
Total Bank deposits	175,500	203,525	16%
Third party deposits	138,386	136,988	(1%)
Total assets under management	313,886	340,513	8%

Million December 2007 pesos.

(1) Includes debit cards

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

Banking



LOAN PORTFOLIO

During 2007, all segments of the loan portfolio continued showing vigorous growth driven by Banorte's leadership in offering innovative products, the efforts by the various business units to increase loan originations and greater loan demand from households, companies and government entities. As a result, Banorte's performing loans rose 31% in 2007, reaching a balance of Ps 184,391 million pesos, excluding the loan portfolio managed by the Recovery Bank.

Mexican families showed a distinctive preference for Banorte's product offering. This led to dynamic growth in every segment of the Consumer Portfolio, which grew 29% YoY.

- Mortgage Outstandings rose by 31% YoY driven by successful initiatives to increase originations, such as the new 20-year product "Más por Menos", the agreements signed with various home developers, the expansion to other distribution channels such as mortgage brokers and the opening of additional service centers for home developers (CAP's).
- Credit Cards Outstandings expanded by 41% YoY reflecting an increase in new card issuance through different distribution channels (telemarketing and direct mailing) and at the branch level; a record year in acquisitions through the balance transfer program "Ya Bájale"; the rolling out of new products; the enhancement of existing products; and higher activity in the existing portfolio fostered through special campaigns, promotions and commercial alliances.
- Payroll Loan Outstandings increased 20% YoY, during 2007, as a result of new initiatives such as unemployment insurance, direct mailing with pre-authorized loans to recurring customers and loan disbursements through the ATM network.
- Car Loan Outstandings expanded 10% in 2007, driven by an increase in the sales force and the new features that were added to this product, such as longer maturities and lower interest rates. Also, constant promotional campaigns were carried out during the year in order to increase penetration in this segment.

Banorte is committed to help local enterprises regardless of their size. From micro-businesses and SME's to large corporations, the Bank is always searching for new strategies to attract clients, through comprehensive financial solutions for these important and varied market segments.

In this context, the Commercial Loan Portfolio grew 19% during 2007, driven mainly by Crediactivo, a product specially designed for SME's to address their working capital needs and fixed asset purchases, in which Banorte shares part of the risk with Nacional Financiera, a government development bank. Additionally, the Corporate Portfolio expanded 47% due to a pickup of loan demand in the corporate sector, the origination of some large bridge loans and a loan reclassification of one of our major clients in the automotive sector.

Government Loans increased 61% YoY driven by the efforts carried out by the area recently created for this segment and the reactivation in loan demand as a result of new administrations taking office at the federal, state and local levels.

Past Due Loans increased 35% YoY in 2007, slightly higher than the 31% growth in Performing Loans, mainly as a consequence of the Bank's strategy to increase its presence in the credit card segment. The PDL ratio at the end of the year was 1.5%, slightly higher from the 1.4% registered at the end of 2006.

In 2007, Banorte maintained its position as the fourth most important bank in terms of the size of its performing loan portfolio. Its market share rose from 11.4% in 2006 to 12.6% in 2007.

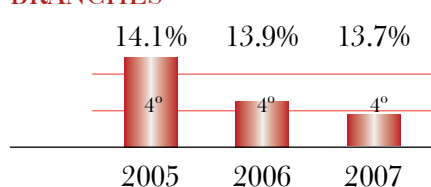


Loan Portfolio	Dec' 06	Dec' 07	% Change
Mortgage	27,510	36,096	31%
Car Loans	6,577	7,224	10%
Credit card	9,842	13,882	41%
Payroll Loans	5,080	6,113	20%
Consumer	49,007	63,315	29%
Commercial	53,466	63,448	19%
Corporate	26,925	39,681	47%
Government	11,179	17,948	61%
Performing loans	140,577	184,391	31%
Recovery banking	1,377	1,147	(17%)
Past-due loans	2,037	2,744	35%
Total loan portfolio	143,991	188,282	31%
% PDL	1.4%	1.5%	

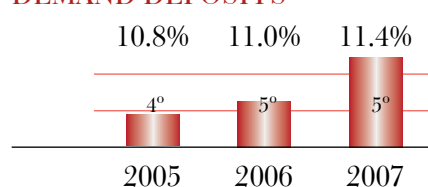
Million December 2007 pesos.

