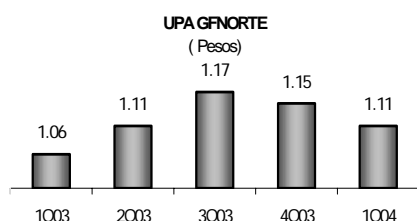
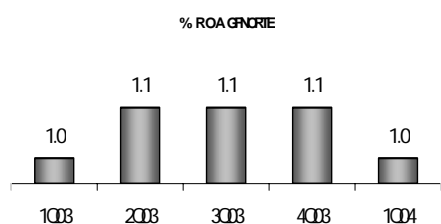
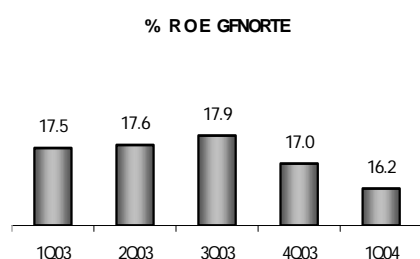
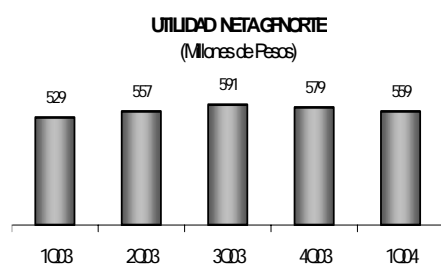


*GFNorte generates a net profit of Ps 559 million for the quarter.*



#### GRUPO FINANCIERO BANORTE

- GFNorte's **net profit** for 1Q04 was Ps 559 million, with a Ps 438 million contribution from the Banking Sector (not including the Afore Pension Fund), equivalent to an annual **ROE** of 16.2% in the period.
- On February 23, 2004, the GFNorte Board of Directors appointed **Luis Peña Kegel** as the **new CEO** of the Group to replace Othón Ruiz Montemayor, who left the Group on February 15 this year.

#### BANKING SECTOR

- The Performing **Consumer and Mortgage Loans** rose 5.1% in 1Q04 and closed the quarter at 35.8% of the overall loan portfolio without Fobaproa/IPAB.
- Banorte **ranked first** in its category among "The best companies to Work for 2004", a survey performed by Grupo Editorial Expansión, and as the most qualified Institution in the "Mexican Business Reputation Index 2004", performed by Transparencia Mexicana A.C. and Consulta Mitofsky, S.A. de C.V.
- On February 17, 2004, Banorte successfully completed placing **USD 300 million in Non-Convertible Subordinate Debentures** in the international market, accountable as Tier 2 capital. These Debentures were issued at a 10-year term and a 5 7/8% rate. The issuance was qualified as BAA2 with a positive outlook by Moody's.
- Banorte strengthened its **loan loss reserves** during the quarter by accumulating a Ps 4,581 million reserve, for a 127.2% past-due loan reserve coverage, which is higher than the 121.7% of the previous quarter.

#### OTHER SECTORS

- Long-Term Saving Sector profits** rose substantially vs. 4Q03 closing with an accumulated Ps 80 million for GFNorte, a 14% contribution to the Group's profit.

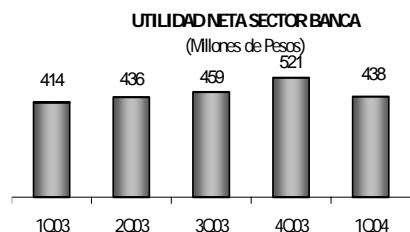
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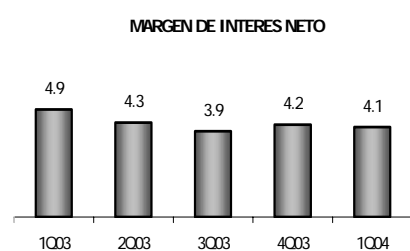
## Highlights



### BANKING SECTOR

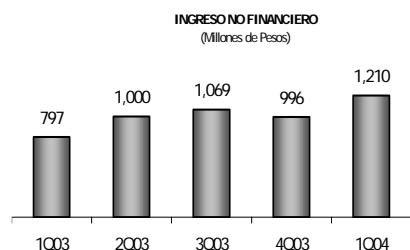
#### Net Income

The accumulated Net Income in the quarter was Ps 438.4 million (excluding the Afore) with a larger contribution of Non Interest Income than in 4Q03.



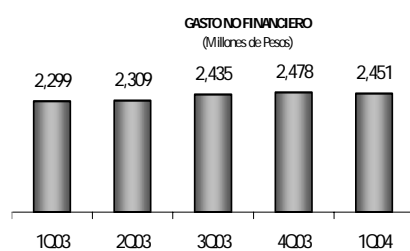
#### Net Interest Margin

The Net Interest Margin dropped slightly from 4.2% in 4Q03 to 4.1% in 1Q04 because the Deposit mix was better in 4Q03 given the seasonality at year end.



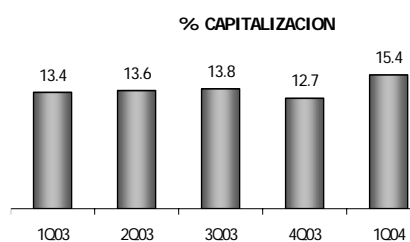
#### Non-Interest Income

The quarterly Non Interest Income was 21.5% higher than in the previous quarter as there were good results in the Trading Income and higher Service Fees.



#### Non-Interest Expense

The Non Interest Expenses dropped by 1.1% vs. 4Q03 given the reduction in Administration and Promotion Expenses and in Other Taxes.



#### Capitalization

The quarter closed with a 15.4% capitalization rate vs. 12.7% in 4Q03. This increase was mainly due to the issuance of USD 300 million in Non Convertible Subordinate Debentures and to the profit generated in the period.

#### Loan Portfolio

At the close of March 2004, the Loan Portfolio without Fobaproa /IPAB showed a Ps 74,646 million balance; a 0.1% increase vs. the previous period. For the first time the loan portfolio is greater than the Fobaproa/IPAB portfolio.

#### Asset Quality

The quarter closed with a past-due loan balance of Ps 3,603 million, giving a total past-due loan ratio of 2.4% and a past-due loan reserve coverage of 127%.

## Executive Summary

**Grupo Financiero Banorte and its subsidiaries (GFNORTE)** announced today its results for the First Quarter of 2004 (1Q04), reporting a Net Profit of Ps 559 million in the quarter, 6% higher than in the same quarter last year, and 3% lower vs. the previous quarter. The accumulated profit for 2004 enabled the Group to obtain an annualized Capital Return of 16.2%.

During the 1Q04, the Banking Sector showed a Ps 438 million profit, 6% higher than in 1Q03. The Banking Sector contributed 78% to the Group's profits. These results can be explained by three reasons: 1.- the successful transformation of the tradition banking business in this Sector of GFNorte, that has enabled it to make up for the drop in net interest margin derived from the declining interest rates; 2.- an increase in loan placement, commercial reactivation of the network acquired from Bancrecer; and 3.- higher Non Interest Income.

The 1Q04 Net Interest Margin was 4.1%, 0.1% lower than in 4Q03 because the improvement in the loan portfolio mix was offset by the narrowing differential between the TIIE and Cetes rates, which went from 43 basis points in 4Q03 to 33bp in 1Q04, due to seasonality and an accounting reclassification.

The Non Interest Income rose 21% vs. the 4Q03, due to higher Service Fees and Trading Income resulting from proper handling of the risk positions. These factors, along with higher Recovery Banking income increased the non interest income by 52% vs. 1Q03.

The Non Interest Expense fell by 1% vs. the previous quarter because of the seasonal effects and rose by 7% vs. the same quarter last year as a result of the expenses aimed to support the business growth. The efficiency ratio of 1Q04 was 76%, an improvement over the 81% obtained in 4Q03.

Non-interest bearing Demand Deposits grew by 14% between 1Q03 and 1Q04, which confirms our strategy to optimize our funding cost. On the other hand, the Total Deposits (excluding on behalf of third parties deposits) closed 1Q04 with a balance of Ps 160,098 million.

Banorte continues to increase its loan portfolio. As of March 2004, the total portfolio closed at Ps 149,098 million. The Traditional Banking loan portfolio (without Fobaproa / IPAB and the Recovery Banking portfolio), rose by 19% vs. 1Q03 and maintain a similar level vs. 4Q03, to reach a Ps 71,374 million balance. Commercial and Corporate loans also showed a quarterly 2% growth and a 13% drop, respectively, and with respect to 1Q03, a 34% growth and a 23% drop, respectively, to close the period at Ps 24,007 million and Ps 13,428 million.

During 1Q04, Consumer loans were the most dynamic. This helped make up for the declining interest rates with a wider margin portfolio. Payroll loans grew by 18% vs. 4Q03 and 117% vs. 1Q03, reaching a Ps 1,451 million balance. On the other hand Credit Cards and Car Loans showed quarterly growths of 5% and 8%, respectively, and 57% and 50% vs. last year, to close with balances of Ps 3,010 million and Ps 5,496 million. Housing loans kept their upward trend to close the first quarter with a balance of Ps 14,413 million, reaching a quarterly growth of 5% and an annual growth of 26%.

Regarding asset quality, the Banking Sector ended 1Q04 with a past-due loan portfolio balance of Ps 3,603 million, for a past-due loan ratio of 2.4%. Reserve Coverage of past-due loans closed the quarter at 127%.

The Long Term Saving Sector, made up of the Afore, Pension and Insurance companies, generated a profit for GFNorte equal to Ps 80 million in 1Q04, a level similar to that of 1Q03 and well above last quarter's level.

The Brokerage Sector, on the other hand, obtained a Ps 29 million profit, 326% higher than last year's; whereas the Auxiliary Organization Sector's profit was Ps 17 million, with a 19% drop vs. last year.

**Grupo Financiero Banorte**

<b>Grupo Financiero Banorte Earnings</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>		
	<b>1Q03</b>	<b>4Q03</b>	<b>1Q04</b>
Banco Mercantil del Norte (1)	296.1	257.8	326.7
Banco del Centro	117.5	262.9	111.7
<b>Banking Sector</b>	<b>413.6</b>	<b>520.7</b>	<b>438.4</b>
<b>Brokerage Sector</b> (Brokerage House)	<b>6.9</b>	<b>29.3</b>	<b>29.4</b>
Generali México Compañía de Seguros, S.A.	-	1.1	1.5
Afore	38.0	10.9	38.4
Insurance	24.9	9.6	16.5
Annuities	17.2	(17.0)	23.5
<b>Long-Term Saving Sector</b>	<b>80.1</b>	<b>4.4</b>	<b>79.9</b>
Leasing	5.2	7.7	8.5
Factoring	8.4	6.8	4.2
Warehousing	4.9	7.8	4.1
Bonding	2.1	3.5	-
<b>Auxiliary Organization Sector</b>	<b>20.7</b>	<b>25.9</b>	<b>16.7</b>
<b>G. F. Banorte [holding]</b>	<b>7.7</b>	<b>(1.7)</b>	<b>(5.4)</b>
<b>Total</b>	<b>529.0</b>	<b>578.7</b>	<b>559.0</b>

1) 96.11% owned by GFNorte.

<b>GFNorte Income Statement</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>		
	<b>1Q03</b>	<b>4Q03</b>	<b>1Q04</b>
<b>Net Interest Income (NII)</b>	<b>2,409.6</b>	<b>2,196.2</b>	<b>2,110.5</b>
+ REPOMO-Margin	15.7	21.2	0.7
<b>= NET Interest Income after Repomo</b>	<b>2,425.3</b>	<b>2,217.4</b>	<b>2,111.2</b>
- Loan Loss Provisions	245.9	(0.7)	119.4
- Loss Sharing Provisions	31.9	5.8	12.0
<b>=Net Interest Income after Provisions</b>	<b>2,147.4</b>	<b>2,212.4</b>	<b>1,979.8</b>
+ Non Interest Income	1,131.2	1,303.3	1,648.9
<b>= Total Operating Income</b>	<b>3,278.6</b>	<b>3,515.7</b>	<b>3,628.7</b>
- Non Interest Expense	2,568.1	2,801.2	2,777.8
<b>= Net Operating Income</b>	<b>710.5</b>	<b>714.6</b>	<b>850.9</b>
+ Non Operating Income (Expense) Net	(139.5)	(119.2)	(172.2)
<b>= Pre-tax Income</b>	<b>571.0</b>	<b>595.4</b>	<b>678.7</b>
- Income Tax & profit sharing	91.5	48.3	146.0
- Tax on asset	9.0	8.2	17.1
- Deferred Income Tax & profit sharing	(36.7)	(26.6)	(10.6)
<b>= Net Income before Subsidiaries</b>	<b>507.3</b>	<b>565.6</b>	<b>526.1</b>
+ Undistributed Earnings of Subsidiaries	70.3	34.0	83.0
<b>=Net Income-contin. Operation</b>	<b>577.5</b>	<b>599.6</b>	<b>609.2</b>
+ Extraordinary Items, net	-	-	-
- Minority Income	48.5	20.9	50.2
<b>=Total Net Income</b>	<b>529.0</b>	<b>578.7</b>	<b>559.0</b>

Figures are presented in constant pesos set at the close of March' 2004.

Group's Balance Sheet Highlights (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
Performing loans excluding Fobaproa – IPAB (1)	62,599	74,447	74,782
FOBAPROA Loans	89,668	77,006	74,452
Past Due Loans	3,597	3,623	3,654
Total Loans	155,864	155,076	152,888
Loan Loss Reserves	4,557	4,389	4,637
Total Assets	204,736	216,789	211,931
Total Deposits	160,497	165,190	159,986
Equity	13,222	14,603	14,862
Assets under Management (2)	349,517	402,055	410,401

1) Excludes Fobaproa-IPAB notes and loans to IPAB that are accounted in the Loans to Government Entities line.

2) Includes Deposits, On behalf of Third Parties Deposits and Mutual Funds of the Banking Sector, Assets under management of the Brokerage Sector and those of the Afore.

GFNorte Share Data	QUARTER		
	1Q03	4Q03	1Q04
Net Income per Share (Pesos)	1.06	1.15	1.11
Dividends per Share (Pesos)	-	0.71	-
Book Value per Share (1) (Pesos)	24.63	27.15	27.59
Shares Outstanding (Millions of Shares)	499.9	504.6	504.6
Price (Pesos)	24.99	39.00	43.93
P/BV (Times)	1.01	1.44	1.59
Market Cap (Millions of Dollars)	1,160	1,751	1,990

1) Excluding Minority holdings.

Group's Financial Ratios	QUARTER		
	1Q03	4Q03	1Q04
<b>Profitability</b>			
ROA (1)	1.0%	1.1%	1.0%
ROE (2)	17.5%	17.0%	16.2%
<b>Operation</b>			
Efficiency Ratio (3)	72.5%	80.0%	73.9%
<b>Assets Quality</b>			
Past Due Loans to Total Loans	2.3%	2.3%	2.4%
Loan Loss Reserves to past Due Loans	126.7%	121.2%	126.9%

1) Annualized earnings as a percentage of the average of quarterly assets over the period (Excluding Minority holdings).

2) Annualized earnings as a percentage of the average of quarterly equity over the period. (Excluding Minority holdings).

3) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)

## Banking Sector

Banking Sector's Financial Ratios	QUARTER		
	1Q03	4Q03	1Q04
<b>Profitability</b>			
NIM before Repomo (1)	4.9%	4.2%	4.1%
ROA (2)	0.8%	1.0%	0.9%
ROE (3)	15.9%	17.9%	14.9%
<b>Operation</b>			
Efficiency Ratio (4)	73.9%	80.9%	76.1%
<b>Assets Quality</b>			
% Past Due Loans with Fobaproa	2.3%	2.4%	2.4%
% Past Due Loans w/o Fobaproa	5.6%	4.8%	4.8%
Loan Loss Reserves to past Due Loans	127.2%	121.7%	127.2%
<b>Growths (5)</b>			
Loans w/o Fobaproa –IPAB	1.2% (7)	5.0%	0.1%
Traditional Deposits	0.9%	12.9%	9.7%
Total Deposits	13.1%	9.2%	(0.3)%
<b>Capitalization</b>			
Net Capital/ Credit Risk Assets (6)	10.9%	16.9%	21.3%
Total Capitalization Ratio (6)	13.4%	12.7%	15.4%

1) MIN= Annualized Net Interest Margin before REPOMO / Average Earnings Assets.

2) Annualized earnings as a percentage of the average of quarterly assets over the period.

3) Annualized earnings as a percentage of the average of quarterly equity over the period.

4) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)

5) Growth versus the previous period.

6) The Banking Sector Ratio is included for information purposes. A ratio for each bank is presented in the capitalization section.

7) Excludes the sale of loans to Sólida Administradora de Portafolios for Ps 1.9 billion and the Ps 6.8 billion payment of the loans granted to a federal government financial entity at the end of 4Q02.

### Information by Sectors

#### 1.- Banking Sector

Income Statement <i>(Millions of Pesos)</i>	QUARTER		
	1Q03	4Q03	1Q04
<b>Net Interest Income</b>	2,315.0	2,067.7	2,010.2
+ REPOMO-Margin	25.0	27.5	3.7
<b>= Net Interest Income after Repomo</b>	<b>2,340.0</b>	<b>2,095.2</b>	<b>2,013.8</b>
- Loan Loss Provisions	243.8	(11.1)	105.7
- Loss Sharing Provisions	31.9	5.8	12.0
<b>= Net Interest Income after Provisions</b>	<b>2,064.2</b>	<b>2,100.5</b>	<b>1,896.1</b>
+ Non Interest Income	796.8	996.1	1,210.2
<b>= Total Operating Income</b>	<b>2,861.0</b>	<b>3,096.5</b>	<b>3,106.3</b>
- Non Interest Expense	2,299.1	2,477.8	2,451.1
<b>= Net Operating Income</b>	<b>562.0</b>	<b>618.7</b>	<b>655.2</b>
+ Non Operating Income (Expense) Net	(133.1)	(84.4)	(143.6)
<b>= Pre-tax Income</b>	<b>428.9</b>	<b>534.4</b>	<b>511.6</b>
- Income Tax & profit sharing	32.5	50.5	78.5
- Tax on asset	9.0	8.2	13.5
- Deferred Income Tax & profit sharing	(24.0)	(29.1)	1.8
<b>= Net Income before Subsidiaries</b>	<b>411.4</b>	<b>504.8</b>	<b>417.9</b>
+ Undistributed Earnings of Subsidiaries	52.2	37.2	72.2
<b>= Net Income-continuos Operation</b>	<b>463.6</b>	<b>542.0</b>	<b>490.1</b>
+ Extraordinary Items, net (General)	-	-	-
- Minority Income	0.1	-	-
<b>= Total Net Income</b>	<b>463.6</b>	<b>542.0</b>	<b>490.1</b>

The Banking Sector's profits (at 100%) for 1Q04 (including the Afore by participation method), were Ps 490.1 million, 9.6% lower than in 4Q03. The Net Interest Income before Repomo dropped by 3.9% vs. the previous quarter because in 4Q03 the deposit mixture was cheaper due to seasonal effects despite the fact that interest rates were slightly higher in 1Q04. Loan Loss Provisions for Ps 105.7 million were created, ending the quarter with a past-due loan reserve coverage of 127.2%. Non Interest Income rose 21.5% vs. the previous quarter due mainly to the higher Trading Income and Service Income. Non Interest Expense fell by 1.1% as a result of the lower Administration and Promotion Expenses as well as Other Taxes. Other Products and Expenses registered Ps 143.6 million negative, higher than in the previous quarter; due mainly to a greater number of diverse provisions cancellations in 4Q03. The Income Tax & Profit Sharing were higher than in 4Q03 because of the Banorte's Profit Sharing increase given the bank's greater Pre-tax Income in 1Q04. The Subsidiaries' Profits rose with respect to the 4Q03 because of the greater contributions of the Afore as a result of the business' cyclic nature.

## Net Interest Income

Banking Sector Net Interest Income (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
Interest Income	6,758.9	4,796.8	4,950.1
Interest Expense	4,627.3	2,928.6	3,079.2
Loan Fees	193.4	212.9	158.8
Fees Paid	10.0	13.5	19.5
<b>Net Interest Income before Repomo</b>	<b>2,315.0</b>	<b>2,067.7</b>	<b>2,010.2</b>
Average Earning Assets	190,468	198,149	194,971
<b>NIM before REPOMO (1)</b>	<b>4.9%</b>	<b>4.2%</b>	<b>4.1%</b>

(1) NIM= Annualized Net Interest Margin before REPOMO / Average Earnings Assets

Net Interest Income (Millions of Pesos)	1Q03		4Q03		1Q04	
	BANORTE	BANCEN	BANORTE	BANCEN	BANORTE	BANCEN
Interest Income- loans & securities	4,770.3	1,477.8	4,342.8	583.2	4,309.4	61.0
Interest Income- repo agreement	29.3	482.0	(49.7)	(81.7)	558.0	18.9
Foreign exchange Valuation	-	-	-	-	-	-
UDI valuation	-	(0.6)	-	2.3	-	2.6
<b>Interest Income</b>	<b>4,799.7</b>	<b>1,959.2</b>	<b>4,293.1</b>	<b>503.7</b>	<b>4,867.4</b>	<b>82.7</b>
Interest Expenses-dep. & funding	2,734.3	6.3	1,850.8	2.0	1,817.6	(3.7)
Interest expenses- repo agreement	1,154.5	705.7	926.5	133.0	1,145.3	8.8
Foreign exchange Valuation	11.3	0.7	(5.0)	0.5	88.1	-
UDI valuation	14.5	-	20.7	-	23.2	-
<b>- Interest Expense</b>	<b>3,914.6</b>	<b>712.7</b>	<b>2,793.0</b>	<b>135.6</b>	<b>3,074.1</b>	<b>5.0</b>
Loan Fees	193.3	-	212.9	-	158.8	-
Fees paid	10.0	-	13.5	-	19.5	-
<b>= Net Interest Income</b>	<b>1,068.4</b>	<b>1,246.5</b>	<b>1,699.6</b>	<b>368.1</b>	<b>1,932.5</b>	<b>77.6</b>

The Net Interest Income before Repomo during the quarter fell by 2.8% vs. the previous quarter; the Net Interest Margin went from 4.2% to 4.1%, because various factors influenced its performance as explained below:

### Increased:

- The improved loan mixture as a result of the growth in Commercial, Mortgage and Consumer loans.
- An increase in the market rates during the quarter vs. the previous quarter, as the 28-day Cetes average rate went from 5.36% in 4Q03 to 5.56% in 1Q04 and the 28-day TIIE went from 5.79% to 5.89% in the same period.

