

## Letter to our shareholders and market observers

**11 Oct 2008**

Last week we witnessed unprecedented events that set off drastic movements in the global financial markets that have spilled over into the domestic arena. This past Friday, the spillover effects were accentuated dramatically, triggering an irrational price movement in the shares of GFNORTE. This decline, prompted by severe speculation generated through various announcements by Mexican companies related to losses in derivatives' positions, is totally unrelated to the solid fundamentals of GFNORTE.

GFNORTE has always exercised a constant, timely and transparent communication with the financial markets. In light of this, we believe it's necessary to clarify some misperceptions in order to put things into perspective and hopefully mitigate any future speculative attacks:

1. BANORTE is not counterparty in any derivatives' position of those Mexican corporates that have announced losses with this type of instruments. BANORTE is not a relevant player as counterparty to corporations in the market of derivatives' instruments.
2. BANORTE's direct risk exposure as a creditor to the companies that have announced material losses in derivatives' positions is very limited. Even considering the potential impact in our results from such exposures, GFNORTE will achieve another record year in terms of net profit generation. Also, we must be emphatic that the Institution's viability, capitalization and solvency are not at risk.
3. BANORTE's proprietary derivatives' positions are plain-vanilla instruments to hedge interest rate and foreign exchange risk. The bank maintains positions in the asset and liability side of the balance sheet, thus reducing the potential impact of fluctuations in their value.
4. BANORTE is required to inform its derivatives' positions to the Central Bank (Banco de Mexico) on a daily basis. The derivatives used for hedging purposes are accounted for at fair value, and their evolution is booked in the corresponding balance sheet item. These valuations are disclosed to the markets on our quarterly release.
5. BANORTE's loan book is widely diversified. The 30 largest company loans represent 19% of the bank's total loan portfolio. The largest company loan represents 2.9% of our total loan book, while the 30<sup>th</sup> largest represents 0.4%. With the exception of Comercial Mexicana, none of the Mexican companies that have reported losses in their derivatives' positions that have endangered their ability to fulfill their credit obligations rank among BANORTE's 30 largest borrowers. In addition, it is important to highlight that no related company is part of our 30 main borrowers.
6. Even in the event of announcements by other companies under similar circumstances, the adequate diversification of our loan book and the bank's strength will allow us to weather these risks.

7. BANORTE's Past Due Loan Ratio at the close of September 2008 was 1.7%, placing BANORTE as one of the banks with the best asset quality in the industry. This low delinquency ratio reflects the prudent and conservative loan origination policies that have always characterized BANORTE.

8. Customers' confidence in BANORTE's strength is reflected in the important growth rates of our core deposits, which remain our operations' main source of funding. In the last 12 months, core deposits in pesos grew by 13.3%, outstripping overall market growth of 7.1%. If we include US dollar deposits, BANORTE grew 11.5% outpacing the market's 6.0% increase (Bankers' Association data as of August 31). These growth trends have not changed materially as of the close of last week.

9. BANORTE has one of the most robust capitalization levels in Mexico. At the end of August 2008, BANORTE's total capitalization ratio was 15.9%, above the average for the largest banks in Mexico, and significantly higher than the minimum 10% required by the authorities.

10. BANORTE's liquidity ratio was 58% (calculated under the methodology established by the Banking and Securities' Commission CNBV) - the same level as the one registered 12 months ago and considerably higher than the minimum operating requirement established for the bank.

11. Finally, regarding our operations in the United States, InterNational Bank (INB) achieved record profits at the close of September 2008, and it continues with very conservative risk management. INB has no exposure to derivatives or sub-prime mortgage instruments. Also, its leverage is low and most of its funding comes through retail deposits.

GFNORTE's significant strength allows us to be well positioned to face the current adverse economic conditions that affect most financial institutions in developed markets. The bank operates mainly in the Mexican financial system which is characterized by robust levels of capitalization, liquidity and reserves.

BANORTE continues to exercise conservative management practices that have consolidated its position as the only Institution controlled by Mexican shareholders throughout 110 years of history.

Sincerely,

Alejandro Valenzuela del Río  
CEO  
Grupo Financiero BANORTE