MARKET SHARE

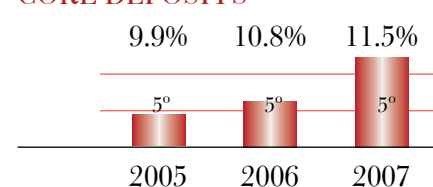
BRANCHES



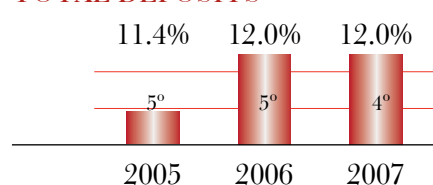
NON INTEREST BEARING DEMAND DEPOSITS



CORE DEPOSITS

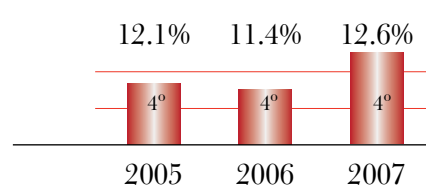


TOTAL DEPOSITS



Excluding financial intermediaries

PERFORMING LOAN PORTFOLIO



Excludes Fobaproa and IPAB portfolios

Source: A.B.M

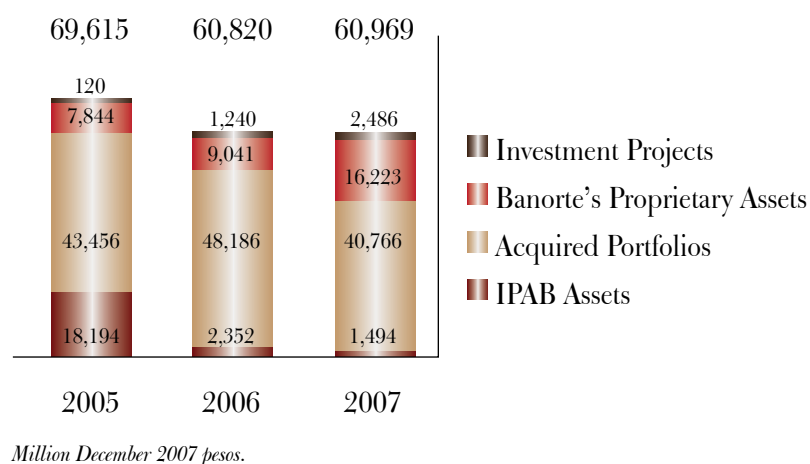
Banking

RECOVERY BANKING

The Asset Recovery Business is in charge of the administration, regularization and collection of Banorte's past due loans, as well as the acquisition, management and collection of loan and real estate portfolios. Furthermore, this business participates in several investment projects with home developers under different arrangements with industry leaders.

Assets under management at the end of 2007 amounted to Ps 60,969 million. This level, which is similar to last year's, shows a considerable increase in investment projects and proprietary Banorte assets. In 2007, this unit began to manage Banorte's delinquent consumer loans with at least one day of late payment.

During the year, Banorte's recovery unit continued with the strategy of increasing its presence in investment projects, especially in real estate developments, resulting in an increase of AUM to Ps 2,486 million pesos at the end of the year. This has diversified the recovery bank's revenue sources, contributing to this business unit's long-term earnings generating potential. By the end of 2007, Net Income rose to Ps 766 million or 11.2% of the Group's total net profits.



Contribution to net income	2005	2006	2007
Banking Sector Net Income	4,389	5,470	6,044
Recovery Business Net Income	917	715	766
GFNorte Net Income	5,305 ⁽¹⁾	6,185	6,810
% Recovery Business	17.3%	11.6%	11.2%

(1) Extraordinary items excluded.

Some important achievements of this business unit throughout the year were the ratification of the ISO 9001:2000 certification granted by SGS (Société Generale de Surveillance) and the AAFCI-(mex) rating for its work as an Financial Credit Assets Administrator, granted by Fitch Ratings Mexico.



BANORTE USA

Banorte's business in the United States is composed of three main business lines, providing a wide array of cross-border financial services.

These three lines of business are: banking services through Inter National Bank (INB); remittance services through Uniteller Financial Services, Inc. and Motran Services, Inc.; and private banking financial services through Banorte Securities.

Banking Business in the U.S.

The acquisition of INB has given both Banorte and INB the opportunity to create an attractive array of products and services for their customers on both sides of the border.

During the first year of operations, nearly four thousand new deposit customers opened accounts and US\$68 million in mortgage loans were granted to American citizens purchasing property in Mexico's resort areas, validating INB's cross-border business model. Two new branches will be opened soon in the south of Texas, one in Laredo and the other in Brownsville, in order to strengthen INB's presence in the all-important border market.

Family Remittances

Through Banorte USA Corporation, Grupo Financiero Banorte completed the purchase of 100% of Uniteller Financial Services, Inc. and Motran Services, Inc. in 2007.