### Decreased:

- Lower loan fees as some Credit Card fees (like ATM cash withdrawals fees, plastic replacements, and other), were reclassified beginning 1Q04 and now are included in Credit Card fees as part of the Non Interest Income.
- Narrowing differential between the 28-day TIIE and Cetes rates that went from 43 bp in 4Q03 to 33 bp in 1Q04.
- Ps 1,350 million paid by the IPAB during the quarter.
- The decrease in the exchange rate that moved from 11.24 pesos/dollar at the close of December 2003 to 11.17 pesos/dollar at the end of 1Q04.



The following is a quarterly analysis of the Net Interest Margin, with a breakdown of interest-generating assets. The Margin from the Traditional Loan Portfolio was 8.0% in 1Q04, the Margin from Fobaproa / IPAB 2.3% and that of Others (which includes, for the purpose of this analysis the Deposits in Banxico, Deposits in Other Banks and Securities Portfolio) 1.3%.

Net Interest Income & NIM by type of asset (Millions of Pesos)	QUARTER							
	VOL		%		VOL		%	
	1Q03		4Q03		1Q04			
Traditional Loan Portfolio	63,407	7.1	69,223	8.2	71,017		8.0	
FOBAPROA / IPAB	89,902	3.9	81,251	2.2	75,729		2.3	
Other <sup>(1)</sup>	37,159	3.3	47,674	1.7	48,225		1.3	
<b>TOTAL</b>	<b>190,468</b>	<b>4.9</b>	<b>198,149</b>	<b>4.2</b>	<b>194,971</b>		<b>4.1</b>	

1) Includes: Deposits in Central Bank, and in other banks, and fixed income securities.

### Non Interest Income

Non Interest Income (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
+ Fund Transfers	44.8	44.6	55.8
+ Account Management Fees	153.7	209.1	188.4
+ Fiduciary (1)	47.4	46.6	43.1
+ Credit Card	153.4	190.0	238.6
+ Income From loan portfolios acquired (1)	167.5	267.7	172.7
+ Electronic Banking Services	66.6	78.7	67.7
+ From Fobaproa (3)	48.9	141.7	87.3
+ Other Fees	126.3	155.7	187.7
<b>Fees on purchased services:</b>	<b>808.5</b>	<b>1,134.3</b>	<b>1,041.5</b>
+ Fund Transfers	-	-	-
+ Other Fees (2)	105.5	132.4	125.5
+ Expense From loan portfolios acquired (2)	113.2	17.8	115.7
<b>Fees Paid :</b>	<b>218.7</b>	<b>150.2</b>	<b>241.3</b>
<b>=Net Fees</b>			
+ Foreign Exchange	86.5	85.8	124.6
+ Securities- Realized gains	123.9	(38.1)	271.6
+ Securities- Unrealized gains	(3.4)	(35.7)	13.7
<b>Trading Income</b>	<b>207.0</b>	<b>12.0</b>	<b>409.9</b>
<b>= Non Interest Income</b>	<b>796.8</b>	<b>996.1</b>	<b>1,210.2</b>

1) The Income from the Serfin loan collecting, which used to be grouped as Trustee, is now included in the Acquired Loans Income concept.

2) The investment amortization on the purchase of the Serfin portfolio, which used to be grouped under Other Paid Fees, is now included in Acquired Loans Expenditures.

3) Includes Fees received by Recovery Banking and by the Bank.

With the purpose of identifying the different origins that integrate the Non Interest Income, we present the following table:

Non Interest Income (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
Service	486.6	612.1	675.3
Recovery	103.2	372.0	125.0
Trading	207.0	12.0	409.9
<b>= Non Interest Income</b>	<b>796.8</b>	<b>996.1</b>	<b>1,210.2</b>

Figures are presented in constant pesos set at the close of March' 2004.

The Non Interest Income for the quarter rose 21.5% vs. the previous quarter. This variation was due to the following factors:

**Service Fees:**

Service Fees rose 10.3% vs. the previous quarter because of a an increase in Credit Card, due to an accounting reclassification of some fees beginning this quarter - that were included in Loan fees in the Net Interest Income- fees charged for Transfers, and the increase in Other Fees.

**Recovery:**

Non Interest Income (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
<b>SERFIN</b>			
Income	118.0	217.6	98.4
- Expense	<u>72.6</u>	<u>(18.1)</u>	<u>50.8</u>
= Net Fees from Serfin	<b>45.4</b>	<b>235.7</b>	<b>47.6</b>
<b>LOAN PORTFOLIOS ACQUIRED</b>			
Income	49.5	50.1	74.3
- Expense	<u>40.6</u>	<u>35.9</u>	<u>64.9</u>
= Net Income from loan portfolios acquired	<b>8.9</b>	<b>14.2</b>	<b>9.4</b>
<b>FOBAPROA FEES</b>			
From FOBAPROA (*)	<u>48.9</u>	<u>122.1</u>	<u>68.0</u>
= Fobaproa Fees	<b>48.9</b>	<b>122.1</b>	<b>68.0</b>
<b>Non Interest Income – Recovery Bank</b>	<b>103.2</b>	<b>372.0</b>	<b>125.0</b>

(\*) Includes only the fees received by Recovery Banking.

The Non Interest Income from Loan Recovery fell by 66.4% vs. 4Q03 due mainly to the lower Fees on the Serfin Portfolio, as the previous quarter included Ps 106 million corresponding to the payment from IPAB for modifying the original administration contract of the Serfin portfolio which included the retroactive effect of managing nearly Ps 2,800 million in additional assets which have been under Bancen administration since February 2000. The Investment amortization in this portfolio also rose. The Fees Charged to Fobaproa dropped 44.3% because of diminished collecting during the quarter vs. 4Q03.

**Trading:**

Trading Income increased substantially going from Ps 12.0 million to Ps 409.9 million due mainly to a substantial increase in the Security Realized Gains as a result of the good management of the fixed income securities risk positions carried out by the Treasury that benefited from the interest rate performance during the quarter, and greater Foreign Exchange income that was 45.2% higher than in 4Q03.

**Non Interest Expense**

Non Interest Expense (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
Personnel Expenses	1,032.2	929.1	1,031.9
+Professional Fees	85.5	99.6	114.6
+Administrative and Promotion Expenses	534.3	686.8	596.6
+Rent,Depreciation& Amortization	318.1	382.3	374.9
+Tax other than income tax	144.3	190.8	153.1
+Contributions to IPAB	184.6	189.3	179.9
- Corporate Expense Recoveries	-	-	-
<b>= Non Interest Expense</b>	<b>2,299.1</b>	<b>2,477.8</b>	<b>2,451.1</b>

The quarter's Non Interest Expense dropped 1.1% vs. 4Q03, as a result of the 13.1% reduction in Administration and Promotion Expenses due to lower expenses in Credit Cards, paperwork, travel and maintenance, as well as a 19.8% reduction in Other Taxes as pending payments of the Value Added Tax (VAT) associated with investments and expenses made during the last year were covered in 4Q03. Professional Fees Paid increased 15.1% because of the cancellation in 4Q03 of provisions for external services that had not been rendered. Personnel Expenses rose 11.1% as a result of the creation of provisions for severance payments and Bonuses.

### Non Operating Income (Expense) Net

Non Operating Income (Expense) (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
+Other Revenues	94.0	123.0	65.4
+Foreign Exchange	-	-	-
+Recoveries	8.9	16.5	20.8
+Repomo-other revenues	5.2	11.1	7.4
<b>=Non Operating Income</b>	<b>108.0</b>	<b>150.7</b>	<b>93.6</b>
-Other Expenses	(154.6)	(94.9)	(114.2)
-Foreign Exchange	-	-	-
-Repomo-other expenses	(86.5)	(140.2)	(123.0)
<b>=Non Operating Expense</b>	<b>(241.1)</b>	<b>(235.1)</b>	<b>(237.2)</b>
<b>= Non Operating Income (Expense) Net</b>	<b>(133.1)</b>	<b>(84.4)</b>	<b>(143.6)</b>

The net Result of Other Products and Expenses for the quarter was Ps 143.6 million negative vs. the Ps 84.4 million negative in 4Q03. This variation was due to the following:

#### Other Products:

A Ps 57.6 million drop in Other Income, as in the previous quarter Ps 26.3 million in Diverse Creditor Accounts were cancelled, as well as Ps 17 million in provisions for fraud, and Ps 11.3 million of income from rents and technical assistance.

#### Other Expenses

This concept rose by Ps 19.3 million as a result of an adjustment in the estimated provisions for repossessed assets and to the creation of Provisions in Fiduciary. Additionally, the Repomo-Other Expenses fell by Ps 17.2 million.

## Loan Portfolio

Loan Portfolio <i>(Millions of Pesos)</i>	TRADITIONAL BANKING		RECOVERY BANKING		FOBAPROA/IPAB		TOTAL	
	4Q03	1Q04	4Q03	1Q04	4Q03	1Q04	4Q03	1Q04
Commercial	23,425	24,007	943	912	-	-	24,368	24,919
Corporate (1)	15,465	13,428	-	-	-	-	15,465	13,428
Consumer	9,218	9,956	41	40	-	-	9,258	9,996
Credit Card	2,876	3,010	-	-	-	-	2,876	3,010
Automobile	5,107	5,496	13	14	-	-	5,121	5,510
Electronic Payroll	1,234	1,451	27	27	-	-	1,261	1,477
Mortgages	13,780	14,413	2,386	2,311	-	-	16,166	16,724
Government Entities	9,302	6,734	8	8	-	-	9,310	9,578
IPAB	-	-	-	-	70,208	67,718	70,208	67,718
Fobaproa	-	-	-	-	6,798	6,734	6,798	6,734
<b>Total</b>	<b>71,190</b>	<b>71,374</b>	<b>3,378</b>	<b>3,272</b>	<b>77,006</b>	<b>74,452</b>	<b>151,574</b>	<b>149,098</b>
Total Loans w/o Fobaproa/ IPAB							74,568	74,646
Fobraproa / IPAB loans							77,006	74,452
Past Due Loans							3,577	3,603

(1) It includes loans to Financial Entities.

The Total Portfolio without Fobaproa /IPAB increased by 0.1% in the quarter, going from Ps 74,568 million to Ps 74,646 million. This growth, by type of loan, is explained below:

- Commercial Loans rose by 2.3% as new loans were granted to medium and small companies during the quarter. On the other hand, Corporate Loans dropped 13.2% due to the seasonality at year end and also to payments of some corporate clients.
- Financial Intermediaries Loans fell by 11.3%, due to payments made during the quarter.
- Consumer Loans is still showing important increases, as reflected in the Credit Card Loans that rose 4.7% in the quarter due to the promotional program to attract new clients as well as to the more widespread use of our card; Car Loans rose 7.6%, as a result of the 10,793 new loans granted in the quarter; and Electronic payroll loans which grew 17.1% because of the 42,873 new loans granted.
- Mortgage Loans rose 3.5% given the 2,085 new loans granted.
- Government Entities Loans rose 2.9% because of new loans granted in the quarter.
- The IPAB Portfolio dropped by 3.6% because of the payment of Ps 1,350 million corresponding to the last part of the pre-payment made in December 2003.
- The exchange rate had a minor effect on the loan portfolio as the decrease in the exchange rate that went from 11.24 pesos/dollar to 11.17 pesos/dollar del 4Q03 al 1Q04.

Past-due Loans rose 0.7% vs. 4Q03 and closed with a balance of Ps 3,603 million, and a past-due loan ratio of 2.4%.

TRADITIONAL BANKING LOAN PORTFOLIO					
<i>(Millions of Pesos)</i>	1Q03	4Q03	1Q04	%Quarterly Growth	%Annual Growth
Commercial	17,867	23,425	24,007	2.5%	34.4%
Corporate (1)	17,389	15,465	13,428	(13.2)%	(22.8)%
Consumer	6,244	9,218	9,956	8.0%	59.5%
Mortgages	11,438	13,780	14,413	4.6%	26.0%
Government Entities	6,932	9,302	9,569	2.9%	38.0%
<b>Total</b>	<b>59,870</b>	<b>71,190</b>	<b>71,374</b>	<b>0.3%</b>	<b>19.2%</b>

(1) It includes loans to Financial Entities

Comparing the loan portfolio at the closing of the quarter with that of 1Q03 we can see that there have been substantial increases giving new loan placement for a total of 19.2%. The annual Consumer loans growth was 59.5%, in Mortgage loans was 26.0% and in Commercial Loans, 34.4%. These growths are the result of the aggressive promotion Banorte made to place new loans and they also reflect a very dynamic Consumer Sector as well as high loan demand among medium and small companies. The Corporate segment shows an annual 22.8% drop due to important clients payments and also to the strategy of focusing in second tier corporates that offer a better profitability.

### Classified Loans

Millions of Pesos		RESERVES			
Category	LOANS	COMMERCIAL	CONSUMER	MORTGAGE	RESERVES
A	60,871	291	42	60	392
B	5,915	158	92	156	406
C	2,437	478	111	168	758
D	1,137	48	220	535	803
E	1,353	1,115	224	-	1,339
Total	<b>71,713</b>	<b>2,090</b>	<b>689</b>	<b>919</b>	<b>3,698</b>
Not Classified	(36)				
Exempted	78,797				
<b>Total</b>	<b>150,474</b>	<b>2,090</b>	<b>689</b>	<b>919</b>	<b>3,698</b>
Reserves					<b>4,581</b>
Excess / (Deficit)					<b>883</b>

Note : Consolidated with UDIS. With March'04, per application of Report 1449,1460,1480 Y 14 of the CNByV (the National Banking and Securities Commission).  
 (\*) Includes Financial Intermediaries, Government Entities, Irrevocable Lines of Credit and Signatures Guarantees Granted.

### Loans Loss Reserves (LLR)

Loan Loss Provisions for Loan Risks rose by Ps 365 million during the quarter due to the creation of provisions for Ps 106 million through the Income Statement and the restoration of Ps 259 million in reserves against Banorte's Retained Earnings account, which is part of its Stockholder's equity.

Reserves created against Income	\$106 million
+ Restoration of reserves against Capital	<u>259 million</u>
= Increase in loan reserves in 1Q04	\$365 million

The Ps 259 million transaction was made as per instructions of the National Banking and Securities' Commission (CNBV), based on a later supervisory visit, that determined that in Banorte's loan portfolio sale to its subsidiary Sólida Administradora de Portafolios for Ps 1,955 million in 1Q03, a surplus of Ps 259 million in loan loss reserves had been cancelled.

At the time of the original transaction, Ps 1,577 million were cancelled in loan loss reserves when it should have been Ps 1,318 million, as it was the amount of reserves associated with this loan portfolio. Therefore the CNBV instructed this period that this Institution restored the loan loss reserves for the amount of the difference (Ps 259 million) directly at the balance level against the Retained Earnings account, in accordance to the existing GAAP, as this amount should have affected 2003 Results.

Loan Loss Reserves (Millions of Pesos)	1Q04		
	BANORTE	BANCEN	Total
<b>PREVIOUS PERIOD END BALANCE</b>	<b>3,910</b>	<b>444</b>	<b>4,354</b>
Provision taken in the period	104	2	106
Retained Earnings (*)	259	-	259
Charge offs and discounts:			
Commercial Portfolio	(3)	4	1
Foreclosed assets	-	-	-
Consumer Portfolio	(23)	-	(23)
Mortgage Portfolio	(23)	(2)	(24)
	<b>(49)</b>	<b>2</b>	<b>(47)</b>
Cost of debtors support programs	(31)	(4)	(34)
Valuation and Others	(53)	(3)	(56)
<b>LOAN LOSS RESERVES AT PERIOD END</b>	<b>4,140</b>	<b>441</b>	<b>4,581</b>

(\*) Restoring of Reserves from loans sold to Solida Administradora de Portafolios in 1Q03.

Figures are presented in constant pesos set at the close of March' 2004.

During the quarter, Ps 106 million were provisioned through the Income Statement and \$ 259 against Retained Earnings, and Ps 47 million were taken out through Charge offs and discounts related to Collections and restructuring of loans, from which Ps 1 millions came from Commercial loans, Ps 23 millions came from Consumer loans, and Ps 24 millions from Mortgage loans. The Loan Loss Reserve balance at the end of 1Q04 was Ps 4,581 million.

### Reserve Coverage

<b>Reserve Coverage</b> <i>(Millions of Pesos)</i>	<b>Past Due Loans</b>	<b>Reserves</b>	<b>Reserves/Past Due Loans</b>
<b>BANORTE</b>			
Comercial	1,761	1,761	100.0%
Financial Intermediaries	-	-	-
Consumer	475	475	100.0%
Mortgage	1,049	1,049	100.0%
Government Entities	8	8	100.0%
Surplus	-	846	-
<b>Total Banorte</b>	<b>3,294</b>	<b>4,140</b>	<b>125.7%</b>
<b>BANCEN</b>			
Comercial	157	157	100.0%
Financial Intermediaries	-	-	-
Consumer	-	-	-
Mortgage	152	152	100.0%
Government Entities	-	-	-
Surplus	-	132	-
<b>Total Bancen</b>	<b>309</b>	<b>441</b>	<b>142.7%</b>
<b>Total Banking Sector</b>	<b>3,603</b>	<b>4,581</b>	<b>127.2%</b>

The Reserve Coverage of the Banking Sector at 1Q04 was 127.2%. For Banorte the reserve coverage was 125.7% and 142.7% for Bancen. Both Banks have individual coverages of 100.0% for each type loan portfolio, with surpluses of Ps 846 million in Banorte and Ps 132 million in Bancen.

### Deposits

<b>Deposits</b> <i>(Millones de Pesos)</i>	<b>1Q03</b>	<b>4Q03</b>	<b>1Q04</b>
Checking Accounts-w/o Interests	21,707	26,186	24,748
Checking Accounts-with Interests (1)	32,937	41,124	37,364
<b>Demand Deposits</b>	<b>54,644</b>	<b>67,310</b>	<b>62,112</b>
Time Deposits - Retail	32,311	32,820	33,246
<b>Traditional Deposits</b>	<b>86,955</b>	<b>100,130</b>	<b>95,358</b>
Time Deposits - Money Market (2)	73,576	65,179	64,740
<b>Total Deposits(3)</b>	<b>160,531</b>	<b>165,310</b>	<b>160,098</b>

(1)Includes Debit Cards.

(2)Includes Bonds Comprises, Customers and Financial Intermediaries.

(3)Excludes on behalf of Third Parties Deposits.

The quarter closed with an Total Deposit balance of Ps 160,098 million, 3.2% lower than in 4Q03. The Traditional Deposits fell 4.8% vs. the previous quarter due mainly to a lower money market deposit requirement given the reduction in IPAB loans and lower investments in Financial Instruments in the quarter and also to year-end seasonality. Demand Deposits suffered a seasonal drop of 7.7%, and Retail Time Deposits grew by 1.3% vs 4Q03. Annually, Total Deposits remained at a similar level to that of 1Q03, with a growth of 13.7% in Demand Deposits. Banorte continues making efforts to optimize its deposit mix.

## Capitalization

<b>Capitalization</b> <i>(Millions of Pesos)</i>	<b>4Q03</b>	<b>1Q04</b>
Tier 1 Capital	11,885	12,028
Tier 2 Capital	2,539	5,710
<b>Net Capital</b>	<b>14,424</b>	<b>17,738</b>
Credit risk assets	85,584	83,438
Net Capital/ Credit Risk Assets	16.9%	21.3%
Total risk assets (1)	113,262	115,060
Tier 1	10.5%	10.5%
Tier 2	2.2%	5.0%
<b>Total Capitalization Ratio</b>	<b>12.7%</b>	<b>15.4%</b>

(1) Includes Market Risks. Without inter-company eliminations.

Note.- The disclosure of capital and credit risk assets is included in the Notes to Banking Sector Financial Statements section.

At the close of 1Q04, The Banking Sector's capitalization ratio was 15.4% considering both credit and market risks and 21.3% considering only credit risk. The Tier 1 was 10.5% and 5.0% for Tier 2. The Net Capital and the Capitalization ratio increased mainly due to the issuance of US 300 million in Non Convertible Subordinated Debentures (that account as Tier 2), and also to the profits generated during the period. The restoring of loan loss reserves derived from the sale of loans to Sólida Administradora de Portafolios decreased Tier 1 Capital by Ps 259 million equivalent to 1.46% of Net Capital.

## US Dollar Assets and Liabilities

<b>US Dollar Assets and Liabilities</b> <i>(Millions of Dollars)</i>	<b>4Q03</b>	<b>1Q04</b>
<b>Assets</b>		
Cash	44	46
Deposits on Foreign Banks	148	309
Intergroup Deposits	-	-
USCP	78	29
Remittances Securitization Trust	8	8
Investment portfolio	648	788
Loan portfolio	851	795
Fobaproa – IPAB Notes(1)	(30)	(32)
Cross Currency Swaps	-	514
Foreign Exchange Derivatives	250	86
Fx Position	103	77
Other assets	38	17
<b>Total Assets</b>	<b>2,137</b>	<b>2,637</b>
<b>Liabilities</b>		
Retail Deposits	1,035	1,079
Market Issues	27	21
Loans from Banks	80	79
Intergroup Funding	-	-
Development Banks	82	78
Cross Currency Swaps	701	806
Deferred payments	-	-
Loan Loss Reserves	85	85
Subordinated Debentures	112	411
Foreign Exchange Derivatives	3	37
Fx Position	-	-
Other liabilities	12	42
<b>Total Liabilities</b>	<b>2,137</b>	<b>2,637</b>

(1) The balance is net of Fobaproa checking accounts.

Figures are presented in constant pesos set at the close of March' 2004.

The total assets balance in dollars at the close of 1Q04 was USD 2,637 million, 23.4% higher than in 4Q03 due mainly to the issuance of USD 300 million in Non Convertible Subordinate Debentures made in the quarter that were channeled to the Investment Portfolio and to Deposits in Foreign Banks. There was a considerable reduction in Futures, Forwards and Options, and a 6.7% drop in the Loan Portfolio.