Uniteller is a remittances company based in New Jersey, with a network of nearly 1,300 agents in the US. It has agreements with various financial institutions and companies in Latin America and the Philippines with over 12,000 paying points in 17 countries, including Mexico. Motran, on the other hand, is a money transfer company based in California that complements Uniteller's presence in key US markets.

Through these acquisitions, Banorte has been able to considerably improve its presence in the money remittance business.

In November, Banorte signed an agreement with Mexico City's Government in order to create the "Banorte Migrant Worker Program - Mexico City". The main objective of this program is to help Mexican migrant workers in the United States send money to their families in Mexico City. These families are issued a debit card that enables them to receive money transfers and provides commissionfree access across Banorte's and Telecom's branch network.

Banorte Securities

Banorte Securities International (BSI), is GFNorte's New York-based broker dealer with US\$1.15 billion in assets under management. BSI continues to be an attractive diversification option for Banorte private banking customers who wish to invest in international markets.

BSI's profits increased by 140% as a result of a revamping of the product portfolio in addition to the synergies of INB referrals to Banorte Securities in the U.S.

Long Term Savings

Total Net Income for this business unit amounted to Ps 766 million (51% correspond to GFNorte). Assets Under Management at the Afore and the Insurance Company, as well as the Annuities' technical reserves, increased by 15% YoY, reaching a balance of over Ps 75.5 billion at the end of 2007. The AFORE represents 77% of the total balance.

AFORE BANORTE GENERALI (PENSION FUNDS MANAGEMENT)

The Afore reported Net Profits of Ps \$165 million (51% correspond to GFNorte), a 59% YoY increase despite a complex and changing regulatory environment.

During 2007, revenues were affected by aggressive competition and initial impact of changes to the commission structure which resulted in the elimination of fees charged on money flow into the accounts to focus on fees on assets under management. Nevertheless, this was offset by a substantial reduction in total costs, especially those related to sales, as a result of fewer account transfers and improved control by the authorities to eliminate improper transfers.

At the end of the year, there were a total of 3,281,580 affiliates, representing 8.5% of the total number of affiliates in the system. The market share in certified accounts was 10.3%.

Banorte achieved an 11% YoY increase in Assets Under Management, for a total balance of Ps 58 billion at year-end. The Afore achieved the highest growth rate in the entire industry.

SEGUROS BANORTE GENERALI (INSURANCE)

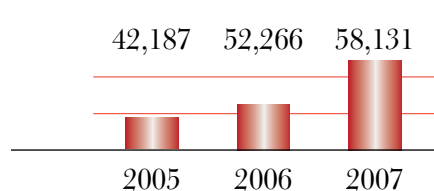
In 2007, the insurance company's net income reached Ps 334 million (51% correspond to GFNorte). Profitability was affected by more competitive rates, especially in the auto insurance market.

Seguros Banorte-Generali now ranks 6th in the industry, as a result of: sustained growth registered throughout 2007, a portfolio of major clients and the opening of new channels for insurance sales. Premiums issued rose 16% with respect to 2006, totaling Ps \$8.66 billion.

The number of contracts sold through Banorte's branch network reached 505,000, a 22% increase with respect to 2006. Home insurance grew the fastest at a 32% rate, followed by life insurance with 22% and auto insurance with 13% growth compared to last year.

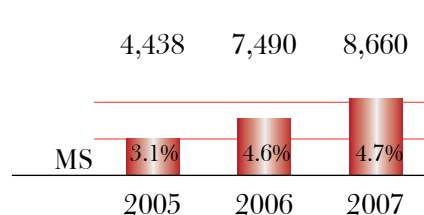
Technical reserves reached Ps 7.6 billion, registering a 33% YoY growth.

ASSETS UNDER MANAGEMENT



Million December 2007 pesos.

PREMIUMS SOLD



Million December 2007 pesos.

MS: Market Share

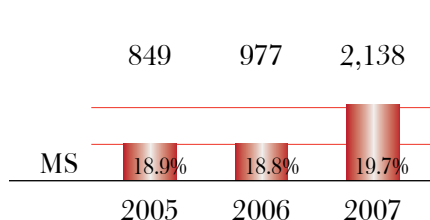


PENSIONES BANORTE GENERALI (ANNUITIES)

Net income amounted to Ps 266 million (51% correspond to GFNorte), 58% lower than in 2006. The reduction in profits is due to difficult comps resulting from one-time revenues related to the sale of positions in fixed-rate instruments. The gains in these positions were made mainly during 2006 and the first half of 2007. Profits also declined due to the depletion of tax credits derived from fiscal losses in previous years.

2007 was a record year in the company's history, placing over Ps 2.1 billion in premiums. This ranks Pensiones Banorte-Generali as the leading company in terms of the number of annuities sold with over 40% market share.

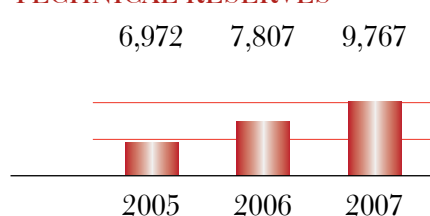
DEPOSITS RECEIVED FROM IMSS



Million December 2007 pesos.

MS: Market share

TECHNICAL RESERVES



Million December 2007 pesos.



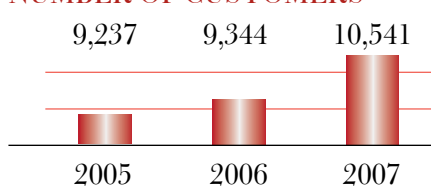
Brokerage Unit

CASA DE BOLSA BANORTE (BROKERAGE HOUSE)

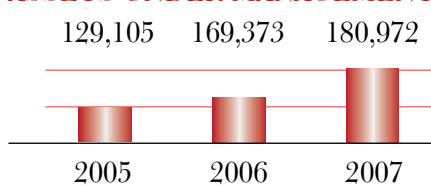
Casa de Bolsa Banorte provides specialized financial services, such as investment banking, money and equity markets, mutual funds, and structured products, to more than 10,000 customers. During 2007, the increased use of these resulted in a 49% growth in net profits to Ps 284 million.

The number of customers rose by 13% and assets-under-management reached Ps 181 billion. AUM in mutual funds have also increased considerably, driven mainly by the use of the bank's branch network to promote and sell the family of funds. By year end, AUM in mutual funds (Operadora de Fondos Banorte) reached a total of Ps 36 billion, 22% higher than in 2006.

NUMBER OF CUSTOMERS



ASSETS UNDER MANAGEMENT



Million December 2007 pesos.





Other Finance Companies

OTHER FINANCE COMPANIES

This business unit is composed of companies that provide supplementary services: Arrendadora, Factor, Almacенadora, Créditos Pronegocio and Fianzas. During 2007, there was an important transformation in the companies of this business unit: .

1. On March 30, 2007, Fianzas Banorte was sold and its assets spun off from Grupo Financiero Banorte.
2. Arrendadora Banorte, S. A. de C. V., Organización Auxiliar del Crédito, Grupo Financiero Banorte, changed its denomination to Arrendadora Banorte, S.A. de C.V. Sociedad Financiera de Objeto Múltiple, Grupo Financiero Banorte. Also, Factor Banorte, S. A. de C. V., Organización Auxiliar del Crédito, Grupo Financiero Banorte changed its denomination to Arrendadora y Factor Banorte, S.A. de C.V. Sociedad Financiera de Objeto Múltiple, Grupo Financiero Banorte. These changes were made in order to address the latest regulatory changes that allow the creation of Multipurpose Financial Institutions (SOFOM). Both companies merged in order to improve operating efficiency and leverage capacity.

ARRENDADORA (LEASING)

The Leasing Company reported net profit of Ps \$140 million in 2007, 15% higher than 2006. Growth was mainly driven by a 36% increase in its loan portfolio vs. 2006.

FACTOR BANORTE (FACTORING)

This company generated net income of Ps 107 million, 17% higher than in 2006, driven mainly by 76% growth in the loan portfolio. By year end, the loan portfolio balance was Ps 7.56 billion.

ALMACENADORA BANORTE (WAREHOUSING)

For the year, this company's net income was Ps 15 million, 34% higher than in 2006, mainly driven by an 88% growth in warehouse outfitting in various states of the country and the 27% increase in operations in its own warehouses.

This company generated certifications of Ps 1.37 billion vs. Ps 455 million of the previous year, resulting in an improvement of its market positioning.

CRÉDITOS PRONEGOCIO

Pronegocio is Banorte's micro-lending SOFOL (Limited Purpose Financial Company or Non-Bank Bank). This company is part of Banorte's strategy to serve the under-banked population. Pronegocio currently has 97 branches that serve 49,000 customers, and its outstandings amount to Ps 585 million.

Pronegocio is currently undergoing an overhaul of its business model, including modifications to the loan origination parameters and other administrative changes in response to the Ps 30 million loss. This loss was due mainly to an increase in loan-loss provisions given greater delinquencies and higher expenses associated with the company's organic growth. The changes to the business model will enable Pronegocio to reach profitability in the near future and become a catalyst for helping small businessmen in Mexico.