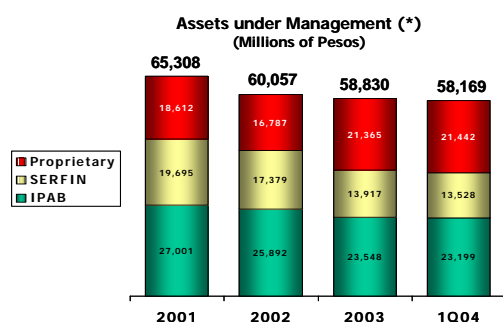
### Recovery Banking

#### Achievements

The Banorte Recovery Banking has been the most important loan recovery and asset administration unit in the Mexican market since it was established in 1997. For the last 3 years, it has contributed with over 25% of the Group's Banking Sector profits. Its most outstanding achievements include: the purchase of more of 40% of the portfolios auctioned by the IPAB and other banks as of today, an average collecting rate of over 40%, and having performed the first securitization of mortgage loans in Mexico which received a "AAA" rating by Fitch, which means "the highest loan quality" and represents the highest rating given by Fitch Mexico in the scale of domestic ratings.

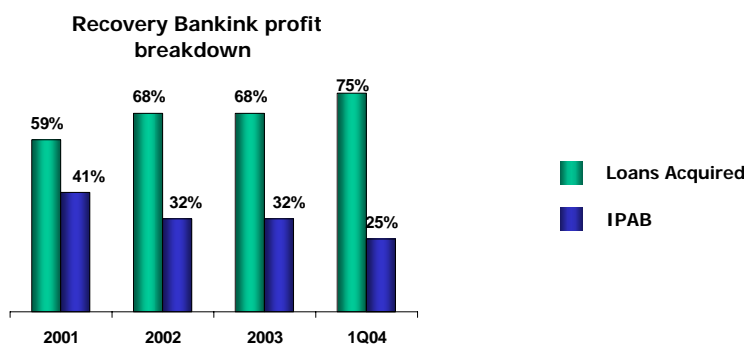
#### Current Situation

At present, it manages Ps 58,169 million in assets, as shown in the following chart:



(\*) At face value

The contribution that the acquired loans make to this business unit's profit has become increasingly important, more so than those from the IPAB portfolio administration.



Note: Serfin is included in Loans Acquired.

#### Future Plans

Banorte intends to continue purchasing new loan portfolios from IPAB and from other banks, as well as manage and market assets. The purpose is to extend this important business unit's life. There is current information about IPAB and private loan portfolios that will be set up for bids during the first nine months of the year for over Ps 27,184 million. This business unit will take part in the bidding only for the more attractive ones that fit into the defined strategy.



The vision of the present administration of the recovery and asset management business is that it shall continue to contribute substantially to the Group's Banking Sector even in the long run by creating formulas to market assets that go beyond a mere loan portfolio recovery.

### Recovery Banking

Recovery Banking Income Statement (Millones de Pesos)	QUARTER	
	1Q03	1Q04
Net Interest Income	(7)	13
+REPOMO-margin	-	-
<b>= Net Interest Income After REPOMO</b>	<b>(7)</b>	<b>13</b>
- Loan Loss Provisions	5	(1)
<b>= Net Interest Income After Provisions</b>	<b>(13)</b>	<b>14</b>
+ Fiduciary	46	48
+ Fobaproa Fees (1)	49	68
+ Other Fees	71	35
Non Interest Income	<b>166</b>	<b>151</b>
<b>= Total Operating Income</b>	<b>153</b>	<b>165</b>
Non Interest Expense	55	45
= Net Operating Income	<b>98</b>	<b>120</b>
- Other Revenues and Expenses	-	-
<b>= Pre-tax Income</b>	<b>98</b>	<b>120</b>
- Income Tax & Profit Sharing	-	-
- Tax on Asset	-	-
- Deferred Income Tax & Profit Sharing	-	-
<b>= Net Income before Subsidiaries</b>	<b>98</b>	<b>120</b>
+ Undistributed Earnings of Subsidiaries	18	35
<b>= Net Income-continuous Operation</b>	<b>116</b>	<b>155</b>
+ Extraordinary Items, net	-	-
- Minority Income	-	-
<b>= Total Net Income</b>	<b>116</b>	<b>155</b>

(1) Net Figures.

(2) Includes Net Income From Loan Portfolios.

The following table shows the amounts of assets managed by the Recovery Bank and the concepts where these assets are found, as well as the items where the income from each portfolio are registered

Assets Under Management (Millions of Pesos)	1Q04	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
<b>Fobaproa-IPAB: Portfolios</b>			
Banking Sector (1)	17,311	Out of balance trusts	Fees from FOBAPROA
Serfin	10,419	Serfin Trust	Fiduciary
Reposessed assets	8,996	Out of balance trusts	Fobaproa fees and Fiduciary
	36,726		
<b>Loans purchased to IPAB and to Other Banks:</b>	16,983	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
<b>Banking Sector Portfolio:</b>			
Banking Sector (1)	3,175	Banorte's Portfolio	Net Interest Income
Reposessed assets	1,283	Banorte's Reposessed assets	Other Revenues and Expenses
	4,458		
<b>Total</b>	<b>58,169</b>		

(1) Includes the loan portfolios sold to Fobaproa by Bancen and Banpais.

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. Recovery Banking has contributed substantially in the last years to the Banking Sector's earnings and its future contribution will depend on the development of this business unit as well as that of the Traditional GFNorte Banking Business.

A breakdown of the Recovery Banking contribution to the earnings of said Sector is given below.

The basis to calculate these figures were the assets managed by Recovery Banking which consist of: the loan portfolios ceded to Fobaproa by Bancen and Banpais before being sold, the purchase of collecting rights of the Serfin Portfolio, and the portfolios bought to the IPAB. Additionally, it administrates own portfolio which, given its characteristics, have been transferred to be collected through the Recovery Banking.

Recovery Banking Contribution (Millions of Pesos)	ACCUMULATED	
	1Q03	1Q04
Traditional Banking Net Income	348	335
Recovery Bank Net Income	116	155
Banking Sector Net Income(*)	<b>464</b>	<b>490</b>
<b>=% of Contribution</b>	<b>25%</b>	<b>32%</b>

(\*) Banking Sector 100.0%

(1) Excludes Ps 420 millions of an extraordinary income from Generali.

The Recovery Banking contributed with Ps 155 million to the Banking Sector's 1Q04 profit; a contribution of 32.0%

As of March, Banorte has Ps 6,734 million in Fobaproa notes derived from the sale of loans to this entity in 1995 and 1996, and Ps 67,719 million in loans to IPAB from the three banks acquired (Bancen and Banpais in 1997 and Bancrecer in 2001), with the following characteristics:

ORIGINATION (Millions of pesos)	BALANCE AS OF 1T04	YIELD	MATURITY	LOSS SHARING
BANCEN – BANPAIS – Banks Acquired	21,506	TIIE + 85 pb	2010	NO
BANCRECER – Bank Acquired	46,213	TIIE + 40 pb	2009	NO
BANORTE – Sale of Loans to Fobaproa	6,734	CETES – 135 pb	2005/2006	YES
	<b>74,453</b>			

There is loss sharing only in the Fobaproa notes which is fully provisioned (see Annex 6).

## 2.- Brokerage Sector

Brokerage Sector (Millions of Pesos)	QUARTER		
	1Q03	4Q03	1Q04
<b>Brokerage House</b>			
Net Income	6.9	29.3	29.4
Equity	350.4	440.9	462.6
Total Assets	450.5	553.1	601.4
Assets under Management	118,692.8	149,810.5	164,078.8
ROE %	8.0%	27.5%	26.0%

The **Brokerage Sector** showed a Ps 29.4 million profit during 1Q04, similar to that of the previous quarter, and 326% higher than that of 1Q03.

The volume of Money Market deposits remained practically without change vs the previous quarter, however, the income from money market operations in the Brokerage House was Ps 42.5 million.

The income from brokerage operations recorded a new maximum of Ps 30.1 million, as the Brokerage House volume of operations reached Ps 27,310 million with a 8.71% market share, ranking 4<sup>TH</sup> place in terms of Brokerage volume

Figures are presented in constant pesos set at the close of March' 2004.

in the market. Stock Mutual Funds grew by 18.4% in the period. Due to a strict expense control policy it was possible to maintain the same expense level as that of 1Q03.

### 3.-Long Term Savings Sector

Long Term Savings Sector (Millions of pesos)	QUARTER		
	1Q03	4Q03	1Q04
<b>Afore</b>			
Net Income	74.4	21.3	75.3
Equity	1,148.3	1,089.7	1,165.0
Total Assets	1,344.8	1,288.8	1,314.7
Assets under Management (SIEFORE)	21,303.7	25,172.3	27,065.7
ROE %	26.8%	7.2%	26.7%
<b>Insurance</b>			
Net Income	48.9	18.7	32.3
Equity	284.5	395.0	427.3
Total Assets	2,333.6	2,666.3	3,443.9
Technical Reserves	1,798.5	2,004.8	2,385.7
Premiums sold	573.9	468.0	890.0
ROE %	74.7%	19.5%	31.4%
<b>Generali México (1)</b>			
Net Income	-	2.1	2.9
Equity	-	91.4	94.0
Total Assets	-	716.7	694.9
Technical Reserves	-	394.3	398.6
Premiums sold	-	49.5	135.7
<b>Annuities</b>			
Net Income	33.7	(33.4)	46.0
Equity	167.4	189.5	235.5
Total Assets	2,333.6	4,997.7	5,124.2
Technical Reserves	1,798.5	4,801.3	4,879.3
Premiums sold	82.8	112.4	109.6
ROE %	89.6%	(64.9)%	86.7%

(1) The 4Q03 figures correspond exclusively to December, 2003.

The **Afore** showed a Net Quarterly Profit of Ps 75.3 million (51% from Bancen), 253.5% greater than in 4Q03. This variation between the two quarters was due mainly to the business' cyclic nature -as employer contributions are bimonthly, two contributions are received in the first and third quarters of every year whereas as there is only one contribution in the 2nd and 4th quarters. At the end of 1Q04 there were a total of 2,823,009 affiliates, for a 10.4% share in certified accounts. Since last January, the fees charged to our affiliates were reduced: the balance fee went from 0.7% to 0.6%. The Assets Managed by SIEFORE increased 7.5% vs. 4Q03 in part because of the strategy to attract new higher-income affiliates.

The **Insurance Company** reached a Ps 32.3 million profit in the quarter (51% from GFNorte), 72.7% higher than that of 4Q03 due mainly to the 90.2% increase in the premiums issued from sales throughout the bank network during the quarter and low damage claims.

**Generali México** showed a Ps 2.9 million profit and issued premiums for Ps 135.7 million during the quarter. The merger of this Subsidiary and Seguros Banorte-Generali is expected to be formalized by 2Q04.

The **Annuities Company's** quarterly profit was Ps 46.0 million (51% from GFNorte), vs. the Ps 33.4 million loss in 4Q03. This variation is due to the profit generated in its investment portfolio and a reduction in the additional benefits to new pension holders. Another important aspect is the creation of lower Technical Reserves than in 4Q03. The company currently ranks 2nd in the industry and has a 18.7% market share in sold premiums and 1st in the number of pensions placed with a 19.5% market share.

Auxiliary Organizations Sector (Millones de pesos)	QUARTER		
	1Q03	4Q03	1Q04
<b>Leasing (1)</b>			
Net Income	5.2	(8.7)	8.5
Equity	178.2	184.9	193.4
Loan Portfolio	1,015.6	1,635.5	1,667.0
Past Due Loans	19.9	30.7	28.3
Loan Loss Reserves	15.8	27.3	28.3
Total Assets	1,042.8	1,692.4	1,704.5
ROE %	11.9%	(18.4)%	17.2%
<b>Factoring</b>			
Net Income	8.4	6.8	4.2
Equity	186.9	214.3	218.5
Loan Portfolio	3,139.3	3,258.0	3,341.7
Past Due Loans	13.5	15.1	22.7
Loan Loss Reserves	8.8	19.4	27.6
ROE %	3,153.5	3,263.2	3,336.2
Total Assets	18.4%	13.0%	7.8%
<b>Warehousing</b>			
Net Income	4.9	7.8	4.1
Equity	65.6	76.5	79.1
Inventories(*)	196.0	198.7	194.3
Total Assets	294.4	305.8	300.3
ROE %	30.7%	42.5%	20.9%
<b>Bonding</b>			
Net Income	2.1	3.5	-
Equity	89.0	97.7	97.7
Total Assets	212.4	244.5	293.6
Technical Reserves	82.3	90.9	118.1
Premiums sold	25.6	30.6	60.5
ROE %	9.6%	14.5%	12.0%

New Accounting Principles : Warehousing, Leasing & Factoring= Circular 1490

(\*) Accounted in Other Assets, Deferred charges and Intangibles account.

(1) The 4Q03 figures were modified to show the creation of loan loss reserves for the Ps 11.8 million and charge offs of foreclosed assets for Ps 4.3 million, as per the CNBV's instructions. However the Net Income figures reported in 4Q03 at the Group level remained without change.

The **Leasing Company** reported a quarterly profit of Ps 8.5 million, higher than expected despite the considerable creation of Loan Reserves and charge offs of Repossessed Assets registered in 4Q03 that reduced this type of charge in 1Q04. The Total portfolio grew by 2% vs. 4Q03 and the past-due loan rate closed at 1.7%. The company currently ranks 3rd among the 27 Leasing Companies with a 10.0% market share.

The **Factoring Company** generated a quarterly profit of Ps 4.2 million, 32.8% lower than in 4Q03 due mainly to the creation of important loan loss reserves for Ps 8.2 million that included Ps 4.8 million that were created as instructed by the CNBV derived from the classification of some important clients. Total Loans rose 2.6% vs. 4Q03 and the past-due loans portfolio closed with a balance of Ps 22.7 million equivalent to a 0.7% past-due loan rate. The company, at present, ranks 1<sup>st</sup> among the 11 factoring companies.

**Warehousing** showed a net profit of Ps 4.1 million during 1Q04, 47.4% lower than in the previous quarter given the reduction in the operations volume mainly in accommodating warehouses and inventory commercialization given the business' seasonal nature. The company currently ranks 11<sup>th</sup> place in the industry in terms of volume of certification and 1<sup>st</sup> place in terms of profitability.

The **Bonding Company** did not generate a profit during the quarter. The reason for this was that during the first quarter of the year there was a substantial increase in the bonds granted to gas stations to operate with PEMEX and this brought about high requirements in creating new technical reserves in the period thereby affecting the quarterly results.



# ANNEXES

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1. MACROECONOMIC ENVIRONMENT
2. GRUPO FINANCIERO – GENERAL INFORMATION
3. ACCOUNTING CHANGES AND REGULATIONS
4. LOAN PORTFOLIO SALES TO SOLIDA  
ADMINISTRADORA DE PORTAFOLIOS
5. FINANCIAL STATEMENTS
6. NOTES TO BANKING SECTOR FINANCIAL  
STATEMENTS

## ANNEX 1. Macroeconomic Environment

The first quarter of the year was characterized by a mixed market behavior. While the peso recovered some ground with respect to the dollar and interest rates dropped, concern grew in the following months over the course inflation would take. Despite this and the weak U.S. stock markets – Dow Jones and Nasdaq-, which showed a negative performance in the first quarter, the Mexican Stock Exchange registered outstanding earnings of 19.6%.

After the pressures at the close of 2003 due to the lack of structural reforms agreements, interest rates showed a marked drop and the 28-day Cetes averaged 4.95%, while the exchange rate, which closed the year at 11.24, wound up at under 11 pesos per dollar at the end of the first month. Overshadowing this stability, the poor inflation data for both January and February brought about an increase in the inflation estimates for 2004, while wage raises in the first two months of the year were over 4.0%. In the face of these pressures, the Banco de México decide to impose a more stringent monetary policy increasing the “short” on two occasions. Consequently, the interest rates rose and the 28-day Cetes averages 5.57% and 6.28% in February and March, respectively. The exchange rate, on the other hand, was not immune to the pressure and closed the quarter at 11.15 pesos/dollar.

Inflation in March showed a better-than-expected rate of 0.34%. However, the annual inflation rate was set at 4.23%, well above the 3.0% +/- 1 percent goal the Central Bank had set. So far, the inflation estimates are still above the authorities’ objective, although some surveys show that there has been a decrease over the last weeks.

Regarding economic activity, the figures that were recently made public show that we have started a period of recovery. While external demand has increased and relations with the U.S. hold strong, the internal market is still holding on. On the one hand, exports grew an average of 5.2% in January-February, while retail sales increased 3.6% in the same period. As to industrial activity, there has been a positive annual growth for three months in a row, and although there are still signs of some weakness, the U.S. recovery in this sector is expected to have a positive impact on Mexico. So the perspectives for the economic activity recovery of our country are becoming more and more optimistic. The labor market, however, is still quite weak. The unemployment rate continued to rise in the first two months of the year, closing February at 3.92%.

## ANNEX 2 .-Grupo Financiero- General Information

### GFNorte Ownership in Subsidiaries

	1Q04
Banco Mercantil del Norte (1)	96.11%
Banco del Centro	99.99%
Brokerage House	99.99%
Pension Funds Afore (2)	51.00%
Insurance	51.00%
Generali México	51.00%
Annuities	51.00%
Leasing	99.99%
Factoring	99.99%
Warehousing	99.99%
Bonding	99.99%

(1) As a result of merging Banpais in February, 2000.  
 (2) Subsidiary of Banco del Centro.

### Holding Company Capital Structure

Number of Shares	SERIE O As of March 2004
Number of shares issued	504,586,887
- Shares held on Treasury	35,000
<b>= Number of shares outstanding</b>	<b>504,551,887</b>

### Banorte Ratings

International Ratings				
Rating Agency	Rated Institution	Rating	Category	Date
Moody's	Banorte	Stable	Outlook	January 2004
		D+	Modest Financial Strength	
		Baa2	Foreign long - term bank deposits	
		P-2	Foreign short- term bank deposits	
		A-3	Local long - term bank deposits	
Standard & Poors	Banorte	P-2	Local short- term bank deposits	June 2003
		Stable	Outlook	
		BB	Long Term foreign issuer credit	
		BB	Long Term local currency deposits	
Fitch	Banorte	B	Short term foreign issuer credit	July 2003
		B	Short tem local issuer credit	
		Stable	Outlook	
		BBB-	Long Term Foreign currency	
		BBB-	Long Term Local currency	
		F3	Short Term Local Currency	
F3	Short Term Foreign Currency			
C/D	Individual – Foreign Currency			
3	Support Rating			

## Banorte Ratings

Domestic Ratings					
Rating Agency	Rated Institution	Rating	Category	Date	
Fitch	Banorte	F1 + (mex)	Short term counterparty risk	August 2002	
		AA (mex)	Long term counterparty risk		
		F1 + (mex)	Short term CD's and Term Deposits		
		AA (mex)	Long term CD's and Term Deposits		
		AA (mex)	Bonds (1-00)		
		AA (mex)	Bonds (2-00)		
Moody's National Scale	Banorte	Aaa.mx	Long Term Deposits	January 2004	
		MX-1	ShortTerm Deposits		
	Arrendadora Banorte	Aa1.mx	Issue Rating in National Scale	January 2004	
Other Subsidiaries	Fitch	Average High (mex)	Sólida	Financial Asset Administrator	June 2002
			Operadora de Fondos	Investment Financial Assets Administrator	February 2004
			Seguros Banorte Generali	Insurance Financial Strength	August 2002

## No. of Employees & Distribution Network

EMPLOYEES	1Q03	4Q03	1Q04
Banking Sector (*)	12,861	13,336	13,510
Other Sectors	2,173	2,504	2,617
<b>Total Group</b>	<b>15,034</b>	<b>15,840</b>	<b>16,127</b>
DISTRIBUTION NETWORK			
Branches (**)	1,075	1,029	1,026
ATM	2,513	2,524	2,520

(\*) Includes Sólida Administradora de Portafolios.

(\*\*) Includes banking modules and Remote Teller Windows. Excludes 1 branch located in Cayman Island.

## Group Officers

NAME	CURRENT POSITION
Luis Peña Kegel	Chief Executive Officer
Juan Manuel Quiroga Garza	Corporate General Director GFNorte
A. Eduardo Sastre de la Riva	Director General of Communications
Gloria Cecilia Miller Suárez	Director General of Marketing
Rafael del Castillo Torre de Mer	Director General of Government Banking
Gerardo Soto Pérez	Director General of Human Resources
Gerardo Coindreau Fariás	Director General of Integral Risk Management
Jorge Eduardo Vega Camargo	Dir. General of Controllershship and Special Project
Sergio García Robles Gil	Director General of Planning and Control
Aurora Cervantes Martínez	Director General of the Legal Department
Miguel Ángel García Padilla Fernández	Director General of Recovery Banking
Alejandro Ramos Larios	Director General of Technology and Operations

Figures are presented in constant pesos set at the close of March' 2004.



Enrique Castellón Vega	Dir. General of the Long Term Savings Sector
Federico A. Valenzuela Ochoa	Director General of Administrations and Finance
Manuel Fernando Sescosse Varela	Director General of Banking
Antonio Emilio Ortiz Cobos	Dir. General of Corp. Bank. and Intern. Business
Enrique Catalán Guzmán	Director General of Entrepreneurial Banking
Alejandro Valenzuela del Río	Director General of Institutional Relations
Román Martínez Méndez	Director General of Internal Audit
Alma Rosa Moreno	GFNorte Expense Comptroller
Eugenio López Macías	Director General of Special Projects
Mauricio Ortiz Mena	Director General of Private Banking

### ANNEX 3 .-Accounting Changes and Regulations

**New rules for disclosing financial information of banks.-** Last June 30, 2003 the CNByV issued new general rules to disclose the financial information of banks in order to standardize the way this information is presented to the general public. New, more detailed information of Banorte and Bancen can be found in our web site: [banorte.com/informacionfinanciera](http://banorte.com/informacionfinanciera) (only in Spanish version).

#### Terms and Particular Features of the Banorte and Bancrecer Merger Process.

The Secretaría de Hacienda y Crédito Público authorized the Banorte – Bancrecer merger, in which the latter is the merging company and Banorte is the merged company. The merging party thereby changed its name to “Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte”.

This merger is a reorganization or transaction between companies under common control, pursuant to the Generally Accepted Accounting Principles of the United States of America, which were complementarily applied in accordance with the Accounting Criteria for Financial Institutions referred to in Circulars 1448 and 1488, issued by the National Banking and Securities Commission.

Up to February 28, 2002, both Institutions issued separate financial statements. As of March 2002, a single financial statement is drawn up for the merged entity.

For this purpose, Banorte’s book balances of assets, liabilities and stockholders’ equity were transferred to Bancrecer, thereby proceeding to eliminate the inter-company operations between both Institutions.

There were no changes made to the accounting policies applicable to Financial Institutions as a result of the reorganization in question.

The following table summarizes the merger process, indicating the effect on financial statements as well as detailing the inter-company transactions that were eliminated.