Strategy Execution

Banorte's Footprint

Territory	State	Branches			ATM's		
		Dec-06	Dec-07	Change	Dec-06	Dec-07	Change
Central							
	Aguascalientes	13	15	2	68	77	9
	Guanajuato	40	41	1	111	133	22
	Jalisco	5	5	0	6	7	1
	Querétaro	11	12	1	53	56	3
	San Luis Potosí	28	28	0	105	127	22
	Tamaulipas	18	18	0	79	85	6
	Zacatecas	20	20	0	64	74	10
		135	139	4	486	559	73
Mexico North							
	Estado de México	76	85	9	210	248	38
	Distrito Federal	47	50	3	120	139	19
		123	135	12	330	387	57
Mexico South							
	Estado de México	16	17	1	25	39	14
	Distrito Federal	99	108	9	204	265	61
		115	125	10	229	304	75
Northwest							
	Baja California Norte	26	27	1	85	111	26
	Sinaloa	45	45	0	110	134	24
	Sonora	25	26	1	58	90	32
	Baja California Sur	10	10	0	24	25	1
	Chihuahua	32	34	2	224	243	19
		138	142	4	501	603	102
North							
	Durango	16	17	1	39	41	2
	Nuevo León	132	138	6	590	617	27
	Tamaulipas	27	28	1	166	188	22
	Coahuila	30	31	1	174	185	11
		205	214	9	969	1,031	62
West							
	Guanajuato	4	4	0	8	8	0
	Jalisco	75	79	4	216	251	35
	Michoacán	22	22	0	46	50	4
	Nayarit	6	6	0	12	16	4
	Colima	7	7	0	22	27	5
		114	118	4	304	352	48
Peninsular							
	Quintana Roo	13	13	0	50	63	13
	Tabasco	5	7	2	13	19	6
	Veracruz	3	3	0	4	7	3
	Yucatán	16	17	1	32	37	5
	Campeche	6	6	0	15	21	6
	Chiapas	29	30	1	66	78	12
		72	76	4	180	225	45
South							
	Guerrero	8	9	1	18	25	7
	Hidalgo	7	7	0	11	15	4
	Morelos	8	9	1	15	24	9
	Oaxaca	18	19	1	22	26	4
	Puebla	26	28	2	40	48	8
	Tlaxcala	4	4	0	11	14	3
	Veracruz	21	26	5	53	61	8
		92	102	10	170	213	43
TOTAL		994	1,051	57	3,169	3,674	505





- Banorte
- Inter National Bank
- Uniteller
- Motran

Territories

“Banorte divided Mexico into 8 Regions; each of them with a top level director and a supporting team, wich allows to set regional strategies and provide personalized service to our clients.”





...“In this respect, the bank has invested since 2006 a considerable amount of resources to enhance its branch network, ATM’s and POS terminals, placing special emphasis in Mexico City. During 2007, we opened 57 new branches nationwide, a figure considerably higher than originally planned. By year end, we had a total of 1,051 branches and 3,674 ATM’s.”

Roberto González Barrera
Chairman of the Board

Image

2007 was a challenging year for both, the Mexican and the global financial industry. Nevertheless, Banorte was able to stand out as one of the financial groups with the highest recognition for its soundness and commitment to Mexico. We continue to focus our efforts on constant product and service innovation, as well as, on strategic alliances that have enabled us to participate in the development of families, business and government entities in Mexico.

These efforts are clearly reflected on such tangible offers like our new 20-year term mortgage loan, which offers one of the lowest initial interest rates and monthly installments of the market. This product is aimed at helping young Mexican families who are beginning their savings life cycle.

Similarly, Banorte makes important strides in order to help Mexican SMEs. The bank has launched a package of specially designed financial services to address the needs of this important segment. As a recognition to these efforts, Banorte won the PyME 2007 award, given by the Ministry of the Economy (SE), to the bank with the most comprehensive product offering, the highest number of loans granted and the largest number of small and medium enterprises served.

In North America we are reinforcing Inter National Bank, Uniteller Financial Services, Inc. and Motran Services infrastructure. In Latin America, we are expanding our presence through an alliance with Banco do Brasil, aimed to serve the customers of both banks in Brazil and Mexico, while promoting economic cooperation between both countries.



Even though we continue to focus our efforts on serving the needs of all the segments of a dynamic and versatile market like Mexico, we are also gradually increasing our reach beyond our borders, providing support to those who take pride in being Mexican.



Products and Services

Banorte is moving forward from being a product-oriented institution to becoming a customer-oriented bank. Therefore, Banorte's commercial organization has been divided into three large customer groups: Families, Business and Government.



FAMILIES

Mortgage Loans.- In 2007, Banorte kept its strong market position through a 12% increase in new loan originations, providing quality service to our customers, citizens and home developers alike. Through the launch of new products and the establishment of strategic alliances, Banorte once again ranked second in the number of new loans originated.