Millions of nominal pesos	Banorte (before consolidation)	Bancrecer	Total	Intercompany Operations		Balance of the Merged entity
				Debit	Credit	
ASSETS	106,528	69,681	176,209		12,107	164,102
LIABILITIES	99,839	67,838	167,677	10,264		157,413
STOCKHOLDER'S EQUITY	6,689	1,843	8,532	1,843		6,689

As the above table shows, the remaining stockholders’ equity is that of Banorte, as it is the Holder of Bancrecer shares. The stockholders’ equity of the latter Institution is eliminated against Permanent Investment in shares that Banorte kept in its assets.

The stockholders’ equity of the merged company totals Ps 2,273,482,963.00 (Two billion, two hundred seventy-three million, four hundred eighty two thousand, nine hundred and sixty three Mexican pesos 00/100) (nominal pesos) represented by 22,734,829,630 ordinary nominative shares of the “O” series, for a nominal value of Ps 0.10 (ten cents Mexican Currency).

Bancrecer, S.A., as a result of the merger, cancelled the shares it had deposited in the Company Treasury which had not been paid.

The nominal value of each stockholders' equity representative shares was modified from Ps 100.00 (one hundred Mexican pesos 00/100) to Ps 0.10 (ten cents Mexican Currency).

**Interbank Eliminations in Balance lines**

(Millions of Nominal Pesos)	Debit	Credit
Stockholder's Equity	1,843	
Investments in Subsidiaries		1,843
Interbank loans	10,201	
Cash and due from banks		10,201
Deferred Taxes (Liabilities)	63	
Deferred Taxes (Assets)		63

(The last registers were reclassifications only, in accordance to CNBV and accounting criteria for presentation)

**Interbank Eliminations in Income lines**

**Interest Income – Expense**

(Millions of Nominal Pesos)	Debit	Credit
Interest Income.- Loans & Securities	39.1	
Interest Expense.- Deposits & funding		39.1
Interest Income.- Repo agreements	0.7	
Interest Expense.- Repo agreements		0.7
Earnings of Subsidiaries	84.6	
Net Interest Income before Repomo		645.4
REPOMO – margin	11.1	
Loan Loss Provisions	11.6	
Non Interest Income		283.8
Non Interest Expense	789.0	
Non Operating Income (Expense)	22.9	
Tax on Asset	11.8	
Deferred Income Tax & Profit Sharing		1.3
Earnings of Subsidiaries		0.5

For comparability purposes, Bancrecer's quarterly figures appear consolidated in the corresponding accounts of Banorte's (merged) earnings statements. Therefore, to avoid duplicating figures, the profit that, by means of the participation method Banorte had registered as subsidiaries profit, is eliminated.

**Reserves for Integration Expenses.-**

In Official Document number 60-II-105587, dated December 11, 2001, the National Banking and Securities Commission authorized the creation in December 2001 of a Reserve for Integration Expenses against Capital Reserves for a total of Ps 678.0 million. Said provision contemplates the following concepts:

**1. Reorganization**

**1.1 Restructuring Cost**

The amount to cover the Bancrecer personnel severance pay to those laid off because of the organizational restructuring, product of the integration.

### 1.2 Outplacement Program

Fees to pay to specialized external advisors that will help the dismissed personnel to take on new productive activities on their own or to find new jobs.

### 1.3 Acquittance on loans made out to personnel laid off

Pursuant to internal policies, the Bank will grant an acquittance on the loans granted to the personnel subject to dismissal, 30% on commercial loans and 20% on mortgage loans.

## 2. Integration

### 2.1 Operative Integration

The necessary expenses to integrate all the branches into a single operative framework.

### 2.2 Re-branding

The necessary expenses to re-brand Bancrecer's branches, these expenses such concepts as indoor and outdoor painting, carpeting, sign make-over, and project coordination. Also included are the expenses needed to uniform signage and image inside the branches.

### 2.3 Amortization of Installation Expenses due to branch shutdowns

Installation expenses incurred at the Bancrecer branches that will soon close down according to Banorte's strategic plan.

## 3. After Retirement obligations (medical service)

The actuarial study of medical service benefits up to January 1, 2000, showed accumulated debts for retirement benefits for a total of Ps 132.3 million. Banorte does not have the corresponding detailed actuarial calculation; therefore, a conservative adjustment of Ps 80.7 million has been included.

The present actuarial calculation shows a need for Ps 49.8 million, which was reclassified as Obligations After Withdrawal. The surplus was canceled against Commercial Loans.

The amounts of each concept are:

(Millions of pesos)

	Inicial Balance	March, 2004 changes	March, 2004 Balance
1. Reorganization	368.1	(368.1)	0.0
2. Integration	229.2	(177.9)	51.3
3. After Retirement obligations (medical service)	80.7	(80.7)	0.0
<b>Total</b>	<b>678.0</b>	<b>(626.7)</b>	<b>51.3</b>

If these reserve had not been constituted by December 2002, the movements in the present business year associated with the Banorte-Bancrecer integration would have been in assets as a goodwill for the same amount as said reserves, as per Bulletin B-8 of the Generally Accepted Accounting Principles, paragraph 22, "Acquisition and sales of subsidiaries."

### Deferred Taxes.-

Taxes are calculated on the fiscal income of the year, applying the fiscal regulation currently in effect. However, due to the temporary differences in acknowledging income and expense for accounting and fiscal purposes, as well as the differences in the book and fiscal balance accounts, Banorte (already merged) has acknowledged a deferred tax in its favor for Ps 835,769, that is made up as follows:

(Millions of Nominal Pesos)

CONCEPT	2002		
	Temporary	Deferred	
	<u>Differences</u>	<u>ISR</u>	<u>PTU</u>
Loan Loss Provisions (not deducted)	Ps 3,162.8	Ps 1,107.0	Ps 23.1
Tax loss carryforwards	10.3	3.6	-

Figures are presented in constant pesos set at the close of March' 2004.

Deficit from retirement obligations	601.4	210.5	60.1
Tax on assets	-	-	-
Excess of fiscal on account value of foreclosed assets	171.1	59.9	-

Total Assets	<u>Ps 3,945.6</u>	<u>Ps 1,381.0</u>	<u>Ps 83.3</u>
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CONCEPT	2002		
	Temporary	Deferred	
	Differences	ISR	PTU
Excess of fiscal over account value of fixed assets and expenses, Intangible and Others	Ps 1,560.8	546.3	42.3
Accrued interest and inflationary effect on special CETES	-	-	-
Value market results	-	-	-
UDI trusts payable income tax	-	39.8	-
Total Liabilities	<u>Ps 1,560.8</u>	<u>Ps 586.1</u>	<u>Ps 42.3</u>
Accumulated Net Effect	<u>Ps 2,384.8</u>	<u>Ps 794.8</u>	<u>Ps 40.9</u>
DEFERRED TAX			<u>Ps 835.8</u>

As a result of the modifications to the Income Tax Law (ISR), published on January 1, 2002, the ISR rate (35%) will be reduced annually as of 2003 until the nominal rate of 32% is reached in 2005. Consequently, this gradual reduction in Income Tax, in turn, will reduce the assets from deferred taxes in the same years, thereby affecting the year's earnings.

Pursuant to paragraph 28 of Bulletin D-4 of the Generally Accepted Accounting Principles, issued by the Mexican Institute of Public Accountants, the administration has made financial and fiscal projections based on conservative economic condition scenarios. They will enable recovery of the deferred asset tax with future fiscal profit within the normal course of operations of Banorte (already merged). Additionally, as mentioned in item (b) of the aforementioned paragraph, the right to deferred tax generated by Bancrecer's fiscal loss, which totals Ps 1,596,350, will be considered when there is a greater likelihood of having sufficient future taxable profits, as contemplated in the paragraph cited above.

In regard to the updated fiscal accounts balance related to the Stockholder's Equity, based on Bulletin D-4 paragraph 75, it is convenient to highlight that the deferred tax movements of the current year were not created against Capital accounts, and that fiscal accounts (Net Income and Updated Capital Contributions) were calculated according to the current fiscal regulations.

#### Goodwill.-

As per Bulletin B-8 of the Generally Accepted Accounting Principles, paragraph 22 "Acquisition and sales of subsidiaries," an Asset Goodwill was created in 2002 for the amount of Ps 69.6 million, which mostly consists of:

- Interests shown in assets derived from the Agriculture, Livestock and Fishing Support Programs that were not acknowledged by the Federal Government by 39.6 millions, and
- Integration-associated expenses not covered by the Integration Reserve, as the latter is insufficient according to the new estimate of Ps 19.9 million.

As of March 2004, the Goodwill adds up to Ps 44.3 million.

### ANNEX 4 .-Loan Portfolio sales to Sólida Administradora de Portafolios

Last February, Banorte sold Ps 1.9 billion (Ps 1.861 billion in Past-due loans & Ps 64 million in Performing loans) of its own portfolio (including interests) to its subsidiary Sólida Administradora de Portafolios, S.A. de C.V. for Ps 378 million. As the transaction was based on the August 2002 figures, the final figure that affected the February balance was Ps 1.856 billion, considering collecting since August 2002. Along with the past-due portfolio, Ps 1.577 billion in associated loan reserves were cancelled.

As instructed by the CNBV, we show the integration of the loan portfolio sold in 1Q03 by Banorte to its subsidiary Sólida Administradora de Portafolios, S.A. de C.V. The Purpose of this sale was to concentrate the portfolio in this specialized recovery unit as it had been managing the collections of this loans since before. This was a one time operation and is not a recurrent procedure to transfer loans to Sólida.

(Millions of Nominal Pesos)	Local Currency <sup>(2)</sup>			Foreign Currency (USD) <sup>(3)</sup>			Total		
	Aug'02	Dec'03	Mar'04	Aug'02	Dec'03	Mar'04	Aug'02	Dec'03	Mar'04
<b>Performing Loans</b>									
Commercial	5	12	5	5	-	-	-	14	5
Consumer	-	-	-	-	-	-	-	-	-
Mortgage	54	105	111	-	-	-	54	105	111
<b>Total</b>	<b>59</b>	<b>117</b>	<b>116</b>	<b>5</b>	<b>2</b>	<b>-</b>	<b>64</b>	<b>119</b>	<b>116</b>
<b>Non Performing Loans</b>									
Commercial	405	334	331	293	246	242	698	580	573
Consumer	81	77	77	-	-	-	81	77	77
Mortgage	1,112	818	778	-	-	-	1,112	818	778
<b>Total</b>	<b>1,598</b>	<b>1,229</b>	<b>1,186</b>	<b>293</b>	<b>246</b>	<b>242</b>	<b>1,891</b>	<b>1,475</b>	<b>1,428</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>1,346</b>	<b>1,302</b>	<b>298</b>	<b>248</b>	<b>242</b>	<b>1,955</b>	<b>1,594</b>	<b>1,544</b>
<b>Loan Loss Reserves (1)</b>									
Commercial	383	329	320	274	227	222	657	556	542
Consumer	80	77	76	-	-	-	80	77	76
Mortgage	840	539	514	-	-	-	840	539	514
<b>Total</b>	<b>1,303</b>	<b>945</b>	<b>910</b>	<b>274</b>	<b>227</b>	<b>222</b>	<b>1,577</b>	<b>1,172</b>	<b>1,132</b>

(1) Reserve requirements using the same classification method used for the bank.

(2) Includes UDIS.

(3) The dollar portfolio and reserves are re-expressed in pesos.

(\*) The Reserve surplus as of March'04 was Ps 214 million.

(\*) Banorte has a 99.99% stake in Sólida.

In the quarter, regarding the Loan Portfolio Ps 7 million were included in repossessed assets and Ps 21 million were registered as charge offs and discounts which decreased the Preventive Loan Loss reserves along with Ps 8 million of repossessed assets losses and Ps 13 million of charge offs and discounts.

**BANORTE'S LOAN PORTFOLIO INCLUDING LOANS SOLD TO SÓLIDA**

(Millions of Nominal Pesos)	Local Currency <sup>(1)</sup>		Foreign Currency (USD) <sup>(2)</sup>		Total	
	Dec'03	Mar'04	Dec'03	Mar'04	Dec'03	Mar'04
<b>Performing Loans</b>						
Commercial	27,138	27,117	6,681	6,189	33,819	33,306
Financial Intermediaries	3,048	2,780	302	241	3,350	3,021
Consumer	8,651	9,517	4	5	8,655	9,522
Mortgage	14,557	15,380	-	-	14,557	15,380
Government Entities	77,446	76,591	730	681	78,176	77,272
Fobaproa / IPAB	6,887	6,936	(201)	(202)	6,686	6,734
Performing Loans	137,727	138,321	7,516	6,914	145,243	145,235
<b>Non Performing Loans</b>						
Commercial	1,281	1,344	1,017	990	2,298	2,334
Consumer	526	552	-	-	526	552
Mortgage	1,855	1,827	-	-	1,855	1,827
Government Entities	8	8	-	-	8	8
Non Performing Loans	3,670	3,731	1,017	990	4,687	4,721
<b>TOTAL LOANS</b>	<b>141,397</b>	<b>142,052</b>	<b>8,533</b>	<b>7,904</b>	<b>149,930</b>	<b>149,956</b>
<b>Loan Loss Reserves</b>						
Net Loan Portfolio	3,846	4,112	1,171	1,160	5,017	5,272
Loan Loss Reserves	137,551	137,940	7,362	6,744	144,913	144,684
<b>% Past Due Loans</b>					<b>107.04%</b>	<b>111.67%</b>
					<b>3.13%</b>	<b>3.15%</b>

(1) Includes UDIS.

(2) The dollar portfolio and reserves are re-expressed in pesos.

**ANNEX 5 .- Financial Statements**
**HOLDING –Income Statement** *(Millions of Pesos)*

	1Q03	2Q03	3Q03	4Q03	ACUM	1Q04	2Q04	3Q04	4Q04	ACUM
Income from Subsidiaries and	534	554	592	582	2,262	565				565
Interest Expense	-	-	-	-	-	-				-
Trading Income	-	-	-	-	-	-				-
Fees & Tarifs	-	-	-	-	-	-				-
REPOMO	(1)	-	(1)	(4)	(5)	(1)				(1)
<b>Total Operating Income</b>	<b>533</b>	<b>554</b>	<b>591</b>	<b>578</b>	<b>2,257</b>	<b>564</b>				<b>564</b>
Operation & Administrative expenses	1	1	1	-	2	1				1
<b>Operating Income</b>	<b>533</b>	<b>554</b>	<b>591</b>	<b>578</b>	<b>2,255</b>	<b>563</b>				<b>563</b>
Non Operating Income	-	-	-	1	1	-				-
Non Operating Expense	-	-	-	-	-	-				-
<b>Non Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>				<b>-</b>
<b>Pre-tax Income</b>	<b>533</b>	<b>553</b>	<b>591</b>	<b>579</b>	<b>2,256</b>	<b>563</b>				<b>563</b>
Income Tax & Profit Sharing	4	(4)	-	-	-	-				-
Tax on Assets	-	-	-	-	-	4				4
Deferred Inc. Tax and Profit sharing	-	-	-	-	-	-				-
	<b>4</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>				<b>4</b>
<b>Net income from Continuos</b>	<b>529</b>	<b>557</b>	<b>591</b>	<b>579</b>	<b>2,256</b>	<b>559</b>				<b>559</b>
Extraordinary Items. net	-	-	-	-	-	-				-
<b>Total Net Income</b>	<b>529</b>	<b>557</b>	<b>591</b>	<b>579</b>	<b>2,256</b>	<b>559</b>				<b>559</b>

**HOLDING -BALANCE SHEET** *(Millions of Pesos)*

ASSETS	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
Cash and due from Banks	10	92	164	88	64			
Financial Instruments:								
Sundry debtors and other assets, net	67	144	4	4	4			
Real Estate, Furniture & Equipment, net	-	-	-	-	-			
Investments in subsidiaries	12,258	12,821	13,310	13,584	13,811			
Deferred taxes	-	-	-	-	-			
Goodwill	-	-	-	43	42			
Other Assets, Deferred charges, intang	1	1	-	-	1			
<b>TOTAL ASSETS</b>	<b>12,337</b>	<b>13,057</b>	<b>13,479</b>	<b>13,719</b>	<b>13,922</b>			
LIABILITIES								
Due to banks and correspondents	-	-	-	-	-			
Income Tax & Profit Sharing	3	12	16	21	4			
Other Payable accounts	-	-	-	1	-			
Other payable accounts	3	12	16	22	4			
Deferred taxes	21	45	-	-	-			
<b>TOTAL LIABILITIES</b>	<b>24</b>	<b>57</b>	<b>16</b>	<b>22</b>	<b>4</b>			
STOCKHOLDER 'S EQUITY								
Paid-in Capital	5,403	5,415	5,420	5,420	5,420			
Share subscription premiums	1,579	1,648	1,616	1,611	1,611			
Subordinated Convertible Debentures	-	-	-	-	-			
Subscribed Capital	<b>6,983</b>	<b>7,063</b>	<b>7,037</b>	<b>7,031</b>	<b>7,031</b>			
Capital Reserves	1,113	1,343	1,343	1,342	1,342			
Retained Earnings	12,159	11,971	11,971	11,608	13,599			
Surplus (Deficit) from securities	-	-	-	-	-			
Results of foreign operations exchange	-	-	-	-	-			
Excess (Insuf.) in capital restatement	(5,529)	(5,528)	(5,527)	(5,530)	(5,529)			
Non Mon assets results Fixed Assets	-	-	-	-	-			
Non Mon assets results Investm	(2,943)	(2,936)	(3,038)	(3,009)	(3,082)			
Adjustment in the employees pension	-	-	-	-	-			
Accumulated Deferred tax effect	-	-	-	-	-			
Net Income	529	1,086	1,677	2,256	559			
Earned Capital	5,329	5,937	6,426	6,666	6,888			
<b>Total Stockholder 's Equity</b>	<b>12,312</b>	<b>13,000</b>	<b>13,463</b>	<b>13,697</b>	<b>13,919</b>			
<b>TOTAL LIABILITIES &amp; STOCKHOLDER 'S</b>	<b>12,337</b>	<b>13,057</b>	<b>13,479</b>	<b>13,719</b>	<b>13,922</b>			

**MEMORANDUM ACCOUNTS OF HOLDING** *(Millions of Pesos)*

	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
Client securities held in custody	3,617	3,608	3,581	3,521	3,463			
Other trust account items	116	116	115	113	111			
	<b>3,733</b>	<b>3,723</b>	<b>3,696</b>	<b>3,634</b>	<b>3,574</b>			

Figures are presented in constant pesos set at the close of March' 2004.



**GRUPO FINANCIERO BANORTE—CONSOLIDATED INCOME STATEMENT** *(Millions of Pesos)*

<b>NET INTEREST INCOME</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>	<b>ACUM</b>
Interest Income	6,898	5,456	4,610	5,030	21,994	5,161				5,161
Interest Expense	4,672	3,478	2,751	3,033	13,934	3,190				3,190
Loan Fees	193	196	192	213	794	159				159
Fees Paid	10	15	15	13	54	20				20
<b>Net Interest Income (NII)</b>	<b>2,410</b>	<b>2,159</b>	<b>2,036</b>	<b>2,196</b>	<b>8,800</b>	<b>2,110</b>				<b>2,110</b>
Repomo-Margin	16	13	7	21	56	1				1
<b>NII after Repomo</b>	<b>2,425</b>	<b>2,172</b>	<b>2,042</b>	<b>2,217</b>	<b>8,857</b>	<b>2,111</b>				<b>2,111</b>
Loan Loss Provisions	246	355	168	(1)	769	119				119
Loss Sharing Provisions	32	14	2	6	54	12				12
<b>NII after Provisions</b>	<b>2,147</b>	<b>1,802</b>	<b>1,872</b>	<b>2,212</b>	<b>8,034</b>	<b>1,980</b>				<b>1,980</b>
Fund transfers	45	45	46	45	181	56				56
Account management	154	170	190	209	722	188				188
Fiduciary	47	41	46	47	181	43				43
Income from Loan Portfolios Acquired	167	125	159	268	720	173				173
Electronic Banking Services	67	58	61	79	265	68				68
Credit Card	153	162	160	190	666	239				239
Fees from FOBAPROA	49	34	260	142	485	87				87
Other fees	441	415	535	436	1,827	584				584
<b>Fees on services,</b>	<b>1,123</b>	<b>1,051</b>	<b>1,458</b>	<b>1,415</b>	<b>5,047</b>	<b>1,438</b>				<b>1,438</b>
Fund transfers	-	-	-	-	-	-				-
Other fees	114	125	136	138	513	133				133
Expenses from Loan Portfolios Acquired	113	75	109	18	315	116				116
<b>Fees paid,</b>	<b>227</b>	<b>200</b>	<b>245</b>	<b>156</b>	<b>829</b>	<b>249</b>				<b>249</b>
Foreign exchange	86	124	104	86	400	125				125
Securities –Realized gains	152	365	103	-	620	321				321
Securities- Unrealized gains	(4)	(38)	59	(41)	(23)	15				15
<b>Market-related Income</b>	<b>235</b>	<b>451</b>	<b>266</b>	<b>45</b>	<b>997</b>	<b>460</b>				<b>460</b>
<b>Total Non Interest Income</b>	<b>1,131</b>	<b>1,302</b>	<b>1,478</b>	<b>1,303</b>	<b>5,215</b>	<b>1,649</b>				<b>1,649</b>
<b>Total Operating Income</b>	<b>3,279</b>	<b>3,104</b>	<b>3,351</b>	<b>3,516</b>	<b>13,249</b>	<b>3,629</b>				<b>3,629</b>
Personnel	1,123	1,030	1,063	1,022	4,239	1,142				1,142
Professional Fees	87	119	130	105	441	117				117
Administrative and Promotion Expenses	661	688	781	849	2,978	738				738
Rents, depreciation and amortization	364	392	416	430	1,603	428				428
Taxes, other than income tax	148	163	163	206	679	173				173
Contributions to IPAB	185	185	186	189	745	180				180
Corporate expenses Recoveries	-	-	-	-	-	-				-
<b>Non-Interest Expense</b>	<b>2,568</b>	<b>2,576</b>	<b>2,739</b>	<b>2,801</b>	<b>10,685</b>	<b>2,778</b>				<b>2,778</b>
<b>Operating Income</b>	<b>711</b>	<b>527</b>	<b>612</b>	<b>715</b>	<b>2,564</b>	<b>851</b>				<b>851</b>
Other Revenues	572	360	828	630	2,390	435				435
Foreign exchange	-	-	-	-	-	-				-
Recoveries	22	69	67	21	179	22				22
Repomo-other revenues	6	1	4	14	24	7				7
<b>Non Operating Income</b>	<b>599</b>	<b>430</b>	<b>899</b>	<b>665</b>	<b>2,594</b>	<b>465</b>				<b>465</b>
Other Expense	(652)	(337)	(760)	(621)	(2,370)	(497)				(497)
Foreign exchange	-	-	(2)	-	(2)	-				-
Repomo-other Expenses	(87)	(30)	(60)	(164)	(340)	(140)				(140)
<b>Non Operating Expense</b>	<b>(739)</b>	<b>(367)</b>	<b>(822)</b>	<b>(785)</b>	<b>(2,712)</b>	<b>(637)</b>				<b>(637)</b>
<b>Non Operating Income (Expense), net</b>	<b>(139)</b>	<b>63</b>	<b>77</b>	<b>(119)</b>	<b>(118)</b>	<b>(172)</b>				<b>(172)</b>
<b>Pre-tax Income</b>	<b>571</b>	<b>591</b>	<b>689</b>	<b>595</b>	<b>2,446</b>	<b>679</b>				<b>679</b>
Income Tax	67	43	70	11	191	73				73
Profit sharing	25	25	31	37	119	73				73
Tax on Assets	9	11	11	8	39	17				17
Deferred Inc. Tax and Profit sharing	(37)	(18)	(19)	(27)	(101)	(11)				(11)
	<b>64</b>	<b>61</b>	<b>93</b>	<b>30</b>	<b>248</b>	<b>153</b>				<b>153</b>
<b>Net Income before subsidiaries</b>	<b>507</b>	<b>530</b>	<b>596</b>	<b>566</b>	<b>2,199</b>	<b>526</b>				<b>526</b>
Subsidiaries' net income	70	53	47	34	204	83				609
<b>Net Income from continuous operations</b>	<b>578</b>	<b>583</b>	<b>643</b>	<b>600</b>	<b>2,403</b>	<b>609</b>				<b>609</b>
Extraordinary items, net	-	1	-	-	1	-				-
Minority Interest	49	26	52	21	147	50				50
<b>TOTAL NET INCOME</b>	<b>529</b>	<b>557</b>	<b>591</b>	<b>579</b>	<b>2,256</b>	<b>559</b>				<b>559</b>

Figures are presented in constant pesos set at the close of March' 2004.