- In July, Banorte launched a new 20-year mortgage product that offers the lowest initial monthly payment in the market. This scheme has a 10.3% initial interest rate that contemplates an increase every 3 years. The loan is intended for the purchase of traditional housing, as well as Infonavit Social Support Programs, with a minimum home value of Ps 350,000. The advantage of this product is that capital is amortized from the first payment, there is no negative amortization, the amount of the loan never exceeds the original amount and the customer knows exactly what his/her monthly installment will be for the life of the loan.

- In July, Banorte formalized a commercial agreement with Casas Geo in order to promote the purchase of low, middle and residential housing throughout the country. The goal is to provide 5,000 mortgages to Geo clients in the next 12 months using Banorte's special financing conditions through its wide array of mortgage products.

- Last December, Grupo Financiero Banorte was the first financial institution in the country to sign the 2008 ISSSTE Housing Fund Mortgage Financing Program under a co-financing scheme, with a minimum loan value of Ps \$300,000 and 5 to 30-year terms.

Credit Card.- During year 2007, the issuance of credit cards increased by 32% compared to 2006, driven by increased originations in the branch network and the diversification into new channels, which resulted in a 47% growth of credit card outstandings. In order to address the special needs of specific market segments, Banorte launched a series of new credit card products such as: Mujer Banorte, Platinum, Immediate and Empuje Negocio. Also, several features were added to the products, like fraud insurance and optional unemployment insurance.

Payroll and Personal Loans.- Through this type of loans, Banorte has been able to satisfy the liquidity needs of clients who receive their payroll direct deposit through Banorte. Since this type of loan has wide acceptance, the number of loans granted rose 13% vs. the previous year.

The key to success has been the usage of cutting-edge tools for improving time and servicing, which allow for a loan to be authorized and disbursed on the same day it is requested, thus improving the timing of response at the branch level.



Products and Services

BUSINESS

Once again, Banorte stands out among the competition, by launching a new comprehensive package for enterprises through Enlace Global for Business Entities and various products and services, especially designed to address the needs of enterprises of all sizes.

Enlace Global PM.- is a Peso-denominated checking account that offers two options: a monthly-fixed payment plan and the traditional or pay-per transaction plan. The first one, does not require a minimum balance, includes a limited number of checks, electronic operations and payroll direct deposit free of charge, and can be selected in accordance with the customer's level of transactions. In addition, no monthly fee is charged for electronic banking. Through the traditional or pay-per-transaction plan, the customer pays for each service used. Both options offer competitive returns with immediate liquidity, since the customer has access to an Enlace Global PM Investment account, which offers a very competitive rate.

Empuje Negocios.- is a novel financial service concept especially designed for SMEs with comprehensive services that includes financing, payroll, checks, investments and electronic banking. The "Empuje Negocios – Visa" credit card integrates this comprehensive services platform and is designed for companies with receivables of at least Ps 25,000 a month. Through this credit card, companies will receive exclusive services including strategic, legal, tax, accounting, business, labor, civil and penal counseling, free of charge by phone or online. The authorization process takes only 72 hours and companies can have access to a credit line of up to Ps 200,000.

Crediactivo.- in November 2007, the Ministry of the Economy (SE) recognized Banorte with the Pyme Award for being the bank that placed the largest number of loans to SMEs in 2007, confirming Banorte's commitment to this segment. Banorte's priority for the next years will be providing comprehensive services with loans and financial services for the Mexican SMEs.

Agricultural Loans.- During 2007, Banorte consolidated its leadership in supporting the development of Mexican rural areas, both to primary activities and the agro-food chain, serving over

120 farmers and financing over 643,000 hectares, placing Ps 24,424 million in loans, which represents a 10% increase over 2006.

Commercial Alliance between Banorte and Banco Do Brasil.- On August 6th, both organizations formalized a commercial alliance intended to offer banking and financial services to Mexican businesses and Banorte's customers with operations in Brazil, as well as to Brazilian companies, their executives and citizens of that country that live in Mexico. This agreement will enable the use of both institutions' business platforms to provide each other's customers financial and banking services, such as international wire transfers, foreign currency exchange, credit and debit cards, electronic banking, insurance and investment advisory services.



GOVERNMENT

For Banorte, as a Mexican bank, it is important to contribute to the three levels of government: municipal, state and decentralized entities. With this in mind, Banorte enhanced its dedicated team specialized in serving this segment of customers which are very large and have special financial requirements for both deposits and loans, as well as various cash management services.