**GRUPO FINANCIERO BANORTE— CONSOLIDATED BALANCE SHEET** *(Millions of Pesos)*

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>23,278</b>	<b>26,748</b>	<b>30,877</b>	<b>31,263</b>	<b>30,418</b>			
Negotiable Instruments	4,195	4,111	4,248	9,404	5,498			
Securities held for sale	1,379	1,379	193	244	596			
Securities held to maturity	8,780	9,537	10,970	9,526	10,744			
<b>Financial Instruments:</b>	<b>14,355</b>	<b>15,027</b>	<b>15,411</b>	<b>19,174</b>	<b>16,838</b>			
Non-assigned securities to pay	-	1	64	1	7			
Repurchase agreements, net	164	46	169	52	140			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	15	1	-	3	7			
<b>Repos &amp; Derivatives :</b>	<b>180</b>	<b>47</b>	<b>233</b>	<b>56</b>	<b>153</b>			
Commercial	34,398	35,793	36,448	38,802	37,828			
Financial Intermediaries	2,236	2,287	2,441	2,575	2,333			
Consumer	6,194	7,026	8,002	8,805	9,524			
Mortgage	12,833	13,417	14,133	14,963	15,524			
Government Entities	89,730	89,423	87,725	79,510	77,292			
Fobaproa	6,877	6,911	6,879	6,798	6,734			
Fiduciary collection rights	-	-	-	-	-			
<b>Performing Loans</b>	<b>152,267</b>	<b>154,857</b>	<b>155,628</b>	<b>151,453</b>	<b>149,234</b>			
Commercial	2,015	2,456	1,968	1,946	1,961			
Financial Intermediaries	-	-	-	-	-			
Consumer	345	354	399	466	484			
Mortgage	1,229	1,269	1,199	1,203	1,201			
Government Entities	8	8	8	8	8			
<b>Past Due Loans</b>	<b>3,597</b>	<b>4,088</b>	<b>3,574</b>	<b>3,623</b>	<b>3,654</b>			
<b>Total Loans</b>	<b>155,865</b>	<b>158,944</b>	<b>159,202</b>	<b>155,076</b>	<b>152,888</b>			
Preventive loan loss reserves	4,557	4,716	4,532	4,389	4,637			
<b>Net Loan Portfolio</b>	<b>151,308</b>	<b>154,229</b>	<b>154,670</b>	<b>150,687</b>	<b>148,251</b>			
Credit Assets Portfolio	1,824	1,740	1,618	2,100	1,951			
Sundry debtors and other assets, net	2,639	4,022	4,516	2,268	3,311			
Foreclosed assets, net	1,217	1,248	1,207	1,142	1,038			
Real Estate, Furniture & Equipment, net	5,945	5,874	5,765	5,809	5,693			
Investments in subsidiaries	1,537	1,573	1,612	1,733	1,783			
Deferred taxes	911	889	982	987	983			
Goodwill	-	-	-	-	-			
Deferred charges & Intangibles	1,542	1,859	1,493	1,571	1,512			
UDIS Mortgage loans reserve coverage	-	-	-	-	-			
<b>Other Assets</b>	<b>15,615</b>	<b>17,204</b>	<b>17,193</b>	<b>15,610</b>	<b>16,271</b>			
<b>TOTAL ASSETS</b>	<b>204,736</b>	<b>213,255</b>	<b>218,384</b>	<b>216,789</b>	<b>211,931</b>			

Figures are presented in constant pesos set at the close of March' 2004.

**GRUPO FINANCIERO BANORTE – CONSOLIDATED BALANCE SHEET***(Millions of Pesos)*

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	54,621	57,693	59,192	67,277	62,064			
Time Deposits	104,495	98,023	106,393	97,913	97,923			
Bonds	1,382	275	-	-	-			
<b>Deposits</b>	<b>160,497</b>	<b>155,991</b>	<b>165,585</b>	<b>165,190</b>	<b>159,986</b>			
Demand	5,916	13,663	4,124	4,818	5,948			
Short term	4,893	9,132	12,803	13,695	8,548			
Long term	12,355	11,795	11,643	11,299	11,250			
<b>Due to banks and correspondents</b>	<b>23,164</b>	<b>34,590</b>	<b>28,571</b>	<b>29,812</b>	<b>25,747</b>			
Non-assigned securities to pay	-	1	48	1	8			
Repurchase agreements, net	52	25	126	218	81			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	975	946	1,470	12	3			
<b>Repos &amp; Derivatives:</b>	<b>1,028</b>	<b>972</b>	<b>1,643</b>	<b>232</b>	<b>92</b>			
Income Tax & Profit Sharing	257	172	269	271	266			
Other Payable accounts	3,703	4,806	4,931	3,838	4,790			
<b>Other payable accounts</b>	<b>3,960</b>	<b>4,979</b>	<b>5,201</b>	<b>4,109</b>	<b>5,056</b>			
Subordinated non Convertible Debenture	2,815	2,714	2,829	2,777	6,135			
Deferred Taxes	-	-	-	-	-			
Deferred credits	50	73	110	66	52			
<b>TOTAL LIABILITIES</b>	<b>191,514</b>	<b>199,319</b>	<b>203,938</b>	<b>202,186</b>	<b>197,069</b>			
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	5,403	5,415	5,420	5,420	5,420			
Share subscription premiums	1,579	1,648	1,616	1,611	1,611			
Subordinated Convertible Debentures	-	-	-	-	-			
<b>Subscribed Capital</b>	<b>6,983</b>	<b>7,063</b>	<b>7,037</b>	<b>7,031</b>	<b>7,031</b>			
Capital Reserves	1,113	1,343	1,343	1,342	1,342			
Retained Earnings	12,159	11,971	11,971	11,608	13,599			
Surplus (Deficit) from securities	-	-	-	-	-			
Results of foreign operations exchange	-	-	-	-	-			
Excess (Insuf.) in capital restatement	(5,529)	(5,528)	(5,527)	(5,530)	(5,529)			
Non Mon assets results Fixed Assets	-	-	-	-	-			
Non Mon assets results Investm	(2,943)	(2,936)	(3,038)	(3,009)	(3,082)			
Adjustment in the employees pension	-	-	-	-	-			
Accumulated Deferred tax effect	-	-	-	-	-			
Net Income	529	1,089	1,677	2,256	559			
<b>Earned Capital</b>	<b>5,329</b>	<b>5,937</b>	<b>6,426</b>	<b>6,666</b>	<b>6,888</b>			
Minority Holdings	909	936	984	906	944			
<b>Total Stockholder 's Equity</b>	<b>13,222</b>	<b>13,936</b>	<b>14,446</b>	<b>14,603</b>	<b>14,862</b>			
<b>TOTAL LIABILITIES &amp;</b>	<b>204,736</b>	<b>213,255</b>	<b>218,384</b>	<b>216,789</b>	<b>211,931</b>			

Figures are presented in constant pesos set at the close of March' 2004.

**MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED**

<i>(Millions of Pesos)</i>	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
<b>ONBEHALF OF THIRD PARTY</b>								
Customers' banks	1	16	7	5	25			
Dividends receivable from customers	-	-	-	-	-			
Interest receivable from customers	-	-	-	-	-			
Liquidation of customer transactions	14,467	(23)	(105)	(8)	(18)			
Customer loans	-	-	-	-	-			
Liquidation with foreign currencies of	-	-	-	-	-			
Margin accounts in futures operations	-	-	-	-	-			
Other current accounts	-	-	-	-	-			
<b>CUSTOMERS CURRENT ACCOUNT</b>	<b>14,468</b>	<b>(7)</b>	<b>(99)</b>	<b>(3)</b>	<b>7</b>			
Client securities held in custody	118,487	130,384	137,235	149,652	163,891			
Securities and documents received in	1	-	1	-	-			
Client securities abroad	-	-	-	-	-			
<b>CLIENT SECURITIES</b>	<b>118,488</b>	<b>130,384</b>	<b>137,236</b>	<b>149,652</b>	<b>163,891</b>			
Repurchase operations for customers	23,767	26,098	21,457	17,613	22,378			
Clients securities loans	1	-	-	-	-			
Purchase of Futures & forward contracts	-	-	-	-	-			
Sale of futures and forward contracts	-	-	-	-	-			
Purchasing operations (option price)	50	45	6	9	2			
Sales operations (option price)	-	-	-	-	-			
Purchase of derivative packages	-	-	-	-	-			
Sale of derivative packages	-	-	-	-	-			
Administration trusts	2,398	2,557	2,174	2,424	2,515			
<b>TRANSACTIONS ON BEHALF CLIENT</b>	<b>26,216</b>	<b>28,700</b>	<b>23,637</b>	<b>20,045</b>	<b>24,895</b>			
<b>TOTAL ON BEHALF OF THIRD PARTY</b>	<b>159,172</b>	<b>159,077</b>	<b>160,774</b>	<b>169,694</b>	<b>188,794</b>			
Signature guarantees granted	-	-	-	33	32			
Issuing of irrevocable letters of credit	915	977	1,043	793	1,344			
Property in trust and guardianship	83,069	84,619	85,674	83,719	87,327			
Assets held in custody or in administration	140,570	134,775	125,046	110,828	114,197			
Amounts committed to operations with	6,004	6,397	6,684	6,855	7,403			
In Transit drafts	-	-	-	-	-			
Certificates of Deposit in circulation	460	589	569	695	561			
Secured Credit Cards from the company	-	-	-	-	-			
Securities given to the company in custody	103	193	253	232	249			
Government securities in custody of the	-	7	-	1	11			
Securities given to the company on	-	-	-	-	-			
Securities outside the country	-	-	-	-	-			
Liquidations with foreign currencies abroad	-	-	-	-	-			
Debits to the contingency fund	-	-	-	-	-			
Other contingent obligations	16,696	16,939	16,856	18,029	15,252			
Banking transactions on behalf of third-	49,815	50,102	50,412	55,777	52,862			
Investments in funds for the retirem.saving	233	244	252	251	-			
Integration of the credit portfolio	-	-	-	-	-			
Amounts contracted in derivative	6,580	6,860	7,777	10,595	10,364			
Other trust account items	432,535	411,260	287,047	283,255	-			
<b>OWN ACCOUNT OPERATIONS</b>	<b>736,982</b>	<b>712,962</b>	<b>581,613</b>	<b>571,064</b>	<b>289,602</b>			
Repurchase agreements								
Securities to be received	147,014	155,566	153,710	88,948	118,587			
(Less) Securities to be delivered	(146,834)	(155,565)	(153,544)	(89,142)	(118,501)			
<b>REPURCHASE TRANSACTIONS-</b>	<b>179</b>	<b>1</b>	<b>167</b>	<b>(194)</b>	<b>86</b>			
Securities to be received	79,678	84,129	86,221	18,888	54,156			
(Less) securities to be delivered	(79,745)	(84,110)	(86,345)	(18,861)	(54,183)			
<b>REPURCHASE TRANSACTIONS- SOLD</b>	<b>(67)</b>	<b>19</b>	<b>(123)</b>	<b>27</b>	<b>(28)</b>			
<b>TOTAL ON OWN ACCOUNT</b>	<b>737,094</b>	<b>712,983</b>	<b>581,656</b>	<b>570,897</b>	<b>289,661</b>			

Figures are presented in constant pesos set at the close of March' 2004.

**GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW**  
**JANUARY 1, 2004 –MARCH 31,2004**  
*(Millions of Pesos)*

<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>	
<b>Net Income</b>	<b>559</b>
<b>Adjustments to Reconcile Net Income to Net Cash by Operating Activities</b>	
Mark to Market Valuation Results	(13)
Provisions for loan losses	131
Depreciation and amortization	259
Deffered Taxes	(11)
Provisions for Obligations	355
Minoritary Interest	50
Undistributed Earnings of Subsidiaries	(83)
	<b>690</b>
<b>Cash Flows From Investing Activities:</b>	
Banks Deposits	(5,196)
Decrease (Increase) loan portfolio	2,298
Decrease (Increase) credit assets portfolio	148
Decrease (Increase) treasury operations	2,347
Decrease (Increase) financial instruments	(237)
Loans from banks and other entities	(4,064)
Decrease (Increase) Deferred taxes	14
Decrease (Increase) in accounts receivable and payable	(451)
Charge off for sale of loans (CNBV circular No 601-II-34966)	(249)
Creation of provisions for non performing loans in Arrendadora Banorte, S.A. de C.V.	(11)
<b>Net Resources provided by operations</b>	<b>(5,400)</b>
<b>Financial Activities:</b>	
Subordinated Debentures Issue and Interest	3,358
Dividends Declared	-
Issuance of stock	-
<b>Net Resources provided by Investing activities</b>	<b>3,358</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>	
Fixed Assets increase	(13)
Proceeds from issuance of common stock	(53)
Decrease (Increase) Deferred charges or credits	(85)
Decrease (Increase) Foreclosed assets	105
Charge offs of repossessed assets of Arrendadora Banorte, S.A. de C.V.	(4)
<b>Net Cash provided by financing activities</b>	<b>(51)</b>
<b>Decrease (increase) in cash and due from banks</b>	<b>(843)</b>
<b>Cash and due from banks at the beginning of the year</b>	<b>31,261</b>
<b>Cash and due from banks at the end of the year</b>	<b>30,418</b>

Figures are presented in constant pesos set at the close of March' 2004.

**GRUPO FINANCIERO BANORTE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**JANUARY 1, 2004- MARCH 31, 2004.**  
(Millions of Pesos)

	CONTRIBUTED CAPITAL		
	Fixed Paid-in Capital Variable	Paid-in Capital Premium, Bonds	& oth. Securities
<b>Balance as of December 31,2002</b>	<b>3,231</b>	<b>2,189</b>	<b>1,611</b>
<b>Stock Changes</b>			
Issuance of stock	-	-	-
Profits Capitalization	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Income</b>			
Total Income:	-	-	-
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as of March 31,2004</b>	<b>3,231</b>	<b>2,189</b>	<b>1,611</b>

	EARNED CAPITAL						Total Stockholder s' Equity
	Capital Reserve s	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minorit ary Interes t	
<b>Balance as of December 31,2003</b>	<b>1,342</b>	<b>11,607</b>	<b>(5,529)</b>	<b>(3,009)</b>	<b>2,256</b>	<b>906</b>	<b>14,603</b>
<b>Stock Changes</b>							
Issuance of stock	-	-	-	-	-	-	-
Profits Capitalization	-	2,256	-	-	(2,256)	-	-
Provisions Created	-	-	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,256</b>	<b>-</b>	<b>-</b>	<b>(2,256)</b>	<b>-</b>	<b>-</b>
<b>Total Income</b>							
Total Income:	-	-	-	-	-	-	-
Net Income	-	-	-	-	559	-	<b>559</b>
Results of assets holdings	-	-	-	(73)	-	-	<b>(73)</b>
Charge off for sale of loans (CNBV circular No 601- II-34966)	-	(249)	-	-	-	-	<b>(249)</b>
Charge offs of repossessed assets and provisioning of non performing loan of Arrendadora Banorte S.A. de C.V.	-	(15)	-	-	-	-	<b>(15)</b>
<b>Total</b>	<b>-</b>	<b>(264)</b>	<b>-</b>	<b>(73)</b>	<b>559</b>	<b>-</b>	<b>222</b>
Minority Interest	-	-	-	-	-	38	<b>38</b>
<b>Balance as of December 31,2003</b>	<b>1,342</b>	<b>13,599</b>	<b>(5,529)</b>	<b>(3,802)</b>	<b>559</b>	<b>944</b>	<b>14,862</b>

Figures are presented in constant pesos set at the close of March' 2004.

**BANKING SECTOR- INCOME STATEMENT (\*)** (Millions of Pesos)

<b>NET INTEREST INCOME</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>	<b>ACUM</b>
Interest Income	6,759	5,308	4,411	4,797	21,275	4,950				4,950
Interest Expense	4,627	3,434	2,665	2,929	13,655	3,079				3,079
Loan Fees	193	196	192	213	794	159				159
Fees Paid	10	15	15	13	54	20				20
<b>Net Interest Income (NII)</b>	<b>2,315</b>	<b>2,055</b>	<b>1,922</b>	<b>2,068</b>	<b>8,360</b>	<b>2,010</b>				<b>2,010</b>
Repomo-Margin	25	13	12	28	78	4				4
<b>NII after Repomo</b>	<b>2,340</b>	<b>2,068</b>	<b>1,935</b>	<b>2,095</b>	<b>8,438</b>	<b>2,014</b>				<b>2,014</b>
Loan Loss Provisions	244	351	162	(11)	745	106				106
Loss Sharing Provisions	32	14	2	6	54	12				12
<b>NII after Provisions</b>	<b>2,064</b>	<b>1,703</b>	<b>1,771</b>	<b>2,100</b>	<b>7,639</b>	<b>1,896</b>				<b>1,896</b>
Fund transfers	45	45	46	45	181	56				56
Account management	154	170	190	209	722	188				188
Fiduciary	47	41	46	47	181	43				43
Income from Loan Portfolios Acquired	167	125	159	268	720	173				173
Electronic Banking Services	67	58	61	79	265	68				68
Credit Card	153	162	160	190	666	239				239
Fees from FOBAPROA	49	34	260	142	485	87				87
Other fees	126	156	153	156	591	188				188
<b>Fees on services,</b>	<b>809</b>	<b>791</b>	<b>1,076</b>	<b>1,134</b>	<b>3,810</b>	<b>1,042</b>				<b>1,042</b>
Fund transfers	-	-	-	-	-	-				-
Other fees	105	120	126	132	483	126				126
Expenses from Loan Portfolios Acquired	113	75	109	18	315	116				116
<b>Fees paid,</b>	<b>219</b>	<b>194</b>	<b>235</b>	<b>150</b>	<b>798</b>	<b>241</b>				<b>241</b>
Foreign exchange	86	124	104	86	400	125				125
Securities -Realized gains	124	318	72	(38)	476	272				272
Securities- Unrealized gains	(3)	(38)	52	(36)	(25)	14				14
<b>Market-related Income</b>	<b>207</b>	<b>403</b>	<b>229</b>	<b>12</b>	<b>851</b>	<b>410</b>				<b>410</b>
<b>Total Non Interest Income</b>	<b>797</b>	<b>1,000</b>	<b>1,069</b>	<b>996</b>	<b>3,862</b>	<b>1,210</b>				<b>1,210</b>
<b>Total Operating Income</b>	<b>2,861</b>	<b>2,704</b>	<b>2,841</b>	<b>3,097</b>	<b>11,502</b>	<b>3,106</b>				<b>3,106</b>
Personnel	1,032	934	963	929	3,858	1,032				1,032
Professional Fees	86	116	127	100	428	115				115
Administrative and Promotion Expenses	534	565	633	687	2,419	597				597
Rents, depreciation and amortization	318	345	369	382	1,415	375				375
Taxes, other than income tax	144	164	156	191	655	153				153
Contributions to IPAB	185	185	186	189	745	180				180
Corporate expenses Recoveries	-	-	-	-	-	-				-
<b>Non-Interest Expense</b>	<b>2,299</b>	<b>2,309</b>	<b>2,435</b>	<b>2,478</b>	<b>9,520</b>	<b>2,451</b>				<b>2,451</b>
<b>Operating Income</b>	<b>562</b>	<b>395</b>	<b>406</b>	<b>619</b>	<b>1,981</b>	<b>655</b>				<b>655</b>
Other Revenues	94	71	129	123	417	65				65
Foreign exchange	-	-	-	-	-	-				-
Recoveries	9	68	67	17	160	21				21
Repomo-other revenues	5	1	3	11	21	7				7
<b>Non Operating Income</b>	<b>108</b>	<b>139</b>	<b>199</b>	<b>151</b>	<b>598</b>	<b>94</b>				<b>94</b>
Other Expense	(155)	(30)	(53)	(95)	(333)	(114)				(114)
Foreign exchange	-	-	(2)	-	(2)	-				-
Repomo-other Expenses	(86)	(28)	(59)	(140)	(313)	(123)				(123)
<b>Non Operating Expense</b>	<b>(241)</b>	<b>(58)</b>	<b>(115)</b>	<b>(235)</b>	<b>(648)</b>	<b>(237)</b>				<b>(237)</b>
<b>Non Operating Income (Expense), net</b>	<b>(133)</b>	<b>82</b>	<b>85</b>	<b>(84)</b>	<b>(51)</b>	<b>(144)</b>				<b>(144)</b>
<b>Pre-tax Income</b>	<b>429</b>	<b>477</b>	<b>490</b>	<b>534</b>	<b>1,930</b>	<b>512</b>				<b>512</b>
Income Tax	8	9	8	13	38	5				5
Profit sharing	25	25	30	38	118	73				73
Tax on Assets	9	11	11	8	39	13				13
Deferred Inc. Tax and Profit sharing	(24)	(22)	(21)	(29)	(96)	2				2
	<b>17</b>	<b>24</b>	<b>28</b>	<b>30</b>	<b>99</b>	<b>94</b>				<b>94</b>
<b>Net Income before subsidiaries</b>	<b>411</b>	<b>453</b>	<b>462</b>	<b>505</b>	<b>1,831</b>	<b>418</b>				<b>418</b>
Subsidiaries' net income	52	9	50	37	149	72				72
<b>Net Income from continuous operations</b>	<b>464</b>	<b>462</b>	<b>512</b>	<b>542</b>	<b>1,980</b>	<b>490</b>				<b>490</b>
Extraordinary items, net	-	1	-	-	1	-				-
Minority Interest	-	-	-	-	-	-				-
<b>TOTAL NET INCOME</b>	<b>464</b>	<b>462</b>	<b>512</b>	<b>542</b>	<b>1,980</b>	<b>490</b>				<b>490</b>

(\*)Afore is included in the Subsidiaries' net income.

**BANKING SECTOR -BALANCE SHEET (\*) (Millions of Pesos)**

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>22,901</b>	<b>26,306</b>	<b>30,263</b>	<b>30,800</b>	<b>29,973</b>			
Negotiable Instruments	4,002	3,908	3,993	9,168	5,236			
Securities held for sale	1,379	1,379	193	244	596			
Securities held to maturity	8,780	9,537	10,970	9,526	10,744			
<b>Financial Instruments:</b>	<b>14,162</b>	<b>14,824</b>	<b>15,156</b>	<b>18,938</b>	<b>16,575</b>			
Non-assigned securities to pay	-	-	12	1	7			
Repurchase agreements, net	130	29	145	31	115			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	15	-	-	3	7			
<b>Repos &amp; Derivatives :</b>	<b>146</b>	<b>29</b>	<b>157</b>	<b>35</b>	<b>128</b>			
Commercial	30,768	32,033	32,448	34,519	33,407			
Financial Intermediaries	3,715	3,447	3,769	3,406	3,021			
Consumer	5,947	6,964	7,998	8,801	9,521			
Mortgage	12,833	13,417	14,133	14,963	15,524			
Government Entities	89,729	89,422	87,725	79,509	77,288			
Fobaproa	6,877	6,911	6,879	6,798	6,734			
Fiduciary collection rights	-	-	-	-	-			
<b>Performing Loans</b>	<b>149,868</b>	<b>152,194</b>	<b>152,952</b>	<b>147,997</b>	<b>145,49</b>			
Commercial	1,991	2,423	1,934	1,909	1,919			
Financial Intermediaries	-	-	-	-	-			
Consumer	336	345	390	457	475			
Mortgage	1,229	1,269	1,199	1,203	1,201			
Government Entities	8	8	8	8	8			
<b>Past Due Loans</b>	<b>3,564</b>	<b>4,045</b>	<b>3,531</b>	<b>3,577</b>	<b>3,603</b>			
<b>Total Loans</b>	<b>153,432</b>	<b>156,239</b>	<b>156,483</b>	<b>151,574</b>	<b>149,098</b>			
Preventive loan loss reserves	4,532	4,690	4,504	4,354	4,581			
<b>Net Loan Portfolio</b>	<b>148,900</b>	<b>151,549</b>	<b>151,979</b>	<b>147,219</b>	<b>144,516</b>			
Credit Assets Portfolio	1,824	1,740	1,618	2,100	1,951			
Sundry debtors and other assets, net	2,358	3,635	4,272	2,022	3,057			
Foreclosed assets, net	1,211	1,243	1,203	1,138	1,038			
Real Estate, Furniture & Equipment, net	5,571	5,487	5,368	5,209	5,083			
Investments in subsidiaries	1,480	1,474	1,521	1,503	1,505			
Deferred taxes	1,028	1,033	1,076	1,083	1,064			
Deferred charges & Intangibles	808	784	725	821	809			
UDIS Mortgage loans reserve coverage	-	-	-	-	-			
<b>Other Assets</b>	<b>14,280</b>	<b>15,395</b>	<b>15,782</b>	<b>13,877</b>	<b>14,506</b>			
<b>TOTAL ASSETS</b>	<b>200,389</b>	<b>208,104</b>	<b>213,337</b>	<b>210,869</b>	<b>205,700</b>			

Figures are presented in constant pesos set at the close of March' 2004.



**BANKING SECTOR-BALANCE SHEET** (\*) (Millions of Pesos)

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	54,644	57,753	59,237	67,310	62,112			
Time Deposits	104,505	98,115	106,557	98,000	97,986			
Bonds	1,382	275	-	-	-			
<b>Deposits</b>	<b>160,531</b>	<b>156,142</b>	<b>165,794</b>	<b>165,310</b>	<b>160,098</b>			
Demand	5,916	13,663	4,124	4,818	5,948			
Short term	2,846	6,426	10,613	10,829	5,432			
Long term	11,949	11,453	11,139	10,472	10,438			
<b>Due to banks and correspondents</b>	<b>20,711</b>	<b>31,541</b>	<b>25,876</b>	<b>26,119</b>	<b>21,818</b>			
Non-assigned securities to pay	-	-	-	1	8			
Repurchase agreements, net	58	12	107	201	61			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	975	946	1,470	12	3			
<b>Repos &amp; Derivatives:</b>	<b>1,033</b>	<b>958</b>	<b>1,576</b>	<b>214</b>	<b>72</b>			
Income Tax & Profit Sharing	177	66	94	135	201			
Other Payable accounts	3,556	4,624	4,665	3,649	4,563			
<b>Other payable accounts</b>	<b>3,733</b>	<b>4,690</b>	<b>4,759</b>	<b>3,784</b>	<b>4,765</b>			
Subordinated non Convertible Debenture	2,815	2,714	2,829	2,777	6,135			
Deferred Taxes	-	-	-	-	-			
Deferred credits	62	80	114	82	64			
<b>TOTAL LIABILITIES</b>	<b>188,885</b>	<b>196,127</b>	<b>200,948</b>	<b>198,288</b>	<b>192,953</b>			
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	5,752	5,752	5,752	5,752	5,752			
Share subscription premiums	999	999	999	999	999			
Subordinated Convertible Debentures	-	-	-	-	-			
<b>Subscribed Capital</b>	<b>6,751</b>	<b>6,751</b>	<b>6,751</b>	<b>6,751</b>	<b>6,751</b>			
Capital Reserves	2,537	2,733	2,733	2,733	2,733			
Retained Earnings	4,380	4,184	4,184	3,808	5,529			
Surplus (Deficit) from securities	215	229	147	132	143			
Results of foreign operations exchange	-	-	-	-	-			
Excess (Insuf.) in capital restatement	(2,409)	(2,407)	(2,407)	(2,412)	(2,412)			
Non Mon assets results Fixed Assets	12	12	12	12	12			
Non Mon assets results Investm	(164)	(168)	(188)	(143)	(218)			
Adjustment in the employees pension	-	-	-	-	-			
Accumulated Deferred tax effect	(282)	(282)	(282)	(282)	(282)			
Net Income	464	926	1,438	1,980	490			
<b>Earned Capital</b>	<b>4,752</b>	<b>5,226</b>	<b>5,637</b>	<b>5,829</b>	<b>5,995</b>			
Minority Holdings	-	-	1	1	1			
<b>Total Stockholder's Equity</b>	<b>11,504</b>	<b>11,977</b>	<b>12,389</b>	<b>12,581</b>	<b>12,747</b>			
<b>TOTAL LIABILITIES &amp;</b>	<b>200,389</b>	<b>208,104</b>	<b>213,337</b>	<b>210,869</b>	<b>205,700</b>			

**MEMORANDUM ACCOUNTS OF BANKING SECTOR** (Millions of Pesos)

	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Signature guarantees granted	-	-	-	33	32			
Other contingent obligations	16,696	16,939	16,856	18,029	15,252			
Irrevocable lines of credit	915	977	1,043	793	1,344			
Assets held in trust and mandate	83,069	84,619	85,674	83,719	87,327			
Assets held in custody or in administration	133,816	128,126	118,542	107,307	110,734			
Investment banking transactions for third	49,815	50,102	50,412	55,777	52,862			
Engaged amounts in fobaproa operations	6,004	6,397	6,684	6,855	7,403			
Investment of retirement saving funds	233	244	252	251	-			
Integration of loan portfolio	-	-	-	-	-			
Received amounts in derivative instruments	6,580	6,860	7,777	10,595	10,364			
Fobaproa trusts	-	-	-	-	-			
Securities to be received	122,087	129,428	132,233	71,025	96,174			
(Less) payable for reversal	(121,956)	(129,438)	(132,088)	(71,206)	(96,107)			
Receivables for reversal	54,795	61,575	68,432	6,837	35,895			
(Less) securities to be delivered	(54,853)	(61,458)	(68,539)	(6,826)	(35,908)			
Other control accounts	416,460	395,933	273,936	273,298	-			
	<b>713,662</b>	<b>690,215</b>	<b>561,214</b>	<b>556,487</b>	<b>285,373</b>			

Figures are presented in constant pesos set at the close of March' 2004.

**BANCO MERCANTIL DEL NORTE- INCOME STATEMENT (\*)** (Millions of Pesos)

NET INTEREST INCOME	1Q03	2Q03	3Q03	4Q03	ACUM	1Q04	2Q04	3Q04	4Q04	ACUM
Interest Income	6,078	4,866	4,030	4,659	19,632	4,920				4,920
Interest Expense	3,956	3,001	2,330	2,796	12,084	3,075				3,075
Loan Fees	193	196	192	213	794	159				159
Fees Paid	10	15	15	13	54	20				20
<b>Net Interest Income (NII)</b>	<b>2,305</b>	<b>2,405</b>	<b>1,877</b>	<b>2,062</b>	<b>8,289</b>	<b>1,985</b>				<b>1,985</b>
Repomo-Margin	25	13	17	44	99	10				10
<b>NII after Repomo</b>	<b>2,330</b>	<b>2,059</b>	<b>1,894</b>	<b>2,106</b>	<b>8,388</b>	<b>1,995</b>				<b>1,995</b>
Loan Loss Provisions	234	345	158	(7)	731	104				104
Loss Sharing Provisions	32	14	2	6	54	12				12
<b>NII after Provisions</b>	<b>2,063</b>	<b>1,699</b>	<b>1,734</b>	<b>2,107</b>	<b>7,603</b>	<b>1,879</b>				<b>1,879</b>
Fund transfers	45	45	46	45	181	56				56
Account management	154	170	190	209	722	188				188
Fiduciary	42	36	40	41	159	38				38
Income from Loan Portfolios Acquired	-	-	-	-	-	-				-
Electronic Banking Services	67	58	61	79	265	68				68
Credit Card	153	162	160	190	666	239				239
Fees from FOBAPROA	47	33	226	130	435	73				73
Other fees	126	156	153	156	591	188				188
<b>Fees on services,</b>	<b>633</b>	<b>660</b>	<b>875</b>	<b>849</b>	<b>3,018</b>	<b>849</b>				<b>849</b>
Fund transfers	-	-	-	-	-	-				-
Other fees	99	116	121	128	464	122				122
Expenses from Loan Portfolios Acquired	-	-	-	-	-	-				-
<b>Fees paid,</b>	<b>99</b>	<b>116</b>	<b>121</b>	<b>128</b>	<b>464</b>	<b>122</b>				<b>122</b>
Foreign exchange	86	124	104	86	400	125				125
Securities -Realized gains	(11)	3	66	(78)	(20)	203				203
Securities- Unrealized gains	(3)	(6)	14	(39)	(34)	6				6
<b>Market-related Income</b>	<b>73</b>	<b>121</b>	<b>184</b>	<b>(32)</b>	<b>346</b>	<b>334</b>				<b>334</b>
<b>Total Non Interest Income</b>	<b>607</b>	<b>665</b>	<b>938</b>	<b>690</b>	<b>2,900</b>	<b>1,061</b>				<b>1,061</b>
<b>Total Operating Income</b>	<b>2,670</b>	<b>2,364</b>	<b>2,672</b>	<b>2,796</b>	<b>10,503</b>	<b>2,940</b>				<b>2,940</b>
Personnel	1,032	934	963	929	3,858	1,032				1,032
Professional Fees	78	92	118	90	378	104				104
Administrative and Promotion Expenses	544	568	633	686	2,432	598				598
Rents, depreciation and amortization	318	345	369	382	1,415	375				375
Taxes, other than income tax	140	158	154	188	641	149				149
Contributions to IPAB	183	183	185	188	740	179				179
Corporate expenses Recoveries	(27)	(18)	(7)	(7)	(59)	(8)				(8)
<b>Non-Interest Expense</b>	<b>2,268</b>	<b>2,262</b>	<b>2,416</b>	<b>2,456</b>	<b>9,403</b>	<b>2,428</b>				<b>2,428</b>
Operating Income	402	102	255	340	1,099	511				511
Other Revenues	94	70	129	123	416	65				65
Foreign exchange	-	-	-	-	-	-				-
Recoveries	8	67	25	12	112	19				19
Repomo-other revenues	5	1	3	11	21	7				7
<b>Non Operating Income</b>	<b>107</b>	<b>139</b>	<b>157</b>	<b>146</b>	<b>549</b>	<b>91</b>				<b>91</b>
Other Expense	(132)	(30)	(53)	(95)	(310)	(114)				(114)
Foreign exchange	-	-	(2)	-	(2)	-				-
Repomo-other Expenses	(65)	(23)	(46)	(116)	(250)	(88)				(88)
<b>Non Operating Expense</b>	<b>(198)</b>	<b>(53)</b>	<b>(101)</b>	<b>(211)</b>	<b>(563)</b>	<b>(202)</b>				<b>(202)</b>
<b>Non Operating Income (Expense), net</b>	<b>(91)</b>	<b>86</b>	<b>56</b>	<b>(65)</b>	<b>(14)</b>	<b>(111)</b>				<b>(111)</b>
Pre-tax Income	311	188	311	275	1,085	400				400
Income tax	8	9	8	13	38	5				5
Profit sharing	25	25	30	38	118	73				73
Tax on Assets	9	11	11	8	39	13				13
Deferred Inc. Tax and Profit sharing	(24)	(22)	(21)	(27)	(96)	2				2
	17	23	28	31	99	94				94
<b>Net income before subsidiaries</b>	<b>294</b>	<b>165</b>	<b>283</b>	<b>244</b>	<b>986</b>	<b>306</b>				<b>306</b>
Subsidiaries' net income	14	(13)	8	24	33	34				34
<b>Net Income from continuous operations</b>	<b>308</b>	<b>152</b>	<b>291</b>	<b>268</b>	<b>1,019</b>	<b>340</b>				<b>340</b>
Extraordinary items, net	-	1	-	-	1	-				-
Minority Interest	-	-	-	-	-	-				-
<b>TOTAL NET INCOME</b>	<b>308</b>	<b>153</b>	<b>291</b>	<b>268</b>	<b>1,020</b>	<b>340</b>				<b>340</b>

(\*) Consolidate Subsidiaries.

Figures are presented in constant pesos set at the close of March' 2004.

**BANCO MERCANTIL DEL NORTE-BALANCE SHEET (\*)** *(Millions of Pesos)*

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>22,911</b>	<b>26,206</b>	<b>30,501</b>	<b>31,341</b>	<b>30,030</b>			
Negotiable Instruments	4,590	4,423	4,120	9,001	5,247			
Securities held for sale	1,379	1,379	193	244	596			
Securities held to maturity	8,439	9,210	10,643	9,200	10,419			
<b>Financial Instruments:</b>	<b>14,408</b>	<b>15,012</b>	<b>14,956</b>	<b>18,445</b>	<b>16,262</b>			
Non-assigned securities to pay	-	-	11	1	6			
Repurchase agreements, net	67	13	58	27	99			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	15	-	-	3	7			
<b>Repos &amp; Derivatives :</b>	<b>82</b>	<b>13</b>	<b>69</b>	<b>31</b>	<b>111</b>			
Commercial	30,468	31,812	32,245	34,377	33,301			
Financial Intermediaries	3,715	3,242	3,438	3,406	3,021			
Consumer	5,947	6,964	7,998	8,801	9,521			
Mortgage	12,557	13,146	13,860	14,696	15,269			
Government Entities	89,710	89,416	87,715	79,497	77,272			
Fobaproa	6,877	6,911	6,880	6,799	6,734			
Fiduciary collection rights	-	-	-	-	-			
<b>Performing Loans</b>	<b>149,274</b>	<b>151,491</b>	<b>152,136</b>	<b>147,576</b>	<b>145,119</b>			
Commercial	1,808	2,247	1,759	1,747	1,761			
Financial Intermediaries	-	-	-	-	-			
Consumer	335	345	389	457	475			
Mortgage	1,076	1,115	1,053	1,054	1,049			
Government Entities	8	8	8	8	8			
<b>Past Due Loans</b>	<b>3,227</b>	<b>3,714</b>	<b>3,210</b>	<b>3,267</b>	<b>3,294</b>			
<b>Total Loans</b>	<b>152,501</b>	<b>155,206</b>	<b>155,346</b>	<b>150,843</b>	<b>148,413</b>			
Preventive loan loss reserves	4,071	4,230	4,045	3,910	4,140			
<b>Net Loan Portfolio</b>	<b>148,430</b>	<b>150,976</b>	<b>151,300</b>	<b>146,932</b>	<b>144,273</b>			
Credit Assets Portfolio	-	-	-	-	-			
Sundry debtors and other assets, net	2,290	3,594	4,179	1,820	2,862			
Foreclosed assets, net	1,189	1,221	1,182	1,117	1,018			
Real Estate, Furniture & Equipment, net	5,571	5,487	5,368	5,209	5,083			
Investments in subsidiaries	881	854	859	933	897			
Deferred taxes	1,038	1,043	1,086	1,083	1,064			
Deferred charges & Intangibles	806	783	724	821	808			
UDIS Mortgage loans reserve coverage	-	-	-	-	-			
<b>Other Assets</b>	<b>11,775</b>	<b>12,983</b>	<b>13,398</b>	<b>10,984</b>	<b>11,733</b>			
<b>TOTAL ASSETS</b>	<b>197,606</b>	<b>205,190</b>	<b>210,224</b>	<b>207,733</b>	<b>202,408</b>			

Figures are presented in constant pesos set at the close of March' 2004.

**BANCO MERCANTIL DEL NORTE-BALANCE SHEET (\*)** *(Millions of Pesos)*

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	54,880	58,129	59,470	67,340	62,132			
Time Deposits	104,505	98,115	106,557	98,000	97,986			
Bonds	1,382	275	-	-	-			
<b>Deposits</b>	<b>160,767</b>	<b>156,519</b>	<b>166,027</b>	<b>165,341</b>	<b>160,118</b>			
Demand	5,916	13,663	4,124	4,816	5,947			
Short term	2,846	6,426	10,612	10,816	5,420			
Long term	11,627	11,151	11,017	10,372	10,341			
<b>Due to banks and correspondents</b>	<b>20,390</b>	<b>31,240</b>	<b>25,753</b>	<b>26,004</b>	<b>21,708</b>			
Non-assigned securities to pay	-	-	-	1	6			
Repurchase agreements, net	49	-	44	198	61			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	975	946	1,470	12	3			
<b>Repos &amp; Derivatives:</b>	<b>1,025</b>	<b>946</b>	<b>1,514</b>	<b>211</b>	<b>71</b>			
Income Tax & Profit Sharing	177	66	94	135	201			
Other Payable accounts	3,468	4,559	4,638	3,630	4,538			
<b>Other payable accounts</b>	<b>3,645</b>	<b>4,625</b>	<b>4,732</b>	<b>3,765</b>	<b>4,739</b>			
Subordinated non Convertible Debenture	2,815	2,714	2,829	2,777	6,135			
Deferred Taxes	-	-	-	-	-			
Deferred credits	61	80	114	81	64			
<b>TOTAL LIABILITIES</b>	<b>188,703</b>	<b>196,124</b>	<b>200,968</b>	<b>198,179</b>	<b>192,836</b>			
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	4,656	4,656	4,656	4,656	4,656			
Share subscription premiums	999	999	999	999	999			
Subordinated Convertible Debentures	-	-	-	-	-			
<b>Subscribed Capital</b>	<b>5,655</b>	<b>5,655</b>	<b>5,655</b>	<b>5,655</b>	<b>5,655</b>			
Capital Reserves	2,365	2,518	2,518	2,518	2,518			
Retained Earnings	3,133	2,980	2,980	2,980	3,740			
Surplus (Deficit) from securities	228	242	160	145	156			
Results of foreign operations exchange	-	-	-	-	-			
Excess (Insuf.) in capital restatement	(2,411)	(2,411)	(2,411)	(2,412)	(2,412)			
Non Mon assets results Fixed Assets	12	12	12	12	12			
Non Mon assets results Investm	(105)	(109)	(129)	(83)	(157)			
Adjustment in the employees pension	-	-	-	-	-			
Accumulated Deferred tax effect	(282)	(282)	(282)	(282)	(282)			
Net Income	308	461	752	1,020	340			
<b>Earned Capital</b>	<b>3,248</b>	<b>3,410</b>	<b>3,600</b>	<b>3,898</b>	<b>3,916</b>			
Minority Holdings	-	-	1	1	1			
<b>Total Stockholder 's Equity</b>	<b>8,903</b>	<b>9,066</b>	<b>9,256</b>	<b>9,554</b>	<b>9,572</b>			
<b>TOTAL LIABILITIES &amp;</b>	<b>197,606</b>	<b>205,190</b>	<b>210,224</b>	<b>207,733</b>	<b>202,408</b>			

(\*) Consolidate Subsidiaries.