It is worth noting that Banorte successfully completed an innovative issuance of securities backed by a package of loans to Mexican State and Municipal governments for a total of Ps 5,599 million on November. This transaction is part of a 5-year program totaling up to Ps 25 billion. The issuance, the first of its kind, is the largest securitization of State and Municipal loans, and was rated mxAAA by Standard and Poor's, and Aaa.mx by Moody's.



Distribution Channels

Since efficient distribution channels are essential for addressing our customers' needs, Banorte has been working hard to renew and strengthen its communications infrastructure. In addition, the capacity of some processing platforms was expanded resulting in an increase in the level of comprehensive service availability from 98.3% to 98.5%; such growth includes a 20% annual rise in transaction volumes. This robust technological platform provides the necessary support to offer all our clients excellent service.

Channel	Level of Service		
	2005	2006	2007
Branches	98.81%	99.59%	99.74%
ATMs	97.18%	96.99%	97.30%
Internet	99.56%	99.64%	99.83%
General	98.09%	98.27%	98.49%

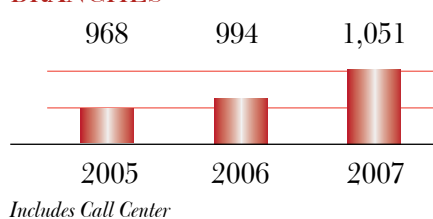
BRANCHES

In a ceaseless effort to expand and optimize our footprint, Banorte continues to open branches in new markets and to relocate branches to points of greater potential and interest.

Our branch network continued to expand during year 2007, with the opening of 57 new branches, 10 relocations and 8 expansions. By year end, the total number of branches reached 1,051. This reinforcement of our footprint was vital for Banorte since it enabled the bank to increase its presence in Mexico City and provide better quality service to our customers.

For 2008, Banorte plans to open 80 new branches and relocate and expand 20 more nationwide. By the end of 2008, we will have a network of 1,131 branches, placing special emphasis in strengthening our market presence in Mexico City.

BRANCHES

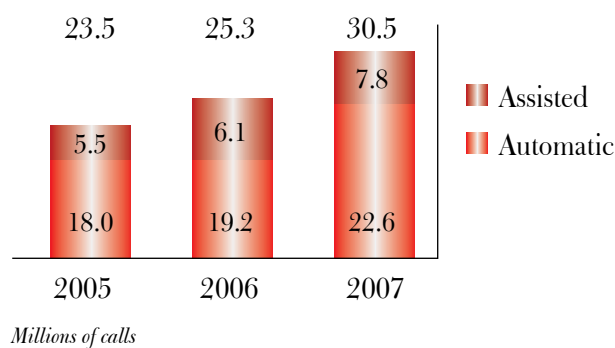


BANORTE CALL CENTER

During 2007, the number of calls attended reached 30 million, 20% higher than the previous year. Such increase was mainly driven by the growth of the customer base and the commercial strategies. Moreover, we finished implementing a new service model, which is aimed at improving the processes dedicated to customer servicing. Its main feature is to provide comprehensive customer service (from beginning to end) through a single representative who specializes in the product.

This year, Banortel evolved from a service channel to a sales channel through the incorporation of the balance transfer program campaign "Ya Bájale", an initiative that exceeded the initial expectations. We also carried out several credit card commercial strategies, like the implementation of a specialized unit called "Customer Retention" which has delivered positive results, evidenced by an increase in its performance indexes.

BANORTE CALL CENTER



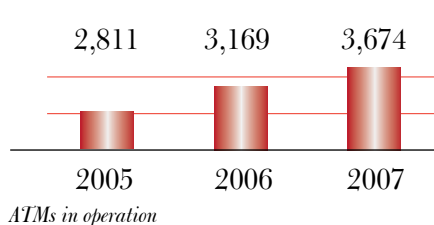


For 2008, we expect to continue with this improvement process, consolidate the new service model, divide services provided to business entities and self-employed individuals, and make credit card processes more efficient.

ATMS

As a complement to Banorte's branch expansion strategy, several ATMs have been installed. By the end of 2007, the number of ATM's reached 3,674, 500 more than the previous year. Additionally, a large number of ATMs were replaced for newer units, substantially increasing the level of service and reinforcing this important channel where 41% of the bank's transactions take place.

ATMs



ATMs in operation



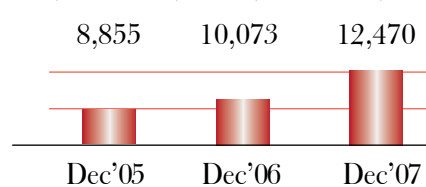
INTERNET BANKING

Clearly, one of the fastest growing channels is the Internet. Our Internet Banking offers our customer the possibility to carry out more than fifty different types of operations at their fingertips.

Currently, the number of active customers using this channel stands at 366,000, carrying out 139 million operations per year. The average monthly value of these operations is Ps 427 billion.

Because Banorte is very concerned about providing security to its customers, since year 2000, Banorte was the first bank in Mexico to offer a security token* with a dynamic six digit ID. Initially, it was offered to business entities and later to individuals. Currently, all of our customers can carry out transactions through the Internet with the maximum security level. In this respect, Banorte is the only bank with "seven year with zero frauds" in Electronic Banking.

BANORTE INTERNET TRANSACTIONS



Thousand transactions

*Token: a security device that generates a random number code that changes every 60 seconds, which is required to perform online monetary transactions.

INNOVATION IN CHANNELS

Banorte has developed a host-to-host communication platform through which the company's administrative system (ERP) connects directly to the bank's central operations, enabling massive banking operations in less time and without human intervention. All of this conforms with the highest security standards with double encryption (one on the communication channel and one on the message). The main objective is to provide proper servicing to large companies and government entities that require a large number of transactions with high service and security levels.

Service



Full-time employees	2005	2006	2007
Banking Unit ⁽¹⁾	12,683	13,362	14,211
Long Term Servings Unit	1,793	1,822	2,106
Brokerage Unit	193	183	188
Other Finance Companies Unit ⁽²⁾	343	562	710
Remittances			133
GFNorte	15,012	15,929	17,348

(1) In 2006, includes 326 LNB employees.

(2) Includes: Arrendadora Banorte, Factor Banorte, Almacenadora Banorte and Créditos Pronegocio.

EMPLOYEE TEAM

In 2007, the number of staff continued to increase, contributing to the development of the great Banorte family. Every day at Banorte we face new opportunities and challenges, providing interesting alternatives for our staff and external labor force.

To ensure we have the best work environment in our institution, the Ethics Point reporting system was implemented. This system is an anonymous communication tool through which employees can report behaviors that do not conform to our group's policies and code of conduct.

Furthermore, in order to have a more focused variable compensation scheme, we implemented a key personnel retention plan, which provided the participants attractive long-term benefits. This plan acknowledges employees' contributions and seeks to strengthen their bonding with Banorte.

Several workshops for executive personnel were scheduled in order to redefine and reinforce key skills. Additionally, coaching courses were implemented to help our staff reach their maximum potential. We also provided the necessary training so that customers would receive the service they deserve and have come to expect.

TECHNOLOGY

In order to support the Institution's business strategies and address our customers' financial demands, 96 technological projects were executed in 2007, which strengthen GFNorte's products and services. Additionally, we addressed the regulatory requirements like the Law of Transparency, Circular Telefax and SPEI Enlace Financiero.

We upgraded and expanded the regulations relative to the Information Systems, adapting them to the technologies that were incorporated in the period, while at the same time complying with the official regulatory framework. Also, the Information Security Operation Center was installed to prevent attacks.

In an effort to enhance the internal control culture, we carried out a permanent communication plan aimed at increasing the level of awareness regarding potential risks and its corresponding mitigating controls.

The Lean Banking Methodology was implemented, throwing in favorable results from several reengineering projects such as: credit cards, selective credit, point of sales terminals, and fraud prevention.





In 2007, we managed to curb and reduce credit card frauds. In addition, we took several actions to improve the time and efficiency of bank card fraud detection.

In this way, several actions have been taken in order to provide a better level of service to our customers, supported in a robust and cutting-edge technology and higher security levels, setting us apart from our competitors in the Mexican financial market.







Group Officers and Board Members

Group's Officers

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Chief Executive Officer

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Sergio García Robles Gil
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Managing Director – Banorte USA

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Miguel Javier Huller Grignola
Managing Director – Consumer

Prudencio Frigolet Gómez
Managing Director – Technology and Operations

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Juan Carlos Cuéllar Sánchez
Mexico City Metro Area North

Alberto Salvador López
Southeast

Juan Manuel Faci Casillas
West

Jorge Luis Molina Robles
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Rodolfo Barrera Villarreal
Vice-Chairman

Aurora Cervantes Martínez
Secretary

José Luis Lozano Aguilar
Alternate Secretary

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Patrimonial

Roberto González Moreno
Patrimonial

Rodolfo Barrera Villarreal
Patrimonial

Jesús L. Barrera Lozano
Patrimonial

Bertha González Moreno
Patrimonial

Juan González Moreno
Patrimonial

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Patrimonial

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David Villarreal Montemayor
Patrimonial

Isaac Hamui Mussali
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Magdalena García de Martínez Chavarría
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