**MEMORANDUM ACCOUNTS OF BANORTE**

<i>(Millions of Pesos)</i>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Signature guarantees granted	-	-	-	33	32			
Other contingent obligations	15,021	15,289	15,304	16,503	13,898			
Irrevocable lines of credit	915	977	1,043	793	1,344			
Assets held in trust and mandate	58,672	57,160	57,446	55,816	57,890			
Assets held in custody or in	133,059	127,371	118,073	107,227	110,406			
Investment banking transactions for	49,815	50,102	50,412	55,777	52,862			
Engaged amounts in fobaproa operations	6,004	6,397	6,684	6,855	7,403			
Investment of retirement saving funds	233	244	252	251	-			
Integration of loan portfolio	-	-	-	-	-			
Received amounts in derivative	6,580	6,860	7,777	10,595	10,364			
Fobaproa trusts	-	-	-	-	-			
Securities to be received	47,101	50,729	54,560	70,572	81,533			
(Less) payable for reversal	(47,034)	(50,727)	(54,502)	(70,750)	(81,482)			
Receivables for reversal	47,037	50,673	54,965	6,521	35,895			
(Less) securities to be delivered	(47,086)	(50,661)	(55,009)	(6,514)	(35,908)			
Other control accounts	372,990	352,614	229,325	229,959	-			
	<b>643,307</b>	<b>617,027</b>	<b>486,329</b>	<b>483,638</b>	<b>254,237</b>			

**BANCO DEL CENTRO (Bancen)- INCOME STATEMENT (\*)** (Millions of Pesos)

NET INTEREST INCOME	1Q03	2Q03	3Q03	4Q03	ACUM	1Q04	2Q04	3Q04	4Q04	ACUM
Interest Income	2,007	1,311	1,056	521	4,894	88				88
Interest Expense	1,991	1,289	1,000	501	4,781	58				58
Loan Fees	-	-	-	-	-	-				-
Fees Paid	-	-	-	-	-	-				-
<b>Net Interest Income (NII)</b>	<b>16</b>	<b>22</b>	<b>56</b>	<b>20</b>	<b>113</b>	<b>31</b>				<b>31</b>
Repomo-Margin	(6)	(2)	(9)	(34)	(51)	(17)				(17)
<b>NII after Repomo</b>	<b>10</b>	<b>20</b>	<b>46</b>	<b>(14)</b>	<b>62</b>	<b>13</b>				<b>13</b>
Loan Loss Provisions	9	5	4	(4)	14	2				2
Loss Sharing Provisions	-	-	-	-	-	-				-
<b>NII after Provisions</b>	<b>1</b>	<b>14</b>	<b>42</b>	<b>(10)</b>	<b>47</b>	<b>12</b>				<b>12</b>
Fund transfers	-	-	-	-	-	-				-
Account management	-	-	-	-	-	-				-
Fiduciary	6	5	6	6	22	5				5
Income from Loan Portfolios Acquired	167	125	159	268	720	173				173
Electronic Banking Services	-	-	-	-	-	-				-
Credit Card	-	-	-	-	-	-				-
Fees from FOBAPROA	2	1	35	11	50	14				14
Other fees	241	166	270	174	850	265				265
<b>Fees on services,</b>	<b>416</b>	<b>297</b>	<b>470</b>	<b>459</b>	<b>1,642</b>	<b>458</b>				<b>458</b>
Fund transfers	-	-	-	-	-	-				-
Other fees	14	9	13	9	44	10				10
Expenses from Loan Portfolios Acquired	113	75	109	18	315	116				116
<b>Fees paid,</b>	<b>127</b>	<b>84</b>	<b>122</b>	<b>27</b>	<b>359</b>	<b>125</b>				<b>125</b>
Foreign exchange	-	-	-	-	-	-				-
Securities -Realized gains	135	314	6	40	495	68				68
Securities- Unrealized gains	(1)	(32)	39	4	10	7				7
<b>Market-related Income</b>	<b>134</b>	<b>282</b>	<b>45</b>	<b>44</b>	<b>505</b>	<b>76</b>				<b>76</b>
<b>Total Non Interest Income</b>	<b>423</b>	<b>496</b>	<b>393</b>	<b>476</b>	<b>1,788</b>	<b>408</b>				<b>408</b>
<b>Total Operating Income</b>	<b>424</b>	<b>510</b>	<b>436</b>	<b>466</b>	<b>1,835</b>	<b>420</b>				<b>420</b>
Personnel	1	2	1	2	6	1				1
Professional Fees	8	25	10	11	54	11				11
Administrative and Promotion Expenses	114	102	117	109	440	103				103
Rents, depreciation and amortization	28	28	28	30	113	27				27
Taxes, other than income tax	5	3	6	16	30	22				22
Contributions to IPAB	2	1	1	1	5	1				1
Corporate expenses Recoveries	-	-	-	-	-	-				-
<b>Non-Interest Expense</b>	<b>158</b>	<b>161</b>	<b>163</b>	<b>168</b>	<b>650</b>	<b>164</b>				<b>164</b>
<b>Operating Income</b>	<b>266</b>	<b>349</b>	<b>273</b>	<b>298</b>	<b>1,185</b>	<b>255</b>				<b>255</b>
Other Revenues	-	-	-	-	-	-				-
Foreign exchange	-	-	-	-	-	-				-
Recoveries	1	-	42	5	48	2				2
Repomo-other revenues	-	-	-	-	-	-				-
<b>Non Operating Income</b>	<b>1</b>	<b>-</b>	<b>42</b>	<b>5</b>	<b>49</b>	<b>2</b>				<b>2</b>
Other Expense	(22)	-	-	-	(23)	-				-
Foreign exchange	-	-	-	-	-	-				-
Repomo-other Expenses	(21)	(4)	(13)	(24)	(63)	(35)				(35)
<b>Non Operating Expense</b>	<b>(43)</b>	<b>(5)</b>	<b>(13)</b>	<b>(24)</b>	<b>(86)</b>	<b>(35)</b>				<b>(35)</b>
<b>Non Operating Income (Expense), net</b>	<b>(42)</b>	<b>(4)</b>	<b>29</b>	<b>(20)</b>	<b>(37)</b>	<b>(33)</b>				<b>(33)</b>
<b>Pre-tax Income</b>	<b>223</b>	<b>345</b>	<b>302</b>	<b>278</b>	<b>1,148</b>	<b>223</b>				<b>223</b>
Income tax	49	30	52	(2)	130	53				53
Profit sharing	-	-	-	-	-	-				-
Tax on Assets	-	-	-	-	-	-				-
Deferred Inc. Tax and Profit sharing	(10)	-	(6)	1	(16)	(10)				(10)
	<b>38</b>	<b>30</b>	<b>46</b>	<b>-</b>	<b>114</b>	<b>43</b>				<b>43</b>
<b>Net income before subsidiaries</b>	<b>185</b>	<b>315</b>	<b>256</b>	<b>278</b>	<b>1,034</b>	<b>180</b>				<b>180</b>
Subsidiaries' net income	7	15	6	6	33	7				7
<b>Net Income from continuous operations</b>	<b>192</b>	<b>329</b>	<b>262</b>	<b>284</b>	<b>1,068</b>	<b>187</b>				<b>187</b>
Extraordinary items, net	-	-	-	-	-	-				-
Minority Interest	36	20	41	10	107	37				37
<b>TOTAL NET INCOME</b>	<b>156</b>	<b>309</b>	<b>221</b>	<b>274</b>	<b>960</b>	<b>150</b>				<b>150</b>

(\*) Consolidate Afore

**BANCO DEL CENTRO (Bancen)-BALANCE SHEET** *(Millions of Pesos)*

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>1,108</b>	<b>1,354</b>	<b>920</b>	<b>768</b>	<b>777</b>			
Negotiable Instruments	170	241	341	248	317			
Securities held for sale	-	-	-	-	-			
Securities held to maturity	342	327	328	326	325			
<b>Financial Instruments:</b>	<b>512</b>	<b>568</b>	<b>669</b>	<b>573</b>	<b>642</b>			
Valores no asignados por liquidar	-	-	1	-	1			
Repurchase agreements, net	64	16	87	4	16			
Operations with collateral	-	-	-	-	-			
Futures receivable, net	-	-	-	-	-			
Options and derivatives, net	-	-	-	-	-			
<b>Repos &amp; Derivatives :</b>	<b>64</b>	<b>16</b>	<b>88</b>	<b>4</b>	<b>17</b>			
Commercial	299	221	202	142	106			
Financial Intermediaries	-	205	331	-	-			
Consumer	-	-	-	-	-			
Mortgage	276	271	273	267	254			
Government Entities	19	6	10	12	16			
Fobaproa	-	-	-	-	-			
Fiduciary collection rights	-	-	-	-	-			
<b>Performing Loans</b>	<b>594</b>	<b>703</b>	<b>816</b>	<b>422</b>	<b>376</b>			
Commercial	183	176	175	161	157			
Financial Intermediaries	-	-	-	-	-			
Consumer	-	-	-	-	-			
Mortgage	154	154	146	148	152			
Government Entities	-	-	-	-	-			
<b>Past Due Loans</b>	<b>337</b>	<b>331</b>	<b>321</b>	<b>310</b>	<b>309</b>			
<b>Total Loans</b>	<b>931</b>	<b>1,034</b>	<b>1,137</b>	<b>731</b>	<b>685</b>			
Preventive loan loss reserves	461	460	459	444	441			
<b>Net Loan Portfolio</b>	<b>470</b>	<b>574</b>	<b>679</b>	<b>287</b>	<b>244</b>			
Credit Assets Portfolio	1,824	1,740	1,618	2,100	1,951			
Sundry debtors and other assets, net	221	193	246	320	299			
Foreclosed assets, net	22	21	21	21	19			
Real Estate, Furniture & Equipment, net	116	118	119	119	118			
Investments in subsidiaries	309	322	325	324	366			
Deferred taxes	-	-	-	-	-			
Deferred charges & Intangibles	411	385	359	331	307			
UDIS Mortgage loans reserve coverage	-	-	-	-	-			
<b>Other Assets</b>	<b>2,904</b>	<b>2,779</b>	<b>2,687</b>	<b>3,216</b>	<b>3,062</b>			
<b>TOTAL ASSETS</b>	<b>5,058</b>	<b>5,290</b>	<b>5,042</b>	<b>4,848</b>	<b>4,742</b>			

Figures are presented in constant pesos set at the close of March, 2004

**BANCO DEL CENTRO (Bancen)-BALANCE SHEET** *(Millions of Pesos)*

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	-	-	-	1	-	-	-	-
Time Deposits	758	756	469	80	328	-	-	-
Bonds	-	-	-	-	-	-	-	-
<b>Deposits</b>	<b>758</b>	<b>756</b>	<b>469</b>	<b>81</b>	<b>328</b>	-	-	-
Demand	512	437	318	869	382	-	-	-
Short term	-	-	1	13	13	-	-	-
Long term	322	301	122	101	97	-	-	-
<b>Due to banks and correspondents</b>	<b>834</b>	<b>738</b>	<b>441</b>	<b>983</b>	<b>491</b>	-	-	-
Non-assigned securities to pay	-	-	-	-	1	-	-	-
Repurchase agreements, net	9	12	63	3	-	-	-	-
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	-	-	-	-	-	-	-
<b>Repos &amp; Derivatives:</b>	<b>9</b>	<b>12</b>	<b>63</b>	<b>3</b>	<b>1</b>	-	-	-
Income Tax & Profit Sharing	53	75	131	89	34	-	-	-
Other Payable accounts	128	102	83	35	58	-	-	-
<b>Other payable accounts</b>	<b>181</b>	<b>177</b>	<b>214</b>	<b>123</b>	<b>92</b>	-	-	-
Subordinated non Convertible Debenture	-	-	-	-	-	-	-	-
Deferred Taxes	113	112	100	95	83	-	-	-
Deferred credits	-	-	-	1	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,894</b>	<b>1,795</b>	<b>1,286</b>	<b>1,287</b>	<b>996</b>	-	-	-
<b>STOCKHOLDER'S EQUITY</b>	-	-	-	-	-	-	-	-
Paid-in Capital	1,096	1,096	1,096	1,096	1,096	-	-	-
Share subscription premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>1,096</b>	<b>1,096</b>	<b>1,096</b>	<b>1,096</b>	<b>1,096</b>	-	-	-
Capital Reserves	172	215	215	215	215	-	-	-
Retained Earnings	1,247	1,204	1,204	828	1,788	-	-	-
Surplus (Deficit) from securities	(13)	(13)	(13)	(13)	(13)	-	-	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	2	4	4	-	-	-	-	-
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(59)	(59)	(59)	(59)	(61)	-	-	-
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	156	465	686	960	150	-	-	-
<b>Earned Capital</b>	<b>1,504</b>	<b>1,815</b>	<b>2,037</b>	<b>1,931</b>	<b>2,079</b>	-	-	-
Minority Holdings	563	583	623	534	571	-	-	-
<b>Total Stockholder's Equity</b>	<b>3,163</b>	<b>3,494</b>	<b>3,756</b>	<b>3,561</b>	<b>3,746</b>	-	-	-
<b>TOTAL LIABILITIES &amp;</b>	<b>5,058</b>	<b>5,290</b>	<b>5,042</b>	<b>4,848</b>	<b>4,742</b>	-	-	-

(\*) Consolidate Afore

**MEMORANDUM ACCOUNTS OF BANCEN**

	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Signature guarantees granted	-	-	-	-	-	-	-	-
Other contingent obligations	1,676	1,650	1,553	1,527	1,354	-	-	-
Irrevocable lines of credit	-	-	-	-	-	-	-	-
Assets held in trust and mandate	24,397	27,460	28,228	27,902	29,437	-	-	-
Assets held in custody or in	757	755	469	80	328	-	-	-
Investment banking transactions for	-	-	-	-	-	-	-	-
Engaged amounts in fobaproa operations	-	-	-	-	-	-	-	-
Investment of retirement saving funds	-	-	-	-	-	-	-	-
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative	-	-	-	-	-	-	-	-
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	74,985	78,699	77,673	453	14,641	-	-	-
(Less) payable for reversal	(74,922)	(78,711)	(77,586)	(456)	(14,625)	-	-	-
Receivables for reversal	7,758	10,902	13,467	316	-	-	-	-
(Less) securities to be delivered	(7,766)	(10,887)	(13,530)	(312)	-	-	-	-
Other control accounts	43,469	43,320	44,611	43,339	-	-	-	-
	<b>70,354</b>	<b>73,189</b>	<b>74,885</b>	<b>72,849</b>	<b>31,135</b>	-	-	-

**Annex 6. Notes to Banking Sector Financial Statements**
**Financial Instruments and Valuation Effects 1Q04**

NEGOTIABLE INSTRUMENTS	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
Government Securities	2,867	2,870	3
Banking Securities	1,912	1,911	-
Private	90	90	1
Commercial Paper	363	364	-
<b>Total</b>	<b>5,232</b>	<b>5,236</b>	<b>3</b>
SECURITIES HELD FOR SALE			
Government Securities	-	-	-
Mexican Government Securities (UMS)	253	257	4
Bonds public company	238	237	(1)
Eurobonds	810	107	(703)
Swap of Coverage purposes	(5)	(6)	(1)
<b>Total</b>	<b>1,297</b>	<b>596</b>	<b>(702)</b>
SECURITIES HELD TO MATURITY			
Special Cetes	3,546	3,546	-
Trust Bonds	-	-	-
Fiduciary Rights	35	26	(9)
Bonds	210	210	-
Mexican Government Securities (UMS) (US Dollars)	6,968	6,968	-
Mexican Government Securities (UMS) (Euros)	540	540	-
US Clearing Master Trust	-	-	-
Swap Private company	-	-	-
Swap Public company	1,036	1,036	-
Swap of Coverage purposes	(1,582)	(1,582)	-
<b>Total</b>	<b>10,753</b>	<b>10,744</b>	<b>(9)</b>
<b>TOTAL</b>			

**Repurchase Agreement Operations 1Q04**
*(Millions of Pesos)*

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	90,012	117
Banking Securities	6,162	(1)
<b>Total</b>	<b>96,174</b>	<b>115</b>
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	35,607	63
Banking Securities	349	(2)
<b>Total</b>	<b>35,956</b>	<b>61</b>

1) RECEIVABLES ON REPURCHASE AGREEMENT

2) PAYABLES ON REPURCHASE AGREEMENT

**Non-governmental Financial Instruments above by 5% of Net Capital 1Q04**
*(Millions of Pesos)*

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
SERFIN	Term Deposits	999	5.6%

Figures are presented in constant pesos set at the close of March, 2004



### Loan Portfolio

(Million of Pesos)	LOCAL CURRENCY			FOREIGN CURRENCY			TOTAL		
	1Q03	4Q03	1Q04	1Q03	4Q03	1Q04	1Q03	4Q03	1Q04
<b>Performing Loans</b>									
Commercial	22,369	27,726	27,217	8,398	6,792	6,190	30,768	34,519	33,407
Financial Intermediaries	3,269	3,099	2,780	446	307	241	3,715	3,406	3,021
Consumer	5,939	8,797	9,516	7	4	5	5,947	8,801	9,521
Mortgages	12,833	14,963	15,524	-	-	-	12,833	14,963	15,524
Government Entities	88,950	78,767	76,607	778	742	680	89,729	79,509	77,288
Fobaproa	7,054	7,002	6,936	(177)	(204)	(202)	6,877	6,798	6,734
<b>Total</b>	<b>140,415</b>	<b>140,355</b>	<b>138,581</b>	<b>9,453</b>	<b>7,642</b>	<b>6,914</b>	<b>149,868</b>	<b>147,997</b>	<b>145,495</b>
<b>Past Due Loans</b>									
Commercial	906	1,120	1,169	1,085	789	750	1,991	1,909	1,919
Financial Intermediaries	-	-	-	-	-	-	-	-	-
Consumer	335	457	475	-	-	1	336	457	475
Mortgages	1,229	1,203	1,201	-	-	-	1,229	1,203	1,201
Government Entities	8	8	8	-	-	-	8	8	8
<b>Total</b>	<b>2,479</b>	<b>2,788</b>	<b>2,853</b>	<b>1,085</b>	<b>789</b>	<b>750</b>	<b>3,564</b>	<b>3,577</b>	<b>3,603</b>
<b>Total Proprietary Loans</b>	<b>142,894</b>	<b>143,143</b>	<b>141,433</b>	<b>10,538</b>	<b>8,431</b>	<b>7,664</b>	<b>153,432</b>	<b>151,574</b>	<b>149,098</b>
<b>% Past Due Loans</b>									

(\*) Includes valued UDIS

(1) Excludes Fobaproa-IPAB notes and loan to IPAB that are accounted in the Loans to Government Entities line.

(2) Includes Fobaproa promissory notes and loans to IPAB registered in Government Entities.

Note: There is no scheme for Mortgage Earnings.

### Cost and Balances of FINAPE, FOPIME, Mortgage UDIS and Mortgage FOVI loan portfolios as of 1Q04

(Millions of Pesos)	TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO
FINAPE	0.5	4.7
FOPYME	1.3	7.1
Mortgage UDIS	13.1	125.6
Mortgage FOVI	16.8	81.4
	<b>31.6</b>	<b>344.4</b>

The quarter ending with a balance of Ps 344.4 million pesos in debtors support programs with a cost of the period of Ps 31.6 million. The 99% of this portfolio are concentrated in Banorte.

### Past Due Loans Variations as of 1Q04

Past Due Loans		
<b>Balance as of December 31,03</b>		<b>3,517</b>
Performing loans to Past due loans transfers		499
Renewals		(34)
Cash Collections		(152)
Charge Offs		(9)
Foreclosures		(2)
Past due loans to Performing loans transfers		(233)
Exchange Adjustment		17
<b>Balance as of March 31,04</b>		<b>3,603</b>

Figures are presented in constant pesos set at the close of March, 2004

### Troubled Portfolio 1Q04

The National Banking and Securities Commission (CNByV) accepted the Proposal of the Bankers Association of Mexico (ABM), to consider as a Troubled Portfolio the D and E risk grades of the portfolio classification. The following table shows the troubled portfolio.

(Millions of Pesos)	TOTAL
Troubled Portfolio	2,490
Total Loans	149,098
Troubled Portfolio / Total Loans	1.7%

### Fobaproa

(Millions of Pesos)	REMAINING CONTINGENCIES	
	LOSS(1) SHARING	INCENTIVE(1) SCHEME
Gross Fobaproa notes balance	11,246	6,753 <sup>(2)</sup>
- Cash recoveries	3,307	2,111 <sup>(2)</sup>
Reposessed assets	=	=
= Balance net of recoveries	7,939	4,642
Contingency before reserves	2,117	352
- Reserves	<u>2,117</u>	<u>352</u>
= Remaining contingencies	-	-

1) Includes only cash recoveries.

2) Included in Loss Sharing program.

Banorte provisioned Ps 106 million through the Income Statement during the quarter to keep 100% provisioned on the FOBAPROA-IPAB Loss Sharing program and Incentive Scheme. Cash recoveries in the Loss Sharing program represented 29.4% of Banorte's Gross FOBAPROA-IPAB notes balance.

### Fobaproa Notes Integration 1Q04

(Millions of Pesos)	BANORTE				BANCEN	BANPAIS		BANKING SECTOR
	LOSS SHARING LOCAL CURRENCY	LOSS SHARING DOLLARS	WITHOUT RISK	INCENTIVE SCHEME	LOCAL CURRENCY	LOCAL CURRENCY	DOLLARS	TOTAL
Gross Balance	11,115	131	1,434	Ⓜ	-	-	-	12,680
- Checking account balance	2,973	333	170	Ⓜ	1	-	-	3,477
- Reserves	2,117	-	-	(351)	-	-	-	2,468
= Net Balance	<b>6,025</b>	<b>(202)</b>	<b>1,264</b>	<b>(351)</b>	<b>(1)</b>	-	-	<b>6,734</b>
Interest Rate	CETES 91-1.35	LIBOR 6M+1	CETES 91	N.A.	N.A.	-	-	-
Maturity	2005	2006	2006	2005/2006	N.A.	-	-	-
Remaining Contingencies	-0-	-0-	No exist	-0-	No exist	-	-	-

1) Ps 6,681y Ps 2,047, Gross Balance and Checking account balance of Incentive Scheme are included in Loss Sharing.  
N.A.- Not Applicable

## ORIGIN OF THE NOTES

The source of the Fobaproa-IPAB notes is different as each was given for different objectives, according to the following list:

FOBAPROA NOTES	YEAR	ORIGIN
BANORTE		
LOSS SHARING WITHOUT RISK	1995-1996	Sale of Loans to Fobaproa
BANPAIS	1996	Sale of Loans to Fobaproa
SIMPLE CREDIT	1996-1997	Reorganization
BANCRECER	2000	Reorganization
	1999	Reorganization

## SIGNIFICANCE IN BANORTE BALANCE

	1997	1998	1999	2000	2001	2002	2003	1Q04
% Total Loans	70.9%	64.6%	63.5%	58.7%	55.5%	55.7%	50.8%	49.9%
% Total Assets	60.6%	53.5%	43.7%	46.7%	44.5%	43.5%	36.5%	36.2%

## Deferred Taxes 1Q04

<i>(Millions of Pesos)</i>			
ASSETS	ISR	PTU	NET
Allowance for loan losses (not deducted)	-	-	-
Tax loss carryforwards	425	-	425
Deficit from retirement obligations	207	63	269
Non deductible provisions and accumulative income	78	24	102
Reserves for BN+BCR integration expenses	18	5	23
Obligations FOBAPROA, Net	674	-	674
Others	=	=	=
<b>Total Assets</b>	<b>1,402</b>	<b>92</b>	<b>1,494</b>
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(375)	(55)	(430)
<b>Total liabilities</b>	<b>(375)</b>	<b>(55)</b>	<b>(430)</b>
<b>Assets (Liabilities) Accumulated Net</b>	<b>1,027</b>	<b>37</b>	<b>1,064</b>

## Long term debt as of 1Q04

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	AMOUNT (Millions Ps o Dls)	ORIGINAL AMOUNT (Millions Ps, Dls o UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
<b>BANORTE</b>								
CD's - Banorte U01001	UDIs	11-Ene-01	308	90	10 years	8.13%	30-Dic-10	E/182 days
CD's - Banorte U01002	Ps	29-May-01	20	20	3 years	TIE-0.25%	25-May-04	E/28 days
Non Convertible Subordinate Bonds-Qbanorte 01U	UDIs	21-Jun-01	1,486	436	8 years	8.00%	21-Jun-09	E/182 days
CD's -Banorte M7001	Ps	30-Sep-97	16	16	7 years	17.65%	21-Sep-04	E/182 days
Non Convertible Subordinate Bonds -QBanorte 02D	Ps	28-Nov-02	1,250	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados - Banorte M7001	Ps	27-Ene-03	100	100	3 years	TIE-0.25%	10-Jul-06	E/28 days
Step-Up Subordinated Callable Notes Due 2014	USD	17-Feb-04	3,363	300	10 years	5.875 %	17-Feb-14	E/180 days
CD's 1999-2A	Dls	15-Jul-99	7.3	75	5 years	8.94%	15-Jul-04	Monthly
CD's Serie 1999-2B	Dls	15-Jul-99	13.1	25	7 years	9.49%	15-Jul-06	Monthly

Figures are presented in constant pesos set at the close of March, 2004

### Bank and Other entities loans as of 1Q04

<i>(Millions of Pesos)</i>	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	547	L+6	485	547
LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY	-	-	-	-	-	-	-
LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN	-	-	-	342	2.18	1144	342
SECURITIZATION	-	-	-	229	9.23	321	229
LOANS FROM DEVELOPING BANKS	310	11.43	715	541	3.26	691	851
LOANS FROM PUBLIC FUNDS	6,242	5.55	669	336	1.96	416	6,578
LOANS FROM BANKS	5,700	6.18	6	-	-	-	5,700
CALL MONEY	3,487	6.12	1	-	-	-	3,487
LOANS FROM FIDUCIARY FUNDS	4,051	9.62	8,556	-	-	-	4,051
PROVISIONS FOR INTEREST	33	N.A.	N.A.	-	-	-	33
	<b>19,823</b>			<b>1,995</b>			<b>21,818</b>

### Trading Income 1Q04

*(Millones de Pesos)*

VALUATION EFFECTS	NET
Negotiable Instruments	9
Repurchase	(10)
Futures	(5)
Foreign Currency Forwards	18
Options	-
Securities loans	-
Range	-
Inflation Adjustment	-
<b>Total</b>	<b>12</b>
RESULTS FROM BUYING AND SELLING	
Negotiable Instruments	253
Securities Held for Sell	17
Inflation Adjustment	-
<b>Total of Buying and Selling Instruments</b>	<b>270</b>
FX Spot	47
FX Forwards	1
FX Futures	-
FX Futures TIIE	-
Forwards	1
<b>Total of Foreign Exchange</b>	<b>49</b>
Inflation Adjustment	2
<b>Total of Buying and Selling</b>	<b>321</b>
<b>TOTAL TRADING INCOME</b>	<b>333</b>

**Banco Mercantil del Norte, S.A.**

**AD1.- CAPITALIZATION RATIO**

Breakdown of capitalization ratio for credit risk assets as well as assets subject to credit and market risk.

Net Capital to Credit Risk Assets: 18.8%

Net Capital to Assets subject to Credit and Market Risk: 14.76%

**AD2.- CAPITAL INTEGRATION**

The net capital, divided by the basic and supplementary capital, as well as a brief integration of both broken down with the most important elements that make them up. The following should be incorporated as the minimum concepts relative to capital integration:

**Net Capital: 15,135**

<b>Tier 1 Capital</b>		<b>9,461</b>	<b>Tier 2 Capital</b>		<b>5,674</b>
Stockholders Equity	9,571		Capitalization Instruments	4,730	
Subordinated debt and Capitalization Instruments	1,234		(+)General Preventive Reserves	943	
Deferred for Tier 1	1,094				
(-) Investment in Subordinated debt	-				
(-) Investment in Financial Institutions	94				
(-) Investment in Non-Financial Institutions	526				
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries	-				
(-) Excess on deferred taxes	1,094				
(-) Restructuring Charges and others intangibles	724				
(-) Others Assets	-				

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk weighted assets: 25,836</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations	15,738	1,259
Peso or UDI real interest rate operations	1,235	99
Interest rate operations in foreign currency with nominal rate	4,842	387
Position in UDIS or with a return indexed to inflation	10	1
Positions in foreign currency or indexed to the FX rate	205	16
Positions in share or index to the price of securities	-	-

<b>Credit Risk-Weighted Assets: 81,884</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	617	49
Group 2 (risk weight 120%)	2,273	182
Others (risk weight 50%)	1,017	81
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	68,731	5,498
Others (risk weight 112%)	-	-
Others (risk weight 115%)	7,361	589
Others (risk weight 150%)	-	-
Others	496	40

## Banco del Centro, S.A.

### AD1.- CAPITALIZATION RATIO

Breakdown of capitalization ratio for credit risk assets as well as assets subject to credit and market risk.

Net Capital to Credit Risk Assets: 88.52%

Net Capital to Assets subject to Credit and Market Risk: 20.77%

### AD2.- CAPITAL INTEGRATION

The net capital, divided by the basic and supplementary capital, as well as a brief integration of both broken down with the most important elements that make them up. The following should be incorporated as the minimum concepts relative to capital integration:

#### Net Capital: 2,603

Tier 1 Capital	2,567	Tier 2 Capital	37
Stockholders Equity	3,175	Capitalization Instruments	-
Subordinated debt and Capitalization Instruments	-	(+)General Preventive Reserves	37
Deferred for Tier 1	-		
(-) Investment in Subordinated debt	-		
(-) Investment in Financial Institutions	608		
(-) Investment in Non-Financial Institutions	-		
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries	-		
(-) Excess on deferred taxes	-		
(-) Restructuring Charges and others intangibles	-		
(-) Others Assets	-		

### AD3.- RISK ASSETS

Amount of weighted assets with market risk and credit risk.

Market risk Weighted Assets: 1,382	Weighted Assets	Required Capital
Peso Nominal interest rate operations	9,380	750
Peso or UDI real interest rate operations	89	7
Interest rate operations in foreign currency with nominal rate	5	-
Position in UDIS or with a return indexed to inflation	1	-
Positions in foreign currency or indexed to the FX rate	-	-
Positions in share or index to the price of securities	118	9

Credit Risk-Weighted Assets: 2,279	Weighted Assets	Required Capital
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	54	4
Group 2 (risk weight 20%)	3	-
Others (risk weight 50%)	-	-
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	2,859	229
Others (risk weight 112%)	-	-
Others (risk weight 115%)	-	-
Others (risk weight 150%)	-	-
Others	26	2

## Risk Management

### Market Risk

The Banking Sector of Grupo Financiero Banorte, S.A. has been applying since January 2003 the non-parametric historical simulation method to estimate the Value at Risk (VaR).

This new methodology is used both to calculate the market risk as well as to set and control internal limits, considering a two-tail 99% reliability level, besides being multiplied by a safety factor that depends on the behavior of the main risk factors that affect the appraisal of the Banking Sector's (BANORTE & BANCEN) current portfolios.

This method is applied to all the Banking Sector's portfolios that are exposed to variations in risk factors that can have a direct effect on their valuation (domestic interest rates, foreign interest rates, exchange rates, among others).

The VaR under this method means the potential loss for one day that could affect the loan portfolio valuation at a certain date, with a two-tail 99% reliability level assuming that the 500 immediate historical scenarios repeat in the future, multiplying said result by a safety factor that guarantees coverage of all the unforeseen volatility in the main risk factors that affect such portfolios.

The average Value at Risk (VaR) for the January-March 2004 quarter for the Banking Sector's financial instrument portfolios, including bonds, shares, money market transactions, swaps, forwards, futures, and others derived within and out of the balance, is Ps 259 million.

The VaR for other periods are as follows:

Millions of nominal pesos	1Q03	2Q03	3Q03	4Q03	1Q04
Banorte VaR *	161	126	166	217	258
Banorte's Net Capital ***	10,720	10,905	11,329	11,739	15,135
VaR / Banorte's Net Capital	1.50%	1.16%	1.47%	1.85%	1.70%
Bancén VaR *	153	133	105	51	12
Bancén's Net Capital ***	1,918	2,275	2,453	2,445	2,603
VaR / Bancén's Net Capital	7.98%	5.85%	4.28%	2.09%	0.46%
Banking Sector's VaR *	184	163	182	242	259
Banking Sector Net Capital ****	12,638	13,180	13,782	14,184	17,738
VaR / Banking Sector Net Capital	1.46%	1.24%	1.32%	1.71%	1.46%

\* Quarterly Average

\*\*\* Net Capital at the end of the period.

\*\*\*\* Banking Sector Net Capital is the sum of Banorte and Bancén's Net Capital.

The Value at Risk for the Banking Sector (BANORTE & BANCEN) takes into consideration the correlations between all the risk factors that influence portfolio appraisal, which explains the difference in the arithmetic sum of the Value at Risk per Institution.

Additionally, the Value at Risk per risk factor of the instruments portfolio described for the Banking Sector as a whole, was as follows for the first quarter of 2004:

(Millios of pesos)

RISK FACTOR	VaR
Domestic interest rate	135
Foreign interest rate	146
Exchange rate	221
Stock Exchange	1
Eurobonds Price	219
Total	259

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables that make up each one of said factors, while keeping the variables that affect the rest of the indicated risk factors constant. The consolidated Value at Risk for the Banking sector takes into consideration the correlations of all the risk factors affecting the portfolio appraisal, which is why the sum of the Value at Risk per Institution does not match.

### Credit risk

Credit risk is the risk of clients failing to meet their payments. Therefore, it is essential to correctly manage such a risk in order to maintain a quality loan portfolio.

The objectives of credit risk management at GFNorte are:

- To develop and carry out credit risk policies that are compatible with the strategic objectives of the institution.
- To support strategic decision-making, maximizing the creation of value for the stockholders and guaranteeing security for our clients.
- To set specific policies and procedures to identify the level of risk of the debtor, using said procedures as a basis for granting loans as well as for their follow-up.
- To calculate the exposure of credit risk in time, considering and evaluating the concentration of exposure by qualifying risk, geographical regions, economic activities, currency and type of product.
- To create diversification strategies of the loan portfolio, setting down its limits.
- To implement a global credit risk management supervising all the operations and aspects related to credit risk.

### Individual Credit risk

Individual risk is identified and measured at GFNorte by Qualifying Credit risk, per Target Markets and pursuant to the Risk Acceptance Criteria.

Regarding the commercial loans credit risk classification, departing 1Q01, this process carried out based on Circular 1480 of the CNBV, using Banorte's Risk Internatl Classification (RIC) in order to calculate debtor rank and circular 1480 to calculate credit ranking. For small credits, a parametric system is used. Mortgage loans, Consumer loans and Credit Cards are classified using their specific CNBV circulars.

The Target Markets and the Risk Acceptance Criteria are tools that are part of GFNorte's loan strategy which help in determining individual credit risk levels. The Target Markets are activities selected by region and economic activity, backed up by economic and quality studies of the portfolio in which Banorte is interested in placing loans. The Risk Acceptance Criteria are parameters that describe the identified risks per industry, making it possible to identify the risk implied for the bank in granting a loan to a client depending on the economic activity involved. The types of risk considered in the Risk Acceptance Criteria are financial, operation, market, company life cycle, legal and regulatory, loan experience and management quality.

### Portfolio Credit risk

GFNorte has designed a portfolio credit risk method that, besides contemplating the major and latest international practices in identification, measurement, control and follow-up, has been adapted to work within the context of the Mexican Financial System.

This credit risk methodology makes it possible to know the current value of the portfolio loans (of Banco Mercantil del Norte and Banco del Centro), that is, *the loan exposure*, allowing surveillance of the risk concentration levels per risk qualification, geographical regions, economic activities, currency and type of product in order to know the portfolio's profile and take action to direct it toward a diversification which will maximize profitability with the lowest risk.

Calculating loan exposure implies generating a cash flow of each one of the loans, of both capital and interest to discount it later. This exposure is sensible to changes in the market, thereby facilitating calculations under different economic scenarios.

The method, in addition to contemplating loan exposure, takes into consideration the probability of non-compliance, the recovery level associated to each client and the classification of the debtor based on the Merton model. The *probability of non-compliance* is the probability that the debtor will not meet his/her debt obligation with the bank according to the originally agreed terms and conditions. The probability of non-compliance is based on the transition matrixes that GFNorte calculates from the migration of the debtor through different risk qualification levels. The *recovery ratio* is the percentage of total exposure that is estimated to be recovered in the debtor fails to comply. The *classification of the debtor*, based on the Merton model, associated the debtor's future behavior to loan and market



factors on which his "credit health" depends, as determined by statistical techniques.

The results are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the credit portfolio's loss distribution average. The unexpected loss is the maximum loss at a specific confidence level (95% in this case) given the loss distribution.

The results obtained are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to GFNorte's global strategy. The individual risk identification tools and the portfolio credit risk methodology are periodically checked and updated to allow the application of new techniques that may support or strengthen them. As a result, GFNorte has tools and methods of the highest quality on an international scale to identify, measure, control and follow up credit risks.

The implementation of Circular 1423 of the CNBV for the portfolio credit risk was finished and includes Banco Mercantil del Norte and Bancen Portfolio, additionally we are working in the implementation of a methodology that includes the financial instruments, it will be concluded in this year.

## Information by Segments

With the ultimate goal of improving the understanding of information of the Group and given the importance of the 2 banks (Banorte and Bancen) within the Financial Group, (together representing more than 90% each of the Shares, Deposits, and Profits of the Group), we have included their financial statements and combined indicators proforma together under the "Banking Sector" heading. The Banking Sector is defined as the 2 banks with their respective subsidiaries, except the Afore unit (a subsidiary of Bancen), which is not considered part of this Sector for management reasons (as of the end of 1998). We have also grouped companies corresponding to other Sectors, which are defined in accordance with the orientation of the companies. These Sectors are as follows: The Brokerage Sector which is made up of the Brokerage House; the Long-Term Savings Sector, made up of the Annuities, Insurance and Afore companies, and the Auxiliary Organizations Sector which includes the Leasing, the Brokerage, the Warehousing, and the Bonding companies. For purposes of the Reconciliation Table by Sector, these sectors are all put under the heading "Other Sectors" as they each represent only a very small participation in the group. This segmentation was done on the basis of the International Accounting Normative (NIC 14) and the Statement of Financial and Accounting Standards N° 131 that refers to the rules for presenting financial information by segment.

## Proforma Consolidated Data-1Q04

<i>(Millions of pesos)</i>	<b>BANORTE (1)</b>	<b>BANCEN (3)</b>	<b>TOTAL</b>
<b>Income Statement</b>			
Net Interest Income	1,933	78	2,010
Non Interest Income	1,061	149	1,210
Non Interest Expense	2,429	23	2,451
Other income (expense)	(111)	(33)	(144)
Extraordinary items, net	-	-	-
Net Income	287	203	490
<b>Balance Sheet</b>			
Assets	201,699	4,001	205,700
Loans	148,413	685	149,098
Deposits	160,098	-	160,098
Equity	9,572	3,175	12,747
Past Due Loans	3,294	309	3,603
Loan Loss Reserves	4,140	441	4,581
<b>Ratios</b>			
Non Interest Expense/ Total Assets	1.2%	0.6%	1.2%
% Past Due Loans	2.2%	45.1%	2.4%
Reserves / Past Due Loans	125.7%	142.6%	127.2%
% Capitalization (2)	14.8%	20.8%	15.4%

1) Includes a 96.11% participation of the Group.

2) Includes Market Risks. Using 2003 rules.

3) Excludes the AFORE.

### Inter-bank Eliminations Summary

<i>(Millions of Pesos)</i>	BANORTE	BANCEN	INTERBANK ELIMINATIONS
<b>Income Statement</b>			
Net Interest Income	(52.5)	52.5	-
Non Interest Income	-	-	-
Non Interest Expense	-	-	-
Other Income (expense)	-	-	-
Extraordinary items, net	-	-	-
<b>Balance Sheet</b>			
Assets	(709)	(20)	(729)
Cash and Due from Banks	(381)	(20)	(401)
Financial Instruments	(328)	-	(328)
Loans	-	-	-
Deposits	(20)	(328)	(348)
Due to Banks	-	(381)	(381)
Equity	-	-	-
Past Due Loans	-	-	-
Loan Loss Reserves	-	-	-
Investments in Subsidiaries	-	-	-
Deferred Taxes, (Liabilities) (*)	-	-	-
Deferred Taxes, (Assets) (*)	-	-	-

(\*)Reclassifications, in accordance to CNBV and accounting criteria presentation

The aforementioned table shows the eliminations between the two banks, considered as the "Banking Sector," showing the balance of the same under each heading in the Income Statement and the Balance Sheet. Note, however, that the individual numbers from the pro-forma table of combined indicators cannot be compared directly with those of the individual Financial Statements of each Bank, as one must consider the eliminations contained in this section, and also take into account that the Afore unit is not included under Bancen but *is*, nevertheless, included in the individual Financial Statements of Bancen.

### Reconciliation per Segments Table

<i>(Millions of Pesos)</i>	BANKING SECTOR	OTHER SECTORS	WITHOUT OT. SECT.	TOTAL GROUP
<b>Income Statement</b>				
Net Interest Income	2,010.2	108.5	(8.2)	2,110.5
Non Interest Income	1,210.2	438.7	-	1,648.9
Non Interest Expense	2,451.1	343.0	(16.3)	2,777.8
Other Income (expense)	(143.6)	(20.5)	(8.1)	(172.2)
Extraordinary items, net	-	-	-	-
<b>Balance Sheet</b>				
Assets	205,700	21,179	(14,948)	211,931
Loans	149,098	4,597	(807)	152,888
Deposits	160,098	-	(112)	159,986
Equity	12,747	16,037	(13,922)	14,862
Past Due Loans	3,603	51	-	3,654
Loan Loss Reserves	4,581	56	-	4,637

The criteria for distributing income and expenditures between the Subsidiaries of the Group is done on the basis of the relative size and operational volume of each company, depending on the type of primary service it provides. These criteria are applied to the expenses related to the operation of primary areas, these being Accounting, Systems, and Operations, as well as to the expenses for maintaining the corporate structure.

### **Financial Statements basis for presentation.**

**The Grupo Financiero Banorte (GFNorte)**- Financial Statements of the Financial Group are presented in consolidated form with the figures from its respective subsidiaries as stipulated in regulations of the National Banking and Securities Commission (CNByV) and circular 1400 of March 31, 1998, and the "Accounting Criteria for Controlling Companies of Financial Groups" contained in circular 1489 of the National Banking and Securities Commission (CNByV) of October 30, 2000. This circular was effective as of January 1, 2001. In addition, the Financial Statements of the Banking Institutions were presented consolidated with UDIS and their respective Subsidiaries.

**The Banking Sector (Banorte and Bancen )- The General applications applicable to loan institutions' financial information in effect since July 1, 2003 are the ones being used,** as well as the new groupings contained in bulletin 1488 of October 30, 2000 of the CNByV that was effective from January 1, 2001 & The Presentation Rules from bulletin 1455 from December 14, 1999 from CNBV used since July 1st, 2000. For all periods, figures are presented in constant pesos set at the close of the current reporting period. Therefore the UDI price at the end of each period was used. The information contained herein is based on non-audited information of each of the entities described herein. Results for any interim period are not necessarily indicative of results that may be achieved for a full fiscal year or any other interim period.

**Grupo Financiero Banorte (GFNorte) and the Banking Sector (Banorte y Bancen)** are using the same practices and accounting criteria used in the last Annual Report, according with the stipulated in regulations of the National Banking and Securities Commission (CNByV) in circular 1400 of March 31, 1998, in the circular 1456 of December 22, 1999, in the circular 1448 of October 14, 1999 and the circular 1455 of December 14, 1999. Adding the stipulations of the circular 1488 and the circular 1489 of October 30, 2000 that were effective as of January 1, 2001.

In order to improve the transparency and comparability of the Income Statement of the 1Q00 for the Banking Sector and for the Group, we incorporated all January, 2000 income and expense figures of Banpais (was merged into Banorte in February, 2000) in their corresponding income statement accounts at the Banking Sector and Group levels. January results of Banpais were shown as a net number in the Subsidiaries Net Income account in the 1Q00 release, following the accounting regulations. Besides, beginning 2Q00, a line item was added to Banorte's income statement called: Corporate Expense Recoveries given that this bank concentrates corporate and central processes expenses that are latter charged to Bancen, and previously also to Banpais. While in the case of Banorte this amount can be seen clearly, this figure becomes zero when consolidating the Banking Sector and the Group due to inter-company eliminations.

The financial information contained herein has been prepared in accordance with accounting principles and regulations issued by the National Banking and Securities Commission for those entities, which comprise Grupo Financiero Banorte. These regulations and principles differ from the generally accepted accounting principles established by the Mexican Institute of Public Accountants (Mexican GAAP). They also differ from the accounting principles which are accepted in the United States (US GAAP), and from regulations and principles established by US authorities for the types of businesses, which are part of Grupo Financiero Banorte. In order to present the financial information contained herein in an international format, the classification and presentation format differs from the format used in the publication of such financial information in Mexico. In the United Kingdom, this document may only be distributed to those persons displaying the characteristics described in Article 9 (3) of the Financial Services Act, 1986, or to those to whom its distribution is otherwise fully lawful. The information contained in this report is not, and therefore should not be interpreted as, a solicitation for the purchase or sale of any of the securities issued by the companies of the financial groups described herein.